

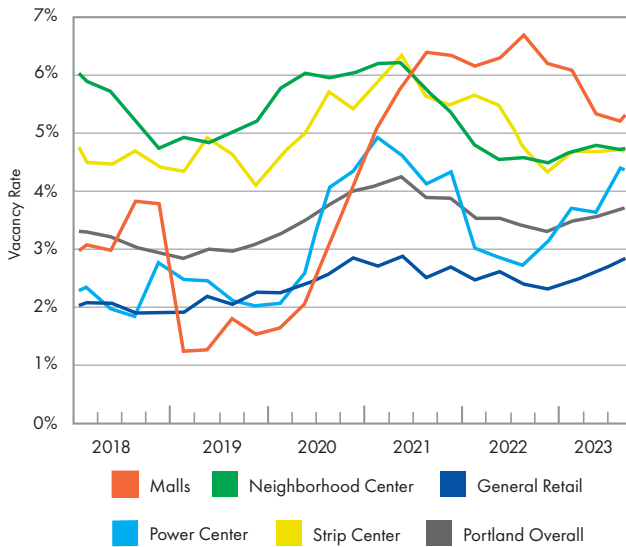
OVERVIEW

Portland's retail market is well-positioned to weather an economic slowdown, having shown steady demand throughout the past year. Notwithstanding the robust leasing activity, a number of recent significant move-outs indicate that the fundamentals may be softening.

As of the third quarter of 2023, tight fundamentals in Portland's retail sector are apparent, despite what looks to be a slowing in leasing starting to occur. Although there may be a supply-side constraint on leasing due to limited space availability, tenant space decommitments have generally been declining since the pandemic's peak.

Vacancy Rates by Building Type

2018 - 2023



Source: CoStar Group

VACANCY

The overall Portland retail vacancy rate increased slightly from the previous quarter, going from 3.6% to 3.7% to end the third quarter.

While the vacancy rate for most retail sectors fluctuated from the previous quarter, shopping malls again saw the largest decrease, going from 6.3% in the second quarter of 2023 to 5.2% in the third quarter.

PORTLAND MARKET SNAPSHOT

VACANCY
3.7%



RENTAL RATE
\$24.35



CONSTRUCTION
533,655 SF



ABSORPTION
(153,039) SF

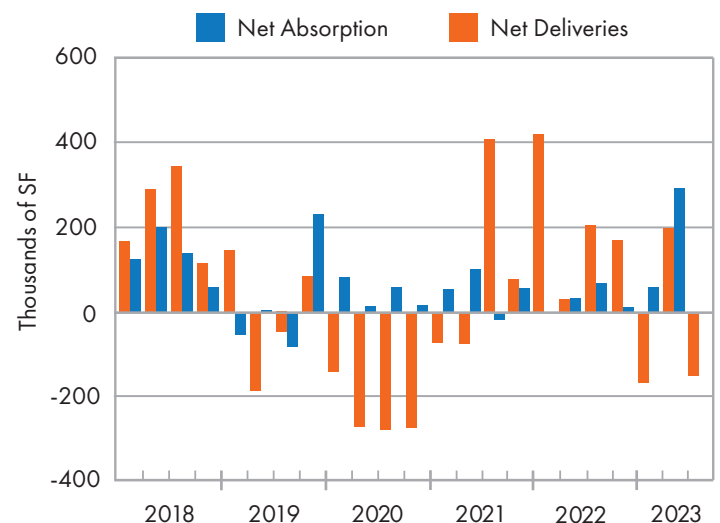


ABSORPTION & DELIVERIES

The Portland Metro posted negative (153,039) square feet in net absorption in the third quarter of 2023, compared to negative (25,925) square feet at the end of the second quarter. Neighborhood Centers posted the highest positive absorption numbers for the third quarter at 27,250 square feet, an increase from the negative (28,520) square feet posted in the second quarter of 2023.

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

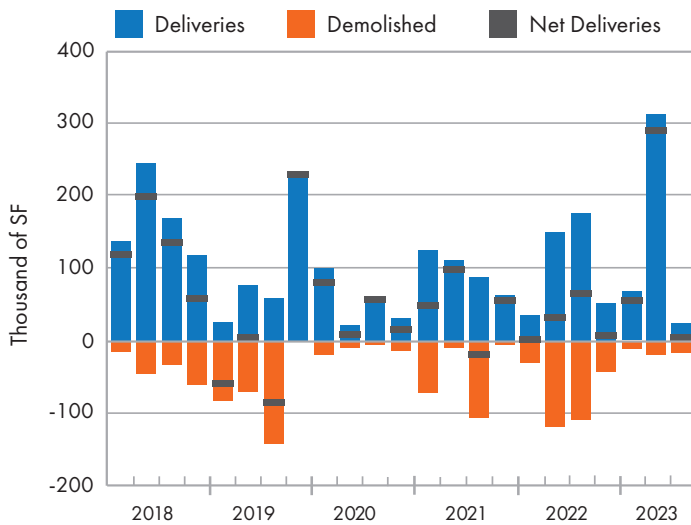
DELIVERIES AND CONSTRUCTION

4,444 square feet of new product was delivered to the marketplace in the third quarter of 2023. 450,000 total square feet has been added to Portland over the past 12 months, and 533,655 square feet still remained under construction as the third quarter came to a close.

A few larger projects set for completion in 2023 and early 2024 include Skyview Station in Vancouver at 80,150 square foot, set for completion in November; and 18618 Burnside, a mixed-use project in East Portland at 22,027 square feet, set for completion in January 2024.

Historical Construction Deliveries & Demolitions

Square Footage Per Quarter



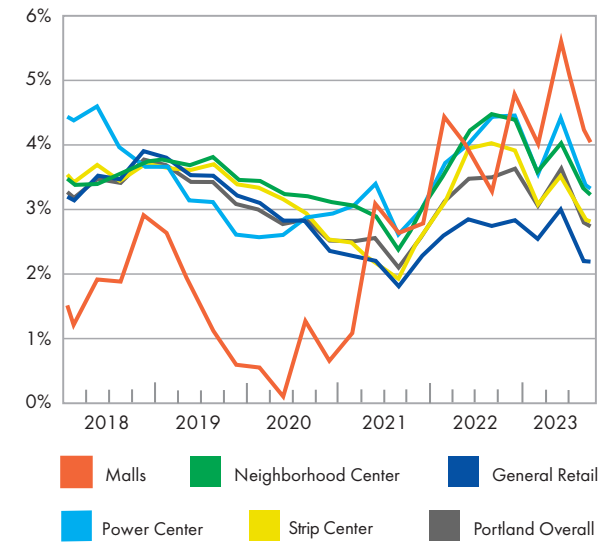
Source: CoStar Group

RENTAL RATES

As of the third quarter of 2023, retail rent growth showed gains of 2.7% year over year, compared to 3.4% advances nationally over the same period. Portland's average yearly rent growth in the past has been 2.0%. However, despite recent advances, it is anticipated that the pace of these increases will slow in upcoming quarters due to macroeconomic headwinds.

Average quoted rental rates decreased to \$24.35 per square foot per year, compared to \$24.43 per square foot in the second quarter of 2023. All sectors saw a decrease in rental rates from the previous quarter, with Power Centers having the most significant decrease, going from \$30.01 per square foot per year to \$29.92 to end the third quarter.

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 | 139,000 | 59,000 | 42.3% | 12,836 | 17,356 |
| Westside Outlying | 10 | 113,000 | 0 | 0% | 9,698 | 11,274 |
| Clark County Outlying | 9 | 61,000 | 46,000 | 75.1% | 8,046 | 6,759 |
| Orchards | 6 | 60,000 | 6,000 | 9.8% | 12,254 | 10,062 |
| St Johns/Central Vancouver | 1 | 50,000 | 50,000 | 100% | 10,633 | 50,000 |
| Sunset Corridor/Hillsboro | 2 | 44,000 | 35,000 | 79.3% | 13,859 | 21,875 |
| SE Outlying | 1 | 30,000 | 30,000 | 100% | 8,018 | 30,466 |
| East Columbia Corridor | 1 | 22,000 | 0 | 0% | 13,245 | 22,027 |
| Clackamas/Milwaukie | 3 | 10,000 | 10,000 | 100% | 10,572 | 3,442 |
| Mall 205 | 2 | 4,000 | 4,000 | 100% | 8,097 | 2,150 |
| All Other | 0 | - | - | - | 10,302 | - |
| Totals | 43 | 534,000 | 240,000 | 45.0% | 10,483 | 12,411 |

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.