
RETAIL MARKET ANALYSIS

GEOFF FALKENBERG

Oregon Association of Realtors Fellow

The retail market in Portland showed positive trends during the final quarter of 2013, though the trends that defined the market on average were not spread evenly. Strip shopping centers that specialize in value and service benefited the most, while regional malls and big box retail locations faltered. According to Kidder Mathews vacancy stood at 5.4 percent, rents ticked up to \$16.20 per square foot, and construction and absorption both increasing to 475,689 square feet and 234,913 square feet, respectively. For 2013, net absorption was 50 percent higher than the year before and construction deliveries were up 5 percent with total square footage up 7 percent, during the same time period. Average asking rents were up 3.85 percent in the fourth quarter 2013, year over year.

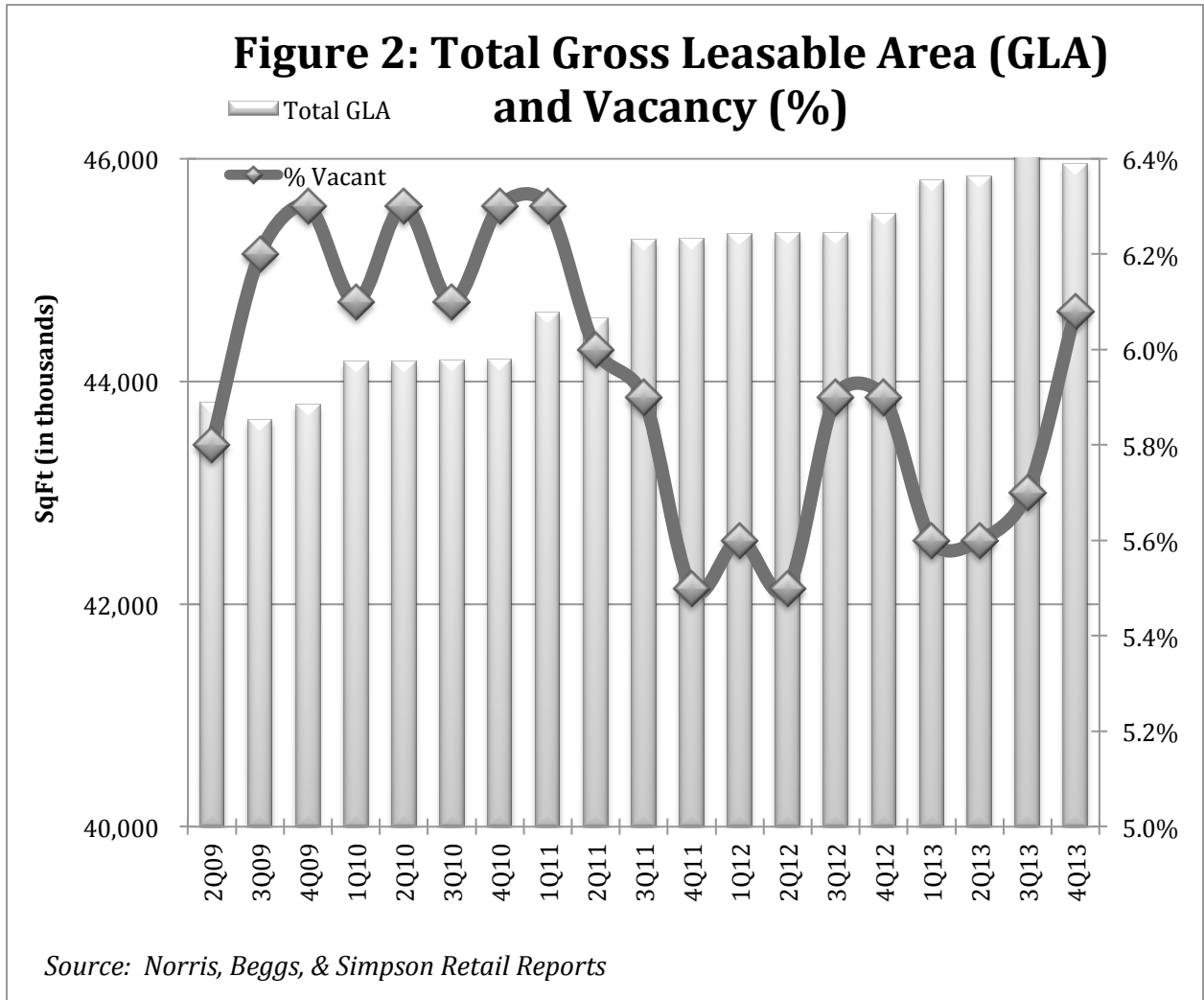
VACANCY

Portland's retail vacancy rate decreased in the Fourth Quarter 2013, according to CoStar, ending the quarter at 5.3 percent. During 2013, the vacancy rate dipped slightly, but held relatively still, as numbers in net absorption and new product held comparatively close.

The amount of vacant sublease space in the Portland market has trended down over the past four quarters. At the end of the first quarter 2013, there were 210,713 square feet of vacant sublease space. Currently, there are 133,059 square feet vacant in the market.

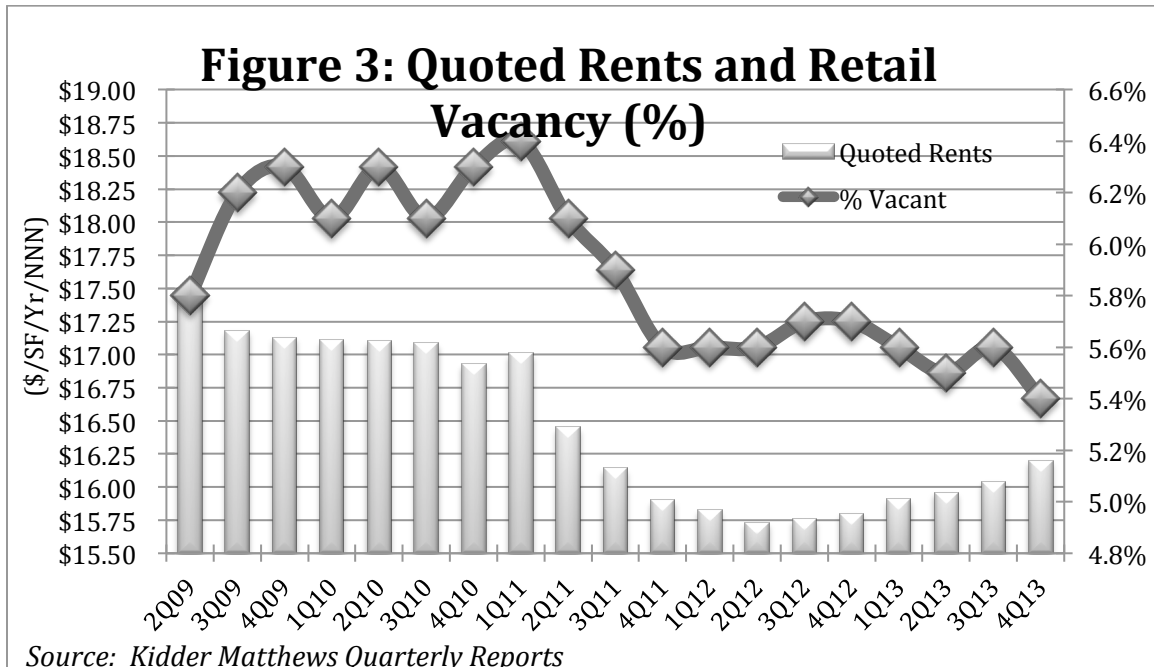
■ Geoff Falkenberg is the Oregon Association of Realtors fellow at the Portland State University Center for Real Estate. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

In the CBD, vacancy is down to 4.55 percent (NAI Norris, Beggs, & Simpson) the lowest vacancy since 2006. Vacancy in the Sunset Corridor increased as a major tenant departed from the Hillsboro Town Plaza, leaving behind 16,188 square feet of vacant retail space. Gresham/122nd’s vacancy rate of 8.97 percent, highest in the Portland MSA, is down slightly as two large furniture retailers took up leases.



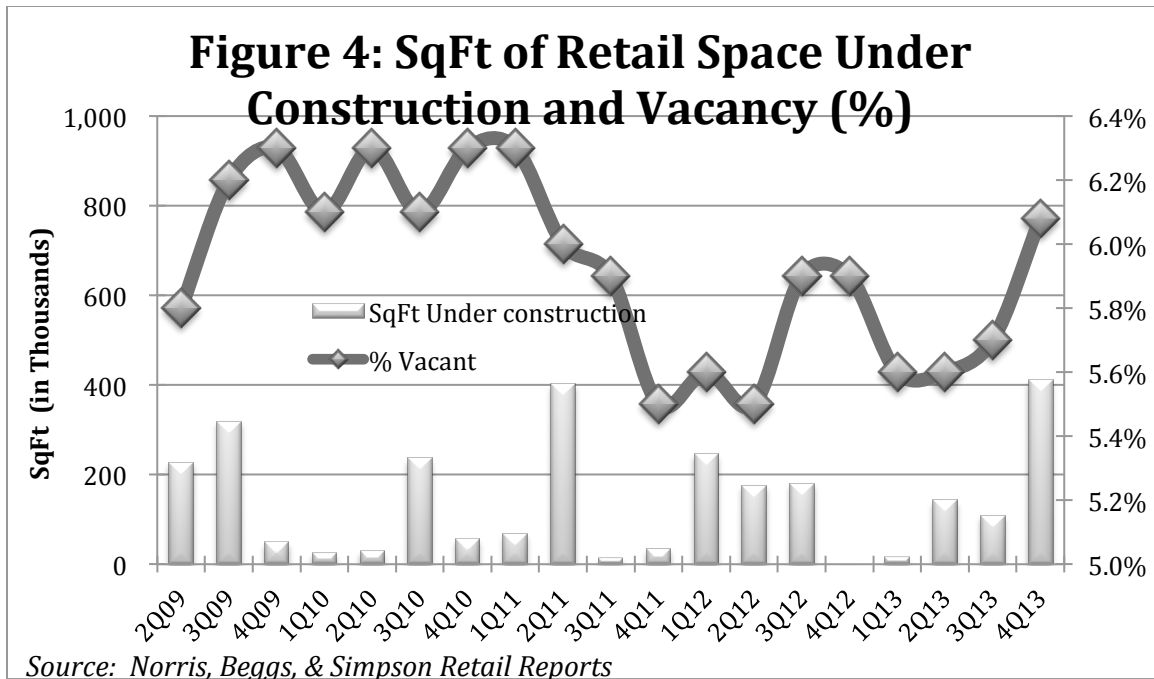
RENTS

Average quoted asking rents are up on the year. Quoted rents ended the fourth quarter 2013 at \$16.22 per square foot per year. That compares to \$16.06 per square foot in the third quarter 2013, and \$15.90 per square foot at the end of the first quarter 2013. This is a 2.0 percent increase over the year.



DELIVERIES AND CONSTRUCTION

The mainstay of new construction has been found in pre-leased, prime location developments with in-demand or value adding tenants. In particular, food and grocery tenants appear to be the new “must have” anchor. Stores like Whole Foods, New Seasons, Local Choice, and Green Zebra are spreading throughout the Portland MSA and are being welcomed by substantial market demand. Natural Grocer Vitamin Cottage has opened their first Portland area location in Cedar Hills, with more stores planned for greater Portland, while Walmart’s Neighborhood Market concept is unfurling to mixed reviews.



ABSORPTION

Retail absorption took place at a healthy clip in the fourth quarter, with 208,659 square feet having been absorbed. As compared to the third quarter which saw 55,328 square feet of absorption. Two Kmart’s vacated their locations, one on SE Johnson and the other on SW Nyberg. The two leaving a total of 218,159 square open for the leasing. Burlington Coat Factory vacated 84,180 square feet at the Jantzen Beach Supercenter.

Tenants moving into large blocks of space in 2013 include: Sportsman’s Warehouse moving into 49,409 square feet at Tanasbourne Retail Center; Orchard Supply Hardware is moving into 40,085 square feet at 9770 SW Scholls Ferry Rd.; and Natural Grocers by Vitamin Cottage moving into 33,760 square feet at 12155 SW Broadway St. ■