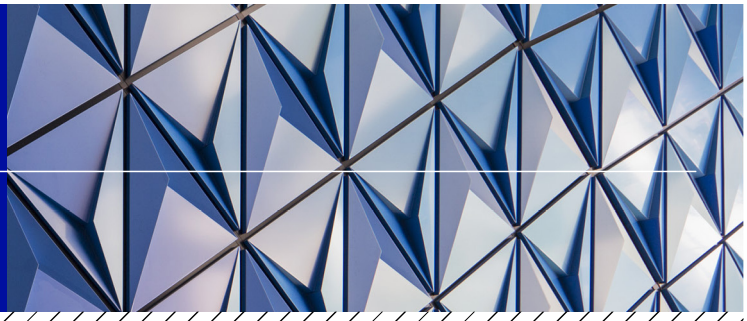
RESEARCH 4Q 2020



Portland Industrial Market

Growth despite the pandemic

Portland's Overall Industrial Market

In 2020, the total industrial inventory grew to 223.5 million square feet, a 2.7-million-square-foot increase from the past year. With 179,420 square feet positive absorption during the fourth quarter of 2020, a total of positive 2.2 million square feet absorption of industrial space was reported for all of 2020. The vacancy rate also stood at 4.8%, ticking up just slightly from 4.7% last quarter due to added inventory totaling more than this quarter's absorption. The overall average asking rent also increased slightly, to $0.78/SF from $0.77/SF last year, a $0.01/SF increase.

Warehouse / Distribution

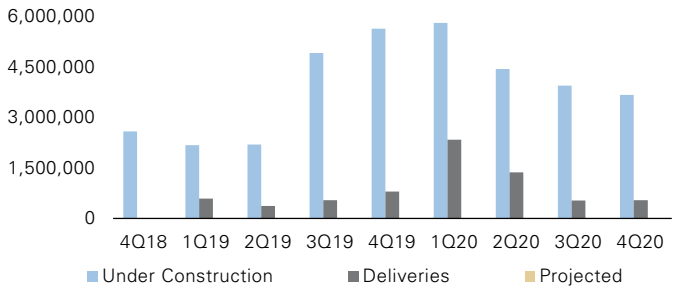
Attributed to changing shopping habits due to the need to social distance, the ecommerce industry has seen a boom in Portland and nationwide. At the end of 2020, Portland's warehouse/distribution inventory reached 90.1 million square feet, growing by 2.1 million square feet, or 2.4%. As well, positive 2.3 million square feet of absorption was reported for the year, with 128,475 square feet for the fourth quarter. Rent growth was also noticeable in 2020, increasing to $0.61/SF from $0.55/SF from the previous year, a $0.06/SF, or 10.9% increase.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	223.5M	223.0M	220.8M	↑
Vacancy Rate	4.8%	4.7%	4.6%	↓
Qtr Net Abs (SF)	179K	423K	59K	↑
Avg NNN Ask Rent/SF	$0.78	$0.78	$0.77	↑
Under Const (SF)	3.7M	3.9M	5.6M	↑

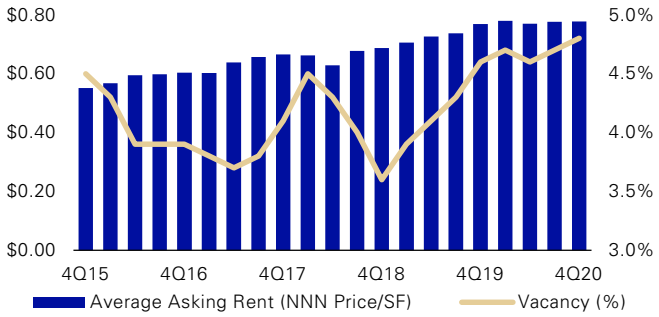
Construction & Deliveries

SQUARE FEET

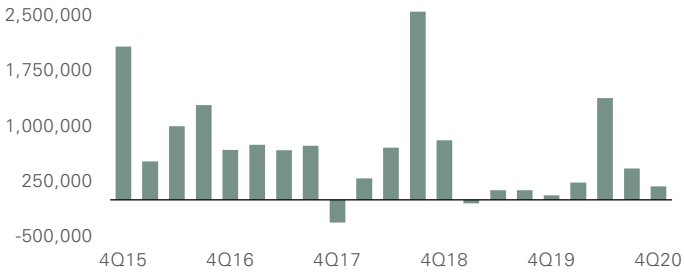


Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



General Industrial

Increasing by 557,617 square feet in 2020, the inventory for general industrial now totals 99.2 million square feet. Positive absorption was 387,594 square feet for the year, with 144,829 square feet reported for the fourth quarter. Vacancy stood at 3.8%, ticking down from 3.9% last quarter. Rents have also decreased slightly, down to $0.70/SF from $0.72/SF last quarter.

R&D / Flex

In 2020, the inventory for R&D/flex remained relatively the same, at 34.3 million square feet. Absorption in the fourth quarter was negative 93,884 square feet, totaling negative 496,102 square feet for the year. Accordingly, vacancy was at 6.2%, up from 4.7% a year ago. At $1.15/SF, the average asking rent grew by $0.03/SF, from $1.12/SF last quarter.

New Construction

Columbia Distributing's new distribution center in Canby was the largest delivery and move-in reported for the fourth quarter, at 531,148 square feet on a 43-acre parcel. The company estimates 22.0 million cases of beer, wine and other nonalcoholic beverages will run through the new distribution center in 2021 and 300 new jobs will be created. Many locally produced brands in the Portland area are served by Columbia Distributing, and currently the company has a total 15 locations in the Pacific Northwest.

Under Construction

3.7 million square feet are currently under construction across 21 different projects in the Portland area. Of these projects, 13 are classified as warehouse/distribution, totaling 1.7 million square feet, or 45.6% of all space under construction, and the other eight projects are classified as general industrial, totaling 2.0 million square feet, or 54.4% of all space under construction. One of these developments is the 1.5 million-square-foot Intel Expansion Project, which is scheduled to deliver during second-quarter 2021

Two general industrial projects broke ground this quarter. The manufacturing development at 3600 Northeast Huffman Street in the Sunset Corridor submarket measures 195,550 square feet and is expected to be delivered fully leased during third-quarter 2021. Located in Vancouver, Washington, in the Clark County submarket, 6201 Northeast 147th Avenue measures 72,000 square feet and is estimated for completion during second-quarter 2021. This development is currently 62.5% pre-leased.

Growing Cannabis Industry

At 378,000 square feet, one of the largest known deals was signed by Hawthorne Farms (Scotts-SunGro) at Blue Lake Corporate Park. Hawthorne Farms, a manufacturer of products utilized by the cannabis industry, has seen tremendous growth as legalization continues throughout the United States. Currently, the world headquarters of this company is based in Vancouver, Washington.

Select Lease/User Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Hawthorne Farms (Scotts-SunGro)	Blue Lake Corporate Park - Building B	NE/Columbia Corridor	Lease	378,000
Twist Bioscience Corporation	ParkWorks Industry Center	Wilsonville	Lease	110,995
Ryder	Southshore Logistics Center – Building C	NE/Columbia Corridor	Lease	89,457
Oregon Spice	PDX Corporate Center East – Building B	NE/Columbia Corridor	Lease	51,078
Speeder Solutions LLC	10100 SW Commerce Cir	I-5 South Corridor	Lease	34,751

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Vancouver Tech Center (6 Buildings)	Clark County	$35.0 Million	$52	667,991
Southshore Corporate Park (Bridgestone Firestone Distribution Center)	NE/Columbia Corridor	$32.2 Million	$115	279,300
Walnut Industrial Park	Sunset Corridor	$24.0 Million	$140	171,000
19217 & 19241 NE San Rafael St	NE/Columbia Corridor	$14.5 Million	$119	122,793
10001 N Rivergate Blvd (Bay Valley Foods)	Rivergate	$8.1 Million	$117	69,150

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	R&D/Flex Asking Rent (Price/SF)	WHS/Dist Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
217 Corridor/Beaverton	10,557,574	-	6.3 %	26,251	-148,347	$16.36	$6.17	$10.87
Clark County	25,113,186	427,337	3.5 %	27,838	1,254,869	$11.68	$6.58	$8.32
Close-In SE	8,200,393	-	4.9 %	33,581	18,619	$17.49	$10.35	$10.50
Gresham/Outer SE	8,530,832	-	3.3 %	308,962	587,275	$12.36	-	$8.30
I-5 South Corridor	28,135,015	235,775	4.4 %	68,973	-83,942	$13.88	$8.39	$11.66
Milwaukie/Clackamas	20,890,026	-	6.2 %	-632,253	-521,601	$11.20	$6.91	$7.95
NE/Columbia Corridor	42,151,128	1,196,828	6.3 %	205,610	794,234	$9.03	$6.39	$7.19
Northwest	15,860,261	-	3.9 %	-7,005	253,086	-	$13.29	$11.20
Rivergate	18,539,852	40,890	5.0 %	-237,519	67,396	$12.30	$5.12	$5.41
Sunset Corridor	33,268,802	1,774,548	2.7 %	-58,044	-264,326	$14.11	$13.08	$13.68
Swan Island/Close-In NE	8,868,583	-	7.0 %	-86,974	-283,081	-	$6.21	$10.15
TOTALS	**223,474,005**	**3,675,378**	**4.8 %**	**179,420**	**2,211,646**	**$13.84**	**$7.32**	**$9.33**

Statistics by Subtype

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	99,151,502	1,999,673	3.8%	144,829	387,130	$8.44
R&D/Flex	34,261,228	0	6.2%	-93,884	(496,102)	$13.84
Warehouse/Distribution	90,061,275	1,675,705	5.4%	128,475	2,320,154	$7.32
TOTALS	**223,474,005**	**3,675,378**	**4.8%**	**179,420**	**2,211,646**	**$9.33**

EMPLOYMENT

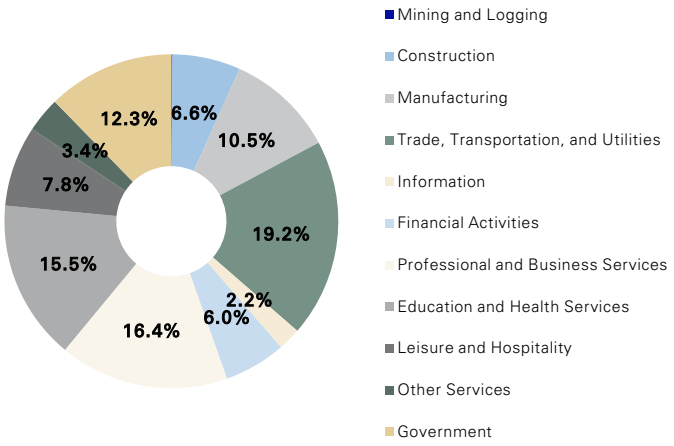
In October of 2020, the unemployment rate was reported at 6.7% for Portland and 6.9% nationwide. The unemployment rate has continuously decreased since April, when the initial shock of the pandemic was felt, with unemployment spiking to 14.2% locally and 14.7% nationwide. All industries have seen negative growth when compared to figures reported in 2019. The leisure and hospitality industry was hit the hardest, decreasing by 27.1%. Construction, however, only decreased by 1.0%.

OUTLOOK

The industrial real estate market in Portland has remained steady over the course of the past year, even during the global pandemic. In 2021, this growth is expected to continue as the need to social distance fuels the growing ecommerce industry for warehouse/distribution space. Other industries, such as the cannabis industry will continue to stimulate growth for the market as well.

Employment by Industry

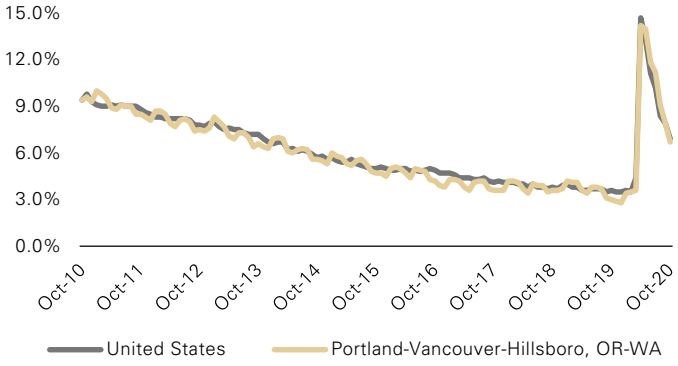
PORTLAND METRO



Source: U.S. Bureau of Labor Statistics, November 2020

Unemployment Rate

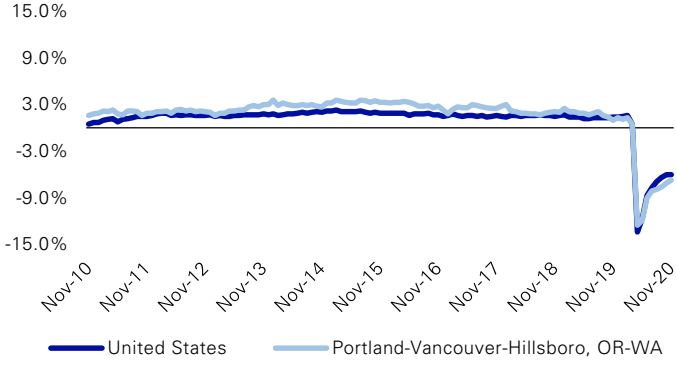
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

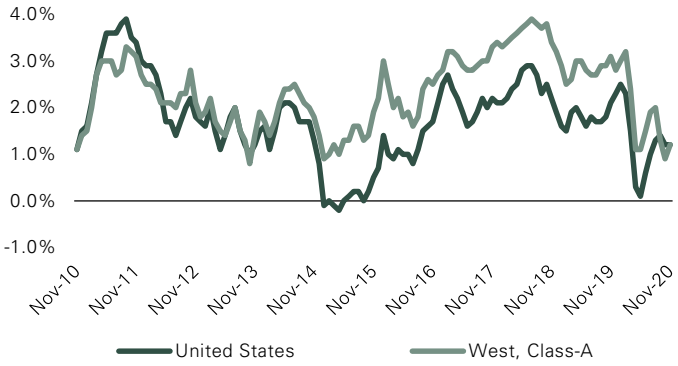
TOTAL NONFARM, NOT SEASONALLY ADJ, 12-MO % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

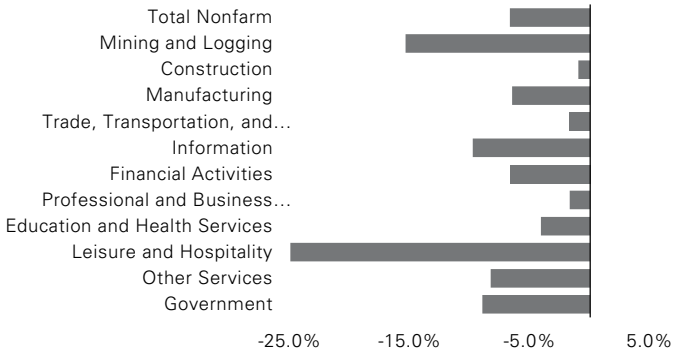
ALL ITEMS, 12-MO % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

PDR, 12-MO % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, November 2020

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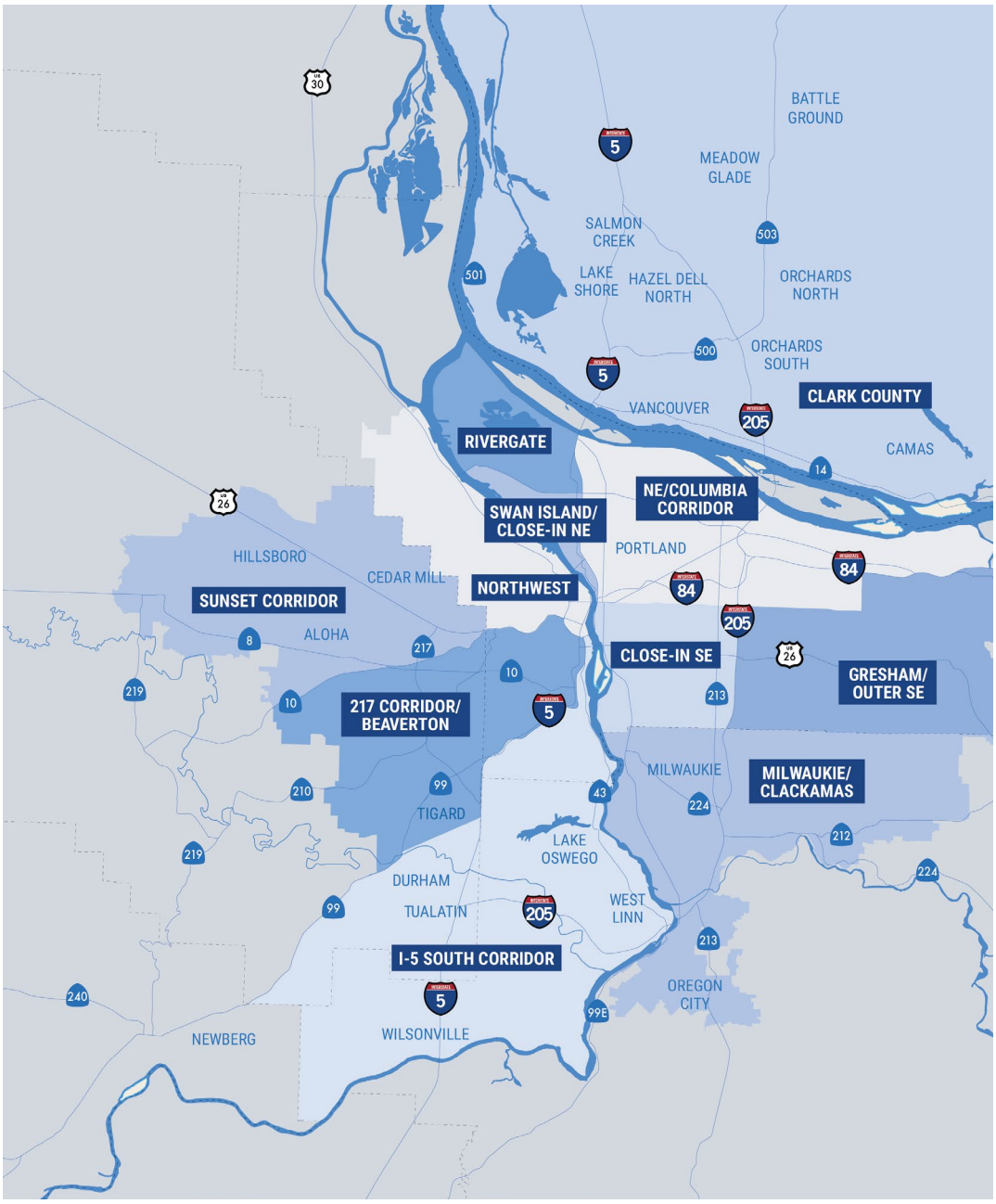

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