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Mid-year downtown Portland class A office market update - Samantha Marinko

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In January, The Boulos Company released the 2021 Annual Market Outlook, which gives an overview of Maine's commercial real estate market. The numbers spoke and the effect of the pandemic was evident, particularly when considering the vacancy rate in class A office buildings in downtown Portland. However, the last six months suggest that the winds may be changing.

The Portland class A office market is comprised of 25 buildings, equating to about two million s/f. We reported in January of 2021 that the vacancy rate of Class A downtown office space increased from a historic low of 0.40% in 2019, up to 6.60% by the end of 2020. Since then, the rate has dropped to a healthy 4.74%.

The decrease in the vacancy rate is due largely to the absorption of 61,129 s/f at 300 Fore St. The news came from Dean Leigh Sauflay of the University of Maine School of Law in May, "The University of Maine System Board of Trustees approved a new interim home for the Law School through a five-year lease of the facility at 300 Fore St. in Portland."

There were no other noteworthy lease deals attributing to the decreased vacancy rate. However, the decline in the rate does not mean that no new vacancies were created. Since January, there are a handful of new vacancies between 3,000 and 5,600 s/f. The only sizable new vacancy was created when the law office of Troubh Heisler moved to the suburbs, leaving an additional 11,000 s/f at 511 Congress St., adding to an existing 5,183 s/f, for a total of 16,183 s/f. Aside from 511 Congress St., there are no new individual vacancies over 10,000 s/f. Opportunities for tenants over 10,000 s/f remain relatively low.

The sublease vacancy rate has not shifted much in the last six months. With only one new significant vacancy created at One Canal Plaza for 10,710 s/f, the rate increased only slightly from 2.77% to 3.15%. This is neither surprising nor alarming and could be taken as a sign that office users are becoming more confident and comfortable occupying their spaces.

After a very quiet year, there has been an uptick in showing activity for office space. Whether it is because of the vaccine or because a year of working from home has caused people to recognize the value of an office environment, the calls and the showings that I have had recently are evidence to me that people are ready to get back to the office.

Unlike the pre-pandemic days of the all-time-low vacancy rate, if an office user is looking, there is product to be seen and opportunities for tenants looking to expand, downsize, or reimagine their space. In 2019, simply arranging for a tour of downtown office space was a challenge, as there was so little square footage available and spaces were filled so quickly. Now, tours can be arranged and neither supply nor demand are at record highs or lows. The current trend bodes well for the second half of 2021.

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