

## MARKET TRENDS

# PORTLAND OFFICE

### MARKET DRIVERS

**DIRECT VACANCY RATES** broke past 12% for the first time in 20-years last quarter. This trend continued in Q1 as direct vacancy rose to 12.7%, tying a record high for the market.

**NET ABSORPTION** was -619.4k SF this quarter, the 3rd straight quarter it's been negative. There was 15.2k SF of deliveries adding to this number, and another 525.0k SF being developed in the area.

**FOLLOWING** a sluggish year for leasing and sales, transactions stagnated further at the start of the quarter. Leasing activity dropped 36.8% compared to the previous quarter, while sales volume hit its lowest level this century.

### ECONOMIC REVIEW

**AS OF JANUARY 2024**, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 4.17%, up from 4.5% at the same time last year. This is compared to 4.1% for the state of Oregon and 3.7% for the nation.

**THE PORTLAND AREA** has seen modest economic growth despite a slow job market, persistent issues with population decline, and a high cost of living, especially in housing affordability. Although job growth rates in 2023 fell below the national average, sectors like local government, health services, and hospitality increased.

### NEAR-TERM OUTLOOK

**THE PRESENT** office market favors tenants, with expectations of ongoing downward pressure on rates, rising concessions and tenant improvements (TI's), and extended periods of vacancy for leasing space anticipated throughout the year.

**PORTLAND'S OFFICE MARKET** faces challenges similar to other major US cities post-pandemic, including inflation, remote work, slowed job growth, and high interest rates. While interest rates may lower, other issues are expected to persist through 2024.

## Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	12.7%	12.0%	11.0%	<b>170-bps</b>
Overall Vacancy Rate	17.1%	17.0%	15.7%	<b>140-bps</b>
FIDI Direct Lease Rate (A&B)	\$28.56	\$28.56	\$28.56	<b>0.0%</b>
Under Construction SF	525,000	540,244	513,893	<b>9.7%</b>
	1Q24	2023 Total	1Q23	YOY Change
Leased SF	578,328	3,616,825	914,973	<b>-36.8%</b>
Sold SF	269,825	2,264,346	292,820	<b>-7.9%</b>
Total Net Absorption	(619,387)	(1,256,998)	(392,692)	<b>-57.7%</b>

578K SF  
LEASING ACTIVITY

-619K SF  
NET ABSORPTION

12.7%  
VACANCY RATE

\$28.56  
ASKING RENT (AVG)

15K SF  
NEW DELIVERIES

Year-Over-Year Trend

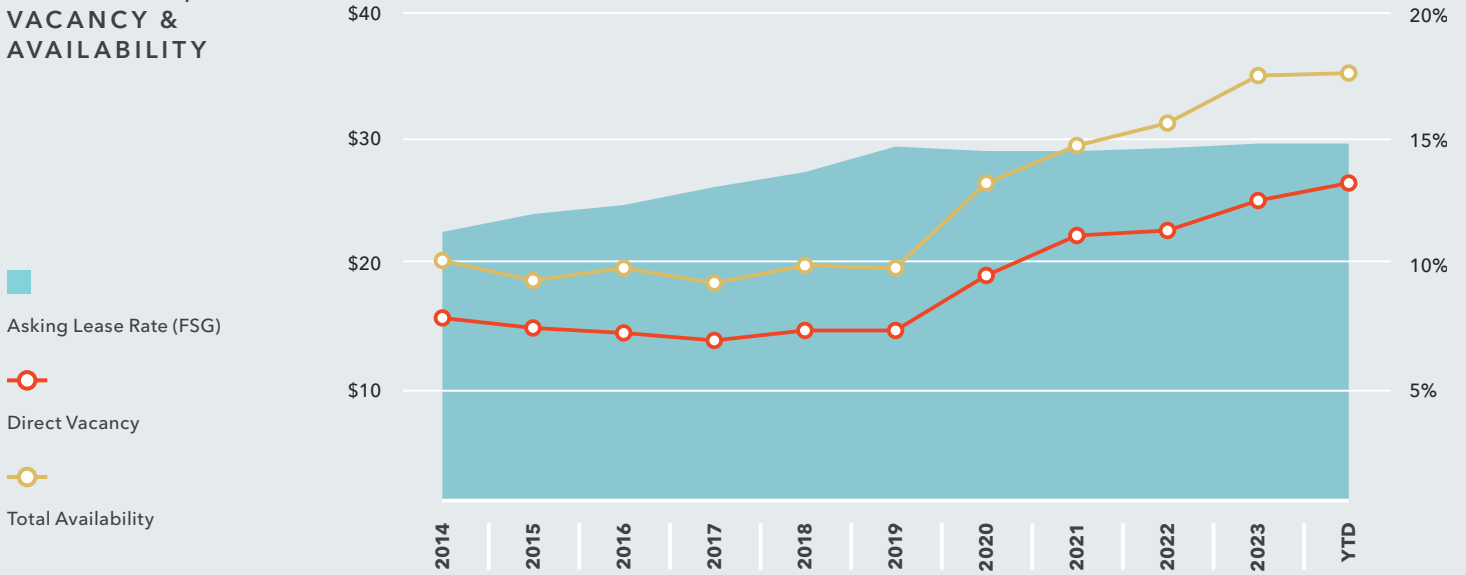
## Market Highlights

**DIRECT VACANCIES** rates climbed to a record high of 12.7%

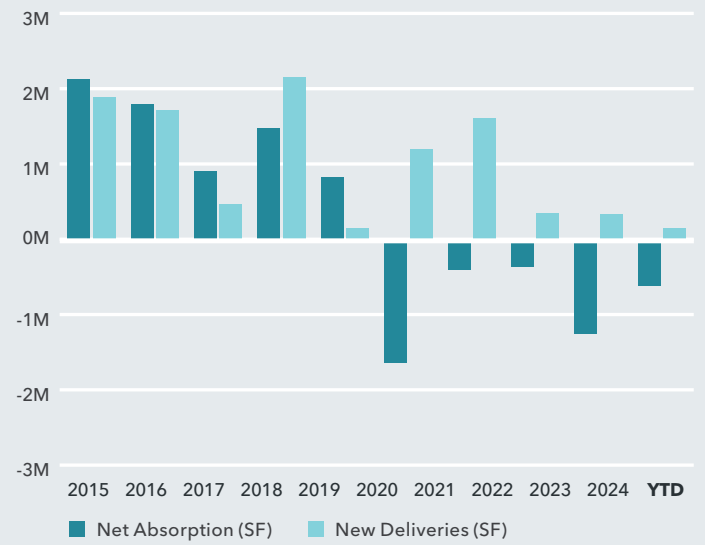
**ASKING RENTAL RATES** remained flat at \$28.56/SF FSG.

**SALES VOLUME** dropped 7.9% YOY to 269.8K SF

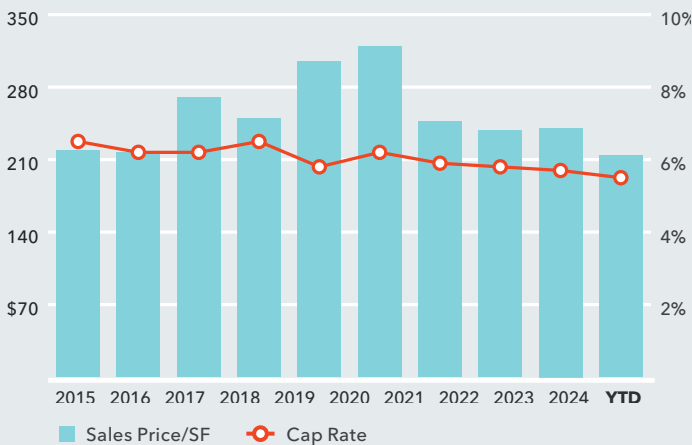
## LEASE RATE, VACANCY & AVAILABILITY



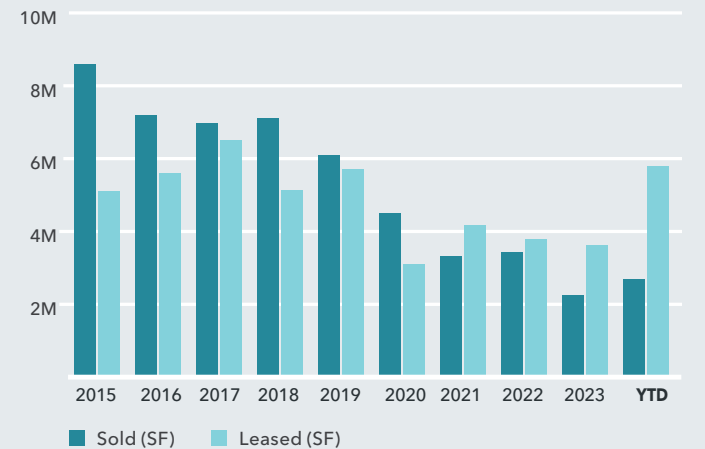
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	1Q24 Total Net Absorption	YTD Total Net Absorption	1Q24 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
CBD	29,417,821	23.0%	25.3%	30.8%	(309,844)	(309,844)	87,973	87,973	\$26.88
Pearl District/Chinatown	3,423,070	20.5%	20.9%	22.5%	30,856	30,856	10,161	10,161	\$25.68
<b>Downtown</b>	<b>32,840,891</b>	<b>22.8%</b>	<b>24.8%</b>	<b>30.0%</b>	<b>(278,988)</b>	<b>(278,988)</b>	<b>98,134</b>	<b>98,134</b>	<b>\$26.88</b>
217 Corridor/Beaverton	2,629,000	16.2%	19.7%	19.6%	(51,797)	(51,797)	22,665	22,665	\$23.16
Airport Way	1,143,748	11.1%	11.7%	18.4%	(11,124)	(11,124)	7,861	7,861	\$26.52
Barbur Blvd/Capitol Hwy	1,393,563	8.4%	8.4%	12.5%	22,717	22,717	7,510	7,510	\$19.20
Camas/Washougal	1,019,986	6.8%	6.8%	6.8%	(4,663)	(4,663)	131	131	\$26.64
Cascade Park	3,130,476	7.7%	8.9%	10.3%	31,423	31,423	27,962	27,962	\$26.64
CBD/West Vancouver	3,117,002	5.1%	5.8%	12.7%	(5,499)	(5,499)	11,951	11,951	\$29.64
Clackamas/Milwaukie	3,055,565	6.1%	6.4%	8.3%	3,850	3,850	17,512	17,512	\$28.80
East Columbia Corridor	1,024,422	0.9%	0.9%	0.9%	2,785	2,785	178	178	\$26.64
Gateway	2,279,535	3.8%	3.9%	4.1%	12,242	12,242	3,954	3,954	\$21.48
Gresham	1,043,710	4.8%	5.2%	10.3%	(1,362)	(1,362)	3,177	3,177	\$19.20
Guilds Lake	499,303	2.8%	4.5%	12.2%	52,309	52,309	50,000	50,000	-
Hayden Island/Swan Island	1,833,883	1.2%	1.2%	3.6%	2,110	2,110	3,375	3,375	\$15.00
Hazel Dell/Salmon Creek	864,836	1.3%	1.3%	1.4%	(3,155)	(3,155)	0	0	\$24.24
Johns Landing	1,816,667	13.5%	14.9%	21.7%	(27,998)	(27,998)	50,270	50,270	\$28.68
Kruse Way	2,744,886	21.2%	23.6%	23.8%	21,586	21,586	31,680	31,680	\$41.28
Lake Oswego/West Linn	938,505	5.8%	6.4%	8.1%	(813)	(813)	2,055	2,055	\$29.40
Lloyd District	5,550,421	10.4%	13.2%	16.4%	(57,158)	(57,158)	53,170	53,170	\$23.64
Mall 205	870,842	6.0%	6.0%	7.9%	6,960	6,960	8,183	8,183	\$20.04
NE Close-In	1,755,086	4.8%	5.2%	6.2%	25,384	25,384	7,185	7,185	\$21.36
North Beaverton	3,174,014	5.8%	5.8%	7.7%	4,610	4,610	5,965	5,965	\$30.12
Orchards	782,939	5.9%	5.9%	7.3%	(8,234)	(8,234)	7,736	7,736	\$38.52
Oregon City	894,582	2.6%	2.6%	8.4%	32	32	3,688	3,688	\$25.56
Rivergate	62,186	13.2%	13.2%	13.2%	0	0	0	0	-
SE Close-In	3,618,145	10.8%	14.8%	21.9%	36,078	36,078	35,534	35,534	\$26.16
Sherwood	163,897	6.9%	10.3%	10.3%	0	0	0	0	\$32.04
St. Johns/Central Vancouver	1,755,134	3.1%	3.1%	3.6%	3,272	3,272	0	0	\$26.52
Sunset Corridor/Hillsboro	17,876,286	5.8%	7.4%	8.2%	(347,829)	(347,829)	14,976	14,976	\$24.84
SW Close-In	762,140	37.6%	37.6%	40.8%	(6,264)	(6,264)	459	459	\$18.24
Sylvan/Hillsdale	786,209	9.0%	9.0%	8.9%	(6,123)	(6,123)	7,571	7,571	\$16.32
Tigard	4,538,679	12.0%	13.2%	15.2%	(28,429)	(28,429)	74,205	74,205	\$31.80
Tualatin	1,333,956	16.6%	17.1%	16.8%	(8,344)	(8,344)	12,503	12,503	\$26.28
Vancouver Mall	896,710	12.0%	13.3%	15.5%	2,163	2,163	7,758	7,758	\$22.68
Wilsonville	1,268,173	1.4%	2.6%	12.4%	872	872	980	980	\$29.16
<b>Suburban</b>	<b>74,624,486</b>	<b>8.20%</b>	<b>9.50%</b>	<b>11.82%</b>	<b>(340,399)</b>	<b>(340,399)</b>	<b>480,194</b>	<b>480,194</b>	<b>\$29.40</b>
<b>Portland Total</b>	<b>107,465,377</b>	<b>12.7%</b>	<b>14.2%</b>	<b>17.4%</b>	<b>(619,387)</b>	<b>(619,387)</b>	<b>578,328</b>	<b>578,328</b>	<b>\$28.56</b>
Class A	34,817,046	16.4%	18.8%	23.1%	(166,525)	(166,525)	193,694	193,694	\$32.88
Class B	53,835,723	12.2%	13.6%	16.4%	(478,982)	(478,982)	327,446	327,446	\$27.36
Class C	18,693,483	7.1%	7.3%	9.7%	26,120	26,120	57,188	57,188	\$19.92

**SIGNIFICANT SALE TRANSACTIONS 1Q 2024**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
4500-4550 Kruse Way	Kruse Way	105,431	\$23,000,000	\$218.15	Kruse Way Lake Oswego Real Estate LLC	Kruse Way LLC
328-338 NW 23rd Ave	NW Close-In	22,982	\$7,000,000	\$304.59	GM 23 HQ LLC	Portland 23rd Ave NW LLC
850 SE 3rd Ave	SE Close-In	40,026	\$5,073,750	\$126.76	OHANA GROUP,LLC	Tree Farm Office Holdings Llc

**SIGNIFICANT LEASE TRANSACTIONS 1Q 2024**

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2034 NW 27th Ave	Guilds Lake	50,000	February 2024	Langley Investment Partners	Jaguar/Land Rover
690-720 SW Bancroft St	Johns Landing	43,216	January 2024	Eric T Saito	Undisclosed
1301 SE Tech Center Dr	Cascade Park	32,228	March 2024	PacTrust	Undisclosed

**SIGNIFICANT 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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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$10B</b> 3-YEAR AVERAGE TRANSACTION VOLUME	<b>31.7M</b> ANNUAL SALES SF	<b>42.4M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>51M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>750+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,600+</b> 3-YEAR AVERAGE ASSIGNMENTS	<b>43</b> TOTAL APPRAISERS	<b>25</b> WITH MAI DESIGNATIONS

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