
JANUARY
BROKER AWARDS
MEETING
February 15, 2023

MONTHLY STATISTICS

LEASING	# OF TRANSACTIONS	TOTAL $ VALUE
January 2021	26	$3,119,173
January 2022	10	$2,512,597
January 2023	**22**	**$7,643,777**

SALES	# OF TRANSACTIONS	TOTAL $ VALUE
January 2021	2	$3,875,000
January 2022	4	$16,210,000
January 2023	**3**	**$3,483,000**


TOP LEASES

3RD TOP LEASE

221 Molalla Avenue, Ste 104 & 200
Oregon City, OR

Lessor: OC Properties LLC

Lessee: State of Oregon, Department of Human Services

Lease Value: $1,112,490

Lease Rate: $23 SF with 3% annual bump for 3 years

Leased Area: 15,902 SF

Lease Term: 36 months

TI's & Concessions: N/A

TIM PFEIFFER

CAMDEN MULLER

2ND TOP LEASE

Tualatin Corporate Center
19801-19861 SW 95th St. Bldg. E
Tualatin, OR

Lessor: TLF Logistics II Tualatin Corporate Center, LLC

Lessee: Professional Plastics, Inc.

Lease Value: $1,356,255

Lease Rate: $0.96

Leased Area: 21,517 SF

Lease Term: 62 month renewal

TI's & Concessions: Space taken as is, first two month are abated

JACK SCHAUB

MATT LYMAN

TOP LEASE

North Plains Warehouse
10680 NW 289th Place
North Plains, OR

Lessor: BBS Properties, LLC, and Oregon Limited Liability Company

Lessee: Sunbelt Rentals, Inc.

Lease Value: $1,401,588

Lease Rate: $1.61 PSF

Leased Area: 14,864 SF

Lease Term: 60 months

TI's & Concessions: No abated rent, office buildout


NICK CHESSAR


SCOTT FINNEY


TOP SALES

3RD TOP SALE

10747 NE Simpson St
Portland, OR

Seller: Equity Advantage, Incorporated, as Qualified Intermediary for Rees Properties LLC

Buyer: El Patron Pallets, LLC

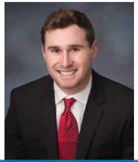
Sale Price: $633,000

Price per SF: $24.21 PSF – Land

Property Size: 26,136 SF – Land

Cap Rate: Owner User

Financing: Seller-Carry Financing



GABE SCHNITZER

GREG NESTING

2ND TOP SALE

19222 SE River Rd
Milwaukie, OR

Seller: Tonya J. Joens

Buyer: Morewaukie Less Talkie, LLC

Sale Price: $1,400,000

Number OF Units: 6

Cap Rate: 5.3%

Financing: Was 5.5% for 5-year fixed, 30-year amortization, 700K loan, Umpqua bank, non-recourse.

DAVID CHATFIELD

CAMERON MERCER

TOP SALE

2634 NE Columbia Blvd
Portland, OR

Seller: Bromley Development Company

Buyer: 2634 Total Mechanical LLC

Sale Price: $1,450,000

Price PSF: $204.25

Property Size: 7,099 SF

Cap Rate: Owner/ User

Financing: Local credit union

TOM MCDOWELL

RAYMOND DUCHEK


TOP DOGS

LEASING BROKER OF THE MONTH

NICK CHESSAR

SALES BROKER OF THE MONTH

GABE SCHNITZER

PRESIDENT'S AWARD

LUIS MARTIN DEL CAMPO

TOP 5 PRODUCERS

1

NICK CHESSAR

2

GABE SCHNITZER

3

SCOTT FINNEY

4

TIM PFEIFFER

5

LUIS MARTIN DEL CAMPO


ANNOUNCEMENTS

Norris & Stevens
INVESTMENT REAL ESTATE SERVICES

SALES MEETING SCHEDULE

February 22nd	**All Broker Meeting**
March 1st	**Brokers Meet by Industry Group**
March 8th	**No Meeting**
March 15th	**Broker Awards Meeting for February 2023** **Market Report by Jack Schaub**
March 22nd	**No Meeting – Spring Break**

UPCOMING LOCAL EVENTS

PORTLAND BUSINESS ALLIANCE
Commerce • Community • Prosperity

Business After Hours

Wednesday, February 15th @ 5:00 PM

SW Yamhill Street Suite 105, Portland, OR

PORTLAND BUSINESS ALLIANCE
Commerce • Community • Prosperity

Forum Breakfast: 2023 State of the Economy

Thursday, February 21st @ 8:30 AM

Hilton – 921 SW 6th Ave Atrium Ballroom, Portland, OR

OMBA
OREGON MORTGAGE BANKERS ASSOCIATION

Breakfast: The Connector's Way

Thursday, February 23rd @ 9:00 AM – 10:30 AM

Royal Oaks Country Club – 8917 NE Fourth Plain Blvd, Vancouver WA

CREW PORTLAND

Nothing in This Life is Certain Except Death, Taxes, and … Interest

Thursday, March 9th @ 11:15 AM – 1:15 PM

Embassy Suites Washington Square – 9000 SW Washington Square Road, Portland OR

CAB COMMERCIAL ASSOCIATION OF BROKERS
OREGON & SOUTHWEST WASHINGTON

Development & Brokerage Awards Dinner

Thursday, March 9th @ 5:30 PM – 8:00 PM

Portland Art Museum – 1219 SW Park Avenue, Portland OR

EXECUTIVE CORNER

Office Market Presentation February, 2023

BY CHARLIE DIGREGORIO & AMY BECK

IS REMOTE WORK TREND FINALLY BURNING OUT?

"I can't remember—do I work at home or do I live at work?"

OFFICE VACANCY

<u>National Average Vacancy</u>	12.5%	
<u>Portland Vacancy</u>	12.1% (up 10.7% from 1 year ago)	13.8 M SF
CBD Vacancy	21.4%	6.3 M SF
Availability with subleases	26.4 %	7.9 M SF
Subleases	over 1 M SF	(up from 607,000, +71% from a year ago) About half of the sublet availability metro-wide

Availabilities in denser job nodes (CBD & Close-in) accounted for 91.9% of sublet availabilities in the metropolitan area,

Much higher proportion in Portland than other West Coast Cities.

RIVER CITY SNAGS

We're all getting tired of hearing why -

- Prohibitively high tax rates

- Portland ailing reputation, which has suffered from rising crime rates and homelessness in the wake of 2020 civil unrest.

- Oregon's Covid-era restrictions were kept in place for a comparatively prolonged period,

A lingering effect on business mentality and contribute to the lag in downtown office return.

However, apartment occupancies have risen, so the main draw of proximity to downtown work is no longer the driver of office demand.

Larger Office markets seeing more office building conversions to apartments. Unlike NYC & San Francisco, it's not happening HERE.

MAJOR PLAYERS

Major employer exodus and CBD down-sizing

Umpqua/Columbia Bank, * **Unitus**, PGE, etc.

Influencers

- Facebook/Meta, Apple, Amazon, Netflix, & Google
- In Portland, tech & apparel
- Law firms' transactional business down
- Layoffs, hiring freezes, downsizing
- Tech wants primarily in-office work for "tribal knowledge"

- Blackstone has asked the Federal Government to use it's office space instead of letting go of large amounts 50% of government leases expiring in 2022-2026
- Already seeing avg. 30% cutbacks in leased space
- Twitter has suspended **all** rent payments
- Salesforce is laying off 10% of it's workforce
- CBRE cut $400 million from it's budget, mostly in staff cuts

UTILIZATION

Urban Doom Loop National Trend

Jobs have been flowing out of Cities, even pre-covid

West Coast Cities

San Francisco sits at 40% utilization occupancy

Despite shrinking office foot-prints, Public Sector and government agencies accounted for bigger CBD leases

With expansions at Tanner Point in the Pearl, it's now fully leased primarily by apparel company On Inc. & Tech firm Ampere Computing

NEW SPACE?

In the suburbs, larger deals included Garmin taking 27,000 sf at Scholls Business Center and Digimarc's 65,000 sf deal at Creekside Corporate Park ate up some vacancy

Fortunately, our region isn't in the midst of a significant supply wave, so working through all the sublet space will be the market's chief concern in coming quarters.

Office Construction

CBD -293,000 Sf (Less than 1% of downtown office inventory & 48% of metro area project total.)

2 buildings, lowest downtown development level since 2013

RITZY SPACE

Ritz Tower (Block 216 Offices)
158,500 sf
$38-$42/sf NNN,
5 floors of office

11W Offices
134,000 sf
$44/sf NNN,
7 floors office

CLOSE-IN

Most large recent **Suburban** Projects have been BTS like Nike and Adidas

Most significant Suburban Project under construction

Pavillion (SE 26th & Sandy)
100,000 sf Office/Medical by Security Properties, Seattle
Added complex including Senior Housing

“THE COUV”

Biggest **Suburban** Project Planned 366,000 sf

BTS for **ZoomInfo** in Vancouver by Lincoln Property Co. & Bridge Investment Group

OPPORTUNITY KNOCKS

Brokers' next best thing to a hot real estate market ….. A market in turmoil!

We don't call building owners about other broker's listings.

However, we do call owners about what we're seeing and doing.

Preparation is the key to taking every shot we can at owners

As the "GREAT ONE" (Wayne Gretsky) said, you miss 100% of the shots you don't take!

LOADS OF SPACE

Existing Office and Medical buildings with over 10,000 sf available for lease in each building –

CBD	110 buildings	6.7 Million SF available	39% of NRA
Westside Suburban	440 buildings	6.1 Million SF Available	31% of NRA (+ south to Wilsonville)
Eastside Suburban	75 buildings	2.3 Million SF Available	42% of NRA (+ Vancouver & SW WA)

What building owner with one or multiple spaces listed of at least 10,000 sf, doesn't want to hear about some of our success stories?

A REASON TO SELL

With the average listed space running between 31% and 42% of the NRA in buildings with 10,000 + SF of vacancy for a prolonged period, owners are all ears.

On the Sales front, we keep hearing that larger amounts of capital in the market comes from institutional investors. But users and private investors drove 70% of the volume in 2022.

Metro Office Sales Prices held steady at an average of $320/sf and cap rates overall now up to 5.7%.

A CBD SALE

Notable downtown sale in 2022 was the 47,000 sf, Alderway Building

SW Alder & Broadway, Class B, built 1929.

December, 1998, bought by Noel Flynn
$2.45 million($52.13/sf)
8.5% cap rate
36% leased, office rates were $12-15/sf

August, 2022, bought by Melvin Mark,
(from Noel's son Jim Flynn)
$8.53 million ($181.40/sf)
5% cap rate
90% leased at sale
(50% of the building is now available)
Office rates ($23-29/sf) ($24/sf average)

SUBURBAN SALE

With the more mobile workforce, purchase strategies are shifting outside the urban core, suburban assets are drawing more attention from users & investors.

Notable suburban sale - nearly **90,000 sf Bridgeport Center,**

7632 SW Durham Road, Tigard, near I-5

Class A, built 2001 (reinforced concrete)
On 10.5 acre site, 367 parking spaces (4.1/1,000 ratio)

In May, 2012, bought by Matt Felton
$10.6 million ($118.21/sf)
66% leased, rates were $16-22.50/sf

In July 2022, bought by
Unitus Community Credit Union
$27 million ($301.10/sf)
Fully leased, rates at $26.50-$28/sf)

2023

Office highlights from 2022 above provide a glimpse of today's office market + a future with the pressures of recessionary trends

Tech, Apparel, Healthcare and Public Sector organizations will remain as the office market drivers. They continue to struggle with:

- an updated approach to workforce policies
- and office space utilization

Efforts to regain 100% in-office participation aren't working well.
Nationally, employers aiming at 100% in-office work,

-but seem to hope for 80% return to the office,
-on a 3-day per week basis.
-Repurposing of office buildings in the Portland market will not pencil for most owners and investors
-"Less Me, More We," as more employees dribble back to work, firms will continue to cut desk space and favor meeting space and technology to help attract top talent

West Coast City CBD's expected to stay under 50% of in-office work in 2023
Investors will favor selective suburban submarkets in ongoing urban migration.

THE WORST IS OVER

Could be worse.