

Portland Metro Area Medical Office Trends

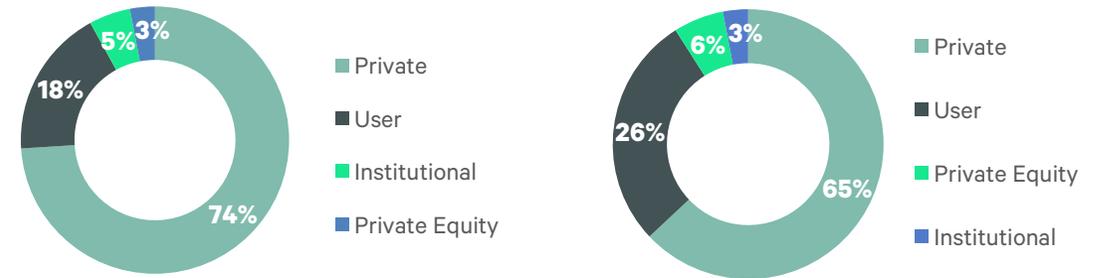


Note: Arrows indicate year-over-year (YOY) change

Overview

- In contrast to the conventional office market in Portland, which has witnessed growth in companies adopting distributed work models, medical office practices are unable to adopt a hybrid work schedule.
- Consequently, the overall vacancy rate in the Portland medical office market stands at 4.9%, which is approximately 30 basis points (bps) below the 10-year average. As of the first half of 2023, the Portland medical office market continues to experience robust demand, with healthcare tenants showing strong commitment to long-term leases.
- Relocating a medical practice poses significant challenges due to various factors. Particularly noteworthy are the prevailing disruptions in the supply chain, escalating construction costs, and prolonged timeframes for obtaining permits.
- Medical office tenants are faced with the decision of either renewing their current lease or relocating, although the latter option is often less preferred. Medical practices tend to be closely tied to a specific location and are hesitant to move more than two miles away due to the potential risk of losing their patient base.
- Sales momentum has slowed in the first half of 2023, totaling \$16 million in sales volume, down from the \$91 million in sales volume recorded in the first half of 2022.

FIGURE 1: 5-yr. Sales By Seller Type and Sales By Buyer Type (Includes Investment and Owner User)



Source: Costar, CBRE Research, H1 2023.

TABLE 1: H1 2023 Key Sales Transactions

Submarket	Property Name	Building Size (SF)	Buyer	Sale Price	Price Per SF
Outer Eastside	Rosewood Family Health Center	10,488	Mhaao Properties I LLC	\$4,000,000	\$381.39
Barbur Blvd/Capitol Hwy	6225-6245 SW Capitol Hwy	10,059	J Square One LLC	\$3,345,000	\$332.54
Clark County	Ninth Street Medical Plaza	25,463	Wilder Technologies	\$6,086,429	\$239.03

Source: Costar, CBRE Research, H1 2023.

FIGURE 3: Historical Sales Volume vs Price Per Sq. Ft. (\$)



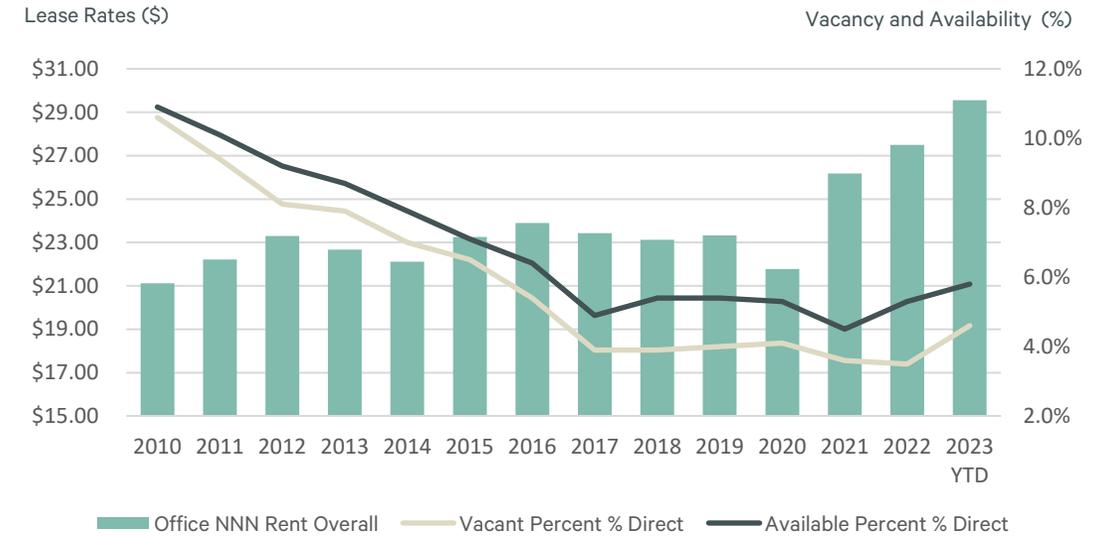
Source: Costar, CBRE Research, H1 2023.

TABLE 2: H1 2023 Key Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type	Class
Will Vision & Laser Centers	6,193	Parkway Plaza III	Clark County	New Lease	A
NW Dermatology and Research Center	5,228	Lovejoy Medical Building	Northwest	Expansion	B
The Oregon Clinic	4,635	Mt. Scott Professional Center II	Clackamas	New Lease	C
Lake Oswego Dermatology Group	3,091	17704 SW Jean Way	Lake Oswego	Renewal	B
Undisclosed Tenant	2,895	One Warm Springs	Tualatin	New Lease	A

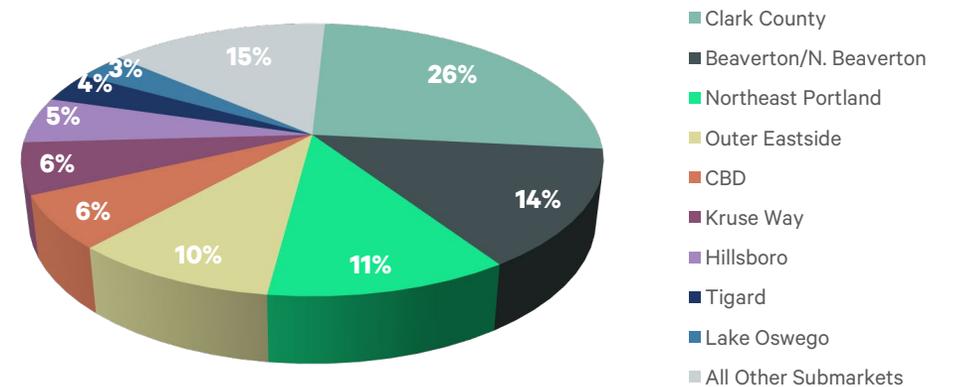
Source: Costar, CBRE Research, H1 2023.

FIGURE 2: Lease Rates (\$/SF/Yr. NNN) and Vacancy and Availability (%)



Source: Costar, CBRE Research, H1 2023.

FIGURE 5: Percentage Share of Available SF by Submarket



Source: Costar, CBRE Research, H1 2023

TABLE 3: Metro Market Statistics

Submarket	NRA (SF)	Vacant Direct (SF)	Overall Vacancy Rate (%)	Total Available (SF)	Availability Rate (%)	YTD Net Absorption (SF)	H1 Leasing Activity Total (SF)	Average Asking Rate (\$/SF/YR NNN)
CBD	430,282	22,009	5.1%	43,380	10.1	3,662	4,860	21.49
Central Eastside	79,595	-	0.0%	12,500	15.7	13,054	900	-
Lloyd District	77,653	5,898	7.6%	14,159	18.2	(5,898)	-	-
Northwest	449,142	17,962	4.5%	17,654	3.9	1,350	6,275	34.00
Total Downtown	1,036,672	45,869	4.6%	87,693	8.5	12,168	12,035	23.59
Northeast Portland	1,822,072	67,846	3.8%	78,057	4.3	(33,579)	9,898	22.11
Barbur Blvd/Capitol Hwy	97,171	15,613	16.1%	15,613	16.1	(1,279)	253	-
Beaverton	1,255,895	63,029	5.0%	96,189	7.7	(28,256)	-	37.05
Clackamas	780,871	14,411	2.2%	17,442	2.2	797	9,641	30.42
Hillsboro/Sunset Corridor	960,389	20,240	3.5%	37,481	3.9	(15,042)	2,171	29.44
John's Landing	415,662	-	0.0%	-	-	-	-	-
Kruse Way	124,856	41,683	33.4%	41,683	33.4	10,309	7,982	38.36
Lake Oswego/West Linn	263,244	13,204	5.0%	22,063	8.2	(2,121)	2,514	28.78
Outer Eastside	531,786	25,278	5.9%	66,102	12.4	6,581	2,950	32.43
Tigard	448,557	17,148	4.6%	24,403	5.4	(5,251)	1,476	24.89
Tualatin/Sherwood	272,709	11,584	5.9%	14,341	5.3	(2,859)	5,892	23.50
Clark County	2,918,404	161,057	5.7%	177,114	6.0	(35,502)	52,585	23.82
Wilsonville	155,992	7,732	5.0%	7,732	5.0	(676)	8,155	-
Total Suburban	10,047,608	458,825	4.9	598,220	5.9	(106,878)	103,517	30.17
Total Market	11,084,280	504,694	4.9	685,913	6.2	(94,710)	115,552	29.56
Total Market – Class A	1,866,213	105,771	6.4	117,831	6.3	(31,744)	31,199	31.05
Total Market – Class B	6,534,014	324,431	5.3	472,517	7.2	(60,839)	66,074	29.70

Source: Costar, CBRE Research, H1 2023

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** The change in Occupied Sq. Ft. from one period to the next. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied immediately..

Survey Criteria

Includes all medical buildings 5,000 sq. ft. and greater in size in Multnomah, Washington, Clackamas, and Clark counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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