



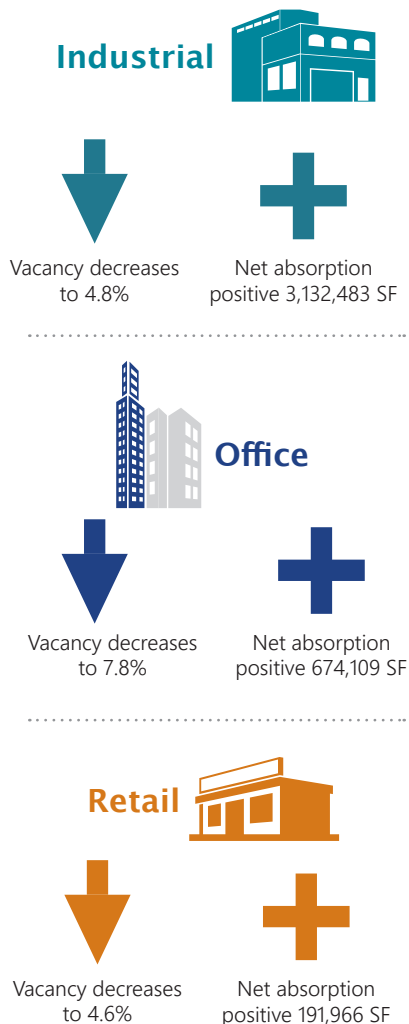
Portland's Original Reputation of Being a Hard-Edged and Gritty Pioneer Town Still Rings True Today.

Early settlers were drawn to the plentiful lumber, the agricultural richness of the Tualatin Valley, and easy access to the Pacific Ocean via the Willamette and Columbia Rivers.



Market News 4th Quarter 2015

Portland Market Snapshot



Attracting post-California Gold Rush settlers, Portland's economy established itself with lumber mills, fur traders, booze, and hospitality. Today's Oregon is not unlike that of the early-to-mid-20th century. The ambitious and pioneering spirit of those who forged the basis of Oregon's economy can still be found today in the business and companies that have started in or relocated to Oregon.

Today, manufacturing accounts for 30% of Oregon's economy. The Oregon Economic and Revenue Forecast predicts that the goods-producing industries are expected to grow at above-average rates. Job growth in mining and logging, construction, and manufacturing will outpace the average industry in 2016, before slowing due to the weak global economy, strong U.S. dollar, and the general waning of the manufacturing cycle.

A recent article in Oregon Business Magazine points out that Oregon is "a good place to build a business while enjoying a certain quality of life."

This attitude is what makes Portland a hotbed for corporate relocations and outposts for the high-tech industry. Software giants such as Puppet Labs, Aruba, Airbnb, Jive Software, New Relic, Smarsh, Jama, Google, Zapproved, and Elemental Technologies have transformed office space in the Central Business District (CBD) that has previously served suit-and-tie businesses for decades into cool, hip spaces. With historically low vacancy rates, Portland can't keep up with the demand for large blocks of creative office space creating competition with high-density residential for number of cranes on the city's skyline.

The 2035 Comprehension Plan* released September 2015 estimates in the next 20 years over 260,000 people will move here. The plan outlines the future of the city and its commerce potential while creating a burgeoning central district with a live-work balance for employers to offer their migrating employees. Oregon's migration has made national news when United Van Lines' 2015 Migration study named Oregon as the top destination of 2015. Whether it's the loading the moving van, or packing the wagon, prospects are hitting the trail to Oregon in search of jobs, housing, and opportunity!

* <http://www.portlandoregon.gov/bps/article/541677>



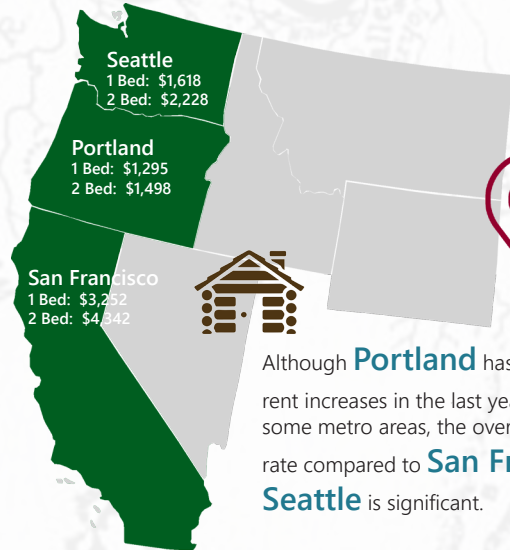
You May...

1. Find facts about net migration
2. Learn about job growth
3. Compare business tax rates to other states
4. Advantages of living and working in Oregon

Press Space Bar To Continue



WELCOME TO OREGON

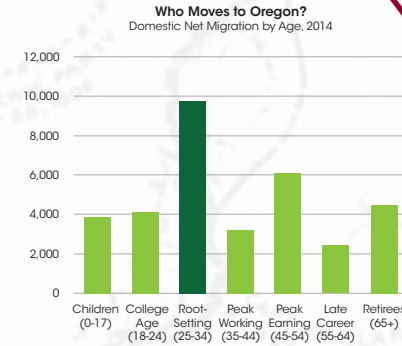


Although **Portland** has seen residential rent increases in the last year close to **20%** in some metro areas, the overall residential rental rate compared to **San Francisco** and **Seattle** is significant.

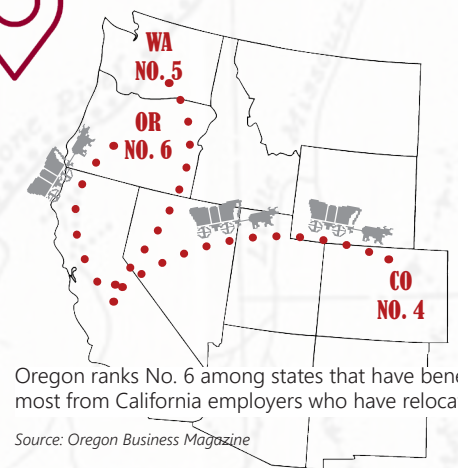


Corporate Taxes

Oregon's 3.4% total effective business tax rate is tied with Connecticut for the lowest in the nation.
Source: Oregon Business Magazine



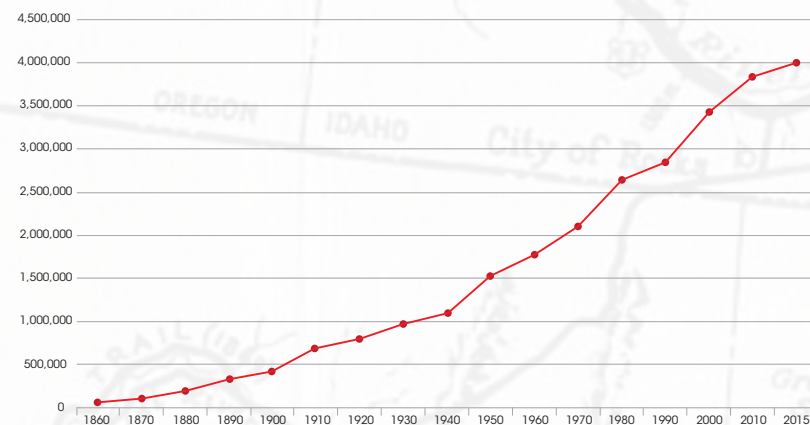
People moving to Oregon generally do so for two reasons: jobs and housing. Currently the number of jobs is 50,000 above pre-recession levels (all-time high) but increased migration is causing Oregon to rank higher in unemployment than the rest of the country.



Oregon ranks No. 6 among states that have benefited the most from California employers who have relocated.
Source: Oregon Business Magazine

Total Population, Oregon 1860 to 2015

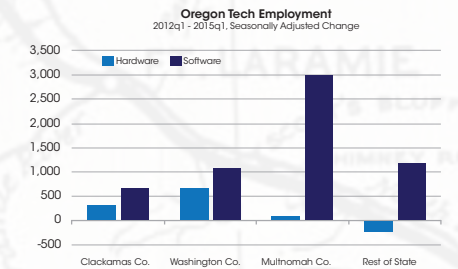
Source: US Census Bureau
2015 figure is a preliminary estimate prepared by PRC



| Net Migration | |
|---------------|----------------|
| 1980s: | 22% |
| 1990s: | 73% |
| 2010: | 32% |
| 2015: | 79% |
| 2022: | 82% (FORECAST) |

Press SPACE BAR to continue

For the first time since Intel's move to Hillsboro, high tech job growth in Multnomah County has outpaced that in Washington



Source: BLS Oregon Employment Department, Oregon Office of Economic Analysis

Between 1900 - 1930

The population of the city tripled from nearly 100,000 to 301,815. The proliferation of railroads allowed for faster movement of goods and people.
PCPI: 90.3% of national level (Per Capita Personal Income)



1940's - 1950's

The surge in shipbuilding brought about 150,000 new residents to work in the shipyards.
PCPI: 125% of national level



1960's

Influx of the hippie culture brought with it listener-funded radio stations, social activism, and environmental causes.

1980's

Net migration: 22%
PCPI: 93% of the national level

2010

Net Migration: 32%
PCPI: 89.2% of national level (2011)
PCPI: 90.3% of national level (2013)

2015

Net Migration: 79%
Move from hardware to software manufacturing



Future

Net migration: 82% by the end of 2022

Market News

4th Quarter 2015

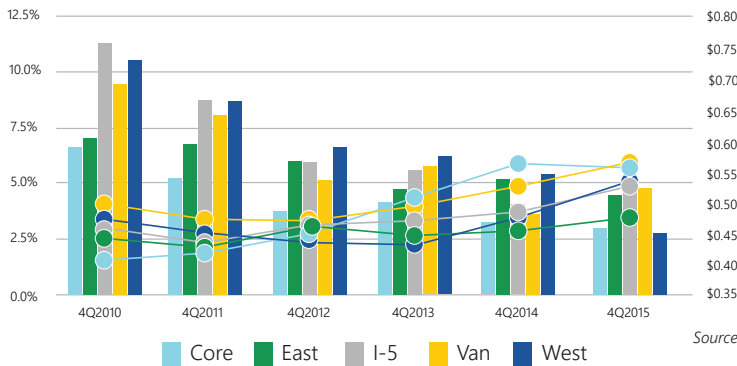
Portland Industrial

Portland's Industrial market has seen large blocks of activity over the last year, ending 2015 with a positive absorption of 5,926,668 square feet. Overall market vacancy rates have dropped to 4.8%, the lowest in over twelve years. Oregon's employment growth for manufacturing has increased 14.4% since 2009, seven points higher than the nation. With manufacturing making up 10.4% of Oregon's employment, the demand for industrial construction is high, giving planners and developers cause to allocate and rezone undeveloped areas around the Portland metro area. At the end of 2015 the Portland metro area reported 1,747,002 SF under construction, over 65% of this is located in the Northeast Submarket.



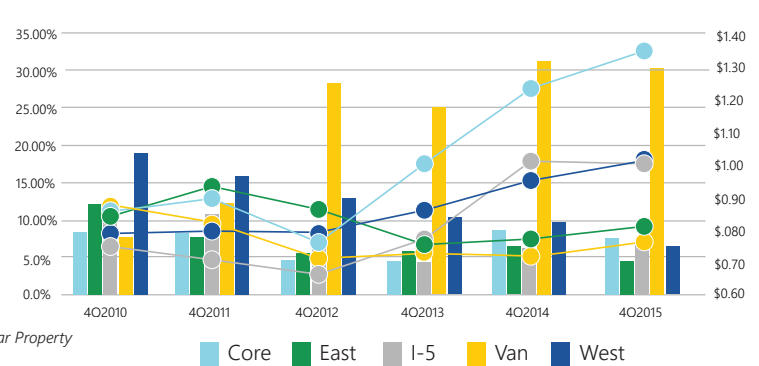
Warehouse

■ = Vacancy Rate ●— = Rental Rate



Flex

■ = Vacancy Rate ●— = Rental Rate



Source: CoStar Property

Tenants moving out of large blocks of space in 2015 include:

Colgate-Palmolive: 210,000 SF at Rivergate Corporate Center III - Bldg. A
 Bridgestone Tire: 204,550 SF at 14005 N. Lombard St
 IMP International Millwork: 155,934 SF at 9600 SW Boeckman Rd.



Tenants moving into large blocks of space in 2015 include:

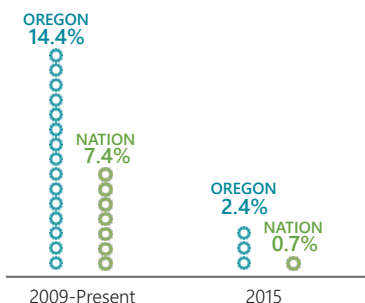
KeHe: 383,040 SF at PDX Logistics Center - Building 1
 Bridgestone Tire: 207,800 SF at 19295 NE Riverside Parkway
 Georgia Pacific Corporation: 204,550 SF at Rivergate Corp. Center 2 - Phase II

manufacturing

[man-yuh-fak-cher-ing]

- Mechanically, physically, or chemically transforming material, substances, or components into new products.
- 10.4% of Oregon's employment, as of October 2015.

Manufacturing Employment Growth



Oregon's Top Manufacturing Industries (% of Employment)

Source: www.qualityinfo.org



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:

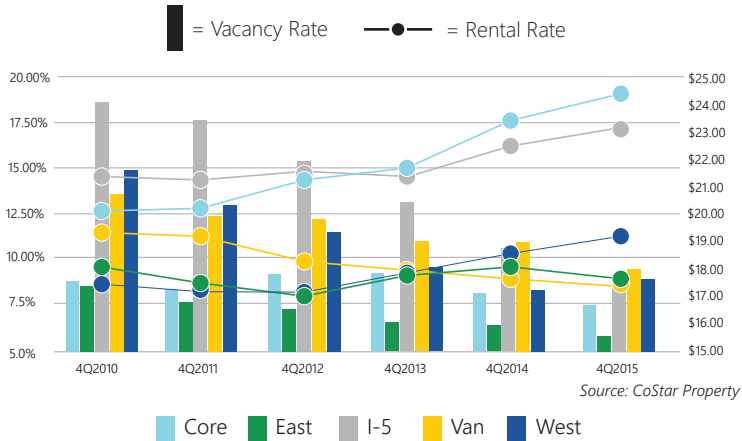
Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas

West:

Beaverton, Hillsboro, Aloha, Cornell

Portland Office

With over 540,000 SF under construction, several significant new construction projects are set to deliver in the CDB during 2016. Over the course of the next year anticipated rental rates should increase despite the influx of available Class A square footage.

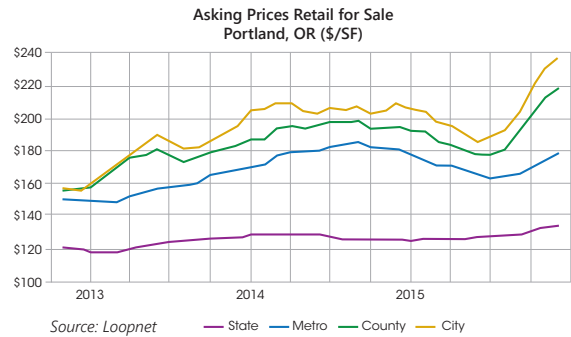
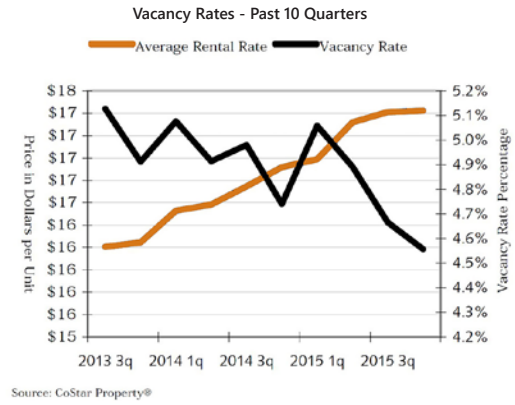


Net absorption for central business district (CBD) was positive 199,746 SF in the fourth quarter 2015. That compares to negative (41,941) in the first quarter 2015.

Net absorption for the suburban markets was positive 474,363 SF in the fourth quarter 2015. That compares to negative (52,350) in the first quarter 2015.

Portland Retail

Although there has not been much change in the Retail Market in 2015, consumer spending in Oregon has seen an increase in the double digits which can easily be attributed to the influx of residents "nesting" and purchasing items for their new homes.



Market Comparison

Portland's CBD is garnering much attention from out-of-state companies, especially from the San Francisco and Seattle markets. Here is a snapshot of what's being reported in their 4Q2015 CoStar reports.



Seattle (CBD)

↓ Vacancy decreases to 12.1% (-.01% overall 2015 change)

↑ Rent: \$36.96 (+8.6%)

"Seattle's economy added about 63,000 jobs over the past year ending in September, representing 3.4% growth rate, or one and a half times the U.S. average. [...] [T]he metro's population grew 50% faster than the nation's over the past year. That growth provides a decisive advantage in keeping the metro in the forefront of innovation, attracting educated new residents with its abundance of very-well-paying jobs. And ideally, residents will plow their earnings back into the local economy, generating even more jobs and propelling a virtuous cycle of growth."

Source: CoStar Property



Portland (CBD)

↑ Vacancy stays at 9.0% (0% overall 2015 change)

↑ Rent: \$27.51 (+9.4%)



San Francisco (Financial District)

↑ Vacancy increases to 7.4% (+.5% overall 2015 change)

↑ Rent: \$53.87 (+13.3%)

"The Peninsula's geographic constraints mean that land is scarce, which leads to high business and living costs, creating diseconomies of scale that make it hard for large companies to survive here. While relocations are rare among companies within the metro's bread-and-butter technology sector, [...] over the past 10 years many top employers [...] have either shifted expansion toward neighboring metros, or have moved out of San Francisco entirely. Continued cost-driven relocations outside of tech-driven sectors will likely be a drag on economic growth here over the long term."

Source: CoStar Property

Market Location Definitions

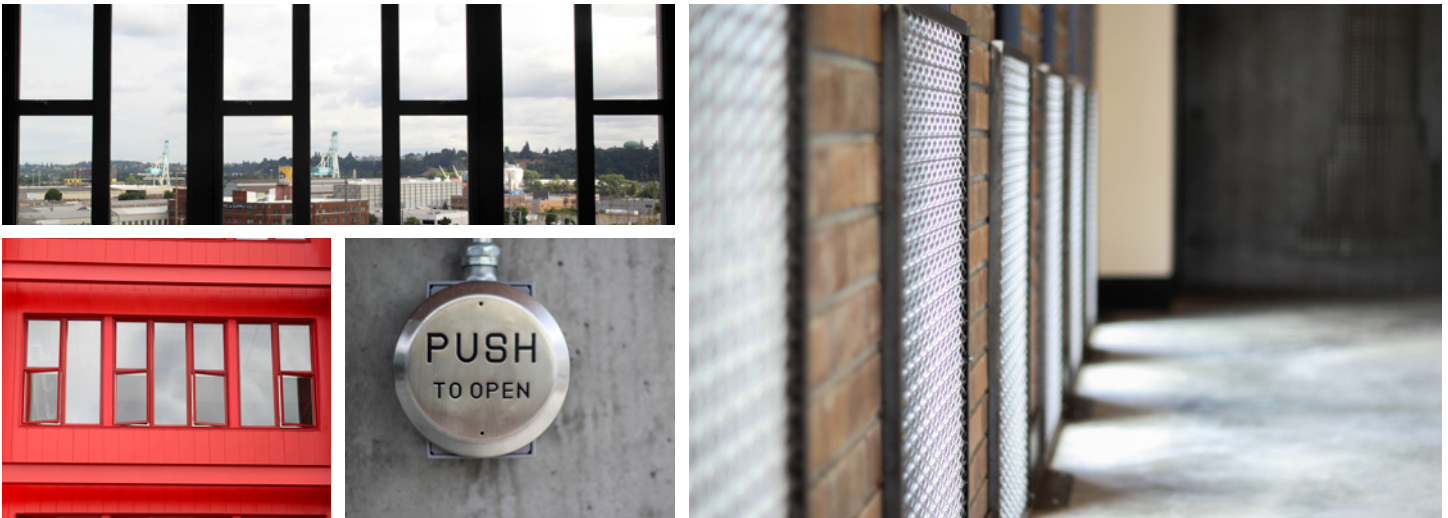
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I-5:
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Vancouver:
Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas

West:
Beaverton, Hillsboro, Aloha, Cornell



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