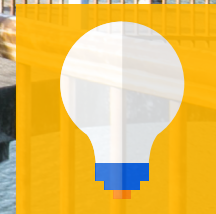


Portland Metro

# 2021 Market Insight Report

Eastbank Esplanade



Q2 2021 Office Market

cresa



## Portland Metro



US Bancorp Tower interior

# Portland Metro Overview

There have been many story lines in the commercial office market over the last 18 months. The predominant issue is how the “remote work” trend will impact the office market, and based on available data, it is proving to be very challenging for the office market landlords. This is not just a downtown issue, which has dealt with a variety of issues including the remote work trend, but it is visible across the entire Portland Metro as well. **Availability rates are at an all-time high across the market (15%) a 38% increase from Q2 2020 and expected to increase as long-term leases begin continuing to expire.** The suburban markets have benefited from a renewed interest by otherwise focused downtown tenants and gross rents have surpassed the CBD for the first time, some notable moves include KinderCare to Lake Oswego along with Apple & Microsoft moving to Hillsboro. However, this picture is not quite what it seems as the availability in the markets still remains very high and will likely continue.



## The Tale of Two Submarkets (Sort of)

Since Q2 2021 there has been a **9% decrease** in gross rents in the CBD and a **9% increase** in gross rents in Kruse Way (Lake Oswego). However, the availability rate is **23.3% in the CBD** and **23.7% in Kruse Way**. The rent disparity is unclear given the high availability, but we expect to have a better picture by the end of the year.



## Sublease Inventory Growth

Available sublease inventory skyrocketed **104% since Q2 2020** to 1.5 M SF across Portland Metro, **43% of which is in the CBD** alone. As subleases turnover, this inventory will become direct space and contribute to a rapidly increasing vacancy rate (currently 11.2%).



## Flexible/Uncertain Lease Terms

The decrease in asking rents has trailed the uptick in vacant space by 6-9 months, and landlords have offered more concessions rather than decreasing gross rent. However, this has begun to shift as **rents decreased 3% since Q2 2020** and we expect this trend to continue, along with more flexible lease terms.

## Portland Metro



Supply  
101.8M SF



Vacancy  
11.8%



Availability  
15%



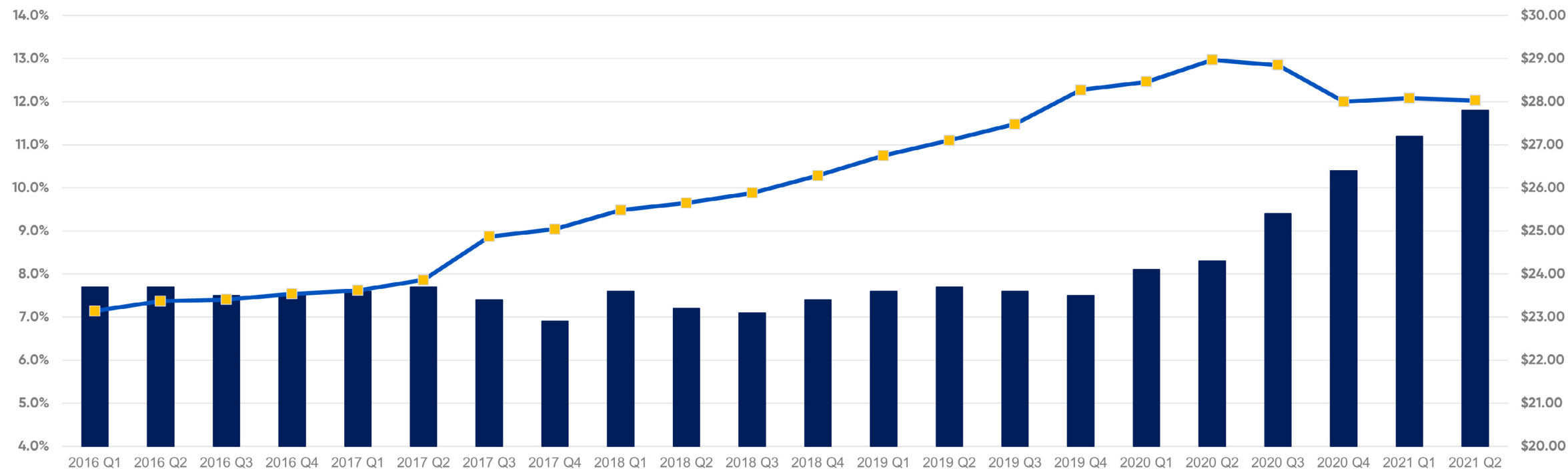
Leasing activity  
1.3M SF

Arrows Indicate One Year Change

## Historical Rent &amp; Vacancy

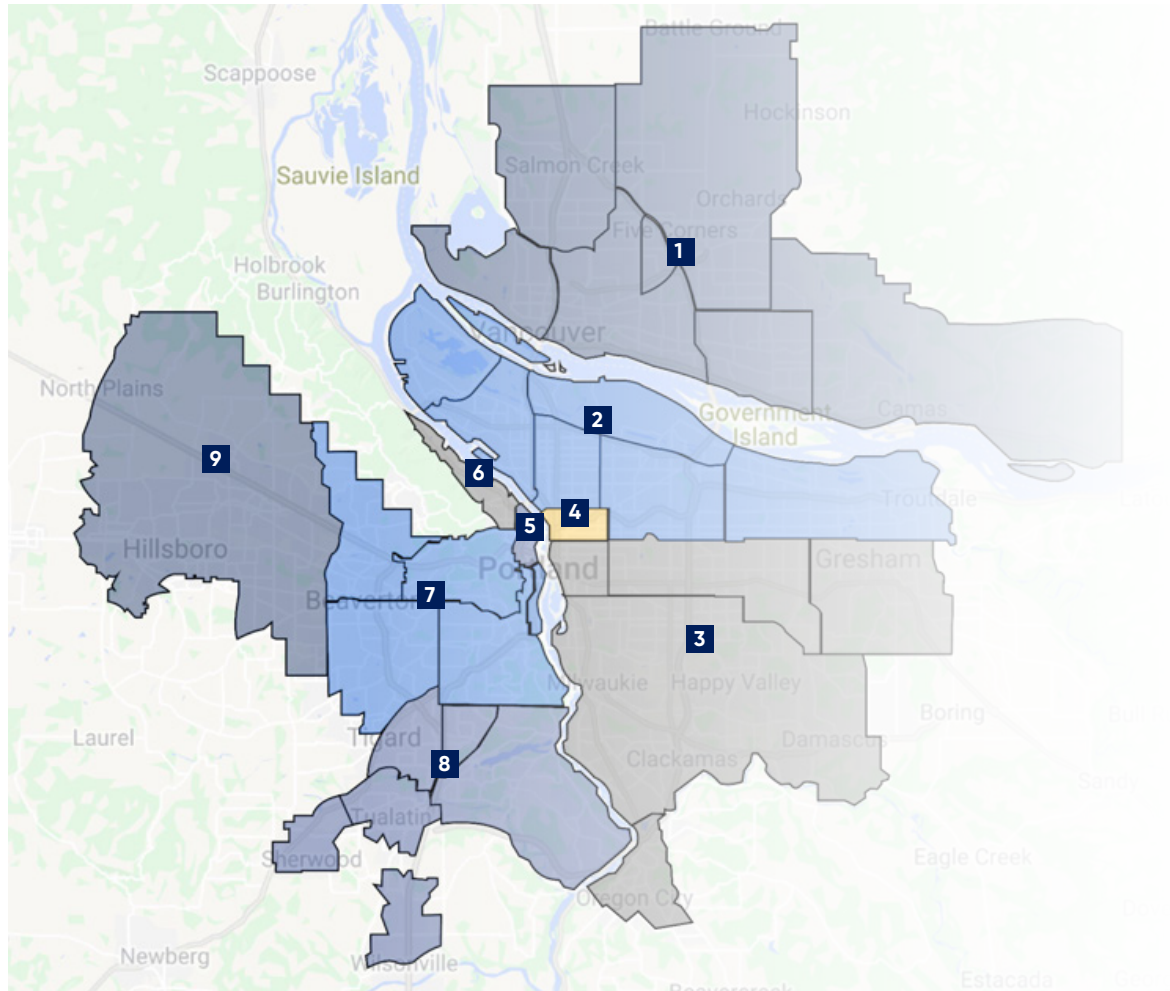
Vacancy

Gross Rent / SF



Data: End of Q2 2021. Portland Metro Submarkets. Class A, B, C Office Buildings above 5,000 SF.

# Submarket Overview



	Submarket	Market Size (SF)	Available (SF)	Sublease SF	Leasing Activity YTD	Class A Rent/SF	Class B Rent/SF
1	Clark County	10.9 M	8.80%	50,056	204,215	\$26.55	\$23.65
2	Northeast	8.9 M	4.30%	9,679	300,473	\$30.88	\$20.65
3	Southeast	8.2 M	16.50%	140,919	150,383	\$30.37	\$25.73
4	Lloyd District	5.5 M	11.70%	45,200	58,238	\$37.28	\$24.95
5	CBD	28.8 M	23.30%	656,360	561,577	\$35.23	\$28.05
6	Northwest	3.8 M	25.80%	208,212	100,269	\$35.15	\$26.96
7	217 Corridor/SW	10.3 M	16.70%	149,612	160,476	\$30.07	\$22.48
8	I-5 Corridor	10.9 M	14.90%	166,279	352,573	\$34.38	\$24.58
9	Sunset Corridor	14.7 M	6.70%	100,912	134,899	\$25.78	\$23.24
	<b>Overall Market</b>	101.8 M	15.00%	1,527,229	2,023,103	\$34.38	\$24.58



# Notable Leases

Tenant	Address	Submarket	Size (SF)	▼ Sign Date	Type
Uncorked Studios	811 SE Stark St	Lloyd District	15,664	Jun 2021	Renewal
Ampere	1250 NW 9th Ave	CBD	57,269	Jun 2021	Expansion
Umpqua Bank	5885 Meadows	Kruse Way	25,116	Jun 2021	New
Charter School Capital	1000 SW Broadway	CBD	12,355	Jun 2021	New
Fully	1615 SE 3rd Ave	SE Close-In	16,179	May 2021	New (Sublease)
Moss Adams	805 SW Broadway	CBD	38,874	May 2021	Renewal (Downsize)
Inside Track	121 SW Salmon St	CBD	20,185	May 2021	Renewal
Apple	3555 SW 153rd Dr	Beaverton/Hillsboro	49,884	May 2021	New
Lane Powell PC	601 SW 2nd Ave	CBD	63,000	May 2021	Renewal
Sera Architects	600 SW 10th Ave	CBD	42,764	Apr 2021	New
On, Inc	1250 NW 9th Ave	CBD	28,610	Mar 2021	New
Microsoft	9800 NE Gibbs Dr	Beaverton/Hillsboro	85,000	Dec 2020	New

## Notable Subleases

Tenant	Address	Submarket	Size (SF)
Simple	1615 SE 3rd Ave/ 120 SE Clay St	SE Close-In	108,197
Daimler NA	2701 NW Vaughn St	NW Close-In	78,885
Fiserv	8500 SW Creekside	Sunset Corridor	65,496
McAfee Inc	5505 NE Moore Ct	Sunset Corridor	59,900
Comcast	9605 SW Nimbus	Sunset Corridor	56,146
Wacom	1455 NW Irving St	CBD	53,010

# Now is the Time to Shift to Long-term Real Estate Planning

The spring of 2020 will go down in the history books as the first health pandemic to affect much of the world in over fifty years, resulting in a global economic shutdown. With the easing of restrictions across the world, companies have an incredible opportunity to reposition, rethink, reevaluate, reimagine, and redesign their real estate portfolios based on a new set of criteria and priorities. Rather than solving for the notion that employees need to consume commercial real estate to be productive, companies should now focus on utilizing real estate as a fundamental tool to support employee productivity.

What strategies companies choose to deploy will, presumably, vary greatly, but common themes have emerged that will continue to steer strategy discussions moving forward: agility and mobility via technology, enhanced tools and educational trainings to strengthen existing talent, tighter cost controls, risk management and greater flexibility, futureproofing, employee safety and wellness, and a greater focus on increasing employee engagement.

## Short-Term Tactics

Because commercial real estate is a lagging economic indicator and time consuming and expensive to procure and build-out, companies should not make drastic changes to their real estate portfolio in the short-term unless there is an upcoming lease notification date. Rather, companies should take a data driven approach to evaluating real estate based on their employees' needs, how they work and what activities they perform, and business outlook.

Over the past year, companies have adapted to maintain business operations and ensure that most operations and activities can be carried out remotely. Much of this was done by taking traditional office centric processes and transitioning these to remote work contexts. Certain activities, tasks, and processes could be performed equally well at home while others were definitively better suited to an office environment. Leveraging this information and ongoing employee feedback, companies now have an opportunity to deconstruct traditional office work down to individual activities and determine what can be done remotely, what is better suited to be carried out in an office, and to what degree.

Companies that have paid attention to how employees work during this pandemic are positioned to completely reimagine the workplace and adopt new or slightly different ways of working. Traditional notions – that offices are critical to productivity and all work must be performed in an office setting – can now be cast aside. This pandemic has taught...



article by Ash Pajoohi, Principal | April 2021

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“Companies that have paid attention to how employees work during this pandemic are positioned to completely reimagine the workplace and adopt new or slightly different ways of working.”





## Portland Metro



## What Does this Mean and What will the Future of the Office Look Like?

As things slowly shift back to a pattern of normalcy, which we can visually recognize as traffic begins to thicken, I can't help but hear the rumblings of friends, family and colleagues as they talk about their company start to implement return to office plans. Some with a sense of excitement and others with a sense of dissatisfaction as they begin to wonder if this completely remote hiatus is finally coming to an end.

Depending on what side of the spectrum you sit on, we can all see the news slowly begin to trickle in on company plans; 'Amazon expects a return to offices by fall', 'ZoomInfo plans return to offices in July', Goldman Sachs CEO strongly stated that this is not a collaborative environment and not their new normal whatsoever. Meanwhile, others such as Ford, Slack and Salesforce have responded in a different fashion, that...

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article by Michael Whitten, Vice President | April 2021



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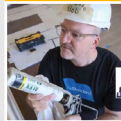
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#### Episode 8: Evolving to a Hybrid Workplace

**Colleen Murray, Director of Operations for Perkins & Coe**

Colleen Murray is a shareholder and the Director of Operations for Perkins & Co, on this episode host Blake St. Onge talks with Colleen about how they are evolving their workplace to a hybrid model to ensure they meet the needs of all employees.



#### Episode 9: How a Culture Rooted in Philanthropy Supports Employees through Uncertainty

**Bob Speltz, Senior Director of Community Relations for The Standard**

Bob Speltz is the Senior Director of Community Relations for The Standard. In this episode, host Blake St. Onge sits down with Bob to learn how The Standard's deep roots in Portland and their culture of philanthropy helped them support their 3,000 employees the past 15 months.



#### Episode 10: Portland Office Trends and Opportunities in the New Workplace

**Sean Connors, Senior Advisor with Cresa**

Sean Connors is a Senior Advisor for Cresa Portland. In this episode, host Blake St. Onge and Sean discuss the current state of the Portland office market, and opportunities for companies in the new workplace.

# Meet the Team

Click to learn more about our advisors



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Vice President



Michael Whitten  
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Sean Connors  
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Kelsey Schneider  
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Jack Foy  
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Jessika Jones  
Advisor



Chelle Dey  
Operations Associate



## About Cresa Portland

Cresa is the world's largest commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. We work with our clients to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to tenants' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

## Contact

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