

# PORTLAND OFFICE MARKET

## 2020 AT A GLANCE

### PORTLAND MARKETWIDE

For all of Portland, negative 643,520 square feet of absorption was reported for the fourth quarter, totaling negative 1.28 million square feet of absorption for all of 2020. Vacancy has ticked up to 13.5%, an increase from the end of 2019, when vacancy stood at 10.5%. Total office inventory has grown to 61.6 million square feet, an increase of 830,554 square feet, or 1.4% more than the 2019 total of 60.8 million. At \$30.42/SF this quarter, the overall asking average rent has remained relatively the same when compared to the fourth quarter of 2019, which was \$30.40/SF, increasing by just \$0.02/SF.

### URBAN CBD AND CLOSE-IN SUBMARKETS

Portland's urban submarkets have seen the most negative absorption in the office market. Negative 389,689 square feet of absorption was reported this quarter, totaling negative 821,749 square feet for all of 2020. The vacancy rate has increased to 16.5%, up from 11.6% reported in the fourth quarter of 2019. Most of Portland's new construction finds itself in one of its urban submarkets, adding 696,008 square feet to the inventory in the past year, which now totals 32.9 million square feet, a 2.2% increase. The total average asking rent is now \$33.30/SF, down from \$34.44/SF at the end of 2019, a 3.3% decrease. The Class A average asking rent has also decreased to \$37.34/SF, down from \$37.80/SF a year ago, or 1.2% less.

### SUBURBAN WESTSIDE SUBMARKETS

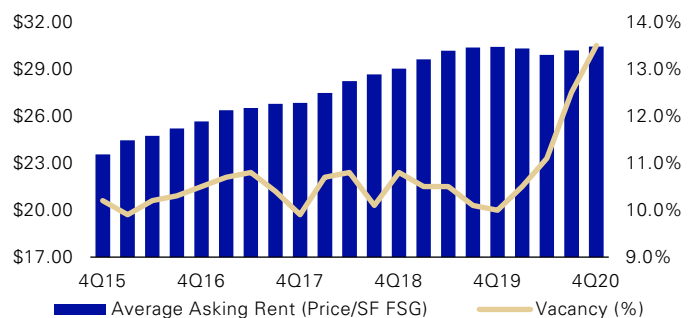
Portland's Westside saw negative 224,480 square feet of absorption this quarter, totaling negative 396,464 square feet for the year. Vacancy is 12.5%, increasing from 10.0% during fourth-quarter 2019. Inventory has remained relatively the same at 17.1 million square feet. Rents are reported at \$26.02/SF, a 5.9% increase from the \$24.58/SF reported at this time last year.

### Market Summary

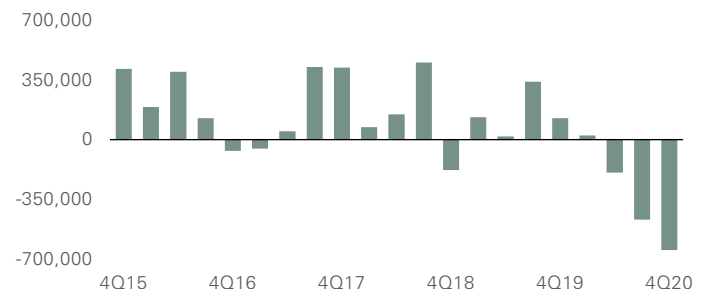
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	61.6M	61.6M	60.8M	↑
Vacancy Rate	13.5%	12.5%	10.0%	↑
Qtr Net Abs (SF)	-644K	-466K	127K	↓
Avg FS Ask Rent/SF	\$30.42	\$30.17	\$30.40	↓
Under Const (SF)	711K	712K	946K	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## NEWMARK

## NEW CONSTRUCTION

In 2020, 11 new office buildings were built, totaling 819,760 square feet; 711,437 square feet also remains under construction between eight other projects. During fourth-quarter 2020, Volta Electric Blocks completed construction and Building 687 at Columbia Tech Center broke ground:

### Volta Electric Blocks (29,700 square feet)

Constructed by Killian Pacific, this development added 29,700 square feet of Class A creative office space to the inventory and was the only completed new construction project for fourth-quarter 2020. Originally an electrical warehouse, Volta is sustainably designed with adaptive reuse of materials and boasts LEED Gold certification. The building also features amenities such as an electric car charging station, bike parking, showers and lockers with towel service, as well as art throughout the development. The entire project's office space is currently available for lease at the time of this writing.

### Columbia Tech Center – Building 687 (29,041 square feet)

The only new office building to break ground this quarter was in the master-planned / mixed-use development at Columbia Tech Center in the Clark County, Washington submarket. Featuring Class A office space, the entire building is listed for lease at the time of this writing. This project is expected to complete its construction at the end of 2021.

## RENOVATIONS

Currently, nine office buildings are under renovation, totaling 801,689 square feet. Four of these buildings began renovations this quarter. These buildings include: the Factor Building (49,390 square feet) in Close-in Southeast; Crafts Group HQ Building (37,538 square feet) in Clark County; 710 Oregon Square (31,052 square feet) in the Lloyd District; and Sphynx (18,163 square feet) in Close-in Southeast.

Approximately 84.7% of all known office space currently under renovation is in Portland's urban core. Three buildings also completed renovations in 2020, totaling 271,673 square feet of office space. These buildings: include Creekside Four at Creekside Corporate Park (63,027 square feet) in the 217 Corridor/Beaverton; make (140,000 square feet) in Close-in Northwest; and the Premier Gear & Machine Works Building (68,646 square feet), also located in Close-in Northwest.

## CAPITAL MARKETS

In 2020, the Broadway Tower in the Central Business District sold for \$132.3 million, or \$756/SF. Other notable transactions for Newmark include: the AmberGlen Business Center Portfolio in the Sunset Corridor/Hillsboro submarket at \$87.2 million (\$151/SF); Parkway Woods in Wilsonville at \$32.3 million (\$85/SF); the Framework Building in Close-in Southeast at \$17.7 million (\$502/SF); and Gray Oaks Corporate Park at \$12.2 million (\$167/SF). Additionally, Newmark also advised the seller of Fremont Place I & II, located in Portland's CBD, which sold for \$36.5 million (\$300/SF).

### Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Microsoft Corporation	Ambercreek	Sunset Corridor/Hillsboro	Direct Lease	85,000
Black & Veatch	South Place	Tualatin/Sherwood	Direct Lease	15,548
Total Quality Logistics LLC	Triangle Pointe	Tigard	Lease Extension	9,338
TrovaTrip Inc	Albers Mill	CBD	Direct Lease	6,086
RFPIO, Inc	Plaza at the Round	217 Corridor/Beaverton	Direct Lease	5,074

### Select Investment Sale Transactions

Building(s)	Market	Approx Sale Price	\$/SF	Square Feet
Broadway Tower	CBD	\$132.3 Million	\$756	177,800
AmberGlen Business Center Portfolio	Sunset Corridor/Hillsboro	\$87.2 Million	\$151	578,808
Fremont Place I & II	CBD	\$36.5 Million	\$300	121,500
Parkway Woods	Wilsonville	\$32.3 Million	\$85	378,300
Framework Building	Close-In SE	\$17.7 Million	\$502	35,197
Gray Oaks Corporate Park	Sunset Corridor/Hillsboro	\$12.2 Million	\$167	73,200

<b>Overall Submarket Statistics</b>								
	<b>Total Inventory (SF)</b>	<b>Under Construction (SF)</b>	<b>Total Vacancy Rate</b>	<b>Qtr Net Absorption (SF)</b>	<b>YTD Net Absorption (SF)</b>	<b>Class A Ask Rent (Price/SF)</b>	<b>Class B Ask Rent (Price/SF)</b>	<b>Total FS Asking Rent (Price/SF)</b>
<b>CBD</b>	<b>23,616,356</b>	<b>314,354</b>	<b>16.7 %</b>	<b>-337,992</b>	<b>-725,955</b>	<b>\$36.88</b>	<b>\$31.04</b>	<b>\$33.21</b>
<b>Clark County (WA) Total</b>	<b>7,000,552</b>	<b>81,841</b>	<b>6.6 %</b>	<b>-1,365</b>	<b>-9,578</b>	<b>\$26.53</b>	<b>\$22.10</b>	<b>\$24.61</b>
217 Corridor/Beaverton	4,879,155	-	13.7 %	-145,387	-182,788	\$28.39	\$18.64	\$22.89
Airport Way	892,764	-	9.5 %	-8,606	-4,981	\$25.74	\$20.07	\$18.38
Barbur Blvd/Capitol Hwy	842,923	-	6.2 %	232	-5,368	-	\$19.62	\$19.50
Clackamas/Milwaukie	1,432,370	15,659	6.6 %	-14,759	-60,440	\$29.56	\$21.21	\$26.56
Close-In Northeast	518,939	-	6.0 %	-9,313	-1,141	\$33.10	\$27.00	\$25.68
Close-In Northwest	2,089,571	-	27.3 %	2,828	-40,654	\$41.04	\$31.78	\$33.73
Close-In Southeast	3,348,736	299,583	18.2 %	-8,869	20,723	\$44.39	\$28.90	\$35.03
Eastside Outlying	1,865,209	-	4.7 %	-1,167	32,802	\$27.30	\$20.20	\$20.32
Guilds Lake	51,386	-	0.0 %	-	902	-	-	-
I-5 Outlying	22,254	-	0.0 %	-	-	-	-	-
Johns Landing	1,381,062	-	15.4 %	-39,739	-70,924	\$33.23	\$31.46	\$32.06
Kruse Way	2,495,785	-	18.8 %	-85,253	-116,909	\$35.28	\$30.60	\$35.27
Lloyd District	1,961,332	-	2.7 %	3,396	-3,798	\$31.32	\$30.07	\$31.10
North Portland	144,300	-	13.4 %	-	-3,616	-	\$15.00	\$15.00
Northwest Outlying	37,740	-	7.5 %	-	1,235	-	\$17.00	\$17.00
Oregon City	248,152	-	4.6 %	-3,454	-11,351	-	\$21.40	\$21.86
Sunset Corridor/Hillsboro	3,811,837	-	10.6 %	-6,290	-29,163	\$25.32	\$23.90	\$24.77
Sylvan/Hillsdale	388,452	-	7.3 %	4,739	14,815	-	\$16.35	\$15.83
Tigard	2,423,566	-	10.9 %	-9,216	-69,826	\$25.58	\$20.30	\$22.97
Tualatin/Sherwood	916,638	-	17.8 %	6,222	-10,154	\$28.14	\$25.00	\$26.17
West Linn/Lake Oswego	591,669	-	12.1 %	14,625	16,093	\$27.53	\$31.03	\$28.08
Westside Outlying	69,082	-	4.6 %	-	-1,817	-	-	\$24.22
Wilsonville	572,549	-	2.9 %	-4,152	-7,959	-	\$24.77	\$24.77
<b>TOTALS</b>	<b>61,642,379</b>	<b>711,437</b>	<b>13.5 %</b>	<b>-643,520</b>	<b>-1,275,377</b>	<b>\$34.11</b>	<b>\$27.15</b>	<b>\$30.42</b>

## EMPLOYMENT

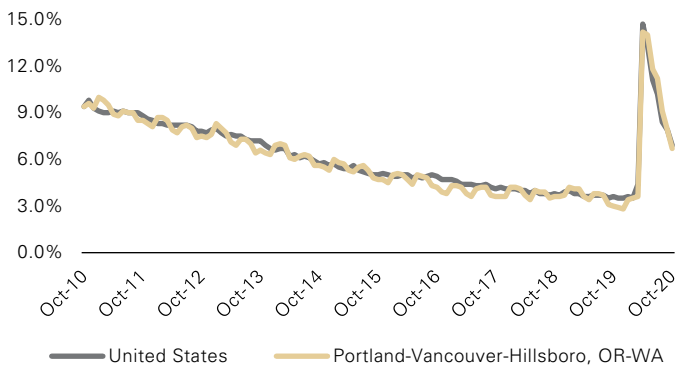
In October of 2020, the unemployment rate was reported at 6.7% for Portland and 6.9% nationwide. The unemployment rate has continuously decreased since April, when the initial shock of the pandemic was felt, with unemployment spiking to 14.2% locally and 14.7% nationwide. All industries have seen negative growth when compared to figures reported in 2019. The leisure and hospitality industry was hit the hardest, decreasing by 27.1%. Construction, however, only decreased by 1.0%.

## OUTLOOK

With an unemployment rate now less than half of the peak reported in April, hopes are high for a swift economic recovery. As the pandemic will end hopefully in the near, foreseeable future, commercial real estate researchers will need to monitor how professionals working remotely return to the office as new work styles may be adopted.

### Unemployment Rate

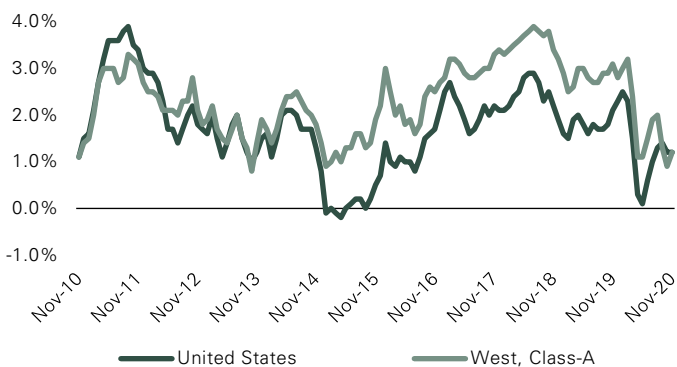
#### NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

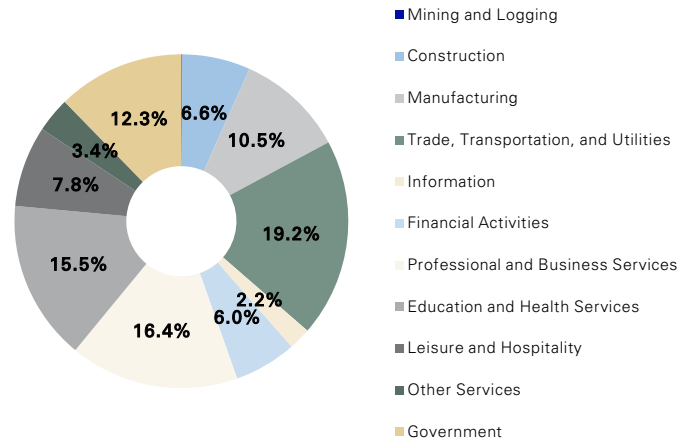
#### ALL ITEMS, 12-MO % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment by Industry

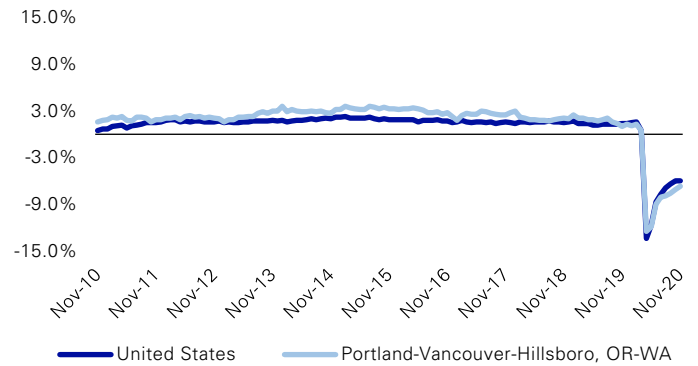
#### PORTLAND METRO



Source: U.S. Bureau of Labor Statistics, November 2020

### Payroll Employment

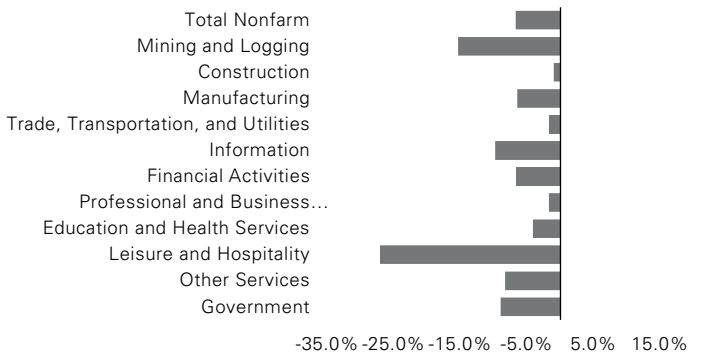
#### TOTAL NONFARM, NOT SEASONALLY ADJ, 12-MO % CHANGE



Source: U.S. Bureau of Labor Statistics

### Employment Growth by Industry

#### PDR, 12-MO % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, November 2020

For more information:

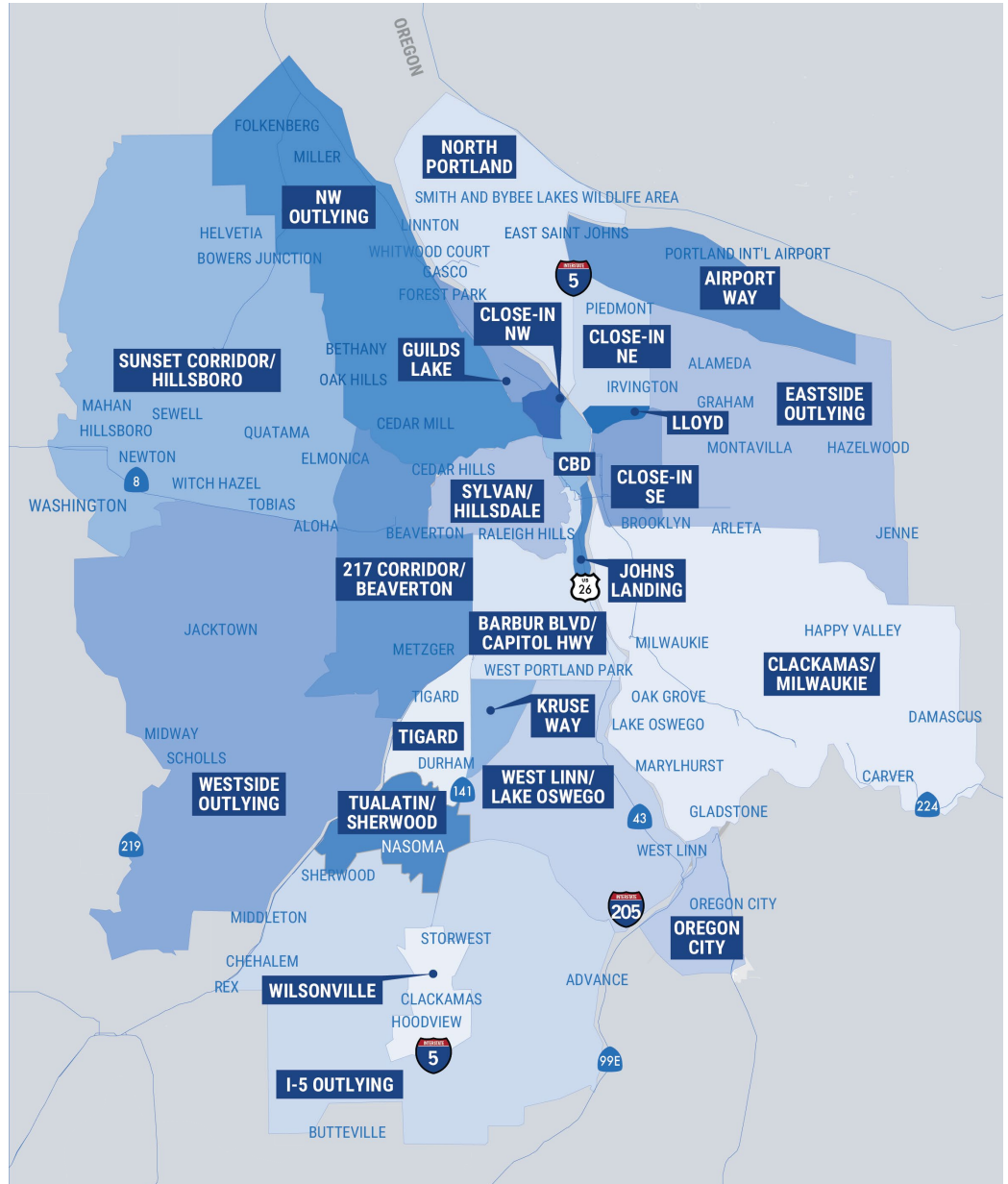
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