

Leasing Activity



We are optimistic that the Greater Portland office leasing market may be poised for a rebound. The second quarter marked the first quarter over quarter increase in numbers of leases signed since year-end 2005. Furthermore, the first month of the third quarter is showing signs of increased activity, and call volume has increased noticeably. Hopefully the decline that started in 2004 is finally taking a more positive turn. Nonetheless, transaction volume was down in the first half of 2007 as signed leases were down 51% compared to mid-year 2006. However, activity in the large tenant market continues to be strong.

Sales Activity



Local and national investors continue to search actively for quality investment projects, but “the deals have to make sense.” We are also seeing price reductions in the market, as once-hot demand by owner-users has waned and the amount of “exchange-buyers” has lessened. On the national level, capital continues to flow into purchasing office product at a record pace, with demand for medical office high. Locally, commercial sales have slowed over the past few quarters but call volume is up at the start of the third quarter. That fact, combined with price reductions, should produce more sale volume.

Industrial Vacancy Analysis



Vacancy in the Greater Portland industrial market was down mid-year by one full percent, dropping to 5.34% vs. the year-end 2006 rate of 6.37%. This marks the first reduction in industrial vacancy since 2004. Westbrook led the way with vacancy dropping by more than half in this sector, down to 3.23% vs. 7.39%. Contributing to this were leases at 866 Spring St (Business Interiors 25,049 sf), 15 Bradley Dr (Wal-Mart 25,000 sf) and 29 Eisenhower Dr (Transformit 13,577 sf). Scarborough vacancy was also down for the first half, ending at 10.34% vs. 11.43%, with deals at 6 Lincoln St (Sale and Distribution 20,200 sf) and 31 Washington St (D2 Inline 15,000 sf). The sale of 192 Gannett Drive reduced vacancy in South Portland by 33,710 sf, lowering the rate there to 1.35% vs. 2.05%. Portland, Falmouth and Gorham were all flat with their respective year-end 2006 figures. The year-end national average is predicted to remain at just under 10%.

Mid-Year Perspectives 2007

Office Vacancy Analysis



Overall vacancy in the Greater Portland office market continues to decline, down as of mid-year 2007 to 4.36% vs. year-end 2006 rate of 5.15%. The national average is predicted to range between 12.5% - 13.5%. Since 2004, vacancy has trended down from a ten-year high of 7.44%. Downtown Class A sector has felt the greatest impact with lease-ups at One Monument Sq (Pierce Promotions 30,000 sf), 145 Commercial St (Harvard Pilgrim 13,000 sf) and Two City Center (Legacy Properties 7,600 sf). The only remaining large Class A floor plate downtown is at Two Portland Square, with 35,462 sf available. Correspondingly, there is a noticeable increase in the availability of new construction projects in the Back Bay area and downtown. It seems inevitable that the down-town office market will expand its footprint in the near future.