

MARKET TRENDS | PORTLAND

OFFICE

MARKET DRIVERS

OFFICE DIRECT VACANCY in the Portland metro area rose 40% YOY, reporting a rate of 10.5% for all class types.

ASKING LEASE RATES remained stable, reporting \$28.02/SF full service by the end of Q2 2021.

LEASING ACTIVITY rose 12% YOY to 819,135 SF through the end of the second quarter 2021. Total Class A lease activity reached 351,267 SF, with sublease activity standing at 41,492 SF.

NIKE'S NORTH EXPANSION project in Beaverton, totaling 1.90 million SF, delivered in Q2 2021.

UNDER CONSTRUCTION projects in Portland include the Adidas Expansion (425,000 SF) and 503 on Tenth (269,908 SF).

ECONOMIC OVERVIEW

THE PORTLAND ECONOMY is slowly bouncing back in 2021, as the state of Oregon fully reopened on June 30. As local businesses reopen, there is optimism that strong consumer spending will drive the Portland economy forward in 2021.

UNEMPLOYMENT rates reached a high 13.2% in April 2020 due to the COVID-19 pandemic. Since then, unemployment has gradually fallen, standing at 5.9% in Q2 2021.

NEAR-TERM OUTLOOK

WHILE VACANCY RATES in the past year due to COVID-19, signs of renewed leasing activity have resurfaced in the market.

VACCINE LEVELS have approached the point where most office buildings in the Portland market have fully reopened. Kidder Mathews expects a more pronounced spike in touring and leasing activity in the following months.

Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual Change
Direct Vacancy Rate	10.5%	10.1%	7.5%	40.00%
Availability Rate	15.0%	14.3%	10.5%	42.86%
Asking Lease Rate	\$28.02	\$28.08	\$28.97	-3.28%
Leasing Activity (SF)	819,135	649,352	731,412	11.99%
Sale Volume (SF)	512,994	294,614	406,245	26.28%
Net Absorption (SF)	1,239,674	(927,627)	55,313	N/A

▲ **819K**
LEASING ACTIVITY (SF)

▲ **1.24M**
NET ABSORPTION (SF)

▲ **10.5%**
VACANCY RATE

◀▶ **\$28.02**
AVERAGE ASKING RENT

▲ **1.90M**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

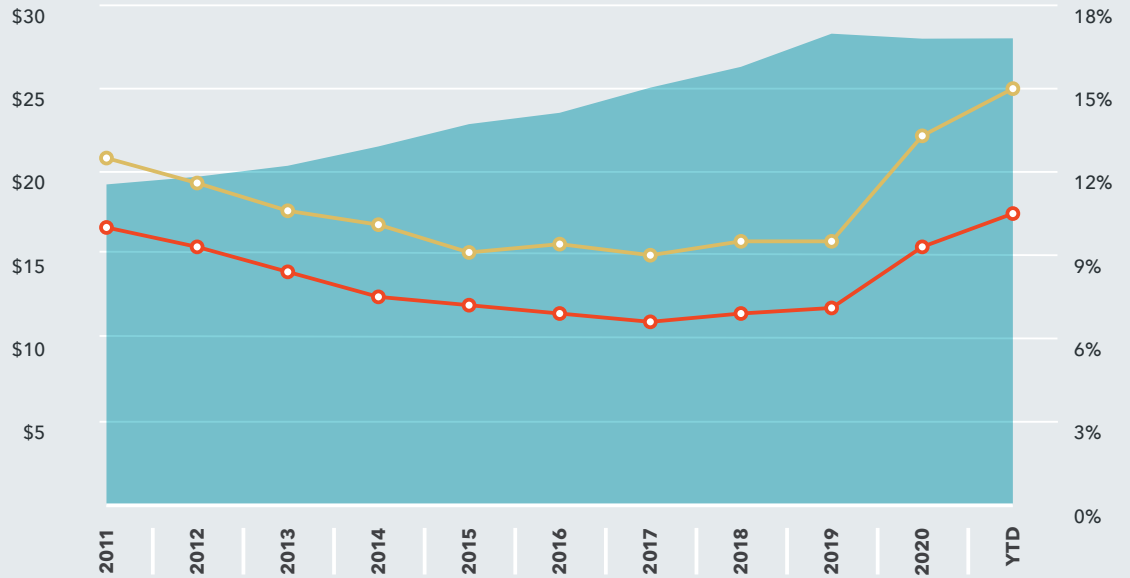
DIRECT VACANCY rates increased to 10.5%, up 40% YOY

NET ABSORPTION reported positive 1.24 million SF by the end of Q2 2021

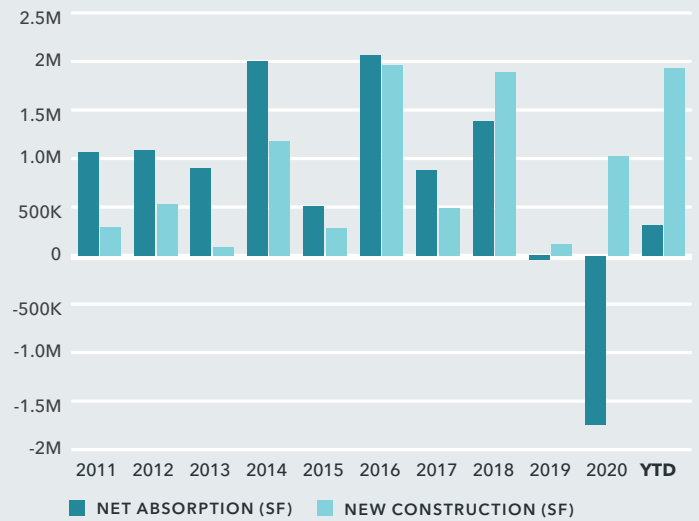
CONSTRUCTION projects remain active, with over 1.34 million SF of office developments in the pipeline

Lease Rate, Vacancy & Availability

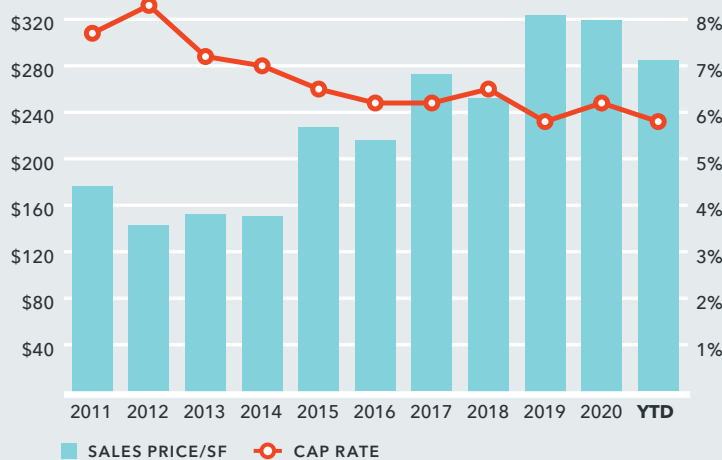
- ASKING LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



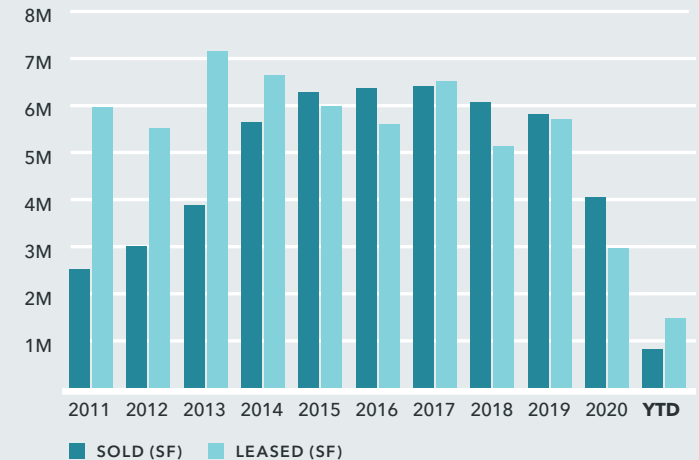
Office Construction & Absorption



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q2 2021 Total Net Absorption	YTD Total Net Absorption	Q2 2021 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate (FS)
CBD	28,610,020	16.0%	17.6%	23.3%	-388,167	-764,277	198,220	368,228	\$30.67
Pearl District/Chinatown	3,051,006	18.3%	20.7%	29.0%	13,507	-34,585	56,313	73,269	\$26.74
Downtown	31,661,026	16.2%	17.9%	23.8%	-374,660	-798,862	254,533	441,497	\$30.54
217 Corridor/Beaverton	2,508,558	14.9%	19.9%	20.4%	-79,320	-157,771	30,985	44,904	\$19.13
Airport Way	1,143,761	6.6%	6.6%	6.9%	3,589	30,379	0	2,515	\$22.04
Barbur Blvd/Capitol Hwy	1,346,128	8.4%	8.4%	10.7%	-5,872	-20,977	2,266	8,757	\$18.48
Camas/Washougal	985,143	2.5%	2.5%	3.2%	-14,165	2,006	0	7,545	\$25.10
Cascade Park	2,943,794	8.8%	9.4%	10.6%	22,907	-27,078	26,585	63,921	\$24.58
CBD/West Vancouver	2,751,578	8.6%	9.1%	11.2%	-42,428	-51,218	13,094	36,763	\$25.94
Clackamas/Milwaukie	2,921,276	5.9%	6.3%	8.0%	721	-14,623	32,298	54,345	\$27.05
East Columbia Corridor	996,558	2.6%	2.6%	3.2%	7,385	-13,221	968	968	\$30.88
Gateway	2,270,322	1.8%	1.8%	2.2%	4,467	-7,780	17,391	24,253	\$23.12
Gresham	1,015,922	7.7%	7.7%	11.7%	-2,562	-4,646	9,294	12,576	\$19.78
Guilds Lake	577,518	15.1%	15.1%	15.1%	10,000	32,000	0	27,000	-
Hayden Island/Swan Island	1,823,540	1.6%	1.6%	1.6%	-570	0	0	570	\$15.00
Hazel Dell/Salmon Creek	839,331	4.4%	4.4%	4.6%	-3,373	4,611	7,245	18,308	\$22.82
Johns Landing	1,817,618	11.5%	12.1%	17.8%	6,368	1,191	4,125	27,315	\$30.48
Kruse Way	2,781,579	16.8%	18.5%	22.7%	29,736	-12,754	79,159	125,440	\$35.34
Lake Oswego/West Linn	931,622	11.7%	11.8%	13.1%	-34,095	-44,808	8,478	26,035	\$29.42
Lloyd District	5,313,836	6.0%	6.7%	11.6%	-22,562	-47,480	20,622	37,321	\$28.21
Mall 205	921,794	8.4%	8.5%	11.4%	-26,146	-30,562	2,020	8,109	\$19.99
NE Close-In	1,533,629	3.6%	3.6%	6.4%	22,696	12,132	2,933	9,075	\$26.01
North Beaverton	3,084,271	15.1%	15.1%	16.8%	-782	-197,239	34,093	51,768	\$24.66
Orchards	746,517	11.3%	11.9%	11.9%	1,800	20,761	3,872	21,772	\$17.66
Oregon City	847,262	2.6%	2.6%	2.7%	-2,565	-3,645	1,761	3,414	\$21.53
Rivergate	71,876	0.0%	0.0%	0.0%	0	0	0	0	-
SE Close-In	3,458,661	10.3%	12.6%	29.9%	-60,431	-73,258	64,473	69,331	\$27.72
Sherwood	153,535	1.5%	1.5%	1.5%	2,393	1,055	1,182	2,393	-
St. Johns/Central Vancouver	1,704,377	1.4%	1.4%	1.9%	4,261	20,196	0	3,376	\$34.53
Sunset Corridor/Hillsboro	15,459,732	5.1%	5.3%	6.4%	1,826,895	1,840,907	49,764	105,545	\$23.57
SW Close-In	725,905	27.1%	27.1%	27.4%	-9,506	-19,253	2,547	12,764	\$17.01
Sylvan/Hillsdale	778,984	3.8%	3.8%	9.3%	634	1,715	4,850	9,014	\$16.71
Tigard	4,556,768	11.5%	12.7%	13.8%	-16,742	-84,970	118,033	171,073	\$26.13
Tualatin	1,266,816	14.0%	14.0%	15.2%	10,004	-10,084	2,005	3,897	\$26.30
Vancouver Mall	875,266	15.6%	16.7%	16.2%	-26,127	-45,071	18,771	22,516	\$22.36
Wilsonville	1,230,769	1.3%	1.3%	1.4%	7,724	10,394	5,788	14,407	\$24.94
Suburban	70,384,246	7.97%	8.61%	11.09%	1,614,334	1,110,909	564,602	1,026,990	\$26.53
Portland Total	102,045,272	10.5%	11.5%	15.0%	1,239,674	312,047	819,135	1,468,487	\$28.02
Class A	35,909,318	12.9%	14.4%	19.6%	1,584,858	1,274,233	351,267	605,193	\$32.72
Class B	48,575,674	9.6%	10.5%	13.6%	-349,237	-664,971	385,075	637,625	\$25.12
Class C	17,494,988	8.1%	8.2%	9.8%	4,053	-297,215	82,793	225,669	\$20.56

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Gresham Station Medical Plaza	Gresham	100,419	\$30,900,000	\$307.71	Kayne Anderson Capital Advisors, L.P. JV Remedy Medical Properties	Stockdale Capital Partners
5550 SW Macadam Ave, Portland	Johns Landing	43,151	\$15,800,000	\$366.16	Harder Mechanical Contractors, Inc.	ScanlanKemperBard and WHI Real Estate Partners
1200 NE 48th Ave, Hillsboro	Sunset Corridor/ Hillsboro	23,000	\$7,700,000	\$334.78	Sherwood Hubbard LLC	Atherton Realty Partnership

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1250 NW 9th Ave, Portland	CBD	53,035	June 2021	CBRE Global Investors Ltd	Ampere Computing
600 SW 10th Ave, Portland	CBD	42,764	April 2021	Unico Properties	Sera Architects
601 SW 2nd Ave, Portland	CBD	42,324	May 2021	Unico Properties	Lane Powell PC (Renewal)

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Adidas Expansion	5055 N Greeley Ave, Portland	Hayden Island/Swan Island	425,000	Adidas America	Q3 2021
503 on Tenth	503 SE 10th Ave, Portland	SE Close-In	269,908	Summit Development Group LLC	Q1 2023
Block 216	900 SW Washington St, Portland	CBD	169,188	BPM Real Estate Group	Q1 2023

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

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
Director of Research
415.229.8925
gary.baragona@kidder.com

BRIAN HATCHER
President & COO
503.221.9900
brian.hatcher@kidder.com

**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

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

**km Kidder
Mathews**