

# Office space at a premium

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CONCORD - A Salem company that processes credit card payments has been looking since October for a bigger building.

"We're busting at the seams," says Michael Duffy, vice president of Little & Company Inc., which has 120 employees. The company has 28,000 square feet and needs at least 40,000.

But finding the right space at the right price is getting more difficult in a region that only recently was glutted with vacant office space.

"The deals seem to be getting more competitive," Duffy says. "Pricing is going up. Before, you could cut some pretty sweet deals."

Brokers and government analysts say the story is similar in much of New England.

New England suffered longer and was hit harder than any other region of the country in the 1990-91 recession. New England lost about 10 percent of its jobs between early 1989 and mid-1992, said Chris Mayer, an economist with the Federal Reserve Bank in Boston.

Commercial real estate was among the hardest hit segments of the economy, and no one expects another boom like that of the mid-1980s.

"It's not going to be fireworks," said Charles Twigg, a developer and commercial real estate broker in Bedford. "It's not going to be a dramatic explosion in demand, but the demand is reappearing."

The vacancy rate in downtown Boston is 12 percent, down from a peak of 17.7 percent in 1991, according to the Federal Reserve.

Portland, Maine, which wasn't hurt as badly as markets farther south, has a vacancy rate of 10 percent, down from 15 percent in December 1992, said Rick Hauser, a researcher with the Boulos Co. in Portland.

Vermont also did not suffer much because it had less office space to begin with, said Tom Farrelly, a broker at Cushman & Wakefield in Manchester, N.H.

Renewed demand for commercial real estate is coming mainly from retail and service businesses, including those in finance, health and management, Mayer said. The population is not growing, so business growth is from residents who are expanding businesses or starting new ones, Mayer said.

"On average, we have a better educated work force. It's the entrepreneurial spirit," he said.

Southern New Hampshire was hurt badly in the recession. Commercial space in downtown Manchester that rented for as much as \$24 per square foot before the crash fell to the low teens but now is renting in the high teens, Farrelly said.

He said a large office building at 10 Tara Boulevard in Nashua tells the story. Digital Equipment Corp., the troubled computer maker, had occupied the whole building but vacated it.

"Since the beginning of the year, the (landlord) has leased the entire building," Farrelly said.

The news isn't good for everyone.

Hartford, Conn., had a vacancy rate in the second quarter of 22.1 percent, according to Farley Whittier Partners, a commercial real estate brokerage company. Even in Hartford, Stephan Bastrzycki, the company's market researcher, believes rents have bottomed out, however.

Around the region, older, less attractive office space also can be hard to rent. Such buildings may have asbestos and usually don't meet federal requirements for people with disabilities, Twigg said.

"There are many old buildings we talk about as important in our preservation," he said. "But when you make investments to meet these codes, you create a more expensive building than creating a new one."

Twigg said it may take two or three years for New Hampshire's excess office space to be soaked up. Even then, banks burned by soured real estate loans won't be anxious to lend money for real estate.

Farrelly sees a bright side to banks' hesitancy.