SOUTHERN MAINE INDUSTRIAL MARKET
2026 Mid-Year Review

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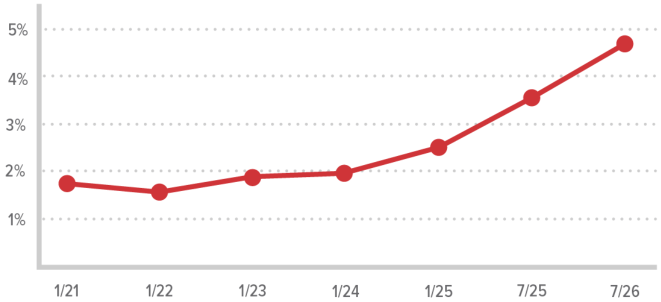
The Dunham Group | Commercial Real Estate

MID-YEAR INDUSTRIAL REVIEW

Southern Maine's industrial vacancy rate continues to climb, reaching 4.77% as of July 1, 2026—the highest overall vacancy rate we have recorded since 2013.

Our Industrial Market Survey now tracks nearly 36.7 million square feet in 1,075 buildings across 17 Southern Maine cities and towns. Of that inventory, approximately 1.75 million square feet is currently available for direct lease.

To put the shift in perspective:



The vacancy rate has increased by 1.20 percentage points—or approximately 34%—in just the past twelve months. More significantly, the market has moved from record-low vacancy to its highest level in thirteen years.

That does not mean the industrial market is collapsing. A 4.77% vacancy rate would still be considered relatively healthy in many markets. But Southern Maine has not operated under "normal" conditions for a long time. For most of the past decade, tenants had limited choices, landlords had considerable leverage, and quality industrial space rarely sat on the market for long.

And it should further be noted that several large vacancies, 25,000 SF and up, are skewing the numbers. In a market as small as ours, only 4 or 5 bigger empty buildings can dramatically move our vacancy needle.

(continued)

MARKET SUMMARY

TOTAL # OF BUILDINGS	1,075
TOTAL MARKET SIZE	36,657,864± SF[1]
DIRECT VACANCY	1,747,101± SF[2]
TOTAL VACANCY RATE	4.77%

LEWISTON/AUBURN/GRAY	4.35%
GREATER PORTLAND	3.89%
NORTHERN YORK COUNTY	7.81%

1 : Totals as of 7/2026 per The Dunham Group Industrial Market Survey
2 : Totals as of 7/2026 per New England Commercial Property Exchange

But there is no doubt, beyond the statistics, that leasing demand has slowed. Macroeconomic uncertainties like the war in Iran, oil prices, the upcoming elections, etc. have absolutely given industrial business owners pause. While smaller, functional spaces continue to generate interest, particularly when they offer loading, clear height, parking and competitive pricing, the larger standalone buildings and spaces with functional limitations are taking considerably longer to lease. Tenants now have choices and are using that leverage to negotiate rates, improvements, free rent and other concessions.

Asking lease rates have not yet experienced a dramatic correction. Based on currently marketed availabilities with published pricing, rates generally remain in the same range as last year, although the quality, condition and location of available inventory vary widely. The bigger change is not necessarily the quoted rate—it is the time required to complete a transaction and the flexibility landlords must demonstrate to get one done.

The sales market remains the bright spot.

Demand for industrial properties for purchase remains steady, particularly among owner-users seeking buildings below approximately 30,000 square feet. Inventory available for sale remains extremely limited, and well-located, functional buildings continue to attract strong interest and competitive pricing. In other words, the leasing market has softened materially, but the sales market has not followed the same path.

That distinction is important. We have considerably more space available for lease, but very few owners are actively offering their buildings for sale. Until that changes, buyers will continue to face limited options.

The industrial market's extraordinary run could not continue forever. We are now operating in a more balanced—and, in certain segments, tenant-favorable—environment. Whether vacancy stabilizes during the second half of 2026 or continues climbing will depend largely on business confidence, interest rates, construction costs and the broader economy.

For now, the fact is that Southern Maine has more industrial space available than at any point in more than a decade. And that might be a healthy problem.

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SIGNIFICANT VACANCIES

11-12 Lund Road, Saco

42,704± SF warehouse/distribution facility with an additional 2.5± acre graveled parcel offering expansion, storage, or future development potential. Strategically located in Saco's Business Industrial District with immediate access to the new Exit 35 on I-95. Marketed by The Dunham Group.

20 Morin Street, Biddeford

52,000± SF industrial building on 4.3± acres. Poperty features 1200 amp, 3-phase power, 4 dock doors, 5 overhead doors, a 5-ton crane, and ample lay down area. The convenient Biddeford Industrial Park location offers easy access to I-95 and Route One. Marketed by The Dunham Group.

90 Spencer Drive, Wells

243,346± SF of high-bay manufacturing/distribution warehouse space available in Southern Maine, ½ mile to Wells Exit 19 on the Maine Turnpike. Subdivision potential, ceiling height up to 40', 16 loading docks and 1 drive-in door. Join Velux America. Marketed by The Boulos Company.

Pressured by a glut of new construction, disruptive tariff policies, elevated vacancy rates, and economic uncertainty, industrial landlords are offering more creative, flexible lease terms to attract and retain tenants. In many markets, shorter leases, free rent and concessions, and greater tenant flexibility for expansion or contraction are becoming the new normal.

This shift has been driven by a national vacancy rate that has more than doubled[1] from 3.6% in Q1 2022 to 7.4% in Q3 2025; an additional 2.3 billion square feet[2] (sf) of new industrial supply added to the market from 2020 to 2024; and persistent macroeconomic headwinds, driven in part by an effective tariff rate that is four times higher[3] than the historical quarterly average during the 30-year period from 1995 to 2024.

"There's just a lot of geopolitical volatility right now — tariffs, trade, where companies are going to locate their manufacturing facilities, whether it's in the states or elsewhere — so companies trying to understand their bottom line need the built-in flexibility so they can be quicker to respond to the ebb and flow of the changing market dynamics," says Brian Young, CCIM, SIOR, president of Sojourner Properties in the Greenville-Spartanburg, South Carolina market.

Flexibility Translates into Occupancy

Young says that landlords in his market have been operating in an "incredibly competitive" environment due to the number of speculative deliveries between 2022 and 2025, and tenants have demanded more flexibility in lease agreements. Landlords have responded by offering shorter-term leases, amortizing fit-up costs, providing free rent, and offering other incentives. The results have been eye-popping: the vacancy rate dropped 436 basis points year over year, from 11.37% in Q3 2024 to 7.11% in Q3 2025, according to Colliers.[4]

Although Young says lease terms have not changed substantially in his market (five years has been the typical length) over the course of his 25-year career, some larger assets, including a pair of approximately one million-square-foot properties, were inked to two- or three-year leases this year. "The landlords are saying to themselves, 'Let's just get the bleeding stopped," says Young. "Let's get someone in the building, and maybe they'll grow, and it will turn long term, but at least we've got the buildings occupied and have rent coming in." Those deals typically come with minimal fit-up investment by the landlord, he adds.

Another creative way landlords are enticing tenants is through what he refers to as "beneficial occupancy", where, in addition to free rent, the tenant is able to access the vacant space before the lease term begins. He recently negotiated a lease for a tenant that was to start in March, but the tenant had access to the building in October and didn't need to start paying rent until August (although they will begin paying operating expenses in March). "They'll be able to get in there early and set up some production equipment and build out some of their office, so they have some time to start making that happen."

Greater Vacancy Demands Creative Solutions

The level of flexibility varies widely across markets, driven primarily by local vacancy rates. Take Las Vegas, which, due to massive spec development, has seen its vacancy rate skyrocket from 1.6% in Q1 2022 to 13.1% by Q3 2025, according to Avison Young data.[5] This drastic reversal has forced area landlords to offer more flexible and innovative terms.

One prime example is the recent "phase-in" leases executed by Amy Ogden, SIOR, partner at Las Vegas-based Logic Commercial Real Estate. A tenant recently signed a seven-year lease for 250,000 square feet in a half-million-square-foot building, which begins with an initial 50,000-square-foot occupancy and gradually takes down space as needed. "We've done more of these deals this year than I've probably done in my entire (20-year) career, so to me, this gradual takedown structure defines flexibility," says Ogden. "The landlords like it because they know they have somebody that's going to grow within the building, and they know they're not going to lose them to a larger facility. It also allows them to have orderly planning for turnover and capital expenditures, and they have more of a sustainable, predictable future occupancy in a challenging market." The deal also benefits the tenant, she adds, because in a climate of macroeconomic disruptions, it's difficult for them to determine future space needs.

That economic uncertainty is driving tenants who traditionally prefer longer-term leases (7 to 10 years) to seek much shorter commitments. Ogden recently represented the landlord in a 200,000-plus-square-foot deal in which the tenant sought a three-year lease. "In the past, a tenant of that size would never sign anything under seven years – ever – because it's so big, and it's so expensive to move," she says. The landlord ultimately agreed to a five-year deal, "but in this market, term is certainly being affected, and landlords are willing to accommodate where they can. Free rent, reduced escalations, and concessions are all increasing in this market."

Another creative trend Ogden is seeing in her market is "access agreements," in which landlords allow tenants to move

into a space before the lease terms are finalized. She says many tenants delayed making decisions in response to market uncertainty, "so we've been doing a lot of access agreements where we need to get that tenant into a space ASAP." Tenants sign a one-page access agreement, while lawyers review the minutiae of a complex lease (which can take up to a month or longer), enabling businesses to operate immediately. Adopting these flexible approaches has paid dividends for the landlords. "The beginning of this year was a little bit slow, but it really picked up mid-year, and now it's kind of full speed ahead. Tenants were looking for flexibility, and landlords are now willing to offer it."

Flexibility for Smaller Tenants

For smaller tenants seeking flexibility in lease terms and space needs, a handful of operators have emerged over the last decade. Known as co-warehousing providers, companies like Cubework,[6] Saltbox[7] and Readyspaces[8] offer shared warehousing, logistics, and light manufacturing spaces for both startup and enterprise businesses, with some offering additional services. Operators typically offer spaces ranging from 250 to 10,000 square feet (with the exception of Cubework, which offers over 250,000 square feet at some locations). Lease terms are typically month-to-month, with no long-term commitment, though some require a three-month minimum to start.

ReadySpaces is one of the larger operators, with 40 locations in 19 major metros in nine states plus Canada. They offer co-located units ranging from 250 to 5,000 square feet, each equipped with 120V power units, loading docks, forklifts (for rent), Wi-Fi, industrial workspaces, and private offices and conference rooms. Kostas Stoilas, SIOR, founder and managing broker of Fortress Commercial Real Estate in Tampa, Florida, recentlyplaced two small tenants (900 and 1,200 SF) in Readyspaces' 200,000-square-foot warehouse facility and views it as a viable alternative for his smaller clients.

"They just partition off these small units with sheet metal and use racking for the walls. It was like nothing I've ever seen before," says Stoilas. "It's really hard to find space for a small company that's just starting out, so for people looking for a small space and who need to get in immediately and start operating, it's a perfect stopgap. It's essentially incubator space."

Creating Your Own Flex Space

In 2021, broker Tom Vaught, SIOR with Victory Commercial Real Estate in Oklahoma City, Oklahoma, was having difficulty finding flex space with a yard for his clients due to zoning and entitlement issues. "I had a bunch of tenants that were looking for this thing that didn't exist," recalls Vaught. "I'm a tenant rep and I saw the need, so I became a developer." He and his business partner at Victory, CRE, Caleb Cox, purchased a 20-acre lot just outside that submarket and set to work developing their own flex space.

They began by building a pair of 12,000-square-foot buildings on one-acre lots, subdividable into 6,000 SF units. The first property was a build-to-suit that they sold, and the second was leased to a tenant on a three-year lease. Unfortunately for Vaught and his partner, the tenant went out of business before they moved in and began paying rent, but he soon leased the property. To date, Vaught has built five 12,000 SF facilities and is in talks to build another 18,000 SF facility, as well as a 30,000 SF build-to-suit for an existing tenant. One tenant is on a 10-year lease; the original tenant has a year-to-year lease; and they sold half of one building to a tenant, with the other 6,000 SF leased for 5 years. All of the assets are occupied by companies in the trades ("It's subcontractor land," says Vought.)

There was a six-month period early on where he questioned whether continuing with development was the right move, "but now I feel like we've climbed the mountain and now we're on the downhill, which is nice." As a broker-turned-developer/owner, Vaught understands the importance of remaining flexible to meet his clients' needs. "I think our tenants really like that we're working with them to help them grow, and have a lot more confidence in us because we work with them rather than against them."

The combination of oversupply, geopolitical volatility, and economic uncertainty has fundamentally altered the industrial leasing landscape. By offering more flexible terms and finding creative solutions, landlords are finding they can survive and thrive in a challenging market.

1. https://www.colliers.com/en/research/nrep-usind-us-industrial-market-statistics-q3-2025
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3. https://www.areadevelopment.com/manufacturing-industrial/q4-2025/tariff-shockwaves-hit-the-industrial-sector.shtml
4. https://www.colliers.com/en/research/greenville/2025-q3-greenville-spartanburg-industrial-report
5. https://www.avisonyoung.us/documents/d/las-vegas/q3-2025-las-vegas-industrial?_gl=1*103sru8*_up*MQ..*_ga*ODE3NTA0MzYyLjE3NjUxNDc1NjQ.*_ga_NB1T86YXFD*czE3NjUxNDc1NjMkbzEkZzAkdDE3NjUxNDc1NjMkajYwJGwwJGgw
6. https://www.cubework.com
7. https://www.saltbox.com
8. https://readyspaces.com

MEET THE AUTHOR

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OUR TEAM

At The Dunham Group, we never lose sight of the fact that our in-depth commercial real estate knowledge and market specialization can help shape our communities. That's why we are a commercial real estate brokerage company with values. Located in Portland, Maine, our firm adheres to the highest ethical standards to provide honest, insightful market analysis for results-oriented brokerage and consulting. This is how our team of commercial brokers have developed loyal, long-term relationships with our clients for decades. We build up portfolios with our collaborative and data-driven approach, but more importantly we build up partnerships. Whether you are an individual investor, a small business owner, or the CEO of a large corporation, you are a respected and valued client, and The Dunham Group will help you attain your commercial real estate objectives.

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