

Office Market Report | Q3 2024

Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

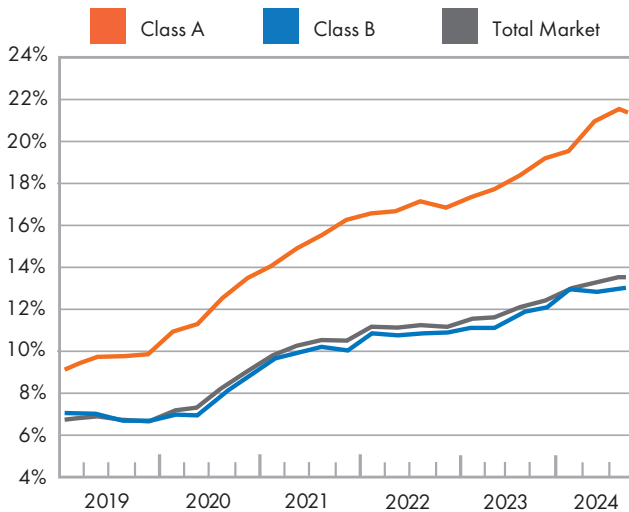
OVERVIEW

While employment continues to show signs of growth and more people are going back to work, the effects have yet to significantly move the needle on occupancies in the Portland office market. This is due in part to lingering remote work models, and some companies looking to downsize their footprint. Many companies are looking to focus more on efficiency as opposed to leasing space for future growth.

New office construction is at its third lowest level in the past 20 years, providing a lower vacancy ceiling and some light at the end of the tunnel.

Vacancy Rates by Class

2019 - 2024



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw negative <295,263> square feet in net absorption by the end of the third quarter of 2024, compared to negative <339,110> square feet at the end of the previous quarter.

- Class A: Negative <164,431> SF
- Class B: Negative <95,479> SF
- Class C: Negative <35,353> SF

PORTLAND MARKET SNAPSHOT

VACANCY
13.5%



RENTAL RATE
\$29.91



CONSTRUCTION
594,899 SF



ABSORPTION
<295,263> SF



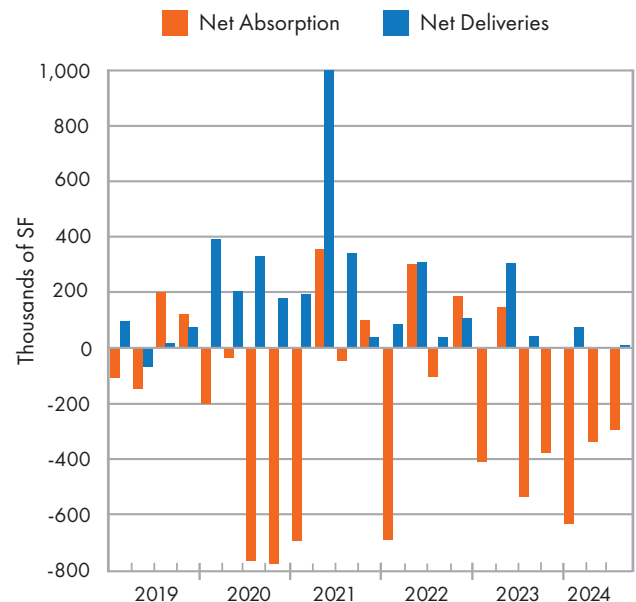
VACANCY

Office vacancy rates rose from 13.4% to 13.5% in the third quarter of 2024, continuing to keep pace with the national rate of 13.89%. Many companies are downsizing their footprint, adding to the 2 million square feet of office sublease availabilities.

- Class A: 20.6%
- Class B: 12.3%
- Class C: 6.7%

Absorption & Deliveries

2019 - 2024



Source: CoStar Group

DELIVERIES AND CONSTRUCTION

The third quarter of 2024 saw 8,294 square feet of new product delivered to the market, while 594,899 square feet of inventory remains under construction.

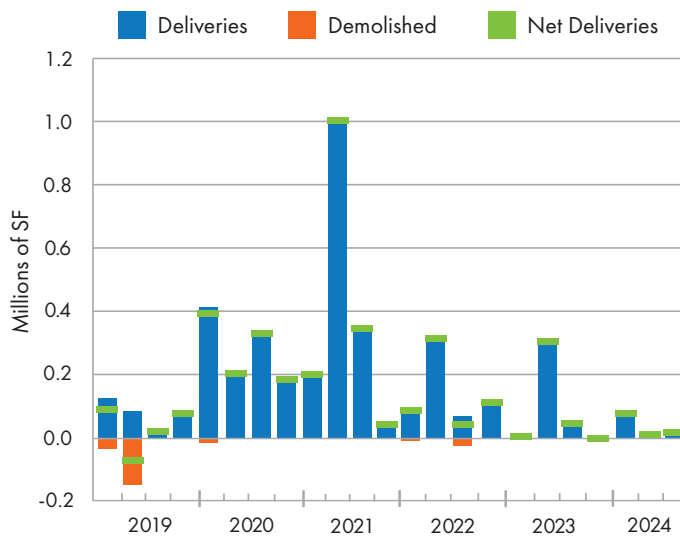
There is currently only one project scheduled for completion in 2024. 1935 NW Overton Street in Portland's Slabtown neighborhood will add 63,899 square feet when completed in November. Two larger projects still under construction, both on Vancouver's waterfront, are Terminal 1 at 360,000 square feet, set for delivery in March 2025, and Block 1 at 165,000 square feet, set for completion in October 2025.

RENTAL RATES

Compared to the five-year average of 2.1% and the ten-year average of 3.6%, market asking rents have generated yearly gains of 1.9%. As the third quarter of 2024 came to a close, the average quoted asking rental rate for all classes increased slightly from \$29.43 in the previous quarter to \$29.91 per square foot. Even so, Portland still offers a sizable discount to the national index of \$35.57 per square foot.

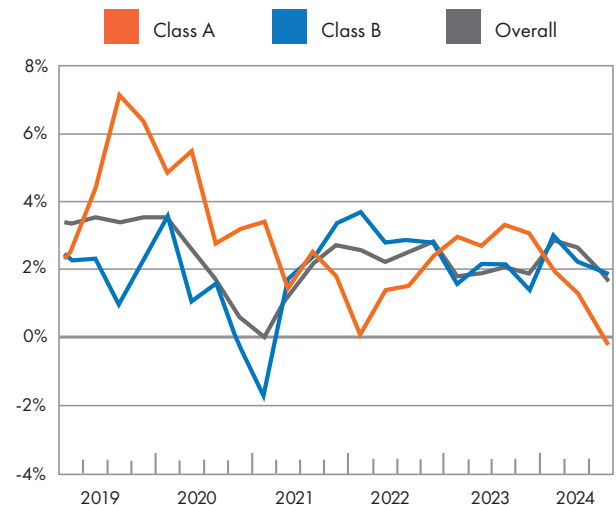
Class A:	\$36.27
Class B:	\$28.46
Class C:	\$24.30

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%	13,138	265,500
Lake Oswego/West Linn	1	64,000	50,000	78.1%	20,738	63,899
217 Corridor/Beaverton	0	-	-	-	17,204	-
Airport Way	0	-	-	-	17,436	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,933	-
Camas/Washougal	0	-	-	-	15,766	-
Cascade Park	0	-	-	-	24,803	-
CBD	0	-	-	-	75,332	-
Clackamas/Milwaukie	0	-	-	-	9,086	-
Clark County Outlying	0	-	-	-	5,075	-
All Other	0	-	-	-	15,903	-
Totals	3	595,000	390,000	65.6%	19,185	198,300

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.