

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
21.9% Vacancy Rate	▲	▬
-1.2M YTD Net Absorption, SF	▲	▲
\$33.71 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.3M Portland Employment	▼	▲
4.0% Portland Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: INTEREST RATE REPRIEVE

Long-anticipated relief from interest rates finally arrived in the third quarter, alongside balanced inflation rates. Portland's Consumer Price Index remains slightly higher than the nation's due mostly to housing and health care costs. The Portland Metro unemployment rate, 4.0%, is just below the national average. Unemployment rose in July from its April low of 3.6% and 3.9% in Portland and the U.S., respectively.

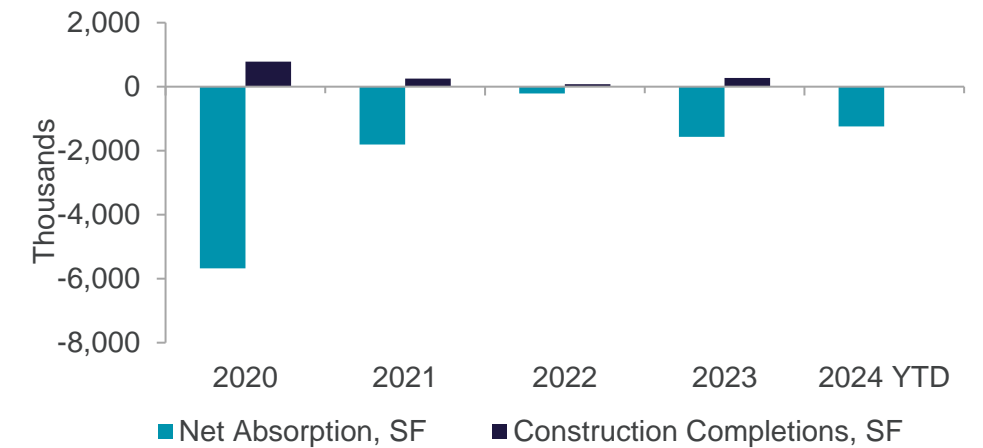
SUPPLY AND DEMAND: A QUIET MARKET

The significant increases in vacancy have slowed in the Central Business District (CBD), with buildings settling into a consistent rate of occupancy. The gap between availability and vacancy in the CBD, which at its pandemic peak was more than a 15.0% difference, has closed to just 4.6% with fewer sublessors and landlords advertising upcoming vacant space in advance than during post-pandemic uncertainty. That said, vacancy remained high across the CBD and several suburban markets as demand stagnated. Contributing to this issue - a recent employment survey that found Oregon is now the second-most popular state to work remote with 17.7% of employees working from home, about 4.0% higher than the national average. Downsizing continued to be a major trend in the market as employers reevaluate workforce and footprint needs. In the third quarter, Montgomery Park and the J.K. Gill Building joined the many buildings this year to be auctioned or sold at a fraction of their pre-pandemic value as investors seek opportunity in a buyer's market.

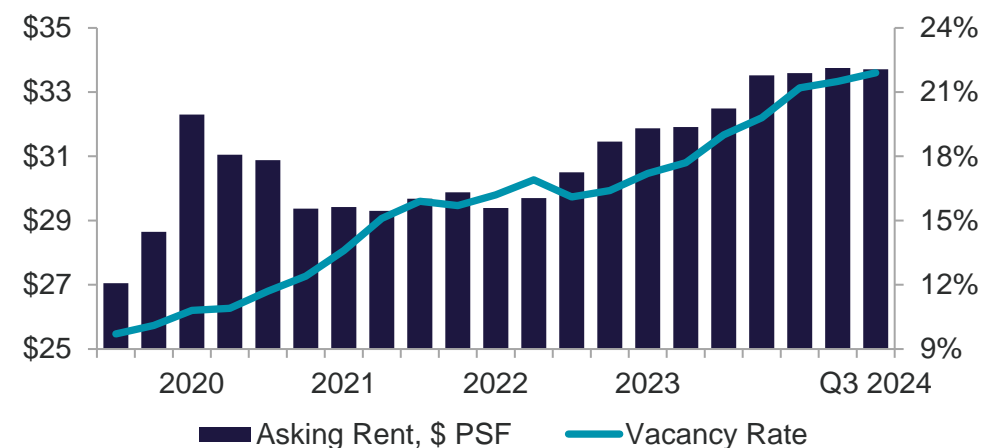
PRICING: A MARKET REBALANCED

Asking rates remained nearly unchanged across most submarkets though there were two notable exceptions. Rates in the Close-In Northwest submarket grew for the third consecutive quarter, increasing by \$1.41 per square foot (psf) on an annual gross basis quarter over quarter (QOQ) alongside a drop in vacancy. Conversely, the Downtown Vancouver submarket recorded a \$1.47 psf decrease QOQ alongside an increase in vacancy. Asking rates have started to respond more directly to market conditions than in the past two years.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	OVERALL AVAILABILITY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Core	20,343,960	357,364	5,804,727	30.3%	34.4%	-30,489	-726,098	389,728	0	\$34.34	\$39.24
Lloyd District	1,647,739	132,151	302,161	26.4%	33.9%	-12,391	-21,616	22,673	0	\$35.46	\$36.39
Close-in Northwest	6,133,548	172,268	1,676,761	30.1%	34.8%	-47,727	-264,609	144,133	0	\$38.14	\$39.92
Close-in Eastside	3,469,140	86,554	583,790	19.3%	25.4%	-70,406	-55,935	120,937	0	\$38.05	\$45.60
CBD	31,594,387	748,337	8,367,439	28.9%	33.5%	-161,013	-1,068,258	677,471	0	\$35.29	\$39.59
Johns Landing	1,438,489	15,267	206,992	15.5%	18.1%	-16,791	-63,607	60,615	0	\$27.83	\$27.46
Barbur Boulevard	648,709	0	49,470	7.6%	7.6%	-3,944	1,959	4,312	0	\$19.74	N/A
Wilsonville	533,811	0	123,396	23.1%	23.1%	-122,500	-120,989	1,511	0	\$24.50	N/A
Tualatin	1,018,928	7,050	167,184	17.1%	18.8%	5,565	-1,766	32,067	0	\$24.27	\$27.00
Lake Oswego/Kruse Way	3,104,478	83,992	594,259	21.8%	22.4%	-23,962	-48,256	84,727	0	\$40.66	\$41.69
Tigard/I-5/Highway 217	2,531,574	7,866	112,739	4.8%	9.4%	7,161	43,023	77,130	0	\$28.99	\$35.42
Washington Square	2,631,679	6,789	580,992	22.3%	22.2%	25,011	22,949	82,626	0	\$31.94	\$33.25
Beaverton/Beaverton Hillsdale	1,388,955	0	76,591	5.5%	6.4%	6,272	9,283	31,897	0	\$21.35	\$33.80
Cedar Hills/Sylvan	1,244,146	0	100,792	8.1%	9.2%	-4,947	-16,834	13,498	0	\$26.56	\$35.04
Sunset Corridor	4,494,565	198,724	617,632	18.2%	21.6%	10,583	98,407	141,624	0	\$25.98	\$28.73
PORTLAND WEST	19,035,334	319,688	2,630,047	15.5%	17.4%	-117,552	-75,831	530,007	0	\$31.69	\$36.61
Airport/Columbia Corridor	1,301,625	17,757	159,853	13.6%	16.2%	26,069	-16,356	59,792	0	\$28.50	\$31.07
Mall 205/122nd/Gresham	627,460	0	60,257	9.6%	10.9%	3,659	8,068	17,512	0	\$20.21	N/A
Sunnyside/Clackamas	974,943	12,310	100,412	11.6%	17.1%	-1,821	-12,830	47,125	0	\$29.32	\$30.76
Milwaukie/Oregon City	451,580	0	9,922	2.2%	2.5%	-6,195	-8,321	1,957	0	\$20.46	N/A
PORTLAND EAST	3,355,608	30,067	330,444	10.7%	13.7%	21,712	-29,439	126,386	0	\$26.87	\$30.96
Downtown Vancouver	2,439,992	19,136	140,418	6.5%	8.6%	-6,036	-14,564	26,352	531,000	\$27.78	\$31.81
Suburban Vancouver	2,748,308	64,916	332,893	14.5%	15.7%	20,638	-56,515	127,548	0	\$26.31	\$26.74
VANCOUVER	5,188,300	84,052	473,311	10.7%	12.4%	14,602	-71,079	153,900	531,000	\$26.75	\$28.68
PORTLAND TOTALS	59,173,629	1,182,144	11,801,241	21.9%	25.3%	-242,251	-1,244,607	1,487,764	531,000	\$33.71	\$38.30

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5500 Meadows Road	Lake Oswego/Kruse Way	Dext Capital	22,647	Direct New
8860 NE Von Neuman Dr	Sunset Corridor	Sage Software	13,075	Direct New
2105 SE 7 th Ave	Close-In East Side	Continuous Solutions	7,282	Direct New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Montgomery Park	Close-In NW	Wells Fargo/Menashe Properties	850,540	Not Disclosed
Brewery Block 1	CBD	JP Morgan/Menlo Equities	134,097	\$21M / \$157
J.K. Gill	CBD	First Interstate Bank/Menashe Properties	98,975	\$3.25M / \$33

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