

Portland Industrial Market Analysis

CB Richard Ellis notes that a recent report by the Pew Charitable Trusts remarks that Oregon leads the nation in green energy related jobs and that several companies have chosen Portland for their American headquarters, including Vestas, REPower, and Iberdrola Renewables. According to Moody's Economy.com, Oregon is one of five states expected to lead the recovery with its high tech industry.¹

That being said, the median vacancy as reported by the four largest commercial brokerage firms increased to 8.3%, up 0.5 of a percentage point from last quarter and over three percentage points from the second quarter of 2007. CB Richard Ellis expects it to reach double digits before the market begins to recover.

The industrial market experienced negative absorption again this quarter as a result of the return of a little over 1.5 million square feet of vacated industrial space to the market, nearly one third of which was due to the liquidation of Joe's and the closure of GM Service Parks Center in Beaverton, as reported by CBRE. Norris, Beggs & Simpson report that several tenants have left the Columbia Business Center.

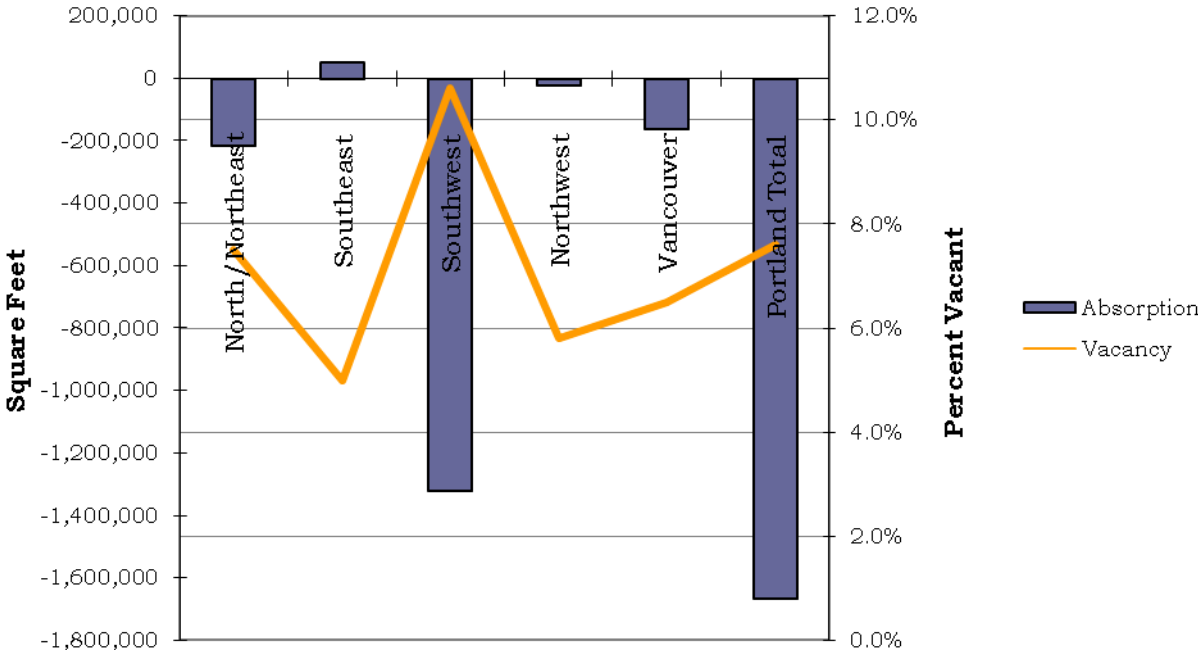
Leverage 2 Productions absorbed a little over 60,000 square feet in Clackamas. Monthly shell asking rates have held steady at a median of \$0.41/SF, while flex rates dropped slightly to \$0.80. There are currently 442,500 square feet under construction; 415,000 square feet are being built for FedEx, which is expected to create 650 new jobs. Due to credit restrictions and other impediments, landlords are offering few tenant improvements.

INDUSTRIAL Q2-09	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Norris, Beggs & Simpson	Median
Market-wide Vacancy	8.1%	8.0%	8.5%	13.9%	8.3%
Previous Quarter	7.3%	7.6%	8.0%	13.0%	7.8%
Second Quarter 2008	5.8%	6.3%	6.7%	N/A	6.3%
Second Quarter 2007	5.2%	4.9%	5.6%	N/A	5.2%
Warehouse/Distribution	N/A	7.7%	8.6%	N/A	8.2%
Previous Quarter	8.0%	7.3%	8.1%	N/A	8.0%
Second Quarter 2008	N/A	5.8%	6.8%	N/A	6.3%
Second Quarter 2007	N/A	3.8%	5.1%	N/A	4.5%
R&D/Flex Vacancy	N/A	9.6%	7.9%	15.1%	9.6%
Previous Quarter	10.1%	9.5%	7.2%	13.6%	9.8%
Second Quarter 2008	N/A	9.2%	6.5%	N/A	7.9%
Second Quarter 2007	N/A	9.5%	7.3%	N/A	8.4%
Asking Monthly Shell Rates	\$0.40	N/A	\$0.41	N/A	\$0.41
Previous Quarter	\$0.40	N/A	\$0.42	N/A	\$0.41
Second Quarter 2008	\$0.39	N/A	\$0.42	N/A	\$0.41
Second Quarter 2007	\$0.36	N/A	\$0.39	N/A	\$0.38
Asking Monthly Flex Rates	\$0.85-\$1.05	N/A	\$0.80	N/A	\$0.80
Previous Quarter	\$0.85-\$1.05	N/A	\$0.81	N/A	\$0.81
Second Quarter 2008	\$0.85-\$1.05	N/A	\$0.82	N/A	\$0.82
Second Quarter 2007	\$0.75-\$0.85	N/A	\$0.81	N/A	\$0.81

Source: Grubb & Ellis, Cushman and Wakefield, Norris, Beggs & Simpson, Quarterly Reports

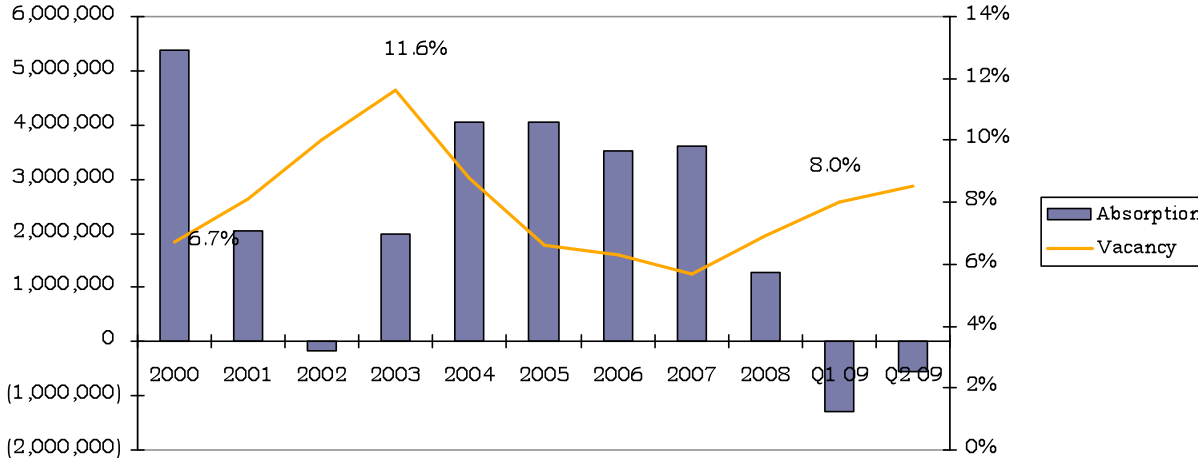
¹ [Oregon could lead nation out of recession, Moody's says](#)

Submarket Vacancy and Absorption First Quarter 2009



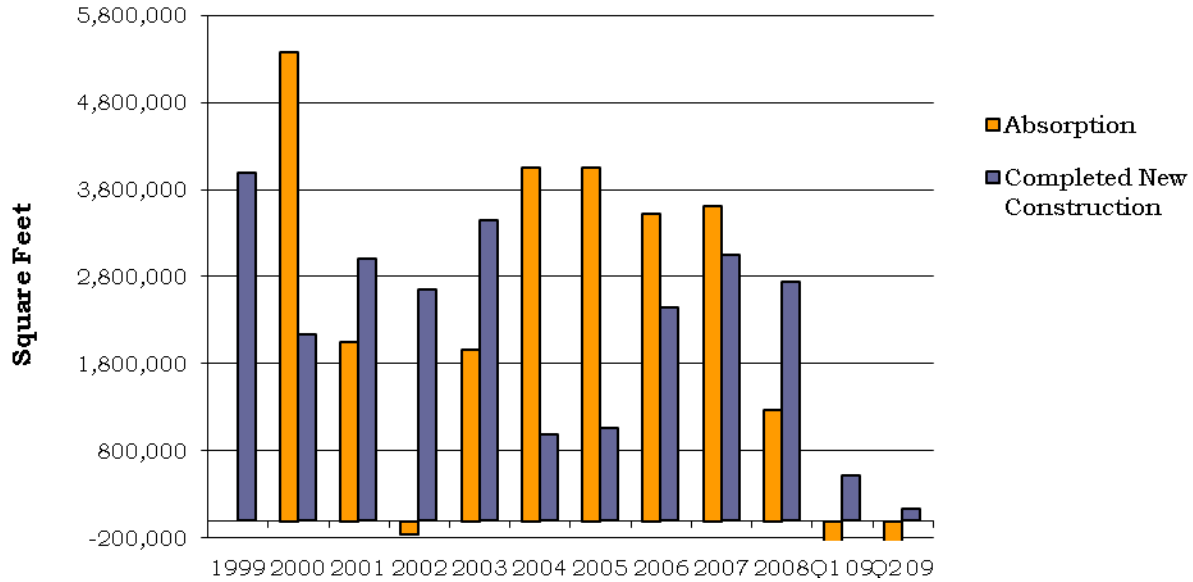
Source: Cushman & Wakefield Industrial Quarterly Summary, 2Q09

Overall Industrial Net Absorption (sq. ft.) and Vacancy (%) for Portland Market



Source: Grubb & Ellis Co., Industrial Quarterly Report, Second Quarter 2009

Industrial Absorption and New Construction (Sq. Ft.)



*Source: Grubb & Ellis Co., Industrial Quarterly Report, First Quarter 2009

Major Lease Transactions Q2 09

Industrial

Tenant	Address	(Sq. Ft.)	Submarket
Daimler AG	6650,6720 N. Basin	82,500	North/Northeast
GE Security (renewal)	Leveton Corp. Campus	138,000	Tualatin
Leverage 2 Productions	Clackamas Commons	60,807	Clackamas
LG Electronics	Rivergate Corp. Center I	80,000	North/Northeast
Mackay-Mitchell Envelope Co.	2515 Mailwell Dr.	64,500	Southeast
PFX Pet (renewal)	PDX East	51,078	North/Northeast
Turner Engineering	Port of Vancouver	58,451	Vancouver
Total		314,836	

*Source: NAI Norris Beggs & Simpson, CB Richard Ellis, and Cushman & Wakefield, Industrial Quarterly Reports, Third Quarter 2008, and the Portland Business Journal