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## **Commercial real estate in Maine is seeing a robust market in 2017 across all sectors - by Karen Rich and Cheri Bonawitz**

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Karen Rich,  
Cardente Real Estate

Cheri Bonawitz,  
Cardente Real Estate

Commercial real estate in Maine is seeing a robust market in 2017 across all sectors, most notably in the retail, industrial and multifamily sectors. We are increasingly encountering buyers from across the country who recognize that the Maine market is a solid market to invest in. Cap rates can be slightly higher in Maine versus other metropolitan markets in southern New England and, as a result,

investors are creating a demand that is exceeding the quality product currently available.

### Retail in Maine

Retail is surprisingly robust throughout southern Maine. Retail malls in other parts of the country are experiencing many changes and, in many cases, closings. Maine has also seen some larger store closings. The Maine Mall in Portland (Maine's largest mall) has recently experienced the closing of Bon Ton, which closed after only four years at its only retail location in Maine. This was part of a series of nationwide closings by that company over the past few years. Best Buy is closing its Auburn store at the end of October (remaining stores seem to be holding their own), and Bangor lost Macy's and Sears earlier this year. So although Maine has experienced its share of downsizing and closings of stores that haven't been able to repurpose themselves, and despite persistent rumors as to potential "big box" closings, this is still relatively uncommon here.

Meanwhile, downtown Portland, Maine's largest city, is seeing huge demand for any retail space located in the Old Port and Waterfront areas of the city. Rates there have increased to approximately \$35 or \$40 PSF/MG in the most sought-after locations.

### Industrial Market

Southern Maine's Industrial Market has been robust for a number of years both in leasing and sales. Available inventory is almost nonexistent in York and Cumberland counties, and the prices achieved for leasing those spaces have also increased. There has been relatively little new development of industrial space over the last 10 years, but several new buildings are in the works. Some are being brought online in 2017 and more are projected for 2018. Potentially one of the largest issues to impact the industrial market throughout Maine is currently underway and could have a huge impact on any industrial space, existing or to-be-built. Dispensaries for medical marijuana and caregiver's growing of the product has been legal in Maine since 2009. In November 2016, the voters of Maine narrowly (by only 4,400 votes) passed a referendum that allows for the growth, cultivation and retail sales and distribution of recreational marijuana. Since that time, the Maine legislature has wrestled with crafting legislation that will tax and control those activities. As of October 23, they voted to allow the current moratorium (a moratorium on rulemaking, licensing and commercial sales of adult-use marijuana) to be lifted as of February 2018.

There still exists another hurdle for the growers, however, as Governor Paul LePage is considering vetoing this legislation and hopes to extend the moratorium until January 2019. In the meantime, growers throughout the state are getting primed for leasing any and all available space for growing and cultivation, and they are also actively considering retail sites throughout Maine that will allow for the sale and distribution of recreational marijuana. Statewide, we are seeing properties that have seen little to no interest by prospective tenants become highly attractive – even in parts of the state that typically don't experience this type of demand. From a commercial real estate perspective, the legalization of marijuana in Maine is creating a boom market.

### Multifamily Market

Development of large multifamily projects throughout Southern Maine have flourished during 2017. A number of very large-scale projects have been approved and are currently under construction or

on the drawing board as they are going through the approval process. There is much speculation as to whether apartment units in Greater Portland are beginning to reach their saturation point. In line with that, we have seen some projects that were originally drawn for apartments being developed as residential condos instead. However, there still appears to be a big demand. Obviously, location, pricing and amenities have a lot to do with whether these projects continue to enjoy great success. As the commercial real estate market in Maine continues to be very active across all sectors, nationwide shifts in the retail industry, State medical and recreational marijuana legislation, and (in Southern Maine) potential saturation of the multifamily market are trends that bear watching.

Karen Rich is partner, and Cheri Bonawitz, CCIM, is a broker for Cardente Real Estate, Portland, ME.

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