CAPACITY COMMERCIAL GROUP LLC

PORTLAND OREGON

INDUSTRIAL MARKET REPORT

THIRD QUARTER | 2018

capacitycommercial.com

PDX INDUSTRIAL

WHERE ARE WE NOW?

INFORMATION PROVIDED BY COSTAR AND CAPACITY COMMERCIAL GROUP

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VACANCY

Overall vacancy remained fairly flat for warehouse product only. YTD deliveries were up substantially over last quarter and locked in at 3,756,226 SF, however, this figure includes Amazon.

CONSTRUCTION

Approximately 2.46M SF is currently under construction. A majority of these projects are located in the East Columbia Corridor and includes build-to-suits.

ABSORPTION

YTD absorption as of Q3 was 2,437,986 SF, including Amazon. Airport Way and East Columbia Corridor continues to outpace most every other submarket city-wide primarily due to available space opportunities.

RENTAL RATES / SALE PRICES

Rates have risen slightly over the last year but remain in the $0.50-$0.55/SF for Class A new construction. In certain submarkets such as NW Portland, Tualatin and Wilsonville rates have eclipsed $.60/SF. Until more recent data points are established, cap rates for Class A product remain in the low 5% range. Sale prices continue upward trend.

QUARTERLY TOTAL BASE:
199,763,528 SF

TOTAL VACANCY:
6,743,035 SF

OVERALL VACANCY RATE:

WAREHOUSE ONLY	ALL INDUSTRIAL
3.38%	3.57%

Q3 ABSORPTION:
(CITYWIDE)
2,454,339 SF
(INCLUDES AMAZON)

CONSTRUCTION:

PLANNED
5,500,000 SF

UNDER CONST.
2,457,532 SF

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UNDER CONSTRUCTION

[Partial List]

DEVELOPMENT	DEVELOPER	SUBMARKET	DELIVERY DATE	TOTAL SF
COLUMBIA INDUSTRIAL PARK	I.S. PROPERTIES	AIRPORT WAY	Q4 2018	171,605 SF
TUALATIN DISTRIBUTION CENTER	BLACK CREEK GROUP	TUALATIN	Q4 2018	159,558 SF
PORTLAND PORTAL	PANATTONI	EAST COLUMBIA CORRIDOR	Q1 2019	347,187 SF
CLACKAMAS CORPORATE PARK	TRAMMELL CROW	CLACKAMAS	Q2 2019	280,000 SF
MAJESTIC TUALATIN	MAJESTIC	TUALATIN	Q2 2019	226,960 SF
COLUMBIA LOGISTICS CENTER	CRG	EAST COLUMBIA CORRIDOR	Q3 2019	349,080 SF
BLUE LAKE CORPORATE PARK	TRAMMELL CROW	EAST COLUMBIA CORRIDOR	Q2 2020	463,500 SF
PINEFARM BUSINESS CENTER (FLEX)	PINEFARM INDUSTRIAL PARK LLC	SUNSET/HILLSBORO	Q2 2019	58,000 SF
NE JACOBSON & CROENI AVENUE	WOODBURN INDUSTRIAL CAPITAL	SUNSET/HILLSBORO	Q3 2019	68,000 SF

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NOTABLE TRANSACTIONS

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NOTABLE SALES

3601-3621 NW YEON AVENUE | *BUYER: PROLOGIS*
Portland, OR
$26,500,000 | 205,177 SF ($129.00/SF)

12021-12067 NE AIRPORT WAY [3 BLDGS] | *BUYER: STOCKBRIDGE*
Portland, OR
$22,250,000 | 146,022 SF ($152,00/SF)

5825 NE SKYPORT WAY | *BUYER: ADLER REALTY INVESTMENTS, INC.*
Portland, OR
$8,000,000 | 77,960 SF ($103.00/SF)

9111-9151 SE McBROD AVENUE | *BUYER: UNICORN FACTORY LLC*
Milwaukie, OR
$5,250,000 | 52,500 SF ($100.00/SF)

1880 SW MERLO DRIVE | *BUYER: PACIFIC FOODS*
Beaverton, OR
$5,500,000 | 60,800 SF ($90.00/SF)

16427 NE AIRPORT WAY | *BUYER: MAK ASSETS*
Portland, OR
$5,200,000 | 39,894 SF ($130.00/SF)

NOTABLE LEASES

MEDLINE INDUSTRIES | 297,000 SF
VISTA LOGISTICS PARK - BUILDING C
Gresham, OR

YOUNG'S MARKET | 151,922 SF
CAMERON DISTRIBUTION CENTER
Portland, OR

PRIMESOURCE | 95,452 SF
18225 NE RIVERSIDE PARKWAY
Portland, OR

BLUE OCEAN | 66,950 SF
217 DISTRIBUTION CENTER
Beaverton, OR

OUTSIDE VAN | 58,681 SF
BIG EDDY COMMERCE CENTER
Gresham, OR

WONGS BEST FLOORS | 55,000 SF
WILSONVILLE CORPORATE CENTER - BUILDING I/C
Wilsonville, OR

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MARKET TRENDS - VACANCY

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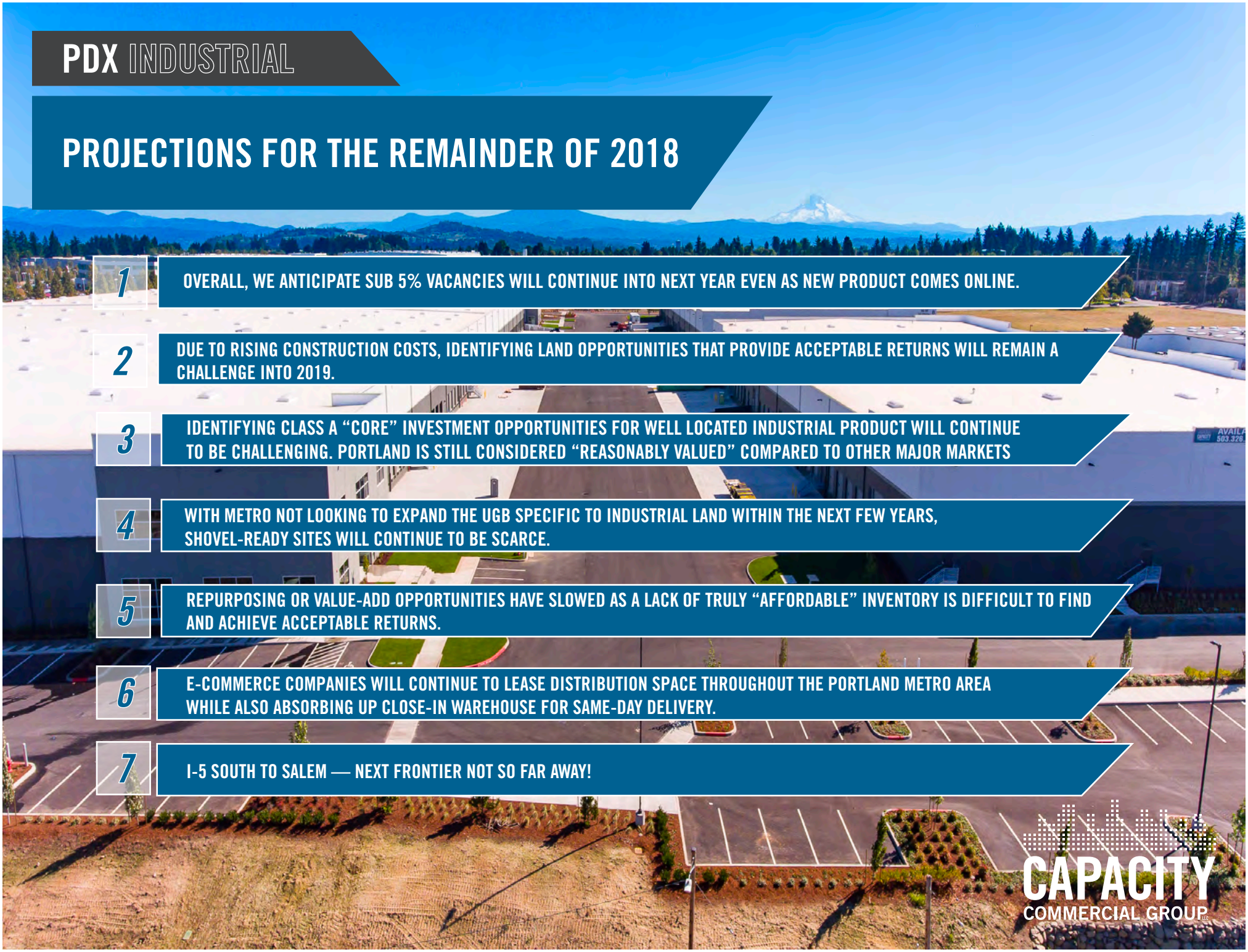

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PROJECTIONS FOR THE REMAINDER OF 2018

1. OVERALL, WE ANTICIPATE SUB 5% VACANCIES WILL CONTINUE INTO NEXT YEAR EVEN AS NEW PRODUCT COMES ONLINE.
2. DUE TO RISING CONSTRUCTION COSTS, IDENTIFYING LAND OPPORTUNITIES THAT PROVIDE ACCEPTABLE RETURNS WILL REMAIN A CHALLENGE INTO 2019.
3. IDENTIFYING CLASS A "CORE" INVESTMENT OPPORTUNITIES FOR WELL LOCATED INDUSTRIAL PRODUCT WILL CONTINUE TO BE CHALLENGING. PORTLAND IS STILL CONSIDERED "REASONABLY VALUED" COMPARED TO OTHER MAJOR MARKETS
4. WITH METRO NOT LOOKING TO EXPAND THE UGB SPECIFIC TO INDUSTRIAL LAND WITHIN THE NEXT FEW YEARS, SHOVEL-READY SITES WILL CONTINUE TO BE SCARCE.
5. REPURPOSING OR VALUE-ADD OPPORTUNITIES HAVE SLOWED AS A LACK OF TRULY "AFFORDABLE" INVENTORY IS DIFFICULT TO FIND AND ACHIEVE ACCEPTABLE RETURNS.
6. E-COMMERCE COMPANIES WILL CONTINUE TO LEASE DISTRIBUTION SPACE THROUGHOUT THE PORTLAND METRO AREA WHILE ALSO ABSORBING UP CLOSE-IN WAREHOUSE FOR SAME-DAY DELIVERY.
7. I-5 SOUTH TO SALEM — NEXT FRONTIER NOT SO FAR AWAY!

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PORTLAND OREGON

INDUSTRIAL EXPERTS

LOCALLY OWNED. GLOBALLY CONNECTED.

DON OSSEY, SIOR

JOHN FETTIG, SIOR

DAVE ELLIS

SCOTT KAPPES, SIOR

ALLEN PATTERSON, SIOR

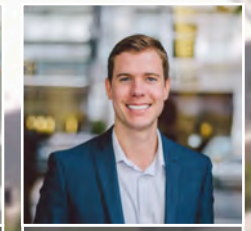
MARK CHILDS, SIOR

LAURA GENTRY, CPM

STEVE HUNKER

MILES VONBERGEN

F. MICHAEL NUGENT


KENNY HOUSER

SCOTT MILLER

TOM KNECHT

DANIEL HELM

MIKE HALE

RUSS MAHAN

805 SW Broadway, Suite 700 Portland, OR 97205 | 503.326.9000

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