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## **The New Hampshire office sector has seen more tenants consolidating footprints and freeing up space - by Kristie Russell**

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Kristie Russell

The vacancy rate in the New Hampshire office market has been over 10% since the first quarter of 2021. After a 0.5% increase over the last quarter, the statewide average vacancy is at 11.1%, roughly 0.4% higher when compared to last year.

The vacancy rate in the class A and C categories had the largest climbs over the last year, with a 2.9% jump in the class A sector. Part of this increase can be attributed to the 105,000 s/f of construction completed in the Portsmouth submarket. However, a majority of the shift is due to companies downsizing or closing its Granite State location.

For example, the Concord submarket had a 2.6% jump in the year-over-year class A vacancy rate. This shift happened when Sanborn, Head & Associates, Inc. vacated 20 Foundry St. in Concord, a 22,648 s/f building, and relocated to a 22,860 s/f unit at 6 Bedford Farms in Bedford. While it does not change the statewide average, as the company took roughly the same amount of space, it does show a significant shift in each submarket.

The Salem submarket also saw a major shift in the class A sector. ADP, an international online payroll and HR solutions management company, closed its 113,388 s/f class A office building. The company did stay on Northeastern Blvd., by leasing 27,000 s/f at 4 Northeastern Blvd., a class A facility. This was part of the reason for the 16.3% increase year-over-year in the overall vacancy rate in the Salem submarket.

Typically if the vacancy rate rises and a surplus of space is on the market, the rental rate will remain flat or begin to fall. As the class A vacancy rate climbed over the last five quarters, the direct asking rate surprisingly jumped by 1.7% (\$0.42 per s/f). Most of this jump is due to higher quality space hitting the market with some newly constructed space. After four years of the rental rates rising, it may be stabilizing. The class A direct rent dropped by 3.3% (\$0.83 per s/f) year-over-year, ending the quarter at \$24.31 modified gross.

Although class A rents dropped this quarter, the overall direct rents climbed by \$0.44 per s/f (2.2%) when compared to last year. The two submarkets with the largest increases were the Dover and Nashua submarkets.

With the Dover submarket being the second smallest office market, with 1.65 million s/f, most changes cause large shifts. After Cognia left its 99,000 s/f facility at 100 Education Way in Dover, this vacancy shifted the class B market and led to a significant jump in the category's rental rate.

The Nashua submarket had one of the largest increases in the direct rental rate, rising by 4.8% (\$0.73 per s/f) year-over-year. Most of this change is due to spaces hitting the market, like 7 Henry Clay in Merrimack and 10 Tara Blvd. in Nashua, at above the average asking rate. Other properties with available space that has been on the market for a while, like 30 Temple St. and 100 Innovative Way in Nashua, are advertising lower rents, leading to rates slowly dropping.

Kristie Russell, CPRC, is a research manager for Colliers, Manchester, N.H.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540