



Quarterly Newsletter

Q1 2024 Market Overview

ABOUT NORDLUND

Nordlund Associates Inc. is a full service commercial real estate brokerage firm serving tenants, landlords and investors by facilitating the acquisition and/or divestiture of properties through traditional and innovative strategies. we attribute our success to our market knowledge, expertise, personalized service, and entrepreneurial values. Creative solutions, adjustments and decisions are made quickly and efficiently.

KEY STATISTICS

Boston Market

Inventory SF - 379 Million SF

Availability - 17.1 %

Current SBA 504b Rates

-

20 Year: 6.52% (March)

Lemonade from Lemons, Office Market Opportunities

The future of office buildings of late has been a topic of increasing interest. During and after Covid, many companies determined they do not require as much space as technology improves enabling more personnel to work remote. Rising vacancy equates to lower rental income, coupled with higher interest rates and labor and material costs either increasing or remaining flat have led to both fixed and variable increases in operating expenditures. Landlords/Investors with nonperforming assets and maturing notes are saddled with a decision to carry the asset with a diminished return which may can be compounded if it requires a capital infusion, sell at a loss or forfeit the property to the lender. i.e. the Lemons

As with any market adjustment creative applications ensue. Much has been made of conversion of existing structures to alternative applications such as residential which offers limited relief to markets with high or rising vacancy. Another application is coming from end users of the market or the Tenants.

Some companies are securing properties at a discount well below replacement costs for their own use. The preceding concept is not new. Entities with expensive internal fit up have often sought to purchase property and control their future expenses including but not limited to Medical, Life Science and Manufacturing.

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Featured Listings



**300 Rosewood Drive,
Danvers**
For Lease



**17 Industrial Drive,
Exeter**
For Sale / Lease



**65 Parker Street,
Newburyport**
For Sale

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Companies Served

“We are thrilled to own this property which better suits the way we provide services for our clientele in addition to providing us additional capacity for future growth. Plus, since the property was previously used for educational purposes, it is fairly close to move-in ready for us with minimal renovation expenses. Anthony and Rick were extremely helpful and professional in guiding us through the entire negotiation and acquisition process in order to help us turn this dream into a reality.”

- Coastal Connections

In recent years another market segment including Trades Companies and General Industrial are actively acquiring assets leveraging low interest rates and securing location in markets with diminishing industrial inventory.

Office Tenants historically have been less active acquiring Real Estate assets as their growth or occupancy often is more volatile when compared to companies that occupy industrial property, as example. Leasing space has and continues to afford a company the ability to adjust and accommodate a company’s expansion and contraction more so than owning.

Market conditions have led to sales of office-type property at values as low as 15% to 20% of replacement costs. For Companies seeking to acquire an asset they are in a far stronger position to bid than conventional investors as they A) are seeking to offset their rental expense and B) will increase the occupancy with their presence. Further incentive to acquire a property is due in part to existing Landlords reluctance or inability to reduce rental rates and current interest rate, even at 6% +/- equates to, the cash flow on debt service is less than renting.

In addition to reducing outgoing cash flow for rent expense, companies that acquire real estate have an opportunity collect rental income from excess space. Acquiring a property that is larger than a company’s present requirement secures both future expansion and potential for rental income.

Lastly, companies that acquire real estate for their own occupancy have debt resources available to them not available to conventional investors. Programs available through State agencies such as MassDevelopment and Federal Agencies such, as the Small Business Administration offer attractive options to those that meet their criteria further enhancing the opportunity.

For companies able to secure a property under such circumstances, they created Lemonade.

Buyers beware Eastern MA and Southeastern NH are mature markets with extraordinary industry diversity which maintains a stable healthy environment. Greater Boston is recognized as one of the healthiest office markets in the US. There will be opportunities but limited.

by Chris Everest

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Recent Transactions



4-8 Noel Street
Amesbury, MA



16 Carleton Street
Georgetown, MA



138 River Road,
Andover, MA



880 Boston Street
Topsfield, MA



8 Essex Center Drive,
Peabody, MA



99 Rosewood Drive,
Danvers, MA