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By Beverly Donovan and Hugo Overdeupt: Salem submarket sees flurry of activity at year end: Low interest, tax incentives make area attractive

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There may be a lack of snow leading into the year's end, but there is certainly a flurry of activity in the Salem, New Hampshire submarket. Signs of activity are present in the industrial, office and retail sectors as the area continues to be a draw for companies looking for the convenience and benefits that the region has to offer. The combination of low interest rates, tax incentives, and the locational advantages of Greater Salem, access to major highway routes and two regional airports, make the area attractive to new and expanding businesses, whether they lease or purchase.

The commercial real estate market has enjoyed a boost over the course of 2011 with the renovation and redevelopment of several key properties in the submarket. The recent sales of buildings at 6 Manor Parkway (former Standex building) and 22 Trolley Lane in Salem represent transactions totaling more than 35,000 s/f of office and industrial space. There has also been an uptick in the tenant activity level which should lead to a decrease in the vacancy rate. Notably in Salem, the building at 9 Northeastern Blvd. owned by Equity Industrial Partners underwent major renovations and upgrades and now serves as an additional location for Comcast Cable Systems. Comcast has taken over 100,000 s/f of space and added 140+ jobs to the area in the process. In addition, 190,000 s/f is now home to Nora Systems, Inc., a flooring company, and the CCS Companies, a call center. A recent announcement by Parkland Medical Center to the Eagle Tribune confirmed that it has leased 21,000 s/f for an urgent care facility at 31 Stiles Rd.

Competitive pricing by landlords continues to attract new tenants and/or retain tenants and the Greater Salem submarket is seeing longer lease terms as a result. Although there has been a slight increase in vacancy in the Class B office market, there is demand for newer Class A space. Ground breaking and construction has started on a new 50,000 s/f building at 31 Stiles Rd. in Salem. This project will help meet future demand, while smaller Class A offerings at 25 Pelham Rd. and 7 Stiles Rd. are poised to meet the needs of current small office users. The approval of the Keewaydin Extension, which will connect Keewaydin Dr. with Stiles Rd., opens up the potential for an additional 300,000 s/f of professional office space.

In neighboring Atkinson, Derry, Hampstead, Hudson and Windham, several key parcels of land along main commuter corridors are now being offered for development, fueling interest in the office, industrial and retail markets. One key transaction in Windham was the purchase of land on which two buildings are planned and totaling nearly 51,000 s/f. One building will house the new headquarters of Medicus Healthcare & Solutions, while the second building is intended to accommodate future expansion. The I-93 project, with major improvements at exits 1,2 & 3, has been a driving force in the region's growth and will continue to attract businesses as new opportunities for land development come to the forefront.

The industrial segment of the Greater Salem submarket continues to be challenged by the lack of modern, clean, energy efficient, high bay space. Buyers and tenants alike have struggled to find space in the 10,000 to 25,000 s/f range and opportunities have been lost to neighboring Massachusetts. Although there are plenty of offerings for existing space and redevelopment opportunities, new construction is relatively non-existent, when compared to buying and renovating, due to a combination of tight lending policies, economic uncertainty and the cost of construction. The reluctance of property owners to market their assets has also been a factor hindering the development of new industrial space. However, the positive absorption rate and lack of inventory, coupled with increased demand for well-located, high-tech, laboratory and R&D space, presents an opportunity for investors looking for tax advantages.

In retail news, the upscale Lord & Taylor is set to open its doors at the Mall at Rockingham Park in early 2012, taking over approximately 115,000 s/f of space once occupied by Macy's. For the first time in over five years, the space will be filled, bringing an expanded customer base to the mall. A few miles south on Rte. 28 in Salem, a 60,000 s/f car dealership is planned for the former Circuit City and Rockingham Lumber sites with an expected opening for 2012. Also of note, another large redevelopment project is occurring in the "Depot" area off South Broadway and Main St. in Salem. Joining the Tuscan Kitchen restaurant is the soon-to-be open Tuscan Market which will host an upscale café and retail store. Over all, the retail market is showing signs of improvement and inquiries on properties are coming in with more frequency.

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