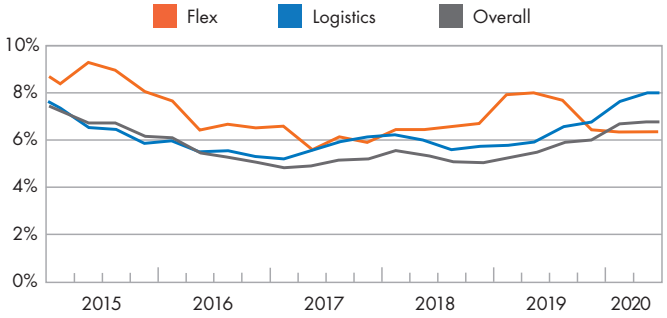
Industrial Market Report | Q2 2020

Norris & Stevens
INVESTMENT REAL ESTATE SERVICES

OVERVIEW

Portland's industrial market ended 2019 exceptionally strong, but now in 2020, it faces great uncertainty due to the coronavirus outbreak. It is difficult to determine the long term effects of the virus on the market, but it is anticipated that leasing and rent growth will continue to slow, construction will see more delays, and investment will decline. Still, the industrial market is better-positioned than other commercial markets to navigate COVID-19.

Vacancy Rates by Building Type
Years 2015 - 2020



Source: CoStar Property

ABSORPTION & DELIVERIES

The overall Portland Industrial market absorbed negative (148,316) square feet in the second quarter, compared to 246,779 square feet in the first quarter of 2020.

A net absorption of negative (67,478) square feet was recorded for the flex building market for the second quarter 2020, which compared to 8,325 square feet from the previous quarter.

The warehouse building market recorded net absorption of 20,314 square feet in the second quarter, down from 108,874 square feet in the first quarter 2020.

PORTLAND MARKET SNAPSHOT

VACANCY
4.3%

RENTAL RATE
$9.39

CONSTRUCTION
4,593,143 SF

ABSORPTION
(148,316) SF

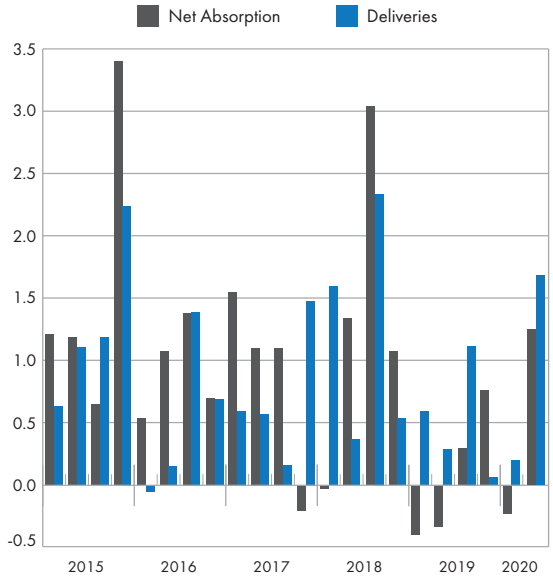
VACANCY

The Portland area overall vacancy rate remained unchanged from the previous quarter, ending mid-year 2020 at 4.3%.

The vacancy rate for flex projects ended the second quarter 2020 at 5.6%, up slightly from 5.4% in the first quarter.

Warehouse project vacancy rates ended the quarter at 4.8%, down from 5.0% in first quarter 2020.

Absorption & Deliveries
2015 - 2020



Source: CoStar Property

DELIVERIES AND CONSTRUCTION

During the second quarter of 2020, no square footage was delivered to the Portland market.

Despite no new deliveries, 4,593,143 square feet of industrial space remained under construction at the end of the second quarter. Some of the largest projects underway are expansion projects, including the Intel expansion at 1,500,000 square feet, and Columbia Distributing in Canby, OR, at 531,148 square feet with a November 2020 scheduled completion date.

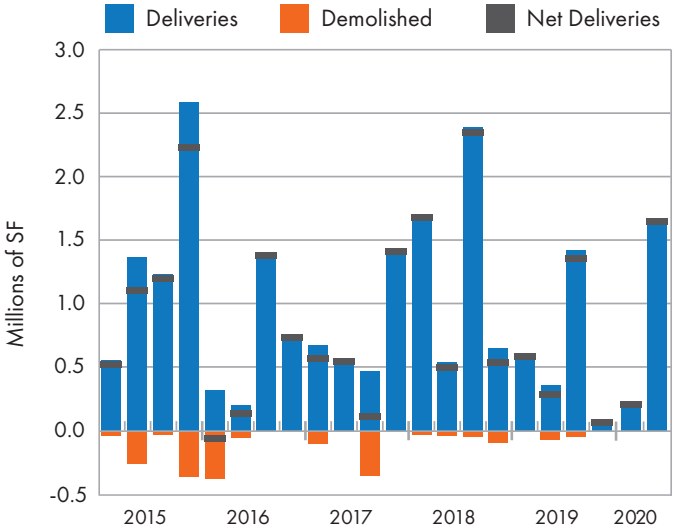
RENTAL RATES

Portland's quoted average industrial rental rates remained unchanged from the first quarter 2020, sitting at $9.39 per square foot. Despite no changes between the first two quarters of 2020, it's still an increase from $9.14 per square foot at the end of 2019.

The flex sector average quoted rental rates increased, ending the quarter at $14.73 per square foot and the warehouse average quoted rental rate stood at $8.72 per square foot.

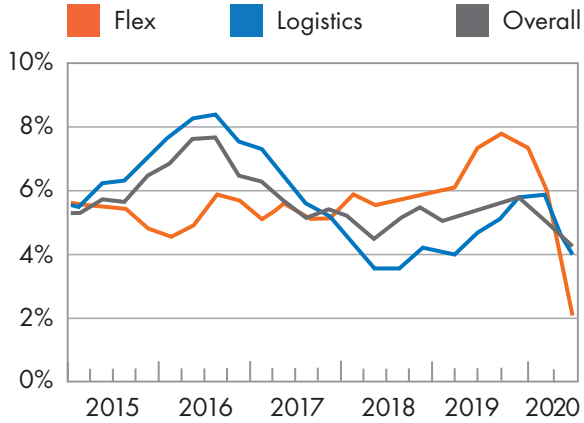
Historical Construction Deliveries

Square Footage Per Quarter



Source: CoStar Property

Market Rent Growth



Source: CoStar Property

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Sunset Corridor/Hillsboro	8	1,705,000	1,657,000	97.2%	48,780	213,143
East Columbia Corridor	8	871,000	559,000	64.2%	59,243	108,845
Airport Way	3	825,000	148,000	17.9%	29,189	275,031
SE Outlying	1	531,000	531,000	100%	16,165	531,148
Sherwood	3	236,000	0	0%	28,819	78,592
CBD/West Vancouver	1	192,000	0	0%	47,960	192,424
St Johns/Cntrl Vancouver	1	105,000	53,000	50%	27,833	105,000
Tualatin	1	73,000	55,000	74.7%	38,791	73,000
Yamhill County	1	30,000	30,000	100%	22,913	30,000
Orchards	3	25,000	18,000	71%	23,076	8,267
All Other	0	–	–	–	30,674	–
Totals	**30**	**4,593,000**	**3,050,000**	**66.4%**	**33,455**	**153,105**

Source: CoStar Property

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at www.norris-stevens.com.