

Signs of Stability in a Market Navigating Softer Fundamentals

▼ 27.1%

Vacancy Rate

▲ (316,395)

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 0

SF Under Construction

▼ \$32.74

FSG/YR Direct Lease Rate

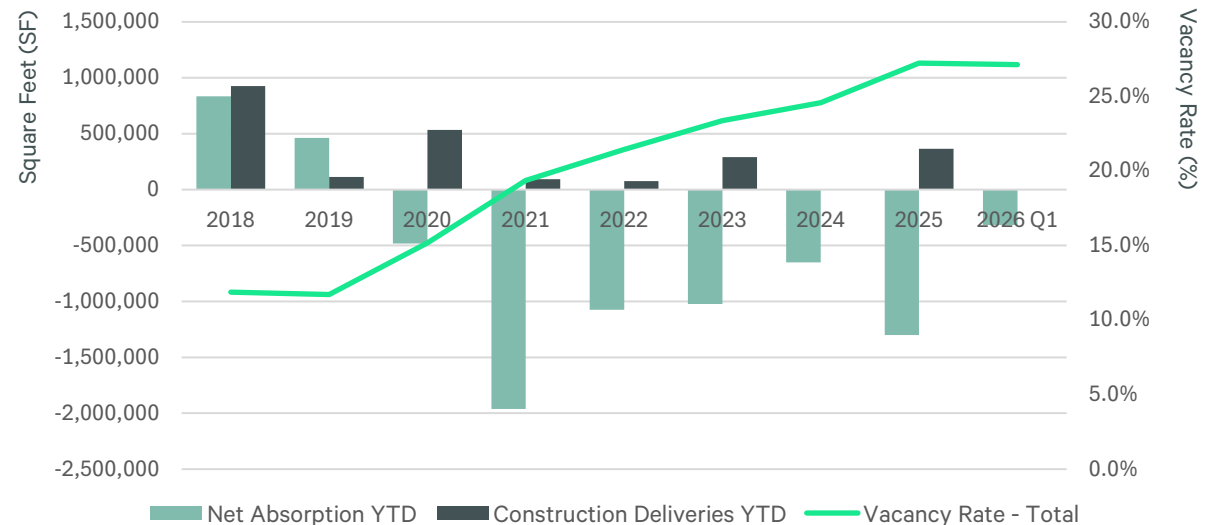
Note: Arrows indicate change from previous quarter.

Market Overview

The Portland office market continued its rebalancing trend in the first quarter. Following 1.3 million square feet (sq. ft.) of negative net absorption in 2025, the market recorded an additional 316,395 sq. ft. of negative net absorption during the first quarter, signaling ongoing space rationalization by occupiers. Some market fundamentals did show early signs of stabilization in the first quarter. Overall vacancy declined to 27.1%, a 20-basis-point (bps) decrease quarter-over-quarter (QoQ), and sublease availability decreased to 1.7 million sq. ft.

Leasing activity totaled 585,366 sq. ft. in Q1 2026, inclusive of new leases and renewals, and remained relatively flat compared to the same period one year ago. The two largest new lease transactions of the quarter occurred in Vancouver, highlighted by Southland Industries' 26,000 sq. ft. lease at Terminal 1. Investment activity remains muted, though momentum is beginning to emerge. In Q1 2026, Portland General Electric acquired Mohawk Business Park from The Khoshibin Company for \$14.5 million, or \$114 per sq. ft. The transaction involved a three-building suburban office campus and was among the quarter's notable sales.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

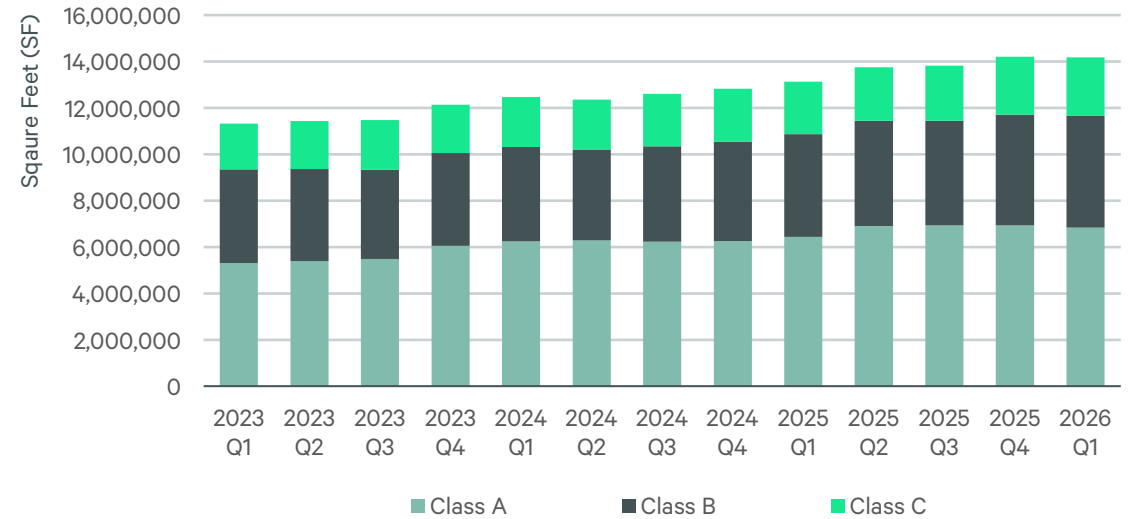
Supply and Demand

In Q1 2026, net absorption remained negative for the 22nd consecutive quarter, registering negative 316,395 sq. ft., underscoring the continued imbalance between supply and tenant demand. Overall office vacancy held relatively steady on a QoQ basis at 27.1%, suggesting early signs that vacancy growth may be moderating.

By asset class, performance remained mixed. Class A vacancy declined 40 bps to 29.0%, reflecting modest improvement in the market’s highest-quality inventory. Class B vacancy increased slightly, rising 20 bps to 23.4%. Class C assets continue to face the greatest pressure, with vacancy climbing to 31.1%, reflecting increases both QoQ and more sharply year-over-year (YoY). From a geographic perspective, the largest concentrations of vacant space remain in the Central Business District and Northwest submarkets, where vacancy rates reached 38.6% and 38.1%, respectively. Despite elevated direct vacancy, sublease availability continued to decline, falling to 1.7 million sq. ft., down 7.0% QoQ, suggesting gradual absorption of excess space and easing near-term supply pressure.

Leasing momentum, which softened in late 2025, remained subdued into the first quarter of 2026, with leasing activity, including new leases and renewals totaling 585,366 sq. ft. Suburban submarkets accounted for approximately 70% of overall leasing volume, continuing to outperform the urban core. The largest transactions of the quarter both took place at Terminal 1 on the Vancouver Waterfront with 91,136 sq. ft. leased by a Confidential Tenant, and 26,000 sq. ft. leased by Southland Industries. Additional notable transactions included coworking group, UpStart Collective’s 23,487-square-foot lease at U.S. Bancorp Tower and NV5 Geospatial’s 18,647-square-foot lease at Skylight, marking the firm’s relocation from the Commonwealth Building in the CBD.

Figure 2: Total Vacant SF by Class



Source: CBRE Research, Q1 2026

Table 1: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	91,136	New Lease	100 SW Columbia Way	Vancouver
Southland Industries	26,000	New Lease	100 SW Columbia Way	Vancouver
UpStart Collective	23,467	New Lease	111 SW 5th Ave	CBD
NV5 Geospatial	18,647	New Lease	120 SE Clay St	Central Eastside
Total Quality Logistics	16,675	Renewal	13333 SW 68 th Pkwy	Tigard
Big Indie Redwood	15,664	New Lease	811 SE Stark St	Central Eastside
Viewpoint (Trimble Construction)	12,602	New Lease	5665 Meadows Rd	Kruse Way
Mind Matters	12,247	New Lease	8905 SW Nimbus Ave	Beaverton

Source: CBRE Research, Q1 2026

Asking Rent and Investment Sales

In Q1 2026, the overall average direct asking lease rate is \$32.74 per sq. ft. on an annual full-service gross (FSG) basis, edging down 0.3% from Q4 2025 and 0.9% below Q1 2025. Class A office asking rents eased from \$38.26 to \$38.01 per sq. ft. quarter-over-quarter and are 0.4% lower than a year ago, a slightly smaller annual decline than the broader market. Class B rates slipped to \$28.59 per sq. ft., down 0.2% quarter-over-quarter and 0.9% year-over-year, while Class C space averages \$25.15 per sq. ft., up 0.7% on the quarter but 2.6% below Q1 2025. Over the last three years, Class A asking rents have inched up 0.9% versus a 3.4% decline for Class B, underscoring a modest but persistent flight to quality.

At the submarket level, Lloyd Center posts the highest combined average asking rate across all tracked classes at \$36.66 per sq. ft., while Northwest commands the top Class A rate at \$44.74 per sq. ft., followed closely by Kruse Way at \$43.84 and Central Eastside at \$42.50. On the low-cost side, Barbur Blvd is the most affordable submarket with a blended average of \$17.88 per sq. ft., and Airport Way offers the lowest Class A option at \$26.17 per sq. ft., highlighting a wide pricing spread between premier urban nodes and more cost-conscious corridors.

Office investment sentiment in Portland remains cautious but increasingly attentive. Elevated vacancy, prolonged negative absorption, and muted leasing activity continue to weigh on investor confidence, keeping overall transaction volume subdued. However, early signs of stabilization in market fundamentals, such as declining sublease inventory, modest vacancy compression, and select owner-user and suburban transactions, are beginning to draw interest from patient, value-oriented buyers.

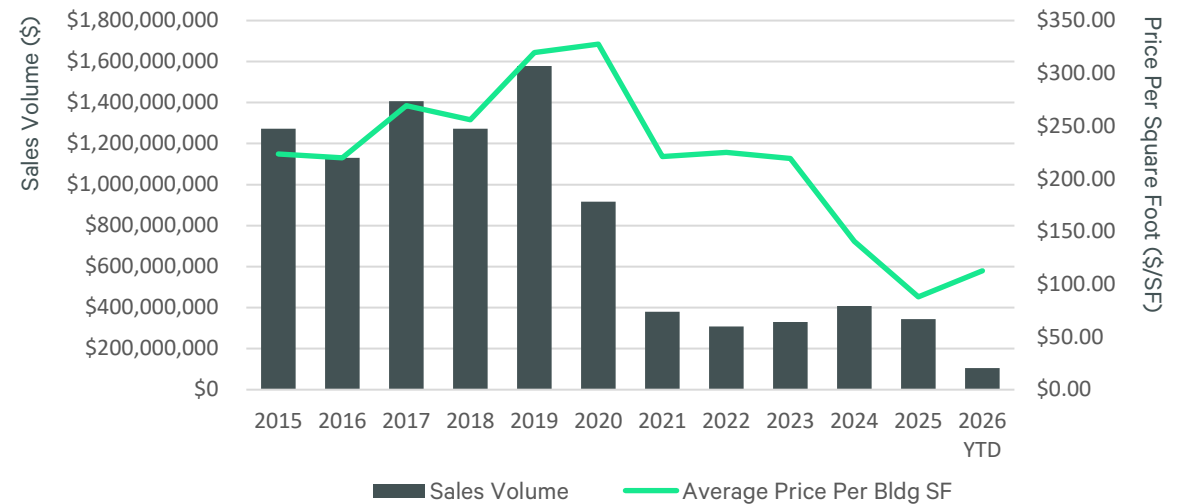
Notable sales activity in Q1 2026 was limited but included several value-driven transactions. Swickard Auto Group acquired the Five Oak Building in the Central Business District from Nuveen. The 266,664-square-foot office property traded for \$10.5 million, equating to \$40 per square foot. In addition, the Merchant Banker Building changed hands during the quarter in a private, individual transaction. Gilber Leon acquired the 29,370-square-foot office building located at the corner of SW 4th Avenue and Washington Street for \$1.2 million, or \$40.86 per square foot.

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Figure 4: Annual Investment Activity Trend



Source: CBRE Research, Q1 2026

TABLE 2: Metro Market Submarket Statistics

Submarket	NRA (SF)	Vacant Direct (SF)	Vacant Sublease (SF)	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Availability Rate (%)	Q1 2026 Net Absorption	YTD Net Absorption	Under Construction (SF)	Average Asking Rate (\$/SF/YR FSG)	Class A Average Asking Rate (\$/SF/YR FSG)
CBD	16,793,647	6,184,628	302,628	36.8	38.6	42.2	(210,327)	(210,327)	0	\$34.12	\$38.94
Central Eastside	2,327,544	659,051	100,236	28.3	32.6	34.6	19,763	19,763	0	\$27.41	\$42.50
Lloyd Center	1,812,895	368,050	0	20.3	20.3	23.0	9,848	9,848	0	\$35.30	\$34.95
Northwest	6,039,934	2,051,480	161,441	34.0	36.6	39.0	(7,673)	(7,673)	0	\$35.21	\$44.74
Total Downtown	26,974,020	9,263,209	564,305	34.3	36.4	39.5	(188,389)	(188,389)	0	\$33.94	\$39.65
Class A - Downtown	12,407,184	4,214,630	274,007	34.0	36.2	39.4	(39,341)	(39,341)	0	\$39.65	\$39.65
Airport Way	547,741	106,092	14,452	19.4	22.0	21.1	(4,840)	(4,840)	0	\$23.69	\$26.17
Barbur Blvd	425,159	54,114	0	12.7	12.7	12.7	(3,769)	(3,769)	0	\$18.09	\$28.90
Beaverton	3,199,931	408,168	21,734	12.8	13.4	25.3	(6,370)	(6,370)	0	\$25.70	\$31.65
Clackamas	1,179,014	106,860	3,356	9.1	9.3	11.1	(11,010)	(11,010)	0	\$26.63	\$27.65
Hillsboro	2,240,969	331,940	173,543	14.8	22.6	26.2	6,353	6,353	0	\$27.33	\$32.44
John's Landing	1,467,467	249,938	23,251	17.0	18.6	21.3	10,526	10,526	0	\$27.57	\$43.84
Kruse Way	2,571,786	598,340	42,124	23.3	24.9	26.6	(29,811)	(29,811)	0	\$42.83	\$31.64
Lake Oswego	441,831	46,029	4,645	10.4	11.5	12.4	(2,141)	(2,141)	0	\$30.90	\$30.00
Outer Eastside	2,018,780	286,016	43,108	14.2	16.3	17.6	(2,021)	(2,021)	0	\$22.03	\$37.31
Tigard	2,192,535	330,625	65,231	15.1	18.1	21.0	(25,575)	(25,575)	0	\$27.65	\$30.72
Tualatin	753,286	144,474	7,050	19.2	20.1	21.1	3,500	3,500	0	\$27.39	\$31.75
Vancouver, WA	5,243,030	459,350	240,157	8.8	13.3	11.6	(26,963)	(26,963)	0	\$26.60	\$28.37
Washington Square	1,162,501	419,109	4,681	36.1	36.5	35.3	(32,382)	(32,382)	0	\$33.06	\$33.45
West Hills	882,444	117,788	0	13.3	13.3	13.7	(3,602)	(3,602)	0	\$23.16	\$34.00
Wilsonville	722,324	21,229	15,138	2.9	5.0	6.8	1,078	1,078	0	\$27.03	\$29.72
Total Suburban	25,281,920	3,690,694	658,470	14.6	17.2	19.5	(128,006)	(128,006)	0	\$29.78	\$34.29
Total Market	52,255,940	12,953,903	1,222,775	24.8	27.1	29.8	(316,395)	(316,395)	0	\$32.74	\$38.01
Class A - Total Market	23,571,078	6,166,056	678,021	26.2	29.0	31.0	(59,805)	(59,805)	0	\$38.01	\$38.01
Class B - Total Market	20,566,934	4,323,828	487,467	21.0	23.4	26.7	(221,158)	(221,158)	0	\$28.59	-

Source: CBRE Research, Q1 2026

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 within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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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