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Dining in transition: The future of Portland's restaurant scene - by Derek Miller

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Derek Miller

Portland's restaurant industry has recently made headlines, though unfortunately for all the wrong reasons. A wave of restaurant closures has drawn attention from media outlets across Maine, with the Portland Press Herald, MaineBiz, and Maine Public all recently covering the local businesses closing their doors. As a downtown Portland resident, a regular patron of many local restaurants, and an enthusiastic at-home chef, I enjoy when my work in commercial real estate intersects with a topic close to my heart — or perhaps more accurately, my stomach. I wrote articles on the industry in both 2021 and 2022, which now provide useful reference points as I reflect on the current state of affairs.

Portland's restaurant industry is showing strains similar to the broader national trends we're seeing on a macro level. Both restaurant chains and smaller operators (with fewer than 50 locations) are on track to declare the most bankruptcies in decades, apart from 2020, as reported by The Wall Street Journal. Restaurants filing for bankruptcy in 2024 have included Red Lobster, Tijuana Flats, and TGI Fridays. TGI Fridays had closed 86 locations since the start of 2024. The restaurant industry drives more than \$1 trillion in national economic activity, but it's currently facing widespread headwinds: staffing issues (including challenges in retaining talent and increased labor costs), rising food costs, and most importantly consumers curbing spending due to tighter disposable income. Locally, though Portland has fewer chain restaurants, we've recently seen the closures of several well-known spots like Slab Sicilian Street Food, Salvage BBQ, Local 188, Thistle & Grouse, The North Point, Coals Pizza, Golden Lotus, Sisters Gourmet Deli, and OHNO Cafe.

Currently, about 50,000 s/f of retail space is available for lease in downtown Portland. This is still below the December 2020 peak of 56,000 s/f, the most downtown retail inventory seen in a decade. Not all this space currently is vacant, however. The current inventory of available retail also includes 14,112 s/f at 1 Canal Plaza, which was previously plaza-level office space thus creating more retail space in the city. By early 2022, more than half of the retail space available for lease in December 2020 had been filled, underscoring downtown Portland's resilience and strong appeal. In addition to the retail space available for lease that I referenced previously, recently closed restaurant spaces are up for sublease or being sold as businesses, as operators hope to recoup investments in leasehold improvements.

If history is any guide, the market will likely rebound despite these shifts. I am an eternal optimist (a necessity in this line of work!), and I believe it's not all doom and gloom. New restaurants have recently opened in Portland, including Angoor Wine Bar, Mesa Grande Taqueria, Thames Landing, and Lucky Cheetah. Following Sapporo's move to Falmouth, their former Commercial St. location went under contract via LOI just two days after the listing went live. A lease was signed recently for a yet-to-be-named new eatery, according to the listing broker Steve Baumann at Compass Commercial Brokers. One of my personal favorites, The Lost Fire Grill & Bar, also recently announced plans for a new location at Rock Row. From a retail lease rate perspective, downtown Portland rents have remained strong and range between \$25-60 per s/f NNN, based on current listings.

I anticipate strong interest in recently vacated restaurant spaces, as second-generation kitchen infrastructure often attracts prospective tenants, and I expect the retail market will absorb much of the new inventory over the next twelve months. The recent closures have likely caught the attention of landlords, potentially providing some relief on lease rates for quality operators. There's a growing sentiment among property owners that retaining high-quality restaurant tenants, who can serve as amenities to mixed-use buildings, is more valuable than maximizing rental income. Portland's thriving central business district, continued population growth, and reputation as a top "foodie city" should keep patrons and restaurant operators coming downtown for years to come.

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