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NH's low tax burden helps spawn economic growth, in particular for state border retailers

April 21, 2009 - Spotlights

The Southern portion of New Hampshire has seen continued growth from both its population and economy. Over the past four years the State has been near the top in the nation of "Quality of Life" and "Child and Family Well Being", which has helped fuel a strong net population migration from neighboring New England states. The state's low tax burden, no income or sales tax, help spawn economic growth, in particular for border retailers. The Manchester-Boston Regional Airport continues to be the strong economic engine for sustained growth. This trend will continue as New Hampshire is committed to developing the infrastructure with the expansion of the Rte. 93 corridor to the Massachusetts border.

We have seen an increase of vacancy in the office market in the Manchester area. Sub-lease spaces have been driving rates down keeping downward pressure on the direct space. Direct space has suffered from a few large vacancies, notably Verizon downsizing after the buyout from Fairpoint Communications. Smaller suites remain vacant as likely users are attracted to ownership such as the condominiumization of the McGregor Mill on the west side of the Merrimack River.

A similar dynamic in terms of desire for ownership has created a price increase for small industrial space. While construction prices remain high, there are still smaller projects providing the opportunity for flex ownership. In the industrial leasing market, newer space is still king with demand for higher ceilings and cleaner finishes have made older space functionally obsolete.

Liquidity is a major factor for the increase in cap rates in the investment marketplace in this ever-tightening credit marketplace. Multi families, as an investment class, have challenging fundamentals going into 2009. High vacancies, poor credit and increasing expenses have created an increased number of smaller foreclosures in this type of product in and around the Manchester market.

Although the Portsmouth-Seacoast office market has not shown a dramatic change in vacancy, one area of notable increase in vacancy is the International Pease Tradeport, which has gone from a low of 5.9% to 18.7%. This increase is attributed to the Liberty Mutual and Aprisma office space placed on the market for sublease. 100,000 s/f of flex space at the Tradeport was converted to office space for John Hancock.

The planned Portwalk Project in downtown Portsmouth will attract additional national retailers to this market. The project, which consists of 75,000 s/f of retail space dovetailed by 175,000 s/f of Class A office space, is slated to begin construction within the year.

Overall, we have seen an increase in foreclosures, predominantly on the residential side. Rates of foreclosed property have hit their highest since 1991 at 12.5%. This has created opportunities for investors with cash looking to invest for the long dollar. As these investors look ahead, much will be decided on what local banks, whose access to capital appears to be the healthiest, will lend.

There is no doubt that New Hampshire, with its diverse economics and unique resources will not only endure the current economic set back, but will become more structured as a state to remain in the forefront of the economic conditions.

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