

2Q25

Portland Office Market Overview

NEWMARK



Market Observations

Economy

- Unemployment across Portland rose again in the second quarter of 2025, reaching 4.5%, representing a 20-basis-point increase compared to early 2025.
- Year-over-year job growth hovered near neutral, with slight gains in office-occupying industries offset by weaker fundamentals in other sectors.
- Education and Health Services (up 3.4%) and Information (up 2.8%) were the best-performing sectors in the second quarter.
- Overall, office-occupying employment registered a slight gain despite another quarter of negative absorption in the leasing market.

Major Transactions

- Machine Works located at 1400 NW Northrup St was purchased by Melvin Mark Companies for \$28 million, or approximately \$243/SF. The property was 100% leased at the time of sale.
- 7303 SE Lake Rd, a 27,605-square-foot office building in the Clackamas/Milwaukie submarket was sold by a private party for 6.8 million, or \$246/SF. The building was 100% leased at time of sale and included a leaseback option as a sale condition.
- A private individual sold 5711 SW Hood Ave, a 9,702-square-foot office building in the Johns Landing submarket, to Zupan's Markets for \$6 million, or approximately \$618/SF.

Leasing Market Fundamentals

- Net absorption totaled negative 311,820 SF in the second quarter of 2025. The Central Business District (CBD) represented the highest concentration of space returning to the market, as the submarket saw vacancy reach 33.1% across all asset classes.
- Office market vacancy rose again in the second quarter, with market-wide vacancy reaching 24.3%—a 50-basis-point increase compared to the first quarter of 2025.
- Asking rents dipped slightly in Portland, with average rent reaching \$31.30/SF Full-Service Gross. Rates remained steady among Class A assets, while Class B product experienced a marginal decline in overall asking rates.
- The Close-In Southeast submarket saw a sharp increase in vacancy as 104,156 SF of space returned to the market. Vacancy in the submarket measured 25.6%, slightly above the market-wide average.

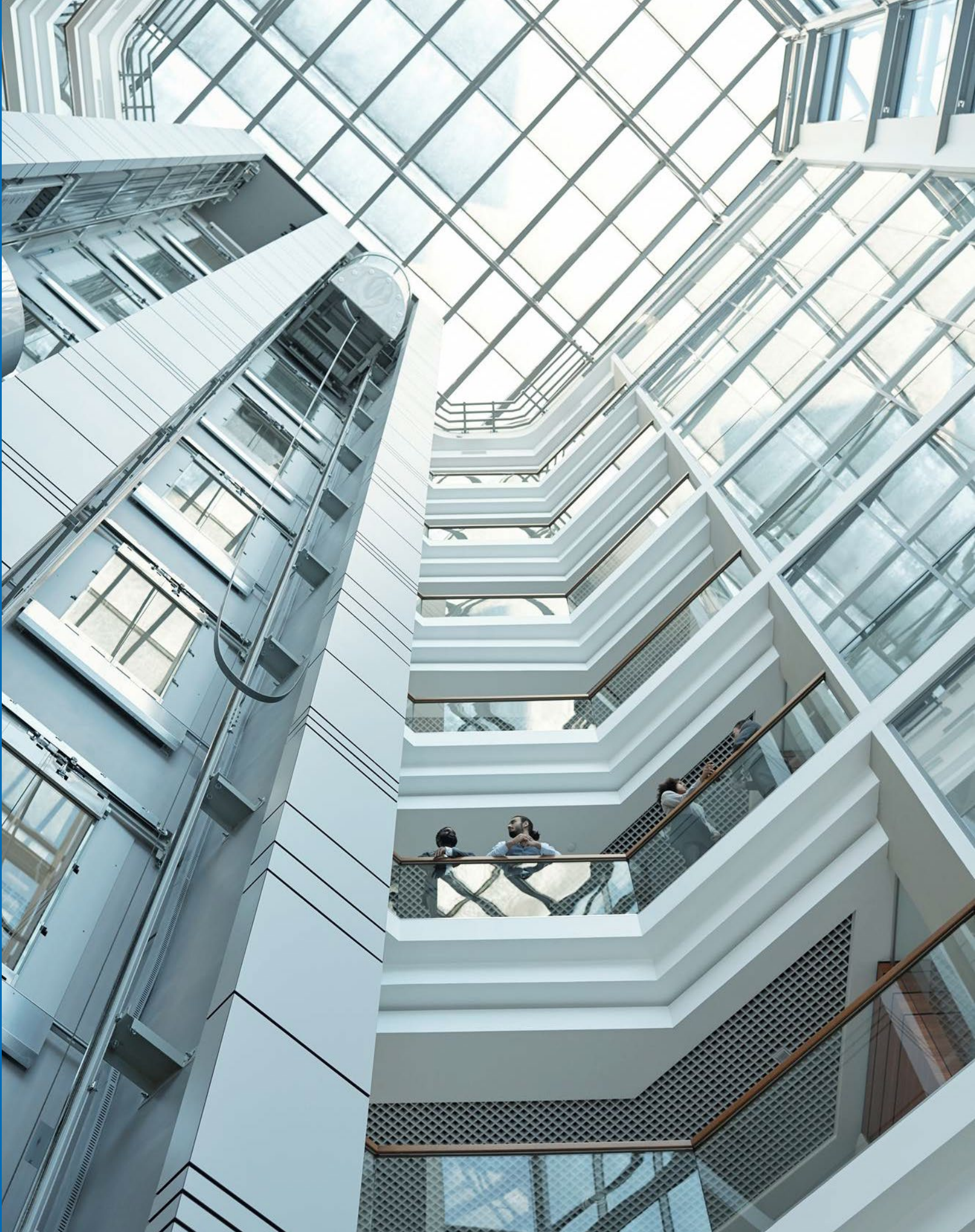
Outlook

- Although there was a modest uptick in leasing activity during the second quarter, overall demand was expected to remain subdued through the rest of the year, as employers proceeded cautiously amidst a cooling labor market and rising jobless claims.
- Portland's office vacancy rate reached a record high of 24.3% in the second quarter of 2025 and was projected to rise further as market challenges persisted, including ongoing space consolidations, delayed leasing decisions, and limited new demand.
- Office rental rates were expected to remain volatile, with the potential for slight declines as tenants continued to reassess their space needs and avoid long-term commitments in an uncertain environment.

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1. Economy
 2. Leasing Market Fundamentals

2Q25

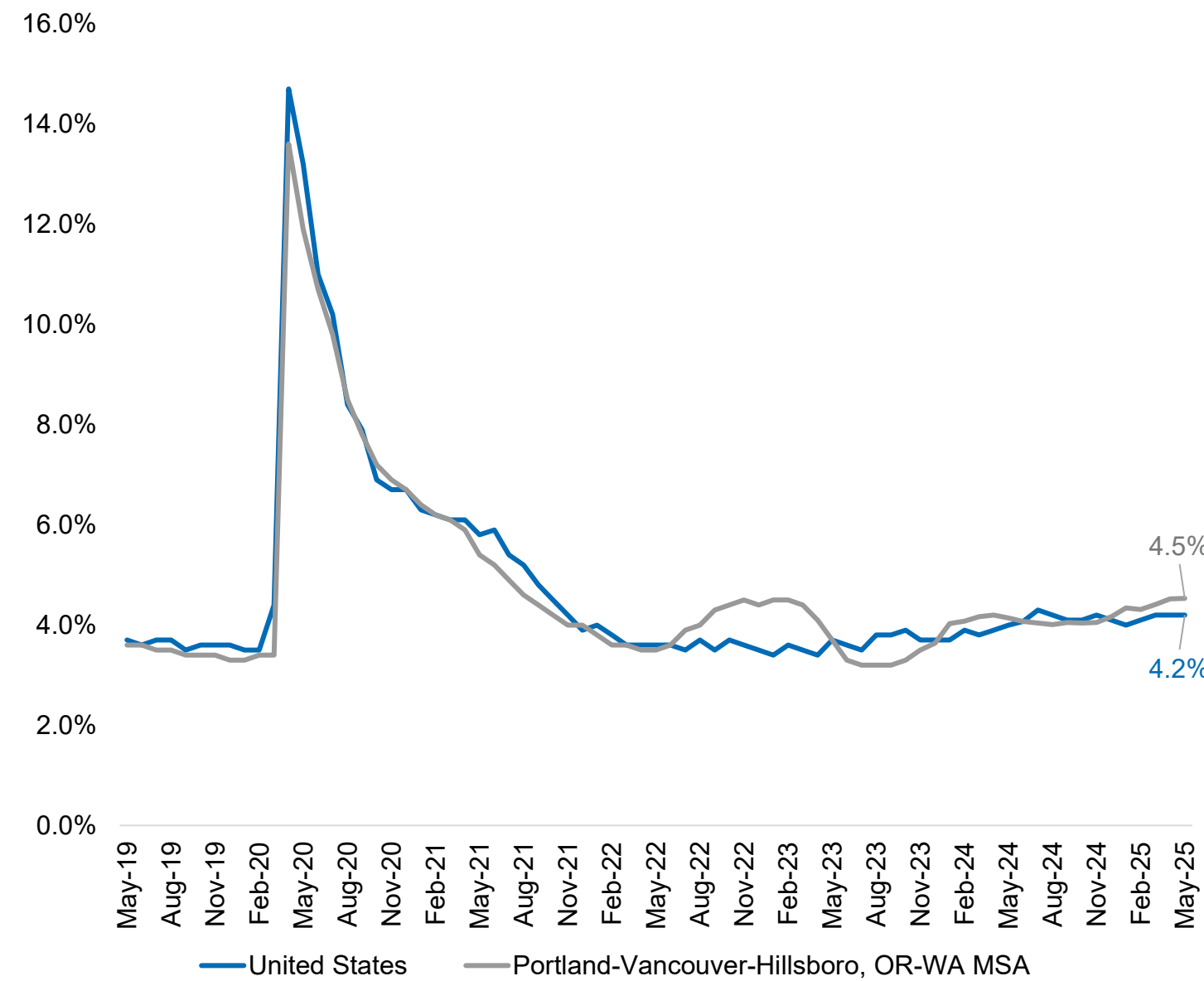
Economy



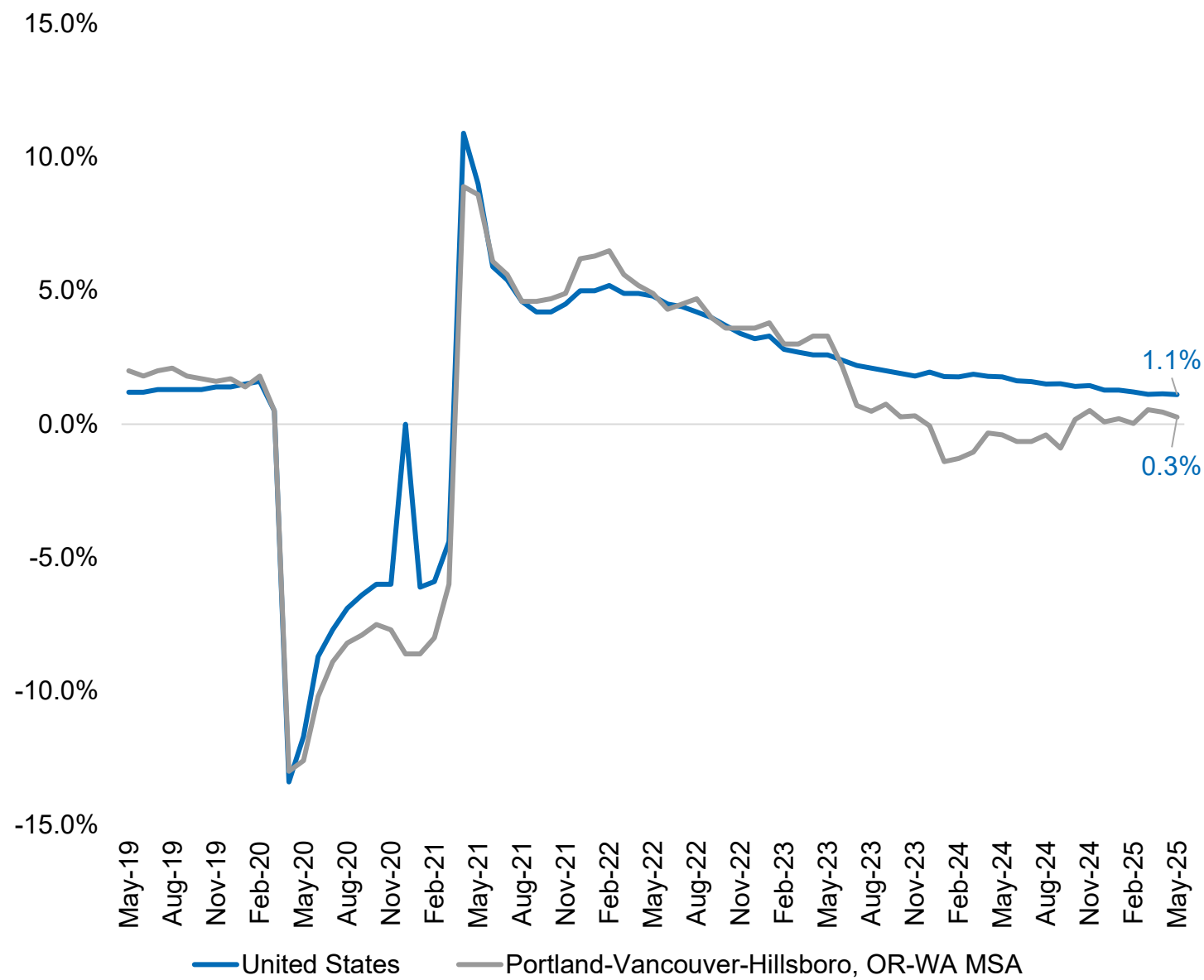
Portland Unemployment Rate Rose in 2Q25

Unemployment rose for the second consecutive quarter, with the market-wide rate reaching 4.5%. Overall employment remained slightly positive in year-over-year growth, as the gap between the Portland market and the nationwide average widened to 30 basis points.

Unemployment Rate, Seasonally Adjusted



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

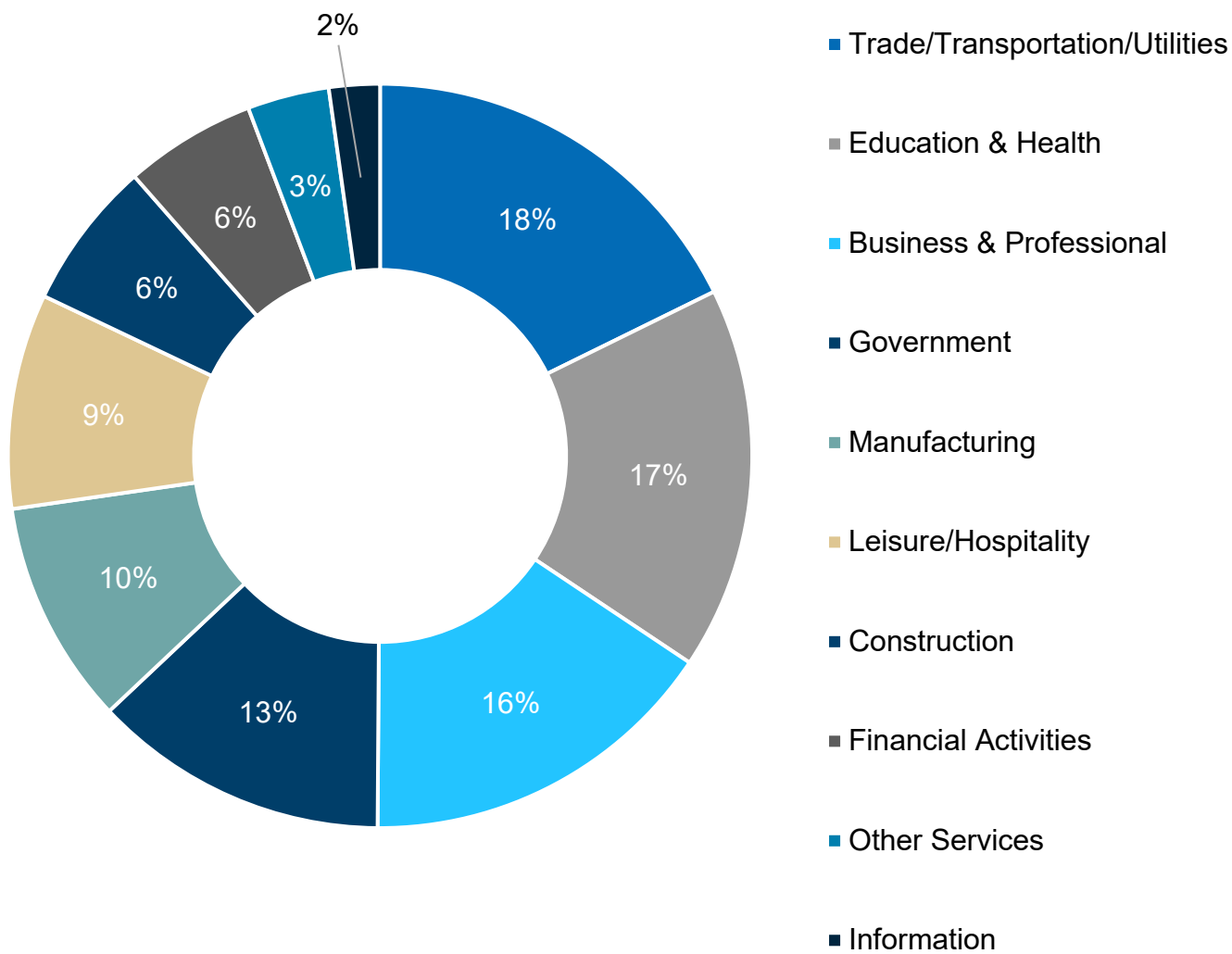


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

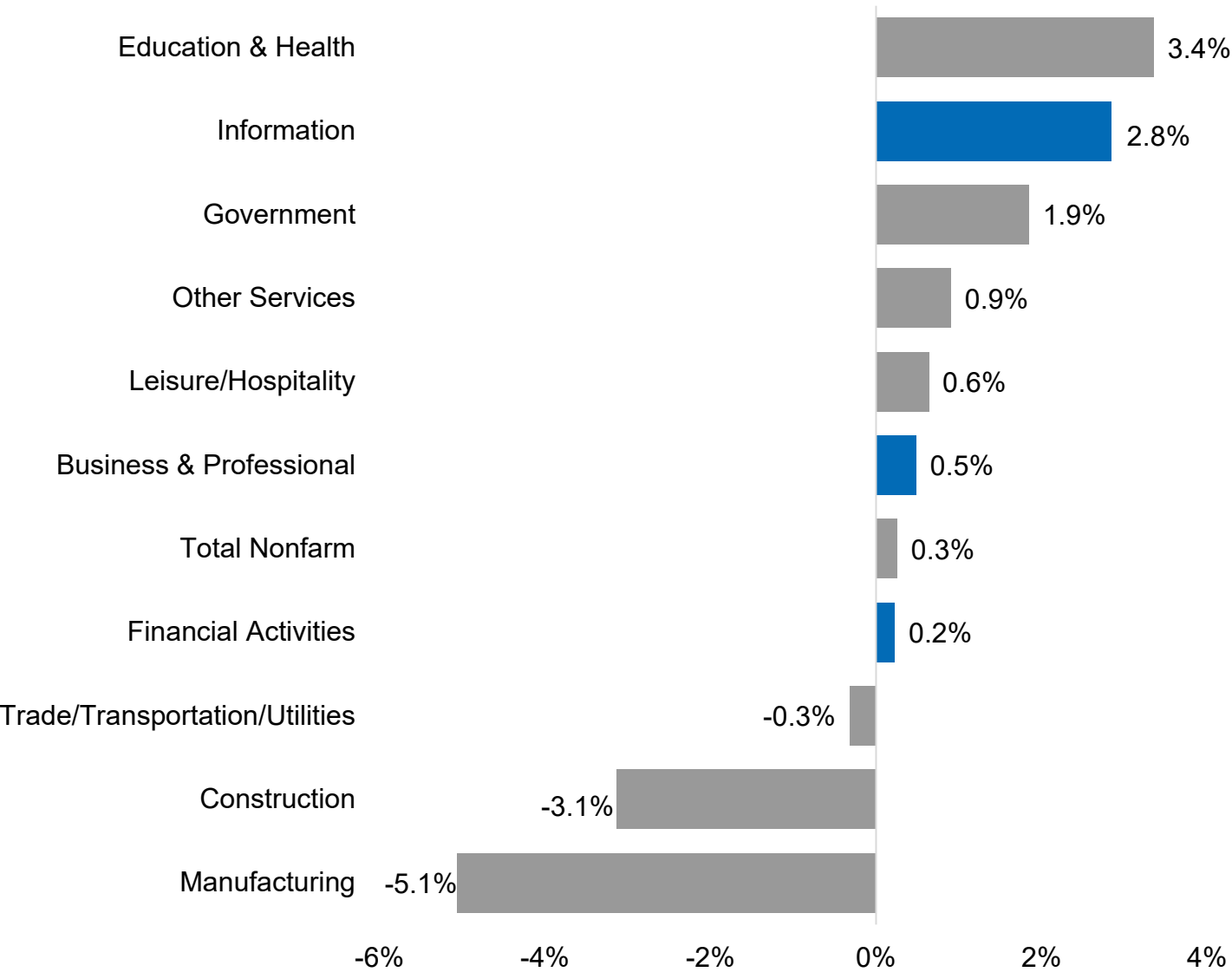
Office Sectors Recorded Growth Amidst Labor Market Retraction

The Information and Education & Health Services sectors outpaced other industries in year-over-year growth. Business & Professional Services, Portland’s largest office-occupying sector, improved by 50 basis points compared to the same period in 2024.

Employment by Industry, May 2025



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

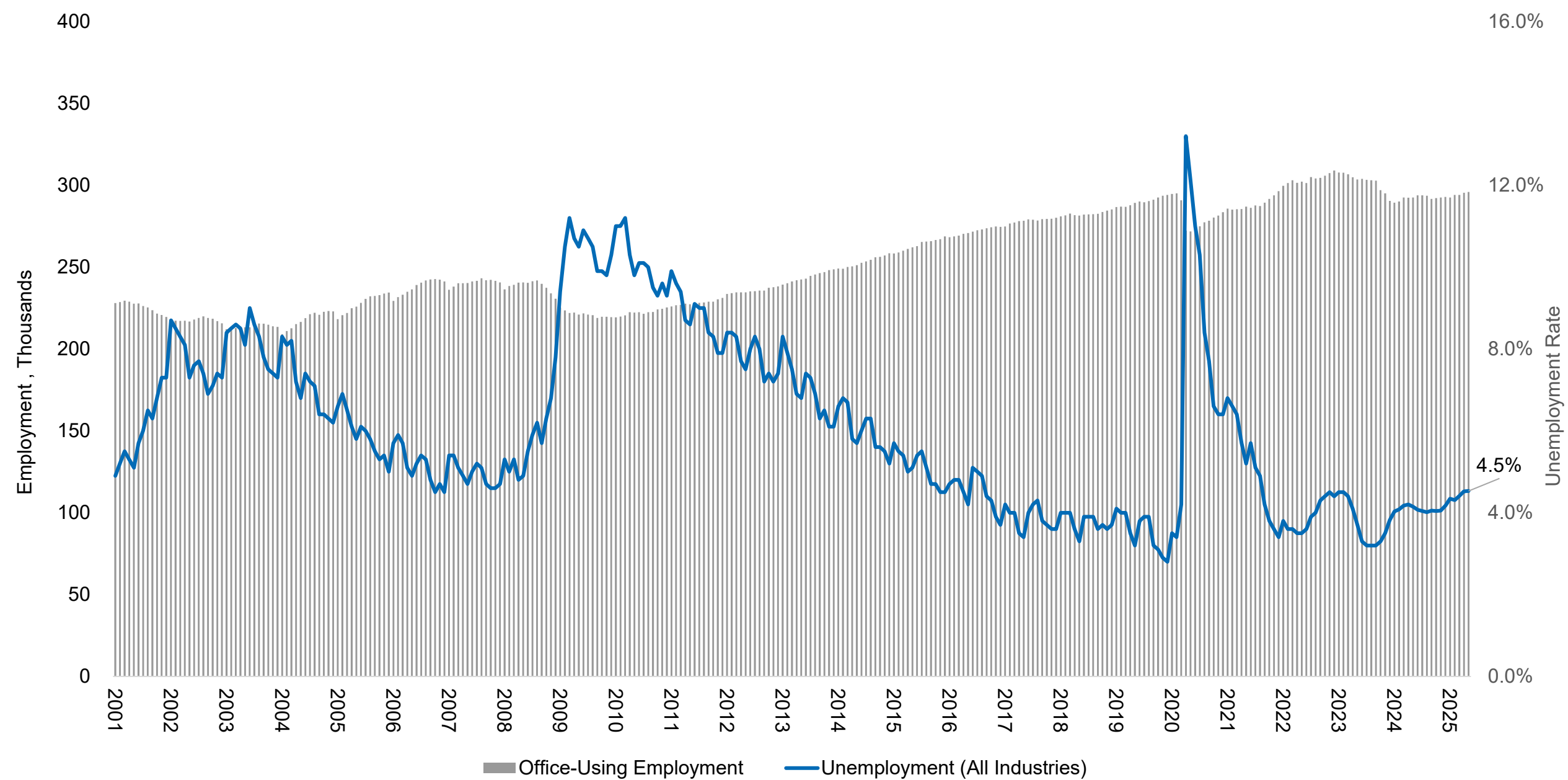


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

Office Employment Levels Steady, Still Outpacing 2024

Office-using employment in Portland remained steady through the second quarter of 2025, maintaining a 50-basis-point gain over year-end levels. Notably, the Business and Professional Services sector, the city’s largest office-occupying industry, edged slightly ahead of its 2024 employment levels, signaling modest but positive momentum in one of the market’s key demand drivers.

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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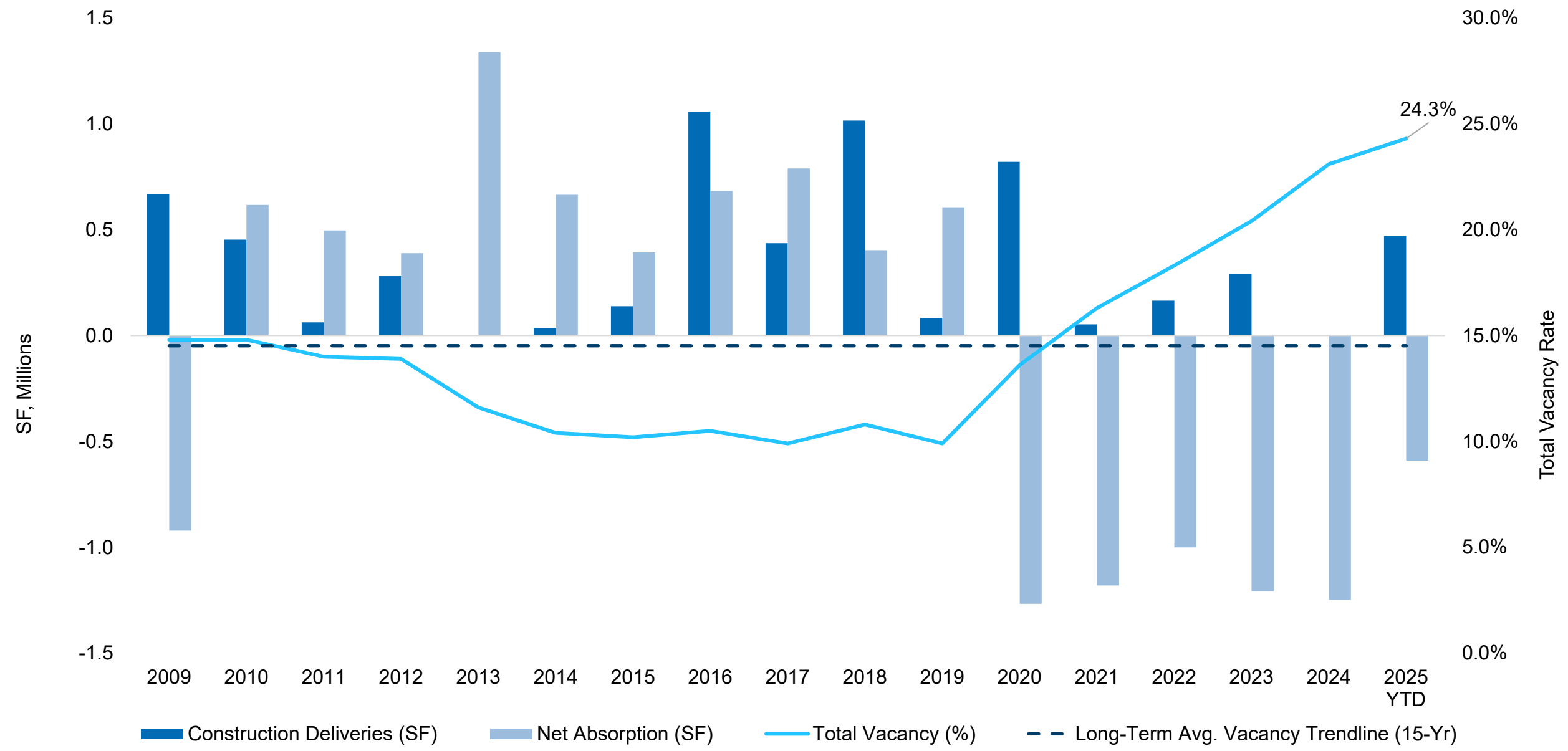
Leasing Market Fundamentals



Office Vacancy Surged Above 24%

Office vacancy continued its upward trend in the second quarter of 2025, rising by 50 basis points to reach 24.3% marketwide. Total net absorption for the quarter registered at negative 311,820 square feet, marking another challenging period for the market. While the Central Business District remained the primary contributor to the losses, the Close-In Southeast submarket also faced a particularly difficult quarter, with elevated vacancy and weak tenant demand amplifying downward pressure.

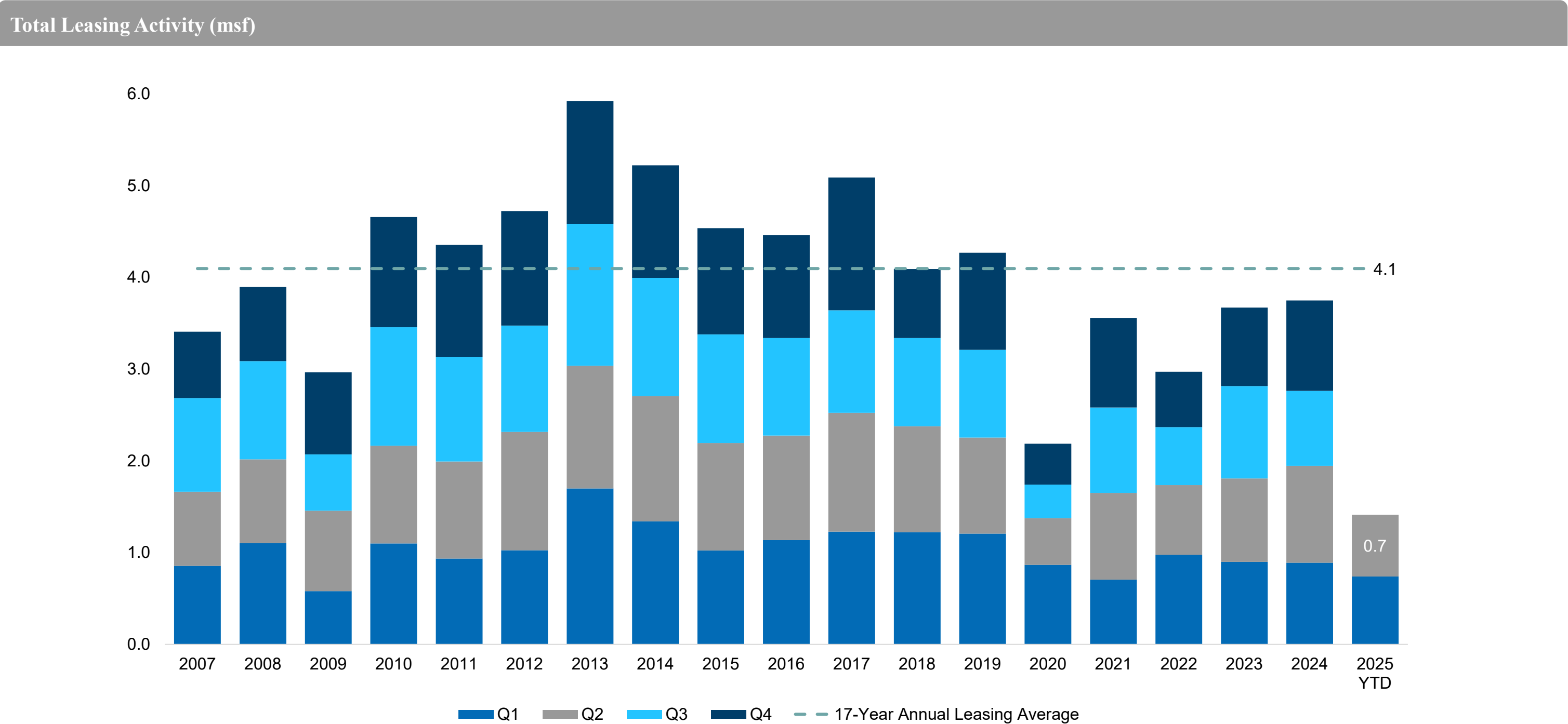
Historical Construction Deliveries, Net Absorption, and Vacancy



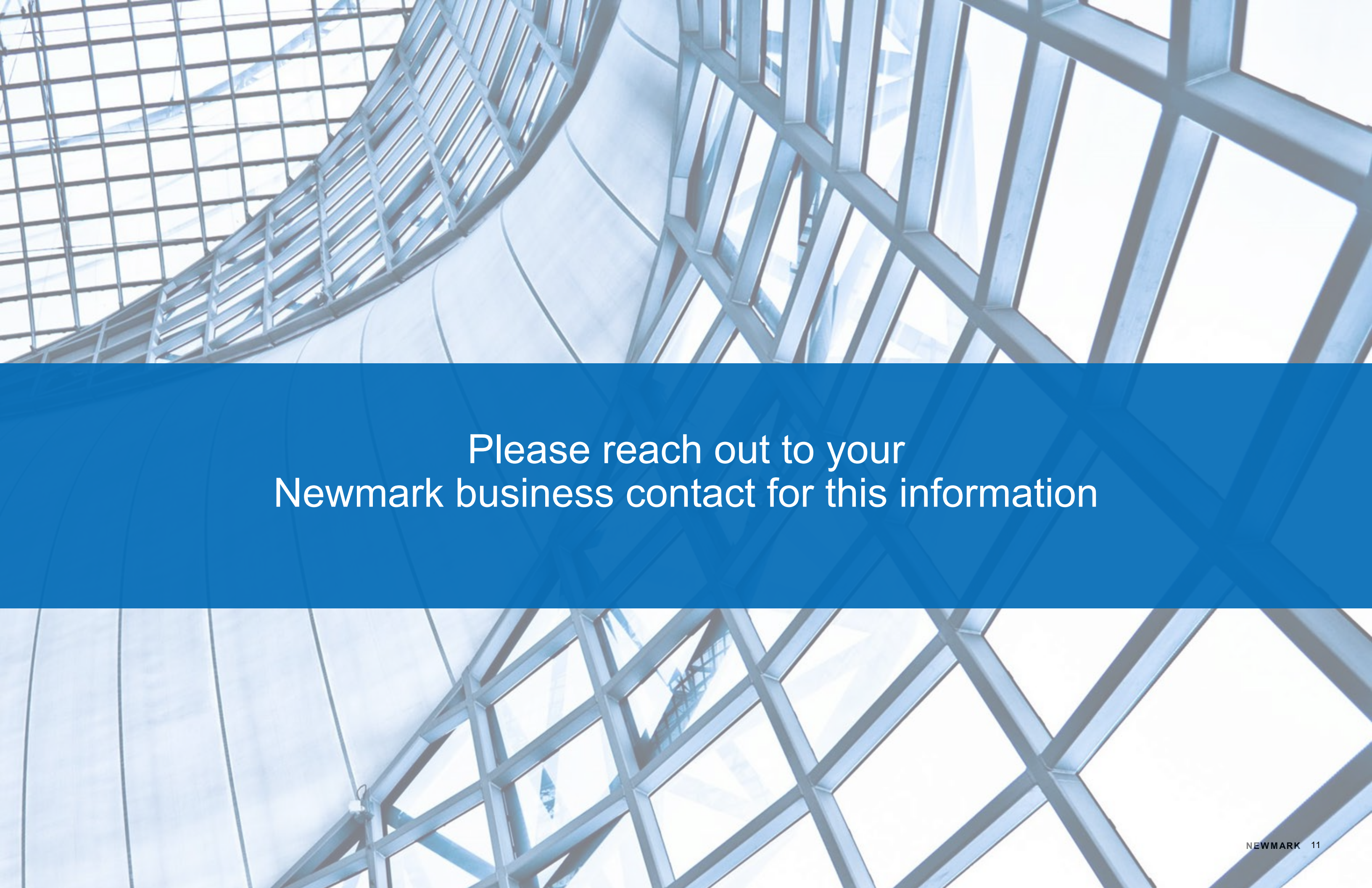
Source: Newmark Research, CoStar

Second Quarter Activity Held Steady

Leasing activity in the second quarter of 2025 remained largely unchanged from the first quarter, reflecting a steady but subdued pace of tenant demand. A significant portion of the quarter’s deal volume was concentrated in Portland’s suburban submarkets, underscoring a continued shift in tenant preference toward more flexible and cost-effective locations.



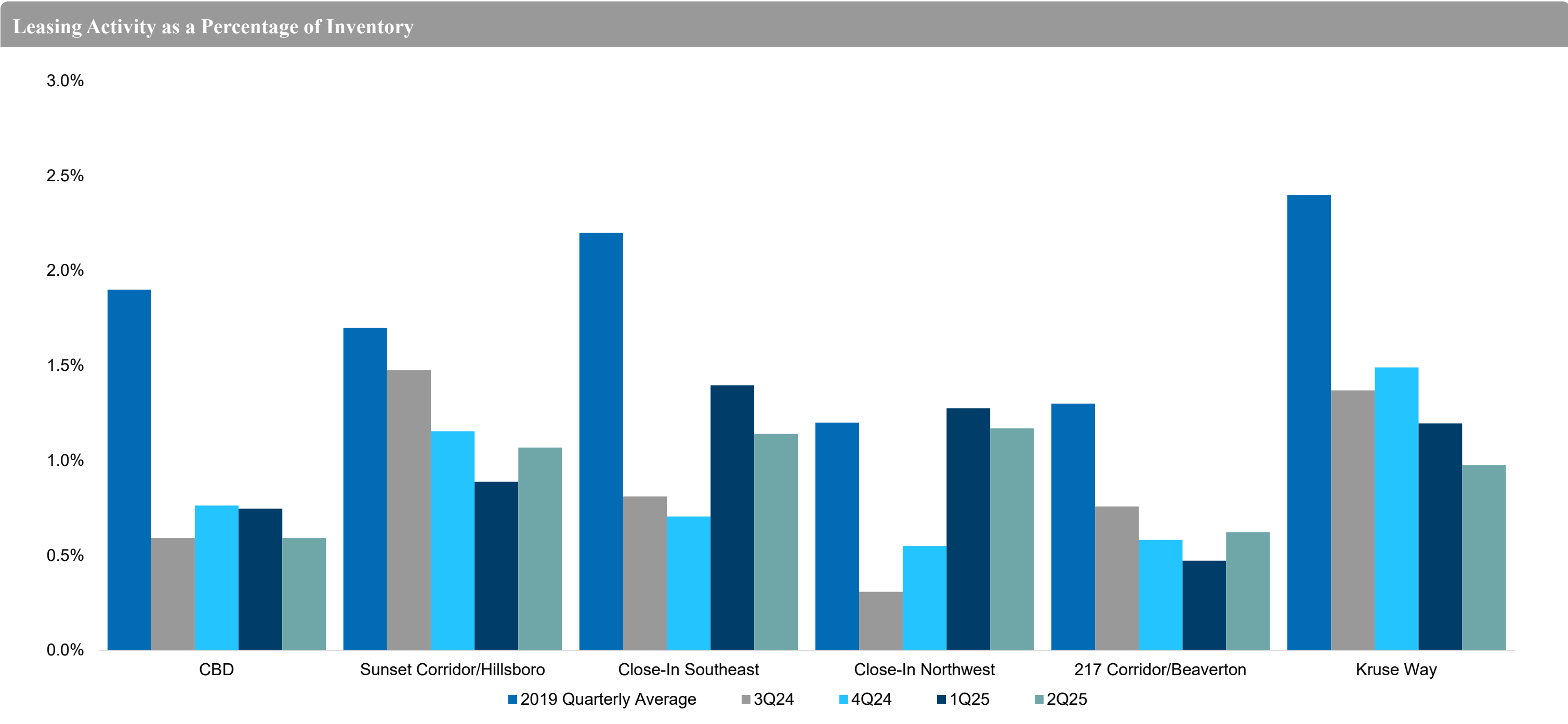
Source: Newmark Research, CoStar



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Submarket Leasing Activity Reflected Mixed Trends

While the Central Business District remained relatively stable, leasing activity continued to fall short of pre-pandemic levels, reflecting persistent caution among office tenants in more densely populated urban cores. In contrast, the Hillsboro and Beaverton submarkets performed well in the second quarter of 2025, benefiting from increased demand as tenants favored more affordable and flexible suburban office options.

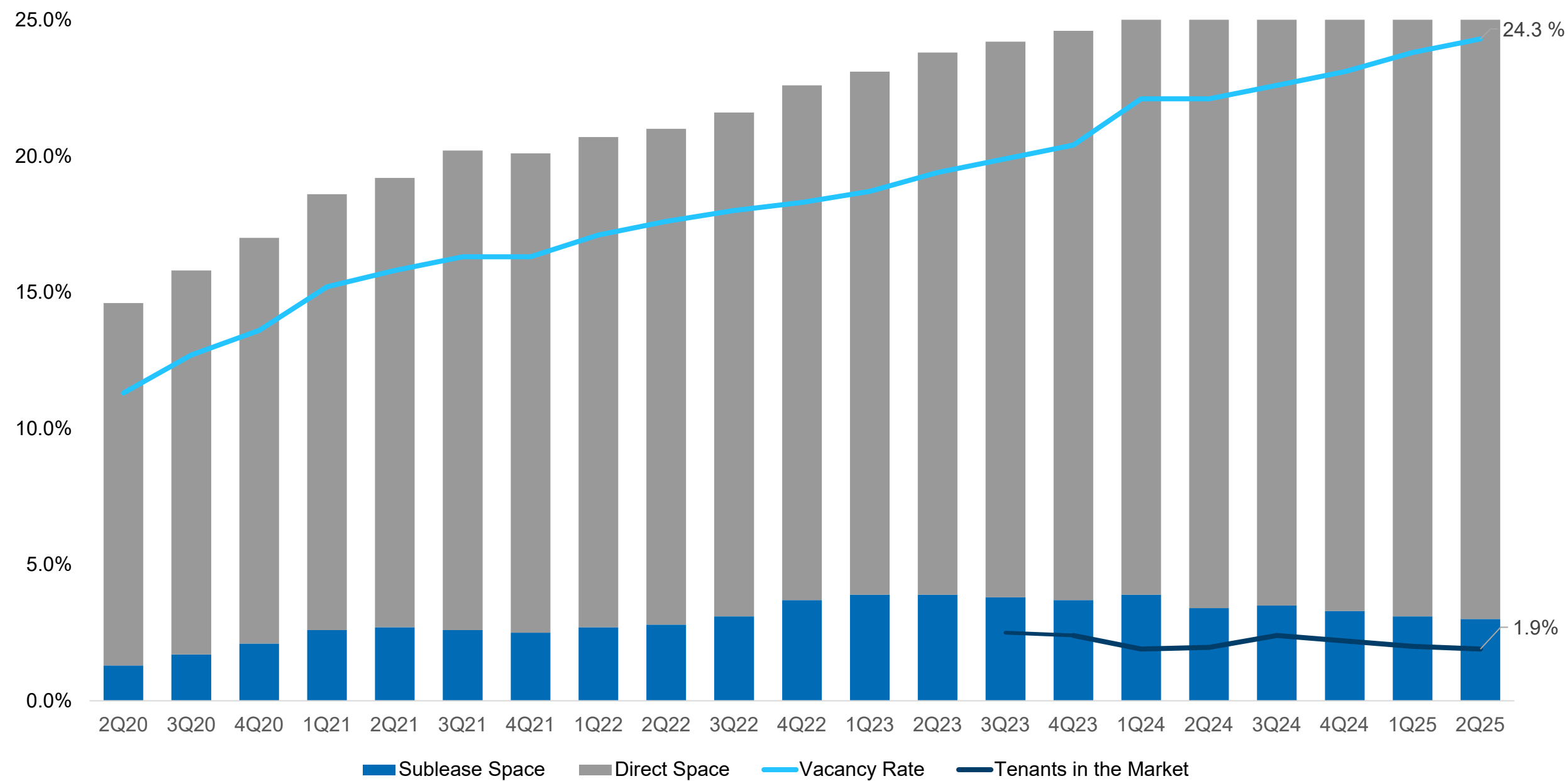


Source: Newmark Research, CoStar

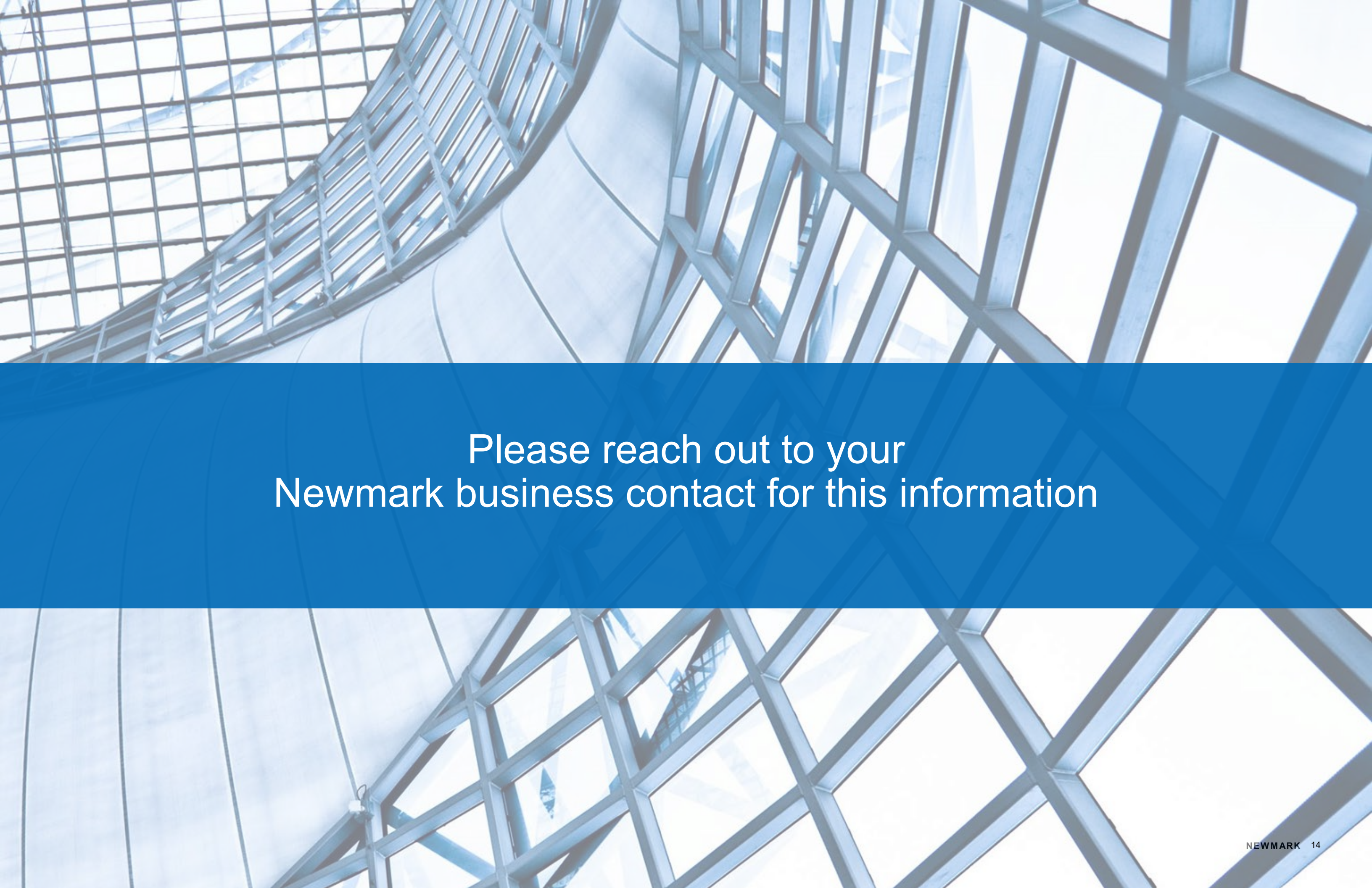
Demand Showed Little Change in 2Q25

Tenant demand declined by 20 basis points in the second quarter of 2025 compared to the first quarter, marking the second consecutive quarterly decrease. Despite this modest decline, overall demand remained largely consistent with first-quarter levels, reflecting a relatively stable market amid ongoing challenges.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

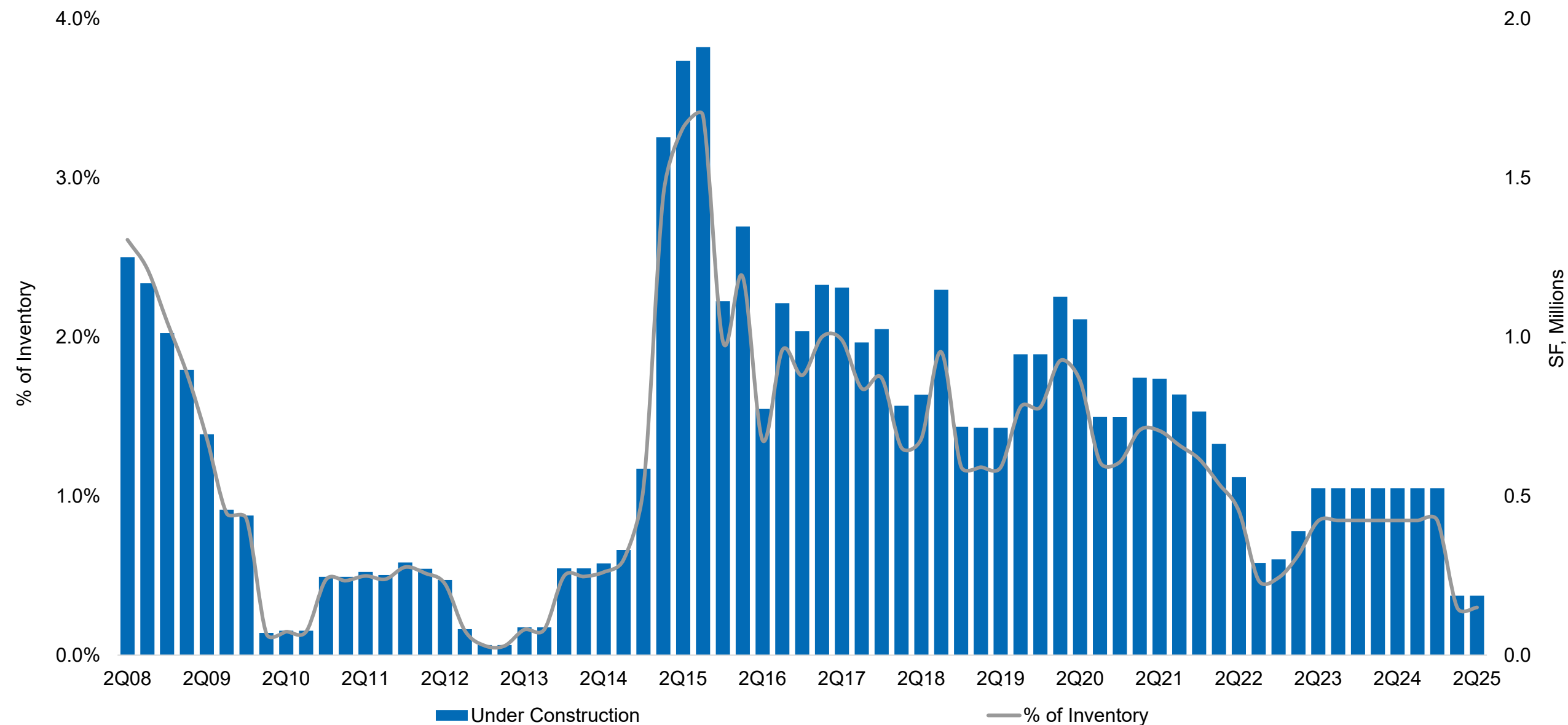


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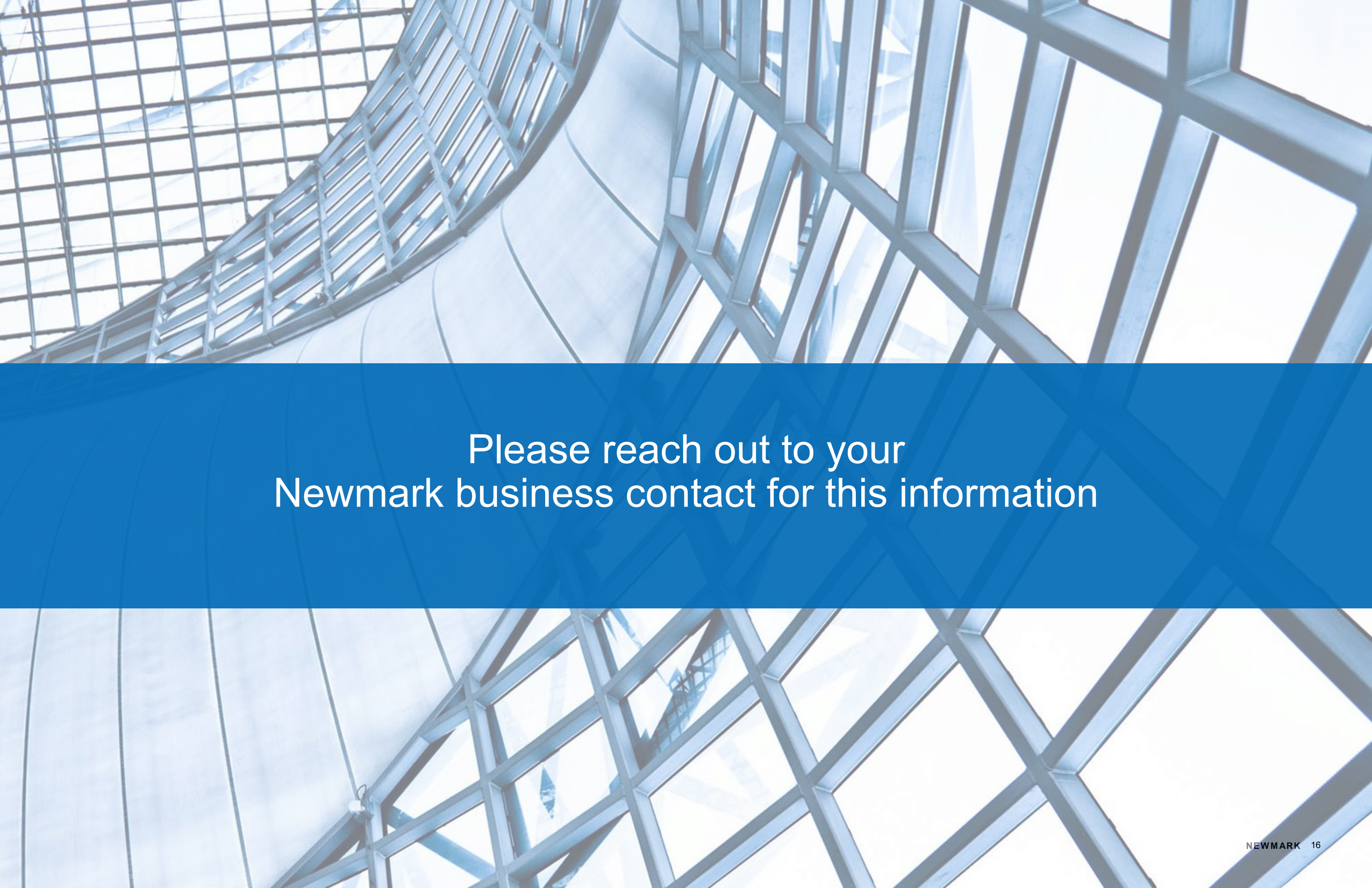
Office Development Remained Inactive in Second Quarter

The second quarter of 2025 saw no new office construction activity in the Portland market, and no new projects appear to be on the horizon. With elevated vacancy rates, cautious tenant behavior, and persistent capital market headwinds, current conditions remain broadly unfavorable for office investment and development. As a result, both investors and developers continue to sit on the sidelines.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

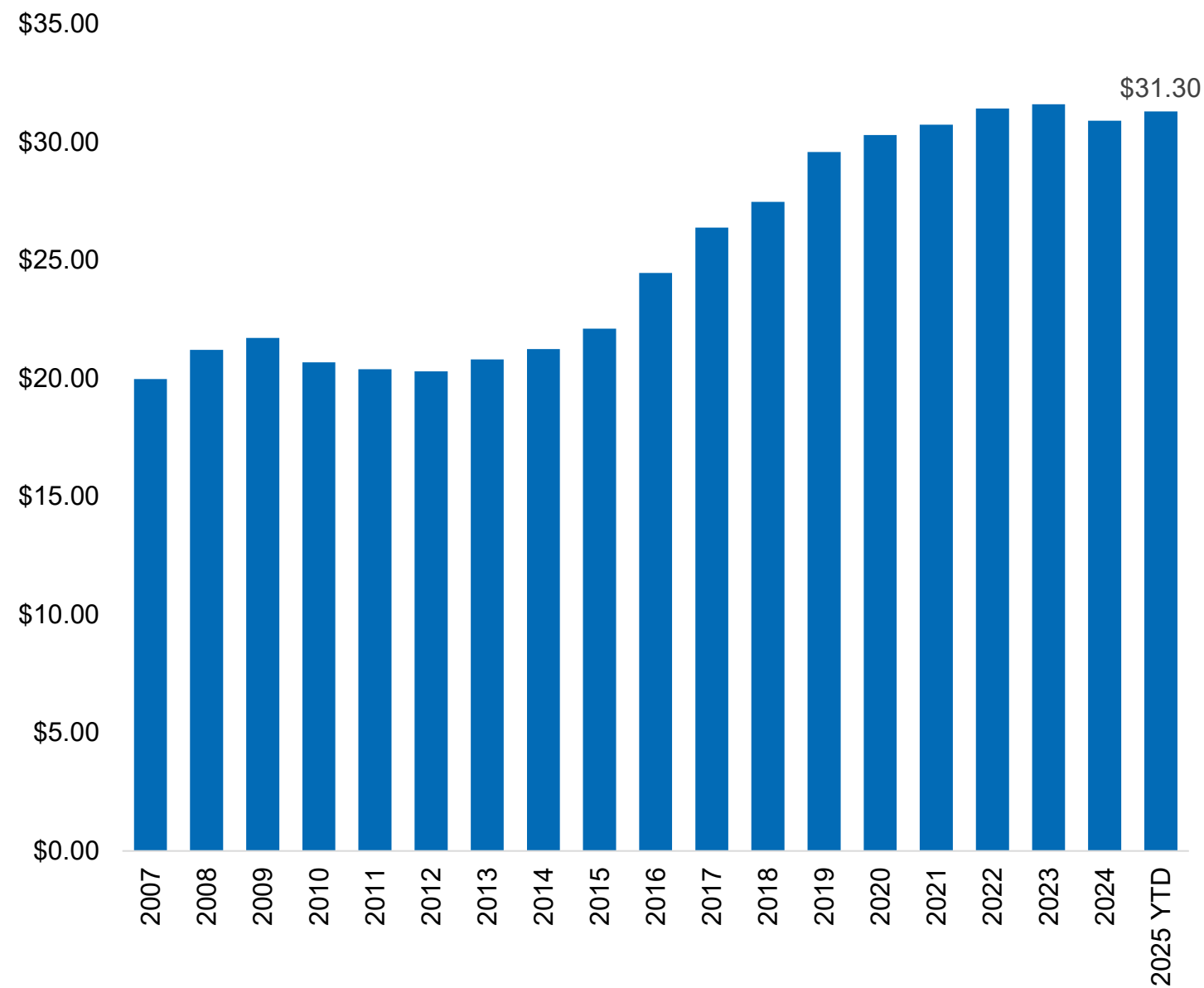


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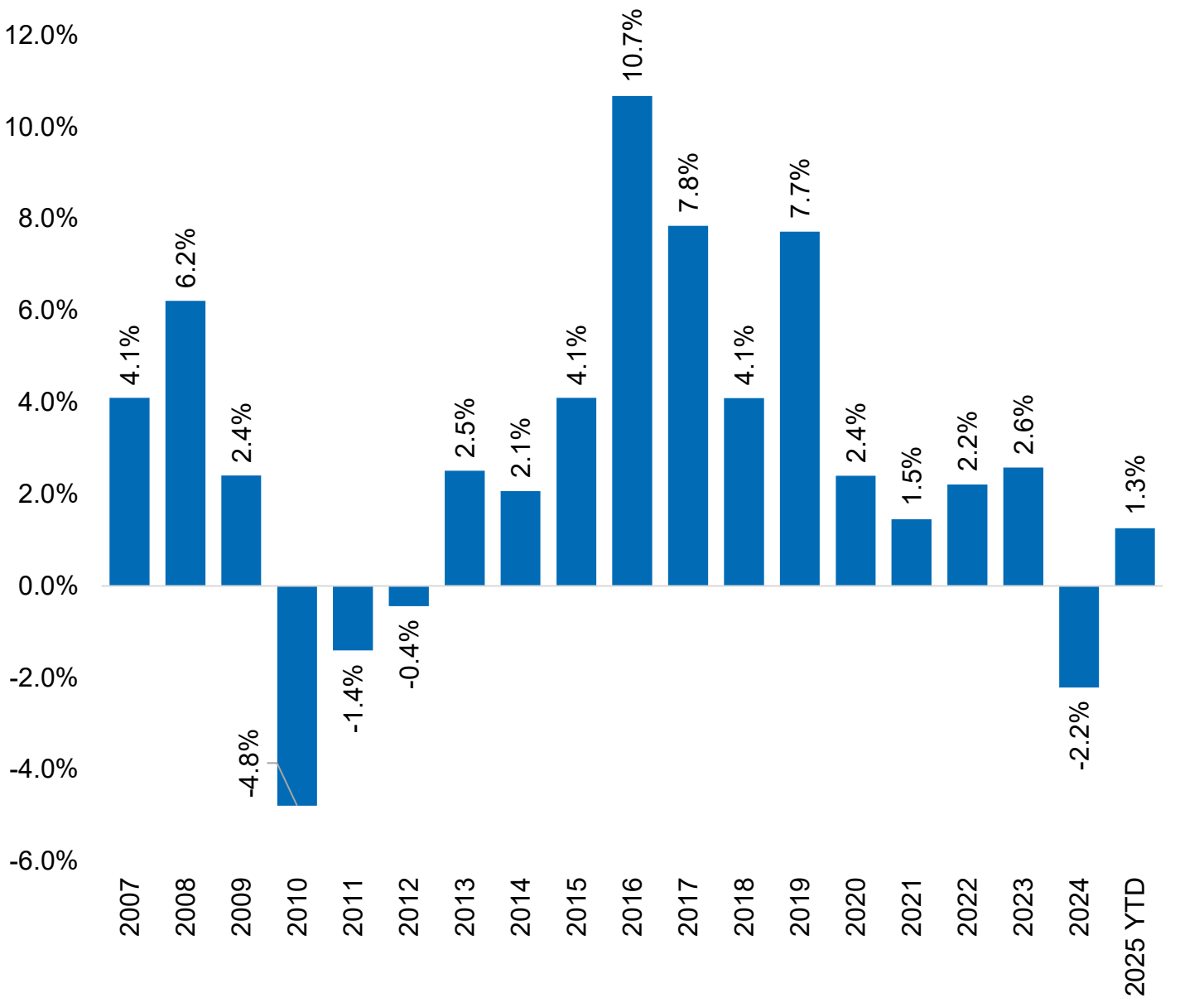
Average Office Rents Dipped Slightly, Still Top 2024 Levels

The average asking rent for office space in Portland dipped slightly to \$31.30/SF in the second quarter of 2025. Despite this modest decline, rates remain above 2024 levels, indicating continued strength in select areas of the market, especially among high-quality suburban properties.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

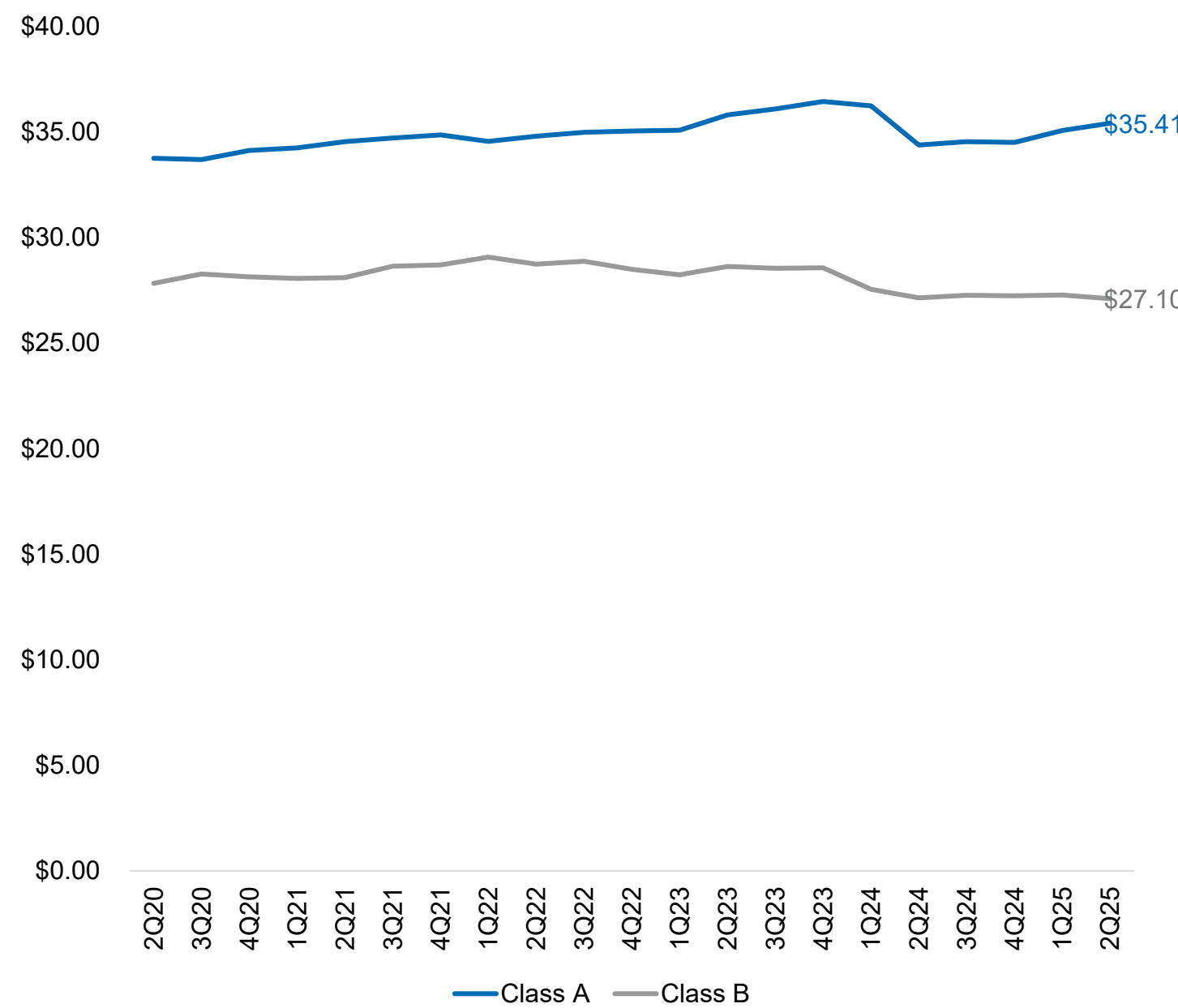


Source: Newmark Research, CoStar

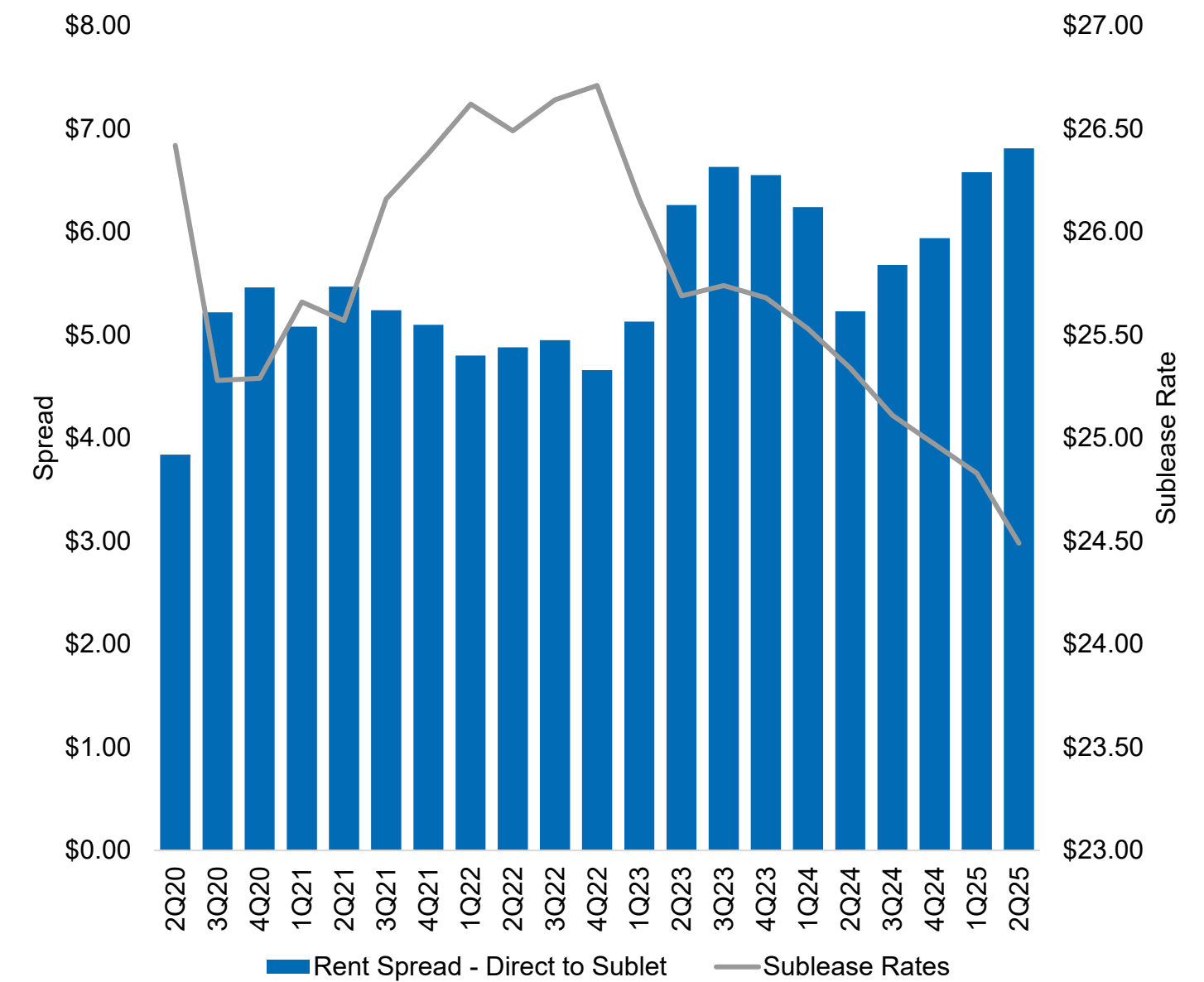
Gap Widened Between Direct Asking and Sublease Rates

In the second quarter of 2025, sublease rates fell amid weak demand in a saturated market, widening the gap with direct asking rents. Limited demand for sublease space continues to drive those rates downward, putting pressure on sublease pricing.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 2Q25 Lease Transactions

In the second quarter of 2025, notable lease activity was distributed across both suburban and urban markets, reflecting balanced tenant interest. Clark County stood out with the largest deal of the quarter, underscoring its continued appeal to companies looking to relocate their operations away from Portland’s urban core.

Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Trend Capital	100 SW Columbia Way	Clark County	Sublease	41,197
The financial group subleased a portion of the new Terminal 1 development on the Vancouver waterfront.				
The Oregon Clinic	11000 SW Stratus St	217 Corridor/Beaverton	Direct	41,088
The local healthcare group increased their Prescence in the 217 Corridor.				
Energy Trust of Oregon	920 SW Sixth Ave	CBD	Direct	20,655
The non-profit group signed a new deal at the Power + Light building.				
OnPoint Community Credit Union	707 SW Washington St	CBD	Direct	17,000
The credit union took the first and second floors of the Union Bank Building.				
Norris & Stevens	900 SW 5 th Ave	CBD	Renewal	14,740
Norris & Stevens signed a renewal in their long-term space at 900 SW 5 th Ave.				

Source: Newmark Research

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