

# Office Market Report | Q2 2018

**Norris & Stevens**

INVESTMENT REAL ESTATE SERVICES

## OVERVIEW

The second quarter in the Portland Office market ended with a 6.6% vacancy rate. While net absorption totaled a positive 1,160,537 square feet, vacant sublease space increased to 334,810 square feet. The quarter finished with rental rates at \$23.81, which remained the same from the first quarter. Five buildings were delivered to the market with 2,503,330 square feet under construction at the end of the quarter.

## PORTLAND MARKET SNAPSHOT

VACANCY

**6.6%**

RENTAL RATE

**\$23.81**

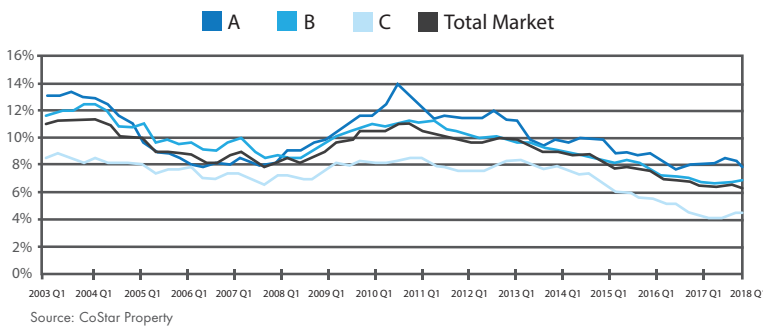
CONSTRUCTION

**2,503,330 SF**

ABSORPTION

**1,160,537 SF**

## Vacancy Rates by Class Years 2003 - 2018



## VACANCY

The vacancy rate was unchanged from the previous quarter at 6.6%, still slightly higher than the 6.2% vacancy rate at the end of 2017.

Class A: 8.0%  
Class B: 7.0%  
Class C: 4.6%

In the CBD, the overall vacancy rate was 10.0% and in suburban markets the vacancy rate increased to 5.7%.

## ABSORPTION & DELIVERIES

The office market was positive 1,160,537 square feet in net absorption, compared to negative 187,283 square feet in the first quarter of 2018.

The most notable tenants moving out of space include: Symantec Corp (300,000 SF) and Oregon Department Human Service (68,363 SF).

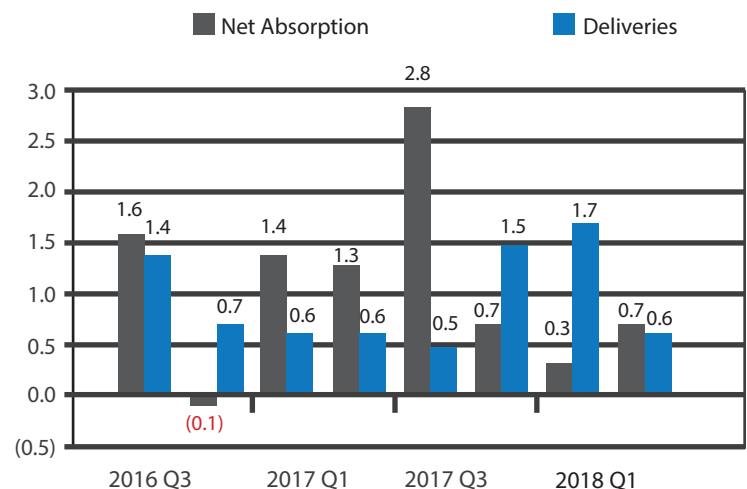
The following tenants moved into large blocks of space: Fiserv (65,496 SF) and Vacasa (60,152 SF).

Class A: positive 960,030 SF  
Class B: positive 163,340 SF  
Class C: positive 37,167 SF

Net absorption for Portland's CBD was positive 224,250 square feet and 936,287 square feet for suburban markets.

## Absorption & Deliveries

Past 8 Quarters



## DELIVERIES AND CONSTRUCTION

Five buildings were completed in the second quarter, compared to 11 buildings in the first quarter. 2,503,330 square feet remains under construction at the end of second quarter.

Of the buildings completed, notable deliveries include the Nike North Expansion Building A (412,000 SF) and Field Office (165,653 SF).

Both the Nike North Expansion Bldg B (1,003,585 SF) and Block 29 Center for Health & Healing (360,000 SF) are 100% pre-leased and still under construction.

## RENTAL RATES

For all classes, the average quoted rental rate was \$23.81.

Class A: \$30.11

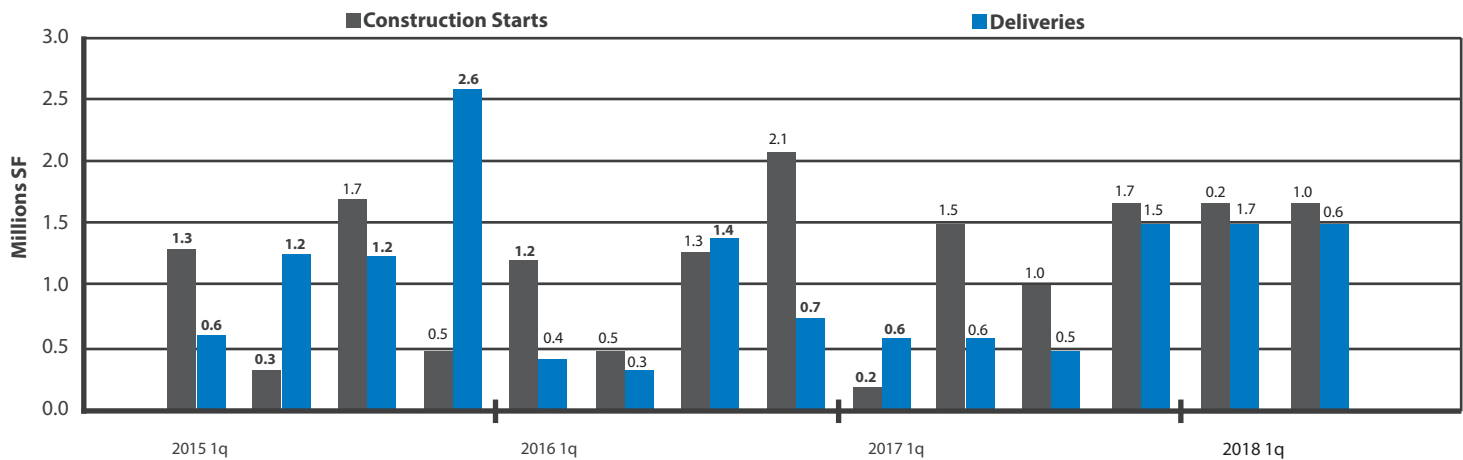
Class B: \$22.27

Class C: \$18.47

The average rental rate in Portland's CBD was \$31.57 and \$21.26 in suburban markets.

## Historical Construction Starts & Deliveries

Square Footage Per Quarter



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
Northeast	11	2,493,946	1,804,529	72.4%	38,157	226,722
Marion County	2	1,033,420	1,018,020	98.5%	24,465	516,710
Westside	3	471,160	190,000	40.3%	45,290	157,053
I-5 Corridor	5	292,981	67,050	22.9%	36,978	58,596
Clark County	5	133,857	127,137	95.0%	30,168	26,771
Lane County	7	121,896	36,000	29.5%	24,835	17,414
Cowlitz County	1	110,000	70,400	64.0%	25,081	110,000
Yamhill County	3	79,000	69,000	87.3%	25,270	26,333
Deschutes County	3	46,219	20,701	44.8%	15,800	15,406
Southeast	4	35,455	16,455	46.4%	23,946	8,864
All Other	3	28,968	7,000	24.2%	30,747	9,656
<b>Totals</b>	<b>47</b>	<b>4,846,902</b>	<b>3,426,292</b>	<b>70.7%</b>	<b>30,275</b>	<b>103,126</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).