



CELEBRATING
55 YEARS

nerej

Southern Maine industrial marketplace: Historical trends are the best prognostication tool

August 30, 2012 - Spotlights

September means that the leaves are turning, Tom Brady is winning football games and, of course, school is back in session. In the February 2012 issue of the New England Real Estate Journal's Industrial Development Resource Guide I reported on the state of the industrial market in Southern Maine. I made some bold predictions based on an extensive study of the inventory and trends my firm detected. I've always been a believer that tracking historical trends is the best prognostication tool. So what better way to gauge the vibrancy of the industrial market today than comparing it to my own outlook a mere six months ago? With deference to the time of year, I nervously submit the following self-assessed report card.

But first, a bit of background: late last year I decided to do a comprehensive inventory and study of the Greater Portland industrial market. I will spare you the finer details of the rules and parameters of the study but, just know, it is inclusive and encompassing of the entire market. I defined the Greater Portland industrial market as Portland, South Portland, Westbrook, Gorham, Scarborough and Saco. We inventoried 466 buildings totaling 14,511,385 s/f of industrial space. We then tracked each vacancy on the open market at the time and cataloged each asking lease rate for those vacancies. The total vacancy in Greater Portland was 1,058,197 s/f which is equal to a 7.29% overall vacancy rate.

Let's compare my predictions from February with the reality of the market today:

My prediction: "Asking lease rates will level and, in certain areas, tick up for the first time in years."

Reality: this was a bold statement for obvious reasons. We've been mired in this tenant's market for so long that the idea lease rates would level and increase was somewhat startling. But the deals that we've done so far have certainly been at or near asking lease rates. However, we have not seen an increase worth reporting. So it's fair to say that this prediction was half-right.

Grade: B-minus

My prediction: "Landlords, in particular areas, are regaining leverage over tenants."

Reality: I'm glad that I threw in the caveat "particular areas" because this one is dead on accurate. In areas like Saco and Five-Star Industrial Park in Westbrook demand continues to outweigh supply. So landlords have pushed back successfully on new tenant incentives and on lease renewals/extensions.

Grade: A

My prediction: "The overall vacancy rate was 7.29% and we forecast that number to drop in 2012."

Reality: We have not compiled the complete data at the half-way point of 2012 but, anecdotally, I

believe I got this one wrong. The large industrial vacancies that were available in March are still on the market today. The absorption over the summer was slower than I had hoped and anticipated. Therefore, my gut says that the vacancy rate will plateau if not climb when we finalize the numbers at the end of this year.

Grade: D-minus

Finally, I have to assign one more grade for something I did not report on in March. The idea of making big-picture projections and assumptions based on a mere six months of market activity? That's a D-plus. Although this is a catchy column angle, in a market as small as the Southern Maine industrial sector we need to be careful of jumping to conclusions based on a small window of transactions. There is an old saying that the Maine economy does not ebb and flow as drastically as the rest of the country in good or bad times. That remains true in 2012. Class dismissed.

Justin Lamontagne is a broker with NAI The Dunham Group, Portland, ME.

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