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The Greater Portland retail forecast for 2021 - by Peter Harrington

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On January 21st Peter Harrington, Malone Commercial Brokers, presented the “Greater Portland Retail Forecast” at the Maine Real Estate and Development Association’s (MEREDA) 2021 Virtual Forecast Conference. Below is a synopsis of his presentation.

2020 brought rapid, unprecedented change across the retail industry, potentially altering the way customers shop going forward. And, retailers are necessarily adapting to these changes and the resulting trends for the coming year in order to maintain a competitive edge in 2021.

Certainly, 2020 was a challenge in all respects due to the COVID-19 pandemic shutdown in March and subsequent phased re-openings that began during the summer months in Maine. As expected, vacancy rates increased as some retail businesses failed and closed. Landlords and tenants both were challenged to manage and remain competitive in a constantly shifting market.

Many sectors of retail struggled, especially bars, dine-in restaurants, gyms, small and boutique retailers, wedding businesses, hotels and most tourism related operations, a mainstay of Maine’s economy.

In Greater Portland, the Maine Mall has been stung by many retail closings (Sears, Williams Sonoma and more) but others opened (notably Jordan’s Furniture at the Mall and Planet Fitness nearby). Other retailers throughout Southern Maine appear to be in jeopardy and are attempting to stay afloat in the coming months, 2021 could see a larger rise in the retail vacancy rate.

However, many were successful; grocery and small markets, liquor, take-out and home delivery food outlets, outdoor athletic and sporting goods, drugstores, home goods (furniture to building supply stores) bank branches, and large on-line retailers.

In Portland’s Old Port and Waterfront districts there was quite a bit of activity: Sea Bags moved into

the former Company C space; Chilton Furniture opened a showroom at 100 Commercial; Mexicali Blues relocated, and Bobbles & Lace, Uncommon Paws, Kate Nelligan/Local Color all opened new doors.

Notable because of COVID-19, new restaurants opened. Broken Arrow in Portland, and in the suburbs Clean EatZ, Tacos Y Tequila, SoPo Seafood, and Café Louis.

An important, trending driver is residential Maine home sales. January through November was 7.9% ahead of the comparable time-period for 2019 – Maine's best year ever! A third of November sales were to out-of-state buyers compared to 1/4 in 2019. As a matter of fact, real estate accounted for \$12.2 billion [18% of the Gross Domestic Product (GDP)] in 2019; in 2020 the real estate GDP was \$1.2 billion higher in sales (thru Nov. 2020).

Add to this that everyone was sitting at home during the lockdowns in their existing homes, deciding to improve their home/backyard in some shape or form. This was a major driver of the retailers who were successful in 2020. It cannot be underestimated the tremendous impact this has had on the Maine economy and on retail sales during the past year.

Not only was this a boon for retailers, but it was also a boon for homeowners whose increased wealth effect of 22% increased their confidence in the economy. This has a huge positive impact on contractors and subcontractors – good luck finding an electrician, carpenter, or plumber!

As we enter 2021, we can expect the challenge and impact of the COVID-19 pandemic to be felt in the retail industry for months to come. To be sure, e-commerce will continue to grow to meet people's needs and desire for "contactless" shopping. And there will be resurging focus on "local" in both sourcing and shopping as well as take-out and same day food delivery.

Looking ahead are trends we see that will endure, grow and transform the Greater Portland market and throughout Maine:

Retail Marijuana - Portland alone approved 32 retail licenses, not all will open, but many will.

Restaurants - As the country reopens and vaccinations expand, restaurants will rebound. Restaurants are an integral part of the Portland and Maine's economy. This will bring much needed relief to restaurant owners and employees.

ROCK ROW - Music venue and new retail center in Westbrook, Market Basket opened in 2020 with more retailers to open here soon including Chick-Fil-A.

Brick & Mortar Retail - It should rally in 2021, as vaccinations increase. Businesses spent more in 2020 on everything other than physical space. This should change, but by how much remains to be seen.

Online Shopping - Tries to mimic reality but lacks the experience of in-person shopping. We haven't

evolved to be people who sit at home in isolation. We need the physical connection to each other and many of the products we use! To what extent brick & mortar retail recovers will depend on COVID-19 and the economy.

Flexibility - Tenants and landlords will need to be flexible. Not many retailers are signing long-term leases with the inherent risk in them. There will likely be a common risk approach, i.e. break point leases: if a tenant does well, they pay more. This is becoming more popular nationally and moving forward that trend will be seen more in Maine.

Lease Rates - Future rates, looking ahead, will begin to moderate.

As the days lengthen, the sun rises higher and vaccinations expand, Old Port sidewalks will once again be streaming with shoppers. Retailers will fling open their doors; and our wonderful restaurants will once again be teeming with life!

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