

## MARKET TRENDS | **PORTLAND**

# INDUSTRIAL

### MARKET DRIVERS

**CLOSE TO** 2.59 million SF was leased in Q2 2021, a 37% increase YOY and totaling a YTD lease volume of 4.31 million SF.

**ASKING** lease rates remained firm in the Portland industrial market, standing at an average of \$0.70/SF NNN.

**A SLOWDOWN** of industrial completions was seen in the second quarter, with 119,400 SF of industrial space delivering in the market. Composites One delivered 72,000 SF in the Orchards submarket, while 8060 NE Walker Rd. - Building C (part of the Robinson Business Park) added 36,000 SF to the Sunset Corridor/Hillsboro submarket.

### ECONOMIC OVERVIEW

**THE PORTLAND** economy is slowly bouncing back in 2021, as the state of Oregon fully reopened on June 30. As local businesses reopen, there is optimism that strong consumer spending will drive the Portland economy forward in 2021.

### NEAR-TERM OUTLOOK

**INDUSTRIAL LAND** remains competitive among users and developers. With demand expected to outpace supply over the next 24 months, developable land will generate a bidding war.

**OWNER-USER** activity is being driven by attractive financing and overall lack of available buildings to purchase.

**DEVELOPERS** are actively pursuing significant development projects in second tier markets outside of Portland including Vancouver, Salem and Canby due to lack of supply in the core Metro area.

## Market Summary

	2Q 2021	1Q 2021	2Q 2020	Annual Change
Direct Vacancy Rate	4.4%	4.4%	3.5%	<b>25.71%</b>
Availability Rate	5.9%	6.1%	6.3%	<b>-6.35%</b>
Asking Lease Rate	\$0.70	\$0.70	\$0.70	<b>-0.12%</b>
Leasing Activity (SF)	2,586,914	1,726,921	1,880,625	<b>37.56%</b>
Sale Volume (SF)	1,802,504	1,747,999	2,284,525	<b>-21.10%</b>
Net Absorption (SF)	(174,230)	413,611	1,813,764	<b>N/A</b>

▲ **2.58M**  
LEASING ACTIVITY (SF)

▼ **-174K**  
NET ABSORPTION (SF)

▲ **4.4%**  
VACANCY RATE

◀▶ **\$0.70**  
AVERAGE ASKING RENT

▼ **119K**  
NEW DELIVERIES (SF)

YEAR OVER YEAR TREND

## Market Highlights

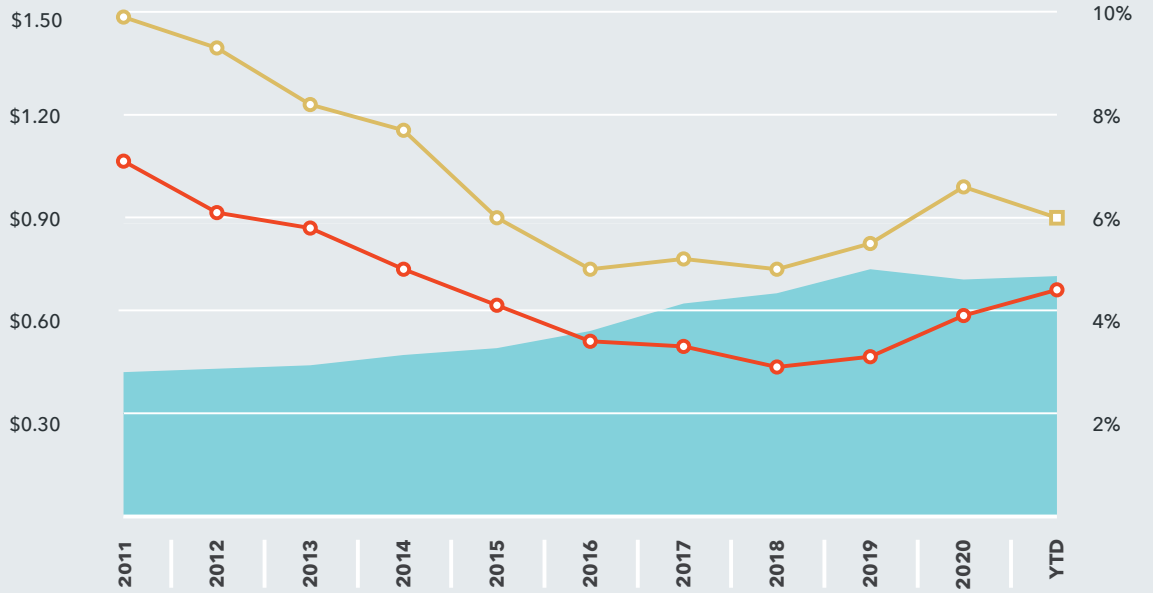
**DIRECT VACANCY** rates increased to 4.4%, up 25% YOY.

**ABSORPTION** stands at negative 174,230 SF by the end of Q2 2021.

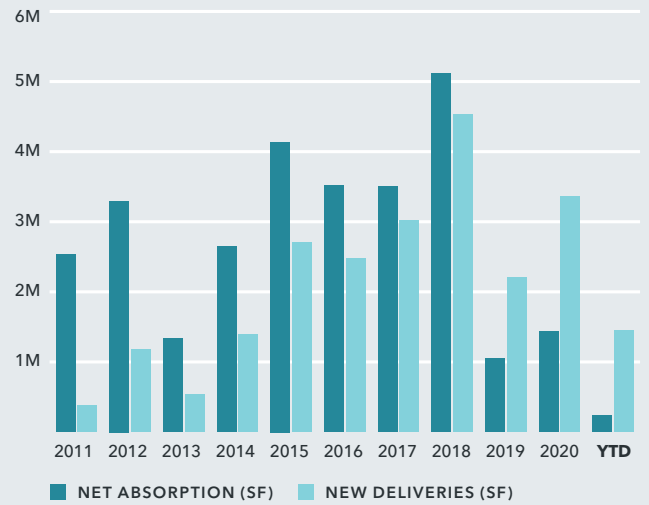
**CONSTRUCTION** projects remain active, with over 3.51 million SF of industrial developments in the pipeline.

# Lease Rate, Vacancy & Availability

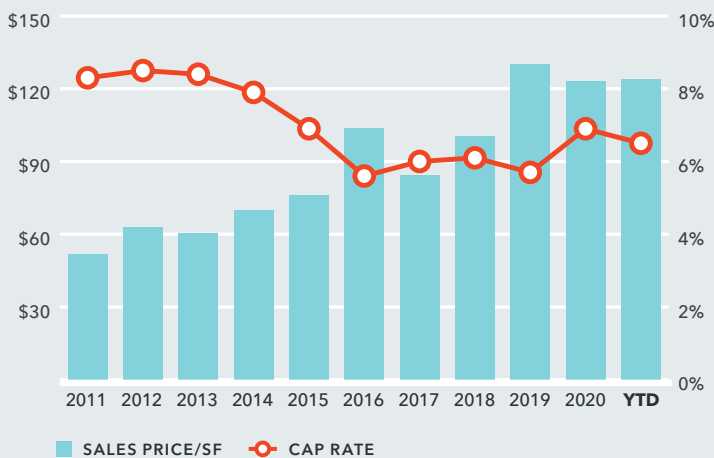
- ASKING LEASE RATE (NNN)
- DIRECT VACANCY
- TOTAL AVAILABILITY



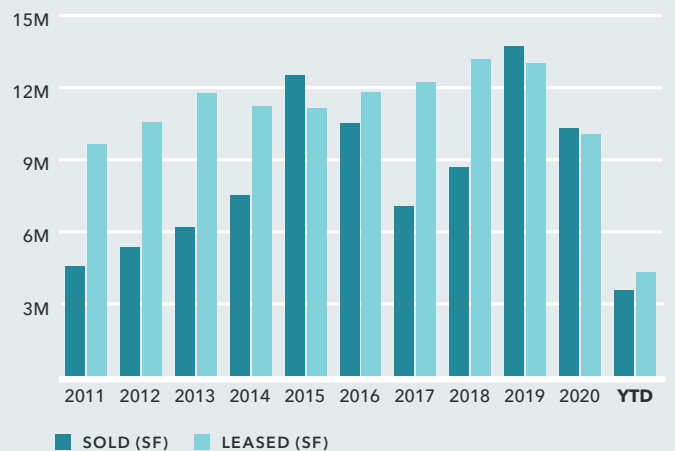
# Net Absorption & New Deliveries



# Average Sales Price/SF & Cap Rate



# Sale Volume & Leasing Activity



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	Q2 2021 Total Net Absorption	YTD Total Net Absorption	Q2 2021 Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
<b>Lloyd District</b>	<b>2,197,409</b>	<b>10.6%</b>	<b>10.6%</b>	<b>16.5%</b>	<b>-22,444</b>	<b>-12,979</b>	<b>51,550</b>	<b>70,863</b>	<b>\$1.47</b>
<b>Northeast</b>	<b>80,461,336</b>	<b>6.1%</b>	<b>6.4%</b>	<b>7.7%</b>	<b>355,815</b>	<b>171,147</b>	<b>1,157,316</b>	<b>1,868,157</b>	<b>\$0.65</b>
Airport Way	2,197,409	10.6%	10.6%	16.5%	-22,444	-12,979	51,550	70,863	\$1.47
East Columbia Corridor	80,461,336	6.1%	6.4%	7.7%	355,815	171,147	1,157,316	1,868,157	\$0.65
Gateway	16,922,216	7.4%	7.7%	9.7%	-191,785	-167,547	182,760	281,449	\$0.68
Gresham	29,170,174	4.3%	4.8%	6.1%	687,240	644,778	600,521	927,703	\$0.66
Hayden Isl/Swan Isl	2,782,832	1.2%	2.2%	2.8%	-3,710	-16,365	4,920	7,920	\$0.96
NE Close-In	1,142,666	4.1%	4.1%	6.7%	-10,150	-500	0	5,500	\$0.79
NE Outlying	10,035,676	9.0%	9.0%	10.1%	35,315	61,786	1,993	39,712	\$0.69
Rivergate	4,017,541	3.0%	3.0%	3.4%	-7,729	13,727	30,400	45,802	\$0.83
<b>CBD/Northwest</b>	<b>13,451,325</b>	<b>1.8%</b>	<b>4.1%</b>	<b>7.3%</b>	<b>-101,026</b>	<b>-62,314</b>	<b>18,658</b>	<b>57,328</b>	<b>\$0.70</b>
CBD	727,564	12.5%	12.5%	12.5%	0	0	0	0	\$0.70
Guilds Lake	11,779,033	2.5%	3.7%	6.9%	-101,026	-62,314	18,658	57,328	\$0.71
NW Close-In	838,328	0.9%	1.6%	7.1%	0	0	0	0	\$0.63
NW Outlying	106,400	12.6%	12.6%	12.6%	0	0	0	0	-
<b>Southeast</b>	<b>35,496,165</b>	<b>4.0%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>-157,107</b>	<b>213,796</b>	<b>366,475</b>	<b>649,955</b>	<b>\$0.76</b>
Clackamas/Milwaukie	24,496,751	4.0%	4.8%	5.1%	-157,846	203,858	245,204	469,694	\$0.66
Mall 205	372,304	4.5%	4.5%	5.2%	0	-11,775	0	0	\$0.72
Oregon City	1,196,339	0.2%	0.2%	0.6%	1,750	1,950	0	2,000	\$1.00
SE Close-In	5,878,954	4.8%	4.8%	7.2%	4,332	-4,041	51,553	74,243	\$0.95
SE Outlying	3,551,817	4.4%	4.4%	3.3%	-5,343	23,804	69,718	104,018	\$0.64
<b>Southwest</b>	<b>6,134,275</b>	<b>7.3%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>-96,263</b>	<b>-85,510</b>	<b>51,173</b>	<b>219,709</b>	<b>\$0.68</b>
217 Corridor/Beaverton	3,967,239	10.1%	10.4%	9.0%	-92,539	-80,286	51,173	219,709	\$0.65
Barbur Blvd/Capitol Hwy	132,443	0.0%	0.0%	0.0%	0	0	0	0	-
Johns Landing	302,091	0.5%	6.8%	6.8%	0	-1,500	0	0	\$0.85
North Beaverton	1,509,619	0.2%	0.2%	0.2%	-3,724	-3,724	0	0	-
SW Close-In	205,379	20.4%	20.4%	20.4%	0	0	0	0	-
Sylvan/Hillsdale	17,504	0.0%	0.0%	0.0%	0	0	0	0	-
<b>Westside</b>	<b>18,960,800</b>	<b>0.7%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>12,811</b>	<b>58,515</b>	<b>28,468</b>	<b>169,449</b>	<b>\$0.88</b>
Sunset Corridor/Hillsboro	15,845,880	0.9%	1.5%	1.5%	-12,789	33,365	24,818	165,799	\$0.88
Westside Outlying	3,114,920	0.0%	0.0%	0.7%	25,600	25,150	3,650	3,650	\$0.77
<b>I-5 Corridor</b>	<b>29,510,816</b>	<b>3.8%</b>	<b>4.3%</b>	<b>4.8%</b>	<b>47,338</b>	<b>158,081</b>	<b>519,306</b>	<b>704,568</b>	<b>\$0.66</b>
<b>Yamhill County</b>	<b>4,898,925</b>	<b>0.6%</b>	<b>0.6%</b>	<b>1.1%</b>	<b>-13,263</b>	<b>23,061</b>	<b>4,916</b>	<b>12,916</b>	<b>\$0.91</b>
<b>Skamania County</b>	<b>96,285</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Columbia County</b>	<b>2,091,621</b>	<b>6.9%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>-5,032</b>	<b>-21,734</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>Clark County</b>	<b>25,347,979</b>	<b>3.2%</b>	<b>3.4%</b>	<b>4.9%</b>	<b>-195,059</b>	<b>-202,682</b>	<b>389,052</b>	<b>560,890</b>	<b>\$0.67</b>
Camas/Washougal	2,198,135	0.0%	0.0%	9.3%	-100	9,900	0	0	\$1.10
Cascade Park	179,199	0.0%	0.0%	0.0%	0	0	0	0	-
CBD/West Vancouver	5,874,803	3.3%	3.3%	3.5%	47,000	47,000	192,960	240,960	\$0.61
Clark County Outlying	3,655,658	0.1%	0.1%	0.1%	-2,500	-2,500	0	0	-
Hazel Dell/Salmon Creek	1,483,115	0.7%	0.7%	0.5%	22,025	15,135	4,840	32,645	\$0.94
Orchards	5,335,948	4.2%	4.2%	6.0%	-43,310	-46,844	133,489	175,062	\$0.80
St. Johns/Central Vancouver	6,601,588	5.6%	6.3%	7.3%	-218,174	-221,746	57,763	112,223	\$0.72
Vancouver Mall	19,533	18.6%	18.6%	18.6%	0	-3,627	0	0	-
<b>Portland Total</b>	<b>218,646,936</b>	<b>4.4%</b>	<b>4.9%</b>	<b>5.9%</b>	<b>-174,230</b>	<b>239,381</b>	<b>2,586,914</b>	<b>4,313,835</b>	<b>\$0.70</b>
<b>Business Parks</b>									
10,000-49,999 SF	9,694,195	3.8%	4.4%	5.9%	45,203	22,347	322,311	538,484	\$0.72
50,000-149,999 SF	17,286,860	5.9%	6.6%	7.8%	-257,791	-144,204	343,220	457,111	\$0.64
150,000+ SF	12,110,506	6.5%	8.6%	9.8%	-217,188	-226,542	66,000	297,297	\$0.52
<b>BUSINESS PARKS TOTAL</b>	<b>39,091,561</b>	<b>5.6%</b>	<b>6.7%</b>	<b>8.0%</b>	<b>(429,776)</b>	<b>(348,399)</b>	<b>731,531</b>	<b>1,292,892</b>	<b>\$0.66</b>

## TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
29899 SW Boones Ferry Rd, Wilsonville	Wilsonville	250,650	\$36,882,000	\$147.15	LBA Realty	The Blackstone Group Inc.
10675 N Lombard St, Portland	Rivergate	106,750	\$10,050,000	\$94.15	EverWest Real Estate Investors, LLC	Richards Homewares Inc
2515-2517 SE Mailwell Dr, Milwaukie	Clackamas/ Milwaukie	168,048	\$10,000,000	\$59.51	ScanlanKemperBard Companies	Kellogg Park LLC

## TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	SF	Sale Date	Landlord	Tenant
3201 NW 32nd Ave, Vancouver	CBD/West Vancouver	192,960	April 2021	Nuna Baby Essentials, Inc	Undisclosed
17625 NE Sandy Blvd, Portland	East Columbia Corridor	126,388	June 2021	Signature Graphics	Coast Aluminum, Inc.
SW Cipole Rd & SW Tualatin-Sherwood Rd, Sherwood	I-5 Corridor	108,200	June 2021	Phelan Development Company	Undisclosed

## TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Intel Expansion Project	2501 NE Century Blvd, Hillsboro	Sunset Corridor/Hillsboro	1,500,000	Intel Corporation	Q3 2021
Portland - Hillsboro 3	4091 NE Constable St, Hillsboro	Sunset Corridor/Hillsboro	358,000	Flexential	Q3 2021
3600 NE Huffman St	3600 NE Huffman St, Hillsboro	Sunset Corridor/Hillsboro	195,550	Trammel Crow Company	Q3 2021

DATA SOURCE: COSTAR

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The information in this report was composed by the Kidder Mathews Research Group.

### GARY BARAGONA

Director of Research  
415.229.8925

[gary.baragona@kidder.com](mailto:gary.baragona@kidder.com)

### BRIAN HATCHER

President & COO  
503.221.9900

[brian.hatcher@kidder.com](mailto:brian.hatcher@kidder.com)

**Commercial  
Brokerage**

**\$8B**  
TRANSACTION  
VOLUME (ANNUAL)

**23M**  
SALES SF  
(ANNUAL)

**42M**  
LEASING SF  
(ANNUAL)

**Valuation  
Advisory**

**1,800+**  
ASSIGNMENTS  
ANNUALLY

**40/19**  
TOTAL NO.  
APPRAISERS/MAI'S

**Asset  
Services**

**70M**  
MANAGEMENT  
PORTFOLIO SF

**\$12B**  
IN ASSETS UNDER  
MANAGEMENT

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