

# Portland, OR

Office Q2 2021

**13.9%**  
Vacancy Rate



**-1.5M SF**  
YTD Net Absorption, SF



**\$29.37**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

**1.16M**  
Portland Employment



**5.6%**  
Portland Unemployment Rate



**5.9%**  
U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2021Q2 data are based on latest available data

## ECONOMY

Portland's economy is recovering. At the close of Q2 2021, the local unemployment rate, at 5.6%, has dropped below the national rate of 5.9% and total non-farm employment for the metro area reached 1,115,900. The leisure and hospitality sector, which has suffered the most severe effects of the pandemic, has started to recover in tandem with the return to the office. With restrictions being lifted, companies are looking to the fall for when they expect employees to come back into the office on a more regular basis. Additionally, recent semiconductor supply chain woes have drawn increased focus and national investment in manufacturing and production, which will benefit Portland's Silicon Forest. At Intel, "teams in Hillsboro are inventing breakthrough manufacturing processes to produce Intel products that power our digital world and enrich life on the planet", said Intel CEO, Pat Gelsinger in a visit to their Ronler Acres facility in May. The outlook is positive for the Portland market for the remainder of the year and into 2022. The start-up culture and a continued tech migration to the region, paired with re-openings of consumer facing retail businesses will contribute to Portland's economy outperforming the U.S. in the long run.

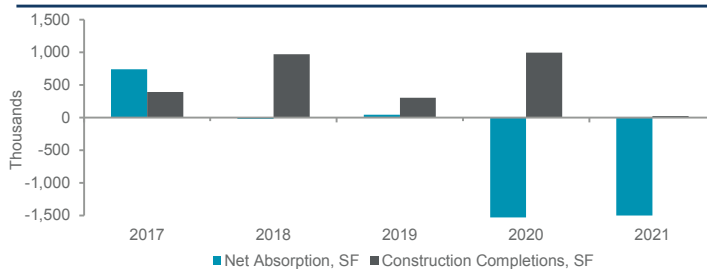
## SUPPLY & DEMAND

Leasing velocity for local office space has not yet returned to pre-pandemic levels. However, in the second quarter there were notable transactions both in the CBD and the suburbs including Ampere Computing. The semiconductor company took an additional two floors at Tanner Point in the Pearl District, expanding their footprint to just shy of 100,000 sf. Lululemon is expanding their operations in the Northwest Close-in submarket. In the second quarter, the athletic apparel company signed a lease for 28,800 sf at make, a newly redeveloped building at 2151 NW Savier Street. In the suburbs, Umpqua Holdings Corp. signed a 25,000 sf lease on Kruse Way at 5885 Meadows, as the company begins to deploy a strategy they've developed that creates flexible workspace hubs across the metro. Portland's market wide overall office vacancy was 13.9% at the close of Q2 2021, up 70 basis points (bps) from the first quarter, and up 210 bps year-over-year (YOY) from the 11.8% recorded in the second quarter of 2020. Market wide, there is 779,801 sf vacant sublease space available. Overall net absorption for the market in the second quarter was negative 655,264, bringing the year-to-date total to negative 1,544,886 sf. There were no significant office deliveries in the second quarter of 2021, however, the 61,000 sf PAE Living Building located in the Old Town historic district downtown is expected to deliver September 2021. Containing cutting-edge sustainable building systems and technologies, the building is 75% pre-leased.

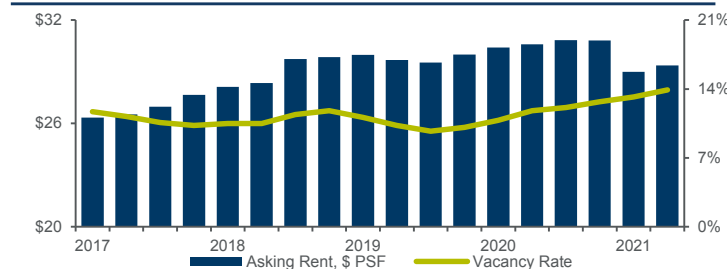
## PRICING

Overall asking rental rates ended the second quarter 2021 at \$29.37 per square foot (psf) on an annual full-service basis, a -4.0% YOY decline. For Class A office, overall average asking rent is \$32.19 psf. We are continuing to see quarter over quarter rental rate increases in the suburbs. In the CBD, where rent growth has been weak, landlords are granting more concessions in regard to free rent and tenant improvements.

## 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	19,095,754	258,032	2,952,408	16.8%	-253,053	-482,541	231,925	837,447	\$30.62	\$34.61
Lloyd District	1,517,142	26,190	49,802	5.0%	-27,627	-32,850	1,658	0	\$34.22	\$37.00
Close-in Northwest	5,853,715	164,489	1,144,143	22.4%	-194,882	-353,746	173,658	0	\$33.22	\$39.11
Close-in Eastside	2,987,198	80,060	433,170	17.2%	-15,789	-59,447	37,390	474,282	\$27.31	N/A
<b>CBD (All Classes)</b>	<b>29,453,809</b>	<b>528,771</b>	<b>4,579,523</b>	<b>17.3%</b>	<b>-491,351</b>	<b>-928,584</b>	<b>444,631</b>	<b>1,311,729</b>	<b>\$30.69</b>	<b>N/A</b>
Class A	15,478,591	345,669	2,702,559	19.7%	-296,460	-511,339	300,770	1,218,019	\$35.03	\$35.03
Class B	11,181,068	169,377	1,470,236	14.7%	-159,798	-352,949	71,039	49,390	\$28.57	N/A
Class C	2,794,150	13,725	406,728	15.0%	-35,093	-64,296	72,822	44,320	\$23.32	N/A
Johns Landing	1,426,489	2,374	109,674	7.9%	-3,969	6,414	12,532	0	\$31.73	\$28.00
Barbur Boulevard	615,209	0	36,350	5.9%	-12,753	-21,633	1,203	0	\$17.24	N/A
Wilsonville	524,637	0	4,164	0.8%	43	2,713	10,807	0	\$26.49	\$29.00
Tualatin	1,038,529	0	125,817	12.1%	509	-19,701	3,897	0	\$24.85	\$23.36
Lake Oswego/Kruse Way	2,912,805	45,412	458,907	17.3%	-27,464	-152,858	90,220	0	\$33.70	\$33.88
Tigard/I-5/Highway 217	2,430,481	47,383	176,692	9.2%	22,001	-11,257	93,026	0	\$26.75	\$31.65
Washington Square	2,676,978	65,117	390,184	17.0%	-76,276	-112,416	35,268	0	\$27.12	\$29.26
Beaverton/Beaverton Hillsdale	1,299,494	0	95,559	7.4%	-10,770	-15,867	42,368	0	\$17.28	N/A
Cedar Hills/Sylvan	1,244,146	0	105,008	8.4%	-5,613	-209,633	20,026	0	\$25.92	\$29.92
Sunset Corridor	4,220,983	53,026	382,548	10.3%	-31,665	-24,009	100,605	85,000	\$24.33	\$25.65
<b>PORTLAND WEST</b>	<b>18,389,751</b>	<b>213,312</b>	<b>1,884,903</b>	<b>9.6%</b>	<b>-145,957</b>	<b>-558,247</b>	<b>409,952</b>	<b>85,000</b>	<b>\$27.96</b>	<b>\$32.14</b>
Airport/Columbia Corridor	1,249,327	0	91,537	7.3%	4,718	27,346	14,274	0	\$16.77	N/A
Mall 205/122nd/Gresham	577,045	0	19,884	3.4%	2,953	-1,097	4,540	0	\$20.33	N/A
Sunnyside/Clackamas	974,597	6,947	44,046	5.2%	-1,097	-4,948	15,987	0	\$25.34	\$28.14
Milwaukie/Oregon City	378,740	0	27,640	7.3%	-4,029	-8,744	1,573	0	\$22.17	N/A
<b>PORTLAND EAST</b>	<b>3,179,709</b>	<b>6,947</b>	<b>183,107</b>	<b>5.8%</b>	<b>2,545</b>	<b>12,557</b>	<b>36,374</b>	<b>0</b>	<b>\$25.05</b>	<b>\$30.20</b>
Downtown Vancouver	2,182,417	14,317	138,576	7.0%	-17,791	-13,995	17,726	127,800	\$44.56	\$28.38
Suburban Vancouver	2,677,661	16,454	201,647	8.1%	-2,710	-56,617	91,531	55,102	\$24.49	\$24.99
VANCOUVER	4,860,078	30,771	340,223	7.5%	-20,501	-70,612	109,257	182,902	\$24.95	\$26.69
<b>SUBURBS</b>	<b>26,429,538</b>	<b>251,030</b>	<b>2,408,233</b>	<b>10.1%</b>	<b>-163,913</b>	<b>-616,302</b>	<b>555,583</b>	<b>267,902</b>	<b>\$28.05</b>	<b>\$30.11</b>
<b>PORTLAND TOTALS</b>	<b>55,883,347</b>	<b>779,801</b>	<b>6,987,756</b>	<b>13.9%</b>	<b>-655,264</b>	<b>-1,544,886</b>	<b>1,000,214</b>	<b>1,579,631</b>	<b>\$29.37</b>	<b>\$32.19</b>

\*\*Not reflective of U.S. Overview      \*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1250 NW 9th Ave - Tanner Point	Close-In NW	Ampere Computing	53,035	New Lease
2151 NW Savier St - make	Close-In Eastside	Lululemon	28,800	New Lease

\*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
5800 & 6000 Meadows	Lake Oswego	Shorenstein Properties LLC / Unico Properties	200,818	\$71.5M / \$356.00
5550 SW Macadam Ave - 5550 Building	John's Landing	ScanlanKemperBard Companies/Harder Holdings	43,151	\$15.8M / \$366.16

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