The Portland market continues to demonstrate strong economic fundamentals as we close out 2018. With continued demand for space, rising rental rates, and robust job gains, investors are staying confident about the future of the Portland market.

Sales throughout the market have been on a steady decline since 2015. This does not necessarily raise alarm bells for investors. Instead, many property owners are choosing to hold properties, rather than sell. Moreover, there has been a steady stream of new development in recent years, indicating a continued demand for new inventory.

Vacancy rates across the market dipped slightly, further underlining the current stability of the Portland market. The growth in rental rates beats out most other West Coast markets. Growth is consistently beating historical averages.

Overall, while there has been an overall softening of the economy in the past few months, Portland’s retail market is remaining steady and continuing to show growth in many areas. Investors are looking forward to the retail market in 2019.

Prime retail space is in high demand throughout the Portland Metro Market with vacancy rates below 3%. We are starting to see a ceiling on rental rates with the costs of triple nets starting to put pressure on rents. Smaller shop tenants are optimistic and want to open new store fronts.

Matthew Sichel
Senior Commercial Real Estate Broker
NAI Elliott

The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon.

Portland Retail Market Report
Trends at a Glance
4TH QUARTER 2018

Historical Absorption and Deliveries

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Portland’s retail submarkets are consistently strong. Vacancy rates are consistently low across the submarkets, especially in the Gateway and close-in SE Portland areas. Rental rates are also reaching new heights with many submarkets now commanding over $20 per square foot per year.

Construction in most of the submarkets is limited, so vacancy rates are unlikely to rise drastically. Supply and demand are fairly well-matched in many areas and point to a healthy local economy.

Strong market fundamentals paired with limited construction is causing an increase in competition for retail space, especially in the close-in areas of Portland.

Rudy Puente
Commercial Real Estate Broker
NAI Elliott

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Portland Retail Market Report
New to the Market and New Construction
4TH QUARTER 2018

NEW CONSTRUCTION

<table>
<thead>
<tr>
<th>NAME</th>
<th>TOTAL SF</th>
<th>SUBMARKET</th>
<th>DELIVERY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Hills Crossing</td>
<td>129,000</td>
<td>Beaverton</td>
<td>2Q18</td>
</tr>
<tr>
<td>701 Columbia Street</td>
<td>26,000</td>
<td>Vancouver</td>
<td>1Q19</td>
</tr>
<tr>
<td>1969 Willamette Falls Dr</td>
<td>25,010</td>
<td>West Linn</td>
<td>1Q19</td>
</tr>
<tr>
<td>Goodwill</td>
<td>25,000</td>
<td>Vancouver</td>
<td>1Q19</td>
</tr>
<tr>
<td>Sideyard</td>
<td>20,000</td>
<td>Northeast</td>
<td>1Q19</td>
</tr>
<tr>
<td>17550 Provost St</td>
<td>17,673</td>
<td>Lake Oswego</td>
<td>2Q19</td>
</tr>
<tr>
<td>17510 Provost St</td>
<td>15,851</td>
<td>Lake Oswego</td>
<td>3Q19</td>
</tr>
<tr>
<td>Stonewood Center</td>
<td>13,000</td>
<td>Forest Grove</td>
<td>3Q18</td>
</tr>
<tr>
<td>Ridgefield Pioneer Village</td>
<td>11,649</td>
<td>South</td>
<td>2Q19</td>
</tr>
<tr>
<td>11360 SW Canyon Rd</td>
<td>11,304</td>
<td>Southwest</td>
<td>1Q19</td>
</tr>
</tbody>
</table>

The majority of ongoing construction within the Portland area has been relegated to suburban submarkets. Several buildings are coming online in early 2019, but they are unlikely to drastically change the current state of Portland’s retail market.

Emma Brown
NAI Marketing Director
NAI Elliott

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Portland Retail Market Report
Major Sales
4TH QUARTER 2018

MAJOR SALES

<table>
<thead>
<tr>
<th>NAME</th>
<th>TOTAL SF</th>
<th>PRICE</th>
<th>PRICE/SF</th>
<th>CAP</th>
<th>DATE SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gresham Station Shopping Center</td>
<td>342,000</td>
<td>$64,500,000</td>
<td>$189.00</td>
<td>-</td>
<td>8/23/2018</td>
</tr>
<tr>
<td>Oswego Village</td>
<td>103,000</td>
<td>$33,800,000</td>
<td>$329.00</td>
<td>-</td>
<td>11/07/2018</td>
</tr>
<tr>
<td>Best Buy</td>
<td>76,843</td>
<td>$19,875,000</td>
<td>$259.00</td>
<td>7.4%</td>
<td>5/04/2018</td>
</tr>
<tr>
<td>Vintage Place</td>
<td>89,626</td>
<td>$17,400,000</td>
<td>$194.14</td>
<td>-</td>
<td>2/21/2018</td>
</tr>
<tr>
<td>Wood Village Town Center</td>
<td>85,379</td>
<td>$16,209,010</td>
<td>$190.00</td>
<td>8.9%</td>
<td>2/13/2018</td>
</tr>
<tr>
<td>King City Plaza</td>
<td>62,676</td>
<td>$15,686,000</td>
<td>$250.27</td>
<td>-</td>
<td>5/18/2018</td>
</tr>
<tr>
<td>11504 SE Mill Plain Blvd</td>
<td>37,164</td>
<td>$13,300,000</td>
<td>$357.87</td>
<td>6.31%</td>
<td>6/6/2018</td>
</tr>
</tbody>
</table>

The number of sales across the market have been down in recent months. Regardless of the sheer number of sales being lower, major shopping center sales are regularly occurring. Two of the major 2018 sales were Gresham Station Shopping Center and Oswego Village. Both of these sales occurred in the second half of the year and represented almost $100 million in sales. This is indicative of continued investor confidence in the market and optimism about the future of Portland as a solid area for major investment.

Aside from investors finding the market a suitable investment, major retailers also consider Portland a stable investment and are continuing to lease large amounts of space. For example, MUJI, a popular Japanese retailer, recently opened their 15,250 square foot store in Downtown Portland’s Meier & Frank Building. Global brands are taking notice of Portland and are looking to open new locations.

The market is poised to continue to see strong leasing and sales activity in 2019. Despite a slow down in the economy, there is much to be excited about locally.

With little new inventory and low vacancy rates across the Portland market, prime high exposure retail has strong demand from tenants and is quick to lease up.

Riley Henderson
Commercial Real Estate Broker
NAI Elliott

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Oregon’s unemployment rates have remained low in recent months and are closely tracking the national averages. Over 2018, unemployment trended slightly downwards. The labor market is tight for employers looking to make new hires. At the same time, job seekers are finding many open positions.

The present economy remains solid, but shows signs of softening. Many investors are forging forward with current plans with one eye towards a possible future recession.

Between today and the next recession, whenever it may come, the Oregon economy will continue to hit the sweet spot. The strong labor market is driving employment rates higher and poverty rates lower for all ages and racial and ethnic groups across the state.

State of Oregon, Oregon Economic Revenue and Forecast
2018 was a year of growth and change for the company. The property management department has grown by over 2 million square feet under management in the last two years. In addition to continued growth in retail and creative office, the company saw significant new assignments in the industrial and Class A office sectors. New management and brokerage teams as well as new capabilities, including a facilities management division was also added to meet the broader range of services being requested by our clients.

Company leadership also saw a change with Jordan Elliott being named President and Lou becoming Chief Executive Officer. In other news, in addition to inclusion in several 100 Best lists, NAI Elliott was named 2018 Office of the Year by NAI Global at the annual convention in September. The award recognizes one of the 400+ NAI Global affiliates each year for its leadership and commitment to the organization’s strategic vision, as well as performance and growth.

In response to significant growth in all facets of our services, NAI Elliott has increased our capacity by adding staff, technology tools and other operational resources to continue to provide a high level of service to our customers.

Lou Elliott
Principal, Chief Executive Officer
NAI Elliott

naielliott.com