

# Office Market Report | Q4 2023

**Norris & Stevens**

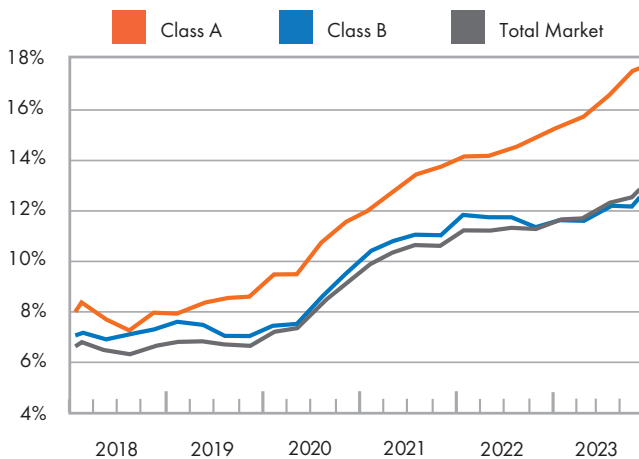
INVESTMENT REAL ESTATE SERVICES

## OVERVIEW

As the year came to a close, many employers were still evaluating their utilization needs in a post-Covid landscape. Work-from-home options and the flight from downtown to smaller suburban spaces has made Portland's fundamentals unbalanced. Due to this, there are record-breaking sublease opportunities, with 2.6 million square feet—or 2.2% of the total available space—on the market. Despite the robust expansion in jobs in recent quarters, any potential pent-up demand for office space could be dampened by the possibility of an impending recession.

## Vacancy Rates by Class

2018 - 2023



Source: CoStar Group

## ABSORPTION & DELIVERIES

The overall office market saw negative (336,133) square feet in net absorption by the end of the fourth quarter of 2023, compared to negative (603,748) square feet at the end of the third quarter.

Class A:	Negative (367,165) SF
Class B:	7,678 SF
Class C:	23,354 SF

## PORTLAND MARKET SNAPSHOT

VACANCY

**12.6%**



RENTAL RATE

**\$29.19**



CONSTRUCTION

**547,179 SF**



ABSORPTION

**(336,133) SF**



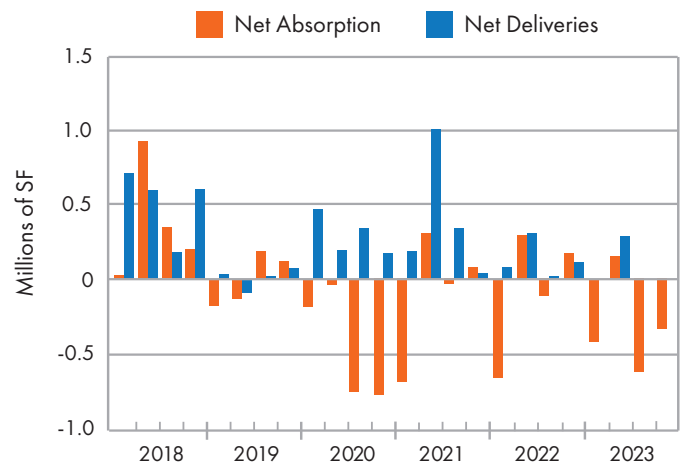
## VACANCY

Office vacancies increased from 12.3% in the third quarter of 2023 to 12.6% at the end of the fourth quarter. This still remains below the national average of 13.7%. Although both Class B and Class C remained steady, Class A saw an increase from 16.6% in the third quarter to 17.6% to end 2023. This is likely due to organizations leaving Portland's CBD—which is dominated by Class A product—for smaller Class B and C spaces in suburban areas.

Class A:	17.6%
Class B:	12.2%
Class C:	7.2%

## Absorption & Deliveries

2018 - 2023



Source: CoStar Group

## DELIVERIES AND CONSTRUCTION

While the fourth quarter of 2023 saw nothing new delivered to the market, 547,179 square feet of inventory remains 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 2024 include a medical office building in Camas, Washington at 15,377 square feet set for completion in January, and The Boulder in Lake Oswego at 6,802 square feet set for completion in March.

## RENTAL RATES

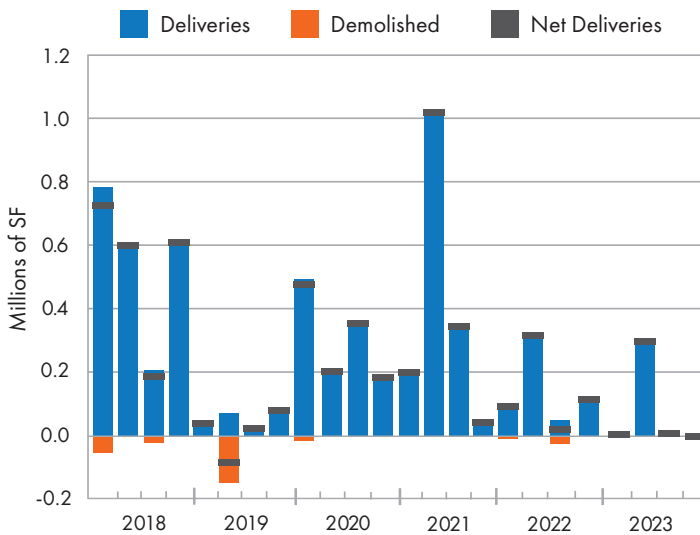
Portland office year-over-year rents posted gains of 1.3%, with a five-year average of 2.1%. As 2023 came to a close, the average quoted asking rental rate for all classes increased slightly from the previous quarter to \$29.19 per square foot. Portland still offers a sizable discount to the national index of \$35.22 per square foot.

Class A: \$35.32

Class B: \$28.31

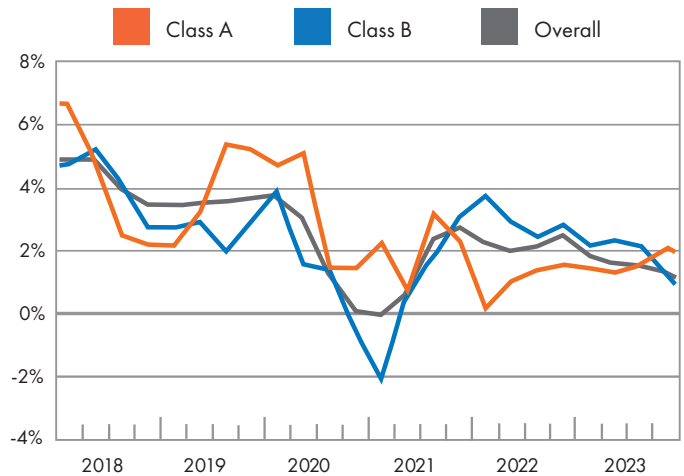
Class C: \$23.07

**Historical Construction Starts & Demolitions**  
Square Footage Per Quarter



Source: CoStar Group

**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	333,000	63.4%	12,950	262,500
Camas/Washougal	1	15,000	12,000	79.3%	14,819	15,377
Lake Oswego/West Linn	2	7,000	2,000	34.8%	7,780	3,401
217 Corridor/Beaverton	0	-	-	-	16,699	-
Airport Way	0	-	-	-	17,581	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,921	-
Cascade Park	0	-	-	-	24,738	-
CBD	0	-	-	-	75,860	-
Clackamas/Milwaukie	0	-	-	-	8,991	-
Clark County Outlying	0	-	-	-	4,884	-
All Other	0	-	-	-	16,178	-
<b>Totals</b>	<b>5</b>	<b>547,000</b>	<b>347,000</b>	<b>63.5%</b>	<b>19,064</b>	<b>109,436</b>

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](http://www.norris-stevens.com).