PORTLAND OFFICE MARKET RESET

The Big Pink Strategy

PRESENTED BY

Brandon O'Leary

Senior Vice President
Kidder Mathews

Kidder Mathews

ABOUT ME

Brandon has over 22 years' experience leasing and selling office properties in the Portland market, currently marketing well over 2,000,000 SF of space.

He is a Kidder Mathews shareholder, former corporate board member and has led agency leasing teams, corporate tenant representation service accounts, and provided strategic advisory services throughout his career for institutions, regional operators and private capital investors.

With a business practice rooted in fundamental analysis, strategic advice, diligent execution, and long-term relationships, Brandon has successful experience in all types of office leasing, value-add repositioning, and portfolio advisory. A focus on maximizing revenue, maximizing profit, managing risk, and strategic allocation of capital have been hallmarks of his business.

In addition to agency leasing, many established, corporate users have repeatedly utilized Brandon's services when developing and executing strategic real estate plans in the Portland market.

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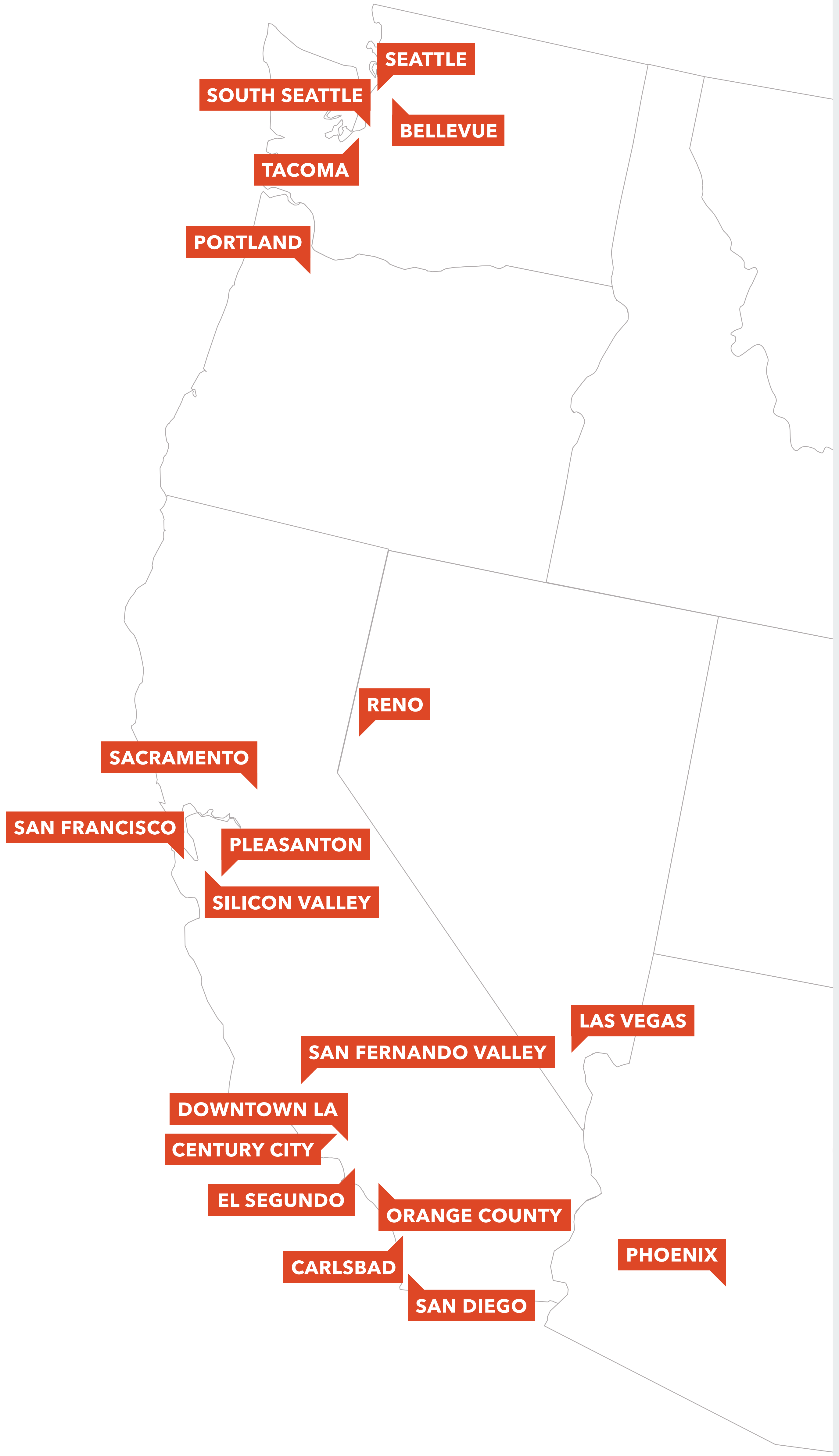
THE EDGE IN YOUR MARKET

For nearly 60 years, our clients have gotten the best of both worlds – independent counsel from trusted experts, working as part of the largest privately held commercial real estate firm in the Western US. Today Kidder Mathews has over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona.



Commercial Brokerage

$9B
AVERAGE TRANSACTION VOLUME

500+
NO. OF BROKERS

Asset Services

54M SF
MANAGEMENT PORTFOLIO SIZE

800+
ASSETS UNDER MANAGEMENT

Valuation Advisory

2,700
AVERAGE ASSIGNMENTS

42/23
TOTAL NO. OF APPRAISERS/MAIS

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CURRENT MARKET DYNAMICS

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LEASING ENVIRONMENT

Data Set	2019	2021	2023	2025	Q1 2026
Central City	12.2%	19.9%	24.5%	29.7%	28.7%
CBD	14.5%	20.9%	27.2%	33.0%	31.9%
CBD Premier Set	17%	18.2%	25.5%	30.8%	29.6%
CBD Class A	14.7%	21.2%	26.1%	32.5%	30.6%
CBD Class B	14.2%	23.6%	28.8%	34.0%	33.6%
Big Pink	5.8%	25.2%	33.1%	~70.0%	72.7%
North CBD* (North of Harvey Milk)	**16.9%**	**27.6%**	**34.9%**	**42.3%**	**46.7%**

*~2.9m SF, about 1/3 of inventory at Big Pink

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LEASING ENVIRONMENT — *TAKEAWAYS*

There is a broad and correlated trend of nearly all CBD assets.

The vacancy in the North End of the CBD pulls the entire statistical set down.

The South End of the CBD has fared better than the North End, though all micro-markets are in heavy distress from a historical perspective & investment outlook.

LEASING ENVIRONMENT
—*REPRESENTATIVE SUBURBAN MARKET*

Data Set	2019	2021	2023	2025	Q1 2026
Kruse Way/ 217 – Class A	11.4%	24.1%	26.7%	30.8%	31.2%

LEASING ENVIRONMENT

—*REPRESENTATIVE SUBURBAN MARKET TAKEAWAYS*

Kruse Way has carried significant vacancy, while raising rents – a benefit of the high concentration of ownership that does not exist in other submarkets.

The current vacancy in this dominant submarket is in heavy distress from a historical perspective.

With reducing concentration of ownership, we forecast much more price competition to reflect the current vacancy & muted demand.

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GENERAL INVESTMENT *THESIS:*

"An investment in real estate is, in large part, an investment in an area's ability to sustain economic growth."

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ECONOMIC GROWTH OUTLOOK

Capital is attracted to areas of higher tenant demand or potential demand "spike"

Longer-term "core investors" are attracted to a more stable and predictable demand pattern

- We can't currently point to stabilization, thus there is more investment risk leading to lower pricing
- More risk includes underwriting for more costs and longer lease-up timing
- More risk, higher costs, and longer business plan execution timing requires higher returns, furthering the price declines

Demand capture is more likely to occur with locations with higher accessibility for employees and to dominant employers. Longer-term "core investors" are attracted to a more stable and predictable demand pattern

- CBD, Kruse Way, select Washington County locations still offer this

Recent and continuing CBD pricing declines likely infers a belief that Portland has significant risk relative to suburban investments and investments in other regional or national markets

OUTSIDE PERCEPTION & SENTIMENT

General perception is suburban markets are healthier than CBD

- Perception is reality in some areas
- Perception is not reflective of reality in others

Employees prefer suburban vs urban locations

- Generally, we have not seen this to be the case for traditional office users

Reality Check: Taxes, safety, security and RTO flexibility are obstacles to returning to CBD and expanding in the CBD.

- There is a reluctance to move out of downtown, but proved to be necessary for many companies in 2020-2025.

COMPETITION FOR LABOR

From 2015-2019, the general thesis was the 25-34 year old, educated demographic would continue to provide employers with sustained specialized talent at lower cost throughout the metro area and largely preferring urban to suburban

From 2020-2025, the hybrid work environment made safety, security and ease of access to employers a more defining element of location choice

- Specialized workers in more mobile industries also left the market in search of new opportunities (a "talent crunch" in some industries)

Employers had to respond to labor demands and manage location risk in a competitive hiring environment when staying in the region

With return-to-office more regular, the price/value balance is returning to higher priority, making CBD theoretically a more viable option

The workplace environment still is a tool to hire and retain employees

Taxes, safety and security, and declining quality of "walkability" perceptions remain headwinds...

MARKET EVALUATION & INDUSTRY SEGMENTATION

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Who's coming to the office?

Early RTO has been in Architecture/ Engineering, Construction, Accounting, Law

More upcoming RTO in professional services, energy and smaller tech /startup areas

Traditional software, tech and a variety of consulting fields still lagging RTO adoption

In CBD, where do they want to be?

- Accessible by car
- Parking availability
- Close to neighborhood amenities
- Safe streets for walkability
- Visibly secure building for differing work schedules and managing access for employees and clients/customers

Micromarket is replacing Submarket when choosing a location

- Block by block granularity

OFFICE ASSET RENOVATIONS

To Meet User Demand

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Office Asset Renovations to Meet User Demand

2012–2018

- New lobby finishes
- Add fitness room
- Add bicycle room
- Add informal common area meeting rooms
- Outdoor areas start being added
- Designed to support higher-density tenant suites with in building amenities employees and clients/customers

COVID-ERA

- Same as before
- More outdoor area focus on common area installations
- Capital less available as vacancy increases, so projects largely on hold or scope has been reduced

CURRENT MARKET

What's missing, what can win, & what isn't?

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THE TRANSACTION PROCESS & OWNER CONSIDERATIONS

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Tenant Flexibility Impact on Value & Financing

Cash Flow & Value Balance

Interrelation of Occupancy, Expenses & Building Value

Leasing Plan to Meet Owner Objectives

ADAPTING BROKERAGE MODEL

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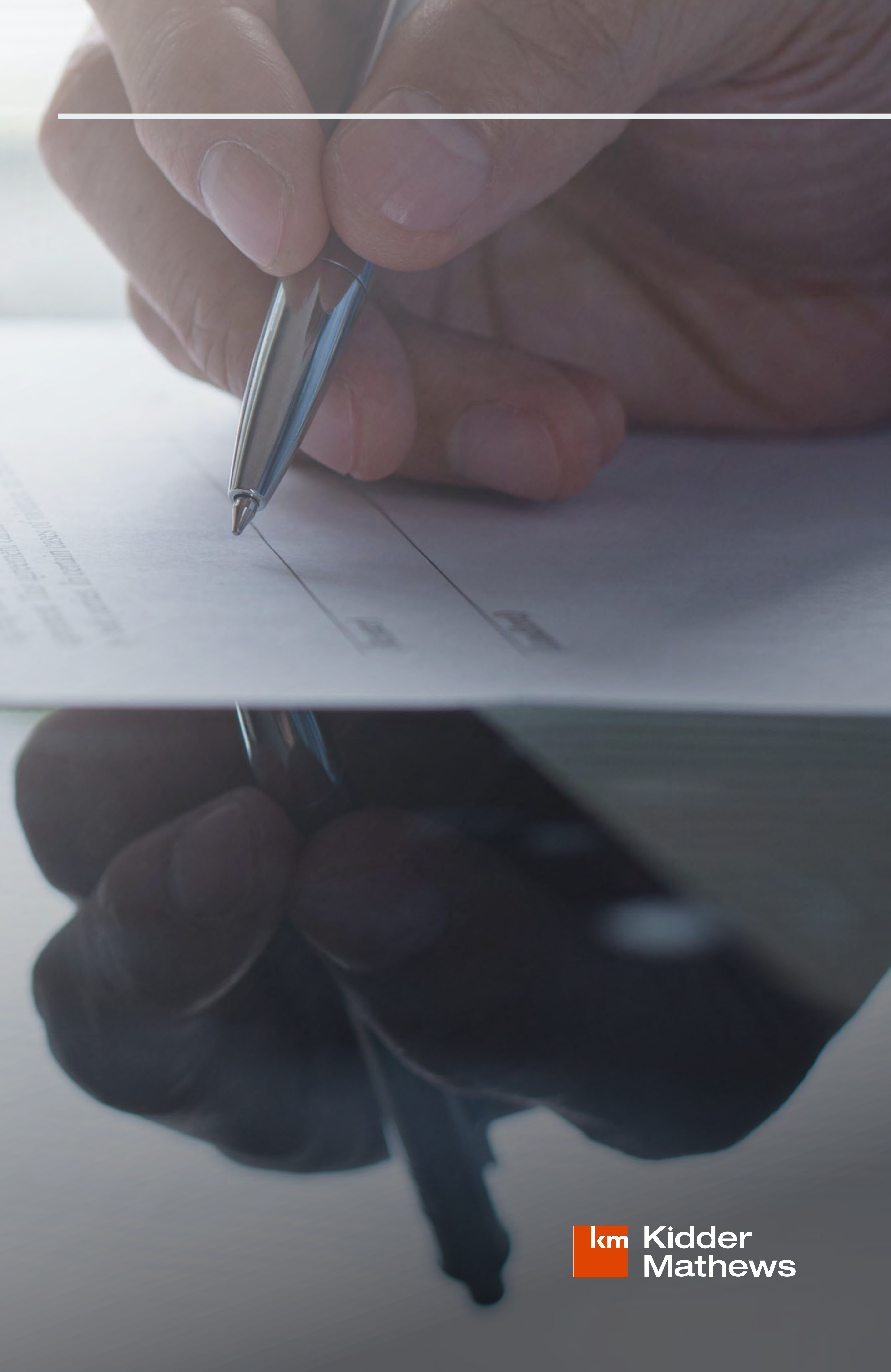

OWNERSHIP *PROFILE CHANGES*

ALIGNMENT WITH *OWNER OBJECTIVES*

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Research & Data

Marketing Strategies

Comprehensive Tracking

Short, Mid, & Long-term

THE BIG PINK APPROACH

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The Big Pink Approach

Humble realization that we need to approach this differently & more intentionally

01

No more “build it, hope they like it & hope they come”

02

A holistic customer experience

03

INITIAL CLIENT *QUESTIONS*

Q: What makes a customer (the business) life easier or better?

Q: How can we help you hire and retain your people?

Q: How can we help you further your wellness initiatives?

Q: How can we help you provide a place your people are excited about coming to everyday?

Q: How can we help you keep your clients, customers and win new business?

Q: Can you clearly answer "What is the benefit of being a tenant in the building?"

Q: How can our management team serve you, your employees and your clients better?

Q: How can we provide unique and evolving experiences from early morning through the evening?

Q: How can we involve the neighborhood hotels, restaurants, and businesses to make the entire neighborhood integrated?

Q: What does safety and security actually mean?

CONCEPT CREATION
"A CITY WITHIN A CITY"

You can stay here all day and feel safe, secure, welcome and supported

- Premium executive level amenities
- Premium wellness programs extended to your employees
- Meet and host friends, professionals, family, clients, customers on-site and they have the same experience
- Informal and formal food and beverage options that attract out-of-building visitors
- Indoor and outdoor opportunities to socialize
- Easy accessibility and parking

VALUE PROPOSITION

We understand most businesses are going to save significantly wherever they go, but what do you get for the rent you pay?

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SHARED *VISION* & LEADERSHIP

A HOSPITALITY-ORIENTED OWNERSHIP VISION & FOCUS ON PREMIUM ASSET STEWARDSHIP

We have to be customer focused and lead the market in creating a place that makes leadership proud, employees excited and the CFO thrilled to call Big Pink home.

COMPANY-WIDE VALUE

REMOVING TRADITIONAL OBSTACLES

- Four blocks of a safe, secure and monitored district
- Easy to access by car and transit
- Abundant parking and significant discount to parking
- Premium wellness programs
- Indoor and outdoor amenities
- Diverse food/beverage options
- Shared benefits for our customers to neighborhood hotels, restaurants & retailers

Exploration of unique in-building amenities & branding to help you win business

- Conference rooms
- Training rooms
- Media rooms for audio and video recordings
- Technology to make each customer feel valued and allows them to express their brand within the project

FINANCIAL BENEFIT & FLEXIBILITY

We can provide the new office experience at substantial discount to any other premium Class A building

We can be flexible in structuring leases to address the customer's business objectives

We're committed to being proactive, responsive and customer-focused in everything we do


QUESTIONS?
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