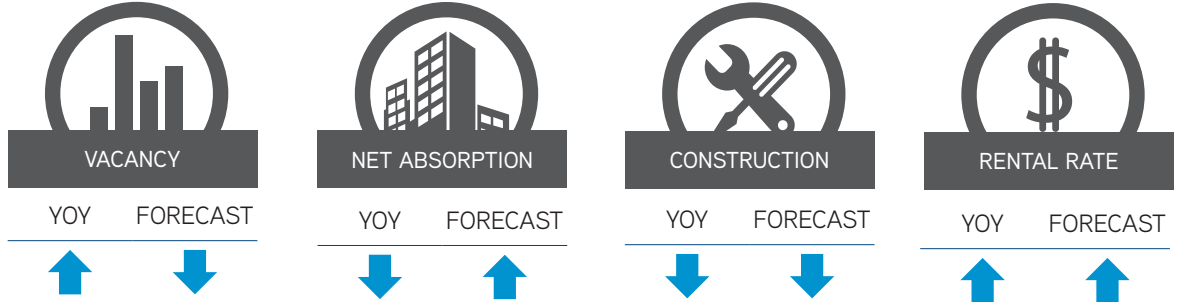


# PORTLAND | INDUSTRIAL

## Q1 2018

Accelerating success.

### MARKET INDICATORS



## Vacancy and Absorption Respond to Significant Deliveries

- Market-wide net absorption is negative 228k SF for the quarter while vacancy rose from 3.6% to 4.5% since Q4 2017. Although this is the first time market-wide net absorption has been negative in ten quarters, it is primarily caused by a single transaction.

  - The primary driver to negative net absorption is the combination of Safeway moving out of their 860k SF Clackamas distribution center and the buyer, Maletis Beverage, marketing the building for lease prior to committing to use all or a portion of the remaining space for one of their own operations. It stands to reason that there will be either some early success in leasing to 3rd party tenants needing cold storage, which there is significant demand for, or that the owner will occupy a meaningful portion of this space before the end of 2018.
  - The largest positive net absorption for the quarter is Airport Way with 814k SF absorbed and a vacancy of 4.25%. This is mostly thanks to the addition of the new warehouse and distribution center for the United States Postal Service, which is vacating its Pearl District Post Office blocks, currently rebranded by Prosper Portland as the "Broadway Corridor."
  - Westside markets, made up of NW/Guilds Lake, Beaverton/Hillsboro, and I-5 South have the lowest vacancies at 3.01%, which is a slight uptick from Q4 2017. Several nominal vacancies, as a proportion of total inventory, caused the negative net absorption of 239k SF.
- With the delivery of nearly 1.5M SF of inventory, market-wide vacancy increased 0.9% over the quarter and 1.0% over the year.

  - East Columbia Corridor is the largest submarket by supply (25.5M SF) and has the highest vacancy in the market, 10.08%. 500k SF were delivered this quarter, temporarily increasing vacancy.
- The lion's share of deliveries and projects under construction are in the North/Northeast submarkets, primarily Airport Way and East Columbia Corridor. Having delivered over 1.3M SF with 2.1M SF still in the pipeline, these markets are commanding strong blended asking rents of \$0.59 PSF/month, compared to the market average of \$0.60 PSF/month, despite the inventory consisting of larger buildings and spaces.
- While market-wide blended asking rents cooled slightly in Q1 2018 from Q4 2017 (\$0.63 to \$0.60 PSF/month) they are still up year-over-year from \$0.55 PSF/month in Q1 2017 and are likely to increase with the out-of-state demand for warehouse and distribution space.

## Q1 2018 STATS

**4.5%**

VACANCY

**-228.4**

THOUSAND SQUARE FEET  
ABSORPTION

**\$0.603**

BLENDED  
RENTAL RATE  
PER SQUARE FOOT PER MONTH

## NOTABLE LEASE TRANSACTIONS

TENANT	PROPERTY	SUBMARKET	SF	TYPE
United States Postal Service	7007 NE Cornfoot Rd	Airport Way	818,000	N
*Eoff Electric Supply	Rockwood Corporate Center	East Columbia Corridor	101,815	N
*AANW Holdings	16250 SE Evelyn St	Clackamas/Milwaukie	99,950	N
LaneCo	8823 N Harborgate St	Rivergate	70,000	N
*Perfect Vision Manufacturing, Inc.	16785 NE Mason St	East Columbia Corridor	65,056	N

N = NEW R = RENEWAL S = SUBLEASE E = EXPANSION

## NOTABLE SALE TRANSACTIONS

PROPERTY	SUBMARKET	PRICE	PRICE/SF	TYPE	SELLER	BUYER
7098 N Marine Dr	Rivergate	\$10,150,000	\$110.13	OU	Timothy J & Robin Machalek	SJ Distributors, Inc.
9011-9089 SE Janssen Rd (Part of Multi-Property Sale)	Clackamas/Milwaukie	\$8,144,786	\$120.54	I	Warren Family Properties LLC	McLellan Estate Co
5701-5713 NE Fourth Plain Blvd	St Johns/Central Vancouver	\$7,650,000	\$32.36	OU	Tech Plaza LLC	KYOCERA Corporation
9445 SW Ridder Rd (Part of Multi-Property Sale)	Wilsonville	\$7,551,634	\$90.08	I	Stafford LP	Stafford DC LLC
32905 S Marcom St	SE Outlying	\$6,500,000	\$126.90	I	Agrigenetics, Inc.	Woodburn Ss Properties Llc
9685 SW Ridder Rd (Part of Multi-Property Sale)	Wilsonville	\$5,926,310	\$90.08	I	Stafford LP	Stafford DC LLC
4330 SE International Way	Clackamas/Milwaukie	\$5,790,000	\$179.56	OU	Eastern Western Corporation	CorVel Healthcare Corporation
12241 SW Myslony St	Tualatin	\$5,150,000	\$101.48	OU	Tualatin Sleep Products	Matthew M Thomas

I = INVESTMENT OU = OWNER/USER SL = SALE/LEASEBACK R = REDEVELOP

## NOTABLE DEVELOPMENT PROJECTS

PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	PRELEASE	DELIVERY	USE	STATUS
5225 NW Five Oaks Drive	Sunset Corridor/Hillsboro	Family Trust	190,000	11%	Q2 2018	S	UC
5813 S 11th St, Ridgefield	Clark County Outlying	AltruVentures	130,000	0%	Q2 2018	S	UC
Steigerwald Commerce Center Bldg 18	Camas/Washougal	Port of Camas-Washougal	49,500	88%	Q2 2018	S	UC
*Rivergate Corporate Center V Bldg C	Rivergate	Trammell Crow	1,000,000	100%	Q3 2018	BTS	UC
Troutdale Logistics Center	East Columbia Corridor	Trammell Crow	857,379	100%	Q3 2018	BTS	UC
*Majestic Westmark Center Bldg 1-	Sunset Corridor/Hillsboro	Bt-0H, LLC	266,160	100%	Q3 2018	BTS	UC
Airport Way Business Park Bldgs 1	East Columbia Corridor	PacTrust	55,310	0%	Q3 2018	S	UC
Airport Way Business Park Bldgs 2	East Columbia Corridor	PacTrust	55,310	29%	Q2 2018	S	UC
Marine Drive Business Center Bldg 3	East Columbia Corridor	J A W Holding Company, LLC	28,750	0%	Q3 2018	S	UC
Blue Lake Corporate Park Bldg A	East Columbia Corridor	Trammell Crow	85,500	0%	Q4 2019	S	P
Blue Lake Corporate Park Bldg B	East Columbia Corridor	Trammell Crow	378,000	0%	Q2 2020	S	P

S = SPECULATIVE BTS = BUILD TO SUIT OU = OWNER/USER UC = UNDER CONSTRUCTION PC = PRE-CONSTRUCTION P = PROPOSED

## DELIVERIES

PROPERTY	SUBMARKET	DEVELOPER/OWNER	SF	PRELEASE	USE
Gisan Corporate Park Bldgs 1, 2, 3	East Columbia Corridor	Trammell Crow	504,528	0%	S
Centennial Industrial Park Lot 1	West Vancouver/CBD	Port of Vancouver	124,768	0%	S
7007 NE Cornfoot Rd	Airport Way	United States Postal Service	818,000	100%	BTS
*PDX Logistics Center III Bldg 5	Airport Way	Capstone Partners LLC/PCCP LLC	122,747	100%	S

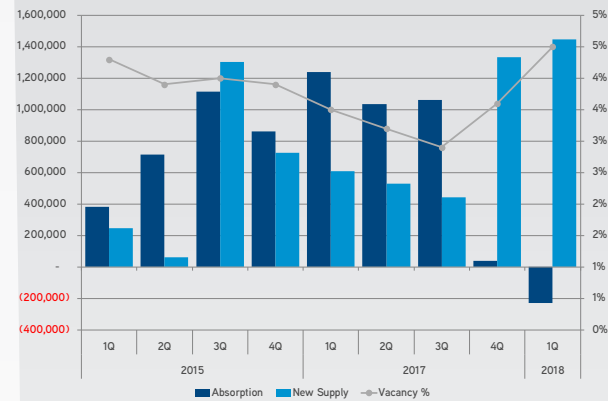
S = SPECULATIVE BTS = BUILD TO SUIT OU = OWNER/USER

\*Indicates Colliers International Representation

## Summary Statistics

Portland Industrial Market	Q1 2018	Q4 2017	Q1 2017
New Supply (Thousand Square Feet)	1,447.3	1,334.6	606.9
Absorption (Thousand Square Feet)	-228.4	39.6	1,240.2
Vacancy Rate	4.5%	3.6%	3.5%
Quarterly Change (basis points)	+90	+70	-40
Under Construction (Thousand Square Feet)	2,770.7	4,218.0	3,756.7

## Industrial Absorption, New Supply & Vacancy Trends

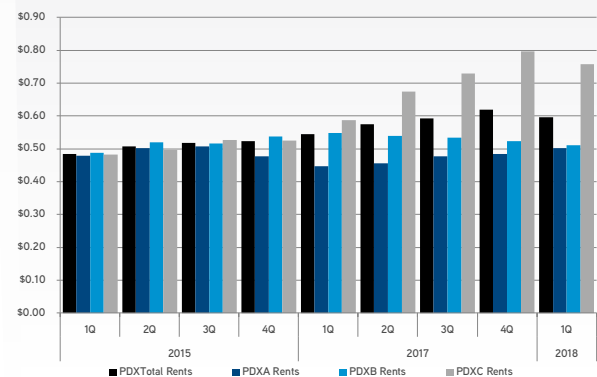


## Average Rental Rates

Per Square Foot Per Month

Portland Industrial Market	Q1 2018	Q4 2017	Q1 2017
AVG. BLENDED RENTAL RATE	\$0.603	\$0.626	\$0.547
QUARTERLY CHANGE	4.9%	2.6%	1.3%
ANNUAL CHANGE	18.8%	14.7%	11.7%

## Industrial Rent Trends



# PORTLAND-METRO INDUSTRIAL MARKET

Existing Properties		Direct Vacancy		Sublease Vacancy		Total Vacancy			Net Absorption SF		New Supply SF		U/C SF	Avg. Rental Rates **
Market Sector	Inventory*	SF	%	SF	%	SF	Current Quarter	Prior Quarter	Current Quarter	YTD	Current Quarter	YTD		
<b>CENTRAL</b>														
CBD/Lloyd	2,465,923	33,000	1.3%	-	0.00%	33,000	1.3%	2.6%	31,020	31,020	0	0	-	\$0.84
NE/SE Close-In	8,179,893	264,137	3.2%	12,736	0.16%	276,873	3.4%	2.5%	(53,446)	(53,446)	0	0	-	\$0.83
SW Close-In	494,420	30,700	6.2%	-	0.00%	30,700	6.2%	3.7%	(12,500)	(12,500)	0	0	-	\$1.21
<b>Total</b>	<b>11,140,236</b>	<b>327,837</b>	<b>2.9%</b>	<b>12,736</b>	<b>0.11%</b>	<b>340,573</b>	<b>3.1%</b>	<b>2.6%</b>	<b>(34,926)</b>	<b>(34,926)</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>\$0.84</b>
<b>WESTSIDE</b>														
NW/Guilds Lake	12,879,146	343,186	2.7%	5,468	0.04%	348,654	2.7%	2.6%	(7,707)	(7,707)	0	0	-	\$0.72
Beaverton/Hillsboro	21,778,438	690,980	3.2%	7,500	0.03%	698,480	3.2%	3.0%	(34,814)	(34,814)	0	0	471,160	\$0.59
I-5 South	26,258,584	771,106	2.9%	12,810	0.05%	783,916	3.0%	2.2%	(196,592)	(196,592)	0	0	-	\$0.50
<b>Total</b>	<b>60,916,168</b>	<b>1,805,272</b>	<b>3.0%</b>	<b>25,778</b>	<b>0.04%</b>	<b>1,831,050</b>	<b>3.0%</b>	<b>2.6%</b>	<b>(239,113)</b>	<b>(239,113)</b>	<b>0</b>	<b>0</b>	<b>471,160</b>	<b>\$0.55</b>
<b>NORTH/NORTHEAST</b>														
Rivergate/Hayden & Swan Island	24,609,211	375,535	1.5%	70,500	0.29%	446,035	1.8%	2.1%	78,176	78,176	0	0	1,000,000	\$0.42
Airport Gateway	16,654,888	594,311	3.6%	112,703	0.68%	707,014	4.3%	4.2%	813,765	813,765	818,000	818,000	122,747	\$0.74
East Columbia/NE Outlying	25,537,591	2,557,007	10.0%	17,600	0.07%	2,574,607	10.1%	8.1%	(38,367)	(38,367)	504,528	504,528	996,749	\$0.57
<b>Total</b>	<b>66,801,690</b>	<b>3,526,853</b>	<b>5.3%</b>	<b>200,803</b>	<b>0.30%</b>	<b>3,727,656</b>	<b>5.6%</b>	<b>4.9%</b>	<b>853,574</b>	<b>853,574</b>	<b>1,322,528</b>	<b>1,322,528</b>	<b>2,119,496</b>	<b>\$0.59</b>
<b>SOUTHEAST</b>														
Gresham/Mall 205/Outlying	3,179,206	83,592	2.6%	-	0.00%	83,592	2.6%	4.30%	51,171	51,171	0	0	-	\$0.00
Clackamas/Milwaukie/Oregon City	23,115,403	1,202,406	5.2%	13,931	0.06%	1,216,337	5.3%	1.80%	(792,567)	(792,567)	0	0	-	\$0.82
<b>Total</b>	<b>26,294,609</b>	<b>1,285,998</b>	<b>4.9%</b>	<b>13,931</b>	<b>0.05%</b>	<b>1,299,929</b>	<b>4.9%</b>	<b>2.10%</b>	<b>(741,396)</b>	<b>(741,396)</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>\$0.79</b>
<b>CLARK COUNTY</b>														
West & Central Vancouver	12,023,887	915,992	7.6%	31,302	0.3%	947,294	7.9%	6.1%	(95,962)	(95,962)	124,768	124,768	-	\$0.53
Van. Mall/Cascade Park/Orchards	4,735,105	132,112	2.8%	10,966	0.2%	143,078	3.0%	3.5%	23,037	23,037	0	0	-	\$0.62
Camas/Washougal/Outlying	3,612,655	40,643	1.1%	-	0.0%	40,643	1.1%	1.3%	6,360	6,360	0	0	180,000	\$0.52
<b>Total</b>	<b>20,371,647</b>	<b>1,088,747</b>	<b>5.3%</b>	<b>42,268</b>	<b>0.2%</b>	<b>1,131,015</b>	<b>5.6%</b>	<b>4.6%</b>	<b>(66,565)</b>	<b>(66,565)</b>	<b>124,768</b>	<b>124,768</b>	<b>180,000</b>	<b>\$0.54</b>
<b>GRAND TOTAL</b>	<b>185,524,350</b>	<b>8,034,707</b>	<b>4.3%</b>	<b>295,516</b>	<b>0.2%</b>	<b>8,330,223</b>	<b>4.5%</b>	<b>3.6%</b>	<b>(228,426)</b>	<b>(228,426)</b>	<b>1,447,296</b>	<b>1,447,296</b>	<b>2,770,656</b>	<b>\$0.62</b>
<b>QUARTERLY COMPARISON AND TOTALS</b>														
2018 1Q	185,712,899	8,034,707	4.3%	295,516	0.16%	8,330,223	4.49%	-	(228,426)	(228,426)	1,447,296	1,447,296	2,770,656	\$0.60
2017 4Q	184,227,221	6,394,698	3.5%	227,716	0.12%	6,622,414	3.59%	-	39,649	-	1,334,586	-	4,217,952	\$0.63
2017 3Q	182,892,635	5,166,551	2.8%	137,865	0.08%	5,304,416	2.90%	-	1,061,912	-	440,877	-	4,045,758	\$0.60
2017 2Q	182,451,758	5,843,338	3.2%	82,113	0.05%	5,925,451	3.25%	-	1,034,900	-	529,920	-	4,442,885	\$0.58
2017 1Q	181,921,838	5,946,415	3.3%	484,016	0.27%	6,430,431	3.53%	-	1,240,189	-	606,875	-	3,756,740	\$0.55

\* Total inventory is the total square footage of gross rentable area (GRA) or rental building area (RBA) in a specific market. Colliers only includes building with a minimum size threshold of 10,000 square feet (RBA) or more, and excludes government-owned buildings (Ex: Federal Buildings, City Hall, Courthouses) and certain medical facilities that are located on and owned and operated by hospitals, education institutions, among others (Ex: OHSU/Providence). In special cases, large owner-use facilities are also excluded as they may heavily distort market statistics (Ex: Intel). Generally, private market owner/user facilities are included in the inventory. For specific buildings and inventory criteria, please consult Colliers International.

\*\* Average Direct Blended Asking Rate (NNN, Monthly).

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# 69 countries

## \$2.7

billion in  
annual revenue

## 2

billion square feet  
under management

## 15,400

professionals  
and staff

## \$116

billion in  
total transaction value

\*All statistics are for 2017, are in U.S. dollars  
and include affiliates.

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