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The Greater Portland retail forecast for 2022: On track for continued growth in 2022 and beyond - by Peter Harrington

January 28, 2022 - Spotlights



Peter Harrington

On January 20, 2022, Peter Harrington of Malone Commercial Brokers presented “The Greater Portland Retail Forecast for 2022” at the Maine Real Estate and Development Association’s (MEREDA) 2022 Conference. Here is an overview of his presentation.

In 2021, we saw the economy continue the road to recovery. With a population weary of being sequestered at home for much of 2020 and 2021 and ready to return to normal life, restaurants began showing an increase in business as they welcomed customers back in-person and for expanded take-out options. Though some restaurants and retail did not survive the pandemic, many found creative ways to stay afloat. The initial increase in vacancies allowed for new businesses to open in place of some that shuttered, and rental rates showed an increase from 2020. The national retail vacancy rate continued its downward trend as of December 9, 2021 to 4.7% and down 10 basis points from Q3. Greater Portland’s vacancy rate ended 2021 at 5.32%.

There was an increase in outdoor recreational activities and related purchases, along with home gym equipment and athletic clothing. Home prices soared, leading to a “home equity wealth effect,” as homeowners began spending on home goods, appliances, furniture, contractors, and home improvement.

The unprecedented government stimulus support in 2020 and 2021, combined with expanded COVID vaccine distribution and treatment, contributed to confidence in the economic outlook. Area restaurants rebounded dramatically. Travel resumed, but with restrictions on international flights and requirements, many chose to vacation within the United States. As a result, Portland saw a significant increase in tourists this year. Many airlines added new flights to Portland; and hotels and Airbnbs in the area were booked throughout the season.

The national mall vacancy rate was the only retail property type with an increase in vacancy rate in Q4, a 0.4% increase from Q3 to 8.4%. However, the most significant sales in the area this year were of retail centers – from freestanding buildings throughout the Portland area like the historic 2 Market St. in the Old Port for \$6.1 million, to large shopping centers in the Maine Mall area including Mallside Plaza, which sold for \$20 million in December 2021.

Here are some of the ongoing projects and highlights from 2021:

Rock Row

Phase 1 of this Westbrook destination is open, including anchors Market Basket, The Paper Store, Starbucks, Chick-Fil-A and REI. 2023 will usher in a 150,000 s/f medical office building with major tenant of New England Cancer Center and will feature 300 apartments, followed by an additional retail phase in 2024 that will include 500 apartment units and the Element Hotel. The final phase in 2025 will include an outdoor concert venue and hotel, three parking decks with 1,500 spaces, and the construction of Maine’s first convention center.

Old Port & Downtown Portland

Fifteen new marijuana retail stores opened in Portland. Restaurants rebounded dramatically and the area saw many new options, including Paper Tiger, Brickyard Hollow, Rathskeller, Cheese Louise, Eighty 8 Donuts, Jefe Juans and Crispy Gai. Most retailers remained in their space as recovery continued throughout 2021; as a result, the number of new leases signed in the Old Port was insignificant this year. The Fore St. Garage is near completion of a multi-million dollar rehab; new restaurants will open there by spring 2022.

Maine Mall Area

Vacancy in South Portland is at 8.3%, with the Maine Mall area currently at 8%. The mall is looking to diversify uses to include hotel, entertainment, and experiential retail. Women's clothing stores continue to struggle with their online competition. Sears is available for sale; Town Buffet, Pier 1 are available for lease, as are former H&M and Forever 21 spaces. Planet Fitness continues to be a draw in the area and Sierra is a new addition to the Maine Crossing shopping center.

Scarborough

The former fire/police station on Rte. One in Scarborough is converting to a retail/service/residential complex. A prime example of the future of retail, this live/work location will include Harbor Fish Market, Rosemont Market, Bruno's Woodfired Pizza, Maniac Fitness, Stretch Lab, and Raise Play space. In addition, 31 senior housing units by Avesta will be featured in this destination community center set on a 2.76± acre site.

Southern Maine's unique charm and flourishing food and beverage culture continue to drive tourism and national interest in the area as a premier destination. Though there are risks to economic expansion including rising interest rates, inflation, labor shortage, and the ongoing competition of online shopping, the future for brick-and-mortar retail in Southern Maine and Greater Portland remains bright and is on track for continued growth in 2022 and beyond.

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