

Strong Suburban Leasing, Muted Sales in Portland Area’s Inventory-Starved Shopping Center Market



Note: Arrows indicate change from previous quarter. Statistics reflect entire market area as defined on page 4.

MARKET OVERVIEW

From a brokerage perspective, Portland’s shopping center market in Q3 was a two-sided story: leasing volume, tenant demand, and rental rates remained competitive, while sales volume slowed in the face of macroeconomic headwinds.

On the leasing front, suburban landlords continued to relish the high tenant demand driving vacancy down and rental rates up. In the suburbs, REI plans to occupy the former Bed Bath & Beyond space at Clackamas Town Center, confirming the expectation that vacated Bed Bath & Beyond space will allow opportunities for new high credit tenants. Market-wide gross leasing activity hit 452k sq. ft., well above the 10-year average of 330k sq. ft.

While our statistics highlight shopping centers rather than ground-level or standalone retail, there are positive retail stories emerging in Downtown and close-in Portland: the central city’s culinary scene got a boost, with the much-anticipated Din Thai Fung opening at the Pioneer Place shopping mall. Plus, new food-cart offerings are expected to breathe life into central city neighborhoods: the Expensify and ChefStable collaborative Midtown Beer Garden opened in August, and plans were announced for an outdoor gathering space with food carts, covered areas, and a music stage next to the famous Blumenauer pedestrian bridge in the Central Eastside. In Northwest Portland, Trek Bicycles leased space in a mixed-use apartment building for a bicycle store.

On the sales side, there’s a noticeable scarcity of sellers in the market. However, those that are present are showing a receptiveness to making deals, with sellers testing the market by dropping listing prices, if not necessarily transacting there. Though retail has consistently been ranked as a preferred sector in recent national commercial real estate sentiment surveys, liquidity struggles from both a lender and an equity perspective and prolonged federal interest rate volatility has hampered sales volume.

Economic drivers such as the Chips and IRA act, prompt federal support for banks, and consumer balance sheets have helped the U.S. economy defy expectations. However, the economy is facing intensifying headwinds: higher oil prices, resumption of student loan payments, and a weakening global economy. With the Fed likely finished with its tightening cycle, a clearer path for real estate capital markets is expected to unfold. In turn, valuations will likely stabilize nationally during H1 2024.

FIGURE 1: Retail Market Indicators



Household Income

\$122K

Portland MSA Average HH Income



US Consumer Confidence

▼ (12.0%)

Q3 2023 QoQ Change



Unemployment

▲ 3.7%

Portland MSA August 2023 (preliminary)
(U.S. = 3.8%)



Median Age

38.8 Years

Portland MSA (US = 38.9)

Source: CBRE Research, Q3 2023; Bureau of Labor Statistics, The Conference Board

FIGURE 2: Market Statistics by Submarket, Q3 2023

Submarket	Net Rentable Area (SF)	Total Availability Rate (%)	Total Vacancy Rate (%)	QTD Net Absorption (SF)
Beaverton	4,081,284	4.0	4.8	(16,894)
Clackamas/Milwaukie	6,581,088	3.9	3.4	45,179
Close-in SW	722,099	4.5	4.9	(2,258)
Columbia County	442,792	1.3	1.3	-
Downtown	597,023	8.1	1.6	-
Eastside	5,398,690	6.4	3.3	12,511
Gresham	4,727,299	6.8	6.2	(36,795)
Hillsboro-Aloha	5,945,345	4.7	4.6	(17,141)
I-5 Corridor	4,885,297	5.7	3.9	16,398
North Portland	1,241,834	5.9	5.3	(1,440)
Northwest	214,275	1.1	1.1	-
Tigard	2,900,541	4.7	5.1	(32,240)
Vancouver/Inner Suburbs	7,833,342	5.9	7.0	(6,312)
Clark County Outlying	3,479,281	7.1	5.2	13,926
Yamhill County	957,233	1.4	1.4	-
Market Total	51,408,746	5.8	4.6	(85,100)

Source: Costar, CBRE Research Q3 2023

FIGURE 3: Construction Activity & Completions vs. Vacancy Rate



Source: Costar, CBRE Research Q3 2023

FIGURE 4: Leasing Activity



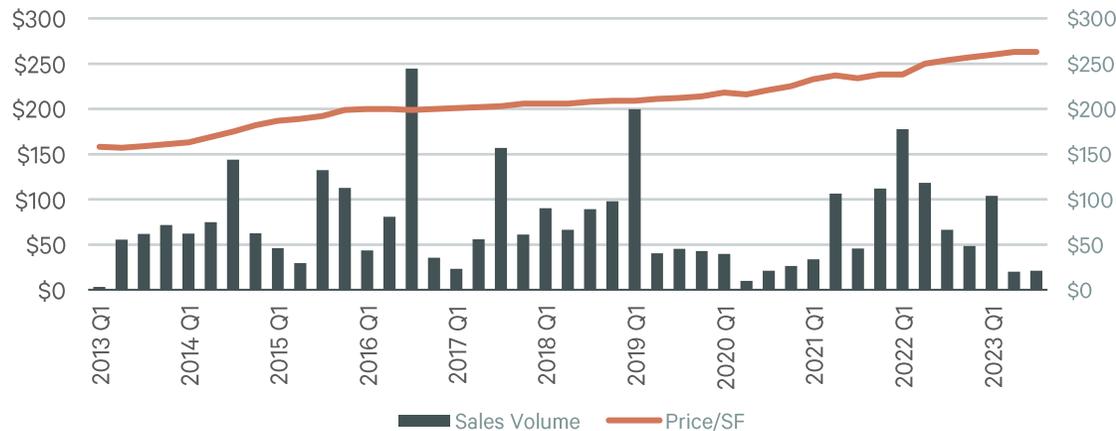
Source: Costar, CBRE Research Q3 2023

FIGURE 5: Notable Sale Transactions Q3 2023

Name	Submarket	Property Type	SF	Sale Price (\$)	Price Per SF (\$)	Cap Rate (%)
Ridgefield Pioneer Village – Building 3	Clark County Outlying	Neighborhood Center	11,800	5,800,000	491.53	Please Call for Info
Tanasbourne Town Center – STNL Chick-Fil-A	Hillsboro-Aloha	Power Center	5,000	5,087,500	1,017.50	Please Call for Info
Marketplace at Town Center	I-5 Corridor	Strip Center	13,807	4,400,000	318.68	Please Call for Info
Riverstone Marketplace	Clark County Outlying	Neighborhood Center	5,777	3,730,000	645.66	Please Call for Info

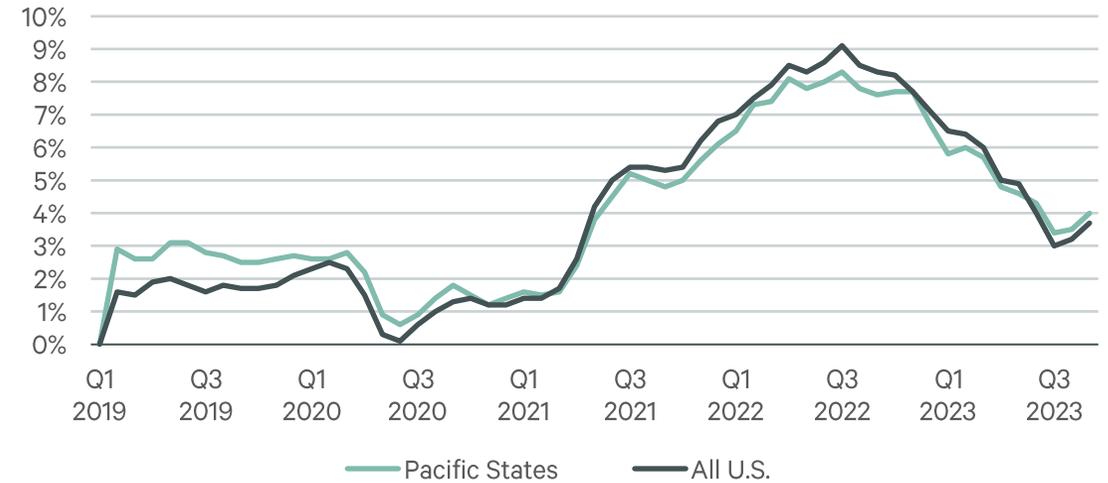
Source: Costar, CBRE Research Q3 2023

FIGURE 6: Total Retail Sales in Millions (USD)



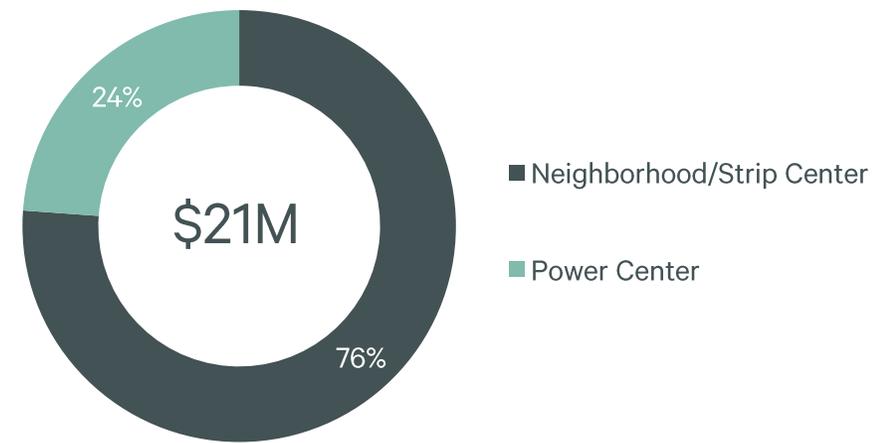
Source: Costar, CBRE Research Q3 2023

FIGURE 7: 12-month Change in Consumer Price Index for Pacific States and U.S. (%)



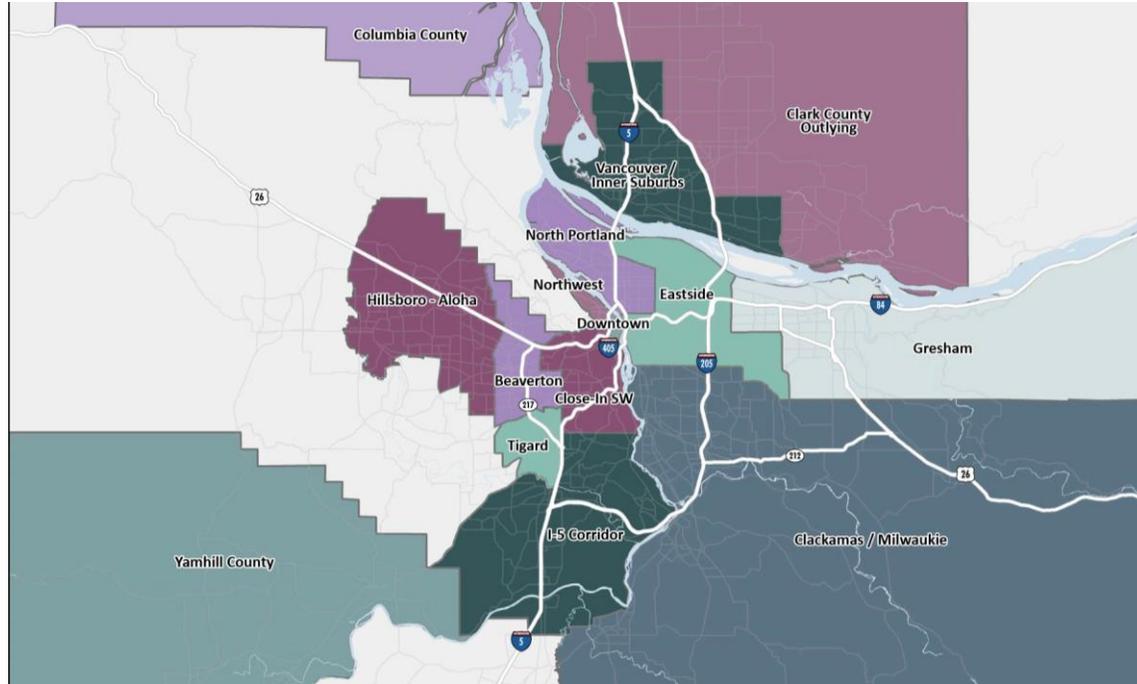
Source: Bureau of Labor Statistics, June 2023

FIGURE 8: Percentage of Total Sales Volume (\$) by Shopping Center Type Q3 2023



Source: Costar, CBRE Research Q3 2023

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied immediately.

Survey Criteria

The survey covers retail shopping centers in the Portland MSA. Buildings surveyed are 1,000+ Sq. Ft. Net Rentable Area within the following types of shopping centers: community center, lifestyle center, neighborhood center, outlet center, power center, regional mall, and strip center.

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