

TOWN-WIDE MARKET ANALYSIS

DURHAM, NEW HAMPSHIRE

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INTRODUCTION AND QUALIFICATIONS

The purpose of this Town-Wide market study was to provide the Town of Durham with a “bird’s eye view” analysis of primary real estate markets for the purposes of identifying trends and opportunities for short-term economic development initiatives. It should be noted that while as much data was collected as possible within the time frame of the study, this report does not represent an exhaustive compilation of demographics or real estate data.

At the time this report was written, 2010 Decennial Census data had just been released for the State of New Hampshire. This report drew a significant amount of information from the 2005-2009 American Community Survey, which has its limits in terms of accurate population and demographic estimates due to the margin of error applied to the survey data. The consultant team has endeavoured to analyze the data to the best of its ability given these circumstances. It is advisable to update data from this report as new information from both the 2010 Census and future iterations of the American Community Survey come out in subsequent years.

The Census and other related data sources, such as the American Community Survey, have historically had difficulty in generating accurate population estimates for university communities. In particular, the census has had difficulty in counting students. Boston, Massachusetts is an excellent example, with a margin of error in its population estimates as high as 100,000 people. As noted in the Demographic Overview and Housing Market sections, there appear to be gaps in the Census and ACS data regarding an accurate count of students, and therefore available demographic data may reflect a smaller population than actually exists. Updated Group Quarters data will be released by the Census at the end of April 2010. This data may help to provide a more accurate count of students than the American Community Survey data.

It is important to consider the data and conclusions in this report as a “guideline” for considering future real estate and economic development opportunities. No real estate market analysis can provide high enough levels of precision that result in guaranteed or definitive results or direction. Sources and accuracy of the data, as well the analyst’s interpretation of that data must be taken into account when reviewing findings.

SUMMARY

Located in the heart of Southern New Hampshire - one of the fastest growing areas of the Boston Metropolitan Area - the Town of Durham is a unique market with unique opportunities. Shaped in large part by its largest employer, the University of New Hampshire, Durham is definitely a “college town”, but it is also one of the most desirable places to live in Strafford County with resident population growth and housing costs well above other population centers. The relative stability of its local economy, presence of a Level 1 Research university, concentration of virtually all retail and services in its downtown, and a generally high quality of life suggest that there are opportunities for enhancement, whether it be an improved Downtown, economic development tied to the university, or other market / economic related enhancements. However, the existence of these opportunities are not without hurdles. The Town will have to be proactive and work hard in order to capture these opportunities, or else they may pass the Town by.

A summary of the findings for each market is below.

Housing Market

- Durham’s housing market, while affordable for current residents, may act as a barrier to new residents wanting to relocate from other parts of the Region. Even with a national recession affecting housing cost, the median annual sales price of single family homes in Durham have increased 15% over the last two years, with the median annual price of all for-sale product increasing by 11%. Regional trends and the pressure on the local market will influence the local housing market, maintaining a relatively high housing cost.
- Amenities and availability of land have significant influence on the cost of housing more than Durham’s relatively high tax rates. The Town’s highly rated school system and the location of the University within proximity to Downtown provides ample amenities that attract residents.
- University of New Hampshire students exert the most pressure on the housing market. The lack of on- and off-campus housing for students has forced many to seek alternative housing options in surrounding areas.
- It is estimated that as many as 30% of all UNH students live outside of Durham. Given the appropriate circumstances, there may be an opportunity to attract some of these students into town via new and/or updated housing offerings. However, significantly lower costs, available public transportation and several other factors are likely to continue to drive interest in student housing outside of the community in the short-term.

Retail Market

- The potential to expand Durham’s retail market exists, but on an incremental level. The Town should focus on “enhancement” over “expansion,” aiming to add an additional 25,000 – 35,000 square feet.
- Durham should focus the majority of its “enhancement” on retail targeted to the resident and employee populations. At the time of this Study, much of Downtown’s businesses were aimed at University students, marked by the high numbers of limited service restaurants, student services, and college themed stores. With the existing student housing demand unfulfilled, the potential to add student-focused retail should only be encouraged when the demand for student housing is met with additional units in the Downtown area.

Hospitality Market

- A conference center in Durham would have to primarily rely on group users from outside of the community, which may prove to be difficult.
- Any conference center would have to compete with an already strong regional meeting / conference market. The current lack of space in Durham has forced previous users to seek alternative venues.

Office & Industrial Markets

- One of Durham's best opportunities for non university based employment growth is to focus on incrementally increasing job opportunities in the health care sector. If the market continues at a similar rate, Durham could expect to add 51 jobs in the health care sector alone.
- The largest hurdle to growth in the employment sector is Durham's short supply of available office space. Durham's location off major regional transportation routes and the fact that Strafford County is located in the State's weakest office market exacerbate the problems in the office market.
- The lack of immediately developable land does little to help the deficit of available office space. While sites exist in Durham, very few exist that are development ready, many lack utilities and other infrastructure needed for development. Durham should focus on a long term strategy to add office space on the land that is ready for development, such as the Durham Business Park, but the Town will require a corresponding economic development strategy to attract businesses due to the lack of speculative office / industrial market.

University Related Opportunities

- The core of a university based commercialization strategy exists and Durham is likely to be a key player in the regional context.
- Start-ups and university-led commercialization initiatives will present a limited opportunity for the Town. Without the necessary space to compete for businesses, the start-ups will eventually out-grow Durham and seek alternative communities for the 2nd and 3rd Phase growth.
- A strategy to increase space will allow Durham to be competitive in the regional market. This opportunity will most likely be centered on real estate development, and it is up to Durham to decide how aggressive an approach they are to take.

Recommendations

Generally speaking, there are few clearly defined trends and opportunities that the Town of Durham can easily grab hold of. While many opportunities are apparent, there are enough corresponding hurdles that makes them less clearly defined. The market opportunity hurdles that are identified in this report can be removed or significantly reduced through continued efforts by the Town of Durham to address land use issues, activate development-ready parts of the community, apply appropriate and mutually beneficial regulatory and zoning restrictions, and generally be pro-active in coordinating and guiding tangible economic development outcomes. The Town would benefit greatly from a focused economic development initiative that includes: (1) more extensive and targeted economic oriented research and analysis; (2) an action plan that is prepared in conjunction with stakeholder groups and approved by the Town Council; and (3) the resources necessary to work with existing players, as well as prospective businesses and developers in a sustained and focused manner.

Adding local capacity will be a necessary component, as it will be very difficult to achieve all of the above without time and resources dedicated to the effort. This may require the addition of a Town staff person who is dedicated to moving the next phase of research and strategic planning ahead, or alternatively an organization dedicated to the same purpose. Because Durham is such a unique part of Strafford County, it may be up to Durham or organize around Economic Development on its own behalf rather than rely upon linkages with regional economic development agencies.

GEOGRAPHIC DEFINITIONS

Durham CDP - Census Designated Places (CDPs) are defined as closely settled, named, unincorporated communities that generally contain a mixture of residential, commercial, and retail areas similar to those found in incorporated places of similar sizes.

Durham Town - This geographic term will be used throughout the report as the official geography of the Town of Durham, located in Strafford County, New Hampshire. The 2009 population estimate for the Town was 14,458.

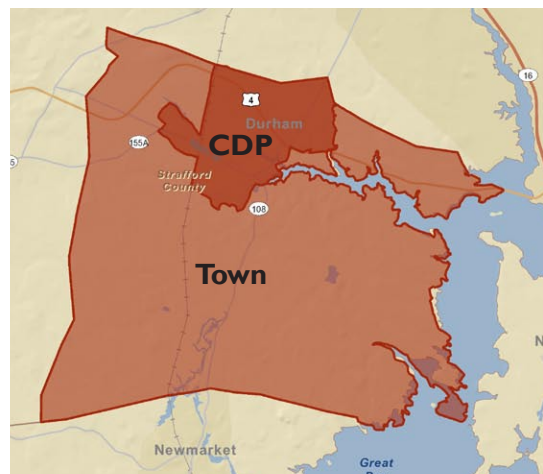
Strafford County - The Town of Durham, New Hampshire is located within the Strafford County borders. The 2009 population estimate for the county was 123,589. The county is located in the Eastern portion of New Hampshire approximately 80 miles north of Boston, Massachusetts.

Surrounding Counties - This casual term is used to describe the counties that share a boarder with Strafford County. The counties included under this term are Belknap County, Carroll County, Merrimack County, and Rockingham County, New Hampshire as well as York County, Maine.

Surrounding Cities - This is an informal term used in this report to describe the cities within the Durham vicinity. The cities included under this term are Portsmouth, Dover, and Rochester, New Hampshire.

Boston Metro - This metropolitan area includes the counties of Merrimack, NH; Rockingham, NH; Strafford, NH; Cheshire, NH; Hillsborough, NH; Barnstable, MA; Dukes, MA; Essex, MA; Middlesex, MA; Nantucket, MA; Norfolk, MA; Plymouth, MA; Suffolk, MA; Worcester, MA; and Windham, VT. The population estimate of the Boston Metro area for 2009 was 6.3 million.

Boston CSA - The Boston Combined Statistical Area (CSA) had an estimated 2009 population of 7.6 million and includes the Boston, Providence, and Worcester MSAs. The 17 counties that make up the CSA include Middlesex, MA; Essex, MA; Suffolk, MA; Norfolk, MA; Plymouth, MA; Rockingham, MA; Strafford NH; Providence, RI; Bristol, MA; Kent, RI; Washington, RI; Newport, RI; Bristol, RI; Worcester, MA; Hillsborough, NH; Merrimack, NH; Belknap, NH.





SECTION 1: DEMOGRAPHIC OVERVIEW

SUMMARY

- *The Town of Durham's population is 14,638 according to the 2010 Census, but actual population may grow to over 16,000 given the variability of the UNH student population.*
- *Southern New Hampshire is the fastest growing part of the Boston Metropolitan Area.*
- *Approximately 58-60% of the Town's total population is made up of UNH students.*
- *Durham residents are highly educated - more than 40% have professional or graduate degrees.*

1.1 Population

The U.S. Census categorizes the Town of Durham into two different geographies. The **Town of Durham** is listed as a sub-division of Strafford County. It has a population of 14,638 according the 2010 Census. The **Durham Census Designated Place** (CDP) represents the geographic core of the Town. 2010 census shows the Durham CDP to have 10,345 residents. With a population of 12,664 in 2000, the Town of Durham is estimated to have grown by 1,974 people (15.5%) in the 2000s.

A precise population estimate, however, is difficult due to available data and the variable student population at the University of New Hampshire. The best information on sub-categories of population is found in the 2005-2009 American Community Survey data. The ACS estimated a Town population of ~13,991. Of this total, 5,610 residents were estimated to live in owner occupied housing units, 3,193 residents lived in renter-occupied units, and 5,188 lived in group quarters - essentially a proxy for dormitories and other UNH campus housing. However, UNH data shows that university dormitories opened this past fall to a student population of 7,233, not including 97 families living in the Forest Park Apartments whose precise resident breakdown was unavailable. This creates a gap of 2,045 students between ACS estimates that the data that UNH reports. This

Figure 1.1: 2005-2009 Demographic Estimates - American Community Survey

	Town of Durham	Stafford County	Belknap County	Carroll County	Merrimack County	Rockingham County	York County
Total Population	13,991	121,207	61,103	47,248	147,925	296,191	201,158
Households	3,312	45,451	24,297	19,447	56,189	112,969	81,028
Avg. Household Size	2.79	2.50	2.45	2.35	2.35	2.63	2.47
Population 25 Years and Over	29.9%	62.2%	69.6%	72.1%	67.0%	68.3%	70.0%
% Population w/ Bachelor Degree	74.3%	26.4%	23.3%	26.5%	29.1%	21.1%	27.7%
% Population w/ Graduate or Professional Degree	40.2%	9.5%	7.6%	9.4%	10.3%	10.6%	8.7%
Population 16+ in Labor Force	63.9%	70.2%	67.0%	63.6%	69.9%	73.5%	64.8%
Median Household Income	\$64,318	\$59,330	\$53,906	\$50,270	\$62,530	\$76,663	\$54,463
Median Family Income	\$114,757	\$71,334	\$64,265	\$60,399	\$75,024	\$90,776	\$63,699

Source: American Community Survey 5 Year Estimates 2005-2009

Figure 1.2: Population by Age

Age Range	Town of Durham	Durham CDP	Stafford County	Rockingham County	Town of Durham (adjusted)
Under 5 Years	2.9%	1.3%	9.6%	6.3%	6.5%
5 to 9 Years	2.8%	1.8%	5.7%	6.5%	6.2%
10 to 14 Years	3.1%	1.8%	6.0%	6.9%	6.9%
15 to 17 Years	2.3%	1.4%	3.9%	4.5%	5.1%
18 Years	8.2%	10.4%	2.0%	1.3%	2.2%
19 Years	15.1%	19.3%	2.7%	1.1%	2.2%
20 to 24 Years	34.5%	41.0%	9.8%	5.4%	2.2%
25 to 29 Years	2.7%	2.7%	6.8%	5.6%	2.2%
30 to 34 Years	2.4%	2.0%	5.9%	5.2%	5.3%
35 to 39 Years	2.8%	2.0%	6.3%	6.4%	6.2%
40 to 44 Years	3.3%	2.2%	6.7%	7.8%	7.3%
45 to 49 Years	4.0%	2.5%	7.8%	9.3%	8.9%
50 to 54 Years	3.9%	2.4%	7.5%	8.8%	8.7%
55 to 59 Years	3.4%	2.1%	6.2%	7.2%	9.2%
60 to 64 Years	2.5%	1.5%	5.1%	5.9%	5.6%
65 to 69 Years	2.0%	1.3%	3.6%	3.9%	4.5%
70 to 74 Years	1.5%	1.1%	2.5%	2.7%	3.3%
75 to 79 Years	1.3%	1.1%	2.2%	2.1%	2.9%
80 to 84 Years	1.1%	0.9%	1.7%	1.6%	2.4%
85 Years and Over	0.9%	0.8%	1.8%	1.6%	2.0%

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gap could be made up of any different factors. For instance, the ACS data represents “midpoint” estimates that have margins of error associated with them. Resident, household, housing unit, and household size data all have a 3-4% variability to them that could result in much of this “gap”. Another factor is the timing of the surveys of the ACS, as well as the Decennial Census, that means that students may simply be undercounted. Given the inability to find a single accurate number, it is likely that the total population of Durham is found within 14,500 and 16,000 people.

Figure 1.3: Housing Tenure

	Estimate
2005-2009 Population	13,991
Housing Units	3,573
Occupied Housing Units	3,312
Total Population by Housing Unit	
Owner Occupied Units	5,610
Renter Occupied Units	3,193
Group Quarters	5,188
	13,991
Students in Dorms Fall 2010	7,233
Population Gap	2,045
Effective Population Range (2005-2009 ACS)	13,991 - 16,036

Source: American Community Survey, 2005-09, University of New Hampshire

1.2 County and Regional Context

Strafford County’s 2010 population is 123,143. Durham represents approximately 11-13% of the County’s total population. Overall, New Hampshire Counties are experiencing the highest increased population change among the Boston CSA counties, averaging a 22% increase between 1990 and 2009. In comparison, the Boston CSA experienced, on average, a 12% population increase over the last two decades. The Boston MSA only increased slightly more with 13%, and the Providence MSA increased by only 4%. This indicates a trend in the movement of populations north of the Boston area.

1.3 Students vs. Residents

The American Community Survey estimates that 8,220 people in the Town are enrolled in college or graduate school. Of these, 380 residents are reported to be enrolled in Private College or Graduate School, leaving an estimated 7,840 who attend public college or graduate school (i.e. UNH or similar institution). For purposes of this analysis, we will assume that this number is a proxy for the UNH students that reside in Durham. Using the ACS’s reported total population of 13,991 from its 2005-2009 data (similar data from the 2010 census is not available), this represents a total student resident percentage of 56%*, leaving 44%, or 6,151 non-student residents. Applying these percentages to the 2010 Decennial Census data yields a UNH student population of 8,323 and a resident population of 6,527.

As previously noted, it is difficult to use available data to gather precise figures of students vs. residents. Data from UNH indicates that the number of UNH students living in Durham may be undercounted by the ACS and the Census. By comparing the known number of students on campus to the number of residents estimated to attend UNH, there is a

Figure 1.3: Population Change of Boston CSA

	1990-2000	2000-2009	1990-2009
Town of Durham, NH	7.3%	14.0%	22.4%
Boston-Cambridge-Quincy, MA-NH MSA			
Middlesex, MA	5.0%	2.5%	7.6%
Essex, MA	8.2%	14.0%	10.7%
Suffolk, MA	4.4%	2.5%	13.9%
Norfolk, MA	5.6%	2.4%	8.0%
Plymouth, MA	8.8%	5.0%	14.3%
Rockingham, NH	13.0%	7.4%	21.3%
Strafford, NH	8.0%	9.7%	18.4%
Providence-New Bedford-Fall River, RI-MA MSA			
Providence, RI	4.4%	0.8%	5.2%
Bristol, MA	5.7%	2.1%	8.0%
Kent, RI	3.8%	0.8%	4.6%
Washington, RI	12.3%	2.4%	15.0%
Newport, RI	-2.1%	-6.3%	-8.2%
Bristol, RI	3.8%	-2.3%	1.4%
Worcester, MA MSA			
Worcester, MA	5.9%	6.8%	13.1%
Manchester-Nashua, NH			
Hillsborough, NH	13.6%	6.1%	20.6%
Concord, NH			
Merrimack, NH	13.3%	9.1%	23.6%
Laconia, NH			
Belknap, NH	9.1%	8.4%	8.4%

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difference of only 607, a number that would represent the number of UNH students living off-campus in Durham. Anecdotal evidence suggests that this number is low, though not entirely unfeasible.

Figure 1.2 illustrates an estimated distribution of population by age adjusted for the removal of college students, comparing Durham with Strafford County. This particular adjustment, which assumes that there are very few residents aged 18-24 in the Town that are not UNH students, shows two trends; Durham has a higher percentage of children aged 5-17 than Strafford County (18.2% vs. 15.6%), as well as a higher percentage of residents aged 60+ (20.7% vs. 16.9%).

1.4 Education

A noteworthy demographic trait of Durham is that it not only has a high percentage of college students, but it also has an extremely high percentage of residents with a college degree. 74% of the Town's population has a bachelor degree or higher. According to the ACS, 40% of the Town has a graduate or professional degree. The average of all other geographies in Southern New Hampshire is between 20-30%. The population and employment at UNH does not fully explain this phenomenon. These statistics reflect residents aged 25+, and a majority of the students in the community are undergraduates below that age. Furthermore, as later sections of the Report point out, the number of UNH employees who live in Durham is relatively low - only about 14%. Given these numbers, one can only conclude that the Town of Durham itself is a location that attracts highly educated people. According to data provided by UNH, only 14% of all university staff and/or faculty live in the Town of Durham. A more detailed analysis of where residents work was unavailable due to a lack of accurate and recent commuting data via the IRS or Census Traffic Analysis Zones (TAZs).



SECTION 2: ECONOMIC OVERVIEW

SUMMARY

- *Strafford County had 40,673 jobs in 2009, a net gain of 2.5% since 2001.*
- *The two fastest growing areas of both Strafford County and the State of New Hampshire economies are Education & Health Services, and Professional & Business Services.*
- *The Financial Activities employment sector represented the largest rise in employment. This was due entirely to the expansion of one company - Liberty Mutual in Dover.*
- *The Manufacturing and Trade, Transportation, & Utilities sectors experienced notable losses in employment in both Strafford County and New Hampshire.*
- *Durham's employment is estimated to be 15% of Strafford County's economy.*
- *Education & Health Services accounts for 50% of the jobs in Durham. This is almost entirely through the University of New Hampshire.*

2.1 Strafford County Economy

According to the Bureau of Labor Statistics (BLS), Strafford County had 40,673 jobs in 2009. Between 2001, the first year using the North American Industry Classification System (NAICS) data and 2009, Strafford experienced a modest net gain of 1,006 jobs - a growth rate of 2.5%. 2009 data reflects at least two years of net job losses during the 2007-2009 recession. Between 2001 and 2007, the County gained 1,587 jobs - a third of which were lost in just two years.

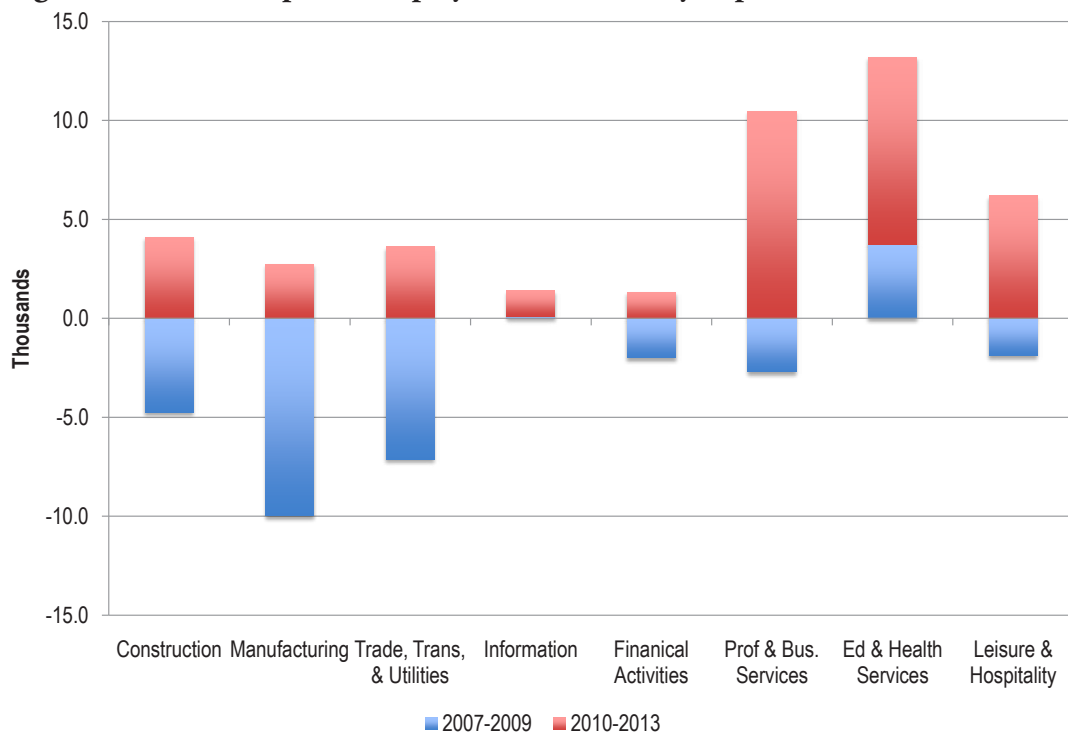
Two sectors drive a significant portion of the Strafford County economy - Education & Health Services (25% of the total economy in 2009) and Trade, Transportation, & Utilities (21%). Of these sectors, Education & Health Services grew by 26% between 2001 and 2009, while Trade, Transportation, & Utilities declined by 7%.

The most notable employment shifts in the last decade have been in the Financial Activities sector - which doubled in employment. The Professional & Business Services sector, and Manufacturing both declined by 37% for a net loss of 2,678 jobs.

While the Financial Activities sector grew by a considerable amount (1,953 jobs), virtually all of this growth is attributable to the expansion of Liberty Mutual in Dover. The removal of this single company reveals a more moderate growth in this sector overall, and probably one that is reflective of trends in Strafford County, where Financial Activities grew by 8% from 2001-2007, then declined 5% during the recession. Without the Liberty Mutual investment, Strafford County would have experienced a net job loss over the decade.

The real growth sector in Strafford County, apart from Education & Health Services, is likely to be in Professional & Business Services. From 2001-2009, this sector grew by a modest 6%, but between 2001 and 2007, the sector grew by 30%, adding 980 jobs. Professional & Business Services is likely to grow significantly over the next decade. New England Economic Partnership (NEEP) data forecasts that the P&BS sector will grow almost 10% in the State of New Hampshire between 2010-2013. It is likely that this sector, along with Education and Health Services, will lead the county (and State) out of the recession.

Figure 2.1: New Hampshire Employment Forecasts by Supersector



Source: *New England Economic Partnership (NEEP)*

2.2 Regional Context

Neighboring Rockingham County offers interesting comparisons and contrasts to Strafford County. A much larger economy of 131,000 jobs, Rockingham County experienced a net job growth of just 0.3% between 2001 and 2009. A caveat is that 7,638 jobs were added up to 2007 (5.8% growth) but almost the exact number of jobs were shed from the county’s economy between 2007-2009. Like Strafford County, Rockingham experienced major gains in Education & Health Services (4,431 new jobs)

Figure 2.2: Employment by Sector: Strafford County

Industry Sector	2001	2007	2009
Construction	1,475	1,517	1,180
Education & Health Services	8,264	10,115	10,399
Financial Activities	1,930	2,845	3,883
Information	1,336	917	1,014
Leisure & Hospitality	3,513	4,131	4,003
Manufacturing	7,326	5,282	4,648
Natural Resources & Mining	259	165	154
Other Sources	1,389	1,424	1,417
Professional & Business Services	3,322	4,302	3,517
Public Administration	1,690	1,899	1,923
Trade, Transportation & Utilities	9,163	8,657	8,535
TOTAL	39,667	41,254	40,673

Source: Bureau of Labor Statistics

and declines in Manufacturing (a loss of 3,563 jobs). Its two largest employment sectors are also Trade, Transportation, & Utilities and Education & Health Services. State-wide trends mirror both Strafford and Rockingham Counties. Professional & Business Services and Education & Health Services were growth leaders, while Manufacturing and Trade, Transportation, & Utilities experienced major losses.

2.3 Durham Economy

(Note: this Section references employment estimates from ESRI Business Analyst and not official data produced by the Bureau of Labor Statistics or the Bureau of Economic Analysis, which do not disclose employment data below the county level).

The Town of Durham is estimated to have 6,413 jobs within its borders in 2010. This represents 15.7% of the Strafford County economy. According to ESRI, Dover has the highest concentration of employment within the county with 15,380 jobs (38%), followed by Rochester’s 11,659 jobs (27%). Because of the inaccuracy that can occur by estimating employment below the county level, the U.S. Census Zip Code Business Patterns database was used to verify the employment numbers for the Town of Durham. For the Zip Code 03824, ESRI estimates the same number of jobs as it did for the Town of Durham - 6,413. Zip Code Business Patterns estimated there were 2,818 jobs within the same zip code. However, this estimate did not take into account employment at the University of New Hampshire. By adding in the known UNH employment within Durham

Figure 2.3: University of New Hampshire Employees Located in Durham, New Hampshire (2010)

Employee Type	Staff
Full Time	2,370
Part Time	1,299
TOTAL	3,669

UNH Office of Institutional Research

(see below), the Zip Code Business Patterns estimate yields 6,487 jobs. Given the closeness of the two data sources, one can assume that the total employment within Durham is around 6,400 - 6,500 jobs.

By far the largest individual employment sector in Durham is Educational Services, which can be attributed to the University of New Hampshire. Data from the UNH Office of Institutional Research shows that there are 3,669 UNH employees who work in Durham (with others in off-site locations, such as UNH-Manchester). Whether this represents a larger number than estimated by ESRI in the Education Services sector (see Figure 2.5) or whether the University’s employees are spread out through several employment sectors is undetermined.

Manufacturing is the second largest employment sector, accounting for 14.5% of all jobs. Accommodation & Food Services is the next largest, with 583 jobs. Food Services is by far the largest sub-sector under that category, as opposed to hotel employment.

ESRI data is not available for past years, so trending analysis is not available for the Town of Durham. However, one can assume that its job base is relatively stable with the presence of the University. Durham has a very low percentage of the

Figure 2.5: Durham Employment Profile

Employment Sector	Jobs
Construction	135
Manufacturing	931
Wholesale Trade	4
Retail Trade	290
Transportation & Warehousing	131
Information	203
Finance & Insurance	44
Real Estate, Rental & Leasing	69
Professional, Scientific & Tech.	133
Management of Companies	1
Administrative, Support & Waste Management	9
Educational Services	3,136
Health Care & Social Assistance	219
Arts, Entertainment & Recreation	70
Accommodation & Food Services	583
Other Services	191
Public Administration	264
Unclassified Establishments	9
Total All Industries	6,413

Source: ESRI Business Analyst

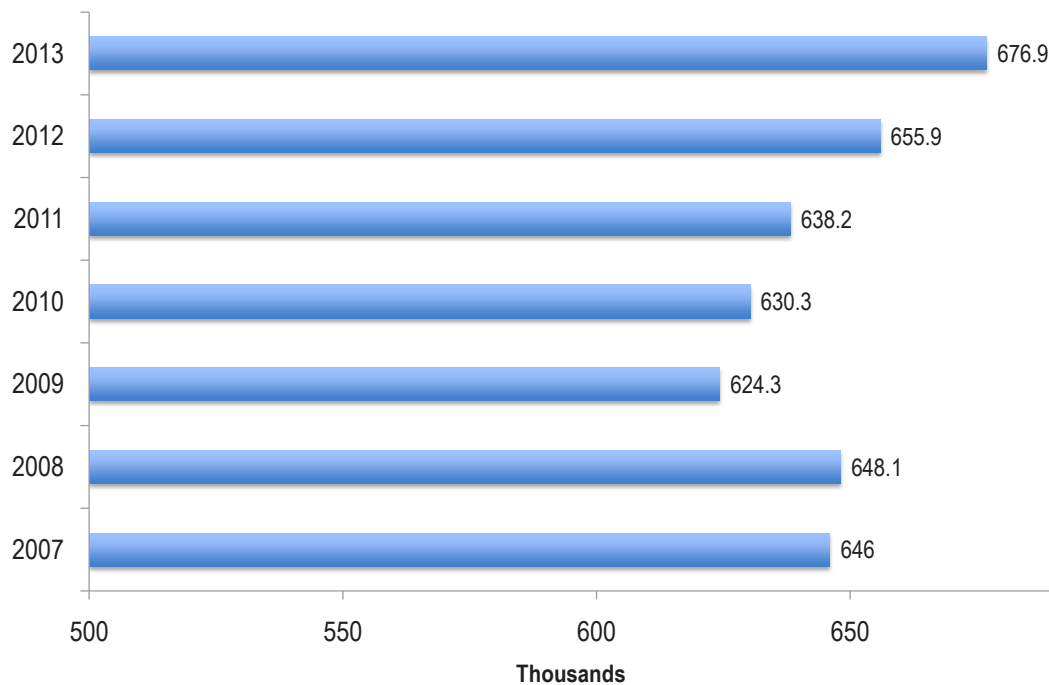
county's likely future growth area - 143 Professional & Business Services jobs account for only 4% of the county's total - 3.3% if using 2007 peaks. PB&S jobs are concentrated in Dover and Rochester, which account for a total of 1,855 jobs (53% of the county's total).

2.4 State Employment Outlook

New Hampshire traditionally has seen the strongest job growth among the New England states, but as with the rest of the U.S. the State has seen significant job losses from the recent recession. From a pre-recession peak of about 648,000 jobs, the State lost about 28,000 jobs through the end of 2009. The New England Economic Partnership (NEEP) forecast for New Hampshire indicates that the State will recover to pre-recession employment levels by 2012, which is ahead of the rest of New England (Figure 2.6).

However, job growth in recovery is predicted to be very uneven, with only a few sectors likely to recover to pre-recession employment levels by 2012. The NEEP forecast indicates that only Professional & Business Services, Education & Health Services, Information, and Leisure & Hospitality will recover to pre-recession levels by 2012.

Figure 2.6: New Hampshire Job Outlook



Source: *New England Economic Partnership (NEEP)*



SECTION 3: HOUSING MARKET

SUMMARY

- *The Town of Durham has 3,573 housing units - a gain of 640 units from 2000.*
- *Single family housing units are the most predominant form of housing in Durham - 57% of households.*
- *The housing costs in Durham are higher than surrounding areas. Higher property taxes play a relevant, but relatively small role in this trend.*
- *Oyster River Coop School District is ranked 10th in the State of New Hampshire for all school districts with 1,000 or more students (ranking is based on test scores.)*
- *Housing costs are affordable for current Durham residents, but may present a barrier to County residents wishing to relocate within City limits.*
- *Housing is not affordable for low to average wage workers in Durham, who would need to average \$44 per hour (\$92,000 in annual salary) in order to meet average housing cost.*
- *It is estimated that approximately 2,600 students live in off-campus housing within the Town, while 4,300 students live outside of the community.*

3.1 Housing Supply

According to the Decennial Census, the Town of Durham had 2,923 housing units in 2000 . The ACS estimates that Durham now has 3,573 housing units, an addition of 640. These numbers do not include on-campus housing at the University of New Hampshire. Therefore, the existing housing units identified by the ACS represent the total *private* housing supply in the community. Of the private supply of housing, 57% is considered single family housing. The next highest percentage of units (22%) is found in large multi-family buildings.

Figure 3.1: Units in Structure - Durham

Units in Structure	Estimate
Total Housing Units	3,573
1-unit, detached	2,063
1-unit, attached	180
2 units	87
3 or 4 units	83
5 to 9 units	169
10 to 19 units	195
20 or more units	784
Mobile Home	12

Source: American Community Survey, 2005-09

Figure 3.2: Durham Housing Supply

Durham Town, NH	Units
2000 Households	2,882
2009 Households	3,312
New Housing Demand (2000-2009)	650
New Residential Units Built (2000-2009)	640
Housing Need	10

Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. American Community Survey 5 Year Estimates, New Residential Construction

3.2 Housing Demand

Growth in households, as defined by the U.S. Census, represents a proxy for housing demand within a given geography. There were an estimated 3,312 households in Durham in 2009, not including on-campus students. This represents a demand for 650 new housing units since year 2000 (see Figure 3.2). With the construction of 640 units in the same time period, it appears as if supply almost perfectly met demand. This may appear to a normal supply vs. demand relationship, but in fact it is abnormal compared to the typical housing building patterns of the last decade. For example, Rochester, the largest city in Strafford County, experienced demand for 834 housing units between 2000 and 2009, yet 1,355 units were permitted. Dover saw demand for only 283 units and simultaneously saw 1,388 units permitted within the community. County-wide, there was a demand for 3,392 units during a period when 6,059 were permitted. Many of these permitted units may have not been constructed due to the national downturn in the housing market, but it is illustrative of the overbuilding in housing that was common during the 2000s.

3.3 Student Demand

The University of New Hampshire has just under 14,500 students enrolled, a number that fluctuates by year and semester. As of 2010, the university reports that there are 12,183 undergraduate students and 2,286 enrolled graduate students.

According to UNH, there were 7,233 people living in university residence halls in the Fall of 2010, not including 97 families in the Forest Park Apartments. In order to estimate the number of students living in off-campus housing, a combination of ACS and UNH data is necessary. As discussed in the Demographic Overview, there is a gap in the population counts that may come from an undercounting of UNH students. The difference between the 7,233 students living in campus residence halls and those estimated to occupy group quarters by the ACS is 2,045. It is assumed that the gap in estimated student population is made up primarily of on-campus students, therefore we can use the ACS estimates for off-campus housing.

If 7,840 residents were enrolled in a public college or graduate school within Durham, and 5,188 of those were living in group quarters - presumably on-campus dormitories, then it is estimated that there are 2,662 students living in off-campus housing in Durham (as noted previously, this number can change due to a number of reasons, including natural fluctuations in the

Figure 3.3: Estimated Locations of UNH Students

Student Type	UNH Enrollment*
On-Campus Fall 2010	7,475**
Off-Campus - Durham	2,662
Off-Campus - Outside of Durham	4,332
TOTAL STUDENTS	14,469

* Not exact, meant to reflect estimate

** UNH data for student population in residence halls, + 97 families in Forest Park Units (x avg. household size for Durham).

Source: University of New Hampshire & DCI Analysis

UNH student body and the margin of error associated with ACS data). The average household size in Durham is 2.66, but the average household size for rental units - where most students would be expected to live - is 2.33. The estimated range of units that students living off-campus in Durham is 1,000 - 1,142, potentially as high as 30-34% of all occupied units in Durham given the above mentioned variables.

If this number is accurate, then it is estimated that as many as 4,332 students live off-campus outside of Durham. This equates to 30% of all students, or 62% of all students that may be living off-campus. Anecdotal evidence confirms that UNH students are spread out around Durham, with many living in Newmarket, Dover or Portsmouth. There are a number of reasons why students would live off-campus outside of Durham, including students living at home, graduate students and part-time students choosing to be closer to other communities. Wildcat Transit connects to these areas, providing relatively easy access to and from the University from outlying areas. Precise rental cost numbers were not available at the time this report was written, but secondary sources report that rental units are significantly cheaper outside of Durham than within. Other anecdotal reports suggest that many existing student oriented apartment complexes are aged, and thus may not be as appealing to students as other rental options further afield.

With the University of New Hampshire stating that it does not anticipate adding more on-campus housing, potential demand for additional off-campus student units, or “beds”, in Durham is possible, although the depth of this market is undetermined. While proximity to the University is an amenity for students, so too is inexpensive housing. Short-term, the interest of a developer to build over 600 units of student housing suggests that the market views additional student housing as an opportunity. High occupancy rates in UNH residence halls also suggests demand for housing closer to campus. Long-term a number of variables will come into play. Given the difference in housing costs, it is likely that there will always be a significant portion of students who live outside of the community, which is not atypical for a community with a major public university. However, the possible increase in transportation costs and long-term viability of serving adjacent communities with low cost public transit may eventually play a major factor in this cost assessment, making it harder to live further away from the university. Given the quality of some apartment housing available within Durham, the redevelopment of existing product is likely to be a short-term development opportunity, given appropriate incentives for the landlords to own those properties.

Figure 3.4: UNH Dormitory Occupancy 2007-2011

	Estimate
Occupied Housing Units	3,312
Fall Semester 2007-2008	105%
Spring Semester 2007-2008	99.8%
Fall Semester 2008-2009	103%
Spring Semester 2008-2009	98.5%
Fall Semester 2009-2010	104%
Spring Semester 2009-2010	102%
Fall Semester 2010-2011	105%
Spring Semester 2010-2011	101%

Source: University of New Hampshire

Figure 3.5: Value of Occupied Housing Units

Value	ACS Data		NERE Data		Single Family Only	
	Units	Percent	Units	Percent	Units	Percent
> \$100,000	7	0.4%	0	0%	0	0%
\$100,000 - \$124,999	20	1.2%	3	1.2%	0	0%
\$125,000 - \$149,999	19	1.1%	1	0.4%	1	0.5%
\$150,000 - \$174,999	21	1.3%	3	1.2%	2	0.9%
\$175,000 - \$199,999	27	1.6%	8	3.2%	6	2.8%
\$200,000 - \$249,999	211	12.6%	50	19.9%	45	21.0%
\$250,000 - \$299,999	428	25.6%	57	22.7%	43	20.1%
\$300,000 - \$399,999	540	32.2%	81	32.3%	70	32.7%
\$400,000 - \$499,999	142	8.5%	31	12.4%	30	14.0%
\$500,000 - \$749,000	209	12.5%	12	4.8%	12	5.6%
\$750,000 - \$1 million+	51	3.1%	5	2.0%	5	2.3%

Source: American Community Survey, Northern New England Real Estate Network

Figure 3.6: Value of Occupied Housing Units - Durham vs. Strafford County

Value	Durham Town		Strafford County	
	Units	Percent	Units	Percent
> \$100,000	7	0.4%	5,636	18.9%
\$100,000 - \$124,999	20	1.2%	2815	9.3%
\$125,000 - \$149,999	19	1.1%	3143	10.4%
\$150,000 - \$174,999	21	1.3%	3069	10.1%
\$175,000 - \$199,999	27	1.6%	3055	10.1%
\$200,000 - \$249,999	211	12.6%	4568	15.1%
\$250,000 - \$299,999	428	25.6%	3193	10.5%
\$300,000 - \$399,999	540	32.2%	2993	9.9%
\$400,000 - \$499,999	142	8.5%	668	2.2%
\$500,000 - \$749,000	209	12.5%	838	2.8%
\$750,000 - \$1 million+	51	3.1%	306	1.1%

Source: American Community Survey

**Figure 3.7: Single Family Residential Sales Prices 2009-2010
(Not Inclusive of Condominiums)**

Median Sales Price	Durham	Strafford County
2010 Annual	\$319,500*	\$200,878***
2009 Annual	\$305,000*	\$192,899***

* Sample Size of 61 sales

** Sample Size of 50 sales

*** Unknown Sample Size

Source: Northern New England Real Estate Network

3.4 Housing Cost

Durham's median housing value for 2000 was \$191,200 (\$236,805 adjusted to reflect inflation). During the next 8 years, the median value of a home rose almost 85% to a 2009 estimated value of \$352,400, according to the American Community Survey. While this median value is comparable to that of Portsmouth's, it is significantly higher than other communities in Strafford County. Durham's median home value is estimated to be 40% higher than Dover, and 82% higher than Rochester.

One of the most notable comparisons of housing value in Durham as compared to the rest of Strafford County is the percentage of units valued at \$200,000 or less. Only 5.6% of Durham's housing stock is valued at this rate, as opposed to almost 59% for all of Strafford County (See Figure 3.5).

A closer examination of housing costs is possible through data from the Northern New England Real Estate Network. Between 2008-2010 (comparison data was not available prior to 2008), the average sales price of a single family home in Durham was \$330,988. This is 67% higher than the average sales price of homes in Strafford County, and 27% higher than sales prices in Rockingham County. The median annual sales price of all homes, including single family homes and condominiums, rose from \$285,500 in 2008 to \$318,000 in 2010. This is after a decline from a annual median sales price of \$339,250 in 2007.

Northern New England Real Estate data was not available prior to 2007, and therefore it is difficult to determine how these median sales prices compare to sales in the earlier part of the decade, or in the 1990s. Given regional and national trends, housing sales are almost certainly still behind those recorded in the early 2000s, particularly prior to the start of the recent recession in 2007. It is also difficult to be as precise with the data available at the county level given the sample size of sold properties in Durham. Between 2007 and the end of 2010 the NNREN recorded 249 sales of single family homes and condominiums. This would account for 13% of the entire estimated stock of owner-occupied housing, assuming that no properties were sold more than once during this period. Despite a lack of comprehensive data, the rise in median sales prices in Durham between 2008 and 2010 is somewhat encouraging that the housing market is beginning to return and remains interested in the Town.

3.5 Housing Affordability

Affordable housing is defined by the U.S. Department of Housing and Urban Development as housing that is affordable to households that make 80% or below the Area Median Income (AMI). HUD determines AMI by county. The 2010 AMI in Strafford County is \$81,600. This means households that qualify as low income would make approximately \$65,280 or below. Very low income households (50% or below) would make \$40,800 or below, and extremely low income households (30% or below) would make \$24,480 or less. (Note: *this AMI figure is a median number that accounts for all household sizes.*)

Figure 3.8 shows a breakdown of households by income, according to the American Community Survey. According to this data, about 48% of all households in Durham would qualify as low income households (assuming that the 80% income level is a midpoint within the \$50k-\$75k income range). However, this is skewed by student households. A better representation of housing affordability is derived from the 2nd column, which compares family households to their estimated income. Using this data, the percentage of households who qualify as "low income" equals only 16.6%.

By using the average sales price of for-sale housing, it is possible to estimate housing affordability needs from a cost stand-

Figure 3.8: Household and Family Income

Income	Number of Households	Number of Families
Less than \$10,000	710	56
\$10,000 to \$14,999	183	72
\$15,000 to \$24,999	294	44
\$25,000 to \$34,999	90	5
\$35,000 to \$49,999	173	39
\$50,000 to \$74,999	261	188
\$75,000 to \$99,999	416	330
\$100,000 to \$149,999	570	554
\$150,000 to \$199,999	272	256
\$200,000 or more	343	323

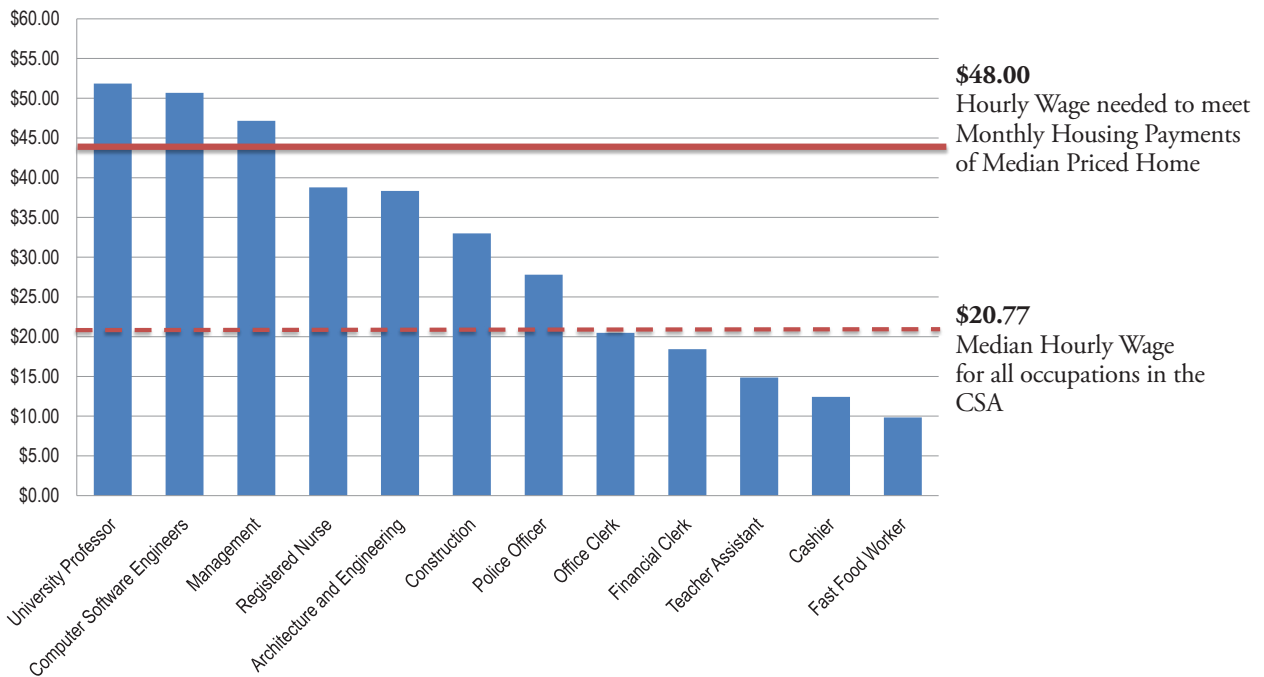
Source: American Community Survey

Figure 3.9: Household Income by Ownership Type

Income Levels	Total Occupied Housing Units	Owner Occupied Housing Units	Renter Occupied Housing Units
Up to \$25,000	843	121	723
\$25,000 to \$50,000	521	222	299
\$50,000 to \$75,000	466	314	152
\$75,000 to \$100,000	374	330	44
\$100,000 to \$150,000	384	358	26
\$150,000 and over	294	282	12
Total	2,882	1,627	1,255
Median Household Income	\$52,139	\$84,718	\$21,306

Source: Workforce Housing for Durham - An Assessment of the Current Housing Situation Working Paper, US Census 2000

Figure 3.10: Industry Wages indicating the Affordability of Single Family Units in the CSA



Source: Bureau of Labor Statistics

point. The median sales price of a single family home in Durham, (\$308,000) equals a monthly PITI payment (principal, interest, taxes, insurance) of approximately \$2,500*. By applying the 30% affordability rule (a homeowner is not cost burdened if he/she spends less than 30% of his/her gross income on housing) a household income of \$100,000 would be needed to afford this home price. According to the ACS data in Figure 3.8, about 40% of family households fall under this threshold - an acceptable number considering that the analysis factors the *median* home price, meaning half (50%) of the homes are valued below this range.

Does Durham have a housing affordability issue? The answer is yes and no. No, in that housing appears to be affordable for existing residents. Yes, in that the typical Strafford County resident cannot afford to live in Durham. Only 40-45% of Strafford County family households could afford the average home price.

3.6 Workforce Housing

Figure 3.6 shows the affordability of owning a home in the CSA. The median hourly wage needed to meet the monthly payments for the median selling price of a home in Durham is \$44.00. This wage is based on a number of assumptions, most can be found in Figure 3.7. For the purpose of this study it was assumed that housing cost would equal 30% of a person's annual income, or \$2,300 a month (for a PITI payment).

The 2009 median hourly wage for a worker employed in the Boston-Worcester-Manchester, MA-NH-CT-ME CSA is \$20.77. Persons in this income category would have a \$27.33 an hour gap in housing cost. Figure 3.10 shows the median wages of 12 occupations. Of the 12 occupations, only 5 (university professors, computer software engineers, management, registered nurses, and architects/engineers) would be able to afford to own a home in Durham. A large portion of the remaining occupations fall below the median hourly wage for the CSA, increasing the gap in housing affordability well over \$15 a month.

In a 2010 study of workforce housing in Durham issued by the Workforce Housing Committee, it was found that the income levels of renter-occupied housing units are lower compared to residents who reside in owner-occupied housing units.

A majority of residents living in renter-occupied housing units, over 80%, fall below the median household income of \$58,363. When looking at higher income levels compared to ownership type, nearly 60% of home owners have a median income over \$75,000. Only 7% of renter-occupied units are inhabited by residents in this income level.

3.7 Property Taxes

County property taxes for Strafford County are generally higher than other counties in New Hampshire. Durham's property taxes, at 2.73%, are the second highest in Strafford County, falling slightly below the City of Somersworth. In previous years, Durham residents have paid the highest property taxes in the County.

Of Durham's 2.73% tax rate, 57% goes to local education, 26% to local taxes, state education gets 8%, and the remaining 9% goes to the County. (See Figure 3.8).

The rate at which property is taxed within a municipality plays a role in the affordability of housing. Figure 3.7 shows how property taxes impact the monthly cost of housing. At 2.73%, Durham's property tax rate is higher than other nearby population centers. The monthly payment, before insurance and based on the median sales price of a single family home in Durham, amounts to \$2,074. Compared with Portsmouth, which is located in Rockingham County, and has a tax rate of 1.7%,

the tax rate increases the cost of housing by almost \$280. This difference is in part due to the lower percentage of county taxes, only 6%, taken from Portsmouth's property taxes. Dover and Rochester have similar housing cost based on these assumptions. With a tax rate of 2.38% and 2.39% respectively, the monthly cost of housing is nearly \$100 less than in Durham.

While property taxes do play a factor in the cost of housing within Durham, it does not play such a significant factor that they would drive buyers to other communities for similar sized and priced housing.

Figure 3.7: Sample Housing Payment for Average Property Based on Variable Tax Rates

	Durham	Dover	Rochester	Portsmouth
Price of Home		\$308,000		
Down Payment (20%)		\$61,600		
Loan Payment		\$246,400		
Interest		5.0%		
Months		360		
Monthly Payments		\$1,322.73		
Tax Rate	2.73%	2.38%	2.39%	1.71%
Annual Taxes	\$9,029	\$7,861	\$7,907	\$5,657
Monthly Taxes	\$752	\$655	\$659	\$471
Monthly Payment (before Insurance)	\$2,074	\$1,977	\$1,981	\$1,793

Source: New Hampshire Department of Revenue Administration & DCI Analysis

* assuming local tax and insurance rates, 30 year mortgage, 5% interest, 20% down payment.

Figure 3.8: Breakdown of Tax Rate for Durham Millage

Town Tax	Local Education Tax	State Education Tax	County Tax	Total Tax
7.12	15.43	2.19	2.54	27.28

Source: New Hampshire Department of Revenue Administration

3.8 School District

One of the items cited by stakeholders as contributing to demand for housing in Durham is the quality of the local school system. According to data compiled by the National Center for Education Statistics, the U.S. Department of Education and the New Hampshire Department of Education, the Oyster River Coop School District ranks as the 18th best school system in the State of New Hampshire for 2011. Of school systems with over 1,000 students (it has 2,044) Oyster River ranks 6th. It also ranks #1 for all Strafford County schools. There are 4 school systems in Rockingham County ranked higher, but only one with a comparable student population (Exeter Region Coop School District).

The rankings for New Hampshire School Districts are calculated by averaging the rank percentile (combined average score of NECAP Mathematics and Reading scores) of each school located in a particular district providing the district's rank.

School Rankings

The ranking system used for individual schools utilizes the most recently reported test scores, the source of the information from the rankings is the National Center for Educational Statistics, U.S. Department of Education, and New Hampshire Department of Education. To determine ranking, each school's NECAP Mathematics score is added to the NECAP Reading score to form a combined average score. The school with the highest combined score is ranked #1 and so on.

The rankings for New Hampshire School Districts are calculated by averaging the rank percentile (combined average score of NECAP Mathematics and Reading scores) of each school located in a particular district, which provides the district's rank score.

2011 Rank	School	City	NECAP Math	NECAP Reading	Combined
High Schools					
1	Lin-Wood Public School	Lincoln	56	95	151
2	Hanover High School	Hanover	66	82	148
3	Bedford High School	Bedford	58	88	146
4	Oyster River High School	Durham	64	81	145
5	Goffstown High School	Goffstown	52	87	139
Middle Schools					
1	Lincoln Akerman School	Hampton Falls	91.7	95.3	187
2	North Hampton School	North Hampton	90	93.7	183.7
3	Strafford School	Strafford	89.3	92	181.3
4	Frances C. Richmond School	Hanover	84	94	178
5	Bow Memorial School	Bow	85.7	90.7	176.4
14	Oyster River Middle School	Durham	81.7	87.7	169.4

Source: National Center for Education Statistics, U.S. Dept of Education, and New Hampshire Department of Education

3.9 Conclusions

Durham's housing market is costly compared to the rest of Strafford County. As is typically the case in higher priced communities, this does not necessarily create a cost burden for residents within the community, as they are already able to afford existing housing prices, but it does create a high barrier of entry for other households located within the region. Relatively high taxes have some impact on these costs, but ultimately represent a small percentage of overall cost. The most important influences on high housing costs are likely the availability of developable / properly zoned land for new housing, the attractiveness of the local school system, and the general community amenities that surround the University of New Hampshire.

A large percentage (30%) of UNH students are estimated to live outside of Durham. There are many reasons for this, particularly cost and inequivalent transportation access, but it does suggest a possibility of additional off-campus student housing in the Town, given appropriate circumstances.



SECTION 4: RETAIL MARKET

SUMMARY

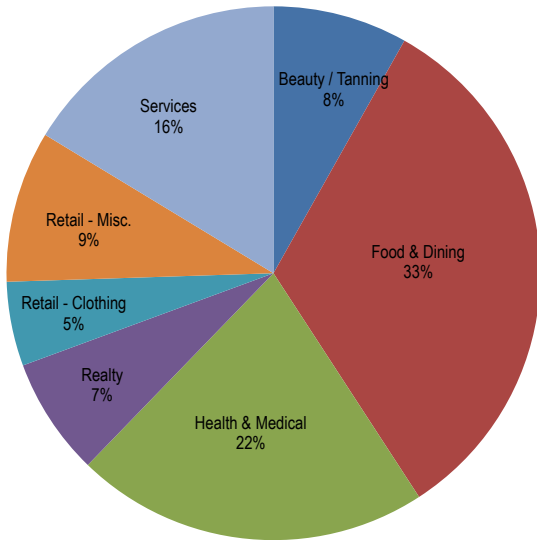
- *Almost all of Durham's retail offerings are in or near Downtown.*
- *Median family income is significantly higher than surrounding areas - at \$114,757. This number reflects the non-student population only.*
- *Downtown Durham is the best location for retail enhancement due to higher than average population densities and traffic counts.*
- *Currently a \$30 million dollar retail gap exist for Durham residents and employees. Some of this leakage may be recaptured by increasing the goods and services targeted towards these two population groups.*
- *There appears to be an opportunity to attract 25,000 - 35,000 sq. ft. of new retail, much of which will materialize as smaller scale "storefront" retail that draws upon residents, employees and residents of nearby towns like Newmarket and Lee.*

4.1 Existing Inventory

Durham's retail offerings are heavily concentrated within a one mile stretch of Main Street, in the geographic center of the Town. There are three primary retail clusters; (1) Downtown, along Main Street and Madbury/Petee Brook Road; (2) Mill Road Plaza; adjacent to Downtown on Mill Road; and (3) the intersection of Dover Road and Main Street, a quarter mile east of the Downtown District.

There are 58 businesses in the Downtown area, including Main Street and Mill Plaza. This total is evenly split between 31 retail establishments and 28 service-based establishments, like medical, insurance, realty and bank offices. As Figure 4.1 illustrates, the most common business is food & dining - befitting a College Town. When focusing on retail-only establishments, the percentage of food & dining jumps from 32% to 58% (18 out of 31 businesses).

Figure 4.1: Downtown Retail & Services Mix



Source: DCI Analysis

Figure 4.2: Income by Geography

Community	Median Household Income	Median Family Income	Median Non Family Income
Durham	\$64,318	\$114,757	\$12,316
Dover	\$58,756	\$70,542	\$32,785
Rochester	\$50,382	\$60,097	\$32,188
Portsmouth	\$62,395	\$80,820	\$47,523
Strafford County	\$58,363	\$70,452	\$32,785
New Hampshire	\$63,033	\$75,552	\$35,895

Source: American Community Survey 2005-2009

4.2 Retail Indicators

Four indicators are generally used to determine geographic retail viability - Income, Traffic Counts, Population Density, and Competition. How these four factors inter-relate has the most direct impact on whether there are retail business opportunities for a particular geography or site.

Income

The median household income (MHI) for the Town of Durham is estimated to be \$64,318, with a mean household income of \$93,815. This is roughly equal with the median household income for the State of Hampshire. However, these numbers do not necessarily reflect the typical resident household income for Durham. With such a high percentage of students, the median and mean numbers are skewed towards the low end. By separating “family” income from “non family” income, one can gain a better estimate of resident income. The median family income (MFI) for 2005-2009 is \$114,757, with a mean family income of \$144,809. The nonfamily household income is only \$12,316, only one-third that of New Hampshire, demonstrating a clear influence by student households with little to no income.

Although the Town’s MHI is similar to that of the State of New Hampshire (\$66,033), it is 10% higher than that of Strafford County. However, by again using median family income as a proxy, we see how much more the average non-student makes in Durham vs. other areas. Durham’s MFI is 52% higher than that of New Hampshire, and 62% higher than Strafford County.

The disposable income of Durham residents is estimated to be approximately \$47,453, or 73% of the median household income. Using the same percentage break-out, we can estimate that the disposable income of Durham resident households is approximately \$84,000. Subtracting a typical housing payment on an owner-occupied home, this would yield about \$61,000 for discretionary spending for resident households in Durham.

Population Density

Simply put, the more people that live within a concentrated area, the more likely retail will locate within that area. Population density has a major impact on the type of retail that serves different geographies. Lower density tends to support more auto oriented retail, while higher densities support smaller, more compact retail centers.

The Town of Durham's population density ranges from 600 to 650 people per square mile. This is essentially a low suburban / rural density. The Durham CDP, however, has a population density of 3,200 people per square mile. This is a relatively high level of density for a community of Durham's size. The City of Portsmouth, for example, has a population density of only 1,330 per square mile, though the core of the City has higher levels of density.

The density of Durham's CDP helps the support of Downtown Durham, as there is a concentration of people within easy access of retail located there. The residential density within easy walking distance (1/2 a mile) is about 2,500 per square mile, which, while not significant, is nevertheless strong for a community like Durham.

Traffic Counts

Traffic movement through the center of Durham is strong. While it isn't sufficient to support a major shopping center, it is robust enough to serve as an asset to existing and future retail businesses. Downtown is particularly strong in regards to traffic, with as many as 25,000 cars circulating around Main and Pettee Brook Lane. Many Downtown retail environments in smaller communities struggle because of a lack of traffic counts - but Durham is not one of them.

Competitive Centers

There are a number of competitive retail centers close to Durham. There are several small to medium sized neighborhood and community serving shopping centers in Dover, and further north in Rochester, but nothing is as convenient and large as the Fox Run Mall in Newington, approximately 8 miles to the east of Durham on Route 4/16.

Fox Run is a regional shopping mall with over 600,000 square feet of retail space. Adjacent to Fox Run is the Newington Mall Shopping Center, which has approximately 400,000 square feet of retail space. Together, these malls form a super regional shopping center designed to serve a trade area of approximately 25 miles, an area that encompasses Rochester, NH to the northwest, Kennebunk, ME to the north, and Newburyport, MA to the south.

A more local area for retail competition – at least in the area of food & dining – is the University itself. UNH has four dining halls (Philbrook, Union Court, Holloway and Stillings) and six cafes or convenience centers (Philbrook Café, Panache, Wildcatessen, Gables Café Store, Albert's and Zeke's Café). This is on par for modern dining service for a University the size of UNH, but it undoubtedly has an impact on private retail and dining options in Downtown Durham.

4.3 Retail Demand

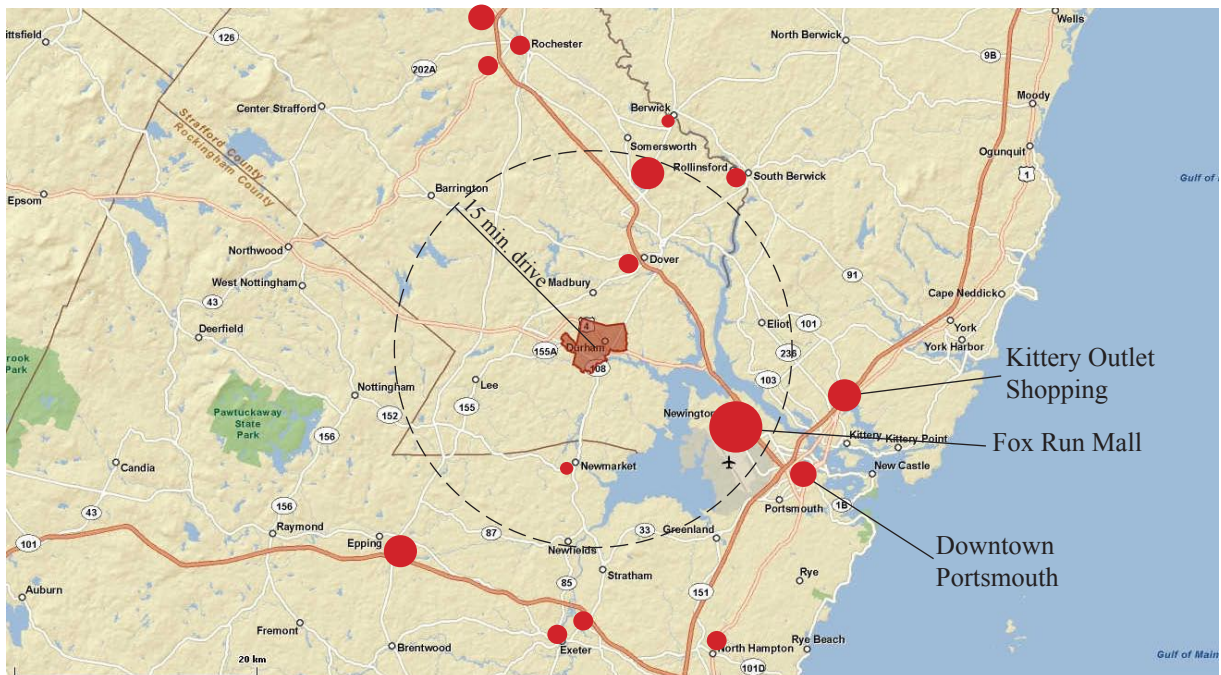
It is estimated that the residents of Durham (students plus resident households) have an annual "demand" of \$84 million in retail goods and services, not including automobile and non-store categories. ESRI Business Analyst estimates that the current "supply" of retail in Durham (i.e. the sales numbers of existing businesses) is \$61 million. This indicates that, on the whole, at least \$23.5 million in retail demand is "leaking" to areas outside of Durham.

Figure 4.3: Downtown Durham Traffic Counts



Source: ESRI Business Analyst

Figure 4.4: Competitive Retail Centers



Source: DCI Analysis

Figure 4.5: Retail Gap Analysis (Non Automotive Related) - Town of Durham, NH

NAICS	Industry Group	Demand	Supply	Gap
4421	Furniture Stores	\$1,907,361	\$0	\$1,907,361
4422	Home Furnishings Stores	\$1,868,134	\$0	\$1,868,134
4431	Electronics & Appliance Stores	\$3,198,270	\$0	\$3,198,270
4441	Building Material and Supplies Dealers	\$3,874,930	\$3,145,469	\$729,461
4442	Lawn and Garden Equipment & Supplies	\$366,255	\$0	\$366,225
4451	Grocery & Convenience Stores	\$20,350,691	\$31,329,627	-\$9,175,642
4452	Speciality Food Stores	\$628,392	\$464,886	\$163,506
4453	Beer, Wine, and Liquor Stores	\$1,198,518	\$0	\$1,198,518
4461	Health & Personal Care Stores	\$3,919,856	\$1,259,878	\$2,659,978
4481	Clothing Stores	\$3,800,493	\$1,262,375	\$2,538,118
4482	Shoe Stores	\$565,455	\$0	\$565,455
4483	Jewelry, Luggage and Leather Goods	\$633,575	\$0	\$633,575
4511	Sporting Goods	\$838,896	\$84,111	\$754,785
4512	Book and Music Stores	\$1,001,574	\$1,995,000	-\$993,426
4521	Department Stores (excluding leased depts.)	\$5,905,484	\$467,053	\$5,438,431
4529	Other General Merchandise	\$12,036,752	\$0	\$12,036,752
4531	Florists	\$148,758	\$112,676	\$36,082
4532	Office Supplies, Stationary and Gifts	\$813,467	\$733,865	\$79,602
4533	Used Merchandise Stores	\$117,182	\$104,207	\$12,975
4539	Other Misc. Store Retailers	\$1,474,722	\$390,632	\$1,084,090
7221	Full-Service Restaurants***	\$19,847,654	\$16,977,821	\$2,869,833
7222	Limited-Service Eating Places***	\$5,758,626	\$4,598,377	\$1,160,249
7223	Special Food Services	\$828,338	\$779,863	\$48,475
7224	Drinking Places	\$894,689	\$0	\$894,689
	TOTAL RETAIL TRADE	\$84,501,491	\$60,952,676	\$23,548,815

Source: ESRI Business Analyst 2010 Retail Marketplace Profile

* represents combination of convenience stores and the one grocery in town - lack of sample size due to existing grocer may impact accuracy

** sample size of one retailer; which may impact accuracy

*** does not include on-campus dining options

Resident demand, however, does not reflect all retail demand in the community. Employees also account for retail demand, at least within weekday time periods. There is not sufficient data to know how many people who live in Durham also work in Durham (thus presumably having the best opportunity to spend disposable income in Durham) but we may be able to create an estimate using data from the University of New Hampshire. According to the Office of Institutional Research, there are 3,669 UNH employees who work on the central campus in Durham. Parking data shows that (14%) of these employees live in the Town.

According to a survey conducted in 1989 by the International Council of Shopping Centers (ICSC), the typical office worker spends \$1,900 a year on lunches, day time and after-work shopping, and dinners and drinks. Adjusting for inflation from the year this study was collected, this number in 2010 would be \$3,350. This means that the 3,155 University employees who do not live in Durham would have a potential retail demand of \$10,570,000.

The remaining employees in Durham are varied, but many do not work in an environment similar to that of a typical office worker (i.e. manufacturing or retail services) and thus don't necessarily share the same spending patterns as office workers. If we take the remaining 3,277 employees and halve the amount they are likely to spend, when compared to office employees, we arrive at a better estimate of their spending potential based on an adjustment of how many of those employees live within the community, and the schedule of their job. Based on these assumptions, the demand from the remaining Town employees is estimated to be \$5,500,000.

Figure 4.6: Retail Gap Analysis (Non Automotive Related) - Town of Durham

NAICS	Industry Group	Leakage	Capture Rate	Captured \$	Sq. Ft.
4421	Furniture Stores	\$1,907,361	25%	\$476,840	1,907
4422	Home Furnishings Stores	\$1,868,134	25%	\$467,034	1,334
4431	Electronics & Appliance Stores	\$3,198,270	25%	\$799,568	2,284
4442	Lawn and Garden Equipment & Supplies	\$366,225	10%	\$36,623	92
4461	Health & Personal Care Stores	\$2,659,978	50%	\$1,329,989	4,433
4481	Clothing Stores	\$2,538,118	25%	\$634,530	3,173
4482	Shoe Stores	\$565,455	25%	\$141,364	707
4483	Jewelry, Luggage and Leather Goods	\$633,575	25%	\$158,394	792
4511	Sporting Goods	\$754,785	25%	\$188,696	539
4521	Department Stores (excluding leased depts.)	\$5,438,431	10%	\$543,843	1,554
4529	Other General Merchandise	\$12,036,752	10%	\$1,203,675	3,439
4539	Other Misc. Store Retailers	\$1,932,749	20%	\$386,550	1,288
7221	Full-Service Restaurants	\$2,869,833	50%	1,434,917	7,175
7222	Limited-Service Eating Places	\$838,896	50%	\$419,448	2,097
7224	Drinking Places	\$1,001,574	50%	\$500,787	3,339
	RETAIL GOODS	\$33,899,833		\$6,367,104	21,543
	FOOD & DINING	\$4,710,303		\$2,355,152	12,610
	Employee Demand				
	Retail Goods	\$3,213,850	25%	\$803,000	3,200
	Food & Dining	\$4,820,775	25%	\$1,205,200	4,800
	TOTAL RETAIL GOODS (POTENTIAL CAPTURE)				24,743
	TOTAL FOOD & DINING (POTENTIAL CAPTURE)				17,410

Source: ESRI Business Analyst

4.4 Retail Growth Opportunities

By adjusting the retail gap analysis to accommodate both residents and employees in Durham, a total gap figure of \$46,600,000 is calculated - \$37.1 million in retail trade, and \$9.5 million in food and drink (see Figure 4.6). Roughly, this retail leakage equates to 58,000 square feet of retail, and 31,000 square feet of restaurants and dining. However, these numbers do not necessarily represent the retail growth potential for the community. Existing retail centers in Dover and Newington / Portsmouth attract a large portion of this leakage. It is unreasonable to assume that Durham will be able to capture back 100% of the dollars leaving the community, in part due to the Town's inability to accommodate the type and number of retailers needed to recapture the leakage.

However, this does show evidence that there is potential for the local Durham retail market to grow. Capturing just 10% of the dollars that are leaking from the community would translate to 2-3 new retail businesses and 1-2 new restaurants. It should be noted, however, that these numbers do not necessarily account for Durham's potential "trade area", which includes parts of Newmarket, Lee and Madbury. Figure 4.7 shows the additional retail supply and demand of these communities when integrated with Durham. In total, there is almost \$86.5 million in retail trade leakage, and \$32.7 million in food & drink leakage. It should be noted that this only represents the regional *potential* for additional retail supply. This supply could be met anywhere within easy transportation access, from Portsmouth and Newington to Dover, Lee or Newmarket.

Figure 4.7: Adjusted Retail Gap - Residents and Employees in Durham Trade Area

	Demand	Supply	Gap
RETAIL TRADE			
Durham Resident Demand	\$64,648,665	\$66,783,042	\$86,569,967
Durham Employee Demand	\$6,427,700		
Lee/Madbury/Newmarket Resident Demand	\$82,276,644		
TOTAL	\$173,205,835		
FOOD & DRINK			
Resident Demand	\$27,329,307	\$30,465,431	\$32,760,916
Employee Demand	\$9,641,550		
Lee/Madbury/Newmarket Resident Demand	\$26,255,490		
TOTAL	\$51,766,602		

Source: ESRI Business Analyst & DCI Analysis

Figure 4.8: Breakdown of Estimated Retail Demand

	Demand	
RETAIL TRADE		
Durham - Non Dormitory (Residents and Off Campus Students)	\$68,595,265	68.2%
UNH Dormitory Population*	\$15,894,411	15.8%
Employee Demand	\$16,069,250	15.9%
TOTAL ESTIMATED RETAIL DEMAND	\$100,558,926	

Source: ESRI Business Analyst & DCI Analysis

* estimated through ESRI and InfoUSA data on spending and income patterns of residents in neighborhoods predominantly occupied by undergraduate students.

4.5 Downtown Durham

A large percentage of the businesses in Downtown Durham are oriented towards the student market, as evidenced by the large number of limited service restaurants, student services and college themed clothing / accessory stores. However, as the numbers in Figures 4.8, the majority of retail demand comes from residents and employees, either within Durham or just outside the City. While it is true and the majority of retail demand will be met in regional competitive centers, like Fox Run Mall, it is reasonable to assume that there is latent demand for retail goods more oriented towards residents and employees.

Downtown Durham is a likely place for retail growth because of its existing concentration of businesses and good access to local and semi-regional markets. A problem with the Downtown area, however, is that it is largely landlocked. Given the community's expressed desire to see a higher level of vitality and activity in the Downtown area, the retail growth opportunity identified previously section could represent a prime opportunity to grow Downtown's retail base given the ability to capture available market demand re-configure land and / or re-orient existing businesses to capture retail dollars from existing residents.

A shift from a primarily student oriented Downtown to a more mixed retail environment that appeals to both student and resident populations may take a little time, but there are other examples of university communities that have done this. It should be understood that an "organic" shift to more of a resident customer base will be entirely based on local businesses and property owners unless the Town or other elements begin to actively recruit retailers as an economic development strategy.

Our research found three examples of university communities located in the Northeast to consider as Downtown retail mix examples. We used the following criteria: (1) Communities of similar size; (2) Located near regionally serving retail; (3) Had public universities located adjacent to the Downtown area; and (4) Had retail environments that offered a balance between student oriented businesses and those that cater to or at least draw in residents.

- **New Paltz, New York** - home to the State University of New York at New Paltz (SUNY New Paltz), this community of 13,000 is located on the northern fringe of the New York City metro area, in Ulster County. It is approximately 10 miles west of Poughkeepsie, across the Hudson.
- **Geneseo, New York** - home to the State University of New York at Geneseo (SUNY Geneseo). Geneseo is 25 miles south of the Rochester Metro Area, and is home to approximately 9,600 people.
- **Newark, Delaware** - home to the University of Delaware. Newark is home to 30,000 people, and located in the heart of the Wilmington-Newark metro area, which is adjacent to the Philadelphia metro area.

In addition to these three examples, four more communities were good examples of Downtown environments with good retail mixes, but which were located in more remote areas, meaning that they were their own regionally serving retail centers. This is an important distinction, as examples for Downtown retail strategies in Durham may exist in these locations, but one must consider that they have no real retail competition from other communities, like Durham has in Fox Run Mall and Dover / Rochester.

- **Plymouth, New Hampshire**
(Plymouth State University)
- **Farmington, Maine**
(University of Maine – Farmington)
- **Oneonta, New York**
(SUNY Oneonta, Hartwick College)
- **Keene, New Hampshire**
(Keene State University)

4.6 Conclusions

Based on existing conditions, Durham is reasonably well served from a “macro” retail perspective. Retail impact from the high concentration of students is mitigated by low disposable incomes and on-campus dining options. Impact from resident households, who have higher incomes is mitigated by the proximity and accessibility of regionally serving retail and a low population density. Impact from employees is constrained by a combination of these factors.

Opportunities for retail expansion exist, but must be thought of on a small, incremental scale. It may be appropriate to replace the terms “growth” or “expansion” with “enhancement”, since these opportunities revolve primarily around the ability to add a small (25,000 - 35,000 sf) amounts of retail, but that is retail that could be of higher quality than exists rather than a corresponding amount of new retail businesses. Demand from employees and residents who live within Durham’s local trade area are the best markets from which to leverage these “enhancements”, but additional research will be required to understand patterns and perceptions of residents within both Durham and surrounding areas. If Downtown Durham is perceived to be too much of a hassle, or generally underserved with retail desirable to these markets, it will be difficult to alter perception without a targeted retail recruitment, retention and enhancement strategy.



SECTION 5: HOSPITALITY MARKET

SUMMARY

- *Currently there are two hotels in Durham with a total of 91 rooms.*
- *The number of hotels located in communities surrounding Durham is evidence that there is a sufficient market to support additional hotel space.*
- *There is currently a high supply of conference / meeting space in Durham. However, with the New England Center vacating 12,000 square feet of space it is plausible additional space could be absorbed in the market.*

5.1 Existing Hotel Supply

Durham currently has two active hotel businesses. The largest is a *Holiday Inn Express* located on Main Street. It has an inventory of 68 rooms and was constructed in 2005. Originally started as the independent Hotel New Hampshire, it was bought and re-branded as a Holiday Inn Express in 2006. The other is the *Three Chimneys Inn*, a restored mansion with 23 rooms. Durham had a third hotel at the New England Center, a conference center run by the University of New Hampshire that was shut down in 2010. This hotel, which is currently used for student housing, had 115 rooms. As of late 2010, there were 20 hotels and 2,253 hotel rooms within a 15 minute driving distance of Durham. Rochester has two hotels totaling 108 rooms, Dover has five hotels totaling 398 rooms, and Portsmouth has 13 hotels with 1,606 rooms.

5.2 Growth Potential

Due to its relative isolation off of regional transportation routes, there are only two markets that are likely to provide enough demand for additional hotel product. Both are related to UNH, which is by far the most important destination within the community. Markets could include visitors to the campus, including parents of students or those on business or meetings, receptions, and conferences related to the University.

The number of hotel rooms available in nearby communities broadly indicates that there is sufficient demand to accommodate any of these markets. However, in using data made available for this Report from the New England Center (NEC), it is

possible to conduct a more thorough assessment of the feasibility of a new hotel product.

First, it should be noted that the New England Center and its affiliated hotel were closed in June of 2010. According to an article from WMUR New Hampshire and the University of New Hampshire the conference facility was closed after losing half its revenue over the past two years due to the recession as well as additional competition along the coast.

In 2008, the only year data was available, the New England Center booked 20,781 room nights. Total annual room night capacity for the hotel is estimated to be 39,876 (adjusted by 5% for various factors), so total occupancy during that year was approximately 52%. Out of these room nights, 70% were booked for groups that used the conference center facilities. This means that a very small amount of rooms were taken up by individual “transient” hotel users, like business travelers, tourists or visitors. Using 2008 as a guide, transient hotel users never amounted to more than 48% of all hotel users in any given month– and this was during the outlier month of December. Average daily occupancy for transient users throughout the year was 17.

As indicated by the University, 2008 was one of the down years of the New England Center that eventually led to its closure, so this data could be considered on the low side in terms of evaluating past occupancy trends of the NEC Hotel. However,

Figure 5.1: Hotel Inventory

Hotel Name	Number of Rooms	Location
Comfort Inn and Suites	96	Dover, NH
Days Inn	69	Dover, NH
Hampton Inn Dover	93	Dover, NH
Homewood Suites	88	Dover, NH
Microtel Inn and Suites	57	Dover, NH
Holiday Inn Express	68	Durham, NH
The Hotel New Hampshire	68	Durham, NH
Wentworth by the Sea	161	New Castle, NH
Anchorage Inn	92	Portsmouth, NH
Best Western Wynwood	169	Portsmouth, NH
Courtyard by Marriott	129	Portsmouth, NH
Fairfield Inn	105	Portsmouth, NH
Hampton Inn Portsmouth	126	Portsmouth, NH
Hilton Garden Inn Portsmouth	131	Portsmouth, NH
Holiday Inn	130	Portsmouth, NH
Homewood Suites	108	Portsmouth, NH
Motel 6	108	Portsmouth, NH
Residence Inn Portsmouth	90	Portsmouth, NH
Sheraton	200+	Portsmouth, NH
The Port Inn	57	Portsmouth, NH
Anchorage Inn	31	Rochester, NH
Holiday Inn Express Suites	77	Rochester, NH
Total	2,253	

Source: Multiple Internet Sources

Figure 5.2: Hotel Occupancy

	Total Rooms	Group Rooms	Transient Rooms	Avg. Daily Occupancy for Transient
January	1,036	682	354	11
February	1,943	1,499	444	15
March	1,961	1,383	578	19
April	2,045	1,568	477	16
May	1,652	1,147	505	16
June	2,225	1,760	465	15
July	1,551	1,105	446	14
August	2,163	1,410	753	24
September	1,917	1,383	534	18
October	2,399	1,551	848	27
November	1,063	792	271	9
December	836	432	404	14

Source: University of New Hampshire

Figure 5.3: New England Center Top Customers

	Total Revenue	Room	Food and Beverage	Conference Services	Room Nights
All Customers	\$2,568,617	\$1,326,316	\$934,793	\$307,507	14,577
Total UNH Affiliated Customers					
UNH-WSBE	\$346,587	\$156,881	\$143,196	\$46,510	1,812
University Conference Office	\$42,193	\$36,974	\$4,110	\$1,109	310
UNH - Institute for Study of EOS	\$34,348	\$34,348	\$0	\$0	277
UNH - Natural Resources	\$56,539	\$23,342	\$24,833	\$8,364	240
UNH - Alumni Association	\$35,050	\$15,812	\$18,663	\$575	118
UNH - Graduate School	\$11,021	\$2,407	\$4,753	\$3,861	23
UNH - Athletic Department	\$5,214	\$5,214	\$0	\$0	51
UNH - Office of Sustainability	\$2,628	\$2,628	\$0	\$0	22
UNH Foundation	\$1,938	\$1,938	\$0	\$0	17
TOTAL	\$535,518	\$279,544	\$195,555	60419	2870
% of ALL CUSTOMERS	20.9%	21.1%	20.9%	19.7%	19.7%

Source: University of New Hampshire

according to 2005 data, this does not appear to be the case. In that year, “Group” users (those attending conferences, meeting or receptions at the NEC) used 14,577 rooms. In 2008 Groups occupied 14,712 rooms - not a significant difference.

Given the occupancy rates of non-group hotel users at the NEC, there appears to be a general demand for hotel rooms. The data from NEC was taken during years when the Holiday Inn Express was in operation. Data regarding the occupancy rate of this hotel was unavailable, but assuming that its occupancy is sufficient to operate profitably, we see that in 2008 the “spill-

over” of non-group hotel users from the Holiday Inn amounted to only 17 daily users. The average hotel size in the region is 102 rooms - meaning that a fictional hotel reliant solely upon this market would yield only a 17% occupancy rate on a daily basis (hotels typically need 50-60% occupancy to be profitable).

5.3 Meeting / Reception Space

The New England Center had 12,000 square feet of adaptable meeting space, with the ability to accommodate conferences up to 250 people. The NEC was the only facility in New Hampshire recognized by the International Association of Conference Centers for its commitment to quality and personal service. The University of New Hampshire has two facilities capable of handling conferences and meetings / events. Holloway Commons can accommodate 300 people in its Common Room and 200 people in Huddleston Hall. The Leavitt Center can accommodate up to 384 people in 12 different rooms. Additional meeting / event capacity in Durham includes the Flag Hill Winery and Distillery, with an indoor capacity of 70, the Three Chimneys Inn, with a capacity of 109, and Young’s Restaurant and Coffee Shop, with a capacity of 80.

Despite a relatively high capacity for meeting / event space (total capacity of 1,343), none of these venues quite replaces the format and flexibility of the New England Center Conference space. However, there are no less than four regional facilities that offer major conference meeting space. When these facilities are combined, they represent a total capacity of 3,137.

A new meeting / conference center would most likely rely upon the University, and this is not necessarily a good thing. In the 2005 fiscal year, the New England Center received total revenue of \$2,568,617. Of this, \$1,326,316 (52%) was in room rental revenue, \$934,793 (32%) was from food & beverage, and \$307,507 (12%) was for conference services. According to the same data, there were 61 group users of the New England Center in 2005. UNH organizations accounted for 9 of those users, and 20% of all revenue and group room users at the conference center and hotel. Assuming that the percentage of transient visitors were the same in 2005 as in 2008 (data was not available for 2005) and that 80% of those users were there because of the University, this means that – at best – the University was responsible for 37% of all room usage at the New England Center.

5.4 Conclusions

Assuming that we can use 2005 as a proxy for typical annual trends at the New England Center, it is clear that a conference center in Durham would have to rely significantly on group users from outside of the community. Recruiting new outside users is likely to be difficult for several different reasons:

- There is a strong inventory of large conference center facilities within 15 minutes of Durham;
- There is no facility to efficiently replace meeting / conference capacity in Durham, therefore users of this space will go to other facilities once the recession returns;
- The University may become used to using its own space in Holloway Commons and the Leavitt Center, further reducing potential user groups.

Based on these criteria, the opportunity to add an additional hotel product is limited unless there is a concerted and consistent effort to connect specific user groups to room nights. Even then, the depth of the market and regional competitiveness appear to be a major barrier.



SECTION 6: OFFICE / INDUSTRIAL MARKETS

SUMMARY

- *Education & Health Services has seen expansion in Strafford County, but Durham has captured very little of that growth.*
- *The Rochester market, which includes Durham, has the lowest vacancy rates in the State for both office and industrial facilities.*
- *The lack of available office space makes it difficult to gauge demand for this type of space in Durham. Demand may exist, particularly from University commercialization efforts, but without an inventory of available space, trends in the office or industrial market are difficult to predict.*
- *Existing vacant office space is currently the only option for growth opportunities for new businesses in Durham.*
- *One major reason for Durham's lack of available space, is the lack of development ready land.*

6.1 Opportunities Based on Regional Trends

Section 2 showed that while Strafford County has seen somewhat limited job growth over the past decade, it has seen impressive growth in a couple of areas - Education & Health Services and Financial Activities.

Education & Health Services

Growth in the Education & Health Services was well distributed in Strafford County with 1/3 of new jobs coming from the Educational Services, Ambulatory Health Care Facilities, and Nursing & Residential Care Facilities sectors, while the remaining 2/3 was in non-disclosable employment sectors. Much of this growth was likely in the relatively fast growing hospitals sub-sector, which BLS does not disclose if a county has fewer than 3 (Strafford County has only 2).

Durham has not participated in this growth. Subtracting the numbers available for UNH employment (3,669) from Strafford County's total of 10,399, leaves approximately 6,730 non-UNH jobs in the Education & Health Services sector. According to ESRI estimates, 90% of the jobs in this sector are in Rochester and Dover, with only 3% in Durham. Subtracting private

Educational Services jobs reveals 6,300 health care jobs in Strafford County. Again, Rochester and Dover dominate this category, with 68% of the total market. Durham's share is 3.5%. With the area's two hospitals (Frisbee Memorial and Wentworth-Douglass) being located in Rochester and Dover, respectively, it should be expected that most of the employment growth in health care will take place around these medical centers, particularly hospital and ambulatory health care center employment, although it should be noted that national trends in this sector are beginning to distribute smaller health centers to communities outside the urban cores.

Durham may thus be able to seize some opportunities for health care related growth, but will likely do so in a more incremental fashion. Durham's 219 jobs in health care are most likely doctor's offices and other service businesses there to serve UNH, Durham and its environs. Durham's role as a center for a small trade area of population, including Newmarket and Lee, means that it could be positioned to capture additional health services jobs given continued population growth and the general expansion of the health care industry due to need. For example, the health care sub-sector grew by 1,333 jobs from 2001-2009. If the period between 2010-2020 sees the same rate of growth, and assuming a continual job share of 3.5%, Durham could see a growth of 51 health care jobs in that time period. Though small, it nevertheless represents growth in the face of other declining sectors, like manufacturing. Another potential area of growth is in residential care facilities, which grew by 172 jobs in the last decade. With the general growth in demand for these facilities (3,047 jobs were added to this sector in New Hampshire alone), it is feasible that additional facilities may be built in Durham in the future. These facilities may not be traditional nursing homes; most of the growth in this industry has been in assisted living centers which provide a less intensive level of care than nursing homes.

Professional & Business Services

Durham has a small percentage of the county's Professional & Business Services employment but forecasts in this sector suggests near term demand for office space throughout the State, as well as for Strafford County. Durham may be able to take advantage of some of these growth opportunities, but the competitive environment will be challenging at least in the near term when the recession has left an abundance of vacant office space in most urban centers (as discussed in Section 6.2).

As a base line, Durham's share of growth can be estimated using a step-down method from State data. New Hampshire is forecasted to see 10.5% growth in the PB&S sector between 2010 and 2013. This equates to a growth of approximately 6,586 jobs, or 2,195 annually. Strafford County's share of this growth (5.6% of the State total in 2009) would be 368 jobs. Durham's share of this total is 15 jobs. A definite strategy to provide office space could attract a higher number of jobs, particularly once the effects of the recession wear off.

6.2 Office / Industrial Trends

One of the largest hurdles to growth in Financial Activities, let alone Health Care and other sectors like Professional & Business Services, is the lack of office space located in Durham. Data was not available on the amount of office or industrial space within Durham, but an observational inventory included very little that was not directly connected to the University. Therefore, even if growth opportunities were available to Durham, the community has virtually no space to offer new of existing businesses unless there is a vacancy in existing space.

There are several reasons why these conditions exist. First, the core area of Town is located off of major regional transportation routes, and the routes it does have access to such as Route 4, have only half to one-third of the traffic counts of nearby routes, such as Route 16 between Dover and Newington, or Route 4/16 in Newington.

Exacerbating these conditions is that the general office market does not appear to prefer Strafford County in general. According to 3rd Quarter 2010 office market indicators, the Rochester office market (a proxy for Strafford County) is the weakest in the State of New Hampshire. Though it's 5.6% share represents a small percentage of the State's office market, the Rochester submarket nevertheless had the State's highest vacancy rate of 25.7% and the lowest asking rents for Class A space (see Figure 6.1). Rochester had a negative absorption of 89,000 square feet with 11% of the total market becoming vacant in just 3 quarters. These numbers are even worse when contrasted with the adjacent Portsmouth submarket, which has a vacancy rate almost half that of Rochester, and carries Class A rents of more than \$5 per square foot.

The Rochester submarket fares a little better in Industrial facility trends - though its vacancy rate is above the State average, with asking rents about \$1 / sq. ft. below. However, up to the third quarter it has seen positive absorption of space.

The second major reason for little existing space is that there is very little development ready land in Durham. There are

Figure 6.1: Office Market Trends - 3Q 2010

	Total SF	Vacant SF	Vacant %	Net Absorption (YTD)	Rent - Class A	Rent - Class B
Concord	1,368,432	215,199	15.7%	(27,951)	\$22.59	\$13.47
Manchester	6,089,542	971,383	16.0%	(26,456)	\$19.89	\$13.99
Nashua	3,094,801	721,352	23.3%	133,966	\$16.82	\$12.33
Portsmouth	2,333,626	314,841	13.5%	(28,173)	\$20.12	\$14.16
Rochester	806,167	207,460	25.7%	(89,016)	\$15.50	\$14.42
Salem	576,209	91,234	15.8%	85,833	\$22.81	\$16.54
TOTAL	14,268,777	2,521,469	17.7%	48,203	\$19.62	\$14.15

Source: Grubb & Ellis Northern New England

Figure 6.2: Industrial Market Trends - 3Q 2010

	Total SF	Vacant SF	Vacant %	Net Absorption (YTD)	Rent - WH/Dist.	Rent - R&D/Flex
Concord	3,989,931	378,592	9.5%	139,181	-	\$8.66
Manchester	13,373,116	934,347	7.0%	306,742	\$5.67	\$6.88
Nashua	19,471,639	2,708,121	13.9%	(402,092)	\$5.41	\$8.73
Portsmouth	7,586,101	1,326,550	17.5%	60,081	\$5.46	\$10.69
Rochester	5,996,984	871,624	14.6%	(24,483)	-	\$6.80
Salem	5,073,018	1,108,212	21.8%	(131,494)	\$6.33	\$6.10
TOTAL	55,460,689	7,327,446	13.2%	(52,065)	\$5.71	\$7.97

Source: Grubb & Ellis Northern New England

several pockets of undeveloped land that could be utilized for office and/or industrial development (note: “industrial” refers to warehousing, transportation and other types of businesses in addition to traditional industrial employers like manufacturing plants). They currently lack utilities and other components that would make them development ready, and therefore the market does not consider them a factor.

6.3 Conclusions

Ultimately, this lack of office or industrial space makes an analysis of Durham’s capacity to add employment difficult. While available indicators do not reflect a typical environment for growth, without an existing supply of space, it would be inappropriate to declare Durham a poor environment for either market. This is a classic “chicken or the egg” situation: is the lack of employment in key office and industrial sectors due to Durham’s market, or a lack of space within the market? It is a challenging question to answer. Given available data, it appears that Durham is not an ideal market, but neither is it poor enough to anticipate little to no interest from the private sector.

The final solution is likely to lie in the opportunity to provide space for businesses. This relies upon available land, and the willingness of a developer to recruit businesses to the site. Both are challenges in the current economic climate. Rochester and Portsmouth combine to offer 520,000 square feet of available office space and nearly 2 million square feet of available industrial space.

With a long term strategy for using existing downtown space plus adding some space on what land may be available, Durham could become a desirable location for office space growth at a modest but still meaningful scale. Without such a strategy and effective implementation, Durham will likely see very little in the way of service and office space growth except connected to the University. Economic development related to the University of New Hampshire is addressed in a separate section, on the following page.



SECTION 7: UNIVERSITY COMMERCIALIZATION OPPORTUNITIES

SUMMARY

- *Trends in University commercialization, UNH's status as a Research I University, and recent initiatives by the University indicate that there is an opportunity to capitalize on a research park concept with multiple stages of private sector activity.*
- *UNH's Research & Commercialization and InterOperability Laboratory are poised for upcoming growth.*
- *Durham has a limited amount of development ready land, but there may be enough raw land to create a small scale (50-100 acre) University Research Park given proper land preparation and zoning.*
- *The IdeaGreenhouse and Innovation Commercialization Center (ICC) will likely be crucial first stage components of a University commercialization strategy.*
- *University R&D led development efforts surrounding UNH are too nascent to be able to predict specific real estate impacts and growth. Opportunities exist, but local efforts will need to be proactive in order to capitalize on future commercialization growth and expansion should it happen, as well as prevent a significant percentage of that growth from moving to other communities.*

7.1 University R&D Led Development

A long term opportunity for future job growth is probably linked to its largest employer, the University of New Hampshire. Given that UNH is a Tier 1 Research University, there are a number of opportunities tied to technology transfer and University based commercialization. Technology transfer is the process of sharing skills, knowledge, and methods of production / manufacturing between governments, institutions, and private businesses to ensure that scientific and technological developments are accessible to a wider range of users. Commercialization is the process of introducing a new product into the market. In a university context, commercialization usually involves the translation of an innovative idea arising from university-based research into a new product or service sold in the market.

University of New Hampshire Areas with Opportunity for Technology Transfer and Commercialization

Agricultural and Biological Sciences

The University has 9 separate centers and institutes dedicated to the biological sciences. Of note are the Biomolecular Interaction Technologies Center (BITC), the Center for Xenon Imaging, and The Center for Advance Molecular Interaction Sciences (CAMIS), all of whom either have specific missions to work in technology transfer and commercialization, or have had success in the past.

Computing

The InterOperability Laboratory (UNH-IOL) is an independent provider of broad-based testing and standards. The Lab works closely with technology companies like Dell, Cisco Systems, Intel, and others, acting as a neutral proving ground to test emerging technologies.

Environmental and Space Science Technology

The Institute for the Study of Earth, Oceans, and Space (EOS) is primarily a research center comprised of several units, including the Climate Change Research Center, Complex Systems Research Center, Ocean Process Analysis Lab, and the Space Science Center. However, it is also UNH's largest research enterprise, receiving approximately \$38 million each year in research support from NASA, NOAA, NSF, and other federal agencies. UNH is also ranked alongside Princeton, Columbia, and Stanford for the top-ranked international institutions contributing to climate change research.

The UNH Stormwater Center is dedicated to the protection of water resources through effective stormwater management. It is a leader in creating partnerships for this purpose, including the installation of the first porous asphalt road in New Hampshire. Related to this is the Contaminant Monitoring and Remediation Center, which includes the Bedrock Bioremediation Center, Coastal Response Research Center, and the Center for Spills and the Environment. Both stormwater management and environmental remediation are leading real estate development trends across the country.

Marine and Estuarine Science and Technology

The Atlantic Marine Aquaculture Center's goal is to provide the research and development necessary to stimulate an environmentally sustainable offshore aquaculture industry in New England. Along with centers in the Pacific and the Gulf of Mexico, the center forms a national consortium collaborating to identify bottlenecks to industry advancement and the free exchange of information and technology. The Cooperative Institute for Coastal and Estuarine Environmental Technology (CICEET) develops and applies tools to detect, prevent, and reverse the impacts of coastal pollution and habitat degradation on coastal ecosystems and communities.

Nanotechnology and Material Sciences

The Center for High-Rate Nanomanufacturing is dedicated to the merger of nanoscale scientific research and the creation of commercial products. It is supported by the research efforts of the Advanced Polymer Laboratory, and Polymer Research Group, and the Nanostructured Polymers Research Center.

University R&D led development has become a major focus of Research 1 Schools around the country, which are increasingly focusing on the introduction of products for financial benefit of the school, as well as broad economic benefit of the regions they serve. It is common for universities to have specific offices dedicated to technology transfer or commercialization. UNH has undertaken a major review of its research roles and commercialization potential in the last 2 years, and has taken a number of steps, including strengthening its Office of Research Partnerships and Commercialization, which is already leading significant new ventures on behalf of UNH.

UNH has at least 5 core areas that could generate tangible technology transfer and commercialization opportunities. They are discussed on page 46.

Real Estate Outcomes of University R&D Led Development

One of the most common economic development opportunities associated with university commercialization is the research park. Research parks are real estate developments located near universities that are used to house public and private research and development (R&D) facilities. Research parks have grown significantly in both the US and around the world as university-based innovation has become a larger part of regional economic development. Research parks contain a variety of private, university, and public organizations undertaking a range of activities from new firm incubation to headquarter operations for global corporations. The private sector is playing a larger and larger role in such developments because of the opportunities of shifting research and product development from internal operations to strategic alliances with the universities and other residents of research parks. There has also been a shift in the nature of research, with important scientific advances requiring interdisciplinary research teams, often across multiple institutions, being facilitated by their co-location in research parks.

An advantage of the research park environment is that they often include a complete life cycle of business opportunities, from entrepreneurial ventures to mature corporations. According to a document prepared by the Battelle Corporation, there are a number of trends emerging in university research parks:

- They are placing a greater emphasis on supporting incubation and entrepreneurship to grow future tenant base, as opposed to recruiting;
- They are more likely to target niche areas of research and development;
- They are being viewed more as an expression of commitment to economic development; and
- Directors report that the primary reason why tenants locate in a university research park is to access a skilled workforce, including students.

Key features of successful research parks include: (1) substantial space for significant future research growth; (2) planned multi-tenant facilities to house researchers and companies; (3) housing and other amenities, attractive to young faculty, postdocs and graduate students; and (4) flexible development options, some led by universities and others led by private developers. More details regarding the “typical” North American Research Park can be found on the following page.

Real Estate Opportunities

Each of these trends suggests that a research park - in some form - may be a real opportunity for UNH and Durham. The first step, however, is addressing the tangible real estate locations where such a park would be located. As discussed in Section 6, Durham has relatively few development ready areas of sufficient size to merit a large scale development, at least according

Figure 7.1: Acreage and Space Available in University Research Parks

Size Metric	Total for All Parks	Average	Median
Total Acreage	47,274	358	114
Acreage Currently Developed	21,961	179	30
Total Number of Buildings Open	1,833	16	6
Total Square Footage of Open Buildings	123.9 million	1.09 million	314,410
Estimated Percentage of Space Currently Occupied		86%	95%
Estimated Total Space Feet at Full Buildout	274.8 million	2.43 million	1.10 million

Source: Battelle Technology Partnership Practice

Figure 7.2: Profile of a Typical North American Research Park

Size Metric	Total for All Parks
Size	<ul style="list-style-type: none"> • 114 acres • 6 buildings • 314,400 sq. ft. of space, 95% occupied • 30,000 sq. ft. of incubator space
Location	<ul style="list-style-type: none"> • Suburban community with less than 500,000 population
Governance	<ul style="list-style-type: none"> • Operated by the university or university affiliated nonprofit
Tenants	<ul style="list-style-type: none"> • 72% are for-profit companies • 14% are university facilities • 5% are governmental agencies
Employment	<ul style="list-style-type: none"> • Typical park employs 750 • Major industry sectors: IT, drugs and pharmaceuticals, and scientific and engineering service providers
Services	<ul style="list-style-type: none"> • Provide a range of business and commercialization assistance services, including: <ul style="list-style-type: none"> • Help in accessing state and other public programs • Linking to or providing sources of capital • Business planning • Marketing and sales strategy advise • Technology and market assessment

Source: Battelle Technology Partnership Practice

Figure 7.3: Examples of Large-Scale University Research Parks

Park		Acres	Companies	Buildings	Jobs
Research Triangle Park (RTP)	Durham, North Carolina	7,000	170	n/a	42,000
Cummings Research Park	Huntsville, Alabama	3,843	285	175	25,000
Centennial Campus	Raleigh, North Carolina	1,334	62	n/a	7,000
Central Florida University Research Park	Orlando, Florida	1,027	116	56	9,500
Purdue University Research Park	West Lafayette, Indiana	725	162	52	3,100
Stanford University Research Park	Palo Alto, California	700	150	162	23,000

Source: Association of University Research Parks (AURP), DCI Research

Figure 7.4: Examples of Medium-Scale University Research Parks

Park		Acres	Companies	Buildings	Jobs
University Research Park	Madison, Wisconsin	351	126	37	3,000
University of Utah Research Park	Salt Lake City, Utah	320	42	37	7,531
Rensselaer Technology Park	Troy, New York	250	70	23	2,400
ISU Research Park	Ames, Iowa	230	42	n/a	800
Innovation Park - University of Florida	Gainesville, Florida	208	50	16	2,000

Source: Association of University Research Parks (AURP), DCI Research

Figure 7.5: Examples of Small-Scale University Research Parks

Park		Acres	Companies	Buildings	Jobs
South Dakota State University Innovation Campus	Brookings, South Dakota	125			
North Dakota State Research Technology Park	Fargo, North Dakota	55			
Fontaine Research Park	Charlottesville, Virginia	54	9	8	1,070

Figure 7.6: Estimated Physical Buildout of Potential Development Sites in Durham*

Park	Gross Acreage (estimated)	SF Buildout
Durham Business Park	30 acres	245,000
Office & Research Route 108 (OR108)	55 acres	450,000
Multi-Unit Dwelling / Office Research	130 acres	1,000,000
Rural Above Goss	130 acres	1,000,000
Office and Research & Light Industry (Next to Goss)	100 acres	815,000
Office and Research & Light Industry (south of 155A)	285 acres	2,300,000

Source: Town of Durham and DCI Analysis

* Includes a very general assessment of buildout conditions taking the following assumptions into play: (1) estimated amount of undeveloped land within zoning classification; (2) reduction in developable acreage due to topography and other constraints; (3) an FAR of 0.25, a typical suburban office park density. This analysis does not represent a detailed or final estimate of potential buildout for each site.

to the way many are defined and developed at other universities. Figures 7.3-7.5 show examples of university research parks from around the country. The best existing site that could be ready for development in the short-term is the Durham Business Park, with about 30 gross acres (topographical and site restrictions make the amount of developable land smaller).

However, research from the Battelle Technology Partnership Practice shows that a “typical” (aka median) sized research park is about 114 acres in size. Given the availability of several areas located throughout the community, it is feasible that there is enough room to create a small-scale research park. Figure 7.6 estimates the potential physical build-out of several of these sites. However, it must be noted that, with the exception of the Durham Business Park, these sites are virtually undeveloped, and therefore a significant amount of infrastructure will be required to turn them into development-ready sites. Two other necessary elements include potential re-zoning, as some of these areas are not currently zoned for appropriate uses, and property ownership. This is an important consideration in the early stages of planning for a potential university research park. Other adjacent communities have available space, and currently there is little that keeps the University or University based enterprises from locating in locations outside of Durham. A major competitor to the ability to build a self-contained research park in Durham is the Pease International Tradeport, a 3,000 acre foreign trade zone located just 10 minutes from the UNH campus. The Tradeport currently (January 2011) offers 220,000 sq. ft. of space for lease in individual properties, plus another ~400,000 sq. ft. of space in partially occupied buildings. This does not include over 80 acres of land for development.

Incubator / Accelerator Components

There are a number of different ways in which to think about how to create the essential components of a research park. Research parks are real estate development by definition, but they are defined more by what happens there than by any particular spatial configuration. University-private partnerships characterize virtually all research park environments, but there are a number of different models, including ones led by the private sector, as well as smaller-scale parks that focus on a particular stage of commercialization and business growth.

An example is the incubator / accelerator model. Business incubators assist with the successful development of entrepreneurial companies through numerous business support resources and services. Successful completion of a business incubator program increases the likelihood that a start-up company will stay in business for the long term. Roughly, 87%

of incubator graduates stay in business. Accelerators work in tandem with incubators, providing special environments for accelerating particular types of businesses beyond the start-up phase to the 2nd or even 3rd stage of growth. Some graduates of incubators may move on to locations in an accelerator, if necessary.

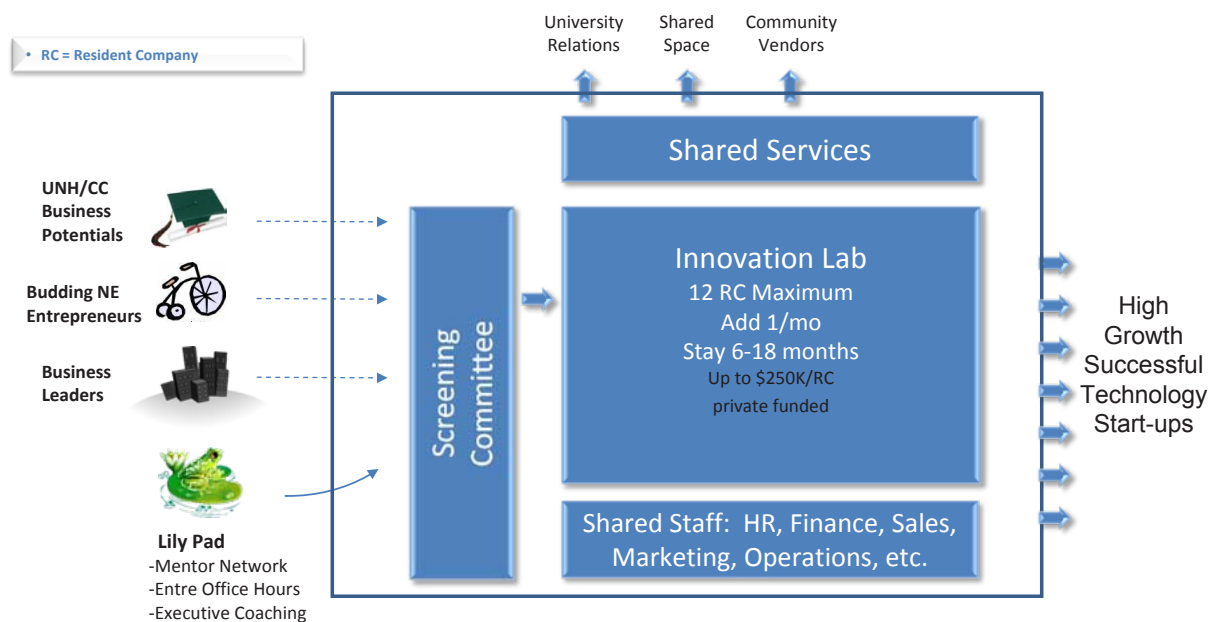
It is important to note that the terms “incubator” and “accelerator” are used to describe a range of activities. “Incubator” usually means a location with low rents and shared infrastructure and services for companies at their earliest stage of growth as firms organize to bring their product to market. Accelerators are expanded space for firms that have usually established some market presence and are now gearing up to better serve existing customers and to expand the customer base. Space can be provided for the functions in many different formats, and it is usually more a question of the mission of the organization managing the facility that defines its status as incubator or accelerator rather than space itself. In other words, there is great flexibility as to how space is organized to meet the needs of new and early stage growth companies.

Growing Research and Commercialization Infrastructure for UNH

Plans are underway to establish an incubator-accelerator infrastructure for UNH involving both Durham and surrounding communities. There are two specific spaces that are now or will soon become available and which will be open to a wide variety of innovative activity. UNH has also created another innovation support program in energy related technologies.

The incubator space will be a facility called the “Idea Greenhouse” which will open soon in Downtown Durham. The University Office of Research Partnerships and Collaboration (ORPC) will be the major tenant in the incubator, paying the rent for any UNH research or commercialization groups who want to locate there. ORPC will cover their participation out of their budget rather than faculty having to find budget funds for the space. The Greenhouse will open in February, with about half the space occupied.

Figure 7.7: Organizational Components of the Innovation Commercialization Center (ICC)



Source: NH-ICC

The New Hampshire Innovation Commercialization Center (ICC), a 30,000 square foot facility. located at the former Pease Air Force Base, provides additional space for firms that have moved past the earliest stages of commercialization. Currently, UNH and its partners have a strategy in place to use the “Greenhouse” as first stage / start-up space and then move businesses to the ICC for 2nd or 3rd stage growth.

The Green Launching Pad is a UNH venture that provides space and business development expertise to teams of researchers in the areas of energy efficiency and renewable energy technologies that are competitively chosen from within UNH. The Green Launching Pad utilizes space at the ICC, but if this initiative is able to expand in the future it will probably require additional space. If the Idea Greenhouse, and the ICC all grow to capacity, which is very possible within the next few years space for a growing research and commercialization may be needed, and Durham’s proximity to the University is an asset that can be capitalized on.

One space opportunity which may become available within the next 2-4 years is the need to expand the UNH InterOperability Laboratory (IOL). This facility does research and testing in a critical area of information and communications technologies, and demand for its services is expected to grow significantly over the next several years. Conversations with UNH officials indicate that the IOL’s growth potential may require additional space. The size, nature, and location of this expansion is not certain, but it does represent a possibility that Durham should begin thinking about in order to seize the opportunity when the time comes.

It should also be noted that “innovation,” while usually discussed in terms of technology, is by no means restricted to technology and product development. Innovation is just as key a process in all business areas, and there may be opportunities for supporting innovation in retail and service industries connected to UNH. The Whittemore School of Business and Economics Hospitality and Business programs seek ways for students to gain experience and if space were available for student–run and University-advised ventures, this could both enhance the educational experience at UNH and help bring a downtown connection for many UNH students.

7.2 Conclusions

The core of a university based commercialization strategy exists and Durham is poised to be a regional player in the incubation and commercialization of new businesses. The “Idea Greenhouse” incubator is likely the best short-term economic development opportunity for Durham. However, it may be a somewhat limited opportunity in terms of future job growth within Durham itself. The Idea Greenhouse is an excellent start, but it is, like the companies that will locate there, just a start. A downside to the existing incubator-accelerator relationship - for Durham - is that graduating businesses may leave the community altogether in order to grow. Opportunities from the Greenhouse-ICC partnership are significant, but Durham will have to compete with other towns to get a share. An inability to compete with available space for suitable businesses means that Durham will be left with an important, yet relatively small, portion of the incubation to 2nd and 3rd phase growth currently being put into place.

The core economic development consideration for Durham, therefore, will be the ability to create space to match regional and local opportunities. Despite challenges, some opportunities do exist. It will be up to the Town to decide how aggressive it wants to be in order to capture new jobs, as that opportunity will almost entirely revolve around real estate development related decisions. These opportunities mean that Durham can take positive steps towards a more diverse and sustainable local economy while maintaining the essential elements of the Town’s character and appearance.