

RETAIL MARKET ANALYSIS

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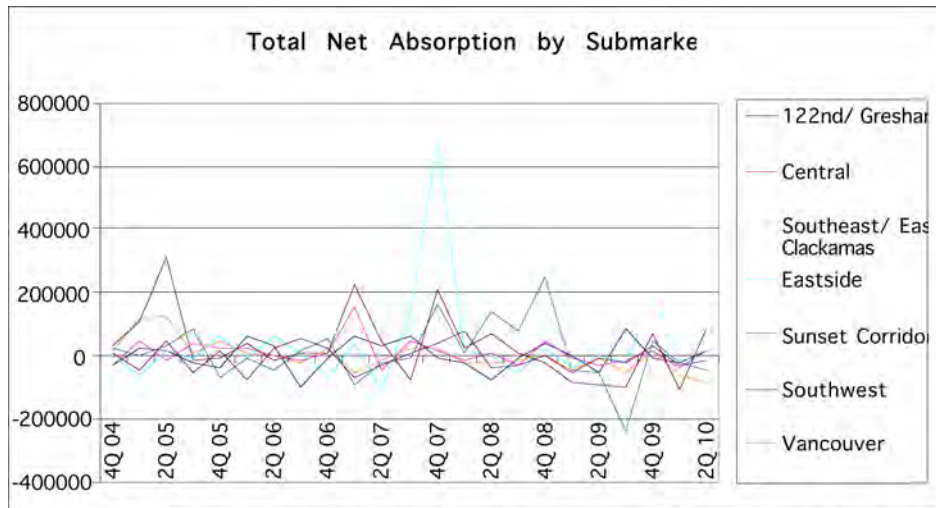
Portland State University

Retail vacancy rates remained unchanged during the second quarter at 8.0 percent, but there was negative absorption of 20,547 square feet according to the Norris, Beggs & Simpson retail report. Central City experienced a vacancy decrease of nearly one percentage point, down to 10.9 percent, while Southeast/East Clackamas vacancy increased over one percentage point to 6.5 percent.

Norris, Beggs & Simpson notes that there was substantial leasing activity among big-box stores, which are not included in its retail report. The Salvation Army leased around 40,000 square feet on SE 82nd at the former Linens 'n Things and Dick's Sporting Goods leased approximately 50,000 square feet at the former Joe's Sports in Clackamas' Johnson Creek Crossing.

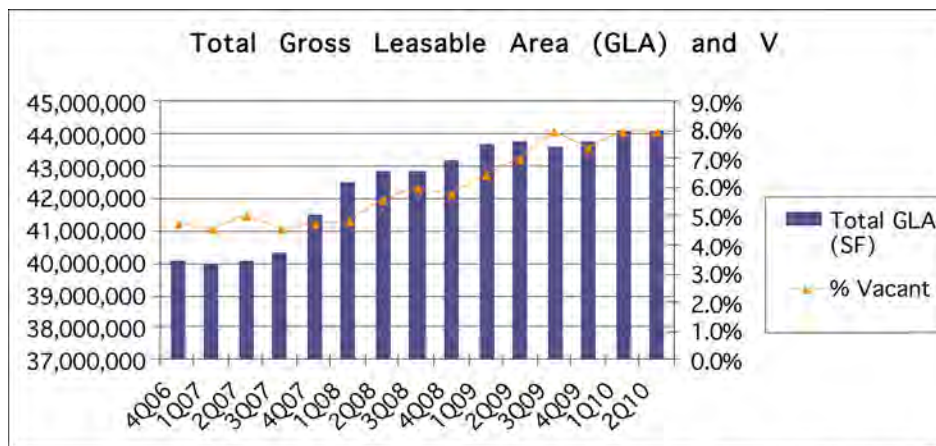
As reported in last quarters issue, H & M and Saks Fifth Avenue Off Fifth will be opening soon. H & M has confirmed its store will open this fall at Pioneer Place, and Saks is set to open at Bridgeport Village on September 2nd. In other clothing news, Nordstrom Rack has leased 48,344 square feet of space at Beaverton's Cascade Plaza Shopping Center.

Construction and deliveries to the market continued to be slow during the second quarter. There is 29,099 square feet currently under construction in the metropolitan area, about 5,000 more square feet than the first quarter according to Norris, Beggs & Simpson. There is some construction activity on the horizon though. Big Al's, which operates a bowling center in Clark County has opened an additional 66,000 square foot center in Beaverton at



Source: Norris, Beggs & Simpson Retail Report - Second Quarter 2010

Figure 8.1 Retail net absorption: Negative 85,000 SF net absorption in Southeast/East Clackamas and positive 85,000 SF in Southwest submarkets



Source: Norris, Beggs & Simpson Retail Report - Second Quarter 2010

Figure 8.2 Total gross leasable area: Vacancy rates and GLA remain unchanged

Progress Ridge. The developers of the property have signed New Seasons and Cinetopia to the site.

Nationally retail sales increased by a seasonally adjusted rate of 0.6 percent during April, then fell by 1.2 percent in May. The Consumer Confidence Index had been rising since February then decreased by about ten points to 52.9 in June, surprising many economists that did not expect that large of a decrease.

New York based Retail Opportunity Investments Corporation has been active in the Portland metropolitan market. The company recently purchased Vancouver Market Center for



Source: Norris, Beggs & Simpson Retail Report - Second Quarter 2010

Figure 8.3 Retail construction: Construction inches up by about 5,000 square feet



Source: Norris, Beggs & Simpson Retail Report - Second Quarter 2010

Figure 8.4 Retail construction: Southeast and Vancouver submarkets remain the only sites with current construction activity

\$11.9 million and four other retail centers in the area from Gramor Development. Purchase price for the four center portfolio is approximately \$90 million.

Specialty Asian grocer, Uwajimaya signed a letter of intent at the end of June with Sockeye Development for a store in Old Town as a part of a mixed-use development. The store would cover the whole city block that is bordered by Fourth and Fifth avenues and Couch and Davis streets. In its current configuration the project will have a 24,000–28,000 square

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