

2007 - 2008

2008 Real Estate Forecast

Conference

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SOUTHERN MAINE

INDUSTRIAL MARKET

REVIEW AND FORECAST

NAI The Dunham Group

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2007 – A VERY SLOW YEAR IN INDUSTRIAL SECTOR

First six (6) months were slow, bordering on dismal.

**The second half of 2007 had renewed vitality but there is a time lag
for deals to be completed.**

**2008 appears to be shaping up to be very active, in spite of the
forecasted recession.**

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REVIEW OF 2007 : INDUSTRIAL MARKET



- Decrease in speculative development continued. **STATUS: TRUE**
- Government placing burdensome restrictions on new construction:
STATUS: TRUE – however land sales – and thus prices – have stalled

- Municipalities – permitting
- MDOT – traffic mitigation fees
- DEP regulations – vernal pools, etc.

- New construction slowing due to rising construction costs -**STATUS: TRUE – But construction cost increases have slowed recently**
- Continued redevelopment of existing facilities to avoid costs of new construction – **STATUS: TRUE**

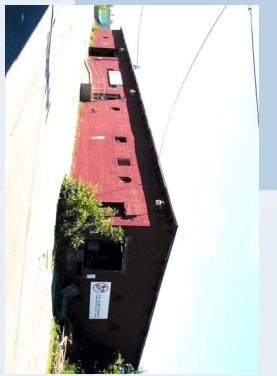
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REVIEW OF 2007 OVERVIEW/PREDICTIONS: INDUSTRIAL MARKET



- Increasing land prices due to lack of developable land –
STATUS: TRUE – however **land sales** – and thus **prices** – have stalled

NOTE: Industrial land in Greater Portland is now selling for \$100,000 to \$200,000 per acre

- State legislative reform needed to offset inherent economic pressure due to disadvantages of being in Maine (property tax relief, workmen's compensation and business equipment taxes) –

STATUS: OCCURRING – Expansion of Pine Tree

Zones/TIF/Elimination of equipment tax

- Business retention should be as important as business attraction –

STATUS: SLOWLY OCCURRING – but needs more attention by state and local government.

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ADDITIONAL OVERVIEW OF 2007



- The industrial real estate market experienced approximately 20% building appreciation for existing prime properties.

TRUE – yet prices to have stalled/leveled.

- Land prices are flat – land sales are virtually non-existent.
- Manufacturing exodus slowed – fewer companies closing
- Emerging niche market in speculative development – small industrial condos and Mill Conversions (Saco Island) – STALLED

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ADDITIONAL OVERVIEW OF 2007



- Remaining local and regional manufacturing companies are responding to an expanding economy.
- Important factors for the market in 2008:

- Lowering of interest rates – HUGE IMPACT
- High energy costs – BAD NEWS
- Potential recession on the horizon

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SIGNIFICANT TRANSACTIONS - 2007

- Walsh Transportation, Read St., Portland – 98,000± SF
- Sports Complex/Ice Arena, Lund Rd., Saco – 93,000± SF
- L. L. Bean, Inc., Read St., Portland – 76,000± SF
- Bisson Transportation, Kittyhawk Dr., Auburn 60,000± SF
- Michaud Distributors, Spring Hill Rd., Saco – 52,200± SF
- Flotation Technologies, Morin St., Biddeford – 45,000± SF
- Victory Lane Racing, Riverside St., Portland – 39,000± SF
- Elm Street Plaza, Elm St., Biddeford – 28,000± SF
- Willey Road, LLC, Willey Rd., Saco – 25,200± SF

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2007 SIGNIFICANT AVAILABLE INDUSTRIAL PROPERTIES - REVIEW



Address	Size	Status
1754 Main Street, Sanford	215,000± SF	SOLD – Available for lease
221 Read Street, Portland	97,600± SF	LEASED
15 Lund Road, Saco	93,709± SF	LEASED
219 Read Street, Portland	77,000± SF	LEASED
235–293 Presumpscot Street, Portland	75,458± SF	AVAILABLE
193 Presumpscot Street, Portland	66,140± SF	AVAILABLE
71 U.S. Route One, Scarborough	65,700± SF	AVAILABLE
90 Community Drive, Sanford	45,000± SF	AVAILABLE

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2007 CURRENT SALE AND

LEASE PRICES – Flat for first time in 10 years

Greater Portland	SALE	LEASE (NNN)
• <5,000 SF		
	2007 SAME	2007 SAME
	2006 \$90.00-\$120.00/SF	2006 \$5.75–7.00/SF
	2005 \$80.00-\$115.00/SF	2005 \$5.50-\$6.25/SF
• 5,000–10,000 SF		
	2007 SAME	2007 SAME
	2006 \$70.00-\$100.00/SF	2006 \$5.00–6.25/SF
	2005 \$65.00-\$90.00/SF	2005 \$4.75–5.50/SF
• 10,000–20,000 SF		
	2007 SAME	2007 SAME
	2006 \$60.00-\$75.00/SF	2006 \$4.50-\$5.50/SF
	2005 \$55.00-\$65.00/SF	2005 \$4.25-\$5.25/SF
• 20,000–30,000 SF		
	2007 SAME	2007 SAME
	2006 \$50.00-\$65.00/SF	2006 \$4.50-\$5.50/SF
	2005 \$50.00-\$60.00/SF	2005 \$4.25-\$4.75/SF
• 30,000–50,000 SF		
	2007 SAME	2007 SAME
	2006 \$40.00-\$60.00/SF	2006 \$4.00-\$5.00/SF
	2005 \$40.00-\$50.00/SF	2005 \$4.00-\$4.50/SF
• 50,000–75,000 SF		
	2007 SAME	2007 SAME
	2006 \$35.00-\$50.00/SF	2006 \$3.75-\$4.50/SF
	2005 \$30.00-\$45.00/SF	2005 \$3.75-\$4.25/SF
• 75,000–200,000 SF		
	2007 SAME	2007 SAME
	2006 \$20.00-\$40.00/SF	2006 \$3.00-\$4.00/SF
	2005 \$20.00-\$30.00/SF	2005 \$3.00-\$3.75/SF

Lease Overview – Downward pressure on lease rates for smaller space due to supply/demand. Increased cost of new construction has put upward pressure on lease rates for larger buildings and spaces.

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CURRENT MARKET LAND PRICES



• Greater Portland Industrial Parks	2007 \$125,000-\$200,000/acre 2006 \$100,000-\$175,000/acre
• Saco Industrial Park	2007 Same 2006 \$60,000-\$75,000/acre
• Thatcher Brook Business Park	2007 Same 2006 \$35,000-\$40,000/acre
• Sanford Industrial Park	2007 \$35,000/acre 2006 \$15,000-\$30,000/acre
• Gorham Industrial Park	2007 Same 2006 \$100,000/acre
• Westbrook Heights Bus. Park, Westbrook	2007 Same 2006 \$110,000-\$125,000/acre
• Col. Westbrook	2007 Same 2006 \$100,000/acre
• Exit 48, Westbrook	2007 \$250,000/acre 2006 \$175,000/acre

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Gendron Distribution Center/ Bisson Transportation

- In 2007, Gendron and Gendron, a prominent developer from Lewiston, commenced Phase 1 – a 103,000+/- SF high bay, rail served, distribution building, of which 60,000+/- SF was immediately leased to Bisson Transportation
- The future project size for the Gendron Distribution Center will be of an unparalleled magnitude in Southern Maine with the eventual build out to comprise of approximately 450,000+/- SF.

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Nappi Distributors

- Nappi Distributors transitioned from operating out of three relatively inefficient and older facilities in Portland into a new, state-of-the-art central distribution building of 140,000+/- SF in Gorham, ME.

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Saunders Brothers

- The Saunders Brothers property, was purchased by J. B. Brown & Sons
 - 135,000+/- SF of industrial space to be redeveloped for lease space from 4,000+/- SF to 50,000+/- SF
 - Office building leased to Woodford's
 - Excess land for future development

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Westbrook Heights Business Park

- 2007 featured the opening and completion of Cintas Laundry facility of 55,000+/- SF and Sigco Glass of 65,000+/- SF, state of the art manufacturing buildings
- State and municipal grants and incentives played a large role in bringing this to fruition
- Addition of over 150 jobs to Westbrook's economy, justifying the expenditure of state and municipal funds to pay for the projects infrastructure costs.

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Read Street

- 2007 – J. B. Brown & Sons, faced with a 170,000+/- SF vacancy, leased 97,000+/- SF to Walsh Transportation and 77,000+/- SF to L.L. Bean, bringing their 800,000+/- SF Read Street area portfolio to 100% occupied.

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Larrabee Road, Westbrook

- Napa Auto Parts purchased a three building business park to accommodate the expansion of their highly visible, large volume Southern Maine warehouse and distribution center on Larrabee Road in Westbrook. They intend to construct an additional 60,000+/- SF, bringing the facilities square footage to 140,000+/- SF.

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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

Spring Hill Willey Road, Saco

In 2007, the Saco Industrial Park, named the newer Spring Hill section, was very active with the completion of the 52,000+/- Michaud Distribution Building and the completion of a 25,200+/- SF spec building on Willey Road, since leased to Kellogg's Foods.

Additionally, construction commenced on the new 60,000+/- SF state-of-the-art manufacturing building for Franklin Fuels.

In all, these three projects represent the addition of approximately 137,000+/- SF of modern new building in Saco.



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SIGNIFICANT DEVELOPMENTS AND TRANSACTIONS

432 Elm Street, Biddeford

- 2007 – Northern Ventures purchased the 28,000+/- SF former CMP building. It has been rehabbed and is being transformed into an office/service center facility, taking advantage of its U.S. Route 1 exposure.
- A prime example of the adaptive reuse of a functionally, obsolete industrial building into a use reflective of the emerging service oriented economy.

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2008 FORECAST: SOUTHERN MAINE INDUSTRIAL MARKET



- Continued interest in owning vs. leasing especially as interest rates are lowered by the Federal Reserve.
- Lack of a viable supply of for sale properties will continue to exert upward pressure on existing building sale prices and result in quick sales of prime properties.
- Governmental and DEP regulations should make existing land values increase... however lack of demand has flattened sale prices and land values.
- The large inventory of for lease space and the slow demand will render lease rates stagnant.

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2008 FORECAST: SOUTHERN MAINE INDUSTRIAL MARKET (cont.)



- A streamlined manufacturing base, even in light of a declining economy, should continue to mitigate the manufacturing exodus of the last few years.

- Landlords are well advised to retain tenants – even if it means lowering rent, additional tenant improvements, or other concessions.

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CONCLUSION

- 2007 was slow, yet is reviving nicely and I predict in 2008 the Southern Maine Industrial Market will remain active and present many opportunities for companies, investors and brokers and interrelated professionals such as yourselves.

THANK YOU VERY MUCH!

Michael A. Miller, Industrial Specialist

A member of NAI The Dunham Group Industrial Team

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