



# CITY OF CONCORD

## REPORT TO MAYOR AND THE CITY COUNCIL

**FROM:** Carlos P. Baía, Deputy City Manager—Development  
Suzi Pegg, Economic Development Director

**DATE:** April 23, 2021

**SUBJECT:** Economic Development Performance Annual Report: 2020-2021

### Recommendation

Accept the report.

### *Building Permit Activity*

The value of building permits in 2020 (\$67,116,790) was a drop from 2019 yet was still one of the stronger annual totals over the last decade. In terms of volume, 533 permits were issued which was the second highest number in over 10 years.

Concord Building Permit Activity				
	#Permits	Total Permit Value	Taxable Property*	Exempt
CY 2010	472	\$78,287,009	\$39,138,550	\$39,148,459
CY 2011	438	\$81,679,142	\$27,965,156	\$53,713,986
CY 2012	528	\$32,299,956	\$25,872,406	\$6,427,550
CY 2013	448	\$63,811,855	\$32,185,247	\$31,626,608
CY 2014	439	\$40,050,530	\$34,301,982	\$5,748,548
CY 2015	495	\$60,551,435	\$40,638,563	\$19,912,872
CY 2016	487	\$101,410,963	\$43,239,611	\$58,171,352
CY 2017	429	\$56,998,859	\$25,320,192	\$31,678,677
CY 2018	523	\$48,049,932	\$42,733,552	\$5,316,380
CY 2019	544	\$113,605,441	\$52,194,821	\$61,410,620
CY 2020	533	\$67,116,790	\$58,306,747	\$8,810,043

\*Value includes renovations, replacements, etc. that may not be considered, in their entirety, as new tax base growth.

### *Housing*

A lack of housing continues to be a significant factor in Concord and New Hampshire, in general. A recent *Business NH Magazine* report noted that the state needs as many as 20,000

units to meet current demand.<sup>i</sup> The overall rental housing vacancy rate for Concord in 2020 was 1% and for 2-bedroom units, .8%. Reflecting this lack of supply and high demand, rents in Concord continued to rise substantially. The median gross rental rate for a 2-bedroom apartment in 2020 was \$1,351. The NH Housing Finance Authority reported that between 2019 and 2020, the median gross rental rate for a 2- bedroom apartment in Concord rose 7.1%. Over a 10 year period from 2009 to 2019, the median gross rent in Concord for a 2-bedroom apartment rose by 29.2%.<sup>ii</sup>

Median Residential Rental Rates-2BD								
	Concord		Manchester		Nashua		Portsmouth	
		Vacancy*		Vacancy*		Vacancy*		Vacancy*
2016	\$1,145	1.2%	\$1,265	1.9%	\$1,415	0.4%	\$1,404	1.0%
2017	\$1,211	0.8%	\$1,280	2.2%	\$1,559	0.7%	\$1,522	1.1%
2018	\$1,276	1.4%	\$1,270	1.7%	\$1,566	2.2%	\$1,671	0.6%
2019	\$1,262	0.3%	\$1,406	1.1%	\$1,506	0.4%	\$1,720	0.1%
2020	<b>\$1,351</b>	<b>1.0%</b>	<b>\$1,483</b>	<b>3.1%</b>	<b>\$1,712</b>	<b>0.6%</b>	<b>\$1,761</b>	<b>0.4%</b>

\*Vacancy for all units. Source: New Hampshire Housing Finance Authority.

The following table, based on building permits issued, notes that housing construction followed a familiar pattern with little change. This pace of construction is **not** meeting the demand for housing in Concord and only further contributes to other macroeconomic factors that are fueling high rents and increasingly higher prices for homes.

Calendar Year	Single Family Homes	Townhomes	Apartments/Condos	Manufactured Housing	Total New Units
2018	30	14	30	21	95
2019	17	24	34	25	100
2020	32	12	43	16	103

The recent Planning Board approval of 236 multifamily units at 70 Pembroke Road is a promising first step toward addressing the lack of housing supply. Other projects are also in the preliminary stages. If all the current projects doing their due diligence were to be constructed, Concord could see an increase in excess of 1,000 units within the next two years.

In terms of owner-occupied housing, the median purchase price of all primary homes in Concord in 2020 (inclusive of condos, foreclosure sales, short sales, etc.) rose over 18% to \$270,000. This inflationary trend is only becoming more acute. The real estate site, *Redfin*, notes that homes in Concord are selling after an average of 44 days on the market as opposed to 55 days in 2020—a 20% change indicative of an increasingly hot seller's market.<sup>iii</sup>

Median Purchase Price—Homes (inclusive of condos, foreclosure sales, short sales, etc.)				
	Concord	Manchester	Nashua	Portsmouth
2016	\$187,000	\$201,000	\$230,000	\$370,000
2017	\$215,000	\$215,000	\$245,000	\$409,500
2018	\$226,000	\$230,000	\$262,000	\$432,266
2019	\$228,533	\$245,000	\$280,000	\$465,000
<b>2020</b>	<b>\$270,000</b>	<b>\$289,000</b>	<b>\$330,000</b>	<b>\$410,000</b>

### *Assisted Housing*

In 2020, the Penacook Landing affordable housing development introduced 34 new units. Later that year, CATCH's Village Street development broke ground on 42 additional units. 4 units based on the "housing first" model were developed on Green Street by the Concord Coalition to End Homelessness. This same organization subsequently purchased the First Congregational Church on North Main Street in anticipation of a future project to develop several dozen affordable and "housing first" units.

Phase 2 of the Penacook Landing with its 20 proposed units is still being pursued and anticipated to be awarded federal tax credits within the next cycle and subsequently built in 2022. CATCH is also actively seeking properties for additional affordable housing in Concord.

### *Commercial Real Estate Market*

#### *Downtown Retail*

With the onset of the pandemic, restaurants and retailers were particularly hard hit. A number of entities, including the Federal, State and City governments all took steps to stem the bleeding. The City—specifically—adopted a temporary expanded outdoor dining permit and provided \$15,000 in grant funds for COVID-related measures taken by restaurants.

A sidewalk survey of available ground floor commercial space was conducted on February 21, 2021. The area analyzed was bounded by Centre Street to the north; State Street to the west; and Storrs Street to the east and south. The results are noted in the following table.

Downtown Concord Ground Floor Commercial	
	Vacancy
2013	10.30%
2014	10.90%
2015	8.90%
2016	8.04%
2017	5.50%
2018	6.50%
2019	8.5%
2020	8.1%
2021	11.7%

Since this survey was done, a new pizza restaurant and ice cream shop on North Main Street are in the works which, when open, would—all other factors being equal—reduce the downtown vacancy rate to 10.7%.

*Loudon Road/D’Amante Drive/Fort Eddy Road*

As witnessed in Downtown, the rest of the city was also not immune from the aggravating economic effect of the pandemic on an already struggling bricks and mortar retail industry. Fort Eddy Road, traditionally Concord’s strongest retail corridor, saw its vacancy rate double.<sup>iv</sup>

The Loudon Road corridor, fortunately, was able to largely remain in status quo in terms of its overall tenancy. Harbor Freight Tools opened in the former Toys R’Us space while the Red Apple Buffet at the corner of Eastside Drive and Loudon Road closed.<sup>v</sup>

Heights Retail Vacancy*			
	2019	2020	2021
Fort Eddy Road	7.1%	7.1%	14.2%
Loudon Rd/D’Amante Drive	4.1%	6.4%	6.4%

\*Exclusive of the Steeplegate Mall

*Steeplegate Mall*

The Mall continues to lose permanent tenants. The most recent departure was LensCrafters which moved to the Starbuck’s plaza on Loudon Road. The pandemic, ironically, provided the mall with a large tenant when the State’s vaccination clinic leased the former Sears store space.

### Office

Aside from retail and restaurant space, perhaps no other segment of the commercial real estate marketplace was hardest hit from the pandemic as office space. Nationally, there was a 47.3% drop in transaction activity in the office market in 2020 compared to 2019 as many companies went remote.<sup>vi</sup> Colliers International, in its annual market review, contends that the lasting effects of the “Work From Home-WFH” phenomenon in New Hampshire may only truly be felt in 2021 as companies emerge from the pandemic and re-assess their permanent building needs.<sup>vii</sup>

Average Office Asking Rents & Vacancy Rates								
	Concord		Manchester		Nashua		Portsmouth	
2014	\$14.00	14.4%	\$12.00	13.7%	\$12.50	13.8%	\$17.00	4.5%
2015	\$13.50	14.0%	\$12.50	12.0%	\$12.50	16.9%	\$17.50	4.5%
2016	\$13.50	12.1%	\$12.75	11.3%	\$12.50	11.0%	\$18.00	4.3%
2017	\$13.00	12.3%	\$12.75	12.2%	\$12.50	11.6%	\$18.50	2.8%
2018	\$16.60	11.3%	\$19.35	11.6%	\$17.50	11.0%	\$23.53	6.0%
2019*	\$17.12	7.4%	\$18.84	8.2%	\$17.22	11.4%	\$24.25	3.3%
<b>2020<sup>viii</sup></b>	<b>\$18.30</b>	<b>7.7%</b>	<b>\$19.43</b>	<b>8.7%</b>	<b>\$17.05</b>	<b>12.2%</b>	<b>\$24.92</b>	<b>7.7%</b>

\*Note: Unlike previous years, Colliers International is only reporting Q4 data, not an average of the entire year.

### Industrial

Notable industrial property transactions in 2020 were the sale of 102 Old Turnpike Road for \$3.2 million as well as the sale of 129 Manchester Street for \$6.5 million and 25 Henniker Street for \$1.5 million.<sup>ix</sup>

Average Industrial Asking Rents & Vacancy Rates										
	Concord		Manchester		Nashua		Portsmouth		Salem	
<b>2015</b>	\$6.15	13.9%	\$6.15	5.2%	\$5.90	13.5%	\$6.25	3.1%	\$6.15	16.2%
<b>2016</b>	\$6.25	12.4%	\$6.25	4.6%	\$5.90	10.8%	\$6.25	2.7%	\$6.50	8.2%
<b>2017</b>	\$6.15	11.8%	\$6.25	4.9%	\$5.90	6.5%	\$6.75	9.1%	\$6.75	6.5%
<b>2018</b>	\$5.63	7.0%	\$6.42	4.2%	\$6.36	5.6%	\$6.97	1.7%	\$9.37	13.7%
<b>2019</b>	\$5.86	8.0%	\$6.37	3.3%	\$6.35	6.6%	\$8.55	1.5%	\$8.74	6.4% <sup>x</sup>
<b>2020</b>	\$6.48	7.0%	\$7.09	2.8%	\$6.76	6.3%	\$8.46	0.9%	\$8.77	6.2%

## *Unemployment*

The onset of the pandemic had an immediate and dramatic impact on unemployment throughout the state. The Concord unemployment rate spiked from 2.7% in March 2020 to 14.6% by April of the same year. However, that level of unemployment tapered off by year's end. In December 2020, the rate had stabilized at 3.5%<sup>xi</sup>

Unemployment by Select Cities						
	2015	2016	2017	2018	2019	2020
<b>Concord</b>	3.2%	2.4%	2.4%	2.2%	2.2%	<b>6.1%</b>
<b>Dover</b>	3.0%	2.2%	2.2%	2.2%	2.1%	<b>6.5%</b>
<b>Keene</b>	3.5%	2.5%	2.7%	2.6%	2.7%	<b>6.4%</b>
<b>Lebanon</b>	2.3%	1.9%	1.8%	1.8%	1.9%	<b>5.0%</b>
<b>Manchester</b>	3.8%	2.9%	2.9%	2.7%	2.6%	<b>7.8%</b>
<b>Nashua</b>	4.2%	3.3%	3.2%	3.0%	2.9%	<b>8.0%</b>
<b>Portsmouth</b>	2.6%	2.0%	2.1%	2.0%	2.0%	<b>6.2%</b>

## *Outlook for 2021*

Things are looking up for the remainder of 2021. There is a lot of interest in development in Concord at the moment, specifically in housing and industrial/manufacturing/warehousing. In addition, construction on the Exit 17-Interchange Development project is set to begin this summer that will create a new retail node in Penacook. New restaurants are also in the pipeline for the community. With increased vaccinations, it is hoped that the pandemic will subside freeing the economy to return to normal.

<sup>i</sup> Judi Currie, Communities Circumvent Housing Law, *Business NH Magazine*, April 2021, p.37

<sup>ii</sup> New Hampshire Housing Finance Authority, Housing and Demographic Data, Purchase Price Trends and Rental Cost Trends, <https://www.nhhfa.org/publications-data/housing-and-demographic-data/>, 2021.

<sup>iii</sup> Redfin, "Concord Housing Market," <https://www.redfin.com/city/3697/NH/Concord/housing-market>.

<sup>iv</sup> Survey conducted on April 23, 2021.

<sup>v</sup> Survey conducted on February 21, 2021.

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<sup>vi</sup> JLL, “United States Office Outlook-Q4 2020” <https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends>, January 19, 2021.

<sup>vii</sup> Colliers International, “New Hampshire 2020 Review & 2021 Outlook,” p.2.

<sup>viii</sup> Ibid., p.8.

<sup>ix</sup> Ibid., p.8.

<sup>x</sup> Colliers International, “2019 Year in Review: Concord Submarket.”

<sup>xi</sup> NH Employment Security, “New Hampshire Cities and Towns-Unemployment Rates for 2020,” <https://www.nhes.nh.gov/elmi/statistics/laus-data.htm>, 2021.