

2Q25

# Portland Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- Unemployment across Portland rose again in the second quarter of 2025, reaching 4.5%, representing a 20-basis-point increase compared to early 2025.
- Although there was a pronounced decline in overall industrial employment in Portland, year-over-year job growth remains neutral in the region overall.
- Employment declines were pronounced in the industrial sector, where manufacturing contracted by 5.1% and construction posted a 3.1% reduction. These losses highlight ongoing headwinds facing core segments of the region's industrial labor market.
- Industrial employment declined for the third consecutive quarter, underscoring persistent softness in the sector as challenging market conditions extend further into 2025.

## Major Transactions

- General Assembly LLC sold 100 NE Farragut St, an 70,633-SF industrial property in the NE/Columbia Corridor to a private buyer. The property sold for \$12.10 million, or \$171/SF.
- Grand Boulevard Investments LLC purchased a 37,092-SF building in Clark County located at 2424 E 2<sup>nd</sup> St, for \$9.70 million, or \$262/SF. The seller was Watumull Properties Corp.
- Triple J Holdings LLC acquired 7075 S 5<sup>th</sup> St, an 56,375-SF industrial building in Clark County. The property was purchased for \$8.55 million or approximately \$152/SF.

## Leasing Market Fundamentals

- Absorption in the first quarter recorded negative 781,472 SF as multiple large block vacancies were realized across the market.
- Vacancy rates increased to 6.3%, a 30-basis point increase from the first quarter of 2025.
- Statistically weak performance in the I-5 South Corridor and NE/Columbia Corridor submarkets underlines softening market fundamentals for industrial leasing.
- Overall leasing activity was up slightly from the first quarter of 2025, and while net absorption outpaced the elevated activity, it is a positive indicator that there is still a healthy level of demand for industrial product moving forward.

## Outlook

- Vacancy rates are poised to climb further in the coming months, driven by soft tenant demand and a wave of speculative deliveries expected in the second and third quarters of 2025. This expansion of available space is likely to outpace absorption in the near term.
- Sublease availability remains volatile as occupiers reevaluate long-term space needs in response to evolving operational strategies and continued economic uncertainty.
- Rental trends are expected to diverge by asset type, with premium industrial properties maintaining strong demand and pricing power, while older or less ideally located spaces may need to adjust rates to stay competitive.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

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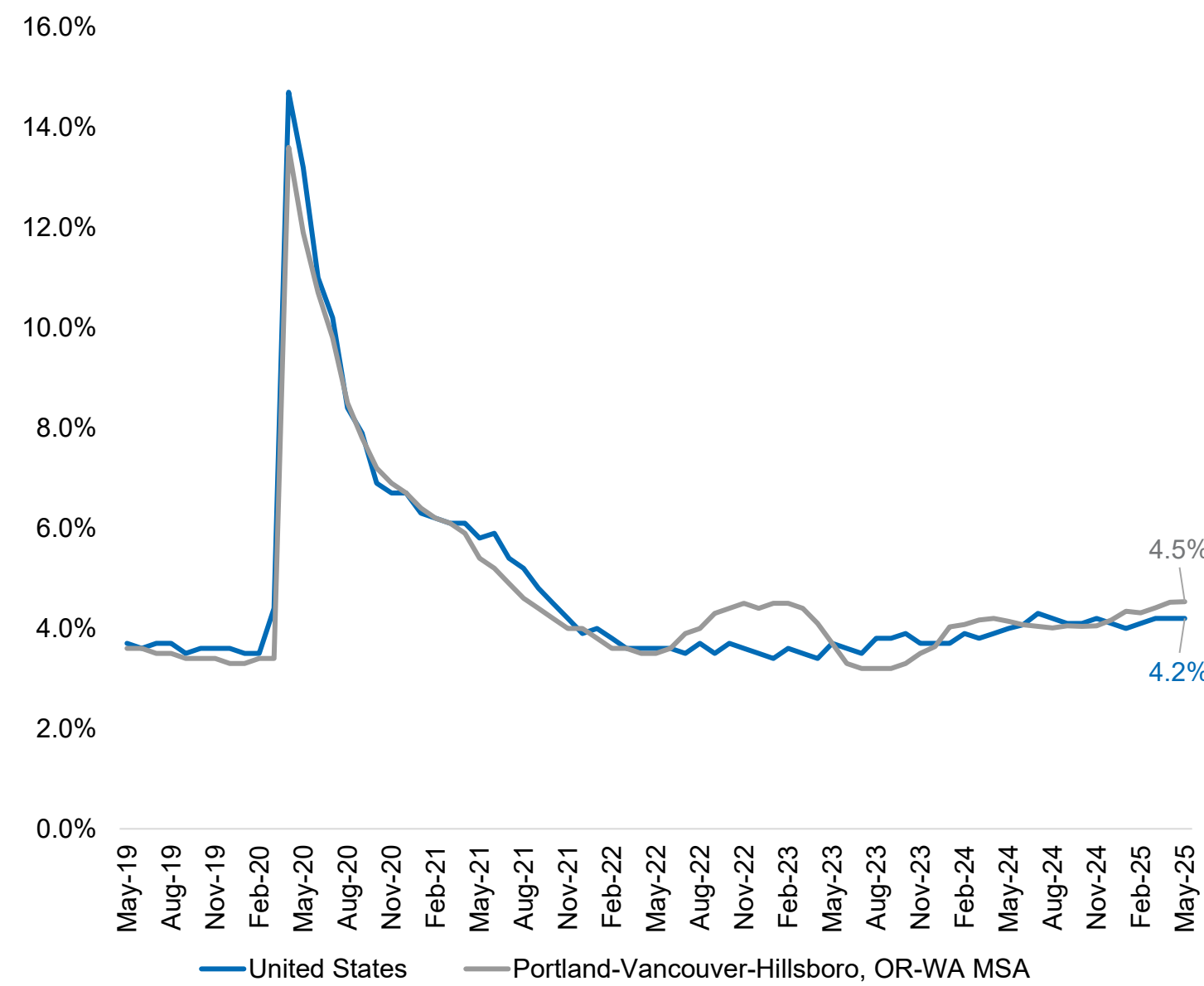
# Leasing Market Fundamentals



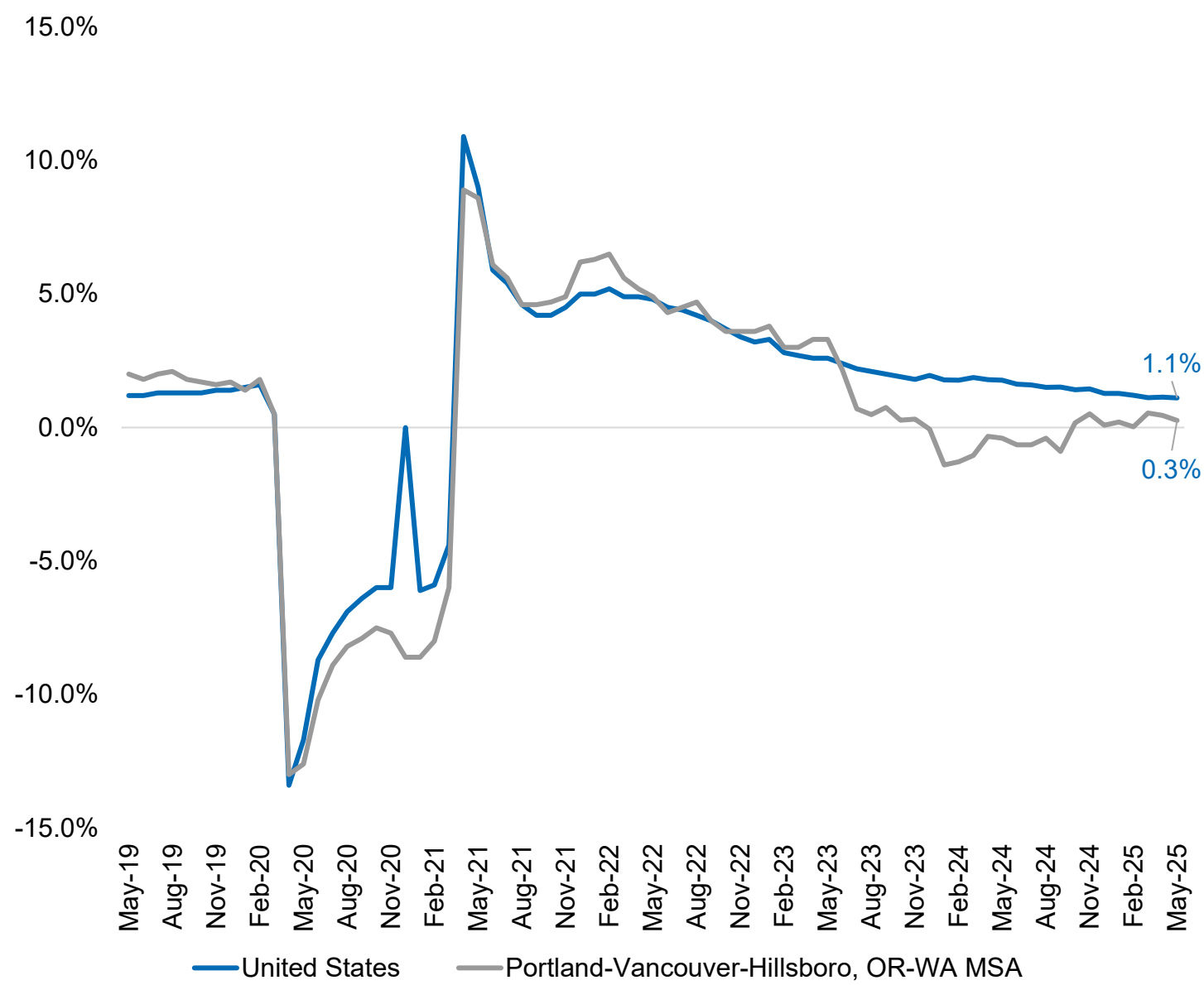
# Unemployment Rate Rose in 2Q25

Unemployment rose for the second consecutive quarter, with the market-wide rate reaching 4.5%. Overall employment remained slightly positive in year-over-year growth, as the gap between the Portland market and the nationwide average widened to 30 basis points.

Unemployment Rate, Seasonally Adjusted



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



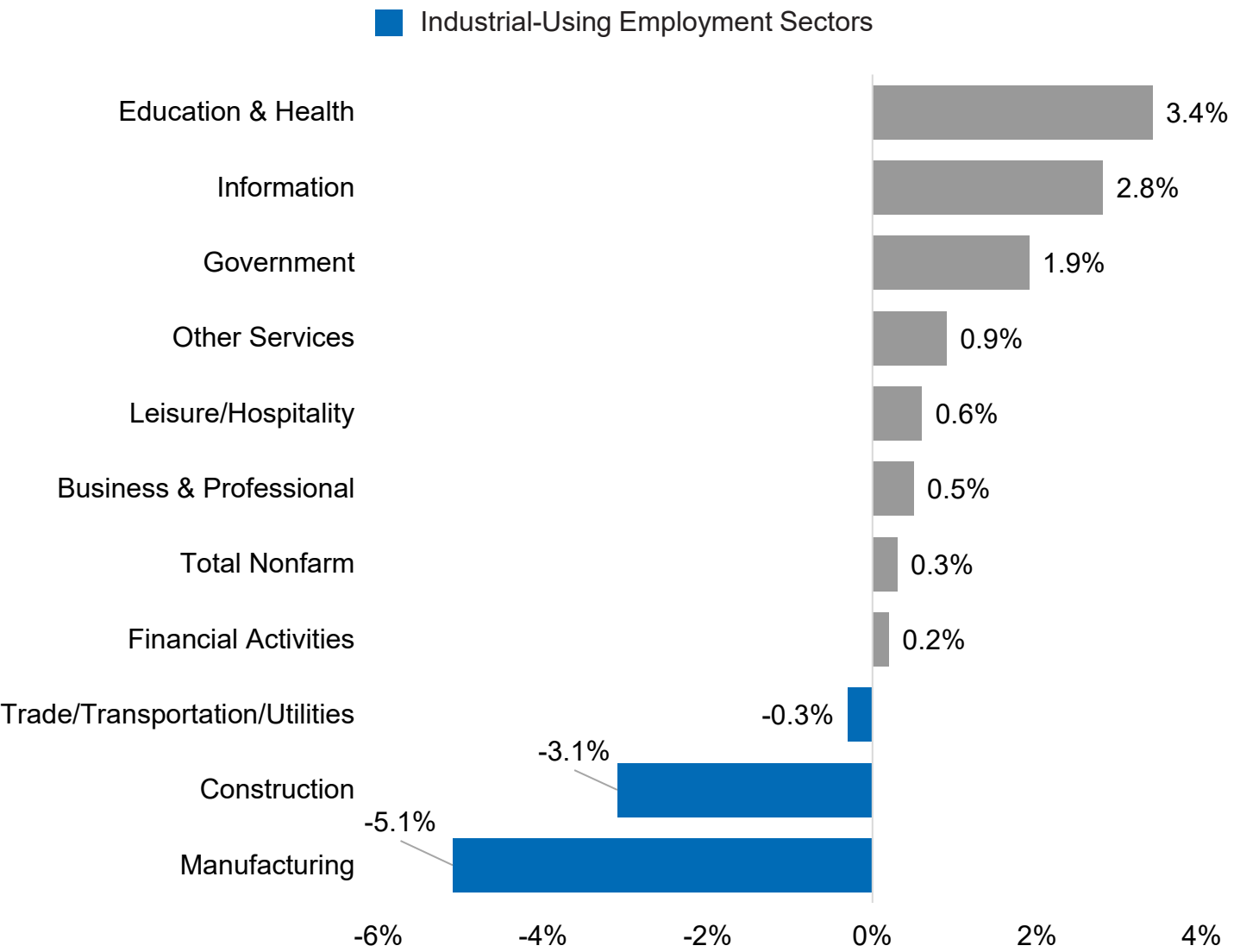
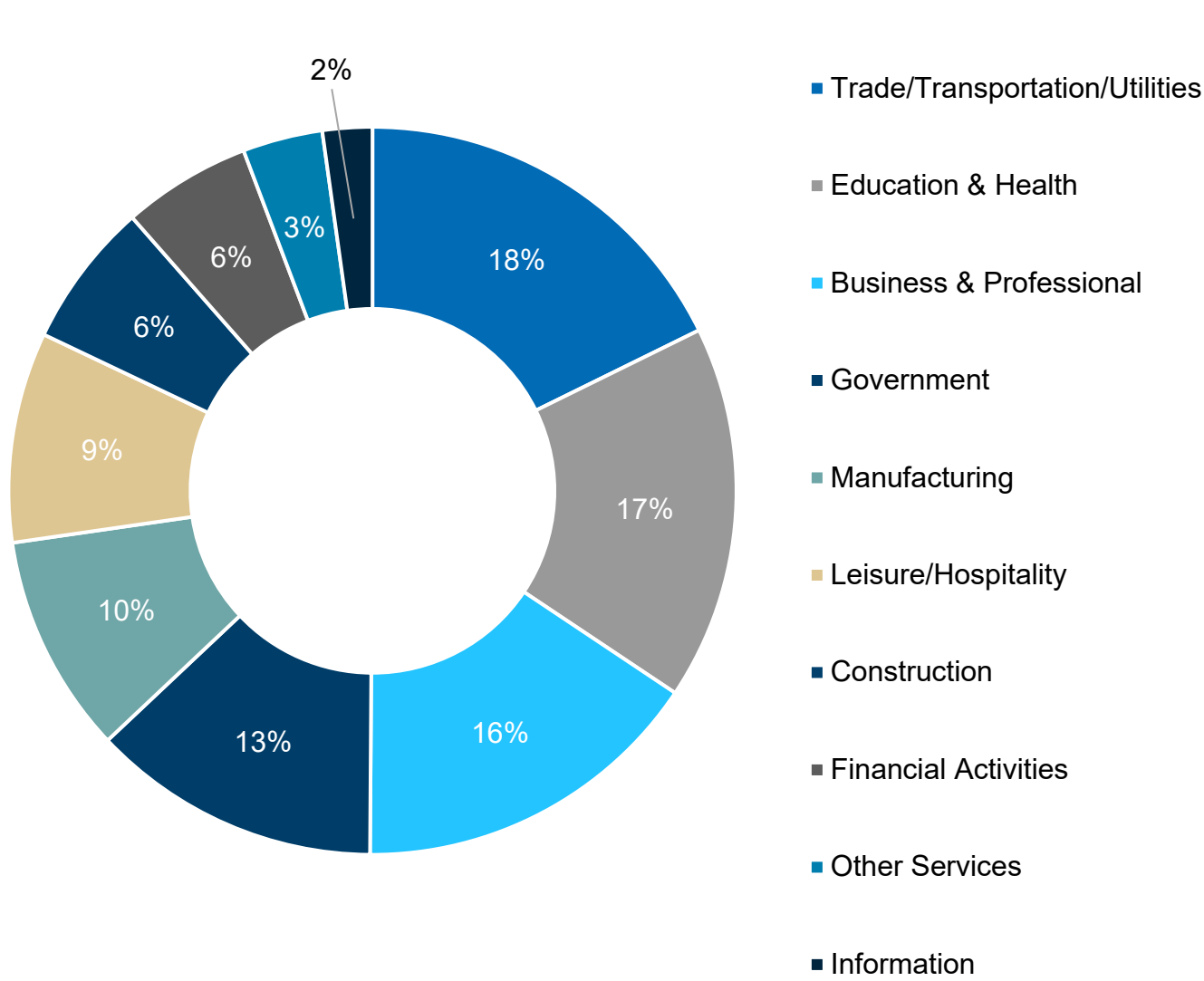
Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

# Employment Contraction Continued in Industrial Sectors

The second quarter of 2025 brought continued challenges for Portland’s industrial employment base, as all key industrial-occupying sectors extended their year-over-year declines. While still outperforming its peers, the trade, transportation, and utilities sector also lost momentum, signaling broader softness across the industrial landscape.

Employment by Industry, May 2025

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

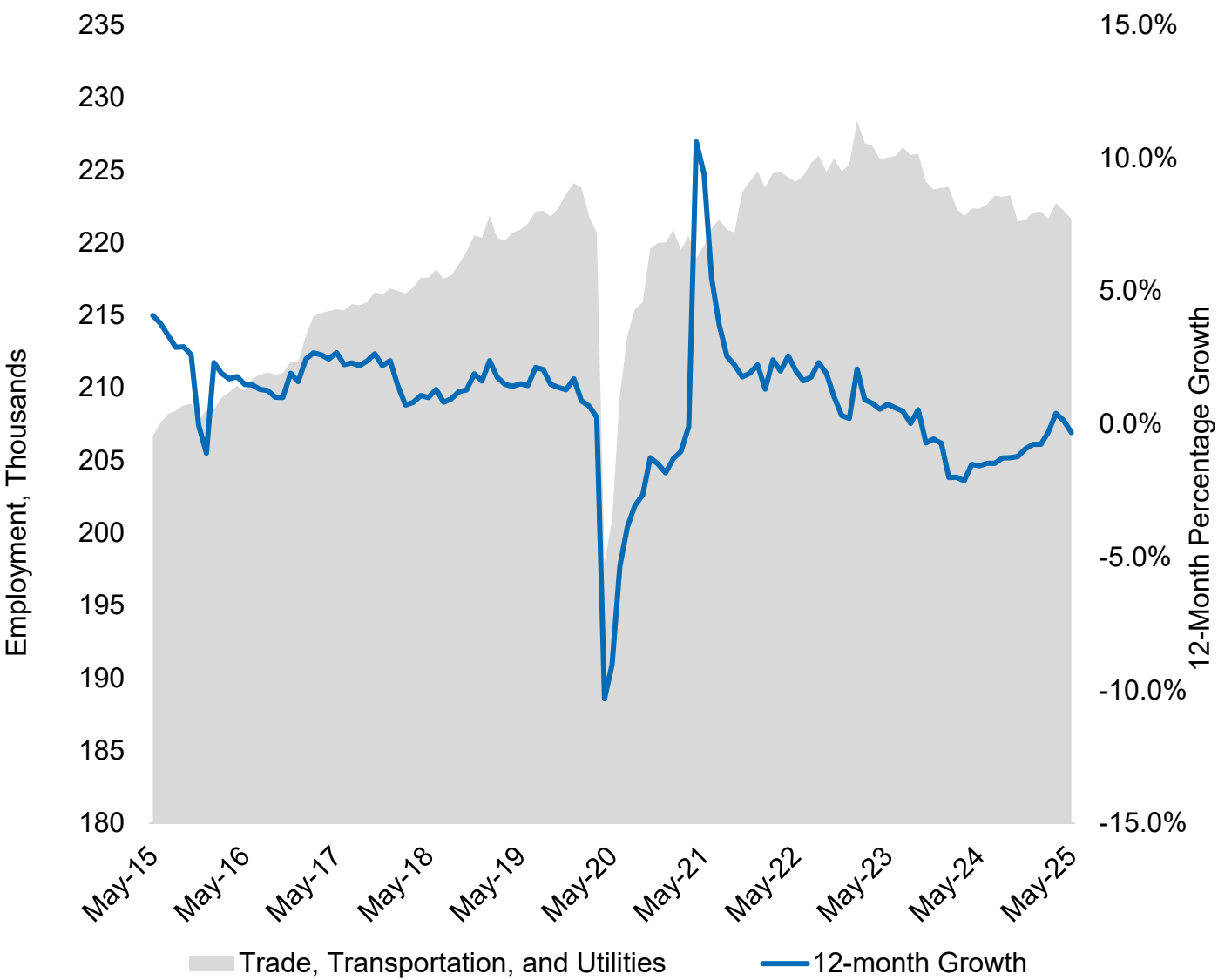


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

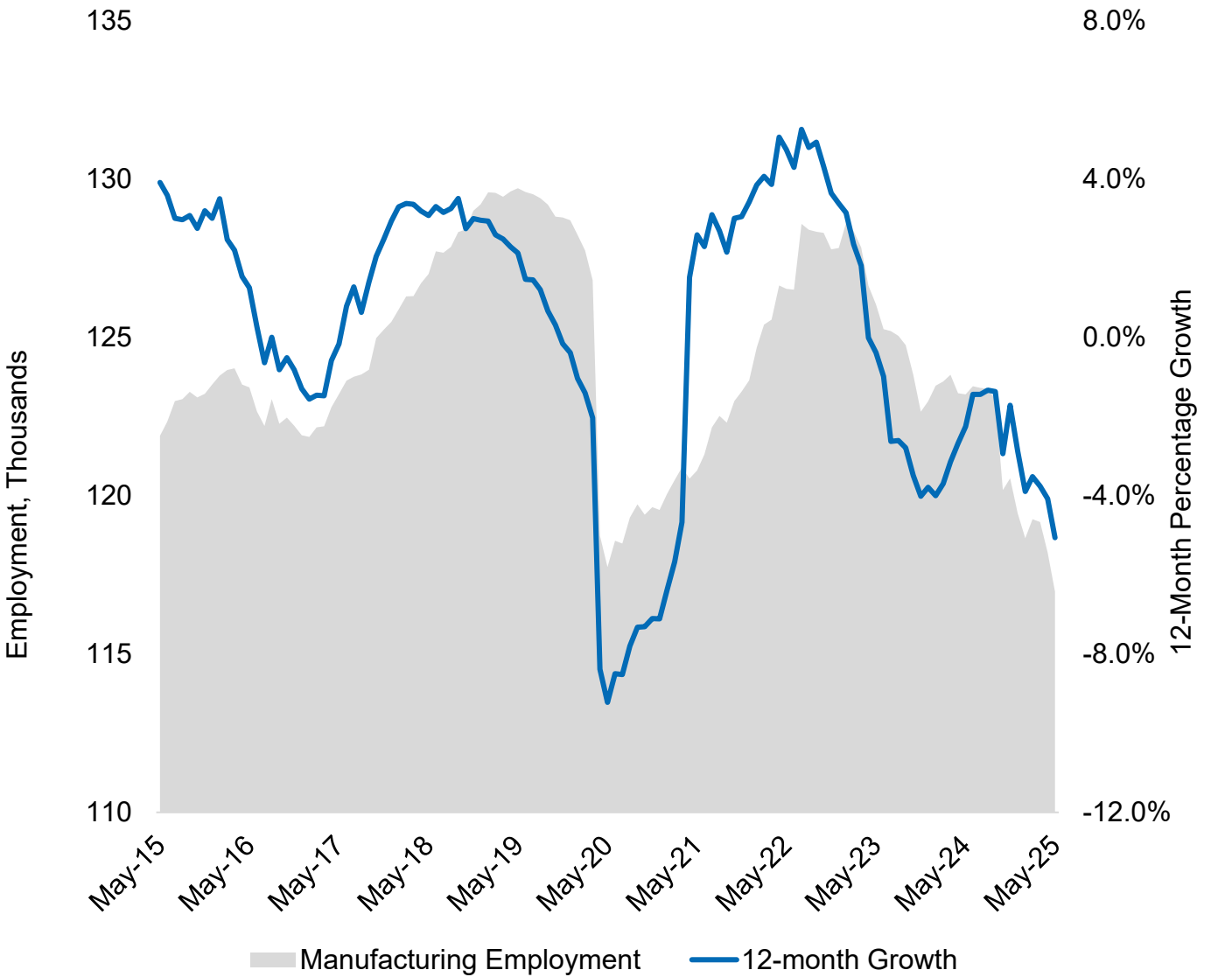
# Continued Softening in Manufacturing Employment

In the second quarter of 2025, the Trade, Transportation, and Utilities sector saw a modest decline, though it continued to outperform other industrial sectors. Manufacturing employment also remained on a downward trend, extending job losses sustained over the past year.

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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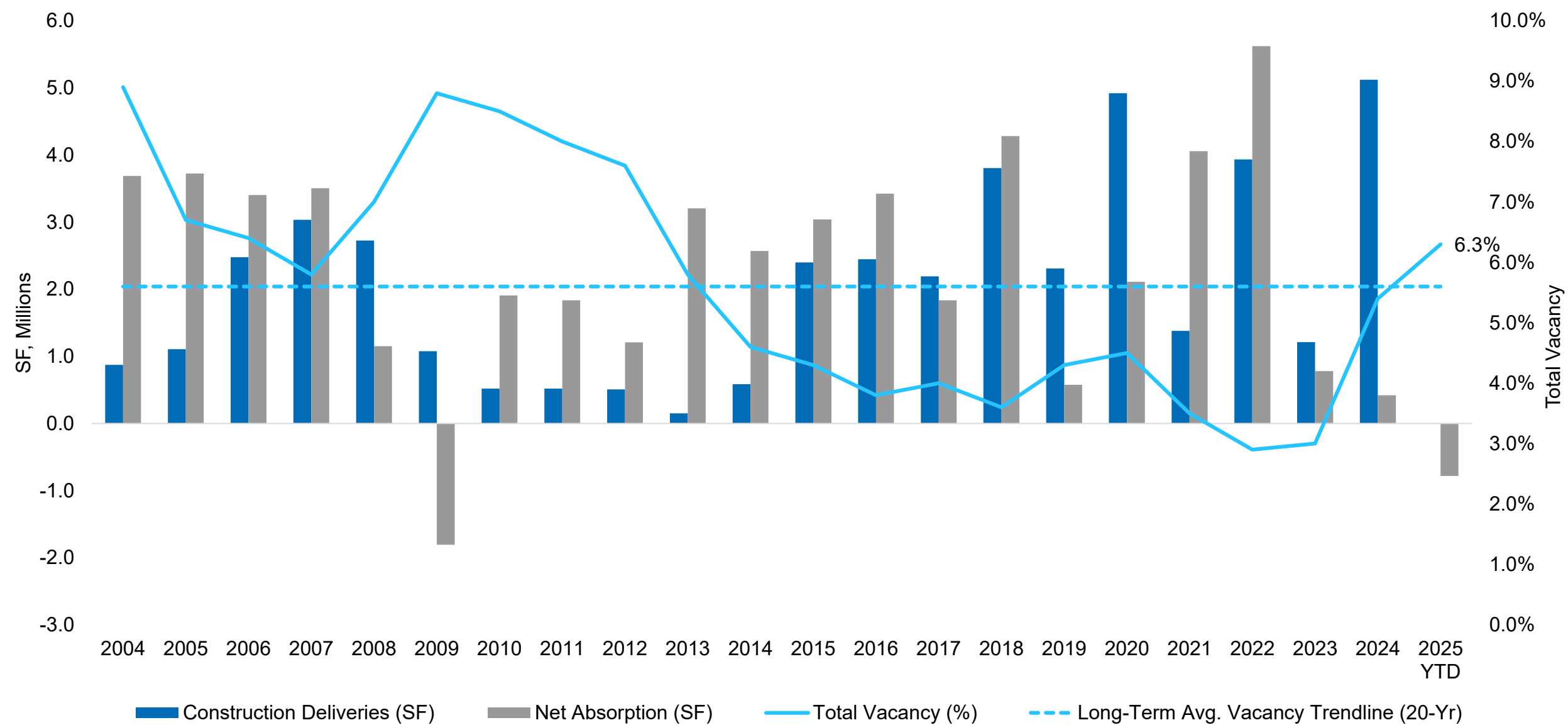
# Leasing Market Fundamentals



# 2Q25 Brought Further Rise in Market Vacancy

Industrial vacancy in Portland continued its upward trend in the second quarter of 2025, rising by 30 basis points and marking the fifth consecutive quarter of increases. While large renewals helped temper the impact, overall leasing activity was outpaced again by returning space, contributing to a further softening in market fundamentals.

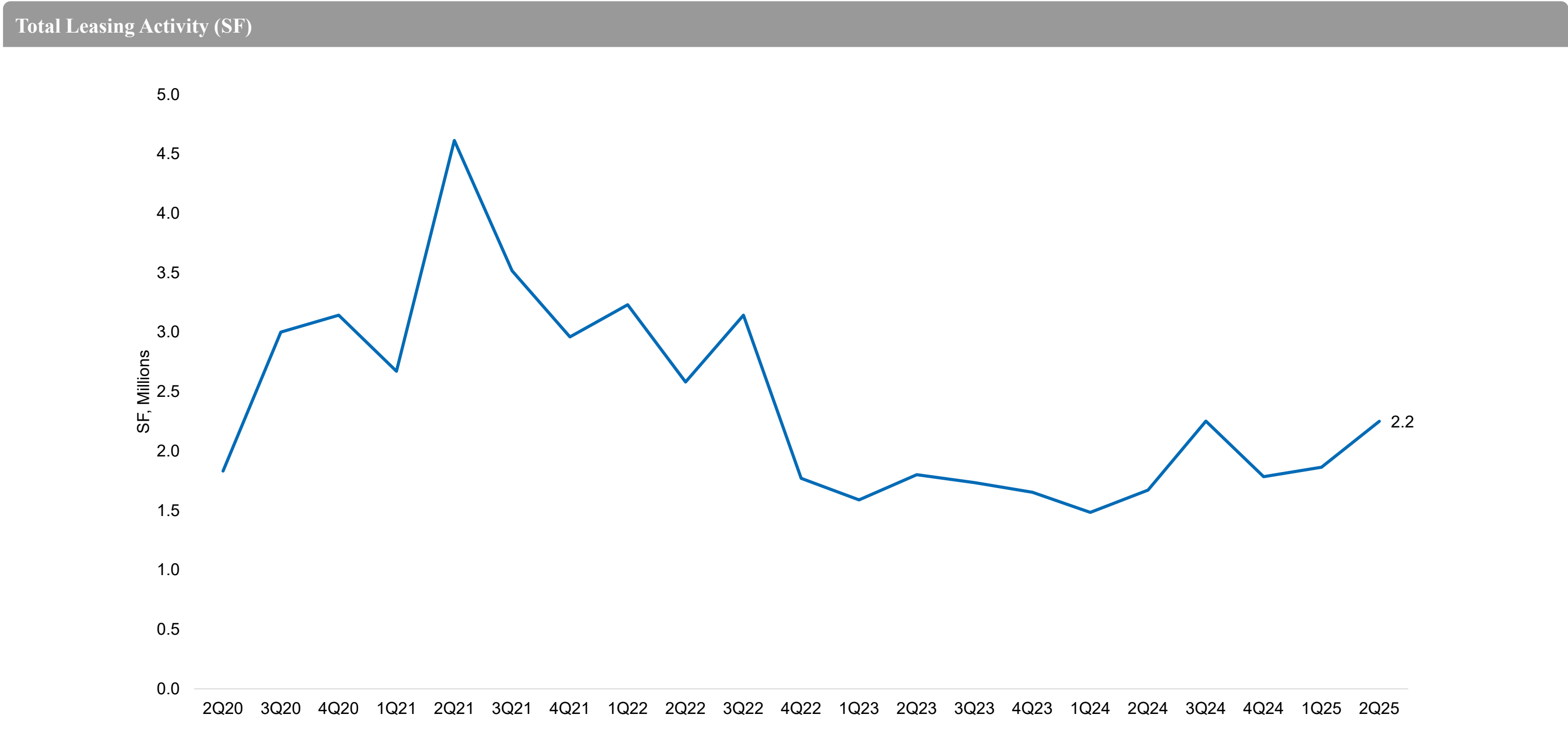
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

# Leasing Activity Posted Modest Gain

Total leasing activity recorded 2.2 million SF in the second quarter of 2025, a slight gain over the previous quarter despite substantial negative net absorption. Activity was largely concentrated in renewals in the NE/Columbia Corridor and Rivergate submarkets.

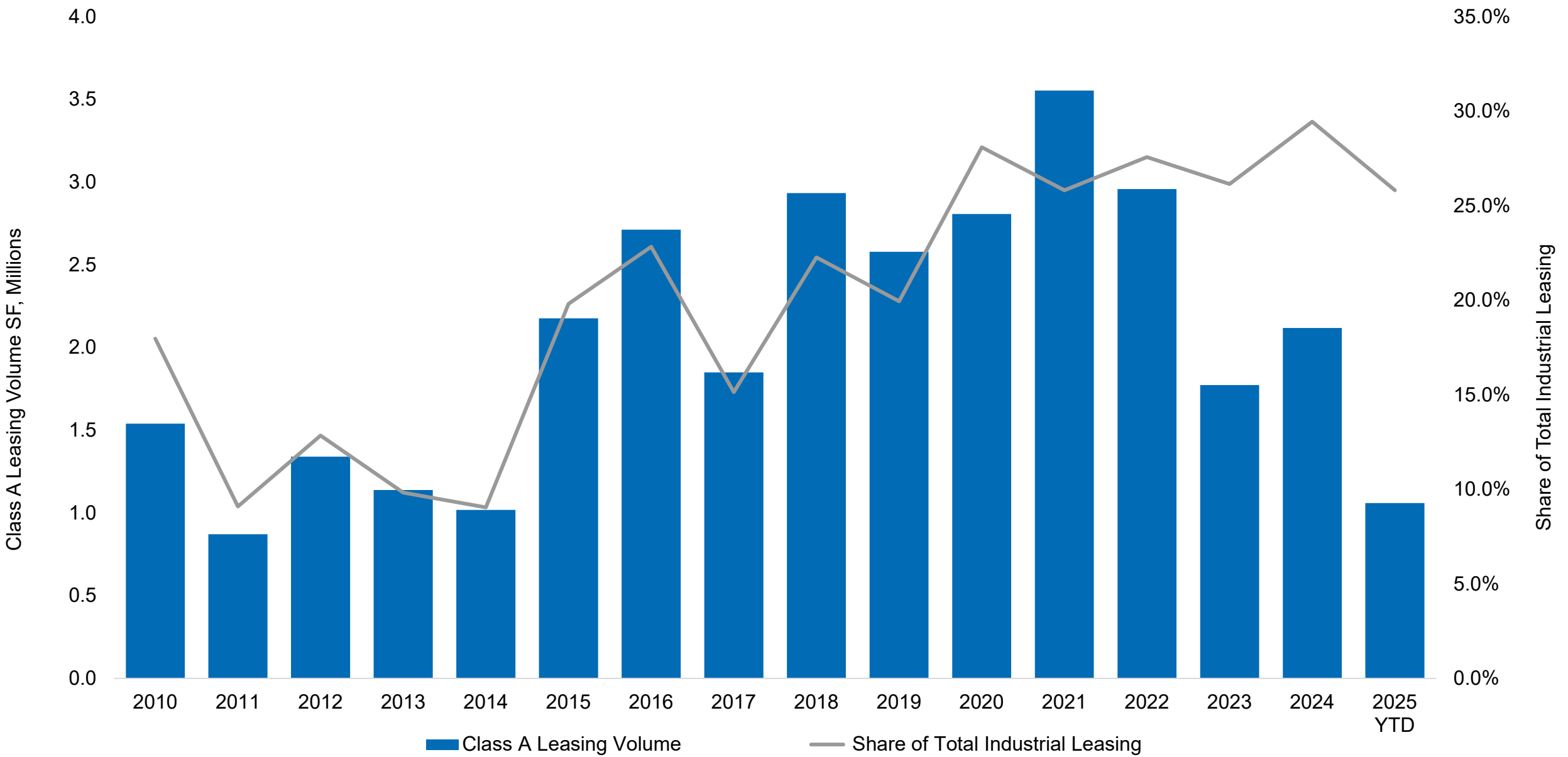


Source: Newmark Research, CoStar

# Class A Leasing Held Steady Under 2024 Levels

In the second quarter of 2025, Class A leasing activity increased slightly from the first quarter, though total volume remained below 2024 levels. Shifts in tenant demands during the downturn played a major role in limiting Class A leasing market share.

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



Source: Newmark Research, CoStar

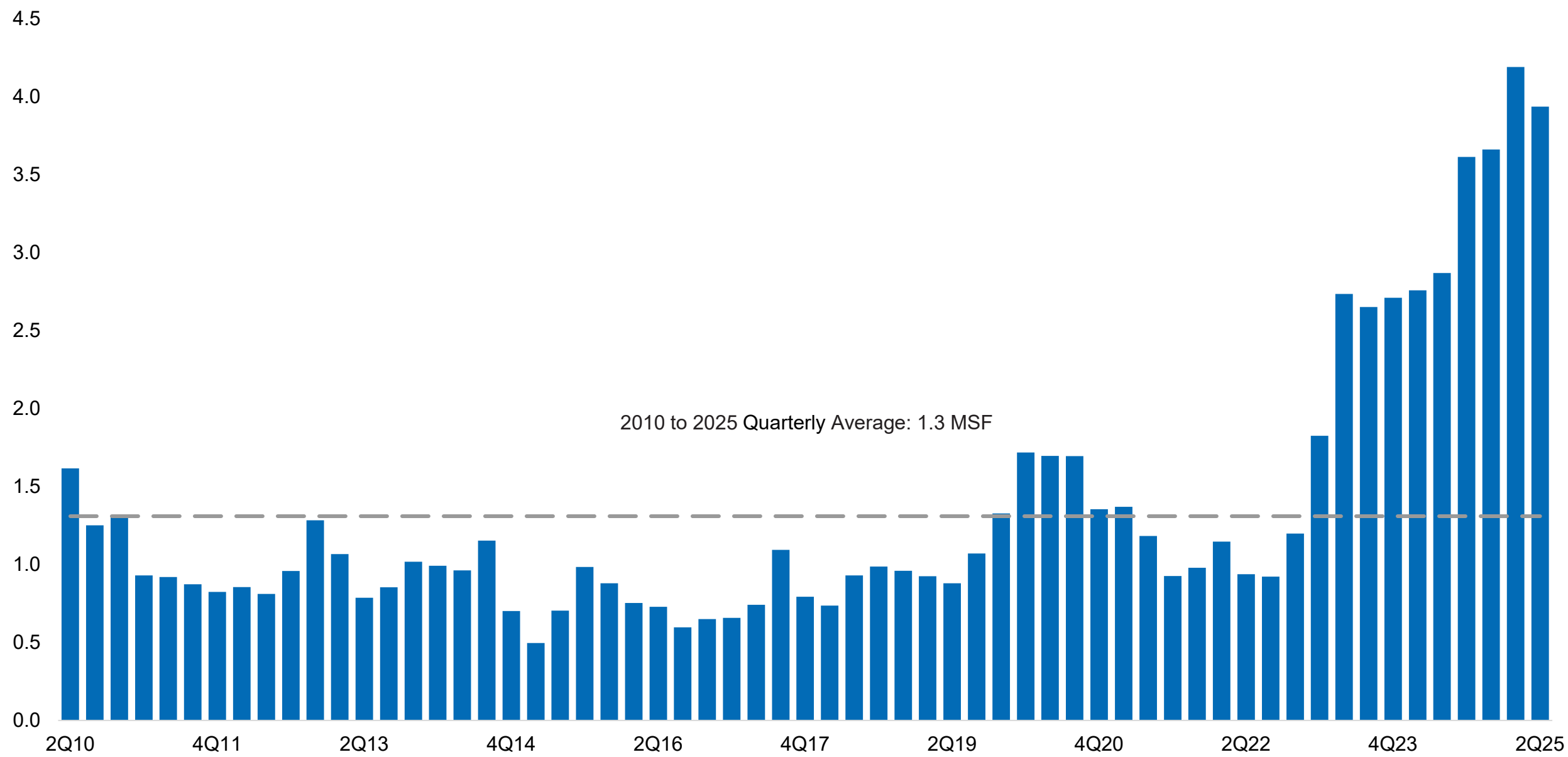


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# Sublease Market Saw Small Retraction in 2Q25

In the second quarter of 2025, sublease availability declined slightly, likely as some previously available space returned to the market. Despite this modest drop, sublease inventory remains elevated compared to historical norms, underscoring ongoing shifts in tenant space requirements.

Available Industrial Sublease Volume (MSF)



Source: Newmark Research, CoStar

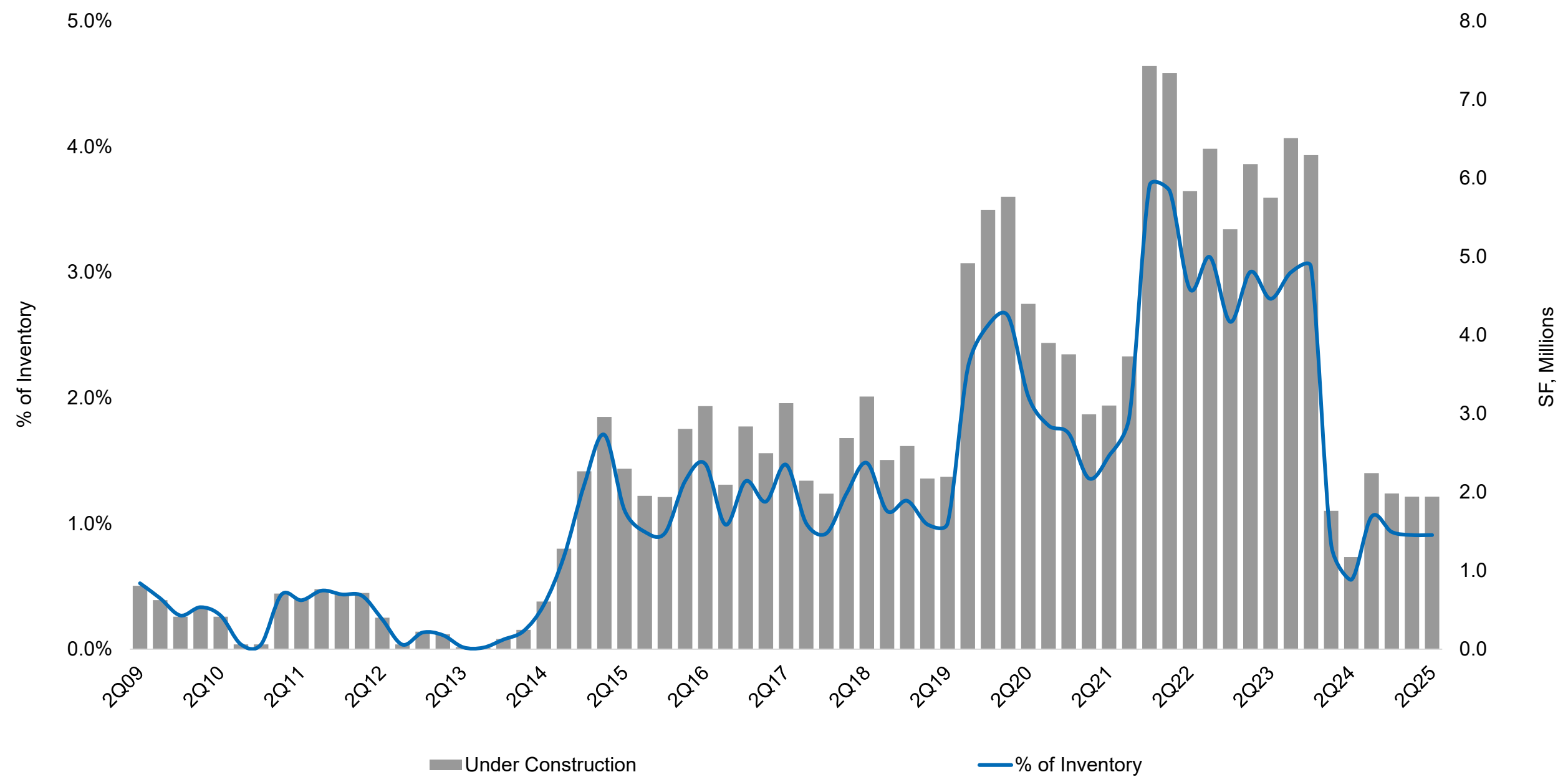


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# Construction Steady as Major Projects Poised for 3Q25 Delivery

The majority of current projects are scheduled for delivery in the third quarter of 2025, with some completions also expected in the second quarter. These new additions are anticipated to further influence market dynamics, particularly by increasing vacancy rates in the impacted submarkets.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

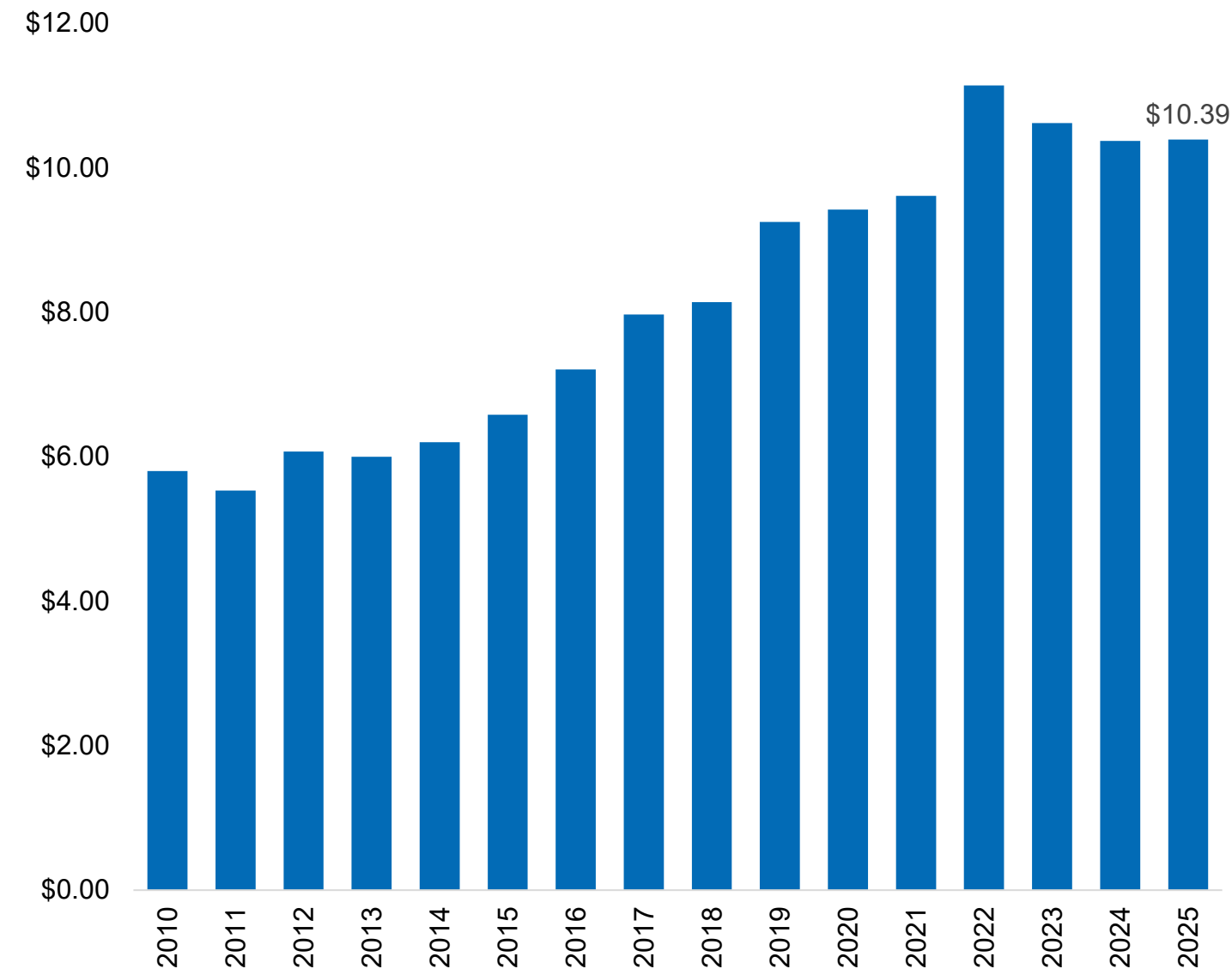
A low-angle, upward-looking shot of a modern building's interior or exterior structure. The image features a complex network of steel beams and girders forming a grid-like pattern. Large glass panels are visible, reflecting light and showing the sky. The perspective creates a sense of height and architectural scale. A solid blue horizontal band is overlaid across the middle of the image, containing white text.

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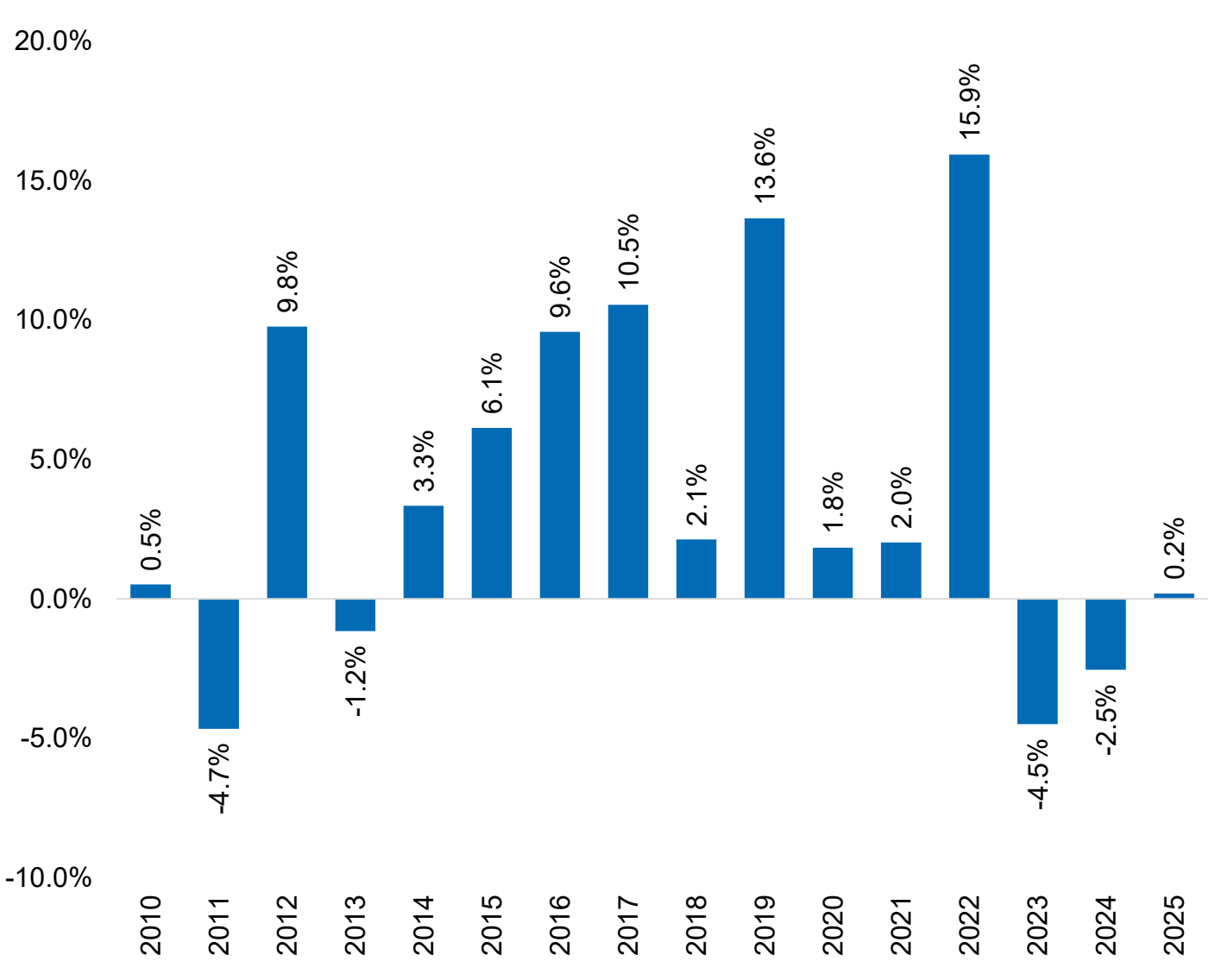
# Average Asking Rent Showed Minimal Change

Although some submarkets have experienced shifts in asking rents, the overall market has remained relatively stable over the past year. While fluctuations continue across different asset classes, asking rates are still notably below the peak levels observed in previous years.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

A low-angle, upward-looking shot of a modern building's interior or exterior structure. The image features a complex network of steel beams and girders forming a grid-like pattern. Large glass panels are visible, reflecting light and showing the sky. The perspective creates a sense of height and architectural scale. A solid blue horizontal band is overlaid across the middle of the image, containing white text.

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# Notable 2Q25 Lease Transactions

Renewals represented four of the largest leases this quarter, with overall activity concentrated east of the urban core. The quarter was mainly driven by mid-sized leases, marking a shift from previous periods where large block leasing was predominantly focused in the I-5 South and Sunset Corridors.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Kehe Distributors <i>The national food distributor renewed in their current footprint in the NE/Columbia Corridor.</i>	9555 NE Alderwood Rd	NE/Columbia Corridor	Renewal	383,040
MOR Furniture <i>The furniture distributor renewed at their central Portland location.</i>	15805 N Lombard St	Rivergate	Renewal	208,036
Cardinal Health <i>Cardinal Health has been in the location since 2020.</i>	2830-2898 NE 181 <sup>st</sup> Ave	NE/Columbia Corridor	Renewal	127,346
Terminal Transfer <i>Terminal Transfer occupies 50% of the total footprint at Kelley Point Distribution Center.</i>	15745 N Lombard St	Rivergate	Renewal	125,000
Omni Logistics <i>The Texas based logistics company signed a new deal in the Columbia Corridor.</i>	4600 NE 138 <sup>th</sup> Ave	NE/Columbia Corridor	Direct New	113,500

Source: Newmark Research

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# Appendix / Tables





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*For more information:*

**Dexter Muller**

*Research Analyst*

*Portland Research*

Dexter.Muller@nmrk.com

**Portland**

760 SW 9<sup>th</sup> Ave, Suite 200

Portland, OR 97205

t 503.972.5456

**New York Headquarters**

125 Park Ave.

New York, NY 10017

t 212-372-2000

**[nmrk.com](http://nmrk.com)**

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