

Overall, industrial leasing demand has experienced a slight uptick relative to Q4 2024, though the entire Portland Metro market still faces negative absorption. The suburban markets to the west of the Portland Metro, namely Hillsboro, Tualatin, and Sherwood, continue to outperform the overall market with strong absorption and rising lease rates, a dynamic that has been exaggerated in the first quarter of 2025.

Under-construction development deliveries on the west side throughout 2024 totaling over 1.2M square feet market-wide will test absorption over the next 18 months. The pipeline for new construction starts has slowed drastically market-wide, particularly on the east side of the Metro, with very few new projects slated to come online in 2027 and 2028, which is forecasted to promote positive absorption and rising lease rates over the next 5 years.

The industrial sale market has seen continued headwinds, resulting in lower transaction volumes. Owner-user appetite remains robust, but limited inventory and a challenged debt environment have strained the conversion from requirements to transactions. Investment sale volumes remain low, given the higher cost of debt and conservative underwriting practices.

Institutional sale demand for leased industrial assets remains strong, though very little stabilized industrial product has been available for sale in recent quarters.

Vacancy Rate  
**6.4%↑**

Market Asking Rent/SF  
**\$11.29/SF↑**

Net Absorption (SF)  
**-1.9M↑**

Sale Volume (YoY)  
**\$676M↑**

## 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
<b>I-5 Corridor</b>	31.8M	602K	-489K	6.2%	\$11.05	\$173	6.8%
<b>Westside</b>	25.1M	934K	70K	2.1%	\$13.28	\$186	7.0%
<b>Close-in</b>	19.7M	0	-199K	7.9%	\$11.98	\$174	6.8%
<b>Clark County</b>	29.5M	1.7M	992K	5.0%	\$11.41	\$159	6.7%
<b>N/NE</b>	81.6M	533K	-699K	7.8%	\$10.56	\$161	6.8%
<b>Southeast</b>	27.9	0	-1.1M	5.8%	\$11.05	\$170	6.6%

### SALE COMPS

#### 17858-18083 SW Boones Ferry Road, Tualatin, OR

5 building portfolio

79,404 SF \$13,200,000 (\$166/SF) 5.73% Cap

#### 5585 NE Wagon Drive, Hillsboro, OR

51,420 SF \$9,600,000 (\$186/SF)

#### 4288 SE International Way, Milwaukie, OR

33,328 SF \$4,610,000 (\$138/SF)

#### Sewell Corporate Park | Hillsboro

104,450 SF \$1.04/\$1.40 NNN Lease Term: 88 months

Tenant: Oregon Electric Group

#### Sherwood Commerce Center | Sherwood

42,213 SF \$0.95/\$1.35 NNN Lease Term: 62 months

Tenant: WineShipping

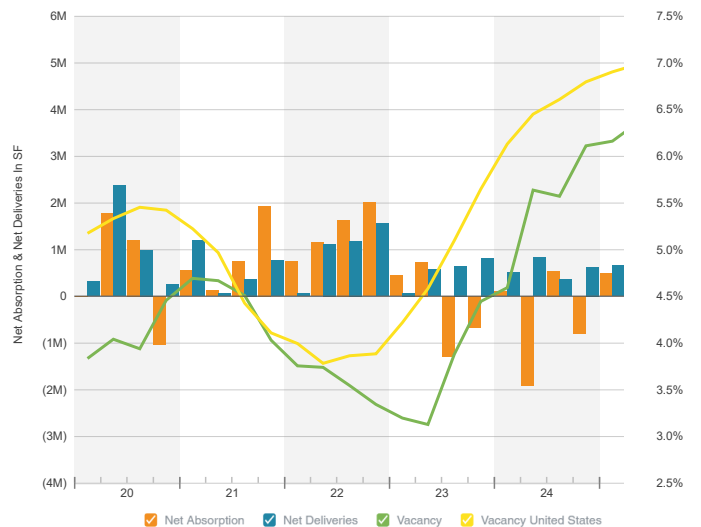
#### 138th Logistics Center | Portland

113,330 SF \$0.775/\$1.30 NNN Lease Term: 36 months

Tenant: OMNI Logistics

### LEASE COMPS

## NET ABSORPTION, NET DELIVERIES & VACANCY



With the first quarter of 2025 behind us now, the office market is continuing to bump along. It's a bit of the same story from previous quarters, with office lease rates holding for the most part, but overall absorption is struggling to get back into the black. Downtown is still struggling to see a turnaround in office leasing/demand; however, the City of Portland is doing a better job of cleaning up the camps around the core.

The suburban office market is not without its set of occupancy challenges, as we are seeing negative absorption along HWY 217 and the highly desired Lake Oswego submarket. The Westside market (defined as the north part of HWY 217 and out west along HWY 26) celebrated a couple of major leases this last quarter, including the planned training center, which brings the Thorns and the future Portland WNBA team together out in Hillsboro. The new 15-year lease across multiple buildings totaled 100,747 SF.

Vacancy Rate

**13.9%**

Net Absorption (SF)

**-596K**

Asking Rent

**\$30.59/SF**

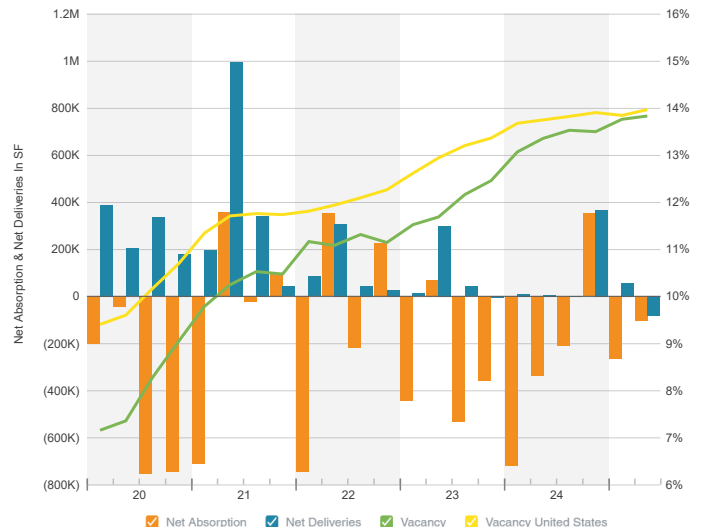
Avg. Sale Price

**\$244/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
<b>I-5 South</b>	8.2M	0	-451K	19.6%	\$33.17	\$232	8.5%
<b>Hwy 217</b>	7.4M	0	-200K	19.0%	\$28.37	\$206	8.5%
<b>Kruse Way</b>	2.5M	0	-7.1K	25.5%	\$39.38	\$267	8.0%
<b>Westside</b>	21.6M	0	117K	6.8%	\$31.19	\$224	8.5%
<b>CBD</b>	25.9M	98K	-259K	27.3%	\$34.38	\$307	7.6%
<b>Close-in NW</b>	9.7M	45K	-124K	27.0%	\$33.08	\$271	8.3%
<b>Clark County</b>	10.8M	267K	267K	7.7%	\$31.64	\$228	8.6%
<b>Close-in Eastside</b>	8.3M	0	52.4K	13.8%	\$30.36	\$252	8.1%
<b>Eastside</b>	5.1M	86.7K	-73K	6.7%	\$27.37	\$213	8.8%
<b>Milwaukie/Clackamas</b>	2.2M	0	-17.1K	9.7%	\$30.89	\$227	8.7%

**NET ABSORPTION, NET DELIVERIES & VACANCY**



**NOTABLE COMPS**

**Portfolio Sale of 3 Bldgs. in Hillsboro on 1/21/25**

- 5505 NE Moore Ct. - 98,830 SF for \$121/SF
- 5555 NE Moore Ct. - 47,800 SF for \$149/SF
- 5510 NE Elam Pkwy. - 49,700 SF for \$121/SF

**1010 NW Flanders Street, Portland, OR**

Sale Price: \$173/SF      57,606 SF  
Sold on 1/15/25

The first quarter of 2025 was significant because slightly over 1,000 multifamily units were absorbed into the Portland MSA. Historically, the first quarter has typically been very slow for leasing apartments. The holiday hangover and inclement weather keep people indoors and not thinking about moving until after the Super Bowl. This year has been just the opposite. Many prospective tenants decided it was a good time to take advantage of concessions offered on new construction buildings, with some offering as much as 8-10 weeks of free rent.

However, it has been a tale of two different product types, with over five luxury units being completed for every three-star unit being delivered. Major concessions have only been offered in the high-end 2023/2024 deliveries, while what I would call seasoned new buildings, those completed between 2018 and 2022, have been offering minimal concessions.

In the next two quarters, we will see concessions dry up and significant rent growth kick in. The rent growth could have some legs since it may take four to five years before we see much new multifamily development in the Portland MSA. New construction starts are at their lowest point since 2008, with just 2,400 units expected to be completed in 2025. The high cost of construction, lack of construction financing, limited staffing, and shortened work hours at the Building and Development Services equate to excessive entitlement timelines; as much as three years to receive permits means we won't see any significant new deliveries for several years to come.

- Current Vacancy Rate 7.8% ↑
- Current Concession Rate 1.0% ↓
- 12-month completed units 7,352 ↑
- 12-month construction starts 841 ↓

Vacancy Rate

**7.6%**

Market Sale Price/Unit

**\$247K**

Market Asking Rent/Unit

**\$1,666**

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	62	5.1%	\$1,809	\$293K	\$0.0
Lake Oswego	4,203	0	39	9.7%	\$2,022	\$286K	\$2.6M
Hillsboro	21,078	594	-32	7.0%	\$1,849	\$300K	\$242M
Beaverton	16,465	312	107	6.0%	\$1,656	\$229K	\$73.5M
Tigard	7,913	5	123	5.5%	\$1,689	\$250K	\$4.2M
Southwest Portland	7,942	0	369	7.1%	\$1,704	\$271K	\$43.8M
Downtown Portland	13,735	0	191	8.8%	\$1,845	\$339K	\$251M
Northwest Portland	14,270	341	689	11.3%	\$1,630	\$262K	\$29.5M
Vancouver	38,963	1,224	1,871	7.8%	\$1,701	\$244K	\$247M
North Portland	5,509	0	302	9.2%	\$1,540	\$224K	\$65.4M
Northeast Portland	8,246	358	154	8.6%	\$1,549	\$249K	\$21.4M
Central Northeast	4,441	0	17	6.3%	\$1,402	\$179K	\$2.6M
Southeast Portland	24,025	347	497	8.9%	\$1,478	\$229K	\$80.5M
East Portland	10,784	15	-15	5.8%	\$1,332	\$158K	\$35.5M
Gresham/Troutdale	16,689	4	223	7.7%	\$1,556	\$203K	\$183M
Damascus	13,719	170	219	6.6%	\$1,683	\$227K	\$124M

**NOTABLE TRANSACTIONS**

**Jens Point Apartments | 333 NE 136th Avenue, Vancouver, WA**

Feb 2025      240 Units      Completed 2024  
 \$76,000,000-\$316,667 per unit      Buyer: Housing Authority City of Vancouver

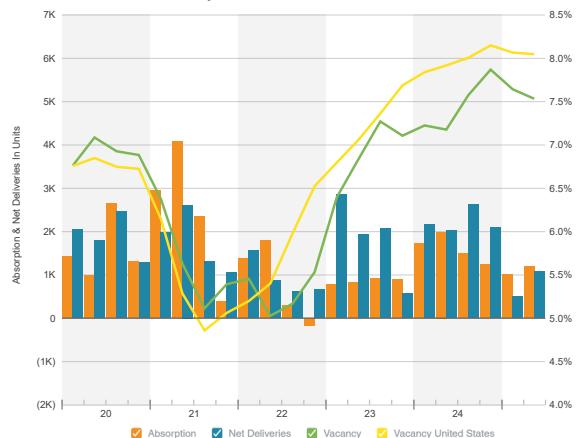
**Landings at Morrison | 20300 SE Morrison Terrace, Gresham, OR**

Feb 2025      225 Units      Completed 2004  
 \$49,500,000-\$220,000 per unit      Buyer: Bridge Investment Group

**Sunset Crossing | 17999 NW Evergreen Parkway, Beaverton, OR**

Feb 2025      102 Units      Completed 2011  
 \$30,000,000-\$294,118 per unit      Buyer: Grean Leaf Capital Partners

**NET ABSORPTION, NET DELIVERIES & VACANCY**



Portland's retail market entered 2025 with steady demand for well-located space and a continued evolution in how retail footprints are used. One of the most notable trends this quarter has been repositioning former big box spaces into dynamic, experience-driven destinations. Fitness concepts, entertainment venues, and indoor recreation operators are increasingly taking over these larger spaces, breathing new life into shopping centers and expanding what "retail" means in today's environment.

With traditional big-box tenants consolidating or exiting underperforming locations, landlords are pivoting to more resilient uses that draw consistent foot traffic and support neighboring tenants. We've seen recent deals involving trampoline parks, indoor pickleball, climbing gyms, and boutique fitness studios activating spaces that were once home to electronics stores or department chains. These adaptive reuses are helping older centers remain relevant while responding to shifting consumer preferences around lifestyle and wellness.

In suburban submarkets, demand remains strongest for grocery-anchored and service-oriented centers, particularly those with stable occupancy and long-term tenants. Larger, out-of-state real estate investment and development firms are buying grocery-anchored centers with an eye toward repositioning and value upside in lease-ups and renovations. Urban retail continues to face headwinds from softening rents and elevated vacancy, though select corridors are seeing momentum through local entrepreneurship and repositioning strategies. Limited new construction and a flight to quality continue to shape leasing dynamics, keeping competition healthy for spaces that offer visibility, access, and flexibility.

- Looking ahead, expect the lines between traditional retail, entertainment and wellness to blur
- Trend of adaptive re-use of big box stores to continue
- Grocery anchored, multi-tenant retail centers remain strong investment opportunity

Vacancy Rate

**4.1%**

Market Asking Rent/SF

**\$24.18**

Market Sale Price/SF

**\$263**

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
<b>Clackamas/Milwaukie</b>	12.9M	0	-102K	5.0%	\$23.15	\$247	6.8%
<b>Sunset Corridor/Hillsboro</b>	10.1M	37K	-3.6K	2.9%	\$27.57	\$302	6.5%
<b>Mall 205</b>	6.2M	0	-96.4K	6.4%	\$22.95	\$250	6.5%
<b>Lloyd District</b>	4.2M	0	-44.3K	17.2%	\$24.07	\$260	6.6%
<b>Gresham</b>	4.6M	0	-10.3K	4.8%	\$21.54	\$231	6.8%
<b>SE Close-In</b>	3.6M	0	-41.3K	5.1%	\$23.74	\$267	6.5%
<b>CBD</b>	3.9M	0	17.4	7.1%	\$25.52	\$244	6.7%
<b>St. Johns/Cntrl Vancouver</b>	4M	0	1K	2.7%	\$25.06	\$238	6.4%
<b>NW Close-In</b>	1.6M	0	-22.5K	5.5%	\$28.10	\$342	6.2%
<b>Barbur Blvd/Capitol Hwy</b>	1.2M	0	1.3K	2.2%	\$25.92	\$294	6.5%

**SALE COMPS**

**Oswego Towne Square | Barbur Blvd/Capitol Hwy Submarket**

\*Anchored by New Seasons

Feb 2025 \$48,450,000 \$388/SF 124,928 SF

**Milwaukie Marketplace | Milwaukie District** \*Anchored by New Seasons

Feb 2025 \$39,000,000 \$210/SF 185,760 SF

**Rite Aid Building | CBD** \*Purchased by Public Market

Jan 2025 \$3,000,000 \$174/SF 17,290 SF

**1140 N Hayden Meadows Drive, Portland | Airport Way**

\*Previously Dick's Sporting Goods

Fun City Adventure Park Feb 2025 66,700 SF

**16800-16850 SW 72nd Avenue, Tigard | Suburbs/Tigard/Tualatin**

\*Previously Bed Bath & Beyond

Pickleball Kingdom Feb 2025 41,312 SF

**LEASE COMPS**

**NET ABSORPTION, NET DELIVERIES & VACANCY**

