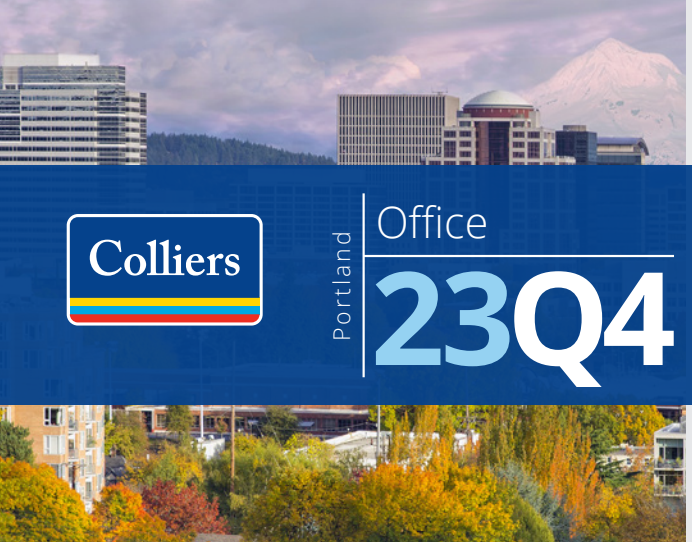


Colliers

Portland Office 23Q4

Key Takeaways

- The Gregory, located in the CBD, sold for 46% less than its prior sale at $114 per square foot. Jewell Capital acquired the 49,850 square foot office/retail condominium from Genworth Financial.
- Market-wide sublease availability fell ten basis points to 3.6%. This minimal decrease is a result of expiring subleases converting into direct availabilities. The total availability rate, inclusive of direct and sublease space for lease, totals 23.8%, and reflects an 18% year-on-year increase.
- Vacancy rates remain highest in the CBD, passing the 30% threshold in Q4 2023.

Vacancy Rate	YOY	Net Absorption	YOY	Under Construction	YOY	CBD Class A Asking Lease Rates (FSG)	YOY
21.4%	▲ FORECAST ▲	-654K SF	▼ FORECAST ▼	525K SF	▲ FORECAST ▼	$39.06/SF	▲ FORECAST ▼

Summary

The pace at which vacant space was added to the greater Portland office market accelerated in the final quarter of 2023, moving the total vacancy rate to 21.4%. The fourth quarter's net absorption total of -654,000 square feet has only been surpassed by the -727,000 square feet of net absorption that the market experienced in Q1 2021. In total, 2023 saw 1.5 million square feet of vacant space go back to the market as demand for office space in the larger Portland metro continues to bottom out. Since Q1 2020, the market has given back nearly 6 million square feet of vacant space, which is a figure equivalent to all of the new office supply that has been delivered since Q2 2015. At the conclusion of 2023, more than 32% of Portland's downtown inventory is available for lease. This figure is expected to approach 40% in the coming year.

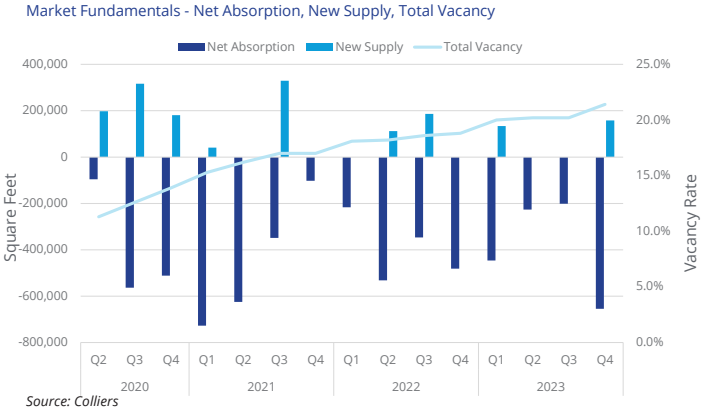
Market Indicators

3.93% Unemployment Rate

3.30% GDP change YOY

2.24% Employment growth change YOY

Market Graph



Source: Colliers

Historic Comparison

	22Q4	23Q3	23Q4
Total Inventory (in Thousands of SF)	75,685	69,715	69,715
New Supply (in Thousands of SF)	0	0	158
Net Absorption (in Thousands of SF)	-481	-201	-654
Overall Vacancy	18.8%	20.2%	21.4%
Under Construction (in Thousands of SF)	393	683	525
Overall Metro Asking Lease Rates (Gross)	$29.76	$32.53	$32.49

Statistical Note: 5.9 MSF was removed between Q4 2022 and Q4 2023 from the tracked inventory for more consistent and accurate reporting of market fundamentals

Leasing Activity

The I-5 South submarket led total leasing volume in Q4 2023, capturing new leases and renewals, which account for 32% of the square footage leased during the three-month period. By comparison, Portland's Central Business District (CBD) represented 25% of the square footage leased.

For the entirety of 2023, the CBD outpaced the other individual submarkets with a total leasing volume of nearly 1 million square feet. However, when comparing the downtown market sector to the suburban market sector, 57.3% of the total area leased was in the suburban submarkets, as occupiers continue to favor areas outside of the city in pursuit of lower tax burdens, safety and security, and parking. Demand, as measured by net absorption, for the whole of 2023 reflects this trend as well. While both the downtown and suburban submarkets experienced negative net absorption for the year, for every square foot vacated in the suburban submarkets, one-half square foot was vacated downtown.

There are leasing bright spots in the downtown market sector, such as the The Water Tower Building in Johns Landing. Following an extensive renovation, the property is 83% leased, underscoring the significance of amenitized space and the emergence of micro-markets in downtown Portland.

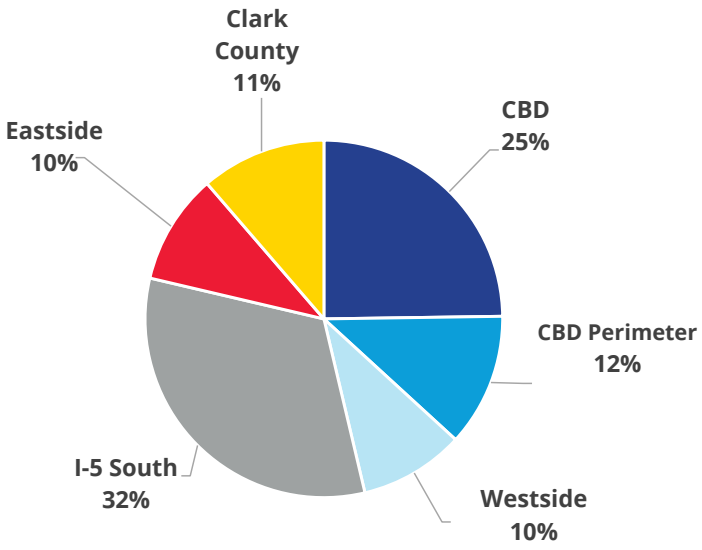
Forecast

The greater Portland office market continued its downward trajectory through 2023 and is expected to continue facing significant headwinds in the coming year. Tenant downsizing and relocation will drive vacancy rates upward through 2024, particularly in the CBD. As vacancy rates climb, property values are expected to fall amid evaporating demand, capital stack pressure due to elevated interest rates, and rising operating costs. Landlords will face challenges providing the aggressive concession packages required to secure tenants, especially considering Portland's low rental rates compared to neighboring markets, relative to market tenant improvement allowances. This price correction should provide opportunity for investment at a low-cost basis in anticipation of the market's eventual recovery.

Portland does benefit from a diminishing development pipeline, as the final downtown speculative office tower of this cycle, Block 216, delivered this quarter. The modest remaining pipeline of new construction, all of which is occurring in the Clark County submarket, will allow Portland to elude a wave of deliveries that would likely deliver vacant.

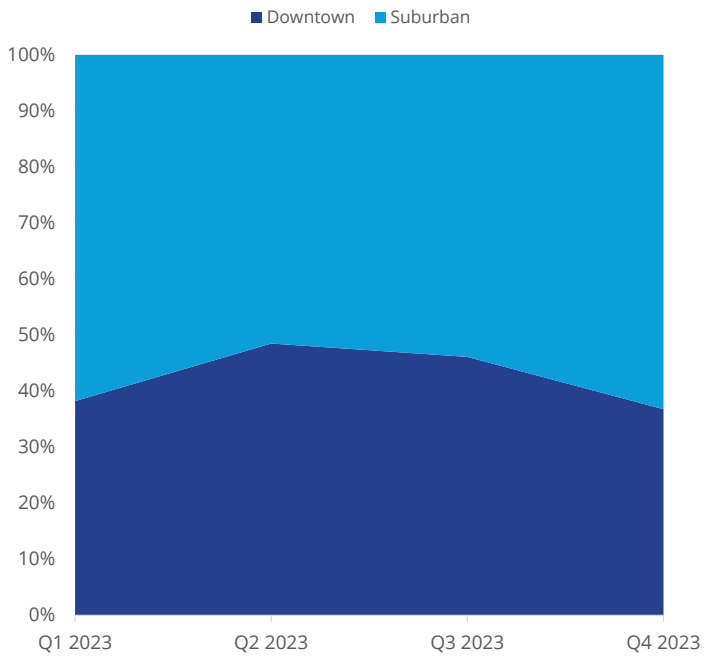
Leasing Share by Submarket - Q4 2023

New Leases and Renewals



Leasing Volume Share by Market Sector by Quarter - 2023

New Leases and Renewals



Portland Office
23Q4

Colliers

Recent Transactions

SALE
The Collective at Vancouver, Bldg 1*
Clark County
44,100 SF
$21,100,000

SALE
Trellis at Amberglen, Millennium Bldg
Westside
58,792 SF
$11,800,000

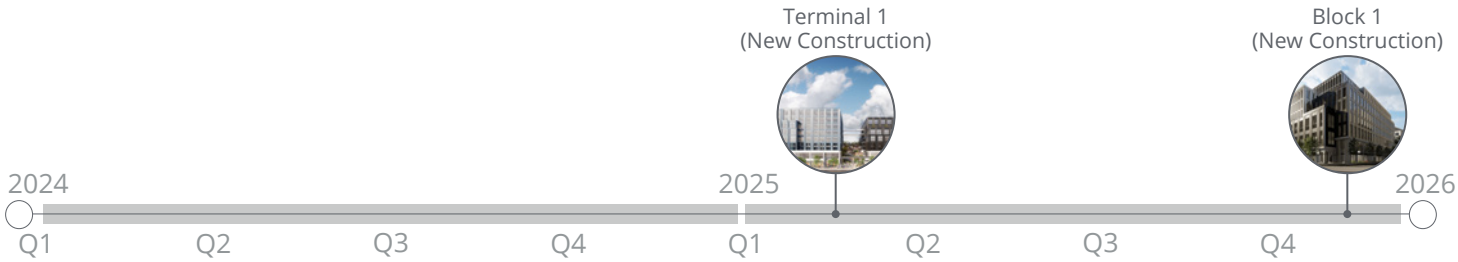
SALE
The Gregory**
CBD
49,850 SF
$5,700,000

LEASE
Confidential
Kruse Woods
Corporate Park
I-5 South
47,311 SF
Colliers Transaction

LEASE
Confidential
Kruse Woods
Corporate Park
I-5 South
34,712 SF
Colliers Transaction

LEASE
Confidential
The Water Tower
CBD Perimeter
18,793 SF
Colliers Transaction

Under Construction



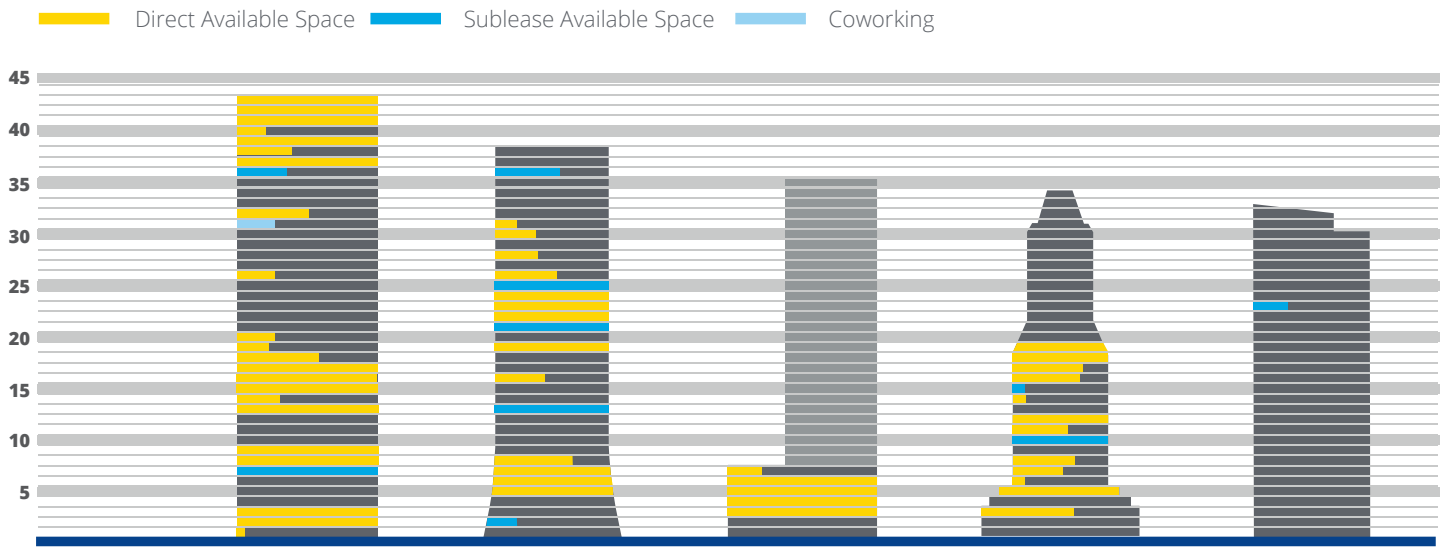
Property	Submarket	Developer/Owner	Project Type	Size (SF)	Delivery
Terminal 1	Clark County	Lincoln Property Company	New Construction	360,000	Q1 2025
The Waterfront - Block 1	Clark County	Lincoln Property Company	New Construction	165,000	Q4 2025

Notable Deliveries

Property	Submarket	Developer/Owner	Project Type	Size (SF)	Delivery	Preleased
Block 216 Office	CBD	BPM Real Estate Group	New Construction	158,464	Q4 2023	18%
Kress Building	CBD	Downtown Development Group	Renovation	52,880	Q4 2023	84%
The Water Tower	CBD Perimeter	ScanlanKemperBard Companies & WHI Real Estate Partners L.P.	Renovation	111,588	Q4 2023	83%

* 1031 exchange ** Sale interest includes commercial spaces only

Premier Skyline Availability



	U.S. BANCORP TOWER	WELLS FARGO CENTER	BLOCK 216	KOIN TOWER	PARK AVENUE WEST
Address	111 SW 5th	1300 SW 5th	900 SW Washington	222 SW Columbia	760 SW 9th
Avail. Office Space	427,922 SF	227,039 SF	129,706 SF	180,158 SF	4,042 SF

	PACWEST CENTER	FOX TOWER	MODA TOWER	SIXTH + MAIN	UMPQUA BANK PLAZA
Address	1211 SW 5th	805 SW Broadway	601 SW 2nd	1050 SW 6th	1 SW Columbia
Avail. Office Space	227,674 SF	153,007 SF	50,619 SF	165,856 SF	104,537 SF

Portland | 23Q4 | Office | Market Statistics

Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construc-tion	Deliveries YTD	Avg Direct Asking Rate (FSG)
Downtown (CBD & CBD Perimeter)											
Class A	16,522,250	30.5%	5.3%	35.8%	32.5%	29.3%	(361,326)	(670,930)	-	292,649	$39.70
Class B	14,443,650	27.8%	4.0%	31.9%	28.0%	27.7%	(44,515)	(129,948)	-	-	$29.21
Class C	4,509,277	21.2%	1.0%	22.2%	19.3%	19.1%	(9,120)	(116,762)	-	-	$24.69
Total	**35,475,177**	**28.3%**	**4.2%**	**32.5%**	**29.0%**	**27.4%**	**(414,961)**	**(917,640)**	**-**	**292,649**	**$34.06**
Suburban (Westside, I-5 South, Eastside, Clark County)											
Class A	9,065,809	15.9%	3.8%	19.6%	15.7%	14.0%	(151,797)	(216,311)	525,000	-	$31.69
Class B	19,588,413	12.0%	3.3%	15.3%	14.0%	13.6%	(79,090)	(408,062)	-	-	$27.70
Class C	5,585,204	5.1%	0.0%	5.1%	8.5%	8.3%	(8,502)	16,729	-	-	$20.66
Total	**34,239,426**	**11.9%**	**2.9%**	**14.8%**	**13.6%**	**12.9%**	**(239,389)**	**(607,644)**	**525,000**	**-**	**$28.62**
Greater Portland											
Class A	25,588,059	25.3%	4.7%	30.1%	26.5%	23.9%	(513,123)	(887,241)	525,000	292,649	$37.92
Class B	34,032,063	18.7%	3.6%	22.3%	19.9%	19.6%	(123,605)	(538,010)	-	-	$28.65
Class C	10,094,481	12.3%	0.5%	12.8%	13.3%	13.1%	(17,622)	(100,033)	-	-	$23.76
GRAND TOTAL	**69,714,603**	**20.2%**	**3.6%**	**23.8%**	**21.4%**	**20.2%**	**(654,350)**	**(1,525,284)**	**525,000**	**292,649**	**$32.48**

Submarket Clusters | 23Q4| Office | Market Statistics

Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construc-tion	Deliveries YTD	Avg Direct Asking Rate (FSG)
CBD											
Class A	13,596,456	29.4%	3.7%	33.2%	30.4%	26.6%	(350,800)	(582,803)	-	292,649	$39.06
Class B	9,154,587	31.7%	3.6%	35.3%	31.0%	30.7%	(20,224)	(166,076)	-	-	$28.46
Class C	2,627,661	27.5%	1.7%	29.3%	26.3%	25.5%	(20,067)	(94,767)	-	-	$25.45
Total	**25,378,704**	**30.1%**	**3.5%**	**33.6%**	**30.2%**	**28.0%**	**(391,091)**	**(843,646)**	**-**	**292,649**	**$33.73**

Submarket Clusters | 23Q4 | Office | Market Statistics

Class	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construc-tion	Deliveries YTD	Avg Direct Asking Rate (FSG)
CBD Perimeter											
Class A	2,925,794	35.6%	12.2%	47.9%	42.3%	42.0%	(10,526)	(88,127)	-	-	$42.14
Class B	5,289,063	21.1%	4.8%	25.9%	22.9%	22.4%	(24,291)	36,128	-	-	$31.15
Class C	1,881,616	12.5%	0.0%	12.5%	9.5%	10.1%	10,947	(21,995)	-	-	$22.34
Total	**10,096,473**	**23.7%**	**6.1%**	**29.8%**	**26.0%**	**25.8%**	**(23,870)**	**(73,994)**	**-**	**-**	**$35.08**
Westside											
Class A	1,508,803	24.1%	1.0%	25.1%	23.8%	20.3%	(52,130)	(83,762)	-	-	$30.01
Class B	7,448,111	13.5%	6.6%	20.1%	17.3%	16.3%	(68,400)	(216,311)	-	-	$25.05
Class C	1,823,229	2.9%	0.0%	2.9%	14.2%	14.7%	9,964	25,008	-	-	$16.42
Total	**10,780,143**	**13.2%**	**4.7%**	**17.9%**	**17.6%**	**16.6%**	**(110,566)**	**(275,065)**	**-**	**-**	**$26.00**
I-5 South											
Class A	3,196,002	18.9%	3.3%	22.2%	20.4%	18.6%	(57,044)	(80,115)	-	-	$37.61
Class B	4,486,673	18.7%	2.0%	20.7%	18.6%	18.6%	(1,393)	(153,960)	-	-	$33.49
Class C	905,392	4.5%	0.0%	4.5%	4.9%	3.1%	(16,204)	(12,826)	-	-	$21.86
Total	**8,588,067**	**17.3%**	**2.3%**	**19.6%**	**17.8%**	**17.0%**	**(74,641)**	**(246,901)**	**-**	**-**	**$34.85**
Eastside											
Class A	911,165	23.5%	1.4%	24.8%	17.9%	17.4%	(5,207)	(69,217)	-	-	$24.52
Class B	3,305,575	7.5%	0.5%	8.0%	8.6%	8.7%	1,799	(7,471)	-	-	$23.78
Class C	1,831,398	7.7%	0.0%	7.7%	7.4%	7.3%	(1,722)	2,748	-	-	$20.34
Total	**6,048,138**	**10.0%**	**0.5%**	**10.5%**	**9.6%**	**9.6%**	**(5,130)**	**(73,940)**	**-**	**-**	**$23.23**
Clark County											
Class A	3,449,839	7.4%	6.1%	13.6%	7.3%	6.2%	(37,416)	16,783	525,000	-	$26.12
Class B	4,348,054	6.1%	1.1%	7.2%	7.7%	7.5%	(11,096)	(30,320)	-	-	$23.05
Class C	1,025,185	4.9%	0.0%	4.9%	3.6%	3.5%	(540)	1,799	-	-	$25.13
Total	**8,823,078**	**6.5%**	**2.9%**	**9.4%**	**7.1%**	**6.5%**	**(49,052)**	**(11,738)**	**525,000**	**-**	**$24.62**

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