

# Real Estate Market Analysis for the Prime Tanning Site: Berwick, ME

August 2016

Prepared for:

Crede Associates &  
The Town of Berwick, ME



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## About Camoin Associates

Camoin Associates has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin Associates has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$600 million. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 28 states and garnered attention from national media outlets including *Marketplace* (NPR), *Forbes* magazine, and *The Wall Street Journal*. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. The firm currently has offices in Saratoga Springs, NY; Portland, ME; and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at [www.camoinassociates.com](http://www.camoinassociates.com). You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on [Facebook](https://www.facebook.com/camoinassociate).

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## Executive Summary

Camoin Associates was commissioned to complete a real estate market analysis for the redevelopment of the Prime Tanning site in the town of Berwick, ME. This report follows a previously completed market data report that examined real estate data trends in the town, local area, and region to identify potential redevelopment options for further analysis. This report examined those potentially feasible options and others based on interviews with key stakeholders and real estate experts, as well as a competitive assessment that assessed the relative strengths and weaknesses of the town compared to surrounding “competitive” communities, to better understand the redevelopment potential for the site. This report also summarizes three potential redevelopment concepts for the site based on those uses identified as having the greatest market feasibility.

The types of development found to have the greatest market potential are shown in the matrix chart below. In general, residential development has the greatest feasibility on the site, although several other types of development appear to have potential including restaurants, medical office, and specific types of small-scale retail.

Prime Tanning - Market Feasible Redevelopment Options - Summary Matrix		
High Market Feasibility		
Development Type	Description	Market Analysis Summary
Market Rate Apartments	<ul style="list-style-type: none"> <li>- 50 to 100 modern upscale apartments catering to young professionals and "empty nesters." Mid-range to upscale units, but not a full "luxury" product.</li> <li>- Primarily a mix of 1 and 2 bedrooms; some 3 bedroom units feasible.</li> <li>- Rents in the \$900 to \$1,200 per month range for 1 bedroom and \$1,200 to \$1,500 for 2 bedroom units are achievable (\$1.40 to \$1.70 per SF).</li> <li>- A limited number of Townhouse style owner-occupied units (4-8 units).</li> </ul>	<ul style="list-style-type: none"> <li>-Strong and unmet demand for downtown rental units walkable to amenities.</li> <li>-Renters being priced out of "hot" rental markets along Seacoast and southern Maine.</li> <li>- Potential market for owner-occupied townhouse-style units; need to test market with limited number of units first.</li> </ul>
Senior Housing	<ul style="list-style-type: none"> <li>- 60 to 95 senior apartment units.</li> <li>- Senior apartments or Independent living units (also known as age 55+ housing) similar to market rate apartments but with age restrictions or “age-targeted”.</li> <li>-Units typically have extra safety features and the facility may provide services such as housekeeping and transportation. Other amenities may include media room, fitness center, library, and shared community room.</li> </ul>	<ul style="list-style-type: none"> <li>- Berwick, and the region overall, is aging – generating demand for senior housing.</li> <li>- Seniors increasingly are wishing to remain in their communities and preferences are shifting towards rental units in walkable locations.</li> </ul>
Workforce Housing	<ul style="list-style-type: none"> <li>- For sale or rent housing units that are affordable to those of modest means.</li> </ul>	<ul style="list-style-type: none"> <li>- The Town and region has a need for additional workforce/affordable housing units.</li> <li>- Tax credits for developers makes this type of development market feasible.</li> </ul>

Prime Tanning - Market Feasible Redevelopment Options - Summary Matrix Continued

Moderate Market Feasibility

Development Type	Description	Market Analysis Summary
Full-Service Restaurant	<ul style="list-style-type: none"> <li>- 4,000 to 5,000 square feet of restaurant space (potentially more for a brewpub). One significant-sized restaurant or two smaller-scale establishments.</li> <li>- "Sit down" restaurant with wait staff service with a family-friendly atmosphere.</li> <li>- A brew-pub style establishment was found to be a particular type of restaurant with strong potential given the growing craft beer industry and the industrial legacy of the site.</li> </ul>	<ul style="list-style-type: none"> <li>- Berwick and the surrounding market area lack quality, family-friendly restaurants. The market has several limited-service (fast food) style establishments but local residents leave the area to other local markets for a quality dining experience.</li> </ul>
Limited-Service Restaurant	<ul style="list-style-type: none"> <li>- One fast food or quick serve type establishment of approximately 2,000 square feet.</li> <li>- Examples include coffee shop, deli/sandwich shop, take-out, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- The data analysis showed that an additional limited-service restaurant could be supported in the local market.</li> <li>- The product would need to be differentiated from existing offerings including Berwick's downtown Subway and downtown Somersworth's establishments.</li> </ul>
Medical Office	<ul style="list-style-type: none"> <li>- Between 1,500 and 5,000 square feet of high quality office space suitable for health care practitioners.</li> <li>- Specific uses may include urgent care, primary care, dental or other medical uses.</li> </ul>	<ul style="list-style-type: none"> <li>- In recent years there has been a significant consolidation in the health care industry that led to major hospitals and medical facilities opening satellite clinics in offices in smaller markets.</li> <li>- The medical office market has generally been strong and Berwick's aging population makes it a potentially feasible place for medical office development.</li> </ul>
Build-to-Suit Industrial	<ul style="list-style-type: none"> <li>- Light industrial re-use of the existing building 'B'</li> <li>- Industrial (re)development will need to be tied to a specific tenant.</li> <li>- Potential industrial uses include brewery or other niche light industrial uses such as custom wood products or value-added specialty foods.</li> </ul>	<ul style="list-style-type: none"> <li>- Speculative industrial development is not market feasible given transportation constraints and distance from major highways.</li> <li>- Industrial may be feasible for businesses that would benefit from a downtown location such as those with a retail, dining, or showroom component</li> <li>- It is anticipated that a light industrial user would be interested in reusing building B if improved.</li> </ul>
Specialty Foods/Grocery	<ul style="list-style-type: none"> <li>- Small scale alternative grocery such as health food, organic grocer etc.</li> <li>- Specialized food establishment may also be feasible such as a butcher, bakery, coffee &amp; tea, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- An alternative grocery would need to be a unique offering in order to compete with the recently developed Hannaford in North Berwick</li> </ul>



Prime Tanning - Market Feasible Redevelopment Options - Summary Matrix Continued

Potential Market Feasibility

Development Type	Description	Market Analysis Summary
Convenience Retail	<ul style="list-style-type: none"> <li>- Small-scale convenience retail serving a very localized market.</li> <li>- Examples of convenience retail include; convenience store; bank branch; pharmacy; small hardware store; variety/general store.</li> </ul>	<ul style="list-style-type: none"> <li>- Retail potential is very limited as favorable sales tax rates can be found just over the bridge in NH.</li> <li>- Storefront vacancies in Somersworth indicate a soft market.</li> <li>- Retail feasibility will largely depend on the planned residential development on the site. It is expected that only convenience retail serving every day needs of local residents will be feasible.</li> </ul>
Outdoor Recreation-Oriented Retail/Service	<ul style="list-style-type: none"> <li>- Small format retail or service business catering to the outdoor recreation market.</li> <li>- Potential businesses may include bike shop and canoe/kayak outfitter.</li> </ul>	<ul style="list-style-type: none"> <li>- The area has a strong outdoor recreation market with the highest potential in cycling/mountain biking, and canoeing/kayaking.</li> <li>- Close proximity to the river means there may be potential for river-oriented businesses, especially if riverfront access is improved, which is currently under consideration.</li> <li>- Further analysis would be needed to better understand the feasibility of this type of business in downtown Berwick.</li> </ul>

## Redevelopment Concepts

Three general concepts were assembled from the list of market-feasible development types. The purpose of these concepts is to illustrate how the redevelopment program might look given market realities and the synergies between the different types of development. For example, residential supports restaurants and retail, while restaurants also help attract residents, which supports residential development feasibility.

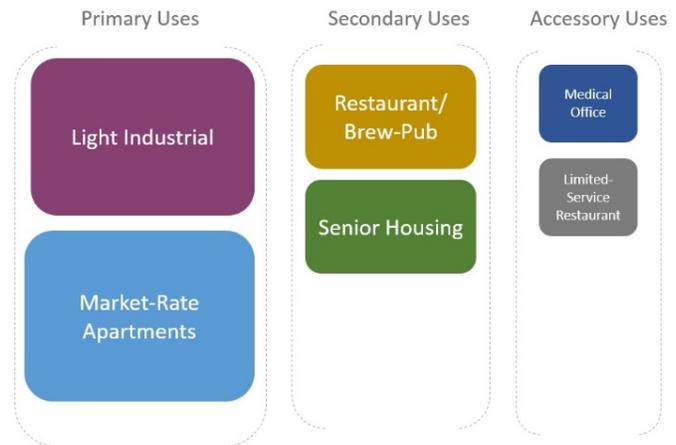
### 1. Residential Driven

Residential development has the greatest market potential and a heavily weighted residential development concept is likely to be most feasible. A mix of market rate apartments, senior housing, townhouses, and workforce housing is shown representing the types of in-demand housing. New residential development is likely to enhance the market for other types of uses and catalyze further development including restaurant space, medical office, and convenience retail.



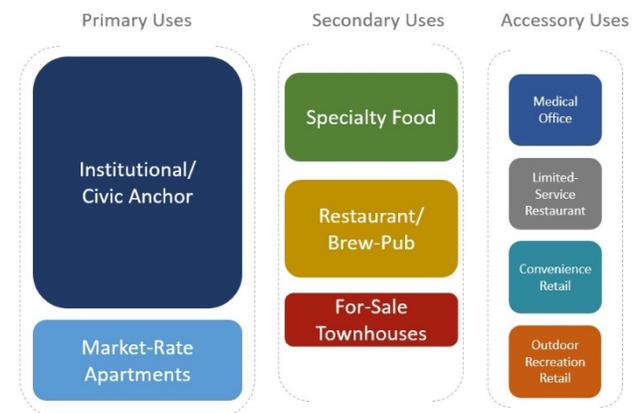
## 2. Industrial Legacy

The site has some industrial re-use potential and it is likely that a light industrial tenant can be found for the industrial building being retained on the site that would be suitable for a downtown location such as a brewery. Residential development would still have a significant presence on the site as the primary market-feasible use. A restaurant/brew pub would complement industrial reuse on the site, especially in the case of a brewery. Some minor accessory uses would likely still be feasible on the site including medical office (paired with senior housing) and a limited-service restaurant.



## 3. Service Center/Destination

The site is well-suited for an institution or civic anchor such as a higher-education facility. This concept assumes that a significant institutional tenant is established on the site, which serves as a catalyst for additional development. In this scenario, the downtown area becomes a service center and destination with a mix of retail, restaurants, and medical office. The concept still features a strong residential component.



## Community Vision

The community's vision for the site will factor into the market feasibility of the redevelopment options because the town has some influence over redevelopment, primarily through town zoning ordinances. A purely market-based redevelopment scenario may not align with the community's desires and development proposals that are balanced with the town's vision may be more likely to succeed.

The community's vision for the site is reflected in three related efforts including the following:

- Community Survey (2013):** The Berwick Downtown Vision Committee distributed a survey to community members in 2013. The survey included questions about Berwick's current and future downtown. Residents desire a better looking, walkable, downtown with new businesses and recreational amenities, while still preserving the small town character of Berwick.

Some of the key findings of that survey potentially related to the Prime Tanning site redevelopment included the following list of desired and undesired elements:

**Berwick residents would welcome downtown:**

- Cafes and family or fine dining restaurants
- Small retail shops, like grocery or hardware
- Markets for local farmers, crafters, artisans
- Parks and trails
- Kayaking on the river
- Micro-brewery
- Elderly housing
- Yoga studio
- Skate park
- Ice skating rink
- Dentist or doctor offices

**Berwick residents do not want:**

- An arcade
- Bix box stores, chain restaurants
- More residential
- More antique shops
- Large industrial buildings

- **Berwick Downtown Vision Report and Implementation Plan (2014):** The Berwick Downtown Vision Committee prepared this report after an extensive public outreach and engagement process including the community survey, design charrettes, and other efforts. The vision presented for downtown is to “find small, local businesses, plenty of green space, access to the river, and a variety of ways to come together and grow as a community.” The vision for downtown is a “Main Street” atmosphere that is pedestrian and bike friendly with things like improved sidewalks, street trees, bike lanes, trails, etc. Business development would be balanced with small town character. The plan also calls for a significant amount of outdoor space on the Prime Tanning site (40% of the land area).
- **Public Charrette Workshops (2015):** In October of 2015, the Workforce Housing Coalition of the Greater Seacoast, in partnership with Envision Berwick, conducted a workforce housing design charrette that included the Prime Tanning site. The public engagement workshops produced conceptual designs for a mixed-use development that includes workforce housing on the Prime Tanning site. Public support was expressed for residential, restaurants, retail, civic space, recreation, and pedestrian amenities among others. The design concept for the Prime Tanning site included mixed-use buildings with residential on the upper floors including up to 300 apartments. It also featured a brewery and single-use residential buildings. Ground floor uses included small shops, restaurants, cafes, pharmacy, and other retail and commercial uses. The charrette process raised support among community members for residential in the downtown with an overwhelming majority of participants indicating a better understanding about the need for workforce housing (100% of participants) and stronger inclination to support workforce housing development (89% of participants).

## Introduction

Camoin Associates was commissioned to complete a real estate market analysis for the redevelopment of the Prime Tanning site in the town of Berwick, ME. This report follows a previously completed market data report that examined real estate data trends in the town, local area, and region to identify potential redevelopment options for further analysis. This report examined those potentially feasible options and others based on interviews with key stakeholders and real estate experts, as well as a competitive assessment that assessed the relative strengths and weaknesses of the town compared to surrounding “competitive” communities, to better understand the redevelopment potential for the site. This report also summarizes three potential redevelopment concepts for the site based on those uses identified as having the greatest market feasibility.

This report is organized in the following way:

- Site Assessment
- Market-Feasible Uses
- Redevelopment Concepts
- Competitive Assessment (attached as Appendix A)
- Interview Summary (attached as Appendix B)

## Site Assessment

### Ownership & Control

The Town of Berwick currently owns the Prime Tanning Site, but following the clean-up of the site, the Town is obligated to offer the site for sale to a private entity called Funds of Jupiter. The entity is owned by an out-of-state individual who was a major creditor of Prime Tanning. Funds of Jupiter also has the right of first refusal after the clean-up of the site. It is expected that Funds of Jupiter will exercise its right to purchase the site for the sum of the back taxes owed.

The Town has several regulatory controls to manage the build-out of the site. These include ordinances that:

- Require development to be close to the street/public right of ways in order to create a walkable downtown atmosphere rather than buildings set back from the road and sidewalk. Alternatively, the ordinance allows for public space in front of the building.
- Require active ground floor uses also to promote a vibrant downtown
- Prohibit heavy industrial uses that are not compatible with surrounding and future land uses – especially residential uses.
- Allow three stories of development now, although the Town has indicated a willingness to consider four stories under the right circumstances.



## Site Location

The maps below shows the site location. The Salmon Falls River running through the center of the map divides Maine from New Hampshire. The downtown area of the Town of Somersworth, NH is directly across the bridge.

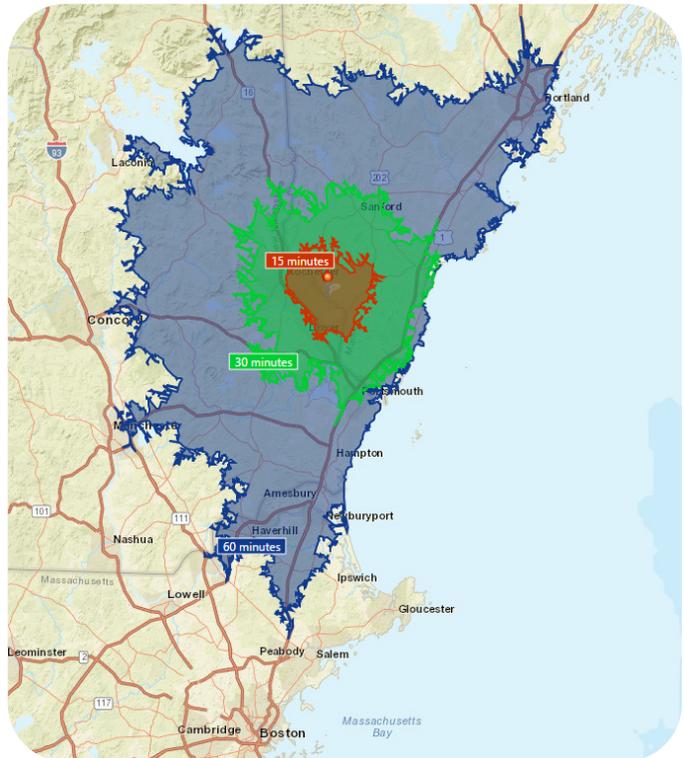


## Proximity to Population Centers

The map below shows the radius for three different drive times (15 minutes in red, 30 minutes in green, and 60 minutes in blue) from the Prime Tanning site in Berwick, ME.

The chart below shows the distance and estimated driving time from the site to major population centers.

Distance to Major Population Centers			
Town/City	Population	Distance (miles)	Est. Drive-Time (minutes)
Dover, NH	30,510	5	13
Rochester, NH	29,745	7	15
Sanford, ME	20,798	16	24
Portsmouth, NH	21,440	18	30
Concord, NH	42,419	41	60
Manchester, NH	110,378	44	60
Portland, ME	66,318	46	55
Boston, MA	645,966	76	90



## Traffic Counts

The site is located in close proximity to the Route 9/Route 236 bridge that connects Berwick and Somersworth. The bridge acts as a funnel for traffic from Berwick and North Berwick headed to Dover and other points south. As such, traffic counts around the site are relatively high given Berwick's population and employment base. The highest traffic count is found close to the Berwick end of the bridge over Salmon Falls River where there is an average daily traffic volume of nearly 17,000 vehicles. Average daily traffic volume on the roads directly west (Sullivan Street) and East (School Street) is in the range of 6,000 to 7,000 vehicles per day.



Source: ESRI Business Analyst

## Prime Tanning Site Description

### Infrastructure

The site is well served by electric, water, and sewer infrastructure and currently has excess capacity available for future users. However, the site is not served by natural gas. The town is currently exploring options to bring gas to the site and estimates the cost to do so at approximately \$1 million.

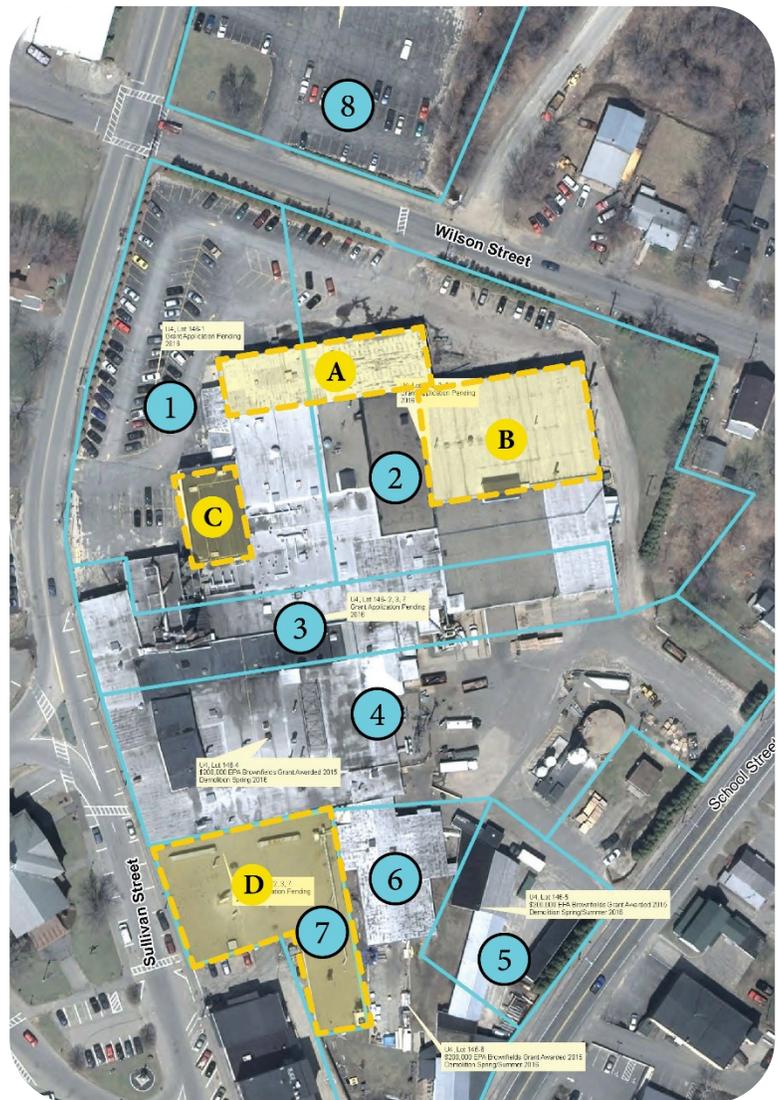
### Site Sub-Division

The Prime Tanning Site has already been subdivided into 7 lots and includes an additional pre-existing 8<sup>th</sup> lot. The map on the following page shows the approved sub-division. Together, the lots equal 10.65 acres. Four of the lots are greater than 1-acre and the largest single lot is 2.8 acres (lot 8).

Prime Tanning Site Approved Sub-Division		
Lot #	Size (Sq. Ft.)	Size (Acres)
1	69,041	1.58
2	90,491	2.08
3	38,468	0.88
4	64,370	1.48
5	18,708	0.43
6	39,689	0.91
7	21,277	0.49
8	121,967	2.80
<b>Total</b>	<b>464,011</b>	<b>10.65</b>

### Demolition

Demolition began in June 2016 to remove many of the buildings from the site. The current demolition plan leaves four buildings on the site, as shown on the map on the following page. The remaining buildings are highlighted in yellow on the map to the right and labeled A through D. Note, that these buildings could eventually be demolished, but initially will be available for reuse.



## Potential Market-Feasible Uses

The market analysis identified a multitude of uses that appear to be feasible to varying degrees. This result is somewhat atypical for these types of studies; however, the downtown nature of the site and strong regional real estate market are major factors enhancing the market viability of the site's redevelopment. The identified potential redevelopment uses of the site are those that appear to have market-based feasibility based on the data analysis, interviews with real estate professionals, and the competitive assessment. The feasibility of these uses are subject to changes in market forces or specific site constraints that arise in the future.

The matrix chart below summarizes the different development types with more detailed descriptions following.

Prime Tanning - Market Feasible Redevelopment Options - Summary Matrix		
High Market Feasibility		
Development Type	Description	Market Analysis Summary
Market Rate Apartments	<ul style="list-style-type: none"> <li>- 50 to 100 modern upscale apartments catering to young professionals and "empty nesters." Mid-range to upscale units, but not a full "luxury" product.</li> <li>- Primarily a mix of 1 and 2 bedrooms; some 3 bedroom units feasible.</li> <li>- Rents in the \$900 to \$1,200 per month range for 1 bedroom and \$1,200 to \$1,500 for 2 bedroom units are achievable (\$1.40 to \$1.70 per SF).</li> <li>- A limited number of Townhouse style owner-occupied units (4-8 units).</li> </ul>	<ul style="list-style-type: none"> <li>- Strong and unmet demand for downtown rental units walkable to amenities.</li> <li>- Renters being priced out of "hot" rental markets along Seacoast and southern Maine.</li> <li>- Potential market for owner-occupied townhouse-style units; need to test market with limited number of units first.</li> </ul>
Senior Housing	<ul style="list-style-type: none"> <li>- 60 to 95 senior apartment units.</li> <li>- Senior apartments or Independent living units (also known as age 55+ housing) similar to market rate apartments but with age restrictions or "age-targeted".</li> <li>- Units typically have extra safety features and the facility may provide services such as housekeeping and transportation. Other amenities may include media room, fitness center, library, and shared community room.</li> </ul>	<ul style="list-style-type: none"> <li>- Berwick, and the region overall, is aging – generating demand for senior housing.</li> <li>- Seniors increasingly are wishing to remain in their communities and preferences are shifting towards rental units in walkable locations.</li> </ul>
Workforce Housing	<ul style="list-style-type: none"> <li>- For sale or rent housing units that are affordable to those of modest means.</li> </ul>	<ul style="list-style-type: none"> <li>- The Town and region has a need for additional workforce/affordable housing units.</li> <li>- Tax credits for developers makes this type of development market feasible.</li> </ul>
Moderate Market Feasibility		
Development Type	Description	Market Analysis Summary
Full-Service Restaurant	<ul style="list-style-type: none"> <li>- 4,000 to 5,000 square feet of restaurant space (potentially more for a brewpub). One significant-sized restaurant or two smaller-scale establishments.</li> <li>- "Sit down" restaurant with wait staff service with a family-friendly atmosphere.</li> <li>- A brew-pub style establishment was found to be a particular type of restaurant with strong potential given the growing craft beer industry and the industrial legacy of the site.</li> </ul>	<ul style="list-style-type: none"> <li>- Berwick and the surrounding market area lack quality, family-friendly restaurants. The market has several limited-service (fast food) style establishments but local residents leave the area to other local markets for a quality dining experience.</li> </ul>

Limited-Service Restaurant	<ul style="list-style-type: none"> <li>- One fast food or quick serve type establishment of approximately 2,000 square feet.</li> <li>- Examples include coffee shop, deli/sandwich shop, take-out, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- The data analysis showed that an additional limited-service restaurant could be supported in the local market.</li> <li>- The product would need to be differentiated from existing offerings including Berwick's downtown Subway and downtown Somersworth's establishments.</li> </ul>
Medical Office	<ul style="list-style-type: none"> <li>- Between 1,500 and 5,000 square feet of high quality office space suitable for health care practitioners.</li> <li>- Specific uses may include urgent care, primary care, dental or other medical uses.</li> </ul>	<ul style="list-style-type: none"> <li>- In recent years there has been a significant consolidation in the health care industry that led to major hospitals and medical facilities opening satellite clinics in offices in smaller markets.</li> <li>- The medical office market has generally been strong and Berwick's aging population makes it a potentially feasible place for medical office development.</li> </ul>
Build-to-Suit Industrial	<ul style="list-style-type: none"> <li>- Light industrial re-use of the existing building 'B'</li> <li>- Industrial (re)development will need to be tied to a specific tenant.</li> <li>- Potential industrial uses include brewery or other niche light industrial uses such as custom wood products or value-added specialty foods.</li> </ul>	<ul style="list-style-type: none"> <li>- Speculative industrial development is not market feasible given transportation constraints and distance from major highways.</li> <li>- Industrial may be feasible for businesses that would benefit from a downtown location such as those with a retail, dining, or showroom component</li> <li>- It is anticipated that a light industrial user would be interested in reusing building B if improved.</li> </ul>
Specialty Foods/Grocery	<ul style="list-style-type: none"> <li>- Small scale alternative grocery such as health food, organic grocer etc.</li> <li>- Specialized food establishment may also be feasible such as a butcher, bakery, coffee &amp; tea, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- An alternative grocery would need to be a unique offering in order to compete with the recently developed Hannaford in North Berwick</li> </ul>

**Potential Market Feasibility**

Development Type	Description	Market Analysis Summary
Convenience Retail	<ul style="list-style-type: none"> <li>- Small-scale convenience retail serving a very localized market.</li> <li>- Examples of convenience retail include; convenience store; bank branch; pharmacy; small hardware store; variety/general store.</li> </ul>	<ul style="list-style-type: none"> <li>- Retail potential is very limited as favorable sales tax rates can be found just over the bridge in NH.</li> <li>- Storefront vacancies in Somersworth indicate a soft market.</li> <li>- Retail feasibility will largely depend on the planned residential development on the site. It is expected that only convenience retail serving every day needs of local residents will be feasible.</li> </ul>
Outdoor Recreation-Oriented Retail/Service	<ul style="list-style-type: none"> <li>- Small format retail or service business catering to the outdoor recreation market.</li> <li>- Potential businesses may include bike shop and canoe/kayak outfitter.</li> </ul>	<ul style="list-style-type: none"> <li>- The area has a strong outdoor recreation market with the highest potential in cycling/mountain biking, and canoeing/kayaking.</li> <li>- Close proximity to the river means there may be potential for river-oriented businesses, especially if riverfront access is improved, which is currently under consideration.</li> <li>- Further analysis would be needed to better understand the feasibility of this type of business in downtown Berwick.</li> </ul>



## Market-Rate Housing

### Description:

Modern, upscale apartments with medium- to high-end fit and finish. Primarily 1- and 2-bedroom units with some 3-bedroom units. Units would be located in walkable distance to new amenities created as part of the redevelopment of the Prime Tanning Site in order to maximize demand and rental rates. The target markets for units are young professionals and, especially, empty nesters. We believe between 50 and 100 market rate units can be supported on the Prime Tanning site in the near-term. Anticipated rents for these units are shown in the table below (overall, rents in the neighborhood of \$1.40 to \$1.70 per square foot appear to be feasible):

Estimated Monthly Rent Range for Market Rate Apartments - Prime Tanning Site Redevelopment		
Unit Size	Low	High
1-Bedroom	\$ 900	\$ 1,200
2-Bedroom	\$ 1,200	\$ 1,500
3-Bedroom	\$ 1,500	\$ 1,800

Additionally, 4-8 townhouse (owner-occupied) units may be feasible to build on the site initially. After the market is “proven” and additional downtown amenities are created, more units may be feasible. Achievable sale prices may reach the \$300,000 range.

### Market Analysis Findings:

- The Southern Maine Region and the Seacoast Region of New Hampshire are very strong markets for multi-family development and rents in some key markets, including Portsmouth and Dover, are getting high enough to effectively price potential renters out of the market. Berwick is within commuting distance to major employers and employment centers to capture this overflow rental demand.
- Interviews conducted with real estate experts as part of the market analysis indicate strong potential for market rate apartments, which were seen as the single most market-feasible redevelopment option for the site. A downtown, mixed-use, and walkable setting for apartments was identified as a primary driver of demand with these types of locations being preferred by young professionals and empty nesters alike.
- The market data report indicated potential for market-rate apartments. Key findings from the report included the following:
  - Berwick’s housing stock lacks high-end rental units compared with the rest of the region, suggesting a market gap or opportunity to capture rental demand.
  - Local households have a greater propensity to rent rather than own units compared to the region.
  - Rental vacancy rates in surrounding areas have been declining, indicating that the rental market is tightening and new multi-family development may be feasible.
  - The town’s older housing stock will become increasingly obsolete in the future, generating demand for newer modern housing units.
  - Key demographic changes in the town include rising household incomes, indicating potential new demand for higher quality housing units.
  - In Berwick’s Local Trade Area, there is projected demand for approximately 330 new rental units over the next five years. Much of this demand could be captured within Berwick.
- The Canal Street Mill directly across the river from Berwick in downtown Somersworth is the best multi-family comparable property. It currently has zero vacancy with a waitlist for units. Its units are priced as high

as \$1,095 for 1 bedroom units and \$1,395 for 2 bedroom units. Units range from about 500 square feet to nearly 1,300 square feet and feature high ceilings and upper-level fit and finishes.

- The Competitive Analysis (Appendix A) that examined housing trends in several key neighboring communities showed that rents are no longer affordable in some markets and the poor reputation of housing in adjacent Somersworth provides a competitive advantage for Berwick to capture rental demand.
- Market analysis interviews indicated that for-sale townhouse development would likely be market feasible on the site. This market is largely untested, and therefore a limited number of units would need to be built first to “test” the market.

## Senior Housing

### Description:

Senior apartments or independent living units that are age restricted (typically 55+ or 50+) or to meet a greater market, age-targeted with features and amenities attractive to this population segment, but not at the exclusion of other age groups. These types of units typically have extra safety features, and in a facility setting, provided services often include housekeeping and transportation. Other typical amenities include media room, fitness center, library, and shared community room. Unit mixes are usually skewed towards the smaller size with more 1-bedroom units than 2-bedroom. Preliminary estimates indicate that approximately 60 units of market-rate senior housing could be supported on the Prime Tanning site plus 35 units of affordable senior housing.

### Market Analysis Findings:

- Berwick, along with the rest of the region, is projected to see an increase in its population age-55 and greater over the next five to ten years. Current housing preferences for this “empty-nester” population segment has shifted towards rental units in walkable community centers, the key benefits of which are less home maintenance, no property taxes, and less need to drive. Empty nesters also have an overwhelming desire to “age-in-place” meaning they prefer to stay in the community that they have been living in.
- Berwick does not have senior housing and residents must generally leave the community to live in modern senior housing unit. The lack of senior housing and downtown rental units means that the town’s current housing options are not well aligned to the future needs of the town’s population.
- The interviews conducted as part of the market analysis confirmed an unmet demand for senior housing – especially affordable senior housing. A developer currently has interest in doing a senior housing project in the town indicating that there is market potential for this housing type. “Age-targeted” housing may be an appropriate alternative given the sometimes slow absorption rates for senior housing.
- The market data report revealed several findings that support the market feasibility of senior housing development including:
  - The “Continuing Care Retirement Community” industry has been growing dramatically over the past five years in the region and this trend is expected to continue with 32% growth over the next five years due to the aging population.
  - The local population age 65 and older grew 15% between 2010 and 2015, far surpassing the overall growth rate. The age 65-plus population is projected to grow by another 17% over the next five years.
  - The age 60 to 64 age range will see the greatest increase among all population segments age 50 and over. This indicates the greatest demand will be for independent living units and apartments in walkable downtown areas (rather than assisted-living care, for example).

- Preliminary unit estimates are shown in the tables below under conservative assumptions including a 4% market penetration rate (i.e., there would be demand for senior apartments from 4% of the target demographic in the Local Trade Area), and a project in downtown Berwick would be able to capture 25% of that potential. Based on the analysis, the Prime Tanning Site could support roughly 60 units of market-rate senior apartments and 35 units of affordable senior apartments.

Market Rate Senior Apartment Demand Potential: Local Trade Area		
Households with Incomes \$50,000+	2015	2020
Ages 55 to 65	3,020	3655
Ages 65 to 74	1,578	2144
Total	4,598	5,799
<b>Market Demand</b>		
4% market penetration rate	184	232
<b>Downtown Berwick Capture</b>		
Capture Potential (25%)	46	58

Source: ESRI; Camoin Associates

Affordable Senior Apartment Demand Potential: Local Trade Area		
Households with Incomes <\$50,000	2015	2020
Ages 55 to 65	2,023	1806
Ages 65 to 74	1,670	1685
Total	3,693	3,491
<b>Market Demand</b>		
4% market penetration rate	148	140
<b>Downtown Berwick Capture</b>		
Capture Potential (25%)	37	35

Source: ESRI; Camoin Associates

## Workforce Housing

### Description:

A substantial number of multi-family and/or owner-occupied affordable/workforce housing units. The definition of workforce housing is typically housing aimed at households earning from 60 percent to 120 percent of the area's median income. "Affordable" housing is typically aimed at households below that. In the context of this report, "workforce housing" refers generally to housing aimed at households with median incomes of \$50,000 or below (the approximate median household income in the Local Trade Area. This translates into workforce-affordable owner-occupied units of about \$125,000 or below, or rental units that are \$1,050 and under.

### Market Analysis Findings:

- The median home value in the Local Trade Area is about \$240,000 while the median household income is about \$53,000. By standard measures, a \$53,000 median household income equates to an affordable home of about \$125,000. Therefore, about 11,700 households (45% of local households) cannot afford a median-priced home in the local trade area.
- The table below shows a high-level gap analysis showing the net affordable housing supply (gap) by household income range. The analysis considers the existing households in specific income ranges, and the number of affordable owner-occupied and rental units available in the local area for households in those

ranges. The results show that there is a considerable gap in housing for households in the \$35,000 to \$50,000 range (1,400 units).

Workforce/Affordable Housing Gap - Local Trade Area						
Household Income Range	Households	Affordable Monthly Housing Expenses	Existing Housing Supply (Owner-Occupied Units)	Existing Housing Supply (Rental Units)	Total Supply (Housing Units)	Net Housing Supply (gap)
Less than \$34,999	7,839	Less than \$750	761	2,748	3,509	4,330
\$35,000 to \$49,999	3,852	\$750 to \$1,050	618	4,644	5,262	(1,410)
\$50,000 to \$74,999	5,515	\$1050 to \$1,550	2,336	1,888	4,224	1,291
\$75,000 to \$99,999	4,177	\$1550 to \$2000	4,707	257	4,964	(787)
\$100,000 to \$149,999	2,973	\$2,000 to \$3,100	5,169	38	5,207	(2,234)
\$150,000 to \$199,999	940	\$3100 to \$4150	1,232	0	1,232	(292)
\$200,000+	511	\$4,150+	352	0	352	159

Source: ESRI; Camoin Associates

- The area’s rental units are generally dated and older quality. When only owner-occupied units are considered, there is a much more significant workforce housing gap.
- Market analysis interviews confirmed that there is unmet demand for workforce/affordable housing in the local area and potential development feasibility because of attractive tax credits for developers of this type of housing.

## Full-Service Restaurant

### Description:

A full-service, sit down restaurant with wait service and a family-friendly atmosphere. The restaurant would be at the more upscale end of the casual dining spectrum, but not a “fine-dining” establishment. Casual dining establishments have “moderate or moderately high price points” and typically feature a wide variety of foods and often includes a full bar. A “brew-pub” style restaurant is a specific type of restaurant that the analysis showed has market potential. A brew-pub is a restaurant that also serves beer brewed at a small microbrewery on the premises. We estimate that a significant-sized restaurant of 4,000 to 5,000 square feet may be feasible (or potentially two smaller format restaurants). A brewpub style restaurant could potentially have a larger footprint due to the microbrewery component.

### Market Analysis Findings:

- Berwick lacks a full-service restaurant and residents currently leave the area for a quality dining experience. The market analysis interviews indicate that residents typically go to Portsmouth or Dover when they want to dine-out. Berwick’s only food offering is a Subway and there are only limited-service and low-end food establishments in downtown Somersworth.
- According to interviews, a mid- to upper-scale restaurant that is family-friendly would be successful in downtown Berwick. A brew-pub style establishment was seen as a specific niche that would be successful in the Berwick market.
- Recent food establishments opened in Somersworth including the Teatotaller café/tea-house/bistro, and Leaven, a bakery-café, support the Somersworth/Berwick downtown area as a food destination and indicate market growth opportunities.
- The data report indicated that the restaurant market overall in the Local Trade Area is competitive and therefore a restaurant on the site may need to offer a unique dining experience or menu compared to what is available now.

- Interviews indicated that the strong local food culture and local agriculture would enhance the market for a “farm to table” style restaurant where the establishment serves food grown locally and acquired directly from local producers.

#### Notes:

- Restaurants have among the highest parking demands of any development types. An adequate parking solution will be required for a restaurant to be feasible.

## Limited-Service Restaurant

### Description:

One limited-service restaurant (or up to 2,000 square feet) is feasible under current conditions. New residential could potentially support an additional establishment, or a larger format establishment. Limited-service restaurants are typically defined as fast food or quick serve, fast-casual restaurants, pizza restaurants, and cafes. A successful limited-service restaurant would provide a unique offering compared to Berwick (Subway) and Somersworth (pizza establishments and bakery-cafe). Examples of typical well-known brands include (but are not necessarily market feasible) Dunkin Donuts, Starbucks, McDonalds, Chipotle, Panera, and Domino’s Pizza.

### Market Analysis Findings:

- The market data report found a retail gap of approximately \$2.3 million annually in the local trade area. That means that residents in the local trade area are spending that amount at limited-service locations outside of the area. This represents about 7% of annual spending at limited-service restaurants.
- Based on the potential leakage capture of \$574,000 annually (of the \$2.3 million) and an industry standard \$300 annual sales per square feet, there is potential for up to approximately 2,000 square feet of limited-service restaurant space. Based on average sales per establishment, one new business can be supported in the current market; however, significant new residential development on the site would increase that potential.
- Market analysis interviews suggested that a coffee shop or café may be appropriate and feasible types of limited-service restaurants. If new residential development occurs on the site, it will increase the market potential for limited-service establishments.
- Different chain establishments have different, but often specific, site and market requirements that will affect the demand for space from the larger brands. For example, many fast-food locations require pad-sites with a building surrounded by parking and a dedicated drive-through lane – features that do not necessarily mesh well with a downtown mixed-use district.

## Medical Office Building (MOB)

### Description:

Medical office space is modern, high quality space suitable for healthcare professionals including physicians’ offices, dentist offices, outpatient surgical centers, and urgent care centers. Individual medical/dental practices have footprints starting at 1,200 square feet while an average neighborhood urgent care center ranges between 2,500 to 5,000 square feet. We consider 1,200 to 5,000 square feet to be a reasonable range of what would be feasible on the Prime Tanning site.

### Market Analysis Findings:

- The medical office market has been strong in recent years largely as a result of the Affordable Care Act, which led to a consolidation of providers and then a decentralization of health care facilities into communities as hospitals and major medical centers opened up satellite facilities. The health care industry



has also seen a shift away from inpatient use to outpatient/ambulatory care. Many new medical office projects are being developed in neighborhoods rather than major urban centers. Additionally, there has been a shift towards smaller medical office properties. Nationally, medical office vacancy rates are at post-recession lows and continue to decline while absorption rates climb. As a result, the investment climate is strong for medical office properties.

- The Market Data Report found several key trends supporting the feasibility of medical office development in Berwick:
  - The health industry is expected to grow 19% over the next 10 years in the region with 11,000 new health care jobs over that period.
  - Significant job growth is expected in medical-office utilizing health industry sub-sectors including Offices of Physicians, Offices of Dentists, Offices of Other Health Practitioners, Outpatient Care Centers and Other Ambulatory Health Care Services.
  - Medical office space has higher rents, lower vacancy rates, and spends less time on the market before being occupied compared to traditional office space in the regional market.
- Market analysis interviews revealed a consensus that medical office development would likely be a market feasible option for the Prime Tanning Site. Berwick only has a York Hospital satellite facility featuring walk-in care, outpatient laboratory testing, x-ray services, and a retail pharmacy. The facility's close proximity (1 mile) to the site means that a similar urgent care type of facility may not be feasible; however, there are no primary care offices in Berwick and the town also lacks a dentist office.
- Senior housing development on the Prime Tanning Site would increase the market feasibility of developing medical office space. Medical office and senior housing are often developed in conjunction, and often as part of the same development project.

## Build-to-Suit Light Industrial

### Description:

Building B (as indicated in the Site Assessment section) is being made available for re-use and is assumed to be suitable for another light industrial use. Industrial redevelopment would be "build-to-suit" when an interested tenant is identified.

### Market Analysis Findings:

- Few, if any, developers in the region are building industrial space on spec at the moment (i.e., developers are not building industrial space speculating that once they build the property a tenant will come). One factor in this is that existing flex industrial space currently has relatively high vacancy rates.
- Regional industrial users are generally looking for modern building products but most industrial inventory has lower ceiling heights, too many columns, and/or older office space, according to CBRE, a real estate research firm. As a result, industrial users are increasingly turning to "ground-up" development rather than moving into existing spaces, which may limit the market potential for industrial re-use on the site.
- There are several other significant constraints with industrial development including:
  - Existing vacant industrial properties in more accessible locations with affordable prices that Berwick cannot compete against
  - The site's distance from major highways and transportation networks
  - Compatibility with adjacent and future on-site land uses



- Current lack of natural gas service to the site
- The site's key advantages for industrial redevelopment is its excess water/sewer infrastructure capacity and high visibility and central location, which provides an advantage for industrial uses that have a retail, dining, or visitor experience component.
- Specific potentially market feasible uses for Building B include (but are not necessarily limited to):
  - **Brewery/Distillery & Value-Added Food Products:** Food and beverage manufacturing is a strong and growing industry in the region. Over the next 10 years the Beverage Product Manufacturing sector is projected to grow 16% in the region. The craft beer industry is especially strong and a brewery may be an ideal fit for the site as it would allow the business to operate tours, offer a pub dining experience, and/or feature a retail component. Other value-added food product uses of the site, aside from brewing, may be feasible given the prevalence of local agriculture and strong local food culture. According to CBRE, southern Maine is expected to continue to see increased demand from food-related producers, breweries, and distillers.
  - **Wood Products (Furniture):** Furniture manufacturing is a strong sector in the region and is projected to expand by 17% over the next 10 years. Wood products and furniture manufacturing are an ideal niche manufacturing sector for the site with fewer adverse impacts than other industrial uses. The site would also enable a furniture or another value-added wood products manufacturer to have a showroom or retail component.
  - **Warehousing and Storage:** Over the next 10 years an estimated 350,000 square feet of warehousing and storage space will be needed in the region. This sector is expected to have the greatest regional growth among all industrial sectors.

## Specialty Foods/Grocery

### Description:

A small-scale specialty food store or grocery providing a unique selection. A specialized healthy or natural foods oriented grocery is a potentially feasible example. Examples of other specialty food establishments include bakeries, butcher shops, or boutique value added establishments focused on one product category such as olive oil or honey. Specialty food stores range in size but the median is typically around 2,000 square feet. A new specialty food establishment of this size appears to have market feasibility in downtown Berwick.

### Market Analysis Findings:

- Berwick does not have a local option for groceries as the closest grocery store location is the recently opened Hannaford in North Berwick. A grocery store in Berwick would need to be significantly unique to avoid competing with the new supermarket.
- The market data report found significant sales leakage in the Specialty Foods category with potential for several new businesses. It is likely that a new business could be supported in Berwick given the sales recapture potential in the category and the fact that the lack of sales tax on food would put Berwick on a more competitive level with communities in New Hampshire, especially Somersworth.
- The market data analysis report showed that there is a sales surplus in the Grocery Stores retail category, indicating that grocery sales in the area surpass the local demand (i.e., people are coming into the area to purchase food rather than local residents leaving the area to purchase groceries). This indicates that the market may be saturated for traditional grocery stores.
- A natural foods and health food grocery store may be market feasible given the unique product selection, substantial presence of local agriculture, and the area's strong food culture.

## Convenience Retail

### Description:

Small format retail business(es) meeting the everyday needs of a very localized population. Examples of this type of retail include: convenience store; bank branch; pharmacy; hardware store; or variety/general store.

### Market Analysis Findings:

- For retail to be viable on the site, new residential development will likely be required as new residents on the site would constitute an immediate customer base. As such, new retail will need to cater to the needs of new downtown residents.
- The data analysis report did not reveal any specific retail categories with potential, however, market analysis interviews indicated that a pharmacy, small hardware store, or grocery may be feasible. A grocery option is discussed separately in this section.
- Retail potential will be largely dependent on the residential development on the site. The national standard for neighborhood retail per capita is about 20 square feet of retail per person. Assuming between 50 and 150 new residential units in downtown Berwick and an average unit occupancy of 1.5, approximately 1,500 to 4,500 square feet of new convenience retail could potentially be supported on the site. Existing Berwick residents would likely patronize new retail, and therefore retail potential is expected to be at the higher end of that range.

### Notes:

- It will be important not to overbuild retail space on the first floor of mixed-use style buildings. Vacant storefronts will detract from the viability and success of the other site uses.
- A balance will need to be struck between the need for active ground floor uses and the limited market potential for retail space. Creative, alternative uses for ground floor space may be appropriate until the market strengthens for retail or entertainment uses.

## Additional Considerations

### Public and Institutional Use

The site is an ideal location for a public or institutional use that would bring people into the downtown area, which would support downtown businesses and enhance the vibrancy of the downtown. These types of uses are beyond the scope of this analysis as they are not tied to market forces, but rather the individual needs of potential institutions. For example, a higher-education use on the site has been suggested as a potential anchor for the site. Further investigation would be needed to determine the expansion needs of regional higher education institutions.

### Entertainment Options

Specific types of potential entertainment options were not examined as part of this analysis; however, it appears that there is demand for “downtown” style entertainment options based on our analysis. These types of entertainment options cut-across different real estate categories including restaurants, pubs, and retail. Examples of potential entertainment venues (that would require further analysis) include: bar/restaurant with stage, wine bar, small performance venue, “experiential” retailers, specialty foods (e.g., those with tasting or eat-in options); art galleries, paint-n-sip, etc. Any future downtown residential development will increase the demand for, and feasibility of, these amenities.



## Potential Concepts

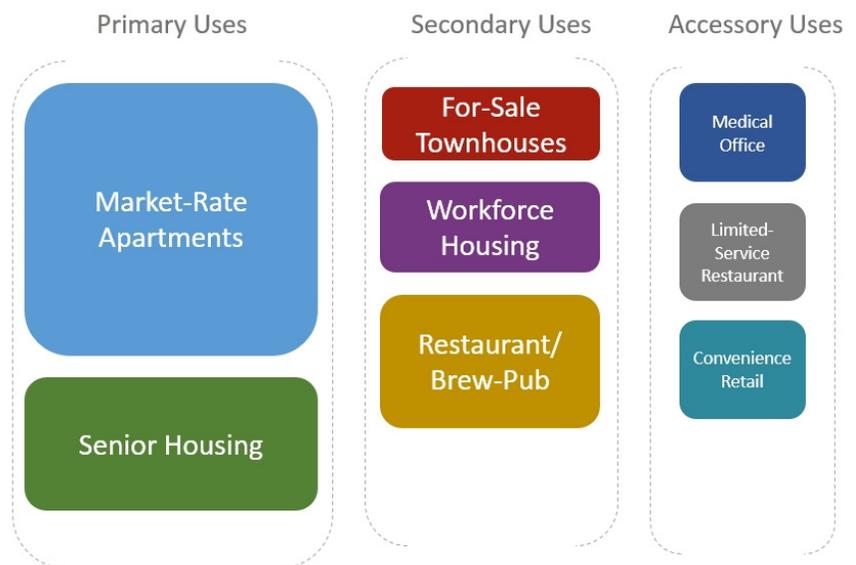
The purpose of this section is to illustrate how the above uses may be combined into a coherent mixed-use redevelopment project. There are numerous ways that the above uses could be incorporated into the Prime Tanning site redevelopment, but this analysis is an exercise to develop three potential “master” concepts based on market realities and the synergies between the different use types.

The diagrams in this section are for illustration purposes only and are not intended to be proportional to scale, but rather suggestive of the relative scale of the loading of different development components. That is, larger boxes indicate a greater amount of development (square feet or units) compared to the smaller boxes. Other potential site features such as parks/open space, parking, etc. are not illustrated, but are important considerations.

### Concept 1: Residential-Driven

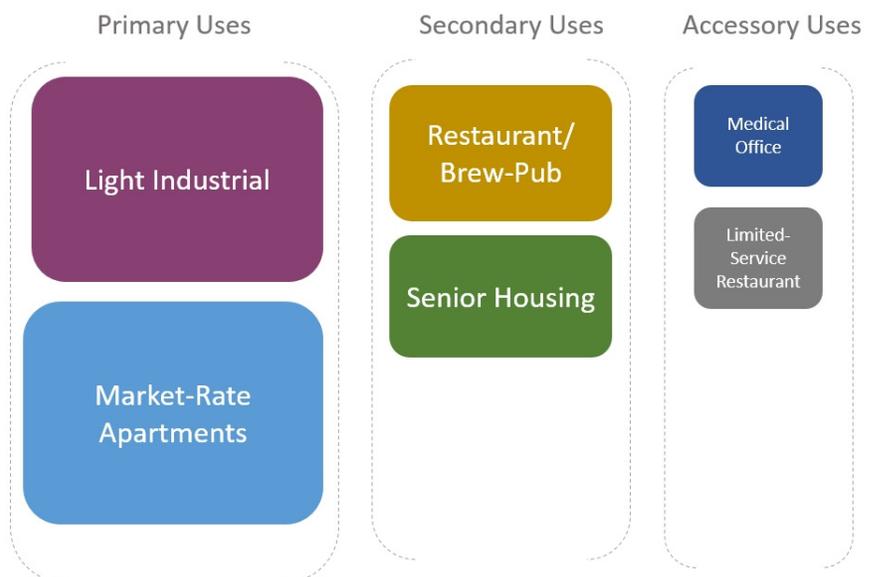
Residential is the most market-feasible redevelopment option for the site. This concept includes four different types of residential, but has an overall focus on market-rate apartments. Senior housing would still have a significant presence on the site, while for-sale townhouses and workforce housing would represent a more minor share of the new housing development.

Other uses on the site would be complementary to new residential development including a restaurant, medical office, limited-service restaurant, and convenience retail.



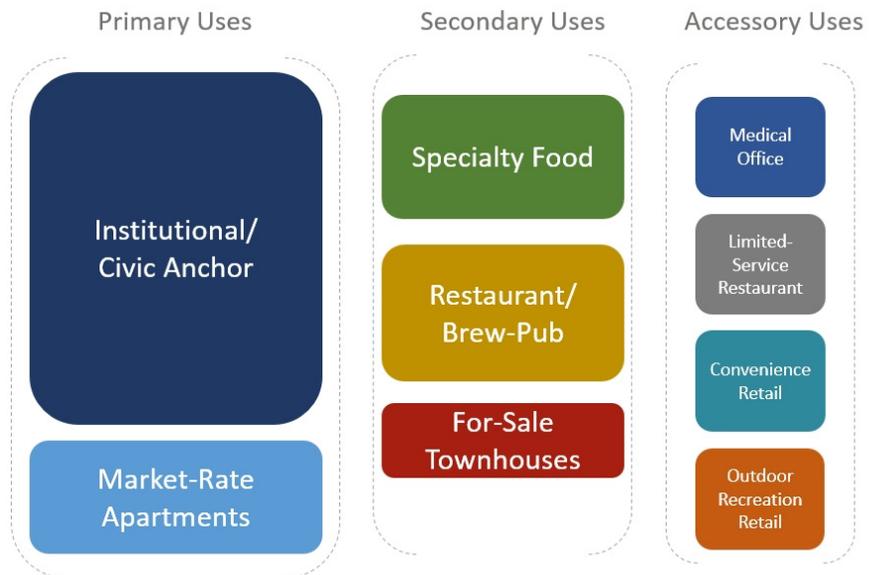
### Concept 2: Industrial Legacy

This concept recognizes the industrial heritage of the site, the potential reuse opportunity of one of the industrial buildings on the site, and market conditions favorable for downtown-compatible industrial reuse. This concept would be anchored by a new industrial use such as a brewery/distillery with a still significant residential component. A brew-pub restaurant would be an ideal complement to a brewery or distillery and help create a downtown destination. Accessory uses may include medical office paired with senior housing and a limited-service restaurant.



### Concept 3: Service Center/Destination

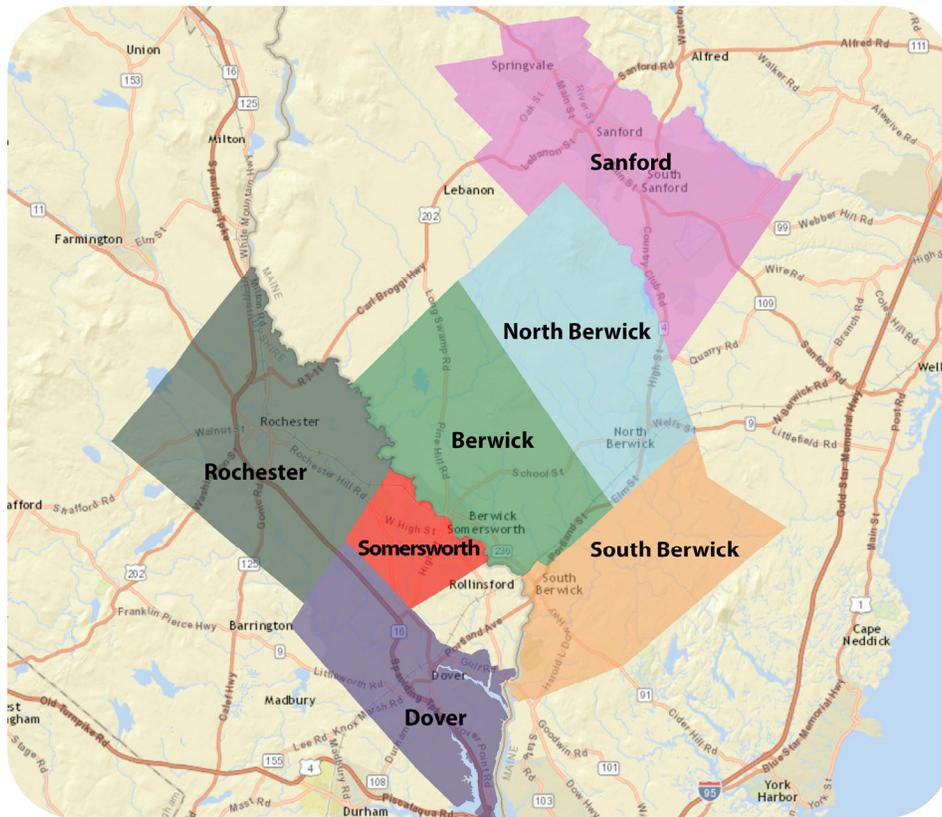
This concept would result in a service-oriented downtown with less emphasis on new residential. An institutional or civic (public) use anchors this redevelopment concept (e.g., higher education facility). A specialty foods grocer would be a significant secondary use along with a full-service restaurant. These two uses would potentially require substantial on-site parking. Residential development would include a more limited number of market-rate apartments and for-sale townhouse units. A range of retail uses is included, which would likely be clustered together to form a small "Main Street" atmosphere with active storefronts.



# Appendix A: Competitive Analysis

## Introduction

The purpose of the competitive analysis is to understand Berwick’s relative advantages and disadvantages relative to surrounding communities as it relates to development potential. The real estate market was analyzed for the general real estate categories of residential, office, retail, and industrial. Based on conversations with town officials, the following communities were selected for the competitive analysis as those most likely to compete with Berwick for investment: Sanford, ME; North Berwick, ME; South Berwick, ME; Somersworth, NH; Rochester, NH; and Dover, NH.



## Socioeconomic Comparison

Berwick has a relatively small population but it has seen the greatest percent increase in population among the communities between 2000 and 2015 with a 3.7% increase in population. The town’s housing values exceed those of Rochester, Somersworth, and Sanford but trail the other communities. Similarly, Berwick’s population is better educated than some of the communities but lags behind others including Dover and South Berwick, both of which have a significantly more educated population than other communities. Residents of Berwick have longer commute times than those in the comparison communities with an average 32-minute drive to work. The shortest drive time is for residents of Dover than have an average commute of just under 23 minutes. Households in Berwick have relatively high median incomes that surpass the comparison communities except for South Berwick and North Berwick where median household incomes are significantly higher than other communities in the region.

### Demographic Comparison

	Population (2015)	Population Growth (2000-2015)	Housing Units (2010)	Median Value of Owner-Occupied Housing	% Bachelor's Degree or Higher	Avg. Travel Time to Work (minutes)	Median Household Income (2014)
Somersworth, NH	11,759	-0.10%	5,199	\$202,200	25%	25.6	\$53,094
Rochester, NH	30,038	1.00%	13,372	\$168,900	20%	25.9	\$48,114
Dover, NH	30,880	3.00%	13,685	\$238,700	40%	22.7	\$60,038
South Berwick, ME	7,415	2.70%	2,911	\$249,300	40%	28.7	\$75,341
North Berwick, ME	4,602	NA	1,967	\$233,700	25%	26.4	\$73,482
Sanford, ME	20,796	0.50%	9,452	\$169,900	20%	25.7	\$44,123
Berwick	7,514	3.70%	2,934	\$211,300	28%	31.7	\$64,309

Source: U.S. Census Bureau

Berwick, like the comparison communities, has a very low unemployment rate. The Town has 186 businesses, the fewest number after North Berwick. The number of employees at those businesses is only 1,212, which is the fewest of all the communities. The ratio of employees to residents is significantly lower than the other communities, an indication of the largely residential nature of the town compared to others.

### Economic Comparison

	% in Labor Force	Unemployment Rate (5/16)	Businesses	Employees	Employee/Residential
Somersworth, NH	71.8%	2.4%	586	6,815	0.57:1
Rochester, NH	65.9%	2.2%	1,231	14,397	0.47:1
Dover, NH	72.3%	2.0%	1,648	17,399	0.55:1
South Berwick, ME	76.0%	2.7%	213	2,885	0.39:1
North Berwick, ME	NA	2.9%	144	3,229	0.68:1
Sanford, ME	64.3%	NA	985	10,987	0.53:1
Berwick	72.0%	2.6%	186	1,212	0.16:1

Sources: Census Quick Facts; Bureau of Labor Statistics; ESRI Business Analyst

## Somersworth, NH

Downtown Somersworth is, for all intents and purposes, an extension of downtown Berwick and as such requires the closest scrutiny. The downtown area features several mixed-use buildings that are generally two-stories with retail storefronts. As of early 2015, one analysis found 17 vacant storefronts out of a total supply of 27 spaces, representing a 62% vacancy rate. Rents at the time averaged around \$6 per square foot and the retail spaces were characterized as “deteriorating” and “dated.”<sup>1</sup> Outside of the immediate downtown area, Somersworth has numerous retail spaces available along the Route 9/High Street commercial corridor with list rates ranging from \$15 to \$20 per square feet (annually). The town’s commercial corridor features major national big box brands including Walmart, Home Depot, Target, and Market Basket along with numerous fast-food/quick-serve restaurants.

Somersworth housing stock includes a significant share of renter-occupied housing (43.5%) compared to owner-occupied housing (56.5%). Housing values for both rental units and owner-occupied homes are only slightly less than Berwick, but the perception of the Somersworth’s housing stock quality is fairly negative. However, downtown Somersworth is home to the very successful Canal Street Mill multi-family development done by Chinburg Properties. The redeveloped mill features 54 apartments including studio, live/work, 1-bedroom, and 2-bedroom units ranging from 500 to 1,300 square feet. Strong demand has led to the recent conversion of ground floor space

<sup>1</sup> Goodwin, Paul. *Fringe Town: Revitalization on the Margin, Assessing Small Downtown Revival and Catalytic Real Estate Development Feasibility on the Urban Fringe*. June 2015.



into 14 new residential units in 2016. Rents range from \$685 to \$1,500. The mill has zero residential vacancy and a waitlist for future availability indicating very strong demand for modern, high end apartments in the immediate vicinity of downtown Berwick.

The town is also home to the Whitehouse Road Business and Industrial Park with access to Route 16B and Route 108. The park is subdivided into three lots of 30 acres, 6 acres, and 4 acres (approximately 40 acres total). The site has some infrastructure constraints with private water and septic required, however 3-phase power is available. The 6-acre parcel is currently available for \$255,000 (about \$42,500 per acre). The 30-acre parcel is listed at \$450,000 (\$15,100 per acre). The market analysis interviews indicated that finding tenants for the park has been difficult and the demand outlook is soft.



*Canal Street Mill. Source: Chinburg Properties*

Somersworth has over 200,000 square feet of office space but vacancy rates are around 7% and rental rates are low at \$8.50 per square foot. The Canal Street Mill has 15,000 square feet of vacant commercial office space. Rents for commercial spaces in the mill range from \$4 to \$15 per square foot.

### Key Findings:

- The poor retail market in Somersworth indicates that demand for retail space in downtown Berwick may be weak. The availability of vacant space and low rents will make it difficult for a developer to earn a return on retail development space, especially given the town's competitive advantage in New Hampshire with respect to sales tax.
- Somersworth's retail commercial corridor is within close enough distance to the Berwick market that new retail businesses on the Prime Tanning site would not be able to compete in retail sectors with established national chain businesses.
- The Canal Street Mill shows that there is a proven market for modern market-rate rental housing in the local markets. Strong rental rates and very strong occupancy trends indicate there is unmet demand for rental housing.
- Somersworth has a few available industrial sites that would likely be more attractive to most industrial users because of better transportation access. The difficulty in finding industrial tenants indicates that local demand for industrial properties may be weak.
- The local office market is weak as indicated by high vacancy and low rents, which suggests office development is likely infeasible in downtown Berwick.
- Somersworth has a general locational advantage compared to Berwick with closer proximity to the large Dover market and better access to major highways and transportation networks. Therefore, it may be more likely to absorb "overflow" demand from Dover.

## Dover, NH

Dover is a much larger-scale market than Berwick with a population of over 30,000 compared to Berwick's 7,500 total. The Seacoast Region's real estate market overall has been booming and Dover is well positioned for future market demand, especially from residents and businesses unable to find spaces in Portsmouth.

Dover has a mixed-use walkable downtown area with low to mid-range retail stores and a variety of dining options making it a destination area for shopping and entertainment. From an investment point of view, the city is perceived to be an "up and comer."

The city's residential real estate market is very strong with new apartments up to \$2,000 for 2-bedroom units. On a per-square-foot basis, rates are in the range of \$1.50 to \$2. Multi-family developments coming onto the market, including the Cocheco Mill with 74 units, are heavily pre-leased and have achieved full occupancy quickly.

Most multi-family investment has been drawn to downtown areas including the RIPARIA, a luxury riverfront apartment development featuring 32 units with rents ranging from the \$1,500s to \$1,800s (\$1.50 to \$1.80 per square foot). RIPARIA, completed in 2015, also features active ground floor uses including restaurant space, however, this space is still vacant with list rental rates of \$9.75 per square foot. Young professionals have largely driven this downtown residential demand with some additional demand coming from empty nesters, middle-aged singles, and couples with no children.



*RIPARIA 100 First Street Multi-Family Development. Source: [www.Riparia100firststreet.com](http://www.Riparia100firststreet.com)*

There are indications of an improving retail market in the city as existing vacancies are becoming filled in 2016. Burlington Coat Factory is moving into a vacant big box building and a new Dover Towne

Center shopping center is being redeveloped in the former Walmart plaza with over 100,000 square feet of retail space. Retail leases in the city have rental rates ranging from approximately \$7 per square foot to \$16 per square foot.

Dover has about 230,000 square feet of vacant industrial space, which is about 11% of all inventory. The average asking rent (triple net) is about \$4.50 per square foot, more than a dollar below the average overall New Hampshire industrial rental rate. There are several industrial buildings available for lease including large warehousing/manufacturing space, combination warehouse and office space, and empty building lots. The City has three industrial parks: Industrial Park Drive, Crosby Road Industrial Park, and Enterprise Park.

Current listings indicate land availability in the Enterprise Park with a primary target of warehouse and distribution businesses, industrial research and testing facilities, and office uses. The Enterprise Park has special tax incentives to companies that locate there. Land is being sold at 20% below market value to attract companies. The park can support several additional 10,000 to 20,000 square foot buildings with one parcel being capable of accommodating a 100,000 square foot building.

The Seacoast office market has its nucleus in the booming downtown Portsmouth market where space is in high demand. According to CBRE forecasts, Dover and Hampton should expect to see increased office demand as a result of the low supply in Portsmouth forcing companies to look elsewhere. The City has seen some activity in the office market. In 2015, an expansion of 67,000 square feet of office space was fully leased, attracting a major anchor tenant

from Hampton. Current listings show several office spaces available for sale or lease with asking rental rates ranging from \$6 to \$12 per square foot.

### Key Findings:

- Dover has a very robust residential apartment real estate market with high demand for modern units in the downtown area walkable to shops and restaurants. Rents are climbing and are out of reach of some potential renters that are being priced out of the downtown rental market.
- The City has numerous and affordable industrial properties available for lease or sale. Additionally, the industrial sites have a strong locational advantage over Berwick as they have much easier access to highways and transportation.
- Overflow office demand from Portsmouth is likely to be absorbed by Dover and other larger markets like Rochester that have lower land and housing costs. It is unlikely that this office demand would leapfrog these larger markets in favor of the small-town market of Berwick.
- The city's walkable mixed-use downtown is an entertainment and dining destination indicating that there may be a need for Berwick to differentiate itself from the current offerings in Dover.

## Rochester, NH

Similar to the rest of the region, Rochester's residential market is strong although housing values are significantly below other communities. Single-family construction has been steady but there has also been activity in the multi-family market. Rochester was slower to recover than other markets, including Portsmouth and Dover, after the recession indicating weaker housing demand relative to those stronger markets. Rochester's more affordable housing values, however, make it attractive for those looking for owner-occupied housing that cannot afford homes in those cities.

Rochester is more of an industrial center compared to other markets in the region with eight industrial parks. Rochester's Economic Development website currently lists several available industrial properties for sale or lease. Industrial lease rates are in the range of \$4 to \$7 per square foot. There are also available building sites available from \$35,000 per acre to \$90,000 per acre.

Rochester's office market is very weak with a vacancy rate over 30%. Gross rents are approximately \$7.50 per square foot on average. Several Class B office spaces are available at the Industrial Way Campus.



*The Ridge Marketplace currently being developed. Source: Loopnet.com*

The city also has retail vacancies including a 60,000 square foot building on North Main Street, two spaces in the Rochester Crossing shopping center, and 2 Spaces in the Spaulding Commons Strip Center. A new retail center, The Ridge Marketplace, is a 300,000 square foot development project that will feature a Market Basket, Hobby Lobby, Marshalls, and Petco. The development still has 126,000 square feet of space available with potential for shops, restaurants, services, and pad sites.

## Key Findings:

- The residential market lags behind Dover but is strengthening. The city is an affordable alternative currently but some residential apartment units are getting premium rents in the market.
- Rochester has affordable industrial buildings and building site available, including spaces in dedicated industrial parks.
- The city's office market is weak and can absorb a significant amount of demand. Rochester is likely to see future office absorption from "overflow" demand from the Portsmouth market.

## South Berwick, ME

South Berwick is a largely residential community with a small, walkable downtown with some food and small-scale retail establishments. The town is an attractive place to live and the relatively higher home values reflects this. The community has a fairly small share of its housing in rental units and rental rates lag behind other communities.

South Berwick has several retail spaces representing a total of about 73,000 square feet of space. On average, rents per square feet are around \$13 per square foot. Vacancy rates are relatively low with retail space generally considered fully occupied. Leasing activity and new construction has been minimal in recent years. Retail spaces in the town are small format typically falling in the 1,500 to 3,000 square foot range. Retail offerings include some small independent restaurants, a Nature's Way market, and other convenience type businesses serving local residents.

The town has only a handful of office properties totaling about 40,000 square feet. Vacancy rates are low and office space is generally fully leased. Absorption of office space has been very low and there has not been new office construction in recent years. Office space is lower quality with Class C space making up a significant proportion of the supply. Rents average around \$10 per square foot.

## Key Findings:

- The South Berwick real estate market has not seen much activity on the commercial side but continues to see growth in the residential market.
- The town has a small downtown area with successful convenience retail and a small specialty food store, which shows that this type of development may be feasible for Berwick's downtown.

## North Berwick, ME

The only recent commercial development in North Berwick is a 20,000 square foot Hannaford supermarket opened in 2015. The town has other small-scale retail businesses and food establishments. Overall, the town has about 200,000 square feet of retail space with low vacancy rates. Rents average around \$10.50 per square foot.

The town's supply of office space is relatively low at about 36,000 square feet. Absorption in recent years has been virtually nothing. Four of the town's six office properties are lowest quality Class C space.



*Hannaford Development. Source: CoStar*

The town has several industrial properties that are mostly composed of dated low-quality warehousing and storage buildings. There is about one million square feet of industrial space but almost all of that is accounted for by the Pratt and Whitney engine manufacturing facility. The average rent per square foot is about \$5.00 for industrial space. Vacancy rates are low but absorption over the past year has only been around 2,000 square feet.

Activity in the housing market has also been quiet. No housing units were permitted in the town from 2013 through 2015. The housing stock is dominated by owner-occupied single family housing. Median home values are around \$234,000. While there is not a significant supply of rental units, rental rates are competitive with other communities with the median rental rate falling around \$915 per month.

### Key Findings:

- The Hannaford market is the only significant development in the town and would compete against any other grocery development in downtown Berwick.
- Overall, North Berwick's real estate market is not very active and it's supply of commercial properties is generally dated and low quality
- The town's greatest market strength is in the residential sector, especially for single-family housing

## Sanford, ME

Sanford has among the lowest housing values of the comparison communities with a median owner-occupied housing value of \$170,000. Rents are relatively weak at only \$780 per month (median). Despite the weakness in values, there has been recent construction activity with 42 single-family housing permits issued from 2013 through 2015 and 58 multi-family units issued during the same timeframe.

According to CoStar data, rental housing vacancy rates are low at around 4.5%, indicating a healthy rental market. Rental rates have averaged around \$750 for 1 bedroom units, \$850 for 2 bedroom units, and \$1,050 for 3 bedroom units. The city has about 560 total multi-family housing units found primarily in older low-rise and garden apartment style buildings.

Sanford has approximately 1.5 million square feet of retail space. In the past year, about 6,500 square feet of inventory has been added to the market while nearly 20,000 square feet have been absorbed. Retail vacancy has been low, averaging under 3% over the past five years. There is currently about 150,000 square feet of vacant retail space. Rental rates for retail space are averaging around \$8.00 per square foot (triple net). Rents have generally been trending downwards. Retail development in the past five years has been focused in the downtown area and the South Sanford center. This retail has been geared towards the local market and has included two bank branches, a drug store, and gas station.

Vacancy rates in the office market have been falling and are now below 7% after reaching a high of nearly 13% in 2011. New absorption in 2016 may continue that trend. Net absorption YTD has been 13,000 square feet. Rents for office space are around \$7.50 per square foot. Although the office market appears to be tightening, there has been no new office construction since 2009.

The city has about one million square feet of industrial space with little vacancy. Sanford has adjacent industrial parks with over 600 acres and 48 tenants. Vacancy rates for industrial space have been tumbling from a high of 33% in 2011. In 2015 the vacancy rate was 7%, but YTD 2016 has seen a decline to only 1% following a net absorption of 62,000 square feet in 2015 and another 63,000 square feet in 2016. Rents currently average around \$5 per square foot. Despite the improved market, there has been no new development since pre-recession. There are two proposed industrial properties including a 30,000 square foot warehouse and another 15,000 square foot building.



One notable mixed-use project in Sanford is the redevelopment of the Sanford Mill by Northland Enterprises. The 66,500 square foot building was redeveloped into 36 rental apartments and 22,000 square feet of office space. The project also features a restaurant and bar, a fitness business, and a hair salon and day spa. The apartments at Sanford Mill are fully occupied.



*Sanford Mill Mixed-Use Redevelopment. Source: Northland Enterprises*

### Key Findings:

- Sanford's housing market is softer than some of the other comparison communities but is still experiencing strong demand for modern downtown market-rate apartments.
- The city's industrial market has been improving and vacancies have dropped to post-recession lows. The improving market has sparked developer interest with two proposed industrial spaces in the city's industrial park area.
- The office market has also been improving although developers are not building any new product with enough vacancy to absorb demand in the near future.

### Key Competitive Assessment Findings

- Market rate apartments in downtown areas are in strong demand in most of the communities analyzed. These units are achieving premium rates, especially those in redeveloped industrial buildings. The unmet demand for these units along with escalating rents means there is an opportunity for Berwick to capture demand on the Prime Tanning site through multi-family development.
- Overall, the office market is improving but demand is focused in major markets and smaller market communities are not seeing any demand or investor interest in office space. It is unlikely that office development would be a market feasible option given this trend and the availability of vacant office space in larger markets within the region.
- There are numerous industrial buildings and building sites available in communities that have a competitive advantage over Berwick in terms of transportation access. The availability of space and low rates in other communities will make it difficult for Berwick to attract traditional industrial users.
- The retail market is highly variable dependent on the community. Some places are beginning to see new retail development while others still have significant vacancy that will absorb demand in the near future. For Berwick, the most immediate retail competition is from Somersworth's commercial corridor with a wide variety of national chains.

## Appendix B: Interview Summary

Camoin Associates conducted interviews with real estate developers, real estate agents, town officials, business owners, and other knowledgeable stakeholders, including the site's owner, to better understand the local real estate market and market-feasible development scenarios for downtown Berwick's Prime Tanning redevelopment site. A total of 18 interviews were conducted. The input from those interviews is aggregated and summarized below.

- Mixed-Use walkable development is overwhelming seen as the most market feasible style of development. In general, interviewees believe that mixed-use buildings with residential above and active ground floor uses would have the strongest market potential – although the market can probably not support enough retail and other “active” ground floor uses for the entire site to be composed of this type of mixed-use building.
- Some of the key attributes of the site and the town affecting the market potential of redevelopment identified by interviewees include:
  - High traffic volumes funneling past the site across the bridge going to Dover
  - Water/sewer infrastructure capacity
  - High quality school district
  - Strong outdoor recreation offerings and interest
- Berwick is seen as either not being well known in the greater region, or as having a negative stigma due to the former Prime Tanning operation, although some interviewees believe the town has a positive perception as a nice small town. Downtown generally has a negative perception because of the “eyesore” of the Prime Tanning site. Berwick is seen as having a better reputation compared to its close neighbor, Somersworth.
- Overall, residential is perceived as having the greatest market feasibility in downtown Berwick with greater demand compared to commercial uses. Two types of residential were specifically identified by interviewees as having the greatest potential: market-rate apartments and senior housing. It should also be noted that several suggested that demand exists for workforce and affordable housing and several interviewees indicate that there may be demand for townhouse style housing, including for-sale units that might fetch sale prices of \$300,000 or greater.
- The most financially-feasible type of multi-family development is likely to be 4-story wood frame buildings, which typically produce buildings with 48 units each. Overall, it is believed that downtown Berwick could absorb between 50 to 100 market-rate apartments in the near-term.
- Senior housing demand is strongest for independent living (age-restricted) housing and there is a need in the town for affordable senior housing units. Some caution was expressed about slow absorption rates for senior housing and one developer recommended age-targeted housing rather than age-restricted housing.
- Market rate rental housing has potential as the regional market for apartments in Southern Maine and the Seacoast region is very strong causing people to be priced out of nearby markets, notably Portsmouth and Dover. Portland, South Berwick, Rollinsford, York and North Hampton were also specifically indicated as strong residential markets. There are also major employers in the local region (not as far as Portland or Boston) that would support residential development including the Naval shipyard in Kittery (5,000+ employees) the Aclara Technologies' plant across the river in Somersworth (formerly owned by GE) with 200 employees, and Liberty Mutual in Dover.
- Upscale (but not luxury) apartments would do very well in downtown Berwick and would have no trouble filling up. Most demand is seen for 1 and 2 bedroom apartments but the high quality school district means



there may be some demand from renters with children for 3 bedroom units. Opinions about achievable rents in the downtown Berwick market were mixed, but overall rents for upscale modern units were seen as potentially reaching as high as \$1,300 to \$1,500 for a 2-bedroom unit or generally around \$1.40 per square foot (e.g., a 1,000 SF apartment would be rentable at \$1,400 per month) but there was also suggestion that rents as high as \$1.70 may be realistic. Higher end rents were seen as being tied to the rest of the site being developed into an attractive mixed-use district with amenities within walking distance.

- The Prime Tanning site is perceived as an ideal location for a brewery. The water infrastructure for the site would make it an attractive location for this type of small-scale beverage manufacturing. There has already been interest from brewing companies interested in the site indicating existing market demand for this type of space in downtown Berwick.
- A restaurant in downtown Berwick that provides a family-friendly, more upscale site-down dining experience is needed and would do well in the town. Subway is the restaurant in Berwick and is not a full-service dining establishment. Similarly, food establishments in downtown Somersworth are more casual and limited-service. Local residents typically go to Dover or Portsmouth for a dining-out experience but would patronize a local restaurant, if the option were available. Specifically, a brew-pub is seen as a good-fit for the site given the industrial nature and legacy of the site and the growing craft-beer market in Maine and the Seacoast Region.
- The area's strong food culture and local agriculture enhances the market potential of doing something food-related on the site including a farm-to-table style restaurant or value added food manufacturing (including a brewery). The town's very popular indoor farmers market highlights the potential demand for food-related development.
- The retail market is generally soft, as highlighted by storefront vacancies in downtown Somersworth, but there is a perceived need for certain types of convenience retail (meeting everyday needs of local residents) with specific examples given including a grocery, pharmacy, outdoor-recreation oriented retail, and small-hardware store. Constraints for retail development include the lack of sales tax in New Hampshire and competition for some of the retail categories. For example, a grocery store would have to compete against the new Hannaford in North Berwick. More "upscale". Entertainment options are needed that cater to Berwick's older population.
- Industrial is generally seen as having limited potential. The distance from major highways is seen as a major constraint. There are existing industrial properties available in the area that would be more attractive. The industrial park in Somersworth, for example, has had trouble finding tenants and as one interviewee stated, could not even "give away" the spaces. Dover was also indicated as a better location from a market perspective for industrial with better highway access and available sites. Furthermore, it was suggested that there is not a significant enough workforce to pull from for some industrial users. Despite the constraints, it is believed that there may be some potential for small-scale niche manufacturing or other light industrial. Warehousing and storage is one example of industrial space that is in generally high demand in the region.
- Medical office is seen as having potential on the site. Berwick has a limited amount of medical office and medical service providers in the town and it is believed that there is unmet demand for high quality Class A medical office space. For example, there is no regular (primary care) doctor in the Town, nor is there a dentist office.
- Traditional office development is seen as not feasible with a soft market in most communities throughout the region and several major markets such as Portsmouth attracting most office users.

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