

In most years' past, we have taken the time after the first quarter to reflect on the direction of the market and the likely prognosis for the balance of the year. This year, the end of the first quarter will truly be remembered as "Pre-COVID 19" and the balance of the year at "Post-COVID 19". The immediate impacts on the market have yet to really take shape, but it is clear that many sectors of the CRE world will be significantly impacted for the months and years to come.

There are very tangible factors impacting the ability to complete transactions: lenders are becoming more risk averse leading to requirements for additional equity or simply halting transactions altogether until a clearer picture emerges of the next few years or the client's own lack of growth needs as previously expected. Other more "emotional" factors also come into play as fear has a more pervasive role in decision making. What is clear is the leverage in many transactions has shifted from a landlord/seller market to a tenant/buyer market, at least for the foreseeable 3-6 months. Tenants with lease expirations will still need to make decisions about renewal or new leases, and we are monitoring the impact on rental rates and landlord concessions as more of these deals are completed.

Impact on sale transactions which were in escrow prior to the pandemic have really fallen into two groups: those with non-refundable earnest money and those not yet to a waiver of conditions. There are still a number of 1031 buyers in the market (helped by the recent extension of the 1031 deadlines to July 31, 2020) who are also typically more motivated buyers. There are a number of reported sales in the market in the last couple weeks with sellers agreeing to 5-15% discounts to prices in exchange for the buyer agreeing to proceed to closing. It is too early to say whether that is a "new normal" or simply a short term sample of emotionally motivated parties.

Once we are able to move past the next 2-4 months of peak "uncertainty", we do expect lease transactions to continue with likely more incentives to be available to put tenants in the office and industrial world, but with a less significant downward movement on the rental rates themselves. Renewals and short term leases are more likely to be the course of action for many tenants continuing to take a "wait and see" approach.

Lastly, the impact on how we use space in the future will be a widely debated topic in months to come. As we take new criteria into consideration, namely safety and health factors, the impact to office, retail, and industrial space will evolve. Clearly the most impacted sector of the CRE world is the retail markets, with many businesses simply unable to survive the "Shelter in Place" order for an extended period of time.

Stay healthy,



Kevin VandenBrink
Principal Broker, President
Macadam Forbes, Inc.

Once business resumes, companies may decide the need to downsize or upsize, due to the changes to come in how we work: shorter work weeks and more work-from-home days; less in-person meetings and conferences and more web-based live-streaming interactions; open workspace environments may be replaced with designated private offices with a focus on personal space.

Getting goods to consumers in a time when travel is restricted has placed a greater value on online sellers. Warehouse distribution will be in high demand, seeing the development of larger last-mile and cold storage facilities. These new warehouse distribution facilities will most likely have up to 40-foot ceiling heights, using robotics to improve inventory control.

For investors and owner-users, real estate will continue to remain a valued asset class. People will still need places to live, and to buy groceries and goods. The low interest rates still provide an attractive return, and favorable tax treatments still provide plenty of incentive.

For the next few quarters we will be tracking current market statistics to those at the end of 2008, which represents the turning point of the recession, to gauge the effects of the evolving "new normal".



OFFICE - ALL CLASSES

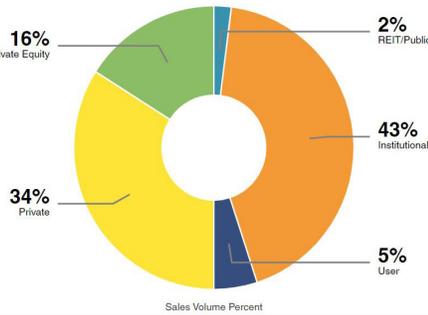
Portland Market

7.5% Vacancy \$27.58/SF (Gross) Lease Rate \$307/SF Sale Price

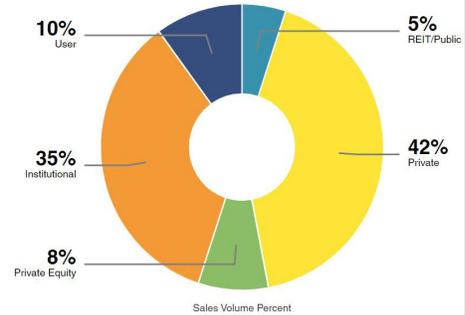
Submarkets	Vacancy		Lease Rate (Gross)		SF Leased		Number of Lease Transactions	
	2008	1Q2020	2008	1Q2020	2008	1Q2020	2008	1Q2020
Core	7.0%	10.7%	\$20.55	\$32.78	1,941,000	401,288	663	130
East	6.7%	4.1%	\$18.11	\$22.12	396,990	74,547	159	44
I5	13.5%	8.5%	\$23.92	\$28.08	556,402	174,511	232	42
Vancouver	12.6%	6.1%	\$19.51	\$22.71	529,480	75,571	173	37
West	11.7%	7.9%	\$18.33	\$22.68	1,317,005	123,974	319	49

Core: Downtown, Close-In Northwest, Close-In Northeast, Close-In Southwest, Close-In Southeast **Vancouver:** Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas
East: Hollywood, Gateway, Airport, Milwaukie, Clackamas, Gresham **West:** Beaverton, Hillsboro, Aloha, Cornell
I-5: Tigard, Lake Oswego, Kruse Way, Tualatin, Wilsonville, Sherwood

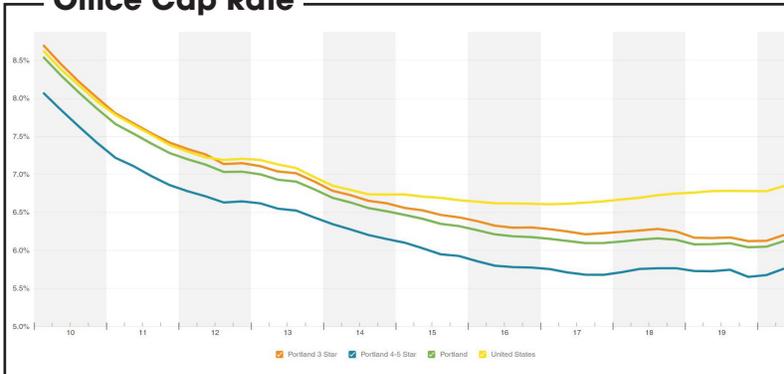
Office Sales By Buyers: Last 12 Mos.



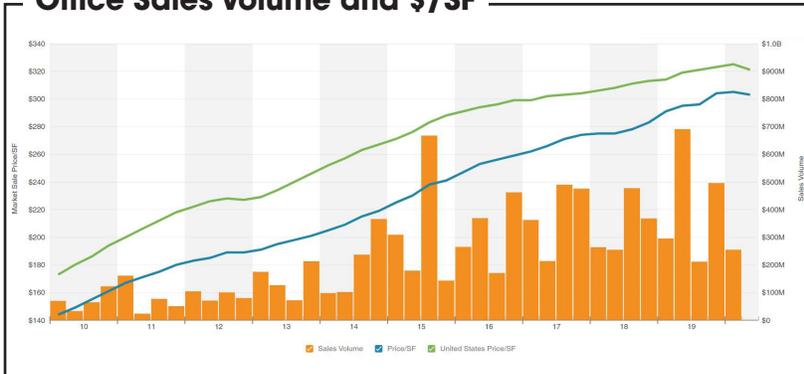
Office Sales By Buyers: Last 10 Yrs.



Office Cap Rate



Office Sales Volume and \$/SF



Source: CoStar

ALL INDUSTRIAL

Portland Market

4.2%
Vacancy

\$0.78/SF (NNN)
Lease Rate

\$145/SF
Sale Price



WAREHOUSE

Submarkets	Vacancy		Lease Rate (NNN)		SF Leased		Number of Lease Transactions	
	2008	1Q2020	2008	1Q2020	2008	1Q2020	2008	1Q2020
Core	3.8%	7.0%	\$0.53	\$0.96	592,816	74,791	50	13
East	7.4%	8.0%	\$0.45	\$0.57	1,731,109	366,423	144	34
I5	3.8%	3.3%	\$0.47	\$0.68	548,820	166,886	49	18
Vancouver	7.6%	7.9%	\$0.50	\$0.70	231,614	91,490	41	27
West	8.5%	4.6%	\$0.52	\$0.89	186,638	68,215	29	8



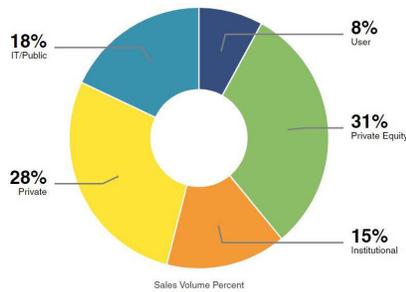
FLEX

Submarkets	Vacancy		Lease Rate (NNN)		SF Leased		Number of Lease Transactions	
	2008	1Q2020	2008	1Q2020	2008	1Q2020	2008	1Q2020
Core	7.3%	8.4%	\$0.55	\$1.52	134,436	34,633	17	5
East	6.4%	8.9%	\$0.90	\$1.58	104,207	14,458	44	5
I5	6.8%	11.8%	\$0.81	\$1.23	259,383	69,019	46	9
Vancouver	4.1%	5.8%	\$0.74	\$1.31	31,234	110,800	7	3
West	13.4%	6.1%	\$0.80	\$1.19	453,474	69,601	111	11

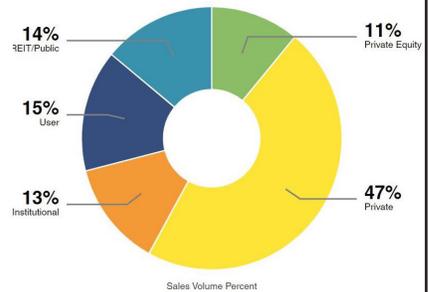
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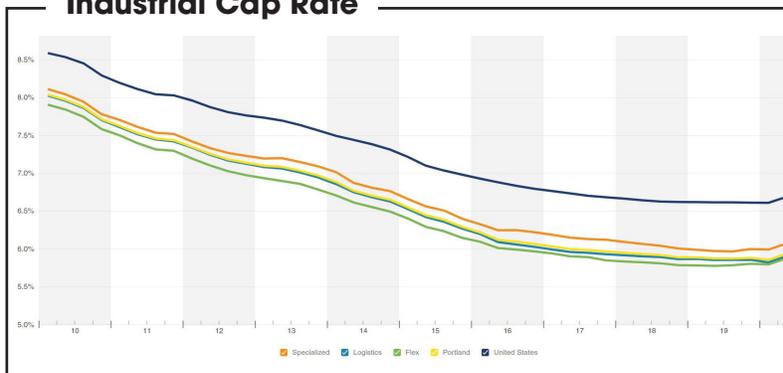
Industrial Sales By Buyers: Last 12 Mos.



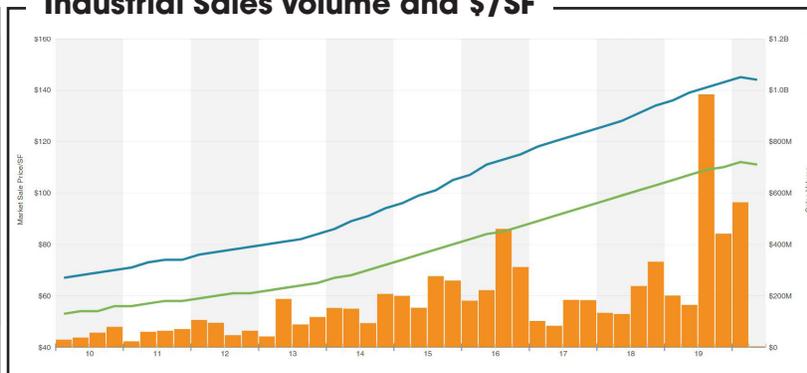
Industrial Sales By Buyers: Last 10 Yrs.



Industrial Cap Rate



Industrial Sales Volume and \$/SF



Source: CoStar

MACADAM FORBES

Macadam Forbes is a client-focused and forward-thinking company where collaborative professionals create enterprising and visionary opportunities for our clients.

Locally owned by active brokers since 1978, we believe in creating meaningful relationships with our clients. Nearly 70% of our business comes from repeat clients. As a result, we have grown into a market leader throughout the Portland metropolitan area and beyond.

40+

Years in Business

25

Licensed Brokers

20

Year Average Tenure

20

Years Development Management

Portland's Own Commercial Real Estate Experts

Our current market insight, network of relationships, financial analysis, and understanding of lease/lending terms are some of the valuable tools our brokers provide to their clients. This experience is used to successfully navigate even the most complex and unique transactions that exceed our client's expectations.

- Landlord/Seller Representation
- Tenant/Buyer Representation
- Development Representation
- Build to Suit Projects
- Consulting & Research
- Section 1031 Tax Deferred Exchanges
- Sale/Leaseback Transactions
- Valuation Analysis
- Location Analysis
- Site Searches
- Marketing Program
- RFQ/RFP Generation & Analysis



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