



Face of Northwest Portland changes

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When you think of Northwest Portland, fine restaurants and upscale boutiques often come to mind. The heavy industry of the Northwest Portland Industrial Area often doesn't.

But when the wind blows in the right direction, the smells of heavy industrial tenants that make up the backbone of our fair city remind us what the Pearl District used to be.

If you aren't one of the many new residents who've arrived in the last 10 years, you might remember when the Pearl District was home to industrial, warehouse and showroom tenants, selling everything from hardware and flooring to plumbing supplies. But as the Pearl District changed, so did the industrial district to its north.

The district is still home to heavy manufacturing and warehouse tenants, like tractor part manufacturer Esco and railcar maker Gunderson. But these tenants are slowly being replaced by the many flooring and showroom companies that were displaced from the Pearl District when it went through its metamorphosis in the late 1990s. No longer able to afford the rental rates or manage the congestion of the Pearl District, these companies – along with old Pearl District staples like McClaskey's Wine & Spirits, Metropolitan Presort, the Powell's Books warehouse and Chown Hardware – relocated or expanded to the Northwest Portland Industrial Area.

Today, the list of tile, granite and flooring companies in the Northwest Portland Industrial Area reads like a who's who of the flooring industry: Florida Tile, United Tile, Daltile, Pentaflex Granite & Marble and Lumber Liquidators. These companies clustered in Northwest Portland for its proximity to greater Portland as well as the availability of large warehouse space. Similar companies are looking for space today and require showroom, as well as warehouse, space to stock their inventory. These warehouse spaces are relatively affordable when compared to the expense of a retail location, but this might not be true five years from now.

Currently, the vacancy rate in the industrial district is under 4 percent; anything under 5 percent represents a tight market with little space available. And rental rates have increased as much as 25 percent in the last 18 months, from an average of about 30 cents per square foot to as much as 45 cents for warehouse shell. If current trends continue, these rental rates could go north of 50 cents in the near future.

And sale prices have increased dramatically. Northwest Portland industrial sites are selling for excesses of \$20 to \$30 per square foot compared to \$6 or \$7 for comparable land near the airport. Additionally, building sale prices have risen steadily.

As the Pearl District continues to expand and send its tentacles out into the industrial district, some of the older industrial tenants will have to relocate. Not only will they need large, inexpensive space, but they'll need room to maneuver trucks and configure outside storage – room that's increasingly hard to find in Northwest Portland. Many of these companies have either relocated or opened up satellite operations in other parts of the city and Southwest Washington.

One of the few industrial areas in Portland that still has relatively large, inexpensive space is Rivergate, just west of Interstate 5 and close to the Port of Portland. A few other pockets still exist, such as Northeast Portland and land around the airport, where the port is working to buy a 600-acre parcel. Tenants have also moved to Southwest Washington, along I-5 to Ridgefield and Woodland, while some have moved south to Hubbard and other small cities along the interstate.

Most industrial real estate brokers agree we'll soon be at a critical shortage of large open spaces suitable for industrial and manufacturing tenants. We're already seeing companies move manufacturing to different parts of the country – and the world – where labor, in addition to warehouse space and land, is less expensive.

Many parts of the country are aggressively courting large manufacturing and warehouse companies. It's not unusual to hear of large companies getting land for free or the equivalent through tax breaks or incentives. The city of Yakima, Wash., courted Wal-Mart's warehouse facilities, and Lebanon enticed Lowe's to the Willamette Valley – in both cases, for the purpose of stimulating job growth. The effect of these types of enticements to big-box industrial tenants, and how it may preclude local warehouse and manufacturer tenants from obtaining affordable space, remains to be seen.

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