

## Restraint Benefits Commercial Sector

Natives of Portland, Maine, value preserving their history—particularly their seafaring heritage.

The city about 100 miles north of Boston has banned residential development directly on the waterfront since the late 1980s. After Bath Iron Works, a storied shipbuilder that remains one of the state's largest employers, discontinued its use of a waterfront ship-repair facility in 2001, the city and state opted to transform it into Ocean Gateway, a \$20 million terminal for ferries and cruise ships that is to be completed next year.

"We stopped counting meetings at about 300," Benjamin Snow, manager of marine operations for the Portland Department of Transportation, says of the Ocean Gateway planning process.

The project is expected to spur further redevelopment of the formerly industrial India Street area, a section of town on the eastern edge of the Old Port neighborhood that already contains restaurants and boutiques along its cobblestone side streets.

The city is also considering rezoning the Maine State Pier, a structure also previously used by Bath Iron Works that is just west of the new terminal, to allow a potential mixed-use project that could include a hotel.

The Portland area, home to about a quarter million people, historically counted on shipping, fishing and wealthy summer visitors and residents like former President George H.W. Bush's family for much of its livelihood. The area's economy is now more diversified and service-oriented, with a financial sector including disability insurer UnumProvident Corp. and a health-care sector that have helped offset a weaker manufacturing base, says Charles Colgan, a professor of public policy at the University of Southern Maine in Portland.

The region's relatively restrained approach toward new development has been something of a mixed blessing for the commercial real-estate market.



Dead River Properties has transformed the former Spring Harbor psychiatric hospital into **high-end office space**.

### By the Numbers

CATEGORY	— YEAR-END —	
	2005	2004
Office vacancy rate	7.2%	7.4%
Suburban Class A rent per sq. ft.	\$18.00- \$21.75	\$17.00- \$21.00
Downtown Class A rent per sq. ft.	\$13.50- \$25.00	\$15.00- \$21.00
	— FULL-YEAR —	
	2005	2004
Hotel occupancy rate	60.3%	61.9%
Avg. daily room rate	\$87.89	\$85.81
Median home price	\$246,600	\$224,800

Note: All but downtown office data is for greater Portland area. Office rents include costs associated with taxes, operating expenses, heating, ventilation and air conditioning.

Sources: Ram Harnden Commercial Real Estate Services; Smith Travel Research; National Association of Realtors

The office market in particular has benefited, with low levels of new supply helping to keep vacancy rates in the single digits and rents stable or ticking up in some areas, even with employment increasing only 0.5% in June compared with the year-earlier month, compared with 1.4% nationally, according to the Bureau of Labor Statistics.

Speculative office building is a rarity, as many developers learned hard

lessons after being burned by overbuilding in the 1980s, says Roxane A. Cole, a principal with Ram Harnden Commercial Real Estate Services in Portland. By contrast, the retail market has seen a steady stream of expansion in recent years, with much of it in the South Portland submarket anchored by the Maine Mall, owned by General Growth Properties Inc., according to Gregory Boulos, a partner with CBRE/The Boulos Co., a real-estate brokerage firm. The industrial market lags behind the other sectors, weakened by lower demand.

Some offices being built are creative redevelopments. Dead River Properties, a division of the Maine-based Dead River Co. heating oil company, has converted a former psychiatric hospital on about 13 acres in South Portland into a 65,000-square-foot office building. It is also planning to redevelop an industrial site in Scarborough, also near the Maine Mall, into a grocery-anchored shopping center.

"The reuse of existing sites feels right to people, planning boards and developers as opposed to abandoning and sprawling out into new empty fields," says Anne Littlefield, general manager of Dead River Properties, noting that speedier approvals of redevelopments also lower development costs. "It may be a cultural thing."

—Maura Webber Sadovi