

Office Market Report | Q3 2018

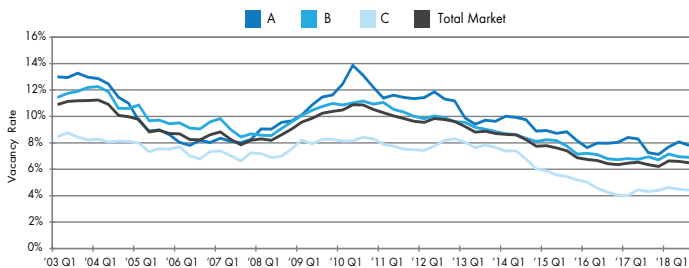
Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

OVERVIEW

The Portland Office market finished the third quarter with a 6.5% vacancy rate. While net absorption totaled a positive 609,933 square feet, vacant sublease space decreased to 332,543 square feet. The quarter ended with rental rates at \$23.90, a slight increase from the previous quarter. Two buildings were delivered to the market in the quarter, while 2,575,782 square feet remained under construction.

Vacancy Rates by Class Years 2003 - 2018



Source: CoStar Property

ABSORPTION & DELIVERIES

The office market was positive 609,933 square feet in net absorption, compared to positive 761,421 square feet in the second quarter of 2018.

Tenants moving out of large spaces include: Bridgewell Resources (36,209 SF) and Oregon Department Human Service (68,363 SF).

The following tenants moved into large blocks of space in 2018: Wells Fargo Bank (103,279 SF) and iovation Inc (62,033 SF).

- Class A: positive 408,225 SF
- Class B: positive 181,634 SF
- Class C: positive 20,074 SF

Net absorption for Portland's CBD was negative (21,463) SF square feet and the suburban markets were positive 631,396 square feet.

PORTLAND MARKET SNAPSHOT

VACANCY

6.5%



RENTAL RATE

\$23.90



CONSTRUCTION

2,575,782 SF



ABSORPTION

609,933 SF



VACANCY

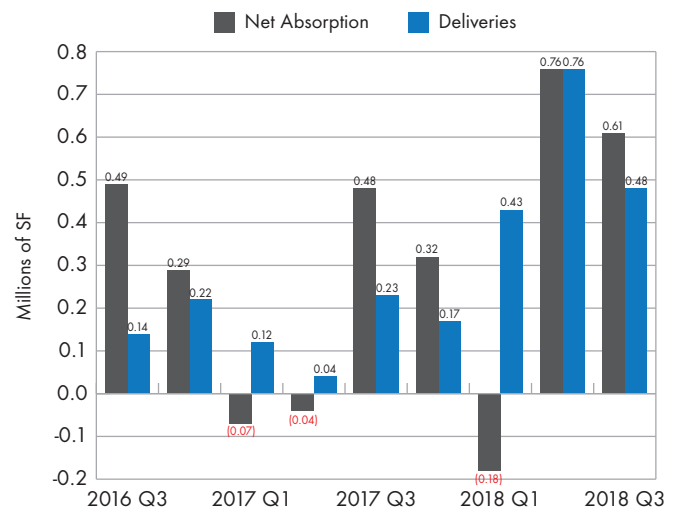
The vacancy rate decreased slightly from the previous quarter at 6.5%, still slightly higher than the 6.2% vacancy rate at the end of 2017.

- Class A: 7.8%
- Class B: 6.9%
- Class C: 4.4%

In the CBD, the overall vacancy rate increased to 10.2% and in suburban markets the vacancy rate decreased to 5.5%.

Absorption & Deliveries

Past 9 Quarters



Source: CoStar Property



DELIVERIES AND CONSTRUCTION

In the third quarter 2018, two buildings were completed, compared to seven buildings in the second quarter. 2,575,782 square feet remains under construction at the end of third quarter.

Of the buildings completed, notable deliveries include the Knight Cancer Institute Research Building (320,000 SF) and the Nike North Expansion Building A (412,000 SF), which was completed in the second quarter, but is now 100% occupied.

Still under construction at the end of third quarter 2018 is the Nike North Expansion Building B (1,003,585 SF), which is 100% pre-leased.

RENTAL RATES

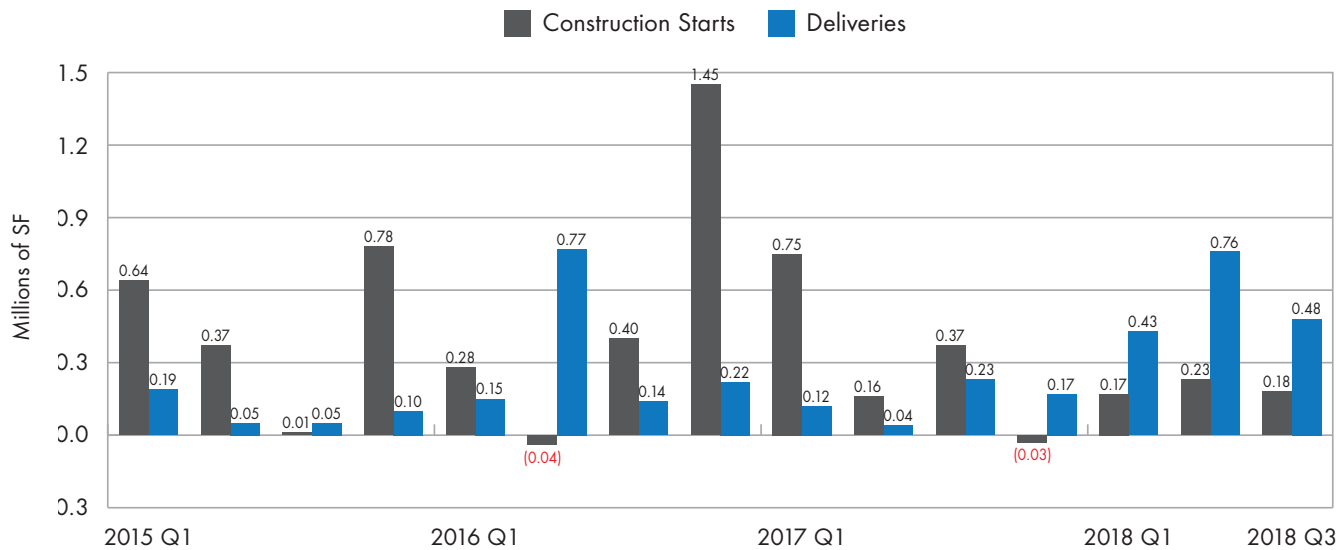
For all classes, the average quoted rental rate rose slightly to \$23.90.

Class A:	\$30.41
Class B:	\$22.19
Class C:	\$17.92

The average rental rate in Portland's CBD was \$31.95 and \$21.30 in suburban markets.

Historical Construction Starts & Deliveries

Square Footage Per Quarter



Source: CoStar Property

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Westside	2	1,015,800	1,015,800	100.0%	29,100	507,900
CBD	4	592,532	384,328	64.9%	73,055	148,133
Southwest	1	360,000	360,000	100.0%	16,170	360,000
Lloyd District	2	189,570	2,391	1.3%	24,550	94,785
Clark County	5	98,832	50,380	51.0%	12,971	19,766
Southeast	2	93,816	31,772	33.9%	8,850	46,908
Deschutes County	6	86,031	59,525	69.2%	9,041	14,338
Northwest	1	60,000	4,200	7.0%	17,802	60,000
Lane County	3	40,501	40,501	100.0%	11,191	13,500
Northeast	1	24,300	4,374	18.0%	9,753	24,300
All Other	1	14,400	14,400	100.0%	10,130	14,400
Totals	28	2,575,782	1,967,671	76.4%	14,865	91,992

Source: CoStar Property

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at www.norris-stevens.com.