

Portland Office Market

Bumpy Road to Recovery

Like the rest of the nation, the Portland office market is beginning to see signs of recovery. As COVID-19 cases have dropped and the Oregon population has reached a fully vaccinated rate of 71.8%, the statewide indoor mask requirement was lifted on March 12, 2022. But as companies are working out their office/hybrid strategies, the market experienced a further drop in absorption in the first quarter of 2022, at negative 553,816 square feet, causing overall vacancy to climb to 16.7%. Asking rates dipped slightly as well, to \$31.40/SF, although this rate is higher than the year-ago rate. Despite the drop in vacancy, a couple large leases were signed at the beginning of the year, a good sign that some companies still desire a return to the office.

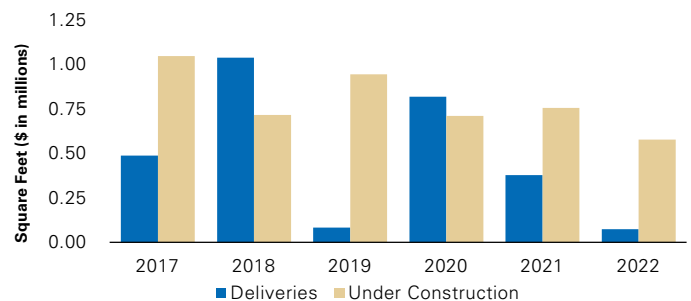
As is the trend across much of the nation, companies are right-sizing as they transition to remote and hybrid models, and they are slowly vacating and downsizing their spaces across the market. The resulting increase in vacancy will continue to pressure rent downwards. Companies seeking expanded or new space are likely to migrate towards higher-quality Class A space as those spaces become more accessible to mid-size companies.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	61.7M	62.2M	61.8M	↑
Vacancy Rate	16.7%	15.5%	15.2%	↓
Quarterly Net Absorption (SF)	-554K	224K	-904K	↑
Average Asking Rent/SF	\$31.40	\$31.59	\$30.73	↑
Under Constr (SF)	579K	654K	761K	↓

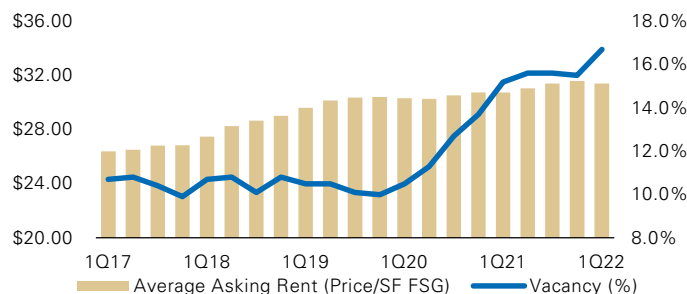
Construction and Deliveries

SQUARE FEET, MILLIONS

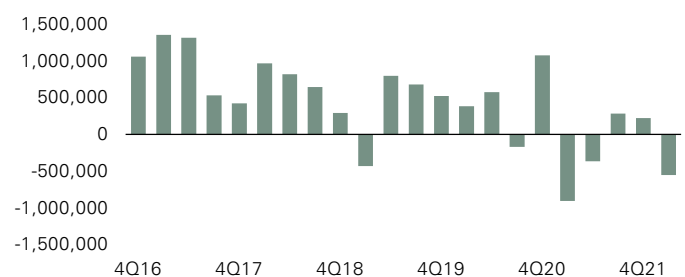


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Urban CBD and Close-In Submarkets

Vacancy remained high in most of the urban market, with the Close-In Northwest District experiencing the highest vacancy rate, at 29.2%. Smaller suburban markets with less inventory were significantly better off; the Close-In Northeast District saw just 3.1% vacancy. Vacancy in the Central Business District increased to 22.2%, a 190-basis-point jump from last quarter due to negative 525,244 square feet of absorption. The largest lease of the quarter was TriMet's 95,000-square-foot lease at 101 SW Main St. in the CBD.

Rents dipped slightly during the quarter, with Class A rates in Close-in Northeast dropping the most, by \$1.74/SF to \$35.03/SF. Class A rates in the Close-In Southeast District increased by \$0.36/SF to \$43.36 since the end of the year.

Suburban Westside Markets

The vacancy rate in 217 Corridor/Beaverton dropped slightly to 19.6%. At 8500 SW Creekside Pl. in Beaverton, Digimarc simultaneously subleased the 65,496-square-foot building from Fiserv, as well as signed a direct lease for the building that begins at the end of the sublease term in August 2028. In the Kruse Way

District, where vacancy increased to 22.4% from 18.9%, the addition of space to the market bumped rents up slightly, increasing Class A rents by \$0.82/SF to \$39.74/SF and Class B rents by \$4.00/SF to \$34.00/SF. The John's Landing vacancy rate also ticked up 300-basis-points, to 16.9%.

Clark County, Washington

Vacancy has been steadily declining in the submarket since the first quarter of 2020, dropping to a four-year low of 5.2% in the first quarter of 2022. Absorption made a sharp improvement in the past two years despite pandemic setbacks, and the submarket posted 44,399 square feet in the first quarter of 2022. While Class A rents increased \$0.73/SF during the quarter to \$27.05/SF, overall rents in the submarket dropped by \$1.99/SF to \$22.87.

Eastside Outlying Submarkets

Eastside markets remained stable during the quarter. Though mild, the recovery is nearing pre-pandemic levels of rent of average asking rent and vacancy. North Portland's vacancy rate of 10.4% was the highest of the outlying submarkets.

Select Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
TriMet	101 SW Main St	CBD	Direct Lease	95,000
Digimarc	8500 SW Creekside Pl	217 Corridor/Beaverton	Sublease/Direct Lease	65,496
DeLap	5885 Meadows Rd	Kruse Way	Renewal	20,922
Viewpoint	1515 SE Water Ave	SE Close-In	Direct Lease	18,227
Total Quality Logistics	13333 SW 68 th Pkwy	Tigard	Expansion	16,675

Select Investment Sale Transactions

Building(s)	Market	Approx Sale Price	\$/SF	Square Feet
105 Northwest Park Ave	CBD	\$8.5M	\$120	70,549
10505 Southeast 17 th Ave	Clackamas/Milwaukee	\$22.5M	\$402	55,929
15700 SW Greystone Ct	217 Corridor/Beaverton	\$36.2M	\$678	53,332
6916 NE 4 th Plain Blvd	Clark County	\$5.0M	\$244	20,400
12755 SW 69 th Ave	Tigard	\$4.7M	\$299	15,624

RESEARCH Q1 2022

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total FS Asking Rent (Price/SF)
CBD	24,022,787	289,851	22.2%	-525,244	-525,244	\$35.79	\$32.27	\$32.89
Clark County (WA) Total	6,902,723	29,041	5.2%	44,399	44,399	\$27.05	\$22.14	\$22.87
217 Corridor/Beaverton	4,840,470	-	19.6%	35,745	35,745	\$30.13	\$19.74	\$25.72
Airport Way	879,096	-	6.6%	6,586	6,586	\$26.12	\$19.48	\$18.90
Barbur Blvd/Capitol Hwy	842,923	-	11.1%	-10,425	-10,425		\$20.21	\$20.21
Clackamas/Milwaukie	1,425,805	-	6.2%	3,251	3,251	\$30.49	\$24.04	\$27.65
Close-In Northeast	506,039	-	3.1%	2,571	2,571	\$35.03	\$25.12	\$31.04
Close-In Northwest	2,049,441	-	29.2%	31,771	31,771	\$40.96	\$31.80	\$33.46
Close-In Southeast	3,415,215	260,000	20.0%	18,154	18,154	\$43.36	\$27.09	\$32.70
Eastside Outlying	1,741,812	-	7.2%	-8,547	-8,547	\$23.00	\$20.53	\$20.53
Guilds Lake	51,386	-	0.0%	0	0			
I-5 Outlying	22,254	-	0.0%	0	0			
Johns Landing	1,381,062	-	16.9%	-41,258	-41,258	\$33.92	\$31.41	\$32.45
Kruse Way	2,495,785	-	22.4%	-87,128	-87,128	\$39.74	\$34.00	\$39.55
Lloyd District	1,979,608	-	5.2%	3,848	3,848	\$35.50	\$36.95	\$35.80
North Portland	144,300	-	10.4%	3550	3,550		\$15.00	\$15.00
Northwest Outlying	37,740	-	7.5%	0	0		\$17.00	\$17.00
Oregon City	248,152	-	4.3%	-865	-865		\$25.78	\$26.39
Sunset Corridor/Hillsboro	3,811,837	-	15.2%	-12,225	-12,225	\$24.96	\$22.65	\$24.37
Sylvan/Hillsdale	396,652	-	9.0%	-955	-955		\$16.49	\$16.18
Tigard	2,411,283	-	8.6%	-16,945	-16,945	\$30.81	\$20.00	\$25.00
Tualatin/Sherwood	891,240	-	15.3%	-991	-991	\$29.45	\$24.66	\$25.95
West Linn/Lake Oswego	553,669	-	16.8%	1,484	1,484	\$30.94	\$35.37	\$30.36
Westside Outlying	69,082	-	0.0%	0	0			
Wilsonville	572,549	-	1.0%	-681	-681		\$27.39	\$27.39
TOTALS	61,692,910	578,892	16.7%	-553,816	-553,816	\$34.73	\$28.87	\$31.40

For more information:

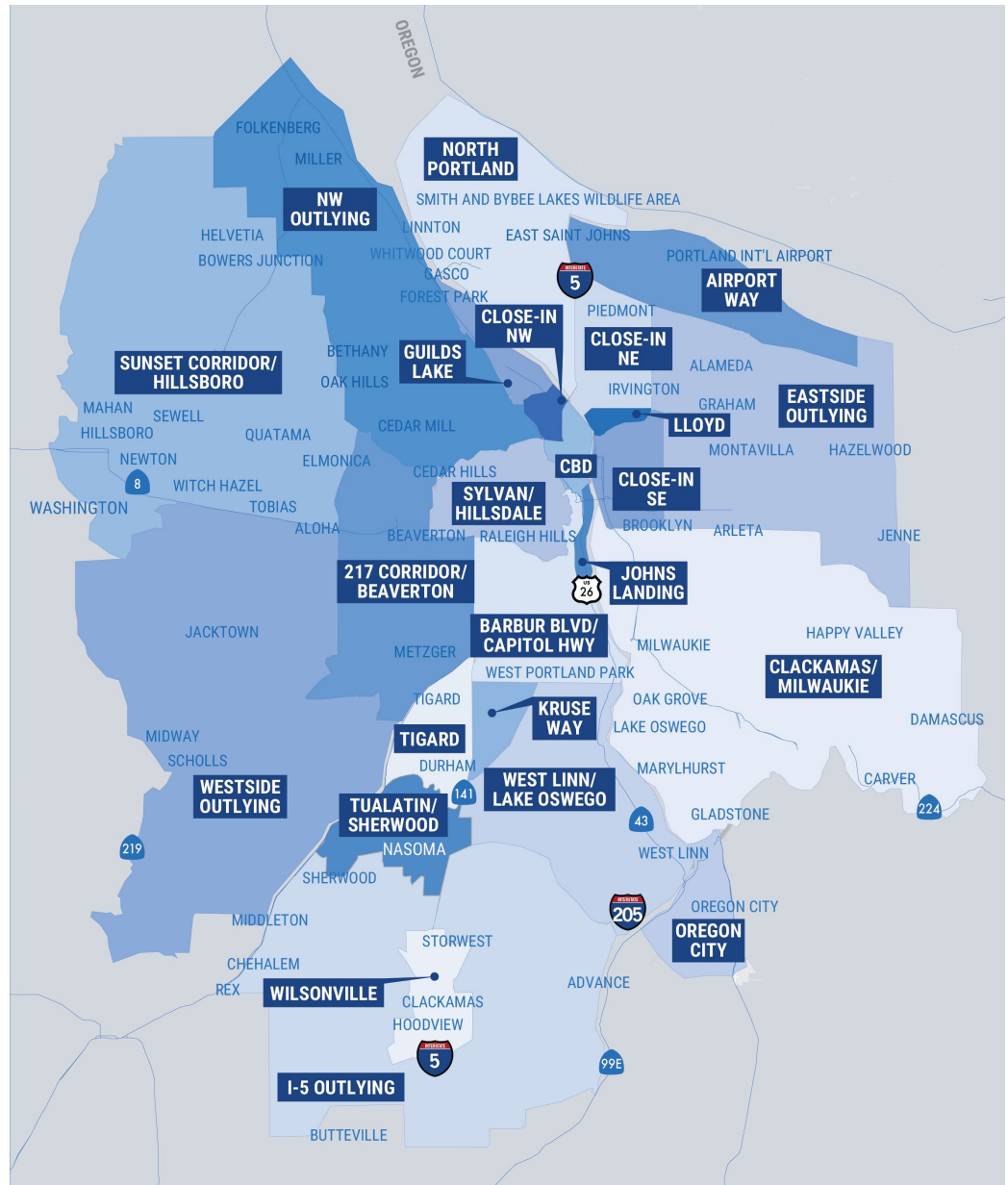
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.

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