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## **Commercial RE in Maine for the first half of 2012 has continued to slowly but steadily improve in a sectors, including retail, office and industrial**

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At the beginning of 2012, it was predicted that we would continue to see a fairly flat market in the downtown and suburban office market and that has proven somewhat true throughout the first 7 months of this year. We are experiencing some movement from office tenants, large and small, that have previously been in Class B and C spaces as they look to improve their positioning by gravitating to some of the vacant Class A spaces. Several large Portland area office tenants relocated to newer redeveloped waterfront spaces within the past year; creating some rather large vacancies that are very attractive to office tenants who are moving into and benefitting from aggressive landlords looking to fill their buildings. Downtown office space is leasing typical in the \$12-\$14 per s/f modified gross range with some of the higher end buildings able to achieve numbers greater than that.

Retail has begun to recover as well, as we progress through 2012. I was the presenter this year at our annual statewide MEREDA commercial real estate conference which looks at the coming year for all of commercial real estate as well as looking back at the previous year's trends and statistics. I presented the retail forecast for Southern Maine, including Portland and surrounding areas. A copy of that presentation is available by going to our website: [www.cardente.com](http://www.cardente.com) and downloading. At the end of 2011, we had a retail vacancy rate of 6.8% compared to the national average of almost double that at 12.7%. During 2011, one of the buzz words in our industry was "absorption" and that continues to be the case. There has been very little to no significant retail spec construction taking place over the last few years. I predicted at the beginning of the year that we anticipated slow but steady improvement in the retail segment as we move forward. As anticipated, several of the big box vacancies which occurred close to the end of 2011 have already been re-leased. A well established grocery store chain, Market Basket, with 68 locations in New Hampshire and Mass., is opening its first store in Maine and taking over part of the former Lowe's at Biddeford Crossing. Most of the significant vacancies in the Maine Mall area have filled in with stores such as Eastern Mountain Sports relocating to a former small box location as well as most in-line space being filled within . The one significant vacancy at the Maine Mall which has been vacant for a number of years since Filene's closed is still leased by temporary tenants while they continue looking for a retailer of some significant to occupy that prime location. All of Greater Portland and southern Maine and points north as well, have been long known for its great restaurants and it is quite astonishing how many new restaurants continue to move to Maine and prosper.

Old Port retail space, located in the waterfront, historic district of Portland has almost no vacancy rate. No sooner does a space come available then several retail clients are competing for that space. Particularly on our most popular tourist destinations, including Commercial St., Exchange

and Fore Sts. I definitely expect to see that positive trend continuing.

The industrial market in Southern Maine has also begun to rebound. Because of the lack of construction, almost all available smaller industrial space has been absorbed. In particular, the towns of Saco and Scarborough have less than 5% vacancy rates. Other areas that are doing well with slightly higher vacancy rates include Portland, Westbrook and Gorham. Again, there has been very little spec construction for industrial space over the last 4-5 years. Flex units remain in high demand, which are typically 1,500 s/f units and are very attractive for small business owners who wish to owner occupy. Sales pricing for those is in the \$100 per s/f range with lease rates for that type of smaller a space in the \$7.50 per s/f NNN range.

Lease rates remain at \$4.50-\$5.50 per s/f for units ranging from 5-15,000 s/f with slightly lower rates for the large industrial buildings. Clear height is still a huge asset as tenants prefer to stack up, rather than out.

Overall, we continue to see positive trends, and much greater activity than in the recent past. However, the commercial real estate market in Maine still has a ways to go to fully recover. There are some outstanding opportunities for both tenants and buyers in this market and we expect savvy investors to continue to take advantage of those opportunities throughout 2012.

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