

MARKET TRENDS

PORTLAND INDUSTRIAL

MARKET DRIVERS

AVERAGE ASKING LEASE RATES gained 3.98% year-over-year (YOY) from \$0.84/SF NNN in 3Q 2022 to \$0.87/SF NNN in 3Q 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 20 basis points (bps) YOY from 3.1% in 3Q 2022 to 2.9% in 3Q 2023. Total availability rates increased by 220 bps YOY from 4.5% in 3Q 2022 to 6.7% in 3Q 2023, primarily due to the increase of sublease space coming to the market.

LEASING ACTIVITY decreased 54.51% YOY from 3.3 million SF in 3Q 2022 to 1.5 million SF in 3Q 2023. The most active submarkets were Northeast and Clark County with 748,868 SF and 291,577 SF, respectively.

SALES VOLUME dropped 72.65% YOY from 2.2 million SF in 3Q 2022 to 602,565 SF in 3Q 2023. Despite the decline in overall sales activity, rising rental rates continue to put pressure on smaller tenants which is driving demand for owner-user type sales.

ECONOMIC REVIEW

IN AUGUST, the Manufacturing sector within the Portland-Vancouver-Hillsboro MSA fell slightly by 2.8% YOY to 125,200 jobs. The Trade, Transportation, and Utilities sector also fell by 0.8% YOY to 224,200 jobs.

IN JULY 2023, the statewide unemployment rate in Oregon was 3.4% while the Portland-Vancouver-Hillsboro MSA reported a slightly higher 3.6% unemployment rate.

NEAR-TERM OUTLOOK

DIRECT VACANCY AND TOTAL AVAILABILITY ticked up quarter-over-quarter to 2.9% and 6.7% respectively-- further widening the spread between vacancy and availability.

AFTER A REASONABLY STRONG SECOND QUARTER, the Portland Industrial Market reported negative net absorption of 1,069,235 SF for 3Q23. Majority of the quarter's negative net absorption is attributed to East Columbia Corridor and Rivergate submarkets totaling negative 776,504 SF.

THE INCREASE IN INTEREST RATES has negatively impacted Cap Rates. The best institutional rate will be approximately 5.25% and most deals will be 6-7%.

Market Summary

	3Q23	2Q23	3Q22	Annual Change
Direct Vacancy Rate	2.9%	2.4%	3.1%	-6.45%
Availability Rate	6.7%	5.7%	4.5%	47.89%
Asking Lease Rate	\$0.87	\$0.88	\$0.84	3.98%
Leasing Activity (SF)	1,505,557	1,796,002	3,309,500	-54.51%
Sale Volume (SF)	602,565	1,243,171	2,203,096	-72.65%
Net Absorption (SF)	(1,069,235)	694,238	1,278,682	N/A

↓ 1.5M SF
LEASING ACTIVITY

↓ -1.1M SF
NET ABSORPTION

↓ 2.9%
VACANCY RATE

↑ \$0.87
ASKING RENT (AVG)

↓ 442K SF
NEW DELIVERIES

Year-Over-Year Trend

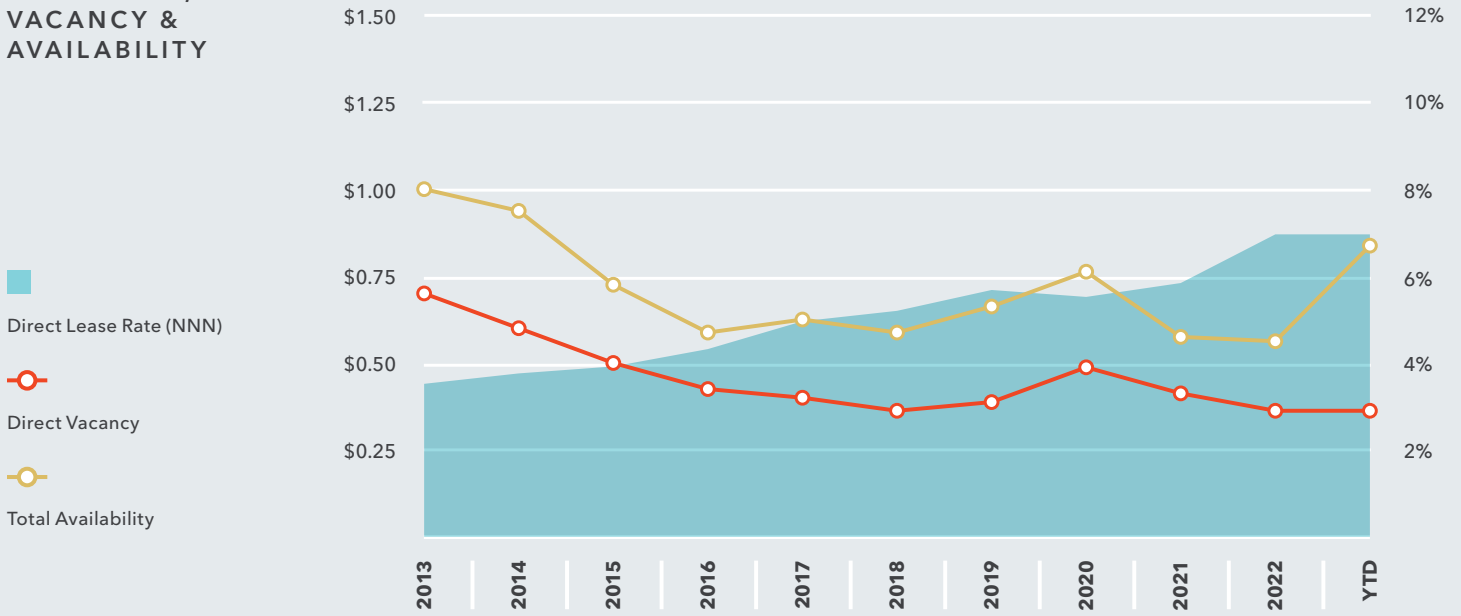
Market Highlights

ASKING LEASE RATES on average, rose 3.98% YOY to \$0.87/SF NNN.

DIRECT VACANCY RATES decreased by 20 bps YOY to 2.9%.

TOTAL NET ABSORPTION in 3Q 2023 was negative 1,069,235 SF.

LEASE RATE, VACANCY & AVAILABILITY

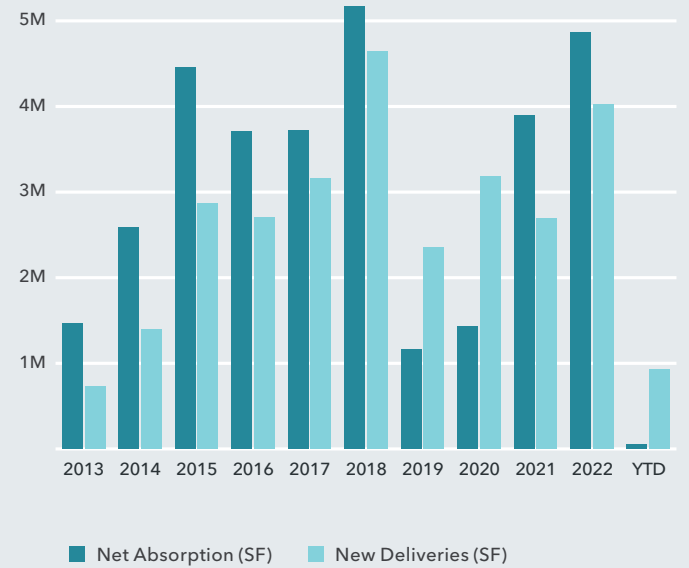


LARGEST LEASE OF THE QUARTER

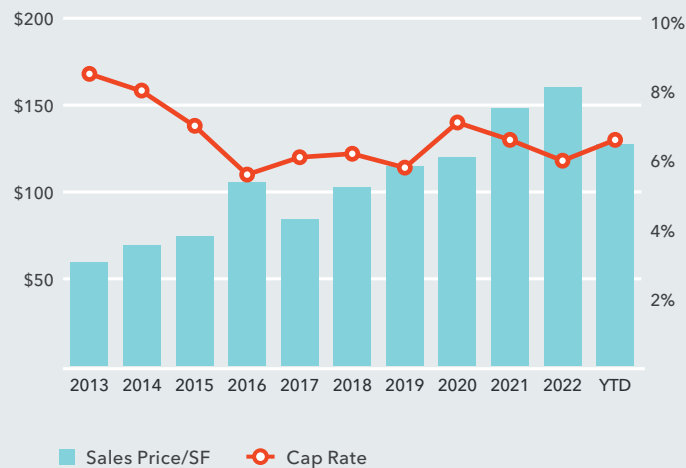
*5805-5807 SW 107th Ave
217 Corridor/Beaverton*



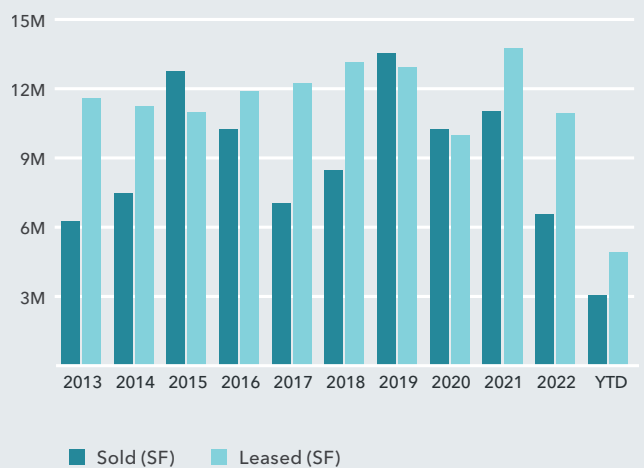
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	3Q23 Total Net Absorption	YTD Total Net Absorption	3Q23 Leasing Activity	YTD Leasing Activity	Direct Rental Rate
Lloyd District	2,101,161	7.5%	7.6%	12.1%	4,697	51,922	0	22,260	\$1.39
Northeast	82,049,372	3.5%	4.7%	6.9%	-881,405	-910,767	748,868	1,826,872	\$0.81
Airport Way	17,392,149	2.6%	3.2%	3.9%	-85,448	-32,108	344,563	581,383	\$0.70
East Columbia Corridor	29,746,743	3.7%	6.0%	8.7%	-632,127	-478,728	273,666	1,018,430	\$0.87
Gateway	2,807,190	1.1%	1.1%	10.9%	4,000	25,320	-	5,995	\$0.83
Gresham	1,196,761	7.1%	7.1%	10.8%	-	-13,280	-	3,720	\$0.79
Hayden Isl/Swan Isl	10,187,188	3.1%	3.1%	3.6%	-17,685	112,865	119,261	173,295	\$1.70
NE Close-In	3,965,405	3.0%	3.2%	5.9%	-5,768	-33,401	7,275	23,331	\$1.22
NE Outlying	59,724	-	-	-	-	-	-	-	-
Rivergate	16,694,212	4.6%	5.7%	8.5%	-144,377	-491,435	4,103	20,718	\$0.63
CBD/Northwest	14,592,144	4.8%	5.0%	10.9%	-215,436	-109,250	63,801	310,818	\$0.89
CBD	672,439	13.8%	13.8%	13.8%	-	-62,880	-	-	-
Guilds Lake	13,073,229	4.5%	4.7%	11.0%	-205,766	-34,180	61,671	308,688	\$0.88
NW Close-In	740,076	2.8%	2.8%	8.2%	-9,670	-12,190	2,130	2,130	\$1.05
NW Outlying	106,400	-	-	-	-	-	-	-	-
Southeast	36,941,578	2.2%	2.4%	4.2%	25,112	340,600	130,270	898,588	\$0.85
Clackamas/Milwaukie	25,023,789	1.1%	1.4%	2.9%	44,173	320,662	111,306	769,454	\$0.82
Mall 205	402,026	2.4%	2.4%	6.5%	-	-7,317	-	2,230	\$1.50
Oregon City	1,357,894	1.1%	1.1%	7.1%	-11,630	-14,830	-	-	\$1.08
SE Close-In	5,674,110	6.4%	6.5%	7.6%	-31,098	-55,258	15,164	75,737	\$0.86
SE Outlying	4,483,759	3.4%	3.4%	5.6%	23,667	97,343	3,800	51,167	\$0.80
Southwest	6,000,586	2.8%	3.0%	3.1%	-37,081	31,640	33,689	131,794	\$0.98
217 Corridor/Beaverton	3,869,828	2.4%	2.7%	2.8%	-35,181	35,371	33,689	131,794	\$0.83
Barbur Blvd/Capitol Hwy	152,131	-	-	-	-	-	-	-	-
Johns Landing	267,378	6.1%	6.1%	6.1%	-1,900	-3,731	-	-	\$1.52
North Beaverton	1,509,619	-	-	-	-	-	-	-	-
SW Close-In	184,126	32.4%	32.4%	32.4%	-	-	-	-	-
Sylvan/Hillsdale	17,504	-	-	-	-	-	-	-	-
Westside	21,105,394	0.6%	0.7%	1.9%	-20,335	-3,075	46,284	150,454	\$1.01
Sunset Corridor/Hillsboro	17,977,761	0.7%	0.8%	1.2%	-21,758	-27,996	38,876	108,199	\$1.01
Westside Outlying	3,127,633	0.5%	0.6%	6.0%	1,423	24,921	7,408	42,255	-
I-5 Corridor	30,921,056	1.9%	1.9%	5.7%	-166,817	380,802	175,733	723,447	\$0.87
Yamhill County	4,713,633	0.5%	0.5%	2.0%	8,375	-7,487	8,375	8,375	\$0.99
Skamania County	96,285	-	-	-	-	-	-	-	-
Columbia County	2,471,502	19.3%	19.3%	20.1%	-	5,967	6,960	6,960	-
Clark County	27,692,839	2.8%	3.8%	11.5%	213,655	278,061	291,577	856,464	\$0.89
Camas/Washougal	2,313,344	1.3%	1.3%	9.6%	53,343	91,943	23,124	33,624	\$1.36
Cascade Park	186,299	-	-	-	-	3,429	-	-	-
CBD/West Vancouver	5,867,706	2.8%	7.3%	8.0%	14,085	-380,319	101,183	218,474	\$0.78
Clark County Outlying	4,352,124	1.9%	2.2%	4.3%	108,872	424,934	-	123,372	-
Hazel Dell/Salmon Creek	1,838,292	4.0%	4.5%	5.7%	-24,033	-29,354	8,718	26,444	\$0.87
Orchards	6,128,028	4.4%	4.5%	32.2%	-6,012	199,403	102,698	282,124	\$1.08
St. Johns/Central Vancouver	6,987,513	2.2%	2.2%	3.1%	67,400	-31,975	55,854	172,426	\$0.94
Vancouver Mall	19,533	16.2%	16.2%	16.2%	-	-	-	-	-
Portland Total	228,685,550	2.9%	3.6%	6.7%	-1,069,235	58,413	1,505,557	4,936,032	\$0.87
10,000-49,999 SF	9,590,304	4.5%	4.7%	6.2%	-62,797	-245,284	114,666	418,596	\$1.04
50,000-149,999 SF	17,371,873	2.8%	4.2%	8.9%	-57,461	-45,666	347,635	885,340	\$0.79
150,000+ SF	12,112,890	2.0%	4.4%	10.6%	-94,466	-175,099	-	185,395	\$0.73
Business Parks Total	39,075,067	3.0%	4.4%	8.8%	(214,724)	(466,049)	462,301	1,489,331	\$0.86

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
5805-5807 SW 107th Ave	217 Corridor/Beaverton	121,426	\$20,600,000	\$169.65	STAG Industrial, Inc.	BKM Capital Partners
1825-1845 NE Argyle St	Airport Way	72,350	\$9,438,000	\$130.45	Golden Bear Ventures LLC	Willamette Waterfront LP
342 SE Caruthers St	SE Close-In	27,128	\$8,375,000	\$308.72	Oregon Museum Of Science & Industry	Alexandra Properties LLC
1201 SE 3rd Ave	SE Close-In	17,827	\$7,400,000	\$415.10	To The Mountain LLC	P & L Third Avenue LLC
19225 SW 125th Ct	Tualatin	27,470	\$5,990,000	\$218.06	125th Court Tualatin LLC	KSTUDE, LLC

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
3443 NW 32nd Ave	CBD/West Vancouver	95,265	August 2023	Red Willow Production Company	Southland Industries
2331 NE Argyle	Airport Way	91,080	July 2023	Link Logistics Real Estate	Harvest Sherwood Food Distributors
3380 NE 79th Ave	Sunset Corridor/Hillsboro	90,792	July 2023	Washington Capital Management	Oracle
9111 N Vancouver Ave	Airport Way	71,948	September 2023	Anderson Portland Properties LLC	Anderson Brothers Inc
2401 NE Argyle St	Airport Way	65,280	July 2023	Link Logistics Real Estate	Harvest Sherwood Food Distributors

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Burnt Creek Industrial	5920 NE 162nd Ave, Vancouver	Orchards	681,780	Deffenbaugh Properties	1Q 2024
Bridge Point Vancouver 600	NE 162nd & 58th St	Orchards	647,762	Bridge Industrial	3Q 2024
Sherwood Commerce Center	21600 SW Oregon St, Sherwood	I-5 Corridor Outlying	445,000	Schnitzer Properties/ Mainlander	4Q 2023
138 Logistics Center Building B	4600 NE 138th Ave, Portland	East Columbia Corridor	216,200	Phelan Development Company	4Q 2023
Camas Meadows Industrial Park	NW Goodwin St, Camas	Camas/Washougal	187,106	Panattoni Development Company	2Q 2024

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



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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

MONICA WALLACE
 Regional President, Brokerage
 Pacific Northwest
 503.221.9900
 monica.wallace@kidder.com

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>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.