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As vacancy rates drop investors eye industrial market in NH - by Kristie Kyzer

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Kristie Kyzer
Colliers International

As many business owners are excited to distance themselves from 2020, the “wait and see” trend seems to be ending and commercial real estate decisions are being made. The office market saw more space become available, but some tenants are just relocating to smaller footprints. The industrial market is on the other end of the spectrum. With users taking more space, the vacancy rate continues to drop and investors are eyeing the industrial market.

The pandemic brought uncertainties and stalled the office category, but the vacancy rate only increased year-over-year by 0.7%, ending the first quarter at 9.6%. Even though more space hit the market, rents in the office category climbed by \$0.56 per s/f, finishing the quarter at \$19.15 MG.

Although the office vacancy rate climbed over the quarter, we did still see some leasing activity. In the Manchester submarket, MassMutual renewed its 13,100 s/f at 43 Constitution Dr. in Bedford and Weston & Sampson Engineers, Inc. downsized into 6,400 s/f at 150 Dow St. in Manchester. In Portsmouth, Northeast Credit Union leased 6,800 s/f of office space at 100 International Dr. and Kennebunk Savings Bank leased roughly 5,000 s/f for back-office space at 3 Pleasant St.

The industrial market continues to be the hot sector, with investors eyeing the market and quality availabilities being leased as soon as they are available. With a low vacancy rate of 4.4% at the end of the first quarter, the rate only decreased by 0.3% year-over-year. This low rate pushed rents up by \$0.89 per s/f, ending the quarter at \$7.43 NNN.

The biggest trend so far in 2021 is out-of-state investors purchasing industrial properties, particularly in the Nashua submarket. The NY-based investment group, GreenOak Real Estate, bought the fully leased building at 36 Executive Dr. in Hudson for \$26.8 million (\$124.53 per s/f). Also, 267 Lowell Rd. in Hudson, home to Mercury Systems, sold for \$25.67 million (\$210.90 per s/f) by Chestnut Realty, a MA-based investment group.

With investors quickly buying industrial properties, owner-occupiers are struggling to find buildings to expand into. This is one of the primary reasons that over 366,000 s/f of new inventory was added over the past year and another 465,000 s/f is under construction.

Kristie Kyzer is a research manager for Colliers International, Manchester, N.H.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540