



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Carlos P. Baía, Deputy City Manager—Development
DATE: March 4, 2016
SUBJECT: Overall Economic Development Performance (OEDP) Annual Report: 2015-2016

Recommendation

Accept the report.

Executive Summary

In 2015, Concord saw the number of new dwelling units rise to levels not witnessed in over a decade. The city also experienced reasonably strong building permit activity and continued to be home to a stable retail marketplace. Unemployment remained very low. Office and industrial vacancies persisted higher than comparable communities in New Hampshire, in part, reflective of the inventory's lack of new, modern facilities. On the other end of the vacancy spectrum, the residential rental marketplace continued to be very tight arguably for many the same reasons as that of the office and industrial sectors: a lack of new product offering the type of variety and/or amenities being sought by today's consumers.

Building Permit Activity

495 building permits were issued in 2015. Total permit value was a modestly healthy \$60,551,435. Most telling was the fact that private construction value continued a 4 year trend of exceeding exempt (governmental, non-profit) construction. Notable large projects in 2015 included the \$12.5 million Cobblestone senior housing project on the Heights; the State's \$2.1 million biomass wood chip boiler on the Hazen Drive campus; approximately \$4 million in a variety of Concord Hospital renovations; and Riverbend's \$1.3 million fit-up to the former NH Employment Security building at 10 West Street.

Concord Building Permit Activity				
	#Permits	Total Permit Value	Taxable Property*	Exempt
CY 2003	666	\$76,593,166	\$51,220,630	\$25,372,536
CY 2004	731	\$90,145,310	\$71,598,665	\$18,546,645
CY 2005	654	\$125,851,221	\$65,946,928	\$59,904,293
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

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

Housing

In 2015, 190 new dwelling units were started in Concord. This represents the highest number since 2004. The number was largely driven by the Cobblestone senior residential development which accounted for 140 units alone. A similar senior housing development was recently approved in Penacook and others are in the pipeline. In light of the general aging of the New Hampshire population, the City would expect to see more of these projects which, in turn, should foster development of ancillary services such as medical facilities, home health care, etc.

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 2015 was \$195,000. This figure demonstrates an appreciable increase from 2014.ⁱ

<i>Median Purchase Price--Homes</i>							
	Concord	Dover	Keene	Lebanon	Manchester	Nashua	Portsmouth
2004	\$209,000	\$239,000	\$180,000	\$224,285	\$221,000	\$243,533	\$279,500
2005	\$222,000	\$239,900	\$189,500	\$240,000	\$224,000	\$266,000	\$315,000
2006	\$225,609	\$240,000	\$195,000	\$245,000	\$226,000	\$262,500	\$300,000
2007	\$227,000	\$250,000	\$209,000	\$261,000	\$224,800	\$259,900	\$318,000
2008	\$225,000	\$245,000	\$197,000	\$221,000	\$208,750	\$234,900	\$299,900
2009	\$193,000	\$224,200	\$177,000	\$230,000	\$186,000	\$212,900	\$279,000
2010	\$190,000	\$212,000	\$171,000	\$220,000	\$190,000	\$219,900	\$319,533
2011	\$175,000	\$217,000	\$169,500	\$215,000	\$174,000	\$210,000	\$310,000
2012	\$177,000	\$229,900	\$165,000	\$209,000	\$179,900	\$193,333	\$340,000
2013	\$196,500	\$248,450	\$169,000	\$226,500	\$185,000	\$225,000	\$355,000
2014	\$187,333	\$243,500	\$155,000	\$182,533	\$182,533	\$215,000	\$340,000
2015	\$195,000	\$228,100	\$160,533	\$205,000	\$195,000	\$221,000	\$340,000

Residential rental rates continue to increase reflecting a very tight marketplace where the overall vacancy rate is now 1.3%--the lowest in our comparative sample. The median rent for a 2 bedroom apartment in Concord was \$1,136 in 2015.ⁱⁱ

In a March 2015 panel before the City's Economic Development Advisory Council, a group of local young professionals expressed the practical challenges with the rental housing market in Concord. The options were found to be limited relative to the price point. As a result, many young professionals who might want to work in Concord are resorting to living in communities such as Manchester which is experiencing diversification in its inventory, including the recent addition of "micro" downtown housing units.

Median Residential Rental Rates-2BD														
	Concord		Dover		Keene		Lebanon		Manch.		Nashua		Ports.	
		<i>Vac*</i>		<i>Vac*</i>		<i>Vac*</i>		<i>Vac*</i>		<i>Vac*</i>		<i>Vac*</i>		<i>Vac*</i>
2005	\$999	2.4%	\$908	3.0%	\$949	2.5%	\$838	2.9%	\$1,046	4.2%	\$1,056	2.0%	\$1,078	1.0%
2006	\$983	2.4%	\$929	1.9%	\$1,048	2.1%	\$1,008	2.4%	\$1,041	4.8%	\$1,080	2.5%	\$1,086	0.7%
2007	\$1,055	3.7%	\$964	2.7%	\$980	4.9%	\$1,155	1.9%	\$980	5.5%	\$1,088	2.9%	\$1,184	1.0%
2008	\$1,036	2.4%	\$966	2.4%	\$1,052	3.1%	\$1,080	0.9%	\$983	5.6%	\$1,085	4.0%	\$1,282	1.8%
2009	\$1,044	4.1%	\$957	4.1%	\$1,044	3.6%	\$1,157	5.0%	\$988	6.2%	\$1,088	3.7%	\$1,293	2.6%
2010	\$1,046	3.0%	\$962	6.2%	\$1,050	6.2%	\$1,214	3.9%	\$1,012	6.4%	\$1,142	2.1%	\$1,233	0.9%
2011	\$1,042	4.3%	\$976	3.4%	\$1,050	6.7%	\$1,167	2.9%	\$976	3.2%	\$1,162	2.1%	\$1,241	1.1%
2012	\$1,070	1.3%	\$967	4.1%	\$1,046	8.0%	\$1,264	6.4%	\$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%	\$1,041	4.0%	\$1,199	1.8%	\$1,264	4.7%
2014	\$1,095	2.2%	\$1,002	2.6%	\$1,059	3.7%	\$1,620	1.3%	\$1,099	3.5%	\$1,222	1.4%	\$1,237	0.7%
2015	\$1,136	1.3%	\$1,069	1.9%	\$1,131	3.4%	\$1,419	2.4%	\$1,152	3.0%	\$1,310	2.5%	\$1,315	2.9%

*Vacancy is for all units.

Commercial Real Estate Market

Downtown Retail

A sidewalk survey of available ground floor retail/restaurant space was conducted on February 16, 2016. The area analyzed was bounded by Centre Street to the north; State Street to the west; and Storrs Street to the east and south. It is evident that the Main Street project has motivated property owners to make improvements to their buildings and retail spaces as well as has attracted new retail/restaurant entrepreneurs. Remi Xinhia began his much-anticipated renovation to the Remi Block in early 2016 and new establishments such as Vibe Burger, Chickadee Lane Interiors, Marketplace New England and Fifty Home opened in the last year. Overall the downtown appears to be strengthening in terms of its retail economic base.

Downtown Concord Retail	
	Vacancy
2013	10.30%
2014	10.90%
2015	8.90%
2016	8.04%

Loudon Road/D'Amante Drive/Fort Eddy Road

The Loudon Road/D'Amante Drive/Fort Eddy Road area continued its pattern of strong retail occupancy with vacancy rates far below national averages.ⁱⁱⁱ Fort Eddy Road remained the most attractive commercial corridor in the city effectively at near-full capacity. Loudon Road experienced a slight uptick in vacancies with tenant turnover in select properties such as the strip center at 132 Loudon

Road (immediately adjacent to Keach Park). However, it is important to note that Loudon Road's 6.3% vacancy rate is still an indicator of a very vibrant retail market.

Heights Retail Vacancy		
	2015	2016
Fort Eddy Road	4.8%	2.40%
Loudon Rd/D'Amante Drive	5.2%	6.30%
Average Vacancy	5.0%	4.4%

Steeplegate Mall

The Mall continues to struggle. Notable losses in the last year include the Old Navy. In addition, at last observation, the food court no longer had any tenants. It is now estimated that the mall's storefront vacancy rate exceeds 30%.

Based on the information the city has, the Mall's ownership situation has not yet been resolved.

Office

Office vacancies citywide remain some of the highest in New Hampshire. Concord's average asking rent for office product, which historically trended high despite the elevated vacancies, dropped slightly in 2015 which could be a sign that local landlords are reacting to market factors.

Portsmouth is the anomaly far outpacing the rest of the state in terms of its office activity. Portsmouth's strength is reinforced by the nearby Pease Tradeport which has become a dynamic center for business on the Seacoast.^{iv}

Average Office Asking Rents & Vacancy Rates												
	Bedford		Concord		Dover		Manch.		Nashua		Port.	
2011	\$12.00	13.8%	\$13.80	16.5%	\$8.50	15.2%	\$11.60	16.9%	\$11.00	17.5%	\$15.50	14.2%
2012	\$12.00	15.5%	\$14.00	13.1%	\$9.00	15.6%	\$11.90	14.8%	\$11.50	17.4%	\$15.00	7.7%
2013	\$11.25	4.1%	\$14.00	13.3%	\$9.25	8.6%	\$12.00	11.8%	\$12.00	12.5%	\$16.00	7.3%
2014	\$12.50	11.8%	\$14.00	14.4%	\$9.25	9.5%	\$12.00	13.7%	\$12.50	13.8%	\$17.00	4.5%
2015	\$13.00	12.0%	\$13.50	14.0%	\$9.25	9.2%	\$12.50	12.0%	\$12.50	16.9%	\$17.50	4.5%

Industrial

There were 381,132 square feet of non-leased industrial property in Concord at the end of 2015. The vacancy rate for industrial properties in Concord was 13.9%; on the higher end of the scale. The average asking rent remained constant, year-to-year, at \$6.15.^v Concord, like some of its comparable NH communities, is challenged with buildings that, although available, may be considered “functionally obsolete, meaning they have lower ceiling heights, too many columns and/or older office space.”^{vi} Alternatively, the construction of “new, modern high-bay warehouse and distribution centers” built specifically for a single user seems to be an emerging trend in the state.^{vii}

Average Industrial Asking Rents & Vacancy Rates												
	Concord		Dover		Manch.		Nashua		Ports.		Salem	
2011	\$5.60	16.5%	\$3.50	16.4%	\$5.25	11.4%	\$5.60	14.9%	\$5.50	7.0%	\$6.00	21.8%
2012	\$6.25	10.1%	\$3.75	13.8%	\$6.10	7.4%	\$6.00	13.3%	\$5.50	6.8%	\$6.25	19.6%
2013	\$6.25	14.4%	\$4.25	7.4%	\$6.10	8.0%	\$6.00	14.1%	\$5.50	6.3%	\$6.25	19.5%
2014	\$6.15	23.2%	\$4.00	12.7%	\$6.00	7.7%	\$5.90	13.7%	\$6.00	3.8%	\$6.25	13.2%
2015	\$6.15	13.9%	\$4.50	10.9%	\$6.15	5.2%	\$5.90	13.5%	\$6.25	3.1%	\$6.15	16.2%

Unemployment

Concord’s average 2015 unemployment rate was 3.2%.^{viii} Although this figure is largely viewed as positive, there is a growing discussion amongst economic development experts that the low unemployment numbers may illustrate a shortage of labor that could dissuade prospective businesses. As the table below illustrates, this is not a phenomenon isolated to Concord, it is statewide and, therefore, may require a comprehensive, regional response.

Unemployment by Select Cities				
	2012	2013	2014	2015
Concord	4.9%	4.8%	3.8%	3.2%
Dover	4.7%	4.2%	3.6%	3.0%
Keene	5.0%	4.9%	4.1%	3.5%
Lebanon	3.5%	3.4%	2.8%	2.3%
Manchester	6.1%	5.6%	4.6%	3.8%
Nashua	6.2%	5.9%	5.1%	4.2%
Portsmouth	4.3%	4.1%	3.5%	2.6%

Outlook for 2016

Building permits are expected to remain stable in terms of growth in 2016 based on the projects currently in the pipeline. Construction of new homes, while not at levels from a decade or more ago, should continue to be incrementally positive. Projects such as the conversion of the Summer Street School in Penacook, the former Sacred Heart Church, and the Remi Block signal a trend in terms of reutilization of existing spaces for market-rate residential to take advantage of nearby urban amenities. It is hoped that the City will be able to capitalize on the “buzz” generated by the Penacook Village and Main Street improvements to market itself to a new generation of visitors, entrepreneurs, developers, and investors.

In terms of challenges, the residential rental market must add capacity for a greater number and variety of units. Concord’s 1.3% vacancy rate—if unchanged—will exacerbate existing obstacles to attracting young professionals to our community and further place Concord at a disadvantage when compared to other New Hampshire cities.

Finally, it is anticipated that the possible implementation of some or all of the recommendations from the Mayor’s recent economic development initiative will help generate appreciable gains in economic development starting in 2016 and moving forward.

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 National average vacancy for retail in 2015 was 12.2% (Statista.com)

^{iv} CB Richard Ellis/New England, “New Hampshire: 2016 Market Outlook,” p.4.

^v Ibid, p.9.

^{vi} Ibid, p.7.

^{vii} Ibid, p.7

^{viii} NH Employment Security, “Cities and Towns Unemployment Rates, 2015,” <http://www.nhes.nh.gov/elmi/statistics/laus-data.htm>