

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021



Source: BLS, Moody's Analytics
2021Q4 data are based on latest available data

ECONOMY

Despite recent struggles, in the long-term, the Portland metro area will remain an attractive alternative for young professionals and new and expanding businesses. The existing diverse office-using economy made up of government, business services, and an increasing number of tech employers will support stronger real estate fundamentals and key economic indicators moving forward. At the close of the fourth quarter 2021, Portland's unemployment rate, at 4.2% is even with the U.S. national rate. Total non-farm employment for the metro area reached 1,197,600 at the close of the third quarter, a 5.6% year-over-year (YOY) increase.

SUPPLY & DEMAND

The Portland metro area office market closed the fourth quarter of 2021 with an overall vacancy rate of 14.6%, up 40 basis points (bps) from the 14.2% recorded in the third quarter, and up 190 bps YOY. In the Central Business District (CBD), the office market closed the fourth quarter of 2021 with an overall vacancy rate of 19.2%, up 80 bps from the 18.4% recorded in the third quarter 2021, and up 370 bps YOY from the 15.5% recorded in the fourth quarter 2020. Portland's overall office market saw slight positive net absorption in the fourth quarter. However, overall net absorption was still deeply negative in 2021, closing the year recording -1,823,430 square feet (sf). New leasing activity totaled 2,724,315 sf for the year, which surpassed 2020's new leasing total, but remains below 2019 pre-pandemic levels. Contributing to the 2021 new leasing total, the 366,000 sf lease signed by ZoomInfo in the third quarter at the Vancouver Waterfront's Terminal 1 proposed development – lease expected to begin in 2025, and Microsoft Corp.'s first quarter 82,500 sf lease at Ambercreek, currently under renovation in Hillsboro, are significant. Additionally, in the fourth quarter, On Running's 28,762 sf new lease expansion at Tanner Point is notable, helping signal the Close-in NW submarket as a strong spot in the CBD. The fourth quarter completions of 808 on Alder on Portland's Eastside, and the Columbia Tech Center Bldg. 687 in suburban Vancouver bring a combined 64,000 sf of new office to the market inventory. There is 735,132 sf of new office space that remains actively under construction - below the 5-year average, of which 466,181 sf is expected to deliver in 2022 with 38% pre-leasing. The development at Block 216 – The Ritz Carlton is exciting for downtown. Construction started in the summer of 2019, and in the first quarter of 2023 the project is expected to deliver. Along with 250 hotel rooms, the property will bring 160,000 sf of premier Class A office space to the downtown office market.

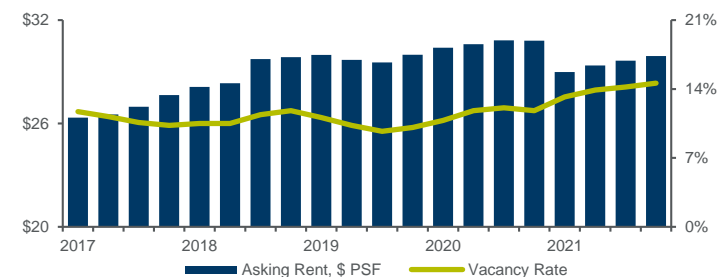
PRICING

Portland's market wide average asking rental rate growth remains suppressed. At \$29.92 per square foot (psf) on an annual full-service gross basis, rates are down 2.9% YOY. In the CBD, overall average asking rent is \$31.40 psf. For class A space in the CBD, average asking rates are \$35.87 psf. In the suburbs, the 8.7% YOY accelerating growth in Lake Oswego's rental rates, where landlords are asking \$36.00 psf on average, outpaces that of any other submarket in the area. Portland's office capital market recovery is lagging other major cities on the West Coast. However, Shorenstein Properties' third quarter sale of 5800 & 6000 Meadows in lake Oswego – 200,818 sf, for \$71.5M or \$356.00 psf to Unico Properties is significant for the market.

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	19,285,187	241,960	3,291,929	18.3%	5,739	-615,532	384,704	455,132	\$30.54	\$34.57
Lloyd District	1,564,046	26,190	68,104	6.0%	6,152	-58,634	18,576	0	\$38.19	\$37.00
Close-in Northwest	6,123,325	144,085	1,360,324	24.6%	12,341	-420,580	315,090	0	\$36.28	\$44.23
Close-in Eastside	3,236,387	71,203	607,986	21.0%	6,701	-113,060	165,063	120,000	\$29.83	\$36.00
CBD (All Classes)	30,208,945	483,438	5,328,343	19.2%	30,933	-1,207,806	883,433	575,132	\$31.40	N/A
Class A	15,900,992	311,176	3,162,542	21.8%	54,500	-547,526	520,024	575,132	\$35.87	\$35.87
Class B	11,418,151	159,823	1,696,675	16.3%	5,607	-533,161	240,417	0	\$28.75	N/A
Class C	2,889,802	12,439	469,126	16.7%	-29,174	-127,119	122,992	0	\$23.64	N/A
Johns Landing	1,426,489	2,374	109,698	7.9%	-3,016	4,920	23,645	0	\$31.58	\$25.00
Barbur Boulevard	639,209	20,874	38,869	9.3%	270	-45,026	5,759	0	\$17.11	N/A
Wilsonville	524,637	15,138	5,773	4.0%	-3,571	-14,034	13,610	0	\$27.30	\$30.00
Tualatin	1,038,529	0	108,961	10.5%	-467	-2,845	16,004	0	\$25.21	\$27.00
Lake Oswego/Kruse Way	3,005,351	28,907	498,682	17.6%	-6,588	-189,703	201,203	0	\$36.00	\$36.35
Tigard/I-5/Highway 217	2,480,086	34,879	119,883	6.2%	31,817	51,499	209,942	0	\$26.66	\$29.49
Washington Square	2,864,719	72,404	413,988	17.0%	14,303	-134,100	81,338	0	\$28.72	\$30.76
Beaverton/Beaverton Hillsdale	1,352,727	0	77,049	5.7%	1,157	1,521	83,176	0	\$17.47	N/A
Cedar Hills/Sylvan	1,244,146	505	120,723	9.7%	-2,875	-230,961	39,724	0	\$27.51	\$33.80
Sunset Corridor	4,246,011	51,026	366,421	9.8%	-56,433	-134,370	320,659	85,000	\$25.95	\$28.00
PORTLAND WEST	18,821,904	226,107	1,860,047	11.1%	-25,403	-693,099	674,401	85,000	\$29.33	\$33.06
Airport/Columbia Corridor	1,347,625	0	94,255	7.0%	240	30,852	73,939	0	\$17.02	N/A
Mall 205/122 nd /Gresham	577,045	0	21,452	3.7%	2,812	-6,341	10,286	0	\$18.84	N/A
Sunnyside/Clackamas	974,702	6,947	47,251	5.6%	9,084	-2,199	41,429	0	\$25.56	\$27.99
Milwaukie/Oregon City	416,085	0	19,925	4.8%	3,719	-2,290	22,457	0	\$22.37	N/A
PORTLAND EAST	3,315,457	6,947	182,883	5.7%	15,855	20,022	148,111	0	\$20.04	\$27.99
Downtown Vancouver	2,288,062	5,749	103,859	4.8%	10,741	66,905	458,547	75,000	\$27.14	\$28.08
Suburban Vancouver	2,763,908	11,726	191,357	7.3%	16,698	-9,452	240,163	0	\$23.69	\$24.58
VANCOUVER	5,051,970	17,475	295,216	6.2%	27,439	57,453	698,710	75,000	\$24.89	\$25.95
SUBURBS	27,189,331	250,529	2,338,146	9.5%	17,891	-615,624	1,521,222	160,000	\$28.01	\$31.91
PORTLAND TOTALS	57,398,276	733,967	7,666,489	14.6%	48,824	-1,823,430	2,725,314	735,132	\$29.92	\$33.92

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1250 NW 9th Avenue	Close-in Northwest	On Apparel	28,762	New Lease
2035 NW Front Avenue	Close-in Northwest	Powin Energy	19,075	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Tanasbourne Commerce Center	Sunset Corridor	Westport Capital Partners / Manulife US REIT	133,809	\$34M / \$252.97
13221 SW 68th Pky - Bldg 3	Tigard	KBS Realty Advisors / DRA Advisors	127,504	\$27M / \$211.76

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