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NAI The Dunham Group continues to find great opportunities for its clients in current market

April 21, 2009 - Spotlights

The Economic Recovery and Reinvestment Act of 2009 will have an impact on which types of businesses will prosper this year and which types will scale back. Alternative energy and infrastructure will be banner industries this year and next, and any industries in line with Federal initiatives will be well-positioned. Accordingly, the commercial real estate market this year will be one of re-sizing rapid expansion of businesses in emerging government-backed industries; consolidation for some of our traditional economic drivers, with investors grabbing great deals as a result.

In Maine, industries benefiting from the Economic Stimulus Act include green energy companies, defense contractors, and health care providers. We are already starting to see some of these companies grow. Weatherization Wizards, an energy efficiency company with state contracts, moved from rural Clinton into an upgraded space in the city of Auburn this March. Defense contractor Titan Machine, a marine and defense manufacturer, moved in to a 30,000 s/f Westbrook warehouse in February, doubling its space and leaving room for the five-fold growth the company predicts over the next ten years. And InterMed, Maine's premier primary care group, recently completed a move into a newly constructed 70,000 s/f building in Portland's Bayside neighborhood.

As surely as stimulus-backed industries will expand this year, many traditional businesses will trim their operations. In the Maine office market, we are likely to see more downsizing and consolidation, especially in the insurance and financial industries. This has already led to rising office vacancies and corresponding downward pressure on prices. We're also seeing a trend of existing tenants looking to renegotiate leases with their landlords. And on the retail side, businesses including mid-sized residential real estate firms, high-end boutiques and upscale restaurants are likely to experience a lean year, with a resulting increase in vacancies or consolidations in small-to-medium sized retail spaces.

Such consolidation has led to a shrinking pool of qualified buyers for investment properties, particularly large office buildings. This has put downward pressure on prices and made for some very attractive offerings. In a fortunate twist, the same natural beauty and character that earned Portland the ranking of #1 Most Livable City in the US by Forbes Magazine this April has caught the attention of savvy out-of-state investors, and they are active in the market with an eye on long-term gains. Investments made this year in our market will produce healthy cash flow for their owners in the short term, and will pay dividends upon resale when financing guidelines loosen back up.

Overall, we expect the slowing in some sectors to be offset by growth in others. Our industry experts already have success stories to tell this year, and we expect that trend to continue. Struggles in the service industries will be tempered by growth in the medical, government, and green energy production/research fields and we are likely to chalk this year up to a well-earned education in some unfamiliar fields.

Michelle Flaherty is the marketing director of NAI The Dunham Group, Portland, ME.

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