

**MARKET TRENDS | PORTLAND**

# OFFICE

## Portland Office Vacancy Rises in Q1 2021

**MARKET DRIVERS**

**OFFICE AVAILABILITY** in the Portland metro area rose 45% YOY, reporting a current rate of 15.0% for all class types. In particular, sublease availability increased to 1.5% by the end of 1Q 2021, up from 0.7% a year prior.

**ASKING LEASE RATES** declined slightly to \$28.09/SF full service, compared to \$28.38/SF full service from a year ago.

**LEASING ACTIVITY** declined 42% YOY to 562,626 SF by the end of 1Q 2021. Total Class A lease activity reached 221,488 SF, with 36,539 SF of subleases.

**OFFICE DELIVERIES** slowed to only 34,940 SF in 1Q 2021. The largest project was 15710 NE 65th Street in Vancouver, WA, adding 25K SF to this submarket.

**UNDER CONSTRUCTION** projects include Nike's North Expansion in Beaverton (1.0M SF) and 503 on Tenth in Portland (269,908 SF).

**ECONOMIC OVERVIEW**

**PORTLAND'S ECONOMY** slowly bounced back 1Q 2021, as federal stimulus packages and COVID-19 vaccines started rolling out in the area. As local businesses begin to reopen with modifications, there is optimism that strong consumer spending will drive the Portland economy forward in 2021.

**UNEMPLOYMENT** rates reached a high of 14.3% in April 2020 due to COVID-19. Since then, unemployment gradually fell, standing at 6.2% in 1Q 2021.

**NEAR-TERM OUTLOOK**

**ASKING RENTAL RATES** will fall slightly in the Portland office market, with vacancy levels plateauing towards the end of 2021 as workers return to the workplace and the COVID-19 vaccine becomes widely distributed.

**OFFICE SUPPLY** in the Portland market will continue to grow as owners lose out on tenants occupying buildings. A soft market will develop due to growing supply and rising interest rates.

## Market Summary

	1Q 2021	4Q 2020	1Q 2020	Annual Change
Direct Vacancy Rate	10.2%	9.4%	7.5%	<b>36.00%</b>
Availability Rate	15.0%	13.5%	10.3%	<b>45.63%</b>
Asking Lease Rate	\$28.09	\$28.01	\$28.38	<b>-1.02%</b>
Leasing Activity (SF)	562,626	756,106	982,825	<b>-42.75%</b>
Sale Volume (SF)	225,333	1,228,763	1,692,626	<b>-86.69%</b>
Net Absorption (SF)	-907,648	-885,087	-175,748	<b>N/A</b>

**1Q 2021**
**▼ 563K**  
**LEASING ACTIVITY**
**▼ -908K**  
**NET ABSORPTION (SF)**
**▲ 10.2%**  
**VACANCY RATE**
**▼ \$28.09**  
**AVERAGE ASKING RENT**
**▼ 35K**  
**NEW DELIVERIES (SF)**
**YEAR-OVER-YEAR CHANGE**

## Market Highlights

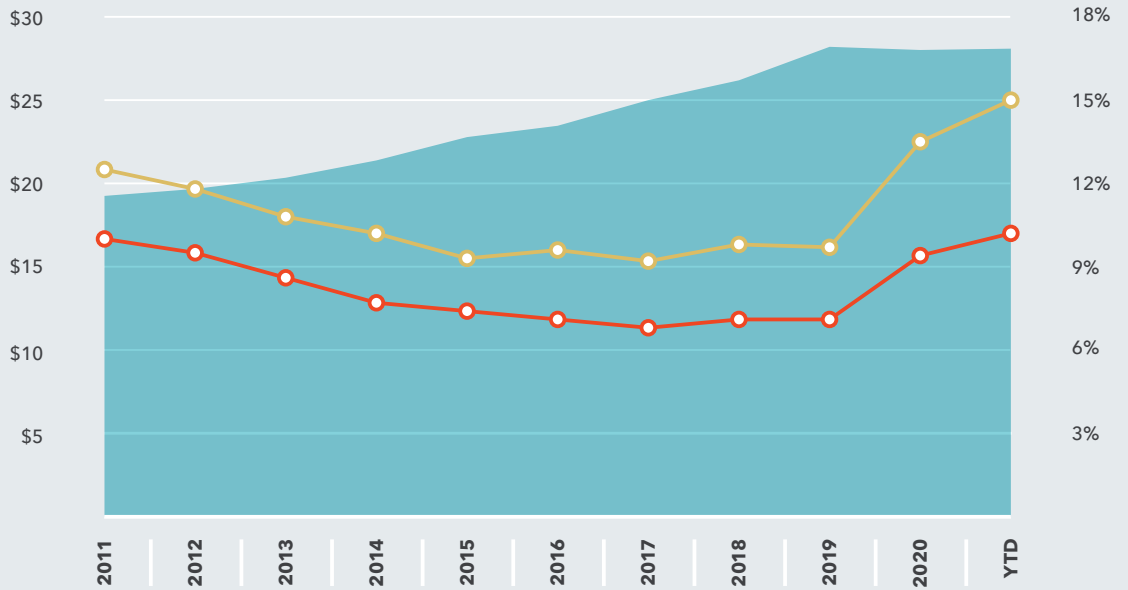
**DIRECT VACANCY** rates increased to 10.2%, up 36% YOY

**ABSORPTION** rates fell into negative territory, reporting a loss of 907,648 SF by the end of 1Q 2021

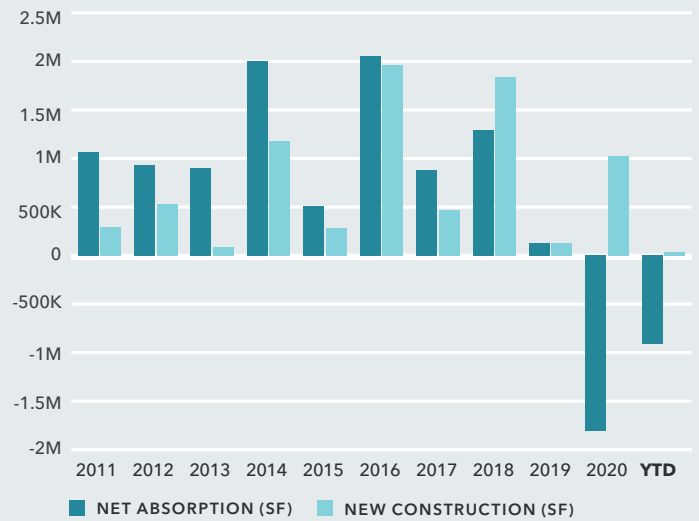
**CONSTRUCTION** projects remain active, with over 2.3M SF of office developments in the pipeline

# Lease Rate, Vacancy & Availability

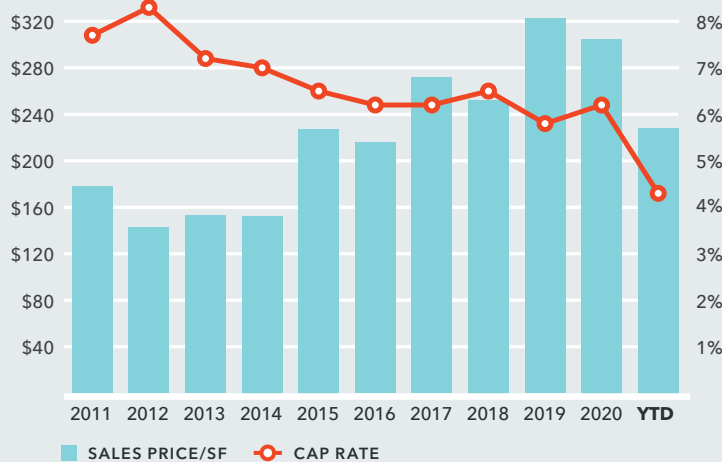
- DIRECT LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



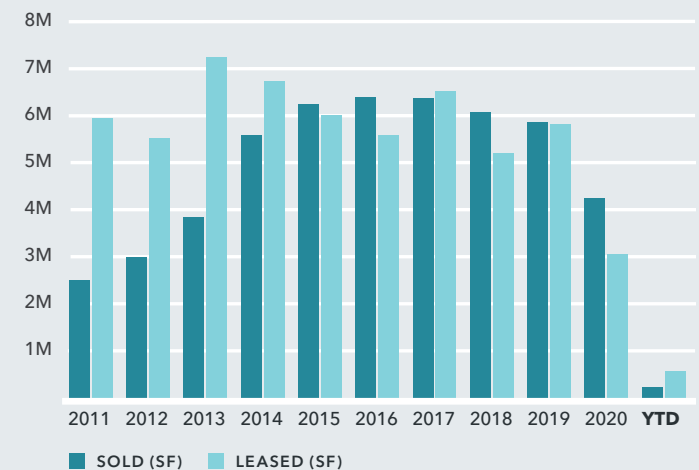
# Office Construction & Absorption



# Average Sales Price/SF & Cap Rate



# Sale Volume & Leasing Activity



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q1 2021 Total Net Absorption	YTD Total Net Absorption	Q1 2021 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate (FS)
CBD	28,540,198	14.9%	16.4%	22.2%	-377,811	-377,811	133,189	133,189	\$30.94
Pearl District/Chinatown	3,044,708	19.2%	21.6%	29.4%	-61,112	-61,112	16,956	16,956	\$27.29
<b>Downtown</b>	<b>31,584,906</b>	<b>15.3%</b>	<b>16.9%</b>	<b>22.9%</b>	<b>-438,923</b>	<b>-438,923</b>	<b>150,145</b>	<b>150,145</b>	<b>\$30.82</b>
217 Corridor/Beaverton	2,478,059	12.0%	16.9%	18.7%	-78,451	-78,451	11,289	11,289	\$18.57
Airport Way	1,143,761	7.0%	7.0%	7.7%	26,790	26,790	2,515	2,515	\$22.24
Barbur Blvd/Capitol Hwy	1,346,128	7.9%	8.0%	10.0%	-15,105	-15,105	6,491	6,491	\$18.52
Camas/Washougal	985,143	1.1%	1.1%	4.1%	16,171	16,171	7,545	7,545	\$24.72
Cascade Park	3,092,977	8.8%	9.4%	13.3%	-1,065	-1,065	35,171	35,171	\$24.57
CBD/West Vancouver	2,715,021	6.8%	7.2%	8.8%	-7,278	-7,278	21,388	21,388	\$25.81
Clackamas/Milwaukie	2,918,156	6.1%	6.6%	8.8%	-22,744	-22,744	17,751	17,751	\$27.03
East Columbia Corridor	964,127	1.9%	1.9%	3.4%	-5,836	-5,836	0	0	\$29.00
Gateway	2,273,905	1.8%	2.0%	2.0%	-10,697	-10,697	6,862	6,862	\$22.62
Gresham	1,020,280	7.3%	7.4%	11.2%	-2,084	-2,084	3,282	3,282	\$20.16
Guilds Lake	579,518	16.8%	16.8%	16.8%	22,000	22,000	27,000	27,000	\$42.00
Hayden Island/Swan Island	1,834,890	2.1%	2.1%	2.1%	570	570	570	570	\$15.00
Hazel Dell/Salmon Creek	837,895	3.7%	3.7%	3.9%	10,600	10,600	8,663	8,663	\$25.58
Johns Landing	1,815,327	11.9%	12.5%	15.0%	-5,177	-5,177	18,685	18,685	\$31.01
Kruse Way	2,780,320	17.6%	19.6%	22.5%	-42,490	-42,490	46,281	46,281	\$34.66
Lake Oswego/West Linn	925,279	7.1%	8.2%	9.3%	-10,713	-10,713	14,407	14,407	\$29.25
Lloyd District	5,294,111	5.6%	6.3%	9.9%	-24,918	-24,918	12,235	12,235	\$27.53
Mall 205	913,128	6.8%	6.9%	10.0%	-15,332	-15,332	3,478	3,478	\$19.96
NE Close-In	1,516,480	4.8%	4.9%	7.4%	-10,208	-10,208	5,107	5,107	\$28.00
North Beaverton	3,084,271	15.0%	15.3%	18.4%	-203,820	-203,820	15,875	15,875	\$24.43
Orchards	730,927	11.8%	12.4%	12.7%	18,961	18,961	17,900	17,900	\$17.66
Oregon City	847,262	2.3%	2.3%	2.5%	-1,080	-1,080	323	323	\$21.01
Rivergate	71,876	0.0%	0.0%	0.0%	0	0	0	0	0
SE Close-In	3,349,061	10.0%	12.0%	30.7%	-24,734	-24,734	8,423	8,423	\$28.89
Sherwood	153,535	3.0%	3.0%	2.2%	-1,338	-1,338	1,211	1,211	0
St. Johns/Central Vancouver	1,763,228	1.6%	1.6%	2.0%	15,935	15,935	3,376	3,376	\$34.53
Sunset Corridor/Hillsboro	13,551,167	5.2%	5.5%	8.4%	14,012	14,012	52,647	52,647	\$23.52
SW Close-In	725,905	25.8%	25.8%	24.6%	-9,747	-9,747	10,217	10,217	\$17.46
Sylvan/Hillsdale	778,984	3.9%	3.9%	3.9%	1,081	1,081	4,164	4,164	\$16.48
Tigard	4,553,463	11.3%	12.3%	14.5%	-68,776	-68,776	37,666	37,666	\$25.68
Tualatin	1,211,553	15.2%	15.2%	14.7%	-16,978	-16,978	1,892	1,892	\$26.23
Vancouver Mall	848,042	13.0%	14.1%	14.6%	-18,944	-18,944	1,448	1,448	\$22.96
Wilsonville	1,230,769	1.9%	1.9%	1.8%	2,670	2,670	8,619	8,619	\$26.19
<b>Suburban</b>	<b>68,334,548</b>	<b>7.80%</b>	<b>8.46%</b>	<b>11.38%</b>	<b>-468,725</b>	<b>-468,725</b>	<b>412,481</b>	<b>412,481</b>	<b>\$26.46</b>
<b>Portland Total</b>	<b>99,919,454</b>	<b>10.2%</b>	<b>11.1%</b>	<b>15.0%</b>	<b>-907,648</b>	<b>-907,648</b>	<b>562,626</b>	<b>562,626</b>	<b>\$28.09</b>
Class A	34,018,368	12.9%	14.2%	19.5%	-300,572	-300,572	221,488	221,488	\$32.56
Class B	48,140,283	9.0%	10.0%	13.6%	-300,230	-300,230	217,826	217,826	\$25.49
Class C	17,701,542	8.2%	8.5%	10.2%	-306,846	-306,846	123,312	123,312	\$20.86

## TOP SALE TRANSACTIONS FOR 1Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
8700 SW Creekside Pl, Beaverton	217 Corridor/Beaverton	30,117	\$3,975,000	\$131.99	Northwest Engineering Service	EAI Information Systems
320 Warner Milne Rd, Oregon City	Oregon City	16,220	\$2,800,000	\$172.63	Clackamas City Vector Control	Oregon City Police Dept.

## TOP LEASE TRANSACTIONS FOR 1Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1250 NW 9th Ave, Portland	CBD	28,610	March 2021	CBRE Global Investors Ltd	On Inc.
2501 NW Wilson Ave, Portland	Guilds Lake	27,000	January 2021	AWS Real Estate	ESCO Corp.
3555 SW 153rd Dr, Beaverton	Sunset Corridor/Hillsboro	24,942	March 2021	Uninational Corporation	Undisclosed Tenant

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	Owner	Delivery Date	SF
Nike North Expansion	1 SW Bowerman Dr, Beaverton	Sunset Corridor/Hillsboro	1,003,585	NIKE, Inc.	2Q 2021
Adidas Expansion	5055 N Greeley Ave, Portland	Hayden Island/Swan Island	425,000	Adidas America	2Q 2021
503 on Tenth	503 SE 10th Ave, Portland	SE Close-In	269,908	Summit Development Group LLC	1Q 2023

DATA SOURCE: COSTAR, FEDERAL RESERVE BANK OF ST. LOUIS

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**Commercial  
 Brokerage**

**\$8B**  
 TRANSACTION  
 VOLUME (ANNUAL)

**23M**  
 SALES SF  
 (ANNUAL)

**42M**  
 LEASING SF  
 (ANNUAL)

**Valuation  
 Advisory**

**1,800+**  
 ASSIGNMENTS  
 ANNUALLY

**39/20**  
 TOTAL NO.  
 APPRAISERS/MAI'S

**Property  
 Management**

**70M+**  
 MANAGEMENT  
 PORTFOLIO SF

**\$12B+**  
 IN ASSETS UNDER  
 MANAGEMENT

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