



CAPACITY

COMMERCIAL GROUP LLC

PORTLAND INDUSTRIAL SNAPSHOT

Third Quarter 2016

MARKET TRENDS

VACANCY
Industrial Only

↓
3.9%

VACANCY
Industrial & Flex

↓
4.2%

CONSTRUCTION

↑
2.4M SF

RENTAL RATES

↑
VARIABLES
(SEE BELOW)

ABSORPTION (Q3)
Industrial Only

↑
1,526,061 SF

PORTLAND INDUSTRIAL

As expected, Portland's overall vacancy rate for all Industrial-related product types fell in the third quarter from 4.3% to 4.2%. Warehouse only vacancy rose slightly to 3.9%, barely moving the needle. Absorption increased to 1,526,061 SF YTD but for the quarter, we were down 613,000 SF on "warehouse only" type space from the previous quarter. A few select leases that occurred this quarter were 4PX Express (47,103 SF), PODS, Premier Vehicle Storage and NW Flex Space (205,303 SF), Wymore Transfer (±115,000 SF) and Apollo Sheet Metal (51,000 SF).

Warehouse shell rates remain the same as last quarter, averaging \$0.42-\$0.43/SF NNN. Asking rates for newer, Class A space, ranges from \$0.45-\$0.50/SF and in some cases as much as \$0.55/SF NNN. Office surcharge rates average \$.80/SF but with the cost of new office construction approaching \$100 per SF, \$0.90/SF will be here soon. Close-in Eastside and North/Northeast/ Northwest rates are the highest, ranging from mid-\$0.55/SF on the shell to as much as \$1.20/SF NNN. Rates throughout the metropolitan area are pretty consistent with the numbers mentioned above except for Vancouver, WA (which is typically higher) and Rivergate (which is typically lower).

INVESTMENT SALES have been very strong with three (3) significant parks in Wilsonville and one in Milwaukie trading in just the last 30 days. The Wilsonville Business Center, a 530,000 SF Flex/Industrial project sold to LBA Realty for \$100/SF and the Wilsonville Logistics Center, a free-standing 508,000 SF warehouse to Lexington Realty Trust for \$82/SF. In Milwaukie, Watamull Properties acquired the Crosswhite Industrial Park on Johnson Creek Blvd. Washington Holdings put the "Commerce Park" portfolio on the market. At 1.39MM SF, to include the recently renovated Park I-84 in Gresham, this portfolio will attract investors who want an immediate (and large) presence in Portland. Also, Bentall Kennedy and Capstone Partners are offering large institutional product for sale, specifically a free-standing, ±607,000 SF in Rivergate leased to Georgia Pacific and the PDX Logistics Center, a single 355,200 SF warehouse leased to UPS and Cummins.

DEVELOPMENT ACTIVITY continues at a feverish pace. Citywide, over 2.4M SF of space is in various stages of development. Specht Development is underway on their 38-acre project in Gresham called the Vista Logistics Park. This three-building, 732,000 SF park will deliver mid-2017 and consists of one, 500,000 SF building and two, ±120,000 SF buildings, all for lease. Trammell Crow, one of the most active in the area, have several projects emerging which include the Blue Lake Distribution Center (370,000 SF) at Southshore, the Wall Street Industrial Park in Tigard (three freestanding buildings ranging from 56,000 SF to 93,000 SF) and also control land in Clackamas, Gresham, and Ridgefield for Build-to-Suits or Pre-Leasing/Building Sales. Of these three, Gresham and Tigard will take shape first but some local opposition has surfaced.

AVERAGE ASKING "SHELL" RATES

AREA	NNN SHELL LEASE RATES
Rivergate	\$0.36-\$0.42/SF
Airport Way & East Columbia Corridor	\$0.43-\$0.50/SF
Southeast (Clackamas/Milwaukie)	\$0.40-\$0.41/SF
NW / NE / SE Close In	\$0.50-\$0.75/SF
Southwest & West Side	\$0.42-\$0.50/SF
Tigard / Tualatin / Wilsonville	\$0.41-\$0.55/SF
Clark County (Vancouver, WA)	\$0.45-\$0.55/SF

AVERAGE ASKING SALE PRICES - CITYWIDE

5,000 - 15,000 SF	\$95-\$160/SF
16,000 - 30,000 SF	\$90-\$125/SF
31,000 - 60,000 SF	\$85-\$115/SF
60,000 & Up	\$75-\$110/SF

Statistics provided by CoStar Property®

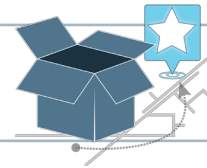
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OVERALL VACANCY

Market wide, industrial (non-flex) vacancy rose slightly 3.9%.
Other markets as follows:

- Rivergate: 7.6%
- Airport Way and E. Columbia Corridor: 3.3%
- Southeast (Clackamas/Milwaukie): 5.2%
- Northwest and Close-in markets: 2.1%
- Sunset Corridor / Hillsboro: 4.1%
- Tigard/Tualatin: 4.3%
- I-5 Corridor (Wilsonville): 5.2%
- Clark County (Vancouver, WA): 2.6%



ON THE MOVE

LEASE ACTIVITY

EPE leased 44,948 SF at the Koch Corporate Center - Building F in Tualatin

Wymore Transfer signed a 113,800 SF lease at the Chirgwin Distribution Center and subsequently leased the balance totalling 160,000 SF

Apollo Sheet Metal leased 51,307 SF at 7555 SW Tech Center Drive in Tigard

4PX Express USA signed a 47,103 SF lease at Gateway Corporate Center - Building D in Gresham

SALES ACTIVITY

US Postal Service sold their 392,798 SF NW Hoyt location to the City of Portland Development Commission for \$88M

IPT acquired a 105,000 SF building leased to EJ Bartells on NE Portal Way for \$10.47M or \$99.75/SF

Wilsonville Business Center - Nine buildings totaling 530,069 SF sold to LBA Realty for \$51.4M or \$96.97/SF and a 5.82% cap rate

DW Fritz purchased 157,000 SF on 22 acres in Wilsonville off SW Boeckman Rd. for \$12M or \$76.41/SF

SELECT YEAR-TO-DATE INDUSTRIAL MARKET STATISTICS (WAREHOUSE ONLY)

Market	Existing Inventory		Vacancy		YTD		
	# Buildings	Total RBA	Total SF	Vacancy %	Absorption	Deliveries	Construction SF
Clark County	636	18,023,452 SF	628,884 SF	3.5%	240,270 SF	83,304 SF	390,874 SF
1-5 Corridor	666	26,055,757 SF	1,133,657 SF	4.4%	482,948 SF	367,176 SF	180,687 SF
Northeast	1,837	70,514,957 SF	2,746,891 SF	3.9%	1,025,493 SF	566,640 SF	1,041,587 SF
Northwest	357	13,398,103 SF	334,904 SF	2.5%	127,479 SF	0	0
Southeast	1,146	30,335,295 SF	1,287,313 SF	4.2%	(1,991 SF)	0	190,600 SF
Southwest & Westside	478	20,332,885 SF	715,791 SF	3.7%	(306,267) SF	0	195,541 SF
TOTALS	5,120	178,660,449 SF	6,847,440 SF	3.7%	1,567,932 SF	1,017,120 SF	1,999,289 SF

* Does not include CBD, Lloyd District, Scamania County

HISTORIC TOTAL MARKET STATISTICS

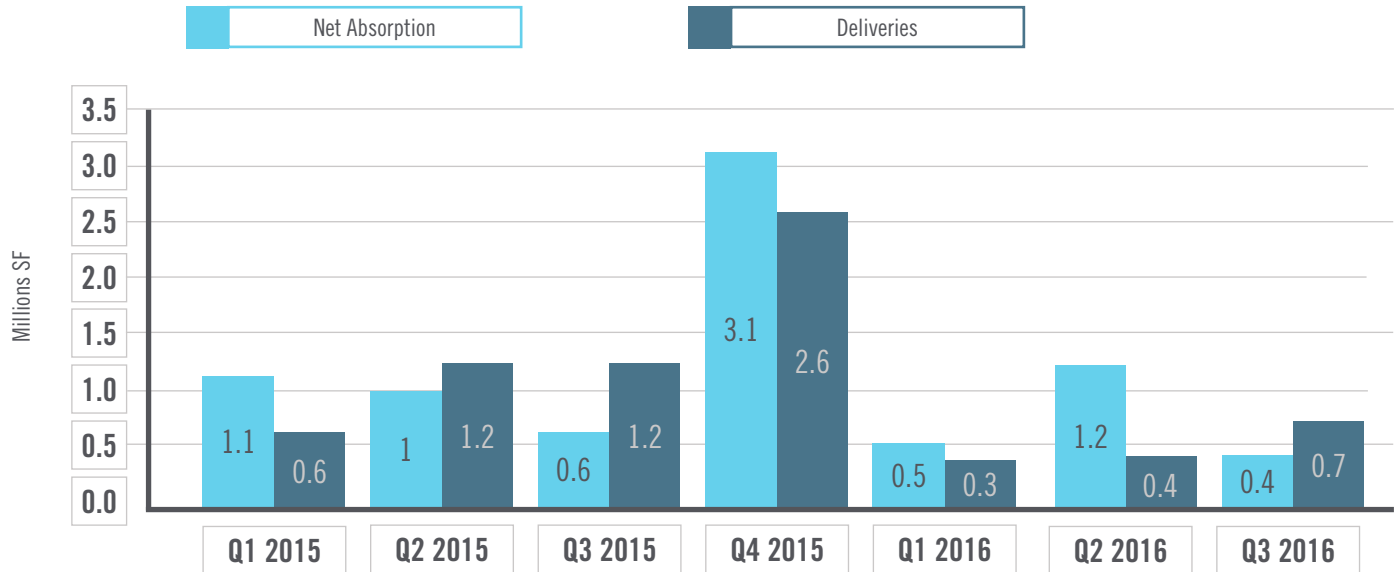
Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		Under Construction		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vacancy %		# Blds	Total RBA	# Blds	Total RBA	
Q3 2016	6,081	202,693,627 SF	8,222,702 SF	8,480,854 SF	4.2%	382,121 SF	10	708,600 SF	16	1,999,289 SF	\$7.75
Q2 2016	6,071	201,985,027 SF	7,959,727 SF	8,154,375 SF	4.0%	1,108,541 SF	2	62,988 SF	21	2,446,637 SF	\$7.50
Q1 2016	6,069	201,922,039 SF	8,947,180 SF	9,199,928 SF	4.6%	452,735 SF	6	307,532 SF	20	2,157,213 SF	\$7.23
Q4 2015	6,069	201,712,719 SF	9,121,758 SF	9,443,343 SF	4.7%	3,325,579 SF	11	2,575,832 SF	22	1,898,961 SF	\$7.03
Q3 2015	6,060	199,439,303 SF	10,218,666 SF	10,495,506 SF	5.3%	676,450 SF	13	1,222,695 SF	31	4,110,431 SF	\$6.92
Q2 2015	6,048	198,226,608 SF	9,685,888 SF	9,959,261 SF	5.0%	1,021,505 SF	4	1,232,000 SF	30	3,903,869 SF	\$6.87

Statistics provided by CoStar Property ©

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MARKET ABSORPTION & DELIVERIES PAST 7 QUARTERS



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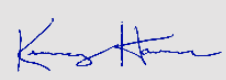
SUMMARY & FORECAST

The Region's Industrial Market continues to be active on every front: leasing, sales, and development. Sellers are capitalizing on red-hot conditions, low rates and an insatiable appetite to own industrial real estate in Portland. When will it end? Hard to say. With Oregon and Southwest Washington ranked as the most popular moving destination in Country, support services such as e-commerce and 2-hour delivery times are on the way. Millennials, attracted to the lifestyle, affordability, and burgeoning technology and "creative marketing" industry, love it here. With over 40,000 new residents moving to this area every year, the demand for products and services must be satisfied and as such, we will continue to see demand for warehouse space and a corresponding increase in lease rates and sale prices well into 2017.

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