

**CITY OF PORTSMOUTH**  
**ECONOMIC CONDITIONS REPORT FOR FY 11**

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During FY11, the City of Portsmouth once again led the region in having the lowest unemployment rate. As of June 30, 2011 the unemployment rate was 4.5%, down from 5.7% in FY10. The respective rates for the state, for New England and the nation were 5.2%, 7.9% and 9.3%.

Employment in the NH portion of the Portsmouth MetroNECTA at the end of FY11 was 55,600. This benchmarked figure represents an overall decrease of 900 jobs from FY10. The largest year-to-year employment loss was in the Leisure/Hospitality sector with a decrease of 600 jobs, followed by the Trade, Transportation and Utilities sector with a loss of 300 jobs. Decreases of 100 jobs each were experienced in the Information, Retail Trade, Wholesale Trade, Transportation/ Warehousing/Utilities, and Government sectors. These losses were offset by a gain of 200 jobs in the Education/Health sector. The Manufacturing, Financial, Professional and Business, Mining Logging and Construction and other Services sectors remained unchanged from the previous year.

Construction activity in the City over the fiscal year was concentrated on renovations and repairs as opposed to new construction. Overall, the City issued 853 building permits with a combined construction value of \$41 million. This represents a \$10 million decrease in construction value from FY10. Despite the decrease in value, construction activity remained steady with the total number of permits issued comparable to the prior year.

The City's Inspection Department issued 4 building permits for new commercial/industrial construction projects in FY11 with a combined construction value of \$1.3 million. This compares to 7 permits with a construction value of \$26 million for FY10. The three major projects that contributed to the larger construction value in FY10 were the downtown Portwalk Marriott Residence Inn, the Northeast Rehabilitation Hospital at Pease, and the waterfront mixed use project at 99 Bow Street. All of these projects were completed in this fiscal year.

The greatest number of construction permits was for renovations, repairs and fit-ups. The City issued 75 permits for renovations to commercial/industrial structures, with a construction value of \$5.1 million in FY11 and 113 tenant fit up permits with a construction value of \$4.8 million... This compares to 79 permits with a construction value of \$10.5 million for FY10

Notable development in the downtown during the year included Phase II of Portwalk, which is a \$6.8 million, 52,000 sq. ft., 36-unit, upscale apartment development with first floor retail; 50,000 sq. ft. mixed use, residential/condominium/retail development at 51 Islington St.; and the expansion of

Kennebunk Savings Bank into the former Portsmouth Herald building. A new, mixed-use commercial and residential development at 30 Maplewood Avenue is in the land use permitting process as is Phase III of the PortWalk project.

Development and redevelopment in the Lafayette Road corridor has also been significant. Upgrades were made to Southgate Plaza including the opening of the 36,000 sq. ft. McKinnon's Market and Super Butcher Shop in the former Shaw's Supermarket location. The store is expected to employ up to 150 people. Service Credit Union began construction on its headquarters at 2995 Lafayette Road. The first phase is a 100,000 sq. ft., LEED designed building scheduled for 2012 completion. The initial phase will generate 60 jobs with 40 more anticipated for the planned five-year build out.

The City sold its former Fire Station at 2700 Lafayette Road to an auto repair facility. The Salvation Army purchased the former Kia Auto dealership at 2458 Lafayette Road and will relocate its family thrift store to the 33,000 sq. ft. facility. Lighthouse Manufacturing has also announced its plan to relocate from Peabody, MA to Mirona Rd. Extension and bring 55 new high technology jobs to the precision metal manufacturing facility. The project has received approval for \$1.8 million in NH Business Finance Authority bonds and is currently seeking land use approvals.

Activity at Pease International Tradeport in FY11 included construction of the \$10 million renovation and expansion of Great Bay Community College, a 46,000 sq. ft., 33-bed rehabilitation facility for Northeast Rehab Hospital, and a \$6 million, 25,000 sq. ft. expansion to the United States Passport Center. BayRing Communications began construction on a 15,000 sq. ft. addition of its telecommunication offices and Rand Whitney Container LLC relocated from Rochester, NH to 162 Corporate Drive bringing with it 40 jobs. The Tradeport now employs over 7,000 people at over 250 companies and is home to more than 42% of all office space in the City. The world class Tradeport generates \$5.3 million in revenue for the City, adding to its important role in the City's economic vitality.

The Portsmouth Naval Shipyard (PNSY) also contributed to the City's economic vitality in FY10/11. The Seacoast Shipyard Association's report on regional economic impact for calendar year 2010 revealed a total of 5,168 employees with a payroll of \$395 million up 5% from 2009. \$20.3 million of goods and services were purchased from private vendors in New England states, up from \$16.4 million in 2009. In October 2010 the Shipyard celebrated the opening of the new Survival, Evasion, Resistance and Escape (SERE) Training Facility. One of only two facilities in the country, the new school employs 105 people and graduates 1,300 military personnel annually. The PNSY also announced its plan to invest \$100 million in upgrades and modernization work in FY 12. The upgrades are primarily energy conservation and repair work to existing infrastructure.

A recent summary report for the first quarter of 2011 office and industrial real estate market by Grubb&Ellis/Northern NE real estate advisory firm reports

Portsmouth office market vacancy at 18.7% overall. Current asking rates for Class A office space are \$18.33 per sq. ft. (NNN). Class B office asking rates are \$15.91 per sq. ft. (NNN).

According to the Grubb & Ellis/Northern NE industrial market report for the first quarter of 2011, Portsmouth's industrial sector vacancy rates were 18.6%, with an average lease rate of \$6.00 per sq. ft. for warehouse/distribution space and \$10.76 per sq. ft. for R&D/flex Portsmouth. Much of the higher vacancy rate is attributable to the vacancy at the 250,000 sq. ft. Celestica building at Pease Tradeport.

In an effort to spur business attraction, in early FY11 the City Council applied for and received approval from the NH Department of Resources and Economic Development to designate Commerce Way as an Economic Revitalization Zone (ERZ). The ERZ designation creates incentives for companies to expand or relocate to the ERZ, which entitles businesses that create jobs to apply for tax credits to be used against the Business Profits Tax and Business Enterprise Tax.

With regard to residential development in the City, 19 building permits were issued for new dwelling units during the fiscal year with a total construction value of \$12.3 million. This is an increase of six more homes permitted than in FY10. There were 275 permits for renovations to existing residential structures, which is a 10% increase over the number issued for the same period in FY10. The median purchase price for a single family home was \$319,533 representing a 14.5% increase from the 2009 price of \$279,000. Median monthly gross rent for a two bedroom apartment remained steady at \$1,241.

Finally, Portsmouth's reputation as a tourist destination, as well as an attractive place to do business, garnered the attention of many business and travel writers. In the past year Portsmouth received the following recognitions and accolades:

- *Forbes* magazine ranks Portsmouth #34 among small cities (up from #43 last year) in its listing of "2011 Best Cities for Job Growth."
- Portsmouth named one of the 52 top weekend getaway destinations, Food and Wine Category, in the October 2010 edition of *Boston Magazine*.
- Portsmouth has been named a "*Preserve America Community*," one of 29 designated in 2010. The Preserve America Community Program recognizes communities that use their heritage resources to share the myriad benefits of historic preservation with residents and visitors. The program is administered by the federal Advisory Council on Historic Preservation with assistance from the U.S. Department of the Interior.