



Portland, Oregon

Tenant's Guide ■ North American Markets ■ First Quarter 2012

Overview

The Portland Office Market is seeing the lowest vacancy rates since 2009. Factors that may be contributing to decreased vacancy rates include Oregon reaching unemployment rates lower than the national average, and the limited office and industrial product delivered to market. Another contributing factor to the low vacancy rates is the continued growth from the Urban Technology sector. Urban Tech groups have taken a significant portion of the smaller creative class B and C properties. Class A space remains tight, and a new class A tower is needed to create available space. With lower vacancy rates in the office market, expect rental rates to begin to increase. As the tide shifts from a tenant's market to a landlord's market, we expect to see several properties trade as pent-up demand for quality assets reenters the market. New ownership with new goals and expectations may increase the velocity of the changing market conditions.

The industrial market remains tight for tenants looking for more than 100,000 square feet. The industrial market as a whole produced 674,203 square feet of positive absorption in Q1 2012.

Market Trends

- Portland experienced the lowest office vacancy rate since 2009.
- Oregon's unemployment is below the national average.
- The Westside industrial market is producing the most deliveries, with Intel building 1.8 million square feet for their own use.

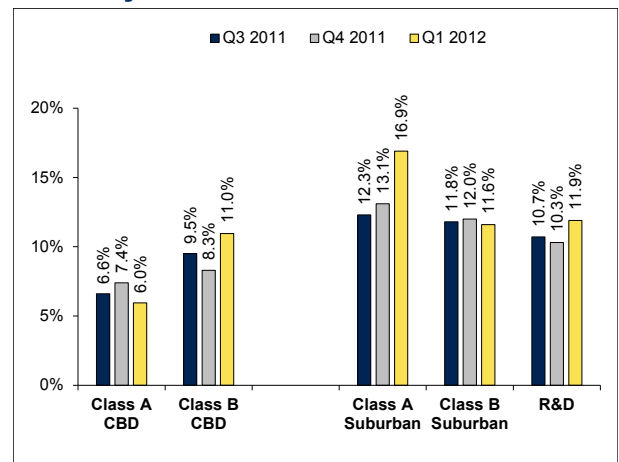
Tenant's Perspective

Tenants looking for space should be sensitive to the impending shift in expectations from landlords looking to recapture diminished value of their assets over the past three years. Producing comparable data to justify the tenant's position will become increasingly important as perceptions shift. Tenants must be very diligent in their pursuit to contain costs and to maximize their leasehold value by remaining open to relocations and by starting well in advance of their lease expiration. Tenants in the downtown and suburban markets can take advantage of still relatively low rental rates by executing longer lease terms and driving better concession packages. The best possible solution will be secured by starting early, having multiple options, and negotiating aggressively.

Major Transactions

| Tenant/Buyer | Size | Type | Lease/Sale |
|-----------------------------|------------|------------|---------------|
| Cascade Distribution Center | 119,000 SF | Industrial | Lease |
| Lite Solar Corp. | 81,196 SF | Industrial | Lease |
| Premiere Auto Storage | 64,874 SF | Industrial | Lease |
| Bridgeport Distribution | 56,970 SF | Industrial | Lease |
| Open4Business | 20,000 SF | Office | Lease |
| N/A | 18,719 SF | Office | Lease |
| Monsoon | 17,764 SF | Office | Lease Renewal |
| Elemental Technologies | 16,730 SF | Office | Lease |
| Lease Crutcher Lewis | 15,569 SF | Office | Lease Renewal |
| Buckley Law | 10,086 SF | Office | Lease |

Vacancy Rate



Average Rental Rates

| CBD | Q3 2011 | Q4 2011 | Q1 2012 |
|----------------|---------|---------|---------|
| Class A Office | \$25.12 | \$25.22 | \$24.57 |
| Class B Office | \$19.69 | \$19.53 | \$19.05 |
| Suburban | Q3 2011 | Q4 2011 | Q1 2012 |
| Class A Office | \$22.95 | \$22.35 | \$22.20 |
| Class B Office | \$17.53 | \$17.80 | \$17.80 |
| R&D | \$9.81 | \$10.11 | \$10.37 |

