

# INVESTMENT FORECAST

Office  
Portland Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Suburban Stability Fuels Investment, While the Urban Core Shows Signs of a Recovery

**Downtown nears turning point as suburban strength holds.** Expanding western and northern suburbs are expected to sustain tight retail fundamentals in 2025, even as tenant turnover lingers in less affluent parts of the metro. Retail vacancy in Washington and Clark counties declined by nearly 100 basis points last year, approaching record lows of around 3 percent. Within these counties, Hillsboro and Beaverton should continue drawing residents, bolstered by major employment hubs anchored by Intel and Nike. Meanwhile, Vancouver is likely to remain a magnet for remote workers due to the absence of a state income tax, reinforcing tenant demand. Despite ongoing store closures in the urban core, such as Forever 21's planned departure from the Lloyd Center, foot traffic is set to improve. Last year's rise in hotel occupancy, along with the first increase in office occupancy since before the pandemic, should help attract retailers. Additionally, the mayor's plan to create 1,500 new beds at homeless shelters by year-end could enhance public health and safety, further strengthening local retail activity.

**Multnomah County leads investment as outer regions gain appeal.** Sales activity held steady last year and may improve in 2025, supported by low suburban vacancy and potentially eased lending conditions. Demand for net-leased assets in Multnomah County should stay strong, where vacancy is below 5 percent. Local multi-tenant rent growth exceeding 10 percent last year should also sustain interest in grocery- and discount-anchored centers. Meanwhile, some of the lowest pricing of major Western markets could draw more out-of-state investors. Washington County will likely appeal to buyers targeting centers anchored by department stores and luxury brands, as discretionary spending remains more stable among higher-income households.

### 2025 MARKET FORECAST

+1.4%



**EMPLOYMENT:** Job growth is set to rebound in 2025 with the addition of 17,000 positions, though this is just over half the metro's average annual gain from 2014 to 2019.

480,000  
sq. ft.



**CONSTRUCTION:** Completions reach a seven-year high this year, largely concentrated in Washington County. The 275,000-square-foot Parkway Village in Sherwood is the most notable delivery.

+40 bps



**VACANCY:** Steady consumer spending prompts more stores to open even as others close. At 4.9 percent, the metro's rate will slightly exceed its 4.6 percent long-term average.

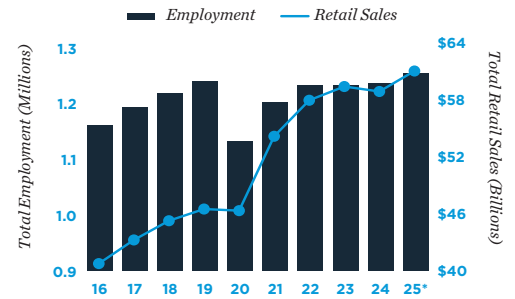
+2.7%



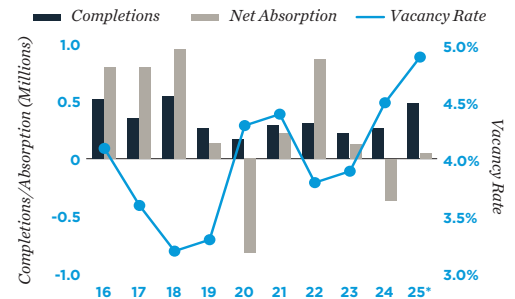
**RENT:** Rent growth moderates amid rising vacancy, but will still lead all major West Coast markets. The metro's average asking rate climbs to \$23.20 per square foot by year-end.

**INVESTMENT:** Oregon Health and Science University's \$650 million hospital expansion, set to complete in spring 2026, may attract investors to Portland's medical district in anticipation of increased retail foot traffic.

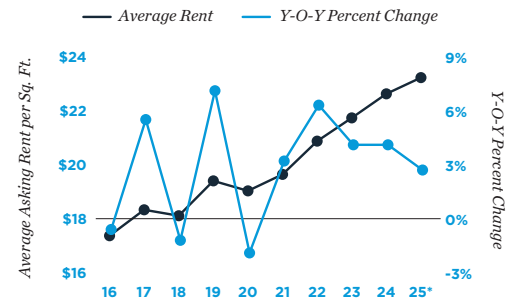
### Economic Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.