



NEWMARK

Portland Office Market Overview

4Q25

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U.S. Market Observations



Economy

- In the fourth quarter of 2025, the Portland–Vancouver–Hillsboro MSA unemployment rate increased to 5.0% in September 2025, up 90 basis points year-over-year. National unemployment rose to 4.4% in the same period, reflecting softening market fundamentals nationwide.
- Key office-using employment sectors recorded negative year-over-year job growth in the fourth quarter, as Financial Activities—a major driver of office demand—decreased by 2.6% year-over-year. Tenant demand followed suit, with overall tenants in the market dipping to 1.8% of the total office market footprint to close 2025.
- Overall office-using employment continued to fluctuate throughout 2025, with Information job growth at -3.5%, and Professional & Business Services, Portland’s largest office-using industry, recorded -2.8% growth to close the year.



Leasing Market Fundamentals

- Portland’s office sector recorded its fourth consecutive quarter of negative net absorption, registering negative 244,499 SF.
- Overall vacancy reached 24.6%, a 30-basis point increase from the previous quarter and a 160-basis point increase year-over-year. Total availability also saw substantial increases, with available space market-wide reaching 26.8%.
- Asking rents saw a small uptick in the fourth quarter of 2025, largely due to gains in Class A rents, which reached \$35.07/SF. The average market asking rent across all asset classes for direct space was \$31.17/SF.



Major Transactions

- Lincoln Property Company sold Pacwest, the 547,992 SF office tower to Fountainhead Development for \$55.7 million, or approximately \$102/SF. Newmark represented the seller in the transaction.
- The Greenbrier Companies renewal at One Centerpointe in the Kruse Way submarket represented the largest lease transaction of the fourth quarter. The 56,983 SF renewal will keep the long-term Lake Oswego tenant in their current footprint.
- Thurman East. A recently renovated 63,445 SF office building at 1631 NW Thurman St, sold for \$18.8 million, or \$296/SF to a private buyer. The seller was Goldman Sachs Group. Newmark Represented the seller in the transaction.



Outlook

- The Portland market continues to show signs of volatility, as the leasing market remains overwhelmed with availability amid a general lack of tenant demand. An influx of capital market activity to close the year is expected to shake up the ownership landscape heading into 2026.
- Vacancy and absorption metrics appear poised to continue to weaken in the new year, as Portland remains one of the slowest U.S. markets to implement broad changes to the hybrid and work-from-home landscape.
- Rental rates could begin to see significant shifts as new ownership in the urban core looks to strike aggressive deals to increase demand at newly acquired assets. Lease activity could benefit from increasingly favorable conditions for tenants entering the new year.

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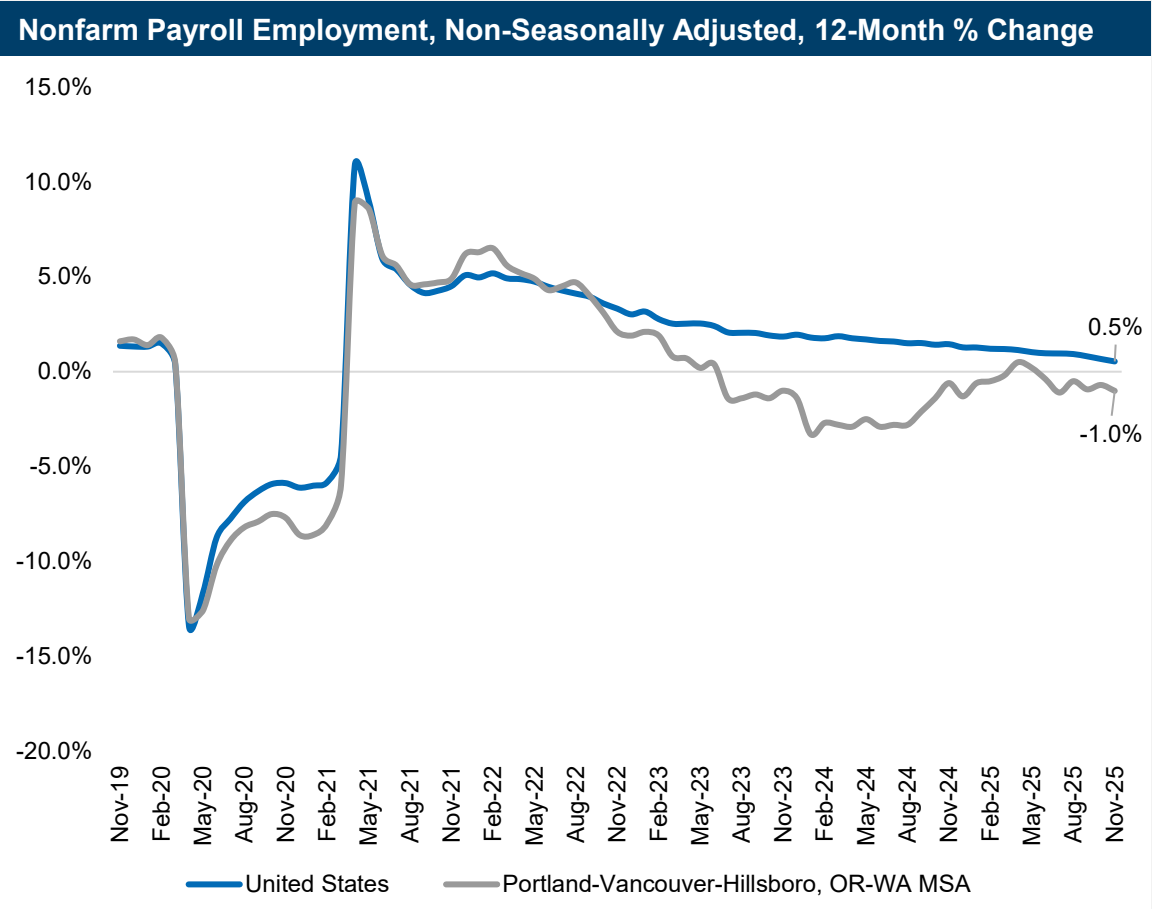
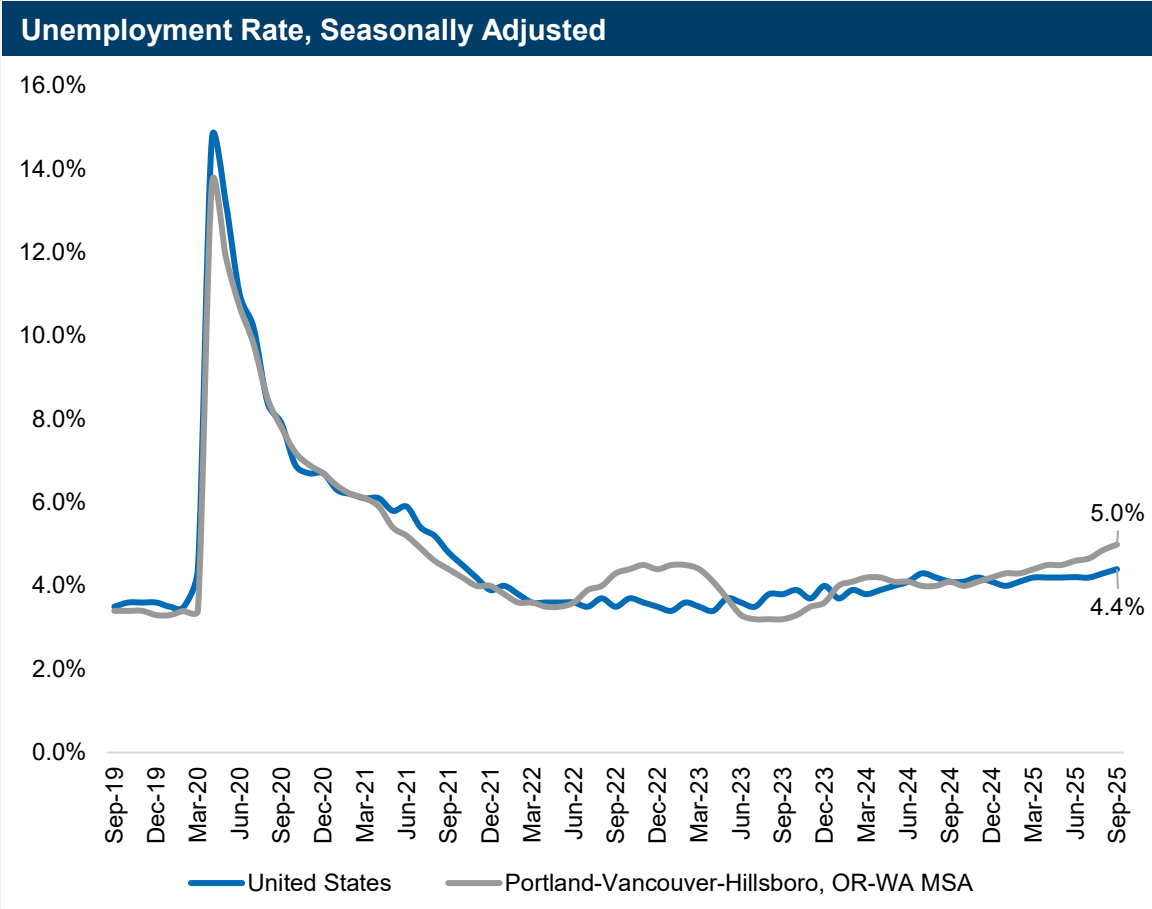
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Economy

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Portland Unemployment Remained Above National Average

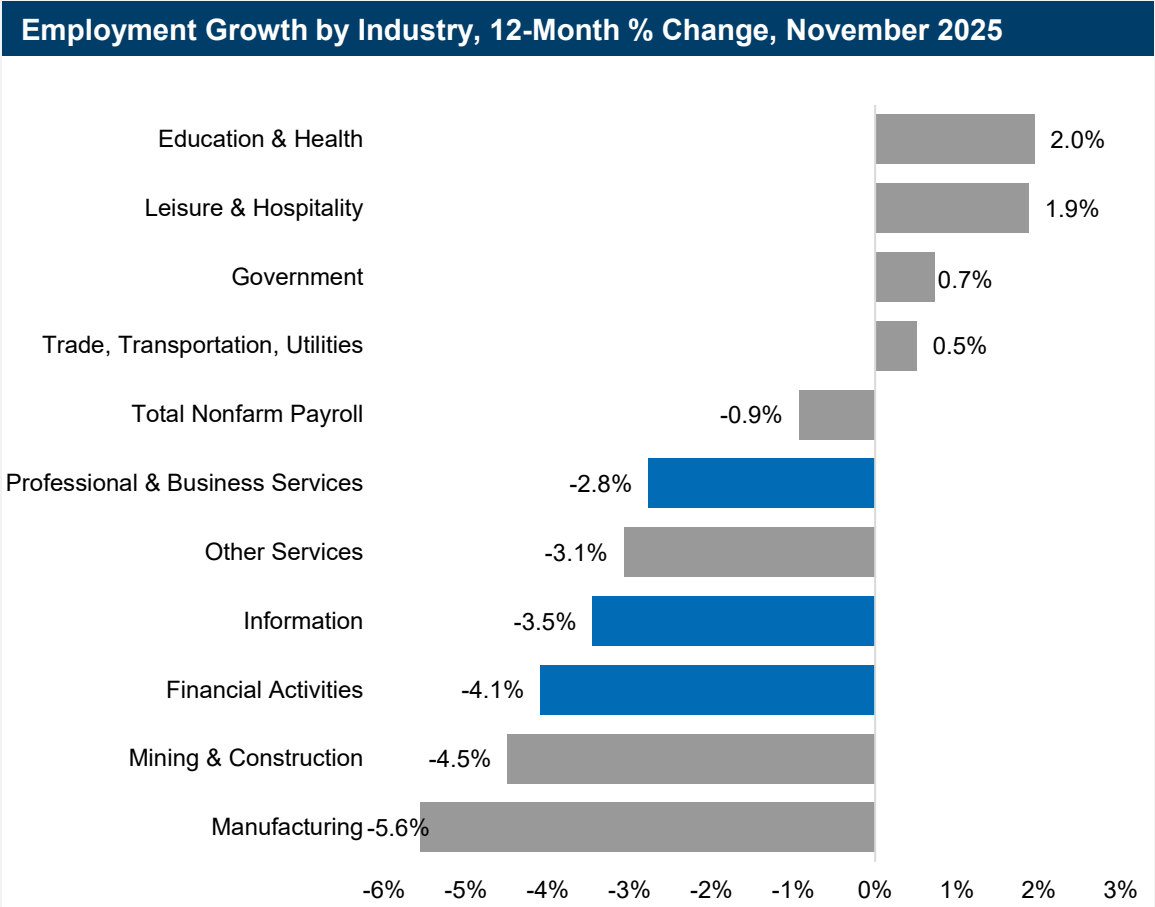
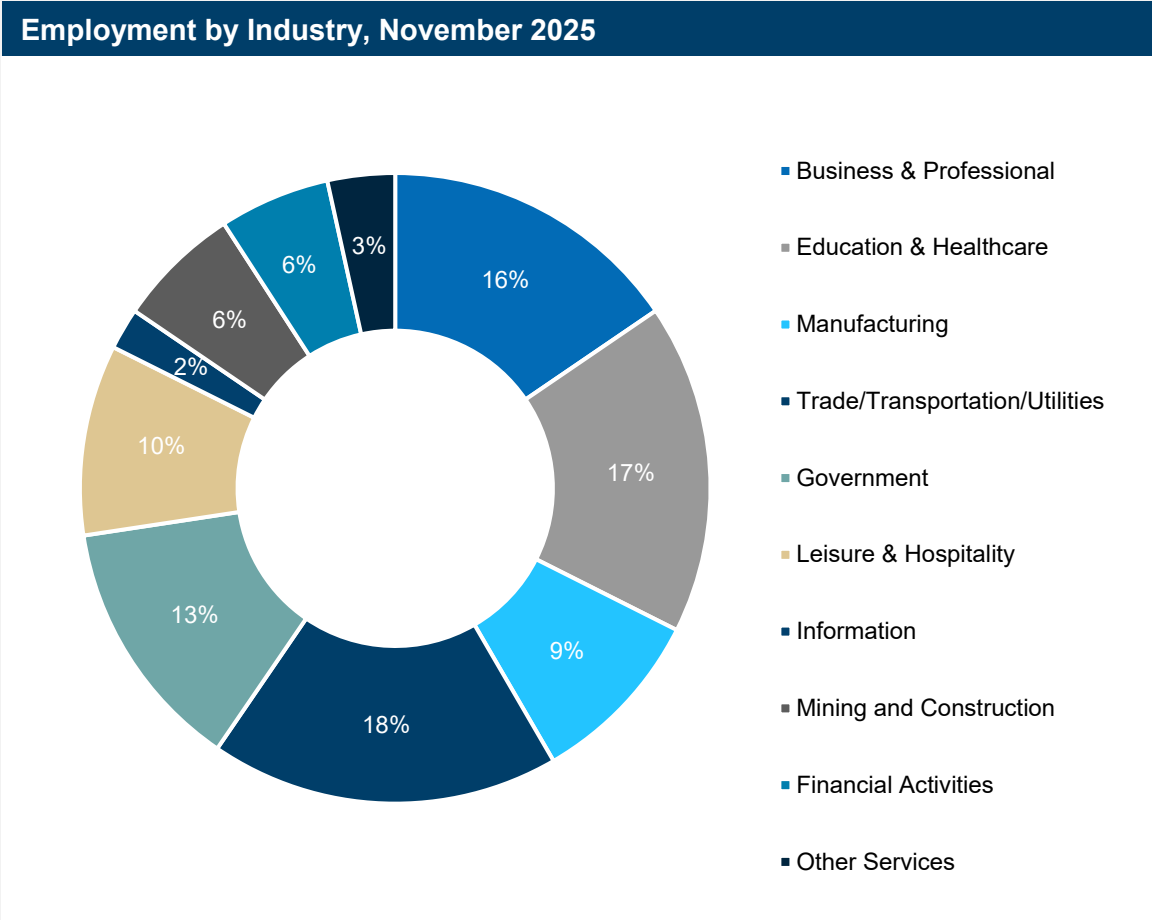
Unemployment for Portland continued to outpace the rising national average as numbers reached 5.0% market-wide, 60-basis points above the national average. Retraction in all three major office-using sectors as well as general losses in a host of major industries in the fourth quarter attributed to the rise. Year-over-year Portland witnessed a 100-basis point decline in overall growth coming after a strong 2024 for employment numbers.



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

Key Office Sectors Recorded Employment Losses

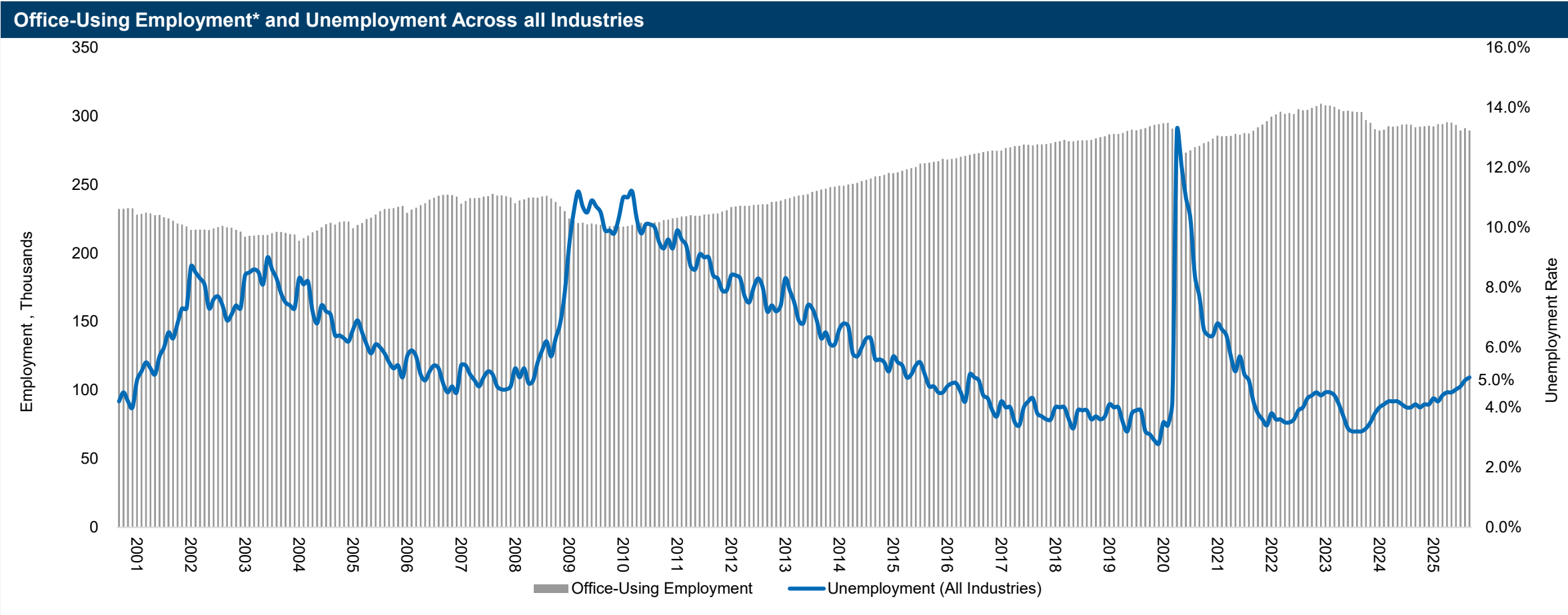
Strong job growth in the Information sector throughout 2025 reversed in the fourth quarter, as previous gains could not offset substantial declines across other major office-using sectors. Professional & Business Services, Portland’s largest driver of office demand, dipped by 2.8% year-over-year. Job losses in the Financial Activities sector continued, with employment decreasing by 4.1%. Tenant demand also weakened as a result of the downturn in employment, with overall demand shrinking for the second consecutive quarter.



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

Overall Office Employment Down in 4Q25

The downward trend in office-using employment extended through the fourth quarter of 2025, as numbers continued to steadily decline after reaching highs in late 2022. To close 2025, employment showed few signs of change, as tracked tenant demand remained muted. The office market will look to the first quarter of 2026 as an important indicator of market health and overall tenant demand heading into the new year.



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.



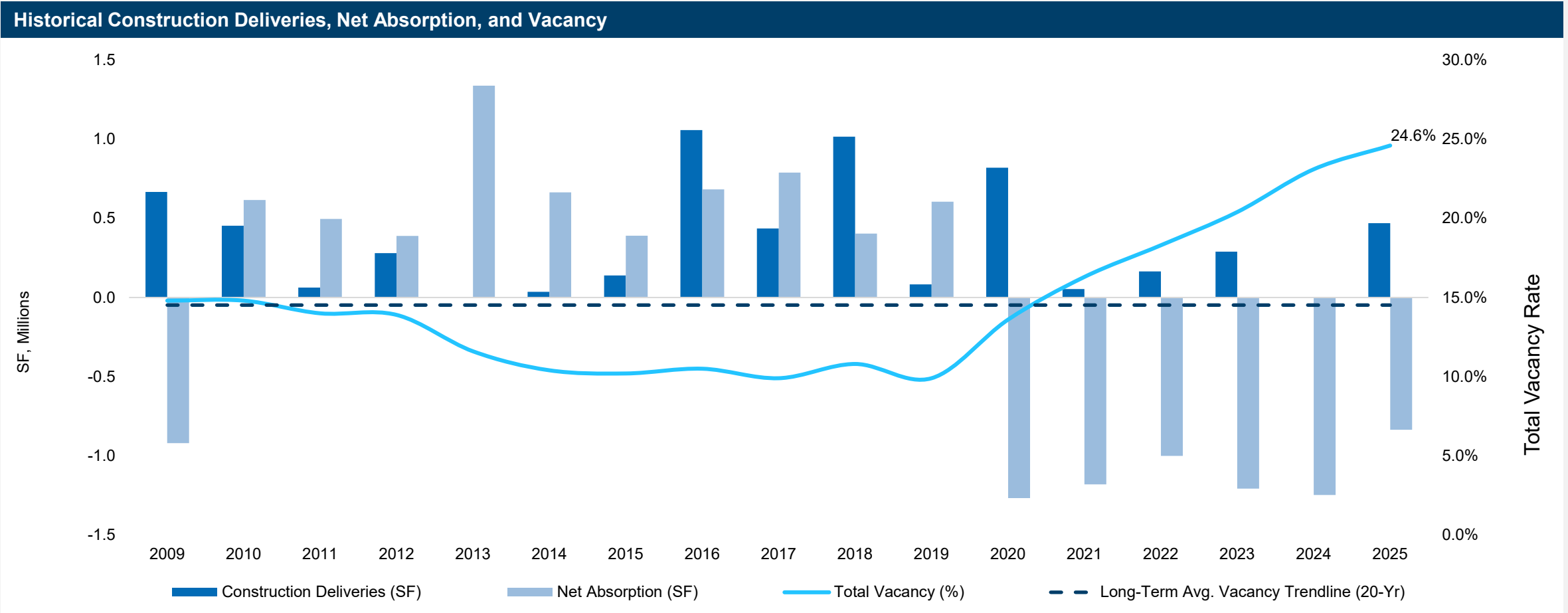
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Leasing Market Fundamentals

4Q25

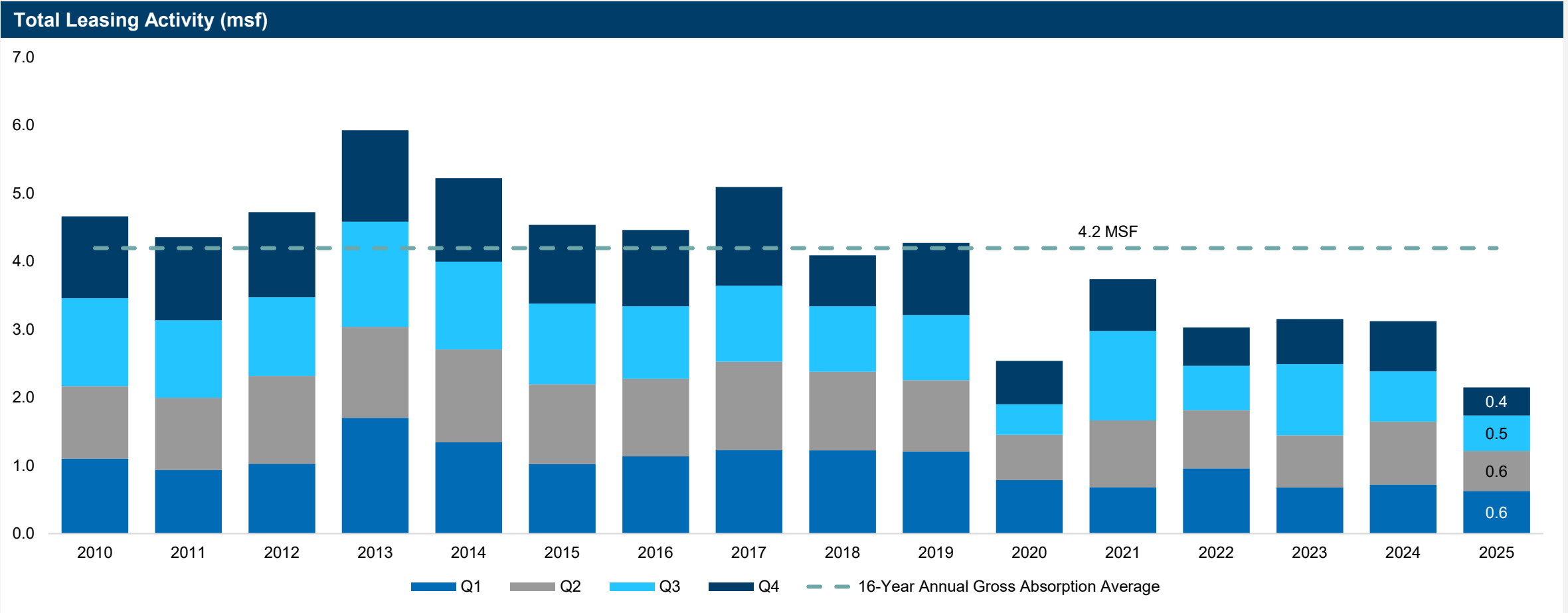
Office Market Continued to Reach Vacancy Milestones

Vacancy continued the upward trajectory witnessed since early 2021, as overall vacancy reached 24.6% market-wide. Year-to-date net absorption totaled negative 835,030 SF, marking the fourth consecutive quarter of negative net absorption, with the fourth quarter adding negative 244,499 SF. Vacancy reached new all-time highs each quarter in 2025, and ongoing soft market fundamentals for agency leasing show little sign of wavering to begin 2026.



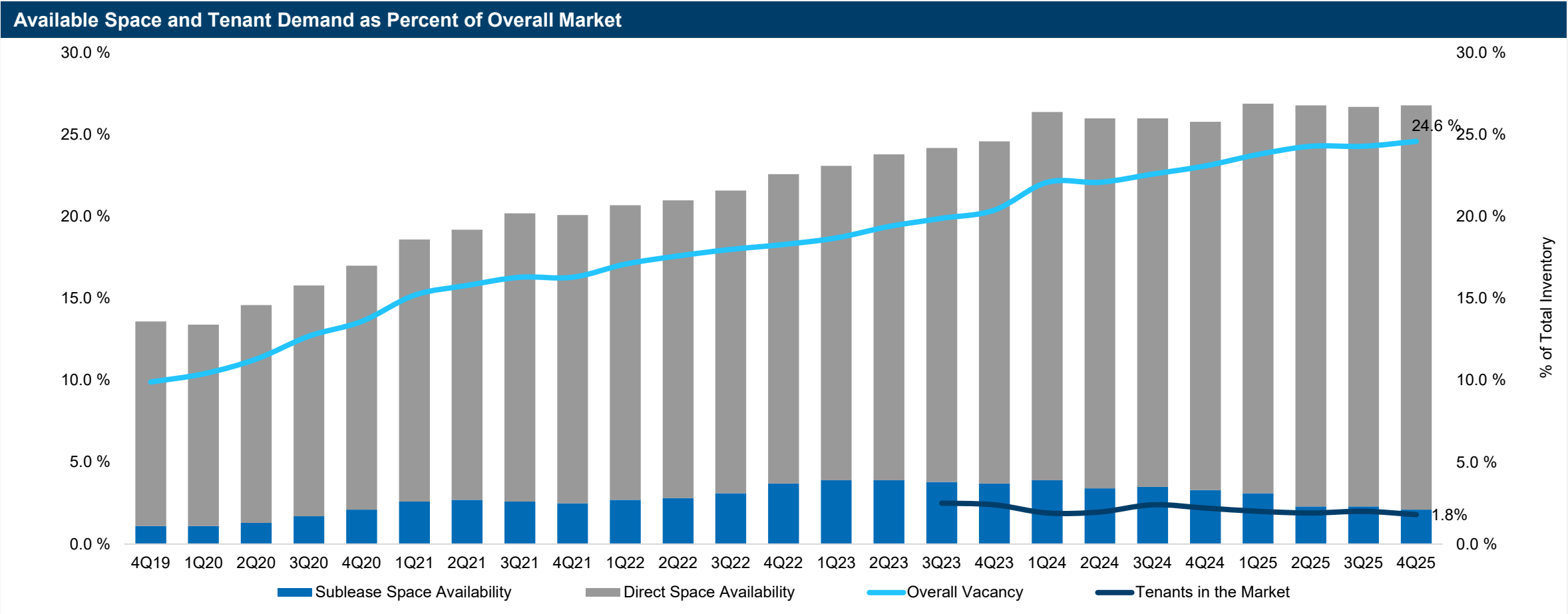
2025 Lease Activity Fell Short of Previous Years

Total office leasing activity in the fourth quarter totaled just 410,125 SF, marking the slowest quarter of 2025. Historically, Portland has recorded weakened leasing activity in the fourth quarter each year since 2021, which tempers concern over muted activity carrying into the new year. Activity remained well below the 16-year average of 4.2 million SF, a level that has not been reached in Portland since 2019.



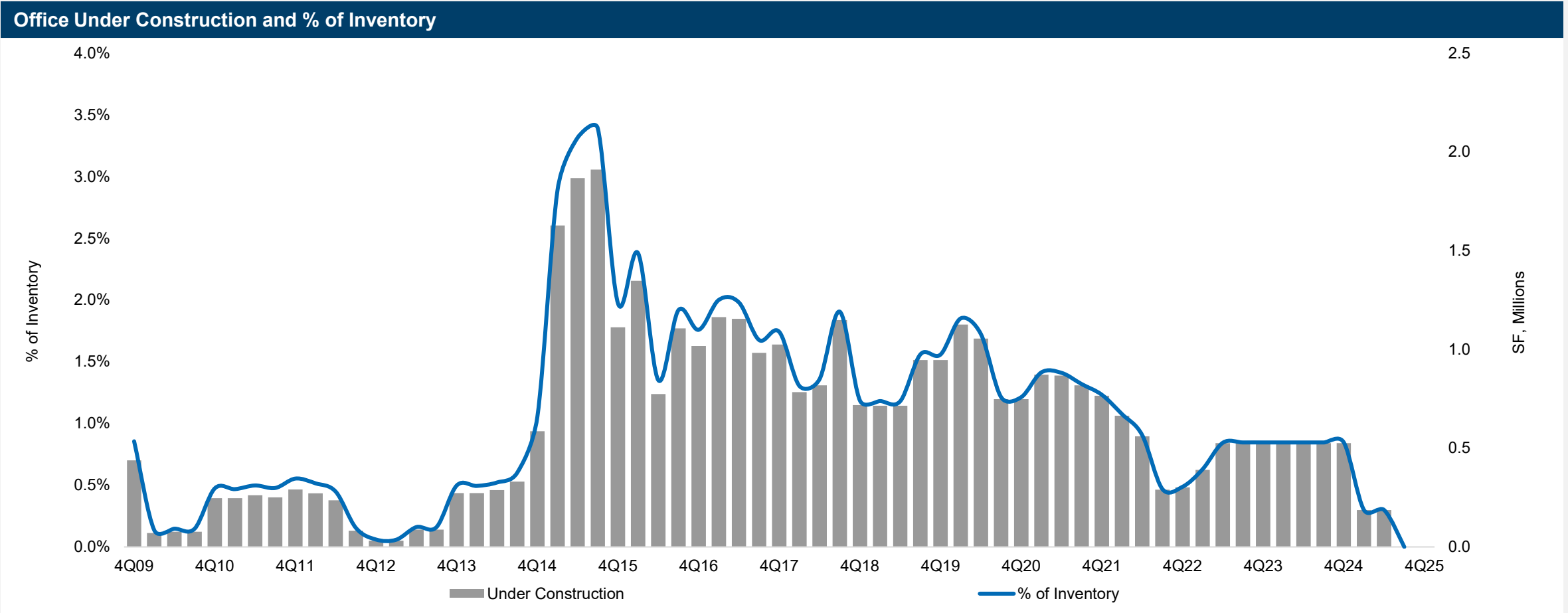
Tenant Demand Relatively Unchanged

The fourth quarter of 2025 demonstrated little signs of change in tenant demand, as overall vacancy rose to 24.6%, a 30-basis point increase from the previous quarter. This was driven by large increases in direct and sublease space availability. A key mover of this metric has been the rapid increase in direct inventory within the urban core, where availability in the Central Business District (CBD) rose to 37.4%.



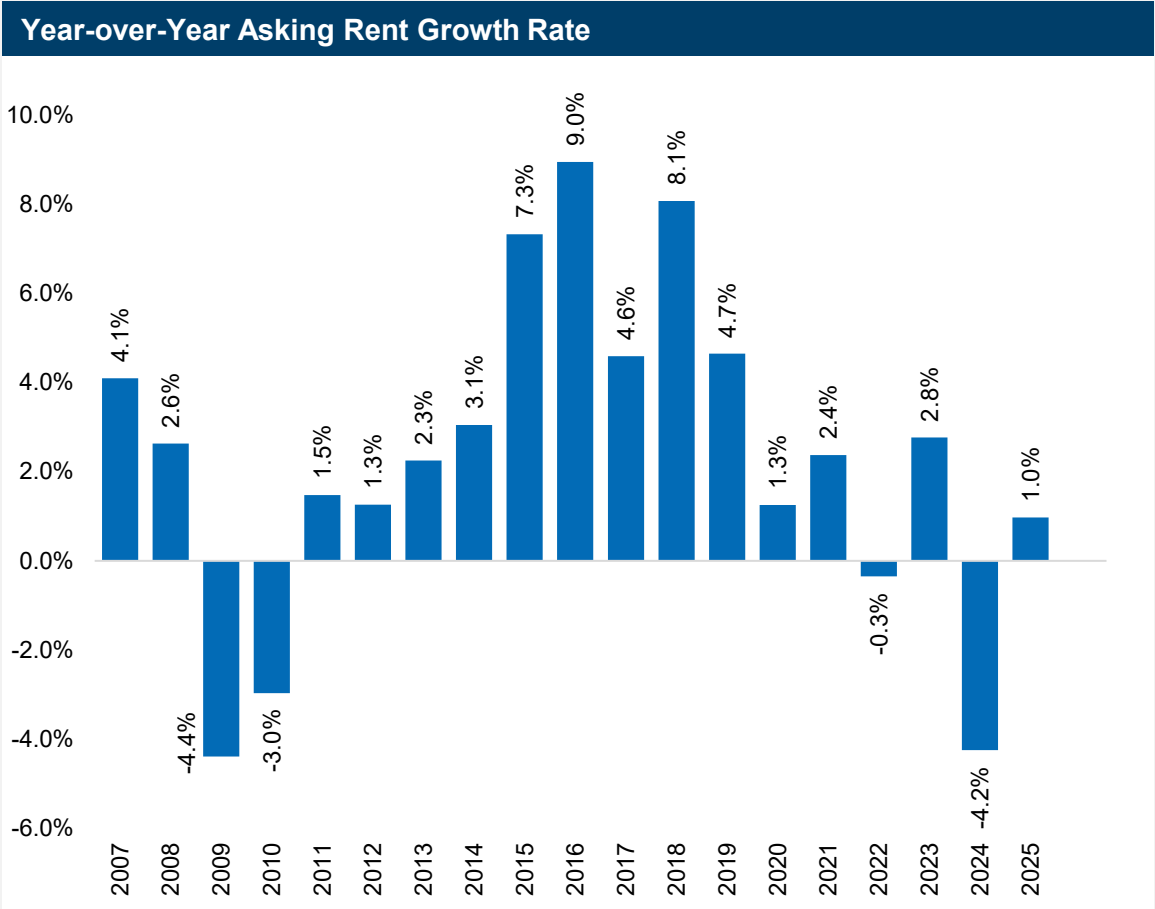
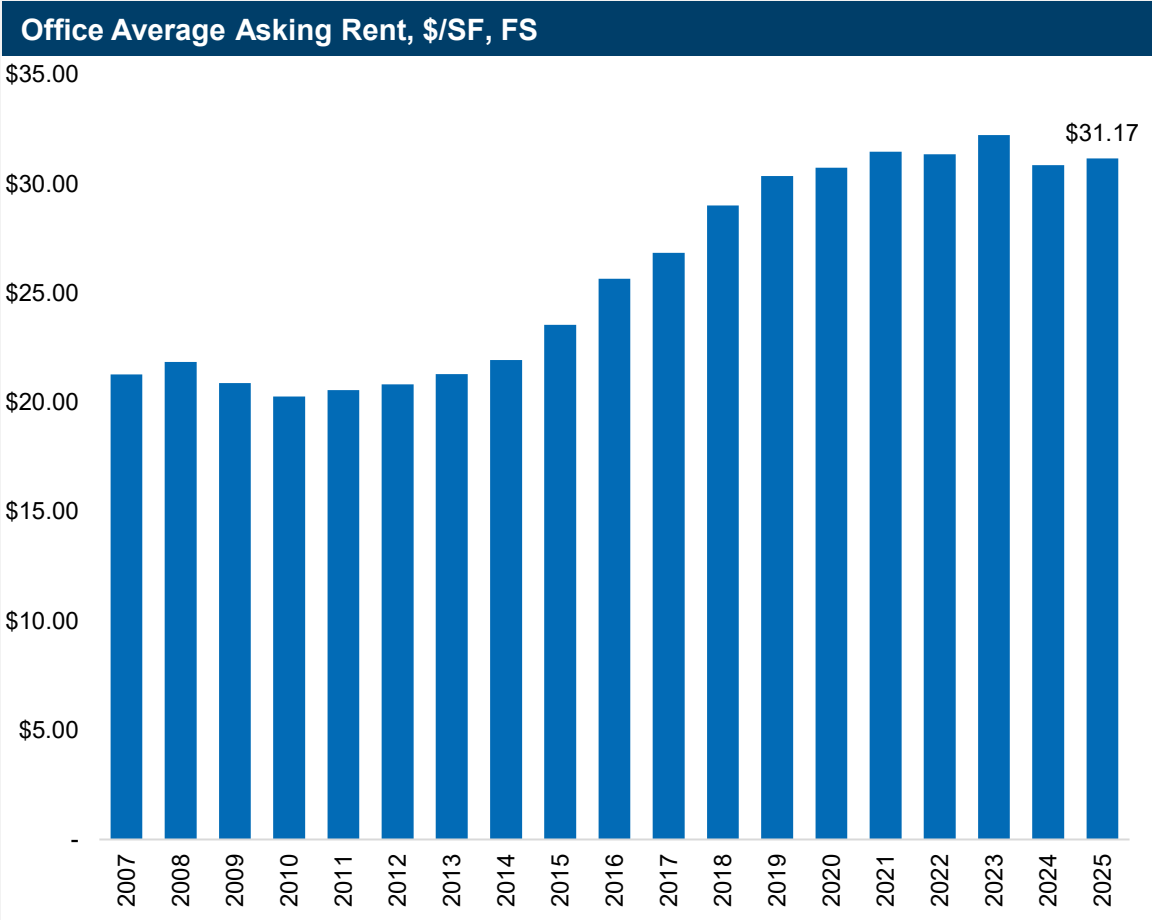
Construction Pipeline Remained Dormant

The construction pipeline of the Portland office market saw no change in the fourth quarter as no new construction starts are on the horizon moving into the new year. Portland remains an unattractive market for new office projects as availability and vacancy continue to greatly outpace the overall tenant demand across the market. Construction starts are unlikely moving into 2026 if conditions persist.



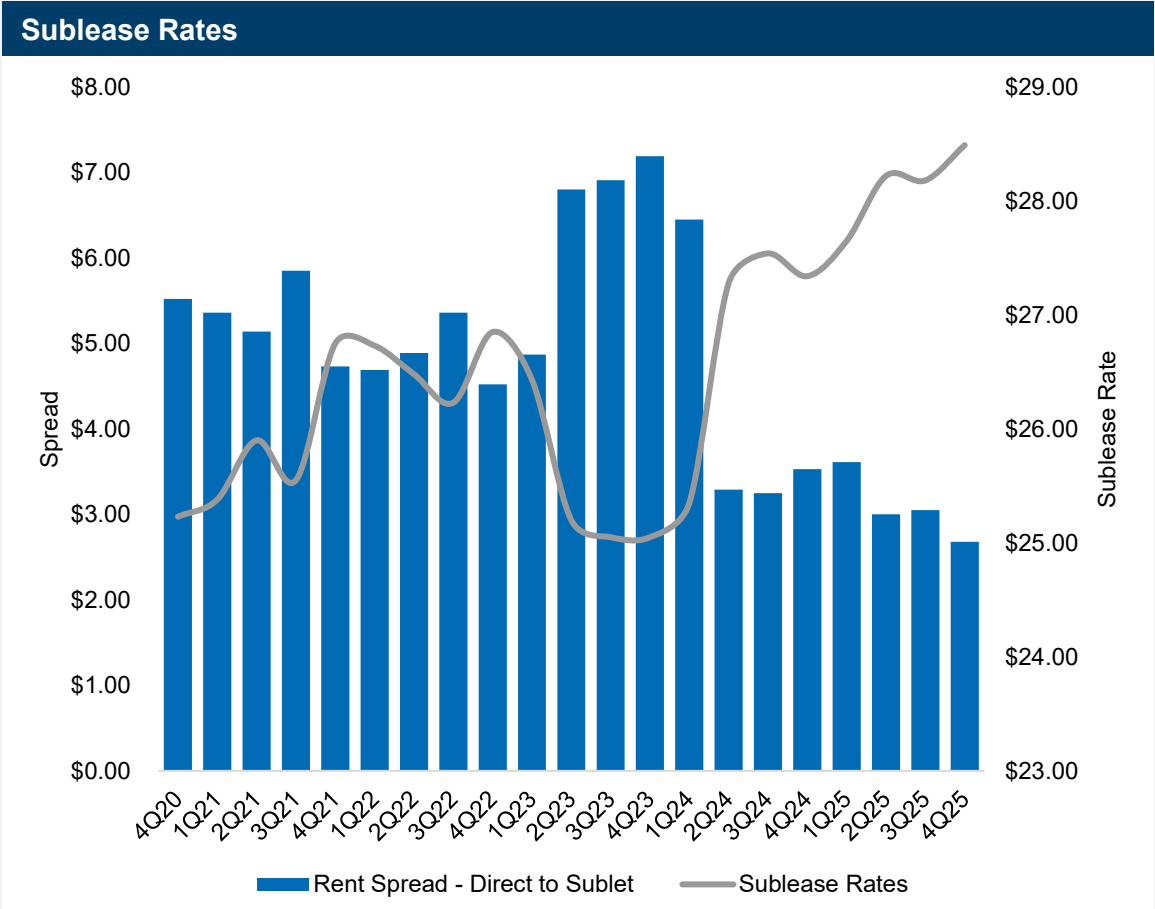
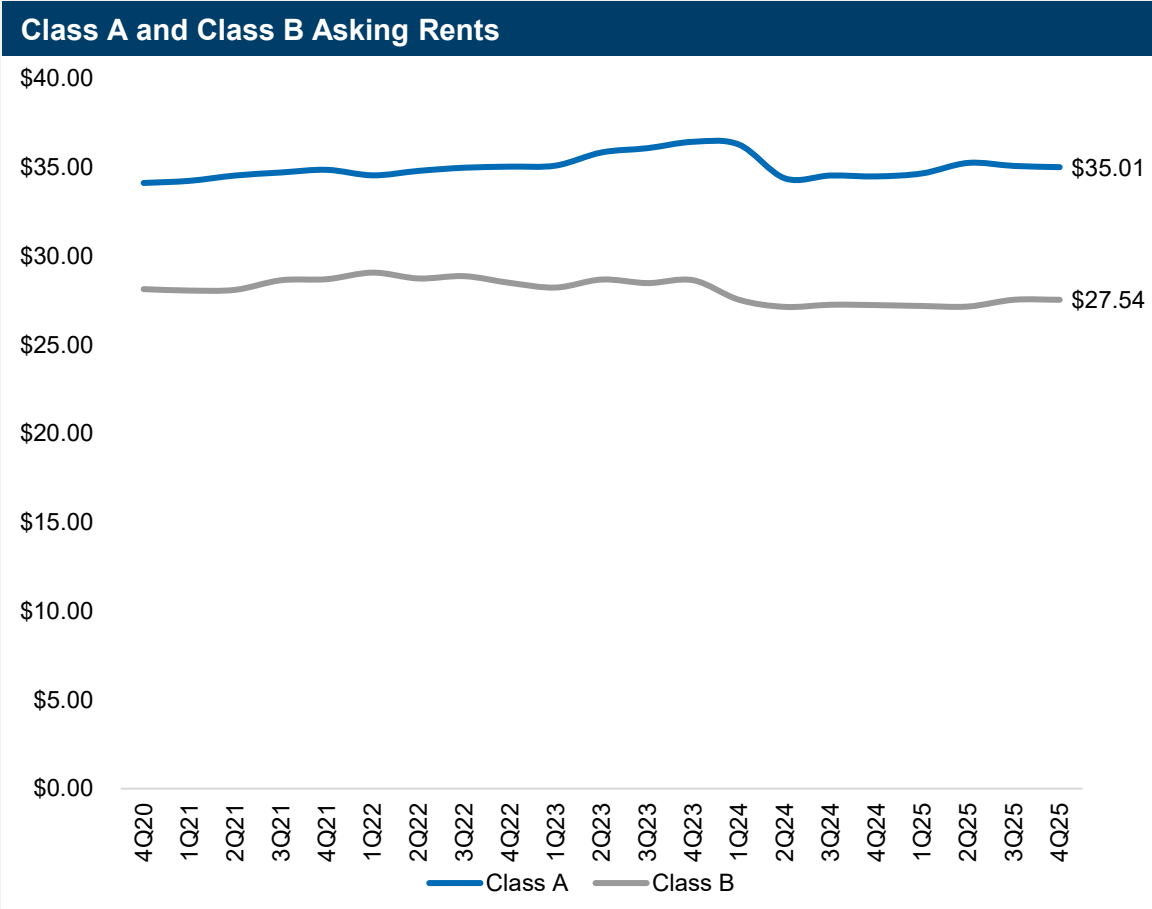
Asking Rates Increased Year-over-Year in the Fourth Quarter

Average asking rents ended 2025 at \$31.17/SF, a 1.0% increase compared to last year. This modest year-over-year growth points to little overall change compared to historical figures. Most notably, Class A rates reached \$35.01/SF, as high quality, well located, and highly amenitized product continues to outpace all other product in the Portland market in terms of tenant demand and leasing activity.



Sublease Rates Jumped as Class A Product Hit Market

In the fourth quarter, the gap between Class A and Class B properties remained steady at to \$7.47 per square foot, a minimal decrease from the previous quarter. Meanwhile, sublease rates jumped up in the fourth quarter to \$28.49, marking a 110-basis point increase quarter-over-quarter. The second half of 2025 saw multiple large high-quality sublease spaces reach the market, driving sublet rates to their highest levels since early 2024.



Existing Tenants Anchor Notable 4Q25 Transactions

Lease renewals and expansions accounted for four of the largest notable transactions in Portland during the fourth quarter. Greenbrier Companies, the transportation manufacturing firm headquartered in Lake Oswego, renewed its three-floor footprint in Kruse Way, marking a significant commitment to the suburban submarket. Neighboring submarkets to the Central Business District also recorded multiple notable transactions, with Montgomery Park in the historically challenged Close-in Northwest market recording two of the largest leases of the fourth quarter.

Notable 4Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Greenbrier Companies, Inc.	1 Centerpointe Dr	Kruse Way	Lease Renewal	56,983
Greenbrier renewed in its long-term location within the Kruse Way submarket.				
OnPoint Credit Union	2701 NW Vaughn St	Close-in Northwest	Lease Expansion	22,315
OnPoint took on additional space within Montgomery Park.				
PacificWRO	5 SE MLK Jr Blvd	Lloyd District	Direct Lease	18,530
The office furnisher relocated within the Lloyd District to 5 MLK.				
Radius Recycling	222 SW Columbia St	CBD	Lease Expansion	12,747
Radius Recycling moved into additional footprint within KOIN Tower.				
Pace Engineering	4500 Kruse Way	Kruse Way	Lease Renewal	12,263
The engineering firm renewed in Kruseway Plaza I.				

Access the Extended 4Q25 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
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