



Market News

2nd Quarter 2018

Portland Market Snapshot

Industrial



VACANCY



Decreases to 3.7%
slightly from 3.8% in
1Q2018

NET ABSORPTION



Positive 713,455 SF



Office

VACANCY



Remains at 6.6%

NET ABSORPTION



Positive 1,160,537 SF

Retail



VACANCY



Remains at 3.2%

NET ABSORPTION



Positive 83,327 SF

GREATER PORTLAND IS GROWING

On July 10th, the 2018 Urban Growth Report was released. State law requires Metro to maintain enough developable land in the urban growth boundary for 20 years of population and employment growth. Economists, demographers, and other experts weigh in and decide what types of changes can be expected in the seven county region, and where they can be expected to happen. Their range is calculated on a slow growth and fast growth scale.

Here are some projections for over the next 20 years:

GROWTH FORECAST



POPULATION INCREASE

14.3% - 26.5%



NEW JOBS

135,000 - 258,000

This equates to about 650,000 new residents at the high end of the range. Although projected growth is at a slower pace than recent years, the forecasted increase would bring our region to the size of the Denver metropolitan area by 2038.

Sectors to see most job growth:

- education
- health
- professional and business services
- financial services

The space needs for these growing employment sectors will be met through redevelopment and infill of existing urban locations.

How accurate are these predictions? In 2015, the 2010 growth forecast was within three percent of actual estimates for population and employment.

URBAN GROWTH BOUNDARY EXPANSION PROPOSAL

Beaverton, Hillsboro, King City & Wilsonville have submitted proposals for UGB expansion to add housing. If approved, that would add:



2,200
TOTAL ACRES

1,270
BUILDABLE ACRES

9,200
HOMES

To ensure additional housing is developed in the new growth plan, the Metro Council plans to expand only into urban reserves that have been concept planned. Each city had to include in their proposals a plan for pipes, streets, parks, and other public facilities. Since the focus is on currently urbanized areas, the issue of additional affordable housing and the creation of diverse communities also needs to be addressed.

NO ADDITION FOR EMPLOYMENT LAND



In 2014, hundreds of industrial acres were added to the UGB north of Hillsboro and in Forest Grove. Since the 20-year plan predicts the most job growth in sectors that will utilize existing urban areas, the report states there is no need to add employment land. Oregon's manufacturing industry is greater than most other states and is largely comprised of semiconductors and wood products. Advancements in automation have employment forecasts predicting a decrease of about 9,000 jobs. Currently no cities proposed expansion for industrial use.

To read the 2018 Urban Growth Report, please visit:

<https://www.oregonmetro.gov/public-projects/2018-growth-management-decision>

40 years ago...

2018 marks Macadam Forbes's 40th year in business. Since 1978, Portland has visibly grown from a town to a city, and Macadam Forbes is proud to be a part of those changes.

With the help of Mike Vandenburg, one of the founders of Macadam Forbes, and the archives of The Oregonian, we have pulled together a look-back of 1978 to show how Portland and commercial real estate has evolved.



REAL ESTATE

Modern real estate brokerage had really begun when Coldwell Banker Commercial expanded into Portland in 1972. Up to that time, local contractors and developers along with their large industrial owner friends did mostly build-to-suit projects.

Macadam Forbes dealt with all the traditional industrial users of that time. Things like high tech and creative office weren't on the radar to any extent in that era, and the expansion into the Sunset Corridor (Silicon Forest) was just beginning.

-Mike Vandenburg

Northwest building costs rising faster than in most of the nation

"Not only are construction costs continuing to rise in the Portland and Seattle areas, they are rising at a rate which causes some to believe the Northwest now leads most of the rest of the nation in spiraling building costs."
-The Oregonian, March 12, 1978

1978 CONSTRUCTION COSTS

Light Commercial Buildings:	Light Industrial Buildings:
\$45 - \$50/SF	\$15 - \$18/SF

2018
\$225 - \$350/SF

2018
\$125 - \$180/SF

EMPLOYMENT



In 1978 and after, you spent a tremendous amount of time driving around getting documents

signed, evaluating individual properties, or looking for availabilities. No cell phones, and computers were just coming into fashion, but usually for central accounting and not on everyone's desk. There was a brokerage company called Northern Properties in the old Georgia Pacific building that had their grand opening after forming, and proudly displayed desktop computers for the brokers, which was the first time I remember seeing that in our business.

-Mike Vandenburg

Working world faces revolution

"For many decades, manufacturing dominated US employment... But today we are moving to a 'post-industrial epoch... Electronic mail-letters will pop up on TV screens minutes after they are sent and will replace the mail carrier. Laser beams will gauge the ripeness of fruits and vegetables at harvest time. Many Americans will eat out as often as not. Low-cost, portable computer terminals will allow some clerical work at home. Electronic banking services will replace paper and money transactions.

The 21st century workforce will be older. The average age today is 29; by 2020 it will be 35."
-The Sunday Oregonian, August 13, 1978

2018
42.2

www.bls.gov/cps/cpsaat18b.html



1978 OREGON POPULATION

2.518 Million

2018
4.2 Million (Estimated)

"Many people are moving in from New York, Detroit, and other cities where they are used to paying \$20,000 to \$30,000 for a lot on which to build a home. They are forcing an increase in the [land] prices in Oregon. A 70x100 SF lot in Milwaukie costs \$17,000."
-The Oregonian, March 12, 1978



ECONOMY

Advisors admit economic risk

"President Carter's chief economic advisers admitted ... the new anti-inflation program will produce a recession, but ... it's a gamble that has to be taken.

The nation's economy is performing well enough to avoid a sharp decline, although... the economy may be approaching its realistic limits of growth and some slowdown may be needed. ...It might be difficult for [President] Carter to hold his pledge to reduce the fiscal 1980 budget deficit to \$30 billion or below."
-The Oregonian, December 15, 1978

1978
BUDGET DEFICIT

\$59 Billion

2018
\$833 Billion (Estimated)

1978
INTEREST RATES

9.01% - \$10.35%

2018
4.59%

We were too young and foolish to worry about any economic indicators if they were there. Remember in '78 you didn't have 24 hour news and CNBC keeping you informed. No Business Journal, just the Daily Journal of Commerce and the business section in the Oregonian.

-Mike Vandenburg

Market News

2nd Quarter 2018

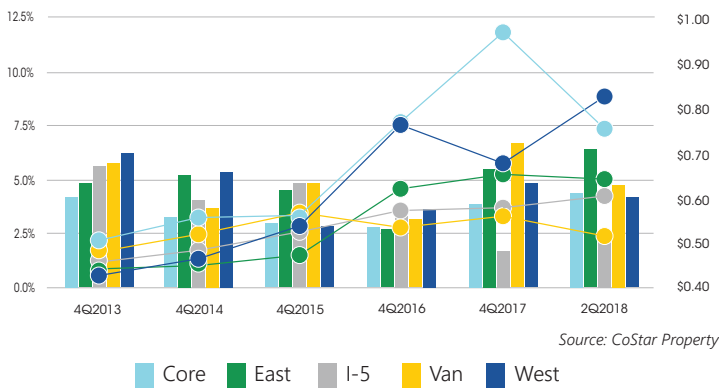
PORTLAND INDUSTRIAL

The vacancy rate of the Portland industrial market nudged lower to 3.7% from the previous quarter and remains well below the national average. Rental rates across all industrial product types increased 0.6% from last quarter averaging \$8.16/SF. The amount of vacant sublease space continues to increase, with the majority of the 421,855 SF available being warehouse space.

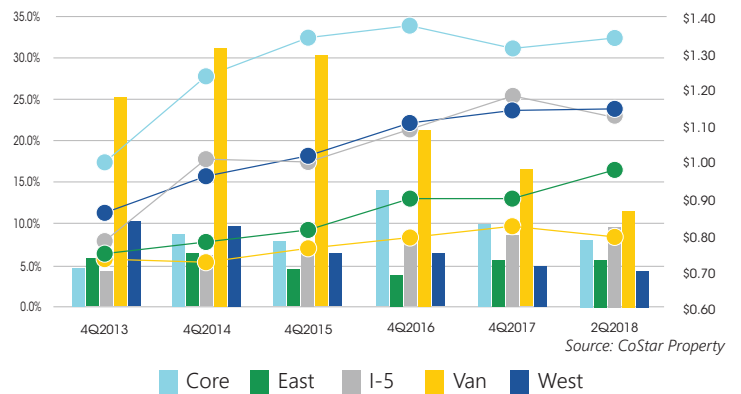
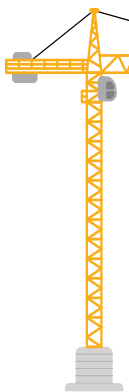
Positive absorption of 713,455 SF and the delivery of nine new buildings in the second quarter reflect the fulfillment of the need for additional industrial product. There are 47 new buildings still in the construction pipeline across the Portland metro area totaling 3,426,292 SF. Seventy percent of this space is pre-leased, and over 50% of these new products will be located in NE Portland.



█ = Vacancy Rate ●— = Rental Rate



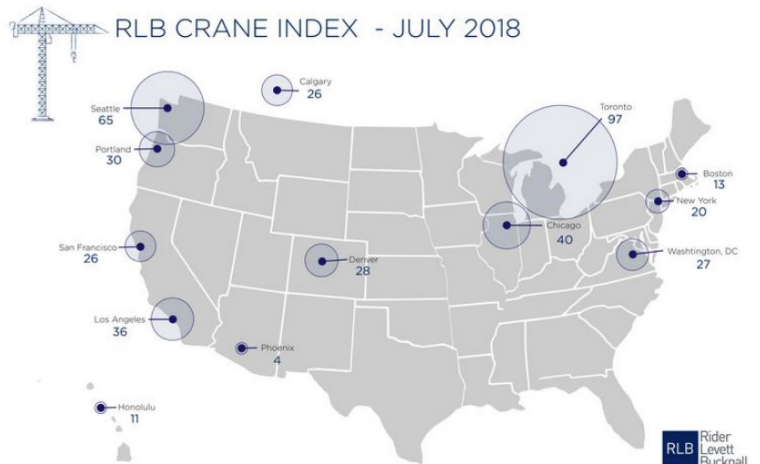
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CRANE WATCH

The outlook for construction for the rest of 2018 is optimistic, resulting in Portland's ever evolving skyline to continue to feature a growing amount of cranes. Portland and Seattle comprise the busiest crane sections in the country, with a combined total of 95. That's more than the 60 cranes combined in Washington DC, New York, and Boston.

PORTLAND CRANE COUNT	TOP CONSTRUCTION SECTOR	CONSTRUCTION COST
30	Mixed-Use / Residential	↑ 6.3% from last quarter



Market Location Definitions

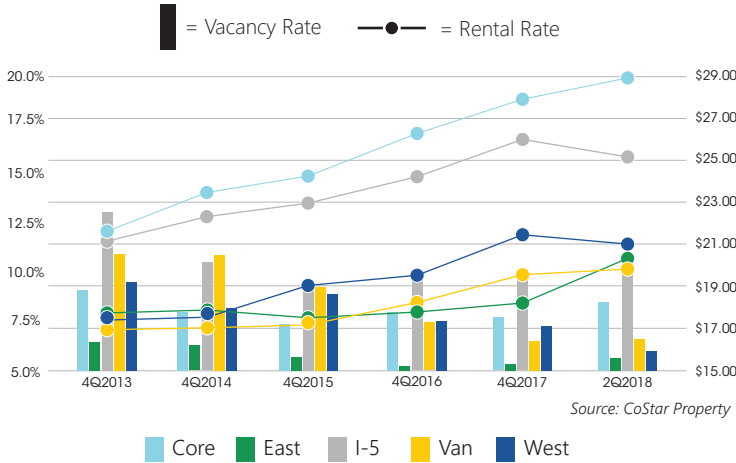
Core: Downtown, Close-In Northwest, Close-In Northeast, Close-In Southwest, Close-In Southeast	Vancouver: Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas
East: Hollywood, Gateway, Airport, Milwaukie, Clackamas, Gresham	West: Beaverton, Hillsboro, Aloha, Cornell
I-5: Tigard, Lake Oswego, Kruse Way, Tualatin, Wilsonville, Sherwood	



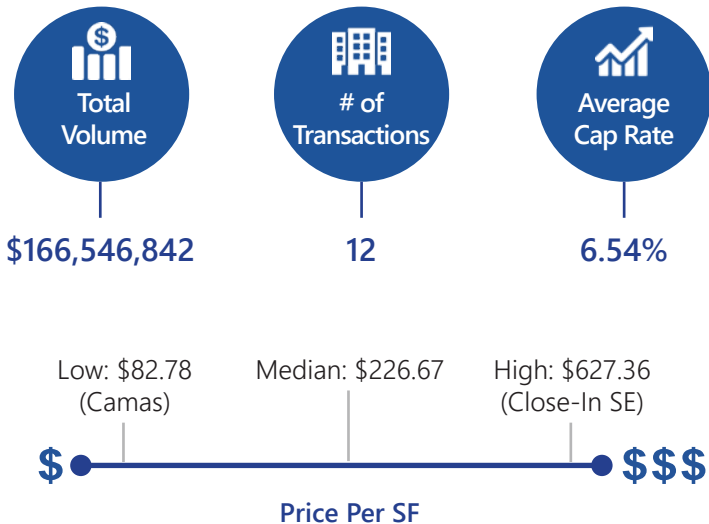
PORTLAND OFFICE

Vacancy rates across all office classes remained unchanged at 6.6%, with Class C reporting the lowest at 4.6%. Rental rates ended unchanged from the previous quarter at \$23.81, with the average rate in the CBD at \$31.57, compared to \$21.26 in the Suburban submarkets.

Five buildings delivered in 2Q2018, with 2,503,330 SF of office space still under construction.

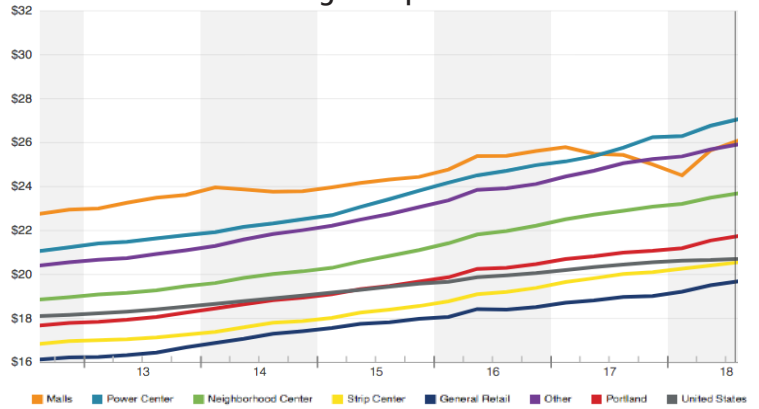


Sales

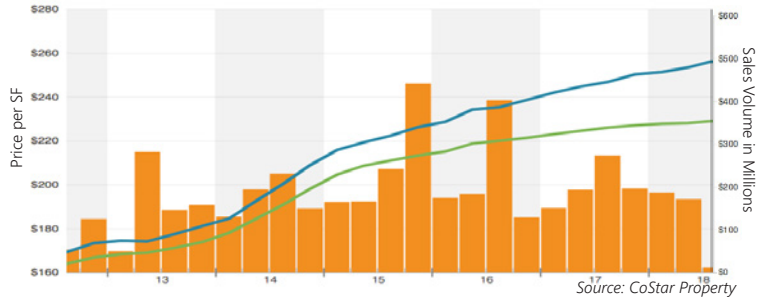


PORTLAND RETAIL

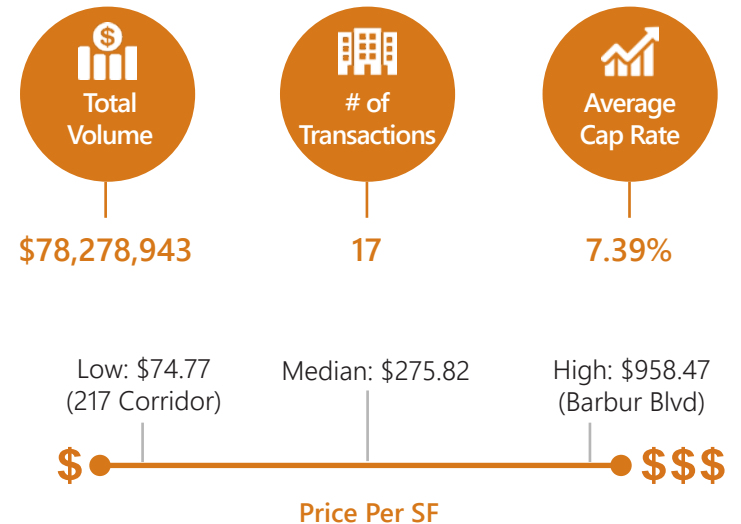
Asking Rent per SF



Sales Volume & Price per SF



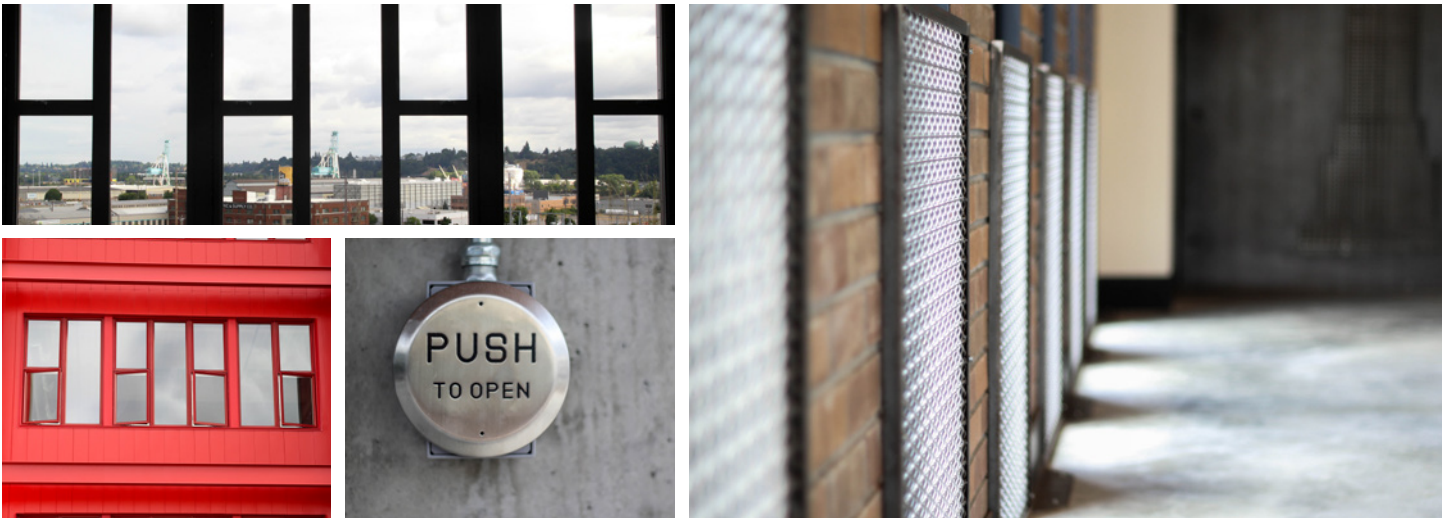
Sales



Market Location Definitions

Core: Downtown, Close-In Northwest, Close-In Northeast, Close-In Southwest, Close-In Southeast
East: Hollywood, Gateway, Airport, Milwaukie, Clackamas, Gresham
I-5: Tigard, Lake Oswego, Kruse Way, Tualatin, Wilsonville, Sherwood

Vancouver: Vancouver, Hazel Dell, Salmon Creek, Five Corners, Mill Plain, Ellsworth, Camas
West: Beaverton, Hillsboro, Aloha, Cornell



Established in 1978, Macadam Forbes, Inc. is a significant force in Portland's commercial real estate history.

Macadam Forbes' sales and leasing team members average 20 years of experience in commercial real estate. Our agents thoroughly cover each sector of the market and achieve outstanding results by combining product knowledge and geographical specialization.

Macadam Forbes utilizes a network of business and real estate relationships that cover the Portland/Vancouver metropolitan areas and extends to markets across the country.



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