

MARKET TRENDS

PORTLAND INDUSTRIAL

MARKET DRIVERS

Leasing activity slowed in Q3, contributing to higher vacancy levels marketwide. Asking rates continue to average in the low \$0.80s to low \$0.90s PSF NNN; however, increased concessions such as free rent and above-standard TI's are applying downward pressure on net effective rental rates, while new construction continues to command premiums above \$1.00 PSF NNN. Direct vacancy rates increased by 110 basis points (bps) YOY to a 13-year record high at 5.7%. Similarly, availability rates rose by 270 bps YOY to 10% in Q3 reaching a 15-year record high.

Inflation and economic uncertainty have led tenants to rethink expansions and reduce space needs, contributing to a sharp decline in large-block leasing. Leasing activity in the past year has averaged less than 2M SF in each quarter, whereas the pre-pandemic average was approx. 3M SF. Industrial sales volume dropped 36% QOQ, posting just over 1M SF in Q3. Elevated interest rates continue to limit access to capital, keeping acquisition activity relatively muted. 598K SF of new industrial space delivered in Q3, with another 3.5M SF of projects currently underway. Portland's construction activity has decreased YOY by almost 50%, reflecting a cooling in development in recent quarters.

ECONOMIC REVIEW

In August, the Manufacturing labor sector within the Portland-Vancouver-Hillsboro MSA decreased by 4.7% YOY to 117.7K jobs, losing 6,200 jobs in the past year. Major employer Intel Corp. cut approx. 2,329 of its factory workers across Hillsboro. As of August 2025, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 5.3%, up from 4.3% at the same time last year. This is compared to 5.0% for the state of Oregon and 4.3% for the nation.

NEAR-TERM OUTLOOK

Despite tariff uncertainties and broader economic headwinds, Portland's industrial market remains relatively stable, supported by modest year-to-date absorption and a disciplined development pipeline. However, rising vacancy rates and slower leasing activity suggest that tenants and investors are approaching the market with increased caution. Limited new construction should help prevent oversupply, but demand has softened versus prior years. With ongoing economic pressures, the market is expected to stay steady yet subdued in the near term, with a cautious growth outlook.

Market Summary

	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	5.7%	5.4%	4.6%	110 bps
Total Availability Rate	10.0%	8.9%	7.3%	270 bps
Direct Asking Lease Rate	\$0.90	\$0.85	\$0.84	7.1%
	3Q25	YTD 2025	YTD 2024	YOY Change
Total Lease Transactions (SF)	1,835,296	6,124,603	7,954,788	-23.0%
Sale Transactions (SF)	1,039,472	3,990,201	3,545,669	12.5%
Direct Net Absorption (SF)	153,581	718,115	-159,411	N/A

↓ **1.8MSF**
LEASING ACTIVITY

↑ **153K SF**
NET ABSORPTION

↑ **5.7%**
VACANCY RATE

↑ **\$0.90**
ASKING RENT (AVG)

↓ **597K SF**
NEW DELIVERIES

Year-Over-Year Trend

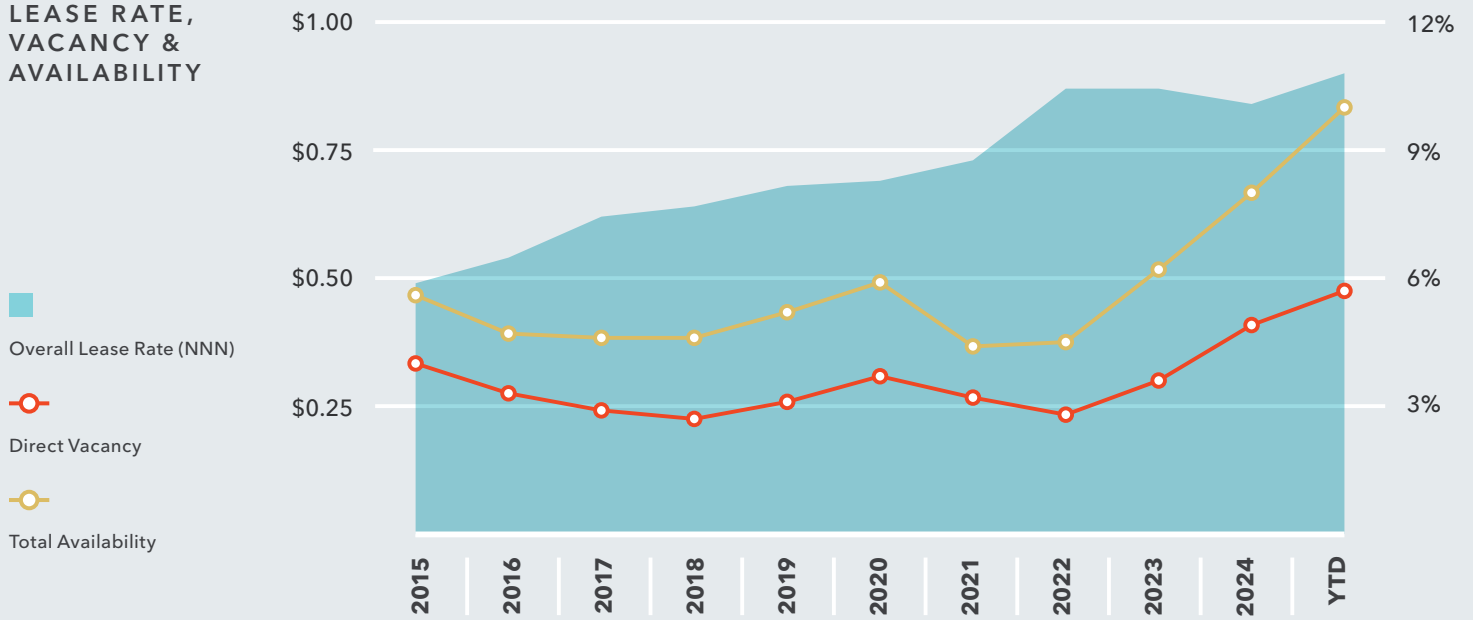
Market Highlights

ASKING LEASE RATES
jumped to a record high
of \$0.90 NNN

DIRECT VACANCY RATES
increased by 110 bps
YOY to 5.7%

TOTAL NET ABSORPTION
posted positive 153K SF

LEASE RATE, VACANCY & AVAILABILITY

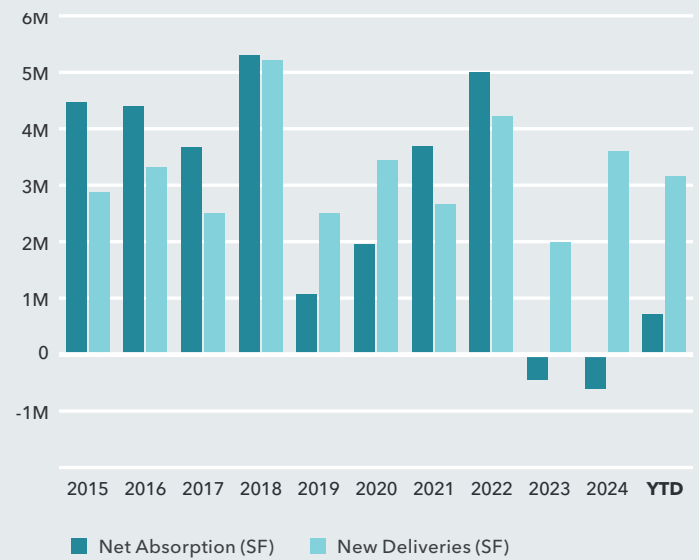


BIGGEST LEASE OF THE QUARTER

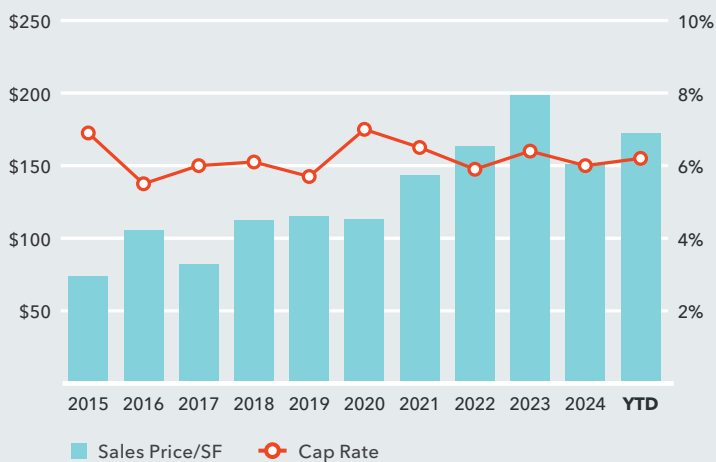
3204 NW 38th Cir, Vancouver, WA



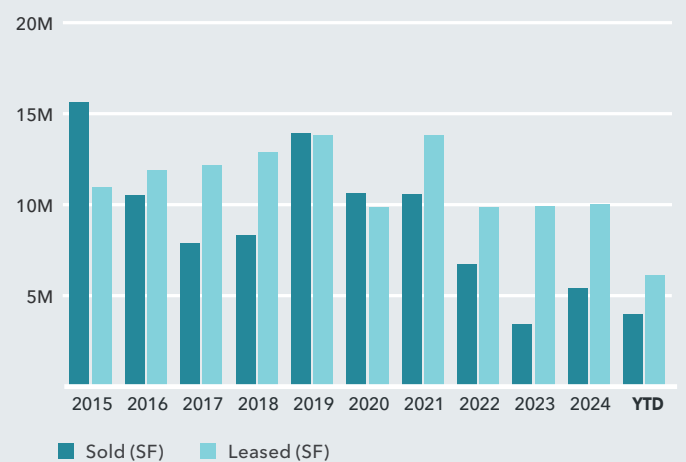
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q 2025 Total Net Absorption	YTD Total Net Absorption	3Q 2025 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
Lloyd District	2,168,313	14.5%	14.5%	17.3%	-1,834	12,242	0	25,226	\$0.77
Airport Way	17,686,859	6.0%	7.0%	9.2%	-193,705	-187,127	130,727	766,028	\$0.96
East Columbia Corridor	31,257,320	5.3%	8.4%	11.5%	133,005	691,858	451,751	1,021,324	\$0.85
Gateway	2,984,094	2.8%	3.0%	7.7%	-372	82,169	30,200	167,625	\$0.93
Gresham	1,218,236	5.8%	5.8%	8.1%	-9,830	16,116	0	3,192	\$0.88
Hayden Island/Swan Island	10,445,226	4.2%	4.8%	6.8%	85,547	-149,022	22,342	67,229	\$0.80
NE Close-In	4,026,878	6.4%	6.4%	8.7%	-43,853	-17,868	13,700	59,183	\$0.93
NE Outlying	81,863	0.0%	0.0%	9.7%	0	0	0	0	\$0.00
Rivergate	16,650,322	10.1%	10.7%	14.0%	405,225	-24,948	170,625	837,754	\$0.82
Northeast	84,350,266	6.2%	7.8%	10.6%	376,017	411,178	819,345	2,922,335	\$0.89
CBD	779,919	12.6%	13.2%	13.2%	-5,000	-5,000	0	0	\$1.00
Guilds Lake	12,163,225	8.5%	8.5%	13.5%	-78,887	320,450	116,083	216,479	\$0.96
NW Close-In	790,344	7.8%	7.8%	11.5%	-2,700	-15,700	11,800	11,800	\$1.17
NW Outlying	133,800	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
CBD/Northwest	13,867,288	8.6%	8.7%	13.2%	-86,587	299,750	127,883	228,279	0.97
Clackamas/Milwaukie	25,402,529	5.1%	6.4%	6.6%	-149,070	-302,743	189,501	648,394	\$0.78
Mall 205	403,598	1.1%	1.1%	1.1%	18,805	2,230	0	1,420	\$1.50
Oregon City	1,301,334	0.3%	0.3%	0.3%	3,500	31,674	3,000	11,500	\$1.42
SE Close-In	5,632,862	7.8%	7.8%	10.8%	10,928	-85,380	20,579	59,207	\$1.05
SE Outlying	5,313,472	3.5%	3.5%	18.3%	-25,975	-12,915	19,960	53,990	\$0.81
Southeast	38,053,795	5.0%	5.9%	8.6%	-141,812	-367,134	233,040	774,511	\$0.87
217 Corridor/Beaverton	5,816,122	3.0%	3.3%	3.7%	3,640	8,668	25,658	172,267	\$1.08
SW Close-In	770,863	4.2%	6.1%	6.1%	-29,643	-29,643	0	0	\$1.68
Southwest	6,604,489	3.1%	3.6%	3.9%	-26,003	-20,975	25,658	172,267	\$1.16
Sunset Corridor/Hillsboro	20,128,986	2.9%	3.9%	5.8%	205,383	59,729	104,873	352,856	\$0.91
Westside Outlying	3,426,471	4.4%	6.9%	12.0%	102,140	19,642	0	6,300	\$0.38
Westside	23,555,457	3.1%	4.3%	6.7%	307,523	79,371	104,873	359,156	\$0.69
I-5 Corridor Outlying	2,563,326	22.3%	22.3%	50.6%	49,370	667,976	0	116,263	\$0.00
Lake Oswego/West Linn/Kruse Way	1,555,623	0.0%	0.6%	1.2%	0	-8,750	0	0	\$0.00
Tigard	6,290,886	6.1%	7.2%	7.3%	-78,980	-184,884	67,557	208,234	\$0.91
Tualatin/Sherwood	14,660,566	3.3%	5.6%	9.6%	-88,574	-270,136	99,696	188,505	\$0.91
Wilsonville	7,113,439	3.4%	4.0%	10.4%	-11,180	-172,190	0	147,528	\$0.94
I-5 Corridor	32,183,840	5.2%	6.6%	12.2%	-129,364	32,016	103,505	660,530	\$0.93
Yamhill County	5,007,605	0.7%	0.7%	1.0%	7,979	19,529	0	13,260	\$1.02
Skamania County	103,485	0.0%	0.0%	0.0%	0	0	0	0	\$0.00
Columbia County	2,731,931	2.1%	2.1%	12.9%	372	-24,688	11,082	16,382	\$1.04

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SUBMARKET STATISTICS CONTINUED

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q 2025 Total Net Absorption	YTD Total Net Absorption	3Q 2025 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
Camas/Washougal	2,648,578	4.1%	4.2%	4.2%	52,882	3,750	0	9,180	\$0.00
Cascade Park	456,671	0.0%	0.0%	97.7%	0	0	0	0	\$0.00
CBD/West Vancouver	6,024,663	3.2%	3.2%	9.2%	-142,240	-47,140	303,148	390,518	\$1.50
Clark County Outlying	4,370,739	0.6%	3.8%	3.8%	0	-86,953	4,800	194,086	\$0.79
Hazel Dell/Salmon Creek	2,184,646	14.8%	14.8%	14.6%	-8,611	2,784	12,321	52,349	\$0.97
Orchards	7,896,249	14.5%	14.9%	15.2%	46,071	721,238	43,572	175,650	\$1.20
St. Johns/Central Vancouver	7,120,782	6.7%	6.9%	8.7%	-96,453	-312,494	46,069	174,874	\$1.09
Vancouver Mall	14,975	29.1%	29.1%	29.1%	-4,359	-4,359	0	0	\$0.00
Clark County	30,717,303	7.4%	8.0%	11.1%	-152,710	276,826	409,910	952,657	\$1.18
Portland Total	239,321,788	5.7%	6.8%	10.0%	153,581	718,115	1,835,296	6,124,603	\$0.90

BUSINESS PARK STATISTICS

Business Park Size	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q 2025 Total Net Absorption	YTD Total Net Absorption	3Q 2025 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
10,000-49,999 SF	9,570,522	7.5%	8.4%	9.6%	32,878	-120,262	120,665	544,455	\$1.04
50,000-149,999 SF	17,385,881	9.9%	12.8%	13.6%	-458,915	-142,876	353,175	1,332,988	\$0.88
150,000+ SF	11,983,770	11.5%	11.9%	17.4%	279,818	-220,788	298,270	463,580	\$0.82
Business Park Total	38,940,173	9.8%	11.4%	13.8%	-146,219	-483,926	772,110	2,341,023	\$0.94

BIGGEST SALE OF THE QUARTER

3800 & 3935 NW Alocleck Pl, Hillsboro, OR



SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
3800 & 3935 NW Alocleck Pl	Sunset Corridor/Hillsboro	164,525	\$38,300,000	232.79	Flexential Corp.	Watumull Properties Corp./Winkler Dev Corp.
110 N Marine Dr	Airport Way	44,647	\$17,360,000	388.83	Outpost	Wilson Logistics, Inc.
18365 NE Sandy Blvd	East Columbia Corridor	74,600	\$16,650,000	223.19	In-N-Out Burger	Panattoni
825 NW Davis St	CBD	30,000	\$4,000,000	133.33	Erich Kasch	Richard Hass
3220 SE 19th Ave	SE Close-In	19,743	\$3,000,000	151.95	Jeffery Blum	David Ambrose

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3204 NW 38th Cir	CBD/West Vancouver	259,148	September 2025	Prologis, Inc.	Nuna Baby Essentials
6308-6310 N Marine Dr	Rivergate	141,825	September 2025	LBA Logistics	Mazda
4570 NE 122nd Ave	East Columbia Corridor	133,828	September 2025	Prologis, Inc.	Graybar Electric
8720-8830 NE Alderwood Rd	Airport Way	99,685	July 2025	Bentall Green Oak	Lanter Delivery
9275 SW Peyton Ln	Wilsonville	83,894	September 2025	Melvin Mark Investors	Fiskars Brands

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Sequoia Logistics Center	S Township Rd	SE Outlying	778,720	Trammell Crow / Affinius	1Q 2027
MT Vista Logistics	17009-16713 NE 50th Ave	Orchards	583,318	Panattoni	2Q 2026
Hedges Creek Industrial Park	11155-11355 SW Myslony St	Tualatin	442,000	Phelan Development Co./Clarion Partners 3	4Q 2025
Harmony Industrial Park - Bldg A	18712 SE 1st St	Cascade Park	324,393	Panattoni	4Q 2025
Vanrose Technology Center	2625 NE Huffman Rd	Sunset Corridor/Hillsboro	303,969	Trammel Crow Company/MDI Capital, LLC	3Q 2026

Data Source: Kidder Mathews Research, CoStar, U.S. Bureau of Labor Statistics



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The information in this report was composed by the Kidder Mathews Research Group.

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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

53M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400

AVERAGE ANNUAL
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS