

1Q25

# Portland Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- Unemployment in Portland edged up slightly in the first quarter of 2025, reaching 4.3%, a figure marginally above the national average.
- Despite a downturn in overall employment in Portland, year-over-year job growth remains neutral in the region.
- Job losses were concentrated in two key industrial sectors: construction (-3.3%) and manufacturing (-3.5%).
- Industrial employment posted a second consecutive quarter of negative growth, indicating that weakened market conditions have continued into the start of the year.

## Major Transactions

- Far West Recycling acquired Tualatin Industrial Park, an 51,362-SF industrial property in the I-5 South Corridor. The property sold for \$9.3 million, or \$181.07/SF. Far West Recycling had previously been a long-term tenant at the property.
- Palisade Group purchased a 51,420-SF warehouse in Hillsboro located at 5585 NE Wagon Dr, for \$9.62 million, or \$187.09/SF. The property was 43.6% occupied at the time of sale.
- Athey Creek Christian Fellowship acquired Cornell Business Park III, an 49,058-SF industrial building in the Sunset Corridor from Resound Church. The property was purchased for \$7,426,000 or approximately \$151.37/SF.

## Leasing Market Fundamentals

- Absorption in the first quarter recorded negative 70,526 SF as multiple fully preleased construction projects, such as the 533,212 SF GV5 Distribution Center, offset the sizeable amount of space that was returned to the market.
- Vacancy rates increased to 6.0%, a 60-basis point increase from the fourth quarter of 2024, and a 150-basis point increase year-over-year.
- Weaker leasing performance in historically strong submarket, Clark County and the I-5 South Corridor, was a key contributor to negative net absorption in the first quarter, reflecting a broader pullback in tenant demand across previously resilient areas.

## Outlook

- Market vacancy is expected to continue to rise throughout 2025 as market conditions remain weaker than in recent years. An influx of vacant new construction is anticipated to hit the market in the second and third quarters which will drive total inventory higher.
- Sublease inventory has increased and is projected to continue climbing as tenants adapt to shifting market dynamics and reassess their space requirements.
- Rental rate growth looks likely to continue to witness volatility between asset classes in 2025. Demand for high-quality and well-located industrial assets remain high, while less attractive industrial properties may begin to discount rates to attract new tenants.

1. Economy
2. Leasing Market Fundamentals
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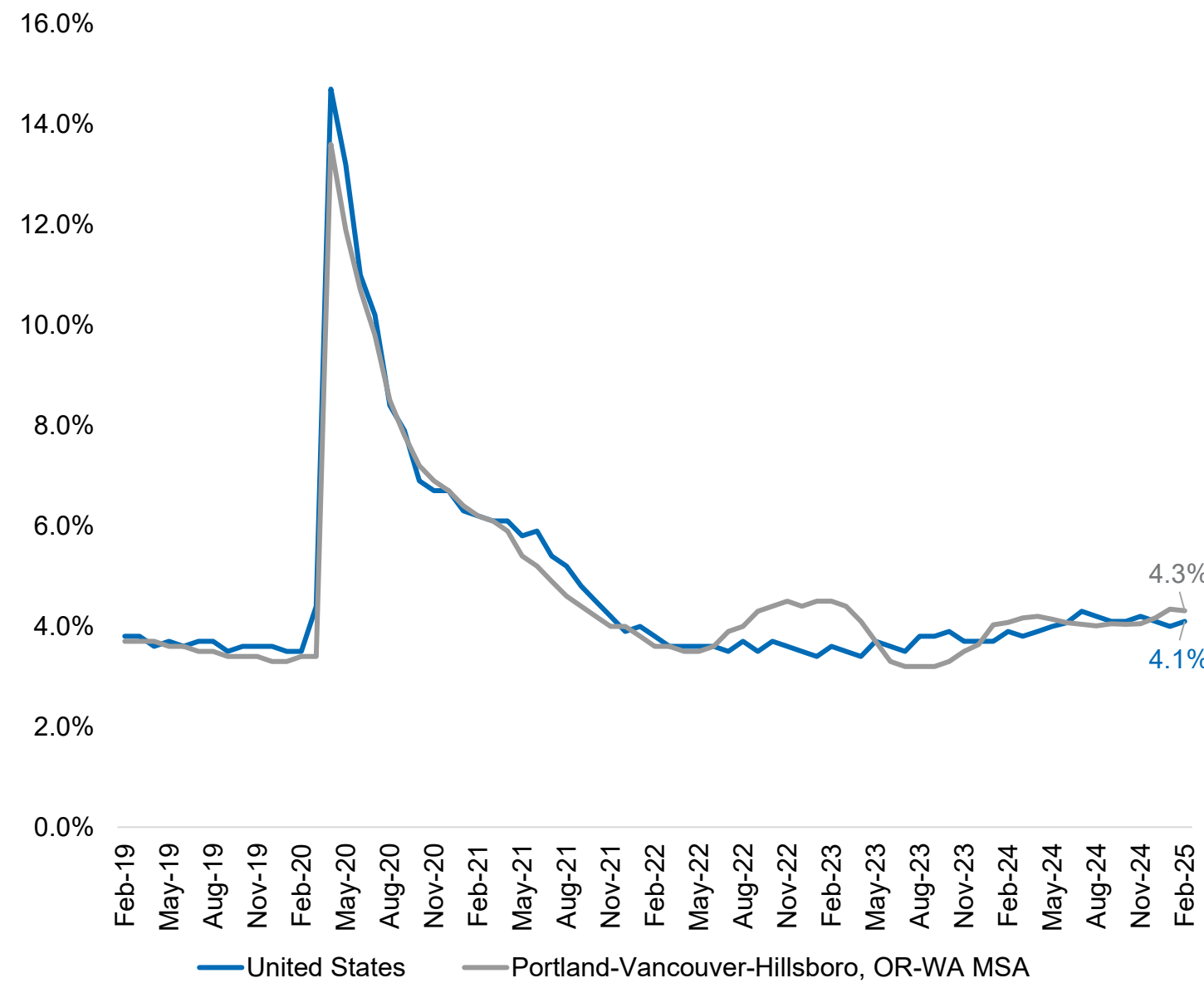
# Leasing Market Fundamentals



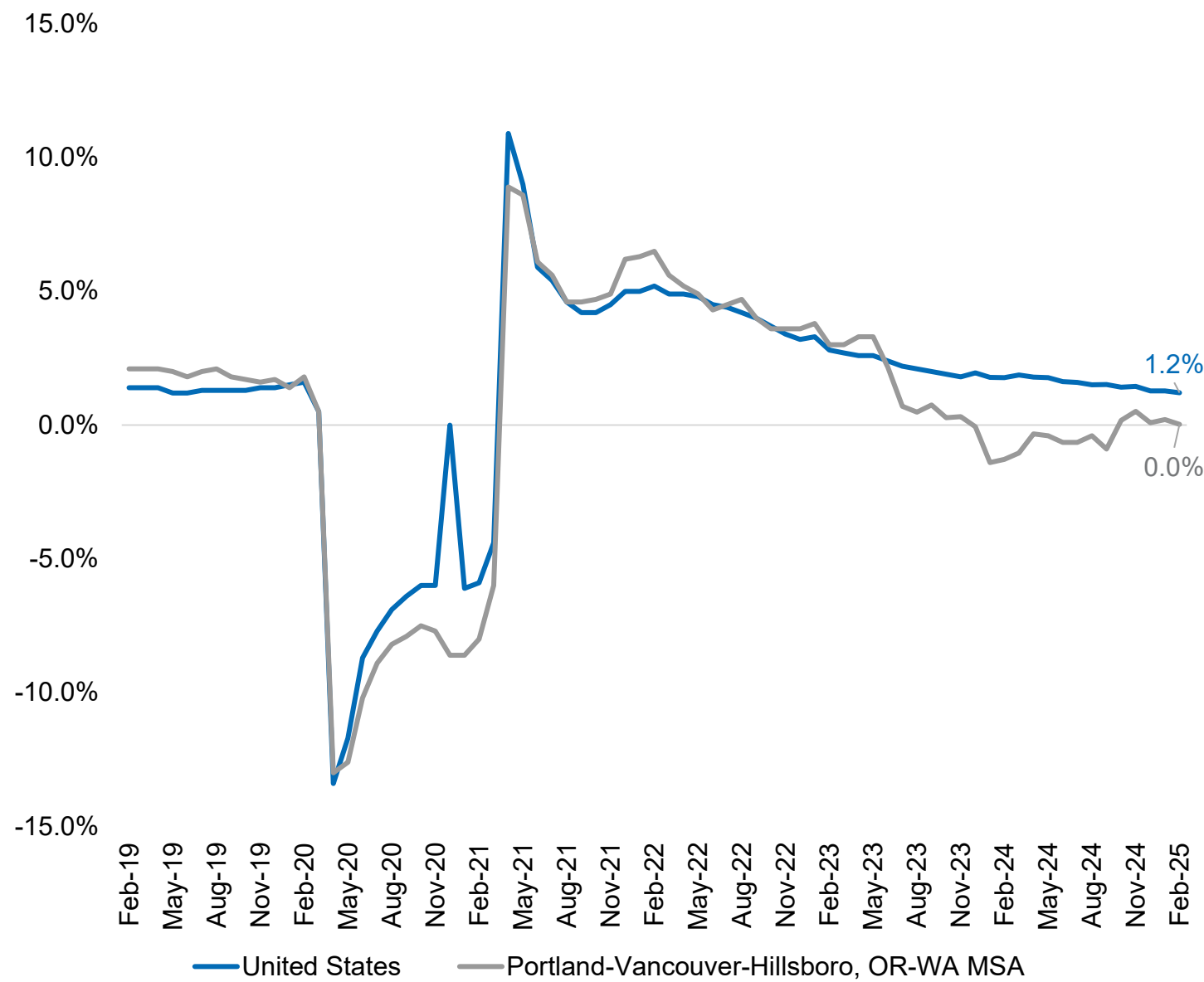
# Subdued Job Growth Accompanies Modest Rise in Unemployment

Portland began 2025 with an unemployment rate of 4.3%, slightly above the national average and up 20 basis points from the previous quarter. Annual employment figures remained flat year-over-year, as a sluggish second half of 2024 offset the job gains recorded earlier in the year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

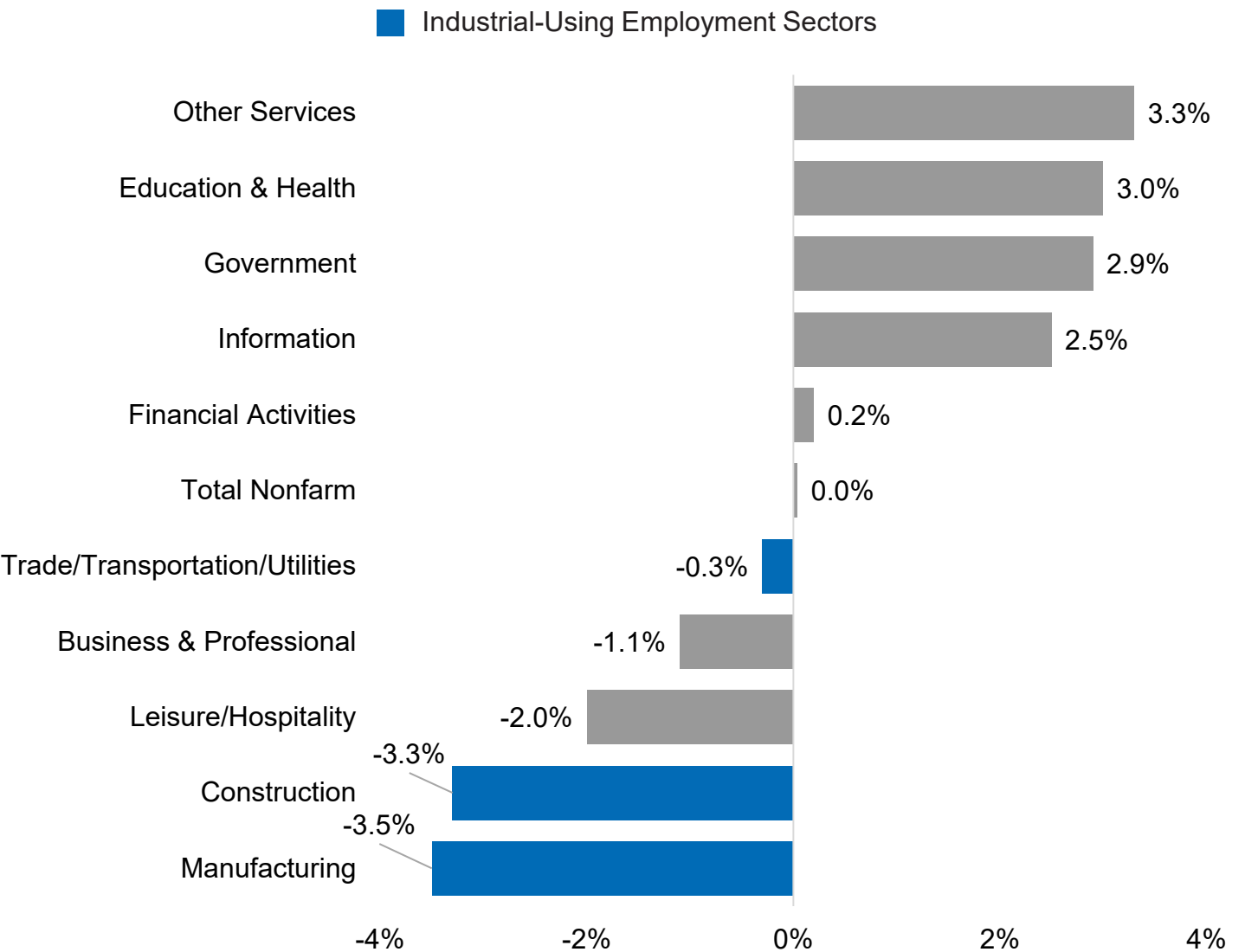
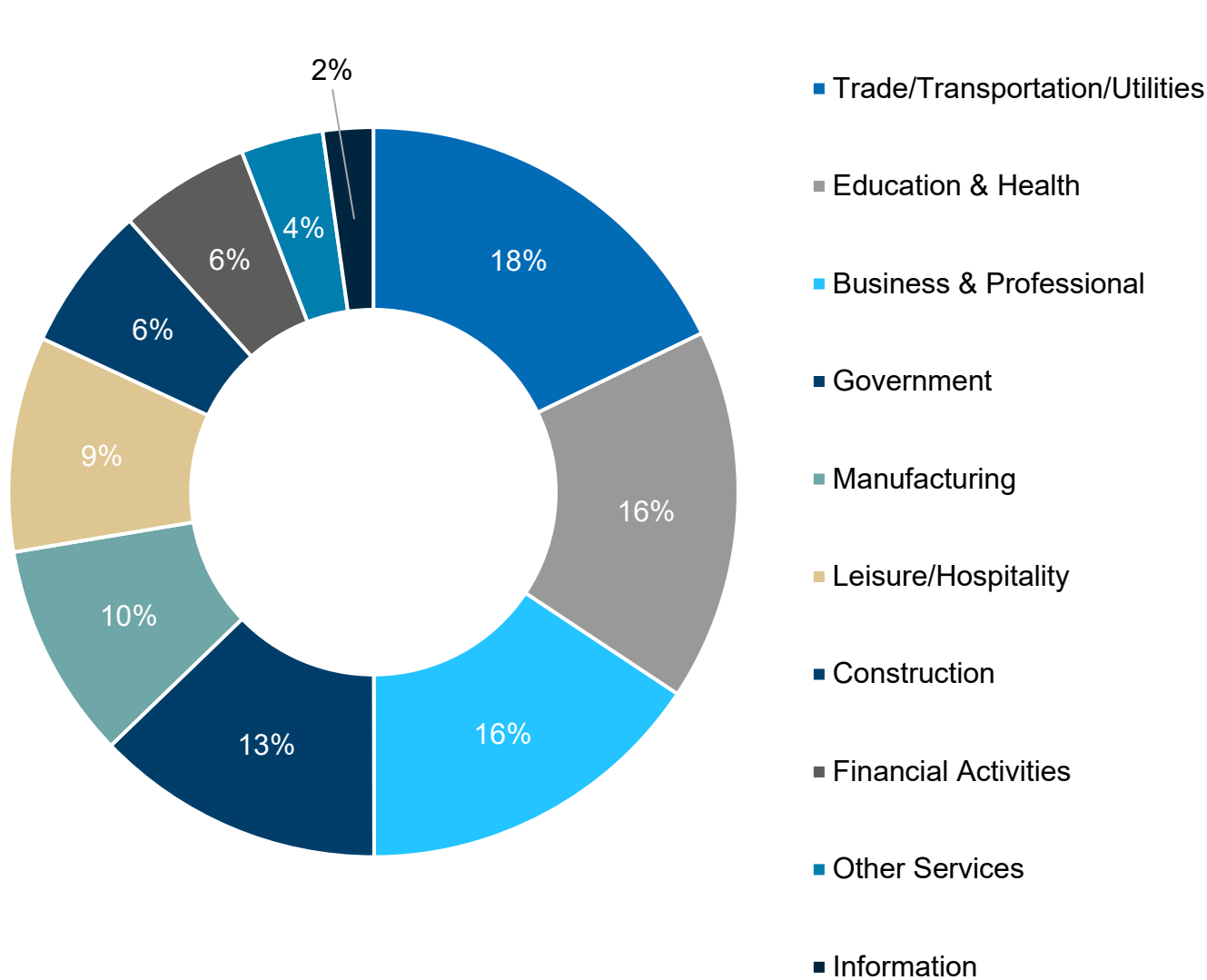


# Industrial Occupiers Highlight Employment Downturn

Industrial sectors posted a slow start to 2025, with all three major industrial-occupying industries recording negative year-over-year job growth. Among them, the trade, transportation, and utilities sector remained the top performer for the second consecutive quarter, despite its own slowdown.

Employment by Industry, 2025

Employment Growth by Industry, 12-Month % Change, February 2025

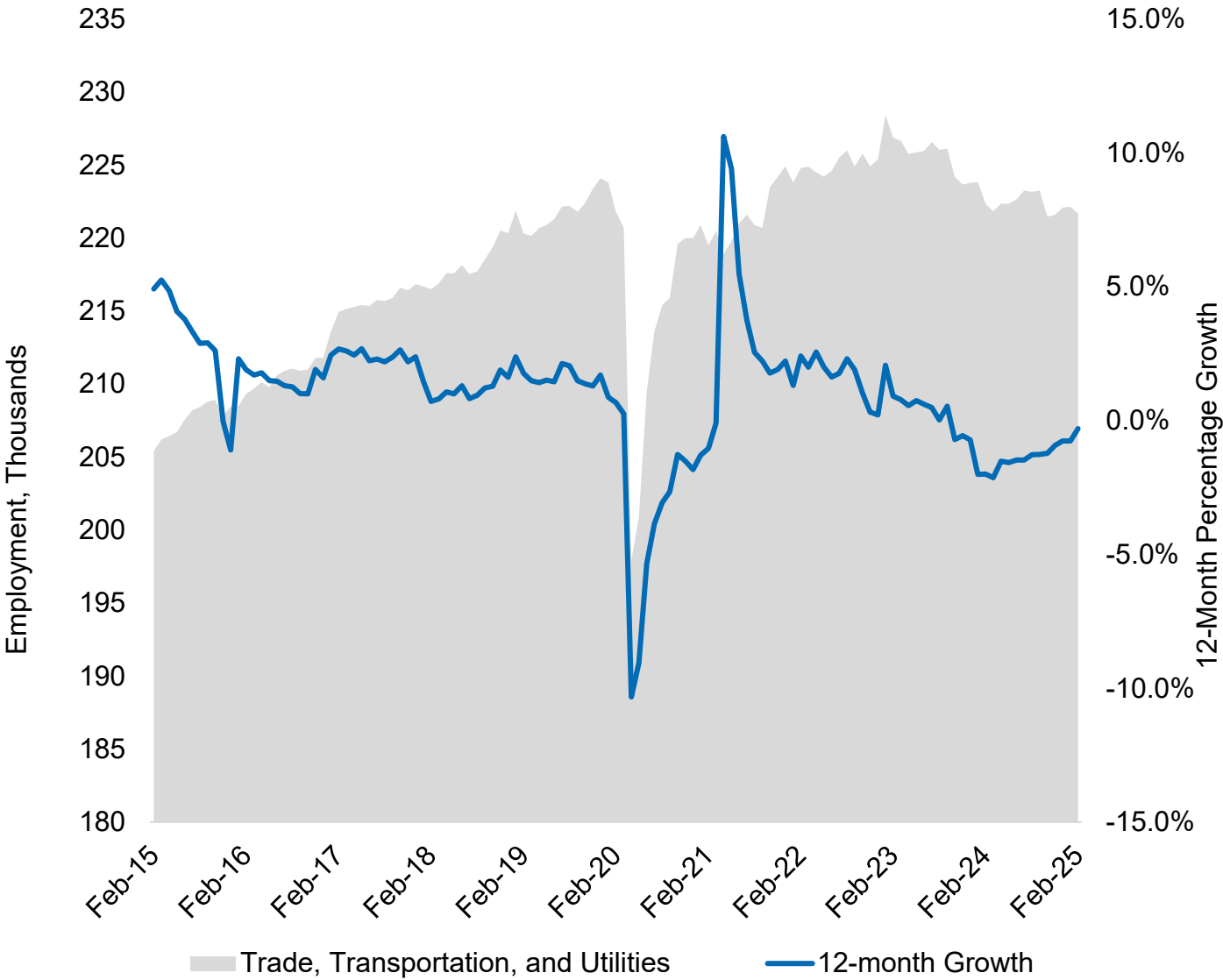


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

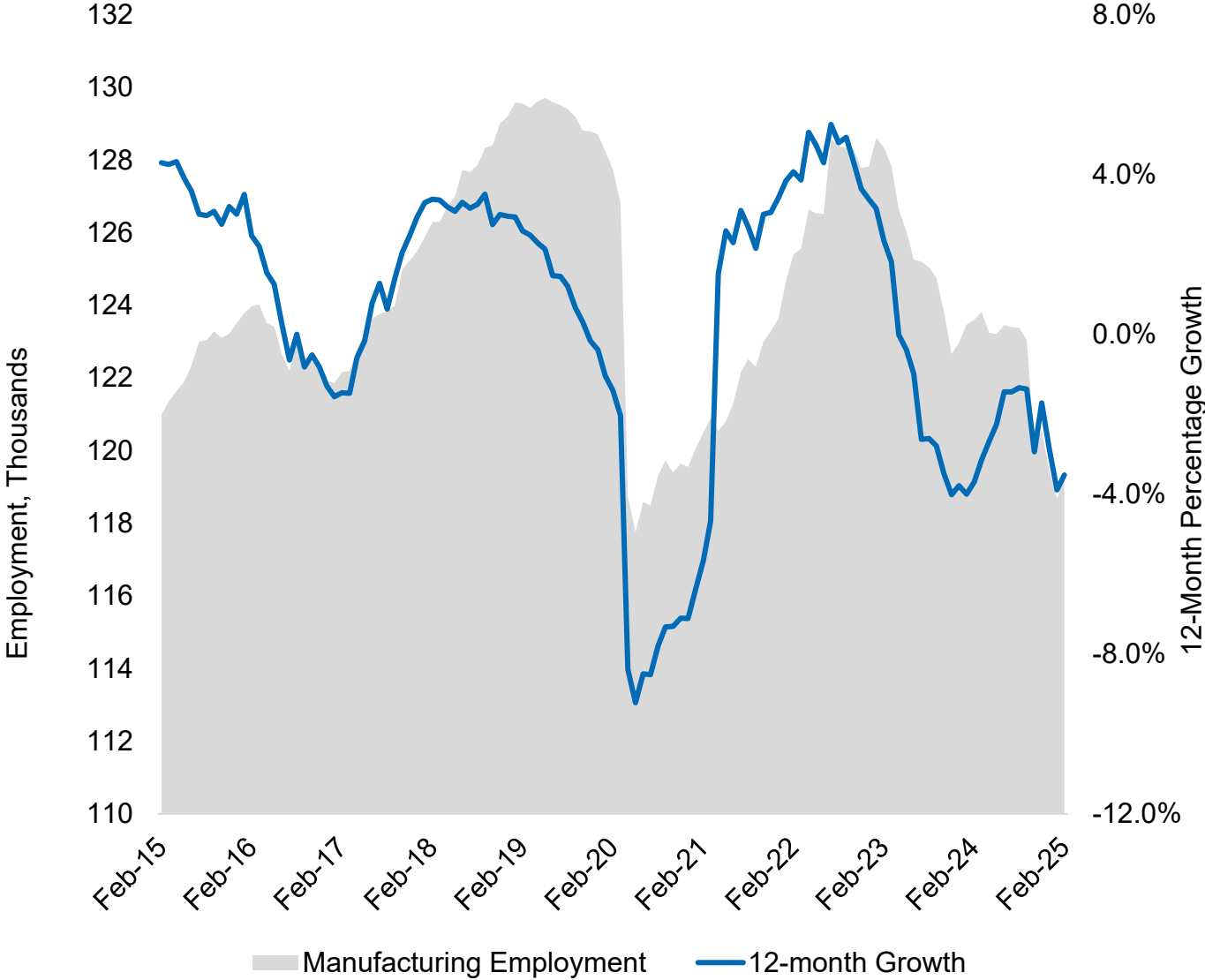
# Manufacturing Employment Continued Measured Decline

The Trade, Transportation, and Utilities sector posted a modest year-over-year gain, ending 40 basis points above numbers seen in the first quarter of 2024. In contrast, Manufacturing sector employment growth declined over the final two quarters of 2024 and remained down to begin 2025.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA



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# Leasing Market Fundamentals

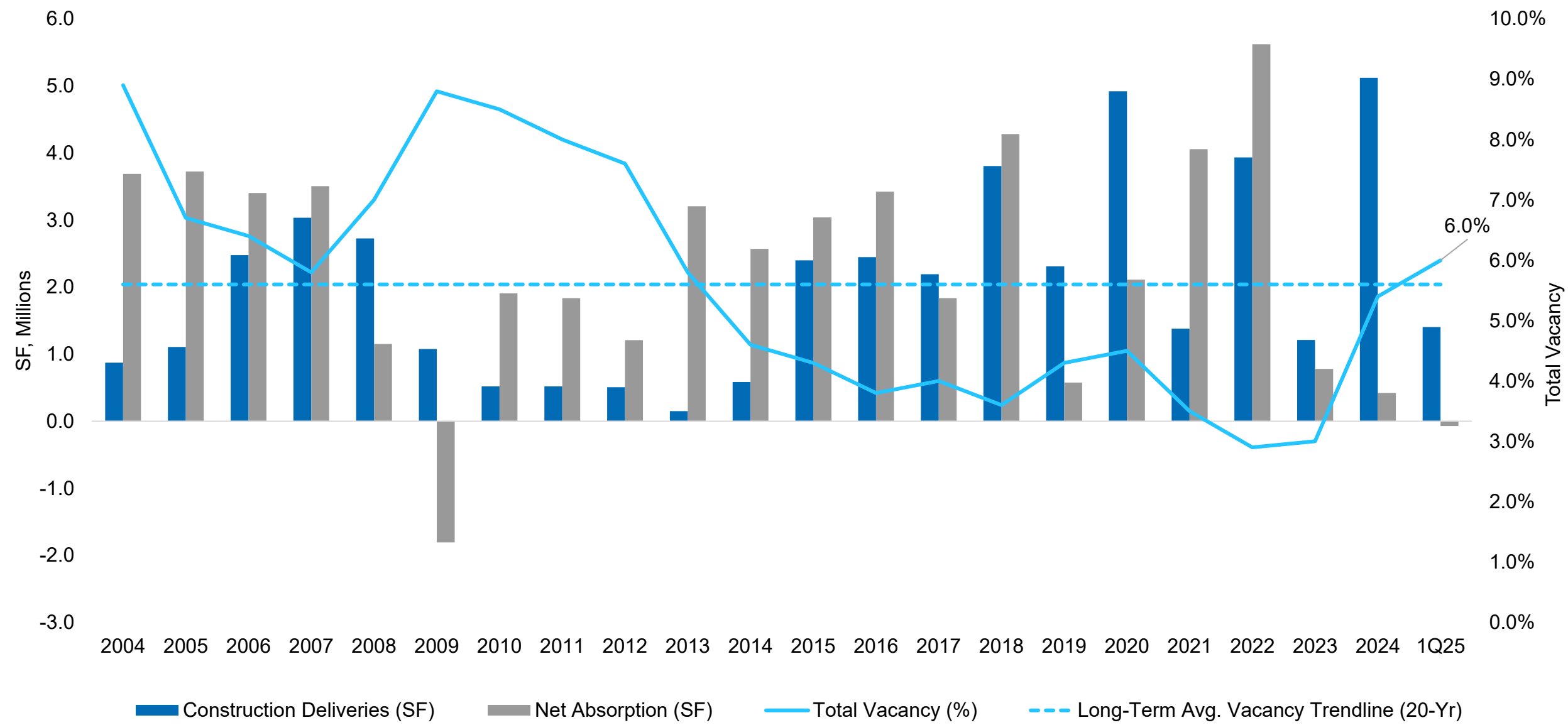




# Total Market Vacancy Crossed 6.0%

Industrial vacancy in Portland rose to 6.0% in Q1 2025, up 60 basis points from the previous quarter. Total net absorption registered negative 70,526 SF, with preleased deliveries partially offsetting an otherwise sluggish start to the year for industrial leasing. This marked the fourth consecutive quarter of rising vacancy across the market.

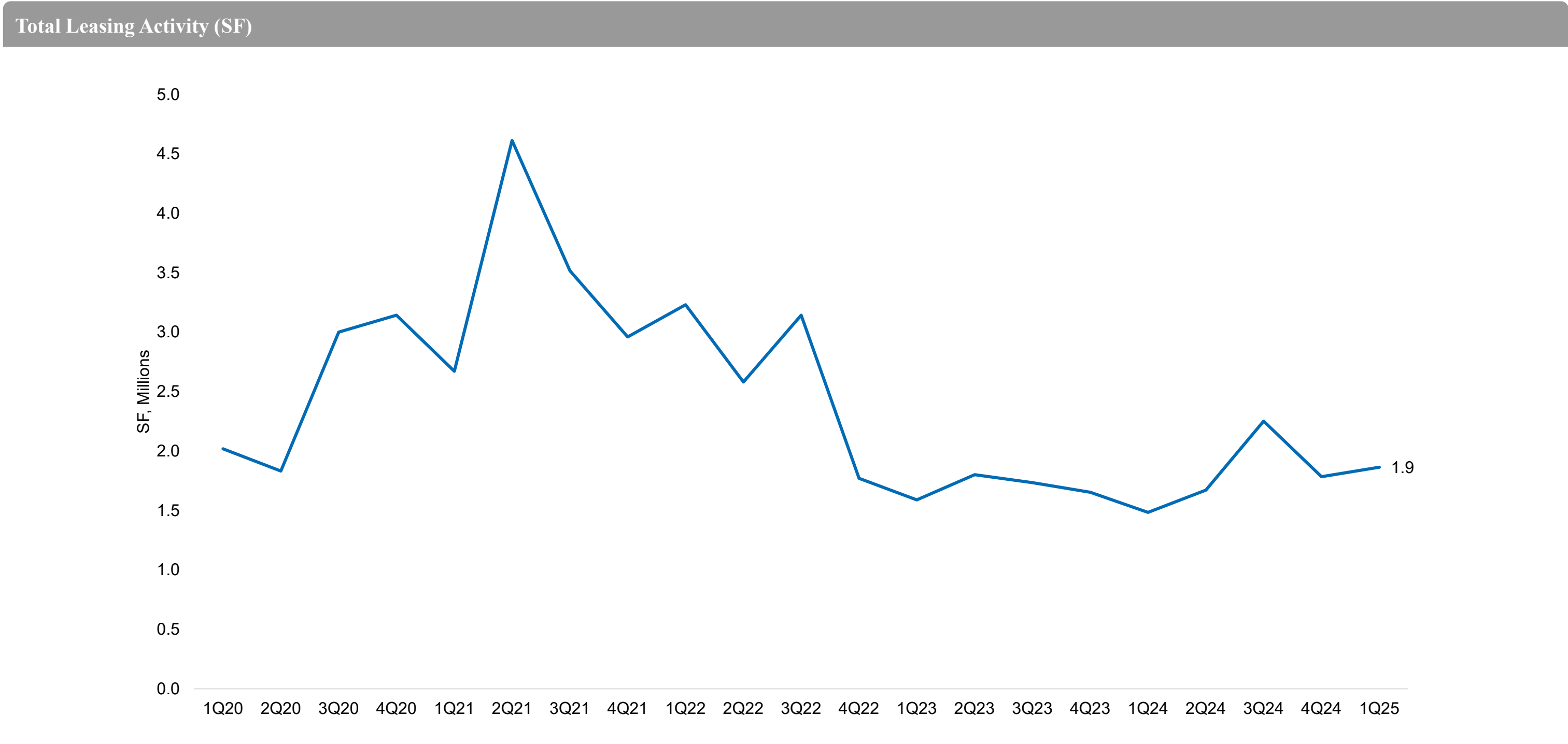
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Leasing Activity Remained Consistent to Begin Year

Total deal velocity reached 1.9 million SF in the first quarter of 2025, holding steady with the previous quarter but falling short of the levels seen during the middle of last year. Activity was largely concentrated in the NE/Columbia Corridor and Sunset Corridor submarkets.



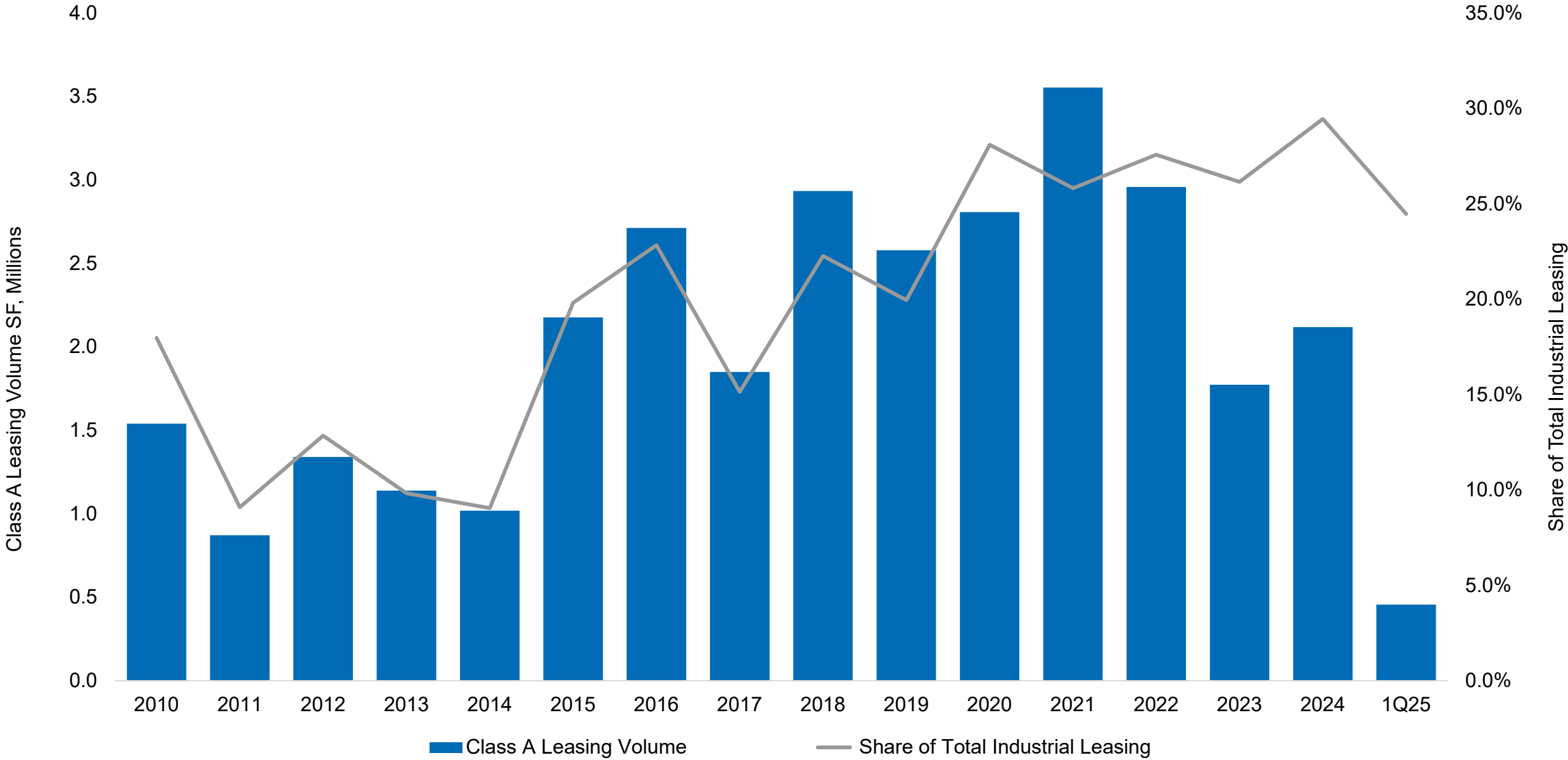
Source: Newmark Research, CoStar



# Class A Leasing Volume Dipped in 1Q25

Class A leasing activity as a percentage of total deal velocity dropped to 24.4% in the first quarter. The increase in small and mid-size deals on the market likely contributed significantly to the decline in Class A product’s market share.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar



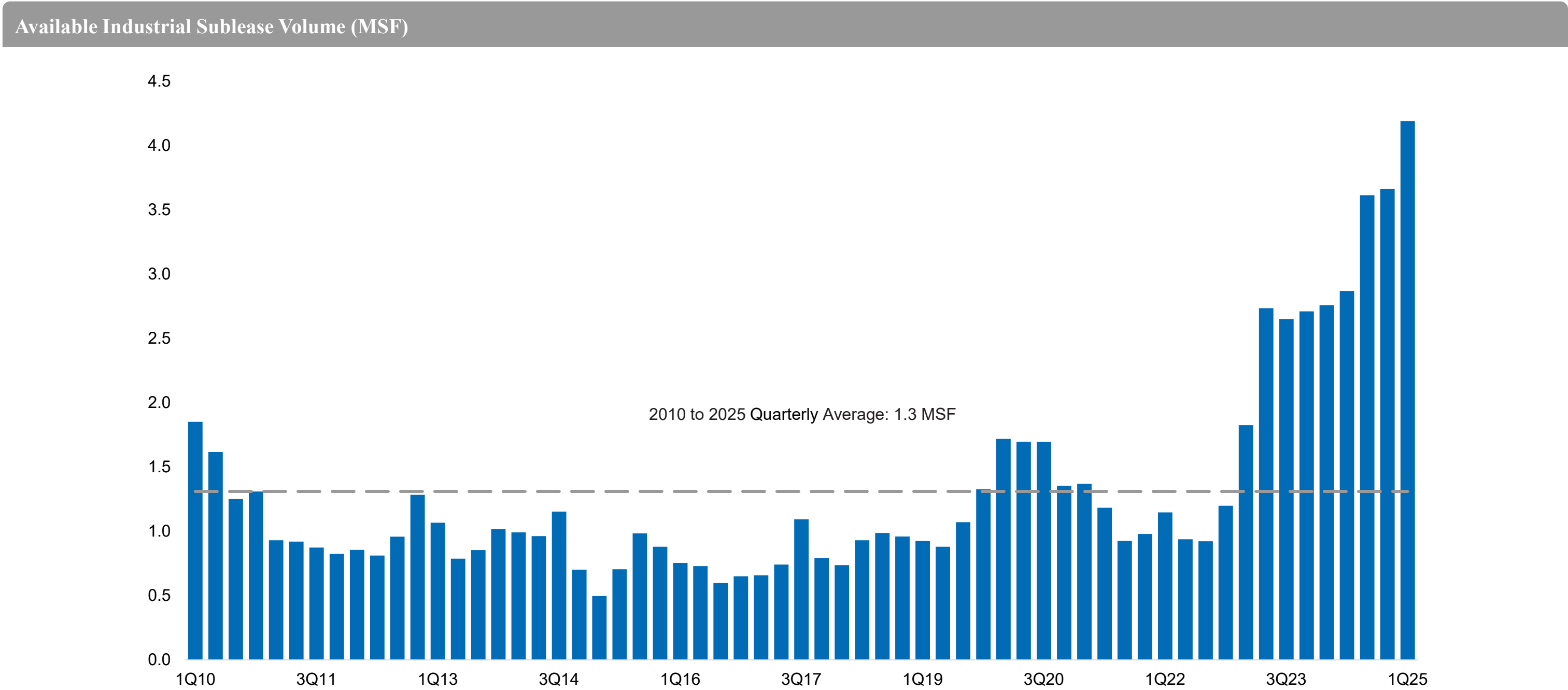


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# Industrial Sublease Market Continued to Add Space

Sublease availability continued to increase in the first quarter of 2025, reaching nearly 4.2 million SF of available inventory. This represents more than three times the 15-year average for the Portland market, highlighting a significant shift in market dynamics. Currently, sublease space makes up 1.9% of all available inventory, reflecting a growing trend of tenants adjusting their real estate needs amidst uncertain market conditions.



Source: Newmark Research, CoStar





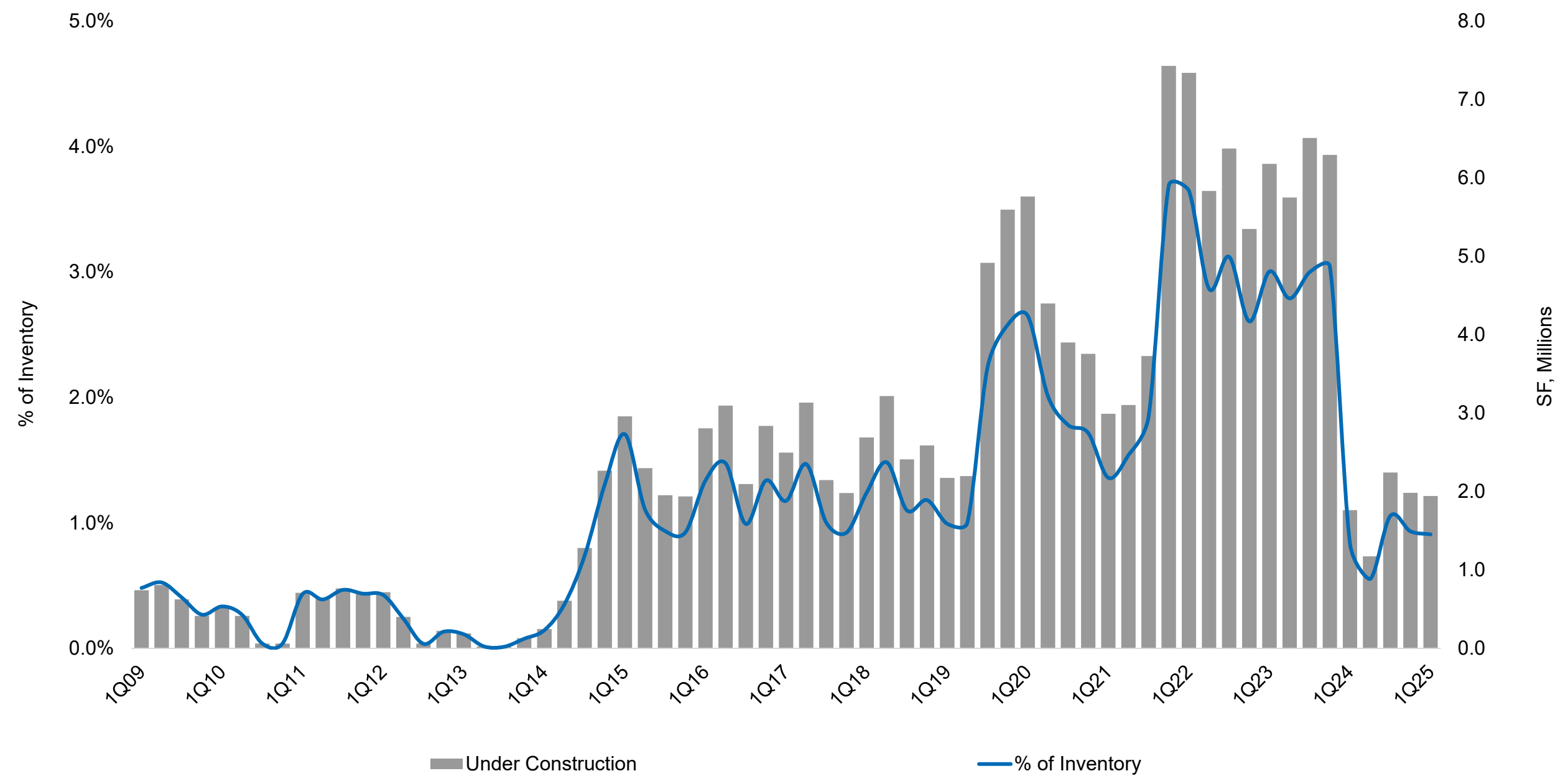
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# Construction Pipeline Remained Consistent for First Quarter 2025

A total of 1.9 million SF is currently under construction across the Portland industrial market, with 1,089,797 SF dedicated to general industrial space. Several large deliveries are scheduled for the second and third quarters of 2025, including the 647,762-square-foot Bridge Point Vancouver 600 project in Clark County. These upcoming completions are expected to further impact market dynamics, particularly in terms of increasing vacancy rates in the affected submarkets.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar





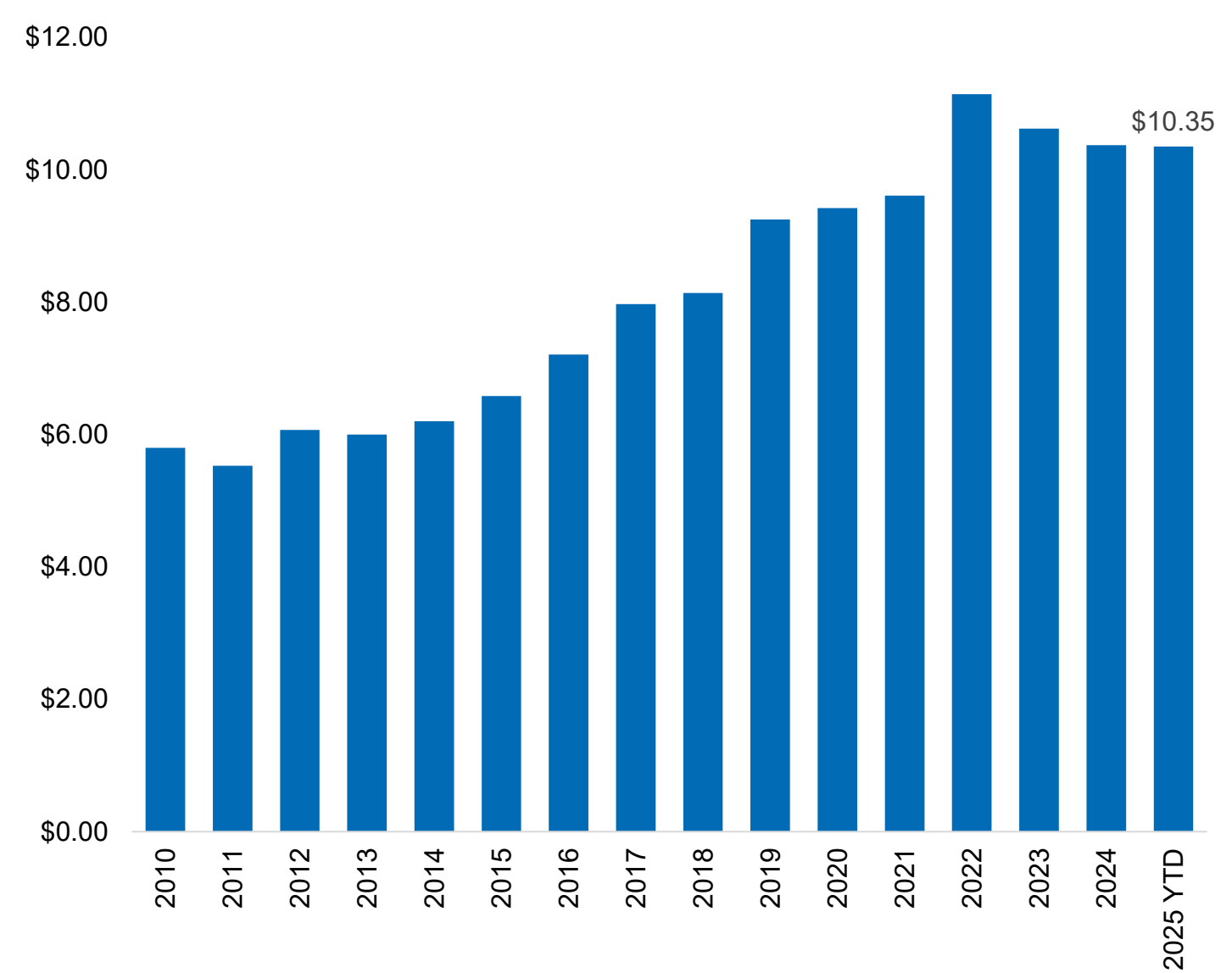
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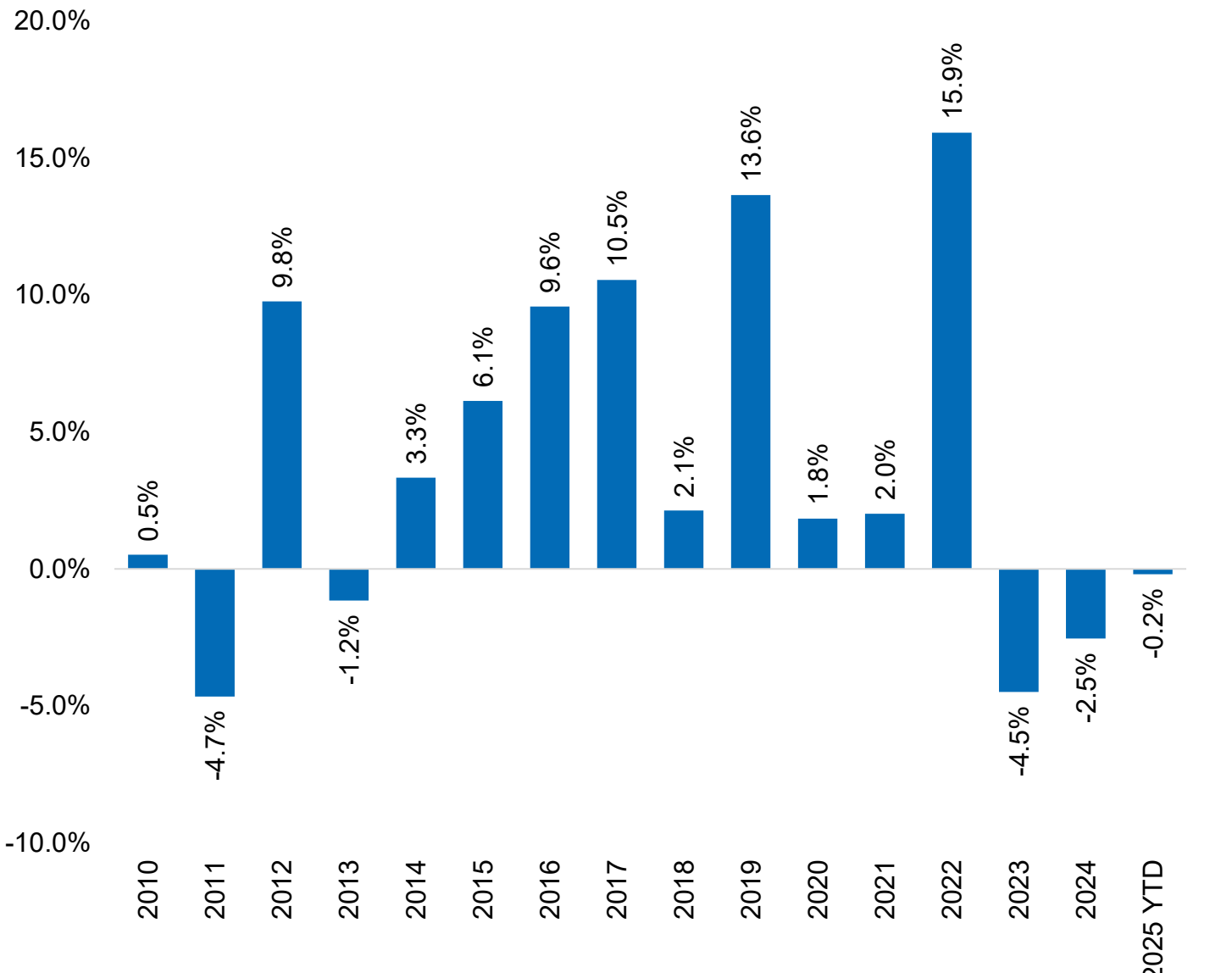
# Average Asking Rent Hovered Near 2024 Levels

Average asking rents at the start of 2025 were only 20 basis points lower than the same period in 2024, reflecting ongoing fluctuations across different asset classes. Total asking rates remain well below the peak levels seen in 2022, with the market-wide average at \$10.35/SF.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar





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# Notable 1Q25 Lease Transactions

The NE/Columbia Corridor accounted for three of the largest leases in a quarter that was mainly comprised of small box and medium-sized leases, a turnaround after multiple consecutive quarters of large leasing being heavily concentrated in the I-5 South Corridor.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Panthalassa <i>The renewable energy company committed to a new footprint in the NE/Columbia Corridor.</i>	5536 NE Hassalo St	NE/Columbia Corridor	Direct New	123,335
Gourmet Foods International <i>The national food distributor took over existing refrigeration/cold storage infrastructure.</i>	1740 SE Ochoco St	Milwaukie/Clackamas	Direct New	120,000
Omni Logistics <i>The logistics company took over approximately 41% of Building A at 138 Logistics Center.</i>	4600 NE 138 <sup>th</sup> Ave	NE/Columbia Corridor	Direct New	113,500
Sonepar Management <i>The B2B distributor renewed in its current building.</i>	3003 NE 172 <sup>nd</sup> PI	NE/Columbia Corridor	Renewal	109,998
Oregon Electric Group <i>The Portland based company will occupy new construction in Sewell Corporate Park in the Sunset Corridor.</i>	4915 NE Sewell Ave	Sunset Corridor	Direct New	104,540

Source: Newmark Research

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# Appendix / Tables







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