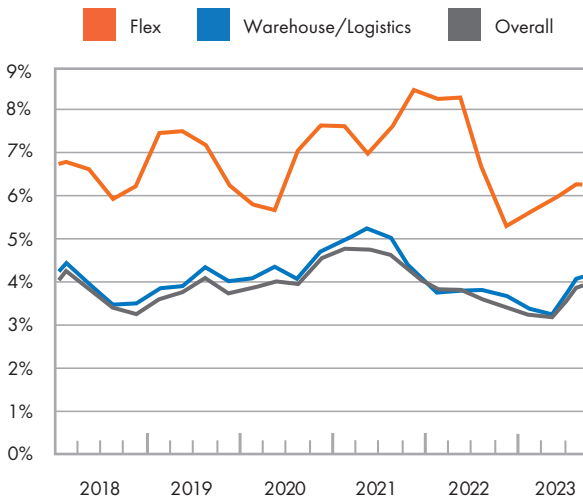


OVERVIEW

In Portland's industrial sector, a normalization of leasing has occurred, as demand declines from earlier peaks. The trailing 12-month net absorption as of the third quarter of 2023 is 1.3 million square feet, far less than the most recent peak of 5.6 million square feet reached in 2022. A large spike in sublease space has resulted in over 800,000 square feet being given back in the last two quarters alone.

Vacancy Rates by Building Type Years 2018 - 2023



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall Portland industrial market absorbed negative (1,317,850) square feet in the third quarter of 2023, a significant decrease from 1,032,030 square feet in the second quarter of 2023.

A net absorption of negative (73,801) square feet was recorded for the flex building market in the third quarter of 2023, which compared to 103,397 square feet from the previous quarter.

The warehouse building market recorded net absorption of negative (1,052,183) square feet in the third quarter, down from 705,921 square feet in the second quarter of 2023.

PORTLAND MARKET SNAPSHOT

VACANCY

3.9%



RENTAL RATE

\$11.51



CONSTRUCTION

3,118,587 SF



ABSORPTION

(1,317,850) SF



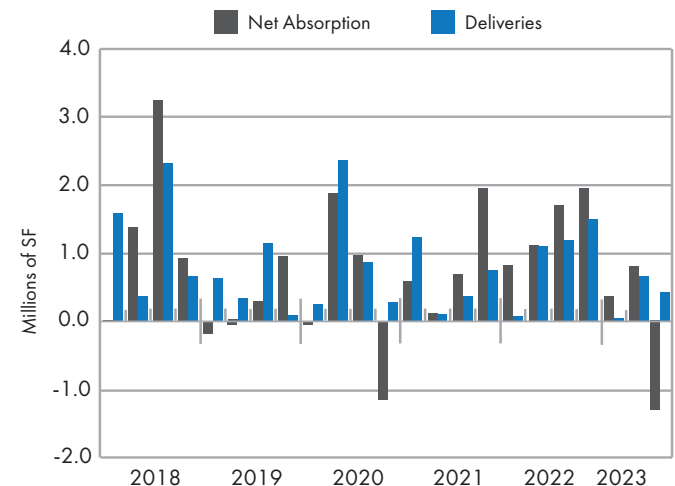
VACANCY

Portland's current vacancy rate of 3.9% remains below the metro's historical average of 6.4%. However, west side submarkets like Sherwood, Tualatin, Sunset Corridor and Hillsboro should remain exceptionally tight through 2023.

The vacancy rate for flex properties increased to 6.2% in the third quarter of 2023, up from 5.3% in the second quarter.

Warehouse vacancy rates increased from 3.3% at the end of the second quarter to 4.1% to close out the third quarter of 2023.

Absorption & Deliveries 2018 - 2023



Source: CoStar Group

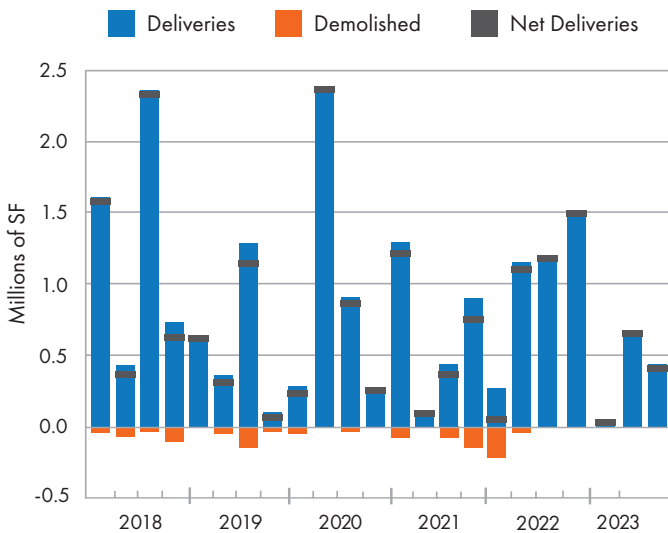
DELIVERIES AND CONSTRUCTION

The third quarter of 2023 saw 441,871 new square feet added to the market, while 3,118,587 square feet remains under construction.

Some of the largest projects set for delivery in 2023 include Buildings A, B and C of the Sherwood Commerce Center in Sherwood for a total of 445,007 square feet, set for completion in December, and a warehouse property on 126th Place in Tualatin at 18,000 square feet, set for a November 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

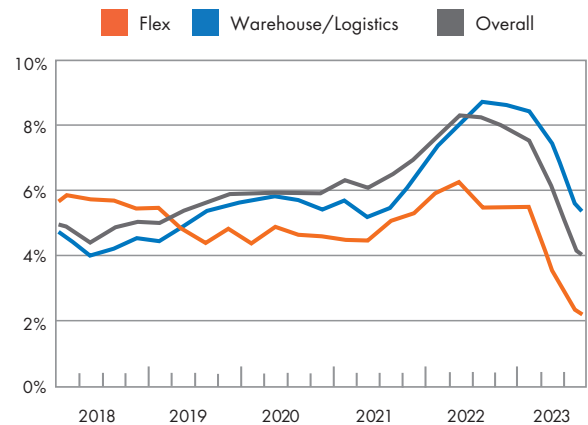
RENTAL RATES

Portland's industrial rents have increased 4.1% in the last year due to limited availability. This is in contrast to the five-year pre-pandemic trend of roughly 5.5% and the market's 10-year average annual growth rate of 5.7%. The pace of rent increase has been declining recently, and with vacancy rates starting to climb throughout the metro area, a further slowdown is likely in store.

Overall quoted rental rates decreased in the third quarter of 2023 to \$11.51, down from \$11.57 in the previous quarter. The flex sector's average quoted rental rates decreased from \$16.91 to \$16.66 per square foot at the end of the third quarter. The warehouse average quoted rental rates saw an increase, going from \$10.67 per square foot at the end of the second quarter to \$10.81 per square to close out the third 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	Preleased SF	Preleased %	All Existing	U/C
Orchards	5	1,680,000	0	0%	24,363	335,978
I-5 Corridor Outlying	3	445,000	68,000	15.3%	41,060	148,336
Hayden Island/Swan Island	1	293,000	293,000	100%	46,678	293,000
East Columbia Corridor	1	216,000	216,000	100%	60,018	216,200
Camas/Washougal	1	187,000	0	0%	27,740	187,106
Westside Outlying	1	155,000	0	0%	23,991	154,643
Tualatin	2	63,000	63,000	100%	40,512	31,324
Sunset Corridor/Hillsboro	1	11,000	0	0%	46,676	10,668
217 Corridor/Beaverton	0	-	-	-	35,626	-
Airport Way	0	-	-	-	30,914	-
All Other	0	-	-	-	29,587	-
Totals	15	3,049,000	640,000	21.0%	33,839	203,278

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.