Kidder Mathews

MARKET TRENDS

PORTLAND *OFFICE*

2Q 2026

↑ *1.7M SF* YTD LEASING ACTIVITY

↑ *173K SF* YTD NET ABSORPTION

↑ *15.3%* VACANCY RATE

↓ *$29.16* ASKING RENT (AVG)

↓ *0 SF* NEW DELIVERIES

Year-Over-Year Trend

MARKET DRIVERS

Although market fundamentals remain relatively soft, early signs of improvement have emerged during the first half of 2026. Vacancy was essentially flat compared to the previous quarter, which may indicate that the pace of market decline is beginning to slow after an extended period of volatility. The availability rate closed the quarter at 17.7%, with sublease space and underutilized tenant space continuing to contribute to elevated supply levels.

Leasing activity remained somewhat subdued and the market posted a moderate negative absorption figure of -29,025 SF in 2Q. However, year-to-date net absorption reached 173,519 SF, representing a meaningful improvement from the negative trends that have persisted since 2020. This points to a gradual return of tenant activity, particularly among users seeking smaller, high-quality spaces that can accommodate near-term occupancy needs. This trend is especially true in suburban Portland.

ECONOMIC REVIEW

As of May 2026, the Portland-Vancouver-Hillsboro MSA reported an unemployment rate of 4.7%, up slightly from 4.6% a year earlier. By comparison, unemployment measured 5.2% across Oregon and 4.2% nationally. Population growth continues at a more measured pace as in-migration is increasingly offset by affordability challenges. While the region remains attractive over the long term, near-term growth is being tempered by economic uncertainty and slower job creation.

NEAR-TERM OUTLOOK

The office market is expected to remain tenant favorable in the near term, although 2Q activity suggests conditions may be gradually moving towards equilibrium. That said, several challenges remain. Stabilizing vacancy levels and positive year-to-date absorption are encouraging indicators, but a sustained recovery will depend on stronger and more consistent leasing activity, along with broader economic improvement. Rental rate pressure is expected to persist, particularly for commodity office space, while well-located, high-quality properties should continue to outperform the broader market. With very little new construction in the pipeline and ongoing discussions around adaptive reuse, future supply growth is expected to remain limited.

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Direct Vacancy Rate	15.3%	15.3%	15.1%	**20 bps**
Availability Rate	17.7%	17.9%	18.1%	**-40-bps**
Asking Lease Rate/SF/Yr	$29.16	$29.76	$29.88	**-2.4%**
	2Q26	**2026 YTD**	**2025 YTD**	**YOY Change**
Leased Activity (SF)	878,688	1,672,732	1,496,816	**11.8%**
Sale Volume (SF)	1,177,469	2,247,648	1,293,606	**73.8%**
Total Net Absorption (SF)	-29,025	173,519	-1,378,896	**N/A**

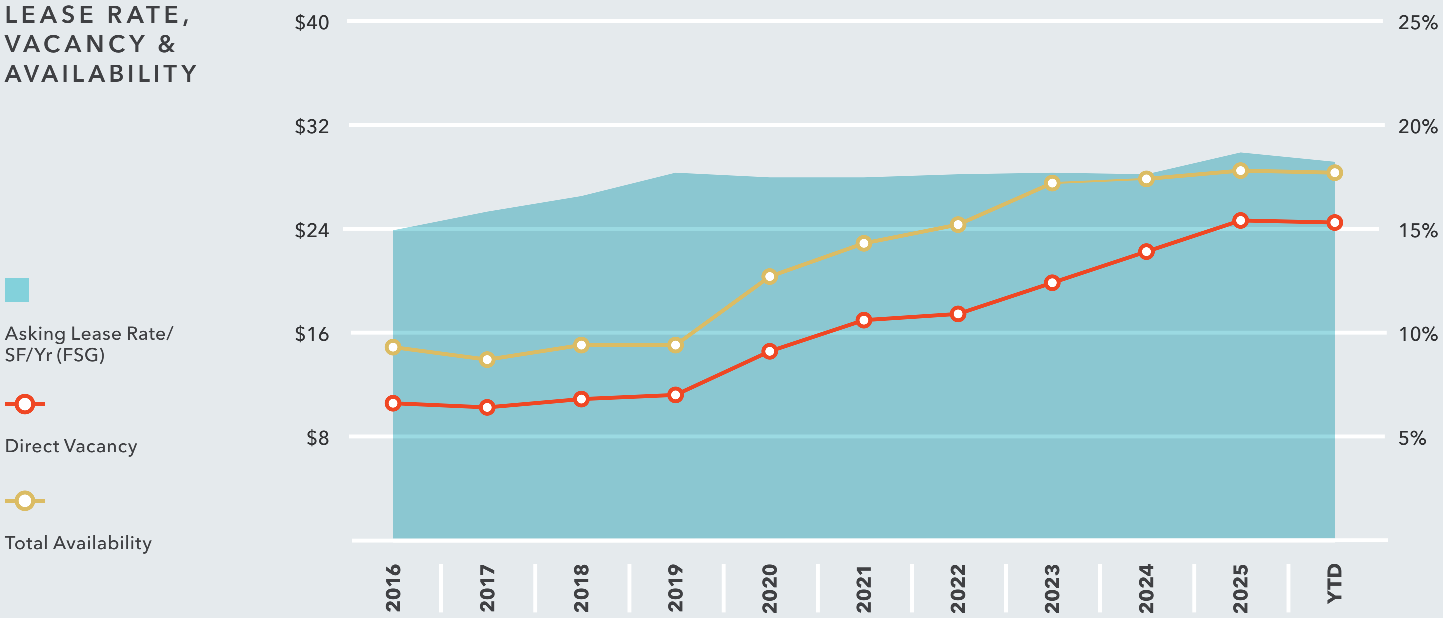
Market Highlights

ASKING RENTAL RATES fell YOY to $29.16 PSF FSG

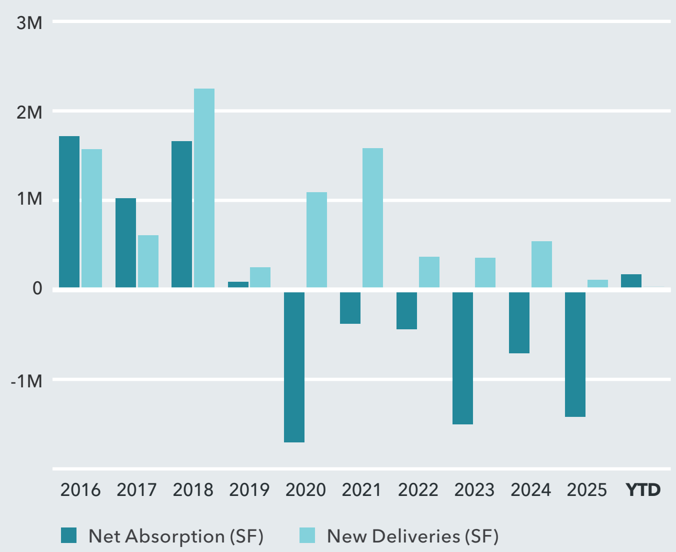
DIRECT VACANCY RATES remained near record highs at 15.3%

SALES VOLUME increased YOY to 2.2M SF

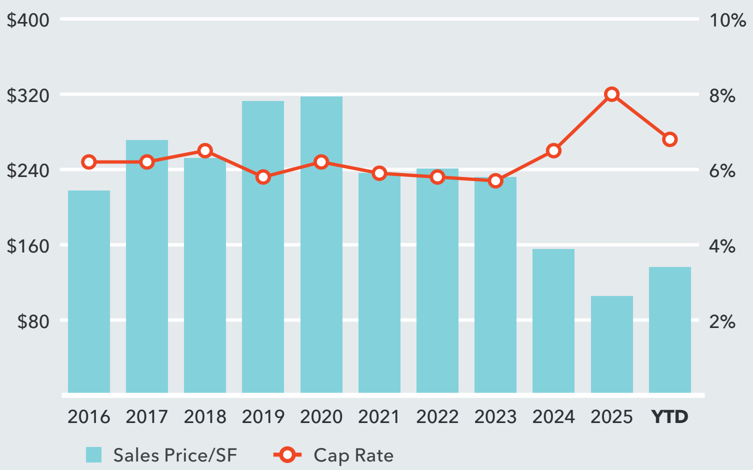
LEASE RATE, VACANCY & AVAILABILITY



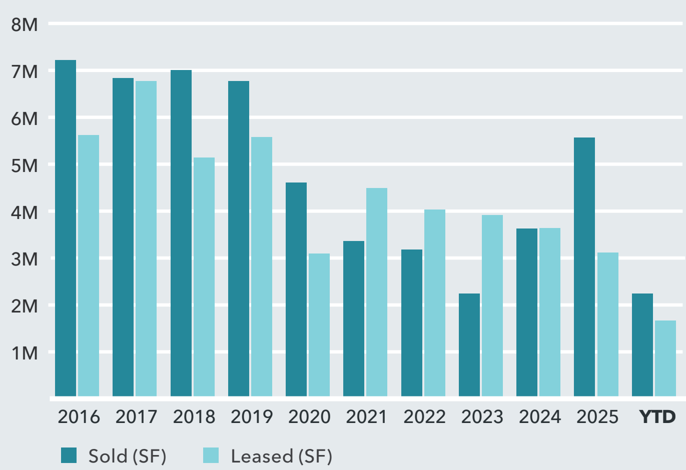
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q26 Total Net Absorption	YTD Total Net Absorption	2Q26 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	29,478,734	27.7%	29.6%	31.2%	-60,268	100,385	347,819	513,973	$27.24
Pearl District/Chinatown	3,322,889	29.8%	29.8%	27.8%	15,454	43,056	22,538	37,670	$33.00
Downtown	**32,801,623**	**27.9%**	**29.6%**	**30.9%**	**-44,814**	**143,441**	**370,357**	**551,643**	**$27.36**
217 Corridor/Beaverton	2,633,241	16.0%	17.4%	20.6%	33,061	38,740	26,579	66,931	$27.24
Airport Way	1,080,923	14.6%	15.0%	17.2%	-24,039	-21,650	10,605	10,605	$21.60
Barbur Blvd/Capitol Hwy	1,434,133	8.1%	8.1%	9.2%	-4,142	-14,407	11,614	14,246	$19.20
Camas/Washougal	1,517,212	6.4%	6.4%	6.9%	-6,168	-48,558	4,350	4,550	$28.68
Cascade Park	3,323,281	10.2%	10.8%	10.6%	-2,700	15,330	51,608	82,994	$29.76
CBD/West Vancouver	3,542,520	5.6%	7.9%	9.4%	7,840	98,975	48,601	202,858	$30.48
Clackamas/Milwaukie	3,301,641	6.0%	6.1%	5.8%	20,269	24,664	39,204	64,499	$28.32
East Columbia Corridor	1,090,316	3.3%	3.3%	3.7%	87	-7,344	222	222	$30.12
Gateway	2,237,997	3.9%	3.9%	3.9%	-3,768	6,177	7,694	9,012	$25.80
Gresham	1,172,338	4.6%	4.6%	5.5%	14,941	6,554	6,633	7,465	$22.32
Guilds Lake	521,533	7.2%	7.2%	13.8%	-4,090	-4,090	0	0	-
Hayden Island/Swan Island	2,059,019	1.4%	1.4%	1.4%	-6,607	-6,607	1,500	1,500	$14.64
Hazel Dell/Salmon Creek	927,904	1.2%	1.2%	1.1%	417	-888	5,005	7,415	$32.52
Johns Landing	1,936,772	13.7%	15.3%	18.5%	8,925	-14,824	16,133	36,664	$26.28
Kruse Way	2,820,270	20.1%	20.9%	21.4%	17,646	-12,243	32,010	91,245	$43.44
Lake Oswego/West Linn	1,095,958	9.6%	9.6%	10.6%	-5,835	-15,238	13,309	25,402	$33.60
Lloyd District	5,661,571	13.3%	14.0%	17.7%	16,959	47,300	7,553	32,175	$31.44
Mall 205	885,239	9.1%	9.1%	8.6%	12,552	-18,922	21,069	22,892	$21.00
NE Close-In	1,811,333	4.1%	4.9%	5.6%	-16,113	-8,499	15,302	15,552	$31.08
North Beaverton	2,867,320	9.9%	10.1%	11.0%	-31,064	-40,346	6,084	37,907	$32.16
Orchards	879,312	3.6%	3.6%	3.6%	2,425	8,703	900	4,015	$24.96
Oregon City	962,067	6.3%	6.6%	8.4%	-11,566	-16,257	2,884	2,884	$24.72
Rivergate	93,661	0.0%	0.0%	0.0%	0	0	0	0	-
SE Close-In	3,376,741	17.0%	18.4%	20.3%	13,524	25,184	41,172	92,999	$27.72
Sherwood	156,274	6.7%	6.7%	6.7%	145	-3,500	245	245	$39.60
St. Johns/Central Vancouver	1,481,320	0.9%	1.3%	1.9%	17,770	6,759	7,580	7,580	$32.04
Sunset Corridor/Hillsboro	15,812,291	6.4%	6.7%	10.4%	51,447	28,067	36,810	76,120	$27.60
SW Close-In	794,097	38.4%	38.4%	38.4%	-3,931	-12,051	283	40,269	$19.08
Sylvan/Hillsdale	816,008	13.1%	13.1%	13.3%	-7,931	-7,283	3,584	5,146	$23.52
Tigard	4,692,473	16.8%	18.7%	20.3%	-6,303	-66,589	55,442	98,409	$31.92
Tualatin	1,266,773	15.5%	16.3%	16.7%	-79,423	33,611	10,482	14,292	$27.48
Vancouver Mall	853,529	9.9%	11.2%	11.7%	13,129	24,890	22,889	29,816	$21.84
Wilsonville	1,297,671	12.3%	13.5%	15.5%	-1,668	-15,580	985	15,180	$27.12
Suburban	**74,402,738**	**9.75%**	**10.41%**	**12.20%**	**15,789**	**30,078**	**508,331**	**1,121,089**	**$30.12**
Portland Total	**107,204,361**	**15.3%**	**16.3%**	**17.9%**	**-29,025**	**173,519**	**878,688**	**1,672,732**	**$29.16**
Class A	34,857,317	21.8%	23.6%	25.3%	-187,649	57,378	417,294	812,097	$35.04
Class B	53,383,733	13.5%	14.3%	16.0%	125,521	58,797	347,376	694,255	$27.36
Class C	18,303,347	8.5%	8.5%	9.8%	33,103	57,344	114,018	166,380	$21.72

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
200 Market Building	CBD	417,956	$70,000,000	$167.48	200 Market Propco, LLC	200 Market Associates, LP
Everett Bldg	CBD	160,048	$11,000,000	$68.73	Central City Concern	Hmh Education Company
Tanasbourne Commons	Sunset Corridor/Hillsboro	60,115	$4,750,000	$79.02	Tanasbourne Commons, LLC	K & R Holdings II, LLC

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
200 Market	CBD	101,000	April 2026	Melvin Mark Companies	Cambia Health Solutions
200 Market	CBD	32,000	April 2026	Melvin Mark Companies	Geffen Mesher
First & Main	CBD	30,000	June 2026	American Assets Trust	Perkins & Co

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.

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

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS