

PORTLAND | INDUSTRIAL

Q3 2016

Portland Industrial Market Continues Expansion

Trends & Forecast

- › The industrial development pipeline delivered a notable 691k SF of new space market-wide in Q3. 459k SF or 66% was pre-leased prior to delivery, resulting in 232k SF of vacant available space joining the market during the quarter.
- › Net absorption remained strong in Q3, revealing companies' ongoing requirements to lease industrial space in the Portland area, even amidst rising rental rates. Average quoted shell rates reached \$0.54/SF/M by the quarter's end, up 15% YOY.
- › A total of 3.38M SF of inventory remained under construction at the close of the third quarter. Build-to-suit and owner/user activity accounts for 795k SF of that total. The resulting 2.59M SF of market-relevant product was 29% preleased, leaving 1.84M SF available for lease heading into the fourth quarter.
- › After a large vacancy came available on Hayden Island, strong demand among mid-size tenants provided Colliers the opportunity to represent 3 separate businesses to immediately fill all of Hayden Island Commerce Center Bldg C in the same month.
- › 30 industrial properties transacted in Q3, totaling \$152M in volume. Pricing averaged \$93/SF and \$5.1M per transaction. This set of properties was 96.4% leased at time of sale. Cap rates continue trending in the mid-5% range.
 - 50% of Q3's acquisitions were executed by institutional buyers. Private investors represented another 37% of the volume. REIT/Public entities (9%) and owner/user interests (3%) claimed the balance.
- › As the Portland metro continues growing, the Oregon Employment Department forecasts 120k new jobs will be added by 2024. Manufacturing industry employment may grow by 7.6%, and low vacancy rates across all commercial real estate product types should contribute to a 23.4% increase in construction employment over the same period.

Market Indicators

Relative to prior period	Q3 2016	Y-O-Y	Forecast
NET ABSORPTION	+	+	+
VACANCY	↑	↓	↔
RENTAL RATE	↑	↑	↑
CONSTRUCTION	↓	↑	↔

Summary Statistics

Portland Industrial Market	Q3 2016	Q2 2016	Q3 2015
New Supply (Thousand Square Feet)	691.0	63.0	1,056.9
Absorption (Thousand Square Feet)	297.1	712.2	697.4
Vacancy Rate	4.3%	4.1%	5.0%
Quarterly Change (basis points)	+20	-40	+10
Under Construction (Thousand Square Feet)	2,038.5	2,468.3	2,373.8

Average Rents

Per Square Foot Per Year	Q3 2016	Q2 2016	Q3 2015
Average Rental Rate	\$0.540	\$0.528	\$0.468
QUARTERLY CHANGE	2.2%	5.5%	0.4%
ANNUAL CHANGE	15.3%	13.2%	6.2%

NOTABLE LEASE TRANSACTIONS

TENANT	PROPERTY	MARKET	SF	TYPE
CTDI	22638 NE Townsend Way	East Columbia Corr.	210,000	N
Luxury Vehicle Care	3901 SE Naef Rd	Clackamas/Milwaukie	205,303	N
Confidential	*Rivergate Logistics Ctr.	Rivergate	59,989	N
*4PX Express Co, Ltd	Gateway Corporate Ctr. Bldg D	East Columbia Corr.	47,104	N
*Corporate Environments of Oregon	Hayden Island Commerce Ctr. Bldg C	Hayden & Swan Island	38,334	N
*Installed Building Products	Hayden Island Commerce Center Bldg C	Hayden & Swan Island	30,013	N
*Justus Bag Co., Inc.	Hayden Island Commerce Center Bldg C	Hayden & Swan Island	24,437	N

N = NEW R = RENEWAL S = SUBLEASE

NOTABLE SALE TRANSACTIONS

PROPERTY	MARKET	PRICE	PRICE/SF	TYPE
22638 NE Townsend Way	East Columbia Corridor	\$17,200,000	\$81.90	I
18977-19039 NE Portal Way	East Columbia Corridor	\$10,473,909	\$99.75	I
26055 SW Canyon Creek Rd	Wilsonville	\$6,300,000	\$99.43	O/U
2750 NW 31st Ave	Guilds Lake	\$3,538,000	\$118.23	I
955 N Columbia Blvd (2 bldgs)	Airport Way	\$3,400,000	\$51.73	I

I = INVESTMENT O/U = OWNER/USER

NEW CONSTRUCTION/RENOVATION PROJECTS

PROPERTY	MARKET	DEVELOPER/OWNER	SF	DELIVERY
Subaru Distribution Ctr.	East Columbia Corridor	Trammell Crow	600,000	Q4 2016
Portside Industrial Park Bldgs A & B	CBD/West Vancouver	Specht Properties	352,874	Q4 2016
Majestic Brookwood Business Park Bldg 7	Sunset Corridor/Hillsboro	Majestic Realty Co.	303,360	Q4 2016
Clackamas Distribution Center Bldg 4	Clackamas/Milwaukie	Industrial Property Trust	190,600	Q4 2016
The Iron Fireman Building (renv)	Clackamas/Milwaukie	ScanlanKemperBard	107,704	Q4 2016
Koch Corporate Center Bldgs 5 & 8	Tualatin	PacTrust	106,875	Q4 2016
22990 NW Bennett St	Sunset Corridor/Hillsboro	Laika (expansion)	104,541	Q4 2016
14320 SW Jenkins Rd	North Beaverton	Maxim Integrated Products	91,000	Q4 2016
6700 NE 152nd Ave - Fourth Plain BP	Orchards	Pacific NW Properties	38,000	Q4 2016
Sherwood Industrial Park II Bldg 4	Sherwood	Milton O. Brown	35,000	Q4 2016
LogistiCenter at 185 Bldgs A, B, C	East Columbia Corridor	Dermody Properties	234,268	Q1 2017
Trend Business Center II Bldg C	SE Outlying/Canby	McCormack Properties	39,220	Q1 2017
Big Eddy Commerce Center [P]	East Columbia Corridor	Panattoni	153,232	Q2 2017
Majestic Brookwood Business Park Bldg 4	Sunset Corridor/Hillsboro	Majestic Realty Co.	137,920	Q2 2017
18925 NE Sandy Blvd	East Columbia Corridor	Pacwest Machinery	40,000	Q2 2017
20750 SW 115th Ave	Tualatin	PacTrust	38,812	Q2 2017
Gresham Vista Logistics Park Bldgs A, B, C [P]	East Columbia Corridor	Specht Properties	732,824	Q3 2017
PDX Logistics Ctr. III Bldgs 4 & 5	Airport Way	Capstone Partners/PCCP	257,147	Q3 2017
Blue Lake Corporate Park [P]	East Columbia Corridor	Trammell Crow	371,280	2018

[P] = PROPOSED

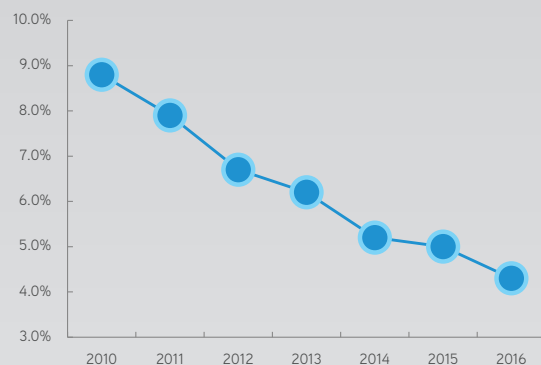
DELIVERIES

PROPERTY	MARKET	DEVELOPER/OWNER	SF
*PDX Logistics Center II Bldg 3	Airport Way	Capstone Partners/PCCP	355,200
Koch Corporate Center Bldg 1	Tualatin	PacTrust	201,300
Sherwood Industrial Park II Bldg 3	Sherwood	Milton O. Brown	72,000
Contractor Village Bldgs L, M, N	Orchards	Delta Mgmt. Co.	31,650
Meridian Business Park Bldgs G & H	Kruse Way	Berrey Properties	30,888

*Indicates Colliers International Representation

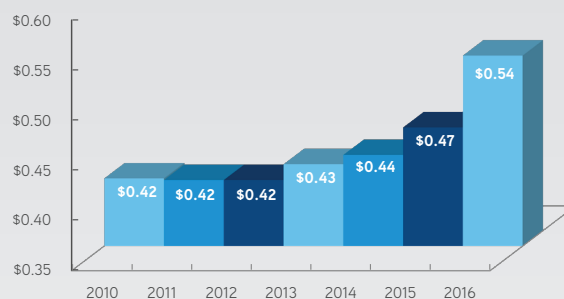
Vacancy Rates

Overall Portland-metro Industrial Market | Y-O-Y



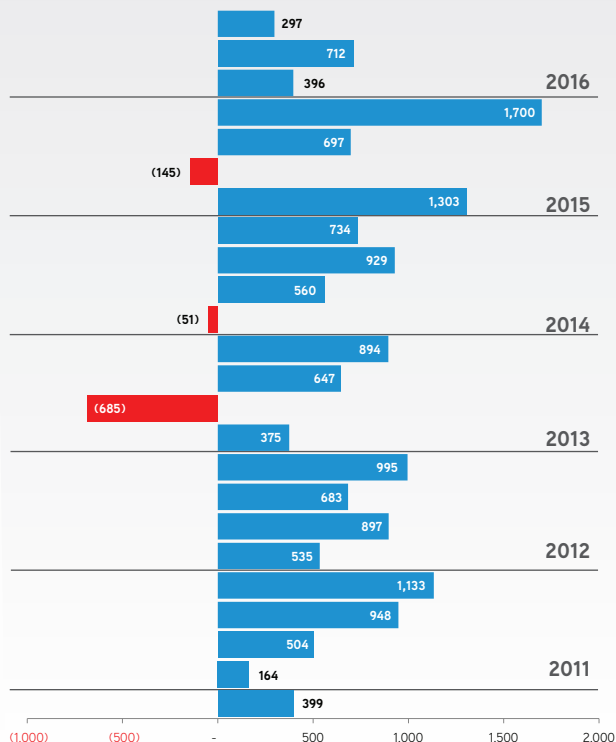
Rental Rates

Portland-metro Industrial Market | Y-O-Y



Absorption

Overall Portland-metro Industrial Market



PORTLAND-METRO INDUSTRIAL MARKET

Existing Properties		Direct Vacancy		Sublease Vacancy		Total Vacancy			Net Absorption SF		New Supply SF		U/C SF	Avg. Rent
Market Sector	Inventory*	SF	%	SF	%	SF	Current Quarter	Prior Quarter	Current Quarter	YTD	Current Quarter	YTD		
CENTRAL														
CBD/Lloyd	2,477,972	89,900	3.6%	-	0.0%	89,900	3.6%	1.6%	(49,900)	(49,900)	-	-	-	\$0.65
NE/SE Close-In	8,218,161	116,506	1.4%	18,000	0.2%	134,506	1.6%	1.8%	10,731	39,351	-	-	-	\$0.99
SW Close-In	480,943	6,200	1.3%	-	0.0%	6,200	1.3%	1.3%	-	-	-	-	-	
Total	11,177,076	212,606	1.9%	18,000	0.2%	230,606	2.1%	1.7%	(39,169)	(10,549)	-	-	-	\$0.89
WESTSIDE														
NW/Guilds Lake	13,065,477	524,904	4.0%	20,000	0.2%	544,904	4.2%	5.0%	104,812	98,699	-	-	-	\$0.61
Beaverton/Hillsboro	20,874,449	1,106,603	5.3%	61,560	0.3%	1,168,163	5.6%	4.0%	(330,406)	(332,377)	-	-	195,541	\$0.56
I-5 South	25,804,558	1,193,762	4.6%	3,600	0.0%	1,197,362	4.6%	4.5%	263,621	483,583	304,188	367,176	180,687	\$0.54
Total	59,744,484	2,825,269	4.7%	85,160	0.1%	2,910,429	4.9%	4.4%	38,027	249,905	304,188	367,176	376,228	\$0.55
NORTH/NORTHEAST														
Rivergate/Hayden & Swan Island	24,415,697	1,289,270	5.3%	74,356	0.3%	1,363,626	5.6%	5.4%	(33,160)	167,169	-	-	-	\$0.40
Airport Gateway	15,676,507	300,582	1.9%	-	0.0%	300,582	1.9%	1.4%	276,133	243,529	355,200	355,200	307,547	\$0.57
East Columbia/NE Outlying	22,695,451	952,117	4.2%	10,395	0.0%	962,512	4.2%	4.2%	(4,336)	654,278	-	211,440	734,040	\$0.56
Total	62,787,655	2,541,969	4.0%	84,751	0.1%	2,626,720	4.2%	4.0%	238,637	1,064,976	355,200	566,640	1,041,587	\$0.48
SOUTHEAST														
Gresham/Mall 205/Outlying	3,030,504	132,548	4.4%	-	0.0%	132,548	4.4%	5.1%	22,462	(50,538)	-	-	39,220	\$0.57
Clackamas/Milwaukie/Oregon City	22,756,525	1,182,207	5.2%	-	0.0%	1,182,207	5.2%	5.4%	35,816	(47,647)	-	-	190,600	\$0.58
Total	25,787,029	1,314,755	5.1%	-	0.0%	1,314,755	5.1%	5.3%	58,278	(98,185)	-	-	229,820	\$0.58
CLARK COUNTY														
West & Central Vancouver	11,124,292	363,887	3.3%	24,000	0.2%	387,887	3.5%	2.7%	(82,064)	40,276	-	23,292	352,874	\$0.54
Van. Mall/Cascade Park/Orchards	4,386,804	147,546	3.4%	581	0.0%	148,127	3.4%	3.3%	27,350	79,952	31,650	31,650	38,000	\$0.54
Camas/Washougal/Outlying	3,525,076	75,500	2.1%	-	0.0%	75,500	2.1%	3.7%	56,000	79,300	-	10,800	-	\$0.48
Total	19,036,172	586,933	3.1%	24,581	0.1%	611,514	3.2%	3.1%	1,286	199,528	31,650	65,742	390,874	\$0.53
GRAND TOTAL	178,720,965	7,481,532	4.2%	212,492	0.1%	7,694,024	4.3%	4.1%	297,059	1,405,675	691,038	999,558	2,038,509	\$0.54
QUARTERLY COMPARISON AND TOTALS														
2016 3Q	178,720,965	7,481,532	4.2%	212,492	0.1%	7,694,024	4.3%	4.1%	297,059	1,405,675	691,038	999,558	2,038,509	\$0.54
2016 2Q	178,029,927	7,151,057	4.0%	148,988	0.1%	7,300,045	4.1%	4.5%	712,227	1,108,616	62,988	308,520	2,468,295	\$0.53
2016 1Q	177,966,939	7,749,042	4.4%	200,242	0.1%	7,949,284	4.5%	4.6%	396,389	396,389	245,532	245,532	2,139,651	\$0.50
2015 4Q	177,721,407	7,847,802	4.4%	252,339	0.1%	8,100,141	4.6%	5.0%	1,699,611	3,554,984	909,582	2,639,437	1,819,399	\$0.47
2015 3Q	176,811,825	8,683,205	4.9%	206,965	0.1%	8,890,170	5.0%	4.9%	697,352	1,855,373	1,056,875	1,729,855	2,373,781	\$0.47

* Total Inventory is the total square footage of gross rentable area (GRA) or rental building area (RBA) in a specific market. Colliers only includes building with a minimum size threshold of 10,000 square feet (RBA) or more, and excludes government-owned buildings (Ex: Federal Buildings, City Hall, Courthouses) and certain medical facilities that are located on and owned and operated by hospitals, education institutions, among others (Ex: OHSU/Providence). In special cases, large owner-use facilities are also excluded as they may heavily distort market statistics (Ex: Intel). Generally, private market owner/user facilities are included in the inventory. For specific buildings and inventory criteria, please consult Colliers International.

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554 offices in 66 countries

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

\$2.5

billion in
annual revenue

2

billion square feet
under management

16,000

professionals
and staff

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