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Record crowd of industry experts attend Maine Real Estate and Development Assn.'s 2012 forecast

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On January 26 over 600 real estate experts, owners, developers and service providers from across Maine attended the Maine Real Estate & Development Association's (MEREDA)'s annual Forecast Conference and 8th Annual Member Showcase.

Governor Paul LePage opened the conference with remarks detailing his vision for Maine's growing real estate industry. "I am optimistic about our state's jobs and real estate market. While we're not exactly where we want to be, our unemployment rate has improved during the past year and we are moving in the right direction," governor LePage said. "You will continue to see our Administration advocate for policies that encourage job creation which in turn will have a positive effect on the economy and real estate development."

Attendees of the conference received an overall economic forecast for the state by Charles Colgan of the Muskie School of Public Service, as well as 2012 market predictions from industry experts by region and key sectors, including office, retail, industrial, residential and multi-family properties.

Colgan noted that the residential real estate market would still feel the effects of the recession throughout 2012, particularly in the area of new construction. He indicated that nearly half of Maine's in-migration consists of individuals between the ages of 18 and 44 possessing a bachelor's or graduate degree and that this demographic represents a significant source of potential first-time homebuyers should overall economic conditions improve. Colgan predicted that the existing housing market will not improve significantly until 2013 and that foreclosures will continue to remain high amongst consumers in 2012. New housing will remain well below historic levels as demand for first-time buyers remains weak.

Karen Rich of Cardente Real Estate presented her forecast for the Greater Portland retail sector. Rich noted that new franchises and restaurants continue to move to Maine and that Greater Portland's retail vacancy rate of 6.24% is less than half the national average. She predicted that the growing adoption of so-called "window shopping" with smart phones and tablets will put pressure on bricks and mortar retail operations and expects that mid-priced retailers will be squeezed as lower end and higher end retailers benefit. Overall, Rich forecasted that available retail space will be absorbed due to the scarcity of new inventory and that the sector will experience modest growth as lease and sale pricing holds steady or experiences only minor increases.

James Harnden of Malone Commercial Brokers gave an assessment of the Greater Portland office market. Overall he observed that "the worst is over," citing office vacancy rates up only .27% in 2011, 90,000 s/f of positive net absorption, and the highest lease transaction volume since 2006. Harnden indicated that the overall Greater Portland office vacancy rate stands at 12.92% and observed the market has "turned a corner." He cautioned, however, that even though we are moving

in the right direction, vacancy rates remain high when compared to 5 and 10 year averages and that it will remain a "buyers/tenants market" in 2012. Harnden indicated that several new development projects are on the horizon and that he is optimistic for slow but increasing growth going forward.

Justin Lamontagne of NAI The Dunham Group presented an assessment and forecast for the Greater Portland industrial sector. Lamontagne noted that the total vacancy rate for the region is 7.29% (compared to 15.5% nationally) with Saco, Scarborough, and Westbrook enjoying the lowest vacancy rates. He indicated that manufacturing indices are on the rise, unemployment is falling, interest rates are low and money is available, but that stock market fluctuations and political uncertainty combine to create an overall confidence problem for the sector. Lamontagne predicted that lease rates will plateau and may tick up in particular areas, that new construction/speculative building will remain stagnant, and that bullish users will enjoy great value in 2012.

Bev Uhlenhake of Epstein Commercial Real Estate presented an overall forecast for the Bangor marketplace. Focusing on Bangor's role as a regional draw for retail, medical, and entertainment users, she indicated that Bangor is a rising market, with developers purchasing vacant space in the industrial sector, class A to B+ office space holding steady, and retail vacancies (especially big box stores) filling. She cited unprecedented investments in the waterfront area and expansion of health care services as areas of opportunity. Overall Uhlenhake predicted incremental growth for Greater Bangor with speculative building still a couple years away.

Other speakers at the conference included MEREDA President Thomas Lea; Chris Paszyc, CBRE | The Boulos Co.; Daren Hebold, Daigle Commercial Group; John Graham, Sullivan Multi-Family Realty; and Nicholas Dambrie, RE/MAX By the Bay.

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