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## **2012 should be another year of improvement as we adjust to changing supply and demand**

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The 2012 forecast for New Hampshire commercial real estate expects continued improvement in demand for quality industrial, retail and multifamily properties, with demand for office properties remaining sluggish. The current commercial construction activity throughout the state is a sign that, yet again, New Hampshire is choosing not to participate in the larger national malaise. New Hampshire's relatively low unemployment rate of 5.3%, while positive compared to the national rate of 9.0%, does not provide the complete picture of New Hampshire's positive economic condition. When combining our stable and improving employment with all of the new commercial construction activity, an optimistic picture emerges for 2012.

The continued headwind in the office segment is evident in Portsmouth with the Portwalk Development project formally replacing their planned office component with potential residential and hotel plans. The Portsmouth-Pease manufacturing success in recent years will continue as several of the larger pockets of availability were under agreement at the end of 2011. The Seacoast success story should expand in 2012-2014 as roadway improvements along the Spaulding Turnpike enhance access to the Dover-Rochester-Somersworth areas.

In the I-93/Rte. 3 market, last year's sale of the Cisco building at 9 Northeastern in Salem has brought hundreds of new jobs to Exit 2 as three large employers relocated from Massachusetts. Nora Systems, CCS Companies and Comcast are breathing new life into the 660,000 s/f former Digital Equipment facility. The long-awaited relocation of the Derry Walmart to a new Super Walmart off of Ashleigh Dr. has kick-started many changes along the Derry retail corridor which will continue in 2012.

Just as the Cisco building sale in the fall of 2010 provided the catalyst for job growth in the Salem area, the new Manchester-Boston Regional Airport entrance road, which opened in the fall of 2011, will provide access to hundreds of acres of development in Londonderry over the coming years.

Downtown Manchester has enjoyed the opening of the Eliot at Riversedge and the initial construction jobs from the new Market Basket being completed on the former Rockwell site on Elm Street. With the added convenience of the largest Market Basket in the state, the continued conversion of underutilized mill space to residential will accelerate and provide the foundation for making the downtown area vibrant after work hours. University of New Hampshire at Manchester anchors the central Millyard and is strategically positioned to provide the engine for economic growth by graduating technology-savvy young professionals that will create the start-up companies

and future employment opportunities to live, work and stay in downtown Manchester.

A surprising reversal in the upward trajectory of New Hampshire's economic recovery was observed with the sudden closing of the Lowes stores in Manchester and Hooksett, but may be part of a larger national trend and not necessarily an indication of New Hampshire's economic health. Many national companies have had trouble digesting their portfolios that were over built in the post-2001 stimulus, while smaller regional players with more prudent growth plans now find great opportunities as a result of their patience.

Bedford's retail strength continues with construction of the new Kohl's and surrounding parcels at the Bedford Mall. Group One Automotive will be completing their new Lexus dealership on the former CR Sparks site in 2012, just in time to take advantage of the changing traffic patterns and exposure created by the new airport entrance road.

As other cities in the state reduce their appetite for office product, Concord has seen the successful completion of the 83,000 s/f office building at 49 S Main St., which will be at 95% occupancy at the end of 2011. The Capitol Commons building at 11 S Main was the initial Class A office building and parking garage that started the downtown Concord renaissance in 2006. Capital Commons saw its last piece of unfinished space tenanted in 2011 as Casey Family Services relocated from suburban Class B space to downtown Class A space. The success of the South Main St. area has accelerated the planning and construction of a third new office building at 45 S Main, which should be ready for occupancy in 2013. The planned 69,000 s/f building is 85% pre-leased.

In conclusion, 2012 should be another year of steady improvement from the 2008 recession as New Hampshire's commercial development activity continues to adjust to changing supply and demand forces. The strong demand for modern manufacturing and warehouse space should continue as global instability drives more domestic manufacturing and renewed consumer confidence increases consumption and distribution.

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