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## RETAIL MARKET ANALYSIS

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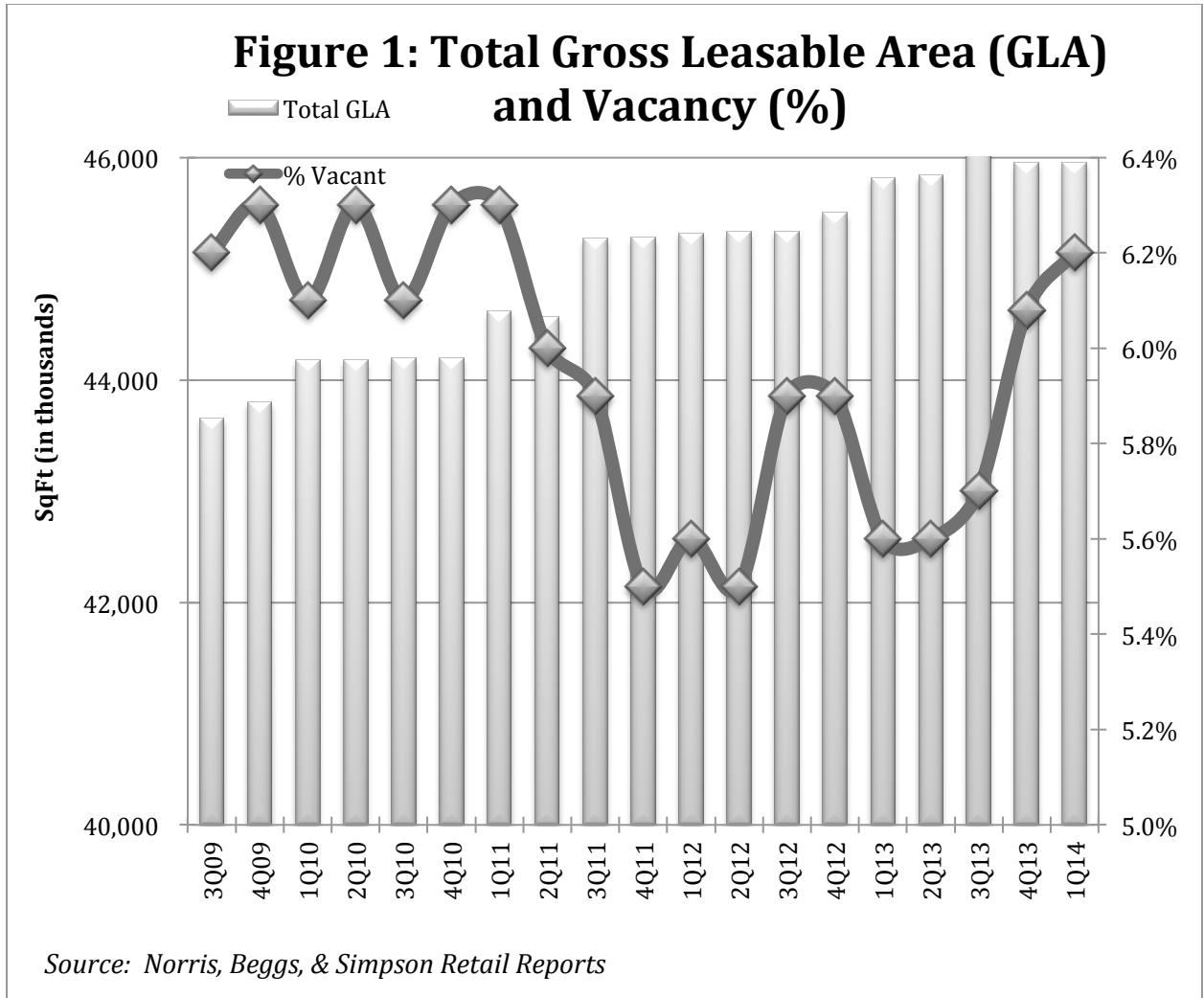
Oregon Association of Realtors Fellow

The retail sector continued its positive trends in Portland over the course of the first quarter 2014. Vacancy remains relatively flat. Absorption has stayed in positive territory. Eleven different retail sites were delivered this first quarter. Rents continue to rise and are up 2.6% from a year ago according to CoStar.

### **VACANCY**

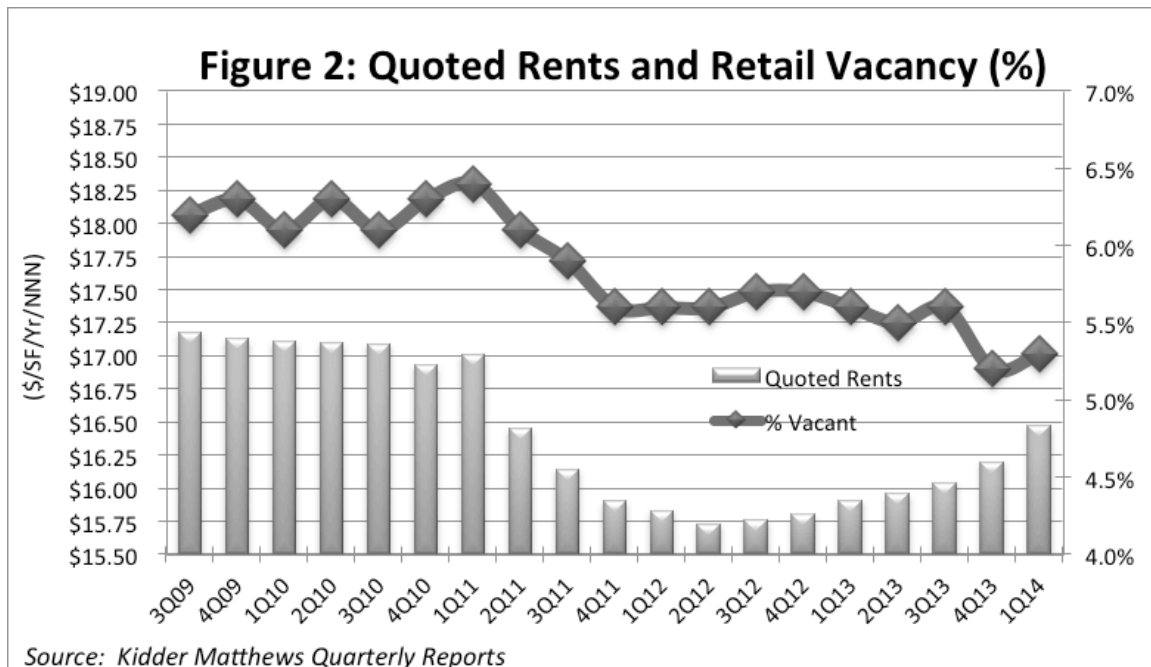
Norris, Beggs, and Simpson are reporting that vacancy has increased 40 points from last quarter to 6.1%. While both Costar and Kidder Mathews report a 10 point increase to 5.1% and 5.3%, respectively. In any case, vacancy is relatively flat and in a strong position. This is good news given that deliveries continue to hit the market and that while office and industrial are both doing expressively well in the current market, retail has yet to find its new stride in the new economy dominated by the growth of online sales and a shrinking middle class.

■ 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.



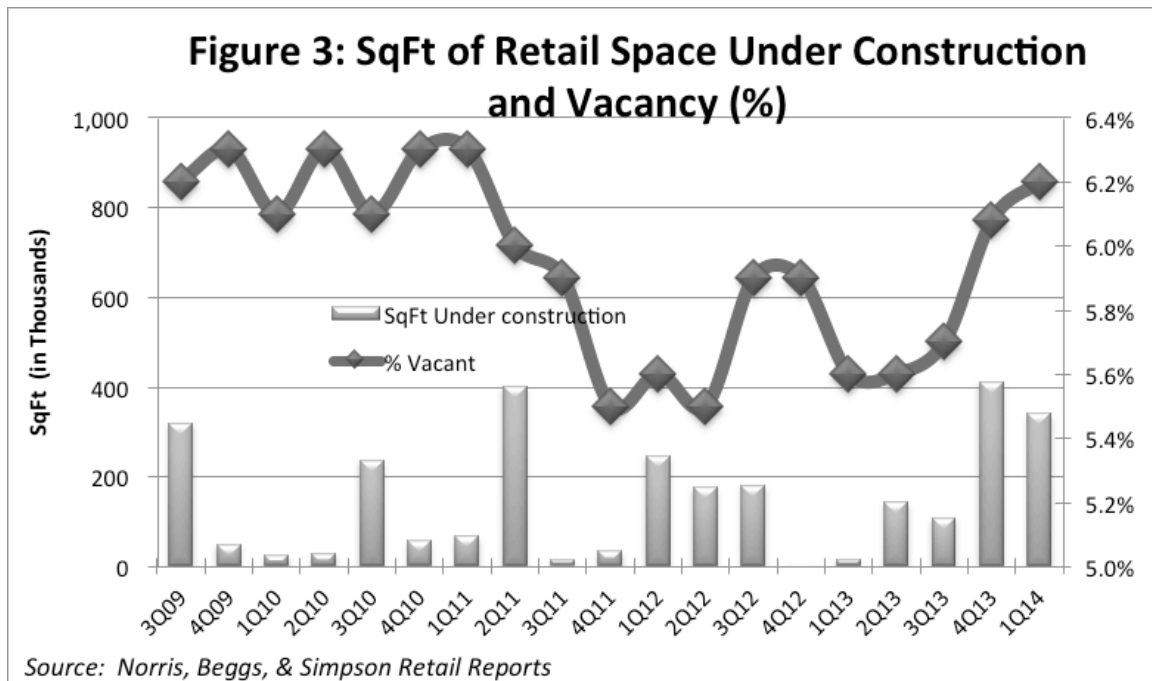
## RENTS

Rental rates continue to rise despite the moderate uptick in vacancy. As stability rises in certain areas around Portland, increases in rents are soon follow. Rents remain flat for areas with higher levels of vacancy. Close in retail rents outpace suburban grocer anchor centers, while lifestyle centers are commanding the highest rents. Tenant improvements and free rent is being offered less as the market begins to move into a landlord’s market.



## DELIVERIES AND CONSTRUCTION

Eleven new buildings bringing a net of 192,150 square feet of new retail space were delivered during the first quarter of 2014. As compared to the last three quarters which saw 263,715 square feet delivered to the market. A total of approximately 970,000 square feet were finalized in the first quarter, but due to closings of Kmart and Albertsons the net increase was nominal. Currently there are 537,227 square feet of retail under construction according to CoStar. In particular, Mill Creek Town Center, with a 154,000 square foot Walmart, is now fully tenanted.



**ABSORPTION**

Absorption for the first quarter of 2014 remained positive despite large vacancies left by Albertsons in three locations across the metro. In total the net absorption is reported to be 44,554 square feet. Nordstrom announced they would be vacating their Lloyd Center and Vancouver locations due to low sales. This has been greeted as a welcomed opportunity to reposition the mall with tenants in-line with the themed changes taking place across the way in American Assets Trust’s development, Hassalo on Eighth.