



Portland Office Market

Unsteady Economic Conditions Stall Activity

The Portland office market notched its third consecutive quarter of negative absorption with 259,829 square feet vacated across the greater metropolitan area. A strong labor market continues to have little impact on real estate trends as the largest areas of negative absorption were in the Central Business District, Lloyd District and the 217 Corridor/Beaverton submarkets, areas which have historically been focal points for the office market. Companies across many sectors are right-sizing amidst a tumultuous period of economic conditions. This has exacerbated the lack of activity already seen to start the year. Market-wide vacancy saw a 30-basis-point uptick this quarter, a number that can be heavily attributed to companies moving away from the CBD, which posted negative 310,993 square feet of absorption in the third quarter of 2022.

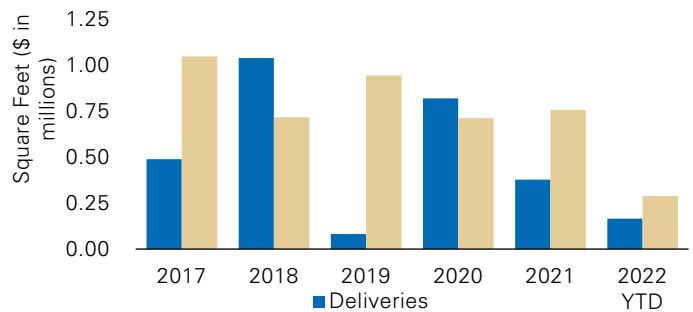
Rents posted a notable increase in the third quarter of 2022, the first quarter since 2021 that any such increase in the Portland market has been seen. Market-wide rents rose to \$31.59/SF, up from \$31.35/SF in the second quarter of 2022. This rent increase can be seen across the board as rents for Class A properties increased from \$34.80/SF to \$34.98/SF over the last quarter; among Class B buildings, average rental rates increased from \$28.68/SF to \$28.81/SF over the same period.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	61.7M	61.7M	62.1M	↓
Vacancy Rate	17.9%	17.6%	15.8%	↑
Quarterly Net Absorption (SF)	-259K	-269K	-282K	↓
Average Asking Rent/SF	\$31.59	\$31.35	\$31.40	→
Under Constr (SF)	289K	559K	707K	↓

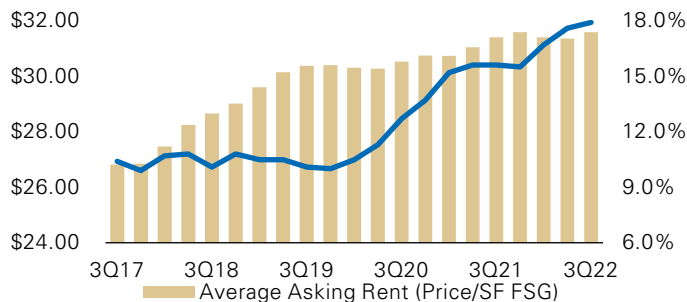
Construction and Deliveries

SQUARE FEET, MILLIONS

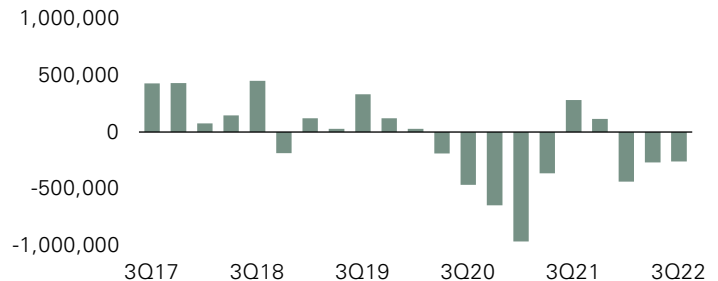


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Urban CBD

Vacancy in the Central Business District increased to 24.8%, a 130-basis-point jump from last quarter. Negative absorption totals for the CBD have reached 938,788 square feet year-to-date. As companies continue to vacate or sublease space in Portland’s Downtown, this vacancy number is expected to trend higher as well.

One lone bright spot for the Portland CBD in the third quarter of 2022 was Class C office space. Class C space posted a large positive absorption total of 70,225 square feet, which helps to offset what has been a troubling year-to-date for this asset class. Current vacancy still stands at 27.0% for Class C buildings in the CBD, despite the strong rebound this quarter.

Close-In Northwest

The Close-In Northwest posted a strong third quarter of 2022 in comparison to the greater Portland market. A second straight quarter of positive absorption shows that this area is becoming a reliable alternative to the CBD for companies seeking creative office space.

Vacancy rates lowered to 27.8% across all asset classes, down from 29.1% a quarter prior. While vacancy in this submarket remains well above the Portland average, this area is outperforming current market trends by a wide margin.

Lloyd District

The Lloyd District has been one of the top performing submarkets in Portland throughout the pandemic due to a wealth of large companies anchoring their operations in the area. This quarter has marked a pronounced increase in vacancy as rates hit 7.5%, a 180-basis-point jump from last quarter due to negative 34,150 square feet of absorption. It is worth noting that all the space vacated in the third quarter of 2022 came from Class A assets in this submarket.

217 Corridor/Beaverton

Vacancy increased to 20.4%, a 60-basis-point jump from last quarter due to negative 26,416 square feet of absorption. This number conflicts with the trend of companies seeking offices outside of the urban core in 2022 as the 217 Corridor/Beaverton is seen as a popular alternative for companies looking to relocate closer to their workforce.

Despite the increase in vacancy, a large volume of transactions taking place in the submarket has been noted. Negative absorption numbers are likely attributed to companies choosing to downsize to meet their space demands moving forward. The outlook for this market remains strong compared to those that are closer to the urban core.

Select Lease/User Transactions				
Tenant	Building	Submarket	Type	Square Feet
Multnomah Defenders	26 SW Salmon St	CBD	Direct Lease	23,000
Undisclosed	8300 SW Creekside Pl	217 Corridor/Beaverton	Direct Lease	13,383
Propeller	2035 NW Front Ave	Close-In Northwest	Direct Lease	12,946
Kolitch Romano Dascenzo Gates	621 SW Morrison St	CBD	Direct Lease	11,496
MWA Architects	1300 SE Stark St	Close-In Southeast	Direct Lease	9,103

Select Investment Sale Transactions				
Building(s)	Market	Approx Sale Price	\$/SF	Square Feet
7632 SW Durham Rd	Tigard	\$27.0M	\$301	89,672
705-711 SW Alder St	CBD	\$8.5M	\$213	40,000
340 Oswego Pointe Dr	West Linn/Lake Oswego	\$7.5M	\$460	16,278
4475 SW Scholls Ferry Rd	Sylvan/Hillsdale	\$4.5M	\$202	22,000
2145 SW Naito Pky	CBD	\$3.7M	\$178	20,456

RESEARCH Q3 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	24,026,768	289,851	24.8%	-310,993	-938,788	\$35.79	\$32.15	\$32.82
Clark County (WA) Total	6,966,764	-	6.2%	4,311	90,394	\$27.76	\$24.04	\$25.59
217 Corridor/Beaverton	4,721,551	-	20.4%	-26,416	22,579	\$32.11	\$20.55	\$27.64
Airport Way	879,096	-	7.5%	-2,702	-1,424	\$26.12	\$19.96	\$19.18
Barbur Blvd/Capitol Hwy	842,923	-	10.9%	20,123	-8,401	-	\$19.79	\$19.82
Clackamas/Milwaukie	1,425,805	-	8.6%	-24,166	-30,957	\$31.38	\$24.43	\$28.20
Close-In Northeast	506,039	-	4.3%	-8,824	-3,653	\$35.03	\$28.24	\$30.89
Close-In Northwest	2,063,088	-	27.8%	37,063	69,893	\$39.50	\$32.31	\$33.53
Close-In Southeast	3,393,905	-	19.5%	-4,411	38,816	\$43.36	\$28.26	\$33.88
Eastside Outlying	1,743,698	-	7.0%	16,166	-5,299	\$23.00	\$21.40	\$21.41
Guilms Lake	51,386	-	0.0%	0	0	-	-	-
I-5 Outlying	22,254	-	13.0%	823	-2,882	\$26.00	-	\$26.00
Johns Landing	1,384,212	-	13.1%	47,407	10,143	\$33.77	\$32.39	\$32.99
Kruse Way	2,497,044	-	22.8%	-3,246	-97,749	\$40.64	\$34.00	\$40.13
Lloyd District	1,979,608	-	7.5%	-34,150	-41,148	\$36.42	\$36.82	\$36.47
North Portland	144,300	-	13.3%	0	-524	-	\$15.00	\$15.00
Northwest Outlying	37,740	-	0%	2,814	2,814	-	-	-
Oregon City	248,152	-	3.3%	2,280	1,590	-	\$25.78	\$26.06
Sunset Corridor/Hillsboro	3,891,216	-	15.9%	282	83,466	\$25.72	\$19.62	\$24.13
Sylvan/Hillsdale	396,652	-	8.4%	-1,949	1,651	-	\$17.21	\$16.73
Tigard	2,411,283	-	9.8%	19,956	-46,173	\$30.76	\$22.53	\$25.78
Tualatin/Sherwood	891,240	-	18.9%	1,550	-33,223	\$30.56	\$25.36	\$26.87
West Linn/Lake Oswego	553,669	-	12.0%	9,294	15,031	\$29.45	\$26.92	\$26.82
Westside Outlying	69,082	-	7.3%	-5,041	-5,041	-	-	\$24.50
Wilsonville	572,549	-	0.4%	0	2,748	-	\$18.62	\$18.62
TOTALS	61,760,064	289,851	17.9%	-259,829	-876,137	\$34.98	\$28.81	\$31.59

For more information:

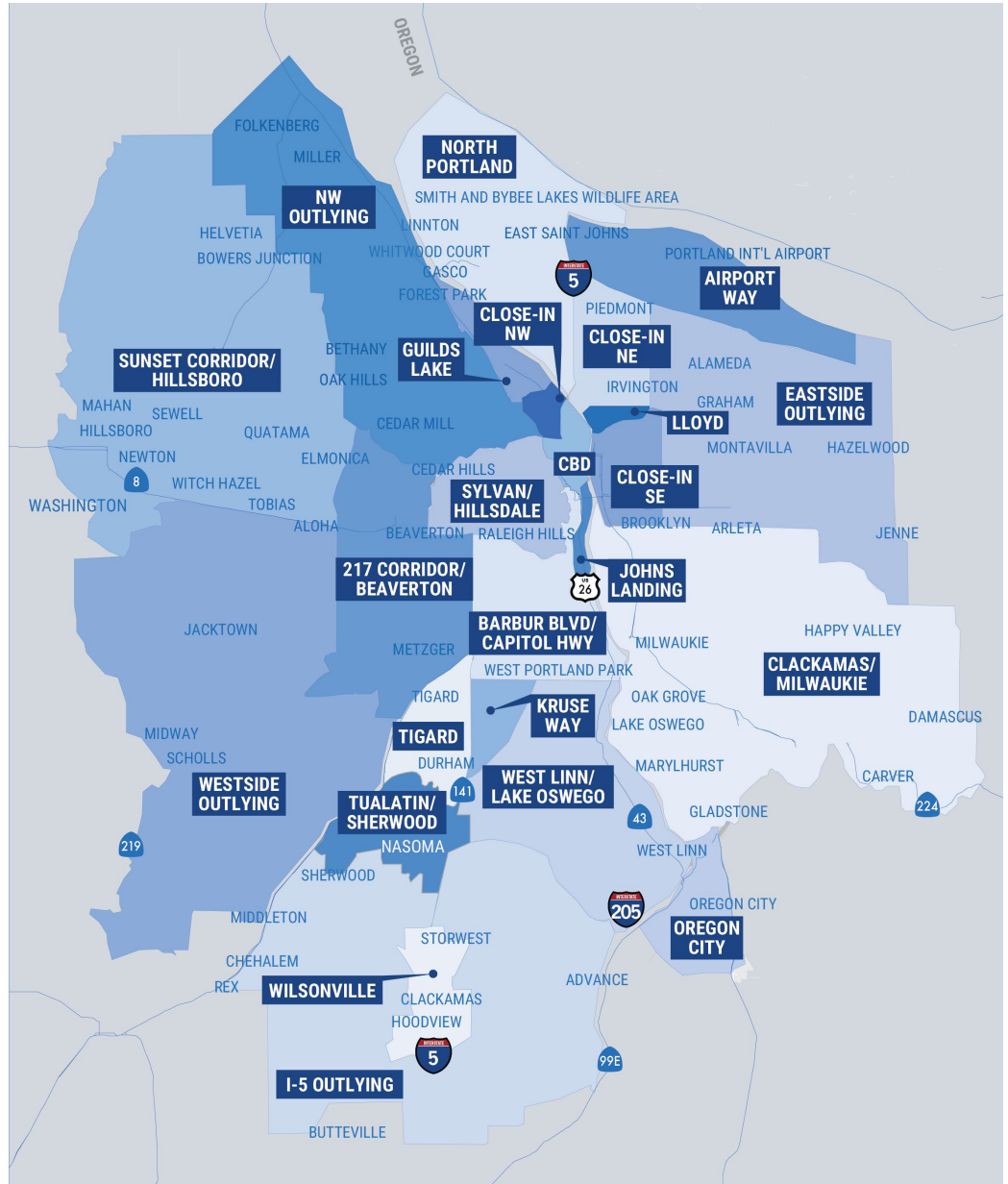
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