RETAIL MARKET ANALYSIS

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Retail vacancy rates dropped 150 basis points during the third quarter to finish at 6.5 percent; however there was negative absorption of 40,732 square feet according to the Norris, Beggs & Simpson retail report. The Central City submarket experienced another vacancy decrease, which dropped the rate down to 9.3 percent.

There is 236,276 square feet currently under construction in the metropolitan area. The spike in total construction was caused by the 215,000 square foot Progress Ridge Town Square which is being built between Tigard and Beaverton. The project will be anchored by Cinetopia and New Seasons and is reportedly 75 percent pre-leased. Gramor Development has broken ground and secured financing for the center. Progress Ridge Town Square will be next to the newly opened Big Al’s Family Bowling and Entertainment Center.

In August, Gramor Development broke ground on Lacamas Crossing, a Costco anchored retail development in East Vancouver. The site will contain a 154,000 square foot Costco and 27,000 square feet of additional retail space to hold 15 additional businesses. Lacamas Crossing will be located at the intersection of Northeast 192nd Avenue and Southeast First Street. The development will employ about 500 people and will cost $40 million to construct. Gramor is also working on a Fred Meyer anchored development in Wilsonville which will have about 100,000 square feet of retail space. The Wilsonville and Vancouver sites are not reflected in Norris, Beggs & Simpson’s construction data.
Figure 1: Negative 32,200 SF Net absorption in Southeast/East Clackamas and Negative 35,000 SF in Eastside

Figure 2: Vacancy Rate Drops to Lowest Level Since 1st Quarter 2009
Camping, hunting and fishing big box retailer, Cabela's is looking to build a 125,000 square foot store in north Wilsonville, but the city voiced many concerns about the proposed development. The city’s primary concern was the impact on traffic. They believe the 32 acre site would be better as an industrial site, not retail. The government affairs director for Wilsonville said that they learned a lesson with Fry’s that having destination retailers (without a presence in other parts of the city)
locate down south is not appropriate. He added, “We have the most congested portion of Interstate 5 in the region”. The site in question is zoned Residential-Agricultural-Holding, which means its 30 buildable acres are unzoned until there is a development proposal. Cabela’s has looked at about 12 different sites in the Portland metropolitan area, and this Wilsonville site is reportedly the favorite.

The city of Hillsboro is looking at cutting fees in half for improvements that are made to storefronts downtown. The proposed fee cut would only apply toward projects that qualify for the city’s storefront improvement grant program. The program allows business’ which want to make storefront improvements within the downtown district to apply for a $25,000 grant. Under the current system grant recipients are paying a portion of the money right back to the city in the form of land use and planning fees. Planning supervisor Colin Cooper said, “This move will let the grant money do what it’s supposed to do—improve storefronts.”