

nerej

Southern Maine's commercial real estate market still booming, and expected to remain that way – by Matthew Cardente

[ne cre.nerej.com/southern-maines-commercial-real-estate-market-still-booming-expected-remain-way-matthew-cardente/](http://cre.nerej.com/southern-maines-commercial-real-estate-market-still-booming-expected-remain-way-matthew-cardente/)

Patty Colman

2/3/2017

2016 marked yet another strong year for Southern Maine's commercial real estate market. Early indications seem to mirror this positive trend for 2017 with the chance of a healthy slowing of the market near year's end and into 2018. We continue to see high demand from investors, interest rates are still low though on the rise, and new construction is progress with plans for future development.

Below is a summary of the year-end trends for each of Southern Maine's commercial sectors along with my forecasts for 2017.

Southern Maine's Investment Market

2016 was a seller's market for investment properties throughout Maine. Competition was high while inventory remained extremely low. With such demand, capitalization rates have dropped slightly averaging around 8-9%. Several major investment sales occurring in 2016 included the Walmart sale in Falmouth for \$12,436,000 and Auburn Plaza in Auburn selling for \$20 million. Investments transactions are already off to a strong start in 2017 with the sale of 82 Running Hill Rd. in South Portland, a 114,000 s/f class A office building, earlier this month for undisclosed amount and the sale of 100 Larrabee Rd. complex in Westbrook sold this January as well. When available, investment properties will be a hot commodity for investors this year, as well as 2018.

Southern Maine's Office Sector

Greater Portland's office market set records over prior year in 2016. Per CBRE | The Boulos Company's 2017 Office Market Survey, the overall vacancy rate was 6.17% in 2016 verse 6.52% in 2015 with Downtown Portland class A office on a three-year decline at 2.62% vacancy rate by year's end. At such lows, we may see a healthy leveling though historic trends may bring the rate down even lower. Every year, MEREDA holds their Annual Real Estate Conference in Portland to provide professionals with crucial data regarding the state of our industry and Maine's economy. Nate Stevens, associate broker at CBRE | The Boulos Company, presented this year's office forecast and



Mathew Cardente, Cardente Real Estate

provided a very compelling historical correlation between new office construction in Portland and office vacancy rates for that year. CBRE | The Boulos Company's chart showed us that 279,000 s/f of new office construction took place in Portland between 1998- 2004; 198,000 s/f developed in 2007, and at least 55,000 s/f is under construction or planned as of last year. For each period where new office construction occurred in Portland, the office vacancy rate was always below 4%. If history repeats itself, the next couple of years could equate to lower rates and new development.

Southern Maine's Industrial Sector

The industrial sector has boomed in Maine last year. Per the Dunham Group's 2017 Industrial Survey, based on 18,260,479 s/f of industrial space, Southern Maine's industrial vacancy rate was at 2.32% last year with Westbrook the lowest at 0.5% and Portland at 1%. Inventory is currently limited for industrial users and as the pool of tenants falling within the "industrial category" grows such as breweries, coffee shops, and Cannabis uses, the market is extremely competitive. With such demand and limited supply, expect higher lease rates in 2017, as well as new construction taking root in the larger cities, and are industrial hubs including a new Industrial Park coming to 2401 Broadway in South Portland.

Southern Maine's Retail Sector

As with the other commercial sectors in Southern Maine, the retail market was hot in 2016 with big plans for 2017. A new 500,000 s/f major retail center is coming to Westbrook, the "recession proof" Old Port maintains almost non-existent vacancy rates, and sale prices and lease rates are up. According to Malone Commercial Brokers 2017 Retail Survey presented by Peter Harrington, the average retail lease rate for 2016 was \$17.50 per s/f verse \$14.77 per s/f in 2015 and Southern Maine's vacancy rate last year was at 3.44% verse the national average of 11.2%. With such strong data, there are no indications of a slowdown for 2017.

My prediction for 2017 is simple. Expect another blockbuster year for Southern Maine's commercial real estate market.

Matthew Cardente is owner/designated broker of Cardente Real Estate, Portland, ME.