
INDUSTRIAL MARKET ANALYSIS

GEOFF FALKENBERG

Oregon Association of Realtors Fellow

The first quarter of 2014 showed positive trends in the industrial sector of Portland's market. Deliveries were null, but many developments are in the making. Vacancy continues to drop while absorption remains strong. Rents are feeding off the increasing demand and relatively slow pace of growth and as a result are growing at a steady pace.

ABSORPTION & LEASING

As reported by CoStar, net absorption in the metro area stood at a positive 212,086 square feet for the first quarter, as compared to the 1,146,383 square feet of the fourth quarter 2013. A total of 364,021 were vacated between DHL Global Forwarding, Southern Wines & Spirits, and Baggallini. Across the metro area new leases were signed that more than made up for the losses.

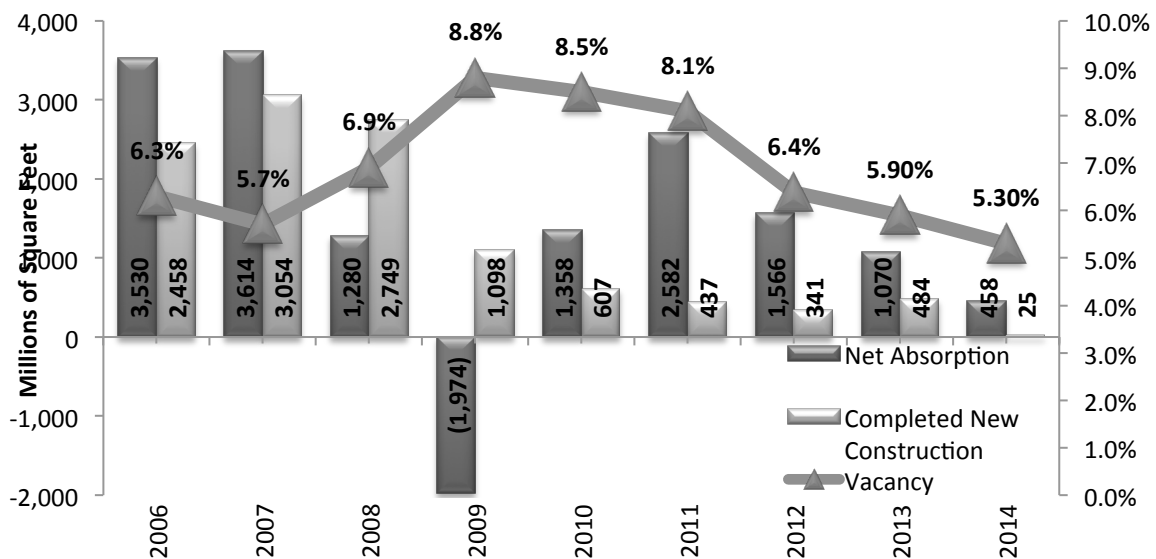
■ Geoff Falkenberg is the Oregon Association of Realtors fellow at the Portland State University Center for Real Estate. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

Major industrial lease transactions

Tenant	Property	SqFt	Submarket
Colgate-Palmolive	Rivergate Corp Ctr III	210,330	Rivergate
Lucky Distribution	5001 N Lagoon Ave	47,000	Hayden/Swan Island
GTS	4033 NW Yeon Ave	151,363	CBD/Guilds Lake
Nike	15005 SW Tualatin Valley Hwy	199,911	Sunset Corridor
Earl & Brown	5825 SW Arctic Dr	57247	217Corridor/Beaverton

Source: Jones Lang Lasalle

New construction, net absorption, and new construction



Source: Jones Lang Lasalle

VACANCY

Vacancy continued its downward trajectory during the first quarter of 2014 to end at 5.30%, according to Jones Lang Lasalle. This downward trend is reminiscent of a worrisome trend in the industrial area in that Portland has a limited amount of space set aside for industrial development. Currently the city is looking to reposition the Central Eastside Industrial District, further limiting industrial opportunities. In

addition, the west end of Hayden Island is slated to be largely hands off to development.

DELIVERIES & CONSTRUCTION

There were no new buildings delivered to the market during the first quarter of 2014. Over the last three quarters 189,285 square feet of industrial space was delivered. Currently there is over 2.8 million square feet of industrial space under construction. The largest development being the Intel Ronler Acres D1X, comprising 1.8 million square feet. Another noteworthy development is the PDX Logistics Center, containing 383,000 square feet, which is has no pre-leases so far.

RENTAL RATES

The average rental rate in Portland for the first quarter was \$6.26. This is a 1.3% increase from the fourth quarter of 2013.

Submarket rental rates, per square foot

Airport way	\$0.92
Sunset Corridor	0.91
Clackamas and Milwaukee	0.86
St. Johns	0.82
East Columbia Corridor	0.59
Rivergate	0.40

Source: CoStar