

PDX INDUSTRIAL MARKET REPORT

YEAR END - 2019

Q4

2019



PDX INDUSTRIAL

WHERE ARE WE NOW?



Total Inventory

202,643,015 SF



Total Vacancy

7,736,481 SF



Vacancy Rate

3.8%



2019 Absorption

560,183 SF



Under Construction

2,661,773 SF

VACANCY

The vacancy rate decreased to 3.8% to conclude 2019, which is slightly down from Q3. The decrease in vacancy rate is due to a mere 51,240 SF of new space delivered in Q4 2019, supplemented with several large leases being executed (see page 3).

CONSTRUCTION

For 2019, the Portland market experienced 2,244,347 SF of construction deliveries, which was down from 2018 when there were 4,523,331 SF of deliveries, of which nearly 2 million SF was due to Amazon build-to-suit projects. However, we do expect construction deliveries to ramp up again in 2020 with several projects due for completion by year end.

ABSORPTION

For all of 2019, net absorption for the Portland Metro area was a mere 560,183 SF, which is considerably less than previous years. However, this number was offset by a large number of 2nd generation spaces and a handful of sublease opportunities coming back to the market. Without the inclusion of these properties, overall absorption (both sales and leases) was quite good in every submarket.

RENTAL RATES / SALE PRICES

Lease rates continue to increase in submarkets with limited land availability such as Tualatin and Wilsonville, where shell rates are in the low to mid \$0.60's for class A warehouse space. Conversely, the Columbia Corridor is home to a majority of the new construction projects with shell rates in this area ranging anywhere between \$0.50 - \$0.60 / SF. Sale prices remain at all-time highs, with a continued lack of inventory marketwide.

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UNDER CONSTRUCTION [PARTIAL LIST]

DEVELOPMENT	DEVELOPER / OWNER	SUBMARKET	DELIVERY	TOTAL SF
BLUE LAKE CORPORATE PARK	TRAMMELL CROW / PRINCIPAL	EAST COLUMBIA CORRIDOR	Q1 2020	465,500
PROLOGIS PDX 23	PROLOGIS	EAST COLUMBIA CORRIDOR	Q1 2020	156,900
PORTSIDE LOGISTICS PARK	SPECHT	VANCOUVER, WA	Q2 2020	289,737
RIDGEFIELD COMMERCE CENTER	PANATTONI	RIDGEFIELD, WA	Q1 2020	117,145
BOEING INDUSTRIAL PARK	PHELAN DEVELOPMENT	EAST COLUMBIA CORRIDOR	Q2 2020	112,980
SANDY BLVD. INDUSTRIAL PARK	PHELAN DEVELOPMENT	EAST COLUMBIA CORRIDOR	Q2 2020	101,475
IMPERIAL INDUSTRIAL PARK	VITALY MARTINOV	EAST COLUMBIA CORRIDOR	Q2 2020	81,930
MYSLONY INDUSTRIAL PARK	PHELAN DEVELOPMENT	TUALATIN	Q3 2020	317,125
BRIDGE POINT I-5	BRIDGE DEVELOPMENT	AIRPORT WAY	Q3 2020	632,250
CIPOLE INDUSTRIAL PARK	PHELAN DEVELOPMENT	TUALATIN	Q3 2020	235,875
PROLOGIS MEADOWS	PROLOGIS	AIRPORT WAY	Q4 2020	1,850,000 (Planned)
LOGISTICENTER @ I-84	DERMODY PROPERTIES	EAST COLUMBIA CORRIDOR	Q4 2020	347,000

MARKET WIDE CONSTRUCTION TOTAL: 2,661,773 SF

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NOTABLE TRANSACTIONS

NOTABLE SALES - 4TH QTR

VISTA LOGISTICS PARK - SE 223RD AVE.

733,232 SF | \$93,250,000 (\$127.18 / SF)

Buyer: Black Creek Group
Seller: Specht Properties, Inc.

3841 N COLUMBIA BLVD. - LAND

32 AC | \$18,000,000 (\$12.91 / SF)

Buyer: Copart of Washington Inc.
Seller: MB Terminal Co.

5537 NW FIVE OAKS DR.

150,000 SF | \$10,706,000 (\$71.37 / SF)

Buyer: Pacific NW Properties, Inc.
Seller: G3 Investments LLC

LOGISTICENTER AT 185TH

60,000,000 SF | \$5,700,000,000 (Portfolio Sale)

Buyer: The Blackstone Group
Seller: Colony Capital, Inc.

26755 SW 95TH AVENUE

165,814 SF | \$23,950,000 (\$144.44 / SF)

Buyer: State of Oregon (DAS)
Seller: Wesmar Investments

OREGON TRANSFER PORTFOLIO

673,977 SF - \$5,100,000 (\$115.36 / SF) (Portfolio Sale)

Buyer: Invesco Ltd.
Seller: Oregon Transfer Company

NOTABLE LEASES - 4TH QTR

16913 NE CAMERON BOULEVARD

Tenant: OIA Global Logistics | 168,873 SF

Landlord: Barings Real Estate Advisors

6111 S 6TH WAY

Tenant: Elkhart Plastics | 141,500 SF

Landlord: STAG Industrial

17401 NE HALSEY STREET

Tenant: XPO Logistics | 123,890 SF

Landlord: West Coast Metals Inc.

23040 - 23070 NE TOWNSEND WAY

Tenant: Access | 79,491 SF

Landlord: Invesco Ltd.

15311 - 15427 NE AIRPORT WAY

Tenant: Hydrofarm | 64,977 SF

Landlord: Stockbridge

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MARKET TRENDS – VACANCY



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PREDICTIONS FOR 2020

1

WE DO NOT SEE AN END TO THIS ECONOMIC CYCLE ANYTIME SOON AS LOCAL MARKET CONDITIONS CONTINUE TO SHOW STRONG DEMAND FOR ALL INDUSTRIAL PRODUCT TYPES. WITH NEW DEVELOPMENTS BEING ANNOUNCED, BOTH EXISTING AND NEW-TO-MARKET TENANTS WILL HAVE ALTERNATIVES TO EXPAND, RESULTING IN A STRONG 2020 INDUSTRIAL OUTLOOK.

2

WITH THE NEW TRADE AGREEMENT IN PLACE WITH CHINA, LOCAL UNCERTAINTY WILL SCALE BACK AND ABSORPTION NUMBERS SHOULD BEGIN TO INCREASE AGAIN IN 2020.

3

OREGON'S CONTINUED POPULATION GROWTH (APPROXIMATELY 112 PEOPLE MOVING HERE PER DAY BASED ON PSU'S POPULATION RESEARCH) WILL CONTINUE TO DRIVE INDUSTRIAL DEMAND FOR SPACE LOCALLY.

4

AMAZON CONTINUES TO TAKE STRATEGIC POSITIONS IN ALL SUBMARKETS OF THE PORTLAND METRO AREA TO CONTINUE THEIR DOMINANCE IN THE LAST MILE ARENA. THIS IS TAKING PLACE IN NEARLY EVERY MARKET IN THE US.

5

INSTITUTIONAL INVESTORS CONTINUE TO BE BULLISH ON PORTLAND AS CAP RATES CONTINUE THEIR DOWNWARD TREND FOR CLASS A PRODUCT.

6

POTENTIAL LIMITING FACTORS FOR 2020 MAY INCLUDE LOCAL GOVERNMENT RESTRICTIONS, AN INCREASE IN BUSINESS INCOME TAXES, INCREASED LABOR COSTS, AND POTENTIAL FREEWAY TOLLING IN THE NEAR FUTURE.

OREGON'S 2018
**MOST
ADMIRED
COMPANIES**

CORFAC[®]
International



PORTLAND OREGON

INDUSTRIAL EXPERTS

LOCALLY OWNED. GLOBALLY CONNECTED.



DON OSSEY, SIOR



JOHN FETTIG, SIOR



SCOTT KAPPES, SIOR



ALLEN PATTERSON, SIOR



MARK CHILDS, SIOR



LAURA GENTRY, CPM



JEFF VALDES



DAVE ELLIS



F. MICHAEL NUGENT



MIKE HALE



SCOTT MILLER



KENNY HOUSER



TOM KNECHT



DANIEL HELM



RUSS MAHAN



BRODY COHEN



DANIEL SAYLES



STEPHEN OSSEY

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