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CBRE/Boulos' office market survey reflects signs of health and stabilizing vacancy rate

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It seems, for once, the pundits and prognosticators were right in their predictions. 2009 was to be a year of "tentative recovery", "slow-growth", "conservative gains", and "re-building". As such, our clients were prepared to face the fact that "flat is the new up". Indeed, in the Southern Maine commercial real estate market, 2009 was a "flat" year.

This month, CBRE/The Boulos Company will release our annual Office Market Survey. It's a comprehensive survey of all Class A and B office space in Greater Portland. Each building's vacancy rate and asking lease rates are carefully calculated and charted. It serves as an excellent barometer of commercial real estate trends and the overall health of our market. The 2010 Office Market Survey in its entirety can be viewed or downloaded for free at www.boulos.com

This year's results reflect a stabilizing vacancy rate and signs of health after a volatile 2008. From 2007 to 2008, the overall rate in Greater Portland jumped from 6.21% to 9.11%, an alarming 45% increase. This year, however, the rate rose a nominal amount to an overall vacancy rate of 9.15%. So, while we are still well above our historic averages of 5 to 7% vacancy rate in Greater Portland, the data suggests we are at least trending towards a recovery.

Upon closer examination of the numbers, it becomes clear that some sectors are stronger than others. Downtown Portland's Class A space, for example, had an uncharacteristic surge in vacancy. There is an additional 39,368 s/f of Class-A office space than there was at this time last year. Class B space, however, had a strong 2009 as it's vacancy rate dropped from 12.67% in 2008 to 7.39%. It should be noted, however, that a handful of larger transactions affected the rate positively in the second half of 2009. Most significantly, MaineHealth's purchase and planned occupancy of 110 Free St. in Portland equates to an absorption of about 83,970 s/f.

The suburban market saw it's vacancy rate increased for the third consecutive year. Several national companies have left or scaled back their Greater Portland operations. Standard Insurance, for example, vacated large office spaces in two buildings. Other companies such as Fairchild Semiconductor, IDEXX and J. & W. Seligman Company, Inc. downsized their operations. As a result, the overall suburban office market vacancy rate increased 154 basis points from 8.08% to 9.62%.

Health care remains one of Southern Maine's strongest economic drivers. As such, it is encouraging to see the overall medical office vacancy rate decrease to a healthy 5.93% (excuse the pun). The medical commercial real estate sector was hit hard in 2007 by the expansions of the Mercy Fore

River campus and the new 103,000 s/f Intermed building, both in Portland. However, in 2009, almost 20,000 s/f of Class A & B medical office space was absorbed, including the city of Portland's new community health center at 180 Park Ave.

As is historically the case, Greater Portland remains healthier and more stable than that of comparable regional markets. Vacancy rates in markets like Boston, Hartford, Providence and New Haven all saw minor improvements in 2009. However, their overall rates still range from 10-20% - all higher than the Greater Portland market.

Justin Lamontagne is a broker with CB Richard Ellis | The Boulos Co., Portland, ME.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540