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Key market trends in Southern New Hampshire to watch for in 2025 - by Michael Harrington

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- Strong demand for housing
- Shifting demand for medical office
- Continued demand for industrial contractor bays
- Office conversions to residential & mixed use
- Retail repositioning and “de-malling”
- Limited supply of industrial land with utilities
- Growth occurring for specialty manufacturing

Market Overview

The commercial real estate market in Southern New Hampshire remains resilient despite higher interest rates and economic uncertainty, particularly regarding tariffs on Canadian imports. However, we are beginning to see a slowdown in activity. As such, I’m beginning to hear this common phrase circulating within the real estate and construction related industries: “Survive in 25.”

For instance, I serve on a real estate advisory committee for a nonprofit developing a community center. The project manager for the project recently described this as the worst time to undertake a new build. Concerns about tariffs and their impact on construction materials have led suppliers to preemptively raise prices in an attempt to protect themselves against potential increases. On the positive side for anyone building in 2025, subcontractors are submitting multiple competitive bids, signaling concerns about future work and a more aggressive approach to securing projects which is helping to lower the overall cost. (This is the first time, in several years, that we are seeing competitive bidding at this level.)

As discussed in previous articles, new construction projects, particularly for multifamily housing and industrial warehousing, are largely on hold. Land purchases and fully approved projects remain stalled, awaiting more favorable financial and building conditions. A combination of lower interest rates, stabilized/lower construction costs, or rising rental rates would help get these projects off the shelves and into development. Until then, new construction within the Southern New Hampshire commercial real estate market is expected to remain sluggish.

Emerging Trends

Municipalities across Southern New Hampshire are proactively engaging with community leaders and developers to address the growing demand for housing. The state remains the only one in New England experiencing consistent population growth. In response, zoning codes are being revised and town warrant articles are being passed to help limit the burden of development for new housing units. The state legislature is also considering policies to allow greater housing density in areas with

existing utilities while also trying to lower burdensome parking requirements — measures that could improve the feasibility of large-scale multifamily projects.

The medical sector remains a potential driver of commercial real estate activity in 2025. A great example of this was the \$110 million acquisition of Catholic Medical Center (CMC) by HCA Healthcare, which closed on February 1st. This large-scale acquisition is having a ripple effect across the economy, impacting real estate in several ways. Leases and affiliations are ending, and medical office space is returning to the market, available for purchase or lease by new healthcare providers. Additionally, traditional retail centers are increasingly absorbing clinical medical space for uses such as; urgent care clinics, dermatology medical centers, medical day spas, infusion therapy centers, and outpatient surgical facilities. Retail owners view these uses favorably as they tend to drive foot traffic to other retailers, becoming a source of one stop shopping for patients being treated.

Market Conditions Summary for 2025

- New Construction Slowing – Large industrial and multifamily projects remain stalled due to financial uncertainty.
- Industrial Market Remains Resilient but Slowing – Growth has decelerated compared to the rapid expansion from 2021-2023 and lease rates have stabilized.
- Professional Office Space Remains Weak but Stabilizing – Some improvement as return-to-office trends gain momentum.
- Office & Parking Garage Conversions to Residential – This is on-going throughout the state as demand for residential units outpace supply.
- Retail Space Repositioning – Increasing demand for medical and service-oriented tenants.

While the Southern New Hampshire commercial real estate market remains strong and adaptable, it is not immune to broader economic forces. As we navigate 2025, the market is likely to experience moderated growth, with developers and investors closely watching macroeconomic trends before committing to new projects. There is no doubt that the commercial real estate sector will survive in “25” and I’m optimistic that we will celebrate prior to “28”.

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