

# Office Market Report | Q1 2022

Norris & Stevens

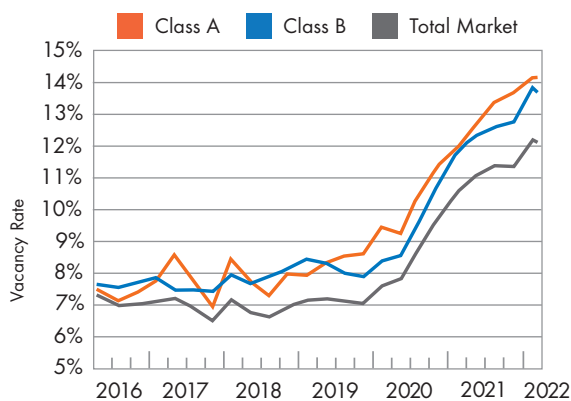
INVESTMENT REAL ESTATE SERVICES

## OVERVIEW

The negative impacts of the COVID-19 pandemic continued to be felt deeply in the Portland metro office market. Demand for office space has continued to drop as a large segment of the workforce has shifted to a remote work model. Despite the drop in demand, year-over-year rent growth has returned with gains of 2.6%, while the national office rent gains are around 0.9%.

Tech and apparel sector leases make up a majority of the absorption activity in the metro area, and these tenants typically pay premiums to secure space, which factors into the recent gains.

## Vacancy Rates by Class 2016 - 2021



Source: CoStar Property

## ABSORPTION & DELIVERIES

The overall office market saw 17,125 square feet in net absorption by the end of the first quarter 2022, compared to negative (235,492) square feet at the end of 2021.

Class A: Negative (99,940) SF  
Class B: 160,897 SF  
Class C: Negative (43,832) SF

## PORTLAND MARKET SNAPSHOT

VACANCY  
**12.2%**



RENTAL RATE  
**\$28.73**



CONSTRUCTION  
**1,051,199 SF**



ABSORPTION  
**17,125 SF**

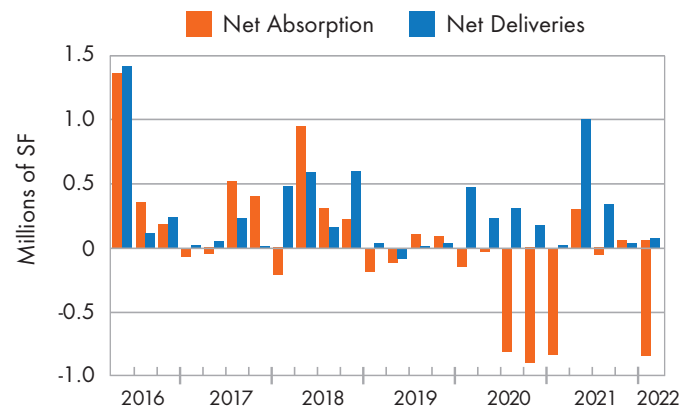


## VACANCY

Negative net absorption has caused office vacancies to increase from 11.6% in the fourth quarter of 2021 to 12.2% at the end of the first quarter 2022. This is still slightly below the national vacancy rate of 12.3%.

Class A: 14.4%  
Class B: 13.5%  
Class C: 7.6%

## Absorption & Deliveries 2016 - 2022



Source: CoStar Property

## DELIVERIES AND CONSTRUCTION

No new square footage of office space was delivered to the market in the first quarter of 2022, while 1,051,199 square feet remained under construction, still the lowest level since 2013.

A few projects set for completion in 2022 include the Block 10 on Columbia Street in Vancouver at 75,000 square feet, set for completion in June of 2022, and The Offices on 11W in Portland's CBD at 134,185 square feet, set for completion in October of 2022. The largest project still under construction is 503 on Tenth in southeast Portland at 269,908 square feet, set for completion in January 2023.

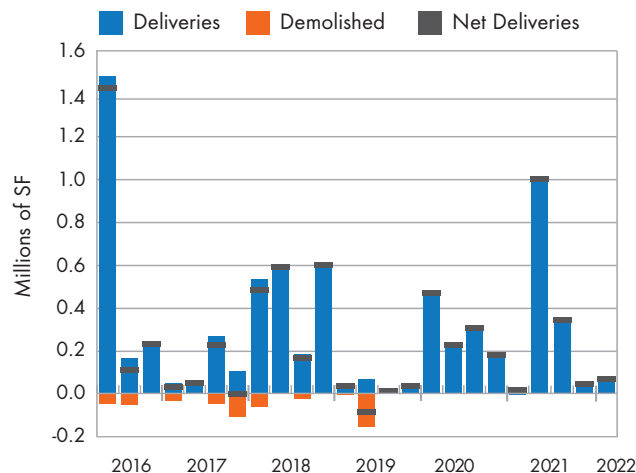
## RENTAL RATES

Despite rent losses posted in 2020, office rents recently posted gains of 2.6% year-over-year. Regardless of this, tenants will likely have the upper hand in negotiations in the near term due to a decline in space needs driven by hybrid work options.

At the end of the first quarter 2022, the average quoted asking rental rate for all classes was \$28.73 per square foot per year, down slightly from \$28.81 in the previous quarter.

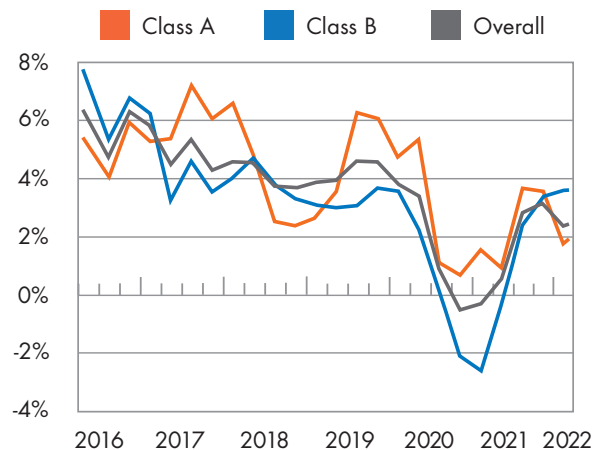
Class A:	\$34.96
Class B:	\$27.56
Class C:	\$23.05

### Historical Construction Starts & Demolitions Square Footage Per Quarter



Source: CoStar Property

### Market Rent Growth 2016 - 2022



Source: CoStar Property

## Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
CBD	2	303,000	25,000	8.3%	75,556	151,687
SE Close-In	1	270,000	270,000	100%	16,935	269,908
Tigard	2	209,000	19,000	9.1%	15,531	104,482
SE Outlying	1	76,000	76,000	100%	5,114	76,211
CBD/West Vancouver	1	75,000	56,000	75.0%	12,429	75,000
North Beaverton	1	45,000	45,000	100%	21,181	45,000
Cascade Park	2	44,000	15,000	34.5%	24,667	22,021
Camas/Washougal	1	21,000	21,000	100%	15,474	20,810
Orchards	1	8,000	8,000	100%	9,446	7,893
217 Corridor/Beaverton	0	-	-	-	16,691	-
All Other	0	-	-	-	14,200	-
<b>Totals</b>	<b>12</b>	<b>1,051,000</b>	<b>535,000</b>	<b>50.9%</b>	<b>18,437</b>	<b>87,600</b>

Source: CoStar Property

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at [www.norris-stevens.com](http://www.norris-stevens.com).