Greater Portland retail market vacancy rates continue to drop - by Peter Harrington

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The Greater Portland retail market continued to remain on solid footing in 2022. The vacancy rate dropped about 1% from 2021 to 4.23%. The same can be said for the national vacancy rate. Nationally, at the end of Q3, the vacancy rate stood at 4.3%, down from 20% just a couple of years ago during the height of the pandemic. To illustrate the falling vacancy rate in the Greater Portland area, there was approximately 38,000 s/f of former Rite Aid/Walgreens space available in 2021 and in 2022, that vacancy number stood at 8,519 s/f.

Malone Commercial Brokers tracks 6,603,726 s/f of retail space in the Greater Portland area. While this does not incorporate all the retail space in downtown Portland and the Old Port, it gives us a good indication of vacancy levels in the Greater Portland area and a good indicator of the overall health of the retail market in Maine. Downtown and Old Port rates are even lower than the Greater Portland area at 2.8%.

The Old Port and downtown continued to be very strong for retailers, these are experiential retail areas. Tourists and locals are attracted to these areas because of wonderful architecture, restaurants, breweries, waterfront, culture and entertainment, sightseeing tours, etc. We now see activity greatly increased, even during the winter months. We saw Madewell open a store on Middle St. The Fish & Bone moved to 5 India St. Bar Futo and Paper Tiger opened in the Fore St. garage. Twelve opened on the eastern waterfront along with Dok-Mali Thai. One Canal Plaza is undergoing a $10 million conversion of two levels into retail space. Footfalls (a measurement used by retailers referring to the number of consumers who enter a store or shopping area) are off the chart on Commercial St., where you can barely walk down the street in the summer. This amount of activity helps retailers immensely.

The Maine Mall area and Maine Mall are also holding their own. The Maine Mall was 98% occupied, excluding Sears, which the mall does not own. Lululemon, a clothing store, and Rack Attack, a vehicle roof rack and accessory store, have both opened at the mall. It is reported that the Maine Mall sales will be up 5% over the previous year. The Mallside Plaza vacancy rate decreased by 10,000 s/f. The Jetport Plaza, with 50,000 s/f for sublease is under contract to a medical user, who will occupy this former Burlington Coat Factory.

Rock Row in Westbrook is a success, with Market Basket, Chick-fil-A and REI continuing to be huge draws. They have broken ground on a 150,000 s/f medical office building, anchored by New England Cancer, brokered by Mark Malone of Malone Commercial Brokers. Shaw’s closed across from Market Basket, causing Westbrook’s vacancy rate to jump, but overall, Westbrook is in good shape, there’s a 70,000 s/f vertical hydroponic harvest greenhouse under construction. Many apartments/condos are also in the works. Westbrook is “open for business”.

Behind the strong positive traction in the retail market, locally and nationally is a surge in post COVID spending and activity. People are out in force eating and trying on new clothes. The economy and consumers have also been extremely resistant in the face of rising interest rates and inflation. The jobless rate is at a 53-year low. Also helping fill retail spaces is the fact that not much new retail space has been built, along with existing retail spaces conversion to medical and office space. Lease rates have been lower, helping lure retailers. One exception to this in the Portland area is the Old Port where rates have continued to climb.

Of course, the biggest risk to the retail market is the strength and confidence of the consumers. We have seen layoffs in certain industries, like technology. Higher rates are also taking a toll on equity and cash out home financing. I do think this slows faster in 2023 and this will have an impact on several types of retailers.

But overall, the retail sector of Greater Portland's commercial real estate market is in solid shape heading into 2023.

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