MARKETBEAT
PORTLAND
OFFICE Q1 2025

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.6% Vacancy Rate	▲	▲
-581K YTD Net Absorption, SF	▼	▼
$33.59 Asking Rent, PSF	▬	▼

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.3M Portland Employment	▲	▲
4.3% Portland Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: Job Market Steady, But Cost Pressures And Remote Work Linger

Portland's employment held flat over the past year at 1.3 million. The unemployment rate ticked up to 4.3%, just over the national average of 4.1%. Gains were led by professional and business services, though the pace of hiring has cooled. Affordability challenges – especially in housing and healthcare – continue to weigh on talent retention and attraction. The persistence of remote and hybrid work is redefining how and where people work across the metro. Still, the local economy is showing resilience, supported by its diverse industry base. Looking ahead, Portland's job market is expected to grow modestly, but unevenly, through mid-year.

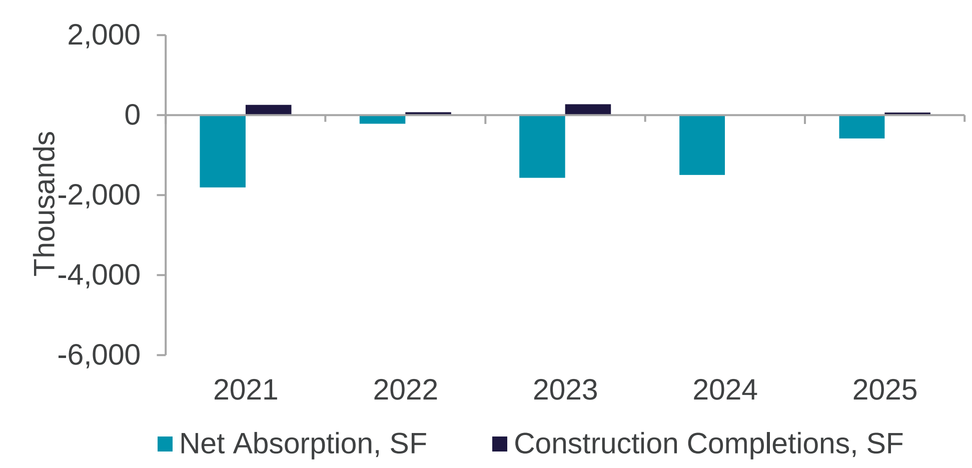
SUPPLY and DEMAND: Vacancy Rises Again As Tenants Shrink Their Footprints

The Portland office market reported a vacancy increase to 22.6% in Q1, up from 21.7% the previous quarter. Year-to-date net absorption stood at -581,000 square feet (sf), reflecting continued weakness in tenant demand. While over 325,000 sf of leasing occurred, it wasn't enough to offset space returns. The Central Core and CBD submarkets were hardest hit, driven by ongoing downsizing and consolidations. Suburban areas like Sunset Corridor held firmer, signaling a potential shift in tenant preference. Construction deliveries were modest, helping limit new supply pressure, particularly in Vancouver. Overall, tenants remain cautious, and demand has yet to rebound to pre-pandemic levels.

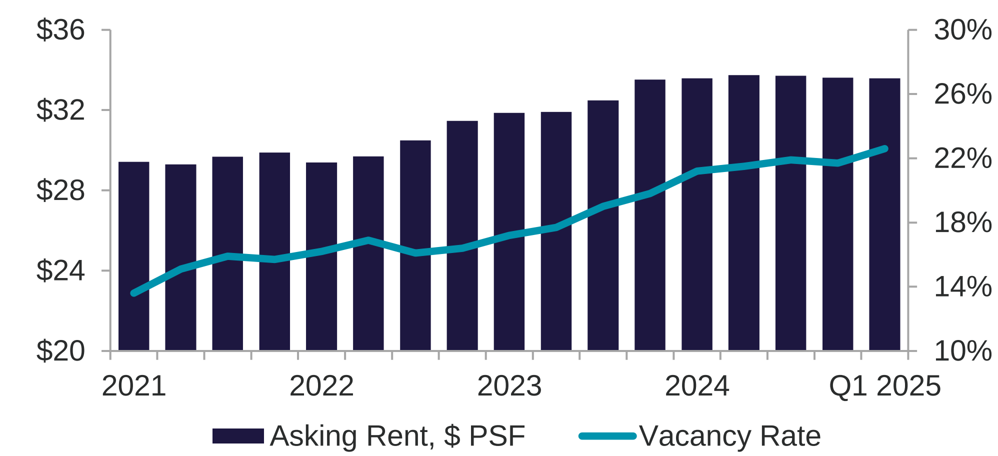
PRICING: Rents Hold Firm As Landlords Resist Downward Pressure

Average asking rents held flat at $33.59 per square foot (psf), signaling a stabilization despite higher vacancy. Class A space continued to outperform, with an average rent of $38.03 psf across the metro. Landlords maintained rate discipline, often preferring to offer concessions over reducing base rents. Tenant improvement allowances and rent abatements remained common tools to close deals. The "flight to quality" trend persisted, with demand focused on newer, well-located buildings. In contrast, aging and less desirable assets struggled to compete, especially in oversupplied urban cores. Without a meaningful uptick in demand, pricing may soften later in the year.

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	5,966,403	335,836	31.4%	35.2%	-207,011	-207,011	75,418	25,000	$34.12	$38.99
Lloyd District	1,647,739	313,285	39,089	21.4%	23.4%	-695	-695	4,333	0	$35.60	$36.32
Close-in Northwest	6,197,482	1,780,732	170,024	31.5%	35.1%	-64,154	-64,154	45,489	0	$39.41	$41.43
Close-in Eastside	3,454,861	642,251	76,648	20.8%	26.0%	-54,958	-54,958	29,559	0	$37.42	$44.95
CBD	31,355,335	8,702,671	621,597	29.7%	33.5%	-326,818	-326,818	154,799	25,000	$35.25	$39.61
Johns Landing	1,438,489	220,768	15,267	16.4%	18.0%	-43,409	-43,409	14,996	0	$28.62	$28.85
Barbur Boulevard	648,709	54,912	0	8.5%	8.2%	-5,927	-5,927	4,567	0	$19.35	N/A
Wilsonville	533,811	122,500	0	22.9%	22.9%	0	0	0	0	N/A	N/A
Tualatin	1,018,928	249,925	7,050	25.2%	25.4%	-70,857	-70,857	1,894	0	$25.69	$27.00
Lake Oswego/Kruse Way	3,104,478	650,983	38,153	22.2%	21.3%	-25,256	-25,256	46,597	0	$40.75	$41.85
Tigard/I-5/Highway 217	2,511,174	197,892	14,078	8.4%	11.0%	-5,382	-5,382	0	0	$30.79	$35.47
Washington Square	2,631,679	613,696	3,924	23.5%	23.4%	-31,115	-31,115	7,829	0	$31.88	$33.57
Beaverton/Beaverton Hillsdale	1,388,955	70,879	6,591	5.6%	6.4%	-4,415	-4,415	6,591	0	$20.97	$30.20
Cedar Hills/Sylvan	1,244,146	131,052	0	10.5%	8.5%	1,208	1,208	29,384	0	$26.18	$33.38
Sunset Corridor	4,505,146	718,401	55,497	17.2%	19.0%	-47,341	-47,341	19,843	0	$26.46	$27.86
PORTLAND WEST	19,025,515	3,031,008	140,560	16.7%	16.8%	-232,494	-232,494	131,701	0	$29.72	$35.11
Airport/Columbia Corridor	1,301,625	190,921	15,237	15.8%	17.2%	-6,506	-6,506	9,224	0	$27.80	$29.94
Mall 205/122nd/Gresham	627,460	39,763	0	6.3%	7.3%	-4,730	-4,730	1,761	0	$19.16	N/A
Sunnyside/Clackamas	974,943	101,048	4,344	10.8%	16.7%	4,829	4,829	5,834	0	$29.04	$30.68
Milwaukie/Oregon City	451,580	9,237	0	2.0%	2.0%	0	0	0	0	$22.38	N/A
PORTLAND EAST	3,355,608	340,969	19,581	10.7%	13.2%	-6,407	-6,407	16,819	0	$27.07	$30.18
Downtown Vancouver	2,851,804	130,261	19,136	5.2%	13.0%	-10,459	-10,459	13,530	165,000	$28.75	$29.98
Suburban Vancouver	2,721,308	336,783	60,596	14.6%	16.6%	-5,020	-5,020	8,791	0	$26.94	$26.94
VANCOUVER	5,573,112	467,044	79,732	9.8%	14.8%	-15,479	-15,479	22,321	165,000	$27.43	$27.88
PORTLAND TOTALS	**59,309,570**	**12,541,692**	**861,470**	**22.6%**	**25.4%**	**-581,198**	**-581,198**	**325,640**	**190,000**	**$33.59**	**$38.03**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1201 Lloyd Bldg	Lloyd District	NW RCFL	21,646	Renewal**
Kruse Oaks II	Lake Oswego/Kruse Way	Undisclosed	21,538	Sublease
Leland James Bldg	Close-in Northwest	Undisclosed	19,500	New Lease

***Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
55 West Business Park (portfolio)***	Sunset Corridor	Westport Capital Partners / CIRE Partners	98,830***	$12.1M / $122
Ballou Wright Bldg	Central Core	Specht & ASB / Goodman Realty Group	57,606	$10.0M / $174

*****Part of larger portfolio including flex properties; stats shown include only the office portion that sold*

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