



PORTLAND

12TH ANNUAL REAL ESTATE CONFERENCE



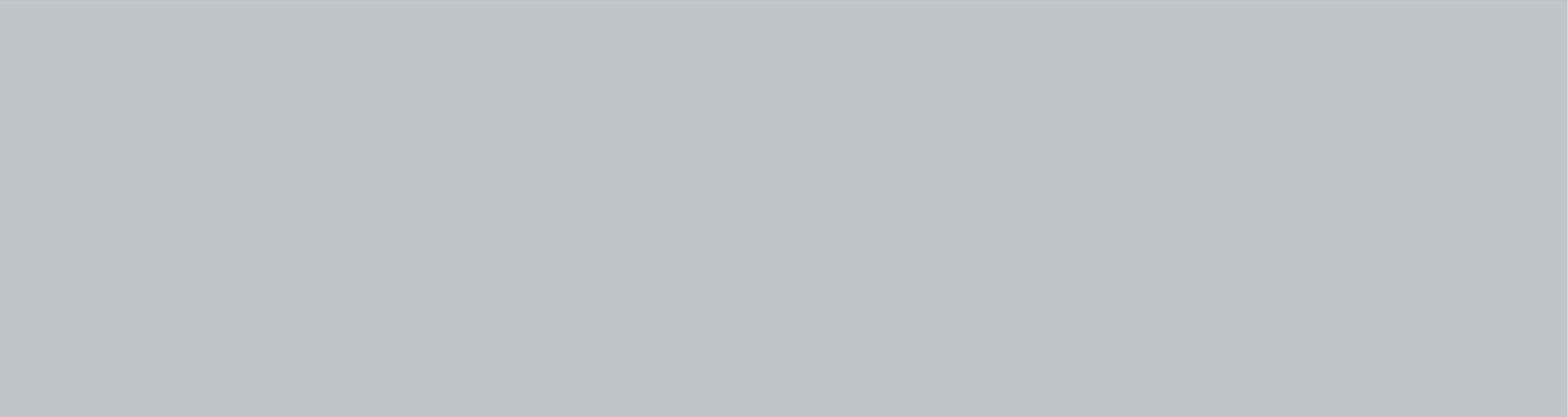
Portland State
UNIVERSITY

LOOKING FORWARD 2017-2020

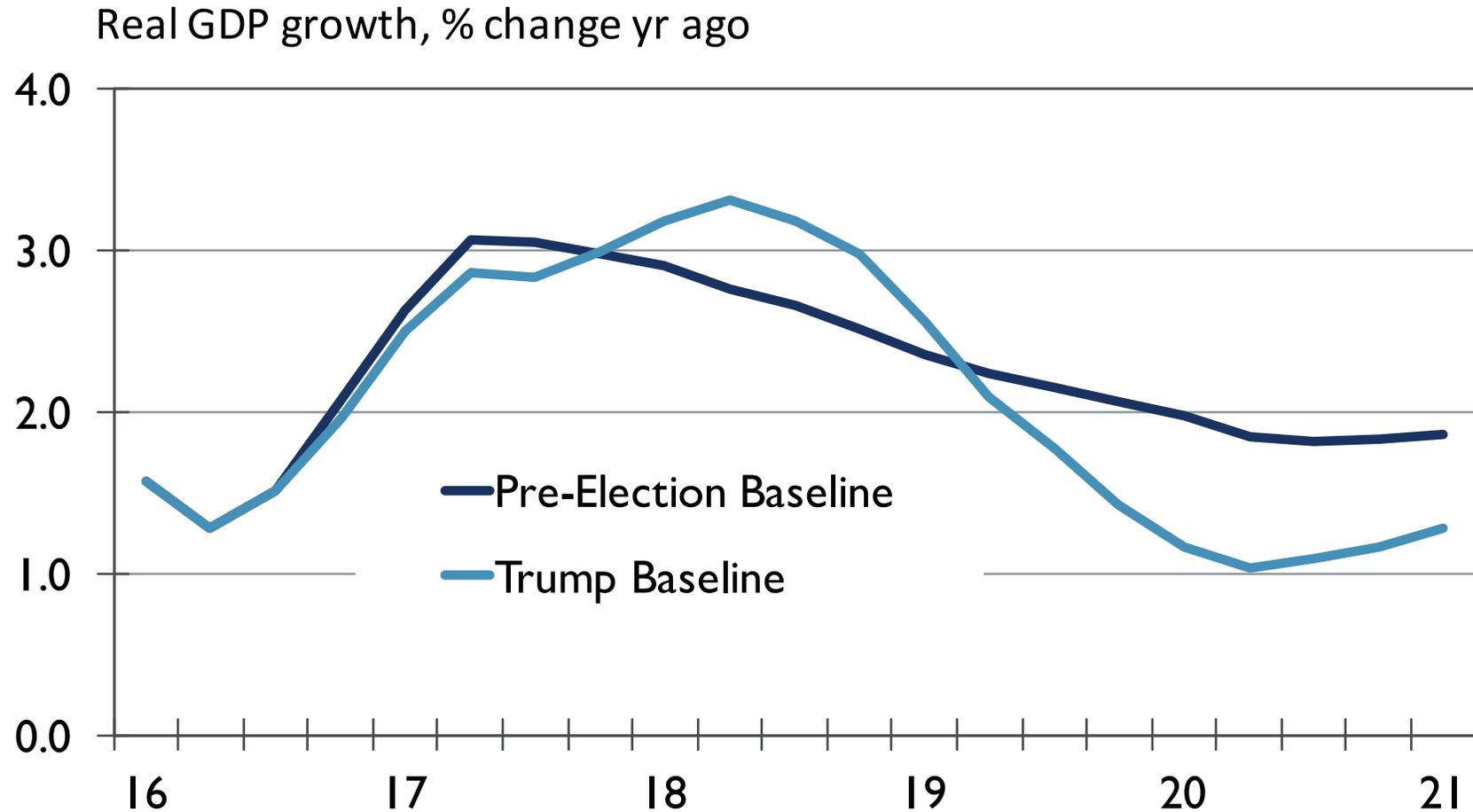
- **Tailwinds**
 - Economy remains strong in 2018
 - Job growth in short term fuels office demand
 - Leasing fundamentals mostly balanced – some sectors slowing down
 - Easing regulatory environment favors some industries
- **Headwinds**
 - Higher tariffs threaten globalization
 - Stricter immigration laws slow population growth
 - Increased construction could lead to oversupply in 2019-2020
- **Real estate remains attractive investment alternative-
Apartments, Industrial, Medical Office, Suburban Office**



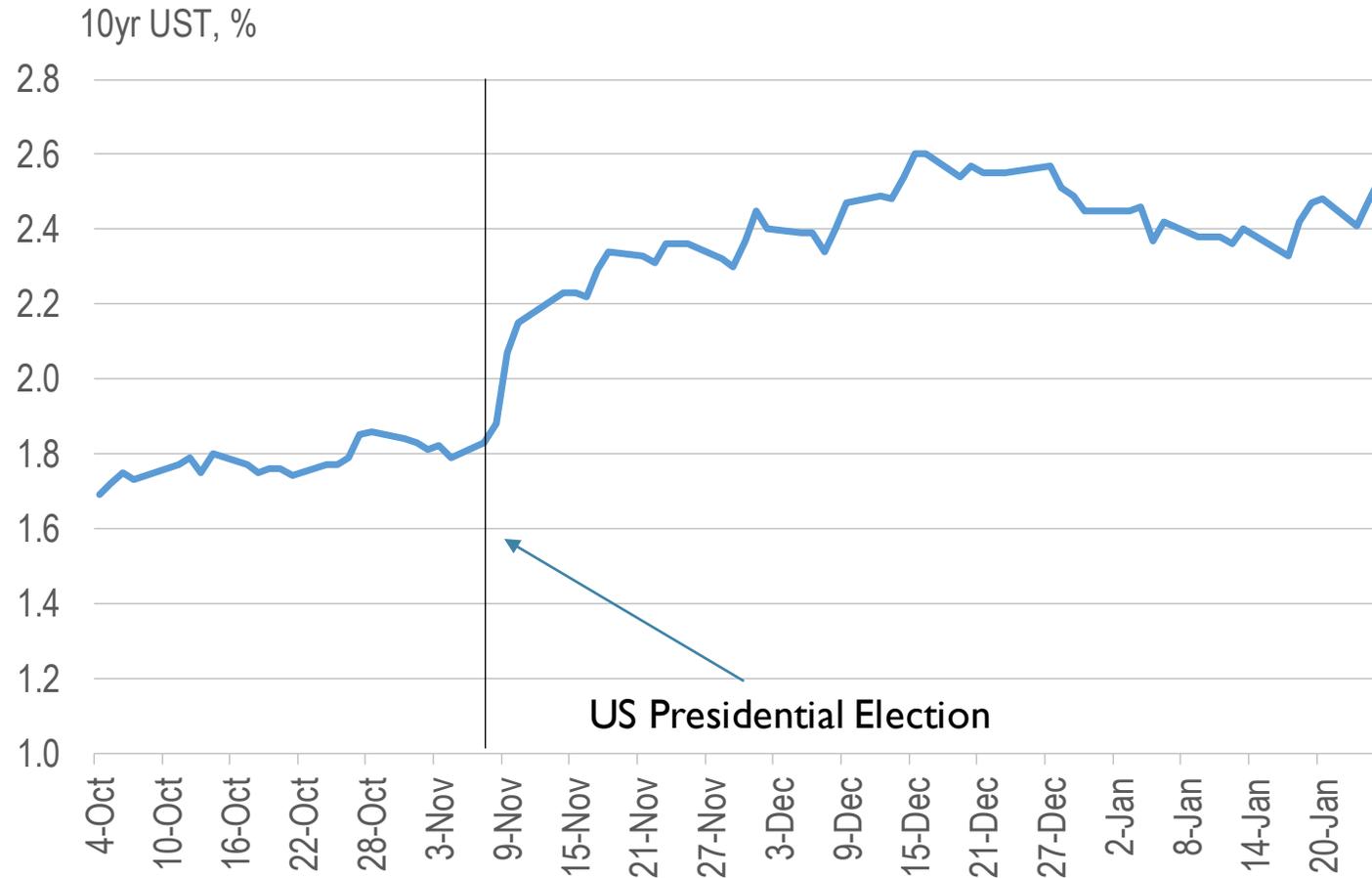
ECONOMY



A MORE CYCLICAL ECONOMY

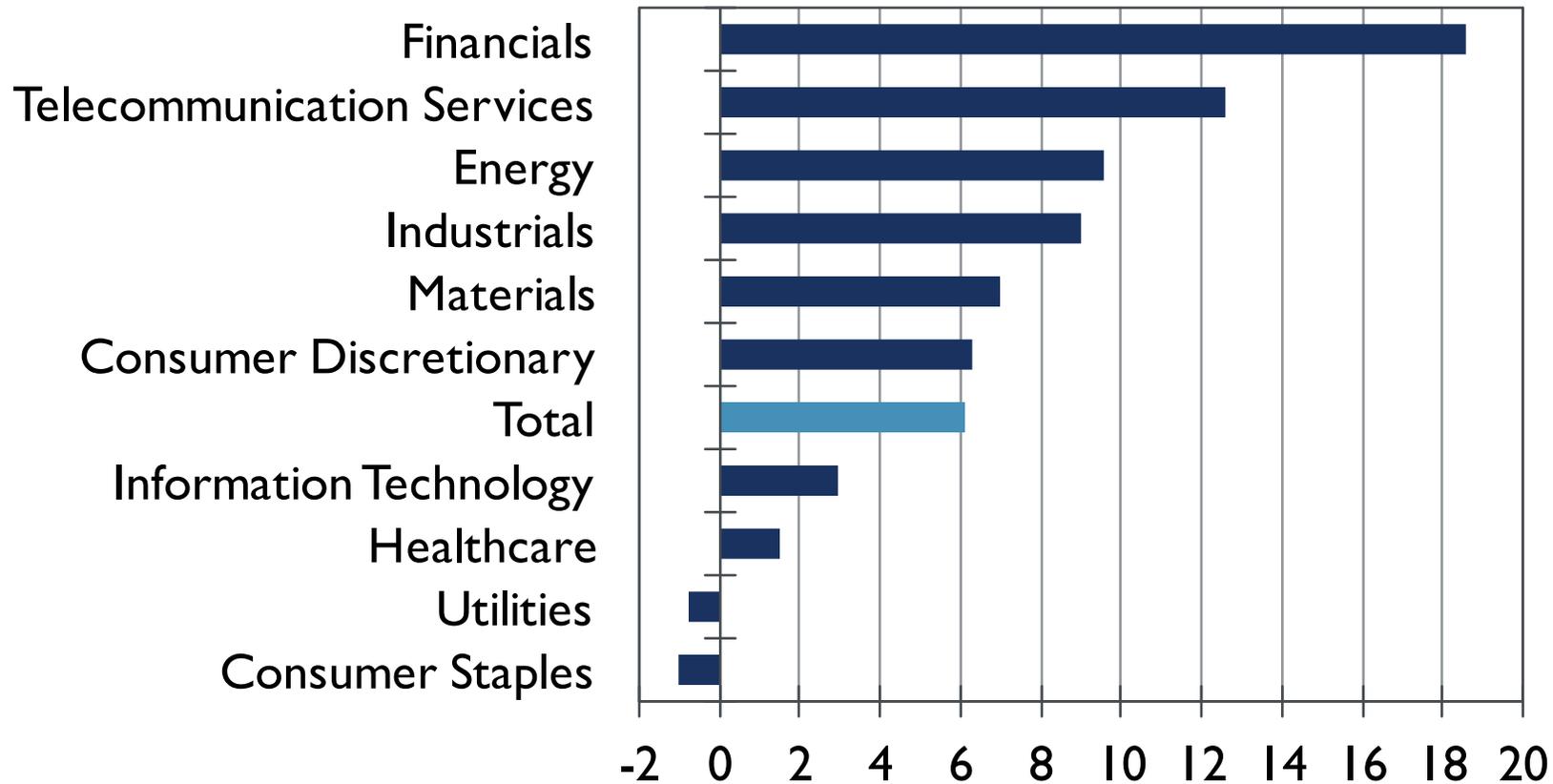


HIGHER INTEREST RATES



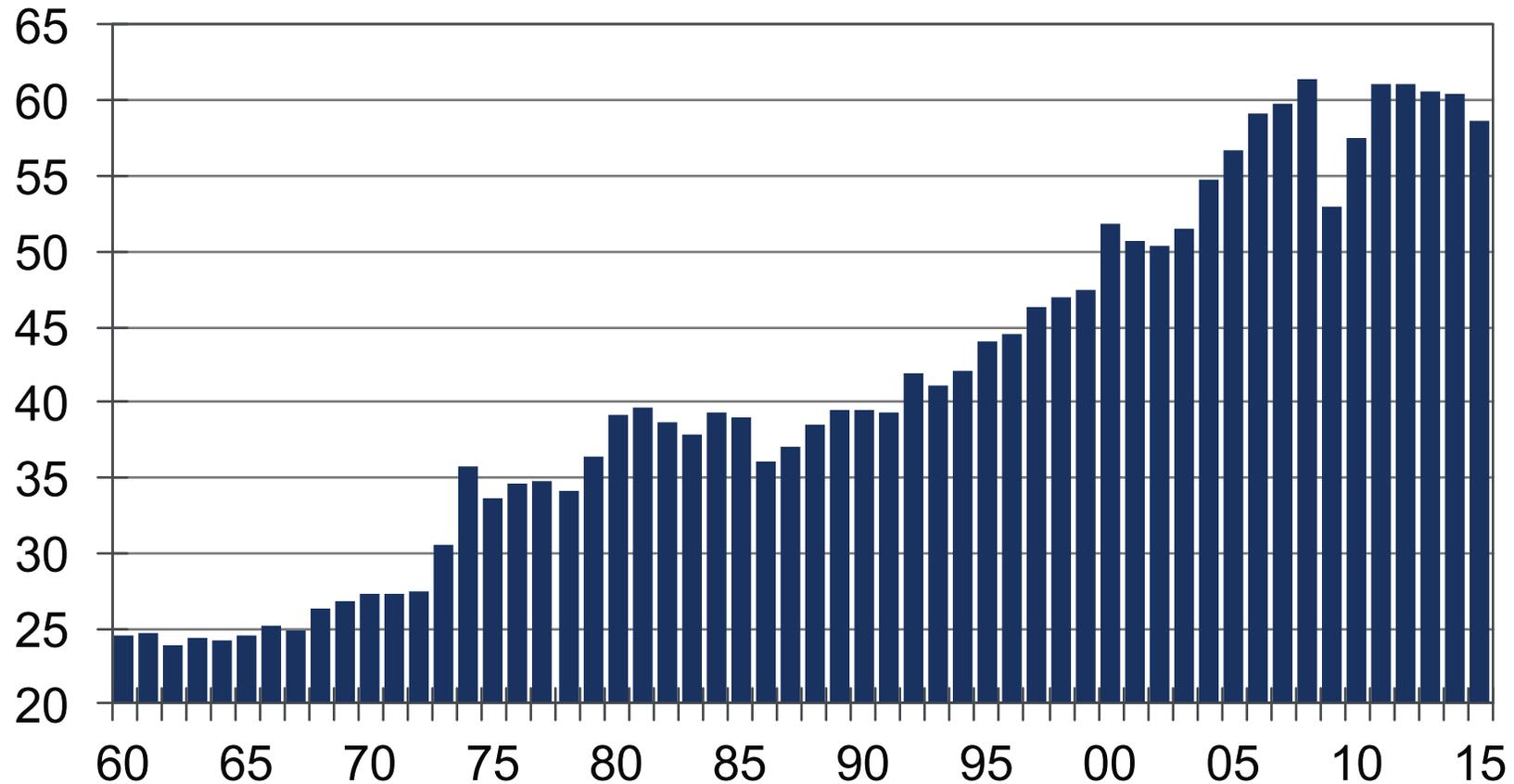
LESS REGULATION

S&P 500, % change since U.S. Presidential Election



THREATENS GLOBALIZATION

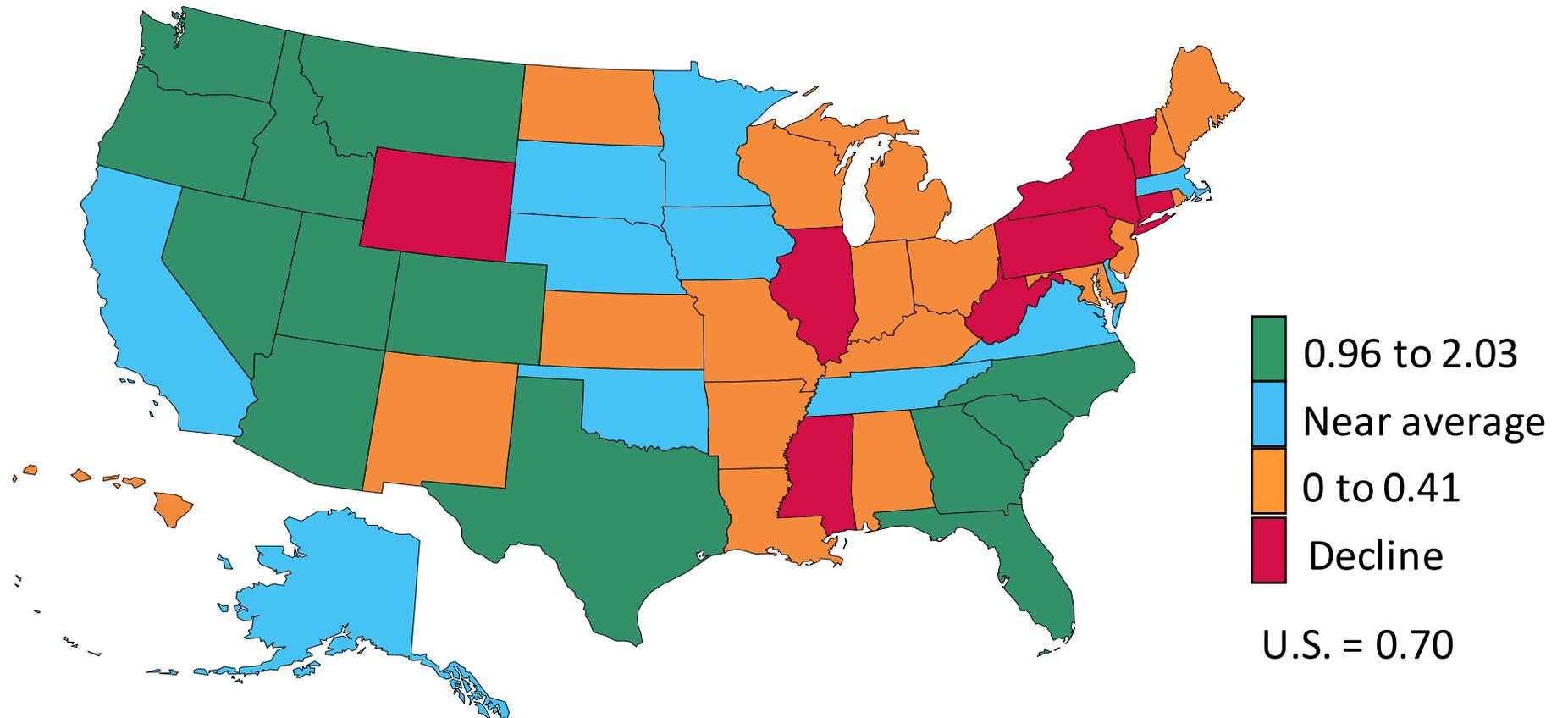
Global trade in goods & services as a % of global GDP



Sources: WTO, Moody's Analytics

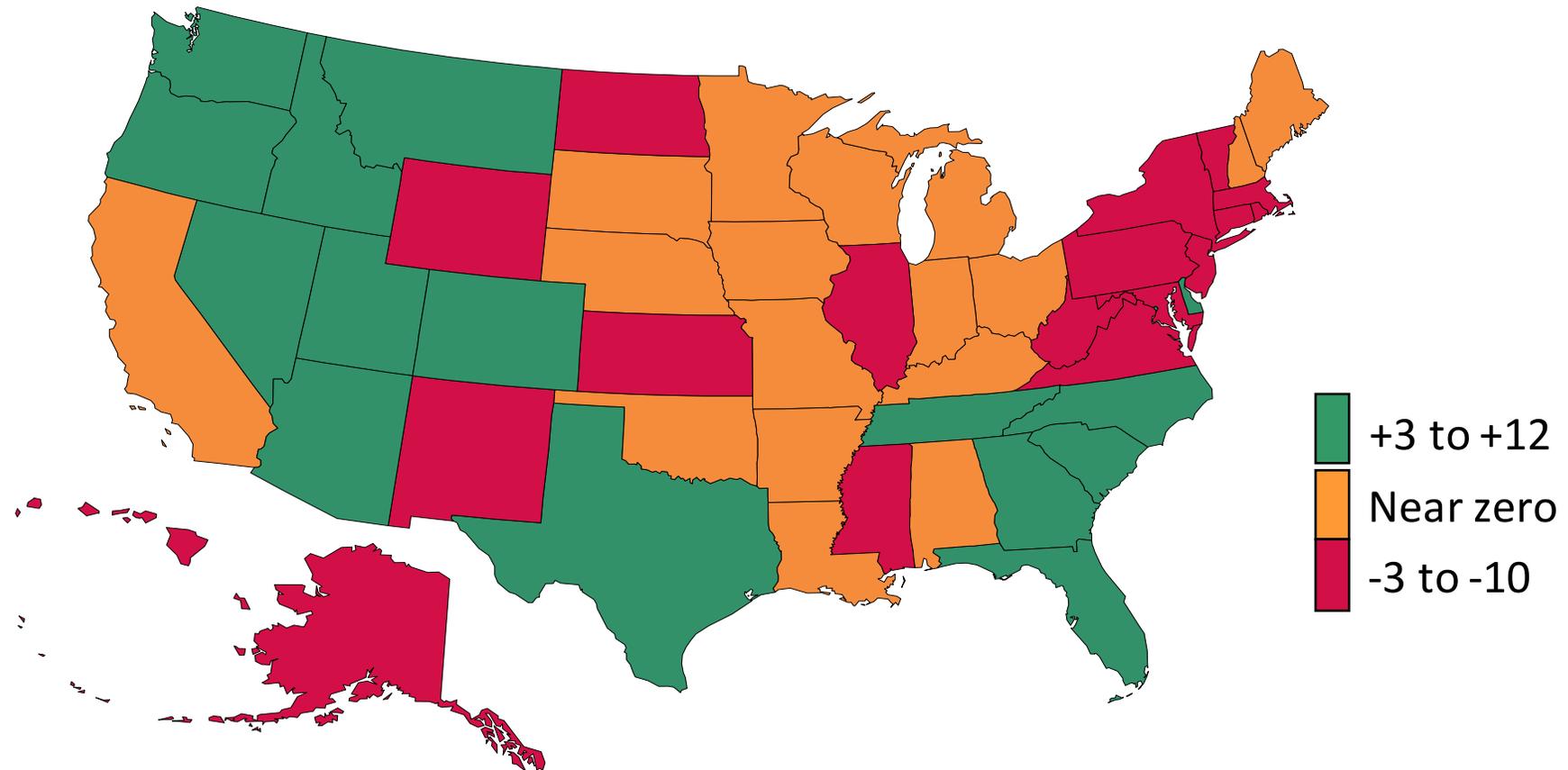
DEMOGRAPHICS STRONGEST IN WEST & SOUTHWEST

Population, 2016, % change

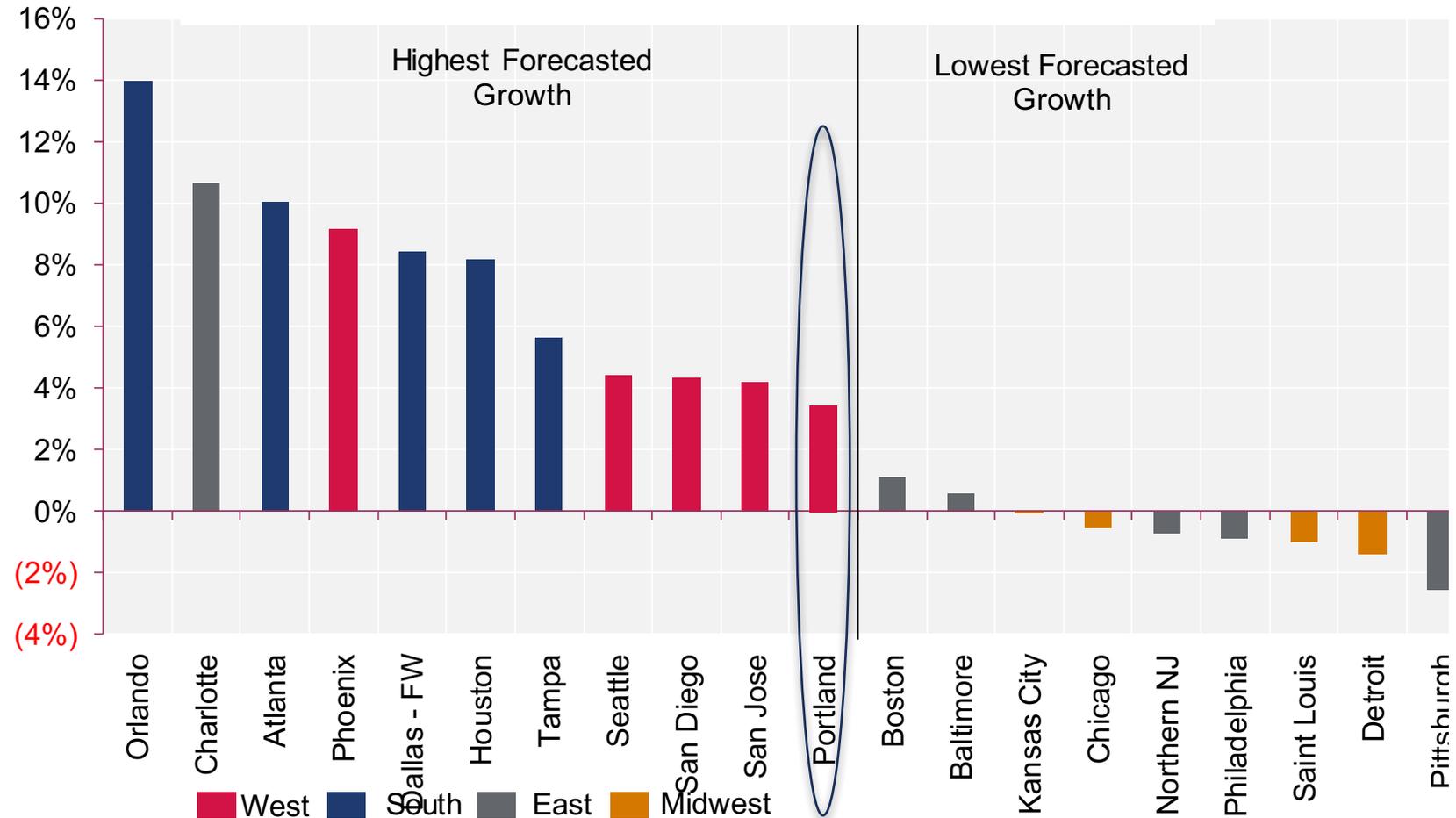


STATE TO STATE MIGRATION DRAINS THE NORTHEAST

Net domestic migration, 2016, rate per 1,000 population



PERCENTAGE GROWTH IN WORKING AGE POPULATION (25-64)

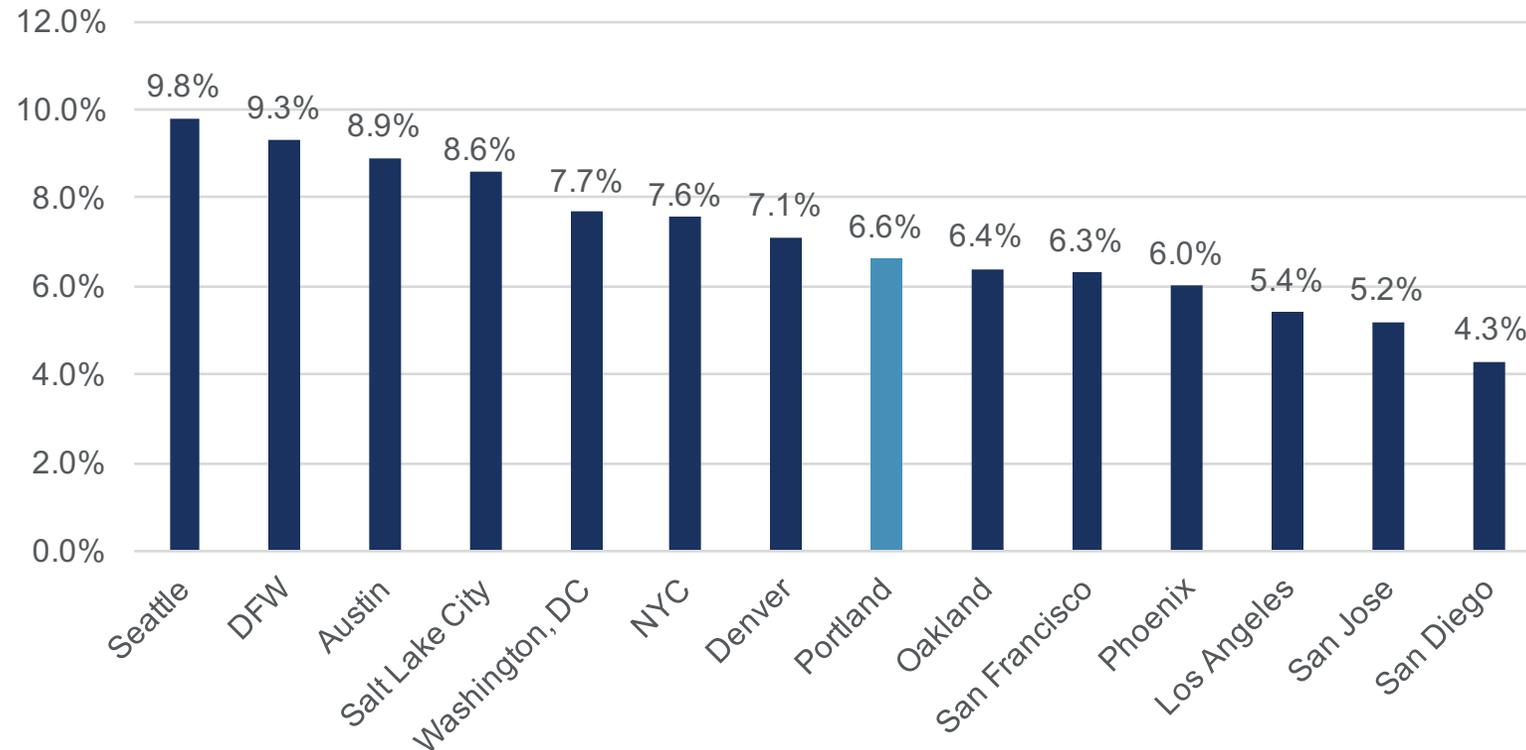


Sources: Moody's Analytics, CoStar

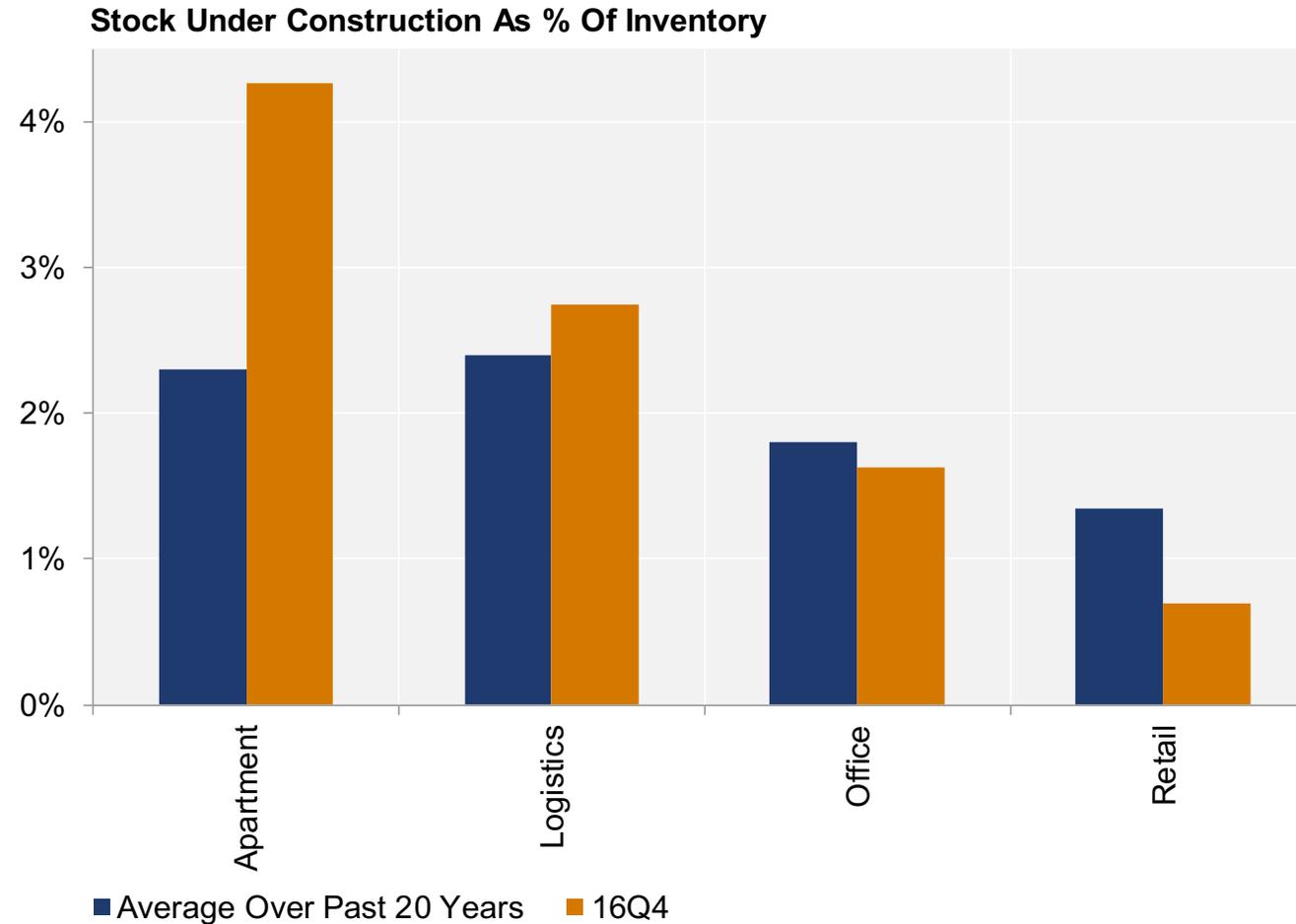
HIGH TECH INDUSTRY JOB GROWTH

Portland In-line With Other Competitive Markets Moving Forward

2016 through 2020



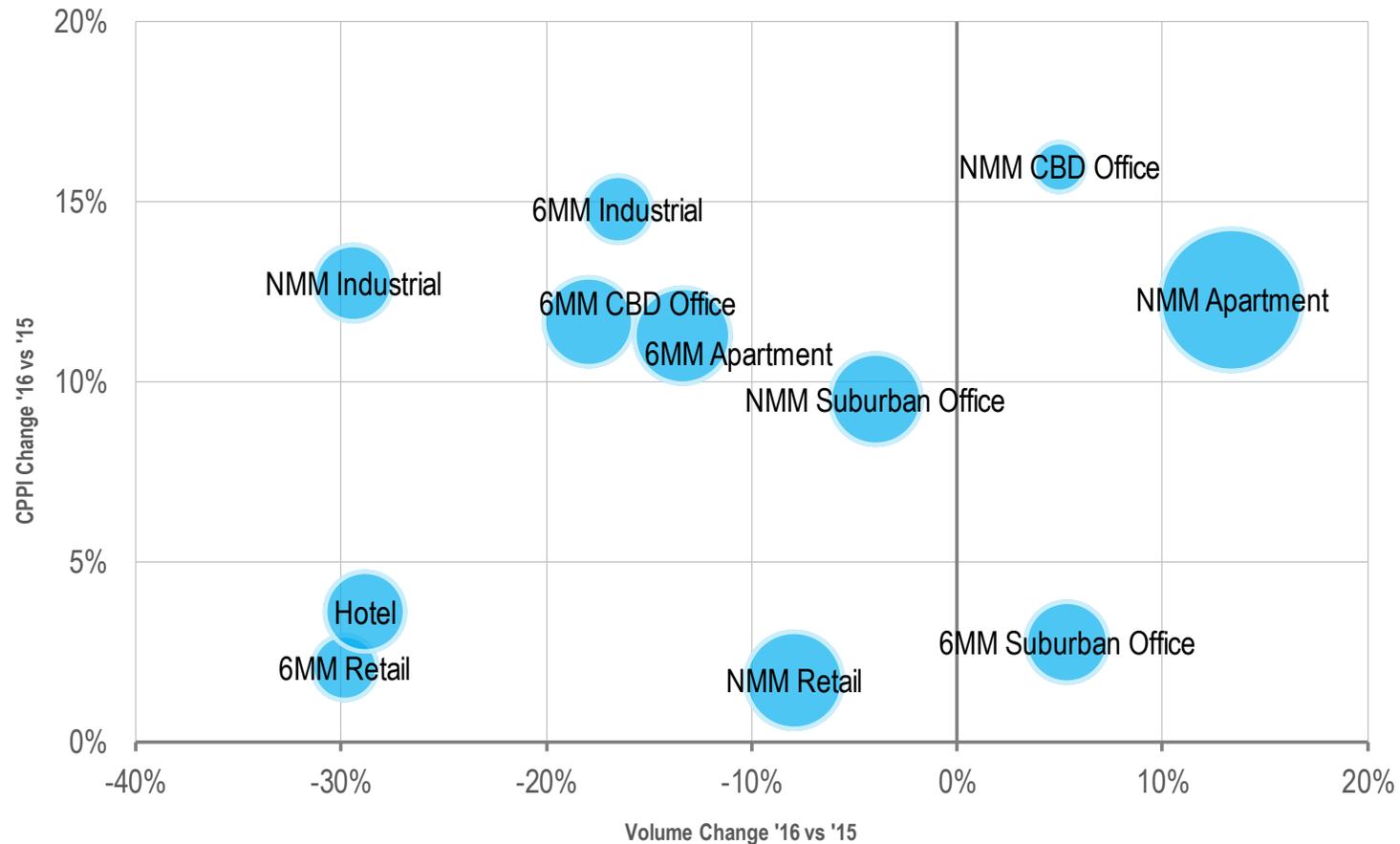
DEMAND GROWTH CHECKS SUPPLY, MOSTLY



Sources: CoStar

THERE IS A NICE CLUSTERING FOR THE NON-MAJOR MARKETS

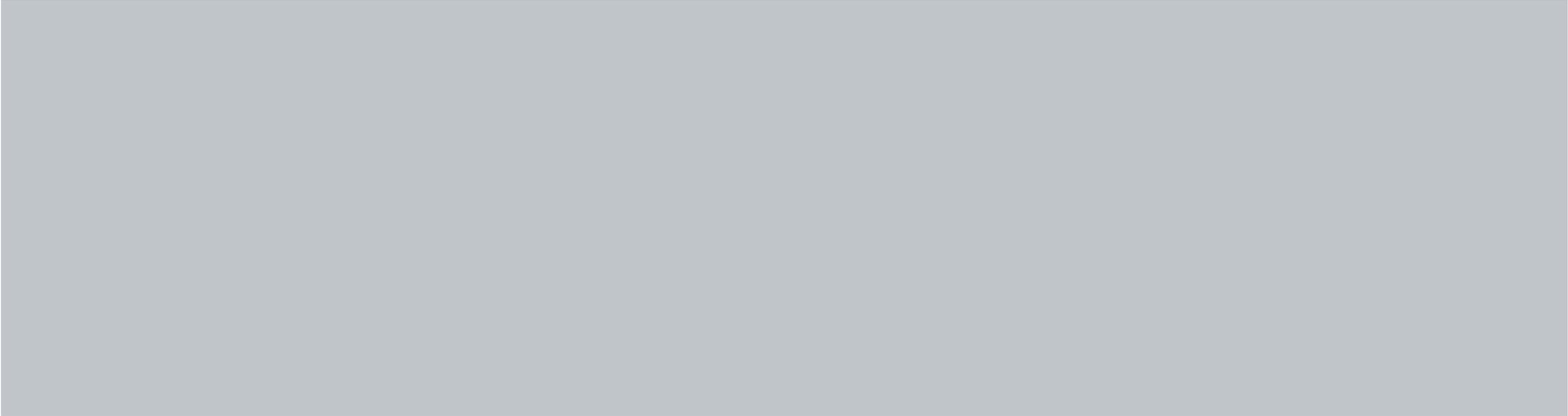
Prices And Volume Vary By Sector/Geography



Source: Real Capital Analytics

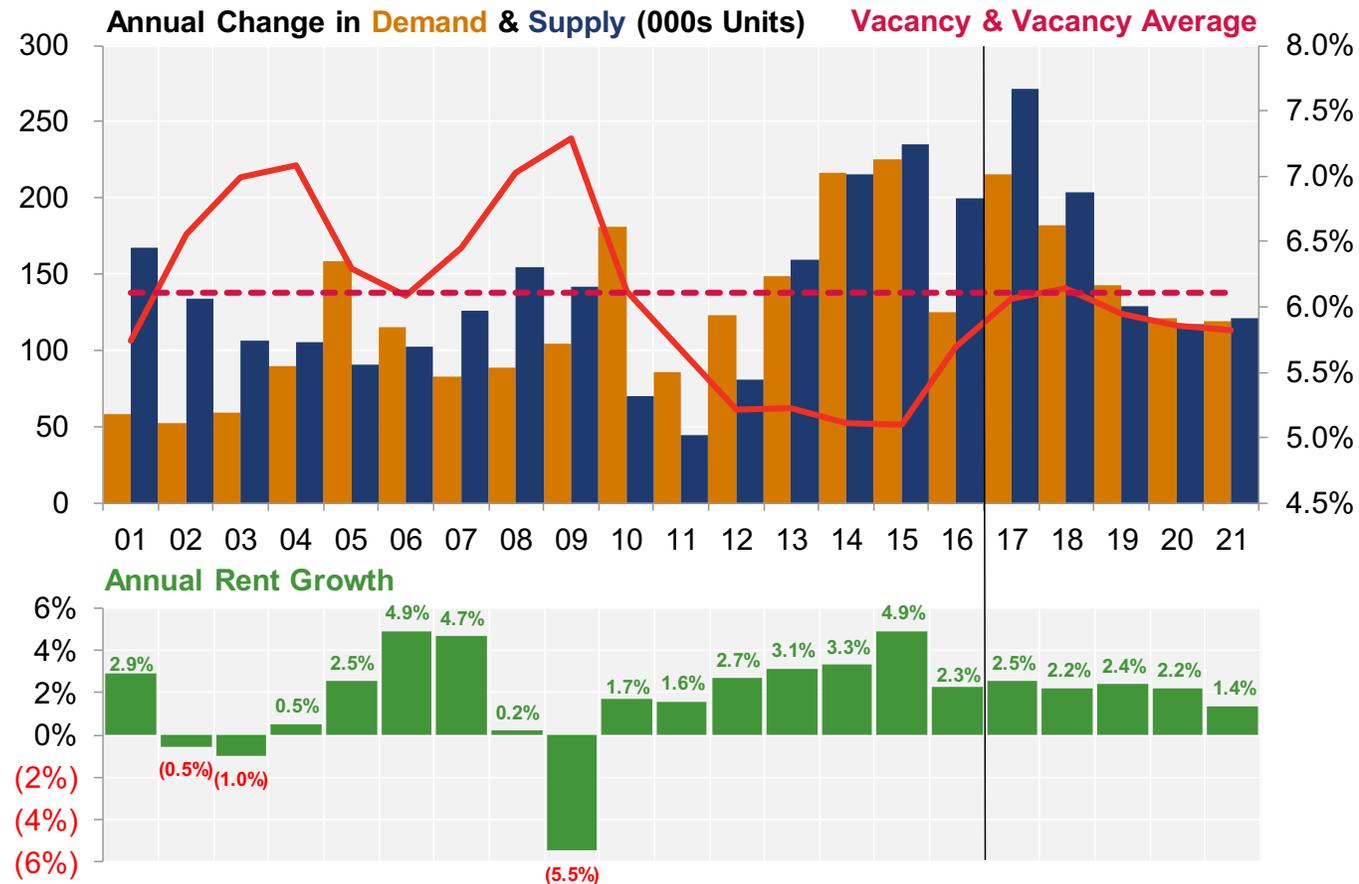


MULTIFAMILY



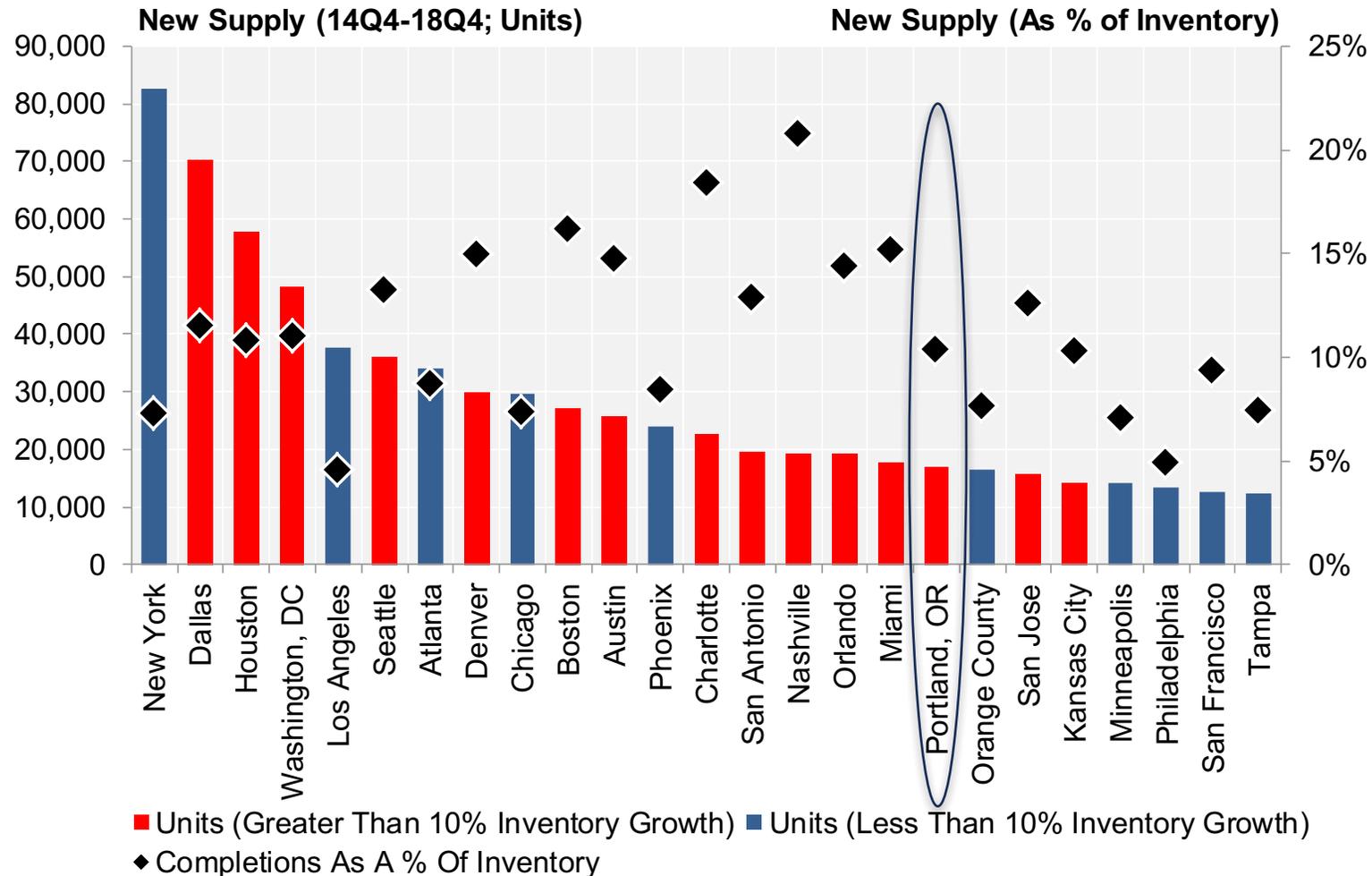
PEAK SUPPLY LEVELS SHOULD NUDGE VACANCIES HIGHER

National Index Apartment Fundamentals



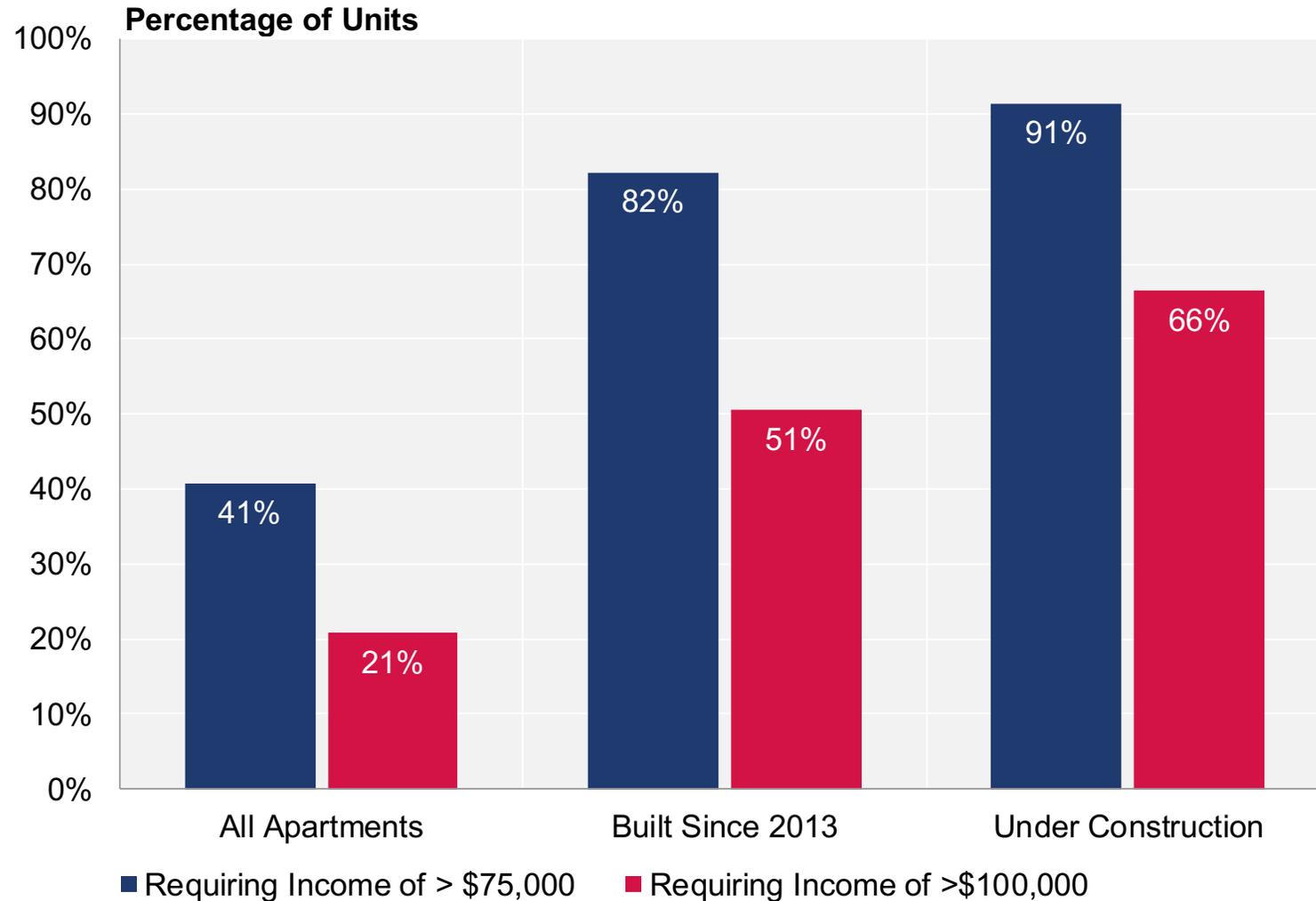
Source: CoStar

GROWTH IN INVENTORY BY METRO THROUGH 2018Q4 (14Q4-18Q4)



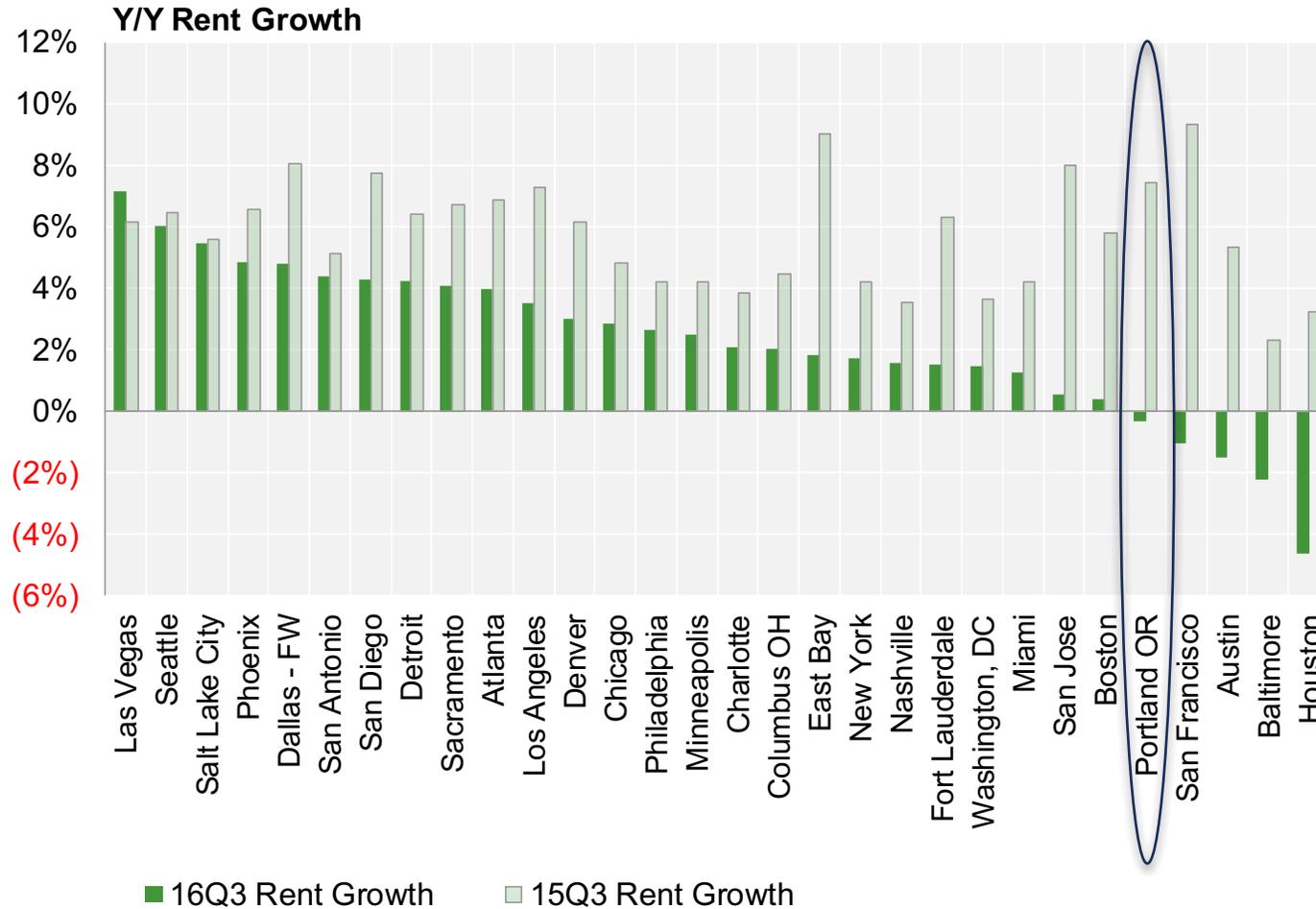
Source: CoStar

ESTIMATED INCOME REQUIRED TO RENT



Source: CoStar

CBD AND SECONDARY CORE RENT GROWTH BY METRO

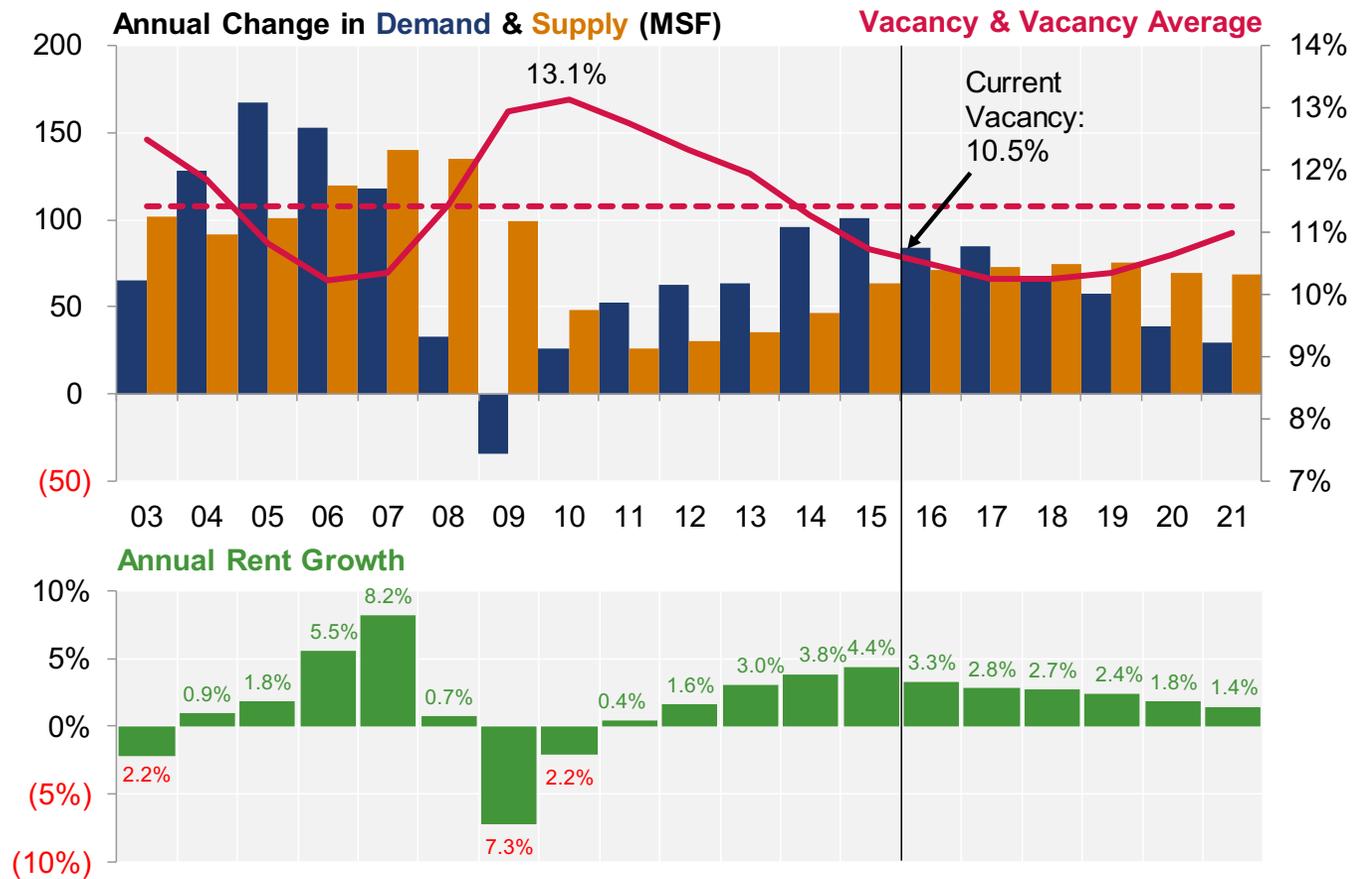


Source: CoStar

OFFICE

OCCUPANCY WILL CONTINUE TO RISE UNTIL 2018

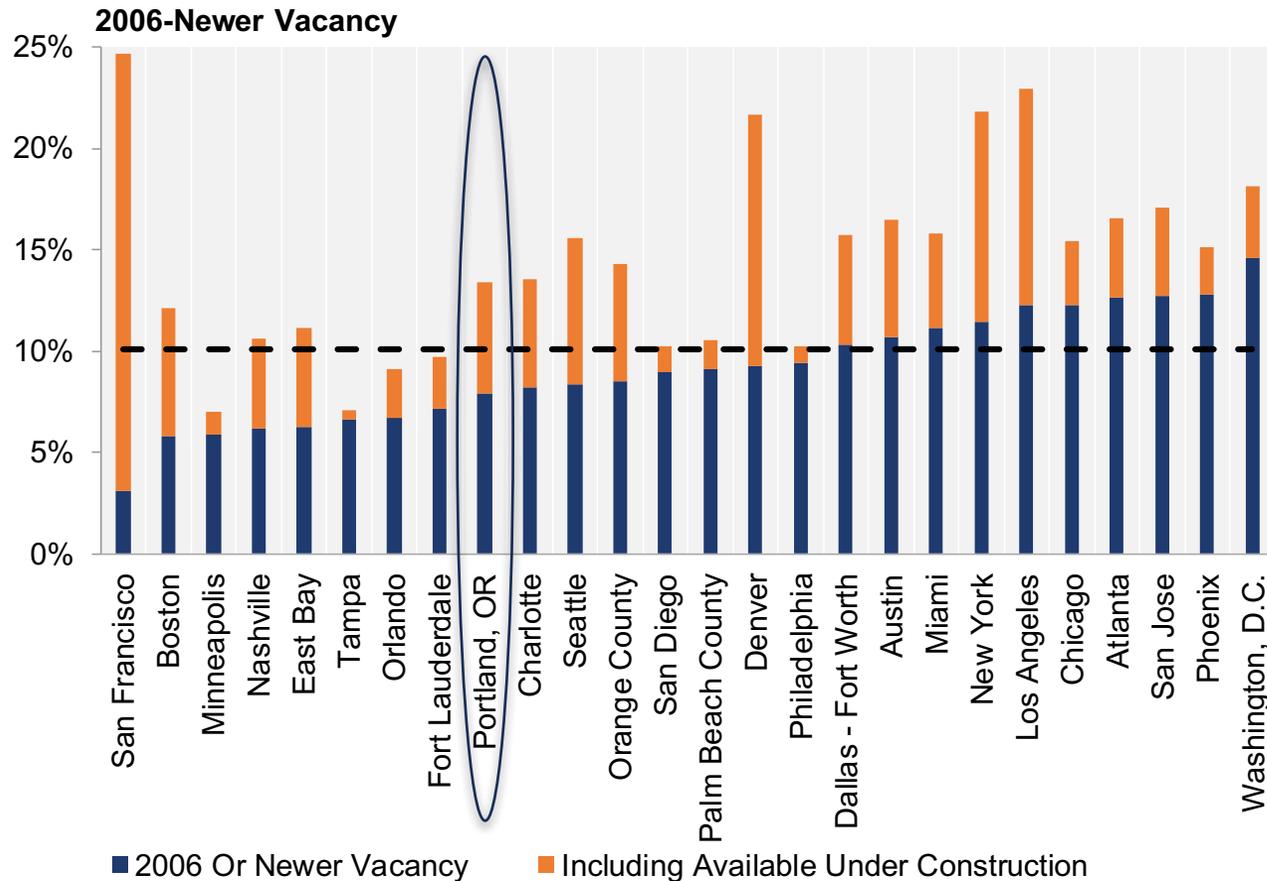
National Index Vacancy And Demand, Supply Percentage Changes



Source: CoStar

TENANTS IN PORTLAND HAVE CHOICES

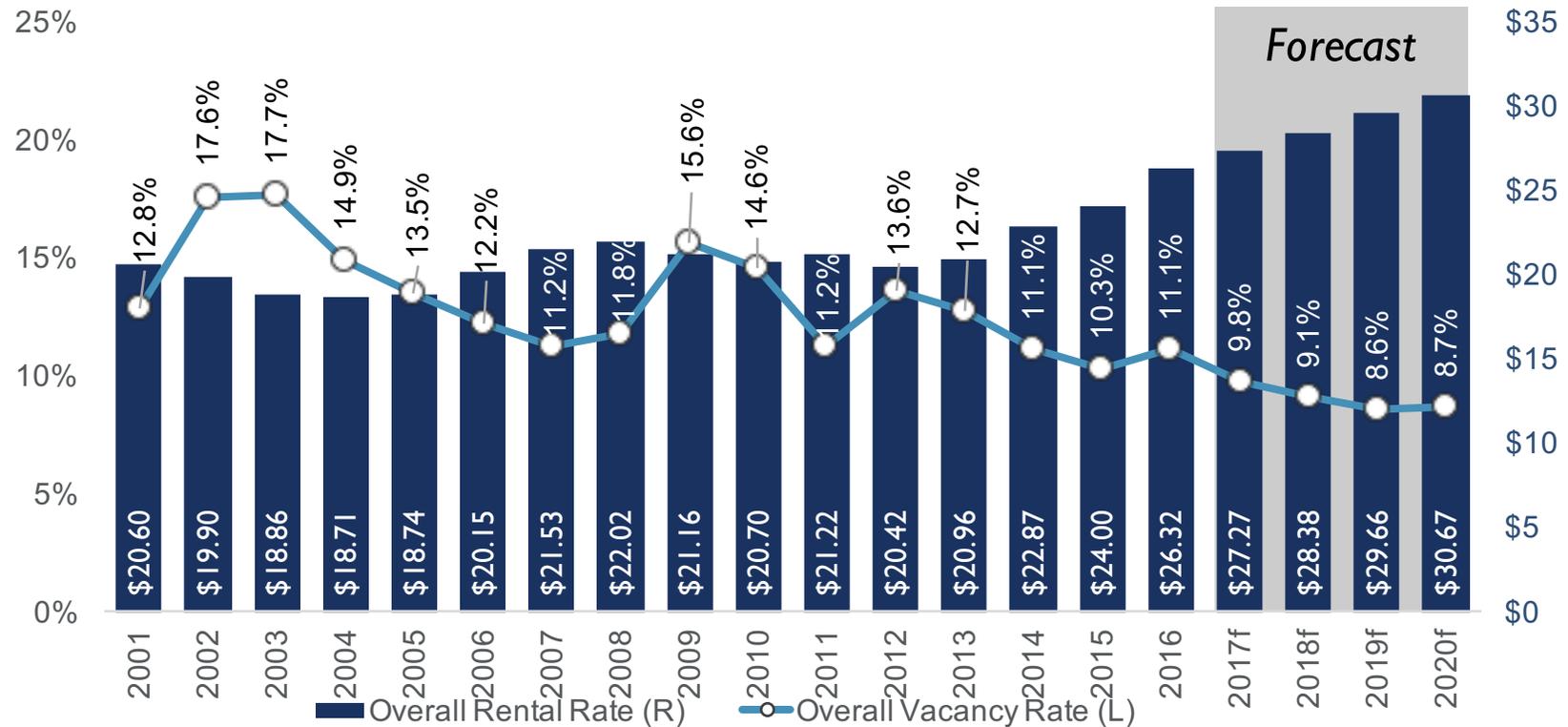
Vacancy Rates For New And Under Construction Buildings



Source: CoStar

PORTLAND METRO OFFICE FORECAST

Overall Gross Rent Vs Overall Vacancy



Average Rent Growth (CAGR)

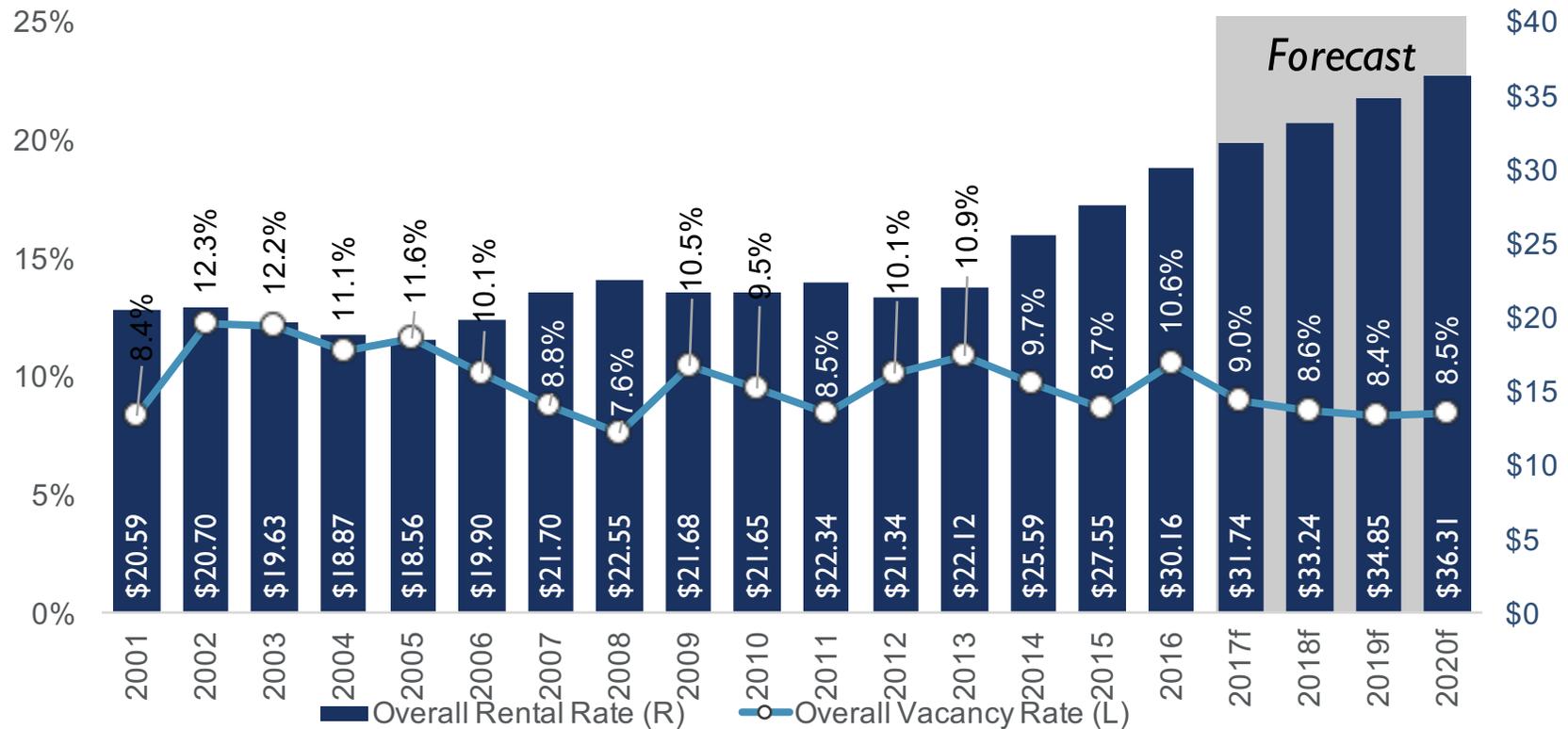
2013-2016: +6.6%

Forecast: +3.9% (4-year average)

Sources: Cushman & Wakefield Research

PORTLAND CBD OFFICE FORECAST

Overall Gross Rent Vs Overall Vacancy



Average Rent Growth (CAGR)

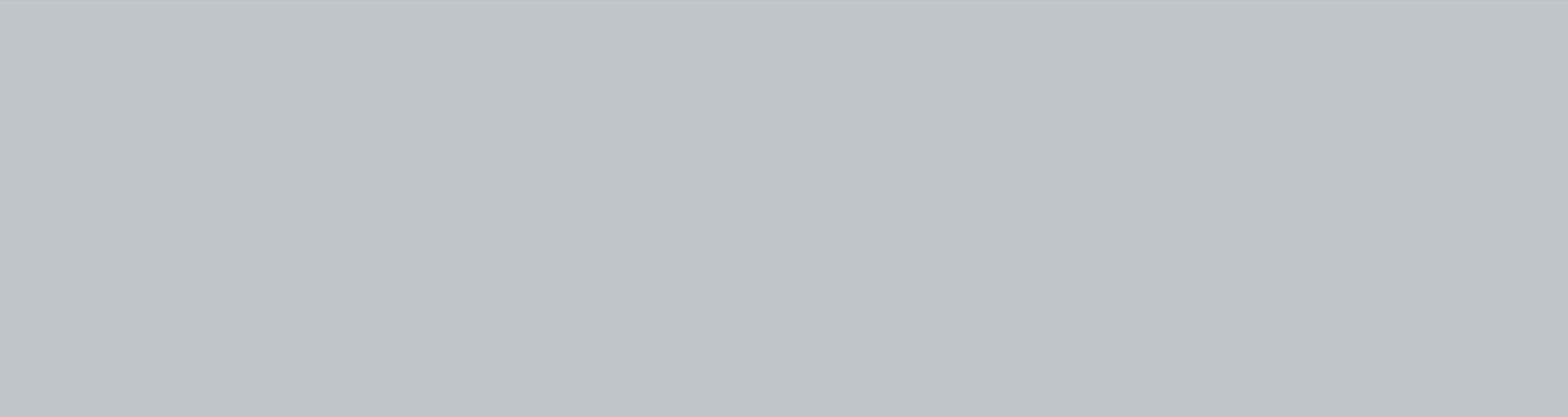
2013-2016: +9.1%

Forecast: +4.7% (4-year average)

Sources: Cushman & Wakefield Research



INDUSTRIAL

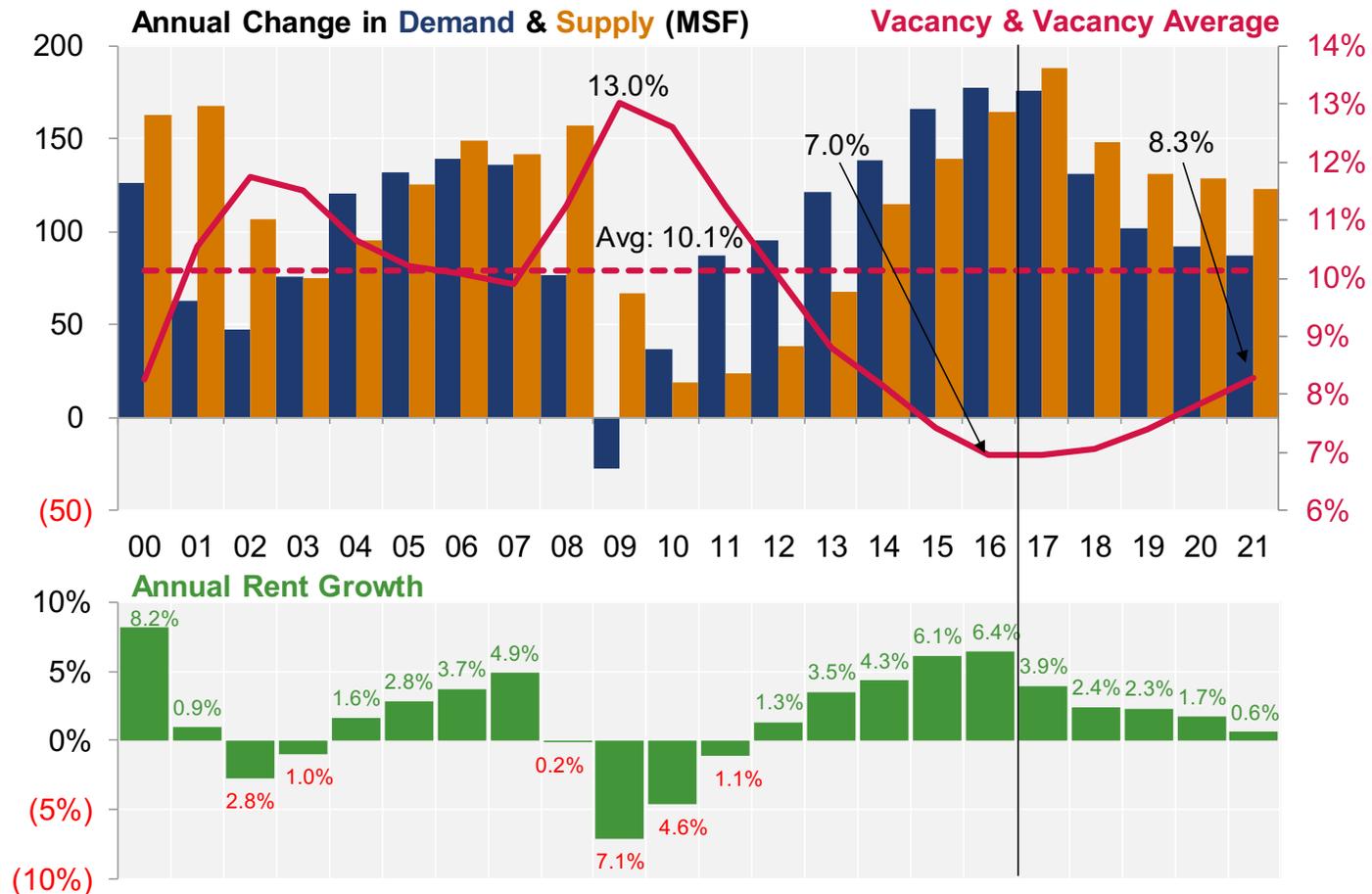


INDUSTRIAL LANDSCAPE

- **Lowest Historical Vacancy Rate**
- **Construction At Record Highs**
 - Possible Oversupply By 2019/2020
- **Reshoring Trend Continues**
 - Offshoring advantages declining
 - Proximity to customers is key
- **Inland Ports In Favor – Examples:**
 - Kansas City
 - Indianapolis
 - Minneapolis

LOGISTICS: WATCH OUT FOR SUPPLY

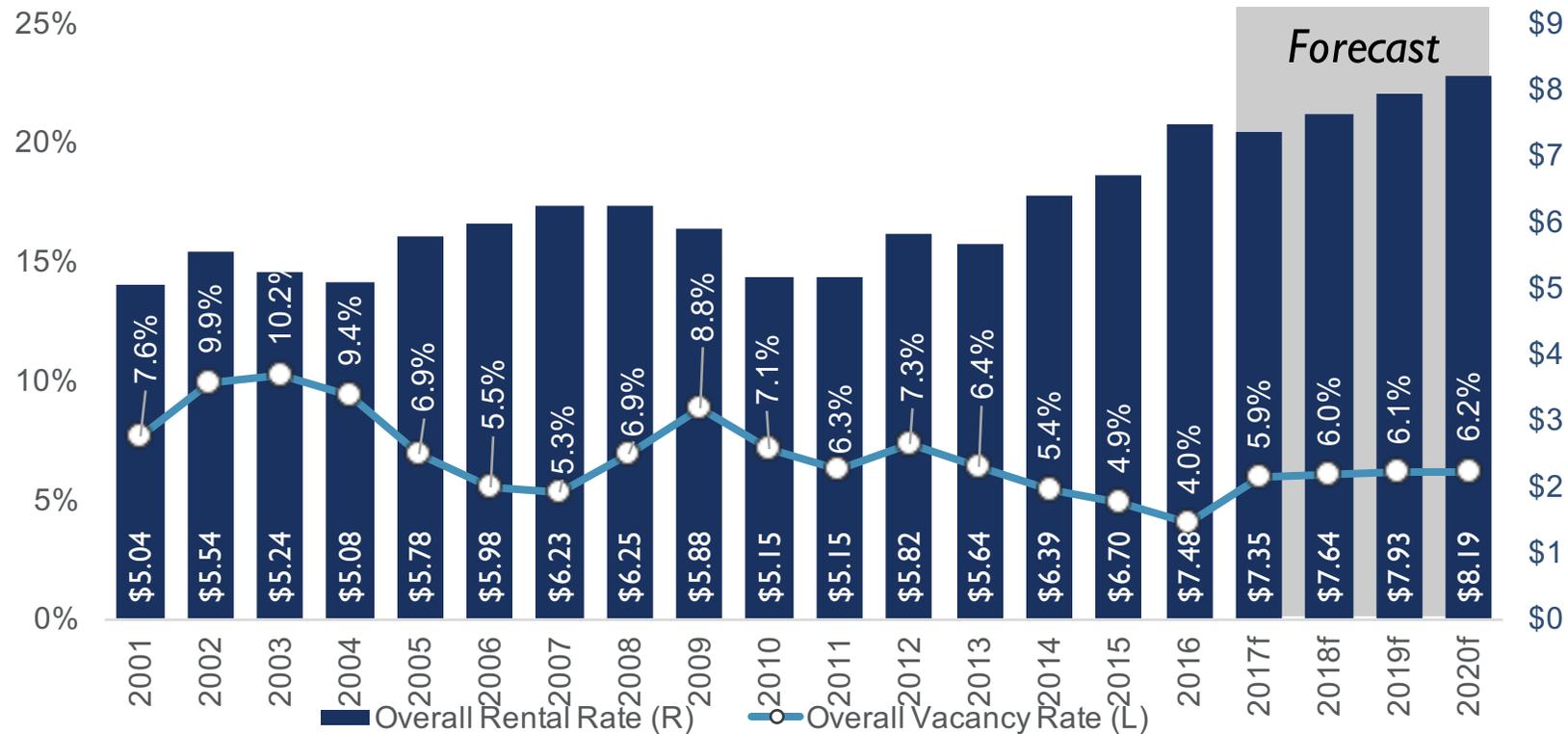
Logistics National Index Fundamentals



Source: CoStar

PORTLAND METRO INDUSTRIAL FORECAST

Direct NNN Rent Vs Overall Vacancy



Average Rent Growth (CAGR)

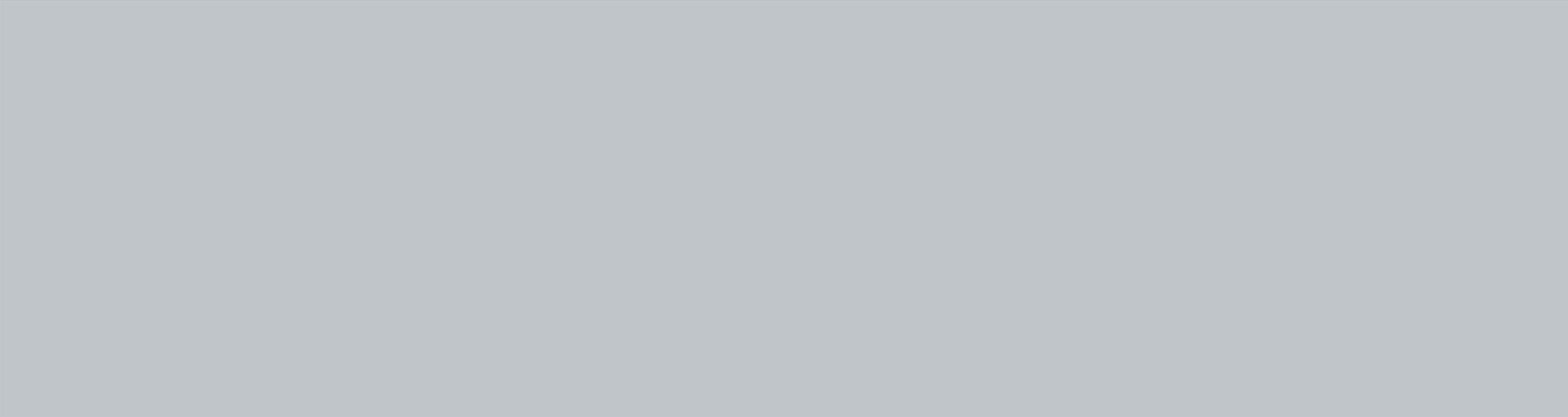
2013-2016: +6.7%

Forecast: +2.3% (4-year average)

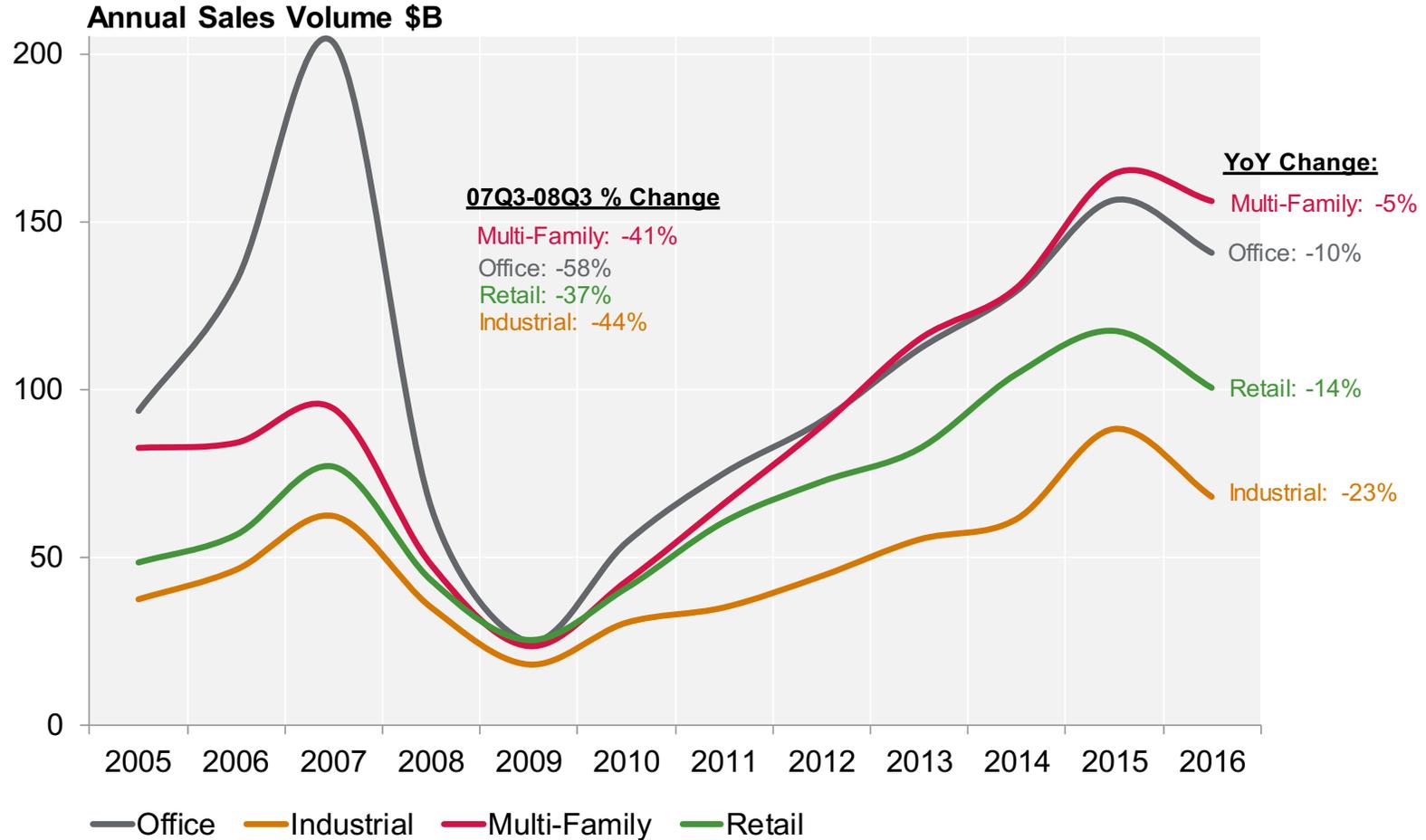
Sources: Cushman & Wakefield Research



INVESTMENT

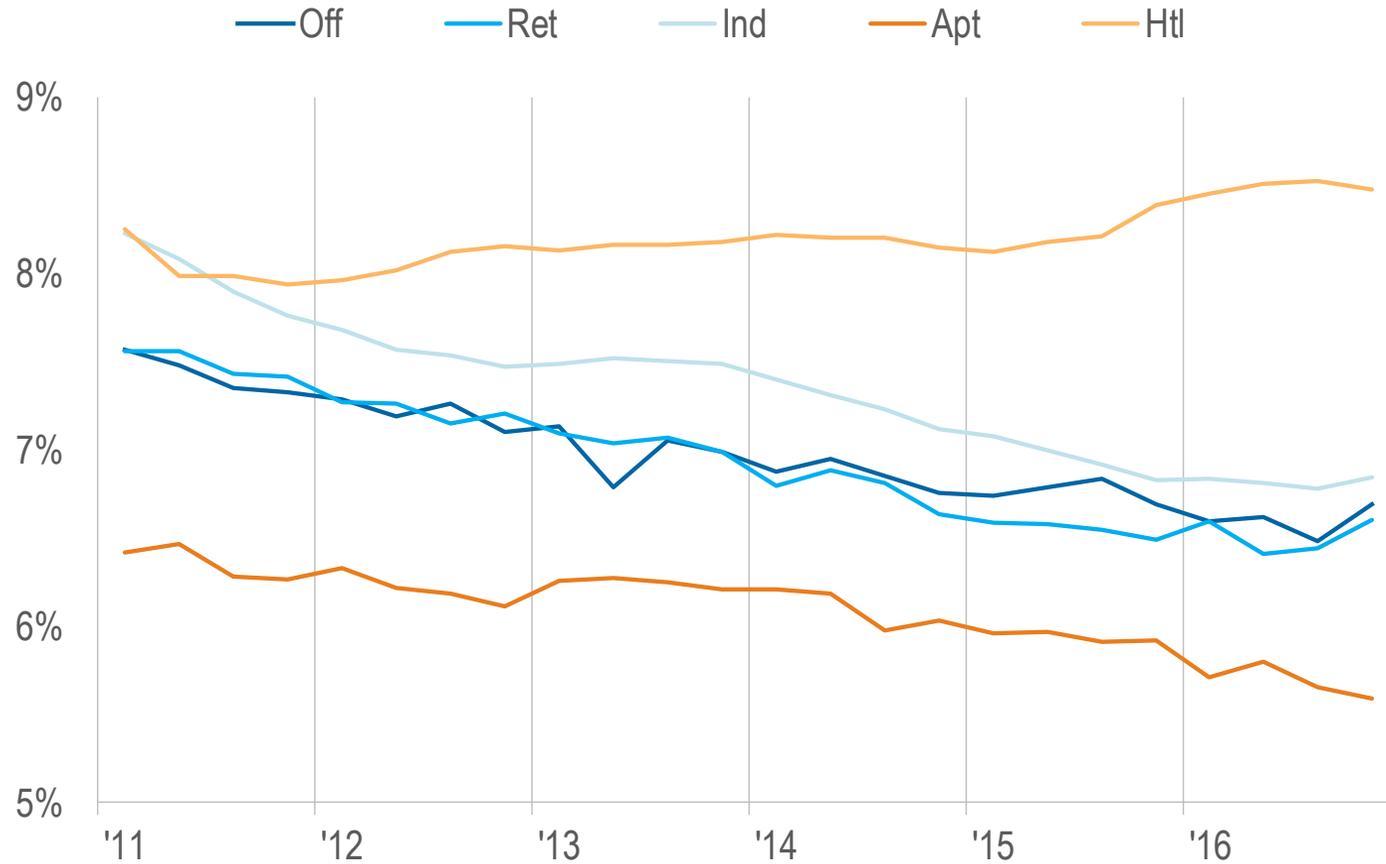


SALES VOLUME SLOWING & LIKELY TO SLOW MORE IN 2017

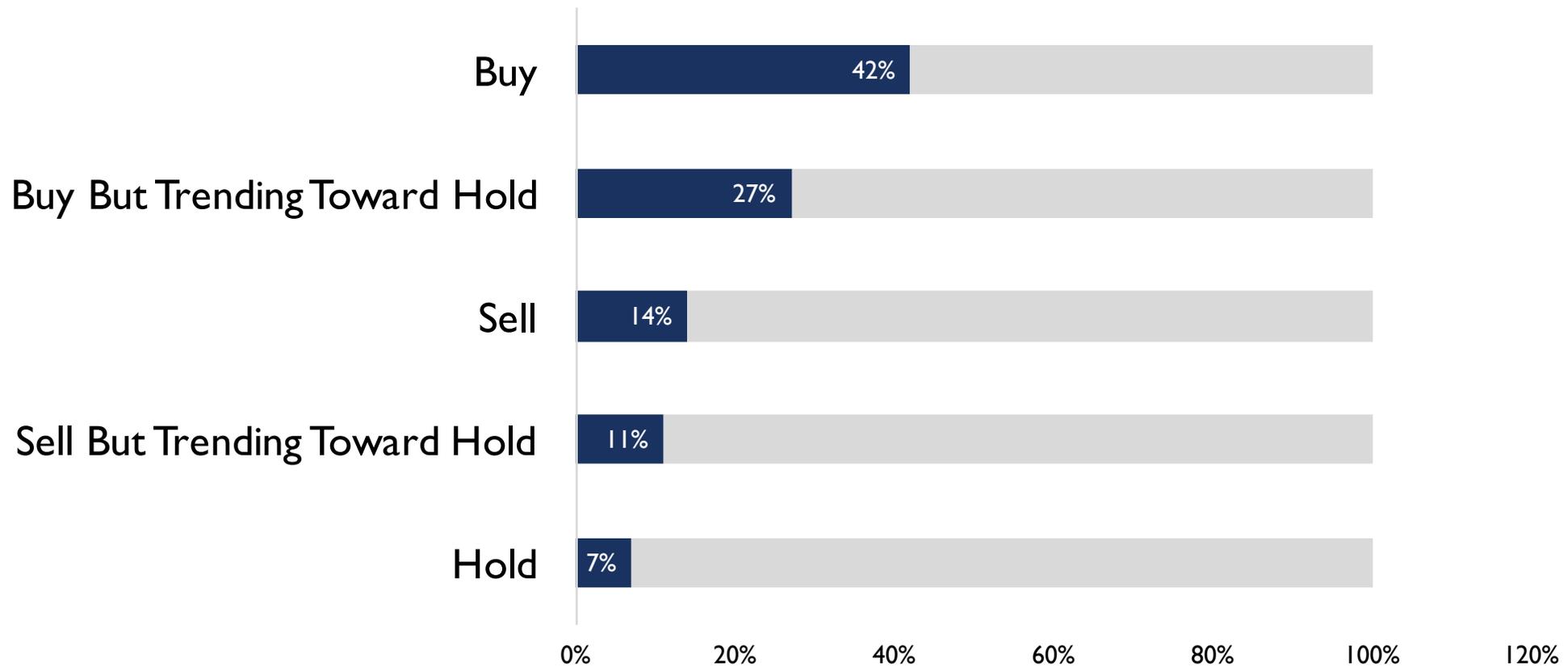


Source: CoStar

VARIED MOVEMENT IN CAP RATES BY SECTOR



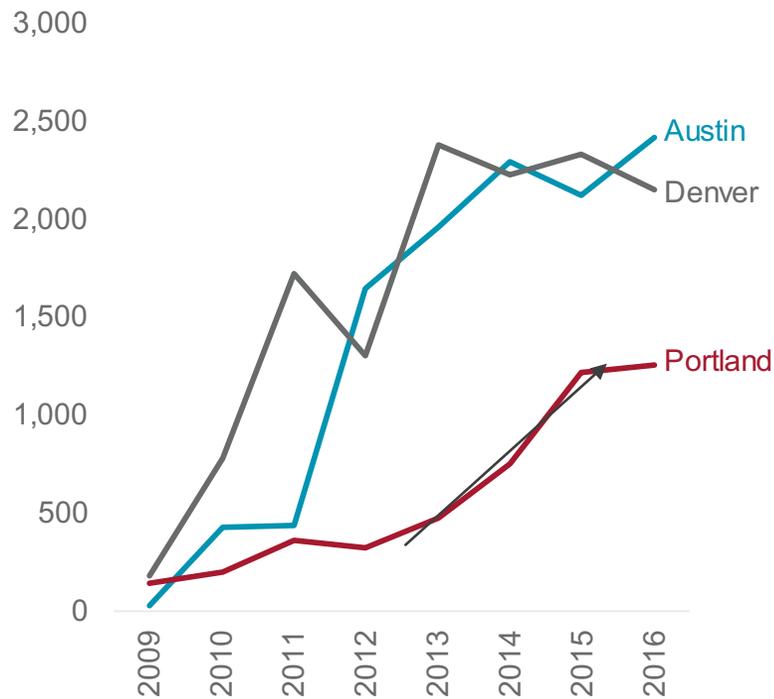
INVESTOR SENTIMENT



PORTLAND VOLUMES HAVE SCOPE TO INCREASE RELATIVE TO COMPARABLE MARKETS

Investment Sales Volumes

Dollars in millions

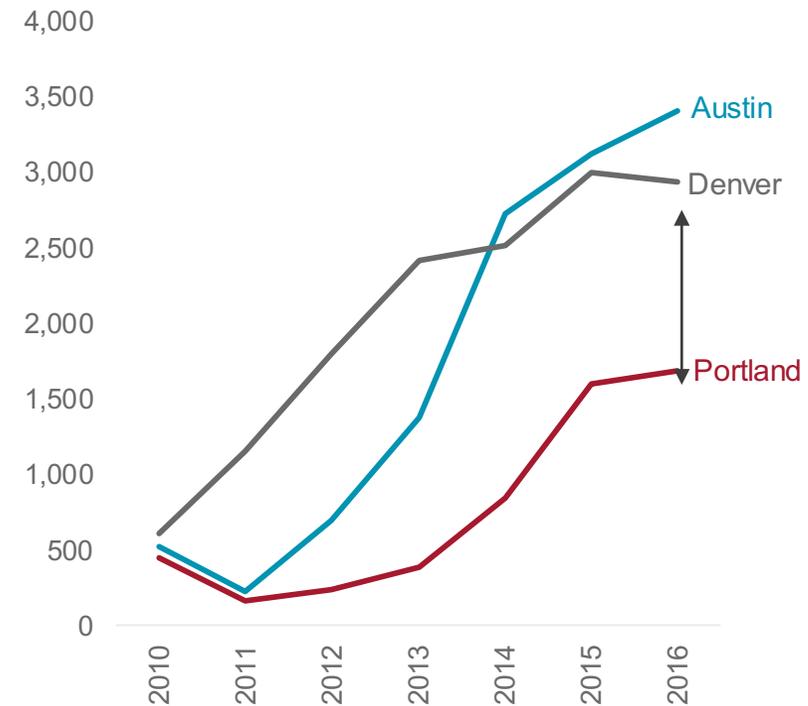


Slower to recover, more room to run?



Institutional Investment Volumes (Last 3Y)

Dollars in millions



Institutions arguably underexposed given similar underlying fundamentals

PORTLAND TAKEAWAYS

- **The Portland Economy Will Remain Healthy Over The Next Few Years**
 - Lower cost of living will continue to drive employers and employees to this market BUT watch out for inland competition
 - Still not as heavily dependent on TECH as some other markets – not a bad thing
 - Strong mass transit and PDX Airport too – both HUGE assets
- **CRE Fundamentals Solid**
 - Office development in-check which will keep prices on the rise yet below other competitive west coast markets
 - Industrial very tight; could use some additional breathing room
 - Investment sales have much more room to run



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Portland State
UNIVERSITY

THANK YOU