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## retail market analysis

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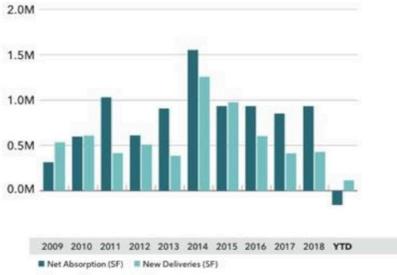
MICHAEL LOWES  
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MICHAEL LOWES is an Associate Broker at Capital Pacific focuses on retail, office, and industrial properties. He is currently a candidate for the PSU Master of Real Estate Development (MRED) degree and a TigerStop Real Estate Student Fellow.

*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.*

### NET ABSORPTION & NEW DELIVERIES



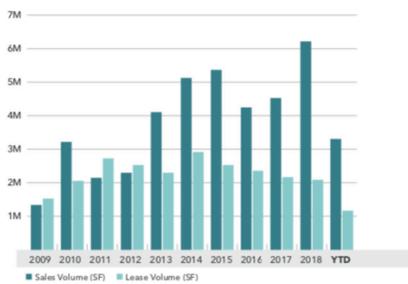
### Market Breakdown

	Q3 2019	Q2 2019	Q3 2018	Annual % Change
Vacancy Rate	3.10%	3.00%	3.00%	3.33%
Availability Rate	4.20%	4.00%	4.30%	-2.33%
Asking Lease Rate	\$19.92	\$19.44	\$19.08	4.40%
Leased SF	383,599	314,121	588,110	-34.77%
Sold SF	875,988	1,012,537	2,034,738	-56.95%
Net Absorption	-82,425	-54,266	326,906	N/A

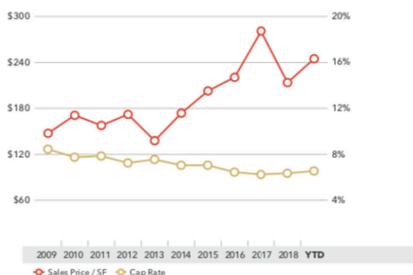
### PORTLAND SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Available Rate	3Q Total Net Absorption	YTD Total Net Absorption	3Q Leasing Activity	YTD Leasing Activity	Rental Rate
CBD	4,056,970	2.40%	2.50%	2.30%	11,956	72,219	16,964	50,567	\$24.12
Lloyd District	5,580,650	2.60%	2.70%	2.70%	(18,166)	20,936	7,216	16,383	\$17.16
Northwest	1,818,012	1.80%	1.80%	1.60%	6,145	(4,070)	11,084	18,407	\$25.68
Sunset Corridor/Hillsboro	9,696,931	1.70%	1.80%	1.80%	11,898	16,490	30,156	65,008	\$21.48
I-5 Corridor	10,994,037	3.70%	4.20%	3.70%	42,424	17,026	44,834	189,913	\$19.32
Northeast	21,793,579	2.60%	2.70%	2.60%	(1,849)	(63,397)	43,088	148,940	\$19.44
Southeast	23,368,981	4.10%	4.10%	3.80%	(160,771)	(301,497)	54,573	251,258	\$18.96
Southwest	14,101,578	3.30%	3.40%	3.30%	(42,540)	(40,647)	61,468	146,869	\$22.44
Clark County/Vancouver	19,050,494	3.20%	3.20%	2.80%	68,478	86,426	114,216	290,434	\$19.08
Malls	7,685,443	3.50%	3.50%	4.20%	(31,137)	4,756	10,604	13,234	\$18.12
Power Centers	7,754,925	2.10%	2.10%	2.90%	24,379	48,318	19,922	72,826	\$23.16
Shopping Centers	35,215,097	5.00%	5.10%	6.70%	(46,810)	(73,217)	158,168	544,160	\$19.68
Specialty	1,627,999	5.40%	5.40%	6.60%	0	51,924	5,085	5,085	\$0.00
General Retail	58,177,768	2.16%	2.48%	3.55%	(28,857)	(228,295)	189,820	542,474	\$20.43
<b>Portland Total</b>	<b>110,461,232</b>	<b>3.10%</b>	<b>3.20%</b>	<b>4.20%</b>	<b>(82,425)</b>	<b>(196,514)</b>	<b>383,599</b>	<b>1,177,779</b>	<b>\$19.92</b>

### SALES VOLUME VS. LEASE VOLUME



### AVERAGE SALE PRICE & CAP RATES



It may be hard for some lifelong Portlanders to adapt to the continued growth and change of our city, but overall it has helped our economy grow. An influx of tech companies has led to more jobs, and with more and more people moving here every day outside capital is looking to invest in our city. As much as some diehards might find this an annoyance, and not going with the “Keep Portland Weird” mantra, it is helping our City progress forward in an economic sense. With interest rates dropping as well, investors are finding it easier to borrow money and see some better returns in retail investments. Cap rates have remained pretty consistent, and NNN rental rates have ticked up about 2.5% to \$19.92 in the Portland area.

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### ABSORPTION

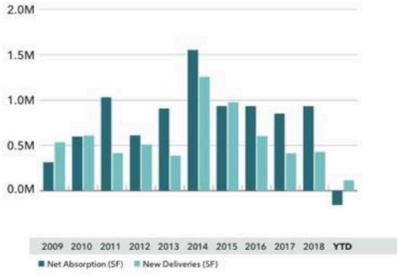
2019 has not been great for absorption in the retail market. If trends continue for the remainder of the year, Portland will post its first negative absorption year in over 10 years. It is also clear that deliveries in the retail sector have slowed as well, with third quarter only delivering around 44,000 square feet of new retail assets. Shopping Centers were much to blame for this trend in 2019 having lost close to 47,000 square feet alone this quarter. Power Centers on the other hand, like Cascade Station and Gresham Station, saw positive absorption around 25,000 square feet. Clearly displaying the popularity of those types of assets.

### VACANCY

As highlighted here the positive market trends are moving in the wrong direction. No wonder the vacancy rates are rising along with the leasing rates. Usually you would want the vacancy to drop and the rates to climb as displayed through supply and demand - here we see lease rates rise along with vacancies...not the correct correlation. Year over year the leasing and sales activity has drastically slowed. Much of this can be pointed to the ever-looming bubble that is supposed to burst in the marketplace and investors are being much more cautious in their acquisitions.

The continued shift out of the CBD to other areas is displayed above, with Vancouver/Clark County leading the charge in leasing activity and absorption rate - while the CBD still holds the highest rental rates. The Southeast, which for the year has shown promise through some good leasing momentum, took a significant step backwards this quarter with some drastic negative absorption.

### NET ABSORPTION & NEW DELIVERIES



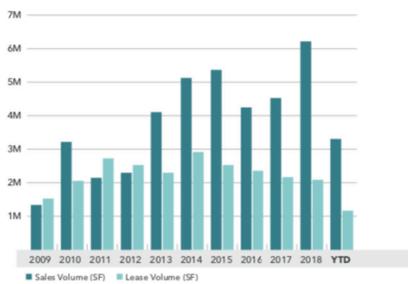
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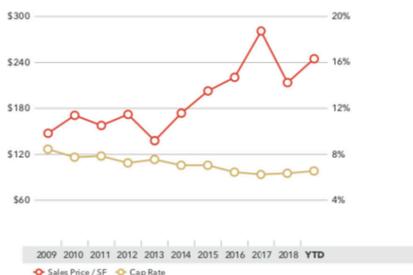
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