

# Office Market Report | Q2 2024

**Norris & Stevens**

INVESTMENT REAL ESTATE SERVICES

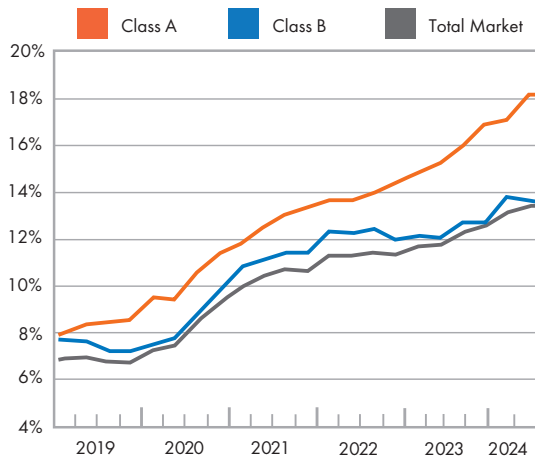
## OVERVIEW

As the second quarter of 2024 came to a close, occupancy in Portland's office market continues to erode due to employment losses and the persistence of remote work options. Payroll growth is not expected to pick up significantly in the upcoming quarters, which means that the imbalance in the office market will likely persist for some time.

The fact that Portland is not facing a large speculative supply pipeline helps to shed some light on the situation. Less than 400,000 square feet were started in 2023, which ranks as Portland's third-lowest quantity in the last 20 years. Thus, the amount of office product now in production equals 0.45% of the total inventory.

### Vacancy Rates by Class

2019 - 2024



Source: CoStar Group

## ABSORPTION & DELIVERIES

The overall office market saw negative <339,110> square feet in net absorption by the end of the second quarter of 2024, compared to negative <651,538> square feet at the end of the previous quarter.

- Class A: Negative <245,135> SF
- Class B: Negative <117,973> SF
- Class C: Negative <200,610> SF

## PORTLAND MARKET SNAPSHOT

VACANCY  
**13.4%**



RENTAL RATE  
**\$29.43**



CONSTRUCTION  
**537,142 SF**



ABSORPTION  
**<339,110> SF**



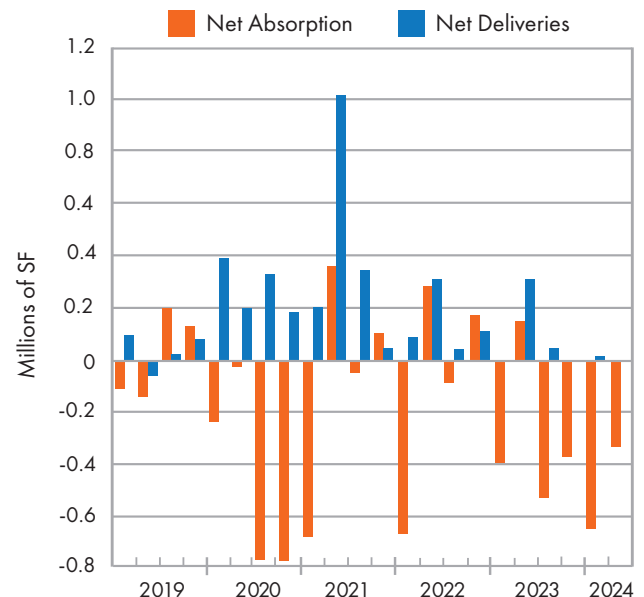
## VACANCY

Office vacancy rates rose from 13.2% to 13.4% in the second quarter of 2024, almost matching the 13.85% national vacancy rate. More easing is anticipated in part due to companies lessening their footprints even when they don't intend to move. At 2.1 million square feet, office sublease availabilities remain near all-time highs.

- Class A: 19.6%
- Class B: 12.8%
- Class C: 6.5%

## Absorption & Deliveries

2019 - 2024



Source: CoStar Group

## DELIVERIES AND CONSTRUCTION

The second quarter of 2024 saw 3,056 square feet of new product delivered to the market, while 537,142 square feet of inventory remains under construction.

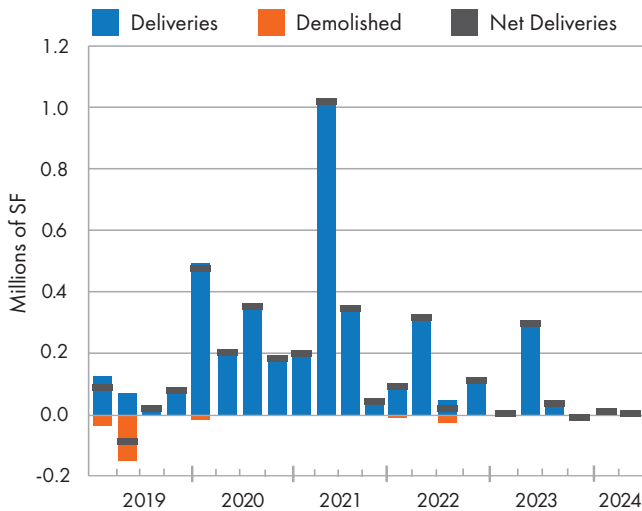
There is currently only one project scheduled for completion in 2024. Phase 2 of The Boulder in Lake Oswego will add 3,514 square feet when completed in August. Two larger projects still under construction, both on Vancouver's waterfront, are Terminal 1 at 360,000 square feet, set for delivery in March 2025, and Block 1 at 165,000 square feet, set for completion in October 2025.

## RENTAL RATES

Portland office year-over-year rents posted gains of 1.4%, with a five-year average of 2.0%. As the second quarter of 2024 came to a close, the average quoted asking rental rate for all classes increased slightly from the previous quarter to \$29.43 per square foot. Portland still offers a sizable discount to the national index of \$35.44 per square foot.

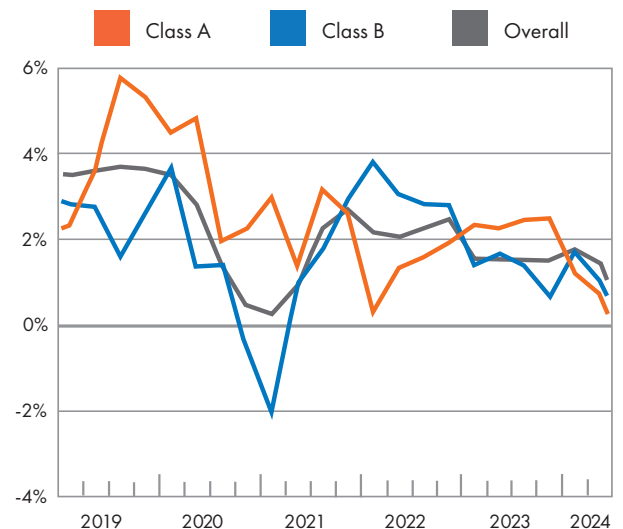
Class A:	\$35.65
Class B:	\$28.33
Class C:	\$23.57

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



Source: CoStar Group

### Market Rent Growth 2019 - 2024



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	531,000	340,000	64.1%	13,024	265,500
Lake Oswego/West Linn	1	4,000	4,000	100%	7,695	3,514
217 Corridor/Beaverton	0	-	-	-	17,111	-
Airport Way	0	-	-	-	18,017	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,876	-
Camas/Washougal	0	-	-	-	14,750	-
Cascade Park	0	-	-	-	24,908	-
CBD	0	-	-	-	75,582	-
Clackamas/Milwaukie	0	-	-	-	9,081	-
Clark County Outlying	0	-	-	-	4,884	-
All Other	0	-	-	-	16,168	-
<b>Totals</b>	<b>3</b>	<b>535,000</b>	<b>344,000</b>	<b>64.3%</b>	<b>19,028</b>	<b>178,171</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).