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Maine's commercial real estate sale market holds strong through third quarter of 2014

October 30, 2014 - Spotlights

To date, 2014 has proved to be a strong year for Southern Maine's commercial real estate market. In particular, there has been a significant amount of sales activity in regards to commercial investment and owner occupant properties. This article focuses on Maine's commercial sales through the 3rd quarter of 2014 and the attributing factors for the increased activity.

Over the last several years, low interest rates have played a key role in the rebound of commercial sales for small to midsize Maine business owners. Many tenants are now owner occupants paying a monthly mortgage that is comparable to their prior lease rate. Not only are some owner occupants reducing their monthly costs, but they have the opportunity to own their business's real estate outright at the end of their amortization period. This has been an enticing proposition to business owners for several years now and should continue through 2015.

Southern Maine's commercial investment sales have flourished as well this year. In addition to low interest rates, Maine commercial investors have taken advantage of capitalization rates that provide a better return than many other markets in New England. 10 Gurnet Rd. sold for close to a 9% capitalization rate in August. This property is located in the heart of Brunswick's retail district and is occupied by three national tenants (Starbucks, Subway, and Orange Leaf). One could argue that a 9% capitalization rate for this type of product would be reasonable even when interest rates were at 8%. The Sparhawk Mill in Yarmouth sold earlier this year for \$1.825 million for approximately a 10% capitalization rate and offers the potential for additional development. Fifteen years ago, investors were looking at 10% cap rates when interest rates were double then they are now. However, good news travels fast and with more competition and the uncertainty of rate increases, Maine investors are trying to lock into a good deal before it is too late.

My article would look like Homer's Iliad if I listed all the significant sales that have taken place in Southern Maine through the 3rd quarter. Therefore, I highlighted my picks for year to date sales:

- * One Runway Rd., South Portland - On April 1, 2014, P & W Real Estate Corp. sold One Runway Road for \$2.555 million to Casco Bay Steel. "We had several buyers on the table" said Tom Dunham of the Dunham Group. "The sellers elected to sell the property to Casco Bay Steel verse an investor as Casco's long-term plan is to utilize the property and the rail access for their steel delivery business". The sale included 114,720 s/f of warehouse buildings and 12.88 acres. The sale was brokered by Dunham.

- * 400 Riverside Industrial Park Way, Portland - On September 11, Unitil purchased 400 Riverside from Grass, LLC for \$2.555 million. Consisting of a 60,000 s/f warehouse building on 5.09 acres, Unitil bought the property to accommodate their facilities need (another owner occupant). The transaction was brokered by The Dunham Group and Joe Porta of CBRE|The Boulos Co..

- * 511 Congress St., Portland - Now known as Ocean Gate Plaza, this 130,000 s/f office tower along

with 150 +/- surface parking spaces and a bank drive-thru was purchased by Ocean Gate, LLC from 511 Plaza, LLC, for \$12.45 million on April 18, 2014. Since the transfer of ownership, the building has been completely rebranded and the building's vacancy rate has been reduced from 9% to 4% with serious discussions in place to lease out the balance. The sale was brokered by David Pergola of Cassidy Turley and Cardente Real Estate (Cardente is the current leasing broker of record).

* Atlantic Place, 189 Darling Ave., South Portland - Dead River Atlantic Place, LLC sold this 72,490 s/f single story investment property to 341 Park, LLC for \$8,487,870 on July 22, 2014. "The property had a few vacancies, but is in a terrific location and offers tenants tremendous parking and convenience. The purchaser was conducting a tax-deferred exchange and was confident the property would fill quickly due to the recent uptick in office leasing activity." said Drew Sigfridson of CBRE|The Boulos Co. "I expect more transactions like this in the coming year."

* 60 Portland Pier, Portland - In early October, the Dimillo family purchased this property for \$1.6 million. Brokered by Joe Malone and Jennifer Small of Malone Commercial Brokers, the asset sale included the 26,800 s/f pier, two buildings totaling 8,524 s/f, and the New Meadows Lobster Co. business. "The Dimillo family was the likely purchaser for the asset" said Small. "The sale marks the family's interest in maintaining the viability of Portland's Waterfront." The Dimillo family owns the adjacent pier where Dimillo's restaurant is located and have plans to grow the New Meadows Lobster Co. business.

In November, Mainers will be determining the next governor as well as a key senate seat. As is evident with most high profile elections, issues involving the state of the economy are brought to the forefront. "If you elect me as governor, I will make this change..." or "What is wrong with Maine's economy is ...". However, not much has been debated lately that directly involves the state of Maine's commercial real estate market. Of course, job growth and the ability to bring new businesses to Maine will involve more commercial real estate transactions but no news on the political forefront seems to be good news for Maine's commercial real estate market. Considering the strong commercial sale activity through the 3rd quarter of 2014, this momentum should carry through yearend and into 2015.

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