

Office Market Report | Q1 2023

Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

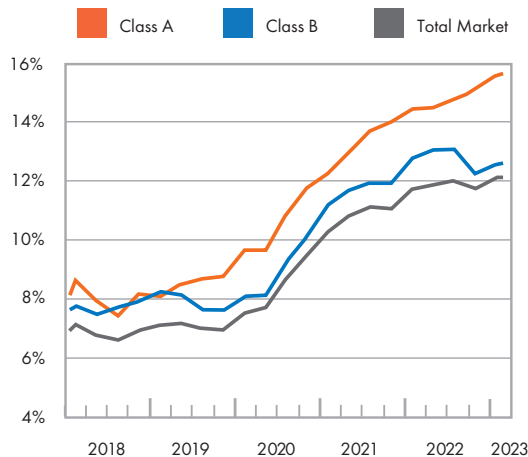
OVERVIEW

Portland office demand is still unstable as some labor market segments continue to significantly embrace a remote working style. Since Oregon was one of the last states in the nation to repeal COVID-era limits, corporate decisions to extend peak pandemic work-from-home practices were probably influenced by this fact. The market is thus plagued by physical space being given back to the market while employment growth in office-centric industries remains stable.

Nevertheless, there are still new large projects under construction in the downtown core, as well as inner urban areas like southeast Portland and the Vancouver waterfront.

Vacancy Rates by Class

2018 - 2023



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw negative (413,356) square feet in net absorption by the end of the first quarter 2023, a significant decrease from 371,233 square feet at the end of 2022.

Class A:	Negative (168,918) SF
Class B:	Negative (140,300) SF
Class C:	Negative (104,138) SF

PORTLAND MARKET SNAPSHOT

VACANCY

12.1%



RENTAL RATE

\$29.00



CONSTRUCTION

575,626 SF



ABSORPTION

(413,356) SF



VACANCY

Despite a slowdown in construction, office vacancies increased from 11.8% in the fourth quarter of 2022 to 12.1% at the end of the first quarter 2023. While all three classes saw increases from the previous quarter, Class C's was the steepest, going from 6.9% in the fourth quarter of 2022 to 7.3% to close out the first quarter of 2023.

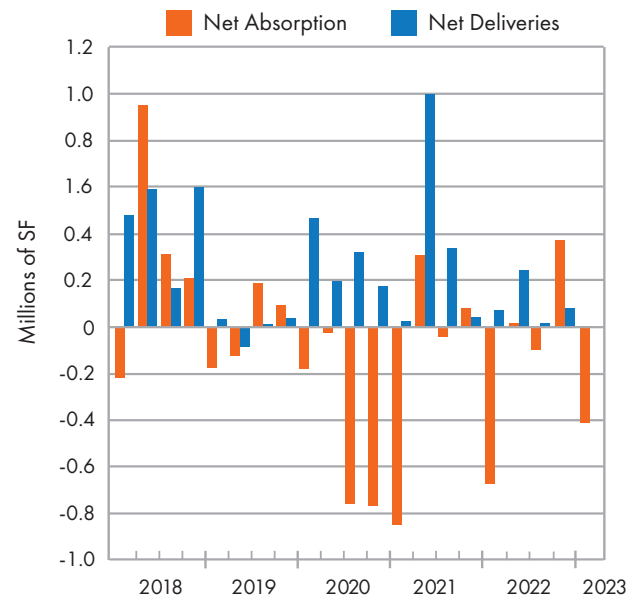
Class A: 15.5%

Class B: 12.5%

Class C: 7.3%

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

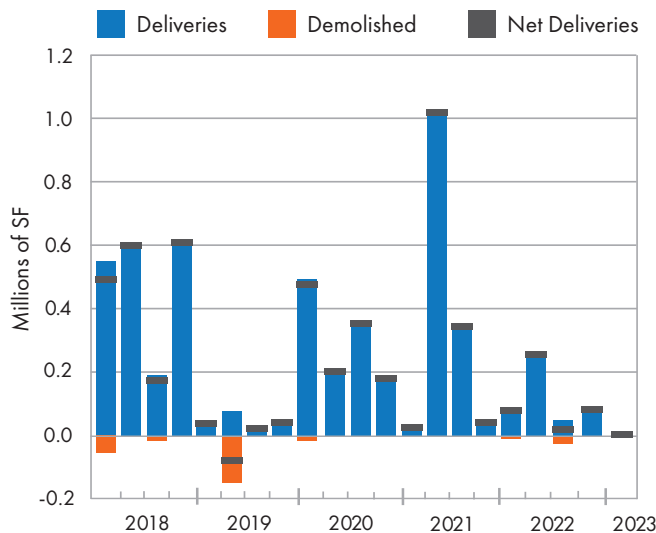
DELIVERIES AND CONSTRUCTION

The first quarter of 2023 saw no new square feet delivered to the market, with 575,626 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 include The Offices at 11W at 134,185 square feet, set for completion in May, and Pavillion on Sandy in the Lloyd District at 100,000 square feet, set for completion in December.

Historical Construction Starts & Demolitions

Square Footage Per Quarter



Source: CoStar Group

RENTAL RATES

Portland office rents posted gains of 1.8% year-over-year and a ten-year average of 3.7%. At the end of the first quarter 2023, the average quoted asking rental rate for all classes increased slightly from the previous quarter to \$29.00 per square foot. Portland still offers a sizable discount to the national index of \$35.35 per square foot.

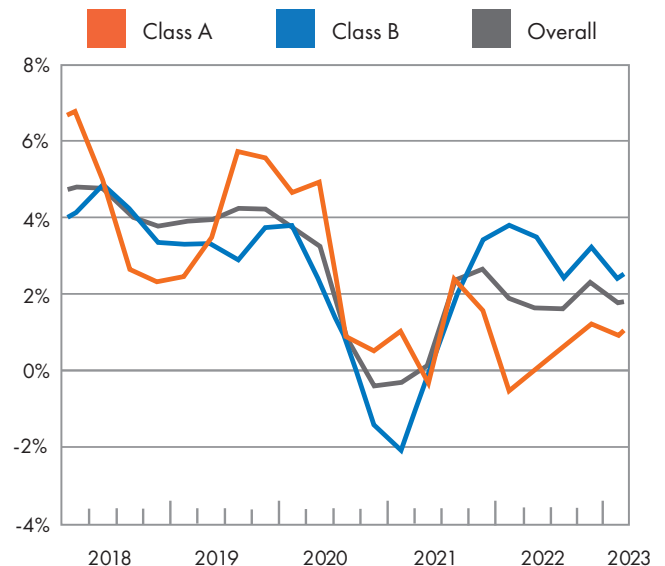
Class A: \$34.48

Class B: \$28.25

Class C: \$23.52

Market Rent Growth

2018 - 2023



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/West Vancouver	1	165,000	165,000	100%	12,725	165,000
CBD	1	134,000	59,000	43.7%	75,898	134,185
Lloyd District	1	100,000	0	0%	25,609	100,000
Camas/Washougal	1	15,000	5,000	32.0%	15,096	15,377
Orchards	1	3,000	3,000	100%	9,369	2,600
217 Corridor/Beaverton	0	-	-	-	16,625	2,600
Airport Way	0	-	-	-	17,343	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,927	-
Cascade Park	0	-	-	-	25,145	-
Clackamas/Milwaukie	0	-	-	-	9,055	-
All Other	0	-	-	-	-	14,615
Totals	5	417,000	231,000	55.4%	18,519	83,432

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.