

INVESTMENT FORECAST

Industrial
Portland

IPA
INSTITUTIONAL
PROPERTY
ADVISORS


2022


Notable In-Migration Stokes Economic Recovery; Investors Flock to Centrally-Located Submarkets


Hillsboro attracts semiconductor production activity. Portland's population will increase this year by almost 30,000 residents, as new job opportunities and a lower cost of living relative to other West Coast markets help drive net in-migration. This population gain is, in turn, bringing industrial tenants into the market and fostering development. While construction activity is rising, vacancy will continue to contract, with roughly 75 percent of the pipeline already preleased entering this year. Scheduled for completion in 2022, the Intel Expansion Project in Hillsboro, alone, will deliver 1.5 million square feet. Hitachi High-Tech America, Inc. is also moving into a Hillsboro facility in 2022. This along with the semiconductor manufacturing site for Oregon's largest corporate employer signals a growing local technology presence. This has the potential to increase area demand for space among smaller firms that support these sizable organizations.


Investor demand for last-mile warehouses rises amid population growth. Portland registered an elevated number of warehouse trades in 2021, most of which occurred in the urban core and immediate surrounding areas. Despite the rise in deal flow, the metro's average price point of roughly \$185 per square foot represents a \$100 per square foot discount to Seattle-Tacoma, with Portland's average cap rate of 5.6 percent exceeding its Northwest neighbor by 40 basis points. Southeast Portland is noting a rise in warehouse transactions as buyer demand is reacting to metro-leading vacancy compression. Further out, Wilsonville is also reporting a higher number of trades, supported by a variety of industrial property types. The area's popularity can be attributed to its proximity to Interstate 5 and the availability of price points below the metro average.


2022 Market Forecast

- Employment**  After a record-high increase in employment in 2021, Portland is expected to add a notable 50,000 positions this year.

up 4.1%
- Construction**  Completions continue to rise in 2022, expanding metro inventory by 1.6 percent. More than half of the space slated for finalization this year will be in Hillsboro.

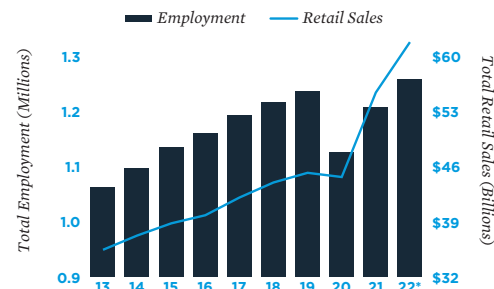
3.3 million sq. ft.
- Vacancy**  User demand surpasses ample delivery volume, compressing vacancy to 3.7 percent, the lowest mark in four years..

down 10 bps
- Rent**  After increasing over 60 percent in the past decade, the average asking rent reaches \$9.82 per square foot in 2022, a figure roughly 10 percent higher than the national mean.

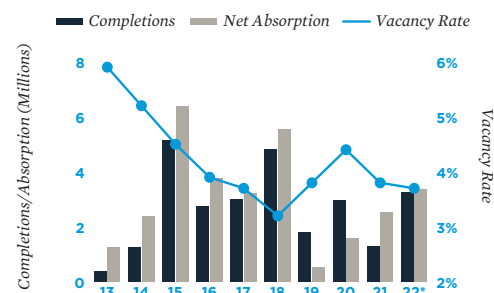
up 6.0%
- Investment**  Strong property performance and the potential for higher yields relative to other major West Coast markets continue to draw buyers from Washington and California, maintaining a heightened level of competition for area listings.

up 6.0%

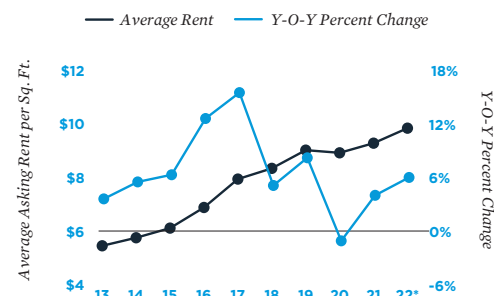
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.