



2025 Greater Portland Office Market Survey

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OUTLOOK

The Greater Portland Office Market in 2024 remained relatively stable compared to 2023 in terms of deal volume, total square feet leased, and overall vacancy. However, a steady decline has been evident since pre-pandemic levels. Since 2018:

- Deal volume has decreased by 30%
- Square footage leased has declined by 23%
- Overall vacancy rates have increased from 5.35% to 14.21%

Notably, in that time, over 250,000 square feet of Class B downtown office space has been or is planned to be converted into hotel or residential use. The hardest-hit sector has been the suburban Class A market, where vacancy rates have surged from 3.67% to 22.72%, primarily due to two large sublease spaces:

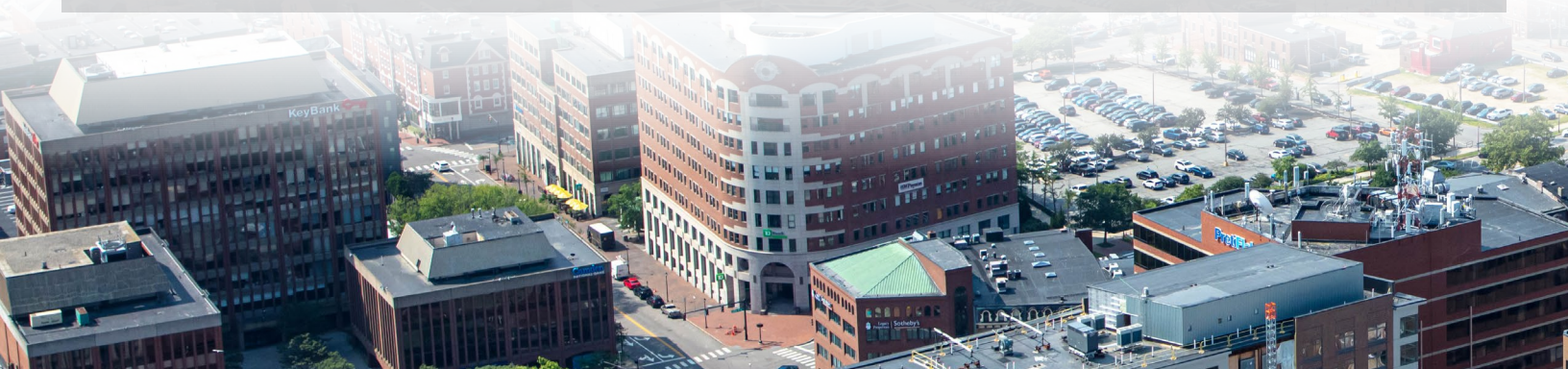
- **Anthem Blue Cross/Blue Shield:** 104,000 SF at 2 Gannett Drive, South Portland
- **TD Bank:** 143,000 SF at West Falmouth Crossing

These large floor plates pose challenges for residential conversion or subdivision. The overall decline in office space demand is primarily attributed to the shift toward remote work policies. However, many national, regional, and local executives advocate for employees returning to the office, citing improved communication, collaboration, and company culture. Companies such as Amazon, Google, and the Federal Government have mandated full-time office returns, though these policies are facing pushback. If widely adopted, these mandates could benefit office landlords, local businesses, and community shops reliant on weekday foot traffic.

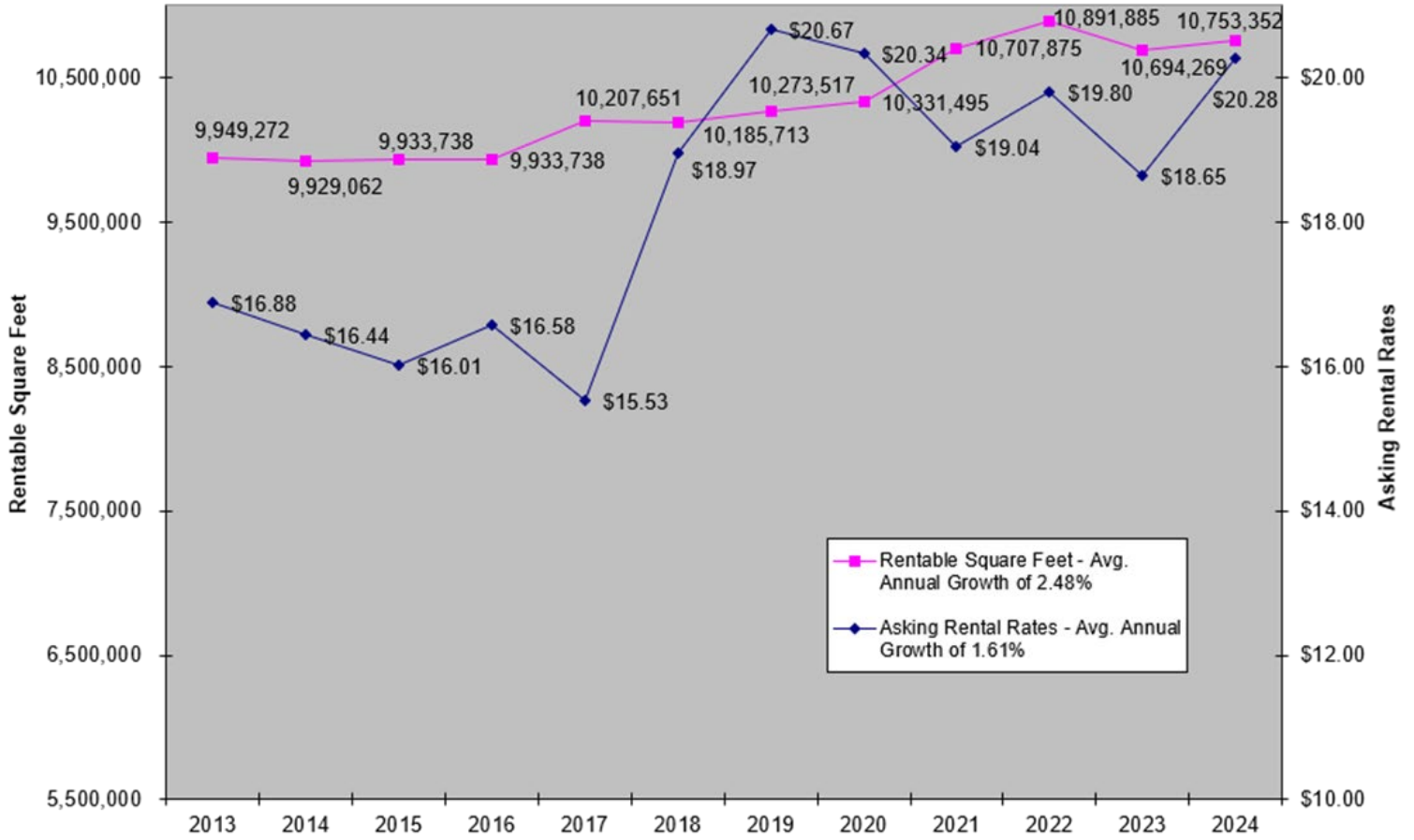
Given market conditions, landlords are offering incentives such as free rent and increased tenant improvement allowances to attract long-term tenants. Many smaller tenants are choosing to renew in place due to the high costs of construction and relocation. Encouragingly, the volume of larger tenants (seeking 10,000 SF or more) has remained stable. Surprisingly, lease rates are stable across all submarkets.

SIGNIFICANT TRANSACTIONS

COMPANY	SQUARE FOOTAGE	TYPE	LOCATION
MaineHealth	29,128 SF	Expansion	300 Southborough Drive, South Portland
Medical Mutual Insurance Co. of Maine	16,624 SF	New Lease	100 Middle Street, Portland
Pierce Atwood	58,641 SF	Renewal	254 Commercial Street, Portland
TD Bank	24,934 SF	New Lease	221 Congress Street, Portland
Bank of America	25,340 SF	Renewal	One Monument Square, Portland
OnPoint Health Data	23,227 SF	New Lease	12 Mountfort Street, Portland
Diversified Communications	36,892 SF	New Lease	2 Portland Square, Portland



GREATER PORTLAND OFFICE MARKET GROWTH TRENDS : RENTABLE SF/ASKING RENTAL RATES



DOWNTOWN MARKET

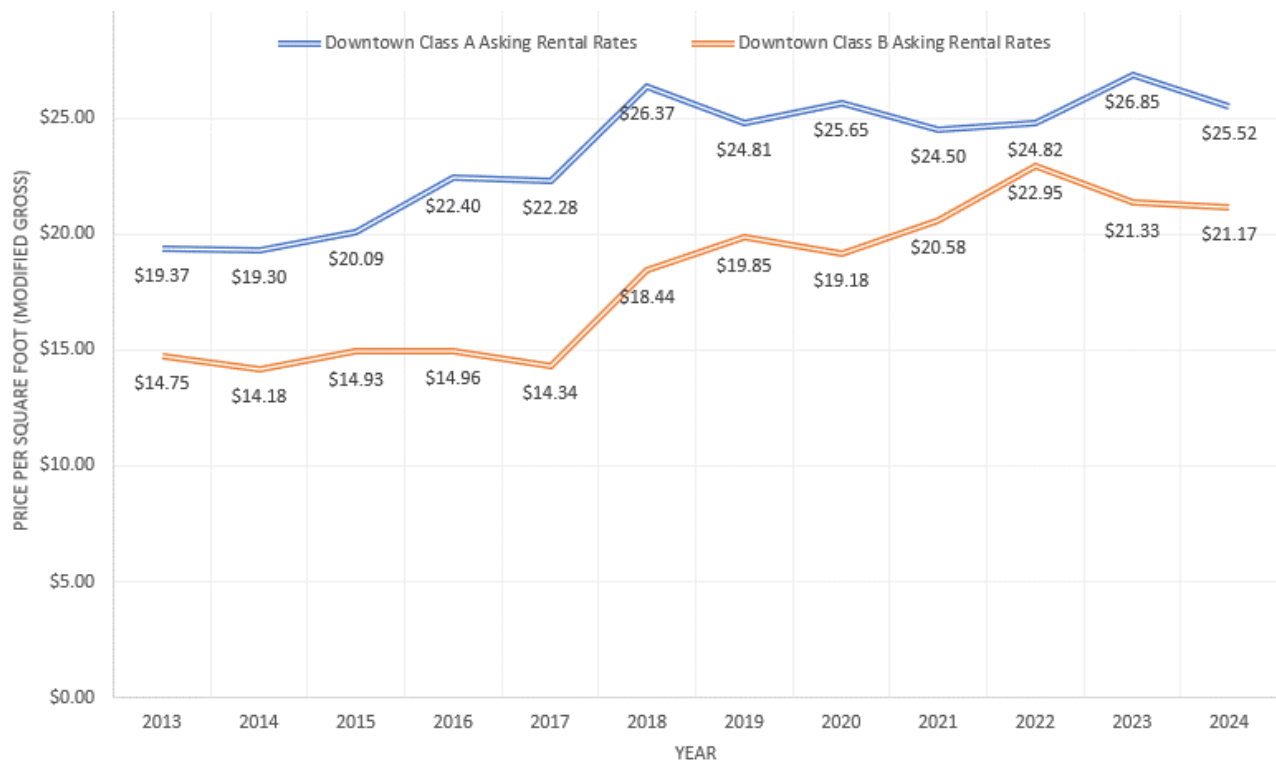
Overall downtown vacancies increased slightly from 10.03% to 10.87%, with Class A vacancies declining from 11.76% to 11.1%. Major transactions, including Medical Mutual, Diversified Communications, OnPoint Health Data, and Bank of America, helped offset vacancy increases. However, several large spaces became available:

- **One City Center, Portland:** 17,537 SF vacated after UBS and Preti Flaherty renewed but downsized.
- **511 Congress Street, Portland:** 63,000 SF added when WSP relocated to Two Monument Square, and other tenants vacated; plans for residential conversion were abandoned due to high construction costs.

Class B downtown vacancies rose slightly by over 200 basis points to 10.64%, primarily due to smaller tenants giving up space. Over the coming years, additional Class B buildings may be converted into hospitality, retail, or residential spaces due to increasing housing demand and tenant migration to Class A properties. Notable conversion projects include:

- 465 Congress Street, Portland
- 44 Exchange Street, Portland
- 53 Exchange Street, Portland
- 57 Exchange Street, Portland

DOWNTOWN ASKING RENTAL RATES



SUBURBAN MARKET

The Class A suburban market continues to struggle with large sublease vacancies. Two significant vacancies impacted the sector:

- **2 Gannett Drive, South Portland:** 104,000 SF (Anthem Blue Cross/Blue Shield sublease)
- **70 Gray Road, Falmouth:** 143,000 SF (TD Bank vacated prior to lease expiration)

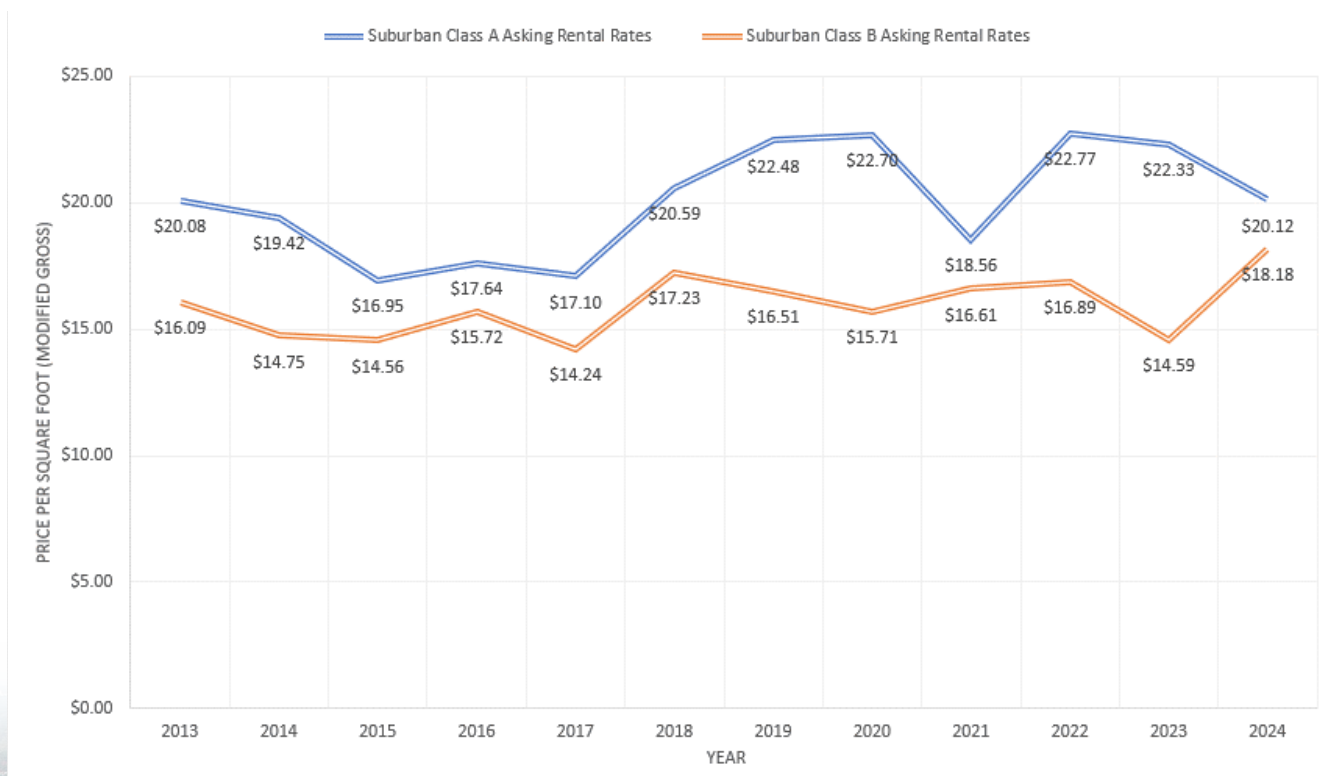
These two spaces alone account for nearly 10% of the suburban Class A market. Unlike downtown Class B spaces, these properties do not easily subdivide or convert to alternative uses due to their layouts and building systems. The TD Bank space has transitioned back to direct vacancy as of December 31, 2024.

The suburban Class B market also saw an uptick in direct vacancy, rising to 9.98%. This was largely due to:

- **5 Davis Farm Road, Portland:** 83,000 SF sublease converting to direct vacancy.
- **123 Darling Avenue, South Portland:** 58,000 SF vacated by WEX.
- **75 Northport Drive, Portland:** 60,000 SF awaiting occupancy after LL Bean's sale to a redeveloper.

Conversions are being explored in the suburban market as well, such as 509 Forest Avenue in Portland, which is currently undergoing a 46,000 SF conversion to residential use.

SUBURBAN ASKING RENTAL RATES

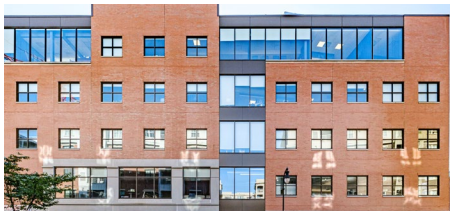


SALES ACTIVITY

Sales in the office market remained slow due to limited inventory, high interest rates, and post-COVID investor caution. Most transactions were conducted by owner-users rather than investors. Properties priced realistically have seen multiple bid situations, while overpriced listings have lingered on the market.

- Sales pricing has remained stable, with values typically ranging from \$130-\$150 per SF, and premium properties approaching \$200 per SF.
- Lease pricing increases have been limited, along with investment demand, capping any forecasted appreciation.

NOTABLE OFFICE SALES



16 Middle Street - Unit 302, Portland

\$1,250,000



465 Congress Street, Portland

\$9,210,000



320 Cumberland Avenue, Portland

\$20,000,000



411 US Route One, Falmouth

\$1,265,000



550 Forest Avenue, Portland

\$2,900,000



5 Widgery Wharf, Portland

\$12,700,000



FORECAST

Looking ahead to the rest of 2025, the market is expected to stabilize with potential **slight decreases in vacancy rates** as companies finalize their return-to-office strategies.

- Increased demand from Q4 2024 is carrying into 2025, with companies considering pre-pandemic occupancy levels.
- Challenges will persist in the suburban market, particularly for large floor plate spaces, which remain difficult and costly to subdivide.
- Sales activity will likely continue to be dominated by owner-users, as investor confidence in the office sector slowly recovers.
- As tenants return to pre-COVID occupancy levels, demand and pricing for Downtown parking will increase.
- A key concern is the 2020 and 2021 adjustable-rate mortgages maturing this year, which could impact valuations and tenant dynamics as financing conditions evolve.

Despite ongoing uncertainties, we anticipate modest improvements in leasing activity and demand throughout the year, with landlords adapting to shifting market conditions and evolving workplace strategies.

GREATER PORTLAND OFFICE MARKET SURVEY YEAR END 2024

	Year End 2023					Year End 2024									
	Rentable Sq. Ft. (RSF)	Direct Sq. Ft.	Direct Vacancy Rate	Sublease Sq. Ft.	Overall Vacancy Rate	Rentable Sq. Ft. (RSF)	Direct Sq. Ft.	Direct Vacancy Rate	Sublease Sq. Ft.	Overall Vacancy Rate	Absorption Sq. Ft.	Absorption % of RSF	Low Rent	High Rent	Weighted Average
DOWNTOWN															
Class A	2,180,271	137,289	6.30%	119,027	11.76%	2,248,671	108,912	4.84%	140,938	11.11%	96,777	4.30%	\$23.00	\$33.68	\$25.52
Class B	2,466,891	209,891	8.51%	-	8.51%	2,471,625	248,962	10.07%	14,127	10.64%	(34,337)	-1.39%	\$13.33	\$36.16	\$21.17
Sub-Total	4,647,162	347,180	7.47%	119,027	10.03%	4,720,296	357,874	7.58%	155,065	10.87%	62,440	1.32%			\$22.49
SUBURBAN															
Class A	2,517,033	355,851	14.14%	167,242	20.78%	2,517,033	322,109	12.80%	251,091	22.77%	33,742	1.34%	\$18.00	\$28.07	\$20.12
Class B	3,531,074	323,304	9.16%	196,015	14.71%	3,516,023	350,761	9.98%	91,631	12.58%	(42,508)	-1.21%	\$14.00	\$27.54	\$18.18
Sub-Total	6,048,107	679,155	11.23%	363,257	17.24%	6,033,056	672,870	11.15%	342,722	16.83%	(8,766)	-0.15%			\$19.11
TOTAL	10,695,269	1,026,335	9.60%	482,284	14.11%	10,753,352	1,030,744	9.59%	497,787	14.21%	53,674	0.50%			\$20.28



The Importance of Tenant Representation : What is it? And why do you need it?

Experts in the Market: Dunham Group Tenant Representatives are well-versed in the commercial real estate market. They know the ins and outs of all the inventory, have good relationships with local owners, landlords and other brokers, and are up to date on local and regional market trends. This expertise can be invaluable in helping the tenant make informed and educated decisions.

Negotiation Skills: Negotiating a lease agreement with a landlord or landlord broker can be a complex and sometimes adversarial process. Dunham Group Tenant Representatives have excellent negotiation skills and can secure favorable lease terms, always saving the client money and time in the long run.

Protection of Your Interests: Tenant Representatives are fiduciaries for their clients. This means they have a legal and ethical obligation to act in your best interest. They ensure you get a fair deal and that the lease agreement is favorable and protective of your business and interests.

Cost-Effective Services: Most do not know that hiring a tenant representative isn't likely to add to your expenses, in many cases, their services are cost-effective, as Tenant Brokers are almost always paid directly by the Landlord.

When choosing a Tenant Representative, the Dunham Group knows how important it is to have someone who not only has experience in commercial real estate, but a strong track record in getting deals done. Reach out today to start a conversation with one of our Tenant Representative Brokers.



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