

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

DIRECT VACANCY RATES have risen steadily over the past eight quarters, reaching a new historical record high of 13.5%.

AFTER FIVE CONSECUTIVE QUARTERS of posting negative net absorption, 4Q 2024 posted a positive net absorption of 282K SF. However, the net absorption for 2024 on an annual basis posted negative 964K SF which is the fifth year in a row in which absorption has been negative for the Portland office market.

LEASING ACTIVITY fell almost 50% for 4Q 2024 year-over-year, posting at a record low of 524K SF. Sales activity was down in 4Q when comparing YOY, ending at 503K SF in volume. However, sales volume did increase almost 40% on an annual basis, with 3.4M SF sold for the year.

ECONOMIC REVIEW

AS OF OCTOBER 2024, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 4.0%, up from 3.6% at the same time last year. This is compared to 4.1% for the state of Oregon and 4.1% for the nation.

IN THE LAST DECADE, Portland's economy was among the fastest growing in the country. Although population growth has slowed notably since then, the area still attracts residents from pricier markets in California and Washington. While it has shown modest improvements, the economy continues to recover from challenges faced during the early stages of the pandemic.

NEAR-TERM OUTLOOK

THE PORTLAND OFFICE MARKET is expected to continue to face challenges into the new year. Despite a record low construction pipeline that will help mitigate any more upward pressure in vacancies, many companies have announced they will be trimming footprints even if they don't intend to move spaces. As such, vacancy and availability rates are projected to climb and rent growth will be minimal.

INVESTMENT ACTIVITY has been well below the 10-year average, reaching record low volumes in the past couple years. The tight lending market coupled with soft tenant demand has dampened investor interest and continues to face steep hurdles.

↓ **524K SF**
LEASING ACTIVITY

↑ **282K SF**
NET ABSORPTION

↑ **13.5%**
VACANCY RATE

↓ **\$28.44**
ASKING RENT (AVG)

↑ **366K SF**
NEW DELIVERIES

Year-Over-Year Trend

Market Summary

	4Q24	3Q24	3Q23	YOY Change
Direct Vacancy Rate	13.5%	13.3%	11.9%	160-bps
Availability Rate	17.4%	16.4%	16.6%	40-bps
Asking Lease Rate	\$28.44	\$28.32	\$28.56	(0.4%)
	4Q24	2024	2023	YOY Change
Leased SF	524,241	3,446,494	3,770,259	(8.6%)
Sold SF	503,748	3,258,862	2,334,778	39.6%
Total Net Absorption	282,303	(964,338)	(1,391,802)	N/A

Market Highlights

DIRECT VACANCY RATES climbed to a record high of 13.5%.

ASKING RENTAL RATES fell YOY to \$28.44/SF FSG.

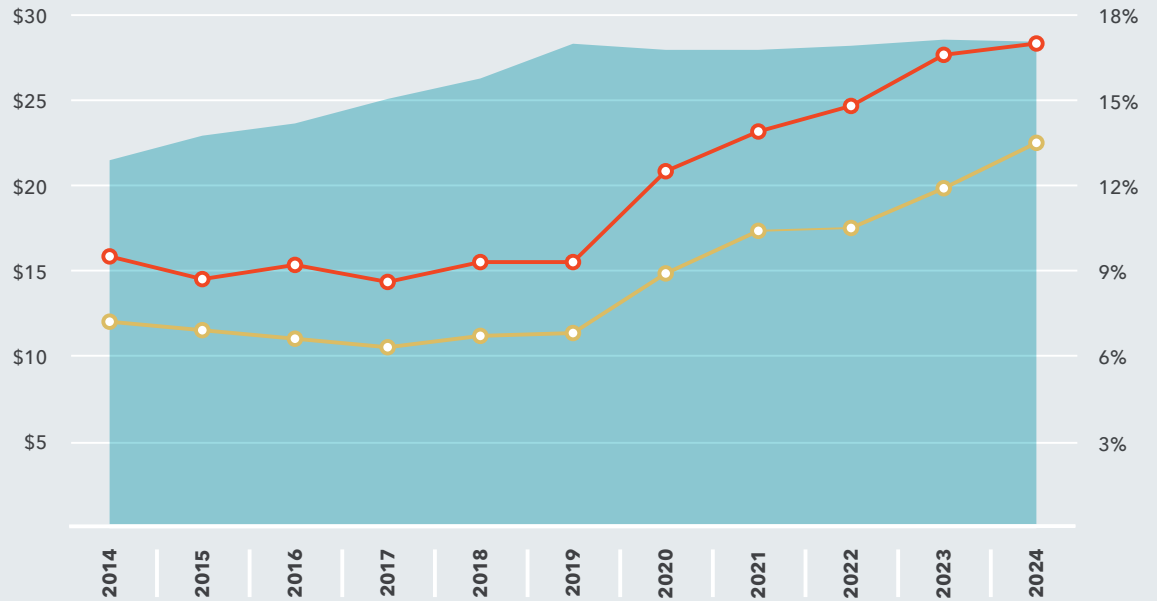
SALES VOLUME dropped 20% YOY to 500K SF.

LEASE RATE, VACANCY & AVAILABILITY

Asking Lease Rate (FSG)

Direct Vacancy

Total Availability

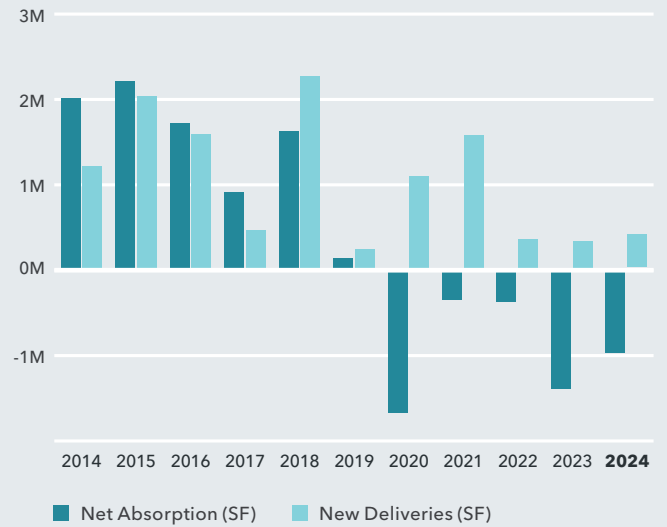


BIGGEST SALE OF THE QUARTER

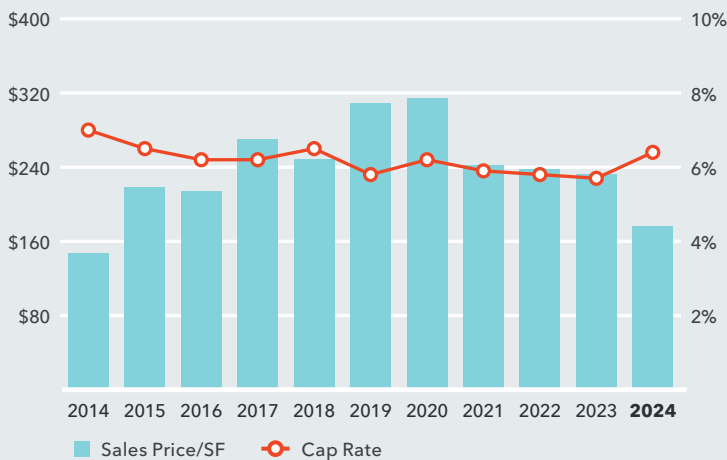
*5885 Meadows Rd
Lake Oswego, OR*



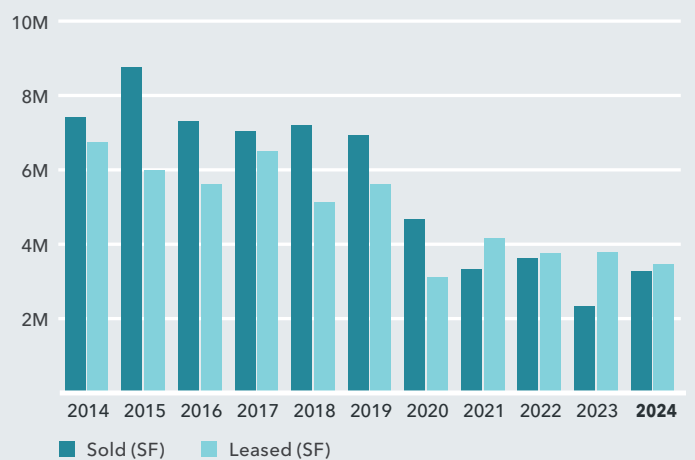
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	4Q24 Total Net Absorption	2024 Total Net Absorption	4Q24 Leasing Activity	2024 Total Leasing Activity	Direct Rental Rate
CBD	29,537,050	24.1%	25.8%	29.9%	(77,925)	(388,657)	133,031	1,043,999	\$26.04
Pearl District/Chinatown	3,390,451	29.8%	30.0%	28.0%	15,635	(340,900)	41,170	82,584	\$26.40
Downtown	32,927,501	24.7%	26.2%	29.7%	(62,290)	(729,557)	174,201	1,126,583	\$26.04
217 Corridor/Beaverton	2,610,361	16.9%	18.0%	19.5%	11,293	(2,568)	5,652	122,149	\$23.40
Airport Way	1,151,210	13.9%	14.5%	15.0%	(17,925)	(44,345)	1,378	42,917	\$27.12
Barbur Blvd/Capitol Hwy	1,427,780	7.3%	7.3%	9.4%	4,110	34,852	1,033	26,005	\$18.96
Camas/Washougal	1,104,066	6.9%	6.9%	6.5%	3,574	(11,358)	4,350	20,952	\$25.08
Cascade Park	3,164,501	9.6%	9.9%	12.8%	15,487	(2,342)	7,081	112,871	\$26.28
CBD/West Vancouver	3,622,513	5.9%	6.4%	12.5%	352,601	309,616	20,280	73,623	\$30.00
Clackamas/Milwaukie	3,076,998	6.6%	7.0%	9.7%	(7,621)	(14,023)	20,073	98,266	\$28.20
East Columbia Corridor	1,031,946	2.1%	2.1%	2.1%	(13,449)	(9,365)	0	8,423	\$30.96
Gateway	2,220,715	3.1%	4.1%	3.5%	2,683	11,217	7,451	48,541	\$20.88
Gresham	1,043,257	3.8%	4.0%	9.1%	15,191	11,965	6,560	23,814	\$17.64
Guilds Lake	516,832	5.2%	6.9%	13.5%	1,536	39,277	0	55,124	-
Hayden Island/Swan Island	1,933,759	1.0%	1.0%	3.5%	0	5,485	0	6,400	\$15.00
Hazel Dell/Salmon Creek	864,836	4.5%	4.5%	4.2%	5,119	(31,411)	4,344	7,091	\$24.72
Johns Landing	1,936,453	14.8%	15.9%	18.8%	(1,584)	(65,523)	54,207	112,080	\$30.24
Kruse Way	2,769,005	21.6%	23.8%	23.8%	12,082	8,436	17,488	149,892	\$42.00
Lake Oswego/West Linn	962,919	10.3%	10.8%	12.5%	(12,820)	(39,332)	17,619	34,621	\$30.00
Lloyd District	5,797,763	12.3%	13.3%	15.9%	(21,892)	(97,864)	63,599	201,574	\$23.04
Mall 205	851,082	5.5%	7.3%	7.1%	(387)	(3,222)	4,243	21,212	\$18.96
NE Close-In	1,749,018	5.9%	6.8%	8.7%	(7,018)	(1,511)	10,097	39,261	\$22.44
North Beaverton	3,181,347	7.0%	7.3%	9.1%	(30,666)	(50,025)	11,868	57,735	\$31.92
Orchards	764,633	4.8%	4.8%	4.8%	2,421	1,002	2,421	15,497	\$42.12
Oregon City	909,242	3.8%	3.8%	4.0%	(7,381)	(12,760)	4,638	11,017	\$27.36
Rivergate	69,186	10.1%	10.1%	10.1%	0	1,186	0	0	-
SE Close-In	3,631,052	11.7%	15.9%	19.3%	1,142	(6,062)	10,171	147,893	\$31.08
Sherwood	149,574	4.8%	4.8%	4.8%	0	7,719	0	0	\$32.04
St. Johns/Central Vancouver	1,685,155	2.7%	2.7%	3.9%	4,082	8,751	4,082	17,638	-
Sunset Corridor/Hillsboro	18,593,428	5.1%	6.1%	9.6%	25,297	(119,673)	25,668	416,918	\$25.44
SW Close-In	760,220	30.6%	30.6%	35.5%	(22,969)	30,659	2,682	81,437	\$18.84
Sylvan/Hillsdale	786,506	13.0%	13.0%	13.2%	(17,479)	(37,983)	3,032	20,800	\$16.80
Tigard	4,592,635	12.3%	13.8%	16.2%	47,089	(33,666)	24,954	208,813	\$32.52
Tualatin	1,275,017	17.1%	17.7%	18.9%	2,562	(5,750)	2,145	57,717	\$26.64
Vancouver Mall	865,873	5.6%	9.5%	10.0%	1,718	12,350	12,539	70,990	\$23.28
Wilsonville	1,256,628	11.7%	12.9%	14.3%	(2,203)	(128,513)	385	8,640	\$31.08
Suburban	76,355,510	8.65%	9.64%	12.09%	344,593	(234,781)	350,040	2,319,911	\$29.64
Portland Total	109,283,011	13.5%	14.6%	17.4%	282,303	(964,338)	524,241	3,446,494	\$28.44
Class A	36,156,018	18.2%	20.2%	24.0%	500,076	(263,432)	219,055	1,509,259	\$33.24
Class B	54,261,783	12.1%	13.1%	15.5%	(202,788)	(456,526)	219,992	1,639,476	\$26.64
Class C	18,705,740	8.5%	8.5%	10.2%	(14,985)	(244,380)	85,194	297,759	\$19.68

SIGNIFICANT SALE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
5885 Meadows Rd	Kruse Way	191,000	\$47,500,000	\$248.69	Felton Properties, Inc.	Shorenstein Properties
12930 SE 162nd Ave	Clackamas/Milwaukie	15,659	\$17,250,000	\$1,101.60	Spring Capital Group	Telos Development Co.
1120 SE Madison St	SE Close-In	34,930	\$10,350,000	\$296.31	Cobalt	John & Heidi Moore

SIGNIFICANT LEASE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1120 NW Couch St	CBD	29,239	October 2024	MEPT Brewery Block LLC	Perkins Coie LLP
400 SW 6th Ave	CBD	18,967	October 2024	NYL Investors	Ubiquity
6720 SW MacAdam Ave	Johns Landing	14,710	November 2024	Autodesk, Inc.	Pacific States Marine Fisheries Commission

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
The Waterfront - Block 1	255 W Columbia Way	CBD/West Vancouver	165,000	Lincoln Property Company	Q4 2025
1935 NW Overton St	1935 NW Overton St	NW Close-In	63,889	P&S LLC	Q4 2025
Byline Plaza	1621 SW Taylor St	SW Close-In	45,000	Urban Renaissance Group	3Q 2025

Data Source: EDD, CoStar



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	57M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	27 WITH MAI DESIGNATIONS

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