



## GREATER PORTLAND : INDUSTRIAL MARKET REVIEW & 2016 FORECAST



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# Welcome & Thanks

## Presentation Outline

- **A Look Back at 2015**
  - Trends & Anecdotes
  - Significant Transactions
- **Current Conditions**
  - 2016 Industrial Market Survey
  - National & Regional Report
  - Report Card: 2015 Forecast
- **Forecast 2016**
  - Significant Vacancies
  - Predictions & Analysis of Data

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# A Look Back at 2015



## A Look Back at 2015...

### Local Trends & Anecdotes

#### How Low Can They Go?

- 2014's "stunning lack of inventory" and vacancy rates shrink further
- Conversion to retail/showroom strains industrial zones (Bayside)



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### Local & Organic Growth Continue to Drive Sector

- Breweries remain active



**foundation**  
BREWING COMPANY



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- Medical Marijuana continued impact & future?



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### Local Trends & Anecdotes

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#### Local & Organic Growth Continue to Drive Sector

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- Medical Marijuana continued impact & future?
- Small-medium sized businesses & deals (5-10K SF)



## A Look Back at 2015...

### Local Trends & Anecdotes

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#### Tight Inventory Inhibits Growth

- Safelite Auto Glass, Commercial Delivery Systems, PODS





## Local Trends & Anecdotes

### Speculative Buying...not Building

- 80 Anthony Avenue, Augusta
- 17 Westfield Street, Portland
- 235 Presumpscot Street, Portland
- 216 Riverside Industrial Parkway, Portland
- 413 Warren Avenue, Portland (spec building)



80 Anthony Ave, Augusta



17 Westfield St, Portland



235 Presumpscot St, Portland



216 Riverside Industrial Pkwy, Portland



413 Warren Ave, Portland



## Local Trends & Anecdotes

### Land Interest & Sales Continue

- Saco's Millbrook Park
- HSE Gould search
- Digital Drive, Biddeford
- Numerous "build-to-suit" options today



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## Local Trends & Anecdotes

### Investment Properties in High Demand

- 28 Pond View Drive, Scarborough
- 26 Parkway Drive, Scarborough
- 55 Hutcherson Drive, Gorham
- 84 Warren Avenue, Westbrook
- 135 Walton Street, Portland

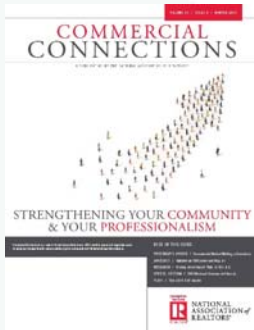


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## Local Trends & Anecdotes

### Have We “Recovered”? YES

- Multiple offer situations
- National data and resources say “yes”
- Record setting pricing



## A Look Back at 2015...

### Significant Sale Transactions



**7 Alewife Park Road, Kennebunk - \$3,500,000**  
88,120 SF, Purchased by Kennebunk Savings Bank  
**Owner/User**



**250 Canco Road, Portland - \$2,700,000**  
68,000± SF, Purchased by City of Portland  
**Owner/User**



**60 Industrial Park Road, Saco - \$1,200,000**  
23,125± SF, Purchased by John F. Murphy Homes Inc.  
**Owner/User**



## A Look Back at 2015...

### Significant Sale Transactions



**600 County Road - \$1,700,000**

28,580± SF, Purchased by Lake Creek Properties, LLC (SIGCO)  
**Owner/User**



**Lincoln Mill, Biddeford - \$2,500,000**

233,001 SF, Purchased by Atlantic Holdings, LLC  
**Hotel Redevelopment**



**X2!**

**474 Riverside Industrial Parkway, Portland – 11,900± SF**

Purchased by Albus Properties, LLC **\$570,000, Investment**  
Purchased by Billdotcom Properties, LLC **\$650,000, Owner/User**



## A Look Back at 2015...

### Significant Lease Transactions



**80 Anthony Avenue, Augusta – 33,560 SF**

Leased by Harvey Industries



**167 Rumery Road, South Portland – 30,000 SF**

Leased by Eimskip Logistics Inc.



**90 Spencer Drive, Wells – 300,000± SF Renewals**

Two Lease Renewals by Village Candle & Wasco Products





# A Look Back at 2015...

## Significant Lease Transactions



**55 Logistics Drive, Auburn – 47,000 SF**  
Leased by CEVA Logistics (FMC)



**39 Eisenhower Drive, Westbrook – 23,004 SF**  
Leased by Independent Delivery Service



**84 - 86 Industrial Park Road, Saco – 25,340 SF**  
Leased by Cape Seafood

# Current Conditions

# Greater Portland Industrial Market Survey

(see Appendix for detailed breakdown)

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| <b>Total Number of Buildings:</b> | <b>545</b>                        |
| <b>Total Market Size:</b>         | <b>17,849,282± SF<sup>1</sup></b> |
| <b>Direct Vacancy:</b>            | <b>604,266± SF<sup>2</sup></b>    |
| <b>Total Vacancy Rate:</b>        | <b>3.38%</b>                      |

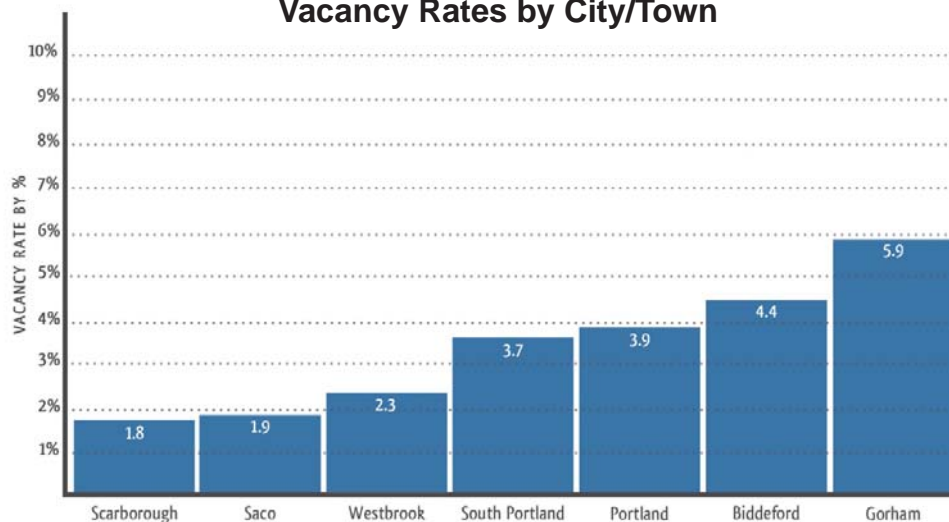
<sup>1</sup> Totals as of December 2015 per NAI The Dunham Group Industrial Market Survey

<sup>2</sup> Totals as of December 2015 per New England Commercial Property Exchange



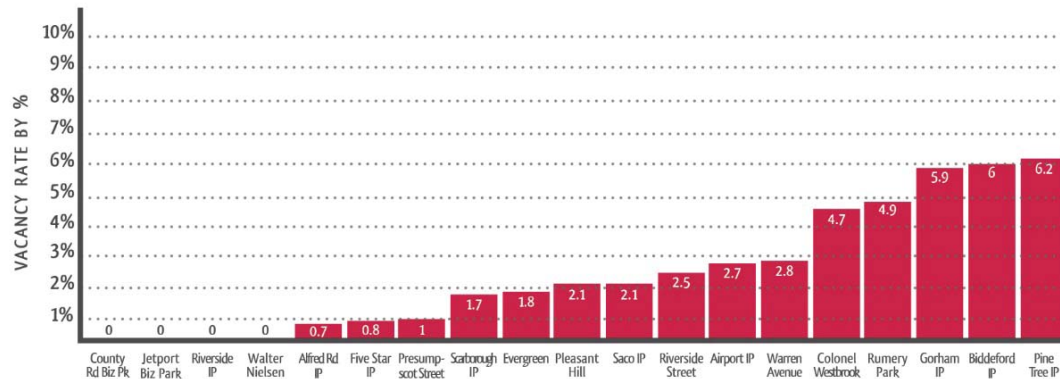
## The 2016 Industrial Market Survey Greater Portland

**Vacancy Rates by City/Town**



# The 2016 Industrial Market Survey Greater Portland

## Vacancy Rates by Parks & Clusters



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# The 2016 Industrial Market Survey Greater Portland

## Average NNN Lease Rate by City/Town



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## Market Trajectory 2011 - 2015

|      | VACANCY RATE | LEASE RATE  | CAP RATE*      | SALE PRICE/SF** |
|------|--------------|-------------|----------------|-----------------|
| 2011 | 7.86%        | \$5.47/SF   | 10 - 11%       | \$40.72         |
| 2012 | 6.97% ↓      | \$5.22/SF ↓ | 9 - 10% ↓      | \$48.45 ↑       |
| 2013 | 5.27% ↓      | \$5.56/SF ↑ | 8.5 - 9.5% ↓   | \$52.15 ↑       |
| 2014 | 4.12% ↓      | \$5.61/SF ↑ | 8 - 8.5% ↓     | \$52.75 ↑       |
| 2015 | 3.38% ↓      | \$5.62/SF ↑ | 7.75 - 8.25% ↓ | \$53.45 ↑       |

\*Estimate based on available data/anecdotal evidence

\*\*Based on select NAI Dunham Group sale comps

## National & Regional Data

|               | NATIONAL  | NORTHEAST | BOSTON    | GREATER PORTLAND |
|---------------|-----------|-----------|-----------|------------------|
| Cap Rates     | 7.40%     | 6.98%     | 6.7%      | 8±%              |
| Vacancy Rates | 7.2%      | 8.4%      | 10.2%     | 3.38%            |
| Lease Rates   | \$5.88/SF | \$5.71/SF | \$4.00/SF | \$5.62/SF        |

\*Per data collected from NAI Global, NREI, Realtor.com and CoStar



# Report Card: 2016

Grading My Forecast Predictions from January 2015 Conference



**“Landlord’s market in 2015”**

**“Investment market continues to thrive”**

**“Land interest continues and increases”**

**“Secondary markets capitalize”**

**“Tenant shuffle continues”**



**“Planning time for real estate decisions increase”**



**“Vacancy rates will increase”**

## Forecast 2016

# Forecast 2016

## Significant Vacancies



1 Baker's Way, Biddeford  
25,000 - 265,126 SF



8 Business Parkway, Brunswick  
28,000 SF



9 Laurence Dr, Gorham  
55,375 SF



235 Presumpscot St, Portland  
43,458 SF



4 Meetinghouse Rd, Freeport  
18,860 SF



413 Warren Ave, Portland  
25,080 SF

# Forecast 2016

## Predictions & Analysis

- Speculative building and added inventory will increase vacancy %
- A Fortune 1000, out-of-state industrial user will locate in Maine
- A 50,000± SF building will be planned, if not constructed
- Natural gas reaches Saco Industrial Park

# Forecast 2016

## Predictions & Analysis

- Portland's quasi-retail/warehouse rents will match suburban retail
- Average lease rates will top \$6.00/SF NNN
- Medical cannabis cultivation continues to go mainstream
- Nation continues run of positive absorption through 2016



# Forecast 2016

## Predictions & Analysis



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# THANK YOU



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## APPENDIX : INVENTORY RESULTS

| Parks/Clusters              | Total Bldgs. | Building SF | Available SF | Vacancy Rate | Avg. Lease Rate |
|-----------------------------|--------------|-------------|--------------|--------------|-----------------|
| Airport Industrial Park     | 23           | 449,913     | 12,200       | 2.7          | \$4.75          |
| Alfred Road Industrial Park | 7            | 113,868     | 798          | 0.7          | \$5.00          |
| Biddeford Industrial Park   | 10           | 796,002     | 47,835       | 6.0          | \$3.75          |
| Colonel Westbrook           | 17           | 550,776     | 26,335       | 4.7          | \$7.95          |
| County Road Business Park   | 8            | 216,578     | 0            | 0            | N/A             |
| Evergreen Industrial        | 23           | 403,655     | 7,320        | 1.8          | \$7.50          |
| Five Star Industrial Park   | 27           | 1,312,297   | 11,737       | 0.8          | \$6.50          |
| Gorham Industrial Park      | 38           | 934,606     | 55,375       | 5.9          | \$4.50          |
| Jetport Business Park       | 3            | 56,266      | 0            | 0            | N/A             |
| Pinetree Industrial Park    | 7            | 238,948     | 15,000       | 6.2          | \$5.75          |
| Pleasant Hill               | 56           | 1,635,030   | 35,000       | 2.1          | \$5.15          |
| Presumpscot Street          | 21           | 426,476     | 43,458       | 1.0          | \$6.50          |
| Riverside Industrial Park   | 27           | 801,886     | 0            | 0            | N/A             |
| Riverside Street            | 39           | 922,278     | 23,256       | 2.5          | \$6.75          |
| Rumery Park                 | 18           | 1,100,510   | 54,600       | 4.9          | \$4.95          |
| Saco Industrial Park        | 50           | 1,252,385   | 26,352       | 2.1          | \$6.35          |
| Scarborough Industrial Park | 34           | 811,119     | 14,000       | 1.7          | \$6.25          |
| Walter Nielsen              | 7            | 538,920     | 0            | 0            | N/A             |
| Warren Avenue               | 35           | 894,765     | 25,080       | 2.8          | \$5.95          |
| Miscellaneous/Clusters      | 95           | 4,393,004   | 205,920      | —            | —               |

| City/Town      | Total Bldgs. | Building SF | Available SF | Vacancy Rate | Avg. Lease Rate |
|----------------|--------------|-------------|--------------|--------------|-----------------|
| Biddeford      | 40           | 1,359,783   | 60,833       | 4.4          | \$4.50          |
| Gorham         | 38           | 934,606     | 55,375       | 5.9          | \$4.50          |
| Portland       | 213          | 6,268,652   | 247,416      | 3.9          | \$5.99          |
| Saco           | 51           | 1,328,025   | 26,352       | 1.9          | \$6.35          |
| Scarborough    | 92           | 2,607,210   | 49,000       | 1.8          | \$6.25          |
| South Portland | 44           | 2,758,163   | 103,075      | 3.7          | \$5.45          |
| Westbrook      | 67           | 2,592,843   | 62,215       | 2.3          | \$5.75          |

| GRAND TOTAL | Total Buildings | Total Market Size | Total Available SF | Greater Portland Vacancy Rate | Average Lease Rate |
|-------------|-----------------|-------------------|--------------------|-------------------------------|--------------------|
|             | 545             | 17,849,282        | 604,266            | 3.38%                         | \$5.62             |