

FIGURES | PORTLAND INDUSTRIAL | Q3 2024

# Negative absorption moderates as Portland’s industrial market stabilizes

▲ 5.4%

Overall Vacancy

▲ (124K)

SF Net Absorption

▲ 3.3M

SF Under Construction

▲ 1.6M

SF Delivered YTD

Note: Arrows indicate year-over-year change

MARKET OVERVIEW

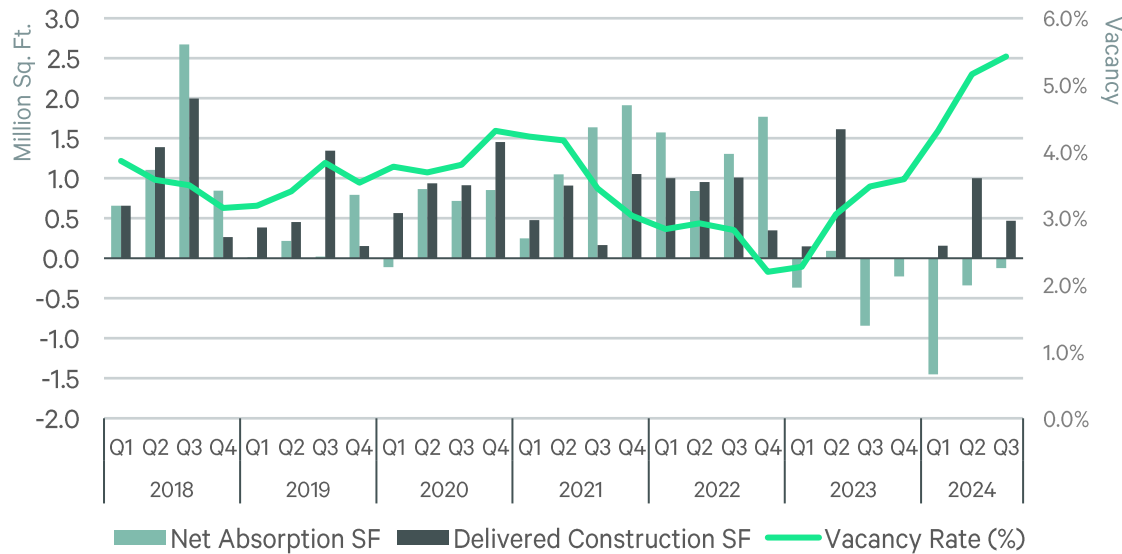
The Portland industrial market observed negative 124k sq. ft. of net absorption in Q3, driving YTD net absorption to negative 1.6 sq. ft. However, that absorption figure is an improvement over the first two quarters of 2024 as seen in figure 1 and may signal a shift towards positive absorption in future quarters. Vacancy rose 20 basis points (bps) quarter-over-quarter (QOQ), landing at 5.4% market wide.

The area’s largest industrial lease in the recent history was signed in Q3 at Burnt Creek Industrial Center, a 682k sq. ft. building delivered by Panattoni in 2023. An undisclosed food group leased the entire building, a move that may instill confidence in other developers hoping to find tenants for first generation Clark County spaces.

Landlord sentiment was mixed in Q3: while some landlords have continued to pursue a rent-growth strategy, others have pivoted to focus more on occupancy at the expense of high rental rates. As a result, occupiers in select submarkets and size ranges were able to negotiate leases at slightly lower-than-asking rental rates or with additional concessions that were not common in 2022 or 2023. Still, developers are anticipating strong rent growth in the mid-term future, particularly in newly constructed Class A product.

While the Portland market has seen vacancy rise in recent quarters, the market is anticipated to see a total of only 1.8M sq. ft. of new construction deliver in 2024 after several construction projects pushed their projected completion dates into 2025. This figure makes up less than one percent of the current Portland industrial inventory. As such, investors and leasing professionals are both confident that Portland’s industrial supply and demand dynamics are healthy, and there is still room in the market to go forward with speculative construction projects.

FIGURE 1: Net Absorption, Construction, and Vacancy



Source: CBRE Research Q3 2024

## Net Absorption and Leasing Trends

Leasing activity, including new leases and renewals, landed at 2.3M sq. ft. in Q3, outpacing the quarterly average of 2.0M sq. ft. since 2015. Net absorption hit negative 124k sq. ft. for the quarter, marking the strongest absorption quarter since Q2 2023.

Significant move-outs contributing to negative absorption include Redmond Industries and JCB Packaging. Positive absorption events include Interstate Batteries, Ball Corp., and Tire Group International.

## Vacancy and Availability

The market-wide vacancy rate was 5.4% at the end of Q3, up 190 bps YOY. The market-wide availability rate rose to 6.3%, up 130 bps YOY. Sublease availability reached 3.1M sq. ft., up from 2.3M in Q3 2023.

Northeast and Northwest continue to be the submarkets with the most available space, accounting 60% of all available space on the market. The submarkets also have the highest availability rates, at 8.7% and 10.1%, respectively.

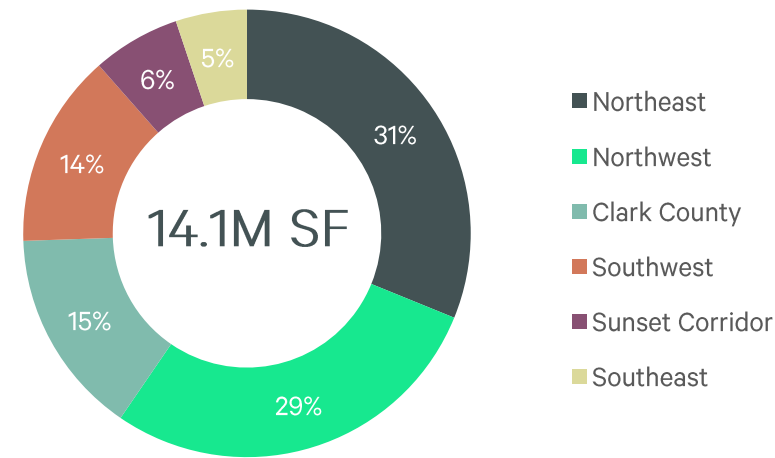
Buildings under 100,000 sq. ft. are maintaining the lowest levels of vacancy, as seen in Figure 3. Buildings in the 100,000-249,999 sq. ft. range have the highest vacancy rate by size range, at 7%.

TABLE 1: Q3 2024 Key Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type
Undisclosed Food Tenant	681,780	Burnt Creek Industrial	Clark County	New Lease
Purina Animal Nutrition	150,000	Kelley Point Distribution Center	Northwest	Renewal
Medallion Industries, Inc.	100,492	Columbia Gateway	Northwest	New Lease
Tire Group International	95,452	Prologis Park 19	Northeast	New Lease
LAM Research	47,000	Cipole Industrial Park	Southwest	Expansion

Source: CBRE Research Q3 2024

FIGURE 2: Availability by Submarket



Source: CBRE Research Q3 2024

FIGURE 3: Available Sq. Ft. and Vacancy Rate by Building Size Range



Source: CBRE Research Q3 2024

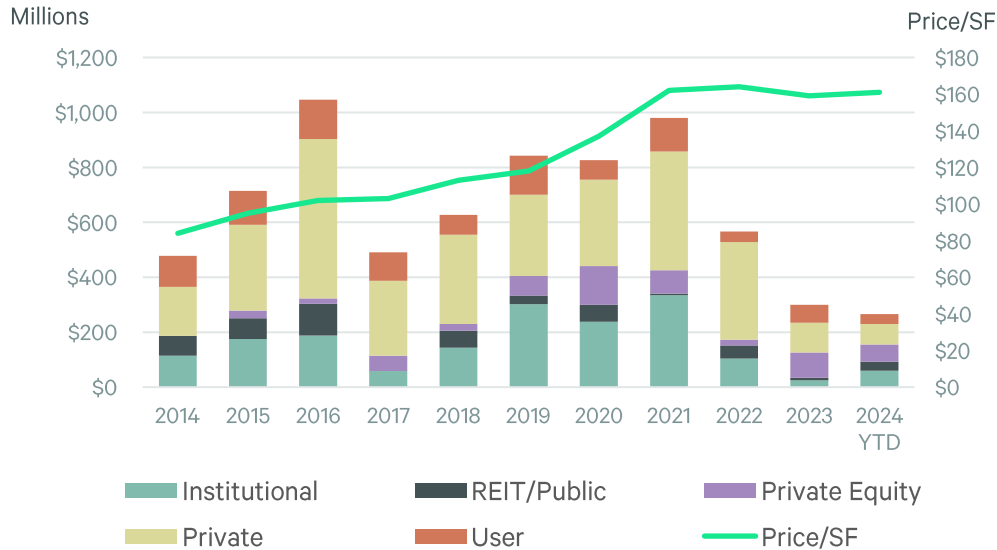
## Industrial Rental Rates and Investment Trends

Average overall asking rental rates on new deals and renewals are currently ranging between \$0.80-0.97/sq. ft. NNN for large Class A warehouse spaces. On a year-over-year basis, the market has continued its path of rental rate growth. However, the potential for more negative absorption in 2024 and the relatively modest rate of new construction leasing has tempered short-term expectations for overall rate growth to continue at the same pace. That said, in submarkets and size ranges that still have scarce availability (Southwest, Sunset Corridor, e.g.), rent growth is likely to outperform the overall market.

While sales volume has decreased since 2021, industrial remains a preferred property type for investors. Out of all the West Coast markets, Seattle has seen the strongest institutional capital activity in recent quarters, while Portland and California markets have lagged in comparison.

A lack of institutional industrial asset sales in Portland has left buyers and sellers uncertain about how to price assets in a largely untested market. Investors expect activity to pick up in the last quarter of 2024 and into 2025 with several large assets currently being marketed.

FIGURE 4: Historical Sales Volume by Buyer Type & Sale Price Per SF



Source: CBRE Research Q3 2024, Costar

TABLE 2: Q3 2024 Key Sales Transactions

Property	Size (SF)	Submarket	Sale Price	Price/Sq. Ft.	Buyer / Seller
NW Corporate Park	195,342	Northwest	\$27,740,000	\$142	Exeter / Prologis
6305 NW Old Lower River Rd	60,731	Clark County	\$15,600,000	\$257	Port of Vancouver / Hickey Family Company
3905 NE 112th Ave	38,210	Clark County	\$6,750,000	\$177	SEH America Inc / Controltek
2311 E First St	23,220	Clark County	\$6,100,000	\$263	JoeScan / Private Seller
1212 W Fourth Plain Blvd	38,000	Clark County	\$5,500,000	\$145	Al Angelo Company / WL May Company

Source: CBRE Research Q3 2024, Costar

FIGURE 5: Class A Direct Asking Shell NNN Rental Rate Range (For Existing Spaces 50k+ Sq. Ft.)



Source: CBRE Research Q3 2024

## Development Activity

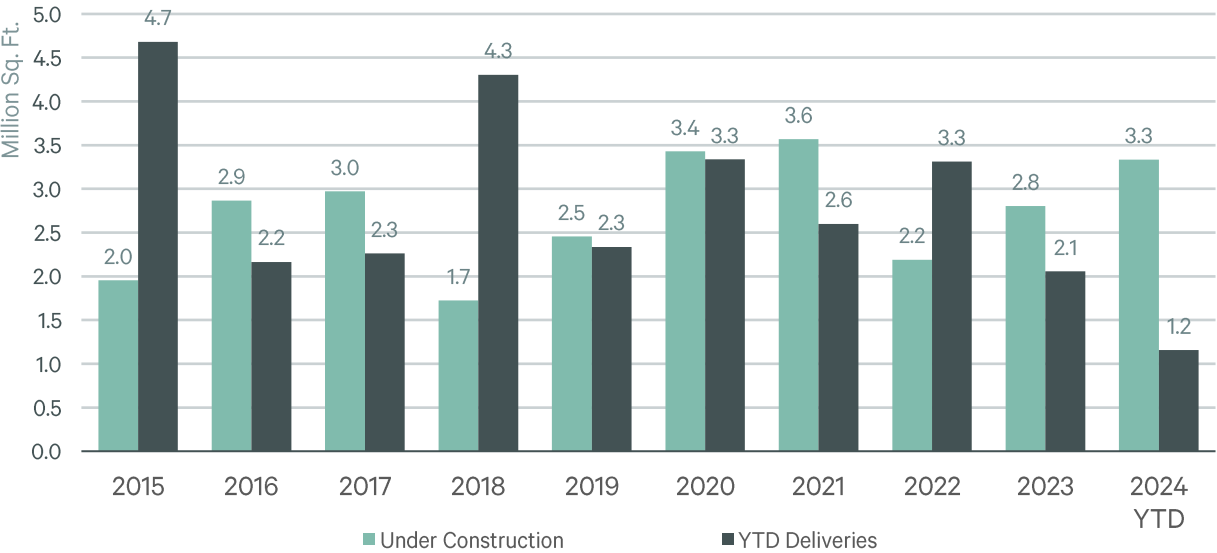
Portland's industrial development pipeline consists of approximately 3.3M sq. ft. across various active construction projects. Hidden Glen Industrial Center and Camas Meadows Business Park delivered during the third quarter, adding roughly 471k square feet of net rentable space in Clark County.

Phelan Development began construction on three industrial buildings in Tualatin, OR. The project, Hedges Creek Industrial Park, will consist of three roughly 150k sq. ft. buildings for a total of 442,035 net rentable sq. ft. in the Southwest submarket.

With 1.6M sq. ft. delivered YTD and roughly 250k sq. ft. more expected before the end of 2024, the annual total is expected to be 1.8M sq. ft. of newly delivered space. That equals less than one percent of the current Portland industrial inventory. While this may drive vacancy in the short term, most industry professionals assert that Portland's supply and demand dynamics are healthy and stable, particularly when compared to fast-growing markets with 10s of millions of sq. ft. in their active development pipelines.

In Kelso, Washington, positioned approximately 50 miles north of Portland, Trammell Crow Company is spearheading the development of the Mid I-5 Industrial Park, encompassing 1.2M sq. ft. This endeavor, situated on an expansive 82-acre parcel, currently stands as the largest speculative development in the Pacific Northwest.

FIGURE 6: Annual Development Activity



Source: CBRE Research Q3 2024

TABLE 3: Notable Projects Under Construction

Submarket	Property Name	Address	Developer	SPEC/BTS	Size (SF)	Est. Completion
Cowlitz County	Mid I-5 Industrial Park*	2700 Talley Way	Trammell Crow	SPEC	1,185,600	Q1 2025
Clark County	Bridge Point Vancouver	NE 162nd Ave & 58th St	Bridge Industrial	SPEC	646,274	Q1 2025
Northeast	Grainger Industrial Supply	NE Glisan St	Specht	BTS	530,000	Q1 2025
Clark County	Harmony Industrial Park (2 Buildings)	18712 SE 1st Ave	Panattoni	SPEC	456,698	TBD
Southwest	Hedges Creek Industrial Park (3 Buildings)	SW Myslony St	Phelan	SPEC	442,035	Q3 2025
Southwest	Rock Creek Corporate Center	13700 SW Commerce Cir	Panattoni	SPEC	407,263	Q1 2025
Sunset Corridor	Sewell Corporate Park (2 Buildings)	4915 NE Sewell Ave	Trammell Crow	SPEC	388,958	Q2 2025
Northeast	Sandy Logistics Center	12350 NE Sandy Blvd	Prologis	SPEC	256,548	Q4 2024

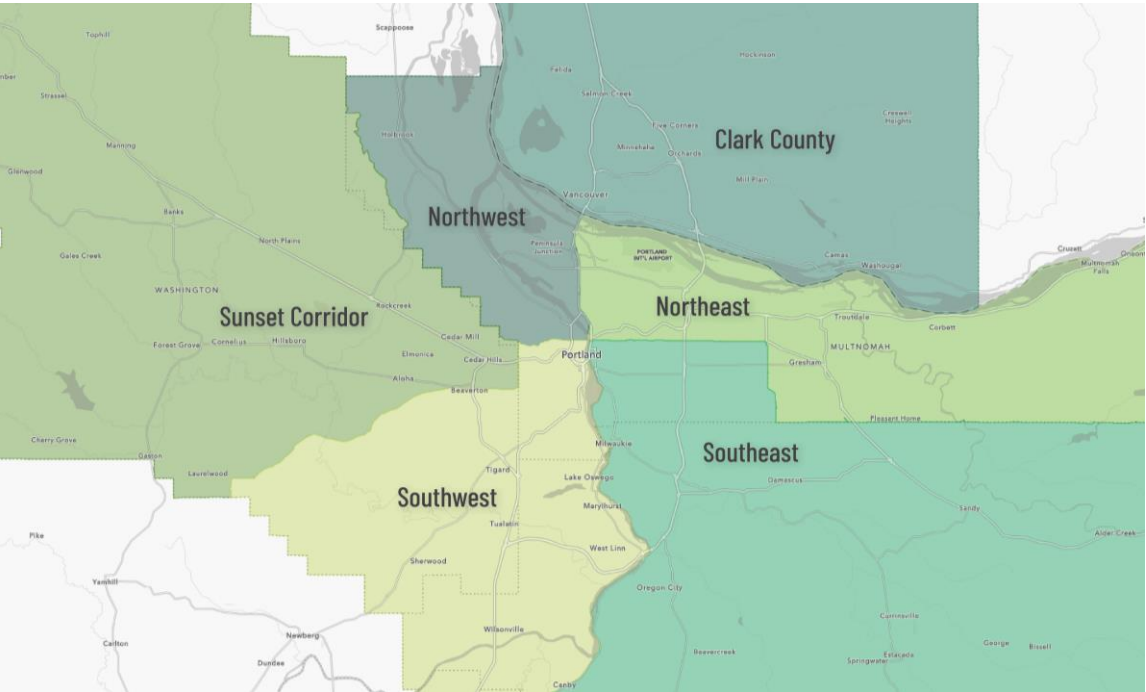
Source: CBRE Research Q3 2024. \*Outside of Portland MSA and not included in statistics.

TABLE 4: Market Statistics by Submarket and Size Range

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Q3 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	YTD Deliveries (SF)
Base Figures								
Northeast	50,534,766	6.9%	8.7%	1,412,837	103,436	(872,092)	789,835	216,669
Northwest	39,816,010	9.2%	10.1%	719,020	(593,960)	(1,084,545)	0	0
Southeast	31,333,727	1.5%	2.3%	105,715	84,777	85,035	0	0
Southwest	40,042,259	4.0%	4.9%	656,644	(132,725)	(167,113)	849,298	445,007
Sunset Corridor	32,437,552	2.0%	2.8%	113,805	51,831	36,289	590,708	155,500
Clark County	28,242,691	7.7%	7.4%	114,694	362,934	383,243	1,104,460	809,568
Total	222,407,005	5.4%	6.3%	3,122,715	(123,707)	(1,619,183)	3,334,301	1,626,744
Figures by Size Range								
0-49,000 SF	63,441,190	3.8%	5.1%	568,899	48,857	(440,406)	-	0
50,000-99,999 SF	45,195,487	4.4%	5.3%	722,808	(180,600)	(249,800)	-	71,600
100,000-249,999 SF	56,195,080	7.0%	8.8%	869,818	158,086	(258,961)	1,165,048	1,271,522
250,000-600,000 SF	37,199,585	6.7%	8.0%	946,190	(150,050)	(637,889)	1,521,491	283,622
600,000+ SF	20,375,663	6.1%	2.7%	15,000	-	(32,127)	647,762	0
Total	222,407,005	5.4%	6.3%	3,122,715	(123,707)	(1,619,183)	3,334,301	1,626,744

Source: CBRE Research Q3 2024

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied immediately..

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in Multnomah, Washington, Clackamas, and Clark counties. Buildings which have begun construction as evidenced by site excavation or foundation work.

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