New Hampshire market update April 2023 - by Michael Harrington

April 28, 2023 - Spotlights

Michael Harrington

My career in the commercial real estate industry has spanned a little over three decades, during that time I’ve witnessed three significant market corrections. Those include; the 1989-1991 downturn due to the S&L & Banking Crisis, 2000/2001 High-Tech Bubble and the 2008/2009 Great Recession. All different downturns but in some respects all the same, as each event negatively impacted commercial real estate values, lowered lease rates and increased vacancy.

The good news for the Southern New Hampshire market is we tend to suffer less during these corrections. New Hampshire is service driven economy that relies on small to medium sized businesses. As such, we tend build what we need when its needed and thereby limit the amount of speculative development. (The exception being the lead up to the banking crisis, when there was lots of speculative building) In general, the peak development/construction cycles in New Hampshire tend to have smaller peaks during an economic upturn and swallower valley’s during an economic downturn as compared other states.

However, what started in 2022 and has bled into 2023 is a much talked about and much anticipated recession which is causing lots of concern and anxiety. With that said, there is little evidence to confirm these fears. The proverbial “shoe” has not dropped as it did in the past three downturns. Buyers continue to outnumber sellers, regional banks continue to lend, contractor’s, engineers, architects and trades people report backlogs of work that will keep them busy for the next 12 to 18 months. But our experience tells us this can’t go on forever so it’s prudent to be cautious. The possibility exists that we’re experiencing a lag effect due to previously committed work that is slowing burning off thereby pushing a downturn into next year.

To this point there are some signs of slowing, we’re beginning to see banks tighten their lending standards and there are warning signs flashing for class B/C office buildings and poorly located enclosed malls. Interest rates have climbed to 6+% making it challenging for owners to refinance properties that were underwritten at much lower rates two to three years ago. We’re also starting to hear commercial appraisers with less backlog and more availability, more aggressive bidding on new construction projects and seller’s willing to consider owner financing.

If these are indicators that we’re close to a market top and the proverbial “shoe” is to drop, I’m expecting the New Hampshire “shoe” to be a “soft shoe” and not like the three previous downturns.

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