



NEWMARK

Portland
Office Market Overview

1Q26

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Market Observations



Economy

- The Portland MSA unemployment rate reached 5.6% in February 2026, 120 basis points above the national rate of 4.4%. Nonfarm payroll growth fell to -3.1% YOY in Q1, contrasting sharply with the U.S. rate of +0.1%.
- Information grew +1.4% YOY in Q1, the only major office-using sector to post positive growth. Professional & Business Services fell -1.8% and Financial Activities declined -1.7% YOY.
- Office-using employment in Portland continued to decline through Q1, extending a contraction that began after peaking in late 2022. Professional & Business Services and Financial Activities both recorded negative YOY growth, while the MSA unemployment rate reached 5.6% in February 2026.



Leasing Market Fundamentals

- Overall vacancy reached 25.0% in Q1, up approximately 10 basis points from Q4 2025 and 110 basis points above the year-ago level, as tenant demand remained insufficient to absorb available supply. Total availability rose to 27.3% marketwide.
- Net absorption registered -99,239 sf in Q1, continuing ongoing negative absorption. The CBD (-157,584 sf) and Close-In Northwest (-51,532 sf) drove the losses, while suburban submarkets posted modest gains.
- Average direct asking rent was \$31.22/sf in Q1, as YOY rent growth turned negative at -0.6%. Class A asking rent held at \$34.93/sf, supported by higher-quality product concentrating in suburban markets like Kruse Way (\$43.66/sf).



Major Transactions

- Q1 leasing activity remained well below historical averages, though average deal size ticked up to a multi-year high of 3,439 sf, suggesting tenants that are active in the market are committing to larger footprints.
- Two individual office sales closed in Q1, totaling \$25.0M across 295,100 sf, down 47.8% from Q1 2025. Largest was Five Oak (CBD, 256,454 sf) that sold for \$10.5M (\$41/sf).
- Elliott Management and Morning Calm Management completed the privatization of City Office REIT, allocating \$41.2M to three Hillsboro properties (198,726 sf). Including the portfolio deal, total Q1 volume reached \$66.2M, up 38.2% from Q1 2025.



Outlook

- Vacancy and availability are expected to remain elevated as negative absorption continues. No new construction or deliveries are anticipated, keeping supply additions off the table near-term.
- Private buyers accounted for 59.1% of Q1 acquisition volume, with institutional sellers representing 46.4% of dispositions. Cross-border acquisition activity remained absent for the third consecutive year.
- Tenant demand, measured at 1.9% of total inventory, remained flat from Q4 2025, pointing to continued muted leasing conditions heading into Q2.

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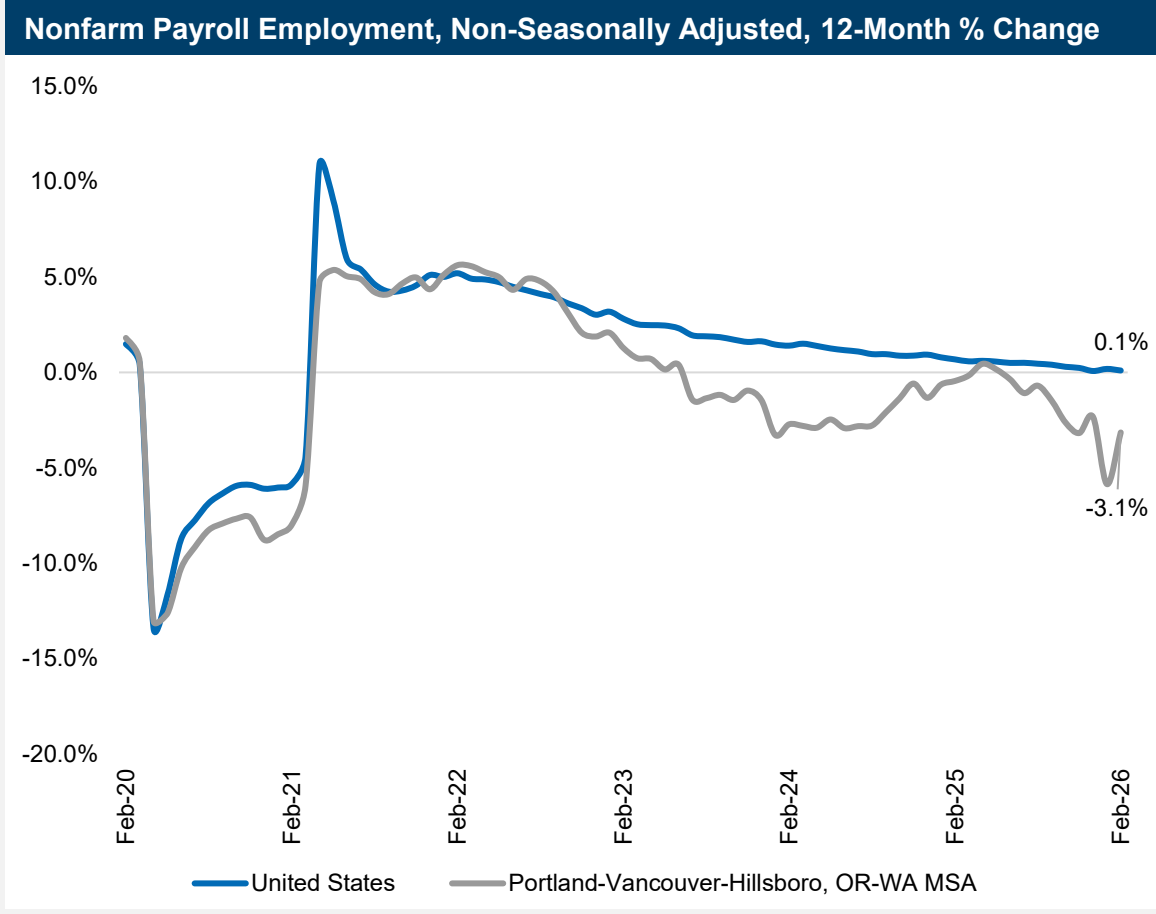
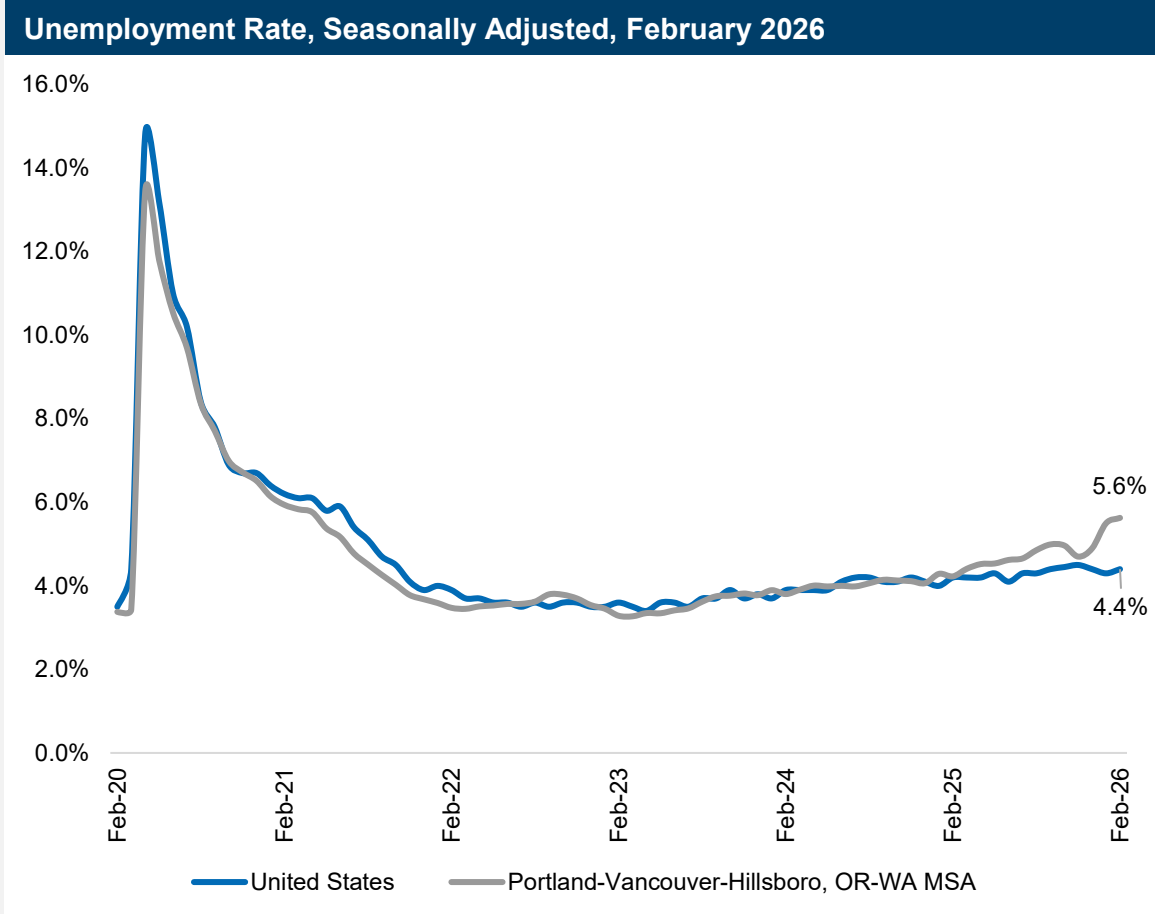
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Economy

1Q26

Portland Payroll Growth Diverges Sharply from National Trend

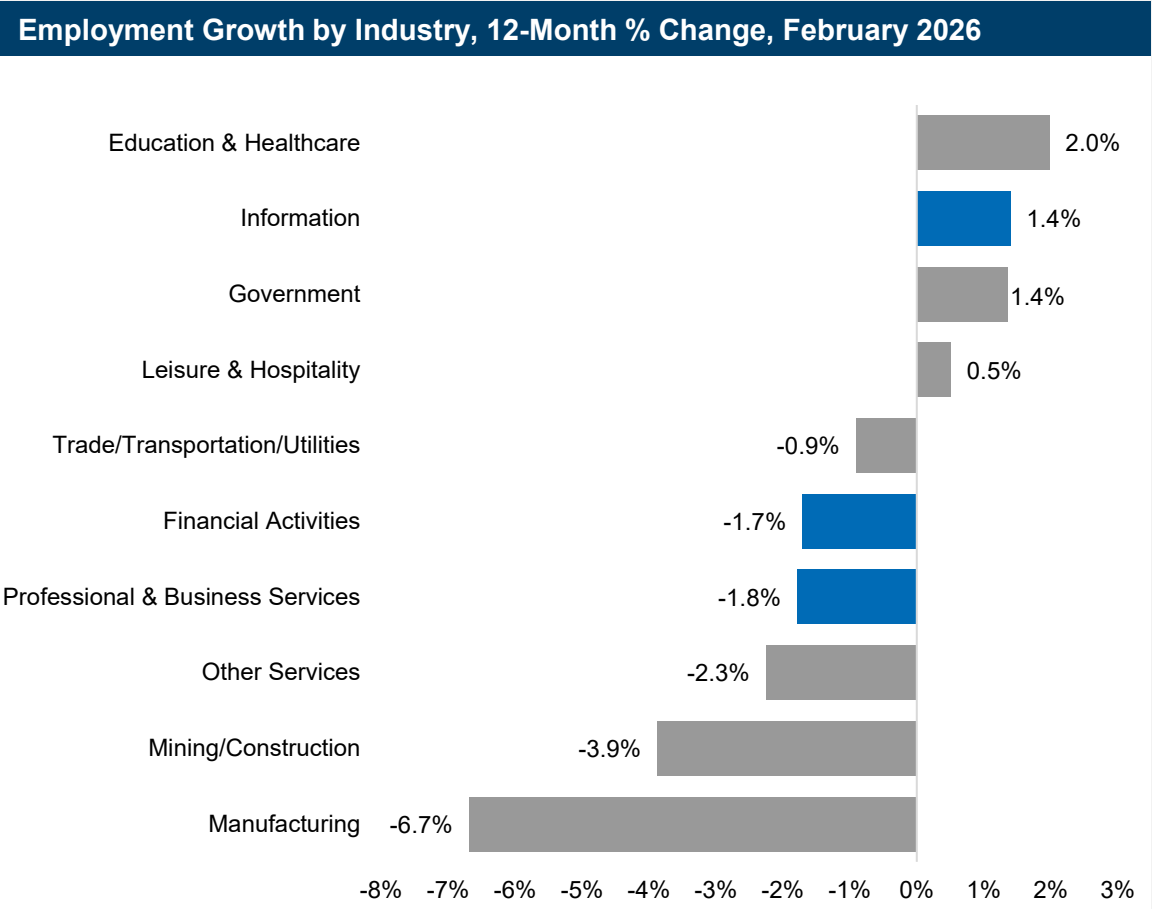
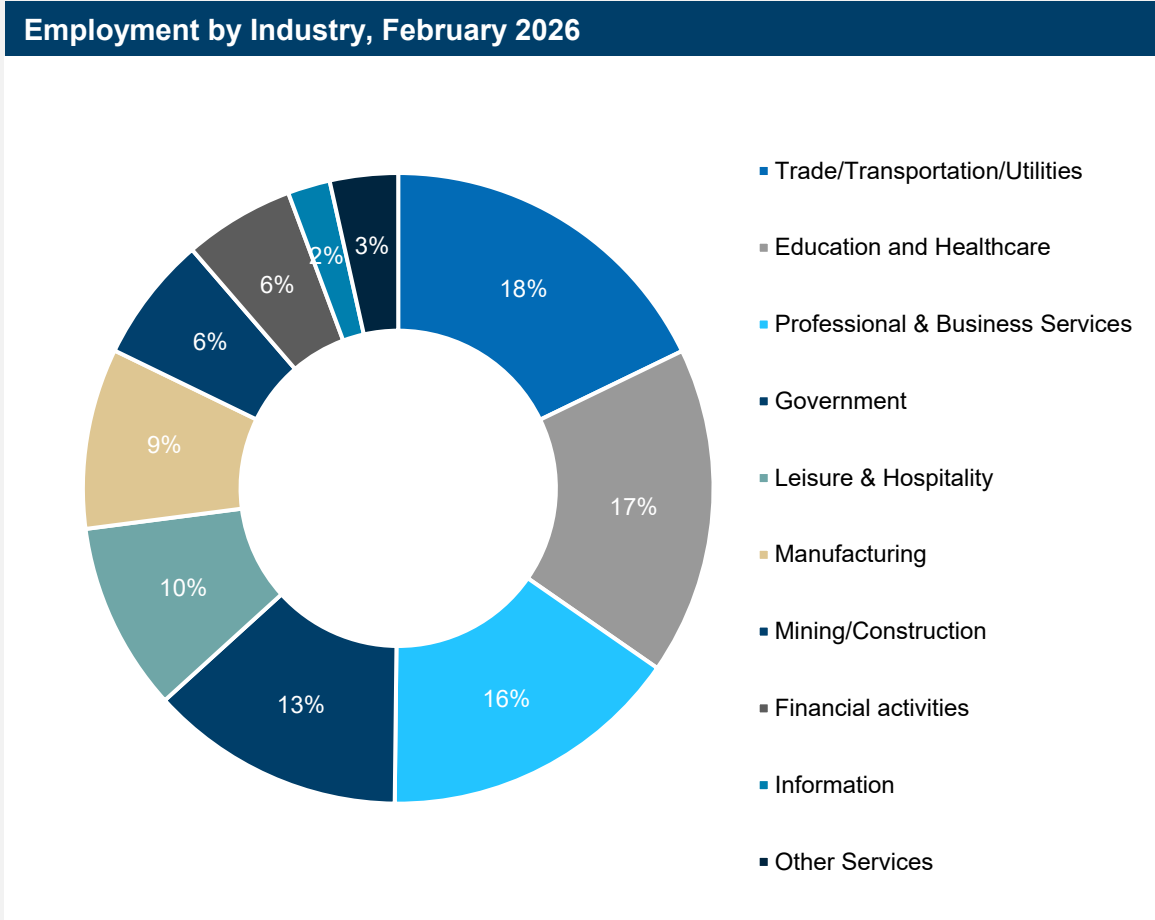
The Portland MSA unemployment rate reached 5.6% in February 2026, 120 basis points above the national rate of 4.4%. Nonfarm payroll growth fell to -3.1% YOY in Q1 2026, contrasting sharply with the U.S. rate of +0.1%. The gap between Portland and the national trend widened considerably from the parallel trajectory both markets shared through 2024.



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

Information Sector Posts Gains While Core Office Employment Contracts

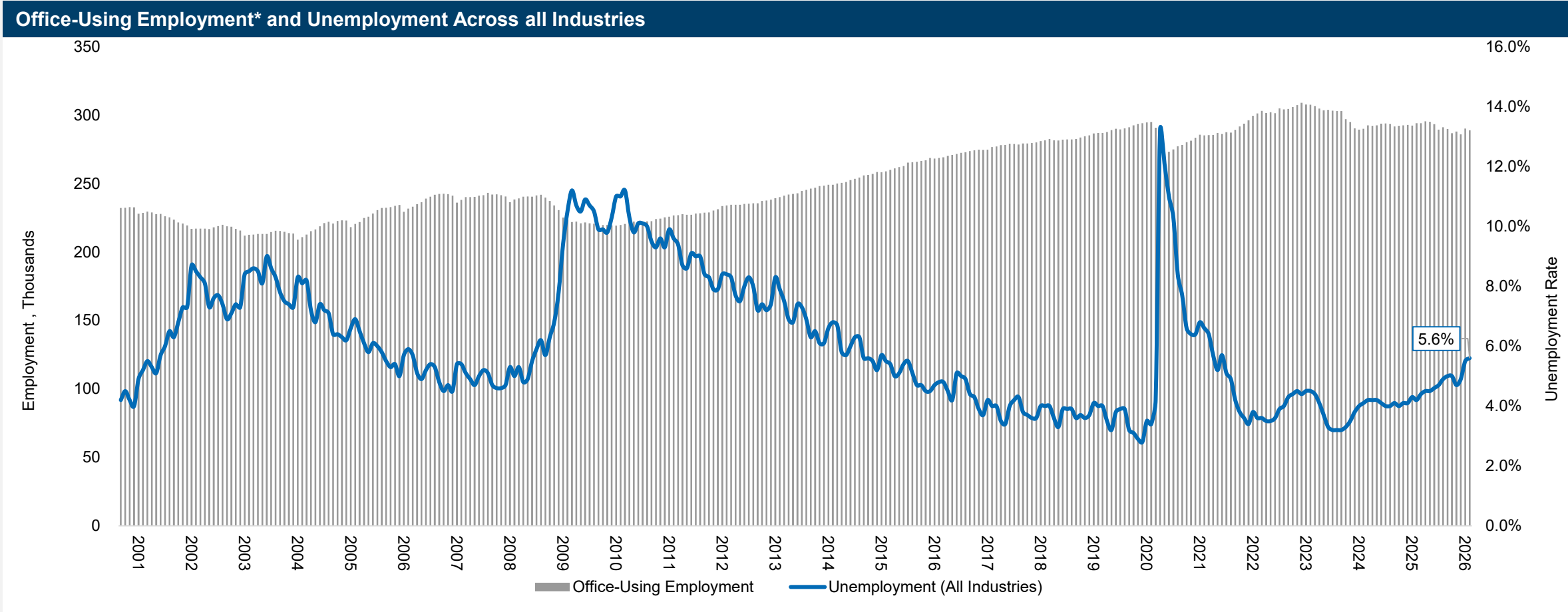
Information grew +1.4% YOY in Q1 2026, the only office-using sector to post positive growth. Professional & Business Services fell -1.8% and Financial Activities declined -1.7%, leaving two of Portland's three major office-using sectors in contraction.



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

Office-Using Employment Continues Decline Below 2022 Peak

Office-using employment in Portland declined further through Q1, extending a contraction that began after peaking in late 2022. Professional & Business Services and Financial Activities both recorded negative YOY growth, while the MSA unemployment rate reached 5.6% in February 2026.



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

1Q26

Access the Extended 1Q26 Portland Office Report

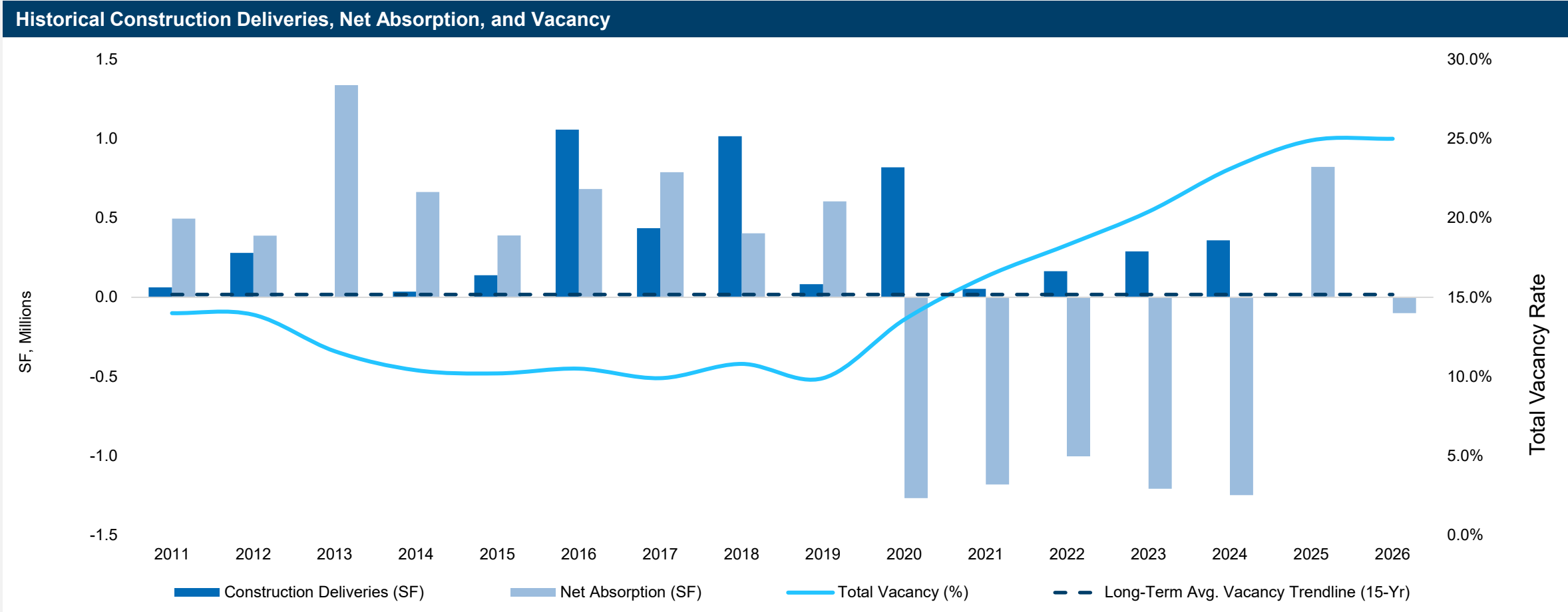
The extended version of this report includes:

- **Data on leasing trends**
 - Deal count and average lease size
 - Leasing by submarket
- **Further insight into tenant demand**
- **Availability and rent data by submarket**

To access, please reach out to your Newmark contact.

Vacancy Climbs as Negative Absorption Continues

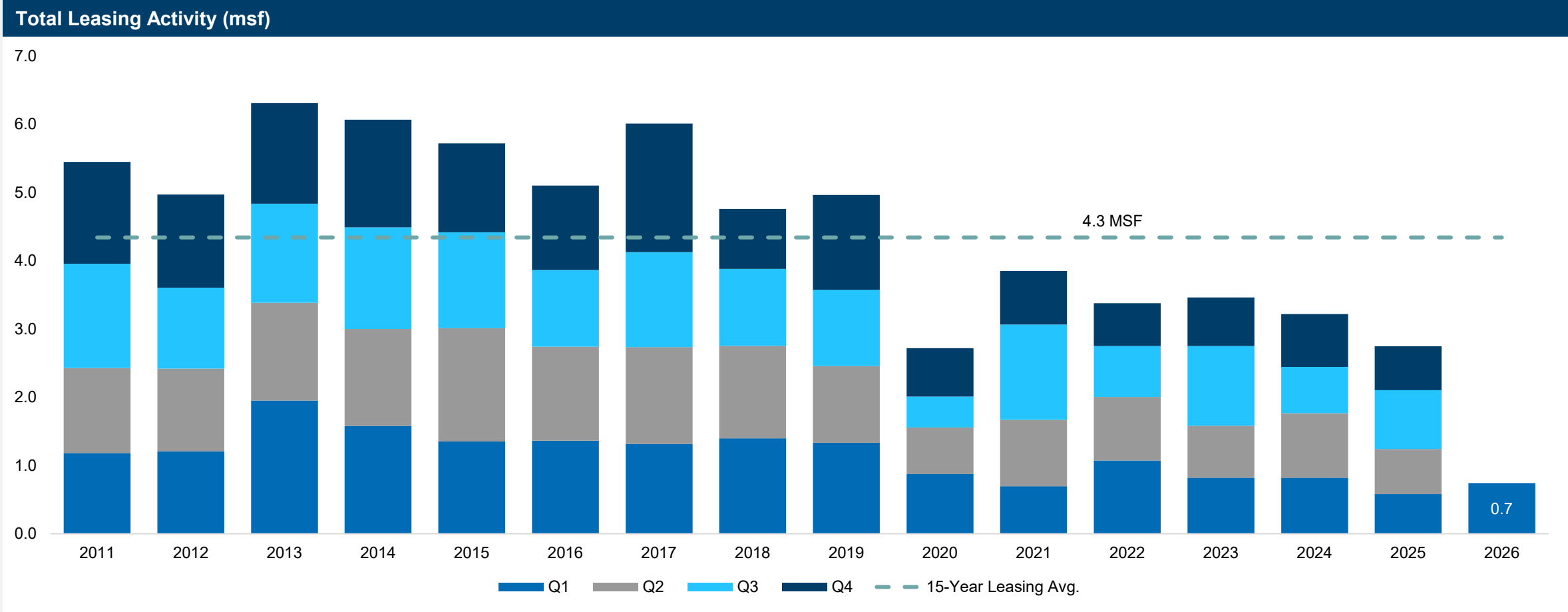
Overall vacancy reached 25.0% in Q1 2026, up from 24.9% in Q4 2025 and approximately 110 basis points above the year-ago level. Net absorption registered -99,239 sf in Q1, continuing ongoing negative absorption. No new deliveries or construction starts were recorded.



Source: Newmark Research
 *Absorption includes owner-user sales and owner-user constructed deliveries.

Q1 Leasing Volume Remains Well Below Historical Average

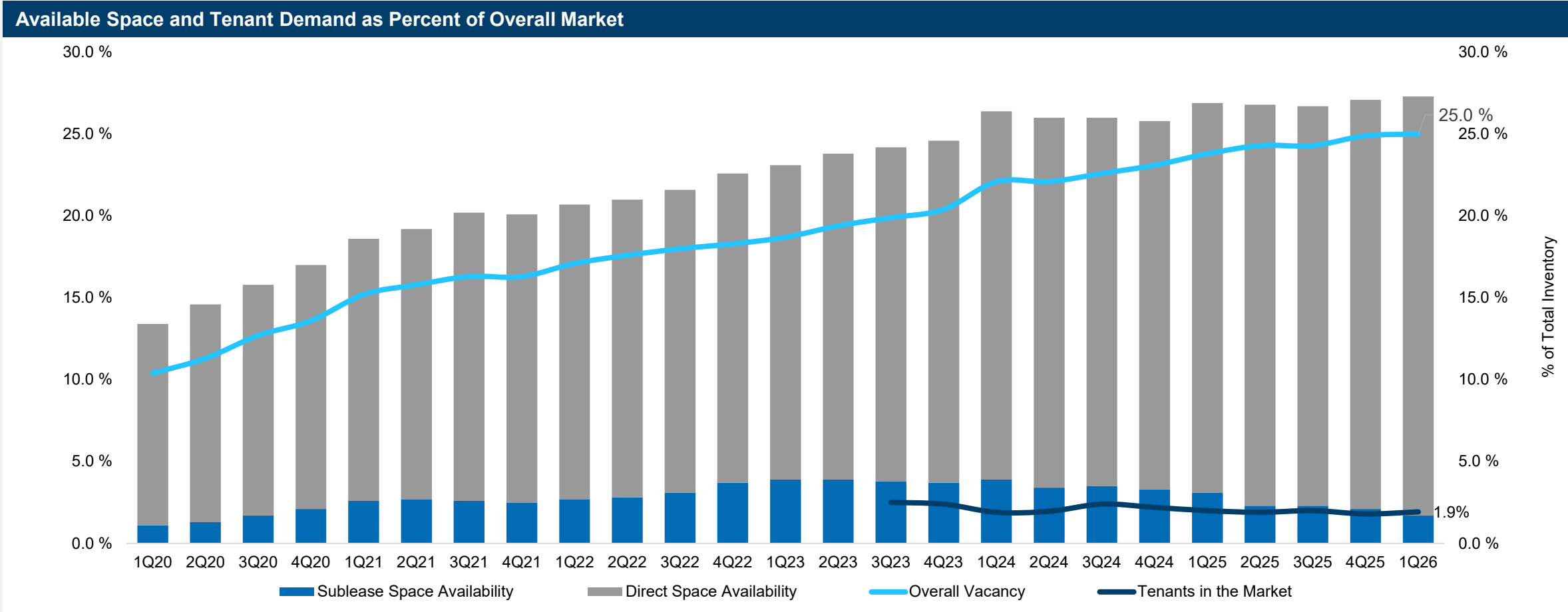
Total office leasing activity reached 0.7 million sf in Q1 2026, continuing a sustained period of below-average activity. Annual leasing has not reached the 15-year average of 4.3 million sf since 2019, reflecting ongoing weakness in tenant demand across the Portland market.



Source: Newmark Research
 *Absorption includes owner-user sales and owner-user constructed deliveries.

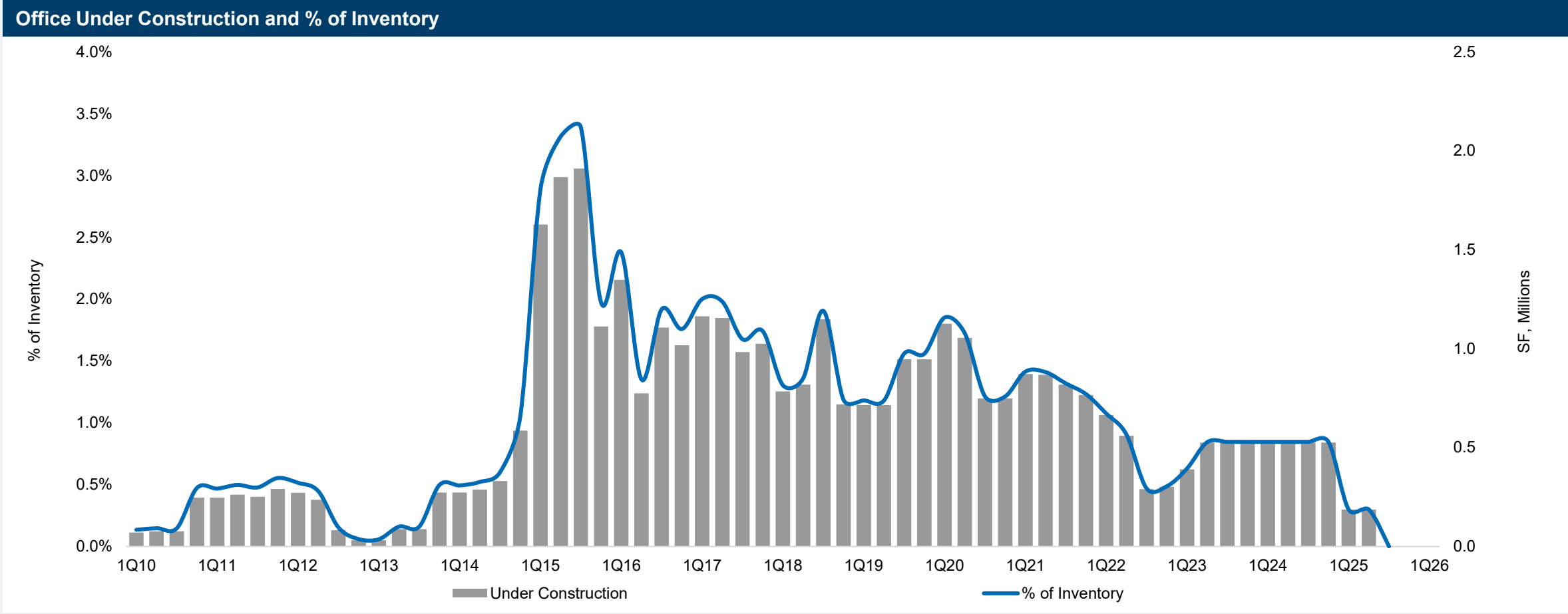
Availability Rises as Tenant Demand Remains Muted

Total availability reached 27.3% in Q1 2026, with direct available space at 16.0 million sf and sublease available space at 1.1 million sf. Tenants actively in the market represented just 1.9% of total inventory, unchanged from Q4 2025, as overall demand remained muted.



Construction Pipeline Remained Dormant

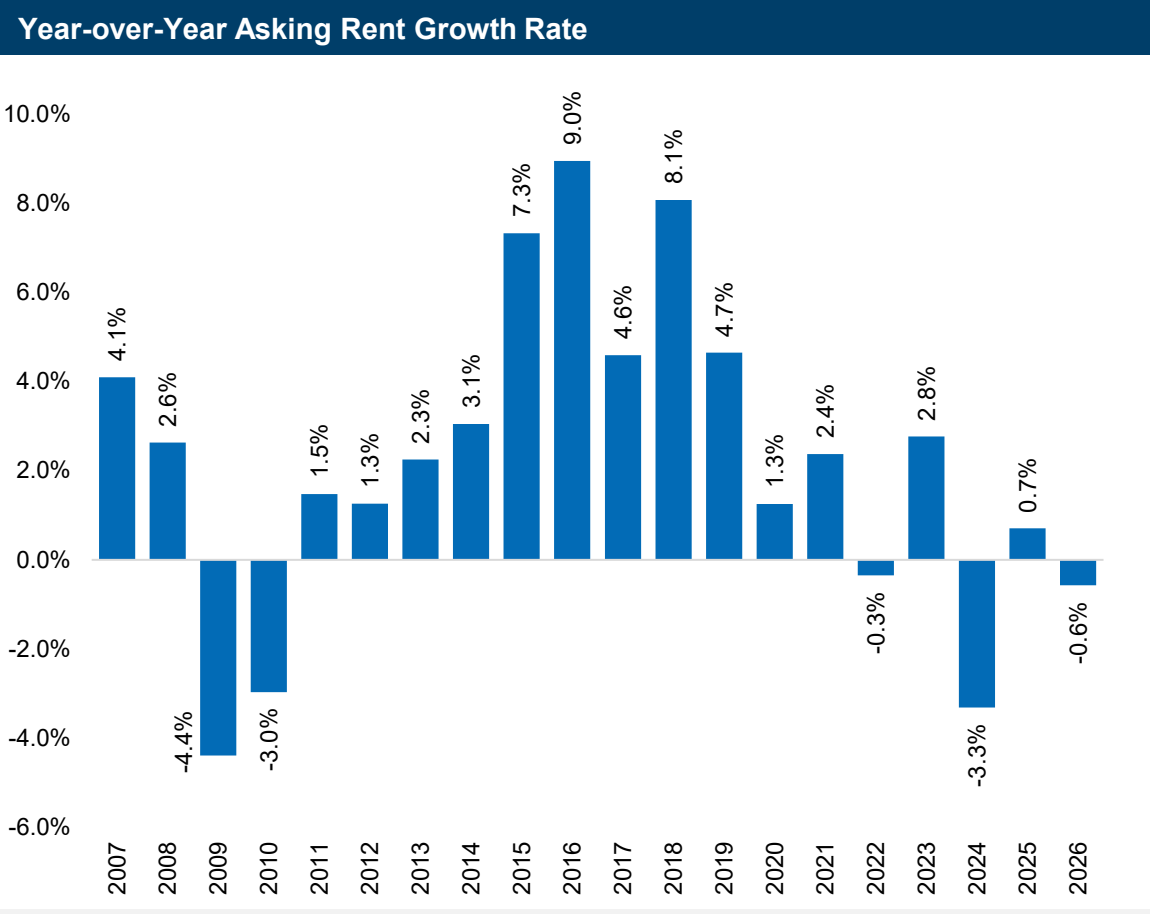
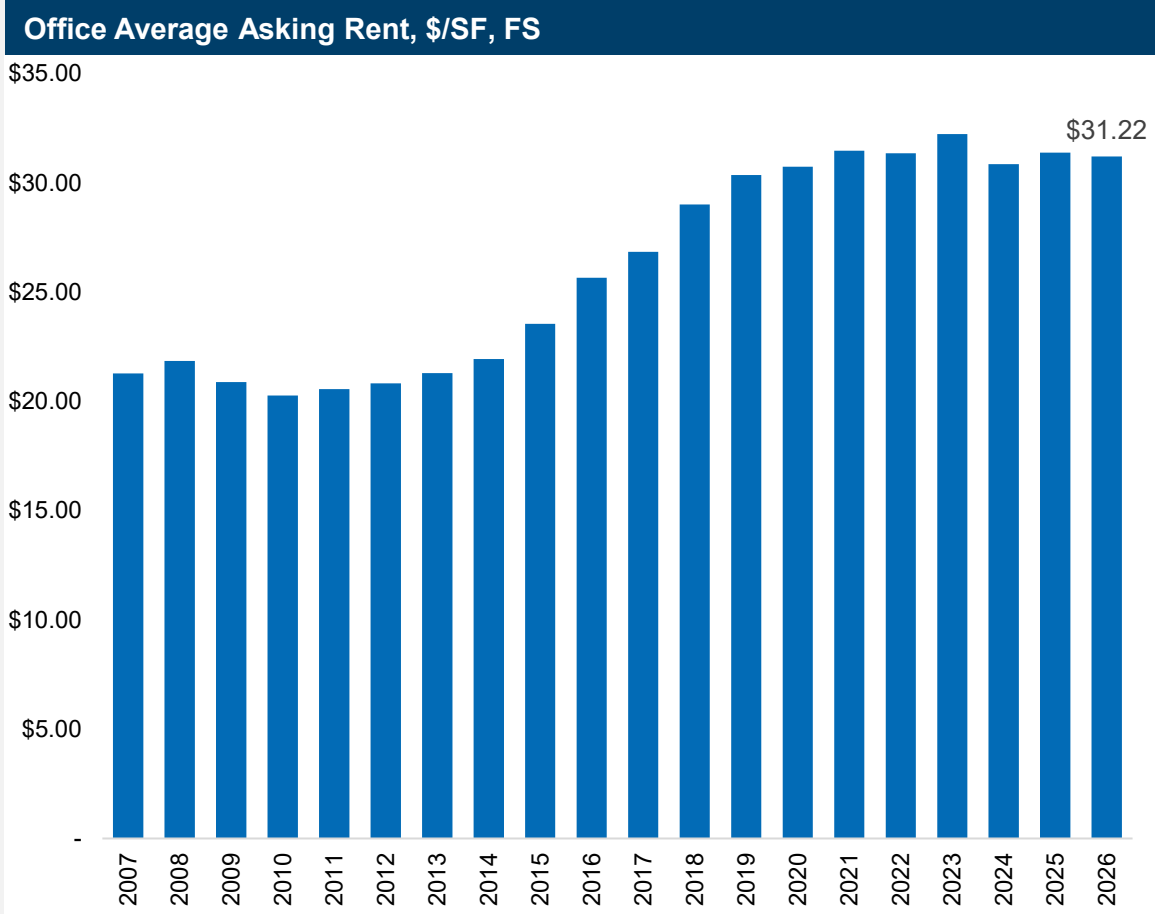
No new office construction starts or deliveries were recorded in Q1 2026, leaving the pipeline effectively dormant. Overall availability stands at 27.3% and vacancy at 25.0%.



Source: Newmark Research, CoStar

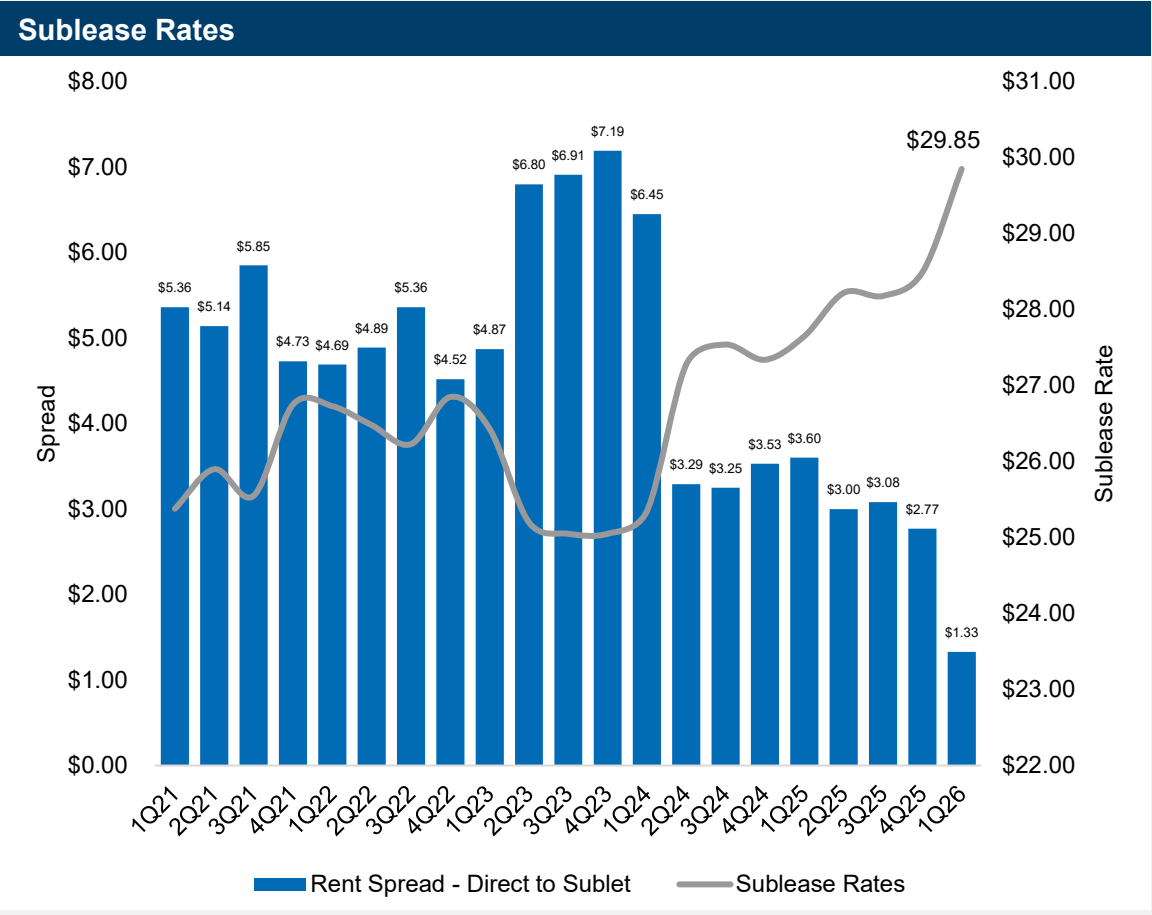
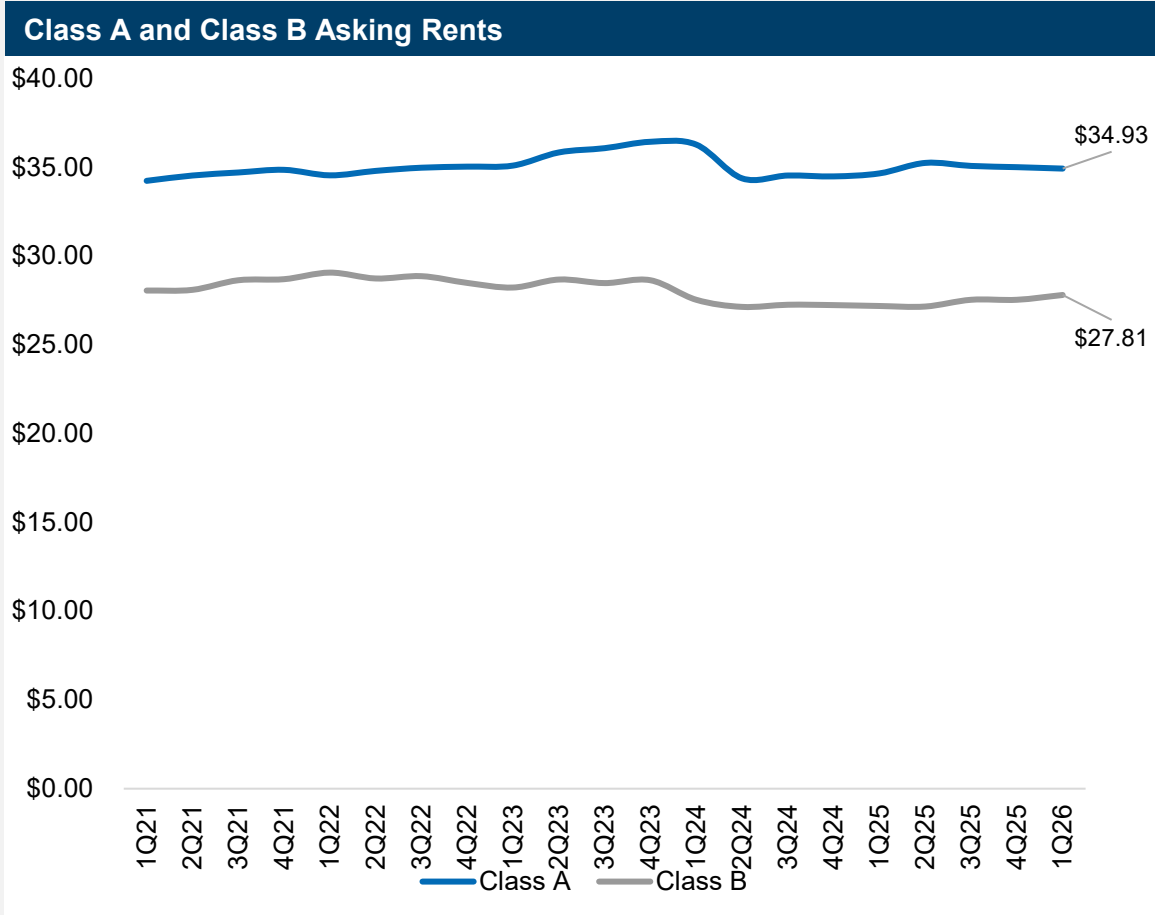
Asking Rents Dip as YOY Growth Turns Negative

Average direct asking rent reached \$31.22/sf in Q1, as YOY growth turned negative at -0.6%, the first negative YOY reading since 2024. Class A asking rent held at \$34.93/sf, as higher-quality product continued to outperform the broader market.



Sublease Rates Rise as High-Quality Product Reaches Market

Sublease asking rates reached \$29.85/sf in Q1, while the direct-to-sublease spread narrowed sharply to \$1.33/sf, the tightest since 2021. Class A direct rents held at \$34.93/sf and Class B at \$27.81/sf.



Notable 1Q26 Transactions

Notable 1Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Altera	The Park at AmberGlen - Park West 1	Sunset Corridor/Hillsboro	Sublease	30,000
Southland Industries	LPC Terminal 1	CBD/West Vancouver	Sublease	26,000
UpStart Collective	Big Pink	CBD/West Vancouver	Direct New	23,467
NV5 Geospatial	Skylight	Close-In SE	Direct New	18,647
Total Quality Logistics	Triangle Pointe South	Tigard	Renewal	16,675

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights

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