

Office Market Report | Q4 2022

Norris & Stevens

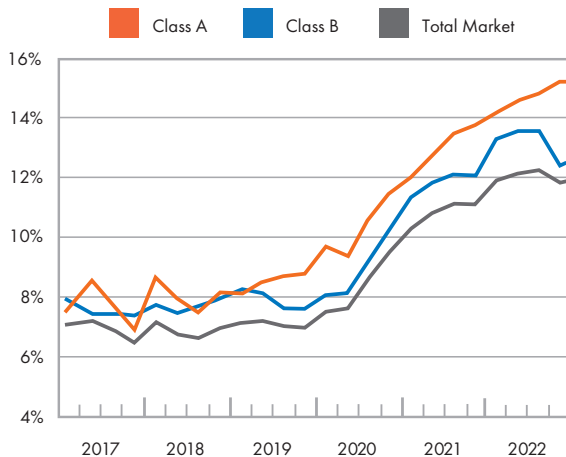
INVESTMENT REAL ESTATE SERVICES

OVERVIEW

Portland's Central Business District—which accounts for over 25% of the city's office product—continued to struggle as 2022 came to a close. This is due in part to companies continuing work-from-home policies, and the perceived lack of safety in the downtown area, causing many organizations to explore moving their operations to the suburbs. While Portland's vacancy rate is historically elevated, it does show signs of stabilizing. One reason for this is a lack of speculative construction in the last three years, meaning there won't be excessive competition from unoccupied product hitting the market in the near term.

Vacancy Rates by Class

2017 - 2022



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw 536,477 square feet in net absorption by the end of the fourth quarter 2022, an increase from the third quarter's negative (103,178) square feet.

Class A:	Negative (132,392) SF
Class B:	596,952 SF
Class C:	71,917 SF

PORTLAND MARKET SNAPSHOT

VACANCY

11.8%



RENTAL RATE

\$28.97



CONSTRUCTION

582,209 SF



ABSORPTION

536,477 SF



VACANCY

Slow down in construction has caused office vacancies to decrease from 12.5% in the third quarter of 2022 to 11.8% at the end of the fourth quarter 2022. While both Class B and Class C saw decreases from the previous quarter, Class A's vacancy rate increased, going from 14.8% in the third quarter to 15.2% to close out 2022.

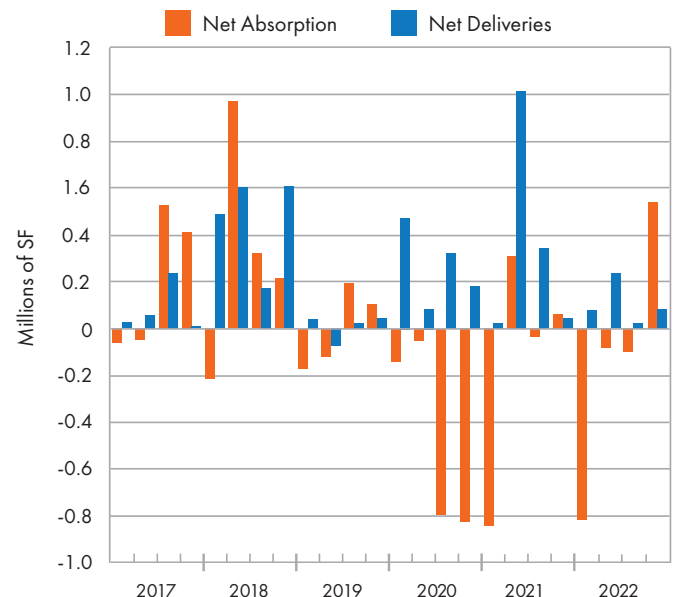
Class A: 15.2%

Class B: 12.4%

Class C: 7.0%

Absorption & Deliveries

2017 - 2022



Source: CoStar Group

DELIVERIES AND CONSTRUCTION

The fourth quarter of 2022 added 80,768 square feet to the market, with 582,209 square feet still under construction.

The largest project still under construction is Block 1 on Vancouver's waterfront at 165,000 square feet, set for completion in October 2025. The largest projects set for delivery in 2023 are both in Portland's CBD, including The Offices at 11W at 134,185 square feet, set for completion in February, and Block 216 at 158,464 square feet, set for completion in April.

RENTAL RATES

Despite the challenges the Portland office market has faced, rents continue to post gains with a year-over-year average of 2.2% and a ten-year average of 3.7%.

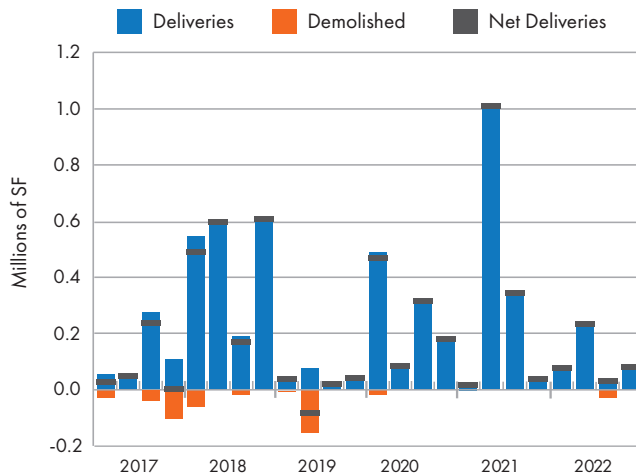
At the end of the fourth quarter 2022, the average quoted asking rental rate for all classes decreased slightly from the previous quarter to \$28.97 per square foot. Portland still offers a sizable discount to the national index of \$35.23 per square foot.

Class A: \$34.62

Class B: \$27.97

Class C: \$23.67

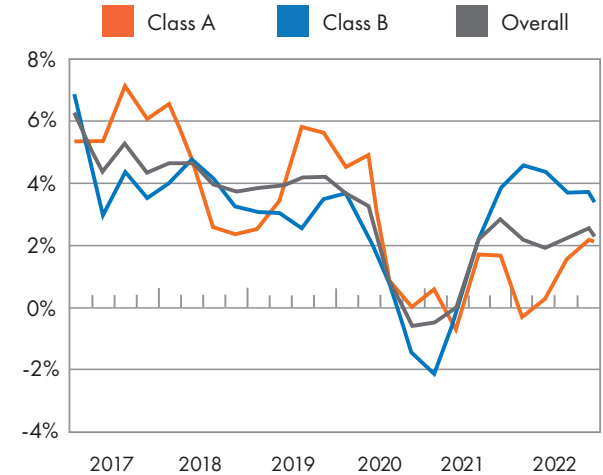
Historical Construction Starts & Demolitions Square Footage Per Quarter



Source: CoStar Group

Market Rent Growth

2017 - 2022



Source: CoStar Group

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
CBD	2	293,000	24,000	8.20%	75,862	146,325
CBD/West Vancouver	1	165,000	165,000	100%	12,761	165,000
Lloyd District	1	100,000	0	0%	24,927	100,000
Camas/Washougal	1	15,000	5,000	32.00%	15,096	15,377
Lake Oswego/West Linn	2	7,000	0	0%	7,740	3,292
Orchards	1	3,000	3,000	100%	9,458	2,600
217 Corridor/Beaverton	0	-	-	-	16,716	-
Airport Way	0	-	-	-	17,343	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,897	-
Cascade Park	0	-	-	-	25,145	-
All Other	0	-	-	14,307	-	-
Totals	8	582,000	196,000	33.70%	18,480	72,776

Source: CoStar Group

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at www.norris-stevens.com.