

Greater Portland Industrial & Office Market 2022 Mid-Year Review



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MID-YEAR INDUSTRIAL REVIEW

The Greater Portland industrial vacancy rate has risen slightly in the last six months to 2.28%, up from a paltry 1.69% at the close of 2021. The Dunham Group is pleased to present our Mid-Year update to the annual Greater Portland Industrial Market Survey. The statistics as of July 1, 2022, continue to reflect a strong landlord and property owner's market. But the slight uptick suggests some opportunity for end-user tenants and buyers.

Our total inventory pool continues to grow, albeit slightly. The total market size in Greater Portland is now 20,700,000 which includes Portland, South Portland, Falmouth, Gorham, Westbrook, Scarborough, Saco and Biddeford. The uptick in vacancies can be attributed to new construction as opposed to a slowdown in demand. The Innovation District at Scarborough Downs, for example, has added over 250,000 SF of new buildings and there are some vacancies in the speculative projects that are going up. But with steady interest and demand, I don't expect those vacancies to last long. Another successful speculative development was the 140,000 SF Calare project in the Saco Industrial Park. They were able to fully lease the building during construction and won the deal because their timing schedule was ahead of other sites where no speculative planning or construction had begun.

Despite the increased vacancy rate, there is still a critical lack of larger buildings available. At the time of this report, there were only two buildings larger than 50k SF available in Greater Portland, and none larger than 100,000 SF. This lack of larger industrial space has stifled several big end-users who now have no choice but to consider new construction or pivot production to wait out this space-crunch. And, because of the success at the Innovation District, other industrial developers are now offering land sites that are more "pad ready". End-users are willing to pay a premium

for land if it comes with utilities stubbed, DEP approvals, road infrastructure, etc. These are critical pieces to a development that save time and get the dirt shovel ready.

Pricing continues to escalate dramatically. We are now regularly topping \$9/SF and see several examples of peak pricing at or above \$12.00/SF NNN (for smaller, high-quality spaces). 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 to drive pricing up. Average sales prices are in the \$90-100/SF, depending on size and quality. And many industrial buildings are selling well above that. Demand is coming from several industries, including pandemic-proof essential uses like manufacturing, shipping, warehousing, etc. The construction boom is also creating demand for industrial space as we are seeing building supply companies grow dramatically. One area that we are beginning to sense some trouble is the recreational and medical cannabis sector. There are several smaller grow operations that have recently closed or looking to downsize. And, anecdotally, we are simply getting less calls for the industry than we used to.

In summary, what was already a competitive landscape continues to thrive, but with some possible signs of a slowdown. Generally, we face the same challenges as we have for the last decade: limited supply, steady demand, rising lease and sales pricing and not enough speculative development. But with added inventory, a slowing economy, rising interest rates and the end of the cannabis-boom, we may see a change in the industrial market. Right now, it's an owner's market but, for the first time in years, maybe there's hope for tenants and buyers on the horizon!

MARKET SUMMARY

Total # of Buildings	673
Total Market Size	20,704,198± SF ¹
Direct Vacancy	471,225± SF ²
Total Vacancy Rate	2.28%

1 - Totals as of 7/2022 per The Dunham Group Industrial Market Survey
2 - Totals as of 7/2022 per New England Commercial Property Exchange



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Recent Significant Transactions

SOLD



37 Bartlett Road, Gorham

Roundstone Realty, LLC purchased this 52,300 SF property from American Tool Companies for \$3,700,000. The Dunham Group and Malone Commercial Brokers brokered the sale.

SOLD



340 Presumpscot Street, Portland

QI for Sweetwater Partners, LLC purchased this 21,962 SF building from J&H Properties, LLC for \$2,850,000. The Dunham Group brokered both sides of the sale.

SOLD



185 Warren Avenue, Westbrook

Hope 1, LLC purchased this 20,076 SF industrial property from Delta Realty, LLC for \$1,650,000. The Dunham Group brokered both sides of the sale.

SOLD



84E Warren Avenue, Westbrook

Labonte Business Realty, LLC purchased this 8,150 SF industrial building from Hope 1, LLC for \$1,050,000. The Dunham Group brokered both sides of the sale.

LEASED



650 River Avenue, Gardiner

Orion Ropeworks, LLC leased 30,000 SF of warehouse space from 650 River, LLC. The Dunham Group and The Boulos Company brokered the lease.

LEASED



2112 Broadway, South Portland

The Bark Yard, LLC leased 11,000 SF of industrial flex space from 2112 Broadway Associates, LLC. The Dunham Group and Port/Shore Commercial brokered the lease.

Significant Vacancies



80 Pine Tree Industrial Parkway, Portland

32,135± SF industrial building located in Pine Tree Industrial Park. 1200 amp, 480 volt, 3-phase power, 14 loading docks, and a storage shed. Marketed by The Dunham Group.



9 Laurence Drive, Gorham

18,528± SF industrial space in Gorham Industrial Park. 6 oversized drive-in doors with internal loading docks and up to 26'± clear height. Marketed by The Dunham Group.



90 Blueberry Road, Portland

55,000± SF of high-bay distribution/warehouse space with showroom for lease. 24 - 28'± ceiling height, 7 loading docks and 1 OHD. Marketed by The Dunham Group.



28 Pond View Drive, Scarborough

74,724± SF manufacturing facility on 9.8± acres. Existing tenant made significant renovations to both the office and manufacturing areas. Marketed by The Dunham Group.



125 Industrial Way, Portland

80,000 SF of high-bay warehouse space and 20,000 SF of office space. Located just off I-95, Exit 48. 8 loading docks and 1 drive-in door. Marketed by The Boulos Company.



20 Morin Street, Biddeford

10,000 - 52,000 SF turn-key industrial food processing/warehousing space. 1200 amp, 3-phase power, sloped floor drains, FRP-food grade walls. Marketed by The Dunham Group.

MID-YEAR OFFICE REVIEW

As we enter the 3rd summer of COVID-19 the streets of Downtown Portland seem “normal” yet again. Construction crews fight crowds of tourists trying to enter the peninsula, and parking lots overflow with out of state license plates.

Since the first wave of COVID three years ago, the most common buzz word we have heard has been “hybrid.” The work from home culture and this hybrid model have allowed users to get a better idea of what works and what does not on a case-by-case basis. Although some tenants, typically the smaller ones, in the Portland Market, have decided that working from home will be the new normal, many have found that a return to the office is necessary, driven by concerns of culture, mentorship and lack of the good ole’ hands on approach.

The Downtown market is continually strong, as we have seen the vacancy rate drop below 5% again in the Class A Market with only a few options for tenants looking for 25,000 SF or more. The Covetrus and Sun Life buildings have come much closer to completion in the first half of 2022 as we add space to the Downtown Class A market. Both buildings are expected to be occupied by year end. Although in Covetrus’ case, a subtenant, Woodard & Curran, will occupy most of the building. On the contrary the Suburban market has seen an increase in both spaces available for sublease, and vacancy rates, with over 8 options offering 50,000 SF or more.

The Suburban market, due to softening demand has become more of a tenant’s market, with many landlords winning deals based on tenant improvement fit up allowances, free rent, and other landlord concessions. It is important to note that the “options” listed above do not include build to suit opportunities, as we have seen a retreat in those offerings across all markets based on the continued increase in construction costs, as well as the aforementioned additional existing inventory.

Coupled with high construction costs and increasing vacancy rates, several landlords and owners have taken the opportunity to look at adaptive reuse of existing office space. Several concepts are being considered, from residential apartments to self-storage conversions across the entire Greater Portland office market, both downtown and suburban.

As you can imagine with the uncertainty across the office markets, sales have been driven mostly by owner/users with rates and demand leveling off from previous years. Average sales pricing is between \$120-\$150 per square foot depending on size, quality, and ability to reuse. However, many buildings are selling well above that. The rising interest rate environment is likely to slow any substantial value increases over the next 12-18 months, and we expect the number of sale transactions in the office market to plateau.

When now faced with their typical lease end-decisions, we see Tenants willing to make bolder, more long-term decisions. Some will trade leases for ownership, some will take less space, some will take more space, and some will leave the market all together, all that’s for certain “a change is gonna come”- (Sam Cooke).



Sam LeGeyt

Broker

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Recent Significant Transactions

SOLD



340 Cumberland Ave, Portland

CADC Portland 340, LLC purchased this 52,272 SF building from Sweetwater Partners, LLC for \$6,900,000. The Dunham Group brokered both sides of the sale.

SOLD



295 Park Street, Portland

Portland Community Health Center purchased this 9,465 SF office building from Firehouse Five, LLC for \$2,100,000. The Dunham Group and The Boulos Company brokered the sale.

SOLD



75 Darling Avenue, South Portland

75 Darling Preble St, LLC purchased this 30,000 SF office building from Treehouse, LLC for \$4,100,000. The Dunham Group brokered both sides of the sale.

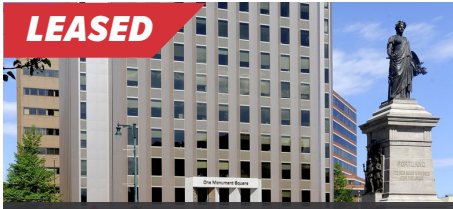
SOLD



324 Cummings Road, South Portland

GCA Property Management purchased this 15,800 SF office property from Spectrum Realty, LLC for \$2,425,000. The Dunham Group brokered both sides of the sale.

LEASED



One Monument Square, Portland

Blue Tarp Financial leased 25,340 SF of office space from Congress Federal Trust. The Dunham Group and The Boulos Company brokered the lease.

LEASED



482 Payne Road, South Portland

Granite Bay Care leased 19,392 SF of office space from Cowabunga, LLC. The Dunham Group and Malone Commercial Brokers brokered the lease.

Significant Vacancies



2 Stonewood Drive, Freeport

5,000 - 40,365 SF for lease at this meticulously maintained, Class A, multi-tenanted office campus. Amenity rich, cost-effective space. Marketed by The Dunham Group.



300 Southborough Drive, South Portland

9,555 - 72,105± SF of Class A office space. Offers flexible floor plans. Landlord will renovate to suit a tenant's specific needs. Marketed by The Dunham Group.



2211 Congress Street, Portland

Class A office building with suites ranging from 6,000 - 50,000 SF. Amenity-rich campus visible from I-95. Free, on-site parking. Marketed by The Boulos Company.



2 Gannett Drive, South Portland

20,586 - 104,752 SF of Class A office space for lease in the Anthem building. Located in the Gannett Drive Business Park. Flexible floor plates. Marketed by The Dunham Group.



123 Darling Avenue, South Portland

30,000 - 58,902 SF of Class A office space for sublease at this former WEX building. Recently renovated and in new condition. Marketed by The Dunham Group.



175 Running Hill Road, South Portland

5,000 - 50,000 SF office space available. Flexible layouts. Next to the Maine Mall and Sable Oaks. 10 minute drive from Downtown Portland. Marketed by Maine Realty Advisors.

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.

Putting clients first has been the focus of our work at The Dunham Group for over 45 years. Founded by Tom Dunham in 1973, our firm's reputation was built on Dunham's strong ethical foundation, hard work, and feet-on-the-street approach. Through the years, we have been committed to the education and retention of the best professionals, where passing on industry wisdom and values from one generation of brokers to the next happens organically. This has enabled us to grow into a team of eleven exceptional brokers. Unlike other commercial brokerage firms, our brokers focus on specific sectors – office, retail, industrial, multi-family, land, investment – and have become experts in their industries. Our record of success demonstrates how The Dunham Group has been a leader in commercial real estate and a trusted partner for individuals and businesses in Maine.



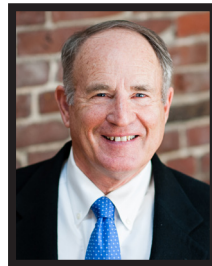
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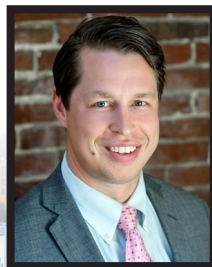
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