

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

LEASING ACTIVITY continued to fall in Q2, posting at a near record low of 639K SF leased, down 33% YOY. This number was only beat once in Q3 2020 at the start of the pandemic, when leasing activity posted at only 548K SF.

IN CONTRAST to leasing volume at historic lows, sublease availability has been continually hitting record highs since the start of the pandemic. Q2 posted an overwhelming all-time high, reaching over 16M for the first time on record to approximately 17.6M SF.

CONSTRUCTION ACTIVITY remains minimal, reflecting only 0.2% of existing inventory which is well below the national average of 1.5%. This will help relieve upward pressure to excessive supply amid the record high availability rates across the metro.

SALES VOLUME dropped to 232K SF, a decrease of over 60% YOY and a new historical record low, averaging \$234/SF.

ECONOMIC REVIEW

DESPITE THE ONGOING HIGH INTEREST RATES and CPI growth, local consumers appear to be better prepared for the slight downturn in the economy than compared to previous recessions, as overall consumer spending remained stable.

THE PORTLAND METRO experienced an uptick in unemployment rates at year-end 2022 into Q1 of this year, hovering around 4.4%. It has since dropped to 3.6% as of May 2023 according to the employment department of the State of Oregon.

NEAR-TERM OUTLOOK

THE PORTLAND OFFICE MARKET will continue to experience a slow market through the duration of the year. Fundamentals remain shaky, facing challenges such as changing square footage requirements and businesses that continue to break leases to give back space.

INVESTMENT ACTIVITY has been well below the 10-year average, reaching record low volumes in the past two years. The battle against inflation has tightened credit and may make it tough for office deals to ramp up to pre-pandemic levels.

Market Summary

	2Q23	1Q23	2Q22	Annual Change
Direct Vacancy Rate	11.6%	11.4%	11.3%	2.65%
Total Availability Rate	17.0%	16.2%	15.4%	9.74%
Direct Asking Lease Rate	\$28.68	\$28.44	\$28.20	1.70%
Total SF Leased	639,438	868,493	958,327	-33.28%
Total SF Sold	232,531	211,472	618,760	-62.42%
Direct Net Absorption	100,532	(391,911)	161,645	N/A

2Q 2023

↓ **639K SF**
LEASING ACTIVITY

↑ **100K SF**
NET ABSORPTION

↑ **11.6%**
VACANCY RATE

↑ **\$28.68**
ASKING RENT (AVG)

↑ **292K SF**
NEW DELIVERIES

Year-Over-Year Trend

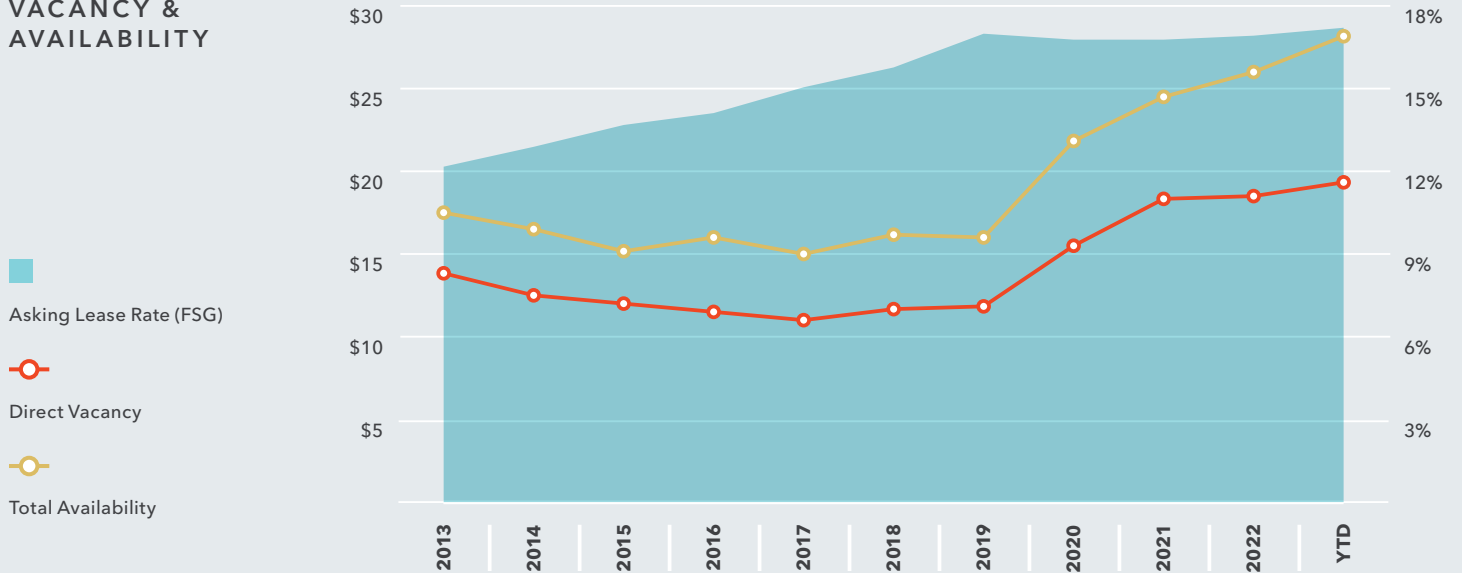
Market Highlights

LEASING VOLUME fell to a low of 639K SF

AVAILABILITY RATES reached a record high of 16.9%

SALES VOLUME posted at an all-time low of 232K SF

LEASE RATE, VACANCY & AVAILABILITY

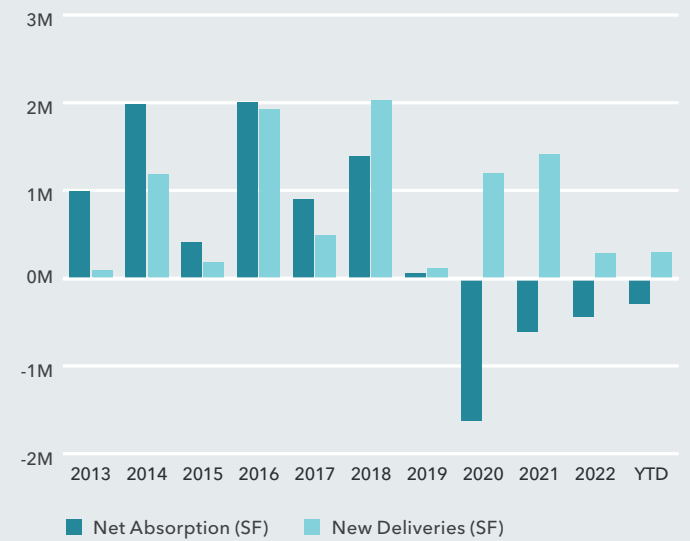


BIGGEST SALE OF THE QUARTER

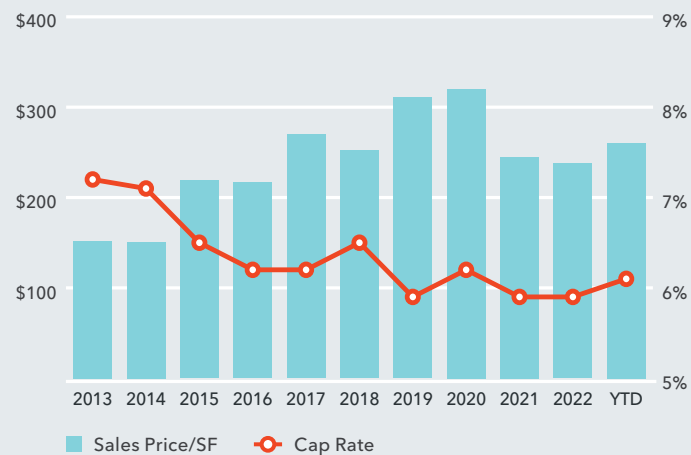
*210 E 13th St- Block 56
Vancouver, WA*



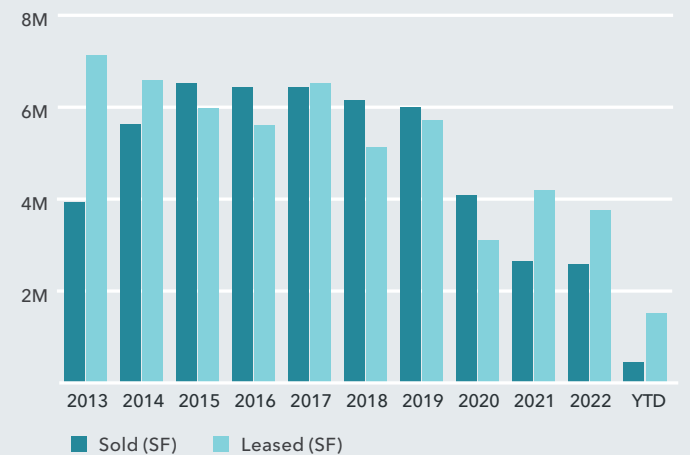
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q2 2023 Total Net Absorption	YTD Net Absorption	Q2 2023 Leasing Activity	YTD Leasing Activity	Total Rental Rate
CBD	29,664,751	19.9%	21.7%	27.5%	114,488	150,475	159,687	348,283	\$27.24
Pearl District/Chinatown	3,259,328	18.5%	24.4%	26.3%	13,440	18,385	17,622	29,230	\$26.40
Downtown	32,924,079	19.7%	22.0%	27.4%	127,928	168,860	177,309	377,513	\$27.24
217 Corridor/Beaverton	2,538,694	13.2%	17.6%	21.3%	(41,108)	(7,670)	34,473	83,715	\$21.60
Airport Way	1,143,748	6.4%	7.1%	19.7%	10,995	(9,846)	8,609	18,663	\$26.64
Barbur Blvd/Capitol Hwy	1,413,841	10.7%	10.7%	13.6%	(2,432)	18,458	7,135	22,987	\$19.08
Camas/Washougal	1,008,964	7.0%	7.0%	10.5%	973	(1,280)	7,444	8,777	\$23.16
Cascade Park	3,184,758	8.8%	9.9%	10.6%	(18,504)	(60,511)	32,640	63,145	\$25.56
CBD/West Vancouver	3,023,509	4.3%	4.7%	5.1%	40,701	57,564	31,867	88,061	\$29.52
Clackamas/Milwaukie	3,033,181	7.3%	7.5%	9.5%	9,892	(37,291)	22,553	58,853	\$28.80
East Columbia Corridor	1,022,046	1.1%	1.1%	1.1%	(2,607)	7,999	0	0	\$29.52
Gateway	2,265,903	3.4%	3.5%	4.6%	(10,263)	(33,393)	7,542	20,345	\$20.76
Gresham	1,035,227	5.2%	5.8%	11.7%	26,184	(251)	516	2,793	\$19.44
Guilds Lake	527,593	11.7%	13.3%	22.5%	10,000	4,942	10,200	10,200	\$35.04
Hayden Island/Swan Island	1,833,883	1.4%	1.4%	1.4%	(973)	(6,458)	0	0	\$15.00
Hazel Dell/Salmon Creek	865,097	3.9%	3.9%	3.3%	9,707	(498)	15,948	23,351	\$23.16
Johns Landing	1,804,797	11.9%	14.0%	23.0%	4,516	48,655	7,587	22,243	\$31.56
Kruse Way	2,790,128	20.9%	24.7%	26.4%	47,855	(69,750)	44,829	113,960	\$40.68
Lake Oswego/West Linn	929,956	5.0%	5.1%	7.8%	27,261	26,408	8,852	19,583	\$31.56
Lloyd District	5,579,060	9.5%	11.7%	19.0%	(9,499)	(78,805)	45,671	82,056	\$32.40
Mall 205	907,877	4.2%	4.2%	8.7%	1,626	10,308	504	8,045	\$20.40
NE Close-In	1,622,046	6.4%	6.4%	6.8%	(26,056)	(19,158)	10,340	32,443	\$21.60
North Beaverton	3,092,091	6.6%	6.6%	8.1%	(37,234)	(46,283)	529	10,699	\$29.76
Orchards	782,130	3.3%	3.3%	5.3%	129	6,640	251	9,547	\$26.04
Oregon City	852,262	3.5%	3.5%	3.8%	(5,779)	(16,669)	0	20,566	\$24.00
Rivergate	62,186	0.0%	0.0%	13.2%	0	0	0	0	-
SE Close-In	3,527,304	11.9%	15.3%	19.9%	75,742	50,625	36,938	83,199	\$27.12
Sherwood	154,409	3.9%	3.9%	5.1%	0	915	0	0	-
St. Johns/Central Vancouver	1,742,085	2.6%	3.6%	2.4%	1,593	766	19,850	24,850	\$15.96
Sunset Corridor/Hillsboro	14,608,368	4.5%	5.3%	9.0%	(71,797)	(153,434)	48,089	148,785	\$25.08
SW Close-In	745,557	35.7%	35.7%	35.4%	(19,587)	(52,759)	0	1,492	\$18.24
Sylvan/Hillsdale	779,352	9.4%	10.0%	11.2%	(9,680)	(9,973)	6,380	9,356	\$16.68
Tigard	4,508,287	11.4%	12.7%	15.6%	(24,199)	(61,079)	37,005	85,952	\$30.72
Tualatin	1,341,222	12.9%	13.0%	17.2%	(18,102)	(7,528)	6,632	17,486	\$26.64
Vancouver Mall	888,516	8.8%	9.5%	10.5%	(2,886)	(8,831)	6,186	29,107	\$21.12
Wilsonville	1,263,660	1.9%	3.1%	12.8%	6,136	(12,052)	3,559	10,159	\$29.04
Suburban	70,877,737	7.84%	8.96%	12.24%	(27,396)	(460,239)	462,129	1,130,418	\$29.40
Portland Total	103,801,816	11.6%	13.1%	17.0%	100,532	(291,379)	639,438	1,507,931	\$28.68
Class A	35,251,057	14.3%	16.5%	20.5%	145,759	(56,956)	254,360	484,534	\$33.12
Class B	50,797,862	11.2%	12.6%	17.3%	(3,588)	(83,225)	312,778	828,372	\$27.36
Class C	17,645,785	7.5%	7.7%	9.5%	(41,529)	(150,488)	72,300	195,025	\$20.28

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
210 E 13th St - Block 56	CBD/West Vancouver	22,226	\$9,095,000	\$409.21	Al Angelo Company	Block 56, LLC
3030 Ne Alocleck Dr	Sunset Corridor/Hillsboro	51,140	\$8,000,000	\$156.43	Northwest Regional Educational District	Westport Capital Partners, LLC
838-842 SW 1st Ave	CBD	26,145	\$4,300,000	\$164.47	Samuel Cohen	Miller Family Holdings, LLC

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
560 SW 10th Ave	CBD	19,100	June 2023	BPM Real Estate Group	Davis Wright Tremaine LLP
501 SE Columbia Shores Blvd	St Johns/Cntrl Vancouver	16,600	April 2023	Bill Naito Company	Undisclosed
222 SW Columbia St	CBD	15,643	April 2023	ScanlanKemperBard Companies	All Classic Public Media

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
1821 SE 192nd Ave	1821 SE 192nd Ave	Camas/Washougal	15,377	Robert Merril	Q4 2023

Data Source: EDD, CoStar



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 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.

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COMMERCIAL
BROKERAGE

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,600+

ASSIGNMENTS
ANNUALLY

46

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS