

Two big sales highlight the March activity

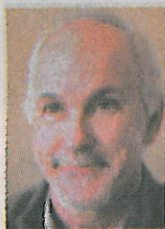
Bayside Village and the Liberty Mutual property are purchased.

By DAVID HARRIGAN
Mainland Consultants

March proved to be a busy month for commercial sales in Southern Maine. Included in the activity were two key transactions:

Bayside Village, Portland's first housing development for college students sold; and in Lewiston, the Liberty Mutual property transferred.

These two diverse sales, more than \$20 million combined, represent substantial investments in Southern Maine's real estate market.



David Harrigan

The 100-unit Bayside Village property on Marginal Way was acquired for \$18.2 million by Blue Vista Capital Management, a

real estate investment firm based in Chicago. A local, well-known investor acquired the Liberty Mutual property. The Liberty Mutual sales, and two other notable transactions, are featured on Page 11.

The listing brokers for these transactions kindly provided their views on the current market. Mainland Consultants thanks Debra Napolitano of Paragon Commercial Real Estate; Roxane Cole, CCIM, of Roxane Cole Commercial Real Estate; and Justin Lamontagne of NAI The Dunham Group for the following insights.

Debra Napolitano, Paragon Commercial Real Estate

"As we reach the end of the first quarter of 2012, and just as we are seeing the first clear signs of spring, we are also seeing real signs of rebound in Maine's commercial real estate market.

"Evidence of rebound is in the moderate shifting from a

complete buyer and tenant's market to one becoming more reasonably balanced. Vacancy rates are declining, if slowly. For the first time in a few years, the Class A office market sector is enjoying almost robust activity.

"Retailers are on the move again, with banks, credit unions, restaurants and IT retailers leading the surge. There is also renewed interest by hotel developers in several Maine communities. This paradigm shift is good for landlords/sellers and buyers/tenants alike, as better balance ultimately leads to a healthier market.

"Maine, following the national trend, has enjoyed increased investment sales during the last five successive quarters. During this time period more than \$200 billion in sales has been transacted nationally. This represents a 50 percent increase



Debra Napolitano

over all investment sale activity during 2010.

"Generally speaking, there is more-than-ample capital available for purchases, but

limited compatible inventory available for sale. This is also a good sign for an improving market. NNN-leased assets remain the darling of local and regional investors. With lease terms of at least seven years, these properties quickly sell - always.

"There is less appetite for multi-tenanted local credit assets, but buyers are showing more interest in even these assets. As always, in a rising or sinking market, cap rate, risk of tenant renewal, and ability to re-tenant space are mitigating factors that impact the sale price.

"In short, as we finally enter a growth cycle, inventory for sale is low, inventory for lease higher than normal, but that is to be expected in the early stages of a rebound.

"Sellers and landlords of quality assets are regaining negotiation leverage. Tenants seeking more than 15,000 square feet should start looking and negotiating early and expect the landlord may have the upper hand."

Roxane Cole, CCIM, Roxane Cole Commercial Real Estate

"In terms of activity, the market is thawing. While transactions did happen throughout the recession, there are now more participants moving from casual interest to following through and completing transactions.

"Cash is making its way from the sidelines into transactions. Additionally, business owners are taking advantage of exceptionally low interest rates and, in some cases, SBA programs with low down payment requirements. They are purchasing and occupying for less than the cost of leasing.

"Sellers are experiencing interest in their properties from multiple parties. Momentum has increased over the last six months, and I expect that to continue. Values are firming.

"Buyers are seeking and attaining good deals, yet with increased activity, sellers now have more options. Ultimately, the stabilizing market will yield higher pricing."

Justin Lamontagne, NAI The Dunham Group

"Getting buyers and sellers to agree on fair market value has proven difficult over the last few years. My recent sale of a property on Waterman Drive



Justin Lamontagne

proves that a quality product, priced right, can sell quickly and both sides can walk away satisfied. I think there are great opportunities for owner/users in all commercial sectors. Pricing is leveling out and, because of some very attractive financing packages available today, end-user occupancy costs are often lower than the cost to rent."



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