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The steady pace of growth continued in the first half of 2014 within the Greater Portland office market

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The steady pace of growth continued in the first half of 2014 within the Greater Portland office market, with overall vacancy down by nearly a full point to 9.13%, the lowest posting since 2008. However, net absorption (absent the impact of sublease space) was negative by over 40,000 s/f, the first glimpse of depressed absorption in the past four years.

The downtown sector posted a significant drop in overall vacancy, coming in at 9.62%, the first time below double digits since 2009. Beginning the year the downtown sector had 62,000 s/f of sublease space available in both class A & B. However, that has now been absorbed by either new tenant leases or current tenants taking back the space. Of note, Cash Star leased two floors at 25 Pearl St. totaling 21,550 s/f, Kepware leased 11,123 s/f at 400 Congress St., and leases expired or lessees took back space at One & Three Canal Plaza (7,257 s/f and 6,207 s/f), Two Monument Square (10,693 s/f) and 443 Congress Street (5,364 s/f). In total, downtown absorption was positive by nearly 15,000 s/f or .32% over the first six months.

The suburban sector posted mixed results, driven primarily by two notable new vacancies in the market. At 6 Ashley Dr., Cole Haan vacated the top two floors leaving 38,390 s/f vacant there. Additionally, Fairchild downsized at 82 Running Hill Rd., keeping the 1st and 2nd floors but vacating the 3rd, which added 31,459 s/f of new vacancy to the market. The net result was a loss in absorption in the class A sector by 60,966 s/f or 2.5%.

The suburban class B sector fared noticeably better, benefitting from two sizable leases - Spurwink Services subleased 34,956 s/f at 901 Washington Ave. and Maine Medical Center leased 14,000 s/f at 300 Professional Dr. In the end, direct vacancy increased in the suburban sector by over 1 percent, while overall vacancy was relatively flat with the prior six months. Net absorption, however, was negative by over 55,000 s/f or 1%.

We continue to see fewer and fewer large-floor plate options for new or expanding tenants in the downtown market. In contrast, the suburban market now has multiple options for tenants seeking a minimum of 10,000 s/f on a single floor. This fact alone may begin to drive tenants to the suburban market.

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