

## Office Leasing Activity



Leasing activity in the Greater Portland office market was higher than the prior year for the second quarter in a row, up nearly 10% over the second quarter of 2007. When combined with the first quarter, the first-half of 2008 posted a 36% increase in the number of leases signed versus the first-half of 2007. For the first time since mid-2004 we are able to report an upswing in leasing momentum for two consecutive quarters.

The majority of the activity remains under 2,000 sf, and we are seeing a greater willingness in recent months by Tenant's above that level to hold off on expansion plans or to contract some in their current space.

2<sup>nd</sup> Quarter  
Perspectives  
2008

## Sales Activity



Local and national investors continue to be active in the Greater Portland market and the local lending environment remains healthy with low rates and banks aggressively competing

for business given the increased competition among lenders for quality borrowers/deals. The owner-user market has been less active than the investment market, a direct result, we believe, of the economic slow down; however, activity is steadily increasing in that sector as well. Overall, pricing has come down and we're observing a shift from hesitation by buyers to that of action. Momentum is increasing on the sale front.

## Mid-Year Office Vacancy Analysis



Overall vacancy within the Greater Portland office market rose as of mid-year to 8.5% vs. year-end 2007 and 2006 rates of 7.15% and 5.15%. Not since mid-1990 has overall vacancy reached above 8%. Correspondingly, mid-year net absorption was negative by 1%, roughly 100,000 sf. The suburban Class A

and B sectors posted the greatest increases, each up by over two percentage points. The downtown Class A sector posted a one point increase, while the Class B sector remained unchanged. On a positive note, two large-tenants leased space at Two Portland Square ~ 26,000 sf to Prudential and 10,000 sf to RBC Dain Rauscher, with a planned expansion into another 4,500 sf. The 4,000 to 10,000 sf tenant is considerably more cautious, resulting in less expansion in the office market and frankly more congenial renewal negotiations between Landlords and Tenants.

## Mid-Year Industrial Vacancy Analysis



Overall vacancy in the Greater Portland industrial market was down slightly as of mid-year, dropping to 5.8% vs. the year-end 2007 and 2006 rates of 6.41% and 6.37%. Gorham led the way, with vacancy dropping three full percentage points from 11.81% at year-end 2007 to 8.86% in mid-2008. A key

contributor was the sale of 19 Bartlett Road (a 33,774 sf vacant building) to Custom Coach and Limousine. Westbrook also contributed to the drop in vacancy, posting full-building lease-ups at 55 Bradley Drive, 85 Bradley Drive and 942 Main Street, as well as now having leased one-third of the 100,000 sf complex at Saunders Way. Portland, Scarborough and South Portland were all relatively flat with their respective year-end 2007 figures. Overall, mid-year net absorption for the entire market was positive by 60,000 sf or .42%.