

Transaction volumes, for both leases and sales, remained down in Q2 relative to historical norms; however, a couple of significant transactions indicate a push for increased velocity in the second half of 2025.

The new product on the west side of the Portland Metro has continued to see rising lease rates. A Q2 lease at Sewell Corporate Park in Hillsboro saw the highest shell rate in the history of the Portland market for comparable buildings, at \$1.10/SF NNN. "Building 1" at that project was fully leased prior to completion, which is an excellent indicator of absorption in that market and surrounding areas. The east side of the Metro continues to see increased availability, resulting in more competition, which has led to lower lease rates and slower absorption numbers in an environment with limited tenant demand.

For sales, owner-user transactions remain the primary driver. While Q2 saw a decrease in overall sales volume relative to historical norms, the assets that did sell still commanded healthy prices. Investment sale volume remains limited due to restricted supply, and the few available assets have seen a discrepancy in expectations between buyers and sellers. Debt and equity markets remain tepid and conservative for commercial real estate transactions.

The inventory pipeline under-construction and recently-delivered in the Portland Metro remains robust, which will test absorption in 2026. The construction pipeline for 2027 and beyond is sparse due to restricted land supply, an uncertain debt and equity environment, high land costs, and rising construction costs.

Vacancy Rate

7.1%↑

Market Asking Rent/SF

\$11.33/SF↑

12 Mo Net Absorption (SF)

-383K↓

Sale Volume (YoY)

\$590M↑

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	31.5M	602K	-412K	6.8%	\$11.01	\$162	7.5%
Westside	25.4M	1.1M	536K	2.3%	\$13.03	\$173	7.8%
Close-in	19.9M	0	226K	8.0%	\$11.98	\$163	7.4%
Clark County	30.3M	816K	646K	8.2%	\$11.48	\$146	7.4%
N/NE	81.9M	0	-212K	8.5%	\$10.51	\$154	7.4%
Southeast	28M	0	-867K	5.5%	\$11.02	\$159	7.2%

SALE COMPS

14101 SW 72nd Ave, Tigard OR

33,600 SF \$6,600,000 (\$196.43/SF)

1815 Red Soils Court, Oregon City

33,450 SF \$7,000,000 (\$209.27/SF)

19495 SW Teton, Tualatin

23,352 SF \$4,430,000 (\$189.62/SF)

LEASE COMPS

Sewell Corporate Park | Hillsboro

43,711 SF \$1.10/\$1.40 NNN Lease Term: 90 months
Tenant: FEI Company

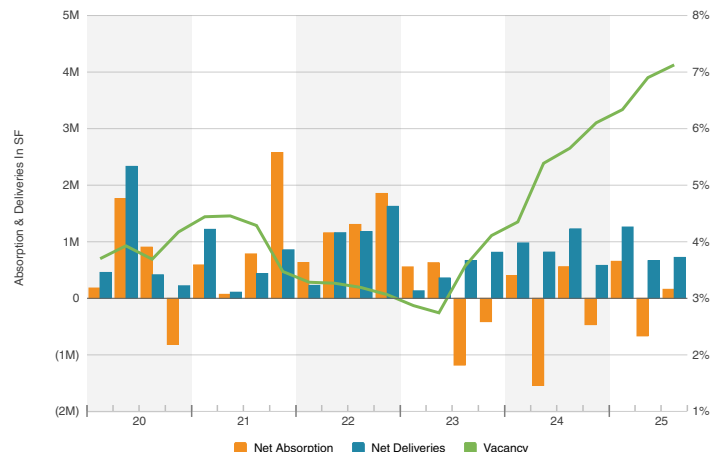
Tualatin Distribution Center | Tualatin

73,221 SF \$0.93/\$1.30 NNN Lease Term: 63 months
Tenant: Columbia Corrugated Box

Clackamas Station | Clackamas

46,854 SF \$0.85 NNN Lease Term: 63 months
Tenant: TopTier

NET ABSORPTION, NET DELIVERIES & VACANCY



The Portland metro area's office market is still struggling to find solid ground to stand upon. Over the last 12 months, the metro area has experienced negative absorption of over 1.3M SF and an increased vacancy rate which now stands at 15.4%.

Office sales slowed more than usual in the second quarter of 2025. The most notable sale was the Machine Works sale to Melvin Mark in April—the 115,138 SF multi-story office building sold for \$28,000,000 or \$243/SF. The in-place cap rate was reported at 12.17%. The building last traded hands in July of 2011 for \$40,700,000. Institutional capital remains cautious about office buildings, whether in the downtown area of Portland or the suburbs. Investors' expectations for office buildings (larger than 60,000 SF) remain north of a 10% cap rate.

On the leasing side, the Kruse Way office market stands at 28.1% vacant, which is slightly lower than the previous period last year at this time, when it was 30.8%. Continuing with the positive news, the west side of Portland experienced 287K SF of negative net absorption, which is moving in the right direction, as the prior 12 months were at a negative 464K SF. The Vancouver office market, although much smaller than Portland, turned a corner on its leasing efforts with a positive net absorption of 101K SF over the last 12 months compared to a negative 103K SF the prior 12 months.

Vacancy Rate
20.1%

12 Mo Net Absorption (SF)
-1.3M

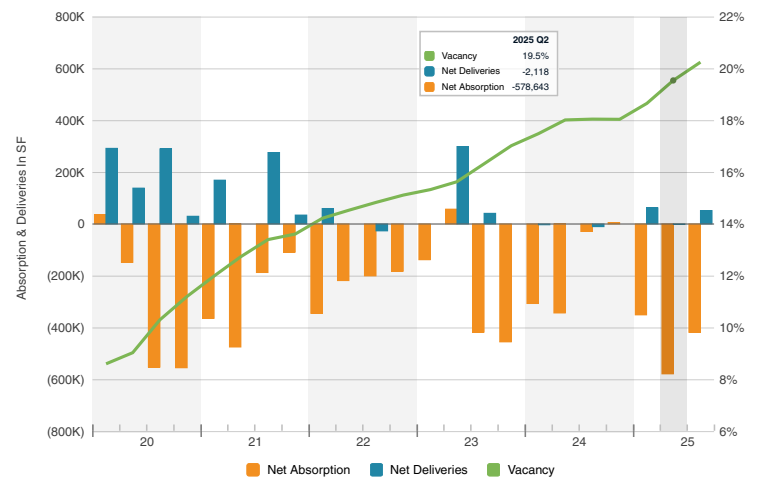
Asking Rent
\$30.33/SF

Avg. Sale Price
\$242/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	8.2M	0	-434K	19.4%	\$33.30	\$226	8.9%
Hwy 217	7.4M	0	-279K	19.1%	\$28.09	\$197	8.9%
Kruse Way	2.5M	0	69.7K	23.1%	\$39.65	\$263	8.3%
Westside	19.1M	0	-57.2K	8.0%	\$30.29	\$208	8.9%
CBD	26.2M	0	-650K	28.1%	\$33.10	\$274	8.2%
Close-in NW	9.9M	45K	30.2K	27.5%	\$31.97	\$249	8.8%
Clark County	10.8M	0	106K	9.9%	\$31.55	\$220	8.9%
Close-in Eastside	8.2M	0	-90.6K	17.1%	\$29.87	\$233	8.6%
Eastside	5.2M	0	-76.7K	8.0%	\$27.23	\$203	9.2%
Milwaukie/Clackamas	2.2M	0	-13.3K	9.1%	\$28.43	\$211	9.1%

NET ABSORPTION, NET DELIVERIES & VACANCY



NOTABLE TRANSACTIONS

Machine Works | 1400 NW Northrup Street, Portland, OR

115,138 SF \$28,000,000 (\$243/SF) 12.17% Cap Rate

Portfolio Sale in Beaverton, OR

15400 NW Greenbrier Pkwy. -
158,648 SF for \$15,900,000 (\$100/SF)

15350 NW Greenbrier Pkwy. - Owner/User Deal
\$3,900,000 (\$192/SF)

7303 SE Lake Road, Milwaukie, OR

27,605 SF \$6,800,000 (\$246/SF) Owner/User Deal

As we roll into the second half of the year, recent multifamily data for the Portland MSA is getting interesting. 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 remain anemic, but the average price per unit is on the rise, and average market cap rates of 5.5% still seem to defy current lending rates. Rent concessions are falling, average rents are increasing, and new construction starts are non-existent. 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, with political backing from the State, is pushing hard to incentivize new construction by waving some or all System Development Charges for three years or until 5,000 new units have been permitted. So far, the city has seen interest from approximately 50% of its target.

- Current Vacancy Rate 7.6% ↓
- Current Concession Rate 0.9% ↓
- Under Construction Units 2,986 ↓
- Market Sale Price/Unit \$246K ↑

Vacancy Rate

7.6%

Market Sale Price/Unit

\$243K

Market Asking Rent/Unit

\$1,663

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	39,185	629	1,940	7.6%	\$1,721	\$249K	\$289M
Lake Oswego	20,805	594	-60	6.6%	\$1,876	\$302K	\$293M
Hillsboro	24,805	355	607	8.4%	\$1,495	\$227K	\$105M
Beaverton	13,489	0	190	8.1%	\$1,881	\$334K	\$217M
Tigard	16,604	0	175	7.1%	\$1,666	\$231K	\$65.1M
Southwest Portland	14,144	341	585	10.3%	\$1,641	\$261K	36.5M
Downtown Portland	16,324	135	272	7.6%	\$1,556	\$197K	\$134M
Northwest Portland	13,791	0	128	6.6%	\$1,690	\$218K	\$182M
Vancouver	8,557	168	227	10.6%	\$1,577	\$252K	\$102M
North Portland	7,942	0	233	6.3%	\$1,755	\$272K	\$43.8M
Northeast Portland	7,728	0	10	6.4%	\$1,694	\$245K	\$93.8M
Central Northeast	10,697	15	-45	6.1%	\$1,338	\$158K	\$32.1M
Southeast Portland	5,542	19	245	8.8%	\$1,535	\$232K	\$15.2M
East Portland	4,194	0	66	8.8%	\$2,056	\$283K	\$0.0
Gresham/Troutdale	4,157	0	-10	5.3%	\$1,776	\$283K	\$0.0
Damascus	4,433	0	-4	6.5%	\$1,427	\$181K	\$4.6M

NOTABLE TRANSACTIONS

The Canyons | 3540 N. Williams Ave. Portland, OR

July 2025 70 Units Completed 2020
 \$23.5MM - \$35,714 per unit Buyer: Skanlon Kemper Bard

Summerlin Apartments | 400 Springtree Lane West Linn, OR

June 2025 94 Units Completed 2000
 \$33.6MM - \$357,447 per unit Seller: Reliant Group

Peleton Apartments | 4141 N Williams Ave. Portland, OR

June 2025 265 Units Completed 2016
 \$88MM - \$332,075 per unit Buyer: Berkshire

NET ABSORPTION, NET DELIVERIES & VACANCY

