



Portland Industrial Market

Limited Inventory Drives Competition

Demand continues to outpace viable supply for large users across the market. Near record low inventory has driven a sharp increase in market rates, which increased from \$0.85/SF to \$0.93/SF in the second quarter of 2022. Vacancy numbers market-wide reached 3.1%, which marks the lowest number since the beginning of the pandemic, and a 320-basis-point decrease in available space since the third quarter of 2020. Absorption was 882,822 square feet for the quarter, bringing the year-to-date total net absorption to 4,072,296 square feet.

The Portland industrial market saw 579,176 square feet of deliveries in the third quarter of 2022. The largest delivery of new construction was the Ridgefield Industrial Center in Clark County, Washington, which totaled 468,810 square feet of general industrial space. Coffee Creek Logistics Center at 10680 SW Clutter Rd. delivered this quarter, adding 110,366 square feet of fully-leased space in the I-5 South Corridor.

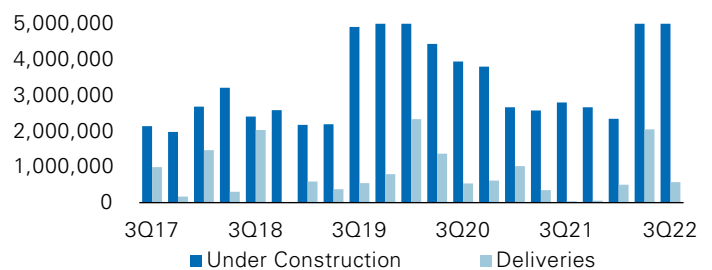
The construction pipeline remains very strong as 1.5 million square feet of new construction is slated for completion in the fourth quarter of 2022. Inventory woes will not be alleviated by these upcoming deliveries as 87.5% of all space scheduled for completion in the fourth quarter of 2022 has been pre-leased.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	204.1M	203.5M	201.5M	↑
Vacancy Rate	3.1%	3.4%	4.0%	→
Quarterly Net Absorption (SF)	882K	2.4M	1.9M	→
Average Asking Rent/SF	\$0.93	\$0.85	\$0.97	↑
Under Const. (SF)	6.5M	5.8M	2.6M	↑

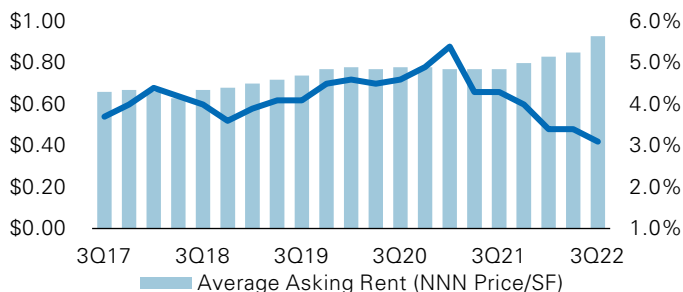
Construction and Deliveries

SQUARE FEET, MILLIONS

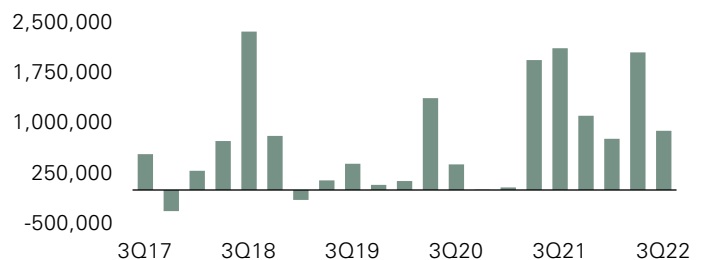


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Warehouse/Distribution

Warehouse and distribution space continue to display greatly elevated levels of leasing activity due to the scarcity of desirable space in the marketplace. Vacancy rate among this product type dropped 20 basis points to 3.1% for the third quarter of 2022, a small but notable change as much of the existing inventory available is space that tenants are bypassing in favor of build-to-suit opportunities. This small decrease in vacancy shows there is a high degree of competition for what little attractive inventory is still available.

This trend towards new construction is further substantiated by a sharp rise in construction projects in this asset class. There are now 5.5 million square feet of warehouse and distribution projects currently underway, up from 4.7 million square feet in the second quarter of 2022. This number is anticipated to grow until an equilibrium is reached between elevated demand and functional space in the market. Currently 3.8 million square feet of ongoing construction can be attributed to the Amazon Fulfillment Center in Woodburn, Oregon.

General Industrial

Asking rents have seen a sizeable increase for the third quarter of 2022 amidst vacancy rates that have reached just 2.1%. Rents climbed 1,170 basis points to \$0.84/SF compared with \$0.75/SF from the second quarter of 2022.

Quarterly absorption for this subtype totaled 681,232 square feet, mainly comprised of the delivery of pre-leased new construction. Only 224,980 square feet came from existing inventory, suggesting there is very little desirable general industrial space left on the market. This is further evident by the substantial increase in market rents, suggesting landlords are now asking a premium for any existing vacancies still available.

R&D/Flex

R&D/flex space leasing activity continues to run conversely to the rest of the industrial market. A second straight quarter of negative absorption highlights growing vacancies in this subtype across the greater Portland market. The 217 Corridor/Beaverton submarket has seen the greatest regression in activity as it alone saw negative 71,386 square feet of absorption in the third quarter of 2022. Vacancy rates in this submarket have reached 9.6%, nearly double the overall market vacancy of 5.4% for this subtype.

The lack of activity for R&D/flex space is not a surprising trend as it historically tracks more in line with the office market, still hit hard by uncertain economic conditions and the continuing pandemic. A bounce back in this submarket is unlikely to take place until conditions for the entire Portland metropolitan area stabilize.

Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Child Truck Line	S Union Ridge Pky	Clark County	New Direct	345,886
D B Schenker	5505 NW Huffman St	Sunset Corridor	Renewal	137,920
Plexus	19018 NE Portal Way	NE/Columbia Corridor	New Direct	90,894
Focus Global Logistics	6800-6840 N Cutter Cir	Swan Island/Close-In NE	New Direct	88,212
Hydro	1825 NE Argyle St	NE/Columbia Corridor	New Direct	72,350

Select Investment Sale Transactions

Address	Submarket	Approx Sale Price	\$/SF	Square Feet
27255 SW 95 th Ave	I-5 South Corridor	\$60.6M	\$119	508,277
3204 NE 38 th Cir	217 Corridor/Beaverton	\$46.5M	\$179	259,148
9400 SW Barber St	I-5 South Corridor	\$11.1M	\$279	40,000
20497 SW Teton Ave	I-5 South Corridor	\$9.2M	\$179	51,427
19818-19824 SW Teton Ave	I-5 South Corridor	\$7.6M	\$155	49,130

RESEARCH Q3 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	0	4.8%	-89,142	33,133	\$1.28	\$0.51	\$1.18
Clark County	22,434,628	293,262	2.4%	288,849	587,605	\$1.36	\$0.43	\$0.78
Close-In SE	6,701,815	0	3.8%	130,849	-77,748	\$2.10	\$0.62	\$0.89
Gresham/Outer SE	8,151,785	0	0.8%	-1,635	4,311	-	\$0.57	\$0.61
I-5 South Corridor	26,819,159	4,610,655	2.2%	289,424	847,614	\$1.25	\$0.59	\$0.86
Milwaukie/Clackamas	20,521,064	0	2.7%	63,027	432,279	\$0.83	\$0.56	\$0.60
NE/Columbia Corridor	41,459,332	1,189,700	3.5%	90,075	-49,950	\$1.07	\$0.72	\$0.84
Northwest	13,516,108	0	3.6%	59,565	160,754	\$1.50	\$0.93	\$0.94
Rivergate	17,496,242	0	3.5%	193,626	224,113	\$1.00	\$0.46	\$0.48
Sunset Corridor	28,546,850	469,975	3.2%	-50,848	1,660,301	\$2.11	\$1.24	\$2.00
Swan Island/Close-in NE	8,469,083	0	4.0%	-90,968	119,035	-	\$0.54	\$0.66
TOTALS	204,088,619	6,563,592	3.1%	882,822	4,072,296	\$1.62	\$0.62	\$0.93

Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Asking Rent (Price/SF)
General Industrial	88,103,590	998,344	2.1%	681,232	2,890,585	\$0.84
R&D/Flex	28,556,631	0	5.4%	-32,567	114,199	\$1.62
Warehouse/Distribution	87,428,398	5,565,248	3.3%	234,157	1,067,512	\$0.62
TOTALS	204,088,619	6,563,592	3.1%	882,822	4,072,296	\$0.93

For more information:

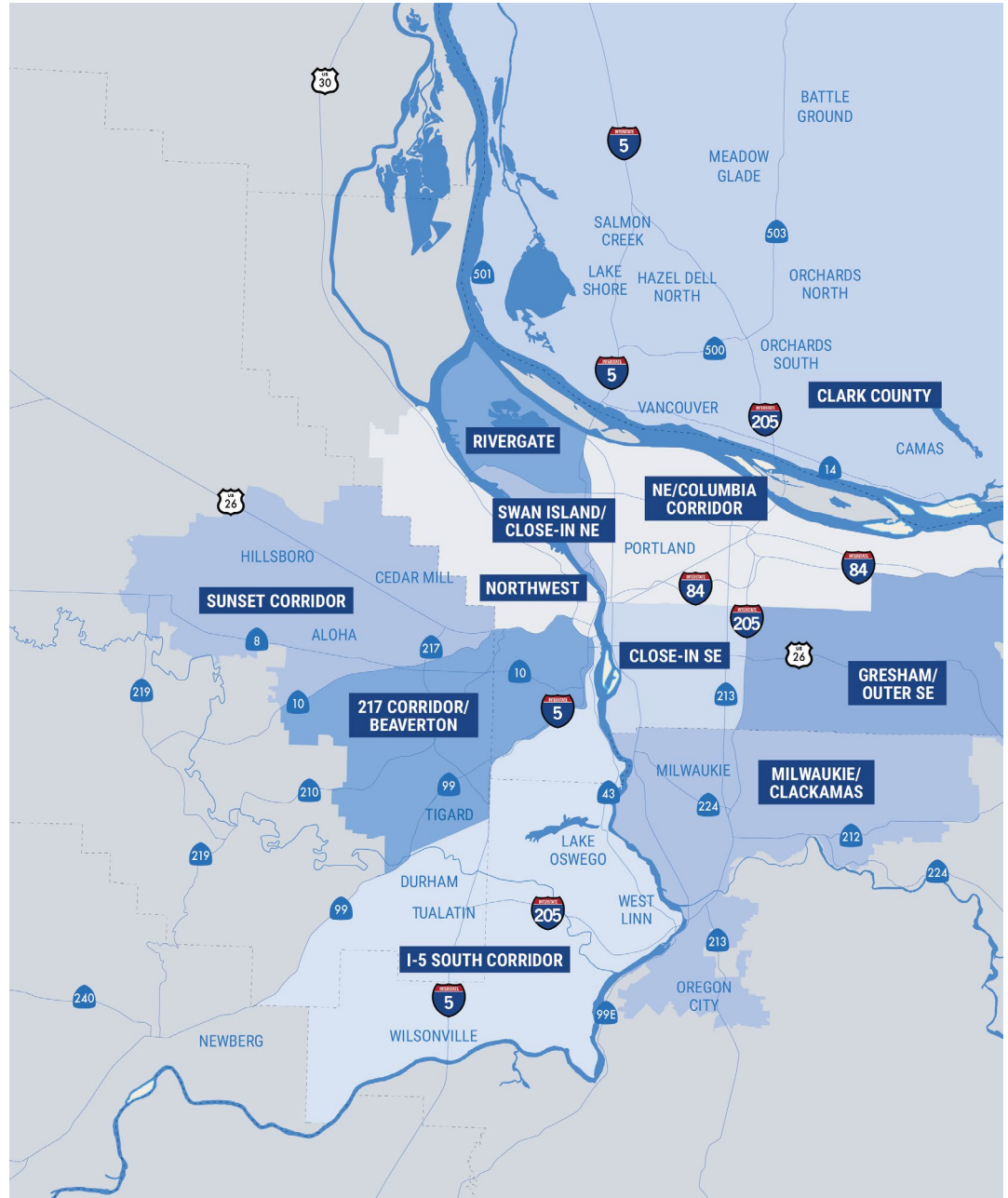
Newmark

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

Dexter Muller

Research Analyst
Dexter.Muller@nrmk.com

nrmk.com



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