Greater Portland office market stable, ind'l. market active

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The Greater Portland/southern Maine office market has remained stable over the past six months. Demand for space has softened. Pricing has remained stable; however, many landlords have begun to offer incentives to tenants and/or brokers for new leases signed at their properties.

Larger scale construction projects have dominated the building industry, as the area's hospitals, medical practices, universities and big box retailers have been aggressively expanding. However, speculative development has predominantly stalled. 1031 Exchange buyers have been in the market, but the activity level relative to the past two years has been noticeably slower.

On a positive note, the Greater Portland/southern Maine office market has one of the lowest vacancy rates in the country for a 3rd tier market. However, demand for space has been, and will continue to be, a thorn in the market's side.

The retail market expansion of national big box stores is starting to slow down. Wal-Mart Superstores, Home Depot, Kohl's and Lowe's have expanded into all major markets. Suitable secondary markets are close to saturation.

Smaller power center tenant growth has slowed, as well as the growth of national restaurant chains.

Community center growth has been limited to supermarket expansion, mostly in secondary marketsâ€”fast food, coffee and donuts, and banks are the most aggressive. Good pad sites or stand alone retail sites on high traffic corridors continue to appreciate.

Despite the influx of national big boxes, category specialists and national restaurants have yet to increase overall retail vacancy rates.As a result, the sales prices for well located, quality anchored shopping centers are still very strong. We project these market conditions will continue unless credit markets substantially weaken.

In the second half of 2007, the industrial real estate market has experienced some unpredictable activity in both industrial leasing and sales.

Prices of land in greater Portland remain in the area of $200,000 for prime locations with no remediation or government regulation issues, like the DEP's Vernal Pool regulation recently adopted. Industrial tenants and buyers are looking at locations formerly considered secondary and tertiary markets in order to avoid such high costs.

The summer activity was relatively flat, even given the historically low interest rates, as tenants and landlords continued to be courteous about the current economy. There has been an increase in activity over the last few weeks.

The industrial rates have remained, for the most part, steady in 2007 after last year's softening. Above 5,000 s/f is still between $4-$5.75 per s/f, and below 5,000 s/f prices range from $5-$7.50 per s/f.

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