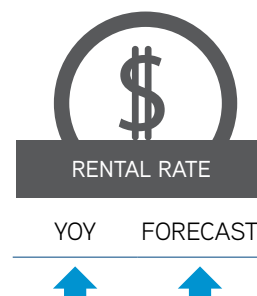
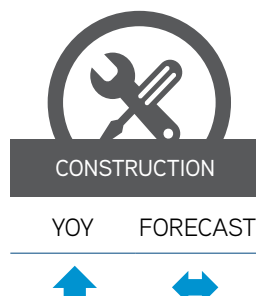
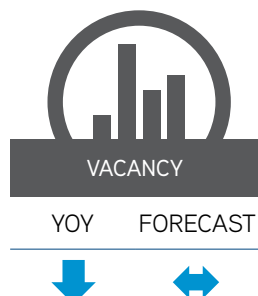


MARKET INDICATORS



Net Absorption Rebounds in Q2

- › One of the standout observations in last quarter’s office market was the negative net absorption number. As additional first-quarter move-ins were reported after the fact, Q1’s absorption total has been revised, but remains negative at around -80k SF. (Absorption is the net of tenants physically moving in to occupy space versus tenants moving out of occupied space.)
- › During Q2, tenant move-ins strongly outpaced move-outs, resulting in over 200k SF of net positive space absorption. This aligns with expectations that late 2016 and early 2017 lease executions would drive a return to positive absorption in Q2 as those tenants took occupancy.
- › CBD absorption was strong in Q2, a counterpoint to the negative absorption in the group of submarkets surrounding the CBD (referred to in this report as “CBD Perimeter”^{*}).
 - Rental rates in these close-in submarkets have been increasing quickly in recent quarters. This helps explain the CBD Perimeter’s negative Q2 absorption as tenants sought more options and affordability elsewhere—including in the CBD.
 - In Q2 2017, the CBD’s quoted Class A full-service direct rental rate of \$32.40/SF declined \$0.04 or -0.1% versus the same period a year ago. It is 15.7% higher than the same period 3 years ago, and 26.2% higher than the same period 5 years ago.
 - For comparison, in Q2 2017, the CBD Perimeter’s quoted Class A full-service direct rental rate of \$30.98/SF is 3.1% greater than the same period last year, 24.3% greater than 3 years ago, and 31.9% greater than 5 years ago.
- › The development pipeline remains steady for the time being, with around 1.5M SF under construction in Q1 and Q2 2017. 28.5% of this pipeline is now preleased, up from 10.5% in Q1.
- › 1320 Broadway set a new high-water mark by selling for \$540/SF, and yet early Q3’s sale of Pearl West surpasses this at \$563/SF.

^{*}CBD Perimeter includes the Lloyd District, SE Close-In, Johns Landing, SW Close-In, NW Close-In, and Guild’s Lake submarkets.

Q2 2017 STATS

8.2%

VACANCY

228.6

THOUSAND SQUARE FEET
ABSORPTION

\$29.05

CLASS A RENT

\$181M

- 2 CBD investment sales totaled \$106M and averaged \$341.89/SF
- 6 suburban investment sales totaled \$71M and averaged \$164.06/SF
- One CBD owner/user sale totaled \$2.6M at \$260/SF
- One suburban owner/user sale totaled \$1.4M at \$106.94/SF

NOTABLE LEASE TRANSACTIONS

TENANT	PROPERTY	SUBMARKET	SF	TYPE
*Autodesk	Towne Storage	Central Eastside	108,750	N^
adidas	Montgomery Park	NW Close-In	79,657	N
Farmer's Insurance	Pacific Parkway Center Bldg A	Tigard	40,250	N^
Confidential	*6430 SE Lake Rd	Clackamas/Milwaukie	17,495	N^
Kittelson & Associates, Inc.	*Pacific Center	CBD	16,537	N

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

NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	PRICE	PRICE/SF	TYPE	SELLER	BUYER
1320 Broadway	CBD	\$95,000,000	\$539.77	I	URG & Clarion	Credit Suisse
Sunset Corporate Park Phase I Bldgs A, B, C	Sunset Corridor/Hillsboro	\$24,500,000	\$191.80	I	Lone Star Funds	Swift
AmberGlen Corporate Center (2 bldgs)	Sunset Corridor/Hillsboro	\$18,850,000	\$123.90	I	AmberGlen Properties, LP	Swift
Summerlinn Center	Lake Oswego/West Linn	\$14,900,000	\$229.53	I	BHSUM, LLC	*S&G Properties NW
The Marquam Building	CBD	\$10,800,000	\$144.00	I	Weston	*Bixby Land Co.
Parkway Plaza III	Vancouver Mall	\$7,250,000	\$136.87	I	*Specht	*Winkler Dev.
501 NE Hood Ave	Gresham	\$4,050,000	\$177.73	I	501 Hood Group, LLC	Staffordshire Properties
50 SW Pine St	CBD	\$2,600,000	\$260.00	"S/L O/U"	Kappes Miller Mgmt	Kaplan Law, LLC
3205 NE 78th St	Hazel Dell/Salmon Creek	\$1,360,500	\$106.94	O/U	Strawn Properties	Hidden Glen, LLC
11130 SW Barbur Blvd	Barbur Blvd/Capitol Hwy	\$1,345,000	\$124.54	I	TP, LLC	ORMARK, LLC

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

NOTABLE DEVELOPMENT PROJECTS

PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	DELIVERY	TYPE
Leland James	NW Close-In	Cairn Pacific/Capstone Partners	118,000	Q3 2017	AR
Towne Storage	Central Eastside	Sentinal Development/Westport Capital	108,750	Q3 2017	AR
Under Armour	Barbur Blvd/Capitol Hwy	Interurban Development	108,698	Q3 2017	AR
1127 SW Morrison St	CBD	Menashe Properties & North Rim	62,381	Q3 2017	N
*Fair-Haired Dumbbell	Central Eastside	Guerilla Development	46,511	Q3 2017	N
2424 SE 9th Ave	Central Eastside	SolTerra Systems	35,000	Q3 2017	N
*The Waterfront Block 6	West Vancouver CBD	Gramor	77,000	Q4 2017	N
Custom Blocks - North & South	Central Eastside	Capstone Partners/Premium Prop.	71,594	Q4 2017	AR
Heartline (Pearl Block 136)	CBD	Security Properties	70,702	Q4 2017	N
*6430 SE Lake Rd	Clackamas Milwaukie	Day Management Corp	17,495	Q4 2017	N
Field Office - East & West	NW Close-In	project^	330,208	Q1 2018	N
Clay Pavilion	Central Eastside	Killian Pacific	75,000	Q1 2018	N
The Geode	SE Close-In	Eichinger	25,000	Q2 2018	AR
Southern Miss/Flatiron PDX	NE Close-In	Southern Miss, LLC	24,300	Q2 2018	N
9North	CBD	Williams & Dame/Miller Global	202,168	Q3 2018	N
Broadway Tower (office portion)	CBD	BPM Real Estate	177,800	Q3 2018	N

N = NEW CONSTRUCTION AR = ADAPTIVE REUSE R = RENOVATION

DELIVERIES

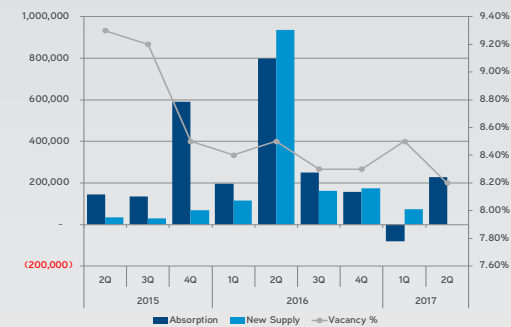
PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	TYPE
1010 Flanders (Ballou & Wright)	CBD	Specht	55,817	R
The Pettygrove Building	NW Close-In	Kensington Investment Group	45,000	R
The Merchant Banker	CBD	Parker J McNulty	29,370	R

N = NEW CONSTRUCTION AR = ADAPTIVE REUSE R = RENOVATION

Summary Statistics

Portland Office Market	Q2 2017	Q1 2017	Q2 2016
New Supply (Thousand Square Feet)	0.0	74.0	936.1
Absorption (Thousand Square Feet)	228.6	-80.9	798.4
Vacancy Rate	8.2%	8.5%	8.5%
Quarterly Change (basis points)	-30	+20	-10
Under Construction (Thousand Square Feet)	1,529.3	1,405.0	850.6

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

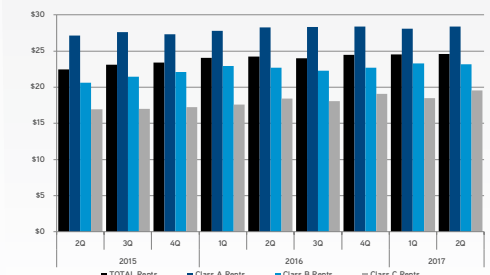


Average Rents

Per Square Foot Per Year

Portland Office Market	Q2 2017	Q1 2017	Q2 2016
Class A	\$29.05	\$28.68	\$28.73
QUARTERLY CHANGE	1.3%	-1.9%	1.6%
ANNUAL CHANGE	1.1%	1.4%	4.7%
Class B	\$23.28	\$23.46	\$22.69
QUARTERLY CHANGE	-0.8%	3.4%	-1.4%
ANNUAL CHANGE	2.6%	2.0%	10.1%

Class A/B/C Office Rent Trends



*Indicates Colliers International Representation

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		
CBD														
Class A	11,961,952	1,205,265	10.1%	137,399	1.1%	1,342,664	11.2%	11.6%	48,752	(2,628)	-	-	450,670	\$32.40
Class B	9,641,777	883,846	9.2%	14,820	0.2%	898,666	9.3%	10.8%	141,457	157,914	-	27,525	62,381	\$29.89
Class C	3,699,493	281,087	7.6%	2,302	0.1%	283,389	7.7%	8.0%	13,219	11,671	-	-	-	\$24.08
Total	25,303,222	2,370,198	9.4%	154,521	0.6%	2,524,719	10.0%	10.7%	203,428	157,167	-	27,525	513,051	\$30.06
CBD PERIMETER														
Class A	2,523,840	72,052	2.9%	-	0.0%	72,052	2.9%	2.5%	(9,622)	(13,046)	-	-	523,208	\$30.98
Class B	6,140,629	432,010	7.0%	18,610	0.3%	450,620	7.3%	5.9%	(88,649)	(57,389)	-	46,503	286,855	\$26.81
Class C	3,040,281	95,560	3.1%	3,500	0.1%	99,060	3.3%	3.2%	(3,286)	(2,945)	-	-	-	\$21.56
Total	11,704,750	599,622	5.1%	22,110	0.2%	621,732	5.3%	4.4%	(101,557)	(73,380)	-	46,503	810,063	\$26.37
WESTSIDE														
Class A	4,128,437	375,610	9.1%	44,422	1.1%	420,032	10.2%	11.6%	57,118	18,978	-	-	-	\$24.79
Class B	11,377,840	883,474	7.8%	22,140	0.2%	905,614	8.0%	8.3%	34,636	57,682	-	-	108,698	\$20.35
Class C	1,894,159	79,891	4.2%	-	0.0%	79,891	4.2%	4.3%	1,183	18,985	-	-	-	\$16.50
Total	17,400,436	1,338,975	7.7%	66,562	0.4%	1,405,537	8.1%	8.6%	92,937	95,645	-	-	108,698	\$21.24
I-5 SOUTH														
Class A	3,403,818	455,923	13.4%	17,235	0.5%	473,158	13.9%	12.5%	(49,258)	(73,426)	-	-	-	\$28.99
Class B	4,009,798	445,745	11.1%	55,840	1.4%	501,585	12.5%	12.6%	4,149	(23,411)	-	-	21,000	\$22.90
Class C	1,176,868	55,721	4.7%	-	0.0%	55,721	4.7%	4.9%	1,562	(3,870)	-	-	-	\$13.84
Total	8,590,484	957,389	11.1%	73,075	0.9%	1,030,464	12.0%	11.5%	(43,547)	(100,707)	-	-	21,000	\$25.34
EASTSIDE														
Class A	1,773,405	46,752	2.6%	4,306	0.2%	51,058	2.9%	4.2%	23,295	56,525	-	-	24,300	\$24.46
Class B	5,274,818	206,978	3.9%	-	0.0%	206,978	3.9%	4.8%	43,967	32,492	-	-	17,495	\$20.11
Class C	3,176,512	142,619	4.5%	-	0.0%	142,619	4.5%	4.2%	(9,688)	(7,669)	-	-	-	\$10.51
Total	10,224,735	396,349	3.9%	4,306	0.0%	400,655	3.9%	4.5%	57,574	81,348	-	-	41,795	\$19.19
CLARK COUNTY														
Class A	2,348,163	185,395	7.9%	-	0.0%	185,395	7.9%	8.2%	8,036	9,042	-	-	-	\$24.23
Class B	4,508,310	481,662	10.7%	5,000	0.1%	486,662	10.8%	11.0%	10,968	(20,545)	-	-	34,700	\$16.32
Class C	790,409	33,265	4.2%	-	0.0%	33,265	4.2%	4.3%	724	(952)	-	-	-	\$15.34
Total	7,646,882	700,322	9.2%	5,000	0.1%	705,322	9.2%	9.3%	19,728	(12,455)	-	-	34,700	\$18.30
GRAND TOTAL	80,962,303	6,343,275	7.8%	325,574	0.4%	6,668,849	8.2%	8.5%	228,563	147,618	-	74,028	1,529,307	\$24.77
AGGREGATE MARKETS QUARTERLY COMPARISON AND TOTALS														
2017 2Q	80,962,303	6,343,275	7.8%	325,574	0.4%	6,668,849	8.2%	8.5%	228,563	147,618	-	74,028	1,529,307	\$24.77
2017 1Q	80,962,303	6,493,433	8.0%	403,979	0.5%	6,897,412	8.5%	8.3%	(80,945)	(80,945)	74,028	74,028	1,405,007	\$24.64
2016 4Q	80,888,275	6,362,690	7.9%	379,749	0.5%	6,742,439	8.3%	8.3%	155,759	1,400,794	173,948	1,387,947	1,149,573	\$24.56
2016 3Q	80,714,327	6,406,388	7.9%	317,862	0.4%	6,724,250	8.3%	8.5%	250,076	1,245,035	161,494	1,213,999	913,437	\$23.95
2016 2Q	80,552,833	6,529,968	8.1%	282,864	0.4%	6,812,832	8.5%	8.4%	798,382	994,959	936,074	1,052,505	850,620	\$24.19

* 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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