

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

Office direct vacancies continue to trend upwards across the Portland metro, increasing 20 basis points YOY to 11.1% at the end of the fourth quarter.

Average asking lease rates increased slightly YOY to \$28.32/SF on a full-service basis, however, fell QOQ when compared to \$28.44/SF in 3Q. Tenants may continue to control lease negotiations given a decline in space needs driven by hybrid work options.

Leasing activity dropped to an all-time record low of only 574K SF leased, down 35% YOY. Companies continue to shrink their office footprints, which in turn has pushed sublease availability to a record high of 2.36M SF.

Office sales volume in the fourth quarter dropped to 474K SF, a decrease of over 50% YOY and a 10-year record low, averaging \$224/SF.

ECONOMIC REVIEW

Portland's economy continues its slow-paced recovery from the severe stress caused by the pandemic. The local unemployment rate peaked at nearly 15% in April 2020 but has since trended downward to 3.7% as of October 2022.

Although the battle with inflation and hiked interest rates continues, incomes in Portland exceed the national average, and population growth remains steady. Portland is popular among millennials looking for high quality of life and the lack of sales tax in Oregon is also an appeal.

NEAR-TERM OUTLOOK

The Portland office market will continue to shake out the negative impacts of the pandemic in the coming year. As Oregon was one of the last states to lift indoor mask mandates only recently this year, business decisions to get back to the office were impacted, thus extending remote work longer than expected.

continued on page 4

MARKET SUMMARY

	4Q22	3Q22	4Q21	Annual Change
Direct Vacancy Rate	11.1%	11.6%	10.9%	1.83%
Availability Rate	15.9%	16.2%	14.7%	6.80%
Asking Lease Rate	\$28.32	\$28.44	\$27.96	1.29%
Leased SF	573,554	752,339	886,249	-35.28%
Sold SF	474,180	870,499	953,203	-50.25%
Net Absorption	498,648	(71,108)	12,014	N/A

↓ **573K SF**
LEASING ACTIVITY

↑ **498K SF**
NET ABSORPTION

↑ **11.1%**
VACANCY RATE

↑ **\$28.32**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

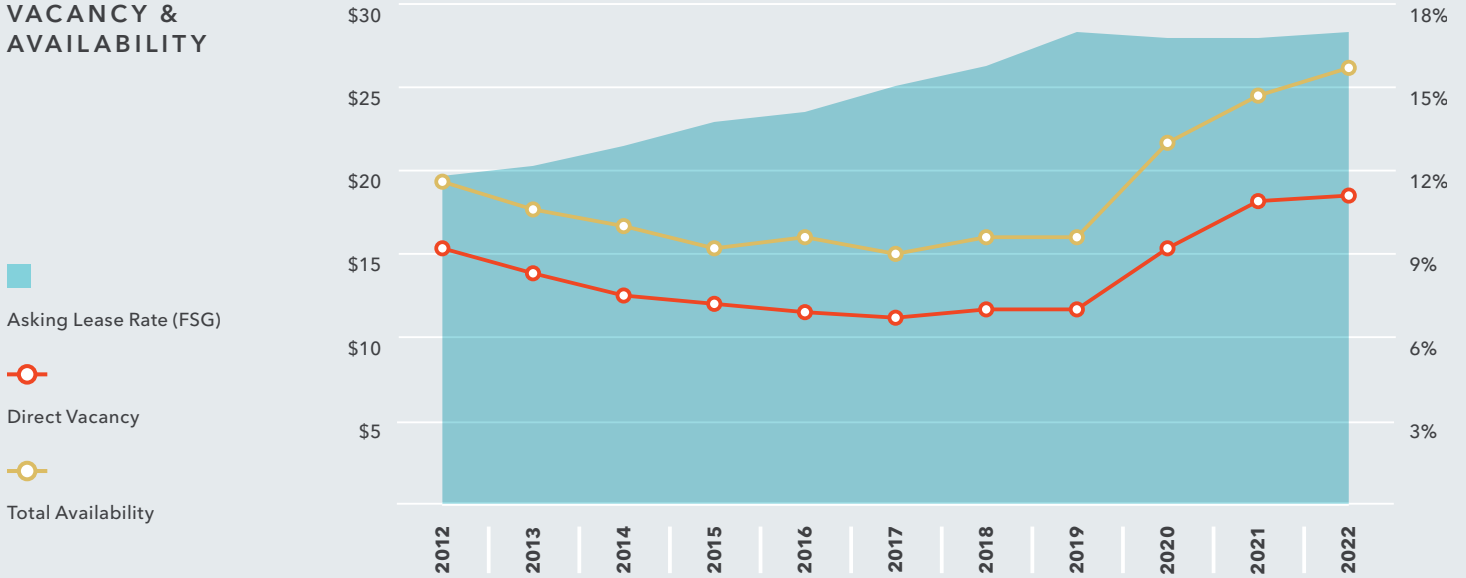
MARKET HIGHLIGHTS

Direct vacancy rates increased YOY to 11.1%.

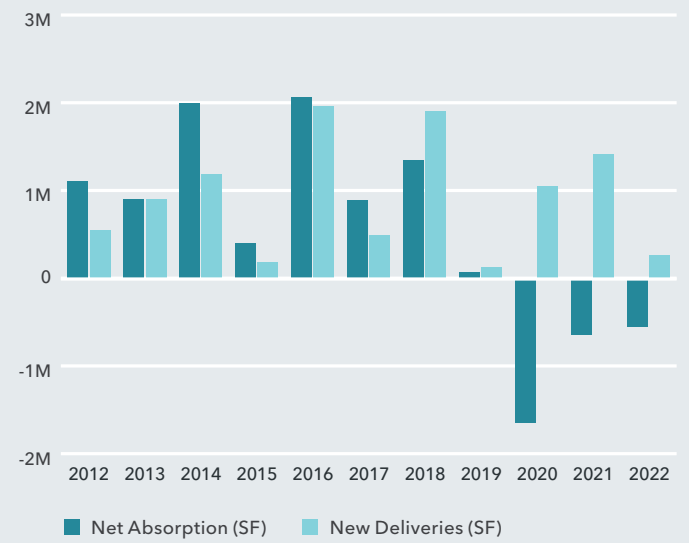
Sublease availability rose to a record high of 2.36M SF.

Sales volume posted at 475K SF, a 10-year record low.

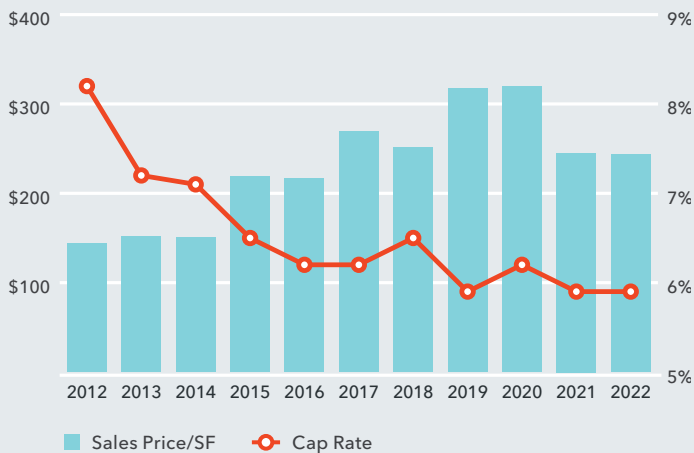
LEASE RATE, VACANCY & AVAILABILITY



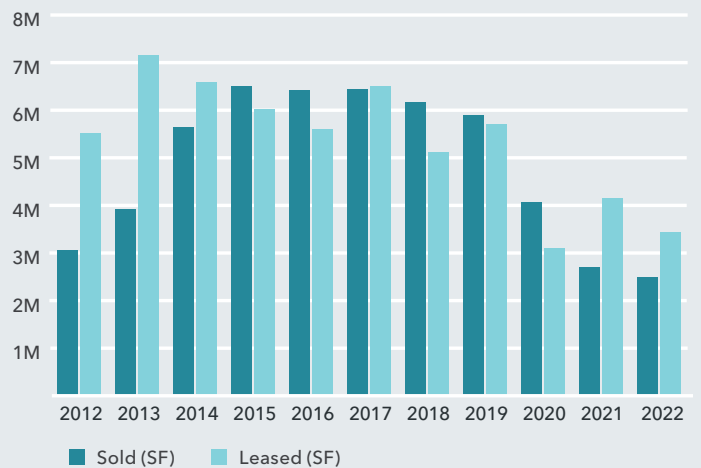
NET ABSORPTION & NEW DELIVERIES



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 2022 Total Net Absorption	2022 Net Absorption	Q4 2022 Leasing Activity	2022 Leasing Activity	Total Rental Rate
CBD	29,168,910	18.9%	21.1%	26.6%	120,011	(742,407)	121,096	884,155	\$27.12
Pearl District/Chinatown	3,123,081	19.4%	26.0%	27.4%	14,388	(83,931)	11,632	85,253	\$26.40
Downtown	32,291,991	19.0%	21.6%	26.7%	134,399	(826,338)	132,728	969,408	\$27.00
217 Corridor/Beaverton	2,539,873	12.2%	16.9%	18.5%	(9,909)	(30,393)	59,106	332,546	\$21.24
Airport Way	2,539,873	12.4%	17.3%	21.0%	(19,895)	29,655	36,549	375,208	\$27.24
Barbur Blvd/Capitol Hwy	1,143,748	7.1%	7.1%	18.3%	(10,524)	(49,290)	8,035	12,210	\$19.56
Camas/Washougal	1,391,518	10.7%	12.2%	15.1%	(25,256)	(25,087)	8,497	39,332	\$22.56
Cascade Park	1,011,411	6.8%	6.8%	10.4%	7,931	46,728	0	14,648	\$25.44
CBD/West Vancouver	3,158,697	6.1%	7.2%	8.2%	47,851	71,315	16,484	82,365	\$27.84
Clackamas/Milwaukie	3,011,114	6.3%	6.5%	6.6%	35,693	15,613	17,249	145,228	\$28.92
East Columbia Corridor	3,054,237	6.3%	6.3%	8.1%	0	(11,190)	12,541	94,567	\$28.68
Gateway	1,013,558	1.9%	1.9%	4.3%	327	(3,354)	0	13,732	\$20.04
Gresham	2,260,956	1.9%	2.0%	2.9%	25,014	6,561	991	26,979	\$15.72
Guilds Lake	1,023,337	5.2%	5.8%	8.9%	1,528	19,228	28,364	40,034	\$35.04
Hayden Island/Swan Island	538,284	12.4%	13.9%	14.7%	5,485	3,421	0	13,245	\$15.00
Hazel Dell/Salmon Creek	1,833,883	1.0%	1.0%	1.0%	(301)	(11,206)	0	7,470	\$25.56
Johns Landing	839,593	3.9%	3.9%	3.9%	6,386	(56,556)	2,764	23,922	\$32.40
Kruse Way	1,805,997	14.2%	16.1%	21.8%	(16,009)	(21,265)	7,324	91,800	\$40.56
Lake Oswego/West Linn	2,791,372	18.5%	22.2%	25.9%	7,942	27,442	34,544	154,591	\$30.36
Lloyd District	929,956	7.1%	7.8%	8.2%	(115,583)	(135,889)	5,715	34,926	\$32.40
Mall 205	5,320,004	10.2%	10.9%	17.4%	(14,828)	(65)	27,132	186,890	\$18.24
NE Close-In	907,877	5.4%	5.4%	7.8%	(7,928)	(16,020)	1,966	27,668	\$28.68
North Beaverton	1,555,657	5.3%	5.5%	7.7%	280,630	317,966	5,216	28,310	\$25.68
Orchards	3,103,670	5.2%	5.3%	8.6%	(570)	15,231	12,119	87,028	\$25.20
Oregon City	748,632	4.3%	4.3%	6.5%	(383)	6,192	3,602	26,299	\$23.40
Rivergate	852,262	1.5%	1.5%	1.9%	0	0	1,893	16,841	-
SE Close-In	71,876	0.0%	0.0%	11.4%	9,423	(18,814)	0	0	\$29.64
Sherwood	3,531,173	13.7%	16.8%	17.5%	(915)	(656)	77,496	224,375	-
St. Johns/Central Vancouver	140,086	5.6%	5.6%	4.9%	6,074	(41,780)	915	2,089	\$15.96
Sunset Corridor/Hillsboro	1,742,085	1.5%	3.4%	5.5%	113,648	35,173	2,150	26,112	\$25.68
SW Close-In	14,596,490	4.5%	4.6%	5.7%	12,418	9,447	25,661	131,038	\$17.52
Sylvan/Hillsdale	745,566	28.7%	28.7%	30.9%	2,864	(26,140)	1,033	4,533	\$15.72
Tigard	779,353	8.1%	8.8%	10.4%	19,962	49,301	8,730	60,683	\$29.40
Tualatin	4,514,632	9.9%	11.6%	14.8%	(2,633)	(12,230)	77,553	324,638	\$26.52
Vancouver Mall	1,340,988	12.5%	12.5%	14.1%	12,244	59,647	7,935	48,646	\$21.72
Wilsonville	886,596	7.8%	8.5%	10.4%	(6,437)	17,372	3,352	66,845	\$26.16
Suburban	70,418,141	7.52%	8.42%	10.96%	364,249	270,357	440,826	2,462,920	\$28.92
Portland Total	102,710,132	11.1%	12.6%	15.9%	498,648	(555,981)	573,554	3,432,328	\$28.32
Class A	34,571,724	13.4%	15.5%	19.2%	-179,076	(264,111)	143,373	1,133,246	\$32.64
Class B	50,494,558	10.9%	12.4%	16.0%	444,793	(388,994)	334,226	1,896,216	\$26.88
Class C	17,558,171	7.3%	7.5%	9.0%	238,976	103,169	95,955	402,866	\$20.52

NEAR-TERM OUTLOOK CONTINUED

The combination of a market flooded with sublet offerings, mixed with high profile deliveries will force properties to compete for tenants which may result in further rent decreases in the coming quarters.

New development will continue to slow in anticipation of increased interest rates, historically high construction costs and supply chain constraints.

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
13500-13568 SE 97th Ave	Clackamas/Milwaukie	41,056	\$6,950,000	\$169.28	Rita Duyn	Ezra and Marilyn Rabie
1815 SW Marlow	North Beaverton	32,637	\$6,200,000	\$189.97	Blue Arbor RE	Chop, LLC
6600 N Baltimore Ave	Rivergate	9,690	\$4,720,000	\$487.10	Paulam, LLC	Moonstruck Chocolate Co.

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1120 SE Madison St	SE Close-In	48,897	December 2022	Moore Family Trust	Undisclosed
355 NW Division St	Gresham	27,284	December 2022	William Batzer	Undisclosed
4350 Galewood St	Kruse Way	16,806	November 2022	Allen Properties LLC	DR Horton

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Waterfront - Block 1	255 W Columbia Way	CBD/West Vancouver	165,000	Lincoln Property Compan	Q4 2025
Block 216 Office	5660 SW 10th Ave	CBD	158,464	BPM Real Estate Group	Q2 2023
The Offices at 11W	1102 SW Washington St	CBD	134,185	Downtown Dev. Group / Gerding Edlen Dev.	Q1 2023

Data Source: EDD, CoStar



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COMMERCIAL BROKERAGE	\$10.9B TRANSACTION VOLUME ANNUALLY	49.7M ANNUAL SALES SF	43.7M ANNUAL LEASING SF
ASSET SERVICES	52M MANAGEMENT PORTFOLIO SF	875+ ASSETS UNDER MANAGEMENT	270+ ASSET SERVICES CLIENTS
VALUATION ADVISORY	2,600+ ASSIGNMENTS ANNUALLY	48 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

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