

Portland, OR

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
4.1% Vacancy Rate	▲	■
-628K YTD Net Absorption, SF	▲	▲
\$0.77 Asking Rent, PSF <i>Overall, Net Asking Rent</i>	▲	■

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
1.22M Portland Employment	▼	▲
6.6% Portland Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics
2020Q4 data are based on latest available data

ECONOMY

Portland's economy is slowly on the road to recovery from the impact of pandemic guidelines. At the end of the first quarter 2020, Portland's market wide unemployment rate rose dramatically to 14.4%. It has since improved to 6.6%, back below the national average to finish the year. At the close of the fourth quarter, year-over-year (YOY) total non-farm job growth for the Portland MSA was -7.0% and the total number of jobs was 1,140,100. The slowdown in the economy has significantly disrupted the labor market and certain commercial real estate fundamentals, as vacancies rise and demand for office and retail space decline to historically low levels during the latter half of the year. Moving forward in the short term, tenants will likely continue to follow social distancing procedures and take time to think through leasing decisions, with the thought of being prudent with space requirements at the forefront.

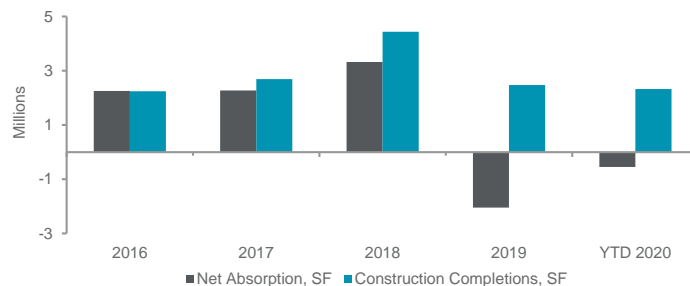
SUPPLY & DEMAND

Local developers have recognized strong migration patterns as a continued demand indicator for new projects. Due to land constraints, they have been limited in their attempts to acquire preferred, developable land and are looking further afield, south to Salem, OR and north to Centralia, WA, to build. With that in mind, Portland continues to boast a healthy industrial development pipeline, delivering 2 million square feet (msf) in 2020, of which 52% has already been leased. The sustaining impact of the pandemic has altered some tenants' real estate requirements. Specifically, last mile logistics and manufacturers seeking to maximize their efficiencies with cubic volume by moving from lower clear height, inefficient buildings to newer Class A product with at least a 36' clear height. A steady new supply of inventory may be placing some upward pressure on overall vacancy, with the rate rising 70 basis points (bps) YOY to 4.1%. Overall net absorption took a hit in the fourth quarter and was in the red for the full year at negative 628,253 sf. The primary issue was that 964,281 sf at 224 Logistics Park in Clackamas/Milwaukie was vacated by Unified Grocers Inc. However, a separate food group, Bob's Redmill, will reoccupy a portion of this space in 2021, as that tenant signed a lease in December for 520,897 sf, becoming the largest lease registered across the market in all of 2020. The fourth quarter of 2020 overtook the previous as the strongest period for leasing, registering 2.4 msf of new leasing activity, bringing the YTD total to 6.7 msf. Portland will benefit from e-commerce with further expansion into the region. A growing life sciences sector will also contribute to supporting industrial real estate fundamentals in the near-term.

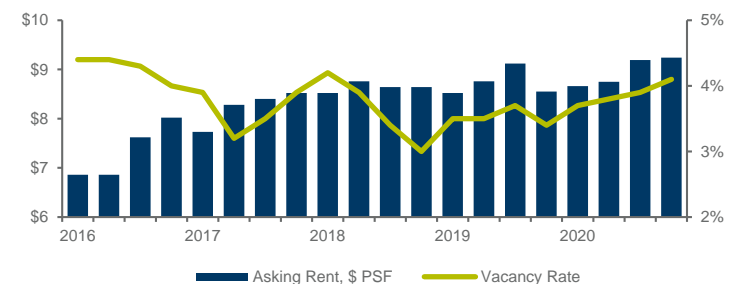
PRICING

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



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	307,112	5.4%	-80,671	-75,800	0	0	\$1.34	\$1.40	\$1.24
Swan Island	9,742,562	951,072	9.8%	-337,068	-538,784	0	0	\$1.09	\$0.00	\$0.66
Rivergate	15,896,424	700,946	4.4%	-75,751	-160,291	0	0	\$0.55	\$0.00	\$0.52
Airport Way	15,983,641	544,904	3.4%	311,710	212,836	650,000	306,900	\$0.45	\$1.03	\$0.70
East Columbia	31,445,247	1,109,057	3.5%	-123,528	561,783	0	905,380	\$0.61	\$0.98	\$0.58
NORTH/NORTHEAST	78,753,971	3,613,091	4.6%	-305,308	-256	650,000	1,212,280	\$0.76	\$0.77	\$0.66
Southeast Portland	5,029,012	248,880	4.9%	-2,684	-493	0	0	\$1.88	\$1.00	\$1.02
Clackamas/Milwaukie	24,873,985	1,757,424	7.1%	-984,375	-870,288	0	0	\$0.47	\$1.53	\$0.72
SOUTHEAST	29,902,997	2,006,304	6.7%	-987,059	-870,781	0	0	\$0.47	\$1.32	\$0.76
Macadam	636,266	19,000	3.0%	0	-19,000	0	0	\$0.00	\$1.63	\$0.00
Wilsonville	8,350,459	276,098	3.3%	27,334	-345,092	0	0	\$0.00	\$0.80	\$0.86
Tualatin/Sherwood	13,778,468	506,018	3.7%	63,580	28,369	533,513	307,100	\$0.58	\$1.22	\$0.66
Tigard/Lake Oswego	8,462,795	267,907	3.2%	-6,023	-5,830	0	0	\$0.00	\$1.25	\$0.56
Beaverton/Highway 217	8,416,626	621,174	7.4%	41,344	-85,292	0	0	\$0.90	\$1.33	\$0.59
Hillsboro/Sunset Corridor	23,906,543	616,460	2.6%	-19,959	-393,591	195,550	96,864	\$0.55	\$1.38	\$0.94
SOUTHWEST	63,551,157	2,306,657	3.6%	106,276	-820,436	729,063	403,964	\$0.58	\$1.31	\$0.68
Northwest Portland	12,701,651	344,303	2.7%	-83,510	-104,719	0	0	\$0.65	\$0.00	\$0.78
NORTHWEST	12,701,651	344,303	2.7%	-83,510	-104,719	0	0	\$0.65	\$0.00	\$0.78
Vancouver/Clark County	24,832,262	312,638	1.3%	50,492	1,167,939	427,400	415,415	\$0.57	\$1.32	\$0.70
VANCOUVER/CLARK COUNTY	24,832,262	312,638	1.3%	50,492	1,167,939	427,400	415,415	\$0.57	\$1.32	\$0.70
PORTLAND TOTALS	209,742,038	8,582,993	4.1%	-1,219,109	-628,253	1,806,463	2,031,659	\$0.64	\$1.24	\$0.69

*Rental rates reflect weighted net asking \$psf/month **Statistics not reflective of U.S. MarketBeat Tables

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
224 Logistics Park	Clackamas/Milwaukie	Bob's Redmill	520,897	New Lease
North PDX Logistics Center 1	Rivergate	Fulcrum Logistics	318,972	New Lease
26600 S.W. Parkway Ave	Wilsonville	Twist BioScience	110,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Rivergate Logistics Center	Rivergate	Colony Capital, Inc./Dermod Properties, Inc.	523,934	\$146.86
Sandy Industrial Park	East Columbia	City of Gresham/Black Creek Group	110,525	\$139.00
Portland Portal Industrial Center	East Columbia	Spada/Clarion Partners	130,589	\$137.45

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