

Generally, Q3 2026 saw continued light absorption, but a handful of significant transactions in the region point to market momentum as the year comes to a close. Tenant engagement, from initial interest to signed lease, was further elongated, introducing a lower conversion rate from requirement to signed lease. Q3 reflected a dynamic similar to earlier in the year, with many tenant requirements ultimately resulting in renewals rather than relocations or expansions. Overall vacancy has climbed to 8.5%, compared with a historical average of 6.3%. New-construction inventory continues to see faster lease-up times and premium lease rates, a trend projected to continue into 2027.

The lower lease conversion rate suggests pent-up absorption will flood the market in 2027. Newer, well-positioned product will be among the first to benefit from the absorption wave, especially in markets where the barrier to new construction is high, like Hillsboro.

On the sale side, stagnation continued into Q3. Investors continue to underwrite acquisitions conservatively, pushing prices down to levels only a smaller group of Sellers are willing to accept. Credit and term remain paramount in the investment world; long-term leases to strong tenants still trade, as evidenced by the recent Trammell Crow leased investment sale in Kelso, WA. Investors had very little tolerance for lease-up risk in Q3, so vacant properties see longer market times and typically sell to users.

Vacancy Rate

**8.5%↑**

Market Asking Rent/SF

**\$11.52/SF↑**

12 Mo Net Absorption (SF)

**-2M↓**

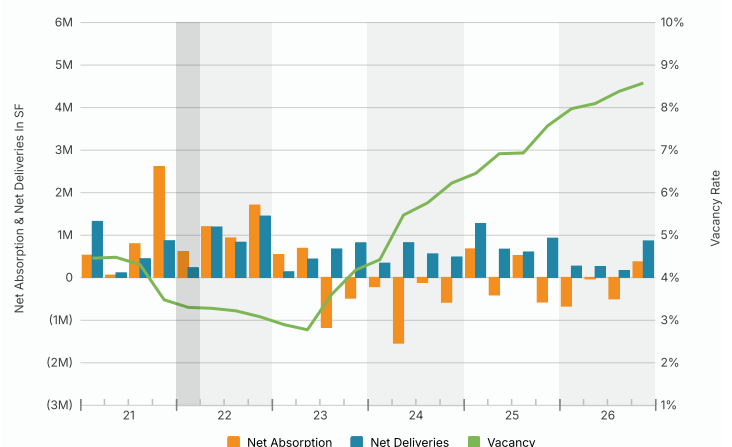
Sale Volume (YoY)

**\$738M↑**

**INDUSTRIAL (5K+ SF)**

|                     | Inventory SF | Under Construction SF | 12 Mo Net Absorption SF | Vacancy Rate | Market Asking Rent/SF | Market Sale Price/SF |
|---------------------|--------------|-----------------------|-------------------------|--------------|-----------------------|----------------------|
| <b>I-5 Corridor</b> | 32.3M        | 511K                  | -861K                   | 11.7%        | \$11.31               | \$183                |
| <b>Westside</b>     | 22.7M        | 1.5M                  | 137K                    | 3.9%         | \$12.84               | \$192                |
| <b>Close-in</b>     | 20M          | 0                     | -73.2K                  | 9.1%         | \$12.26               | \$181                |
| <b>N/NE</b>         | 82.1M        | 269K                  | -1.8M                   | 9.7%         | \$10.99               | \$179                |
| <b>Southeast</b>    | 27.9M        | 249K                  | 28K                     | 5.7%         | \$11.27               | \$176                |
| <b>Clark County</b> | 30.9M        | 847K                  | 851K                    | 7.2%         | \$11.93               | \$169                |

**NET ABSORPTION, NET DELIVERIES & VACANCY**



**2700 Talley Way, Kelso, WA**

**Price: \$218,416,861 (\$184.27/SF)**

**Cap Rate: 5.73%**

Portland's office market stopped sliding in Q3 2026, but calling it a recovery would be generous. We saw about 215,000 SF of positive net absorption, with direct vacancy easing to 15.1% across Portland-area inventory. The catch is availability rose to 18.1%, and average asking rents fell 4% year over year to \$28.92/SF annually. Occupancy improved but landlords' pricing power did not.

Downtown remains the weak spot with 28% direct vacancy and about 44,500 SF of negative quarterly absorption. Suburban direct vacancy was healthier at 9.4%. Class A buildings drove the region's occupancy gains. Notable August leases included 55,295 SF and 32,652 SF at The VIC in Vancouver, both to undisclosed tenants. Tenants are signing deals but the benefits are uneven.

Sales showed selective conviction. The Oregon Clinic purchased Creekside Corporate Park at 11000 SW Stratus Street for \$17.28 million (\$270/SF). Westside Behavior Therapy bought Twin Oaks Plaza for \$4.1 million (\$228/SF). Still, year-to-date sales measured by square footage were down 11.7%. Buyers see opportunities but these transactions do not establish a broad rebound in office values.

Vacancy Rate

## 16.1%

12 Mo Net Absorption (SF)

## 814K

Asking Rent

## \$30.32/SF

Avg. Sale Price

## \$238/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           | 8.4M         | 0                     | 47.5K                   | 16.6%        | \$32.85               | \$245                | 8.3%            |
| Hwy 217             | 7.4M         | 0                     | -85.3K                  | 20.2%        | \$28.62               | \$216                | 8.3%            |
| Kruse Way           | 2.5M         | 0                     | 49.8K                   | 19.8%        | \$39.06               | \$289                | 7.8%            |
| Westside            | 19.2M        | 0                     | 74.1K                   | 7.5%         | \$32.19               | \$221                | 8.5%            |
| CBD                 | 25.9M        | 0                     | 334K                    | 29.4%        | \$31.80               | \$263                | 8.2%            |
| Close-in NW         | 9.7M         | 0                     | 262K                    | 25.0%        | \$31.07               | \$250                | 8.6%            |
| Close-in Eastside   | 7.9M         | 120K                  | 73.1K                   | 16.5%        | \$29.39               | \$235                | 8.4%            |
| Eastside            | 5.2M         | 0                     | -63.5K                  | 6.2%         | \$28.16               | \$217                | 8.8%            |
| Milwaukie/Clackamas | 2.1M         | 0                     | 38.7K                   | 7.2%         | \$28.90               | \$223                | 8.6%            |
| Clark County        | 11M          | 40K                   | 188K                    | 7.4%         | \$31.46               | \$239                | 8.5%            |

### LEASE COMPS

#### 18110 SE 34th St, Vancouver

55,295 SF August 2026 Tenant: Undisclosed

#### 18110 SE 34th St, Vancouver

32,652 SF August 2026 Tenant: Undisclosed

#### 12000 SE 82nd Ave, Clackamas

31,000 SF August 2026 Tenant: Movement

### SALE COMP

#### 11000 SW Stratus St, Beaverton

63,992 SF \$17,281,195 Buyer: The Oregon Clinic

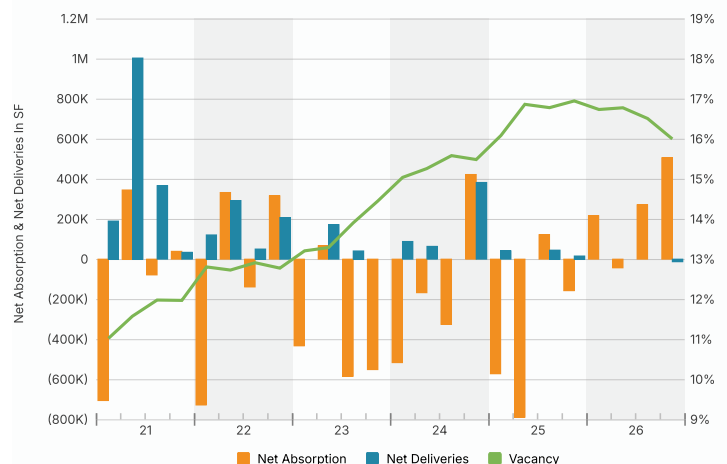
#### 1905 NW 169th Pl, Beaverton

18,000 SF \$4,100,000 Buyer: Westside Behavior Therapy

#### 14300 SE First St, Vancouver

20,904 SF \$3,535,000 Buyer: 5 Cedars, LLC

### NET ABSORPTION, NET DELIVERIES & VACANCY



At the risk of sounding like a broken record, the Portland Metro Region is still stuck in anemic rent growth. Q3 2026 average rents have increased .50% to \$1,680. On the bright side, absorption is outpacing new deliveries with 3,983 units absorbed in the last 12 months and 2,287 deliveries. Vancouver leads the way in both new construction and absorption, and if you haven't been there lately, Downtown Vancouver and the Waterfront are new places to see and be seen. Other prospering submarkets include Oregon City, Sherwood, Tualatin, and Tigard. The most challenging submarkets are still Northwest Portland and Southeast Portland because of the sheer volume of new development.

Average market cap rates are holding steady despite the 10-year Treasury rate, with quality product trading in the 5.5% range and a few assets trading in the mid-4 % range. Three-star assets in more challenging locations are trading at 6% or higher.

With new construction starts at their lowest level in over a decade and relatively strong absorption, we should see significant rent growth begin to show up in Q2 2027. That said, the 10-year trailing average for annual rent growth in the Portland MSA has been only 2.3%.

|              |                     |                          |                        |                 |
|--------------|---------------------|--------------------------|------------------------|-----------------|
| Vacancy Rate | Average Asking Rent | Under Construction Units | Market Sale Price/Unit | Market Cap Rate |
| <b>6.7%↓</b> | <b>\$1,680↑</b>     | <b>2,287↓</b>            | <b>\$242K↑</b>         | <b>5.6%↑</b>    |

## MULTIFAMILY

|                    | Inventory Units | Units Under Construction | 12 Mo Absorption Units | Vacancy Rate | Market Asking Rent/Unit | Market Sale Price/Unit | 12 Mo Sales Volume |
|--------------------|-----------------|--------------------------|------------------------|--------------|-------------------------|------------------------|--------------------|
| Vancouver          | 39,538          | 1,166                    | 1,014                  | 6.0%         | \$1,725                 | \$250K                 | \$147M             |
| Hillsboro          | 21,268          | 0                        | 521                    | 7.0%         | \$1,827                 | \$288K                 | \$0.0              |
| Southeast Portland | 24,523          | 27                       | 423                    | 6.6%         | \$1,504                 | \$220                  | \$73.6M            |
| Downtown Portland  | 13,398          | 0                        | 99                     | 7.6%         | \$1,861                 | \$317K                 | \$127M             |
| Beaverton          | 16,521          | 369                      | 293                    | 5.4%         | \$1,634                 | \$226K                 | \$85.2M            |
| Northwest Portland | 14,518          | 0                        | 378                    | 8.3%         | \$1,669                 | \$260K                 | \$63.7M            |
| Gresham/Troutdale  | 16,483          | 0                        | 193                    | 7.0%         | \$1,546                 | \$193K                 | \$147M             |
| Damascus           | 13,769          | 0                        | 190                    | 5.5%         | \$1,717                 | \$221K                 | \$9.4M             |
| Tigard             | 7,875           | 411                      | 187                    | 6.5%         | \$1,698                 | \$252K                 | \$10M              |
| Northeast Portland | 8,658           | 0                        | 194                    | 7.8%         | \$1,559                 | \$239K                 | \$113M             |
| Southwest Portland | 7,929           | 0                        | 33                     | 7.2%         | \$1,725                 | \$257K                 | \$27.2M            |
| East Portland      | 10,770          | 0                        | 35                     | 5.8%         | \$1,337                 | \$151K                 | \$38.6M            |
| North Portland     | 5,618           | 0                        | 93                     | 6.6%         | \$1,518                 | \$224K                 | \$31.3M            |
| Lake Oswego        | 4,163           | 0                        | 12                     | 6.0%         | \$2,024                 | \$286K                 | \$79.4M            |
| Tualatin/Sherwood  | 4,157           | 32                       | 21                     | 5.8%         | \$1,845                 | \$276K                 | \$50.9M            |
| Central Northeast  | 4,526           | 31                       | 51                     | 5.9%         | \$1,408                 | \$176K                 | \$1.6M             |

### Willow | 5600 Meadows Rd. Lake Oswego, OR 97035

July 10, 2026 Buyer: Sentinel Real Estate 158 units  
\$66,000,000 (\$417,721 per unit- 4.65% cap rate) Built in 2024

### Savanah at Reed's Crossing | 3405 SE Reed Dr. Hillsboro, OR 97123

August 5, 2026 301 Units Built in 2024  
\$160,000,000 (\$531,561 per unit) Buyer- Bentall Kennedy

### Cyan PDX | 1720 SW 4th Ave. Portland, OR 97201

August 28, 2026 352 Units Built in 2009  
\$61,000,000 (\$173,295 per unit) Buyer: Greystar

## NET ABSORPTION, NET DELIVERIES & VACANCY

