

# 2008 RETAIL FORECAST

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**PRESENTED BY:**

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**OUR REPORT CAN BE VIEWED ON OUR WEBSITE AT**

**[WWW.MALONECB.COM](http://WWW.MALONECB.COM)**

# THEMES THAT CAME TO MIND

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“The Sky is Falling”

“Gloom and Doom Report”

“Recession: You’ll Never Eat Lunch in This Town Again”

“If You Don’t Have Anything Nice to Say...Come Sit Next to Me”

# 2008 RETAIL REPORT THEME

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“Have Patience and Be Street Savvy”

No Expert, No Story, No Report, No Book,  
No Market Trend can dictate the economy to us  
other than Having Patience and Being Street Savvy

# WHAT THE EXPERTS ARE SAYING

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Dec 16, 2007 New York Times Article asking six experts “Are we in a Recession?”

- “Wait Until Next Year,” *Martin Feldstein, a professor of economics at Harvard and the president of the National Bureau of Economic Research.*
- “You Can Almost Hear It Pop” *Stephen S. Roach, the chairman of Morgan Stanley Asia*

# WHAT THE EXPERTS ARE SAYING

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- “Nobody Knows” *James Grant, the editor of Grant’s Interest Rate Observer*
- “Not If Experts Save Us” *Jason Furman, a special assistant to the president for economic policy from 1999 to 2000 and the director of the Hamilton Project at the Brookings Institution.*
- “Bet The House On It” *Laura Tyson, a professor of business and public policy at the University of California, Berkeley, and the chairwoman of the Council of Economic Advisers from 1993 to 1995.*
- “The Facts Say No” *Marcelle Chauvet, a professor of economics at the University of California, Riverside, and Kevin Hassett, the director of economic policy studies at the American Enterprise Institute.*

# 2007 CHALLENGES

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- Senior Brokers shared that this was the worst Summer they had seen in 20 years
- Letter of Intents not being signed
- Purchase & Sale offers expiring
- Leases taking longer to execute
- More supply than demand

# MARKET OVERVIEW

## YEAR END 2007

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- Overall vacancy rate was up significantly at 5.6%
- Maine Mall area vacancy rate 4.2% vs. non-mall area 6.7%
- Lower vacancy rates at Grocery Anchored Strip Centers



# TRACKED RETAIL SPACE

For the purpose of our report, below is a synopsis of the retail space we tracked which gives a good overall view of the market:

Greater Portland Retail Space
End of Year 2007 4,740,000 SF
End of Year 2006 4,661,500 SF

Additions included SF changes to *Foden Crossing* 19,500+/- & *Whole Foods* 59,000+/-.

\*LL Bean added new Hunting & Fishing addition 33,000 SF. Grand Opening November 2007.



# LEASE RATES

## Greater Portland Lease Rates

### Maine Mall Area

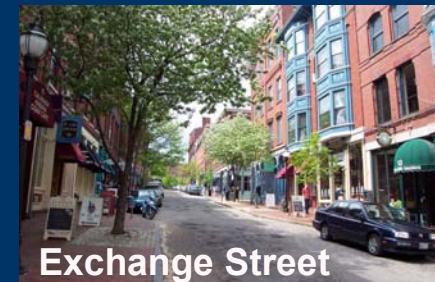
\$25.00 NNN to \$12.45 NNN

### Non-Mall Rates

\$22.00 NNN to \$12.00 NNN

### Prime Old Port Locations

\$45.00 MG to \$40.00 MG



# LEASE RATES

- Mall Area varied from \$25.00 NNN in the more desirable centers to \$12.45 NNN in the secondary centers.
- Non Mall area varied from \$22.00 NNN to \$12.00 NNN the large range is attributed to retailers and anchors at the centers.
- Retail in the Old Port (Very Strong Rental Rates / Low Vacancy)  
Downtown Portland Varied Dramatically from street to street:  
Upper Exchange Street and Middle Street \$25.00 - \$28.00 PSF MG

Smaller spaces under 2,500 SF demand higher rents and generally lease quicker

While tracking our research Old Port retailers commented particularly regarding last quarter of 2007 how difficult it is to support high rate demands.

# CYCLICAL INDUSTRY

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- Where are we in the cycle?
- Over build
- Stop build
- Start build again
- Supply is greater than demand

# RETAIL OUTLOOK

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1,000,000 SF of new retail to hit the market in 2008.

This is alarming since our current vacancy rate is 3-4% higher than past years.

Rumored that some national retailers are cutting back on future development in the state and/or decreasing their prototype square footage.



# LD1810 INFORMED GROWTH ACT

Roxane A. Cole wrote an excellent article in *Mainebiz* October 29th, 2007 pg. 38 "Kill Bill".

This act requires a developer who is seeking a permit to build:

- 75,000 SF or greater in a single building or multiple buildings
- 20,000 SF expansion of an existing building
- Pay \$40,000 for a comprehensive impact study, public hearing, municipal staff support in order to estimate negative and positive affects of the project.
- The Study is required to be complete within 4 months
- This bill is intended to ensure that municipalities that do not have a site plan ordinance or zoning ordinance will not have to pay for such a study.
- Amendment to the Act: §4372. Municipal Waiver Option  
By Vote of its legislative body, a municipality may waive its right to apply the provisions of this subchapter at any time. A vote taken at a town meeting or by a city council must be approved by the citizens at a referendum.

# 2008/2009 RETAIL FORECAST

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- 2007 proved not be a tremendous year for adding new retail space to the market.
- Once *Scarborough Village Square*, *Scarborough Gallery*, *The Gateway Square at Scarborough*, and *The Gateway Square* are all completed this will create over 1,000,000 SF in Greater Portland alone.
- With this amount of retail space coming on the market in 2008 it is our prediction that the absorption of this space will be slow and many developers will have to offer incentives to fill these vacancies.

# 2008/2009 RETAIL FORECAST

- The Maine Mall used to be the hub for most national retailers. We are now seeing nationally anchored regional centers being built in Augusta, Bangor, Bath-Brunswick-Thompson, Biddeford-Saco, Lewiston-Auburn, Sanford, Thomaston, Waterville, and Windham.
- Will the retail market reach a level where there will not be enough consumers to support sales for all these regional retailers?



# PROPOSED DEVELOPMENT

## Portland:

- Ocean Gateway Garage 5,400 SF
- Watermark 25,280 SF
- Intermed Building 4,900 SF (part of a 259,000 Class A Office space building)
- Jordan's Meat Plant 15,000 SF

## South Portland:

- Maine Mall 43,000 SF of retail space, 3 new restaurants totaling 35,000 SF, and 68,000 SF for a new cinema, also a redevelopment of a 254 space parking field.
- Hannaford Plaza at Maine Mall 23,000 SF Expansion to existing plaza next to TJ Maxx.

## Other Areas:

- Falmouth Shopping Center 16,000 SF (3 pad sites: 2 – 6,000 SF, and 1 – 4,000 SF)
- Freeport Village 118,000 SF
- Sanford Plaza 385,000 SF
- Bessy Square Plaza, Scarborough 12,000 SF
- First Look Plaza, Scarborough 17,990 SF
- Mt. Auburn Plaza 40,000 SF





# NATIONAL TRENDS

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- The consensus at the recent ICSC National Conference that was held in NYC was mixed.
- Many indicated that we are in for a long recession. Others felt the market would quickly rebound.
- Theme seemed to be that big box retailers are seeing significantly high vacancies in their surrounding inline space.
- Not as much private money available, banks tightening lending criteria and funds. This is leaving large corporations and REITs with capital to invest.
- Nationally, retailers will closely monitor their portfolios and real estate strategies. Possibly less expansion and increased consolidation of sites.
- Renegotiations of leases may be another trend to keep spaces filled and struggling retailers afloat

# 2008 GOALS

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Practice Patience

Be Street Savvy

GO GET 'EM!!!