

PORTLAND INDUSTRIAL MARKET

STEADILY GROWING

For all tracked industrial space, a total of 222.9 million square feet was reported in the third quarter of 2020, an increase from the 220.1 million reported for third-quarter 2019. Vacancy stands at 4.7% this quarter and has continued to hover around this figure for the past several quarters. Absorption remains robust, seeing positive 422,663 square-feet of movement this quarter, contributing to a year-to-date total of positive 2.0 million square feet. In the past year, rent has also grown to \$0.77/SF, an increase of \$0.04/SF when compared to \$0.73/SF reported during third-quarter 2019.

More and more, consumers value the convenience of buying online with purchases shipped right to their door, sometimes on the same day. This growth in ecommerce shopping has been accelerated due to the need to social distance during the pandemic. Like many other cities, Portland's industrial real estate market has been effected by this phenomenon, especially for warehouse/distribution space. With the current trends, it is important to note that several of the top leases signed this quarter were delivery and logistics services, such as Bridgetown Trucking at Bybee Lake Logistics Center (162,495 square feet), Javelin Logistics at Prologis Park 17 (123,114 square feet) and UPS at Rivergate Logistics Center (101,131 square feet).

WAREHOUSE/DISTRIBUTION

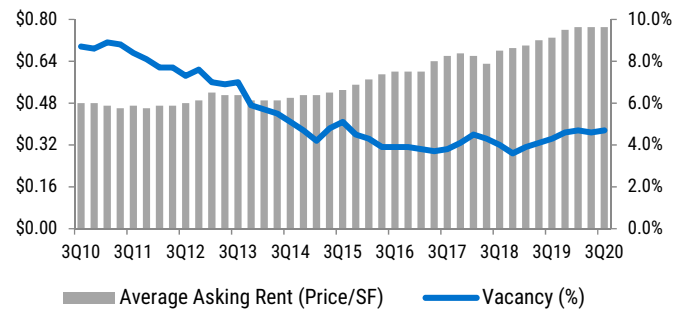
Warehouse/distribution has seen substantial growth, with 2.0 million square-feet of new space added in the past year. Tracked inventory now totals 89.5 million square feet. Vacancy stands at 5.0% and has constantly been decreasing since fourth-quarter 2019, when the rate was 5.8%. Absorption was positive 485,007 square feet, more than double the 239,681 square feet that was reported at this time last year. Additionally, 2.2 million square-feet has been absorbed so far in 2020. At \$0.61/SF, rents have also grown when compared to \$0.55/SF in third-quarter 2019.

GENERAL INDUSTRIAL

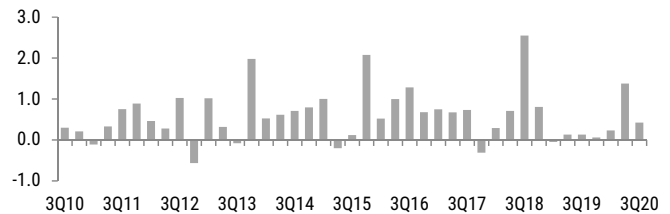
Space classified as general industrial, with much of this space utilized for manufacturing, has grown to 99.2 million square feet, an increase from 98.5 million square feet reported a year ago. The vacancy rate is reported to be the same as during third-quarter 2019, at 3.9%. Third-quarter 2020 saw positive 196,259 square feet of net absorption, which contributed to a year-to-date total of positive 242,765 square-feet of net absorption. Rents, when compared to the third quarter of last year, remain relatively the same, at \$0.71/SF.

MARKET ANALYSIS

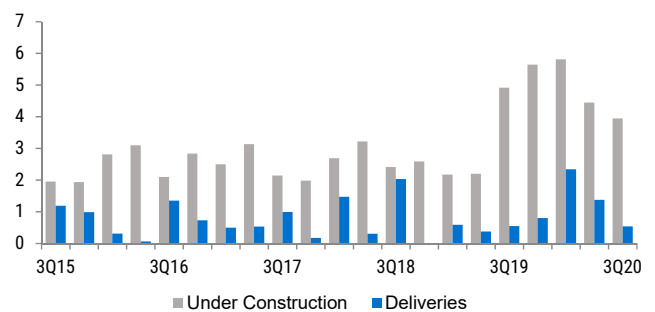
Asking Rent and Vacancy



Net Absorption (SF, Millions)



Construction and Deliveries (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	223.0M SF	222.4M SF	220.1M SF	↑
Vacancy Rate	4.7 %	4.6 %	4.3 %	↓
Quarterly Net Absorption	422,663	1.4 MSF	130,219	↑
Average Asking Rent	\$0.77	\$0.77	\$0.73	↑
Under Construction	3.9M SF	4.4M SF	4.9M SF	↑
Deliveries	538,227	1.4M SF	544,703	↑

R&D/FLEX

Portland's R&D/flex inventory currently totals 34.2 million square-feet of tracked space, which has remained relatively the same throughout the past year. The vacancy rate has risen to 5.9% when compared to 4.6% in third-quarter 2019. Absorption was negative 258,603 square feet, contributing to negative 402,218 square-feet for the year so far. Asking rents, however, have increased when compared to this time last year, from \$1.07/SF to \$1.12/SF, a \$0.05/SF increase.

CONSTRUCTION

The pipeline remains steady as 21 projects are currently under construction, totaling 3.9 million square feet, although this figure is about 1 million square feet less than during the third quarter of last year; 14 of these projects are classified as warehouse/distribution, with 2.2 million square feet of space under construction, comprising 56.0% of all industrial space being built. General industrial also has six projects under construction, totaling 1.7 million square-feet, which is 44.0% of all industrial space under construction.

NEW CONSTRUCTION DELIVERIES

Four major projects delivered this quarter, contributing 547,677 square feet of space to the industrial inventory.

1. Subaru MDC Expansion (warehouse/distribution, 236,225 square feet): Located in the Gresham/Outer SE submarket, this expansion project for the well-known car manufacturer has finally completed after breaking ground a year ago.
2. Marine Drive Business Center (warehouse/distribution, 32,100 square feet): Located in the NE/Columbia Corridor submarket, which has seen much growth throughout the past several quarters, especially for warehouse/distribution space.
3. Hedges C (general industrial, 73,000 square feet): Situated in Tualatin and the I-5 South Corridor Submarket, this building is purposed for manufacturing.
4. Pinefarm Business Center (R&D/flex, 58,292 square-feet): Built in the Sunset Corridor, Pinefarm Business Center consists of five separate buildings and is easily accessible to US Highway 26.

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Cascades Tissue Group	Marine Drive Dist. Center – Bldg I	Rivergate	Lease	225,250
Bridgetown Trucking	Bybee Lake Logistics Center	Rivergate	Lease	162,495
Cardinal Health	Gateway Corporate Center	NE/Columbia Corridor	Renewal	125,542
Javelin Logistics	Prologis Park 17	NE/Columbia Corridor	Lease	123,114
UPS	Rivergate Logistics Center	Rivergate	Lease	101,131

SELECT SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Nimbus Corporate Center (16 Bldgs)	217 Corridor/Beaverton	\$130 Million	\$188	691,036
The Cubes at Troutdale	NE/Columbia Corridor	\$61 Million	\$175	349,080
PDX Logistics Center – Phase III (2 Bldgs)	NE/Columbia Corridor	\$43.5 Million	\$169	257,149
Gray Oaks Corporate Park	Sunset Corridor	\$12.2 Million	\$167	73,200
Purdy World Headquarters	Rivergate	\$12 Million	\$126	95,458

SUBMARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	R&D/Flex Asking Rent (Price/SF)	Warehouse/Distribution (Price/SF)	Total Asking Rent (Price/SF)
217 Corridor/Beaverton	10,557,574	0	6.5%	57,841	-174,598	\$15.28	\$6.11	\$9.19
Clark County	25,150,055	355,337	3.6%	-24,587	1,227,495	\$11.65	\$6.51	\$8.81
Close-In SE	8,200,393	0	5.3%	20,321	-14,962	\$18.00	\$11.74	\$11.43
Gresham/Outer SE	8,530,832	0	6.9%	58,303	278,313	\$12.36	-	\$6.50
I-5 South Corridor	28,135,015	235,775	4.7%	-219,112	-152,915	\$14.34	\$7.87	\$11.43
Milwaukie/Clackamas	20,890,026	0	3.1%	365,781	110,652	\$11.45	\$7.32	\$8.34
NE/Columbia Corridor	42,151,128	1,196,828	6.8%	260,900	587,836	\$8.35	\$6.69	\$7.10
Northwest	15,860,261	0	3.8%	-21,300	260,091	-	\$13.93	\$12.79
Rivergate	18,539,852	40,890	3.7%	112,978	304,915	\$12.30	\$5.05	\$5.38
Sunset Corridor	33,259,352	1,588,448	2.5%	-235,484	-206,282	\$13.29	\$12.76	\$13.19
Swan Island/Close-In NE	8,868,583	0	6.0%	47,022	-196,107	-	\$5.64	\$10.45
TOTALS	222,971,424	3,947,278	4.7%	422,663	2,031,438	\$13.46	\$7.36	\$9.27

MARKET STATISTICS BY SUBTYPE

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	99,188,371	1,732,123	3.9%	196,259	242,765	\$8.50
R&D/Flex	34,251,778	9,450	5.9%	-258,603	-402,218	\$13.46
Warehouse/Distribution	89,531,275	2,205,705	5.0%	485,007	2,190,891	\$7.36
TOTALS	222,971,424	3,947,278	4.7%	422,663	2,031,438	\$9.27

EMPLOYMENT

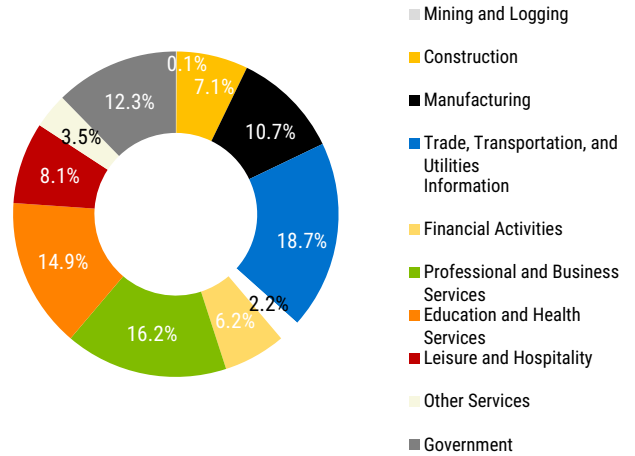
The unemployment rate, both in Portland and nationwide, is now back in the single digits after months of double-digit rates caused by the initial shock of the pandemic. In April of 2020, unemployment reached a high of 14.7% for the US and 14.2% in Portland, but now that rate has dropped to 8.4%, both locally and nationwide. The leisure and hospitality industry has been hit the hardest, with 30.9% fewer jobs than during this time last year. Construction has grown, seeing a 0.9% increase in jobs.

OUTLOOK

Despite economic downturn due to the pandemic, Portland's industrial market metrics should continue to show strong performance. Social distancing has led to a change in shopping habits for many consumers, which has accelerated the growth of ecommerce, and an increasing demand for warehouse/distribution space that will likely continue to be seen. Tracking construction activity will be important in future quarters in order to assess how the supply is keeping up.

EMPLOYMENT BY INDUSTRY

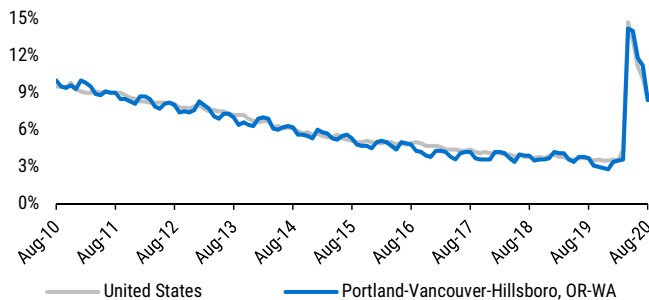
Portland, Aug 2020



Source: U.S Bureau of Labor Statistics

UNEMPLOYMENT RATE

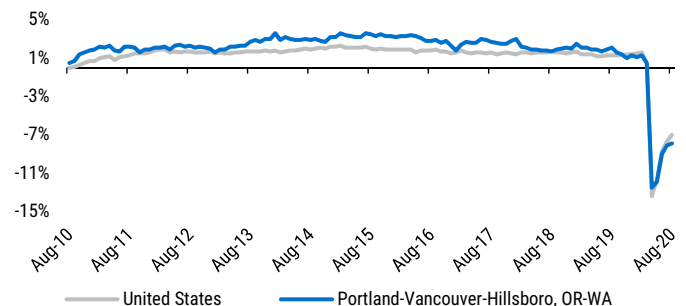
Not Seasonally Adjusted



Source: U.S Bureau of Labor Statistics

PAYROLL EMPLOYMENT

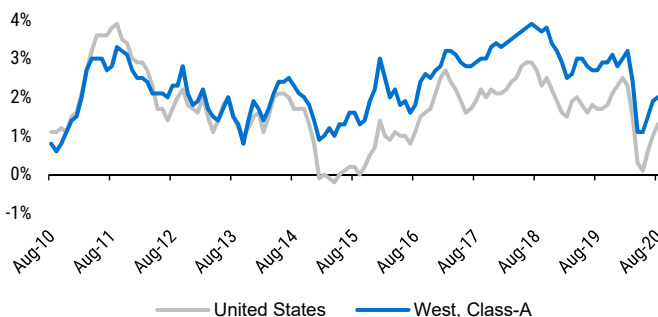
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

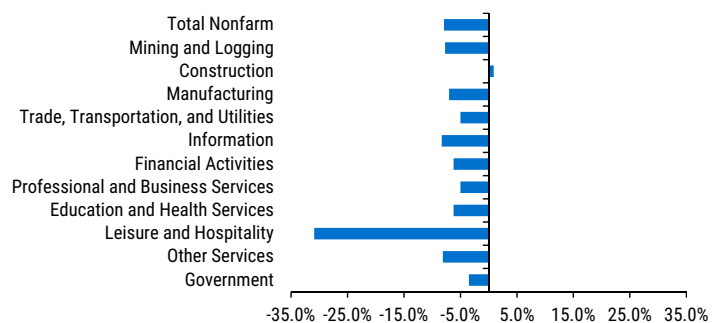
All Items, 12-Month % Change, Not Seasonally Adj.



Source: U.S Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

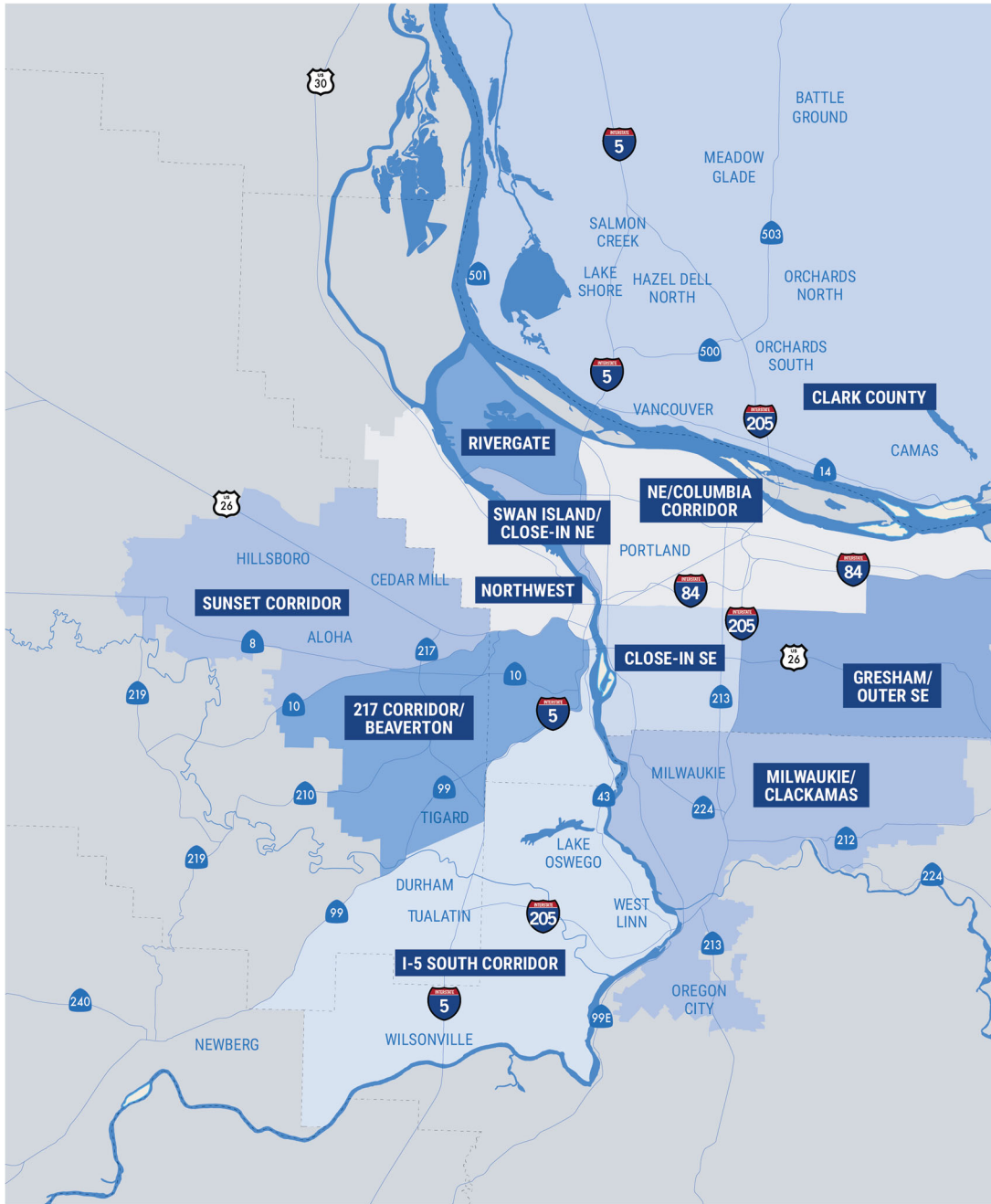
POR, Aug 2020, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics

Source: U.S Bureau of Labor Statistics

NEWMARK KNIGHT PORTLAND SUBMARKET MAP



SCOTT MILLER

Research Analyst

503.972.5456

sscott.miller@ngkf.com

Newmark Knight Frank 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 Knight Frank Research Reports are available at www.ngkf.com/research

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Knight Frank (NKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that 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 NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.