

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

VACANCY AND AVAILABILITY RATES continue to rise across the Portland metro to record high numbers at year-end. Direct vacancy rates broke past 12% for the first time in 20-years.

ABSORPTION continues to be in the red at the end of 2023, the 4th consecutive year to post negative absorption since the onset of the pandemic. However, in contrast to many other regions, Portland has a minimal development pipeline, helping to relieve anymore future supply to the market.

TRANSACTION VOLUME reached record lows for both leasing and sales on an annual basis, posting at 3M SF and 1.9M SF respectively. Smaller users have driven the bulk of space signings the past year, adapting to the hybrid work model. In terms of sales, investors and lenders are exercising caution given the economic uncertainty that has presented challenges this past year.

ECONOMIC REVIEW

AS OF OCTOBER 2023, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 3.3%, down from 4.2% at the same time last year. This is compared to 3.3% for the state of Oregon and 3.9% for the nation.

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 CURRENT OFFICE ENVIRONMENT is favorable to the tenant, and downward rate pressure, increasing concessions and TI's, and downtime to lease space are expected to continue into the new year.

THE PORTLAND OFFICE MARKET, like many other metros across the nation, is still navigating through long-term post-pandemic woes, coupled with a recent downturn of the economy. As businesses head into the new year with economic uncertainty, it is anticipated that recovery may be slower than expected.

Market Summary

	4Q23	3Q23	4Q22	Annual Change
Direct Vacancy Rate	12.1%	11.6%	10.7%	13.08%
Total Availability Rate	17.3%	16.8%	15.1%	14.57%
Direct Asking Lease Rate	\$28.56	\$28.80	\$28.20	1.28%
Total SF Leased	440,720	940,009	757,817	-41.84%
Total SF Sold	320,776	887,368	660,094	-51.40%
Direct Net Absorption	(416,486)	(654,025)	132,634	N/A

440K SF
LEASING ACTIVITY

-416K SF
NET ABSORPTION

12.1%
VACANCY RATE

\$28.56
ASKING RENT (AVG)

0 SF
NEW DELIVERIES

Year-Over-Year Trend

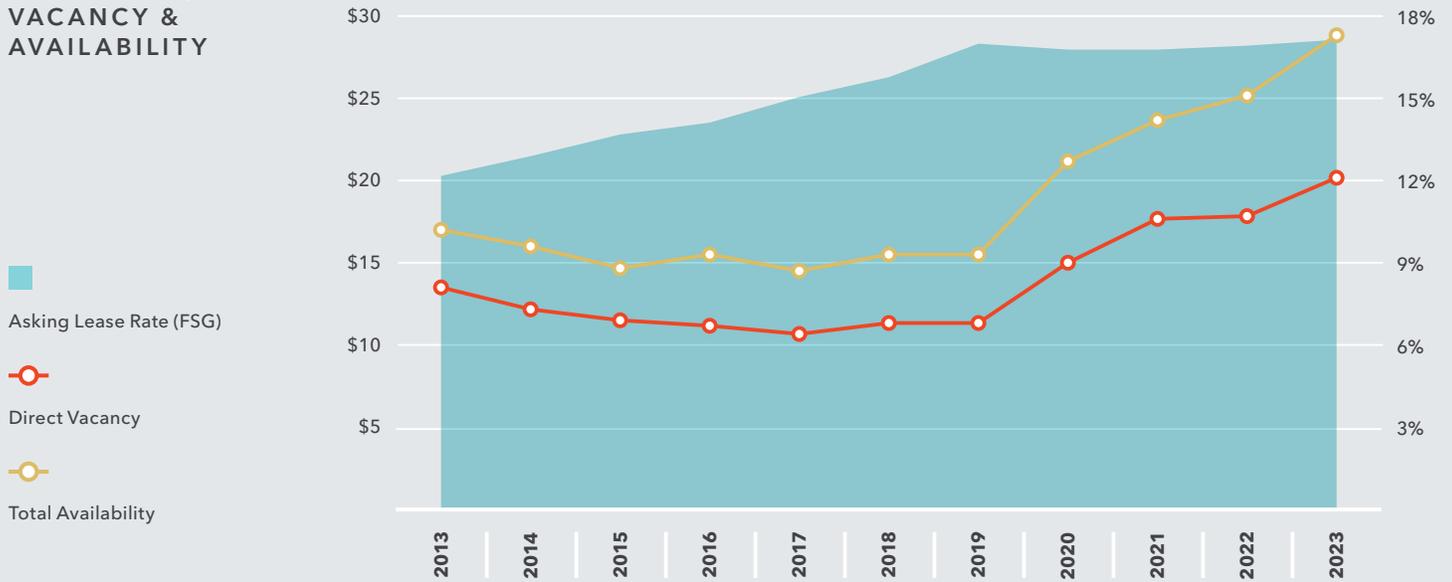
Market Highlights

DIRECT VACANCY RATES soared to a record high of 12.1%

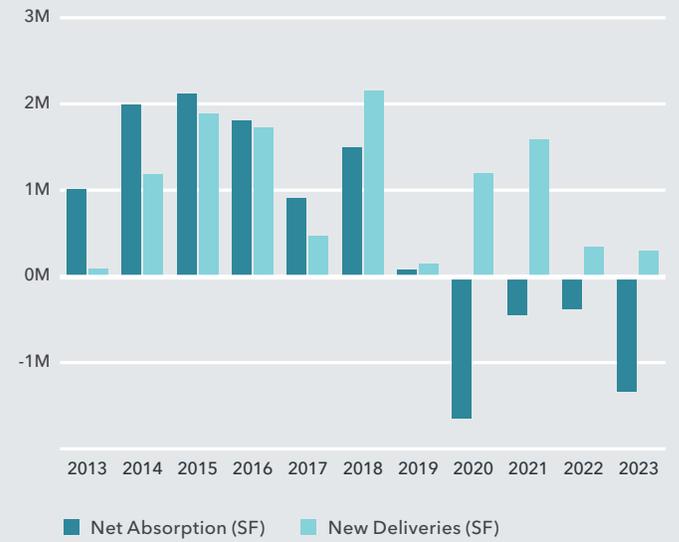
ASKING RENTAL RATES fell QOQ to \$28.56/SF FSG

SALES VOLUME dropped 51% YOY to a 10-year record low at 320K SF

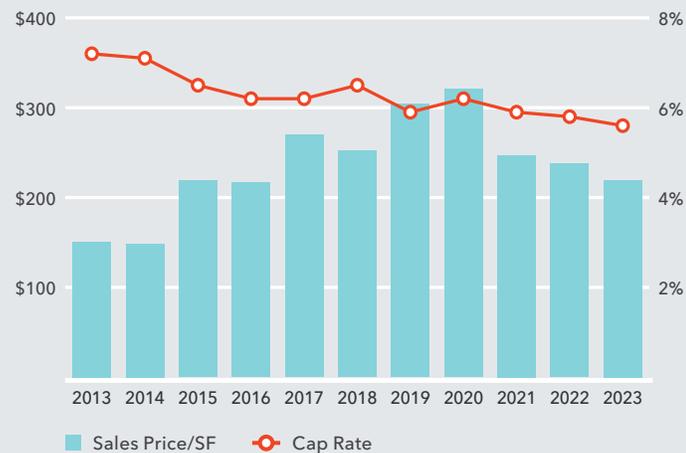
LEASE RATE, VACANCY & AVAILABILITY



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 2023 Total Net Absorption	2023 Total Net Absorption	Q4 2023 Leasing Activity	2023 Total Leasing Activity	Total Rental Rate
CBD	29,853,906	22.0%	23.7%	29.6%	(239,599)	(476,859)	85,014	691,900	\$27.12
Pearl District/Chinatown	3,374,574	17.9%	22.7%	25.9%	(5,033)	47,975	1,400	67,382	\$26.64
Downtown	33,228,480	21.6%	23.6%	29.2%	(244,632)	(428,884)	86,414	759,282	\$27.12
217 Corridor/Beaverton	2,553,694	15.5%	19.8%	21.1%	(17,854)	(52,940)	8,914	179,537	\$21.24
Airport Way	1,143,748	10.7%	10.7%	17.5%	(41,883)	(51,474)	0	18,663	\$26.52
Barbur Blvd/Capitol Hwy	1,413,841	9.8%	9.8%	13.2%	(9,337)	31,739	9,742	42,990	\$19.20
Camas/Washougal	1,004,742	4.9%	4.9%	5.6%	22	19,811	3,040	12,342	\$22.44
Cascade Park	3,130,456	8.4%	9.7%	10.6%	(12,329)	(48,918)	27,279	143,809	\$25.68
CBD/West Vancouver	3,091,002	5.2%	5.8%	12.6%	(19,598)	20,139	11,514	151,744	\$29.04
Clackamas/Milwaukie	3,033,181	6.0%	6.4%	8.4%	8,290	(3,769)	15,426	129,085	\$28.80
East Columbia Corridor	1,024,422	1.2%	1.2%	1.2%	0	7,367	0	0	\$32.64
Gateway	2,259,607	4.5%	4.5%	4.6%	(2,813)	(57,465)	5,408	28,538	\$21.36
Gresham	1,041,198	4.5%	5.1%	11.0%	10,532	6,072	7,091	13,354	\$20.40
Guilds Lake	499,303	13.3%	15.0%	22.7%	5,912	109	0	10,200	-
Hayden Island/Swan Island	1,833,883	1.3%	1.3%	3.9%	1,715	(4,743)	1,715	1,715	\$15.00
Hazel Dell/Salmon Creek	865,097	0.9%	0.9%	1.4%	14,846	25,240	1,351	37,855	\$24.84
Johns Landing	1,807,217	12.3%	13.6%	24.9%	40,626	55,462	28,027	81,009	\$30.36
Kruse Way	2,745,473	22.4%	24.6%	24.2%	(14,544)	(58,909)	47,882	236,006	\$41.52
Lake Oswego/West Linn	935,525	5.9%	6.5%	8.1%	(2,590)	13,165	3,764	30,036	\$28.92
Lloyd District	5,600,708	10.0%	12.0%	16.3%	50,826	(98,053)	33,937	168,456	\$31.92
Mall 205	893,767	6.6%	6.6%	9.1%	3,448	(11,229)	5,446	23,362	\$19.80
NE Close-In	1,744,147	5.5%	5.9%	5.9%	(2,888)	(17,751)	12,642	58,040	\$22.44
North Beaverton	3,146,230	5.8%	6.0%	7.5%	22,645	(30,845)	5,463	42,041	\$29.88
Orchards	807,422	4.7%	4.7%	6.2%	(14,505)	(5,364)	10,166	23,742	\$38.76
Oregon City	900,882	3.3%	3.3%	9.1%	1,504	(16,417)	2,748	38,477	\$25.56
Rivergate	62,186	13.2%	13.2%	13.2%	(8,186)	(8,186)	0	0	-
SE Close-In	3,563,367	12.3%	16.3%	22.4%	(15,044)	7,915	10,868	169,377	\$26.76
Sherwood	163,897	6.9%	10.3%	11.5%	(5,352)	(9,925)	0	0	\$32.04
St. Johns/Central Vancouver	1,754,059	3.2%	3.2%	3.2%	15,163	6,299	6,109	33,729	\$27.96
Sunset Corridor/Hillsboro	17,869,942	3.9%	5.5%	7.6%	(88,414)	(366,785)	24,317	269,350	\$24.60
SW Close-In	756,628	37.1%	37.1%	39.6%	(10,838)	(66,904)	1,681	9,663	\$18.24
Sylvan/Hillsdale	779,411	7.6%	8.3%	8.3%	5,600	3,728	11,097	33,740	\$16.32
Tigard	4,516,854	11.7%	12.9%	16.1%	(39,475)	(71,532)	39,379	180,504	\$31.56
Tualatin	1,341,222	15.9%	16.4%	18.9%	(1,176)	(52,975)	0	43,577	\$26.28
Vancouver Mall	888,292	12.4%	14.4%	15.9%	(56,143)	(52,331)	14,519	63,770	\$22.68
Wilsonville	1,263,660	1.8%	3.0%	12.4%	9,986	(10,130)	4,781	23,460	\$29.04
Suburban	74,435,063	7.85%	9.14%	11.99%	(171,854)	(899,599)	354,306	2,298,171	\$29.28
Portland Total	107,663,543	12.1%	13.6%	17.3%	(416,486)	(1,328,483)	440,720	3,057,453	\$28.56
Class A	35,152,920	15.9%	17.9%	21.9%	(293,552)	(576,246)	159,210	980,740	\$33.12
Class B	53,453,638	11.3%	13.0%	16.9%	(21,868)	(551,971)	226,562	1,685,724	\$27.24
Class C	18,829,080	7.2%	7.4%	10.0%	(79,081)	(178,281)	54,948	390,989	\$20.04

TOP SALE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
501 N Graham	NE Close-In	119,400	\$60,500,000	\$506.70	The Centurion Foundation, Inc.	Legacy Health System
4000 Columbia House Blvd	St Johns/Cntrl Vancouver	44,100	\$21,100,000	\$478.46	T & T Hospitality Services, Inc.	Killian Pacific
1920 NE Stucki Ave	Sunset Corridor/Hillsboro	61,561	\$11,800,000	\$191.68	City View Charter School	Talon Private Capital, LLC

TOP LEASE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
5885 Meadows Rd	Kruse Way	25,268	October 2023	Shorenstein Properties	Undisclosed
5331 S Macadam Rd	Johns Landing	15,000	December 2023	ScanlanKemperBard Companies	Undisclosed
5 SE Martin Luther King Jr Blvd	Lloyd District	12,000	November 2023	The Green Cities Company	Parametrix

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Port of Vancouver - Terminal 1	100 SW Columbia Way	CBD/West Vancouver	360,000	Port of Vancouver USA	Q1 2025
The Waterfront - Block 1	255 W Columbia Way	CBD/West Vancouver	165,000	Lincoln Property Company	Q4 2025
1821 SE 192nd Ave	1821 SE 192nd Ave	Camas/Washougal	15,377	Robert Merrill	Q1 2024

Data Source: EDD, CoStar



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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>42</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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