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A retail update for southern New Hampshire: Will activity remain strong during 2008?

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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 sales in N.H.:

* Plaza 38, a Pelham grocery-anchored center, was sold 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 higher than the assessed value.)

* In Derry, Kershaw's Plaza, a local convenience center, was sold for \$1.25 million.

* In Londonderry, four vacant lots in front of the Shaw's Plaza were sold for \$1 million. The site will be developed with three buildings, one housing a Starbucks, another KFC and Taco Bell, and the third with Verizon Wireless.

* In Manchester, Harvey Industries sold its site on Huse Rd. 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 Walgreen's on Crystal Ave. was sold for \$7.344 million.

* Several Friendly's Ice Cream store sites were sold primarily to O Ice, LLC, in connection with the sale of the parent corporation. Affected sites were in Concord, Dover, Exeter, and Portsmouth.

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. Work has begun at Shute's Corner on a new three-building retail center including a 14,000 s/f Rite Aid, a bank, and an Irving gas station with perhaps a Dunkin' Donuts and a sandwich shop. Renovations have been ongoing at Hood Plaza, where Planet Fitness has taken some space, and a new Tire Warehouse is scheduled to be built on a site on Tsienneto Rd. A bank is interested in building on the site of the former Jade Orient restaurant on Crystal Ave.

* 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 seven 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.

* A site approved in Epping for a big box retailer at the intersection of 125 and NH 101 was sold for \$4.7 million.

* 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 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 TIF zone created to encourage retail-related development.

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

The "green" movement continues to take hold, especially with new construction. Retail property owners are well-advised to learn as much as they can about new developments in this area in order to maintain their competitive position in the marketplace. Tenants are becoming sophisticated in this regard and are asking whether new buildings meet LEED standards. And legislatures are looking into this as well.

Dan Scanlon, JD, CCIM, and John Mueller are retail investment advisors with Grubb & Ellis|Coldstream Real Estate Advisors, Inc., Bedford, N.H.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540