

MARKET TRENDS

PORTLAND INDUSTRIAL

MARKET DRIVERS

AVERAGE ASKING LEASE RATES remained steady both year-over-year (YOY) and quarter-over-quarter (QOQ) at \$0.87/SF NNN in 4Q 2023. While face rental rates are holding firm, net effective rates remain lower due to increased rental abatement and above standard tenant improvements.

DIRECT VACANCY RATES grew 90 basis points (bps) YOY from 2.9% in 4Q 2022 to 3.8% in 4Q 2023. Total availability rates increased by 220 bps YOY from 4.7% in 4Q 2022 to 6.9% in 4Q 2023.

LEASING ACTIVITY decreased 21.5% YOY from 2.1 million SF in 4Q 2022 to 1.7 million SF in 4Q 2023. Throughout 2023, the most active submarkets were Northeast and Clark County with 2.9 million SF and 1.8 million SF, respectively.

TOTAL INDUSTRIAL SALES ACTIVITY fell when comparing year-end totals to 4.1M SF in 2023 from 6.7M SF in 2022 due to the lack of institutional sale activity. Despite the decline in overall sales activity, the firm rental rates continue to put pressure on smaller tenants which is driving demand for owner-user type sales resulting in an uptick in sales activity QOQ of 38.5%.

1.96 MILLION SF of industrial space was delivered in 2023. There is currently 2.9M SF of industrial space under construction.

ECONOMIC REVIEW

THE MANUFACTURING SECTOR within the Portland-Vancouver-Hillsboro MSA fell slightly by 4.3% YOY to 123,400 jobs. The Trade, Transportation, and Utilities sector remained steady YOY at 226,700 jobs.

STATEWIDE UNEMPLOYMENT RATE in Oregon in October was 3.6% while the Portland-Vancouver-Hillsboro MSA reported a slightly lower unemployment rate of 3.3%.

NEAR-TERM OUTLOOK

DIRECT VACANCY and total availability ticked up QOQ to 3.8% and 6.9% respectively.

AFTER A STRONG 2022, the Portland Industrial Market reported negative net absorption of 660,266 SF in 2023. Most of the region's negative net absorption is attributed to the Northeast submarket, in particular the Rivergate submarket. Rivergate accounted for negative 1,271,964 SF of the region's net absorption in 2023.

Market Summary

	4Q23	3Q23	4Q22	Annual Change
Direct Vacancy Rate	3.8%	3.1%	2.9%	31.03%
Availability Rate	6.9%	6.2%	4.7%	46.99%
Asking Lease Rate	\$0.87	\$0.87	\$0.88	-0.29%
Leasing Activity (SF)	1,675,834	1,857,501	2,134,797	-21.50%
Sale Volume (SF)	979,362	707,083	1,192,128	-17.85%
Net Absorption (SF)	(576,418)	(1,220,328)	1,696,982	N/A

↓ **1.7M SF**
LEASING ACTIVITY

↓ **-576K SF**
NET ABSORPTION

↑ **3.8%**
VACANCY RATE

↔ **\$0.87**
ASKING RENT (AVG)

↓ **798K SF**
NEW DELIVERIES

Year-Over-Year Trend

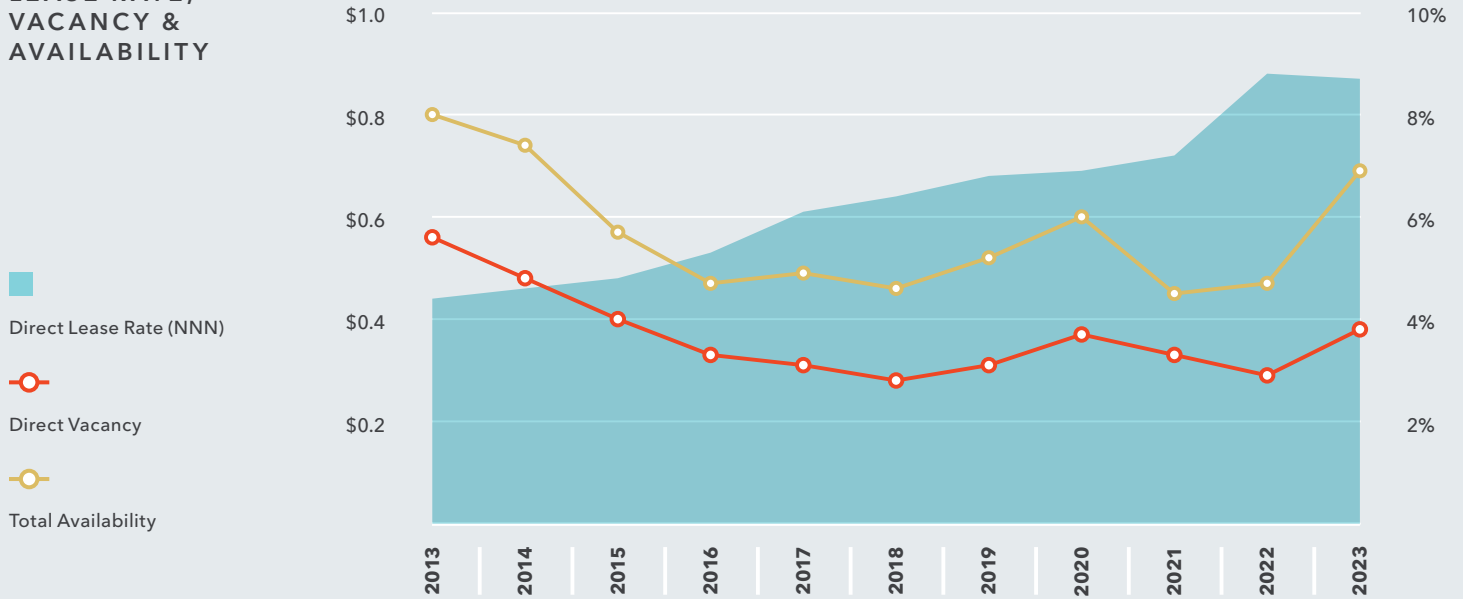
Market Highlights

ASKING LEASE RATES remained steady QOQ and YOY at \$0.87/SF NNN.

DIRECT VACANCY RATES increased by 90 bps YOY to 3.8%.

TOTAL NET ABSORPTION in 4Q 2023 was negative 576,418 SF.

LEASE RATE, VACANCY & AVAILABILITY

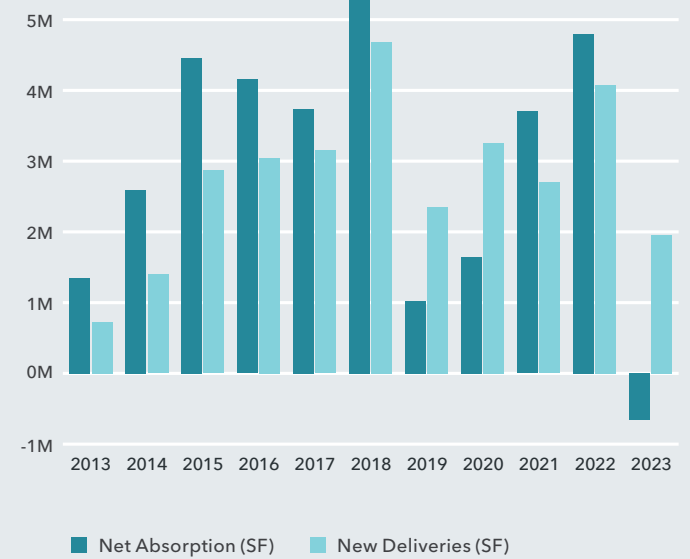


LARGEST LEASE OF THE QUARTER

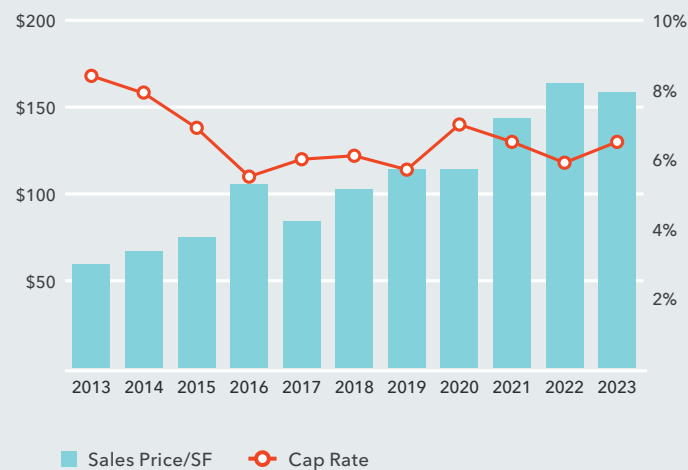
Vista Logistics Park - Building C
East Columbia Corridor



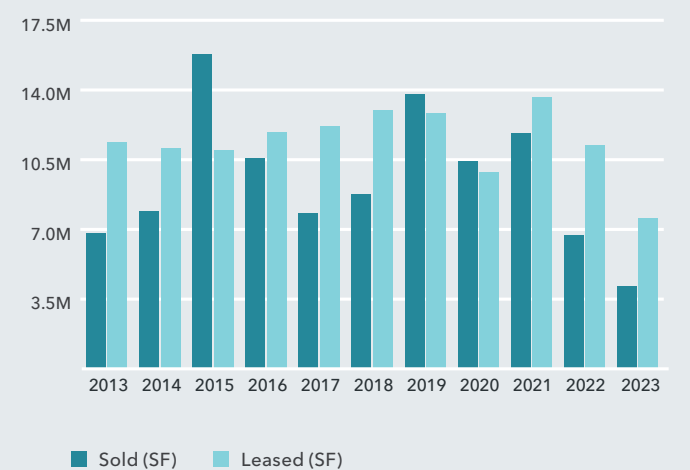
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	4Q23 Total Net Absorption	2023 Total Net Absorption	4Q23 Leasing Activity	2023 Leasing Activity	Direct Rental Rate
Lloyd District	2,104,505	6.6%	6.8%	13.1%	17,626	69,548	14,300	37,060	\$1.30
Northeast	82,569,571	4.6%	5.8%	7.7%	(592,110)	(1,502,880)	559,502	2,918,730	\$0.81
Airport Way	17,425,801	3.6%	4.5%	4.9%	(158,637)	(194,978)	24,954	616,303	\$0.74
East Columbia Corridor	30,199,912	3.8%	5.6%	8.2%	321,847	(156,881)	517,492	1,764,652	\$0.86
Gateway	2,773,560	1.1%	1.1%	12.5%	0	25,320	0	5,995	\$0.84
Gresham	1,196,761	7.7%	7.7%	10.9%	(7,325)	(20,605)	3,000	6,720	\$0.85
Hayden Isl/Swan Isl	10,195,458	2.9%	2.9%	4.1%	29,574	142,439	0	466,295	\$1.22
NE Close-In	4,017,097	2.9%	3.0%	6.1%	6,215	(26,211)	13,156	37,147	\$1.24
NE Outlying	65,497	0%	0%	9.6%	0	0	0	0	–
Rivergate	16,695,485	9.1%	10.4%	11.5%	(783,784)	(1,271,964)	900	21,618	\$0.62
CBD/Northwest	14,614,041	6.4%	6.6%	11.8%	(238,708)	(336,158)	106,719	388,887	\$0.81
CBD	672,439	13.8%	13.8%	13.8%	0	(62,880)	0	0	–
Guilds Lake	13,095,126	6.3%	6.5%	12.0%	(241,078)	(263,458)	105,219	385,257	\$0.80
NW Close-In	740,076	2.5%	2.5%	7.9%	2,370	(9,820)	1,500	3,630	\$1.06
NW Outlying	106,400	0%	0%	0%	0	0	0	0	–
Southeast	37,355,908	2.7%	2.8%	4.3%	(67,797)	218,026	116,238	1,054,826	\$0.91
Clackamas/Milwaukie	25,404,391	1.6%	1.8%	3.0%	(35,331)	219,331	75,140	884,594	\$0.87
Mall 205	403,891	2.7%	2.7%	6.8%	(1,420)	(8,737)	0	2,230	\$1.50
Oregon City	1,349,344	1.3%	1.3%	7.3%	(2,670)	(17,500)	1,580	1,580	\$1.04
SE Close-In	5,663,965	7.3%	7.3%	7.8%	(47,803)	(90,938)	39,518	115,255	\$0.95
SE Outlying	4,534,317	3.0%	3.0%	6.5%	19,427	115,870	0	51,167	\$0.78
Southwest	6,379,369	1.5%	1.5%	1.0%	81,421	113,061	57,335	189,629	\$0.90
217 Corridor/Beaverton	3,886,927	1.6%	1.6%	1.0%	39,421	74,792	42,785	175,079	\$0.82
Barbur Blvd/Capitol Hwy	152,131	0%	0%	0%	0	0	0	0	–
Johns Landing	248,404	6.6%	6.6%	0.7%	0	(3,731)	14,550	14,550	\$1.59
North Beaverton	1,890,277	0%	0%	0.2%	0	0	0	0	\$1.33
SW Close-In	184,126	9.6%	9.6%	9.6%	42,000	42,000	0	0	–
Sylvan/Hillsdale	17,504	0%	0%	0%	0	0	0	0	–
Westside	20,943,616	1.0%	1.1%	2.3%	(71,171)	(77,046)	38,323	202,527	\$1.13
Sunset Corridor/Hillsboro	17,808,183	1.1%	1.2%	1.6%	(74,017)	(102,013)	35,477	157,426	\$1.13
Westside Outlying	3,135,433	0.6%	0.8%	6.1%	2,846	24,967	2,846	45,101	\$0.97
I-5 Corridor	30,655,483	1.7%	1.9%	5.7%	53,857	434,665	183,989	967,213	\$0.96
Yamhill County	4,720,533	0.6%	0.6%	2.1%	(2,000)	(9,487)	0	8,375	\$0.99
Skamania County	103,485	0%	0%	0%	0	0	0	0	–
Columbia County	2,471,502	19.9%	19.9%	21.0%	(14,159)	(8,192)	0	6,960	–
Clark County	28,565,060	5.4%	5.8%	10.6%	256,623	438,197	599,428	1,794,142	\$0.91
Camas/Washougal	2,326,090	1.4%	1.4%	2.5%	(3,769)	98,924	161,151	194,775	\$1.36
Cascade Park	186,299	0%	0%	0%	0	3,429	0	0	–
CBD/West Vancouver	5,861,588	4.3%	4.3%	4.6%	194,000	(204,953)	291,401	768,757	\$0.82
Clark County Outlying	4,402,978	2.1%	4.5%	4.5%	(9,685)	324,999	41,307	164,679	\$1.00
Hazel Dell/Salmon Creek	1,935,466	3.5%	3.5%	16.3%	74,935	45,581	44,261	77,659	\$0.84
Orchards	6,817,384	13.9%	14.0%	28.8%	3,512	204,562	54,708	342,599	\$1.11
St. Johns/Central Vancouver	7,015,722	2.2%	2.2%	3.1%	(2,370)	(34,345)	6,600	245,673	\$0.97
Vancouver Mall	19,533	16.2%	16.2%	16.2%	0	0	0	0	–
Portland Total	230,483,073	3.8%	4.3%	6.9%	(576,418)	(660,266)	1,675,834	7,568,349	\$0.87
10,000–49,999 SF	9,594,181	4.7%	4.7%	5.9%	(4,373)	(249,186)	55,332	563,387	\$1.03
50,000–149,999 SF	17,377,427	4.6%	5.6%	9.6%	(241,005)	(286,671)	114,557	1,172,131	\$0.79
150,000+ SF	11,947,076	4.4%	6.1%	9.4%	(133,605)	(374,704)	0	185,395	\$0.73
Business Parks Total	38,918,684	4.6%	5.6%	8.7%	(378,983)	(910,561)	169,889	1,920,913	\$0.85

TOP SALE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
217 Distribution Center	217 Corridor/Beaverton	449,245	\$67,000,000	\$149.14	BKM Capital Partners	Kansas City Life
3302-3324 NW Marine Dr - Bldg A & B	East Columbia Corridor	67,112	\$12,450,000	\$185.51	PDX Trans, LLC	JLPS, LLC
8823 N Harborage St	Rivergate	70,970	\$10,967,000	\$154.53	The SMARTCAP Group, Inc	NBP Capital
19250 NE Portal Way	East Columbia Corridor	34,400	\$7,500,000	\$218.02	Lsp Outdoor LLC	3530 Nw LLC
120 SE Market St	SE Close-In	30,856	\$7,278,000	\$235.87	Ef Electric Holdings LLC	Mt Hood Chemical Corporation

TOP LEASE TRANSACTIONS 4Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Vista Logistic Center - Bldg C	East Columbia Corridor	297,000	November 2023	ARES Management LLC	Medline
3204 NW 38th Circ	CBD/West Vancouver	259,148	November 2023	Prologis	JH Kelly
Glisan Corporate Park	East Columbia Corridor	164,100	November 2023	EQT Exeter	CHEP Pallet
5050 NW Camas Meadows Dr	Camas/Washougal	161,151	December 2023	Panattoni	Interstate Batteries
20495 SW Teton Ave	Tualatin Submarket	100,000	October 2023	Schnitzer Properties	BMWC Constructors

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Bridge Point Vancouver 600	NE 162nd & 58th St, Vancouver	Orchards	647,762	Bridge Industrial	3Q 2024
GV5	NE Glisan St, Gresham	East Columbia Corridor	533,212	Gve Associates LLC	2Q 2025
Sherwood Commerce Center	21600 SW Oregon St, Sherwood	I-5 Corridor Outlying	445,000	Schnitzer Properties/ Mainlander	2Q 2024
Prologis Meadows West	1501 N Schmeer Rd, Portland	Hayden Island/ Swan Island	293,000	Prologis	1Q 2024
Hidden Glen Industrial	6920-7000 NE St Johns Rd, Vancouver	Hazel Dell/ Salmon Creek	283,662	PCCP/ Panattoni Development	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

\$12B

TRANSACTION
VOLUME ANNUALLY

32.1M

ANNUAL
SALES SF

41.2M

ANNUAL
LEASING SFASSET
SERVICES

53M

MANAGEMENT
PORTFOLIO SF

771+

ASSETS UNDER
MANAGEMENT

250+

ASSET SERVICES
CLIENTSVALUATION
ADVISORY

2,800+

ASSIGNMENTS
ANNUALLY

41

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS