

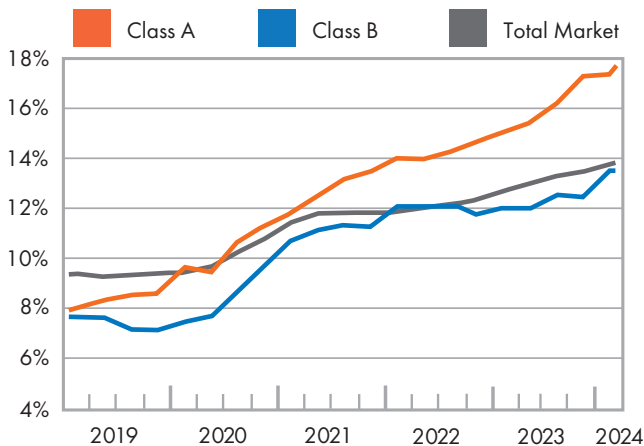
OVERVIEW

A slower employment growth forecast and the persistence of the work-from-home model continue to drive occupancy erosion in Portland's office market. In addition, office occupiers are focusing more on efficiency as opposed to strategies which entail leasing space for future growth.

The fact that Portland is not contending with a massive speculative supply pipeline offers some light at the end of the tunnel. Construction starts during 2023 amounted to less than 400,000 square feet, the third-lowest mark in Portland over the last 20 years.

Vacancy Rates by Class

2019 - 2024



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall office market saw negative (651,538) square feet in net absorption by the end of the first quarter of 2024, compared to negative (336,133) square feet at the end of 2023.

Class A: Negative (178,381) SF
 Class B: Negative (482,406) SF
 Class C: 14,636 SF

PORTLAND MARKET SNAPSHOT

VACANCY
13.2%



RENTAL RATE
\$29.26



CONSTRUCTION
537,714 SF



ABSORPTION
(651,538) SF



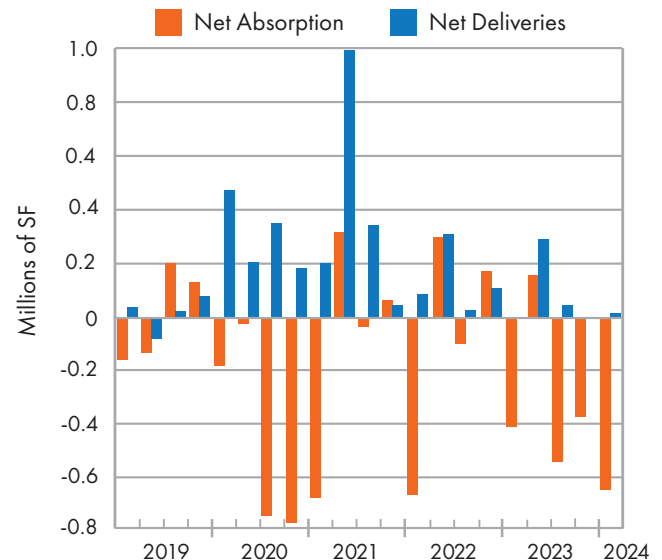
VACANCY

Office vacancies increased from 12.6% in the fourth quarter of 2023 to 13.2%, nearing the national vacancy rate of 13.79%. In part, additional loosening is expected due to businesses reducing their footprints even when they have no plans to relocate. Office sublease availabilities, which are currently at 2.5 million square feet, are still very close to all-time highs.

Class A: 18.9%
 Class B: 13.1%
 Class C: 5.9%

Absorption & Deliveries

2019 - 2024



Source: CoStar Group

DELIVERIES AND CONSTRUCTION

The first quarter of 2024 saw 12,050 square feet of new product delivered to the market, while 537,714 square feet of inventory remains under construction.

Despite the limited pipeline, there are a few projects scheduled for completion in 2024. The Boulder in Lake Oswego will add 10,086 square feet in two phases, with 6,572 square feet completing in May, and 3,514 square feet completing in July. In addition, a 2,628 square foot office building on Fourth Plain Boulevard in Vancouver is set for completion in October. The largest project still under construction is Terminal 1 on Vancouver's waterfront at 360,000 square feet, set for delivery in March 2025.

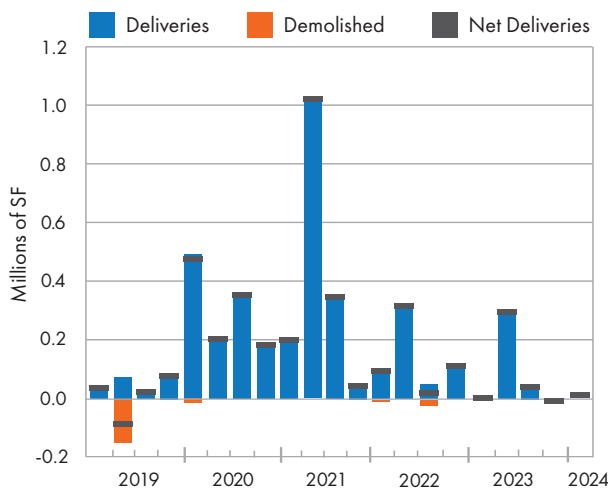
RENTAL RATES

Portland office year-over-year rents posted gains of 1.9%, with a five-year average of 2.1%. As the first quarter of 2024 came to a close, the average quoted asking rental rate for all classes increased slightly from the previous quarter to \$29.26 per square foot. Portland still offers a sizable discount to the national index of \$35.24 per square foot.

Class A:	\$35.44
Class B:	\$28.10
Class C:	\$23.52

Historical Construction Starts & Demolitions

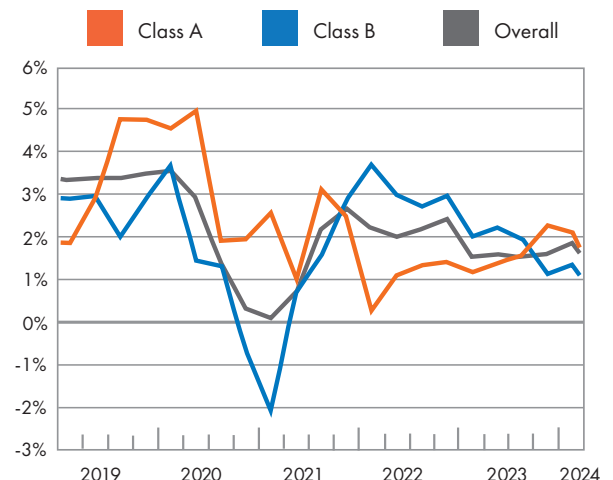
Square Footage Per Quarter



Source: CoStar Group

Market Rent Growth

2019 - 2024



Source: CoStar Group

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
CBD/West Vancouver	2	525,000	334,000	63.6%	12,956	262,500
Lake Oswego/West Linn	2	10,000	7,000	67.4%	7,711	5,043
Orchards	1	3,000	3,000	100%	9,415	2,628
217 Corridor/Beaverton	0	-	-	-	17,152	-
Airport Way	0	-	-	-	17,581	-
Barbur Blvd/Capitol Hwy	0	-	-	-	8,801	-
Camas/Washougal	0	-	-	-	14,646	-
Cascade Park	0	-	-	-	24,738	-
CBD	0	-	-	-	75,345	-
Clackamas/Milwaukie	0	-	-	-	9,054	-
All Other	0	-	-	-	16,264	-
Totals	5	538,000	344,000	63.9%	19,037	107,543

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.