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**Due to hybrid and work-from-home models, the square footage companies need has dropped - by Kristie Russell**

March 31, 2023 - Spotlights



Kristie Russell

Although the first quarter of 2023 has not ended yet, the commercial real estate market has been active thus far. The industrial sector continued to see both investment and owner-user sales throughout New Hampshire. There is movement in all directions on the office side—including local owners adding to their portfolios, tenants consolidating locations, companies expanding, and others downsizing.

There was practically no change in overall industrial vacancy year-over-year, and the statewide average ended the fourth quarter at 2.7%. With little room to tighten, the vacancy rate will likely remain relatively flat this year.

Of note, the 94,000 s/f warehouse/distribution building at 16 Swamscott St. in Newfields sold for \$5.15 million (\$55 per s/f) to a Mass.-based investor in March 2023. The building was 100% leased at the time of the sale, but Great Bay Home, part of Home Fashion Designs, plans to vacate the building by the end of the first quarter. Part of the ownership of both companies purchased 9.3 acres in October 2022 to build a new 160,000 s/f warehouse/distribution facility in Somersworth. The home goods company plans to occupy part of the building, roughly 46,000 s/f, and lease the remaining space during the first quarter of 2024 when construction is slated to be complete.

1 Hampshire Dr. in Milford changed hands in January. The 60,000 s/f flex building was 77% occupied at the time of the sale when it was purchased for \$2.908 million (\$49 per s/f) by a N.Y.-based investor.

The 44,000 s/f warehouse/distribution facility at 340 Commerce Way in Pembroke was purchased by an N.H.-based investor, Ben Kelley, for \$2.9 million (\$66 per s/f) in January. The building is now on the market as available and fully vacant.

Shifting to the office sector, the vacancy rate steadily declined in 2022, falling by 0.7% year-over-year and ended the fourth quarter at 10.7%. Class B space absorbed the most amount of square feet in 2022, roughly 153,000 s/f, leading the category's vacancy rate to decline by 1.2% year-over-year. Although there have been companies relocating or expanding over the first quarter, the forecast shows a potential increase in the vacancy rate.

There have been a couple of large office sales already this quarter. The largest was the 403,818 s/f mill office building at 150 Dow St. in Manchester, which was purchased for \$23 million (\$57 per s/f) by an LLC associated with a local investor/entrepreneur, Dean Kamen, in January.

The class B office building at Birchpond Office Park at 410 Amherst St. in Nashua sold in January to an N.H.-based investor, Whiting Building, LLC for \$8.975 million (\$130 per s/f). The 69,210 s/f building was 80% occupied at the time of the sale.

Sanborn Head, an engineering and geoscience consulting firm, leased 22,860 s/f at 6 Bedford Farms Dr. in Bedford. The company will combine its Concord, N.H., and Westford, Mass., offices

into the new location this spring, with this site serving as the new corporate headquarters.

Q, LLC, a firearms manufacturer, leased 19,980 s/f of class B office space at 271-279 Locust St. in Dover. Currently, the company manufactures firearms from its production facility on Enterprise Dr. in Dover. It will use this location primarily for office, allowing extra space to accommodate its growth.

A couple Seacoast-area companies plan to downsize this year. In January, Liberty Mutual said it will vacate two office buildings, 576,000 s/f, on Liberty Way in Dover and relocate some of these workers to the building it leases on Borthwick Ave. in Portsmouth, about 15 miles away. According to its press release, although downsizing its footprint, no one is losing their job. After the pandemic, part of Liberty's workforce stayed with the work-from-home model and will continue to do so permanently. Unless the vacated space in Dover is relet by the end of 2023, there will be a dramatic increase in the vacancy rate in this submarket.

The Portsmouth submarket could also see an increase in its vacancy by the end of the year due to Timberland downsizing at 200 Domain Dr. in Stratham. The company has been the main tenant in the 208,000 s/f building since 2000, with Bright Horizons childcare center being the only other tenant. By the end of 2023, there will be 94,000 s/f available for multiple tenants, including a 19,000 s/f conference/meeting area.

So far this year, much of the movement is still due to the burgeoning hybrid and work-from-home models. Due to these trends, the square footage companies need has dropped over the last couple of years, which has naturally led to some downsizing or consolidating locations.

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