

PORTLAND RETAIL MARKET



OVERVIEW

PORTLAND'S VACANCY DECREASES TO 5.9%

Net Absorption Positive 384,493 SF in the Quarter

The Portland retail market did not experience much change in market conditions in the fourth quarter 2010.

The vacancy rate went from 6.0% in the previous quarter to 5.9% in the current quarter. Net absorption was positive 384,493 square feet, and vacant sublease space decreased by (30,995) square feet. Quoted rental rates decreased from third quarter 2010 levels, ending at \$17.05 per square foot per year. A total of 10 retail buildings with 284,450 square feet of retail space were delivered to the market in the quarter, with 254,836 square feet still under construction at the end of the quarter.

Net Absorption

Retail net absorption was strong in Portland fourth quarter 2010, with positive 384,493 square feet absorbed in the quarter. In third quarter 2010, net absorption was positive 305,247 square feet, while in second quarter 2010, absorption came in at negative (89,418) square feet. In first quarter 2010, positive 59,289 square feet was absorbed in the market.

Vacancy

Portland's retail vacancy rate decreased in the fourth quarter 2010, ending the quarter at 5.9%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 6.2% in the first quarter 2010, to 6.3% at the end of the second quarter 2010, 6.0% at the end of the third quarter 2010, to 5.9% in the current quarter.

The amount of vacant sublease space in the Portland market has trended down over the past four quarters. At the end of the first quarter 2010, there were 306,493 square feet of vacant sublease space. Currently, there are 260,041 square feet vacant in the market.

Largest Lease Signings

The largest lease signings occurring in 2010 included: the 51,350-square-foot-lease signed by Mor Furniture at 1100 N Hayden Meadows Dr; the 48,815-square-foot-deal signed by Dick's Sporting Goods at 9600 SE 82nd Ave; and the 46,212-square-foot-lease signed by John's Incredible Pizza at Washington Green Shopping Center.

Rental Rates

Average quoted asking rental rates in the Portland retail market are down over previous quarter levels, and down from their levels four quarters ago. Quoted rents ended the fourth quarter 2010 at \$17.05 per square foot per year. That compares to \$17.19 per square foot in the third quarter 2010, and \$17.18 per square foot at the end of the first quarter 2010. This represents a 0.8% decrease in rental rates in the current quarter, and a 0.76% decrease from four quarters ago.

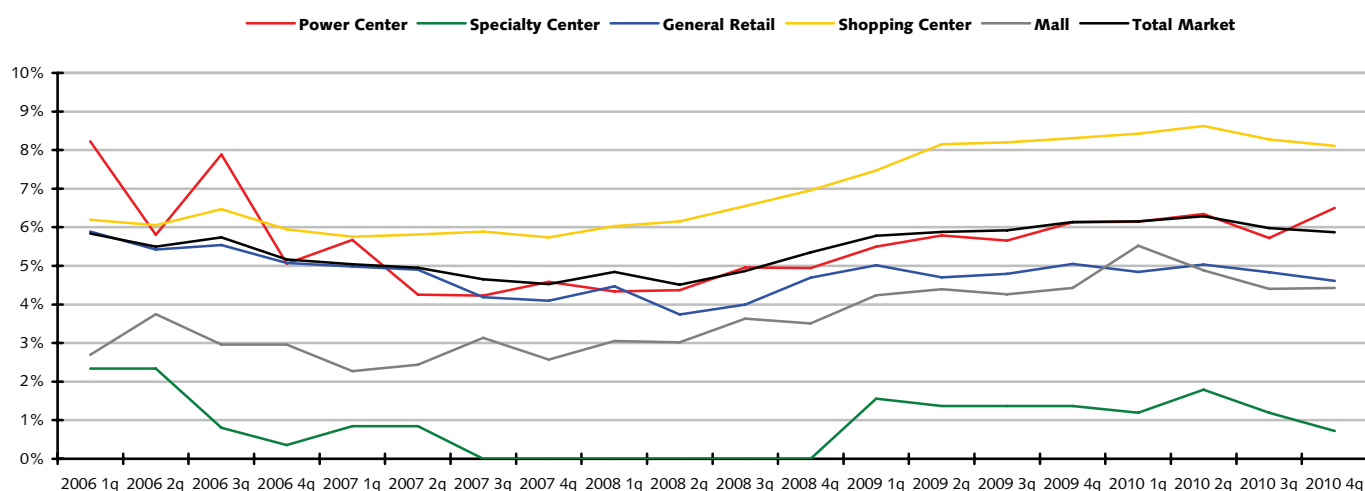
Inventory & Construction

During the fourth quarter 2010, 10 buildings totaling 284,450 square feet were completed in the Portland retail market. Over the past four quarters, a total of 493,360 square feet of retail space has been built in Portland. In addition to the current quarter, six buildings with 40,981 square feet were completed in third quarter 2010, one building totaling 45,172 square feet completed in second quarter 2010, and 122,757 square feet in four buildings completed in first quarter 2010.

There were 254,836 square feet of retail space under construction at the end of the fourth quarter 2010.

Some of the notable 2010 deliveries include: Costco, a 160,000-square-foot facility that delivered in fourth quarter 2010

VACANCY RATES BY BUILDING TYPE 2006-2010



Source: CoStar Property®



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and is now 100% occupied, and Winco Foods, a 93,000-square-foot building that delivered in first quarter 2010 and is now 100% occupied.

The largest projects underway at the end of fourth quarter 2010 were Wilsonville Old Town Square, a 200,000-square-foot facility that is 100% preleased, and 555 W Arlington St, a 14,750-square-foot facility that is 100% preleased.

Total retail inventory in the Portland market area amounted to 102,452,908 square feet in 8,368 buildings and 738 centers as of the end of the fourth quarter 2010.

Shopping Center

The Shopping Center market in Portland currently consists of 707 projects with 34,114,022 square feet of retail space in 1,559 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 241,914 square feet and delivering 202,708 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 8.3% at the end of the third quarter 2010 to 8.1% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 8.4% at the end of the first quarter 2010, to 8.6% at the end of the second quarter 2010, to 8.3% at the end of the third quarter 2010, and finally to 8.1% at the end of the current quarter.

Rental rates ended the fourth quarter 2010 at \$18.34 per square foot, down from the \$18.38 they were at the end of third quarter 2010. Rental rates have trended down over the past year, going from \$18.39 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 349,395 square feet over the past four quarters. In addition to the positive 241,914 square feet absorbed this quarter, positive 129,553 square feet was absorbed in the third quarter 2010,

negative (68,185) square feet was absorbed in the second quarter 2010, and positive 46,113 square feet was absorbed in the first quarter 2010.

Power Centers

The Power Center average vacancy rate was 6.5% in the fourth quarter 2010. With negative (52,380) square feet of net absorption and no new deliveries, the vacancy rate went from 5.7% at the end of last quarter to 6.5% at the end of the fourth quarter.

In the third quarter 2010, Power Centers absorbed positive 41,601 square feet, delivered no new space, and the vacancy rate went from 6.3% to 5.7% over the course of the quarter. Rental started the quarter at \$18.35 per square foot and ended the quarter at \$18.30 per square foot.

A year ago, in fourth quarter 2009, the vacancy rate was 6.1%. Over the past four quarters, Power Centers have absorbed a cumulative (21,620) square feet of space and delivered cumulative 3,578 square feet of space. Vacant sublease space has gone from 15,422 square feet to 9,763 square feet over that time period, and rental rates have gone from \$18.38 to \$18.34.

At the end of the fourth quarter 2010, there was no space under construction in the Portland market. The total stock of Power Center space in Portland currently sits at 6,719,837 square feet in 14 centers comprised of 178 buildings.

No space was under construction at the end of the fourth quarter 2010.

General Retail Properties

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 4.6% at the end of fourth quarter 2010. There was a total of 2,444,479 square feet vacant at that time. The General Retail sector in Portland currently has average rental rates of \$15.07 per square foot per year. There are 28,550 square feet of space under construction in this sector, with 81,742 square feet having been completed in the fourth quarter. In all, there are a total of 6,528 buildings with 53,024,188 square feet of General Retail space in Portland.

Specialty Centers

There are currently five Specialty Centers in the Portland market, making up 443,271 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers.

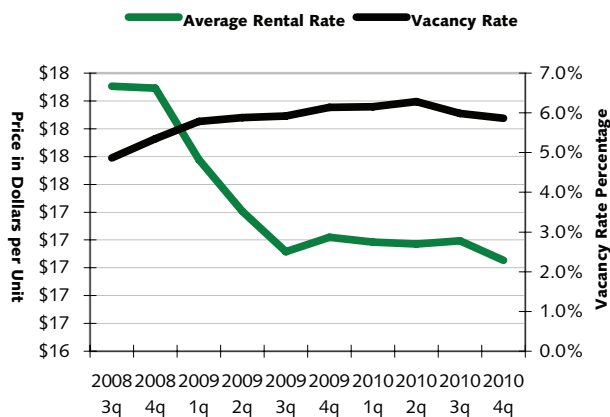
Specialty Centers in the Portland market have experienced positive 2,857 square feet of net absorption in 2010. The vacancy rate currently stands at 0.7%, and rental rates average \$32.00 per square foot.

Malls

Malls recorded net absorption of negative (2,066) square feet in the fourth quarter 2010. This net absorption number,

VACANCY & RENT

Past 10 Quarters



Source: CoStar Property*

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combined with no new space that was built in the quarter, caused the vacancy rate to go from 4.4% a quarter ago to 4.4% at the end of the fourth quarter 2010. Rental rates went from \$19.60 per square foot to \$21.45 per square foot during that time. In this report the Mall market is comprised of 12 Lifestyle Center, Regional Mall and Super Regional Malls.

Sales Activity

Tallying retail building sales of 15,000 square feet or larger, Portland retail sales figures rose during the third quarter 2010 in terms of dollar volume compared to the second quarter of 2010.

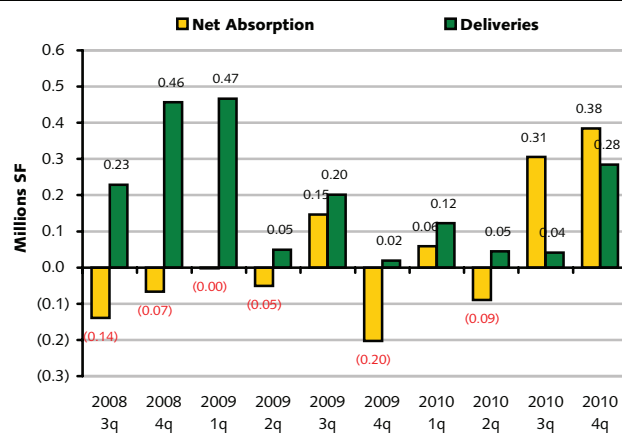
In the third quarter, 10 retail transactions closed with a total volume of \$112,298,569. The 10 buildings totaled 483,831 square feet and the average price per square foot equated to \$232.10 per square foot. That compares to nine transactions totaling \$69,571,085 in the second quarter 2010. The total square footage in the second quarter was 632,818 square feet for an average price per square foot of \$109.94.

Total retail center sales activity in 2010 was up compared to 2009. In the first nine months of 2010, the market saw 26 retail sales transactions with a total volume of \$229,804,654. The price per square foot averaged \$159.60. In the same first nine months of 2009, the market posted 14 transactions with a total volume of \$154,497,757. The price per square foot averaged \$347.98.

Cap rates have been higher in 2010, averaging 7.96% compared to the same period in 2009 when they averaged 7.48%.

ABSORPTION & DELIVERIES

Past 10 Quarters



Source: CoStar Property*

One of the largest transactions that has occurred within the last four quarters in the Portland market is the sale of Happy Valley Town Center in Happy Valley. This 132,896-square-foot retail center sold for \$39,400,000, or \$296.47 per square foot. The property sold on 7/14/2010, at a 6.35% cap rate.

Reports compiled by: Pharoeth Em, CoStar Research Manager