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## **The Greater Portland industrial mid-year market update - by Nate Roop**

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The industrial market in Maine remains robust, characterized by historically low vacancy rates. As of early 2024, the vacancy rate across the state is below 2%, indicating a continued imbalance between supply and demand. This tight market environment has kept lease rates strong, with many landlords in a favorable position. Asking rates are trending around \$10.50 per s/f for larger available spaces and \$14.00 per s/f NNN for smaller “flex” units. Despite strong demand, we haven’t seen a large increase in new construction due to high construction costs and tight lending conditions, making speculative development rare.

The investment market for industrial properties in Maine has been somewhat subdued due to interest rates and a disconnect between seller expectations and buyer realities. However, this seems to be moving in a direction where buyers and sellers are more willing to come to mutually agreeable terms. Investment activity has seen an uptick so far in the second half of the year. We’re finding that creative financing solutions are often necessary to close deals. Investors are increasingly focusing on value-add opportunities, particularly in secondary markets where there is room for redevelopment or re-leasing at higher rates.

Lease rates in the Greater Portland markets have continued to rise due to the lack of supply. This has resulted in smaller businesses and start-ups moving to tertiary markets where they can find lower, but still historically high lease rates. The tight market has also led to longer lease terms and more favorable conditions for landlords. Tenants are often willing to commit to longer leases to secure the necessary space.

In conclusion, we are seeing a bit of increased activity in the industrial market as it relates to sales. Lease rates continue to rise for smaller flex units and remain stable for larger vacancies, and many potential buyers are still sitting on the sidelines waiting for something to give.

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