Vacancy Up, Rents Easing as Construction Pipeline Expands

▲7.7%
Vacancy Rate

▲508,147
SF Net Absorption

▲1.0M
SF Construction Delivered

▲3.5M
SF Under Construction

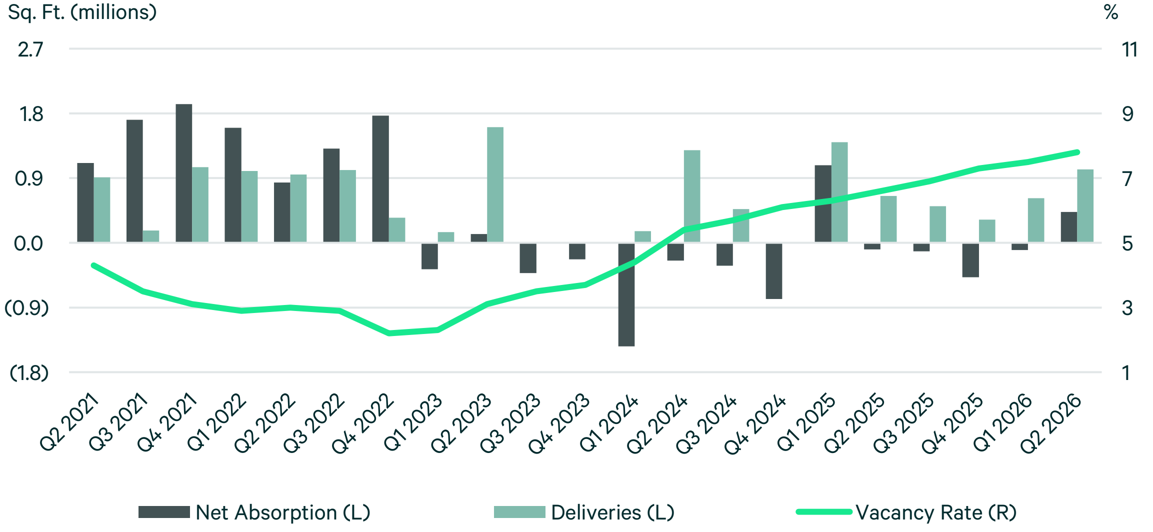
Note: Arrows indicate change from previous quarter.

Market Overview

The industrial market remained active in the second quarter, with leasing volume totaling 2.4 million square feet (sq. ft.), up roughly 7.0% from the previous quarter and approximately 25.0% year-over-year (YOY). Tenant demand was driven by a diverse mix of distribution, logistics, retail supply chain, and construction-related users, while renewals continued to play an increasingly important role, accounting for more than half of leased square footage year-to-date (YTD) as many occupiers opt to remain in place. The market also recorded 508,147 sq. ft. of positive net absorption during the quarter, bringing the YTD net absorption figure to 404,872 sq. ft.

Market conditions continue to be shaped by an influx of speculative supply. Vacancy rose to 7.7% as a few large projects have delivered with limited preleasing, increasing availability and tempering rent growth. Despite these headwinds, demand for modern Class A space remains strong in select submarkets, particularly the Sunset Corridor, where premium facilities command some of the market's highest rental rates. This demand is underscored by DSV's recent announcement of a build-to-suit (BTS) facility exceeding 750,000 sq. ft. Looking ahead, a robust development pipeline reflects sustained long-term confidence in the market despite near-term demand challenges.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



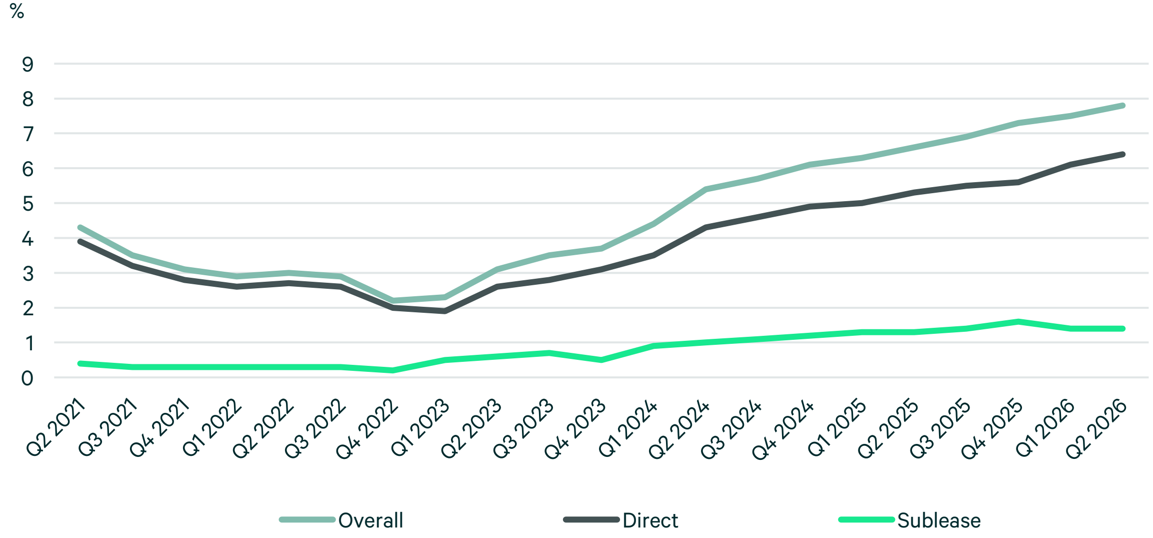
Source: CBRE Research, Q2 2026

Vacancy Rate

In Q2 2026, the market-wide vacancy rate reached 7.7%, up 20 basis points (bps) quarter-over-quarter (QOQ) from 7.5% in Q1 2026. Vacancy has risen 110 bps from a year ago, an increase that reflects further softening in occupancy. Recent tenant move-outs have contributed to rising vacancy, but the primary driver has been the delivery of speculative developments into a period of softer leasing demand.

Over the last three years, vacancy has widened by 460 bps from 3.1% in Q2 2023, marking a pronounced shift from the much tighter conditions. Direct vacancy followed a similar path, rising to 6.4% in Q2 2026, 30 bps higher than the prior quarter and 110 bps above its Q2 2025 level. In Q2 2026, sublease vacancy held at 1.4%, unchanged quarter-over-quarter from Q1 2026, indicating no basis point movement in this segment of the market. Across all submarkets, sublease availability totaled 3.1 million sq. ft. of vacant space in Q2 2026.

Figure 2: Vacancy Rate

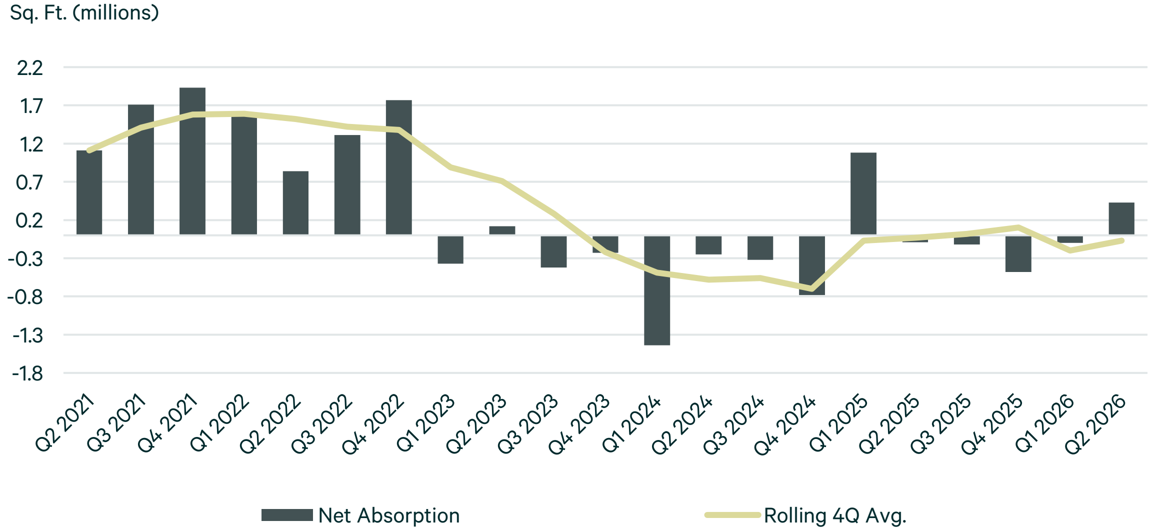


Net Absorption

Market net absorption moved back into positive territory in Q2 2026, totaling 508,147 sq. ft. This figure exceeded the adjusted, negative 103,275 sq. ft. recorded in Q1 2026, marking a clear QOQ improvement. It also exceeded the negative 145,529 sq. ft. posted in Q2 2025 on a YOY basis. Even with this rebound, the rolling four-quarter average net absorption remained slightly negative, underscoring that recent gains have not yet offset prior quarterly losses.

At the submarket level in Q2 2026, Southeast recorded the highest net absorption at 373,000 sq. ft., followed by Clark County at 192,000 sq. ft. Northwest and Sunset Corridor also posted positive results, with net absorption of 106,000 sq. ft. and 69,000 sq. ft., respectively. At the other end of the spectrum, Northeast saw negative 211,000 sq. ft. of net absorption and Southwest reported negative 101,000 sq. ft., highlighting areas where tenants continue to return space to the market.

Figure 3: Net Absorption Trend



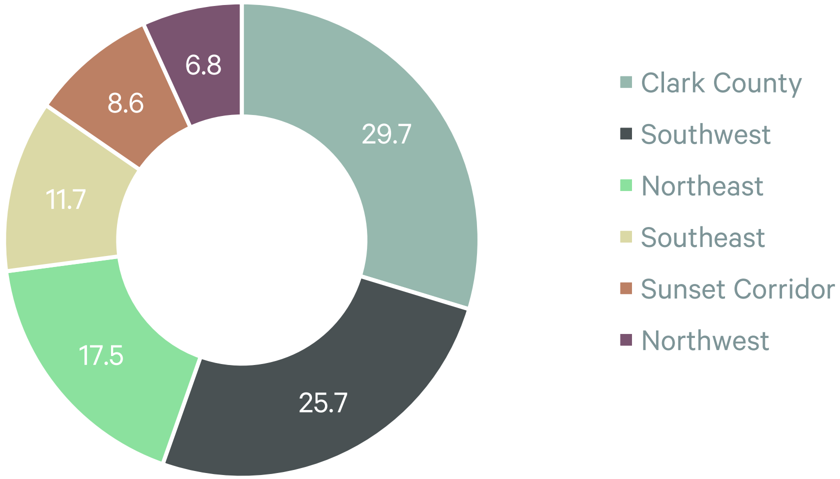
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity in Q2 2026 totaled 2.4 million sq. ft. While activity was essentially flat QOQ, demand strengthened on a YOY basis, with leasing volume increasing approximately 25.0% compared to the same 90-day period one year ago. A notable trend in the market has been the growing share of renewal activity. In Q2, renewals accounted for approximately 25.0% of total leasing volume on a square-footage basis. Looking at the broader picture, however, occupiers have increasingly prioritized staying in place, with renewals representing more than 50.0% of all leased square footage YTD. Over the past 90 days, leasing activity reflects a diverse mix of distribution, logistics, manufacturing, retail supply chain, automotive and construction-related users.

Companies such as NUNA Baby Essentials, Ross Dress for Less, and Piping Rock Health Products highlighted ongoing demand from retailers and consumer goods distributors seeking to optimize supply chains and support both store replenishment and e-commerce fulfillment. See Figure 4. Meanwhile, Consolidated Supply Co. and Ferguson Enterprises reinforced the importance of construction- and infrastructure-related users. The market is also seeing continued demand from emerging automotive and advanced manufacturing occupiers.

Figure 4: Leasing Activity by Submarket (% of Total Activity)



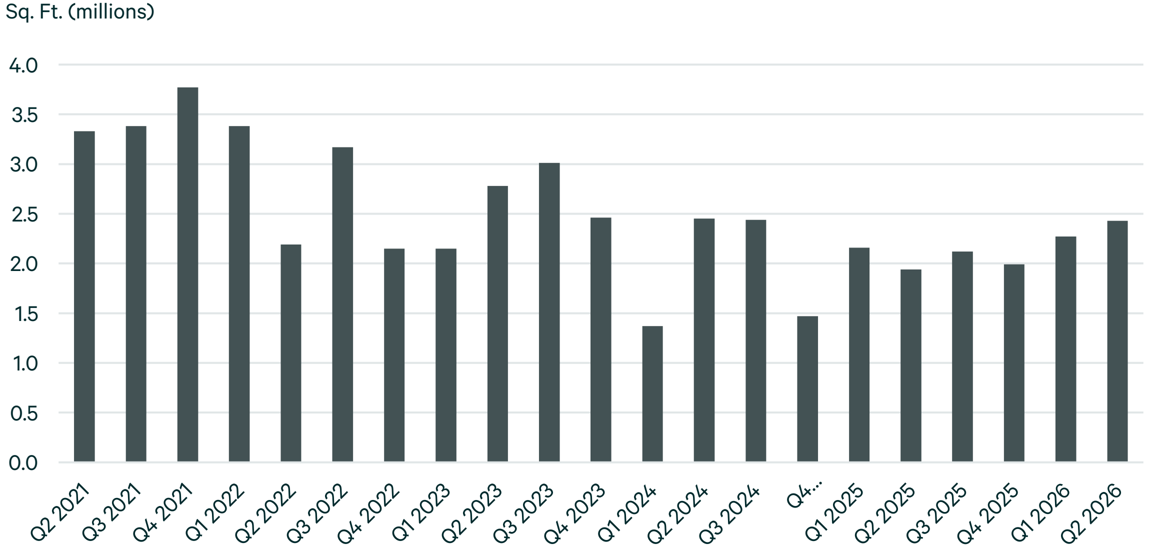
Source: CBRE Research, Q2 2026

Figure 4: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	304,000	New Lease	10500 SE Jennifer St	Southeast
Consolidated Supply Co.	276,092	New Lease	345 N Pekin Rd	Cowlitz County*
NUNA Baby Essentials	259,148	Renewal	3204 W 38th St	Clark County
Ferguson Enterprises	117,484	New Lease	5504 S 11th St	Clark County
Confidential Tenant	103,316	Renewal	13855-13955 SW Millikan Way	Sunset Corridor
Piping Rock Health Products	90,894	New Lease	19018 NE Portal Way	Northeast
Suddath Relocation Services	83,832	Renewal	9445 SW Ridder Rd	Southwest
Ross Dress for Less	61,168	Renewal	7001 S Union Ridge Pkwy	Clark County
Confidential Tenant	60,000	New Lease	5051 SW Western Ave	Southwest

Source: CBRE Research, Q2 2026, * indicates not included in Portland MSA statistics

Figure 5: Leasing Activity Trend



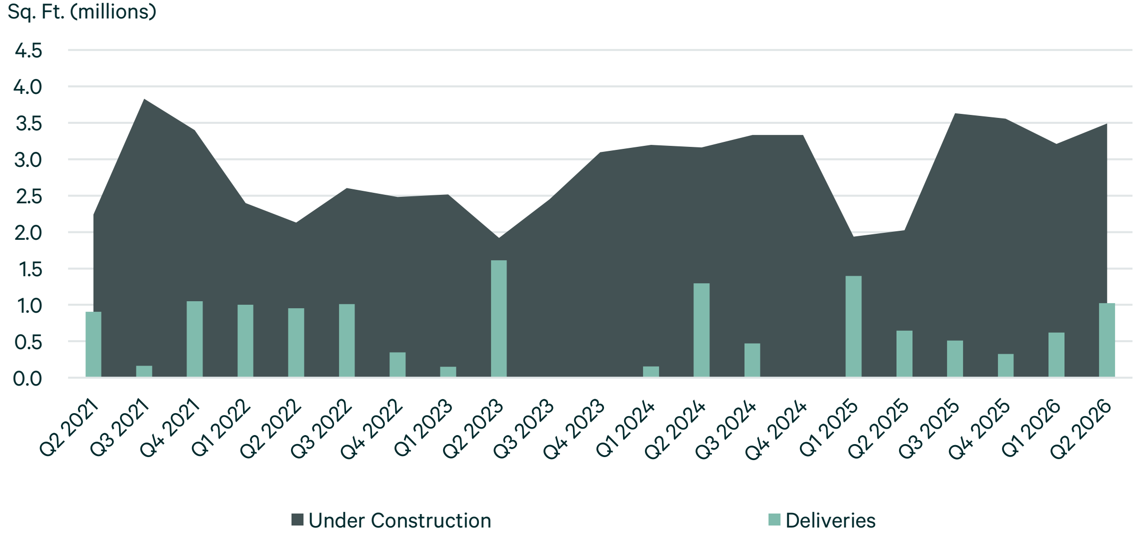
Source: CBRE Research, Q2 2026

Construction Activity

Construction activity continued to gain momentum in Q2 2026, with the development pipeline reaching 3.5 million sq. ft., up 9.0% QOQ and 72.4% YOY. Deliveries totaled 1.0 million sq. ft. during the quarter, including the 347,645-sq.-ft. build-to-suit facility for the Oregon Liquor and Cannabis Commission and the 63,215-sq.-ft. Fruit Valley Logistics Center, fully occupied by Novolex. At the same time, a growing amount of speculative space is entering the market. Sherwood Commerce Center Phase II Buildings D, E, F, and G delivered approximately 500,000 sq. ft. during the quarter without any preleasing, contributing to rising availability across the region.

Looking ahead, several large speculative projects are scheduled to deliver over the next 18 months, including the 583,278-sq.-ft. Mt. Vista Logistics Center, the 303,969-sq.-ft. VanRose Technology Center, and the 778,720-sq.-ft. Sequoia Logistics Center, all of which currently remain available. Despite softer leasing conditions and elevated vacancy, developers continue to move forward with new projects. The recently announced 952,000-sq.-ft. PDX West Logistics Center and the approximately 800,000-sq.-ft. East Vancouver E-Commerce Center underscore ongoing confidence in the region's long-term industrial growth prospects.

Figure 6: Construction Activity



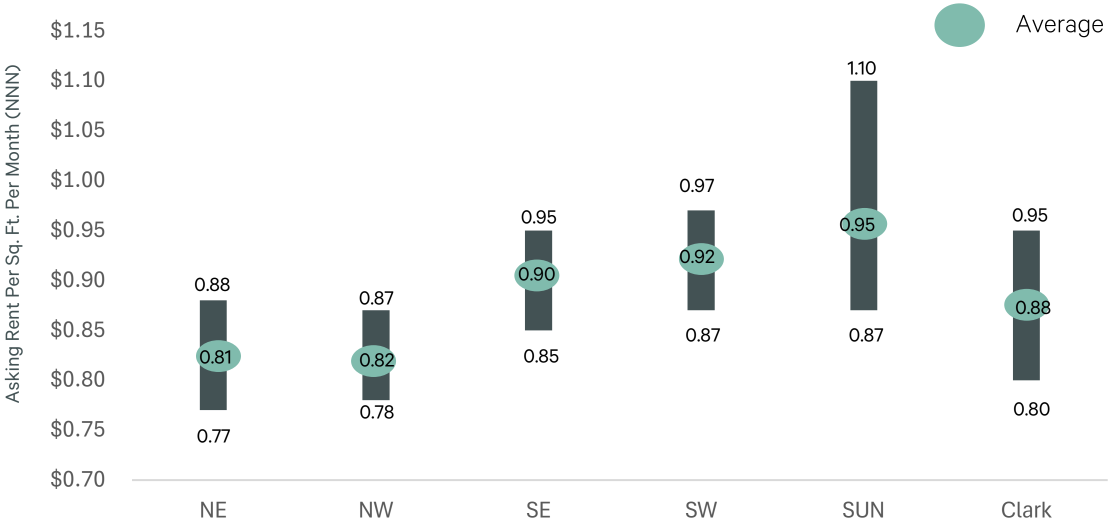
Source: CBRE Research, Q2 2026

Asking Rent

Average asking shell rents continued to show mixed performance during the second quarter, generally ranging from $0.80 to $1.10 per sq. ft. NNN for large Class A warehouse space. While rising vacancy has moderated rent growth expectations across much of the metro area, limited availability in select submarkets continues to support premium pricing for well-located, high-quality facilities.

Market conditions vary considerably by geography. The Northeast and Northwest industrial submarkets currently report some of the highest vacancy rates across the metro area, at 8.2% and 10.2%, respectively, placing downward pressure on asking rents in those areas. In contrast, the Sunset Corridor continues to command some of the market's strongest rental rates, supported by its concentration of advanced manufacturing and technology users, including Intel. Newer, larger-scale warehouse facilities in the corridor are achieving asking shell rents of up to $1.10 per sq. ft. NNN.

Figure 7: Class A Direct Asking Shell Rental Rate Range (For existing spaces 50k+ Sq. Ft.)



Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 8

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Current Quarter Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Under Construction (SF)
Northeast	51,343,102	8.2	11.6	1,210,765	(211,302)	(97,689)	0	57,520	271,828
Northwest	39,662,540	10.2	13.3	1,427,170	106,462	(19,808)	0	0	0
Southeast	31,180,455	3.9	4.4	318,591	373,035	374,121	347,645	347,645	1,027,252
Southwest	41,552,556	9.9	13.6	1,653,308	(20,932)	(104,919)	612,675	1,054,710	199,070
Sunset Corridor	28,103,672	4.2	6.0	288,819	68,791	(63,505)	0	0	1,368,669
Clark County	29,039,274	7.8	7.6	128,852	192,093	316,672	63,215	183,215	622,736
Total	**220,881,599**	**7.7**	**10.0**	**5,027,505**	**508,147**	**404,872**	**1,023,535**	**1,643,090**	**3,489,555**

Source: CBRE Research, Q2 2026

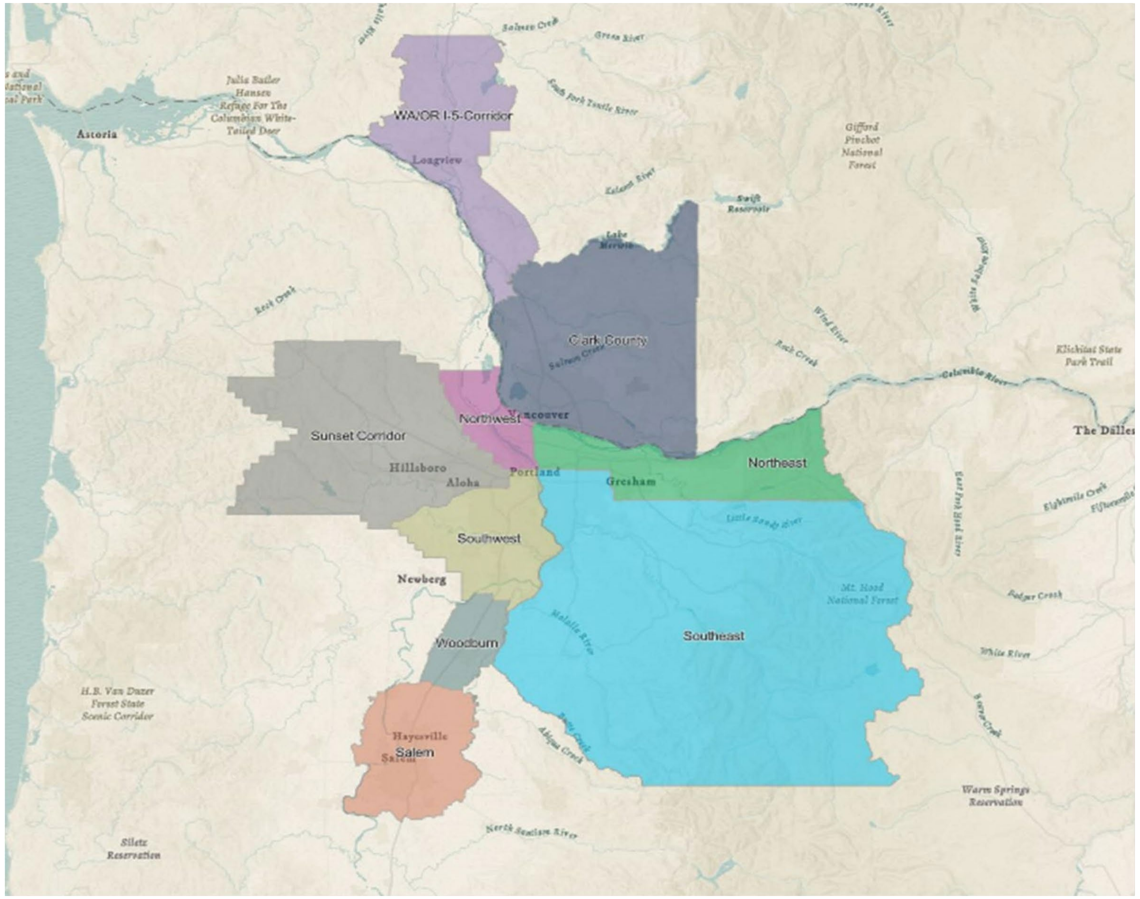
Market Statistics by Size

Figure 9

Size Range	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Current Quarter Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Under Construction (SF)
0 – 49,999 SF	63,486,443	5.0	6.1	554,090	43,658	35,829	0	57,520	39,458
50,000 – 99,999 SF	45,731,994	8.3	10.5	1,325,642	99,348	(252,637)	208,140	208,140	70,670
100,000 – 249,999 SF	58,849,204	10.2	13.5	1,735,723	34,075	240,786	467,750	1,029,785	671,632
250,000 – 599,999 SF	39,468,721	7.1	10.3	1,245,536	331,066	380,894	347,645	347,645	1,159,075
600,000+ SF	13,345,237	9.6	10.6	166,514	-	-	0	0	1,548,720
Total	**220,881,599**	**7.7**	**10.0**	**5,027,505**	**508,147**	**404,872**	**1,023,535**	**1,643,090**	**3,489,555**

Source: CBRE Research, Q2 2026

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 within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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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