

Portland

2022 strongest year on record for Portland industrial market

- Yearly net absorption surpassed 5 million s.f. for the first time in market history
- Vacancy has reached an all time low of 3.4%, last seen in 2016
- Average direct asking rents increased at the fast clip since 2015, increasing 11.0% to \$0.81 p.s.f.
- Headwinds appearing, with available sublease space increasing by 13.8% year-over-year

2022 has proven to be a record-breaking year for the Portland Industrial market, largely due to the unprecedented level of leasing that has taken place over the last two years. The year ended with just under 5.2 million s.f. of positive absorption, making it the first year in Portland's history to cross the 5 million s.f. threshold. One of the largest drivers of the historic levels of absorption were pre-leased speculative developments, primarily within the I-5 South Corridor, NE Columbia Corridor, and Clark County. Though the Sunset Corridor experienced the largest move-in this year as Intel completed their D1X Mod3 expansion, adding 1.5 million s.f. to their Ronler Acres campus.

Current development levels have reached an all-time high with over 4.7 million s.f. delivering to the market this year, with an additional 4.2 million s.f. in the pipeline. New developments are mostly in their early stage, with the majority of product delivering late 2023 into early 2024. Prologis remains the largest speculative developer in the region with 23% of 2022 deliveries and 36% of the active construction pipeline.

While demand remains robust, there are signs that the market is moderating as seen by a notable decrease in year-over-year leasing volume. In 2021 there were 31 deals signed above 100,000 s.f., while just 11 deals were signed in 2022. Additionally, available sublease s.f. has increased by 13.8% year-over-year though, although this was mostly due to tenants outgrowing their existing space.

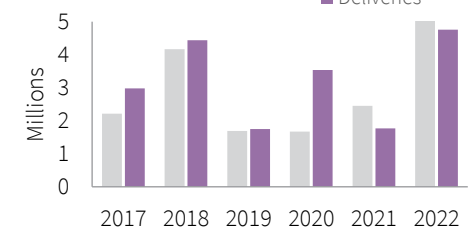
Outlook

Throughout 2022, the Portland Industrial market knocked over many records. However, looming economic uncertainty coupled with an increasing Federal Funds Rate, it is expected that the market will moderate with investment sales and new development being the most effected. At the same time, sublease space is being closely monitored as more big box users announce a "right sizing" of their real estate portfolio. While we acknowledge the current economic headwinds, Portland's relatively conservative pipeline coupled with robust demand will likely result in another strong year, although not quite what the market experienced over the past year.

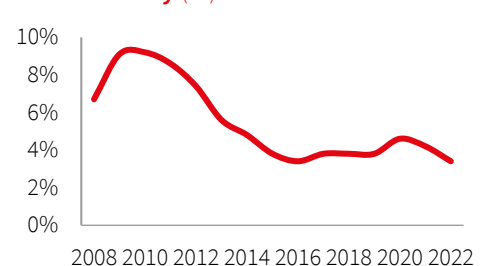
Fundamentals

	Forecast
YTD net absorption	5,170,307 s.f. ▲
Under construction	4,755,077 s.f. ▲
Total vacancy	3.4% ▼
Sublease vacancy	897,570 s.f. ▲
Direct asking rent	\$0.81 p.s.f. ▲
Sublease asking rent	\$0.67 p.s.f. ▲
Concessions	Stable ►

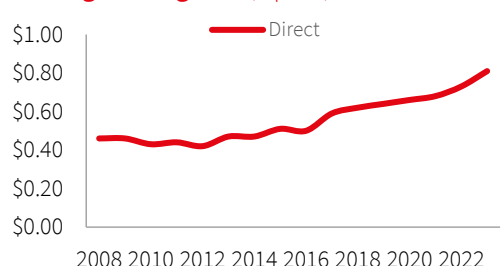
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Portland total										
Warehouse & Distribution	154,294,846	1,272,443	3,216,124	2.1%	3.7%	6.2%	\$0.79	948,493	2,888,200	3,868,285
Manufacturing	43,516,845	45,771	1,954,183	4.5%	2.0%	2.0%	\$0.92	0	1,866,877	450,985
Overall Total	197,811,691	1,318,214	5,170,307	2.6%	3.4%	5.3%	\$0.80	948,493	4,755,077	4,319,270
Clark County total										
Warehouse & Distribution	18,164,427	1,552	440,084	2.4%	3.4%	13.2%	\$0.81	0	693,158	2,268,903
Manufacturing	4,122,808	-14,000	56,614	1.4%	0.8%	1.3%	\$0.84	0	0	0
Overall Total	22,287,235	-12,448	496,698	2.2%	2.9%	11.2%	\$0.81	0	693,158	2,268,903
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Eastside total										
Warehouse & Distribution	89,019,737	262,796	1,069,757	1.2%	4.4%	6.4%	\$0.79	352,970	822,306	1,437,839
Manufacturing	19,100,446	71,306	88,695	0.5%	3.1%	3.2%	\$0.88	0	160,964	0
Overall Total	108,120,183	334,102	1,158,452	1.1%	4.2%	5.9%	\$0.80	352,970	983,270	1,437,839
Hayden Island/Swan Island										
Warehouse & Distribution	6,858,257	-11,210	197,861	2.9%	8.7%	9.2%	\$0.78	0	0	293,480
Manufacturing	2,564,112	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	9,422,369	-11,210	197,861	2.1%	6.3%	6.8%	\$0.78	0	0	293,480
Industrial Close In Eastside										
Warehouse & Distribution	6,331,555	-14,522	-53,690	-0.8%	9.0%	6.6%	\$1.01	0	0	0
Manufacturing	1,737,434	384	4,919	0.3%	10.6%	7.2%	\$1.57	0	0	0
Overall Total	8,068,989	-14,138	-48,771	-0.6%	9.3%	6.7%	\$1.17	0	0	0
NE Columbia Corridor										
Warehouse & Distribution	41,111,051	325,166	540,197	1.3%	3.9%	7.4%	\$0.78	352,970	822,306	758,449
Manufacturing	7,045,100	90,894	0	0.0%	3.5%	3.5%	\$0.58	0	0	0
Overall Total	48,156,151	416,060	540,197	1.1%	3.8%	6.9%	\$0.76	352,970	822,306	758,449
Outer SE										
Warehouse & Distribution	972,473	-3,720	3,780	0.4%	2.6%	4.0%	\$0.78	0	0	0
Manufacturing	186,387	-15,000	-15,000	-8.0%	8.0%	21.1%	\$0.75	0	0	0
Overall Total	1,158,860	-18,720	-11,220	-1.0%	3.5%	6.8%	\$0.76	0	0	0
Rivergate										
Warehouse & Distribution	13,603,503	63,900	281,258	2.1%	3.3%	3.9%	\$0.69	0	0	0
Manufacturing	2,103,649	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	15,707,152	63,900	281,258	1.8%	2.9%	3.3%	\$0.69	0	0	0
Clackamas/Milwaukie										
Warehouse & Distribution	20,142,898	-96,818	100,351	0.5%	3.5%	5.2%	\$0.79	0	0	385,910
Manufacturing	5,463,764	-4,972	98,776	1.8%	2.8%	3.8%	\$0.89	0	160,964	0
Overall Total	25,606,662	-101,790	199,127	0.8%	3.4%	4.9%	\$0.81	0	160,964	385,910
Westside total										
Warehouse & Distribution	47,110,682	1,008,095	1,706,283	3.6%	2.6%	2.6%	\$0.78	595,523	1,372,736	161,543
Manufacturing	20,293,591	-11,535	1,808,874	8.9%	1.3%	0.9%	\$1.11	0	1,705,913	450,985
Overall Total	67,404,273	996,560	3,515,157	5.2%	2.2%	2.1%	\$0.82	595,523	3,078,649	612,528
CBD/NW/Guilds Lake										
Warehouse & Distribution	10,101,111	117,557	224,930	2.2%	3.5%	5.8%	\$0.70	0	187,546	0
Manufacturing	3,986,405	-3,029	-18,329	-0.5%	1.4%	1.0%	\$0.00	0	0	0
Overall Total	14,087,516	114,528	206,601	1.5%	2.9%	4.5%	\$0.70	0	187,546	0
217 Corridor/Beaverton										
Warehouse & Distribution	4,735,700	-36,292	136,420	2.9%	3.2%	2.4%	\$0.85	0	0	0
Manufacturing	1,378,820	0	60,000	4.4%	3.1%	3.1%	\$1.54	0	0	0
Overall Total	6,114,520	-36,292	196,420	3.2%	3.2%	2.6%	\$1.14	0	0	0
I-5 South Corridor										
Warehouse & Distribution	22,847,228	601,562	917,478	4.0%	2.4%	1.6%	\$0.84	325,548	915,215	148,279
Manufacturing	5,153,488	-11,700	63,367	1.2%	1.9%	1.3%	\$0.82	0	0	450,985
Overall Total	28,000,716	589,862	980,845	3.5%	2.3%	1.6%	\$0.83	325,548	915,215	599,264
Sunset Corridor										
Warehouse & Distribution	9,123,880	325,268	400,632	4.4%	1.3%	1.0%	\$0.76	269,975	269,975	13,264
Manufacturing	9,670,569	3,194	1,703,836	17.6%	0.7%	0.3%	\$0.99	0	1,705,913	0
Overall Total	18,794,449	328,462	2,104,468	11.2%	1.0%	0.7%	\$0.80	269,975	1,975,888	13,264
SW Close In										
Warehouse & Distribution	302,763	0	26,823	8.9%	18.4%	18.4%	\$1.17	0	0	0
Manufacturing	104,309	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	407,072	0	26,823	6.6%	13.7%	13.7%	\$1.17	0	0	0