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January 2024 NH CIBOR president's message - by Ethan Ash

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Ethan Ash

I am honored to address you in my first message as president of NHCIBOR. I am grateful for the guidance provided by my esteemed predecessors, Matt Bacon and Scott Forte, for their dedicated service and to all of our board members.

Allow me to introduce myself briefly — I am a licensed commercial broker in Maine, New Hampshire, and Massachusetts, serving as the regional ambassador for KW Commercial in New England. Alongside Dave Garvey, I manage the Coastal Land & Commercial Group at Keller Williams Coastal, Lakes & Mountains. I have been working in commercial real estate and development for over 10 years. However, let's shift the focus away from me.

Outlook: As we embark on 2024, it promises to be an eventful year. While commercial real estate volume experienced a significant downturn in 2023 (decreasing approximately 40-50% in most categories), indications suggest a different scenario this year. Three factors are poised to impact the volume and pricing of commercial real estate.

Lending & Commercial Banks: The predictions, according to a former economist for CCIM, of continued bank failures in 2024. The latter half of 2023 saw sporadic failures of these commercial banks. Factors such as deposits, FED rates, and delinquencies in specific market sectors could put certain banks in precarious financial positions. Though most banks have bolstered their reserves and become discerning about deals, potential government regulations may affect their customer accommodations, potentially prompting owners to sell in 2024.

Presidential Election Impact: In election years, the commercial real estate market is always affected. It's worth noting that Wall Street closely monitors polls and results. The financial standing and liquidity of major companies, influenced by election outcomes, trickle down to the global commercial real estate market. Though the impact is less pronounced in Northern New England, business owners' sentiments on growth, buying, and employment are often aligned with Wall Street.

Class B Office Space Dynamics: The fate of class B office space, especially in our region, is crucial to monitor. Post-COVID, some office tenants returned, but many upgraded to class A buildings trying to offer amenities to encourage employees to come back to the office and other companies opted for class C space as a cost-effective alternative for employees working a few days a week. The higher percentage of space in this class B category in our area makes it susceptible to changes such as conversion to medical, industrial, or multi-family use, upgrading to class A, or price reductions to class C. These shifts may exert significant stress on this sector in the coming year and the financial viability of these buildings.

In conclusion, brace yourselves for an exciting and dynamic year ahead!

Ethan Ash is the 2024 president of the N.H. Commercial Investment Board of Realtors, Bedford and is a real estate agent at Coastal Land & Commercial Group, Keller Williams Coastal, Lakes & Mountains, Portsmouth, N.H.

