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Greater Portland gains ground in 2013, poised for new construction in 2014

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Greater Portland commercial vacancy rates are down and rental rates are up according to key industry representatives at the annual Maine Real Estate and Development Association's (MEREDA) Forecast Conference, which took place last month in Portland. Some 700 real estate professionals, community leaders and economic developers came together to assess what happened last year and to hear predictions about the future.

Beginning with a welcome by United States senator Angus King and continuing through individual sector presentations, 2013 emerged as a good year for development in Greater Portland.

Industrial Market Survey

After inventorying nearly 500 properties in Greater Portland, industrial expert Justin Lamontagne concluded that the industrial market has "fully rebounded from the recession." Lamontagne, a broker with NAI/The Dunham Group, noted that the overall vacancy rate in the region decreased from nearly 7% in 2012 to 5.3% in 2013. While vacancy rates dropped, lease rates edged up in 2013. Lamontagne explained, "Locations with easy access to I-95 prove to be the strongest sectors." Scarborough, Saco and South Portland, all with direct access to I-95, enjoy exceptionally low vacancy rates and command higher lease rates.

With the inventory of industrial land so low, new construction is inevitable. According to Lamontagne, "Supply has all but dried up in several parks and demand continues to remain strong. It stands to reason that interest in land and speculative building opportunities will increase."

Greater Portland communities are ready for this new wave of development. Scarborough's Haigis Parkway and Enterprise Business Park have fully serviced lots ready for development. Portland also has fully serviced lots ready for development in the new Technology Park, which came on the market in 2013.

Office Market Survey

Jim Harnden, partner and broker with Malone Commercial Brokers, assessed the Portland region's office market. According to Harnden, overall vacancy rates are down to 10% from a peak of 13% just two years ago. Net absorption in the Portland office market was up, with the region experiencing the largest-single year increase in absorption since 2005. In continued good news, the lease rate, on a weighted basis, were up by 4% across all class A & B sectors in both downtown and suburban locations.

Drilling down in his analysis, Harnden explained that downtown Portland experienced the largest single-year net absorption in over a decade. Local tenants expanding their footprints, rather than new businesses, were responsible for the increase in leased space.

The suburban markets experienced an 8.4% increase in asking lease rates. The class A suburban office market posted the lowest vacancy rates since 2007 last year. Firms such as TRC

Environmental in Scarborough and Intermed in South Portland accounted for some of this new activity.

Retail Market Survey

Retail square footage absorbed in Greater Portland increased nearly 250% in 2013, reported Karen Rich with Cardente Real Estate. The amount of vacant space in the region dropped by nearly 30% over the year, resulting in a vacancy rate of 4.3% for Greater Portland. Compared nationally, retail vacancy rates are less than half of the national average.

Retail is the one sector that did see a slight drop in lease asking rates. Overall lease rates dropped 1.5% in 2013.

Several national brands entered the greater Portland market in 2013, including BonTon, Nordstrom Rack, Pier One, Qdoba Mexican Grill and Clarks. Other national brands such as Starbucks added new locations.

Local restaurants, along the main stay of downtown Portland, branched out to suburban markets. And new restaurants continue to come into downtown. According to Rich, restaurants are "absorbing every possible location" in Portland.

While the market overall had flat lease rates for retail, the competition for space in the Old Port area of Portland is driving up the average lease rates, reaching as high as \$40 per s/f (modified gross).

Also noteworthy in retail is the entrance of Market Basket to Maine. Located in the City of Biddeford, Market Basket took over approximately 107,000 s/f of space previously occupied by Lowe's.

Looking forward to 2014, Rich identified several projects in the works including 43,600 s/f of restaurant and retail space in midtown Portland and over 100,000 s/f of restaurant and retail space proposed for Scarborough adjacent to Wal-Mart.

Rich expects more national franchises to enter the greater Portland market and existing retailers and restaurants to expand into new markets.

For Greater Portland, the three industry experts generally agree that 2013 was a good year. The region continues to shake off the recession and indicators are positive for 2014.

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