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Rising office vacancies can create an opportunity for the New Hampshire Seacoast by Christian Stallkamp

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If you've been keeping up with current events, you may have noticed a shift from concerns about the banking sector to worries about the commercial real estate industry, specifically the office market. However, it's important to note that the New Hampshire Seacoast office market is not comparable to larger cities such as New York City, Dallas, and Chicago that have been making headlines.

To provide some perspective, the Seacoast office market is relatively small, consisting of approximately 9,227,214 s/f of total office rental space. This pales in comparison to the Plaza District, a submarket, in New York City, which boasts a massive 85,936,197 s/f of office space, or the Hudson Yards office submarket which has 20,592,860 s/f. One building, such as 350 Park Ave. which encompasses 1.7 million s/f of office space, is nearly the entire office market of Dover, the third largest city in the Seacoast.

As of mid-April 2023, the Seacoast office vacancy rate is estimated to be around 22.7%, up from 14.8% at the end of 2022 and 10.9% at the end of 2021. We have seen an increase of approximately 1 million s/f of space added to the market, or a 52% increase, in this two-year period. This increase is due to larger footprints becoming available, as some companies are not occupying all of their leased space. For example, Liberty Mutual has a 600,000 s/f campus in Dover that they are working to bring to market. Bottomline Technologies in Portsmouth has 100,000 s/f available for sublease, and Timberland's space in Stratham has 246,000 s/f available for lease. These three properties alone represent 10.25% of the entire Seacoast office market. This shows that when larger companies in the Seacoast market vacate, it can have a significant impact on overall vacancy rates.

Despite its smaller size, the Seacoast office market is comprised of a diverse range of office users, including tech, financial services, government, and support services. This diversity may suggest that the Seacoast office market is healthier, as there is not an over-reliance on a single industry as is the case with tech in San Francisco. With the increase in vacancy, there are now available options for businesses that want to move to the area, particularly those that require larger footprints. In the past, there were few options for companies that wanted to come to the Seacoast other than looking at build-to-suit options which can be pricey and take a minimum of two years to complete.

With the current vacancy rate, the Seacoast may benefit from the recent trend of companies looking to relocate from Massachusetts due to the increasingly burdensome taxes on businesses and individuals. For some, the last straw was the passage of the Millionaires Tax which imposes an additional 4% income tax on the portion of annual taxable income in excess of \$1 million starting in 2023.

As we move forward, only time will reveal how much additional space will be introduced to the market and how it will impact vacancy rates and the Seacoast. It will be interesting to observe if any major companies from Massachusetts seize the opportunity presented by these vacancies and relocate out of the Bay State to New Hampshire.

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