

FIGURES | PORTLAND OFFICE | Q1 2025

# Downtown Portland continues to capture more office leasing activity than suburbs

▲ 25.2%

Vacancy Rate

▼ (207,509)

SF Net Absorption

▶ 366K

SF Under Construction

▲ \$33.22

Overall Asking Lease Rate, FSG

▼ \$38.18

Class A Asking Lease Rate, FSG

Note: Arrows indicate change from previous quarter.

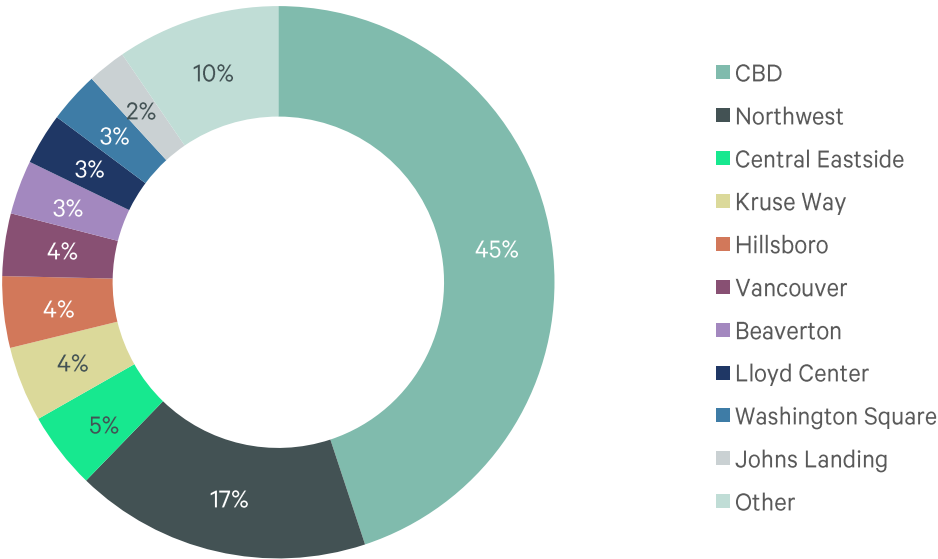
## MARKET SUMMARY

Portland's office market fundamentals remained relatively unchanged throughout the first quarter of the year, despite negative absorption and a rise in vacancy. The overall asking lease rate rose to \$33.22 per square foot annually on a full-service gross (FSG) basis, buoyed by a rise in class B asking rents. For the fourth consecutive quarter, downtown office buildings captured more leasing volume by square footage in the 5,000 sq. ft. plus range than suburban office buildings. Notably, however, suburban vacancy remains well below downtown vacancy, at 33.8% and 15.9% respectively.

Despite this stability, Portland's office market faced some headwinds this quarter. Unemployment in the city hit 4.5% in February, topping the national figure of 4.1% and marking Portland's highest unemployment rate since August 2021. Additionally, while Seattle has seen recent success with return-to-office mandates, Portland has not had the same luck with driving downtown foot traffic. While major tenant office footprints have largely stabilized, there are still more companies leaving space than new companies entering the market. This quarter, for example, Adobe Inc. announced the closure of their Portland office to consolidate operations in Seattle and San Jose. On a more positive note, available sublease space has continued to fall, driven both by master-lease expirations and tenants taking advantage of the discounted space. Becker Capital Management Inc. finalized their deal at PACWEST, expanding into space that was marketed for sublease by Technolutions.

Uncertainty surrounding federal funding has driven speculation about a decrease in office demand. While reductions in federal office space by the General Services Administration (GSA) are expected to have minimal impact locally and nationally, funding cuts are expected to be felt by nonprofits and other sectors that rely on federal dollars. Against this backdrop, two notable government-related lease renewals were signed at 1201 Lloyd Boulevard in the Lloyd Center submarket, a major downtown submarket for office-using government facilities. Additionally, the State of Oregon Judicial Department signed a new 8,816 sq. ft. lease at Umpqua Bank Plaza, in the central business district (CBD).

FIGURE 1: Overall Vacancy Distribution by Submarket



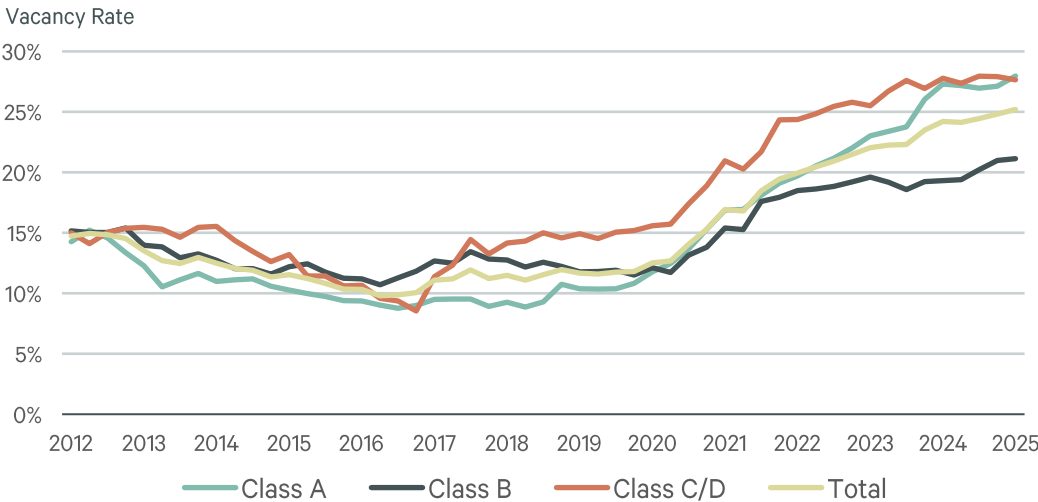
Source: CBRE Research, Q1 2025

## Leasing Activity

- The largest lease this quarter was Army Corp of Engineers’ renewal/contraction of their 33,407 sq. ft. space at 1201 Lloyd Boulevard in the Lloyd Center Submarket.
- Arc’teryx Equipment, the Canadian-based apparel company, signed a 14,999 sq. ft. office expansion in the Leland James building. The expansion exhibits Portland’s long-held status as a clothing and footwear design hub.
- PricewaterhouseCoopers, Inc. (PwC), one of the “Big Four” accounting firms globally, signed a 14,279 sq. ft. deal at The Offices at 11W, one of Portland’s newest trophy class A office properties. PwC will vacate their 19,290 sq. ft. space at Fox Tower, where they signed a short-term, renewal in Q1.
- For the fourth quarter in a row, downtown office buildings captured more leasing activity, including renewals, than suburban office buildings by square footage (see fig. 3).\*
- Class A leases accounted for 75% of downtown deals, 77% of suburban deals, and 76% of overall market deals in Q1 by square footage.\*

\*Excludes leases smaller than 5,000 sq. ft.

FIGURE 2: Historic Vacancy Rate by Class



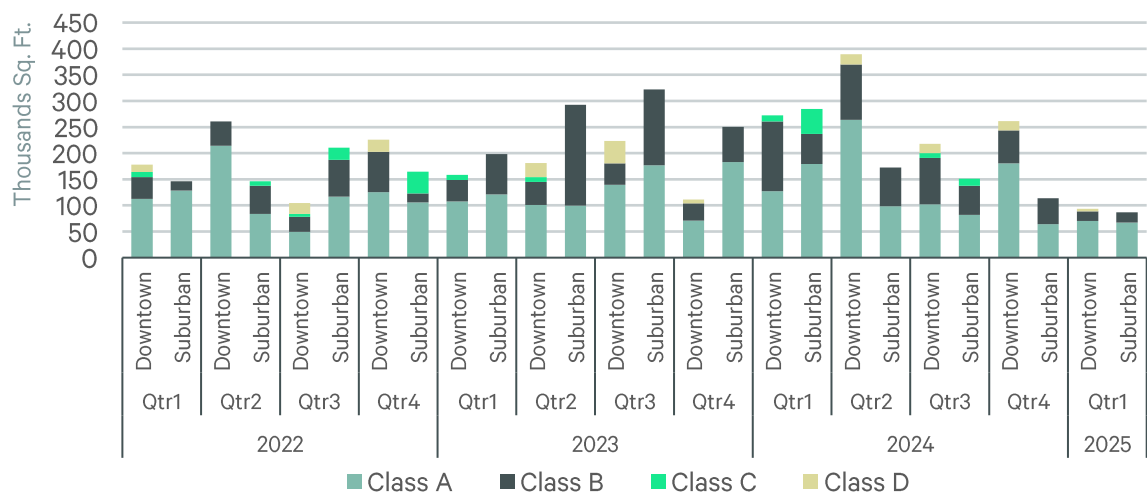
Source: CBRE Research, Q1 2025

TABLE 1: Q1 2025 Top Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type	Class
Army Corp of Engineers	33,407	1201 Lloyd Boulevard	Lloyd Center	Renewal/ Contraction	Class A
Regional Computer Forensics Laboratory	21,646	1201 Lloyd Boulevard	Lloyd Center	Renewal	Class A
Instrument	19,480	Field Office West	Northwest	New Lease	Class A
OnPoint Community Credit Union	17,000	Union Bank Building	CBD	New Lease	Class B
Becker Capital Management, Inc.	15,420	PACWEST	CBD	Expansion	Class A
Arc’teryx Equipment	14,999	The Leland James	Northwest	Expansion	Class A
PricewaterhouseCoopers, Inc.	14,279	The Offices at 11W	CBD	New Lease	Class A
Kadiant	10,183	Cascade Plaza Building L	Washington Square	New Lease	Class A

Source: CBRE Research, Q1 2025

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



Source: CBRE Research, Q1 2025

## Supply and Demand

- Portland saw 207,509 sq. ft. of negative net absorption in Q1 2025.
- Class B vacancy was lower than any other class at 21.1%. Class A vacancy, in contrast, was 28.0%.
- Available sublease space fell 7.5% quarter-over-quarter to 1.9 million sq. ft. market-wide, remaining below the all-time high of 2.7 million sq. ft. in the first quarter of 2023. The decrease in sublease availability was attributable to sublease availabilities expiring and rolling over to direct availabilities, rather than a marked increase in occupiers signing subleases.
- The overall availability rate continued to tick upwards, landing at 29.4%, up 160 bps YoY.
- Vacancy continued to vary significantly on a submarket-by-submarket basis; several submarkets including Tigard, Clackamas, and Vancouver recorded less than 12% vacancy while the CBD and Northwest submarkets recorded over 35%.

## Investment and Rent Trends

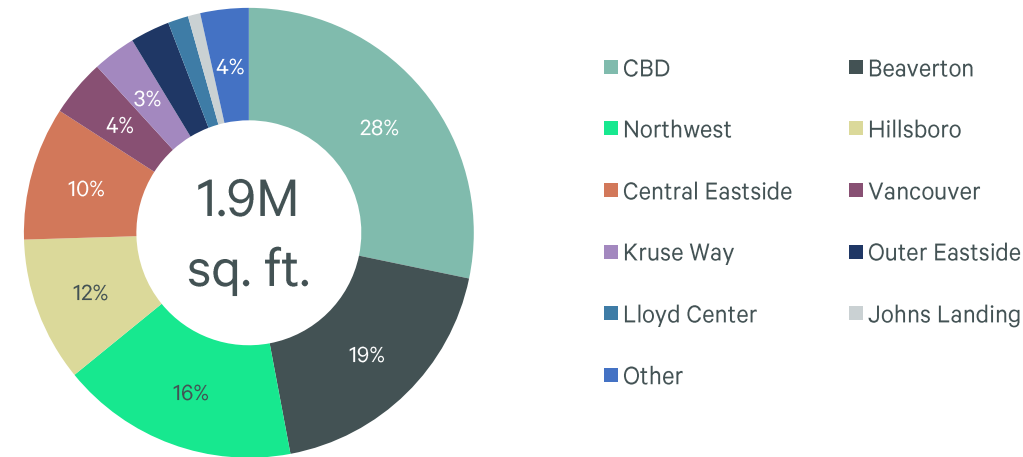
Portland’s overall average asking rate rose to year-over-year (YoY) to \$33.22 per sq. ft. FSG in Q1 2025, driven predominantly by growth in class B asking rates. The class A average asking rate fell YoY to \$38.18 per sq. ft. FSG. The class B average asking rate rose 243 bps YoY to \$29.13 per sq. ft. FSG.

Many Portland area landlords are already offering the maximum dollar value of concessions they can afford to give tenants in the form of tenant improvement allowances and free months of rent. In turn, some class B owners looking to offer strong value propositions have been willing to drop their asking rates to lure tenants.

Portland office sales volume totaled \$56 million in Q1 2025, less than the three-year quarterly average of \$84M. The average price per sq. ft. for buildings sold was \$248, below the three-year average of \$277.

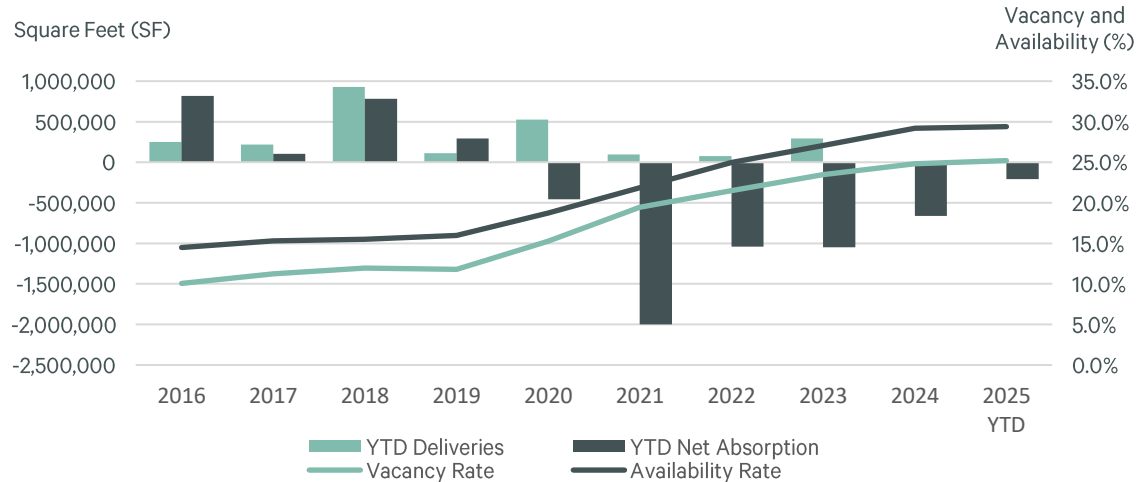
Office sale activity continues to be driven by private buyers and owner-users hoping to capitalize on deeply discounted. Institutional buyers, who in the past have made up over 30% of sales volume by buyer type, constituted merely 5% of sales volume in 2024. There was one significant portfolio transaction purchased by an institutional buyer this quarter - CIRE Partners purchased two flex properties and one office building (55 West in Hillsboro).

FIGURE 4: Available Sublease SF by Submarket



Source: CBRE Research, Q1 2025.

FIGURE 5: Historical Supply and Demand



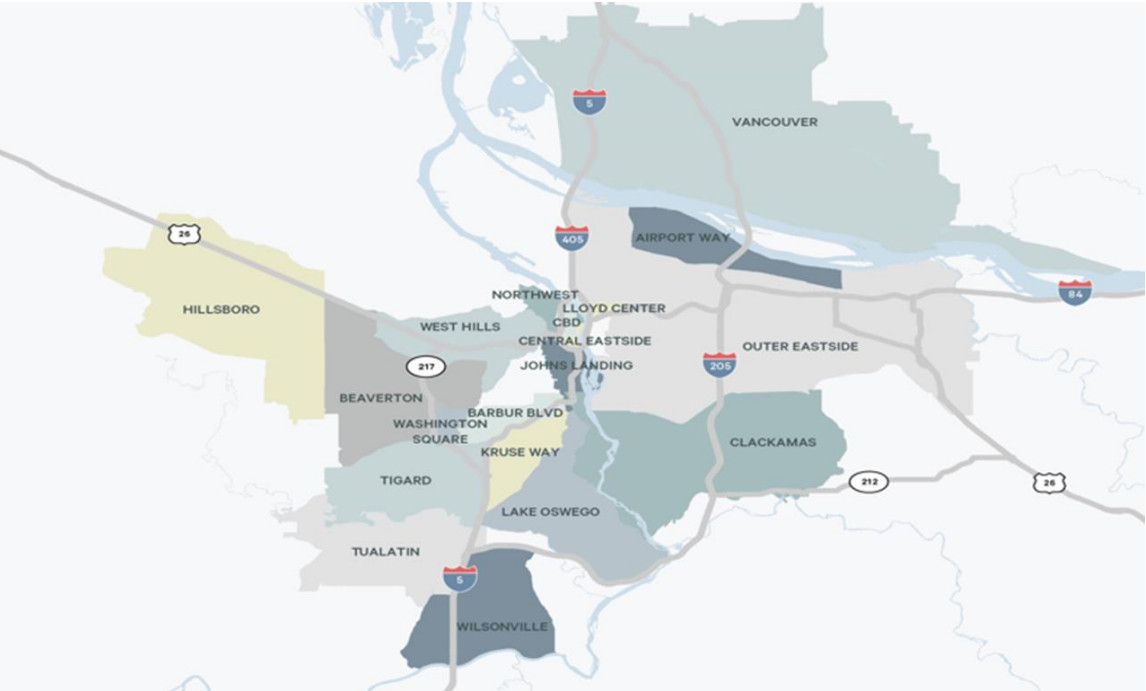
Source: CBRE Research, Q1 2025.

Table 2: Metro Market Statistics

Submarket	NRA (SF)	Vacant Direct (SF)	Vacant Sublease (SF)	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Availability Rate (%)	Q1 2025 Net Absorption	Under Construction (SF)	Average Asking Rate (\$/SF/YR FSG)	Class A Average Asking Rate (\$/SF/YR FSG)
CBD	16,704,223	5,457,358	438,074	32.7	35.3	40.6	(151,950)	0	34.61	39.63
Central Eastside	2,278,740	499,878	92,812	21.9	26.0	33.6	(206)	0	31.68	42.61
Lloyd Center	1,812,895	374,694	21,643	20.7	21.9	23.1	(815)	0	35.74	35.61
Northwest	6,325,311	2,007,222	267,916	31.7	36.0	38.6	15,721	0	36.86	44.69
Total Downtown	27,121,169	8,339,152	820,445	30.7	33.8	38.4	(137,250)	0	34.85	40.23
Class A - Downtown	12,346,603	3,915,004	471,418	31.7	35.5	39.7	(132,436)	0	40.23	40.23
Airport Way	547,741	166,912	0	30.5	30.5	32.3	531	0	24.51	28.26
Barbur Blvd	425,159	46,111	0	10.8	10.8	12.8	5,195	0	18.66	-
Beaverton	3,201,331	397,985	16,798	12.4	13.0	25.4	(10,499)	0	25.80	27.39
Clackamas	1,179,014	115,039	1,506	9.8	9.9	13.2	9,730	0	30.14	31.72
Hillsboro	2,240,546	367,345	181,427	16.4	24.5	26.3	(133,490)	0	27.70	28.45
John's Landing	1,539,467	279,212	16,453	18.1	19.2	24.9	23,582	0	29.27	33.19
Kruse Way	2,571,786	545,212	33,508	21.2	22.5	23.7	50,780	0	41.80	42.94
Lake Oswego	441,831	51,001	4,645	11.5	12.6	12.9	2,578	0	29.72	31.12
Outer Eastside	2,006,600	196,262	43,769	9.8	12.0	13.3	20,068	0	22.66	34.90
Tigard	2,192,535	272,643	12,170	12.4	13.0	15.9	(38,993)	0	27.72	30.26
Tualatin	785,315	210,806	7,050	26.8	27.7	36.1	(7,517)	0	26.54	31.08
Vancouver, WA	4,799,978	421,482	58,578	8.8	10.0	12.1	35,459	366,000	26.46	27.56
Washington Square	1,195,521	386,060	6,789	32.3	32.9	35.1	(18,343)	0	33.24	33.83
West Hills	870,944	99,142	0	11.4	11.4	13.5	(9,363)	0	24.33	34.00
Wilsonville	722,324	5,140	15,138	0.7	2.8	2.8	(2,664)	0	26.49	36.00
Total Suburban	24,953,214	3,567,793	397,831	14.3	15.9	19.6	(70,259)	366,000	29.72	33.71
Total Market	52,074,383	11,906,945	1,218,276	22.9	25.2	29.4	(207,509)	366,000	33.22	38.18
Class A - Total Market	23,192,374	5,832,052	654,196	25.1	28.0	31.5	(198,603)	366,000	38.18	38.18
Class B - Total Market	20,661,913	3,859,428	506,663	18.7	21.1	26.4	(29,749)	0	29.13	-

Source: CBRE Research, Q1 2025

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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