



# CITY OF CONCORD

## REPORT TO MAYOR AND THE CITY COUNCIL

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

**DATE:** March 21, 2019

**SUBJECT:** Economic Development Performance Annual Report: 2018-2019

### Recommendation

Accept the report.

### *Building Permit Activity*

511 building permits were issued in 2018; a 19% increase over 2017. Unlike prior years where exempt property construction tended to drive overall permit value, in 2018, it was the non-exempt permits that carried the vast majority of the value. Exempt construction value declined by 83% from 2017. Such one year drops have occurred in the past, however, with the State’s recent position that excludes its properties from city building permit jurisdiction, this number may be hard pressed to rebound consistently.

Concord Building Permit Activity				
	#Permits	Total Permit Value	Taxable Property*	Exempt
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
CY 2017	429	\$56,998,859	\$25,320,192	\$31,678,667
CY 2018	<b>523</b>	<b>\$48,049,932</b>	<b>\$42,733,552</b>	<b>\$5,316,380</b>

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

***Housing***

In 2018, 14 townhome units were built; 30 single family homes; and 21 new manufactured homes were installed. 18 new dwelling units were added to the John Whitaker Place Assisted Living Facility and 12 market rate studio apartments were created at 15-17 Pleasant Street. This pace demonstrated a slight increase over 2017 yet the level of new construction has not appeared to keep pace with demand.

Although a lot of attention has been placed on downtown living and the need for more rental apartments, anecdotal experience has shown that it is also increasingly challenging to find quality, 3+ bedroom homes in Concord for sale. The few that do become available are fetching in the range of \$300,000 or more making it challenging to attract what had been a staple of Concord in-migration over the years: early to mid-career professionals with young families.

According to the New Hampshire Housing Finance Authority, 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 2018 was \$226,000; a 5% increase from the same period in 2017.<sup>i</sup> Single family homes, specifically, in Concord during this 2018 time period sold for a median of \$245,566.<sup>ii</sup>

Median Purchase Price--Homes				
	Concord	Manchester	Nashua	Portsmouth
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
2017	\$215,000	\$215,000	\$245,000	\$409,500
2018	\$226,000	\$230,000	\$262,000	\$432,266

The residential vacancy rate “improved” to 1.4%, but this level still represents an extremely tight rental market. Residential rental rates in Concord continued to rise in 2018 posting a 17% increase over the last 5 years.<sup>iii</sup>

Median Residential Rental Rates-2BD								
	Concord		Manchester		Nashua		Portsmouth	
		Vacancy*		Vacancy*		Vacancy*		Vacancy*
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	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%

\*Vacancy for all units.

*Assisted Housing*

Concord is home to the third largest number of assisted (subsidized) housing units of any municipality in the state, which corresponded to its ranking as the third most populous city. In terms of the percentage of assisted units to overall housing stock, Concord's proportion is in line with that of Manchester and higher than Nashua.<sup>iv</sup>

<i>Assisted Housing Units by Municipality (Cities)</i>			
	<i># of Assisted Units</i>	<i>Total Housing Units</i>	<i>Assisted as % of total housing units<sup>v</sup></i>
<i>Manchester</i>	2,957	49,429	5.98%
<i>Nashua</i>	1,830	37,054	4.94%
<i>Concord</i>	1,078	18,542	5.81%
<i>Dover</i>	999	13,895	7.19%
<i>Portsmouth</i>	847	10,439	8.11%
<i>Rochester</i>	659	13,661	4.82%
<i>Claremont</i>	543	6,317	8.60%
<i>Lebanon</i>	494	6,698	7.38%
<i>Laconia</i>	472	10,038	4.7%
<i>Franklin</i>	374	4,216	8.87%
<i>Somersworth</i>	372	5,214	7.13%
<i>Berlin</i>	333	4,755	7.00%

When viewed from a geographic distribution within the City, Wards 9 and 6 are home to the greatest number of assisted units.

<i>Ward</i>	<i># Assisted Units</i>
<i>1</i>	<i>51</i>
<i>2</i>	<i>25</i>
<i>3</i>	<i>0</i>
<i>4</i>	<i>191</i>
<i>5</i>	<i>50</i>
<i>6</i>	<i>268</i>
<i>7</i>	<i>0</i>
<i>8</i>	<i>172</i>
<i>9</i>	<i>321</i>
<i>10</i>	<i>0</i>

Many of Concord's assisted units are age restricted. For example, of the 51 in Ward 1 (Penacook), 11 are at Whitaker Place Assisted Living; in Ward 4, of the 191, 178 are senior housing and in Ward 6, of the 268, 83 are age-restricted.

It is important to distinguish that the assisted units presented in this analysis do not include dwellings rented via Section 8 vouchers which, if accounted for, would undoubtedly add to the overall affordable housing stock in the city.

Despite Concord's assisted housing numbers, as well as those from the other cities in the state, a recent estimate put out by an affordable housing advocacy group estimated that New Hampshire is still short 26,816 affordable housing units to meet current demand.<sup>vi</sup>

### ***Commercial Real Estate Market***

#### *Downtown Retail*

A sidewalk survey of available ground floor commercial space was conducted on January 31, 2019. 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 illustrate an uptick in vacancy but it is important to note the rate is only a defined snapshot in time. Retail tenancy tends to be very volatile and, as such, a vacant storefront on January 31<sup>st</sup> may be occupied by February. What would be concerning would be a sustained trend of increasing ground floor vacancies over a period of years. As the data show, this is not what Concord is experiencing.

<b>Downtown Concord Ground Floor Commercial</b>	
	<b>Vacancy</b>
<b>2013</b>	<i>10.30%</i>
<b>2014</b>	<i>10.90%</i>
<b>2015</b>	<i>8.90%</i>
<b>2016</b>	<i>8.04%</i>
<b>2017</b>	<i>5.50%</i>
<b>2018</b>	<i>6.50%</i>
<b>2019</b>	<i>8.5%</i>

#### *Loudon Road/D'Amante Drive/Fort Eddy Road*

The Fort Eddy corridor was surveyed on February 11, 2019. At that time, establishments such as Sport Clips and Donovan's Party & Novelty were found to have closed. This fact, along with the lingering vacancy at the end cap of the Panera strip center, helped to spike the vacancy in the

small pool of businesses that is Fort Eddy Road. However, this corridor continues to be one of the most sought after by potential tenants in the entire city and one would expect most of these spaces to re-tenant in short order.

In contrast, the Loudon Road/D'Amante Drive corridor saw reduced vacancy and welcomed the new Aldi Supermarket in the fall of 2018.

Heights Retail Vacancy*		
	2018	2019
Fort Eddy Road	2.2%	7.1%
Loudon Rd/D'Amante Drive	5.1%	4.1%

*\*Exclusive of the Steeplegate Mall*

### *Steeplegate Mall*

This past year, the Mall added a charter school in one of the former Bon Ton units as well as the Altitude Trampoline Park in the former Circuit City location.

Conversations between City Staff and representatives of the Mall owners over the last year have continued in the hope of achieving some type of redevelopment plan for the facility.

### *Office*

NOTE TO READER: The data for office and industrial leasing referenced below in this report had historically been provided by the real estate company of CB Richard Ellis (CBRE). CBRE, however, has not published a 2018 market review as of the writing of this report. As a replacement, staff is utilizing research provided by real estate company Colliers International. Colliers organizes their source data slightly differently than CBRE. This change may produce some comparative discrepancies. If the City continues to use Colliers in the future, any disparity should correct itself going forward.

The Concord office market, like that of Manchester and Nashua, saw significant drops in office vacancy which in turn led to increased rents.<sup>vii</sup> Concord was noted as having strong lease activity highlighted by the example of the Design Group, a Concord-based business, who opted to renew its 15,930 s.f. lease at 5 Chenell Drive.

Another prominent transaction in 2018 was the sale of 54 Regional Drive for \$3.3 million.

Average Office Asking Rents & Vacancy Rates								
	Concord		Manchester		Nashua		Portsmouth	
<b>2013</b>	\$14.00	13.3%	\$12.00	11.8%	\$12.00	12.5%	\$16.00	7.3%
<b>2014</b>	\$14.00	14.4%	\$12.00	13.7%	\$12.50	13.8%	\$17.00	4.5%
<b>2015</b>	\$13.50	14.0%	\$12.50	12.0%	\$12.50	16.9%	\$17.50	4.5%
<b>2016</b>	\$13.50	12.1%	\$12.75	11.3%	\$12.50	11.0%	\$18.00	4.3%
<b>2017</b>	\$13.00	12.3%	\$12.75	12.2%	\$12.50	11.6%	\$18.50	2.8%
<b>2018</b>	<b>\$16.60</b>	<b>11.3%</b>	<b>\$19.35</b>	<b>11.6%</b>	<b>\$17.50</b>	<b>11.0%</b>	<b>\$23.53</b>	<b>6.0%</b>

*Industrial*

Industrial vacancy in Concord was helped by the purchase of the 23,000 s.f. flex building at 162 Pembroke Road by Community Bridges. Statewide, industrial vacancy averaged 5.16% in 2018.

Another project of note in 2018 was the relocation of self-service kiosk manufacturer Advanced Kiosks’ headquarters from Franklin to Concord at 134 Hall Street.

Overall, Concord’s industrial future remains uncertain. As has been noted in past reports, and borne out by experience with our staff, the inventory of industrial buildings in Concord is largely unable to meet the demands of today’s user. Ultimately, if industrial building owners want to stay competitive they will need to follow the example of projects such as Capital Crossing at 19-27 Terrill Park Drive which is “undergoing major renovations to increase the number of loading docks, drive-in doors, and expand the parking area.”<sup>viii</sup>

Average Industrial Asking Rents & Vacancy Rates										
	Concord		Manchester		Nashua		Portsmouth		Salem	
<b>2013</b>	\$6.25	14.4%	\$6.10	8.0%	\$6.00	14.1%	\$5.50	6.3%	\$6.25	19.5%
<b>2014</b>	\$6.15	23.2%	\$6.00	7.7%	\$5.90	13.7%	\$6.00	3.8%	\$6.25	13.2%
<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>	<b>\$5.63</b>	<b>7.0%</b>	<b>\$6.42</b>	<b>4.2%</b>	<b>\$6.36</b>	<b>5.6%</b>	<b>\$6.97</b>	<b>1.7%</b>	<b>\$9.37</b>	<b>13.7%</b>

*Unemployment*

Concord’s average 2018 unemployment rate declined from 2017 to 2.2%. This extremely low rate continued to challenge workforce recruitment.

Unemployment by Select Cities					
	2014	2015	2016	2017	2018
<b>Concord</b>	3.8%	3.2%	2.4%	2.4%	<b>2.2%</b>
<b>Dover</b>	3.6%	3.0%	2.2%	2.2%	<b>2.2%</b>
<b>Keene</b>	4.1%	3.5%	2.5%	2.7%	<b>2.6%</b>
<b>Lebanon</b>	2.8%	2.3%	1.9%	1.8%	<b>1.8%</b>
<b>Manchester</b>	4.6%	3.8%	2.9%	2.9%	<b>2.7%</b>
<b>Nashua</b>	5.1%	4.2%	3.3%	3.2%	<b>3.0%</b>
<b>Portsmouth</b>	3.5%	2.6%	2.0%	2.1%	<b>2.0%</b>

### *Outlook for 2019*

Last year this report predicted that strong residential demand—particularly for rental apartments—if not met would pose a barrier for the evolution of Concord as a thriving place to live, work, and play. Signs are pointing in the direction that this demand will be addressed. Over the last year, an increasing number of developers (both local and from out of state) have expressed interest in Concord to either renovate existing multifamily dwellings or construct new facilities. Barring continued unchecked construction inflation or a national recession, this trend is likely to continue. If all the projects that are currently in the due diligence or conceptual phase for housing are developed, Concord could see significant growth in its housing inventory over the next 24 months.

With the prospect of increased residential development, particularly in the greater downtown area, retail should remain strong and new tenants would be expected to fill existing vacancies.

Industrial growth will remain a challenge. With a limited and outdated inventory of existing industrial buildings—particularly as compared to communities south of us—Concord will struggle to land manufacturers. The initiative to address this should come from the existing industrial property owners who will need to make investments in their properties to better position themselves to compete. The recent addition of metal roofing manufacturer, MetalMax, to Concord is an example where the right property became available at precisely the right time.

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

<sup>ii</sup> Ibid

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- iii New Hampshire Housing Finance Authority, “Median Gross Rental Cost,” & “Vacancy Rate of Rental Housing Units,” [www.nhhfa.org](http://www.nhhfa.org)
- iv New Hampshire Housing Finance Authority, “2019 Directory of Assisted Housing,” [www.nhhfa.org](http://www.nhhfa.org)
- v United States Census Bureau, “Census.gov”
- vi National Low Income Housing Coalition, “2018 New Hampshire Housing Profile”
- vii Colliers International, 2018 Market Review and 2019 Outlook.
- viii Colliers International, 2018 Market Review and 2019 Outlook, Concord Submarket