

Office Market Report | Q4 2018

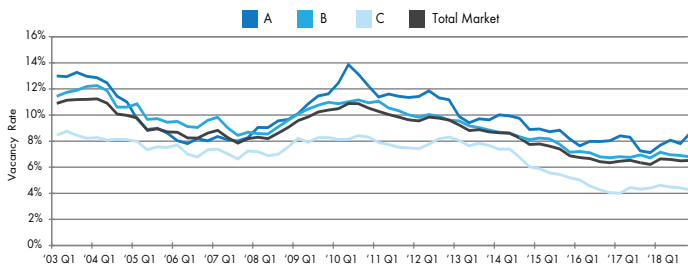
Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

OVERVIEW

As the fourth quarter 2018 came to a close, the Portland Office market vacancy rate ended at 6.6%. While net absorption totaled a positive 351,195 square feet, vacant sublease space increased to 360,617 square feet. The quarter ended with rental rates at \$24.92, a slight increase from the previous quarter. Eight buildings were delivered to the market in the quarter, while 2,284,328 square feet remained under construction.

Vacancy Rates by Class Years 2003 - 2018



Source: CoStar Property

ABSORPTION & DELIVERIES

The overall office market was positive 351,195 square feet in net absorption, compared to positive 623,973 square feet in the third quarter of 2018.

- Class A: positive 159,127 SF
- Class B: positive 124,571 SF
- Class C: positive 67,497 SF

Portland's CBD market ended the fourth quarter 2018 with a net absorption of positive 109,175 SF. This compared to negative (18,444) square feet square from the third quarter.

Net absorption for the suburban markets ended at positive 242,020 square feet compared to positive 642,417 square feet in third quarter 2018.

PORTLAND MARKET SNAPSHOT

VACANCY
6.5%



RENTAL RATE
\$24.92



CONSTRUCTION
2,284,328 SF



ABSORPTION
351,195 SF



VACANCY

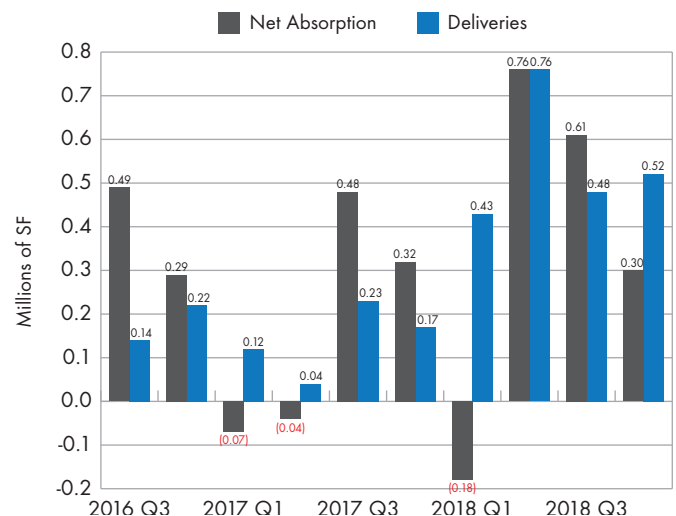
The vacancy rate increased slightly from the previous quarter to 6.6%, ending the year down from 6.7% at the end of the first quarter 2018.

- Class A: 9.1%
- Class B: 6.9%
- Class C: 3.7%

In the CBD, the overall vacancy rate increased to 10.8% and in suburban markets the vacancy rate decreased to 5.5%.

Absorption & Deliveries

Past 9 Quarters



Source: CoStar Property



DELIVERIES AND CONSTRUCTION

Eight buildings were completed in the fourth quarter 2018, compared to two buildings in the third quarter. 2,284,328 square feet remained under construction at the end of fourth quarter.

Some of the notable deliveries in 2018 include the Nike North Expansion Building A (412,000 SF) and the Knight Cancer Institute Research Building (320,000 SF), completed in the second and third quarters respectively, both currently 100% occupied.

Still under construction at the end of fourth quarter 2018 is the Block 29 Center for Health & Healing, a 360,000-sf facility that is 100% pre-leased.

RENTAL RATES

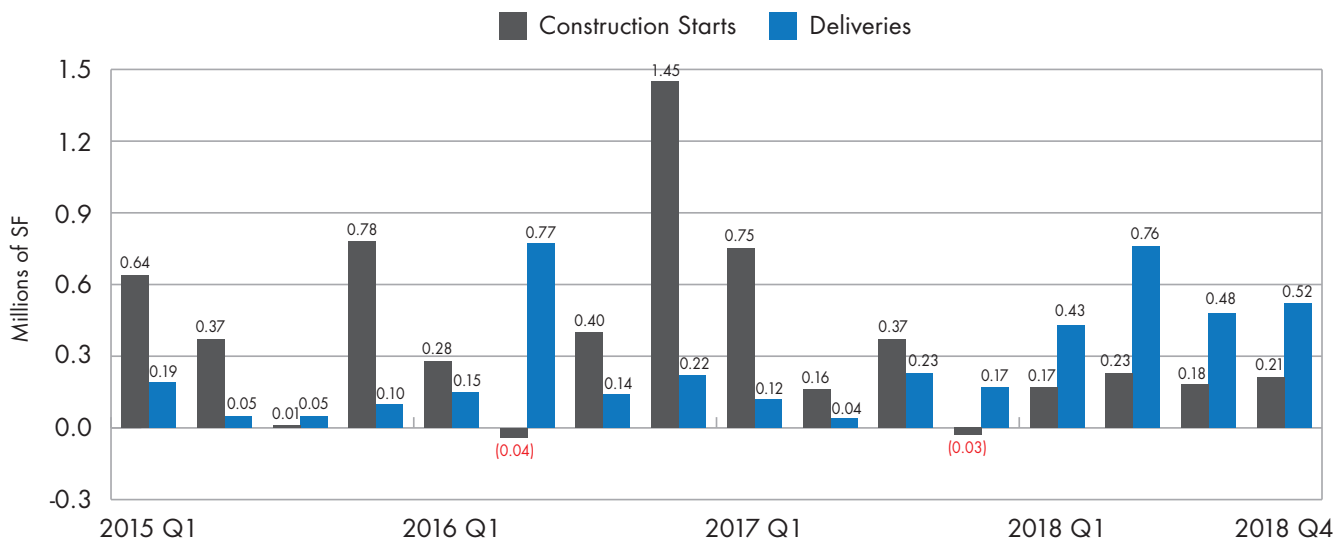
At the end of the fourth quarter 2018, the average quoted asking rental rate for all classes was \$24.92 per square foot per year.

Class A:	\$31.14
Class B:	\$23.01
Class C:	\$19.06

In Portland's CBD, the average rental rate was \$31.74 and suburban market ended at \$21.89.

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%	29,193	507,900
Southwest	3	589,964	449,964	76.3%	16,219	196,655
CBD	1	190,825	188,917	99.0%	74,392	190,825
Lloyd District	2	189,570	2,391	1.3%	24,528	94,785
Northwest	2	127,393	6,896	5.4%	17,832	63,696
Southeast	2	93,816	31,772	33.9%	8,825	46,908
Deschutes County	5	56,060	29,500	52.6%	8,955	11,212
Lane County	1	16,500	12,375	75.0%	11,221	16,500
Clark County	1	4,400	3,080	70.0%	12,980	4,400
Skamania County	0	0	0	0.0%	5,916	0
All Other	0	0	0	0.0%	10,002	0
Totals	19	2,284,328	1,740,695	76.2%	14,923	120,228

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.