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## **New Hampshire seacoast market overview - by Christian Stallkamp**

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Christian Stallkamp

Introduction by Christian Stallkamp with excerpts from The Boulos Company's 2025 New Hampshire Market Outlook.

The seacoast's commercial real estate market in 2024 reflected a mix of challenges and opportunities across industrial and office sectors. Industrial vacancy rates rose slightly, offering relief for smaller users but leaving larger users with limited options. Meanwhile, lease rates held steady, and new construction remained constrained by high costs and scarce land. In the office sector, vacancies ticked up modestly, with smaller spaces in high demand as companies embraced hybrid work and relocation trends. However, financing difficulties and persistent large-space vacancies highlight the ongoing pressures facing landlords and tenants alike. This year, market stability will hinge on economic shifts, evolving demand, and strategic adaptation. Let's take a look at the year-end snapshot of vacancy rates, lease rates, and market trend for both the seacoast industrial and office markets.

#### Industrial Vacancy Rates and Average Asking Lease Rates

At year-end 2024, the vacancy rate stood at 3.8%, with an additional 187,000 s/f of industrial space available on the market compared to last year. This increase is a welcome sign for smaller industrial users seeking additional space. However, larger users looking for spaces of 100,000 s/f or more continue to face limited options.

Asking industrial lease rates have remained relatively stable, with a slight increase from \$10.95 per s/f NNN in 2023 to \$11.01 per s/f NNN in 2024. Higher rates are typically seen in Portsmouth, Pease, Exeter, and Seabrook due to their proximity to the I-95 corridor. While rents for certain properties have been reduced — a trend not seen since pre- COVID times — the limited supply suggests rents will remain “stable” into 2025 unless more inventory enters the market.

#### Industrial Market Trends

- Industrial users, particularly manufacturers, are increasingly looking beyond the I-95 corridor, pushing west along Rte. 101 and Rte. 16. This shift accommodates workforce commuting needs and offers the potential for more affordable housing. Additionally, rents may be lower further from the I-95 corridor, provided suitable space is available.
- The labor shortage, a significant issue during COVID, remains a top concern for companies.
- Access to critical electrical infrastructure, such as electrical switchgear, continues to pose challenges, with lead times still ranging from nine months to over a year depending on complexity.
- Beyond base rent, tenants and owner-users are facing higher occupancy costs due to inflation. Triple net expenses, which include real estate taxes, building insurance, and common area maintenance, have risen significantly compared to previous years and should be carefully reviewed by tenants in today's market.

## Office Vacancy Rates and Average Asking Lease Rates

At the close of 2024, New Hampshire's seacoast office market saw a modest increase in vacancy, rising to 20.1% from 19.8% in 2023. This rate remains slightly lower than Greater Boston's office vacancy. The average asking rent for office space edged upward, climbing from \$14.93 per s/f NNN in 2023 to \$15.55 per s/f NNN in 2024. This reflects a continued trend of larger, high-quality class A office spaces entering the market.

While the vacancy rate has increased for the fifth consecutive year from a pre-pandemic low of 7.3% in 2019, the relatively small uptick suggests the market is stabilizing. This outcome is healthier than many anticipated at the onset of the pandemic. Demand for smaller office spaces (under 5,000 s/f) remained strong throughout 2024, while larger vacancies continued to face limited interest. In response, landlords of large properties have increasingly explored subdividing spaces or repurposing them for alternative uses such as residential or industrial conversions.

Pease Tradeport, the seacoast's largest business park with over two million s/f of office space, serves as a market bellwether. For the first time since 2019, its vacancy rate dropped, falling from 21.7% in 2023 to 19.7% in 2024 — a potential sign of broader market improvements in 2025.

## Challenges in Office Building Financing

Securing financing for office buildings has become increasingly challenging, a trend likely to persist into 2025. Local lenders have shown little interest in funding office properties unless they are owner-occupied with strong financial histories. Additionally, many loans from the past decade, secured during a period of historically low interest rates, are now up for refinancing. This is creating added financial pressure on owners who are also dealing with higher vacancies and stricter lending conditions.

## Office Market Trends

- Demand for smaller office spaces (under 5,000 s/f) will remain strong, especially downtown.
- Landlords may offer more concessions, such as free rent or tenant improvement allowances, rather than lowering rental rates.
- High construction costs will drive demand for "move-in ready" spaces.
- Tenants will prioritize locations near downtown areas with amenities for employees.
- Companies will continue efforts to bring employees back to the office, though not necessarily five days a week.
- Large office vacancies will remain a challenge with limited demand.

The 2025 New Hampshire Market Outlook is coming in February; visit the Boulos Company website at [www.boulos.com](http://www.boulos.com) to access the full report. You will find more detailed trends and data for both office and industrial in addition to a link to our Maine outlook as well.

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