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Southern New Hampshire update: 2024 a tricky year to navigate and 2025 predictions - by Michael Harrington

January 10, 2025 - Northern New England



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If you're like me this year has been tricky to navigate. The start of 2024 was characteristically normal as pipeline from the prior year carried forward into the first quarter of 2024 and transactions closed as predicted. (I will note, none of these transactions closed without being extended or deal terms renegotiated, as no transactions are easy these days.) That being said, activity in the second and third quarters was uncharacteristically slow and I've heard similar feedback from many of my colleagues. Prospects went silent, sellers were sitting on their listings not budging on price or terms, buyers and lending institutions were sitting on cash, approvals for new development projects got pushed due to delays in design and/or planning board backlogs. These were "the wait and see quarters", waiting for interest rates to drop, waiting for prices to drop, waiting for the election to be over, waiting for certainty and waiting for clarity. This "waiting" period spilled into the beginning of the fourth quarter until November 8th, day after the election. It could be a coincidence, but once the election was over activity started with a bang! It was like someone shot a starters gun and we were off to the races. Assignments came from qualified buyers looking to purchase along with tenants actively searching for space. This also includes activity coming from the much beaten down office sector. Office demand is primarily being driven by medical office requirements but we are beginning to see some demand for traditional office, as well. (As a side note, we're beginning to see a slow but steady return to office by employees, indicating that office demand has a "pulse" and is most likely at the bottom of its cycle.) All of these factors, anecdotally, indicate positive foreshadowing for a vibrant Southern New Hampshire 2025 commercial real estate market.

Predictions for the 2025 Southern New Hampshire Market:

1. Industrial flex and warehouse rental rates are predicted to remain stable in 2025, within a range of \$10 to \$13.50 per s/f NNN. With a few exceptions, no new speculative industrial construction is predicted for 2025. Supply chains are expected to clear next year as the inventory of stockpiled materials make their way through the system. This will free up some existing warehouse space which will have a stabilizing effect on rental rates.
2. Industrial space for sale will remain in high demand as buyers search for less costly existing buildings as compared to building new.
3. Office properties will continue to struggle but will find a bottom in 2025.
4. Retail properties have been the "comeback kid" story of 2024 and will continue its comeback in 2025 as interior malls are repositioned into mixed uses and open air life style centers along with grocery anchored centers experience high demand.
5. Apartment rental rates are predicted to remain soft in 2025 as new supply needs to be absorbed. New construction of multifamily units is predicted to stall due to the high cost of construction, softening rental rates and a lack of available labor.

6. On the national level, it looks like inflation is going to remain sticky and the Federal Reserve just yesterday predicted only two rate cuts in 2025. Unfortunately, this will continue the policy of “higher for longer” in 2025. Which will have a dampening affect on new construction and re-financing.

In summary, 2024 was an okay year for the Southern New Hampshire real estate market.(Not a great year, but a solidly good year.) My prediction for 2025 is for more demand across all segments of the Southern New Hampshire commercial real estate market due to an increase in population, improved highway infrastructure, low taxation and a slow but steady return to office by employees. A year from now I'll write a follow-up article to let you know if my crystal ball was clear, foggy or a little of both. Happy New Year!

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