

Industrial & Office Market Mid-Year Review

2021



Mid-Year Industrial Review

The Greater Portland overall industrial vacancy rate dropped below 2% for only the 2nd time ever, continuing a decade long bull run in the industrial market. NAI The Dunham Group is pleased to herein present our Mid-Year update to the annual Greater Portland Industrial Market Survey. The statistics as of July 1, 2021, are astounding and confirm our anecdotal and transactional workload.

Today the vacancy rate for over 20,000,000 SF of industrial space is a paltry 1.98%. This is the first time since a very short period in 2017 when inventory has been so low. In the first two quarters of '21, over 250,000 SF of space was absorbed. Much of that can be accounted for by a small handful of large buildings being occupied, most notably 203 Read Street in Portland. That 167,000 SF building was fully leased to Bath Iron Works, removing the market the only vacant building in all of Southern Maine over 100,000 SF.

This lack of larger industrial space has stifled several other big end-users who are now forced to consider new construction or pivot production in order to wait out this space-crunch. Further proof of this is the leasing of 85,640 SF at 1 Eagle Drive in Sanford to Volk Packaging, a company headquartered in Biddeford. Sanford was not originally within Volk's search parameters but the quality building, affordable lease rate, business friendly environment and a closer study of logistics made the property an ideal fit.

As you would expect, when the supply and demand scale is so dramatically weighted in the direction of property owners, lease and sale pricing continues to rise. Most quality industrial spaces and parks are averaging over \$8.00/SF NNN with several examples of peak pricing nearing \$12.00/SF NNN. These rates are comparable to the office market and gaining ground quickly as the two sectors are on opposite trajectories.

Sales demand remains historically high as investors and owner/users compete and continue driving pricing up. Average sales prices are in the \$75-85/

MARKET SUMMARY

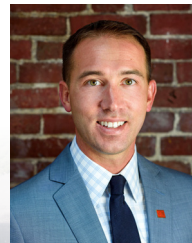
Total # of Buildings	663
Total Market Size	20,283,047± SF¹
Direct Vacancy	402,006± SF²
Total Vacancy Rate	1.98%

1 - Totals as of 7/2021 per NAI The Dunham Group Industrial Market Survey

2 - Totals as of 7/2021 per New England Commercial Property Exchange

SF range, depending on size and quality. And many industrial buildings are selling well above that. The industrial sector not only proved pandemic-proof, but the pandemic itself actually exacerbated the importance of industrial work. Essential businesses like food production, product warehousing and shipping, domestic manufacturing of PPE and general goods, got us all through this terrible year.

In summary, what was already a competitive landscape thrived through what was otherwise a challenging 2020. And today, half-way through 2021, we face the same challenges as we have for the last decade: limited supply, steady demand, rising lease and sales pricing and wary speculative development. We continue to coach our end-user buyers and tenants to remain patient, be creative, be flexible but, at the same time, aggressive when opportunity strikes. It's an owner's market and there are no signs of that changing.



Justin Lamontagne, CCIM, SIOR

Partner | Designated Broker
justin@dunhamgroup.com
207-773-7100



Recent Significant Transactions



20 Morin Street, Biddeford

20 Morin Street, LLC purchased this 52,000 SF property from Veridis, LLC - \$4,975,000



33 Spring Hill Road, Saco

Sims, LLC purchased this 20,400 SF building from Spring Hill Development, LLC - \$2,200,000



41 Spring Hill Road, Saco

J & L Realty, LLC purchased this 14,000 SF building from The Patterson Companies, LLC - \$1,600,000



565 Elm Street, Biddeford

Redstone purchased this 30,000 SF property from Prescott Metal - \$1,000,000



203 Read Street, Portland

Bath Iron Works leased 167,154 SF of warehouse/manufacturing space from Redstone.



1 Eagle Drive, Sanford

Volk Packaging leased 85,640 SF of warehouse/manufacturing space from 43 North, LLC.



20 Morin Street, Biddeford

Maine Lobster Now leased 52,000 SF of food processing space from Growers Express.



165 Pleasant Avenue, South Portland

ADUSA Distribution, LLC leased 30,000 SF of warehouse space from 165 Pleasant Avenue Associates, LLC.



557 Riverside Street, Portland

Homestead Flooring, Inc. leased 11,668 SF of warehouse space from Sleepy Hollow Development, Inc.

Available

Significant vacancies that will impact the industrial market the remainder of 2021.



90 Blueberry Road, Portland

55,000± SF high-bay warehouse space with showroom for lease. 24'-28' ceiling heights, 7 loading docks and 1 OHD.



955 Portland Road, Saco

Build-to-suit opportunity. Flexible lot size can accommodate 15,000 - 127,000± SF. Lots are available for sale or lease.



33 Spring Hill Road, Saco

20,400± SF high-bay warehouse space for lease in the Saco Industrial Park. 24'-30' eave heights. 5 docks and 1 OHD.

Mid-Year Office Review

Over the last 16 months many have contemplated, hypothesized, or even hoped for, the death of the office market. In Southern Maine and specifically Portland, the office market has been stagnant but certainly not dead or dying.

In comparison to Boston or New York, Portland doesn't see the drastic highs and lows of a primary market. Things are much more stable, and although we have seen lease term length go down over the course of the pandemic, pricing remains very similar to pre-pandemic levels. What used to be a standard 5–10-year lease term has more typically been 1-3 years in length, in order for both local businesses and corporations to be able to make decisions based on what post pandemic office space looks like. In the last 4-6 weeks we have seen multiple tenants that pursued 1-year COVID-19 renewals, return to the market looking for longer term deals.

The other recent trend that we are seeing is the uptick of demand in small spaces, both downtown and in the suburban markets. Many users, and in particular those continuing to work from home, are flooding the market, for spaces to escape the home office.

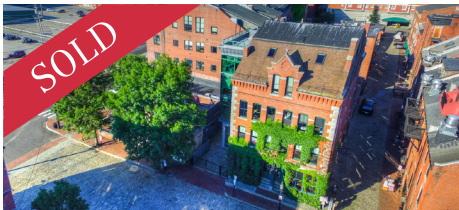
Similarly, to the leasing market, pricing has stayed consistent in the sales market in and around Greater Portland, however, the number of sale transactions has dropped in the office market over the last year and through the first half of 2021. In some instances, I think this can be attributed to the shorter terms of new or renewing tenants inhibiting investment sales, and owner-users that are fearful of what the next 12-18 months will bring to their business.



Sam LeGeyt

Associate Broker
sam@dunhamgroup.com
207-773-7100

Recent Significant Transactions



10 Dana Street, Portland

Ivy Holdings, LLC purchased this 12,000 SF Old Port building from 10 Dana Street, LLC \$3,600,000



1601 Congress Street, Portland

Del Boca Vista, LLC purchased this 29,000 SF medical office building from OGH Realty, LLP \$4,230,000



11 Adamian Drive, Auburn

Agren HQ, LLC purchased this 10,407 SF building from Lepage Leasing, LLC - \$1,090,000



100 Fore Street, Portland

WEX leased 80,000 SF of office space from 100 Fore Street, LLC.



1601 Congress Street, Portland

Maine Medical Center leased 10,579 SF of office space from Del Boca Vista, LLC.



2 Portland Square, Portland

Wells Fargo leased 7,293 SF of office space North River IV, LLC.

Available

Significant vacancies that will impact the office market the remainder of 2021.



225 Gorham Road, South Portland

7,721 - 23,747± SF for lease in this suburban Class A setting. Ample parking and exceptional location.



600 Sable Oaks, South Portland

10,000 - 22,767± SF of 2nd floor space for sublease. Flexible, primarily open floor plan with wrap around windows.



1 Monument Square, Portland

12,671 SF, Class A suite or sublease. Features open area, private offices, great natural light, and direct elevator access.

NAI The Dunham Group is a commercial real estate brokerage company located in Portland, Maine. For over 45 years, The Dunham Group has provided in-depth, commercial real estate knowledge, market specialization, and proven representation to our loyal client base.

Our Team

Our team approach, along with our adherence to the highest ethical standards and our commitment to education and retention of the best personnel, allows us to develop trust and long-term relationships with our clients.

While our record of success includes brokering many of Maine's most recognizable commercial properties, we pride ourselves on the personal attention we give to each and every client. Whether you are an individual investor, a small business owner, or the CEO of a large corporation, NAI The Dunham Group will help you attain your commercial real estate goals while treating you as a respected and valued client.



Frank O'Connor, CCIM, SIOR



Thomas Moulton, CCIM, SIOR



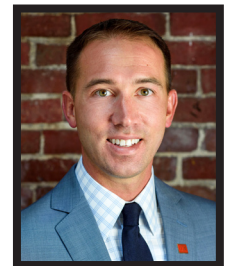
Charlie Craig



Tom Dunham, SIOR



Greg Hastings, SIOR



Justin Lamontagne, CCIM, SIOR



Chris Craig



Katie Allen



Syllas Hatch



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Sam LeGeyt