



PORT OF PORTLAND

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MEMORANDUM from Planning

Date: March 14, 2012
To: Phil Healy
From: Tom Bouillion
Re: Implications of Regional Industrial Land Supply on
Warehouse/Distribution & Manufacturing Location Choice

This memo is in response to your question regarding where a large lot warehouse/distribution or manufacturing use would be likely to locate if approximately 235 acres of industrial property were no longer available for development at TRIP (Troutdale Reynolds Industrial Park) in Troutdale, Oregon.

Current Large Lot Land Supply in the Portland Metro (3-County) Region

The Metro *Urban Growth Report 2009-2030*, adopted in January 2010, describes the inventory of large lot industrial parcels for the Metro service area of Clackamas, Multnomah and Washington Counties as being only 6 parcels in the 50-100 acre range and 4 parcels in the 100 acre plus range.

However, Metro acknowledges that "One lot over 100 acres appears to have been previously developed but the full tax lot is reported as buildable acres" (UGR 2009-2030, p. 82, footnote 20).

The remaining 100 acre plus lots are owned by the Port of Portland, including the TRIP site; SW Quadrant at Portland International Airport (reserved for aviation and aviation-supportive uses); and West Hayden Island (not annexed into the City of Portland and not zoned for industrial use).

Of the six 50-100 acre lots, three are not suitable for warehouse/distribution due to distance from the transportation network and/or topography; one is located at SW Quadrant at Portland International Airport (reserved for aviation and aviation-supportive uses); one is located at West Hayden Island (not annexed into the City of Portland and not zoned for industrial use) and the last one is reserved for solar manufacturing.

In summary, TRIP appears to be the only location in the Metro service area of Clackamas, Multnomah and Washington Counties currently suitable for a

warehouse/distribution or manufacturing use on 50 plus acres, based on the official Metro inventory contained in the UGR 2009-2030.

Projected Large Lot Land Demand in the Portland Metro (3-County) Region

Looking out to 2030, the Metro UGR 2009-2030 projects a shortage of large parcels 50 plus acres in size for all employment uses (UGR 2009-2030, p. 86). The UGR suggests some of the need could be met through tax lot assembly. However, if the demand for large parcel industrial was broken out from the larger demand for all types of employment land, the shortage would likely be even greater.

In addition, the UGR acknowledges that that freight-related land uses have not been considered in the analysis:

“An employment forecast-based approach may also have shortcomings for estimating land demand for rail, air and marine terminal uses. These uses are critical to the health of the region’s economy. Freight terminal uses can require relatively large areas of land, but do not necessarily require high employment densities. Consequently, demand for these uses may not be adequately accounted for using an employment forecast alone.” (UGR 2009-2030, p. 88)

In summary, there is likely a future shortfall of industrial parcels 50 plus acres in size suitable for warehouse/distribution uses in the Metro service area of Clackamas, Multnomah and Washington Counties and the shortfall is likely understated in the Metro UGR 2009-2030.

Other Likely Locations for Warehouse Distribution Users

As noted in the 2006 *Portland/Vancouver International Trade Capacity Analysis* by the RNO consulting group, companies are changing from a just in time four corner national distribution center philosophy to a just-in-case regional distribution center model in secondary markets like Portland. More specifically, warehouse/distribution and logistics companies are shifting south from Seattle and north from Portland along the I-5 corridor.

This concept of a shift to regional distribution centers is also supported in the 2009 white paper *New Age of Trade: The Americas* by the NAIOP Research Foundation states that “Close-in submarkets could gain as long as congestion costs do not hinder the advantage of minimizing LTL (less than truckload) distances. Smaller regional distribution centers like Denver, Charlotte, Portland and Kansas City could see a net gain if companies decide that minimizing those last mile costs outweigh the efficiencies and cost savings offered by size.” (p. 12, sidebar)

Based on the trend toward warehouse/distribution uses shifting south of Seattle and north of Portland along the I-5 corridor, the three likely industrial submarkets include Centralia/Chehalis, Washington; Kelso/Longview, Washington and Kalama/Woodland, Washington.

Conclusion

TRIP is likely the only location in the Metro service area of Clackamas, Multnomah and Washington Counties currently suitable for a warehouse/distribution or industrial use on 50 plus acres, based on the official Metro inventory contained in the UGR 2009-2030. The shortfall in the inventory of parcels of 50 plus acres suitable for this use is likely to increase over time. Likely locations to provide for this warehouse/distribution or manufacturing need include the I-5 corridor between Portland and Seattle.