

SOUTHERN MAINE INDUSTRIAL & OFFICE MARKET

2025 Mid-Year Review



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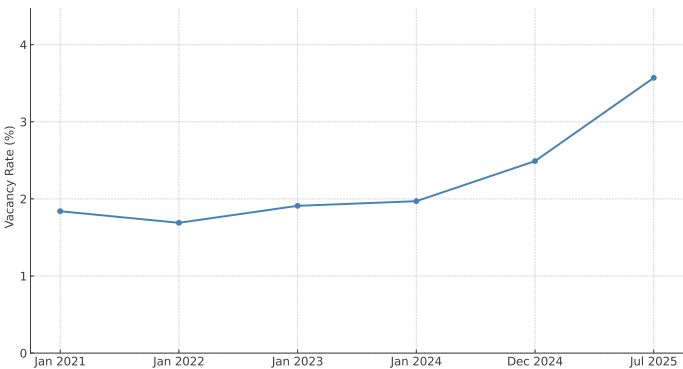
MID-YEAR INDUSTRIAL REVIEW

Check in on your local industrial real estate broker, they may need a hug.

Once the darling of commercial real estate, the industrial market in Southern Maine (and nationally) is experiencing sharply rising vacancies and a marked slowdown in demand. For the first time in well over a decade, it's safe to call this a tenant's market.

Our expanded Industrial Market Survey now tracks over 36 million square feet across 17 cities and towns in Southern Maine. As of July 1, 2025, the overall vacancy rate stands at 3.57%. While that figure is still relatively low, it's the steep upward trajectory that has industry professionals concerned—especially when examining submarkets and anecdotal evidence of stagnant listings.

To put the shift in perspective:



That's an **81% increase** in inventory in just eighteen months.

(continued)

MARKET SUMMARY

TOTAL # OF BUILDINGS	1,063
TOTAL MARKET SIZE	36,503,263± SF ¹
DIRECT VACANCY	1,304,480± SF ²
TOTAL VACANCY RATE	3.57%

LEWISTON/AUBURN/GRAY	6.49%
GREATER PORTLAND	2.75%
NORTHERN YORK COUNTY	1.66%

1: Totals as of 7/2025 per The Dunham Group Industrial Market Survey
2: Totals as of 7/2025 per New England Commercial Property Exchange



MID-YEAR INDUSTRIAL REVIEW

Transactional leasing, once constrained by lack of supply, is now stalled by lack of demand. High-quality, standalone industrial buildings in Greater Portland and Lewiston/Auburn are seeing minimal activity. Tour requests, general inquiries, and closed deals are significantly down in 2025.

So what's driving this shift?

While it's easy to point fingers, the reality is nuanced. A change in administration and waves of regulatory adjustments have clearly introduced uncertainty. Many businesses are taking a wait-and-see approach, cautious about making long-term decisions amidst macroeconomic flux. These changes may well pay off down the road, but today's market is paused as decision-makers assess the landscape.

Lease rates, for now, remain steady. The average sits at \$9.50/SF NNN across Southern Maine, which still aligns with the quality of recent listings. However, with more choices and slower demand, tenants are beginning to regain leverage—and we expect rent growth to flatten or even decline in the short term.

There is, however, one bright spot: sales activity remains strong. A persistent shortage of for-sale industrial inventory—especially smaller, owner-user buildings—continues to fuel competitive bidding and record pricing, often exceeding \$150/SF. Despite broader economic uncertainty, this segment of the market seems largely insulated. But, if rising vacancies lead to more motivated owners, we may see increased sales supply by year's end.

The industrial market has enjoyed a remarkable bull run, and a slowdown was inevitable. But few anticipated such an abrupt shift. Whether this is a temporary correction or the start of a more sustained change remains to be seen.

In the meantime... seriously, anyone up for a hug?



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SIGNIFICANT VACANCIES



443 Western Avenue, South Portland

13,250 – 32,000 SF of warehouse/distribution space for lease. Located minutes off of I-95, Exit 46. Features 2 shared loading docks, room to install a ramp to overhead door, an exterior loading platform, temperature control throughout, slab flooring, and 16' clear heights. Marketed by The Dunham Group.



340 Presumpscot Street, Portland

24,962± SF warehouse/distribution building on 1.61± acres of land for lease. The space features a 3,460± SF freezer space, 1,800± SF office space, and 3,000± SF mezzanine storage. The property is conveniently located approximately 1 mile from I-295. 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

Slow and Steady through the Summer Solstice...

The first two quarters of 2025 have shown signs of optimism throughout the Greater Portland Office market, but overall challenges of the large suburban spaces remain.

In a typical year 70-75% of the office deals signed are 3,500 SF or less. While that number has not changed yet, the smaller spaces have seen less demand over the first two quarters of 2025. In the immediate post-covid landscape, tenants were active to secure smaller (500 - 2,500 SF) on shorter-term deals. Those businesses have seemingly done well and the majority of the demand in the first two quarters has been businesses actively looking for larger spaces between 4,000 - 6,000 SF. Not all those tenants have landed yet, but this shows true in the data that deals done between 4,000 - 6,000SF were up almost 9% over the 5-year average in the first half of 2025.

Additionally, smaller subsections have seen continued high demand and low vacancy. For example, Falmouth. Over the last 12-18 months, Falmouth has absorbed new construction office in two brand new buildings at Falmouth Shopping Center and continues tracking very limited vacancy. Currently, there are only 3 properties on the market for lease in Falmouth, and 2 of them are under agreement.

The Downtown market has several users moving around, with no major impacts to the overall vacancy. HM Payson backfilled the 9th floor at One City Center after Medical Mutual signed their deal to move to 100 Middle Street, and RM Davis is backfilling HM Payson's previous space at One Portland Square. There is still a large Law Firm looking to make a lateral move in the downtown market, but given current availabilities and other tenants interested in their space, that may not have a dramatic effect on the direct vacancy rate, if any at all, either.

As we see almost every year, the summer months have brought a slowdown to office tenant leasing, where decision makers are actively enjoying the best months in Maine, deals take longer, decisions are drawn out, and unless necessary, Mainers are enjoying a slower, warmer pace of life.



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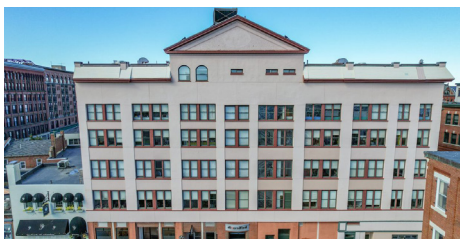
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SIGNIFICANT VACANCIES



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.



121 Free Street, Portland

Up to 52,000± SF of office space for lease at the prime Free Street location. Excellent visibility and lots of foot traffic. In close proximity to area garages, lots, and street parking. Building signage available and visible from surrounding streets. Marketed by Malone Commercial Brokers.

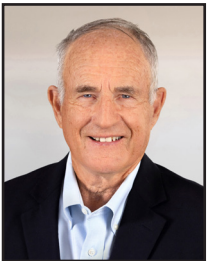


6 Ashley Drive, Scarborough

54,161± SF for lease in this Class A, three-story, professional office building. Located in the Roundwood Business Park on Payne Road, offering remarkable amenities, a well-established location within I-95 visibility, and an abundance of on-site parking. Marketed by The Boulos Company.

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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