
3Q24

Portland Industrial Market Overview

NEWMARK

Market Observations

Economy

- Portland's labor market reached an unemployment rate of 4.0%, slightly below the national average of 4.2%.
- Year-over-year job growth remained negative for industrial sectors in Portland, with employment expected to fluctuate as market conditions remain unstable.
- Total employment saw a slight increase in Portland during the third quarter of 2024, driven by growth in the education and health sectors (4.6%) and the government sector (1.9%).

Major Transactions

- EQT Exeter acquired a 207,082-SF warehouse at 3601-3621 NW Yeon Ave in Northwest Portland from Prologis, Inc. The property, part of a six-property portfolio, sold for \$27.74 million, or \$133.96/SF.
- The Port of Vancouver purchased a 60,731-SF industrial warehouse in Vancouver from the Hickey Family Company for \$15.6 million, or \$256.87/SF.
- SEH America Inc. acquired a 38,210-SF manufacturing building at 3905 NE 112th Ave in Vancouver for \$6.75 million, or \$176.66/SF.

Leasing Market Fundamentals

- Absorption in the third quarter of 2024 totaled 124,507 SF, with positive absorption primarily in the Clark County submarket, driven by several large-block leases in Vancouver, Washington.
- Vacancy for industrial assets increased slightly to 5.2% as space continues to flood the market. Average asking rents reached \$10.32/SF, down slightly from \$10.36/SF in the second quarter.
- Leasing activity surged in the third quarter of 2024, with total volume up 35.3% quarter-over-quarter, concentrated in high-quality, well-located warehouse and distribution properties.

Outlook

- Vacancy rates are expected to rise, as the significant increase in leasing activity in the third quarter is unlikely to keep pace with the amount of direct space being returned to the market by industrial users.
- Demand remains strong for well-positioned industrial assets in Portland. Areas like the I-5 South Corridor and Clark County continue to see healthy competition for new availabilities.
- Rent growth is likely to persist among Class A assets in 2024, driven by high demand for both new construction and existing high-quality inventory amid limited supply.

1. Economy
2. Leasing Market Fundamentals
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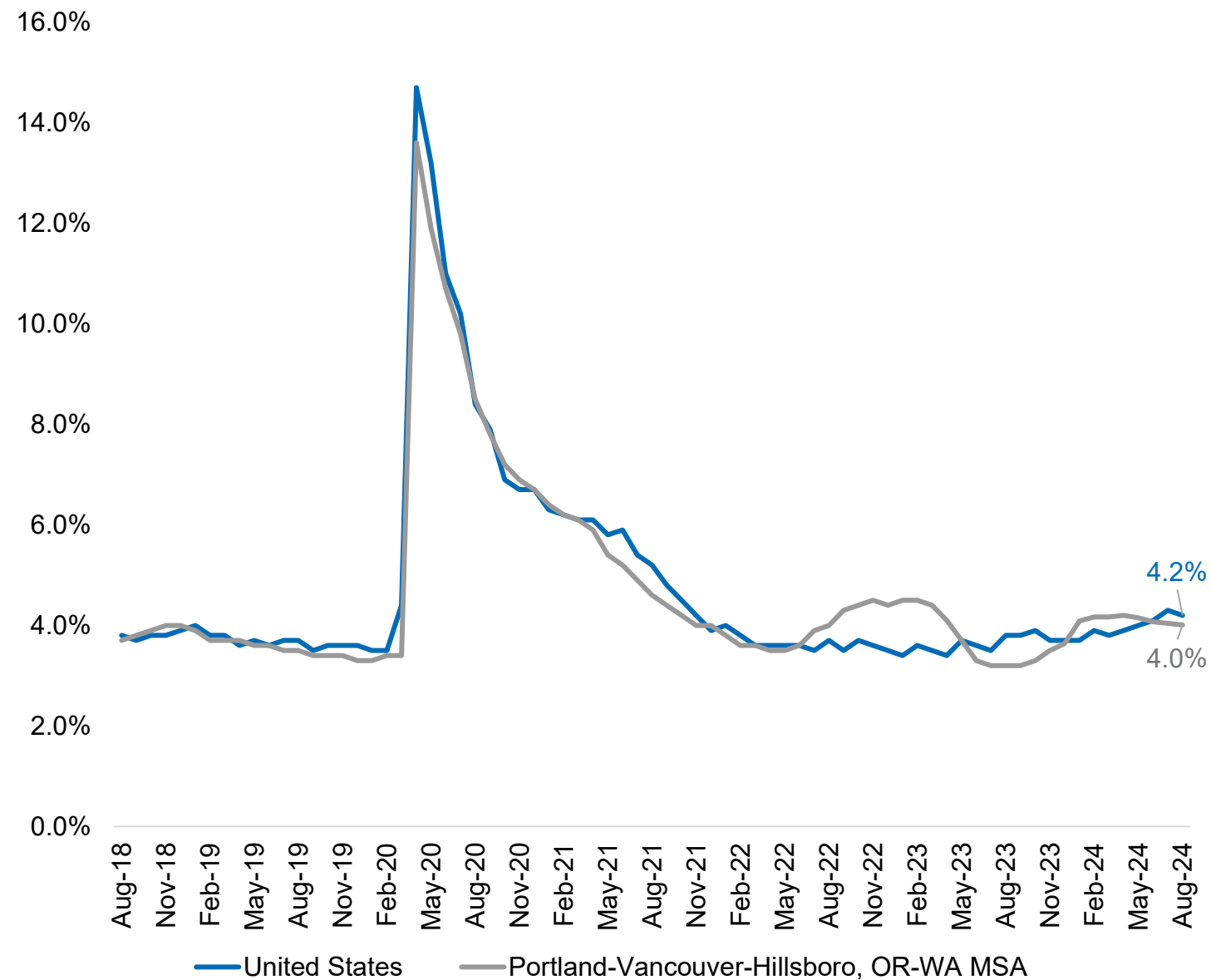
Leasing Market Fundamentals



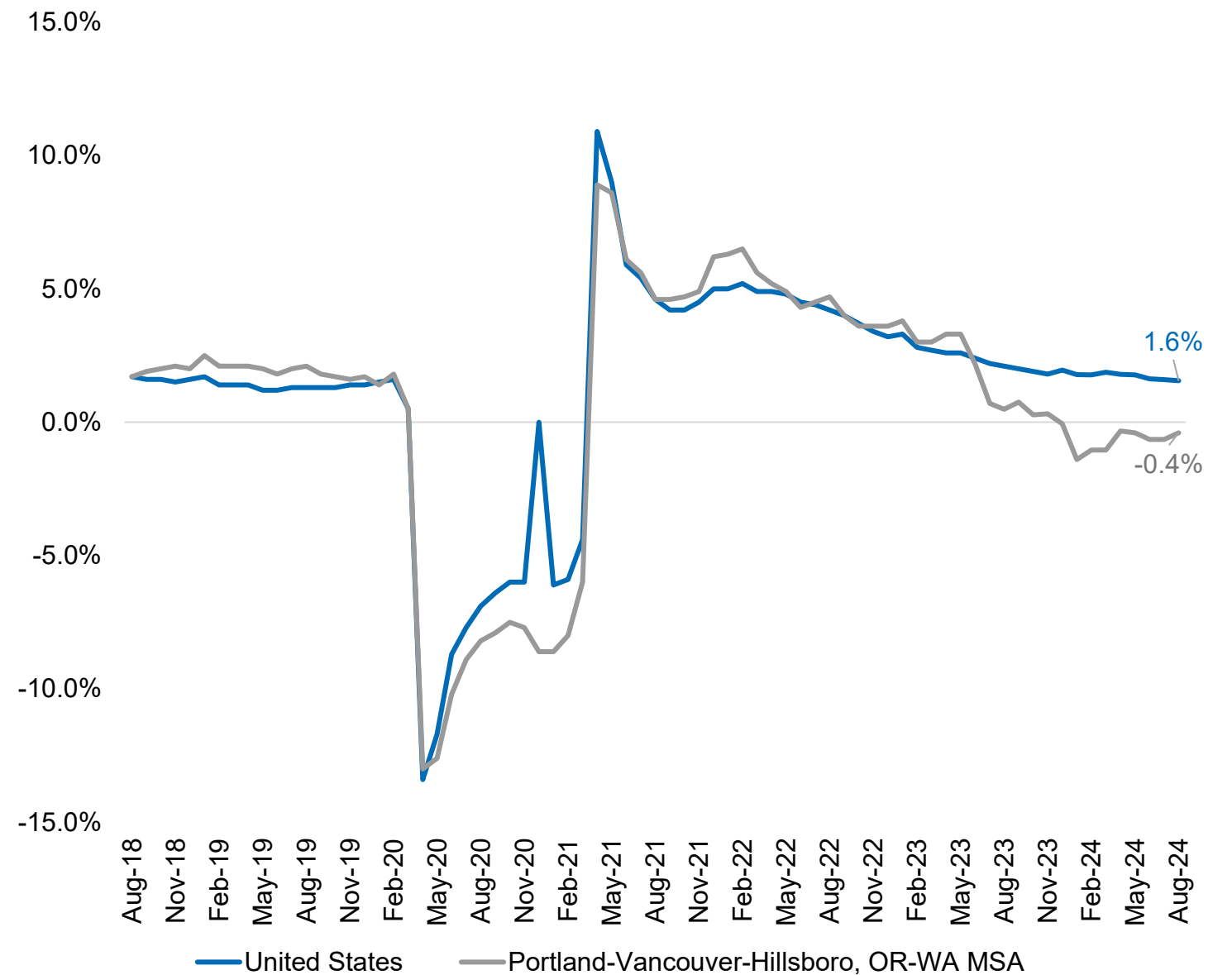
Portland Sees Employment Growth in 3Q24

After a slow start to the year, Portland's unemployment rate dropped 20 basis points in the third quarter of 2024 to 4.0%, slightly below the national average. Though year-over-year employment growth remained negative, it approached neutral in the third quarter of 2024.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

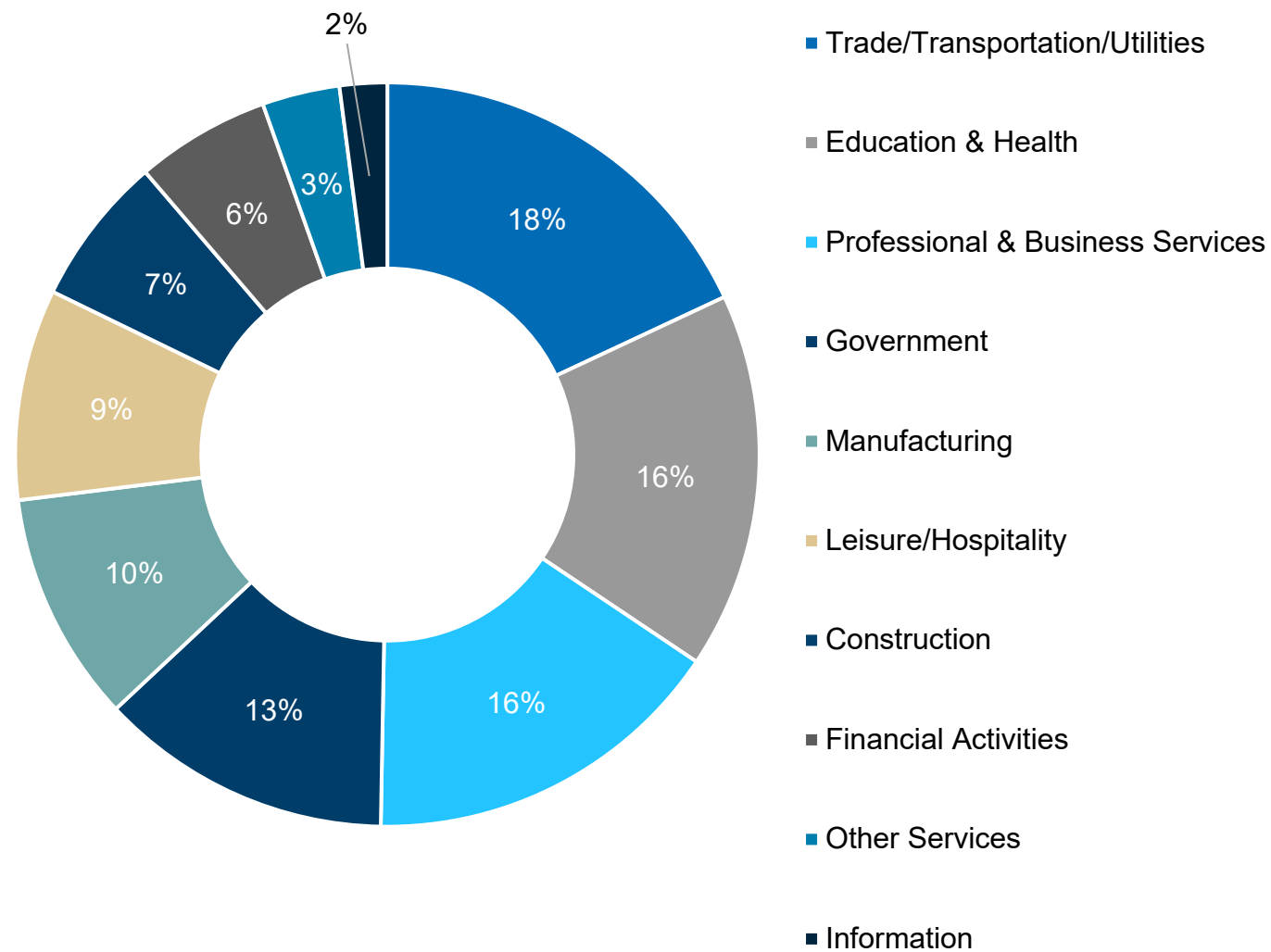


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

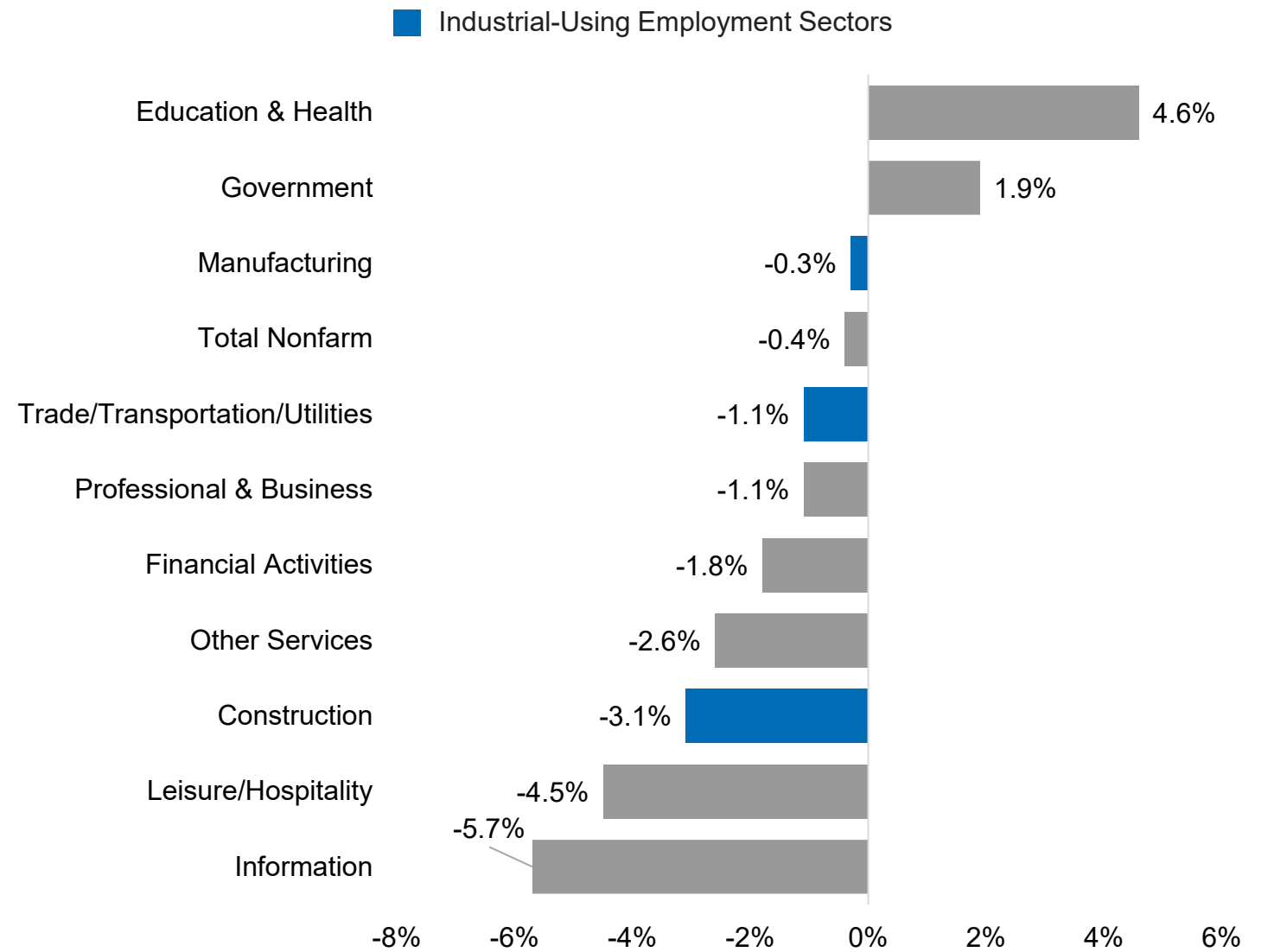
Industrial Employment Dips Despite Market Growth

All three major industrial employment sectors in Portland have experienced negative year-over-year growth. After years of significant expansion, particularly in manufacturing and trade, transportation, and utilities, job activity for industrial occupiers has slowed in 2024.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

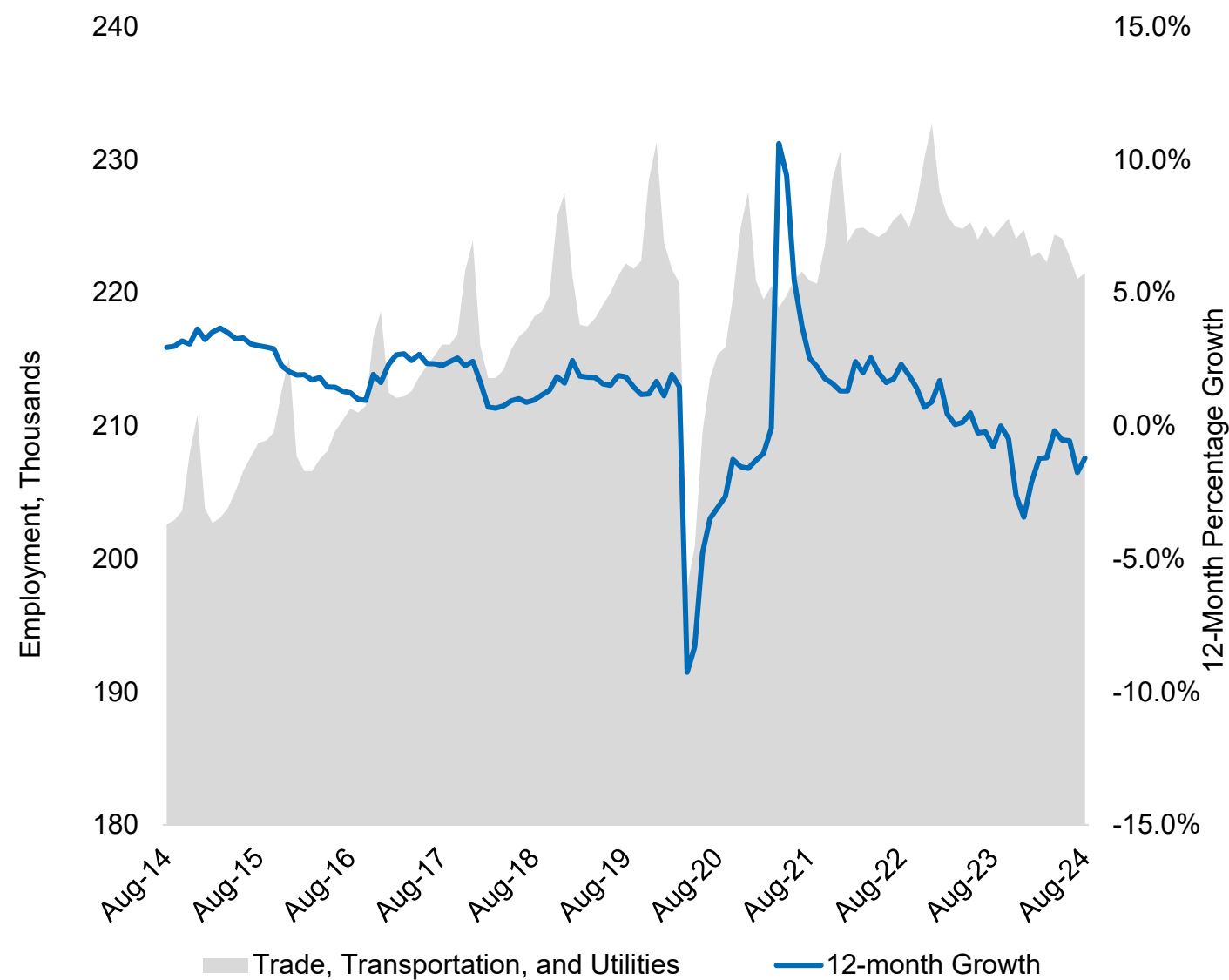


Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

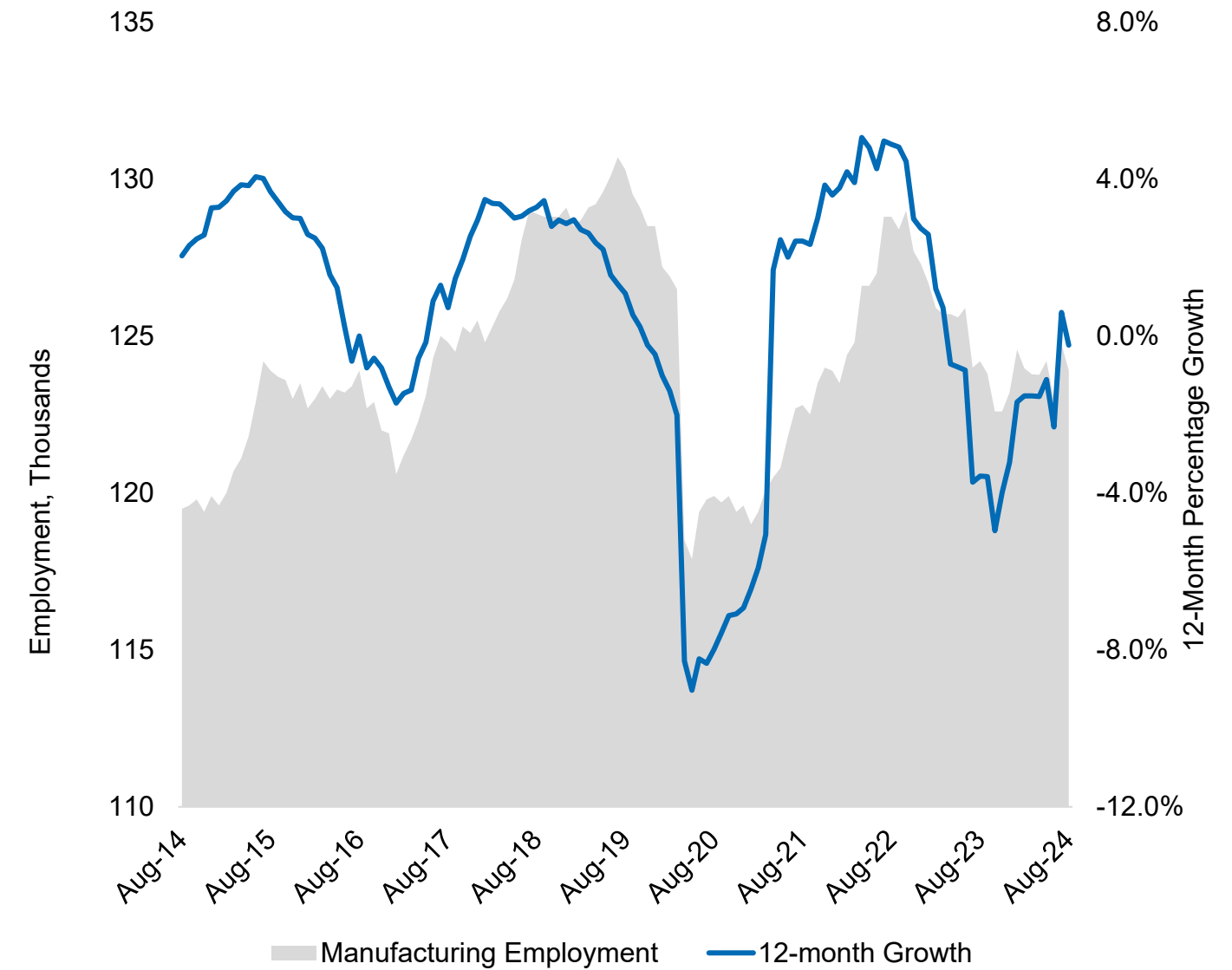
Overall Employment Numbers Vary by Industry

Total employment in the trade, transportation, and utilities sector experienced a slight increase in the third quarter of 2024. In contrast, the manufacturing sector recorded a modest decline in total headcount compared to previous quarters.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Portland-Vancouver-Hillsboro, OR-WA MSA

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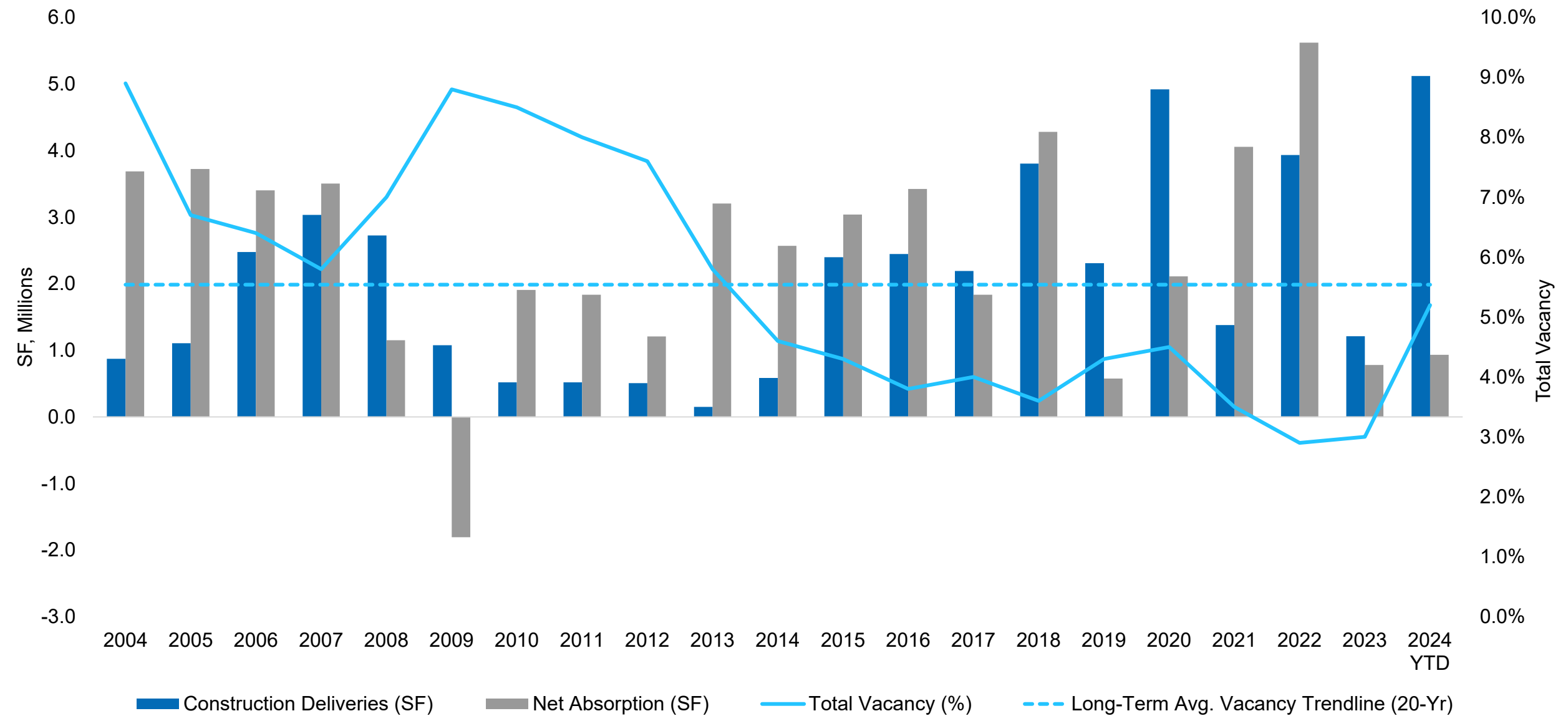
Leasing Market Fundamentals



Market-Wide Vacancy Records Minor Increase

Vacancy rates rose to 5.2% in the third quarter of 2024, marking a 20-basis-point increase from the second quarter. The industrial market has seen consistent, measured increases in vacancy since reaching a historic low of 2.9% in 2022. Despite this rise in vacancy, year-to-date net absorption remains positive, totaling 933,053 SF.

Historical Construction Deliveries, Net Absorption, and Vacancy

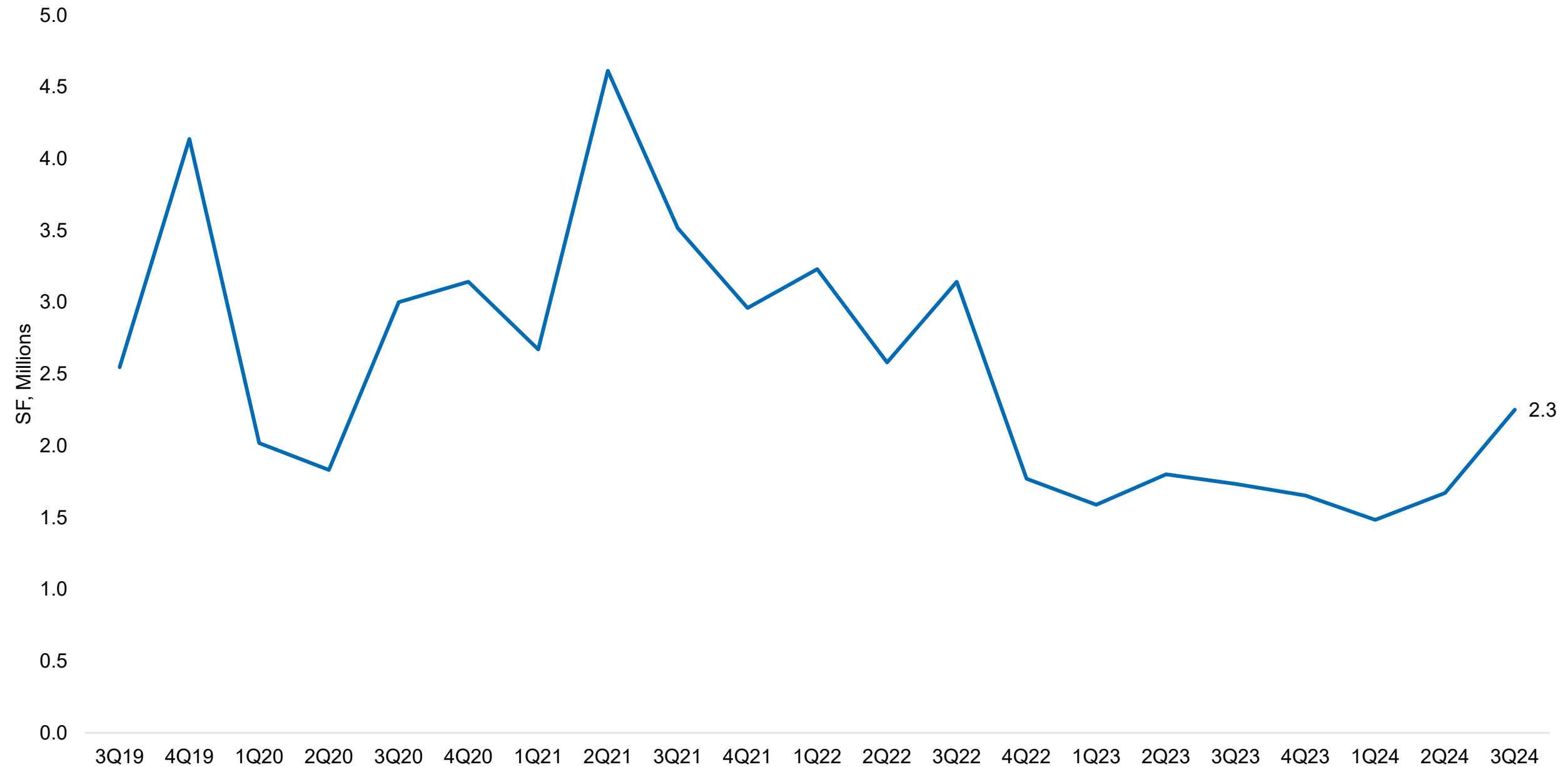


Source: Newmark Research

Significant Increase in Q3 Leasing Activity

Despite many submarkets experiencing negative absorption in the third quarter of 2024, total leasing volume reached 2.3 million SF, representing a 35.3% increase quarter-over-quarter. This growth was particularly evident in the Clark County submarket, where vacancy rates decreased by 220 basis points, falling from 6.2% to 4.0%. The Sunset Corridor also had a strong leasing quarter, recording 172,190 SF of positive absorption.

Total Leasing Activity (SF)

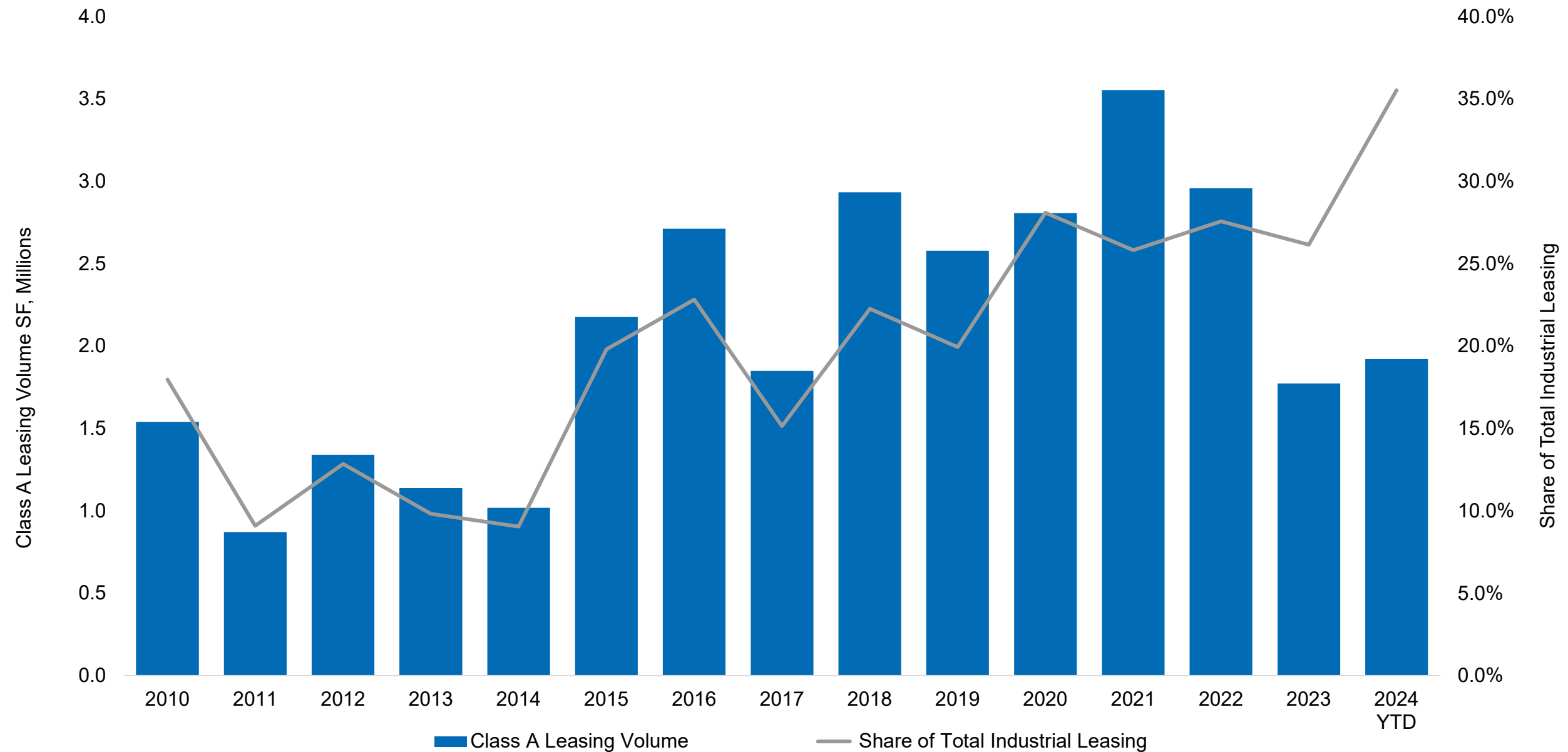


Source: Newmark Research, CoStar

Class A Leasing Volume Improves

Class A leasing activity comprised 35.5% of all industrial leasing in 2024, following a strong rebound in the third quarter of the year. A surge in market activity surrounding premium industrial assets in Clark County and the I-5 South Corridor accounted for much of this volume.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

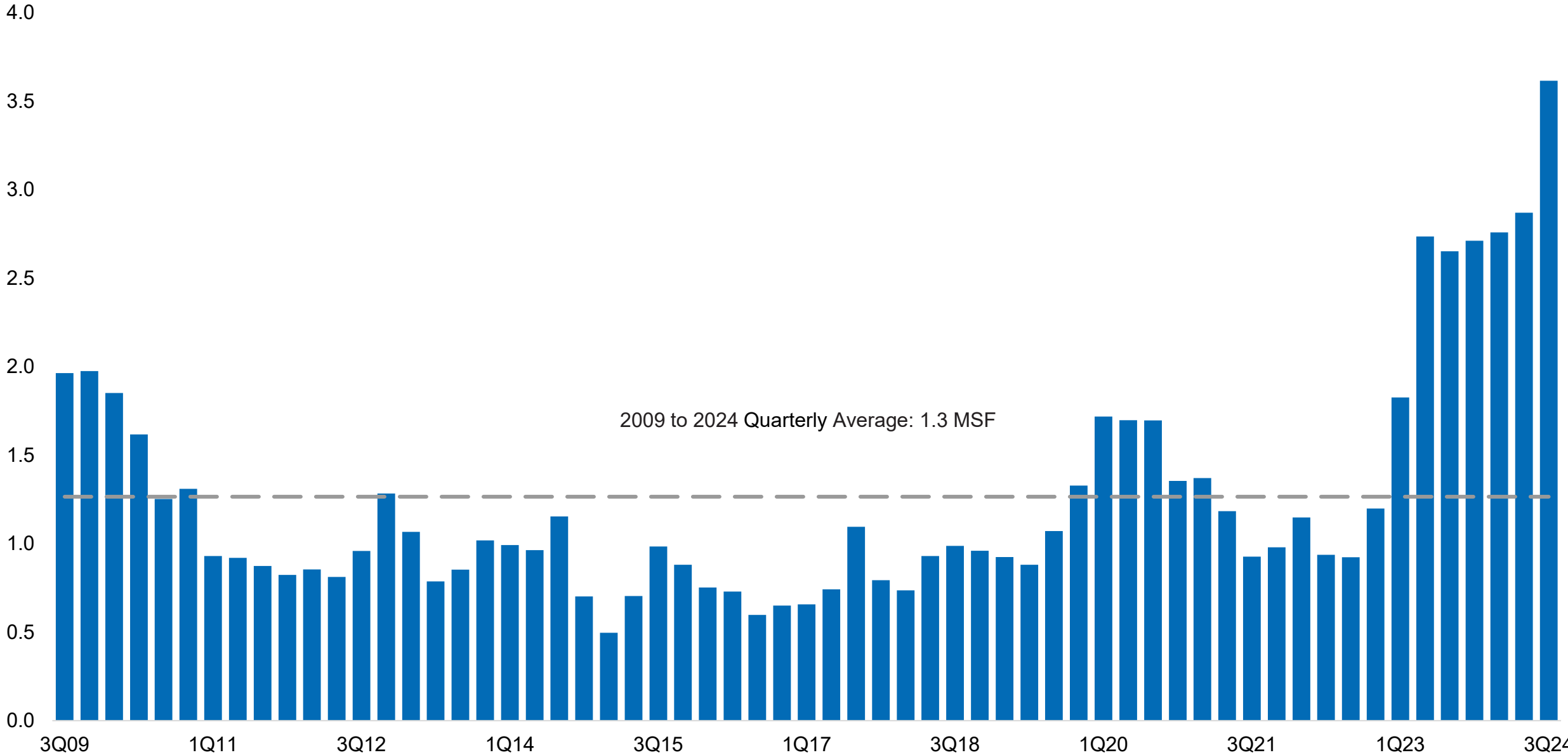


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3Q24 Sublease Availability Increases Again

Total availability of industrial sublease space increased significantly during the third quarter of 2024, reaching 3.6 million SF. The majority of this sublease inventory was concentrated in the NE/Columbia Corridor, Rivergate, and I-5 South Corridor submarkets.

Available Industrial Sublease Volume (msf)



Source: Newmark Research, CoStar

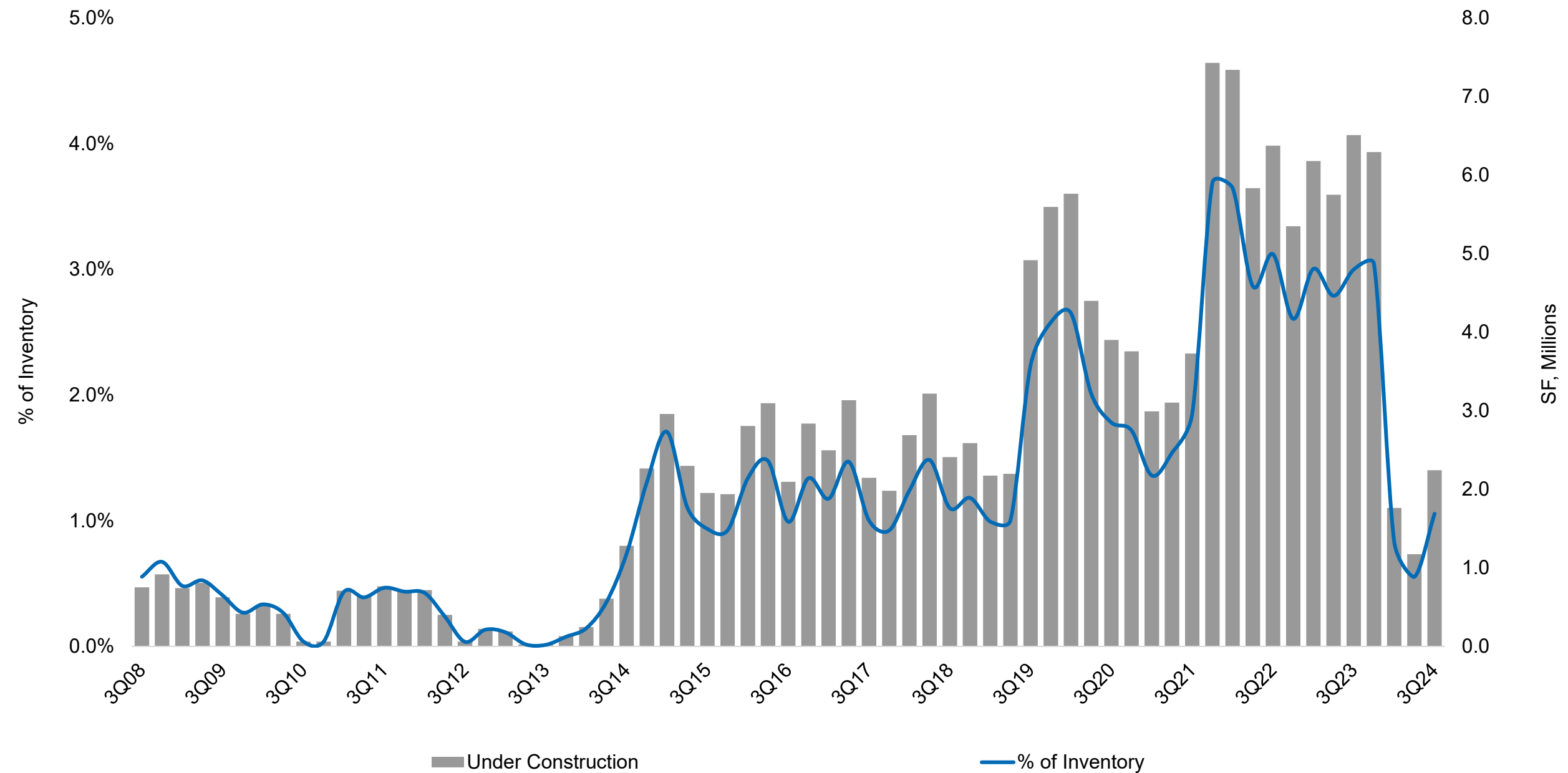


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Substantial Deliveries Scheduled in Early 2025

Currently, 2.2 million SF of industrial construction projects are being tracked across the Portland market, with many set for delivery in the first and second quarters of 2025. Notable projects include Bridge Point Vancouver 600, which will add 647,762 SF to the Clark County submarket in the second quarter of 2025, and GV5, a 533,212-sf distribution project in Gresham scheduled for delivery in June 2025.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

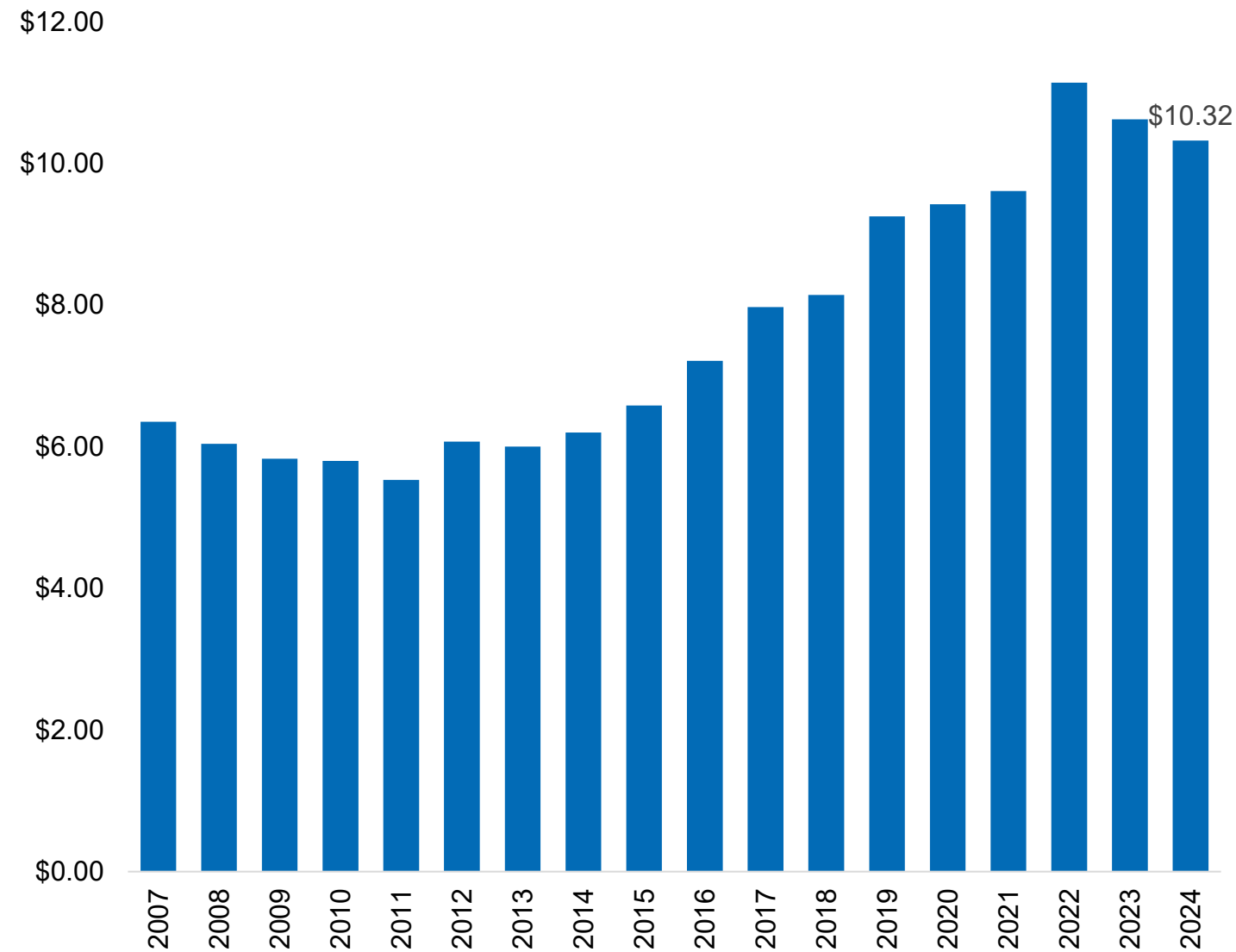


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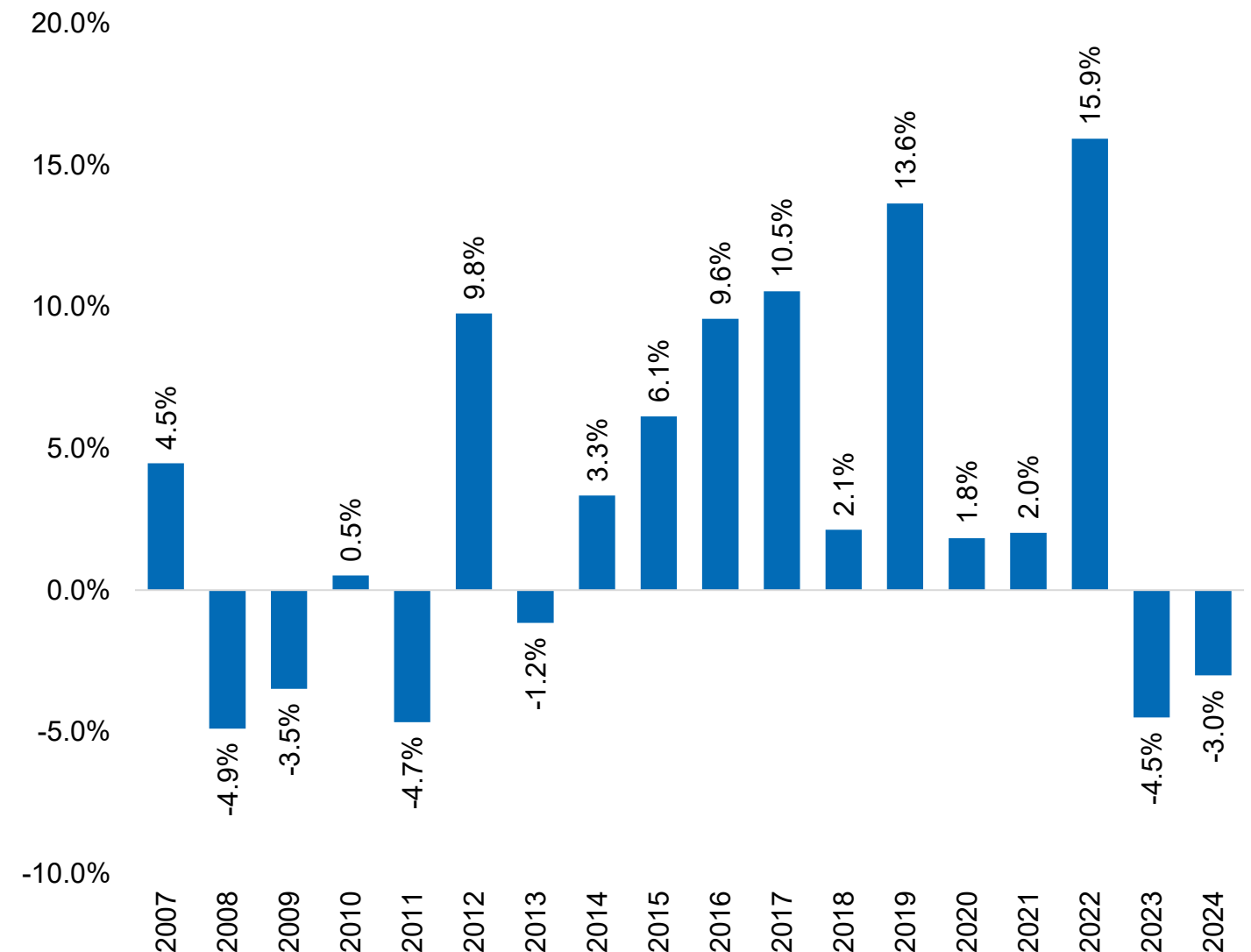
Average Market Asking Rents Unchanged

Average asking rents experienced a slight decrease to \$10.32/SF in the third quarter, down from \$10.36/SF in the prior quarter. Rates remain marginally lower than 2023 levels and are 7.1% below the peak recorded in 2022.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change

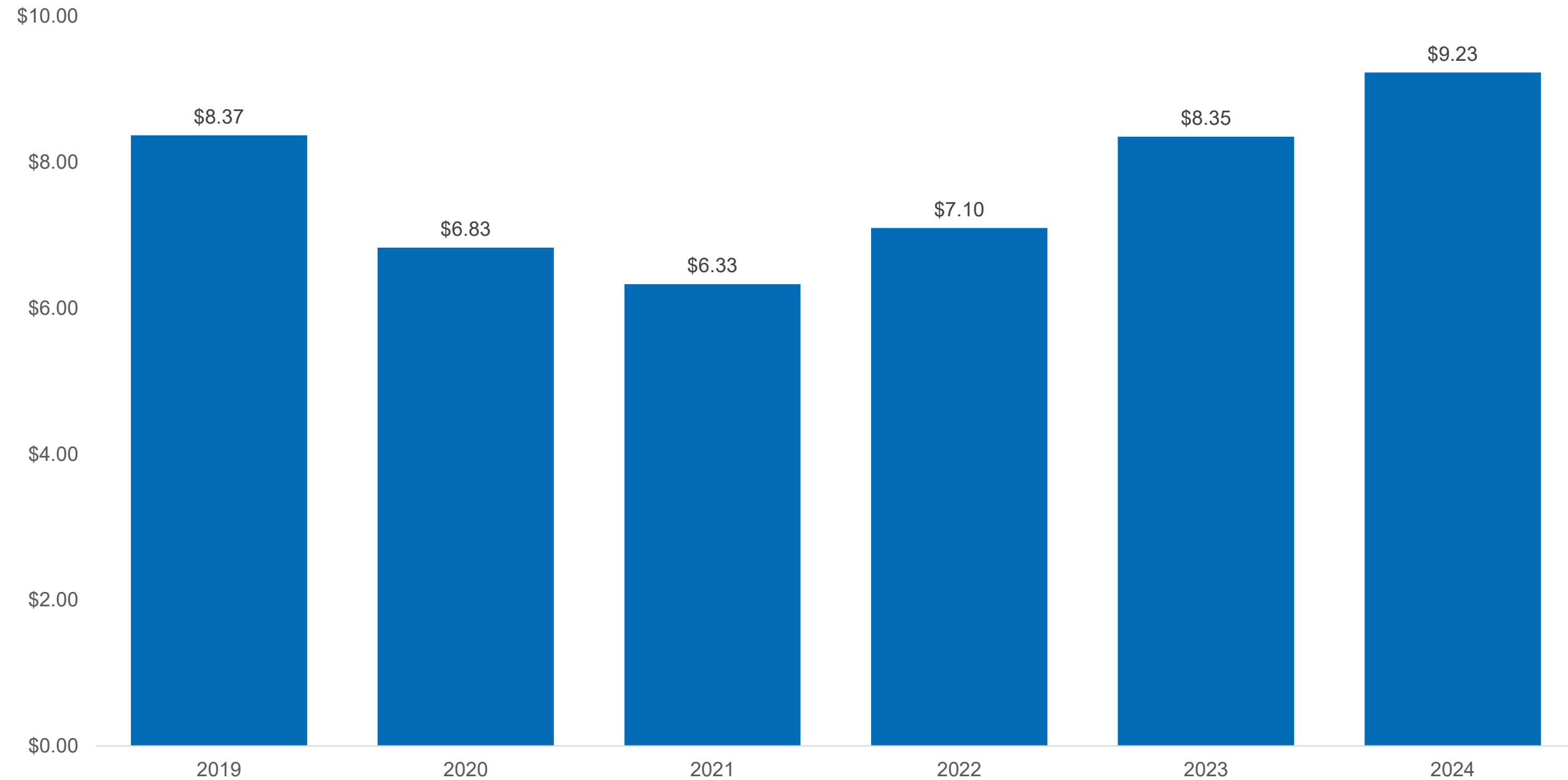


Source: Newmark Research, CoStar

Class A Warehouse Rents Rise

Total inventory for best-in-class industrial space remained low during the third quarter, pushing asking rates up to \$9.23/SF. High demand for quality product and new construction continue to drive rents for warehouse space higher.

Class A Warehouse Space, Average Asking Rent



Source: Newmark Research



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Notable 3Q24 Lease Transactions

Leasing volume during the third quarter of 2024 was significantly boosted by the groundbreaking lease of 681,780 SF by Grocery Outlet at the newly developed Burnt Creek Logistics Center in Vancouver, Washington. The Rivergate submarket also experienced an increased share of leasing volume, with multiple large-footprint deals completed during the quarter.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Grocery Outlet <i>Grocery Outlet agreed to lease the entirety of the Burnt Creek logistics Center in Vancouver, Washington.</i>	5920 NE 162 nd Ave	Clark County	Direct New	681,780
Purina Animal Nutrition <i>Purina renewed their footprint at their long-time Rivergate location.</i>	15615 N Lombard St	Rivergate	Renewal	150,000
Medallion Industries <i>The building material supplier will occupy in December 2024.</i>	13636 N Columbia Blvd	Rivergate	Direct New	100,492
Lam Research <i>Lam Research extended their Portland area footprint by fully leasing Building C at Cipole Industrial Park.</i>	12905 SW Tualatin Sherwood Rd	I-5 South Corridor	Direct New	92,282
Not Disclosed <i>The master lease at Upland Distribution Center runs through June 2032.</i>	7631 N Upland Dr	Rivergate	Sublease	80,000

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Appendix / Tables





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Newmark business contact for this information

For more information:

Dexter Muller

Research Analyst

Portland Research

Dexter.Muller@nmrk.com

Portland

760 SW 9th Ave, Suite 200

Portland, OR 97205

t 503.972.5456

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

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