MARKETBEAT

PORTLAND

OFFICE Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
21.7% Vacancy Rate	▲	▲
-1.5M YTD Net Absorption, SF	▼	▼
$33.61 Asking Rent, PSF	▼	–

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.2M Portland Employment	▲	▲
4.0% Portland Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: Job Count Climbs

The Portland Metro area added 4,900 jobs year-over-year (YOY), bringing the year-end total to over 1.2 million. The unemployment rate, however, climbed 10 basis points (bps) to 4.0%, just below the national average. Portland's Consumer Price Index remained slightly higher than the nation's due mostly to housing and health care costs.

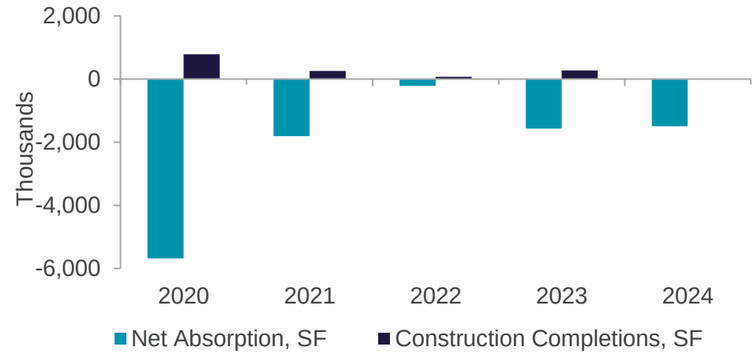
SUPPLY and DEMAND: Increase in Vacancy, Demand Cooling

Vacancy across the Portland office market increased by 90 bps YOY, while availability (all space being marketed) increased by 20 bps YOY. The substantial increases in vacancy have slowed in the Central Business District (CBD), with buildings settling into a consistent rate of occupancy. The gap between vacancy and availability in the CBD, which at its pandemic peak was more than 15.0%, has closed to 4.6% – down 230 bps YOY. That said, vacancy remained high across the CBD and several suburban markets as demand waned. The popularity of remote work, with more than 360,000 (17.7%) of employees working remotely statewide, according to a Q3 U.S. Census Bureau employment survey; and downsizing, as employers reevaluated workforce and footprint needs, were major factors contributing to this issue.

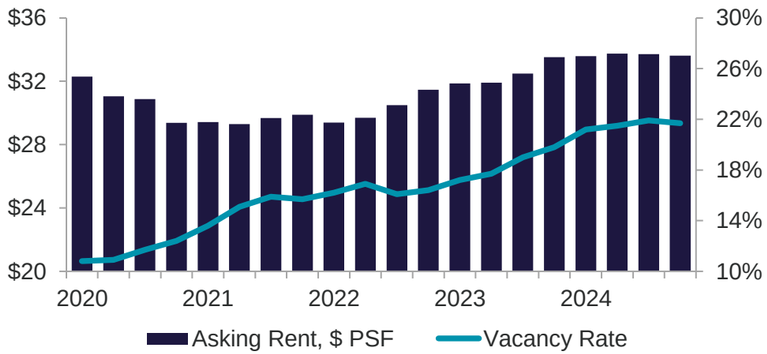
PRICING: Asking Rates Stabilizing

Asking rates remained nearly unchanged YOY, with just a 0.4% drop, though there were some notable exceptions. Rates in the Tigard/I-5/Highway 217 submarket grew $3.96 per square foot (psf) on an annual gross basis YOY, despite a slight increase in vacancy. Rates in the Suburban Vancouver submarket grew $2.58 psf gross YOY, with vacancy also rising 1.9%. The addition of higher-end space contributed to the increase in rates in those submarkets. Conversely, the Downtown Vancouver submarket recorded a $1.02 psf decrease YOY, alongside a small increase in vacancy. Asking rates have finally 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)	DIRECT VACANT (SF)	SUBLET 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	20,055,253	5,776,734	342,064	30.5%	35.1%	-199,676	-901,452	476,772	45,000	$34.11	$39.09
Lloyd District	1,647,739	303,434	47,122	21.3%	23.9%	-14,207	-30,922	26,666	0	$35.39	$36.31
Close-in Northwest	6,133,548	1,634,077	154,610	29.2%	33.7%	-65,962	-311,159	176,085	63,899	$38.49	$40.72
Close-in Eastside	3,469,140	576,658	86,554	19.1%	24.7%	-3,551	-45,712	207,417	0	$37.74	$45.63
CBD	31,305,680	8,290,903	630,350	28.5%	33.1%	-283,396	-1,289,245	886,940	108,899	$35.31	$39.60
Johns Landing	1,438,489	188,056	15,267	14.1%	16.9%	11,576	-38,049	100,091	0	$28.35	$27.93
Barbur Boulevard	648,709	50,170	0	7.7%	9.0%	-2,931	228	7,295	0	$19.84	N/A
Wilsonville	533,811	122,500	0	22.9%	22.9%	0	-120,989	1,511	0	N/A	N/A
Tualatin	1,018,928	179,068	7,050	18.3%	18.8%	-11,584	-13,350	32,067	0	$25.11	$27.00
Lake Oswego/Kruse Way	3,104,478	606,117	52,034	21.2%	21.3%	8,157	-39,443	121,380	0	$41.11	$42.10
Tigard/I-5/Highway 217	2,503,174	192,075	14,078	8.2%	10.6%	-70,874	-40688	87,142	0	$31.20	$35.42
Washington Square	2,631,679	564,859	6,789	21.7%	19.2%	13,098	31,397	89,621	0	$31.44	$33.61
Beaverton/Beaverton Hillsdale	1,388,955	67,849	6,591	5.4%	6.3%	108	11,434	40,638	0	$21.02	$30.20
Cedar Hills/Sylvan	1,244,146	130,695	0	10.5%	10.4%	-31,571	-46,737	16,476	0	$28.08	$35.62
Sunset Corridor	4,494,565	525,382	198,724	16.1%	20.4%	54,924	164,369	233,098	0	$26.51	$28.98
PORTLAND WEST	19,006,934	2,626,771	300,533	15.4%	16.7%	-29,097	-91,828	729,319	0	$29.83	$36.21
Airport/Columbia Corridor	1,301,625	171,598	15,237	14.4%	16.1%	-10,396	-33,515	72,022	0	$28.15	$30.01
Mall 205/122nd/Gresham	627,460	55,782	0	8.9%	9.9%	1,517	12,543	24,350	0	$19.84	N/A
Sunnyside/Clackamas	974,943	105,877	10,178	11.9%	18.8%	-1,202	-16,163	61,760	0	$28.88	$30.50
Milwaukie/Oregon City	451,580	9,237	0	2.0%	2.0%	685	-7,636	4,068	0	$22.38	N/A
PORTLAND EAST	3,355,608	342,494	25,415	11.0%	13.8%	-9,396	-44,771	162,200	0	$26.98	$30.19
Downtown Vancouver	2,439,992	137,706	19,136	6.4%	8.5%	-1,959	-13,213	37,360	531,000	$29.30	$32.10
Suburban Vancouver	2,748,308	329,388	64,916	14.3%	16.4%	7,081	-53,010	142,403	0	$26.94	$26.87
VANCOUVER	5,188,300	467,094	84,052	10.6%	12.7%	5,122	-66,223	179,763	531,000	$27.61	$28.66
PORTLAND TOTALS	**58,856,522**	**11,727,262**	**1,040,350**	**21.7%**	**24.9%**	**-316,767**	**-1,492,067**	**1,958,222**	**639,899**	**$33.61**	**$38.45**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Liberty Centre	Lloyd District	Liberty Mutual	97,607	Renewal*
Canvas at Press Blocks	Central Core	Deckers America	59,070	Expansion
Elevate at Cornelius Pass	Sunset Corridor	Synopsys	58,709	Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
Montgomery Park	Close-In NW	Wells Fargo / Menashe Properties	850,540	$33M / $37
The Crossing at First	Central Core	Bank of America / Oregon Health & Science University	260,554	$17.7M / $68
Kruse Woods V	Lake Oswego/Kruse Way	Shorenstein Properties / Felton Properties	191,000	$47.5M / $249

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