

Office & Industrial Outlook



Where Important Conversations Happen



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2024 SOUTHERN MAINE Industrial Market Report & Forecast



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Presentation Outline

- **Industrial Market Survey**

- Expanded report
- Vacancy & Cap Rate Analysis
- Sale & Lease Prices
- National Insights

- **A look back at 2023**

- Another competitive year
- Landlords v. Tenants
- Why not more industrial development?
- Report card

- **A look forward to 2024**

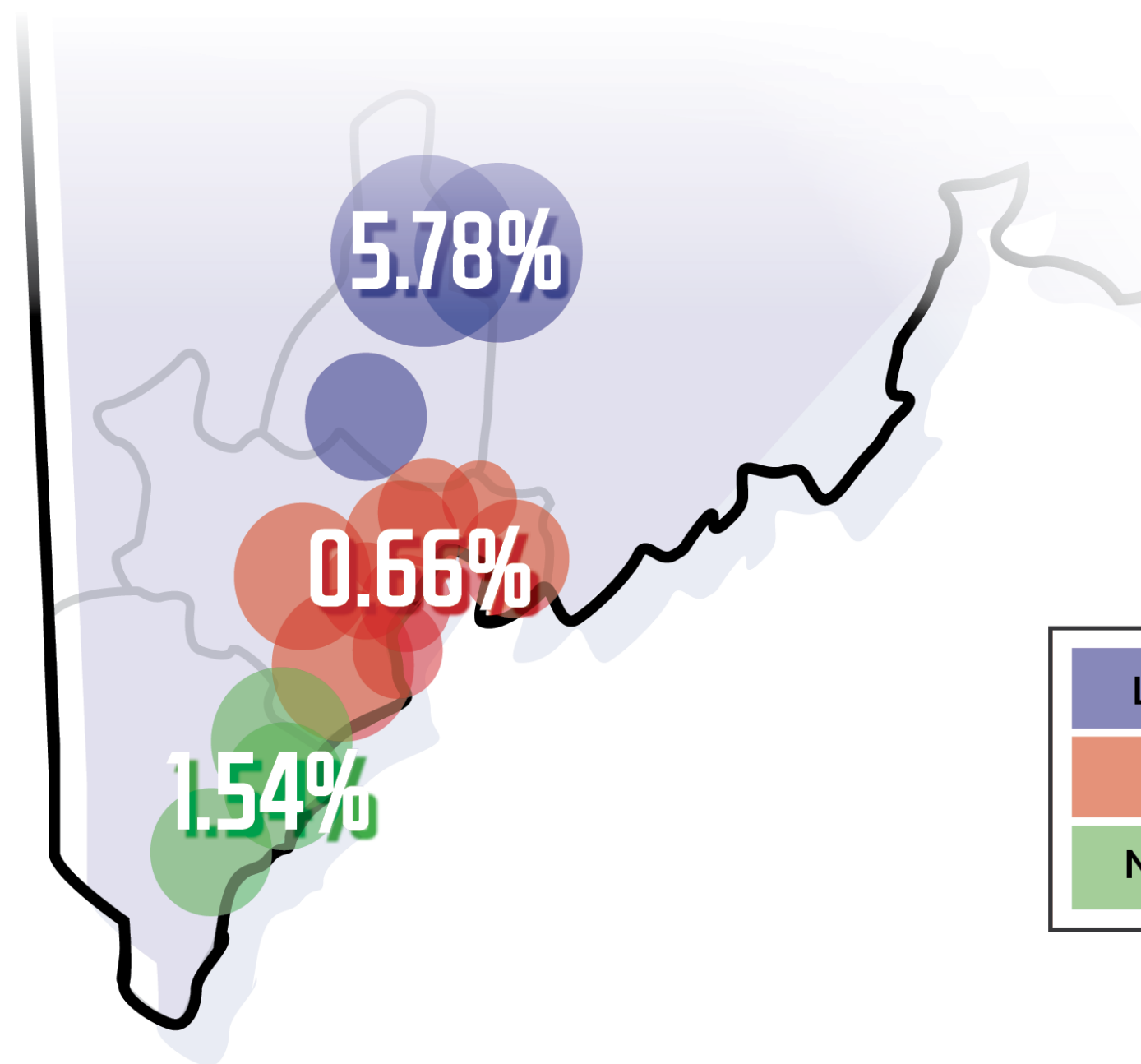
- Significant Vacancies
- Forecast & questions



2024 Southern Maine Industrial Market Survey Results



2024 Southern Maine Industrial Market Survey

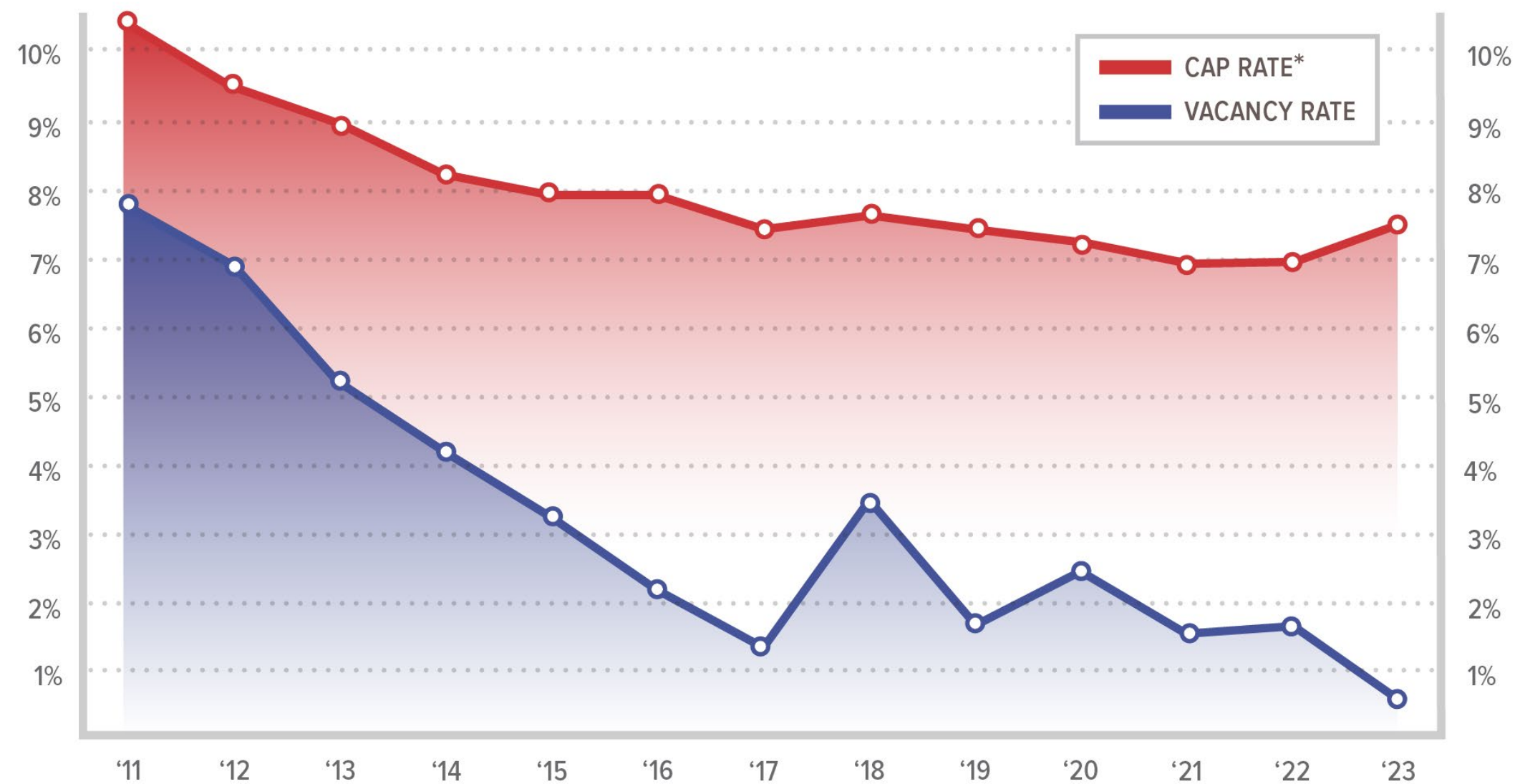


| | |
|----------------------|-----------------------------|
| TOTAL # OF BUILDINGS | 990 |
| TOTAL MARKET SIZE | 30,233,733± SF ¹ |
| DIRECT VACANCY | 583,932± SF ² |
| TOTAL VACANCY RATE | 1.93% |

| | |
|----------------------|-------|
| LEWISTON/AUBURN/GRAY | 5.78% |
| GREATER PORTLAND | 0.66% |
| NORTHERN YORK COUNTY | 1.54% |

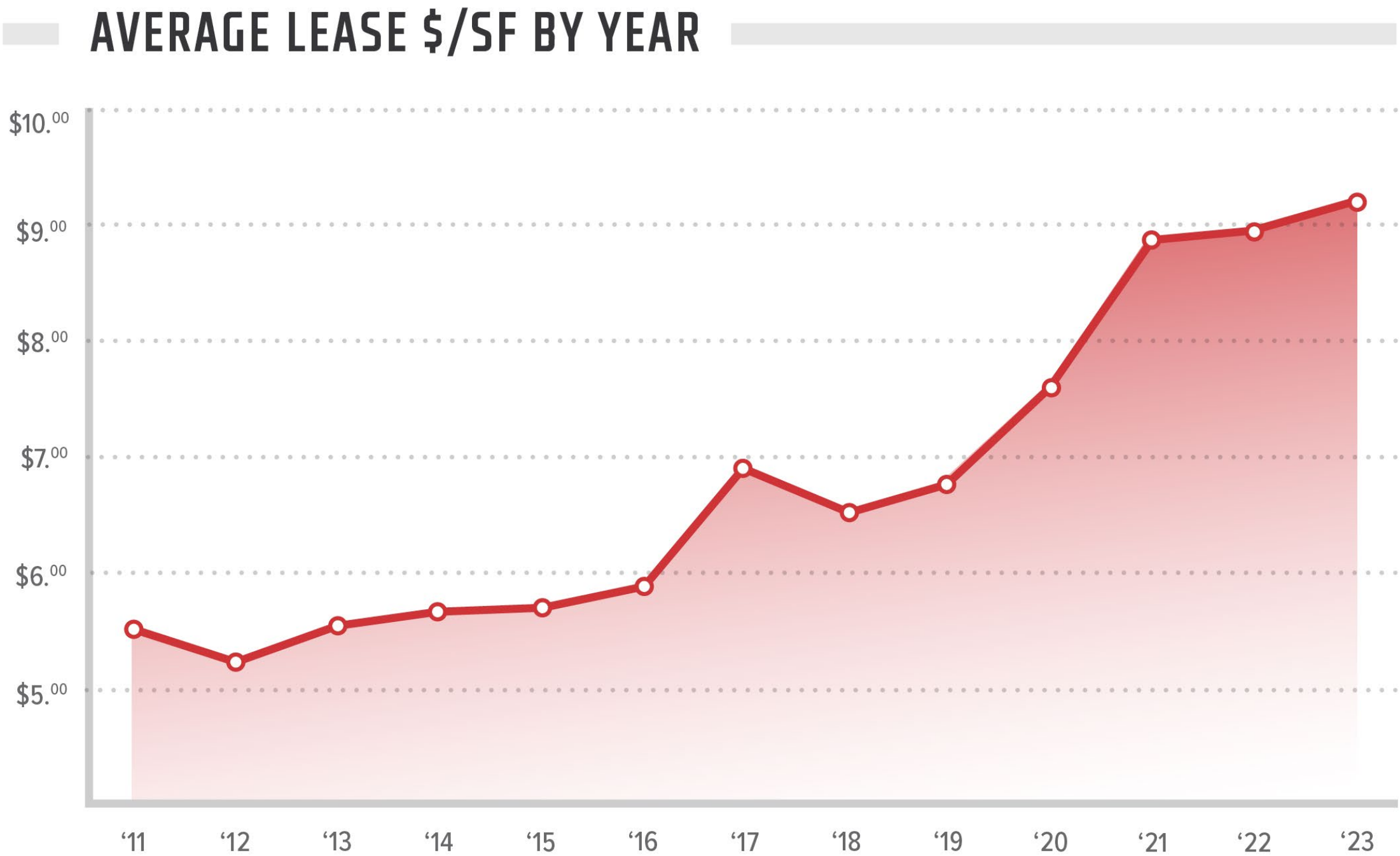
2024 Southern Maine Industrial Market Survey

GREATER PORTLAND VACANCY RATE & CAP RATE BY YEAR

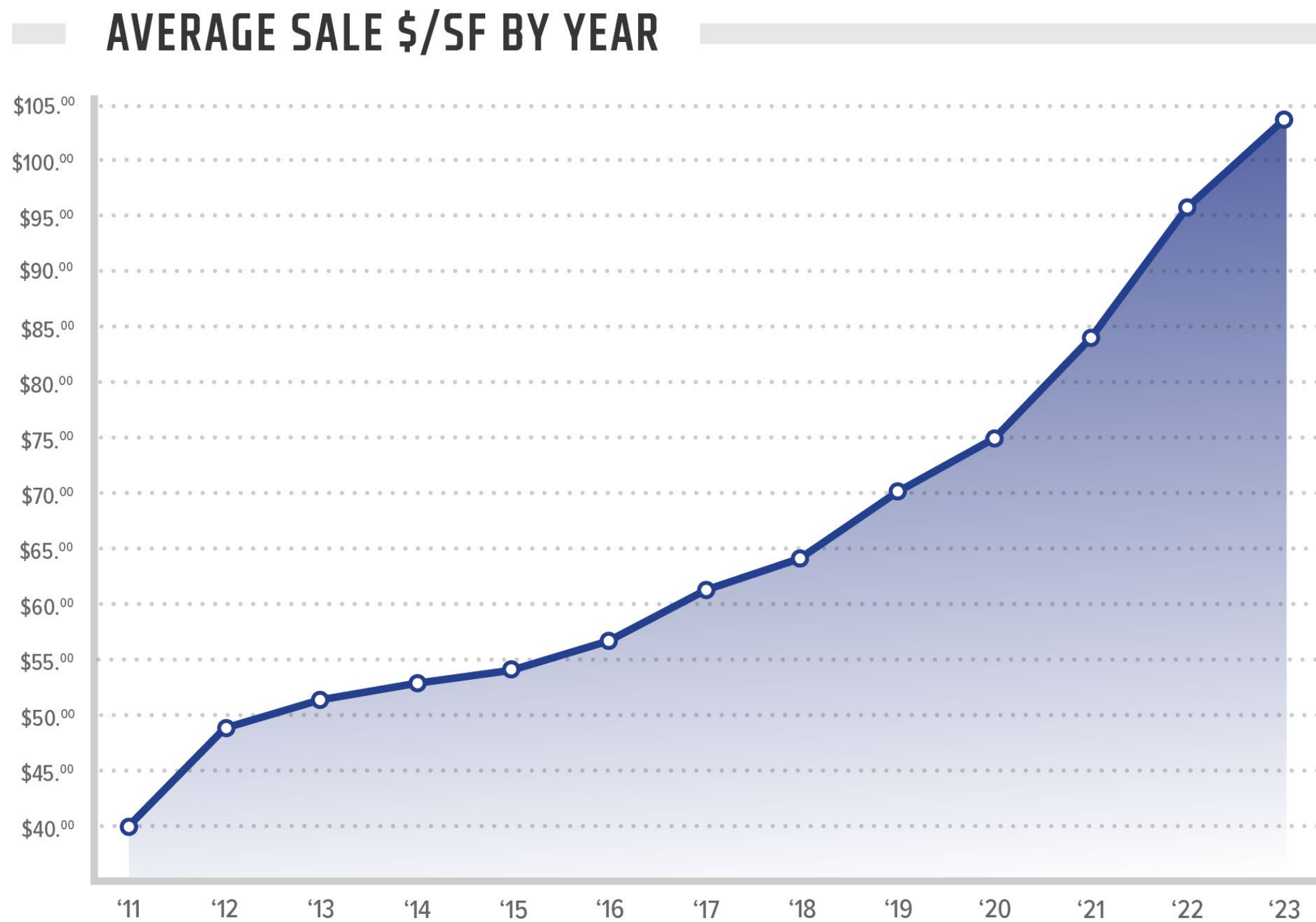


*Estimate based on available data/anecdotal evidence

2024 Southern Maine Industrial Market Survey

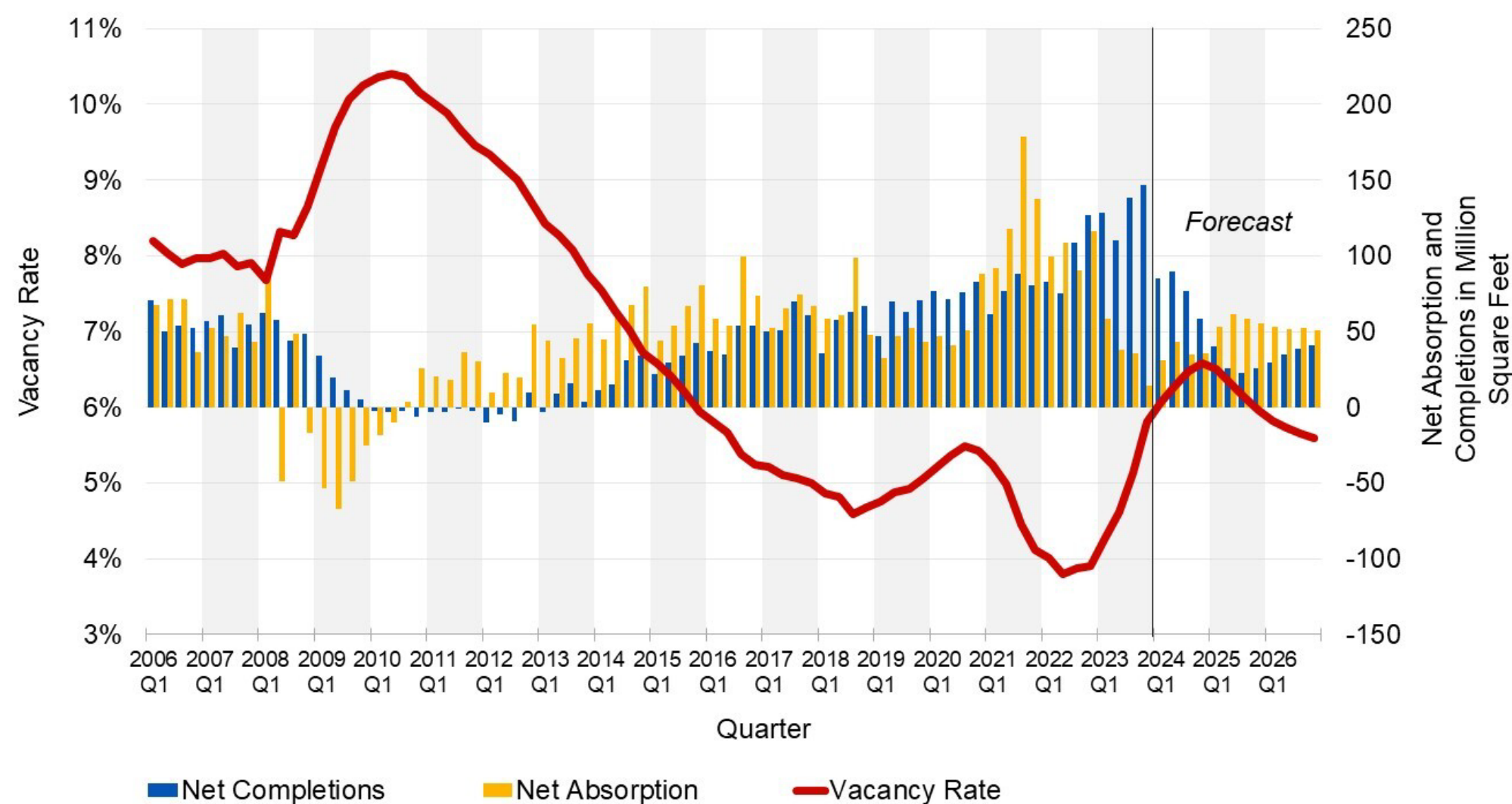


2024 Southern Maine Industrial Market Survey



National Insights

US Industrial Vacancy Rate Increases Speed Up During 2023



Source: CoStar, December 2023
Vacancy, net completions, and net absorption are aggregates of the 87 US markets that comprise CoStar's national index.



A Look Back at 2023



A Look Back at 2023...

Another competitive year...

- Supply constraints
 - Six years of sub-3% vacancies
 - Multiple offers on sale offering
- Leasing demand slowed 3Q-4Q
 - Consumer confidence down
 - Macroeconomic & world events
- Transactional Activity
 - Transactional *volume* down considerably from '20-'22
 - Transactional *value* plateaus
 - Avg. Transaction *value* increases



A Look Back at 2023...

Landlords v. Tenants

- Landlord's have the upper hand
- Tenant's pushing back – rising costs, concerning economy, world events, “can only afford so much rent”
- Renewal options at “then market rent” becoming very combative
 - Replacing tenants is expensive: TI, commissions, carrying costs, etc.

A Look Back at 2023...

Why not more industrial development?

- New Construction remains intimidating
 - Sales prices at replacement costs – why not build?
 - Labor issues and timing concerns
- Pressure on pricing
 - Interest rates increased – inflation continued
 - General consumer confidence was down
- Lack of land
 - Even with expanded opportunities – no shovels in the ground
 - Expand/modify zoning?

A look forward to 2024



Significant Vacancies



765 Warren Avenue, Portland

70,132± SF
Marketed by The Boulos Company



37 Bartlett Road, Gorham

20,000 - 52,300± SF
Marketed by The Dunham Group



1775 Lisbon Street, Lewiston

50,000± SF
Marketed by The Boulos Company



11-12 Lund Road, Saco

42,704± SF
Marketed by The Boulos Company



155 Rumery Street, South Portland

28,800± SF
Marketed by The Dunham Group



340 Presumpscot Street, Portland

24,962± SF
Marketed by The Dunham Group

A Look Forward to 2024...

New Construction

- Speculative construction proves successful
- More industrial land – “Has to be shovel ready”

Repurposing Office & Retail

- Easier said than done
- Need stakeholder buy-in (municipal, neighbors, owners, tenants)



A Look Forward to 2024...

Storing & hording

- “Just in case” vs. “Just in time”
- Hurts other developments and businesses

Industrial capital market

- Demand steady – cap rates tick up
- Sale-leasebacks as exit strategies

A Look Forward to 2024...

Cannabis continues slow-down

- Medicinal cultivation oversaturated
- Repurposing infrastructure in place – food production/processing?

Sublease activity increases

- Five-year post-Covid lease terms expiring...
- Office space?

A Look Forward to 2024...

Industrial geography expands

- Tertiary markets leverage lack of inventory
- Highway & utility/infrastructure access remains critical

Maine will lose businesses out-of-state

- Lowest industrial vacancy rate in the country?
- Recruiting/Development issue = job opportunity losses





With the 3rd pick in the 2024 NFL Draft,
the New England Patriots select:

Marvin Harrison, Jr.!



Celtics raise banner 18!



THANK YOU

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APPENDIX : INVENTORY RESULTS

| Lewiston/Auburn/Gray | Total Buildings | Building SF | Available SF | Vacancy Rate | Indirect SF | Indirect Vacancy |
|----------------------|-----------------|-------------|--------------|--------------|-------------|------------------|
| Auburn | 118 | 3,425,136 | 53,207 | 1.55% | 0 | 0.0% |
| Gray | 12 | 256,667 | 0 | 0.0% | 0 | 0.0% |
| Lewiston | 114 | 3,077,288 | 337,251 | 11.0% | 0 | 0.0% |
| Total | 244 | 6,759,091 | 390,458 | 5.78% | 0 | 0.0% |

| Greater Portland | Total Buildings | Building SF | Available SF | Vacancy Rate | Indirect SF | Indirect Vacancy |
|------------------|-----------------|-------------|--------------|--------------|-------------|------------------|
| Cumberland | 9 | 143,888 | 0 | 0.0% | 0 | 0.00% |
| Falmouth | 13 | 160,896 | 3,190 | 2.0% | 0 | 0.00% |
| Freeport | 14 | 1,530,811 | 0 | 0.0% | 0 | 0.00% |
| Gorham | 58 | 1,388,996 | 0 | 0.0% | 52,300 | 3.77% |
| Portland | 254 | 7,272,662 | 99,595 | 1.4% | 0 | 0.00% |
| Scarborough | 108 | 2,619,359 | 8,500 | 0.3% | 4,515 | 0.17% |
| South Portland | 58 | 2,954,968 | 7,700 | 0.3% | 33,068 | 1.12% |
| Westbrook | 73 | 2,689,037 | 6,035 | 0.2% | 0 | 0.00% |
| Yarmouth | 11 | 280,813 | 0 | 0.0% | 23,000 | 8.19% |
| Total | 598 | 19,041,430 | 125,020 | 0.66% | 112,883 | 0.59% |

| Northern York County | Total Buildings | Building SF | Available SF | Vacancy Rate | Indirect SF | Indirect Vacancy |
|----------------------|-----------------|-------------|--------------|--------------|-------------|------------------|
| Biddeford | 55 | 2,058,533 | 6,000 | 0.3% | 6,000 | 0.29% |
| Kennebunk | 31 | 696,009 | 6,500 | 0.9% | 0 | 0.00% |
| Saco | 62 | 1,678,670 | 55,954 | 3.3% | 0 | 0.00% |
| Total | 148 | 4,433,212 | 68,454 | 1.54% | 6,000 | 0.14% |

| | | | | | | |
|-----------------|-------------------|--------------------|--------------|-------------|------------------|-----------------|
| Total Buildings | Total Market Size | Total Available SF | Vacancy Rate | Indirect SF | Indirect Vacancy | Avg. Lease Rate |
| 990 | 30,233,733 | 583,932 | 1.93% | 118,883 | 0.39% | \$9.21/SF |

**If you are interested in the full inventory results of each industrial park and cluster within each town, please reach out to Justin Lamontagne at justin@dunhamgroup.com.*





2024

**SOUTHERN MAINE
OFFICE FORECAST**

Nate Stevens

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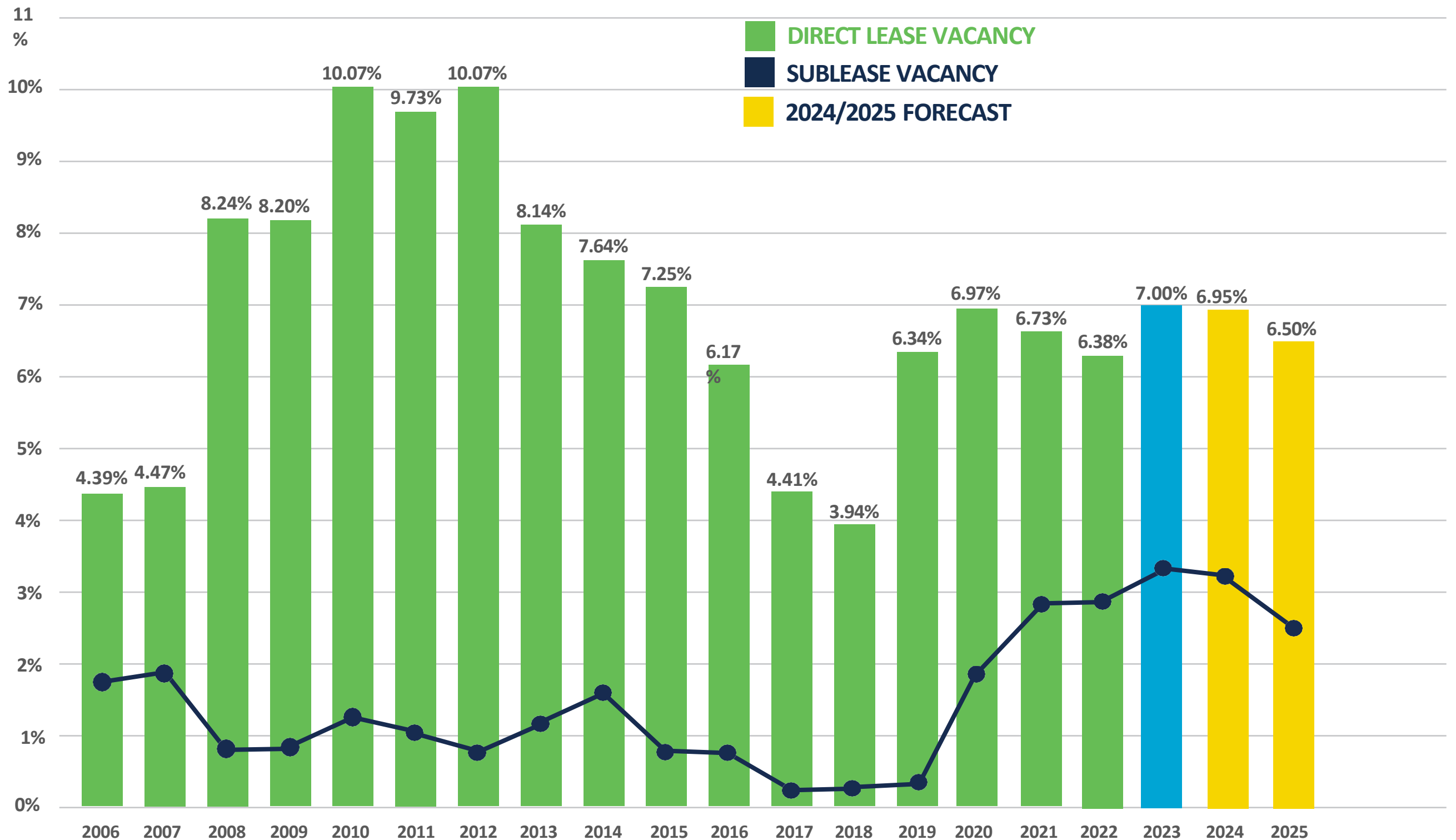
VACANCY RATES

GREATER PORTLAND'S OFFICE MARKET HISTORICAL DIRECT & SUBLEASE VACANCY RATES

DIRECT VACANCY
842,318± SF
7.00%

SUBLEASE
409,878± SF
3.41%

TOTAL
1,252,835± SF
10.41%



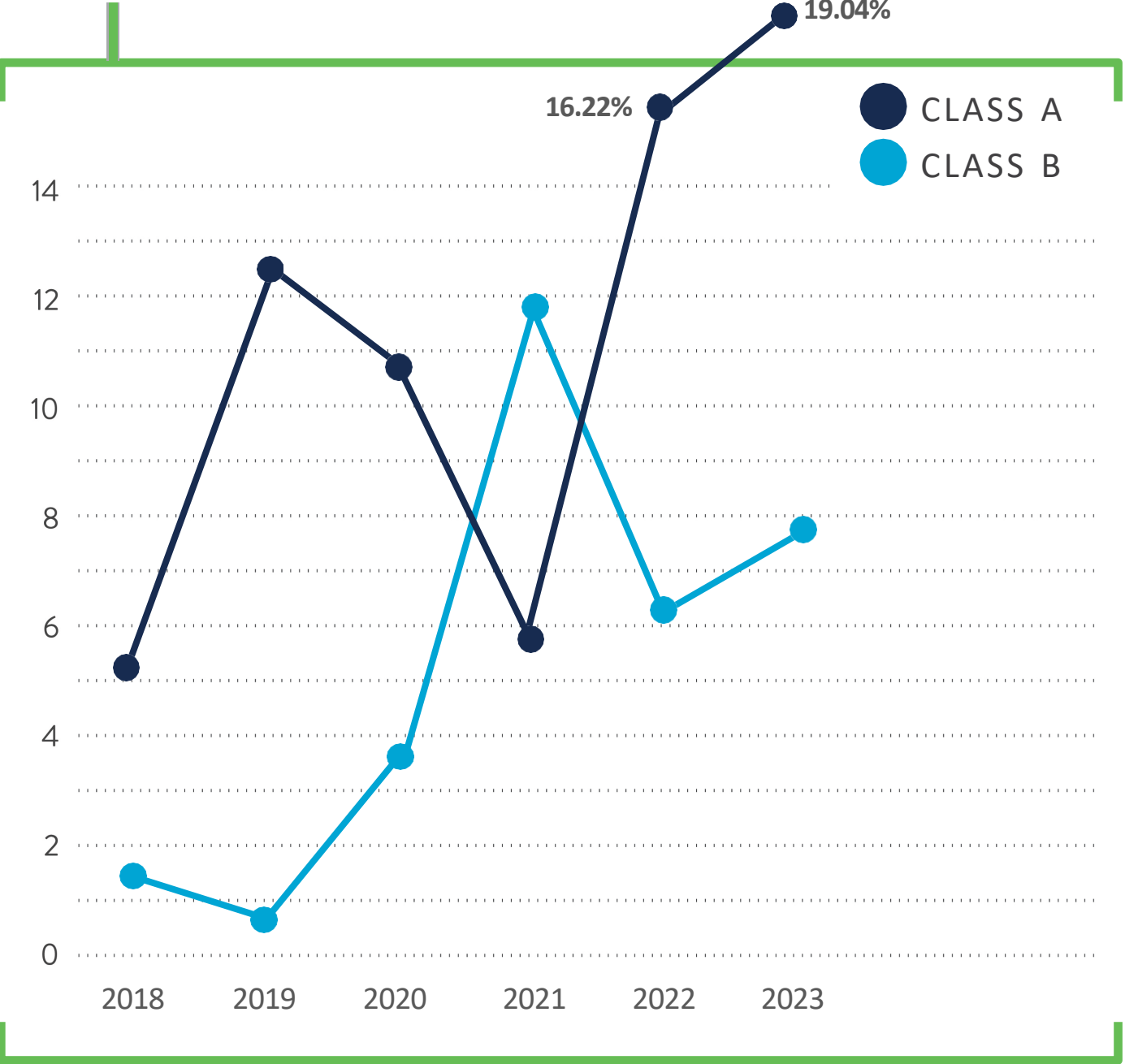
THE MARKET

VACANCY RATES

DOWNTOWN



MAINE MALL



CONCLUSION

- Demand- Remains steady as office confidence returns
- Opportunities- Some submarkets more aggressive than others
- Gray space- More predictability, more stability
- Conversions- No signs of stopping, but perhaps slowing, at least on large scale projects





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PORTA
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2024 CRE- Maine Forecast



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ALL THE BIG QUESTIONS

How is the market?

Are you doing deals?

What are interest rates going to do?

PRESENTATION OVERVIEW

Brunswick/Topsham/ Bath

- New activity
- Trends and predictions

Augusta/Waterville

- New activity
- COLBY
- Trends and predictions

Greater Bangor area

- Recent deals
- End of vacancy trauma
- Strong demand for Industrial

Northern Maine

- Big signs of life
- Millinocket redevelopment
- Loring Base redevelopment

Brunswick/ Topsham / Bath



Trends



2023
Notable
Deals



Predictions



Development
Updates

Brunswick/ Topsham/ Bath

— . .

Activity in the market:

- BIW leased 14,800 SF office space (329 Bath Road)
- American Steel built 52,000 SF high bay warehouse on rail
- OP Box leased 15,000 SF in Woolwich
- Martins Point Sold off some vacant buildings
- Vivid Cloud leases 22,000 SF on BTS deal at Brunswick Landing

Predictions

- Demand for industrial space pushes north of Portland
- Start to see build to suit deals and possibly spec development of industrial (10,000 to 30,000 SF range)
- Some of the downtown office vacancy starts to be converted to residential



Augusta | Waterville

- Notable Deals
- Trends and predictions
- Forecast 2024

Office and Industrial activity – 2023



Augusta/ Waterville

- Central Maine Commerce Center
 - Sold for \$18.5M
 - 317,000 SF
- Avangrid leased 20,000 SF at 60 Darin Drive
- State of Maine IT leased 15,900 SF
- JS McCarthy leased 14,450 SF @ 38 Leighton Road
- Days Jewelers signs long term lease for 10,000 SF @ 21 College Ave (Landlord Bill Mitchell)
- AVAILABLE
 - 50,000 to 150,000 SF BTS industrial in Sidney
 - Land in First Park

COLBY

Waterville

- Colby
 - Textbook development
 - Vision for reconnecting the downtown
 - Hotel, performing arts, retail, restaurant
 - Create demand for new businesses
 - One of the nicest Main Streets in the State

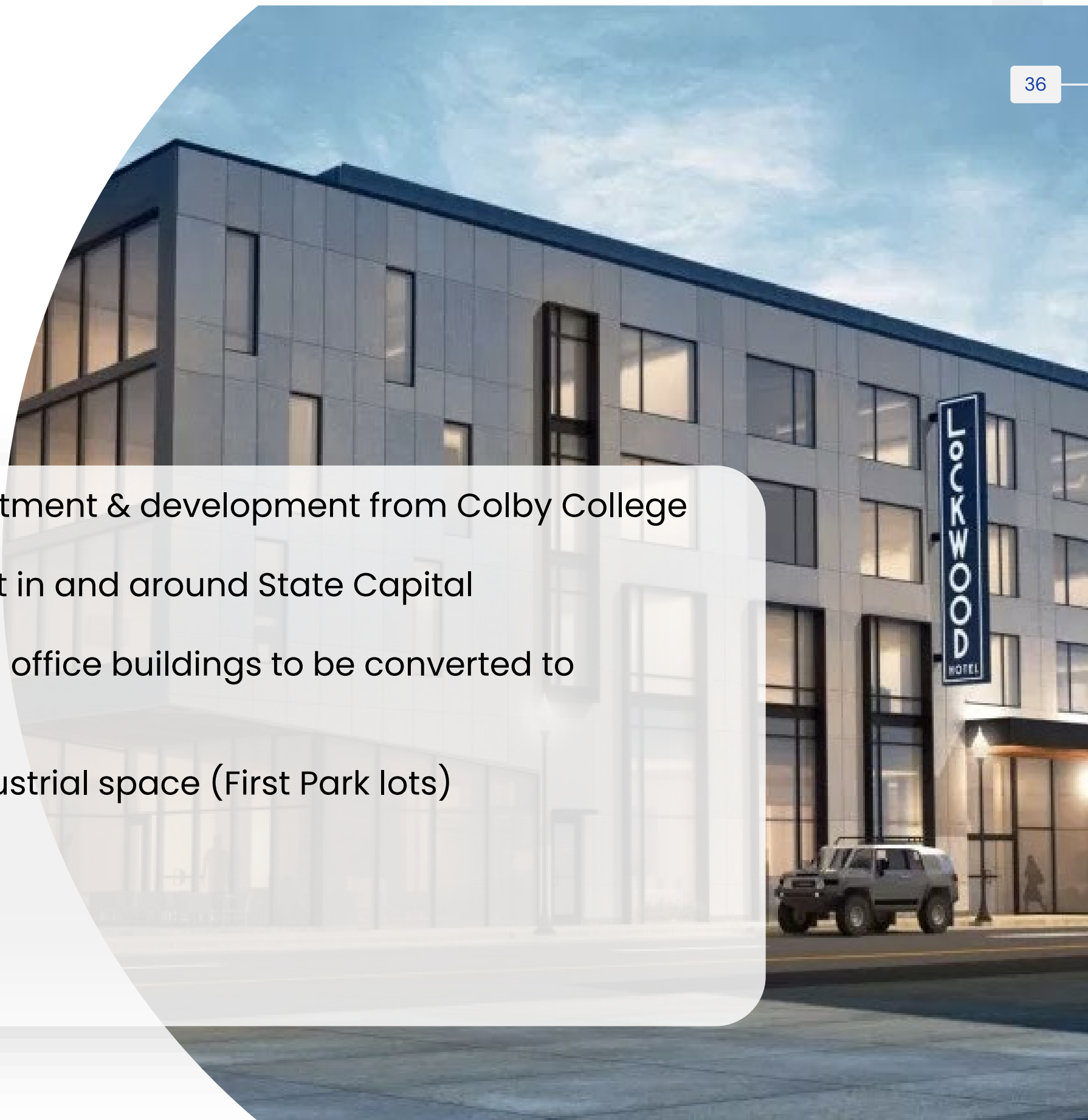


Augusta | Waterville

Forecast 2024



- Continued investment & development from Colby College
- More investment in and around State Capital
- Older downtown office buildings to be converted to apartments
- Demand for industrial space (First Park lots)



Greater Bangor Area

- 2023 deal activity
 - JSI leases 64,000 SF of industrial space on Hammond Street in Bangor
 - Tyler Technology breaks ground on new 40,000 SF office building in Orono
 - Sargent Corp buys and renovates 60,000 SF in Orono for HQ (former NEXLINX)
 - Bangor Savings Bank to add another 36,000 SF to their campus (already out of space)

Trends we are seeing in the Greater Bangor Market

- Corporate investment near UMO for talent recruitment
- Strong demand from industrial tenants
- Nonlocal buyers acquiring investment properties
 - Higher cap rates and better returns
- National warehouse tenants seeking location as strategic hub location
 - Consolidation of multiple locations
- End of office vacancy trauma downtown (Thank you Dash Davidson)
 - Conversion to apartments and multi units
 - 33 State Street
 - 2 Hammond Street

Downtown Bangor



Northern Maine – signs of life

- Two major redevelopments
 - Former Great Northern paper mill
 - Former Loring air force base
- **ONE NORTH (Millinocket)**
 - 1,400-acre site
 - Targeted uses
 - Sustainable forest products, data storage.
 - Light manufacturing, energy
 - Rail access and air access
 - Current Tenant's:
Brookfield Renewable, Northland Bark Mulch,
Katahdin Salmon aquaculture, Ocean Renewable
- **The Green 4 Maine Program (Limestone)**
 - Office, warehouse and manufacturing
 - 5,000 SF all the way up to 125,000 SF
 - Existing buildings ready for occupancy
 - Current Tenants;
 - Kenworth Trucks, Accounting Center,
Museum, Agricultural center, etc.

LET'S GO 2024 !

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