

1Q25

Portland Office Market Overview

NEWMARK

Market Observations

Economy

- Unemployment in Portland rose in the first quarter of 2025, reaching 4.3%—slightly above the national average.
- Year-over-year job growth remained relatively flat, indicating a stable labor market over the past 12 months.
- Job gains were concentrated primarily in two sectors: Education and Health Services (up 3.0%) and Government (up 2.9%).
- Office-occupying employment experienced a modest uptick, driven largely by strong performance in the Information sector.

Major Transactions

- The Ballou Wright Building located at 1010 NW Flanders St was sold by a private party for \$10 million, or approximately \$173/SF. The property was 85% leased at the time of sale.
- Westport Capital Partners, LLC sold a 189,268-square-foot business park to CIRE Partners for \$25.25 million, or \$133/SF. The portfolio included two flex buildings and one office building.
- DWS Group sold 9 Monroe Parkway, a 43,986-square-foot office/retail building, to Gerrity Group for \$12.83 million, or approximately \$291/SF, as part of a larger portfolio transaction. The full portfolio, which comprised three retail buildings and one mixed-use office property, traded for \$48.5 million, equating to \$388/SF.

Leasing Market Fundamentals

- Net absorption totaled negative 278,145 SF in the first quarter of 2025, with the majority of losses concentrated in the Central Business District (CBD).
- Office market vacancy rose by 70 basis points during the fourth quarter, reaching 23.8% market-wide.
- Overall asking rents across Portland averaged \$31.41/SF Full-Service Gross, reflecting a 40-basis point increase from the fourth quarter of 2024.
- The Sunset Corridor experienced a notably weak quarter, posting negative 108,983 SF of absorption and a submarket vacancy rate of 23.5%.

Outlook

- Availability rates continue to climb as tenant demand and overall market activity remain below historical norms. This trend is expected to persist, with market conditions showing little change at the start of the year.
- Class A and Class B properties have yet to experience significant downward pressure on asking rents. With landlords relying heavily on rental abatements and tenant improvement packages as primary leasing incentives, meaningful reductions in face rates are unlikely in the near term.
- Institutional sales activity slowed during the first quarter of 2025, with most transactions driven by owner-user acquisitions. However, investment activity is anticipated to pick up in the coming quarters as institutional buyers look to capitalize on favorable market dynamics.

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1. Economy
 2. Leasing Market Fundamentals

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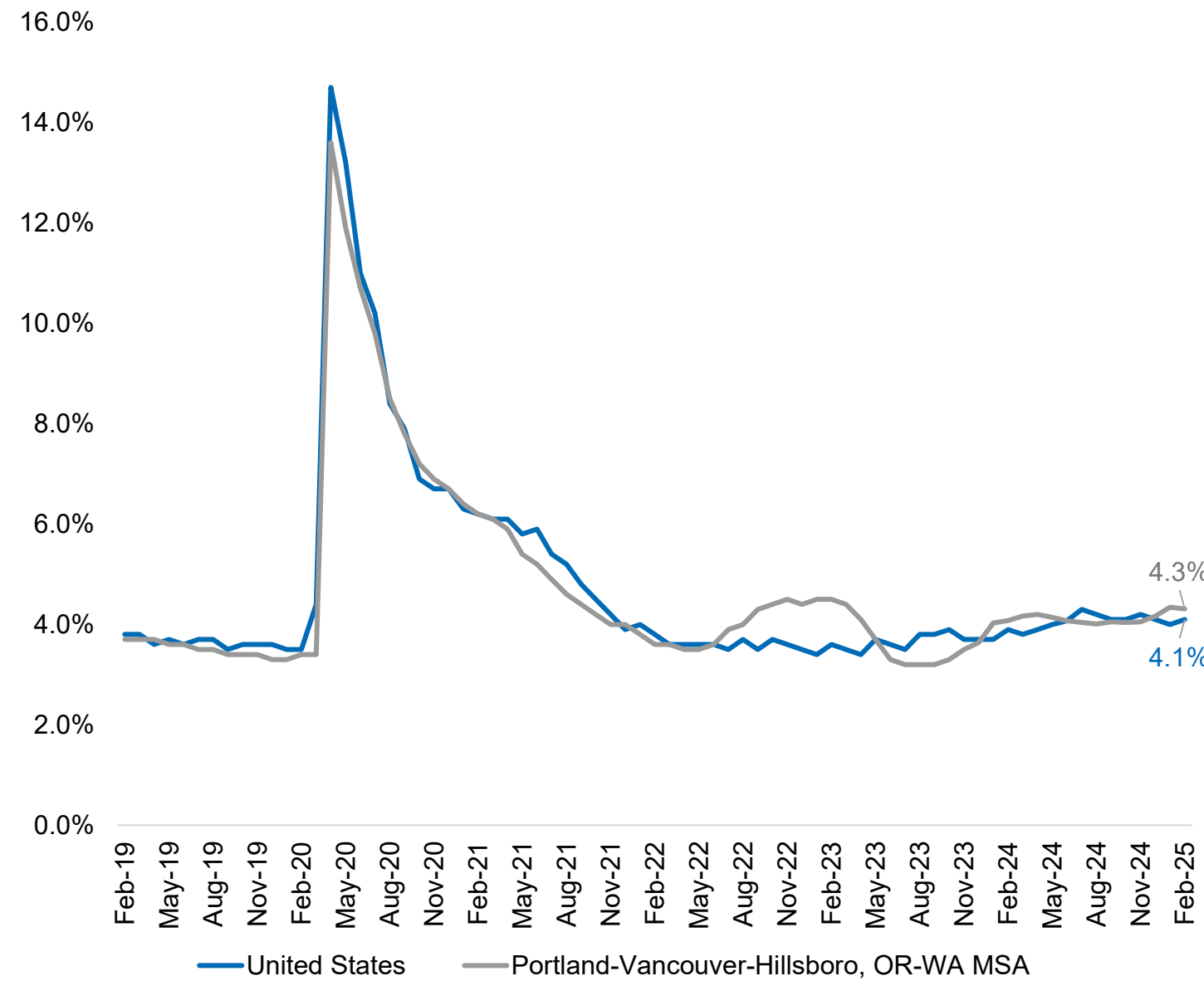
Economy



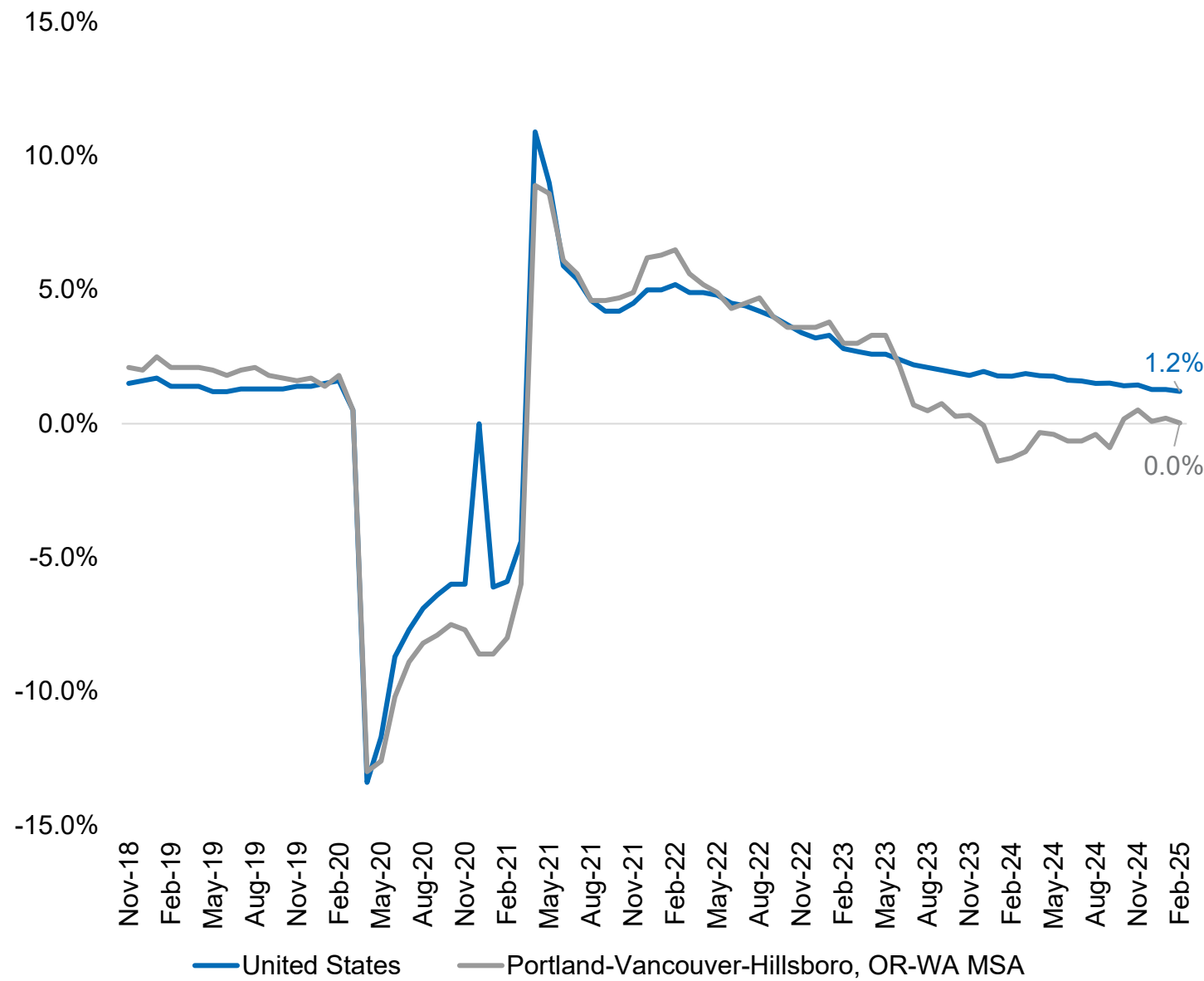
Subdued Job Growth Accompanies Modest Rise in Unemployment

Portland began 2025 with an unemployment rate of 4.3%, slightly above the national average and representing a 20-basis-point increase from the previous quarter. Annual employment numbers remained flat over a 12-month period as a sluggish second half of 2024 wiped out the job gains that were witnessed in the beginning of the year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change



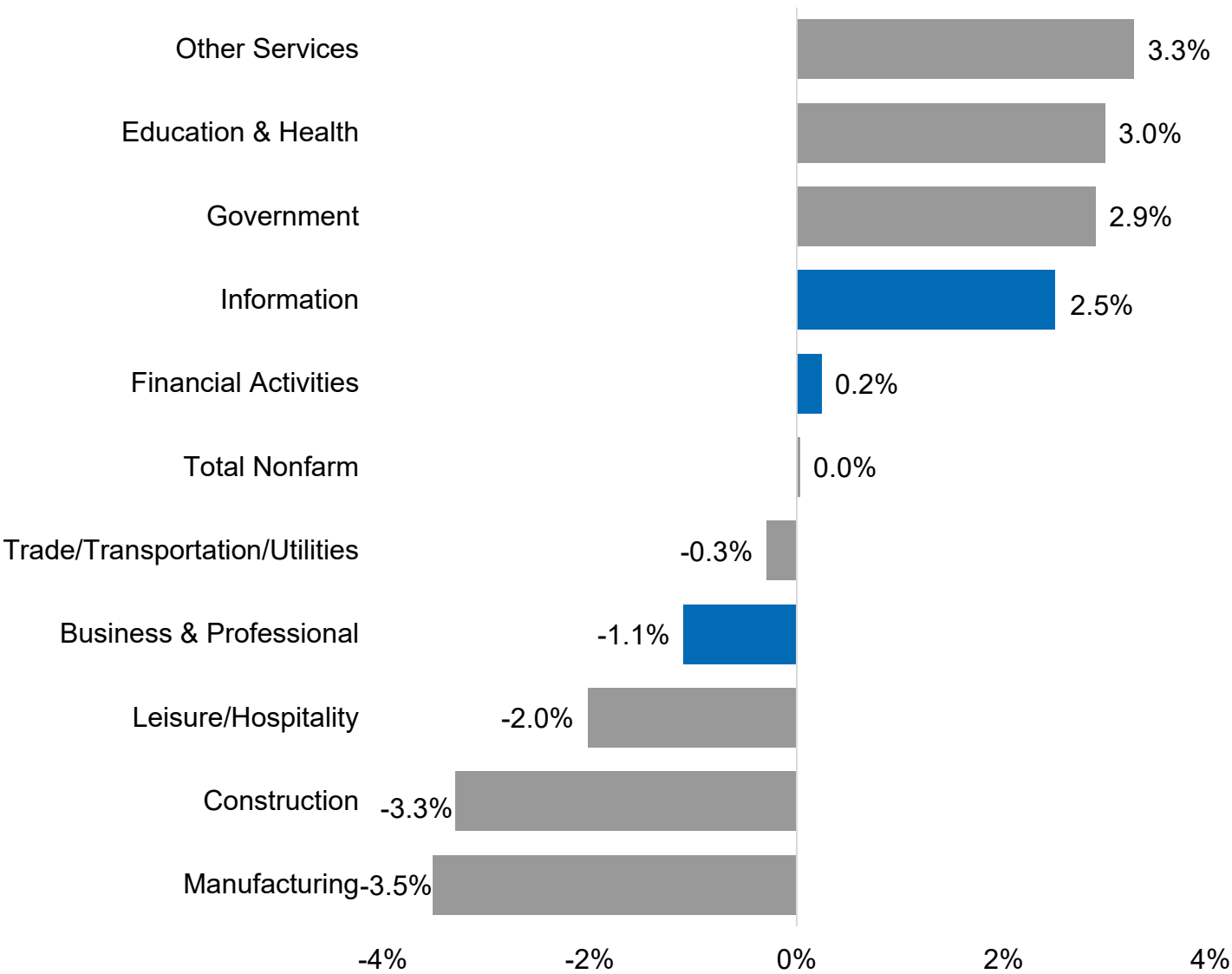
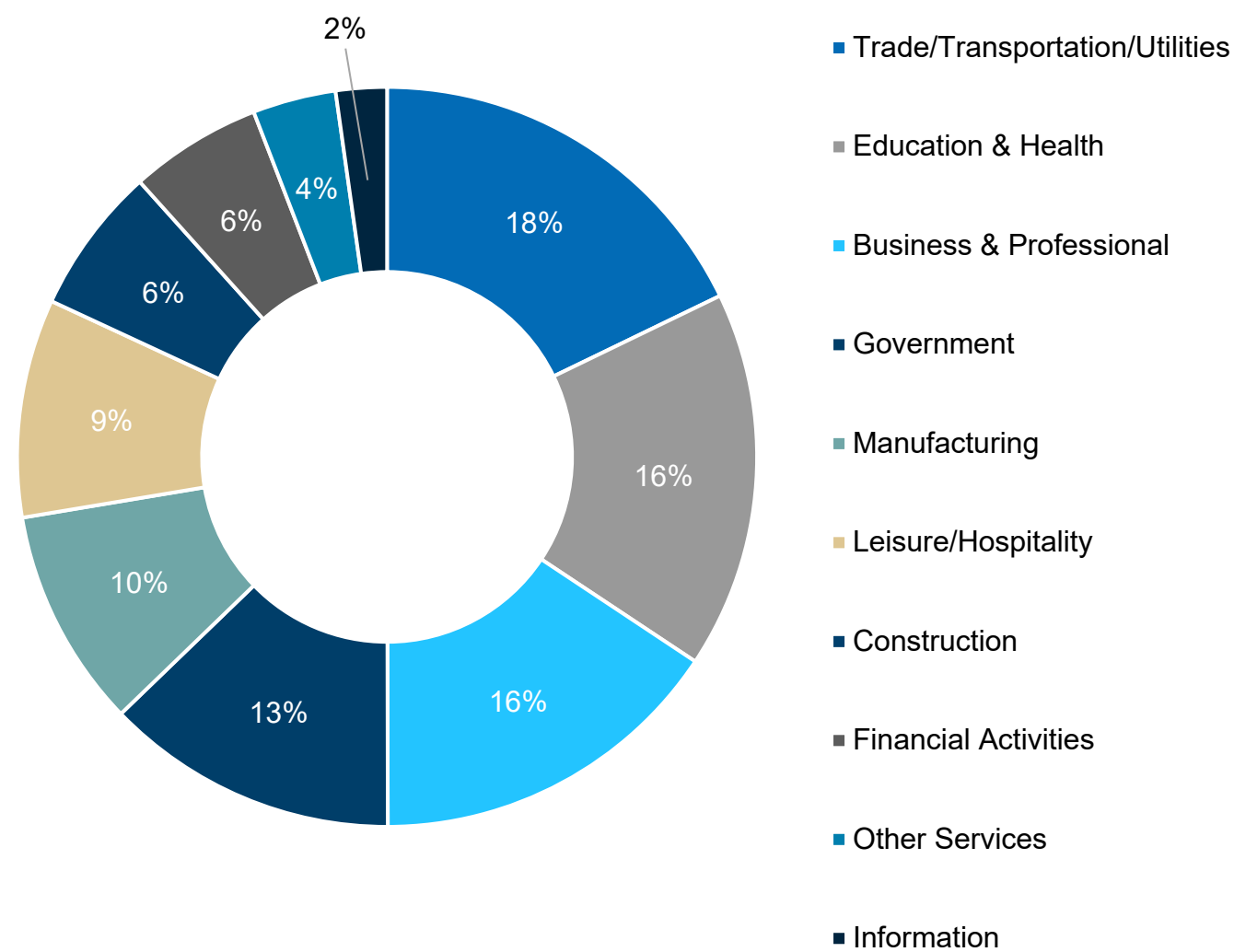
Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

Public Hiring Cushions Job Losses in the Business & Professional Services Sector

The Education & Health Services and Government sectors continued to outperform other industries at the start of the year. The Information sector also stood out among office-occupying industries, recording 2.5% year-over-year growth.

Employment by Industry, 2025

Employment Growth by Industry, 12-Month % Change, February 2025

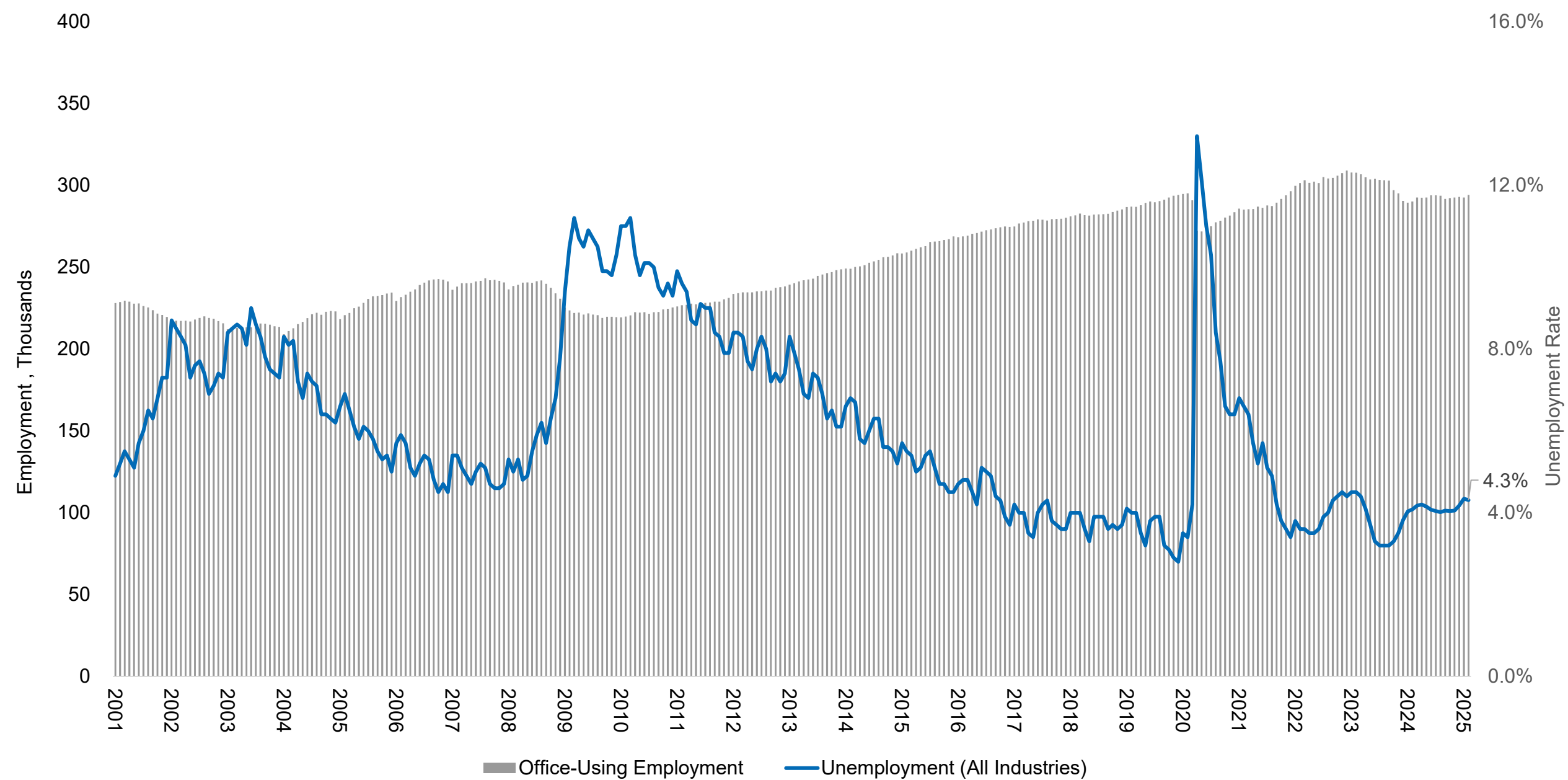


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

Office Employment Posts Modest Gain Over Year-End 2024

Following a tumultuous year for employment in 2024, office-occupying industries ended the first quarter of 2025 with a 50-basis-point increase compared to December 2024. Despite positive job growth in the first quarter, the Business and Professional Services sector, Portland’s largest office-using sector, continues to show a year-over-year decline in job growth.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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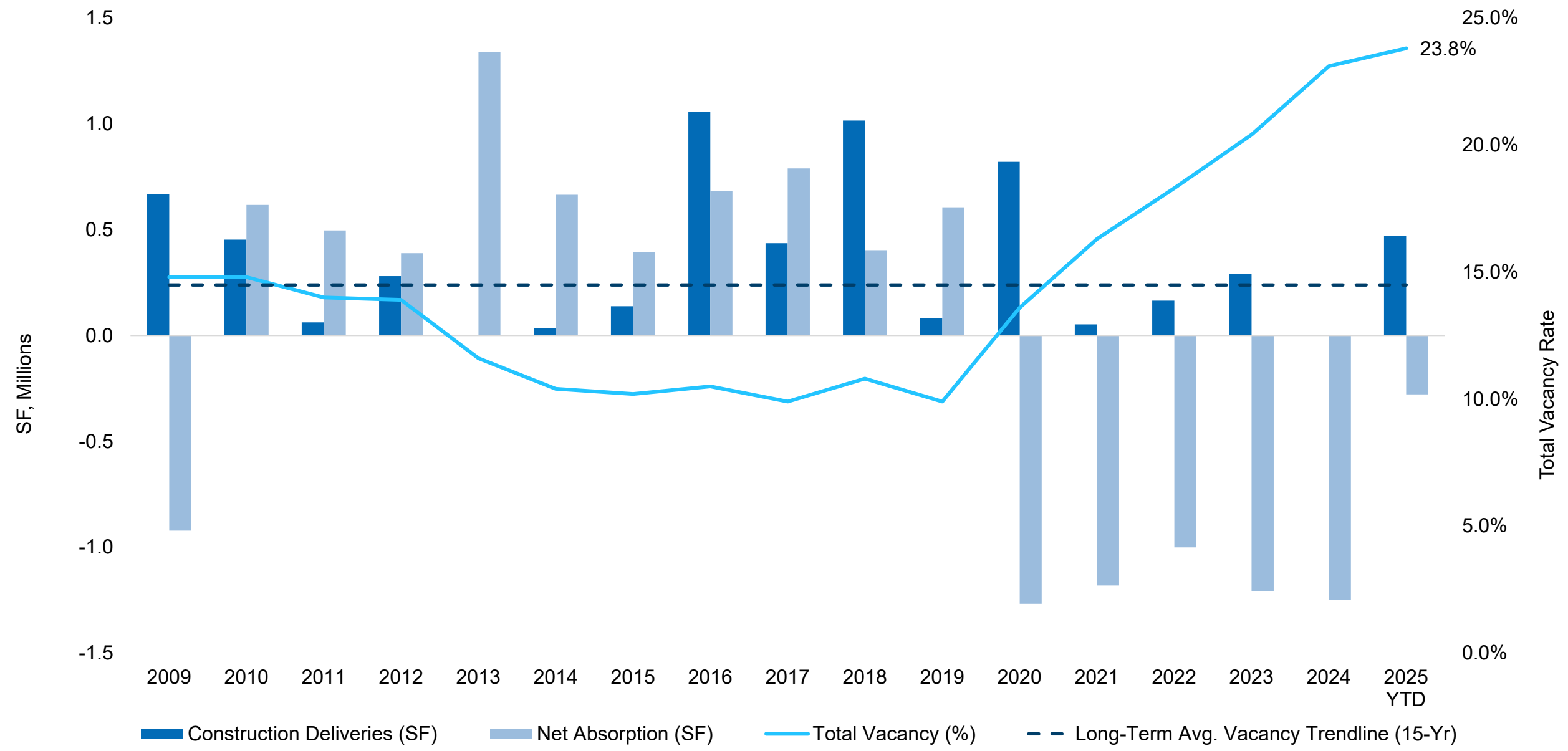
Leasing Market Fundamentals



Vacancy Rates Climb in Early 2025

Overall office vacancy increased by 70 basis points in the first quarter of 2025, reaching 23.8% market-wide. Total net absorption for the quarter was negative 278,415 SF, with the majority of the negative absorption concentrated in the Central Business District (CBD) and Sunset Corridor submarkets.

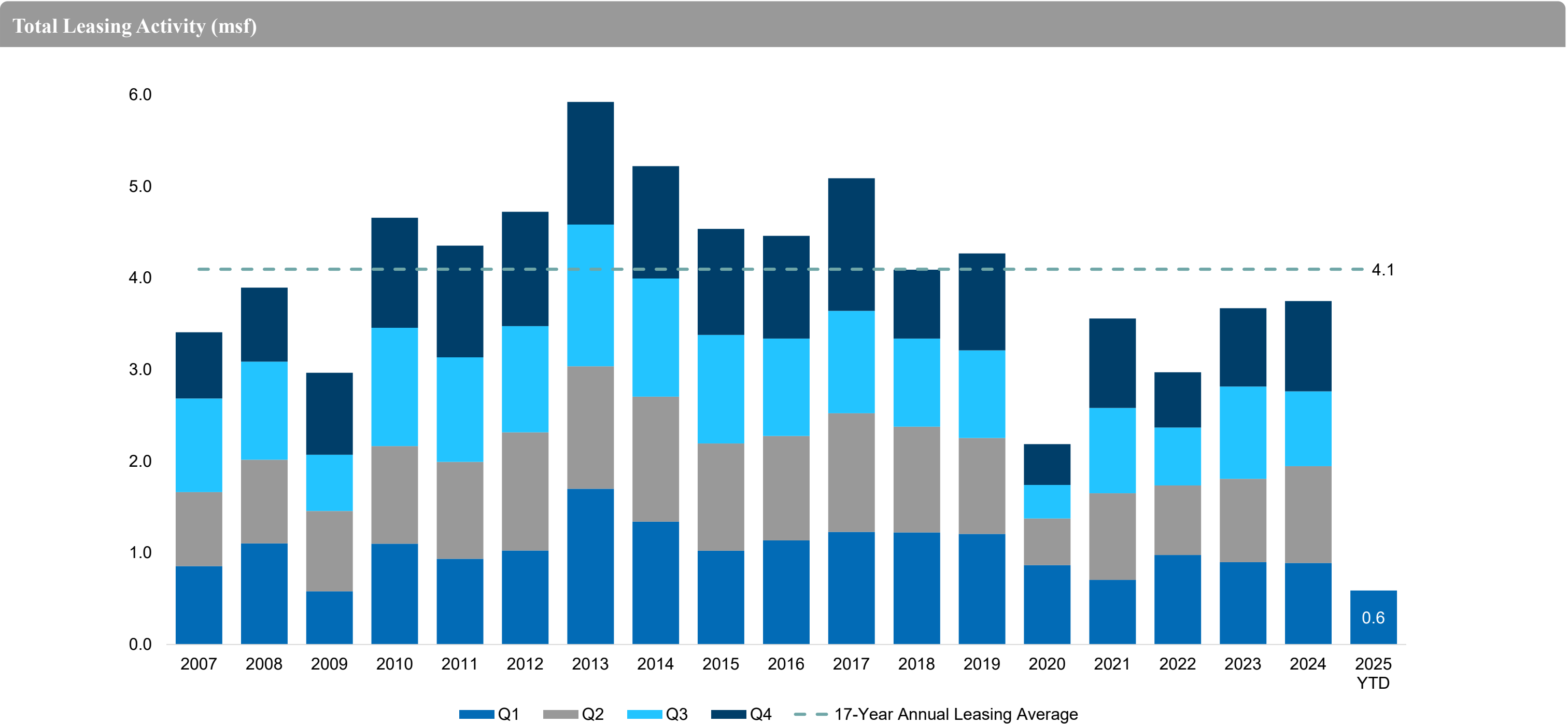
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

First Quarter Activity Lags Behind Recent Years

Total leasing activity in the Portland market reached 589,453 SF in the first quarter of 2025. The Central Business District accounted for over 50% of the total leasing volume, with activity heavily concentrated in Class A assets.



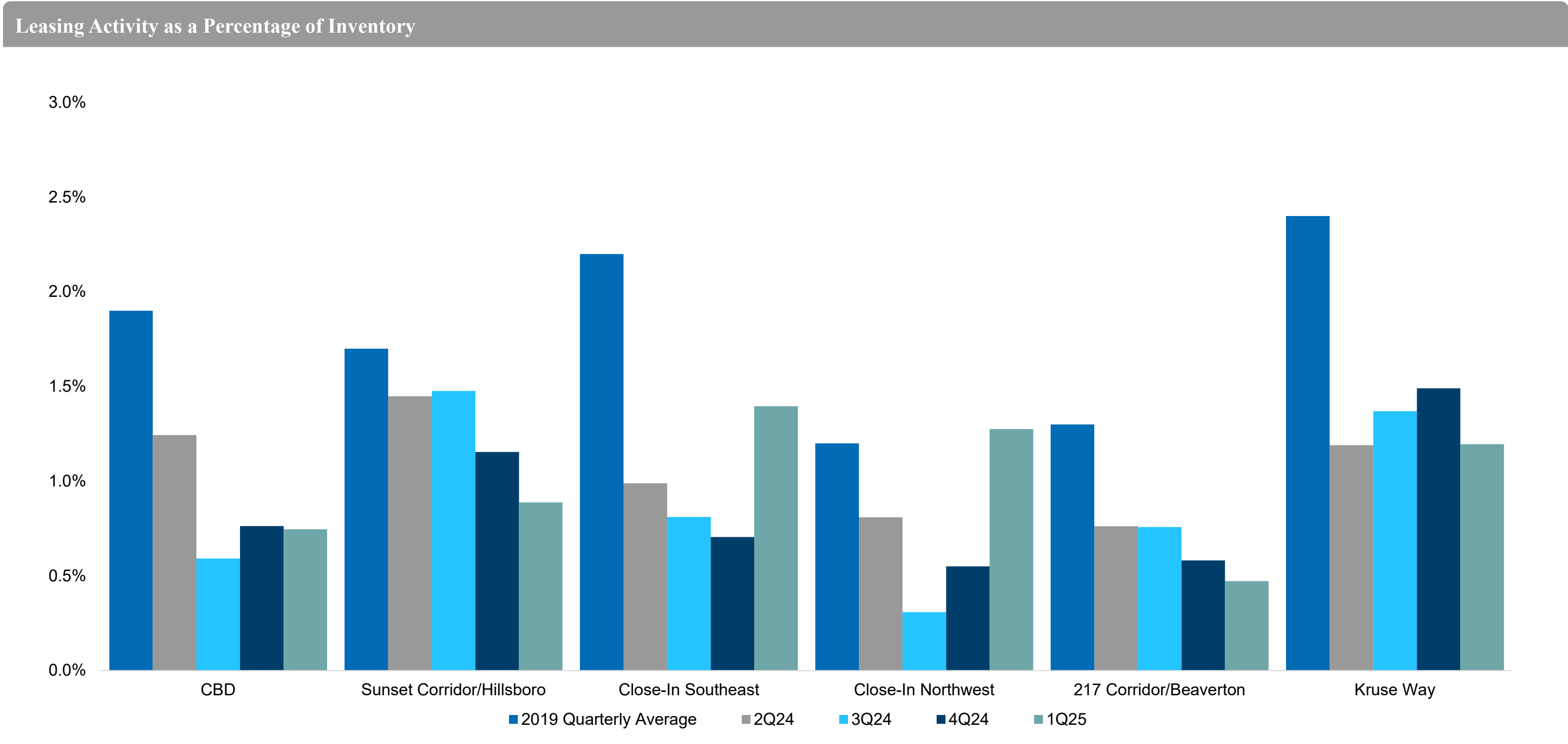
Source: Newmark Research, CoStar



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Leasing Activity Varied by Submarket

Leasing activity declined in most major submarkets compared to the fourth quarter of 2024. However, several urban submarkets, including Close-In Southeast and Close-In Northwest, saw significant increases from the previous quarter. The Central Business District remained relatively stable but continued to lag significantly behind pre-pandemic levels.

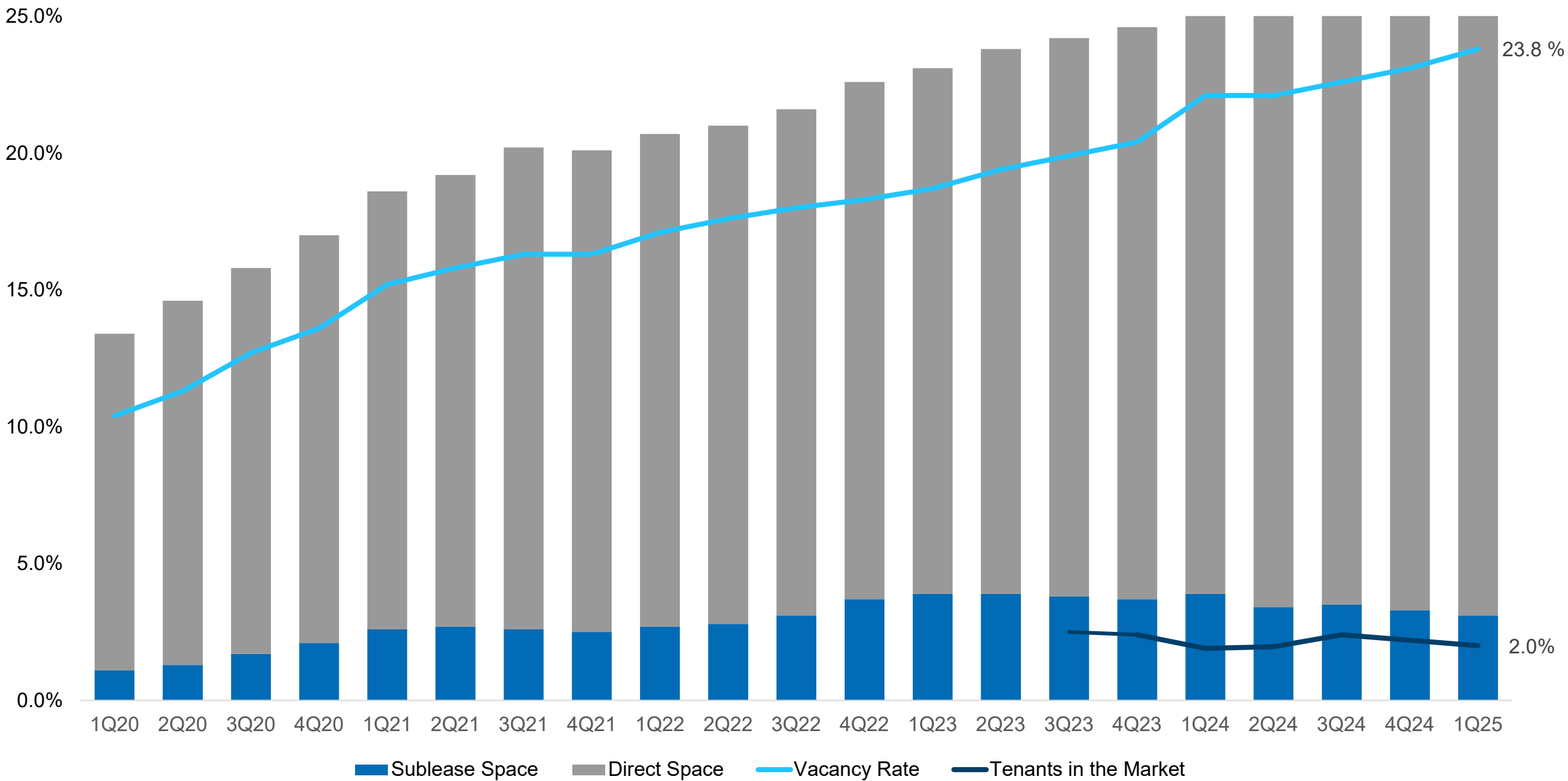


Source: Newmark Research, CoStar

Tenant Demand Down to Begin 2025

Tracked tenant demand declined for the second consecutive quarter, driven in part by an influx of direct space returning to the market. Meanwhile, total available sublease space decreased by 20 basis points compared to the fourth quarter of 2024. This shift reflects the ongoing expiration of sublease terms and the continued return of direct space to the market.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

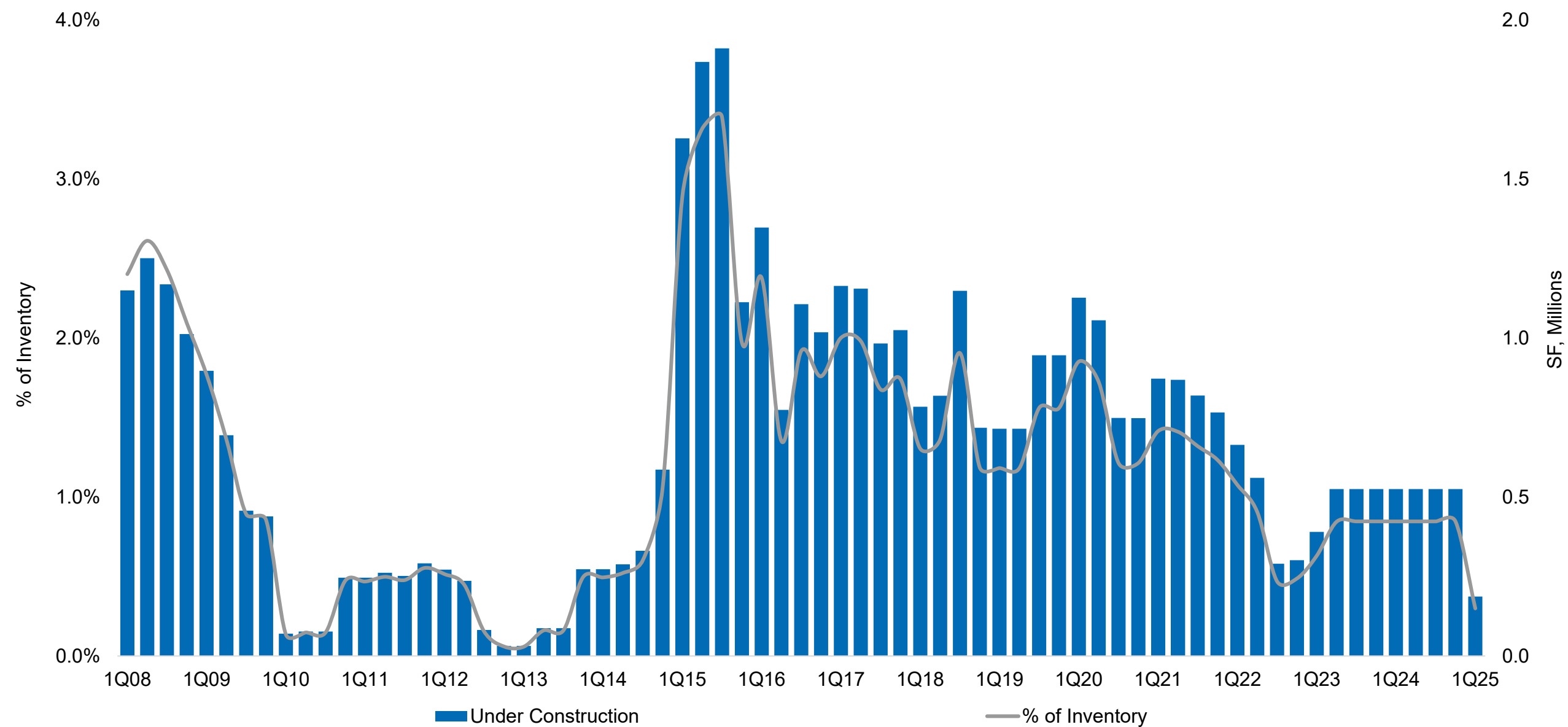


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Construction Activity Remains Flat in Early 2025

The Portland office market saw no new construction starts in the first quarter of 2025. However, the 366,000 SF Terminal 1 mixed-use development along the Vancouver waterfront officially opened. Notably, ZoomInfo preleased the entire campus for their new global headquarters, with plans to occupy the space in the first half of 2025.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

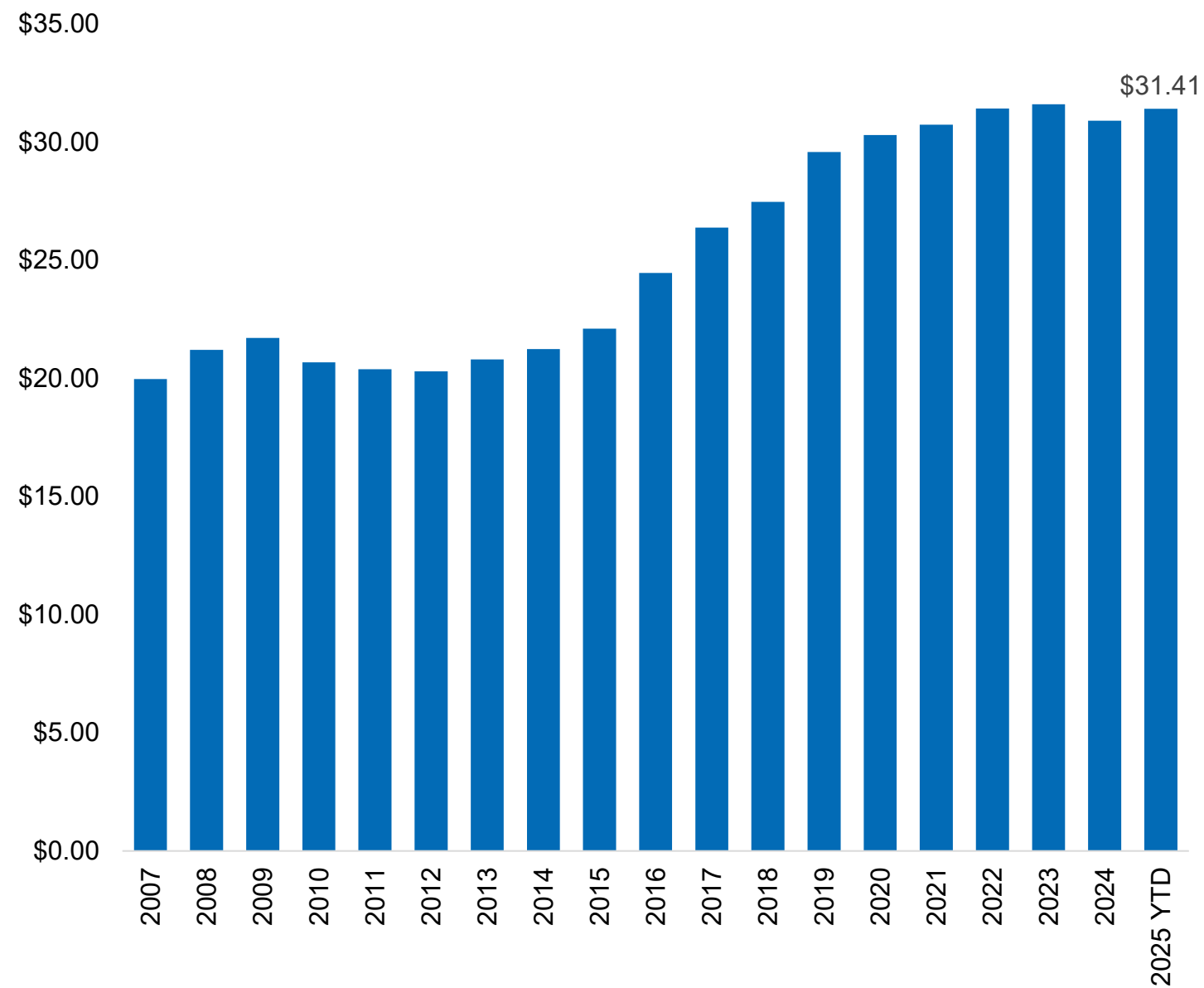


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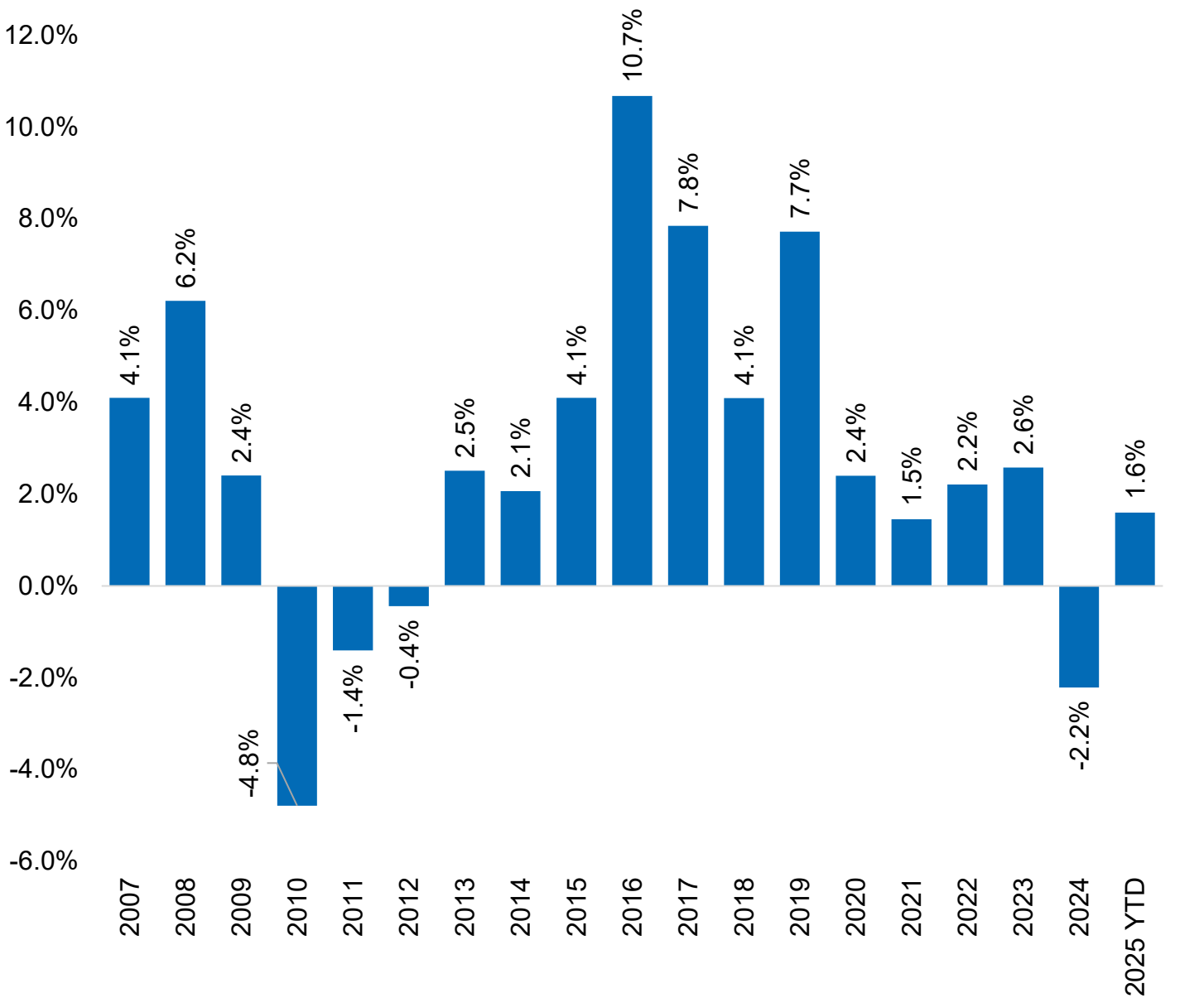
Average Office Rate Surpasses 2024 Figures

The average office asking rent in the Portland market reached \$31.41/SF in the first quarter of 2025, reflecting a 1.6% increase year-over-year. This rise in rates comes as landlords continue to offer significant concessions, such as rental abatements and tenant improvement allowances, as an alternative to direct reductions in rental rates.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

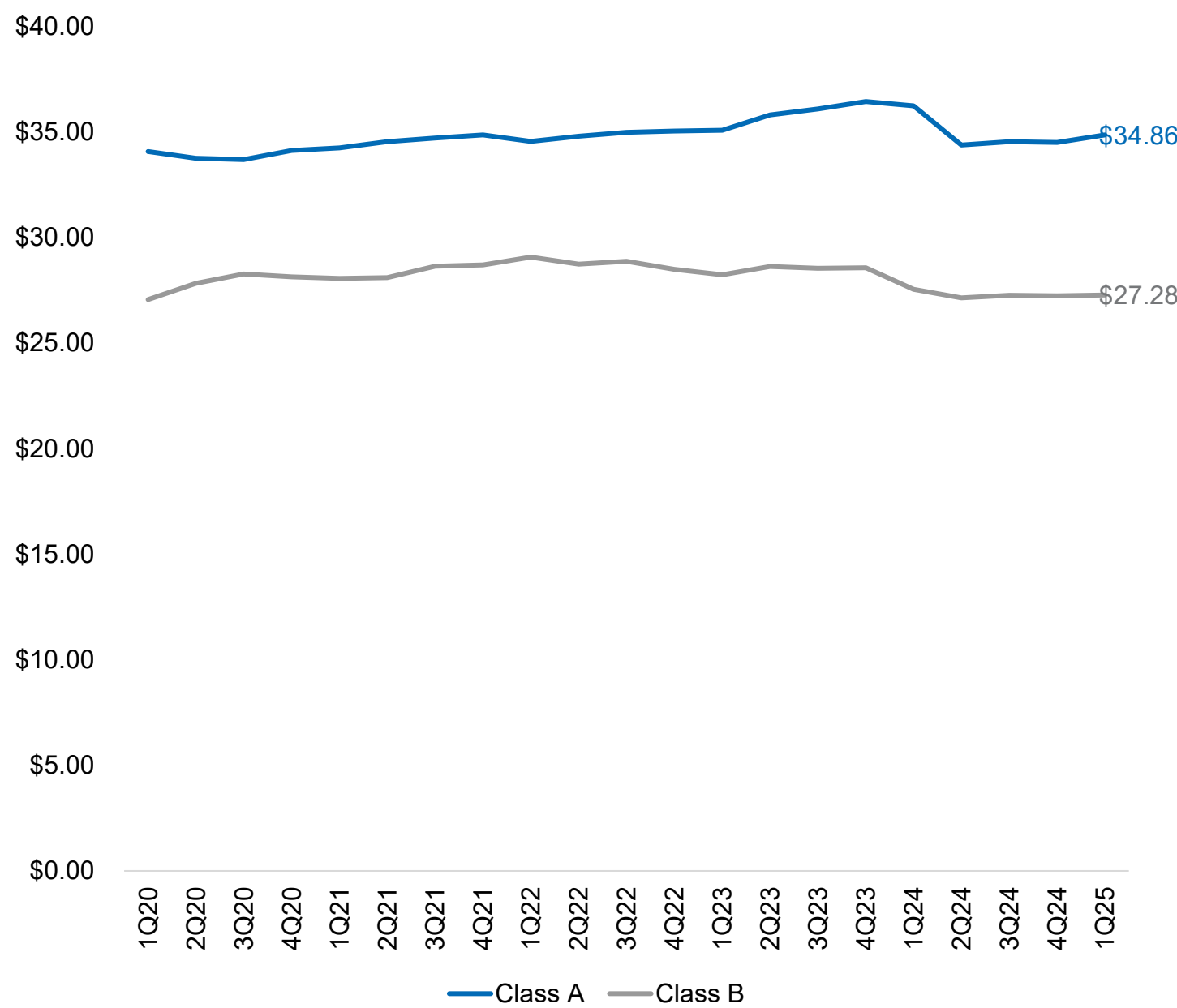


Source: Newmark Research, CoStar

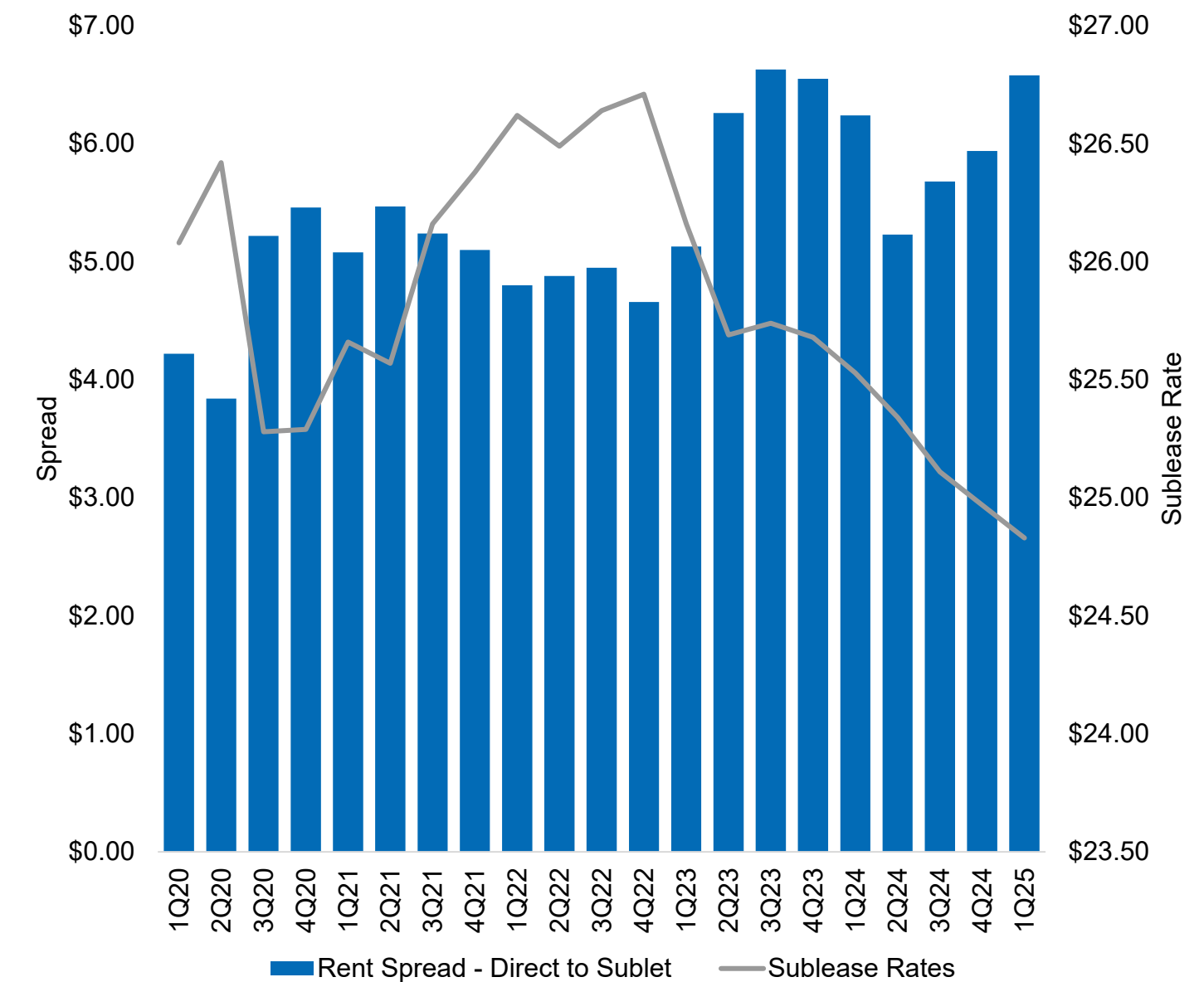
Sublease Rates Down Amidst Market Saturation

The average sublease rate for office space in the Portland market reached \$24.83/SF in the first quarter of 2025, marking the widest rent spread between direct and sublet rates since the third quarter of 2023. The market has also seen a notable decline in sublease availability, as many subleases expire and transition into direct availabilities. This shift indicates that tenants are becoming more aggressive with current availabilities, aiming to secure subtenants before their lease terms expire.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Renewals Lead Notable Lease Transactions in 1Q25

Transaction activity in the first quarter of 2025 slowed, as both leasing activity and tenant demand had a sluggish start to the year. Most leasing activity was concentrated in the Central Business District and surrounding submarkets, where several long-term tenants opted to renew leases within their current spaces.

Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
RCFL	1201 NE Lloyd Blvd	Lloyd District	Renewal	21,646
Regional Computer Forensics Laboratory inked a renewal at 1201 NE Lloyd.				
Instrument	2035 NW Front Ave	Close-in NW	Direct	19,480
The design and technology company signed a new lease at Field Office West.				
Becker Capital	1211 SW 5 th Ave	CBD	Renewal	15,420
Becker agreed to a long-term renewal at PacWest Center.				
PwC	1102 SW Washington St	CBD	Direct	14,279
The consulting giant moved into new offices in 11W from Fox Tower.				
Davis Rothwell	200 SW Market St	CBD	Renewal	12,618
Davis Rothwell signed a renewal in their long-term space at 200 Market.				

Source: Newmark Research

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