

## In the Marketplace

### Lease, purchase options differ

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“Recently a client asked me to find an industrial building to purchase in Portland, South Portland, Westbrook or Scarborough. Using an online database shared by most commercial real estate brokers in Greater Portland, I searched for industrial buildings ranging from 5,000 square feet to 10,000 square feet.

I was astounded at the results: On September 19, only four properties met these criteria, and one was under contract.

Wondering if this was a symptom of the industrial real estate market in general, I searched for space available for lease that fit the same parameters. Using the same cities, size range and property type, I found 33 availabilities.

Although many available spaces for lease are in larger buildings with multiple units, the vast difference between sale and lease opportunities is striking. A few factors account for this difference.

Over the past several years, many industrial condos have been built and sold, evolving many tenants into buyers—although this has had a greater impact on units under 5,000 square feet. Besides smaller industrial condos that have typically sold out quickly, there simply is not a lot of product in the marketplace under 10,000 square feet. Furthermore, many quality buildings under 10,000 square feet are occupied by owner/users and unavailable unless the owner moves.

Of the spaces, for lease, some lack functionality and have been vacated for a reason. Some are in old manufacturing buildings with low ceilings and inefficient layouts; others, in buildings that haven’t been maintained. And with so many options for tenants, low-quality spaces like these, as well as high-priced units on the other end, will always be hardest to lease.

With many more options in the leasing market than in the sale market, potential tenants have many properties to choose from, and are taking advantage of market conditions to negotiate better lease terms. On the other hand, potential buyers are finding it difficult to find quality industrial properties for sale. For owners of vacant industrial buildings, this is a great time to sell and use the proceeds to invest in other sectors of the commercial real estate market with lower vacancy rates, particularly retail and even office properties.

Also of note: Of the 33 Greater Portland properties for lease between 5,000 and 10,000 square feet, there is a lack of units available with loading docks, which industrial tenants often need. It is something to keep in mind for future industrial development projects.