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**Local conditions and indicators are simply too strong for any major negative swings in 2022 - by Justin Laontagne and Sam LeGeht**

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“Under all is the land. Upon its wise utilization and widely allocated ownership demand the survival and growth of free institutions and our civilization.”

Preamble, Realtor Code of Ethics

I've always admired those opening words to our industry's code. It reminds me what real estate is, at its core. It is simply, but powerfully, land that can be improved by some physical structure to help our free society prosper, whether a home or commercial enterprise.

But the truth is, for the first decade-plus of my career, land was an afterthought for most of us in industrial brokerage and development. For many years, the industrial inventory was readily available with vacancy rates generally ranging in the 7-9% range. The high supply resulted in competitive lease rates and sales pricing for end-users, rendering new construction, and therefore, interest in land effectively nil.

But as I've reported for the last five years or so, those conditions have drastically evolved. We are now mired in a supply and demand imbalance as constricting as anywhere in the country. Since 2014 we have had a sub 4% vacancy rate with several years, including 2021, ending at or below 2%. The impact of that, beyond ever increasing prices, is that many end-user businesses simply could not grow. They could not hire new employees or increase production or storage or whatever it

is that they do simply because of the lack of bricks and mortar. So, finally over the last two years, we built. And we've built a lot...nearly 1,000,000 s/f of new inventory in the last 48-60 months.

The bad news is that it hasn't been enough. Virtually all the new inventory has been absorbed and what vacancies those shuffles created were quickly backfilled by pent-up demand. Interestingly, the pandemic exacerbated our supply issue as the sector proved essential on many levels (everything from PPE to craft beer!). And the dramatic growth in local life science and laboratories that focuses on COVID-19 testing and treatments continues. Abbot Labs expanded its Maine footprint again in 2021. And IDEXX announced plans to expand onto 20 acres at the Innovation District. In addition, the onshoring of manufacturing and warehousing work has driven several significant expansions in that sector.

Of course, not every business can build new. The vast majority of our transactions are for existing sites and, most challenging, several were lease renewals. The last couple years has reinforced the importance of having strong lease renewal language in how to define "market rates". It's a delicate balance. We navigated several deals where landlord's want all the money but need to consider the benefits of keeping a good tenant versus testing the market for a new one. And, importantly, we're starting to get to a point where businesses simply can't afford what the market may bare. So difficult decisions are being made across the board and there are certainly winners and losers.

And therein lies perhaps the only thing I can see impeding the industrial sectors continued growth: the economy. Industrial businesses are not immune to things like inflation, or shrinking labor pools, or supply chain issues or any of the other scary things beyond our control. That said, even with the specter of a worsening economy, I think it unlikely our local industrial market will take much of a hit. The local conditions and indicators are simply too strong for any major negative swings into 2022. Indeed, under us all is the land. But if an industrial building sits atop that land, all will be well.

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