



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Carlos P. Baía, Deputy City Manager—Development

DATE: February 22, 2017

SUBJECT: Overall Economic Development Performance (OEDP) Annual Report: 2016-2017

Recommendation

Accept the report.

Executive Summary

Building Permit Activity

487 building permits were issued in 2016. Total permit value was the highest in a decade primarily due to the \$40+ million women’s prison project. Construction value on taxable property was the strongest since 2008. Notable large projects in 2016 included the \$9.5 million parking garage at Concord Hospital and over \$14 million in assorted projects at St. Paul’s School.

<i>Concord Building Permit Activity</i>				
	#Permits	Total Permit Value	Taxable Property*	Exempt
CY 2006	640	\$123,069,353	\$63,938,411	\$59,130,942
CY 2007	590	\$90,503,902	\$67,129,014	\$23,374,888
CY 2008	522	\$64,678,628	\$46,040,496	\$18,638,132
CY 2009	465	\$35,250,076	\$29,962,428	\$5,287,648
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

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

Housing

In 2016, 38 new single family homes were built; 19 new manufactured homes installed; and 20 multifamily units were created.

According to New Hampshire Housing Finance Authority data, the median purchase price of all primary homes in Concord (inclusive of condos, foreclosure sales, short sales, etc.) from January through the third quarter of 2016 was \$187,000; a decrease from the same period in 2015.ⁱ Single family homes during this 2016 time period sold for a median of \$210,000. The web-based real estate service, Zillow.com, notes that in December 2016, the median home value in Concord was \$198,000 which, according to their data set, was the highest value since August of 2008.

Median Purchase Price--Homes				
	Concord	Manchester	Nashua	Portsmouth
2012	\$177,000	\$179,900	\$193,333	\$340,000
2013	\$196,500	\$185,000	\$225,000	\$355,000
2014	\$187,333	\$182,533	\$215,000	\$340,000
2015	\$195,000	\$195,000	\$221,000	\$340,000
2016	\$187,000	\$201,000	\$230,000	\$370,000

Residential rental rates continued to rise reflecting a limited supply of quality rental apartments. This is evident in Concord's vacancy rate which tightened from 1.3% in 2015 to 1.2% in 2016.ⁱⁱ

Median Residential Rental Rates-2BD								
	Concord		Manchester		Nashua		Portsmouth	
		<i>Vacancy*</i>		<i>Vacancy*</i>		<i>Vacancy*</i>		<i>Vacancy*</i>
2012	\$1,070	1.3%	\$1,084	2.9%	\$1,225	0.2%	\$1,276	5.0%
2013	\$1,068	2.9%	\$989	7.3%	\$1,064	3.1%	\$1,203	0.5%
2014	\$1,095	2.2%	\$1,002	2.6%	\$1,059	3.7%	\$1,620	1.3%
2015	\$1,136	1.3%	\$1,069	1.9%	\$1,131	3.4%	\$1,419	2.4%
2016	\$1,145	1.2%	\$1,265	1.9%	\$1,415	.4%	\$1,404	1.0%

*Vacancy for all units.

Commercial Real Estate Market

Downtown Retail

A sidewalk survey of available ground floor commercial space was conducted on February 22, 2017. 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 findings from this survey suggest that the downtown retail/restaurant economy is stronger than it has been in years.

Downtown Concord Ground Floor Commercial	
	Vacancy
2013	10.30%
2014	10.90%
2015	8.90%
2016	8.04%
2017	5.05%

Loudon Road/D'Amante Drive/Fort Eddy Road

The Loudon Road/D'Amante Drive/Fort Eddy Road continues its strong market performance. While retail vacancy rates nationally are expected to hover between 10.6% and 11.5% over the next year, this area of Concord vastly outperform those forecasts.ⁱⁱⁱ

Heights Retail Vacancy		
	2016	2017
Fort Eddy Road	2.40%	2.5%
Loudon Rd/D'Amante Drive	6.30%	6.0%
Average Vacancy	4.4%	4.3%

Steeplegate Mall

The Mall was sold in 2016 for \$10.3 million. The new owners moved to subdivide the Applebee's and TD Bank parcels to generate revenue ostensibly to infuse into project. Their representative has indicated that they are courting new tenants. The mall warrants continued monitoring.

Office

Concord's office vacancies in 2016 were more in line with other comparable cities such as Manchester and Nashua than in 2015. As a whole, the I-93 office market continues to underperform dramatically when contrasted with the Seacoast, almost entirely due to the growth in the Pease Tradeport. In fact, real estate analysts in the Seacoast are starting to question whether their market's vacancy rate is now too low and may actually be locking businesses out of the area.

As for the I-93 market, there is still a significant amount of office space available for absorption. The office economy among the state's three largest cities isn't showing signs of improving that absorption rate based on business growth alone. As a result, successful owners are finding new ways to maximize their buildings such as converting their space to residential uses as was the case with the Citizens Bank building in Manchester.^{iv}

Average Office Asking Rents & Vacancy Rates									
	Concord		Manchester		Nashua		Portsmouth		
2012	\$14.00	13.1%	\$11.90	14.8%	\$11.50	17.4%	\$15.00	7.7%	
2013	\$14.00	13.3%	\$12.00	11.8%	\$12.00	12.5%	\$16.00	7.3%	
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%	

Industrial

The demand for industrial space statewide increased in 2016. Concord's inventory of vacant industrial space improved from 2015 but at 12.4% is still one of the highest of any municipality measured. In contrast, the Manchester/Londonderry markets saw considerable absorption in 2016 with significant new tenancies in the area of the Boston-Manchester Regional Airport.^v

Average Industrial Asking Rents & Vacancy Rates											
	Concord		Manchester		Nashua		Portsmouth		Salem		
2012	\$6.25	10.1%	\$6.10	7.4%	\$6.00	13.3%	\$5.50	6.8%	\$6.25	19.6%	
2013	\$6.25	14.4%	\$6.10	8.0%	\$6.00	14.1%	\$5.50	6.3%	\$6.25	19.5%	
2014	\$6.15	23.2%	\$6.00	7.7%	\$5.90	13.7%	\$6.00	3.8%	\$6.25	13.2%	
2015	\$6.15	13.9%	\$6.15	5.2%	\$5.90	13.5%	\$6.25	3.1%	\$6.15	16.2%	
2016	\$6.25	12.4%	\$6.25	4.6%	\$5.90	10.8%	\$6.25	2.7%	\$6.50	8.2%	

Unemployment

Concord's average 2016 unemployment rate was 2.4% down from 3.2% in 2015.^{vi} Statewide many communities are experiencing extremely low unemployment which is becoming an increasing concern for businesses seeking new employees.

<i>Unemployment by Select Cities</i>					
	2012	2013	2014	2015	2016
Concord	4.9%	4.8%	3.8%	3.2%	2.4%
Dover	4.7%	4.2%	3.6%	3.0%	2.2%
Keene	5.0%	4.9%	4.1%	3.5%	2.5%
Lebanon	3.5%	3.4%	2.8%	2.3%	1.9%
Manchester	6.1%	5.6%	4.6%	3.8%	2.9%
Nashua	6.2%	5.9%	5.1%	4.2%	3.3%
Portsmouth	4.3%	4.1%	3.5%	2.6%	2.0%

Outlook for 2017

Concord's economy, and that of New Hampshire, is performing better than it did during the grips of the Great Recession. In Concord new housing is being constructed, retail is strong, and people are working. However, our local economic performance is still not as dynamic as the community would desire. Concord has a significant amount of vacant office space, particularly downtown, for which there are few leads for new tenancy. In many respects, much of this space would be ideal for conversions to residential where there is a growing demand.

Concord's existing industrial buildings are few and—on the whole—not of the size and amenities that are being sought by medium to larger manufacturing/warehouse/distribution businesses. Although there are large swaths of greenfields available for potential industrial development in Concord, these properties are not “shovel ready” and, instead, are constrained by a variety of limitations (i.e. lack of water/sewer; traffic signal; road infrastructure, wetlands, etc.). Speculative construction to address this by the private sector is not to be expected in the foreseeable future based on the economics of construction.^{vii} As a result, the City may want to examine what role, if any, it wishes to play in the development of competitive industrial properties.

As for residential, it is unclear why the demand in Concord's extremely tight rental market has not been met with increased supply from the private sector. The Community Development Department rarely receives inquiries from developers seeking to build rental apartments. This

market imbalance is a challenge for a community that wants to attract a new generation of residents.

Despite the aforementioned challenges, Concord overall remains a superior community as was recently highlighted by a recent WalletHub study that ranked Concord the 7th best capital to live based on affordability, economic well-being, quality of education and health, and quality of life.^{viii}

ⁱ New Hampshire Housing Finance Authority, “Median Purchase Price of Primary Homes,” <http://www.nhhfa.org/>

ⁱⁱ Ibid, “Median Gross Rental Cost,” <http://www.nhhfa.org/>

ⁱⁱⁱ “Forecast of retail vacancy rates in the United States from 4th quarter 2016 to 1st quarter 2018,” Statista.com

^{iv} CB Richard Ellis, “New Hampshire: 2017 Market Outlook,” p.5.

^v CB Richard Ellis, 2017, p.13.

^{vi} NH Employment Security, “Cities and Towns Unemployment Rates, 2016,” <http://www.nhes.nh.gov/elmi/statistics/laus-data.htm>

^{vii} CB Richard Ellis, 2017, p. 13.

^{viii} WalletHub, “2017’s Best State Capitals to Live in,” Feb. 21, 2017, <https://wallethub.com/edu/best-state-capitals/19030/>