



# **PLANNING COMMISSION**

## **WEDNESDAY, OCTOBER 9, 2024**

### **WORK SESSION**

3. Wilsonville Industrial Land Readiness (Basalt Creek) (Luxhoj)(60 Minutes)



## PLANNING COMMISSION MEETING STAFF REPORT

<b>Meeting Date:</b> October 9, 2024		<b>Subject:</b> Wilsonville Industrial Land Readiness – Basalt Creek	
		<b>Staff Member:</b> Cindy Luxhoj AICP, Associate Planner, and Dan Pauly, Planning Manager	
		<b>Department:</b> Community Development	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable	
		<b>Comments:</b>	
<b>Staff Recommendation:</b> Staff recommends Planning Commission provide requested input about the Wilsonville Industrial Land Readiness project.			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b> Basalt Creek Concept Plan area			
<input checked="" type="checkbox"/> <b>Council Goals/Priorities:</b> Attract high-quality industry and support economic opportunity for all in Wilsonville	<input checked="" type="checkbox"/> <b>Adopted Master Plan(s):</b> Basalt Creek Concept Plan	<input type="checkbox"/> <b>Not Applicable</b>	

### ISSUE BEFORE COMMISSION

Staff is seeking input from the Planning Commission on the draft Economic Inventory and Land Use Analysis for the first phase of the Wilsonville Industrial Land Readiness (WILR) project.

## **EXECUTIVE SUMMARY:**

At the Planning Commission meeting on September 11, 2024, staff provided background about the first phase of the Wilsonville Industrial Land Readiness (WILR) project that is focused on the Basalt Creek Concept Plan (BCCP) area, including the Basalt Creek and West Railroad future industrial areas in northwest Wilsonville. This first phase of the WILR project lays the foundation for moving the Concept Plan area to a development ready status, thus enabling the City to accept development applications for industrial projects and realizing the area's economic development potential. The first phase includes, among other deliverables, conducting a focused Economic Inventory and Land Use Analysis to inform the drafting of zoning standards and creating an infrastructure funding plan.

The Economic Inventory and Land Use Analysis, prepared by ECONorthwest, provides area-specific foundational information about economic activities in the Basalt Creek area in the context of local and regional markets and what industries may be expected to locate in the planning area in the future. Preliminary key findings of the analysis are listed below and the draft report is included as Attachment 1:

### Key Findings of Economic Inventory/Land Use Analysis:

- Basalt Creek is strategically positioned for industrial development, with the potential to attract a variety of users. Industries that may be particularly attracted to Basalt Creek include:
  - Semiconductor supply chain businesses
  - Clean tech, including those involved in battery storage
  - Alternative energy technologies
- Realizing this potential, however, presents several challenges, particularly related to contractor establishments, which can hinder or complicate redevelopment efforts, availability of infrastructure, lot sizes and property aggregation, natural features including the Basalt Creek canyon, and growing power demands for industrial users.
- The City must navigate these challenges while working towards its vision for Basalt Creek: a diverse mix of industrial uses, higher employment density, high-wage jobs, an enhanced tax base, and increased community prosperity.

The analysis and related findings are preliminary and will be refined through further analysis, stakeholder engagement, and additional discussion with the Planning Commission and City Council. Upcoming tasks include completing the buildable lands inventory, conducting site suitability analyses for key locations, and assessing the feasibility of redeveloping contractor establishments. All these elements will ultimately be synthesized into a comprehensive final report outlining key findings and recommendations.

Following presentation of the project by staff, input is requested from the Planning Commission in response to the questions below:

- What questions or comments does the Planning Commission have about the Economic Inventory and Land Use Analysis report and related preliminary findings?
- Is there anything about the information presented that you find surprising or that changes your view of how the City should be thinking of the Basalt Creek planning area and implementation of the Concept Plan?

**EXPECTED RESULTS:**

Feedback from Planning Commission about this first phase of the WILR project will guide completion of the implementation items in the Concept Plan for the Basalt Creek and West Railroad planning areas, including drafting a package of proposed Code amendments, developing economic development strategies, and preparing an infrastructure funding plan.

**TIMELINE:**

Work sessions with the Planning Commission and City Council for the first phase of the WILR project are anticipated in October through December this year. Planning Commission and City Council public hearings on Code amendments are expected in early to mid-2025 with the infrastructure funding plan work occurring throughout 2025.

**CURRENT YEAR BUDGET IMPACTS:**

Funding for the current work on the first phase of the WILR project is allocated in the FY2024-25 Planning Division budget. The project is primarily funded by a \$100,000 grant from Business Oregon. Additional funding, if needed, is available from a \$290,000 Metro grant.

**COMMUNITY INVOLVEMENT PROCESS:**

The Basalt Creek Concept Plan review process included comprehensive community involvement to gather input. For the first phase of the WILR project, ECONorthwest has focused on gathering input from Business Oregon, Greater Portland Inc., property owners, and developers, to understand demand for industrial land in Wilsonville as well as property owners' current and future plans for their property, to inform the economic inventory and site suitability analyses. This information also will be considered in determining appropriate zoning standards to apply and preparing needed Code amendments.

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

Adoption of appropriate zoning standards, creating an infrastructure funding plan, and identifying and pursuing economic development strategies will remove barriers to development and enable implementation of the Basalt Creek Concept Plan. When developed, the Basalt Creek and West Railroad areas will create jobs, thus contributing to the income and property tax base, support economic mobility for residents through family-wage employment in a highly livable, full-service City, and enable this industrial area to reach its full economic potential, resulting in positive impacts on the greater Wilsonville community.

**ALTERNATIVES:**

As zoning standards and an infrastructure funding plan are developed, a number of alternatives will be explored and developed with the Planning Commission.

**ATTACHMENTS:**

1. Draft Economic Inventory and Land Use Analysis



September 2024

# Industrial Land Readiness: Economic Inventory and Basalt Creek Concept Plan Land Use Analysis - **DRAFT**

Prepared for: City of Wilsonville

**ECOnorthwest**

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# Acknowledgments

ECONorthwest prepared this report with support from the guidance and input of several partners, including members, staff, and leadership of the *City of Wilsonville*. Most notably we are appreciative of the involvement and input of *Cindy Luxhoj, Daniel Pauly, Miranda Bateschell, and Matt Lorenzen*. This work was financially supported by grants from *Business Oregon and Metro*.

That assistance notwithstanding, ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of the economics of recreation, amenities, and regional economies. ECONorthwest staff contributing to this study included *Bob Parker, Nicole Underwood, Barrett Lewis, and Mackenzie Visser*. ECONorthwest also relied on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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# 1. Introduction

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## Purpose and Background

After a multi-year planning process, Wilsonville, in partnership with Tualatin, developed and adopted the Basalt Creek Concept Plan (BCCP) in 2018. The BCCP established a framework for development in the area over the next twenty years. Wilsonville is planning for the development of its portion of the Basalt Creek Planning Area (BCPA), located in unincorporated Washington County.

The City adopted the BCCP in anticipation of future industrial development. However, at the time of adoption a number of implementation steps remained. In the years following the adoption of the BCCP, Washington County has approved development consistent with County zoning. The BCPA now hosts several contractor establishments that, while providing jobs and economic activity, are not the type of development or commerce envisioned in the Concept Plan.

The City is currently working on the final implementation steps to make the BCPA development ready. These steps include designating the zoning to be used in the area as well as refining infrastructure funding plans. Since adoption of the BCCP in 2018, significant economic shifts have occurred at national, state, regional, and local levels to be considered during the current implementation steps. Given these economic shifts, reassessing Basalt Creek's market conditions is crucial for Wilsonville's implementation process. This reassessment will help ensure that development plans align with current economic realities and future projections.

To understand the changing market conditions, Wilsonville engaged ECONorthwest to conduct an updated market assessment and industrial lands study for Wilsonville's portion of Basalt Creek. This Economic Inventory report is a key component of that study, providing an overview of the current economic conditions and trends affecting the BCPA. The findings from this analysis will inform recommendations on how to translate the BCCP's land use concepts into zoning designations and inform infrastructure planning to support economic development opportunities in the area.



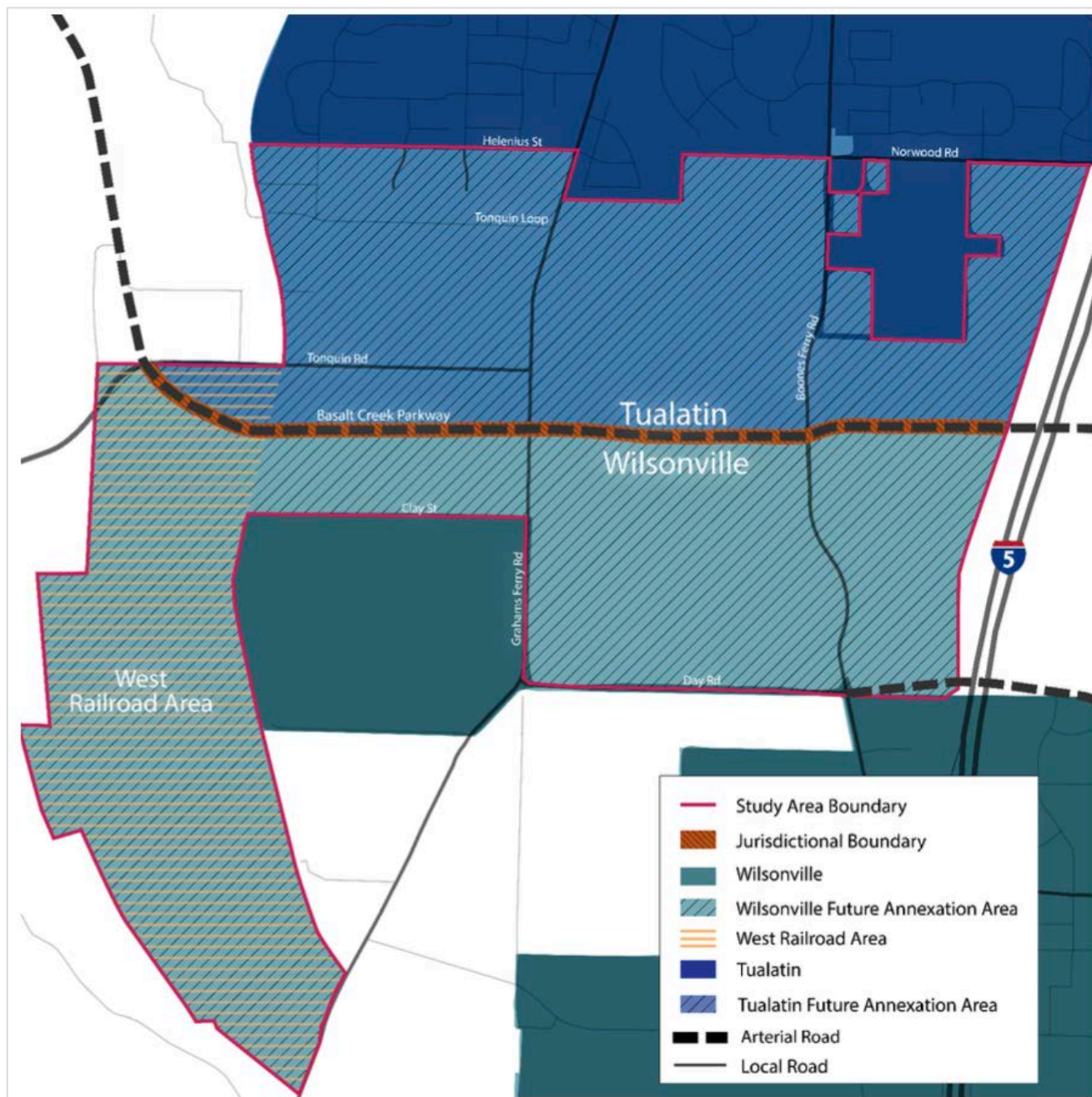
# Basalt Creek Planning Area Overview

The Basalt Creek Planning Area (BCPA) is an 847-acre area located in unincorporated Washington County between the southern border of incorporated Tualatin and the northern border of incorporated Wilsonville. This report focuses on the Wilsonville section, which includes 480 acres within the designated Wilsonville Future Annexation Area and West Railroad Area (as depicted in Figure 1). The BCPA is centrally located in the southern portion of the Portland Metro, easily accessible and connected to other growing industrial areas, including Sherwood and Tualatin. It has access to the Portland Metro and Mid-Valley labor sheds, making it well-positioned to attract various types of industry.

Currently, the Wilsonville portion of the BCPA falls under Washington County's Future Development, 20-acre District (FD-20) zoning, which allows a variety of low-intensity uses. The area has limited development, with much of the developed land used for contractor establishments, including storage of equipment and vehicles. A contractor establishment is a facility where contractors and/or subcontractors store and organize their tools, equipment, supplies, and materials. These facilities can include buildings, grounds, or structures, and often have outdoor storage and assembly areas. While important uses, these lands host limited employment and assessed property value, much less than the employment densities and development typologies envisioned in the BCCP and typical of land within the Metro Urban Growth Boundary (UGB) and incorporated City limits.



**Figure 1: Basalt Creek Planning Area**



Source: Basalt Creek Concept Plan, 2018 Note: Wilsonville’s portion of the Basalt Creek Planning Area (BCPA) is inclusive of the Wilsonville Future Annexation Area and West Railroad Area.



## How does the Basalt Creek Concept Plan guide development?

After a multi-year planning process, Wilsonville, in partnership with Tualatin, developed and adopted the Basalt Creek Concept Plan (BCCP) in 2018. The BCCP established a framework for development in the area over the next 20 years. The BCCP identifies preferred land uses across the area and strives to coordinate future land use, transportation, and infrastructure investments between Tualatin, Wilsonville, and Washington County. In particular, the BCCP:

- ◆ Established a vision for urbanization of the Basalt Creek Planning Area
- ◆ Established a new jurisdictional boundary between Tualatin and Wilsonville (to determine which parts of the Planning Area may be annexed into and served by each City)
- ◆ Identified conceptual land uses across the area
- ◆ Recommended high-level designs for transportation and infrastructure systems to support future development
- ◆ Set specific action items and implementation measures

### GUIDING PRINCIPLES

**Guiding Principles represent the collective interests and goals for the Basalt Creek Planning Area as agreed to and established by the Joint Councils of Tualatin and Wilsonville.**

- » **Maintain and complement the Cities' unique identities.**
- » **Capitalize on the area's unique assets and natural location.**
- » **Explore creative approaches to integrate jobs and housing.**
- » **Create a uniquely attractive business community unmatched in the metropolitan region.**
- » **Ensure appropriate transitions between land uses.**
- » **Meet region responsibility for jobs and housing.**
- » **Design cohesive and efficient transportation and utility systems**
- » **Maximize assessed property value**
- » **Incorporate natural resource areas and provide recreational opportunities as community amenities and assets**



## Land Use Designations

The BCCP identified a mix of land use designations for the area based on its land suitability analysis and adjacent land uses. For Wilsonville, the BCCP proposed four main land use designations. However, West Railroad did not include a specific concept because it was viewed as having lower development potential and was slated for future study and consideration. These designations, as defined in the BCCP, are:

### HIGH-TECH EMPLOYMENT DISTRICT

Most of the buildable acres in the Planning Area south of the proposed Basalt Creek Parkway are devoted to a mix of higher-density employment land. The High-Tech Employment District is expected to accommodate the largest number of jobs (1,916) with a mix of warehousing, manufacturing, and office buildings. This land use is in the southern and eastern sections of the Planning Area, covering all Wilsonville land east of SW Boones Ferry Road and most of the land south of SW Clay Street extending to SW Day Road and bordered to the west by Coffee Creek Correctional Facility.

The BCCP assumed the following breakdown of uses for the High-Tech Employment District which helped estimate the amount of traffic the development would generate.

**Table 1. BCCP Assumed Breakdown of Uses for the High-Tech Employment District**

USE	SHARE
Retail	1%
Office	45%
Industrial	38%
Warehousing	15%
<b>TOTAL</b>	<b>100%</b>

Source: Basalt Creek Concept Plan, 2018 Note: Share may not equal 100% due to rounding.

### CRAFT INDUSTRIAL

The southwest corner of the intersection of SW Boones Ferry Road and the new Basalt Creek Parkway is planned as Craft Industrial, which allows for a mix of smaller-scale commercial uses, which may include live-work units. These envisioned development types respond to the topography on those parcels and their location directly south across the Parkway from residential land and southwest of the neighborhood commercial node across the Parkway in Tualatin. Craft Industrial is a better fit with those surrounding uses, providing a transition to the higher intensity employment uses to the south. This area allows less than 20 percent residential use and is expected to accommodate 27 new jobs and 6 new housing units in the form of live-work units.

The BCCP assumed the following breakdown of uses for the Craft Industrial District which helped estimate the amount of traffic the development would generate.



**Table 2. BCCP Assumed Breakdown of Uses for the Craft Industrial District**

USE	SHARE
Retail	24%
Office	31%
Industrial	44%
Warehousing	1%
<b>TOTAL</b>	<b>100%</b>

Source: Basalt Creek Concept Plan, 2018 Note: Share may not equal 100% due to rounding.

## LIGHT INDUSTRIAL DISTRICT

This land is located across the southern edge of the existing and future extension of Basalt Creek Parkway just north of Coffee Creek Correctional Facility and will be able to accommodate 581 new jobs primarily in warehousing and light manufacturing.

The BCCP assumed the following breakdown of uses for the Light Industrial District which helped estimate the amount of traffic the development would generate.

**Table 3. BCCP Assumed Breakdown of Uses for the Light Industrial District**

USE	SHARE
Retail	1%
Office	19%
Industrial	69%
Warehousing	11%
<b>TOTAL</b>	<b>100%</b>

Source: Basalt Creek Concept Plan, 2018 Note: Share may not equal 100% due to rounding.

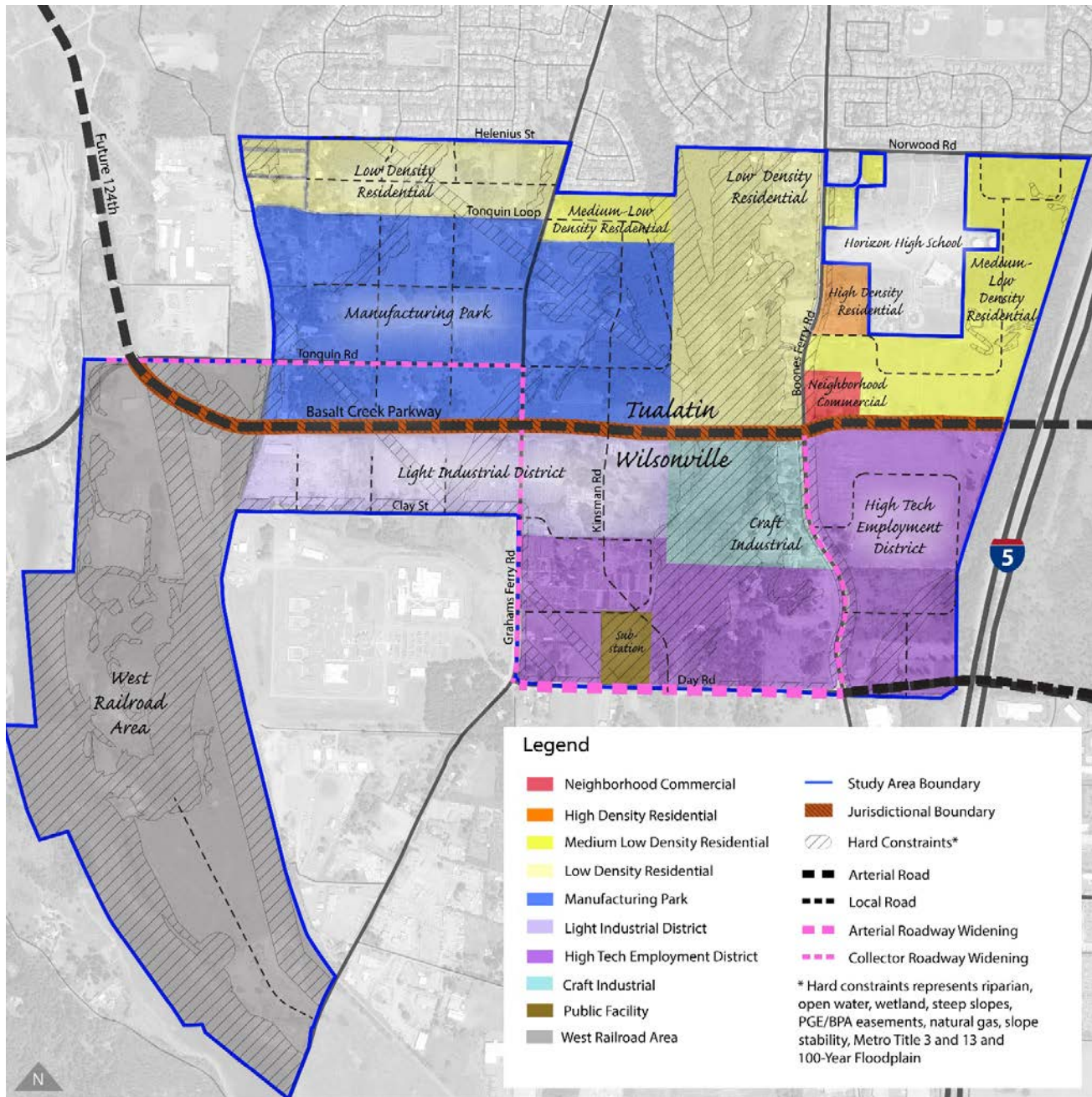
## WEST RAILROAD AREA

The West Railroad Area is divided from the rest of the Planning Area by the Portland and Western Railroad (PNWR) and the Coffee Creek Correctional Facility. When the BCCP was adopted, the area was heavily constrained by wetlands habitat, steep slopes, and fragmented property ownership. Initial estimates indicated that it would be costly to serve this area with adequate infrastructure due to its location. However, it was identified as having potential for resource conservation, future public access to nature, and possibly additional land uses. Because it was considered to have much lower development potential than the rest of the Planning Area, a future land use scenario was not created. Additional analysis on infrastructure funding and appropriate land uses was recommended once development and extension of infrastructure occurred in the rest of Basalt Creek.





Figure 2. Basalt Creek Land Use Concept Map



Source: Basalt Creek Concept Plan, 2018

Note: West Railroad did not include a specific concept because it was viewed as having lower development potential and was slated for future study and consideration.



## Implementation Measures

The BCCP also outlined the following implementation measures for the Cities:

1. **Update Urban Planning Area Agreements (UPAAs)** to acknowledge the future jurisdictional boundary and outline what areas may be annexed by each City, as well as transfer planning authority to the Cities.
2. **Amend Comprehensive Plans** to include the adoption of the Concept Plan.
3. **Assess zoning** and make sure it is compatible with anticipated land uses in the area and special design elements in the Concept Plan. The Concept Plan suggested Wilsonville consider applying the Coffee Creek Industrial Design Overlay District (form-based code) in the area.
4. **Annex as demand occurs** based on the pace of development and begin to make utility improvements adjacent to existing City services.
5. **Consider capital improvements** to spur development, either via financing the infrastructure themselves for reimbursement, creating a cooperative financing district, or developing the infrastructure to induce desired development.
6. **Consider master planning** in the area.

Wilsonville updated its UPAA in 2019 and amended its Comprehensive Plan after the Concept Plan was adopted. The City is now working on developing zoning and evaluating infrastructure needs as a part of this project.

## Basalt Creek Concept Plan Proposed Employment Densities

The BCCP assigned employment densities to each land use designation to align with the regional employment capacity and traffic counts. According to the Concept Plan, the Wilsonville portion of the BCPA could support 2,524 jobs across 136.6 buildable acres, for an average employment density of 18.5 employees per gross buildable acre. The specific land use designations and respective employment densities are shown below. Note: West Railroad did not include a specific concept because it was viewed as having lower development potential in the near term and was slated for future study and consideration.

**Table 4: Basalt Creek Concept Plan Land Use Designations**

LAND USE DESIGNATION	BUILDABLE ACRES	TOTAL JOBS	JOBS PER GROSS BUILDABLE ACRE
Craft Industrial	1.3	27	21.7
Light Industrial District	35.3	581	16.5
High Tech Employment District	94.5	1,916	20.3
Functionally Unbuildable	5.6	0	0
<b>TOTAL</b>	<b>136.6</b>	<b>2,524</b>	<b>18.5</b>

Source: Basalt Creek Concept Plan





## Other Guiding Plans and Documents

### WILSONVILLE COMPREHENSIVE PLAN

Wilsonville's Comprehensive Plan, updated in 2024, designates Basalt Creek and West Railroad as areas of special concern (M and N), and describes special considerations that must be addressed in development of these areas. Design objectives established for Area of Special Concern M, Basalt Creek, include:

- ◆ Consider adopting a form-based code similar to that adopted in the Coffee Creek Industrial Area for new industrial development in Basalt Creek.
- ◆ Protect key natural resources and sensitive areas while making recreational opportunities accessible by integrating the new parkland, open spaces, natural areas and trails in Basalt Creek into existing regional networks. Development should protect, enhance, and provide access to these natural resources.
- ◆ Locate north to south trails near the Basalt Creek Canyon and provide bicycle connections that would connect to other cities and trail systems, serving as an asset for both residents and employees in the area.
- ◆ Provide strong transit access to support employment within Basalt Creek. Integrate transit access with the bike, pedestrian, and trail services at key access points along SW Grahams Ferry Road, SW Boones Ferry Road, SW Day Road, SMART Central, and the Coffee Creek Correctional Facility.

No design objectives were included for Area of Special Concern N, West Railroad, however, it is noted that the area will require additional planning before any development occurs.

### BASALT CREEK TRANSPORTATION REFINEMENT PLAN

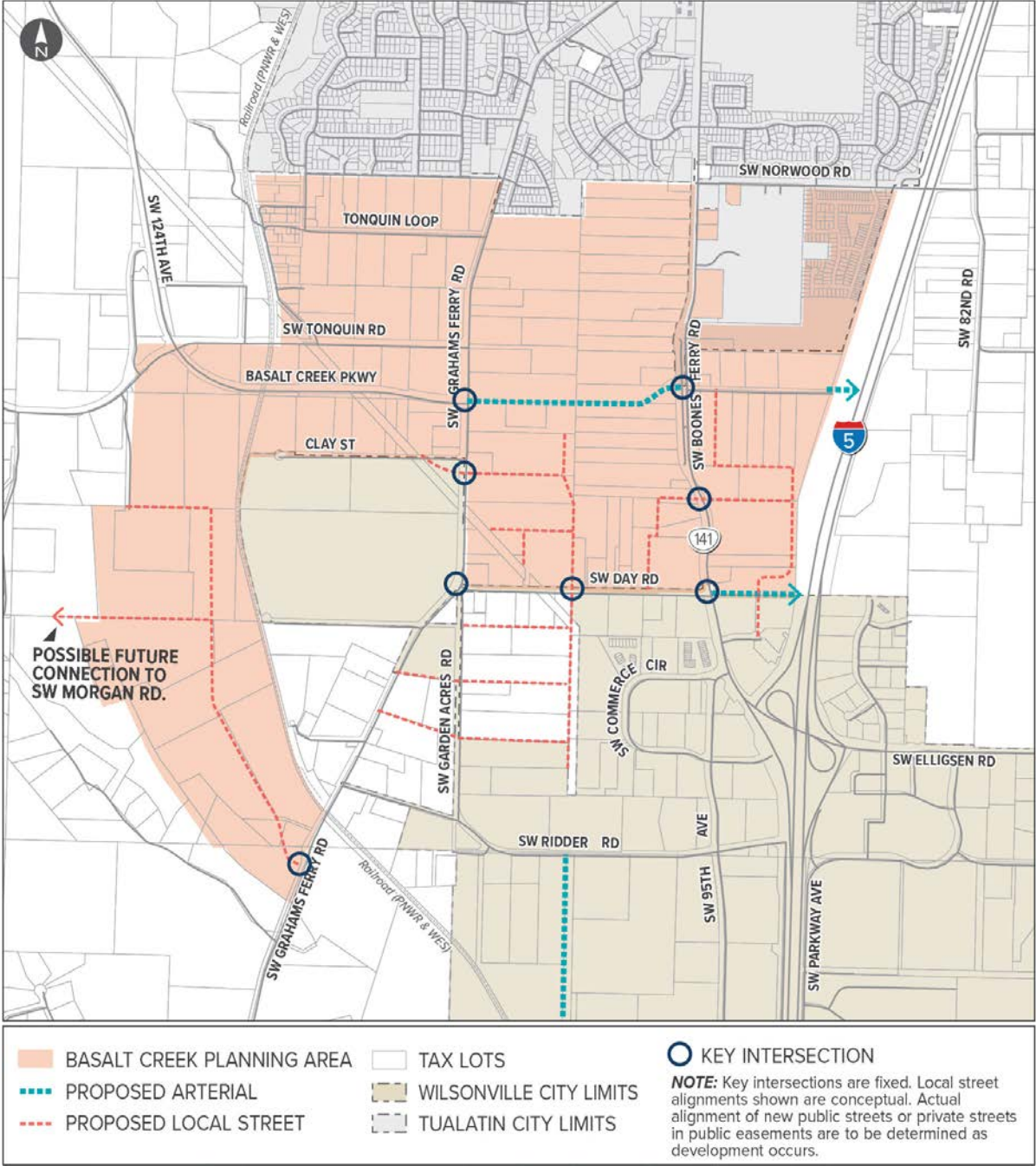
The 2013 Basalt Creek Transportation Refinement Plan (TRP) set the layout of major new roads and improvements for the area, including enhanced bike and pedestrian facilities and connections to the future SMART transit system. The TRP included an Action Plan that consisted of 18 transportation investments that were prioritized according to short-term, medium-term and long-term projects.

### ONGOING INFRASTRUCTURE AND NATURAL RESOURCE PLANNING

The City is currently collaborating with several consultants to update its understanding of infrastructure needs, natural resources, and hazards in the BCPA. The City is working with DKS Associates to refine the street alignment in the BCPA. A preliminary street alignment, provided below, may undergo further changes in future iterations.



Figure 3. Proposed BCPA Street Plan



Source: DKS Associates

Simultaneously, Pacific Habitat Services is assisting the City in updating and refining natural hazard and resource maps of the area. For utility infrastructure, the City has engaged Consor to assist in assessing water, wastewater, and stormwater needs, as well as determining the costs of necessary upgrades. These collaborative efforts aim to provide a comprehensive and up-to-date overview of the area's development requirements and environmental considerations. These simultaneous projects will be incorporated and inform this planning process as information becomes available.



## What has happened since the Basalt Creek Concept Plan was adopted?

Since adoption of the BCCP, significant shifts have occurred in the office and industrial real estate markets. The pandemic accelerated the trend toward remote work, leading to higher office vacancy rates and a redefinition of office space needs. Conversely, the industrial sector experienced strong growth driven in part by the federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act and characterized by high demand, rising rents, and robust development. National trends in these industries are detailed in Section 2, while regional and Wilsonville-specific trends are covered in Section 3.

The City of Wilsonville has not annexed any of Basalt Creek since the BCCP was adopted in 2018. As a result, the BCPA has remained under Washington County's jurisdiction and zoning. Some development has occurred, but at much lower densities than envisioned in the BCCP, which is allowed under the more permissive County zoning code. Many existing businesses, including contractor establishments, have few employees and are using large areas of land for equipment storage, which conflicts with the City's vision for higher employment density. These uses are permitted under Washington County zoning, but do not align with Wilsonville's goals for the area, or with the goals, priorities, and industrial land needs within the greater Portland Metro area. Wilsonville's portion of the BCPA consisted of 90 tax lots in 2022. Some areas have a high degree of parcelization, while others are less fragmented. There are a handful of large contiguous land holdings by single ownership. While there has been growth in contractor establishments, many of them existed before the BCCP was in place. These trends are discussed in more detail in Section 3.

The City is interested in future development in Basalt Creek that better aligns with its vision for higher industrial employment density. To make meaningful progress, the City must first establish appropriate zoning designations and plan for necessary infrastructure—key objectives of this project.



## 2. Changes in Market Conditions

Following the COVID-19 pandemic, office and industrial real estate markets faced challenging development conditions, particularly due to high interest rates, significantly slowing commercial real estate development activity. The increased cost of capital has made many projects economically unfeasible, especially speculative projects that rely on debt financing and those with longer loan payback periods.<sup>1</sup> Higher interest rates have also reduced property valuations, complicating the ability of developers to secure construction financing and attract equity investments.<sup>2</sup> Additionally, rising construction costs—driven by inflation and supply chain disruptions—have further complicated development efforts across these sectors.

This section examines national trends that have shaped office and industrial real estate markets in recent years. It compares these trends to projections from the 2014 Market Analysis by Leland Consulting Group, which informed the BCCP. Understanding the broader national context is crucial for several reasons. It provides a benchmark for comparing local performance. National trends often influence regional and local markets, albeit sometimes with a delay. This understanding helps identify potential opportunities or challenges that may affect Wilsonville and Basalt Creek in the future. It also allows for more informed decision-making and strategic planning at the local level.

Regional and Wilsonville-specific trends are addressed separately in Section 3, building upon this national overview.

### National and State Employment Trends

#### National Employment

The United States has seen robust employment growth since the COVID-19 pandemic. National employment increased by 21 percent between April 2020 and April 2024, surpassing pre-pandemic levels. The most recent year (April 2023 to April 2024) saw total non-farm employment grow by 1.8 percent.<sup>3</sup>

#### Oregon Employment

Oregon's employment recovery, while positive overall since 2020, has fallen behind the national trend. From April 2020 to April 2024, the state's employment grew by 17 percent.

<sup>1</sup> If developers take on debt to finance a project, the longer they take to repay the loan the more interest will accrue.

<sup>2</sup> In addition to loans, developers will typically finance projects in part with equity investments, in which investors become shareholders in the project.

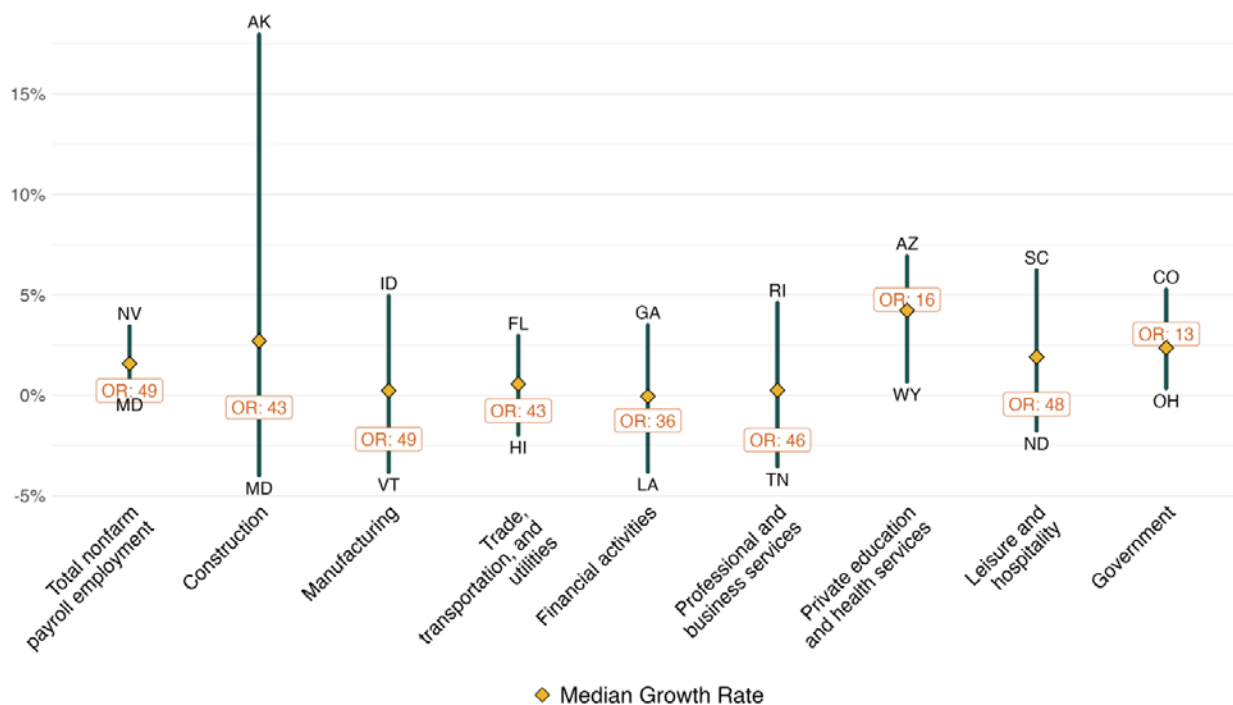
<sup>3</sup> U.S. Bureau of Labor Statistics, Total Nonfarm Employment (not seasonally adjusted), 2020-2024



However, in contrast to national growth, Oregon experienced a slight decline of 0.1 percent in employment between April 2023 and April 2024.<sup>4</sup>

The state’s recent economic performance is concerning across multiple sectors. Oregon ranked 49th out of all states in nonfarm employment growth rate between April 2023 and April 2024. During this period, the state was among the bottom ten for employment growth (losing jobs while other states saw gains) in manufacturing, construction, trade, transportation and utilities, professional and business services, and leisure and hospitality.

**Figure 4. Employment Growth Rates for All States by Sector (April 2023 to April 2024)**



Source: U.S. Bureau of Labor Statistics Current Employment Survey, April 2024. Note: This figure compares Oregon's employment growth rate to all other states. For example, "OR: 49" for total nonfarm payroll employment means Oregon ranked 49th out of all states in employment growth rate between April 2023 and April 2024.

<sup>4</sup> U.S. Bureau of Labor Statistics, Total Nonfarm Employment (not seasonally adjusted), 2020-2024



# National Office Trends

This section describes national trends for office space, not including industrial, manufacturing, or flex space, which is discussed in the following subsection. The 2014 Market Analysis, which informed the Basalt Creek concept planning process, highlighted a reduced demand for office space and a less robust market, predicting a slower pace for office development. This outlook was based on the fact that regional employment levels in Portland had only recently returned to their pre-recession levels of 2008.

These trends have been further exacerbated by the COVID-19 pandemic and resulting market shifts toward remote work. According to the Bureau of Labor Statistics' American Time Use Survey, the share of employees working from home rose from 24 percent in 2019 to 34 percent in 2022.<sup>5</sup> Nationally, the office market as a whole is declining, although high-quality office space remains in relatively strong demand. Key findings include:

- ◆ **Negative net absorption:** National net absorption for office space came in negative (at negative 18.2 million square feet) for the tenth quarter in a row.<sup>6</sup> However, this trend is not uniform across U.S. markets, with a third of U.S. office markets having positive net absorption. JLL, a global commercial real estate and investment management company that tracks and reports on commercial real estate dynamics, noted that many properties and markets with high negative net absorption are earmarked for conversion to other uses.<sup>7</sup>
- ◆ **Shrinking inventory:** The construction pipeline has decreased by 67 percent since early 2020. As of Q2, 2024 office deliveries (referring to new construction added to the market) were 27 percent below the average since 2020, and the current pipeline is at its lowest point in a decade.<sup>8</sup> As office inventory removals outpace market deliveries, overall office market inventory has declined.<sup>9</sup>
- ◆ **Favored product types:** Certain types of office space are outperforming others, with tenants favoring high-quality buildings, such as those in attractive locations or featuring additional amenities. With new construction slowing down, existing high-quality assets will likely continue to see demand as competition decreases. In contrast, older and obsolete spaces may require investment or conversion, and the performance of middle-market spaces will vary depending on factors like location, space type, and submarket.<sup>10</sup>

Looking ahead, the office sector is expected to adjust to a hybrid work model, with peak attendance levels stabilizing at around 60 to 70 percent. This shift will set a new baseline for office space requirements. Cushman & Wakefield predicts that office occupancy will start to stabilize in the latter half of 2025, as the pace of adjustments to hybrid spaces

<sup>5</sup> BLS, [American Time Use Survey](#), 2023; does not differentiate between part- and full-time workers

<sup>6</sup> Cushman & Wakefield, [U.S. Office Marketbeat Q2 2024](#)

<sup>7</sup> JLL, [JLL U.S. Office Outlook Q1 2024](#)

<sup>8</sup> Cushman & Wakefield, [U.S. Office Marketbeat Q2 2024](#)

<sup>9</sup> JLL, [JLL U.S. Office Outlook Q1 2024](#)

<sup>10</sup> Cushman & Wakefield, [U.S. Office Marketbeat Q2 2024](#)

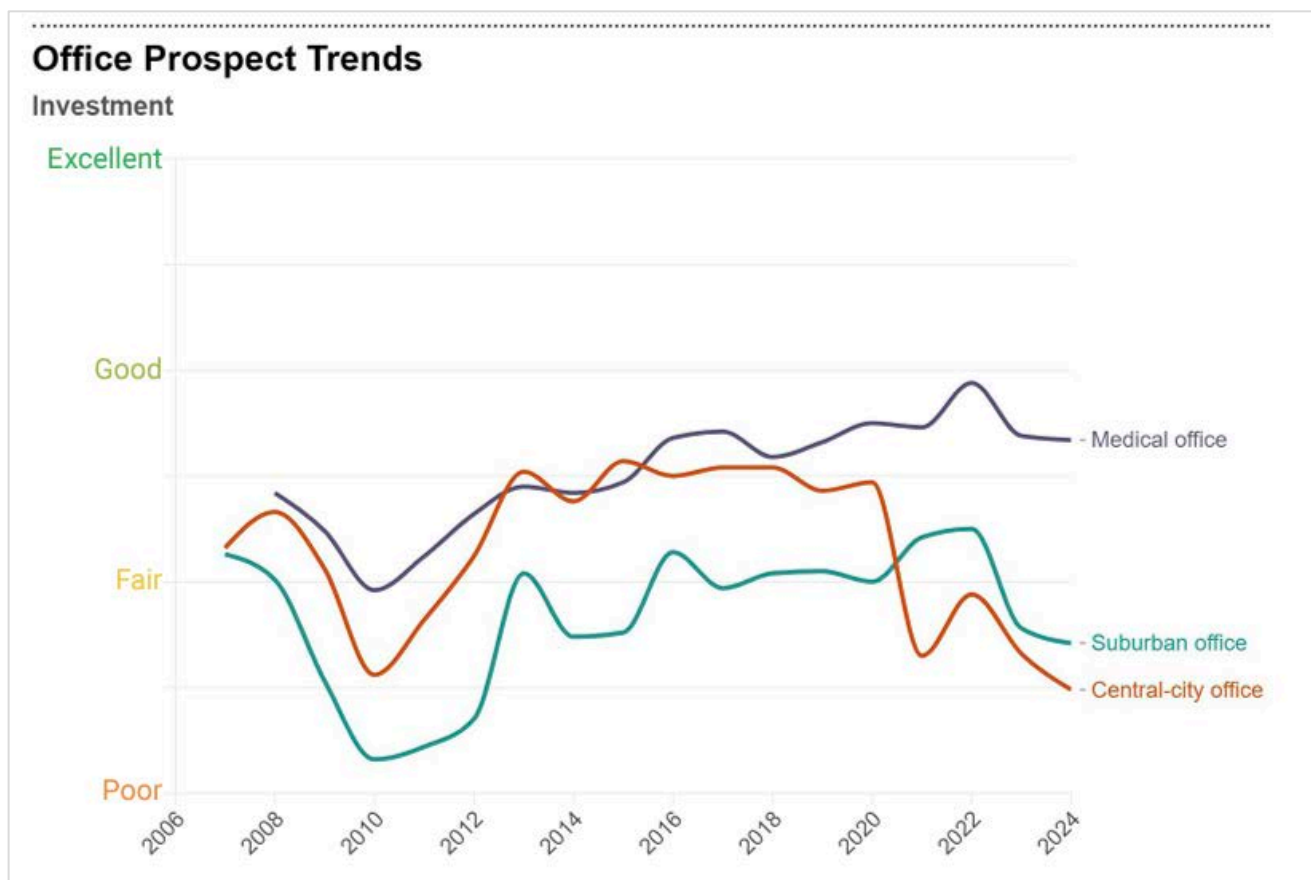




slows down and growth in both employees and new businesses generate demand for office space.<sup>11</sup>

Figure 5 shows the Urban Land Institute’s national office market investment prospect trends by secondary market type. While the investment prospect for suburban and central city office space has fallen between “poor” and “fair” in recent years, the investment prospect for medical office space has risen relatively steadily and is rated just below “good”.

**Figure 5: Urban Land Institute National Office Investment Prospect Trends**



Source: Urban Land Institute [2024 Emerging Trends in Real Estate, United States and Canada](#)

<sup>11</sup> Cushman & Wakefield, [U.S. Office Marketbeat Q2 2024](#)

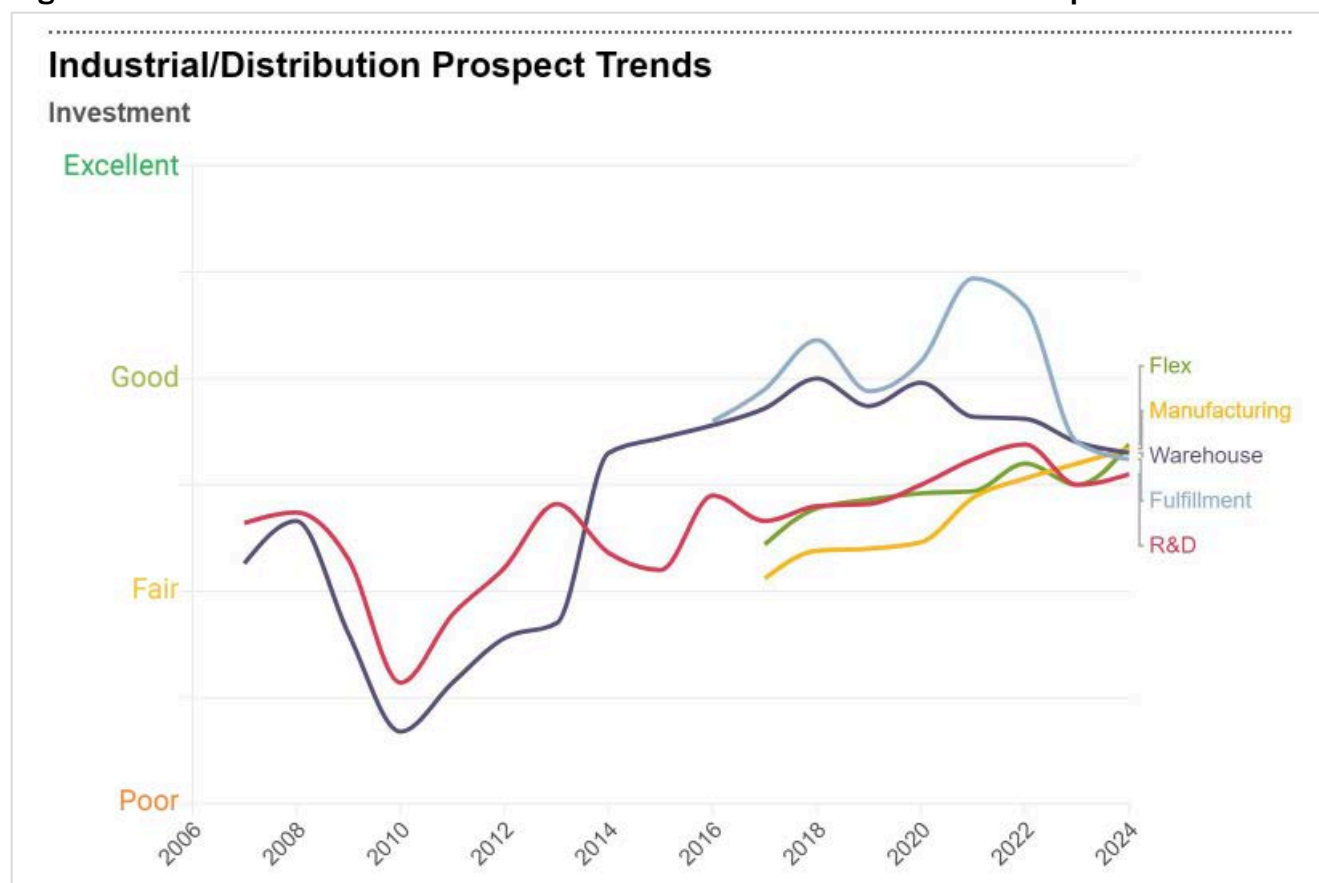


## National Industrial Trends

The 2014 Market Analysis, which informed the Basalt Creek concept planning process, reported that industrial space demand was likely to surge as the economy continued to recover from the 2008 recession, citing significant industrial space in the Portland region’s development pipeline. It also highlighted that the I-5 South submarket would see some of the greatest demand, predicting that industrial development would continue to outpace office development—an accurate forecast.

The 2014 Market Analysis also correctly predicted stronger markets for research and development, advanced manufacturing, general manufacturing, and warehousing space. Figure 6 shows the Urban Land Institute’s trends in investment prospects for industrial and distribution space nationally, showing increased development prospects for these space types from 2014 to around 2021. Historically, fulfillment and warehouse space were rated as better investment prospects than research and development, manufacturing, and flex space. However, in recent years the investment prospects for the various secondary market types have coalesced toward a similar prospect rating, just below “good”.

**Figure 6: Urban Land Institute National Industrial and Distribution Prospect Trends**



Source: Urban Land Institute 2024 Emerging Trends in Real Estate, United States and Canada





In recent years, the industrial real estate market has shown strong performance, particularly in 2022 and 2023, though growth has started to slow in 2024. Despite this slowdown, the national industrial market remains relatively robust overall. Key trends include:<sup>12</sup>

- ◆ **Stabilizing vacancy rates:** Since mid-2022, vacancy rates have been rising, but the pace of increase has slowed. As of Q2 2024, the national vacancy rate stands at 6.1 percent and is expected to continue increasing. However, it remains below the 10-year pre-pandemic average (2010-2019) of 7 percent.
- ◆ **Positive net absorption:** Industrial market demand remains strong, with positive net absorption and rising rents. However, the rate of change has slowed compared to previous years. For instance, rents rose by 3.7 percent year-over-year since 2023 Q2, marking the slowest growth rate since 2020.
- ◆ **Slowing construction:** One reason for rising vacancy rates is the influx of new supply, with over 1.2 billion square feet delivered nationally in 2022 and 2023. However, the construction of new industrial projects has slowed significantly, decreasing by 46 percent from Q2 2023, reaching its lowest point in four years.

Nationally, the market is expected to stabilize over the next year as the shrinking construction pipeline and positive net absorption limit the available supply of industrial space. However, Cushman & Wakefield report that “the tailwinds of e-commerce growth, onshoring and nearshoring, and a resilient consumer all set the stage for fundamentals to trend positively going forward, albeit at a pace below 2021 and 2022 highs.”<sup>1314</sup> Key forecasted trends include:

- ◆ **Decreasing vacancy rates:** While vacancy rates are expected to continue to rise until early 2025, they are expected to peak at around 6.7 percent and then begin to decrease in the second half of 2025. In conjunction with this trend, annual net absorption is expected to increase through 2025.<sup>15</sup>
- ◆ **Increasing rents:** Although the rate of rent increase is expected to slow, asking rents for industrial space are anticipated to continue growing through 2025.<sup>16</sup>
- ◆ **Manufacturing growth:** According to JLL, the sustained growth in manufacturing due to reshoring trends (returning production to the United States) will likely continue to drive industrial demand nationally. Supply chains will seek strategically located facilities that can accommodate localized manufacturing, efficient distribution, and resilient inventory management systems.<sup>17</sup>

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<sup>12</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>13</sup> Onshoring and nearshoring refers to the trend of businesses sourcing production within the United States as opposed to outside the United States.

<sup>14</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>15</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>16</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>17</sup> JLL, [Q1 2024 Industrial Outlook](#)



# 3. Wilsonville Basalt Creek Updated Market Assessment

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The Basalt Creek Concept Plan (BCCP) was based on a market assessment conducted in 2014. In the decade since, significant changes have occurred in employment patterns and market conditions. This section provides an updated analysis of regional and Wilsonville-specific employment trends, current forecasts, and present market dynamics, building on the national overview in Section 2.

This updated information establishes a new baseline for understanding Basalt Creek's current market context. Additionally, this section evaluates Basalt Creek's competitive strengths and weaknesses and identifies industries most likely to establish a presence in the area.

## Employment Trends and Forecast

In 2022, Wilsonville's employment landscape was characterized by a strong concentration in industrial sectors, with manufacturing, wholesale trade, and construction making up 43 percent of the City's total employment—a much higher share compared to the broader tri-county region. This focus on industrial jobs sets Wilsonville apart, highlighting its distinct role in the regional economy.



## Employment Trends

In 2022, Wilsonville had 21,383 covered employees, representing 2.2 percent of the region's covered employment.<sup>18</sup> The City's top three sectors are manufacturing (17.8 percent, 3,796 jobs), wholesale trade (14.4 percent, 3,083 jobs), and construction (10.5 percent, 2,248 jobs). These three industries combined represent 43 percent of Wilsonville's total employment, nearly double the 22 percent share these sectors hold in the broader tri-county region (Clackamas, Multnomah, and Washington Counties).

This concentration in industrial jobs sets Wilsonville apart from the surrounding area. While Wilsonville's top sectors are manufacturing, wholesale trade, and construction, the tri-county region's largest employers are in health care and social assistance, government, and manufacturing.

**Table 5: Industry Distribution, Wilsonville and Tri-County Region, 2022**

SECTOR	WILSONVILLE		TRI-COUNTY	
	2022 COVERED EMPLOYMENT	SHARE OF EMPLOYMENT	2022 COVERED EMPLOYMENT	SHARE OF EMPLOYMENT
Agriculture, Forestry, Fishing and Hunting	41	0.2%	9,532	1.0%
Utilities, Mining, Quarrying, Oil and Gas Extraction	101	0.5%	2,552	0.3%
Construction	2,248	10.5%	58,672	6.1%
Manufacturing	3,796	17.8%	102,378	10.6%
Wholesale Trade	3,083	14.4%	46,341	4.8%
Retail Trade	2,078	9.7%	90,895	9.4%
Transportation and Warehousing	748	3.5%	43,835	4.5%
Information	121	0.6%	21,957	2.3%
Finance and Insurance	231	1.1%	31,171	3.2%
Real Estate and Rental and Leasing	219	1.0%	16,947	1.8%
Professional, Scientific, and Technical Services	1,974	9.2%	69,299	7.2%
Management of Companies and Enterprises	555	2.6%	36,951	3.8%
Admin., Waste Mgmt, and Remediation	1,655	7.7%	58,605	6.1%
Private Education	90	0.4%	18,213	1.9%
Health Care and Social Assistance	1,007	4.7%	122,197	12.7%
Arts, Entertainment, and Recreation	193	0.9%	13,631	1.4%
Accommodation and Food Services	1,356	6.3%	77,278	8.0%
Other Services (except Public Administration)	454	2.1%	34,720	3.6%
Other (nonclassifiable)	28	0.1%	1,927	0.2%
Government	1,405	6.6%	107,431	11.1%
<b>Total:</b>	<b>21,383</b>	<b>100%</b>	<b>964,532</b>	<b>100%</b>

Source: QCEW

<sup>18</sup> **Covered** employment includes employees covered by unemployment insurance. Examples of workers not included in covered employment are sole proprietors, some types of contractors (often referred to as “1099 employees”), or some railroad workers. Covered employment data is from the Oregon Employment Department.



Over the past decade, Wilsonville's employment grew slightly faster than that of the tri-county region. This growth was largely driven by an increase in construction jobs, which more than tripled during this period. Although the tri-county region also experienced growth in construction jobs, Wilsonville's rate of growth was considerably higher. Wilsonville also had strong employment growth in wholesale trade. Notably, while wholesale employment rose in Wilsonville, it declined across the broader tri-county region.

In contrast, Wilsonville experienced a decline in manufacturing employment, even as the region saw growth in this sector. Wilsonville maintained stable employment in the transportation and warehousing sector while the tri-county region grew substantially.

**Table 6: Change in Employment, Wilsonville and Tri-County Region (2012 to 2022)**

SECTOR	CHANGE 2012-2022			
	NUMBER		PERCENT	
	WILSONVILLE	TRI-COUNTY	WILSONVILLE	TRI-COUNTY
Agriculture, Forestry, Fishing and Hunting	(2)	810	-5%	9%
Utilities, Mining, Quarrying, Oil and Gas Extraction	(5)	263	-5%	11%
Construction	1,505	20,584	203%	54%
Manufacturing	(549)	8,332	-13%	9%
Wholesale Trade	703	(2,409)	30%	-5%
Retail Trade	81	6,254	4%	7%
Transportation and Warehousing	1	17,473	0%	66%
Information	(34)	1,946	-22%	10%
Finance and Insurance	(16)	(3,904)	-6%	-11%
Real Estate and Rental and Leasing	(31)	3,678	-12%	28%
Professional, Scientific, and Technical Services	452	19,014	30%	38%
Management of Companies and Enterprises	293	15,121	112%	69%
Admin., Waste Mgmt, and Remediation	780	9,821	89%	20%
Private Education	(87)	(617)	-49%	-3%
Health Care and Social Assistance	(435)	26,457	-30%	28%
Arts, Entertainment, and Recreation	33	2,277	21%	20%
Accommodation and Food Services	291	5,588	27%	8%
Other Services (except Public Administration)	51	1,062	13%	3%
Other (nonclassifiable)	15	1,627	115%	542%
Government	289	4,210	26%	4%
<b>Total:</b>	<b>3,335</b>	<b>137,587</b>	<b>18%</b>	<b>17%</b>

Source: QCEW

## BASALT CREEK PLANNING AREA EMPLOYMENT

The BCPA (Wilsonville portion only) grew in employment from 2012 to 2022, with 275 covered employees reported as of 2022. The average wage in the BCPA was \$85,863, which is higher than both the tri-county (\$73,995) and City average wages (\$74,252), suggesting these are relatively well-paying jobs.



**Table 7. Change in Employment and Wage, BCPA 2012-2022**

YEAR	TAX LOTS	ESTABLISHMENTS	EMPLOYMENT	TOTAL PAY*	AVERAGE WAGE*
2012	80	11.0	194	\$9,593,330	\$49,450
2022	90	10.0	275	\$23,612,269	\$85,863
<b>CHANGE</b>	<b>10</b>	<b>-1</b>	<b>81</b>	<b>\$14,018,939</b>	<b>\$36,413</b>

Source: QCEW

\*not inflation adjusted

Wilsonville's portion of the BCPA consisted of 80 tax lots in 2012 and 90 tax lots in 2022. Some areas in the BCPA have a high degree of parcelization, while others are less fragmented. There are a handful of large contiguous land holdings by single ownership. In 2012, 8 tax lots had businesses with covered employment, increasing slightly to 10 tax lots in 2022. Employment density on lots with covered employment remains low at 4.4 employees per acre as of 2022, with most tax lots having no covered employment at all.

**Table 8. Lots With and Without Covered Employment in the BCPA, 2012-2022**

	2012			2022		
	TAX LOTS	ACRES	EMPLOYMENT DENSITY	TAX LOTS	ACRES	EMPLOYMENT DENSITY
With Employment	8	62	3.1	10	63	4.4
Without Employment	72	410	n/a	80	406	n/a
<b>Total</b>	<b>80</b>	<b>472</b>	<b>0.4</b>	<b>90</b>	<b>469</b>	<b>0.6</b>

Source: QCEW Note: The minor change in acreage from 2012 to 2022 resulted from constructing of the Basalt Creek Parkway and small adjustments in the recording of tax lots over that period.

It is important to note that these figures only account for covered employees.<sup>19</sup> Some of the land in the BCPA is actively used despite minimal reported employment. The area is primarily used for contractor establishments, including storage yards for various businesses, which typically require fewer employees. It is likely that additional workers are present but not included in the covered employment estimates, such as sole proprietors or other types of uncovered contractors. Due to the prevalence of storage-focused contractor establishments, many lots have minimal building improvements. The improvement-to-land value ratio is low and has changed little over the past decade.

**Table 9. Improvement to Land Value, BCPA, 2012-2022**

	LAND VALUE	BUILDING VALUE	IMPROVEMENT TO LAND VALUE
2012	\$16,577,800	\$6,738,020	0.41
2022	\$32,892,790	\$16,996,440	0.52

Source: Regional Land Information System (RLIS)

<sup>19</sup> **Covered** employment includes employees covered by unemployment insurance. Examples of workers not included in covered employment are sole proprietors, some types of contractors (often referred to as "1099 employees"), or some railroad workers. Covered employment data is from the Oregon Employment Department.



## Employment Forecast

Between 2020 to 2045, the City is projected to grow by 3,471 employees at an average annual growth rate of 0.7 percent. This rate is faster than Tualatin but slightly slower than Sherwood and the region overall. Washington County is projected to grow the fastest of the three counties in the region.

**Table 10: Metro Employment Forecast, 2020 to 2045**

	2020	2045	CHANGE 2020-2045		
			NUMBER	PERCENT	AAGR
Tualatin	34,115	36,792	2,677	8%	0.3%
<b>Wilsonville</b>	<b>20,539</b>	<b>24,010</b>	<b>3,471</b>	<b>17%</b>	<b>0.7%</b>
Sherwood	6,646	8,013	1,367	21%	0.8%
Clackamas County	173,891	212,341	38,450	22%	0.9%
Multnomah County	538,628	651,090	112,462	21%	0.8%
Washington County	313,513	391,712	78,199	25%	1.0%
<b>THREE COUNTY TOTAL</b>	<b>1,026,032</b>	<b>1,255,143</b>	<b>229,111</b>	<b>22.3%</b>	<b>0.9%</b>

Source: Oregon Metro, [2045 Distributed Forecast](#)

AAGR = Annual Average Growth Rate

The Oregon Employment Department (OED) forecasts the strongest growth for the Portland tri-county region in commercial sectors from 2022 to 2032 led by information, leisure and hospitality, and private education and health services. However, OED also predicts growth in industrial sectors, with the strongest relative growth in the construction industry followed by transportation, warehousing and utilities.

**Table 11: Portland Tri-County Industry Projections, 2022 to 2032**

INDUSTRY	EMPLOYMENT		CHANGE	
	2022	2032	NUMBER	PERCENT
Natural resources and mining	10,100	10,600	500	5.0%
Construction	59,100	67,800	8,700	14.7%
Manufacturing	101,300	109,800	8,500	8.4%
Wholesale trade	47,300	51,900	4,600	9.7%
Retail trade	90,000	93,500	3,500	3.9%
Transportation, warehousing, and utilities	46,500	52,500	6,000	12.9%
Information	23,400	28,700	5,300	22.6%
Financial activities	60,600	62,500	1,900	3.1%
Professional and business services	167,600	191,000	23,400	14.0%
Private educational and health services	143,400	168,700	25,300	17.6%
Leisure and hospitality	90,700	109,400	18,700	20.6%
Other services	38,200	43,100	4,900	12.8%
Government	114,200	123,500	9,300	8.1%
Self-employment	62,700	69,600	6,900	11.0%
<b>Total</b>	<b>1,055,100</b>	<b>1,182,600</b>	<b>127,500</b>	<b>12.1%</b>

Source: Oregon Employment Department [Employment Projections](#)





# Real Estate Market Trends

The real estate market trends in Wilsonville and the Portland region generally align with the national trends outlined in Section 2. While Wilsonville's office market typically has a lower vacancy rate compared to the broader region, it has had consistently negative net absorption and recent spikes in the vacancy rate, reaching over 12 percent in 2024.

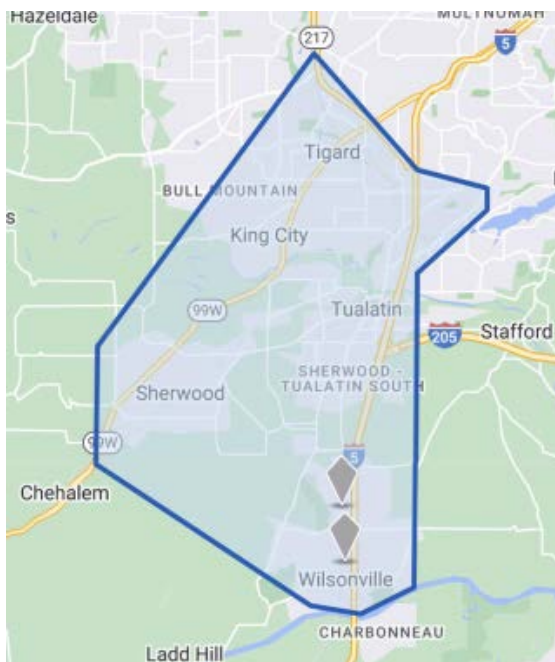
More positively, Wilsonville's industrial market has a relatively low vacancy rate, large average building sizes, and a variety of industrial space types that could appeal to a mix of tenants. Wilsonville is also well-positioned to benefit from promising industrial trends in the broader region, including investments in semiconductor manufacturing and market growth that could attract tenants to the area. However, industrial development in Wilsonville has been limited over the past decade. Only 1.7 percent of its total industrial space has been built in the last 10 years, compared to 11 percent in the broader Portland metro area. According to CoStar, in the past five years three buildings have been under construction in Wilsonville: one completed in 2022 and two slated to be completed in 2025.

This section analyzes real estate market trends for various submarkets encompassing the BCPA, including the I-5 South submarket (Figure 7) and the Portland Metro area (Figure 8).

## NOTE ON COSTAR DATA

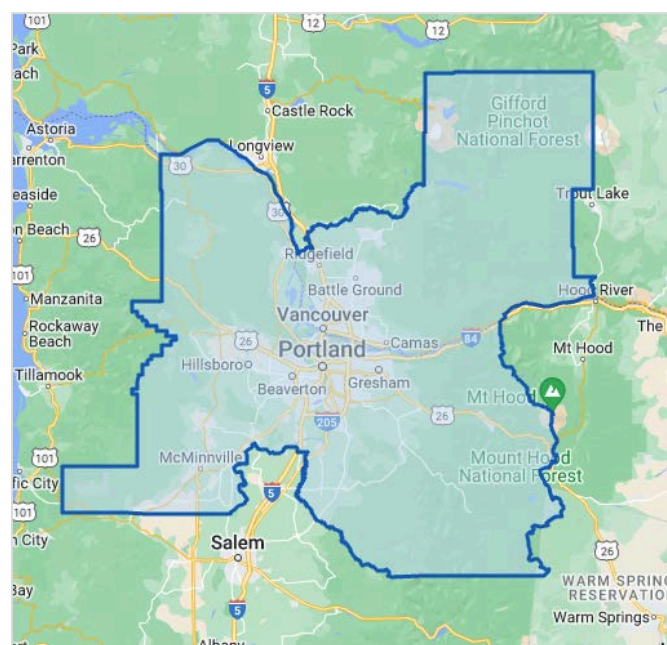
While CoStar data provides valuable, up-to-date data across a wide range of metrics, data quality is more limited in smaller markets and at the property level. The data here should be read as an indication of overall market statistics and trends, rather than an exact reflection of all properties in a given market.

**Figure 7: I-5 South Submarket Boundary**



Source: CoStar

**Figure 8: Portland Metro CoStar Boundary**



Source: CoStar



# Office Market Trends

## Portland Metro Regional Trends

Like the national office space market, office spaces in the Portland Metro are experiencing high vacancy rates and lower leasing activity. Work-from-home policies have decreased the demand for office space. Consequently, tenants have increased bargaining leverage; they are pressuring landlords to reduce rates, increase lease concessions, and raise tenant improvement budgets. Despite these adjustments, an increase in vacancies is expected, with interest rates and economic uncertainty adding volatility to the office market.<sup>20</sup> Other key findings include:

- ◆ **Record high vacancy rates:** High vacancy rates have continued to climb, reaching a record high of 13.3 percent vacant office space in 2024 Q2.<sup>21</sup>
- ◆ **Continued negative net absorption:** Net absorption in the Portland market was just over negative 500,000 square feet in 2024 Q2, the fourth quarter in a row of negative net absorption. Since the beginning of 2020, the Portland office market has only had positive net absorption for five quarters.<sup>22</sup>
- ◆ **Leasing activity:** Leasing and sales activity are on par with 2023, indicating that the vacancy and absorption trends are due to companies exiting the marketplace or downsizing at a higher rate, likely due to continued work-from-home policies.<sup>23</sup>

However, the Portland office market is not uniform, with the suburban office market performing better than the downtown and regional office markets. The Portland suburbs' office vacancy rates are 8.6 percent, compared to 23.9 percent downtown.<sup>24</sup>

## Wilsonville Office Market

Wilsonville currently has roughly 1.4 million square feet of office space, representing roughly 18 percent of office space in the I-5 South submarket and 1 percent in the broader Portland Metro region. According to CoStar, over the past decade, one office building was added to Wilsonville's market in 2020, located at 29250 Southwest Town Center Loop West. This office building was about 30,000 square feet or roughly 2 percent of Wilsonville's total office space. Over the same time period, the Portland Metro added a greater share (9 percent) of space to its office market. These projects, on average, have been significantly

<sup>20</sup> Cushman & Wakefield, [Office Marketbeat Q2 2024 Portland Office Report](#)

<sup>21</sup> Cushman & Wakefield, [Office Marketbeat Q2 2024 Portland Office Report](#)

<sup>22</sup> Kidder Matthews, [Portland Office Market Report Q2 2024](#)

<sup>23</sup> Kidder Matthews, [Portland Office Market Report Q2 2024](#)

<sup>24</sup> Cushman & Wakefield, [Office Marketbeat Q2 2024 Portland Office Report](#)





larger than usual office buildings, with a few very large projects surpassing 100,000 square feet.

**Table 12: Office Space Development Trends, 2014 to 2024**

<b>GEOGRAPHY</b>	<b>TOTAL BUILDINGS</b>	<b>TOTAL SQUARE FEET</b>	<b>AVERAGE BUILDING SIZE</b>
<b>ALL OFFICE DEVELOPMENT</b>			
Portland Metro	6,217	118,809,170	19,110
I-5 South Submarket	431	7,533,437	17,479
Wilsonville	62	1,358,335	21,909
<b>BUILT IN THE LAST 10 YEARS</b>			
Portland Metro	66	10,354,342	156,884
I-5 South Submarket	4	80,976	20,244
Wilsonville	1	30,000	30,000

Source: CoStar, pulled August 2024

Per Costar, the I-5 South submarket office vacancy rates have been higher than the Portland Metro's vacancy rates since 2014 although vacancy rates have been much more similar since 2022. Both have vacancy rates above 13 percent as of July 2024. While Wilsonville office vacancy rates have remained much lower, the end of a few leases are reflected in vacancy rate spikes in 2020, 2022, and 2024, when the vacancy rate spiked closer to the Portland metro average.

**Figure 9: Office Vacancy Rate Trends, 2014-2024**

Source: CoStar, pulled August 2024



Office rents have increased in the I-5 South submarket despite high vacancies, and they remain substantially above the Portland Metro region's average, according to Costar. Historically, office rents in Wilsonville have been lower than in the Portland Metro area. However, since an initial decline in 2020, rents in Wilsonville have risen steadily, reaching over \$26 per square foot, now equal to the Portland Metro average for the first time in a decade.

**Figure 10: Office Lease Rate Trends, 2014-2024**

Source: CoStar, pulled August 2024

Net absorption and delivery trends also indicate a relatively slow office market. From 2019 to 2024 Q3, net absorption was negative in all three areas. Over the same time period, net absorption in the Portland metro area was negative 4.6 million square feet, negative 387,000 square feet in the I-5 South submarket, and negative 122,000 square feet in Wilsonville.



# Industrial Market

## Portland Metro Regional Trends

Like the national industrial market overall, the Portland Metro area industrial market has been strong in recent years, particularly from 2021 to 2023. However, similar to national trends, a few metrics indicate that demand for industrial space is decelerating in the region:<sup>25</sup>

- ◆ **Increasing vacancy rates:** Vacancy for industrial space in the Portland Metro region has risen steadily since early 2023, and net absorption was negative in both Q1 and Q2 of 2024. While overall leasing activity for industrial space in the area remained higher than the area's 10-year average, a few large companies downsizing or exiting the market contributed to negative net absorption and vacancy trends.
- ◆ **Slow lease-up for new construction:** The delivery of 1.2 million square feet to the market in early 2024 also contributed to the region's supply of vacant industrial space. However, newly constructed industrial space has been slow to lease up, with 93 percent of recent leasing activity in buildings built before 2010.
- ◆ **Rising unemployment rates:** In early 2024, Portland's unemployment rate (4.1 percent) surpassed the national average (3.8 percent) amid layoffs, including the shutdown of a large UPS location in North Portland, which impacted 300 sorting and distribution jobs.

However, investors and leasing professionals are confident in the regional market's long-term health, particularly due to significant investments in the region's semiconductor manufacturing sector.<sup>26</sup> Market strengths include:

- ◆ **CHIPS Act:** In 2022, the federal government allocated \$50 billion as a part of the CHIPS Act to bolster U.S. semiconductor manufacturing, which is expected to create thousands of regional manufacturing and construction jobs.<sup>27</sup> The expansion of the semiconductor industry could also have a ripple effect, creating demand for industrial space for equipment suppliers, supply chain materials manufacturers, and testing facilities.
- ◆ **Strong submarkets:** According to market reports from Cushman & Wakefield and CBRE, other strong industrial submarkets include food and beverage warehousing, tech warehousing, and auto part manufacturing.<sup>28</sup> These are some of the most common types of tenants seeking space in the market, although deals are taking longer on average to reach completion.<sup>29</sup>

<sup>25</sup> CBRE, [Q2 2024 Portland Industrial Market Update](#)

<sup>26</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>27</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>28</sup> Cushman & Wakefield, [Industrial Marketbeat Q2 2024 Portland Industrial Report](#)

<sup>29</sup> CBRE, [Q2 2024 Portland Industrial Market Update](#)



- ◆ **Market growth:** Current forecasts estimate that 2.4 million square feet will be delivered to the market in 2024, roughly 1 percent of the current Portland industrial space inventory. As reported by CBRE, investors and leasing professionals are confident that the Portland market has additional room for growth.

## Wilsonville Industrial Market

Wilsonville has about 8.6 million square feet of industrial and flex space, representing roughly 24 percent of the I-5 South submarket and 3 percent of the Portland metro region's industrial space. The average size of Wilsonville's industrial building is roughly 63,000 square feet, almost twice as large as the average industrial building in the broader Portland metro (34,000 square feet).

Wilsonville has had limited industrial development in the past decade. Only 1.7 percent of Wilsonville's total industrial space was built in the last 10 years, compared to roughly 11 percent of the I-5 South submarket and Portland metro industrial space. This slow pace of development makes sense given the limited supply of developable industrial land in the City, and more precisely, the development constraints that exist on those lands.

**Table 13: Industrial & Flex Space Development Trends, 2014 to 2024**

GEOGRAPHY	TOTAL BUILDINGS	TOTAL SQUARE FEET	AVERAGE BUILDING SIZE
<b>ALL INDUSTRIAL DEVELOPMENT</b>			
Portland Metro	7,535	257,487,989	34,172
I-5 South Submarket	900	35,089,559	38,988
Wilsonville	137	8,605,081	62,811
<b>BUILT IN THE LAST 10 YEARS</b>			
Portland Metro	278	30,328,230	109,094
I-5 South Submarket	50	3,848,383	76,968
Wilsonville	2 <sup>30</sup>	145,611	72,806

Source: CoStar, pulled August 2024

<sup>30</sup> The two buildings listed in CoStar are located at 96500 SW Parkway Ave (2025) and 10680 SW Clutter Road (2022). However, city staff noted three others, the Black Creek development in the Coffee Creek industrial area and two SSI Shredding facilities.



Wilsonville's industrial vacancy rate has remained below 6 percent for most of the past decade. In 2020 and 2021 Wilsonville saw a brief spike in vacancy, likely driven by the COVID-19 pandemic, which quickly dropped to just over 1 percent in 2022. As of July 2024, Wilsonville's combined industrial and flex space vacancy rate was 2.6 percent (Figure 12). Wilsonville's industrial vacancy rate has been below the Portland Metro since 2021. As of July 2024, the Portland Metro had a vacancy rate of 5.9 percent and I-5 South submarket had a vacancy rate of 4.5 percent.

**Figure 11: Industrial & Flex Vacancy Rate Trends, 2014-2024**

Source: CoStar, pulled August 2024



Triple net industrial rents in Wilsonville increased from 2014 to 2020 and were generally higher than the Portland Metro Region over the period.<sup>31</sup> Wilsonville shows a large drop in lease rates between 2020 and 2021, likely due to COVID-19 impacts. However, rates rebounded in 2022, reaching \$15.35 per square foot in July 2024, higher than the Portland Metro (\$12.03) and I-5 South submarket (\$12.99). The combination of rising rents and very low vacancy rates suggests a robust industrial market in Wilsonville, potentially attracting new development, especially speculative development.

**Figure 12: Industrial & Flex Rents Trends, 2014-2024**

Source: CoStar, pulled August 2024

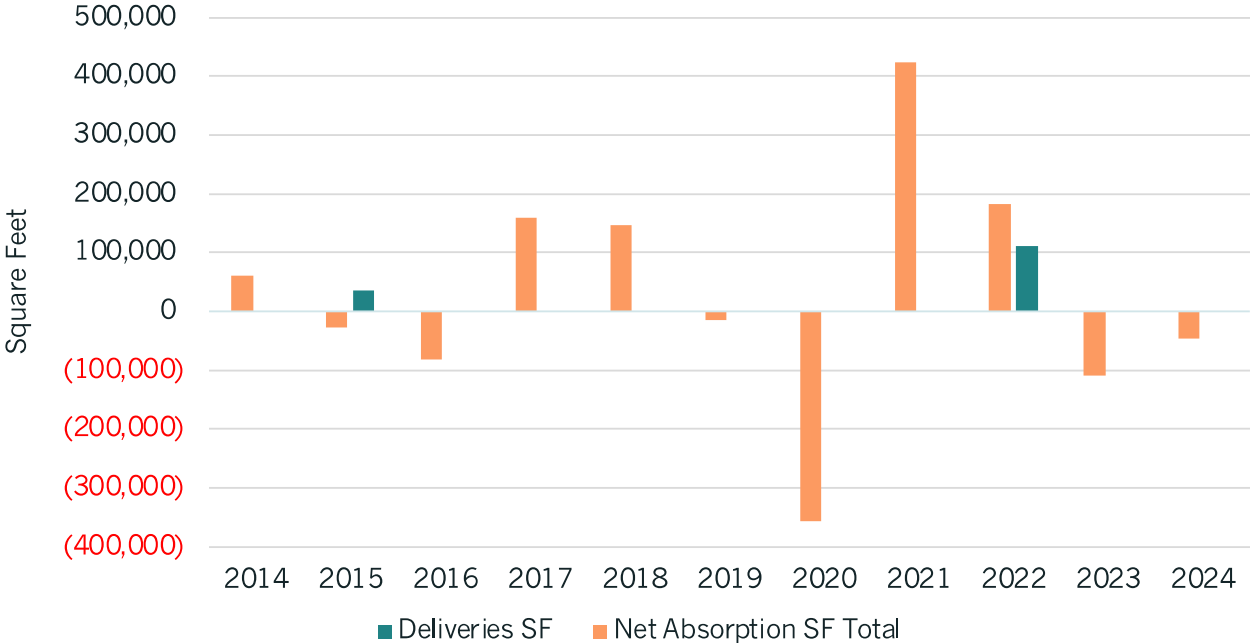
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<sup>31</sup> Triple-Net (NNN) rents are annual rents on a per square foot basis not including any pass-through expenses such as taxes, insurance, and any utilities or maintenance costs, which are passed on to the tenant and paid separately.



Net absorption has been generally positive for industrial properties over the past decade, with a large vacancy in 2020; however, it was followed by high positive net absorption the following year. Net absorption was negative in 2023 and through August 2024 (when data was pulled), but at a smaller magnitude than in 2020.

**Figure 13: Net Absorption for Industrial & Flex Space in Wilsonville, 2014 to 2024**



Source: CoStar, pulled August 2024



## TYPE OF INDUSTRIAL PRODUCT BUILT SINCE 2014

Within the industrial product type, CoStar delineates the properties into a secondary type based on their use, size, and amenities to industrial users. CoStar utilizes the following definitions for the secondary types of industrial space:

- ◆ **Distribution:** Spaces used for warehousing and distribution of inventory, that are typically 200,000 square feet or more, have clear heights of 28 feet, are less than 5 percent office space, and have site coverage that can be up to 40 percent.
- ◆ **Warehouse:** Buildings that are 25,000 square feet or greater, are up to 20 percent office area, have clear heights of 22 feet or greater, and have site coverage up to 50 percent.
- ◆ **Manufacturing:** Buildings that are typically 300,000 square feet or greater with an office area up to 50 percent.
- ◆ **R&D:** Flex space specifically used for research and development.
- ◆ **Flex/Other/Misc.:** A versatile building that may be used with office (corporate headquarters), research and development, mixed-use industrial and retail sales, and includes but is not limited to industrial, warehouse, and distribution uses. At least half of the rentable area of the building must be used as office space. Flex buildings typically have ceiling heights under 18 feet, with light industrial zoning. Flex buildings have also been called Incubator, Tech and Showroom buildings in markets nationwide.

Table 14 shows industrial development by submarket, or secondary market, types. Over the past 10 years, the I-5 South submarket has captured a slightly smaller share of the total market at 8.7 percent compared to its total share of 10.2 percent. The secondary market type distribution has also changed. While the I-5 South submarket contains roughly 27 percent of the total market space for R&D and warehouse space, it has captured about 35 percent of the space built in the last 10 years. Meanwhile it captured a smaller share of manufacturing and distribution development (19 percent in past 10 years compared to 27 percent of total market share).

**Table 14: Industrial Development Trends by Secondary Market Type, Portland Metro and I-5 South Submarket, 2014 to 2024**

	ALL DEVELOPMENT		PAST 10 YEARS		I-5 CAPTURE RATES	
	METRO	I-5	METRO	I-5	ALL DEV'T	2014-2024
<b>Distribution</b>	49,002,646	5,677,113	16,716,663	1,222,159	11.6%	7.3%
<b>Manufacturing</b>	43,382,806	6,661,789	5,802,456	700,301	15.4%	12.1%
<b>R&amp;D</b>	4,036,770	409,055	514,319	87,476	10.1%	17.0%
<b>Warehouse</b>	116,255,396	19,920,386	11,999,179	2,178,085	17.1%	18.2%
<b>Flex/Other/Misc</b>	156,220,367	4,831,339	24,957,511	1,053,586	3.1%	4.2%
<b>Total</b>	<b>368,897,985</b>	<b>37,499,682</b>	<b>59,990,128</b>	<b>5,241,607</b>	<b>10.2%</b>	<b>8.7%</b>

Source: CoStar, pulled August 2024



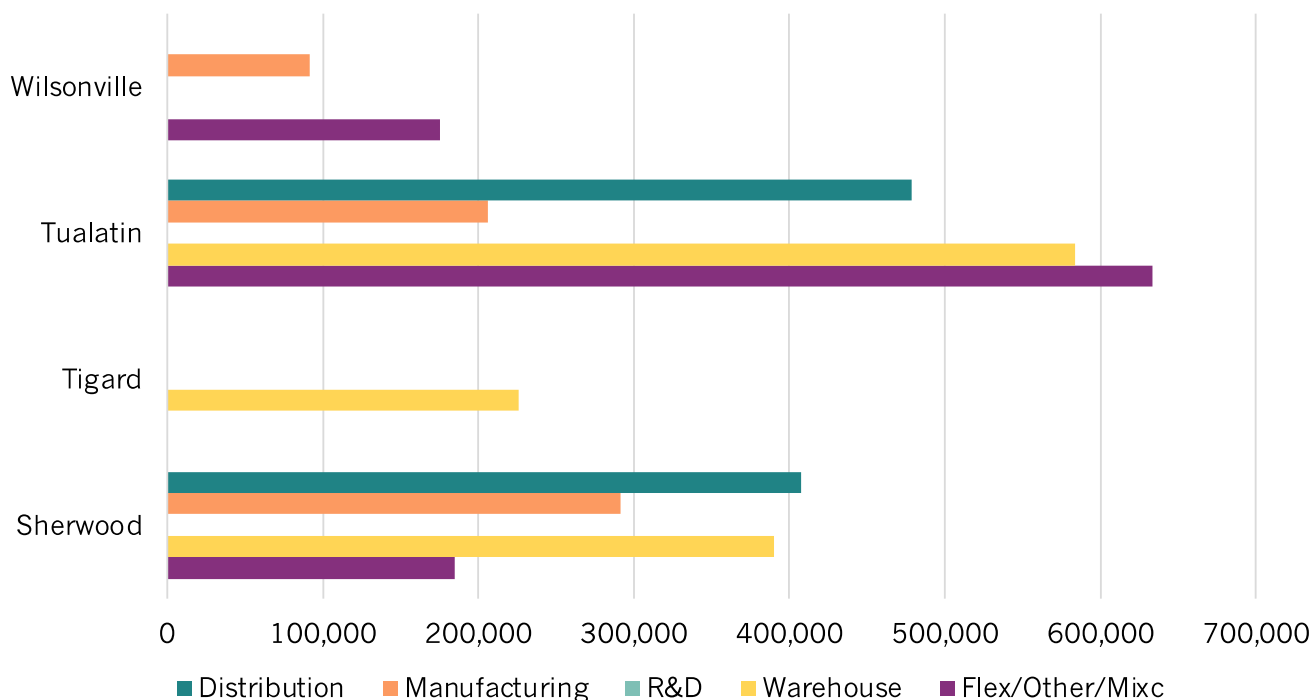


Industrial development along the I-5 South submarket has recently concentrated in Tualatin and Sherwood, with Wilsonville falling behind. This trend is likely due to Wilsonville's shortage of development-ready industrial land and large parcels, a view supported by interviews with local developers, brokers, and economic development organizations.

Many speculative industrial developers are seeking large sites, as demonstrated by recent developments in Sherwood and Tualatin on parcels exceeding 10 acres. Notable examples include the recently completed Sherwood Commerce Center on a 30+ acre site and the proposed Rock Creek industrial site development on 25 acres in Sherwood. In Tualatin, the Tualatin Sherwood Corporate Park was completed in 2022 on over 40 acres, while the Hedges Creek Industrial Park is expected to be completed in 2025 on a 20-acre site.

Local developers report that most of the industrial demand is coming from existing regional businesses rather than out-of-state companies. These local industrial users are primarily looking to expand or upgrade their current facilities within the area. Many express a desire to be outside the City of Portland and Multnomah County, citing concerns about public safety and higher rates of taxation.

**Figure 14. Secondary Industrial Space Recently Built or Proposed in I-5 South Submarket by City, 2019-2026**



Source: CoStar, pulled August 2024



# Target Industry Assessment

Wilsonville is well positioned within the region to capture industrial growth. It has access to a strong base of employment, proximity to I-5, and connections to other growing industrial areas in Sherwood and Tualatin. This section examines industries likely to be drawn to Wilsonville, considering its strengths and competitive edge. The analysis begins by identifying common barriers to industrial development, based on local stakeholder interviews. It then reassesses strengths and weaknesses outlined in the Basalt Creek Concept Plan (BCCP), updating these factors to reflect market and employment trends over the past decade. The section concludes by summarizing how these market trends will shape Basalt Creek's development.

## Barriers to Industrial Development

Stakeholders identified a number of key barriers for industrial users that prevent development. While some of these challenges are more directly applicable to Basalt Creek than others, they all represent important considerations for the City as it prepares the area for development:

- ◆ **Site Readiness:** Many sites lack the necessary transportation and utility infrastructure and preparations to immediately accommodate industrial users.
- ◆ **Power Availability:** Immediate or quick access to heavy power is currently the most significant barrier for many industrial businesses. The increasing power demands of modern industrial operations make this a crucial factor.
- ◆ **Outdated Existing Buildings:** Many existing structures do not meet the needs of modern industrial users, requiring significant renovations or complete rebuilds.
- ◆ **Lack of Intermediate Industrial Spaces:** Medium sized industrial users (users that require 20,000 to 40,000 square feet) have limited spaces to choose from.
- ◆ **Misaligned Visions and Overly Prescriptive Zoning:** Sometimes, the landowners' or city's vision for an area does not align with the diverse needs of potential users. Discussions with local developers and brokers highlight the importance of allowing a mix of uses for better financing opportunities. This is particularly relevant for speculative development, where end-users are not known at the time of entitlement and construction. Overly prescriptive zoning that designates specific uses, such as manufacturing, can be more challenging to finance because banks see risk and concern if they perceive the list of potential tenants is too small or narrow. Additionally, various types of uses tend to cluster together due to supply chain benefits. For example, manufacturers often have suppliers located nearby. Overly prescriptive zoning can disrupt this natural ecosystem by preventing clustering.
- ◆ **Fragmented Land Ownership:** Areas with multiple small parcels under different ownership can make it difficult to assemble larger sites needed for significant industrial development.



- ◆ **Incompatible Neighboring Uses:** The presence of non-industrial uses in close proximity can preclude development out of concern for potential or future conflicts that have the potential to limit or complicate the operations of industrial businesses.
- ◆ **Requirements for Connectivity:** In some cases, required access roads can deter large industrial developers because the roads may decrease the area of developable land while adding significant cost to a speculative project. Additionally, some industrial users who prioritize confidentiality and security may be less attracted to areas with public access requirements.

## Comparative & Competitive Advantage

The BCCP outlined the Basalt Creek area's advantages and challenges, many of which are still relevant. The following includes Basalt Creeks' advantages and challenges drawing from the BCCP and updating based on new information gathered as a part of this report.

### STRENGTHS AND COMPETITIVE ADVANTAGES

- ◆ Centrally located in the south Metro, within the Urban Growth Boundary, and designated in the City's comprehensive plan for industrial uses.
- ◆ Large contiguous cluster of existing and planned industrial employment areas, including Wilsonville's Coffee Creek Industrial Area, and adjacent employment lands in Tualatin and Sherwood.
- ◆ Large areas of contiguous land ownership with property owners who are interested in developing or selling for redevelopment
- ◆ Long-term growth projections for employment and population in the southwest Portland metro area.
- ◆ Excellent access to I-5, as well as I-205 and Highway 217. Additional transportation strengths include existing and planned arterial roads, and local and regional transit service provided by TriMet, WES Commuter Rail, and SMART.<sup>32</sup>
- ◆ Access to an educated workforce as part of the Metro labor shed and Mid-Valley labor shed
- ◆ Easily accessible to other growing industrial areas, particularly in Tualatin and Sherwood
- ◆ Planned substation development

### CHALLENGES

- ◆ Zoning needs to be in place prior to development.
- ◆ Planning, financing, and construction of new infrastructure.

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<sup>32</sup> Existing major arterials include SW Grahams Ferry Road, SW Boones Ferry Road, and SW Day Road; The City is also planning the extension of Basalt Creek Parkway.



- ◆ Existing low employment density uses (contractor establishments and storage uses) that generate income for property owners may reduce appetite to sell for redevelopment
- ◆ Lot sizes and property aggregation. There is a mix of large and small lots throughout Basalt Creek. The time and cost required to secure properties from multiple parties to aggregate developable industrial properties of adequate size can be a significant deterrent to developers.
- ◆ Natural features including wetlands and slopes. Basalt Creek and its surrounding slopes and wetland areas run north-south through the study area and divide the area into east and west sections.
- ◆ Growing power demands from industrial users and uncertainty on timing and capacity of additional service<sup>33</sup>

## Which industries may be attracted to Basalt Creek?

Basalt Creek's longstanding vision as an industrial area aligns well with current market trends, which show strong demand for industrial space both nationally and in the Portland metro region. Stakeholders point to Wilsonville's potential to attract a diverse range of industrial businesses, including those in the semiconductor supply chain, clean tech, advanced manufacturing, and data centers.

Wilsonville's appeal to these sectors stems from its strategic location in the south Metro area, access to a skilled labor force, and proximity to related industries. The semiconductor sector in particular is poised for expansion due to recent CHIPS Act investments. Similarly, clean tech industries are anticipated to see growth within the Portland Metro region. The availability of large areas of contiguous land ownership in the Basalt Creek Planning Area further enhances its attractiveness to major industrial users who seek large lots for development.

It is worth noting that while the Basalt Creek Concept Plan (BCCP) originally envisioned a mix of uses including office space associated with industrial operations, primarily in the High-Tech Employment district, current market conditions suggest that office use will likely play a smaller role than initially planned. Instead, the focus is expected to shift more towards industrial and tech-oriented developments to capitalize on emerging economic opportunities. Below are details about the potential sectors and industries that may be particularly attracted to Wilsonville:

- ◆ **Semiconductor Sector Supply Chain:** This sector includes companies involved in the design, manufacturing, and testing of semiconductor chips, as well as those providing materials, equipment, and services to chip manufacturers. Wilsonville is attractive for this industry due to its proximity to existing semiconductor clusters in

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<sup>33</sup> ECONorthwest has reached out to PG&E understand how much of a challenge access to adequate power may be and is waiting to hear back. This statement may be updated after that conversation.



the Portland metro area, access to a skilled workforce, and potential for large industrial sites. Basalt Creek would likely host businesses that support the supply chain rather than producing the chips themselves.

- ◆ **Clean Tech, including Battery Technology:** Clean tech encompasses renewable energy technologies, energy efficiency solutions, and sustainable manufacturing processes. Businesses in this sector include energy storage and related sustainable material technologies, and a variety of alternative energy technologies and production. Battery technology, crucial for electric vehicles and energy storage, is a growing subsector which is already present in Wilsonville. Wilsonville's strategic location and potential for large industrial sites make it suitable for clean tech manufacturing and R&D facilities.
- ◆ **Advanced Manufacturing:** This sector involves the use of innovative technologies to create products. It includes robotics, 3D printing, and smart manufacturing systems. Wilsonville's access to a skilled workforce and its location near tech hubs make it attractive for advanced manufacturing operations.
- ◆ **Distribution and Logistics:** This sector involves the storage, transportation, and delivery of goods. Wilsonville's location near major transportation routes (I-5 and I-205) and its proximity to Portland make it an ideal location for distribution centers and logistics hubs.
- ◆ **Data Centers:** Data centers are facilities used to house computer systems and associated components. Wilsonville's access to available land and the potential access to reliable power sources could make it attractive for data center development.<sup>34</sup> The proximity to tech companies in the Portland metro area is an additional advantage.

This diverse range of potential industries positions Wilsonville to capitalize on various economic opportunities, creating a resilient industrial base in Basalt Creek.

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<sup>34</sup> Interviews with stakeholders have suggested that Wilsonville may be attractive to data centers. ECONorthwest has reached out to PG&E understand if Basalt Creek has/will have access to the power necessary for this type of use and is waiting to hear back.



## 4. Conclusion

**The Basalt Creek area in Wilsonville is strategically positioned for industrial development, with the potential to attract a variety of users, from manufacturing and logistics to data centers.** The area's suitability for supporting the semiconductor supply chain is underscored by recent expansions of semiconductor suppliers in nearby Sherwood. Additionally, the area could be attractive to clean-tech businesses, including those involved in battery storage and alternative energy technologies.

**However, realizing this potential presents several challenges.** Existing contractor establishments generate sufficient income for some property owners, reducing their incentive to sell or redevelop the land for higher-intensity industrial uses. Furthermore, relocation options for these businesses may be limited, complicating redevelopment efforts. (The feasibility of redevelopment will be further explored in a subsequent separate study).

Conversely, some developers have already assembled land, and they are ready for immediate development, eager to capitalize on the strong industrial demand seen in nearby Coffee Creek, Tualatin, and Sherwood. Stakeholders emphasized the importance of large parcels in facilitating area redevelopment, with many developers willing to fund necessary infrastructure improvements if given access to such lots. For example, Schnitzer Properties owns property east of Grahams Ferry Road, south of Basalt Creek Parkway, and north of Day Road and eagerly awaits the adoption of zoning and policy to enable industrial development in this area. They intend to submit development and annexation applications as soon as zoning and policy is in place. Their recent development in Sherwood, known as the Sherwood Commerce Center, is an example of the type of development they are envisioning for their Basalt Creek property, offering flexible spaces for various industrial users.

**It is crucial for Wilsonville to carefully balance its development goals for Basalt Creek with market realities.** While the City may have preferences for certain types of businesses, being overly selective could deter development altogether. This is especially significant given the current economic climate. The BCCP originally envisioned office space within each district with the highest share in its High-Tech Employment District and anticipated that this office space would be in connection with industrial users. However, nationally and regionally demand for office space has been in decline with remote and hybrid work trends continuing to impact the need for office space. While office will likely still be a part of the BCPA, it may occupy a smaller share than originally envisioned.

Nationally, there's strong demand for industrial space, but Oregon's employment growth which has been lagged national trends since 2020 may moderate this trend locally. Developers have stated that current industrial demand in the Metro area is largely driven by regional businesses seeking to expand or upgrade their facilities. If Wilsonville imposes overly burdensome or restrictive requirements on the types of industrial users it allows (such as requiring a high share of manufacturing space), it risks limiting development feasibility and driving developers and industrial users to more accommodating locations.



The City must navigate these challenges while working towards its vision for Basalt Creek: a diverse mix of industrial uses, higher employment density, high-wage jobs, an enhanced tax base, and increased community prosperity

## Next Steps

These findings are preliminary and will be refined through further analysis, stakeholder engagement, and discussions with the Planning Commission and City Council. Upcoming tasks include completing the buildable lands inventory, conducting site suitability analyses for key locations, and assessing the feasibility of redeveloping contractor establishments. All these elements will ultimately be synthesized into a comprehensive final report outlining key findings and recommendations.

