

Portland, OR

Office Q1 2021

13.2%
Vacancy Rate



-889K
YTD Net Absorption, SF



\$28.99
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

1.13M
Portland Employment



6.1%
Portland Unemployment Rate



6.0%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2021Q1 data are based on latest available data

ECONOMY

At the close of Q1 2021, Portland's unemployment rate was 6.1%, slightly above the national average of 6.0%. As we look for signs of a stronger recovery than in past recessions, the restaurant and hospitality & leisure sectors are still feeling the impact the most, while the office market is on the mend and the industrial sector continues an expansion. Total non-farm employment for Portland's MSA is 1,134,700, recovering at a modest rate, though not back to pre-pandemic levels. Two of Oregon's largest employers, Nike and Intel, have recently completed substantial construction projects in the expansions of their local headquarters. Additionally, home values in Portland are up, and rents have stabilized. The city's reputation for offering many lifestyle options has kept the flow of in-migration to the region, which will in-turn, assist with the broader economic recovery.

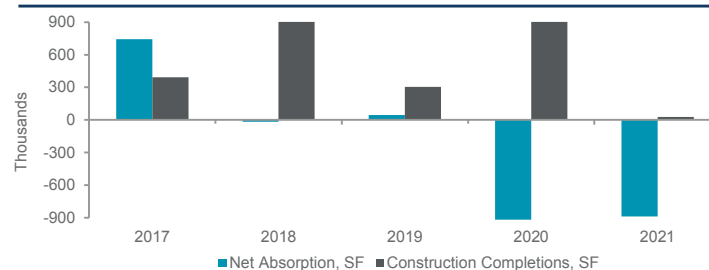
SUPPLY & DEMAND

Portland's market wide overall office vacancy was 13.2% at the close of Q1 2021, up 50 basis points (bps) from the fourth quarter 2020 figure of 12.7%. Market stakeholders continue to track new sublease space as a leading indicator, as the first quarter 2021 closed with 654,453 square feet (sf) vacant, representing a 79% increase from the 365,512 sf of a year ago. However, as a percentage of total availability, Portland's sublease vacancy remains below that of Seattle and San Francisco. The first quarter of 2021 is the fifth consecutive quarter of Portland's overall office market experiencing negative net absorption, registering negative 889,622 sf. This trend is similar to the office market downturn coinciding with the Great Financial Crisis, when Portland's office market sustained six consecutive quarters of negative net absorption, between Q1 2009 – Q2 2010, before a true recovery began. Office demand over the first quarter 2021 was primarily concentrated outside of the central core, with 300,640 sf of leasing activity transacting in Portland's suburban submarkets, compared to 234,394 sf in the CBD. A number of these deals were substantial and show promise for the outlook of Portland's office market. Microsoft Corp. has signed a lease for 85,000 sf at Ambercreek in Hillsboro, joining Google, Apple, and Square in Portland's growing tech sector. In the CBD, Portland-based Sera Architects signed a fifteen-year commitment at 921 SW Morrison St. – The Galleria. The lease is for 42,746 sf, taking the entire fifth floor of the building where the tenant is expected to move in next year after extensive renovations and improvements are completed. At the end of the first quarter 2021, Portland's office construction pipeline consists of a total of 995,365 sf with roughly 250,000 sf expected to deliver in 2021.

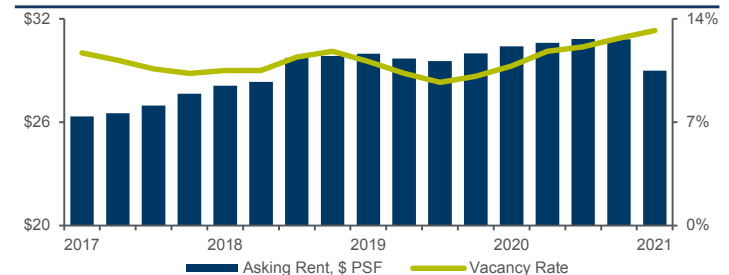
PRICING

Overall asking rental rates ended the first quarter 2021 at \$28.99 per square foot (psf) on a full-service basis, representing a growth rate of -4.0% year-over-year. There continues to be volatility, however, across the market rental rates remain relatively flat, as landlords remain reluctant to reduce rates, but open to negotiate increased concessions packages.

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	19,209,708	166,314	2,851,206	15.7%	-229,488	-229,488	160,668	336,526	\$31.44	\$35.29
Lloyd District	1,517,142	2,028	46,337	3.2%	-5,223	-5,223	0	0	\$36.25	\$37.00
Close-in Northwest	5,647,715	136,176	1,013,390	20.4%	-158,864	-158,864	65,828	0	\$32.49	\$42.99
Close-in Eastside	3,073,250	101,660	441,347	17.7%	-43,658	-43,658	7,898	474,282	\$27.47	N/A
CBD (All Classes)	29,447,815	406,178	4,352,280	16.2%	-437,233	-437,233	234,394	810,808	\$31.25	N/A
Class A	15,575,305	237,304	2,531,565	17.8%	-214,879	-214,879	166,152	761,418	\$35.58	\$35.58
Class B	11,108,457	133,549	1,455,833	14.3%	-193,151	-193,151	18,082	49,390	\$28.78	N/A
Class C	2,764,053	35,325	364,882	14.5%	-29,203	-29,203	50,160	0	\$22.99	N/A
Johns Landing	1,424,698	889	108,202	7.7%	10,383	10,383	10,732	0	\$31.89	\$28.00
Barbur Boulevard	615,209	1,375	24,286	4.2%	-8,880	-8,880	1,203	0	\$17.15	N/A
Wilsonville	498,625	0	4,358	0.9%	2,670	2,670	7,646	0	\$26.49	\$29.00
Tualatin	1,038,529	0	126,326	12.2%	-20,210	-20,210	1,892	0	\$25.38	\$26.50
Lake Oswego/Kruse Way	2,896,527	46,690	447,971	17.1%	-125,394	-125,394	30,224	0	\$33.85	\$34.06
Tigard/I-5/Highway 217	2,403,391	13,458	221,699	9.8%	-33,258	-33,258	27,970	0	\$25.29	\$31.74
Washington Square	2,676,978	91,048	311,347	15.0%	-36,140	-36,140	15,600	0	\$24.55	\$26.89
Beaverton/Beaverton Hillsdale	1,284,894	0	88,294	6.9%	-5,097	-5,097	6,391	0	\$17.35	N/A
Cedar Hills/Sylvan	1,244,146	8,606	110,370	9.6%	-204,020	-204,020	4,179	0	\$25.10	\$29.95
Sunset Corridor	4,220,983	51,026	355,127	9.6%	7,656	7,656	128,705	0	\$24.44	\$25.21
PORTLAND WEST	18,303,980	213,092	1,797,980	15.6%	-412,290	-412,290	234,542	0	\$27.63	\$31.78
Airport/Columbia Corridor	1,222,927	0	97,483	8.0%	22,628	22,628	6,060	0	\$16.74	N/A
Mall 205/122nd/Gresham	571,553	0	22,837	4.0%	-4,050	-4,050	0	0	\$20.67	N/A
Sunnyside/Clackamas	974,597	7,743	57,805	6.7%	-3,851	-3,851	0	0	\$25.63	\$28.10
Milwaukie/Oregon City	378,740	0	24,051	6.4%	-4,715	-4,715	1,323	0	\$22.26	N/A
PORTLAND EAST	3,147,817	7,743	202,176	7.9%	10,012	10,012	7,383	0	\$24.52	\$28.10
Downtown Vancouver	2,182,417	10,846	133,380	6.6%	3,796	3,796	13,783	131,800	\$26.37	\$28.67
Suburban Vancouver	2,659,495	16,594	225,965	9.1%	-53,907	-53,907	44,932	52,757	\$24.47	\$25.14
VANCOUVER	4,841,912	27,440	359,345	7.8%	-50,111	-50,111	58,715	184,557	\$24.90	\$26.43
SUBURBS	26,293,709	248,275	2,359,501	9.9%	-452,389	-452,389	300,640	184,557	\$27.08	\$29.98
PORTLAND TOTALS	55,741,524	654,453	6,711,781	13.2%	-889,622	-889,622	535,034	995,365	\$28.99	\$32.59

**Not reflective of U.S. Overview

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9800 NE Gibbs Dr. - Ambercreek	Sunset Corridor	Microsoft	85,000	Direct
912 SW Morrison St. - The Galleria	Central Core	Sera Architects	42,746	Direct
1250 NW 9 th - Tanner Point	Close-in Northwest	On	28,610	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
8700 SW Creekside Pl. - 8700 Bldg.	Beaverton/Beaverton Hillsdale	EAI Information Systems/Northwest Engineering Service	30,117	\$131.99

Samuel I. Hatcher

Research Analyst

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

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2021 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