

MARKET TRENDS

PORLAND OFFICE

MARKET DRIVERS

The Portland office market reached a new record high in direct vacancy, climbing to 15.2% in Q3, an increase of 160 basis points (bps) quarter-over-quarter (QOQ). Vacancies have continued to rise for 12 consecutive quarters, and similar to other major Western markets, downtown Portland holds the majority of the market's vacant space, representing over half of total vacancies.

Q3 leasing activity hit a record low of 641K SF, excluding the pandemic-disrupted third quarter of 2020, and the market remains on pace for its lowest annual volume on record. Average deal sizes have also declined, with leases now averaging under 3,000 SF – about 5% below the 10-year norm – as tenants continue to prioritize space efficiency.

Despite record-high vacancy rates and historically low leasing volume, sales activity has picked up in recent quarters, as opportunistic buyers respond to steep pricing discounts and growing availability of distressed or value-add assets. Many investors may see the current environment as an opportunity to acquire properties at below-replacement cost, with potential for long-term repositioning or conversion.

ECONOMIC REVIEW

As of August 2025, the unemployment rate for the Portland-Vancouver-Hillsboro MSA was 5.3%, up from 4.3% at the same time last year. This is compared to 5.0% for the state of Oregon and 4.3% for the nation.

Portland's efforts to stimulate economic growth come as Oregon's labor market shows signs of weakness, with nearly 25,000 jobs lost over the past year. However, select industries such as healthcare, professional services, and technology continue to show modest job gains, signaling areas of resilience within the state's economy.

NEAR-TERM OUTLOOK

Leasing trends continue to reflect broader economic uncertainty, influenced by factors such as workforce reductions, ongoing tariff pressures, and cuts to federal spending. Although the labor market remains relatively constrained, early signs of softening are contributing to more cautious sentiment among employers. As a result, many tenants are opting to delay long-term decisions, scale back their space requirements, or reevaluate their workplace strategies entirely. Furthermore, persistent downtown vacancies are driving momentum for office-to-housing conversions as stakeholders seek to revitalize the urban core and spur investment.

Market Summary

	3Q25	2Q25	3Q24	YOY Change
Direct Vacancy Rate	15.2%	15.1%	13.6%	160 bps
Availability Rate	18.7%	18.2%	16.7%	200 bps
Asking Lease Rate	\$30.00	\$29.76	\$28.20	6.4%
	3Q25	YTD 2025	YTD 2024	YOY Change
Total Net Absorption	-22,303	-1,448,559	-458,389	N/A

3Q 2025

↓ 641K SF
LEASING ACTIVITY

↑ -22K SF
NET ABSORPTION

↑ 15.2%
VACANCY RATE

↓ \$30.00
ASKING RENT (AVG)

↔ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

Market Highlights

ASKING RENTAL RATES

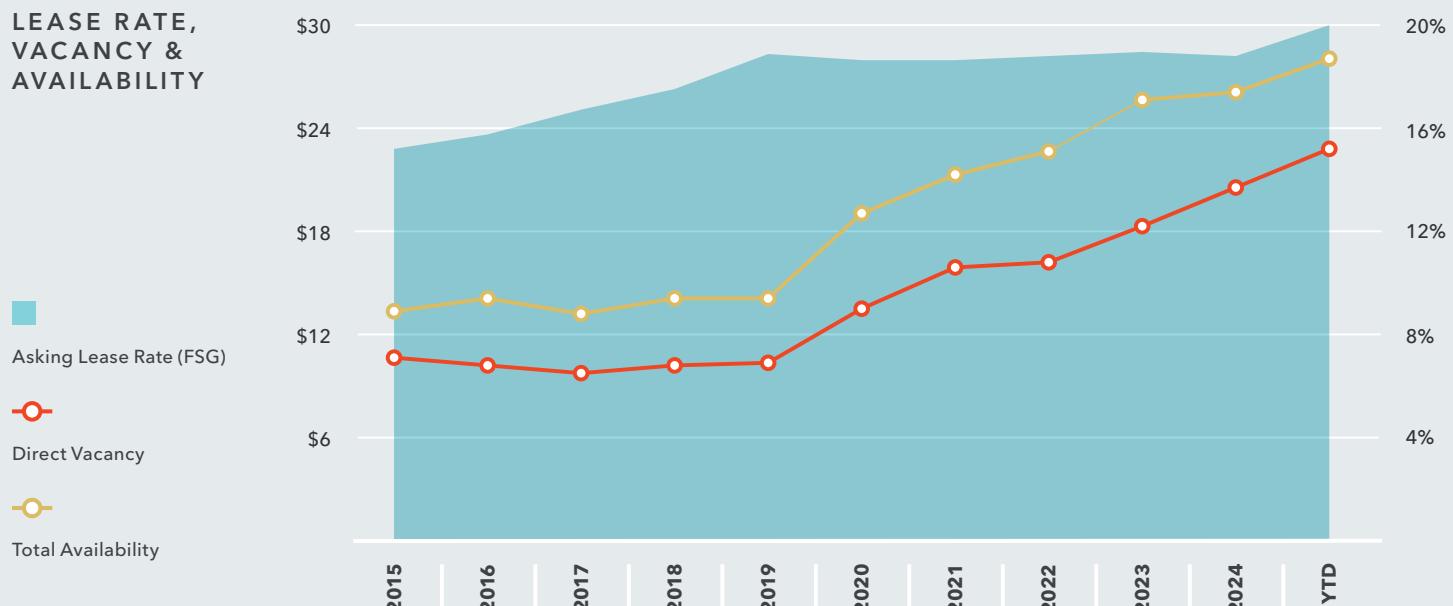
increased YOY to
\$30 PSF FSG

DIRECT VACANCY RATES

reached an all-time high
of 15.2%

SALES VOLUME jumped by
over 50% QOQ to 1.7M SF

LEASE RATE, VACANCY & AVAILABILITY

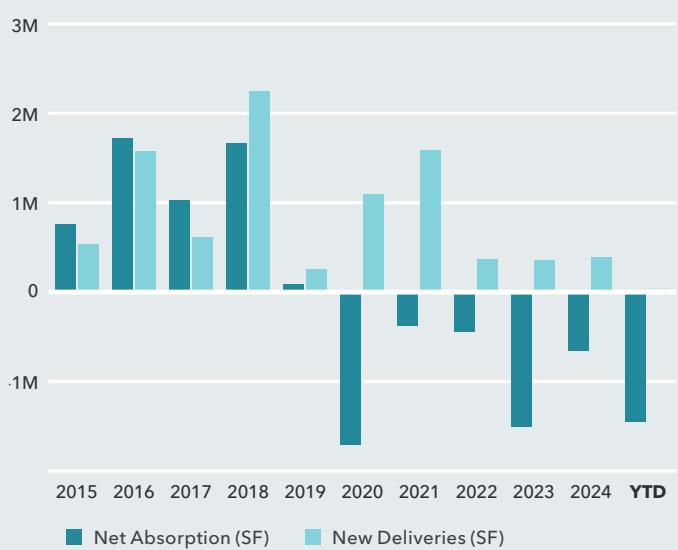


BIGGEST SALE OF THE QUARTER

*US Bancorp Tower
Portland, OR*



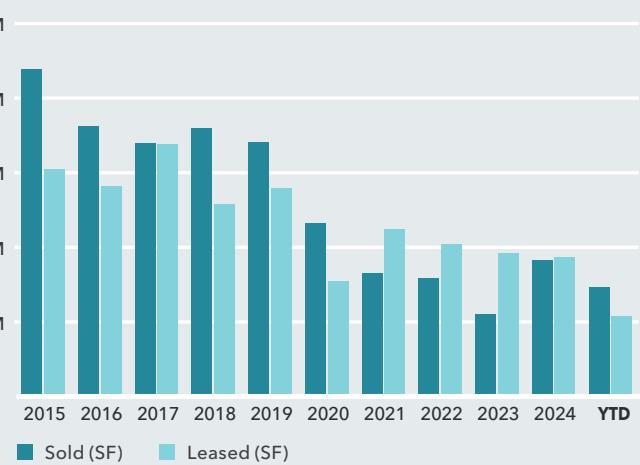
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q25 Total Net Absorption	YTD Total Net Absorption	3Q25 Leasing Activity	YTD Total Leasing Activity	Direct Rental Rate
CBD	29,793,436	27.2%	28.6%	31.8%	-316,320	-970,163	125,862	460,635	\$29.16
Pearl District/Chinatown	3,315,282	29.8%	30.0%	27.0%	60,926	90,512	35,680	76,895	\$30.36
Downtown	33,108,718	27.4%	28.8%	31.3%	-255,394	-879,651	161,542	537,530	\$29.16
217 Corridor/Beaverton	2,626,751	17.0%	18.3%	19.9%	36,510	-7,758	48,617	195,815	\$26.52
Airport Way	1,080,923	12.5%	12.5%	14.1%	19,095	18,826	14,478	43,203	\$20.64
Barbur Blvd/Capitol Hwy	1,438,911	10.1%	10.1%	11.0%	9,508	-39,264	5,111	25,261	\$18.48
Camas/Washougal	1,094,066	4.5%	4.5%	4.5%	20,720	26,375	0	18,800	\$28.32
Cascade Park	3,326,634	10.7%	11.3%	12.2%	21,335	-30,164	59,121	118,189	\$29.64
CBD/West Vancouver	3,557,610	6.3%	12.2%	12.6%	-8,723	-203,657	17,665	94,818	\$29.04
Clackamas/Milwaukie	3,284,429	6.9%	7.0%	7.3%	-14,268	-9,443	32,113	80,796	\$26.88
East Columbia Corridor	1,101,183	1.9%	1.9%	2.4%	34,713	398	9,379	9,779	\$32.40
Gateway	2,167,090	4.5%	4.5%	3.6%	-5,820	-7,954	21,572	23,295	\$24.96
Gresham	1,111,973	3.0%	3.1%	5.9%	736	6,273	10,988	16,177	\$20.64
Guilds Lake	517,632	5.9%	7.6%	14.2%	0	-3,595	0	1,438	-
Hayden Island/Swan Island	2,048,440	1.1%	1.1%	3.5%	1,000	8,618	0	8,813	\$15.60
Hazel Dell/Salmon Creek	912,086	1.0%	1.0%	1.1%	21,708	30,191	4,993	30,211	\$29.88
Johns Landing	1,936,772	15.1%	16.5%	19.4%	-2,216	-20,047	8,513	48,099	\$28.80
Kruse Way	2,805,752	20.0%	20.8%	23.5%	33,384	76,833	220	47,092	\$42.72
Lake Oswego/West Linn	964,668	10.0%	10.0%	13.4%	9,145	-5,242	13,577	45,775	\$35.76
Lloyd District	5,564,043	13.9%	15.3%	17.0%	1,463	-81,329	40,345	162,988	\$36.48
Mall 205	854,958	6.8%	8.6%	9.2%	-3,677	-13,480	11,971	23,009	\$17.88
NE Close-In	1,790,202	4.6%	5.4%	6.2%	13,295	24,141	7,275	28,121	\$30.84
North Beaverton	2,891,965	7.9%	8.0%	9.4%	21,363	-48,982	11,702	29,822	\$33.48
Orchards	830,859	5.0%	5.0%	5.4%	-856	-4,797	8,476	13,573	\$24.96
Oregon City	909,370	5.9%	5.9%	6.8%	-1,618	-18,687	3,025	10,697	\$24.12
Rivergate	93,661	7.5%	7.5%	7.5%	0	0	0	0	-
SE Close-In	3,576,553	15.5%	17.0%	21.9%	7,086	-35,408	20,332	67,595	\$29.04
Sherwood	156,274	5.3%	5.3%	5.3%	-1,095	1,529	0	3,500	\$37.92
St. Johns/Central Vancouver	1,671,755	2.2%	2.2%	1.8%	10,639	9,102	4,964	27,561	\$31.44
Sunset Corridor/Hillsboro	15,997,638	6.9%	7.7%	11.7%	-50,340	-107,109	30,624	229,062	\$26.88
SW Close-In	794,144	36.9%	36.9%	39.7%	-4,848	-16,869	470	1,464	\$19.56
Sylvan/Hillsdale	806,824	13.5%	13.5%	15.0%	-15,071	-6,629	4,921	39,587	\$18.84
Tigard	4,693,044	14.6%	16.7%	19.6%	-65,058	-101,205	47,364	95,006	\$32.52
Tualatin	1,271,717	14.8%	15.3%	19.4%	22,219	30,617	31,946	53,963	\$26.64
Vancouver Mall	863,961	9.8%	14.0%	15.7%	3,763	-41,128	3,814	10,002	\$22.80
Wilsonville	1,246,564	11.7%	12.9%	17.0%	118,999	936	5,918	15,068	\$27.84
Suburban	73,988,452	9.74%	10.78%	13.02%	233,091	-568,908	479,494	1,618,579	\$30.48
Portland Total	107,097,170	15.2%	16.3%	18.7%	-22,303	-1,448,559	641,036	2,156,109	\$30.00
Class A	34,411,884	21.1%	23.5%	25.8%	-20,198	-881,414	215,578	753,454	\$36.60
Class B	53,776,297	13.6%	14.3%	16.8%	71,495	-412,311	351,490	1,156,090	\$27.60
Class C	18,638,007	9.2%	9.2%	11.0%	-65,905	-150,039	73,968	246,565	\$21.60

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
111 SW 5th Ave - US Bancorp Tower	CBD	1,154,174	\$45,000,000	\$38.99	Swickard Auto Group	UBS
8307 SE Monterey Ave	Clackamas/Milwaukie	8,783	\$3,375,000	\$384.27	The Salvation Army	Deen Cummings
1312-1396 E Powell Blvd	Gresham	18,414	\$2,800,000	\$152.06	Matthew Schweitzer	Stephen Reynolds

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1250 NW 17th Ave	NW Close-In	30,380	August 2025	Overton Creative	Bridges Middle School
8920 NE Von Neumann Dr	Sunset Corridor/Hillsboro	23,240	July 2025	Jennie Lewkowicz	Undisclosed
805 SW Broadway	CBD	22,000	August 2025	TMT Development Company, Inc.	Ferguson Wellman Capital Mgmt.

Data Source: EDD, CoStar



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M+ SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400 AVERAGE ANNUAL ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS