

SOUTHERN NEW HAMPSHIRE OFFICE

Economic Indicators

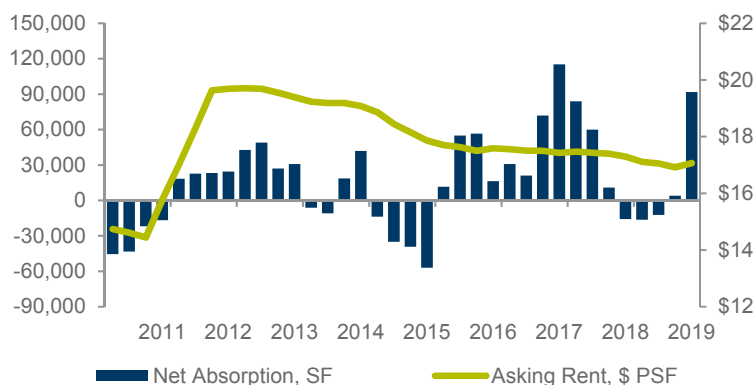
	Q2 18	Q2 19	12-Month Forecast
New Hampshire Employment	741.5k	749.5k	▲
New Hampshire Unemployment	2.6%	2.4%	▲
U.S. Unemployment	3.9%	3.6%	▲

*Numbers above are quarterly averages

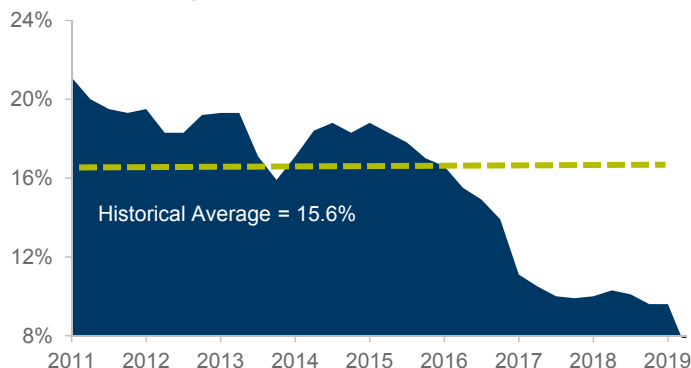
Market Indicators (Overall, All Classes)

	Q1 18	Q2 19	12-Month Forecast
Overall Availability	13.7%	9.9%	▲
YTD Net Absorption (sf)	-63k	550k	▲
Under Construction (sf)	95k	0k	▲
Average Asking Rent*	\$17.09	\$17.79	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Direct Asking Rent
4-QTR TRAILING AVERAGE

Overall Vacancy



Economic Overview

July officially marks the 10th birthday of the economic expansion – the longest in history, according to the National Bureau of Economic Research (NBER). While the growth rate is one of the most sluggish on record, the expansion has officially surpassed the decade-long technology boom of the 1990s.

A fundamental shift in the economy – from one based on goods to one largely based on services – including analytics, apps and other technological solutions has occurred. In oversimplified terms, the foundation of the US economy has shifted from hardware to software.

The shift has obvious economic impacts such as the creation of jobs and contribution to GDP growth. But the software industry is also contributing intelligence – which reduces the time and cost associated with many functions. Tariff-driven trade wars may present an immediate economic threat, but the fundamental shift in how we do business means growth is theoretically limitless. We can't say for certain when (or if) a recession will occur. But we do know that there is no economic law that says the expansion must end.

Market Overview

At mid-year the southern New Hampshire office market remained strong with year-to-date (ytd) absorption totaling just over 550,000 square feet (sf)—a marked difference from mid-year 2018 when absorption totaled negative 47,484 sf ytd. A healthy Manchester submarket lead the way contributing to 43% of the total ytd absorption.

Highlight deals in Manchester include Merchants Fleet committing to 55,100 SF at 14 Central Park Drive in Hooksett and AmeriHealth Caritas taking 22,000 SF at The Sundial Center in Manchester. It is important to note that Merchants Fleet's deal was a corporate expansion of its current headquarters at 1278 Hooksett Rd in Hooksett and shows the firm's strong allegiance to the Manchester submarket. These two deals helped tighten overall market availability and vacancy which dropped 140-basis-points (bps) and 120-basis-points (bps), respectively.

The Manchester submarket saw approximately 250,000 SF of sales transactions in the first half of 2019. The highlight sale of the first half of the year was 3000 Goffs Falls Road - a 210,900 square-foot Class A office building leased to BAE Systems.

BAE Systems continued its southern New Hampshire expansion in the Nashua submarket—signing a 27,000 square-foot deal at 25 Manchester Street in the Heron Cove Office Park. In 2018, BAE Systems added 1,100 jobs in New Hampshire and will add another 700 employees in the region throughout 2019.

Outlook

The outlook for the southern New Hampshire office market remains positive. The overall market maintained positive absorption and a vacancy rate that dropped 298-basis-points year-over-year. The recent expansions of BAE Systems and Merchants Fleet show a strong commitment to southern New Hampshire—a region that offers promising market fundamentals going into the second half of 2019.

MARKETBEAT

Southern New Hampshire

Office Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	DIRECT AVAILABLE (SF)	DIRECT AVAILABILITY RATE	TOTAL AVAILABLE ¹ (SF)	TOTAL AVAILABILITY RATE	YTD NET ABSORPTION (SF)	YTD CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)	AVERAGE ASKING RENT (CLASS A)*
Bedford	37	1,369,229	71,602	5.2%	76,150	5.6%	20,850	0	\$17.10	\$17.10
Concord	29	1,098,461	182,928	16.7%	182,928	16.7%	18,221	0	\$16.29	\$19.14
Manchester	71	5,639,554	378,411	6.7%	444,205	7.9%	353,675	0	\$20.22	\$20.89
Nashua	46	2,740,056	411,846	15.0%	439,804	16.1%	81,743	0	\$16.06	\$16.51
Portsmouth	67	3,267,180	140,319	4.3%	204,057	6.2%	51,689	65,000	\$16.00	\$16.00
Salem	20	551,703	94,167	17.1%	99,562	18.0%	24,272	0	\$15.50	N/A
SOUTHERN NH TOTAL	270	14,666,183	1,279,273	8.7%	1,446,706	9.9%	550,450	65,000 **	\$17.79	\$18.71

*Rental rates reflect gross asking \$PSF/year

** Does not reflect US Overview Tables

	TOTAL BLDGS	INVENTORY (SF)	DIRECT AVAILABLE (SF)	DIRECT AVAILABILITY RATE	TOTAL AVAILABLE (SF)	TOTAL AVAILABILITY RATE	YTD NET ABSORPTION (SF)	YTD CNSTR DELIVERIES (SF)	AVERAGE ASKING RENT (OFFICE)
Class A	168	8,752,204	895,667	10.2%	1,052,580	12.0%	407,356	65,000	\$18.71
Class B	102	5,913,979	383,606	6.5%	394,126	6.7%	143,094	0	\$13.80

Key Lease Transactions Year-to-Date 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3000 Goffs Falls Road, Manchester	210,900	BAE Systems	New Lease	Manchester
14 Central Park Drive, Hooksett	55,000	Merchants Fleet	New Lease	Manchester
One Sundial Avenue, Manchester	22,000	AmeriHealth Caritas New Hampshire	New Lease	Manchester
75 Portsmouth Boulevard, Portsmouth	17,000	IRS	New Lease	Portsmouth

Key Sales Transactions Year-to-Date 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3000 Goffs Falls Road, Manchester	210,900	Brady Sullivan / New Hampshire Business Finance Authority	\$31,000,000 / \$147	Manchester
6 Loudon Road, Concord	65,520	Manhattan Life Assurance Company of America / JP Irving LLC	\$5,600,000 / \$85	Concord
5 Chenell Drive, Concord	59,800	Sennen of Chennell LLC / Fivekph LLC	\$5,500,100 / \$92	Concord
53 Regional Drive, Concord	39,100	Sennen LP / Fivekph LLC	\$2,500,000 / \$64	Concord

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