
RETAIL MARKET ANALYSIS

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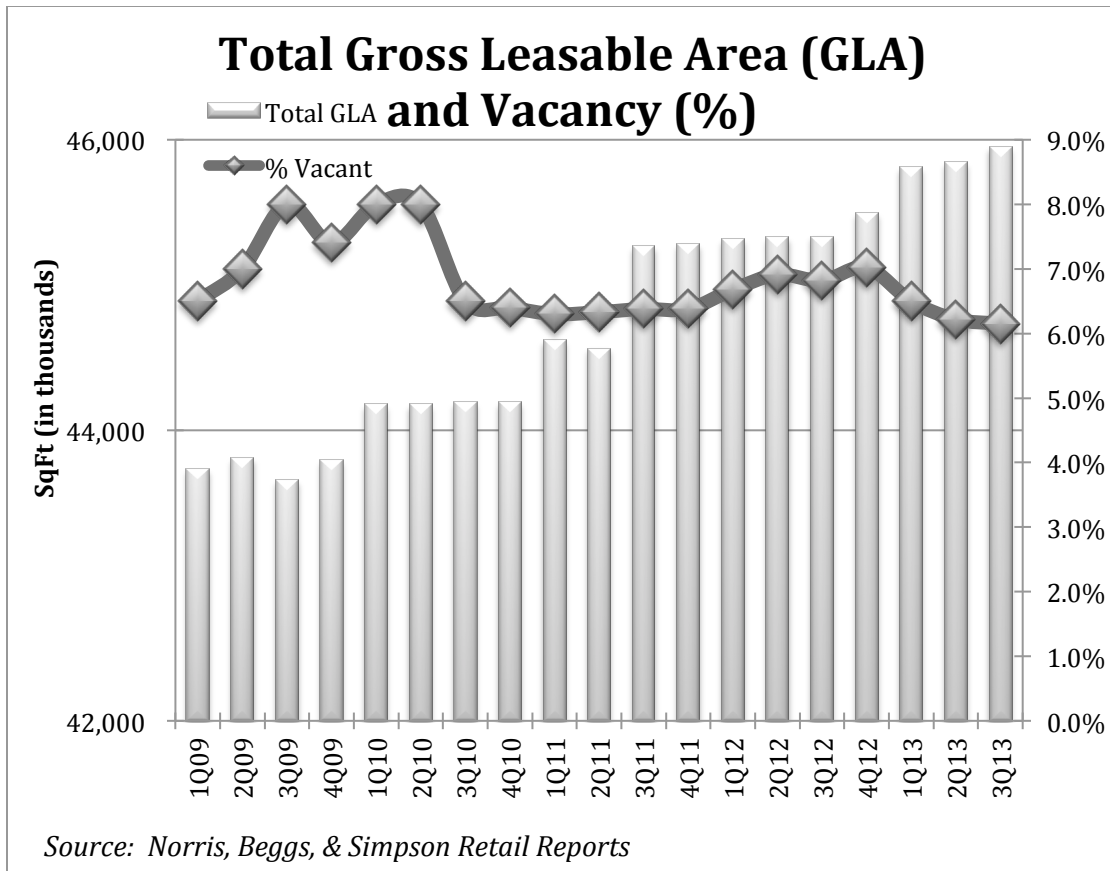
Vacancy and rent remained mostly flat over the third quarter, leaving many market gazers pondering if the market has temporarily found itself in equilibrium. Portland continues to be dominated by local owners and investors, but outside investors—many from Southern Californian looking for new horizons—and national brands have helped drive the buoyancy of Portland’s retail market, which leaves local retail owners and national brands competing for prime locations.

VACANCY

Vacancy remained rather flat over the third quarter 2013 at 5.7 percent as reported by Kidder Mathews and 6.15 percent as reported by Norris, Beggs, & Simpson. In either case movement was upward in nominal fashion. Single-tenant occupancy was able to place downward pressure on vacancy, helping to counter upward pressure low performing multi-tenant Class B and Class C properties. The Northwest close-in submarket dominated all other submarkets with a vacancy rate of 0.95 percent. The highest vacancy was found in Airport Way with a vacancy rate of 8.9 percent.

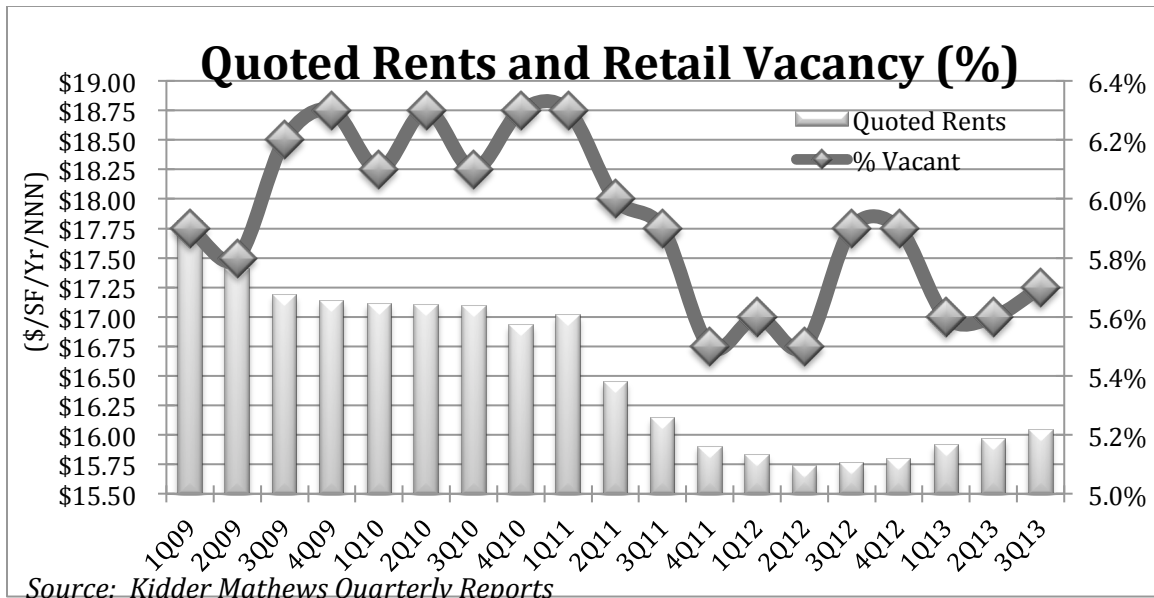
Norris, Beggs, & Simpson reports that current gross leasable area stands at almost 46 million square feet, with 107,004 square feet added in the third quarter.

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RENTS

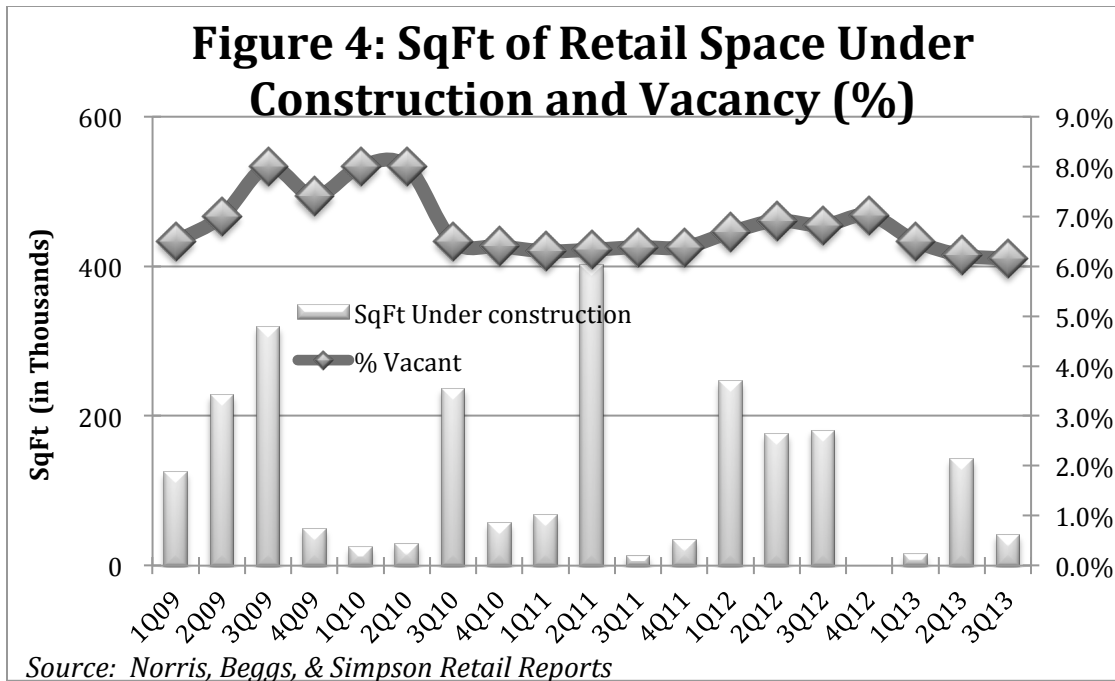
Rental rates remain relatively flat in the third quarter. There was a slight uptick of 0.50 percent, as reported by Kidder Mathews, to \$16.04 per square foot. Asking rental rates have been slowly increasing since the second quarter 2012. Rental leases are now at the point where concessions and tenant improvements are being reduced while rents are increasing, good news for landlords and developers alike.



DELIVERIES AND CONSTRUCTION

Deliveries and construction the third quarter progressed in a relatively flat manner. Colliers International reports that 119,384 square feet came into the market in the most recent quarter. Norris, Beggs, & Simpson are in the same ballpark with 107,004 square feet. Of particular note, 12085 N Pavilion Ave came to market with 60,000 square feet of retail space and is now 6 percent occupied. New Season’s at 103 N Ivy also came to market. Along with new developments were some redevelopments such as Punch Bowl Social at the top of Pioneer Place, along with a Tumi store and a Michael Kors store.

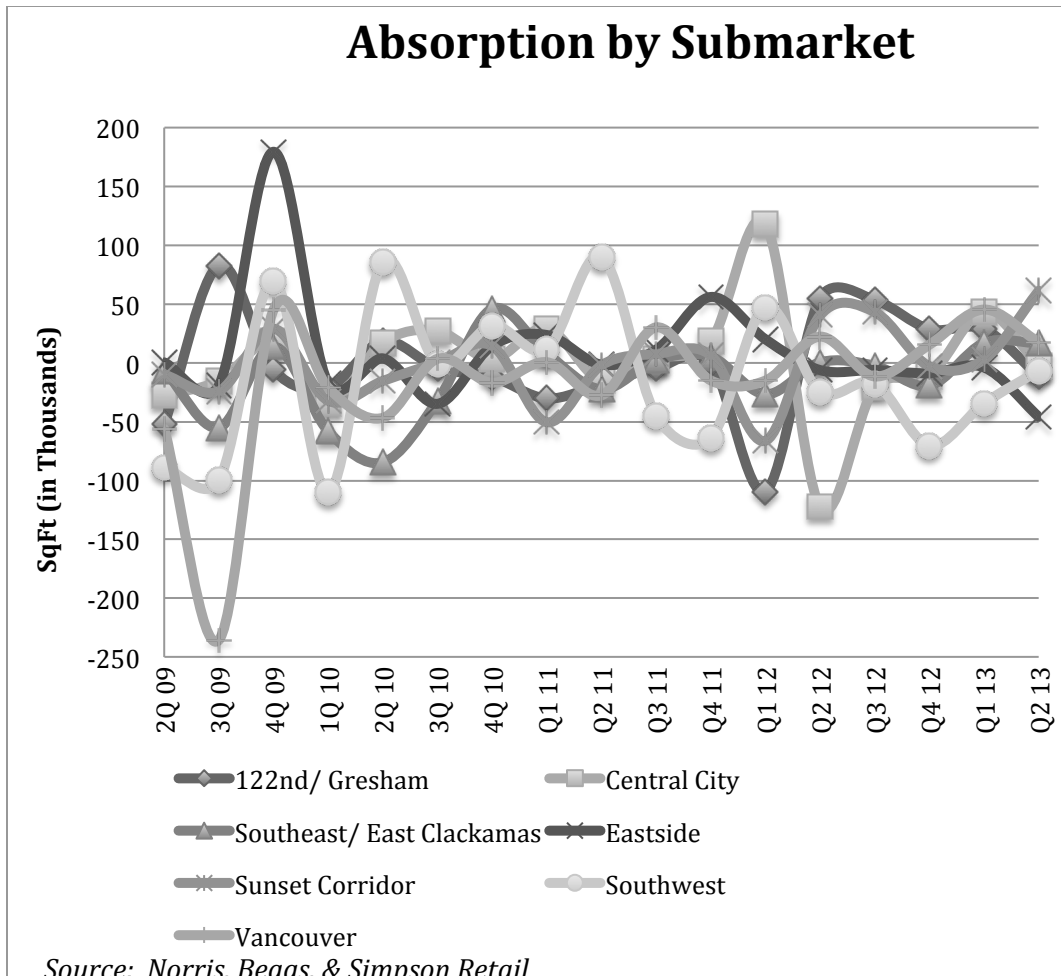
As reported by Norris, Beggs, & Simpson, there is currently 41,000 square feet of development under way in the Portland area. Kidder Mathews is reporting considerably more with 108,024 square feet; Colliers International shares the same number. Gramor and CenterCal are bringing on line new retail centers across the MSA. Parkway village in Sherwood is a \$50 million project that will bring a 450,000 square foot project with a new Walmart and 20 other shops. Kruse Village, a 64,630 square foot shopping will be a high-end shopping center near Kruse Way and Carmen Drive. Nyberg Rivers, will replace Kmart and Jiggles with a 26 acre shopping center including a 100,000 square foot Cabela’s, New Seasons, and a fitness facility. Also, the Lloyd Center super blocks broke ground this last quarter. Slated for completion in early 2015, this development will bring over 50,000 square feet of retail (including a grocer), 657 living units, and a large contingency of office space.



ABSORPTION

Due to the relatively flat deliveries and already low vacancy, absorption itself was fairly flat across the board. Coming in at negative 33,177 square feet, as reported by Colliers International, this marks the first quarter of negative absorption since the third quarter 2012. Much of the negative absorption is due to several recent large departures in the area by Kmart and Albertsons, which together left a total of 227,659 square feet vacant. Though much of this space is already slated and in progress for redevelopment.

The Eastside weathered the worst absorption with negative 23,297 square feet, while the Southwest with its strong job market and good demographics lead the absorption in the Portland area with 35,930 square feet; Central City absorbed 28,342 square feet.



SUMMARY

The data does not outline an outstanding quarter, absorption was negative, construction and vacancy were flat, but rents did go up. All in all, the quarter seemed to point at equilibrium and this match with the strong employment outlook and demographic mix demonstrates the potential that the Portland MSA still holds. Unanchored Class-B and C strip centers still continue to have difficulty, while nationally anchored retail centers, which host tenants with a strong internet presence, are able to pick up the slack. ■