

Portland Metro

Q2 2023

# Market Insight Report

Q2 2023 Office Market

cresa



## Portland Metro



# Portland Metro Overview

As we began looking over the sentiment of Q2, unfortunately not much has changed from the previous quarter(s). Sure, some of the CRE metrics (vacancy rates, rental rates, etc.) have moved slightly up, down, and sideways, but the reality is that we remain on the same hamster wheel, so the message is generally the same. We are still seeing significant incentives for rent abatement, tenant improvement costs, move allowances, etc., while face rents are attempting to stay strong. As future leases get set to expire in the coming 18-24 months, many tenants will likely rightsize their footprints or relocate to higher quality assets (flight to quality), and we believe buildings with high vacancies may start to default and become troubled assets, and in some cases be returned to the lenders. This is something we are making sure to keep an eye out for. We've seen some of this happen already with more on the horizon.



## Flight to Quality

As leases get set to expire, many tenants are considering optimizing and rightsizing their footprints while relocating to higher quality assets that meet their business model.



## Suburban Strength

The suburban submarkets continue to water their grass, as seen in the stronger vacancy and rental metrics, with Kruse Way increasing rates nearly \$10/rsf over the last 3 years alone.



## Delinquents

With the continued demand erosion, keep an eye out for more buildings hitting the default line and going back to the lenders. This is not a good scenario, and is one that tenants/occupiers need to be very careful about.

## Portland Metro



Market Supply (SF)  
**103.71M SF**



Vacancy  
**13.1%**



Availability  
**16.9%**



Leasing Activity (SF)  
**721K SF**



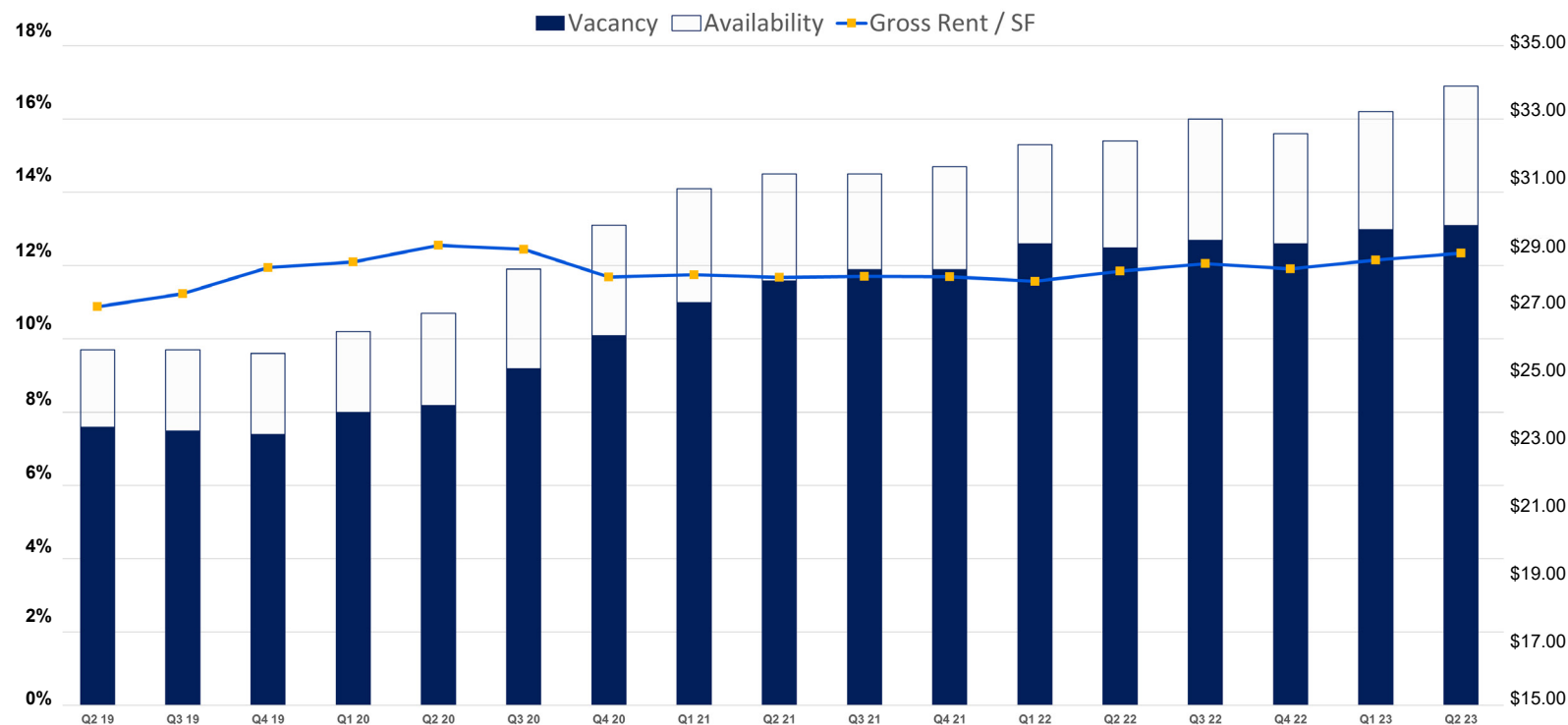
Gross Rent/SF Class A  
**\$33.14**



Gross Rent/SF Class B  
**\$27.40**

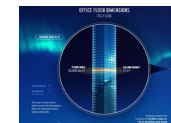
Arrows Indicate One Year Change

## Historical Rent, Availability, &amp; Vacancy

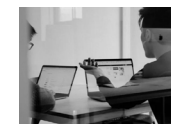


Data: Q2 2023 CoStar. Portland Metro Submarkets. Class A, B, C Office Buildings above 5,000 SF

## In the News



**Visualizing 1 Billion Square Feet of Empty Office Space**



**'I'll Show You Mine, You Show Me Yours': More Office Tenants Looking at Owners' Books Before Signing Leases**

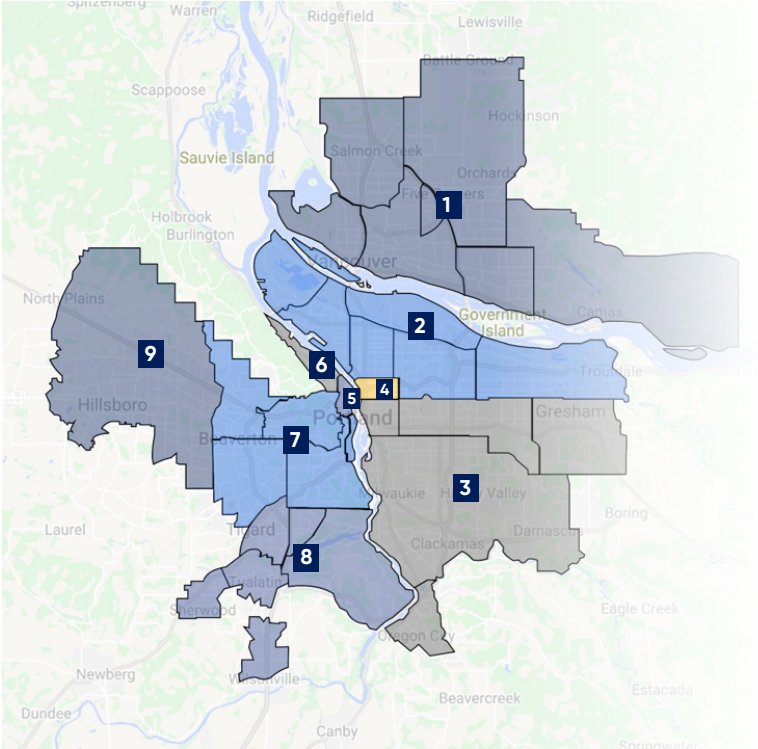


**A 10-Year Transformation: Slabtown Has Risen to Become One of Portland's Hottest Neighborhoods**



**Kiln Opens a 36,000 SF Co-working Space in Southeast Portland**

# Submarket Overview



OVERALL - CLASS A, B, C							CLASS A		CLASS B	
	Submarket	Market Size (SF)	Vacancy %	Available Sublet (%)	Available Sublet SF	Leasing Activity Deals	Vacancy %	Gross Rent/SF	Vacancy %	Gross Rent/SF
1	Clark County	11.47 M	6.4%	0.5%	57,115	37	8.70%	\$28.01	6.20%	\$23.10
2	Northeast	8.96 M	4.1%	1.2%	110,148	15	3.60%	\$27.54	4.60%	\$21.98
3	Southeast	8.33 M	9.9%	1.5%	218,077	37	30.70%	\$32.08	7.80%	\$23.98
4	Lloyd District	5.58 M	11.3%	0.8%	137,834	11	16.20%	\$36.77	6.30%	\$27.23
5	CBD	29.66 M	21.7%	2.1%	914,393	44	22.20%	\$31.90	21.40%	\$26.25
6	Northwest	3.77 M	23.0%	5.6%	233,633	7	43.10%	\$30.57	25.10%	\$26.64
7	217 Corridor/ SW	10.36 M	13.5%	1.9%	225,148	31	22.70%	\$31.41	13.50%	\$24.82
8	I-5 Corridor	10.96 M	14.0%	1.4%	232,618	45	17.50%	\$36.57	15.20%	\$34.29
9	Sunset Corridor (Hillsboro)	14.61 M	5.3%	3.0%	367,627	9	3.00%	\$26.80	7.80%	\$20.93
	Overall Market	103.70 M	13.1%	1.5%	2.50 M	241	16.4%	\$33.14	12.6%	\$27.40

Data: Q2 2023 CoStar. Portland Metro Submarkets. Class A, B, C Office Buildings above 5,000 SF



# Notable Leases

Tenant	Address	Submarket	Size (SF)	Type	Move In
Davis Wright Tremaine	560 SW 10th Ave	CBD	19,100	New - Relocation	Nov 2023
Miller Nash	1102 SW Washington St	Portland	20,290	New - Relocation	Feb 2024
Confidential	808 Washington St	Clark County	20,340	New - Relocation	June 2023
HopScotch	975 SE 11th Ave	Southeast	22,303	New - Relocation	Oct 2022
Confidential	1385 NE Amberglen Pky	Sunset Corridor	25,366	New - Relocation	July 2022
Native American Rehabilitation Assoc	355 NW Division	Northeast	27,284	New - Relocation	May 2023
Confidential	6600 SW 105th Ave	Sunset Corridor	29,204	New - Relocation	Sept 2022
Confidential	1120 SE Madison St	Southeast	48,897	New - Relocation	May 2023
Confidential	3030 NE Aloclk Dr	Sunset Corridor	51,140	New - Relocation	Nov 2023
Nordic Semiconductor	1120 NW Couch St	CBD	11,879	Expansion	April 2023

*\*Data covers the past 12 months*

## Notable Subleases

Tenant	Address	Submarket	Size (SF)
Providence	3601 SW Murray Blvd	Sunset Corridor/ Hillsboro	337,984
Wells Fargo	23175 NW Bennett St	Sunset Corridor/ Hillsboro	103,279
Liberty Mutual	650 NE Holladay St	Llyod District	97,947
Daimler	2701 NW Vaughn St	Northwest	78,885
3D Systems	26600 SW Parkway Ave	I-5 Corridor	47,167
Digimarc	9405 SW Gemini Dr	217 Corridor/ Beaverton	47,164
Volkswagon	6755 NE Bennett St	Sunset Corridor/ Hillsboro	44,407
XPO Logistics	2055 NW Savier	NW Close-In	40,912
Trimble	1510 SE Water Ave	Southeast	39,549
VetSource	9500 NE Cascades Pkwy	Northeast	35,000
HP	1301 SE Tech Center Dr	Clark County	32,228
Adpearance	2035 NW Front Ave	Northwest	30,084
CD Baby	9600 NE Cascades Pkwy	Northeast	18,148



## Ernst & Young Entrepreneur of the Year Award Program

At the outset of 2023, our Cresa Portland team, along with the entire Cresa organization, embarked on a strategic partnership with Ernst & Young, sponsoring the prestigious Entrepreneur of the Year program! The Entrepreneur of the Year program has been celebrating the ambitious visionaries who are leading successful, dynamic businesses for nearly four decades. Founded in 1986, the program has recognized more than 10,000 entrepreneurs throughout the US and has expanded to nearly 60 countries globally.



Q2 capped off an incredible 2023 journey of the EY Entrepreneur of the Year Award program in the Mountain West Region, culminating at the awards ceremony held at Stein Erickson Lodge in Park City, Utah! Our Managing Principal, Blake St. Onge, had the privilege of attending the awards, and the distinct honor of announcing one of the winners for the region, John Spencer, Founder and CEO of DCI International!

We're excited to continue our partnership and look forward to the Strategic Growth Forum held this fall in Palm Springs, recognizing all regional winners as they compete for the national recognition!



## Portland Metro



## Cresa's 2023 Spring Summit

Our full Cresa Portland crew descended on Atlanta for the 2023 Spring Summit, and what a summit it was! Kicking off with the ever educational Cresa college, followed by full days of breakout sessions, thought leadership and client panels, and capped off with a fun and engaging awards show raising over \$100k for our Cresa Cares Non-Profit! Other features included the showcase of the Cresa Band, which was featured by Costar, hosting previous winners of the Ernst & Young Entrepreneur of Year program to share their experience, and countless other ways to collaborate and connect with our teammates around the country (and globe).

[READ ABOUT THE CRESA BAND!](#)

## Cresa Sponsors a Team for 2023 Hood to Coast Relay

Our fundraising campaign is approaching the finish line!

Just a month away...our **Cresa Portland** teammates are pounding the pavement as they prepare for the legendary **Hood To Coast Race Series**!

Last week **Kelsey Machuca**, **Sean P Connors**, **Sean Brennecke**, and **Michael Whitten** conquered a 5-mile run in the scorching heat, along the majestic Willamette River, through Willamette Park, and along the beautiful Springwater Corridor.



Before the team departs the top of Mount Hood, our team will not only be getting in training runs, but we will continue to fundraise for **Providence Cancer Institute** to help #finishcancer. With a goal of raising \$15k, any donation would be greatly appreciated.

Stay posted on our social media pages to follow our journey to the coast!



Donate  
Here!



Team Captains Sean Connors and Kelsey Machuca chat about the relay

## SUMMER BLASQUEZ

### Advisor, Transaction Management

Summer brings a unique skillset and perspective to our Portland team, having worked within boutique firms and major corporations, across varied commercial property types: office, retail, multifamily and childcare centers. Guiding by transparency, responsiveness, efficacy of processes and preservation of transaction veracity, Summer champions the

client, striving to exceed expectations. She is responsible for deal and transaction management and is thrilled to join the Cresa Portland team!



[View Summer's Bio](#)

## LEO JAIMES NAVARRO

### Market Research Intern

Leo brings a new perspective on real estate. Originally from Hood River, Oregon, Leo hopes to bring the same sense of community experienced in a small town to not only the team but future clients as well. Leo spent his undergrad studies focusing on real estate and portfolio management, both investment and valuation. Leo spends most of his time either

building his collection of sports cards or exercising. He comes with an open mind and is ready to ask questions when needed and absorb all that is shared with him. Leo is thrilled to join the Cresa Portland team!



[View Leo's Bio](#)



## Portland Metro

# Cresa's Healthcare Practice Group

With the addition of **Sean Brennecke** to our team, we are elevating our expertise and ability to further guide and advise healthcare practices (medical, dental, veterinary, etc.) and all real estate related solutions!

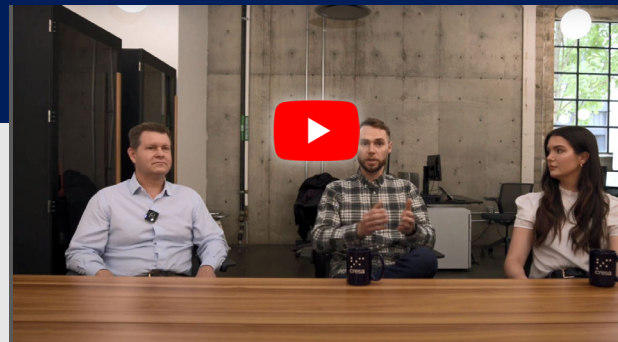
Cresa's healthcare real estate practice group is launching its very own healthcare real estate newsletter for Oregon! This comprehensive newsletter will cater to healthcare, dental, and veterinary professionals, offering market insights and highlighting key trends at both regional and national levels. Stay tuned for the first edition!



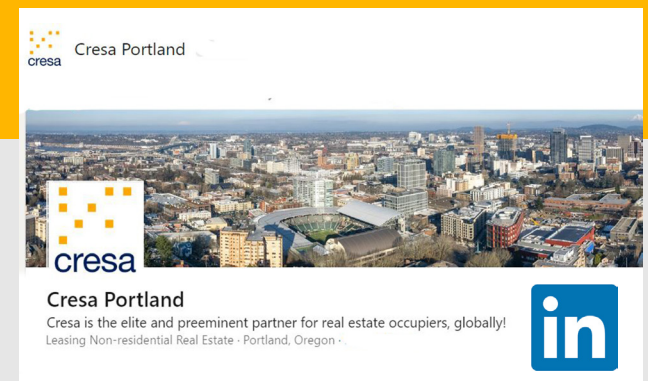
## Cresa Portland's podcast!

From the people, the culture and their thoughts on the future of work, host Blake St. Onge interviews leaders from Portland's most respected companies to learn about what makes their workplace unique. We also dive into the commercial real estate market & workplace trends that will help shape the future of business in Portland for years to come.

## Tune in to our YouTube channel!



## Connect with us on LinkedIn!



# Meet the Team



Click to learn more about our advisors



Blake St. Onge  
Managing Principal



Sean Heaton  
Managing Principal



Josh Haynes  
Vice President, PM



Michael Whitten  
Vice President



Kelsey Machuca  
Vice President



Sean Connors  
Senior Advisor



Sean Brennecke  
Senior Advisor



Hayley Mueller  
Advisor



Roberto Nelson  
Advisor



Andrew Davis  
Advisor, PM



AJ Peash  
Account Manager



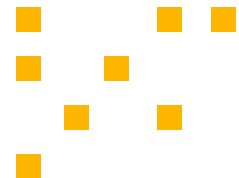
Summer Blasquez  
Advisor, TM



Leo Jaimes Navarro  
Market Research Intern



Chelle Dey  
Operations Associate



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## 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

For more information about Cresa and the Portland CRE Market, please contact:

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