



Why Portland?

Portland CRE Trends and Regional Market Overview



Portland – Why all the hype?

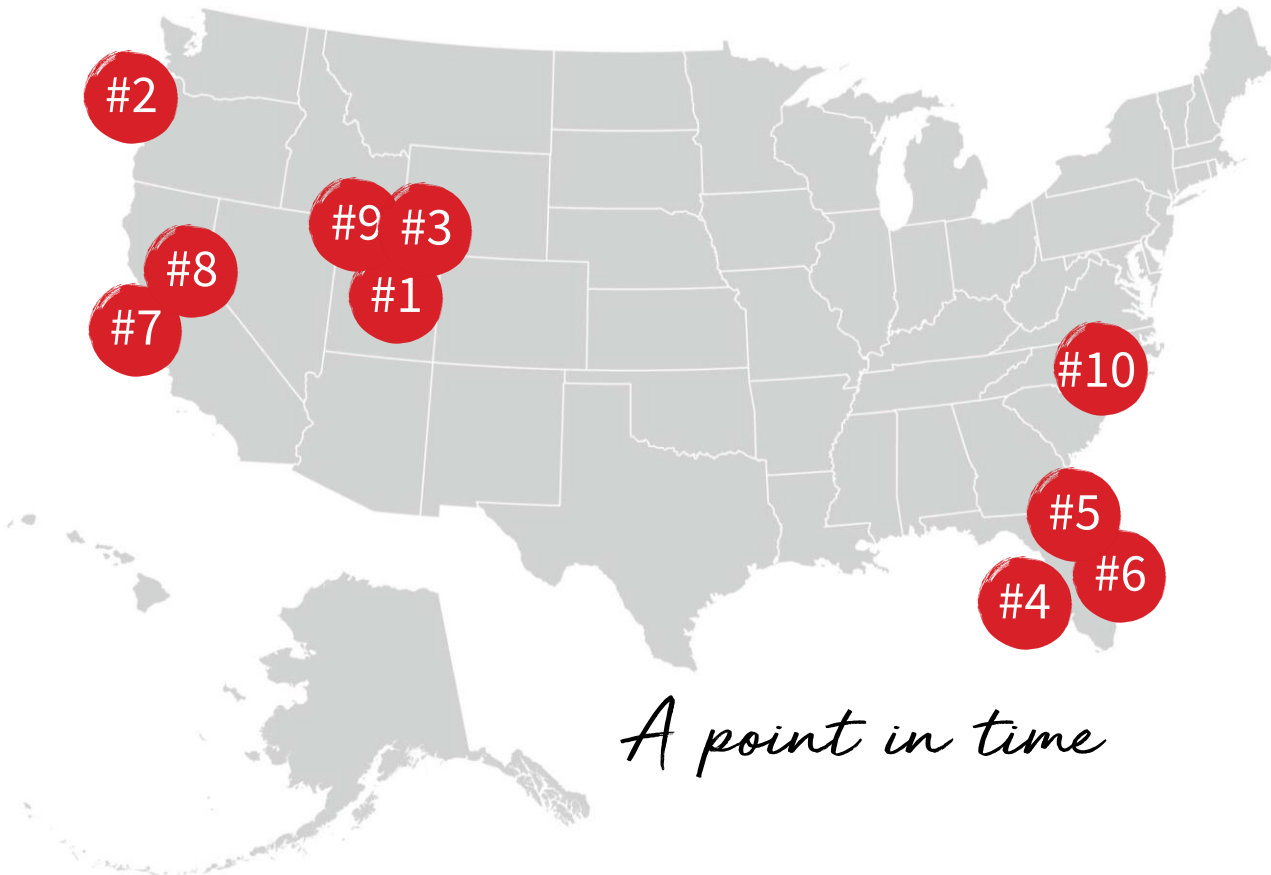


Portland job growth stands out



The Portland economy is among the fastest growing in the US

America's fastest-growing cities 2017 – *Forbes*
GMP growth 2016



A point in time

Source: Forbes, Axiometrics

Employment growth by US City 2013-2015



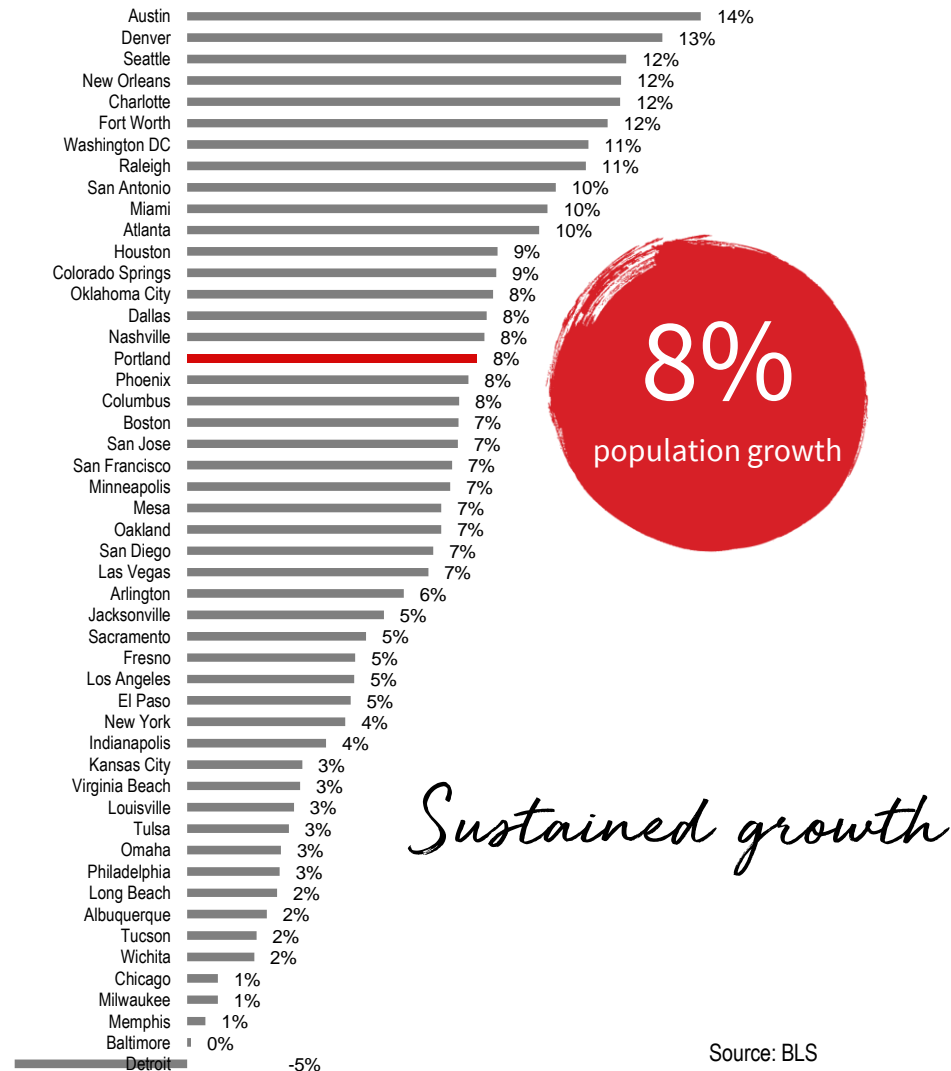
Sustained growth

Source: BLS

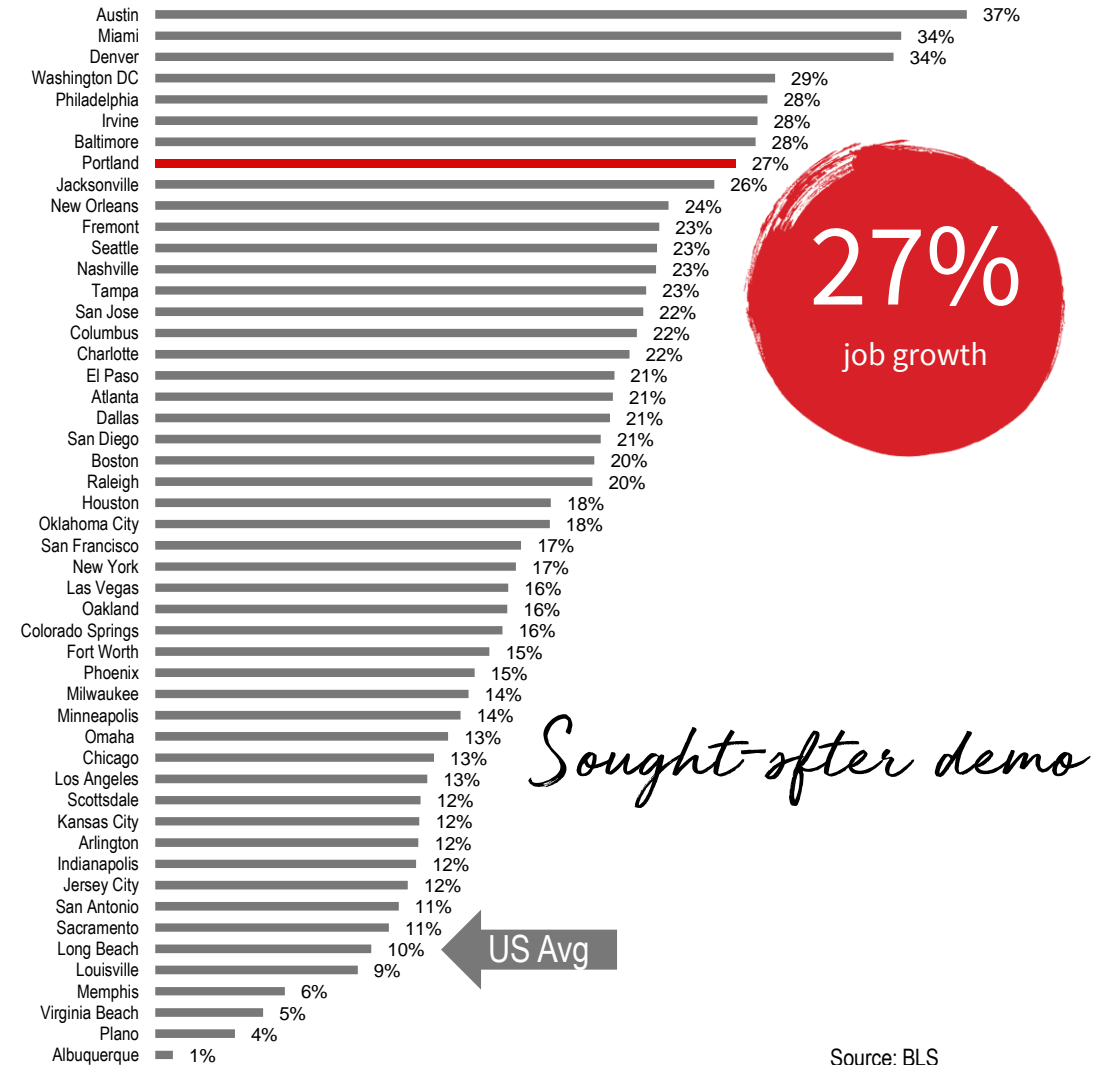
Portland demographics are enviable



Population growth by US City
2010-2015



Growth of college graduates of working age by US City
2013-2015



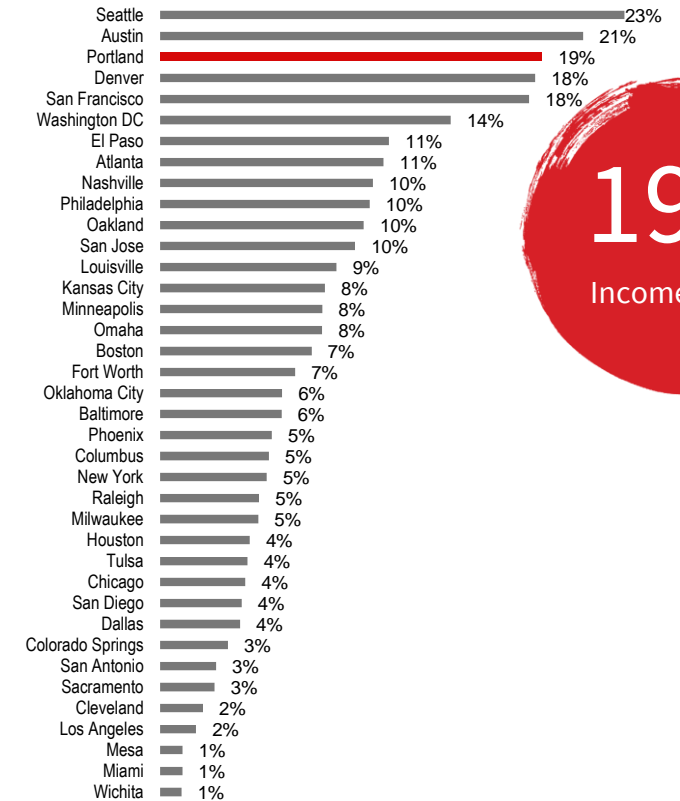
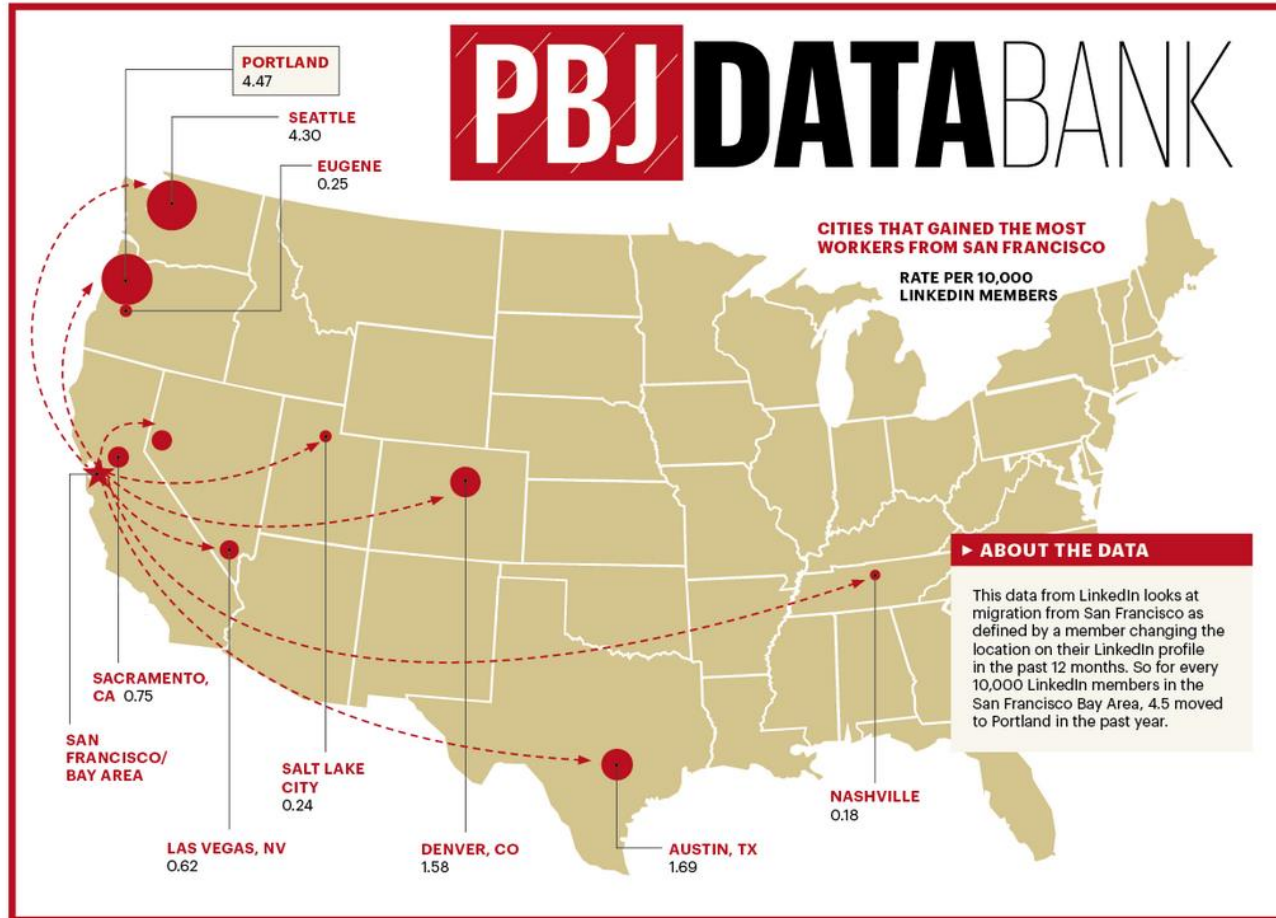
Workers moving where income buys more



Portland is a net attractor of talent

Median HH income growth by US City 2010-2015

Where SF workers are moving - Portland
LinkedIn 2017



19%
Income growth

7 times US growth

Affordability keeps Portland a winner for net migration



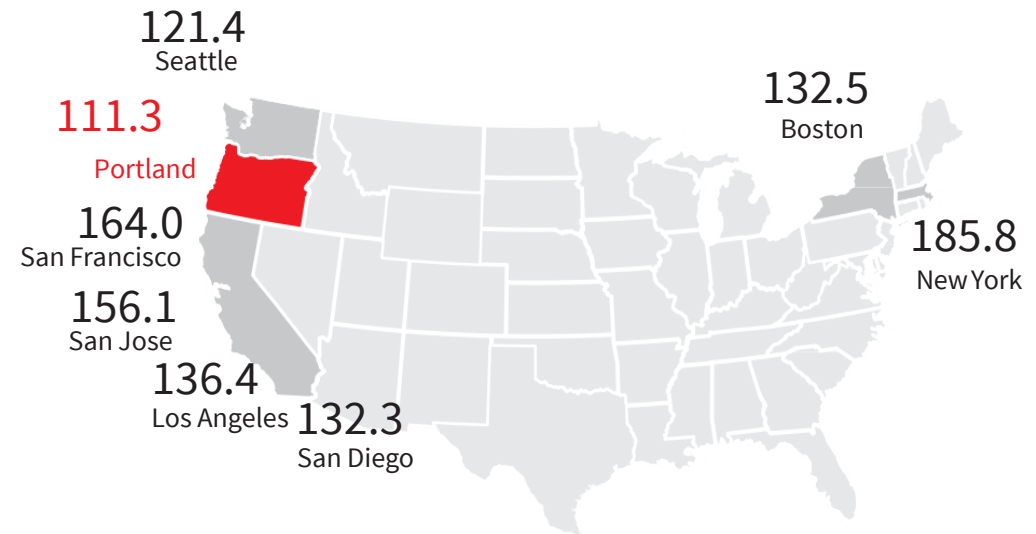
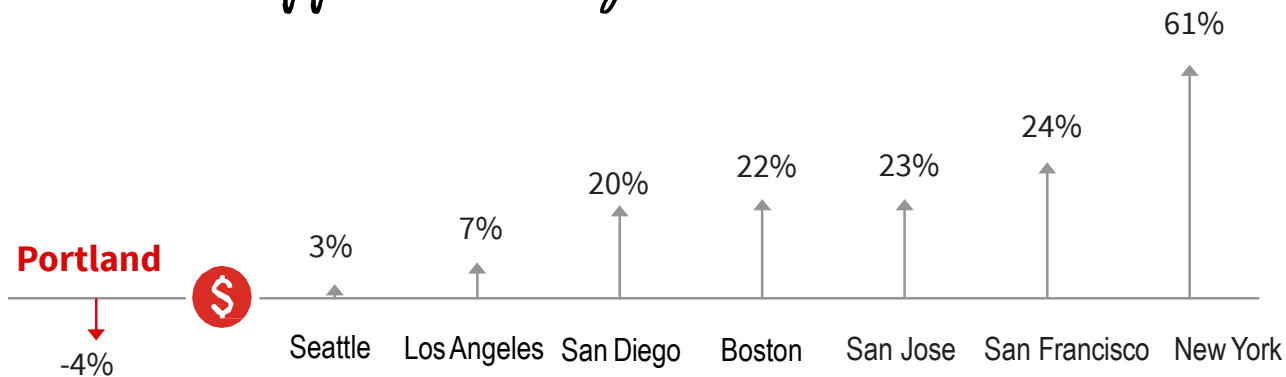
Cost of Doing Business

The cost of doing business in Portland is **4% lower** than the national average.

Low cost of living

Cost of living index, national average = **100.0**

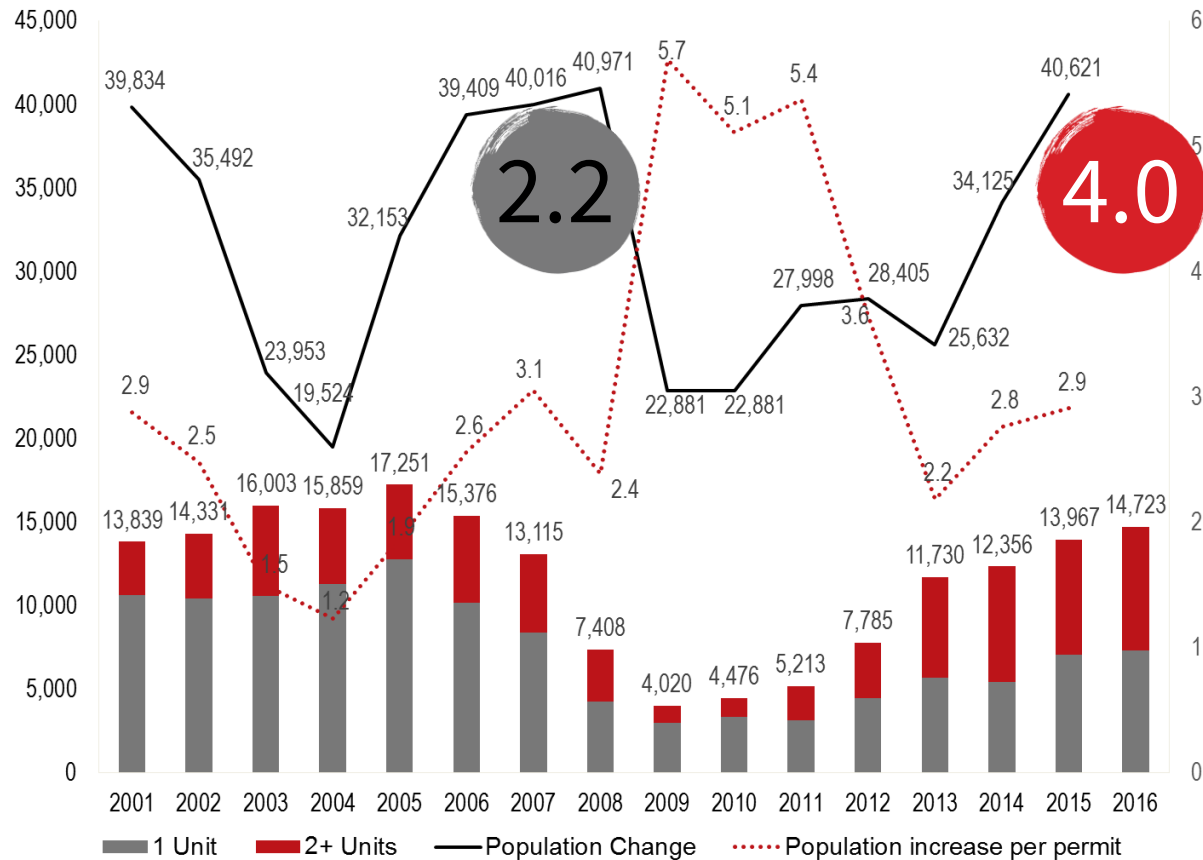
Relative affordability



Multifamily fundamentals among strongest in US

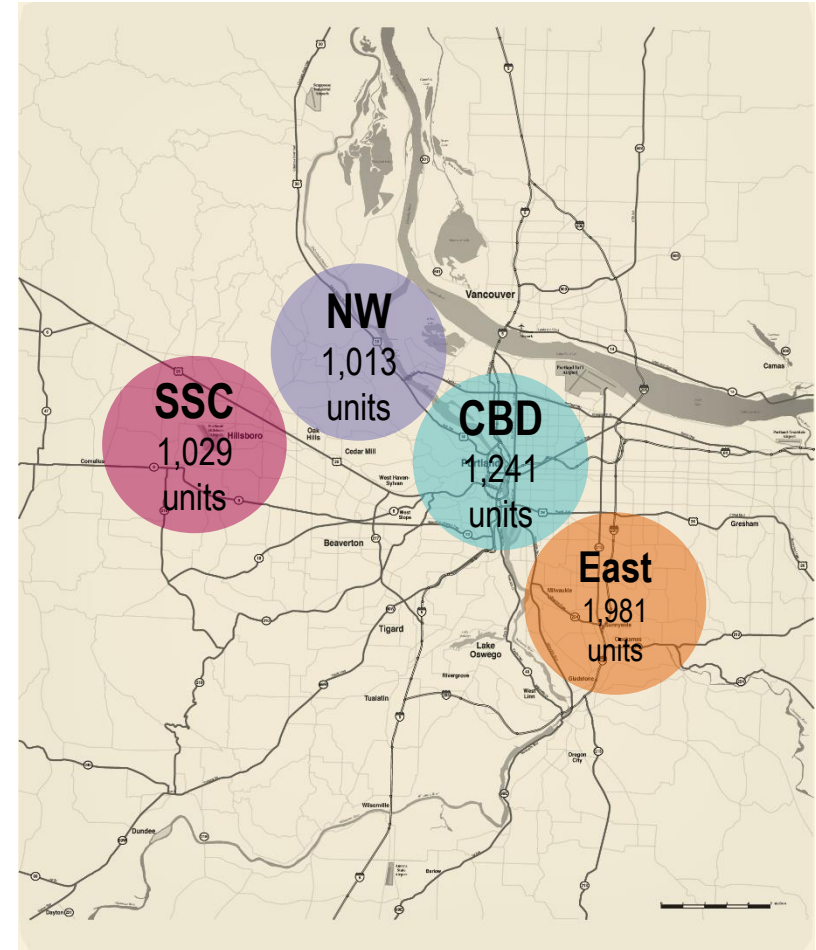


Housing permits have not kept up with population growth



Source: Housing Bureau

MF construction activity concentrated in urban areas

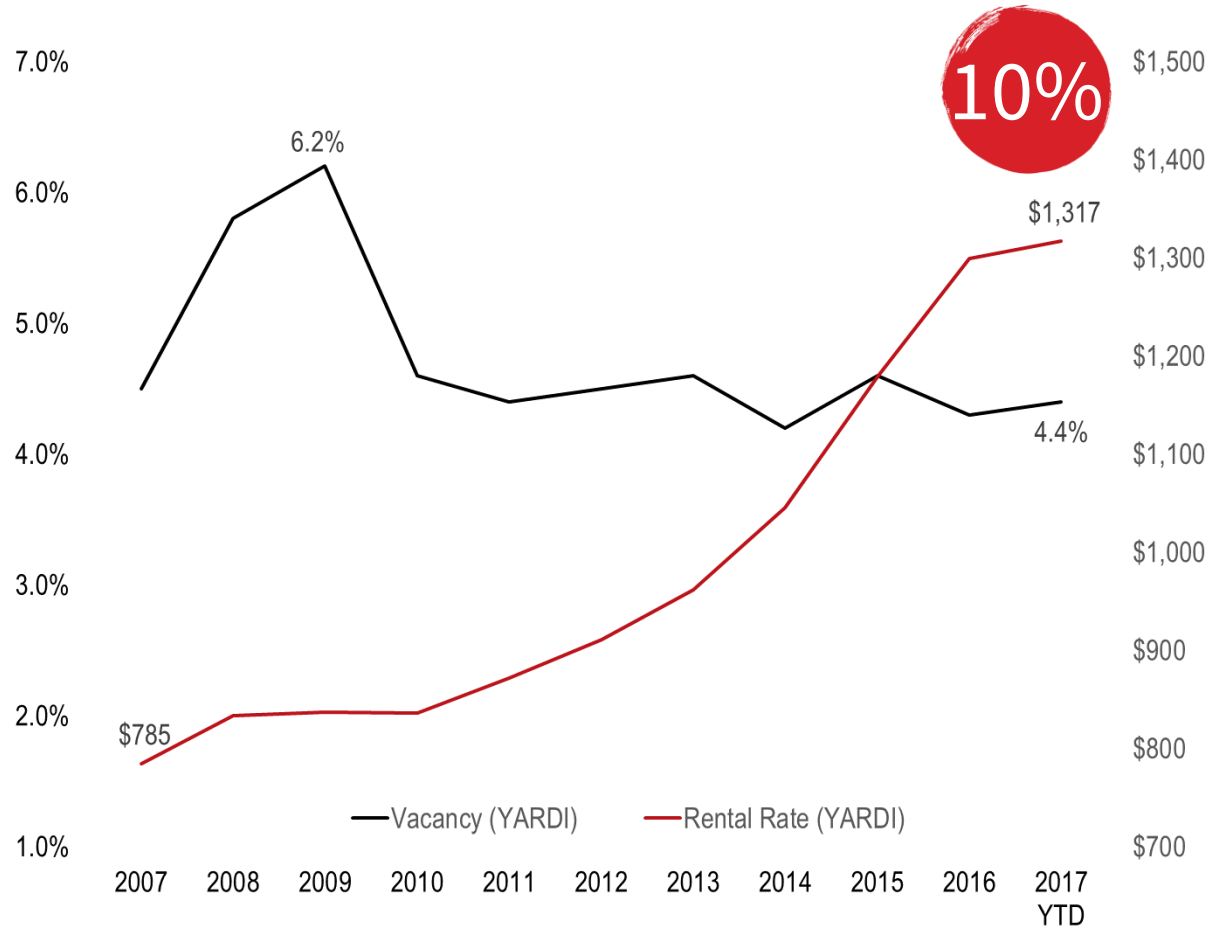


Source: Housing Bureau

Strong rent growth - maintaining comparative affordability

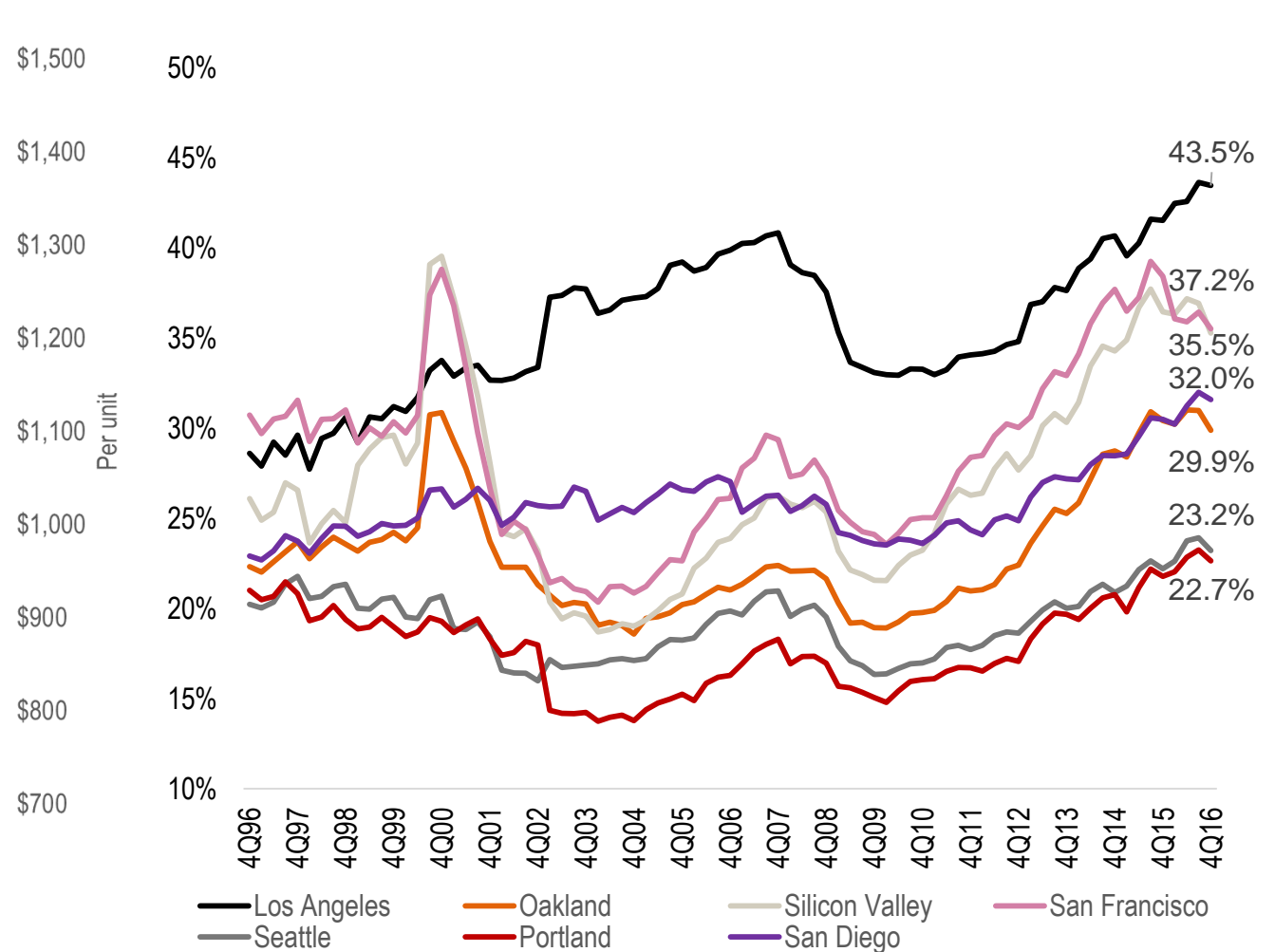


Vacancy remains low, rent growth among highest in US



Source: YARDI

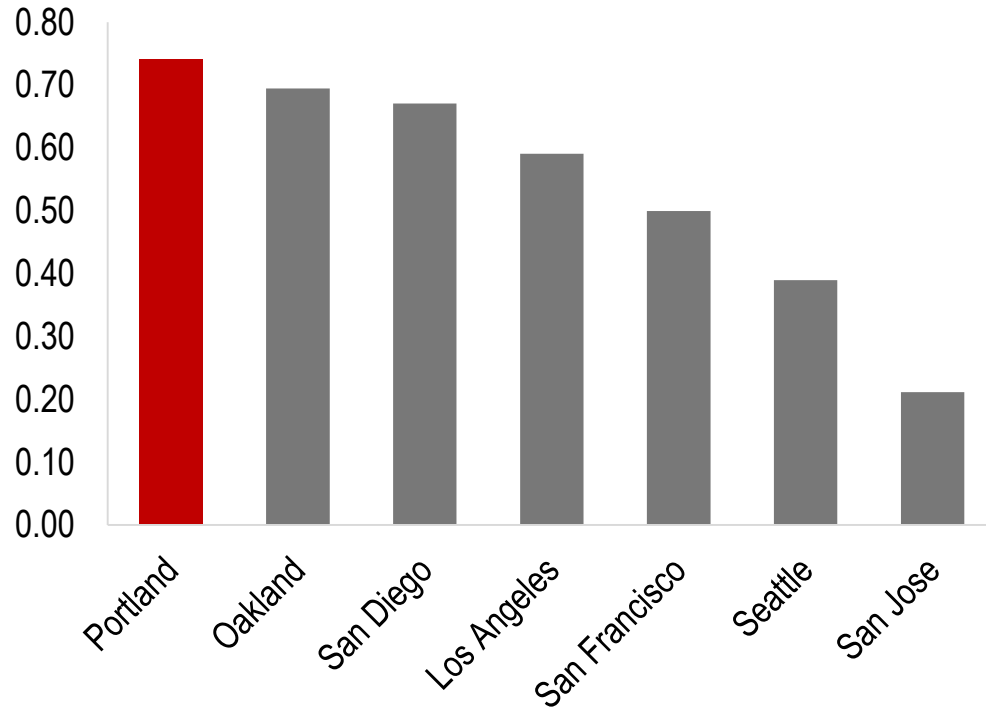
Despite rising costs, Portland remains affordable



Source: Axiometrics

Portland has the most diverse economy on the West Coast

Diversity of regional economy



Index measures how closely a region's economy resembles that of the whole U.S., with a score of 1.0 representing an exact match to the U.S. economy

Portland economic clusters drive growth

Software	Athletic & Outdoor Industry
Clean Tech	Advanced Manufacturing

Portland's office market observations

1

Tech firms have been driving demand in the office market

Tech makes up between 25-30% of all leasing

2

Construction has surged with virtually all activity in urban core

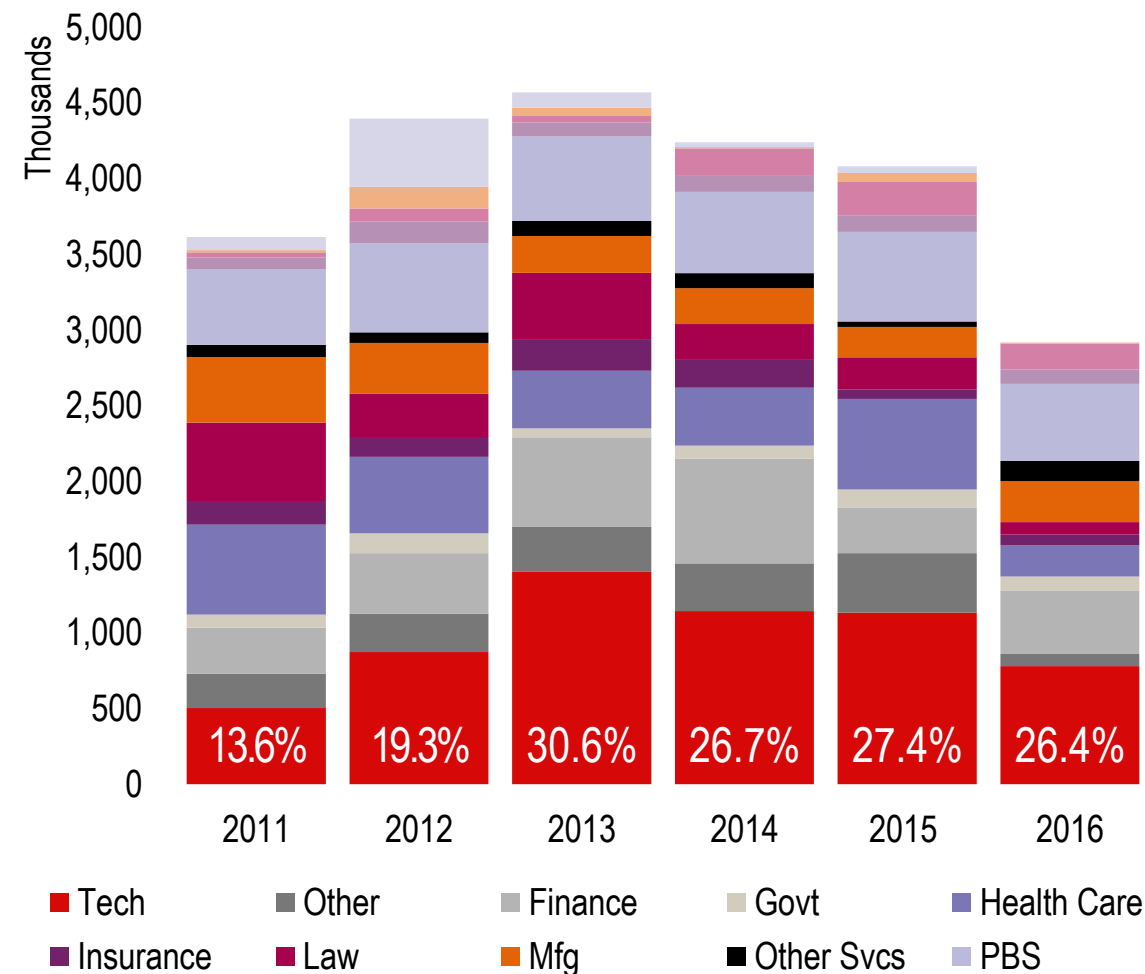
2016 marked 1st year in 6 where supply exceeded demand

3

Rents far exceed previous cyclical peaks

Overall rents were up 13% in 2016

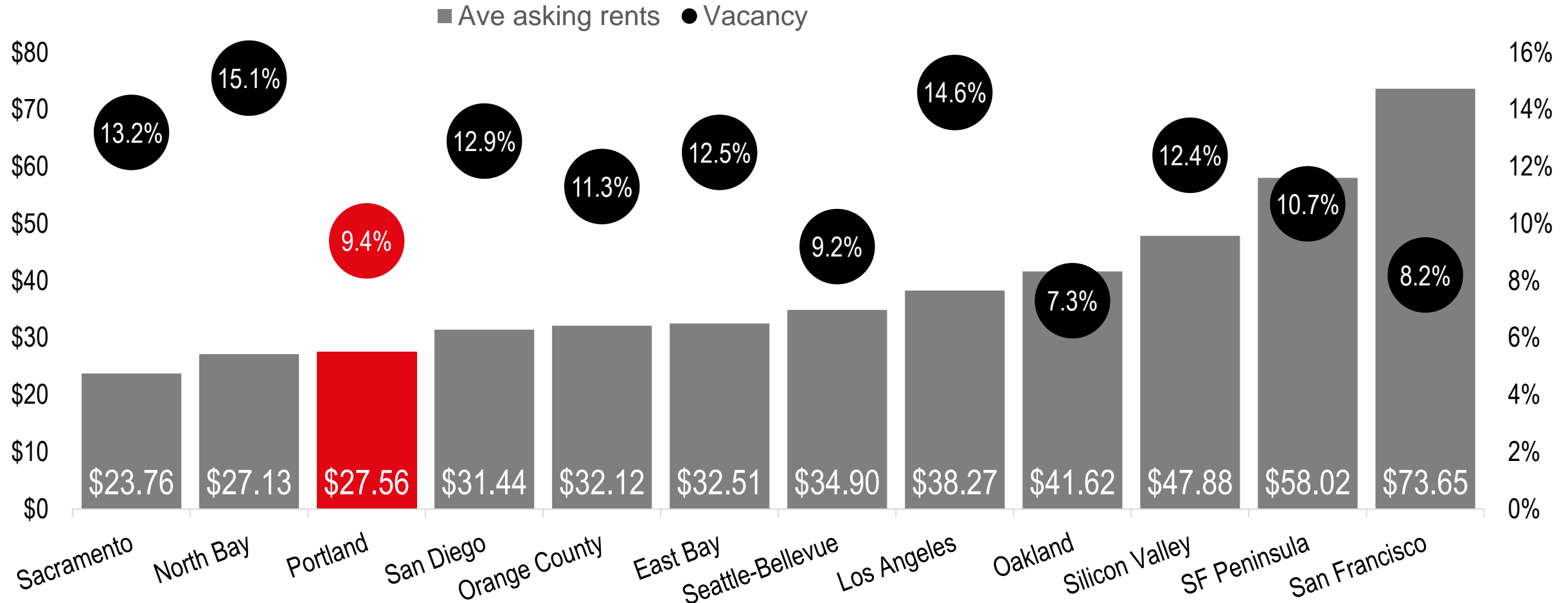
Tech leasing has doubled since 2011, now stable



Portland office market one of tightest on West Coast



Still remains one of the most affordable



Construction concentrated in Urban markets – mixed-use



Major urban development underway

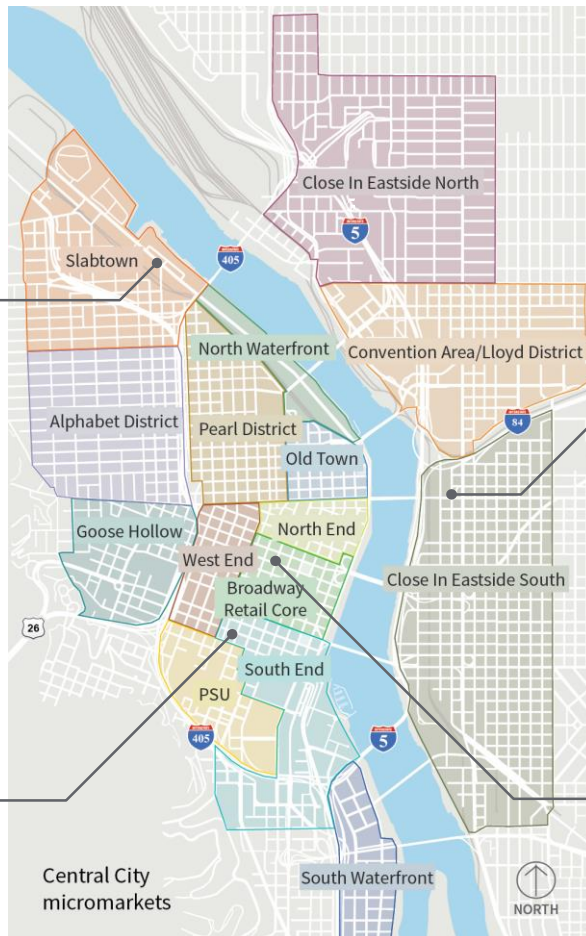
Top Leases of 2016 show increasing size



Field Office
299,056 s.f.
\$29.00-\$32.00 NNN p.s.f.



Broadway Tower
171,067 s.f.
\$31.50-\$35.50 NNN p.s.f.



Towne Storage
108,750 s.f.
\$31.00-\$33.00 NNN p.s.f.



Macy's Building
158,500 s.f.
\$35.00-\$37.00 NNN p.s.f.

 **aws elemental** 101,400

Consumer Cellular 82,140

 **UNDER ARMOUR** 78,000

 **hp HEWLETT PACKARD** 58,000

 **DAT SOLUTIONS** 53,793

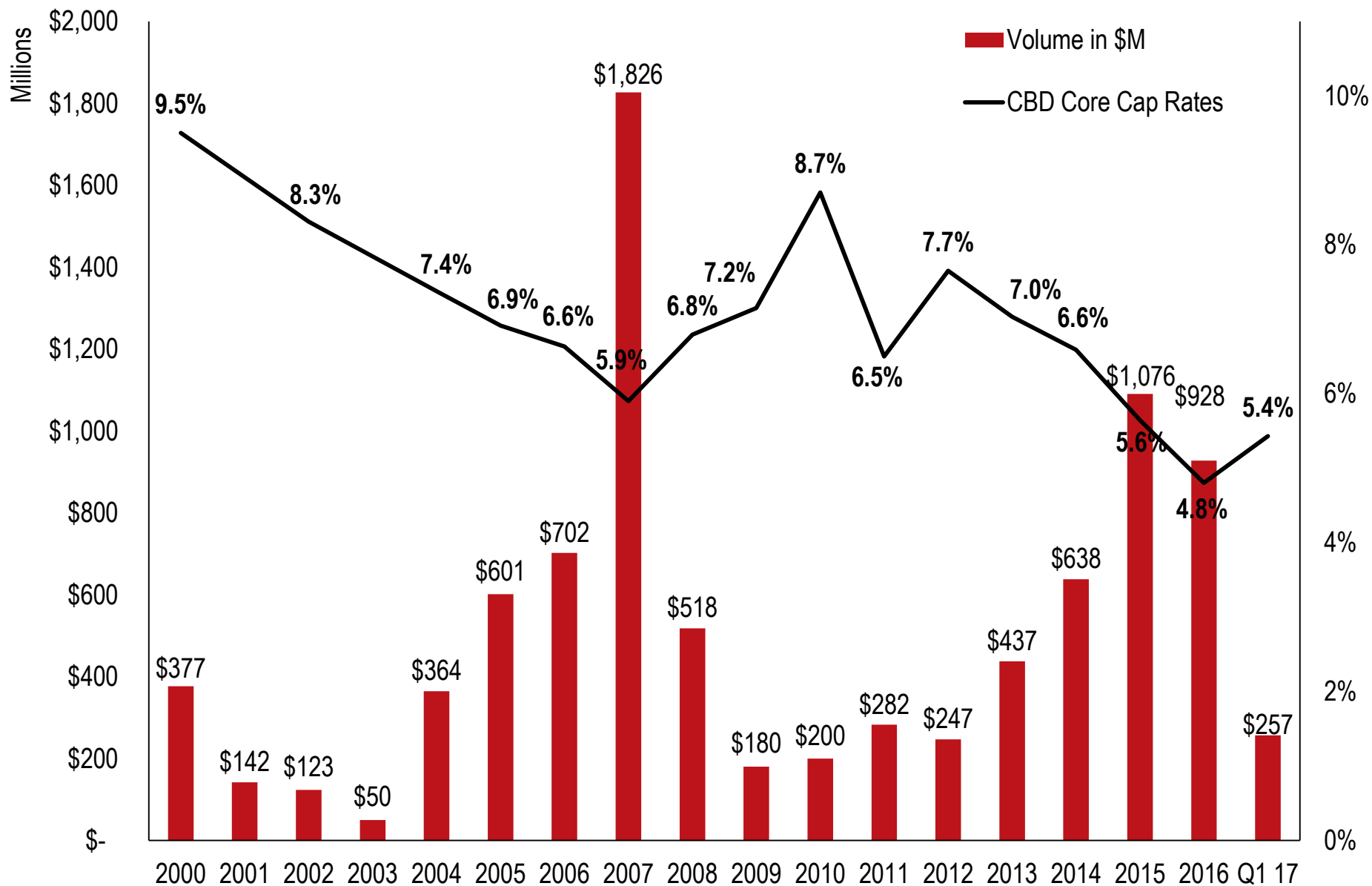
 **SIMPLE** 50,000

 **kpff** 47,788

 **D+H** 45,617

 **Tillamook** 45,313

Office sales – volumes elevated, cap rates all-time low



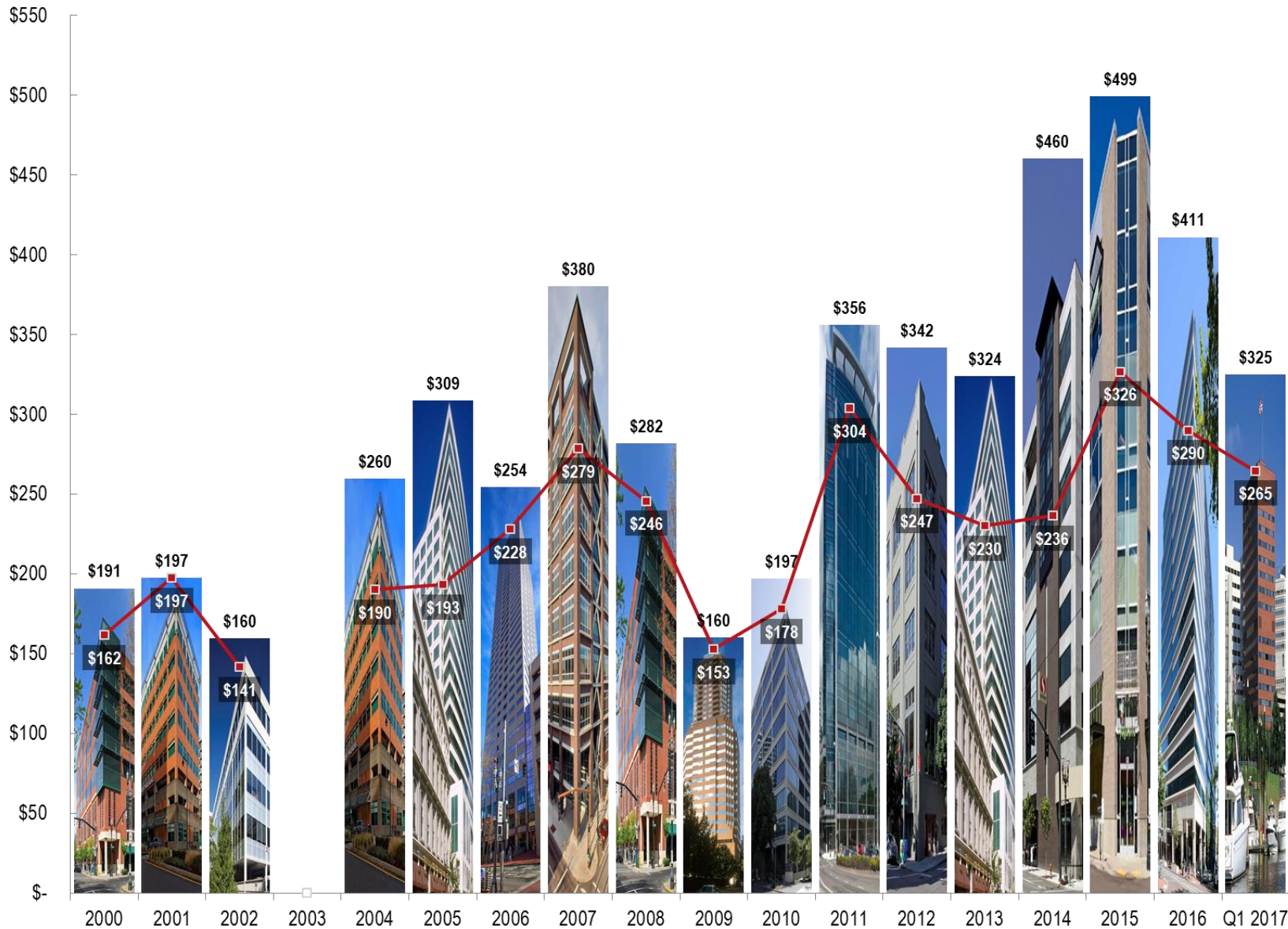
Increased liquidity

Relative value

Core Assets

Value-add Assets

High water mark and avg price per SF – CBD Core assets



*Recent notable sale
CBD - Class A*



1320 Broadway
 Buyer: Credit Suisse
 Seller: URG/Clarion
 Price p.s.f.: \$541
 Price: \$95,000,000
 Cap rate: 4.9%

Portland's industrial market observations



1 *Development takes center stage, both BTS and spec*

Bigger projects in more remote locations to accommodate larger tenants

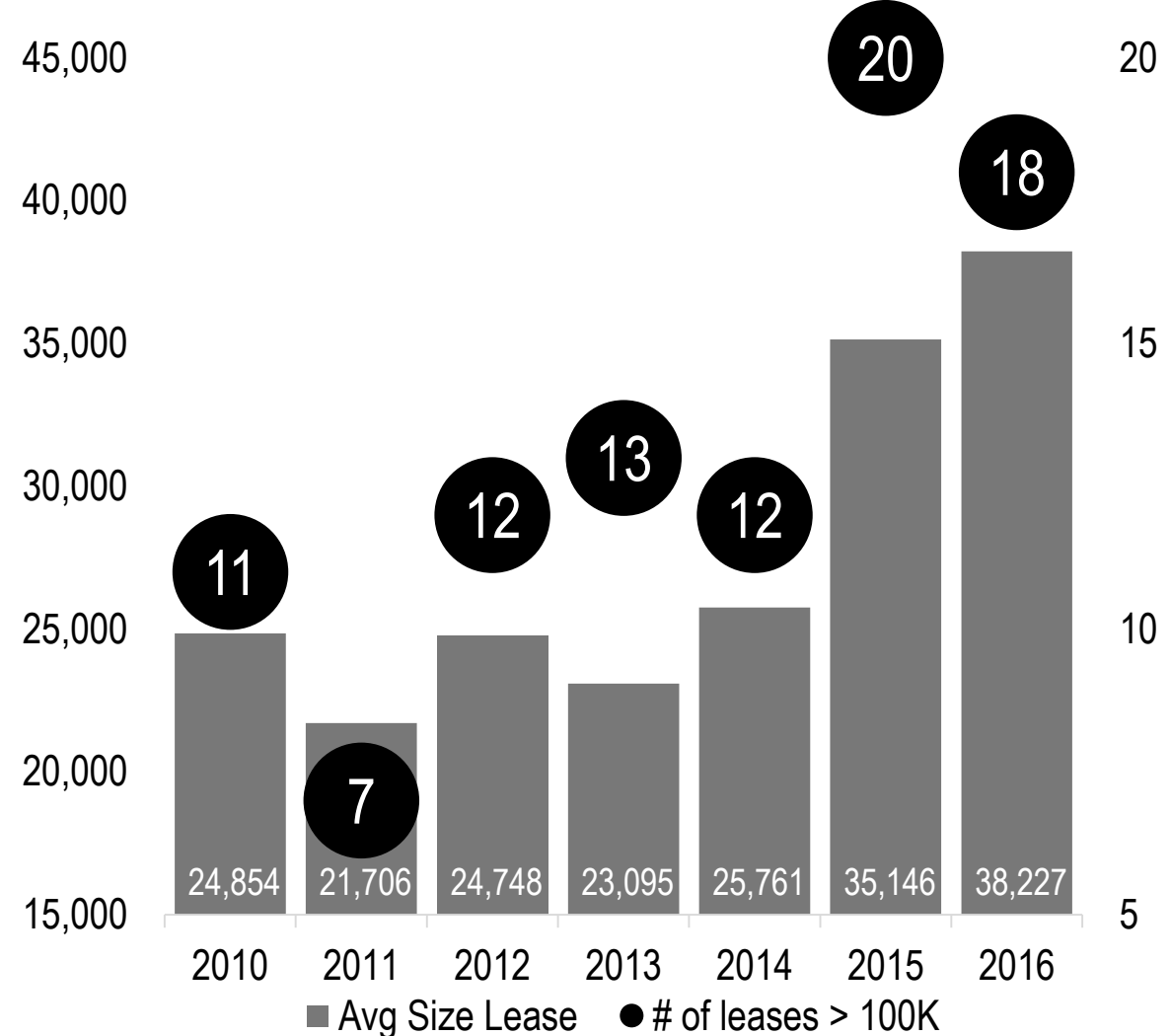
2 *Portland population growth driving demand for distribution*

Increase in same day/last mile distribution has pushed demand to new areas

3 *Rents far exceed previous cyclical peaks*

Rents are up 11.8% YOY reaching new high-water mark for Portland

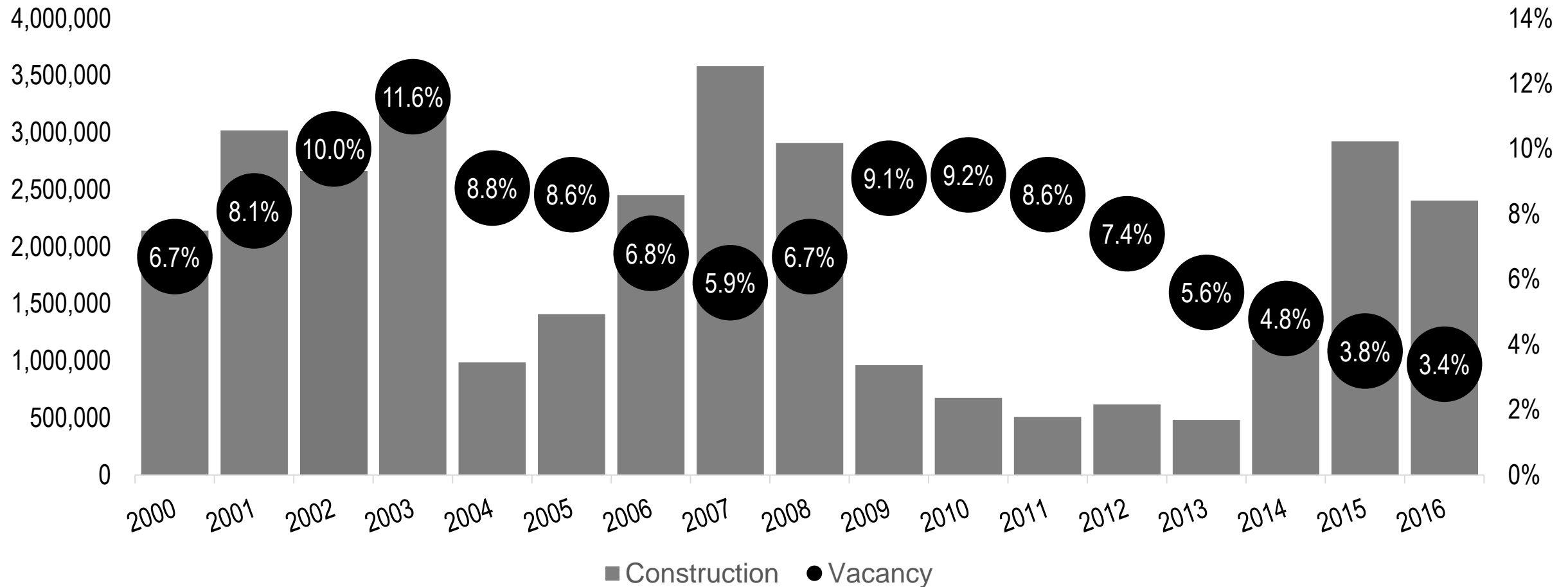
Industrial tenants getting bigger and more of them



Portland Industrial market vacancy at a 25-year low



Despite surging construction pipeline, vacancy remains at cyclical low

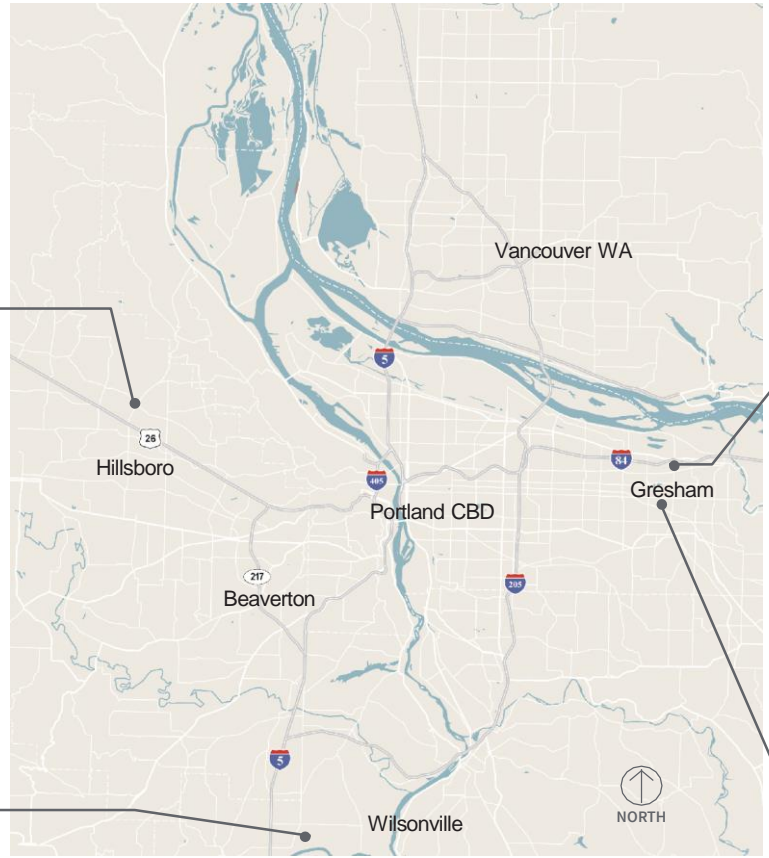


Construction moving farther afield, bigger projects



Industrial development getting larger and in new locales

Top leases of 2016 show increasing size



Majestic Brookwood
441,280 s.f.
Amazon



Vista Logistics Park
733,232 s.f.



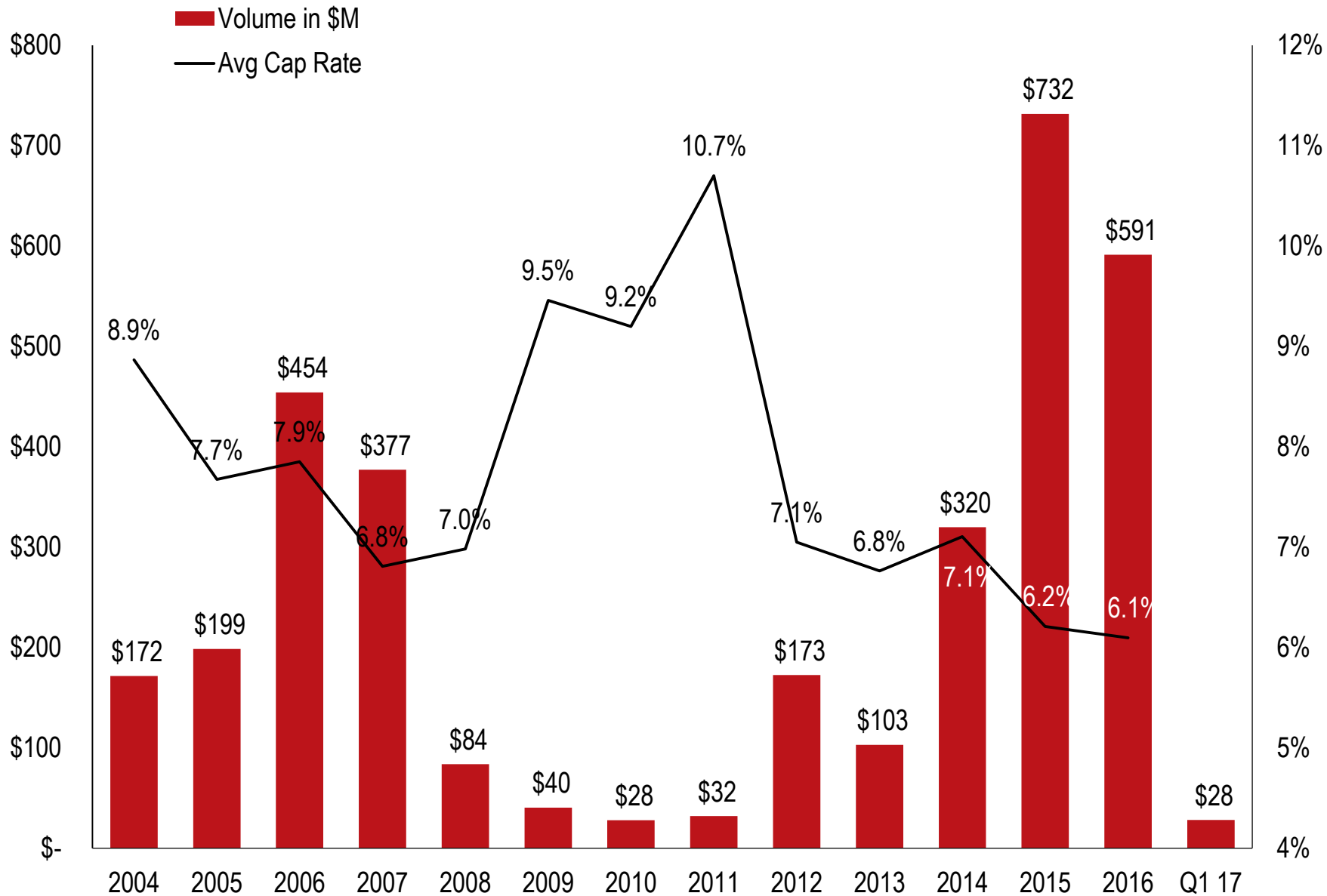
I-5 Logistics Center
1,676,800 s.f.



Subaru
600,000 s.f.
BTS for Subaru

	303,360
	234,960
 <i>Communications Test Design, Inc.</i>	210,000
 Flexible Warehouse & Office Solutions	205,303
	190,600
	175,100
 On Time Delivery For Less	162,240
 PRECISION AUTOMATION	157,038
	154,648

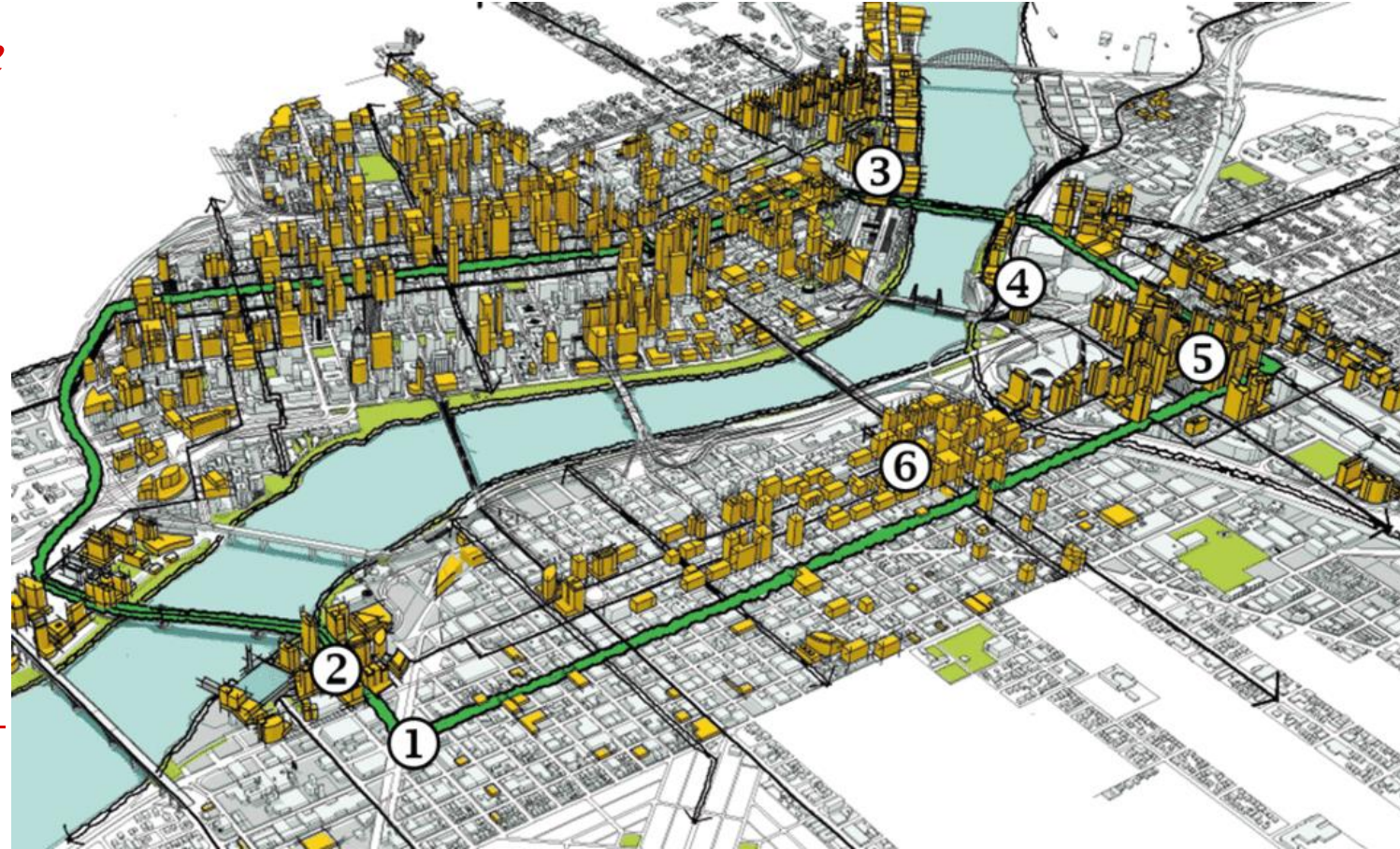
Industrial sales – cap rates all-time low



Portfolio Sales
Limited availability
Owner/users lose

Future of Portland...

- 1** *Housing affordability – can't lose that advantage*
- 2** *Regulatory issues – inclusionary zoning and other costs*
- 3** *Diversity of population – need more diverse for tech hiring*





Thank you

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Projects



Urban Development + Partners

Slate – 75 residential units
39,795 SF commercial space
Delivered Oct 2016



Specht

ICDC
492,554 SF warehouse & distribution space
Delivered 2015



Capstone Partners

Grant Park Village – 378 residential units
48,000 SF commercial space
Delivered Oct 2016 – Phase II May 2018