

Retail Market Update

Summer 2017

Southern & Central Maine

The southern and central Maine retail markets remain healthy in 2017, although there is substantial future uncertainty in the anchor store sector. Overall vacancy continues to decline, averaging around 3.5%. This has been a steady trend as shopping center overdevelopment from the 2000's has finally been absorbed. As a result of this vacancy, lease rates have risen to an average of \$17.00/square foot, triple net.

The Old Port area in Portland has been particularly hot, with national stores like Urban Outfitters, Anthropologie and West Elm joining the boutique stores. Exchange Street is traditionally the strongest area, followed by Commercial Street. We are now experiencing solid demand on Middle, Fore and India Streets, as well as the emerging Bayside market. Rents are as high as \$35.00/square foot, triple net. Restaurant space is in very high demand given Portland's growing reputation as an international foodie city.

Suburban mall and power center vacancy is low as well. Pad site demand from banks and restaurants is very strong. Alternative uses include Urban Air, Children's Adventure Center and the East Point Christian Church - which recently purchased a large portion of Clark's Pond Shopping Center that had been vacated by Bob's Furniture and Marshalls.

Large vacancies in the future may not be absorbed as quickly. Bon Ton recently announced they are vacating a 130,000 square foot anchor box at the Maine Mall. JC Penney, Macy's, Sears and Kmart have all announced store closings in Maine. These tenants often cited reasons of declined retail traffic and internet sales. On the positive side, these leases are often so old that rents are way below market. Large malls will likely be more successful re-leasing the potential vacancies and may gain financially. For anchor vacancies in secondary markets, re-leasing may be a huge challenge.

On the development side, Westbrook Crossing – located off Route 25 and the Maine Turnpike in Westbrook – is scheduled to break ground. This is a large power center anchored by a Walmart Superstore. This new construction marks the first large-scale retail development Maine has seen in over a decade.

On the sale side, pad site development sales in the investment market remain very strong. These are typically single tenant buildings leased to national tenants like Starbucks, Mattress Firm, national restaurants and banks. The properties are self-managed and a good source of cash flow for investors.



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