

# Mainebiz

## Property predictions

A breakdown of Maine's real estate market from MEREDA 2011

**M**ore than 500 real estate professionals gathered in Portland in late January for the Maine Real Estate and Development Association's annual forecast conference. The overall message: Strength in some sectors, and a creeping recovery throughout the industry. Here are the highlights:

### Southern Maine retail

The retail market in southern Maine showed a bounce back from the debilitating 2009, when a number of big-box retailers shuttered local operations and smaller businesses also closed, leaving nearly 140,000 square feet of vacant retail space the greater Portland market couldn't absorb.

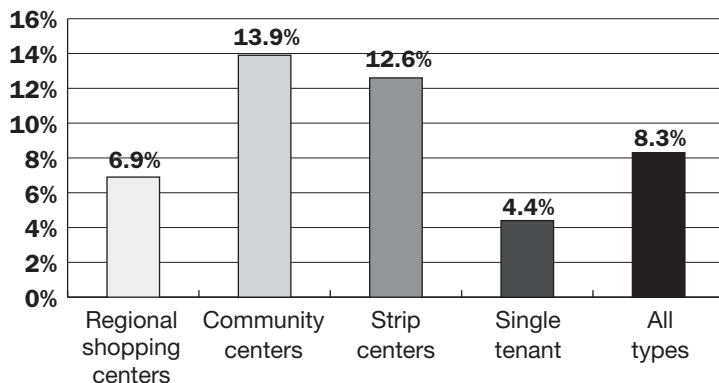
That changed in 2010, with 272,000 square feet of retail space occupied compared to the beginning of the year. More than half of that net absorption was due to Marden's opening at the vacant Walmart in Scarborough, Goodwill Industries opening in the former Circuit City in South Portland and Trader Joe's taking over the former Wild Oats store in Portland, according to Malone Commercial Brokers.

Retailers in the first half of the year took advantage of higher vacancies and lower lease rates to upgrade to better space or enter new locations previously out of reach. Lease rates inched up over the course of the year in the primary market, while holding steady in the secondary market. Portland's vacancy rate dropped from 10.8% in 2009 to 8.3% by the end of 2010. Despite this, vacancy rates at class B and C retail space actually increased from 2009 to more than 11%. New retail construction lagged in 2010, and will likely rebound in the near term, according to Malone's report.

All indicators — vacancy rates, lease rates and new construction — will likely stay flat in 2011, with discount retailers like Goodwill and Marden's expected to propel the bulk of new growth.

### Southern Maine industrial

#### Southern Maine retail vacancy, by type



Source: Malone Commercial Brokers

### Southern Maine retail roundup

	2010		2009	
	Avg. asking lease rate	Vacancy rate	Avg. asking lease rate	Vacancy rate
Primary market	\$16.44/SF	7.2%	\$14.43/SF	11.8%
Secondary market	\$12.49/SF	11.3%	\$12.57/SF	9.3%

Source: Malone Commercial Brokers

The industrial market saw more activity in 2010 than in 2009, in part because landlords were willing to make concessions to nab tenants, according to a report from Cardente Real Estate. New development was limited. For 2011, investment sales will stay limited, while lease rates and sale prices will remain steady. 2010's excellent tenants' market will continue, and lower construction costs will be a boon for owner-users looking to maximize their space, Cardente reports. More absorption of existing, newer industrial space will likely occur, while vacancies will prevail at older buildings.

### Industrial land prices

Greater Portland	\$60,000-\$115,000/acre
Lewiston/Auburn	\$40,000-\$65,000/acre
Biddeford/Saco	\$30,000-\$50,000/acre
Sanford	\$25,000-\$45,000/acre

### Industrial properties

	Active listings	Sq. ft. available	Avg. lease rate (per sq. ft.)
Portland	56	787,493	\$4.36
Cumberland County	173	2.6 million	\$4.53
Maine	301	7.6 million	\$3.95

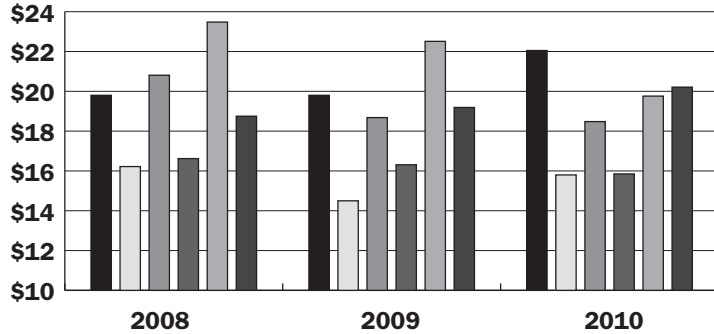
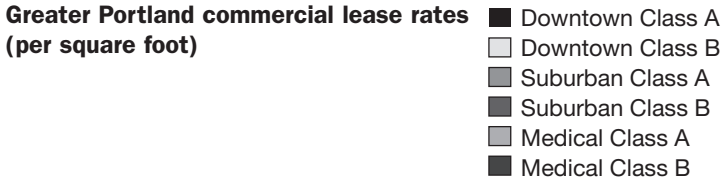
Source: Cardente Real Estate

### Greater Portland office

2009 was rough, but the market didn't bottom out until 2010, with vacancy rates moving from less than 10% in 2009 to more than 11% by the end of 2010. The performance proved that the region hadn't seen the worst, according to the report from CBRE/The Boulos Co. More than 1.2 million square feet of office space is available out of a total market size of 11.6 million square feet, with vacancies higher in class B downtown and suburban space.

After dipping or holding steady in 2009, rental rates for downtown office space rose slightly in 2010, while rates for suburban space held flat or continued to slip. Medical space rates were a mixed bag. The report predicts overall rents will stabilize in a slight decrease from 2010, and aggressive landlords will

continue offering incentives to lure tenants. Downtown vacancies will increase, while the suburban market will see slow growth.



## Hospitality

The weather cooperated in the summer of 2010, bringing more tourists to the state and boosting lodging sales over the dismal 2009. Maine hotels saw occupancy rates rise 3% to 58%, and the average daily rate also rose \$3 to just under \$97. Revenue per available room ticked up \$5 as well, though growth in room rates is expected to be slow, according to Daigle Commercial Group.

But group business travel is still stagnant and will likely remain a sore spot for hotels, especially franchised properties. Older, under-performing properties in less desirable geographic locations and without a national franchise will see more struggles. The future is bright for high-quality properties in strong tourism markets, which will see less competition as new hotel construction tapers off. Coastal, well-performing properties captured buyers' interests, while sales of properties less than \$1 million sharply dropped.

### Major hospitality properties sold (over \$1 million) \*

<b>Total sold</b>	8
<b>Total dollar value</b>	\$26,840,000
<b>Rooms included</b>	268
<b>Average per-room price</b>	\$100,149

\*Two other properties were sold in 2010 that were likely sold for more than \$1 million, but their final sale price was not disclosed.

Source: Daigle Commercial Group

## Residential

Home sales were a rollercoaster in 2010, buoyed in the spring by federal tax credits, then plummeting when those credits expired. The median sales price fluctuated throughout the year, while the number of units sold fell during the last six months of 2010. Total home sales volume was \$2.4 billion, on par with the state's 2002 performance and well below the peak of nearly \$4 billion in 2005. Home values will likely stay the same for the next two years, and sales will remain varied but overall improve in line with job growth, according to RE/MAX Heritage. The number of multi-family units sold, which had been on the decline since 2005, began to inch up in 2010, along with the median sales price, according to Vitalius Real Estate Group.

Compiled by Mindy Woerter

## Regional highlights

### MIDCOAST

#### Planned projects:

**Super Walmart:** 150,000 sq. ft.

**Tractor Supply Co.:** 22,000 sq. ft.

**Thomaston Green:** 42 residential/12 commercial units

**Knox Mill Condominiums:** 25 units

### LEWISTON/AUBURN

#### Under development:

**St. Mary's medical office building:** \$7.3M

**St. Mary's surgical suite:** \$10.6M

**CMMC Emergency Medical Services:** \$45M

### AUGUSTA

#### Recent projects:

**MaineGeneral Medical Center:** \$8.5M

**cPort Credit Union:** \$375,000

## Significant transactions

### SALES

**27 Northport Drive,** Portland

Square feet: 32,500

Sale price: \$2.65M

Buyer: Martin's Point Health Care

**1685 Congress St.,** Portland

Square feet: 32,123

Sale price: \$3.8M

Buyer: Stroudwater Associates LLC

**10 Southgate Road,** Scarborough

Square feet: 109,089

Sale price: \$11M

Buyer: Scarborough Medical, DST

### LEASES

**5 Davis Farm,** Portland

Square feet: 80,683

Tenant: FairPoint Communications

**90 Spencer Drive,** Wells

Square feet: 125,000

Tenant: Village Candle

**10 Southgate Road,** Scarborough

Square feet: 102,833

Tenant: Binax

### SIGNIFICANT VACANCIES

#### Office:

**300 Southborough Drive,** South Portland

Square feet: 95,000

**Two Portland Square,** Portland

Square feet: 59,107

**390 Congress St.,** Portland

Square feet: 61,460

#### Industrial:

**The Pepperell Mill Campus,** Saco

Square feet: 546,890

**765 Warren Ave.,** Portland

Square feet: 157,000

**90 Spencer Drive,** Wells

Square feet: 125,000