

PORTLAND OFFICE

MARKET DRIVERS

The Portland office market set a new historical high of 15.1% for direct vacancy rates, exceeding 14% for the first time. Vacancies continue climbing, setting new record highs quarter after quarter consecutively for the past 11 quarters.

Net absorption has been negative in seven of the past ten quarters with Q2 reflecting negative 836K SF, resulting in a total loss of 1.27M SF over the last 12 months.

The market experienced a quiet start to the first half of 2025, a stark contrast to 2024 when the first two quarters separately inked over 1M SF in lease deals. Leasing activity in Q2 2025 dropped almost 43% YOY to 635K SF, reaching a new record low. The Portland office market has seen deal sizes shrink over the past few years, with the average lease size under 3K SF, approximately 5% below the 10-year average.

Investment activity is rebounding slowly, posting a 22% increase in the first half of 2025 when compared to the first half of 2024. Although institutional buyers have historically made up over 30% of the trades, private buyers and owner-users have accounted for over 90% of the transaction volume in the past year.

ECONOMIC REVIEW

As of May 2025, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 4.4%, up from 3.6% at the same time last year. This is compared to 4.8% for the state of Oregon and 4.2% for the nation.

Population growth in the Portland metro has slowed over the past year due to rising housing costs and taxes. Still, the region continues to draw residents from more expensive cities. Despite ongoing economic challenges, local leaders remain optimistic about the city's outlook.

NEAR-TERM OUTLOOK

The Portland office market is expected to experience a gradual and prolonged recovery, possibly still in the initial stages. However, job losses later in 2025 could create additional pressure on vacancies. Additionally, Portland continues to be a favorable area for remote work, which creates more uncertainty about future office occupancy rates. While Portland is not facing an immediate risk of oversupply, its journey toward market balance will likely be a bit bumpy.

Market Summary

	2Q25	1Q25	2Q24	YOY Change
Direct Vacancy Rate	15.1%	14.5%	13.4%	170 bps
Availability Rate	18.2%	18.0%	16.8%	120 bps
Asking Lease Rate	\$29.64	\$30.00	\$28.08	5.6%
	2Q25	YTD 2025	YTD 2024	YOY Change
Leased SF	635,972	635,972	2,114,703	-32.2%
Sold SF	640,948	640,948	1,007,672	21.8%
Total Net Absorption	-836,633	-836,633	-934,630	N/A

2Q 2025

↓ 636K SF
LEASING ACTIVITY

↓ -837K SF
NET ABSORPTION

↑ 15.1%
VACANCY RATE

↑ \$29.64
ASKING RENT (AVG)

↓ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

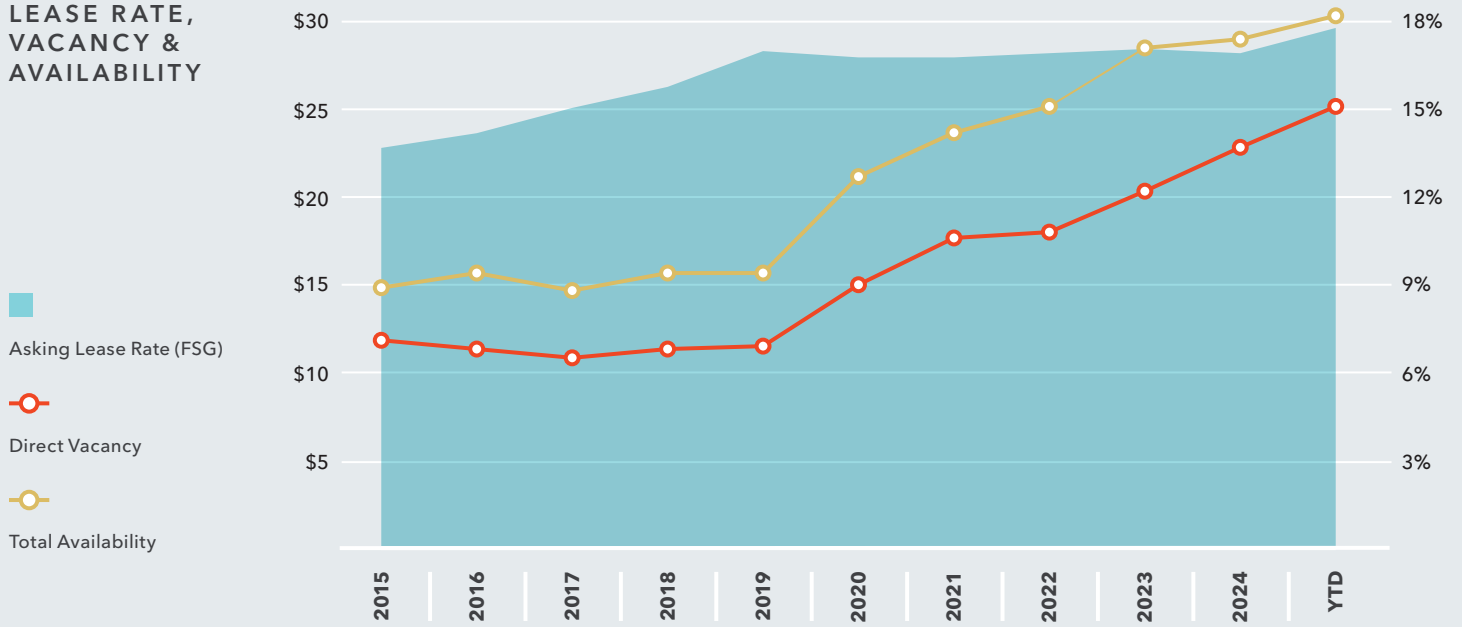
Market Highlights

ASKING RENTAL RATES
increased YOY to
\$29.64/SF FSG.

DIRECT VACANCY RATES
reached an all-time high
of 15.1%.

SALES VOLUME grew 12% YOY
to 510K SF.

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

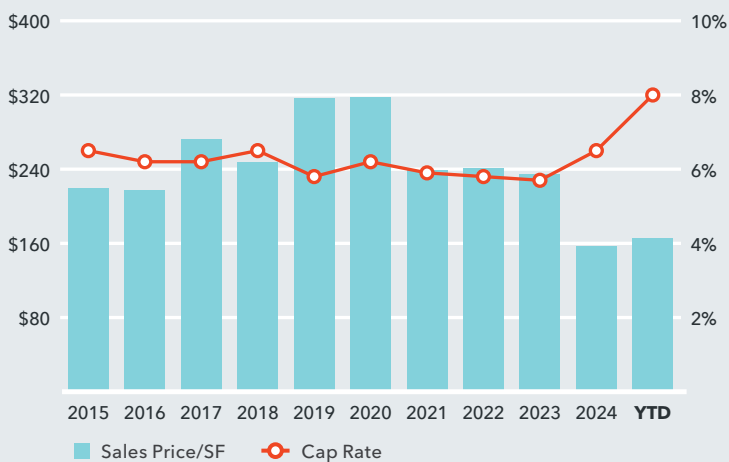
*1400 NW Northrup St
Portland, OR*



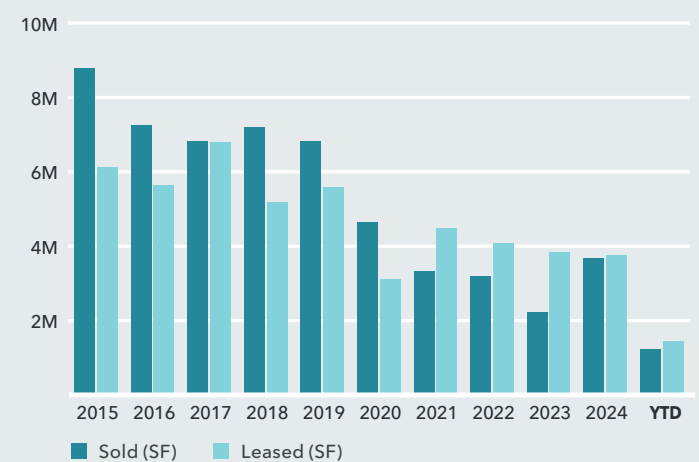
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q25 Total Net Absorption	YTD Total Net Absorption	2Q25 Leasing Activity	YTD Total Leasing Activity	Direct Rental Rate
CBD	29,748,207	25.7%	27.6%	30.4%	-276,124	-635,647	96,914	323,247	\$28.68
Pearl District/Chinatown	3,315,845	31.6%	31.8%	28.3%	-25,577	29,586	12,467	59,200	\$29.52
Downtown	33,064,052	26.3%	28.0%	30.2%	-301,701	-606,061	109,381	382,447	\$28.80
217 Corridor/Beaverton	2,626,751	18.6%	19.7%	22.2%	-5,897	-45,036	69,263	113,308	\$26.64
Airport Way	1,120,215	14.1%	14.8%	14.0%	1,676	1,748	25,500	28,725	\$23.88
Barbur Blvd/Capitol Hwy	1,441,854	10.7%	10.7%	10.9%	-41,328	-48,262	14,420	19,590	\$18.60
Camas/Washougal	1,094,066	6.4%	6.4%	5.0%	3,280	5,655	18,800	18,800	\$29.16
Cascade Park	3,321,896	11.4%	11.9%	12.9%	-32,928	-51,541	36,924	48,739	\$28.20
CBD/West Vancouver	3,623,549	5.8%	11.7%	11.8%	-189,643	-194,934	60,937	77,153	\$29.88
Clackamas/Milwaukie	3,268,017	6.3%	6.4%	6.9%	-2,328	4,825	40,436	62,198	\$29.04
East Columbia Corridor	1,101,183	5.1%	5.1%	5.1%	-22,121	-34,315	0	0	\$32.04
Gateway	2,161,096	4.3%	4.3%	7.0%	-5,752	-2,134	1,723	1,723	\$25.44
Gresham	1,111,973	3.0%	3.2%	6.5%	-957	5,537	3,428	5,189	\$20.88
Guilds Lake	517,632	7.6%	9.3%	15.9%	23,405	-12,395	0	1,438	0
Hayden Island/Swan Island	2,054,995	1.2%	1.2%	3.4%	488	6,988	4,450	8,813	\$15.84
Hazel Dell/Salmon Creek	912,086	3.4%	3.4%	1.5%	6,700	8,483	18,325	25,218	\$29.16
Johns Landing	1,935,323	15.4%	16.4%	24.6%	-55,859	-17,831	7,058	24,082	\$30.24
Kruse Way	2,772,178	20.4%	22.0%	22.6%	35,778	51,149	17,872	44,441	\$42.36
Lake Oswego/West Linn	957,586	11.5%	12.0%	14.7%	-8,183	-23,419	29,830	38,584	\$33.48
Lloyd District	5,792,312	13.0%	14.7%	17.4%	-96,138	-82,792	22,700	114,590	\$34.92
Mall 205	843,202	6.5%	8.3%	8.7%	-16,465	-9,803	1,250	9,007	\$17.88
NE Close-In	1,760,954	5.3%	6.2%	6.9%	2,477	12,444	4,215	20,846	\$30.24
North Beaverton	2,891,965	8.6%	8.8%	9.8%	-26,250	-70,345	9,475	18,120	\$33.48
Orchards	824,443	5.0%	5.0%	5.0%	-2,360	-3,941	931	5,097	\$24.48
Oregon City	909,242	5.7%	5.7%	5.9%	5,889	-17,069	0	7,672	\$26.16
Rivergate	69,186	10.1%	10.1%	10.1%	0	0	0	0	0
SE Close-In	3,626,114	15.4%	16.8%	21.4%	-26,749	-38,163	23,542	46,506	\$29.40
Sherwood	156,274	4.6%	4.6%	4.6%	2,624	2,624	0	3,500	\$37.20
St. Johns/Central Vancouver	1,662,555	2.8%	2.8%	2.6%	9,695	-1,537	7,196	22,597	\$28.92
Sunset Corridor/Hillsboro	15,779,505	6.7%	7.5%	11.9%	-52,926	-66,457	16,291	147,815	\$26.52
SW Close-In	749,144	32.4%	32.4%	38.8%	-26,296	-12,021	0	994	\$19.56
Sylvan/Hillsdale	796,094	11.8%	11.8%	11.9%	19,266	8,315	10,070	34,666	\$18.60
Tigard	4,644,592	14.8%	15.4%	18.1%	7,921	-36,147	58,354	63,884	\$31.92
Tualatin	1,275,017	16.5%	17.1%	21.2%	20,946	8,398	15,888	22,017	\$26.64
Vancouver Mall	862,181	10.3%	14.5%	15.0%	-48,660	-44,891	3,201	6,188	\$22.80
Wilsonville	1,231,850	21.3%	22.5%	24.0%	-14,237	-115,120	4,512	9,150	\$27.60
Suburban	73,895,030	10.04%	11.06%	13.46%	-534,932	-811,987	526,591	1,050,650	\$30.12
Portland Total	106,959,082	15.1%	16.3%	18.6%	-836,633	-1,418,048	635,972	1,433,097	\$29.64
Class A	34,485,092	20.2%	22.8%	25.1%	-502,813	-801,680	238,568	556,678	\$36.12
Class B	53,552,860	13.8%	14.6%	17.1%	-267,234	-447,194	342,047	719,544	\$27.48
Class C	18,689,494	9.4%	9.4%	11.2%	-66,586	-172,074	55,357	156,875	\$21.48

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1400 NW Northrup St	CBD	115,138	\$28,000,000	\$243.19	Melvin Mark Companies/ ORION Commercial Ptnrs	Public Employees Retirement System of Nevada/AEW Capital Mgmt
15350 & 15400 NW Greenbrier Pkwy	Sunset Corridor/ Hillsboro	178,648	\$19,750,000	\$110.55	Tualatin Hills Park & Recreation District	CapitaLand Ltd
7303 SE Lake Rd	Clackamas/Milwaukie	27,605	\$6,800,000	\$246.33	Ryan Gee	P. Chimento Properties, LLC

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
100 SW Columbia Way	CBD/West Vancouver	41,197	May 2025	Port of Vancouver	Trend Capital
11000 SW Stratus St	217 Corridor/Beaverton	41,088	May 2025	Meriwether Partners	The Oregon Clinic
920 SW Sixth Ave	CBD	20,655	April 2025	The Green Cities Company	Energy Trust of Oregon, Inc.

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Press Blocks - Plaza Building	1621 SW Taylor St	SW Close-In	45,000	Urban Renaissance Group	Q3 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 20 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	<i>\$9B</i> AVERAGE ANNUAL TRANSACTION VOLUME	<i>26.2M</i> ANNUAL SALES SF	<i>36.7M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>58M+ SF</i> MANAGEMENT PORTFOLIO SIZE	<i>850+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,400</i> AVERAGE ANNUAL ASSIGNMENTS	<i>39</i> TOTAL APPRAISERS	<i>24</i> WITH MAI DESIGNATIONS

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