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Portland Industrial **24Q3**

Key Takeaways

- Marking the largest single lease transactions for a speculatively built industrial development on record in the greater Portland market, Grocery Outlet committed to more than 681,000 square feet at the Burnt Creek Logistics Center in Clark County. Colliers represented the landlord from brokering the initial land acquisition, overseeing the development, and securing the tenant.
- Sublease availability rates continued to climb upwards, reaching 1.4%. This represents a 42.6% year-on-year increase.
- For the 10th consecutive quarter, direct asking rates experienced positive YoY rent growth. In Q3 2024, the average direct asking rate per square foot per month on a triple-net basis moved upward 12.6% YoY to $0.98.

	Vacancy Rate	Net Absorption	Under Construction	Overall Asking Lease Rates (NNN)
	5.7%	610k SF	3.18M SF	$0.98/SF
YOY	▲	▲	▲	▲
FORECAST	▼	▲	▲	▬

Summary

Demand for space, as measured by net absorption, in the greater Portland industrial market recovered in the third quarter of 2024. During the three-month period, tenants occupied more than 609,000 square feet of previously vacant industrial space. Despite this positive demand, the market-wide vacancy rate rose 0.1% from the prior quarter as a result of new supply outpacing demand. Of the 1.03 million square feet of the quarter's new supply, only 16% was pre-leased. Across Portland's industrial submarkets, the North/Northeast submarket, which captures the bulk of the market's inventory and is located wholly within Multnomah County, continues to carry the highest rates of vacancy at 7.5%. Of the greater market's more than 15 million square feet of vacant industrial space, 37% is in the North/Northeast submarket.

Historic Comparison

	23Q3	24Q2	24Q3
Total Inventory (in Thousands of SF)	266,475	267,951	268,955
New Supply (in Thousands of SF)	1,810	942	1,027
Net Absorption (in Thousands)	-73	-985	610
Overall Vacancy	3.9%	5.6%	5.7%
Under Construction (in thousands)	2,282	3,321	3,184
Overall Asking Lease Rates (NNN)	$0.87	$0.97	$0.98

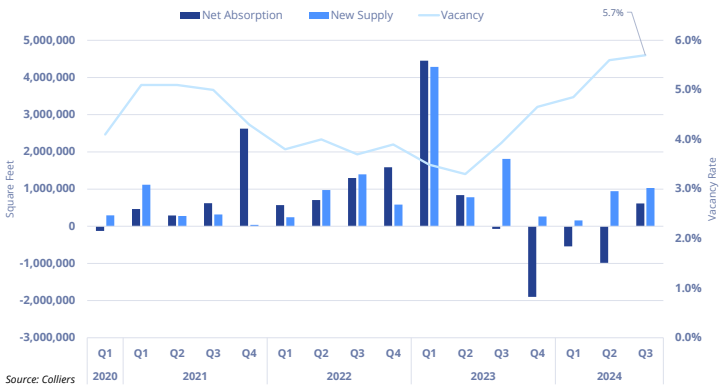
Market Indicators

4.25% Unemployment Rate

2.03% GDP change YOY

0.08% Employment growth change YOY

Market Fundamentals



Source: Colliers

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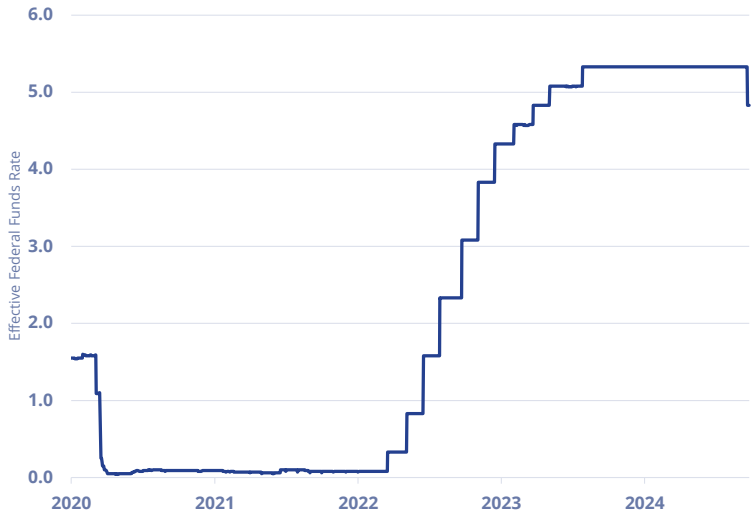
Fed interest rate cut positions market for a return of sales volume

For the first time since 2020, the U.S. Federal Reserve cut the federal funds rate by 50 basis-points. While this action marks a turning point in the Federal Reserve's fight against high inflation, it also signals a reduction in the cost of capital. In the near-term, this 50 basis-point cut won't immediately open the flood gates to a flurry of sales activity, but it provides a strong expectation for future decreases in the cost of financing.

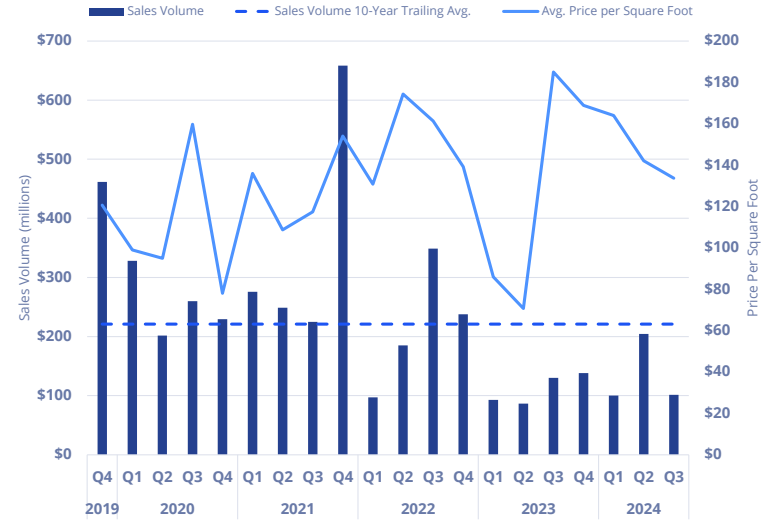
Buoyed by excellent market fundamentals and the low cost of capital, sales activity in the Portland industrial market maintained pace with historic averages for much of the last five years. However, as the Fed began raising rates in early 2022 and market fundamentals began to soften at the midway point of 2023, the market experienced a dramatic slowdown in sales activity. Since Q4 2022, total quarterly sales volume has yet to reach or surpass quarterly sales volume ten-year trailing average. However, should demand for industrial space continue to trend upward and paired with expectations of future interest rate cuts by the Fed, industrial sales activity is expected to make a recovery in the near-term. This near-term recovery will be driven by industrial assets' position of favor with investors and the depth of capital that has been waiting on the sidelines for interest rate reductions.

Effective Federal Funds Rate



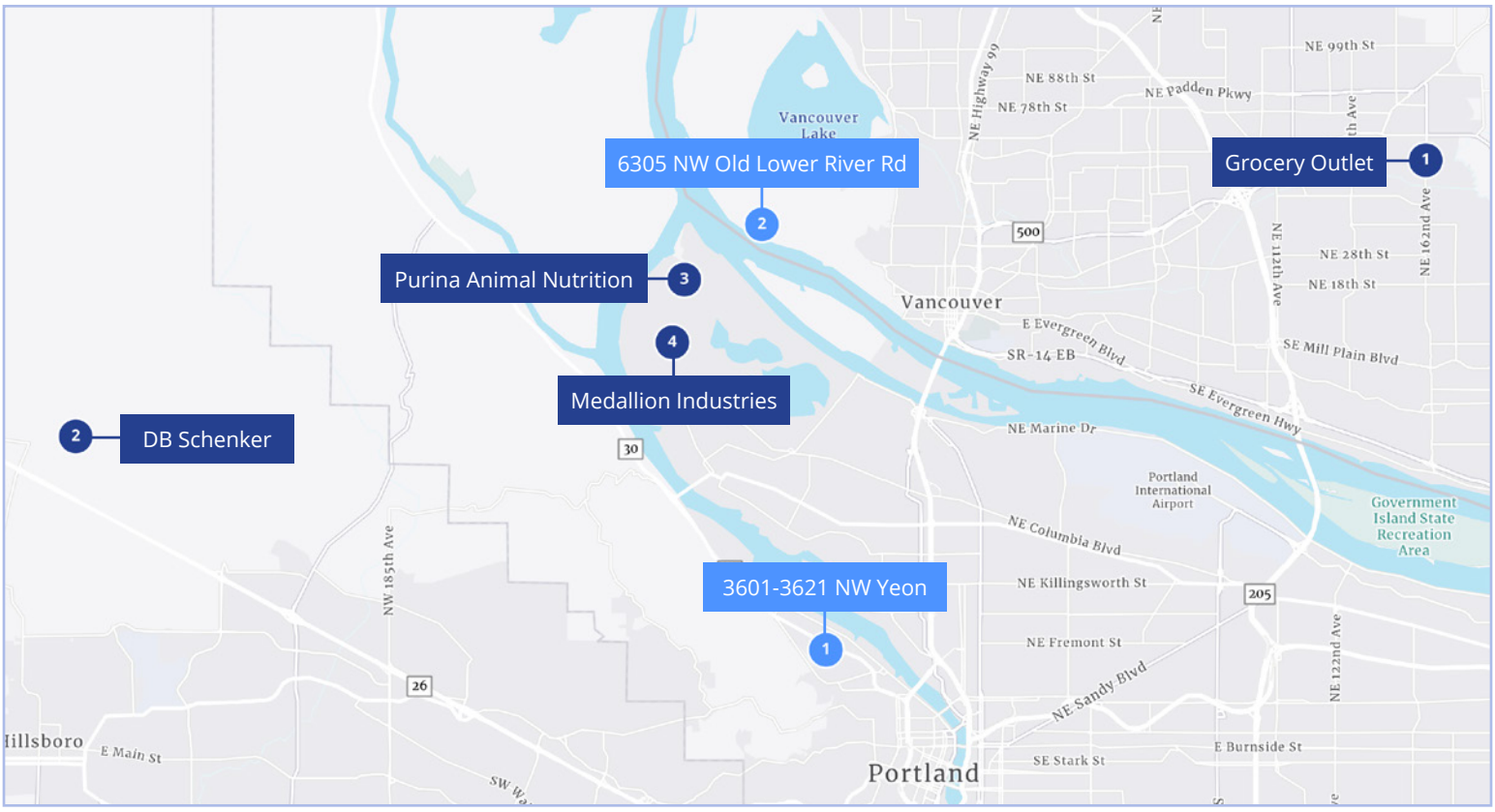
Source: Federal Reserve Bank of New York

Quarterly Sales Volume & Price Per Square Foot



Source: Colliers, CoStar Group

Notable Transactions



Sales

Property/Address	Submarket	Price	Size	Price/SF	Seller	Buyer
3601-3621 NW Yeon Ave	Westside	$27,740,000	207,082 SF	$134	Prologis, Inc.	EQT Exeter
6305 NW Old Lower River Rd	Clark County	$15,600,000	60,731 SF	$257	Hickey Family Company	Port of Vancouver

Leases

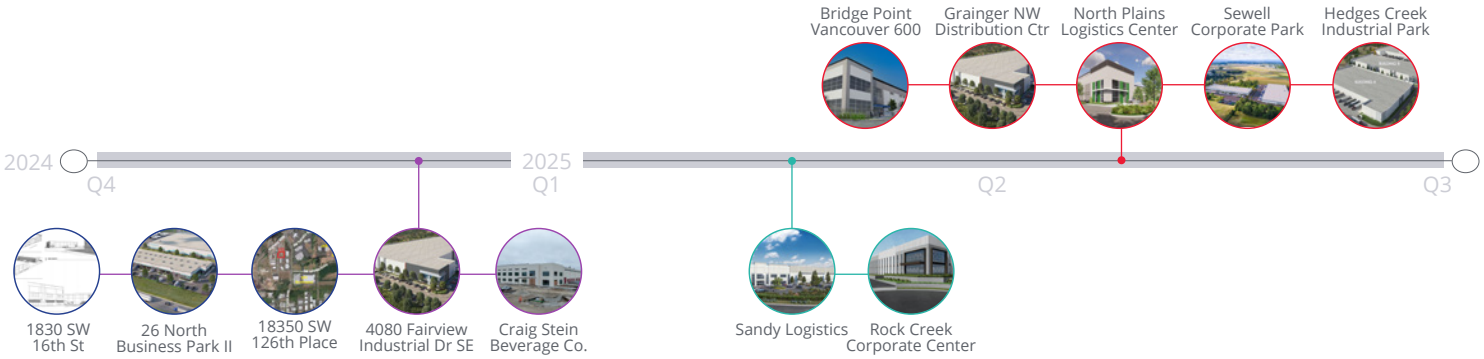
Tenant	Property	Submarket	Lease Type	Size
Grocery Outlet*	**Burnt Creek Logistics Center** 5920 NE 162nd Ave	Clark County	New	681,780
DB Schenker*	**North Plains Logistics Center** 10875 NW 292nd Ave	Westside	New	201,750
Purina Animal Nutrition	**Kelley Point Distribution Center** 15645 N Lombard St	North/Northeast	Renewal	150,000
Medallion Industries*	**Columbia Gateway** 13636 N Columbia Blvd	North/Northeast	New	100,492

*Colliers transaction

Notable Deliveries

Property	Submarket	Developer	Size (SF)	% Preleased
Vancouver Logistics Phase II - East Building	Clark County	Panattoni	175,044	0%
Vancouver Logistics Phase II - North Building	Clark County	Panattoni	163,675	0%
Camas Meadows Industrial Park	Clark County	Panattoni	187,106	87%
Hidden Glen Industrial	Clark County	Panattoni	283,622	0%
Portland Portal III - Bldg A	North/Northeast	Panattoni	71,600	0%
Portland Portal III - Bldg B	North/Northeast	Panattoni	145,069	0%

Under Construction



Property	Submarket	Developer/Owner	Size (SF)	Delivery	Type
1830 SW 16th St	Clark County	T4 Northwest, LLC	23,000	Q4 2024	Speculative
26 North Business Park II	Westside	Pacific NW Properties	42,484	Q4 2024	Speculative
18350 SW 126th Pl	I-5 South	-	18,000	Q4 2024	Speculative
4080 Fairview Industrial Dr SE	Salem	Wachenberg Investments	20,830	Q4 2024	Speculative
Craig Stein Beverage Company Distribution Center	Clark County	Craig Stein Beverage	140,000	Q4 2024	Built-to-Suit
Rock Creek Corporate Center	I-5 South	Panattoni	407,263	Q1 2025	Speculative
Sandy Logistics	North/Northeast	Prologis	259,835	Q1 2025	Speculative
Bridge Point Vancouver 600	Clark County	Bridge Industrial	647,762	Q2 2025	Speculative
Grainger Northwest Distribution Center	North/Northeast	Specht	533,212	Q2 2025	Built-to-Suit
North Plains Logistics Center	Westside	Stratus Real Estate Developers & STAG Industrial	201,750	Q2 2025	Built-to-Suit
Sewell Corporate Park - Building 1	Westside	Trammell Crow Company	148,751	Q2 2025	Speculative
Sewell Corporate Park - Building 2	Westside	Trammell Crow Company	247,461	Q2 2025	Speculative
Hedges Creek Industrial Park - Bldg A	I-5 South	Phelan Development Company / Clarion Partners	148,485	Q2 2025	Speculative
Hedges Creek Industrial Park - Bldg C	I-5 South	Phelan Development Company / Clarion Partners	151,250	Q2 2025	Speculative
Hedges Creek Industrial Park - Bldg B	I-5 South	Phelan Development Company / Clarion Partners	142,300	Q2 2025	Speculative

Portland | Q3 2024 | Industrial | Market Statistics

Submarket/ Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Central City											
Warehouse/ Distribution	8,809,970	8.4%	0.0%	8.5%	8.3%	7.2%	(89,843)	(81,307)	-	-	$1.06
Manufacturing	1,816,018	2.5%	0.1%	2.5%	6.7%	6.6%	(1,496)	(12,796)	-	-	$1.42
Flex	1,683,514	3.6%	0.6%	4.2%	6.3%	5.8%	(8,664)	(1,665)	-	-	$1.20
TOTAL	**12,309,502**	**6.9%**	**0.1%**	**7.0%**	**7.8%**	**7.0%**	**(100,003)**	**(95,768)**	**-**	**-**	**$1.11**
North/Northeast											
Warehouse/ Distribution	62,409,498	7.1%	3.2%	10.3%	7.6%	7.6%	204,356	(416,024)	793,047	511,049	$0.81
Manufacturing	11,384,898	6.1%	1.1%	7.2%	7.3%	5.6%	(197,916)	(310,759)	-	-	$0.81
Flex	1,812,639	6.7%	0.2%	6.9%	5.7%	6.4%	11,883	44,101	-	-	$1.21
TOTAL	**75,607,035**	**7.0%**	**2.8%**	**9.8%**	**7.5%**	**7.3%**	**18,323**	**(682,682)**	**793,047**	**511,049**	**$0.85**
Westside											
Warehouse/ Distribution	24,428,854	7.5%	0.7%	8.2%	6.9%	7.1%	35,294	(637,784)	597,962	166,168	$0.90
Manufacturing	13,573,698	1.3%	0.2%	1.5%	0.7%	1.1%	48,265	24,477	-	-	$0.89
Flex	15,505,042	6.0%	3.0%	9.0%	5.2%	4.8%	(64,144)	(43,374)	42,484	-	$1.21
TOTAL	**53,507,594**	**5.5%**	**1.2%**	**6.7%**	**4.8%**	**4.9%**	**19,415**	**(656,681)**	**640,446**	**166,168**	**$1.02**
I-5 South											
Warehouse/ Distribution	24,205,431	3.8%	1.4%	5.3%	4.8%	4.6%	(33,025)	(21,621)	849,298	445,007	$0.97
Manufacturing	5,628,924	0.9%	2.0%	2.9%	2.3%	1.5%	(46,869)	(122,633)	-	-	$1.09
Flex	4,204,613	5.5%	1.7%	7.2%	6.6%	7.1%	22,133	(133,508)	18,000	-	$1.19
TOTAL	**34,038,968**	**3.6%**	**1.6%**	**5.1%**	**4.6%**	**4.4%**	**(57,761)**	**(277,762)**	**867,298**	**445,007**	**$1.05**
Southeast											
Warehouse/ Distribution	22,722,950	4.0%	0.9%	4.9%	2.6%	1.9%	(155,975)	(105,584)	-	-	$0.90
Manufacturing	6,429,797	0.7%	0.0%	0.7%	0.8%	1.1%	17,955	51,887	-	-	$0.99
Flex	1,621,841	4.2%	0.3%	4.5%	6.1%	8.1%	31,419	14,404	-	-	$1.21
TOTAL	**30,774,588**	**3.3%**	**0.7%**	**4.0%**	**2.4%**	**2.1%**	**(106,601)**	**(39,293)**	**-**	**-**	**$0.96**

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Portland | Q3 2024 | Industrial | Market Statistics

Submarket/ Subtype	Total Inventory SF	Direct Availability Rate	Sublease Availability Rate	Availability Rate	Vacancy Rate	Vacancy Rate Previous	Net Absorption Current	Net Absorption YTD	Under Construction	Deliveries YTD	Avg Direct Asking Rate (NNN)
Clark County											
Warehouse/ Distribution	21,571,830	7.5%	0.5%	8.1%	7.3%	6.7%	352,396	516,120	850,347	809,447	$0.94
Manufacturing	5,024,582	0.5%	0.3%	0.8%	0.8%	0.8%	530	37,144	-	-	$1.10
Flex	2,817,058	20.3%	0.2%	20.6%	6.8%	9.0%	64,028	52,667	-	-	$1.42
TOTAL	**29,413,470**	**7.6%**	**0.5%**	**8.0%**	**6.1%**	**5.9%**	**416,954**	**605,931**	**850,347**	**809,447**	**$1.05**
Salem											
Warehouse/ Distribution	23,609,860	7.1%	0.1%	7.2%	6.6%	8.6%	456,388	447,122	20,830	193,758	$0.81
Manufacturing	7,254,263	2.2%	1.6%	3.8%	3.8%	3.8%	2,000	(170,448)	-	-	$1.14
Flex	2,439,339	3.9%	0.0%	3.9%	3.3%	1.7%	(39,197)	(45,354)	11,968	-	$1.11
TOTAL	**33,303,462**	**5.8%**	**0.4%**	**6.2%**	**5.8%**	**7.0%**	**419,191**	**231,320**	**32,798**	**193,758**	**$0.90**
PDX Market											
Warehouse/ Distribution	187,758,393	6.5%	1.5%	8.0%	6.4%	6.5%	769,591	(299,078)	3,111,484	2,125,429	$0.90
Manufacturing	51,112,180	2.4%	0.8%	3.1%	3.0%	2.7%	(177,531)	(503,128)	-	-	$0.99
Flex	30,084,046	6.9%	1.8%	8.8%	5.5%	5.6%	17,458	(112,729)	72,452	-	$1.22
GRAND TOTAL	**268,954,619**	**5.7%**	**1.4%**	**7.2%**	**5.7%**	**5.6%**	**609,518**	**(914,935)**	**3,183,936**	**2,125,429**	**$0.98**

FOR MORE INFORMATION

Jamison Shields
Research Analyst | Portland
Dir +1 503 265 5065
jamison.shields@colliers.com

Gendrit Hoxha
Research Analyst | Portland
+1 503 542 5425
gendrit.hoxha@colliers.com

David Kotansky
Managing Director | Portland
+1 503 499 0063
david.kotansky@colliers.com

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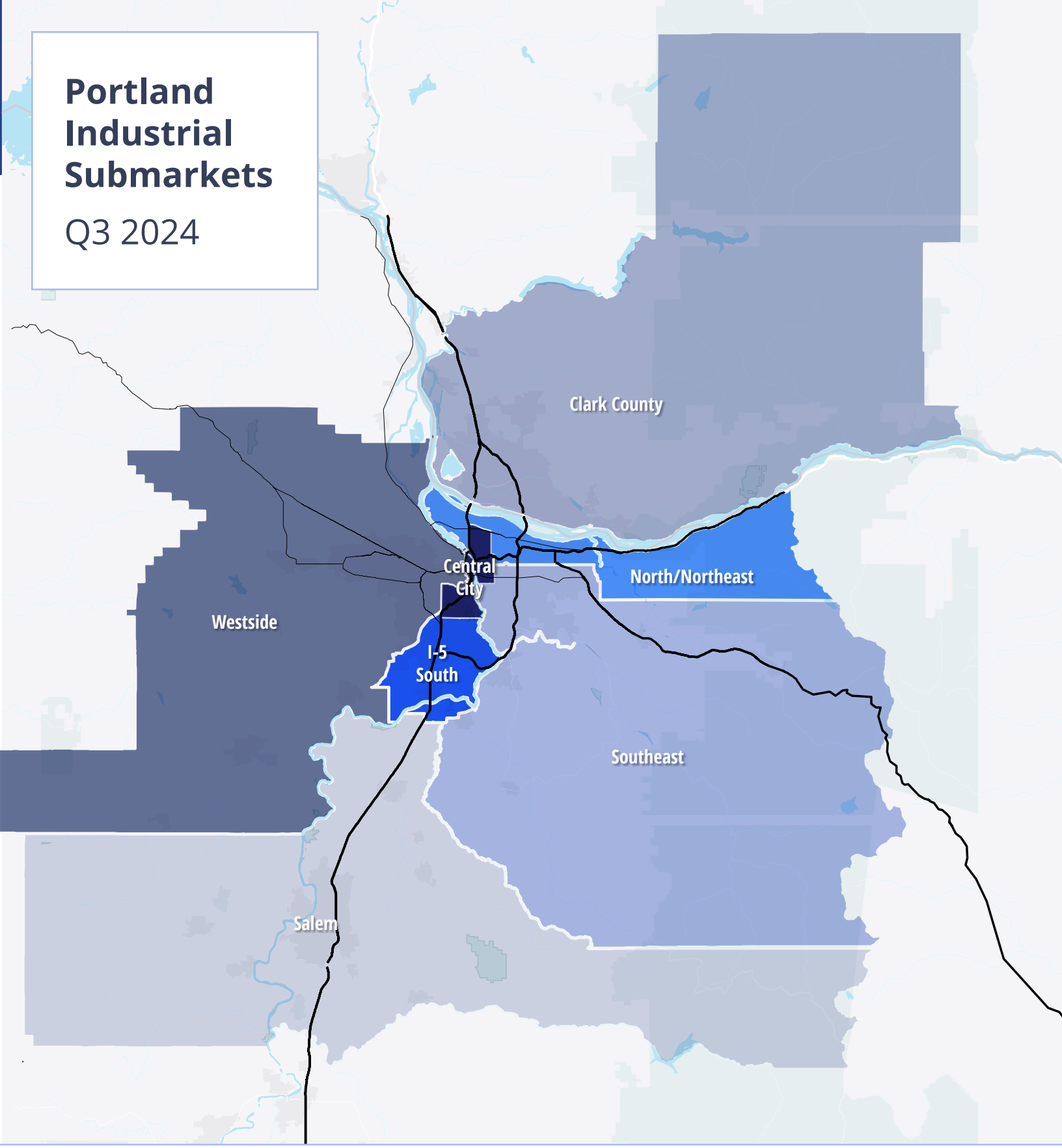
Portland Industrial Submarkets

Q3 2024



Key Market Statistics

		YOY	FORECAST
Vacancy Rate	5.7%	▲	▼
Net Absorption	610k SF	▲	▲
Under Construction	3.18M SF	▲	▲
Overall Asking Lease Rates (NNN)	$0.98/SF	▲	▬

351 offices in 68 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78

$4.3B
in revenue

2B
square feet under management

19,000 +
professionals and staff

About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 68 countries, our 19,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 29 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of $4.3 billion and $96 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at corporate.colliers.com, X @Colliers or LinkedIn.

Market Contacts:

Jamison Shields
Research Analyst | Portland
+1 503 265 5065
jamison.shields@colliers.com

Gendrit Hoxha
Research Analyst | Portland
+1 503 542 5425
gendrit.hoxha@colliers.com

David Kotansky
Managing Director | Portland
+1 503 499 0063
david.kotansky@colliers.com

Contributors:

Paul Breuer, SIOR
Executive Vice President

Jerry Matson, SIOR, MBA
Vice Chairman

Mike Thomas
Senior Vice President

Brian Yoakum, SIOR
Senior Vice President

Jon Rubey
Vice President

Tom Knecht, SIOR
Vice President

Scott MacLean
Senior Vice President

Steve Dodds
Vice President

Joshua Goudy
Associate Vice President

Karen Lisignoli
Associate

Colin Russell
Vice President

Colliers

851 SW 6th Avenue, Suite 1600
Portland, OR 97204
+1 503 223 3123
colliers.com