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## **A retail update for Southern New Hampshire: Recent significant sales and construction**

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We've heard a lot lately about problems in the residential market, the office market has been slow, and manufacturers seem to be leaving a number of industrial plants in the state. However, retail continues to be the bright light in all of this darkness, providing investment opportunities for those who like and are familiar with this asset class.

Let's take a look first at recent significant sales in New Hampshire:

- \* In Pelham, Plaza 38, a grocery-anchored center, was sold on August 14th for \$12.2 million (This sale has caused some concern about the assessment process related to commercial property in Pelham, since the selling price was significantly higher than the assessed value.)
- \* In Derry, Kershaw's Plaza, a local convenience center, was sold on August 31st for \$1.25 million.
- \* In Londonderry, 4 vacant lots in front of the Shaw's Plaza were sold on September 7th for \$1 million.
- \* In Manchester, Harvey Industries sold its site on Huse Rd. on September 14th for \$10 million to Samuels & Associates, who will be putting up a Lowe's store of about 157,000 s/f.
- \* Also in Manchester, we sold Gosselin Plaza, a 40,000 s/f retail and contractor strip center, for \$2.335 million.

\* In Derry, the new Walgreen's on Crystal Ave. was sold on September 21st for \$7.344 million.

There has also been a significant amount of construction going on in Southern N.H. Here are some of the more interesting projects:

- \* In Merrimack, Chris Ross is planning to add 21,000 s/f to Sawyer's Landing on DW Hwy.
- \* In Hudson, Manny Sousa is completing construction of Nottingham Sq., a 50,000+ s/f retail center, and tenants have been moving in.
- \* In Derry, Wal-Mart is planning a new 225,000 s/f superstore off Ashleigh Dr., and will look for a tenant for its current 110,000 s/f center on Manchester Rd.
- \* In Londonderry, construction is ongoing at the new Mr. Steer Marketplace on Buttrick Rd. The plaza will be 11,400 s/f, with up to 7 units.
- \* In Tilton, the Tanger Outlet Mall is expanding with the construction of a 17,700 s/f freestanding building that will house Old Navy.
- \* In December, a site approved in Epping for a big box retailer at the intersection of 125 and NH 101 was sold for \$4.7M.
- \* Construction is slated to begin in Seabrook for a 12,000 s/f building on Lafayette Rd., directly in front of the new Holiday Inn Express.

One of the biggest news items in retail real estate recently was the vote in Hooksett to authorize the town council to negotiate an agreement with Cabela's to bring the company to a site at Exit 11 on I-93. The building will be constructed in a new TIF zone created to encourage retail-related

development. The new Cabela's, along with all of the additional retail and hotel businesses it will attract and generate significant property tax revenue for the town. A spring, 2009 store opening is possible.

Will retail activity remain strong in New Hampshire in 2008? Like any other type of investment play, retail real estate offers cash flow, appreciation and tax benefits. While location is a critical factor with all types of real estate, it's even more important with retail properties. The reality appears to be that our population is still growing, albeit slower than it has in the past, and retailers, especially the "nationals," believe that certain areas can accommodate more stores. Only time will tell whether there is overbuilding of this type of real estate.

In the meantime, CAP rates for quality retail properties remain lower than for other property types. Although they have risen somewhat lately with the national credit crunch and tougher lender underwriting criteria, we believe retail investment and development will remain strong in 2008.

On another front, the "green" movement continues to take hold, especially with new construction. The greater Manchester chamber of commerce now has a green committee, in response to overwhelming interest on the part of almost 600 chamber members, and its mission is to educate businesses to "reduce, reuse and recycle," the new 3 Rs. The committee plans to hold a program on March 25th, tentatively entitled That "Green" Thing. Tenants are becoming more sophisticated in this regard and are asking whether new buildings meet Leadership in Energy and Environmental Design (LEED) standards. And legislatures are looking into this as well.

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