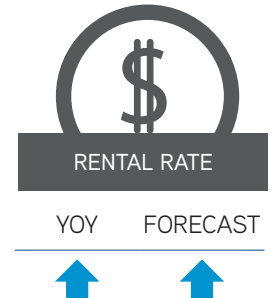
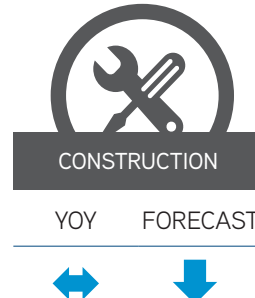


**MARKET INDICATORS**



## Office Market Soars Through 2017

- › The Portland region's office market ended the year with another quarter of reliably strong fundamental results in space absorption, rental rates, development, and investment.
- › A net total of 780k SF of space was absorbed by new tenant occupancies over the year, amidst 600k SF of new product deliveries. With 300k SF of the year's absorption taking place in Q4, the market ended 2017 at a vacancy rate of 9.2%.
- › Although political instability and tenant downsizing resulted in unusual fundamentals in the first quarter of 2017, the office market subsequently recovered and performed consistently for the remainder of the year. (See Colliers' Q1 2017 office report for further discussion.)
- › In terms of rental rates, quoted direct full service pricing remains on an upward trajectory. Class A CBD rates reached \$34.15 PSF full service at the end of the year, while the submarkets adjacent to the CBD trended closely at \$32.24 PSF full service.
- › The construction pipeline remains highly active. 1.15M SF of developments are physically under construction with 31% of this inventory preleased. If recent absorption trends continue, the remaining 69% (or about 800k SF) will likely be leased during 2018 and early 2019. For example, recent leases have been announced or are in final negotiations at Leland James (Jet Reports), Custom Blocks (Archrival), Broadway Tower (Markowitz Herbold), and Heartline, which are not yet showing in the Q4 data.
- › Sales volume ticked up in the final quarter of the year to reach \$461M. CBD investment sales represented \$387M of this total. While no Q4 transaction reached the per-square-foot records set earlier in the year, the institutional viability of downtown Portland's office product remained on display. This was exemplified by transactions such as Wells Fargo Center and 400 SW Sixth, the latter of which is newly represented by Colliers.
- › This quarter, Colliers introduces a revised suite of market surveys which more accurately measure the regional commercial office market. For questions or full data history, please contact Colliers Portland Research.

### Q4 2017 STATS

**9.2%**

VACANCY

**303.9**

THOUSAND SQUARE FEET  
ABSORPTION

**\$30.38**

CLASS A RENT

**\$461M**

- 6 CBD investment sales totaled \$387M and averaged \$293.59 PSF
- 5 suburban investment sales totaled \$63.5M and averaged \$139.52 PSF
- 1 CBD owner/user sale totaled \$4M at \$402.50 PSF
- 2 suburban owner/user sales totaled \$6.5M and averaged \$254.31 PSF

## NOTABLE LEASE TRANSACTIONS

TENANT	PROPERTY	SUBMARKET	SF	TYPE
McAfee (restatement from Q3)	55 West Bldg 3	Sunset Corridor/Hillsboro	98,820	N
Amazon	Broadway Tower	CBD	83,995	N
Iovation	US Bancorp (Plaza)	CBD	62,033	S
Oregon State University	Meier & Frank	CBD	39,500	N
Adpearance	Field Office - West	CBD	30,865	N

N = NEW R = RENEWAL S = SUBLEASE ^ = FULL BUILDING LEASE

## NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	PRICE	PRICE/SF	TYPE	SELLER	BUYER
Wells Fargo Center	CBD	\$188,000,000	\$212.44	I	Wells Fargo	Starwood
400 SW 6th Avenue	CBD	\$68,000,000	\$314.81	I	Felton Properties	SteelWave
CH2M Center (recapitalization)	CBD	\$65,000,000	\$288.55	I	SKB/Goldman Sachs	SKB/Oaktree
William Barnhardt Center	Sunset Corridor	\$39,750,000	\$187.62	I	National Financial Realty	Consolidated-Tomoka
U.S. Custom House	CBD	\$30,000,000	\$448.20	I	Eastern Real Estate	Vista Investment
Captain Couch, Merchant & Norton House	CBD	\$19,000,000	\$215.67	I	Swift	NBP Capital

I = INVESTMENT O/U = OWNER/USER S/L = SALE/LEASE BACK

## NOTABLE DEVELOPMENT PROJECTS

PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	PRELEASE	DELIVERY	TYPE
Field Office - East & West	NW Close-In	project^	330,208	30%	Q1 2018	N
Clay Pavilion	Central Eastside	Killian Pacific	75,000	84%	Q1 2018	N
Custom Blocks - North & South	Central Eastside	Capstone Partners/ Premium Property USA	71,594	0%	Q1 2018	AR
Heartline (Pearl Block 136)	CBD	Security Properties	70,702	1%	Q1 2018	N
2424 SE 9th Ave	Central Eastside	SolTerra Systems	35,000	68%	Q1 2018	N
Flatiron PDX	NE Close-In	Southern Miss, LLC	24,300	19%	Q1 2018	N
Redfox Commons	Guilds Lake	L&L Investment Partners	60,000	7%	Q2 2018	AR
*The Silica	NE Close In	Rujax V, LLC	31,000	24%	Q2 2018	N
9North	CBD	Williams & Dame/Miller Global	202,168	0%	Q3 2018	N
*The Waterfront Block 6	West Vancouver CBD	Gramor	77,000	45%	Q3 2018	N
Broadway Tower (office portion)	CBD	BPM Real Estate	177,800	66%	Q4 2018	N
<b>Total</b>			<b>1,154,772</b>	<b>31%</b>		

N = NEW CONSTRUCTION AR = ADAPTIVE REUSE R = RENOVATION

## DELIVERIES

PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	PRELEASE	TYPE
Leland James	NW Close-In	Cairn Pacific/Capstone Partners	118,000	28%	AR
12th & Morrison	CBD	Menashe Properties	62,381	54%	N
Columbia Tech Center Bldg 649	Cascade Park	PacTrust	34,700	100%	N
The Geode	SE Close-In	Eichinger	25,000	43%	AR
<b>Total</b>			<b>240,081</b>	<b>47%</b>	

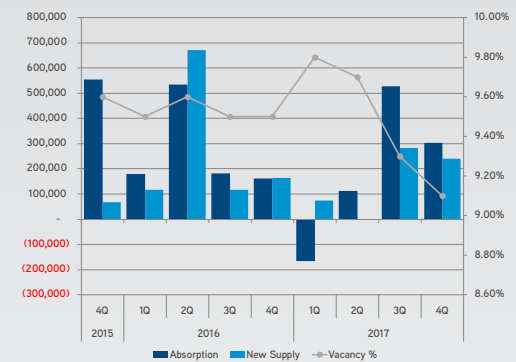
N = NEW CONSTRUCTION AR = ADAPTIVE REUSE R = RENOVATION

\*Indicates Colliers International Representation

## Summary Statistics

Portland Office Market	Q4 2017	Q3 2017	Q4 2016
New Supply (Thousand Square Feet)	240.1	283.5	163.1
Absorption (Thousand Square Feet)	303.9	528.2	162.1
Vacancy Rate	9.2%	9.3%	9.5%
Quarterly Change (basis points)	-10	-40	0
Under Construction (Thousand Square Feet)	1,154.8	1,394.9	1,151.3

## Class A/B/C Office Absorption, New Supply & Vacancy Trends

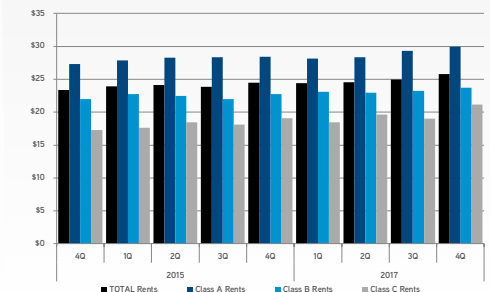


## Average Rental Rates

Per Square Foot Per Year

Portland Office Market	Q4 2017	Q3 2017	Q4 2016
Class A	\$30.38	\$29.79	\$29.34
QUARTERLY CHANGE	2.0%	2.6%	1.1%
ANNUAL CHANGE	3.5%	2.7%	6.0%
Class B	\$23.76	\$23.24	\$22.72
QUARTERLY CHANGE	2.2%	0.9%	3.3%
ANNUAL CHANGE	4.6%	5.7%	3.6%

## Class A/B/C Office Rent Trends



# PORTLAND-METRO OFFICE MARKET

Existing Properties		Direct Vacancy		Sublease Vacancy		Total Vacancy			Net Absorption SF		New Supply SF		New Construction & Adaptive Reuse	Avg. Direct Asking Rate (Full Service Annual)
Market Sector	*Inventory	SF	%	SF	%	SF	Current Quarter	Prior Quarter	Current Quarter	YTD	Current Quarter	YTD		
<b>CBD</b>														
Class A	11,785,645	972,285	8.2%	38,940	0.3%	1,011,225	8.6%	10.0%	167,273	396,529	-	-	780,878	\$34.15
Class B	8,175,909	949,942	11.6%	-	0.0%	949,942	11.6%	12.0%	87,216	133,413	62,381	89,566	-	\$29.83
Class C	3,202,877	303,867	9.5%	6,992	0.2%	310,859	9.7%	8.7%	(33,283)	(75,404)	-	-	-	\$24.50
<b>Total</b>	<b>23,164,431</b>	<b>2,226,094</b>	<b>9.6%</b>	<b>45,932</b>	<b>0.2%</b>	<b>2,272,026</b>	<b>9.8%</b>	<b>10.5%</b>	<b>221,206</b>	<b>454,538</b>	<b>62,381</b>	<b>89,566</b>	<b>780,878</b>	<b>\$30.86</b>
<b>CBD PERIMETER</b>														
Class A	2,435,426	174,382	7.2%	3,931	0.2%	178,313	7.3%	3.0%	10,216	(1,307)	118,000	118,000	75,000	\$32.24
Class B	4,798,183	439,031	9.1%	17,614	0.4%	456,645	9.5%	11.7%	128,262	98,033	25,000	228,836	166,594	\$27.45
Class C	2,503,552	91,128	3.6%	8,110	0.3%	99,238	4.0%	3.0%	(22,904)	(37,232)	-	-	-	\$22.92
<b>Total</b>	<b>9,737,161</b>	<b>704,541</b>	<b>7.2%</b>	<b>29,655</b>	<b>0.3%</b>	<b>734,196</b>	<b>7.5%</b>	<b>7.4%</b>	<b>115,574</b>	<b>59,494</b>	<b>143,000</b>	<b>346,836</b>	<b>241,594</b>	<b>\$27.38</b>
<b>WESTSIDE</b>														
Class A	2,806,215	433,137	15.4%	26,914	1.0%	460,051	16.4%	14.3%	(58,454)	(45,830)	-	-	-	\$25.04
Class B	8,221,121	805,969	9.8%	29,946	0.4%	835,915	10.2%	10.1%	(3,311)	66,183	-	108,698	-	\$20.21
Class C	1,820,759	89,322	4.9%	-	0.0%	89,322	4.9%	5.1%	3,489	10,908	-	-	-	\$15.81
<b>Total</b>	<b>12,848,095</b>	<b>1,328,428</b>	<b>10.3%</b>	<b>56,860</b>	<b>0.4%</b>	<b>1,385,288</b>	<b>10.8%</b>	<b>10.3%</b>	<b>(58,276)</b>	<b>31,261</b>	-	<b>108,698</b>	-	<b>\$21.28</b>
<b>I-5 SOUTH</b>														
Class A	3,323,644	459,554	13.8%	14,309	0.4%	473,863	14.3%	12.8%	(48,542)	(74,131)	-	-	-	\$30.36
Class B	3,685,843	428,715	11.6%	22,482	0.6%	451,197	12.2%	11.2%	(21,992)	(14,169)	-	-	-	\$22.63
Class C	1,062,494	47,535	4.5%	-	0.0%	47,535	4.5%	4.6%	1,442	(3,536)	-	-	-	\$19.58
<b>Total</b>	<b>8,071,981</b>	<b>935,804</b>	<b>11.6%</b>	<b>36,791</b>	<b>0.5%</b>	<b>972,595</b>	<b>12.0%</b>	<b>11.0%</b>	<b>(69,092)</b>	<b>(91,836)</b>	-	-	-	<b>\$26.94</b>
<b>EASTSIDE</b>														
Class A	1,103,774	21,568	2.0%	-	0.0%	21,568	2.0%	2.2%	3,200	66,527	-	-	55,300	\$27.68
Class B	2,971,728	74,452	2.5%	5,292	0.2%	79,744	2.7%	3.6%	25,824	138,077	-	17,495	-	\$18.80
Class C	2,008,664	115,041	5.7%	-	0.0%	115,041	5.7%	5.3%	(7,912)	12,550	-	-	-	\$13.86
<b>Total</b>	<b>6,084,166</b>	<b>211,061</b>	<b>3.5%</b>	<b>5,292</b>	<b>0.1%</b>	<b>216,353</b>	<b>3.6%</b>	<b>3.9%</b>	<b>21,112</b>	<b>217,154</b>	-	<b>17,495</b>	<b>55,300</b>	<b>\$19.36</b>
<b>CLARK COUNTY</b>														
Class A	2,348,163	144,924	6.2%	-	0.0%	144,924	6.2%	9.0%	67,158	49,513	-	-	77,000	\$25.50
Class B	4,511,183	426,266	9.4%	6,449	0.1%	432,715	9.6%	9.4%	24,403	79,342	34,700	34,700	-	\$16.79
Class C	841,172	48,417	5.8%	-	0.0%	48,417	5.8%	3.6%	(18,232)	(15,604)	-	-	-	\$18.73
<b>Total</b>	<b>7,700,518</b>	<b>619,607</b>	<b>8.0%</b>	<b>6,449</b>	<b>0.1%</b>	<b>626,056</b>	<b>8.1%</b>	<b>8.7%</b>	<b>73,329</b>	<b>113,251</b>	<b>34,700</b>	<b>34,700</b>	<b>77,000</b>	<b>\$19.67</b>
<b>GRAND TOTAL</b>	<b>67,648,612</b>	<b>6,022,840</b>	<b>8.9%</b>	<b>180,979</b>	<b>0.3%</b>	<b>6,203,819</b>	<b>9.2%</b>	<b>9.3%</b>	<b>303,853</b>	<b>778,485</b>	<b>240,081</b>	<b>597,295</b>	<b>1,154,772</b>	<b>\$25.87</b>
<b>AGGREGATE MARKETS QUARTERLY COMPARISON AND TOTALS</b>														
2017 4Q	67,648,612	6,022,840	8.9%	180,979	0.3%	6,203,819	9.2%	9.3%	303,853	778,485	240,081	597,295	1,154,772	\$25.87
2017 3Q	67,408,531	5,999,927	8.9%	250,906	0.4%	6,250,833	9.3%	9.7%	528,200	474,632	283,526	357,214	1,394,853	\$24.95
2017 2Q	67,125,005	6,109,121	9.1%	386,386	0.6%	6,495,507	9.7%	9.8%	111,778	(53,568)	-	73,688	1,510,379	\$24.68
2017 1Q	67,125,005	6,152,585	9.2%	454,700	0.7%	6,607,285	9.8%	9.5%	(165,346)	(165,346)	73,688	73,688	1,386,079	\$24.52
2016 4Q	67,051,317	5,937,781	8.9%	430,470	0.6%	6,368,251	9.5%	9.5%	162,134	1,059,656	163,148	1,068,153	1,151,305	\$24.59

\* Total inventory is the total square footage of gross rentable area (GRA) or rentable building area (RBA) in a specific market. Colliers only includes building with a minimum size threshold of 10,000 square feet (RBA) or more, and excludes government-owned buildings (Ex: Federal Buildings, City Hall, Courthouses) and certain medical facilities that are located on and owned and operated by hospitals, education institutions, among others (Ex: OHSU/Providence). In special cases, large owner-user facilities are also excluded as they may heavily distort market statistics (Ex: Intel). Generally, private market owner/user facilities are included in the inventory. For specific buildings and inventory criteria, please consult Colliers International.

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68 countries

\$2.6

billion in  
annual revenue

2

billion square feet  
under management

15,000

professionals  
and staff

\$105

billion in  
total transaction value

\*All statistics are for 2016, are in U.S. dollars  
and include affiliates.

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