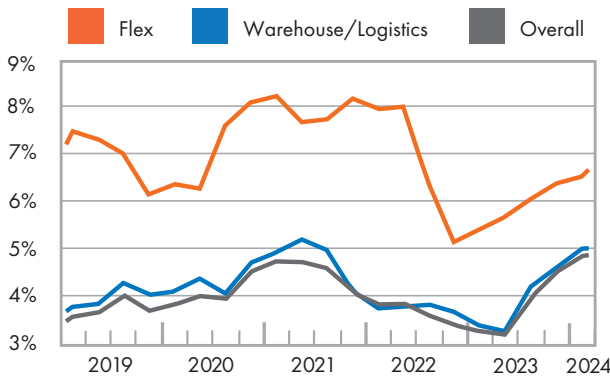


OVERVIEW

A recent decline in tenant demand is causing Portland's industrial market to slow after months of robust tailwinds. Vacancies are on the rise for the first time in over two years, as trailing 12-month net absorption downshifts to negative (1.8 million) square feet. However, given structural constraints on new development, the region has maintained one of the tighter vacancy rates among the top 50 U.S. industrial markets.

Vacancy Rates by Building Type Years 2019 - 2024



Source: CoStar Group

ABSORPTION & DELIVERIES

The overall Portland industrial market absorbed negative (831,063) square feet in the first quarter of 2024, compared to negative (523,327) square feet in the previous quarter.

A net absorption of negative (39,343) square feet was recorded for the flex building market in the first quarter of 2024, which compared to negative (49,995) square feet from the end of 2023.

The warehouse building market recorded net absorption of negative (702,162) square feet in the first quarter, compared to negative (48,325) square feet in the fourth quarter of 2023.

PORTLAND MARKET SNAPSHOT

VACANCY

4.8%



RENTAL RATE

\$11.83



CONSTRUCTION

3,068,824 SF



ABSORPTION

(831,063) SF



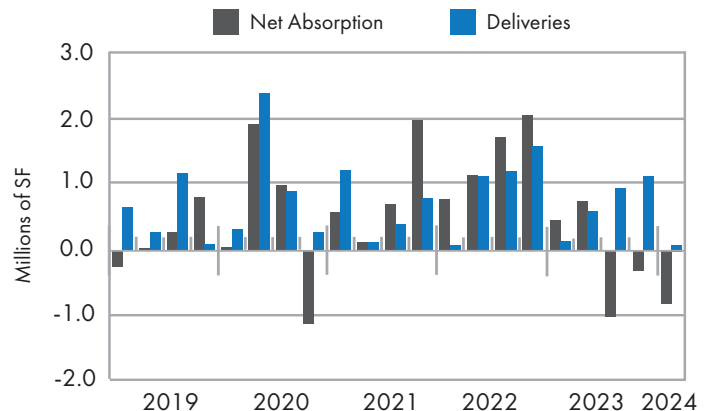
VACANCY

The metro area's overall vacancy rate increased to 4.8% from the end of 2023, and is expected to continue to rise over the next 6 to 12 months. However, rates may peak at a relatively low level given the current lack of speculative construction, which should enable the market to tighten rather fast if the economy improves.

The vacancy rate for flex properties increased to 6.4% in the first quarter of 2024, down from 6.1% in the fourth quarter of 2023.

Warehouse vacancy rates increased from 4.6% at the end of the fourth quarter to 5.0% to close out the first quarter of 2024.

Absorption & Deliveries 2019 - 2024



Source: CoStar Group

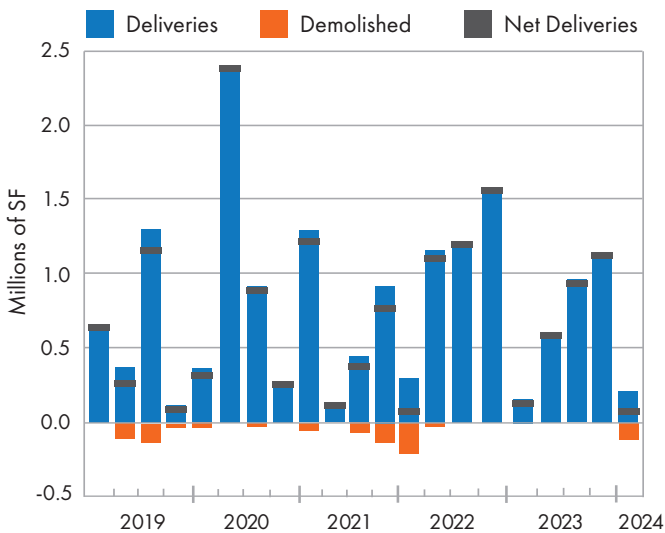
DELIVERIES AND CONSTRUCTION

The first quarter of 2024 saw 66,681 new square feet added to the market, while 3,068,824 square feet remains under construction.

Some of the largest projects set for delivery in the first half of 2024 include 1501 N Schmeer Road in Portland for a total of 293,000 square feet, set for completion in May, and the Camas Meadows Industrial Park in Camas, WA at 187,106 square feet, also set for a May completion. The largest project still under construction, Bridge Point Vancouver 600 in the Burnt Bridge Creek neighborhood, will add 647,762 square feet when it is completed in September 2024.

Historical Construction Deliveries

Square Footage Per Quarter



Source: CoStar Group

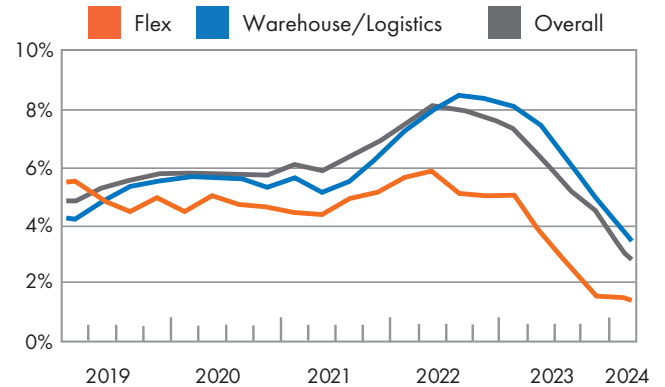
RENTAL RATES

Over the last 12 months, industrial rents in Portland have increased by 2.9%. Nevertheless, this growth rate represents a considerable decline from the cycle peak of 8.1% reached in mid-2022. It's likely that the market will continue to slow in 2024 as large occupiers in the metro area continue to lease more cautiously as vacancy rates climb.

Overall quoted rental rates increased in the first quarter of 2024 to \$11.83, up from \$11.63 in the previous quarter. The flex sector's average quoted rental rates increased from \$16.68 to \$17.06 per square foot at the end of the first quarter. The warehouse average quoted rental rates also increased, going from \$10.79 per square foot to close out 2023 to \$11.12 per square foot at the end of the first quarter of 2024.

Market Rent Growth

2019 - 2024



Source: CoStar Group

Construction Activity | Markets Ranked UNDER CONSTRUCTION RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released SF	Released %	All Existing	U/C
Orchards	5	1,031,000	21,000	2.0%	26,550	206,101
East Columbia Corridor	3	750,000	533,000	71.1%	60,556	249,960
I-5 Corridor Outlying	3	445,000	68,000	15.3%	41,131	148,336
Hayden Island/Swan Island	1	293,000	293,000	100%	47,251	293,000
Hazel Dell/Salmon Creek	1	284,000	0	0%	16,014	283,622
Camas/Washougal	1	187,000	163,000	86.9%	28,370	187,106
Sunset Corridor/Hillsboro	2	53,000	0	0%	47,630	26,576
Tualatin	1	18,000	18,000	100%	40,362	18,000
Clark County Outlying	1	9,000	9,000	100%	68,482	8,550
217 Corridor/Beaverton	0	-	-	-	35,877	-
All Other	0	-	-	-	29,518	-
Totals	18	3,069,000	1,104,000	36.0%	34,124	170,490

Source: CoStar Group

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at www.norris-stevens.com.

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