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New Hampshire CRE: A look back and a look ahead - by Michael Harrington

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2025 in Review and a Look Ahead to 2026

If you're like me, 2025 felt like a year of waiting and then slowly moving forward. We started the year with some uncertainty — higher interest rates, sticky inflation, and deals that needed extra creativity to close. But as the year unfolded, the Southern New Hampshire market showed us once again that it knows how to adapt. Some sectors lived up to predictions, others surprised me, and together they paint a picture of a region that's steady, resilient, and quietly setting the stage for growth in 2026.

2025 – How the Predictions Played Out

Industrial – We thought industrial and flex rents would hold steady in the \$10 to \$13.50 range, and they did. What we didn't fully expect was just how strong demand would stay for smaller contractor bays and flex space. Buyers are still chasing existing buildings rather than breaking ground on new ones, mostly because the math on new construction just doesn't work right now.

Office – The call going into the year was that office would hit bottom. We're close, but not quite there. Traditional office still has its challenges, but medical office has been a bright spot, and I'm seeing more conversations about employees coming back to the office at least part of the week. That's giving the sector a pulse, and in my view, the worst is behind us.

Retail – This was the “comeback kid” of 2024, and the momentum carried right into 2025. Grocery-anchored centers are hot, lifestyle centers are thriving, and some of the big-box malls are finally being repositioned into mixed-use projects. The strongest demand is from coming from service-oriented and medical tenants that drive daily traffic.

Multifamily – We predicted rents would soften and new construction would stall. That was only half right. Some projects slowed or paused, but others moved forward in Salem, Concord, Portsmouth and a few other markets. Rent growth cooled as new supply came online, but occupancy stayed solid as the housing shortage continues.

Capital markets – No surprise here: higher-for-longer interest rates made financing tough. New construction was held back, and refinancing required creative terms. That theme will continue into next year.

What Surprised Me in 2025

A few things stood out stronger than expected:

- Medical office demand was more robust than I thought at the beginning of the year.
- Conversions and adaptive reuse gained serious traction, especially turning office and retail into residential or mixed-use projects.
- Scarcity of industrial land with utilities is creating a barrier for future growth in towns that lack infrastructure.

Looking Ahead: 2026 Predictions

So, what's next? Here's how I see 2026 shaping up:

- Industrial will keep leading the pack. Expect continued demand for contractor bays, high-bay space at 20,000 s/f to 40,000 s/f increments and a need for flex space, with modest rent growth predicted in 2026. A little speculative construction may come back, but only in prime locations with utilities and highway access.
- Office will recover slowly. Traditional office is still a tough sell, but medical and life science space will stay in demand. We'll also see more conversions to residential and mixed-use.
- Retail keeps evolving. Grocery-anchored and service-heavy centers will outperform. Open-air and lifestyle centers are where the action is. Any mall that doesn't reposition risks being left behind.
- Multifamily will stay steady. Rent growth will be modest, occupancy is expected to remain strong, and demand for workforce housing is high. The higher-end product may see some affordability pushback and landlords will offer incentives.
- Capital markets remain the wild card. If rates ease, deals that are stuck on the sidelines will move. If not, it's more of the same: creativity required.
- Policy and zoning will matter more. Communities that can fast-track approvals and allow greater density will attract development. Infrastructure improvements will be a major differentiator.
- Conversions will define the year. With ground-up costs expected to remain high, adaptive reuse will continue to be one of the smartest plays.

Wrapping It Up

2025 won't be a blockbuster year, but it was a year of stabilization and groundwork. New Hampshire proved once again that it's adaptable, resilient, and still growing. Industrial is strong, retail has reinvented itself, multifamily demand endures, and office — believe it or not — might finally be on the road to recovery. With its location, low-tax environment, and strong communities, New Hampshire is positioned to make 2026 a year of renewed momentum.

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