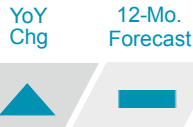


Portland, OR

Industrial Q3 2020

3.9%
Vacancy Rate



969K
YTD Net Absorption, SF



\$0.76
Asking Rent, PSF
Overall, Net Asking Rent



ECONOMIC INDICATORS Q3 2020

1.22M
Portland Employment



9.6%
Portland Unemployment Rate



8.8%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2020Q3 data are based on latest available data

ECONOMY

The shock of the Covid-19 pandemic is continuing to disrupt the economy, with the impact in Oregon consistent with what is being experienced nationally. With a solid economic foundation prior to the pandemic, State of Oregon economists are forecasting a quicker recovery in the years ahead. Schools are back in session, although mostly virtual, and businesses are focusing on recovery, opening their doors and welcoming employees and customers with safety protocols in place. Our construction industry has been affected by some short stoppages of work and delays in availability of materials. However, all major construction projects underway pre-pandemic are moving forward as scheduled. The hospitality and retail sectors continue to face significant challenges, while the acceleration of e-commerce and the emergence of home services and life sciences bring new opportunities to the Portland area. At the close of the third quarter, year-over-year (YOY) total non-farm jobs for the Portland metropolitan area remain down by -8.3%, at 1,222,400. That said, jobs have begun to recover over the third quarter after falling sharply in March and April of this year.

SUPPLY & DEMAND

Portland's industrial development pipeline remains healthy through the close of the third quarter. Nearly 500,000 square feet (sf) spread across flex, manufacturing, and warehouse distribution space delivered during the period, bringing the year-to-date (YTD) construction completion figure to 1.2 million square feet (msf). Across the market, an additional 1.9 msf is currently under construction, just about all speculative warehouse expected to deliver by the end of 2021. The Airport Way and East Columbia submarkets will see the bulk of this new development, as their proximity to major transportation corridors remains highly desirable among e-commerce and 3PL occupiers. At 3.9%, Portland's overall vacancy rate is relatively flat YOY. A slight uptick from the 3.7% recorded in the third quarter of 2019, the fluctuation may partially be attributed to the recent speculative development that is now operational. Big-box warehouse and distribution requirements ranging from 100,000 sf to 800,000 sf indicate the level of demand. In September, Hawthorne Hydroponics signed the largest lease YTD in Portland, agreeing to occupy 378,000 sf at Blue Lake Corporate Park. The third quarter has been the strongest of the year, registering 1.8 msf of new leasing activity during the period, and bringing the YTD total to 4.2 msf. When compared to the 4.3 msf of new leasing over the first three quarters of 2019, Portland's industrial sector has been quite resilient despite the pandemic. At the close of the third quarter, YTD overall net absorption is positive 969,000 sf. With 431,000 sf of that during the third quarter alone.

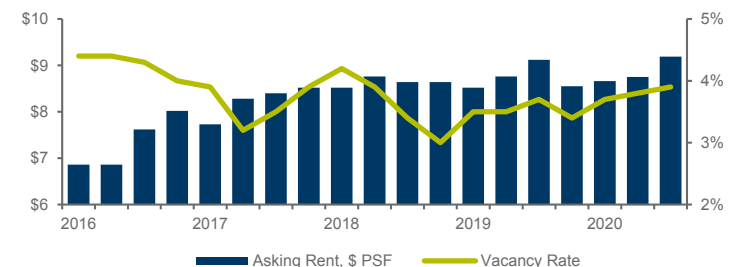
PRICING

Overall industrial weighted average asking rates held flat YOY at \$0.76 per square foot (psf) on a triple net basis (NNN), retracing a slight dip to \$0.73 psf NNN recorded at the close of the second quarter. The direct average asking rate for warehouse distribution space increased slightly, up 3% to \$0.67 psf NNN since the end of the first quarter 2020. A robust development pipeline of modern, Class-A, speculative warehouse is expected to continue to drive rates. For flex product, direct average asking rates closed the third quarter at \$1.23 psf, and for manufacturing product, direct average asking rates closed the quarter at \$0.63 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (FLX)	OVERALL WEIGHTED AVG NET RENT (W/D)
Northeast Portland	5,686,097	222,899	3.9%	-28,512	4,871	0	0	\$1.54	\$1.18	\$1.21
Swan Island	9,751,202	625,644	6.4%	-25,759	-201,716	0	0	\$1.09	\$0.00	\$0.63
Rivergate	15,888,868	547,375	3.4%	68,086	-84,540	0	0	\$0.55	\$0.00	\$0.50
Airport Way	15,798,981	674,361	4.3%	-54,803	-98,874	1,056,850	0	\$0.45	\$1.03	\$0.72
East Columbia	31,174,465	1,804,601	5.8%	556,038	1,063,311	365,930	573,500	\$0.57	\$0.98	\$0.57
NORTH/NORTHEAST	78,299,613	3,874,880	4.9%	515,050	683,052	1,422,780	573,500	\$0.64	\$0.79	\$0.62
Southeast Portland	5,036,562	229,005	4.5%	61,428	2,191	0	0	\$1.88	\$1.00	\$1.01
Clackamas/Milwaukie	24,911,640	743,995	3.0%	357,668	114,087	0	0	\$0.57	\$1.53	\$0.73
SOUTHEAST	29,948,202	973,000	3.2%	419,096	116,278	0	0	\$0.57	\$1.33	\$0.84
Macadam	636,266	19,000	3.0%	0	-19,000	0	0	\$0.00	\$1.63	\$0.00
Wilsonville	8,353,542	330,766	4.0%	-174,201	-372,426	0	0	\$0.67	\$0.92	\$0.85
Tualatin/Sherwood	13,774,193	561,941	4.1%	-40,860	-35,211	234,100	73,000	\$0.62	\$1.22	\$0.71
Tigard/Lake Oswego	8,462,795	246,653	2.9%	35,142	193	0	0	\$0.00	\$1.27	\$0.56
Beaverton/Highway 217	8,433,758	633,587	7.5%	-20,012	-126,636	0	0	\$0.90	\$1.16	\$0.60
Hillsboro/Sunset Corridor	23,955,985	803,473	3.4%	-169,402	-373,632	0	96,864	\$0.98	\$1.39	\$0.95
SOUTHWEST	63,616,539	2,595,420	4.1%	-369,333	-926,712	234,100	169,864	\$0.62	\$1.29	\$0.70
Northwest Portland	12,724,651	289,270	2.3%	-54,034	-21,209	0	0	\$0.60	\$0.00	\$0.76
NORTHWEST	12,724,651	289,270	2.3%	-54,034	-21,209	0	0	\$0.60	\$0.00	\$0.76
Vancouver/Clark County	24,791,729	407,265	1.6%	-79,476	1,117,447	232,760	415,415	\$1.08	\$1.32	\$0.75
VANCOUVER/CLARK COUNTY	24,791,729	407,265	1.6%	-79,476	1,117,447	232,760	415,415	\$1.08	\$1.32	\$0.75
PORTLAND TOTALS	209,380,734	8,139,835	3.9%	431,303	968,856	1,889,640	1,158,779	\$0.63	\$1.22	\$0.67

*Rental rates reflect weighted net asking \$psf/month

**Not reflective of U.S. Overview

FLX = Flex MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Blue Lake Corporate Park – Bldg. B	East Columbia	Hawthorne Hydroponics	378,000	New Lease
6308-6310 N Marine Dr.	Rivergate	Cascades Tissue Group	225,250	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
The Cubes at Troutdale	East Columbia	CRG/KKR	349,080	\$61M / \$175/sf
PDX Logistics III	Airport Way	Capstone Partners/Clarion Partners	257,149	\$43.5M / \$169/sf

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