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Taking a look back at what transpired during 2014 in the commercial real estate market

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As we turn our attention to what is happening in the commercial real estate market in Maine, we must first look back at what transpired during 2014.

The MEREDA Conference (Maine Real Estate Developers Association) which was held last week on January 22nd in Portland Maine and attended by over 800 real estate professionals from Maine and New England including commercial brokers, attorneys, bankers, appraisers, land use consultants, city and town officials, and developers has become the premier conference of the year. The conference takes a look back at what happened in 2014 in all sectors of the industry including industrial, office, multifamily, hospitality, residential and retail markets. As a repeat attendee and past presenter at this conference, I can assure you that the amount of research and work going into these presentations is significant and time consuming. The information exhibited is both informative and enlightening.

The industrial market in Greater Portland and Southern Maine shows a 4.12% vacancy factor with some communities having almost zero vacancy. According to Justin LaMontagne of the Dunham Group, the Industrial presenter, there was a "stunning lack of inventory towards the end of 2014." The industrial market probably couldn't be any stronger in Greater Portland than what it is presently. Prices have risen on a lease basis from an average of \$4 - \$4.50 PSF NNN to now asking and getting \$5.50-\$6.00 PSF NNN with ease. Industrial sales for 2014 were on fire and generated high sale prices as investments and also for the owner/user. The lack of inventory continues to create issues for industrial tenants looking to relocate, hence much greater interest in land sales and new construction projects.

Nate Stevens of the Boulos Co. presented the office report portraying the office market in Greater Portland as doing quite well with a total market vacancy factor of approximately 7.64%. The number of transactions continue to increase and with it the first significant rise in asking rates since 2009. Some major office tenants have relocated to Maine which has tightened up the market considerably. During 2014, there were a number of sizeable office building sales in Greater Portland ranging all the way up to the sale of 511 Congress St. with 128,000 s/f for a price of over \$12 million.

The hospitality industry has always been a strong component of the marketplace in Maine. Greater Portland continues to thrive after the addition of two major hotels to the Old Port/Waterfront area along with new hotels under construction and still in the planning stage throughout the State. There was over \$166 million and 1,174 rooms either newly opened or sold during 2014. An additional 879 rooms are anticipated to come on line in 2015. Daren Hebold was the source for the Hospitality numbers this year.

Multifamily unit sales are extremely strong and can be hard to find. If you want a well located multi-unit building in Portland, expect to pay upwards of \$100,000 per unit. The suburbs are

generating close to that range as well. Brit Vitalius of Vitalius Real Estate Group presented the multifamily segment and he reports that investment multi-units are selling from previous cap rates of 9% to unseen cap rates of 6-8% with prices in the \$80,000-\$100,000 per unit range.

Retail in Greater Portland remains healthy and vibrant with very low vacancy rates of 3.68%. Compared to the national average vacancy factor of 9.7%, it is somewhat remarkable. Although there has been very little new development during the last 5-7 years, there are some new building projects taking place. This will relocate some of the major retailers in the market. Home Goods, Marshalls, and Bob's Discount Furniture will make the move from Clark's Pond to Scarborough Gallery opening retail space at Clark's Pond. Pricing continues to increase for prime locations and Mark Malone of Malone Commercial Brokers, this year's retail presenter, expects that progression to continue.

Moving forward in 2015, if the trends persist, all sectors of the commercial market in Maine should remain strong. As the economy continues to improve, we are seeing land sales increase for the first time in quite some time. Retail continues to thrive in Maine, especially in Southern Maine and the Old Port. The waterfront retail in Portland is pushing historically high numbers with both very limited vacancy and high rates being asked for and attained. Portland has earned a reputation as a foodie city and become a tourist destination for eating out. I anticipate that there will be some speculative retail construction as the vacancy numbers remain low with more and more retailers looking to expand into this market. For the foreseeable future, the Maine commercial real estate market is vibrant and healthy.

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