

Investment Market

Summer 2018

The Southern Maine investment market remains robust. Out of state investors, 1031 tax deferred exchange transactions and historically low interest rates have all contributed to the continued strength of investment sales over the past year. CAP rates appear to have somewhat plateaued but remain historically low.

Although the investment market sector remains strong, it is not without its issues. The complaint we hear most frequently from buyer clients in the investment sector is that there just isn't any inventory. The market is flush with investors with money to spend or exchanges to make, but it is a struggle to locate quality options. According to the MEREDA Index, the price per square foot of overall commercial sales rose 31% in the last two quarters which can be attributed directly to the lack of inventory available. In addition to the increase in sale price/SF, the total volume of sale transactions actually decreased over the past year by over 7%. The decrease in transaction volume may be due in part to the slight up-tick in interest rates (50 basis points over the past six months) but I think the primary contributor to this metric is the lack of inventory.

The lack of inventory has forced some changes in the way buyers, sellers and brokers conduct business. The traditional path of being contacted by a seller, listing and marketing a property is much less common than brokers seeking out sellers with several potential buyers already in hand. As a result, many of the larger investment sales that we have seen over the past year have never actually hit the market.

The absence of listing data has made it somewhat difficult to accurately track this market from a statistical standpoint, but I think it is safe to say that at the very least the investment market will remain strong for the foreseeable future. We anticipate CAP rates will plateau slightly due to interest rates, but we do not anticipate them going up anytime soon.



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