



Portland Industrial Market

Strong Fundamentals and a Tight Market

Portland's Overall Industrial Market

Portland started the year with vacancy slightly lower and rates slightly higher for yet another consecutive quarter. Overall vacancy dropped 20 basis points to 3.4%. Absorption was 765,713 square feet, over half of which was due to pre-leased new construction deliveries. Overall rates increased to \$0.83/SF, mainly due to an increase in R&D/flex rates from \$1.28/SF to \$1.32/SF.

New and Completed Construction

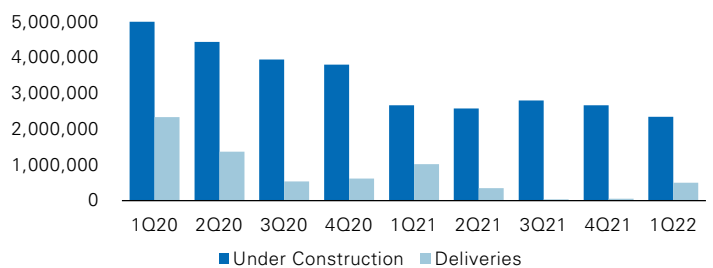
There were 506,981 square feet of new construction deliveries in the first quarter of 2022, mainly general industrial space. The largest delivery was the T-S Corporate Park in the I-5 South Corridor, comprised of two buildings totaling 206,431 square feet. Additionally this quarter, 195,550 square feet were delivered at 3600 NE Huffman St. in the Sunset Corridor. The other delivery this quarter was the 105,000-square-foot warehouse/distribution delivery at 4306 NE 68th Dr. in Clark County.

Market Summary

| | Current Quarter | Prior Quarter | Year Ago Period | 12-Month Forecast |
|-------------------------------|-----------------|---------------|-----------------|-------------------|
| Total Inventory (SF) | 201.1M | 201.3M | 225.5M | ↑ |
| Vacancy Rate | 3.4% | 3.6% | 5.4% | → |
| Quarterly Net Absorption (SF) | 766K | 1.1M | 41K | ↑ |
| Average Asking Rent/SF | \$0.83 | \$0.80 | \$0.77 | ↑ |
| Under Const. (SF) | 2.0M | 2.7M | 2.7M | ↓ |

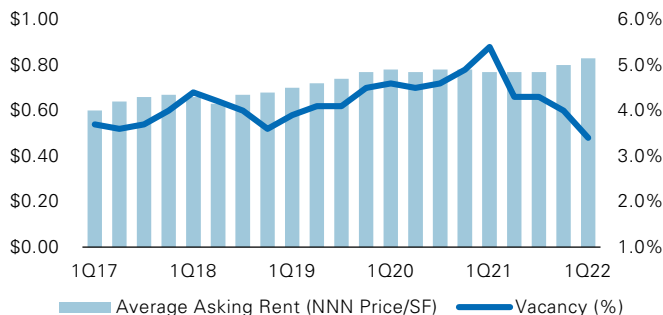
Construction and Deliveries

SQUARE FEET, MILLIONS

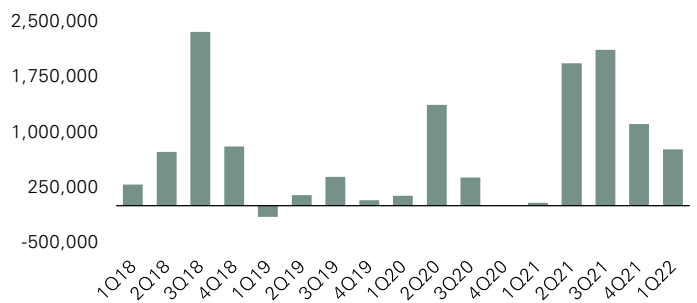


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Warehouse/Distribution

Available warehousing and distribution space became tighter this quarter as 214,122 square feet was absorbed, causing the vacancy rate in the product type to drop 20 basis points to 3.7%. The warehouse and distribution market is projected to become more competitive as e-commerce continues to expand product consumption and as both consumers and companies require more warehousing for server space to meet demand for virtual connectivity. With very little space remaining vacant, many companies will opt to construct new Class A warehouse spaces to outfit their needs.

General Industrial

While the 85.8 million-square-foot inventory is the smallest recorded general industrial inventory in five years, 1.6 million square feet are under construction. Despite slight positive absorption of 367,695 square feet, vacancy ticked up 20 basis

points this quarter to the still very low 2.4%. This anomaly is due to a shift in inventory, as some obsolete space was pulled out of the inventory and 401,981 square feet were delivered. Despite the tight market, asking rents dropped again slightly, to \$0.71/SF, suggesting that the best quality spaces on the market have already been spoken-for.

R&D/Flex

R&D/flex vacancy remained high compared to other sectors at 5.7%, but this is a drop of 30 basis points from the end of last year. While this segment of the market is most closely-aligned to the hard-hit office market, the recovery of this product type is moving more quickly. Absorption for the quarter was 183,986 square feet, and overall asking rents increased by \$0.04/SF to \$1.32/SF. As more employees are heading back into the office, expect vacancy in this sector to continue to decrease while rates climb back to pre-pandemic levels.

Select Lease/User Transactions

| Tenant | Building(s) | Submarket | Type | Square Feet |
|---------------------|-------------------------|------------------------|------------|-------------|
| Undisclosed | 11205 SE Jennifer St | Milwaukee/Clackamas | Sublease | 168,480 |
| Outside Van | 19050 NE Sandy Blvd | East Columbia Corridor | New Lease | 137,991 |
| Harder Mechanical | 3610 NW St Helens Rd | Guilds Lake | New Lease | 89,481 |
| Ichor Systems, Inc | 9650 SW Herman Rd | Tualatin | Renewal | 86,350 |
| Pratt Industries | 3201 SE Columbia Wy | Clark County | New Direct | 80,416 |
| DW Fritz Automation | 21150 SW Cipole Pl | I-5 South Corridor | New Direct | 80,057 |
| Victaulic Company | Myslony Industrial Park | Tualatin | New Direct | 70,000 |
| Corfini Gourmet | Myslony Industrial Park | Tualatin | New Direct | 68,600 |
| Novus Labs | 1385 NW Amberglen Pkwy | Sunset Corridor | New Direct | 25,366 |

Select Investment Sale Transactions

| Address | Submarket | Approx Sale Price | \$/SF | Square Feet |
|------------------------------|------------------------|-------------------|-------|-------------|
| 2455 Northwest Nicolai St | Guilds Lake | \$34.5M | \$56 | 616,887 |
| 9693 SW Tualatin Sherwood Rd | Tualatin | \$43.5M | \$180 | 242,188 |
| Quad 217 Corporate Center | 217 Corridor/Beaverton | \$21.7M | \$206 | 105,208 |
| 18055 NE San Rafael St | Gresham/Outer SE | \$6.3M | \$74 | 85,558 |
| 2195 Hyacinth St NE | Salem | \$11.3M | \$161 | 69,754 |
| 5355 Southwest Western Ave | 217 Corridor/Beaverton | \$5.6M | \$101 | 55,200 |

RESEARCH Q1 2022

| Submarket Statistics – All Classes | | | | | | | | |
|------------------------------------|----------------------|-------------------------|--------------------|-------------------------|---------------------|---------------------------------|---------------------------------|---------------------------------|
| | Total Inventory (SF) | Under Construction (SF) | Total Vacancy Rate | Quarter Absorption (SF) | YTD Absorption (SF) | R&D/Flex Asking Rent (Price/SF) | WHS/Dist Asking Rent (Price/SF) | Total FS Asking Rent (Price/SF) |
| 217 Corridor/Beaverton | 9,972,553 | - | 5.1% | 3,433 | 3,433 | \$1.37 | \$0.69 | \$1.20 |
| Clark County | 21,784,969 | 180,849 | 2.0% | 200,485 | 200,485 | \$1.47 | \$0.81 | \$1.21 |
| Close-In SE | 6,750,815 | 0 | 4.7% | -3,330 | -3,330 | \$2.10 | \$0.79 | \$0.79 |
| Gresham/Outer SE | 8,153,831 | - | 0.7% | 10500 | 10,500 | - | - | \$0.76 |
| I-5 South Corridor | 26,436,923 | 110,366 | 2.5% | 303,609 | 303,609 | \$1.14 | \$0.57 | \$0.73 |
| Milwaukie/Clackamas | 20,360,100 | 0 | 2.9% | 233,745 | 233,745 | \$1.01 | \$0.58 | \$0.61 |
| NE/Columbia Corridor | 41,259,332 | 245,220 | 2.9% | -213,920 | -213,920 | \$0.94 | \$0.63 | \$0.76 |
| Northwest | 13,328,562 | 0 | 4.4% | -117,285 | -117,285 | \$1.50 | \$1.02 | \$0.91 |
| Rivergate | 17,568,442 | 0 | 4.8% | -21,094 | -21,094 | \$1.00 | \$0.45 | \$0.46 |
| Sunset Corridor | 27,047,039 | 1,500,000 | 3.3% | 161,454 | 161,454 | \$1.26 | \$0.86 | \$1.20 |
| Swan Island/Close-in NE | 8,469,083 | - | 4.4% | 208,116 | 208,116 | - | \$0.47 | \$0.67 |
| TOTALS | 201,131,649 | 2,036,435 | 3.4% | 765,713 | 765,713 | \$1.32 | \$0.65 | \$0.83 |

| Statistics by Subtype | | | | | | |
|------------------------|----------------------|-------------------------|--------------------|-------------------------|---------------------|------------------------|
| | Total Inventory (SF) | Under Construction (SF) | Total Vacancy Rate | Quarter Absorption (SF) | YTD Absorption (SF) | Asking Rent (Price/SF) |
| General Industrial | 85,782,830 | 1,621,126 | 2.4% | 367,695 | 367,695 | \$0.71 |
| R&D/Flex | 28,556,820 | 0 | 5.7% | 183,896 | 183,896 | \$1.32 |
| Warehouse/Distribution | 86,791,999 | 415,309 | 3.7% | 214,122 | 214,122 | \$0.65 |
| TOTALS | 201,131,649 | 2,036,435 | 3.4% | 765,713 | 765,713 | \$0.83 |

For more information:

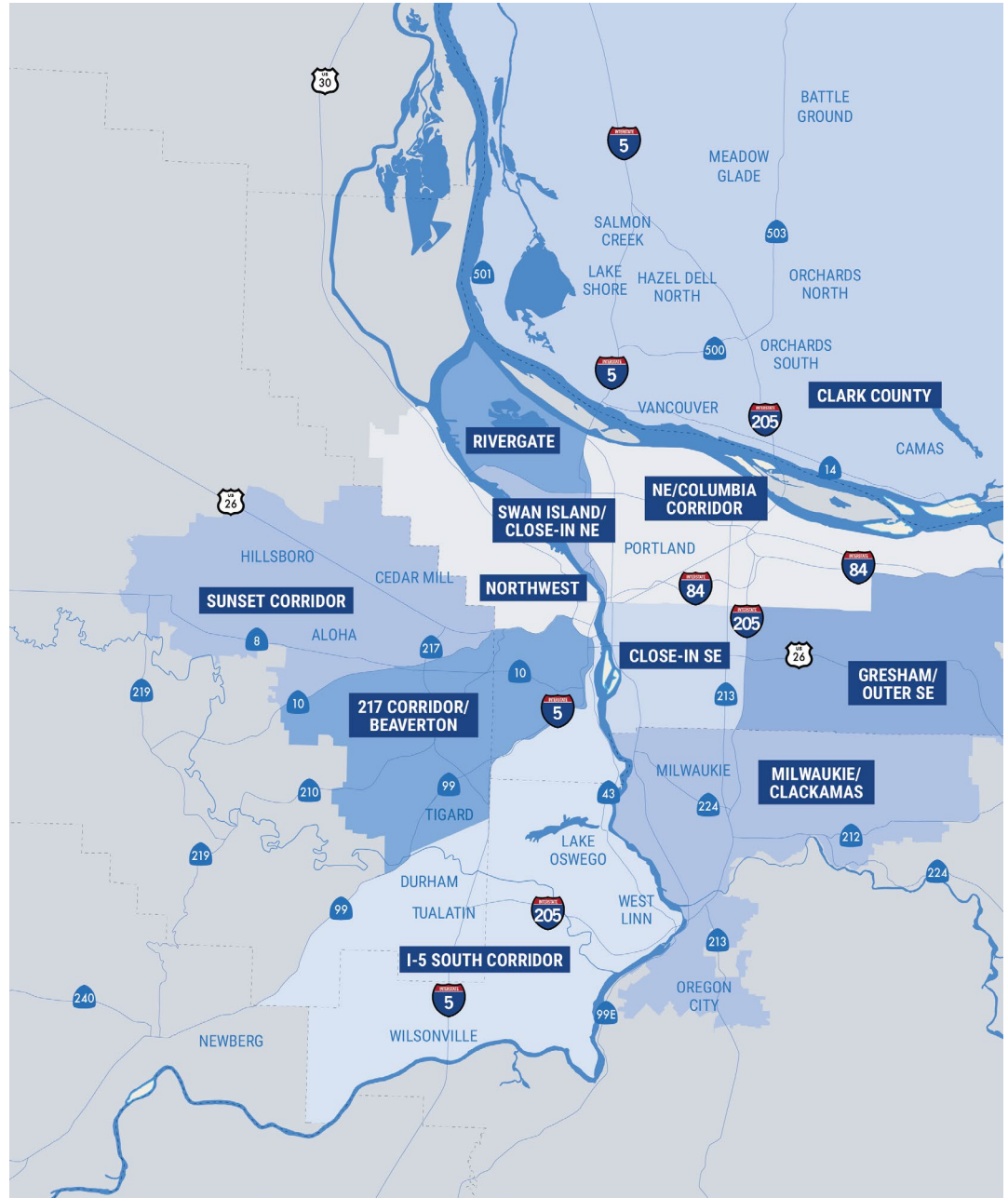
Newmark

760 SW 9th Ave, Suite 200
Portland, OR 97205
t 503-241-1155

Robin Addams

VP, Marketing & Research,
Northwest Region
Robin.Addams@nmrk.com

nmrk.com



Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/research.

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.