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## **The Greater Portland retail forecast for 2024 - by Peter Harrington**

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Peter Harrington

On February 29th, 2024, Peter Harrington of Malone Commercial Brokers presented “The Greater Portland retail forecast for 2024” at the Maine Real Estate Development Association’s (MEREDA) 2024 Conference. The following is a review of what Harrington presented.

Looking back at 2023, the retail scene in the greater Portland area remained resilient though we did see a slight uptick in the overall vacancy rate from 4.23% to 4.33%. A large portion of the vacancies in the market can be attributed to a few spaces. In Portland, where the vacancy rate stood at 3.9%, lease rates displayed quite a range, spanning from \$8 to \$40 per s/f for triple net spaces and \$25 to \$35 per s/f for modified gross spaces. Notably, the Old Port, which can be difficult to track due to the number of retail spaces, showed a vacancy rate of around 2%, with lease rates ranging from \$40 to \$75 per s/f on a modified gross basis.

There weren’t as many retail buildings sold in 2023, but one notable transaction was the sale of the West Elm building on Middle St. for \$5.2 million, which included approximately 3,700 s/f of unfinished space on the lower level.

Scarborough stood out with an impressively low vacancy rate of 0.9%. Scarborough also saw the opening of the first Costco in Maine. Additionally, the ongoing development of the town center at the Downs project promises an enticing blend of retail, dining options, and recreational facilities.

In South Portland, a 5.1% vacancy rate persisted, primarily attributed to the former Sears space. However, the Maine Mall managed to achieve pre-pandemic sales levels despite operating with reduced hours. New tenants such as Box Lunch, Peapod Jewelry, Carters, and Miniso added vibrancy to their retail landscape.

Westbrook had seemingly high vacancy rates at 14.7%, which is mostly due to the former Shaw’s vacancy. The Rock Row development has continued to captivate interest, buoyed by attractions like REI, Market Basket, Chick-fil-A, and Cowbell Rock Row. On the downtown front, Westbrook exhibited strong occupancy and ongoing residential expansions.

Meanwhile, Falmouth maintained a steady vacancy rate of approximately 2%, with ongoing construction at the shops at Falmouth Sq. — a 20,980 s/f retail space that has already secured substantial interest, alongside plans for upper-floor condos ranging from \$550,000 to \$1 million.

Southern Maine is still a strong destination for tourists as well as locals. We’re seeing tremendous demand for space on the peninsula in Portland. Madewell opened at 75 Market St. a little over a year ago, it’s one of the top stores they have. Construction is underway to convert former retail banking and office space at One Canal Plaza to high-end retail offerings.

There are two ongoing historic rehabilitation projects by East Brown Cow, which will help contribute to the vibrancy of retail offerings in the area. One is on the corner of Middle St. and Exchange St.; all retail spaces at this location have been leased. The other rehab is at 121 Middle St. Both will be

stunning properties when completed. A few weeks ago, we orchestrated a lease with Free People at 121 Middle St., which will be their first store in Maine. A 2,470± s/f retail space still remains next to this exciting new tenant. We are continuing to see the best-of-breed retailers realizing the value of Portland and continuing to expand here, complementing the locally-owned, award-winning restaurants, shops, and breweries.

One potentially adverse factor that could impact retail in 2024 is that interest rates are still high. This could lead to a slowdown in some of the retail that's directly related to housing in the U.S. Weather has been another factor. There have been major weather events coast to coast which have affected retail a little bit since the beginning of the year.

Despite these factors, we think 2024 will be another good year for retail. It's, as always, based on the U.S. consumer. Due to the strong wage growth, and additional jobs being added, the U.S. economy continues to expand. Without new retail space being added, overall vacancy rates will remain low.

Retail is a sector that everyone thought would no longer be as viable with the onslaught of online shopping. This has proven to be incorrect. People are still going out and shopping in physical stores. I don't see that trend ending in the U.S. anytime soon. Frankly, it's what a lot of people like to do, it's about the experience.

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