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## **Another strong year for the Greater Portland commercial real estate market in Maine - by Matthew Cardente**

March 06, 2020 - Northern New England

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Greater Portland's commercial real estate market remained healthy for all sectors through 2019. Retail and industrial vacancy rates dropped, lease rates and sale prices for all sectors continue to rise, and there remains high demand by commercial investors with low inventory available in the market. While several sectors may see a slight uptick in vacancy rates, the leasing market should remain competitive and our sales forecast for quality investment and owner / occupant commercial product remains extremely bullish through year end 2020.

### **Southern Maine's Office Sector**

Per The Boulos Company's 2020 Greater Portland Office Market Survey, an annual survey by Boulos since the 1990s, the direct vacancy rate was at 6.34 % in 2019 verse 3.94% in 2018. This marks the highest office vacancy rate since 2015 but it should be noted that 2018s vacancy rate was the lowest since 2002. Additionally, lease rates have continued to climb and tenant demand for quality office space remains competitive. Significant office transactions for 2019 include Sun Life's lease of 77,000 s/f at Portland Foreside, 38,072 s/f leased by Certify at 21-39 Commercial St., Portland and the Stantec 20,820 s/f deal at 2211 Congress St. in Portland.

The office market in Greater Portland through 4th Quarter of 2020 should remain healthy. Office vacancy rates should level off after 2019s increase and it remains a strong Seller's market for investment grade office product.

### **Southern Maine's Industrial Sector**

Per NAI The Dunham Group's 2020 Industrial Survey, the industrial vacancy rate for 2019 was at 1.84% in Greater Portland verse 3.47% in 2018. The industrial market in Southern Maine continues to be one of the hottest sectors. With such low inventory of product available for sale and for lease, pricing for both continues to increase. In part, the boom can be credited with the increase in types of users looking for warehouse / flex product in the market ranging from breweries to fitness to cannabis related businesses. Further, industrial buildings located in desirable markets such as Portland Peninsula, are being transitioned into more customer friendly related businesses who like

the appeal of high ceilings and the ability to convert overhead doors into glass entries. With such low supply and continued demand, 2020 should be another very strong year for the Greater Portland industrial sector. Lease and sale rates should continue to increase and plans for new construction should be ongoing to fill the need in the market.

#### Southern Maine's Retail Sector

The Greater Portland retail market had a solid year in 2019. Per Malone Commercial Brokers Annual Retail Survey, the retail vacancy rate dropped to 3.27% verse 5.02% in 2018. The decreased rate can be attributed primarily to the absorption of the 120,000 s/f retail vacancy that was formerly occupied by Filene's, a Bon-Ton department store within the Maine Mall in South Portland. Leased in its entirety by Jordan's Furniture and scheduled to open in late spring, this will be Jordon's first location in Maine and will be State's largest furniture store. Other notable 2019 Greater Portland retail leases include Bernie & Phyl's taking the former Toys "R" Us in South Portland and Work Out Anytime leasing of 8,443 s/f at Ocean Gate Plaza at 511 Congress St. in Portland.

2019 retail investment sales were also strong as has been the case for entire commercial investment market in Southern Maine. In Scarborough, First Look Plaza sold for \$3.3 million and 450 Payne Rd. sold for \$3.77 million. In Portland, the retail plaza at 1041 Brighton Ave. sold for \$2.99 million. Investors continue to look for opportunities as supply for quality property is extremely low.

Once again, 2019 marked another good year for Southern Maine's commercial real estate market. With ongoing demand by investors, low lease inventory in all sectors, and interest rates that may even drop again, the 2020 Greater Portland commercial market is positioned to repeat like years prior.

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