

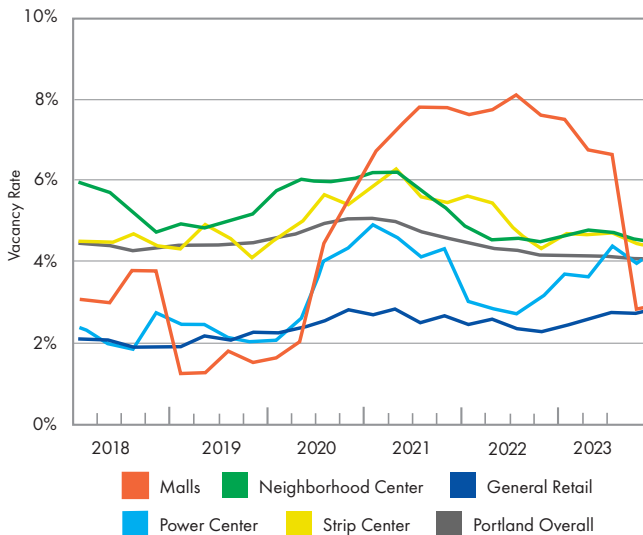
OVERVIEW

In the Portland area, softening demand for retail space has come into view, although the market is still far from imbalanced. Some significant space decommitments during the third quarter of 2023 offset a positive boost in rental activity. However, the region may be able to withstand a possible economic storm if building starts slow down and wage and job growth exceed trends.

Although around 2.1 million square feet worth of deals were signed in 2023, absorption has remained underwhelming due to a string of move-outs from some large scale retailers, including Bed Bath and Beyond, and Regal Cinemas in Mall 205.

Vacancy Rates by Building Type

2018 - 2023



Source: CoStar Group

VACANCY

The overall Portland retail vacancy rate decreased slightly from the previous quarter, going from 3.7% to 3.4% to end the fourth quarter.

While the vacancy rate for most retail sectors fluctuated from the previous quarter, shopping malls again saw the largest decrease, going from 5.2% in the third quarter of 2023 to 2.8% to end the year.

PORTLAND MARKET SNAPSHOT

VACANCY

3.4%



RENTAL RATE

\$24.23



CONSTRUCTION

363,099 SF



ABSORPTION

524,322 SF

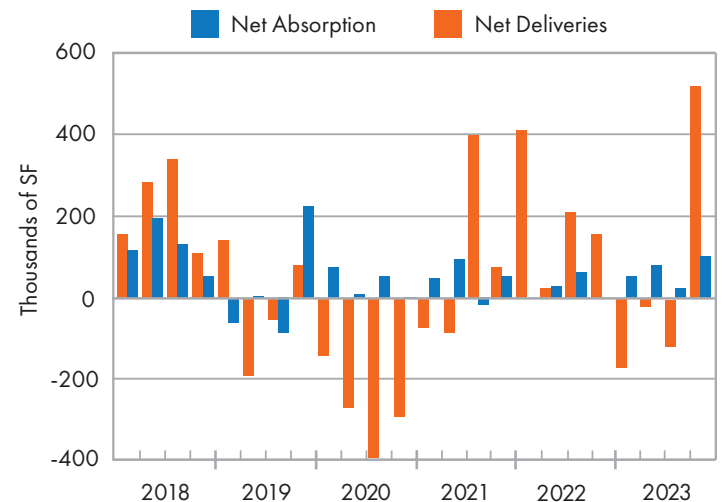


ABSORPTION & DELIVERIES

The Portland Metro posted 524,322 square feet in net absorption in the fourth quarter of 2023, compared to negative (153,039) square feet at the end of the third quarter. The general retail sector—which includes auto dealerships and repair, banks, convenience stores, fast food, and many other products—posted the highest positive absorption numbers for the fourth quarter at 119,888 square feet, an increase from the negative (134,499) square feet posted in the third quarter of 2023.

Absorption & Deliveries

2018 - 2023



Source: CoStar Group

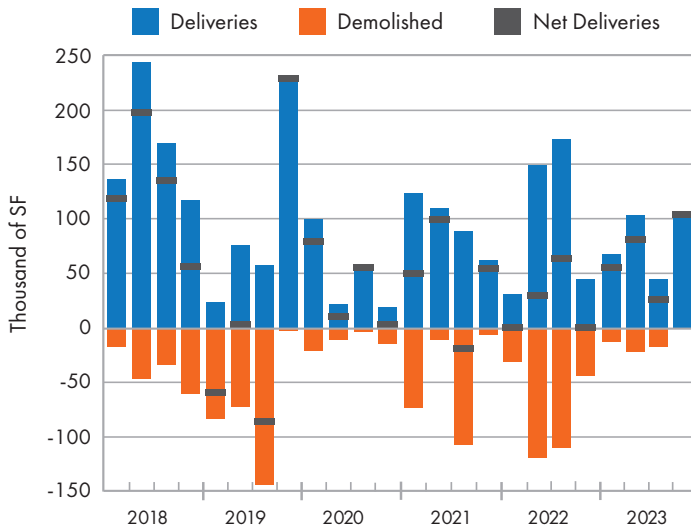
DELIVERIES AND CONSTRUCTION

105,560 square feet of new product was delivered to the marketplace in the fourth quarter of 2023. There was 321,000 total square feet added to Portland over the past 12 months, and 363,099 square feet still remained under construction as the fourth quarter came to a close.

A few larger projects set for completion in early 2024 include Building A at Reed's Crossing Town Center in Beaverton at 43,230 square foot, set for completion in March; and 18618 Burnside, a mixed-use project in east Portland at 22,027 square feet, set for completion in February.

Historical Construction Deliveries & Demolitions

Square Footage Per Quarter



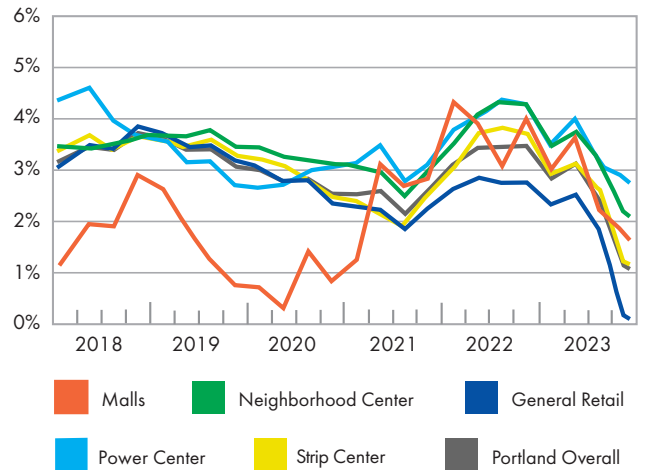
Source: CoStar Group

RENTAL RATES

Portland's suburbs are experiencing some of the greatest rates of rent growth in the metro. Of the top 20 submarkets recording the highest growth figures in the past 12 months, 16 were suburban, with over a third situated on the Washington side of the Columbia River. This is the result of significant population expansion and a surge in purchasing power in Vancouver and the surrounding submarkets.

Average quoted rental rates decreased to \$24.23 per square foot per year, compared to \$24.35 per square foot in the third quarter of 2023. While most sectors saw an increase, general retail and shopping malls both saw a decrease in rates. Shopping malls saw the most significant decrease, going from \$26.05 per square foot in the third quarter to \$25.91 to end the year.

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
Westside Outlying	10	113,000	0	0%	9,698	11,274
Hazel Dell/Salmon Creek	8	80,000	0	0%	12,665	10,019
Sunset Corridor/Hillsboro	2	44,000	35,000	79.3%	13,599	21,875
Clark County Outlying	5	36,000	17,000	46.8%	8,118	7,111
SE Outlying	1	30,000	30,000	100%	8,046	30,466
East Columbia Corridor	1	22,000	0	0%	13,256	22,027
Orchards	1	22,000	0	0%	12,230	22,000
Clackamas/Milwaukie	3	10,000	10,000	100%	10,585	3,442
Lake Oswego/West Linn	1	3,000	0	0%	10,629	2,854
Columbia County	1	2,000	2,000	100%	7,249	1,937
All Other	1	1,000	1,000	100%	10,192	1,300
Totals	34	363,000	95,000	26.3%	10,475	10,679

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.