Colliers

Portland

Industrial 23Q4

Key Takeaways

- The greater Portland market experienced 3.2 million square feet of net absorption in 2023. Concurrently, more than 7.1 million square feet of new industrial space was delivered during the year.
- Supply in the I-5 South and Southeast submarkets remains extremely constrained with vacancy rates of 2.2% and 2.1%, respectively.
- Industrial sales activity fell sharply in 2023, down 42% year-on-year. The largest sale of the year was the portfolio sale of the 217 Distribution Center located in the Westside submarket. BKM Capital Partners acquired the five-building portfolio from Kansas City Life for $67 million. Colliers represented the seller.

		YOY	Forecast
Vacancy Rate	4.7%	▲	▬
Net Absorption	-2M SF	▼	▲
Under Construction	3.2M SF	▼	▼
Overall Asking Lease Rates (NNN)	$0.94/SF	▲	▬

Summary

Demand, as measured by net absorption, in the greater Portland industrial market experienced a steep drop off in the final quarter of 2024. In total, 2 million square feet of vacant space went back to the market during the three-month period. This historic level of negative net absorption, which pushed the total vacancy rate to 4.7%, marks a stark reversal of the market's prior trend which saw 12 million square feet of net absorption since Q1 2020 and vacancy rates as low as 3.4%. This uptick in vacancy signals greater equilibrium between landlords and tenants in the market; previously market fundamentals had significantly favored landlords. Market-wide average asking rates had plateaued over the prior three quarters largely due to extreme constraints of available space. However, this influx of available industrial space provided an opportunity for the re-pricing of asking rates and served as inflection point allowing for average asking rates to break upward to $0.94 per square foot per month, a 9.3% year-on-year increase. Despite the recent escalation of vacancy rates, the greater Portland industrial market remains a key logistics hub for the West Coast, and, due to Oregon's Urban Growth Boundary, the market remains insulated from the major supply side shocks that would drive down rental rates.

Historic Comparison

	22Q4	23Q3	23Q4
Total Inventory (in Thousands of SF)	269,253	268,939	270,041
New Supply (in Thousands of SF)	580	1,810	261
Net Absorption (in Thousands)	1,540	-74	-2,020
Overall Vacancy	3.8%	3.9%	4.7%
Under Construction (in thousands)	7,161	2,282	3,218
Overall Asking Lease Rates (NNN)	$0.86	$0.87	$0.94

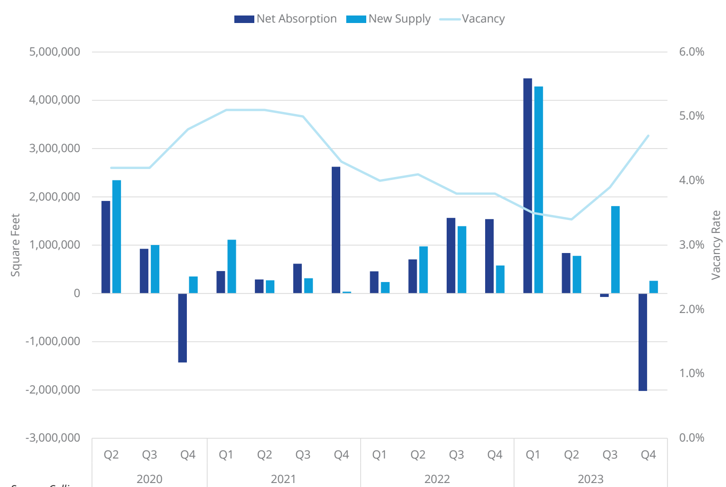
Market Indicators

3.93% Unemploy-ment Rate

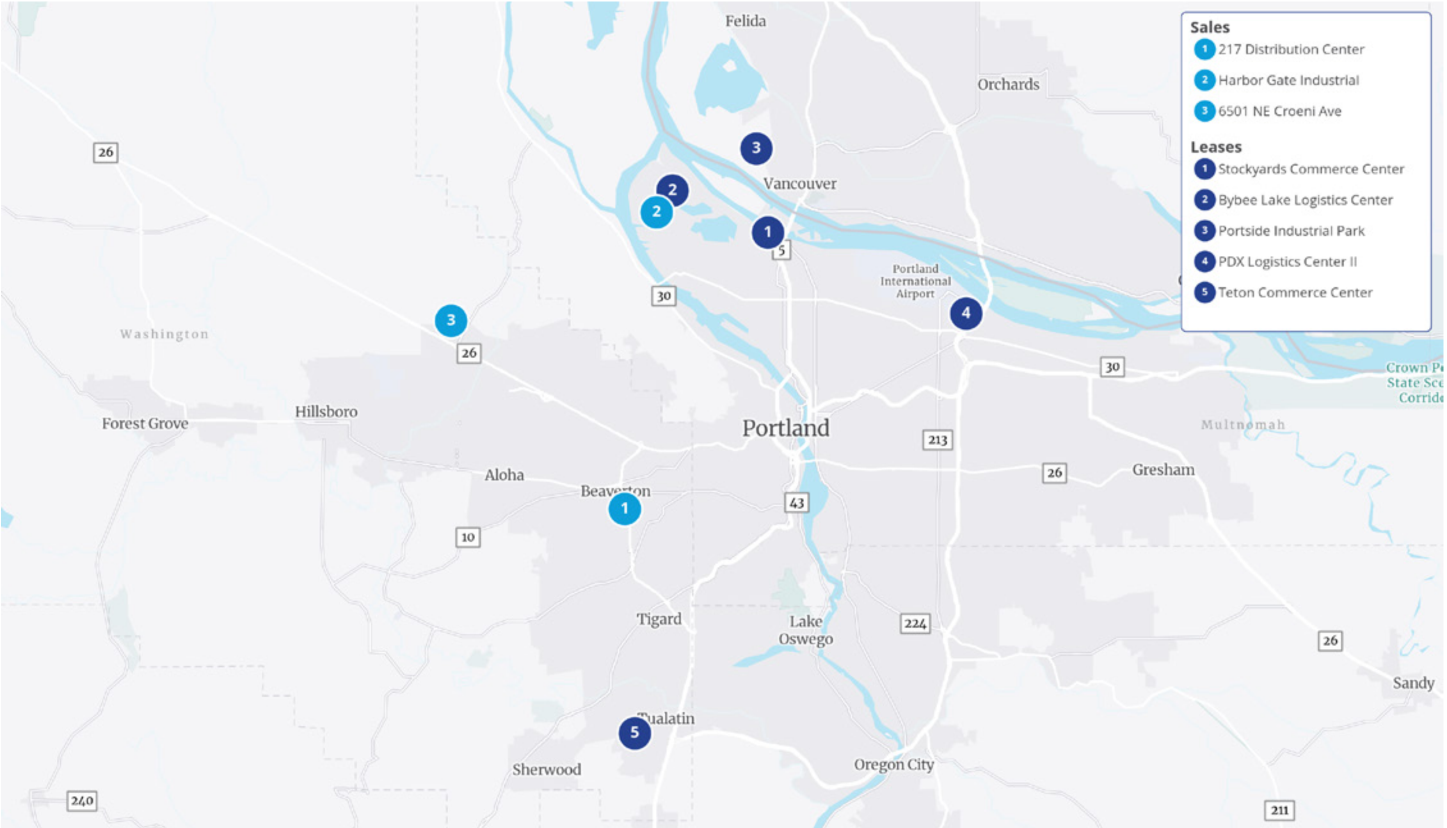
3.3% GDP change YOY

2.24% Employment growth change YOY

Market Fundamentals



Source: Colliers



Notable Sales

Property/Address	Submarket	Price	Size	Price/SF	Cap Rate	Seller	Buyer
217 Distribution Center* 10950-11065 SW 11th St	Westside	$67,000,000	449,245	$149	-	Kansas City Life	BKM Capital Partners
Harbor Gate Industrial* 8823 N Harborgate St	North/Northeast	$11,500,000	70,970	$163	5.5%	NBP Capital	The SMARTCAP Group, Inc.
6501 NE Croeni Ave*	Westside	$10,000,000	49,211	$203	-	Tinitron, Inc.	Quality Plus Services

Notable Leases

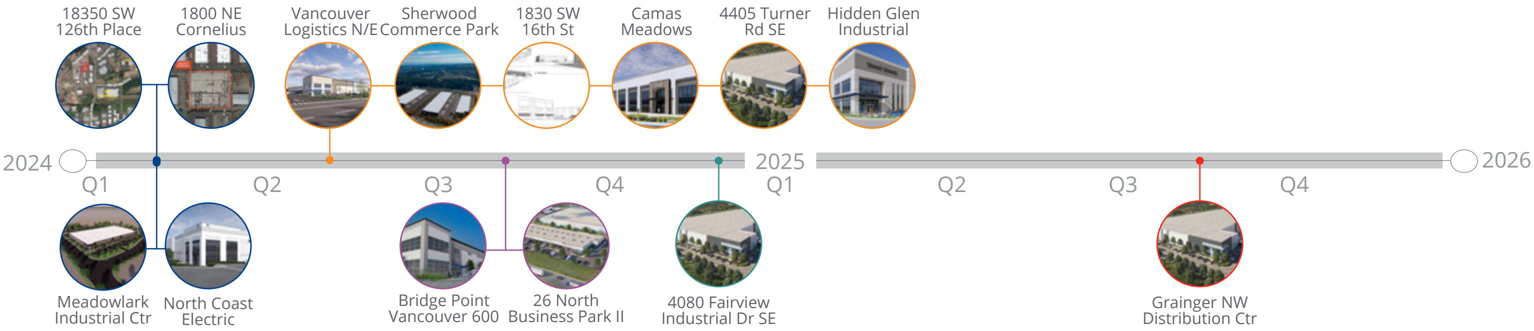
Tenant	Property	Submarket	Lease Type	Size
Expeditors International of Washington, Inc.*	**Stockyards Commerce Center, Building B** 2522-2664 N Marine Dr	North/Northeast	Renewal	193,321
OIA Global Logistics - SCM, Inc.*	**Bybee Lake Logistics Center, Phase II** 14601-14651 N Bybee Lake Ct	North/Northeast	Renewal	167,305
OnTrac Logistics, Inc.*	**Portside Industrial Park, Building A** 3665 NW 32nd Ave	Clark County	Renewal	163,328
Cummins, Inc.*	**PDX Logistics Center II, Bldg III** 9601 NE Alderwood Rd	North/Northeast	Renewal	119,999
BMWC Constructors, Inc.*	**Teton Commerce Center** 20495 SW Teton Ave	I-5 South	New	100,000

*** Indicates Colliers transaction**

Notable Deliveries

Property	Submarket	Developer	Size (SF)	% Preleased
10500 SW Manhasset Dr	I-5 South	Fred Hines	44,647	100%
138 Logisitics Center, Building B	North/Northeast	Phelan Development Company	216,200	100%

Under Construction



Property	Submarket	Developer/Owner	Size (SF)	Delivery	Type
18350 SW 126th Pl	I-5 South	-	18,000	Q1 2024	Speculative
1800 NE Cornelius Pass Rd - Building B	Westside	PSRT Investments LLC	10,668	Q1 2024	Built-to-Suit
Meadowlark Industrial Center	Westside	Altabird Investments	154,643	Q1 2024	Speculative
North Coast Electric Built-to-Suit	North/Northeast	Prologis	293,000	Q1 2024	Built-to-Suit
1830 SW 16th St	Clark County	T4 Northwest, LLC	23,000	Q2 2024	Speculative
Vancouver Logistics Phase II - East Building	Clark County	Panattoni	175,044	Q2 2024	Speculative
Sherwood Commerce Park - Bldg A	I-5 South	Schnitzer Properties	106,600	Q2 2024	Speculative
Sherwood Commerce Park - Bldg B	I-5 South	Schnitzer Properties	166,400	Q2 2024	Speculative
Sherwood Commerce Park - Bldg C	I-5 South	Schnitzer Properties	172,007	Q2 2024	Speculative
Vancouver Logistics Phase II - North Building	Clark County	Panattoni	163,675	Q2 2024	Speculative
Camas Meadows Industrial Park	Clark County	Panattoni	187,106	Q2 2024	Speculative
4405 Turner Rd SE	Salem	Phelan Development Company	193,758	Q2 2024	Speculative
Hidden Glen Industrial	Clark County	Panattoni	283,622	Q2 2024	Speculative
Bridge Point Vancouver 600	Clark County	Bridge Industrial	647,762	Q3 2024	Speculative
26 North Business Park II	Westside	Pacific NW Properties	42,484	Q3 2024	Speculative
4080 Fairview Industrial Dr SE	Salem	Mark Buehler	20,830	Q4 2024	Speculative
GV5 - Grainger Northwest Distribution Center	North/Northeast	Specht	533,212	Q3 2025	Built-to-Suit

Portland | Q4 2023 | 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	8,836,794	7.4%	0.3%	7.7%	7.5%	6.8%	(61,851)	(154,792)	-	-	$1.12
Manufacturing	1,816,406	5.5%	0.1%	5.6%	6.0%	5.8%	(3,869)	(95,219)	-	-	$0.98
Flex	1,705,422	4.5%	0.6%	5.1%	6.1%	3.9%	(38,923)	365	-	-	$1.03
TOTAL	**12,358,622**	**6.7%**	**0.3%**	**7.0%**	**7.1%**	**6.2%**	**(104,643)**	**(249,646)**	**-**	**-**	**$1.09**
North/Northeast											
Warehouse/ Distribution	62,373,212	5.3%	2.1%	7.4%	6.2%	4.5%	(1,109,690)	(619,293)	826,212	771,045	$0.75
Manufacturing	11,604,715	6.9%	0.0%	6.9%	6.1%	1.7%	(512,887)	(648,535)	-	-	$0.81
Flex	1,843,283	9.4%	0.2%	9.6%	8.0%	8.0%	(593)	(40,795)	-	-	$1.18
TOTAL	**75,821,210**	**5.7%**	**1.7%**	**7.4%**	**6.2%**	**4.1%**	**(1,623,170)**	**(1,308,623)**	**826,212**	**771,045**	**$0.81**
Westside											
Warehouse/ Distribution	24,288,844	3.8%	0.5%	4.3%	3.8%	2.4%	(347,902)	(148,005)	10,688	-	$0.91
Manufacturing	14,057,890	2.3%	0.1%	2.3%	0.6%	0.3%	(34,154)	(45,927)	-	-	$0.79
Flex	15,224,180	6.6%	2.7%	9.4%	5.0%	5.1%	18,787	(26,558)	42,484	13,264	$1.18
TOTAL	**53,570,914**	**4.2%**	**1.0%**	**5.2%**	**3.3%**	**2.6%**	**(363,269)**	**(220,490)**	**207,815**	**13,264**	**$1.00**
I-5 South											
Warehouse/ Distribution	24,179,661	6.0%	0.3%	6.3%	2.2%	2.2%	6,808	166,461	445,007	279,858	$0.94
Manufacturing	5,689,666	0.7%	2.2%	2.9%	0.2%	0.4%	11,400	38,966	-	44,647	$0.97
Flex	4,232,151	5.1%	0.7%	5.8%	3.4%	3.2%	(6,649)	51,821	18,000	-	$1.18
TOTAL	**34,101,478**	**5.0%**	**0.7%**	**5.7%**	**2.0%**	**2.1%**	**11,559**	**257,248**	**463,007**	**324,505**	**$1.05**
Southeast											
Warehouse/ Distribution	22,762,924	2.4%	0.6%	3.0%	2.1%	1.9%	(45,522)	162,127	-	52,752	$0.84
Manufacturing	6,235,227	1.2%	0.2%	1.4%	1.7%	1.0%	(42,327)	82,975	-	85,105	$1.01
Flex	1,632,622	5.4%	0.7%	6.1%	7.4%	7.6%	3,802	(3,047)	-	-	$1.28
TOTAL	**30,630,773**	**2.3%**	**0.5%**	**2.8%**	**2.3%**	**2.0%**	**(84,047)**	**242,055**	**-**	**137,857**	**$0.94**

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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	22,679,875	11.9%	1.0%	12.9%	6.9%	7.7%	162,777	487,016	1,480,255	1,109,822	$0.96
Manufacturing	5,177,921	1.1%	0.5%	1.7%	1.5%	1.2%	(15,884)	(41,408)	-	-	$1.35
Flex	2,804,721	13.0%	2.5%	15.5%	8.7%	9.0%	10,452	(112,545)	-	35,924	$1.26
TOTAL	**30,662,517**	**10.2%**	**1.1%**	**11.3%**	**6.2%**	**6.7%**	**157,345**	**333,063**	**1,480,255**	**1,145,746**	**$1.03**
Salem											
Warehouse/ Distribution	23,254,304	8.5%	0.2%	8.7%	8.0%	8.0%	(3,686)	4,015,999	214,588	4,712,719	$0.76
Manufacturing	7,161,238	2.0%	0.3%	2.3%	1.4%	1.2%	(10,949)	70,149	-	-	$0.62
Flex	2,491,508	4.0%	0.0%	4.0%	1.4%	1.4%	977	77,768	11,968	31,430	$1.04
TOTAL	**32,907,050**	**6.8%**	**0.2%**	**7.0%**	**6.1%**	**6.0%**	**(13,658)**	**4,163,916**	**226,556**	**4,744,149**	**$0.79**
PDX Market											
Warehouse/ Distribution	188,375,614	6.1%	1.0%	7.2%	5.2%	4.5%	(1,399,066)	3,909,513	2,976,750	6,926,196	$0.87
Manufacturing	51,743,063	3.0%	0.4%	3.3%	2.3%	1.1%	(608,670)	(638,999)	154,643	129,752	$0.91
Flex	29,933,887	6.8%	1.8%	8.6%	5.2%	5.2%	(12,147)	(52,991)	72,452	80,618	$1.17
GRAND TOTAL	**270,052,564**	**5.6%**	**1.0%**	**6.6%**	**4.7%**	**3.9%**	**(2,019,883)**	**3,217,523**	**3,203,845**	**7,136,566**	**$0.94**

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$3.3B
in revenue

2B
square feet under management

18,000 +
professionals and staff

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