

Office Market Report | Q3 2023

Norris & Stevens

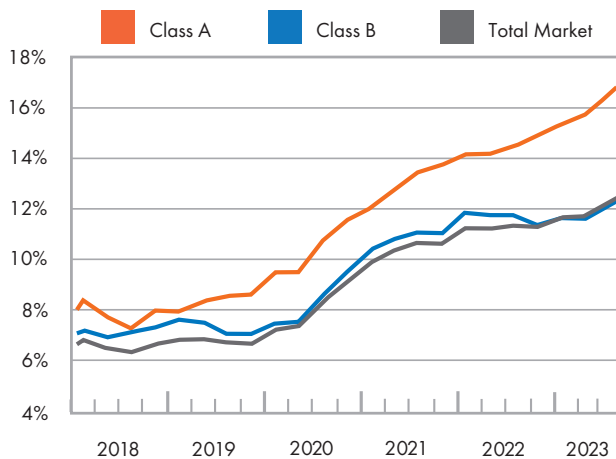
INVESTMENT REAL ESTATE SERVICES

OVERVIEW

As of the third quarter of 2023, Portland's office fundamentals are still precarious. Many organizations are still adjusting to changing square footage needs and long-term utilization patterns, which has increased scrutiny when evaluating space from both prospective and current tenants. Particularly in the CBD submarket, where the recent delivery of two trophy assets has drawn several major customers from lower-tier buildings, a tendency of moving and shrinking footprints has emerged. This trend, along with organizations' flight to the suburbs, has contributed to the net decline in occupancy for the CBD.

Vacancy Rates by Class

2018 - 2023



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw negative (603,748) square feet in net absorption by the end of the third quarter of 2023, a significant decrease from 146,245 square feet at the end of the second quarter.

Class A:	Negative (303,284) SF
Class B:	Negative (269,195) SF
Class C:	Negative (31,269) SF

PORTLAND MARKET SNAPSHOT

VACANCY

12.3%



RENTAL RATE

\$28.87



CONSTRUCTION

546,149 SF



ABSORPTION

(603,748) SF



VACANCY

Office vacancies increased slightly from 12.2% in the second quarter of 2023 to 12.3% at the end of the third quarter. This remains below the national average of 13.4%. The only class that saw a decrease from the previous quarter was Class B, going from 12.5% in the second quarter of 2023 to 12.2% to end the third quarter.

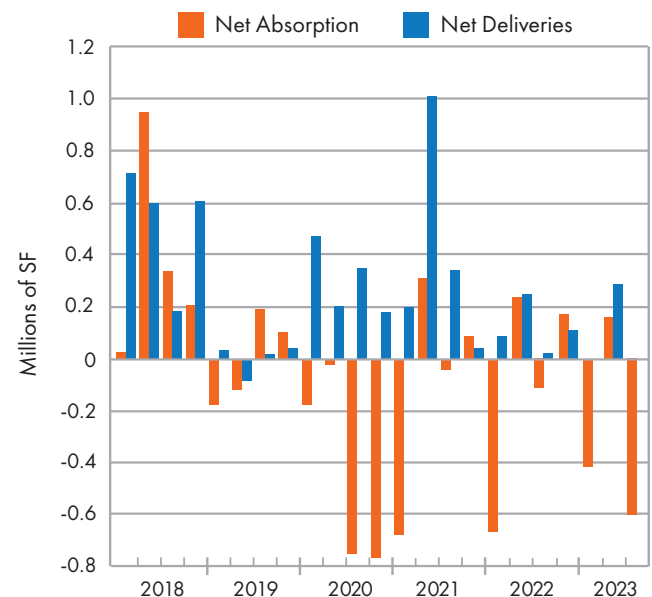
Class A: 16.6%

Class B: 12.2%

Class C: 7.2%

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

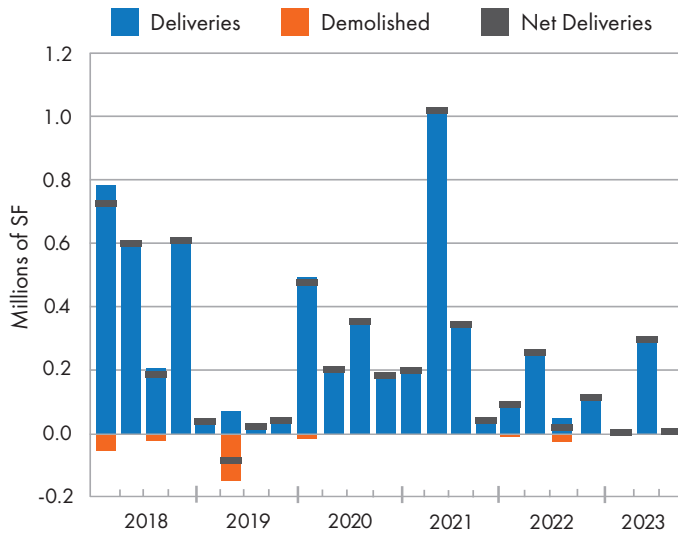
DELIVERIES AND CONSTRUCTION

The third quarter of 2023 saw only 3,600 square feet delivered to the market, with 546,149 square feet still under construction.

The largest project still under construction is Terminal 1 on Vancouver's waterfront at 360,000 square feet, set for completion in March 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 1.9% year-over-year and a five-year average of 2.1%. At the end of the third quarter 2023, the average quoted asking rental rate for all classes increased slightly from the previous quarter to \$28.87 per square foot. Portland still offers a sizable discount to the national index of \$35.24 per square foot.

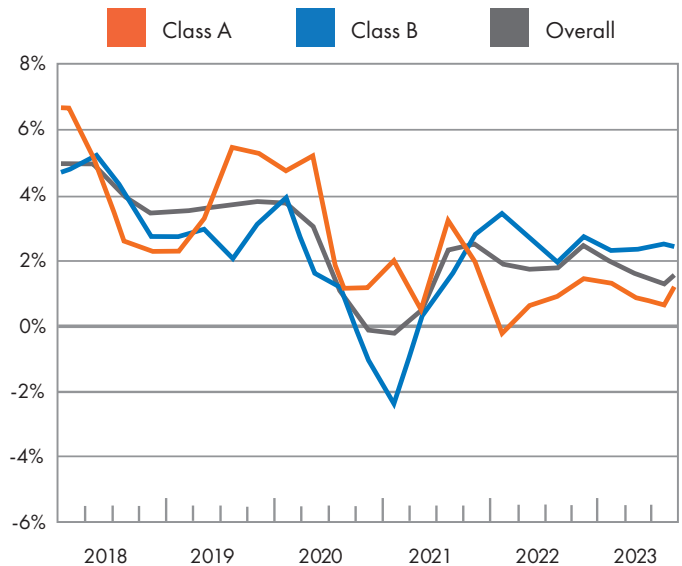
Class A: \$34.72

Class B: \$28.05

Class C: \$22.97

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	2	525,000	345,000	65.7%	12,763	262,500
Camas/Washougal	1	15,000	5,000	32.0%	14,876	15,377
Lake Oswego/West Linn	1	3,000	0	0%	7,776	3,172
Orchards	1	3,000	3,000	100%	9,511	2,600
217 Corridor/Beaverton	0	-	-	-	16,709	-
Airport Way	0	-	-	-	17,581	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,950	-
Cascade Park	0	-	-	-	25,152	-
CBD	0	-	-	-	76,215	-
Clackamas/Milwaukie	0	-	-	-	8,980	-
All Other	0	-	-	-	16,177	-
Totals	5	546,000	353,000	64.5%	19,042	109,230

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.