

INDUSTRIAL MARKET ANALYSIS

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Portland's Industrial market picked up the pace again in the second quarter of 2018 after a brief slowdown in the first quarter. Net absorption jumped up to just under half a million square feet according to JLL. The outlook for the rest of the year looks very strong as well with JLL reporting nearly four million square feet of industrial product currently under construction of which 1.3 million square feet is speculative. These numbers indicate that 2018 is likely to continue the rapid pace of development that the Portland industrial market has grown accustomed to over the last few years.

Lower delivery in the second quarter saw another drop in the vacancy rate for the industrial market with Kidder Mathews reporting a drop to 3.7 percent from 4 percent in the first quarter. This rate demonstrates the competitive market that is driving industrial developers to continue developing new projects.

The gross square footage leased and sold both dropped in the second quarter to 1.68 million and 758,000 respectively according to Kidder Mathews from values of 2.43 million and 1.23 million respectively in the previous quarter.

The largest lease deal of the quarter, signed by Georgia Pacific Corp, was a renewal of 607,000 square feet in the Rivergate submarket.



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VACANCY AND RENTS

Industrial rents in Portland dropped slightly in the second quarter to an average asking price of \$0.66 per square foot. This will be welcome news for companies looking for industrial space in the region but likely represents increased supply more than a drop in demand. Vacancy rates continued to drop to an average rate from the brokerages surveyed of 3.8 percent from the previous average rate of 4.0 percent in the first quarter.

Q1 2018 Vacancy Rate & Avg. Rent

	Vacancy (%)	Rent (\$/SF)
Cushman Wakefield	3.9	0.73
JLL	3.6	0.63
Colliers	4.0	0.64
Kidder Mathews	3.7	0.64
Average	3.8	0.66

ABSORPTION AND DELIVERIES

After a slow first quarter for absorption of industrial space in Portland, the second quarter jumped back to the trend of 2017. The second quarter saw 944,000 square feet absorption according to Kidder Mathews. The fourth quarter of 2017 had seen 1.02 million square feet. Developers still appear to be confident for the future as well, with 2.65 million square feet of industrial land currently under construction by Kidder Mathews figures.

The NE Columbia Corridor continues to be the strongest sub-market for absorption in the metro area. The net absorption for the Corridor was 182,000 square feet in the second quarter according to JLL. The Eastside sub-market experienced the largest negative absorption of 62,000 for the quarter.

SALES & CAP RATES

The sales side of the market saw 758,202 square feet sold in the second quarter of 2018. This was a significant decrease from the first quarter which saw 1.2 million square feet sold. The average sale price per square foot was \$114, an increase over the previous quarter. Cap rates for sales in the second quarter ranged between five and six percent, a historically low number that has become the new normal in the Portland metro area.