

Office Market

Summer 2018

The Greater Portland Office market has continued at a steady pace in the first half of 2018; there are currently 1.5± MM square feet of office space available for lease. Rental rates have plateaued or dipped slightly depending on asset class and parking costs continue to rise, but when will tenants say enough is enough?

Now more than ever, parking on the peninsula is driving tenants to rethink having a downtown presence. Across the peninsula, parking demand has tightened and pricing has gone up, pushing tenant rents an extra \$3 - \$4 per square foot. With the continuation of new office development and the expansion of hospitality and restaurant sectors, don't be surprised to see parking rates continue to climb. With no real solution in the forecast, tenants have been forced to look off the peninsula for more competitive rates and free parking.

A major vacancy in the suburban market is the offering of the HO-1 building on the Unum Campus at 2211 Congress Street. They have 292,000± SF currently available for lease. Unum has seen an increasing number of employees take advantage of working remotely, and that has allowed them to shift their employees into HO-2 and HO-3.

Shifting downtown, new Class A Office construction continues; the WEX building is framed and moving along quickly, the Widgery Wharf project is almost completely framed and siding has started going up. Putnam Investments is the anchor tenant there, with hopeful occupancy by end of Q4 2018. They leased 5,512 square feet on the top floor of the 18,000± SF building.

A number of Class B buildings along Congress Street, continue to drag on the downtown office market. Significant vacancies at 415, 465, 477, and 480 Congress Street weigh heavily on the downtown sector vacancy rate.

With the presence of new office product, it will be interesting whether or not we see a flight to quality from current tenants in older more dated spaces. New downtown buildings are asking over \$27.00/SF NNN with the average asking price for all office product in the Greater Portland market at approximately \$14.97/SF NNN.



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