



2021 SEACOAST NEW HAMPSHIRE MARKET OUTLOOK



A MESSAGE FROM OUR TEAM

The global COVID-19 pandemic created many challenges for the commercial real estate industry in 2020. Many small and local businesses have closed or continue to hang on to the hope that business will resume to “normal” post-COVID. Other businesses deemed “essential” have prospered in comparison – big-box retailers, grocery stores, home improvement businesses, and the life sciences industry. The post-pandemic world of commercial real estate will be defined by market segments more than ever before. The industrial, office, retail, hospitality, restaurant, and multi-family markets will all be impacted differently by COVID-19. These impacts will have a trickledown effect on how each segment is viewed by investors, users, and lenders alike.

While it is a challenge to predict how the commercial real estate industry will be affected both short- and long-term, we do expect to gain insight over the next 12 months as we return (hopefully!) to some sense of normalcy. We expect short-term problems will remain for the office, restaurant, and hospitality industry, but industrial, multi-family, and investor markets will remain in high demand.

On the following pages, you will find our 2021 Seacoast New Hampshire

Market Outlook. This annual publication seeks to explain the industrial and office commercial real estate markets in New Hampshire’s Seacoast Region. Here, you will find reports of the current vacancy rates and lease rates, summarized trends in the office and industrial markets, and insight into the coming year’s market performance. Our goal is to provide our clients and commercial real estate professionals with clear, concise, and accurate information that will serve as a benchmark as they make decisions throughout the year.

We want to thank our clients and the people in the Seacoast community with whom we had the pleasure of working this past year. We look forward to collaborating with you in 2021!

Sincerely,



Kent White & The Portsmouth Team



Kent White
Principal Broker, Partner



Christian Stallkamp
Senior Broker



Caitlin Burke
Associate



Katherine Gemmecke
Associate



Lisa Kurdt
Office Manager

The BOULOS Beat

The Boulos Beat podcast explores Maine and New Hampshire's commercial real estate world through in-depth interviews with its movers and shakers.

Hosted by Greg Boulos and guest hosts, this is a must listen for anyone interested in this industry.



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2020 TRANSACTION HIGHLIGHTS

Over the last nine months, I heard countless friends, family members, and clients voice their concern for how COVID-19 was impacting the commercial real estate market. People are curious about how the work-from-home movement is impacting office space requirements and wonder if landlords are discounting retail and restaurant spaces. Although many of these concerns are valid, not all segments of commercial real estate have been negatively impacted. The Seacoast New Hampshire industrial market hasn't experienced any dramatic drops in demand or pricing as a result of the pandemic and the investor market remains extremely strong. The majority of these deals are still coming in at pre-pandemic prices.

This year, some of The Boulos Company's largest transactions were with companies that experienced growth in 2020 and benefitted from the strong investor market. These highlights are all success stories of growth and investment throughout the Seacoast amidst the challenges of an unprecedented pandemic.

- Wheelabrator Technologies leased 50,328± SF at the newly constructed 90 Arboretum Drive in Newington, New Hampshire at the Pease Tradeport. Wheelabrator Technologies (www.wtienergy.com) was located in the building next door and leased this space as part of a relocation and expansion. Kent White and Caitlin Burke represented Wheelabrator Technologies in the transaction.
- Sig Sauer (www.sigsauer.com) purchased 7 Amarosa Drive in Rochester, New Hampshire for \$12,100,000 in December 2020. The building is 210,893± SF and was formally home to Stonewall Kitchen's warehouse and retail outlet store. Sig Sauer will utilize the building for a new production facility in addition to their Pease Tradeport and Exeter operations. Kent White and Caitlin Burke represented Sig Sauer in the transaction.
- UPS (www.ups.com) leased 100,750± SF of warehouse and distribution space at 8 Marin Way in Stratham, New Hampshire.



CAITLIN BURKE
Associate

This new location provides expansion for UPS. The location lends itself well for distribution right off of Route 101 and I-95. Christian Stallkamp represented the Landlord, SIP Lot 3 LLC, in the transaction.

- Dover Crossings, the Shaw's-anchored retail center located at 851 Central Ave in Dover, New Hampshire sold for \$16,200,000 in April 2020. Major tenants included Shaw's, Bed Bath & Beyond, Petco, Orange Theory Fitness and Xfinity. Kent White and Caitlin Burke represented the buyer in the transaction.
- The Orchard Park Portfolio in Portsmouth, New Hampshire sold in March 2020 for \$4,500,000. The portfolio consisted of 16 commercial office condo units across three buildings, and the majority are occupied by medical professionals. Christian Stallkamp represented the seller in the transaction.





PHOTOS:

Top Left: 8 Marin Way, Stratham, NH

Top Right: 7 Amarosa Drive, Rochester, NH

Center: 90 Aboretum Drive, Newington, NH

Bottom Right: Orchard Park Portfolio, 875 Greenland Road, Portsmouth, NH

Bottom Left: Dover Crossing, 851 Central Avenue, Dover, NH, Aerial by LesVants.com

SEACOAST OFFICE MARKET OVERVIEW



KENT WHITE

Principal Broker, Partner

The Boulos Company has reported on the New Hampshire Seacoast office market annually since 2000. Over the past 20 years, the market has ebbed and flowed with vacancy rates ranging from a low of 7.3% in 2019 to the historically high vacancy rate of 20.3% in 2009. As of year-end 2020, the Seacoast vacancy rate increased from 7.3% in 2019 to 10.6%. At face value, this slight increase in vacancy may seem surprising given the unforeseen consequences of COVID-19. It leads one to believe that the New Hampshire Seacoast office market has weathered the COVID-19 storm well. Historically, a 10.6% office vacancy rate would be considered relatively healthy and a useful tool to confidently forecast the 2021 office market. However, much like everything else we experienced in 2020, this vacancy rate is by no means reflective of a “typical” year. Unfortunately, we believe this slight increase in vacancy is just the “calm before the storm.”

There are so many unanswered questions as we re-enter a post-COVID world in 2021. Will office tenants return to their office space at pre-COVID occupancy levels, or will tenants continue to work remotely? This is the biggest question for 2021 and could have significant short- and long-term effects on the office market, not only in New Hampshire, but across the country. Many businesses are still taking a “wait and see” approach before making long-term decisions regarding their office space. As we enter 2021, the majority of office users are still working remotely. The Pease Tradeport has always been the leading barometer in the Seacoast. A quick review of the office parking lots at Pease indicates that only 10%-20% of the multi-tenanted office buildings are currently occupied. Will these office tenants return to their space or ultimately decide to downsize their office footprint? After all, real estate expenses typically are a company’s third largest expenditure

after payroll and benefits. Many companies will undoubtedly view this as an opportunity to reduce this expense, as they have been just as productive working remotely as working from a traditional office space. Conversely, will companies value the office environment for team building, collaboration, creativity, and efficiency that is hard to duplicate while working remotely?

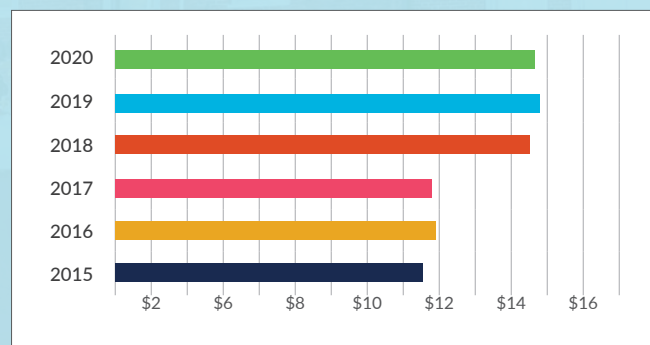
These questions will start to answer themselves over the next 12 to 18 months. Looking into my crystal ball, I predict that the office market will have some short-term challenges in 2021. It is likely that an initial wave of sublease space will become available. We are aware of at least 170,000±SF of sublease space hitting the market in early 2021 that is not reflected in our 2020 year-end numbers. This will be followed by companies who have decided to downsize as their leases expire. Simultaneously, demand for office space, which has been extremely low since the pandemic started, will increase slightly as those companies that are downsizing enter the market to look for smaller space and companies that have prospered during the pandemic look to increase their office footprint. We also expect to see an increase in demand from out-of-state companies. As we have seen in the residential market, people are moving to the Seacoast from southern New England. We expect that businesses will follow suit and look to relocate from their more urban environments.

Although 2021 will most likely be difficult for the office market, history tells us that the New Hampshire Seacoast typically handles real estate downturns better than most. I remain optimistic that the long-term impact will be limited, and the New Hampshire Seacoast will return to pre-COVID levels much faster than many larger metropolitan markets in the United States.

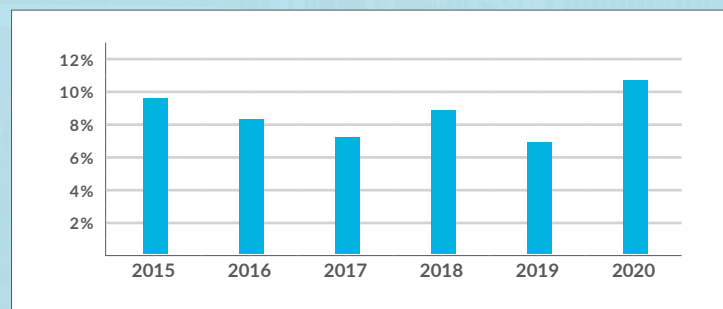
2020 SEACOAST NH OFFICE MARKET SNAPSHOT

SUBMARKET	TOTAL SQ. FT.	VACANT (SQ. FT.)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Dover	1,725,971	62,270	3.6%	\$11.50
Durham	184,688	178,003	96.4%	\$11.75
Exeter	521,092	93,897	18.0%	\$13.50
Greenland	70,947	6,234	8.8%	\$11.50
Hampton	484,819	20,739	4.3%	\$11.50
Newington	93,385	27,788	29.8%	\$14.50
Newmarket	77,053	-	0.0%	\$12.00
North Hampton	93,459	5,219	5.6%	\$11.50
Pease	2,198,706	209,065	9.5%	\$17.50
Portsmouth	2,334,281	164,402	7.0%	\$19.50
Rochester	566,028	93,258	16.5%	\$7.50
Seabrook	70,854	-	0.0%	\$10.50
Somersworth	250,992	4,915	2.0%	\$9.25
Stratham	434,946	95,340	21.9%	\$13.00
TOTAL OFFICE	9,107,221	961,130	10.6%	\$14.25

HISTORICAL AVERAGE OFFICE ASKING RENT (NNN)



SEACOAST NH HISTORICAL OFFICE VACANCY RATES







SEACOAST INDUSTRIAL MARKET OVERVIEW



CHRISTIAN STALKAMP
Senior Broker

The Seacoast New Hampshire industrial market remains extremely tight, and this trend will continue for the foreseeable future even with the uncertainty of the COVID-19 pandemic. The 2020 year-end vacancy rate for industrial space in the Seacoast is 3.9%, dropping from 5.7% in 2019. This remarkably low vacancy rate leaves companies scrambling to renew their current space or look to relocate, which typically includes only one or two options, if any.

Companies relocating to the Seacoast are now forced to extend their search radiuses because of the lack of quality industrial product. However, a relocation that adds significant commute time to the business's workforce creates a challenge for employee retention.

Due to the low availability, industrial rents in 2020 have increased throughout the Seacoast market. Industrial buildings that can support high-bay warehousing with clear heights exceeding 20 feet and have good access to Interstate 95 have seen more substantial increases in pricing per square foot than older-style buildings.

The Seacoast is experiencing several industry trends, all of which are putting additional pressure on the industrial market.


- Companies are increasing inventory across the board in response to supply chain disruption as a result of COVID. These companies are looking to expand their footprints to handle the additional raw materials, product, or inventory.
- Companies are looking to manufacture more in the U.S. and are looking for suppliers that also manufacture stateside.
 - This will lead to more advanced manufacturing spaces and building requirements to handle automation.
 - This will also lead to the need for higher clear heights and heavy power requirements for those buildings.
- The surge in e-commerce and last-mile logistical operations will result in:
 - Retail companies continuing to grow online sales
 - Continued growth for companies that support large box retailers
- Increased demand from businesses in the life sciences and medical sectors that have received government grants and/or contracts, will:
 - Increase manufacturing to meet demand
 - New products will be manufactured


Challenges continue to exist for ground-up industrial development in the Seacoast, creating obstacles to reach price points that tenants are willing to pay.

Examples of these challenges for development along Interstate 95 are:

- Lack of industrial land with city water/sewer
- Cost of industrial land
- Cost of construction and raw materials
- High labor costs

NOTEWORTHY SEACOAST INDUSTRIAL EXPANSIONS IN 2020

 **UPS** expanded into a 100,000 SF at 8 Marin Way, in Stratham, New Hampshire to handle increase demand from the eCommerce surge due to the pandemic. This high-quality industrial building is located directly off Route 101 and is close to Interstate 95.

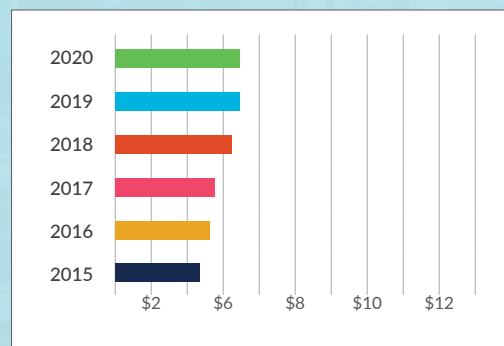
 **Lydall** expanded its manufacturing space by 46,800 SF, making the total building square footage 215,000 SF. This new facility will house two new production lines that enable Lydall to significantly increase the production of the fiber and materials used in N95 masks and air filtration systems.

Finding space available for sale or lease will continue to be a challenge in 2021 and beyond based on the current demand and pressure. Due to this lack of product, lease rates will continue to increase in all Seacoast towns. This will also hold true for sale prices that have increased by as much as 30-50% in just 4 years. The challenges faced along the I-95 corridor leaves new construction pricing on a level that has not been supported by tenants in previous years. I believe that with the continued lease rate increases for existing buildings, tenants will start to justify the higher new construction costs.

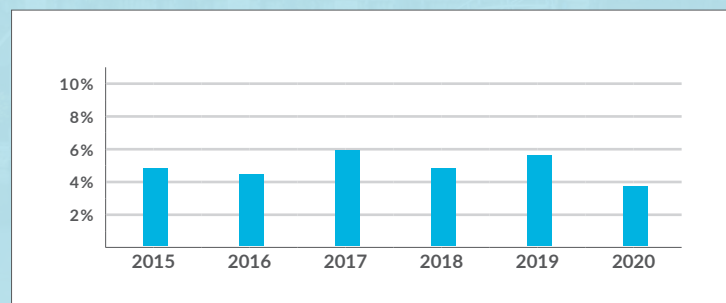
2020 SEACOAST NH INDUSTRIAL MARKET SNAPSHOT

SUBMARKET	TOTAL SQ. FT.	VACANT (SQ. FT.)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Dover	2,336,689	48,816	2.1%	\$6.50
Durham	310,000	263,000	84.8%	\$6.75
Exeter	1,145,635	32,288	2.8%	\$6.25
Greenland	774,145	1,500	0.2%	\$6.00
Hampton	906,170	10,772	1.2%	\$6.00
Newington	1,285,399	-	0.0%	\$6.25
Newmarket	140,204	-	0.0%	\$6.00
North Hampton	186,282	12,600	6.8%	\$5.75
Pease	1,596,849	26,750	1.7%	\$7.25
Portsmouth	2,123,018	37,495	1.8%	\$7.00
Rochester	2,219,761	126,139	5.7%	\$5.00
Seabrook	1,769,754	42,700	2.4%	\$6.75
Somersworth	1,805,846	67,074	3.7%	\$5.25
Stratham	1,058,735	25,000	2.4%	\$6.75
TOTAL INDUSTRIAL	17,658,487	694,134	3.9%	\$6.25

HISTORICAL AVERAGE INDUSTRIAL ASKING RENT (NNN)



SEACOAST NH HISTORICAL INDUSTRIAL VACANCY RATES



*As of 12/15/2020

CONTINUING TO IMPROVE THE WAY WE DO BUSINESS

Like all companies, the COVID-19 pandemic has changed the way we operate on a day to day basis. Much of what we do remains the same as before; boots on the ground, property tours, conference calls, and everything in between. However, now we are adorned with PPE and carry copious amounts of hand sanitizer. Amidst the chaos brought on by COVID-19, our team at The Boulos Company has found new tools that have enhanced the way we do business. We found ways to improve our marketing packages, enhance deal processes, and interact with members of our community.

Recently, our company made the leap and joined the up-and-coming world of Matterport. Matterport is a virtual 3D touring system that creates high-definition walkthroughs, schematic floor plans, high-end interactive building layouts, and much more. It was an easy choice for us when considering how we could further improve our marketing strategies. Although we do not feel that virtual tours are a substitute for in-person walkthroughs, we've found several benefits to utilizing this feature. Not only can Matterport present a view with a step-by-step virtual walkthrough, but it also allows our reach to expand beyond New England. It creates a marketing tool to advertise to out-of-state groups who want to tour and select a few properties

that fit their criteria. We can allow these groups a sneak peek of the location before their visit. Previously, when left to make assumptions based on information gathered online, they may have ultimately overlooked a great opportunity. We found in the early days of the COVID lockdown in the Seacoast, many folks who needed to make a real estate decision were still too nervous for in-person tours. We began to see an increase in requests for interior photos and videos of our listings. We started capturing virtual tour video with our cellphones and office cameras to help interested groups take a more in-depth look inside our listings before scheduling an in-person tour.

Another challenge that we faced was connecting with our community. Pre-pandemic, a typical day consisted of meeting a client for coffee or lunch, a five o'clock beverage with a new connection, networking events, community involvement meetings, team meetings, and much more. Once COVID hit, we found it to be a considerable challenge to continue connecting with people while practicing social distancing guidelines. ZOOM became an indispensable tool for us to communicate for face-to-face interactions during the pandemic. Though we miss those in-person coffee meetings, we are thankful to have a tool that connects us on a more personal level than email can provide.



KATHERINE GEMMECKE
Associate

2020 was the year of electronic signatures! DocuSign was a tool that we used every so often when the need arose. With most employees and decision-makers working remotely, this has become an everyday resource for us. It was once so simple to run downtown to an attorney or client's office for a quick signature and send the documents overnight by FedEx or UPS; this is no longer the case. Transaction management is something we strive to make seamless for our clients, and DocuSign has been invaluable in helping us continue to achieve this goal.

In closing, 2020 was filled with unexpected turns and twists. As we continue to navigate the effects of COVID-19, we have adapted to the challenges we faced and have come out stronger because of them. We are excited (or should I say cautiously optimistic) to see what 2021 brings and look forward to continuing to find ways to improve the way that we do business and connect with our community in the Seacoast, Southern Maine, and Massachusetts.



This Matterport virtual tour perfectly showcases this beautiful brick and beam office space's versatile layout, modern finishes, and abundance of natural light.

[ACCESS THE VIRTUAL TOUR](#)



ABOUT US

Northern New England's Commercial Real Estate leader, The Boulos Company, is dedicated to serving commercial real estate owners, investors, and tenants. We provide office, industrial, retail, multi-unit, and investment real estate services with New Hampshire and Maine's most comprehensive market intelligence. Services include strategic property leasing and sales advice and execution, property and facilities management, project management, investment management, valuation, appraisal, research, investment strategy, and consulting. Using a managed teamwork approach, we field a group of professionals to answer each client's specific and ever-changing needs. Each of our team member's market knowledge is complemented by proprietary, in-house research databases and an organizational structure designed to harness the firm's collective expertise.



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METHODOLOGY

To the best of our knowledge we have included all Class A and B office and industrial properties that are greater than 10,000 square feet (sf) and are considered investment-grade quality in the shown geographical area. We do not include retail, hotels, car dealers, churches, municipal buildings, or schools in our survey. The total average asking NNN lease rate is the weighted average of the submarket average asking NNN lease rate to the total square footage within each submarket. This survey was completed on December 15, 2020. The represented vacant SF includes available space, which includes sublease space.

