

OFFICE REPORT

Portland Metro Area

Portland's **Central City** vacancy rate barely increased to 9.48% during Third Quarter 2015. Despite a higher vacancy rate, demand and leasing activity remained robust this quarter with speculative office construction gaining traction for the first time since the Great Recession. Proposals have increased and 8 projects totaling 662,402 sf are currently under construction.

In the CBD, Moda Health Services Group expanded its presence with an additional 16,700 sf at Moda Tower. CDK Global downsized by 24,564 sf with their 90,000 sf lease renewal at CDK Plaza, and Examworks LLC leased 14,504 sf and will move-in by First Quarter 2016. In the Lloyd/Central Eastside, Hanna Andersson moved into its newly renovated 51,335 sf at 541 NE 20th Avenue. In the Northwest, the Pacific Northwest College of Art moved into 31,644 sf at 321 Glisan.

The **Suburban's** office vacancy rate dropped to 12.63% with significant activity owed to the Sunset Corridor submarket. Nike was the biggest driver behind that submarket's low 8.68% vacancy rate, and the sports-wear juggernaut committed to the largest lease of the quarter with more than 100,000 sf at AmberGlen Business Center.

Vancouver office vacancy dipped to 12.55%. The Hudson Building, a new creative office building located at 101 E 6th Street, will deliver 45,000 sf of Class B office space by December 2015. The highly anticipated \$1.5 billion Waterfront project completed infrastructure construction in September. The sprawling 32-acre site is master-planned to include 1 million sf of office space.

Creative office users have long favored the natural aesthetic of exposed wood. Now, thanks to the technology of cross laminated timber (CLT), Portland is leading the charge for more commercial use with the hopes to boost local timber and manufacturing jobs in the process. The Framework project, a proposed 12-story office in the Pearl District, was announced with the expectation to break ground in October 2016. The CLT project was one of two winners in the U.S. Tall Wood Building Prize competition and earned a \$1.5 million prize.

Featured Deal

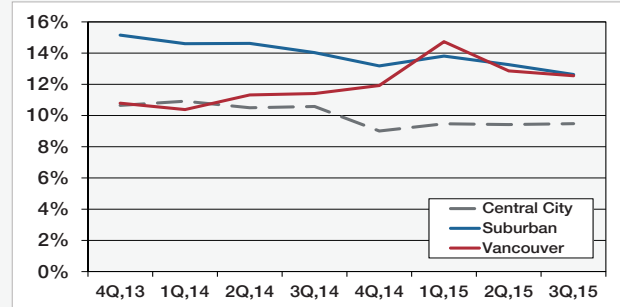


Nike Lease

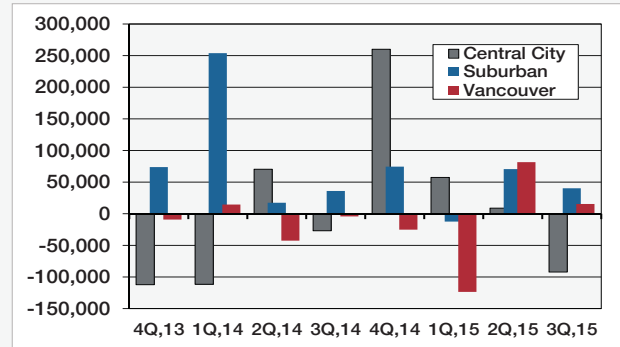
Nike, Inc. has signed the largest office deal to date in the Portland metro area, inking a 105,005 sf lease at the AmberGlen Business Center campus managed by Unico Properties. NAI NBS' President Chris Johnson, Senior VP MaryKay West and VP Brandon Frank represented the lessor, AmberGlen Office Corporation. Executive Managing Director Bradford Fletcher of Newmark Grubb Knight Frank represented the lessee.



Vacancy Comparison (%)



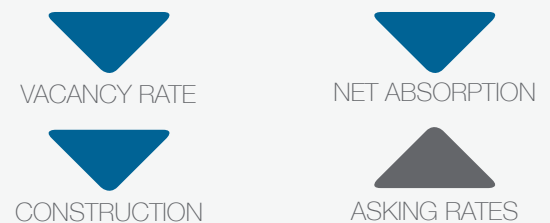
Absorption Comparison



Central City Trends for 3Q15



Suburban Trends for 3Q15



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3Q15

Portland Metro Area

Market Overview*

SUBMARKET	# BLDGS.	INVENTORY (SF)	DIRECT AVAILABLE (SF)	DIRECT VACANCY(%)	TOTAL ABSORPTION	UNDER CONSTRUCTION
CENTRAL CITY*						
Central Business District	117	14,657,460	1,490,757	10.17	(187,526)	255,638
Lloyd District/Central Eastside	22	2,375,694	191,390	8.06	69,548	130,840
Northwest	30	3,042,398	220,543	7.25	25,704	275,924
TOTAL	169	20,075,552	1,902,690	9.48	(92,274)	662,402
SUBURBAN*						
Sunset Corridor	66	3,245,579	281,558	8.68	(12,700)	0
Central 217	35	1,864,154	403,429	21.64	(10,825)	0
Southern 217	35	1,133,519	166,845	14.72	(19,604)	0
Barbur Boulevard	22	474,659	75,881	15.99	6,290	0
Beav-Hillsdale/Sylvan	24	807,003	153,666	19.04	(30,995)	0
Central Beaverton	14	703,294	57,650	8.20	15,846	0
I-5 South	58	2,104,827	272,385	12.94	19,853	0
S Waterfront/Johns Landing	22	1,001,720	51,414	5.13	23,712	0
Kruse Way	30	2,304,918	270,536	11.74	22,274	0
Lake Oswego/West Linn	18	410,257	38,727	9.44	253	0
North/Northeast	26	914,615	136,689	14.94	(165)	35,671
Central 205	32	1,284,855	145,883	11.35	25,095	0
Southeast	16	376,028	45,506	12.10	1,163	0
TOTAL	398	16,625,428	2,100,169	12.63	40,197	35,671
Vancouver	125	4,657,995	584,393	12.55	15,472	45,000

*Additions and subtractions to the numbers above are in our detailed report.

**Numbers only reflect direct space.

Significant Lease Transactions

TENANT	BUILDING	SIZE	SUBMARKET
Nike, Inc.	AmberGlen Business Center	62,481 sf	Sunset Corridor
Nike, Inc.	AmberGlen Business Center	42,258 sf	Sunset Corridor
Nike, Inc.	Tanasbourne Commerce Center Building 2	28,889 sf	Sunset Corridor

Source: CoStar, Oregonian, Portland Business Journal, Daily Journal of Commerce

Significant Sales Transactions

BUYER	BUILDING	PRICE	SUBMARKET
TPF Equity REIT Operating Partnership LP	US Bancorp Tower & Plaza	\$372,500,000	CBD
Prudential Real Estate Investors	Block 300	\$155,252,000	CBD
Yakima Products, Inc.	West End Building	\$20,100,000	Kruse Way

Source: CoStar