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Downtown Portland office market in transition: Vacancy up, but core area shows strength - by Kristie Russell

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Portland’s downtown office market is at a crossroads. Vacancy is up, but the market is adapting through strategic leasing, redevelopment, and long-term reinvestment, positioning it to stand apart from other New England metros.

The vacancy rate rose 2.3% over the past year, with the largest increase coming in the class B category. The rate ended the second quarter of 2025 at 12.6%. While this marks an overall softening, one consistent trend is the flight to quality. Class A buildings, which are newer or recently upgraded with modern amenities, were the only segment to see vacancies decline over the past year, dropping by 0.7% and finishing the quarter at 12.1%.

Leasing activity in the first half of the year included a mix of direct leases and renewals. R.M. Davis leased 24,185 s/f of class A space at 1 Portland Sq., and a confidential tenant leased 19,970 s/f of class C space at 510 Congress St. However, most transactions involved smaller blocks of space and renewals rather than large-scale expansions, including renewals by Eaton Peabody PA in 5,500 s/f at 100 Middle St. and Wedgewood Pharmacy in 4,320 s/f at 2 Union St., as well as new leases by ProfoInfoNet in 4,715 s/f at 2 Monument Sq. and Legal-Ease LLC PA in 4,130 s/f at 2 City Center, to name a few. This pattern reflects a more cautious approach from tenants, with demand still present but largely concentrated in modestly sized, centrally located spaces.

In response to rising vacancy, landlords have started slightly adjusting pricing and offering other, more competitive, deal terms. The average asking rent declined by 1% ($0.22 per s/f) year-over-year, with decreases across both direct and sublease listings. Free rent periods and build-out allowances are increasingly common as owners work to retain and attract tenants.

Alongside leasing activity, conversions are helping to gradually rebalance supply. Several older or underused office buildings are being redeveloped into housing, hotels, or mixed-use projects, thus reducing the overall inventory of outdated office space. One of the most ambitious proposals is the rebranding and redevelopment of Canal Plaza into Old Port Square. Owned by East Brown Cow (EBC), the plan includes converting vacant office space into retail, improving pedestrian access, and constructing two proposed 30-story residential and hospitality towers. Although still in the planning stage, the project would reshape Portland’s skyline and bring significant mixed-use density to the downtown core.

EBC has also made progress in repositioning other assets. One Canal Plaza (now known as 200 Middle St.) is undergoing renovations, converting the former office space into retail, upgrading the lobby, and keeping the upper floors as class A office. The company is also completing preservation and rehabilitation work at 178 and 184 Middle St., two office buildings it acquired in 2021. The buildings will feature ground-floor retail and short-term residential lofts as part of EBC’s boutique hospitality brand, The Docent’s Collection, scheduled to open in the third quarter of 2025.

Also downtown, the redevelopment of the Time & Temperature Building is underway. The project includes senior apartments in the annex, with the potential for hotel and market-rate residential components. In June, MaineHousing awarded $2.6 million to support 41 senior housing units as part of the plan.

Another factor influencing these projects is Portland’s moratorium on hotel development, which was extended in May 2025, for another six months. Some projects, like the 23,724 s/f class B office building at 215 Commercial St., received approvals prior to the moratorium taking effect in late 2024 and are under construction. Other proposals, including the Time & Temperature Building and Old Port Square developments, are on hold pending further decisions on whether the moratorium will be extended further.

These conversions, while not immediately transformative, are gradually removing older inventory from the market and contributing to the long-term stabilization of vacancy rates. Despite current challenges, many landlords remain cautiously optimistic that the ongoing conversions and tenant demand for quality space will support recovery over time.

The second half of 2025 will be a critical period for Portland’s office market. If leasing momentum continues, and redevelopment projects move forward as planned, downtown may avoid the deeper disruptions seen in other New England cities. While vacancy remains elevated and rents are under pressure, the combination of high-quality inventory, active leasing, and thoughtful repositioning, may create a more stable path ahead.

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