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## **What does the fall of 2007 look like in the building design construction industry?**

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Despite what is widely broadcast every evening on the nightly news, commercial building is robust and the outlook for the fall of 2007 and beyond looks strong.

A drive along Highway 295 in southern Maine shows signs of the booming construction industry. This is evidenced by the number of cranes that can be seen dotting the landscape as well as the many building skeletons that are a work in progress.

At Allied Engineering, located in Portland we are seeing the highest contracted project backlog we have experienced in recent years going into the fall season. This backlog will translate into building construction projects that will commence well into next year. Our building design firm which offers structural, mechanical, electrical, and commissioning services is also looking to expand in order to keep up with the demand.

The industry activity is not confined to one type of building either. Our current building design projects are spread among many sectors. Current projects in progress include but are not limited to: housing, laboratory, medical, colleges, postal service, retail, hospitality, office, schools, and industrial.

Project size also ranges from 350,00 s/f of commercial renovation and new construction in Saco to multiple smaller facilities projects at Jackson Laboratory in Bar Harbor, Maine to a school addition/renovation south of Boston.

There has also been a marked increase in the building commissioning market. Building Commissioning is a program whereby building design projects are given an extra level of peer review during design and the installation of systems includes an extensive testing and balancing program that is well beyond what the traditional building construction process would typically provide. Building owners are realizing that systems that are put through rigorous testing and controls will perform more efficiently and will require less attention from their maintenance personnel.

Not only are developers beginning new building projects but existing property owners are embarking on upgrades to existing systems and facilities. These upgrades are being conducted to bring the buildings up to current codes as well as to improve current systems. Many of our clients are replacing lighting and equipment in order to cut down on energy and operational costs as well as choosing equipment that is better for the environment than their current systems. The replacement or addition of security systems and fire alarms is also a large part of current activity.

Our largest current project is Saco Island. Allied is very proud to be involved in the revitalization of this area. This ambitious project is intended to bring new life to currently vacant mill buildings that date back to the 1800s as well as create a new marina and townhomes along the east parcel of this development.

This campus will consist of retail, commercial, residential, and restaurant space. This project will bring additional residential housing and jobs to the area. This setting will make it easy for occupants to work, live, and relax in one community- all within walking distance.

Optimism also exists in the commercial building sale and leasing market. According to Roxanne Cole, principal of Ram Harnden Commercial Real Estate Services, investors continue to actively search for quality investment projects, but the deals have to make sense. Commercial building sales have slowed over the past 3 to 4 quarters but call volume is up as of the start of the 3rd quarter. That fact, combined with price reductions, should produce more sale volume through year end.

Data gathered by Ram Harnden shows that overall office vacancy within the Greater Portland office market continues to decline, down as of mid-year 2007 to 4.36% versus the year-end 2006 rate of 5.15% . Since year-end 2004, vacancy has trended down from a 10-year high of 7.44%. Industrial vacancy in the Greater Portland industrial market was down as of mid-year by one full percent, dropping to 5.34% versus the year-end 2006 rate of 6.37%. This marks the first reduction in industrial vacancy since 2004.

Hopefully the commercial design, construction, and sales trends will continue the positive momentum well into 2008.

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