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MEREDA's Forecast Conference highlights the story of supply & demand in Maine real estate

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Portland, ME On Thursday, January 20th, over 600 of Maine's real estate and development professionals gathered both virtually and in-person at the Cross Insurance Arena to learn about the latest trends and predictions in the real estate economy at the Maine Real Estate & Development Association's (MEREDA's) Forecast Conference and Member Showcase.

"There is so much energy in Maine's real estate sector right now, and it is amazing to be in a room together to discuss the future of our state and our economy," said Josh Fifield, MEREDA president. "The Forecast Conference helps set the tone for the year ahead, and I'm feeling positive about what opportunities all this energy will create for Maine."

From James Marple, a senior economist at TD Bank who provided an economic outlook; to speaker Ryan Fecteau, speaker of the Maine house of representatives, who spoke about the need for affordable housing; to an impressive lineup of industry experts; speakers were brought together for an informative conference at the Cross Insurance Arena following COVID safety protocols. MEREDA also streamed the conference for those who could not attend in-person.

The major theme resonating across sectors and presentations was that of supply and demand. Maine simply does not have enough inventory - of affordable homes, of homes in desirable communities, of industrial spaces - to meet the increased demand. Speaker Fecteau kicked off the conference stating that Maine needs more housing in all corners of the state.

Aware that many of the presentations to follow would highlight the booming real estate market in the state, speaker Fecteau said, "Too many Maine families don't have access to what is happening in real estate." He went on to cite the fact that there isn't a county in the state where a low-income worker making minimum wage can afford a two-bedroom apartment. Speaker Fecteau has helped enact a state companion to the federal low income housing tax credit and sponsored a resolve to put in place a commission to study local zoning and land use policies that create barriers to the creation of more affordable housing. Inviting the conference attendees to become more involved in the affordable housing movement, speaker Fecteau said, "It can't just be politicians; no one likes us anyway. We need your voices!"

The affordability and supply challenge of the housing market was further underscored in later presentations at the conference. Brit Vitalius of Vitalius Real Estate Group shared his insight on the multifamily market in Southern Maine, which has seen a dramatic rise in prices and has been

impacted by “COVID refugees” looking to relocate to Maine. With limitations in the Portland market, other communities are starting to look like Portland 15 years ago, and Vitalius cited the incredible growth in communities like Westbrook, Biddeford, Lewiston, and Brunswick.

Dava Davin of Portside Real Estate Group provided an update on the single family residential market in Southern Maine, a sector that reached \$8.7 billion total sales in 2021. “Prices went up 20% in one year,” said Davin. “That is incredible! I wrote ‘WOAH’ in my notes.” While the red-hot residential market is present across the state, 50% of the record-breaking sales are in Southern Maine and 35% of the buyers are coming from out of state. Davin cited a possible solution to the inventory crunch - new construction - reporting that there had been an 85% increase in land sales since 2019. Zoning will play a crucial part in how these parcels are developed. Looking ahead, Davin sees exciting growth opportunities in the state’s rural areas, saying that right now “People drive until they can afford it.”

Reporting on the Bangor area market, Tanya Emery, director of community & economic development for the city of Bangor, said, “If you’re looking for a friendly place to do development, give us a call!” With a downtown office market that is fuller than it has ever been, an industrial market with a 1% vacancy rate, and a critical need for residential properties, Bangor is seeing a number of opportunities for exciting developments to take place, including new construction.

The competitive industrial market in Bangor is paralleled throughout the state, and Justin Lamontagne and Sam LeGeyt of The Dunham Group described a sector “mired in a supply/demand balance.” Lamontagne shared how the market is “incredibly frothy,” saying they are setting records on every sale. With the current amount of demand for industrial space, new construction has to happen and Lamontagne cited the recent success of The Downs and their Innovation District model as a template he predicts will be repeated across the state.

Surprisingly, the retail sector had a solid year, with Peter Harrington of Malone Commercial Brokers providing a report. “If you didn’t buy a new house, you bought stuff for your old house,” Harrington quipped as he drew the connection between the strong residential market and a strong commercial market, saying, “The two go hand-in-hand.” Citing the success in Rock Row, Harrington saw a trend that he predicts will be replicated for new brick-and-mortar retail development across the state, where there is a symbiotic relationship between service retail, entertainment, and housing. “It’s all about getting people to the retail center.” While the lack of labor continues to present a challenge for the retail market, Harrington saw an overall bright future for the Greater Portland and Southern Maine market.

Nate Stevens of The Boulos Company provided a slightly different tone to the Conference with his report on the Southern Maine Office Forecast. With flat demand, and tenants back in the driver’s seat of the market, the market is learning to adapt. Painting a complex portrait of the office market, Stevens cited the significant sublease space currently available as being a large influencer on the market for the next few years. “This is a lot of space for our market to absorb,” shared Stevens. Office building conversions, while not a new trend, is another influence, with some 200,000 square feet of Class B office space recently turning into residential condos in downtown Portland. Stevens

sees the potential for this trend to extend into suburban single story office space, which could be easily converted into industrial/flex space to help meet the increased demand in that sector. Reflecting on the larger question about the future of the office, Stevens felt that it would be a few years before we would see how the hybrid workplace trend would impact the office market. Looking ahead, Stevens felt that the future of the office market, while not record-breaking, would be trending in the right direction.

Other presentations included Elizabeth Frazier of Pierce Atwood with an update on MEREDA's Legislative Agenda. In the year ahead, Frazier said the Legislative Committee will be focusing on issues such as the passage of Maine Historic Rehabilitation Tax Credit and engagement with the recommendations of the Maine Housing Commission. Frank Carr of Maine Realty Advisors gave a report on the Central Maine market and the rising prices he's seeing in the multi-family markets in Augusta and Waterville. Dave Holman of RE Max Riverside Commercial gave an update on the Midcoast Maine market, also highlighting the dramatic price increase in the multi-family market, reporting a 48% growth rate in one year. Sean Riley of Maine Course Hospitality Group gave us a look at the rollercoaster ride that the Hospitality sector has been on during the pandemic, but ended on a hopeful note, sharing a prediction that the industry expects to be fully recovered by 2023.

From the incredible growth in the residential market to a strong hospitality season to record-breaking industrial sales, it is clear that people and businesses want to be in Maine. This phenomenal demand, while currently creating supply constraints, also seems to be providing the promise of some dazzling opportunities for Mainers. MEREDA members will be working together to turn these opportunities into responsible development that will help drive our state and our economy forward.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540