

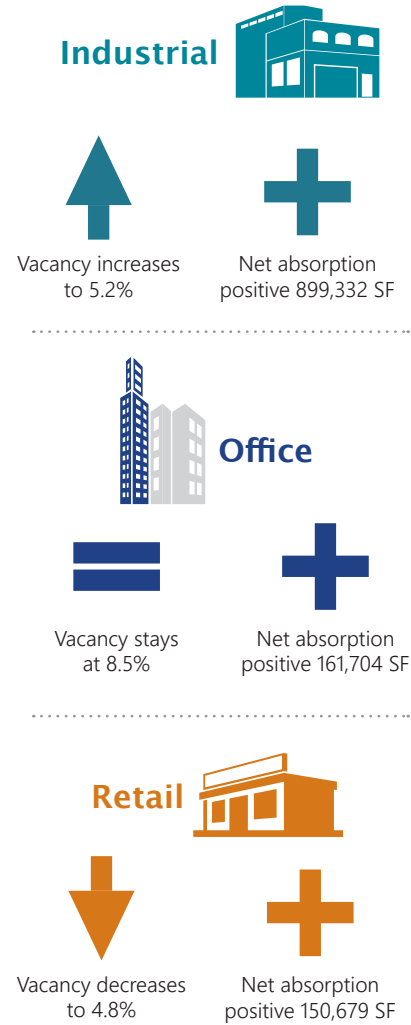


Market News

2nd Quarter 2015

Plunging Vacancy Rates Leave Slim Pickings for Industrial Space

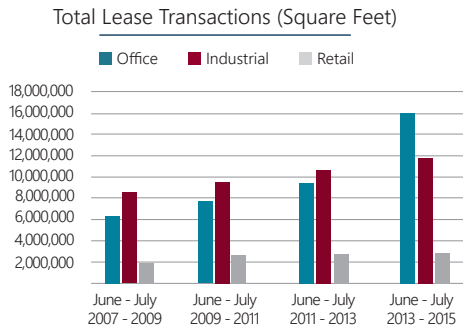
Portland Market Snapshot



Reading the local news reports one can conclude all is rosy in the Rose City. Unemployment is down, new job creation is holding a steady pace, VC's are loosening the purse strings, high tech companies are turning once stagnant and dated downtown office space into creative company headquarters, and Oregon has added another Fortune 500 Company to the roster (congratulations Lithia Motors, Inc.!). As far as commercial real estate goes, vacancy rates are dropping, rental rates are increasing, and new development is sprouting up all over the Portland area for hotels, mixed-use retail/residential, industrial, and sparkling Class-A office.

With all things rosy there will be thorns, one being the lack of large blocks of available industrial property. In the Sunset Corridor, flex vacancy rates have fallen 13.6 percentage points since 1Q2010, and warehouse vacancy in the I-5 corridor has fallen 7.3 percentage points during the same time period. Speculative industrial development is trending hot in large national markets, such as Los Angeles, Chicago, and Dallas. Current Portland industrial projects are a mix of build-to-suit and speculative developments that fare about 72% pre-leased.

The lack of industrial space has changed the ownership atmosphere over the last year-and-a-half. Well-established local and national companies looking to expand or relocate are competing (and losing) to cash-in-hand opportunities for larger industrial space creating a sense of urgency. Some long vacant inventory has been snatched up at higher rates, causing more square footage to become occupied in the last 24 months than years prior. Industrial vacancy rates have hit 5-year lows in the Portland Market, and the outlook for speculative development in the near future is hopeful.

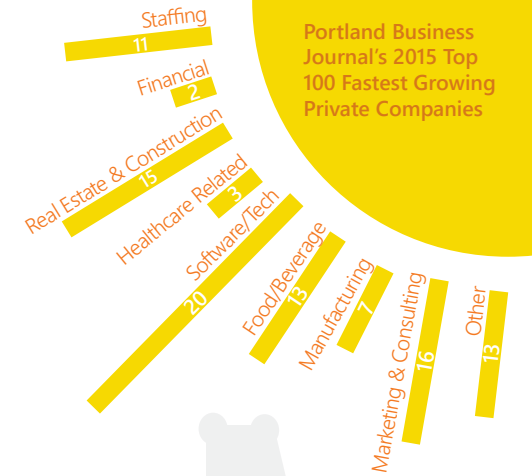


"Some long vacant inventory has been snatched up at higher rates, causing more square footage to become occupied in the last 24 months than years prior."

Portland's Economic Recovery



Real estate affects several facets of Portland's economy from the manufacturing of building materials, the construction of residential and commercial buildings, to the financial institutions that facilitate it all.

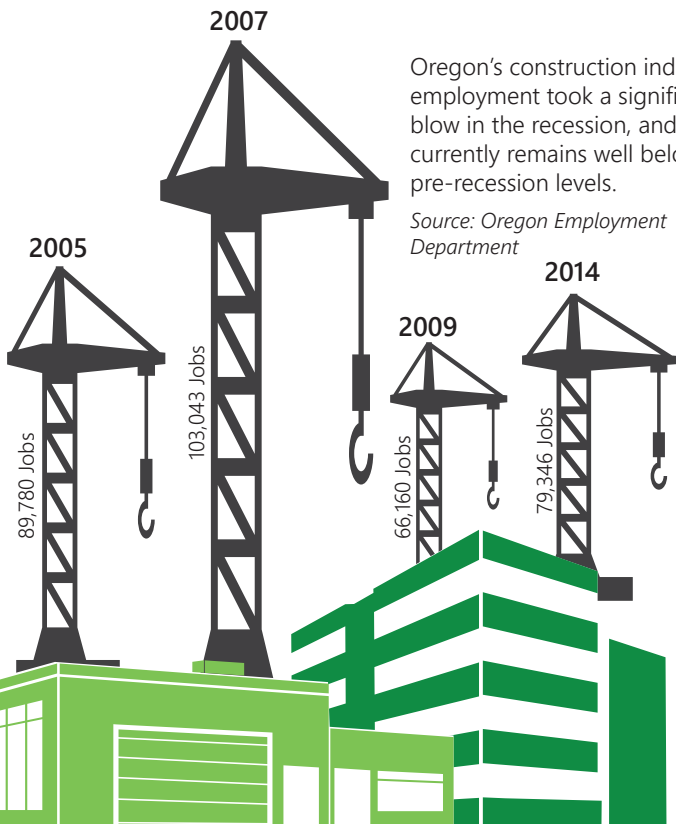


Office

Current RBA: 95,815,615 SF
 Current Vacancy: 8.5%
 Under Construction: 1,170,200 SF
 Pre-Leased: 72.2%

Oregon's construction industry employment took a significant blow in the recession, and currently remains well below pre-recession levels.

Source: Oregon Employment Department



Economic Expansion 2013 - 2014 Change in GDP



Macadam Forbes facilitated the relocation of Wineshipping.com's Oregon distribution center and offices into 145,136 SF at the newly constructed Southwest Industrial Park in Tualatin.

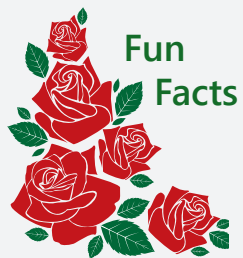


Retail

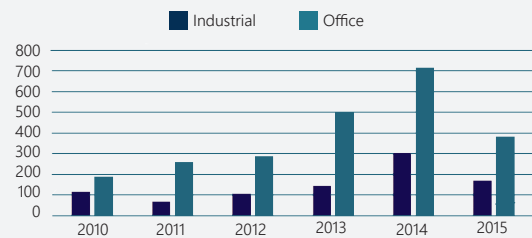
Current RBA: 106,147,668 SF
 Current Vacancy: 4.8%
 Under Construction: 314,320 SF
 Pre-Leased: 95.3%

Industrial

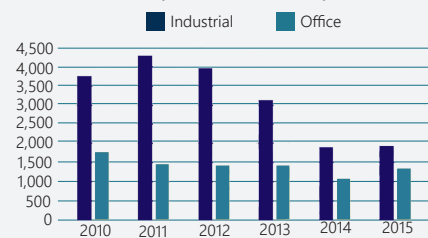
Current RBA: 197,468,348 SF
 Current Vacancy: 5.2%
 Under Construction: 4,706,720 SF
 Pre-Leased: 71.5%



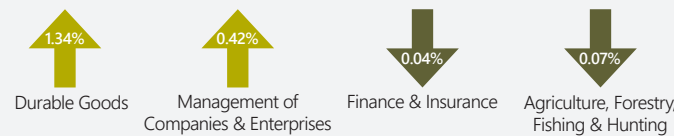
Sales Volume - 2015 YTD (Millions of Dollars)



SF For Sale - 2015 YTD (Thousands of SF)



Oregon Economic Expansion 2013 - 2014 Largest Changing Factors



Source: Oregon Center for Public Policy

#1 Reason Why Companies Have Vacancies That Are Difficult To Fill? Lack of Applicants



Source: State of Oregon Employment Department

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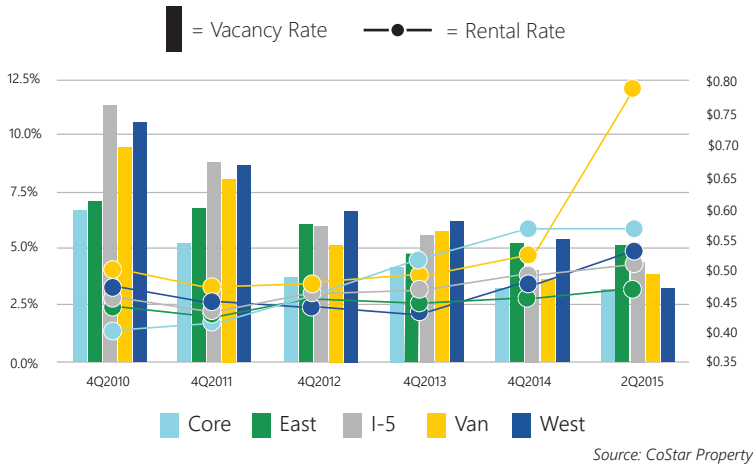
Portland Industrial

Industry reports can reflect a completely different market perspective than what the reality of the market is. Currently Portland's Industrial Market is volatile and competitive despite the somewhat steadiness of the trending of statistics. Many factors play into true market comparisons including the age of the building, class, amenities, accessibility, and current market demand.



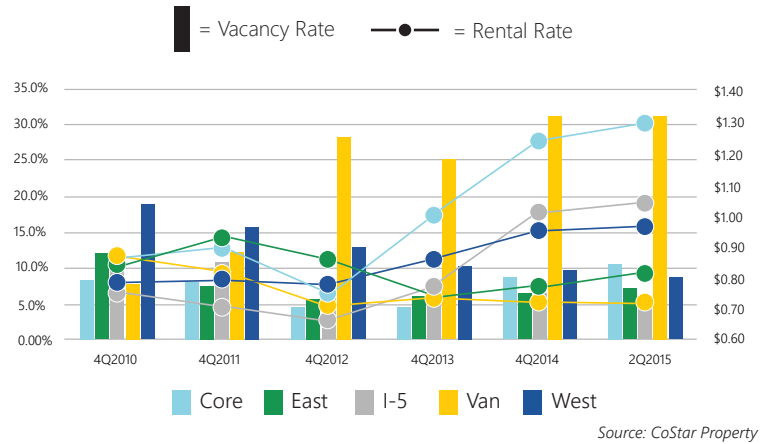
Leasing

Across all markets vacancy rates have reached record lows, which little more than 5 years ago were in the double digits. Rental rates have maintained a steady rise, averaging a \$0.12/SF per month increase since 2010 across all markets.



Leasing

The Vancouver Market vacancy rates can seem startling, but over half of the submarket's available 753,717 square feet can be found at Hewlett Packard's vacant high-tech campus. The property's lower-than-average Portland Market asking rate of \$0.71/SF could be affecting the Vancouver submarket's reported rate as well.



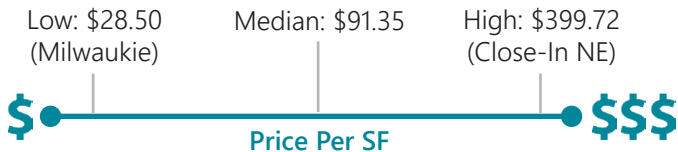
Sales



Volume: \$879.9 Million



Volume: \$182.5 Million



Sales



Volume: \$862.8 Million



Volume: \$9.4 Million



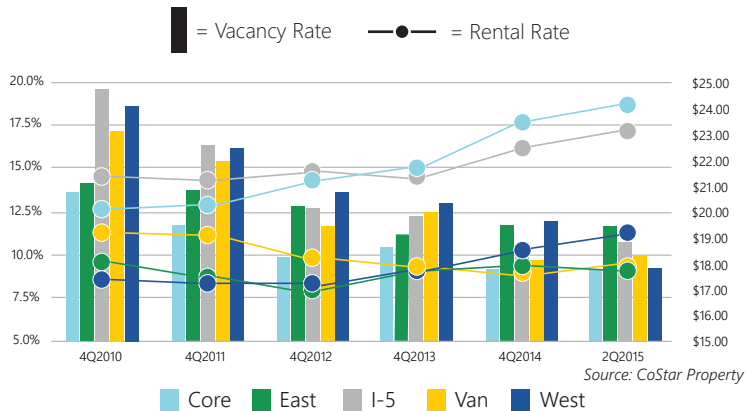
Market Location Definitions

- Core:** Downtown, Close-In Northwest, Close-In Northeast, Close-In Southwest, Close-In Southeast
- East:** Hollywood, Gateway, Airport, Milwaukie, Clackamas, Gresham
- I-5:** Tigard, Lake Oswego, Kruse Way, Tualatin, Wilsonville, Sherwood

- Vancouver:** Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas
- West:** Beaverton, Hillsboro, Aloha, Cornell

Portland Office

The biggest change in vacancy since 2010 has been in the I-5 Corridor, dropping 8.5 percentage points which affected the submarket's rental rates by a gain of \$1.79 per square foot. The largest gain in rental rates however was in the CBD, increasing 20% over the last 5+ years.



Trending: Co-Working Office Space

What is it?



Shared office space that is leasable by the day or month.

Cost



Hot Desk: \$15-\$70/day
 Dedicated Desk: \$20-\$95/day
 Private Office: \$500-\$800/month
 Conference Room: \$25/hour

Memberships and prepaid passes available at some locations.

Benefits



Networking and collaboration between like-minded professionals.

Amenities



Wifi, conference room, printers, and kitchen. (Some boast creative interior design, micro-roasted coffee, and free beer.)

Target Audience



Freelancers, remote workers, entrepreneurs, and small-to-medium sized companies.

Where?



NXT Industries, Forge Portland, Den Work Space, NedSpace, ADX, Clean Slate Studios, Centrl Office, The Hive, The Factory, Collective Agency, WeWork, DeskHub, Venture Business Centers.

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Portland Retail

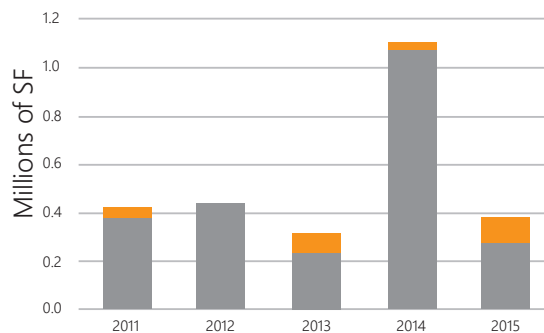
Dip in Rental Rates: Blip in the Market? Two submarkets have actually reported declining rental rates over the last two years: CBD and Northwest. Both are highly desirable markets and have experienced declining vacancy rates at the same pace as the rest of the Portland Market.



Construction Activity

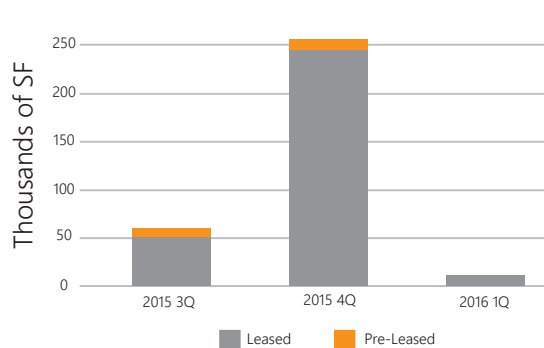
Recent Deliveries

Leased & Un-Leased SF in Deliveries since 2011



Future Deliveries

Preleased & Un-Leased SF in Properties Scheduled to Deliver



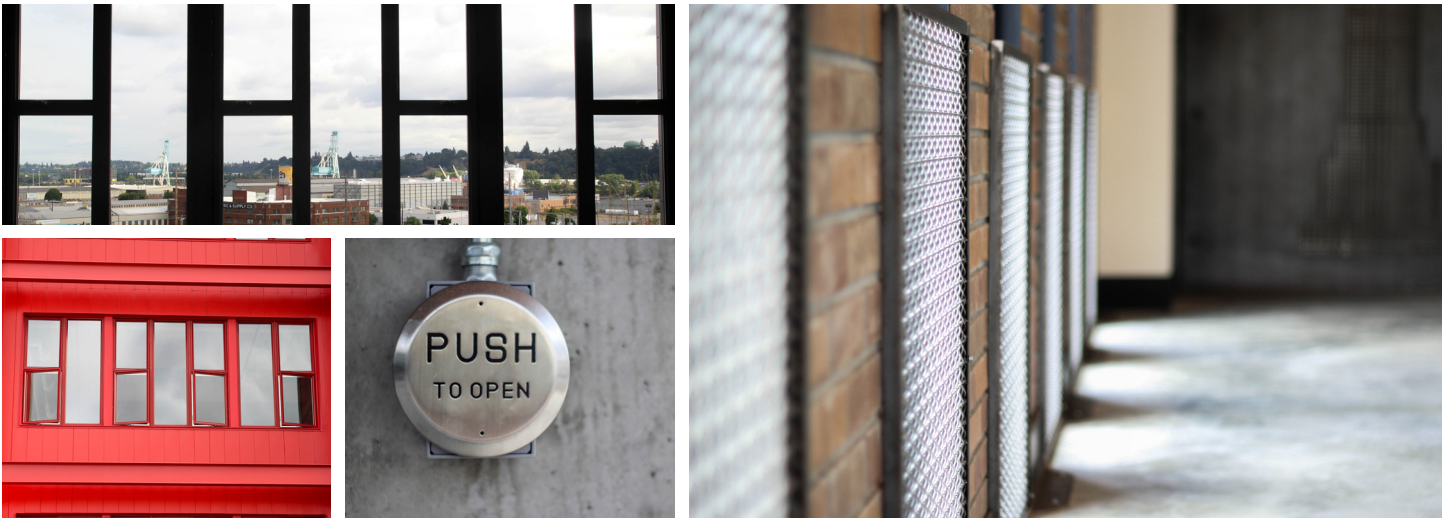
Construction on Happy Valley Crossroads, a new mixed-use retail center with apartment complex at SE 172nd and Sunnyside Road, will break ground in fall of 2015. The project comprises 184,000 SF of retail development, with a 144,000 SF Fred Meyer store as its anchor tenant.



The largest metro region retail sale of the year was the Trail's End Marketplace in Oregon City at \$20 million dollars.



Bonanza, a new BBQ restaurant, leased 2,501 SF of retail space at 2&Taylor, making them the first retail tenant at the remade Yamhill Marketplace in downtown Portland.



Established in 1978, Macadam Forbes, Inc. is a significant force in Portland's commercial real estate history.

Macadam Forbes' sales and leasing team members average 20 years of experience in commercial real estate. Our agents thoroughly cover each sector of the market and achieve outstanding results by combining product knowledge and geographical specialization.

Macadam Forbes utilizes a network of business and real estate relationships that cover the Portland/Vancouver metropolitan areas and extends to markets across the country.



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