



PORTLAND OREGON

# INDUSTRIAL MARKET REPORT

MID-YEAR | 2017

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## PDX INDUSTRIAL

# WHERE ARE WE NOW?

INFORMATION PROVIDED BY COSTAR AND CAPACITY COMMERCIAL GROUP

**CAPACITY**  
COMMERCIAL GROUP

### VACANCY

Vacancy rates continue to decline as demand for space remains strong.

**TOTAL BASE:**  
**184,309,091 SF**

### CONSTRUCTION

With over 2.5M SF under construction, developers continue to be bullish on speculative developments.

**TOTAL VACANCY:**  
**5,894,668 SF**

### ABSORPTION

With Amazon entering our market and regional/local businesses thriving, we continue to see absorption increase.

**OVERALL  
VACANCY RATE:**  
**3.2%**

### RENTAL RATES

After 24 months of historic rental rate increases, rates are beginning to stabilize. However, increasing construction costs are forcing developers to push rates.

**YTD ABSORPTION:**  
**1,707,159 SF**

**UNDER  
CONSTRUCTION:**  
**2,521,125 SF**



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# UNDER CONSTRUCTION

DEVELOPMENT	DEVELOPER	SUBMARKET	DELIVERY DATE	TOTAL SF
LOGISTICENTER AT 185	DERMODY	ECC	AUGUST 2017	234,308 SF
VISTA LOGISTICS PARK	SPECHT	ECC	SEPTEMBER 2017	733,232 SF
BIG EDDY COMMERCE PARK	PANATONNI	ECC	NOVEMBER 2017	153,232 SF
GLISAN CORPORATE PARK	TRAMMELL CROW	ECC	DECEMBER 2017	504,528 SF
PDX LOGISTICS CENTER PH III - BLDG 4	CAPSTONE	AIRPORT WAY	DECEMBER 2017	134,000 SF
PDX LOGISTICS CENTER PH III - BLDG 5	CAPSTONE	AIRPORT WAY	DECEMBER 2017	122,747 SF
AIRPORT WAY BUSINESS PARK	PACTRUST	ECC	Q2 2018	55,310 SF
CENTENNIAL INDUSTRIAL PARK	PORT OF VANCOUVER	VANCOUVER	Q1 2018	124,768 SF
RIVERSIDE JUNCTION	GARENERS AND RANCHERS	ECC	Q1 2018	64,000 SF
MILL CREEK CORPORATE CENTER	PACTRUST	SALEM	Q4 2018	395,000 SF

**2,521,125 SF UNDER CONSTRUCTION**





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# VALUES | RATES

**LAND PRICE – RANGE:**  
**\$5.00–\$10.00 PSF**

*depending on location, zoning, and raw land vs utility served*

**IMPROVED BUILDING VALUES:**  
**\$85.00–\$200.00 PSF**

*depending on building location, size and construction type.*

**LEASE RATES:**

*10,000 – 50,000 SF: \$ .45–.63 PSF Shell | \$ .75–.90 PSF Office Surcharge*  
*51,000 – 100,000 SF: \$ .42–.52 PSF Shell | \$ .75–.90 PSF Office Surcharge*  
*101,000 – 500,000 SF: \$ .40–.50 PSF Shell | \$ .75–.90 PSF Office Surcharge*





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# LANDLORD / TENANT DYNAMICS

LANDLORDS RESISTANT TO SHORT TERM LEASES  
(LESS THAN 3 YEARS).

LANDLORDS PUSHING RENTAL RATES  
DUE TO LACK OF INVENTORY.

LITTLE TO NO FREE RENT PROVIDED TO TENANTS.  
EARLY OCCUPANCY IN NEARLY EVERY CASE.

NOT UNCOMMON TO HAVE MULTIPLE PARTIES CIRCLING  
ON THE SAME BUILDING OR SPACE.

RENEWAL RATES QUOTED JUST UNDER NEW SPACE RATES.

LANDLORD SELECTIVITY TOWARD TENANT CREDITWORTHINESS.

IN MOST SUBMARKETS, ASKING RENTS ARE BEING ACHIEVED.



# NOTABLE TRANSACTIONS

## NOTABLE SALES

4421 NE COLUMBIA BLVD (10 BLDG PORTFOLIO)	Portland, OR	261,742 SF	\$17,500,000 (\$67/SF)
INTERSTATE CROSSROADS DISTRIBUTION CENTER	Portland, OR	492,554 SF	\$56,000,000 (\$114/SF)
13200-13214 NE WHITAKER WAY	Portland, OR	57,600 SF	\$4,595,000 (\$80/SF)
26200 SW 95 <sup>TH</sup> AVE	Wilsonville, OR	130,000 SF	\$17,184,004 (\$132/SF)
13945 SW GALBREATH DRIVE	Sherwood, OR	46,690 SF	\$5,450,000 (\$117/SF)

## NOTABLE LEASES

AMAZON	TROUTDALE INDUSTRIAL PARK	Troutdale, OR	857,379 SF
WYMORE TRANSFER	12100 SE JENNIFER ST.	Clackamas, OR	130,952 SF
LACLEDE CHAIN MANUFACTURING	PORTSIDE INDUSTRIAL PARK	Vancouver, WA	95,369 SF
WAREHOUSE SPECIALISTS	RIVERGATE CORPORATE CENTER	Portland, OR	135,000 SF
ANIXTER	BIG EDDY COMMERCE CENTER	Portland, OR	94,000 SF



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# MARKET TRENDS

- » ADAPTIVE RE-USE OF EXISTING OLDER/FUNCTIONALLY OBSOLETE BUILDINGS WILL CONTINUE.
- » STRONG DEMAND FOR CLOSE-IN LOCATIONS FOR BOTH CREATIVE AND ON-TIME (LAST MILE) SERVICES (E-COMMERCE).
- » CONTINUED CAP RATE COMPRESSION DUE TO DEMAND AND NEW CAPITAL IN THE MARKET.
- » DEVELOPERS AND USERS FORCED TO LOOK NORTH (RIDGEFIELD, WA) AND SOUTH (DONALD, WOODBURN AND SALEM) FOR SHOVEL-READY SITES.
- » CONTINUE TO SEE LONGER LEAD TIMES FOR THE FOLLOWING (ESPECIALLY IN THE CITY OF PORTLAND):
  - › ATTORNEY – LEGAL: DOCUMENT PREPARATION OR REVIEW FOR LEASE AND SALE TRANSACTIONS.
  - › ARCHITECTS, SPACE PLANNERS, DESIGN.
  - › PERMITTING PROCESS, DESIGN REVIEW, LAND USE APPROVAL, AND INFRASTRUCTURE.
  - › GENERAL CONTRACTORS/BUILDING MATERIAL SUPPLIERS.
  - › SUB-CONTRACTORS.
  - › FURNITURE, EQUIPMENT SUPPLIERS, TELECOMMUNICATIONS.
  - › MOVING COMPANIES.



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# PROJECTIONS FOR SECOND HALF OF 2017

**1**

DEVELOPERS HAVE CONTINUED OPTIMISM FOR LARGE TENANT REQUIREMENTS SIMILAR TO 2016.

**2**

WITH AMAZON ENTERING THE MARKET WE ANTICIPATE CONTINUED EXPANSION BY LAST MILE & E-COMMERCE.

**3**

LEASE RATES FOR EXISTING/2<sup>ND</sup> GENERATION INVENTORY WILL CONTINUE TO LEVEL OUT.

**4**

TRAFFIC INCREASES WILL ENCOURAGE ADAPTIVE WORKPLACE HOURS AND CREATIVE SUPPLY CHAIN LOGISTICS.

**5**

WE EXPECT VACANCY RATES TO RISE IN THE 4TH QUARTER DUE TO INCREASE IN SUPPLY AND DEMAND SOFTENING.

**6**

LATE CYCLE RISKS WILL TURN SPECULATIVE DEVELOPMENTS INTO BUILD-TO-SUIT DEVELOPMENTS.





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# INDUSTRIAL EXPERTS

LOCALLY OWNED. GLOBALLY CONNECTED.



DON OSSEY, SIOR



JOHN FETTIG, SIOR



DAVE ELLIS



SCOTT KAPPES, SIOR



ALLEN PATTERSON, SIOR



MARK CHILDS, SIOR



MILES vonBERGEN



STEVE HUNKER



SEAN McNAMARA



KENNY HOUSER



SCOTT MILLER



TOM KNECHT



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