Kidder Mathews

MARKET TRENDS

PORTLAND *INDUSTRIAL*

MARKET DRIVERS

The Portland industrial market continued to adjust during the second quarter as availability reached a record high of 11.1%, driven in large part by the continued growth of sublease space. Sublease availability has risen steadily from less than 1M SF in 2022 to nearly 5M SF in Q2, creating more leasing options for tenants and increasing competition among landlords. Asking rents remained relatively stable in the mid-$0.80s to low-$0.90s PSF NNN range, though concession packages continue to pressure effective rents while newer Class A properties maintain premium pricing.

Leasing activity totaled 1.5M SF during the quarter, the lowest quarterly volume since 2008, as occupiers remained cautious with expansion plans. Demand continued to concentrate in newer, well-located facilities, with Vancouver's south and west submarkets attracting steady tenant interest due to their cross-border access, transportation connectivity, and favorable business environment.

ECONOMIC OVERVIEW

As of May 2026, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 4.7%, up from 4.6% at the same time last year. This compares to 5.2% for the state of Oregon and 4.3% nationally.

The manufacturing labor sector within the Portland-Vancouver-Hillsboro MSA decreased by 4.8% YOY to 111.4k jobs, losing 5,600 jobs in the past year, whereas the Trade, Transportation, and Utilities sector decreased by 2.4% YOY to 212.8k jobs.

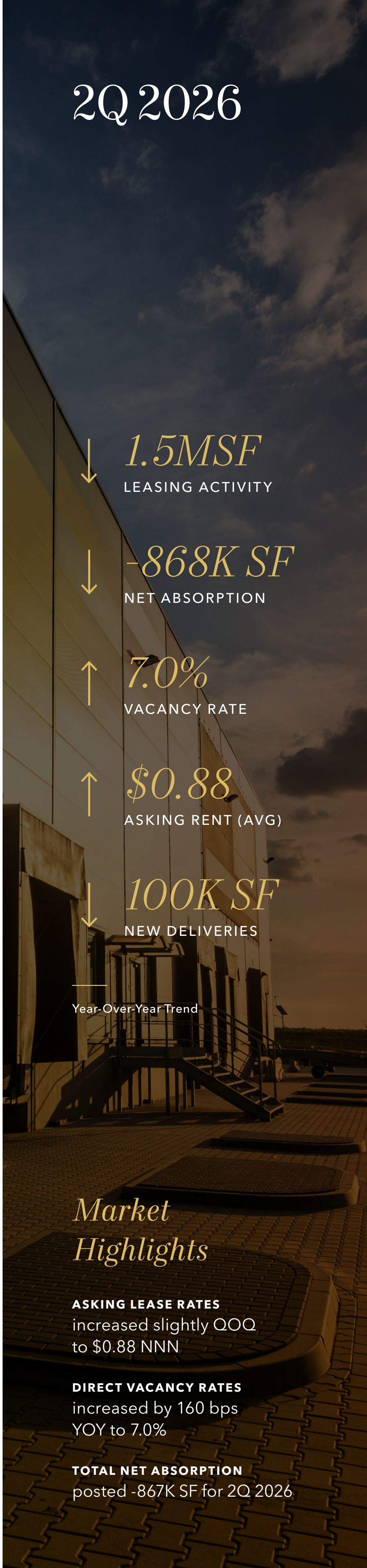
NEAR-TERM OUTLOOK

With new construction slowing considerably, Portland's industrial market is expected to gradually work through existing available space over the coming quarters. However, elevated sublease inventory is likely to remain a competitive factor, giving occupiers a broad range of leasing options while slowing the pace of vacancy improvement.

Recovery is expected to vary by submarket, with newer facilities and well-located distribution corridors better positioned to attract tenant demand. As business confidence improves and occupiers resume expansion activity, market fundamentals should strengthen over the longer term.

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Direct Vacancy Rate	7.0%	6.6%	5.4%	**160-bps**
Total Availability Rate	11.1%	10.4%	8.8%	**228-bps**
Asking Lease Rate/SF/Mo	$0.88	$0.87	$0.85	**3.5%**
	2Q26	2026 YTD	2025 YTD	YOY Change
Total Lease Transactions (SF)	1,487,030	3,964,210	4,401,932	**-9.9%**
Sale Transactions (SF)	1,451,378	2,833,945	2,244,056	**26.3%**
Total Net Absorption (SF)	-867,770	-1,748,405	820,458	**N/A**



2Q 2026

↓ *1.5MSF*
LEASING ACTIVITY

↓ *-868K SF*
NET ABSORPTION

↑ *7.0%*
VACANCY RATE

↑ *$0.88*
ASKING RENT (AVG)

↓ *100K SF*
NEW DELIVERIES

Year-Over-Year Trend

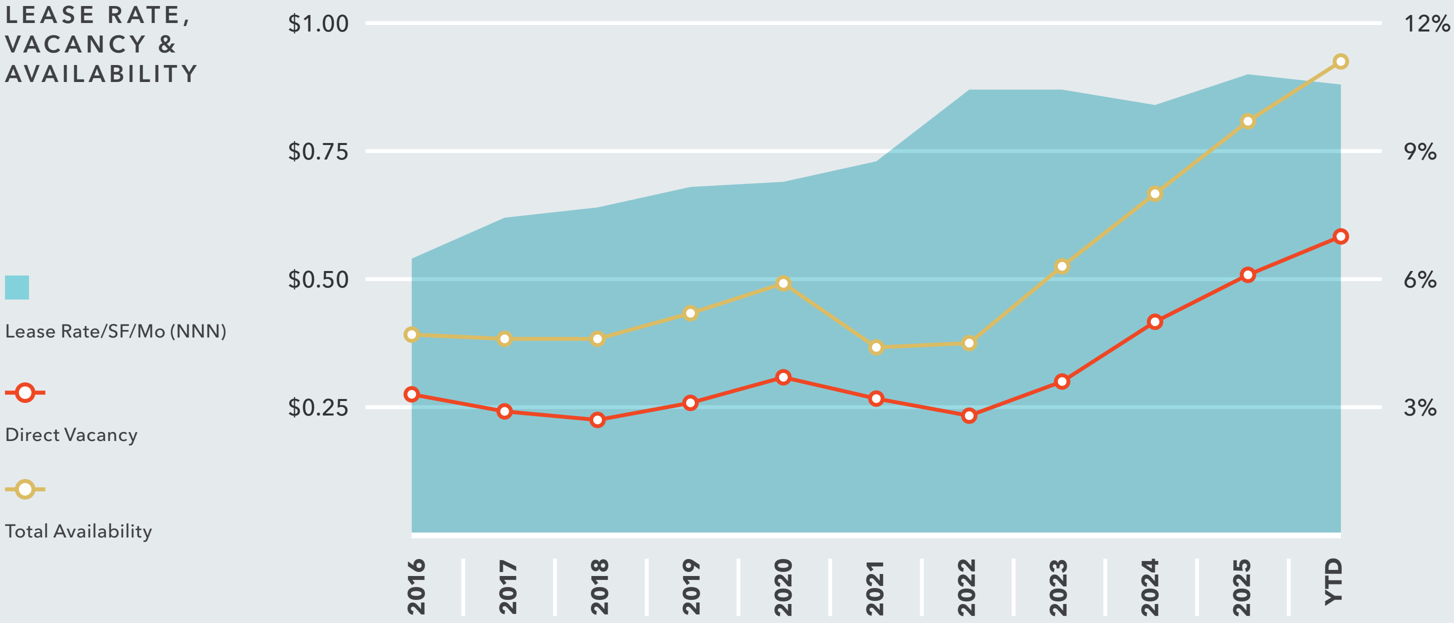
Market Highlights

ASKING LEASE RATES
increased slightly QOQ to $0.88 NNN

DIRECT VACANCY RATES
increased by 160 bps YOY to 7.0%

TOTAL NET ABSORPTION
posted -867K SF for 2Q 2026

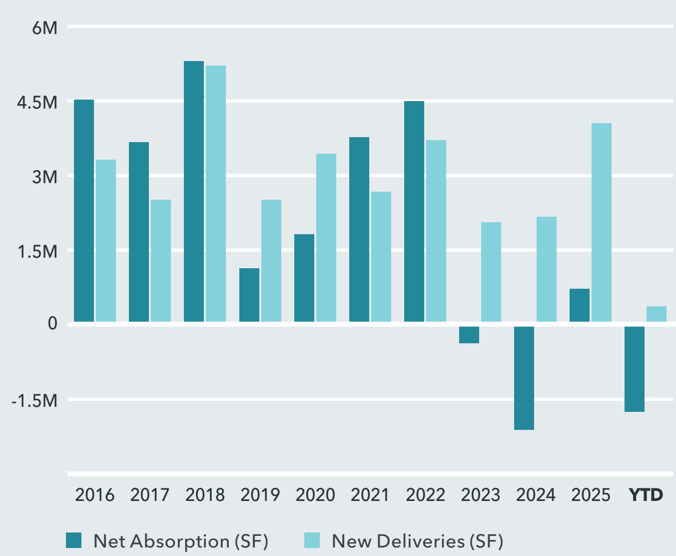
LEASE RATE, VACANCY & AVAILABILITY



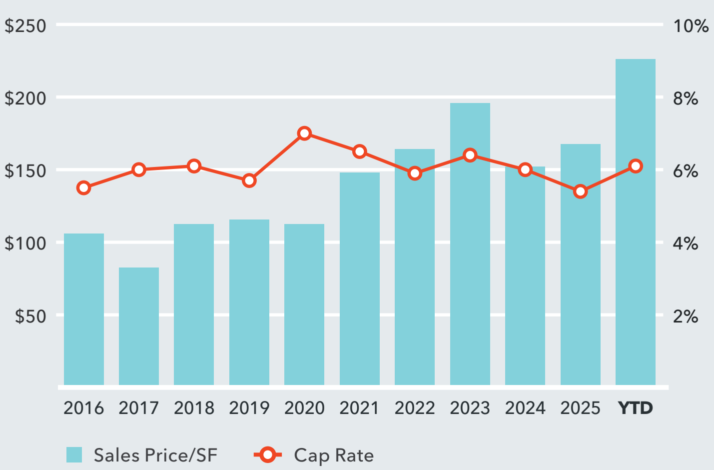
BIGGEST SALE OF THE QUARTER

4915 & 4975 NE Starr Blvd
Hillsboro, OR

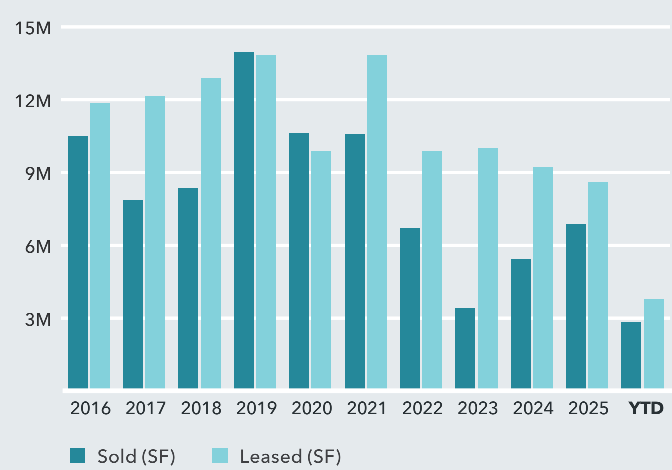
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q 2026 Total Net Absorption	YTD Total Net Absorption	2Q 2026 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
Lloyd District	**2,169,817**	**17.0%**	**17.0%**	**20.3%**	**-80,513**	**-85,414**	**962**	**962**	**$0.81**
Airport Way	17,778,350	6.8%	8.1%	10.7%	-11,150	-114,381	93,969	178,738	$1.08
East Columbia Corridor	31,177,536	7.0%	9.1%	13.9%	-275,310	-87,752	180,762	752,069	$0.89
Gateway	2,956,824	5.8%	6.5%	12.1%	-78,877	-102,355	3,900	14,140	$0.90
Gresham	1,295,116	5.6%	5.6%	5.9%	12,096	-2,304	0	36,496	$0.94
Hayden Island/Swan Island	10,473,799	4.2%	5.9%	8.8%	-5,745	-12,660	35,368	68,832	$1.03
NE Close-In	3,993,123	7.6%	7.6%	8.5%	20,696	-28,652	17,800	44,438	$0.92
NE Outlying	84,266	0.0%	0.0%	0.0%	0	0	0	0	$0.00
Rivergate	16,677,829	10.8%	12.3%	16.4%	-115,358	-384,272	22,800	262,221	$0.62
Northeast	**84,436,843**	**7.3%**	**8.9%**	**12.6%**	**-453,648**	**-732,376**	**354,599**	**1,356,934**	**$0.82**
CBD	797,919	16.0%	16.0%	15.1%	-9,700	13,547	6,900	6,900	$0.00
Guilds Lake	12,466,075	9.0%	9.0%	13.2%	84,349	-82,940	55,000	303,665	$0.96
NW Close-In	768,281	7.5%	7.5%	12.7%	-15,600	-1,600	0	4,000	$1.13
NW Outlying	133,800	0.0%	0.0%	0.0%	0	0	0	0	$0.00
CBD/Northwest	**14,166,075**	**9.2%**	**9.3%**	**13.1%**	**59,049**	**-70,993**	**61,900**	**314,565**	**$0.92**
Clackamas/Milwaukie	25,490,165	4.3%	5.7%	8.5%	46,196	-29,344	119,011	322,744	$0.83
Mall 205	399,198	0.6%	0.6%	0.6%	0	0	0	950	$0.00
Oregon City	1,319,055	1.0%	1.0%	1.0%	13,180	13,250	11,000	15,430	$1.38
SE Close-In	5,648,131	6.8%	6.8%	9.0%	-41,988	44,810	57,797	100,945	$1.08
SE Outlying	5,761,635	5.3%	5.3%	18.2%	4,563	-54,204	67,474	77,634	$0.93
Southeast	**38,618,184**	**4.7%**	**5.6%**	**9.7%**	**21,951**	**-25,488**	**255,282**	**517,703**	**$0.92**
217 Corridor/Beaverton	5,873,921	3.6%	3.6%	6.8%	46,703	33,651	116,241	123,664	$1.03
SW Close-In	757,620	7.5%	9.4%	10.7%	-22,479	-23,779	0	2,000	$1.57
Southwest	**6,655,515**	**4.0%**	**4.3%**	**7.2%**	**24,224**	**9,872**	**116,241**	**125,664**	**$1.08**
Sunset Corridor/Hillsboro	22,002,649	2.5%	3.5%	4.8%	-19,010	34,619	64,991	125,226	$0.98
Westside Outlying	3,574,762	5.3%	9.3%	14.5%	-61,284	-37,286	0	0	$0.38
Westside	**25,577,411**	**2.9%**	**4.3%**	**6.2%**	**-80,294**	**-2,667**	**64,991**	**125,226**	**$0.77**
I-5 Corridor Outlying	2,563,326	43.6%	46.1%	50.0%	-548,550	-467,737	0	80,057	$0.00
Lake Oswego/West Linn/Kruse Way	1,533,459	0.4%	3.5%	4.5%	-21,490	-34,340	4,882	4,882	$0.08
Tigard	6,286,962	5.4%	7.4%	9.4%	-2,791	67,576	25,218	100,988	$0.81
Tualatin/Sherwood	15,141,547	7.9%	10.8%	12.9%	-125,945	-463,969	110,468	140,949	$0.86
Wilsonville	7,191,651	9.3%	9.9%	20.1%	4,922	-178,909	41,322	128,889	$1.08
I-5 Corridor	**32,716,945**	**10.1%**	**12.4%**	**16.3%**	**-693,854**	**-1,077,379**	**181,890**	**455,765**	**$0.87**
Yamhill County	**5,181,407**	**1.0%**	**1.0%**	**4.1%**	**-12,000**	**-14,800**	**0**	**0**	**$0.73**
Skamania County	**103,485**	**0.0%**	**0.0%**	**0.0%**	**0**	**0**	**0**	**0**	**$0.00**
Columbia County	**2,826,526**	**11.7%**	**11.7%**	**10.4%**	**1,728**	**-276,885**	**0**	**42,986**	**$1.25**

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SUBMARKET STATISTICS CONTINUED

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q 2026 Total Net Absorption	YTD Total Net Absorption	2Q 2026 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
Camas/Washougal	2,721,391	1.0%	1.1%	1.5%	25,985	79,405	27,565	36,745	$1.50
Cascade Park	885,997	50.1%	50.1%	50.3%	0	0	0	0	$0.00
CBD/West Vancouver	6,119,616	5.0%	5.5%	7.4%	-192,601	-174,204	1,890	73,925	$0.86
Clark County Outlying	4,425,601	0.7%	0.7%	0.7%	117,728	115,976	117,415	122,415	$1.94
Hazel Dell/Salmon Creek	2,212,964	2.5%	2.5%	2.4%	269,353	256,596	10,448	201,792	$1.23
Orchards	8,003,623	12.0%	12.4%	20.1%	115,510	44,448	72,133	187,355	$1.30
St. Johns/Central Vancouver	7,250,036	6.1%	6.1%	7.2%	5,253	201,145	39,589	220,048	$0.94
Vancouver Mall	14,975	0.0%	0.0%	0.0%	4,359	4,359	4,359	4,359	$1.46
Clark County	**31,634,203**	**7.1%**	**7.4%**	**10.0%**	**345,587**	**527,725**	**273,399**	**846,639**	**$1.04**
Portland Total	**244,086,411**	**6.8%**	**8.0%**	**11.1%**	**-867,770**	**-1,748,405**	**1,487,030**	**3,964,210**	**$0.88**

BUSINESS PARK STATISTICS

Business Park Size	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q 2026 Total Net Absorption	YTD Total Net Absorption	2Q 2026 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
10,000-49,999 SF	9,574,802	8.5%	9.2%	10.3%	-113,991	-120,262	147,506	544,455	$1.08
50,000-149,999 SF	17,349,307	11.8%	15.8%	19.9%	-305,260	-142,876	107,008	1,332,988	$0.90
150,000+ SF	11,970,291	14.4%	15.5%	23.0%	-91,822	-220,788	9,318	463,580	$0.83
Business Park Total	**38,894,400**	**11.8%**	**14.1%**	**18.5%**	**(511,073)**	**(483,926)**	**263,832**	**2,341,023**	**$0.96**

BIGGEST LEASE OF THE QUARTER

5504 S 11th St, Ridgefield, WA

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
4915 & 4975 NE Starr Blvd	Sunset Corridor/Hillsboro	496,000	$223,000,000	449.60	Flexential	T5 Data Centers
26440 SW Parkway Ave	Wilsonville	204,158	$31,000,000	151.84	DCI International	Bill Naito Company
404 N Holladay St	Westside Outlying	154,646	$29,750,000	192.37	Meadowlark Industrial Prop. , LLC	AltaBird Inv./The Carlyle Grp.
1401 W Fourth Plain Blvd	CBD/West Vancouver	261,540	$17,800,000	68.06	Watumull Properties Corp.	Hood Packaging Corp.
5209-5926 & 5938 N Basin Ave	Hayden Island/Swan Island	118,280	$16,900,000	142.88	Newmark Properties	Greg Burpee

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5504 S 11th St	Clark County Outlying	117,415	May 2026	EQT Real Estate	Ferguson
19018 NE Portal Way	East Columbia Corridor	90,894	May 2026	Summit Properties, Inc.	Piping Rock Health Products
4740 NE 166th St	East Columbia Corridor	65,800	April 2026	Clarion Partners	Bluelinx Corporation
5051 SW Western Ave	217 Corridor/Beaverton	60,000	April 2026	Todd & Polli Collins	Rivian
11950 SW Leveton Dr	Tualatin	57,757	May 2026	IDM Companies	Blue Ocean Globe

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Sequoia Logistics Center	S Township Rd	SE Outlying	778,720	Trammell Crow / Affinius	1Q 2027
DSV Hillsboro	5740 NW Jackson School Rd	Sunset Corr./Hillsboro	750,000	DSV	3Q 2027
Mt Vista Logistics	17009-16713 NE 50th Ave	Orchards	583,318	Panattoni	4Q 2026
Sherwood Commerce Ctr - Phase 2	SW Industry Ln & SW Commerce Ct	I-5 Corridor Outlying	554,500	Schnitzer Properties	3Q 2026
Baker Center	SE 1st Ave & S Walnut St	SE Outlying	347,645	Trammel Crow Co./Capital Comm. Grp.	3Q 2026

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

Kidder Mathews

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS