

PORTLAND OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Portland Employment	1.19M	1.22M	▲
Portland Unemployment	3.8%	4.0%	▼
U.S. Unemployment	3.9%	3.6%	▼

* 2019 Q2 data are based on latest available data

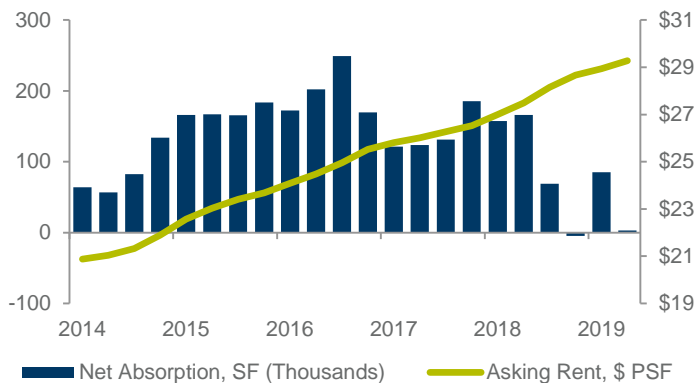
Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	10.5%	10.3%	▲
Net Absorption	295k	-34k	▼
Under Construction	784k	957k	▼
Overall Average Asking Rent	\$27.99	\$29.32	▲

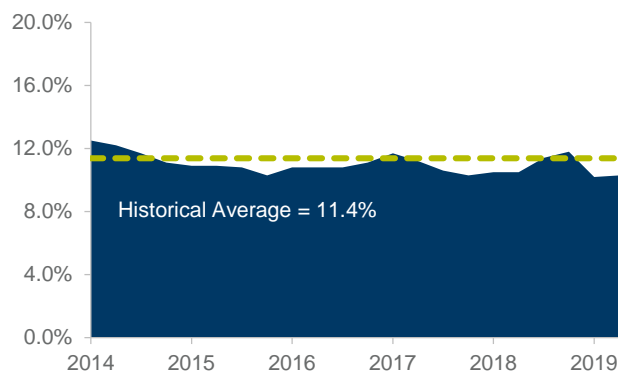
* Rental rates reflect gross asking \$psf/year

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Portland MSA added 24,800 non farm positions year-over-year (YOY) for a record setting total of 1,216,500 jobs. The unemployment rate did tick up by 20 basis points (bps) to close the period at 4.0%. Office-using employment was flat YOY, however it is forecast to rise through the beginning of the next decade.

Market Overview

The overall vacancy rate for the Portland office market closed the second quarter of 2019 at 10.3%, up 10 bps from an adjusted first quarter figure of 10.2% though down 20 bps from the 10.5% recorded one year ago. Over the second quarter, the overall vacancy rate was up by 10 bps in the CBD to 11.3% while flat at 9.2% for the suburban markets. Direct vacancy was essentially level across both the CBD and suburban markets over the quarter with a total of 5.1 million square feet. However, there was some increase in Class B and Class C sublease vacancy in a smattering of properties across the CBD, up 32,000 square feet (sf) and 22,221 sf, respectively.

Year-to-date, net absorption remained in the black for Portland at 157,505 sf though it was just slightly in the red for the second quarter. New leasing activity for the second quarter was 551,935 sf, somewhat below the first quarter reading of 675,934 sf. The suburban markets were minimally lower at 305,752 sf with a sharper drop recorded in the CBD which closed the quarter at 246,183 sf.

As has generally been the case during this economic cycle, average asking rents continued to rise across Portland. The overall market registered a figure of \$29.32 per square foot (psf) in the second quarter, up 1.5% from an adjusted \$28.89 psf in the first quarter and up 4.8% from \$27.99 psf one year ago. The highest asking rents remain in the CBD with the direct Class A figure now at \$37.68 psf, up 3.0% from an adjusted \$36.57 psf in the first quarter.

The investment market was quite active in the second quarter, particularly within the CBD. Properties traded included the 296,000-square-foot Park Square Campus in the Central Core for just over \$326 psf, the 745,000-square-foot Montgomery Park building in Close-In Northwest for \$342 psf and the 287,000-square-foot Field Office complex also in Close-In Northwest for \$411 psf.

Outlook

Certainly the biggest change upcoming for the Portland office market is in regard to new inventory. For the remainder of 2019, there is almost 457,000 sf delivering with 72.0% of that within the CBD. Of the total space completing this year, approximately 18.0% has been pre-leased. In 2020, there will be another 380,000 sf delivering, all within the CBD. One of those properties, 915 SW 2nd Avenue at 179,000 sf, is completely taken by NW Natural, which takes the pre-leasing for that year up to 47.0% thus far.

Another upcoming addition to the CBD was announced in the second quarter, that being a 35-story mixed-use project at SW Alder and 10th Street. The development will consist of a 251-key Ritz-Carlton hotel along with 138 residential condominiums plus 180,000 sf of office space.

MARKETBEAT

Portland, OR

Office Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT AVERAGE ASKING RENT (ALL CLASSES)*	DIRECT AVERAGE ASKING RENT (CLASS A)*
Central Core	142	18,895,999	119,986	2,020,519	11.3%	-45,553	3,823	311,851	\$33.70	\$37.59
Lloyd District	12	1,514,904	0	133,502	8.8%	-7,694	40,339	119,930	\$32.45	\$35.68
Close-in Northwest	57	4,538,639	46,484	602,710	14.3%	4,215	5,185	68,646	\$35.92	\$38.23
Close-in Eastside	50	2,631,912	35,312	145,821	6.9%	13,932	42,434	327,650	\$27.38	\$33.78
CBD (All Classes)	261	27,581,454	201,782	2,902,552	11.3%	-35,100	91,781	828,077	\$33.79	\$37.68
Class A	57	14,590,155	70,453	1,490,120	10.7%	-82,371	-19,095	725,681	\$37.68	N/A
Class B	135	9,581,014	82,874	1,109,800	12.4%	107,096	163,558	102,396	\$30.85	N/A
Class C	69	3,410,285	48,455	302,632	10.3%	-59,825	-52,682	0	\$25.40	N/A
Johns Landing	20	1,534,354	0	112,924	7.4%	-7,244	478	0	\$31.47	\$33.67
Barbur Boulevard	17	680,955	0	44,159	6.5%	-19,809	8,696	0	\$19.00	N/A
Wilsonville	5	368,770	0	1,857	0.5%	987	987	0	\$23.00	N/A
Tualatin	22	1,021,163	0	137,735	13.5%	-1,633	18,506	0	\$25.77	\$25.98
Lake Oswego/Kruse Way	42	2,894,014	46,576	359,112	14.0%	-40,492	-57,544	50,000	\$31.02	\$32.70
Tigard/I-5/Highway 217	56	2,403,338	6,015	163,978	7.1%	37,326	55,316	0	\$21.78	\$27.56
Washington Square	47	2,649,805	40,061	372,532	15.6%	-1,385	-53,136	0	\$22.46	\$26.99
Beaverton/Beaverton Hillsdale	17	779,631	0	71,872	9.2%	2,989	6,233	0	\$17.17	N/A
Cedar Hills/Sylvan	23	1,243,146	0	69,751	5.6%	-16,127	7,844	0	\$22.05	\$31.41
Sunset Corridor	75	4,217,494	19,226	432,978	10.7%	21,497	2,745	0	\$23.91	\$26.09
PORTLAND WEST	324	17,792,670	111,878	1,766,898	10.6%	-23,891	-9,875	50,000	\$25.01	\$29.24
Airport/Columbia Corridor	31	1,141,074	0	82,846	7.3%	8,798	7,113	0	\$18.38	\$22.00
Mall 205/122nd/Gresham	18	568,604	0	17,535	3.1%	1,195	6,289	0	\$18.95	N/A
Sunnyside/Clackamas	18	951,216	2,508	16,926	2.0%	-1,280	26,250	0	\$23.05	\$29.86
Milwaukie/Oregon City	11	370,544	0	3,916	1.1%	-1,392	209	0	\$19.86	N/A
PORTLAND EAST	78	3,031,438	2,508	121,223	4.1%	7,321	39,861	0	\$19.16	\$22.58
Downtown Vancouver	37	2,007,965	5,413	97,285	5.1%	13,321	18,932	0	\$23.85	\$23.78
Suburban Vancouver	61	2,567,388	9,106	214,570	8.7%	4,054	16,806	78,945	\$21.42	\$21.40
VANCOUVER	98	4,575,353	14,519	311,855	7.1%	17,375	35,738	78,945	\$22.18	\$22.21
SUBURBS	500	25,399,461	128,905	2,199,976	9.2%	805	65,724	128,945	\$24.29	\$27.95
PORTLAND TOTALS	761	52,980,915	330,687	5,102,528	10.3%	-34,295	157,505	957,022	\$29.69	\$33.89

*Rental rates reflect gross asking \$psf/year

Cushman & Wakefield reviews and updates data on a quarterly basis to better reflect the Portland market; changes have been made to submarkets and inventory in Q2 2019

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
201 NE 73 rd Street	24,000	Area Agency on Aging of SW Washington	New Lease	Suburban Vancouver
1010 NW Flanders Street	21,078	Skanska	Relocation	Close-In Northwest
1 SW Columbia Street	17,772	Bulivant Hauser Bailey	Relocation	Central Core

Key Sale Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / PRICE PSF	SUBMARKET
Park Square	296,000	WealthCap Portland Park Square / PCCP	\$96,500,000 / \$326	Central Core
2701 NW Vaughn Street (Montgomery Park)	745,000	Bill Naito Company / Partners Group	\$255,000,000 / \$342	Close-In Northwest
2030 NW 17 th Avenue / 2035 NW Front Avenue (Field Office)	287,000	National Real Estate Advisors / Goldman Sachs	\$118,000,000 / \$411	Close-In Northwest

Cushman & Wakefield
200 Market Street
Suite #200
Portland, OR 97201
Tel: +1 503 279 1700
cushmanwakefield.com

For more information, contact:
Robert Sammons
Senior Director
Northern California Research
Tel: +1 415 773 3514
robert.sammons@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.