

MARKET TRENDS | **PORTLAND**

# RETAIL

**4TH QUARTER  
2019**

▲ VACANCY | ▼ UNEMPLOYMENT | ▲ RENTAL RATES | ▼ CONSTRUCTION DELIVERIES

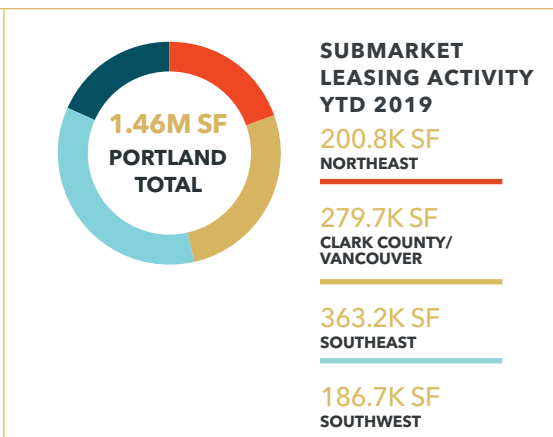
Retail demand in the Portland metro remains active, spurred by a healthy development pipeline and a growing labor force. Rental rates average \$20.37/s.f. NNN, up 6% from the prior year. Retail vacancies hiked up to 3.2% and net absorption fell into the negative territory at a loss of 155,181 s.f. Around 435,000 s.f. of retail space is under construction, with nearly 380,000 s.f. anticipated to arrive in 2020.

year at 363,173 s.f., followed by Clark County/Vancouver recording 279,720 s.f. Several notable leases occurred in the past year, beginning with an undisclosed tenant leasing the entire 60,000 s.f. proposed property at 17701 NE Delfel Road in Ridgefield. Next, an undisclosed retailer agreed to 53,000 s.f. at 15003-15121 SE McLoughlin Boulevard in Milwaukie, while Hobby Lobby leased 49,793 s.f. at 16002-16078 SW Tualatin Sherwood Road in Sherwood.

Net absorption dipped into the negative territory at year-end, posting a loss of 155,181 s.f. Compared to a year ago, absorption was well into the positive area at 933,000 s.f. The Southeast submarket (including Clackamas/Milwaukie, Oregon City, and SE Close-In) closed out 2019 with nearly 230,000 s.f. of negative net absorption, the largest loss among all Portland submarkets. General retail lost close to 210,000 s.f. of absorption, while malls gained 85,504 s.f. of positive absorption. Direct vacancy levels rose 30 basis points year-over-year (YOY) to reach 3.2%. Among retail types, shopping centers held the highest vacancy rate at 5.1%.

Portland retail rates remain on a slight climb, averaging \$20.37/s.f. NNN at the end of 2019. This represents a 6% increase from the previous year. The Northwest submarket (which includes Guilds Lake, NW Close-In, and NW Outlying) averaged \$28.43/s.f. NNN, the highest among all Portland submarkets. The CBD submarket followed closely behind with an average rate of \$25.13/s.f. NNN. Within the various retail secondary types, General Retail posted the highest rate at \$23.55/s.f. NNN.

The Portland metro experienced a 33% loss of leasing activity YOY, closing out 2019 at 1.46 million s.f. of retail activity. The Southeast submarket posted the highest amount of leasing activity for the



**2019 MARKET HIGHLIGHTS**

**SALES PRICE** per s.f. climbed 12% YOY to \$236

**DIRECT RENTAL RATES** increased to \$20.37/s.f. NNN

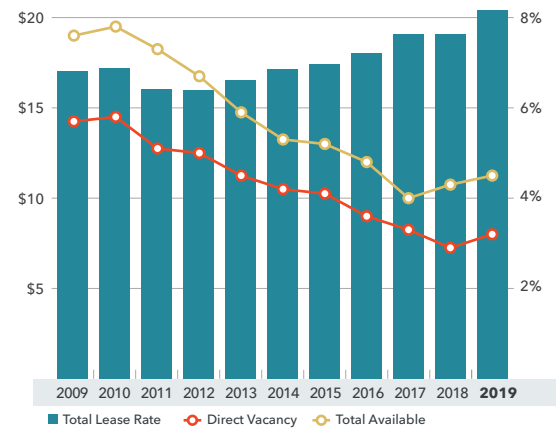
**CONSTRUCTION** deliveries added 204,212 s.f. of new development in 2019

Investment volume closed at \$742 million, increasing 4.87% YOY. The average price per square foot was \$236, up 12% from 2018. Cap rates remained stable at 6.4%. The largest transaction in 2019 was the portfolio sale of Cascade Station, a retail shopping center in the Airport Way submarket, for \$156.8 million, or \$403/s.f. The site was almost fully leased at the time of the sale and is currently anchored by Best Buy, Ross Dress for Less, and PetSmart. Next, the retail property known as Hollywood Station in the Gateway submarket sold to Vista Investment Group, LLC for \$22 million, or \$318/s.f. Lastly, Swickard Auto Group acquired two retail sites in the Clackamas/Milwaukie submarket for \$21 million, or \$399/s.f.

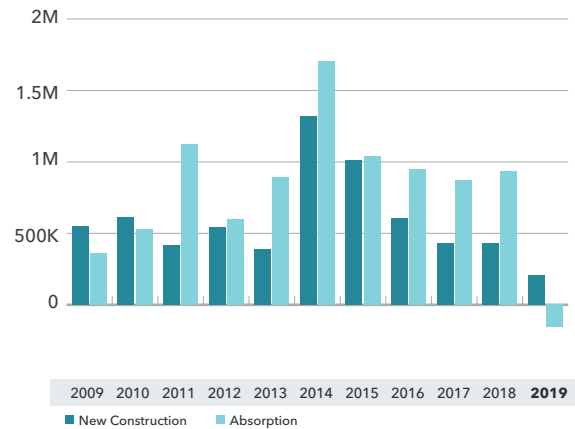
Approximately 435,000 s.f. of retail space remains under construction in the Portland metro, jumping 32% YOY. The largest project to date is Phase II of Parkway Village South, an 85,972 s.f. retail center in the Sherwood submarket expected to deliver in 2Q 2020. Next, Phase III of Discovery Ridge will add 29,920 s.f. of retail space in the Clark County Outlying submarket in 2Q 2020. Retail deliveries slowed down in 2019, reporting 204,212 s.f., down from 2018's 427,960 s.f. Don Rasmussen Co. completed the largest retail project of the year by delivering Jaguar Land Rover Portland, a 58,503 s.f. auto dealership in the Washington Square shopping center. In addition, Rosauers Supermarkets opened within the Discovery Ridge development in late 2019, occupying 54,000 s.f. of retail space.

Source: CoStar

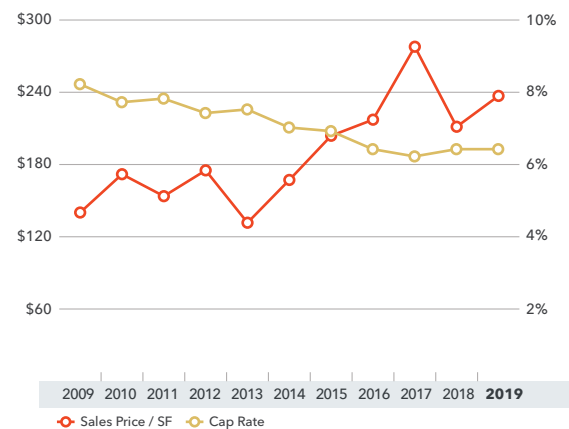
### LEASE RATE, VACANCY & AVAILABILITY



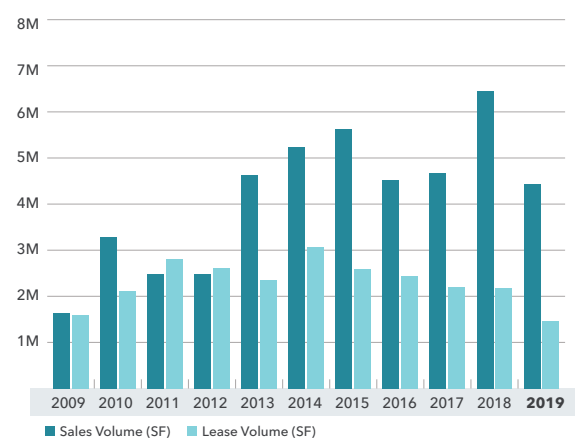
### NEW RETAIL CONSTRUCTION & ABSORPTION



### AVERAGE SALE PRICE & CAP RATES



### SALES VOLUME VS. LEASE VOLUME

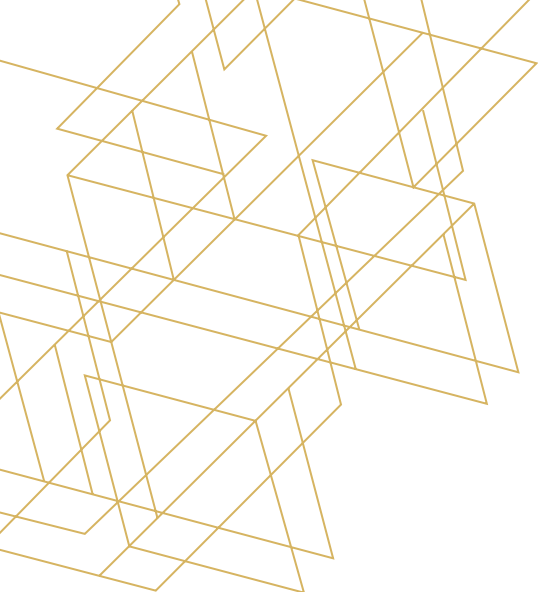


## Market Breakdown

	2019	2018	2017	Annual % Change
Direct Vacancy Rate	3.2%	2.9%	3.3%	10.34%
Total Availability Rate	4.5%	4.3%	4.0%	4.65%
Total Asking Lease Rate	\$20.37	\$19.22	\$19.16	5.98%
Leased SF	1,464,066	2,180,477	2,211,281	-32.86%
Sold SF	4,445,700	6,456,058	4,677,127	-31.14%
Total Net Absorption	(155,181)	932,918	874,771	N/A

## PORTLAND SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	Total Availability Rate	Quarterly Total Net Absorption	YTD Total Net Absorption	Quarterly Total Leasing Activity	YTD Total Leasing Activity	Total Rental Rate
CBD	4,148,782	2.8%	3.0%	4.4%	(19,336)	59,110	9,453	60,020	\$25.13
Lloyd District	4,679,858	2.6%	2.7%	3.8%	28,226	49,162	41,289	56,617	\$16.98
Northwest	2,030,435	4.0%	4.0%	5.2%	(19,885)	(28,565)	0	24,907	\$28.43
Sunset Corridor/Hillsboro	9,727,466	1.8%	2.1%	3.5%	(30,749)	(2,234)	8,120	77,929	\$20.96
I-5 Corridor	11,061,522	4.1%	4.3%	5.4%	(17,129)	10,903	22,738	213,951	\$19.33
Northeast	20,837,570	3.1%	3.1%	4.3%	(66,396)	(120,636)	46,504	200,786	\$19.16
Southeast	26,160,362	3.6%	3.6%	4.8%	67,053	(229,090)	99,970	363,173	\$19.99
Southwest	14,056,573	3.4%	3.6%	5.1%	46,740	(4,200)	39,399	186,963	\$21.24
Clark County/Vancouver	20,080,504	3.2%	3.2%	4.0%	42,884	110,369	43,325	279,720	\$20.51
<b>Portland Total</b>	<b>112,783,072</b>	<b>3.2%</b>	<b>3.3%</b>	<b>4.5%</b>	<b>31,408</b>	<b>(155,181)</b>	<b>310,798</b>	<b>1,464,066</b>	<b>\$20.37</b>
Malls	7,757,237	3.4%	3.4%	4.0%	77,179	82,504	0	13,234	-
Power Centers	7,786,229	2.0%	2.0%	3.4%	8,018	56,336	11,039	83,865	\$17.74
Shopping Centers	36,822,129	5.1%	5.2%	6.9%	(3,085)	(86,470)	145,777	713,892	\$20.71
Specialty	490,420	0.0%	0.0%	3.3%	0	0	0	0	-
General Retail	59,927,057	2.2%	2.5%	3.4%	(50,704)	(207,551)	153,982	653,075	\$23.55



## Notable Sale Transactions

**METLIFE, INC.** purchased Cascade Station in Airport Way from CenterCal Properties, LLC  
388,189 s.f. | \$156.75M or \$403.80/s.f.

**VISTA INVESTMENT GROUP, LLC** purchased 4204-4224 NE Halsey St (Hollywood Station) in Gateway from Deacon Construction  
69,112 s.f. | \$22M or \$318.32/s.f.

**SWICKARD AUTO GROUP** purchased 500 W Gloucester St & 19400-19420 McLoughlin Blvd in Clackamas/Milwaukie from Rafael Martinez  
52,561 s.f. | \$21M or \$399.54/s.f.

## Notable Lease Transactions

**UNDISCLOSED TENANT** 17701 NE Delfel Road, Hazel Dell/Salmon Creek  
60,000 s.f.

**UNDISCLOSED TENANT** 15003-15121 SE McLoughlin Blvd, Clackamas/Milwaukie  
53,000 s.f.

**HOBBY LOBBY** 16002-16078 SW Tualatin Sherwood Rd, Sherwood  
49,793 s.f.



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The information in this report was composed by the Kidder Mathews Research Group.

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### COMMERCIAL BROKERAGE

<b>20M</b>	<b>ANNUAL SALES SF</b>	<b>420+</b>	<b>NO. OF BROKERS</b>
<b>\$9B</b>	<b>ANNUAL TRANSACTION VOLUME</b>	<b>40M</b>	<b>ANNUAL LEASING SF</b>

### VALUATION ADVISORY

<b>1,600+</b>	<b>APPRAISALS ANNUALLY</b>	<b>36/23</b>	<b>TOTAL NO. APPRAISERS/MAI'S</b>
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### PROPERTY MANAGEMENT

<b>70M+</b>	<b>MANAGEMENT PORTFOLIO SF</b>	<b>\$9.4B</b>	<b>IN ASSETS UNDER MANAGEMENT</b>
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