

FIGURES | PORTLAND INDUSTRIAL | Q2 2025

# Navigating headwinds amidst stable fundamentals

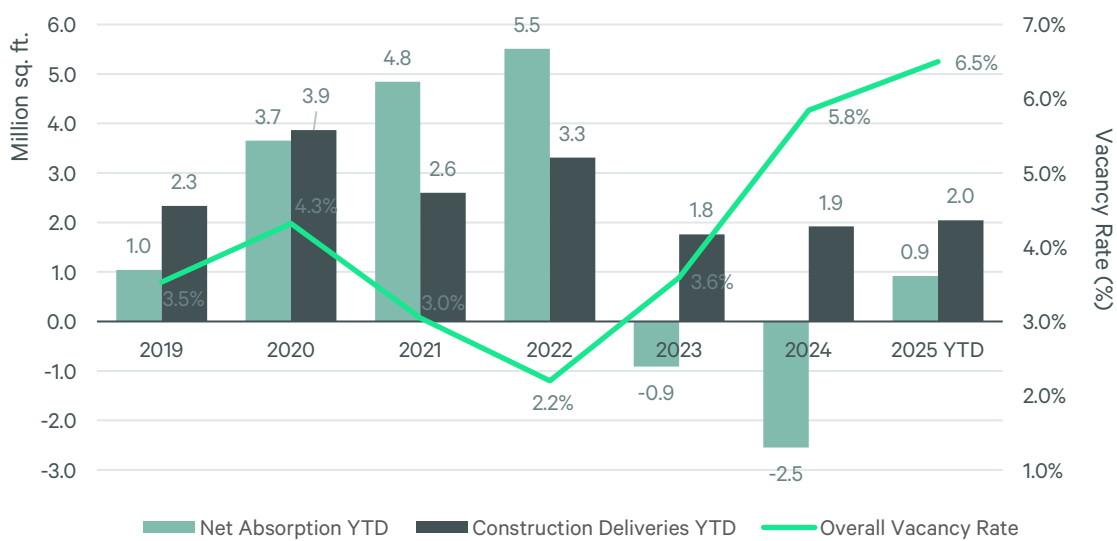


Note: Arrows indicate year-over-year change

MARKET OVERVIEW

This quarter, broad uncertainty surrounding trade policy, along with tenant rightsizing, had an impact on the Portland industrial market. Macroeconomic headwinds continued to influence both leasing activity and purchasing behavior, while at the local level, a growing number of businesses are relocating from Multnomah County to adjacent submarkets in search of more favorable tax environments. Despite this shift, the market’s core fundamentals remained sound. The overall industrial vacancy rate in Portland rose by 30 basis points (bps) from the previous quarter, reaching 6.5%. This modest increase was partially driven by the delivery of the 647,762-square-foot Bridge Point Vancouver project in Clark County, which came online vacant. This quarter saw 70,324 sq. ft. of negative net absorption, reducing the year-to-date (YTD) total to a still-positive 921,971 sq. ft. A key contributor to the quarterly decline was Grocery Outlet’s departure from its remaining space in Northeast Portland following its relocation to the newly completed Burnt Creek Logistics Center in Clark County earlier this year. Leasing activity during the quarter was highlighted by three renewals: KeHE Distributors extending its 383,000 sq. ft. lease at PDX Logistics Center 1, RGH Enterprises extending its 125,542 sq. ft. lease at Gateway Corporate Center in Northeast Portland, and Sygma Network renewing 100,350 sq. ft. at Jennifer Distribution Center in Southeast Portland. In industrial capital markets, investor sentiment continues to be shaped by submarket-specific dynamics, with some buyers viewing current signs of distress as a strategic entry point. Compared to other West Coast markets, Portland’s limited third-party logistics (3PL) exposure and measured development pipeline offer a comparatively stable environment, appealing to investors seeking lower-risk, long-term growth opportunities.

FIGURE 1: Annual Net Absorption, Construction Deliveries, and Overall Vacancy



Source: CBRE Research Q2 2025

## Supply and Demand

The Portland industrial market continued to experience a cooling in demand through the second quarter of 2025, with YTD leasing activity—including both new deals and renewals—totaling approximately 3.3 million sq. ft. This represents a 15% decline compared to the first half of 2024 and a notable 42% decrease from the high watermark recorded in 2022 by mid-year, signaling a clear shift in market momentum. The Southwest Portland submarket has seen the most pronounced impact, with year-to-date leasing volume down 48%. Activity in the submarket has not entirely stagnated. Key Q2 move-ins included Oregon Wine Shipping (42,108 sq. ft.) and Straus Services (42,185 sq. ft.) at Sherwood Commerce Center, as well as AFC Industries (49,370 sq. ft.) at Grahams Ferry Industrial Center. Despite softening demand, tight vacancy conditions persist in a few submarkets. The Sunset Corridor and Southeast Portland industrial submarkets continue to report the lowest vacancy rates at 2.2% and 3.7%, respectively. Nvidia renewed its 50,623 sq. ft. lease at Trellis at Amberglen, while Thermo Fisher Scientific signed a 44,301 sq. ft. new lease at Sewell Corporate Park, which is currently under construction and slated for Q3 delivery.

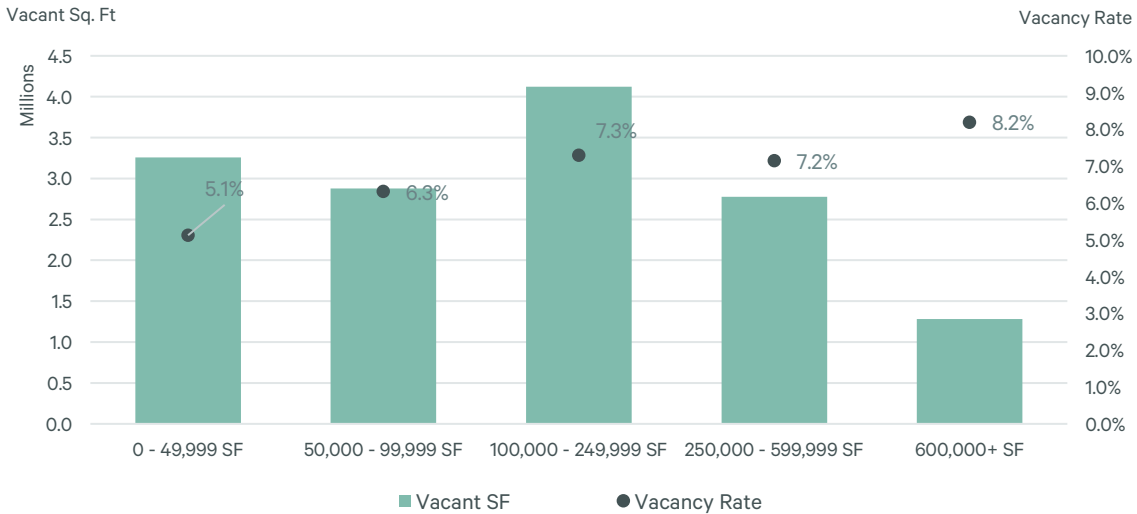
The quarter-over-quarter increase in metro-wide vacancy was largely driven by the delivery of 646,274 sq. ft. of speculative space at Bridge Point Vancouver in Clark County, pushing the submarket’s vacancy rate from 5.6% in the first quarter to 7.5% in the second quarter. Still, this figure reflects a 10 bps improvement year-over-year (YoY). Looking ahead, vacancy in Clark County may edge higher with the anticipated delivery of an additional 460,000 sq. ft. at Harmony Industrial Park later in 2025. On the opposite end of the spectrum, Northeast and Northwest Portland continue to post the highest vacancy rates across the market—7.9% and 9.6%, respectively—although these submarkets both saw several noteworthy move-ins in the second quarter. In Northeast Portland, Panthalassa occupied 123,335 sq. ft. at Banfield Industrial Park, while Omni Logistics took occupancy of 113,000 sq. ft. at 138 Logistics Center. In Northwest Portland, WSI signed a new lease for 87,500 sq. ft. at Kelley Point Distribution Center, and Terminal Transfer expanded its presence there by adding 37,500 sq. ft. to its existing 125,000 sq. ft. footprint. Sublease availability remained largely stable QoQ; as of Q2’s end, the market contained approximately 3.8 million sq. ft. of sublease space, with six listings over 100,000 sq. ft., collectively accounting for 1.2 million sq. ft.—or 30%—of total sublease availability. Of note, 48% of total sublease inventory is concentrated in Northeast Portland, underscoring the submarket’s current challenges.

TABLE 1: Q2 2025 Key Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type
KeHE Distributors	383,040	PDX Logistics Center I	Northeast	Renewal
RGH Enterprises	125,542	Gateway Corporate Center	Northeast	Renewal
Sygma Network	100,350	Jennifer Distribution Center	Southeast	Renewal
WSI	87,500	Kelley Point Distribution Center	Northwest	New Lease
Advanced Chemical Transport	44,928	Clackamas Distribution Center	Southeast	New Lease
Thermo Fisher Scientific	44,301	Sewell Corporate Park	Sunset Corridor	New Lease

Source: CBRE Research Q2 2025

FIGURE 2: Vacant Sq. Ft. and Vacancy Rate by Building Size Range



Source: CBRE Research Q2 2025

## Development Activity

At the close of the second quarter, the Portland metro area had approximately 1,967,114 sq. ft. of industrial development under construction. Of this total, an estimated 72% is speculative, with Clark County accounting for approximately 36% of new activity. Construction activity was down 36% YoY, reflecting a cooling development pipeline following the delivery of 11 new industrial buildings over the past year. The most recent completion was Bridge Point Vancouver, a 647,762 sq. ft. modern class A warehouse and distribution facility in Clark County, which delivered vacant during the second quarter. Notably, the Oregon Liquor and Cannabis Commission (OLCC) broke ground on a 347,645 square foot built-to-suit facility in Southeast Portland in the second quarter.

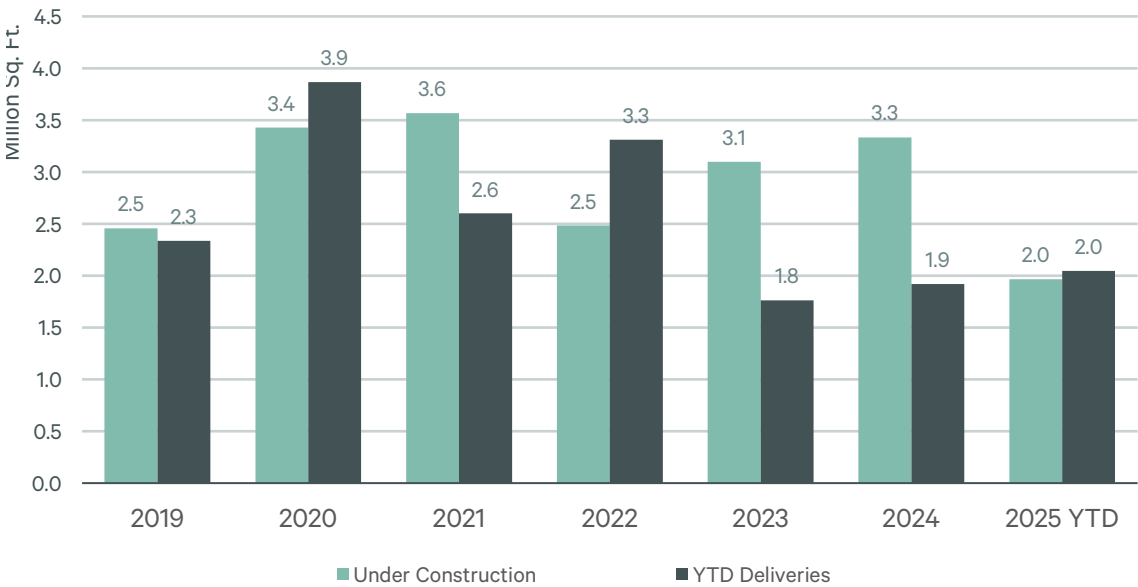
Significant construction continued this quarter in the Southwest Portland submarket, led by Hedges Creek Industrial Park, a three-building project totaling 442,035 sq. ft. that is expected to deliver by late 2025. In the Sunset Corridor, Intel’s ongoing investment in Hillsboro continues to support regional industrial growth. One key project benefiting from this momentum is Sewell Corporate Park—a two-building, 390,000 sq. ft. development scheduled for Q3 2025 completion. Upon delivery, Oregon Electric Group will occupy 104,450 sq. ft. in Building 2. While large-scale warehouse development persists, there has been a noticeable uptick in demand for smaller industrial spaces. Developers have been responding with targeted projects such as Fruit Valley Logistics in Clark County (60,000 sq. ft., expected by mid-2026) and I-84 Center II in Northeast Portland, where Pacific Northwest Properties is planning a 55,000 sq. ft. facility. However, softening tenant demand has contributed to rising industrial vacancy rates across the Portland metro. As a result, speculative development is expected to moderate in the coming year, with less than 1 million sq. ft. currently projected for delivery in 2026.

TABLE 2: Notable Projects Under Construction

Property Name	Address	Submarket	Developer	SPEC/BTS	Size (SF)	Est. Completion
Harmony Industrial Park (Two Buildings)	18712 SE 1 <sup>st</sup> St	Clark County	Panattoni	SPEC	456,698	Q3 2025
Hedges Creek Industrial Park (Three Buildings)	11255 SW Myslony St	Southwest	Phelan Development	SPEC	442,035	Q4 2025
Sewell Corporate Park (Two Buildings)	4915 NE Sewell Ave	Sunset Corridor	Trammell Crow	SPEC	389,101	Q3 2025
Oregon Liquor and Cannabis Commission	1969 2353 SE 1st Ave	Southeast	OLCC	BTS	347,645	Q1 2026
15208 Northeast 15 <sup>th</sup> Avenue	15208 NE 15th Ave	Clark County	N/A	BTS	114,000	Q1 2026
5145 Pioneer St	5145 Pioneer St	Clark County	N/A	BTS	96,900	Q1 2026
Fruit Valley Logistics Center	6112 NW Fruit Valley Rd	Clark County	Panattoni	Spec	63,215	Q2 2026

Source: CBRE Research Q2 2025

FIGURE 3: Annual Development Activity



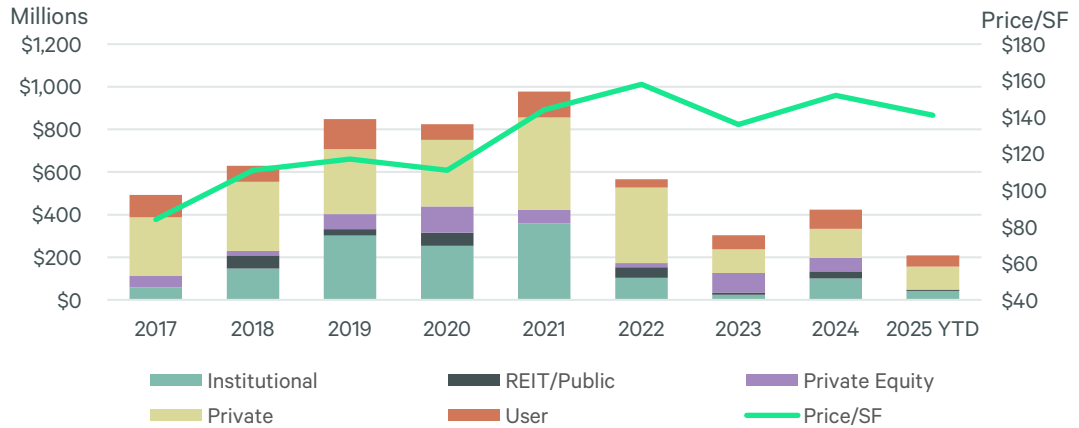
Source: CBRE Research Q2 2025

### Investment and Rental Rate Trends

Average asking shell rental rates for triple-net (NNN) leases in Portland’s industrial market exhibited mixed performance in the second quarter, ranging between \$0.80 and \$1.05 per square foot NNN for large Class A warehouse spaces. While rising vacancy has tempered near-term rent growth expectations across much of the metro area, select submarkets continued to outperform due to constrained availability. A prime example is Sewell Corporate Park in the Sunset Corridor, which secured a 44,301-square-foot lease at a starting shell rate of \$1.10 NNN, above the overall market average. In contrast, Northeast and Northwest Portland have seen rental rate compression of approximately 15% over the past year, a trend driven by higher vacancy and softer demand in those submarkets.

On the investment side, elevated interest rates continued to weigh on transaction activity, limiting liquidity and slowing deal velocity. Nonetheless, investor interest in Portland’s industrial sector remains intact, supported by favorable long-term fundamentals. Transaction volume during Q2 2025 was modest but diverse, spanning both institutional and owner-user deals. Notable sales included Reworks Inc. selling a 70,633 sq. ft. flex property at 100 NE Farragut St. to a private buyer for \$12 million, or \$171.31 per sq. ft. The asset was fully leased at the time of sale. A private individual sold a 56,375 sq. ft. manufacturing building at 7075 S 5th St. in Clark County for \$8.6 million, or \$151.75 per sq. ft., following a marketing period of approximately 10 months, and Panattoni closed on a 100-acre site at 16713-17009 NE 50th Ave. in Clark County. Mt. Vista Logistics—a 583,278 sq. ft. speculative development—is expected to break ground at the site in the coming quarters. Despite near-term headwinds, investor sentiment in the Portland industrial market continues to improve. Compared to other West Coast hubs, Portland benefits from a relatively low vacancy rate, positive year-to-date absorption, and a disciplined development pipeline—factors that collectively support a stable, long-term investment outlook.

FIGURE 4: Historical Sales Volume by Buyer Type & Sale Price Per SF



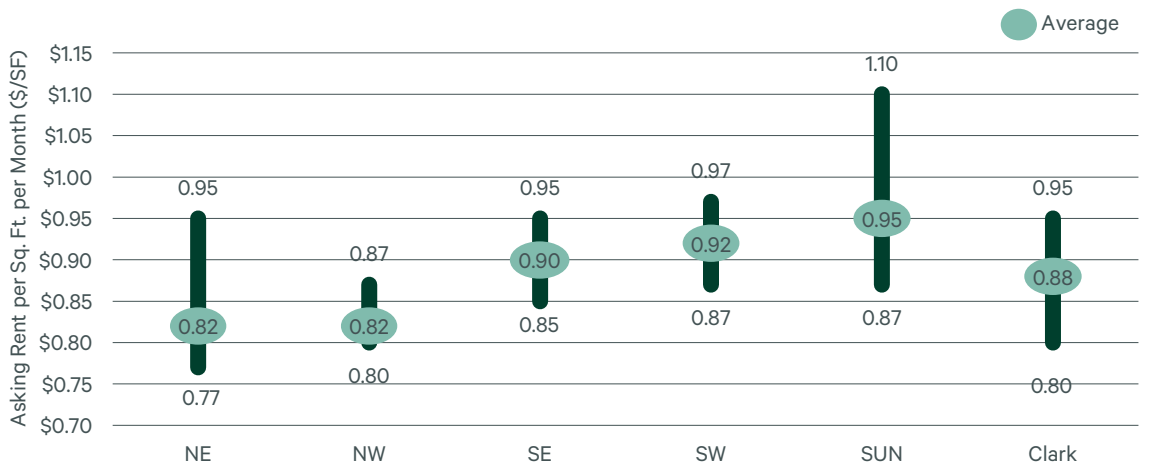
Source: CBRE Research Q2 2025, Costar

TABLE 3: Q2 2025 Key Sales Transactions

Property	Size (SF)	Land Area (AC)	Submarket	Sale Price	Price/Sq. Ft.	Buyer/Seller
100 NE Farragut St	70,633	3.45	Northeast	\$12,100,000	\$171.31	100 Ne Farragut Llc/Reworks Inc.
7075 S 5th St	56,375	3.93	Clark County	\$8,555,000	\$151.75	Kawa Capitol Partners/Cristina Baldim
1815 Red Soils Ct	33,450	4.60	Southeast	\$7,000,000	\$209.27	Benchmade Knife C./Lisanatti Foods
1901-1907 SE Grand Ave	23,998	1.16	Southeast	\$6,000,000	\$250.02	Multnomah County/Casa Bella
19495 SW Teton Ave	23,352	3.19	Southwest	\$4,428,000	\$189.62	Pacific NW Properties/FieldTurf USA

Source: CBRE Research Q2 2025, Costar

FIGURE 5: Class A Direct Asking Shell NNN Rental Rate Range (For Existing Spaces 50k+ Sq. Ft.)



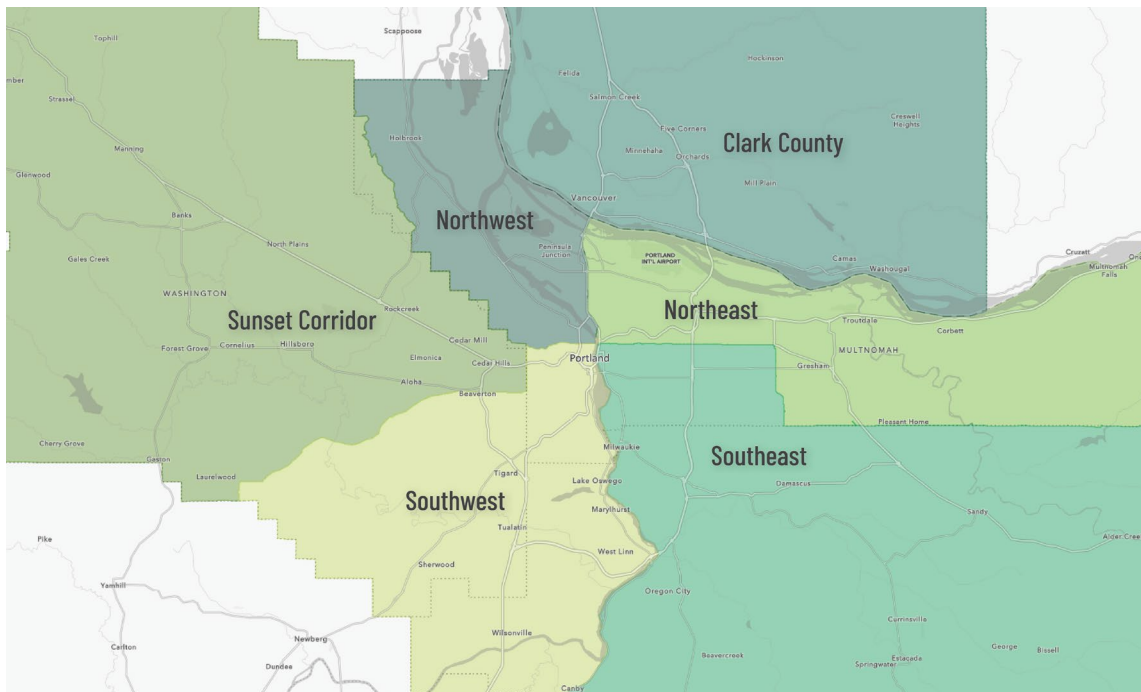
Source: CBRE Research Q2 2025

TABLE 4: Market Statistics by Submarket and Size Range

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Q2 2025 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	YTD Deliveries (SF)
Base Figures								
Northeast	51,339,189	7.9	10.8	1,592,617	(41,990)	721,210	57,520	789,835
Northwest	39,644,570	9.6	12.5	812,372	(31,504)	(49,795)	0	0
Southeast	30,819,392	3.7	4.6	206,551	(115,399)	(248,079)	347,645	0
Southwest	40,466,666	6.2	7.9	873,714	78,673	(366,726)	442,035	407,263
Sunset Corridor	29,434,462	2.4	3.6	236,850	(95,937)	92,309	389,101	201,750
Clark County	28,462,886	7.5	10.6	150,159	135,833	773,052	730,813	647,762
Total	220,167,165	6.5	8.7	3,872,263	(70,324)	921,971	1,967,114	2,046,610
Figures by Size Range								
0-49,999 SF	63,533,706	5.1	6.3	568,013	(212,103)	(413,450)	57,520	0
50,000-99,999 SF	45,522,677	6.3	8.0	997,284	(363,740)	(669,574)	160,115	0
100,000-249,999 SF	56,643,130	7.4	11.4	1,249,802	191,601	451,176	1,077,441	201,750
250,000-599,999 SF	38,796,683	7.2	9.5	890,650	312,430	944,786	672,038	1,197,098
600,000+ SF	15,670,969	8.2	8.7	166,514	1,488	609,033	0	647,762
Total	220,167,165	6.5	8.7	3,872,263	(70,324)	921,971	1,967,114	2,046,610

Source: CBRE Research Q2 2025

## Market Area Overview



## Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied immediately..

## Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Multnomah, Washington, Clackamas, and Clark counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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