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The Greater Portland office market continues to gain momentum in 2015

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The good news continues in the Greater Portland office market, as 2014 marks another year of positive results across both downtown and suburban markets.

- * Overall vacancy decreased for a 3rd straight year, now below double-digits at 8.48% and at a pre-Great Recession level equal to 2008.
- * Net absorption remained positive for a 4th consecutive year, increasing by 76,297 s/f or .77% (since 2009 the office market has averaged over 100,000 s/f of annual positive-absorption).
- * Leasing activity was down by 5% in 2014, but still within a healthy range. Since the low in 2007, leasing activity has now grown at an average annual pace of 4.7%.
- * Asking rental rates increased by 5%, on a weighted average basis, with all sectors coming in higher in 2014 versus the prior year.
- * Sales activity increased in 2014, with a larger number of investment-properties changing hands than has been seen in years.
- * Shadow space looms on the horizon for 2015, with nearly 300,000 s/f of possible new vacancy for the office market. If this vacancy was affective today, the overall rate would jump from 8.48% to 11.33%.

Results were strong in 2014 for the downtown office market, with overall vacancy down by nearly 2% to 9.38% and net absorption positive by 63,987 s/f or 1.39%. A major driver was the reduction in available sublease space, down by 45,000 s/f for the year. The Class A sector posted the strongest results, with overall vacancy down 3.25% to 7.75% or nearly one-half of what this sector posted just two years ago. The net result was positive net absorption of nearly 34,000 s/f or 1.94%. Sublease vacancy was also down by 22,500 s/f, another contributing factor to the lower overall vacancy rate.

The upward trend continued in the suburban office market, now with a 5th consecutive year of reduced overall vacancy and positive net absorption. Overall vacancy was down 1.26% to 7.7% with positive net absorption of 12,310 s/f or .23%. Also of note, asking rental rates increased by nearly 2%. The class A sector was consistent with recent history, posting a 5th year of reduced overall vacancy (down to 6.22%) and positive absorption of 10,147 s/f or .41. Multiple lease-ups in the class B sector resulted in a drop in overall vacancy by 1.31% to 8.98%.

Also of interest, Portland's Old Port continued to be a draw for office users in 2014, where the vacancy rate is now at 9.95% versus 10.75% one year ago. More particularly, the Commercial St. corridor posted strong results, with vacancy now at 2.33% and asking rents increasing on average by 11% over the past two years. Office, retail, hospitality - all segments within the Old Port that are vibrant, synergistic and truly at the heart of Portland's economic engine.

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