

**12.7%**  
Vacancy Rate



**-1.7M**  
YTD Net Absorption, SF



**\$30.81**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2020

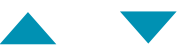
**1.14M**  
Portland Employment



**6.6%**  
Portland Unemployment Rate



**6.7%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2020Q4 data are based on latest available data

## ECONOMY

Oregon's economy in 2020 tracked fairly consistently with the National economy, with a few notable differentiators including lower unemployment rates and stronger wages, with those positives being offset by additional job losses in Oregon. In Portland specifically the market wide unemployment rate rose dramatically to 14.4% at the end of the first quarter 2020, and it has since notably improved to close out the year at 6.6%, just below the national average of 6.7%. At the end of the fourth quarter, year-over-year (YOY) total non-farm job growth for the Portland MSA declined 7.0% and the total employment was 1,140,100. The continued pandemic and subsequent slowdown in the economy has disrupted the labor market and impacted commercial real estate fundamentals, resulting in a rise in vacancies and diminished demand for office and retail space during the latter half of the 2020. Oregon entered the recession with a solid economic foundation, and despite the shock of the pandemic and ongoing challenges, the economy is forecast to benefit in the long term from the acceleration of e-commerce, life sciences, and technology, bringing new opportunities for economic growth to the region.

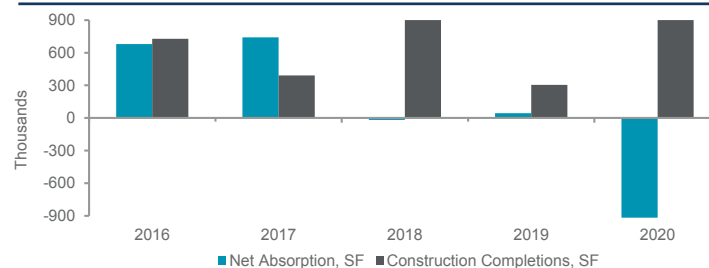
## SUPPLY & DEMAND

Portland's overall office vacancy rate closed the year at 12.7%, up 60 basis points (bps) from the third quarter figure, and up 260 bps YOY from the 10.1% recorded in the fourth quarter 2019. The CBD ended 2020 with an overall vacancy rate of 15.5%, compared to 9.5% in the suburbs. Office leasing slowed steadily throughout 2020, registering 1,610,233 square feet (sf) of activity to close out 2020, of which 321,904 sf was realized in the fourth quarter. Of the total, the suburbs experienced the most activity with 936,325 sf of transactions. The availability of sublease space is a key market indicator, and Portland's overall office market experienced a 134.0% YOY increase in availability closing the fourth quarter with 567,262 sf of available sublease space. This compares to 242,109 sf at the close of the fourth quarter 2019. At the end of the fourth quarter, total 2020 net absorption was negative 1,717,460 sf for the overall office market, with negative 718,622 sf reported in the CBD and negative 946,157 sf in the suburbs. This compares to a positive 43,909 sf at the close of the fourth quarter 2019 for the overall office market. Office development has continued, and the downtown central core delivered 100,000 sf of newly renovated, creative historic office space at 405 SW 5th Ave. – The J.K. Gill Building. Other notable developments completed during the fourth quarter are the Premier Gear Works building, a 68,646 sf Class A creative office re-development in downtown's Northwest Close-In submarket, and Volta, the 30,000 sf converted electrical warehouse in the Central Eastside submarket. A total of 1.0 million square feet of office space was delivered to the market in 2020, 30.6% of which is leased heading into the new year. There is an additional 731,195 sf of office product currently under construction, predominately in the CBD and Vancouver, WA submarkets.

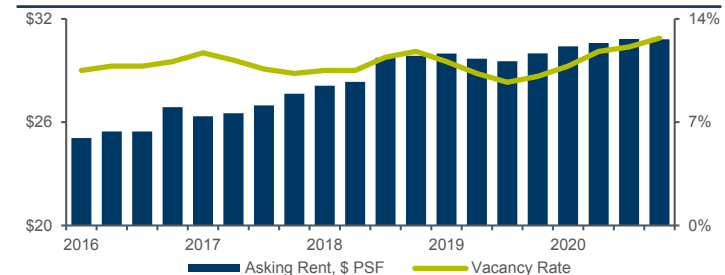
## PRICING

Asking rental rates ended the year at \$30.81 per square foot (psf) on a full-service basis, up slightly from the \$29.99 psf as reported at the end of 2019. While the asking rates in the CBD experienced a decline over that period, with many buildings not publishing asking rental rates, suburban average asking rates were \$29.03 psf overall, up 17.0% from \$24.72 psf recorded in fourth 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	19,312,327	121,617	2,743,238	14.8%	-275,203	-442,921	361,138	380,860	\$32.58	\$36.23
Lloyd District	1,517,142	2,028	46,286	3.2%	2,132	-26,251	50,525	0	\$36.31	\$37.04
Close-in Northwest	5,589,035	166,381	995,756	20.8%	-114,422	-244,271	117,088	0	\$34.04	\$39.80
Close-in Eastside	3,073,250	68,190	428,436	16.2%	-17,576	-5,179	145,157	164,984	\$27.14	\$34.50
<b>CBD (All Classes)</b>	<b>29,491,754</b>	<b>358,216</b>	<b>4,213,716</b>	<b>15.5%</b>	<b>-405,069</b>	<b>-718,622</b>	<b>673,908</b>	<b>545,844</b>	<b>\$32.37</b>	<b>N/A</b>
Class A	15,757,486	188,719	2,504,733	17.1%	-266,610	-244,457	355,628	545,844	\$36.44	\$36.44
Class B	11,076,777	145,082	1,397,599	13.9%	-106,939	-362,344	220,744	0	\$30.06	N/A
Class C	2,657,491	24,415	311,384	12.6%	-31,520	-111,821	97,536	0	\$23.28	N/A
Johns Landing	1,424,698	5,206	93,001	6.9%	-16,878	-52,239	14,815	0	\$29.57	\$28.39
Barbur Boulevard	595,605	1,375	18,343	3.3%	661	-18,301	2,517	0	\$17.21	N/A
Wilsonville	498,625	0	8,635	1.7%	-2,476	-4,615	124,692	0	\$28.03	\$29.37
Tualatin	1,019,529	0	127,706	12.5%	-1,369	-49,047	61,930	0	\$25.41	\$26.57
Lake Oswego/Kruse Way	2,890,527	46,690	419,370	16.1%	-49,811	-106,324	92,149	0	\$33.12	\$33.33
Tigard/I-5/Highway 217	2,403,391	12,515	232,772	10.2%	-16,020	-84,521	111,714	0	\$24.50	\$31.26
Washington Square	2,678,586	35,626	301,004	12.6%	-42,949	-4,419	158,636	0	\$23.78	\$25.96
Beaverton/Beaverton Hillsdale	1,284,894	7,737	60,768	5.3%	-146,774	-165,523	25,567	0	\$16.50	N/A
Cedar Hills/Sylvan	1,244,146	8,606	105,673	9.2%	5,487	-22,963	31,048	0	\$24.79	\$29.99
Sunset Corridor	4,220,983	51,026	399,614	10.7%	-126,352	-201,274	80,349	0	\$22.07	\$25.15
<b>PORTLAND WEST</b>	<b>18,260,984</b>	<b>168,781</b>	<b>1,766,886</b>	<b>14.0%</b>	<b>-396,481</b>	<b>-709,226</b>	<b>703,417</b>	<b>0</b>	<b>\$26.81</b>	<b>\$30.59</b>
Airport/Columbia Corridor	1,169,376	0	88,764	7.6%	-38,729	-39,141	30,788	53,551	\$16.38	\$29.89
Mall 205/122nd/Gresham	571,553	0	23,446	4.1%	2,051	-5,661	5,103	0	\$21.00	N/A
Sunnyside/Clackamas	974,597	21,836	48,324	7.2%	-10,086	-49,364	43,819	0	\$24.49	\$26.50
Milwaukie/Oregon City	368,544	0	22,891	6.2%	-3,724	-19,510	6,301	0	\$21.14	N/A
<b>PORTLAND EAST</b>	<b>3,084,070</b>	<b>21,836</b>	<b>183,425</b>	<b>6.3%</b>	<b>-50,488</b>	<b>-113,676</b>	<b>86,011</b>	<b>53,551</b>	<b>\$24.19</b>	<b>\$28.41</b>
Downtown Vancouver	2,168,275	5,749	101,747	5.0%	-44,349	-53,727	75,077	131,800	\$27.47	\$28.98
Suburban Vancouver	2,624,953	12,680	226,151	9.1%	6,660	-69,528	71,820	0	\$24.72	\$25.47
VANCOUVER	4,793,228	18,429	327,898	7.0%	-37,689	-123,255	146,897	131,800	\$26.10	\$27.23
<b>SUBURBS</b>	<b>26,138,282</b>	<b>209,046</b>	<b>2,278,209</b>	<b>9.5%</b>	<b>-484,658</b>	<b>-946,157</b>	<b>936,325</b>	<b>185,351</b>	<b>\$29.03</b>	<b>\$29.45</b>
<b>PORTLAND TOTALS</b>	<b>55,630,036</b>	<b>567,262</b>	<b>6,491,925</b>	<b>12.7%</b>	<b>-889,727</b>	<b>-1,717,460</b>	<b>1,610,233</b>	<b>731,195</b>	<b>\$30.81</b>	<b>\$32.88</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
18105 SE Mill Plain Blvd	Suburban Vancouver	AbSci	60,911	Direct
5701-5721 SE Columbia Way	Suburban Vancouver	Riverside Payments	17,076	Direct

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Mt. Scott Professional Center I	Clackamas/Milwaukie	Adventist Health Medical Group/Anchor Health Properties	38,858	\$395.03
6542 SE Lake Rd. Bldg. II	Clackamas/Milwaukie	Lake Road Medical Building LLC/Redside	21,517	\$260.26

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