

MAINE'S SHIFTING SUPERMARKET LANDSCAPE

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While retail had its fair share of struggles in 2022, the sectors year was highlighted by the strength of the supermarket and the supermarket-anchored shopping center. On a national level, the large national supermarket players, including Whole Foods, Kroger, Ahold Delhaize, and Albertsons reported strong earnings.

On the real estate investment side, institutional money continues to pour in to acquire supermarket properties. Additionally, national REITS have, by and large, shifted their sole focus to the specific acquisition of grocery-anchored shopping centers. According to JLL's Grocery Tracker Report, in 2021 alone, there were over 700 grocery-anchored retail trades, totaling 13.3 billion dollars in sales, a record for the sector.

But what does this all mean on a microeconomic level here in Maine? All indications show that in Maine, supermarkets have plenty of room to grow, and we will continue to see the sector expand across the state.

Most notably, Massachusetts-based Market Basket has signaled a vote of confidence in the state on the strength of the Maine market. By all accounts, Market Basket's opening at Waterstone's Rock Row project in Westbrook has been an enormous success. The store has generated over 2.8 million visits over the last year, according to data from Placer.ai.

As a result of this success, Market Basket has continued its expansion in the state, announcing plans to open a third Maine store in the Topsham Fair Mall to serve the local Topsham/Brunswick community and provide convenient access to Augusta and Lewiston/Auburn. In October of 2022, Market Basket officially received all site plan and DOT approvals on the state and local level for the 17-acre, 80,000± SF supermarket, with plans to open in late 2023.

Hannaford Supermarket isn't showing any signs of slowing down, either. There had long been talk of the Payne Road Shaw's in Scarborough moving on from that location, and in

late 2022, Hannaford announced plans to backfill the store with an opening in 2023. Hannaford will add a much-needed supermarket presence to the bustling Payne Road retail corridor that includes Sam's Club and Scarborough Gallery tenants such as Lowe's, HomeGoods, and Marshall's.

However, last year wasn't all "hugs and handshakes" in the world of the Maine grocery store. Shaw's Supermarket announced the closure of two of its Greater Portland stores in the face of labor struggles, rising inflation, and increased competition from Market Basket, Hannaford, and Trader Joe's. As noted, Shaw's is closing its Payne Road location and has already closed its Westbrook Crossing store (located directly across the street from Market Basket). Shortly following these closure announcements, Shaw's parent company, Albertsons, announced the news that it would be acquired by the National grocery chain Kroger: a massive, \$24.6 billion deal between two titans of the supermarket industry.

So what does this all mean moving forward?

Surely, Kroger will not give up on Shaw's strong Maine presence following its' mammoth acquisition of Albertson's. Expect to see more dispositions of underperforming stores in the short term, followed by a calculated commitment and expansion throughout the state in the longer term. Shaw's continues to have a stronghold on some of the high-quality shopping destinations in Maine, which will be capitalized upon when Kroger restructures management and store operations.

Hannaford, the proverbial 800-pound gorilla in the world of Maine supermarkets, will also continue to capitalize on stronger stores, relocating stores to superior locations, and expanding into underserved markets throughout the state.

While Market Basket's presence may not include the store volume of Hannaford (64 stores) or Shaw's (19 stores), they have proven successful in capturing shopping dollars that are surely taking away from their competitors' market share. Judging by



their latest Topsham announcement, expect Market Basket to continue its expansion up the I-95/I-295 corridor, one store at a time.

And what's next for the former Sears box at the Maine Mall? It would be a great supermarket location, given its Greater Portland reach and convenient highway access. Might we see an Amazon/Whole Foods play? It would seem to make a lot of sense.

The landscape of the Maine supermarket is shifting. If anything, the pandemic only strengthened the grocery sector, both nationwide and here in Maine. Stores continue to focus on providing a pleasant shopping experience while also providing easy, more convenient online shopping features, including in-store pickup as well as two-hour delivery. With increased competition among the supermarkets, strong sales, and increased investment dollars, the Maine supermarket is poised for significant growth and quality enhancement. On the real estate side, expect to see plenty of "moving and shaking" in 2023 and beyond.

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MARKET**

shaw's

MARKET BASKET