

MARKET TRENDS

PORTLAND OFFICE

MARKET DRIVERS

VACANCY AND AVAILABILITY RATES continue to rise, hitting record high numbers in Q3. Absorption will continue to be negative as the market sheds excess space from the likely 5+ year wind down of the hybrid work model taking effect as leases expire.

THE CURRENT OFFICE ENVIRONMENT is favorable to the tenant, and downward rate pressure, increasing concessions and TI's and downtime to lease space are expected to continue.

IN THE CAPITAL MARKETS, the more acute vacancy, rent retraction and debt maturity problems are beginning to be resolved. It appears this cycle will prove a bit different than the 2009-2012 period where lenders extended maturities and stabilized collateral value. This time, the capitulation may win with lenders and equity clearing assets off the books.

THERE IS TREMENDOUS LONG-TERM OPPORTUNITY in the basis re-set that will occur in quality assets that have looming debt maturities if the clearing continues.

ECONOMIC REVIEW

THE PORTLAND METRO reported an unemployment rate of 3.6% at the end of July, down 40 basis points YOY. This is compared to a record low 3.4% for Oregon, reflecting a decrease for six consecutive months, according to the employment department of the State of Oregon.

WHILE THE FEDERAL RESERVE might continue to adopt a vigilant approach in addressing inflation, consumers in Portland seem better equipped to handle a modest economic downturn, displaying resilience in their spending habits, even with historically high CPI increases.ing habits, even in the face of historically high CPI increases.

NEAR-TERM OUTLOOK

INEXPLICABLY, a recessionary environment may prove to be a tailwind to the office market recovery, though the hybrid model makes tremendous financial sense for reducing the historically high real estate costs of any company.

EXPERTS will keep an eye on how corporate profitability, or lack thereof, influences the pace at which return-to-office initiatives progress, as well as size of footprints going forward.

Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	11.6%	11.2%	10.8%	7.41%
Total Availability Rate	16.9%	16.2%	15.5%	9.03%
Direct Asking Lease Rate	\$28.68	\$28.68	\$28.44	0.84%
Total SF Leased	836,965	761,242	841,398	-0.53%
Total SF Sold	892,765	313,156	740,550	20.55%
Direct Net Absorption	(646,132)	145,399	(108,840)	N/A

836K SF
LEASING ACTIVITY

-646K SF
NET ABSORPTION

11.6%
VACANCY RATE

\$28.68
ASKING RENT (AVG)

0 SF
NEW DELIVERIES

Year-Over-Year Trend

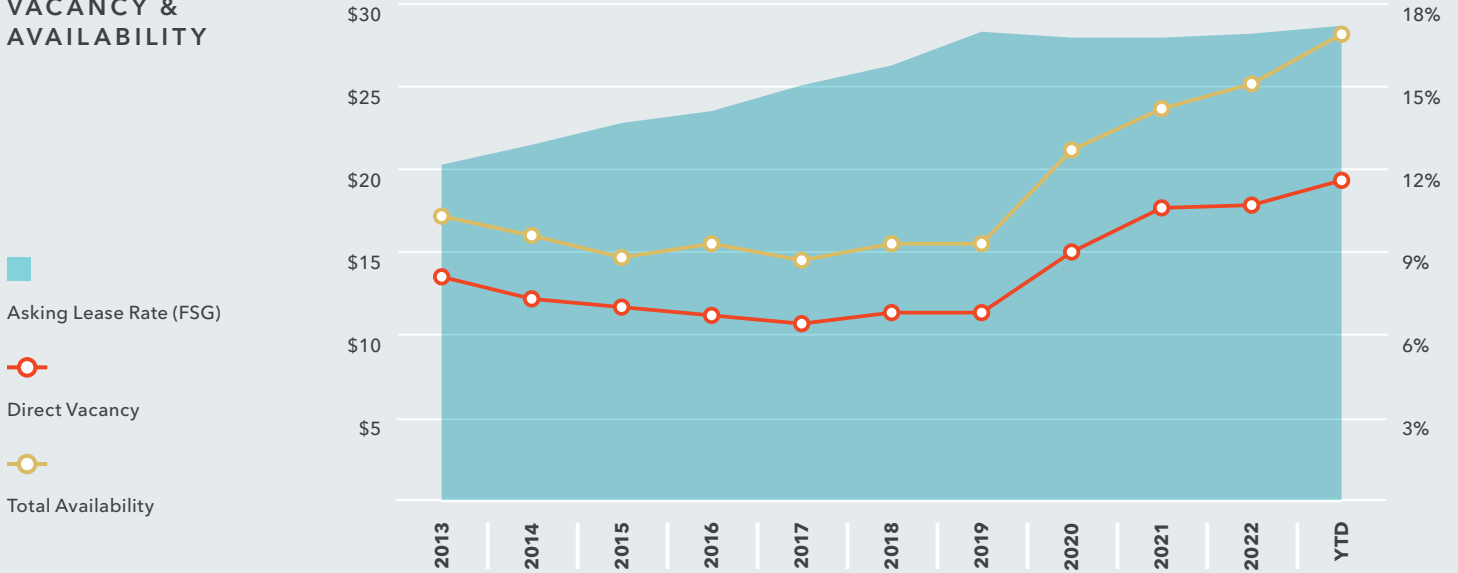
Market Highlights

VACANCY RATES JUMPED to an all-time record high of 13.2%

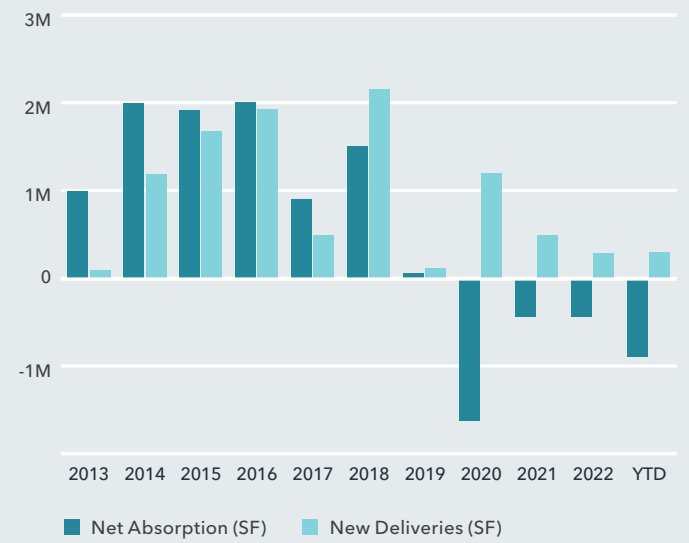
ASKING RENTAL RATES stayed stagnant at \$28.68/SF FSG

SALES VOLUME INCREASED YOY and QOQ to 892K SF

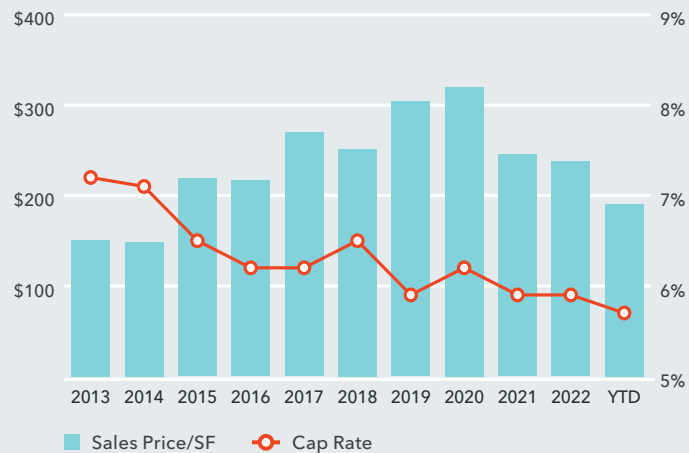
LEASE RATE, VACANCY & AVAILABILITY



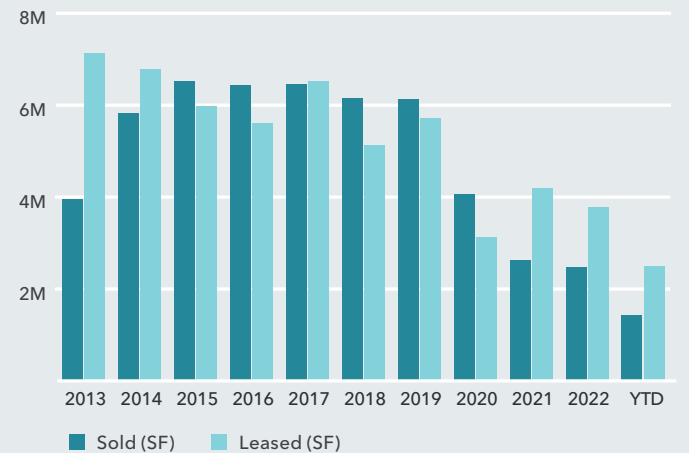
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q3 2023 Total Net Absorption	YTD Net Absorption	Q3 2023 Leasing Activity	YTD Leasing Activity	Total Rental Rate
CBD	29,849,694	20.9%	22.9%	28.4%	(390,478)	(237,260)	200,437	561,840	\$27.12
Pearl District/Chinatown	3,381,918	17.8%	23.5%	26.5%	33,752	53,008	26,252	65,482	\$26.52
Downtown	33,231,612	19.6%	21.8%	28.2%	(356,726)	(184,252)	226,689	627,322	\$27.12
217 Corridor/Beaverton	2,538,694	14.1%	18.5%	20.4%	(28,248)	(35,086)	81,351	167,299	\$21.60
Airport Way	1,143,748	6.4%	7.1%	19.7%	255	(9,591)	0	18,663	\$26.64
Barbur Blvd/Capitol Hwy	1,423,044	9.1%	9.1%	12.3%	23,897	41,076	10,008	33,248	\$19.20
Camas/Washougal	1,008,964	4.9%	4.9%	6.3%	21,069	19,789	0	8,777	\$22.68
Cascade Park	3,184,758	7.9%	9.2%	10.6%	23,922	(36,589)	25,371	93,216	\$25.92
CBD/West Vancouver	3,028,990	4.9%	5.4%	12.1%	(19,790)	39,737	62,268	150,329	\$29.76
Clackamas/Milwaukie	3,033,181	6.5%	6.7%	8.3%	25,232	(12,059)	40,074	99,469	\$28.92
East Columbia Corridor	1,024,422	1.2%	1.2%	1.2%	(632)	7,367	0	0	\$32.64
Gateway	2,265,903	4.3%	4.4%	4.4%	(18,874)	(54,652)	2,435	23,130	\$21.48
Gresham	1,041,198	5.6%	6.1%	10.8%	(2,768)	(4,460)	3,470	6,263	\$19.56
Guilds Lake	508,852	14.2%	15.9%	23.4%	(3,958)	(5,803)	0	10,200	#VALUE!
Hayden Island/Swan Island	1,833,883	1.4%	1.4%	1.4%	0	(6,458)	0	0	\$15.00
Hazel Dell/Salmon Creek	865,097	2.6%	2.6%	1.8%	11,692	10,394	10,653	36,504	\$23.52
Johns Landing	1,804,797	14.2%	16.0%	26.5%	(33,819)	14,836	29,470	52,982	\$29.76
Kruse Way	2,779,047	21.5%	23.6%	25.1%	27,728	(42,035)	69,914	186,874	\$41.52
Lake Oswego/West Linn	934,956	5.7%	6.4%	8.0%	(10,653)	15,755	6,689	26,272	\$28.92
Lloyd District	5,579,836	10.9%	13.0%	19.4%	(92,047)	(148,879)	14,770	128,264	\$32.52
Mall 205	916,200	6.7%	6.7%	8.0%	(25,249)	(14,677)	8,171	17,916	\$20.04
NE Close-In	1,624,747	6.5%	6.5%	6.8%	3,907	(14,863)	12,955	45,398	\$22.44
North Beaverton	3,092,091	6.7%	6.9%	8.4%	(4,749)	(53,490)	19,379	30,078	\$30.48
Orchards	790,341	2.9%	2.9%	5.0%	2,381	9,141	4,029	13,576	\$38.76
Oregon City	900,882	3.4%	3.4%	8.3%	(1,252)	(17,921)	5,494	26,660	\$25.56
Rivergate	62,186	0.0%	0.0%	13.2%	0	0	0	0	#VALUE!
SE Close-In	3,562,142	11.8%	16.3%	21.0%	(43,389)	22,959	69,318	158,509	\$27.24
Sherwood	159,897	5.0%	8.4%	9.7%	(941)	(4,573)	0	0	#VALUE!
St. Johns/Central Vancouver	1,742,959	2.5%	3.4%	2.5%	(2,830)	3,136	2,270	27,620	#VALUE!
Sunset Corridor/Hillsboro	17,785,006	3.2%	4.9%	7.6%	(125,352)	(278,357)	42,108	244,033	\$24.96
SW Close-In	745,667	36.2%	36.2%	38.1%	(11,205)	(56,606)	6,490	7,982	\$18.48
Sylvan/Hillsdale	779,411	8.3%	8.9%	9.5%	8,101	(1,872)	12,941	22,297	\$16.32
Tigard	4,513,247	11.1%	12.2%	16.4%	18,563	(32,057)	43,001	134,777	\$31.80
Tualatin	1,341,222	15.2%	15.7%	17.2%	(32,819)	(51,799)	11,334	28,820	\$26.40
Vancouver Mall	888,516	7.3%	8.0%	8.6%	12,643	3,812	13,951	49,251	\$21.48
Wilsonville	1,263,660	2.1%	3.3%	13.0%	(10,221)	(20,116)	2,362	12,521	\$29.04
Suburban	74,167,544	7.57%	8.91%	12.05%	(289,406)	(713,941)	610,276	1,860,928	\$29.52
Portland Total	107,441,556	11.6%	13.2%	16.9%	(646,132)	(898,193)	836,965	2,488,250	\$28.68
Class A	35,100,974	14.9%	17.1%	16.3%	(216,289)	(248,888)	302,456	813,664	\$33.60
Class B	53,150,884	11.2%	13.0%	12.4%	(475,720)	(563,895)	469,530	1,389,268	\$27.12
Class C	19,023,631	6.6%	6.9%	6.7%	46,078	(83,610)	64,979	285,318	\$20.28

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2175 NW Raleigh St - The Leland James	NW Close-In	118,104	\$41,000,000	\$347.15	Spear Street Capital	ASB Real Estate Investments
14001 SE 1st St	Cascade Park	110,858	\$15,200,000	\$137.11	Jay St. John	Microware, Inc.
2100 SW River Pkwy	CBD	192,541	\$13,650,267	\$70.90	American Property Management	BPM Real Estate Group

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1120 SE Madison St	SE Close-In	36,000	July 2023	Madave, LLC	Kiln
210 E 13th St	CBD/West Vancouver	29,760	September 2023	Al Angelo Company	Clark County, Washington
808 Washington St	CBD/West Vancouver	19,442	July 2023	EJF Capital, LLC / Holland Partner Group	Waste Connections of Washington

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Port of Vancouver - Terminal 1	100 SW Columbia Way	CBD/West Vancouver	360,000	Port of Vancouver USA	Q1 2025
The Waterfront - Block 1	255 W Columbia Way	CBD/West Vancouver	165,000	Lincoln Property Company	Q4 2025
1821 SE 192nd Ave	1821 SE 192nd Ave	Camas/Washougal	15,377	Robert Merrill	Q4 2023

Data Source: EDD, CoStar



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The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

MONICA WALLACE
Regional President, Brokerage
Pacific Northwest
503.221.9900
monica.wallace@kidder.com

COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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