

Portland, OR

Industrial Q4 2021



	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▼	▬
4.9M Net Absorption, SF	▲	▲
\$0.82 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
1.19M Portland Employment	▲	▲
4.2% Portland Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics
2021Q4 data are based on latest available data

ECONOMY

The Portland metro area remains an attractive alternative for new and expanding industrial occupier businesses. The existing diverse manufacturing and warehousing driven economy made up of ecommerce, third party logistics, and an increasing number of tech employers in the Silicon Forest will continue to support strong real estate fundamentals and key economic indicators moving forward. At the close of the fourth quarter 2021, Portland's unemployment rate, at 4.2% is even with the U.S. national rate. Total non-farm employment for the metro area reached 1,197,600 at the close of the third quarter, a 5.6% year-over-year (YOY) increase. A continued tech migration to the region, paired with re-openings of consumer facing retail businesses will contribute to Portland's overall economy rebounding and outperforming the U.S. in the long run.

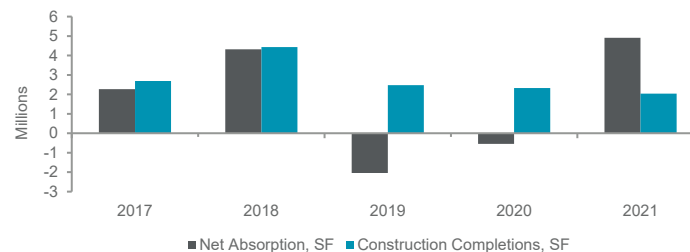
SUPPLY & DEMAND

Portland's growing ecommerce and logistics segments of the economy continue to support the underlying fundamentals of the industrial market. Overall net absorption totaled nearly 2.0 million square feet (msf) in the fourth quarter of 2021, bringing the year-to-date (YTD) figure to 4.9 msf. At 2.6%, the market's strong occupancy gains have led to a 150 basis point (bp) drop in the overall vacancy rate YOY. The industrial development pipeline continues to grow. However, limited developable industrial land supply in the metro area has pushed developers to look for options north, to Centralia, Washington, and south to Salem, Oregon. The 3.4 msf of space currently under construction represents a 89% YOY increase from the 1.8 msf tracked in the fourth quarter of 2020. The most notable construction completions in the fourth quarter were Cold Creek Industrial, a 105,000 sf warehouse in Vancouver, partially leased by GTS Interior Supply, and T-S Corporate Park Bldg. A – 62,500 sf - in Tualatin. Demand has been strong throughout the year, with YTD new leasing standing at 9.4 msf, outpacing the 6.7 msf of new leasing activity recorded in 2020. Additionally, construction has started in Canby at the future 517,000 sf Amazon warehouse sort center. In the fourth quarter, Amazon purchased the land for the build-to-suit property that they will own. Additionally, JCB Packaging, LLC signed a 150,000 sf lease at Kelley Point Distribution Center – Bldg. 1, which is the largest lease of the fourth quarter.

PRICING

Industrial rent growth in Portland continues to outperform the other three asset types. The market wide overall average asking rental rate, at \$0.82 per square foot (psf) on a triple net basis represents 6.5% YOY growth. Specifically, in the fourth quarter 2021, asking rental rates for Class A warehouse distribution space in Tualatin have seen a dramatic growth. The average asking rental rate in Tualatin, at \$0.81 psf, represents a roughly 22% premium on pricing from a year ago.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2021

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 (WD)	TOTAL OVERALL WEIGHTED AVG NET RENT
Northeast Portland	6,014,749	194,194	3.2%	38,991	175,791	0	0	\$1.36	\$1.37
Swan Island	9,834,378	799,239	8.1%	6,670	74,899	0	0	\$0.63	\$0.63
Rivergate	16,184,561	569,320	3.5%	302,185	303,970	0	0	\$0.54	\$0.54
Airport Way	16,437,414	672,868	4.1%	504,218	588,405	352,970	330,000	\$0.62	\$0.64
East Columbia	32,987,354	425,338	1.3%	321,427	1,650,417	137,991	881,808	\$0.77	\$0.83
NORTH/NORTHEAST	81,458,456	2,660,959	3.1%	1,173,491	2,793,482	490,961	1,211,808	\$0.71	\$0.73
Southeast Portland	5,131,882	180,269	3.5%	4,696	13,762	0	0	\$1.02	\$1.02
Clackamas/Milwaukie	25,271,917	860,200	3.4%	51,428	779,828	0	49,100	\$0.71	\$1.56
SOUTHEAST	30,403,799	1,040,469	3.3%	56,124	793,590	0	49,100	\$1.10	\$0.85
Macadam	636,266	0	0.0%	0	19,000	0	0	N/A	N/A
Wilsonville	8,782,404	87,756	1.0%	51,076	342,959	110,366	0	\$0.65	\$1.00
Canby	1,468,186	5,132	0.3%	0	114,350	517,000	90,000	N/A	N/A
Tualatin/Sherwood	14,173,616	152,739	1.1%	225,291	462,375	659,675	62,257	\$0.81	\$0.79
Tigard/Lake Oswego	8,767,372	166,090	1.9%	28,889	-34,884	0	0	\$0.71	\$0.84
Beaverton/Highway 217	8,472,303	387,386	4.6%	-4,494	-3,018	0	0	\$0.95	\$0.97
Hillsboro/Sunset Corridor	24,338,734	633,384	2.6%	-69,110	-82,112	734,570	36,000	\$1.31	\$1.19
SOUTHWEST	66,638,881	1,432,487	2.1%	231,652	818,670	2,021,611	188,257	\$0.89	\$0.94
Northwest Portland	12,857,628	289,575	2.3%	117,878	140,256	187,546	0	\$0.58	\$0.58
NORTHWEST	12,857,628	289,575	2.3%	117,878	140,256	187,546	0	\$0.58	\$0.58
Vancouver/Clark County	25,983,654	333,656	1.3%	419,085	368,609	719,669	417,600	N/A	\$1.43
VANCOUVER/CLARK COUNTY	25,983,654	333,656	1.3%	419,085	368,609	719,669	417,600	N/A	\$1.43
PORTLAND TOTALS	217,342,418	5,757,146	2.6%	1,998,230	4,914,607	3,419,787	1,866,765	\$0.78	\$0.82

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

**Not reflective of U.S. Overview

W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
15645 N. Lombard Street Bldg. I	Rivergate	JCB Packaging, LLC	150,000	New Lease
3201 NW 32nd Ave	Vancouver/Clark County	Child Logistics	106,422	New Lease
21051-21099 SW 115th Ave. Bldg. C	Tualatin/Sherwood	S&M Moving Systems	92,960	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
16441 NE Cameron Blvd (Portfolio Transaction)	East Columbia	WPT Industrial REIT / Blackstone	492,554	\$103M / \$209.51
27150 SW Kinsman Rd (Portfolio Transaction)	Wilsonville	Dermody Properties, Inc. / AXA Investment Managers	108,698	\$25M / \$230.38

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