

## **PSU Center for Real Estate Vacancy Tax Survey - Results**

### **BACKGROUND**

This report presents the results of a survey in response to the [City of Portland exploring a vacancy tax or fee on multifamily and retail properties](#). The survey was conducted by the Center for Real Estate at PSU over the period of April 16 to 24, 2026. Respondents were commercial real estate professionals in the Portland metro area, who were contacted using the networks of the Center for Real Estate, commercial real estate firms and industry organizations.

Only the responses by property owners, developers, brokers and/or property & asset managers in market rate apartments, affordable housing and/or retail with at least 1% of their portfolio in the City of Portland were considered. The resulting final sample is 415 individuals. Responses from professionals with other backgrounds, no focus on multifamily housing or retail and/or with no properties in the City of Portland were excluded from the analysis.

We thank everyone who participated in this survey!

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- 4) [POTENTIAL IMPACT OF A VACANCY TAX](#)
- 5) [SUGGESTIONS ON HOW THE CITY OF PORTLAND CAN HELP REDUCE VACANCIES](#)

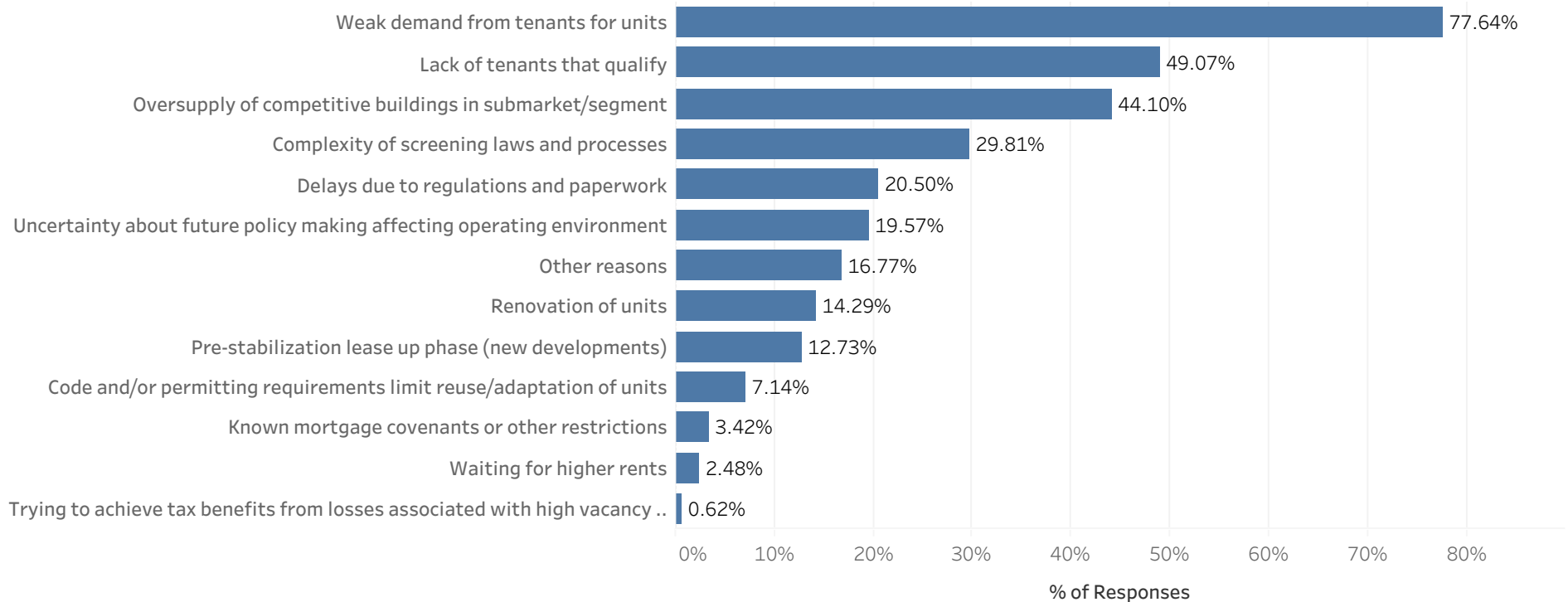
## **KEY TAKEAWAYS**

- Weak demand from tenants is the main reason for vacancies across property types.
- It is followed by lack of tenants that qualify and oversupply (market rate apartments), complexity of screening laws & processes, delays due to regulations & paperwork and lack of tenants that qualify (affordable apartments), and cost of tenant improvements (TI) (retail).
- Waiting for higher rents or realizing tax benefits from losses are the least common reasons for vacancies.
- Lower rent, free rent & concessions and increased marketing efforts are the most frequently used strategies to reduce vacancies.
- 99% of respondents do not hold retail spaces or apartment units vacant without the intention to lease them.
- Reasons why units or spaces are intentionally held vacant are for staff use, renovations, sale to owner-occupier and obsolescence.
- For the majority of respondents (51.39%), a vacancy tax would be extremely unlikely to change their leasing strategy.
- For the majority of respondents (63.52%), a vacancy tax would be extremely likely to change their investment & development strategy.
- Selling properties in the City of Portland and abstaining from additional development and/or investment in the market are the most frequent responses on how a vacancy tax would impact investment & development strategies of housing and retail investors & developers.
- The majority of respondents considers a vacancy tax to be extremely likely to negatively impact their access to equity (87.96%) and debt capital (70.99%).
- The majority of respondents (88.08%) considers a vacancy tax definitely not effective in reducing vacancies.
- The areas in which the City of Portland can help reduce vacancies are:
  - 1) Communicate and work with the commercial real estate industry and tenants to develop solutions
  - 2) Improve economic development and the appeal of the city to residents & businesses
  - 3) Improve the perception of the city and lead by bringing back city employees to the office in person
  - 4) Improve permitting, processes, services and regulations
  - 5) Develop innovative funding solutions to help tenants and landlords
  - 6) Improve the operating environment, especially for affordable housing
  - 7) Help find a solution to reduce workforce shortages in trades and train site staff

## DETAILED RESULTS

### 1) REASONS FOR VACANCY

#### Reasons for Vacancy in Market Rate Units (All Responses)

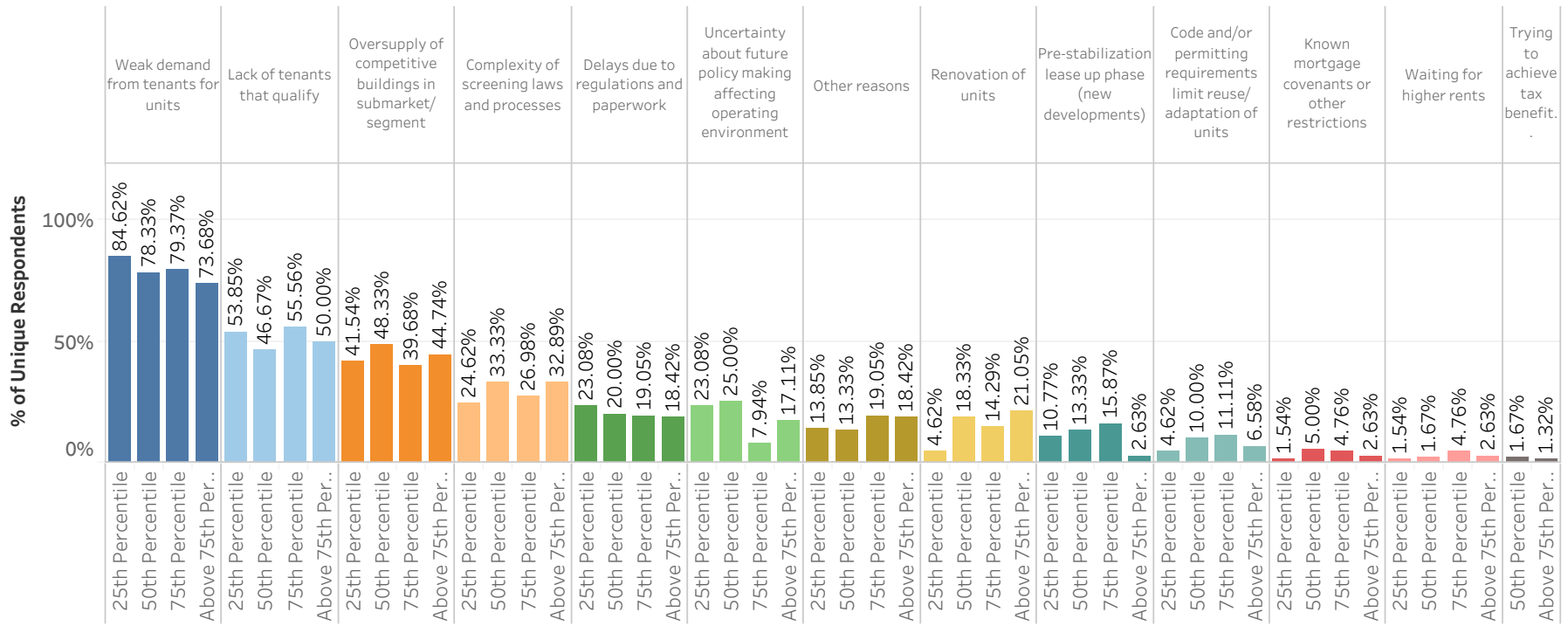


**Other Reasons:** Slow courts with regards to non-paying tenants and eviction proceedings; high cost to renovate units; vacant units due to damage caused by tenants (e.g., flooding, smoking, excessive holes); parking; getting units ready to release

Several respondents gave more insights into factors driving the weak demand by tenants such as safety concerns, homelessness & crime, trash, dilapidated cars and other abandoned properties nearby, fewer jobs, high taxes, residents moving out of the area, and a decline in the quality of life in Portland.

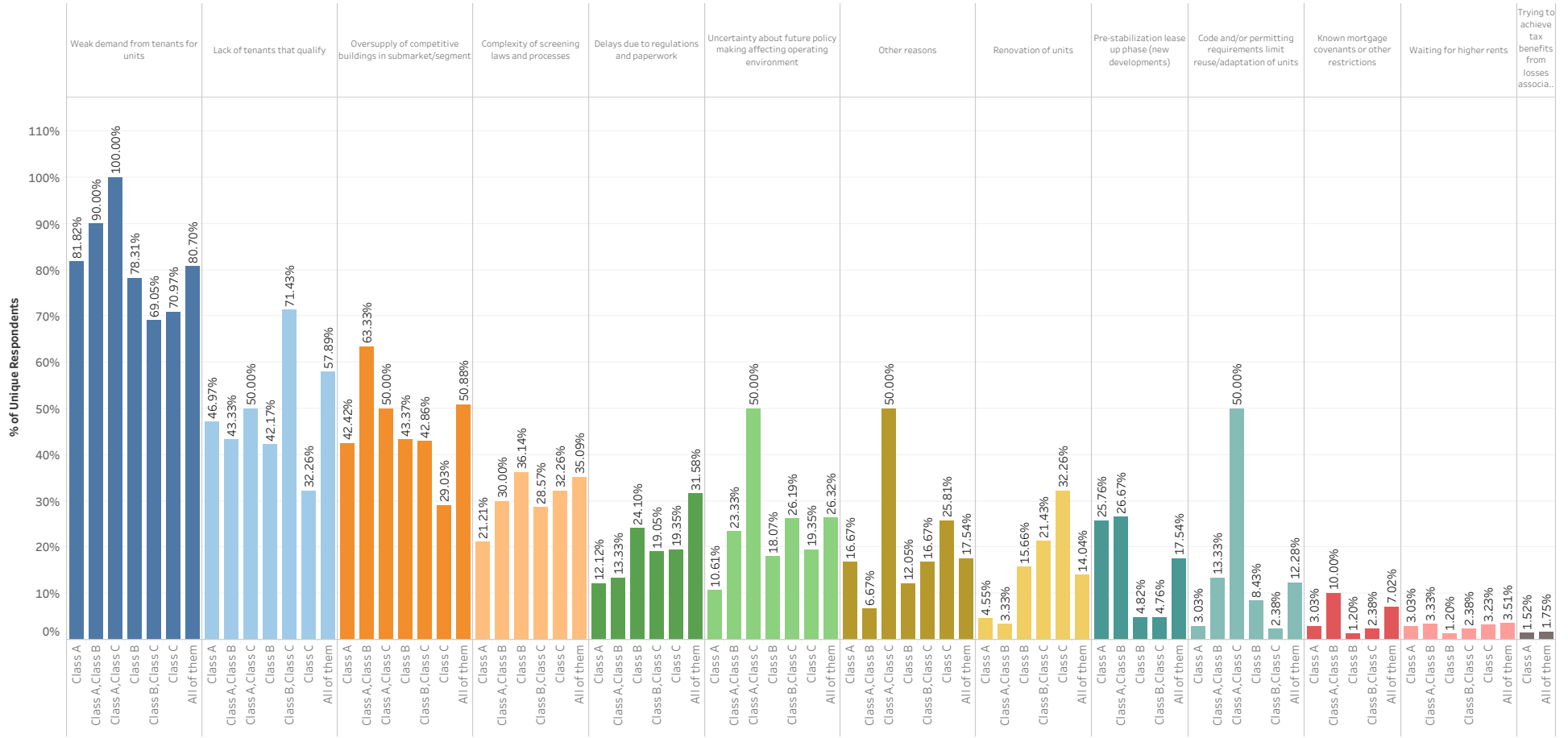
Several respondents also commented on having no vacancy issues and normal turnover.

## Reasons for Vacancy in Market Rate Units– Separated by City of Portland Exposure

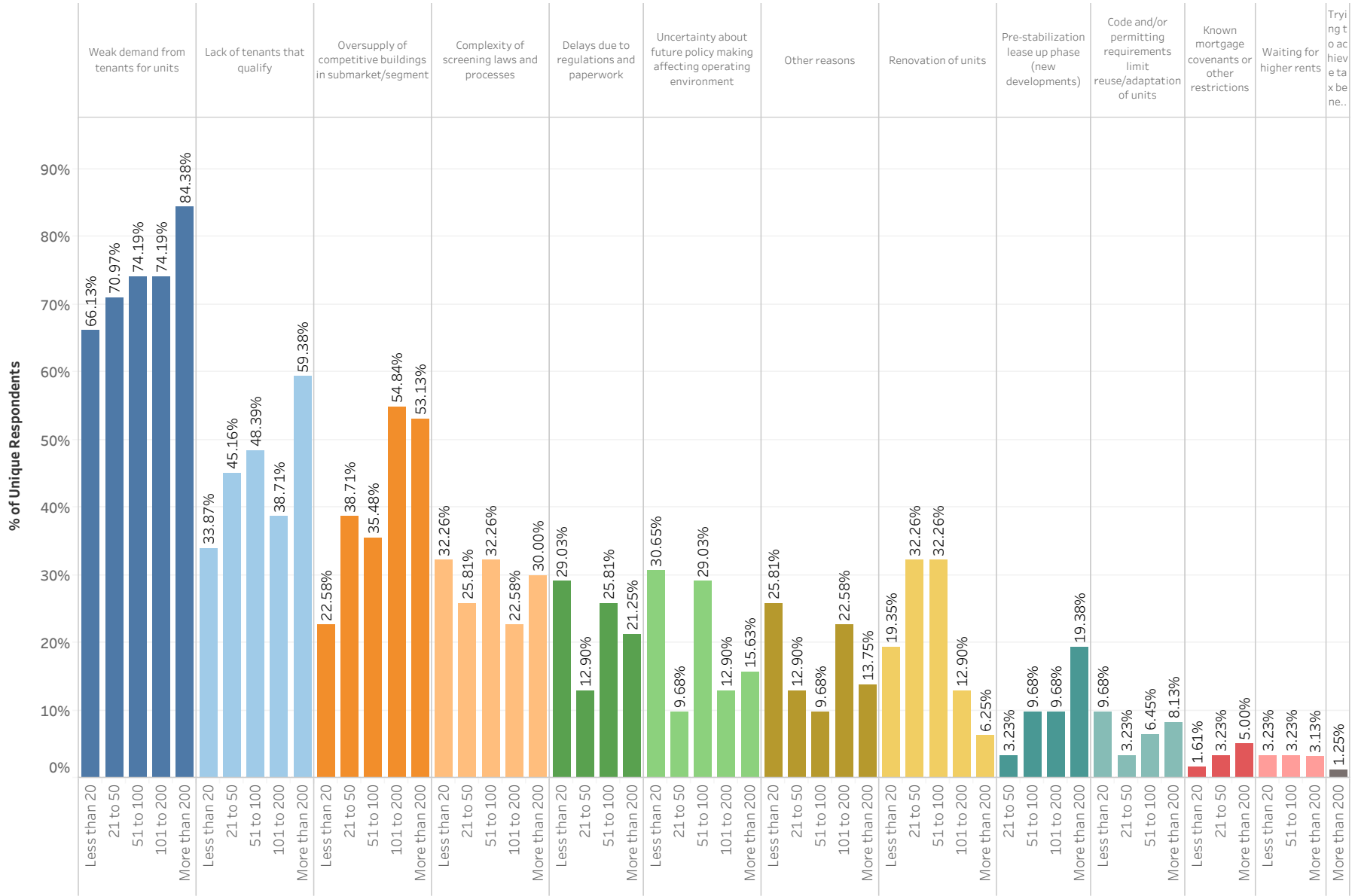


Please note, respondents have the following percentage of properties in their portfolio in the City of Portland: 25<sup>th</sup> percentile (1 to 30%), 50<sup>th</sup> percentile (31 to 65%), 75<sup>th</sup> percentile (66 to 93.5%) and above 75<sup>th</sup> percentile (more than 93.5%).

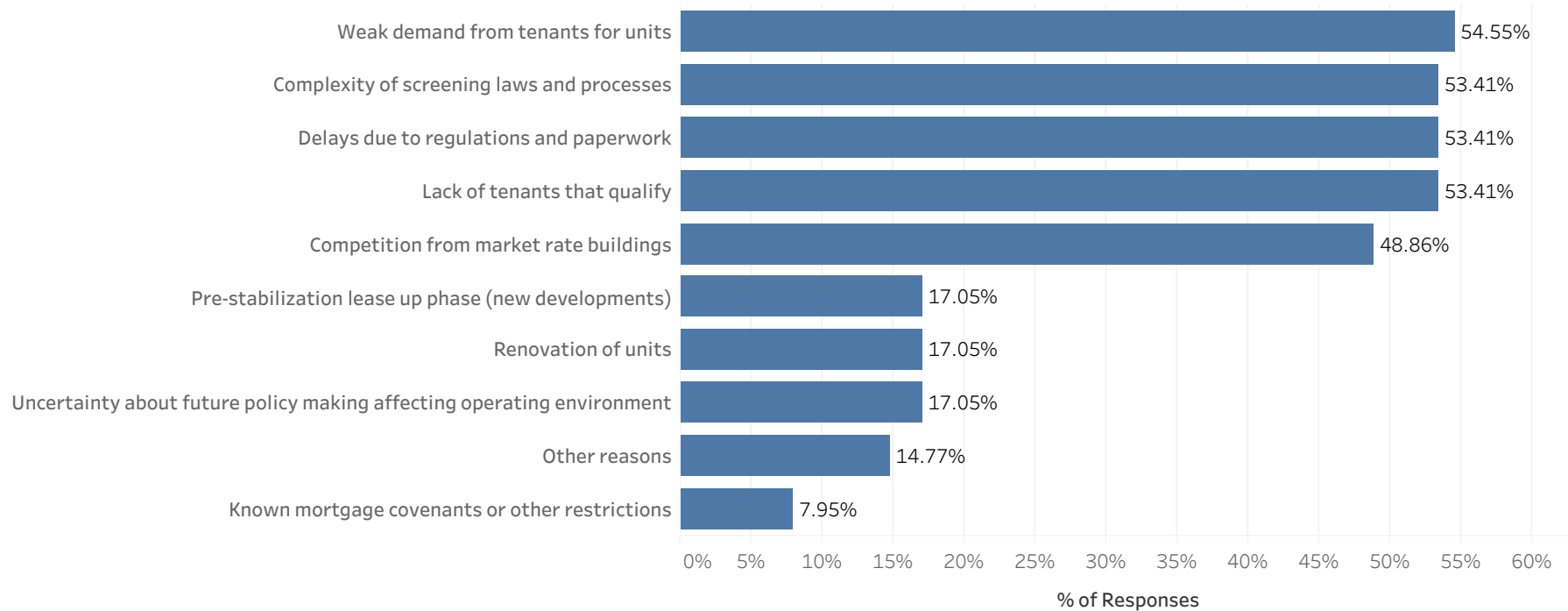
# Reasons for Vacancy in Market Rate Units – Separated by Building Class



## Reasons for Vacancy in Market Rate Units – Separated by Portfolio Size (in Units)



## Reasons for Vacancy in Affordable Units (All Responses)

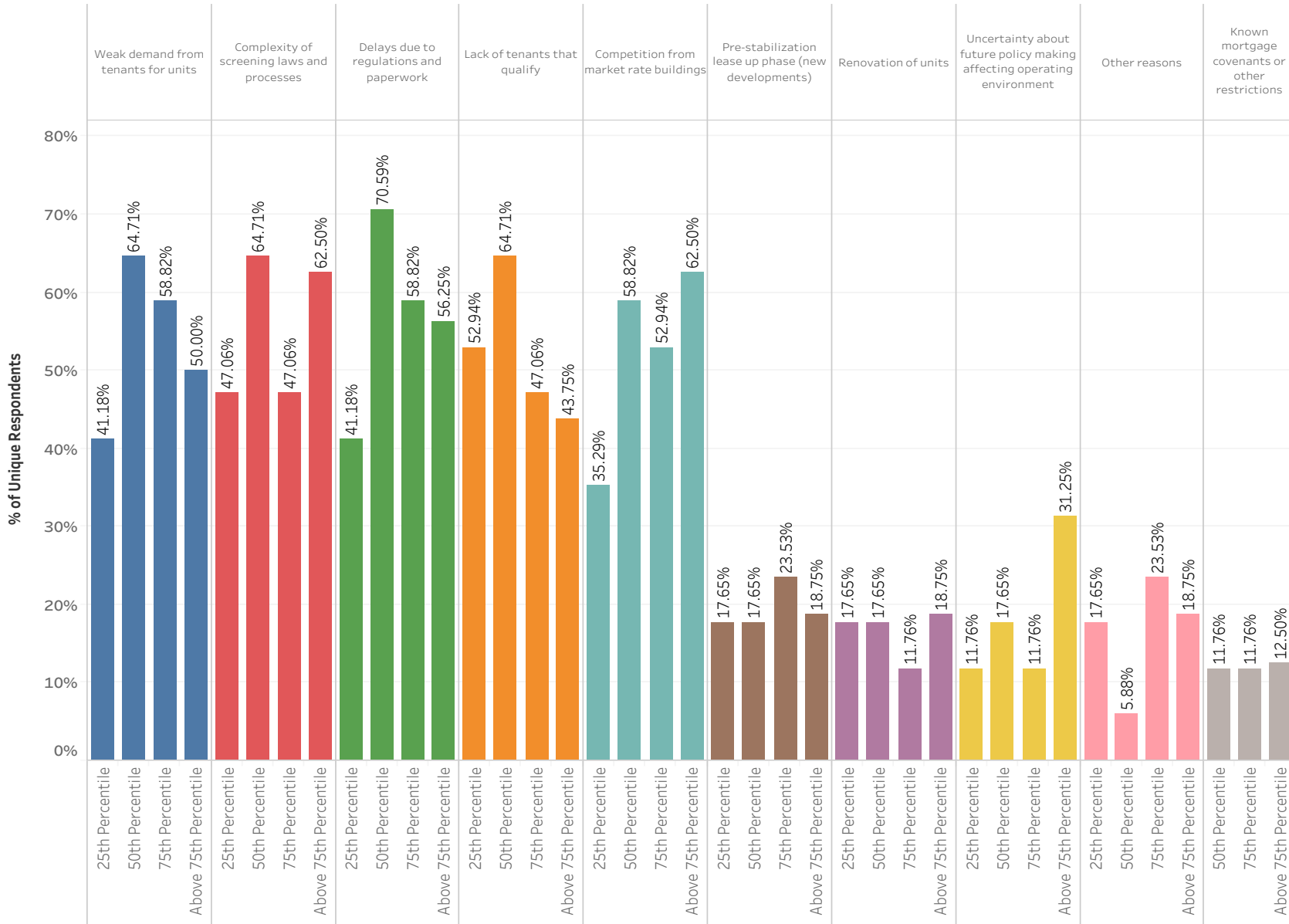


**Other reasons:** Lack of cash flow and lack of available funds for rehabilitation; vacancy due to non-paying tenants and time it takes to get them assistance/help; dry up of rental assistance; excessive damage at move out coupled with long delays for repairs due to labor shortages; PSH units taking a long time to lease up due to referral process; site manager training and turnover; staffing shortages and gaps.

Some respondents mentioned factors that impact the demand by tenants such as lack of parking and safety, crime, drug and debris concerns in neighborhood and properties.

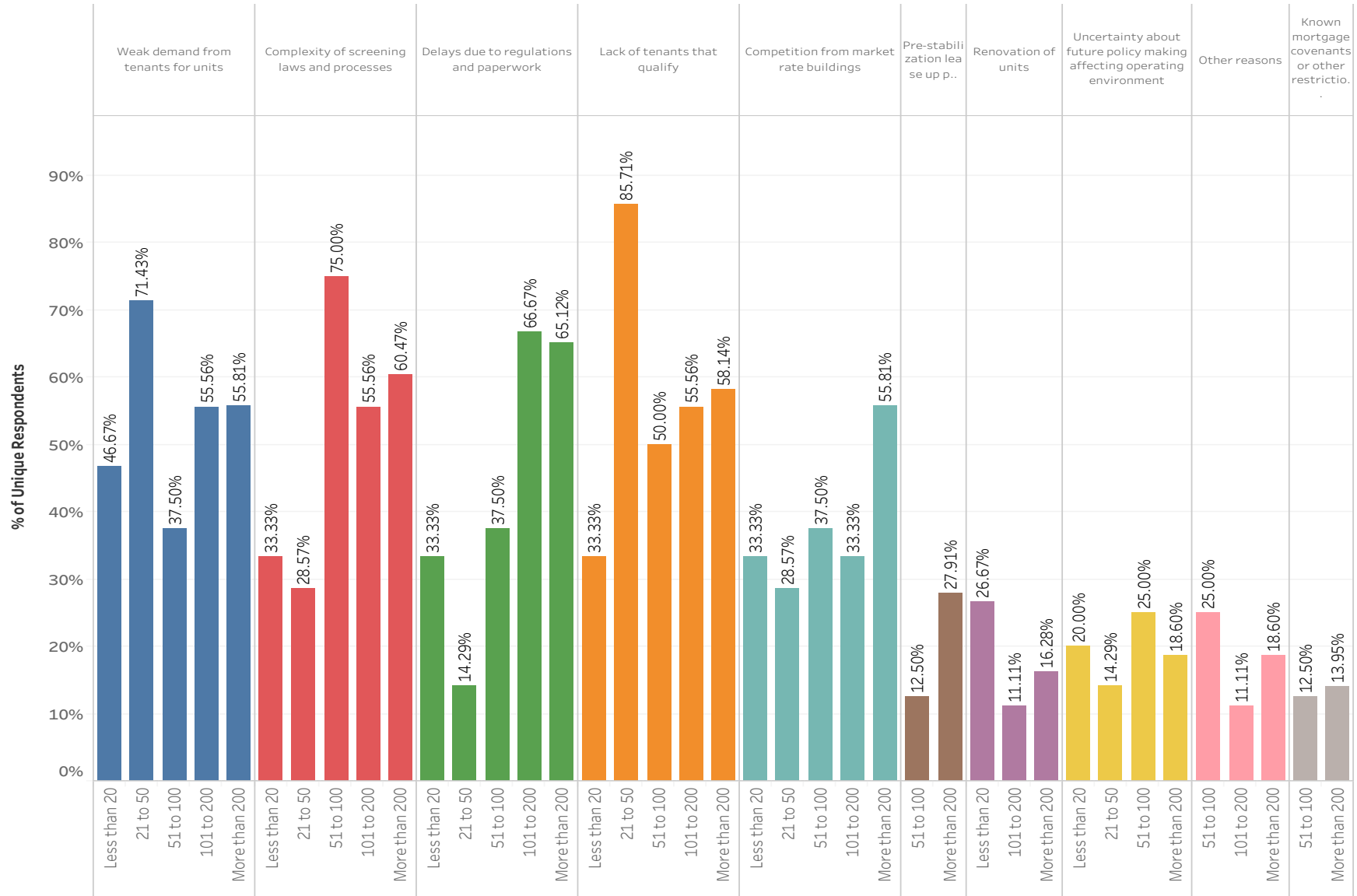
Some respondents commented on having normal turnover.

## Reasons for Vacancy in Affordable Units - Separated by City of Portland Exposure

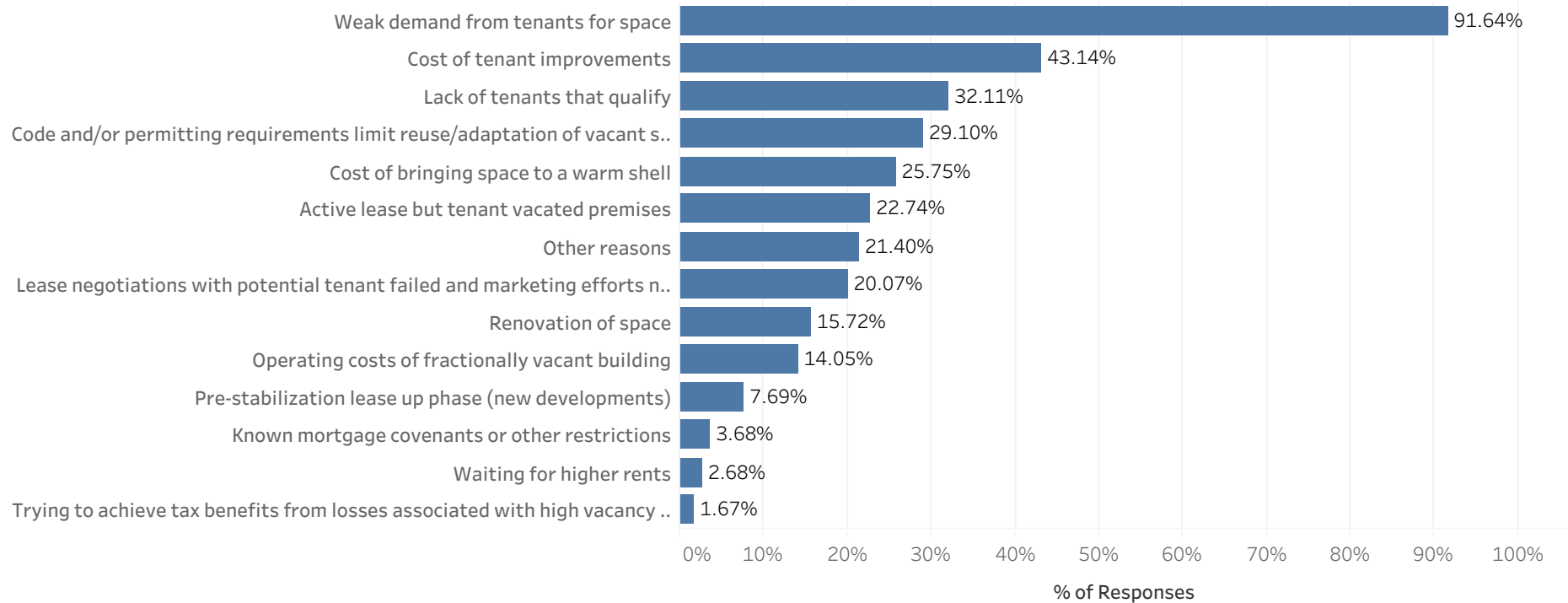


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## Reasons for Vacancy in Affordable Units – Separated by Portfolio Size (in Units)



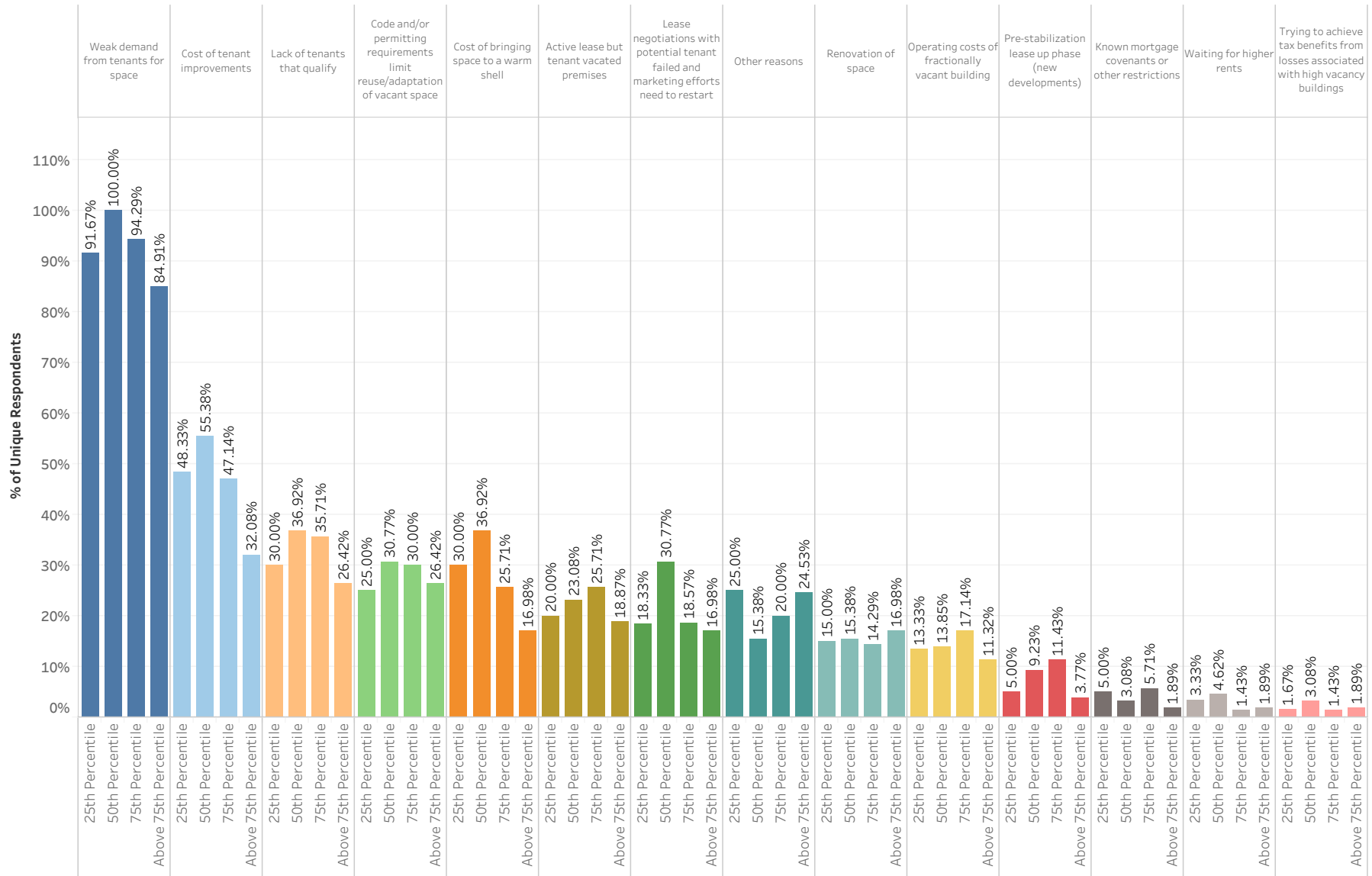
## Reasons for Vacancy in Retail Spaces (All Responses)



**Other Reasons:** Slow return to office; prohibitive costs for retrofitting/updating buildings; length of permitting process; tenant abandoned property or broke lease and length to repossess property; tenants “planning” to move without acting on it.

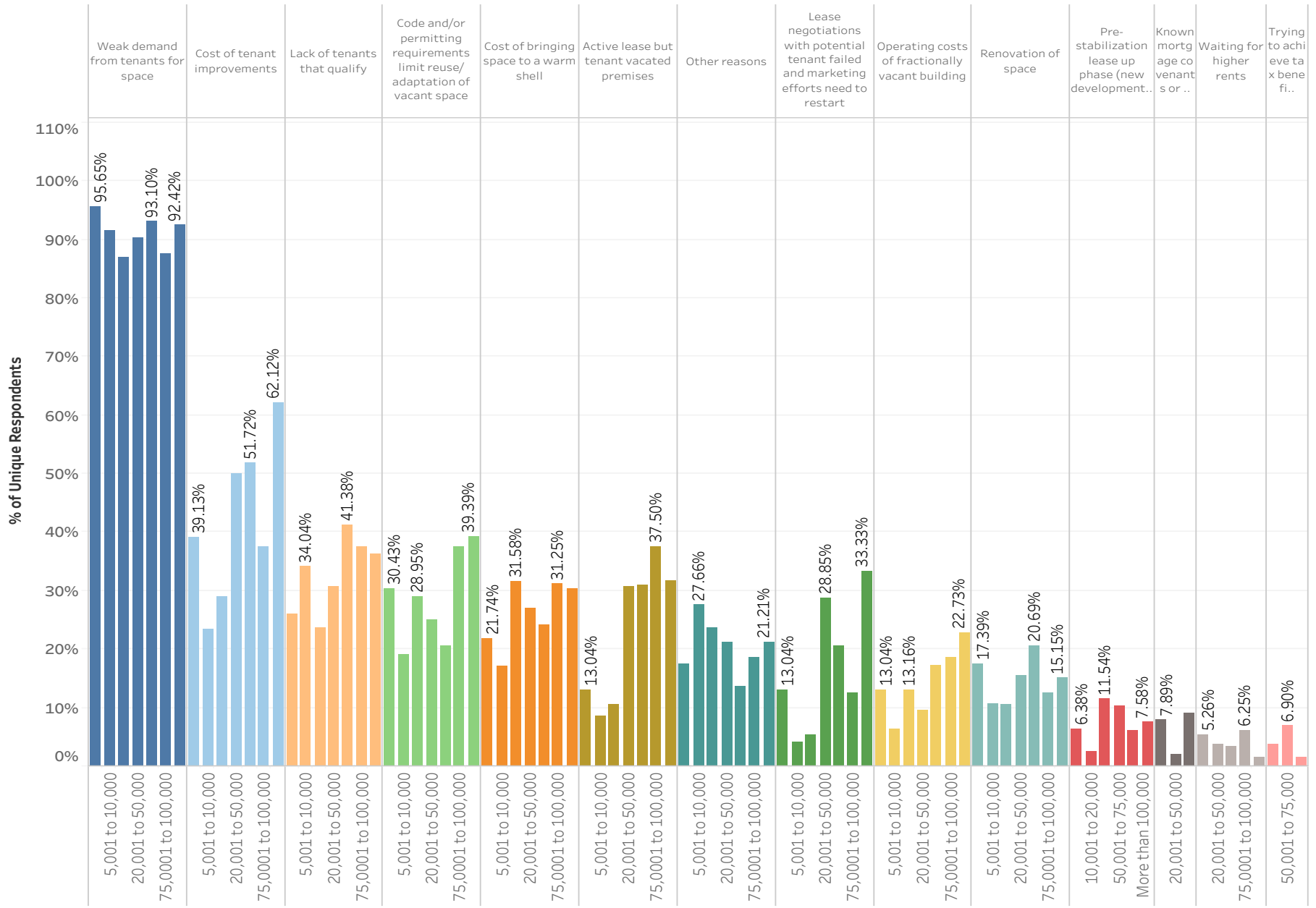
Several respondents gave factors that impact the demand by tenants such as operating costs, which viable tenants can minimally cover, safety, crime and drug concerns, cleaning up trash, feces, condoms, etc. around retail store required by tenant, high taxes, insurance costs, cost of repairs due to vagrancy/vandalism, lack of business activity and foot traffic, lack of financial programs to help retailers, lack of parking,

## Reasons for Vacancy in Retail Spaces – Separated by City of Portland Exposure



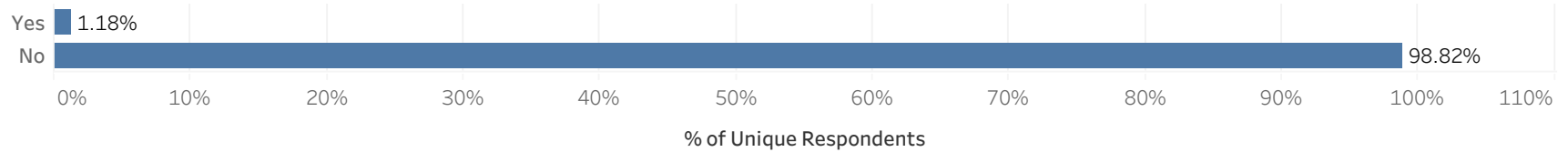
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## Reasons for Vacancy in Retail Spaces – Separated by Portfolio Size (in SF)

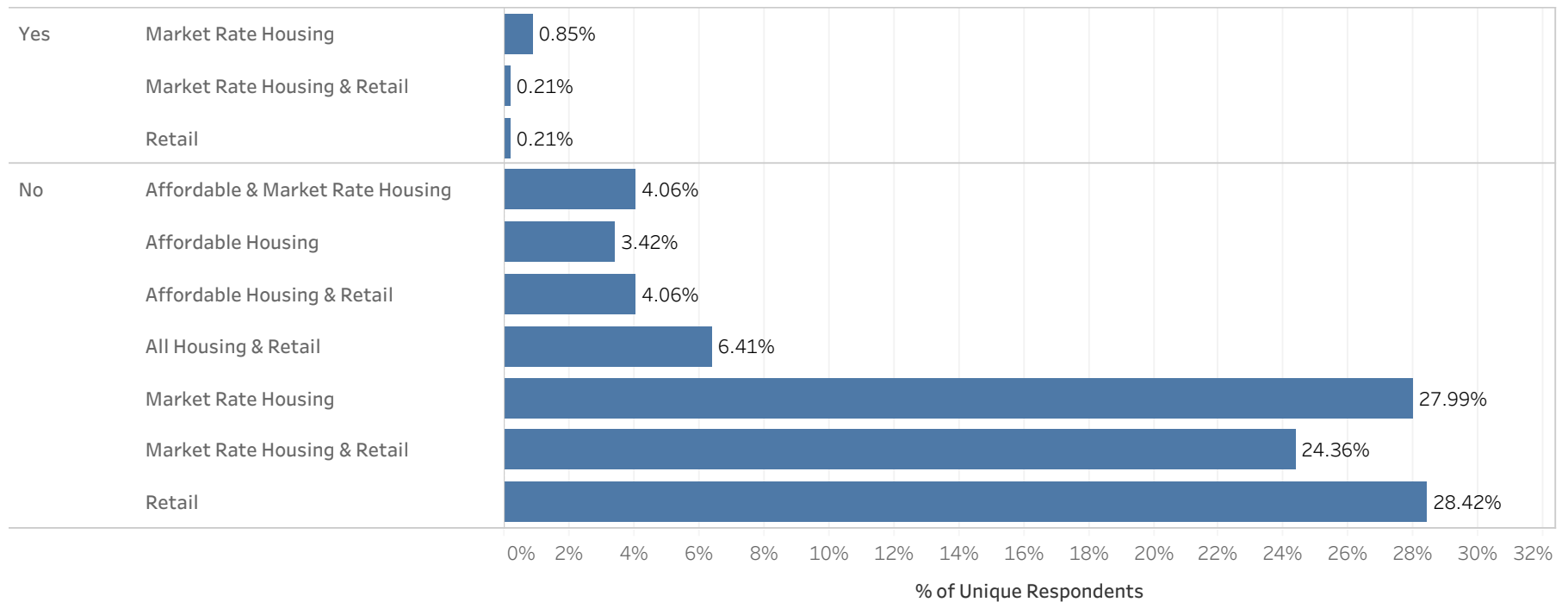


**DO YOU HOLD APARTMENT UNITS OR RETAIL SPACES VACANT WITH THE INTENTION TO NOT RENT THEM AT ALL?**

**Intentionally Vacant Space or Units (All Responses)**



**Intentionally Vacant Space or Units – Separated by Property Type Focus**

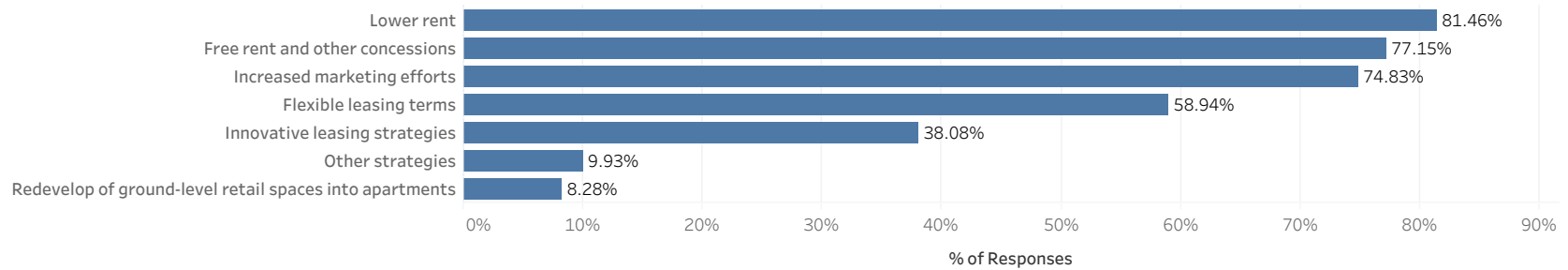


**Explanations for “Yes” Selection:** unit for staff use (bathroom/break space); refurbishment; planning to sell to owner/user; functionally obsolete space

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## 2) STRATEGIES TO REDUCE VACANCY

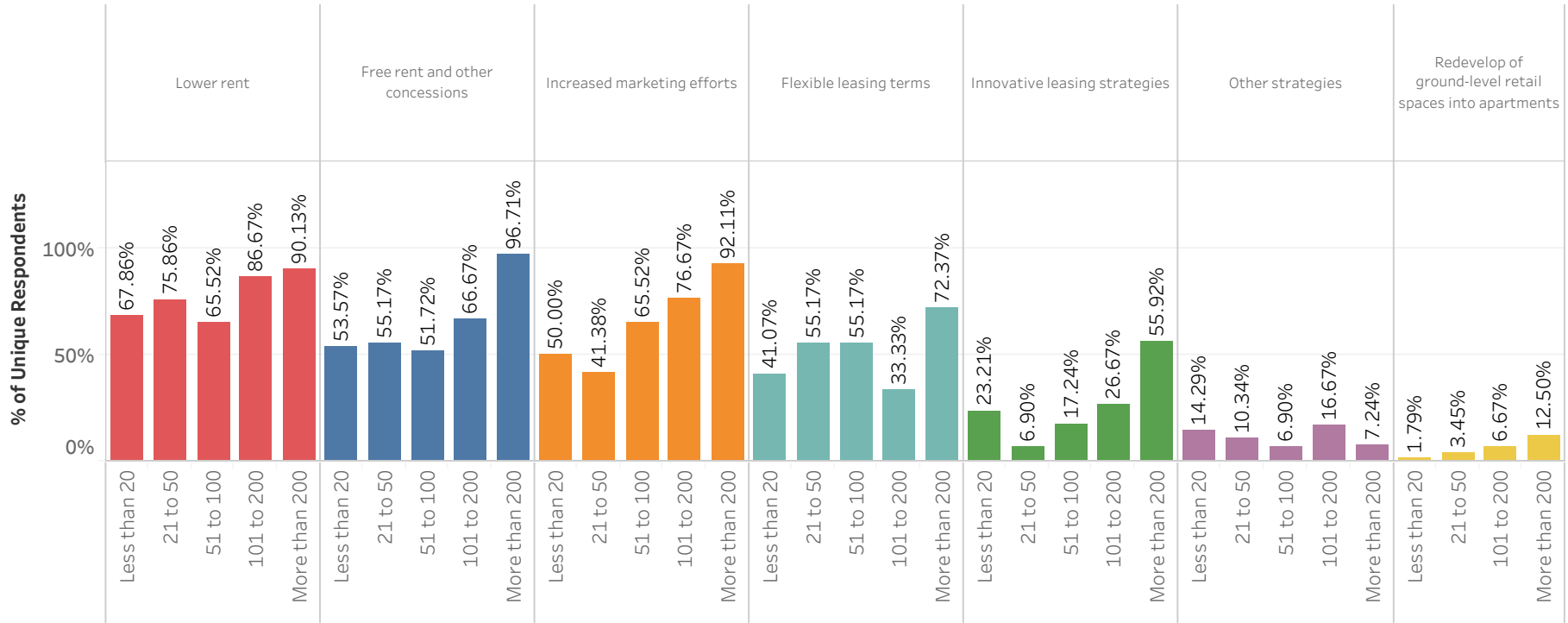
### Multifamily Strategies to Reduce Vacancies (All Responses)



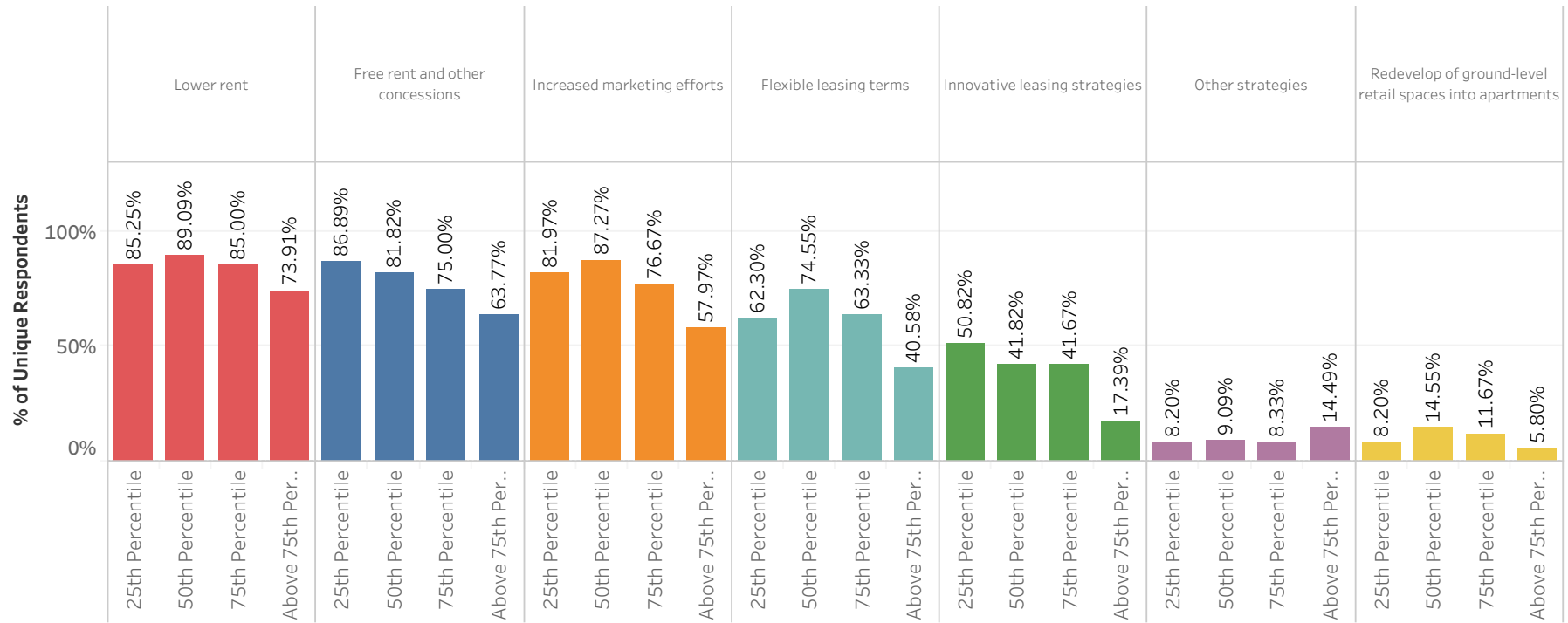
#### Other Strategies:

- Accepting more residents on rent assistance
- Add amenities (e.g., AC, remodeled kitchens and bathrooms, accept dogs)
- Increase staffing and lower security deposits
- Pay for private security
- Referral credits
- Selling properties and leaving the market
- Upgrading and beautification
- Lower renter income and credit requirements

## Multifamily Strategies to Reduce Vacancy – Separated by Portfolio Size (in Units)

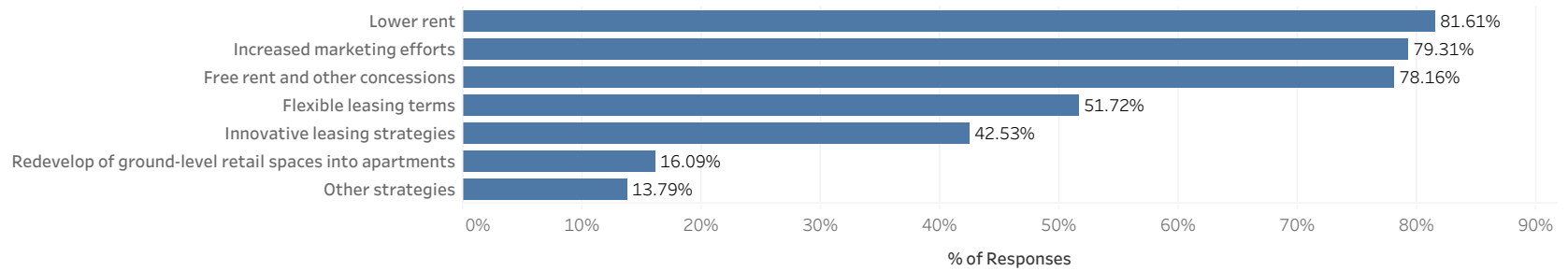


## Multifamily Strategies to Reduce Vacancy – Separated by City of Portland Exposure



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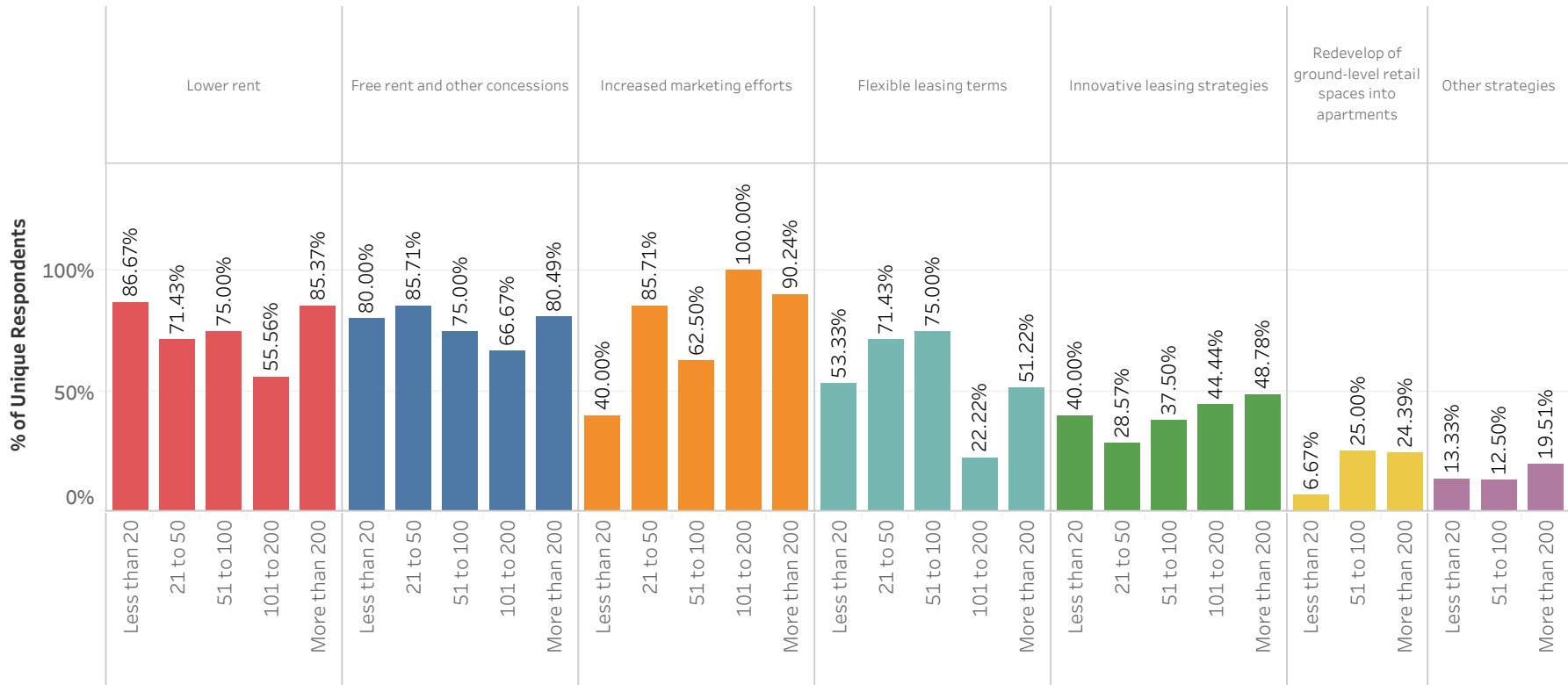
## Affordable Housing Strategies to Reduce Vacancies (All Responses)



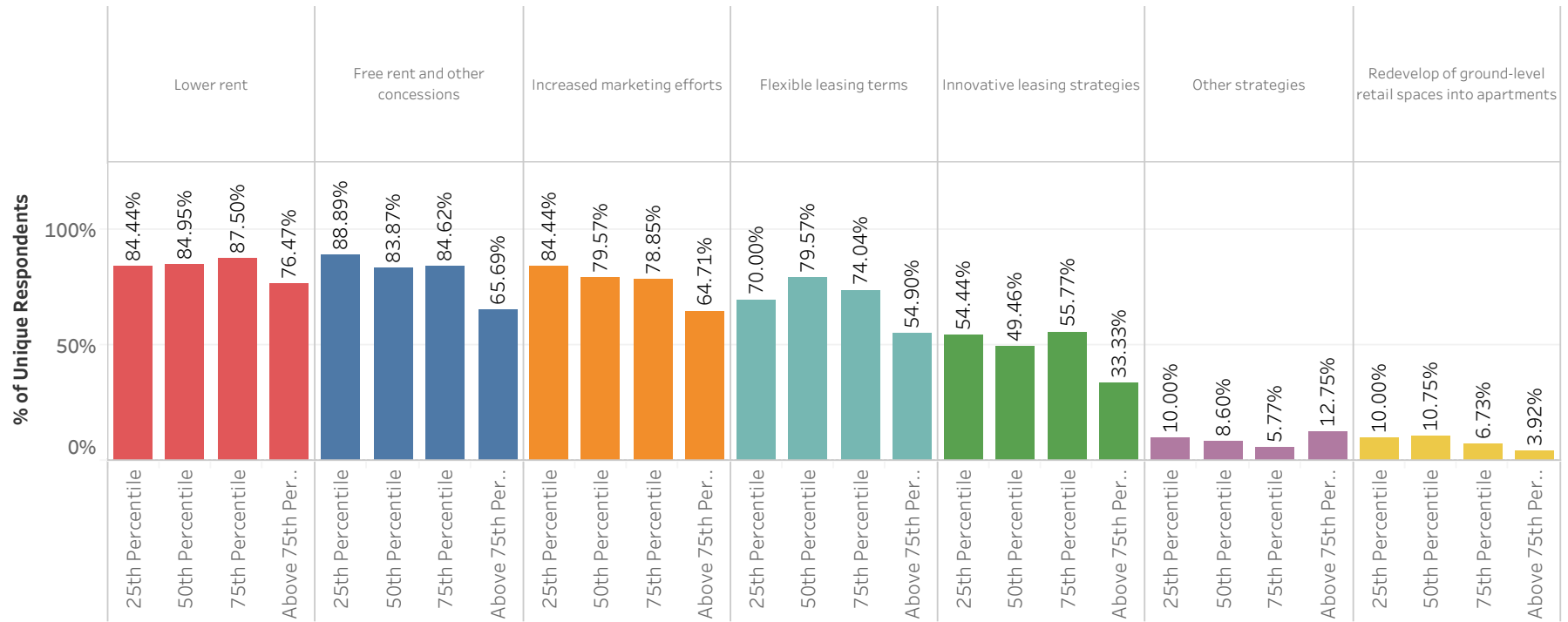
### Other Strategies:

- Change property management companies
- Increase staffing
- Pay for private security
- Utilize funds to reduce 60%-unit rents to at least 50%
- Limited flexibility in leasing of affordable units due to regulatory requirements of public funding and LIHTC

## Affordable Housing Strategies to Reduce Vacancies – Separated by Portfolio Size (in Units)

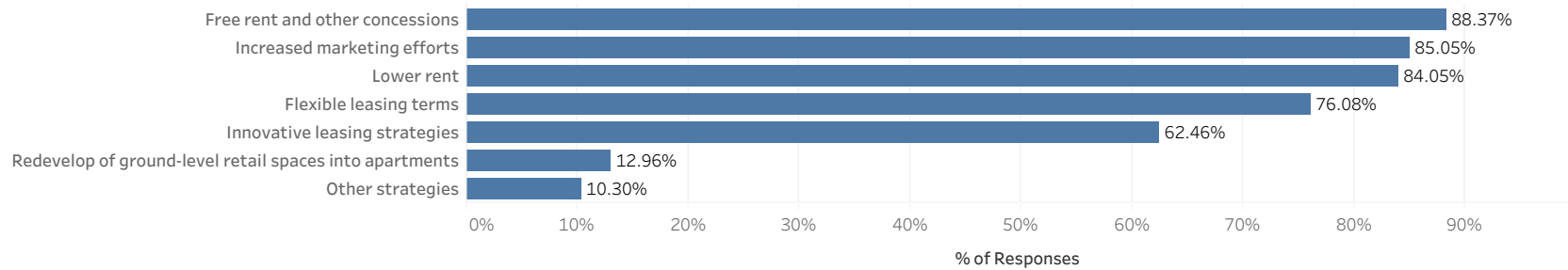


## Affordable Housing Strategies to Reduce Vacancies – Separated by City of Portland Exposure



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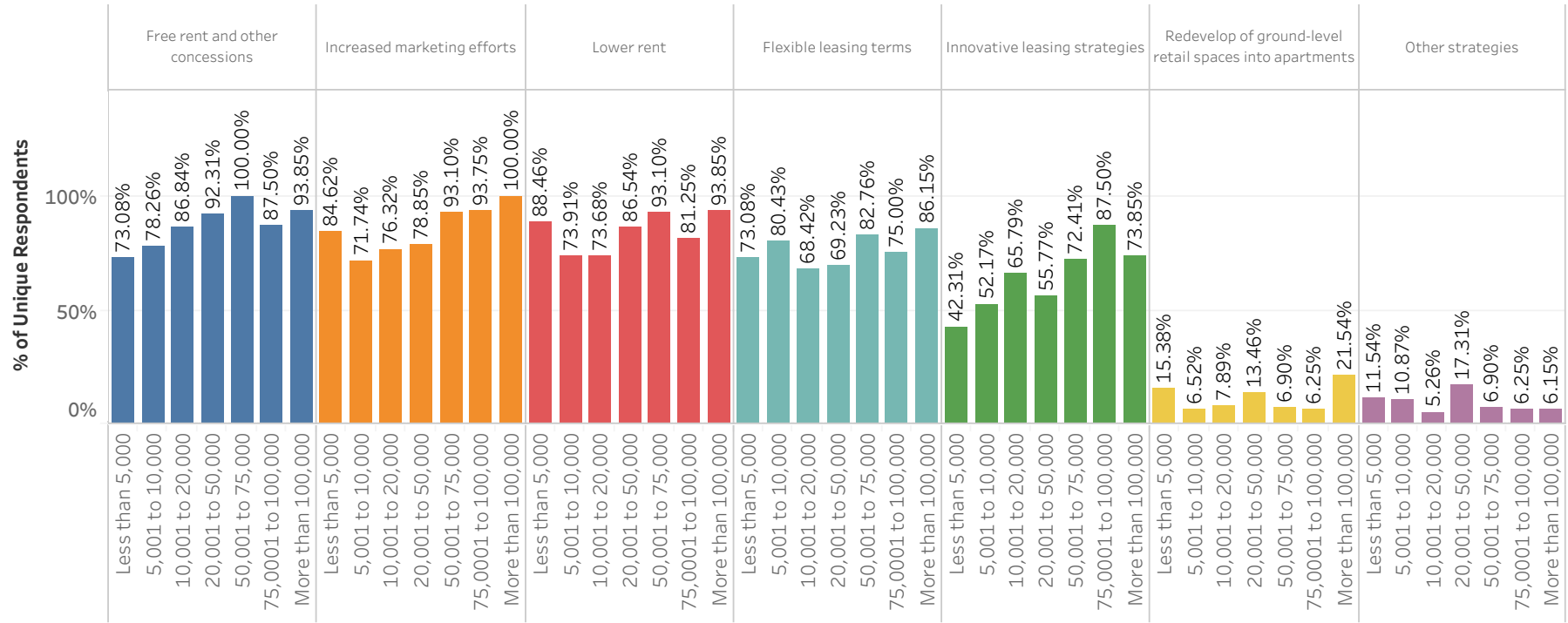
## Retail Strategies to Reduce Vacancies (All Responses)



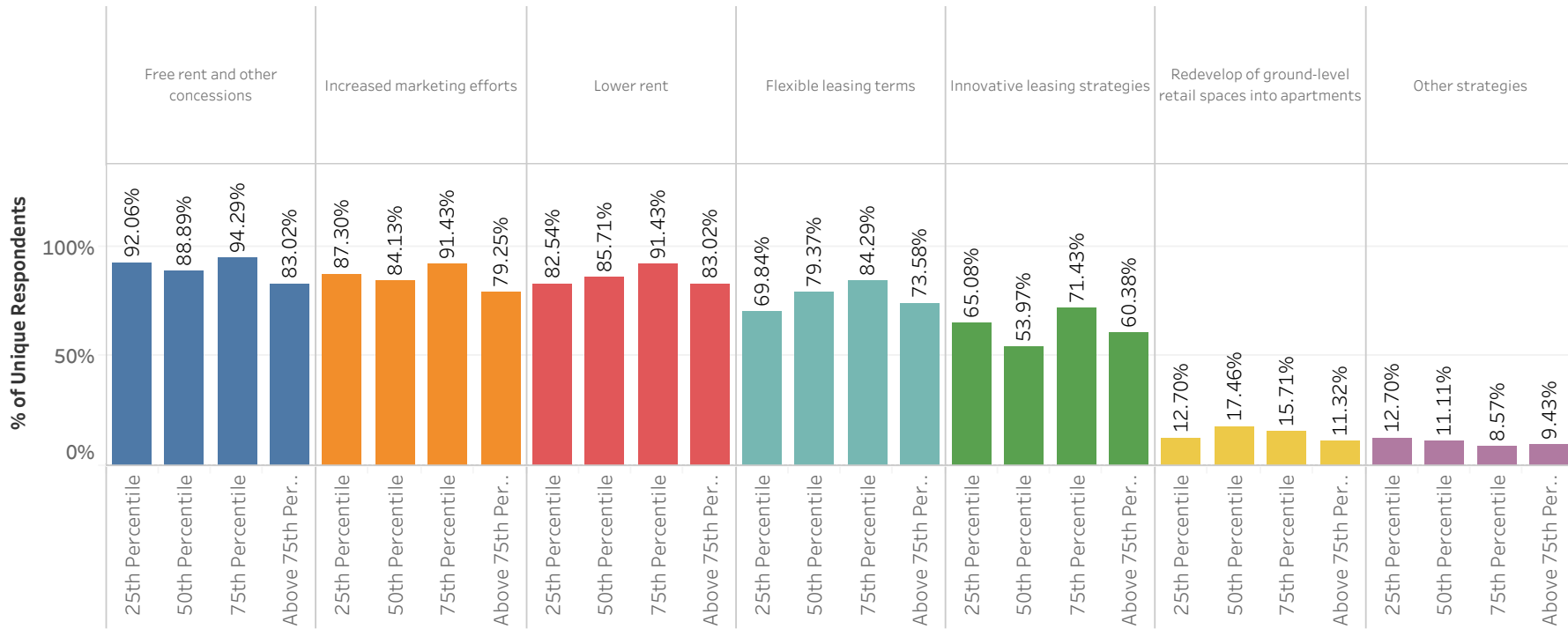
### Other Strategies:

- Bonus commission and additional broker incentives
- Hosting events to activate space (at no charge)
- Demising spaces into smaller, more affordable sizes
- Convert retail to other uses (e.g., amenity space for residents of office tenants)
- Incentives for current tenants to renew
- Increase TI allowance; increase leasing commission and staffing
- Minimizing turnover, property damage, increase in insurance premiums/decrease in coverage/dropped by focusing on risk management and strong relationships with tenants
- Educate tenants on what to expect during use of space
- Offer ownership %
- Percentage rent
- Willing to sell with seller financing
- Taking on construction responsibilities and working closely with local, not as creditworthy tenants
- Upgrades and beautification
- Literally anything you can think of

## Retail Strategies to Reduce Vacancies – Separated by Portfolio Size (in Units)



## Retail Strategies to Reduce Vacancies – Separated by City of Portland Exposure

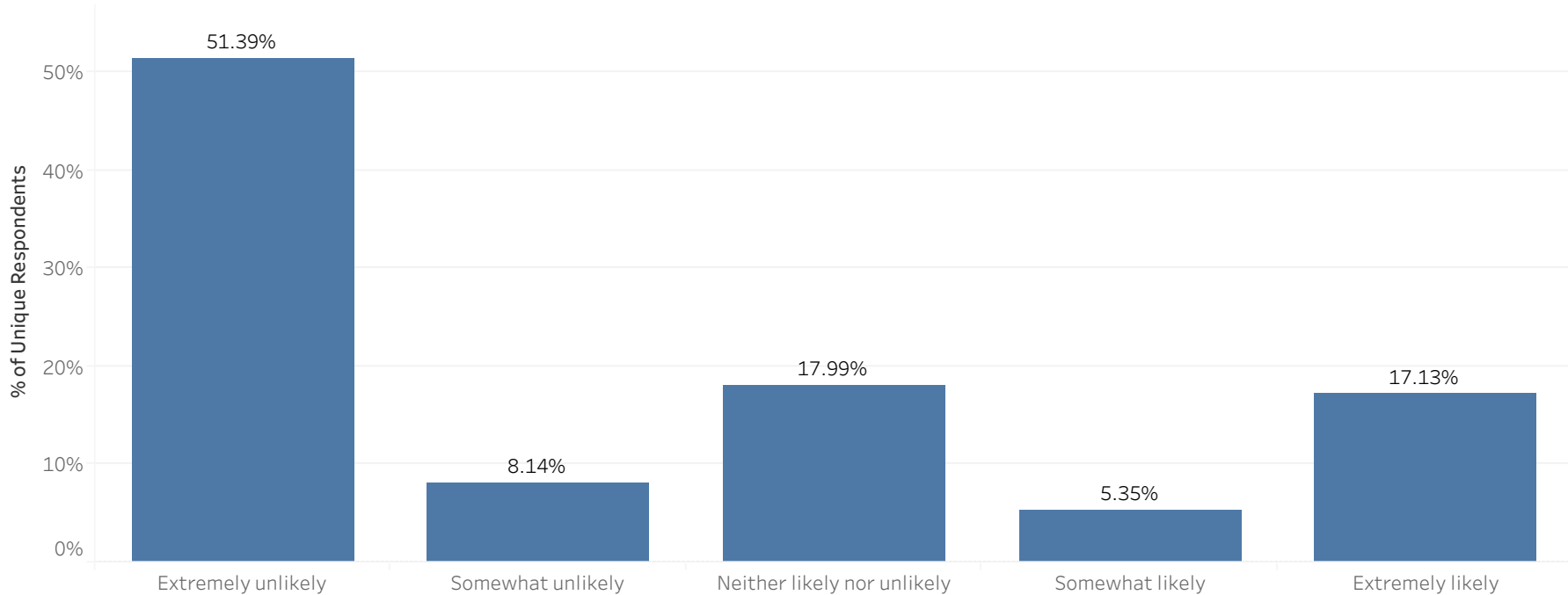


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### 3) POTENTIAL IMPACTS OF A VACANCY TAX

How likely would your or your clients' leasing strategy change for properties in the City of Portland if a vacancy tax was implemented? (All Responses)

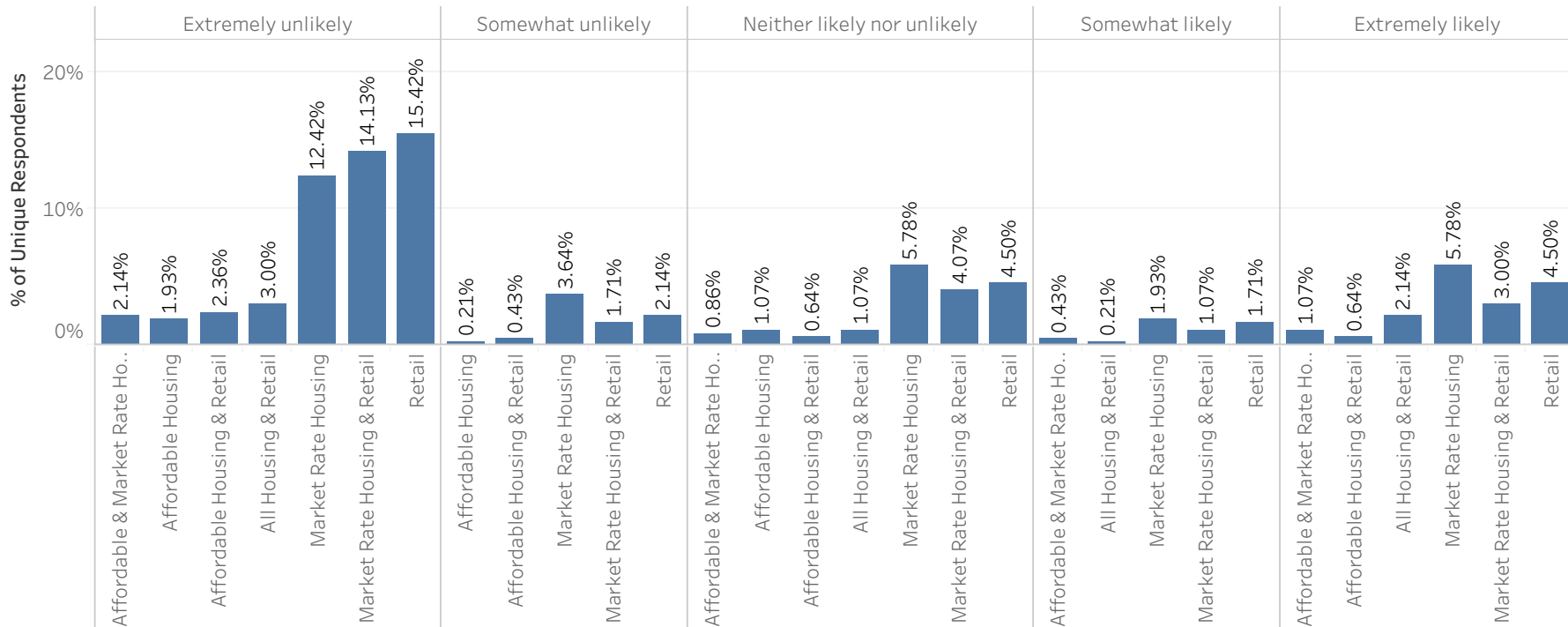


#### How would your leasing strategy change?

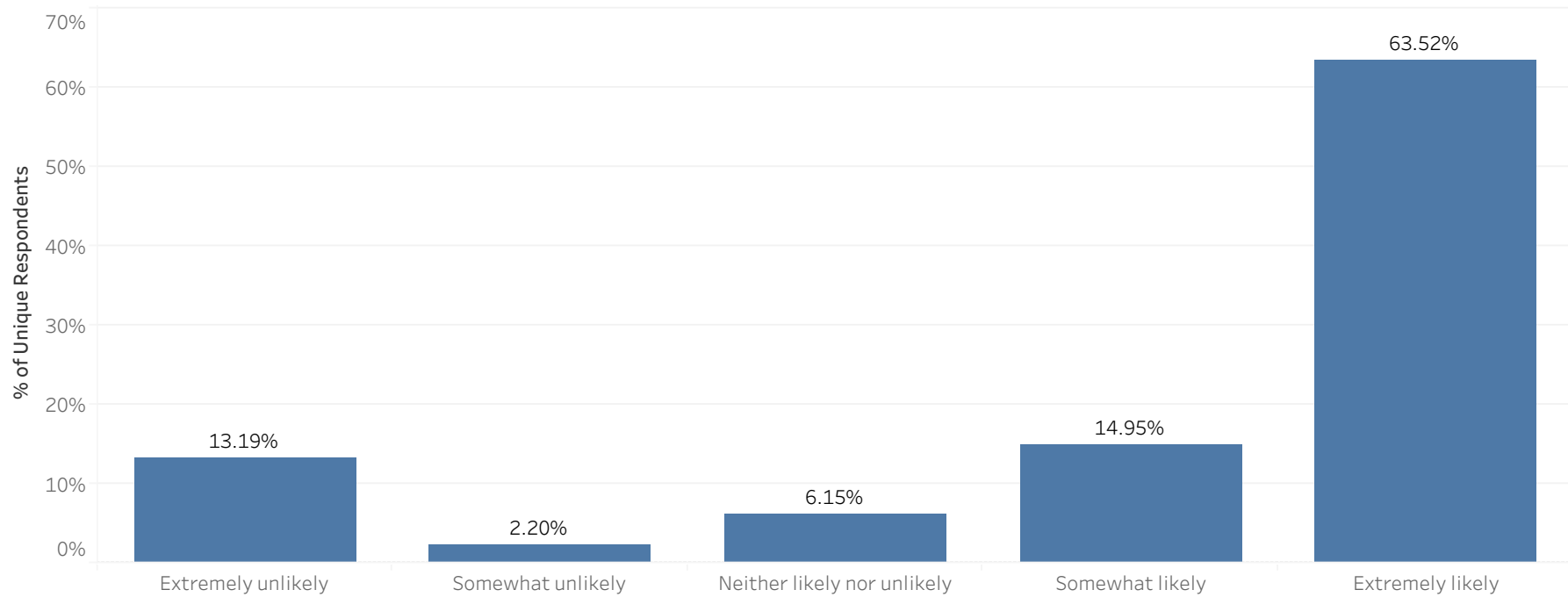
- Exit/sell retail properties in Portland (very frequent response)
- Abstain from buying properties with retail vacancies
- Convert vacant retail to any other use
- Add tax to rental rates and charge higher rent
- No impact on leasing strategy of affordable housing providers due to regulations, but would make financial difficulties worse
- Change management personnel
- Accept lower rent, more concessions, reduce lease terms and take a larger loss than already facing
- Paying vacancy tax would leave less funds for TI and other capital improvements

- Reduce renting standards and tenant scrutiny
- Listing brokers and owners will have to develop more creative offerings
- Push for new tenants to take additional retail space that is beyond the tenant’s needs
- File a lawsuit
- Convert to condo
- Default on mortgage and give asset back to bank
- Lease space to other landlords for nominal amount or find fake tenants
- Recategorize space

### Changes in Leasing Strategy – Separated by Property Type Focus



**How likely would your or your clients' investment and/or development strategy for the City of Portland change if there was a vacancy tax? (All Responses)**

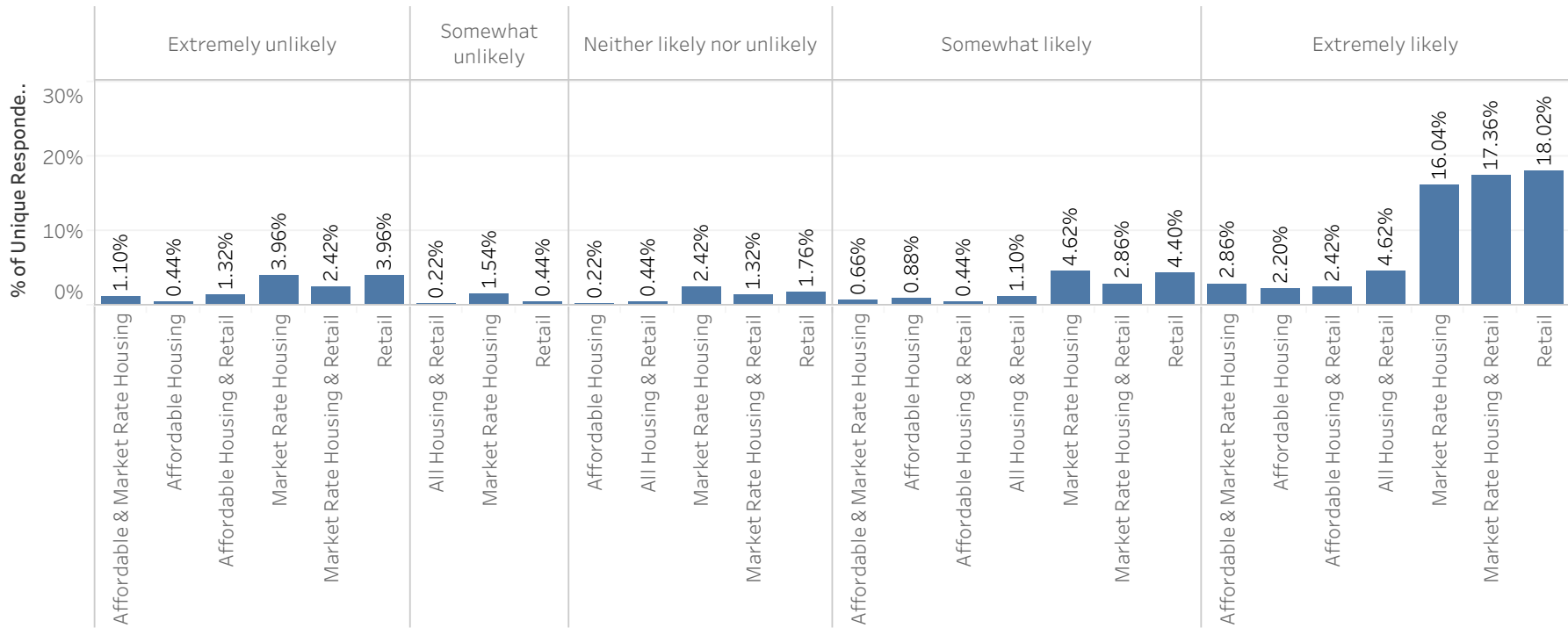


**How would the investment and development strategy change?**

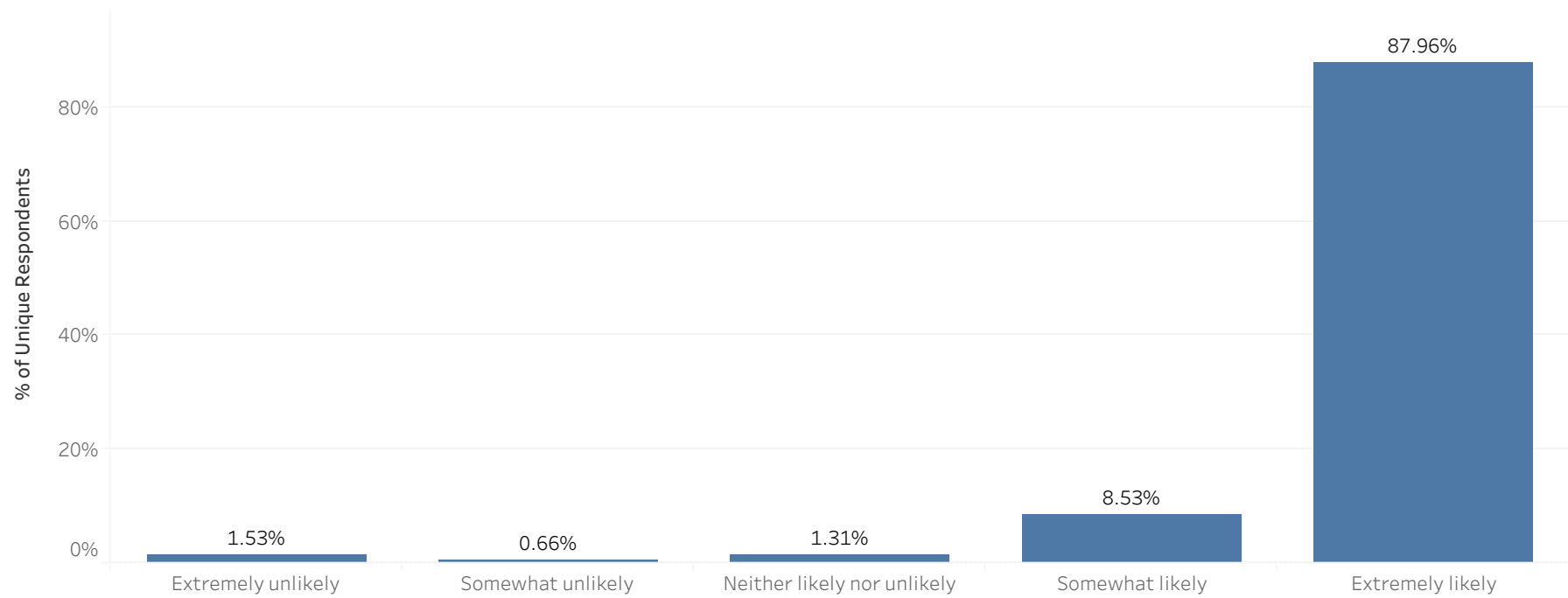
- Sell properties in the City of Portland and exit the market (most frequent response)
- Abstain from additional investments and new developments in City of Portland (most frequent response)
- Higher reluctance of potentially new investors to invest in Portland
- Avoid investing in asset types affected by vacancy tax
- Remove rental units from market and sell units/properties to owner-occupant
- Demolition of upside-down buildings
- Change underwriting practices, e.g., factor in tax with regards to lease length and tenant strength
- Increased difficulty of getting debt and equity financing
- Higher risk for non-profits that receive properties as donations and cause more gifts to be declined for fear of additional carrying costs
- Lower valuations

- File lawsuit against the city
- Less interest in properties with value add potential due to vacancy for investors due to additional costs of vacancy tax
- Cut capital spending on new projects and remodels due to less resources to redevelop and prepare properties for new tenants

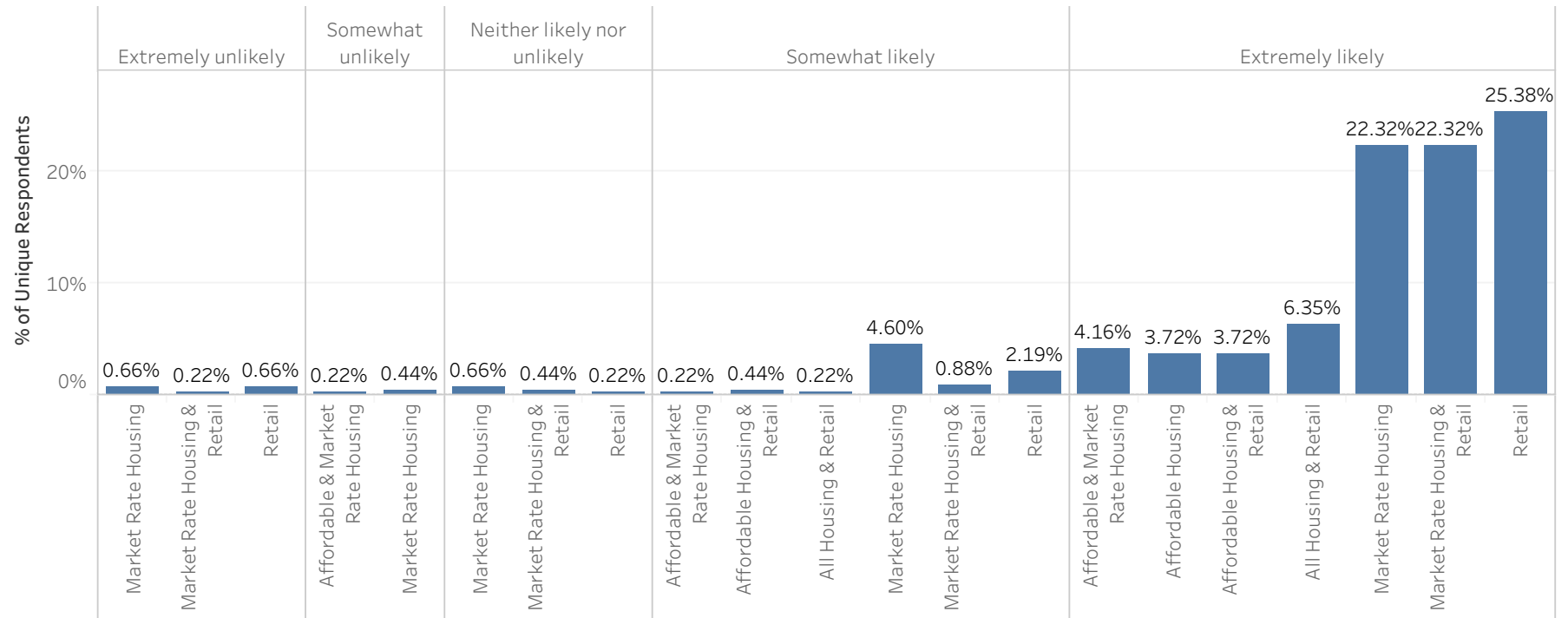
### Changes in Development and/or Investment Strategy – Separated by Property Type Focus



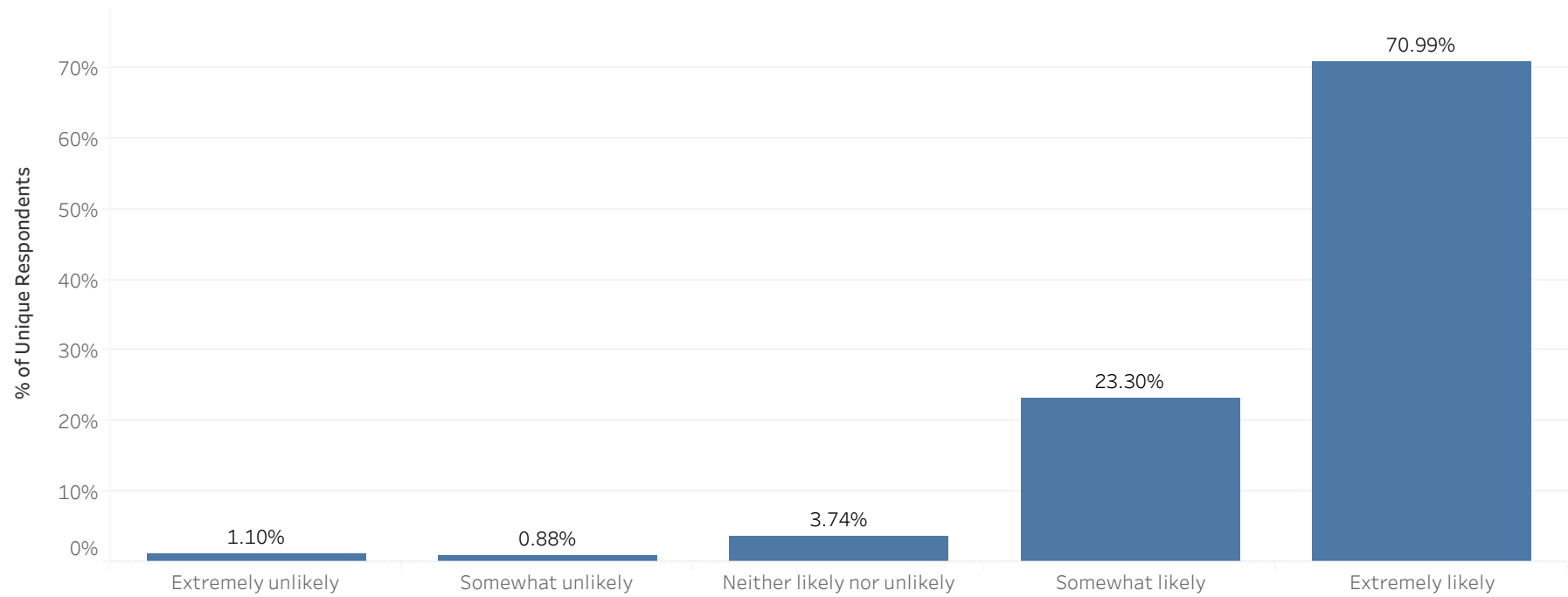
**How likely would a vacancy tax NEGATIVELY impact investors/developers' ability to attract equity investors to properties in the City of Portland? (All Responses)**



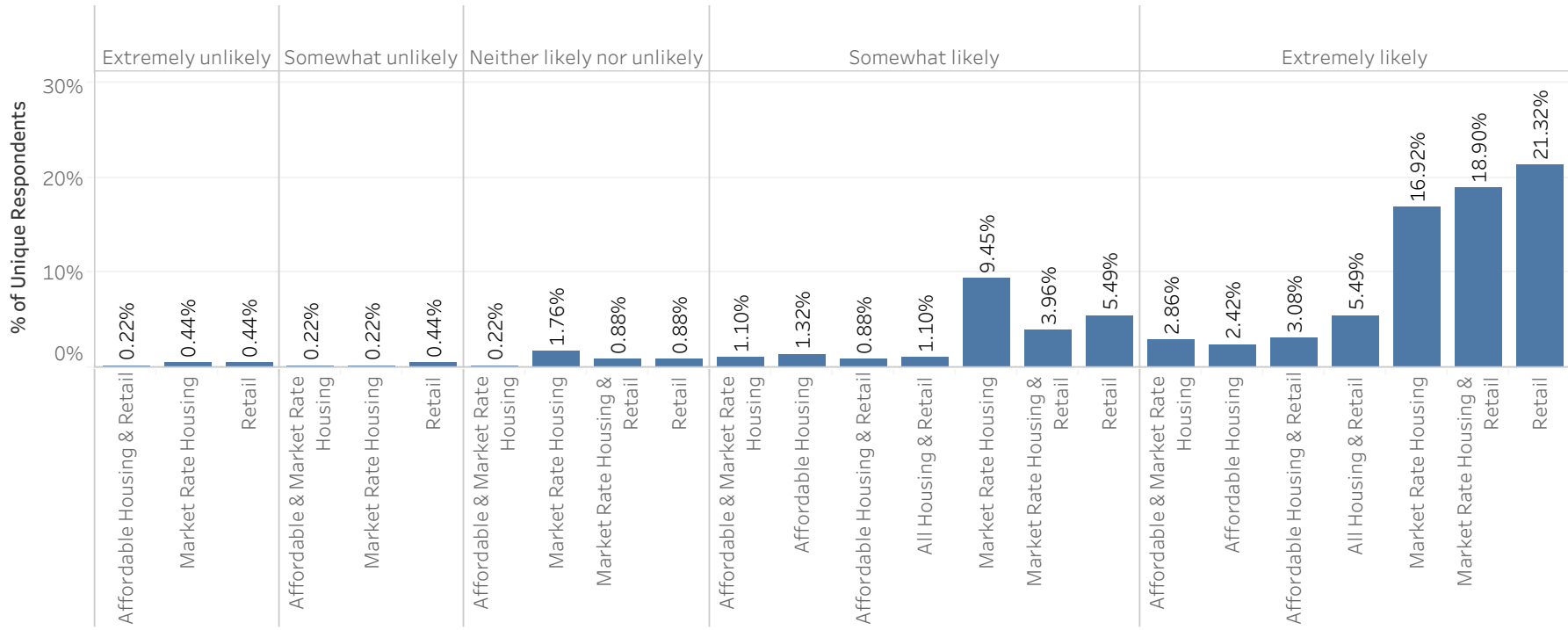
## Access to Equity – Separated by Property Type Focus



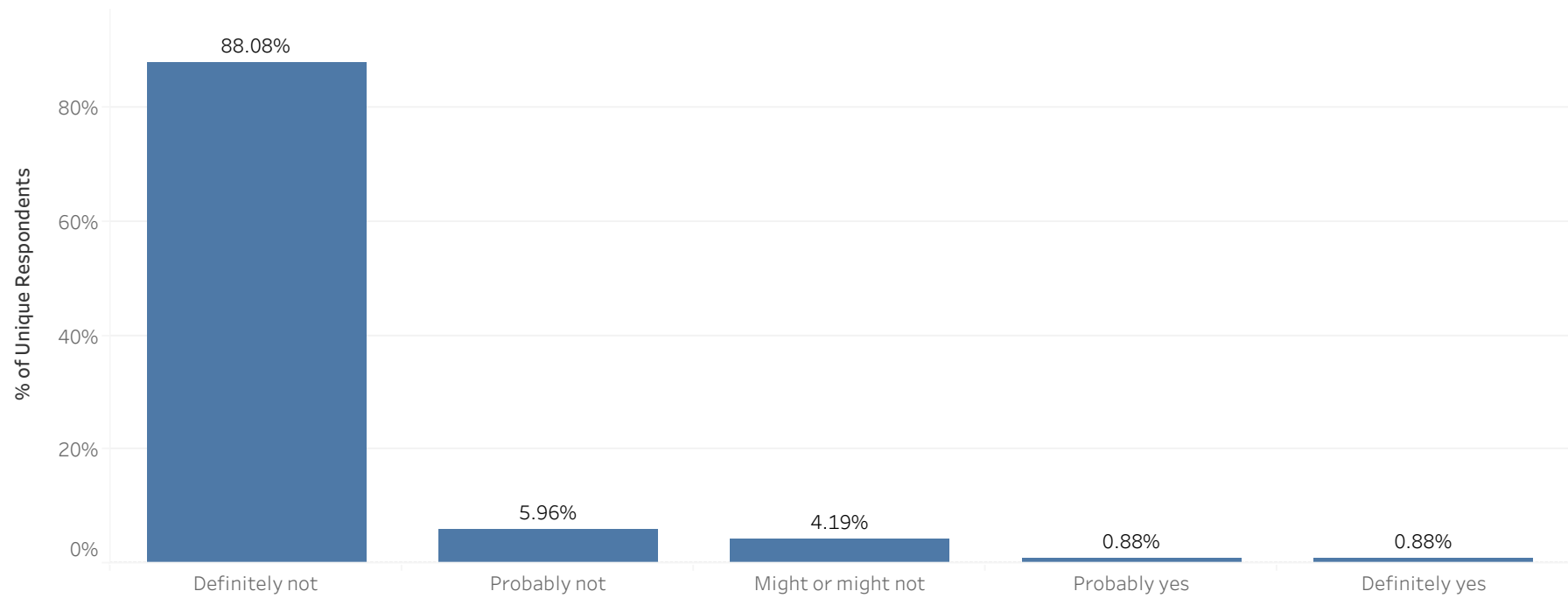
**How likely would a vacancy tax NEGATIVELY impact investors/developers' ability to get debt financing for properties in the City of Portland? (All Responses)**



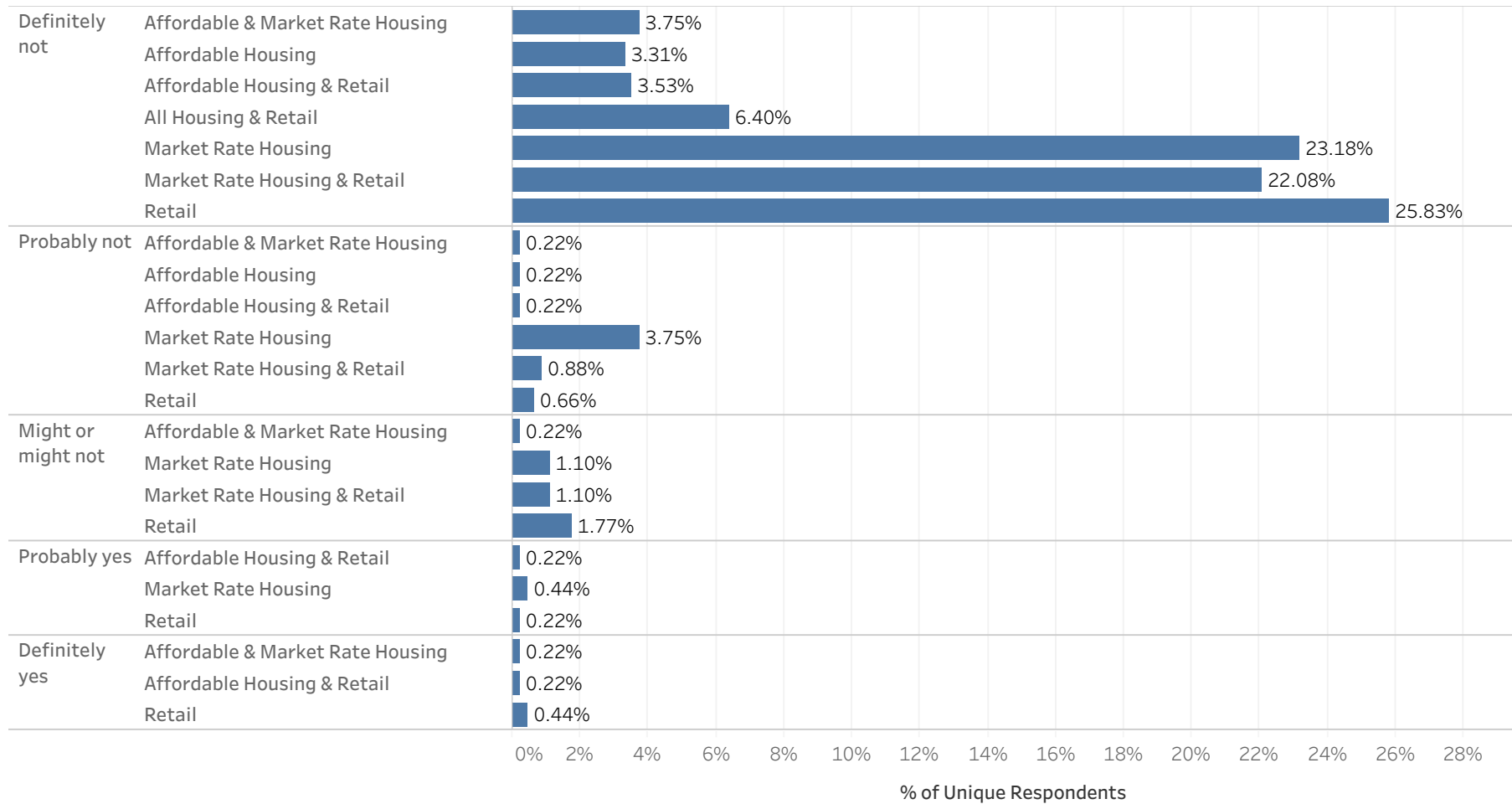
## Access to Debt – Separated by Property Type Focus



**Do you consider a vacancy tax effective in reducing vacancies? (All Responses)**



## Effectiveness of Vacancy Tax – Separated by Property Type Focus



If the answer was “Yes”, why?

*Explanations were only provided by four respondents that answered “Probably Yes” or “Definitely Yes”:*

*“We can see examples of these kinds of policies working in other cities. For instance, look to the results of the ‘Pennsylvania Land Tax Experiment’. While not a ‘vacancy tax’ outright it did financially punish landlords who intentionally kept land vacant and buildings derelict. This had the desired effect of resulting in renewed development and decreased blight. These “stick” (vs carrot) policies working.”* (Developer, Multifamily and Affordable Housing)

*“People need an opportunity to be creative, imaginative, and to express their own humanity through business ventures that can free them and their families from the confines of working for a large out-of-state corporate interest. Implementing a vacancy tax will cause an ownership, may not be the current ownership, to make these dreams a reality by providing the people of Portland with the opportunity to create grassroots change. We see it on the east side, look at any number of the successful horizontal streets everyone enjoys spending their time on.”* (Property & Asset Manager, Retail)

*“I believe a vacancy tax is good for multifamily but not retail. Holding residential units offline with minimal to no justification or to recognize/write-off a financial loss is criminal in our current housing crisis. Landlords should do all they can do to make apartments rent ready and better respond to market demand and renters ability to afford housing payments by more effectively reducing rents. The threat of a vacancy tax being applied will do that. We do not have a lack of demand for housing in Portland. We do have lack of demand for retail.”* (Property Owner & Developer, Affordable Housing and Retail)

*“Lower rents, higher demand”* (Broker, Property & Asset Manager, Retail)

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#### 4) SUGGESTIONS ON HOW THE CITY OF PORTLAND CAN HELP REDUCE VACANCIES

##### 1) **Be a partner**

- Work with the commercial real estate industry to find solutions
- Bring owners and managers to the table to ask their opinions
- Talk to retail tenants to understand the issues they face
- Improve city staff's understanding and appreciation of the CRE industry and how city and CRE industry are dependent on each other

##### 2) **Improve the appeal of the city to businesses and residents**

- Improve economic development initiatives to attract companies and jobs (More jobs = more income for people to live in Portland = more revenues for retailers, housing providers and city)
- Identify, support and incentivize large companies and corporate headquarters with lots of employees and higher paying jobs to move into the City
- Provide economic incentives for start-up/smaller businesses and help existing local employers/businesses grow
- Improve economic environment to avoid companies leaving
- Align economic development plan with partnering jurisdictions to attract employers and jobs back to the region
- Improve public safety and cleanliness by addressing crime, homelessness and drug use
- Improve the tax structure to increase the appeal of the city to businesses and residents
- Improve education system and focus more on infrastructure and community amenities

### **3) Improve the perception of the City**

- Change the narrative, for example, by making Portland be seen as a business-friendly place for big and small businesses, creating a positive Portland PR campaign and marketing the city as a destination (for business, travel, living, etc.)
- Act like a private management company
- Lead by example and bring all city employees back to the office in person
- Create a business-friendly environment and incentivize business
- Help revitalize the entrepreneurial mentality
- Be more property owner friendly
- Understand we are competing for businesses/employers with other metro areas nationally

### **4) Improve policies, processes, services and regulations**

- Improve permitting processes for repurposing/remodeling (e.g., simplify processes and make them faster)
- Improve processes (and cost) to convert vacant retail to ground level housing
- Improve PBOT policies to ensure sufficient and affordable parking for residents visiting downtown
- Reduce additional requirements like bike parking for multifamily properties, whose tenants don't need these amenities
- Remove red tape and fees whenever possible to reduce development and capital improvement costs

- Consider the landlord's perspective in legislations, e.g., enforce better landlord protections, return to no-cause evictions, even if it's a longer period
- Change regulations make property management easier
- Eliminate regulations such as rent cap, inclusive zoning, ground floor retail mandate and FAIR ordinance
- Work with property owners to help reduce operating costs (e.g., property tax, sewer, water), which could be pass onto tenants in rental savings
- Improve enforcement of law and police responsiveness
- Improve tax system and city spending
- Enforce no camping laws
- Improve placement of emergency shelters (e.g., in the Pearl District, NW and Downtown Portland ) to reduce negative impact on the vibe
- Enforce short term vacation rental licensing laws (e.g., create a hotline to report illegal short term vacation rentals)

**5) Provide innovative funding sources for businesses and residents**

- Establish a revolving loan fund for shell, tenant buildouts (e.g., similar to Beaverton) and storefront improvements and/or give property owners credit to do tenant improvements

- Give potential tenants financial assistance (e.g., low to no interest loans) or backing, particularly for businesses that are not considered credit tenants
- Give business incentives to tenants and work with landlords to come up with matching grants, e.g., the city pays 2x and the landlord 1x
- Develop strategies with CRE industry to convert obsolete office buildings to active uses
- Create a pool of funds to offset increases in insurance costs and/or offer utility reductions, particularly for affordable housing
- Consider a property tax relief or rental registration fee for properties with reasonable occupancy (e.g., 85 to 90%) throughout the year and/or for retail space being leased up after longer period of vacancy
- Give a tax rebate for buildings with high occupancy
- Offer free legal support to landlords just as they offer to tenants

**6) Improve the operating environment, especially for affordable housing providers**

- Address long delays in processes at Home Forward and force Home Forward and referral agencies to comply with reasonable timeframes of response for paperwork
- Improve cooperation of Home Forward caseworkers with property management
- Offer transitional support when individuals go from unhoused to using a voucher and moving into property
- Create more dependable and robust rent assistance programs and find ways to support those having difficulty making their monthly rent consistently

- Help find qualified tenants and create a website with resources to help operators turnover units; share best practices
- Stricter housing assistance requirements with stricter unit inspections
- Provide neighborhood resource officers and create community groups to meet and work with neighborhood business struggling from drugs, crime, etc.
- Improve the eviction processes
- Allow higher deposits to offset risk of struggling tenants
- Provide guarantees to owners who rent units to tenants with poor credit or background checks
- Streamline compliance and/or support restructuring that lowers rents to improve occupancy
- Be more strategic about where affordable housing is developed, e.g., with regard to the proximity of affordable properties to others
- Offer support to property management teams encountering unsafe residents/guests in their buildings
- Provide funding for more staff
- Help offer debt pay downs to affordable housing providers to be able to lower rents

**7) Help reduce workforce shortages**

- Help address workforce shortage in trades
- Support training of site staff (affordable housing)

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