

Office Market Report | Q2 2023

Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

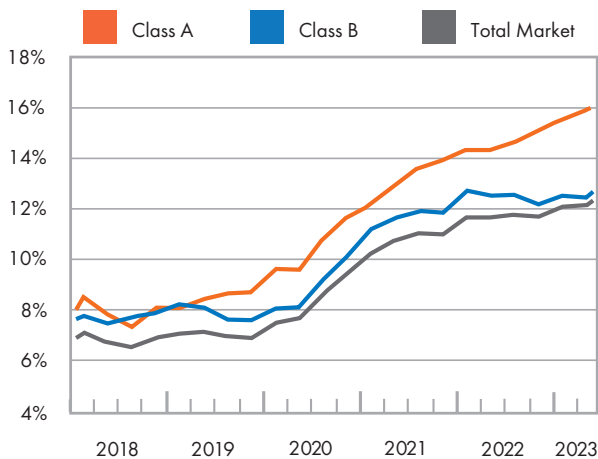
OVERVIEW

Since many employers are still adjusting to changing square footage needs and long-term utilization patterns, Portland's office demand foundation is still on shaky ground. Decommitments to physical space continue to be a problem for the market. Record sublease availabilities—which have risen to 2.5 million SF, or 2.2% of available stock—have not yet been impacted by increases in payrolls and employment in office-dominant industries.

Portland's CBD continues to struggle as a result, while smaller suburban markets such as Tigard, Kruse Way, and Sherwood have outperformed the CBD due to tenant relocations and minimal new construction.

Vacancy Rates by Class

2018 - 2023



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw 146,245 square feet in net absorption by the end of the second quarter of 2023, a significant increase from negative (413,356) square feet at the end of the first quarter.

Class A:	104,678 SF
Class B:	22,604 SF
Class C:	18,963 SF

PORTLAND MARKET SNAPSHOT

VACANCY

12.2%



RENTAL RATE

\$28.86



CONSTRUCTION

189,532 SF



ABSORPTION

146,245 SF



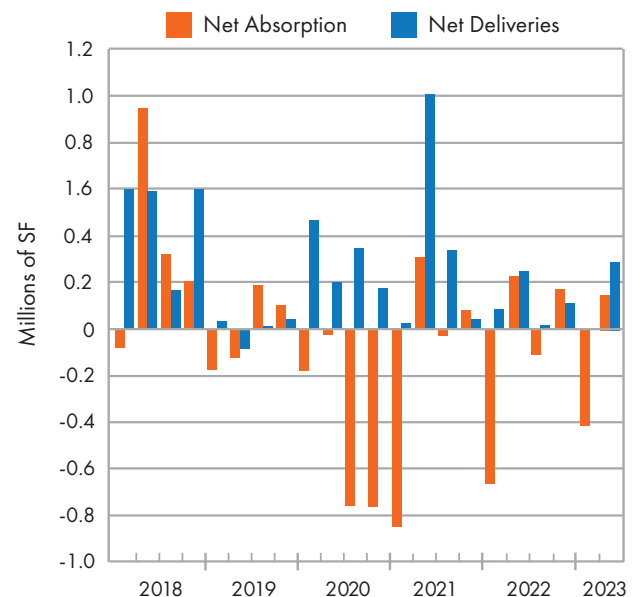
VACANCY

Office vacancies increased slightly from 12.1% in the first quarter of 2023 to 12.2% at the end of the second quarter. While Class A saw an increase and Class B remained unchanged, Class C saw a decrease, going from 7.3% in the first quarter of 2023 to 7.2% to close out the second quarter.

Class A:	15.9%
Class B:	12.5%
Class C:	7.2%

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

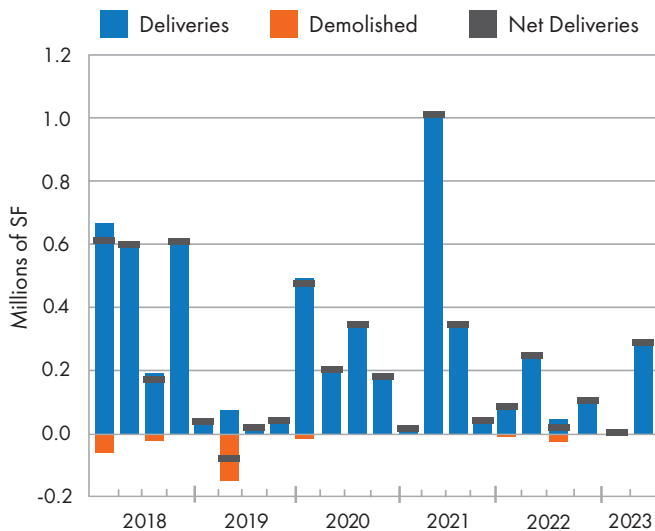
DELIVERIES AND CONSTRUCTION

The second quarter of 2023 saw 292,649 square feet delivered to the market, with 189,532 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 a medical office building in Camas, Washington at 15,377 square feet set for completion in November, and The Boulder in Lake Oswego at 6,555 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 2.2% year-over-year and a ten-year average of 3.6%. At the end of the first quarter 2023, the average quoted asking rental rate for all classes decreased slightly from the previous quarter to \$28.86 per square foot. Portland still offers a sizable discount to the national index of \$35.19 per square foot.

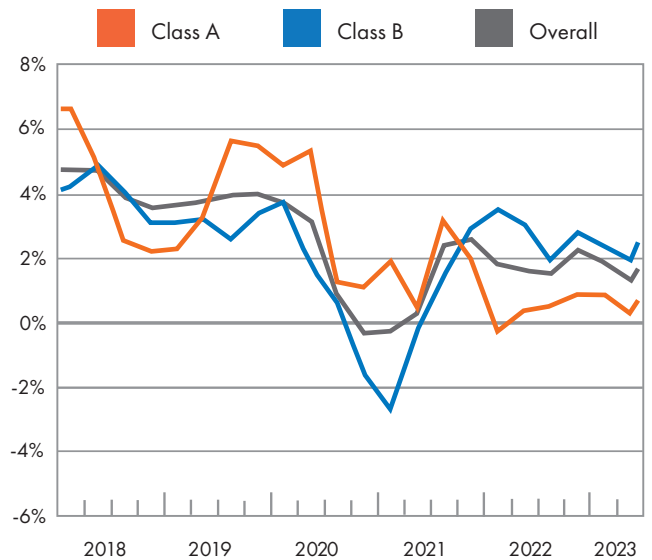
Class A: \$34.59

Class B: \$27.98

Class C: \$23.26

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%	12,742	165,000
Camas/Washougal	1	15,000	5,000	32.0%	15,034	15,377
Lake Oswego/West Linn	1	7,000	0	0%	7,795	6,555
Orchards	1	3,000	3,000	100%	9,539	2,600
217 Corridor/Beaverton	0	—	—	—	16,709	—
Airport Way	0	—	—	—	17,581	—
Barbur Blvd/Capitol Hwy	0	—	—	—	8,948	—
Cascade Park	0	—	—	—	25,152	—
CBD	0	—	—	—	76,131	—
Clackamas/Milwaukie	0	—	—	—	9,006	—
All Other	0	—	—	—	15,449	—
Totals	4	190,000	173,000	91.0%	18,539	47,383

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.