

The past 12 months have proven challenging as the Portland industrial market pivots from all-time historical metrics. In particular, sales volume and leasing demand have dropped substantially, the former due to the swift rise in interest rates affecting capital costs and sources.

The overall vacancy rate of 5.8% is up sharply from the 10-year average, but it is nearly 100bps lower than the national average. Leasing demand has improved over the past quarter and there is additional optimism for the remainder of the year with several forthcoming larger transactions to be announced.

The overall lack of industrial land continues to positively impact the performance of the Portland market in its current down cycle. Of the 2.4M SF currently under construction (1% of total market inventory), 57% is in the Clark County submarket.

At the end of Q2, Portland's industrial fundamentals remain strong particularly compared to larger West Coast markets. Even as deals have been more difficult to source and execute, Macadam Forbes remains a top-five brokerage in the Portland market by total sale volume.

- Leasing forecast improves by year end
- Suburban submarkets continue to outperform broader market
- Reduction in sale volume and pricing uncertainty continues without rate reductions

Vacancy Rate **5.69%↑** Net Absorption **-3.9M↓** Asking Rent (NNN) **\$0.945/SF↑** Sale Volume (YoY) **\$523M↓**

INDUSTRIAL (5K+ SF)

	Inventory SF	Under Construction SF	12 Mo Net Absorption SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market CAP Rate
I-5 Corridor	31.1M	18K	-397K	4.3%	\$11.07	\$169	6.8%
Westside	24M	10.7K	-139K	1.4%	\$13.21	\$176	7.1%
Close-in	20.2M	0	-880K	9.3%	\$12.10	\$177	6.6%
Clark County	28.4M	1.4M	526K	5.8%	\$11.44	\$157	6.6%
N/NE	80.9M	1M	-2.8M	7.7%	\$10.61	\$159	6.8%
Southeast	27.9M	0	-191K	2.4%	\$11.24	\$167	6.5%

LEASE COMPS

Camas Meadows Industrial Park | Clark County

161,000 SF \$0.88/\$1.40 Interstate Batteries

Meadowlark | Westside

155,500 SF \$0.93 Omega Morgan

13225 SW Wall Street | I-5 Corridor

9.42 Acres \$34.50/SF City of Tigard

13700 SW Tonquin | I-5 Corridor

25.6 Acres \$17.77/SF Panattoni

Hillsboro | Westside

94 Acres \$16.73/SF City of Hillsboro

20707 SW Wildrose PI | I-5 Corridor

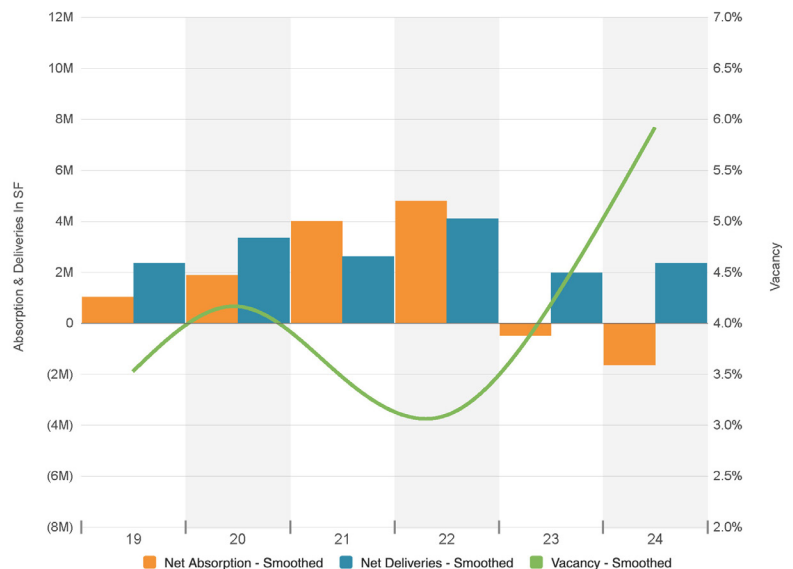
100,350 SF \$169/SF 6.4% Cap Rate Stag

Columbia Commerce Center | N/NE

375,429 SF \$167/SF 5.74% Cap Rate BKM

SALE COMPS

NET ABSORPTION, NET DELIVERIES & VACANCY



The national headlines continue to stress the headwinds facing the overall office market, and this is mainly true in downtown Portland. However, the suburbs, primarily the Southwest market, remain at all-time high lease rates. The overall office vacancy rate in the Portland metro area is 13.5%, with a negative net absorption of 1.8 million SF, which is close to the national average vacancy rate of 13.8%. Over the last 12 months, the nation experienced a negative net absorption of 46.2 million SF. According to Costar, the cumulative negative absorption since April 2020 is now at 205 million SF, which is four times the lost occupancy experienced over the Great Recession and close to three times what we experienced in the dot-com crash.

New construction projects are currently limited to owners/users as investors are still ‘pencils down’ for several reasons, including the high availability of competing office space, high interest rates and construction costs, and the rents needed to justify new construction remaining unachievable in this current market.

The Kruse Way and Tigard submarkets hold steady at all-time high asking lease rates, topping out at \$46/SF full service. The highest asking rates for these markets were at \$35/\$36/SF full service at the start of 2020, just before the COVID shutdown.

- Suburban office lease rates remain stable even with growing vacancy rates
- Downtown Portland is still battling to attract and retain office Tenants
- Office investment sales are few and far between, however owner/user sales remain active.

Vacancy Rate	Net Absorption (SF)	Asking Rent	Avg. Sale Price
13.5%	-1.8M	\$29.24/SF	\$252/SF

OFFICE (10K+ SF)

	Inventory SF	Under Construction SF	12 Mo Net Absorption SF	Vacancy Rate	Market Asking Rent/SF	Market Sale Price/SF	Market CAP Rate
I-5 South	8.1M	0	-82K	13.9%	\$33.01	\$237	8.4%
Hwy 217	7.6M	0	5.9K	15.8%	\$28.42	\$217	8.2%
Kruse Way	2.4M	0	12.8K	26.3%	\$39.13	\$273	8.0%
Westside	21.5M	0	-397K	6.8%	\$28.38	\$234	8.2%
CBD	25.9M	0	-715K	26.0%	\$33.65	\$344	7.0%
Close-in NW	9.6M	0	-340K	28.0%	\$32.14	\$300	7.7%
Clark County	10M	531K	-84.4K	7.5%	\$29.89	\$228	8.4%
Close-in Eastside	7.9M	0	-136K	16.8%	\$31.56	\$289	7.6%
Eastside	5.1M	0	-107K	6.7%	\$26.67	\$226	8.4%
Milwaukie/Clackamas	2M	0	18.1K	9.8%	\$28.33	\$228	8.4%

1750 SW Yamhill St | Decker Brands

56,808 SF May 24 New Lease Rate: Confidential

1300 SW Fifth Ave | Tonkon Torp

54,265 SF April 24 New Lease Rate: Confidential

111 SW 5th Ave | New Relic

57,203 SF Renewal Rate: Confidential

2501 & 2525 SW 1st Ave

Built 1966 & 1982 263,931 SF 3 Buildings
Sold 4/17/24 \$17,683,377 (\$67/SF)

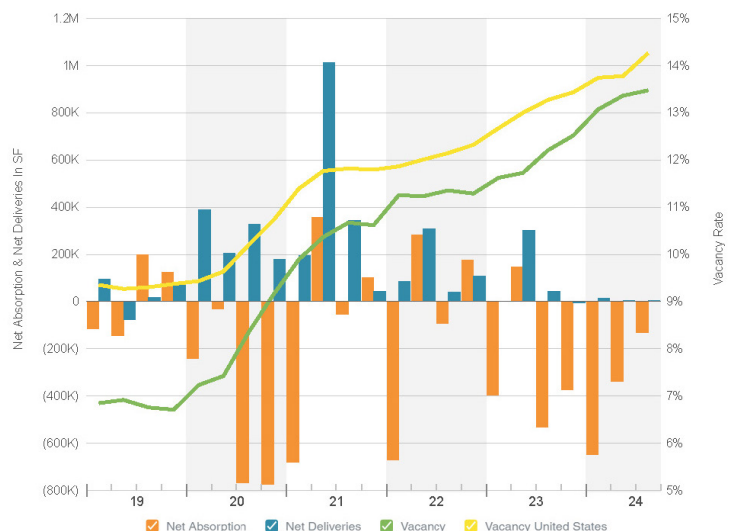
15195 NW Greenbrier Parkway

Built 1999 83,287 SF (3 Stories) Owner/User
Sold 4/25/24 \$11,500,000 (\$138/SF)

5750 SW Arctic Dr

Built 1998 27,900 SF (2 Stories) Owner/User
Sold 5/3/24 \$5,000,000 (\$179/SF)

NET ABSORPTION, NET DELIVERIES & VACANCY



LEASE COMPS

SALE COMPS

In the first half of 2024, Portland's real estate market has shown significant improvement compared to 2023. The city's overall vacancy rate is 6.7%, lower than the national average, though vacancies are highest within Portland itself. Over the past year, 5,778 new units were added, with a net absorption of 5,334. Rent growth across the region averaged 1.1%, with Hillsboro leading at 6% and downtown Portland lagging at -1.7%. It seems the market has stabilized, with expectations of positive absorption and continued rent growth for the remainder of the year, despite limited new inventory.

Nationally, in the same period, the average sales price per unit was \$366,000, with cap rates around 5.4%. In contrast, Portland saw larger assets average \$223,000 per unit, with cap rates at 5.8%. This suggests that while Portland hasn't been a top capital destination recently, it remains a second-tier gateway city poised for improvement as it addresses lingering social challenges from the pandemic.

- The region has passed peak new deliveries
- New deliveries will continue to dwindle.
- The region will start seeing improved rent growth that should accelerate in 2025
- The burbs have been more resilient than the city of Portland.

Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	Market Cap Rate
6.8%	\$1,652	\$217K	5.9%

MULTIFAMILY

	Inventory Units	Units Under Construction	12 Mo Absorption Units	Vacancy Rate	Market Asking Rent/Unit	Market Sale Price/Unit	12 Mo Sales Volume
Tualatin/Sherwood	4,157	0	240	5.9%	\$1,814.00	\$296K	\$61.3M
Lake Oswego	4,045	158	1	6.3%	\$1,983.00	\$278K	\$2.6M
Hillsboro	20,383	326	358	4.3%	\$1,924.00	\$308K	\$178M
Beaverton	16,040	582	97	4.5%	\$1,611.00	\$229K	\$18.1M
Tigard	7,787	60	128	5.0%	\$1,650.00	\$249K	\$62M
Southwest Portland	7,864	616	481	8.7%	\$1,716.00	\$290K	\$8.5M
Downtown Portland	13,367	0	364	8.5%	\$1,840.00	\$344K	\$62.6M
Northwest Portland	13,277	831	119	9.8%	\$1,616.00	\$268K	\$15.6M
Vancouver	37,539	692	1,598	8.2%	\$1,665.00	\$234K	\$135M
North Portland	5,312	0	264	11.1%	\$1,503.00	\$222K	\$36.2M
Northeast Portland	7,894	467	145	6.6%	\$1,590.00	\$256K	\$8.9M
Central Northeast	4,407	0	31	6.1%	\$1,394.00	\$183K	\$61.2M
Southeast Portland	22,849	1,131	365	6.8%	\$1,445.00	\$230K	\$107M
East Portland	10,579	19	67	4.4%	\$1,283.00	\$155K	\$37.4M
Gresham/Troutdale	15,947	533	157	7.6%	\$1,646.00	\$228K	\$28.3M
Damascus	13,483	0	426	7.6%	\$1,646.00	\$228K	\$28.3M

SALE COMPS

The Farmstead | 711 NE 112th Ave

Built 2023 176 Units 87% Vacancy
Sold Mar-24 \$284,100/Unit 4.4% Cap Rate

The Beverly | 2021 NE 44th Ave

Built 2009 53 Units 0% Vacancy
Sold Feb-24 \$679,200/Unit

Skylar Grand | 465 NE Davis St

Built 2022 170 Units 10% Vacancy
Sold Feb-24 \$200,000/Unit 5.9% Cap Rate

NET ABSORPTION, NET DELIVERIES & VACANCY

