

As of the end of 2024, the Portland industrial market continues to reel from weak tenant demand, which negatively impacts overall fundamentals. Vacancy continues to rise, with an overall rate of 6.3%, just over the all-time average. Net absorption continues its streak of six consecutive quarters in the negative, and sublease space continues to climb as tenants attempt to offset prior decisions to expand rapidly.

Due to the constraints facing new supply, with construction hovering at about 1% of inventory, the rise in vacancies in Portland is expected to flatten sooner than larger markets on the West Coast.

Over the past quarter, sale volume was very close to the five-year average as elevated borrowing costs continue to negatively impact the market. While broad fundamentals remain attractive, the significant slowing of rent growth and underwriting tightening have impacted buyer demand. On the contrary, several user-based acquisitions occurred in this quarter, expressing a continued desire for companies to own their real estate.

Vacancy Rate

6.2%↑

Market Asking Rent/SF

\$11.73/SF

Net Absorption (SF)

-3M↓

Sale Volume (YoY)

\$750M↑

INDUSTRIAL (5K+ SF)

	Inventory SF	Under Construction SF	12 Mo Net Absorption SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market CAP Rate
I-5 Corridor	31.3M	407K	-253K	4.1%	\$10.87	\$2,164	7.1%
Westside	24.4M	396K	-177K	1.9%	\$13.00	\$170	7.4%
Close-in	20.4M	0	-553K	9.5%	\$11.80	\$167	6.9%
Clark County	29.5M	1.1M	485K	7.3%	\$11.36	\$156	6.8%
N/NE	81.4M	793K	-1M	7.5%	\$10.49	\$157	7.0%
Southeast	28M	0	-939K	5.3%	\$10.96	\$166	6.7%

SALE COMPS

18280 SW 108th Ave

38,548 SF \$10.6M (\$275/SF)

27520 SW 95th Ave

39,616 SF \$7.3M (\$184/SF)

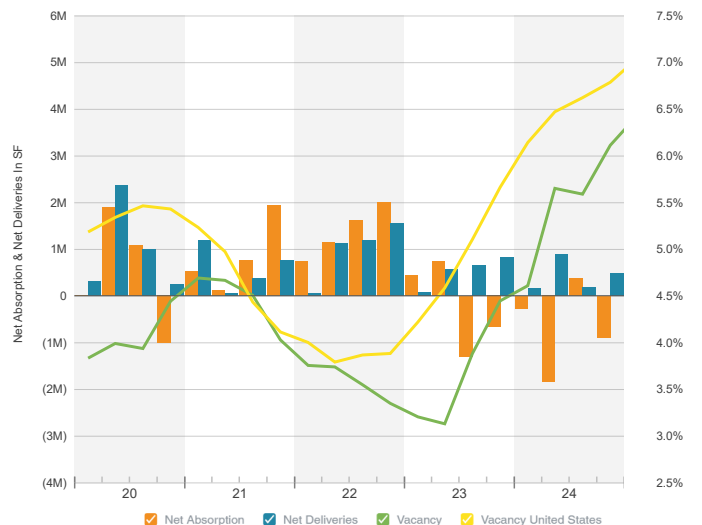
Coffee Creek Logistics Center

110,266 SF \$21.2M (\$192/SF) 5.0% Cap Rate

Hillsboro Land

Macadam Forbes brokers assisted Trammell Crow Company in successfully closing on a multi-year land project totaling roughly 250 acres in Hillsboro. The project included land sales to two users (data center, and distribution) as well as a new speculative industrial project totaling 300,000 SF.

NET ABSORPTION, NET DELIVERIES & VACANCY



Portland metro headlines for the office market revolve around increased pressure from more companies to return to the office, increased vacancy rates and negative net absorption in both the suburbs and the downtown market, and the cap rate disparity in the institutional office market. In late 2024, major corporations, including Dell, The Washington Post, Google, and Amazon, made strict return-to-office mandates to their employees. We will see if more companies join the return to office on a more full-time basis. Google, which has a substantial office presence in Portland, has limited the number of remote work roles.

Downtown Portland and close in NW Portland have a combined vacancy rate of 27.1%, a 1.6% increase over the prior 12-month period. The net absorption for the same two areas is a negative 482,000 SF. That being said, the Kruse Way area in Lake Oswego is currently 25.3% vacant, which is nearly the same from the prior 12-month period. Kruse Way has experienced a negative net absorption of 35,900 SF, an 182% increase from the previous 12-month period.

The sales market within the institutional office world has been greatly impacted since the COVID-19 pandemic. While we see institutional retail centers trade in the high 5% to mid 6% cap rate range, the office market has been dealt a lethal blow with the absence of interested debt partners. Most investors will not be interested in stabilized, well-located office buildings unless the cap rate is north of 10% on actuals. The most notable sale comp is listed below.

Vacancy Rate

13.6%

Net Absorption (SF)

-967K

Asking Rent

\$30.95/SF

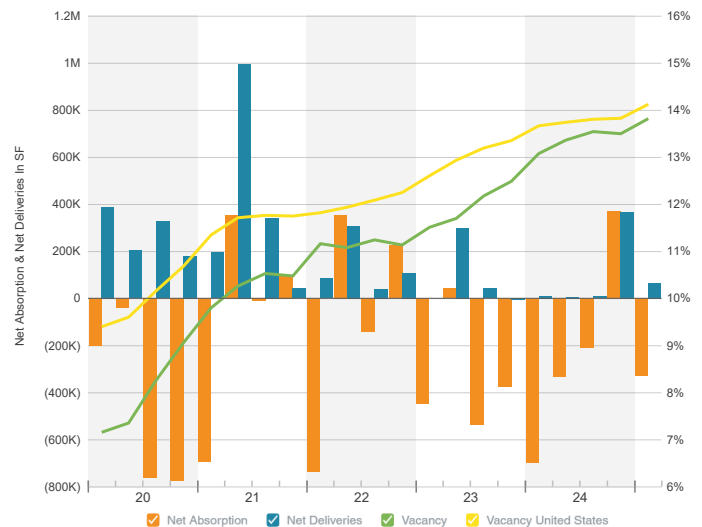
Avg. Sale Price

\$239/SF

OFFICE (10K+ SF)

	Inventory SF	Under Construction SF	12 Mo Net Absorption SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market CAP Rate
I-5 South	8.1M	0	-336K	18.2%	\$33.50	\$229	8.6%
Hwy 217	7.7M	0	-155K	17.6%	\$29.20	\$208	8.5%
Kruse Way	2.5M	0	11.7K	25.3%	\$39.97	\$262	8.2%
Westside	22.2M	0	-133K	6.5%	\$31.86	\$222	8.6%
CBD	26M	0	-355K	26.3%	\$34.50	\$314	7.5%
Close-in NW	9.7	109K	-67K	26.8%	\$33.13	\$277	8.2%
Clark County	10.6M	165K	284K	7.3%	\$31.98	\$231	8.5%
Close-in Eastside	8.2M	0	-25.6K	15.4%	\$31.32	\$260	8.0%
Eastside	5.1M	0	-70.1K	6.8%	\$28.52	\$216	8.7%
Milwaukie/Clackamas	2M	0	-14.2K	9.6%	\$31.91	\$230	8.7%

NET ABSORPTION, NET DELIVERIES & VACANCY



SALE COMPS

5885 Meadows Rd. Lake Oswego, OR

Sale Price: \$245/SF 191,000 SF
 93% leased at the time of sale Closed Oct 2024
 11.3% Cap Rate

The Federal Reserve cut its overnight rate twice in Q4, effectively reducing the short-term rate to 4.5%. Conversely, the 10-year Treasury Note yield rose from 3.85% to 4.33%. The 10-year Treasury has a much more significant impact on commercial lending than the Fed overnight rate. The result is that commercial lending interest rates rose to the 6.5% range in the fourth quarter, putting a damper on new multifamily loan activity.

The Portland Market Statistical Area (MSA) has quickly absorbed the oversupply in the last few years. Eight thousand units were delivered in 2024, with 5,925 absorbed. 2025 projections indicate a delivery of 4,000 new units. At the current leasing velocity, we should end 2025 with a deficit of 1,000 units, leading to accelerated rent growth and the end of concessions. Overall vacancy is 7.6% in the MSA, with the greatest vacancy in the City of Portland, and more specifically, the SW quarter and the Central City. This trend will continue with suburbs, such as Vancouver, Clackamas County, Washington County, and Yamhill County, outpacing the city of Portland.

Capitalization rates have seen some compression, with most trades occurring between 5.25% and 5.5% in the region. If and when interest rates start to come down, we should see a commensurate reduction in capitalization rates in 2025, which will greatly impact sales values. One area that will continue to be a thorn in multifamily owners' sides will be the continued growth of operating expenses, with insurance costs leading the way, followed closely by utility and labor costs.

- Federal Open Market Committee rate cut from 4.875% to 4.375%
- 10 Year Treasury rose from 3.85% to 4.33%
- Strong absorption of current oversupply with very little new supply coming
- Rent growth was positive in Q4 and will accelerate in 2025
- Cap rates are settling in 5.25% to 5.5% for quality product

Vacancy Rate

7.4%

Market Sale Price/Unit

\$246K

Market Asking Rent/Unit

\$1,645

Market Cap Rate

5.5%

MULTIFAMILY

	Inventory Units	Units Under Construction	12 Mo Absorption Units	Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	12 Mo Sales Volume
Tualatin/Sherwood	4,157	0	164	4.4%	\$1,792.00	\$290K	\$61.3M
Lake Oswego	4,203	158	61	10.2%	\$1,982.00	\$280K	\$2.6M
Hillsboro	21,078	594	354	6.0%	\$1,813.00	\$303K	\$212M
Beaverton	16,441	312	135	6.2%	\$1,606.00	\$226K	\$51.3M
Tigard	7,913	0	114	6.0%	\$1,674.00	\$250K	\$4.2M
Southwest Portland	7,908	272	212	7.8%	\$1,542.00	\$249K	\$44.5M
Downtown Portland	13,579	0	165	9.2%	\$1,826.00	\$344K	\$251M
Northwest Portland	14,244	341	540	12.5%	\$1,619.00	\$265K	\$32.8M
Vancouver	38,203	897	1,646	7.8%	\$1,683.00	\$237K	\$244M
North Portland	5,501	0	377	9.9%	\$1,521.00	\$222K	\$65.5M
Northeast Portland	8,093	387	212	7.8%	\$1,542.00	\$249K	\$14.5M
Central Northeast	4,418	0	75	5.6%	\$1,402.00	\$178K	\$55.9M
Southeast Portland	7,908	272	503	7.0%	\$1,690.00	\$275K	\$44.5M
East Portland	10,825	15	32	5.4%	\$1,308.00	\$156K	21.2M
Gresham/Troutdale	16,467	200	292	6.3%	\$1,536.00	\$204K	\$55.7M
Damascus	13,716	0	321	6.7%	\$1,671.00	\$226K	\$124M

NOTABLE TRANSACTIONS

Sonder Fields | 14798 SE Parklane Dr., Happy Valley

Oct 2024 180 Units Completed 2023
\$58,250,000-\$323,611 Per Unit Buyer: Commerce Properties

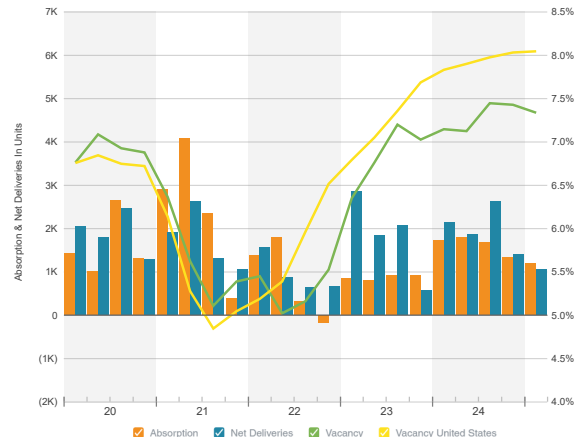
NV Portland | 1261 NW Overton St. Portland

Dec 2024 284 Units Completed 2016 4.6% Cap
\$78,000,00-\$274,648 Per Unit Buyer: Security Properties

Oxbow 49 | 4949 SW Landing Dr. Portland

Dec 2024 166 Units Completed 2016 5.1% Cap
\$34,500,000-\$207,831 Per Unit Buyer: Jacobson Equities

NET ABSORPTION, NET DELIVERIES & VACANCY



The commercial real estate retail market in Portland, Oregon, has experienced a dynamic year marked by resilience and gradual adaptation to shifting consumer behaviors. Despite ongoing challenges such as elevated interest rates and economic uncertainty, retail spaces have shown steady demand in areas with strong foot traffic, such as urban centers and mixed-use developments. Retailers have increasingly embraced smaller formats and experiential concepts to meet consumer preferences, leading to creative repositioning of existing properties. Notably, suburban retail corridors have gained attention as population shifts continue to favor these areas, driving opportunities for neighborhood-oriented businesses.

Tighter financial conditions have tempered investment activity, but well-located assets with stable tenants continue to attract buyers seeking long-term value. Local retailers and national brands alike have pursued expansion strategies focusing on quality over quantity, emphasizing sustainability and community engagement. As Portland's retail market moves into 2025, the city's strong entrepreneurial spirit and focus on lifestyle-driven retail are expected to play a pivotal role in shaping future trends. Addition of the James Beard Public Market project slated to open in Fall 2025 will continue to support the revitalization of the downtown core and support retail growth overall.

- Higher vacancy and negative rent growth reflects challenges in urban retail areas.
- Absence of speculative construction across most submarkets highlights developers cautious sentiment.
- Submarkets with strong mix of grocery, experiential and service tenants demonstrate resilience.

Vacancy Rate

4.0%

Market Asking Rent/SF

\$24.32

Market Sale Price/SF

\$261

Market Cap Rate

6.6%

RETAIL

	Inventory SF	Under Construction SF	12 Mo Net Absorption SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market CAP Rate
Clackamas/Milwaukie	12.9M	0	-47.5K	4.6%	\$23.14	\$243	6.8%
Sunset Corridor/Hillsboro	10.1M	37K	72.8K	2.4%	\$28.02	\$299	6.6%
Mall 205	6.2M	0	16.8K	5.0%	\$22.91	\$246	6.7%
Lloyd District	4.1M	8.3K	-561K	16.9%	\$24.59	\$264	6.5%
Gresham	4.7M	0	-28.8K	4.7%	\$21.33	\$221	6.9%
SE Close-In	3.6M	0	-40.3K	4.5%	\$24.00	\$270	6.4%
CBD	3.9M	0	19.8K	6.6%	\$26.64	\$252	6.6%
St. Johns/Cntrl Vancouver	4M	0	2.6K	2.6%	\$23.99	\$239	6.4%
NW Close-In	1.7M	0	20.4K	5.1%	\$28.75	\$352	6.1%
Barbur Blvd/Capitol Hwy	1.2M	0	247	2.3%	\$26.75	\$290	6.5%

SALE COMPS

Eastport Plaza Shopping Center - Mall 205 | 4140 SE 82nd Ave

Dec 2024 \$28,000,000 \$106.65/SF 262,531 SF

Ace Hardware (Lloyd District) | 228 NE Broadway St

Aug 2024 \$9,400,000 \$188/SF 50,000 SF

221A Mill Plan Plaza | 221A NE 104th Ave

Nov 2024 \$4,650,000 \$336.96/SF 13,800 SF

Tanasbourne Town Center | Sunset Corridor/Hillsboro

Bulk Porfolio Sale \$61,632,000 \$205.44/SF 300,000 SF

6101 SE Tualatin Valley Hwy | Sunset Corridor/Hillsboro

Tractor Supply Company June 2024 39,006 SF

15550-15574 SE McLoughlin Blvd | Clackamas/Milwaukie

Trader Joe's April 2024 20,000 SF

LEASE COMPS

NET ABSORPTION, NET DELIVERIES & VACANCY

