

FIGURES | PORTLAND OFFICE | Q1 2024

# Portland Office Market Sees Multiple New Leases Over 40k SF, Though Supply and Demand Remain Uneven

▲ 24.0%

Vacancy Rate

▼ (401K)

SF Net Absorption

▶ 366K

SF Under Construction

▲ \$32.72

Overall Asking Lease Rate, FSG

▲ \$38.59

Class A Asking Lease Rate, FSG

Note: Arrows indicate change from previous quarter.

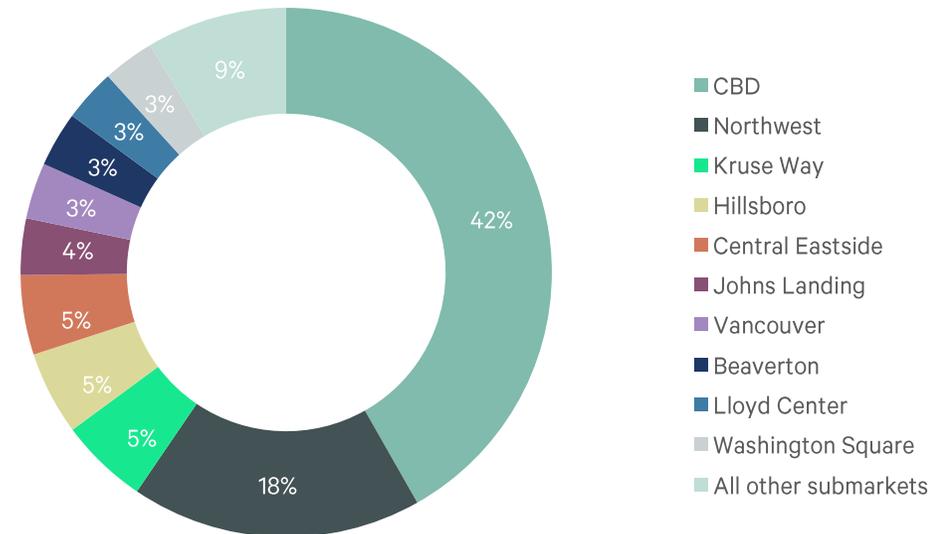
## MARKET SUMMARY

While rising vacancy continued to affect supply and demand trends in the Portland office market, the market also started to show some green shoots. In the first quarter of 2024, two significant lease transactions are aiding this recovery; Jaguar-Land Rover's 52,309 square foot lease at RedFox Commons and Tesla's 43,216 square foot lease at the Bancroft Building. Despite these positive strides, Portland saw a decrease in overall occupancy in the Q1 with negative 400,926 sq. ft. of absorption.

A notable move in Q1 was Kiewit Engineering's expansion into an additional 17,000 square feet at 5 Lincoln Center in Tigard. Despite a decrease in office demand, the situation is gradually improving. In 2023, there was a 13% decrease in returned space compared to 2022, and a 55% decrease compared to 2021.

While high construction costs and significant tenant leverage have driven landlords to offer meaningful concessions packages to new tenants, leasing professionals noted a rising level of competition between local construction subcontractors in Q1. Landlords are hoping that easing construction costs will make tenant improvement costs less burdensome when looking to sign a new tenant to their building.

FIGURE 1: Overall Vacancy Distribution by Submarket

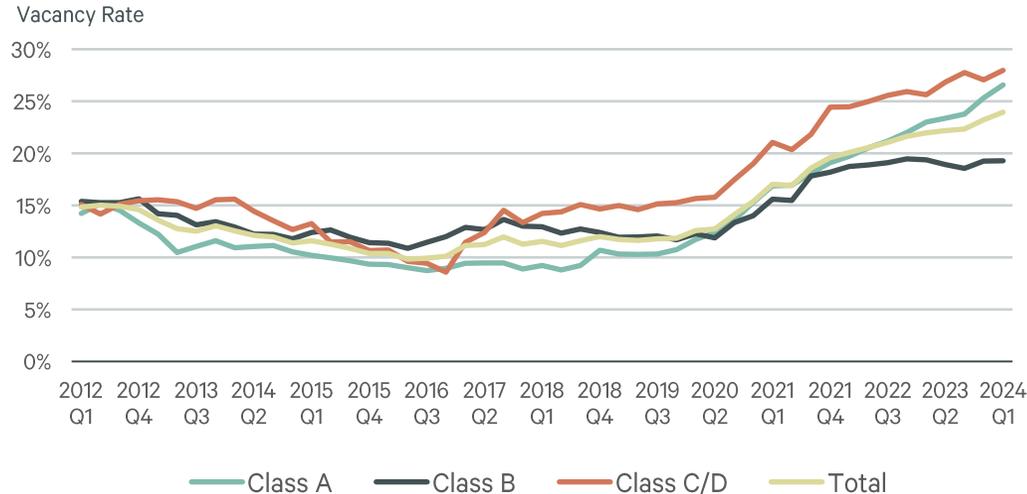


Source: CBRE Research, Q1 2024

## Leasing Activity

- Two significant Q1 2024 deals, both within Portland city limits, were inked by automotive companies. Jaguar Land Rover signed a 52,309 sq. ft. lease at RedFox Commons in Northwest Portland. On the southern end of the city, Tesla signed a 43,216 sq. ft. lease at the Bancroft Building in the Johns Landing submarket.
- For deals larger than 5,000 sq. ft., suburban office buildings observed more lease activity in Q1 than Downtown buildings, marking 225,631 sq. ft. and 147,398 sq. ft., respectively. Class A leases accounted for 63% of suburban deals, 16% of Downtown deals, and 45% of overall market deals by square footage.
- Big Indie Pictures, a NYC-based production company behind the Portland-based TV show Grimm, signed a 15,664 sq. ft. deal at 811 Stark in the Central Eastside submarket.
- Leasing activity in Q1 2024 was slightly below the previous year, but higher than the figures recorded for the same period in 2020, 2021, and 2022. CBRE is currently tracking nearly 800,000 square feet of active tenants in the market, 43% of which come from the Legal, Accounting, Consulting, and Business Services sector. This sector is experiencing a boost, as indicated by Forest City Trading Group and Variant Investments, both leasing substantial space at 5 Lincoln Center, and Summit Bank's expansion at Koin Tower.

FIGURE 2: Historic Vacancy Rate by Class



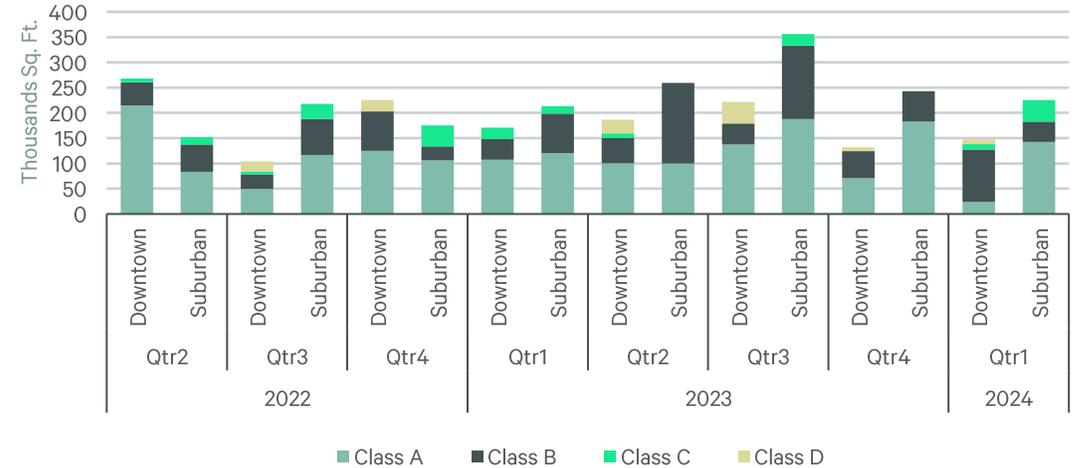
Source: CBRE Research, Q1 2024

TABLE 1: Q1 2024 Top Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type	Class
Jaguar Land Rover	52,309	Redfox Commons	Northwest	New Lease	B
Planar Systems, Inc.	45,414	Sunset Corporate Park	Hillsboro	New Lease	A
Tesla	43,216	Bancroft Building	Johns Landing	New Lease	C
Confidential Aerospace	34,180	27500 Parkway Ave	Wilsonville	Renewal	A
Forest City Trading Group	19,101	Five Lincoln Center	Washington Square	New Lease	A
Big Indie Pictures	15,664	811 Stark	Central Eastside	New Lease	B

Source: CBRE Research, Q1 2024

FIGURE 3: Leasing Activity by Class and Location (Deals 5k sq. ft. and larger)



Source: CBRE Research, Q1 2024

## Supply and Demand

There were no major active office construction projects within Portland city limits in Q1. However, Terminal 1 on the Vancouver Waterfront in Clark County, WA is nearing completion, half of which will deliver as space available for sublease. Downtown Portland also welcomed two new buildings in 2023, Block 216 and Eleven West. These modern structures offer a glimpse into the future of office spaces and provide an opportunity for businesses and residents to be part of Portland’s revival.

- Portland saw negative 401k sq. ft. of net absorption in Q1, slightly underperforming the quarterly average of negative 331k sq. ft. since Q2 2020.
- Available sublease space rose 120 bps QOQ to 2.6M sq. ft. market-wide, while remaining below the all-time high of 2.7M sq. ft. in the first quarter of 2023.
- The overall availability rate continued to tick upwards, landing at 28.1%, up 250 bps from the same time the previous year.
- Vacancy continued to vary significantly on a submarket-by-submarket basis, with Vancouver, Tigard, and Clackamas submarkets clocking less than 10% vacancy while Northwest hit 36%. Desirable spaces in Kruse Way remained in demand and scored top rents in the area, but the submarket has continued to struggle through vacant space, ending the quarter at 26% vacant.

## Investment and Rent Trends

Portland’s overall average asking rate recorded minimal quarterly change, settling at \$32.72 per sq. ft. on a full-service gross (FSG) basis in Q1 2024. Overall, asking rates have generally seen marginal growth year-over-year. However, Class A asking rates have been able to climb 2.5% YOY in part due to the arrival of new Trophy Class A space and tenants displaying a flight to experience. Northwest Portland’s Pearl District and the Kruse Way submarket still hold the highest rental rates. Class A average asking rates for those submarkets reached \$43.09 and \$41.55 FSG, respectively.

Significant office sales included:

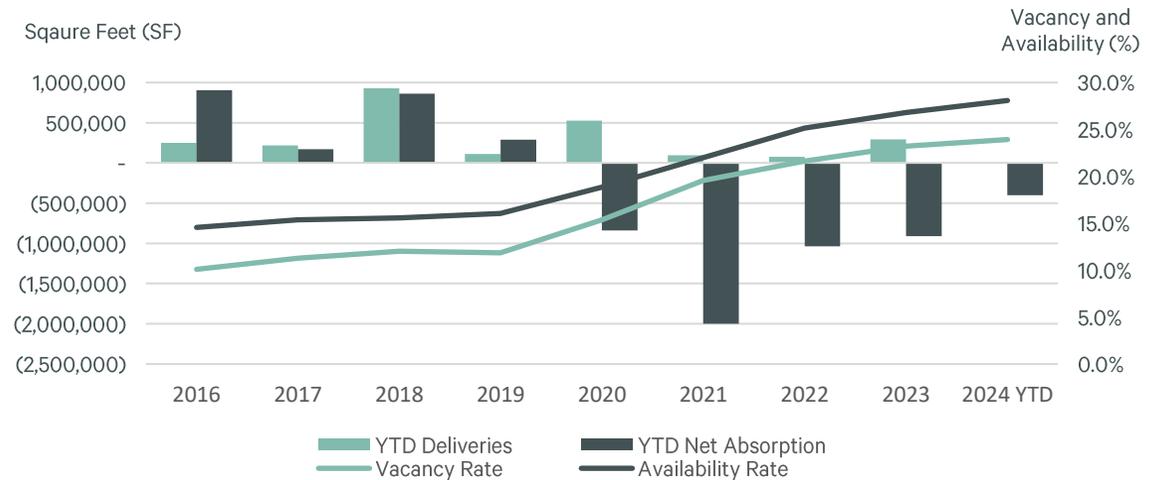
- Kruse Way Plaza I and II, sold from Shorenstein Properties to Directors Mortgage for \$23M, or \$218.15/sq. ft.
- 328-338 NW 23rd, sold from Ronald Kaufman to Timothy Parks for \$7M, or \$304.59/sq. ft.
- Tree Farm (850 SE 3<sup>rd</sup> Ave), sold from M360 Advisors, LLC to Ohana Group, LLC for \$5.07M, or \$126.76/sq. ft.

FIGURE 4: Available Sublease SF by Submarket



Source: CBRE Research, Q1 2024.

FIGURE 5: Historical Supply and Demand



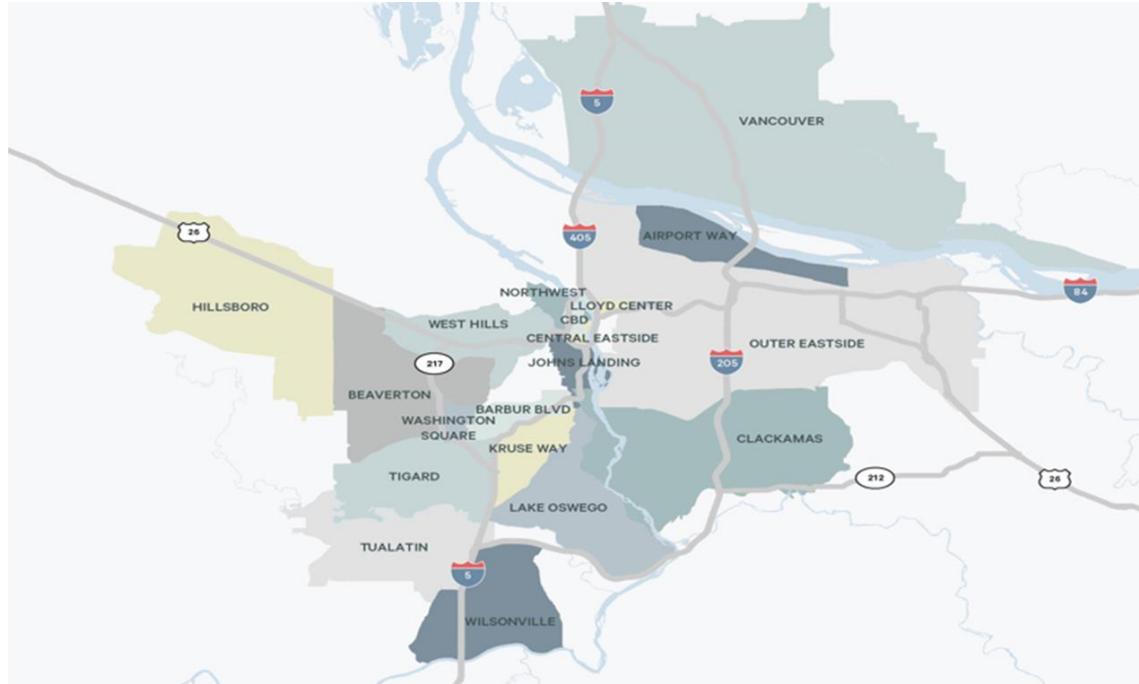
Source: CBRE Research, Q1 2024.

Table 2: Metro Market Statistics

Submarket	NRA (SF)	Vacant Direct (SF)	Vacant Sublease (SF)	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Availability Rate (%)	Q1 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Rate (\$/SF/YR FSG)	Class A Average Asking Rate (\$/SF/YR FSG)
CBD	16,648,411	4,693,338	482,798	28.2	31.1	37.8	(337,665)	(337,665)	-	34.49	41.47
Central Eastside	2,278,740	497,153	104,689	21.8	26.4	32.6	5,493	5,493	-	31.29	42.59
Lloyd Center	1,812,895	282,488	114,705	15.6	21.9	24.5	4,695	4,695	-	35.97	35.26
Northwest	6,143,290	1,807,868	384,061	29.4	35.7	38.1	(29,246)	(29,246)	-	35.13	43.09
<b>Total Downtown</b>	<b>26,883,336</b>	<b>7,280,847</b>	<b>1,086,253</b>	<b>27.1</b>	<b>31.1</b>	<b>36.5</b>	<b>(356,723)</b>	<b>(356,723)</b>	-	<b>34.47</b>	<b>41.38</b>
<b>Class A - CBD</b>	<b>8,611,582</b>	<b>2,166,597</b>	<b>251,271</b>	<b>25.2</b>	<b>28.1</b>	<b>34.4</b>	<b>(214,839)</b>	<b>(214,839)</b>	-	<b>41.47</b>	<b>41.47</b>
<b>Class A - Downtown</b>	<b>12,339,603</b>	<b>3,355,536</b>	<b>597,749</b>	<b>27.2</b>	<b>32.0</b>	<b>37.9</b>	<b>(264,632)</b>	<b>(264,632)</b>	-	<b>41.38</b>	<b>41.38</b>
Airport Way	547,741	134,477	7,543	24.6	25.9	31.3	(4,007)	(4,007)	-	19.81	21.50
Barbur Blvd	425,159	40,412	-	9.5	9.5	11.2	5,005	5,005	-	19.55	N/A
Beaverton	2,928,348	354,287	63,322	12.1	14.3	27.8	3,566	3,566	-	25.78	26.76
Clackamas	1,179,014	98,850	5,127	8.4	8.8	11.6	12,125	12,125	-	29.99	31.33
Hillsboro	2,239,626	377,114	254,799	16.8	28.2	31.5	10,605	10,605	-	24.27	26.32
John's Landing	1,717,467	409,584	19,889	23.8	25.0	30.0	(32,136)	(32,136)	-	28.56	29.13
Kruse Way	2,572,050	612,238	52,372	23.8	25.8	24.7	3,197	3,197	-	40.83	41.55
Lake Oswego	441,831	42,928	4,645	9.7	10.8	11.1	(898)	(898)	-	29.63	30.34
Outer Eastside	1,946,600	211,911	11,744	10.9	11.5	13.6	(4,886)	(4,886)	-	22.52	31.79
Tigard	2,192,535	148,935	51,758	6.8	9.2	9.4	(8,881)	(8,881)	-	26.56	34.95
Tualatin	785,315	198,171	7,050	25.2	26.1	26.1	(11,854)	(11,854)	-	26.20	29.00
Vancouver, WA	4,799,723	369,829	55,032	7.7	8.9	9.4	28,148	28,148	366,000	25.91	27.34
Washington Square	1,195,521	379,848	10,510	31.8	32.7	31.4	(34,059)	(34,059)	-	32.76	33.57
West Hills	870,944	82,397	-	9.5	9.5	10.2	(10,723)	(10,723)	-	24.14	34.24
Wilsonville	722,324	2,899	15,138	0.4	2.5	2.5	872	872	-	28.58	31.00
<b>Total Suburban</b>	<b>24,797,320</b>	<b>3,467,409</b>	<b>558,929</b>	<b>14.0</b>	<b>16.2</b>	<b>18.9</b>	<b>(44,203)</b>	<b>(44,203)</b>	<b>366,000</b>	<b>29.37</b>	<b>33.68</b>
<b>Total Market</b>	<b>51,680,656</b>	<b>10,748,256</b>	<b>1,645,182</b>	<b>20.8</b>	<b>24.0</b>	<b>28.1</b>	<b>(400,926)</b>	<b>(400,926)</b>	<b>366,000</b>	<b>32.72</b>	<b>38.59</b>
<b>Class A - Total Market</b>	<b>23,184,454</b>	<b>5,299,996</b>	<b>868,562</b>	<b>22.9</b>	<b>26.6</b>	<b>30.3</b>	<b>(288,573)</b>	<b>(288,573)</b>	<b>366,000</b>	<b>38.59</b>	<b>38.59</b>
<b>Class B - Total Market</b>	<b>20,307,949</b>	<b>3,275,488</b>	<b>657,954</b>	<b>16.1</b>	<b>19.4</b>	<b>24.4</b>	<b>(25,773)</b>	<b>(25,773)</b>	-	<b>28.44</b>	-

Source: CBRE Research, Q1 2024

## Market Area Overview



### Definitions

**Available Sq. Ft.:** Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied immediately.

### Survey Criteria

Includes all office buildings 10,000 sq. ft. and greater in size in Multnomah, Washington, Clackamas, and Clark counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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