Greater Portland office market - 2024 snapshot - by Sam LeGeyt

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The Greater Portland office market remained relatively stable in 2024 compared to 2023 in terms of deal volume, total square footage leased, and overall vacancy. However, the market continues to trend downward compared to pre-pandemic levels. Since 2018, deal volume has declined by 30%, square footage leased is down 23%, and vacancy has climbed from 5.35% to 14.21%.

The shift to remote work remains the primary driver behind decreased demand. In response, landlords are offering generous incentives like free rent and tenant improvement allowances to attract long-term tenants. Smaller tenants often renew in place to avoid high relocation and construction costs. Encouragingly, leasing activity among larger tenants (10,000+ s/f) has remained stable.

Downtown Market Trends

Downtown vacancies rose slightly from 10.03% to 10.87%. Class A vacancy improved modestly to 11.1%, supported by leases from Medical Mutual, Diversified Communications, OnPoint Health Data, and Bank of America. However, several large spaces came online, including 17,537 s/f at One City Center and 63,000 s/f at 511 Congress St., where a residential conversion was abandoned due to high costs.

Class B downtown vacancies rose over 200 basis points to 10.64%, largely due to smaller tenants relinquishing space. Many of these buildings may eventually be converted to residential or hospitality uses as demand for housing increases.

Suburban Market Challenges

The suburban Class A market remains the most impacted, with vacancy spiking from 3.67% in 2018 to 22.72%. Two major vacancies — 104,000 s/f at 2 Gannett Dr. (Anthem) and 143,000 s/f at 70 Gray Rd. (TD Bank) — make up nearly 10% of the class A suburban inventory. These large spaces are challenging to repurpose due to their design and infrastructure.

Suburban class B vacancies rose to 9.98%, primarily due to subleases shifting to direct vacancy.

Despite headwinds, calls for employees to return to the office — led by firms like Amazon, Google, and the federal government — could help reinvigorate demand and support local businesses.

Sales Activity

Sales in the office market remained slow due to limited inventory, high interest rates, and post-COVID investor caution. Most transactions were conducted by owner-users rather than investors. Properties priced realistically have seen multiple bid situations, while overpriced listings have lingered on the market.

Market Forecast

Looking ahead to 2025, the market is expected to stabilize with potential slight decreases in vacancy rates as companies finalize their return-to-office strategies.

• Increased demand from Q4 2024 is carrying into 2025, with companies considering pre-pandemic occupancy levels.

• Challenges will persist in the suburban market, particularly for large floor plate spaces, which remain difficult and costly to subdivide.

• Sales activity will likely continue to be dominated by owner-users, as investor confidence in the office sector slowly recovers.

• As tenants return to pre-COVID occupancy levels, demand and pricing for Downtown parking will increase.

Despite ongoing uncertainties, we anticipate modest improvements in leasing activity and demand throughout the year, with landlords adapting to shifting market conditions and evolving workplace strategies.

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