
RETAIL MARKET ANALYSIS

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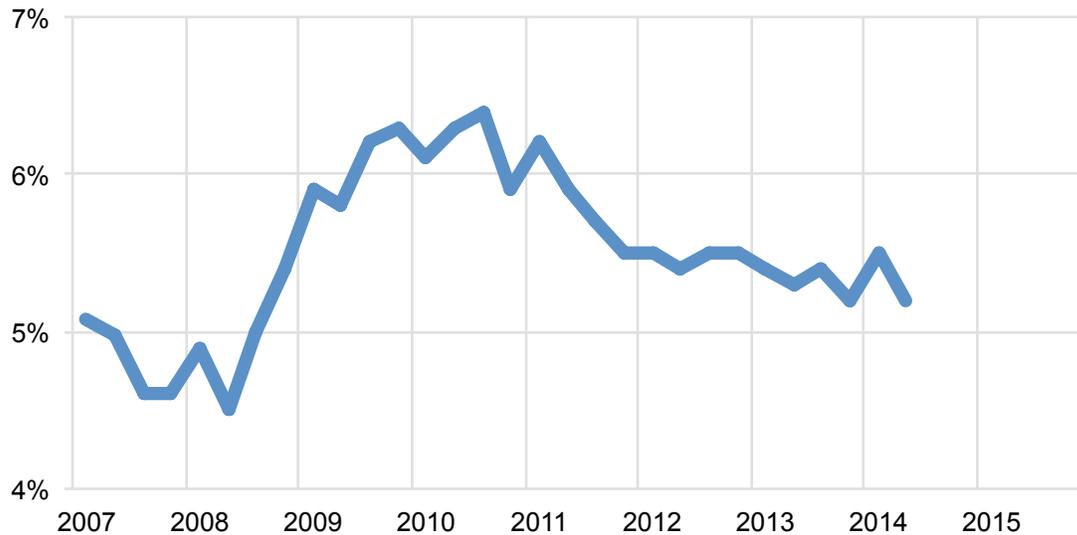
Portland State University

Colliers reports that in today's retail market, millennials are setting trends that not only have retailers taking a closer look at their presence in the market but how they are viewed by this influential demographic. This group is playing a major role in the demand for more pedestrian and transit friendly urban neighborhoods.

As the influence of millennials continues to grow in the retail market, retailers are looking for ways to attract this demographic. Big box stores are testing smaller formats in urban areas, with mixed results, but centers with specialty stores like Trader Joe's continue to do well. According to Colliers, the amenity of convenience has begun to trump price with millennials and retailers are responding by securing space in pedestrian friendly districts.

As Portland's growing employment numbers continue to improve, the retail market is attracting the attention of national retailers. According to Marcus and Millichap, Portland's retail market continues to attract investors from largest west coast markets who are seeking higher yields from retail assets.

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

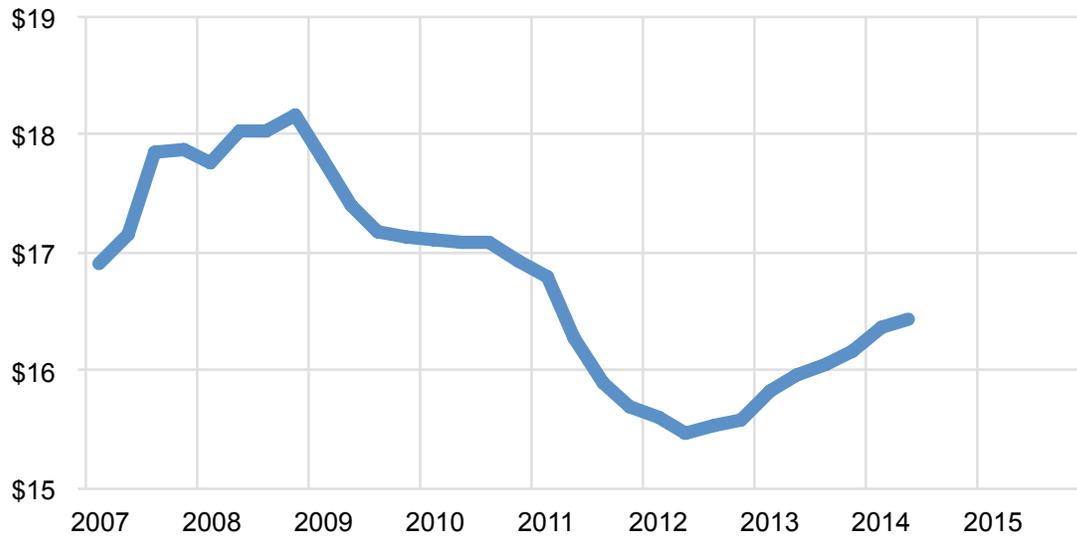
Figure 1: Portland Retail Market Vacancy Rate, 2007–2014

Source: Kidder Mathews

VACANCY

According to CoStar, during the second quarter of 2014, the average retail vacancy rate has been bouncing around just over five percent. The first quarter of this year ended at 5.2 percent whereas the fourth quarter of last year ended at 5 percent and the third quarter ended at 5.2 percent

Colliers reported similar numbers with a 5.2 percent vacancy rate during the first quarter of this year and 5.0 percent in the second. Kidder Mathews also reports a 5.2 percent vacancy rate for the second quarter down from 5.5 percent in the first quarter of this year. According to Kidder Mathews, vacancy rates are continuing to decrease due to limited new supply and obsolete space being converted to alternate uses.

Figure 2: Portland Retail Market Average Asking Rates, 2007–2014

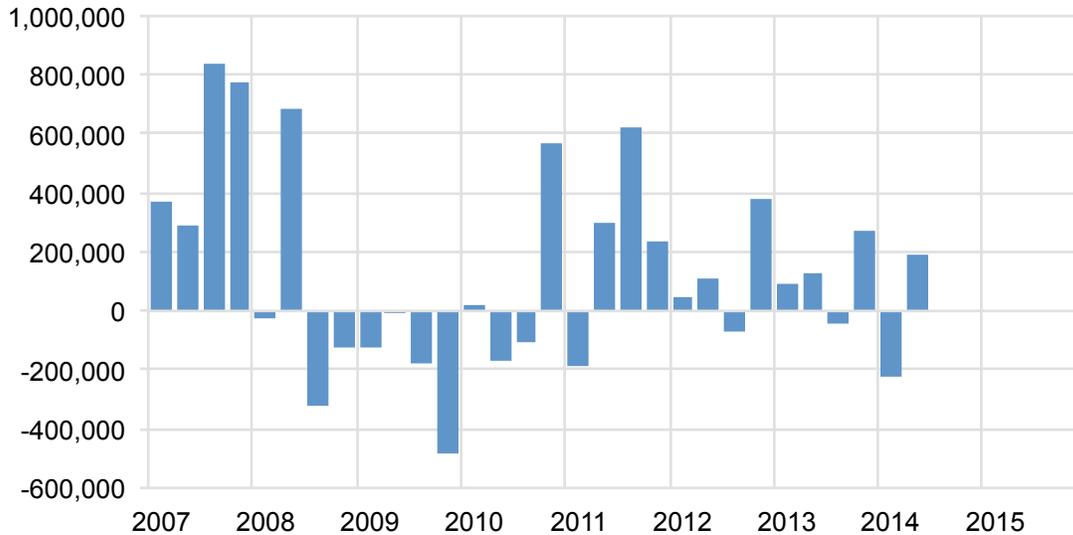
Source: Kidder Mathews

RENTAL RATES

CoStar reports that the current average rental rate for the Portland market is \$16.45 per square foot whereas during the first quarter of this year the average rental rate was \$16.42 per square foot. The second quarter saw a modest 1.64 percent increase over the second quarter of last year.

Colliers reports a slightly higher average rental rate of \$16.48 per square foot for the second quarter compared to \$16.23 at the end of the second quarter of 2013. Kidder Mathews reports that the retail market continues to improve and as retailers compete for the better locations and properties, this should continue to push rental rates upward.

Figure 3: Portland Retail Market Net Absorption, Square Feet, 2007–2014

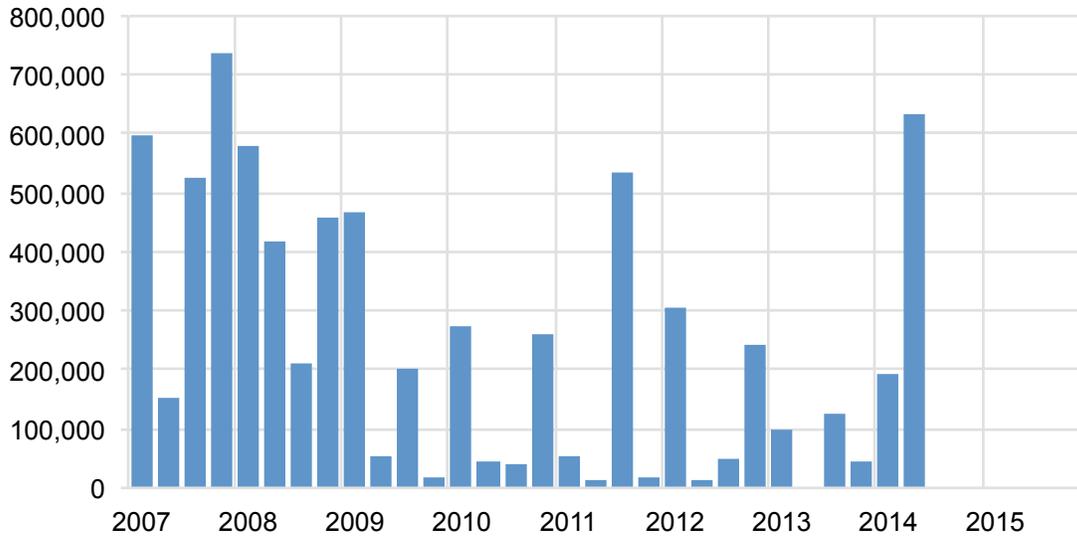


Source: Kidder Mathews

ABSORPTION AND LEASING

CoStar reports positive net absorption of 209,504 square feet at the end of the second quarter of 2014 up from negative 36,874 in the previous quarter. Colliers reports positive absorption of 216,310 square feet for the second quarter and negative 56,063 for the first quarter of this year. Kidder Mathews comes in slightly lower, reporting 194,133 square feet of absorption for the second quarter. During the second quarter of last year, Colliers reported only 83,033 square feet of absorption. By the end of the fourth quarter of 2013 Portland's retail market had absorbed a total of 931,451 square feet for the year. If this trend continues, Portland's retail market may not meet last year's numbers.

Figure 4: Portland Retail Market Deliveries, Rentable Building Area, Square Feet, 2007–2014



Source: Kidder Mathews

Table 1: Notable Retail Lease Transactions

Tenant	Address	Market	Size
VillaSport	13900 SW Meridian St	N Beaverton	133,000
Ferguson Enterprises	824 NW 18th Ave	NW Close-In	17,777
Ethan Allen	2800 NW Town Center	Sunset Corr	12,834
Tuesday Morning	2800 NW Town Center	Sunset Corr	12,126
O'Merrick	422 NW 8th Ave	CBD	8,880
Bethany Tap House	11625 SW Beaverton Hillsdale Hwy	N Beaverton	4,600
Moule	1225 NW Everett St	CBD	4,200

Source: Colliers International

Table 2: Notable Retail Sales Transactions

Tenant	City	Price	Type
Hazell Dell Square	Vancouver	\$27,600,000	Investment
Mercedes-Benz	Wilsonville	\$11,500,000	Owner/User
New Season Market	Portland	\$10,178,000	Investment
Glisan Center	Portland	\$9,695,000	Investment
Gresham Sq Shop Center	Gresham	\$9,150,000	Investment

Source: Colliers International

DELIVERIES AND CONSTRUCTION

According to CoStar, during the first quarter of 2014, 13 buildings were completed for a total of 207,665 square feet. This past quarter saw a slight decrease with only five buildings completed totaling 18,852 square feet. At the end of the second quarter of this year, 645,086 square feet of retail space was under construction according to CoStar.

Kidder Mathews reports a significantly higher amount of square footage delivered during the second quarter of approximately 630,000 square feet with a total of 116.4 million square feet of retail space currently in the market. Portland has averaged approximately 545,000 per quarter over the past six quarters according to Kidder Mathews. ■