

INDUSTRIAL/FLEX REPORT

Portland Metro Area



Portland's **industrial** market remained strong Third Quarter with vacancy slightly increasing to 8.86%. 7 buildings totaling 430,013 sf are currently under construction with considerable development in the Southwest I-5 submarket. The 2-building, 62,000 sf Franklin Business Park is expected to deliver by November 2015. Buildings A, B and C of Southwest Industrial Park, a combined 156,573 sf, will also deliver by November 2015.

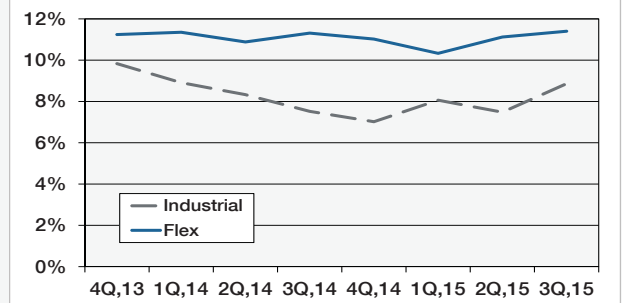
The quarter's activity was largely due to move-ins with a few, notable lease transactions. In the North/Northeast submarket, heating equipment supplier Geary Pacific moved into its 31,628 sf space and Fujicolor Processing Inc. expanded its space by 26,823 sf at Southshore Commerce Center, Building 2. Committing to 383,040 sf, KeHE Distributors signed the largest lease of the quarter at PDX Logistics Center. Trailblazers Food also signed a significant lease, taking 134,400 sf at the I-84 Industrial Center. In the Southwest I-5 submarket, Wineshipping.com had the largest move of the quarter with its 145,136 sf space at the newly constructed Southwest Industrial Park, Building D. In Southwest Sunset, Engle Dental System moved into 30,060 sf at Building E and 7,555 sf at Building B of Evergreen Business Park. With little activity to report, Vancouver's vacancy rate barely increased up to 5.3%.

The **flex** market's vacancy rate bumped up to 11.40%. In the Southwest 217 submarket, Forensic Analytical Labs moved into its 11,221 sf space at Tech Center Business Park, Building A. In Southwest Sunset, Portland-based sportswear giant Columbia Sportswear moved into its 27,379 sf offices at AmberGlen Business Center, 1385 Building.

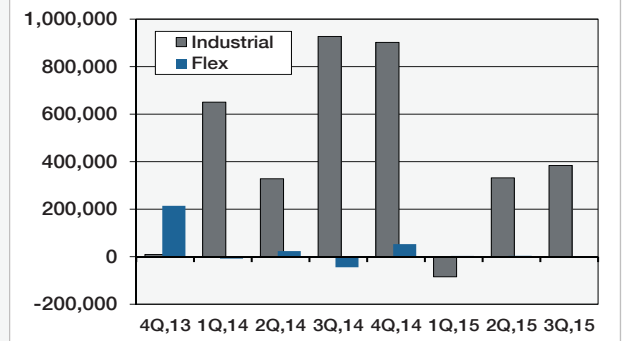
Market Trends

Oregon's industrial market may need to brace for a 'green rush' with heightened warehouse demand for marijuana grow operations. In the wake of marijuana legalization on July 1 and dispensaries selling to recreational customers on October 1, Oregon is likely to experience similar economic and market fluctuations to that of Colorado, which legalized marijuana in 2012. If Portland follows suit, the metro-area warehouse inventory may dwindle, especially for spaces smaller than 80,000 sf. In Colorado, growers and distributors now account for more than a third of the state's total leased warehouse space. Converting warehouse space into grow facilities typically requires expensive upgrades, and the building's specialization could pose a challenge to relet. Additionally, limited warehouse availability equates to higher costs for logistics and transportation providers. The extra cost is evident in higher rents. Rents for Colorado warehouses rose 10% in 2014 with similar projections for the Portland metro area.

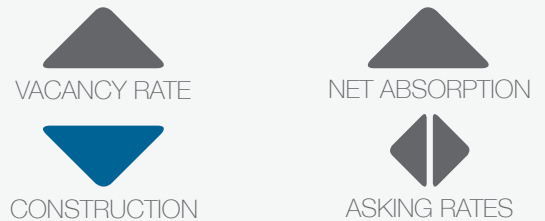
Vacancy Comparison (%)



Absorption Comparison



Industrial Trends for 3Q15



Flex Trends for 3Q15



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3Q15

Market Overview*

*Additions and subtractions to the numbers below are in our detailed report.

SUBMARKET	INVENTORY (SF)	TOTAL AVAILABLE (SF)	VACANCY(%)	TOTAL ABSORPTION	UNDER CONSTRUCTION
INDUSTRIAL*					
North/Northeast	22,612,108	2,843,737	12.58	164,673	211,440
Northwest	1,563,150	127,908	8.18	14,240	0
Southeast	6,396,633	249,954	3.91	47,282	0
Southwest 217	2,770,105	287,362	10.37	(41,200)	0
Southwest I-5	9,228,521	574,154	6.22	155,467	218,573
Southwest Sunset	2,554,153	218,122	8.54	30,924	0
Vancouver	8,506,860	450,680	5.30	12,600	0
TOTAL	53,631,530	4,751,917	8.86	383,986	430,013
FLEX*					
North/Northeast	612,550	54,462	8.89	13,374	0
Southeast	263,229	9,566	3.63	(4,118)	0
Southwest 217	2,728,308	472,990	17.34	15,770	0
Southwest I-5	1,138,992	73,472	6.45	32,361	67,043
Southwest Sunset	4,931,497	378,922	7.68	(43,327)	0
Vancouver	980,595	225,363	22.98	(15,745)	87,500
TOTAL	10,655,171	1,214,775	11.40	(1,685)	154,543

Significant Lease Transactions

TENANT	BUILDING	SIZE	SUBMARKET
KeHE	9555 NE Alderwood Rd.	383,040 sf	North/Northeast
Trailblazer Foods	18285-18557 NE Halsey St.	134,400 sf	North/Northeast
Far West Recycling	10750 SW Denney Rd.	61,200 sf	Southwest 217

Source: CoStar, Oregonian, Portland Business Journal, Daily Journal of Commerce

Significant Sales Transactions

BUYER	BUILDING	PRICE	SUBMARKET
Winkler Development Corporation	1019 SE 10th Ave	\$5,200,000	Southeast
Dateline Exports, Inc.	18404-18408 NE San Rafael St.	\$2,350,000	North/Northeast
Andrea Angell	Specht Industrial Building	\$2,200,000	North/Northeast

Source: CoStar

Featured Deals



Pental Granite and Marble Lease

Pental Granite and Marble of Oregon, Inc. leased 41,895 sf at NWCP Northwest Corporate Park. Senior

Vice President Michael Merino represented the lessee. Tamir Ohayon of NAI Puget Sound represented the lessor, CSHV NWCP Portland, LLC. Pental Granite and Marble is the largest wholesale tile and stone distributor on the West Coast.

1705 SE 17th Street Land Sale

The Joint Apprenticeship and Training Committee of the Northwest Line Construction Industry is hoping to break ground on a new training center in Battle Ground next year. The organization, which is under the oversight of the International Brotherhood of Electrical Workers and the National Electrical Contractors Association Trustees, has purchased property at 1705 SE 17th St. in Battle Ground for \$1 million. Vice President Garret Harper represented the seller, Columbia Property Resources, LLC.