

MARKET TRENDS

PORTLAND INDUSTRIAL

MARKET DRIVERS

AVERAGE ASKING LEASE RATES gained 11.95% year-over-year (YOY) from \$0.78/SF NNN in 2Q 2022 to \$0.87/SF NNN in 2Q 2023. While face rental rates are holding firm, net effective rates are lower due to increased rental abatement and above standard tenant improvements.

DIRECT VACANCY RATES dropped 70 bps YOY from 3.2% in 2Q 2022 to 2.5% in 2Q 2023. Total availability rates increased by 110 bps YOY from 4.8% in 2Q 2022 to 5.9% in 2Q 2023.

LEASING ACTIVITY decreased 42% YOY from 2.58M SF in 2Q 2022 to 1.5M SF in 2Q 2023. The most active submarkets were Northeast and Southeast with 512,474 SF and 374,102 SF, respectively.

SALES VOLUME dropped 34.9% YOY from 1.79M SF in 2Q 2022 to 1.17M SF in 2Q 2023.

721,981 SF of industrial space was delivered this quarter. There is currently 2.8M SF of industrial space under construction.

ECONOMIC REVIEW

IN APRIL, the Manufacturing sector within the Portland-Vancouver-Hillsboro MSA fell slightly by 0.7% YOY to 125,700 jobs. The Trade, Transportation, and Utilities sector gained 0.1% YOY to 224,800 jobs.

IN APRIL 2023, the statewide unemployment rate in Oregon was 4% while the Portland-Vancouver-Hillsboro MSA reported low 2.9% unemployment rate.

NEAR-TERM OUTLOOK

DIRECT AND SUBLEASE vacancy remained steady QOQ, but there has been an uptick in total availability of 80-bps QOQ to 5.9%— further widening the spread between vacancy and availability. Sublease availability rate is 1%, its highest mark since 4Q 2009.

DESPITE 2023'S relatively slow start when compared to previous years, the Portland Industrial Market remains strong reporting YTD total net absorption of positive 1,221,837 SF and a low direct vacancy rate of 2.5%

Market Summary

	2Q23	1Q23	2Q22	Annual Change
Direct Vacancy Rate	2.5%	2.5%	3.2%	-21.88%
Availability Rate	5.9%	5.1%	4.8%	22.93%
Asking Lease Rate	\$0.87	\$0.86	\$0.78	11.95%
Leasing Activity (SF)	1,496,635	1,555,311	2,581,425	-42.02%
Sale Volume (SF)	1,168,026	1,173,189	1,794,716	-34.92%
Net Absorption (SF)	703,633	518,204	2,584,825	N/A

↓ **1.5M SF**
LEASING ACTIVITY

↓ **704K SF**
NET ABSORPTION

↓ **2.5%**
VACANCY RATE

↑ **\$0.87**
ASKING RENT (AVG)

↓ **722K SF**
NEW DELIVERIES

Year-Over-Year Trend

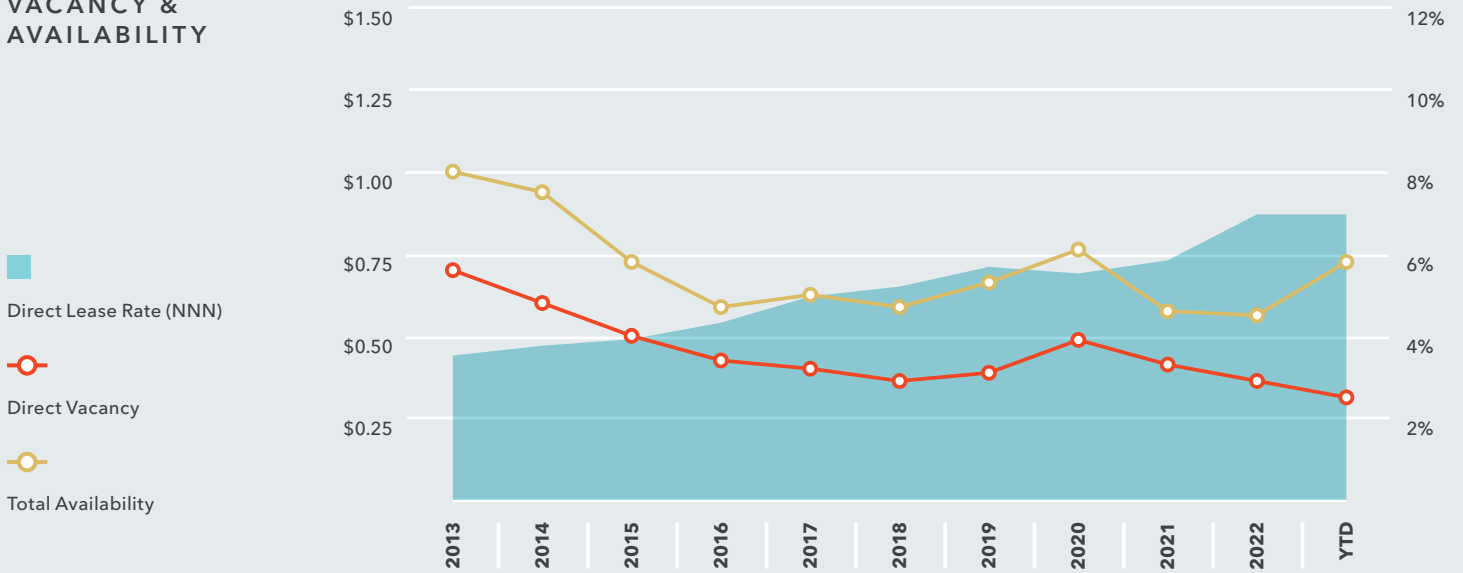
Market Highlights

ASKING LEASE RATES on average, rose 11.95% YOY to \$0.87/SF NNN.

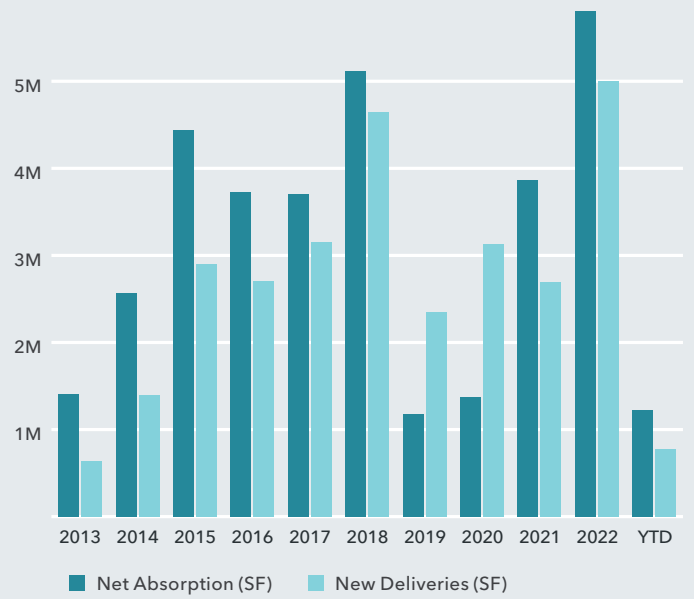
DIRECT VACANCY RATES decreased by 70 bps YOY to 2.5%. Total availability rates increased by 110 bps YOY to 5.9%.

TOTAL NET ABSORPTION in 2Q 2023 was positive 703,633 SF.

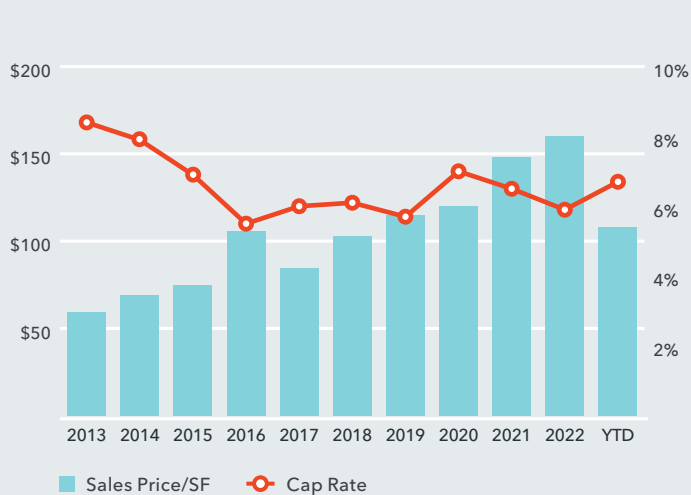
LEASE RATE, VACANCY & AVAILABILITY



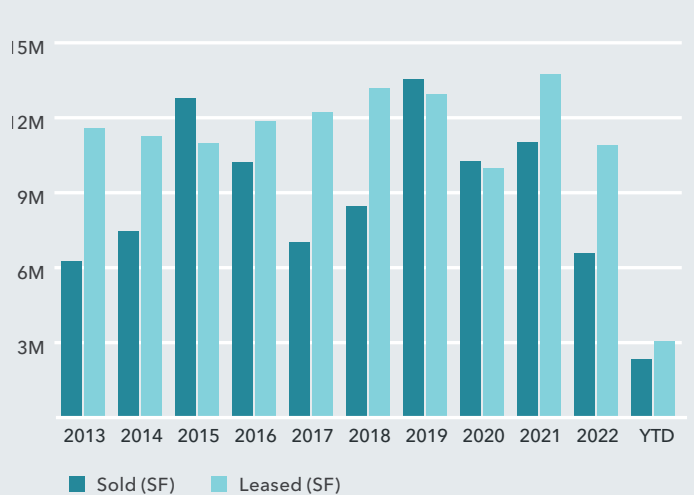
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	2Q23 Total Net Absorption	YTD Total Net Absorption	2Q23 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Lloyd District	2,073,342	8.0%	8.2%	12.7%	56,345	47,225	1,860	22,260	\$1.39
Northeast	81,249,125	2.6%	3.4%	6.8%	289,064	172,480	512,474	999,015	\$0.83
Airport Way	17,396,430	2.2%	2.7%	4.4%	285,822	326,811	98,376	219,573	\$0.82
East Columbia Corridor	29,478,100	2.2%	3.0%	7.5%	102,729	153,399	383,235	720,791	\$0.91
Gateway	2,794,917	1.2%	1.2%	10.9%	9,925	21,320	1,995	1,995	\$1.32
Gresham	1,196,761	7.1%	7.1%	10.5%	-3,000	-13,280	0	3,720	\$0.86
Hayden Isl/Swan Isl	10,068,926	3.1%	4.0%	5.5%	-72,269	25,358	16,722	21,882	\$1.00
NE Close-In	3,965,055	2.7%	3.2%	4.9%	-40,545	-33,570	12,146	14,439	\$1.20
NE Outlying	59,724	0.0%	0.0%	0.0%	0	0	0	0	-
Rivergate	16,289,212	3.4%	4.7%	8.4%	6,402	-307,558	0	16,615	\$0.64
CBD/Northwest	14,018,331	3.5%	3.6%	6.7%	117,651	111,186	108,713	232,417	\$0.92
CBD	696,548	13.3%	13.3%	13.3%	0	-62,880	0	0	-
Guilds Lake	12,488,472	3.0%	3.3%	6.3%	117,651	176,586	108,713	232,417	\$0.90
NW Close-In	726,911	1.5%	1.5%	8.6%	0	-2,520	0	0	\$1.06
NW Outlying	106,400	0.0%	0.0%	0.0%	0	0	0	0	-
Southeast	36,559,883	2.5%	2.7%	4.2%	249,580	303,098	374,102	699,627	\$0.86
Clackamas/Milwaukie	24,733,609	1.4%	1.6%	3.3%	162,066	275,799	340,384	618,459	\$0.84
Mall 205	412,026	2.3%	2.3%	6.3%	-3,995	-7,317	0	2,230	\$1.50
Oregon City	1,194,439	0.2%	0.2%	0.2%	-2,400	-2,400	0	0	\$1.25
SE Close-In	5,740,776	6.2%	6.3%	7.8%	-31,734	-21,660	10,718	49,938	\$0.90
SE Outlying	4,479,033	4.3%	4.3%	5.8%	125,643	58,676	23,000	29,000	\$0.77
Southwest	5,993,486	2.2%	2.4%	3.4%	80,277	68,721	8,290	98,105	\$0.97
217 Corridor/Beaverton	3,865,048	1.5%	1.8%	2.4%	41,318	70,552	8,290	98,105	\$0.85
Barbur Blvd/Capitol Hwy	149,811	0.0%	0.0%	27.2%	40,790	0	0	0	-
Johns Landing	267,378	5.4%	5.4%	5.4%	-1,831	-1,831	0	0	\$1.52
North Beaverton	1,509,619	0.0%	0.0%	0.0%	0	0	0	0	-
SW Close-In	184,126	32.4%	32.4%	32.4%	0	0	0	0	-
Sylvan/Hillsdale	17,504	0.0%	0.0%	0.0%	0	0	0	0	-
Westside	21,434,489	0.7%	0.8%	1.8%	-69,311	-20,977	47,384	109,920	\$0.98
Sunset Corridor/Hillsboro	18,312,796	0.7%	0.8%	1.0%	-56,563	-30,907	26,105	75,073	\$0.97
Westside Outlying	3,121,693	1.0%	1.1%	6.0%	-12,748	9,930	21,279	34,847	-
I-5 Corridor	30,793,843	1.0%	1.0%	4.2%	186,449	539,169	198,290	380,321	\$0.78
Yamhill County	4,680,851	0.7%	0.7%	1.0%	-31,375	-15,862	0	0	\$0.87
Skamania County	96,285	0.0%	0.0%	0.0%	0	0	0	0	-
Columbia County	2,441,317	19.5%	19.5%	20.6%	6,584	5,967	0	0	-
Clark County	27,493,035	3.6%	4.6%	9.8%	-181,631	10,830	245,522	510,281	\$0.88
Camas/Washougal	2,288,299	2.3%	2.3%	10.4%	25,238	38,600	2,700	10,500	-
Cascade Park	182,799	0.0%	0.0%	0.0%	0	3,429	0	0	-
CBD/West Vancouver	5,884,666	3.1%	7.7%	10.4%	-139,404	-406,904	64,691	64,691	\$0.81
Clark County Outlying	4,310,167	4.7%	4.7%	4.0%	14,000	316,562	0	123,372	-
Hazel Dell/Salmon Creek	1,537,082	0.9%	1.4%	6.2%	2,035	-1,321	8,716	17,726	\$0.85
Orchards	6,124,637	4.9%	4.9%	21.4%	30,379	173,345	79,178	179,426	\$1.06
St. Johns/Central Vancouver	7,145,852	3.1%	3.3%	3.6%	-113,879	-112,881	90,237	114,566	\$1.01
Vancouver Mall	19,533	16.2%	16.2%	16.2%	0	0	0	0	-
Portland Total	226,833,987	2.5%	3.0%	5.9%	703,633	1,221,837	1,496,635	3,051,946	\$0.87
10,000-49,999 SF	9,585,750	4.1%	4.1%	6.7%	-144,502	-189,771	87,108	247,283	\$1.04
50,000-149,999 SF	17,371,873	3.0%	4.0%	8.9%	161,078	-11,639	233,382	442,414	\$0.79
150,000+ SF	12,112,890	2.0%	3.6%	5.9%	87,750	-80,633	114,145	185,395	\$0.73
Business Parks Total	39,070,513	3.0%	3.9%	7.4%	104,326	(282,043)	434,635	875,092	\$0.87

TOP SALE TRANSACTIONS 2Q 2023

Property	SF	Sale Price	\$/SF	Buyer	Seller
2718-2734 SE Raymond St, Portland	34,440	\$8,285,000	\$240.56	Apollo Outdoor LLC	G & R Building LLC
219-287 S Timm Rd, Ridgefield	93,646	\$7,570,000	\$80.84	Bottling Group LLC	Corwin Beverage Co
20360 SW Avery Ct, Tualatin	32,000	\$5,250,000	\$164.06	Avery Court Associates	AZHG Holdings LLC
3838 N Ballast St, Portland	16,800	\$3,250,000	\$193.45	Quantum Assembly Corp	Glenn R Kach Credit Shelter Trust
15997 SE 135th Ave, Clackamas	18,154	\$2,494,550	\$137.41	H& R Properties LLC	Robert W Clark Trust

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
6433 SE Lake Rd, Portland	Clackamas/Milwaukie	173,144	April 2023	Specht	Cubework
3801 NE 181st, Gresham	Gresham	135,794	June 2023	New York Life	Logistics Insight Corp
1800 W Fourth Plain, Vancouver	CBD/West Vancouver	64,691	May 2023	Pedigo Products, Inc	Paul Davis Restorations
9750 SW Hillman Ct, Wilsonville	Wilsonville	43,139	June 2023	Blackstone	Stickward Automotive
4456 NW Yeon Ave, Portland	Guilds Lake	30,683	April 2023	Summit Properties, Inc	BMWC Constructors Inc

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Burnt Creek Industrial	5920 NE 162nd Ave, Vancouver	Orchards	681,780	Deffenbaugh Properties	1Q 2024
138 Logistics Ctr Bldgs A & B	4600 NE 138th Ave, Portland	East Columbia Corridor	489,700	Phelan Development Company	4Q 2023
Sherwood Commerce Center	21600 SW Oregon St, Sherwood	I-5 Corridor Outlying	445,000	Schnitzer Properties/ Mainlander	4Q 2023
PacTrust Corporate Park	4203-4215 NE 78th St, Vancouver	Hazel Dell/Salmon Creek	293,262	PacTrust	3Q 2023
Camas Meadows Industrial Park	NW Goodwin St, Camas	Camas/Washougal	187,106	Panattoni Development Co, Inc.	2Q 2024

Data Source: Kidder Mathews Research, CoStar, U.S. Bureau of Labor Statistics



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

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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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