

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

Office direct vacancies continue to trend upwards across the Portland metro, increasing 80 basis points YOY to 11.6% at the end of the third quarter.

Average asking lease rates increased slightly to \$28.44/SF on a full-service basis. Newer buildings that offer top quality amenities perform better across all submarkets, and landlords continue to offer attractive concessions to attract prospective tenants.

Leasing activity slowed dramatically from the year prior with approximately 672K SF leased, down 43.2% YOY. Class B leasing activity reached 403K SF in 3Q, recording the highest volume out of Class A and C.

Office sales volume in the third quarter increased to 710,459 SF up 6.36% YOY, averaging \$227/SF.

Major projects underway in Portland include Block 216 at 900 SW Washington St (168,188 SF) and the Offices at 11W at 1106 SW Washington St (134,185 SF). A total of 401,643 SF remain under construction, a 10-year record low.

ECONOMIC REVIEW

Portland's economy continues its recovery from the severe stress caused by the pandemic. The local unemployment rate peaked at 13.3% in April 2020 but has since trended downward to 3.6% as of July 2022.

Positive economic factors that show upward trends such as population growth and an increase in consumer spending will help drive the Portland economy in the coming year.

NEAR-TERM OUTLOOK

The Portland office market may continue to experience a steady increase in sublease space, as companies are still reevaluating their post-pandemic workplace, many downsizing to account for hybrid or remote work models.

continued on page 4

MARKET SUMMARY

	3Q22	2Q22	3Q21	Annual Change
Direct Vacancy Rate	11.6%	11.8%	10.8%	7.41%
Availability Rate	16.1%	15.6%	14.5%	11.03%
Asking Lease Rate	\$28.44	\$28.20	\$28.08	1.28%
Leased SF	671,806	903,732	1,182,680	-43.20%
Sold SF	710,459	611,107	667,982	6.36%
Net Absorption	(55,048)	(158,387)	(70,944)	N/A

672K SF
LEASING ACTIVITY

-55K SF
NET ABSORPTION

11.6%
VACANCY RATE

\$28.44
ASKING RENT (AVG)

36K SF
NEW DELIVERIES

Year-Over-Year Trend

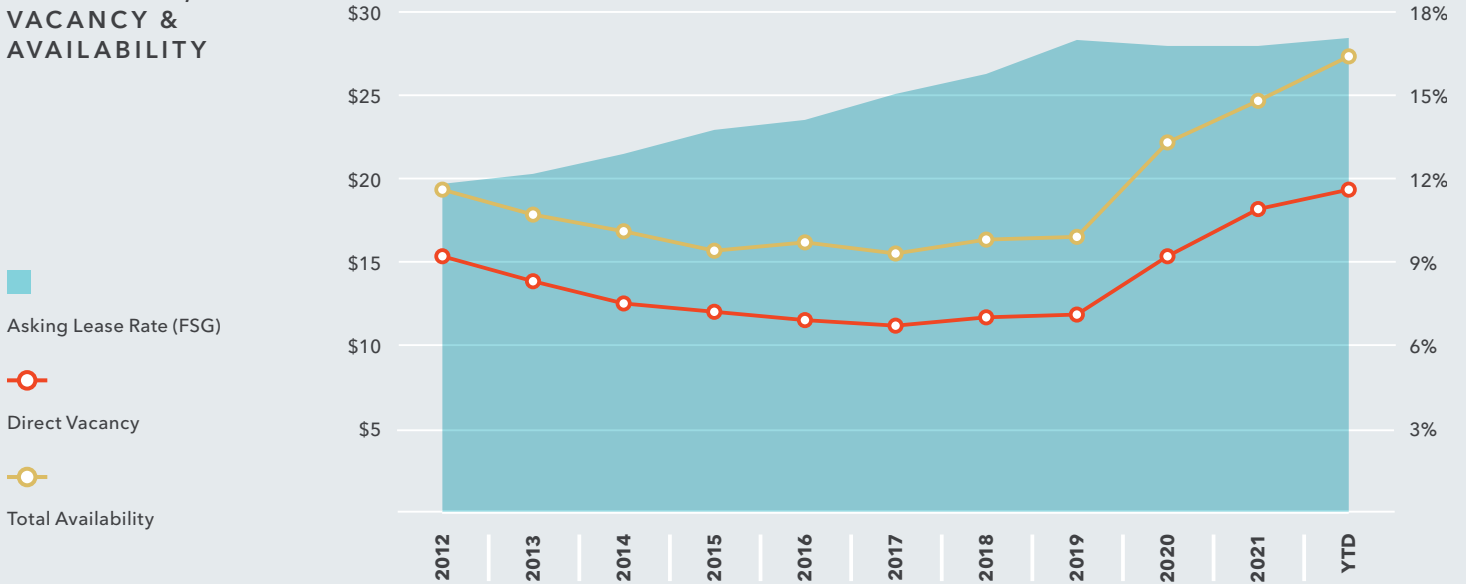
MARKET HIGHLIGHTS

Direct vacancy rates increased to 11.6%

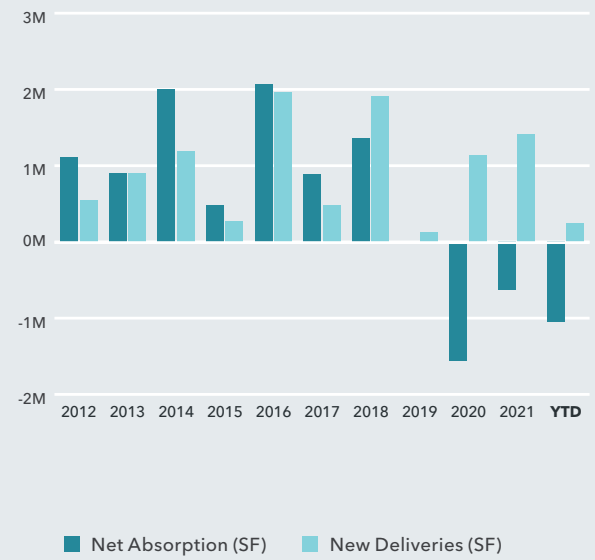
Leasing volume dropped over 40% YOY recording at 672K SF

Construction pipeline is at a 10-year record low with 400K SF of office developments in the pipeline

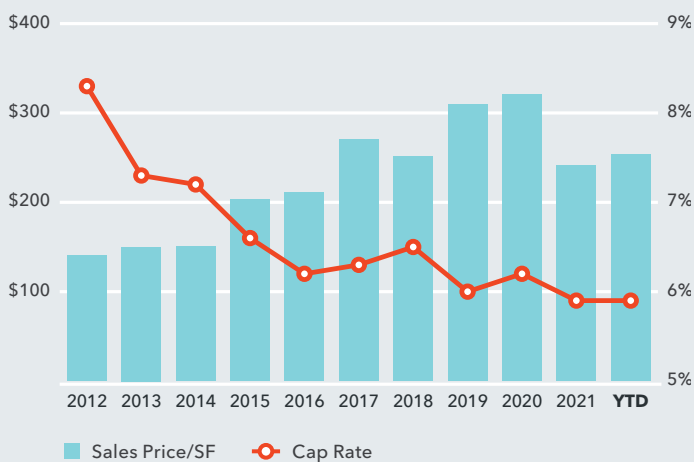
LEASE RATE, VACANCY & AVAILABILITY



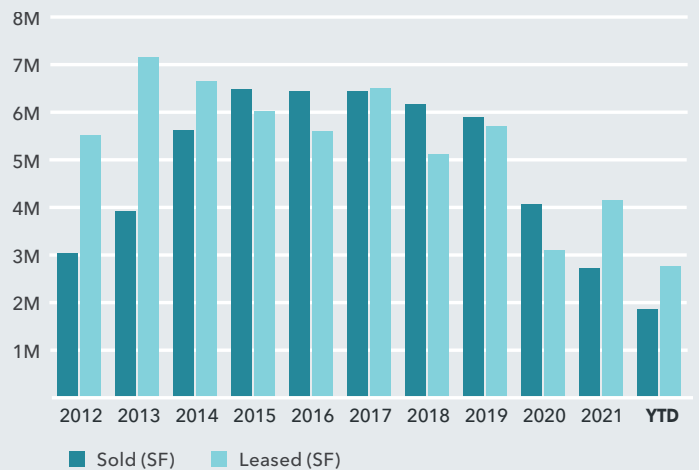
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q3 2022 Total Net Absorption	YTD Total Net Absorption	Q3 2022 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	29,152,413	19.4%	21.6%	27.3%	14,130	-865,716	128,002	737,334	\$2.31
Pearl District/Chinatown	3,097,554	19.3%	26.0%	26.3%	-118,039	-75,337	25,029	74,037	\$2.21
Downtown	29,152,413	19.4%	21.6%	27.3%	14,130	-865,716	128,002	737,334	\$2.31
217 Corridor/Beaverton	2,539,873	12.2%	16.9%	18.5%	-15,622	-20,484	59,106	332,546	\$1.72
Airport Way	1,143,748	5.3%	5.4%	17.4%	-2,702	48,002	0	4,175	\$2.20
Barbur Blvd/Capitol Hwy	1,414,054	9.8%	11.4%	11.9%	4,473	-40,510	9,808	30,835	\$1.65
Camas/Washougal	1,019,045	4.3%	4.3%	5.4%	-6,591	169	4,549	14,648	\$1.91
Cascade Park	3,158,697	6.4%	7.4%	8.4%	-20,870	38,797	23,717	65,881	\$2.11
CBD/West Vancouver	3,011,114	8.2%	8.2%	7.9%	12,188	18,456	32,812	109,331	\$2.26
Clackamas/Milwaukie	2,941,160	7.7%	7.7%	8.9%	-22,395	-20,080	22,643	82,026	\$2.46
East Columbia Corridor	1,013,558	1.4%	1.4%	4.3%	-7,200	-6,178	0	13,732	\$2.39
Gateway	2,248,760	1.8%	1.8%	2.6%	5,482	-3,681	8,675	25,988	\$1.81
Gresham	1,023,295	8.5%	8.7%	13.9%	-2,005	-22,968	246	11,670	\$1.29
Guilds Lake	538,284	12.6%	14.2%	15.0%	11,236	17,700	545	13,245	\$2.92
Hayden Island/Swan Island	1,833,883	1.3%	1.3%	1.3%	-630	-2,064	0	7,470	\$1.25
Hazel Dell/Salmon Creek	839,593	3.9%	3.9%	3.9%	4,547	-10,905	4,178	21,158	\$2.18
Johns Landing	1,836,594	14.4%	16.3%	20.0%	16,938	-63,116	52,492	84,476	\$2.67
Kruse Way	2,791,372	17.5%	21.6%	25.6%	-38,343	-5,256	36,081	120,047	\$3.33
Lake Oswego/West Linn	929,956	7.4%	8.6%	9.3%	20,899	19,500	1,668	28,011	\$2.43
Lloyd District	5,424,848	7.9%	8.6%	15.5%	-28,798	-23,779	57,439	156,974	\$2.63
Mall 205	905,775	3.8%	3.8%	6.7%	93	14,763	1,673	24,932	\$1.56
NE Close-In	1,557,040	4.8%	5.0%	6.9%	-13,344	-8,092	9,036	23,094	\$2.10
North Beaverton	3,103,670	14.2%	14.4%	17.5%	17,230	37,336	28,567	74,909	\$2.15
Orchards	739,662	4.3%	4.3%	7.0%	4,749	6,831	4,203	13,727	\$2.10
Oregon City	852,262	1.5%	1.5%	1.5%	3,371	6,575	2,406	14,948	\$1.79
Rivergate	71,876	0.0%	0.0%	0.0%	0	0	0	0	-
SE Close-In	3,608,742	14.0%	17.5%	20.7%	-35,560	-72,140	31,629	141,849	\$2.63
Sherwood	140,086	4.9%	4.9%	4.9%	-915	259	0	1,174	\$2.75
St. Johns/Central Vancouver	1,724,085	1.5%	3.4%	5.1%	19,528	-40,048	7,226	21,098	-
Sunset Corridor/Hillsboro	14,622,981	5.5%	5.6%	7.0%	72,395	-28,547	24,663	104,063	\$2.16
SW Close-In	745,566	30.3%	30.3%	32.5%	-5,969	-2,971	0	3,500	\$1.42
Sylvan/Hillsdale	778,461	8.5%	9.1%	9.1%	-1,493	-29,004	7,472	49,610	\$1.35
Tigard	4,517,131	10.5%	12.3%	15.7%	42,127	18,632	36,182	230,935	\$2.41
Tualatin	1,340,988	12.4%	12.4%	12.4%	21,269	-10,517	23,730	40,711	\$2.24
Vancouver Mall	886,596	7.2%	9.6%	9.4%	-4,867	49,560	26,803	60,947	\$1.80
Wilsonville	1,231,649	1.5%	1.5%	12.1%	-360	23,809	1,226	25,652	\$2.18
Suburban	70,534,404	8.07%	9.02%	11.49%	48,861	-109,951	518,775	1,953,362	\$2.41
Portland Total	102,784,371	11.6%	13.1%	16.4%	(55,048)	(1,051,004)	671,806	2,764,733	\$2.37
Class A	34,561,781	13.0%	15.0%	19.6%	23,600	-96,392	176,175	956,924	\$2.73
Class B	50,406,230	11.8%	13.3%	16.5%	-108,226	-802,104	403,209	1,514,503	\$2.24
Class C	17,677,695	8.4%	8.5%	9.9%	29,578	-120,489	92,422	293,306	\$1.70

NEAR-TERM OUTLOOK CONTINUED

Portland's suburban markets will continue to outperform the Downtown market as these locations remain attractive for many tenants due to employee proximity and lower crime rates.

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

TOP SALE TRANSACTIONS 3Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
7632 SW Durham Rd	Tigard	89,672	\$27,000,000	\$301.10	Unitus Community Credit Union	Felton Management Corp.
705-711 S Alder St	CBD	47,000	\$8,525,580	\$181.40	Melvin Mark Companies	James A Flynn
4350 Galewood St	Kruse Way	32,150	\$6,350,000	\$197.51	Allen Properties, LLC	Logical Position

TOP LEASE TRANSACTIONS 3Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
26 SW Salmon St	CBD	23,000	Aug-2022	Portland General Electric Company	Multnomah Defenders, Inc.
8000 NE Parkway Dr	Vancouver Mall	17,987	Aug-2022	Sublease	Undisclosed
621 SW Morrison St	CBD	11,496	Aug-2022	Lionstone Partners, LLC	Dascenzo Gates Intellectual Property Law

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Block 216 Office	900 SW Washington St	CBD	169,188	BPM Real Estate Group	Q2 2023
The Offices at 11W	1102 SW Washington St	CBD	134,185	Downtown Development Group LLC	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	47 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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