

MARKET TRENDS | PORTLAND

OFFICE

MARKET DRIVERS

VACANCIES continued to increase, ending the quarter with a direct vacancy rate of 11.9% compared to 11.7% last quarter and 10.6% last year. Downtown Portland posted a direct vacancy rate of 19.9% while the combined suburban market was at 8.1%.

THE AVERAGE ASKING LEASE RATE increased to \$28.42/SF full service, a 1.5% increase compared to the same time last year. As a result of the increasing vacancy, landlords are beginning to offer attractive concessions packages to attract potential tenants.

LEASING ACTIVITY averaged 1,066,282 SF per quarter during the first half of 2022, closely mirroring the rate in 2021 which averaged 1,038,400 SF per quarter. Downtown Portland experienced 31% of the year-to-date total (669,700 SF), while Class B properties led the way across the region, accounting for 53% of the total (1,122,827 SF), followed by Class A at 38% (812,626 SF).

OFFICE SALES VOLUME totaled approximately \$117 million 2Q 2022, bringing the year-to-date total to nearly \$282 million over 160 transactions while averaging nearly \$282/SF.

ACTIVE DEVELOPMENTS totaled 386,266 at the end of the quarter, more than 303,000 SF of which is in the CBD with Block 216 at 900 SW Washington St (168,188 SF) and the Offices at 11W at 1106 SW Washington St (134,185 SF).

ECONOMIC REVIEW

THE UNEMPLOYMENT RATE continued to fall, dropping to 3.1% in May 2022 compared to 5.3% last year, but much lower than 13.5% at the height of the pandemic.

WHILE THE STATE added jobs at a faster clip than most other states in the past year, the total employment curve has been flattening year-over-year job growth stands at 6.1%.

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NEAR-TERM OUTLOOK

ALTHOUGH THE PORTLAND office has shown recent signs of life, challenges and headwinds persist with economic uncertainty, increasing inflation, rising interest rates and an inconsistent labor market.

OFFICE TENANTS are expected to continue giving back space in the near term as they continue to navigate the delicate balance of on-site, remote and hybrid employees and the overall impact of space requirements.

SUBURBAN MARKETS will continue to outperform Downtown, as these submarkets and buildings remain attractive for many tenants due to employee proximity and various amenities.

Market Summary

	Q2 2022	Q1 2022	Q2 2021	Annual Change
Direct Vacancy Rate	11.9%	11.7%	10.6%	12.26%
Availability Rate	15.7%	15.6%	14.6%	7.53%
Asking Lease Rate	\$28.42	\$27.89	\$28.00	1.50%
Leasing Activity (SF)	1,160,201	972,362	1,207,596	-3.92%
Sale Volume (SF)	744,915	563,236	784,072	-4.99%
Net Absorption (SF)	(243,135)	(713,822)	305,936	N/A

▲ **1.2M**
LEASING ACTIVITY (SF)

▼ **-243K**
NET ABSORPTION (SF)

▲ **11.9%**
VACANCY RATE

▲ **\$28.42**
AVERAGE ASKING RENT

▼ **161.5K**
NEW DELIVERIES (SF)

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YEAR-OVER-YEAR CHANGE

Market Highlights

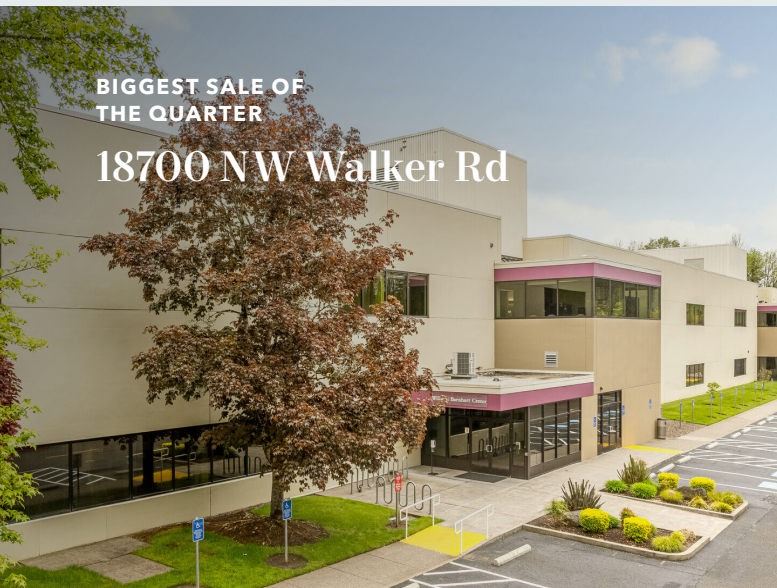
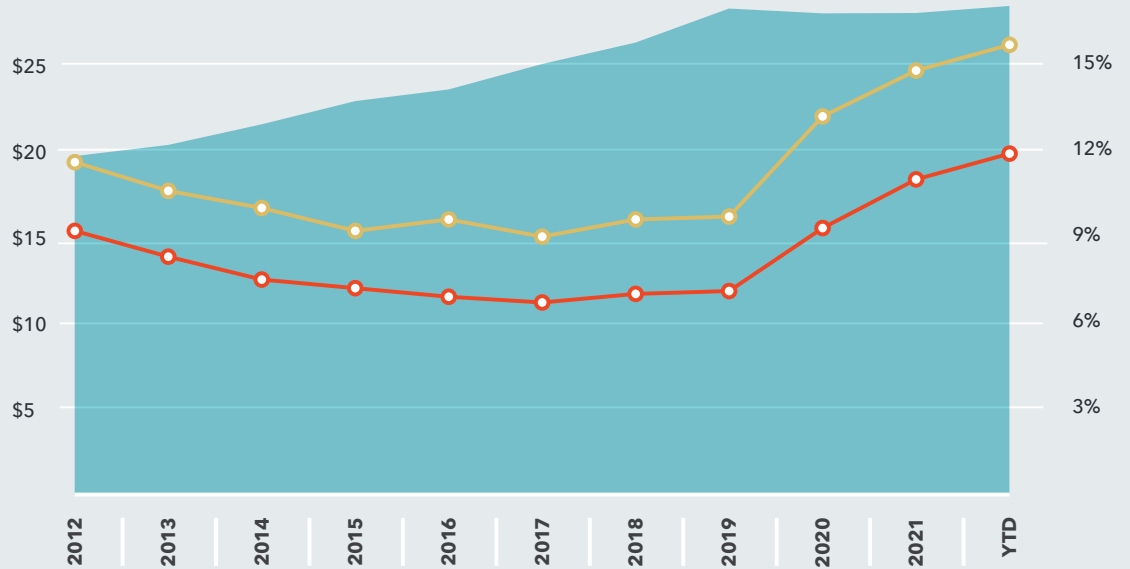
DIRECT VACANCY rates increased to 11.9%

NET ABSORPTION reported negative 243,136 SF by the end of 2Q 2022

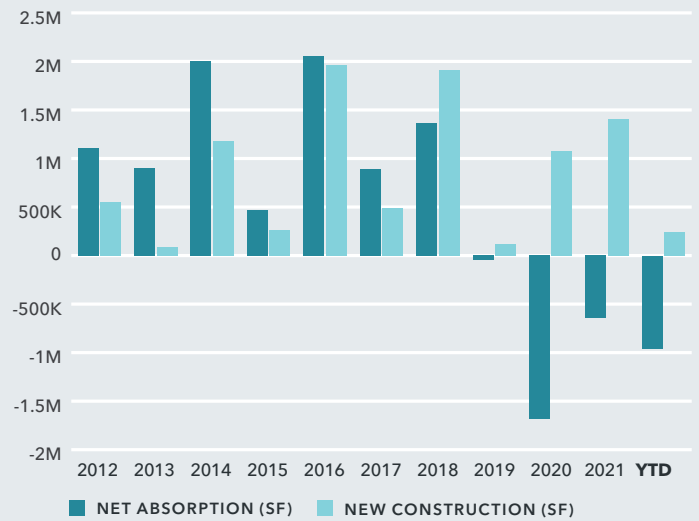
FOUR office projects delivered in 2Q 2022 totaling 161,575 SF

Lease Rate, Vacancy & Availability

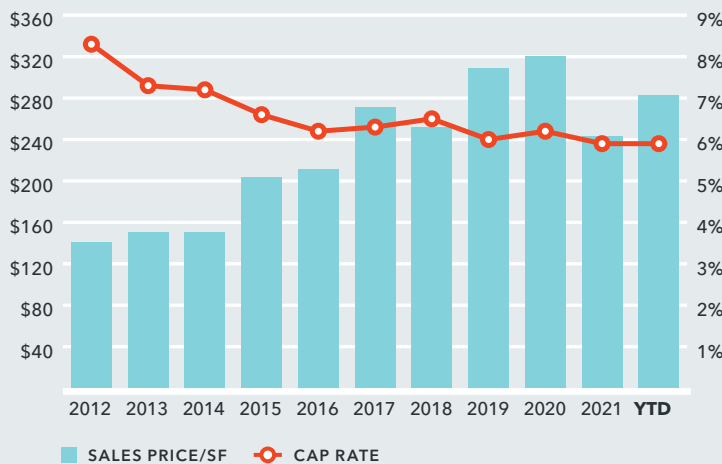
- ASKING LEASE RATE (FSG)
- DIRECT VACANCY
- TOTAL AVAILABILITY



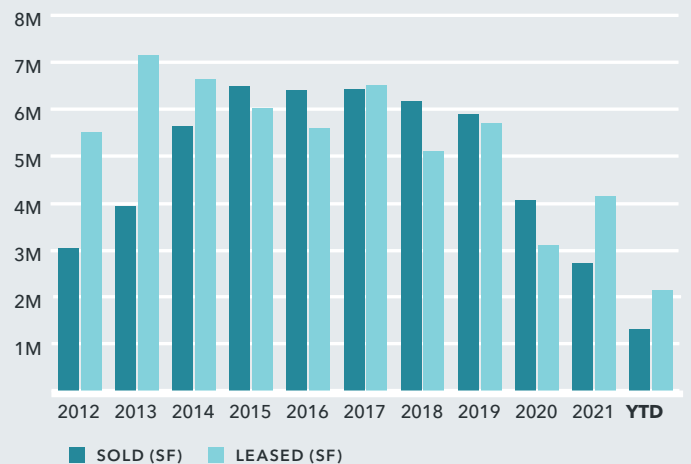
Office Construction & Absorption



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 2022 Total Net Absorption	YTD Total Net Absorption	Q2 2022 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	29,199,684	19.8%	21.9%	27.0%	-399,424	-925,197	302,885	626,234	\$28.13
Pearl District/Chinatown	3,176,037	21.4%	24.1%	30.2%	-679	17,751	6,906	43,466	\$27.22
Downtown	32,375,721	19.9%	22.1%	27.3%	-400,103	-907,446	309,791	669,700	\$28.10
217 Corridor/Beaverton	2,539,873	13.0%	17.6%	19.4%	41,102	-39,829	176,152	273,440	\$20.88
Airport Way	1,143,748	5.1%	5.2%	12.8%	-3,132	50,704	2,000	4,175	\$26.41
Barbur Blvd/Capitol Hwy	1,414,054	10.1%	11.7%	12.9%	-17,341	-44,983	11,862	21,027	\$19.72
Camas/Washougal	1,018,886	3.2%	3.2%	3.5%	2,393	11,570	10,099	10,099	\$23.58
Cascade Park	3,158,697	8.4%	8.8%	9.5%	37,577	65,346	18,134	43,479	\$24.96
CBD/West Vancouver	3,011,225	7.6%	8.2%	9.0%	-4,661	17,469	47,915	79,416	\$27.11
Clackamas/Milwaukie	2,959,570	6.8%	6.9%	7.6%	737	3,634	36,591	59,383	\$28.91
East Columbia Corridor	1,013,558	0.7%	0.7%	3.1%	589	1,022	12,710	13,732	\$28.62
Gateway	2,232,069	2.3%	2.3%	3.1%	8,636	-13,391	9,184	17,593	\$21.29
Gresham	1,016,666	8.2%	8.5%	13.2%	-22,534	-20,963	2,508	8,599	\$15.46
Guilds Lake	475,284	3.4%	5.2%	6.1%	12,155	17,155	12,700	12,700	\$35.00
Hayden Island/Swan Island	1,833,883	1.3%	1.3%	1.3%	861	-1,434	3,350	7,470	\$15.00
Hazel Dell/Salmon Creek	839,593	3.5%	3.5%	4.0%	-2,642	-7,732	2,000	16,980	\$26.36
Johns Landing	1,825,094	16.7%	17.4%	20.1%	561	-82,489	22,010	33,964	\$32.04
Kruse Way	2,791,372	16.3%	20.4%	24.1%	41,704	28,067	60,414	82,844	\$39.92
Lake Oswego/West Linn	931,711	9.6%	10.9%	10.8%	-2,397	-1,399	17,154	24,364	\$28.65
Lloyd District	5,423,576	7.7%	8.4%	12.8%	-15,008	-15,402	57,981	97,583	\$30.13
Mall 205	905,775	3.8%	3.8%	8.3%	14,343	14,670	17,844	18,406	\$19.62
NE Close-In	1,564,540	3.9%	3.9%	5.1%	5,536	8,302	3,704	14,508	\$25.14
North Beaverton	3,093,178	15.0%	15.0%	18.2%	13,465	18,374	24,141	46,342	\$26.39
Orchards	738,102	4.7%	4.7%	4.1%	-938	4,262	9,524	10,624	\$24.96
Oregon City	852,262	1.6%	1.6%	1.8%	6,029	5,909	10,531	12,542	\$21.52
Rivergate	71,876	0.0%	0.0%	0.0%	0	0	0	0	N/A
SE Close-In	3,535,742	13.4%	17.0%	19.7%	-12,842	-40,789	18,112	119,323	\$28.21
Sherwood	140,086	4.3%	4.3%	4.3%	1,174	1,174	1,174	1,174	\$33.00
St. Johns/Central Vancouver	1,711,029	2.5%	4.4%	4.7%	-52,117	-57,627	26,795	30,471	N/A
Sunset Corridor/Hillsboro	14,583,180	5.3%	5.4%	5.6%	-57,013	-3,653	44,841	79,400	\$26.10
SW Close-In	745,566	28.8%	28.8%	28.3%	4,817	8,466	3,500	3,500	\$17.05
Sylvan/Hillsdale	776,315	9.3%	9.3%	8.9%	-132	-30,409	34,380	42,138	\$15.78
Tigard	4,509,350	11.1%	12.4%	14.9%	43,256	13,193	109,339	192,243	\$28.77
Tualatin	1,340,988	13.4%	14.0%	14.4%	-27,859	-31,963	14,622	21,143	\$26.23
Vancouver Mall	886,834	8.7%	9.1%	10.4%	16,361	54,327	26,554	39,624	\$20.86
Wilsonville	1,233,949	1.9%	1.9%	12.8%	124,288	18,908	2,585	24,577	\$26.11
Suburban	70,317,631	8.12%	8.99%	10.75%	156,968	-49,511	850,410	1,462,863	\$28.59
Portland Total	102,693,352	11.9%	13.1%	16.0%	(243,135)	(956,957)	1,160,201	2,132,563	\$28.42
Class A	34,594,106	13.0%	15.0%	18.8%	-120,673	-119,330	462,228	812,626	\$32.74
Class B	50,350,621	12.1%	13.2%	15.9%	-74,831	-681,625	612,873	1,122,827	\$26.95
Class C	17,668,481	8.9%	9.1%	10.5%	-47,631	-156,002	85,100	197,110	\$21.34

TOP SALE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
18700 NW Walker Rd	Sunset Corridor/Hillsboro	211,863	\$38,800,000	\$183	Hines Global Income Trust	Alpine Income Property Trust
30485 SW Boones Ferry Rd	Wilsonville	19,480	\$8,068,638	\$414	Oregon Charter Academy	Bf2h Properties, LLC
4350 Galewood St	Kruse Way	32,150	\$6,350,000	\$198	Allen Properties, LLC	Logical Position

TOP LEASE TRANSACTIONS FOR 2Q22

Property	Submarket	SF	Transaction Date	Tenant
525 SE MLK Blvd	SE Close-In	28,800	April 2022	SPACES
10450 SW Numbus Ave	Tigard	26,899	May 2022	Garmin
650 NE Holladay St	Lloyd District	17,000	May 2022	GSI Water Engineering

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Delivery Date
Block 216 Office	900 SW Washington St	CBD	169,188	Q2 2023
The Offices at 11W	1102 SW Washington St	CBD	134,185	Q1 2023

DATA SOURCE: COSTAR

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, asset services, 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.

**Commercial
Brokerage**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M
SALES SF
(ANNUAL)

43.7M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

50/25
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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