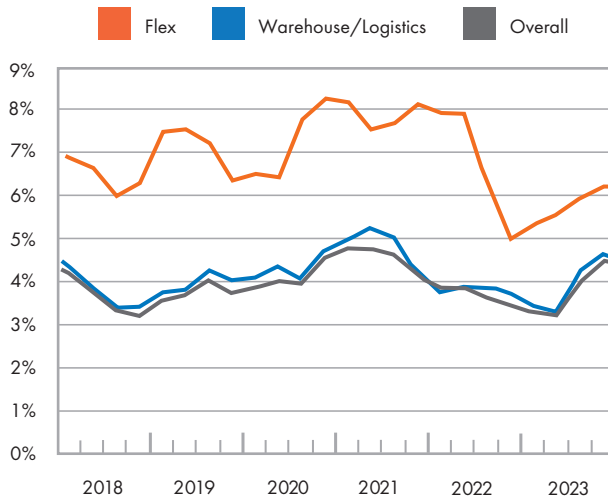


## OVERVIEW

The strength of Portland's industrial market has been tempered by softening tenant demand, with vacancies rising for the first time in more than two years. Nonetheless, the area has continued to have one of the tightest availability rates among the top 50 U.S. industrial markets due to structural restrictions on new development.

### Vacancy Rates by Building Type Years 2018 - 2023



Source: CoStar Group

## ABSORPTION & DELIVERIES

The overall Portland industrial market absorbed negative (523,327) square feet in the fourth quarter of 2023, compared to negative (1,317,850) square feet in the previous quarter.

A net absorption of negative (49,995) square feet was recorded for the flex building market in the fourth quarter of 2023, which compared to negative (73,801) square feet from the previous quarter.

The warehouse building market recorded net absorption of negative (48,325) square feet in the fourth quarter, compared to negative (1,052,183) square feet in the third quarter of 2023.

## PORTLAND MARKET SNAPSHOT

VACANCY

**4.5%**



RENTAL RATE

**\$11.63**



CONSTRUCTION

**2,977,223 SF**



ABSORPTION

**(523,327) SF**



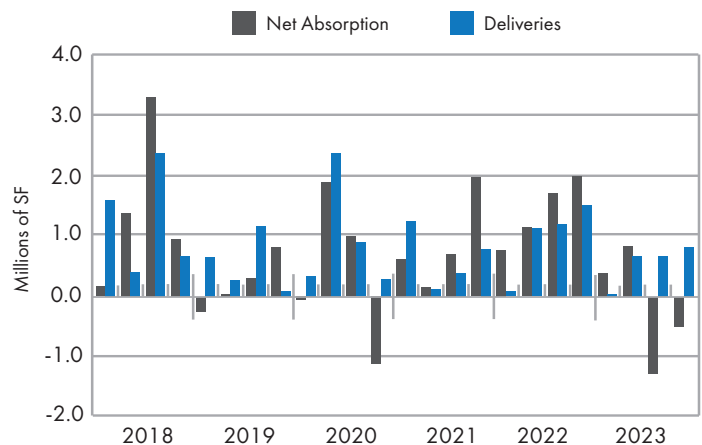
## VACANCY

The metro area's vacancy rate has risen to 4.5%, representing a 1.2% increase over the previous year. In the following six to twelve months, there may be a modest increase in vacancies, but overall, it is anticipated that they will stay well below the US average.

The vacancy rate for flex properties decreased to 6.1% in the fourth quarter of 2023, down from 6.2% in the third quarter.

Warehouse vacancy rates increased from 4.1% at the end of the third quarter to 4.6% to close out the fourth quarter of 2023.

## Absorption & Deliveries 2018 - 2023



Source: CoStar Group

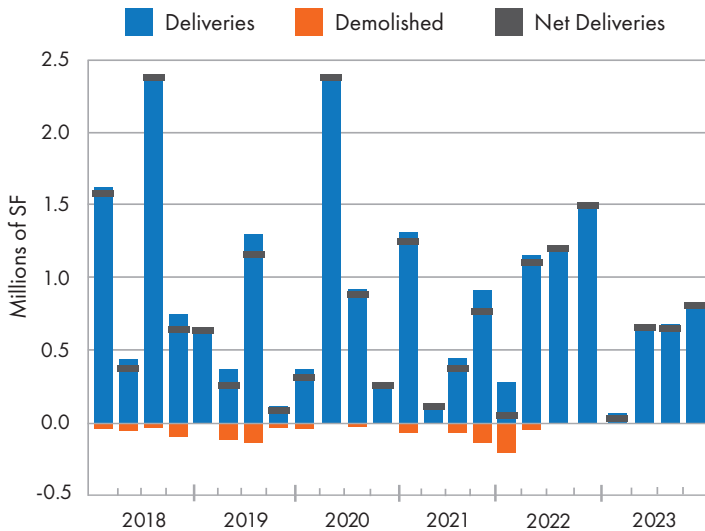
## DELIVERIES AND CONSTRUCTION

The fourth quarter of 2023 saw 797,816 new square feet added to the market, while 2,977,223 square feet remains under construction.

Some of the largest projects set for delivery in early 2024 include 1501 N Schmeer Road in Portland for a total of 293,000 square feet, set for completion in January, and the Camas Meadows Industrial Park in Camas, WA at 187,106 square feet, set for an April completion. The largest project under construction, Bridge Point Vancouver 600 in Vancouver, will add 647,762 square feet when it is completed in September 2024.

### Historical Construction Deliveries

Square Footage Per Quarter



Source: CoStar Group

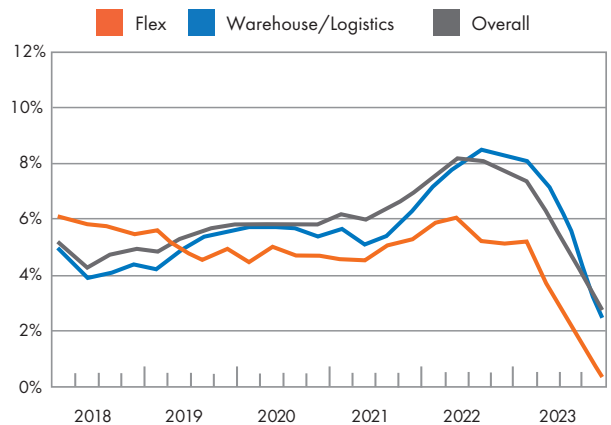
## RENTAL RATES

Portland's industrial rents have increased 3.1% in the last year fueled by a backdrop of limited availability. However, 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%. But the number lags behind the 6.1% growth in average rent in the US.

Overall quoted rental rates increased in the fourth quarter of 2023 to \$11.63, up from \$11.51 in the previous quarter. The flex sector's average quoted rental rates increased slightly from \$16.66 to \$16.68 per square foot at the end of the fourth quarter. The warehouse average quoted rental rates saw a decrease, going from \$10.81 per square foot at the end of the third quarter to \$10.79 per square to close out the fourth 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	1,009,000	0	0%	26,790	252,370
East Columbia Corridor	1	533,000	533,000	100%	60,290	533,212
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%	46,123	293,000
Hazel Dell/Salmon Creek	1	284,000	0	0%	16,567	283,622
Camas/Washougal	1	187,000	163,000	86.9%	28,371	187,106
Westside Outlying	1	155,000	0	0%	23,991	154,643
Sunset Corridor/Hillsboro	2	53,000	0	0%	47,604	26,576
Tualatin	1	18,000	18,000	100%	40,545	18,000
217 Corridor/Beaverton	0	-	-	-	35,875	-
All Other	0	-	-	-	30,083	-
<b>Totals</b>	<b>15</b>	<b>2,977,000</b>	<b>1,075,000</b>	<b>36.1%</b>	<b>34,023</b>	<b>198,482</b>

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](http://www.norris-stevens.com).