

3Q25

Portland Office Market Overview

NEWMARK



Market Observations

Economy

- Unemployment in the Portland area rose sharply to 4.9%, a 40-basis-point increase from the second quarter that significantly outpaced the national average of 4.3%.
- Year-over-year job growth remained near neutral as the Portland employment market witnessed a 50-basis point dip overall as retraction in office-occupying industries was offset by stronger performance in other sectors.
- The Information sector (up 4.2%) was the strongest performer in the third quarter but represents only 2% of Portland’s total labor force, insufficient to offset losses in Financial Activities (down 1.2%) and Business & Professional Services (down 0.4%).

Major Transactions

- US Bancorp Tower, or “Big Pink,” the 1,154,175-square-foot office tower located at 111 SW 5th Ave, was purchased by Swickard Auto Group for \$45 million, or approximately \$39/SF. The seller was UBS.
- 20015 SW Pacific Hwy, an 18,422-square-foot office building in the I-5 Outlying submarket was sold by Sherwood West LLC for \$3.5 million, or \$192/SF.
- A private individual sold 8307 SE Monterey Ave, an 8,783-square-foot office building in the Clackamas/Milwaukie submarket, to The Salvation Army for \$3.375 million, or approximately \$384/SF.

Leasing Market Fundamentals

- Net absorption totaled negative 118,459 square feet in the third quarter of 2025. The Central Business District (CBD) accounted for the largest share of space returning to the market, followed by the Sunset Corridor as the weakest-performing suburban submarket.
- Office vacancy remained steady at 24.3% despite slight negative absorption. The market continues to see notable fluctuation in vacant and available space due to active sale listings and ongoing property transitions in the urban core.
- Asking rents remained largely unchanged, with the average rate holding at \$31.24 per square foot, full-service gross.

Outlook

- Leasing activity cooled in the third quarter of 2025 as demand held steady and overall vacancy saw little change. If current conditions persist and the urban core continues to face a challenging leasing environment, both vacancy and negative absorption are expected to rise toward year-end.
- Portland’s office vacancy rate remained at a record high of 24.3% in the third quarter, a figure likely to increase further amid limited new tenant demand and a continued influx of available space.
- Office rental rates are expected to remain volatile across submarkets as new availabilities influence competitive pricing. Sublease rates are also anticipated to decline, with demand for secondhand space staying weak despite additional Class A inventory entering the market in the third quarter.

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1. Economy
 2. Leasing Market Fundamentals

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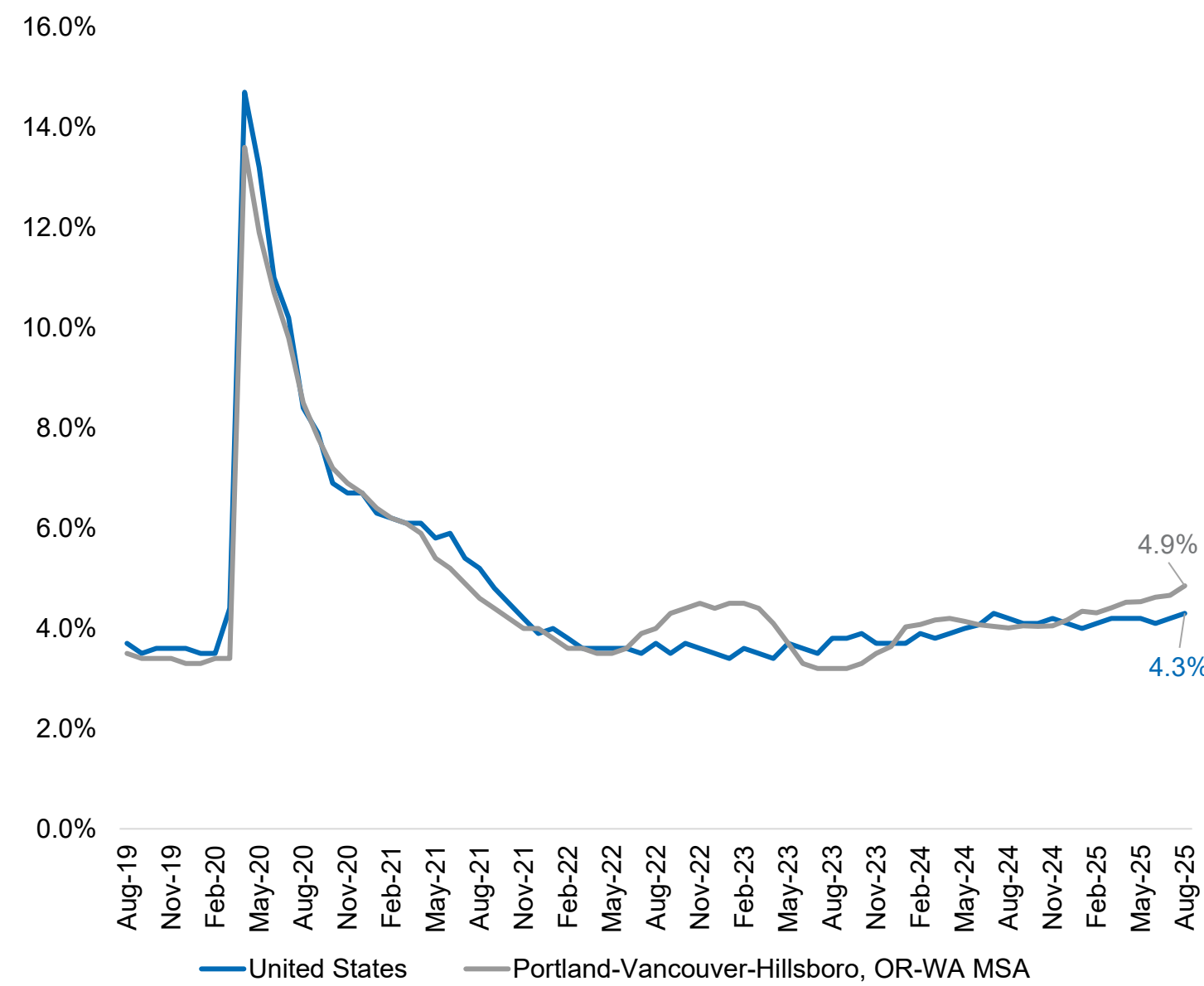
Economy



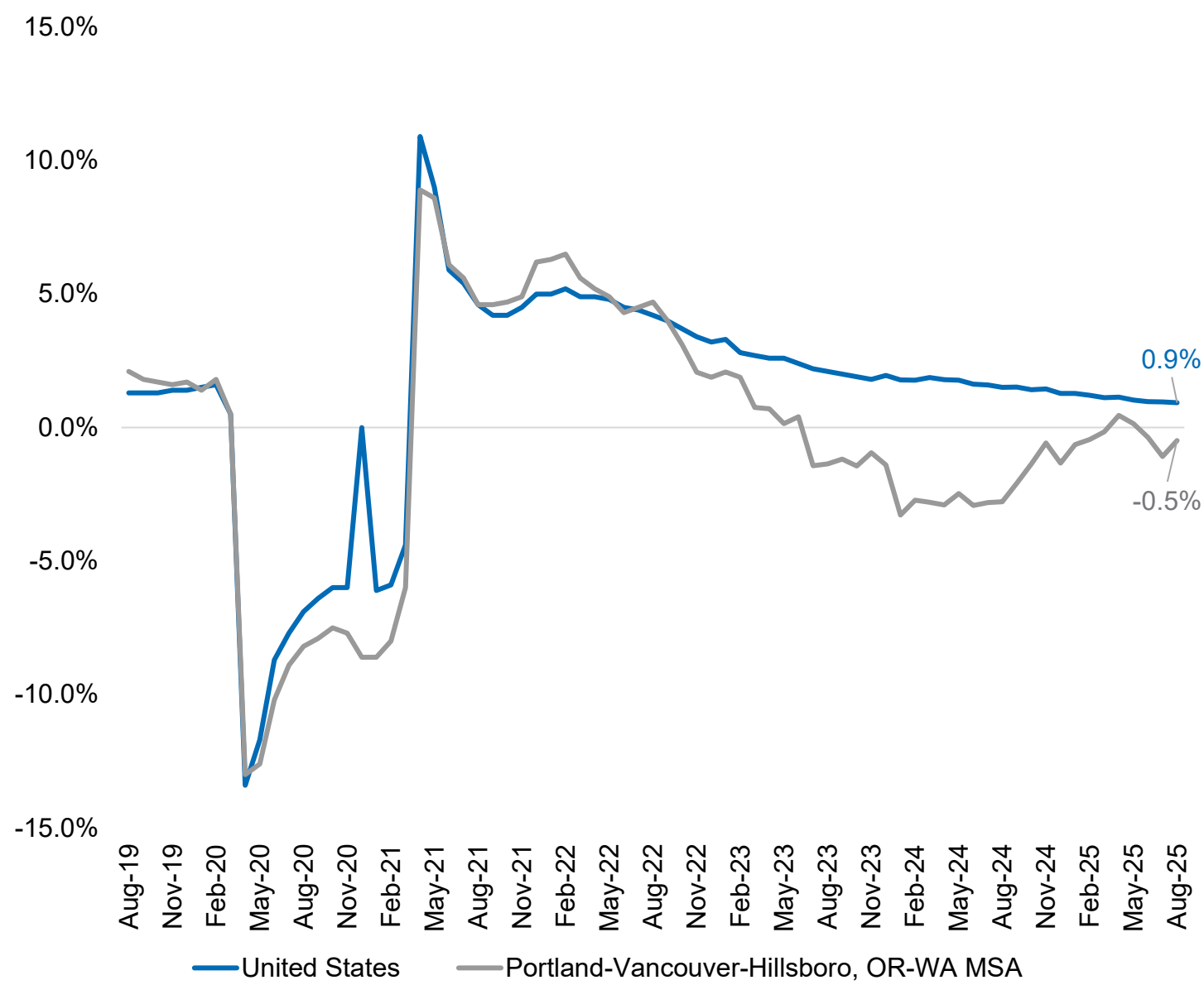
Unemployment Sees Sharp Rise in 3Q25

Unemployment in the Portland area rose significantly in the third quarter, reaching 4.9%—60 basis points above the national average and notably higher than in the second quarter. Despite the increase, year-over-year employment growth remained slightly positive, though still trailing the national pace.

Unemployment Rate, Seasonally Adjusted



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

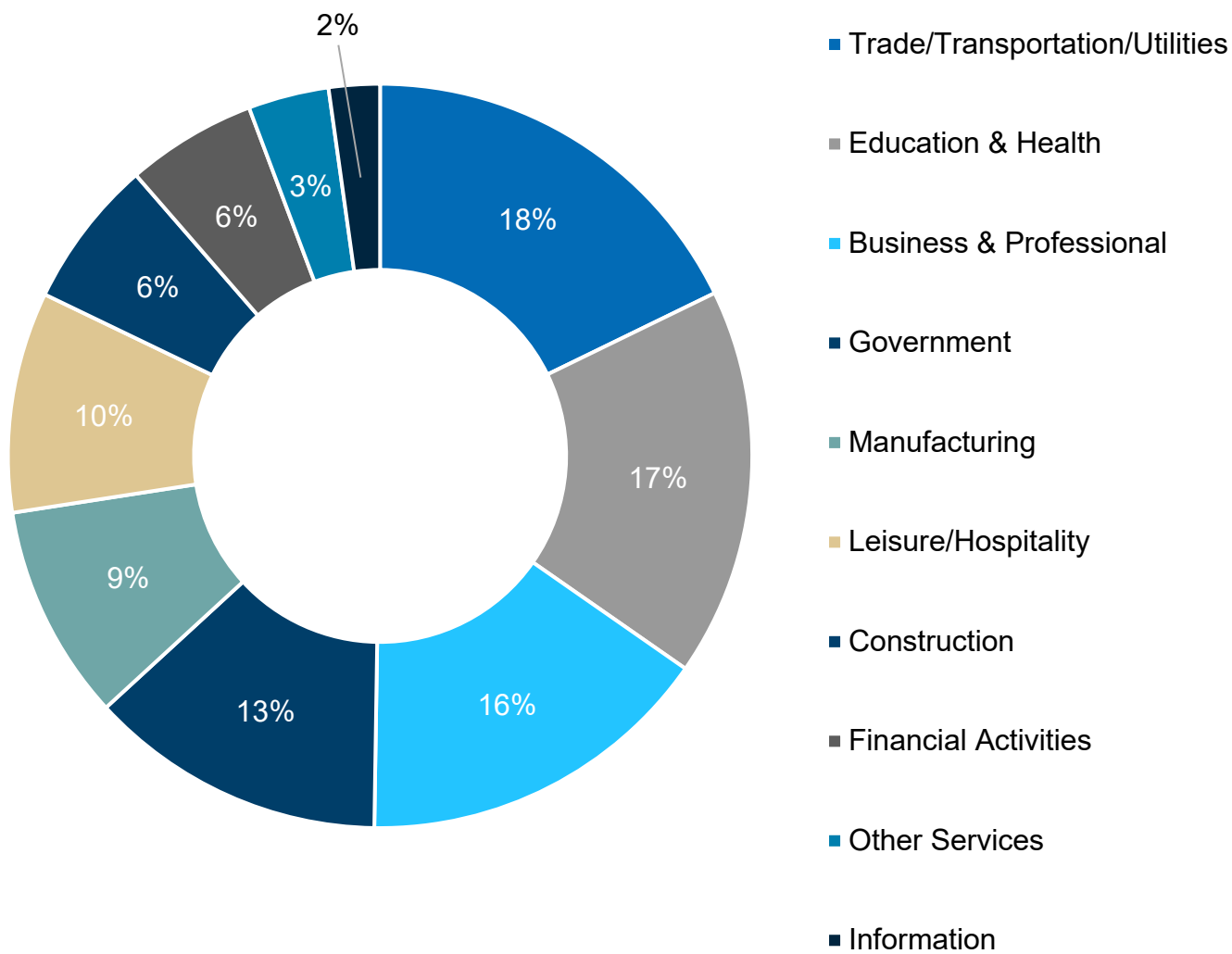


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA. Data is preliminary.

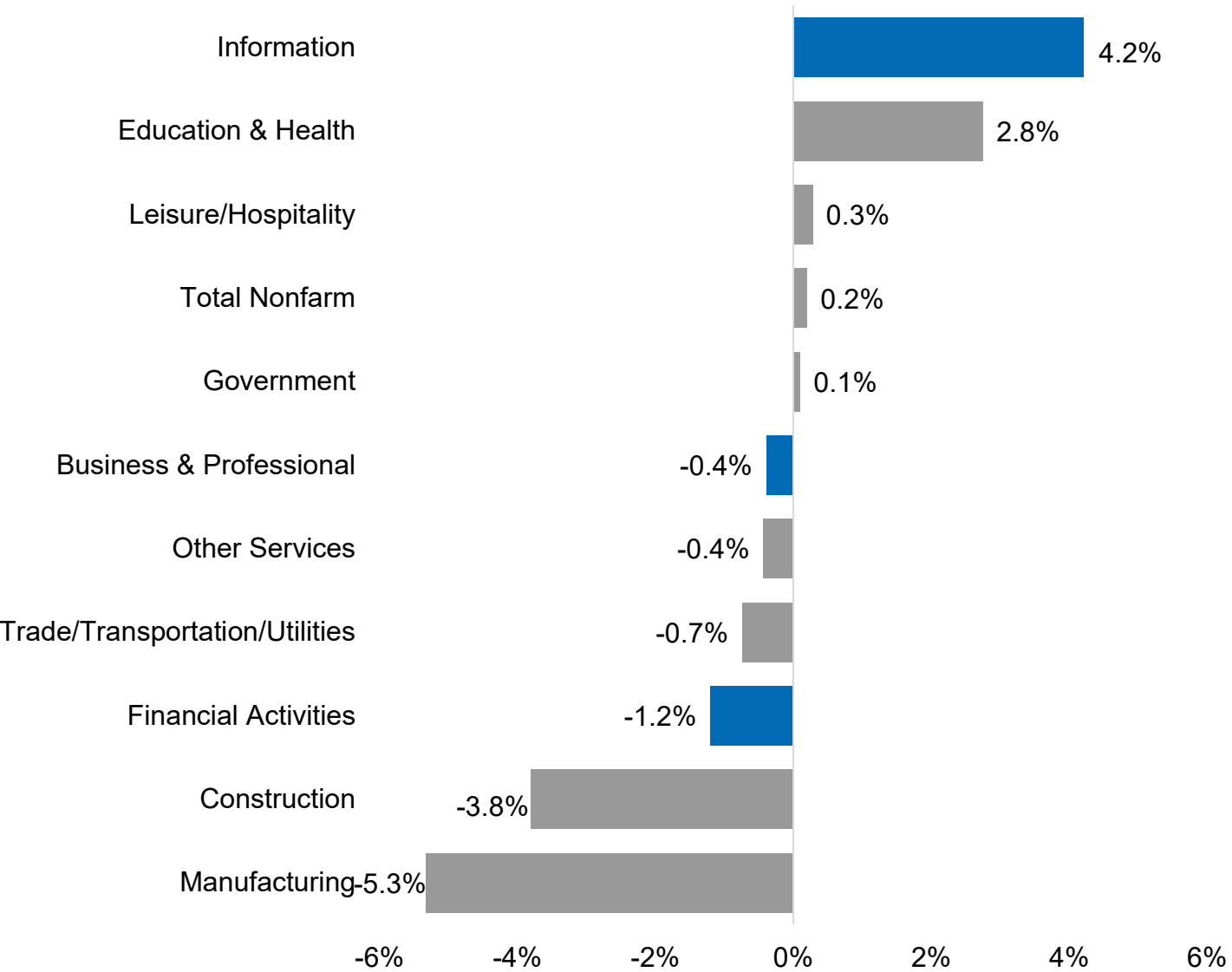
Information Sector Shines Again Despite Job Decline

The Information sector posted strong growth for the second consecutive quarter, remaining the only office-using industry to record positive job gains. In contrast, Business & Professional Services—Portland’s largest office-occupying sector—declined by 0.4% year-over-year.

Employment by Industry, August 2025



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

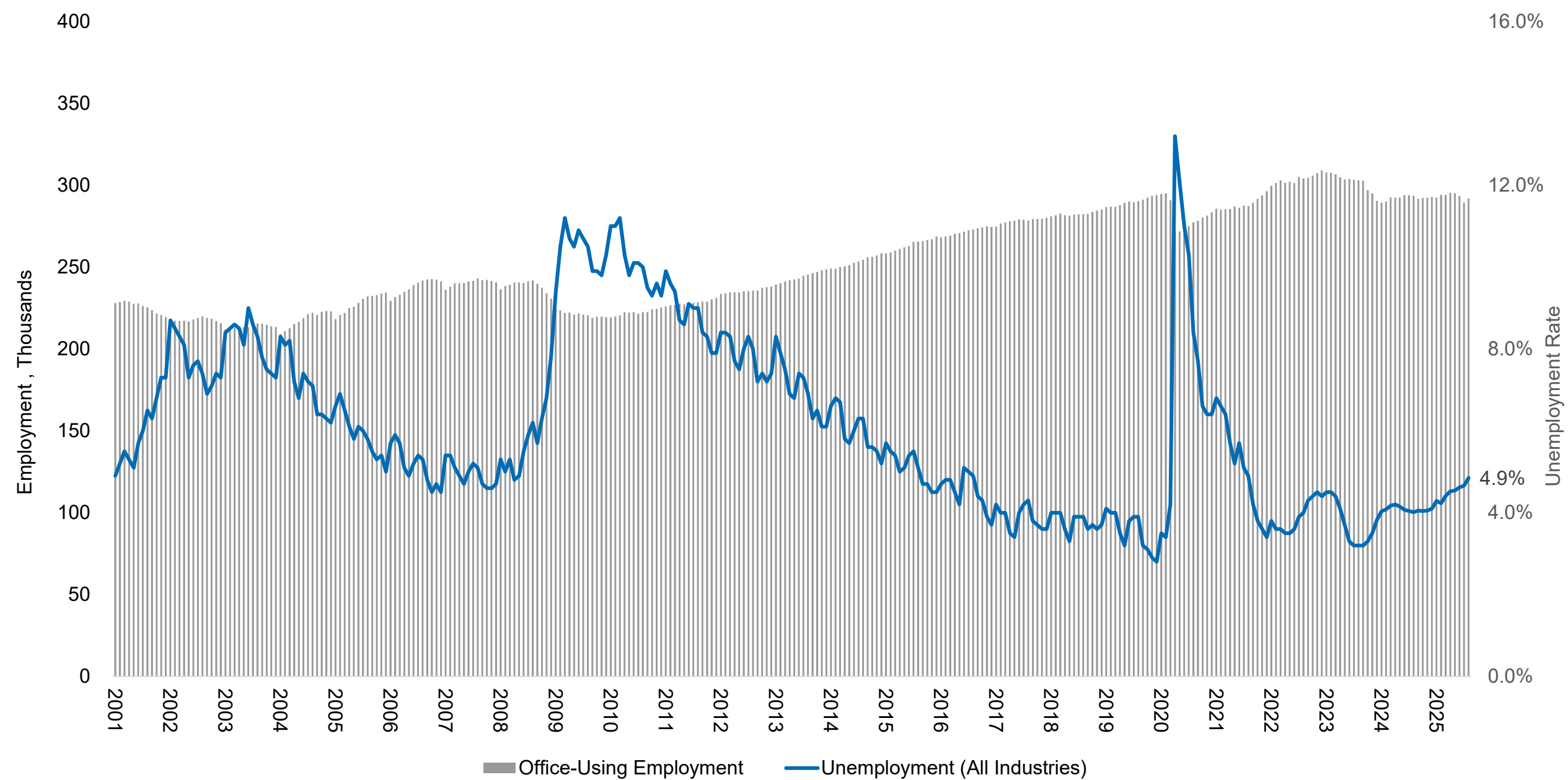


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA Data is preliminary.

Office Jobs Fall Amid Rising Unemployment

Office-using employment in Portland declined in the third quarter of 2025 as unemployment reached its highest level of the year. Financial Services was the weakest-performing office sector for the second consecutive quarter, posting a 1.2% year-over-year decline.

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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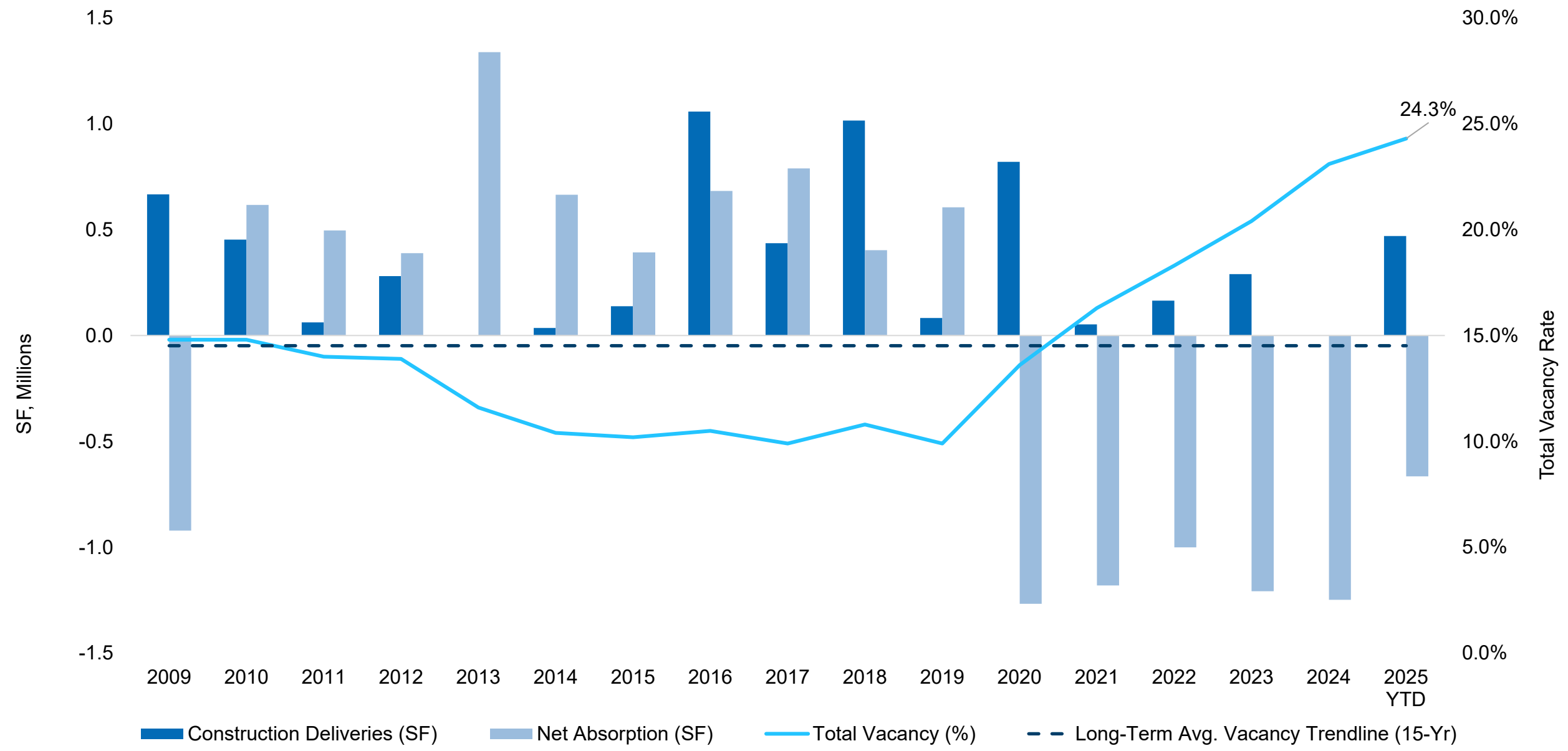
Leasing Market Fundamentals



Vacancy Growth Plateaus Amid Historically High Levels

Total net absorption for the quarter registered negative 118,459 square feet, marking another consecutive period of negative absorption and rising vacancy. While still in the red, absorption moved closer to neutral in the third quarter, and vacancy rates increased at a much slower pace compared to the first and second quarters of 2025. Despite the ongoing downward trend, the modest improvement offers a welcome sign of stability for a market still facing record-high vacancy levels.

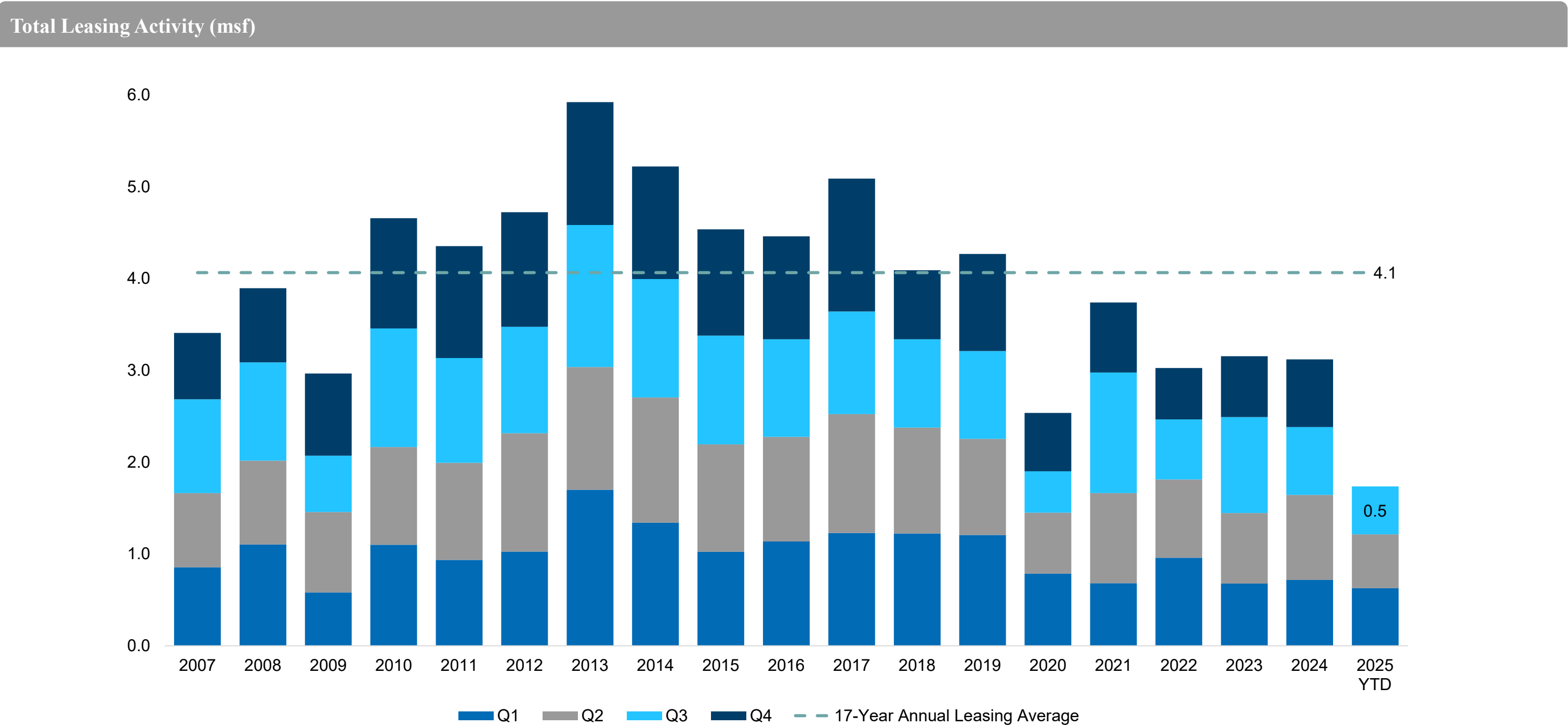
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

3Q25 Activity Marks Year's Slowest Pace

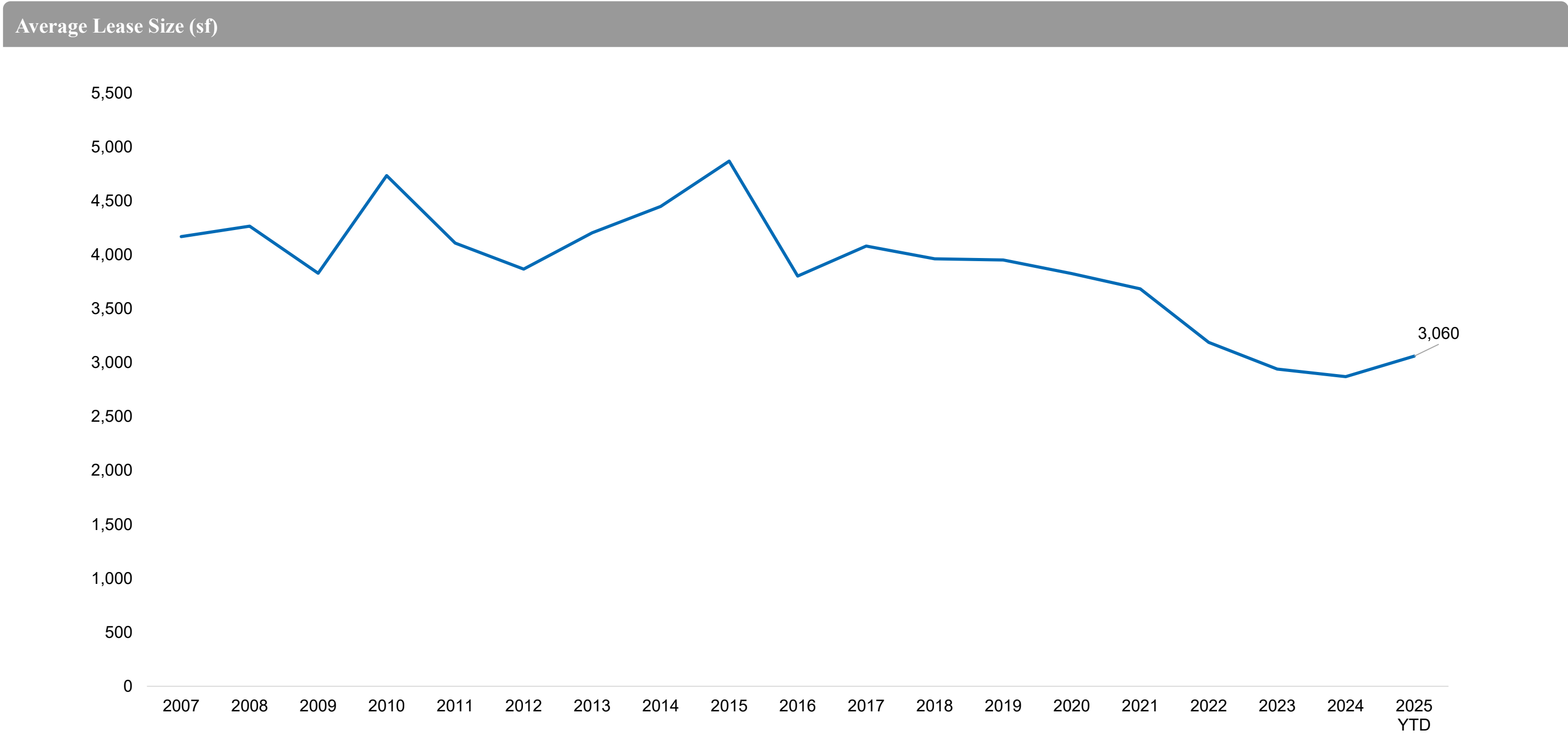
Leasing activity declined market-wide in the third quarter, falling short of first- and second-quarter levels and keeping the market on pace to finish below 2024 totals. Overall activity remained muted, with moderate slowdowns in both the Central Business District and the Sunset Corridor.



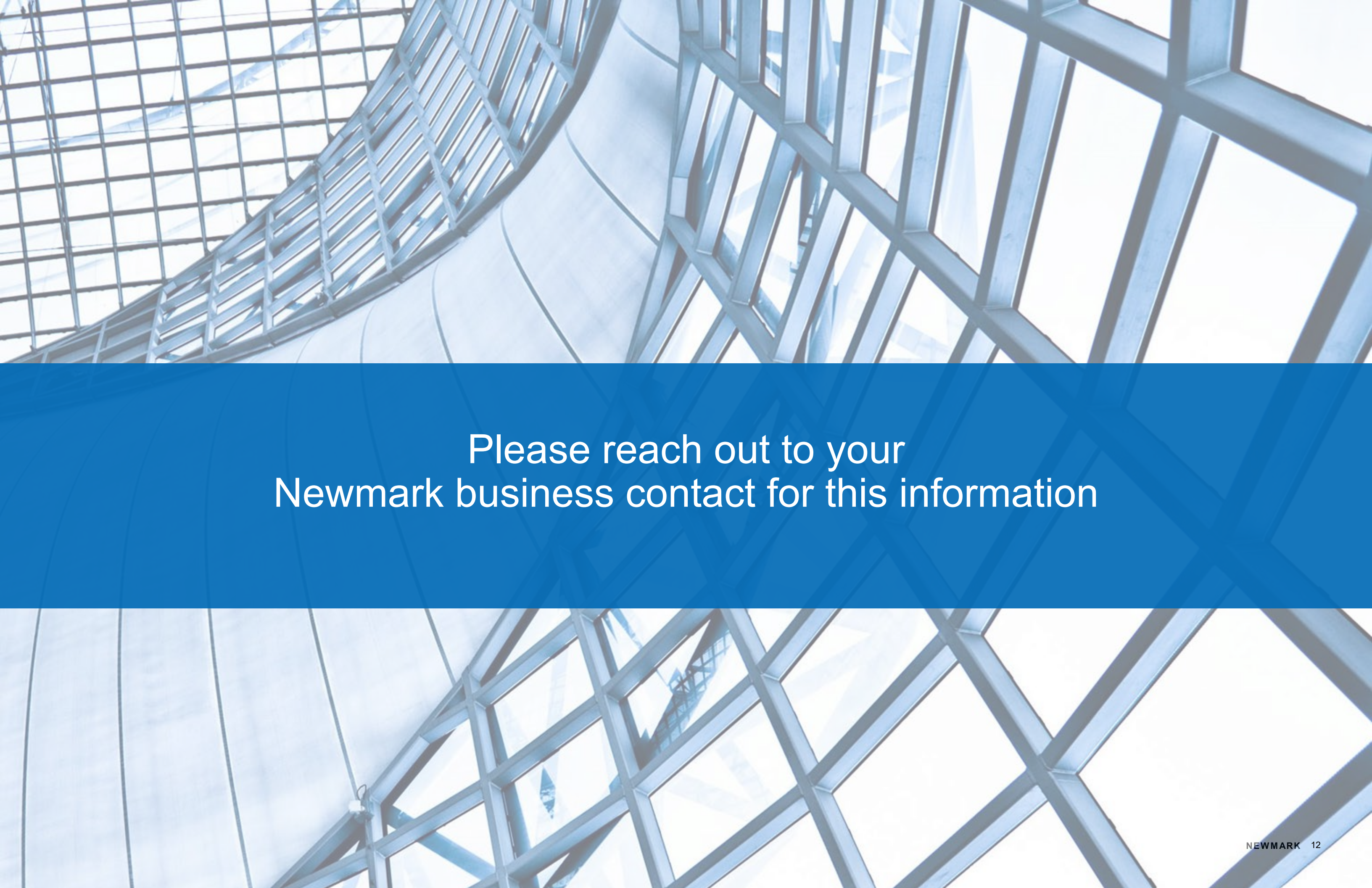
Source: Newmark Research, CoStar

Average Deal Size Remained Highest Since 2022

The average office lease size in the third quarter reached 3,060 square feet, little changed from the second quarter but still well above 2023 and 2024 levels. This sustained increase signals a shift among tenants toward larger deals, following a prolonged period of downsizing since 2019.



Source: Newmark Research, CoStar

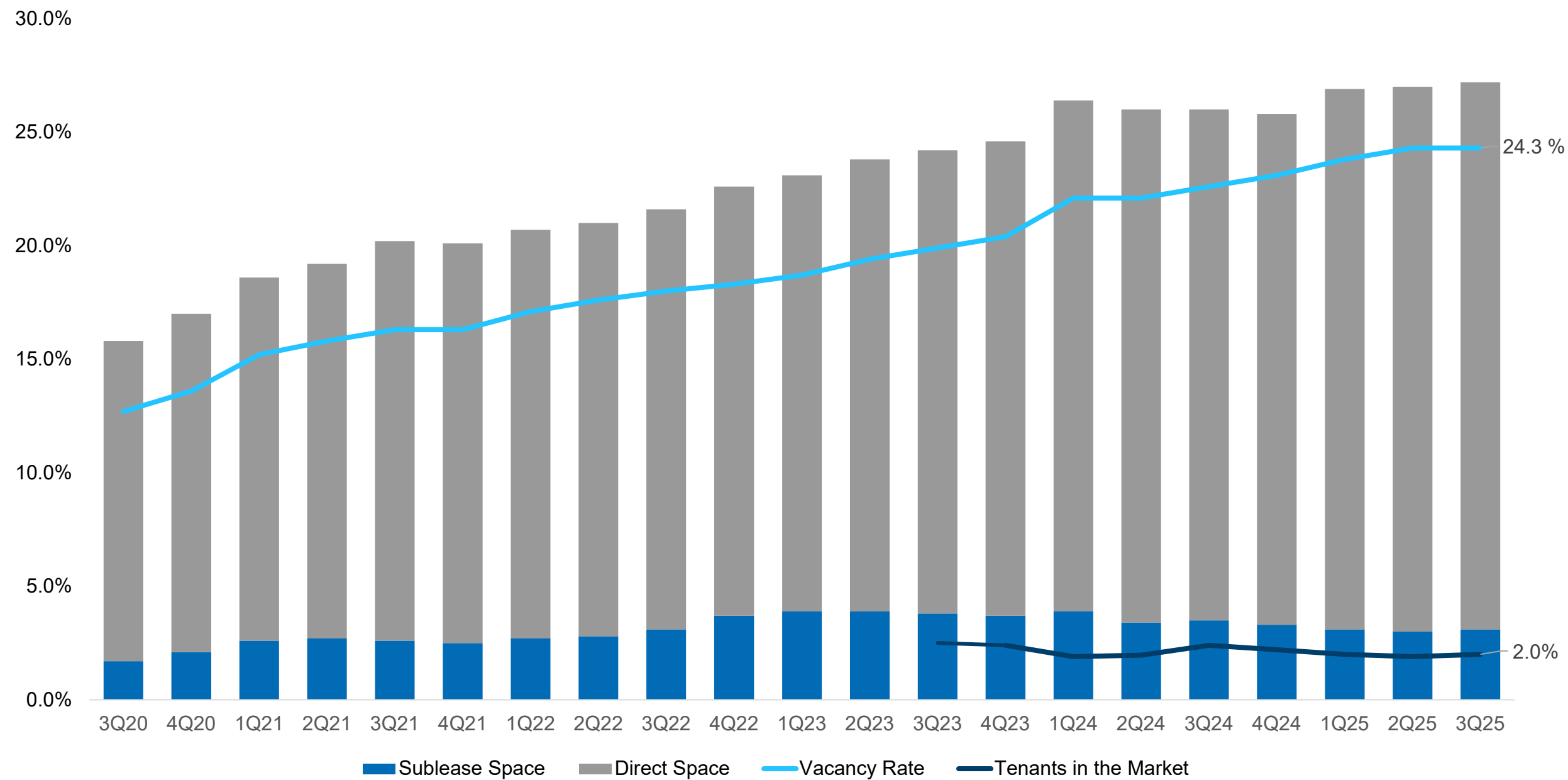


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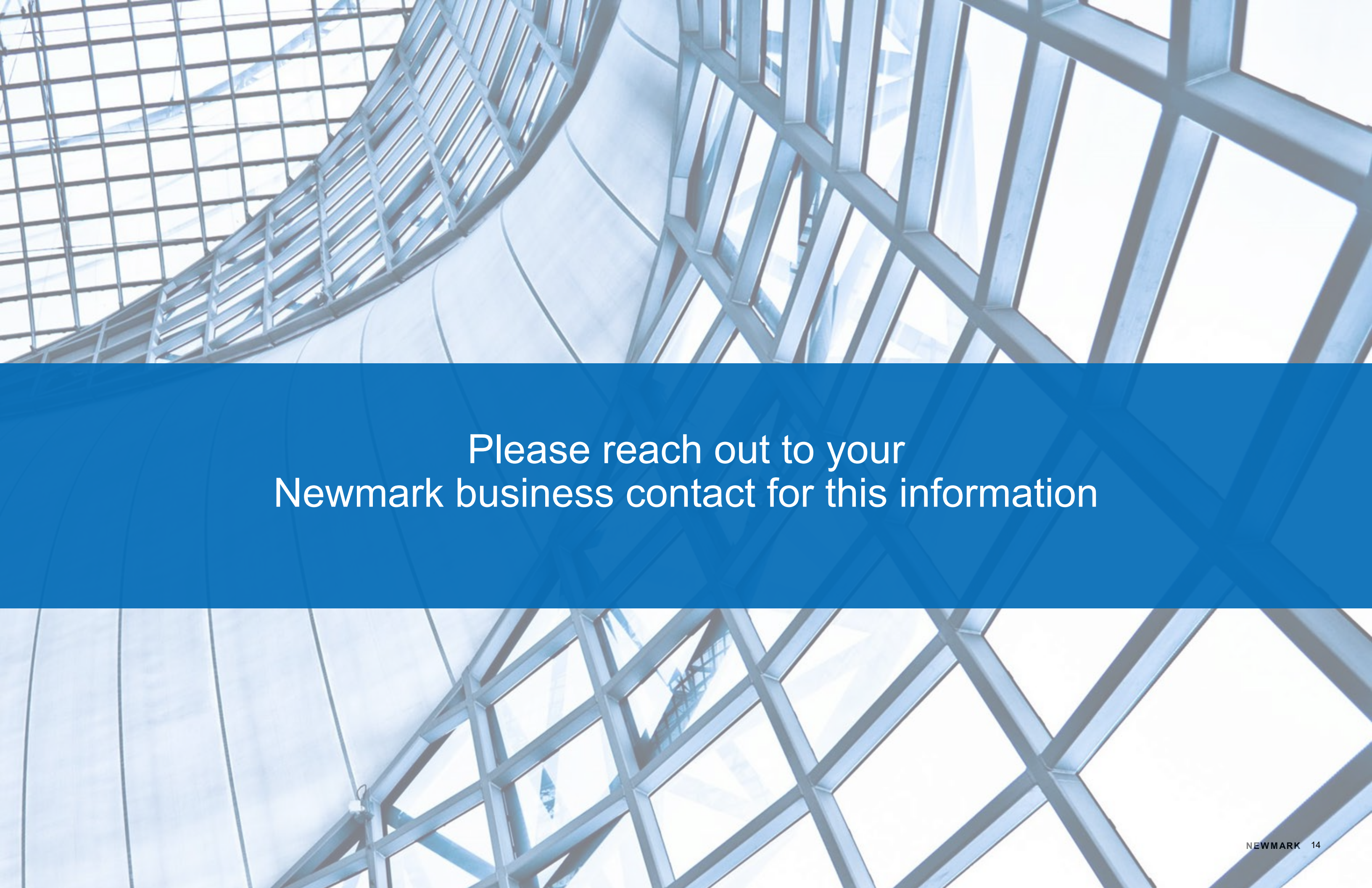
Demand Consistent for Third Consecutive Quarter

Tenant demand as a percentage of the overall market remained near 2.0% for the third consecutive quarter of 2025. A modest 10-basis-point increase was recorded in the third quarter, as many requirements remain unfilled amid historically soft market conditions. Stable demand, combined with only a muted rise in vacancy, suggests overall market activity was sluggish during the quarter.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

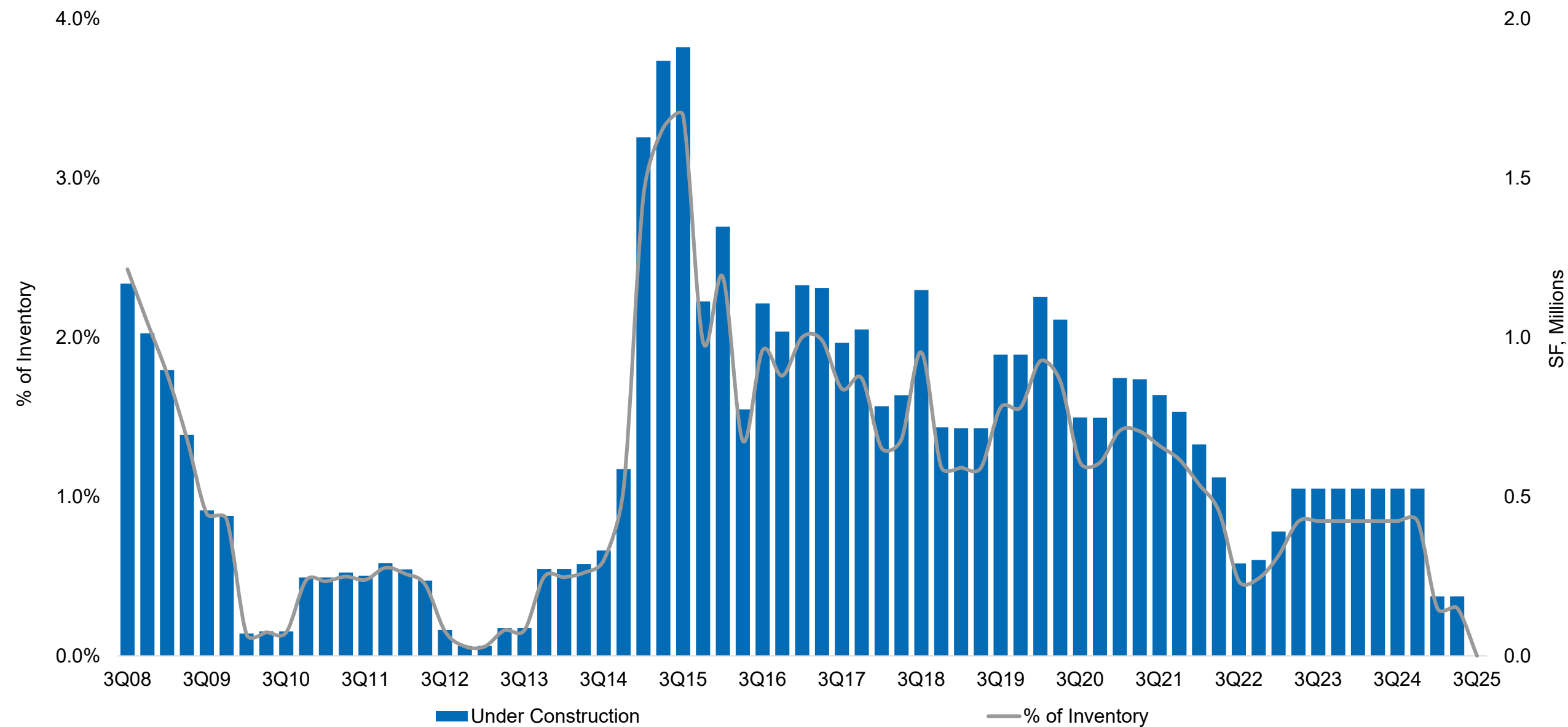


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Office Development Reached Zero Active Projects

The Portland market reached a development milestone in the third quarter of 2025, with no active tracked office projects in the greater metropolitan area. Rising vacancy and mounting availability have suppressed demand for new office space. Developmental headwinds and soft market conditions have contributed to the ongoing decline in office projects over the past several years.

Office Under Construction and % of Inventory

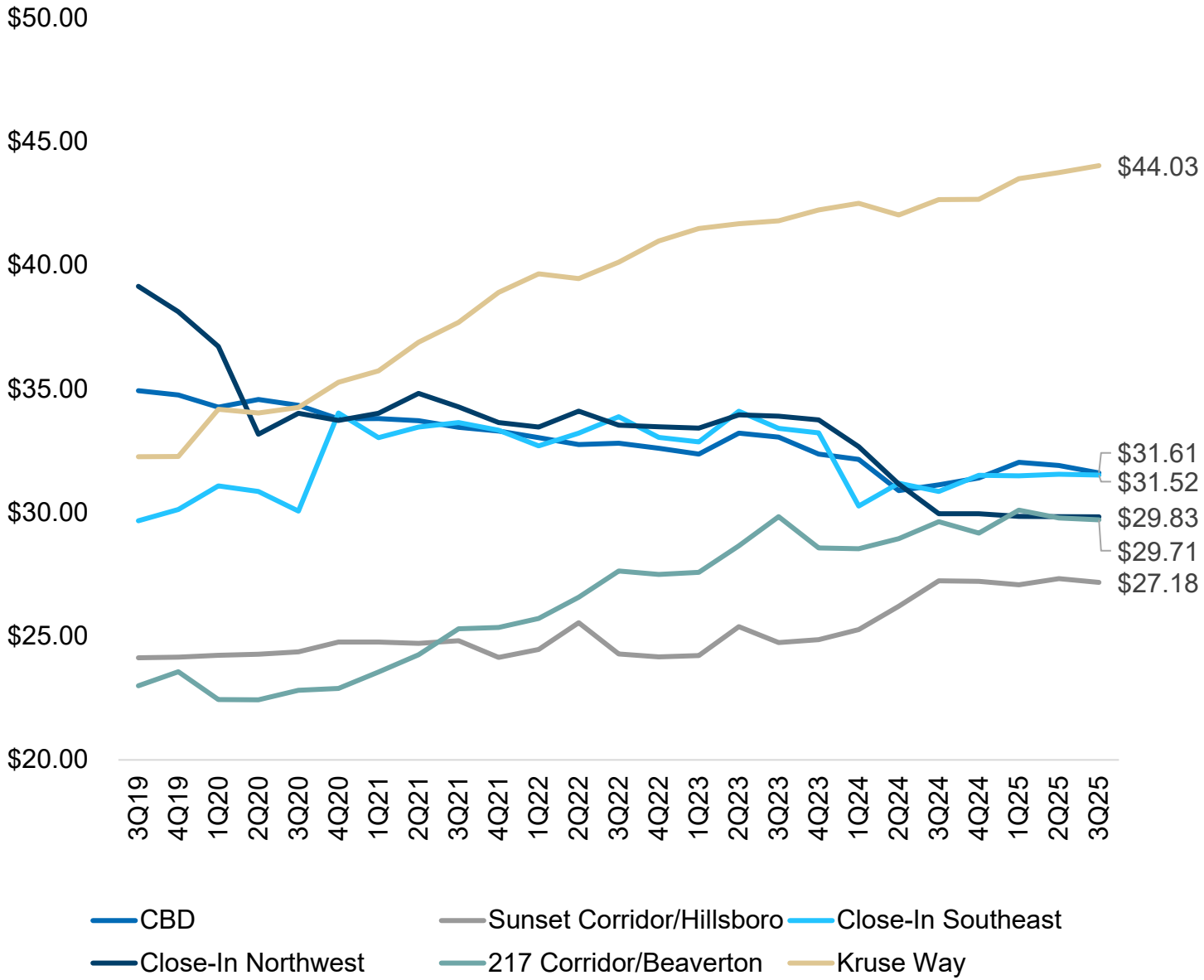


Source: Newmark Research, CoStar

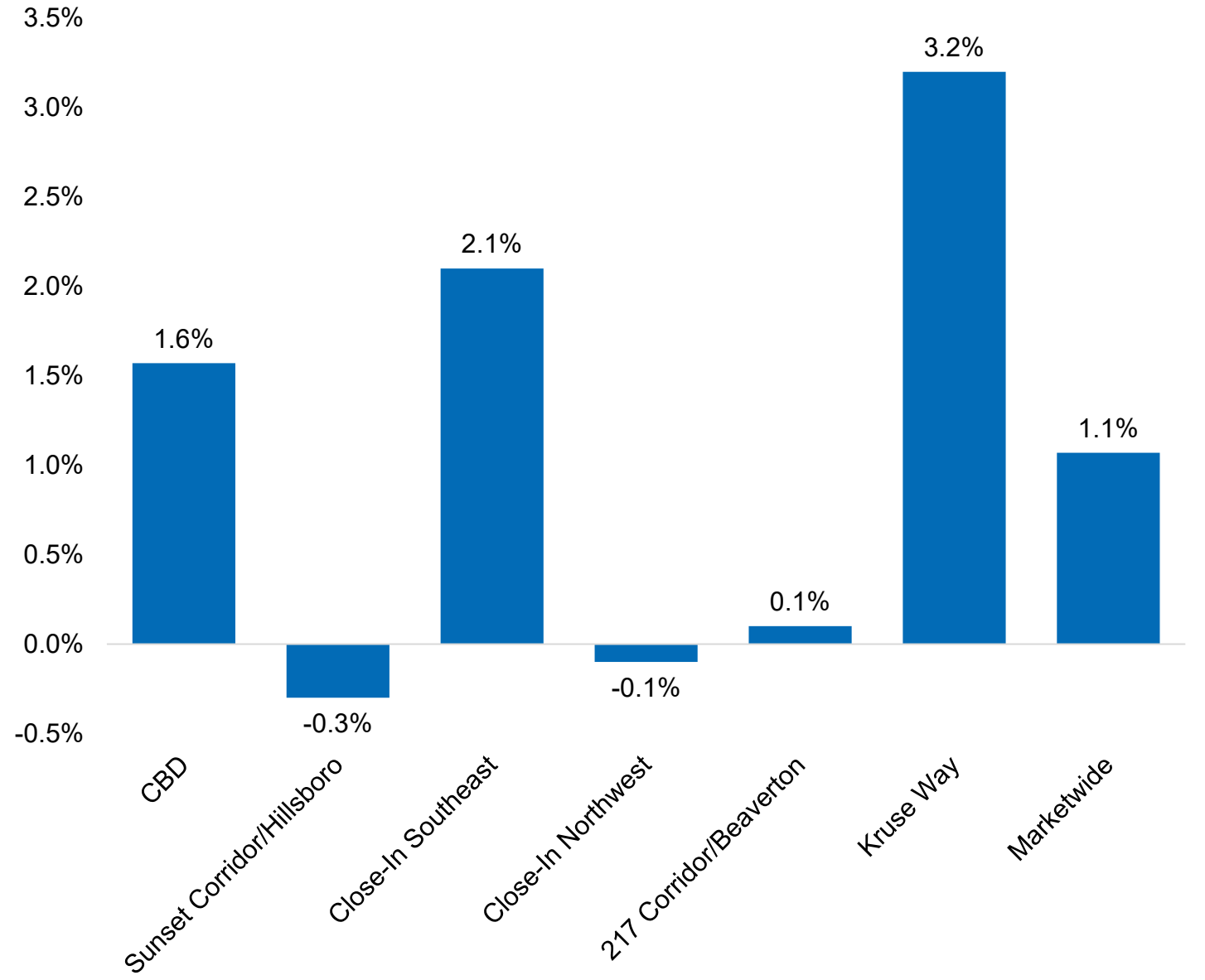
Kruse Way Continued to Outpace Neighboring Submarkets

Portland saw minimal change in average asking rents in the third quarter of 2025, apart from three major submarkets. Kruse Way maintained the highest rates, with average asking rent reaching \$44.03 per square foot. Two other submarkets— the CBD and Close-In Southeast—also recorded positive year-over-year growth.

Asking Rent by Submarket



Year-over-year Percent Change in Asking Rate

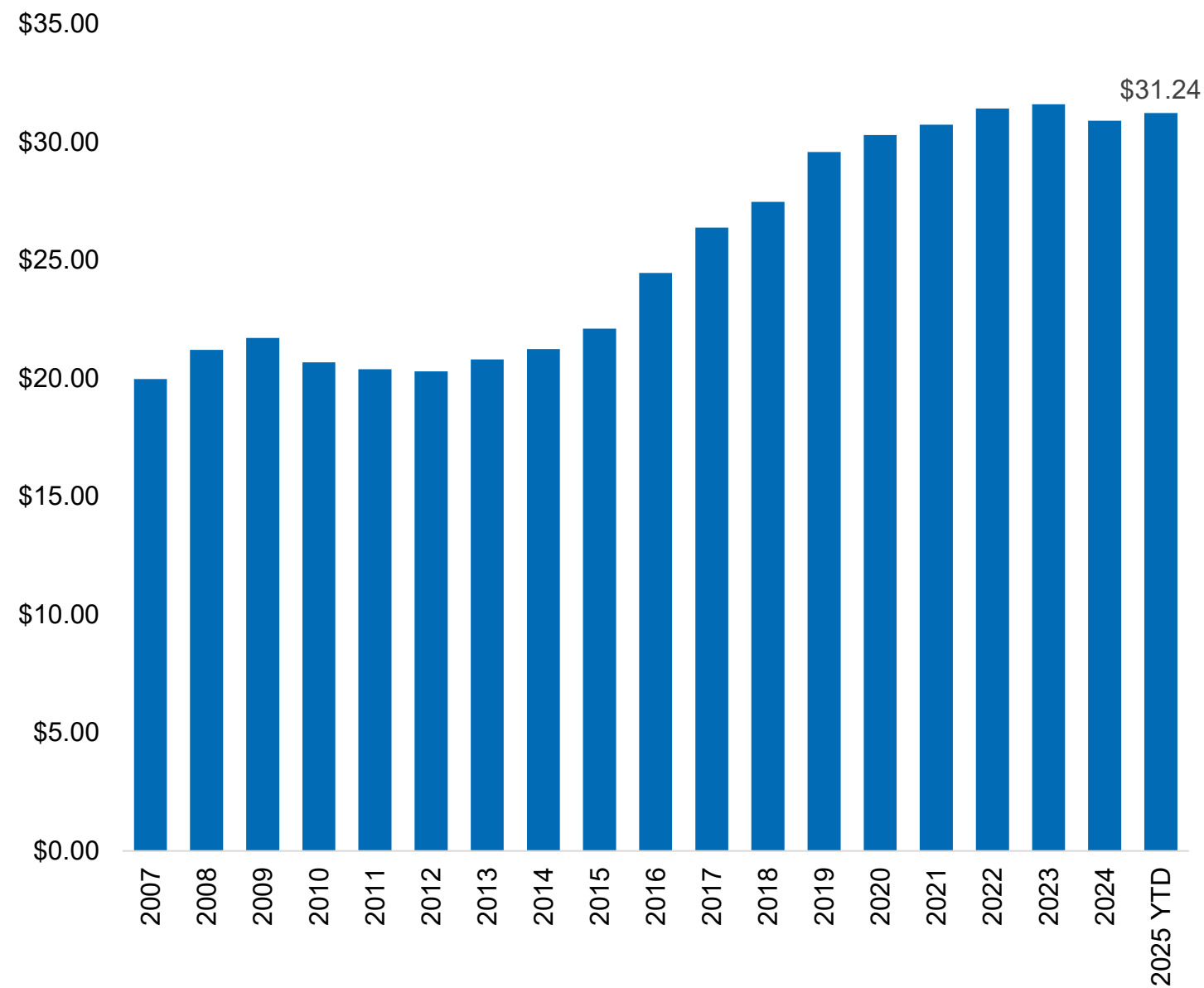


Source: Newmark Research, CoStar

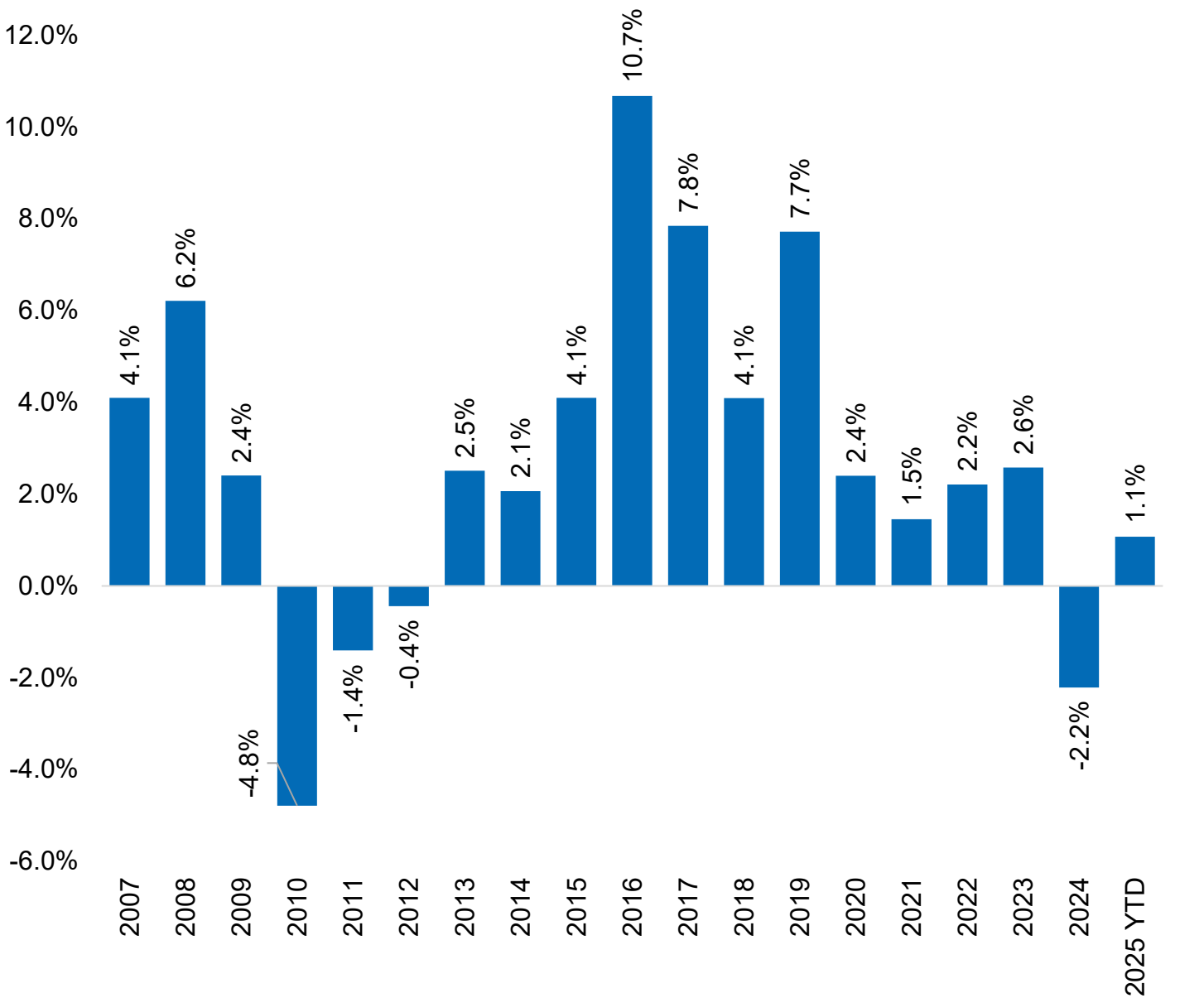
Average Asking Rates Stable, Record Minimal Regression

Portland’s average asking rent dipped slightly to \$31.24 per square foot in the third quarter of 2025. Rates remain moderately below 2023 levels but reflect a 110-basis-point year-over-year increase across all asset classes.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

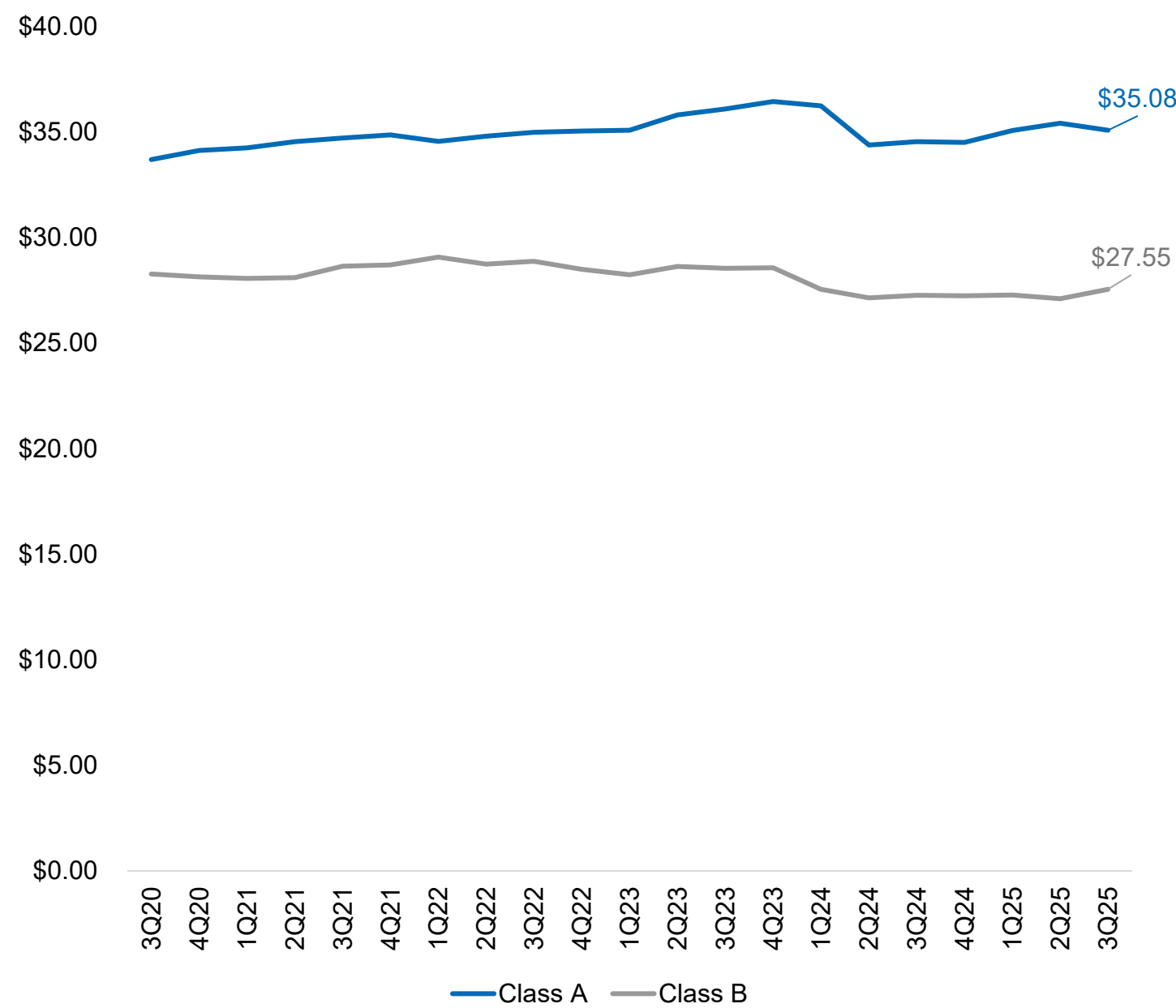


Source: Newmark Research, CoStar

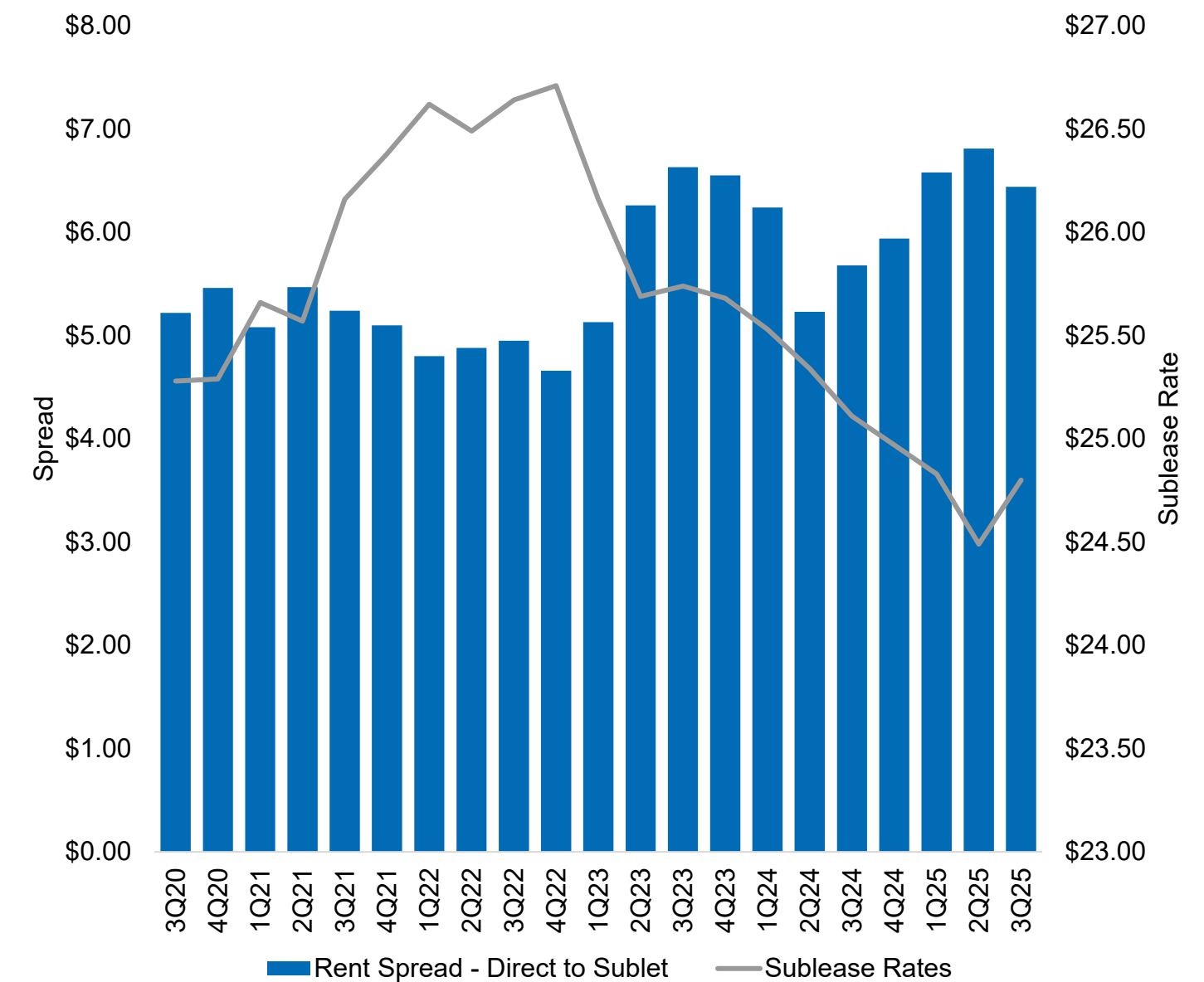
Sublease Rates Rose, Remain Well Below Direct Rents

Sublease asking rents rose notably in the third quarter of 2025, with increases concentrated in the CBD. The primary driver was the addition of several significant Class A subleases within the submarket.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable 3Q25 Lease Transactions

In the third quarter of 2025, notable lease activity varied by submarket. The Close-In Northwest submarket recorded the largest transaction in the greater Portland area, while several other large-block tenants committed to the urban core, including the Central Business District (CBD) and Close-In Southeast submarkets.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Bridgette Middle School	1270 NW 17 th Ave	Close-in NW	Direct	30,380
Bridgette Middle School inked a deal for the entire Canopy building footprint in the Close-in NW.				
Ferguson Wellman Capital	805 SW Broadway	CBD	Direct	23,485
Ferguson Wellman committed to Downtown Portland with a new deal at Fox Tower.				
Panasonic Avionics	8920 NE Von Neumann Dr	Sunset Corridor	Direct	23,240
Panasonic took a large footprint at the Park at AmberGlen in the Sunset Corridor.				
New Narrative	12141-12143 NE Halsey St	Eastside Outlying	Direct	19,056
New Narrative added a new location in the Eastside Outlying submarket.				
Undisclosed	7 SE Stark St	Close-in SE	Direct	16,610
An undisclosed tenant leased the entire 10 th floor at 7 SE Stark.				

Source: Newmark Research

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