JANUARY BROKER AWARDS MEETING

February 14, 2024

MONTHLY STATISTICS

LEASING	# OF TRANSACTIONS	TOTAL $ VALUE
January 2022	10	$2,512,597
January 2023	22	$7,643,778
January 2024	**17**	**4,243,281**

SALES	# OF TRANSACTIONS	TOTAL $ VALUE
January 2022	4	$16,210,000
January 2023	3	$3,483,000
January 2024	**2**	**2,070,000**


TOP LEASES

3RD TOP LEASE

9400 Place
9400 SW Beaverton-Hillsdale Hwy, Ste 100
Beaverton, OR

Lessor: **9300 Hillsdale LLC**

Lessee: **Quillion Holdings Inc.**

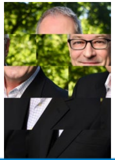
Lease Value: **$479,175**

Lease Rate: **$21 PSF + 4% annual**

Leased Area: **2,861 SF**

Lease Term: **87 months**

TI's & Concessions: **3 months free, $95K TI with tenant contributing $15K**



DUANE
LINK

2ND TOP LEASE

735 E Clarendon Street, Ste 100
Gladstone, OR

Lessor: **Park Place Business Suites**

Lessee: **The Stoller Group, Inc.**

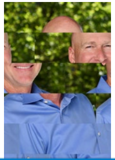
Lease Value: **$614,220**

Lease Rate: **$28.75 PSF**

Leased Area: **1,880 SF**

Lease Term: **120 months**

TI's & Concessions:
$62/SF TI



TIM
PFEIFFER

TOP LEASE

River Road Plaza
175 Silver Lane
Eugene, OR

Lessor: **KH Properties LLC**

Lessee: **Western Vet Partners LLC**

Lease Value: **$917,087**

Lease Rate: **$23.25 PSF**

Leased Area: **4,858 SF**

Lease Term: **96 months**

TI's & Concessions: **None**

LUIS MARTIN
DEL CAMPO


TOP SALES

2ND TOP SALE

1207 – 1217 D Street NE
Salem,OR

Seller: **1890 Partners LLC**

Buyer: **K+A PNW Investment Group**

Sale Price: **$820,000**

Price/Unit: **$136,666.67**

Price/SF: **$208.33**

Number of Units: **6**

Cap Rate: **5.77%**

Financing: **IRA loan at 8.875%, 5 year fixed for a 25 year amortization.**

CAMERON MERCER

JAKE HOLMAN

TOP SALE

4304 – 4322 SE 182nd Ave
Gresham, OR

Seller: **Harold Clayton & Linda Clayton**

Buyer: **Mayflower Manor Realty Trust July 12, 2017**

Sale Price: **$1,250,000**

Price per SF: **$194.86 PSF**

Property Size: **6,415 SF**

Cap Rate: **7.04%**

Financing: **Cash at closing**

GREG NESTING

GABE SCHNITZER


TOP DOGS

LEASING BROKER OF THE MONTH

LUIS MARTIN DEL CAMPO

SALES BROKER OF THE MONTH

GREG NESTING

PRESIDENT'S AWARD

SCOTT FINNEY

TOP 5 PRODUCERS

1

GREG NESTING

2

LUIS MARTIN DEL CAMPO

3

SCOTT FINNEY

4

DUANE LINK

5

GABE SCHNITZER


ANNOUNCEMENTS

Norris & Stevens
INVESTMENT REAL ESTATE SERVICES

SALES MEETING SCHEDULE

February 21st	**Continuing Education/Guest Speaker**
February 27th	**All Broker Meeting**
March 6th	**Brokers Meet By Industry Group**
March 13th	**Broker Awards Meeting for February 2024** **Market Report by Michael Brown**
March 20th	**Continuing Education/Guest Speaker**
March 27th	**All Broker Meeting**

UPCOMING LOCAL EVENTS

PORTLAND METRO CHAMBER

Forum Breakfast: 2024 State of the Economy

Thursday, February 15th @ 8:30 – 10:00 AM

Hilton Portland – 921 SW 6th Avenue

PORTLAND BUSINESS JOURNAL

Power Breakfast: Focus on Small Business Growth

Thursday, February 22nd @ 8:00 AM

Sentinel Hotel Grand Ballroom – 614 SW 11th Ave

CAB COMMERCIAL ASSOCIATION OF BROKERS OREGON & SOUTHWEST WASHINGTON

NAIOP COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION OREGON CHAPTER

SIOR

Night of Excellence in CRE

Thursday, February 29th @ 5:00 PM – 8:15 PM

Ritz-Carlton – 900 SW Washington St

CEIC CENTRAL EASTSIDE INDUSTRIAL COUNCIL

Quarterly Member Meeting

Wednesday, March 6th @ 10:00 – 11:30 AM

The Melody Event Center – 615 SE Alder Street

CCIM Oregon/SW Washington CCIM Chapter

March Marketing Meeting

Wednesday, March 6th @ 10:15 – 11:45 AM

HBA Event Center – 15555 SW Bangy Rd, Lake Oswego

UPCOMING LOCAL EVENTS

BOMA Oregon

OREA Luncheon: Energy Reporting

Thursday, March 7th @ 11:30 AM – 1:00 PM

900 SW Fifth Ave – Basement Auditorium

WEA WESTSIDE ECONOMIC ALLIANCE

2024 WEA Policy Conference

Thursday, March 14th @ 11:00 AM – 6:00 PM

Hidden Creek Community Center – 5100 NE Hidden Creek Dr, Hillsboro

CREW PORTLAND

Neighbors to the North – SW Washington's Boom

Thursday, March 14th @ 11:15 AM – 1:00 PM

Moda Center – 1 North Center Court Street

IREM INSTITUTE OF REAL ESTATE MANAGEMENT FOR THOSE WHO MANAGE TO MAKE A DIFFERENCE

Decoding AI: A Primer for Property Management

Wednesday, March 20th @ 11:30 AM – 1:00 PM

McMenamin's Kennedy School – 5736 NE 33rd Ave

EXECUTIVE CORNER


OFFICE MARKET
REPORT
BY CHARLIE DIGREGORIO

OLD NEWS

- Most Banks expect non-performing office loans to grow.
- Nationally, office prices have dropped by 35% since the first quarter of 2022.
- Wells Fargo says non-performing office loans are "still early in the cycle."
- Non-accrual loans backed by office buildings increased to $3.4B at the end of December, up from $2.8B in Q3 and $189M at the end of 2022.
- Some Landlords hang on to essentially vacant buildings
- (vacant buildings are considered by lenders to those that are less than 31% occupied)
- The "hangers on" are getting squeezed on rising operating costs

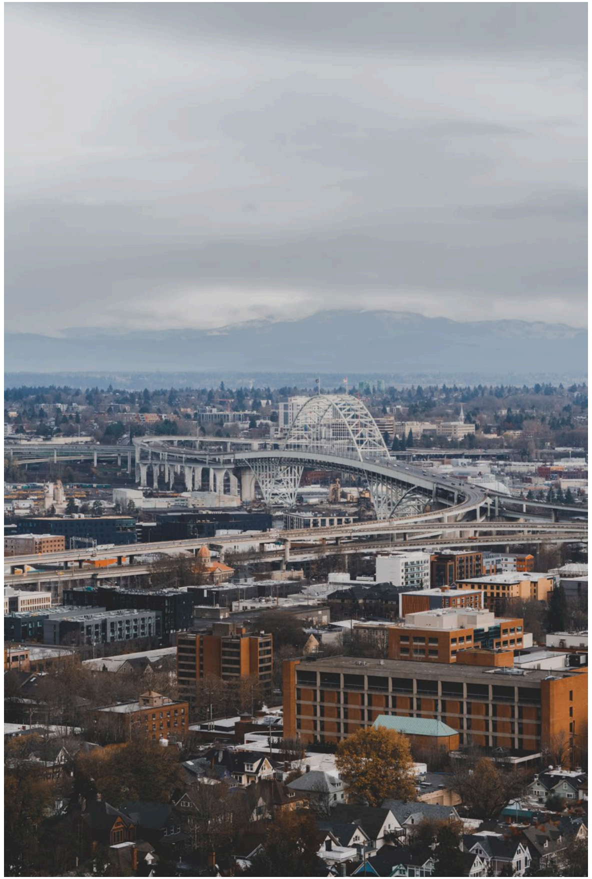
URBAN DOOM LOOP?

- Net migration in the six U.S. gateway markets was 17% stronger in 2023, than it was in 2019.

OFFICE CONVERSIONS:

- Office conversions now represent 38% of the 147,000 apartments in future adaptive reuse projects, outpacing any other building type.

- This growth is partially occurring because of the $150 billion in office mortgages due by 2024.



HIGH ON HYBRID WORK & FLIGHT TO QUALITY?

- CBD office vacancy is still lower than suburban vacancy in 40% of U.S. markets.
- Office tenants, nationally, have adjusted to hybrid work patterns.
- Estimates Are all over the board: Company surveys show 62% are executing a hybrid work strategy.
- Companies are shrinking leased space by an average of 7% - 20% across major markets.
- The Fake News is full of articles on FLIGHT TO QUALITY.
- Actually, Lease Sizes Have Been Shrinking Fastest at Five-Star Buildings.
- New office leases executed at five-star properties in 2023, were an average of 43% less space than in 2019.

HIGH ON HYBRID WORK & FLIGHT TO QUALITY?

- Lease sizes shrank less dramatically at properties further down the Building quality scale.
- Between 45% and 70% of various survey respondents say their overall office space is the right size to meet their current needs, with redesign in mind, so newer buildings have an advantage.
- A [corporate] culture brings people together.
- This requires office footprints with ample amounts of collaborative and flex space.
- The amount of collaborative space in a standard office climbed to 20% last year, up from the 14% two years ago.
- The Major Challenge …… companies have yet to find ways to get everyone back to the office.

OFFICE SPACE TOUR ACTIVITY

- U.S. Office vacancy rose to a record 19.6% in Q4 of 2023.

  Up a full 1% from Q4 of 2022.

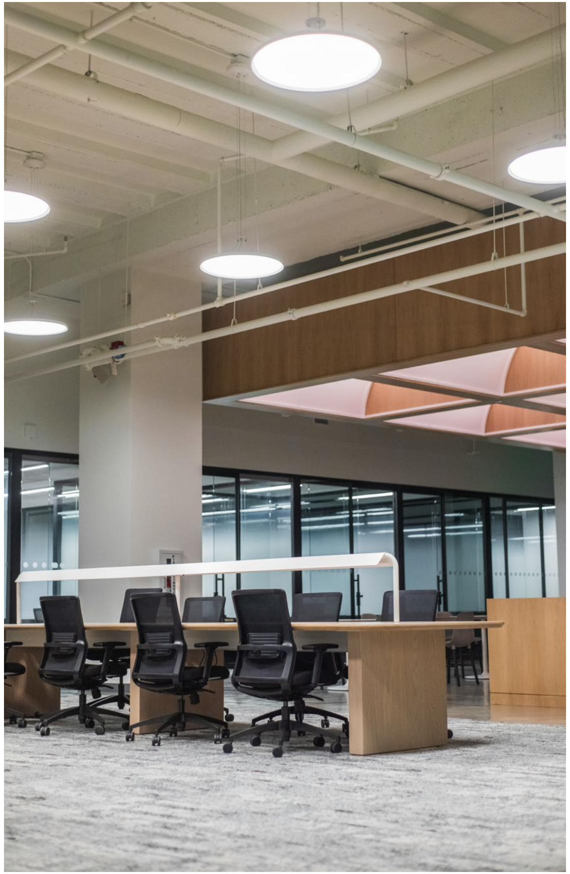
- Are Office space searches increasing?

  Online Office Space Searches certainly are!

- New Office demand still is down roughly 50% in core office markets.

- Touring requirements are down 47%.

- However, searches of building websites increased by more than 200%.



WHAT ABOUT THE NORTHWEST?

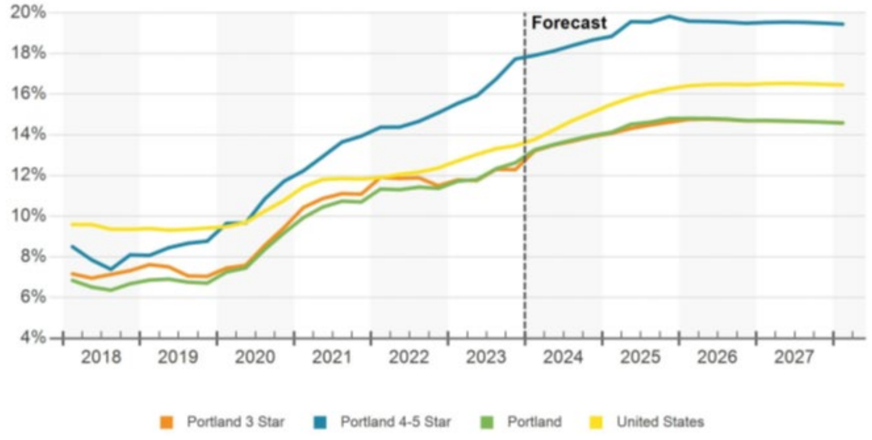
- Well, Seattle is Heating Up.
- Seattle, Los Angeles, San Francisco and Denver each had more than 1 million square feet of office vacated last year
- Nevertheless, in Seattle, Net in-migration has again over-taken loss of population.
- Eleven office developments totaling 4.4 million square feet are under construction.
- Will Seattle show Portland the way?

RIVER CITY WRAP-UP

Metro Office Vacancy: 13.2% *(Ranked #6 in Occupancy of 41 suburban markets)*

- CBD: 25% *(Ranked #3 in CBD Vacancy out of 41 Cities).*
- The CBD is a critical component of our Region's Office Recovery.
- Metro Listed Availability: 16%, 19 million SF
- CBD Availability: 30%, 9 million SF
- No office construction in the CBD.
- We continually read about tenants, large and small, leaving the core.

Vacancy Rates



- Hoffman Construction bailing out of 26,000 sf in Fox Tower
- for 23,000 sf at Shorenstein's 4949 Meadows on suburban Kruse Way.

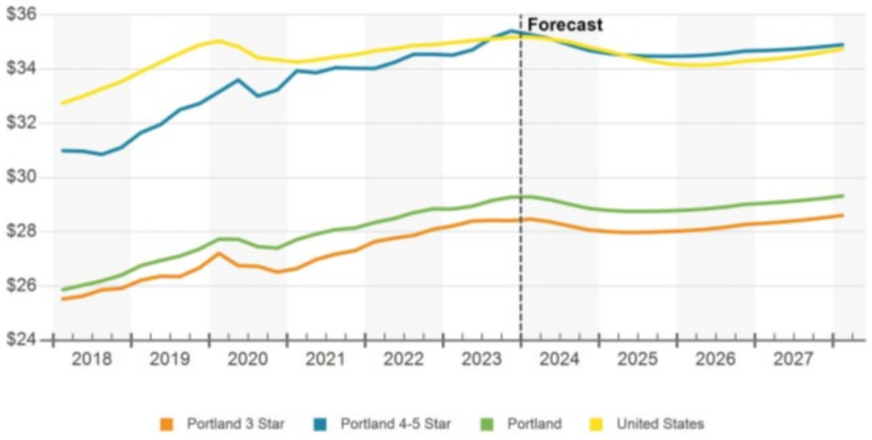
THE CITY OF PORTLAND MAY BE GETTING THE MESSAGE

- The City of Portland has mandated that most of its employees must be in the office at least 50% of the time.

- Their waiver of up to $250,000 in business license tax breaks, is also meant to jumpstart downtown activity.

- On the plus side, Rents are again up 1.5% in the last year to an average of $32.75 in the CBD.

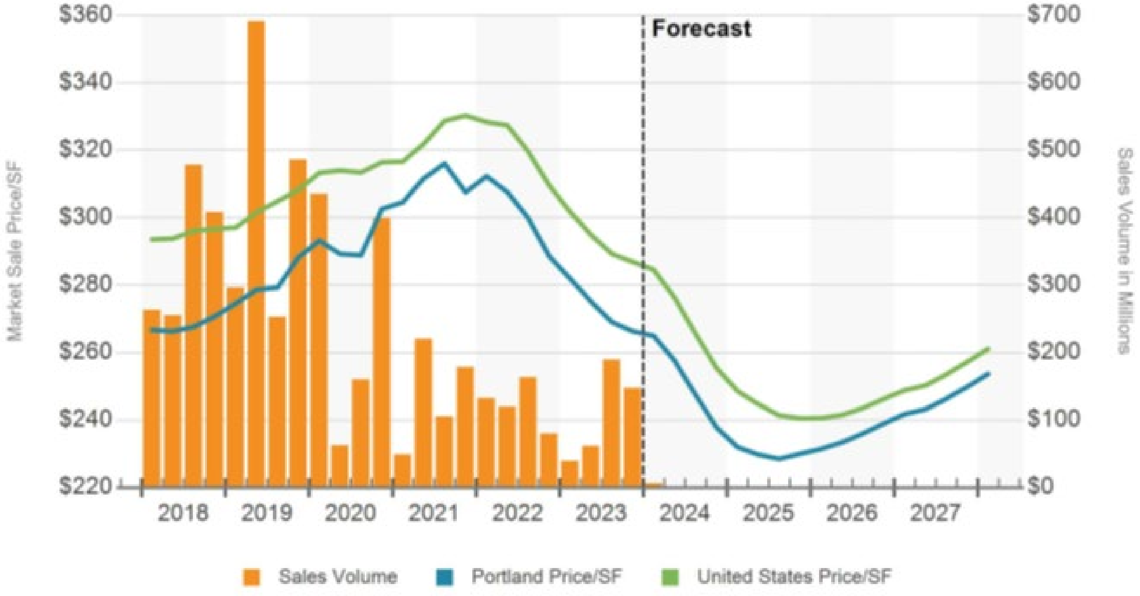
Market Asking Rent Per Square Foot



ON THE SALES FRONT

Office building sales nationwide down average of 66% from 2022 Q1 high.

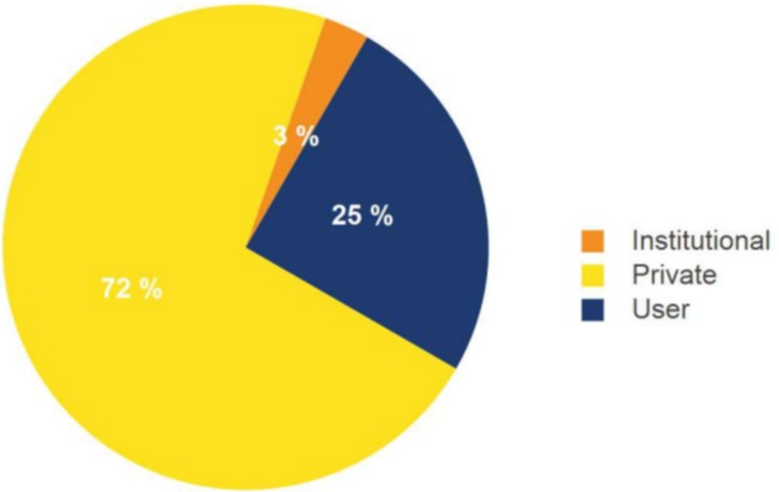
Market Sales Price Per Square Foot



ON THE SALES FRONT

- Portland and the CBD, in particular, have benefitted from Institutional Acquisitions for years.
- The CBD’s 10-year average annual Office Sales performance was $479 million dollars.
- Last year’s volume plummeted to under $72M.
- Buyers scared of Urban trophy high rise assets
- So the only attraction seems to be heavily discounted and distressed deals.
- (like Menashe’s $74/SF purchase of the American Bank Building, $13.6 million in 2023).
- Current downtown market pricing average of $340/SF is expected to keep dropping.

Sales Volume by Buyer Type – Last 12 Months



- It’s currently projected to bottom out in 2025 at around $290/SF.
- CBD Office cap rates right now are around 7.7 %.
- Metro-wide they are at 6.9%.

STAYING ALIVE 'TIL '25

- Net migration to major cities is now 17% stronger … than it was in 2019.
- Multifamily absorption used to be 8.7% of inventory. Now it's 16.4%.
- The right-sizing of office portfolios will moderate.
- Occupiers are still committed to office even with more employee flexibility than pre-pandemic.
- Centralized, urban office locations are seen as the best option for their workforce.
- New office deliveries will be historically low in the middle of this decade.
- Less new construction leads to more renovation of existing assets, reducing the amount of obsolescence.

STAYING ALIVE 'TIL '25

- Many younger workers want to work in central offices for career development and connection.
- The office experience will focus on sustainable practices, technology and inviting amenities.
- While office employment was down in the second half of 2023, it remained 1.9 million jobs above the pre-pandemic level, a remarkable situation!
- As it resumes growing, occupiers should need more office space for their growing workforces.
- Occupiers and employees are adjusting, supply is adapting, and the economy will create jobs in the coming years.


COMMERCIAL RETAIL REPORT
BY MALLORIE GOODY

QUESTIONS

- *What trends drive retail growth?*
- *Build it and they will come?*
- *Add retail to an already thriving community?*

WHAT TRENDS DRIVE RETAIL

- **Economy –** Inflation trends and interest rates continue to drive consumer demand. A record high number of households are living off credit card debt. Is this a sustainable economy?
- **Population –** Multnomah County witnessed a decrease in population I 2023. Currently has a higher death rate than birth rate. Numbers show that consumers are moving from Portland metro to the suburbs.
- **Demand –** Despite the rise of ecommerce, about 80% of basic needs will come from physical stores.
- **Convenience –** Statistics show 37% of consumers shop with in a 3 mile radius.
- **Consumer Experience –** A staggering 57% of consumers feel experiences have gotten worse in the past year. Retailers will take on Amazon by leveraging and improving the in-store experience. AI will also play a large

Retail trends to watch in 2024

2023 was the year of the “**resilient consumer**”
2024 will be the year of the “**empowered consumer**”.
Empowered consumers have AI and digital media at their fingertips. They are smarter, and expect more for their money.

With current market conditions many consumers will look for more deals and discounts as they carefully balance their household budgets.

Technology will play a big role in bringing innovation and efficiency to retailers and consumers, from how brands respond to higher consumer expectations to stay competitive among a growing field of retailers. The 2024 retail industry trends reflect a larger shift toward a customer-centric and digitally driven retail landscape.

RETAIL MARKETS IN THE PACIFIC NORTHWEST

POPULATION TRENDS –

MARKET AREA	2020 Population	2024 Population	Percentage Change
KING COUNTY	740,520	784,754	+5.97%
TRI-CITIES	303,369	317,000	+4.30%
SPOKANE	336,421	363,101	+8.00%
CLARK COUNTY	496,865	525,161	+1.06%

MARKET AREA	2020 Population	2024 Population	Percentage Change
MULTNOMAH COUNTY	653,294	618,451	-5.33%
CLACKAMAS COUNTY	421,596	422,591	+1.02%
WASHINGTON COUNTY	600,372	595,540	-0.99%
DESCHUTES COUNTY	199,454	208,931	+1.04%
MARION COUNTY	346,339	344,559	-0.99%

NATIONAL RETAILERS EXIT PORTLAND METRO

TARGET
SAFTY AND LP ISSUES

NIKE
SAFTY AND LP ISSUES
(CITY WOULDN'T PROVIDE OFFICERS)

Starbucks
UNION STATUS
SAFTY CONCERNS

Macy's
SAFTY AND LP ISSUES

REI
UNION STATUS
SAFTY CONCERNS
LANDLORD ISSUES

Walgreens
SAFTY AND LP ISSUES

LANDRY'S
DINING · HOSPITALITY · ENTERTAINMENT · GAMING
PANDEMIC
STAFFING ISSUES
PROPERTY DAMAGE

Cracker Barrel Old Country Store
PANDEMIC LOSSES
SAFTY CONCERNS

Walmart
SAFTY AND LP ISSUES

NEW STORE OPENING NATIONAL FORECAST

1. **Florida:** Perhaps the fastest-growing state in the country, it has no state tax and a booming real estate market.
2. **Ohio:** A resurgence in factories and manufacturing, including an Intel chip plant, means more workers...and more workers making more money.
3. **South Carolina:** A combination of good weather and affordable living conditions should make this a winner.
4. **North Carolina:** Same as its southern neighbor, plus a growing retirement population.
5. **Colorado:** The Western lifestyle, especially in Denver, makes this a good choice for retailers.

Opportunity areas: **California, Wyoming, Kansas, Texas** and **New York State** (**Albany** area).
In the meantime, a number of big retail companies have announced ambitious plans for expansion in 2024.
Dollar General, 800 new locations, including 30 PopShelf units; **Five Below**, 255 additions; **Academy Sports**, 120-140 new stores by 2027; **Boot Barn** with 50 new locations this year; **Macy's**, adding 30 small-format stores in 2024; **Dick's**, opening 10 House of Sports this year; **Nordstrom**, 10 new **Rack** stores; and **Uniqlo**, 20 new locations, Toys-R-Us is planning a comeback in the U.S. and Canada this year.

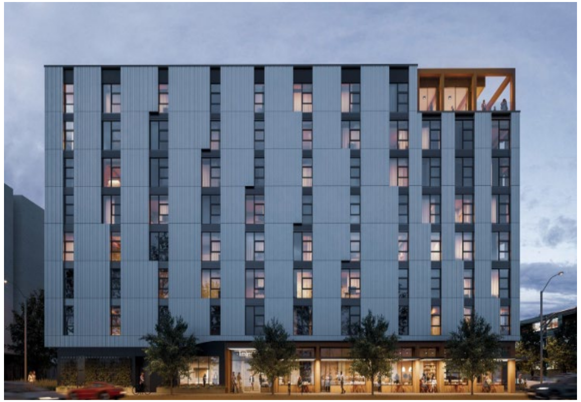
PORTLAND PROJECTED RETAIL/MIXED USE IMPACT IN 2024

PDX TERMINAL – $2 Billion project
Capacity growth by 40% and 20 new shops

Willamette Tower – 23 story high-rise
343 units, 3,800 SF retail space.

Pop Blocks – Pepsi warehouse off Sandy
4.7 AC mixed use, 379 units, retail and food.

SLABTOWN SQUARE – NW 21st
200 units, and 11,500 SF of retail plaza.



TIMBERVIEW – Affordable housing
8 story, 105 units, food hall

MULTNOMAH LIBRARY – 21,000 SF
Located in Gresham off Eastman Parkway

RETAIL SHOPPING CENTERS IN THE PACIFIC NORTHWEST

QUESTION #1: *What trends drive retail growth? – Economic trends, Population trends, Demand, Convenience, Consumer Experience.*

QUESTION #2: *Build it and they will come? – If developers would have known 5 years ago that a 6% decrease in population was going to happen in 2024, would money have been spent on the upcoming projects projected in PDX. Even multifamily trends and demand is down with vacancy rates at 8.4% in Multnomah County.*

QUESTION #3: *Add retail to an already thriving community? – Niche Retail Developments can still take place in Multnomah County in the right areas where convenience is key. Demand trends include consumers balancing budgets, needing daycare, entertainment, and discount brands. 37% of consumers shopping within a 3 mile radius of their home.*