

Columbia Corridor Association

April 24, 2013

- Don Ossey, SIOR
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The Market

Portland, Oregon Market At-A-Glance



Economic Strength and Stability

- Located on the Pacific Rim, which represents 54% of world GDP and 44% of the world trade.
- Personal Income growth is projected to remain above 6% annually over the next 5 years.
- Total employment stands at nearly 1 million workers.

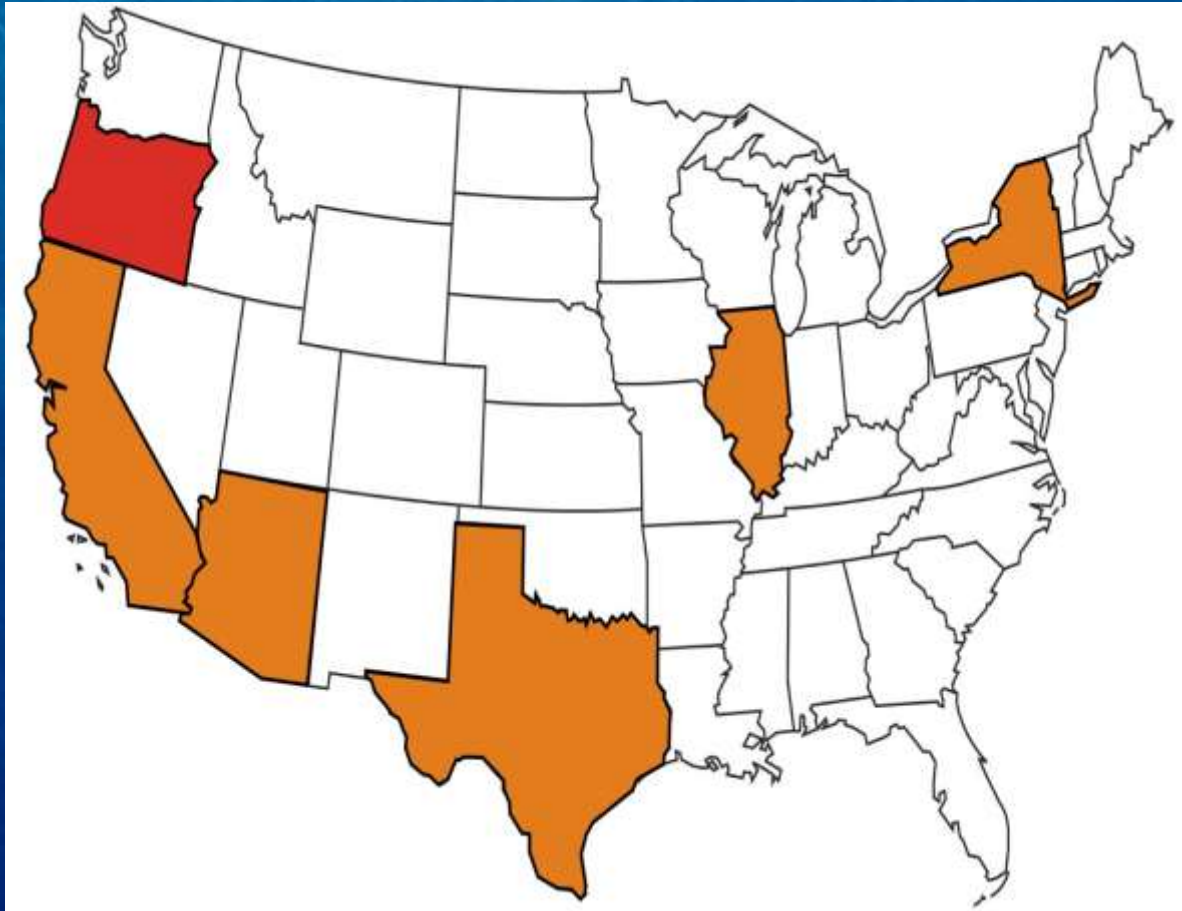
The Market

Major Population Center



- Total population of 2.3 million. The 23rd largest MSA in the US, has increased at an annual rate of 1.5% between 2000 and 2012.
- Education attainment is well above average, with 35% of adults holding at least a bachelor's degree.
- The cost of business is currently estimated at 9% below national average

Oregon ranks 2nd for inbound resident migration in 2012



Where new
Portland
residents are
coming from:

- California
- Texas
- Arizona
- Illinois
- New York

Portland added 20,325 new
residents in 2012...

The Market

Key Transportation and Logistics Hub

- Portland International Airport serves over 13 million passengers on an annual basis.
- The Port of Portland supports over 10 million tons of trade each year and is the largest wheat and minerals bulk port of the West Coast.
- Two major interstate highways, Interstate 5 and 84, intersect the metro area. I-5 runs north-south from Canada to Mexico. I-84 is the principal east route from Portland to Salt Lake City and the Midwest and East Coast.



Market Indicators

	2011	2012	2013
VACANCY	↓	↓	↓
NET ABSORPTION	↑	↑	↑
RENTAL RATE	→	↗	↑
CONSTRUCTION	→	↑	↑

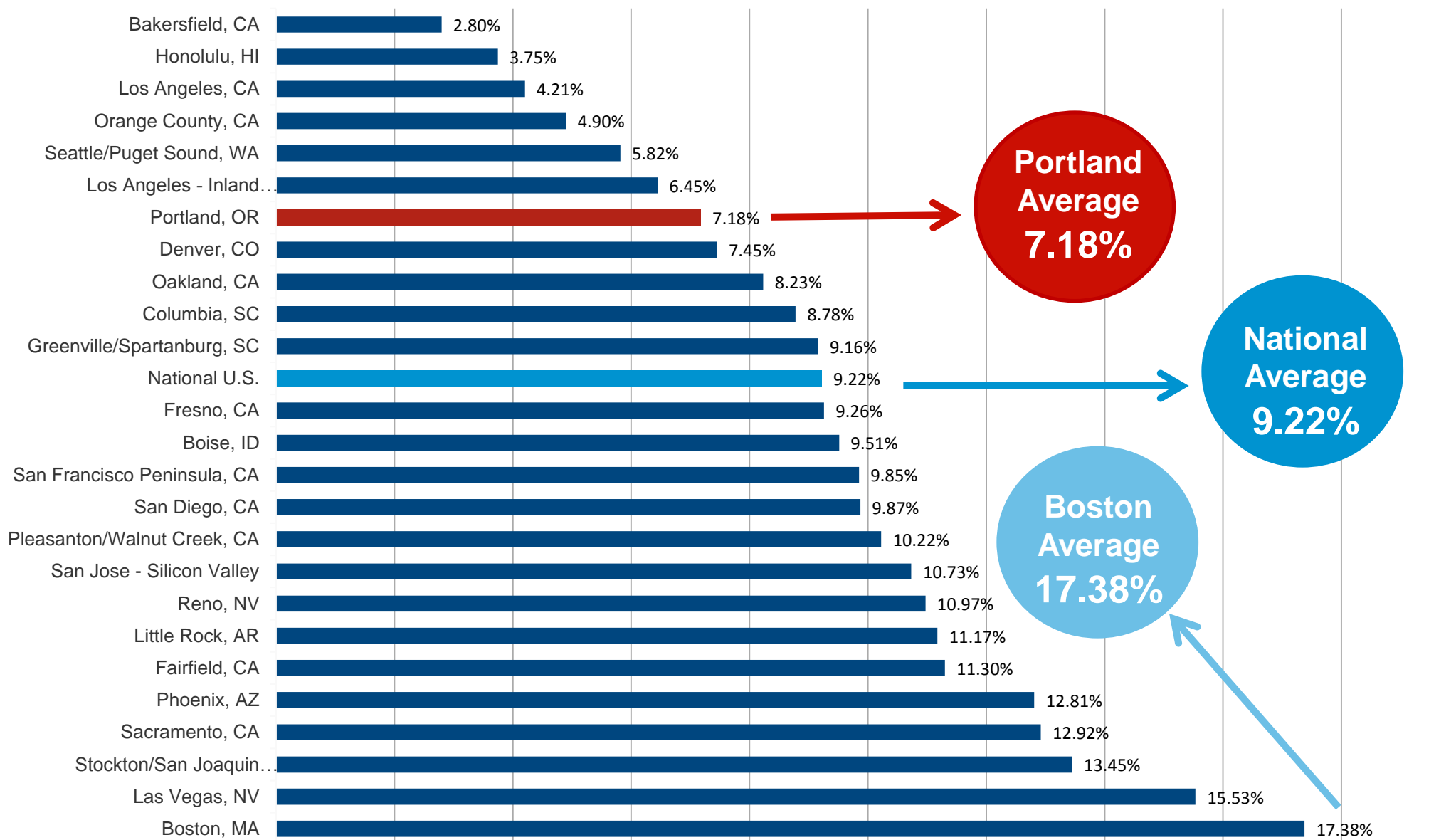
*Market Indicators show a trend of four quarters.

The Industrial Real Estate Market

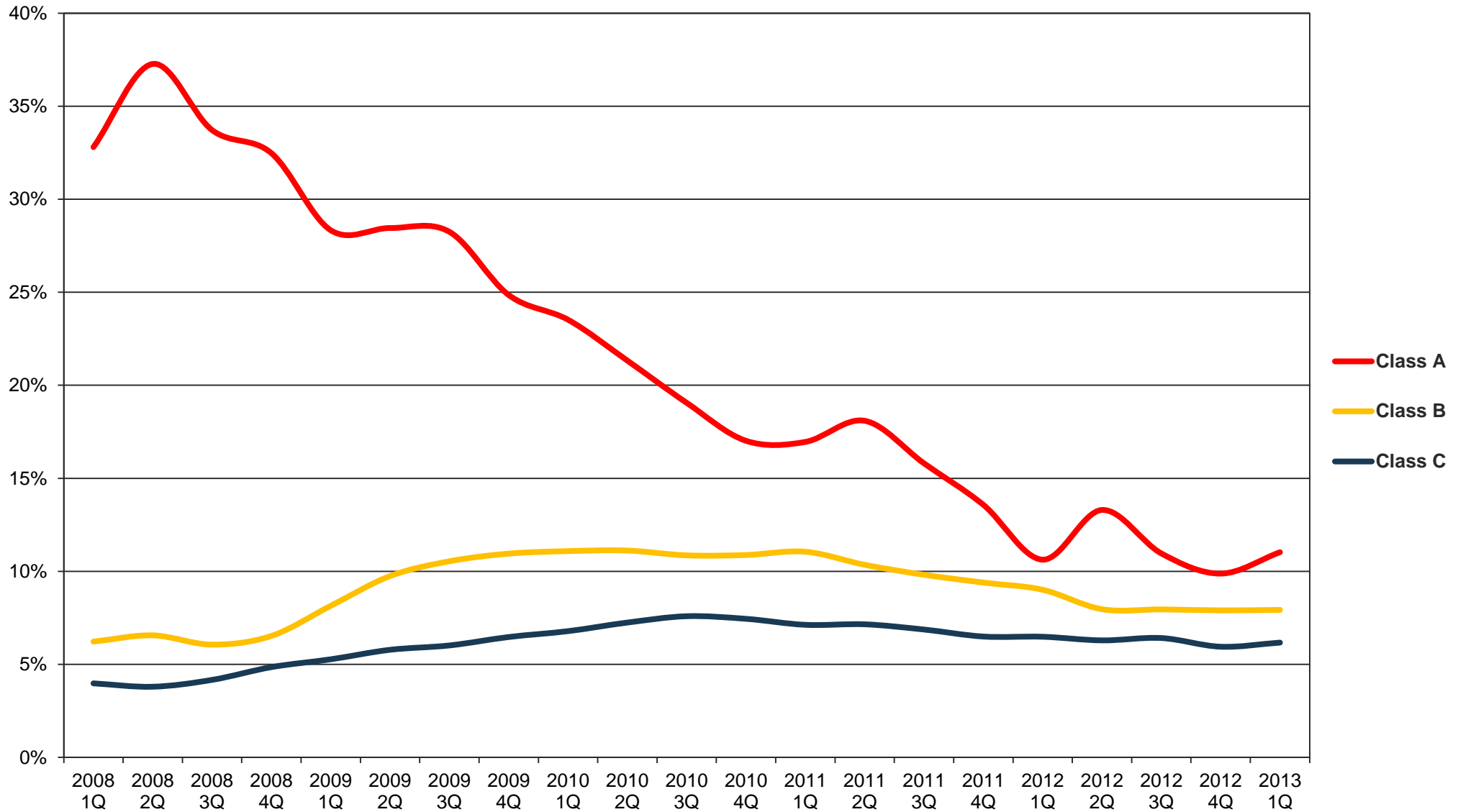
Portland Metro: 10-year Historical Absorption, Deliveries and Vacancy

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Annual Net Absorption	RBA Delivered Annually
2012	5,422	184,922,797	11,725,962	6.3%	1,790,534	774,567
2011	5,415	184,310,814	12,904,513	7.0%	2,195,085	511,473
2010	5,425	184,093,030	14,881,814	8.1%	219,083	691,205
2009	5,425	183,772,315	14,780,182	8.0%	(3,374,058)	1,109,149
2008	5,416	183,015,201	10,649,842	5.8%	1,372,135	2,794,216
2007	5,400	180,782,125	9,788,508	5.4%	4,527,987	3,228,579
2006	5,359	177,736,005	11,270,328	6.3%	5,185,918	2,570,618
2005	5,313	175,466,177	14,186,418	8.1%	4,226,308	1,488,854
2004	5,285	174,394,973	17,341,522	9.9%	4,042,388	1,381,423
2003	5,262	173,106,392	20,095,329	11.6%	5,897,507	2,862,709

Q4 – 2012 National Industrial Vacancy

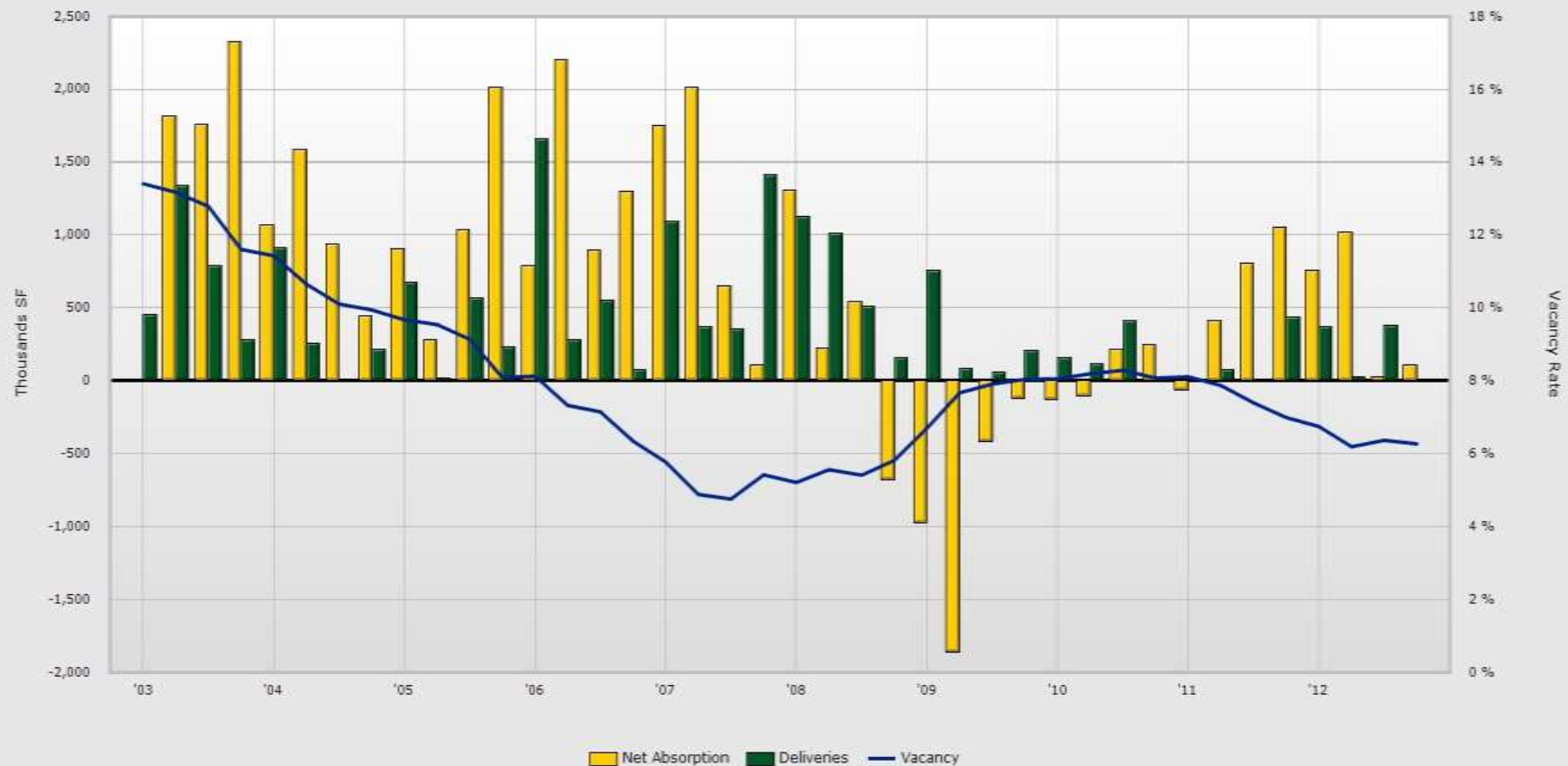


Industrial Vacancies By Class



The Industrial Real Estate Market

Portland Metro: 10-year Historical Absorption, Deliveries and Vacancy



The Industrial Real Estate Market

- Portland Submarket Statistics

WAREHOUSE MARKET STATISTICS

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF
CBD	38	1,528,486	120,500	120,500	7.9%	0	0	0
Clark County	572	17,784,770	1,039,295	1,048,795	5.9%	(61,367)	0	0
I-5 Corridor	656	25,420,482	1,981,304	2,139,018	8.4%	(285,165)	34,625	34,000
Lloyd District	133	2,434,609	97,431	97,431	4.0%	0	0	0
Northeast	1,834	67,908,553	4,509,849	4,645,374	6.8%	107,771	0	0
Northwest	379	13,721,989	709,535	742,135	5.4%	(204,133)	0	0
Skamania County	5	50,081	9,548	9,548	19.1%	0	0	0
Southeast	1,158	29,296,881	1,574,349	1,623,409	5.5%	97,849	125,000	13,365
Southwest	191	6,300,468	828,564	838,164	13.3%	37,542	0	0
Westside	262	11,111,934	668,506	668,506	6.0%	(23,710)	0	88,500

What is Available in the 100,000 SF Range?

2012 – 10 Existing Available Properties

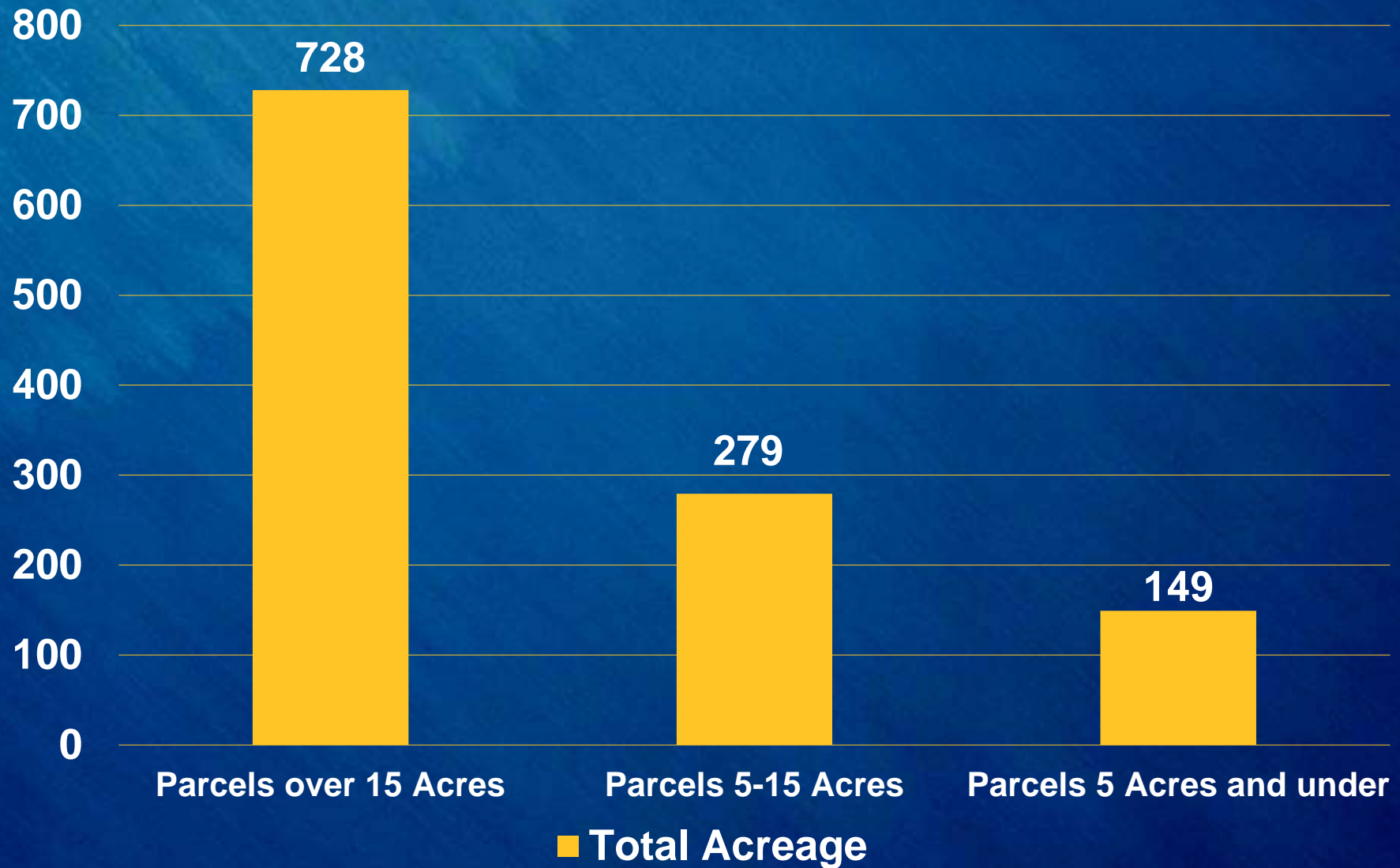
2013 – 10 Existing Available Properties

What is Available in the 250,000 SF Range?

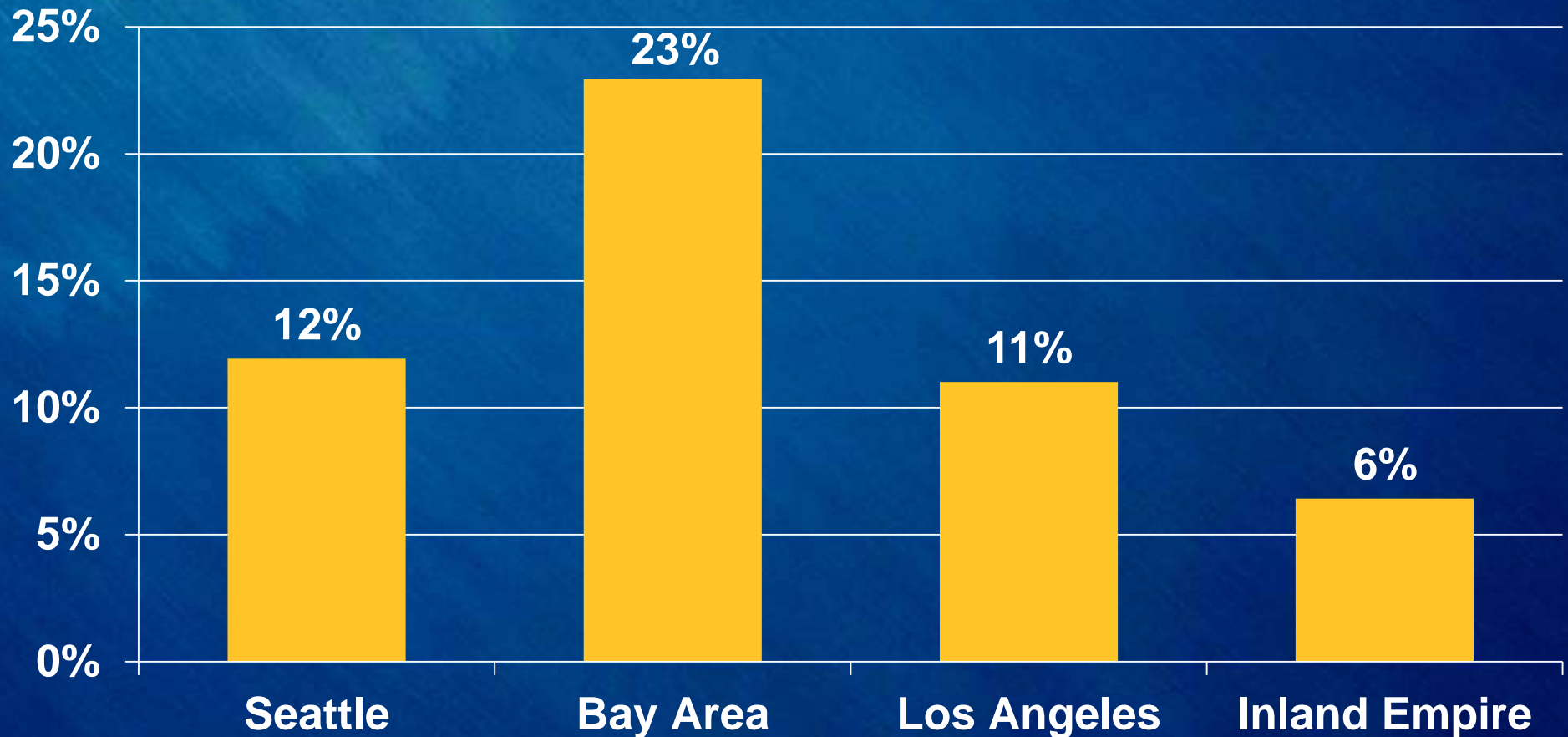
2012 – 0 Existing Available Property

2013 – 0 Existing Available Property

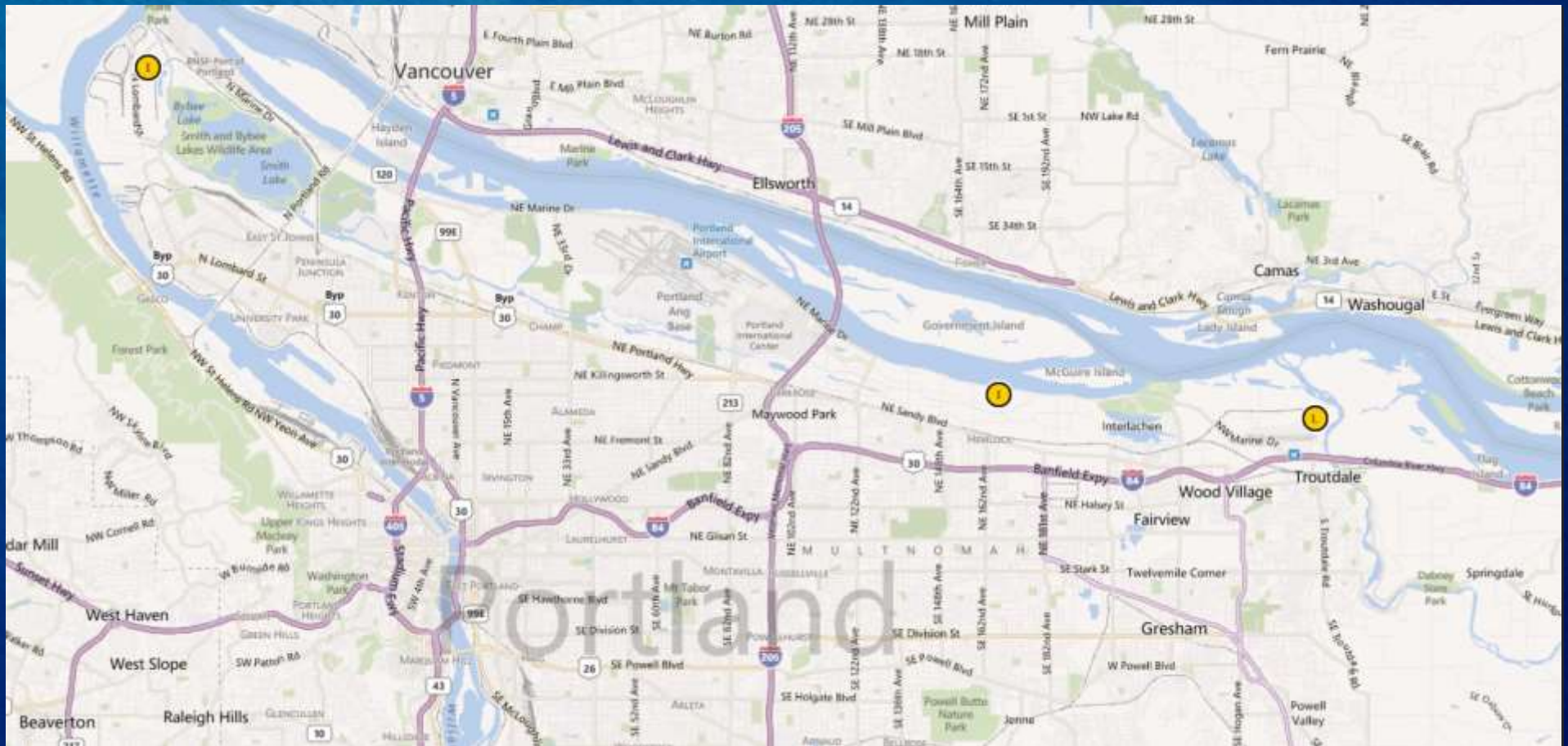
Supply of Vacant Land



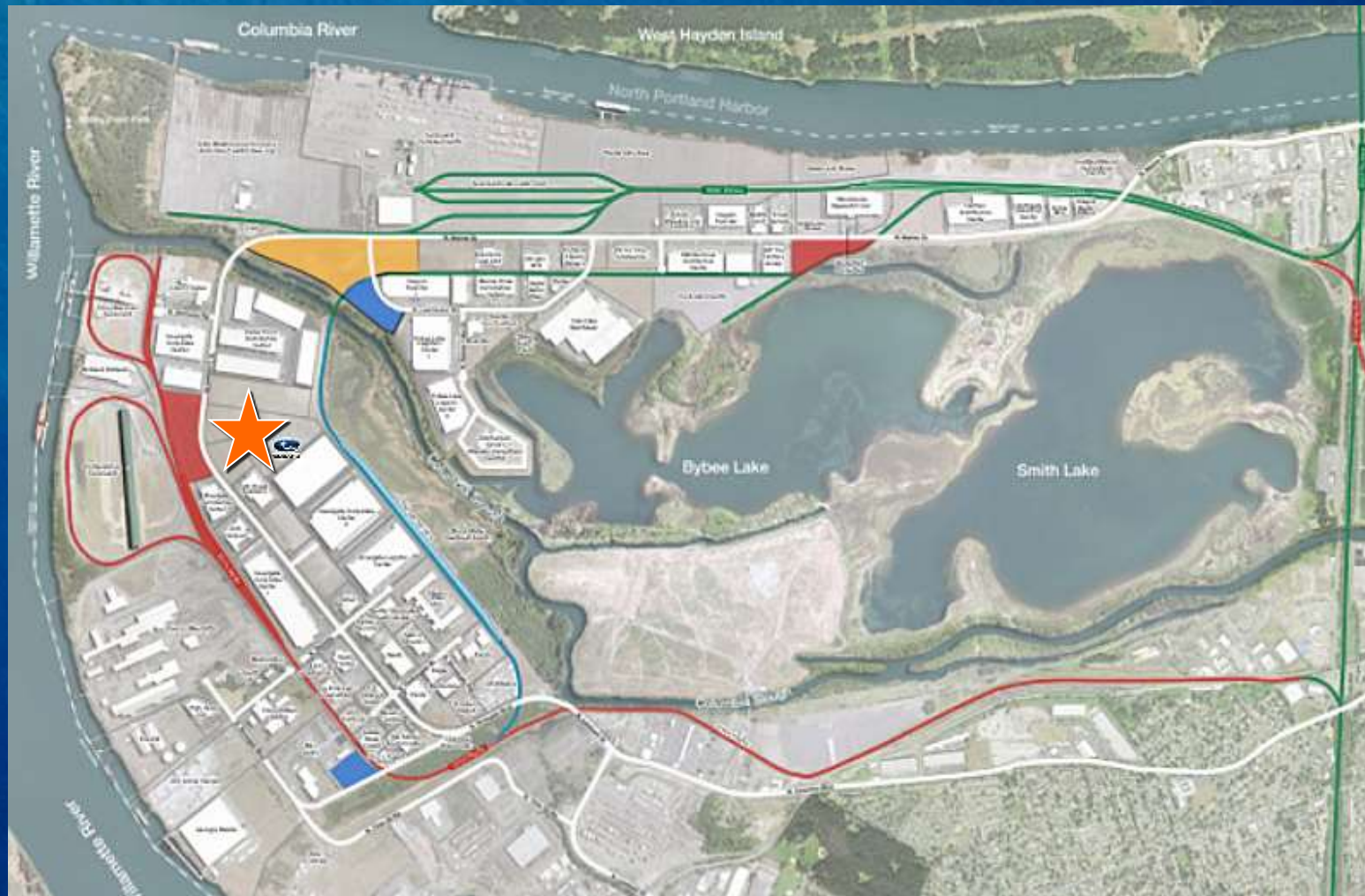
Development Costs – How much percent greater than Portland?



Shovel Ready Sites for 250,000 SF+ Today



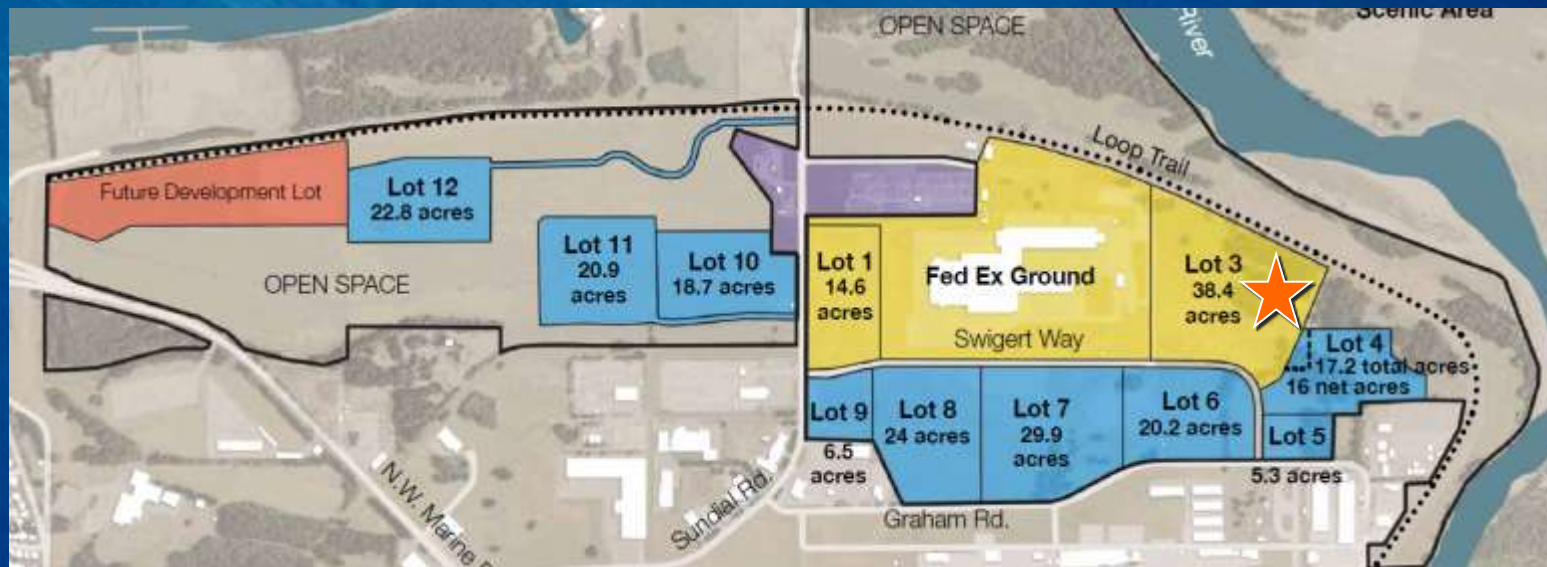
Rivergate Corporate Center III



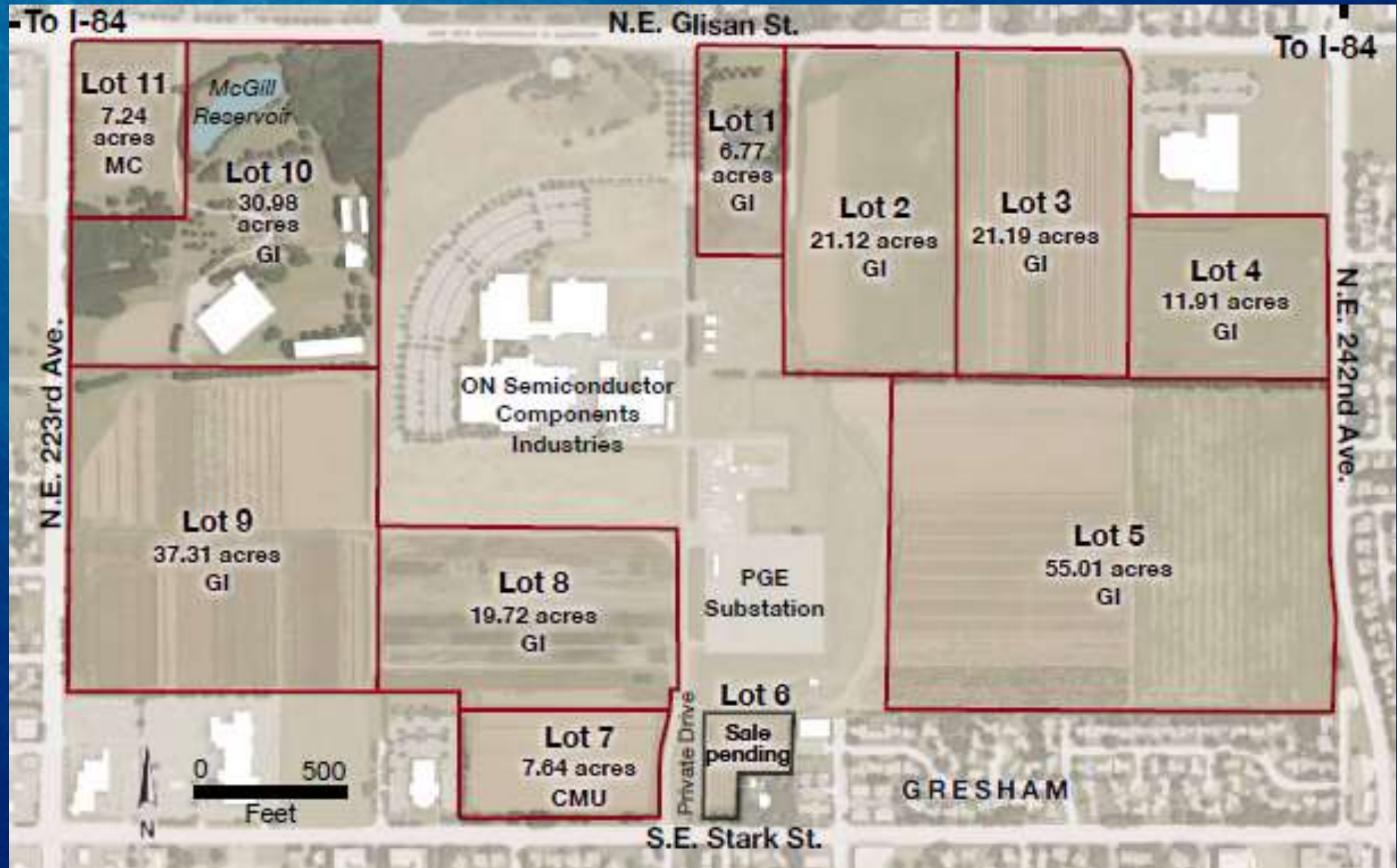
Interstate Crossroads Distribution Center



Troutdale Reynolds Industrial Park



Gresham Vista Business Park

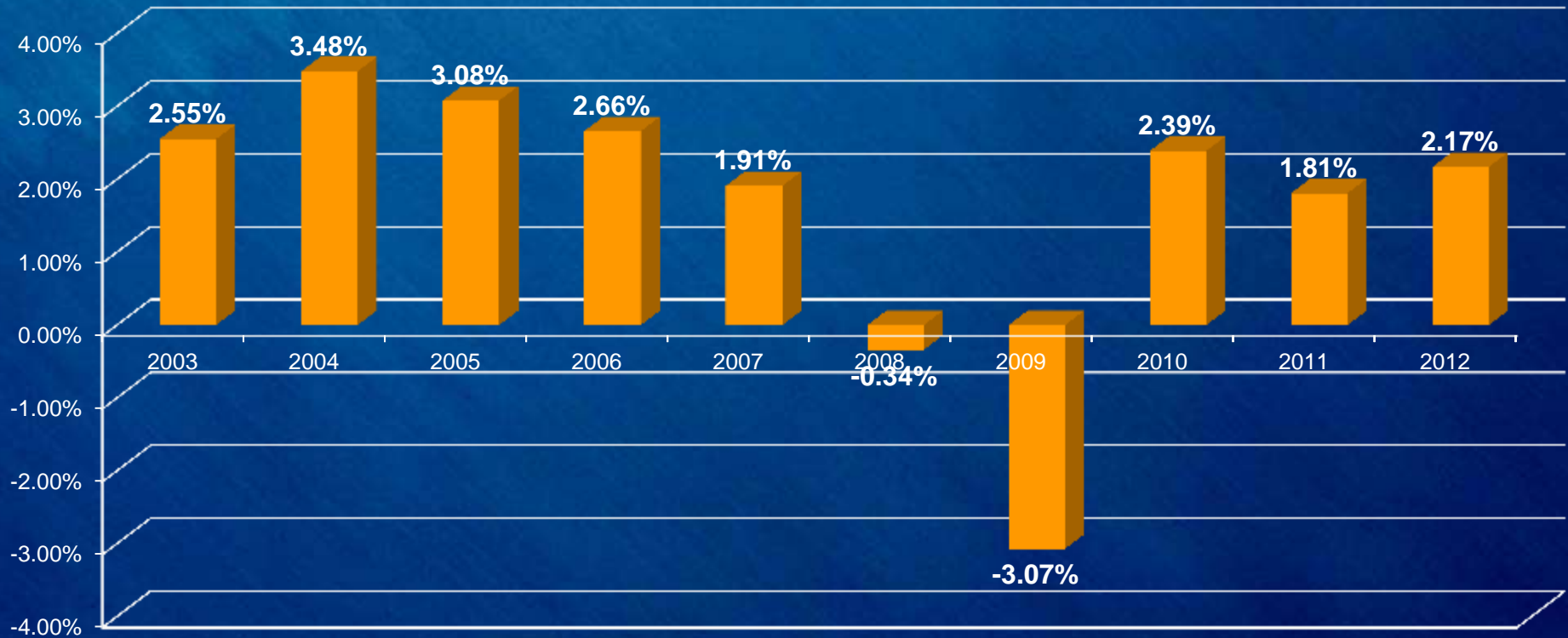


Business Barometers

- Overall Economy
- Consumer Confidence
- Production
- Employment
- Retail Sales - Trends
- Freight Movement – Containers
- Attitude

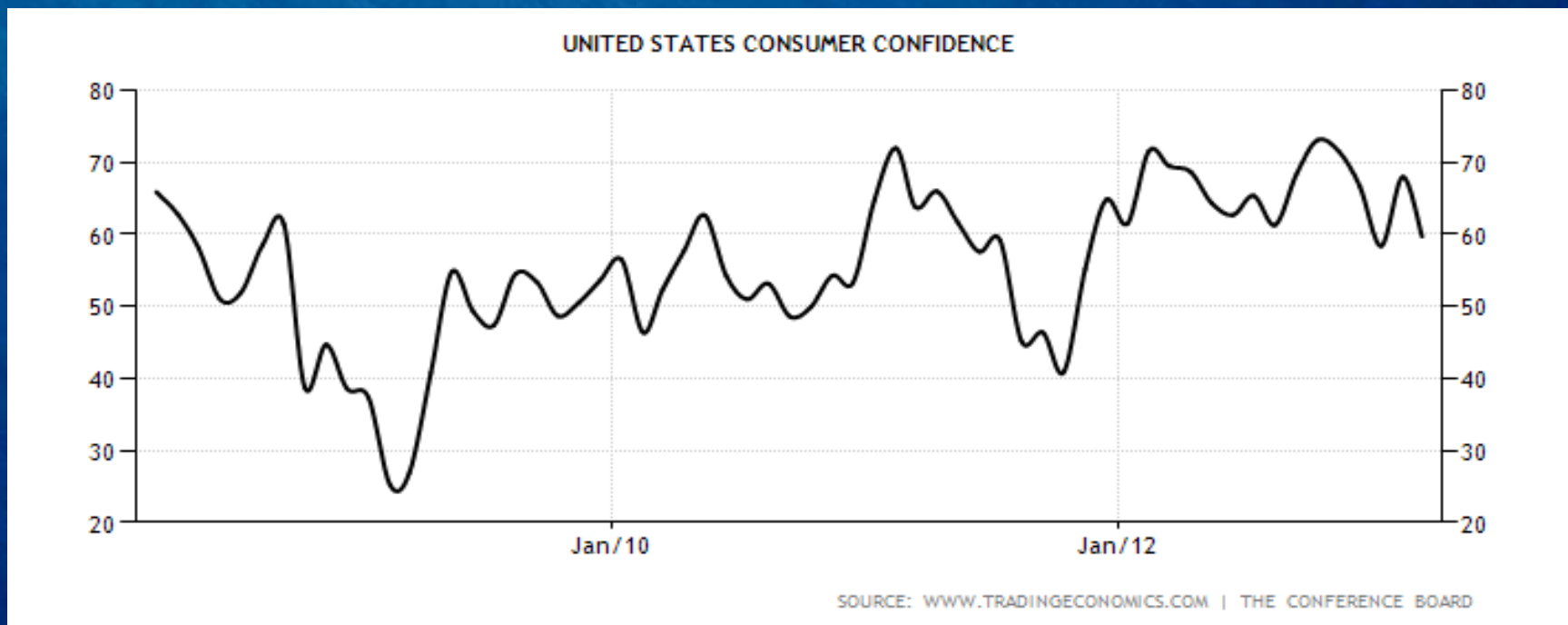
Overall US Economy

Gross Domestic Product. The total market value of all final goods and services produced in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.



Consumer Confidence

The U.S. Consumer Confidence Index (CCI) is an indicator designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending.



Production

Production is the act of creating output, a good or service which has value and contributes to the utility of individuals



Production

- ISM Manufacturing Index – End of March



Employment

US Employment End of March



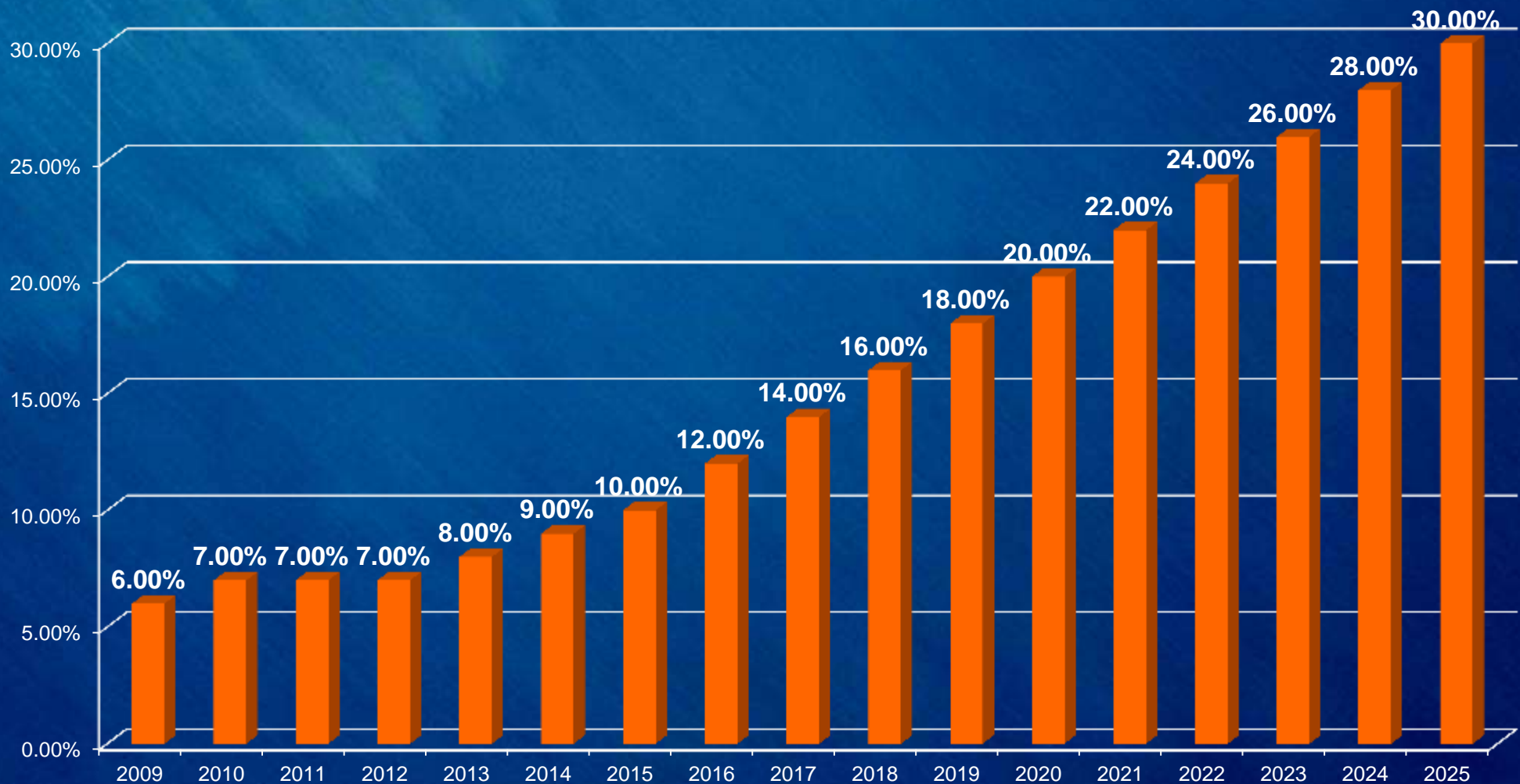
Types of New Commerce

E - Commerce = Electronic Commerce
(Computer, Laptop, Desktop)

M - Commerce = Mobile Commerce (Phone, tablets, readers etc.)

S - Commerce = Social Commerce (Emerging segment derived from Social Networks such as Facebook, Twitter, Groupon, etc.)

Projected Online U.S. Retail Sales as a Portion of Total US Retail Sales 2009-2025



What Retail Tells Us

Amazon growth in 2012 was 39.5%, revenue of \$34.2 Billion *(Compared to overall retail growth for 2012 of 3.4%, down from 4.7% growth in 2011)*

- 52 Distribution Centers exist
- 28 overseas order processing, fulfillment

DC's

- 17 Distribution Centers proposed/planned
- 2012 – Two new DC sites announced in VA, one in TN; one in SC

What Does All of this Mean to the Logistics Industry

- Pace of change will continue to increase
- Supply chains will continue to be complex
- Globalization in all industries likely to continue to occur
- Growth in e/m/s commerce will lead the retail and logistics industries

Why are Ports, Inland Ports, and Shipping Costs Important to Industrial Real Estate?



The means, method and pathway that goods flow through the country directly impacts the markets that win and those that miss out.

Why are Ports, Inland Ports, and Shipping Costs Important to Industrial Real Estate?



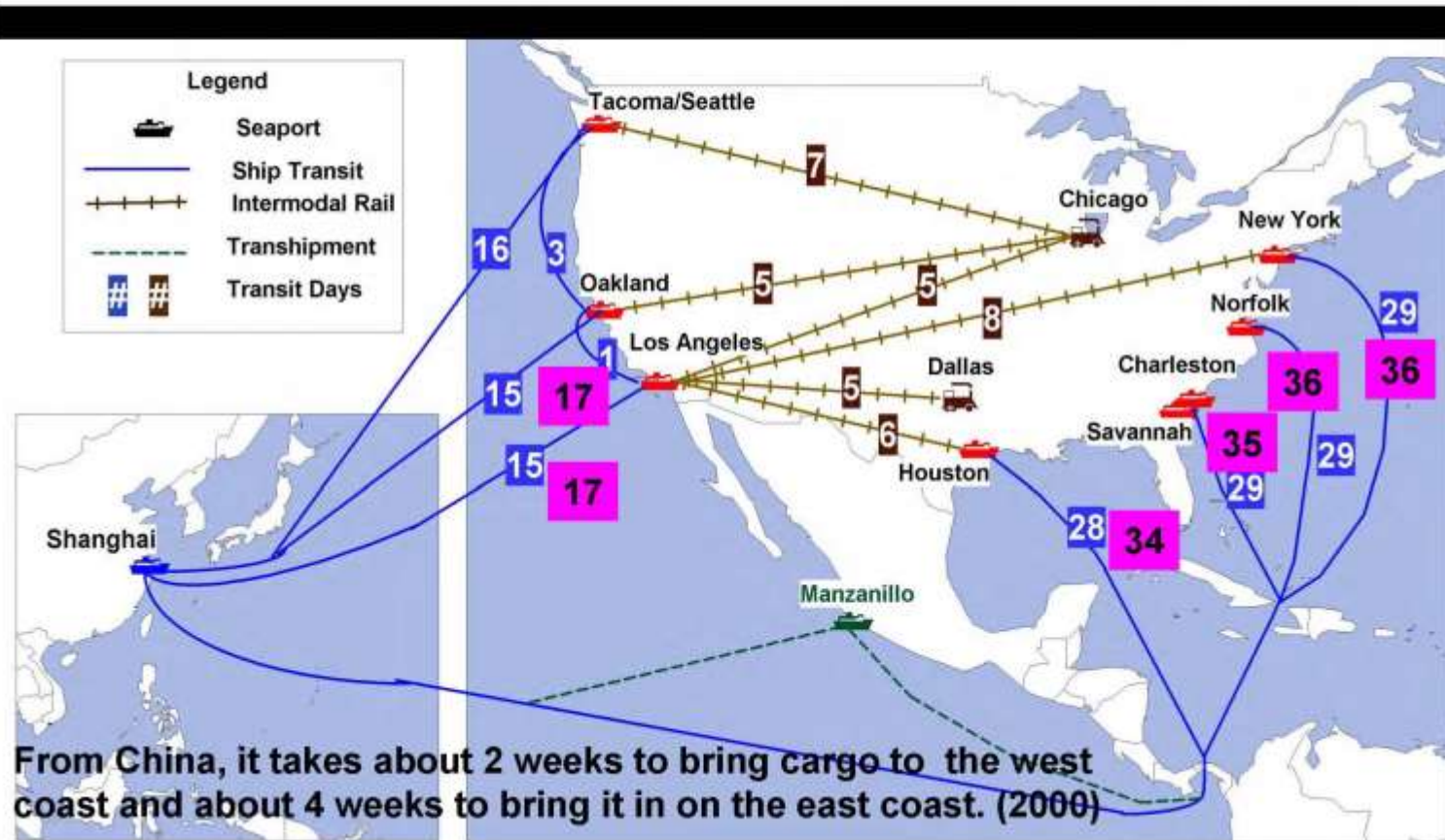
Port and Inland Port markets that retain or absorb a large amount of the containers that are received have larger industrial real estate demand and opportunities.

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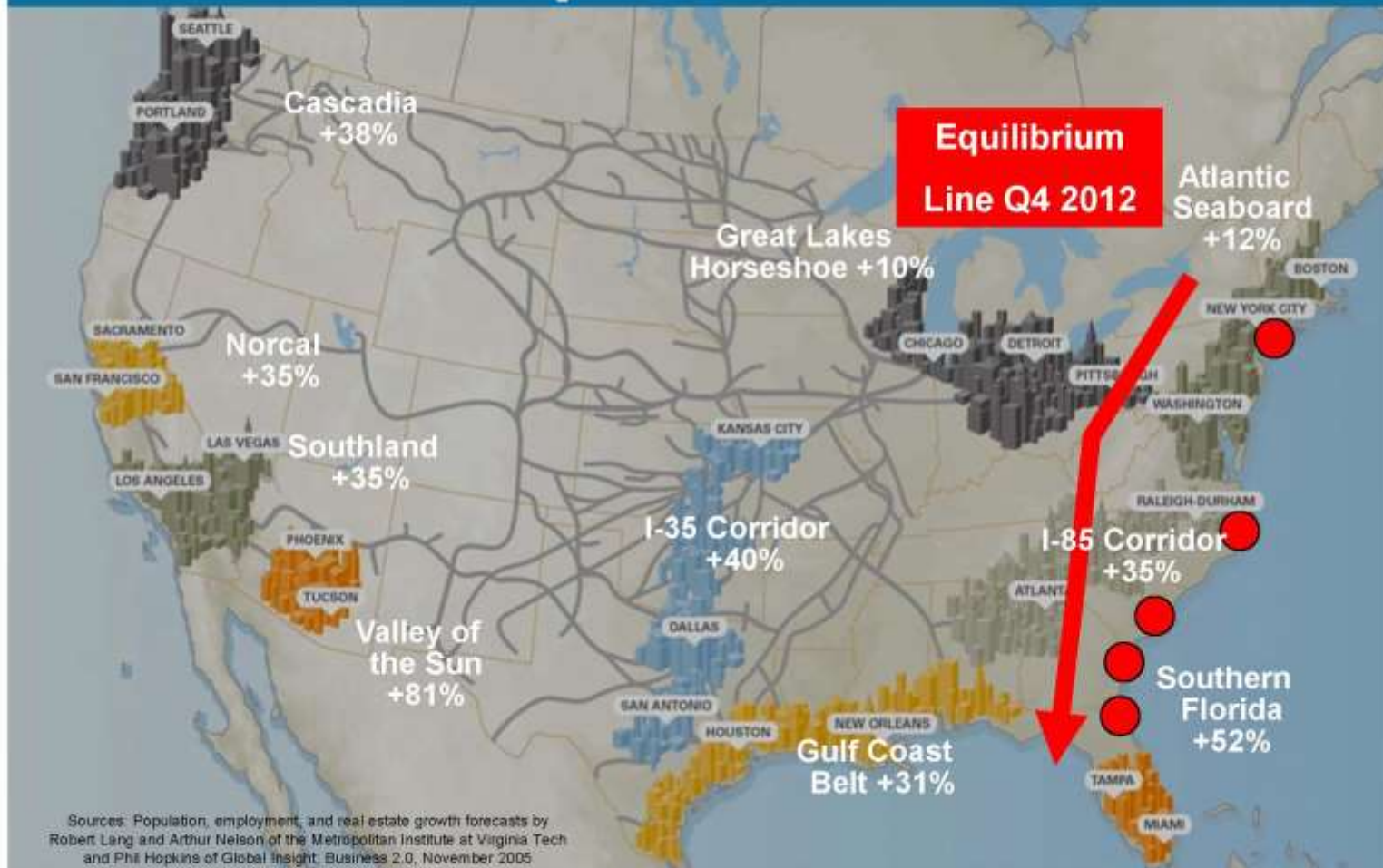


The most important location decision is based on demographics *(where are the people moving from 2015-2030)*

Shanghai to North American Ports: Slow Steaming Effects – 2000 & 2012



East Coast-West Coast TEU Cost Line Equilibrium- Dec. 2012



Attitude

A predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation.



Crystal Ball – 2012 & 2013



Market Phrase (2011)

“A Rising Tide Lifts All Boats”



Market Phrase (2012)

Even if you're on the right track,
you'll get run over if you just sit there.



Market Phrase (2013)

If you don't know where you are going,
You will end up someplace else.



Is it time to Pull the Trigger?



Thank you

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