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## **Southern Maine industrial snapshot - by Justin Lamontagne**

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Justin Lamontagne,  
NAI The Dunham Group

The incessant pressure on industrial supply continued in 2017 to the point where, today, we are out of space. The data I've been tracking for almost a decade reflects far more than an interesting trend or anomaly. I believe this is an economic and business development crisis. Without respite, Southern Maine cannot compete for new business or support our own unless we can correct the scarcity of industrial real estate.

For the seventh consecutive year, vacancy rates have dropped. Today there is only 232,873 s/f of industrial real estate available in Greater Portland, Saco and Biddeford. With 566 buildings totaling 18,638,496 s/f that equates to a mind-boggling vacancy rate of 1.25%. While this is good news for those few, lucky property owners, there are hundreds of companies looking to expand or relocate in Greater Portland. Our buyer/tenant clients are often faced with multiple offer and off-market situations. We implore our clients to remain patient, flexible, communicative and, most important, be aggressive when opportunity arises.

Sales and lease pricing has skyrocketed. Lease pricing has taken a jump from last year, and we are now seeing industrial lease rates exceeding \$6.50/s/f NNN. Our sales transactional volume was down in 2017, but this was solely due to a lack of motivated sellers. As a result, any sale listing we did secure moved quickly and for a premium. We are now selling quality industrial buildings in the \$65/s/f range with peak pricing as high as \$80/s/f. This is nearly double the pricing during the recession.

There is some good news. With increased lease rates, it is likely we will continue to see new construction. In fact, in 2017, there has been 200,000 s/f of new construction projects. But, of that, only 30,000 s/f is available. I anticipate further industrial construction and absorption. And because industrially-zoned land is limited, I also expect interest in repositioning and redevelopment of existing buildings. In particular, I predict the turnover of big-box retail into light industrial and distribution spaces.

Another bright side is to recognize that continued demand is generally a good sign. While new-to-market industries like craft brewing and medicinal marijuana cultivation certainly drove the demand coming out of the recession, traditional users are also thriving. We have seen steady and organic growth from our Maine-based industrial companies. Manufacturing, in particular, seems to be making a comeback. In recent months my firm has been hired by two significant sized companies looking to grow in Maine and committed to building new, if necessary.

I am pleased to highlight the economic strain in Southern Maine caused by the paucity of industrial real estate. The lack of bricks and mortar for light and heavy industrial businesses has reached a critical tipping point. We must increase inventory and support business owners, local developers and state leaders willing to join in these efforts.

Justin Lamontagne, partner, NAI The Dunham Group, Portland, ME.

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