



THE BOULOS
COMPANY

2022

SEACOAST NEW HAMPSHIRE
MARKET OUTLOOK

A MESSAGE FROM OUR TEAM

At this time last year, we were hopeful that 2021 would see an end to the pandemic, and that we would be returning to “normal” in a post-COVID society. Yet here we are at the beginning of 2022, still waiting, while the global pandemic continues to create challenges for the commercial real estate industry.

As we progressed through 2021, we gained insight as to the overall impact that the pandemic has had on the Seacoast Commercial Real Estate Market. As we anticipated, demand remained high for industrial, multi-family, and investment properties. Conversely, the office market is still evolving as companies continue to work remotely, and the hospitality and restaurants industries have continued to navigate COVID-19 restrictions and labor shortages. This past summer saw a relaxation of restrictions and renewed optimism, only to have them rolled back with the surge of the Omicron variant.

While it continues to be a challenge to predict the final impact of COVID-19 on the commercial real estate industry, we have gained valuable insight over the past year and have shared it with you in this 2022 Seacoast New Hampshire Market Outlook.

This annual publication dives into the industrial and office commercial real estate markets in New Hampshire's Seacoast Region. We report on current vacancy rates and asking lease rates, summarize trends in the office and

industrial markets, and offer insight into the coming year's market performance. We strive to provide our clients and commercial real estate professionals with clear, concise, and accurate information that will serve as a valuable resource as they make decisions throughout the year.

We are also happy to announce that we have opened another New Hampshire brokerage office in Manchester. This move will allow us complete brokerage coverage throughout the state and Northern Massachusetts, and we are excited that we will be able to offer an even more comprehensive Market Outlook in 2023. To learn more about our Manchester team, please see the article on Page 10.

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 working with you in 2022!

Sincerely,



Kent White & The Portsmouth Team



Kent White
Principal Broker, Partner



Christian Stallkamp
Senior Broker



Caitlin Burke
Senior Associate



Katherine Gemmecke
Associate



Lisa Kurd
Office Manager



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2021 TRANSACTION HIGHLIGHTS



KATHERINE GEMMECKE Associate

At the onset of the COVID-19 pandemic almost two years ago, no one could have predicted what the real estate market would look like today. As we welcome 2022, we are confident that the Seacoast and neighboring markets in Northern Massachusetts and Southern Maine will continue to prove their resilience.

We have highlighted a sample of transactions from our portfolio of sales and leases throughout this past year below. Though the market indicated significant demand in industrial and investment properties, our business remained diverse, as we found success stories in office, land, and retail.

- Torrington Properties, Inc. purchased Newington Park, a 102,103± SF retail/office complex located at 2064 Woodbury Avenue in Newington, New Hampshire for \$13,350,000 in June of 2021. Torrington Properties was thrilled to add this to their investment portfolio, as the acquisition fits their long-term investment strategy. The transaction was arranged by Kent White, Christian Stallkamp, and Caitlin Burke.
- HAT Properties, LLC and RNT Properties, LLC purchased 334 & 338 Calef Highway and 68 Fogg Road in Epping, New Hampshire for

\$2,940,000 in October of 2021. The properties consist of mixed-use, industrial units, and developable land to which the Buyer has relocated its business, Williamson Pump & Motor, from their previous facility in Chelsea, Massachusetts. Williamson Pump & Motor has 70 years of experience and expertise in several industries such as property management, water and sewage plants, educational and industrial facilities, manufacturing plants, hospitals, municipal utilities and more. Christian Stallkamp and Katherine Gemmecke represented the Seller in the transaction.

- EIGHTKPH, LLC purchased 0.94 acres of land in the heart of downtown Portsmouth at the corner of Maplewood Avenue and Deer Street for \$5,200,000 in November of 2021. The buyer's plan is to reposition the two prime lots, which was part of a five-lot subdivision, by capitalizing on favorable density zoning. Christian Stallkamp represented the Seller in the transaction.
- F.H. Cann leased 56,822± SF of office space at 100 Domain Drive in Exeter, New Hampshire. F.H. Cann is a national leader in providing clients with contact center, financial recovery, loan servicing, and business process outsourcing

solutions for over two decades. The company expanded their operations from their Massachusetts branch into New Hampshire. Kent White and Caitlin Burke represented the Landlord in this transaction.

- Plaice Cove Spirits leased 28,000± SF of industrial space at 121 Broadway in Dover, New Hampshire. Plaice Cove Spirits is a fully integrated spirits group that does traditional co-packing, as well as brand incubation. Additionally, they can manufacture, distribute, and manage brand development and marketing to expose product to a wide array of audiences. Kent White and Caitlin Burke represented the Landlord in this transaction. •

PHOTOS

Top Left: 334 & 338 Calef Highway & 68 Fogg Road, Epping, NH
Top Right: Lots 4 & 5 Deer Street, Portsmouth, NH
Bottom Left: Newington Park, Woodbury Avenue, Newington, NH
Bottom Center: 121 Broadway, Dover, NH
Bottom Right: 100 Domain Drive, Exeter, NH



SEACOAST OFFICE MARKET OVERVIEW



CHRISTIAN STALLKAMP *Senior Broker*

The numbers are in, and the Seacoast New Hampshire office vacancy rate remained relatively flat from 2020. The year-end 2021 average vacancy rate is 10.9% versus 10.6% in 2020, while the 2019 “pre-COVID” vacancy rate was 7.3%. For comparison, the national office vacancy rates were 9.6% pre-COVID in 2019 while increasing to 10.0% and to 12.2%* in 2020 and 2021, respectively.

The good news is that the Seacoast office market is below the national average for vacancy and appears, at this point, to have weathered the COVID storm. This is great news, as many real estate professionals had predicted much higher vacancy rates by now. Having said this, we still don’t know the long-term implications to the office market, as many companies continue to work remotely.

Average asking lease rates increased from \$14.25/SF NNN in 2020 to \$14.47/SF NNN in 2021. The difference shows that the higher priced markets such as Portsmouth and the Pease Tradeport are experiencing higher vacancy than years past, which is then reflected in the overall Seacoast average.

There are still many unknowns as we go into our third year with COVID-19. This murkiness has tenants renewing their leases short term and taking a “wait and see” approach. Other companies

have continued to “mothball” their space with the expectation that when the pandemic ends, their employees can return to the office. Still others, who have term left on their lease, may decide to vacate or downsize as their lease terminates over the coming year.

It will be interesting to see how the office market transforms as we begin to navigate out of the pandemic.

TRENDS TO WATCH IN 2022

Office Demand

- The demand for smaller office footprints in the 2,500 SF to 5,000 SF range is stronger than larger office footprints due to the willingness to downsize from companies of all sizes. This size range is easier for companies to commit to financially than larger space.

Hybrid/Hoteling

- Hoteling is a term that has become popular as offices adopt a hybrid workplace strategy. The term refers to employees who split their time between working from home and being in the office. The employees can reserve workspace on a specific day and time, much like booking a hotel room. Employers need less office space under this model.

Adaptive Reuse

- Like the pre-COVID office market, there still is a lack of larger office inventory available. Fueled by the strong demand for industrial product, we may see larger office space converted for industrial use. One example is the 100,000± SF John Hancock office building located at 164 Corporate Drive at the Pease Tradeport. It is likely that this former industrial/warehouse building will be converted back to its original use.

Remote

- Nationally, working from home is trending down, but is still popular. Prior to COVID’s onset, 6% of the national workforce worked from home. This rate spiked to a high of 35% in the thick of the COVID outbreak, and now hovers around 13%. The ability to work remotely appears to be here to stay. From my conversations with employers, it has become a vital benefit to attract and hire employees in this tight labor market.

Technology

- Companies will continue to invest in technology to make it easier for their employees to seamlessly work between their company office and their home office. Programs such as Zoom, Slack, and Microsoft Teams have provided companies with tools necessary to make remote work viable for their employees. This trend is here to stay! •

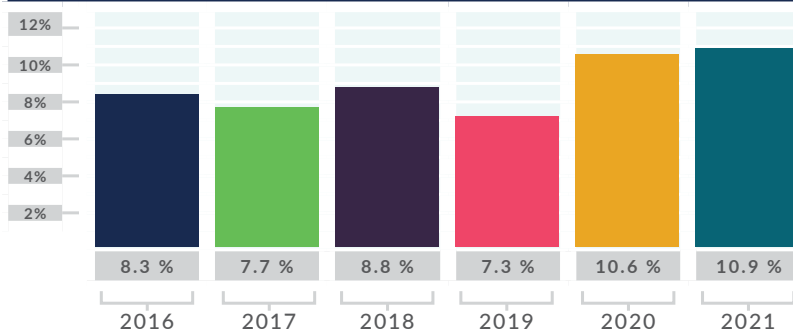
*Forecasted at the time of this article and Data from the National Association of Realtors

SEACOAST OFFICE

2021 SEACOAST NH OFFICE MARKET SNAPSHOT

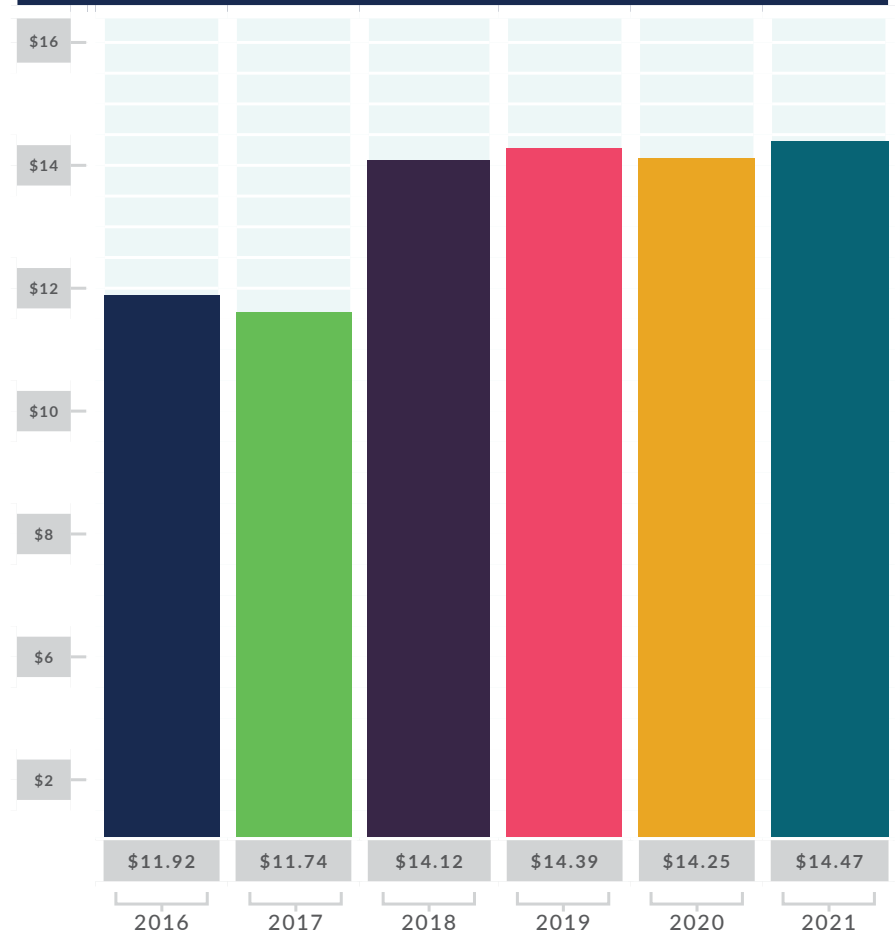
SUBMARKET	TOTAL SQ. FT.	VACANT (SQ. FT.)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Dover	1,784,426	83,369	4.7%	\$11.25
Durham	184,688	178,003	96.4%*	\$11.75
Exeter	521,089	64,264	12.3%	\$13.00
Greenland	70,947	5,112	7.2%	\$11.50
Hampton	484,819	4,502	0.9%	\$11.50
Newington	103,402	8,624	8.3%	\$14.25
Newmarket	77,053	3,225	4.2%	\$12.00
North Hampton	93,459	5,103	5.5%	\$11.50
Pease	2,198,706	225,470	10.3%	\$17.00
Portsmouth	2,396,244	248,623	10.4%	\$19.00
Rochester	566,028	87,450	15.4%	\$7.50
Seabrook	70,854	-	0.0%	\$10.50
Somersworth	250,992	-	0.0%	\$9.50
Stratham	434,946	93,490	21.5%	\$12.50
TOTAL OFFICE	9,237,653	1,007,235	10.9%	\$14.47

SEACOAST NH HISTORICAL OFFICE VACANCY RATES



*This vacancy represents one large building.

HISTORICAL AVERAGE OFFICE ASKING RENT (NNN)



*As of 12/15/2021

SEACOAST INDUSTRIAL MARKET OVERVIEW



KENT WHITE *Principal Broker, Partner*

2021 marks the 21st Seacoast NH Market Outlook published by The Boulos Company. Since 2000, the industrial market typically has not changed much year over year. Yes, the vacancy rates or asking lease rates would vary slightly up or down, but we have never experienced anything close to the changes we have seen in 2021 – and we expect more to come as we head into a new year.

As of December 15, 2021, the Seacoast vacancy rate was 2.3% - a decrease from 3.9% at year-end 2020. Most of that vacancy, 63%, can be attributed to one building in Durham. That one building, located at 121 Technology Drive, sold in October to R.J. Kelly Company. At the time of the sale, the entire 263,000± SF of industrial/warehouse space was vacant. According to the broker representing the new owner, they have five industrial/warehouse tenants actively pursuing the vacancy and the expectation is that all 263,000± SF, plus additional expansion space, will be leased by the spring of 2022. If those expectations materialize, there will be less than 1% of industrial inventory available in the New Hampshire Seacoast.

The low vacancy obviously tells one story, but the most impressive change has been the increasing asking lease rates, which have increased by more

than 60% in some towns in just the past year. One prime example is the 121 Technology Drive building in Durham which is highlighted above. The asking lease rate under the new ownership is \$11.75/SF NNN, which is an increase from \$6.75/SF in 2020. The other large vacancy in the Seacoast is 131 Portsmouth Avenue in Exeter, which was recently purchased by an investor. The asking lease rate for this 75,747± SF industrial building is \$11.75/SF NNN. In some cases, the asking lease rates are approaching, or exceeding asking office rents, which is something we have never seen before.

What is causing this unprecedented change? Well, there are a few factors. Disruptions to global supply chains during COVID-19 have forced companies to store more inventory onsite, while also growing to meet increased demand. Furthermore, these supply disruptions from overseas have companies shifting some of their manufacturing back to the USA. We have also seen an uptick in out of state companies looking to the Seacoast for space because of low inventory and accelerating lease rates in other parts of the country as well.

What to do? Build more buildings? Sounds easy, but with the lack of good industrial land with the

correct zoning and good access, there aren't many options, especially along I-95. Furthermore, much of the current demand is immediate and waiting 12-18 months for a new building isn't an option. Having said this, there are a few new development projects in the works for companies that have time on their side. We should also see adaptive reuse of retail or office buildings. As the office and retail markets change because of COVID-19, there may be opportunity to convert these properties to industrial use. This would pose some challenges with zoning, low ceiling heights, access, etc. but companies are being forced to look at every option.

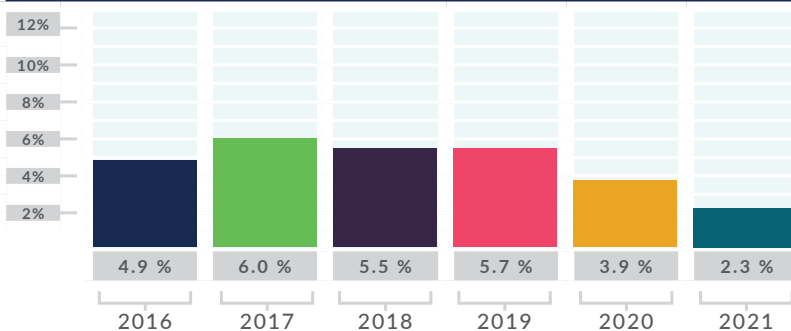
So, what can we expect in 2022? Unfortunately for tenants and fortunately for landlords, more of the same. Vacancy rates will remain extremely low and lease rates will continue to increase – although there will be a ceiling to these asking rents beyond which tenants cannot justify. This will prove especially true as those asking rents start to compete with costs of new construction. The adage of "Supply and Demand" really does apply to the New Hampshire Seacoast. Unfortunately, because of the lack of supply, local companies may be forced to expand or relocate to other parts of the country. Long term, this may be the biggest impact to the local economy. Time will tell. ●

SEACOAST INDUSTRIAL

2021 SEACOAST NH INDUSTRIAL MARKET SNAPSHOT

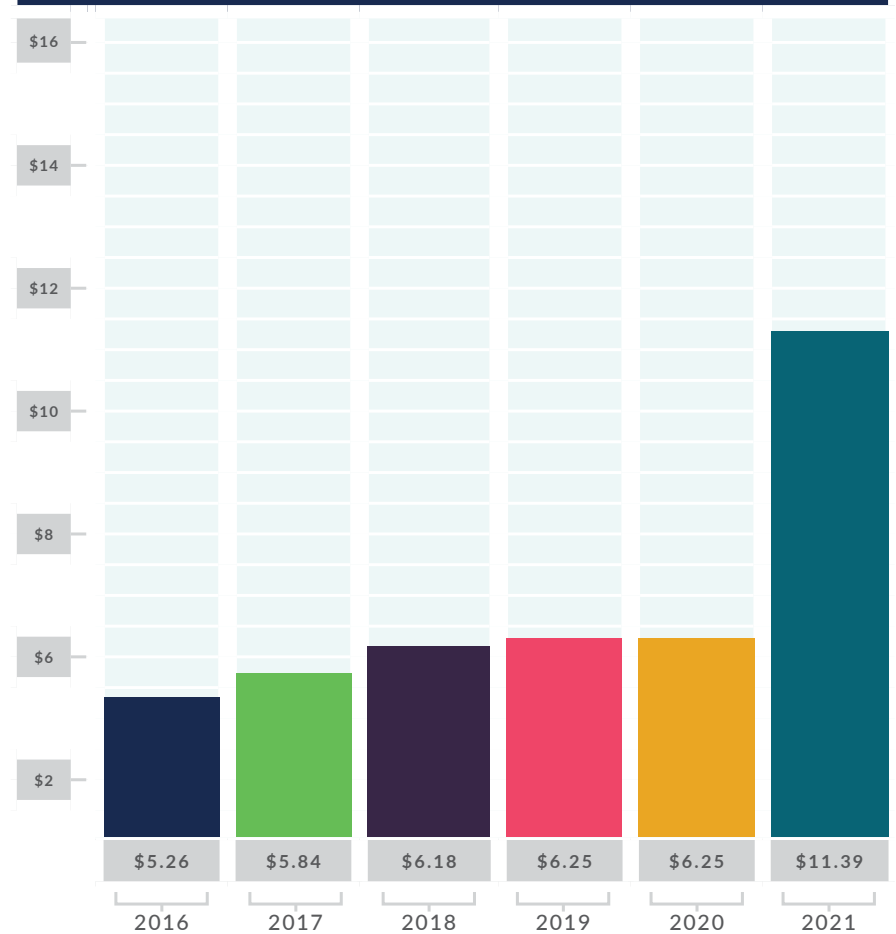
SUBMARKET	TOTAL SQ. FT.	VACANT (SQ. FT.)	VACANCY (%)	AVERAGE ASKING RENT (NNN)
Dover	2,415,642	2,969	0.1%	\$9.00
Durham	310,000	263,000	84.8%*	\$11.75
Exeter	1,180,534	75,747	6.4%	\$11.75
Greenland	774,145	-	0.0%	\$10.00
Hampton	906,170	3,906	0.4%	\$10.00
Newington	1,285,399	-	0.0%	\$10.50
Newmarket	140,204	-	0.0%	\$8.00
North Hampton	186,282	3,600	1.9%	\$9.00
Pease	1,596,849	-	0.0%	\$11.00
Portsmouth	2,144,313	21,940	1.0%	\$9.75
Rochester	2,448,671	-	0.0%	\$8.00
Seabrook	1,769,754	45,100	2.5%	\$10.00
Somersworth	1,805,846	1,102	0.1%	\$8.50
Stratham	1,058,735	-	0.0%	\$10.00
TOTAL INDUSTRIAL	18,022,544	417,364	2.3%	\$11.39

SEACOAST NH HISTORICAL INDUSTRIAL VACANCY RATES



*This vacancy represents one large building.

HISTORICAL AVERAGE INDUSTRIAL ASKING RENT (NNN)



*As of 12/15/2021

INDUSTRIAL CASE STUDY:

100 TRI CITY ROAD, SOMERSWORTH, NH



CAITLIN BURKE *Senior Associate*

Demand for industrial/flex space is at what amounts to an all-time high for many of our careers. As Kent shares in his Seacoast Industrial Market Overview article, our 2021 Market Outlook indicates that the average asking lease rate has gone up more than 60% in some towns in the past year alone. With inventory also at an all time low, tenants in the market have very limited options for space and may be forced to consider a location, property type, or price point that would not have been their first choice.

The best example of this is a property we marketed this past year in Somersworth, New Hampshire at 100 Tri City Road. Once a former Consolidated Communications industrial and office facility, this 69,217± SF building sat vacant for several years. Its location, condition, and mix of office and industrial space made it difficult to find a large tenant in the market for whom it made sense. This was three years ago, when demand for industrial space was on the rise and we recommended to the Landlord that he remove the second-floor office area and convert the entire building to industrial use. During this time, we had experienced a severe lack of smaller industrial/flex options in the market. Tenants looking for industrial/warehouse spaces under 6,000 SF had virtually nothing to consider

on the Seacoast. Units of that size typically provide space for contractors, painters, woodworkers, and other local businesses in our communities.

With this information in hand, the owner of 100 Tri City Road took our advice and removed the second floor, reducing the square footage from 69,217± SF to 52,138± SF and built 20 separate units, ranging in size from 1,506± SF to 6,733± SF. Each unit comes equipped with one ADA complaint bathroom, a small air-conditioned office space, poured concrete floor, and heated warehouse space. Depending on the size and layout of the space, each unit has one or two large overhead doors. Additionally, each unit comes with two to four parking spaces.

The units were advertised as a monthly rate, plus tenant's heat, electric, and trash removal costs. The asking rent averaged \$14.00/SF Modified Gross annually. Within twelve months on the market, all 20 units were leased. At various points throughout the year, multiple tenants were making offers on specific size units, and a week didn't go by without at least one or two showings at the property.

Some of the tenants include a custom van builder, a general contractor, a screen-printing company, and parts storage for larger businesses. We heard

anecdotally throughout the year that tenants were not originally considering the location, but couldn't find this type of small flex option anywhere else on the Seacoast. These small flex units fuel the local economy and allow these types of businesses a location of their own to grow.

Kat Gemmecke on our team managed most of the showings and negotiations over the last year. "The reach of interest we saw throughout the initial leasing process was pretty amazing. We had people as far away as California inquiring on the property. A few of the current tenants commute from Massachusetts to Somersworth daily because of the lack of industrial inventory they found in their home area. We received a lot of really positive feedback on the way the units were constructed and the growth potential that tenants have with the various sized units," explained Gemmecke.

Ultimately, 100 Tri City was a huge success for both the landlord and tenants alike and, for the time being, will remain one of the few sources of inventory of small industrial flex units on the Seacoast. The landlord took a risk to design and build these units without having any tenants pre-committed - a risk that paid off within the first year. ●

BEFORE



INDUSTRIAL CASE STUDY
100 TRI CITY ROAD



AFTER



BOULOS WELCOMES MANCHESTER TEAM



CHRISTOPHER STEPHENSON
VP of Operations and Marketing

We are excited to announce that The Boulos Company has expanded its operations in New Hampshire. Please join us in welcoming the brokerage team of Roger Dieker, Mike Tamposi, Chris Healey, and Transaction Manager, Karen Gazzara to our new office at 650 Elm Street, Suite 102, in Manchester, New Hampshire.

Roger Dieker will fill the role of Managing Broker and the Manchester team has joined Boulos as a complete brokerage office after exiting a longstanding tenure at CBRE. “We have enjoyed a mutually beneficial relationship with CBRE, and it made sense for some time given our proximity to the Boston office. Over the past three years, however, The Boulos Company has become a regional leader in providing world-class marketing power, back office-support, and business development strategy for brokerage teams. We want to be a part of that collaborative culture which enables our brokers to be as successful as they can possibly be. We have worked with The Boulos Company in the past and developed amazing relationships – it feels like we’re coming home,” said Dieker.

The move to The Boulos Company will enable the Manchester team to expand their service area to cover additional markets and offer their clients a full range of CRE services on top of traditional sale and leasing – such as CRE investment listing and advisory services. “We couldn’t be more excited to bring the Manchester crew into the fold with Team Boulos,” said Drew Sigfridson, Managing Director for The Boulos Company. “Together Roger, Mike, Chris, and Karen are one of the best brokerage teams in the business.” In addition to being the market leader for the state of Maine and Seacoast New Hampshire, bringing Manchester on board gives The Boulos Company complete coverage throughout Maine, New Hampshire and Northern Massachusetts. “We will be able to provide even better service to our clients throughout New England with more market knowledge and expertise, said Sigfridson.

New markets and services aren’t the only new developments for the Manchester Team. The Boulos Company will enable the Manchester team to grow their office through Boulos’s unique approach to recruiting. “We provide in-house training

and mentoring to entry-level CRE sale & leasing professionals to develop them into fully credentialed brokers through our Associate Program,” said Topher Stephenson, VP of Operations & Marketing for Boulos. “The program has helped develop some of the company’s top-producing brokers, including Caitlin Burke of the Portsmouth office,” said Stephenson. “We are looking forward to helping Manchester expand.”

In addition to the recruiting and mentoring program, the Manchester office will also benefit from The Boulos Company’s social media and online marketing presence, fully customized marketing materials and web content, cutting-edge CRE analytics tools, as well as Boulos’s property comparable and contact database, one of the largest in New England. “The change will give us more flexibility with our local advertising and marketing decisions – not to mention the marketing support provided by Boulos, which they have custom-tailored to be able to perfectly suit the needs of business owners, landlords, and investors in our markets,” said Dieker. “It will make us a one-stop shop for CRE needs, we can service 1,200 SF retail tenants along with multi-million-dollar investment portfolio owners, and everything in between.”

“Part of the appeal of joining The Boulos Company is their reputation with national brokerage firms,” said Dieker. “The national firms come to us with their referrals because we get the job done right,” echoed Sigfridson on the topic. “We are the professionals that national brokerage firms can trust to bring their clients unparalleled value through best-in-class customer service and market knowledge, and we are recognized for it throughout the country. We are able to provide our local clients the same national reach through our affiliations with organizations like Certified Commercial Investment Member (CCIM), Society of Industrial and Office Realtors (SIOR), and International Council of Shopping Centers (ICSC).” The Manchester office’s transition to The Boulos Company is effective as of January 3rd. Said Dieker regarding the move, “We look forward to working with CBRE on a smooth transition and to servicing them as a client in the future.” ●

MANCHESTER TEAM

ROGER DIEKER

Managing Broker | Partner

MICHAEL TAMPOSI, JR

Partner

CHRISTOPHER HEALEY

Partner

KAREN GAZZARA

Transaction Manager



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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The BOULOS Beat

Hosted by Greg Boulos and various guest-hosts, The Boulos Beat podcast explores Maine and New Hampshire's commercial real estate world through in-depth interviews with its movers, shakers, and business leaders.

Thank you to our guests for sharing their incredible stories:

Episode 1: Fred Forsley
Episode 2: David Bateman
Episode 3: Jim Brady
Episode 4: Joe Soley
Episode 5: Joe Boulos
Episode 6: Peter Anastos
Episode 7: Vin Veroneau
Episode 8: Ford Reiche

Episode 9: Marc Dugas
Episode 10: Kevin Mattson
Episode 11: Matt Hancock
Episode 12: Jonathan Culley
Episode 13: Peter Michaud
Episode 14: Dana Totman
Episode 15: Bill Stauffer
Episode 16: Jonathan Cohen

Episode 17: Josh Benthien
Episode 18: Tom Watson
Episode 19: Melissa Smith
Episode 20: Josh Broder
Episode 21: Tony McDonald
Episode 22: David Shaw
Episode 23: David Shaw (Cont.)
Episode 24: Jean Hoffman



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METHODOLOGY

To the best of our knowledge, we have included all Class A and Class B office and industrial properties greater than 10,000 square feet (SF) that we consider investment-grade quality in the shown geographical areas. 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. We have estimated the average asking lease rate based on our market knowledge when a submarket has no vacancy. The represented vacant SF includes available space, which includes sublease space. This survey was completed on December 15, 2021.

This report has been prepared in good faith, based on The Boulos Company's current anecdotal and evidence-based views of the commercial real estate market. Although The Boulos Company believes its views reflect market condition on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond The Boulos Company's control. In addition, many of The Boulos Company's views are opinions and/or projections based on subjective analyses of current market circumstances. Other firms may have different opinions, projections, and analyses, that are different from The Boulos Company's current views. The Boulos Company has no obligation to update its views herein if its opinions, projections, analyses, or market circumstances subsequently change.

