

RETAIL

Portland Real Estate Market Review

Portland, Vancouver and Surrounding Areas

Year-End 2007

As we enter 2008, the regional Portland/Vancouver retail real estate market is in excellent shape, with low vacancy and strong positive net absorption recorded during the past year. The regional economy remains robust with local new job growth exceeding the U.S. average. The regional population has grown steadily within the four counties (Multnomah, Washington, Clackamas, and Clark) to a current estimate of 2,007,401 and is expected to grow by about another 30,000 people during 2008.

VACANT SPACE/VACANCY RATE

The overall vacancy rate for all retail properties in the region declined over the past year from 5.6% in the first quarter to 5.05% at year end. Within the 706 shopping centers in the region, the vacancy rate has remained fairly stable, starting out at 5.2% and ending the year at 5.5%.

NEW CONSTRUCTION ACTIVITY

Construction of retail space was very active during 2007 with 48 new retail buildings delivered to the market, totaling 2,197,675 s.f. At present, 34 retail buildings with 827,749 s.f. are under construction.

RENT FORECAST

Lease rates are expected to trend slightly higher over the next six months, and will vary widely depending on property location. Asking lease rates generally range from \$16 to \$35 per s.f. per year NNN. During 2007 quoted asking rates for all retail property types increased by 5%.

MARKET DEMAND/ NET ABSORPTION

The overall regional market recorded a positive net absorption of 2,453,790 s.f. during 2007. Of that total, 1,214,124 s.f. was in freestanding retail buildings and 1,202,891 s.f. was in shopping centers. Average estimated household

income is \$62,174 for Multnomah County (678,544 estimated population), \$72,432 for Washington County (521,139 estimated population), \$75,972 for Clackamas County (380,604 estimated population) and \$66,905 for Clark County (427,114 estimated population).

DEVELOPMENT NEWS

- CenterCal Properties completed construction of the 716,681 s.f. Cascade Station project, as well as the 280,000 s.f. IKEA store in Northeast Portland.
- CenterCal also completed construction of the 277,468 s.f. Nyberg Woods project in Tualatin.
- Kimco Realty Corporation completed development of the new 88,000 s.f. Kohl's store in Vancouver.
- Killian Pacific is underway in the development of the 196,000 s.f. Grand Central project in Vancouver.
- Gramor Development is under construction on the 170,900 s.f. Happy Valley Town Center at 15639 SE Sunnyside Road in Happy Valley.
- Pacific Realty Associates has commenced construction of a 105,000 s.f. store for JC Penney in Vancouver.

Market ^{Up} Close

- Portland's regional retail market continued to demonstrate its strength during 2007 with 2.5 million s.f. of net absorption outpacing the 2.1 million s.f. of new construction retail space delivered to the market.
- Investor interest in purchasing retail properties in the Portland region remains high. During the first nine months of 2007, 39 sales of retail properties over 15,000 s.f. were recorded with an average price of \$142 per s.f. and an average cap rate of 7.5%. The cost to complete interior improvements to meet tenant needs has increased dramatically over the past year, and as the market has improved, more landlords are starting to limit the amount of money they will provide to build-out space for tenants.
- The fastest growth is occurring in Clark County which is forecasted to have a 2.4% population increase each year (about 11,000 people per year) over the next few years. The highest average household income is in Clackamas County (\$75,972).
- Wild Oats closed all their stores, and all but two were converted to Whole Foods brand. Whole Foods is under construction on new stores in Tanasbourne and the Hollywood District.

SUB-MARKET STATISTICS

	Portland CBD	Lloyd District	Northwest	Northeast	Southeast	Southwest	Westside	I-5 Corridor	Clark County	Overall Market Totals
Market Size	in sq. ft.									
1/1/08	11,565,471	2,535,562	2,130,815	11,864,652	11,961,744	9,744,008	6,547,978	6,366,776	10,935,656	73,652,662
Vacant Space	in sq. ft.									
1/1/08	428,868	186,217	34,419	788,137	593,798	371,243	253,330	324,420	739,869	3,720,301
Vacancy Rate	%									
1/1/08	3.71%	7.34%	1.62%	6.64%	4.96%	3.81%	3.87%	5.10%	6.77%	5.05%
Under Construction	in sq. ft.									
1/1/08	29,294	0	0	32,225	218,150	53,250	36,042	68,058	390,730	827,749
Absorption	in sq. ft.									
1/1/08	193,432	-27,784	80,696	1,161,360	286,731	115,233	250,710	336,160	57,252	2,453,790

SALES COMPARABLES

		City	Sale Price	SF	Price PSF	Cap Rate	Sale Date
Uptown Shopping Center	1-27 NW 23rd Avenue (4 Properties)	Portland	\$36,250,000	N/A	\$350.27	6.21%	5/15/07
ADP Plaza - Portland	2525 SW First Avenue (2 Properties)	Portland	\$33,100,000	N/A	\$110.93	6.9%	11/7/07
The Pointe at Bridgeport	7110 SW Hazelfern Rd (5 Properties)	Portland	\$30,878,143	N/A	\$633.22	6.1%	8/03/07
Haggen Food and Pharmacy	9055 SW Murray Blvd	Beaverton	\$19,528,330	63,516	\$307.46	N/A	8/16/07
Oak Grove Market Center	15003-15121 SE McLoughlin Blvd (4 Properties)	Portland	\$16,350,000	N/A	\$168.20	6.4%	6/08/07
Mervyn's	18085 NW Evergreen Parkway	Beaverton	\$12,432,500	76,000	\$163.59	N/A	2/28/07
Southgate Shopping Center	13017-10465 SE 82nd Ave (2 Properties)	Portland	\$11,500,000	N/A	\$223.44	6.5%	5/03/07
Hillsboro Promenade	7410 Baseline Rd	Hillsboro	\$10,100,000	50,877	\$198.52	6.33%	2/27/07
Willamette Marketplace	2000-2098 Tenth Street	West Linn	\$6,300,000	44,834	\$148.77	N/A	2/09/07
Walgreens	2829 N Lombard Street	Portland	\$5,400,000	23,252	\$253.74	N/A	3/26/07

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