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Industrial market trends in Southern Maine: Past and Present

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The industrial market in southern Maine was categorized by a very slow start in calendar year 2007. After the summer season ended, the market has picked up dramatically. This past year however, was categorized by large industrial building developments on a build-to-suit basis for existing Maine companies expanding their operations. A highlight of notable construction projects was the Cinta's Corporation's construction of a 56,000 s/f uniform laundry facility in the Westbrook Heights Business Park in Westbrook, Me.

In addition to that, a tempered glass company named SIGCO constructed a 65,000 s/f expandable manufacturing facility. Nappi Distributors, which is a local beverage distribution company, constructed 140,000 s/f distribution facility in Gorham. Lastly, Bisson Transportation signed a long-term lease at the new 103,000 s/f modern, high bay Gendron Distribution Center in Auburn. Additionally, another large manufacturing plant located in Standish, Sensata, Inc. announced closing their operation placing the 123,000 s/f building on the market. This recent offering has attracted interest from a number of companies interested in expanding their operations to capitalize on the available labor resource in western Me.

Industrial land sales have been nearly non-existent over the past 12 months. Industrial experts are speculating that the land values have advanced to a price level that has dissuaded potential buyers. This, coupled with the increased cost of new construction, has directed users to consider existing facilities which have, as a result, enjoyed strong appreciation.

The adaptive re-use of manufacturing facilities into new uses has continued. Some changes in uses have been an indoor carting facility and an indoor sporting arena to give sports team indoor facilities during the cold winter months.

Industrial land that is pre-approved for development in southern Me. and is well located and serviced by public utilities is in short supply. New DEP regulations for vernal pools, storm water detention ponds, etc., have made large-scale development more difficult. We anticipate this will lead to infill parcels becoming less developable and larger projects moving further and further away from population centers. To counter this, there is also some significant, state-wide, attention to the fact that the manufacturing sector has diminished and the state is endeavoring to come up with incentive packages such as tax increment financing in order to attract and retain large scale manufacturing and the related jobs.

The industrial team at NAI The Dunham Group forecasts that 2008 will be a year marked by the following: the Federal Reserve lowering of interest rates could spur further economic development

in the industrial sector. We also expect there to be continued interest in owning vs. leasing keeping the sale market healthy. New construction costs will continue to exert upward pressure on existing building sale prices. New municipal, state and federal regulations will make existing developable land parcels more valuable and new projects difficult and more expensive to get approved.

Less demand for lease space will render lease rate more stagnant than sale prices. The regulatory environment (municipal, DEP, Army Corp of Engineers) restrictions should continue to make already approved larger projects and properties more attractive. Lack of available properties will continue to drive large industrial development to outlying areas and to communities that are eager for job growth to diversify their economy.

Tom Dunham SIOR, is senior partner and principal at The Dunham Group, Portland, ME.

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