

High-tech manufacturing: N.H.'s strong suit

REAL ESTATE

By Bradley Vear



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Over the past two decades, economic development in New Hampshire has waxed and waned in parallel with the development of the high-technology sector.

High-tech employment now stands at 9.3 percent (or approximately 50,000 people) of the total New Hampshire employment base, according to Professor Ross Gittell of the Whittemore School of Business and Economics at the University of New Hampshire.

Gittell, who painted a picture of the state's high tech employment at a recent Business & Industry Association of New Hampshire meeting, said this places New Hampshire third in the United States in percentage of high-tech employment, behind only Colorado (10.9 percent) and Massachusetts (10.4 percent). While this is not new news, it is interesting to see how he dissects the data.

He points out that if one separates the total high-tech spectrum into two branches — “services” and “manufacturing” — then there is a clear and distinct difference in New Hampshire's ranking. On one side, New Hampshire is ranked 18th, while on the other side, the state is first in the nation.

New Hampshire ranks highest in the concentration of high-tech manufacturing employment, and it holds this position by a significant margin — 14 percentage points higher than the next closest state. Of New Hampshire's total high-tech employment base, 59 percent are engaged in manufacturing, while 34 percent are in services (which

include software development, support, data processing, information services, communication services, R&D and testing services).

Is this something we should brag about or something we should worry about? Perhaps both. It may be worrisome to have a strong suit in high-tech manufacturing when the game is changing — look at the trend of manufacturing jobs migrating to Mexico, China and other cheap labor countries. Will New Hampshire suffer higher job loss than other states as this trend continues?

On the other hand, there must have been something that brought those high-tech manufacturing jobs to New Hampshire to begin with — some distinct competitive advantage. What is that advantage? Gittell suggests that one of the main reasons can be found in the work ethic of New Hampshire workers. But Ph.D.'s don't like squishy terms, so he presented a chart showing the “Value added per worker in High Tech Manufacturing” that quantifies this claim. The average for the United States is about \$155,000 of value added per worker. Massachusetts is at \$130,000. New Hampshire rises up above all other states at approximately \$270,000 per worker.

We know that New Hampshire currently has a strong base of highly skilled and motivated workers in high-tech manufacturing. Small businesses dominate the business landscape in New Hampshire — there is not a major dependence on one or two large corporate employers, like Boeing or IBM. New Hampshire is considered an entrepreneurial state, harboring a certain “can-do” work ethic, offering relatively low costs from a tax standpoint and featuring an attractive quality of life. We can assume that the trend for moving production manufacturing offshore to lower-cost countries will continue.

High-tech manufacturing should continue to

do well in New Hampshire as long as the focus is on custom manufacturing, not high-output production. Businesses that pursue these directions — prototype design, process development, small batch job shops, driving for patents in manufacturing products and processes — will find that New Hampshire offers a strong competitive advantage.

So how might commercial real estate benefit from and contribute to this movement? I believe that there should be an increased emphasis on developing multi-tenant industrial or flex-type properties, with increments of space as small as 3,000 square feet.

Small companies can stay small if they want and control their expenses, or they can easily grow and expand within these types of facilities. They need to be located in or near the larger employment bases to offer conveniences and amenities that allow employers to attract the skilled employees. I like to think of these types of facilities as modern incubators for businesses. This is where entrepreneurs can launch their ideas. I believe that it is very important for communities to promote development of these facilities within their business commerce parks or industrial parks.

Using a soccer analogy, we know that the best soccer players inevitably come from cities and towns that provide a strong youth soccer program. They start them at young ages and promote skills development. New Hampshire needs to continue to nurture small and young high-tech manufacturing companies. This is our strong suit. **NHR**

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