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Southern Maine office and industrial markets 2025 mid-year report - by Sam LeGeyt and Justin Lamontagne

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Justin Lamontagne

Southern Maine Industrial Market Mid-Year Report by Justin Lamontagne

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 s/f 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:

January 2021: 1.84%

January 2022: 1.69%

January 2023: 1.91%

January 2024: 1.97% vacancy

December 2024: 2.49% vacancy

July 2025: 3.57% vacancy

That's an 81% increase in inventory in just 18 months.

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 per s/f 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 per s/f. 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?

Sam LeGeyt

Southern Maine Office Market Mid-Year Report by Sam LeGeyt

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 s/f 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 s/f) 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 s/f. Not all those tenants have landed yet, but this shows true in the data that deals done between 4,000-6,000 s/f were up almost 9% over the five-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 three properties on the market for lease in Falmouth, and two 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 ninth floor at One City Center after Medical Mutual signed their deal to move to 100 Middle St., and RM Davis is backfilling HM Payson's previous space at One Portland Sq. 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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