

PORTLAND, OREGON

Cadence Market Blitz provides a snapshot into the Portland, Oregon real estate market and recent notable Office, Industrial, and Multifamily transactions.

MARKET OVERVIEW

Healthy economic indicators drive the robust demand for commercial real estate in Portland. Income and employment growth far exceed the national average, while population growth is also strong.

KEY ECONOMIC INDICATORS

606K TOTAL POPULATION (29TH IN US)

6.54% HOUSEHOLD INCOME GROWTH (NATIONAL: 0.8%)

3.4% UNEMPLOYMENT RATE (NATIONAL: 3.6%)

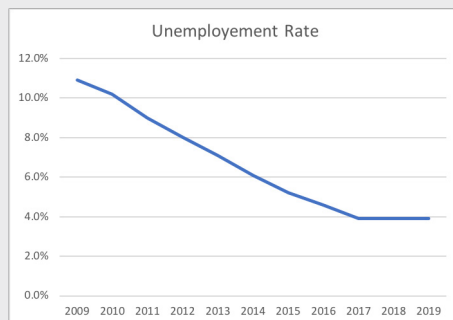
36.8 YEARS MEDIAN AGE (NATIONAL: 38.1 YEARS)

\$27.00 AVERAGE HOURLY WAGE (NATIONAL: \$24.98)

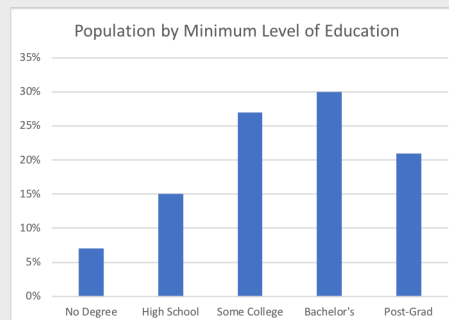
Source: Bureau of Labor Statistics & US Census Bureau

TOP PRIVATE EMPLOYERS (NON HEALTH/GOVERNMENT)

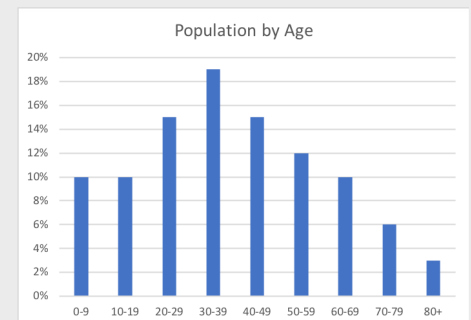
1. Intel - 20,000 Employees
2. Nike - 12,000 Employees
3. U.S. Bank - 4,031 Employees
4. Precision Castparts Corp. - 3,849 Employees
5. Wells Fargo - 3,721 Employees



Source: Bureau of Labor Statistics



Source: Census Reporter



Source: Census Reporter

OFFICE

Portland's strong economy is spurring demand for the metro's office market. More than 1 million SF has been actively under construction since the end of 2016. Portland has seen exceptionally strong office investment year-to-date, and annual sales volume has rounded to \$1.25 billion or higher each of the past four years.

INDUSTRIAL

The fundamental drivers in this growing regional industrial market remain strong, despite recent performance moderation. Overall vacancy is at 4.4% YTD, and total new leasing activity in the third quarter was 1.25 million SF. Favorable demographics, increasing housing construction, a structurally low vacancy rate, and exposure to trade by way of a moderately sized port can all be found here for a reasonable cost.

MULTIFAMILY

Portland is in the midst of a massive apartment construction wave, as 7,144 units are currently under construction. In Q3 2019, there were approximately \$388 million in sales transactions completed. The metro's overall vacancy rate dipped 100 BPS to drop the vacancy to 5.7%.



DR. MUELLER'S MARKET CYCLE ANALYSIS

PORTLAND, OREGON



Glenn R. Mueller Ph. D., Professor at Burns School of Real Estate and Construction at The University of Denver. The comprehensive "Cycle Monitor" analyzes occupancy movements by property type in 54 MSAs to enhance investment-decision capabilities for investors and operators.

PHASE I - RECOVERY DECLINING VACANCY - NO NEW CONSTRUCTION

- 1-3 Negative rental growth
- 3-6 Below inflation rental growth

PHASE II - EXPANSION DECLINING VACANCY - NEW CONSTRUCTION

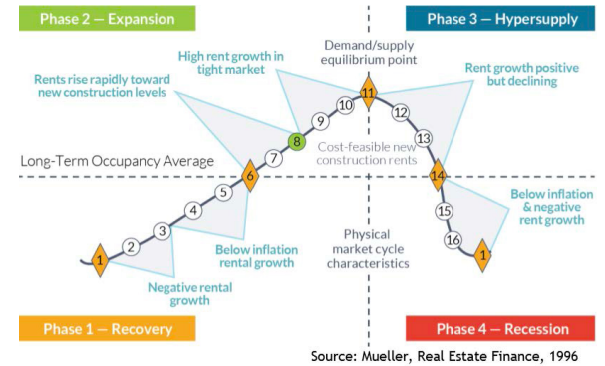
- 6-8 Rents rise rapidly toward new construction levels
- 8-11 High rent growth in tight market

PHASE III - HYPERSUPPLY INCREASING VACANCY - NEW CONSTRUCTION

- 11-14 Rent growth positive but declining

PHASE IV - RECESSION INCREASING VACANCY - MORE COMPLETIONS

- 14-16, Then back to 1 below inflation, negative rent growth

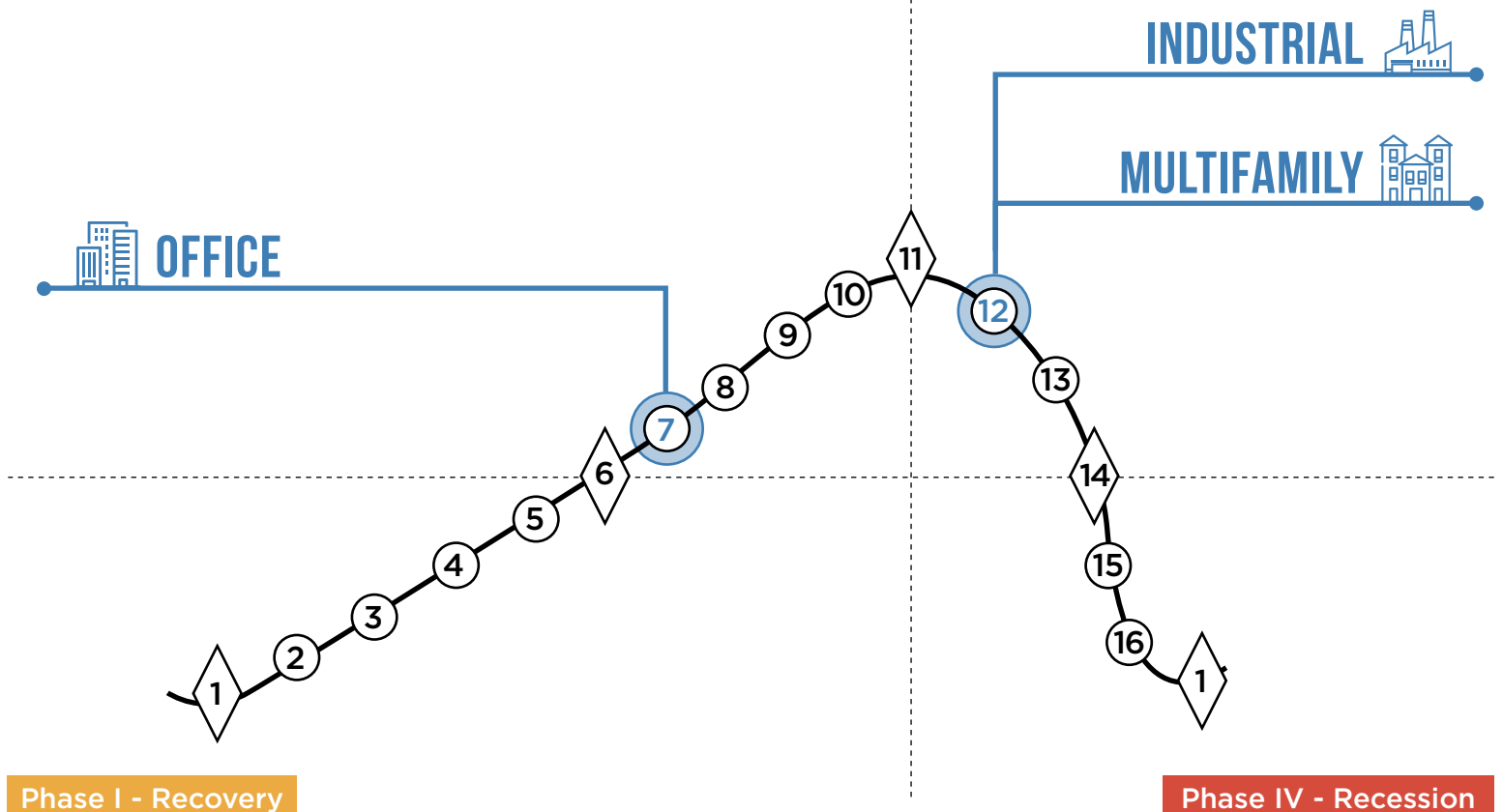


Source: Mueller, Real Estate Finance, 1996

PORTLAND, OREGON - Q3 2019

Phase II - Expansion

Phase III - Hypersupply



OFFICE MARKET OVERVIEW

PORTLAND, OREGON

Annual rent growth has been positive for 30 consecutive quarters, as year-over-year rent growth has increased by 3.7%. Given Portland's strong fundamentals and start-up oriented workforce, there is robust demand for creative office space.

\$31.10 Q3 2019 AVERAGE ASKING RENT (+3.7% FROM Q3 2018)

303K+ SF Q3 2019 OFFICE DELIVERIES

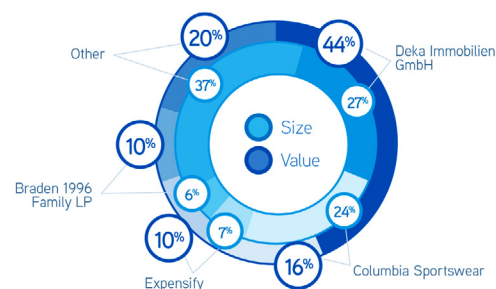
626K+ SF Q3 2019 OFFICE NET ABSORPTION

12% TOTAL VACANCY RATE

1.5MM SF Q3 2019 CONSTRUCTION PIPELINE

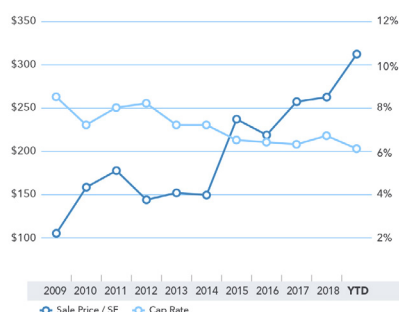
WHO IS BUYING PORTLAND?

QUARTERLY SALES BY VALUE AND SIZE



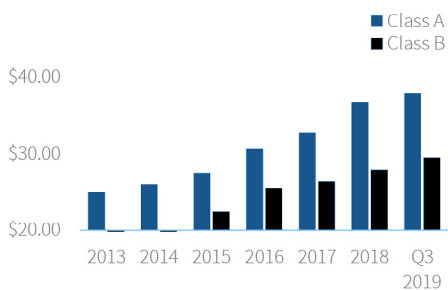
Source: Colliers Portland Q3 Office Report

AVERAGE SALE PRICE & CAP RATES



Source: Kidder Matthews Portland Q3 Office Report

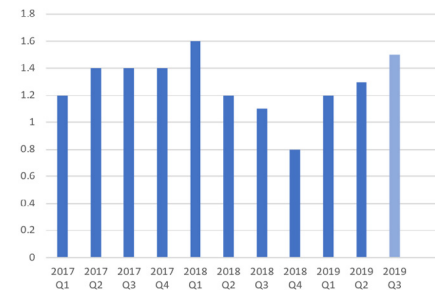
AVERAGE ASKING RENTS (\$/SF)



Source: JLL Portland Q3 Office Report

NEW OFFICE CONSTRUCTION PIPELINE

(Million Sq. Ft.)



Source: Colliers Portland Office Report

Class	Buildings	Inventory	Sublet Vacant	Direct Vacant	Vacancy Rate	Q3 Net Absorption	Under Construction	Direct Rent
A	169	24,027,962	177,668	2,570,992	11.44%	(57,000)	885,996	\$36.86
B	469	24,703,572	100,651	2,272,729	9.61%	69,466	118,646	\$30.40
C	136	5,867,605	28,317	428,335	7.78%	50,669	-	\$25.17
Totals	774	54,599,139	306,636	5,272,056	10.22%	63,135	1,004,642	\$31.10

Source: Cushman & Wakefield Q3 2019 Portland Office Report

SELECT OFFICE TRANSACTIONS



6Y

Portland, OR | 116K SF | 11 Stories
August 2019

Buyer: Deka Immobilien

Seller: KBS Realty Advisors

Sale Price: \$47.5MM (\$409 PSF)

Link: Commercial Property Executive |
Deka Group Enters Portland With \$48M
Buy | 8.5.2019



13900 NW SCIENCE PARK DR

Portland, OR | 103K SF | 3 Stories
August 2019

Buyer: Columbia Sportswear Company

Seller: MKS Instruments

Sale Price: \$18MM (\$171 PSF)

Link: Columbia Sportswear Company |
Columbia Sportswear Company
Announces Global Headquarters
Expansion | 8.21.2019

SELECT OFFICE DEVELOPMENTS



SIDEYARD

Portland, OR | 20K SF

Completed: Q3 2019

Developer: Key Development (Portland, OR)

Notes: Ferment Brewing Company occupies the retail

Link: Connect Media | Key Development
Delivers Sideyard at Burnside
Bridgehead in PDX | 10.18.2019



THE GLASS

Portland, OR | Redevelopment

Completion: Q3 2019

Buyer: SKB (Portland, OR)

Notes: SKB purchased the property for \$6.3MM (\$136 PSF) and invested \$8.9MM in renovations for a total project cost of \$15.2MM.

Link: REBUSINESS | Partnership
Acquires 46,000 SF Vintage Industrial
Building in Portland for \$6.3MM |
6.8.2018

INDUSTRIAL MARKET OVERVIEW

PORTLAND, OREGON

Portland has seen an increase in demand for industrial, as the city is home to many retailers and wholesalers, as well as a growing number of logistics and distribution companies. Industrial rents are expected to increase by 14.1% over the next five years.

\$0.71 PSF Q3 2019 AVERAGE ASKING RENT (+10% FROM Q3 2019)

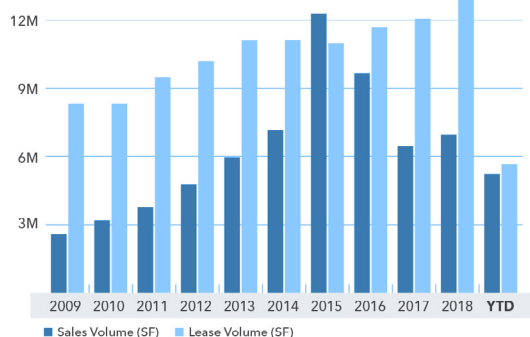
1.4MM SF Q3 2019 LEASING ACTIVITY

455K SF INDUSTRIAL NEW SUPPLY

4.4% Q3 2019 OVERALL INDUSTRIAL VACANCY RATE

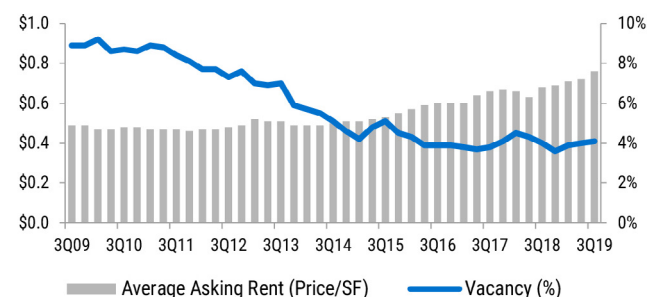
4.9MM SF INDUSTRIAL UNDER CONSTRUCTION

SALES VOLUME VS. LEASE VOLUME



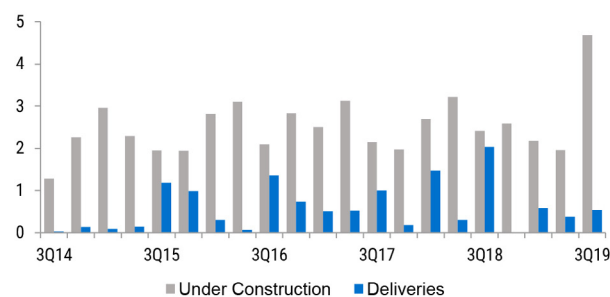
Source: Kidder Matthews Industrial Report 2019 Q3

ASKING RENT & VACANCY



Source: NGFK Industrial Report 2019 Q3

CONSTRUCTION & DELIVERIES (SF, MILLIONS)



Source: NGFK Industrial Report 2019 Q3

Submarket	Total SF	Vacancy Rate	Q3 Total	New Supply	Under Construction	Rent
Central City	11,119,497	4.8%	(5,331)	-	-	\$1.07
Westside	61,692,779	3.3%	(306,260)	-	1,631,998	\$0.75
North/Northeast	69,024,797	5.9%	(247,411)	-	1,491,071	\$0.60
Southeast	27,442,064	3.4%	98,469	279,000	779,000	\$0.64
Clark County	21,058,989	3.6%	(163,269)	176,758	1,038,582	\$0.66
Totals/Averages	190,338,126	4.4%	(623,802)	455,758	4,940,651	\$0.71

Source: Colliers Portland Industrial Report Q3 2019

SELECT INDUSTRIAL TRANSACTIONS



SOLARWORLD

Hillsboro, OR | 478K SF

September 2019

Buyer: RagingWire Data Centers (Sacramento, CA)

Seller: SunPower Corporation (San Jose, CA)

Sale Price: \$63.5MM (\$92 PSF)

Link: [PV Magazine](#) | SunPower is selling the former SolarWorld factory in Oregon | 5.17.2019



CAMERON DISTRIBUTION CENTER

Portland, OR | 320K SF

August 2019

Buyer: Barings (Charlotte, NC)

Seller: Holland Partner Group (Vancouver, WA)

Sale Price: \$41.1MM (\$125 PSF)

SELECT INDUSTRIAL DEVELOPMENTS



THE CUBES

Troutdale, OR | 349K SF

Completed: September 2019

Developer: Clayco, Inc (Chicago, IL)

Notes: The development will have a 36' clear height, cross dock capability, ample trailer storage and car parks associated with the new state-of-the-art industrial distribution center.

Link: [Portland Business Journal](#) | 350K square feet of industrial space coming to the metro region's east side | 9.9.2019



CLACKAMAS CORPORATE PARK

Clackamas, OR | 280K SF (2 Buildings)

Completed: August 2019

Developer: Trammell Crow Company (Dallas, TX)

Notes: Clackamas Corporate Park is a 16.04 AC Site and is located in the Clackamas Enterprise Zone.

Link: [CBRE](#) | Overview

MULTIFAMILY MARKET OVERVIEW

PORTLAND, OREGON

Portland has seen positive job growth the past several years, leading to strong rental demand. Lower living and business costs than other major west coast cities are driving residents and companies to relocate to Portland.

7,144 UNITS Q3 2019 MULTIFAMILY UNITS UNDER CONSTRUCTION

69,973 UNITS MULTIFAMILY INVENTORY YTD

94.3% Q3 2019 MULTIFAMILY OCCUPANCY RATE

3.0% YOY Q3 2019 RENT GROWTH (\$1.31 PSF/MONTH EFFECTIVE RENT)

326 UNITS Q3 2019 MULTIFAMILY DELIVERIES

Source: Colliers Portland Multifamily Report Q3 2019

RENT & OCCUPANCY

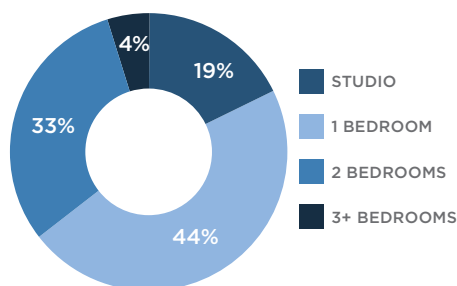


Source: Colliers Portland Multifamily Report Q3 2019

SALES TRENDS

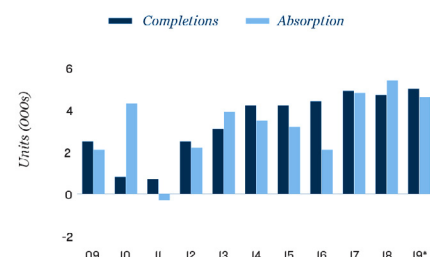


Source: Marcus & Millichap Portland MF Report Q3 2019



Source: Colliers Portland Multifamily Report Q3 2019

COMPLETIONS & ABSORPTION



Source: Marcus & Millichap Portland MF Report Q3 2019

Units	Inventory (Units)	Average SF/Unit	Occupancy	Occupancy Change YOY	Effective Rent/Unit	Effective Rent/SF	Effective Rent Change YOY	Units Delivered	Units U/C
STUDIO	11,729	474	93.0%	0.4%	\$1,174	\$2.50	2.6%	214	3,007
1 BED	26,951	738	93.9%	1.1%	\$1,354	\$1.92	3.5%	85	2,274
2 BEDS	19,947	946	94.7%	1.4%	\$1,606	\$1.70	2.6%	24	1,712
3+ BEDS	2,320	1,342	96.2%	0.1%	\$1,737	\$1.30	2.5%	3	151
ALL UNITS	69,973	771	94.3%	1.0%	\$1,411	\$1.87	3.0%	326	7,144

Source: Colliers Portland Multifamily Report Q3 2019

SELECT MULTIFAMILY TRANSACTIONS



GRIFFIS SOUTH WATERFRONT

Portland, OR | 294 Units

August 2019

Buyer: Griffis Residential
(Greenwood Village, CO)

Seller: Barings (Santa Monica, CA)

Sale Price: \$116.1MM (\$350.8K/Unit)

Link: Griffis Residential | Griffis Residential Acquires 294 Apartment Homes In Portland, Oregon | 8.30.2019



RIVAGE

Portland, OR | 260 Units

August 2019

Buyer: Magnolia Capital (Chicago, IL)

Seller: Fore Property Company
(Las Vegas, NV)

Sale Price: \$91MM (\$350K/Unit)

Source: Multihousing Pro | Fore Property announces sale of Rivage Residential Community in Portland metro area | 9.13.2019

SELECT MULTIFAMILY DEVELOPMENTS



THE VERA

Portland, OR | 203 Units

Completed: August 2019

Developer: BRIDGE Housing Corporation
(San Francisco, CA)

Notes: Contains 203 units of affordable housing consisting of studio, one, two, and three-bedroom apartments.

Link: MHN | Bridge Housing Tops Out \$84M Affordable Project in OR | 2.8.2019



THE REVERE

Portland, OR | 211 Units

Completed: July 2019

Developer: Fore Property Company
(Las Vegas, NV)

Notes: Situated near North Portland's growing employment opportunities, including the North American HQs for both Adidas and Daimler Trucks.

Link: REBUSINESS ONLINE | Fore Property Opens 211-Unit The Revere Apartment Complex in Portland, Oregon | 7.24.2019