
RETAIL MARKET ANALYSIS

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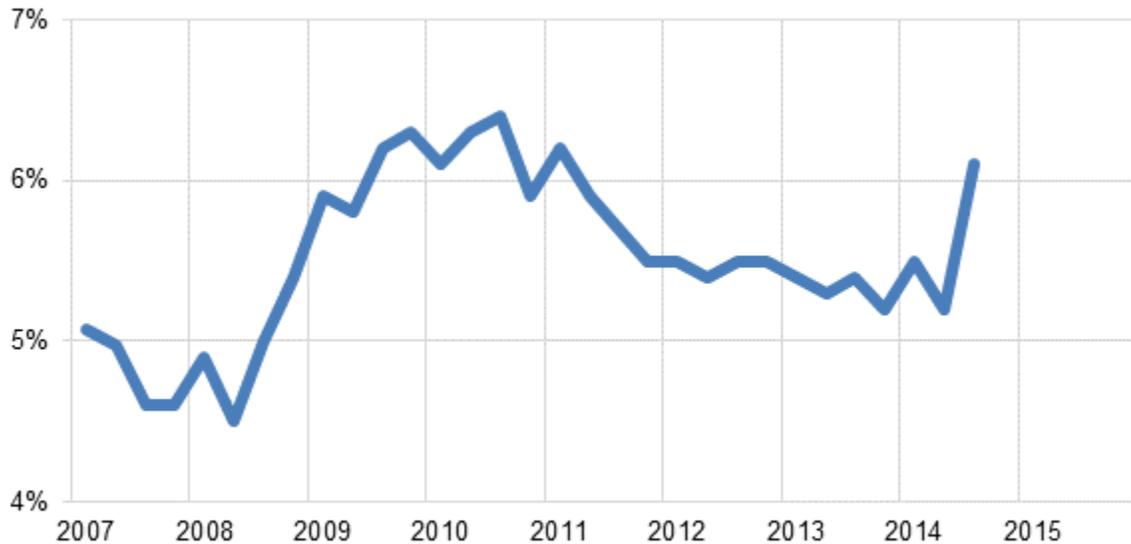
Unemployment moved up slightly in July and August to 6.3 percent and 6.6 percent respectively but preliminary reports from the Bureau of Labor Statistics are showing a drop to 5.7 percent in September. According to Fortune Magazine, the US economy experienced a 3.5 percent jump in growth of real domestic product during the third quarter. This increase in growth was primarily due to increases in exports, government spending and consumer spending.

The National Retail Federation is predicting a 4.1 percent growth in sales this holiday season, according to Forbes Magazine. Total national retail spending could reach \$616.9 billion by the end of the year. Fortune Magazine reports that consumer confidence is at its highest level in seven years. Falling gas prices, an improving labor market and higher consumer spending could all bode well for the future of Portland's retail market.

VACANCY

Portland's vacancy rate remained virtually unchanged during the third quarter from previous quarters, coming in at 5.0 percent according to CoStar. The second quarter ended at 5.0 percent and the first ended at 5.2 percent. Colliers reports percentages with a 5.2 percent vacancy rate during the first quarter of this year and 5.0 percent in the second. Kidder Mathews is reporting a 5.0 percent and a 5.2 percent total vacancy rate for the third and second quarters of 2014. Norris Beggs and Simpson is reporting a slightly higher rate of 6.36 percent.

■ **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

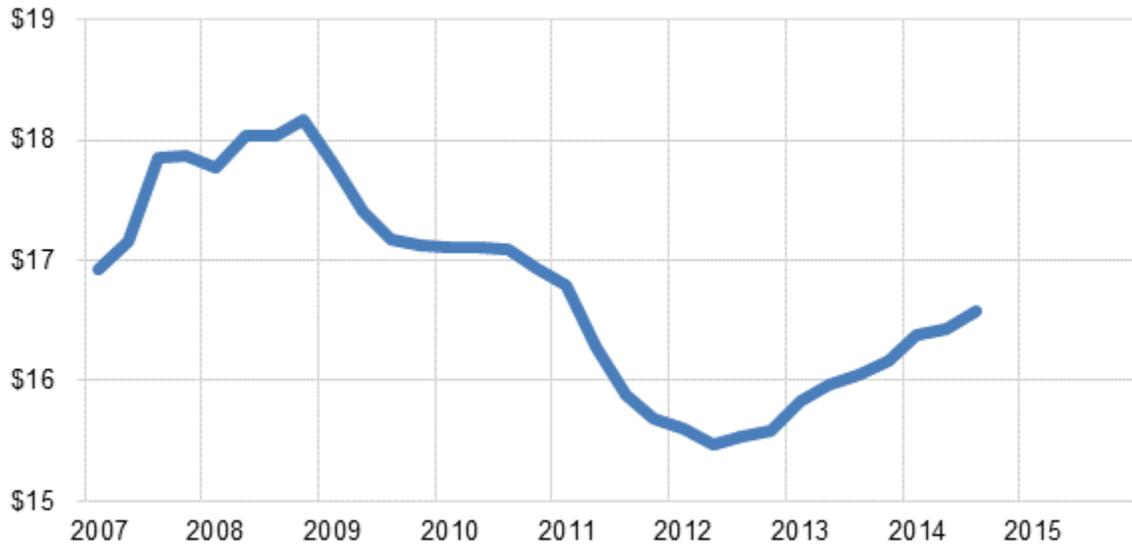
Source: Kidder Mathews

RENTAL RATES

Colliers is reporting an average rental rate of \$16.67 per square foot for all property types which is a slight improvement over last quarter which ended at \$16.46 per square foot. The average quoted asking rental retail at the end of the third quarter according to CoStar was \$16.62 per square foot compared to \$16.45 per square foot end of the second quarter of 2014. Kidder Mathews is reporting an average asking rate of \$16.58 triple net, up from \$16.42 per square foot in the previous quarter and \$16.03 per square foot a year ago.

In the shopping center market, CoStar reports an average rental rate of \$16.89 per square foot for the third quarter of 2014 declining slightly from \$16.91 per square foot for the second quarter. The average rental rate for the power centers market was \$19.56 per square foot at the end of the third quarter and \$19.47 at the closing of the second quarter. This is compared to \$19.88 per square foot at the end of the third quarter of 2013, all according to CoStar.

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

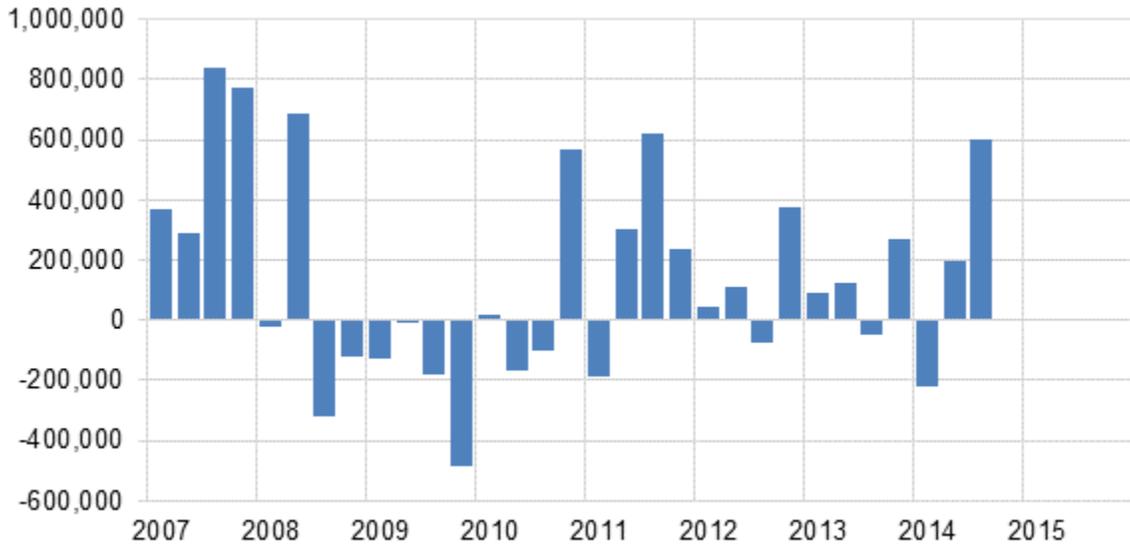


Source: Kidder Mathews

ABSORPTION AND LEASING

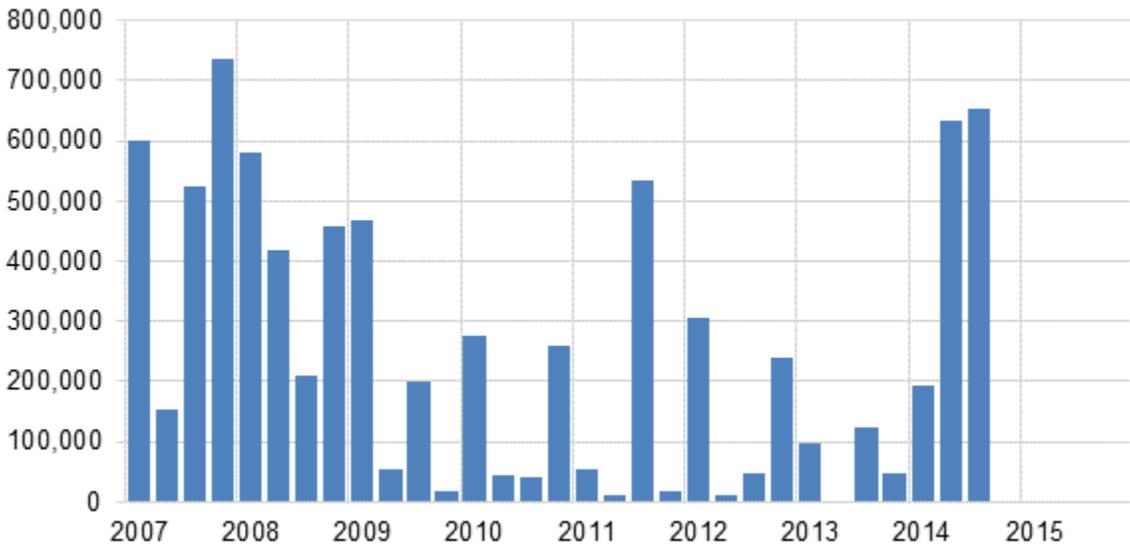
Net absorption appears to have been reasonably strong during the third quarter 2014. Kidder Mathews is reporting 602,690 square feet net positive absorption for the overall retail market. This was a significant improvement over the two previous quarters with only 138,588 square feet of positive absorption at the end of the second quarter and negative 218,546 at the end of the first quarter of this year. CoStar is reporting that during the third quarter of this year, the market experienced 561,712 positive absorption compared to 185,375 in the second quarter of 2014.

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



Source: Kidder Mathews

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
The Salvation Army	Evergreen Plaza	Orchards	20,000
Fat Head's Brewery	131 NW 3th Ave	CBD	11,300
	13898 NE28th St	Orchards	10,000
Storeables	Cedar Hills Crossing	Sunset Corr	9,270
Wunderland	Gresham Square	Gresham	7,122
Sola Salon	Cascade Market Place	Cascade Park	6,630

Source: Colliers International

Table 2: Notable Retail Sales Transactions

Building	City	Price	Type
Meier & Frank Bld, Nines Hotel	Portland	\$127,000,000	Owner/User
The Mall 205 & Plaza 205	Portland	\$76,500,000	Investment
Hazel Dell Square	Vancouver	\$27,650,000	
Burlington Coat Factory	Portland	\$13,180,000	Investment
150 SW Montgomery St	Portland	\$10,000,000	Investment

Source: Colliers International

DELIVERIES AND CONSTRUCTION

Eleven buildings were completed during the third quarter according to CoStar for a total of 622,864 square feet of space. Seven buildings totaling 24,119 square feet were completed during the second quarter and 13 buildings were completed for a total of 207,665 square feet during the first quarter of this year. Kidder Mathews reported 16 buildings delivered at the end of the third quarter for a total 651,862 square feet whereas only 21,119 square feet was brought to market and the end of the second quarter of this year. ■