

# INVESTMENT FORECAST

Office  
Portland Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2025

## Vacancy and Demand Trends Signal a Rebound, Drawing Investors to Select Submarkets

**White-collar commitments help office sector.** The market's vacancy rise slowed last year, aided by mid-grade offices. Gross absorption was near the pre-2020 average, and the volume of relinquishments declined. Large and upcoming move-ins provide hints of strengthening demand. The 100,000 square feet leased by RAJ Capital in Hillsboro indicates a desire by VC firms to have a presence in the metro, while data provider ZoomInfo's upcoming expansion in Vancouver will contribute to the skilled labor agglomeration that is supporting Portland's recovery. The population's high level of bachelor's degree attainment has historically been a draw for knowledge-intensive industries. These dynamics are poised to drive the first vacancy decline in eight years, within which Class A and B/C vacancy rates may come closer together. Net absorption in the fourth quarter of last year spiked for the luxury niche, yet dropped sharply for B/C buildings.

**Luxury deals muted, but suburbs hold potential.** Trading downtown was skewed toward Class B/C assets last year, which saw a 400-basis-point vacancy decline in 2024. The typical building exchanged was around 30,000 square feet, yet the sale of a high-end 140,000-square-foot property suggests deals for Class A assets can still pencil. In recent years, Downtown's sales mix has seen proportionally fewer luxury trades than the 2014-2020 average. Outside the core, trading followed Highways 217 and 26 through several submarkets. The popularity of Class B/C assets along this stretch may reflect segment vacancy here ranging from 11 percent to 18 percent, lower than in the metro's center. The Southwest submarket, comprising much of Beaverton, and the Westside, with Hillsboro and Aloha, are two examples with average occupancy and a track record of liquidity. Vacancy in the Westside did rise in 2024, but it stayed below the tier's market level.

### 2025 MARKET FORECAST

+1.4%



**EMPLOYMENT:** Traditionally office-using fields will add 3,000 jobs, but the sector's total headcount will still trail the all-time high of 300,000. Overall hiring already began picking up last year.

274,000  
sq. ft.



**CONSTRUCTION:** The square footage of finishing projects falls in 2025 with the fewest completions scheduled since 2019, growing inventory by 0.3 percent year over year.

-20 bps



**VACANCY:** The Portland metro's vacancy rate is set to decline slightly to 17.1 percent. This is still above its mark from 2023, though, before the rate jumped 190 basis points.

-0.4%

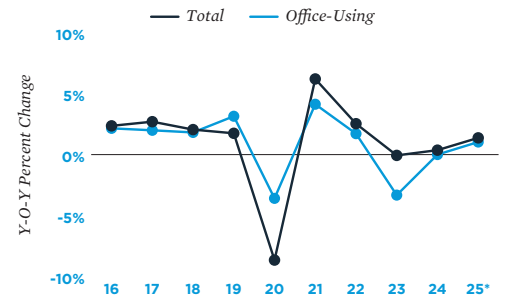


**RENT:** Positive net absorption will slow the pace of receding rents more than in the last two years, as the metro's average asking rate comes to rest at \$25.54 per square foot.

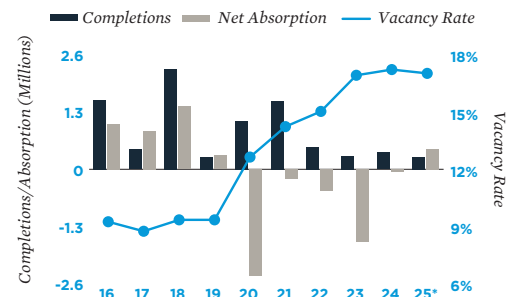
**INVESTMENT:**

Class B/C vacancy about 5 percentage points below the marketwide lower-tier level will likely sustain investor interest in the Southeast section of the metro.

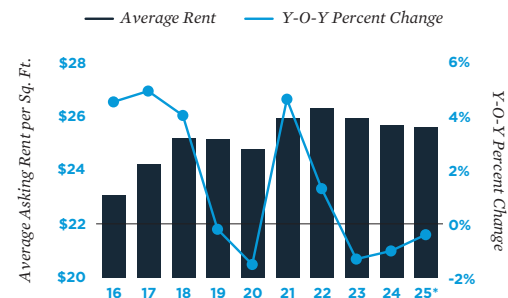
### Employment Trends



### Supply and Demand



### Rent Trends



\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Portland Office:

**David Tabata**

Senior Vice President, Regional Manager

111 SW 5th Avenue, Suite 1950

Portland, OR 97204

Tel: (503) 200-2000 | david.tabata@marcusmillichap.com

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.