

FIGURES | PORTLAND INDUSTRIAL | Q1 2025

# Strong positive absorption with healthy development pipeline may hint to early signs of recovery



Note: Arrows indicate year-over-year change

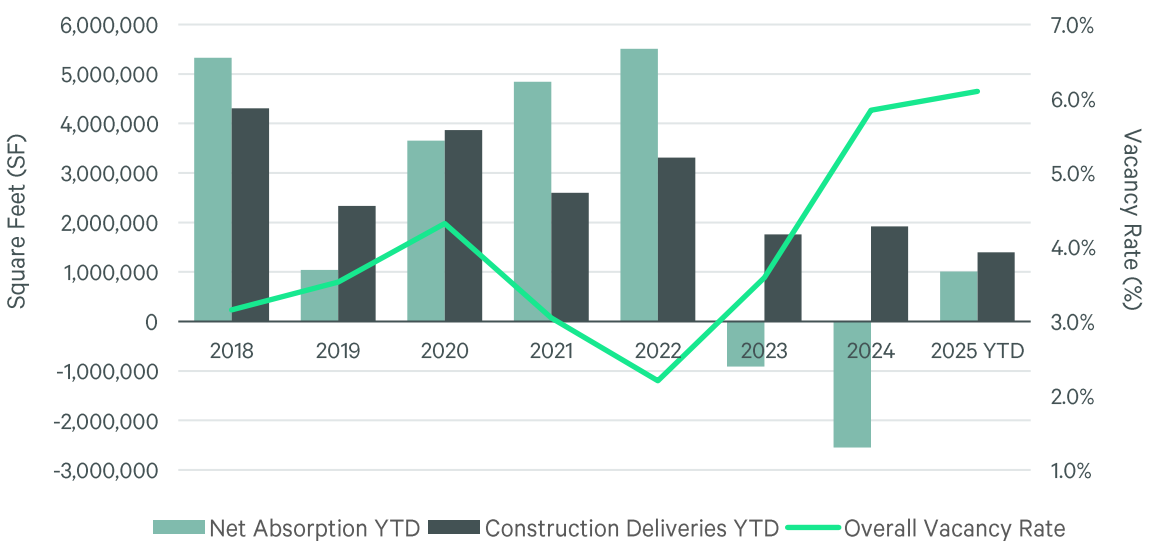
## MARKET OVERVIEW

Amid ongoing discussions about the potential impact of evolving trade policies on real estate market dynamics, Portland has been anticipating a shift after a period of market contraction. In response to the expectation of new tariffs, some shipping companies have moved cargo forward, though the full effect of this strategy on overall activity in Portland remains uncertain.

While the market recorded approximately 1.0 million square feet (sq. ft.) of positive net absorption in the first quarter, the overall vacancy rate remained relatively flat at 6.1%. This stability can be attributed to an influx of new vacant sublease spaces and the completion of a few speculative construction projects that were delivered unoccupied. The strong positive absorption in the first quarter follows six consecutive quarters of negative net absorption and can be partly attributed to robust activity within the Food and Beverage sector. Notably, Grocery Outlet, after consolidating its operations, has taken occupancy of a new 681,780 sq.-ft. class A space at Burnt Creek Industrial Park in Clark County. Furthermore, both Gourmet Foods and Tilray executed leases for spaces exceeding 100,000 sq. ft., with their terms beginning in the first quarter.

In the industrial capital markets, sales volume remained subdued during the first quarter, largely due to limited activity among core groups. Nevertheless, the Portland metro area's more measured market environment—especially in comparison to some of its West Coast counterparts—continues to present a favorable outlook for investors seeking lower risk and long-term growth opportunities.

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



Source: CBRE Research Q1 2025

## Supply and Demand

While the overall vacancy rate of 6.1% has remained relatively stable since 2024, the dynamics within the Portland metro area reveal a more nuanced picture, with distinct variations across different submarkets. The Sunset Corridor and Southeast industrial submarkets in Portland continue to report the lowest vacancy rates, standing at 2.1% and 3.3%, respectively. In Southwest Portland, although supply increased during the first quarter of 2025, the submarket has benefited from a surge in demand and robust leasing activity, particularly for shallow bay industrial spaces. Oregon Wine Shipping secured a new 42,000 sq.-ft. lease at the Sherwood Commerce Center during the first quarter. Over the past year, the business park has successfully completed five transactions ranging from 20,000 to 50,000 sq. ft.

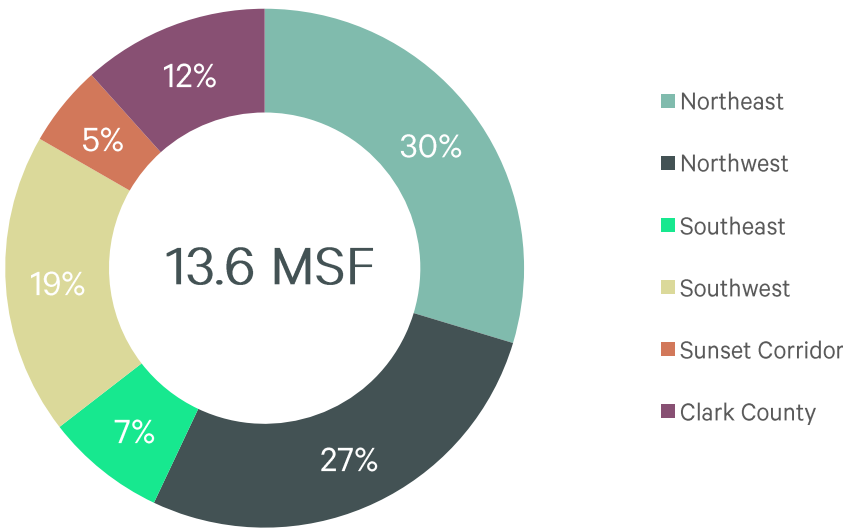
In Clark County, Mattress Firm signed a new 55,000 sq.-ft. lease at Vancouver Logistics Phase II, while HTG also executed a 55,000 sq.-ft. lease at 601 S. 74th Place. The 5.7% vacancy rate in Clark County represents a notable 220-basis point (bps) decrease quarter-over-quarter, driven in part by the significant tenant move-in at Burnt Creek Industrial Park. However, the potential for vacancy to increase again in the submarket remains, as the anticipated delivery of 648,000 sq. ft. at Bridge Point Vancouver and 460,000 sq. ft. at Harmony Industrial Park are expected later this year. Sublease availability continued its upward trend in the first quarter. There are currently six subleases over 100,000 SF (totaling approximately 1.2 million sq. ft.), which account for roughly 30% of the total 3.8 million sq. ft. of sublease space available across the market. Approximately 54% of available sublease space is scheduled to be returned to landlords by the end of 2027. On a more positive note, after six consecutive quarters of negative absorption, the first quarter of 2025 saw approximately 1.0 million sq. ft. of positive net absorption.

TABLE 1: Q1 2025 Key Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type
Confidential Tenant	123,335	Banfield Industrial Park	Northeast	New Lease
Gourmet Foods	120,000	Heleco Distribution Center	Southeast	New Lease
Omni Logistics	113,000	138 Logistics Center	Northeast	New Lease
Oregon Electric Group	104,450	Sewell Corporate Park	Sunset Corridor	New Lease
Tilray	100,000	Kelley Point Distribution Center	Northwest	New Lease

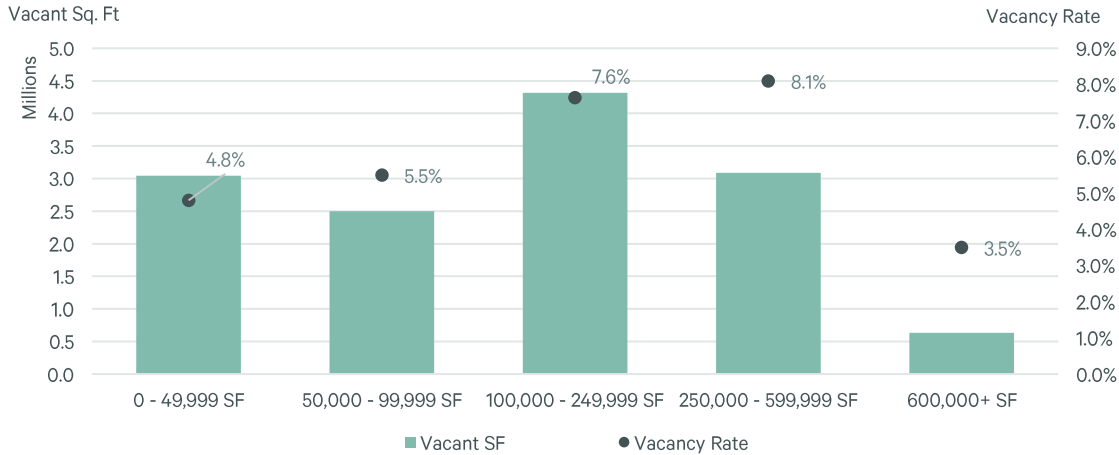
Source: CBRE Research Q1 2025

FIGURE 2: Vacancy Distribution by Submarket



Source: CBRE Research Q1 2025

FIGURE 3: Vacant Sq. Ft. and Vacancy Rate by Building Size Range



Source: CBRE Research Q1 2025.

## Development Activity

Portland is expected to experience less pressure from incoming speculative projects compared to similarly sized markets across the country. In the first quarter, approximately 1.4 million sq. ft. of new industrial inventory was delivered across four properties: a 530,000 sq.-ft. build-to-suit facility for Grainger Industrial Supply in Northeast Portland; Rock Creek Corporate Center, offering 407,263 sq. ft. in Southwest Portland; Sandy Logistics Center, with 259,835 sq. ft. in Northeast Portland; and North Plains Logistics Center, comprising 201,750 sq. ft. in the Sunset Corridor. This brings the total active construction in the metro area’s development pipeline to 1.9 million sq. ft., which will expand the market’s inventory by 1% upon completion. Notably, 100% of the pipeline consists of speculative projects.

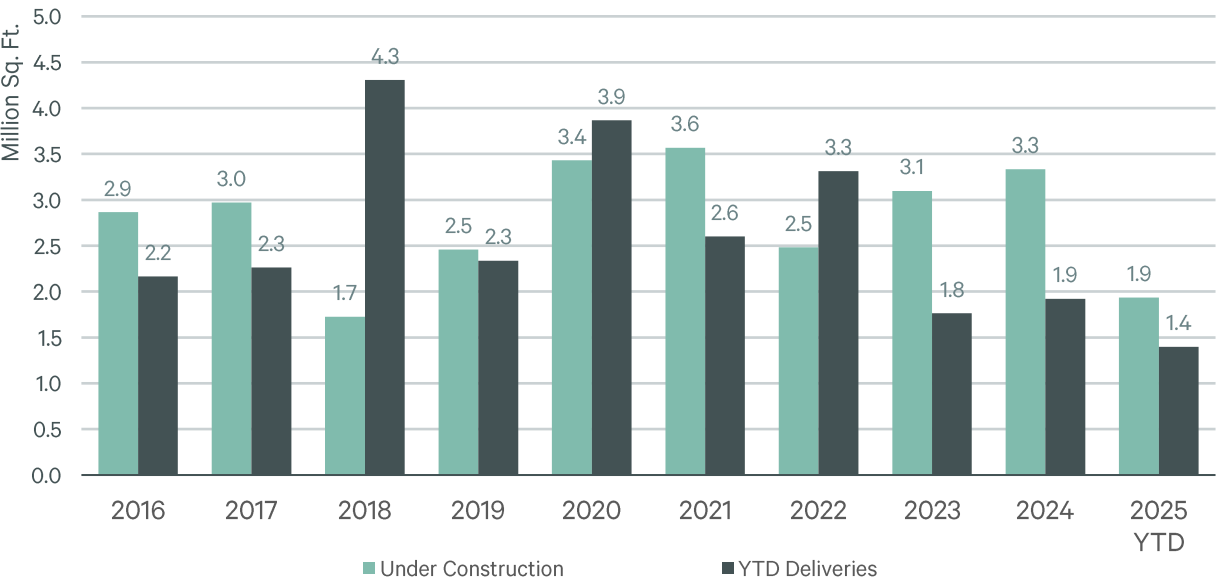
While no new construction projects commenced in the first quarter, several notable developments are on the horizon. Panattoni is expected to break ground on a 583,278 sq.-ft. facility at Mt. Vista Logistics Park in Clark County in the second quarter, and Trammell Crow is set to begin construction on VanRose Technology Park, a 303,969 sq.-ft. speculative development for lease or sale in the Sunset Corridor.

TABLE 3: Notable Projects Under Construction

Submarket	Property Name	Address	Developer	SPEC/BTS	Size (SF)	Est. Completion
Clark County	Bridge Point Vancouver	NE 162nd Ave & 58 <sup>th</sup> St	Bridge Industrial	SPEC	646,274	Q2 2025
Clark County	Harmony Industrial Park (Two Buildings)	18712 SE 1 <sup>st</sup> St.	Panattoni	SPEC	456,698	Q3 2025
Southwest	Hedges Creek Industrial Park (Three Buildings)	11255 SW Myslony St	Phelan Development	SPEC	442,035	Q4 2025
Sunset Corridor	Sewell Corporate Park (Two Buildings)	4915 NE Sewell Ave.	Trammell Crow	SPEC	389,101	Q2 2025

Source: CBRE Research Q1 2025

FIGURE 6: Annual Development Activity



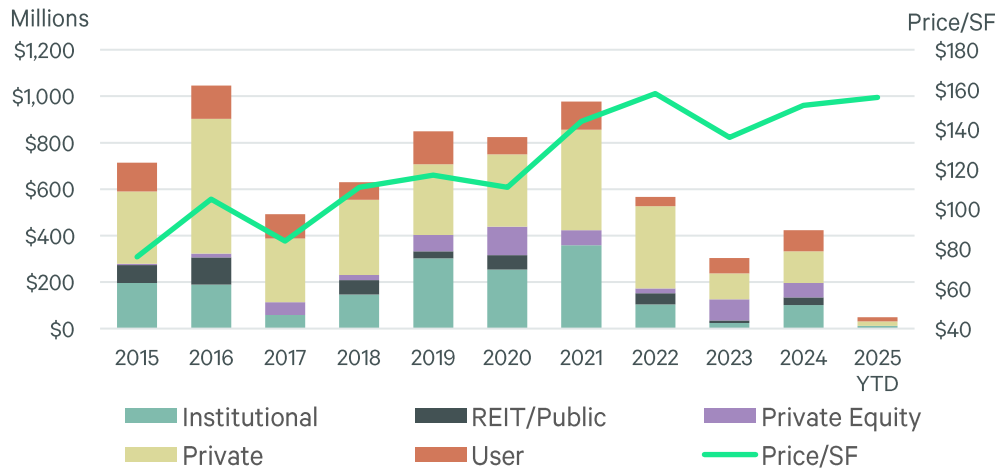
Source: CBRE Research Q1 2025

## Industrial Rental Rates and Investment Trends

Average asking triple-net (NNN) shell rental rates were a mixed bag in the first quarter, ranging from \$0.80 to \$0.97 per square foot NNN for new leases and renewals in large Class A warehouse spaces. While rising vacancy rates have tempered short-term expectations for overall rate growth, certain submarkets and size ranges with limited availability may outperform the broader market. For instance, Sewell Corporate Park in the Sunset Corridor secured a new 105,000 sq. ft. lease, with a starting rate of \$1.04 NNN and 4% annual escalations on a 7-year term. Conversely, rental rates in Northeast and Northwest Portland have compressed by approximately 15% in the past six to twelve months, driven by higher vacancy levels in these submarkets.

The recovery of the capital markets continued, though sales volume remained subdued compared to historical averages, as rising vacancies and recalibrated rent growth expectations affect investor sentiment. In the first quarter, a private individual sold the 51,240 sq. ft. industrial building at 5585 NE Wagon Dr. in the Sunset Corridor to the Palisade Group for \$9.6 million (\$189.09 per sq. ft.), with the property 44% occupied at the time of sale. Additionally, Dermody Properties sold a 280,000 sq. ft. facility to a confidential buyer for \$29.9 million (\$107.10 per sq. ft.), substantially reducing the available inventory in Northeast Portland. As the broader rent growth narrative continues to evolve, the long-term outlook for Portland remains positive. Investor sentiment surrounding Portland continues to turn more positive as the relatively healthy nature of the market reveals itself with one of the lowest vacancy rates on the West Coast, a limited pipeline and positive absorption for the first time in six quarters.

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



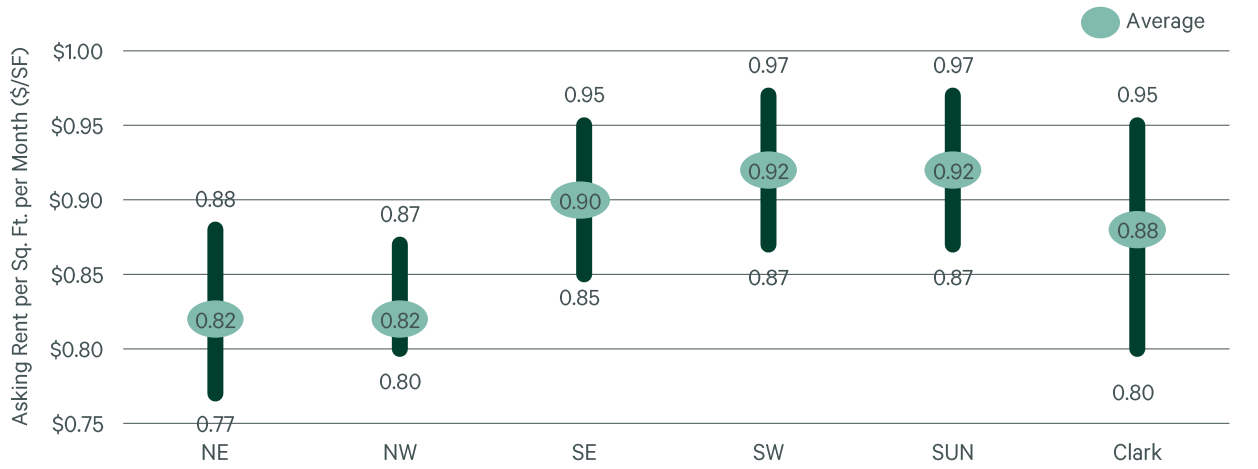
Source: CBRE Research Q1 2025, Costar

TABLE 2: Q1 2025 Key Sales Transactions

Property	Size (SF)	Land Area (AC)	Submarket	Sale Price	Price/Sq. Ft. (\$)	Buyer	Seller
19730 Sandy Blvd	279,116	16.99	Northeast	\$29,900,000	107.10	Confidential	Dermody Properties and AXA Investment Managers
14303 NE 63rd St	160,086	17.0	Clark County	\$25,000,000	156.17	Odom Corporation	Craig Stein Beverage
5585 NE Wagon Dr	51,420	4.1	Sunset Corridor	\$9,620,000	187.09	Palisade Group	Robert Roth
Tualatin Industrial Park	51,362	3.4	Southwest	\$9,300,000	181.07	Far West Recycling	Roberta Raymond
20525 SW Cipole Rd	35,310	2.0	Southwest	\$5,786,590	163.88	Lightworks Electric Company	Gary Thorn

Source: CBRE Research Q1 2025, Costar

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



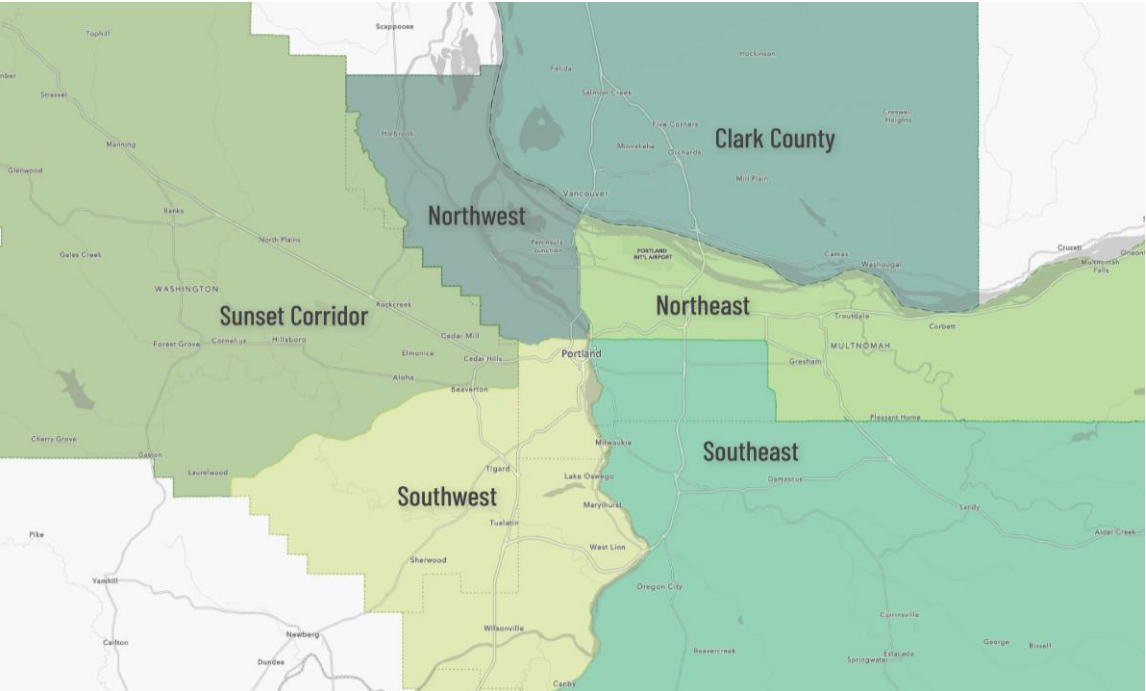
Source: CBRE Research Q1 2025

TABLE 4: Market Statistics by Submarket and Size Range

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Q1 2025 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	YTD Deliveries (SF)
Base Figures								
Northeast	51,333,575	7.9	9.7	1,495,865	762,780	762,780	0	789,835
Northwest	39,619,570	9.4	11.3	918,022	(18,291)	(18,291)	0	0
Southeast	30,798,977	3.3	4.6	251,479	(152,945)	(152,945)	0	0
Southwest	40,451,682	6.3	7.0	768,981	(410,639)	(410,639)	442,035	407,263
Sunset Corridor	32,639,302	2.1	2.7	98,930	188,246	188,246	389,101	201,750
Clark County	27,746,010	5.7	8.0	274,659	637,219	637,219	1,104,460	0
Total	222,589,116	6.1	7.5	3,807,936	1,006,370	1,006,370	1,935,596	1,398,848
Figures by Size Range								
0-49,999 SF	63,547,804	4.8	6.1	645,894	(167,272)	(167,272)	0	0
50,000-99,999 SF	45,453,292	5.5	7.0	870,113	(325,834)	(325,834)	0	0
100,000-249,999 SF	56,618,130	7.6	9.7	1,074,925	259,575	259,575	963,441	201,750
250,000-599,999 SF	38,796,683	8.1	9.2	1,050,490	632,356	632,356	324,393	1,197,098
600,000+ SF	18,173,207	3.5	3.9	166,514	607,545	607,545	647,762	0
Total	222,589,116	6.1	7.5	3,807,936	1,006,370	1,006,370	1,935,596	1,398,848

Source: CBRE Research Q1 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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