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# Center for Real Estate Quarterly, Volume 11, Number 1

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# CENTER FOR REAL ESTATE

## Quarterly Report

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Volume 11, Number 1

Winter 2017

# CENTER FOR REAL ESTATE Quarterly Report

*A publication of*

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## SUMMARY AND EDITORIAL

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ERIC FRUITS

Editor and Oregon Association of Realtors Faculty Fellow  
Portland State University

“No man’s life, liberty, or property are safe while the legislature is in session.” So goes the well known saying, and it holds for Oregon’s real estate markets. Despite—or maybe because of—the state’s booming real estate markets, the legislature is eyeing the industry for numerous new regulations and tax increases. Rent control, eviction regulations, and property tax increase proposals are just a few of bills working their way through the Oregon legislature. Across most real estate markets, the theme for 2017 looks to be continued, but slower growth. A too heavy hand from Salem and city halls could stifle out that growth.

This issue’s **economy** report finds that housing affordability remains a key statewide issue that will continue to eat up most of the gains in worker incomes—especially households in the middle and lower distribution that are substantially cost-burdened. Portland is significantly more cost-burdened than most major metropolitan areas across the country. Extremely low vacancy rates and high population growth will only continue the problem in 2017. Portland’s inclusionary zoning requirements are now in effect. The impacts may not be fully felt until several years out.

■ **Eric Fruits, Ph.D.** is editor of the Center for Real Estate *Quarterly Report* and the Oregon Association of Realtors Faculty Fellow at Portland State University. He is president and chief economist at Economics International Corp., a Portland-based consulting firm. Any errors or omissions are the author’s responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

In many of Oregon's **residential** markets, transaction volume is up slightly over last year. While it is difficult to determine the reason for the slower growth, the report notes that Portland's median home sale price slipped last quarter from \$350,000 to \$343,450. In contrast, in Redmond, Bend and most counties in the Willamette Valley median sales prices ticked upward. Sales volume remain high, but but permits continue to lag behind the pre-recession levels.

In the **multifamily** market, last year was one of extremes. New sales records were set with slightly more than \$3 billion for 2016 year end. Annual effective rents continued to grow, but at a much lower rate than the previous year. Much of the slowdown can be attributed to relatively large deliveries of new units over the past year.

Portland's **office** market was marked by intense construction activity, with 1.1 million square feet of new office space delivered in 2016—the largest amount in over 15 years. This year is expected to have more than 1.4 million square feet in construction making it an even bigger year than 2016. Observers forecast increasing rents for the year, but at a lower rate of increase than in previous years.

**Industrial** development activity continued in the Portland area at a rapid pace, despite gradual tapering of leasing and sale activity. The market delivered over 2.4 million square feet in 2016, with an additional 2.5 million square feet under construction and anticipated for delivered during 2017. Due to high-demand and limited available supply, users are seeking space far into the outer reaches of the Portland region.

I hope you enjoy this latest issue of the Center for Real Estate *Quarterly Report* and find it useful. The *Report* is grateful to the Oregon Association of Realtors, RMLS, and Society of Industrial and Office Realtors for their continued support. ■

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# THE STATE OF THE ECONOMY

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ANDREW CRAMPTON

Portland State University

The year closed with record economic growth and continued positive economic performance in metropolitan Portland and across the United States. The IMF Global Outlook for advanced economies has improved their outlook for 2017-2018 based on projections of fiscal stimulus in the United States and stronger than expected economic performance in the latter half of 2016. The stabilizing US dollar and rising equity prices aided this strong performance, assisting increasingly positive future projections.

Despite record economic performance and positive future growth projections, concerns remain due to the volatile US presidential administration that has indicated a protectionist trade policy, and unnecessarily antagonistic geopolitical tensions with key allies. The economy remains on-track with positive economic performance and baseline projections point to continued increases in 2017, however unstable geopolitical risks make future economic performance forecasts less stable.

Global growth for 2016 is now estimated at 3.1 percent, advanced economies are projected to grow at 1.9 percent in 2017 and 2.0 percent in 2018. Increased restrictions by the Trump Administration on global trade and migration could have extremely detrimental impacts to global economic productivity and income, and would stem the initial positive market response to the election results. Additionally, planned increased military and infrastructure spending could boost growth, but may spark inflation.

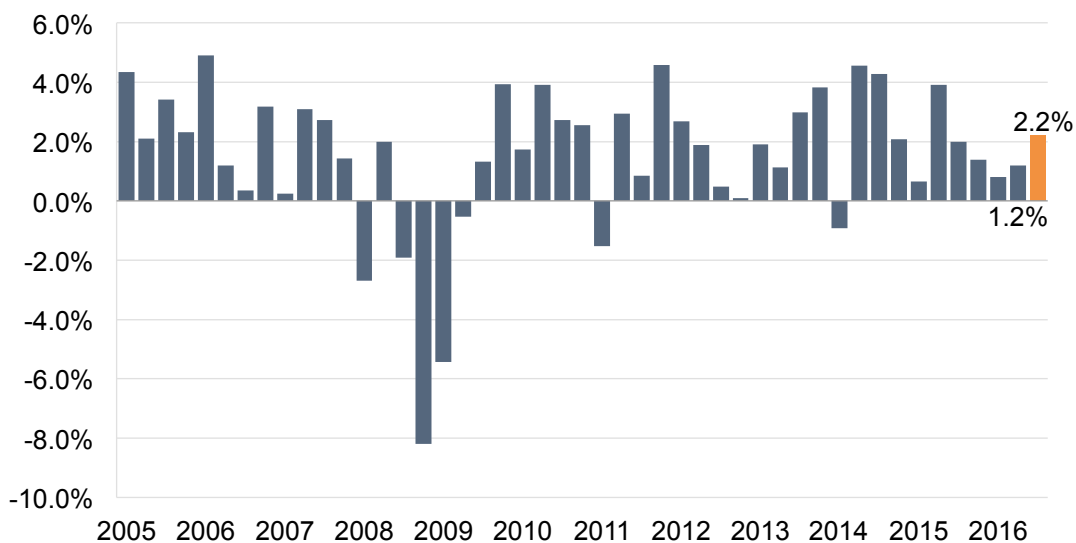
■ Andrew Crampton is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

## OUTPUT: GROSS DOMESTIC PRODUCT

Over-the-year growth in Oregon continued at a robust pace as payroll employment grew by 2.9 percent since December 2015, nearly double the U.S. growth rate of 1.5 percent. However, that performance is noticeably slower than the previous two years of 3.3 percent in 2015 and 3.0 percent in 2014. Over-the-year growth in Oregon continued at a robust pace as payroll employment grew by 2.9 percent since December 2015, nearly double the U.S. growth rate of 1.5 percent.

The official state economic forecast, produced by the Oregon Office of Economic Analysis, indicates that 2017 will bring slightly slower job growth. The number of jobs is expected to increase by 43,400 in 2017 for a growth rate of 2.4 percent. The unemployment rate is expected to be similar in 2017, averaging about 5.3 percent.

**Figure 1: Gross Domestic Product, United States, Annualized Percent Change, 2005–2016 Q4**



Source: Bureau of Economic Analysis (blue bars) and Wall Street Journal Economic Forecasting Survey (orange bars)

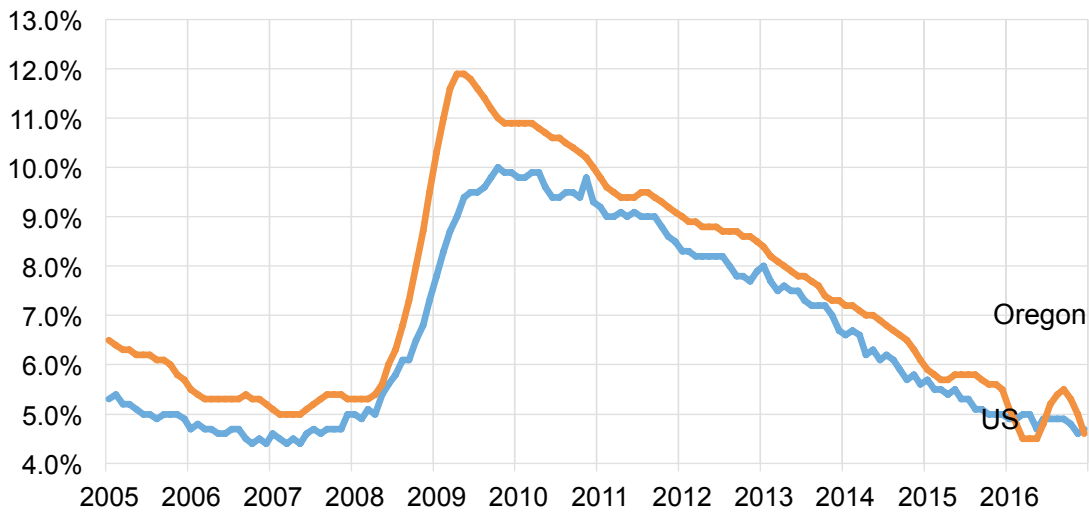
## EMPLOYMENT

The Bureau of Labor Statistics (BLS) reported that over the year, the number of long-term unemployed has declined by 244,000, with total nonfarm payroll employment rising by 227,000 in January, fueled by employment increases in construction, finance and retail trade. Construction continued a strong 2016

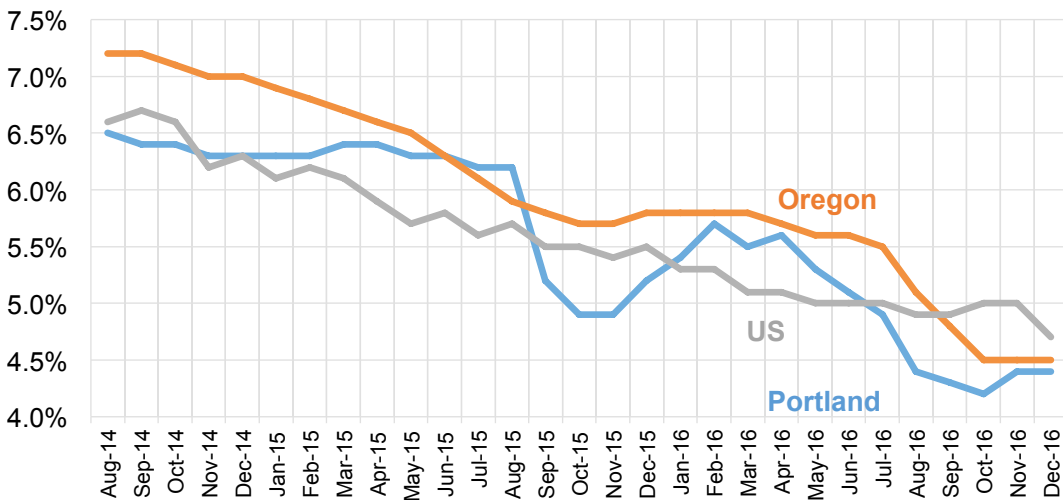


performance into 2017, with 36,000 added jobs in January. Fueled by rapid real estate development, the mining, construction and logging category was Oregon’s fastest industry growth rate of any category in 2016, at 7.4 percent. This high rate of job growth will likely slow in 2017, but the Oregon economy will still be close to full employment due to a tight labor market, and annual wage gains are estimated by the Oregon Office of Economic Analysis to remain 4 percent per year.

**Figure 2: Unemployment Rate, Portland MSA, Oregon and United States, 2005-2016 Q4**

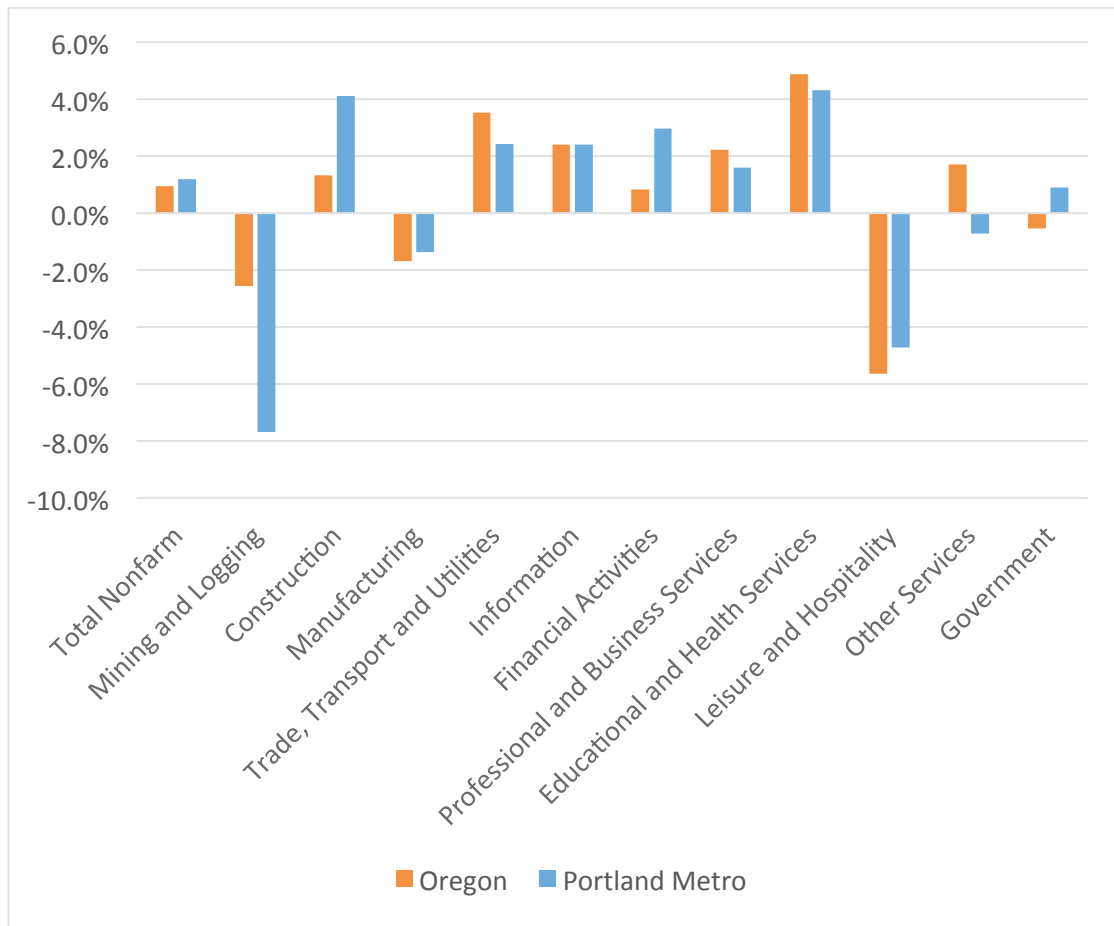


**Figure 3: Unemployment Rate, Portland MSA, Oregon and United States, Jan 2014-June 2016**



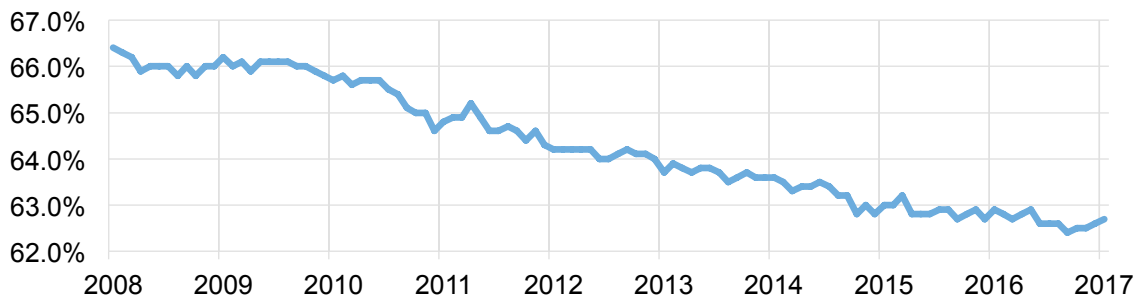
Source: Bureau of Labor Statistics

**Figure 3: Employment Growth Rate by Sector, Portland MSA and Oregon, Last 3 Quarters**



Source: Oregon Employment Department

**Figure 4: Labor Force Participation Rate, United States, 2007-Jan. 2017**



Source: Bureau of Labor Statistics

## HOUSING

Affordability remains a key statewide issue that will continue to dampen worker income gains, especially households in the middle and lower distribution that are substantially cost-burdened. Portland is significantly more cost-burdened than most major metropolitan areas across the country and extremely low vacancy rates and high population growth will only continue the problem in 2017.

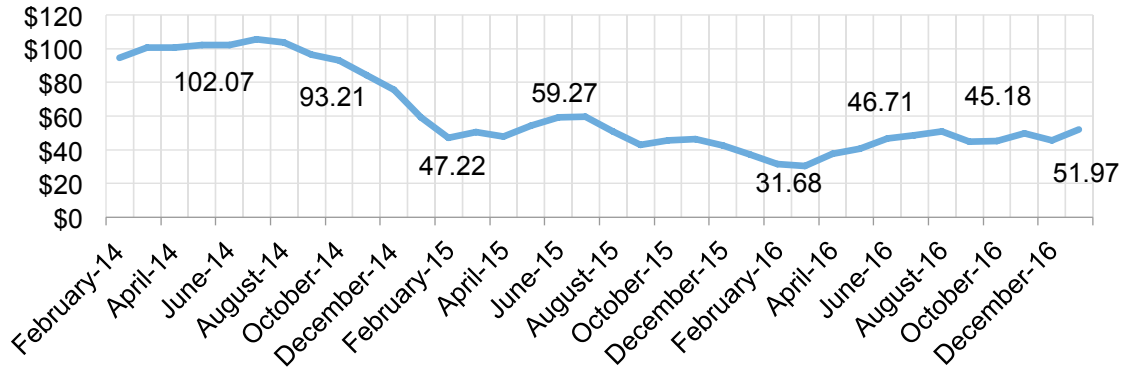
Expected tax cuts have devalued Low-Income Housing Tax Credits about 20 percent since the current Presidential administration took office, creating a financial gap for affordable housing projects across the Country. The *Oregonian* estimates that 33 affordable housing projects across the state have a \$35 million funding gap. In response to this gap for affordable housing projects in the pipeline, the Oregon Housing and Community Services agency has cancelled its tax credit offerings for the coming year and redirected the money towards filling existing projects.

Portland's inclusionary zoning requirements are now in effect and will have an indeterminate impact on the supply of housing units that will be difficult to quantify for at least several years. A large pipeline of existing projects is still being delivered to the market, exacerbated by developers rushing to vest their entitlement of approximately 6,800 units in December and January alone, according permit data from the city's Bureau of Development Services.

## INFLATION

The Consumer Price Index for all urban consumers (CPI-U) increased 0.3 percent in December on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index rose 2.1 percent before seasonal adjustment. The CPI rose 2.1 percent in 2016, a larger increase than the 0.8 percent rise in 2014 and the 0.7 percent advance in 2015. This also represented a larger increase than the 1.8 percent average annual increase over the past 10 years.

After two years of very low price pressures, global inflation is set to revive this year. Much of this is because of the oil price, which fell below \$30 a barrel in the early months of 2016 but has recently risen above \$50. Underlying inflation is expected to increase as well, with some projections of higher inflation adding one percentage point to global nominal GDP in 2017. This will spur a revival in profits and increase capital spending.

**Figure 6: Oil Price per Barrel (WTI Spot), 2013–2016 Q4**

## LOOKING AHEAD

Oregon and Portland's economies capped a strong economic performance in 2016 with full-throttle employment growth, however geopolitical instability, especially disrupted global trade and immigration could disrupt the positive projections of a strong future economic performance. ■

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# RESIDENTIAL MARKET ANALYSIS

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JON LEGARZA

RMLS Student Fellow  
Master of Real Estate Development Candidate

Many of the single family housing trends in the fourth quarter of 2016 slipped following a continuation of steadily increasing quarterly trends over the last year. The fall home buying season is characterized by lower transaction volumes, modest downticks in sales prices and an increase in average days on market within the majority of the markets analyzed here.

In many of the markets analyzed, the transaction volume declined compared to last quarter, while the year to year transactions generally increased slightly, indicating an interesting trend to watch moving forward. The number of real estate transactions in Portland increased only slightly and decreased in both the second and third quarters of 2016 when compared to the same quarter last year. While it is difficult to determine the reason for the decreasing trend, it is interesting to note that Portland's median home sale price slipped last quarter from \$350,000 to \$343,450. Redmond, Bend and most counties in the Willamette Valley experienced a slight uptick in sales price. Eugene was flat, and Salem and Marion County continued to decline following a last quarter decline. Sales volume is still above the boom years of the mid 2000's but permits continue to lag behind the mid-2000's.

Permits for new single family homes were down approximately 19 percent statewide, reversing the trend from last quarter, with wide variation across the state. Portland's permit activity heavily influences the state figures. Both Portland's and Bend's permitting of single family declined 20 percent or more compared to last quarter, while Eugene saw a 15 percent decline and Medford an approximately 55 percent increase compared to last quarter. When compared to the same quarter last year, permit activity is down

■ Jon Legarza is a current Master of Real Estate Development candidate through a joint program of Portland State University's School of Business Administration and School of Urban Studies and Planning. He is the 2016 RMLS Student Fellow at PSU's Center for Real Estate. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

approximately 17 percent statewide. Leading the pack were Bend with a 37 percent decrease and Eugene with a 26 percent decrease compared to the same quarter last year.

The National Association of Realtors reports continued strength in the single family home market, particularly across the West and South. Pending homes sales, an indicator of future sales volume, could remain the same as 2016. Wage growth and limited inventory are cited as reasons for the increased sales volume.

NAR's chief economist, Lawrence Yun, says, "Demographics and improving economy suggest that first-time homebuyers will come back in 2017. But potential policy changes could wield a larger influence. Changes to mortgage interest deductions can sap consumer confidence regarding buying a home or changes to Fannie/Freddie could disrupt the mortgage market. While positive policy changes, such as changes to Dodd-Frank will permit more construction loans for home building and less lawsuit threats coming from the consumer Financial Protection Bureau (CFPB) towards lenders. This could open up the credit box to more qualified borrowers."

Axiometrics Inc. fourth quarter report sums up the affordability challenges facing the Portland-Vancouver-Hillsboro areas, "When combining median home price, median family income, interest rates, and the loan-to-price ratio into the housing affordability index, Portland-Vancouver-Hillsboro area ranks as the 178th most affordable single family market out of the 211 markets measured nationwide." The suburban cities and developers that have locked in the land, worked through the lengthy entitlement process will benefit the most as Millennial's enter the housing market.

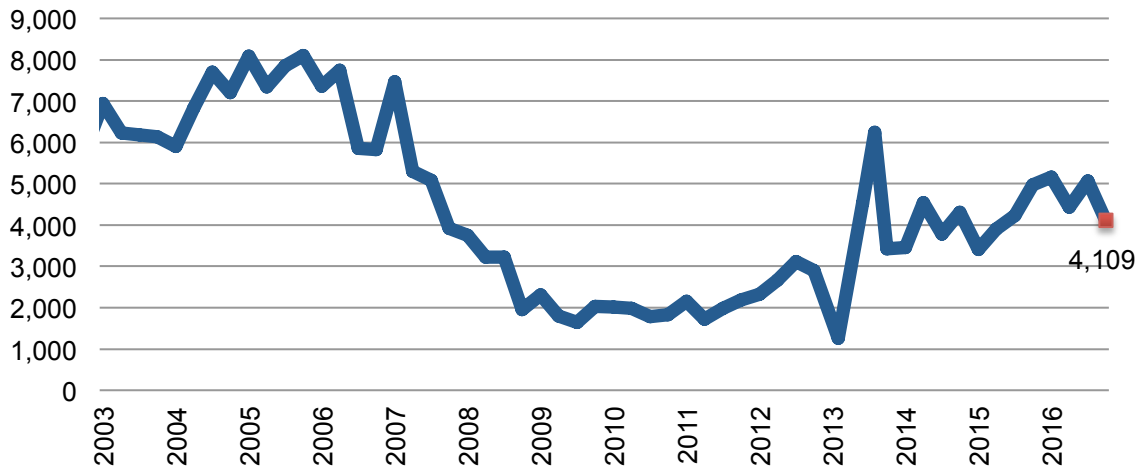
The City of Hillsboro's master planned community South Hillsboro has started the infrastructure work for South Hillsboro. The City has worked extensively with Metro and the developers taking close to twenty years to get to the ground breaking stage of the project.

In an interview with the City of Hillsboro, Planning Director, Colin Cooper indicated that the City of Hillsboro has worked to develop infrastructure funds through a local improvement district which will accelerate the delivery process for the South Hillsboro community. The master planned community will provide a variety of homes, new schools, and parks along with a raised bike plan throughout. The developers are in discussions with the merchant builders to develop the planned build out of approximately 8,000 homes.

## **LOCAL PERMITTING**

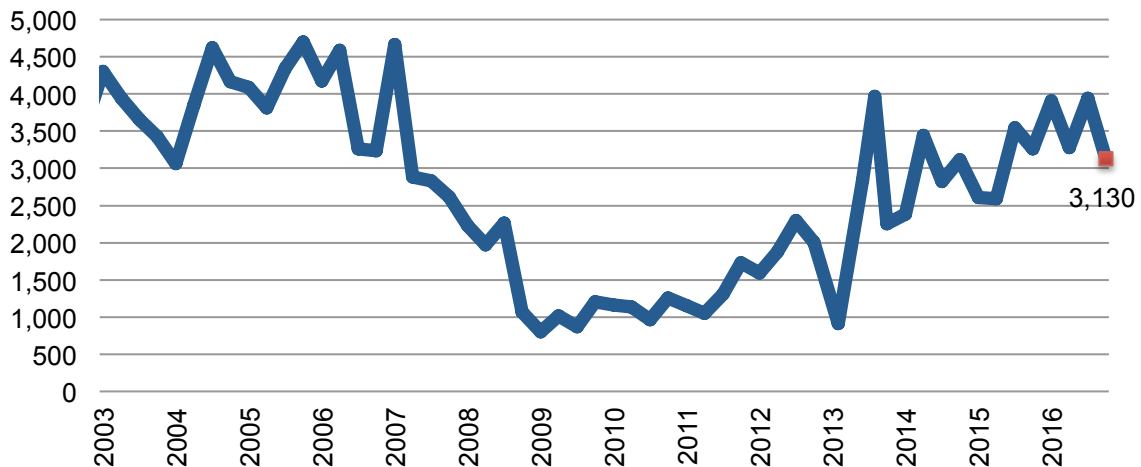
In the fourth quarter of 2016, there were 4,109 building permits for new private housing units issued in total across the state of Oregon. This is 19 percent less permits than were issued in the prior quarter and nearly 20 percent less than were issued in the fourth quarter of 2016. This decrease brings into question whether or not home builders can find the availability of land.

**Building permits for new private housing  
Oregon, statewide, seasonally adjusted**



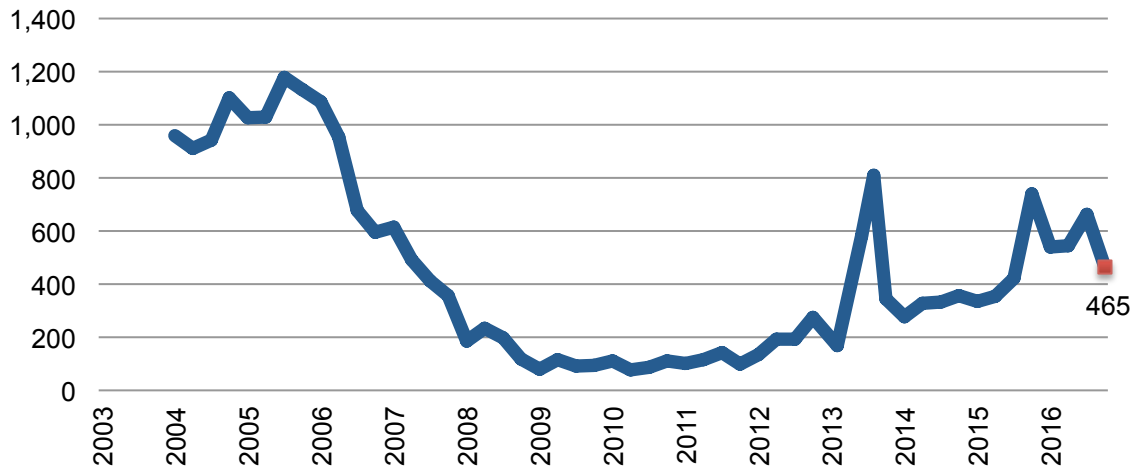
There were 3,130 permits for new private housing units issued in the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) in the fourth quarter of 2016. This represents a 20 percent decrease in permits compared to the third quarter of 2016, and a 4 percent decrease in year-over-year permitting. This decrease is attributed to the lack of available building lots and higher prices being placed on new construction homes. The Portland market accounted for 76 percent of the new statewide permits this quarter. Permitting across the rest of the state declined except for Medford.

**Building permits for new private housing  
Portland-Vancouver-Hillsboro MSA, seasonally adjusted**



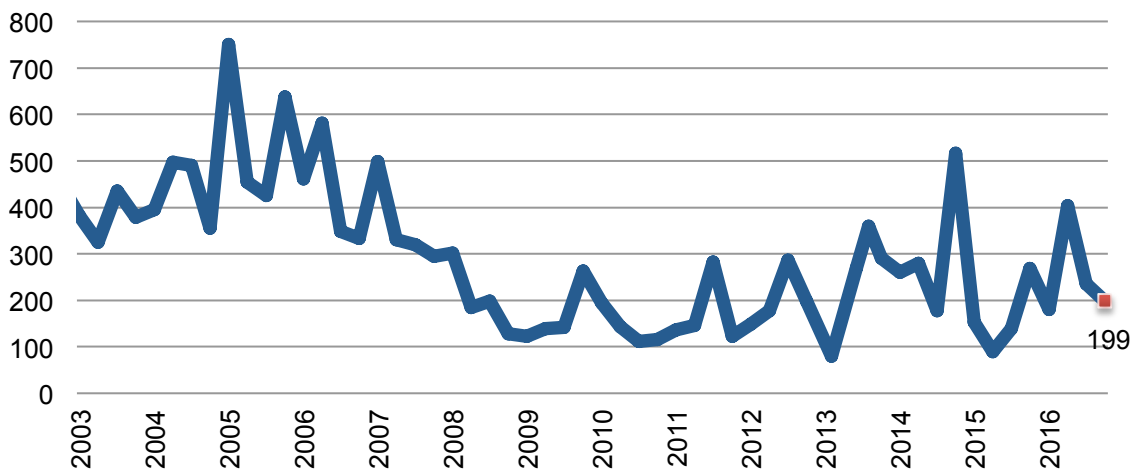
Bend MSA permitting rate declined drastically, by 30 percent compared to last quarter and by an even greater 37 percent decrease compared to the same quarter last year.

**Building permits for new private housing  
Bend MSA, seasonally adjusted**



The Eugene-Springfield MSA’s fourth quarter permitting continued to decline 16 percent this quarter. The decline in the Eugene market is second after Bend in the state. Permitting for new private housing units totaled 199. While lower than last quarter, this still represents a 20 percent decrease over the same quarter a year ago. Will this declining trend continue remains to be seen in the upcoming year along with the affordability of new products.

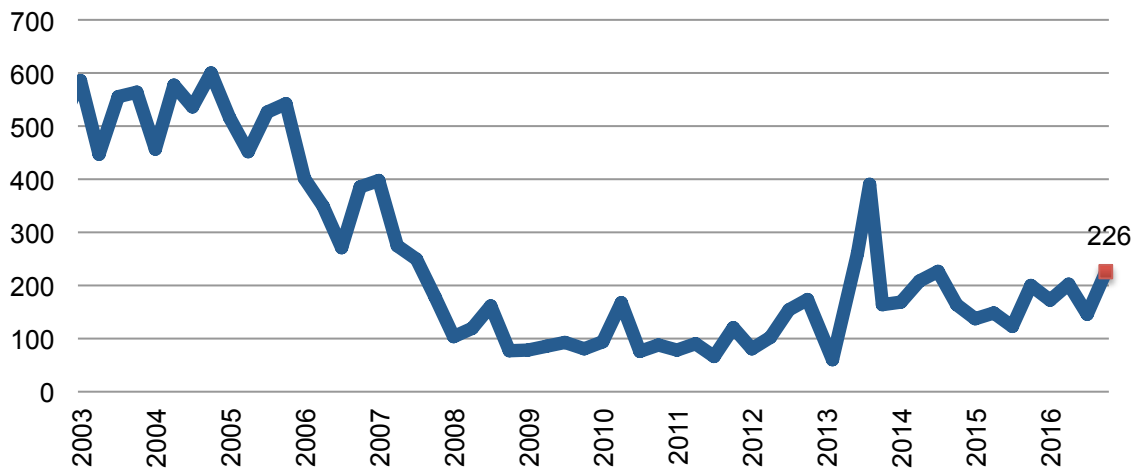
**Building permits for new private housing  
Eugene-Springfield MSA, seasonally adjusted**





Like Eugene, new permits in Medford MSA increased? this quarter by nearly 55 percent. Unlike Eugene, even this upward movement compared to last quarter represents a nearly 13 percent increase compared to the same quarter last year.

### Building permits for new private housing Medford MSA, seasonally adjusted

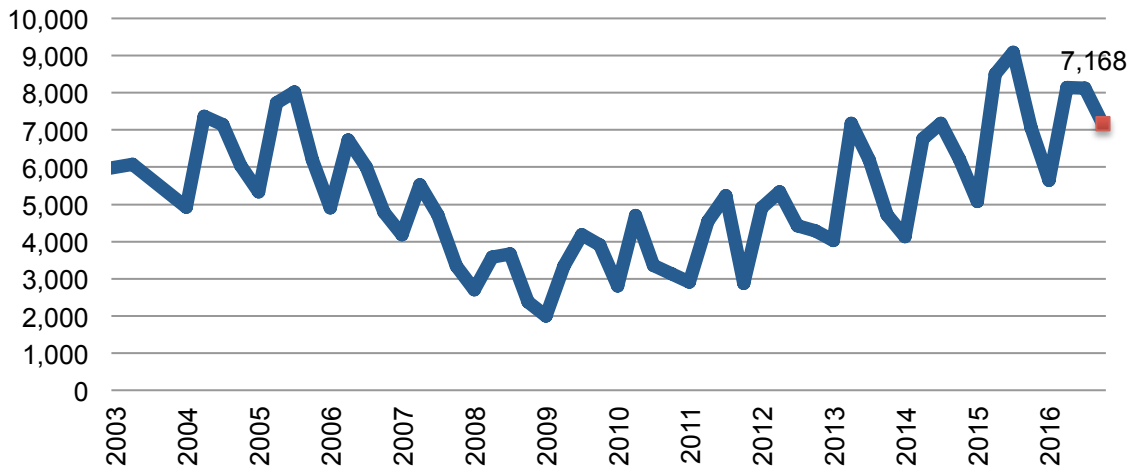


## PORTLAND TRANSACTIONS

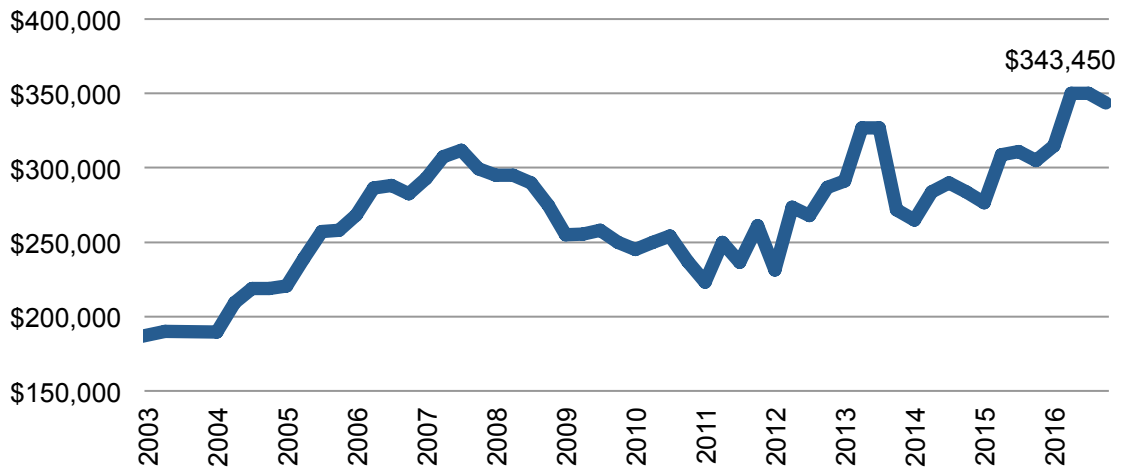
The fourth quarter showed signs of slipping from the previous quarter for existing home sales in the Portland market: over 7,168 transactions with a median sale price of \$343,450. This number of transactions is a slight 1.5 percent increase over the same quarter last year. However, the median sales price for existing homes increased by nearly 13 percent compared to the same quarter last year.

The average days on market for existing homes edged up by 9 days, to 34 days from 25 days last quarter. However these 34 days in the fourth quarter of 2016 represent a 13 percent decrease of the average days on market compared to the same quarter last year. Final sales prices in the fourth quarter continued to be above list price, but fell from 100.7 percent last quarter to 99.34 percent this quarter.

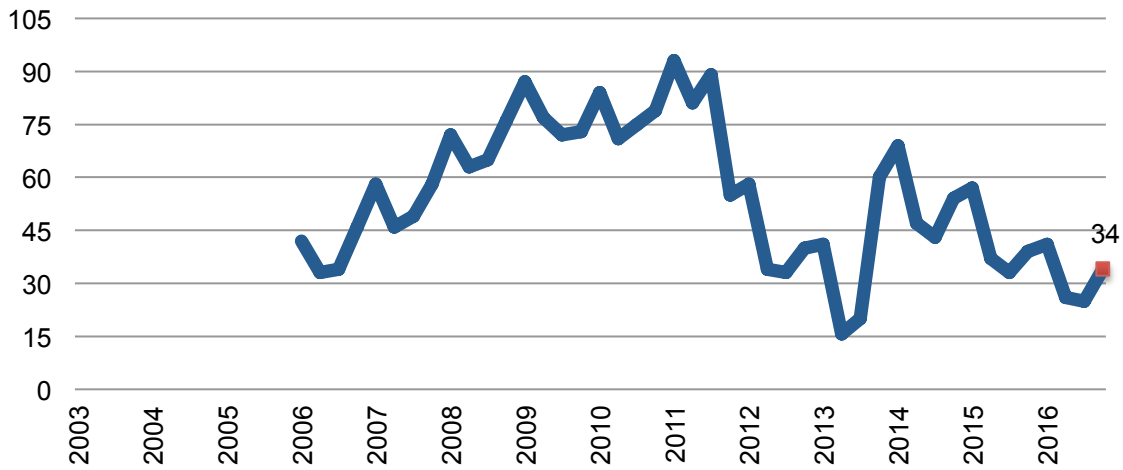
**Number of transactions**  
**Portland metro, existing homes**



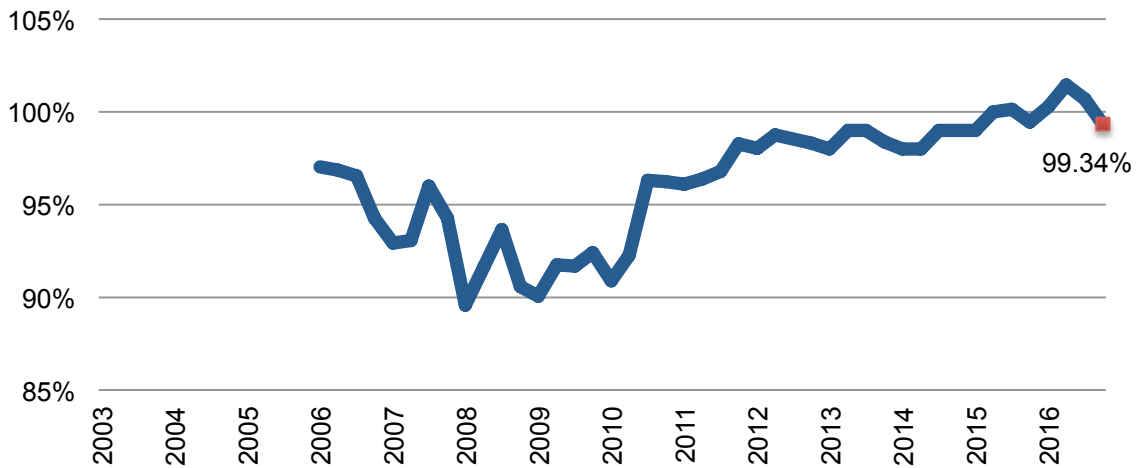
**Median sales price**  
**Portland metro, existing homes**



**Days on market**  
**Portland metro, existing homes**

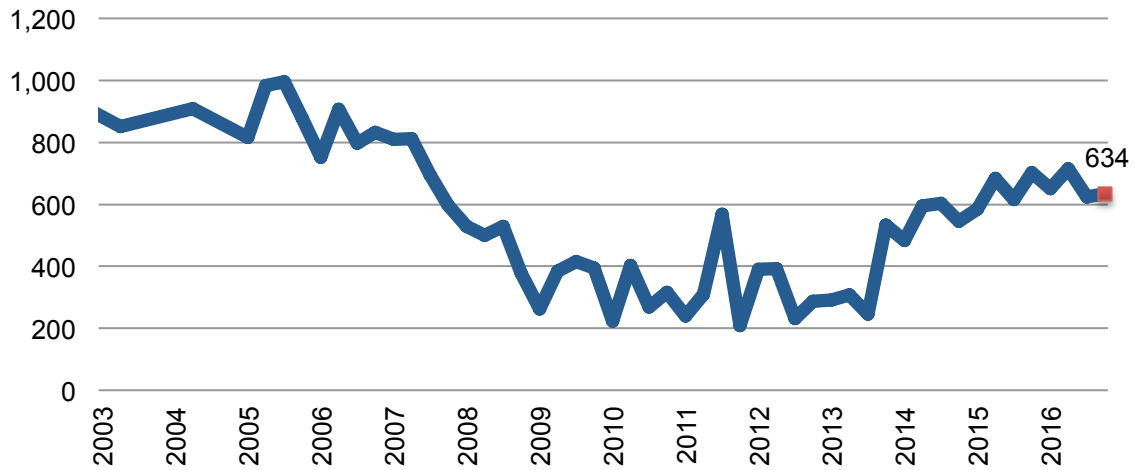


**Ratio of sales price to list price**  
**Portland metro, existing homes**

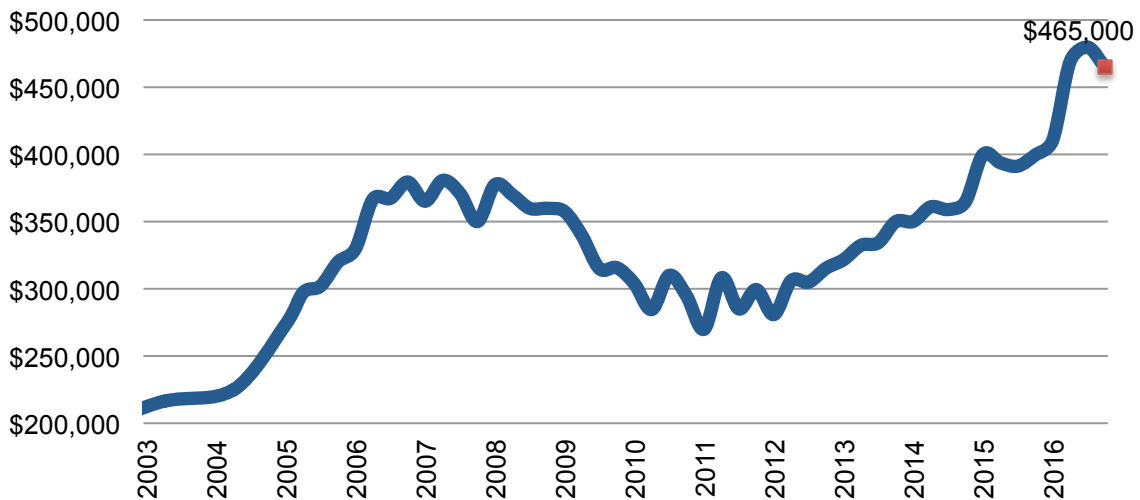


In the sale of new homes for Portland, the number of transactions saw a 2 percent increase compared to last quarter but a 10 percent decrease compared to the same quarter last year. New home median sales price in the fourth quarter saw a slight decrease compared to the third quarter. Last quarter, the median sales price for new homes was \$479,900 compared to \$465,000 this quarter – a decrease of only 2 percent. Compared to the same quarter last year, however, new home prices have increased \$65,425 or over 16 percent perhaps due to the increased pricing for the land/lots and labor that is increasingly in short supply.

**Number of transactions  
Portland metro, new detached homes**



**Median sales price  
Portland metro, new detached homes**

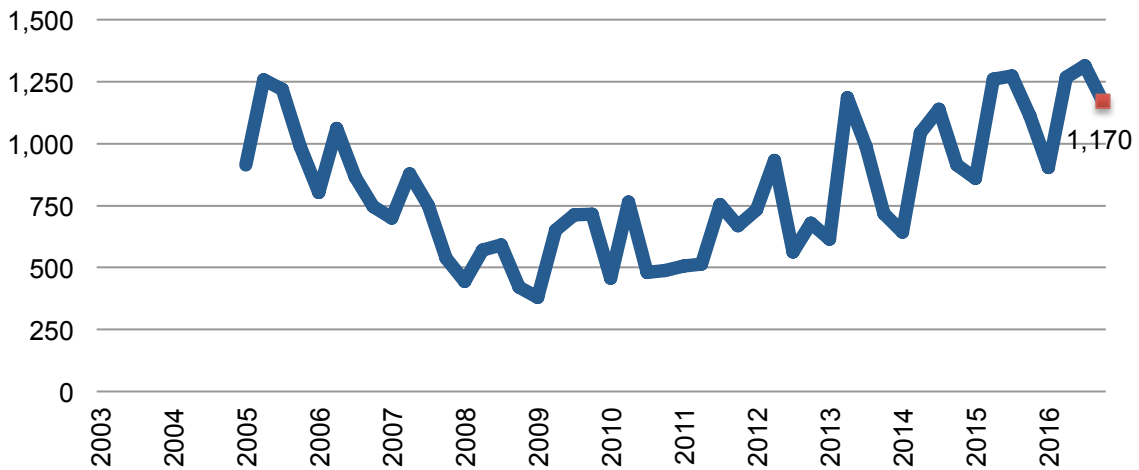


**VANCOUVER AND CLARK COUNTY TRANSACTIONS**

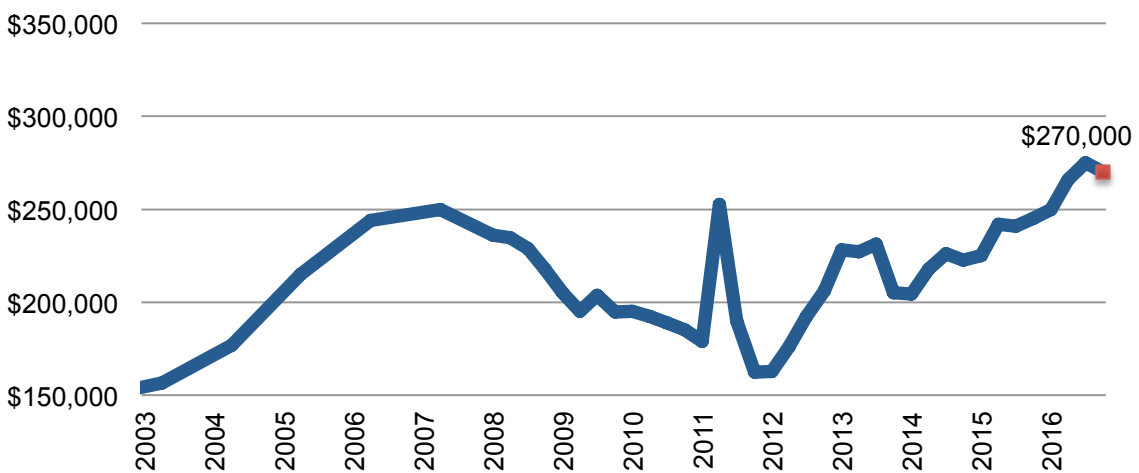
Like Portland, Vancouver and Clark County both also experienced a similar level of transactions in home sales this quarter compared to last quarter. Vancouver experienced a 10 percent decrease in transactions of existing homes compared to last quarter. While Portland experienced a decline in year over year transactions, Vancouver’s transactions decreased 7 percent compared to the same quarter last year. Clark County transactions were down 14 percent compared to last quarter and 6 percent lower compared to a year ago.

Average days on market continued to increase quarterly for both Vancouver and Clark County, a reflection of sales activity, but also a substantial reduction compared to the same quarter last year. The average days on market for Vancouver increase 50 percent compared to last quarter and a decrease of 16 percent compared to the same quarter last year. Clark County saw an 18 percent increase in average days on market compared to last quarter and a 19 percent decline compared to the same quarter a year ago.

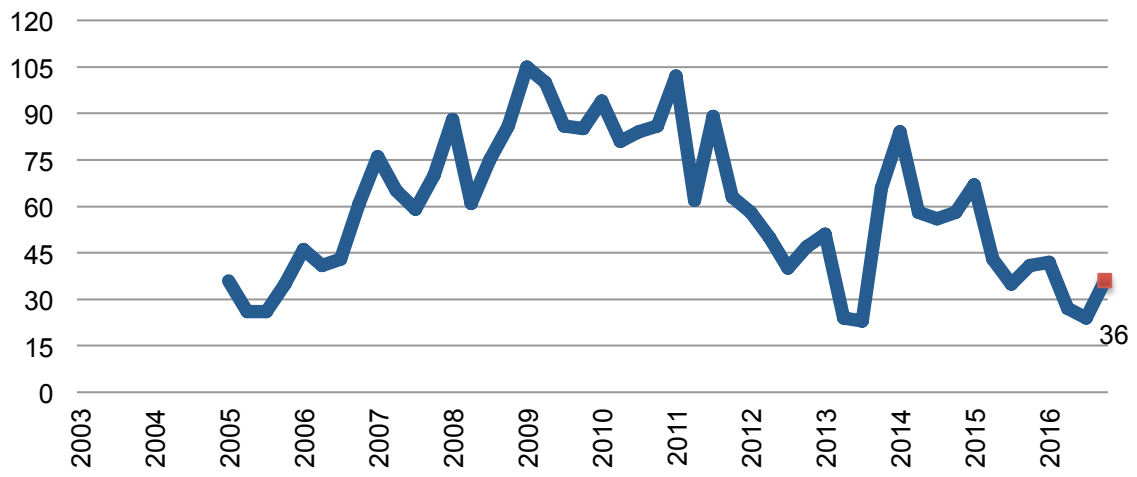
**Number of transactions  
Vancouver, existing homes**



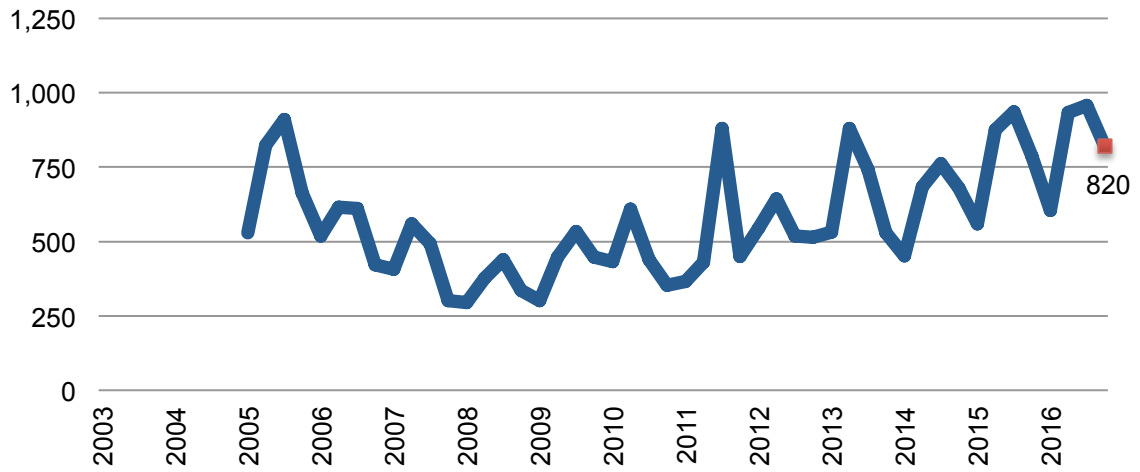
**Median sales price  
Vancouver, existing homes**



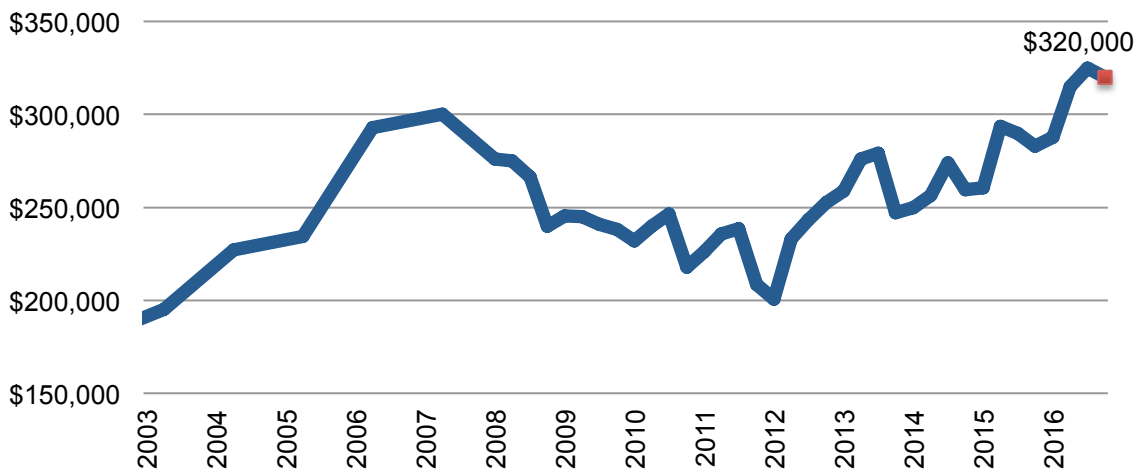
**Days on market**  
**Vancouver, existing homes**



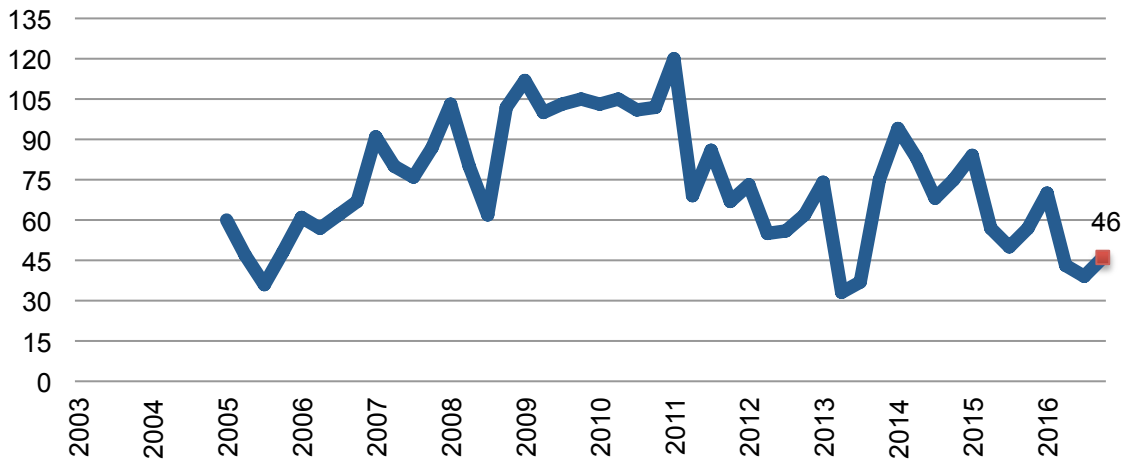
**Number of transactions**  
**Clark County, excluding Vancouver, existing homes**



**Median sales price**  
**Clark County, excluding Vancouver, existing homes**



**Days on market**  
**Clark County, excluding Vancouver, existing homes**



**CENTRAL OREGON TRANSACTIONS**

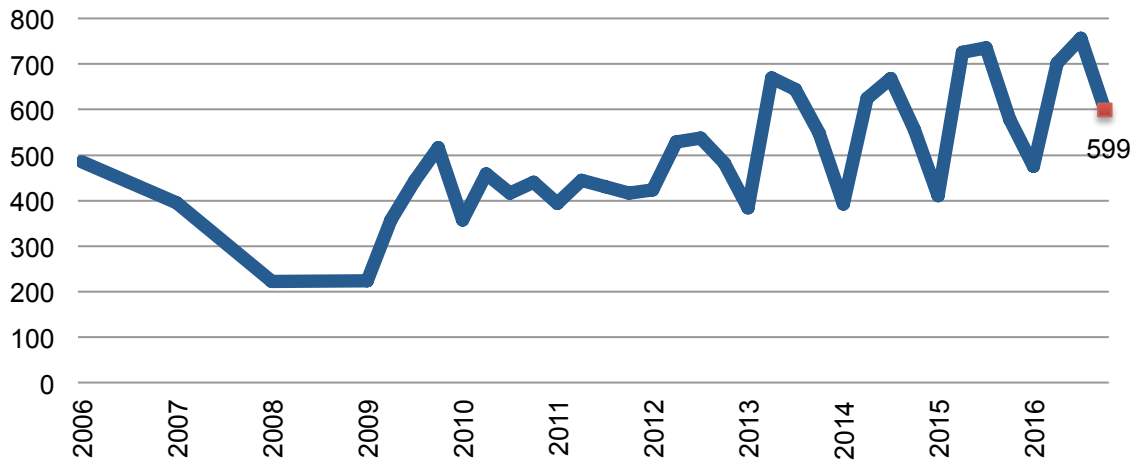
Transactions in Central Oregon saw decline in activity compared to the statewide continuation of upward trends from the previous quarter. Bend saw a 20 percent decrease compared to last quarter, but unlike Portland’s year over year decline, Bend saw a 4 percent increase compared to the same quarter last year. Redmond experienced a 9 percent decrease in transactions compared to last quarter but a 7 percent increase when compared to the same quarter last year.

Median home prices in Central Oregon continued the steady, year-over-year increases. Bend experienced nearly the same in median sales price compared to last quarter, and nearly a 10 percent increase compared to the same quarter last year. Redmond saw a 2.0 percent uptick in home prices compared to last quarter, which represents a 14 percent increase compared to the same quarter last year.

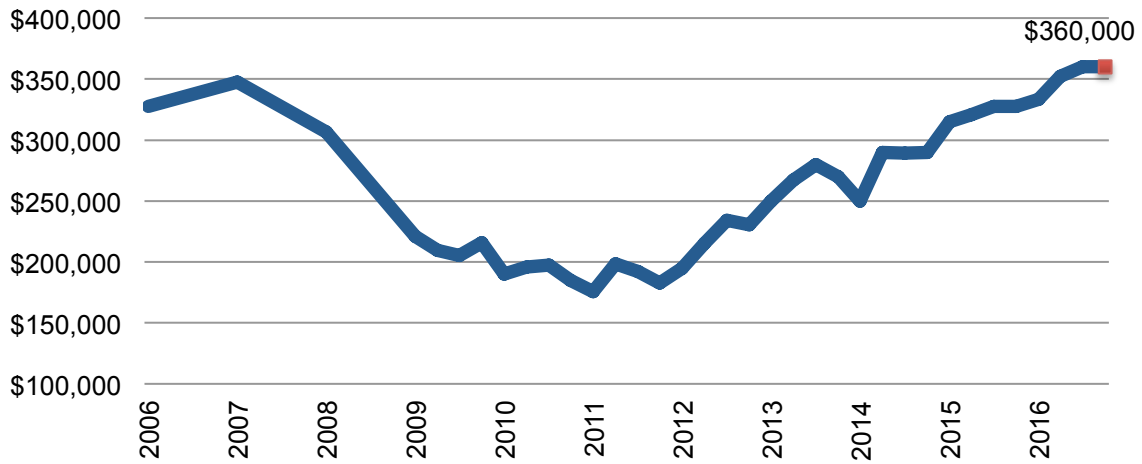
Average days on market continued to be relatively the same as last quarter, but also fell compared to last year. Bend’s average days on market followed suit for days on the market from 112 last quarter to 113 this quarter. Compared to the same quarter last year, where there was a 1 percent decline. Redmond saw only a 3 percent increase in average days on market compared to last quarter, with a 6 percent decline when comparing this quarter to last year.



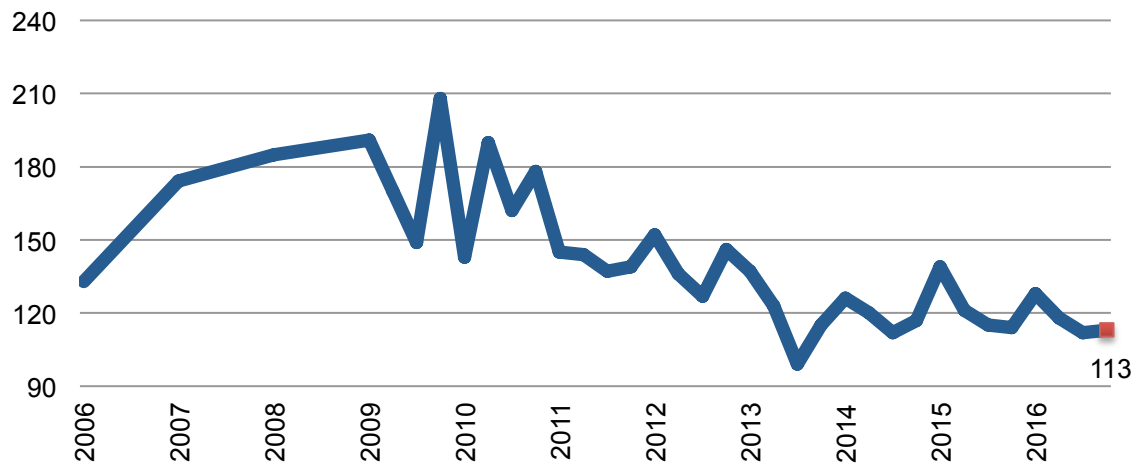
**Number of transactions  
Bend, under 1 acre**



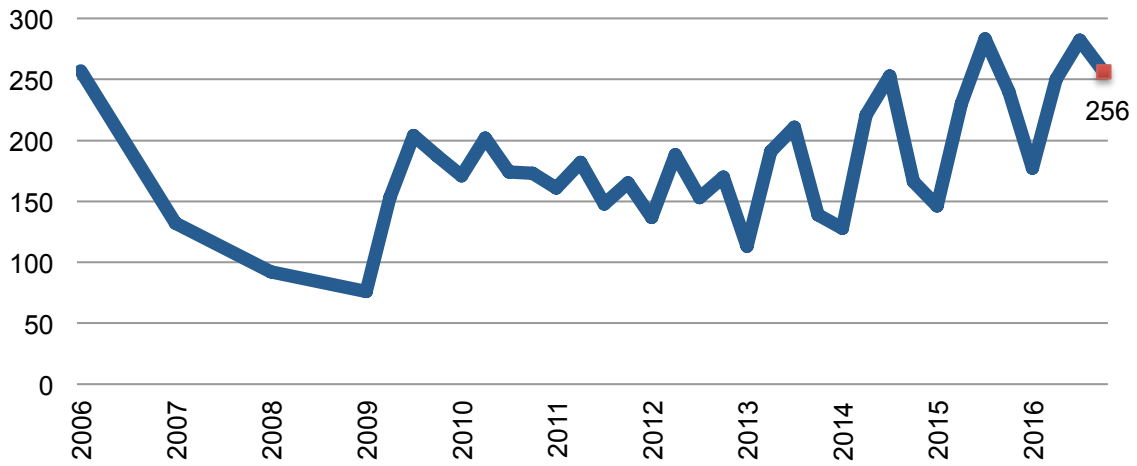
**Median sales price  
Bend, under 1 acre**



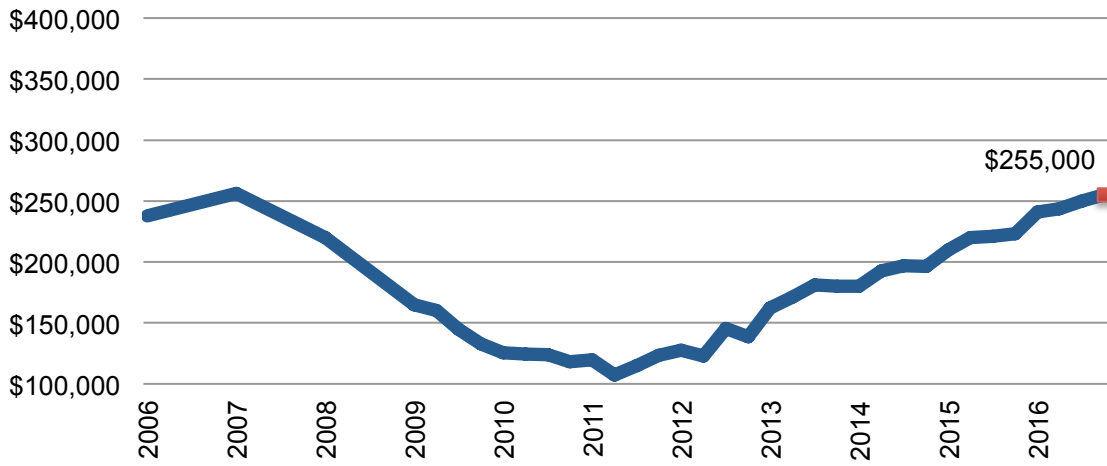
**Days on market**  
**Bend, under 1 acre**



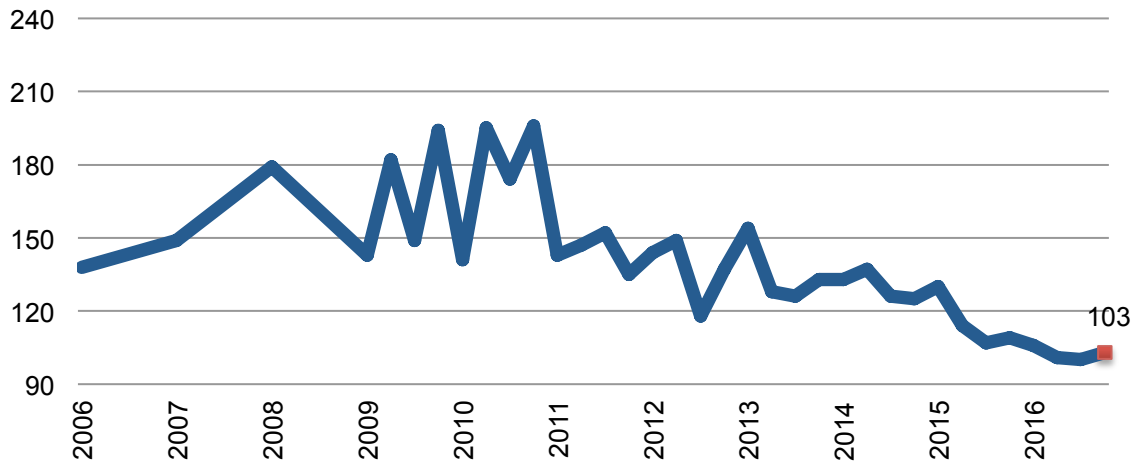
**Number of transactions  
Redmond, under 1 acre**



**Median sales price  
Redmond, under 1 acre**



### Days on market Redmond, under 1 acre

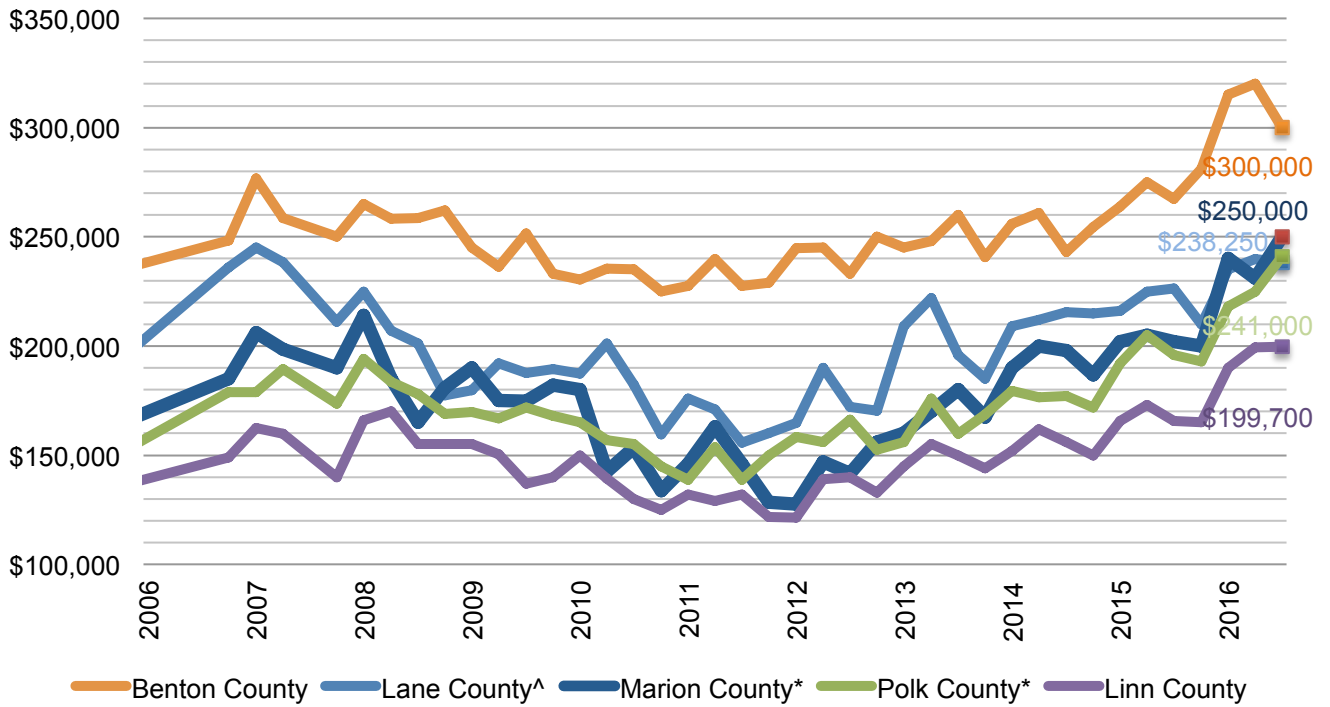


## WILLAMETTE VALLEY TRANSACTIONS

The slight decrease in median sale prices seen in the Portland, Vancouver and Clark County areas this quarter was only evident in two counties across the Willamette Valley. However, Marion County, Polk County and Linn County experience increases in price when compared to both the previous quarter and the last quarter of the previous year. Data for the Willamette Valley counties including Salem is provided by Willamette Valley MLS.

- Benton County: \$300,000 median price, a 6.25 percent decrease from the prior quarter and a 12 percent increase year-over-year
- Lane County (excluding Eugene): \$238,250 median price, a 1 percent decrease from the prior quarter and a 5.2 percent increase year-over-year
- Marion County (excluding Salem): \$250,000 median price, an 8.23 percent increase from the prior quarter and a 23.8 percent increase year-over-year.
- Polk County (excluding Salem): \$241,000 median price, a 7 percent increase from the prior quarter and a 23 percent increase year-over-year
- Linn County: \$199,700 median price, a .10 percent increase from the prior quarter and a 20 percent increase year-over-year

**Median sales price  
Willamette Valley, existing homes**



^Excluding Eugene

\*Excluding Salem

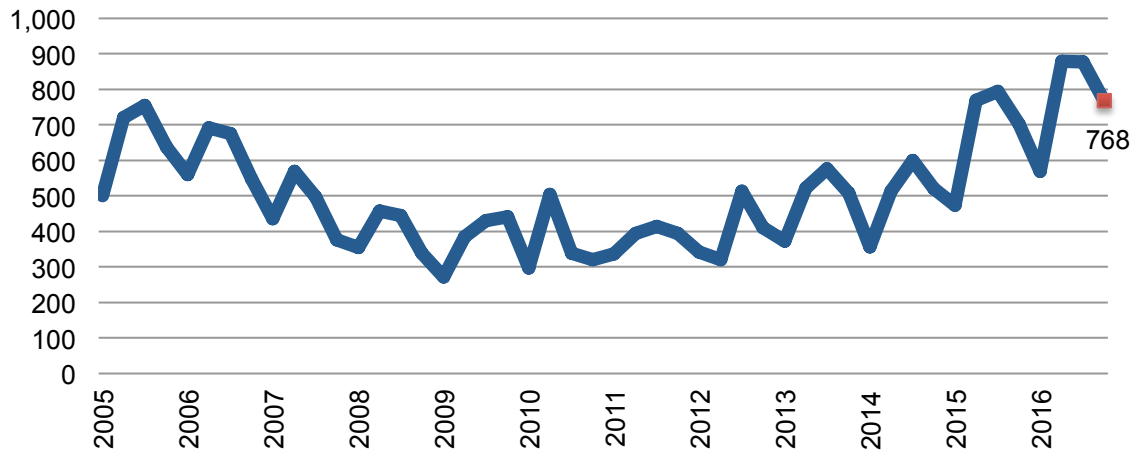
**SALEM TRANSACTIONS**

Transaction volume in Salem was consistent with the decline statewide of last quarter's trend. Transaction activity declined 13 percent compared to last quarter, but that volume represents a nearly 9 percent increase compared to last year.

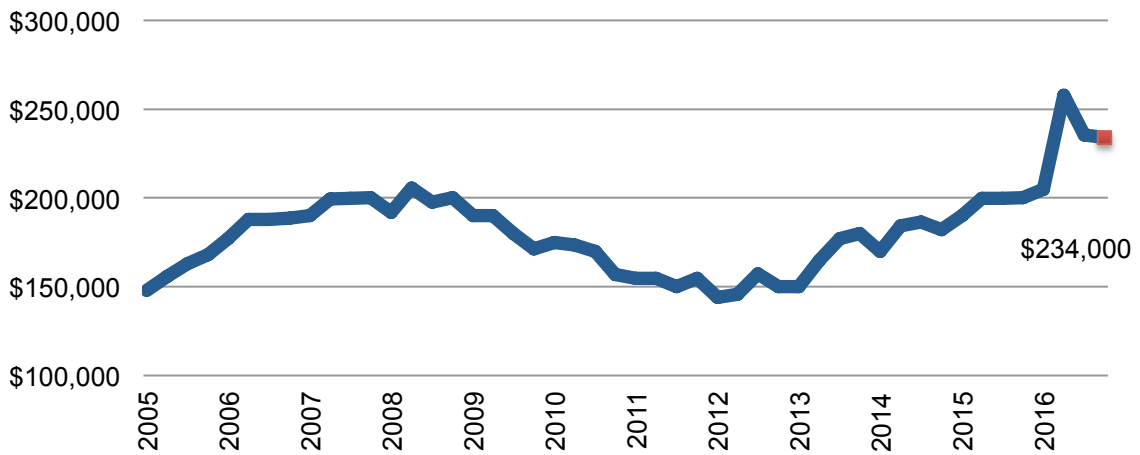
Median sales price in Salem declined as was seen across the state. Median home prices last quarter were \$235,650, while this quarter prices only reached \$234,000 – a decrease of .70 percent. But compared to the same quarter last year, this decrease in price represents a 17 percent increase.

Average days on market also declined when compared to the previous quarter from a year ago. Compared to last quarter, average days on market increased 9 days, or 10 percent, from 90 to 99.

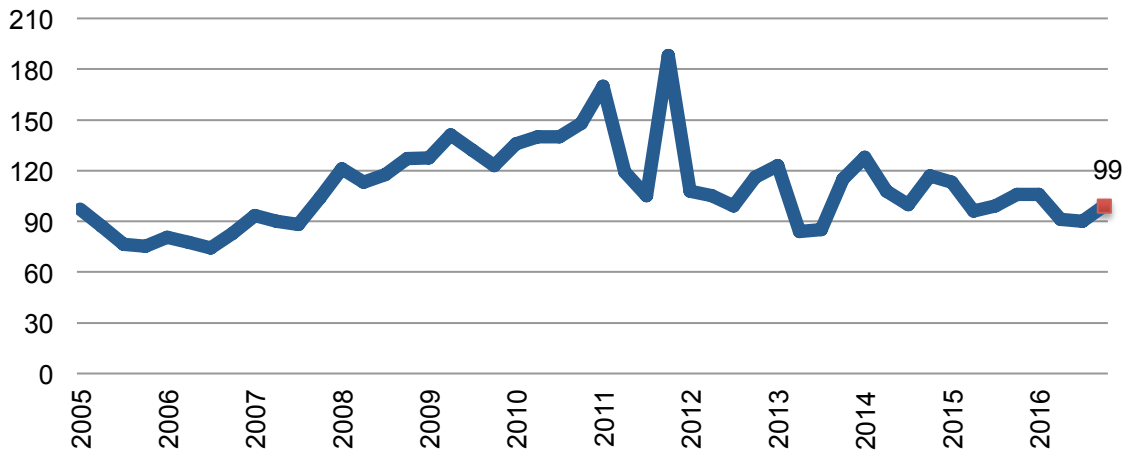
**Number of transactions  
Salem, existing homes**



**Median sales price  
Salem, existing homes**



**Days on market  
Salem, existing homes**

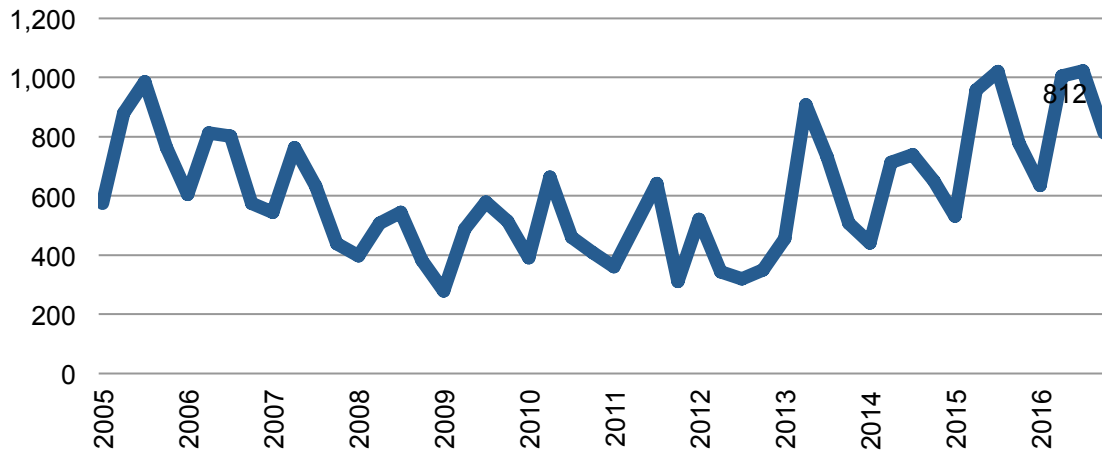


**EUGENE–SPRINGFIELD TRANSACTIONS**

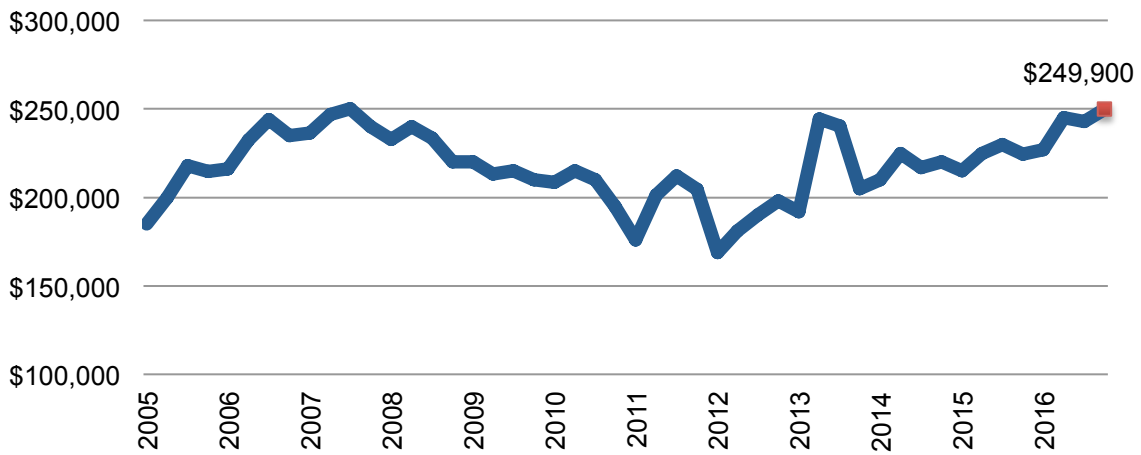
Like many other areas of the state this quarter, Eugene-Springfield experienced a decline in sales volume last quarter combined with continued increase of average days on market. Transaction counts decreased 21 percent compared to last quarter, which is up 4.24 percent compared to the same quarter last year.

Sales prices increased very slightly from \$243,000 last quarter to \$249,000 this quarter, an increase of 2.84 percent. The percentage increase of average sales price compared to the same quarter last year is 11.3 percent. Average days on market increased a full 11 days this quarter compared to last, from 29 to 40 days on average. This represents a 38 percent increase compared to last quarter and a 28.6 percent decrease compared to the same quarter last year.

**Number of transactions  
Eugene-Springfield, existing homes**

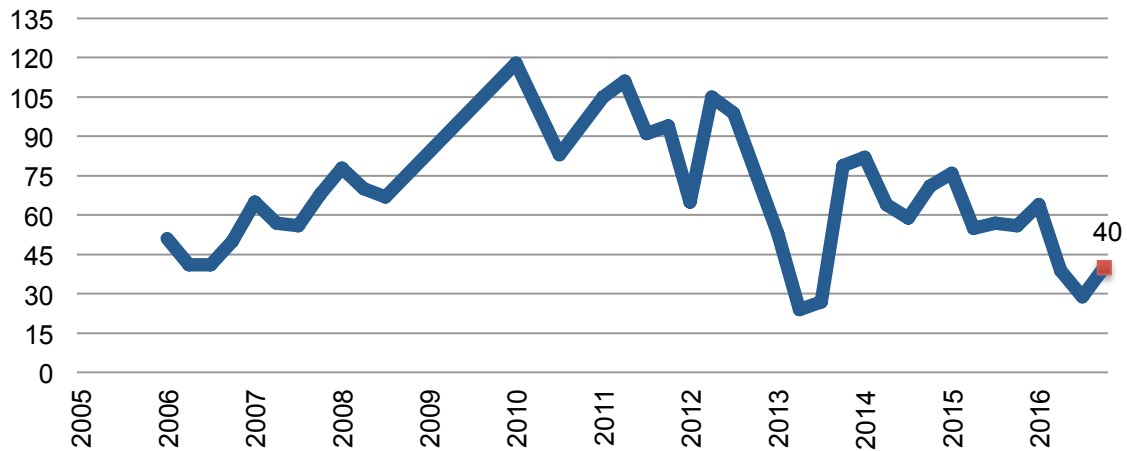


**Median sales price  
Eugene-Springfield, existing homes**





**Days on market  
Eugene-Springfield, existing homes**



**SOUTHERN OREGON TRANSACTIONS**

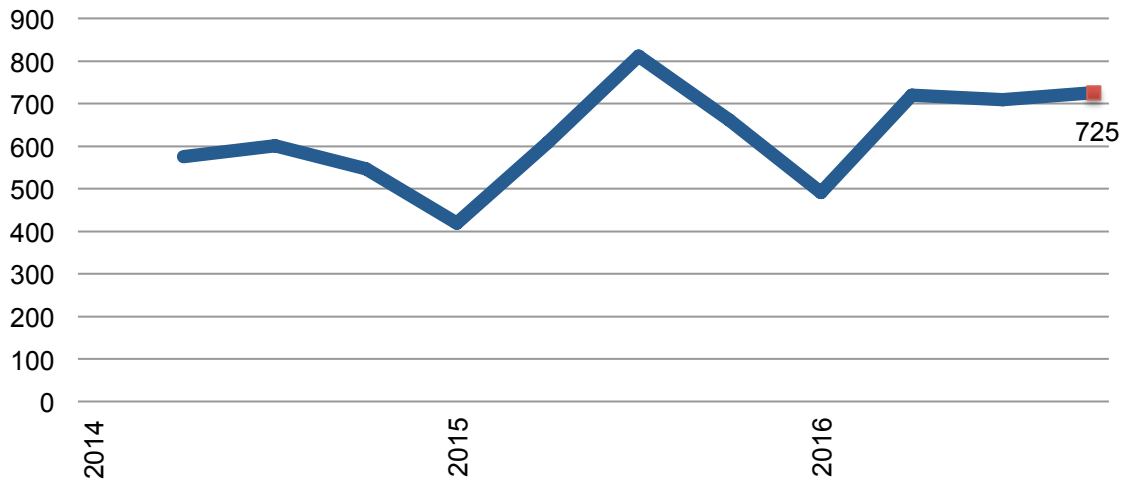
Trends in Southern Oregon tracked along side the trends across the state: largely stable transaction volumes compared to last quarter. However, compared to last year, Jackson County saw a 2.26 percent increase in volume while Josephine County saw 7.36 percent increase.

Median home prices increased slightly compared to last quarter and even more substantially compared to the same quarter last year. And average days on market remained largely unchanged compared to last quarter for Jackson County, but declined by approximately 25 percent in Josephine County when compared quarterly and to the same quarter last year.

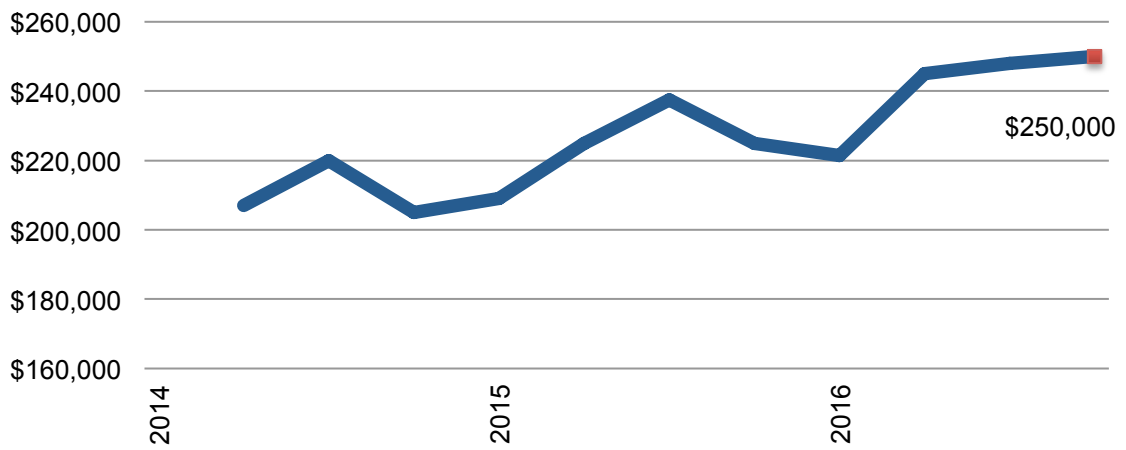
Data for southern Oregon is provided in rolling three-month groupings, and the most recent dataset available for this region covers the June 1 – August 31, 2016 time period.

The following figures display the data for Jackson County.

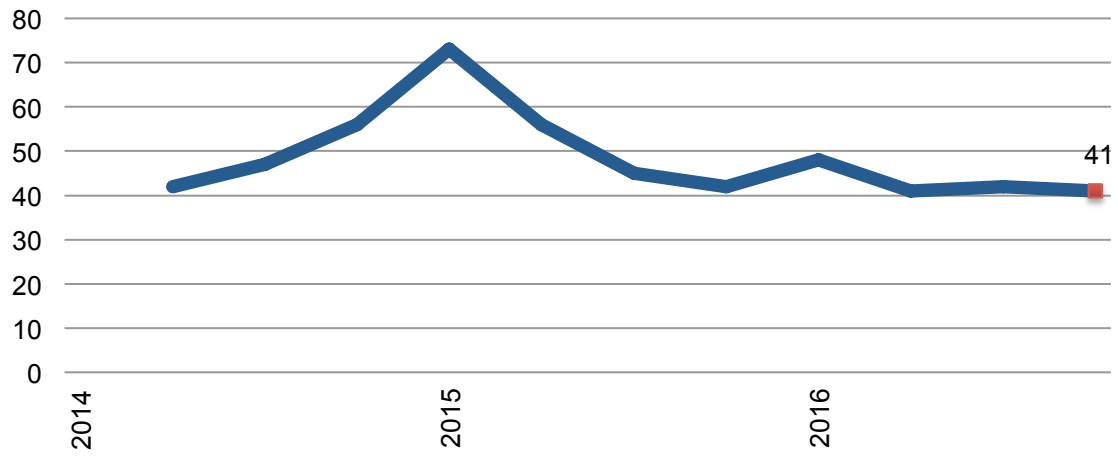
**Number of transactions  
Jackson County, existing homes**



**Median sales price  
Jackson County, existing homes**

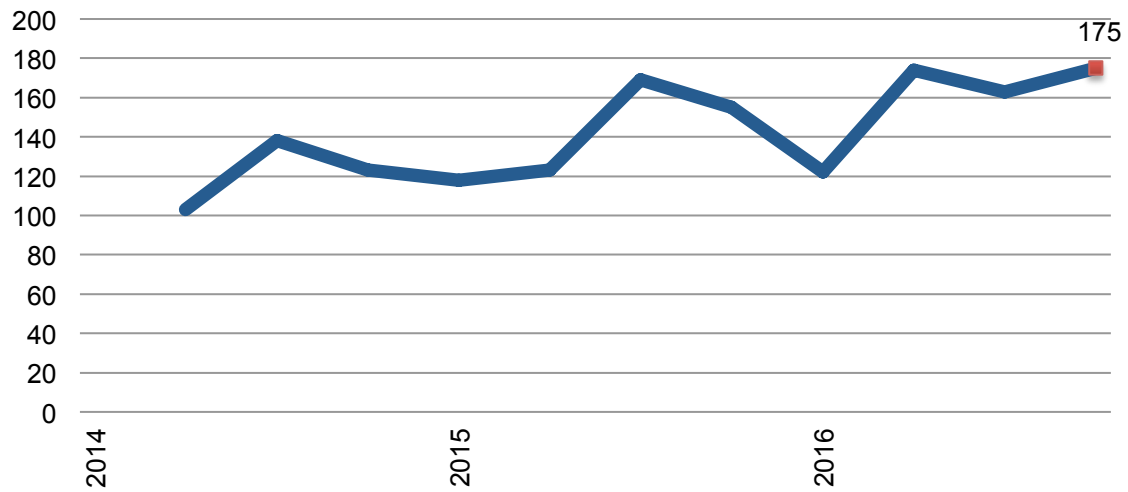


**Average days on market  
Jackson County, existing homes**

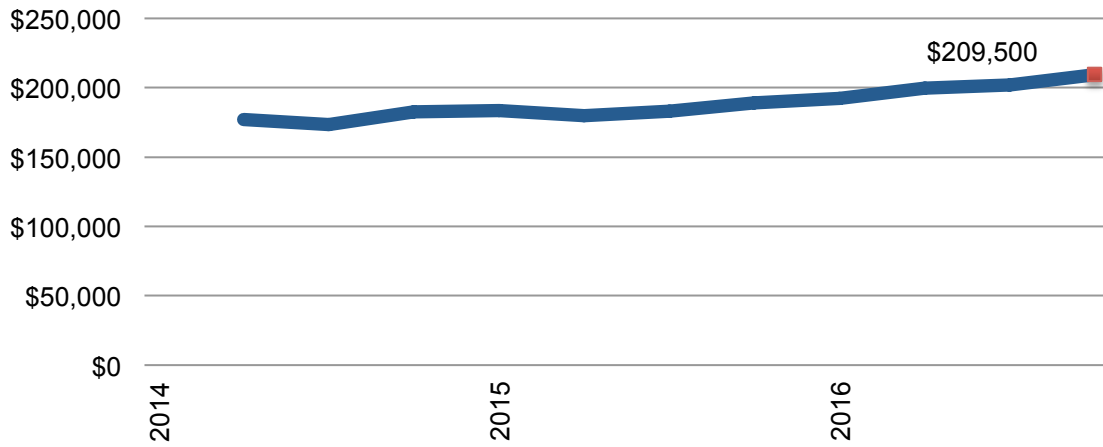


The following figures display the data for Josephine County.

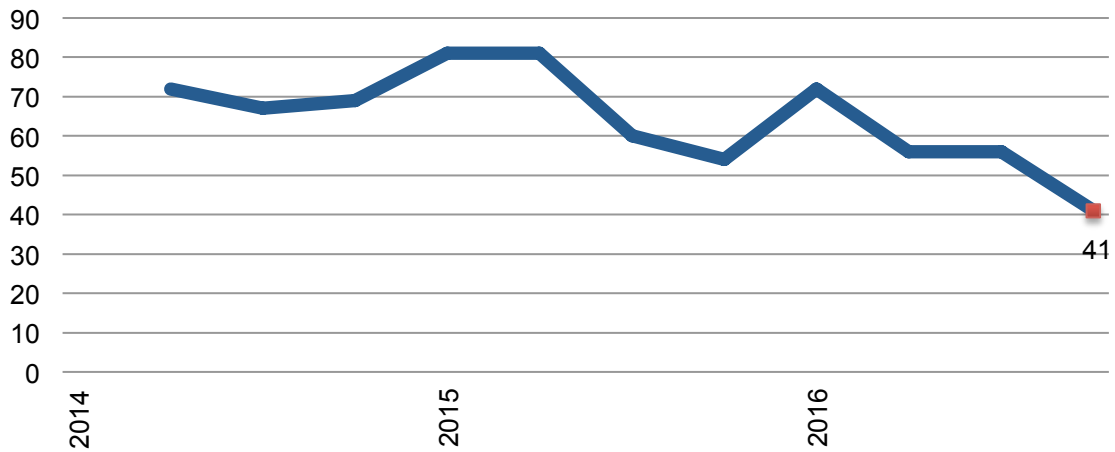
**Number of transactions  
Josephine County, existing homes**



**Median sales price**  
**Josephine County, existing homes**



**Average days on market**  
**Josephine County, existing homes**



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## MULTIFAMILY MARKET ANALYSIS

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CARLO CASTORO

Portland State University

Last year was a year of extremes for the Portland metro area. New sales records were set with \$1.5 billion in the fourth quarter and a total slightly over \$3 billion for 2016 year end. Annual effective rent growth for 2016 was less than one third of 2015 falling from 11.4 percent down to 3.5 percent on average. Meanwhile, the Bureau of Labor and Statistics reports that unemployment hit 4.0 percent for the first time in the past 16 years.

As you'll see in this report, full employment sounds great but has undeniable effects on rent growth which is a cornerstone for developers when determining their plans moving forward. Combine this with new inclusionary zoning legislation and rising interest rates and the outlook points to moderation on many levels.

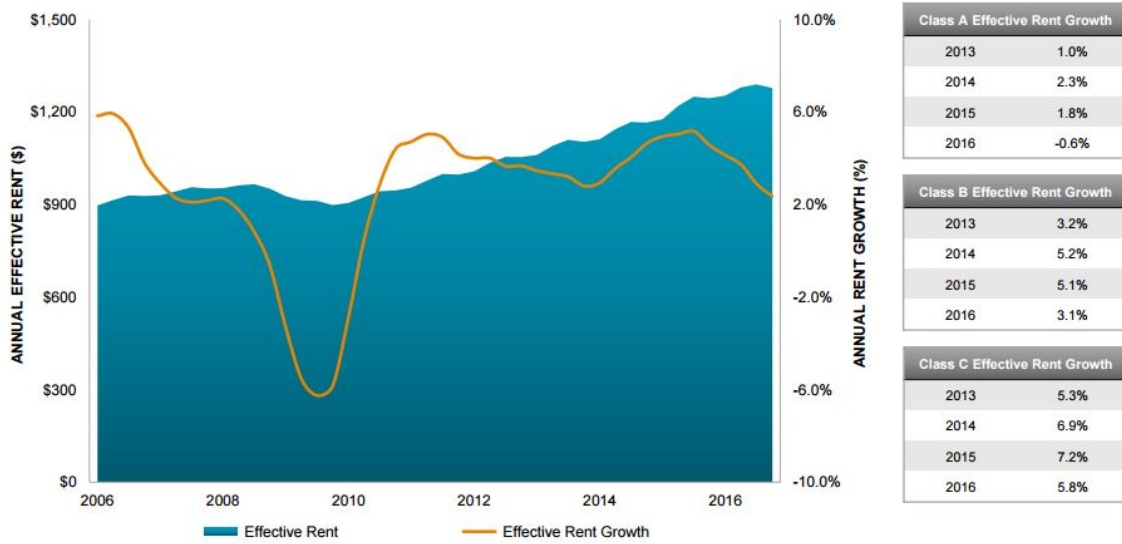
■ **Carlo Castoro** is a current Master of Real Estate Development candidate through a joint program of Portland State University's School of Business Administration and School of Urban Studies and Planning. He is a full time Assistant Manager for Gerding Edlen and part time residential broker with Cascade Sotheby's International Realty. He is the 2017 Multi-Family Graduate Student Fellow at PSU's Center for Real Estate. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.



According to Axiometrics, fourth quarter 2016 national rent growth was less than half of the same time last year falling from 4.6 percent to 2.1 percent. This brings the rate below the long-term average of 2.2 percent for the first time since 2010.

Unemployment and job growth indicators continue to improve nationally. According to the U.S. Bureau of Labor Statistics, seasonally adjusted unemployment fell from 4.9 percent in January to 4.7 percent by the end of 2016. The U.S. economy added, and 124,000 jobs in October, 164,000 jobs in November, and 157,000 jobs in December.

The mid-term outlook signals a regression to the mean in effective growth projections for apartment rents. National Class A effective rent growth has slowed the most, Class B shows above average growth, and Class C shows strong growth figures.



Source: Newmark Grubb Knight Frank Research, Axiometrics

## PORTLAND APARTMENT MARKET OVERVIEW

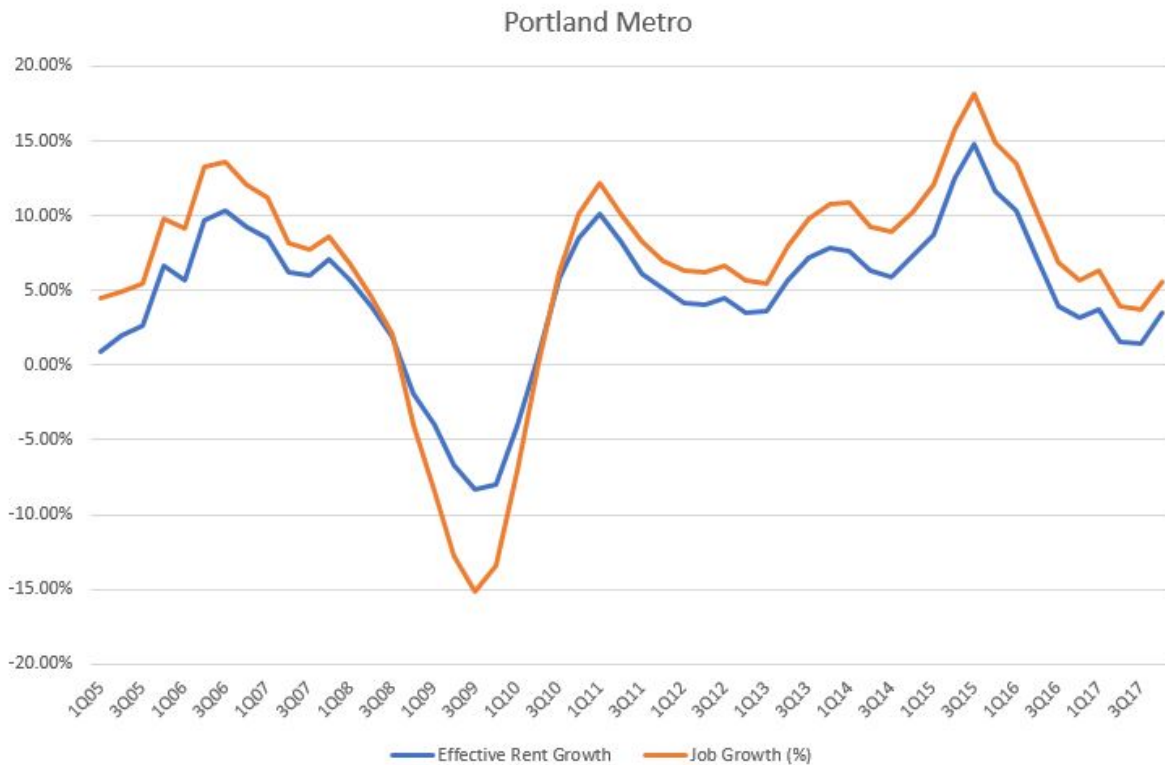
After a steady decline in rent growth since its nation leading peak of 14.78 percent in the third quarter of 2105, the Portland Metropolitan Statistical Area has slid down to 3.16 percent in fourth quarter of 2106. Based on the BLS statistics below, unemployment hit 4.0 percent for the first time in the past 16 years.



When looking for the culprit in declining effective growth rates, the finger is typically pointed at supply side issues which tend to be more visible to the public eye. However, when training your eye on the data, perhaps the strongest correlating fac-

tor to rent growth is the growth rate in jobs. Certainly, individual submarkets are affected by deliveries but entire MSA’s tend to ebb and flow with job growth.

If Portland has reached full employment and effective rent growth is tied to job growth it stands to reason that effective rent growth will remain suppressed moving forward. As in migration continues to remain strong in Portland, the question lingers as to whether there will be sufficient jobs to greet newcomers upon arrival.



The decline in Portland effective rent growth rates is often discussed but the numbers show this effect is largely localized to Class A city core submarket. Portland suburbs specifically Gresham, Milwaukie, Vancouver, and Tigard/Oswego/Wilsonville had an outstanding fourth quarter and overall 2016. Costar forecasts this trend to significantly moderate in 2017 and beyond. Meanwhile, rent growth in the Northwest submarket dipped into negative territory due to the onslaught of deliveries in 2016.



## Effective Rent Growth Ranking

Submarket	Rank	4Q16	LTA*	Forecast	
				2016	2017-2020
East Gresham	1	8.1%	3.7%	11.2%	3.8%
Milwaukie/Oregon	2	8.0%	3.4%	8.8%	3.3%
Vancouver	3	7.2%	3.2%	8.0%	3.7%
Tigard/Oswego/Wilsonville	4	5.5%	3.1%	8.2%	3.3%
Beaverton	5	2.8%	3.3%	7.0%	3.0%
Northeast	6	-0.5%	3.7%	2.0%	2.6%
Northwest	7	-1.6%	3.0%	-0.1%	2.9%
<b>Market Average</b>		4.2%	3.3%	6.4%	3.3%

\*LTA - Long term average 1996 (or available) to current

## Occupancy Ranking

Submarket	Rank	4Q16	LTA*	Forecast	
				2016	2017-2020
Vancouver	1	96.2%	95.1%	96.5%	95.2%
East Gresham	2	95.6%	96.4%	96.4%	95.2%
Milwaukie/Oregon	3	95.4%	94.0%	96.1%	96.0%
Tigard/Oswego/Wilsonville	4	95.1%	94.1%	95.7%	95.4%
Beaverton	5	94.5%	94.0%	95.5%	95.3%
Northeast	6	92.7%	95.4%	94.4%	95.6%
Northwest	7	92.7%	94.0%	93.6%	94.1%
<b>Market Average</b>		94.6%	94.7%	95.5%	95.3%

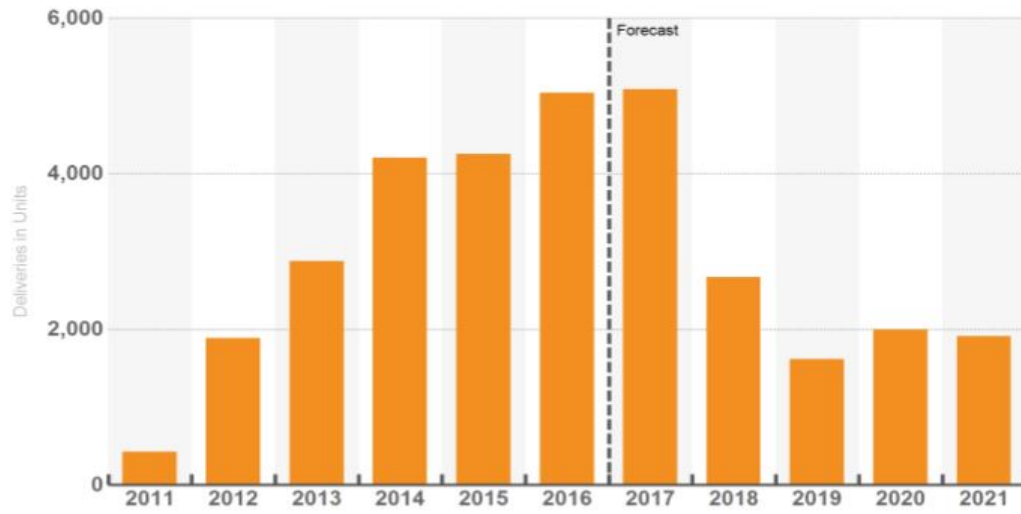
\*LTA - Long term average 1996 (or available) to current

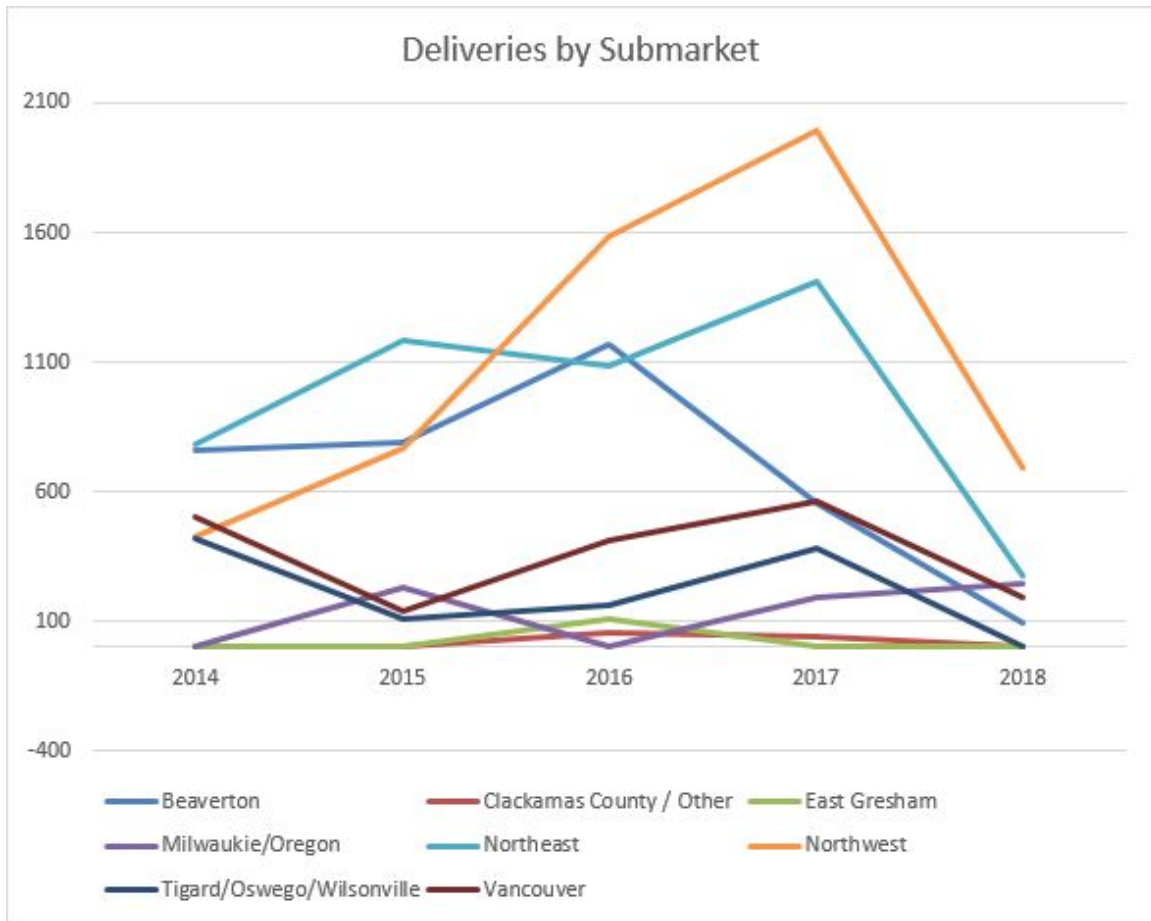
## Overview

Portland OR Apartment

NET DELIVERIES

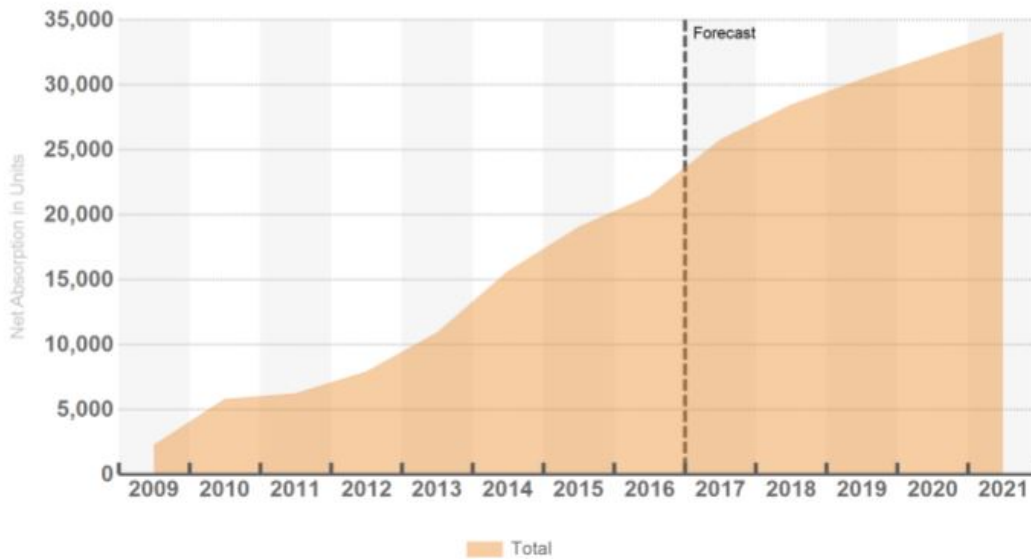
As of end 2016 Q4





CUMULATIVE NET ABSORPTION

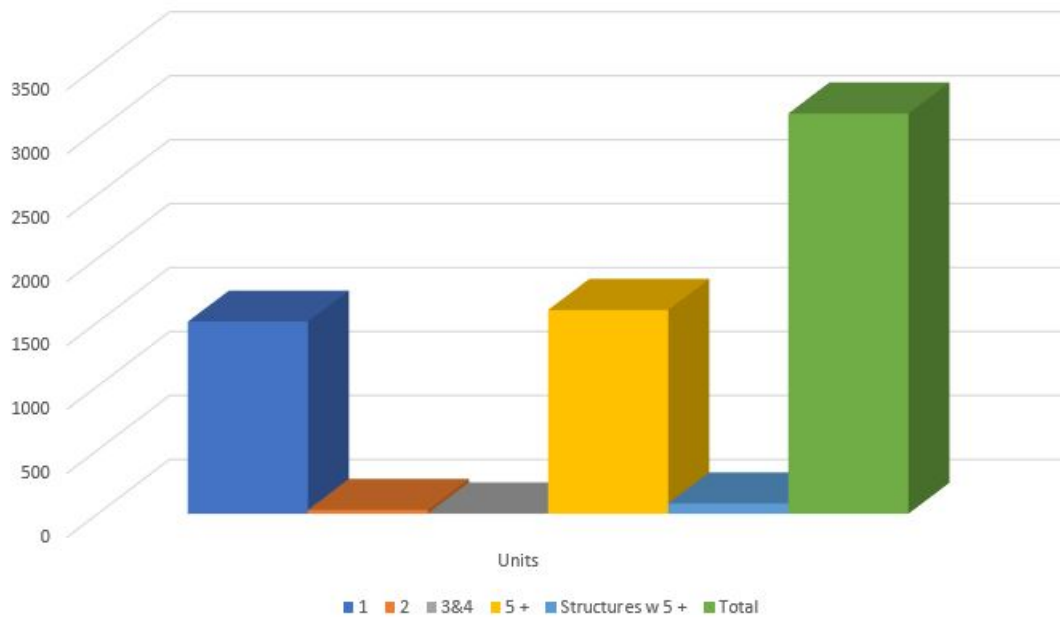
As of end Q4 2016



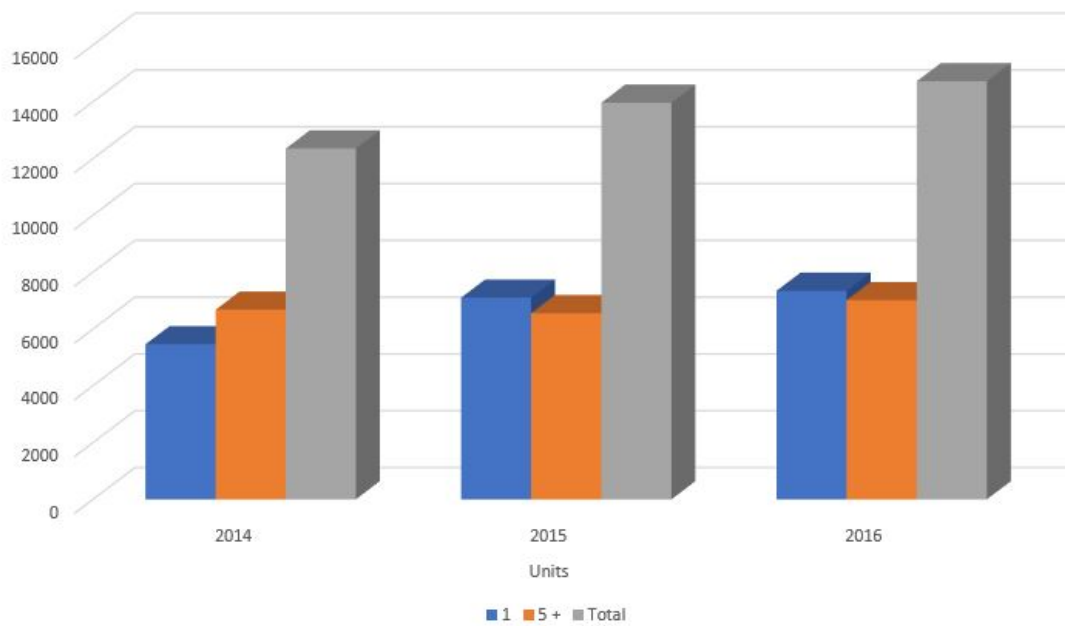
**PERMITS & CONSTRUCTION**

The following information pertains to building permit issuances for the fourth quarter of 2016 and year-to-date totals for projects with 1, 2, 3&4, 5+, and structures with 5+ units as tracked by the U.S. Census Bureau. Year-to-date totals show that the Portland-Vancouver-Hillsboro area issued 81 building permits for structures of five units or more, equaling to 1,594 units. This brings the 2016 annual multifamily unit total to 7,014 which is slightly less than the single family total of 7,344. Total permits have climbed steadily in the past 3 years, clocking in at 12,356 in 2014, 13,967 in 2015, and 14,723 in 2016.

Portland Metro Area Permits



Annual Portland Metro Permits



## TRANSACTIONS

Listed below is a table of significant multifamily transactions, courtesy of Colliers International, that have occurred in the Portland MSA/4Q2016.

PORTLAND MULTIFAMILY MARKET							
SIGNIFICANT SALES							
PROPERTY	ADDRESS	SALE DATE	SALE PRICE	# UNITS	PRICE/UNIT	PRICE/SF	YEAR BUILT
LaSalle Apartments	15021 SW Millikan Way	11/10/2016	\$140,000,000	566	\$247,350	\$136.30	1997
The YARD	22 NE 2nd Ave	12/14/2016	\$126,848,480	284	\$446,650	\$551.52	2016
Eddylne Bridgeport	18049 SW Lower Boones Ferry Rd	11/18/2016	\$118,100,000	367	\$321,798	\$344.40	2014
Seven West at the Trails	14790 SW Scholls Ferry Rd	11/30/2016	\$96,000,000	423	\$226,950	\$276.47	1996
Alara Hedges Creek	8900-8975 SW Sweek Dr	12/1/2016	\$93,000,000	408	\$227,941	\$246.28	1998
The Terraces <sup>1</sup>	19000 NW Evergreen Pky	12/1/2016	\$78,340,000	373	\$210,026	\$207.63	1989
One Jefferson <sup>2</sup>	1 Jefferson Pky	10/14/2016	\$78,000,000	348	\$224,138	\$214.38	1987
The Club <sup>1</sup>	2323 NW 188th Ave	12/1/2016	\$72,980,000	352	\$207,329	\$221.55	1989
Domaine at Villebois	28900 SW Villebois Dr	10/27/2016	\$63,250,000	274	\$230,839	\$237.56	2008
Rowlock <sup>3</sup>	6380 NE Cherry Dr	10/4/2016	\$57,844,293	255	\$226,840	\$179.54	2015
Sofi at Cedar Mill	11785 NW Timberview Ln	10/11/2016	\$55,000,000	238	\$231,092	\$121.43	2010
Vector Apartments <sup>3</sup>	967 NE Orenco Station Loop	10/4/2016	\$52,173,283	230	\$226,840	\$248.44	2016
Walnut Grove Landing <sup>4</sup>	4701 NE 72nd Ave	12/9/2016	\$49,671,233	296	\$167,808	\$163.66	1990
HUB 9 <sup>3</sup>	980 NE Orenco Station Loop	10/4/2016	\$28,128,205	124	\$226,840	\$248.45	2015
Carriage House <sup>4</sup>	4714 NE 72nd Ave	12/9/2016	\$26,849,315	160	\$167,808	\$165.21	1993
Carriage Park <sup>4</sup>	5000 NE 72nd Ave	12/9/2016	\$21,479,452	128	\$167,808	\$169.08	1993

1 - 2 properties transacted as part of a \$1.8B multi-state Office, Industrial, and Multifamily portfolio from Alecta (Swedish pension fund) to Blackstone.

2 - The sale of 1 Jefferson was initially reported in Q3 and will not be double counted in sales volume total.

3 - 3 properties transacted as part of a \$317M 4-property portfolio from Holland Partner Residential to Blackstone. 4th property in Seattle.

4 - These comprise a 3-property \$98M Multifamily sale from Security Properties to Apartment Realty Advisors.

Here are additional transactional fundamentals from ABR Winkler Real Estate Services comparing year-end totals between 2015 and 2016.

	December 2016	December 2015
Median Price Per Sq Foot ▲	\$129.82	\$120.96
Median Cap Rate ▼	5.50%	5.60%
Dollar Volume ▲	\$2,792,208,889	\$2,071,999,063
Median Gross Rent Multiplier ▼	9.58	9.64
Median Price Per Unit ▲	\$112,250	\$106,667
Average Price ▲	\$9,972,175	\$7,453,234
Average No of Units ►	48	48

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# OFFICE MARKET ANALYSIS

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MELISSA BEH

Portland State University

Overall, in 2016, the US the occupancy growth within the office market stayed steady over the last two years; 6.5 million square feet of net absorption was recorded. Despite the low unemployment rate there was a shortage of skilled talent which restricted expansion in many technology markets. New York City and Washington D.C. both saw a negative net absorption in the fourth quarter, mainly in the tech and finance industries, though the tech sector remained one of the office market's main occupiers. Portland's also saw a slowing in the tech sector which resulted in a spike in sublease availability. But overall both the U.S. and Portland office markets set records in 2016 and ended the year strong.

Portland Metro's vigorous fourth quarter is creating a healthy beginning for 2017:

- ✧ **JLL** emphasized Portland's intense construction activity wherein 1.1 million square feet of new office space was delivered in 2016; which is the largest amount in over 15 years. And 2017 has more than 1.4 million square feet planned for construction making it an even bigger year than 2016.

■ **Melissa Beh** is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions are those of the author solely and do not represent the opinions of any other person or entity.

- ✧ **Colliers** focused on the fourth quarter's market strengths, including living costs relative to other west coast cities, a well-educated and fair paid work force, as well as a diversified economy.
- ✧ **CBRE** highlighted the fact that 2016 was one of the strongest years for major construction in Portland as well as redevelopment. The year ended with record breaking rental rates and low vacancy rates despite the high amount of square footage delivered, setting up 2017 to be an even more successful year.

## VACANCY

**Table 1: Total Vacancy Rates by Brokerage and Class, Fourth Quarter 2016**

<b>Brokerage</b>	<b>Total</b>	<b>CBD</b>	<b>CBD Class A</b>	<b>CBD Class B</b>	<b>CBD Class C</b>	<b>Suburban</b>
<b>CBRE</b>	10.12 %	9.5%	9.8%	8.0%	6.8%	11.6%
<b>Colliers</b>	8.6%	10.5%	11.2%	10.4%	8.1%	--
<b>JLL</b>	9.4%	8.7%	8.7%	8.4%	9.2%	9.1%

Source: JLL; CBRE; Colliers International

CBRE's data shows vacancy rates in Portland and the suburbs rose slightly overall though Class C fell a significant amount from 7.6 percent to 6.8 percent. The Suburban market vacancy rate stayed below 12 percent landing at 11.6 percent. JLL reported the Lloyd district rose to 4.1 percent from a 3.8 percent vacancy rate in the third quarter, and the total vacancy was at 9.4 percent, a slightly higher rate than the 9.0 percent reported in the previous quarter.



**Table 2: Portland Direct Vacancy Rate by Market area and Submarket, Fourth Quarter 2016**

<b>Location</b>	<b>Q4</b>	<b>Change from Q3</b>
Portland CBD	8.7%	0.5%
Lloyd District	4.1%	-.3%
<b>Portland Central City</b>	<b>8.2%</b>	<b>-0.5%</b>
Clackamas / Milwaukie Totals	7.2%	0.4%
Airport Way/Columbia Corridor	19.6%	-3.7%
Close In Eastside	4.9%	0.7%
Outer Eastside	9.8%	-0.3%
<b>Portland Eastside Suburbs</b>	<b>9.7%</b>	<b>1.0%</b>
217 Corridor / Beaverton	13.5%	1.4%
I-5 South Corridor	12.0%	.5%
Kruse Way	8.5%	1.1%
Northwest	4.5%	-0.9%
Sunset Corridor	9.5%	-.5%
SW Close In	6.4%	0.2%
<b>Portland Westside</b>	<b>9.6%</b>	<b>0.1%</b>
Cascade Park/Camas	5.8%	-0.6%
CBD/West Vancouver	7.9%	0.0%
Hazel Dell / Salmon Creek	3.7%	2.5%
Orchards/Outer Clark	12.7%	-1.6%
St. John's Central Vancouver	23.8%	-0.1%
Vancouver Mall	5.0%	-0.8%
<b>Vancouver Suburbs</b>	<b>8.1%</b>	<b>0.0%</b>
<b>Portland Metro</b>	<b>8.8%</b>	<b>-0.2%</b>

Source: JLL

## RENTAL RATES

**Table 3: Average Quoted Rates (\$/SF FSG) by Brokerage and Class, Fourth Quarter 2016**

<b>Brokerage</b>	<b>Average</b>	<b>CBD</b>	<b>Suburban</b>	<b>CBD Class A</b>	<b>CBD Class B</b>	<b>CBD Class C</b>
<b>CBRE</b>	\$25.72	\$29.15	\$22.46	\$31.24	\$29.54	\$24.65
<b>Colliers</b>	\$24.70	\$30.11	--	\$32.70	\$29.60	\$23.84
<b>JLL</b>	\$27.56	\$31.47	\$23.97	\$33.48	\$31.35	\$25.94

Source: CBRE, Colliers International, JLL

CBRE reported an overall rise in rental rates (5% increase year-over-year for the second quarter in a row), and reported rates from Colliers International and JLL also increased. JLL reported the highest rates both overall (\$27.56) and in the CBD (\$31.47), more than a dollar higher from their third quarter reports. As expected, rates from all sources have continued to trend up, though rates are growing at a slower pace than in first and second quarters.

**Table 4: Portland Average Direct Asking Rent (\$/p.s.f.) Ranked by Market Area and Submarket, Fourth Quarter 2016**

<b>Location</b>	<b>Q4</b>	<b>Change from Q3</b>
Portland CBD	\$31.47	\$1.25
Lloyd District	\$28.75	(\$0.99)
<b>Portland Central City</b>	\$31.23	\$1.12
Clackamas / Milwaukie Totals	\$21.25	\$0.70
Airport Way/Columbia Corridor	\$20.56	\$0.67
Close In Eastside	\$29.36	\$3.81
Outer Eastside	\$20.25	\$2.25
<b>Portland Eastside Suburbs</b>	\$24.79	\$3.06
217 Corridor / Beaverton	\$22.32	(\$0.01)
I-5 South Corridor	\$23.80	\$0.19
Kruse Way	\$29.56	(\$0.8)
Northwest	\$37.83	\$4.78
Sunset Corridor	\$22.73	\$0.03
SW Close In	\$20.23	\$0.03
<b>Portland Westside</b>	\$26.29	\$2.73
Cascade Park/Camas	\$20.85	\$0.59
CBD/West Vancouver	\$23.18	\$0.29
Hazel Dell / Salmon Creek	\$21.50	(\$1.13)
Orchards/Outer Clark	\$18.13	(\$0.87)
St. John's Central Vancouver	\$20.35	\$1.28
Vancouver Mall	\$15.82	\$1.03
<b>Vancouver Suburbs</b>	\$20.85	\$0.44
<b>Portland Metro</b>	\$27.56	\$1.56

Source: JLL

## ABSORPTION AND LEASING

**Table 5: Net Absorption (square feet) by Brokerage and Area, Fourth Quarter 2016**

<b>Brokerage</b>	<b>Overall</b>	<b>CBD</b>	<b>Suburban</b>
CBRE	(80,141)	(87,881)	(7,009)
Colliers	121,350	(31,334)	----
JLL	65,432	10,774	----

Source: JLL; CBRE; Colliers International

CBRE reported an overall negative net absorption in all Portland Metro markets in the fourth quarter, whereas Colliers International and JLL only reported negative absorption in the CBD. CBRE points to the slowing tech sector and major construction deliveries for these fourth quarter absorption rates. Despite these lower rates Portland still ended 2016 with an annual total of 782,090 square feet of positive net absorption.

**Table 6: Notable Lease Transactions, Fourth Quarter 2016**

<b>Tenant</b>	<b>Building/Address</b>	<b>Market</b>	<b>Square Feet</b>
Elemental Technologies	1320 SW Broadway St.	CBD	101,400
Consumer Cellular	12259-12447 SW 69 <sup>th</sup> Ave.	Tigard	82,140
DAT Solutions, LLC	Creekside Corporate Park – Bldg 1	217 Corridor/Beaverton	53,792
D+H	1320 SW Broadway St.	CBD	45,617
Tillamook	The Pettygrove Bldg.	NW Close-in	45,000
Virginia Garcia Memorial Health Center	3305 NW Aloclek Dr.	Sunset Corridor/Hillsboro	40,294
Puppet Labs Inc.	Block 300	CBD	37,889
Vacasa Rentals	River Tec	CBD	37,441

Source: Colliers International; CoStar

## SALES TRANSACTIONS

Colliers International and CoStar both noted one of the largest transactions in the fourth quarter as the Pacwest Center in the CBD, a significant building in Portland's skyline. With a total price of \$170, 000,000 it is one of the most notable transactions in recent history.

**Table 7: Notable Sales Transactions, Fourth Quarter 2016**

<b>Building Address</b>	<b>Submarket</b>	<b>Price</b>	<b>Price/SF</b>	<b>SF</b>
Pacwest Center	CBD	\$170,000,000	\$311.63	545,522
Pioneer Tower	CBD	\$121,750,000	\$411	296,239
Park Square Campus	CBD	\$94,350,000	\$318.98	295,789
Commonwealth Building	CBD	\$69,000,000	\$316	218,49
Meier & Frank Unit 2	CBD	\$54,150,000	\$259.69	208,517
CDK Plaza	CBD	\$33,368,000	\$174.77	180,772
1500 Plaza Building	Lloyd	\$14,575,000	\$200.84	72,570
Centre 205	Mall 205	\$5,800,000	\$197.87	29,312
618 NW Gilsan	CBD	\$5,600,000	\$154.38	36,274
Creekside Corporate Park Bldg 7	217 Corridor/Beaverton	\$4,275,000	\$192.68	22,187

Source: CoStar; Colliers International

## **DELIVERIES AND CONSTRUCTION**

CBRE's data shows that 782,090 SF of office space was delivered in 2016 and JLL reports over 1.4 million SF of office space is currently under construction with 24 percent already preleased. Three notable projects delivered this quarter were Albina Yard, a new construction development in NE; Overland Warehouse, an adaptive reuse project in the CBD; and one of the largest projects was 38 Davis – almost 100,000 sq. ft. in the CBD developed by Gerding Edlen. 2017 won't see much of a slowing in deliveries, especially first and second quarters when multiple developments are expected to be completed.

With these new projects coming on the market rental rates are expected to keep rising, though not at the unprecedented rates that Portland has seen the last couple of years. Vancouver accounted for almost 60% of Portland's suburban market's net absorption in 2016 – in part due to a large Banfield Pet Hospital project.

**Table 8: Portland Office Market Construction and Deliveries by Submarket, Fourth Quarter 2016**

	<b>Deliveries (YTD)</b>	<b>Under Construction</b>	<b>% of Total Construction</b>
Portland CBD	722,531	466,738	64%
Lloyd District	28,563	45,098	63%
<b>Portland Central City</b>	<b>751,094</b>	<b>511,836</b>	<b>68%</b>
Clackamas / Milwaukie Totals	16,720	17,500	95%
Airport Way/Columbia Corridor	0	0	--
Close In Eastside	161,896	329,741	49%
Outer Eastside	0	0	--
<b>Portland Eastside Suburbs</b>	<b>178,616</b>	<b>347,241</b>	<b>51%</b>
217 Corridor / Beaverton	0	0	--
I-5 South Corridor	0	0	--
Kruse Way	0	0	--
Northwest	40,933	465,454	8.7%
Sunset Corridor	0	0	--
SW Close In	0	110,120	--
<b>Portland Westside</b>	<b>40,933</b>	<b>575,574</b>	<b>7%</b>
Cascade Park/Camas	206,000	0	--
CBD/West Vancouver	0	0	--
Hazel Dell / Salmon Creek	0	0	--
Orchards/Outer Clark	0	0	--
St. John's Central Vancouver	0	0	--
Vancouver Mall	0	0	--
<b>Vancouver Suburbs</b>	<b>206,000</b>	<b>0</b>	<b>--</b>
<b>Portland Metro</b>	<b>1,176,643</b>	<b>1,434,651</b>	<b>100%</b>

Source: JLL



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# INDUSTRIAL MARKET ANALYSIS

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ANDREW CRAMPTON

Portland State University

Industrial development activity continued in the Portland area at a rapid pace, with strong fundamentals despite gradual tapering of leasing and sale activity. The market delivered over 2.4 million square feet in 2016, with an additional 2.5 million square feet under construction and anticipated for delivered during 2017. Due to high-demand and limited available supply, users are seeking space far into the outer reaches of the Portland region. Construction has started at the 43.5 acre Vancouver Portside Industrial Park, and sites as far north as Ridgefield and as far south as Woodburn are coming into play in 2017. Portland's average deal size for 2016 was 19,517 square feet, which is slightly less than 2015 but still significantly higher than the five year average of 17,426 square feet, according to CBRE.

## VACANCY AND RENTS

High demand stemming from a strong manufacturing jobs market and limited supply has held vacancy rates steady the CBRE reports a stifling 3.4 percent vacancy rate. Year-over-year, vacancy declined over 26 percent.

■ Andrew Crampton is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

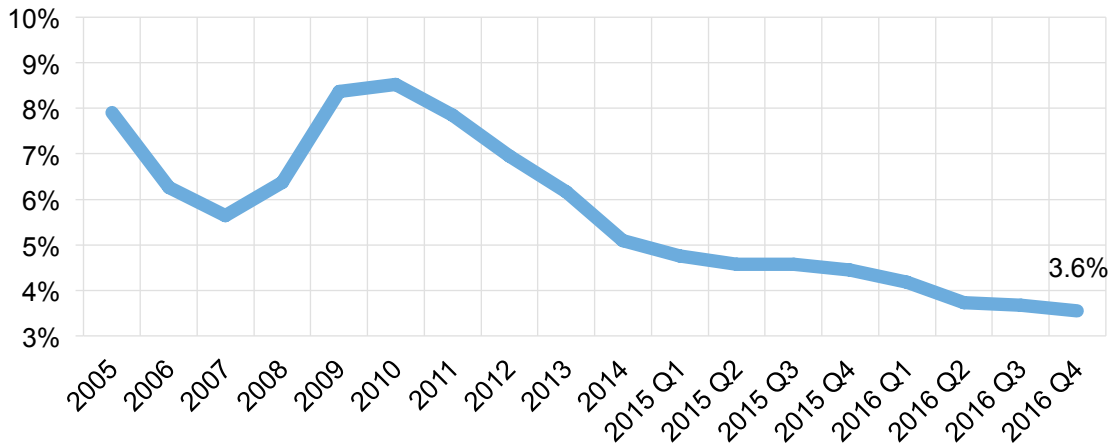
**Table 1: Portland Metro Industrial Quarterly Report Survey Q4 2016**

	Colliers	JLL	CBRE	Kidder Mathews	Average Q4 2016
<b>Vacancy</b>					
Total Vacancy	3.90%	3.40%	3.40%	3.50%	3.55%
Flex	8.30%	7.60%	-	-	7.95%
Weighted Average	4.30%	3.79%	3.40%	3.50%	<b>3.75%</b>
<b>Rents *</b>					
Industrial Market	\$0.52	\$0.59	\$0.44	\$0.55	\$0.53
Flex	\$1.03	\$0.94	N/A	N/A	\$0.99
Weighted Average	\$0.57	\$0.62	\$0.40	\$0.55	<b>\$0.54</b>

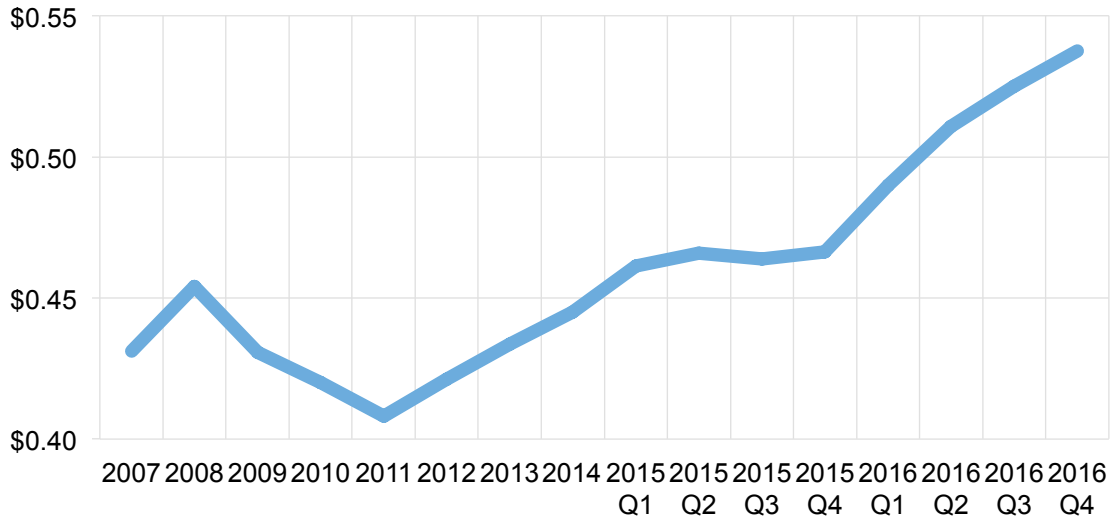
\* Asking rents; Industrial = shell space; Flex = shell and office space

JLL reports that Portland experienced its largest 12-month rent increase on record for 2016, increasing 18% to \$0.59 per square foot. New construction delivered overall 83 percent leased. Lease rates have remain mostly unchanged from last quarter despite significant market absorption, with over 850,000 in the fourth quarter. Vacancy is lowest in the Sunset Corridor/Hillsboro at around 2.2%, close-in Portland markets at 2.2 percent and Clackamas/Milwaukee. Overall vacancy is highest in the Rivergate district at 6.4 percent due to substantial recent delivery.

**Figure 1: Portland Metro Distribution/Warehouse Vacancy Rate, 2007–2016 Q4**



Sources: Average of Quarterly Reports from CBRE, JLL, Colliers, Kidder Matthews

**Figure 2: Portland Metro Distribution/Warehouse Asking Rents, 2007–2016 Q3**

Sources: Average of Quarterly Reports from CBRE, JLL, Colliers, Kidder Matthews

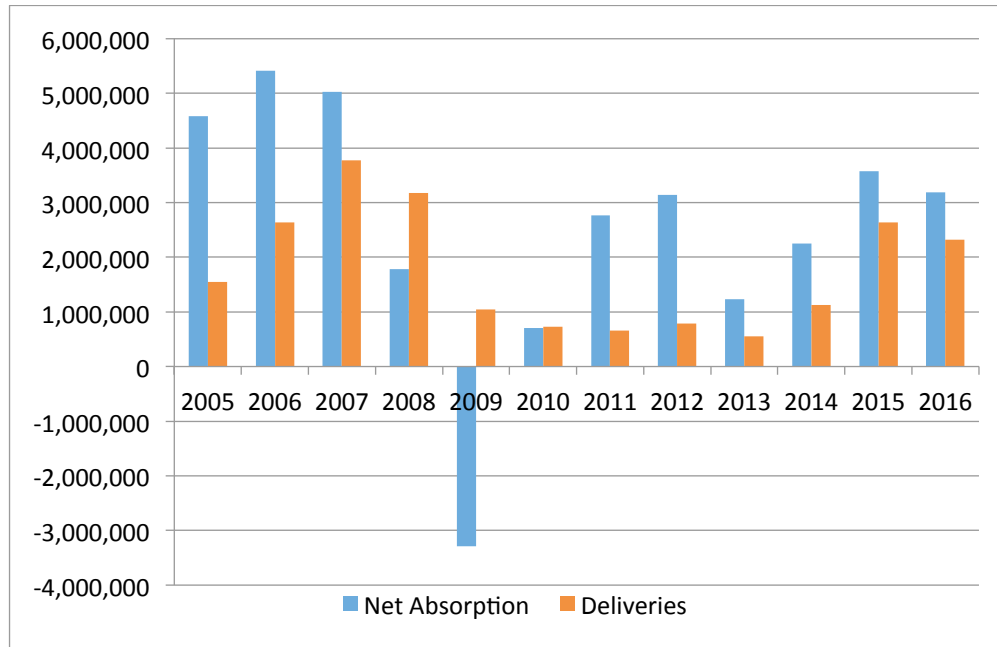
## ABSORPTION AND DELIVERIES

Colliers reports that excluding build-to-suit and owner/user, six buildings totaling 635,835 square feet were delivered in the fourth quarter, with a 92 percent leased at delivery. Dermody properties is nearing completion of two out of three planned buildings at the LogistiCenter in the Airport Way corridor.

**Table 1 Portland Metro Industrial Net Absorption Last 4 Quarters (Source: JLL)**

	Distribution/Warehouse	Flex	Total
<b>Q1 2016</b>	573,104	5,696	578,800
<b>Q2 2016</b>	671,376	97,354	768,730
<b>Q3 2016</b>	427,411	174,317	601,728
<b>Q4 2016</b>	1,299,376	99,682	1,399,058
<b>2016 Total</b>	2,971,267	377,048	3,348,315

Source: JLL

**Figure 3: Portland Metro Industrial Net Absorption & Deliveries, 2005–2016**

Sources: 2006-2016 Colliers Quarterly Reports

## INVESTMENT ACTIVITY

Investment activity continued a strong face even while facing increasingly limited available opportunities. Lincoln Property Company acquired Commerce Park portfolio, consisting of five industrial parks. Capacity Commercial reports that the 1,392,407 square foot portfolio sold for \$80.66 a square foot, with a cap rate of about 6 percent. Other major transactions include the sale of the Terminal 1 site in NW Portland to Lithia Motors for \$12 million to development a 395,000 square foot manufacturing hub on the 14-acre waterfront site.

**Table 4: Notable Portland Metro Industrial Lease Transactions Q4 2016****Notable Leases****Q4 2016**

<b>Tenant</b>	<b>Building</b>	<b>Submarket</b>	<b>Size (s.f.)</b>	<b>Type</b>
USA Warehousing & Logistics Inc.	Rivergate Logistics Center	Rivergate	101,131	New
Aaron's Inc.	Rivergate Logistics Center	Rivergate	97,625	Renewal
Malarky Roofing Company	10603 N Lombard Street	Rivergate	65,369	New
Bridgetown Trucking	7726 NE 33 <sup>rd</sup> Drive	Airport Way	51,650	Expansion
PODS Enterprises	Clackamas Commons	Clackamas/Milwaukee	45,165	New

Sources: CBRE and Colliers

**LOOKING AHEAD**

The industrial market has begun to follow the office market trend of supplying co-working space. The largest fourth quarter lease was co-working warehouse NW Flex Space, delivering 205,000 square feet in Milwaukie. This venture allows smaller companies access to expensive equipment such as forklifts.

Additional trends in the industrial market are the rise of third-party logistics. JLL reports that 58.9 percent of current Industrial Market demand is from logistics and distribution tenants.

Major projects on the horizon for 2017 include Specht's Vista Logistics and Trammell Crow's Glisan Corporate Park, which both have accommodations for 150,000 square feet and larger users.

Although substantial supply is scheduled for delivery to the market in 2017, demand remains high and vacancy will continue to remain at record lows; pushing rents even further upwards. The industrial market will continue its strong performance in 2017, with little drop-off on the horizon. ■