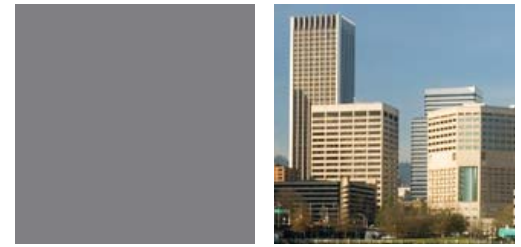


OFFICE REPORT

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TRENDS:

Vacancy Rate

CENTRAL CITY SUBURBAN



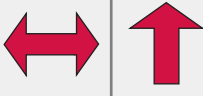
Net Absorption

CENTRAL CITY SUBURBAN



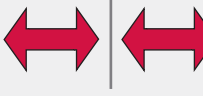
Construction

CENTRAL CITY SUBURBAN



Asking Rents

CENTRAL CITY SUBURBAN



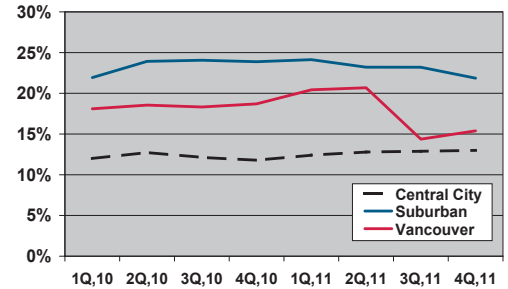
OVERVIEW

Central City office vacancy rose slightly to 12.99% during Fourth Quarter, with negative absorption of 15,481 sf. OCHIN, a health technology non-profit, made one of the largest new office leases of the year when it took 38,316 sf at 1881 SW Naito Parkway, with plans to move in September 2012; the space is currently occupied by Vestas, which is moving to the remodeled Meier & Frank Delivery Depot in spring 2012. The expansion gives OCHIN room to add 60 employees to its current roster of 140; it previously occupied about 20,000 sf at the Union Bank Building. In November, TMT Development announced that it has secured financing for Park Avenue West and will restart construction in 2013, with delivery expected in 2015, when many large downtown office tenants have lease expirations. Work stalled on Park Avenue West in the spring of 2009, and the vacant construction site has served as a reminder of the poor economy.

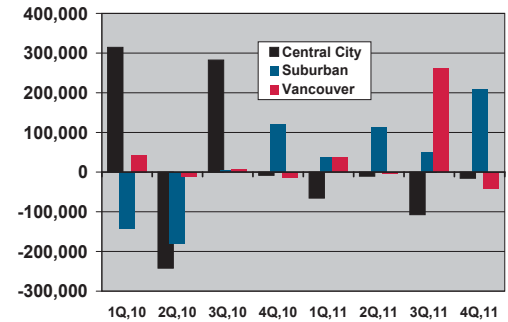
Suburban office vacancy fell more than a percentage point to 21.86%, with 215,900 sf absorbed, leaving overall absorption for the year positive, at 419,735 sf. The Sunset Corridor saw a four percentage point drop in vacancy to 21.35%, boosted by Nike's 93,938 sf lease at Cornell Oaks Corporate Center – Parkside A, and the Regus Group's 17,680 sf lease at AmberGlen Business Center. The Kruse Woods submarket also continued to improve, with vacancy there falling to 25.76%, as Delap, LLP leased 20,922 sf at Kruse Woods V. Vacancy fell in the North/Northeast submarket as well, as the University of Phoenix leased 16,069 sf at Cascade Station I, which has struggled with high vacancy since it delivered in First Quarter 2009.

Vancouver vacancy rose nearly a percentage point to 15.39%, with negative 42,077 sf absorbed. Much of the negative absorption is due to the 62,500 being marketed as available at First Independent Place, in

Vacancy Comparison (%)



Absorption Comparison (SF)



the wake of First Independent Bank's sale to Sterling Financial in November. The 114,000 sf Fisher Investments Building delivered in Camas this quarter, but is not tracked in our report because it is an owner-user building. The building currently holds about 400 employees, and Fisher has plans to develop three other buildings on the 120-acre site.

Major Lease Transactions

Tenant:	Building:	Size (SF):	Submarket:
Nike	Cornell Oaks Corporate Center - Parkside A	93,938	Sunset Corridor
Delap LLP	Kruse Woods V	20,922	Kruse Way
The Regus Group	AmberGlen Business Center	17,680	Sunset Corridor

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

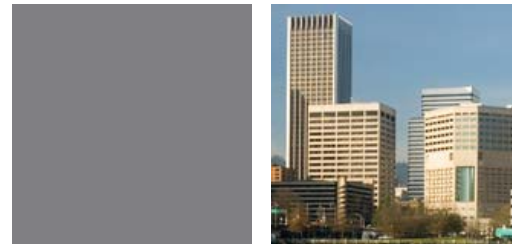
Major Sale Transactions

Buyer:	Building:	Price:	Submarket:
Meriwether Partners LLC	3188 NW Alolek Drive (4 properties)	\$14,750,000	Sunset Corridor
Unico Properties affiliate	1233 NW 12th Avenue	\$10,350,000	CBD
Yoshida Properties, Inc.	5025 NE Elam Young Parkway	\$1,292,500	Sunset Corridor

Source: CoStar

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SUBMARKET	# BLDGS	INVENTORY (SF)	**TOTAL AVAILABLE (SF)	**% VACANT	TOTAL ABSORPTION	UNDER CONSTRUCTION
CENTRAL CITY*						
Central Business District	123	14,984,593	2,004,588	13.38	(310)	351,000
Lloyd District/Central Eastside	22	2,326,201	210,614	9.05	5,492	0
Northwest	31	3,198,294	449,112	14.04	(20,663)	0
TOTAL	176	20,509,088	2,664,314	12.99	(15,481)	351,000
SUBURBAN*						
Sunset Corridor	67	3,705,869	791,253	21.35	131,198	0
Central 217	30	1,589,904	375,724	23.63	24,387	0
Southern 217	33	1,159,268	214,812	18.53	10,088	11,500
Barbur Boulevard	21	478,521	124,398	26.00	(5,941)	0
Beav-Hillsdale/Sylvan	23	728,112	143,723	19.74	(4,635)	0
Central Beaverton	13	682,033	147,875	21.68	(28,490)	0
I-5 South	59	1,993,518	498,858	25.02	25,476	43,480
SW Waterfront/Johns Lndg	25	1,067,013	190,263	17.83	(16,364)	0
Kruse Way	31	2,329,444	600,003	25.76	43,776	0
Lake Oswego/West Linn	20	457,521	83,529	18.26	3,439	0
North/Northeast	26	910,021	205,789	22.61	32,968	18,673
Central 205	35	1,337,550	243,527	18.21	4,737	0
Southeast	18	402,400	61,096	15.18	(4,739)	0
TOTAL	401	16,841,174	3,680,850	21.86	215,900	73,653
Vancouver	122	4,513,356	694,384	15.39	(42,077)	51,833

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

**Numbers only reflect direct space.

Featured Deals



OCHIN
Lease

OCHIN, a non-profit health information and technology network, leased 38,316 sf at the 1881 Naito Building in one of the largest office relocations of 2011. President Chris Johnson and Vice Presidents MaryKay West, Jennifer Medak and John Medak represented the landlord.



Everest Institute
Lease

The Everest Institute renewed its 20,646 sf lease at 9600 SW Oak Street in Tigard. Programs offered at the location include massage therapy and medical assisting. Senior Vice Presidents John Medak and Jennifer Medak represented the owner.

The information supplied herein is from sources we deem reliable. It is provided without independent verification and without any representation, warranty or guarantee, expressed or implied as to its accuracy. NAI Norris, Beggs & Simpson accepts no responsibility should the information prove to be inaccurate or incomplete.