

# SOUTHERN MAINE INDUSTRIAL & OFFICE MARKET

## 2024 Mid-Year Review



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# MID-YEAR INDUSTRIAL REVIEW

## Welcome to the Old Normal

The Southern Maine commercial real estate market is fine. Admittedly, that's a very vanilla descriptor, but it's accurate. Since Covid, our market, like many, has been going gangbusters with increasing values and demand across all sectors. We had record setting years in '20, '21 and '22 with 2023 starting to stabilize. However, the incessant calls and demand have clearly slowed in 2024. But only in comparison to the last four years. The truth is it feels very 2019-ish. In other words, normal! The following is a summary and forecast of the industrial and office sectors in Southern Maine.

## Southern Maine Industrial Market Summary

Our expanded Industrial Market Survey now tracks over 30 million square feet in 15 cities and towns in Southern Maine. As of July 1, 2024 the total vacancy rate is a paltry 2.27%. This is up slightly since 1Q, but only a mere 30 basis points. Drilling down into sub-markets, the Greater Portland vacancy rate is stiflingly low at 0.69%. To put that in perspective, of a total 19m SF in 9 cities/towns (a 10-mile radius), only 131,000 SF is available (70k in a single building!). This is a striking fact and, as I've reported previously, simply bad for business in the Portland area.

(continued)

## MARKET SUMMARY

TOTAL # OF BUILDINGS	995
TOTAL MARKET SIZE	30,261,518± SF <sup>1</sup>
DIRECT VACANCY	687,005± SF <sup>2</sup>
TOTAL VACANCY RATE	2.27%

LEWISTON/AUBURN/GRAY	6.75%
GREATER PORTLAND	0.69%
NORTHERN YORK COUNTY	2.22%

1: Totals as of 7/2024 per The Dunham Group Industrial Market Survey  
2: Totals as of 7/2024 per New England Commercial Property Exchange

# MID-YEAR INDUSTRIAL REVIEW

The lack of inventory is forcing businesses to consider alternate locations and, in some cases, that's out of state. While new construction and land development remain options, they are costly and time-consuming endeavors. Many users and brokers are considering creative repurposing of office and retail spaces. This trend has already begun with some small success stories. I suspect this trend to continue and exacerbate.

Not surprisingly, industrial values, both for sale and lease, continue to appreciate dramatically. Sale prices now regularly top \$100/SF, and in some cases, at replacement values of \$150/SF or more. This proves that the often complicated and slow process of new construction is deterring end-users. And it further indicates that "shovel-ready" industrial land sites like the Innovation District at Scarborough Downs are the most successful model.

Lease prices are also on the rise, though not as dramatically as sale values. And, anecdotally, leasing activity has slowed. While the vacancy rates reflect a clear supply/

demand imbalance, our phone and deal action suggest that may change slightly towards the end of the year. Most listed spaces on the market are now asking well above \$10/SF NNN, reaching as high as \$13-\$14/SF for smaller units, surpassing rates for Class B and low-A office spaces in many cases. This has led to sticker shock for industrial tenants, especially those new to the market or accustomed to years of rates near \$5-6/sf. This push-back from tenants is partially accounting for the slower pace in lease rate increases.



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## SIGNIFICANT VACANCIES



**765 Warren Avenue, Portland**

70,132± SF high bay industrial warehouse space for lease. The building features five (5) docks, two (2) overhead doors, and 29' clear height. Located less than a mile from Exit 48 of the Maine Turnpike and has ample on-site parking. Join American Tire Distributors. Marketed by The Boulos Company.



**37 Bartlett Road, Gorham**

20,000 - 52,300± SF of industrial space for lease. (48,000 SF manufacturing space & 4,300 SF office space & cafe). Features 2 overhead doors, 2 loading docks with levelers, 25' ceiling heights, 5-ton gantry crane, locker rooms, and new alarm systems. 3 Phase, 4500 amp power. Marketed by The Dunham Group.



**165 Pleasant Avenue, South Portland**

44,400± SF of manufacturing or warehouse space for lease. Spaces features three (3) loading docks, 20'-22' clear heights and 3-phase electrical service. Located in the Rumery Industrial Park with close proximity to I-295, I-95 Exit 45, and US Route One. Marketed by The Dunham Group.



# MID-YEAR OFFICE REVIEW

Although the activity within the Southern Maine office market feels steadier than the recent past, the numbers tell a story we have heard since the onset of COVID. In the first half of the year, the Greater Portland market has seen only 63 leases signed, the lowest number in our data set, tied with the fateful year of 2021. The average over the past 10 years YTD is around 94 deals done, almost 50% more than this year.

The challenge with data and comparables is that in analyzing them we are constantly looking out the back window when what is ahead is most important. In talking with other brokers and in my own travels, I am confident that most professionals feel cautiously optimistic about the general health of the Greater Portland Office market and where it is headed.

The market has shown active demand for right sized properties both for lease and for sale, and even with the challenges of rising tenant improvement costs, and interest rates, deals are still happening. Purchasing demand from owner occupants has continued to drive the majority of sales in the office market, where investors have been more hesitant than in years past.

Although we are continuing to see corporate pullback in size and length of term of office leasing deals, in many cases, Tenants are looking again for more room to gather, collaborate, and mentor their staff. TD Bank is a recent example of the pullback, they will be vacating over 350,000 SF between Falmouth and Lewiston-Auburn over the next year and a half.

Landlords of spaces over 10,000 SF are still competing hard for deals with Tenant Improvement allowances and other concessions, but in a market that is largely driven by the 3,000-10,000 SF tenant, we remain cautiously optimistic. Small to medium sized office tenants will drive our deal flow in the coming year.



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## SIGNIFICANT VACANCIES



**70 Gray Road, Falmouth**

143,000± SF Class A office building on 11.27± acres. This flagship property underwent a multi-million-dollar renovation in 2018, resulting in modern, high-end finishes that reflect a true Class A signature office building. Large open floor plates and ample on-site parking. Marketed by The Dunham Group.



**7 Rand Road, Portland**

Up to 22,000± SF of recently renovated, highly accessible Portland office space for lease. Located less than 1 mile from Maine Turnpike Exit 47 and offers ample on-site parking. Join Brockway Smith in this new, flexible office location, close to neighborhood amenities. Marketed by The Dunham Group.



**2 Gannett Drive, South Portland**

Up to 104,752± SF of Class A office space for lease in the Anthem building. Conveniently located in the Gannett Drive Business Park, close to interstate spurs and the Portland Jetport. Flexible floor plates make the building an excellent opportunity for a variety of users. Marketed by The Dunham Group.



# 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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