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Augusta's office market remains healthy; driven by government, non-profit and medical clients

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Augusta's office market is characterized by low vacancy and strong demand, driven by the government, non-profit, and medical community. There are over 3 million s/f of office space in the Augusta area. The primary office market users are the state of Maine and MaineGeneral Medical Center. The state of Maine currently leases nearly 700,000 s/f and owns nearly the same amount in Augusta alone. Additionally, they own and lease a substantial amount of office space in Hallowell and Gardiner, which are suburbs of Augusta.

Augusta's office market activity continues to be dominated by the Central Maine Commerce Center, which is the redevelopment of the former SCI-Sanmina computer plant by Mattson Development. The 311,000 s/f building recently reached full occupancy with the signing of InforME and Unisys. In addition, the group just completed new buildings leased to the USDA and Maine Department of Labor. Kevin Mattson of Mattson Development has now turned his focus to completing construction of two new buildings at the entrance of the Central Maine Commerce Center. One is a 6,000 s/f office building which is over 50% committed, and the other is a 51,000 s/f LEED-certified office building being built on spec.

Recently, the state of Maine implemented a long-term strategy of leasing versus owning properties. This is a result of diminishing budgets where replacement reserves and maintenance budgets are the first reduced. Leasing offers the state of Maine an a viable option to fix costs long-term. This was recently illustrated by the State's decision to vacate the long-time Public Utilities Commission headquarters near the State Capitol and move that operation into the 30,000 s/f former Worcester House hotel in downtown Hallowell currently being redeveloped by Mattson Development. We predict the state of Maine will continue to vacate state-owned office properties in the greater Augusta area and occupy leased facilities, presenting opportunities for developers looking for long-term deals from the State. It will also present opportunities for developers to purchase and redevelop the buildings vacated by the state - and even lease it back to them one day!

The state's new interest in long-term leases has drawn interest from investors nationwide. This was illustrated by the sale of 442 Civic Center Dr., a 65,831 s/f Class A office building fully occupied by the state of Maine Department of Health & Human Services. The \$8.5 million price tag set the record for the sale of office property in central Maine. More recently, an older, well-located 19,224 s/f fully-leased office building located at 25-33 Stone St. near the state government campus sold for \$1.9 million. However, the 360,000 s/f Central Maine Commerce Center, mentioned above, is available for sale and when it closes, its sale price will most certainly break the existing record.

On the medical front, The Harold Alfond Center For Cancer Care, operated by MaineGeneral Medical Center, recently opened. This new facility, along with MaineGeneral's lease of the 20,000 s/f facility in FirstPark for an imaging center, signaled a shift in what we believe will be an on-going

move to (re)locate medical facilities close to I-95, easily accessed by Augusta and Waterville residents.

Augusta's main growth areas are around I-95 Exit 112/113 on Civic Center Dr., the Central Maine Commerce Center and the new Maine General/Alford Cancer Center and the Rte. 3 Coastal Connector. We also see tremendous opportunities for redevelopment in the central core around the state of Maine Capitol complex near the State House and the Memorial Circle Rotary. Given the low vacancy rates and lack of supply, we predict that the leasing market will strengthen considerably as the demand for quality office properties from the government and medical community increases. This will present opportunities for developers and investors as suitably zoned buildings become available for sale in these growth areas.

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