

2025's final quarter closed by continuing the trend of slowing tenant activity and negative absorption in the region. Rent growth slowed in Q4, and landlord concessions continued to rise amid competition for a limited tenant pool. Some active requirements have deferred their occupancy targets to 2026, which is expected to lead to an uptick in leasing absorption throughout the new year. The suburban markets southwest of the Portland Metro continue to represent the brightest pocket of the industrial market, both in lease rates and absorption.

For new projects, while approximately 4.2M feet are actively under construction, the pipeline for construction starts in 2027 and beyond has shrunk significantly, suggesting strong leasing performance for newer assets over the next several years.

Leased-investment sale activity remained muted in Q4 2025. There remains considerable cash on the sidelines for both institutional owners and local investors, but a lack of supply, elevated interest rates relative to recent levels, and conservative underwriting practices have led to stagnation in investment sales. Incrementally lower interest rates and a more bullish outlook on the market from real estate equity are predicted to drive more investment sale demand in 2026.

Vacancy Rate

7.7%↑

Market Asking Rent/SF

\$11.31/SF↓

12 Mo Net Absorption (SF)

277K↓

Sale Volume (YoY)

\$566M↓

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	32.5M	1.2M	-416K	9.4%	\$11.04	\$182	6.7%
Westside	22.6M	449K	166K	3.8%	\$12.56	\$187	7.0%
Close-in	19.7M	0	244K	8.1%	\$12.12	\$184	6.6%
Clark County	30.8M	922K	335K	9.3%	\$11.72	\$165	6.6%
N/NE	82M	48.6K	82.2K	8.3%	\$10.82	\$169	6.7%
Southeast	27.9M	0	-62.8K	5.4%	\$11.03	\$177	6.5%

NOTABLE COMPS

10025 SW Allen Blvd

50,400 SF \$9,800,000 (\$194/SF)

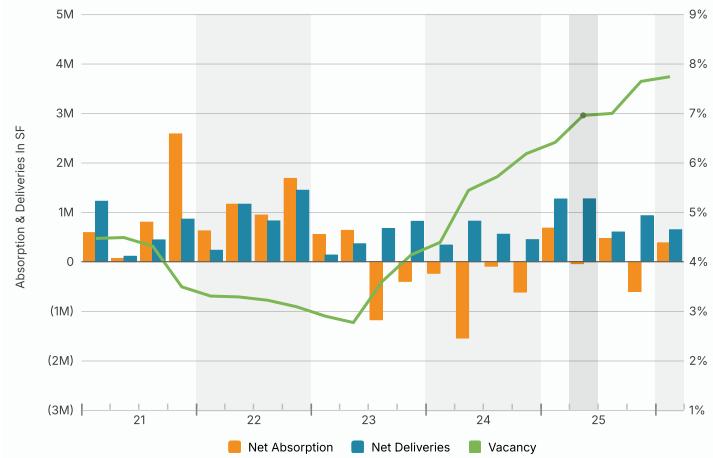
18544 SW Teton

69,332 SF \$13,400,000 (\$193/SF)

336 NE 8th Ave

29,168 SF \$6,600,000 (\$228/SF)

NET ABSORPTION, NET DELIVERIES & VACANCY



Portland office market continued to navigate its prolonged period of soft demand and elevated vacancy, with the usual key factors: hybrid work models, corporate downsizing, and continued hesitancy around downtown work environments. Vacancy rates across the metro remained historically high, with market-wide figures climbing to record levels, particularly in the Central Business District, where many larger blocks of space remain available. Despite these headwinds, certain submarkets and quality assets began to show signs of stabilization, with increases in smaller-block leasing activity and even investor repositioning select opportunities.

Amid ongoing uncertainty, tenant behavior in Q4 2025 reflected a mix of consolidation and strategic occupancy. While many companies continued to reduce footprints or defer expansion, there were examples of solid leasing activity that pointed to pockets of demand - especially for well-located, amenity-rich spaces. Professional services and regional offices remained among the more active sectors, leasing blocks of space that balanced cost with accessibility. Suburban and close-in submarkets generally outperformed the urban core as tenants prioritized parking and operational flexibility over downtown prestige.

On the investment front, sales activity began to show momentum as pricing disparities prompted opportunistic acquisitions and repositioning plays. Several notable transactions closed or were reported late in the year, highlighting continued investor appetite for select Portland office assets - particularly where pricing allowed for value creation through upgrades or lease-up strategies. These deals provided early signals that capital markets were beginning to reengage in the office sector, even amid a broader CRE recovery that remains uneven across property types.

Vacancy Rate

17.3%

12 Mo Net Absorption (SF)

-1.9M

Asking Rent

\$30.75/SF

Avg. Sale Price

\$229/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	-66.9K	18.7%	\$33.72	\$236	8.6%
Hwy 217	7.4M	0	-237K	19.9%	\$28.88	\$206	8.6%
Kruse Way	2.5M	0	66.9K	22.5%	\$39.94	\$279	8.0%
Westside	19.5M	0	-304K	8.8%	\$30.19	\$214	8.7%
CBD	26.2M	0	-1.2M	30.4%	\$32.47	\$251	8.6%
Close-in NW	9.9M	0	-165K	28.4%	\$31.58	\$241	8.9%
Clark County	11M	0	-210K	9.2%	\$31.48	\$233	8.6%
Close-in Eastside	7.8M	0	-163K	18.4%	\$29.32	\$224	8.7%
Eastside	5.2M	18K	36.7K	5.6%	\$27.61	\$208	9.1%
Milwaukie/Clackamas	2.1M	0	24.3K	7.9%	\$29.14	\$213	8.9%

NOTABLE TRANSACTIONS

KPMG Lease – Wells Fargo Center (~29,900 SF)

In Q4 2025, **KPMG** committed to approximately **29,921 SF** of Class A office space at Wells Fargo Center, representing one of the larger direct office leases of the quarter and a notable sign of continued demand from professional services firms in Portland's office market.

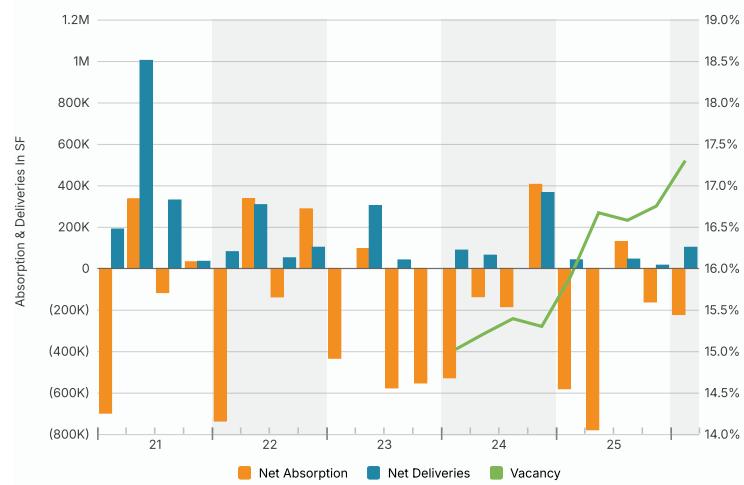
Perkins Coie Lease – Brewery Blocks (~29,239 SF)

Also during the fourth quarter, prominent law firm **Perkins Coie** leased **29,239 SF** at Brewery Blocks – another significant lease that highlighted continued tenant activity in prime urban-edge locations despite overarching vacancy pressures.

The Morgan Building – 720 SW Washington St., Portland

This **historic eight-story office/retail building** changed hands in December 2025 for approximately **\$6 million** – roughly **\$40/SF** for the 149,710 SF property. The sale underscores how longtime assets are trading at steep discounts compared to prior valuations, reflecting broader office market stress and investor willingness to take small or opportunistic bets on redevelopment or repositioning.

NET ABSORPTION, NET DELIVERIES & VACANCY



In early 2024, the mantra was “Survive till 25.” We survived through 2025, but have not thrived. In 2025, 4900 units were absorbed in the Portland MSA, leaving approximately 17,500 units vacant. Equating to a 7.3% overall vacancy rate. Given the extraordinarily low volume of new construction, we should be headed to a 5.50% vacancy rate by the end of 2026. Rent concessions are starting to recede, but rent rates remain flat. This cannot last much longer.

One of the more interesting stats is that Portland population growth is positive; the growth rate for 2025 was .98%. Despite the State of the City, Portland remains a popular place to land as a young adult seeking an active recreational lifestyle.

Investment sales are picking up, and the risk of distressed multifamily properties coming to market is waning. Most of the sales volume in Q4 was smaller properties, with the median # of units per transaction at 9. The 10-year Treasury is still hovering just north of 4%; multifamily cap rates are moving downward, with the average cap rate at 5.63%, and several transactions in the low 5% range. When and if the 10-year treasury starts falling, so will cap rates. We will see what 2026 brings.

Vacancy Rate

7.3%

Current Concession Rate

1.0%

Market Sale Price/Unit

\$247K

Market Asking Rent/Unit

\$1,637

Market Cap Rate

5.6%

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	39,058	772	1,278	6.5%	\$1,689	\$247K	\$224M
Lake Oswego	21,248	0	373	8.5%	\$1,780	\$297K	\$152M
Hillsboro	24,365	187	765	7.9%	\$1,483	\$226K	\$120M
Beaverton	13,439	0	187	7.9%	\$1,802	\$331K	\$40.7M
Tigard	16,617	0	253	6.6%	\$1,598	\$224K	\$24.5M
Southwest Portland	14,510	0	524	10.8%	\$1,677	\$275K	\$58.7M
Downtown Portland	16,244	205	368	6.5%	\$1,529	\$199K	\$125M
Northwest Portland	13,710	0	165	5.7%	\$1,684	\$220K	\$86.3M
Vancouver	8,636	107	402	9.5%	\$1,531	\$248K	\$97.3M
North Portland	7,846	0	-7	6.9%	\$1,702	\$266K	\$40.1M
Northeast Portland	7,728	183	64	6.0%	\$1,641	\$243K	\$112M
Central Northeast	10,788	31	-11	6.2%	\$1,334	\$155K	\$32M
Southeast Portland	5,598	0	135	8.0%	\$1,511	\$227K	\$11.8M
East Portland	4,201	0	181	5.9%	\$1,985	\$290K	4.6M
Gresham/TROUTDALE	4,157	0	-39	5.9%	\$1,736	\$289K	\$2.8M
Damascus	4,523	0	38	7.0%	\$1,378	\$178K	\$4.6M

Rose Schnitzer Tower | 1430 SW 12th Ave. Portland, OR

Dec. 8, 2025 235 Units Senior Affordable Housing

\$50,400,000-\$214,468 per unit Buyer: Guardian

East Wind Apartments | 2950 NE 23rd St., Gresham, OR

Dec. 4, 2025 150 Units 7.6% Cap Rate

\$20,500,000-\$136,667 per unit Buyer: FPA Multifamily, LLC

Lower Burnside Lofts | 60 SE 10th Ave. Portland, OR

Nov. 21, 2025 63 Units 4.9% Cap Rate

\$14,000,000-\$222,222 per unit Buyer: San Tropez, LLC

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