
INDUSTRIAL MARKET ANALYSIS

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According to Real Estate Investor Magazine many retailers are beginning to offer same day delivery for their products. As more retailers move to offer these types of services, the need for distribution centers and warehouses close to shoppers will grow. According Colliers International, “Portland has become an attractive intermodal hub in the growth of e-commerce distribution centers wanting to be closer to a growing population base”.

VACANCY

Costar reports an 5.6 percent average overall vacancy rate for Portland’s industrial market. This is down from the past three quarters where the rate has remained at 6.0 percent. Capacity Commercial Group is reporting a 5.8 percent average vacancy rate in Portland’s industrial market, down from 5.9 percent in the second quarter and compared to 6.4percent in the third quarter of 2013. During the first quarter of this year the industrial market experience a 5.7 percent average vacancy rate according to Capacity Commercial Group. CBRE reports 5.6 percent average vacancy rate at the end of the third quarter down from 6 percent at the end of the second quarter of 2014.

Norris Beggs and Simpson is reporting 7.52 percent total industrial vacancy for the metro area. Kidder Mathews is reports an average vacancy rate of 5.2 percent down from 5.75 percent in the last quarter and 6.2 percent in the third quarter of

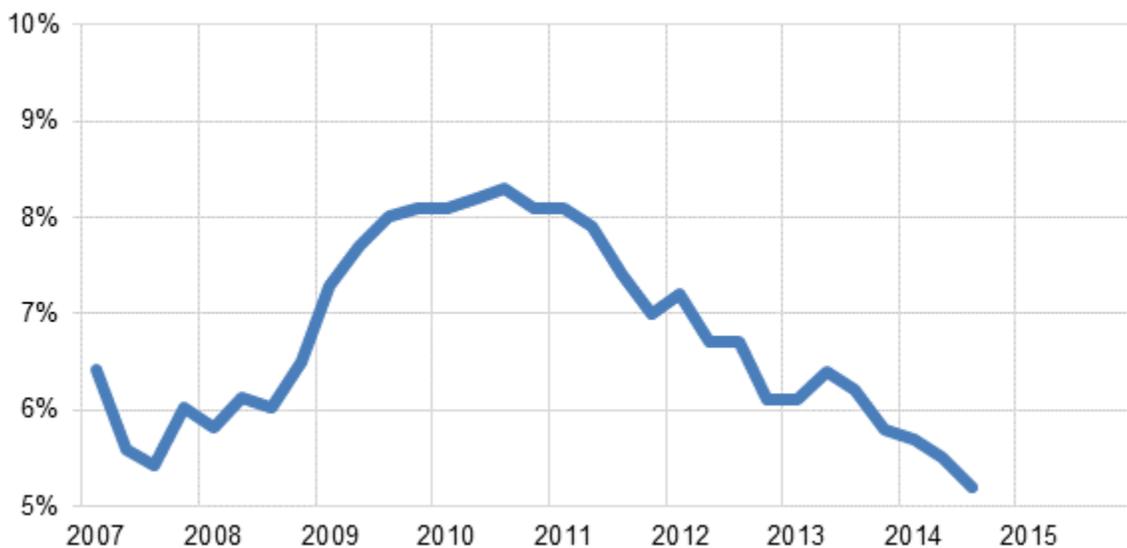
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2013. According to Kidder Mathews, vacancy in the industrial sector has been trending downward since a peak of 8.7 percent in the second quarter of 2010.

Flex space experienced an of 11.9 percent vacancy rate according to CoStar compared to 11.5 percent at the end of the second quarter of this year. The first quarter of 2014 came in at 10.9 percent and the fourth quarter of 2013 at 11.0 percent vacancy rate according to CoStar. Norris Beggs and Simpson reports 11.3 percent overall total vacancy at the end of the third quarter 2014 for the flex market.

For warehouse projects, CoStar reports a 4.9 percent average vacancy rate at the end of the third quarter compared to 5.4 percent for the second quarter 2014 and 5.5 percent at the end of the first quarter 2014. At the end of the third quarter of 2013, CoStar reported an average vacancy rate of 6 percent for the warehouse market.

Figure 1: Portland Industrial Market Vacancy Rate, 2007–2014



Source: Kidder Mathews

RENTAL RATES

At the end of the third quarter of this year, CBRE reports average asking rental rate of \$.37 per square foot for the overall industrial market. Prices for distribution/warehouse space ranged from \$.38 to \$.45 triple net. Some older spaces, according to CBRE, are leasing at rates averaging between \$.34 and \$.36 per square foot with new facilities leasing closer to \$.40 per square foot. For flex space, CBRE reports asking rates ranging from \$.75 to \$.85 per square foot, triple net.

Capacity Commercial Group is reporting an average lease rate for the overall warehouse market ranging from \$.35 to \$.37 per square foot.

Figure 2: Portland Industrial Market Average Quoted Rates, 2007–2014



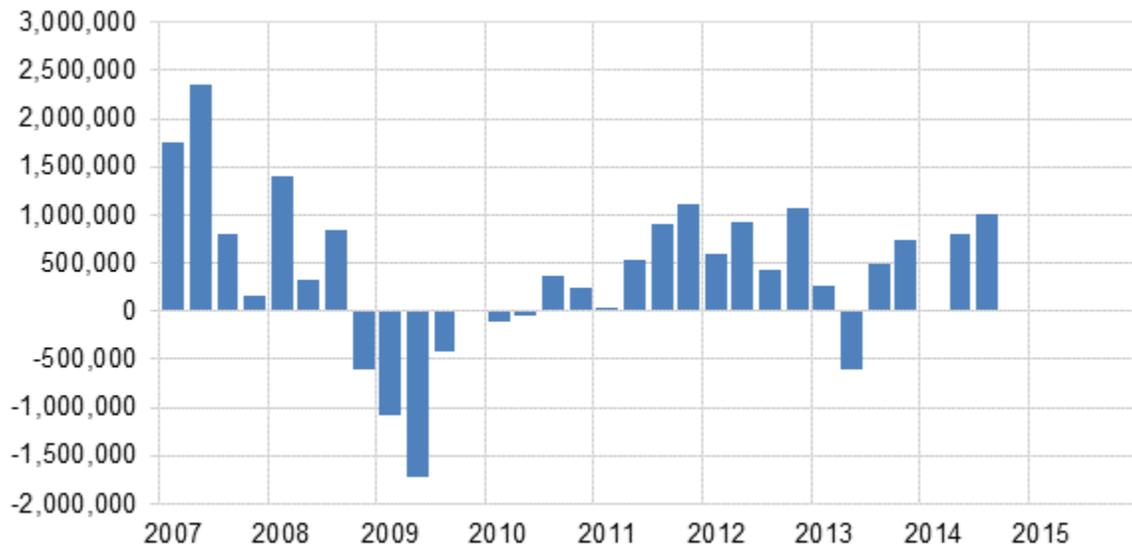
Source: Kidder Mathews

ABSORPTION AND LEASING

Overall net absorption was positive 805,585 square feet at the end of the third quarter according to CoStar. This is an improvement over the second quarter of 2014 which ended with 509,697 square feet of positive absorption. The first quarter of this year ended with 29,368 square feet of negative absorption according to CoStar. Capacity Commercial Group reports 194,397 square feet of positive net absorption compared to 553,395 at the end of the third quarter of last year. At the end of the third quarter, Norris, Beggs and Simpson reports 927,428 square feet of positive absorption for the overall industrial market.

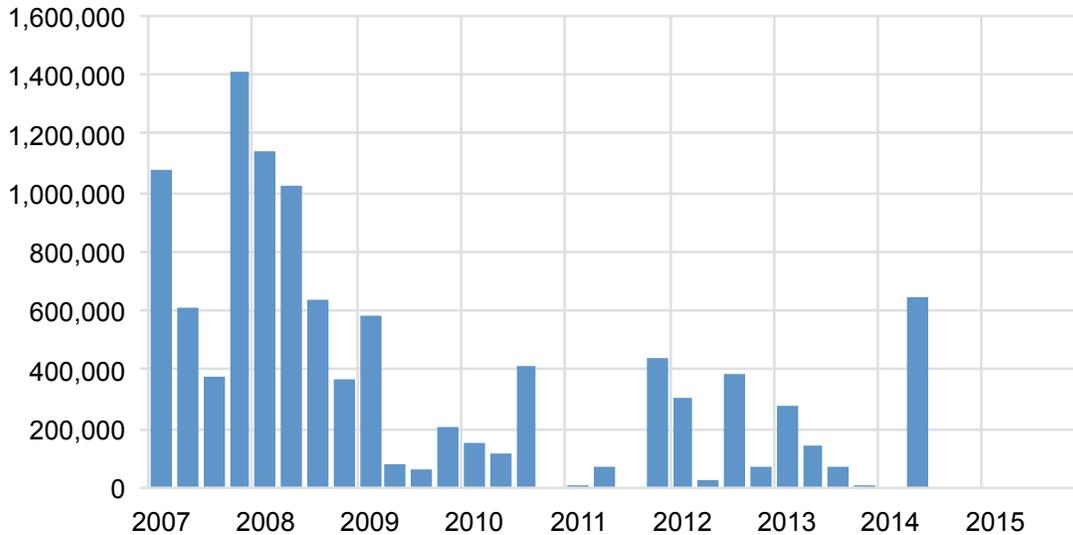
The flex market reports a negative net absorption of 65,568 square feet at the end of the third quarter according to CoStar. This was up from negative 82,372 square feet at the end of the second quarter. The first quarter of 2014 and fourth quarter of 2013 showed much better results with positive absorption of 18,542 square feet and 379,489 square feet of respectively. Norris Beggs and Simpson reports 44,439 square feet of negative absorption for the flex market during the third quarter of 2014.

Figure 3: Portland Industrial Market Net Absorption, Square Feet, 2007–2014



Source: Kidder Mathews

Figure 4: Portland Industrial Market Deliveries, Rentable Building Area, Square Feet, 2007–2014



Source: Kidder Mathews

Table 1: Notable Industrial Lease Transactions

Tenant	Address	Market	Size
American Tire	Bldg A-Marine Drive Dist.Ctr III	Rivergate	110,000
Lam Research Corp	20551 SW Wildrose Pl	Sherwood	100,400
Wymore Transfer Co	Bldg IV Columbia Comm. Cir	Airport Way	73,928
Kinco International	Bldg D Southshore Comm. Cir	East Col Corr	68,019
Boydston Equip. Co	8811 SE Herbert Ct	Clack/Mil	52,750
Benson Industries	5530-5602 NE Skyport Way	Airport Way	45,388
Prestige Moving and Storage	Stafford Corporate Center	Wilsonville	43,004

Source: Colliers International

Table 2: Notable Industrial Sales Transactions

Building	City	Price	Type
Sunset Corridor Ind	Hillsboro	\$22,254,371	Owner/User
Pinnacle Exhibits Facility	Hillsboro	\$6,750,000	Investment
1333 NW 12 th Ave	Portland	\$6,740,000	
Rock Creek Industrial Park	Hillsboro	\$6,540,000	Investment

Source: Colliers International

DELIVERIES AND CONSTRUCTION

According to CBRE, there is at least one speculative project under construction in almost every submarket in the Portland metro area. Capacity Commercial Group reports that there is over 3.3 million square feet of industrial space currently under construction. According to CoStar no new buildings were delivered in the past quarter. Six buildings totaling 505,601 were delivered in the second quarter of 2014 and improvement over no buildings being delivered in the first quarter of this year. ■