

YoY Chg      12-Mo. Forecast

**11.8%**  
Vacancy Rate



**-243K**  
YTD Net Absorption, SF



**\$30.60**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

YoY Chg      12-Mo. Forecast

**1.07M**  
Portland Employment



**14.4%**  
Portland Unemployment Rate



**13.0%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2020Q2 data are based on latest available data

## ECONOMY

Over the past decade, Portland has experienced extremely strong employment growth, continuously outpacing the national average. However, due to COVID-19 our economic indicators are beginning to shift. Year-over-year (YOY) total non-farm job growth for the Portland MSA was -12.2% and the total number of jobs was 1,070,100. After being closed for months, certain nonessential businesses have reopened their doors following certain guidelines. The retail and hospitality commercial real estate sectors have been impacted immensely. But with our metro's diverse economy, compared to some other markets, Portland is better positioned to endure. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

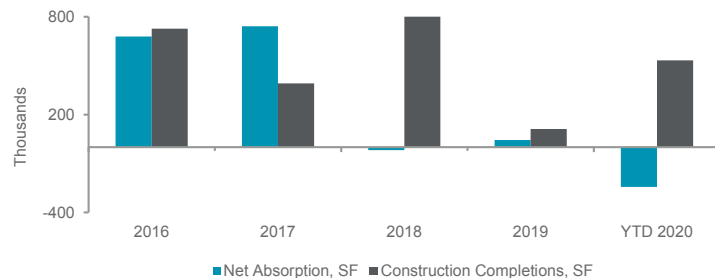
## SUPPLY & DEMAND

Portland's overall office vacancy rate closed the second quarter of 2020 at 11.8%, up 100 basis point (bps) from the first quarter and up 120 bps YOY. The increase in vacancy in both the Central Business District (CBD) and the suburban submarkets can partially be attributed to the impact that COVID-19 has had on other key commercial real estate fundamentals. The overall vacancy rate in the CBD closed the second quarter at 14.1%. Surveying Class A properties in the CBD, overall vacancy has reached a record high 15.4%, up 190 bps YOY. Tenants in the market will likely postpone any major real estate decisions due to the uncertainty surrounding COVID-19. Roughly 320,000 square feet (sf) of new office product was delivered in the first quarter of 2020, followed by another 213,000 sf in the second quarter. A sizeable portion of the Portland area's recent development has been build-to-suit projects. NW Natural Gas signed a new lease and relocated its headquarters to 250 Taylor, a 190,825 sf build-to-suit (BTS) office project delivered in the first quarter of 2020 to the CBDs Central Core. The ongoing expansion at Nike's campus in Beaverton and the expansion at Intel's Ronler Acres campus in Hillsboro are both BTS, and will bring a combined three million square feet (msf) of new creative office space to Portland's suburbs.

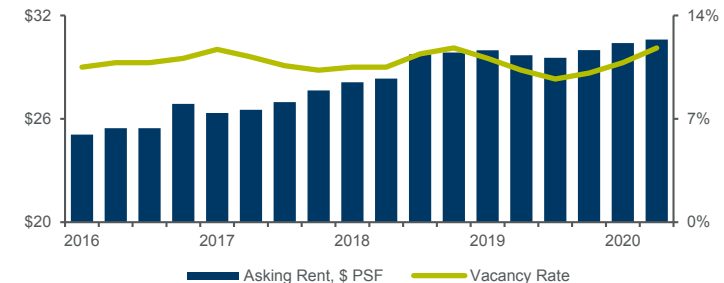
## PRICING

Rent growth has thus far remained positive with the YOY figure across the suburban submarkets at 5.9%, closing the second quarter at \$25.42 per square foot (psf) on an annual full-service basis, while the CBD closed the second quarter at \$33.91 psf, up 4.5% YOY. As the office sector continues to navigate the quickly changing environment, YOY rent growth may plateau or become negative as leasing activity slows in 2020.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Core	18,913,232	147,894	2,528,189	14.1%	-51,367	-10,029	190,706	681,526	\$33.71	\$37.76
Lloyd District	1,517,142	0	37,102	2.4%	9,829	11,485	50,525	0	\$34.69	\$36.90
Close-in Northwest	5,520,411	90,493	915,849	18.2%	-21,934	-59,503	83,054	68,646	\$36.12	\$38.13
Close-in Eastside	2,829,409	38,695	293,079	11.7%	22,263	64,897	100,489	324,400	\$28.74	\$34.50
<b>CBD (All Classes)</b>	<b>28,780,194</b>	<b>277,082</b>	<b>3,774,219</b>	<b>14.1%</b>	<b>-41,209</b>	<b>6,850</b>	<b>726,567</b>	<b>1,074,572</b>	<b>\$33.91</b>	<b>N/A</b>
Class A	15,143,165	128,190	2,210,482	15.4%	109,881	170,376	368,235	965,926	\$37.74	\$37.74
Class B	10,259,208	129,511	1,217,555	13.1%	-133,289	-200,316	259,722	68,646	\$29.92	N/A
Class C	3,377,821	19,381	346,182	10.8%	-17,801	-50,650	80,024	40,000	\$24.10	N/A
Johns Landing	1,424,698	4,753	141,433	10.3%	-26,441	-26,216	10,160	0	\$28.71	\$28.43
Barbur Boulevard	683,057	1,375	26,451	4.1%	-3,457	-9,676	939	0	\$19.15	\$0.00
Wilsonville	498,625	0	7,923	1.6%	-3,824	-1,643	124,692	0	\$27.48	\$28.98
Tualatin	1,020,406	0	188,337	18.5%	-14,981	-40,925	18,105	0	\$26.84	\$28.00
Lake Oswego/Kruse Way	2,860,362	22,332	349,614	13.0%	29,862	19,895	47,394	0	\$32.34	\$32.63
Tigard/I-5/Highway 217	2,403,391	8,359	250,652	10.8%	-10,940	-75,393	34,123	0	\$25.03	\$29.89
Washington Square	2,638,513	13,512	317,864	12.6%	2,571	6,427	107,903	0	\$23.46	\$27.01
Beaverton/Beaverton Hillsdale	2,172,706	11,579	86,204	4.5%	-14,024	-23,123	14,567	0	\$18.45	\$0.00
Cedar Hills/Sylvan	1,244,146	14,175	80,852	7.6%	-2,193	-6,220	12,031	0	\$23.02	\$30.48
Sunset Corridor	4,218,747	37,048	497,609	12.7%	-33,498	-585	36,970	0	\$ 23.77	\$25.05
<b>PORTLAND WEST</b>	<b>19,164,651</b>	<b>113,133</b>	<b>1,946,939</b>	<b>10.7%</b>	<b>-76,925</b>	<b>-157,459</b>	<b>441,370</b>	<b>0</b>	<b>\$25.72/fs</b>	<b>\$29.28/fs</b>
Airport/Columbia Corridor	1,444,938	5,981	107,344	7.8%	-1,965	-3,073	10,272	0	\$22.31	\$29.89
Mall 205/122 <sup>nd</sup> /Gresham	563,023	0	17,295	3.1%	276	-2,055	2,773	0	\$23.12	\$0.00
Sunnyside/Clackamas	974,702	2,928	43,579	4.8%	-17,442	-39,644	26,983	0	\$30.87	\$32.31
Milwaukie/Oregon City	368,544	0	19,887	5.4%	-5,758	-10,774	4,641	0	\$21.07	\$0.00
<b>PORTLAND EAST</b>	<b>3,351,207</b>	<b>8,909</b>	<b>188,105</b>	<b>5.9%</b>	<b>-24,889</b>	<b>-55,546</b>	<b>44,669</b>	<b>0</b>	<b>\$24.28/fs</b>	<b>\$31.07/fs</b>
Downtown Vancouver	2,168,275	0	94,863	4.4%	-1,342	19,323	42,059	0	\$25.32	\$30.74
Suburban Vancouver	2,565,830	28,186	204,533	9.1%	-3,916	-56,056	35,280	52,800	\$23.73	\$25.04
<b>VANCOUVER</b>	<b>4,734,105</b>	<b>28,186</b>	<b>299,396</b>	<b>6.9%</b>	<b>-5,258</b>	<b>-36,733</b>	<b>77,339</b>	<b>52,800</b>	<b>\$24.19/fs</b>	<b>\$26.34/fs</b>
<b>SUBURBS</b>	<b>27,249,963</b>	<b>150,228</b>	<b>2,434,440</b>	<b>9.5%</b>	<b>-107,072</b>	<b>-249,738</b>	<b>560,083</b>	<b>52,800</b>	<b>\$25.42/fs</b>	<b>\$28.88/fs</b>
<b>PORTLAND TOTALS</b>	<b>56,030,157</b>	<b>427,310</b>	<b>6,208,659</b>	<b>11.8%</b>	<b>-148,281</b>	<b>-242,888</b>	<b>987,432</b>	<b>1,127,372</b>	<b>\$30.60/fs</b>	<b>\$34.93/fs</b>

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q2 2020**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
23500 NW Jacobson Rd	Sunset Corridor	Authority Medical Group	34,875	New Lease
907-915 SW Harvey Milk St.	Central Core	Stream	23,346	New Lease

\*Renewals not included in leasing statistics

**KEY SALES TRANSACTIONS Q2 2020**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
9600 SW Oak St – Atrium West	Tigard/I-5/Highway 217	HighBrook Investors/King Capital Investments	67,389	\$9.8M/\$145.42/PSF

**Samuel I. Hatcher**

Research Analyst

+1 503 279 1716 / [Samuel.Hatcher@cushwake.com](mailto:Samuel.Hatcher@cushwake.com)

**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)