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With leveling out of markets, it is encouraging to see tenants signing new leases and renewals - by Kristie Russell

July 29, 2022 - Spotlights



Kristie Russell

The New Hampshire office and industrial market are starting to level off from the impact of the pandemic. Over the last four quarters, the vacancy rate in the office sector has seen practically no change quarter-to-quarter. With deals being signed and little change in the overall office vacancy rate, there is still a large amount of space becoming vacant. Switching over to the industrial sector, which had a steep drop in its vacancy rate over the past couple of years, vacancy is also starting to level off. It has continued to hover around 3% over the last three quarters, which is almost 2% lower compared to pre-pandemic levels. With the leveling out of the markets, it is encouraging to see tenants signing new leases and renewals.

The office vacancy rate climbed by only 0.2% compared to last year and ended the second quarter at 11.4%. Some of our smaller submarkets, such as Concord and Dover, are seeing growth with each of their vacancy rates falling by 2% since last year. However, submarkets like Nashua and Portsmouth saw negative absorption this quarter, with roughly a 2% increase in the vacancy rates.

The Manchester submarket, although it had no change in its vacancy rate, was one of the busiest submarkets in terms of leases. The newly constructed class A, 44,000 s/f building at 35B Constitution Dr. is fully leased as Concord Group Insurance is set to occupy 23,800 s/f at the beginning of next year.

In the millyard, Autodesk closed its longtime home at 100 Commercial St. at the end of the quarter. While this 29,000 s/f availability would lead to a shift in the class B category, the space did not hit the market. United Therapeutics, a part of ARMI, will be taking over the space as it expands over the next couple of years. Crown Castle, a national communication specialist, also leased space in the millyard. The company already has space at the Sundial Center in Manchester and signed a lease for 14,670 s/f at 150 Dow St.

In the Portsmouth submarket, ConvenientMD signed a 32,600 s/f lease at the West End Yards development in Portsmouth. Currently under construction, the development will have 250 one- and two-bedroom apartments and a 42,000 s/f office/retail building. ConvenientMD plans to occupy the majority of the office building later this year. The company will relocate from Pease as this expansion was needed to keep up with the company's growth and will triple the size of its headquarters.

The vacancy rate in the industrial category is also leveling off due to the limited availability and new inventory from construction. Since the first quarter of 2021, vacancy dropped an average of 1.4% year-over-year. But, in the second quarter of 2022, the vacancy rate fell by only 0.3% year-over-year.

The Salem submarket had the largest increase in vacancy compared to last year, going up 4.5%. This was mostly due to a large space becoming vacant in the flex building at 9 Northeastern Blvd. after a tenant decided to significantly downsize. With over 200,000 s/f becoming available since last year, the submarket still saw positive absorption in the warehouse/distribution category. The

102,500 s/f building at 1 Puzzle Lane in Newton became fully leased by Bradford & Bigelow, a publishing company. The company, based out of Newburyport, Mass., just leased 48,000 s/f in Seabrook in the first quarter of 2020 and is already doubling its size. With this move, a large vacancy is removed from the submarket.

There were a couple of large leases in the Manchester submarket for spaces that were not vacant when they hit the market. 219 Rockingham Rd. in Londonderry, a 117,4000 s/f building, signed a new lease with United National Foods Inc. The company will not start operating out of the building until next year. The 102,000 s/f availability at 333 Harvey Rd. in Manchester, which was not set to be vacant until next quarter, was also leased at the beginning of this quarter, avoiding a large vacancy.

As long as businesses continue to enter, stay, and expand in New Hampshire, the vacancy rate in the office and industrial markets should continue to head in the right direction.

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