

INVESTMENT FORECAST

Industrial
Portland Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Ongoing Subdued Development Benefits Existing Stock in Portland, Retaining Investor Intrigue

Resumed net in-migration helps drive industrial tenant demand. The metro is set to record annual household formation of 1.2 percent in 2024, Portland's second-largest increase in the last decade amid positive net in-migration for the first time since 2020. This residential growth is poised to continue driving warehousing and distribution tenant demand following Amazon's move-ins totaling 590,000 square feet last year, which prompted leasing of last-mile space soon thereafter. Another period of below-average deliveries in 2024 will also benefit fundamentals. As more tenant demand is directed to existing units, net relinquishment lowers from 1.5 million square feet in 2023 to less than a quarter-million expected this year. Overall, asset performance is strongest along the Interstate 5 Corridor and in the Southeast submarket. Entering this year, these areas recorded year-over-year vacancy compression, bringing their rates to post-pandemic lows. Looking past this year, a fully-leased 533,000-square-foot distribution center completing in Gresham in 2025 reaffirms tenant demand here as nearby thoroughfares connect to Boise and Salt Lake City.

Investors remain engaged in eastern corridors. Long-term population growth prospects helped retain trading in the Portland metro last year. Despite higher debt costs, overall velocity fell less than 20 percent, the fifth-smallest drop among major U.S. markets. Local investors are most active in the eastern half of the metro, south of the Columbia River. The northern part of this area caters to both institutional and private investors, offering connectivity to Salem, Eugene and Northern California. Properties trading south of here are predominantly under the 50,000-square-foot threshold and change ownership below the \$10 million price point. Here, tight conditions and a limited active development pipeline bolster existing property performance.

2024 MARKET FORECAST

+1.0%



EMPLOYMENT: Job growth will ebb from last year's pace, falling slightly below the national average of 1.1 percent in 2024. This comes as metro employers add a net of 12,000 local positions.

1.5 million
sq. ft.



CONSTRUCTION: New supply will total less than 1.6 million square feet for a second straight year. Prior to 2023, this low level of development had not been achieved since 2014.

+80 bps



VACANCY: A smaller development pipeline directs tenants to existing stock, slowing vacancy expansion from last year's 140-basis-point hike. Portland's rate will stand at 5.5 percent by year-end.

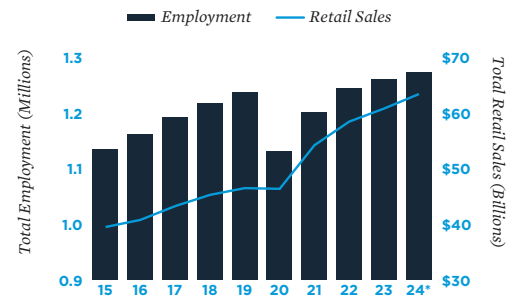
-1.8%



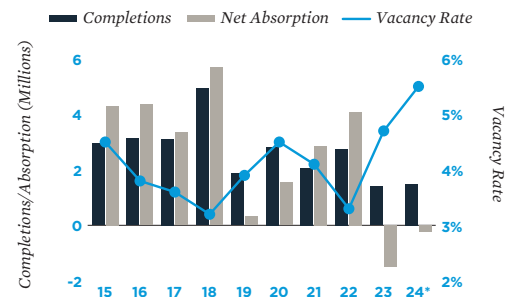
RENT: Despite less net space attrition this year, rising availability weighs on asking rents again in 2024. In turn, Portland's mean market rate will lower to \$11.14 per square foot.

INVESTMENT: Along with optimism for lower lending rates, sub-2 percent vacancy entering 2024 and a second straight year of double-digit rent growth along the Interstate 5 Corridor should help resume more activity here.

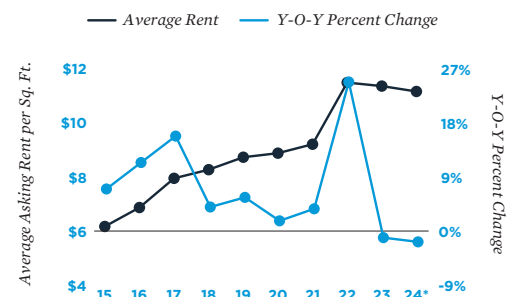
Economic Trends



Supply and Demand



Rent Trends



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

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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 December 2023. Effective rent is equal to asking rent less concessions. 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. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth 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.