



CELEBRATING  
55 YEARS

# nerej

## **Lease rates for Greater Portland's office and retail markets have remained stable**

April 30, 2008 - Northern New England

Despite a slow economy and residential real estate in a slump the commercial real estate market in Greater Portland is holding its own. Attractive low interest rates combined with a relatively low inventory of land and properties for sale has kept the price of properties from dropping which has meant lease prices in the office and retail markets have remained somewhat stable. The one market seeing a drop has been the industrial market where larger buildings have become vacant due to companies down sizing.

In the office market approximately 250,000 s/f has been built predominately build-to-suit with minimal speculative construction. Although construction costs seem to be easing a bit the combination of reduced demand and lease rates that do not justify the cost of construction has kept developers from adding any speculative space. The Portland peninsula has been the primary beneficiary of new construction particularly along its main arteries. Mercy Hospital is constructing a new 80,000 s/f medical facility on the Commercial St. connector and three office buildings have been completed or under construction totaling over 160,000 s/f along Marginal Way and I-295. These buildings are primarily build-to-suit with medical and law firms anchoring them. A 61,000 s/f Class A office building was added downtown as a condominium project with a 50,000 s/f owner/user occupying the bulk of the project.

Another project which will affect the market will be the redevelopment of the Maine State Pier located in the heart of the Old Port District. This project will include hotel, retail, and office development and will reshape the landscape of the India St. corridor.

In the retail market over 1 million s/f of power center retail is currently under construction, particularly in the Maine Mall market. In Scarborough, the Galleria and Lowes has been completed and a Wal-Mart Super Center is set for phased construction this year. When completed the center is planned to total 600,000 s/f. Cabela's is building a 130,000 s/f retail store with approximately 79,000 s/f of additional construction just south of the Scarborough Galleria. This development known as the Gateway Shops will also have a second phase which will feature 100,000 s/f of office space and a 200 room hotel.

In the Freeport and Kittery outlets vacancy remains very low. An 118,000 s/f retail development in downtown Freeport will be under construction this year. Freeport Village will be located near the intersection of Main St. and Bow St. at the former L.L. Bean factory store. This development accompanies a large expansion of the L.L. Bean retail store in 2007. Something to watch for will be rumored construction of a "theme park" associated with L.L. Bean featuring a hotel, golf course and numerous outdoor activity centers.

In the industrial market significant activity has been in the way of build-to-suits for existing Maine companies expanding their operations. Highlights of notable construction projects was the Cinta

Corp.'s construction of a 56,000 s/f facility in Westbrook, Sigco's 65,000 s/f expandable manufacturing facility and Nappi Distributors, which is a local beverage distribution company, constructing a 140,000 s/f distribution facility in Gorham. In contrast, Sensata, Inc. announced that they will be closing their 123,000 s/f manufacturing facility in Standish. Hopefully this property will attract companies who want to relocate to Standish to capitalize on the available labor resource.

Land values have still remained high which 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, coupled with lower interest rates kept the sales market steady.

Industrial land that is preapproved for development 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 also made large scale developments more difficult. As a result larger projects are forced to move further away from population centers or out of state completely. 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. Let's hope it is a strong incentive.

Chris Craig is an associate broker with NAI The Dunham Group, Portland, ME.

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