

INDUSTRIAL/FLEX REPORT

Portland Metro Area | Fourth Quarter 2011



TRENDS:

Vacancy Rate

INDUSTRIAL FLEX



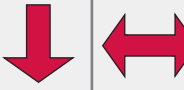
Net Absorption

INDUSTRIAL FLEX



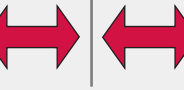
Construction

INDUSTRIAL FLEX



Asking Rents

INDUSTRIAL FLEX



OVERVIEW

Industrial vacancy fell slightly during Fourth Quarter to 14.22%, with about 9,000 sf of positive absorption. The industrial market ended 2011 with positive absorption of more than 300,000 sf for the year. The only delivery during Fourth Quarter was Subaru's 413,700 sf facility at Rivergate Corporate Center III in North/Northeast.

Flex vacancy fell significantly to 17.51% during Fourth Quarter. This was largely due to 126,000 sf in leases at Evergreen Corporate Center, bringing that park to full occupancy and pushing vacancy in Southwest Sunset down more than three percentage points to 19.18%. At Nimbus Corporate Center in Southwest 217, Building 14 (28,850 sf) became available after Bally Total Fitness closed in December.

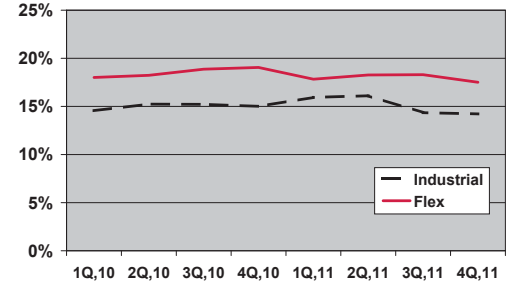
Market Trends

Nationally, the manufacturing market has been a positive force in America's economic recovery. The Institute for Supply Management's manufacturing index rose significantly in November, and its employment index in December was the highest in six months.

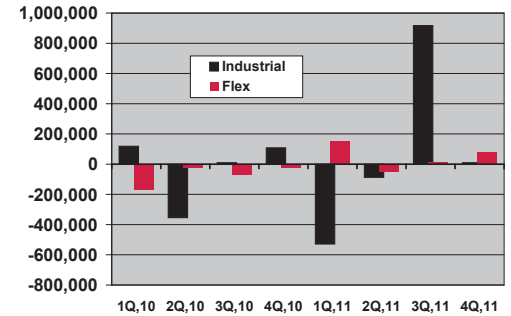
Locally, leaders are anticipating continued high demand for large parcels of industrial land. The Metro Council voted in October to add a 330-acre industrial area north of Hillsboro to the Urban Growth Boundary (UGB), but local stakeholders remain concerned that more developable industrial land needs to be added in the UGB to attract significant new manufacturing business to the area.

The Port of Portland is working on industrial expansion, as well. It paid \$26.5 million for the 222-acre LSI Logic Corp. site in October; it will work with the City of Gresham to prepare the property for development and market it, and expects that the project will create about 2800 jobs. And the Port continues to explore the annexation of West Hayden Island and the development of a 300-acre marine terminal there,

Vacancy Comparison (%)



Absorption Comparison (SF)



though significant opposition from environmental groups concerned about the impact on animal habitat has slowed progress. The Port of Vancouver is also working on increasing its rail capabilities by investing about \$150 million on the West Vancouver Freight Access project, which will add 27 miles of tracks.

Major Lease Transactions

| Tenant: | Building: | Size (SF): | Submarket: |
|-----------------------|-----------------------------------|------------|------------------|
| Power Freight Systems | 22310 NW Wagon Way | 85,600 | Southwest Sunset |
| Ajinomoto | 4901 SE 24th Avenue | 79,556 | Southeast |
| DW Fritz | Leveton Corporate Center - Bldg B | 60,040 | Southwest I-5 |

Source: CoStar, Oregonian, Portland Business Journal, Daily Journal of Commerce

Major Sale Transactions

| Buyer: | Building: | Price: | Submarket: |
|------------------------|---------------------------------|--------------|---------------|
| Huntair Properties LLC | 19855 SW 124th Avenue | \$17,700,000 | Southwest I-5 |
| Lumber Products | 11555 SW Myslonny Street | \$7,250,000 | Southwest I-5 |
| Oregon Worsted Company | 6803 SE Johnson Creek Boulevard | \$5,350,000 | Southeast |

Source: CoStar

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| SUBMARKET | INVENTORY (SF) | TOTAL AVAILABLE (SF) | % VACANT | TOTAL ABSORPTION | UNDER CONSTRUCTION |
|--------------------|-------------------|----------------------|--------------|------------------|--------------------|
| INDUSTRIAL* | | | | | |
| North/Northeast | 21,360,549 | 3,346,802 | 15.67 | 12,232 | 0 |
| Northwest | 1,478,250 | 157,698 | 10.67 | (15,100) | 0 |
| Southeast | 6,586,097 | 916,507 | 13.92 | (28,563) | 0 |
| Southwest 217 | 2,677,218 | 508,330 | 18.99 | 19,090 | 0 |
| Southwest I-5 | 8,965,346 | 1,284,790 | 14.33 | (22,850) | 150,423 |
| Southwest Sunset | 3,273,692 | 154,148 | 4.71 | (14,791) | 0 |
| Vancouver | 8,318,937 | 1,118,659 | 13.45 | 59,334 | 341,000 |
| TOTAL | 52,660,089 | 7,486,934 | 14.22 | 9,352 | 491,423 |
| FLEX* | | | | | |
| North/Northeast | 564,955 | 100,686 | 17.82 | (18,158) | 0 |
| Southeast | 263,229 | 31,538 | 11.98 | (401) | 0 |
| Southwest 217 | 2,932,674 | 501,397 | 17.10 | (18,956) | 0 |
| Southwest I-5 | 1,042,316 | 78,386 | 7.52 | (15,643) | 0 |
| Southwest Sunset | 5,240,661 | 1,005,117 | 19.18 | 178,009 | 0 |
| Vancouver | 976,178 | 212,456 | 21.76 | (48,817) | 0 |
| TOTAL | 11,020,013 | 1,929,580 | 17.51 | 76,034 | 0 |

*Additions and Subtractions to the numbers above are in our detailed report.

Featured Deals



Power Freight Systems Lease

Power Freight Systems, a third party logistics company, leased 85,600 sf at the former USPS Hillsboro Distribution Center, 22310 NW Wagon Way, Hillsboro. Real Estate Broker Scott Pierce and Vice President Ken Boyko represented the lessor.



Gran Prix Imports Sale

Toma Properties, LLC purchased Gran Prix Imports, a 23,136 sf flex/industrial building in Wilsonville, for \$2.3 million from Management West, LLC. Senior Vice President Scott MacLean and Real Estate Broker Scott Pierce represented both parties.

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