

New lease transactions, especially those of large scale, remained limited in Q3, continuing the trend from the first half of 2025. Total leasing volume in Q3 2025 was about 61% of that in Q3 2021, for example. The short-term outlook for leasing performance is challenged, as some large users have pulled back on their commitments to space in the Portland Metro, and rising vacancy has created competition among Landlords, particularly on the east side of the Metro. The long-term leasing outlook is positive, as very little product is scheduled to be delivered in 2027 and beyond. If absorption continues, even at a slower pace, the region will run out of newer product, and rates will continue to rise.

The flight to quality for industrial users has continued, and buildings with problematic functionality and/or location have a rocky outlook for leasing, even at significantly lower asking lease rates. Asking rates for new construction product on the west side of the Portland Metro continue to rise due to land scarcity, debt costs, construction costs, and absorption performance, creating a range of asking shell rates for newer product of \$0.95/SF–\$1.10/SF NNN.

Investment sale activity was virtually nonexistent in Q3 2025 due to limited availability and a conservative buyer outlook toward the small set of options. Occasional owner-user requirements continued to drive meaningful sale activity in Q3, underscored by Tegra Global's purchase of a 142,000 SF building in Woodburn, OR, and In-N-Out Burger's purchase of a 71,600 SF building in NE Portland.

Vacancy Rate

7.0%↓

Market Asking Rent/SF

\$11.35/SF↑

12 Mo Net Absorption (SF)

459K↑

Sale Volume (YoY)

\$586M↓

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	32M	500K	-66.3K	6.9%	\$11.05	\$178	6.8%
Westside	25.7M	779K	191K	3.6%	\$12.79	\$191	7.1%
Close-in	19.7M	0	280K	8.2%	\$12.04	\$181	6.7%
Clark County	30.2M	800K	413K	8.0%	\$11.68	\$161	6.7%
N/NE	82.1M	48.6K	590K	7.9%	\$10.84	\$171	6.7%
Southeast	27.8M	0	-756K	5.9%	\$10.97	\$171	6.6%

SALE COMPS

3099 N Pacific Hwy, Woodburn, OR

142,000 SF \$18,500,000 (\$130.28/SF)

18365 NE Sandy Blvd, Portland, OR

71,600 SF \$16,650,000 (\$232.50/SF)

11095 SW Avery, Tualatin, OR

13,944 SF \$3,000,000 (\$215.15/SF)

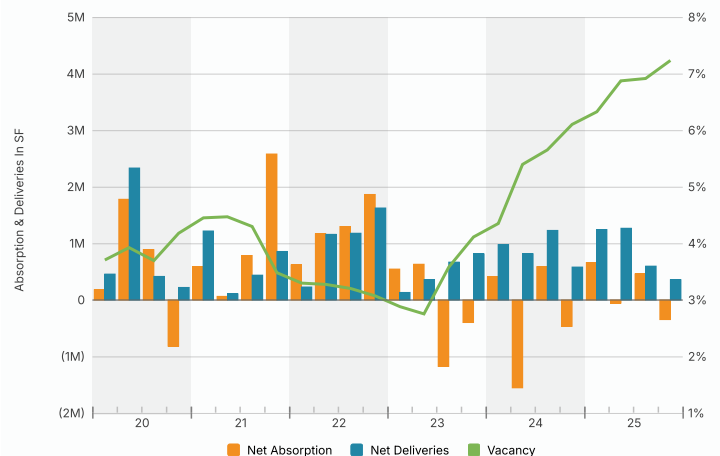
Sandy Logistics Center (Prologis)

Shell: 133,828 SF Office: 6,700 SF Rate: \$0.85/\$0.14

Tenant: Graybar Term: 126 Months

Annual Escalations: 3.5%

NET ABSORPTION, NET DELIVERIES & VACANCY



In Q3 2025, the Portland metro office market continued to feel pressure — vacancy climbed again, hitting a record 26.6% (from 25.9% in Q2) and marking the highest level yet recorded in the region. Suburban submarkets offered a bit of light: suburban net absorption turned positive (+260,926 sf over Q2), largely thanks to ZoomInfo’s move into Terminal 1 on the Vancouver (WA) waterfront. Meanwhile, downtown absorption remained weak, as U.S. Bank vacated multiple floors in the U.S. Bancorp Tower, contributing to a negative downtown absorption tally of ~410,576 SF. Investors remain cautious: year-to-date sales volume through Q3 lagged behind last year’s pace (~\$176 million over 37 deals vs. \$271 million in 2024).

Still, amid the turbulence, there were bright spots of momentum. One notable lease is ZoomInfo’s commitment of roughly 150,000 SF across two buildings at Terminal 1 in Vancouver, WA — a significant signal of confidence in the growing waterfront district and in Portland–Vancouver’s ability to attract tech and growth tenants. In terms of notable sales, though broader transaction volume was muted, the spotlight can’t help but drift toward 200 Market (a 400,000 SF downtown Portland tower). In mid-2025, its lender filed for foreclosure, underscoring the stress on large legacy towers in core locations.

From a strategic lens, landlords and investors are increasingly playing defense — repositioning older assets, offering more generous tenant incentives, and emphasizing “flight to quality” where tenants favor modern, amenitized buildings. On the plus side, the September federal funds rate cut (-25 bps) might offer some breathing room for buyers and refinancing activity moving into Q4.

Vacancy Rate
16.9%

12 Mo Net Absorption (SF)
-1.1M

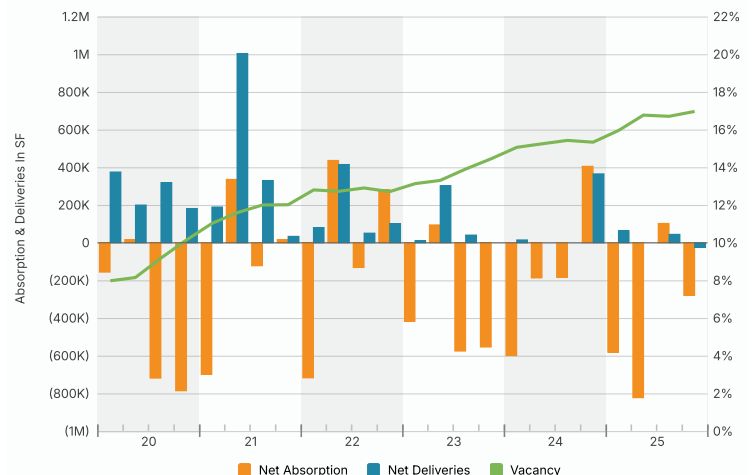
Asking Rent
\$30.65/SF

Avg. Sale Price
\$240/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	8.3M	0	-84.8K	17.8%	\$32.65	\$230	8.7%
Hwy 217	7.4M	0	-132K	18.6%	\$27.89	\$200	8.7%
Kruse Way	2.5M	0	90.5K	22.1%	\$39.26	\$269	8.1%
Westside	19.5M	0	-210K	8.3%	\$29.98	\$214	8.7%
CBD	26.2 M	0	-1.1M	29.8%	\$33.63	\$291	7.8%
Close-in NW	9.9M	0	-51.3K	27.6%	\$32.12	\$259	8.5%
Clark County	10.7M	0	174K	9.4%	\$30.25	\$229	8.7%
Close-in Eastside	8M	0	-144K	17.9%	\$29.39	\$239	8.4%
Eastside	5.1M	0	40.3K	5.4%	\$26.31	\$207	9.0%
Milwaukie/Clackamas	2.2M	0	-6.5K	9.0%	\$28.39	\$213	8.9%

NET ABSORPTION, NET DELIVERIES & VACANCY



NOTABLE TRANSACTIONS

1250 NW 17th Ave

30,380 SF Bridgette Middle School

Fox Tower

23,485 SF Ferguson Wellman

Creekside Corporate Park

19,672 SF Corpay

The slow march toward inventory stabilization continues, with 1,200 units leased in the Portland MSA during the third quarter. The average vacancy rate has decreased by three basis points, but we are still not witnessing positive rent growth in the region. NW Portland and SE Portland are the two submarkets with longer runways to equilibrium. The City of Portland's average rent is the second lowest in the MSA, barely topping that of Gresham/Troutdale. Lake Oswego is leading the charge with Hillsboro and Vancouver as runner-ups. One of the more interesting statistics is that Portland apartment absorption is now outpacing the rest of the region. This begs the question: Is Portland a "value equation" or are people really returning to the city as a lifestyle choice?

Investment sales are picking up, and the risk of distressed multifamily properties coming to market is waning. Despite the 10-year Treasury still hovering north of 4%, multifamily cap rates are now moving downward, with the average cap rate at 5.5% and several transactions in the low 5% range. When and if the 10-year Treasury starts falling, so will cap rates. We may return to a sub-5% rate in 2026.

Rent concessions were falling but have risen slightly in the third quarter to 1.1%, average rents are flat, and new construction starts are nonexistent (991 units in the last 12 months). This bodes well for multifamily owners. It does not bode well for the creation of more affordable housing, subsidized or not. To that extent, the City of Portland has initiated a new policy that waives certain System Development Charges for three years or until 5,000 new units have been permitted.

Vacancy Rate

7.2%

Current Concession Rate

1.1%

Market Sale Price/Unit

\$245K

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	39,600	589	1,792	7.4%	\$1,711	\$251K	\$285M
Lake Oswego	21,399	0	221	8.9%	\$1,825	\$303K	\$259M
Hillsboro	24,419	35	746	8.3%	\$1,489	\$231K	\$136M
Beaverton	13,489	0	194	7.7%	\$1,840	\$344K	\$148M
Tigard	16,604	0	290	6.6%	\$1,643	\$232K	\$39.4M
Southwest Portland	14,145	391	479	9.7%	\$1,695	\$285K	\$25.6M
Downtown Portland	16,244	205	490	6.3%	\$1,559	\$205K	\$134M
Northwest Portland	13,811	0	196	5.6%	\$1,686	\$223K	\$213M
Vancouver	8,571	168	377	9.4%	\$1,566	\$256K	\$102M
North Portland	7,840	0	111	6.0%	\$1,722	\$276K	\$48.1M
Northeast Portland	7,728	183	32	5.9%	\$1,697	\$249K	\$112M
Central Northeast	10,621	0	43	5.7%	\$1,335	\$160K	\$26.9M
Southeast Portland	5,582	0	207	8.1%	\$1,522	\$235K	\$18.1M
East Portland	4,192	0	102	7.8%	\$2,038	\$301K	\$4.6M
Gresham/Troutdale	4,157	0	11	5.1%	\$1,774	\$296K	\$40M
Damascus	4,441	0	5	5.8%	\$1,390	\$182K	\$4.6M

NOTABLE TRANSACTIONS

The 72nd | 11740 SW 72nd Ave. Tigard, OR

Sept. 8, 2025 38 Units Completed 2020

\$12,000,000-\$315,789 per unit Buyer: Adam Monshi

Prairie Home Apartments | 12101 NE 116th St. Vancouver, WA

Sept. 4, 2025 120 Units Completed 2003

\$26,460,000- \$220,502 per unit Seller: RRC Group, LLC

Excalibur Village (MHP) | 23349 Highway 213 Oregon City, OR

July 31, 2025 76 Units Completed 1970

\$10,450,000- \$137,500 per space Buyer: Primrose Real Estate

NET ABSORPTION, NET DELIVERIES & VACANCY

