



nerej

By Kevin Fletcher - Tenants are taking advantage of the opportunities this flat market offers them

October 27, 2011 - Spotlights

I am pleased to announce that on September 27th our agency Coldwell Banker Millett Realty merged with The Masiello Group of Keene, N.H. Led by Sharon Millett, Millett Realty became the leading real estate office in central Maine and with this merger we are able to provide the same great service to our clients along with the nationally recognized services of the Masiello Group. The residential division is now Better Homes & Gardens The Masiello Group and the Commercial Division is now The Masiello Group Commercial Associates. This is an exciting opportunity for our commercial clients, as Masiello is northern New England's real estate leader. The Masiello Group Commercial Associates reaches from Springfield, Mass. to Bangor, ME and all the areas in between. We provide a complete range of commercial real estate services for our clients throughout all of northern New England ranging from commercial real estate sales and leasing, site selection, tenant representation, development, and consulting services.

2011 has been a year of increased deal volume but also a year of flat to lowering prices. Sales of investment grade properties appear to be increasing. Cap rates continue to vary depending on quality of the product and tenant strength with rates ranging from 9.5% to over 11.00% in some cases. Purchasers are making decisions based upon the strength of the leases and tenants as well as rental rates and lease length. Even solid tenants with strong balance sheets are being discounted if the rental rates are deemed excessive for the market. Buyers with cash are savvy and returning to the basics of investing.

Some tenants are taking advantage of the opportunities this flat market offers them. We have seen tenants purchase space for their needs to take advantage of ownership opportunities and other tenants upgrading their space into higher quality spaces with better locations for the same, if not lower, rate that they were paying. Some strong national tenants are still moving into Maine this year also. Dollar Tree is making a big push into northern Maine; Buffalo Wild Wings has expended quickly in areas of Maine such as Auburn, South Portland and Bangor; and Urban Outfitters is scheduled to move into their new location on Middle St. in Portland shortly.

The abundance of commercial space and the reduction in the number of viable tenants has resulted in many vacant commercial buildings. Building size and location doesn't seem to matter. I have seen small buildings as well as larger ones sit vacant and on the market with little activity for well over a year. The vacant buildings that are selling are at deep discounts given the risk associated with finding tenants in this market.

As 2011 comes to an end, we need to focus on identifying the opportunities in the market for 2012. I believe the opportunities in Commercial real estate over the next 5 years will be tremendous. Identifying and positioning yourself to take advantage of these opportunities is always critical but will be especially critical to the savvy real estate investor in 2012. Fortunes will be created in the next

decade. Real estate is cyclical; it always has been, and it always will be. Even in a difficult commercial real estate market - many opportunities exist. The question is, are you going to know them when you see them, and will you be positioned to take advantage of them when they present themselves? Now is the time to start planning your commercial real estate investment strategy for 2012.

Will you be able to identify them when they are presented?

Kevin Fletcher, CCIM, is a broker The Masiello Group Commercial Associates, Auburn, ME.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540