

HARNDEN COMMERCIAL BROKERS

2019 MID YEAR OUTLOOK

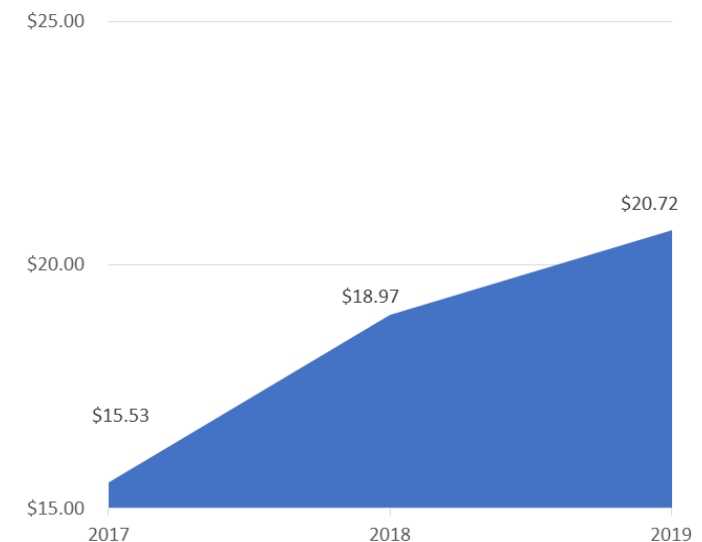
MID YEAR 2019 OFFICE MARKET OVERVIEW

Through Mid Year 2019 the Downtown and Suburban markets are going in different directions. Downtown's combined vacancy rate for Class A & B space decreased to 5.50% from 6.09% at Year-End 2018. While the Suburban Class A & B sectors combined vacancy increased from 4.68% at Year-End to 9.32% at Mid-Year. These moves have caused the total overall market vacancy to move from 5.35% at Year-End 2018 to a Mid-Year rate of 7.54%. The Suburban Class A vacancy was the main reason for the overall increase jumping from 3.67% to 13.21%. This is the highest Suburban Class A vacancy since 2009 when it reached 12.85%.

The major contributing factors were UNUM's reconfiguration of HO1 at 2211 Congress Street which brought 207,883 SF to the market and WEX vacating 72,336 SF at 225 Gorham Road, South Portland when the company relocated to 100,000 SF at 1 Hancock Street, Portland. However, both locations have seen strong activity with UNUM close to signing two leases for a total of 50,000 SF +/- and the owners of 225 Gorham Road seeing multiple offers for the entire building. Additionally, 30,000 SF will be coming available at 65 Gannett Drive as Bottomline Technologies relocates to 13,218 SF at 75 John Roberts Road in the Fall 2019 and 18,200 SF of shadow space will be coming available at 41 Donald B Dean Drive in August 2019.

The number of year over year Greater Portland Office transactions dipped over 25% from 105 in 2018 to 83 in 2019. This is the lowest number of first half transactions since 2011, when there were only 89. The corresponding amount of square footage leased also decreased close to 28% from 318,000 SF to 229,000 SF. Until the overall vacancy rate increase to 7.54% as of Mid-Year 2019, the market has experienced a steady decline from 12.92% in 2011 to 5.35% in 2018. During this period asking rents have increased over 22%, with the highest increase of 33% happening since 2017. However, we feel this data is not an indication that the market is slowing down or moving into a period of high vacancy. We are aware of close to 20 Tenants totaling over 800,000 SF that are actively looking for Suburban or Downtown space to occupy in the next 2-3 years.

Greater Portland Avg. Asking Rates



ASKING RENTAL RATES

Average overall rental rates for the Downtown and Suburban market have increased over 9% this year and by approximately 33% since 2017.

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Rents have increased by 33% since 2017.

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Evidence of continuing activity is the demand for large amounts of Class A space Downtown. Several quality National credit Tenants have committed to the Eastern Waterfront. These Tenants, though National, have had a significant presence in the Greater Portland area for many years. This is very positive organic growth and will help attract other quality businesses to Greater Portland. Construction began for the 160,000 SF Vets First Choice building at 12 Mountfort Street which they will occupy in June 2020, and 100 Fore Street where WEX will be occupying 80,000 SF of office space Q1 2020. The Portland Foreside development signed a lead Tenant to kick-off construction of the 100,000 SF initial office building.

Construction has begun on two future mixed-use projects coming to the suburban market with retail commitments kicking-off the Rock Row development and residential kicking-off the Scarborough Downs project. They are planning to include a total of approximately 800,000 SF of Office Space combined (Rock Row, Westbrook and Scarborough Downs, Scarborough).

NOTABLE MARKET TRANSACTIONS

- **One Monument Way, Portland** (Class B Office Building) - The 45,278 SF building sold in April for \$7,250,000 (\$159.77 PSF).
- **312-326 Cumberland Ave, 15-19 Preble and 32-36 Elm Street, Portland** (Class B Office/Retail) - This 55,000 SF mixed use office/retail property sold for \$12,000,00 (\$218.18 PSF).
- **34 - 41 Hutchins Drive, Portland** (Class B Office) - 3-building office complex 52,644 SF sold for \$10,600,000 (\$201.35 PSF).
- **75 Washington Avenue, Portland** (Class B Office) - 30,000 SF Office Condo, Goodwill Industries of Northern New England sold for \$4,600,000 (\$153.33 PSF).
- **Sun Life Financial** leased 76,785 SF at 58 Fore Street, Portland (New Construction - Class A Building).
- **Certify** leased 9,670 SF at 14-26 York Street, Portland (Class A Building).
- **Stone Coast Fund Services** leased 32,176 SF at Two Portland Square, Portland (Class A Building).
- **WEX** began construction on 80,000 SF new building, 100 Fore Street (Class A Building).

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RECENT HARNDEN COMMERCIAL TRANSACTIONS

TENANT	PROPERTY	CITY	HCB REPRESENTED	LEASED SF
Sun Life Financial	58 Fore Street	Portland	Tenant	76,785
Stantec	2211 Congress Street	Portland	Tenant	20,820
Logisticare	400 Southborough Drive	South Portland	Tenant	12,287
Curtis Thaxter	One Canal Plaza	Portland	Tenant	11,706

GREATER PORTLAND OFFICE: Q2 2019 SUMMARY

	Year End 2018					Mid Year 2019							
	Rentable Sq. Ft. (RSF)	Available Sq. Ft.	Direct Vacancy Rate	Sublease Space	Overall Vacancy Rate	Rentable Sq. Ft. (RSF)	Available Sq. Ft.	Direct Vacancy Rate	Sublease Space	Overall Vacancy Rate	Absorption Sq. Ft.	Absorption % of RSF	Weighted Average
DOWNTOWN													<i>MG</i>
Class A	1,784,896	34,430	1.93%	5,390	2.23%	1,889,896	40,721	2.15%	6,090	2.48%	98,709	5.22%	\$24.25
Class B	2,959,701	237,699	8.03%	11,662	8.43%	2,959,701	204,252	6.90%	11,943	7.30%	33,447	1.13%	\$19.33
Sub-Total	4,744,597	272,129	5.74%	17,052	6.09%	4,849,597	244,973	5.05%	18,033	5.42%	132,156	2.79%	\$20.15
SUBURBAN													
Class A	2,541,478	93,197	3.67%	-	3.67%	2,546,814	336,331	13.21%	-	13.21%	(237,798)	-9.34%	\$22.76
Class B	2,899,638	160,256	5.53%	1,868	5.59%	2,872,758	162,658	5.66%	4,488	5.82%	(29,282)	-1.02%	\$17.35
Sub-Total	5,441,116	253,453	4.66%	1,868	4.69%	5,419,572	498,989	9.21%	4,488	9.29%	(267,080)	-4.93%	\$21.00
TOTAL	10,185,713	525,582	5.16%	18,920	5.35%	10,269,169	743,962	7.24%	22,521	7.46%	(134,924)	-1.31%	\$20.72