

	YoY Chg	12-Mo. Forecast
12.1% Vacancy Rate	▲	▲
-828K YTD Net Absorption, SF	▼	▼
\$30.83 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
1.22M Portland Employment	▼	▲
9.6% Portland Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics
2020Q3 data are based on latest available data

ECONOMY

The shock of the Covid-19 pandemic is continuing to disrupt the economy, with the impact in Oregon consistent with what is being experienced nationally. With a solid economic foundation prior to the pandemic, State of Oregon economists are forecasting a quicker recovery in the years ahead. The hospitality and retail sectors continue to face significant challenges, while the acceleration of e-commerce and the emergence of home services and life sciences bring new opportunities to the Portland area. At the close of the third quarter, Portland's unemployment rate was 9.6%. Year-over-year (YOY) total non-farm jobs for the Portland metropolitan area remain down by 8.3%, at 1,222,400. That said, jobs have begun to recover over the third quarter after falling sharply in March and April of this year.

SUPPLY & DEMAND

While the construction industry has been affected by some short stoppages of work and delays in availability of materials, all major projects underway pre-pandemic are continuing as scheduled. 5 MLK, a Class A mixed-use building consisting of 120,400 square feet (sf) of office space and 220 multi-family units was added to Portland's close-in Eastside submarket, and Canvas at Press Blocks brought an additional 150,000 sf of new Class A creative office space to downtown. There continues to be a robust office development pipeline in the Portland Metro Area with 385,000 sf of new supply anticipated for delivery through the end of 2021. Portland's overall office vacancy rate closed the third quarter of 2020 at 12.1% up 30 basis points (bps) from 11.8% in the second quarter, and up 190 bps YOY. Portland's CBD Class A direct vacancy is 15.2%, with 2.4 million square feet (msf) of space available for immediate occupancy. Sublease space is a key office market indicator, and Portland's overall office market has experienced a 92% YOY increase in the availability of sublease space, closing the third quarter with 589,000 sf sublease space being advertised, compared to 306,636 sf at the close of the third quarter 2019. The majority of the new sublease opportunities are in downtown Portland. As anticipated, leasing activity has paused, particularly in downtown Portland, as tenants delay making decisions as to their long-term occupancy needs. At the end of the third quarter, YTD net absorption was at negative 827,733 sf for the overall market. In comparison, YTD net absorption was positive 220,540 sf overall in 2019. Technology continues to be a bright spot for the Portland Metro Area, and the most recent announcement is Branium Studios, LLC, a game developer for mobile applications, with their commitment to lease 22,600 sf at Tanner Point in the Pearl District.

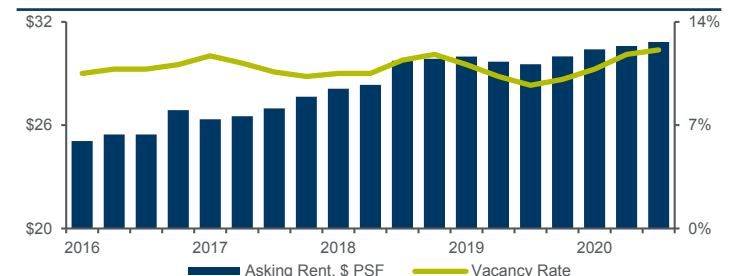
PRICING

With the current pandemic and economic circumstances, average asking rates for both the CBD and suburban markets have remained relatively stable, with the market-wide figure closing at \$30.83 per square foot (psf), up 5% from \$29.37 psf recorded in the third quarter of 2019. At \$32.85 psf, the slightly elevated overall rates in the CBD may be attributed in part to the abundant amount of recent speculative development with higher asking rents, as well as a significant number of Class A properties withholding rental rates from their published listings. Suburban asking rates are showing an uptick in part due to the anticipation of increased demand, with the pandemic accelerating the interest in suburban office locations. At the close of the third quarter 2020, suburban direct asking rates were \$28.96 psf, up 19% from \$24.36 psf recorded in third quarter 2019.

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	19,204,727	141,929	2,606,025	14.3%	-161,212	-167,718	125,304	380,860	\$32.85	\$35.99
Lloyd District	1,517,142	0	51,710	3.4%	-44,591	-28,383	36,669	0	\$34.92	\$37.04
Close-in Northwest	5,520,389	184,109	791,728	17.7%	-89,638	-129,849	32,711	68,646	\$35.73	\$40.63
Close-in Eastside	3,043,550	66,109	418,095	15.9%	-54,529	12,397	60,055	194,684	\$28.63	\$34.50
CBD (All Classes)	29,285,808	392,147	3,867,558	14.5%	-349,970	-313,553	254,739	644,190	\$32.85	N/A
Class A	15,757,486	233,791	2,399,811	16.7%	-165,162	22,153	187,782	545,844	\$36.28	\$36.28
Class B	10,870,831	133,664	1,121,549	11.5%	-154,196	-255,405	59,709	98,346	\$30.86	N/A
Class C	2,657,491	24,692	346,198	14.0%	-30,612	-80,301	7,248	0	\$23.39	N/A
Johns Landing	1,424,698	17,704	90,705	7.6%	-9,145	-35,361	0	0	\$29.16	\$28.39
Barbur Boulevard	595,605	1,375	19,741	3.5%	-9,486	-18,962	1,143	0	\$17.25	\$0.00
Wilsonville	498,625	0	11,292	2.3%	-712	-2,139	0	0	\$28.07	\$28.75
Tualatin	1,019,529	0	188,337	18.5%	-6,753	-47,678	0	0	\$25.70	\$27.39
Lake Oswego/Kruse Way	2,890,527	41,224	354,047	13.7%	-79,081	-56,513	19,152	0	\$31.87	\$32.13
Tigard/I-5/Highway 217	2,403,391	4,851	233,678	9.9%	20,344	-68,501	37,977	0	\$24.13	\$31.18
Washington Square	2,678,586	23,990	313,495	12.6%	34,974	38,530	34,581	0	\$23.20	\$25.55
Beaverton/Beaverton Hillsdale	1,284,894	7,737	63,244	5.5%	-6,641	-18,749	3,832	0	\$16.53	\$0.00
Cedar Hills/Sylvan	1,244,146	8,606	93,695	8.2%	-24,340	-28,450	18,417	0	\$23.25	\$30.54
Sunset Corridor	4,220,983	51,026	414,124	11.0%	-32,986	-74,922	34,064	0	\$21.93	\$25.16
PORTLAND WEST	18,260,984	156,513	1,782,358	9.3%	-113,826	-312,745	149,166	0	\$24.11/fs	\$28.64/fs
Airport/Columbia Corridor	1,142,279	5,028	87,695	8.1%	-6,862	-412	1,000	0	\$16.76	\$29.89
Mall 205/122 nd /Gresham	571,553	0	19,202	3.4%	-5,657	-7,712	0	0	\$21.03	\$0.00
Sunnyside/Clackamas	974,597	10,091	48,019	6.0%	-4,826	-39,278	2,970	0	\$26.05	\$29.85
Milwaukie/Oregon City	368,544	0	21,588	5.9%	-5,137	-15,786	830	0	\$22.42	\$0.00
PORTLAND EAST	3,056,973	15,119	176,504	5.9%	-22,482	-63,188	4,800	0	\$21.57/fs	\$29.87/fs
Downtown Vancouver	2,168,275	0	102,374	4.7%	-32,236	-9,378	7,784	131,800	\$28.54	\$29.32
Suburban Vancouver	2,592,830	25,345	204,038	8.8%	-42,781	-76,188	19,817	0	\$24.02	\$24.60
VANCOUVER	4,761,105	25,345	306,412	6.8%	-75,017	-85,566	27,601	52,800	\$26.28/fs	\$26.96/fs
SUBURBS	26,079,062	196,977	2,265,274	9.4%	-211,325	-461,499	181,567	131,800	\$28.36/fs	\$28.64/fs
PORTLAND TOTALS	55,364,870	589,124	6,132,832	12.1%	-584,845	-827,733	436,306	775,990	\$30.83/fs	\$32.82/fs

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1250 NW 9 th Ave.	Close-In Northwest	Branium Studios, LLC	22,600	New Lease
924 SE Main Street	Close-in Eastside	Steelhead Surgical, Inc.	18,062	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
202 & 222 NW 5 th Ave. (Multi-Property)	Central Core	GAW Capital Partners/SKB Companies	97,347	\$25M/\$256.81/SF
2555-2645 SW 153 rd Dr. Phase V -Bldg 20	Beaverton	Gloria S. Gee/Strategic Office Partners	43,617	\$10.4M/\$238.39/SF

*Rental rates reflect full service asking

Samuel I. Hatcher

Research Analyst

+1 503 279 1716 / Samuel.Hatcher@cushwake.com

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