

Industrial Market Review & 2019 Forecast

Greater Portland



NAI The Dunham Group



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Welcome & Thanks

Presentation Outline

- **Industrial Market Survey**
 - Market Summary
 - Vacancy & CAP Rates
 - Sale & Lease Prices
- **A Look Back at 2018**
 - Local Trends & Anecdotes
 - Transactional Samples
- **Forecast 2019**
 - Significant Vacancies
 - Predictions & Questions for 2019

2019 Industrial Market Survey

Greater Portland Industrial Market Survey

Total # of Buildings	582
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Total Market Size	18,915,890± SF ¹
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Direct Vacancy	656,190± SF ²
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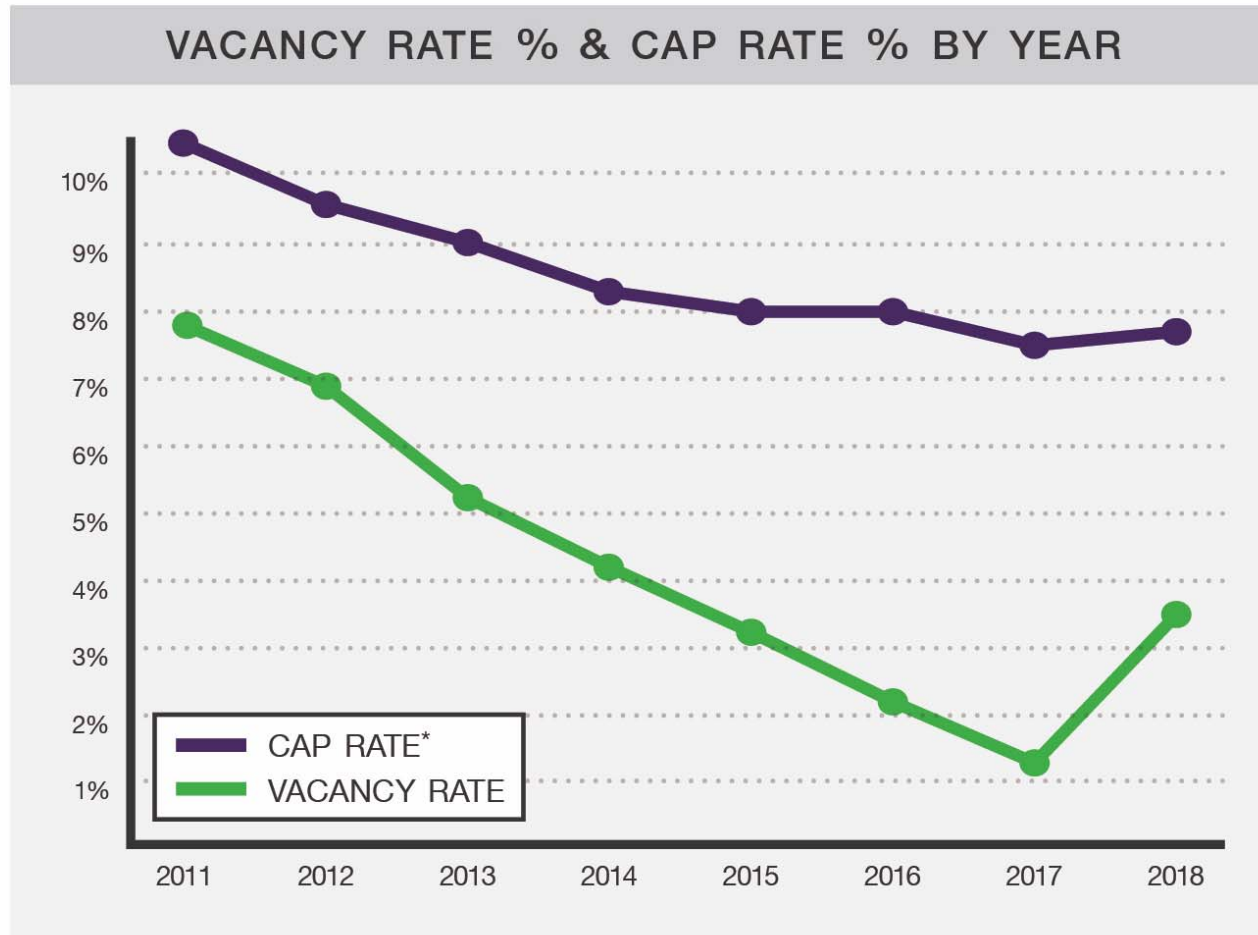
Total Vacancy Rate	3.47%
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1 - Totals as of 12/2018 per NAI The Dunham Group Industrial Market Survey

2 - Totals as of 12/2018 per New England Commercial Property Exchange

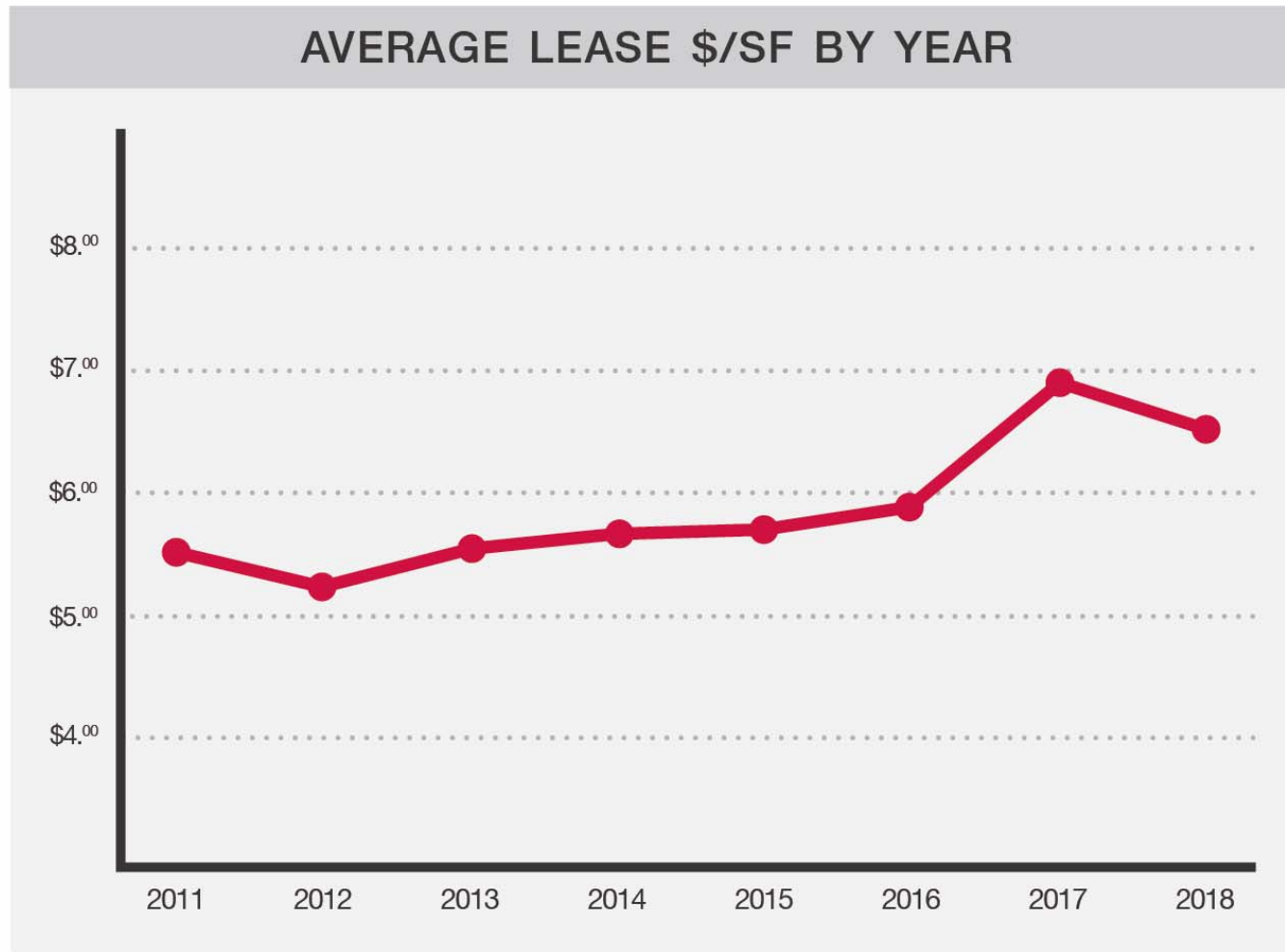
For the complete list of our data collected for the survey, please reference the Appendix on last slide.

2019 Greater Portland Industrial Market Survey

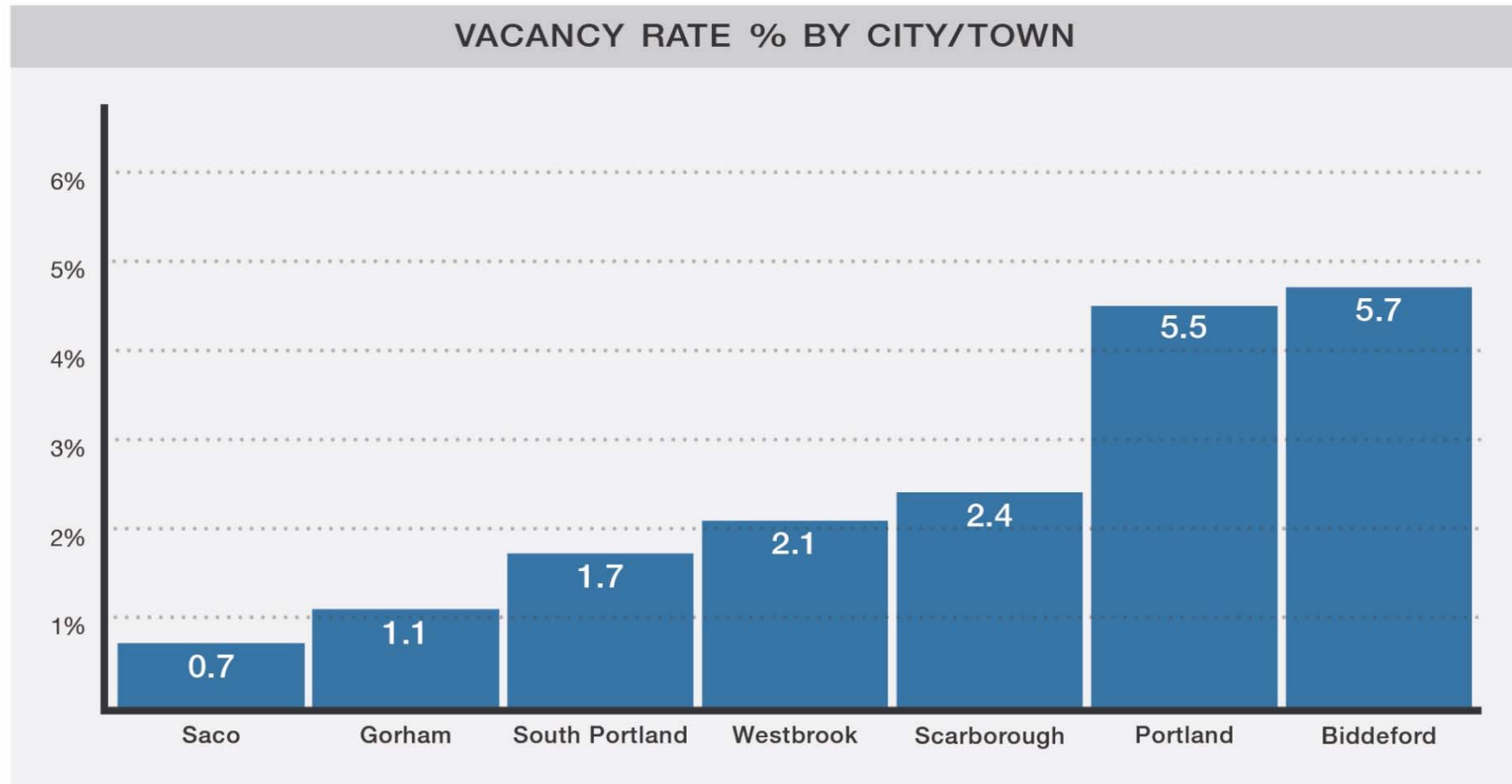


*Estimate based on available data/anecdotal evidence

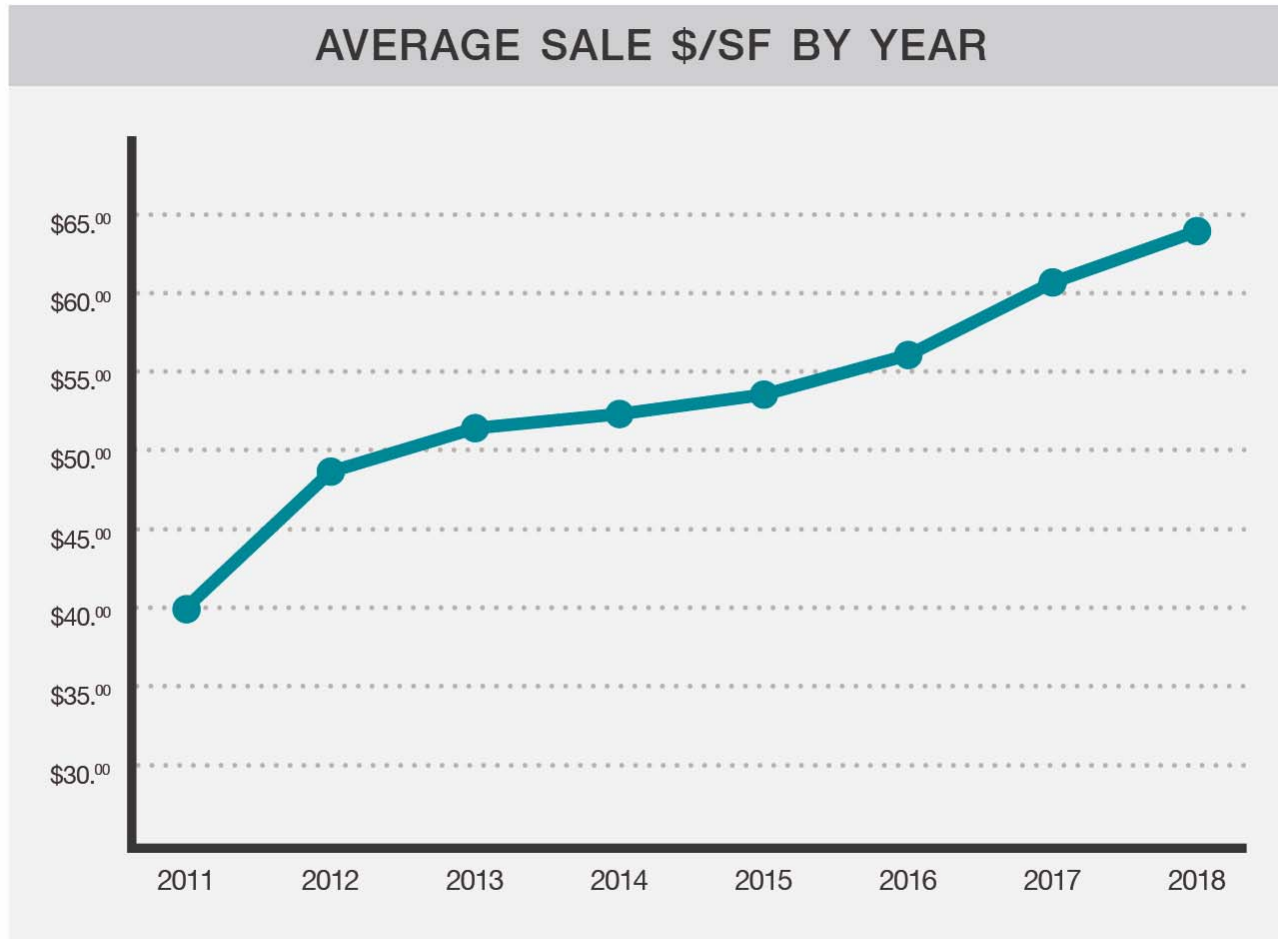
2019 Greater Portland Industrial Market Survey



2019 Greater Portland Industrial Market Survey



2019 Greater Portland Industrial Market Survey



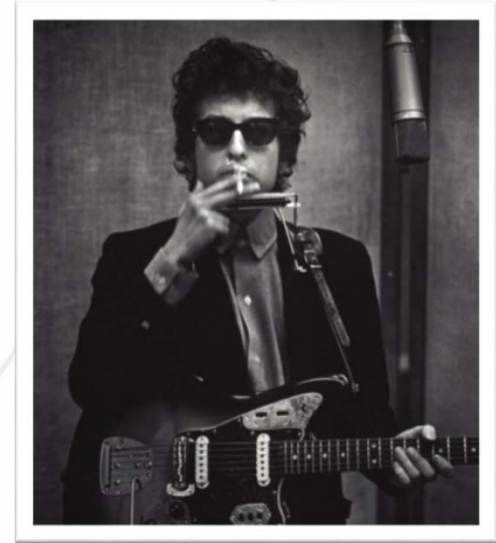
A Look Back at 2018

A Look Back at 2018...

Local Trends & Anecdotes

Times they are a changin'...

- Increased vacancy rates (with a caveat)
- Lease prices plateau and dip slightly
- Larger, comparable spaces lingering
- Virtually no medicinal/recreational marijuana deals
- Macroeconomic questions/concerns



A Look Back at 2018...

New Construction Trends

- Existing inventory now available (\$ gap increased)
- Lack of industrial land
- Construction costs continue to be a challenge
- Accounting laws impact long term deals
- Has the window for new construction already closed?

A Look Back at 2018...

New Construction Projects



320 Presumpscot Street, Portland
12,000 SF, 4 flex units (3,000 SF each)



10 Millbrook Road, Saco
20,000± SF condo units



24 Industrial Park Road, Saco
14,000 SF, condo units



18 Millbrook Road, Saco
5,000 SF



Industrial Park Road, Saco
34,405 SF (A. Duie Pyle)



22 Millbrook Road, Saco
28,000 SF



Industrial Park Road, Saco
25,000 SF (Dennis Burke)



2401 Broadway, South Portland
6,000 SF

A Look Back at 2018...

Transactional Activity

- Sales (owner/user and investment) drove the market
- Investment property in high demand
- Owner-users as bullish as ever
- Interest rates not impacting value or demand
- Off-market, early to market deals
- Smaller lease deals steady and competitive

A Look Back at 2018...

Investment Transaction Examples



**122 Pine Tree Industrial Pkwy,
Portland**
14,337 SF
\$1,975,000 (\$137/SF) 8% cap rate



**29 Washington Avenue,
Scarborough**
13,000 SF
\$1,295,000 (\$100/SF) 8.5% cap rate



85 Eisenhower Drive, Westbrook
56,000 SF
\$3,900,000 (\$70/SF) 8% cap rate

- 1031 & cash buyers – multiple offers
- Cap rate driven - “Buying leases, not property”
- Higher risk tolerance
- Record setting \$/SF

A Look Back at 2018...

Owner/User Transaction Examples



**65 Pleasant Hill Road,
Scarborough**
11,600 SF
\$1,050,000 (\$91/SF)
Maine Boiler/Coastal Custom
Design



75 Scott Drive, Westbrook
11,200 SF
\$1,000,000 (\$89/SF)
Gaftek



**351 Riverside Industrial Pwky,
Portland**
8,800 SF
\$910,000 (\$103/SF)
Bath Fitters

- Highly competitive offerings
- Bullish financing packages
- Appraisers catching up, considering replacement costs
- Record setting \$/SF

A Look Back at 2018...

Lease Transaction Examples



59 Sanford Dr., Gorham
Leased by Mega Industries
5,000 SF



101 McAllister Farm Rd., Portland
Leased by Brickell Men's Products
14,400 SF

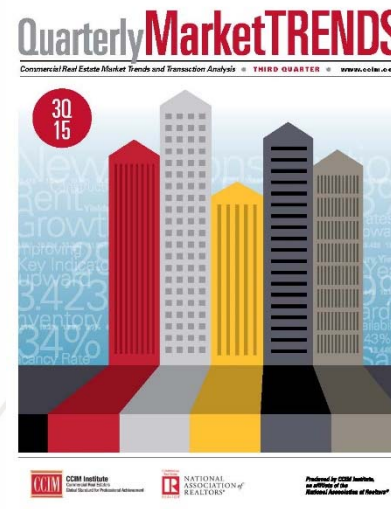
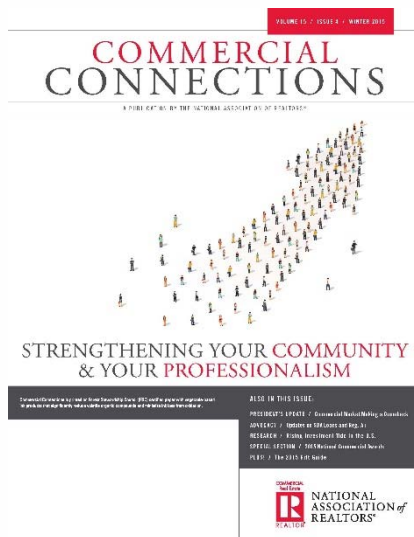


43 Bibber Parkway, Brunswick
Leased by Identity Group
62,000 SF

- Most deals less than 15,000 SF
- Tale of two halves – transitioning market
- \$/sf remain historically high
- Larger tenants carry significant leverage
- Limited new construction leasing

National & Regional Report

- Same macroeconomic concerns in 2019 that we see locally
- eCommerce continues to lead the way – pop-up distribution?
- Highest investment demand of any sector other than Class-A multifamily



Forecast 2019

Forecast 2019

Significant Vacancies



**155 Rumery Street, South
Portland**
28,800 SF



7 Rand Road, Portland
249,370 SF



15 Saunders Way, Portland
30,000 SF



53 Wallace Avenue, South Portland
35,705 SF



**43 Bibber Parkway,
Brunswick**
40,000 SF



565 Elm Street, Biddeford
32,356 SF

Forecast 2019

Predictions

- Smaller, speculative new construction challenged
- 50,000 SF new construction project will happen
- Investment demand continues although cap rates plateau
- Owner/user sale pricing stalls – nearing replacement cost
- Lease pricing settles – need to gauge the market

Forecast 2019

Questions

- What impact will recreational marijuana have on the market?
- Is craft-brewing growth coming to an end?
- What is the industrial potential of the Scarborough Downs site?
- Is the “Landlord’s market” coming to an end?

Forecast 2019



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THANK YOU

NAI The Dunham Group
Commercial Real Estate Services, Worldwide.



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APPENDIX : INVENTORY RESULTS

Parks/Clusters	Total Buildings	Building SF	Available SF	Vacancy Rate
Airport Industrial Park	22	444,913	0	0.0%
Alfred Road Industrial Park	9	131,628	0	0.0%
Biddeford Industrial Park	10	796,002	0	0.0%
Colonel Westbrook	17	559,682	0	0.0%
County Road Business Park	8	216,578	0	0.0%
Evergreen Business Park	23	403,655	3,000	0.7%
Five Star Industrial Park	27	1,312,297	19,220	1.5%
Gorham Industrial Park	39	944,606	10,000	1.1%
Jetport Business Park	3	56,266	0	0.0%
Pinetree Industrial Park	7	238,948	0	0.0%
Pleasant Hill	56	1,656,130	70,625	4.3%
Presumpscot Street	22	438,676	3,000	0.7%
Riverside Industrial Park	28	841,886	50,000	5.9%
Riverside Street	44	956,228	10,000	1.0%
Rumery Park	19	1,129,149	0	0.0%
Saco Industrial Park	54	1,359,523	9,772	0.7%
Scarborough Industrial Park	34	765,519	29,930	3.9%
Walter Nielsen	7	538,920	0	0.0%
Warren Avenue	38	943,646	5,580	0.6%
Miscellaneous/Clusters	115	5,181,638	445,063	-

City/Town	Total Buildings	Building SF	Available SF	Vacancy Rate	Avg. Asking Lease Rate
Biddeford	51	1,969,605	111,351	5.7%	\$5.20
Gorham	39	944,606	10,000	1.1%	\$10.00*
Portland	227	6,469,649	356,792	5.5%	\$6.75
Saco	55	1,435,163	9,772	0.7%	\$6.50
Scarborough	92	2,582,710	62,850	2.4%	\$6.75
South Portland	50	2,840,408	49,705	1.7%	\$6.75
Westbrook	68	2,673,749	55,720	2.1%	\$6.65

* 1 building, new construction

GRAND TOTAL

Total Buildings	Total Market Size	Total Available SF	Vacancy Rate	Average Lease Rate
582	18,915,890	656,190	3.47%	\$6.52