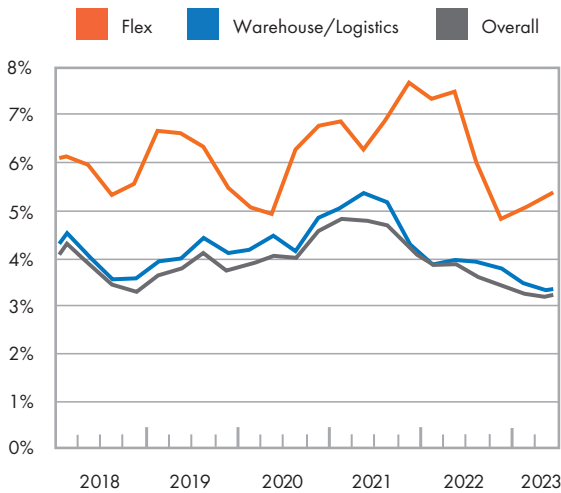


OVERVIEW

The industrial market in Portland is showing signs of normalization as leasing activity for 2023 is declining. In the first three months of this year, there were almost 1.7 million square feet worth of transactions. However, this amount is 35% lower than recent patterns, which between early 2021 and the end of 2022 averaged about 2.6 million square feet of signed deals every quarter.

Vacancy Rates by Building Type Years 2018 - 2023



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall Portland industrial market absorbed 1,032,030 square feet in the second quarter of 2023, up from 445,483 square feet in the first quarter of 2023.

A net absorption of 103,397 square feet was recorded for the flex building market in the second quarter of 2023, which compared to negative (61,118) square feet from the previous quarter.

The warehouse building market recorded net absorption of 705,921 square feet in the second quarter, up from 566,481 square feet in the first quarter of 2023.

PORTLAND MARKET SNAPSHOT

VACANCY
3.1%



RENTAL RATE
\$11.57



CONSTRUCTION
2,862,504 SF



ABSORPTION
1,032,030 SF



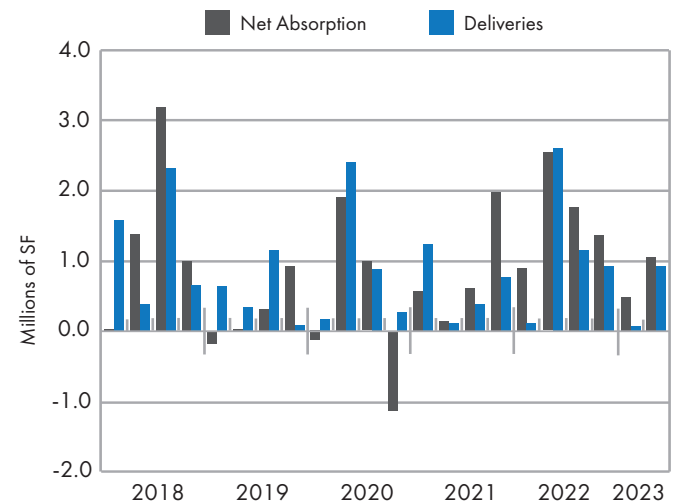
VACANCY

Portland's current vacancy rate of 3.1% remains below the metro's historical average of 6.4%, and is projected to remain in the 3% to 4% range until the end of 2023.

The vacancy rate for flex properties increased to 5.3% in the second quarter of 2023, up from 5.1% in the first quarter of 2023.

Warehouse vacancy rates decreased from 3.5% at the end of the first quarter to 3.3% to close out the second quarter of 2023.

Absorption & Deliveries 2018 - 2023



Source: CoStar Group

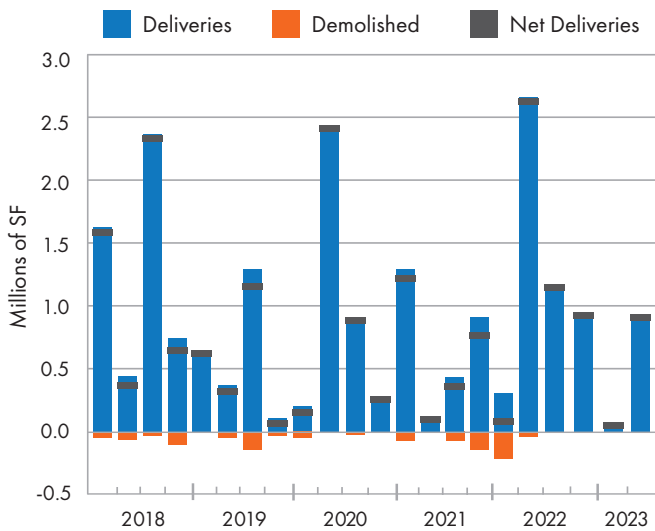
DELIVERIES AND CONSTRUCTION

The second quarter of 2023 saw 902,987 new square feet added to the market, while 2,862,504 square feet remains under construction.

Some of the largest projects set for delivery in 2023 include the PacTrust Corporate Park in Vancouver at 293,262 square feet, set for completion in August, and the 138 Logistics Center in northeast Portland at 273,500 square feet, set for an October completion. The largest project under construction, the Burnt Creek Logistics Center in Vancouver, will add 681,780 square feet when it is completed in January 2024.

Historical Construction Deliveries

Square Footage Per Quarter



Source: CoStar Group

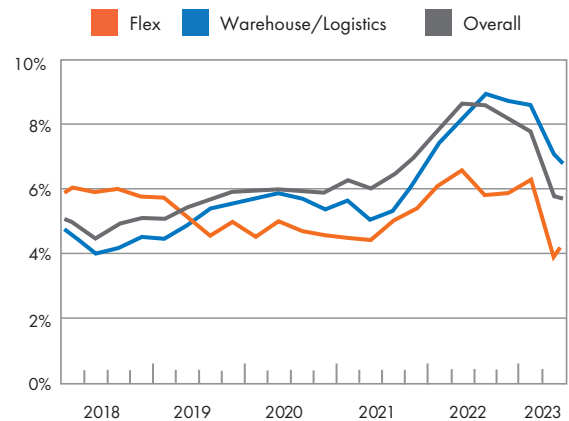
RENTAL RATES

Industrial rents in Portland are still rising, supported by a backdrop of limited supply. Market rent has increased by 5.7% over the last 12 months to \$11.57 per square foot. This gain contrasts to a 10-year average of 5.8% and continues a decade-long trend that saw industrial rent increase by a total of almost 75.8%.

Overall quoted rental rates increased in the second quarter of 2023 to \$11.57, up from \$11.42 in the previous quarter. The flex sector's average quoted rental rates increased from \$16.67 to \$16.91 per square foot at the end of the second quarter. The warehouse average quoted rental rates decreased slightly, going from \$10.86 per square foot at the end of the first quarter to \$10.67 per square to close out the second quarter of 2023.

Market Rent Growth

2018 - 2023



Source: CoStar Group

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released SF	Released %	All Existing	U/C
Orchards	4	1,051,000	0	0%	24,327	262,775
East Columbia Corridor	2	490,000	216	44.1%	59,213	244,850
I-5 Corridor Outlying	3	445,000	0	0%	41,060	148,336
Hazel Dell/Salmon Creek	1	293,000	226	77.0%	13,958	293,262
Camas/Washougal	2	217,000	30	13.8%	29,131	108,553
Tualatin	4	194,000	65	33.7%	40,334	48,557
Westside Outlying	1	156,000	0	0%	24,256	155,500
Sunset Corridor/Hillsboro	1	11,000	0	0%	53,711	10,668
Clackamas/Milwaukie	1	7,000	0	0%	34,623	6,792
217 Corridor/Beaverton	0	-	-	-	35,594	-
All Other	0	-	-	-	29,893	-
Totals	19	2,863,000	538	18.8%	34,146	150,703

Source: CoStar Group

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.