



Portland, Oregon

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

In the fourth quarter of 2011, the Portland real estate market continued its trend from previous quarters. The CBD remains a tight market, and there is very little availability for large users. A high in demand alternative to class A buildings are older industrial buildings that have been remodeled into a creative type use. Close-in Eastside and Northwest Portland can provide this type of building, but with the large amount of growing technology companies who are searching for this ideal space, it tends to be leased quickly. New development is still risky but remodeling and redeveloping traditional office space would be a great alternative for landlords looking to quickly fill their vacancies at the rental rates they desire. The Sunset Corridor submarket is also beginning to tighten, which could be a result of downtown users changing locations to get needed space that is no longer available in the heart of the CBD. On top of overflow coming from the CBD, there are a few large users in the market looking for headquarter and campus locations. Tigard, I-5 Corridor, Kruse Way and their surrounding submarkets remain in favor of the tenant. Vacancy rates look similar to last quarter and landlords are willing to make a deal to fill empty buildings. The industrial market in Portland remains stable, although users looking for more than 100,000 square feet have limited options, and there is no new construction to report of to solve this problem.

Market Trends

- Sunset Corridor is actively being toured.
- The CBD continues to be a competitive market for available space.
- Outlying submarkets remain in tenants' favor.
- Creative space is in high demand, and there are limited availabilities.
- Sublease availabilities continue to provide excellent cost-effective, short-term opportunities.

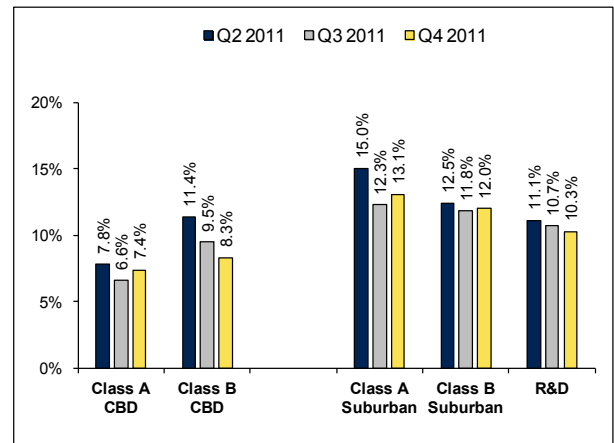
Tenant's Perspective

Tenants looking for creative space should project ahead and begin their search now to ensure that the appropriate improvements can be completed by the time of their occupancy. If looking in the downtown market, users should start their search for space early to secure space in a competitive market. Users in the suburban markets can take advantage of the tenant's market by signing longer lease terms with better concession packages. For all markets, the best possible tenant deal is going to be secured by starting early, having multiple options and negotiating aggressively.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Power Freight Sys.	85,600	Industrial	Lease
Ajinomoto	79,556	Industrial	Lease
HDR, Inc.	48,111	Office	Lease
Confidential	23,517	Office	Lease
Delap LLP	20,922	Office	Lease
Everest Institute	20,646	Office	Lease
The Regus Group	17,680	Office	Lease
Confidential	16,772	Office	Lease
State Farm	10,643	Office	Lease
Ride Connection	10,136	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$25.13	\$25.12	\$25.22
Class B Office	\$19.67	\$19.69	\$19.53
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$24.56	\$22.95	\$22.35
Class B Office	\$17.44	\$17.53	\$17.80
R&D	\$9.26	\$9.81	\$10.11

