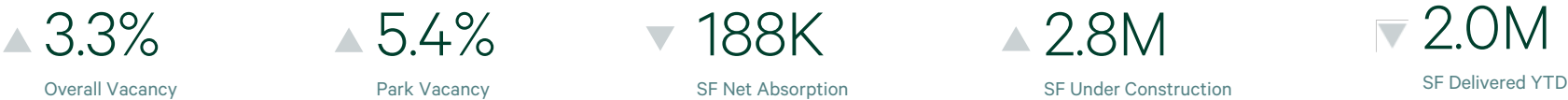


FIGURES | PORTLAND INDUSTRIAL | Q4 2023

Disciplined Industrial Development to Provide Opportunities in 2024

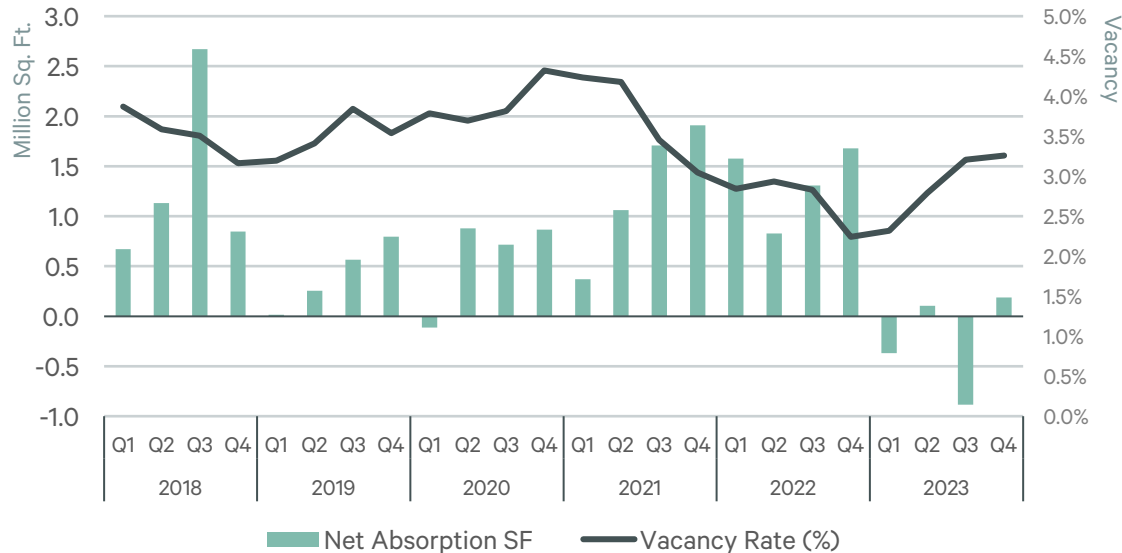


Note: Arrows indicate year-over-year change

MARKET OVERVIEW

At the conclusion of 2023, Portland’s industrial market-wide vacancy rate stands at 3.3%, a figure below the 10-year average of 3.6%, albeit registering a 100 basis-point (bps) year-over-year (YoY) increase. Industry professionals with a national scope note that Portland still boasts one of the tightest markets in the country with vacant space representing less than 4% of the total market inventory. Portland’s industrial sector experienced positive net absorption of 188,493 square feet (sq. ft.) in Q4 2023, bringing the year-to-date (YTD) figure to approximately negative 961,000 sq. ft. This negative figure is noteworthy but represents less than one percent of the market’s total product. Two prominent lease transactions in the fourth quarter include JH Kelly’s 259,148 sq. ft. sublease at Sunlight Supply, which they’ve already occupied, and Interstate Batteries’ 161,151 sq. ft. lease at Camas Meadows Business Park, which is currently under construction in Clark County and anticipated to be operational in Q2 2024. The industrial development landscape concluded Q4 2023 with a healthy pipeline of 2.8 million sq. ft., of which 81% is speculative construction. Developers with proposed projects who did not initiate a start in 2023 are likely waiting for the economic outlook to become more defined in 2024. Noteworthy trends in asking rental rates for new leases reveal a slight quarter-over-quarter increase. In the fourth quarter of 2023 Class A buildings experienced metro-wide asking rates between \$0.80-0.95/sq. ft. on a triple net (NNN) basis for spaces exceeding 50,000 sq. ft.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research Q4 2023

Net Absorption and Leasing Trends

In response to the volatile economic conditions prevailing in 2023 and the gradual resolution of supply chain disruptions, corporate entities have exhibited a reduced pace of absorption compared to historical norms. The Portland industrial market recorded 188,493 sq. ft. of positive net absorption in the fourth quarter of 2023, culminating in a year-to-date deficit of approximately 961,000 sq. ft. Despite its significance, this figure remains below the threshold of one percent in relation to the overall market inventory. The most significant move-out in the fourth quarter is Cascade Tissue, vacating 325,000 sq. ft. at Marine Drive Distribution Center. Conversely, Looptworks has moved into their 92,000 sq. ft. space at Halsey Industrial Center and Silkcraft of Oregon has occupied their 91,000 sq. ft. space at Interstate Crossroads Distribution Center, relocating from 3324 NW Marine Drive. Outside of this, tenants under 100,000 sq. ft. accounted for over 90% of Q4’s net absorption. Against this backdrop of nuanced corporate relocations, leasing activity exhibited a marginal reduction in the quarter, recording a volume of 1.5-million square feet. A comparative analysis with the full year 2022 reveals an 18% decline in total leasing volume.

Vacancy and Availability

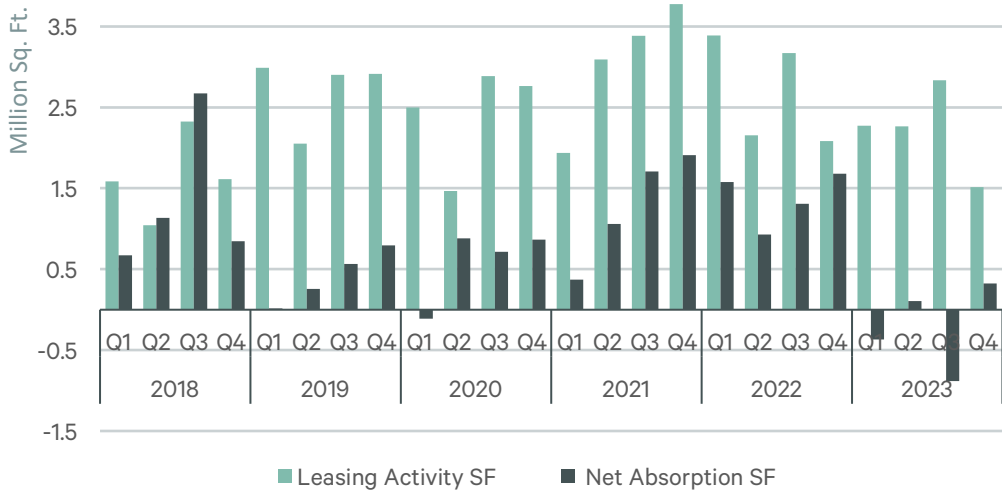
As of the culmination of 2023, the industrial market in Portland discloses a citywide vacancy rate of 3.3%, underscoring a level beneath the 10-year mean of 3.6%, albeit exhibiting a year-over-year increase of 100 basis points. Within the spectrum of available space, a discernible scarcity is observed in industrial buildings measuring 50,000 sq. ft. and smaller, in stark contrast to their counterparts within the 100,000 –250,000-sq. ft. size bracket, which boasts an availability rate of 6.3%. The Sunset Corridor stands as the most constrained submarket within the metropolitan area, revealing a vacancy rate of 1.6%, while Northeast Portland harbors a comparatively higher vacancy rate of 4.6%. Furthermore, it is noteworthy that Portland witnessed a reduction in the industrial sublease availability rate during Q4, as depicted in Figure 4, marking the first instance of decline since a pronounced upswing characterized the initial half of 2023.

TABLE 1: Q4 2023 Key Lease Transactions

Tenant	Size (SF)	Location	Submarket	Lease Type
JH Kelly LLC	259,148	Sunlight Supply	Clark County	Sublease
Interstate Batteries	161,151	Camas Meadows Business Park	Clark County	New Lease
Major Apparel Manufacturer	112,031	217 Distribution Center	Southwest	Renewal
BMWC Constructors	100,000	Teton Commerce Center	Southwest	New Lease
Lanter Delivery Systems	94,643	Alderwood Corporate Center III	Northeast	Renewal

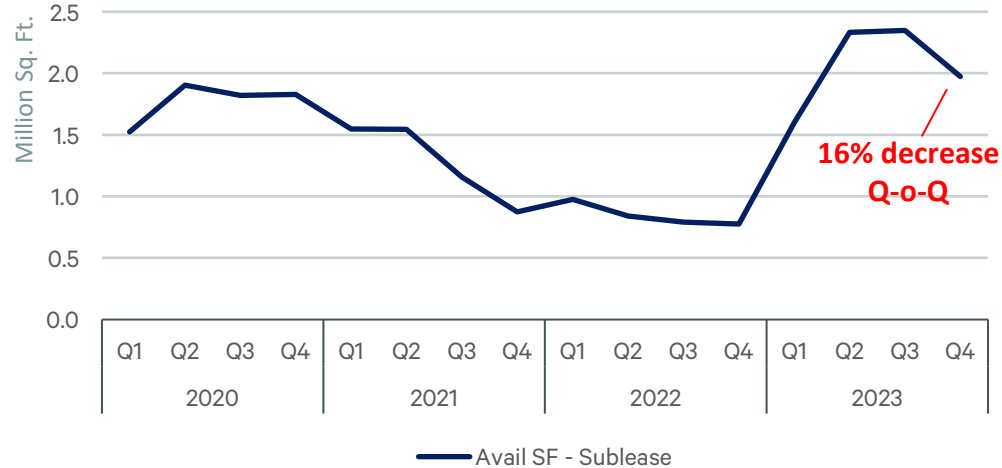
Source: CBRE Research Q4 2023

FIGURE 2: Historical Leasing Activity and Net Absorption



Source: CBRE Research Q4 2023

FIGURE 3: Historical Sublease Availability



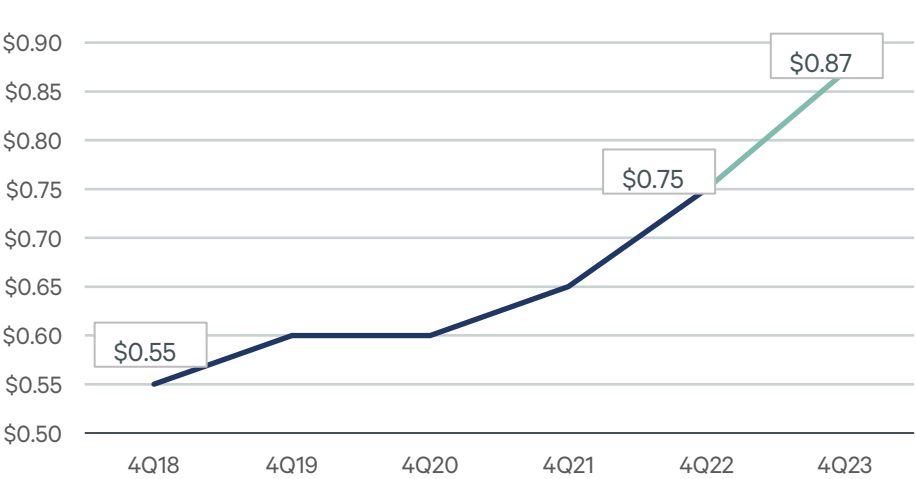
Source: CBRE Research Q4 2023..

Industrial Rental Rates and Investment Trends

In Portland, the average asking rental rate range for new leases in Class A industrial buildings has seen a modest year-over-year increase. Metro-wide asking rates in the fourth quarter of 2023 are between \$0.80-0.95/sq. ft. NNN for spaces 50,000 sq. ft. and larger. Class A vacancies outside of the close-in neighborhoods continue to strike the highest rates for new leases. For smaller industrial deals in the 10,000-20,000 sq. ft. range, a \$0.90+ shell rate is common even in second generation space. Additionally, building operating expenses are becoming more heavily scrutinized as tenants evaluate the opportunity costs between submarkets.

Despite prevailing market headwinds, the Portland industrial capital markets sector demonstrated resilience in the fourth quarter, outperforming the preceding quarters. The aggregate transactional volume during the fourth quarter was approximately \$190M, reflecting a commendable 19% increase from the same period recorded a year ago. The largest transaction in the fourth quarter was the \$67M sale of 217 Distribution Center to BKM Capital Partners in Beaverton. Kansas City Life sold the five-building, fully leased portfolio totaling 449,245 sq. ft. to the institutional fund manager for \$149 per-sq. ft. In a slight divergence from prior years, major industry players now appear to be prioritizing stable occupancy and cash flow, diverging from their previous inclination towards pursuing lease-up opportunities during periods of escalating rents. Another example of a high-occupancy purchase is the Beaverton Industrial Center, which transacted for \$20.6M (\$170 per-sq. ft.) in Q3 2023, with STAG Industrial, Inc. as the acquiring entity of the 121,000 sq. ft. asset.

FIGURE 4: Historical Average Class A Warehouse Asking NNN Rental Rates (For Spaces 50k+ Sq. Ft.)



Source: CBRE Research Q4 2023

TABLE 2: Q4 2023 Key Sales Transactions

Property	Size (SF)	Submarket	Buyer / Seller	Sale Price	Price/Sq. Ft.
217 Distribution Center	449,245	Southwest	BKM / Kansas City Life	\$67M	\$148.56
3302-3324 NW Marine Dr.	67,112	Northeast	PDX Trans, LLC / JLPS, LLC	\$12.5M	\$186.51
120 SE Market St.	30,856	Southeast	Lance E. Killian / Yoshio Kurosaki	\$7.3M	\$235.87
19250 NE Portal Way	34,050	Northeast	Leslie Keyak / Thomas King	\$7.5M	\$220.26
Harborgate Industrial	70,970	Northwest	The SMARTCAP Group / NBP Capital	\$10.9M	\$154.54

Source: CBRE Research Q4 2023

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



Source: CBRE Research Q4 2023

Development Activity

The fourth quarter of 2023 closed with 2.8M sq. ft. of active construction within Portland's industrial development pipeline. Upon completion, this new inventory will expand the existing stock by approximately 1%. Noteworthy is the fact that, at present, approximately 35% of the space undergoing construction in Portland is already leased. Unlike the prevailing trend in many U.S. markets, Portland is experiencing comparatively diminished pressure from incoming speculative projects that have the potential to elevate availability rates. The fourth quarter bore witness to one significant construction completion; Prologis Meadows West, a 293,480-sq. ft. Class A build-to-suit for North Coast Electric in Northwest Portland. Despite robust interest in speculative development stemming from tight vacancies, the constrained availability of developable industrial land in Portland imposes limitations on the scale at which projects can be brought to fruition.

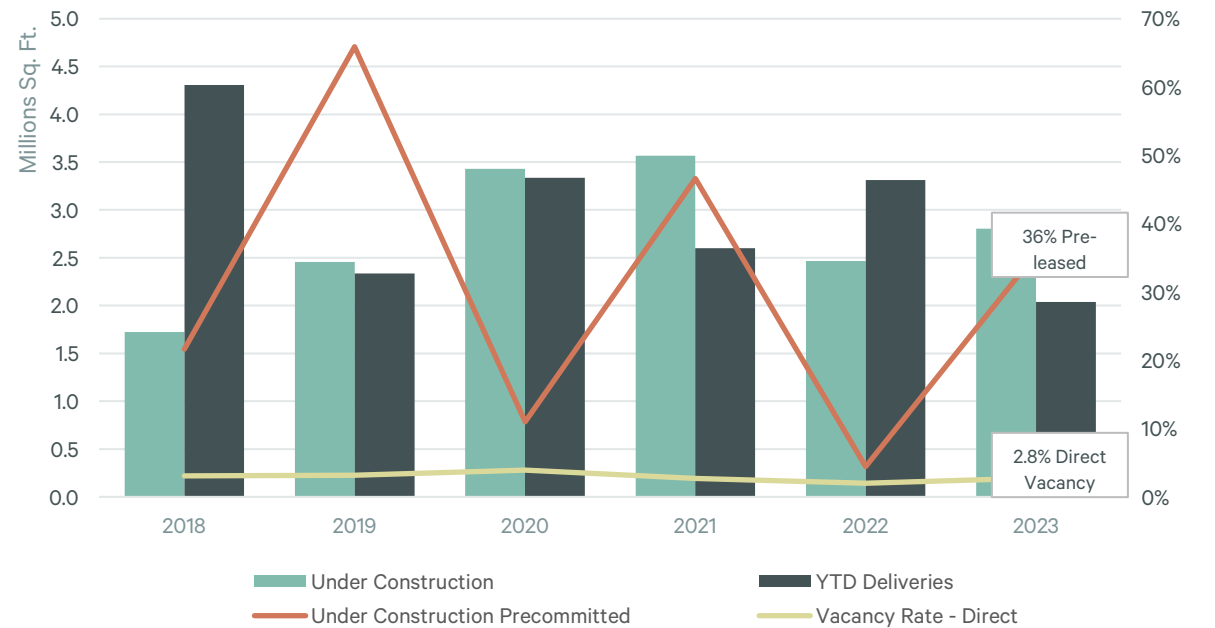
Notwithstanding these dynamics, some developers are strategically asserting their influence in the region, particularly targeting Northeast Portland and Clark County, WA, where leasing activity has been most pronounced. At the close of 2023, 52% of the pipeline's active construction is in Clark County. Clark County also led the way in deliveries in 2023, with nearly 1M sq. ft. in completions, represented by Burnt Creek Industrial and PacTrust Corporate Park. 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. Concurrently, the industrial development landscape remains dynamic, as evidenced by Cascade Civil Development's recent acquisition of a 150-acre industrial land site in Longview, Washington, offering the potential for nearly 2M sq. ft. of industrial structures.

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	Q4 2024
Clark County	Bridge Point Vancouver	NE 162nd Ave & 58 th St	Bridge Industrial	SPEC	646,274	Q4 2024
Northeast	Grainger Industrial Supply	NE Glisan St	Specht	BTS	530,000	Q1 2025
Southwest	Sherwood Commerce Center (Three Buildings)	21600 SW Oregon St	Schnitzer Properties	SPEC	435,107	Q2 2024
Clark County	Vancouver Logistics Phase II (Two Buildings)	7600-7898 NE 88 th St	Panattoni	SPEC	338,840	Q2 2024
Clark County	Hidden Glen Industrial Center	6920-7000 NE St Johns Rd	Panattoni	SPEC	288,360	Q2 2024
Northeast	Portland Portal Phase III (Two Buildings)	NE Sandy Blvd & NE Airport Way	Panattoni	SPEC	216,696	Q1 2024

Source: CBRE Research Q4 2023. *Outside of Portland MSA and not included in statistics.

FIGURE 6: Annual Development Activity



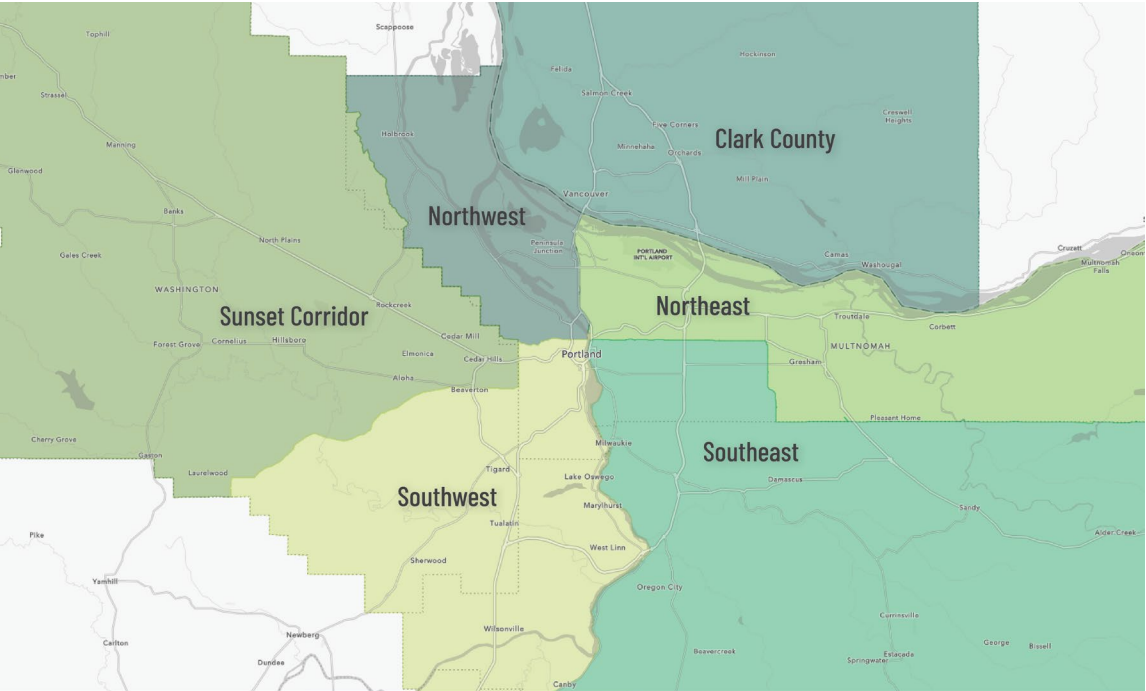
Source: CBRE Research Q4 2023

TABLE 4: Market Statistics by Submarket

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Available Sublease (SF)	Q4 2023 Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	YTD Deliveries (SF)
Base Figures								
Northeast	50,195,517	4.5	7.1	860,765	92,130	(359,552)	742,760	489,700
Northwest	39,789,837	4.3	6.3	491,125	(36,590)	(380,815)	-	293,480
Southeast	31,333,727	1.8	2.3	25,481	(3,841)	282,757	-	-
Southwest	39,028,669	2.6	2.8	241,020	7,616	(203,969)	445,007	279,858
Sunset Corridor	32,493,262	1.6	2.0	66,982	(60,856)	(31,719)	155,500	-
Clark County	27,415,886	3.9	4.5	288,416	190,034	(267,278)	1,460,580	975,994
Total	220,256,898	3.3	4.4	1,973,789	188,493	(960,576)	2,803,847	2,039,032
Business Park Figures								
Northeast	22,999,989	6.8	11.1	821,084	(82,012)	(413,283)	212,760	489,700
Northwest	11,041,266	8.1	10.4	186,438	(31,770)	(51,929)	-	293,480
Southeast	7,577,587	1.8	3.5	-	(24,662)	(112,652)	-	-
Southwest	17,855,320	3.2	3.9	138,026	14,799	(499)	445,007	131,579
Sunset Corridor	9,616,655	4.4	5.7	47,582	(54,520)	(19,372)	-	-
Clark County	12,338,433	6.3	5.9	191,351	171,399	(188,171)	1,172,220	975,994
Total	81,429,250	5.4	7.3	1,384,481	(6,766)	(785,906)	1,829,987	1,890,753

Source: CBRE Research Q4 2023

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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