

PDX INDUSTRIAL MARKET REPORT



QUARTER 3 - 2019

Q3

2019



PDX INDUSTRIAL

WHERE ARE WE NOW?



Total Inventory

202,362,735 SF



Total Vacancy

7,885,136 SF



Vacancy Rate

4.2%



Q2 Absorption

(597,732) SF



Under Construction

4,704,451 SF

VACANCY

As expected, the vacancy rate increased 0.5% since Q2 primarily due to large deliveries of new construction. We expect this number to remain steady into Q4 with less planned deliveries, and expectantly more leases signed.

CONSTRUCTION

With nearly half a million square feet delivered in Q3 we are continuing to see a steady pipeline of new construction projects. As seen on page 3, we are expecting numerous projects to deliver in Q1 and Q2 of 2020.

ABSORPTION

Net absorption was down in Q3 mainly due to a number of large tenants leaving the market and second and third generation spaces becoming available.

RENTAL RATES / SALE PRICES

Lease rates continue their upward trend even as more 2nd generation space is brought online. Average shell lease rates remain in the \$0.51-\$0.55/SF, range for Eastside Class-A space while other submarkets are commanding north of \$0.60-\$0.65/SF. Older (2nd generation) warehouse spaces with lower ceiling height that provide adequate loading will range between \$0.45-\$0.50/SF. Sale prices also continue their upward trend with prices for well located and functional buildings in the \$130 - \$155/ SF range.

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UNDER CONSTRUCTION [PARTIAL LIST]

| DEVELOPMENT | DEVELOPER / OWNER | SUBMARKET | DELIVERY | TOTAL SF |
|-----------------------------|---------------------------|------------------------|----------|----------|
| BOEING INDUSTRIAL PARK | PHELAN DEVELOPMENT | EAST COLUMBIA CORRIDOR | Q1 2020 | 112,980 |
| SANDY BLVD. INDUSTRIAL PARK | PHELAN DEVELOPMENT | EAST COLUMBIA CORRIDOR | Q1 2020 | 101,475 |
| IMPERIAL INDUSTRIAL PARK | VITALY MARTINOV | EAST COLUMBIA CORRIDOR | Q1 2020 | 81,930 |
| BLUE LAKE CORPORATE PARK | TRAMMELL CROW / PRINCIPAL | EAST COLUMBIA CORRIDOR | Q1 2020 | 463,500 |
| BRIDGE POINT I-5 | BRIDGE | AIRPORT WAY | Q1 2020 | 632,250 |
| PROLOGIS PDX 23 | PROLOGIS | EAST COLUMBIA CORRIDOR | Q1 2020 | 156,900 |
| RIDGEFIELD COMMERCE CENTER | PANATTONI | RIDGEFIELD, WA | Q2 2020 | 117,145 |
| BROOKWOOD PKWY - PHASE II | MAJESTIC REALTY | SUNSET / HILLSBORO | Q2 2020 | 795,000 |
| PORTSIDE LOGISTICS PARK | SPECHT | VANCOUVER, WA | Q2 2020 | 289,737 |
| BRIDGE POINT 205 | BRIDGE | AIRPORT WAY | Q3 2020 | 258,537 |

MARKET WIDE CONSTRUCTION TOTAL: **4,704,451 SF**

PLANNED THROUGH 2021: **7,199,828 SF**

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NOTABLE TRANSACTIONS

NOTABLE SALES - 3RD QTR

SOLOR WORLD - 4050 NE EVERGREEN

688,475 SF | \$44,131,105 (\$92.23 / SF)

Buyer: RagingWire Data Center
Seller: SunPower Corp

9040 N BURGARD WAY, PORTLAND

249,000 SF | \$4,000,000 (\$16.06/SF)

Buyer: Peninsular Machinery LLC
Seller: Camrose Pipe Corp

14000 NW SCIENCE PARK DR

108,631 SF | \$15,200,000 (\$139.94 SF)

Buyer: Columbia Sportswear
Seller: MKS Instruments, Inc

16913 NE CAMERON BLVD

320,795 SF | \$40,100,000 (\$125.00/SF)

Buyer: Barings
Seller: CBRE Global

6710 N CATLIN AVE

63,204 SF | \$7,281,780 (\$115.21/SF)

Buyer: ServPro
Seller: Kalyx Development Inc

2271 NE 194TH AVE

59,430 SF - \$5,100,000 (\$85.82/SF)

Buyer: Richard L Jones
Seller: AJZ LLC

NOTABLE LEASES - 3RD QTR

VISTA LOGISTICS PARK - 223RD & SE STARK STREET

Tenant: Tenant - Samuel Son & Company | 125,624 SF
Landlord: Specht & NYL

SANDY CROSSING - 19730 NE SANDY BLVD.

Tenant: Sentia Wellness | 159,216 SF
Landlord: Dermody Properties

THE HOPPER - 2000 NW WILSON STREET

Tenant: Dynaelectric | 80,848 SF
Landlord: Winkler Development

STOCKYARDS COMMERCE CENTER - 2522 N MARINE DRIVE

Tenant: XPO Logistics | 48,160 SF
Landlord: Harsch Investment Properties

PORTLAND 185 INDUSTRIAL CENTER

Tenant: Celestica | 52,170 SF
Landlord: Colony Industrial

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MARKET TRENDS – VACANCY



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PREDICTIONS FOR THE REMAINDER OF 2019

- 1 WITH THE COMING YEAR BEING AN ELECTION YEAR, WE ARE PROJECTING A SLIGHT PAUSE IN THE COMMERCIAL REAL ESTATE LANDSCAPE WITH UNCERTAINTY DOMESTICALLY AND OVERSEAS.
- 2 WITH US GDP INCREASING, INTEREST RATES DROPPING, AND RECORD LOW UNEMPLOYMENT NUMBERS, WE CONTINUE TO HAVE A POSITIVE OUTLOOK WITH OVERALL US ECONOMY SHOWING STRONG MARKET DYNAMICS. SPECULATIVE DEVELOPMENTS ARE STILL HAPPENING ON A NATIONAL LEVEL, BUT WE MAY SEE THIS TREND SLOW DOWN LOCALLY AS LARGE LAND SITES ARE BECOMING MORE SCARCE.
- 3 AS MORE AND MORE INSTITUTIONAL OWNERS SEEK OPPORTUNITIES TO PLANT THEIR FLAG IN PORTLAND, DEVELOPERS AND SELLERS WILL CONTINUE TO REQUIRE SUB 5% CAP RATES ON SALES OF LEASED INVESTMENTS.
- 4 AS MORE AND MORE INSTITUTIONAL OWNERS SEEK OPPORTUNITIES TO PLANT THEIR FLAG IN PORTLAND, DEVELOPERS AND SELLERS WILL CONTINUE TO REQUIRE SUB 5% CAP RATES ON SALES OF LEASED INVESTMENTS.
- 5 LOCAL EMPLOYERS CONTINUE TO POINT TO A LACK OF LABOR AS A CONSTRAINT TO OVERALL GROWTH AND EXPANSION.
- 6 WE EXPECT 3RD PARTY LOGISTICS COMPANIES TO CONTINUE ON A GROWTH PATH, AS MORE COMPANIES SEEK TO OUTSOURCE THEIR DISTRIBUTION PLANS TO LOWER OVERHEAD.

OREGON'S 2018
**MOST
ADMIRED
COMPANIES**

CORFAC[®]
International



PORTLAND OREGON

INDUSTRIAL EXPERTS

LOCALLY OWNED. GLOBALLY CONNECTED.



DON OSSEY, SIOR



JOHN FETTIG, SIOR



SCOTT KAPPES, SIOR



ALLEN PATTERSON, SIOR



MARK CHILDS, SIOR



LAURA GENTRY, CPM



JEFF VALDES



DAVE ELLIS



F. MICHAEL NUGENT



MIKE HALE



SCOTT MILLER



KENNY HOUSER



TOM KNECHT



DANIEL HELM



RUSS MAHAN



BRODY COHEN



DANIEL SAYLES



STEPHEN OSSEY

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