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Demand outpacing supply in the Southern New Hampshire industrial market - by Michael Harrington

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The positive ripple effects of the growing digital economy continues to be felt throughout the Southern New Hampshire industrial sector and are amplified by the pandemic.

As witnessed in other sectors of the economy such as housing, retail and education, the pandemic was not the cause of a mega trend but the accelerant to an already established trend that was smoldering beneath. Millennials started migrating out of large urban centers in search of single-family homes for several years, just not at the current accelerated pace. The purchase of retail goods was steadily moving on-line well before the pandemic. And, on-line learning was increasing in prominence as an answer to the rising costs of higher education. Universities like our own, Southern New Hampshire University jumped on this trend and provided a more affordable path to obtaining a higher education.

So how does this translate to the Southern New Hampshire industrial market? Simply stated - decreased vacancy, increased rent and higher values for industry properties in almost every segment of the industrial sector and in almost every market.

The ripple effects of the on-line digital economy coupled with the challenges of social distancing and the lack of travel have created a demand for warehouse distribution space, cross dock space, refrigeration space, research and development space and storage space that can't be met by the existing inventory. Resulting in a tipping point where construction for ground up industrial development becomes a viable solution as no other alternative exists in the market.

Case in point – Hudson Logistics Center: The largest warehouse distribution project in Southern New Hampshire history is currently before the town of Hudson Planning Board. This is a massive (for New Hampshire) three building project totaling over 2.5 million s/f of warehouse distribution and cross dock space on 367 acres of land being developed primarily for Amazon in order to better

service its customers in Southern New Hampshire and Northern Mass. The Manchester-Boston Regional Airport is also feeling positive effects fueled by the digital economy. As was reported by Jonathan Phelps in the Manchester Union Leader on February 10, 2021, the airport is partnering with AeroTerm, a Delaware based developer, to build up to 100,000 s/f of new multi-tenant cargo space with three wide body aircraft parking positions. The new development of this new cargo space is a direct result of the growing demand for cargo being shipped via air in and out of the airport. Airport director Ted Kithens in the same article, reported an increase in cargo activity at Manchester-Boston Regional Airport from approximately 194 million pounds in 2019 to 212 million pounds in 2020. An upward trend that has increased by 33% since 2015.

Recently, I represented an industrial tenant in their search for a 100,000 s/f facility and was fortunate to complete the transaction ahead of an existing lease that was expiring. The previous tenant was relocating to a newly built facility for their own use. I'm back in the market with another 55,000 s/f requirement and have few options, which requires us to expand the search area into more remote locations and to consider ground up construction. In discussions with my colleagues at Colliers, Cushman & Wakefield, CBRE and NAI Norwood all of whom have tenants in search of large warehouse distribution requirements, they are all reporting the same challenges caused by a lack of existing inventory.

The positive ripple effects are quickly turning into waves of activity in the Southern New Hampshire industrial market and it's evident that Southern New Hampshire requires new development to satisfy the demand caused by the shift in consumer behavior accelerated by the pandemic.

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