

Columbia Corridor Association

April 27, 2016

Robbie
McEachern

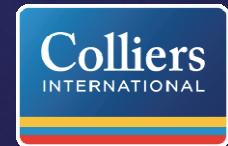
*Capacity
Commercial Group*

Jerry
Matson, SIOR

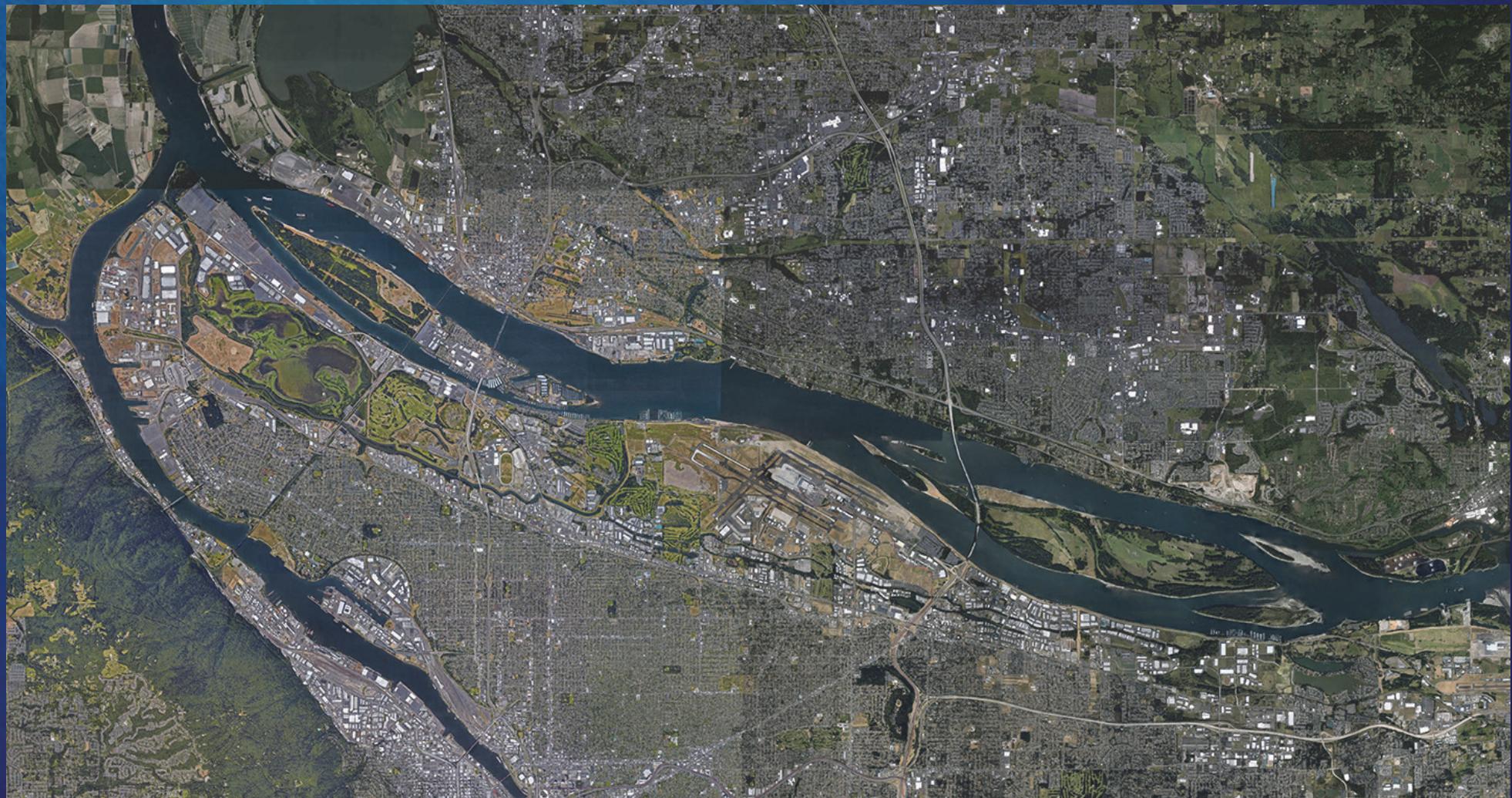
*Colliers
International*

Chris
McLaughlin

*Perlo
Construction*



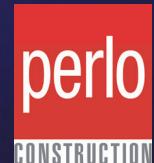
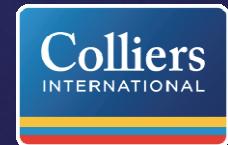
Columbia Corridor & Portland Business Climate



The Industrial Real Estate Market

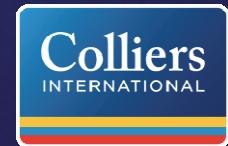
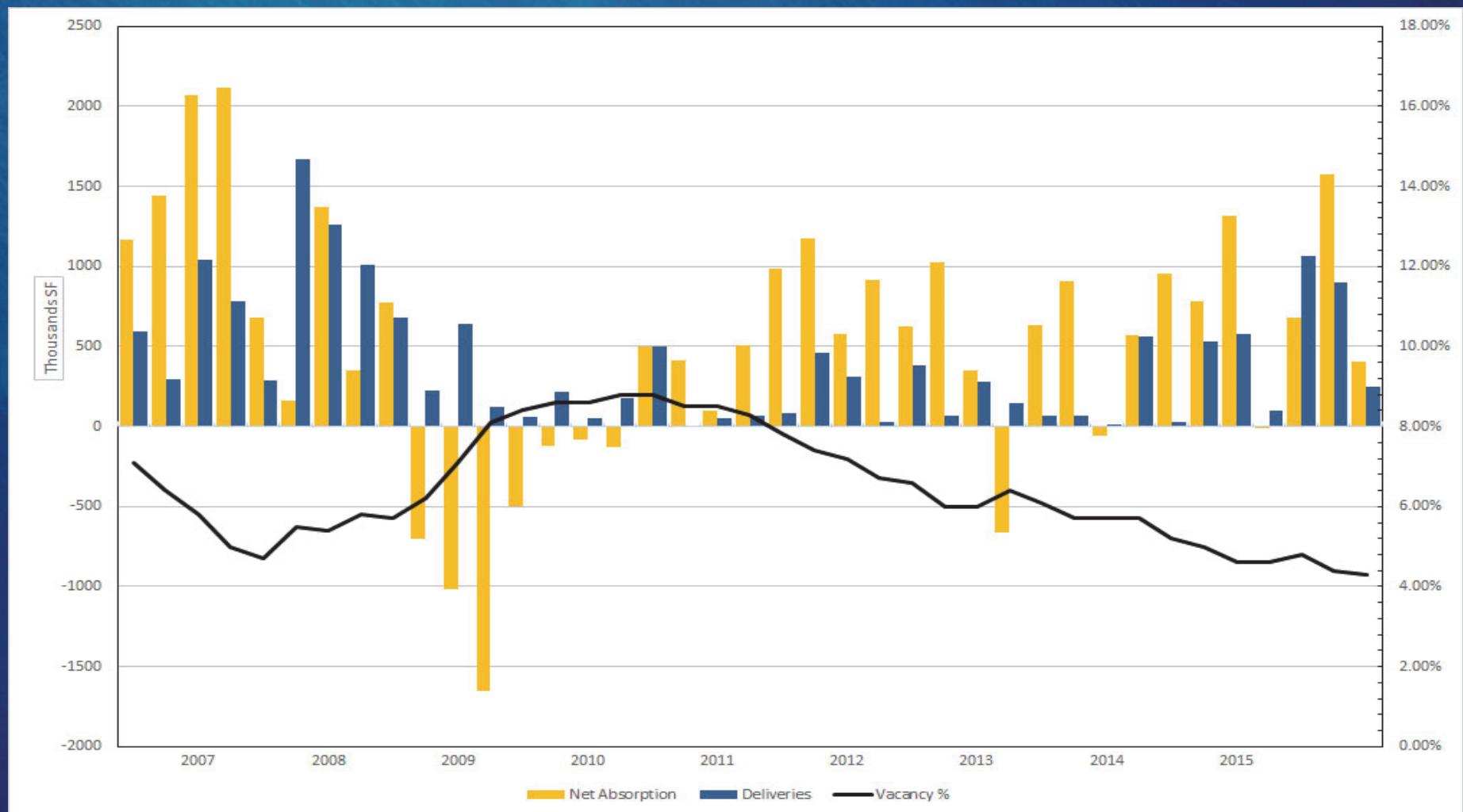
Portland Metro: Historical Absorption, Deliveries and Vacancy

Period	# Bldgs	Total RBA	Total Vacant SF	Total Vacant %	Annual Net Absorption	RBA Delivered Annually
2015	5,545	187,615,681	8,080,036	4.4%	3,570,766	2,634,600
2014	5,520	184,981,081	8,952,208	5.0%	2,252,319	1,131,338
2013	5,507	183,849,743	10,301,154	5.7%	1,231,836	553,258
2012	5,495	183,296,485	10,846,070	6.0%	3,140,073	781,932
2011	5,478	182,514,553	12,997,666	7.4%	2,770,940	661,695
2010	5,469	181,852,858	14,979,464	8.5%	699,636	725,338
2009	5,457	181,127,520	14,759,664	8.6%	-3,283,498	1,039,870
2008	5,423	180,087,650	10,678,701	6.2%	1,787,666	3,170,830
2007	5,374	176,916,820	9,559,075	5.5%	5,022,937	3,772,048



The Industrial Real Estate Market

Portland Metro: Historical Absorption, Deliveries and Vacancy



The Industrial Real Estate Market

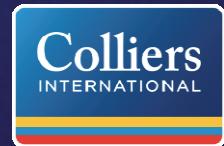
- Portland Warehouse Statistics

Warehouse Market Statistics

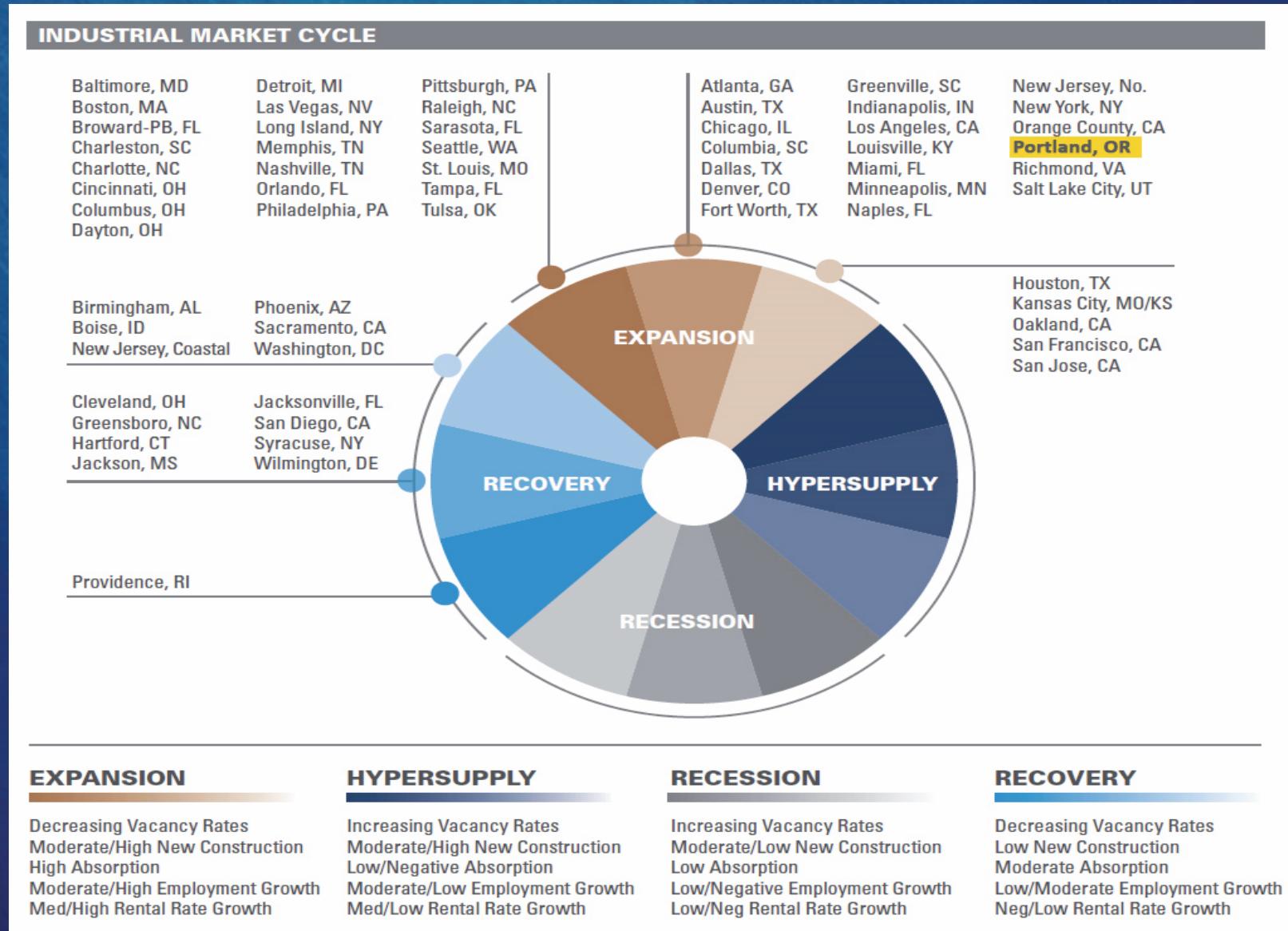
First Quarter 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Total SF	Vac %				
CBD	17	710,216	35,000	35,000	4.9%	0	0	0	\$5.24
Clark County	628	17,765,771	759,059	781,246	4.4%	135,796	34,092	266,771	\$6.17
I-5 Corridor	661	25,695,338	1,358,093	1,382,705	5.4%	(157,054)	0	506,063	\$6.24
Lloyd District	122	2,136,662	17,141	17,141	0.8%	0	0	0	\$12.52
Northeast	1,837	70,150,232	3,067,102	3,164,163	4.5%	313,175	211,440	955,200	\$5.72
Northwest	357	13,325,313	510,637	527,837	4.0%	(99,872)	0	0	\$6.09
Skamania County	7	110,581	20,048	20,048	18.1%	0	0	0	\$0.00
Southeast	1,143	30,461,158	1,174,342	1,190,524	3.9%	120,852	0	190,600	\$7.61
Southwest	191	6,795,279	292,457	315,457	4.6%	20,359	0	91,000	\$6.47
Westside	287	13,493,100	172,899	172,899	1.3%	108,846	0	104,541	\$6.22
Totals	5,250	180,643,650	7,406,778	7,607,020	4.2%	442,102	245,532	2,114,175	\$6.29

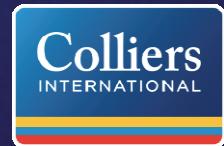
Source: CoStar Property®



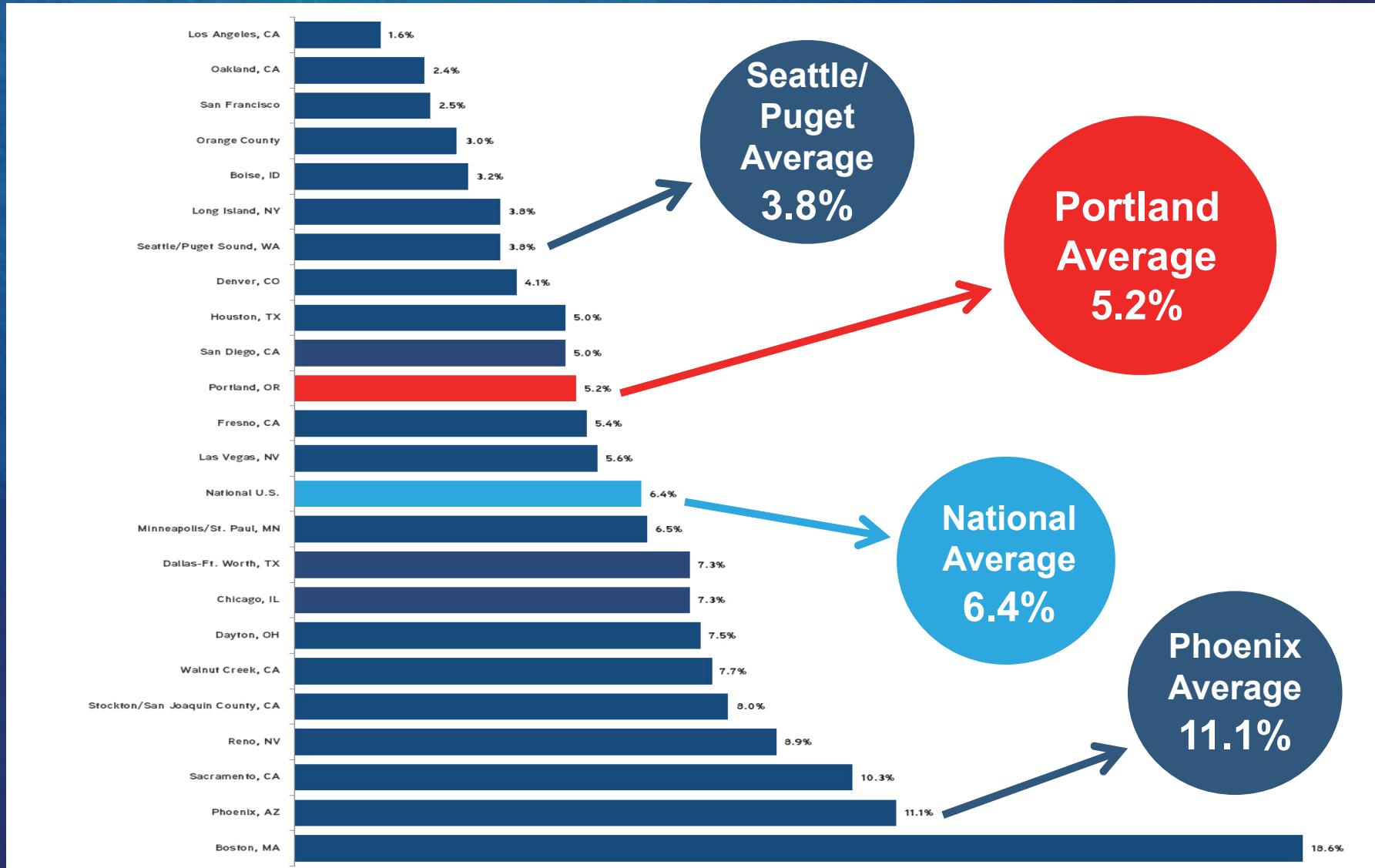
Industrial Market Cycle



SOURCE: Integra Realty Resources



2015 National Industrial Vacancy



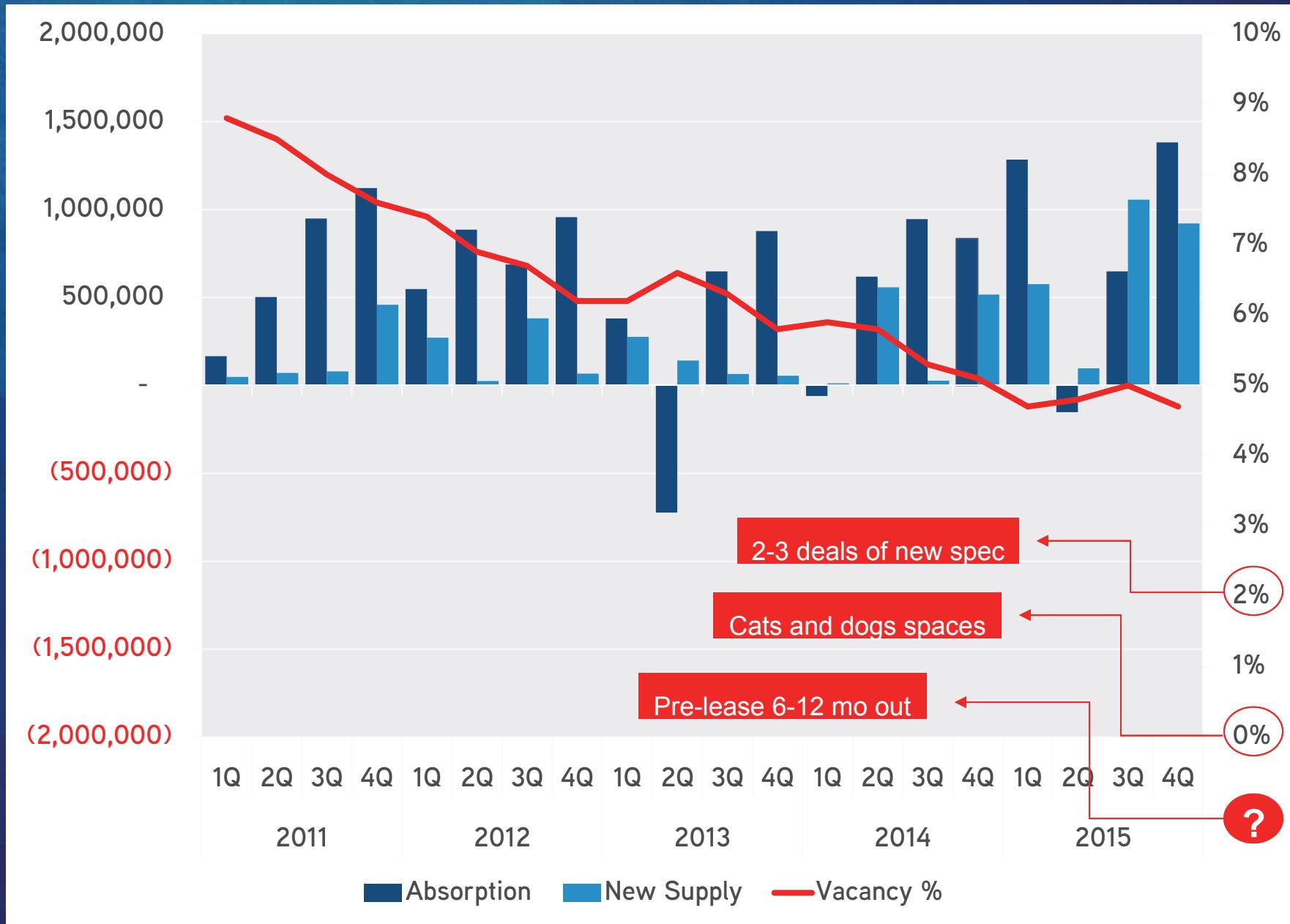
Behind the Numbers

What are the numbers not telling us?

- Quality of Remaining Vacancy & True Vacancy
- Sizes of Remaining Vacancies; # of Total Spaces
- Geographical Diversity of Deliveries
- Gap in Time to Delivery
- Erosion of Existing Inventory
- Who is Moving the Market?
- Construction Costs and Constraints



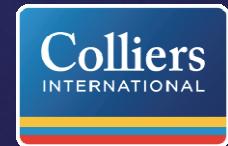
Vacancy & Absorption



Market Paradigm Shifts

What is your definition of close-in?

- **'Pay to Play or Go Far Away!'**
 - East Side – Industrial Getting Squeezed Out
- **New Faces in the Columbia Corridor**
 - Alternative Uses – Creative Office, Multi-Family, Mini-Storage and OMMP.
- **Geographic and Market Context**
 - Lakewood/ Puyallup & Inland Empire
 - Drive Time



Erosion of Close-In SE Inventory

A loss of 1.2 million SF since 2007

Year	Inventory		Vacant Percent		
	Bldgs	SF	Direct	Sublet	Total
YTD	1,285	26,893,633	2.4%	0.1%	2.5%
2015	1,288	26,882,723	2.7%	0.0%	2.7%
2014	1,297	27,188,106	2.6%	0.4%	3.0%
2013	1,324	27,505,446	3.8%	0.0%	3.9%
2012	1,339	27,633,458	3.4%	0.1%	3.5%
2011	1,338	27,620,093	4.5%	0.2%	4.7%
2010	1,338	27,653,593	5.9%	0.1%	6.0%
2009	1,340	27,665,293	5.4%	0.0%	5.4%
2008	1,343	27,738,389	4.2%	0.4%	4.6%
2007	1,358	28,125,891	4.6%	0.0%	4.6%

YTD → **26.9M SF**

2007 → **28.1M SF**



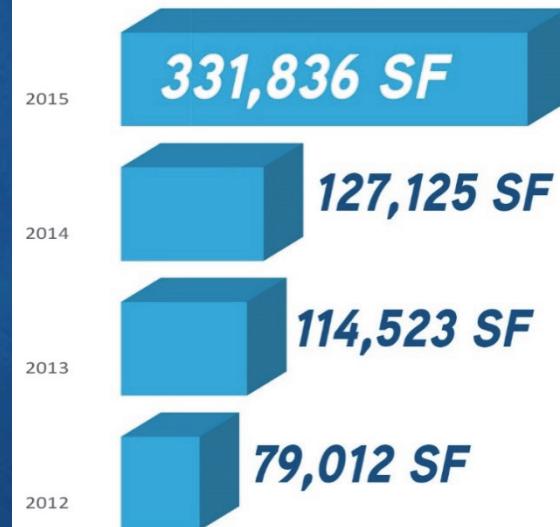
Market Paradigm Shifts

What is Portland's Bread and Butter?

- Average industrial tenant size is increasing
- Institutional Capital flows, both Foreign and Domestic, believe bigger is better
 - Top Industrial buyers: Norway, Canada, Singapore (public/private pension)
 - Size premium for assets with critical mass?

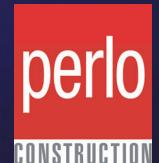
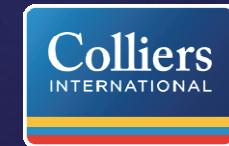
AVERAGE TOP 5 LEASE SIZE

The average size of top leases in the Portland-metro market is increasing year-over-year.



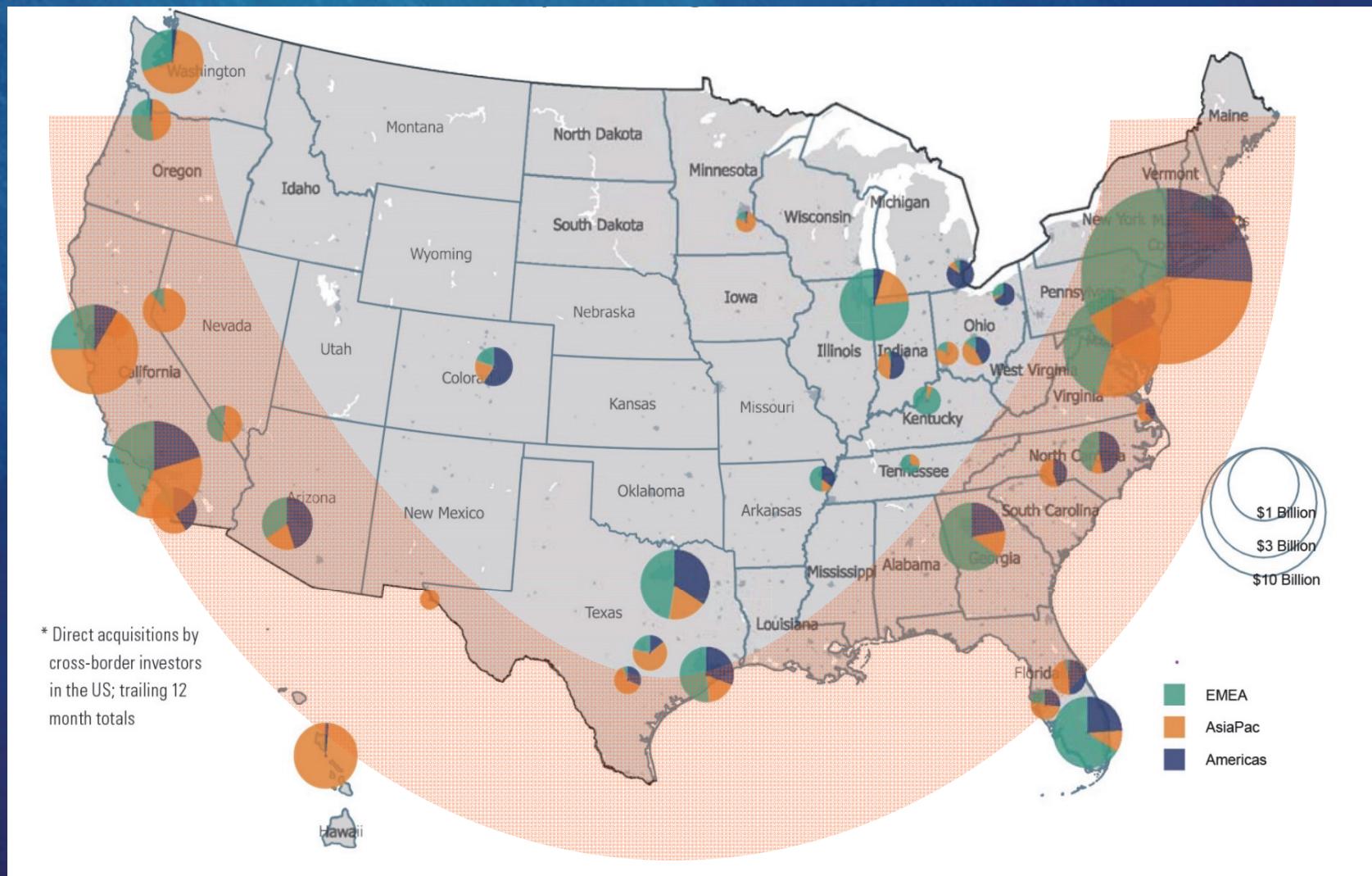
Major 2015 transactions include the below,

600,000 SF (Subaru)	
383,040 SF (Colliers)	
285,000 SF (Sunlight Supply, Inc.)	
162,000 SF (OnTrac)	
123,120 SF (Mergenthaler)	



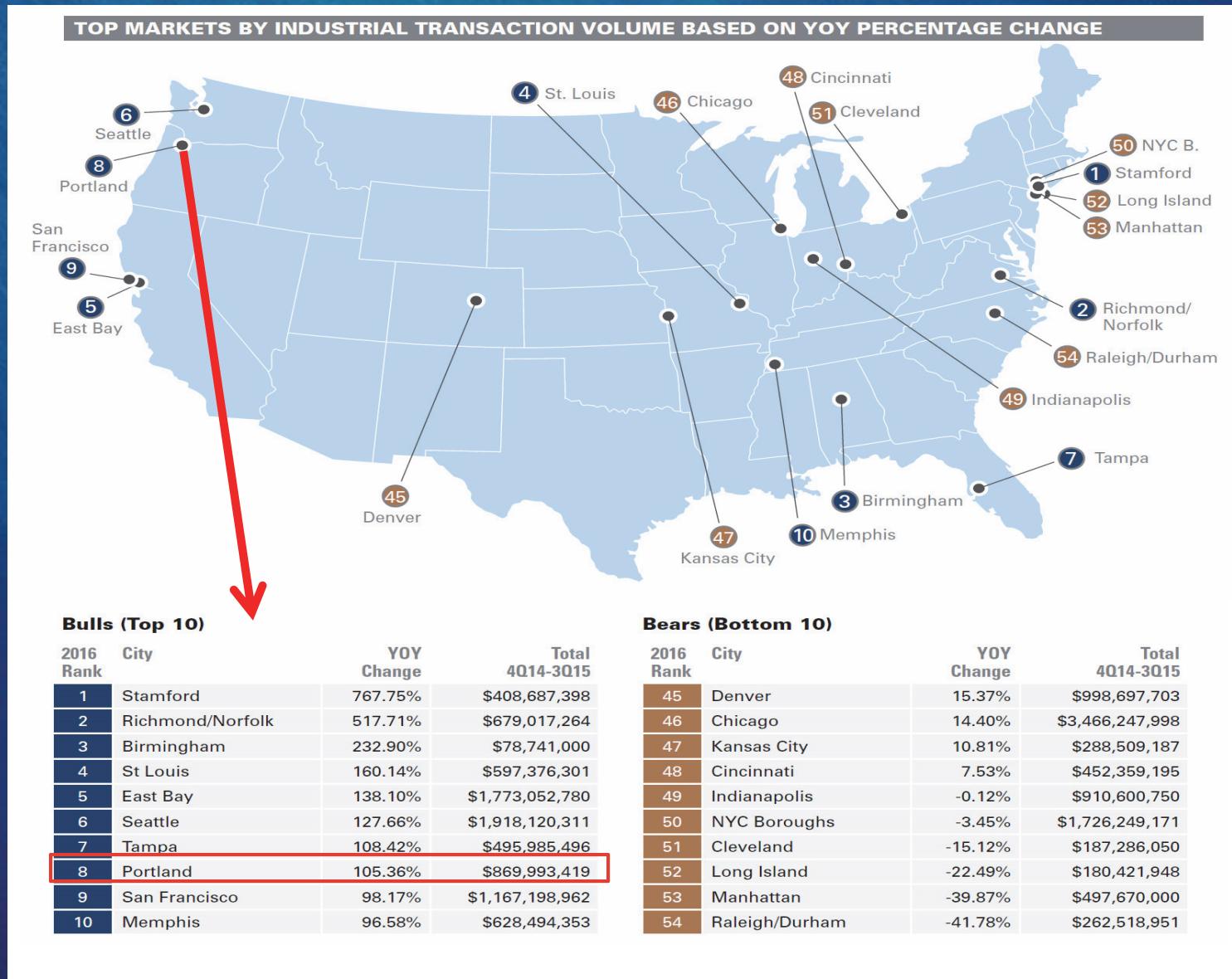
Who is Moving the Market?

U.S Acquisition Targets 2015

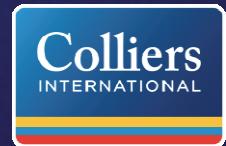


SOURCE: Real Capital Analytics

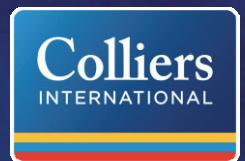
Year-Over-Year Sales Volume



SOURCE: Integra Realty Resources

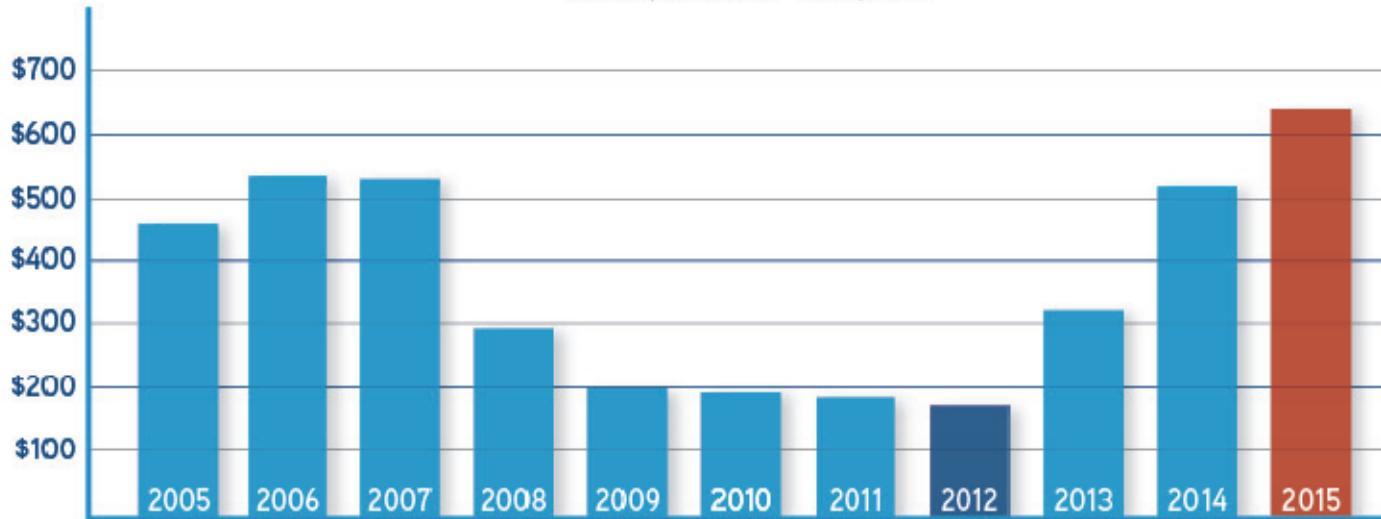


2015 - Historical Sale Volume & Pricing



MILLIONS

Annual Sale Volume

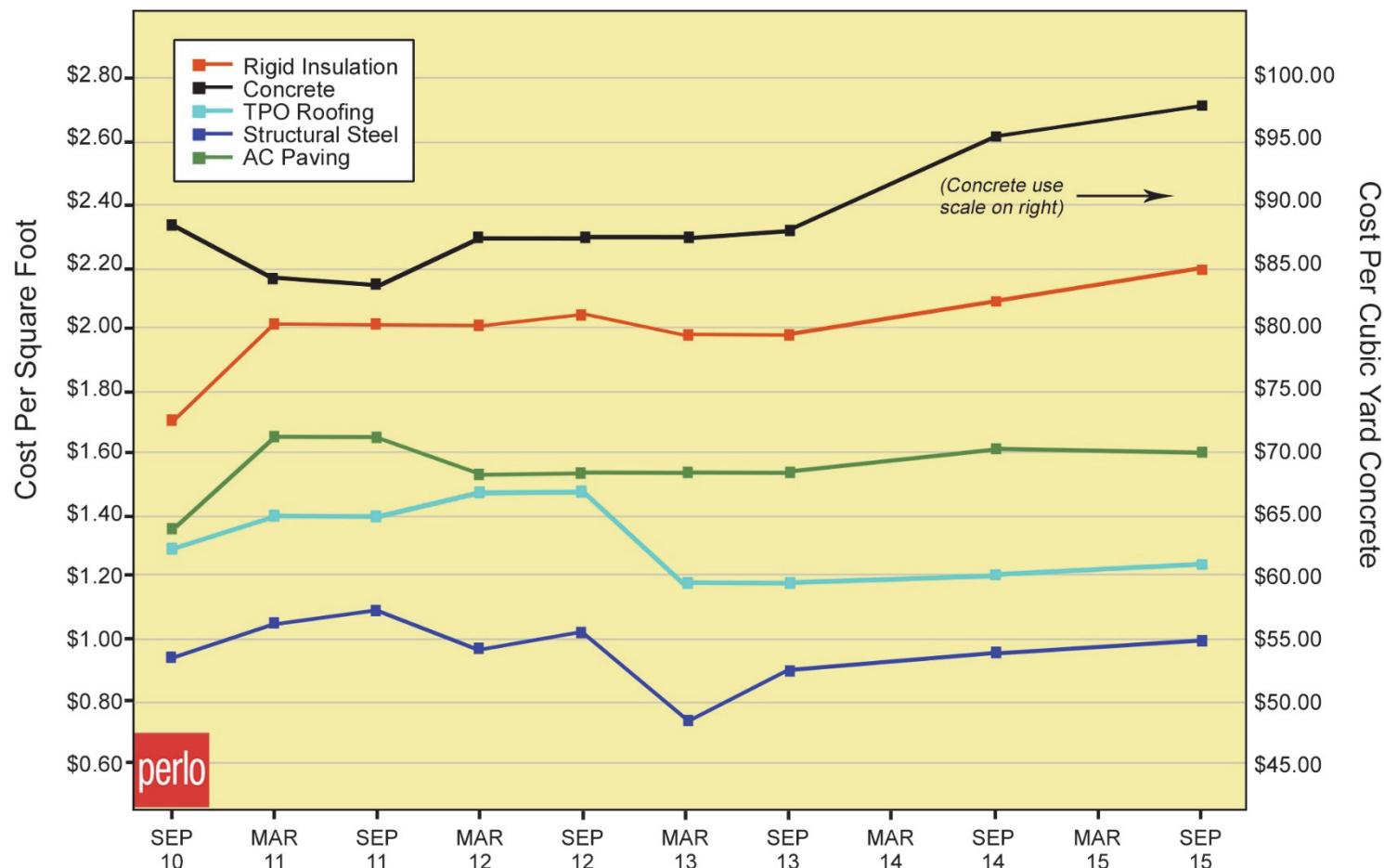


PSF

Average Sale Price Per SF



Building Components Cost Graph



PDX Logistics Center Phases I-III

The phases of the surcharge operation are illustrated below.



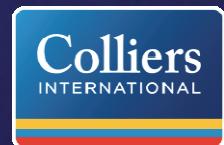
Construction Activity

Columbia Corridor

Project	Ownership/Developer	Status	SF
PDX Logistics Center, Phase I	Capstone	Completed	500,000
Gateway Corporate Center	New York Life	Completed	215,250
Prologis PDX 20	Prologis	Completed	204,000
Interstate Crossroads	Specht Properties	Completed	492,554
Cameron Distribution Center	Holland	Completed	320,795
Gateway Corporate Center (2 Buildings)	New York Life	Completed	200,000
PDX Logistics Center, Phase II	Capstone	Q3 2016	355,200
Colwood Industrial Park	Trammell Crow	Q3 2016	844,400
Logisticenter 185	Dermody Properties	Q4 2016	236,092
Airport Way Business Park	PacTrust	Q2 2017	110,620
PDX Logistics Center, Phase III	Capstone	Q3 2017	250,000
Southshore Industrial Center	Panattoni	Proposed	145,902
Rivergate Corporate Center V	Trammell Crow	Proposed	170,000
Total:			4,044,813

Other Locations

Project	Ownership/Developer	Status	SF
Alliance Packaging Hillsboro	Nike	Completed	128,035
Southwest Industrial Park	Trammel Crow	Completed	301,938
205 Logistics Center Clackamas	IPT	Oct-16	190,700
Portside Vancouver	Specht Properties	Nov-16	352,560
Hillsboro Majestic Business Park	Majestic	Dec-16	303,360
Total:			1,276,593



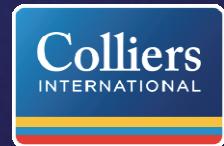
Construction Activity

Columbia Corridor

Project	Delivery Date	Total SF	% Leased	Remaining
PDX Logistics Center, Phase I	Completed	500,000	100%	0
Gateway Corporate Center	Completed	215,250	100%	0
Prologis PDX 20	Completed	204,000	100%	0
Interstate Crossroads	Completed	492,554	47%	261,054
Cameron Distribution Center	Completed	320,795	48%	166,813
Gateway Corporate Center (2 Buildings)	Completed	211,440	64%	77,000
PDX Logistics Center, Phase II	Q3 2016	355,200	100%	0
Colwood Industrial Park	Q3 2016	844,400	100%	0
Logisticenter 185	Q4 2016	144,000	0%	236,092
Airport Way Business Park	Q2 2017	110,620	0%	110,620
PDX Logistics Center, Phase III	Q3 2017	250,000	0%	250,000
Southshore Industrial Center	Proposed	145,902	0%	145,902
Rivergate Corporate Center V	Proposed	170,000	0%	170,000
Total SF Remaining:				1,417,481
% Remaining				35%

Other Locations

Project	Delivery Date	Total SF	% Leased	Remaining
Alliance Packaging Hillsboro	Completed	128,035	100%	0
Southwest Industrial Park	Completed	301,938	100%	0
205 Logistics Center Clackamas	Oct-16	190,700	100%	0
Portside Vancouver	Nov-16	352,560	46%	190,382
Hillsboro Majestic Business Park	Dec-16	303,360	0%	303,360
Total SF Remaining:				493,742
% Remaining				39%



Interstate Crossroads Distribution Center

492,554 Square Feet



Colwood Industrial Park



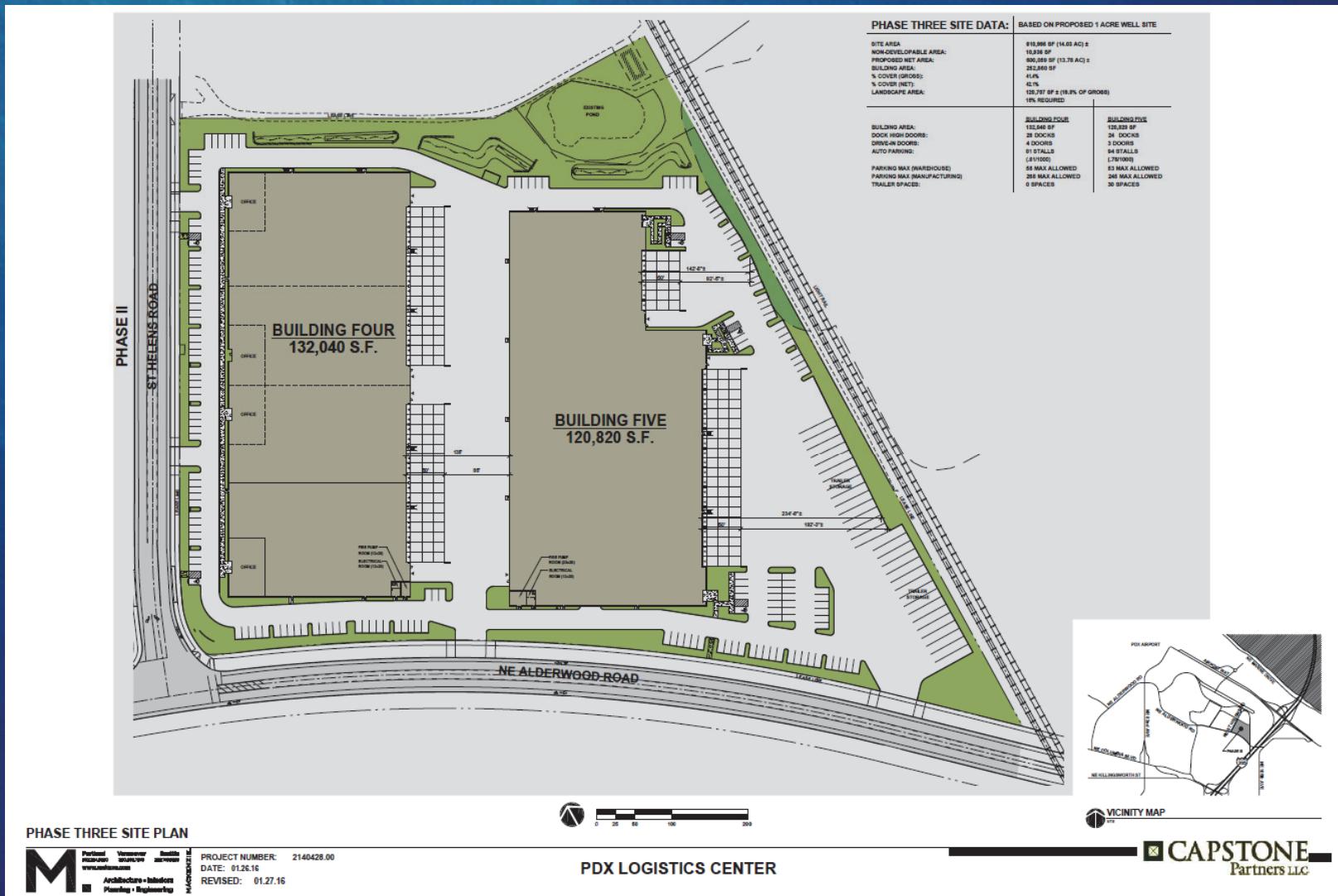
PDX Logistics Center, Phases I & II

1,099,287 Square Feet



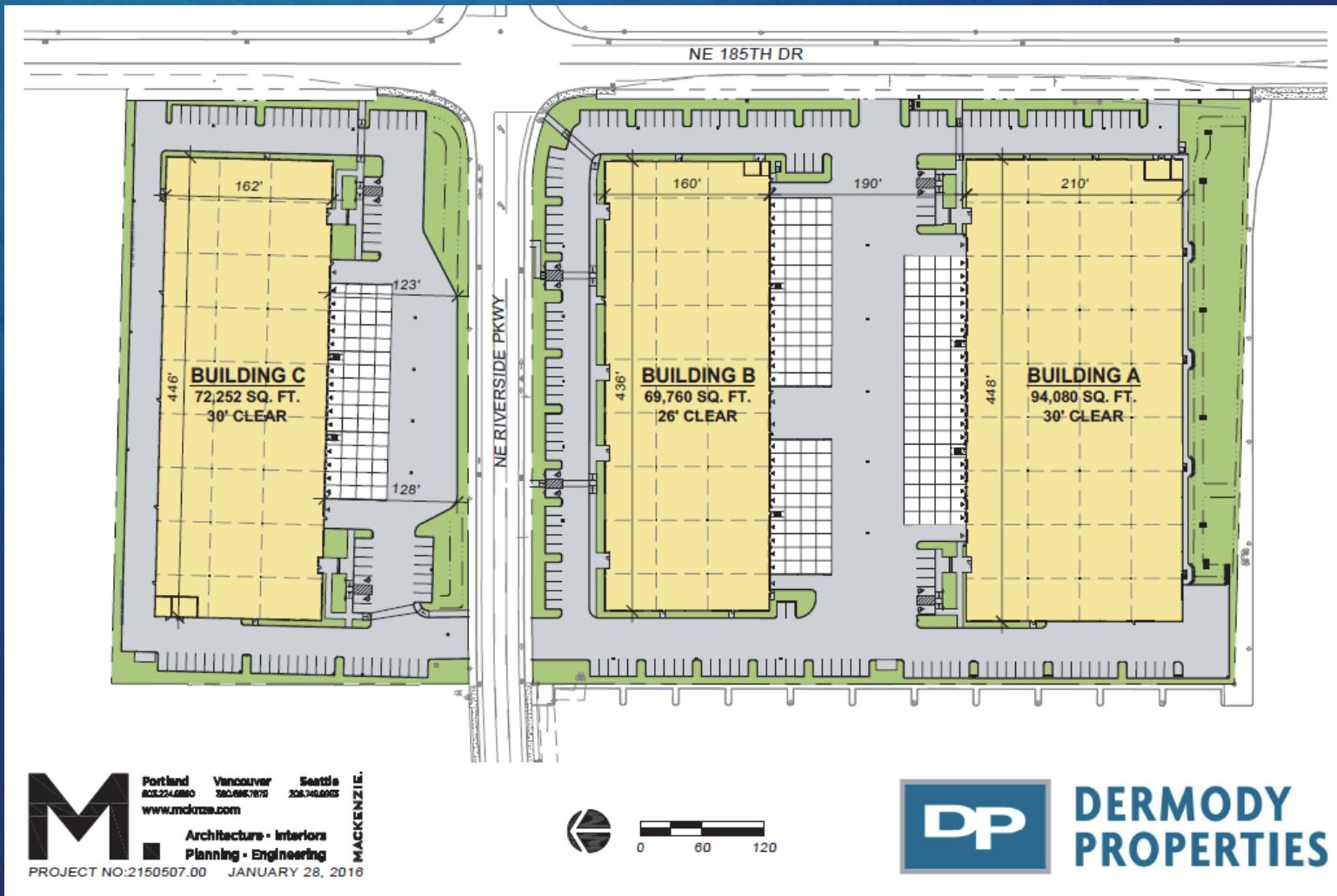
PDX Logistics Center, Phase III

250,000 Square Feet



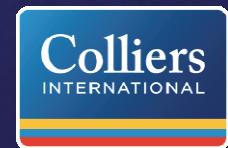
Logisticenter 185

236,092 Square Feet



Airport Way Business Park

110,620 Square Feet



Recent Columbia Blvd Activity



Our Forecast

- Construction costs will increase
- Available sites will be more challenging
- Constrained supply and longer lead times
- Smaller, more geographically diverse construction
- Increased sale prices on decreasing sales volume
- Deceleration of price and lease rate increases

