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How Greater Portland's retail market is responding to national retail market changes

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After reading various articles and hearing stories from across the country on economic woes and decreasing sales for major national retailers, one wonders whether this is having an effect on the Greater Portland retail market. My observations are that some local markets appear stronger than ever as other segments of the market in Greater Portland are affected by the recent downturn in the economy.

There has been a clear shift in Greater Portland's retail markets with the downtown market proving its sustainability over suburban markets. The downtown Old Port District retail market is showing promise as demand is high and vacancy rates are low. In the suburbs, however, demand has recently dropped and suburban retail strip centers and regional shopping centers are appearing more vacant by the month. In this article I'll explore the mixed retail market in Greater Portland, and examine the type of tenants each segment attracts.

Retail Demand in Downtown High

Demand is still very high and available space is limited in downtown Portland. The Old Port shopping district has always been an extremely popular place for retailers. The downturn in the national retail market does not appear to have had an affect on demand in this area. Many tenants seeking downtown retail space find themselves waiting for the opportunity to arise to locate where the local population and tourists flock. Despite some retail operators in the Old Port admitting they are feeling the crunch of a possible recession and consumer scarcity, many local businesses are seeing area residents and tourists continuing their consumption of recent years. Operators looking to open a store in the downtown Portland area do not seem to be frightened by media headlines predicting "doom and gloom".

Suburban Market Reflects National Woes

In stark contrast, the suburban market appears to have a direct relationship with the national retail market. There are currently several highly visible, well known suburban retail strip centers suffering vacancies. While some retailers are expanding and opening stores in suburban markets, these vacancies will persist, as the rate of new stores opening does not appear to be keeping pace with the rate of closings. The retailers that are looking for a new location are finding a wide array of available spaces, along with eager landlords who are willing to offer significant concessions in order to land a deal.

Local Retailers Resist National Trend

A primary reason for a slow suburban market and strong downtown market is the difference in the type of tenant that is attracted to each market and the local economy's sustainability. While the suburban area is home to a large amount of national retailers, franchises, and big box stores, the downtown tenants have continually been tourist oriented with gift shops, clothing boutiques, various

eateries, and any other store that could fit into the window shopping category. It isn't a secret that the overall national retail market has taken a hit over the last year. This is evident in Portland's major national retail trade area, and the change in the suburban retail market is a result of the fall of national retailers nationwide. Local retailers have always found downtown to be a welcoming place for their stores as compared to the suburban markets that have historically been primarily occupied by national users.

Downtown Revitalization on the Upswing

Over the last decade or so, communities across the country have strived for downtown revitalization, a return to the epicenter where one can live within walking distance to where they work and shop. This is not a new trend, but one that is slowly starting to become a reality in a growing number of downtowns. Retailers know that consumers want to experience tradition and history, and they locate stores in spaces with exposed brick, massive overhead beams and wide plank pine floors. These consumers are not attracted to the strip malls that have been constructed in the suburbs. Downtown can provide a vibrant alternative, and Portland has always had an excellent shopping district catering towards both tourists and the local consumer. With the addition of several current housing projects in and around the downtown area, retailers are becoming more willing to locate stores that serve the seasonal tourist and window shopper, as well as nearby residents. Service related retailers are becoming more popular in downtown and in the next few years there will be an increase in this type of retailer.

Trend Towards Downtown Will Continue

The next six months will continue similar to last six months. As long as the national retail market is suffering, expect the local suburban markets to follow. The out look for the downtown market is more difficult to judge, but as long as vacancy rates stay constant, downtown will continue to show its resilience. Whether the weakness in the suburban retail market will spill over into downtown is yet to be seen, but as gas prices increase we will continue to see more residents eager to live in urban centers. And as we have seen in the past, retailers will follow the consumers.

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