

Q3 2023

# Portland Industrial Newsletter

## Key Market Takeaways

### Current Sentiment for Industrial Occupiers

- Office rates (surcharges) in industrial buildings have increased nearly 20% in the last 12 months largely due to increases in construction costs.
- A seven-year lease signed in 2015 is still ~40% under market
- Industrial occupiers continue to keep a close eye on the health of the American economy to forecast future demand
- Overall industrial rates are forecasted to increase by 10% YOY from 2022 to 2023
- New construction deliveries are going to be down in 2024 with many spec projects pushed to 2025 deliveries

## Occupier Insights

It is critical to harness a tactical approach to understanding your operation and identifying efficiency improvements. Consider these while forming a strategy:

- 1. Prepare a plan in advance of critical dates** to address long-term real estate goals and be prepared to act quickly in a competitive market.
- 2. Evaluate space utilization & process improvement** to implement the latest innovative solutions and best practices to improve performance.
- 3. Utilize location strategy and economic incentives** to identify geographies that support your operational goals and long-term business strategy.
- 4. Evaluate facility options** (lease, purchase, and build-to-suit) to maximize economic and functional flexibility.

## Real Estate Trends

- ▲ Vacancy: **3.60%**
- ▲ Availability: **6.50%**
- ▼ Avg NNN Rent: **\$10.04**
- ▲ Under Construction: **2.2 MSF**
- ▲ Leasing Activity: **2.3 MSF**

## Economic Trends

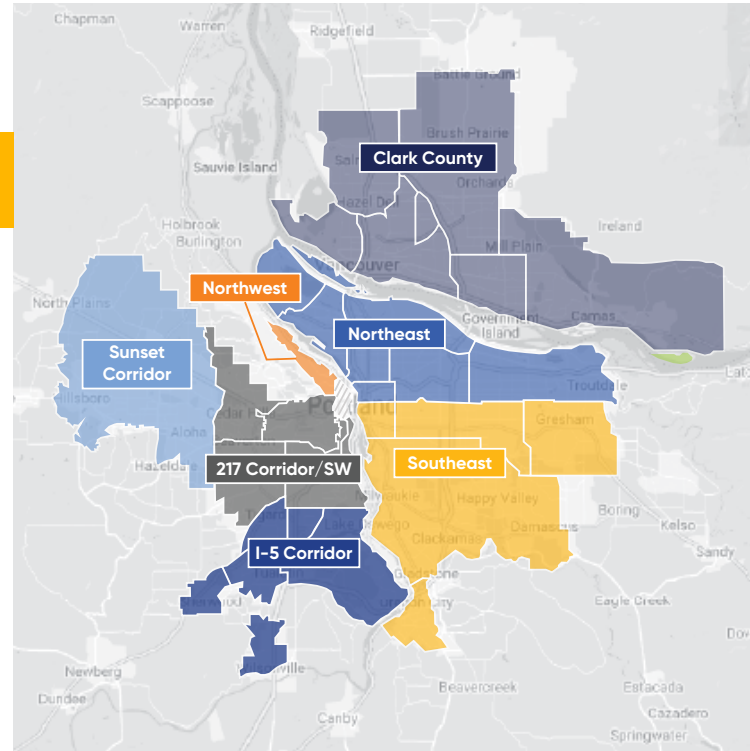
- Job Growth: **1.30%**
- Unemployment: **3.80%**
- Home Prices: **\$517,000**
- Cost of Living Index: **121.1**
- CPI (12 Months): **3.90%**

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## Submarket Statistics

### Net Rate (PSF)



### Submarket Overview

	Submarket	Inventory SF	Vacancy	NNN Rental Rate	QTR Growth	Average Sales
1	Clark County	21,620,611	4.50%	\$10.35	0.30%	\$156.00
2	Northeast	78,483,621	4.80%	\$9.51	-1.30%	\$158.00
3	Southeast	33,672,869	2.50%	\$9.06	-2.30%	\$174.00
4	Northwest	13,317,271	4.80%	\$10.56	-2.30%	\$152.00
5	217 Corridor/SW	6,069,255	2.90%	\$11.59	1.20%	\$165.00
6	I-5 Corridor	30,087,342	1.90%	\$10.28	10.50%	\$177.00
7	Sunset Corridor	20,096,113	0.70%	\$11.64	3.30%	\$170.00
	<b>Total</b>	<b>197,694,458</b>	<b>3.60%</b>	<b>\$10.04</b>	<b>-0.10%</b>	<b>\$164.00</b>

### Notable Lease Transactions

	Tenant	Size (SF)	Address	City, State	Type	Date Signed
1.	Anderson Brothers, Inc.	71,948	9111 N Vancouver Ave	Portland, OR	New Lease	Sept 2023
2.	Olympus Controls	68,007	21600 SW Oregon St	Sherwood OR	New Lease	Sept 2023
3.	KINCO	99,862	18712 NE Portal Way	Portland OR	Renewal	Sept 2023
4.	MODABI	59,800	4740 NE 166th Ave	Portland, OR	New Lease	Sept 2023
5.	Southland Industries	95,265	3443 NW 32nd Ave	Vancouver, WA	New Lease	Aug 2023
6.	Granger	530,000	NE Glisan (GV5)	Gresham, OR	New Lease	July 2023



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## Industrial Activity

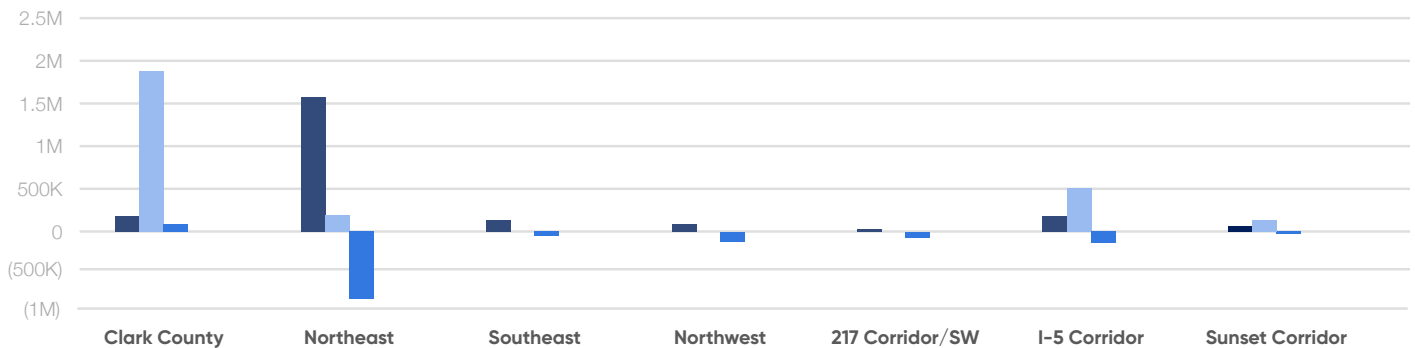
### Development Pipeline

■ Proposed ■ Under Construction

	Name/Address	Size (SF)	Market	Status	Delivery
1	1301 S Wynooski St	1,200,000	Newberg, OR	Proposed	2025
2	BTS - Burnt Creek Industrial	681,780	Vancouver, WA	Under Construction	2023
3	Bridge Point Vancouver 600	647,762	Vancouver, WA	Under Construction	2024
4	Mt Vista Logistics	583,318	Vancouver, WA	Proposed	2025
5	North Plains Logistic Center	400,000	North Plains, OR	Proposed	2025
6	Prologis Park Clackamas	385,910	Clackamas, OR	Proposed	2025
7	Prologis Park Vancouver	566,800	Vancouver, WA	Proposed	2025
8	Sherwood Commerce	445,000	Sherwood, OR	Under Construction	2023

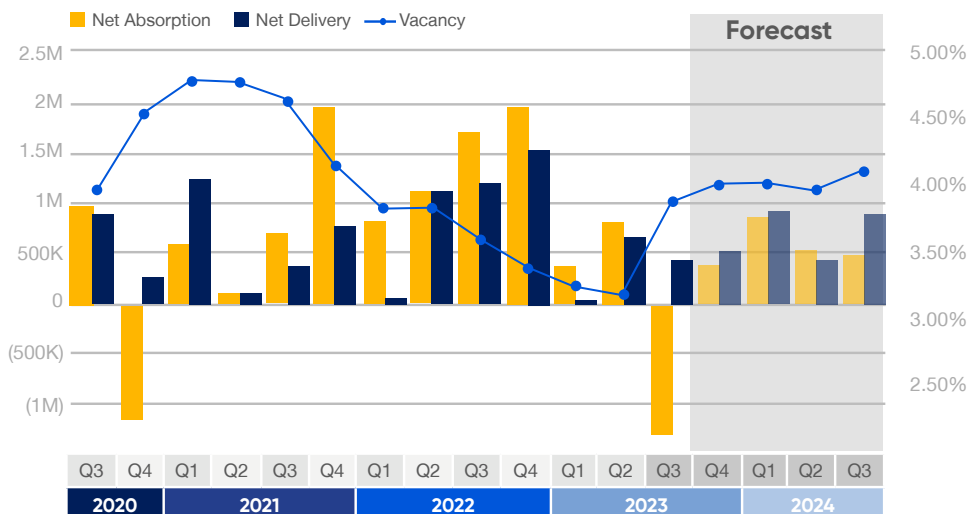
### Leasing Activity, Deliveries and Under Construction

■ Leasing Activity ■ Under Construction ■ Net Absorption



### Net Absorption, New Deliveries & Vacancy

■ Net Absorption ■ Net Delivery — Vacancy



## Industrial Trends

The Portland Industrial market is likely to remain structurally tight under current economic projections.

Despite low vacancies and the minimal oversupply risk that is sheltering the market from downward pressure on rents, the Portland region has occupiers who are considering Pacific Northwest versus Seattle.

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## Contact



**Sean Heaton, Managing Principal**  
sheaton@cresa.com



**Sean Connors, Vice President**  
sconnors@cresa.com



**Hayley Mueller, Advisor**  
hmueller@cresa.com

**Cresa** 1355 NW Everett St., Suite 100, Portland, OR 97209  
503.455.8655 | [cresa.com/portland](https://cresa.com/portland)

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