

# INVESTMENT FORECAST

Retail  
Portland

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS






2022

## In-Migration Trends Underpin Retail Demand; Attractive Pricing and Upside Potential Capture Investor Interest

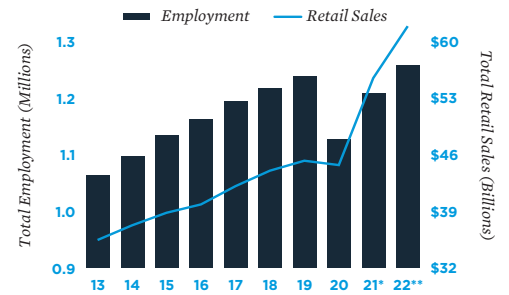
**Influx of new residents provides retail spending boost.** Oregon rescinded nearly all COVID-19 restrictions placed on businesses last June, which drove demand for more in-person activities. In response, leasing velocity accelerated in the suburbs, lifting annual net absorption to positive territory for the first time since 2018. The strong performance during the second half of 2021 provides optimism for Portland's retail sector heading into this year. Affordability in the region is attracting residents from more expensive West Coast metros and employment growth continues to outpace the national average, further bolstering the metro's consumer base and spending power. Additionally, CBD foot traffic should increase as more firms return to the office and business travel continues to rebound. This could potentially elevate leasing activity downtown, where vacancy is the highest in the metro. Furthermore, only 350,000 square feet of retail space is scheduled to deliver this year. Limited development metrowide will steer expanding retailers to existing inventory, promoting further vacancy compression this year.

**Regionally low pricing entices out-of-market interest.** Favorable migration trends and tightening market conditions are lifting investor confidence in Portland's retail sector. Low entry costs and attractive yields relative to coastal California markets and Seattle are drawing out-of-market interest to the metro, expanding the local buyer pool and increasing competition for retail assets. Investors are targeting drug stores and discount retailers, due to their resilient performance throughout the health crisis. These assets are changing hands most often in Northeast and Southeast Portland, where vacancy rates are low and property listings are more frequent. Buyers are also actively pursuing multi-tenant properties with secure tenant rosters. Neighborhood and strip centers are garnering interest in Clark County, as the submarket's consistent population growth spearheads upside potential. Assets here trade with cap rates averaging in the mid-6 percent range.

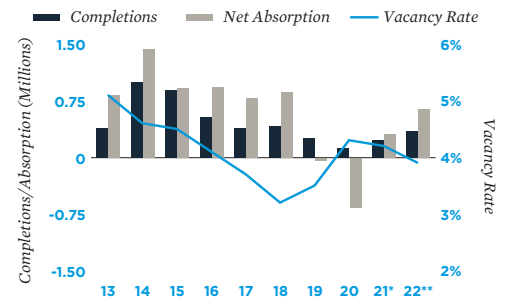
## 2022 Market Forecast

- Employment** up 4.1%  Total employment exceeds the metro's pre-pandemic peak with the addition of 50,000 jobs in 2022.
- Construction** 350,000 sq. ft.  Construction activity remains moderate, as developers deliver less than 500,000 square feet for the sixth consecutive year. New supply will increase inventory by just 0.3 percent.
- Vacancy** down 30 bps  Net absorption nearly doubles supply additions this year, compressing the metro's vacancy rate to 3.9 percent. In 2021, a 10-basis-point dip was recorded.
- Rent** up 3.2%  Improving space demand and little pressure from new supply allows the average asking rent to reach \$20.43 per square foot in 2022. Last year, a 0.9 percent increase was registered.
- Investment**  Robust population growth in Eastside Portland and Clark County will continue to promote retailer expansion, making assets in these submarkets even more attractive to investors.

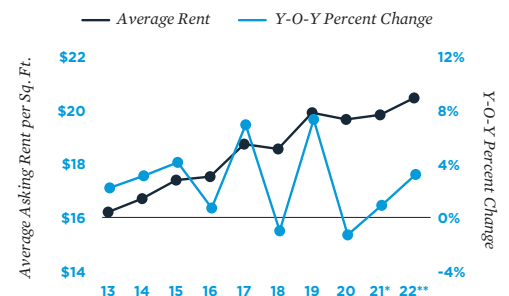
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

### Daniel Taub

Senior Vice President

Director IPA Retail

Tel: (212) 430-5100 | dtaub@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.