

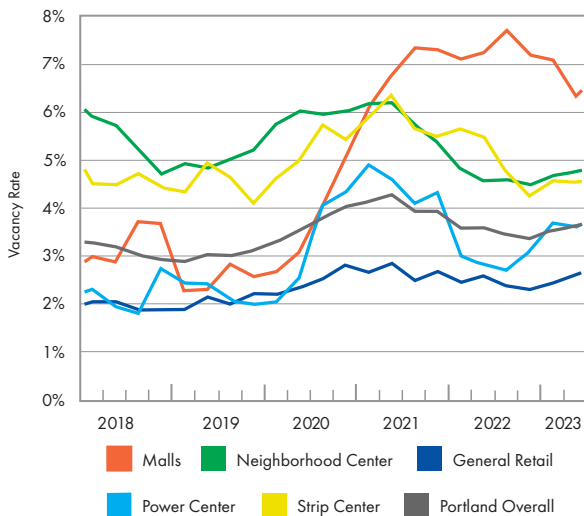
OVERVIEW

Portland's retail market appears to be well prepared to weather an economic slowdown after observing sustained demand throughout the previous year. However, even though lease activity is still strong as of the second quarter of 2023, a number of recent large move-outs signal potential softening of fundamentals. Businesses are closely monitoring any indications of a slowdown in spending brought on by inflation and higher rates set by the Federal Reserve.

Well over 500,000 square feet of previously unoccupied retail space has been removed from the market since 2021. This should help keep availabilities from ballooning out of control in the near future.

Vacancy Rates by Building Type

2018 - 2023



Source: CoStar Group

VACANCY

The overall Portland retail vacancy rate remained unchanged from the previous quarter, holding steady at 3.6%.

While the vacancy rate for all retail sectors fluctuated from the previous quarter, shopping malls saw the largest decrease, going from 7.1% in the first quarter of 2023 to 6.3% in the second quarter of 2023.

PORTLAND MARKET SNAPSHOT

VACANCY

3.6%



RENTAL RATE

\$24.43



CONSTRUCTION

528,482 SF



ABSORPTION

(25,925) SF

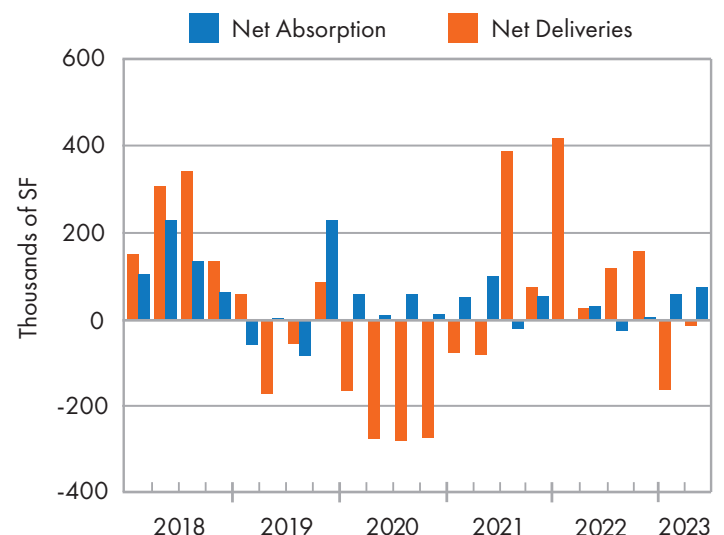


ABSORPTION & DELIVERIES

The Portland Metro posted negative (25,925) square feet in net absorption in the second quarter of 2023, compared to negative (159,848) square feet at the end of the first quarter. The shopping mall sector posted the highest positive absorption numbers for the second quarter at 59,763 square feet, an increase from the 11,383 square feet posted in the first quarter of 2023.

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

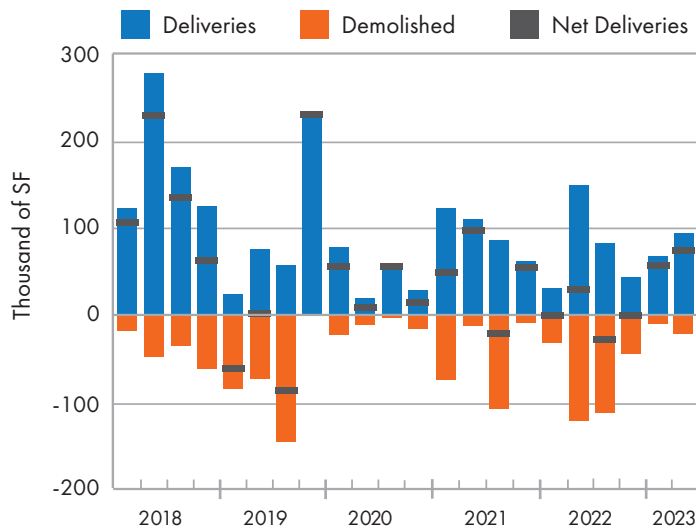
DELIVERIES AND CONSTRUCTION

93,860 square feet of new product was delivered to the marketplace in the second quarter of 2023. Only 285,000 total square feet has been added to Portland over the past 12 months, and 528,482 square feet still remained under construction as the second quarter came to a close.

A few larger projects set for completion in 2023 include Skyview Station in Vancouver at 80,150 square foot, set for completion in August; and Renaissance Boardwalk on Vancouver's waterfront at 50,000 square feet, also set for completion in August.

Historical Construction Deliveries & Demolitions

Square Footage Per Quarter



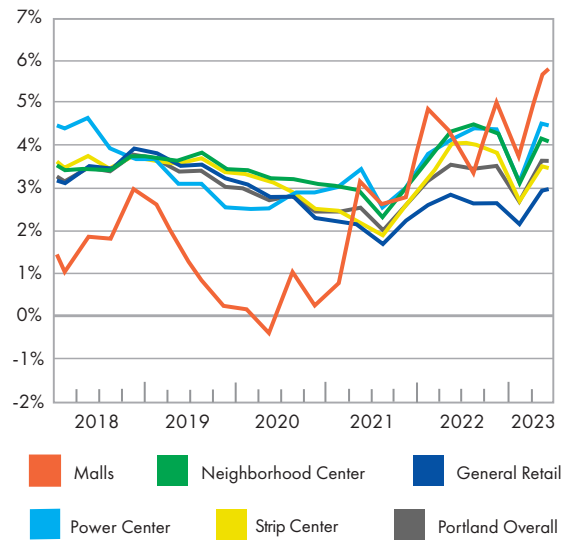
Source: CoStar Group

RENTAL RATES

As of the second quarter of 2023, tight fundamentals in Portland's retail market remain apparent, despite a perceived downturn in leasing that is starting to occur. However, overall, tenant space commitments have been going down significantly since mid-2020. Part of this trend may be attributed to low space availability, which is suppressing leasing on the supply side.

Average quoted rental rates decreased to \$24.43 per square foot per year, compared to \$23.96 per square foot in the first quarter of 2023. Shopping malls saw the largest increase, going from \$25.12 per square foot at the end of the first quarter to \$26.35 per square foot to end the second quarter of 2023.

Market Rent Growth 2018 - 2023



Source: CoStar Group

Construction Activity | Markets Ranked UNDER CONSTRUCTION SF

| Market | Under Construction Inventory | | | | Average Bldg Size | |
|---------------------------|------------------------------|----------------|----------------|--------------|-------------------|---------------|
| | # Bldgs | Total RBA | Preleased SF | Preleased % | All Existing | U/C |
| Hazel Dell/Salmon Creek | 8 | 138,000 | 62,000 | 45.1% | 12,867 | 17,255 |
| Westside Outlying | 9 | 107,000 | 0 | 0% | 9,687 | 11,893 |
| Clark County Outlying | 12 | 78,000 | 61,000 | 78.3% | 8,103 | 6,529 |
| Clackamas/Milwaukie | 4 | 68,000 | 68,000 | 100% | 10,649 | 17,000 |
| St Johns/Cntrl Vancouver | 1 | 50,000 | 50,000 | 100% | 10,370 | 50,000 |
| Sunset Corridor/Hillsboro | 3 | 50,000 | 41,000 | 82.7% | 13,590 | 16,625 |
| Orchards | 2 | 25,000 | 3,000 | 10.6% | 12,307 | 12,311 |
| Lloyd District | 1 | 8,000 | 0 | 0% | 12,329 | 8,261 |
| Mall 205 | 2 | 4,000 | 4,000 | 100% | 8,100 | 2,150 |
| 217 Corridor/Beaverton | 0 | - | - | - | 11,604 | - |
| All Other | 0 | - | - | - | 10,178 | - |
| Totals | 42 | 528,000 | 290,000 | 54.8% | 10,474 | 12,583 |

Source: CoStar Group

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.