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## **Appraising in difficult times – an update - by Robert Concannon**

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So here we are, the day after the presidential election, and still waiting for the results. In ordinary times, this would be a feature event of the year with debate and discussion ensuing for weeks. But this is no ordinary year with lockdowns, closing and openings, testing, testing and more testing and now further lockdowns. It is enough to give anyone a migraine with no immediate relief in sight.

So where does this leave us...that is the overriding concern that most appraisers and brokers have been asking on almost a daily basis. A recent set of seminars provided by the NH/VT Appraisal Institute Chapter provided some insight into the state of commercial and residential markets in northern New England. These seminars were presented by a number of local appraisers (commercial and residential) that work throughout New Hampshire and Vermont and Maine.

Detailed below is some of the feedback on the various sectors discussed at the seminars. The commercial groups were present by property type and the residential groups by area.

**Industrial/Warehouse Markets:** Strong overall demand with minimal available inventory in any of the major submarkets. Rental rates and occupancy rates have been steadily increasing with some owner occupants building new properties to meet their own user needs. Local market conditions are following national trends with an increased emphasis on e-commerce and internet-based commerce.

**Office Space:** Great uncertainty exists for this sector with most markets experiencing large concerns about continued occupancy levels and future rental rates. Many office spaces are vacant or nearly vacant with employees working at home. The long-term impact to lease renewals and occupancy levels is unknown. Many tenants have not expressed an interest to vacate or reduce their footprints, but net absorption is certainly not positive at this time. Most market participants reported they will have a better understanding of the direction of this sector later next year.

Retail Space: Almost all sectors are experiencing the fallout from the impact of COVID-19 with reduced sales revenues from social distancing requirements and reduced foot traffic. Because this sector possesses a wide range of various retail types (local retail stores and plazas to larger shopping malls), the current impact is varied by property type and in some instances location (New Hampshire lacks a sales tax). Many larger retail properties have been experiencing a downward trend in terms of rental rates and occupancy levels since the advent of e-commerce over 10 years ago. Current feedback from brokers and participants indicates that the current environment will continue this trend. The outlook for larger retail properties has become so bleak in many areas that owners are looking to reposition properties into alternative uses. The impact to smaller retail properties is more uncertain at this time. The impact to smaller properties varies by use, location and unit sizes. While not included in this sub-market presentation, the restaurant outlook of this sector was even more uncertain.

Residential Sectors: The group of residential sectors included Manchester, Lake Sunapee Region, the Seacoast, and Cheshire County. All participants reported unprecedented levels of demand and appreciation in all classes of a residential housing. The themes for all presenters were very tight market(s) with few listings and many interested buyers prior to the COVID-19 outbreak. This existed in all submarkets surveyed by the group. Adding the many social influences on these markets, many of the presenters reported even greater demand with a disproportionate number of out state buyers and properties being placed under contract at sales prices exceeding their list prices. In essence, the impact of COVID-19 most residential market is akin to dumping gasoline on a surging fire. It was agreed that the current residential market trend, while unsustainable in the long term, shows no signs of slowing down in the short term.

With all these different areas of real estate experiencing a variety of diverse market forces, it is hard to see a larger picture for the broader real estate marketplace. Most participants agreed that the large federal government stimulus package granted earlier this year has delayed market corrections in many submarkets and accelerated market corrections in others. All participants agreed that we have a long way to go in terms of stabilizing most markets given the current public health crisis.

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