

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

The first half of 2026 showed early signs of improvement in the market and that momentum carried into the second half of the year. Direct vacancy fell to 15.1%, its second decline of 2026 and the largest drop since 2Q22, a sign the market may be finding its footing after several years of sustained upward pressure. Despite this progress, availability remains elevated at 18.1%, highlighting the amount of space that remains on the market and the gradual nature of the recovery.

Net absorption totaled positive 215K SF for 3Q, bringing the YTD total to 393K SF. Two of the first three quarters of 2026 have now recorded occupancy gains, a notable shift following several years of annual occupancy losses. Leasing activity also improved YOY, although demand remains selective. Higher-quality space continues to capture a greater share of activity, with Class A properties accounting for nearly half of quarterly leasing and the majority of YTD absorption.

ECONOMIC REVIEW

The Portland-Vancouver-Hillsboro MSA unemployment rate stood at 4.9% in July, versus 5.2% for Oregon and 4.1% nationally. Population growth remains subdued as affordability challenges and slower in-migration weigh on regional growth. Slower job creation and broader economic uncertainty also continue to temper near-term growth prospects.

NEAR-TERM OUTLOOK

Portland's office market appears to be moving toward greater stability, supported by positive year-to-date absorption and a second decline in vacancy during 2026. However, elevated availability and continued pressure on asking rents indicate that the recovery remains gradual rather than broad-based. Performance is expected to remain uneven by location and building quality, with well-located, higher-quality properties better positioned to capture demand. Limited new construction should help prevent additional supply pressure, while a sustained recovery will depend on continued leasing activity, job growth and greater consistency in occupier demand.

Market Summary

	3Q26	2Q26	3Q25	YOY Change
Direct Vacancy Rate	15.1%	15.3%	15.2%	-10 bps
Availability Rate	18.1%	17.8%	18.2%	-10 bps
Asking Lease Rate/SF/Yr	\$28.92	\$29.16	\$30.12	-4.0%
	3Q26	2026 YTD	2025 YTD	YOY Change
Leased Activity (SF)	825,342	2,656,591	2,351,432	13.0%
Sale Volume (SF)	738,215	3,058,870	3,465,577	-11.7%
Total Net Absorption (SF)	214,993	392,662	-1,287,746	N/A

3Q 2026

↑ **2.6M SF**
YTD LEASING
ACTIVITY

↑ **393K SF**
YTD NET ABSORPTION

↓ **15.1%**
VACANCY RATE

↓ **\$28.92**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

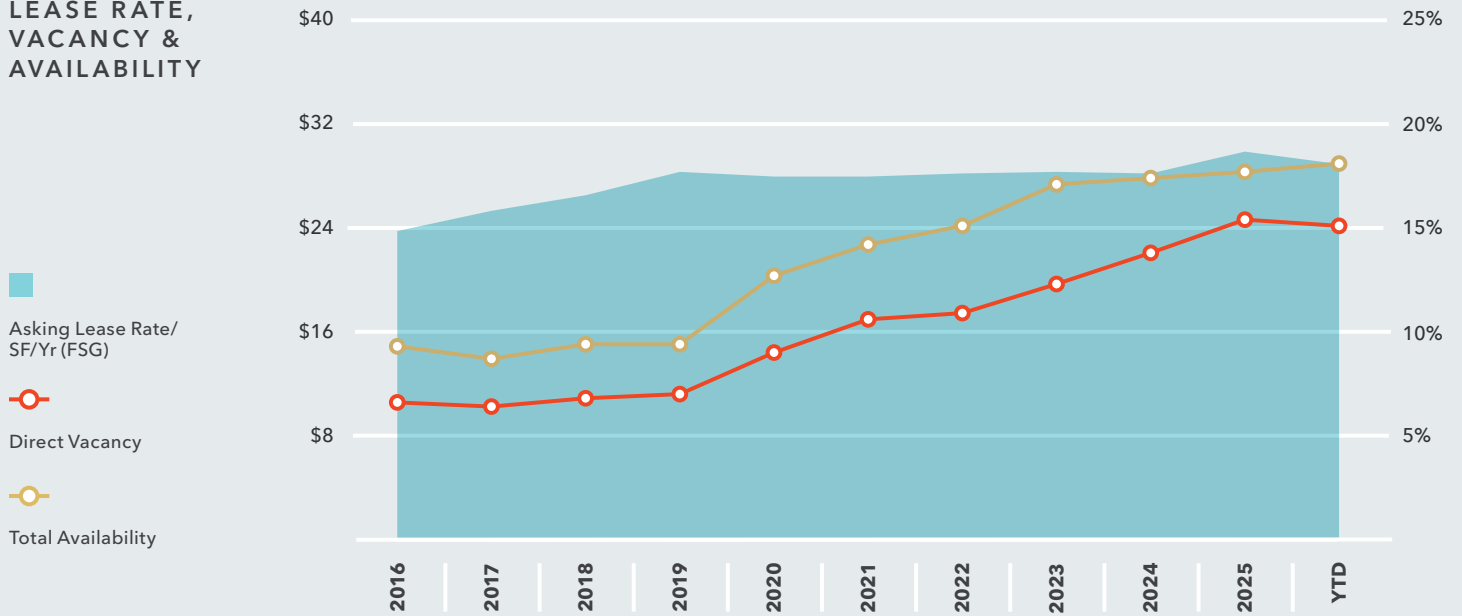
Market Highlights

ASKING RENTAL RATES
fell YOY to \$28.92 PSF FSG

DIRECT VACANCY RATES
decreased QOQ to 15.1%

YTD NET ABSORPTION
reached positive 393K SF

LEASE RATE, VACANCY & AVAILABILITY

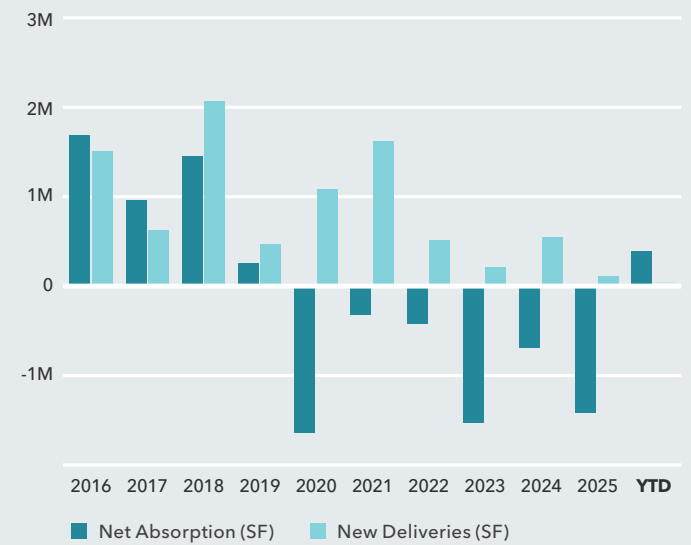


BIGGEST SALE OF THE QUARTER

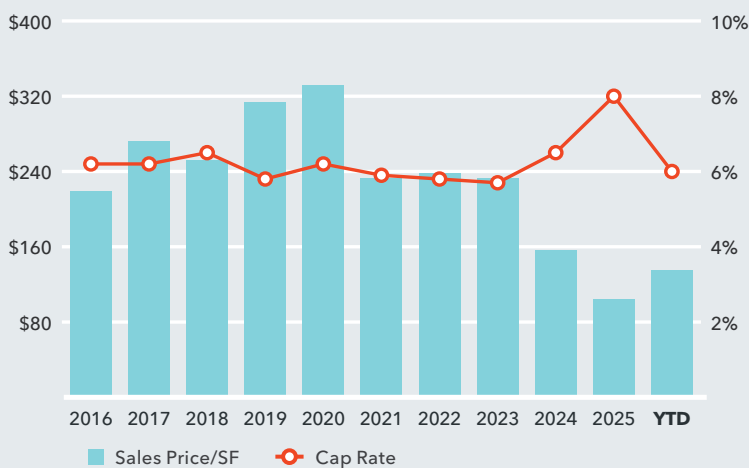
11000 SW Stratus St, Beaverton



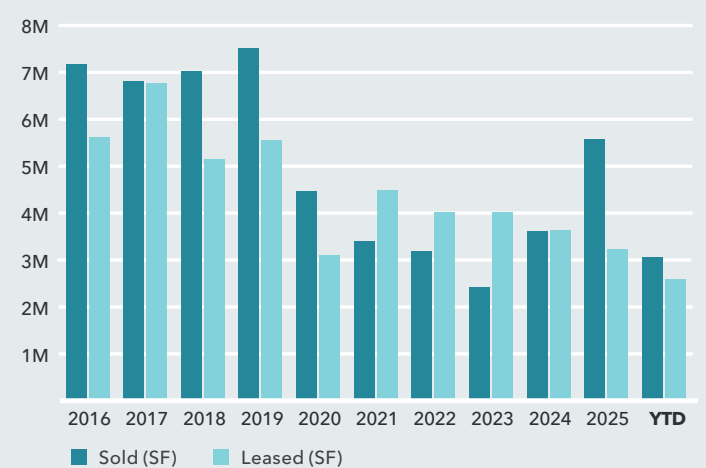
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q26 Total Net Absorption	YTD Total Net Absorption	3Q26 Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	29,484,261	27.8%	29.6%	32.2%	-25,450	74,935	166,090	691,353	\$27.24
Pearl District/Chinatown	3,370,757	29.9%	29.9%	28.2%	-19,071	23,985	24,241	61,911	\$34.32
Downtown	32,855,018	28.0%	29.7%	31.8%	-44,521	98,920	190,331	753,264	\$27.36
217 Corridor/Beaverton	2,587,121	16.7%	18.0%	21.7%	-10,990	27,750	20,838	92,201	\$26.28
Airport Way	1,080,923	16.4%	16.8%	19.0%	-19,240	-40,890	0	10,605	\$20.04
Barbur Blvd/Capitol Hwy	1,434,541	8.8%	8.8%	10.8%	-10,033	-24,440	5,458	19,704	\$20.04
Camas/Washougal	1,548,395	6.7%	6.7%	10.0%	-7,162	-55,720	0	4,550	\$31.32
Cascade Park	3,295,647	10.2%	10.3%	10.7%	18,360	33,690	87,947	153,573	\$29.52
CBD/West Vancouver	3,543,820	5.4%	7.5%	9.1%	13,399	112,374	57,101	264,960	\$30.60
Clackamas/Milwaukie	3,297,402	5.2%	5.4%	6.3%	25,061	46,409	47,132	119,207	\$27.24
East Columbia Corridor	1,091,421	3.1%	3.1%	3.5%	-655	-5,299	135	357	\$30.24
Gateway	2,227,611	3.8%	3.9%	3.5%	1,485	7,662	13,386	22,398	\$25.68
Gresham	1,219,111	3.9%	3.9%	4.8%	7,553	13,273	2,654	10,335	\$22.80
Guilds Lake	521,533	6.3%	6.3%	11.3%	4,500	410	8,503	8,503	\$22.56
Hayden Island/Swan Island	2,044,026	1.6%	1.6%	1.6%	-2,194	-8,801	832	2,332	\$15.00
Hazel Dell/Salmon Creek	927,904	1.4%	1.4%	2.1%	-1,947	-2,835	400	7,815	\$30.12
Johns Landing	1,936,772	14.2%	15.9%	19.2%	-10,929	-25,753	19,533	49,318	\$24.84
Kruse Way	2,820,270	18.1%	18.7%	17.2%	61,459	49,216	128,410	219,655	\$43.32
Lake Oswego/West Linn	1,094,678	7.3%	7.3%	8.4%	25,667	10,429	10,484	35,886	\$33.84
Lloyd District	5,642,990	12.7%	13.8%	17.1%	15,886	63,186	39,652	76,868	\$29.64
Mall 205	873,239	8.9%	8.9%	8.2%	2,947	-15,975	18,856	41,748	\$20.52
NE Close-In	1,802,963	3.5%	4.3%	5.3%	4,097	1,998	5,426	17,003	\$28.56
North Beaverton	2,867,320	9.2%	9.4%	10.2%	18,508	-21,838	14,884	55,191	\$32.40
Orchards	879,312	3.8%	3.8%	3.8%	-1,140	7,563	0	5,615	\$25.20
Oregon City	969,993	6.3%	6.6%	8.7%	-169	-16,426	2,627	14,580	\$24.60
Rivergate	93,661	0.0%	0.0%	0.0%	0	0	0	0	-
SE Close-In	3,376,741	15.6%	17.0%	19.2%	44,559	69,743	28,414	121,863	\$27.72
Sherwood	156,274	6.1%	6.1%	6.1%	915	-2,585	915	1,160	\$39.60
St. Johns/Central Vancouver	1,463,845	0.9%	1.2%	2.4%	982	7,741	6,946	14,526	\$32.76
Sunset Corridor/Hillsboro	15,811,985	6.4%	6.7%	10.4%	-205	27,862	17,150	95,806	\$27.60
SW Close-In	786,181	35.4%	35.4%	38.2%	26,341	14,290	106	65,664	\$19.08
Sylvan/Hillsdale	816,008	12.9%	12.9%	13.0%	2,012	-5,271	7,855	13,001	\$24.60
Tigard	4,683,669	16.6%	18.3%	20.4%	20,934	-46,455	30,195	236,341	\$31.56
Tualatin	1,268,679	11.9%	12.9%	16.0%	41,728	75,339	28,516	46,003	\$27.96
Vancouver Mall	853,529	10.1%	11.5%	11.3%	-1,805	23,085	10,687	40,503	\$21.60
Wilsonville	1,297,671	13.1%	14.3%	15.9%	-10,410	-25,990	19,969	36,056	\$27.00
Suburban	74,315,235	9.4%	10.0%	12.0%	259,514	293,742	635,011	1,903,327	\$29.88
Portland Total	107,170,253	15.1%	16.1%	18.1%	214,993	392,662	825,342	2,656,591	\$28.92
Class A	34,733,160	21.4%	23.2%	25.6%	270,699	341,677	354,550	1,216,200	\$34.68
Class B	53,475,279	13.3%	14.1%	16.0%	-1,527	38,520	328,049	1,139,609	\$27.12
Class C	18,321,402	8.6%	8.7%	10.2%	-54,179	12,465	79,091	237,130	\$21.12

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
11000 SW Stratus St - Creekside Corporate Park	217 Corridor/Beaverton	63,992	\$17,281,195	\$270.05	The Oregon Clinic	Meriwether Ptnrs.
1905 NW 169th Pl - Twin Oaks Plaza	Sunset Corridor/Hillsboro	18,000	\$4,100,000	\$227.78	Westside Behavior Therapy	Graham Leggett
14300 SE First St - Belcher-Vancouver Building	Cascade Park	20,904	\$3,535,000	\$169.11	5 Cedars, LLC	Judy Belcher

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant
18110 SE 34th St - The VIC	Cascade Park	55,295	August 2026	Rabina Properties/New Blueprint Partners	Undisclosed
18110 SE 34th St - The VIC	Cascade Park	32,652	August 2026	Rabina Properties/New Blueprint Partners	Undisclosed
12000 SE 82nd Ave	Clackamas/Milwaukie	31,000	August 2026	GGP	Movement

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
SE Water Ave - Workshop Blocks B	SE Water Ave	SE Close-In	120,000	Prosper Portland	3Q 2027
Pacific Rim Park - One Pacific	5470 NW Pacific Rim	Camas/Washougal	40,000	Hawes Group	1Q 2027

Data Source: Kidder Mathews Research, CoStar, U.S. Bureau of Labor Statistics



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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 SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE ANNUAL
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS