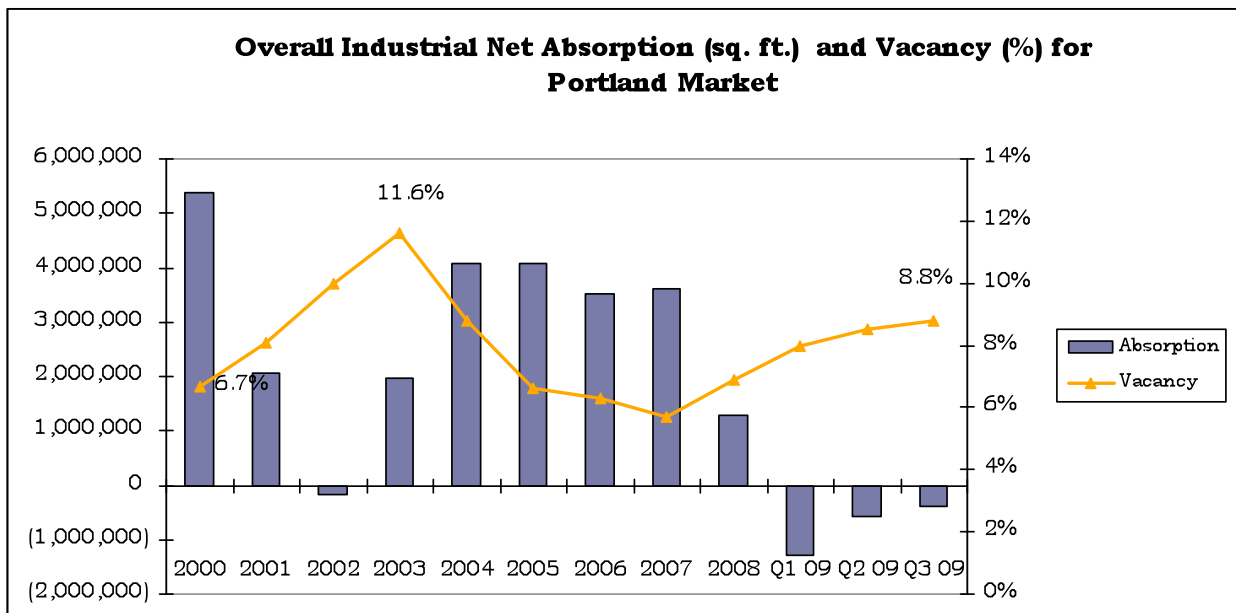


## Portland Industrial Market

April Chastain, RMLS Fellow & Certificate of Real Estate Development Student

The industrial sector remains depressed. Colliers International reports a vacancy rate of 8.3% and a negative net absorption of 776,352 SF. It expects vacancy to continue to increase, reaching the 12-13% rate by mid-to-late 2010. As in the office sector, stagnant job growth will hinder recovery. Colliers also predicts potential distress for landlords who have taken significant rental reductions, at 20-30% below pro forma rental projections, in order to secure and retain tenants. This may lead to reduced building values and loan repayment troubles in the future. However, this also indicates that the market may be bottoming out.

Some positive news came when Daimler Trucks North America announced that it would not leave its Swan Island location as it procured a government contract for military vehicles, preserving about 650 jobs. CB Richard Ellis notes that if awarded a DOE grant, ReVolt Technology will locate its US headquarters in Portland hiring up to 250 employees in the development of rechargeable zinc batteries for electric vehicles. It also notes that construction and manufacturing gained jobs in August, while vacancy has remained nearly flat at 8.1%. Norris Beggs & Simpson on the other hand, reports overall vacancies rising a percentage point to 14.94% this quarter, with the Southwest 217 vacancy nearly doubling to 24.98%.



Source: Grubb & Ellis Co., Industrial Quarterly Report, Third Quarter 2009

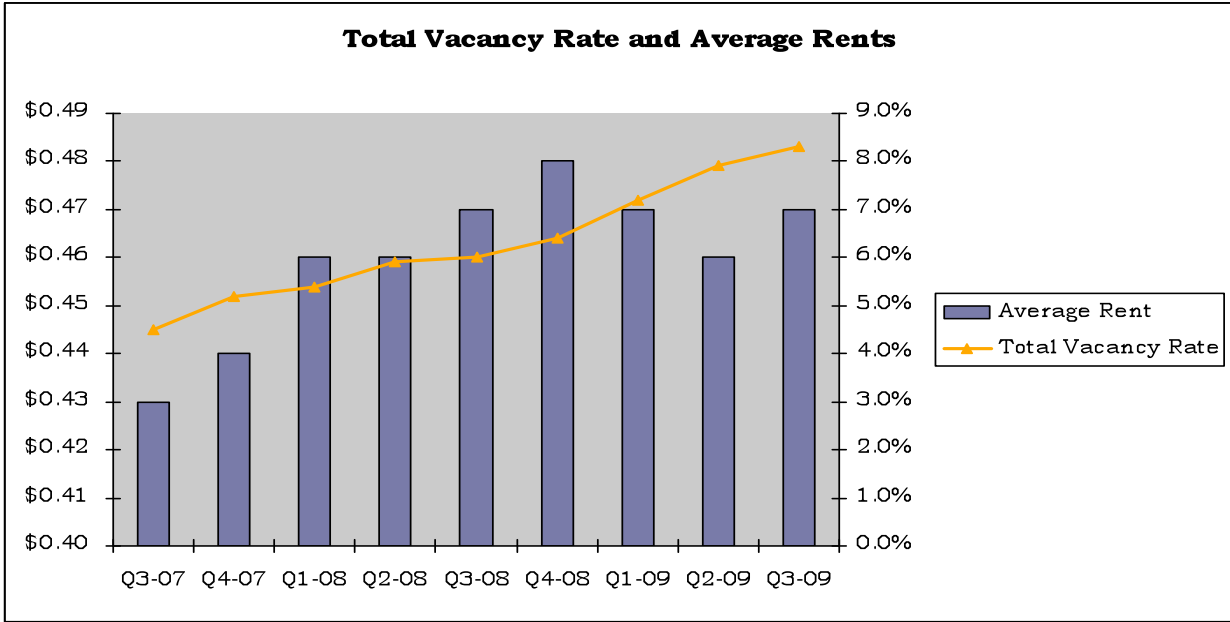
New construction in 2009 has delivered 511,003 SF according to CB Richard Ellis, nearly 85% of which is vacant. The remaining 461,500 SF currently under construction will be occupied upon delivery by FedEx and General Pacific. Norris Beggs & Simpson reports another 150,000 SF under construction within three smaller buildings in the Southwest I-5 submarket.

CB Richard Ellis reports that shell rates contracted, except in inventory restricted areas such as Vancouver and the Southeast where they remain steady. Case Holland's 246,228 SF lease and HD Supply Utilities' new lease at Clackamas Station resulted in positive net absorption this quarter for the Northeast and Southeast submarkets.

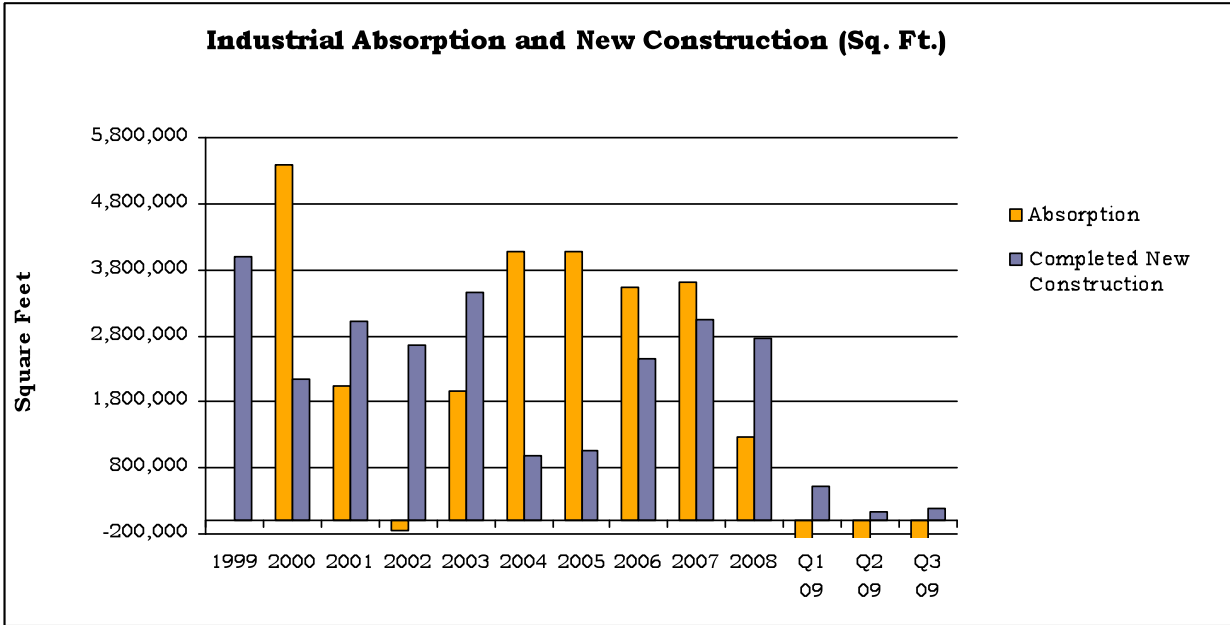
Cushman & Wakefield report that Shin-Etsu, a Japanese solar and computer chip manufacturer bought the Hewlett Packard campus in Vancouver. HP will lease back part of the site.

<b>INDUSTRIAL Q3-09</b>	<b>CB Richard Ellis</b>	<b>Cushman &amp; Wakefield</b>	<b>Grubb &amp; Ellis</b>	<b>Norris, Beggs &amp; Simpson</b>	<b>Median</b>
<b>Market-wide Vacancy</b>	<b>8.1%</b>	<b>8.3%</b>	<b>8.8%</b>	<b>14.9%</b>	<b>8.6%</b>
Previous Quarter	8.1%	8.0%	8.5%	N/A	<b>8.1%</b>
Third Quarter 2008	6.1%	6.7%	6.6%	N/A	<b>6.6%</b>
Third Quarter 2007	4.9%	5.0%	5.3%	N/A	<b>5.0%</b>
<b>Warehouse/Distribution</b>	<b>14.0%</b>	<b>8.8%</b>	<b>8.9%</b>	<b>N/A</b>	<b>8.9%</b>
Previous Quarter	14.6%	7.7%	8.6%	N/A	<b>8.6%</b>
Third Quarter 2008	11.97	5.8%	6.7%	N/A	<b>6.7%</b>
Third Quarter 2007	N/A	4.3%	4.8%	N/A	<b>4.6%</b>
<b>R&amp;D/Flex Vacancy</b>	<b>15.1%</b>	<b>10.0%</b>	<b>8.4%</b>	<b>15.7%</b>	<b>12.5%</b>
Previous Quarter	14.9%	9.6%	7.9%	N/A	<b>9.6%</b>
Third Quarter 2008	12.73	9.5%	6.3%	N/A	<b>9.5%</b>
Third Quarter 2007	N/A	9.2%	7.0%	N/A	<b>8.1%</b>
<b>Asking Monthly Shell Rates</b>	<b>\$0.39</b>	<b>N/A</b>	<b>\$0.43</b>	<b>N/A</b>	<b>\$0.41</b>
Previous Quarter	\$0.40	N/A	\$0.41	N/A	<b>\$0.41</b>
Third Quarter 2008	\$0.39	N/A	\$0.42	N/A	<b>\$0.41</b>
Third Quarter 2007	\$0.37	N/A	\$0.41	N/A	<b>\$0.39</b>
<b>Asking Monthly Flex Rates</b>	<b>N/A</b>	<b>N/A</b>	<b>\$0.79</b>	<b>N/A</b>	<b>\$0.79</b>
Previous Quarter	\$0.85-\$1.05	N/A	\$0.80	N/A	<b>\$0.80</b>
Third Quarter 2008	\$0.85-\$1.05	N/A	\$0.85	N/A	<b>\$0.85</b>
Third Quarter 2007	\$0.85-\$1.05	N/A	\$0.83	N/A	<b>\$0.83</b>

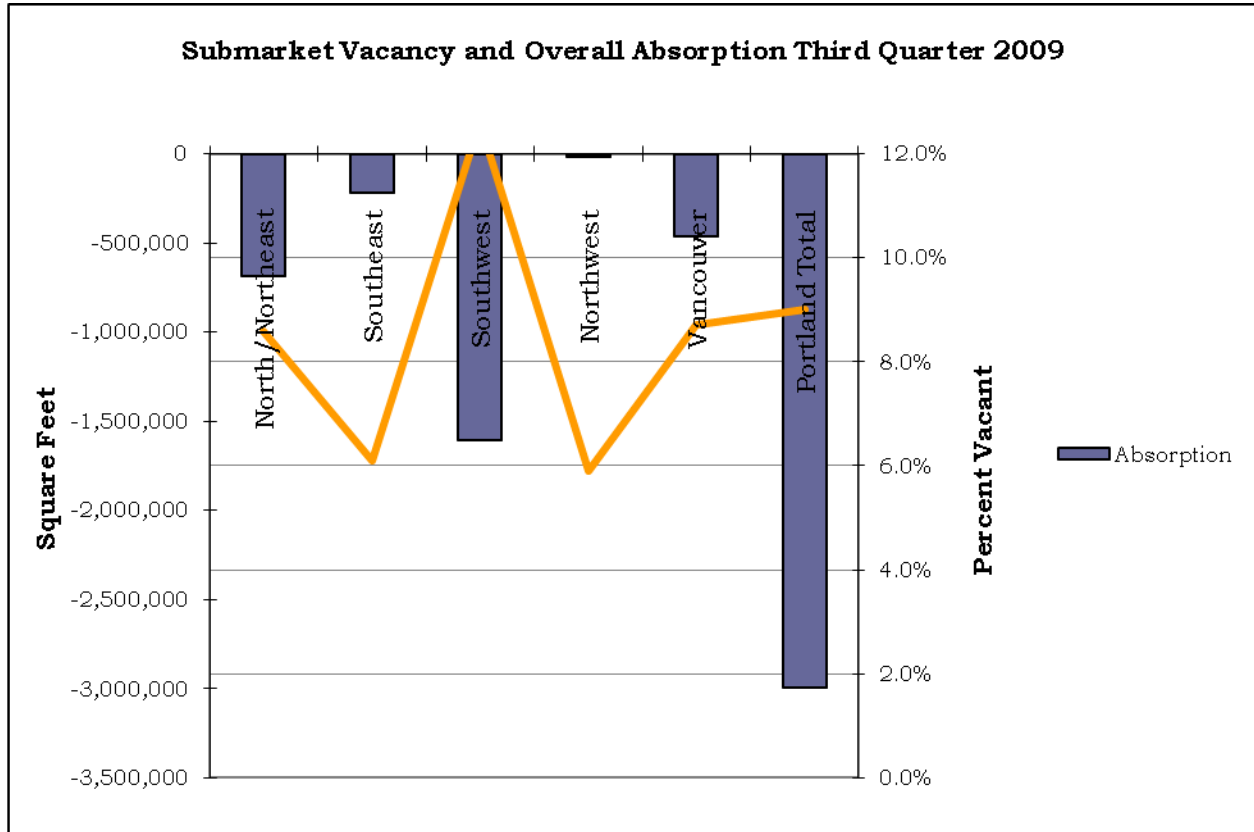
Source: Grubb & Ellis, Cushman and Wakefield, Norris, Beggs & Simpson, Quarterly Reports



Source: Colliers International, "The Knowledge Report", Industrial, Third Quarter 2009.



\*Source: Grubb & Ellis Co., Industrial Quarterly Report, Third Quarter 2009



**Major Lease Transactions Q3 09**

**Industrial**

Tenant	Property	(Sq. Ft.)	Submarket
Case New Holland	ProLogis Park PDX	246,228	Portland
Bunzl Distribution (renewal)	Jennifer Distribution Center	127,420	Clackamas
Aaron Rents (renewal)	Rivergate Warehouse	97,625	Portland
Quantum Resource Recovery	Waterfront Business Center	92,500	Portland
Biamp Systems Corporation	Nimbus Corporate Center	70,944	Beaverton
Oregon Electric Construction	1709 SE Third Ave	46,154	Southeast
<b>Total</b>		<b>680,871</b>	

\*Source: NAI Norris Beggs & Simpson, CB Richard Ellis, and Cushman & Wakefield, Industrial Quarterly Reports, Third Quarter 2009, and the Portland Business Journal