

MARKET TRENDS | **PORTLAND**

OFFICE

MARKET DRIVERS

OFFICE DIRECT VACANCIES continued to trend upwards across the Portland metro, increasing by over 15.8% YOY to 11.7% to conclude the first quarter.

ASKING LEASE RATES decreased in 1Q 2022, reporting \$27.92/SF full service as landlords begin to offer attractive rates and concessions in order to draw in new tenants.

LEASING ACTIVITY picked up from the year prior with over 940K SF leased, up 19.4% YOY. Total Class A lease activity reached 343,339 SF with sublease activity reporting 115,544 SF for all class types.

OFFICE SALES IN 1Q 2022 fell to 72 transactions, averaging \$309.04/SF with cap rates settling at 6.0%.

MAJOR PROJECTS underway in Portland include 503 on Tenth (269,908 SF) and The Trailhead (200,200 SF). In total, 974,988 SF remain under construction.

ECONOMIC REVIEW

UNEMPLOYMENT RATES reached its peak in April 2020 at 13.1% due to the COVID-19 pandemic. Since then, unemployment has decreased steadily, standing at 3.9% in January 2022. Total non-farm employment increased across the metro by 6.56% YOY to 1,207,100.

THERE IS STRONG OPTIMISM that current demographics and consumer spending will drive the Portland economy forward with then next 12-24 months.

NEAR-TERM OUTLOOK

WE CAN EXPECT MOVEMENT ACROSS THE METRO to gradually improve in 2022 as companies hire at rapid pace and tenants begin to finalize back-to-office procedures.

PORTLAND'S SUBURBAN MARKETS will likely outperform the Downtown market as these buildings remain attractive for many tenants due to the amenity packages and a vibrant mixed-use offering.

WITH MINIMAL CONSTRUCTION in the pipeline for 2022, we can expect downward pressure on availabilities as tenants absorb existing inventory.

Market Summary

	Q1 2022	Q4 2021	Q1 2021	Annual Change
Direct Vacancy Rate	11.7%	11.1%	10.1%	15.84%
Availability Rate	15.9%	15.2%	14.5%	9.66%
Asking Lease Rate	\$27.92	\$28.01	\$28.08	-0.57%
Leasing Activity (SF)	940,789	897,135	787,397	19.48%
Sale Volume (SF)	523,352	969,388	303,917	72.20%
Net Absorption (SF)	(736,652)	(59,430)	(923,385)	N/A

▲ **940K**
LEASING ACTIVITY (SF)

▼ **-736K**
NET ABSORPTION (SF)

▲ **11.7%**
VACANCY RATE

▼ **\$27.92**
AVERAGE ASKING RENT

▼ **76.9K**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

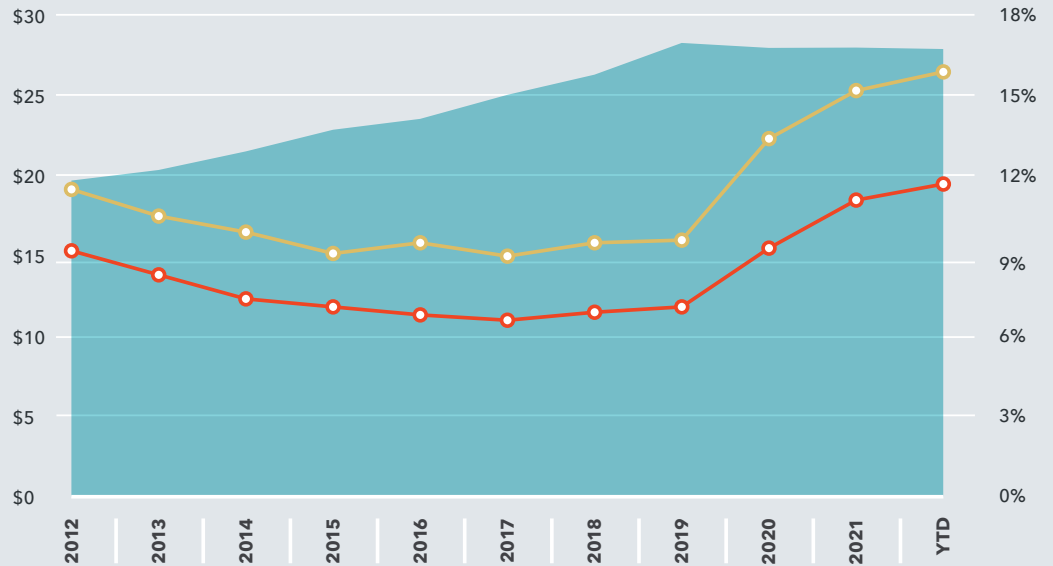
DIRECT VACANCY rates increased to 11.7%.

NET ABSORPTION reported negative 736,652 SF by the end of 1Q 2022.

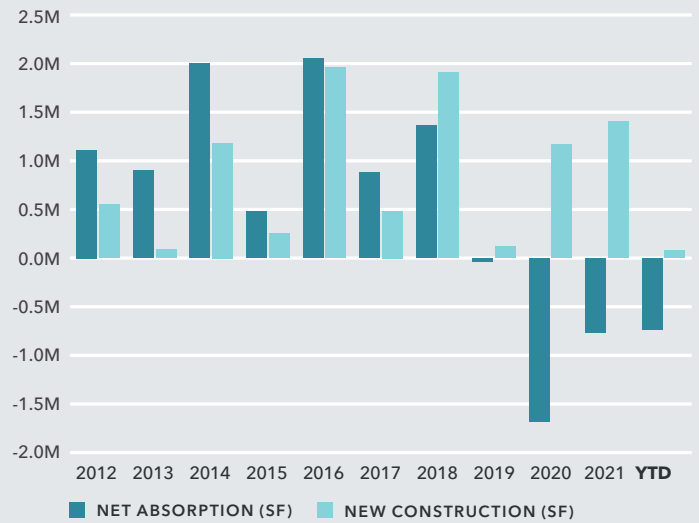
CONSTRUCTION projects have slowed with over 974K SF of office developments in the pipeline.

Lease Rate, Vacancy & Availability

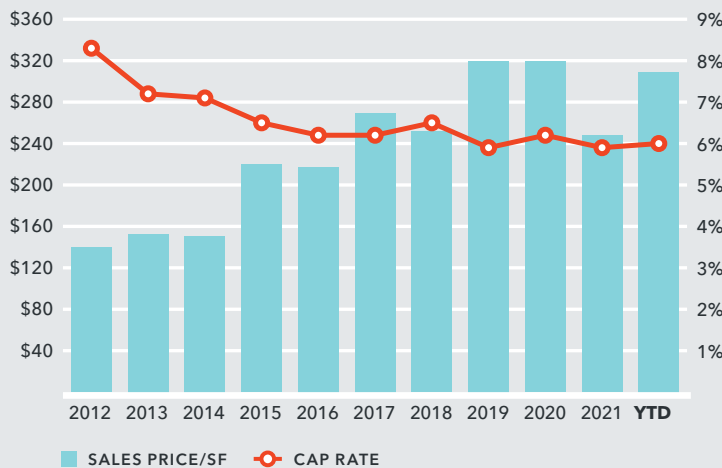
- ASKING LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



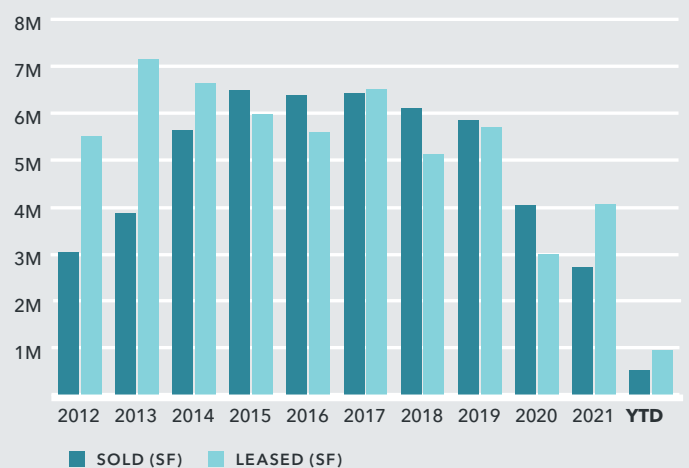
Office Construction & Absorption



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q4 2021 Total Net Absorption	YTD Total Net Absorption	Q4 2021 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	29,102,089	18.8%	20.4%	25.9%	-462,289	-1,147,370	319,877	840,020	\$28.01
Pearl District/Chinatown	3,170,070	21.8%	23.7%	30.0%	30,495	-136,951	36,560	191,343	\$26.08
Downtown	32,272,159	19.1%	20.7%	26.3%	-431,794	-1,284,321	356,437	1,031,363	\$27.93
217 Corridor/Beaverton	2,534,067	12.7%	17.9%	21.4%	-45,964	-64,853	97,288	116,259	\$20.38
Airport Way	1,144,881	4.8%	4.9%	9.3%	53,836	-13,046	2,175	59,784	\$21.88
Barbur Blvd/Capitol Hwy	1,411,441	9.0%	10.5%	13.0%	-27,642	-44,442	9,165	27,428	\$19.46
Camas/Washougal	985,143	1.9%	1.9%	2.6%	4,367	3,642	0	8,595	\$23.87
Cascade Park	3,092,913	7.6%	8.2%	9.3%	22,090	-26,451	24,030	216,255	\$24.70
CBD/West Vancouver	2,926,122	6.0%	6.1%	8.0%	10,929	64,760	28,604	139,194	\$28.01
Clackamas/Milwaukie	2,965,973	6.8%	6.9%	7.1%	1,578	-26,084	22,792	118,647	\$27.47
East Columbia Corridor	1,013,558	0.8%	0.8%	3.1%	433	3,803	1,022	968	\$28.64
Gateway	2,232,069	2.5%	2.5%	3.2%	-17,799	-3,095	8,129	31,036	\$22.83
Gresham	1,015,922	6.3%	6.3%	9.8%	1,571	7,962	6,091	24,077	\$19.46
Guilds Lake	514,518	5.5%	7.2%	8.0%	5,000	14,299	0	32,003	-
Hayden Island/Swan Island	1,833,883	1.4%	1.4%	1.3%	-2,295	233,703	4,120	134,832	\$15.00
Hazel Dell/Salmon Creek	833,336	4.2%	4.2%	3.2%	-12,810	18,112	14,980	27,454	\$21.44
Johns Landing	1,825,094	16.5%	17.3%	21.0%	-80,615	-12,691	9,974	42,332	\$31.01
Kruse Way	2,791,372	17.5%	21.8%	24.3%	-8,617	-96,003	22,430	253,332	\$38.71
Lake Oswego/West Linn	932,035	9.3%	10.6%	11.1%	998	-35,083	7,210	52,031	\$28.28
Lloyd District	5,596,865	9.4%	9.7%	13.7%	20,027	-110,000	39,205	132,017	\$30.61
Mall 205	911,933	5.3%	5.3%	9.2%	327	-1,350	562	20,019	\$19.61
NE Close-In	1,558,788	4.5%	4.5%	4.9%	166	-1,020	10,804	27,350	\$28.18
North Beaverton	3,095,748	15.4%	15.4%	18.0%	6,641	-215,293	22,201	106,706	\$25.74
Orchards	738,102	4.8%	4.8%	5.0%	3,020	88,695	0	32,316	\$25.00
Oregon City	852,262	2.6%	2.6%	2.8%	-2,825	-863	2,011	18,716	\$20.39
Rivergate	71,876	0.0%	0.0%	0.0%	0	0	0	0	-
SE Close-In	3,492,544	12.9%	16.8%	20.3%	-23,738	-131,384	92,108	144,153	\$27.03
Sherwood	140,086	5.1%	5.1%	5.1%	0	2,126	0	3,464	\$33.00
St. Johns/Central Vancouver	1,703,307	1.4%	1.4%	1.9%	-5,378	25,989	3,676	10,021	-
Sunset Corridor/Hillsboro	14,573,446	5.0%	5.7%	5.6%	-43,929	964,756	34,559	398,244	\$23.66
SW Close-In	745,566	30.2%	30.2%	33.3%	-1,819	-45,432	0	23,844	\$16.74
Sylvan/Hillsdale	776,315	9.0%	9.0%	9.0%	-27,379	-11,236	7,758	16,181	\$15.54
Tigard	4,505,693	12.7%	14.0%	19.2%	-66,751	-74,173	81,517	295,018	\$27.91
Tualatin	1,290,926	11.7%	12.3%	15.5%	-3,927	12,131	2,359	49,198	\$25.94
Vancouver Mall	878,974	10.2%	11.0%	9.3%	38,066	-33,915	7,590	88,481	\$21.74
Wilsonville	1,233,949	11.7%	11.7%	12.6%	-102,419	-15,901	21,992	22,437	\$25.42
Suburban	70,218,707	8.35%	9.30%	11.07%	-304,858	477,663	584,352	2,672,392	\$27.92
Portland Total	102,490,866	11.7%	12.9%	15.9%	(736,652)	(806,658)	940,789	3,703,755	\$27.92
Class A	34,841,428	13.3%	14.9%	19.1%	-7,139	138,551	343,339	1,288,740	\$32.24
Class B	49,904,848	11.8%	12.9%	15.6%	-605,857	-624,533	486,540	1,927,468	\$26.58
Class C	17,654,446	8.6%	8.8%	10.3%	-99,457	-316,515	110,910	487,547	\$20.41

TOP SALE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
OHSU Knight Cancer Institute	Sunset Corridor/Hillsboro	53,483	\$36,165,000	\$676.20	Oregon Health & Science University	Olympus Ventures, LLC
ODS Plaza	Clackamas/Milwaukie	55,929	\$22,500,000	\$402.30	Vista Investment Group, LLC	Red Hills Holdings, LLC
Triangle Terrace	Tigard	15,624	\$4,675,000	\$299.22	Legacy Property Management, LLC	Berman Living Trust

TOP LEASE TRANSACTIONS FOR 1Q22

Property	Submarket	SF	Transaction Date	Landlord	Tenant
101 SW Main St	CBD	95,000	Jan-2022	New York Life Real Estate Investors	TriMet
8500 SW Creekside Pl	Corridor/Beaverton	42,214	Feb-2022	Ascendas-Singbridge Group	Undisclosed
220 NW Eighth	CBD	41,942	Feb-2022	Vista Investment Group, LLC	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Delivery Date	Owner
503 SE 10th Ave	503 SE 10th Ave	SE Close-In	269,908	Summit Development Group, LLC	Q1 2023
The Trailhead	SW Wall St	Tigard	200,200	Mac Martin	Q4 2023
Block 10	801 Columbia St	CBD/West Vancouver	75,000	Clyde Holland Jr	Q2 2022

DATA SOURCE: FEDERAL RESERVE BANK OF ST. LOUIS

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

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**Commercial
 Brokerage**

\$10.9B
 TRANSACTION
 VOLUME (ANNUAL)

49.7M **43.7M**
 SALES SF (ANNUAL) LEASING SF (ANNUAL)

**Valuation
 Advisory**

2,600+
 ASSIGNMENTS
 ANNUALLY

51/24
 TOTAL NO.
 APPRAISERS/MAI'S

**Asset
 Services**

62M
 MANAGEMENT
 PORTFOLIO SF

\$11B
 IN ASSETS UNDER
 MANAGEMENT

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