4Q’16
Industrial Market Report
Portland Industrial Market Report
Overview
4TH QUARTER 2016

Low vacancy rates and positive net absorption in the Portland’s competitive Industrial Market

“The industrial market remains tight around the port and PDX for small to mid-sized users. Rents continue to climb and landlord concessions are scarce. Several new developments will be coming on-line later in 2017 and will open up some opportunities for large industrial and distribution tenants but smaller users won’t see any significant new opportunities for space for the near future.”

Chris Lio
Commercial Real Estate Broker
NAI Elliott

The Portland industrial market saw decreasing vacancy rates and positive net absorption at the end of the fourth quarter. At the same time, rental rates decreased slightly during the period.

Net absorption at the end of the quarter was a positive 858,414 square feet. The vacancy rate in the overall market is 3.9%. Of all types of industrial space, warehouses are the most scarce at 3.5% vacancy, which is down from the third quarter’s 3.6% vacancy.

Rental rates in the market average $7.62 per square foot per year, a 1.7% decrease from the end of the third quarter. The average rental rate for flex space is substantially higher, averaging about $12.88 per square foot per year.

726,835 square feet of space was delivered to the market during the 4th quarter, while 1,937,538 square feet of space are currently being constructed. Northeast Portland is the area seeing the most industrial growth. Only 40,000 square feet of the 1,264,239 square feet under construction has been preleased. The majority of square footage that is currently under construction is expected to be delivered to the market during the third quarter of 2017.

Over the next year, space in Portland’s industrial market is expected to remain scarce. The demand for space will remain high as online retailers and shipping companies look for places to store their goods, making the market fertile for investors.
Portland Industrial Market Report
Trends at a Glance
4TH QUARTER 2016

Historical Absorption and Deliveries

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## The Portland Industrial Market Continues to Grow

With low vacancy rates and significant square footage being constructed for the market, it is clear that demand for this type of space remains high. The Lloyd District has the lowest vacancy rates in the market at only 1.3%. Moreover, no space is currently being constructed in that submarket. That being said, Northeast Portland is seeing the most expansion in the market with over 1.2 million square feet of space under construction.

Rental rates are slightly down in the quarter, but are up overall on the year. The Lloyd District and the Westside are the two parts of the market with the highest quoted rental rates, at $14.48 per square foot per year and $10.92 per square foot per year respectively.

“We are seeing increased inquiries from other US markets from users looking for industrial space in the Portland market. With the tight supply, users need to act fast to grab a space.”

Cap Berri  
VP, COO, Principal Broker  
NAI Elliott

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## NEW TO THE MARKET

<table>
<thead>
<tr>
<th>NAME</th>
<th>RBA (sq ft)</th>
<th>SUBMARKET</th>
<th>OCCUPANCY</th>
<th>DELIVERY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subaru Distribution Center</td>
<td>600,000</td>
<td>Northeast</td>
<td>100%</td>
<td>3Q16</td>
</tr>
<tr>
<td>PDX Logistics Center - Bldg 3</td>
<td>355,200</td>
<td>Northeast</td>
<td>100%</td>
<td>3Q16</td>
</tr>
<tr>
<td>Majestic Brookwood - Bldg 7</td>
<td>303,360</td>
<td>Westside</td>
<td>100%</td>
<td>4Q16</td>
</tr>
<tr>
<td>Koch Corporate Center - Bldg 1</td>
<td>201,300</td>
<td>I-5 Corridor</td>
<td>0%</td>
<td>3Q16</td>
</tr>
<tr>
<td>Gateway Corporate Center - Bldg G</td>
<td>206,000</td>
<td>Northeast</td>
<td>100%</td>
<td>1Q16</td>
</tr>
<tr>
<td>Gateway Corporate Center - Bldg E</td>
<td>105,535</td>
<td>Northeast</td>
<td>100%</td>
<td>1Q16</td>
</tr>
<tr>
<td>Sherwood Industrial Park - Bldg 3</td>
<td>72,000</td>
<td>I-5 Corridor</td>
<td>100%</td>
<td>3Q16</td>
</tr>
</tbody>
</table>

## NEW CONSTRUCTION

<table>
<thead>
<tr>
<th>NAME</th>
<th>RBA (sq ft)</th>
<th>SUBMARKET</th>
<th>PRELEASED</th>
<th>DELIVERY DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vista Logistics Park - Bldg C</td>
<td>494,464</td>
<td>Northeast</td>
<td>0%</td>
<td>3Q17</td>
</tr>
<tr>
<td>Portside Industrial Park - Bldg A</td>
<td>257,609</td>
<td>Clark County</td>
<td>63%</td>
<td>1Q17</td>
</tr>
<tr>
<td>Majestic Brookwood - Bldg 4</td>
<td>137,920</td>
<td>Westside</td>
<td>100%</td>
<td>2Q17</td>
</tr>
<tr>
<td>Vista Logistics Park - Bldg B</td>
<td>125,420</td>
<td>Northeast</td>
<td>0%</td>
<td>3Q17</td>
</tr>
<tr>
<td>Laika Expansion</td>
<td>104,541</td>
<td>Westside</td>
<td>100%</td>
<td>1Q17</td>
</tr>
<tr>
<td>Portside Industrial Part - Bldg B</td>
<td>95,265</td>
<td>Clark County</td>
<td>0%</td>
<td>1Q17</td>
</tr>
<tr>
<td>LogisticCenter at 185 - Bldg A</td>
<td>94,040</td>
<td>Northeast</td>
<td>100%</td>
<td>2Q17</td>
</tr>
<tr>
<td>LogisticCenter at 185 - Bldg B</td>
<td>69,760</td>
<td>Northeast</td>
<td>0%</td>
<td>2Q17</td>
</tr>
</tbody>
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Several new industrial buildings have come on to the market over the last few quarters, the majority of which are already 100% leased.

The majority of industrial expansion in the fourth quarter was concentrated in Northeast Portland, with a small amount of construction also occurring in a handful of other submarkets. In comparison, the construction in the third quarter was much more widespread across different parts of the submarket. Notably, early 2016 saw significant growth along the I-5 Corridor which had slowed by the end of 2017.

“Portland is an important West Coast port city and should experience increased demand for warehouse space for imported materials storage should anticipated federal infrastructure initiatives come to fruition.”

Lou Elliott
President, NAI Director, Broker
NAI Elliott

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Portland Industrial Market Report
Major Sales

4TH QUARTER 2016

MAJOR SALES - 2016

<table>
<thead>
<tr>
<th>NAME</th>
<th>TOTAL SF.</th>
<th>PRICE</th>
<th>PRICE/SF</th>
<th>CAP</th>
<th>DATE SOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>715 NW Hoyt St</td>
<td>392,708</td>
<td>$88,000,000</td>
<td>$224.09</td>
<td>-</td>
<td>8/2/2016</td>
</tr>
<tr>
<td>Nippon Dynawave Packaging Co</td>
<td>600,986</td>
<td>$76,255,581</td>
<td>$126.88</td>
<td>-</td>
<td>8/31/2016</td>
</tr>
<tr>
<td>9255 NE Alderwood Rd - Phase 1 PDX</td>
<td>491,200</td>
<td>$46,600,000</td>
<td>$94.87</td>
<td>5.7%</td>
<td>3/18/2016</td>
</tr>
<tr>
<td>Commerce Park Wilsonville &amp; Clackamas</td>
<td>407,081</td>
<td>$36,015,000</td>
<td>$88.47</td>
<td>-</td>
<td>12/09/2016</td>
</tr>
<tr>
<td>Rivergate Logistics Center</td>
<td>523,934</td>
<td>$36,000,000</td>
<td>$68.71</td>
<td>-</td>
<td>5/04/2016</td>
</tr>
<tr>
<td>Halsey Business Center</td>
<td>423,300</td>
<td>$22,300,000</td>
<td>$52.68</td>
<td>-</td>
<td>3/17/2016</td>
</tr>
<tr>
<td>Ronler Corporate Center</td>
<td>159,578</td>
<td>$17,325,000</td>
<td>$108.57</td>
<td>8.5%</td>
<td>5/04/2016</td>
</tr>
</tbody>
</table>

Price per sf by building size

“With the strong economy, demand is finally catching up to supply particularly in flex space with average rent up to $12.88/sf. Our successful sale of Twin Oaks Tech Center points to the improvement in this sector.”

Joseph C. Sandahl
Senior Director: Capital Markets
NAI Elliott

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Unemployment rates have slowed recently in Portland and is slightly below the national unemployment average of 4.6%. Overall, job growth has evened out as the market nears full employment. The U.S. Bureau of Labor Statistics states that the average hourly wage is $25.07 in the area, which is less than the nationwide average of $26.00. As it becomes harder for employers to find qualified applicants in the market, average wages are expected to rise over the next few quarters.

According to the U.S. Bureau of Labor Statistics, the Consumer Price Index (CPI) in the Portland market increased by .3% in December. Overall, the CPI rose by 2.1% in 2016. Shelter, gasoline, and energy costs rose in December, while indexes for apparel and communication showed a decline.

“While Oregon’s labor market growth is slowing somewhat, the state is at or near full employment.”

State of Oregon, Oregon Economic Revenue and Forecast

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2016 was a strong year at NAI Elliott. The company completed 222 total transactions, including new leases, renewals, sales, refinancing deals, and new loans. Of the 222 transactions completed during the year, over 35 transactions were completed in the 4th quarter of the year.

The year also was a year of transitions for the firm. We joined the NAI Global network, the single largest, most powerful global network of owner-operated commercial real estate brokerage firms. Going forward, this presents opportunities for larger deals and new connections for the firm. We are optimistic that 2017 will be a prosperous year for clients and the firm.

“Coming off our best year ever in 2016, strong investor and consumer sentiment, good market conditions and the enthusiasm of our capable, dedicated staff point toward continued growth for NAI Elliott in 2017.”

Jordan Elliott
VP, NAI Coordinator
NAI Elliott

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