

# Portland Industrial

## Market Forecast

### Trends

Vacancy Rate	3.6%	↔
Rental Rates	\$0.55	↑
Construction	2.4M sf	↔
Net Absorption	609,184 sf	↑

## Notable Lease Transactions

**NW Flex Space/Luxury Vehicle Care**  
3901 SE Naef Road, Milwaukie  
205,303 s.f. Leased

**Wymore Transfer Co.**  
12601 SE Highway 212, Clackamas  
113,820 s.f. Leased

**Pacific Marketing & Publishing**  
2515 SE Mailwell Drive, Milwaukie  
77,052 s.f. Leased

## Notable Sale Transactions

**LBA Realty**  
Wilsonville Business Center  
(9 Properties), Wilsonville  
530,068 s.f.  
Purchased for \$51,400,000 or \$97/s.f.

**RREEF America**  
22638 NE Townsend Way, Fairview  
210,000 s.f.  
Purchased for \$17,200,000 or \$82/s.f.

**W-4 LLC**  
9600 SW Boeckman Road, Wilsonville  
157,038 s.f.  
Purchased for \$12,000,000 or \$76/s.f.

**Industrial Property Trust**  
18977-19039 NE Portal Way, Portland  
105,000 s.f.  
Purchased for \$20,050,000 or \$103/s.f.

The Portland industrial real estate market kept on rolling during the third quarter of 2016, with 609,184 square feet of positive net absorption across the metro area, its fifth straight quarterly gain. Overall vacancies stayed at 3.6% as the move-ins were accompanied by 708,600 square feet worth of building deliveries, some of which were not yet occupied at quarter's end. Leasing activity totaled 101 transactions for 1,582,679 square feet, and 1,428,978 square feet of Portland industrial real estate transacted in investment or owner/user sales. Another 17 buildings that will sum to more than 2 million square feet of industrial space were under construction at the end of the third quarter, but availabilities remain scant in the 10,000-50,000 square-foot range, leaving limited options for smaller users.

Vacancies for all industrial product types marketwide held at 3.6% during the third quarter, but were considerably lower in some core submarkets, such as Guilds Lake and Airport Way, which both came in around 2.0%. Among the core areas, Rivergate (7.6%) had the most vacant space at quarter's end. Airport Way paced metro Portland with 328,301 square feet of positive net absorption, much of which stemmed from two move-ins—Cummins, Inc. and the United Parcel Service (UPS)—totaling 354,953 square feet at the newly built distribution facility at 9601 NE Alderwood Road.

Leasing activity decreased moderately from the second quarter, to 101 transactions spanning 1,582,679 square feet. The Clackamas/Milwaukie area played host to the quarter's three largest new lease pacts and a market-high 662,169 square feet of leasing activity overall. Kidder Mathews represented both sides in the top transaction of the past three months, wherein NW Flex Space/Luxury Vehicle Care signed on for 205,303 square feet of manufacturing space at 3901 SE Naef Road in Milwaukie. Market-wide industrial asking rents averaged \$0.55 on a blended triple-net basis, but varied by size, from \$0.43 for spaces in excess of 200,000 square feet to \$0.93 for those in under 10,000 square feet. With 1.6 million

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# Area Review

## Portland Industrial Market Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Q3 Net Absorption	YTD Net Absorption	Q3 Leasing Activity	YTD Leasing Activity	Rental Rate
CBD	895,433	8.90%	8.90%	11.20%	(44,900)	(44,900)	5,000	7,000	\$0.44
Lloyd District	1,943,703	1.20%	1.20%	2.30%	0	(6,671)	16,000	25,870	\$1.01
NE Close-In	4,044,085	1.00%	1.40%	1.50%	12,405	(8,295)	18,000	25,200	\$0.80
SE Close-In	6,032,334	1.40%	1.50%	3.40%	(8,174)	37,846	45,714	127,676	\$1.05
NW Close-In	834,681	10.50%	10.50%	5.10%	(22,900)	(64,983)	10,900	22,057	\$1.35
Guilds Lake	12,565,989	1.80%	2.00%	2.20%	138,992	192,462	44,734	332,467	\$0.57
SW Close-In	205,379	0.00%	0.00%	0.00%	6,300	6,300	0	6,300	N/A
Johns Landing	299,070	2.10%	2.10%	2.10%	0	3,200	0	0	
217 Corridor/Beaverton	4,371,454	4.40%	5.00%	8.80%	(31,411)	25,740	35,724	90,421	\$0.58
North Beaverton	1,706,267	0.00%	0.00%	3.80%	16,000	16,000	0	0	\$0.55
Sunset Corridor/Hillsboro	13,495,120	3.00%	3.30%	3.40%	(243,495)	(257,017)	9,800	117,355	\$0.74
Kruse Way	337,274	9.20%	9.20%	9.20%	0	0	0	0	N/A
Lake Oswego/West Linn	1,102,354	1.20%	1.20%	6.30%	9,600	61,572	7,800	7,800	\$0.45
Sherwood	1,746,199	0.10%	0.10%	0.10%	88,050	93,150	0	99,148	\$0.69
Tigard	5,387,327	0.70%	0.70%	2.40%	(14,280)	153,133	64,730	158,114	\$0.58
Tualatin	10,667,557	6.20%	6.20%	7.40%	128,578	236,780	109,622	373,861	\$0.54
Wilsonville	6,825,790	5.70%	5.70%	5.20%	53,943	(61,687)	75,000	221,842	\$0.55
Rivergate	15,184,369	7.10%	7.60%	8.50%	7,794	191,611	34,734	752,321	\$0.39
Hayden Island/Swan Island	9,684,658	2.30%	2.30%	1.00%	(45,054)	(26,342)	104,774	219,647	\$0.49
Airport Way	14,461,304	1.90%	1.90%	2.50%	328,301	254,450	136,094	621,690	\$0.56
Gateway	2,844,547	1.80%	1.80%	3.50%	(50,991)	(17,421)	3,500	33,500	\$0.80
East Columbia Corridor	23,186,673	3.00%	3.00%	6.90%	255,706	923,320	154,812	733,105	\$0.56
Gresham	1,118,310	2.80%	2.80%	3.10%	(31,788)	(31,788)	0	6,400	\$0.73
Mall 205	383,304	0.00%	0.00%	0.30%	0	2,910	0	0	N/A
Clackamas/Milwaukie	22,659,036	4.70%	4.70%	3.70%	28,834	(34,829)	622,169	1,303,291	\$0.50
Oregon City	1,152,337	1.50%	1.50%	3.50%	(4,500)	(8,400)	0	1,500	\$0.43
Vancouver CBD/West Vancouver	4,624,949	0.80%	0.80%	0.40%	(18,275)	(21,847)	18,065	37,608	N/A
Hazel Dell/Salmon Creek	1,329,179	2.00%	3.80%	5.50%	(40,336)	(26,589)	12,273	43,896	\$0.62
St. Johns/Central Vancouver	6,101,003	5.20%	5.20%	9.20%	(23,627)	80,622	45,109	275,330	\$0.54
Cascade Park/Orchards/Van. Mall	4,684,760	3.20%	3.20%	6.20%	45,712	105,682	8,125	113,191	\$0.54
Camas/Washougal	1,283,561	5.90%	5.90%	10.10%	68,700	102,402	0	48,500	\$0.37
<b>Total</b>	<b>181,307,253</b>	<b>3.50%</b>	<b>3.60%</b>	<b>4.70%</b>	<b>609,184</b>	<b>1,885,921</b>	<b>1,582,679</b>	<b>5,805,090</b>	<b>\$0.55</b>

Building Size									
0-9,999 SF	9,785,694	1.00%	1.10%	1.90%	35,315	96,136	35,680	145,338	\$0.93
10,000-24,999 SF	25,094,358	1.60%	1.60%	2.30%	44,629	271,649	108,642	461,529	\$0.78
25,000-49,999 SF	33,320,591	3.20%	3.50%	4.70%	(211,639)	(29,759)	259,528	932,168	\$0.62
50,000-99,999 SF	39,866,923	3.20%	3.50%	5.20%	232,777	688,846	578,128	1,579,455	\$0.51
100,000-199,999 SF	31,454,584	4.20%	4.20%	5.30%	53,859	201,054	221,836	1,022,019	\$0.48
200,000+ SF	41,785,103	5.10%	5.10%	5.70%	454,243	657,995	378,865	1,664,581	\$0.43
Business Parks									
10,000-49,999 SF	9,199,510	3.50%	3.60%	4.30%	27,230	260,735	218,150	835,264	\$0.65
50,000-149,999 SF	16,335,196	4.40%	4.70%	8.80%	234,759	315,213	628,641	1,785,392	\$0.51
150,000+ SF	10,980,680	10.60%	10.60%	11.40%	377,707	972,309	0	932,732	\$0.41
<b>Business Parks Total</b>	<b>36,607,025</b>	<b>6.00%</b>	<b>6.20%</b>	<b>8.40%</b>	<b>639,696</b>	<b>1,548,257</b>	<b>846,791</b>	<b>3,553,388</b>	<b>\$0.52</b>

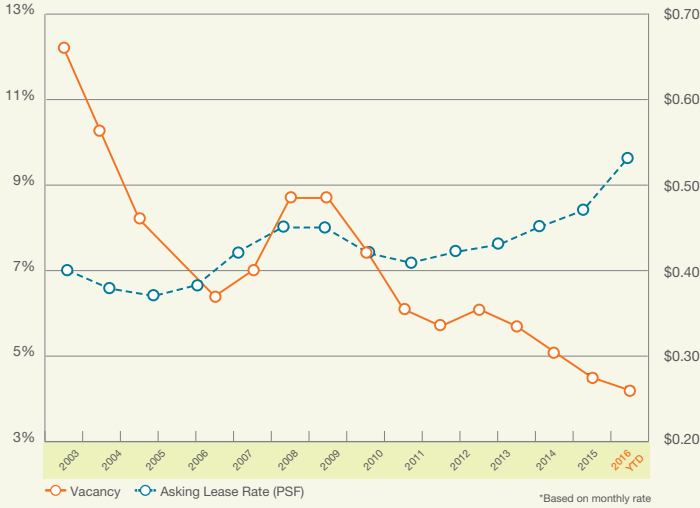
square feet listed for lease, the East Columbia Corridor had the most available space at quarter's end, while Airport Way availabilities were at a cycle-low 359,024 square feet, or about one-fourth the space on the market there at this time two years ago.

Forty-six Portland-area industrial buildings changed hands during the third quarter at an average cap rate of 5.7%. Excluding outliers, the

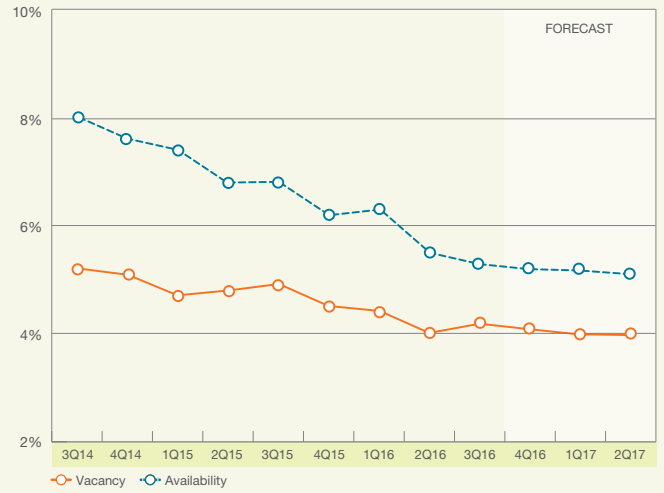
average price per square foot increased to \$96.38, but ranged widely depending on product type and size. In the largest sale of the quarter, LBA Realty acquired the nine-property Wilsonville Business Center for \$51.4 million or \$97 per square foot.

Data Source: CoStar

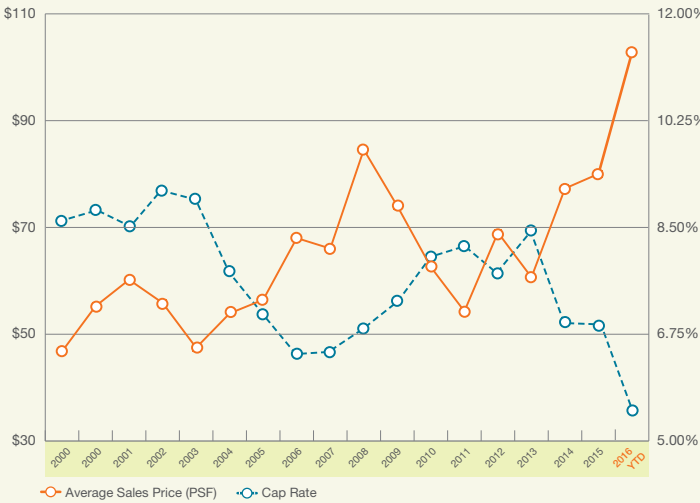
### VACANCY VS ASKING LEASE RATE\*



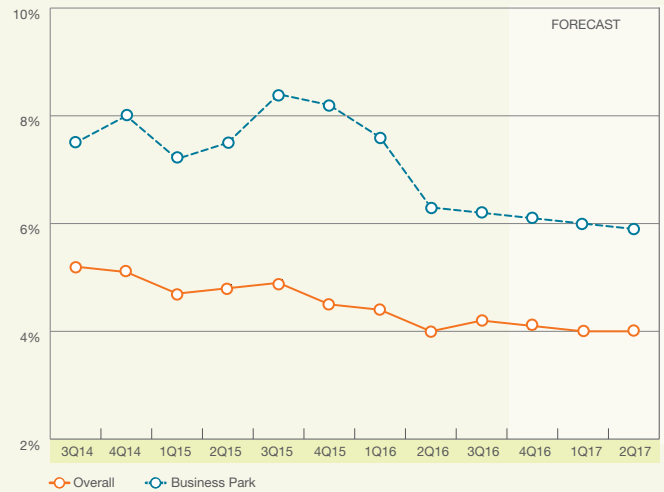
### VACANCY VS AVAILABILITY



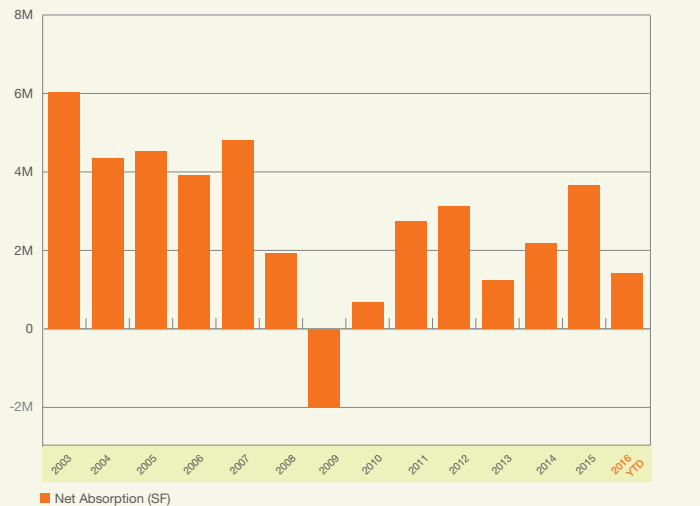
### AVERAGE SALES PRICE & CAPITALIZATION RATES



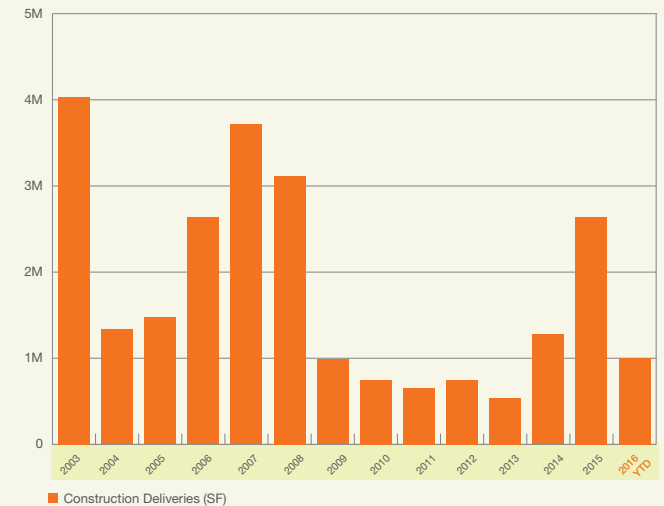
### VACANCY BUSINESS PARK VS OVERALL



### NET ABSORPTION - HISTORICAL



### NEW CONSTRUCTION - HISTORICAL



**Offices**

Seattle  
206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Orange County  
949.557.5000

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

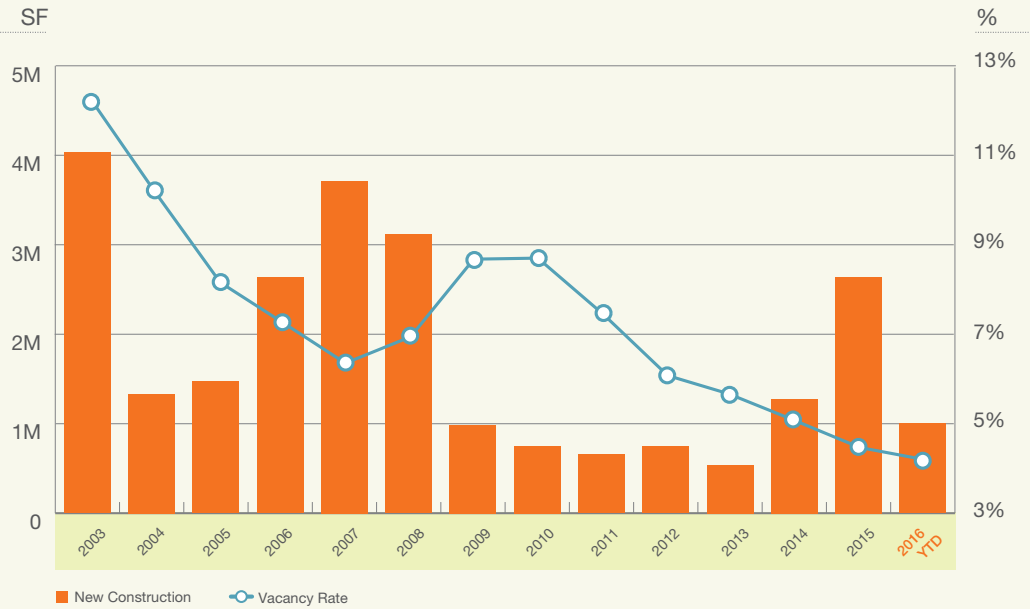
**Contact**

**Brian Hatcher**  
Executive VP, Brokerage  
Pacific Northwest  
206.296.9600  
bhatcher@kiddermathews.com

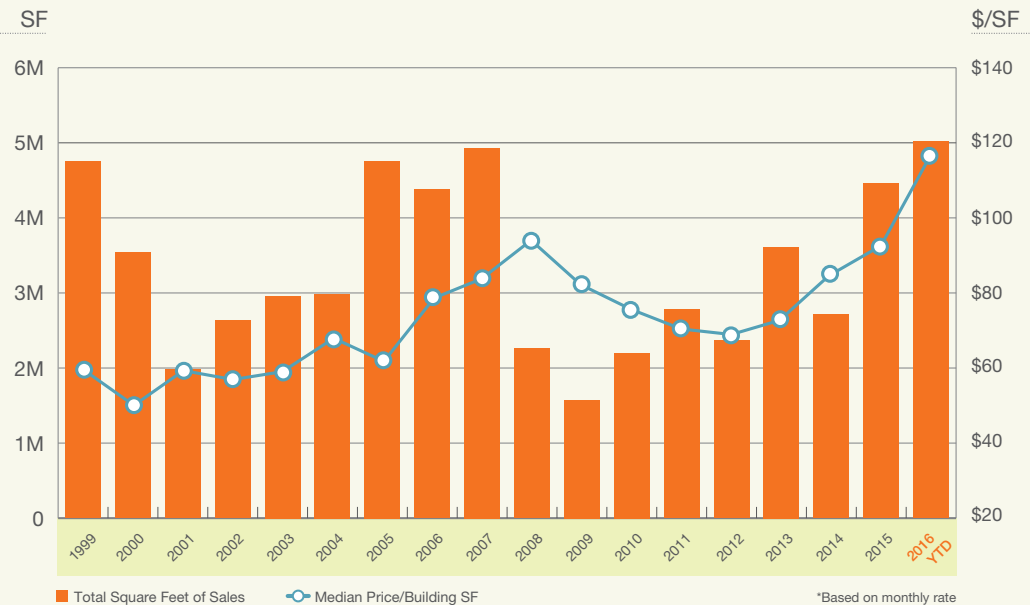
**Market Breakdown**

	3Q 2016	2Q 2016	3Q 2015	Annual % Change
Vacancy Rate	3.6%	3.6%	4.6%	-21.74%
Availability Rate	4.7%	5.1%	6.4%	-26.56%
Asking Lease Rate	\$0.55	\$0.53	\$0.48	14.58%
Leased SF	1,582,679	2,508,572	2,400,787	-34.08%
Sold SF	1,428,978	2,061,117	824,897	73.23%
Net Absorption	609,184	856,060	701,741	N/A

**HISTORICAL NEW CONSTRUCTION & VACANCY RATE**



**HISTORICAL SALES SF & MEDIAN SALE PRICE**



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