

Commercial projects rising despite home-building slump

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ROCHESTER — Take a ride through the Tri-City region and it's likely you'll see non-residential construction at some point.

If national statistics are any indication, the area isn't alone.

A July 1 U.S. Department of Commerce report indicated non-residential construction spending hit an all-time high of \$405 billion in May 2008. The boom comes even as a weakened economy has limited residential construction.

Last year was big for Rochester, with nonresidential building permit values rising to more than \$15.6 million from January to June 2007 in the city, compared to more than \$5.2 million

for residential construction. Large-scale projects included the construction of a new Lowe's and Kohl's on Washington Street, Albany Engineered Composites, Laars, a Holiday Inn and the expansion of Frisbie Memorial Hospital.

Non-residential construction has cooled a bit this year, though building permit values still are worth more than \$3.5 million, higher than residential values, which are more than \$2.7 million.

"We still have a couple of big projects in the city, and we seem to have people who want to make improvement to their businesses," said Karen Pollard, Rochester's economic development manager. "People are finding that now is a good time to do that; they're trying to capture the market while they can."

The city also has several road and highway projects, including the widening of the Spaulding Turnpike.

Pollard said it's hard to say why non-residential is outpacing residential construction, and it's impossible to predict if the trend will continue.

"Our economy is fairly complex; some industries are doing well right now while others are struggling," she said.



Mike Ross/Chief photographer Pictured are Wentworth-Douglass Hospital medical offices being built off Route 125 in Lee. Nonresidential construction spending has risen despite a slump in residential construction.

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According to the federal report, some of the forces that have produced a weaker economy are stimulating non-residential construction. A weaker U.S. dollar, which has hampered consumer spending and led to inflationary expectations, has produced a new demand for certain industries.

Some projects up nationally are in areas such as lodging, manufacturing and public safety. Dover is seeing both lodging and public safety construction.

Among the Garrison City's projects are the new North End fire station on Sixth Street and the Homewood Suites Hotel on Indian Brook Drive. Wentworth-Douglass Hospital is building office complexes in Dover and Lee as well, and the city also has several ongoing road projects, City Manager Mike Joyal said.

"What's happening is that spending by colleges, school districts, hospitals and the State of New Hampshire are feeding into non-residential construction," said Russ Thibeault, president of Applied Economic Research in Laconia. "Those institutions have chosen to go ahead with these projects now, and interest rates are low, and with a lot of these projects bonded, it's a good time to go ahead with these projects."

While these institutions build, retail and office businesses that have driven non-residential construction in the past are currently down, Thibeault said.

The reason for the lack of residential construction is simply the market, he said.

"The general sense among developers is if you build it they won't come," he added. "Lenders and developers see a shift ... and are reluctant to jump in. There's also plenty of existing housing."



Mike Ross/Chief photographer Pictured is new retail office space recently built off High Street in Somersworth. Nonresidential construction spending has risen despite a slump in residential construction.

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