

INVESTMENT FORECAST

Retail
Portland

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Consumer Spending Bolsters Retail Performance North and South of Core Amid Improving Capital Flows

Demand rising, despite headwinds. This year's supply pipeline will be the largest since 2016, putting upward pressure on vacancy. Even so, Portland is projected to post a nearly 4 percent gain in retail sales in 2026, barring an unexpected shock to the economy, supporting modest improvement in tenant demand. Clark County, particularly Vancouver, is likely to be a focal point of this momentum, as above-average multifamily net absorption in 2025 signals an expanding residential base that may bolster local space demand. Meanwhile, the Interstate 5 Corridor is positioned for continued vacancy compression. As one of only two submarkets to record a decline in vacancy last year, it benefits from proximity to emerging employment centers and higher-income households — trends expected to drive leasing demand in 2026. The CBD faces a more challenging outlook, entering the year with vacancy up roughly 120 basis points, compounded by elevated office vacancy. Even so, rising downtown foot traffic in 2025 suggests the core may see a gradual improvement in net absorption.

Deal flow increased for both multi- and single-tenant assets. Transaction velocity rose nearly 50 percent last year — the third-steepest increase among secondary metros — as out-of-state investors capitalized on Portland's relatively low West Coast pricing. Looking ahead, buyers may continue to favor single-tenant assets due to the segment's comparatively lower vacancy. However, softer tenant demand last year suggests investor interest in this category could moderate. Meanwhile, multi-tenant deal flow increased nearly 60 percent last year, ending just below the 2015-2019 average. While space demand in this segment rose in 2025, move-ins were primarily concentrated in the I-5 Corridor, indicating uneven underlying demand metrowide.

2026 MARKET FORECAST

-0.4%



Employment: The metro is forecast to lose approximately 5,000 jobs in 2026, one of the larger declines nationally. Even so, health care is expected to remain a source of employment growth.

610,000
sq. ft.



Construction: Portland's inventory is projected to grow by 0.7 percent — one of the fastest rates among major U.S. markets — marking the fourth consecutive year of rising completions.

+30 bps



Vacancy: Despite strong retail sales growth prompting tenant move-ins, incoming supply is expected to exceed net absorption, lifting vacancy to 5.4 percent, its highest level since mid-2013.

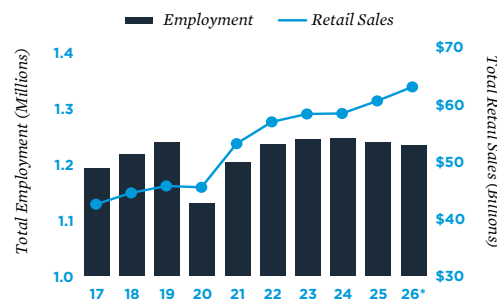
+1.4%



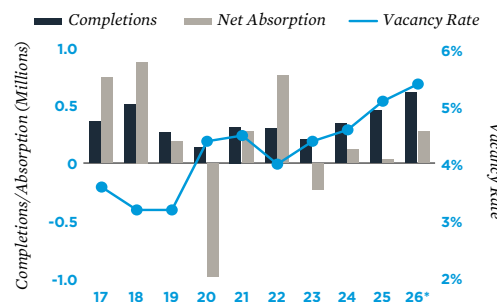
Rent: The mean asking rent will continue to expand for a sixth straight year, albeit at a slower pace than in 2022-2025, supported by demand at a four-year high, reaching \$24.60 per square foot.

INVESTMENT: Pending Portland's Central City Code Amendments, greater mixed-use density in the core could drive more consistent foot traffic, improving retail prospects and supporting local investor interest.

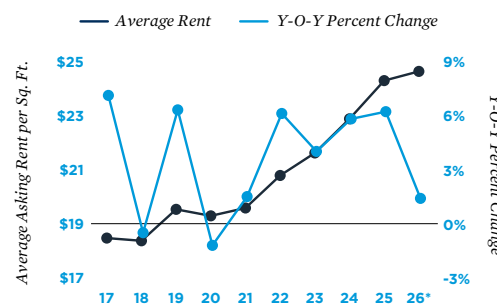
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.