

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

Market fundamentals have softened further in 2025, and vacancies have risen steadily over the past 13 quarters. This pushed the market wide vacancy rate to a historical record high of 15.4% at year-end, an increase of 170 basis points (bps) quarter-over-quarter (QOQ).

Weak demand throughout 2025 resulted in a record-low annual leasing volume of 2.7M SF, with Q4 marking the lowest quarterly total on record at just 460K SF. Tenant advantages are expected to persist, as the market continues to favor small- and mid-sized offices that offer immediate occupancy and operational flexibility.

Despite weak leasing fundamentals and elevated vacancy, sales activity in Portland has reached a seven-year high, posting 5.8M SF in volume. Opportunistic buyers are taking advantage of steep pricing discounts and the growing availability of distressed or value-add properties, acquiring assets below replacement cost with potential for long-term repositioning or conversion.

ECONOMIC REVIEW

As of August 2025, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 5.3%, up from 4.3% at the same time last year. This is compared to 5.0% for the state of Oregon and 4.3% for the nation.

Portland's efforts to stimulate economic growth come as Oregon's labor market shows signs of weakness, with nearly 25,000 jobs lost over the past year. However, select industries such as healthcare, professional services, and technology continue to show modest job gains, signaling areas of resilience within the state's economy.

NEAR-TERM OUTLOOK

Office market conditions remain subdued amid economic uncertainty, with workforce reductions and federal spending constraints prompting many employers to delay decisions, reduce space, or rethink workplace strategies. Vacancies are projected to rise modestly in the coming quarters, while rent growth is expected to remain soft and below the national trend through the next year. With extremely limited new supply and continued demand for quality space, the market's recovery is expected to be gradual but steady, even as potential future job losses may add moderate upward pressure on vacancies.

Market Summary

	4Q25	3Q25	4Q24	YOY Change
Direct Vacancy Rate	15.4%	15.1%	13.7%	170 bps
Availability Rate	18.3%	18.4%	17.4%	90 bps
Asking Lease Rate/SF/Yr	\$29.88	\$30.00	\$28.20	6.0%
	4Q25	2025	2024	YOY Change
Leased Activity (SF)	461,046	2,725,732	3,686,016	-26.1%
Sale Volume (SF)	1,386,124	4,789,012	3,669,227	30.5%
Total Net Absorption (SF)	-252,721	-1,573,220	-544,953	N/A

4Q 2025

↓ 461K SF
LEASING ACTIVITY

↑ -252K SF
NET ABSORPTION

↑ 15.4%
VACANCY RATE

↑ \$29.88
ASKING RENT (AVG)

↓ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

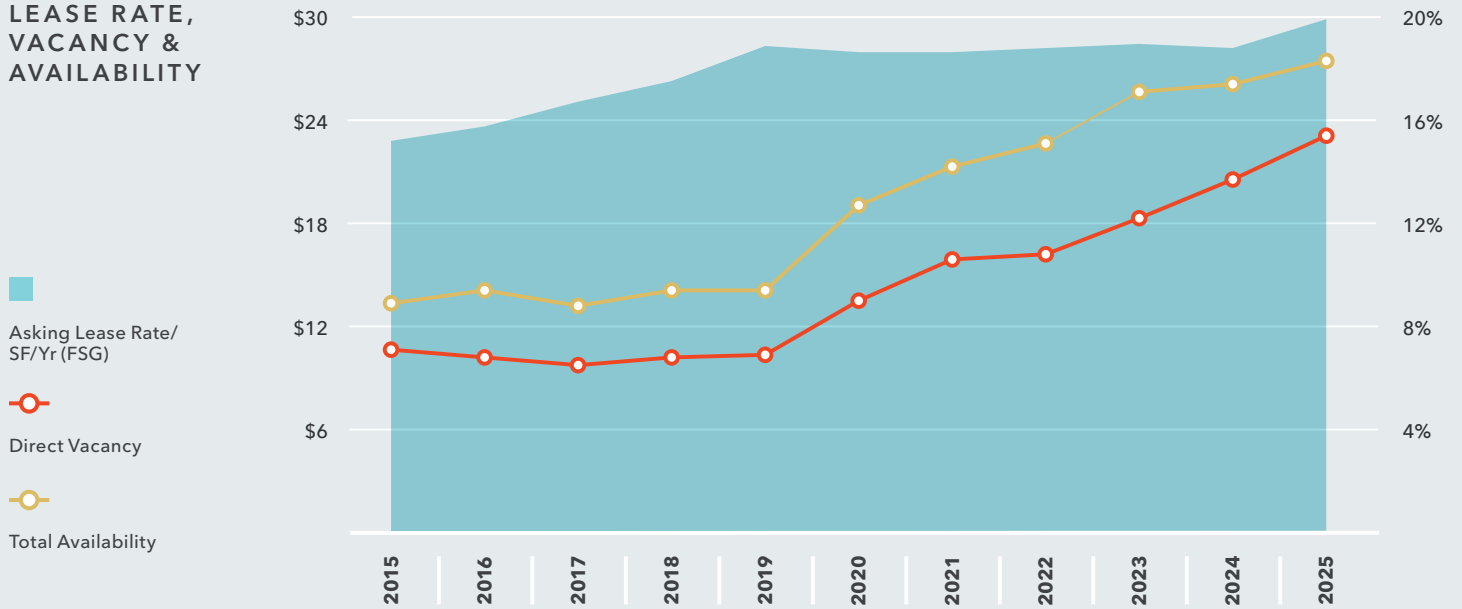
Market Highlights

ASKING RENTAL RATES
increased YOY to
\$29.88 PSF FSG

DIRECT VACANCY RATES
reached an all-time high
of 15.4%.

SALES VOLUME posted a
record high of 2.4M SF

LEASE RATE, VACANCY & AVAILABILITY

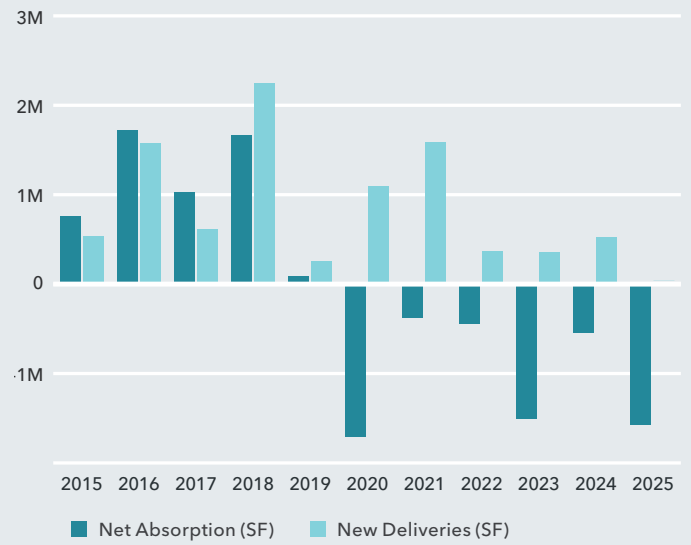


BIGGEST SALE OF THE QUARTER

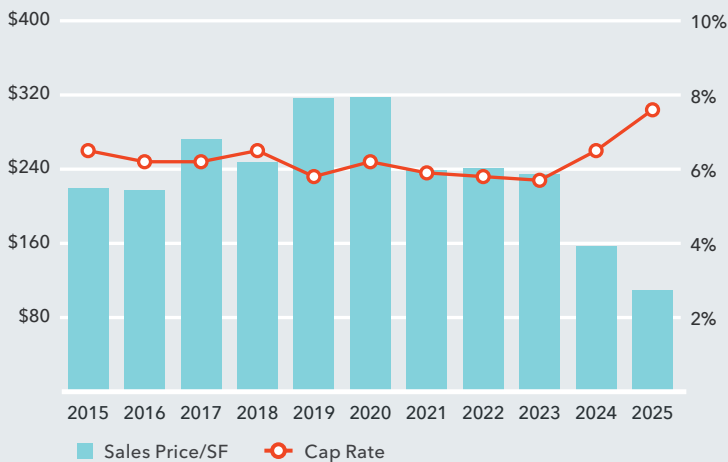
1211 SW 5th Ave
Portland, OR



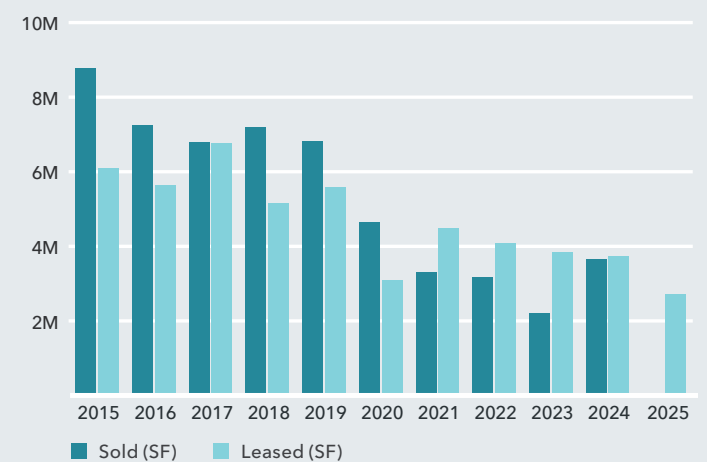
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	4Q25 Total Net Absorption	2025 Total Net Absorption	4Q25 Leasing Activity	2025 Total Leasing Activity	Total Rental Rate
CBD	29,802,023	27.7%	29.2%	30.6%	-200,013	-1,132,961	73,032	552,875	\$28.68
Pearl District/Chinatown	3,309,921	31.1%	31.2%	29.2%	-44,147	1,840	45,507	122,402	\$31.68
Downtown	33,111,944	28.1%	29.4%	30.5%	-244,160	-1,131,121	118,539	675,277	\$28.80
217 Corridor/Beaverton	2,626,191	17.7%	18.9%	22.9%	-15,881	-24,900	13,931	206,843	\$27.48
Airport Way	1,080,923	11.6%	13.0%	14.6%	-4,988	13,838	0	43,203	\$21.36
Barbur Blvd/Capitol Hwy	1,434,133	7.3%	7.3%	9.7%	39,849	585	10,596	35,857	\$18.96
Camas/Washougal	1,094,066	4.4%	4.4%	4.5%	1,245	27,620	730	19,530	\$28.20
Cascade Park	3,302,383	10.5%	11.2%	12.7%	9,345	-23,713	25,814	178,334	\$29.76
CBD/West Vancouver	3,557,610	6.2%	10.9%	12.1%	45,603	-158,054	23,699	118,017	\$28.92
Clackamas/Milwaukie	3,287,645	6.7%	6.8%	6.9%	7,511	-3,420	28,075	107,085	\$27.96
East Columbia Corridor	1,096,183	2.6%	2.6%	3.1%	-7,258	-6,860	135	9,914	\$31.08
Gateway	2,243,858	4.5%	4.5%	3.3%	-3,277	-11,231	10,241	33,536	\$24.96
Gresham	1,123,262	5.0%	5.2%	4.7%	-21,019	-16,923	4,005	42,308	\$21.36
Guilds Lake	517,632	6.6%	8.3%	14.7%	-3,634	-7,229	902	2,340	0
Hayden Island/Swan Island	2,058,040	1.1%	1.1%	1.1%	0	8,618	0	8,813	\$15.60
Hazel Dell/Salmon Creek	912,086	1.2%	1.2%	1.2%	-1,800	28,391	900	31,111	\$30.72
Johns Landing	1,936,772	13.2%	14.6%	18.6%	23,707	17,622	10,102	58,201	\$27.24
Kruse Way	2,808,039	19.7%	20.6%	22.6%	6,116	82,949	9,332	63,097	\$42.96
Lake Oswego/West Linn	1,027,300	8.8%	8.8%	11.3%	5,870	42,160	3,360	50,135	\$35.76
Lloyd District	5,511,767	14.3%	15.4%	17.2%	5,823	-78,828	21,332	184,320	\$37.08
Mall 205	857,358	4.3%	6.1%	8.9%	-9,027	7,643	2,900	18,592	\$17.88
NE Close-In	1,774,219	5.1%	5.5%	6.2%	-12	24,129	6,733	34,854	\$31.08
North Beaverton	2,891,965	8.5%	8.7%	9.0%	-19,476	-68,458	13,830	43,652	\$31.92
Orchards	850,766	4.8%	4.8%	4.3%	876	-3,921	4,212	21,785	\$24.84
Oregon City	925,678	5.1%	5.1%	6.5%	5,947	-12,740	1,093	11,790	\$24.24
Rivergate	93,661	0.0%	0.0%	0.0%	7,000	7,000	0	0	0
SE Close-In	3,533,197	17.2%	18.5%	21.4%	-43,246	-81,239	20,509	106,166	\$29.04
Sherwood	156,274	4.4%	4.4%	4.4%	1,301	2,830	180	4,801	\$40.08
St. Johns/Central Vancouver	1,480,870	1.7%	1.7%	2.6%	11,330	20,432	2,510	30,071	\$31.68
Sunset Corridor/Hillsboro	16,179,503	6.3%	7.0%	11.5%	24,136	-162	68,645	312,285	\$27.00
SW Close-In	794,097	36.9%	36.9%	40.0%	0	-16,869	0	1,464	\$19.32
Sylvan/Hillsdale	806,824	12.4%	12.4%	12.0%	9,500	2,871	20,016	60,183	\$21.84
Tigard	4,694,130	15.4%	17.5%	20.4%	-55,136	-141,276	27,533	122,943	\$32.16
Tualatin	1,271,717	21.7%	22.3%	20.2%	-57,390	-57,803	5,970	59,433	\$26.52
Vancouver Mall	863,961	9.9%	14.1%	16.5%	425	-41,713	5,222	15,224	\$22.08
Wilsonville	1,262,264	10.8%	12.0%	16.2%	27,999	26,552	0	14,568	\$27.36
Suburban	74,054,374	9.73%	10.69%	12.89%	-8,561	-442,099	342,507	2,050,455	\$30.48
Portland Total	107,166,318	15.4%	16.5%	18.3%	-252,721	-1,573,220	461,046	2,725,732	\$29.88
Class A	34,688,569	21.7%	23.7%	24.4%	-66,890	-956,034	183,803	956,146	\$36.48
Class B	53,634,560	13.6%	14.4%	17.1%	-131,249	-496,150	215,906	1,456,958	\$27.60
Class C	18,594,231	9.0%	9.1%	10.6%	-54,582	-118,140	61,337	312,628	\$22.08

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
1211 SW 5th Ave - Pacwest	CBD	547,992	\$55,700,000	\$101.64	Fountainhead Development Inc.	Lincoln Property Group
Mohawk Business Park	Tualatin	299,939	\$22,500,000	\$75.02	The Khoshbin Company	BrightSpire Capital, Inc.
1631 NW Thurman St	NW Close-In	63,445	\$18,800,000	\$296.32	Bjorn Hermann	The Goldman Sachs Group

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Evergreen Corporate Center	Sunset Corridor/Hillsboro	45,878	November 2025	GIC Real Estate	Undisclosed
Montgomery Park	NW Close-In	22,315	October 2025	Menashe Properties	OnPoint Credit Union
East Portland Commerce Center	Gateway	19,056	October 2025	Kalberer Company	New Narrative

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, 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>53M+ SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,400</i> AVERAGE ANNUAL ASSIGNMENTS	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS