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4Q24

# Portland Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- Unemployment in Portland edged up slightly in the fourth quarter of 2024, reaching 4.1%, slightly ahead of the national average.
- A robust fourth quarter for overall employment contributed to a year-over-year growth rate of 0.5%, rebounding from a sluggish start earlier in the year.
- Job growth remained concentrated in two key sectors: education and health services (6.1%) and government (1.9%).
- industrial employment experienced a slight decline in 2024, reflecting softening labor market conditions in the sector.

## Major Transactions

- CIRE Partners acquired 224 Logistics Park, an 829,087-SF industrial property in the Clackamas/Milwaukie Submarket from Specht Development. The property sold for \$77.24 million, or \$93.17/SF.
- LBA Logistics purchased a 116,771-SF cold storage facility in Milwaukie located at 6451 SE Lake Rd, from Specht and Ares Management, L.P for \$26.8 million, or \$229.51/SF.
- McConkey Auction Group acquired Terminal 1 North, a 96,000-SF warehouse building, at 2400 NW Front Ave in Portland for \$23.0 million, or \$239.58/SF.
- Ares Management Corp purchased Coffee Creek Logistics Center, a 110,366-SF industrial asset at 10680 SW Clutter Rd in Wilsonville for \$21.2 million, or \$192.09/SF. Lasalle Investment Management was the seller in the transaction.

## Leasing Market Fundamentals

- Fourth-quarter absorption recorded negative 512,859 SF, driven primarily by negative absorption in the Milwaukie/Clackamas and 217 Corridor/Beaverton submarkets. Year-to-date net absorption reached 420,194 SF.
- Vacancy rates rose by 20 basis points to 5.4%, as large blocks of space near the urban core outpaced leasing velocity. Meanwhile, average asking rents edged up slightly to \$10.37/SF but remain 2.5% lower compared to the previous year.
- Leasing activity slowed significantly in the fourth quarter, with total volume declining by 27.5% quarter-over-quarter as market conditions weakened across many Portland-area submarkets.

## Outlook

- Vacancy rates are expected to rise in 2025 as industrial employment continues its gradual decline in key sectors reliant on industrial space.
- Market demand remains concentrated in the I-5 South Corridor and Clark County submarkets, driven by the availability of high-quality properties and strategically advantageous locations for industrial use.
- Rent growth is anticipated to remain volatile, influenced by asset type and submarket conditions. General industrial space, which is notably scarce, may see rental rates increase at the start of 2025.

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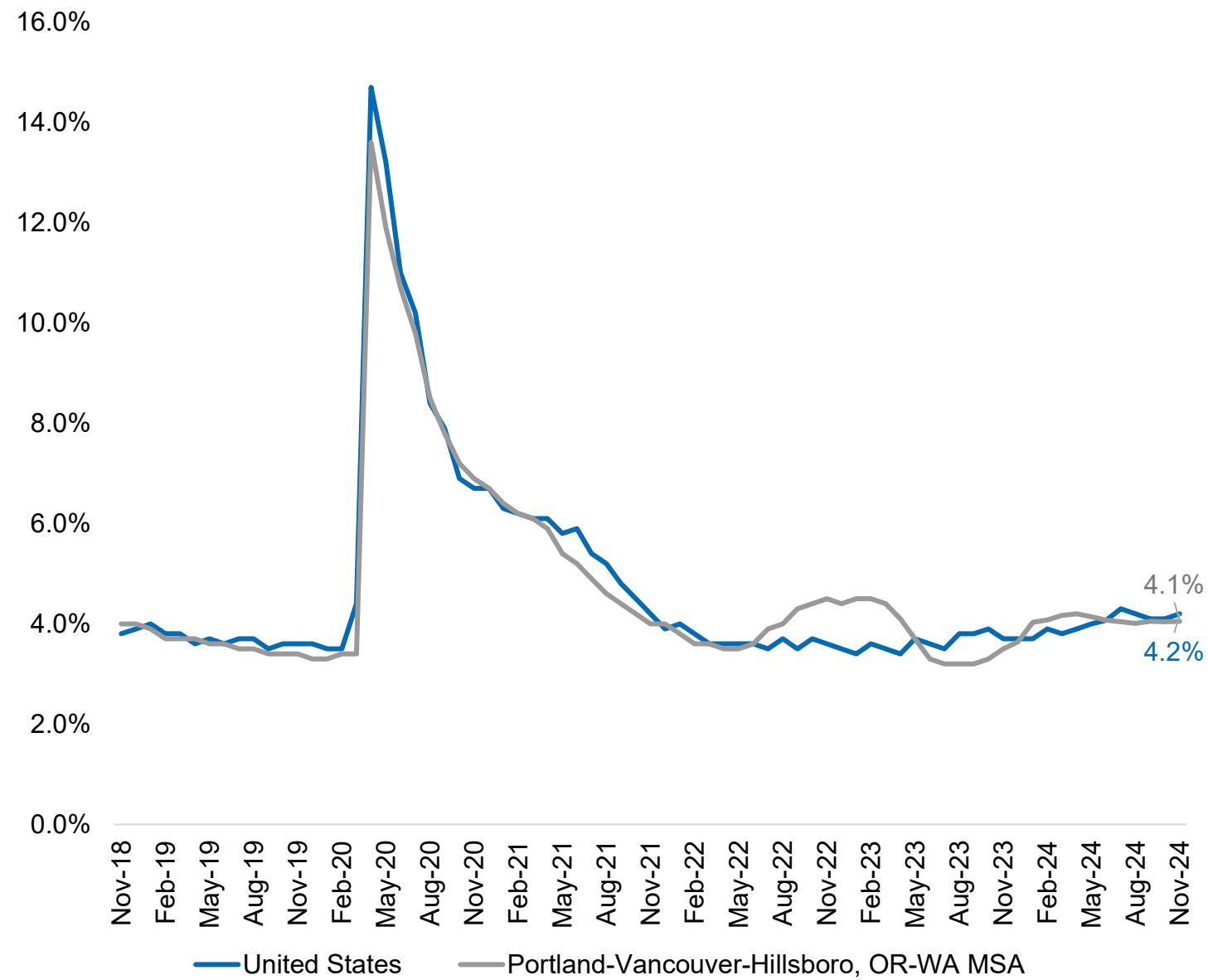
# Leasing Market Fundamentals



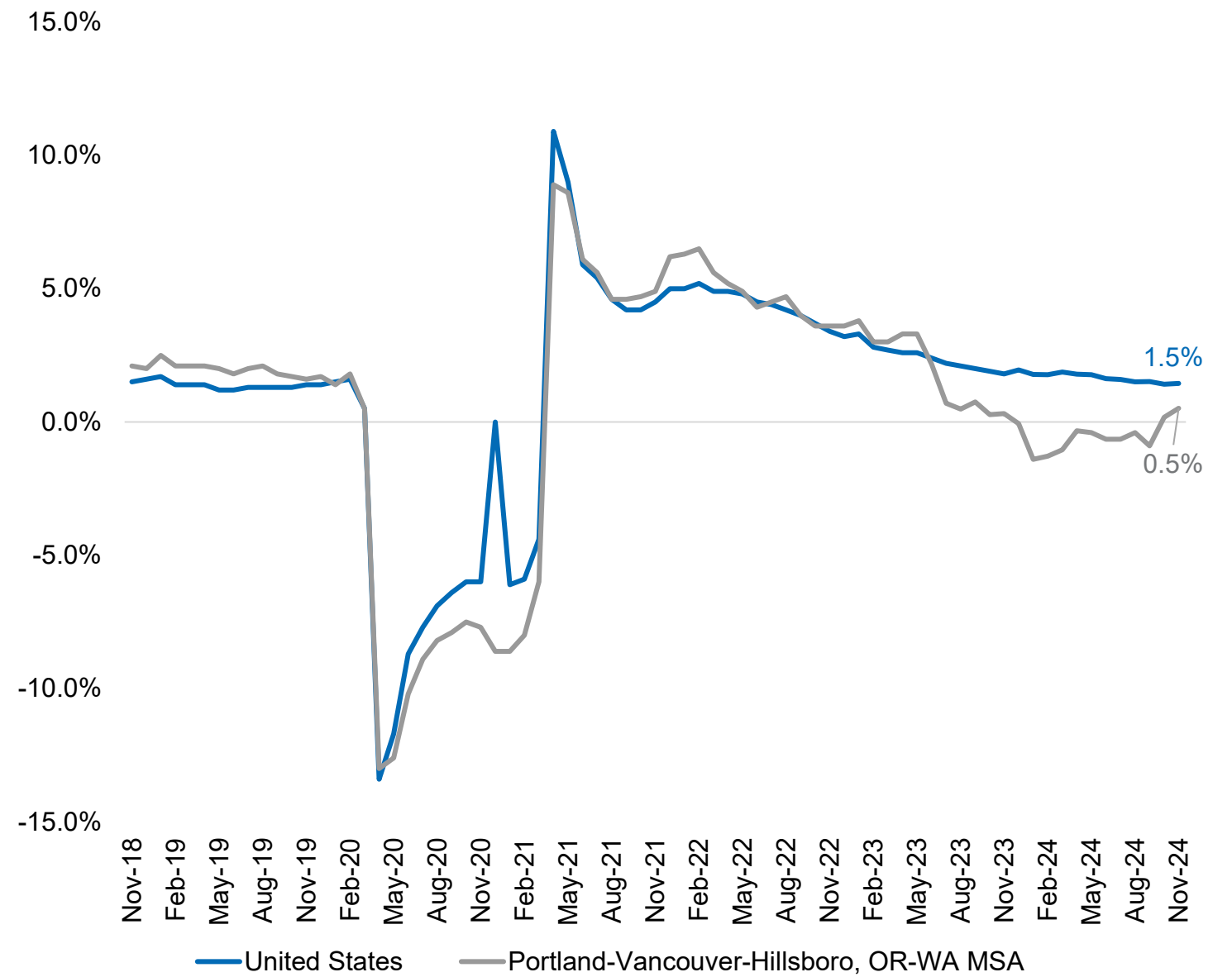
# Portland Employment Numbers Improved in 4Q24

Portland ended the year with an unemployment rate slightly below the national average. Despite a slow economic start, the labor market rebounded in the final quarter, achieving modest employment growth over the past 12 months.

Unemployment Rate, Seasonally Adjusted



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



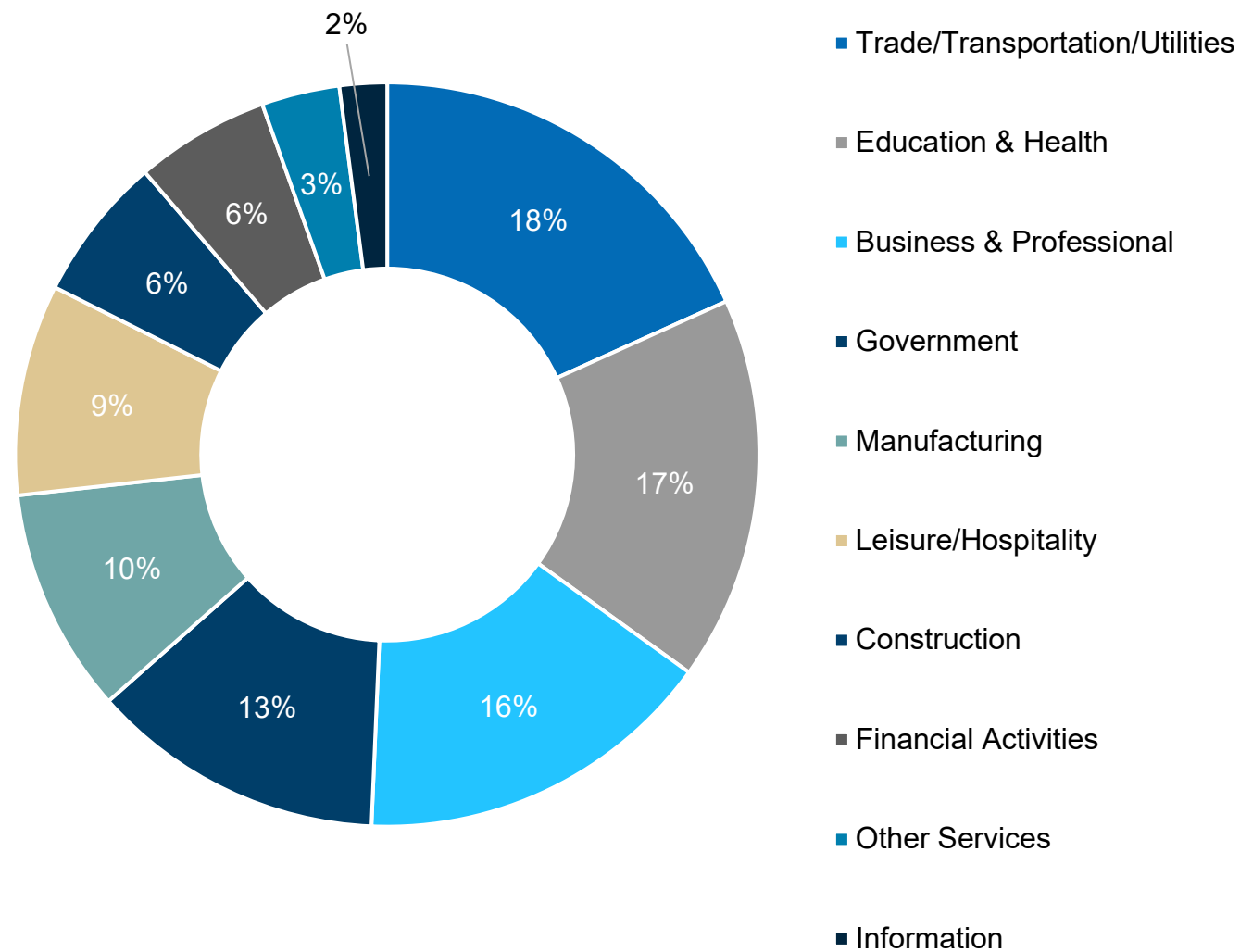
Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA



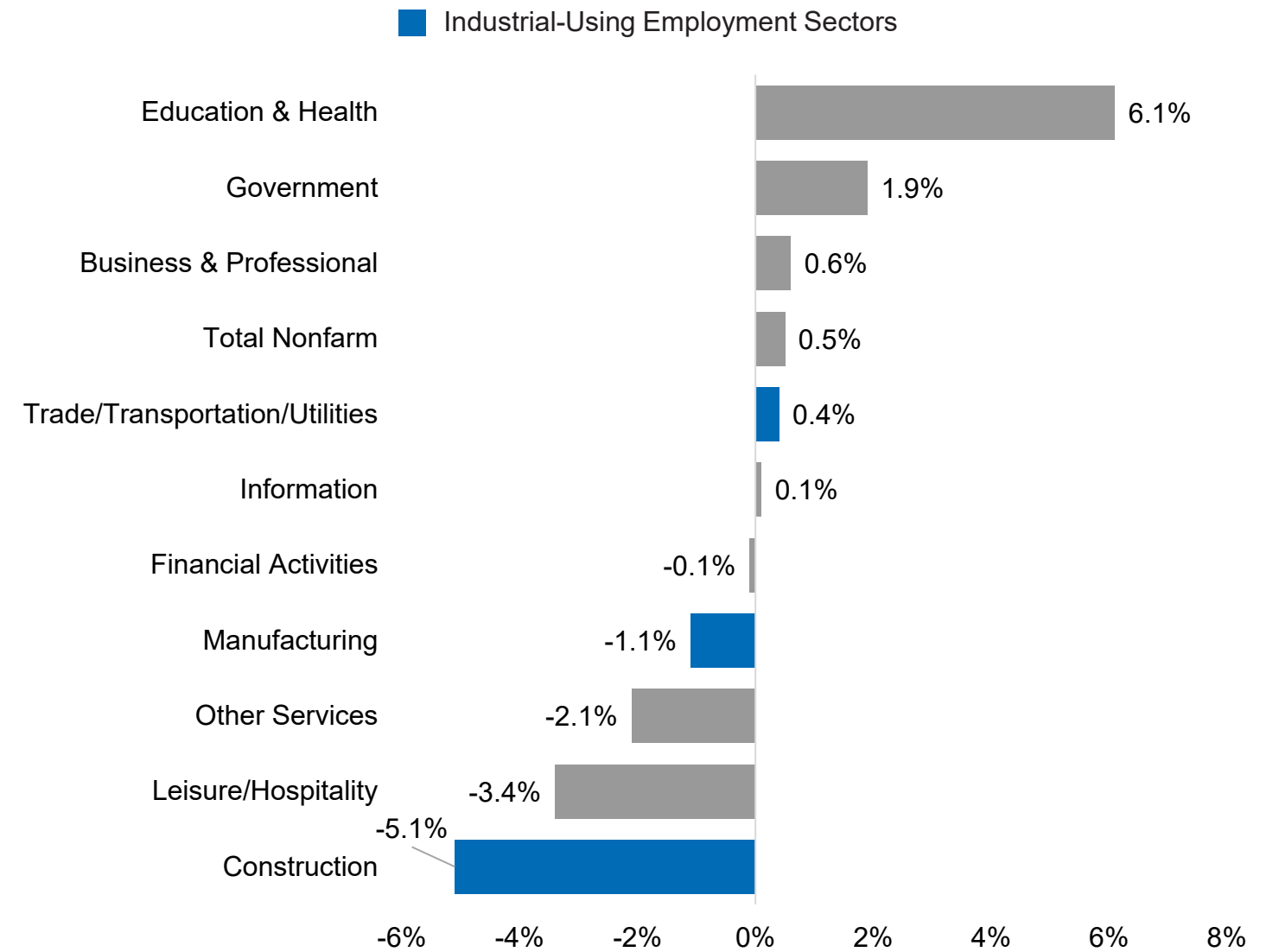
# Industrial Occupiers Among Worst Performing Sectors

The construction sector saw continued job losses in the fourth quarter of 2024, with employment declining by 5.1% year-over-year. In contrast, the Trade, Transportation, and Utilities sector showed modest recovery, ending the year as the only industrial sector to post employment growth in 2024.

Employment by Industry, 2024



Employment Growth by Industry, 12-Month % Change, November 2024

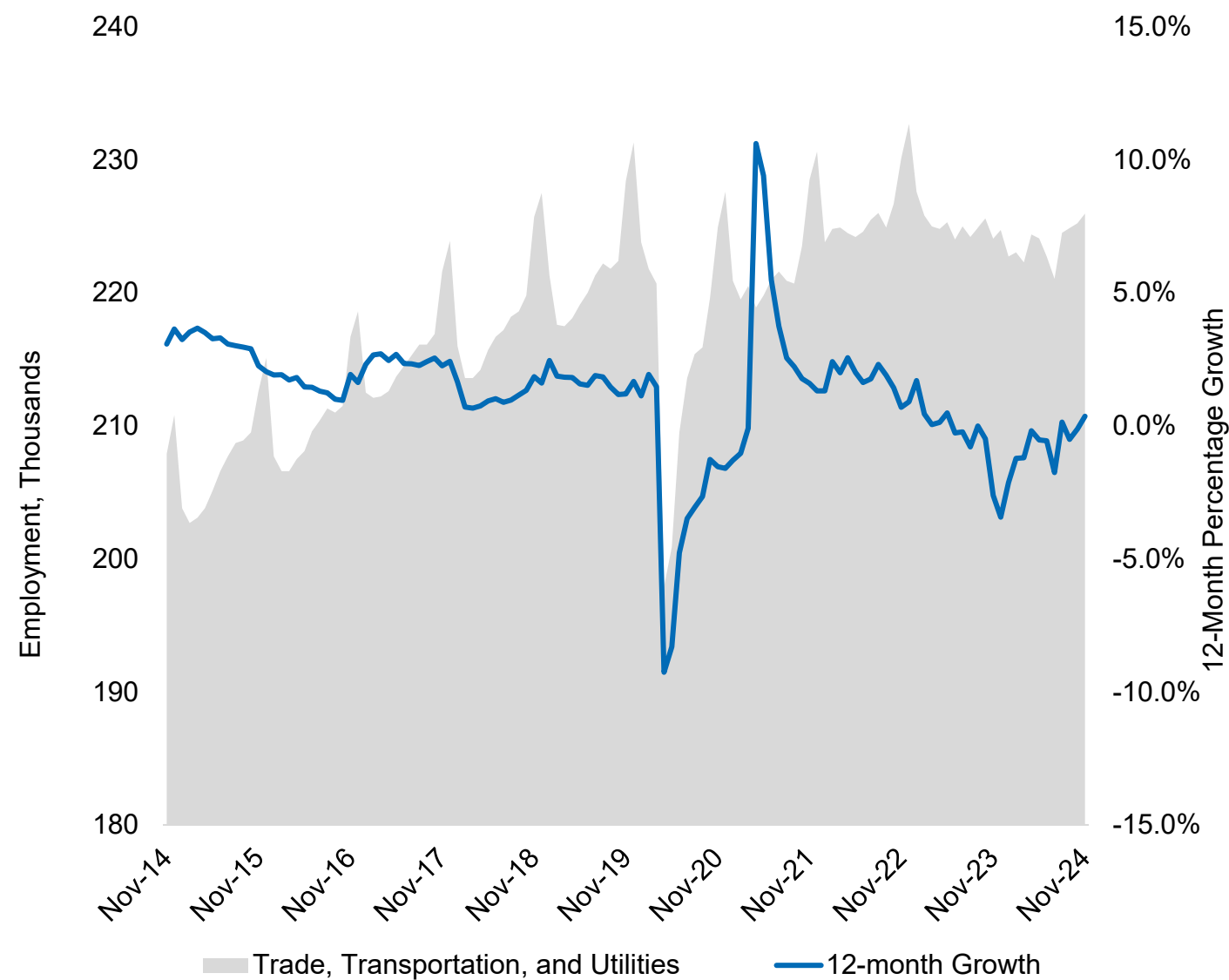


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

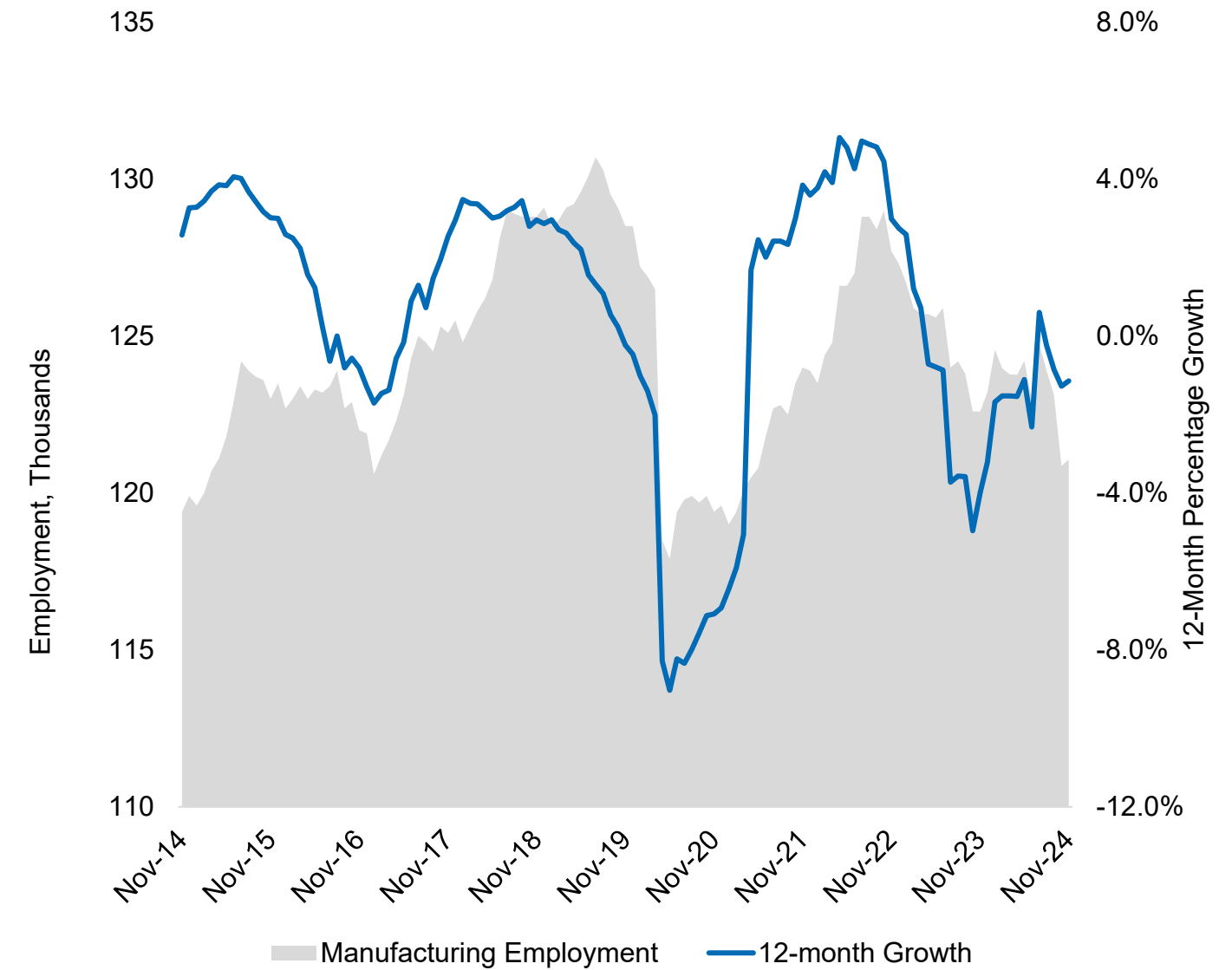
# Manufacturing Employment Continued Measured Decline

The Trade, Transportation, and Utilities sector posted a slight gain over the year, ending 40 basis points higher than its starting point. The Manufacturing sector declined over the final two quarters of 2024, closing the year with negative job growth and employment levels significantly below those at the year's start.

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

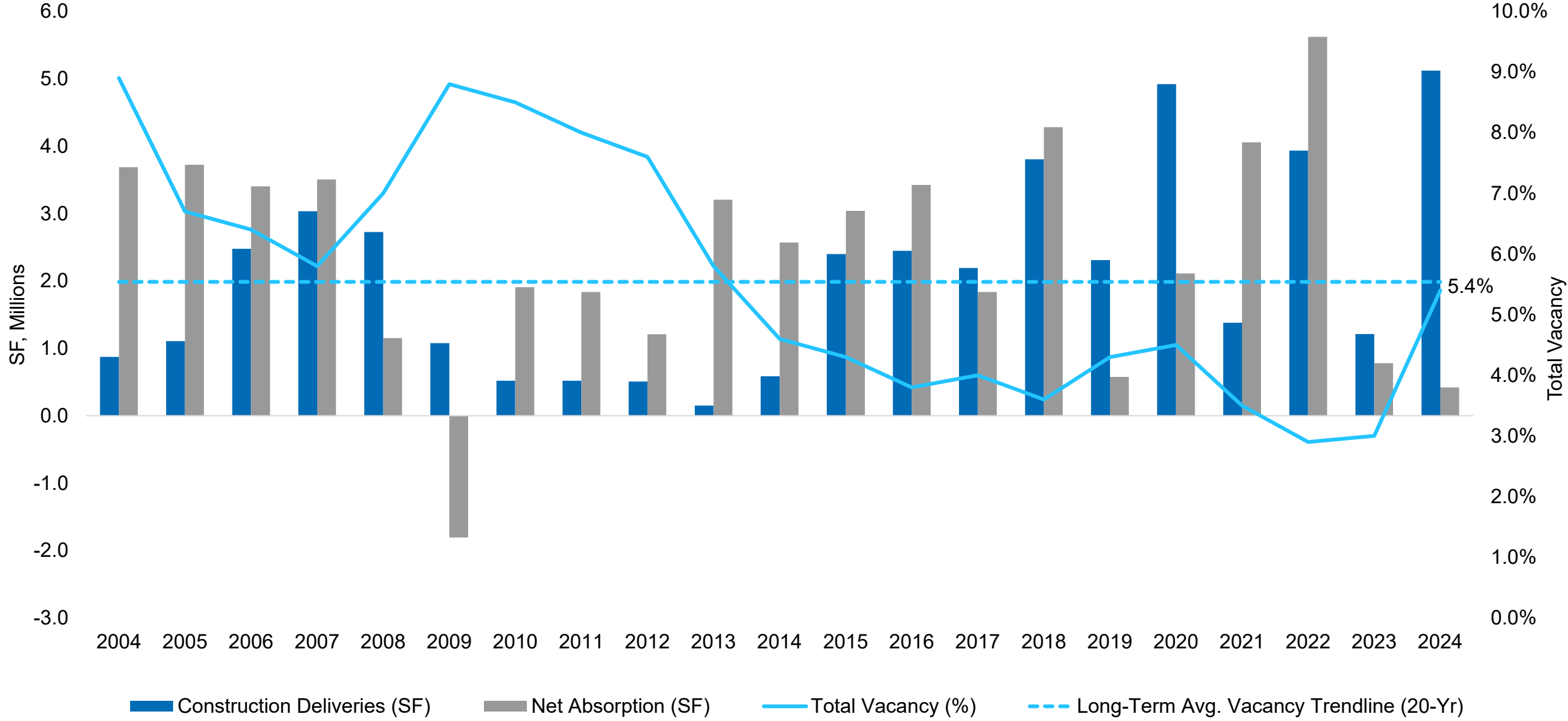




# Vacancy Reached 5.4% Market-Wide

Vacancy in the industrial market climbed to 5.4% in the fourth quarter of 2024, marking the highest level since 2013. Total net absorption for the quarter registered negative 512,859 SF, bringing the year-to-date net absorption to 420,194 SF. The industrial market has now experienced three consecutive quarters of rising vacancy, following a strong performance in the year's first quarter.

Historical Construction Deliveries, Net Absorption, and Vacancy

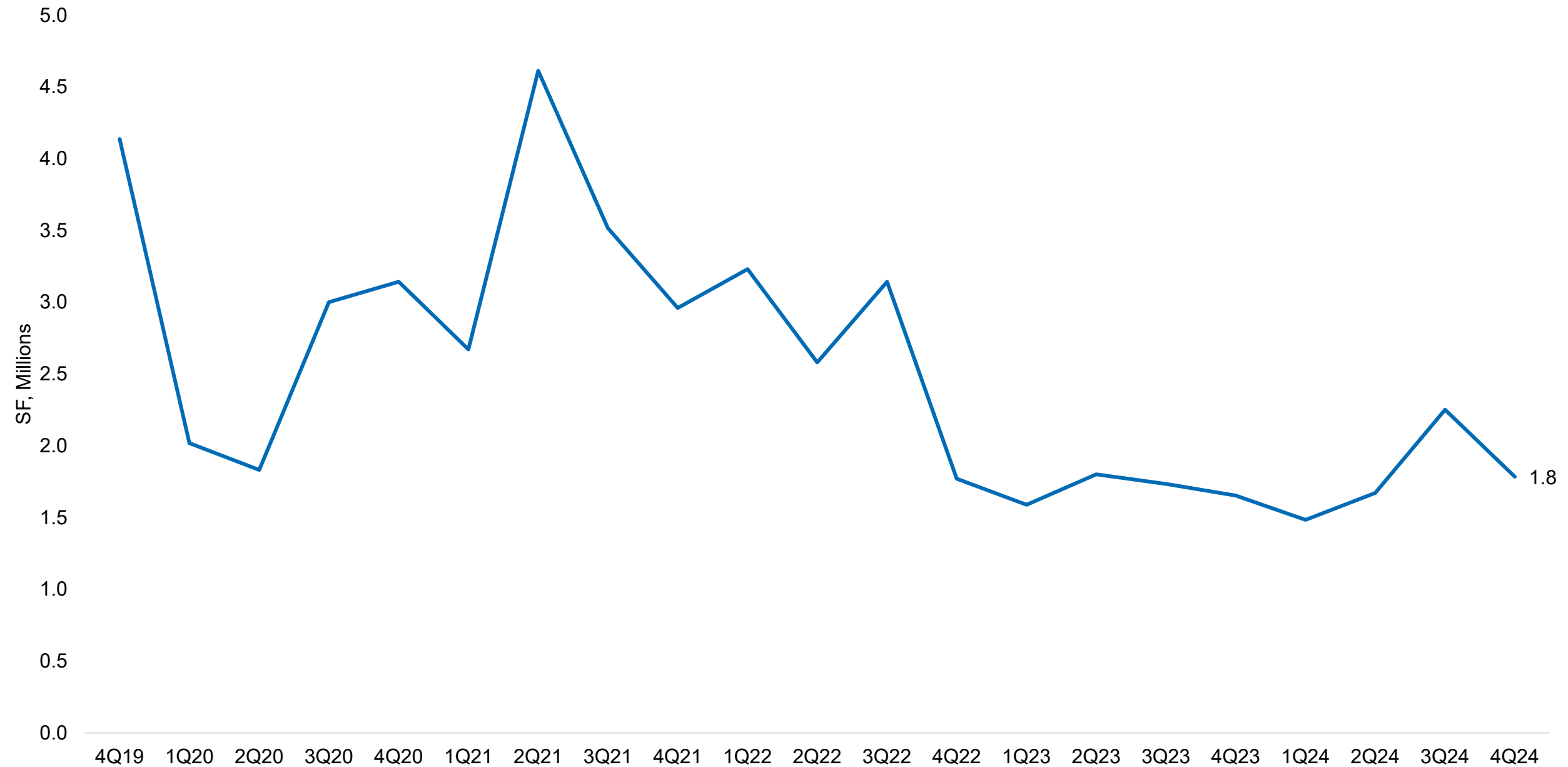


Source: Newmark Research, CoStar

# Leasing Activity Dipped, Remained Above 2023 Levels

The industrial leasing market slowed in the fourth quarter of 2024 compared to the previous quarter. Total signed deal volume reached 1.8 million SF, driven by strong leasing activity in the Rivergate and Clark County submarkets.

Total Leasing Activity (SF)



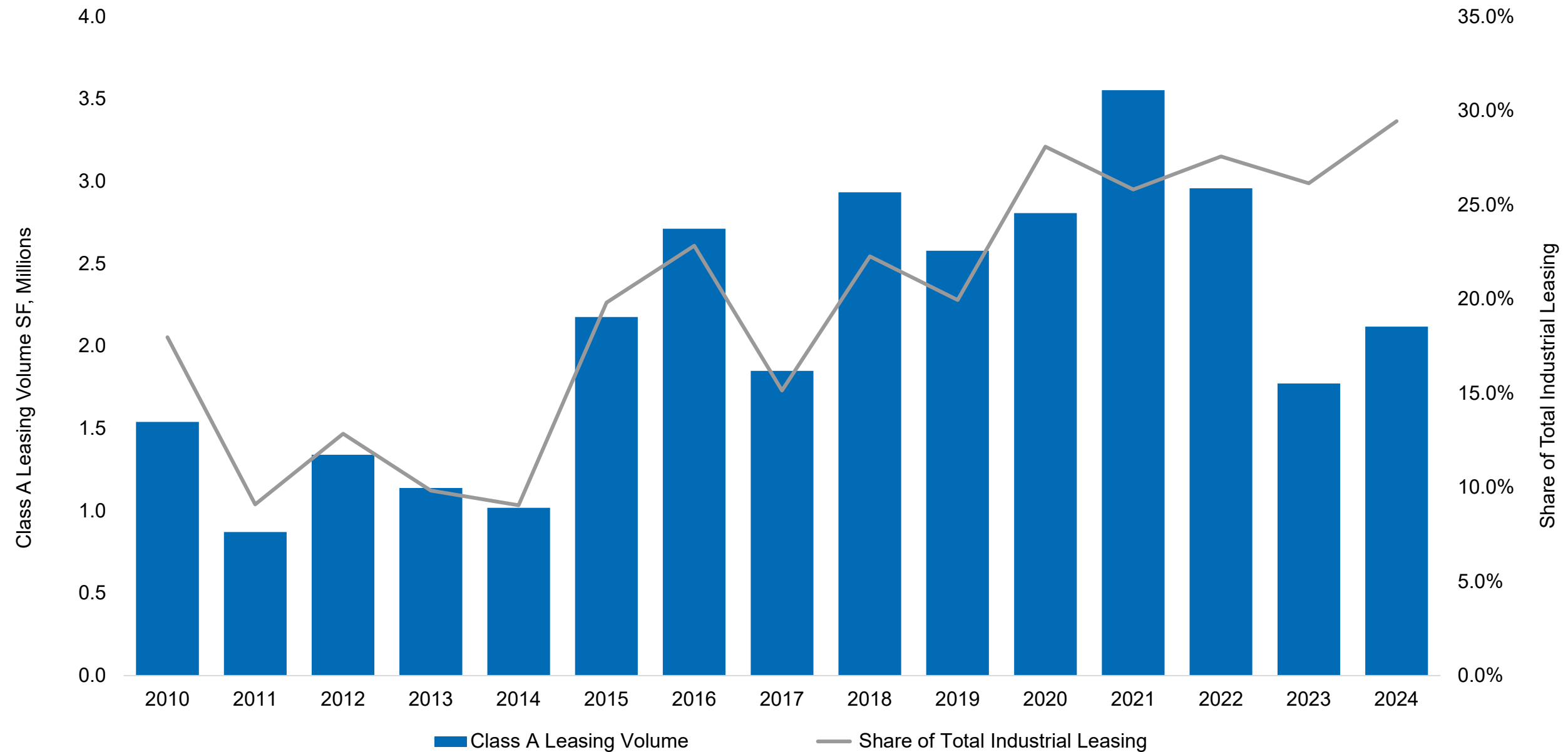
Source: Newmark Research, CoStar



# Class A Leasing Gained Market Share in 2024

Class A leasing activity accounted for 29.4% of all industrial leases signed in 2024. Total leasing volume for Class A assets reached 2.1 million SF for the year, reflecting an 18.5% increase compared to 2023.

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



Source: Newmark Research, CoStar





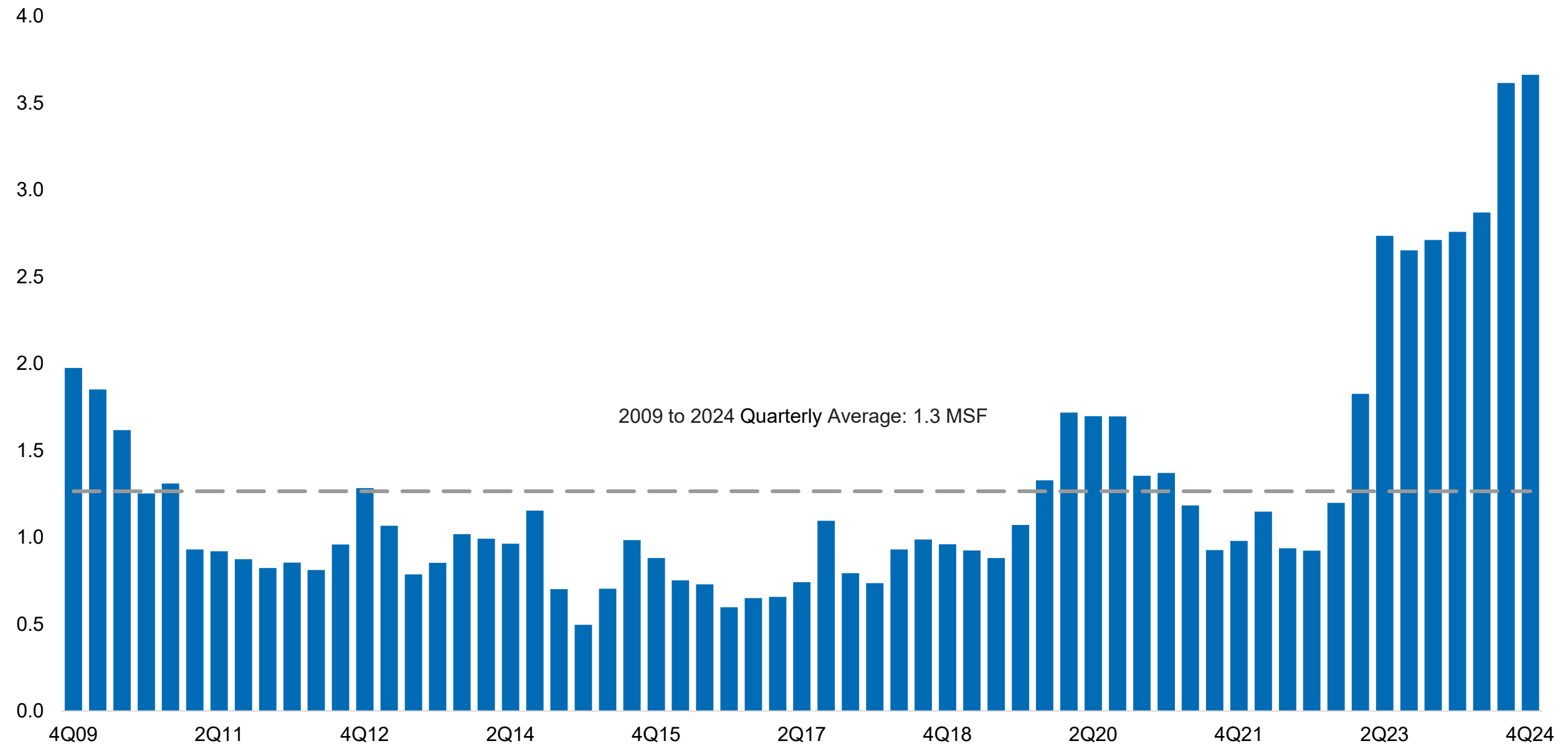
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# Industrial Sublease Market Remained Saturated

Sublease availability experienced a slight increase in the fourth quarter, reaching a year-high of 3.6 million SF of available inventory. This figure represents nearly three times the 15-year average of 1.3 million square feet of sublease space currently on the market.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar





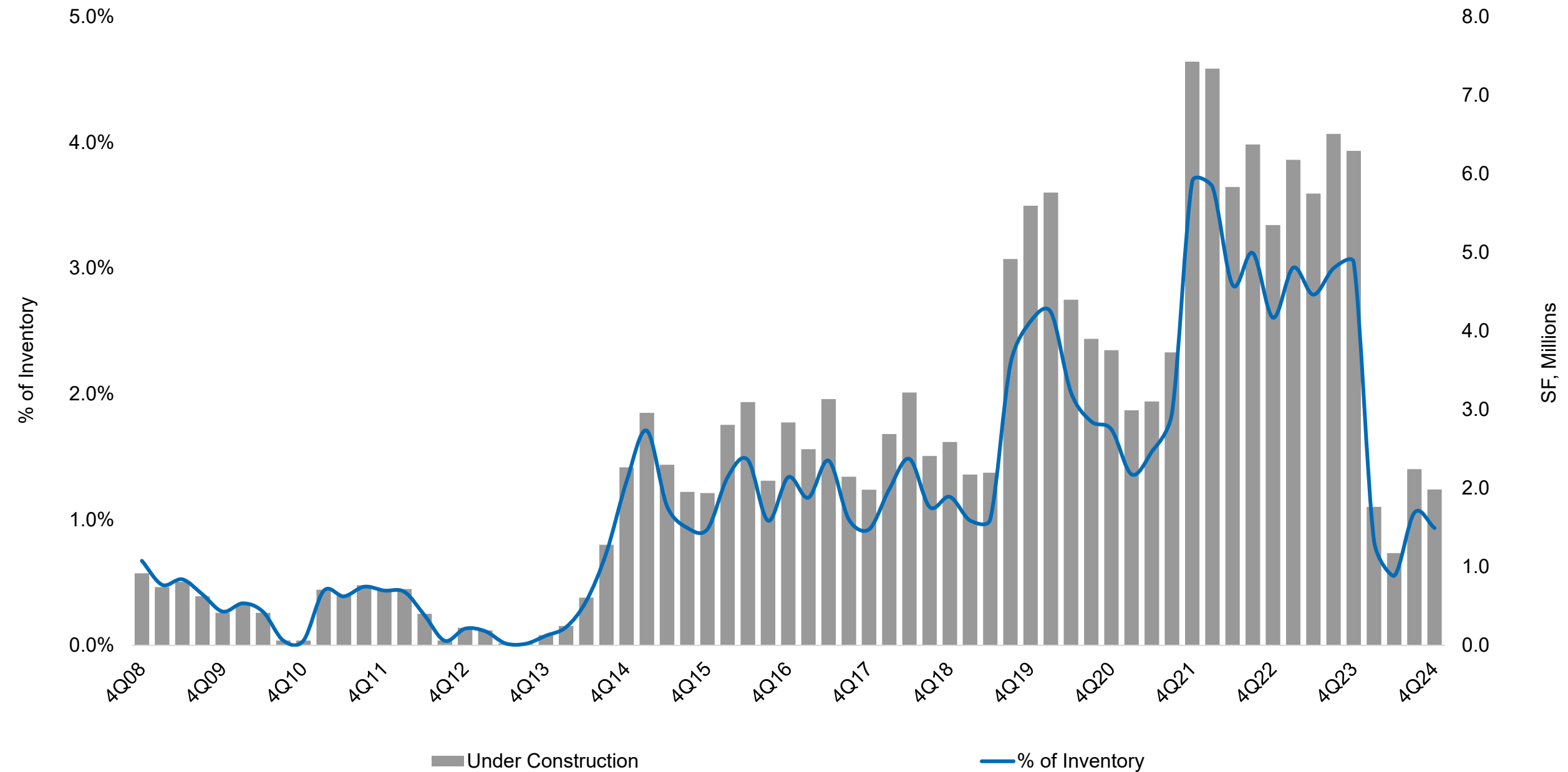
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# Multiple Projects to Deliver in Early 2025

Nearly 2.0 million SF of industrial space is currently under construction in the Portland area. Of that, 1.3 million SF is warehouse/distribution space. There are currently no tracked R&D/Flex construction projects in the market.

## Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar





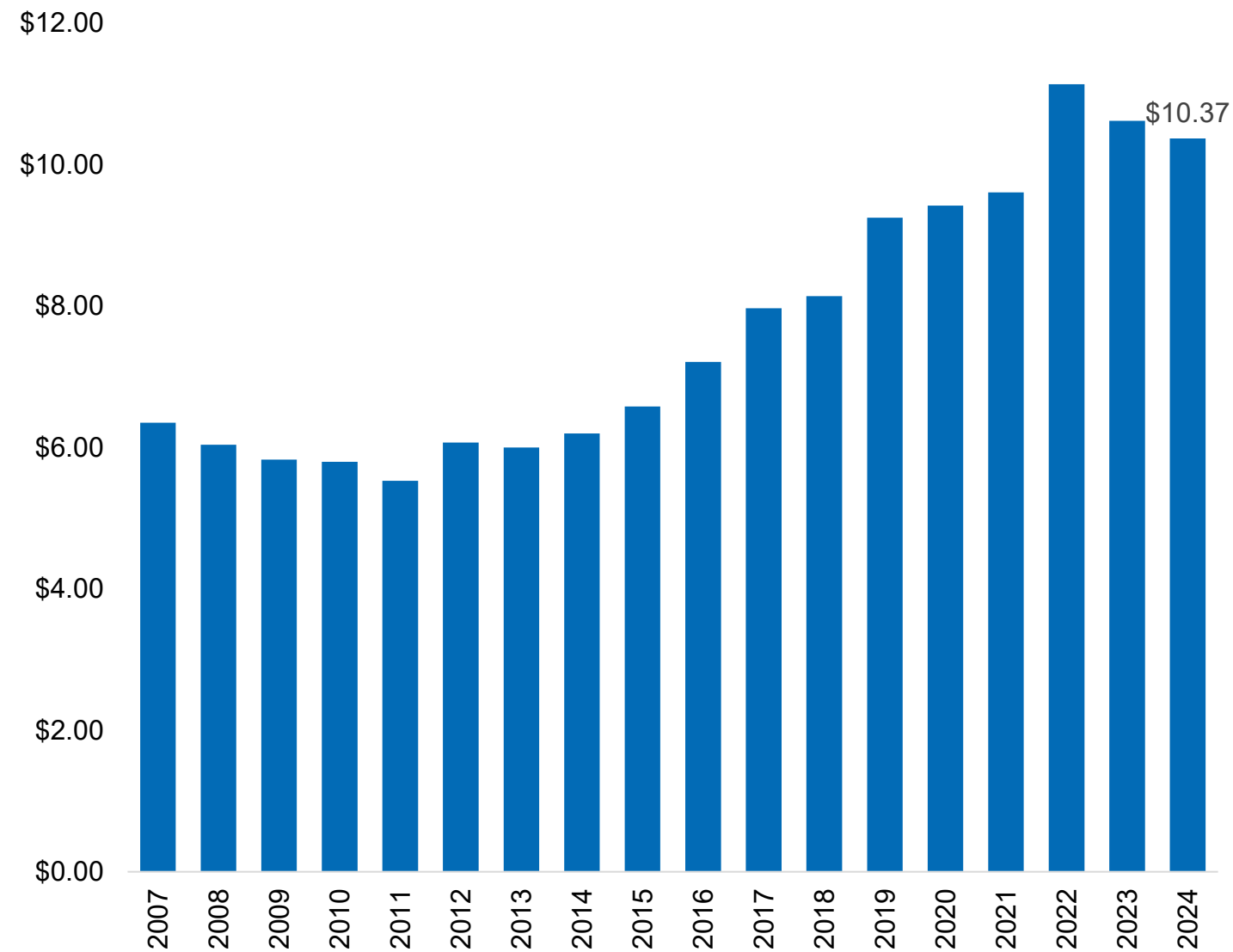
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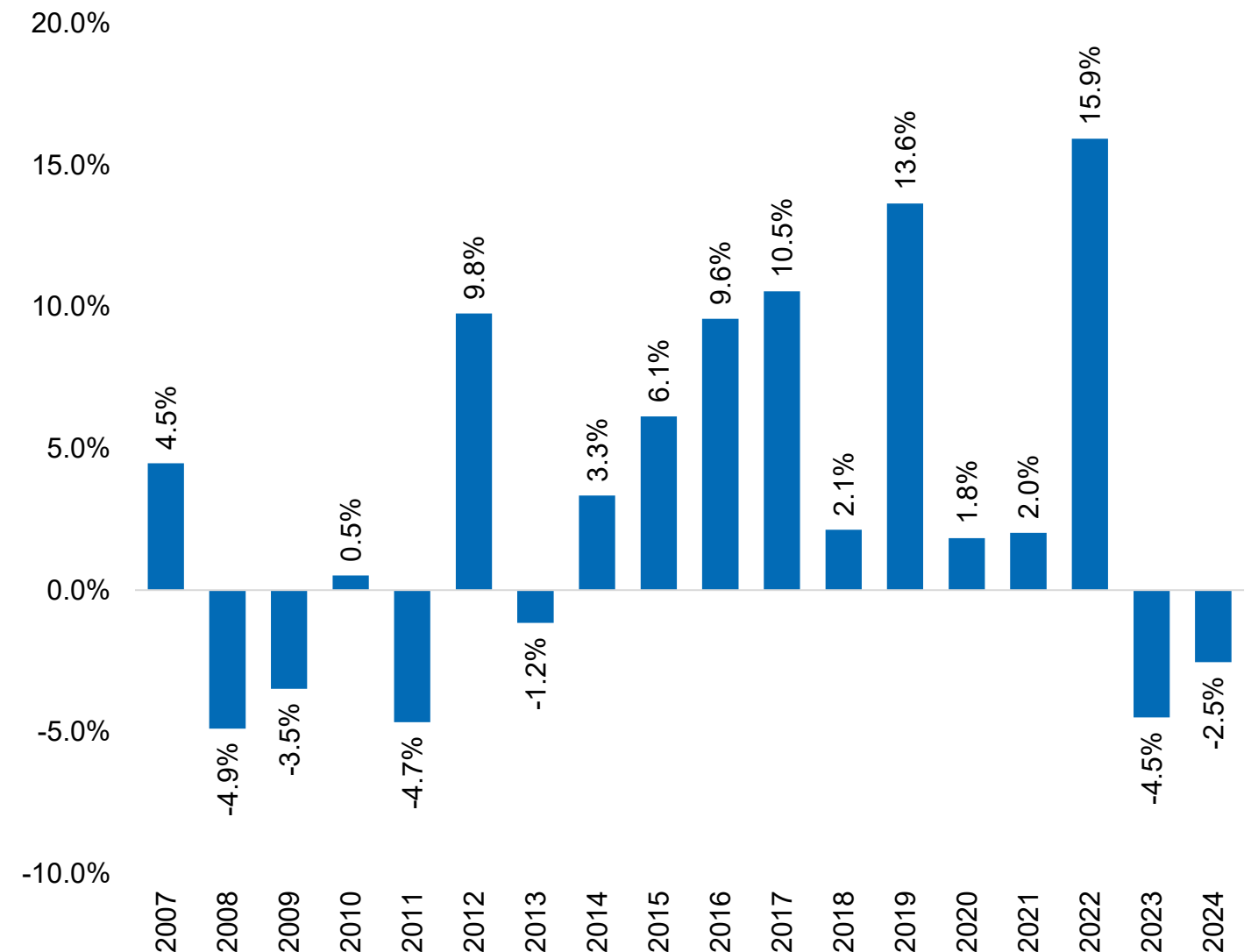
# Average Asking Rent Down Amidst Softening Market Conditions

Average asking rents ended the year 250 basis points lower than the same period in 2023, as overall leasing activity and market demand slowed. The market-wide average asking rent is now 7.4% below the peak set in 2022, a period characterized by historically low vacancy rates.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



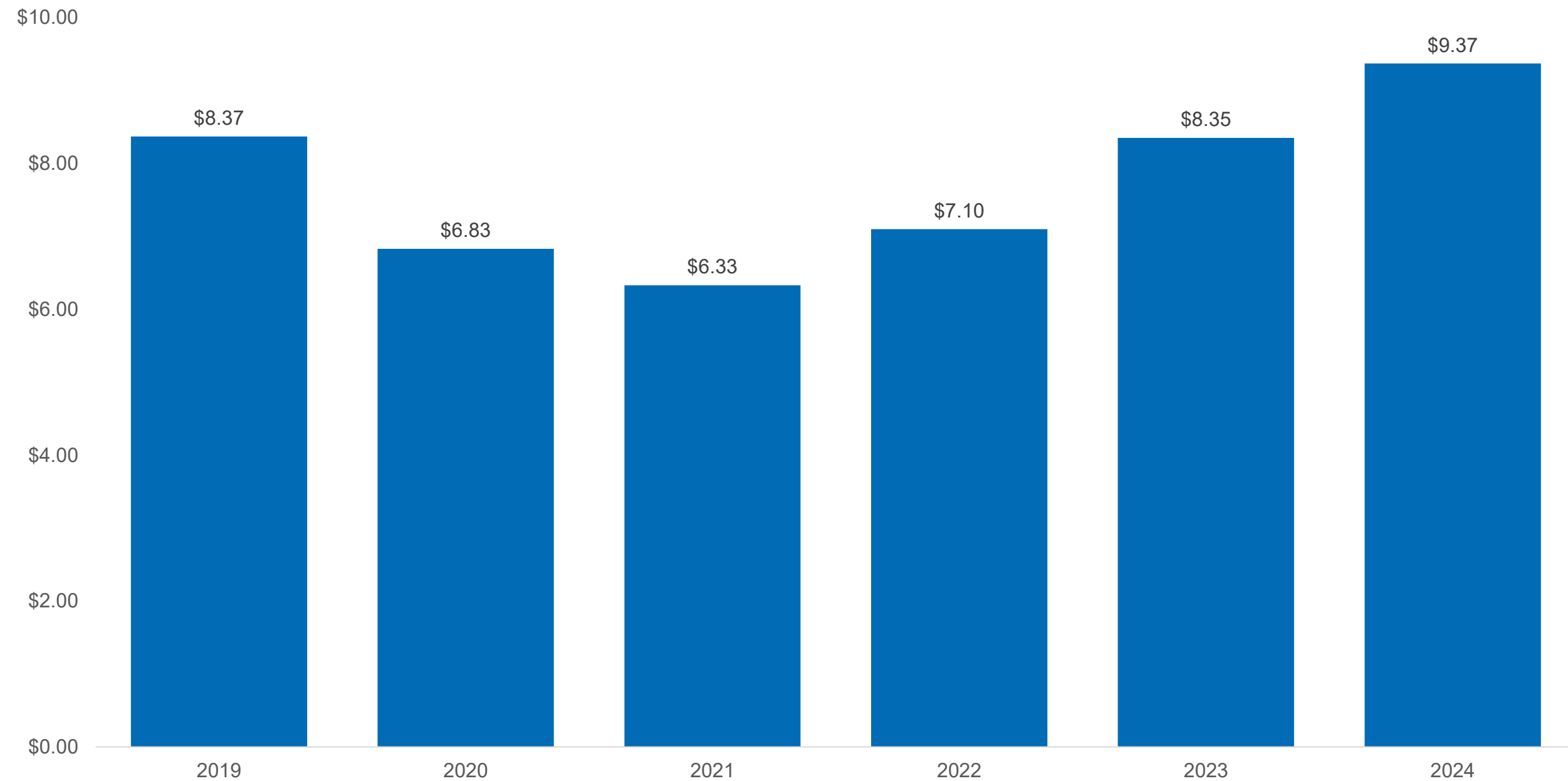
Source: Newmark Research, CoStar



# Class A Rates Remain Strong in 4Q24

Rates for Class A warehouse space reached \$9.37/SF in the fourth quarter of 2024, as demand remained strong for high-quality inventory. Limited availability and competitive market conditions for this asset type continue to drive the rising rental rates.

## Class A Warehouse Space, Average Asking Rent



Source: Newmark Research, CoStar





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# Notable 4Q24 Lease Transactions

Leasing volume declined overall in the fourth quarter as market conditions softened following a strong third quarter. The NE/Columbia Corridor and Clark County submarkets accounted for the majority of leasing activity, which was down 27.7% compared to the third quarter of 2024.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Precision Castparts Corp. <i>The manufacturer renewed in its current footprint.</i>	2660-2690 SE Mailwell Dr	Clackamas/Milwaukie	Renewal	142,608
Capital Lumber <i>Capital lumber increased its presence in the I-5 South Corridor.</i>	10590 Donald Rd NE	I-5 South Corridor	Direct New	110,000
Western Pacific Building Materials <i>The building material supplier committed to a long-term renewal in its space.</i>	2909 NW 31 <sup>st</sup> Ave	Northwest	Renewal	101,200
Lit Workshop Inc <i>The Portland based manufacturer renewed and contracted in its current building.</i>	3333 NW Luzon St	Northwest	Renewal	80,358
Bluelinx Corporation <i>The wholesaler inked a lease to open a new distribution center, the company's first in the Pacific Northwest region.</i>	4740 NE 166 <sup>th</sup> Ave	NE/Columbia Corridor	Direct New	59,800

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# Appendix / Tables







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Newmark business contact for this information



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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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