



Commercial Real Estate & Retail Market Analysis

Lower Southeast Rising

June 16, 2021



THE BUREAU OF
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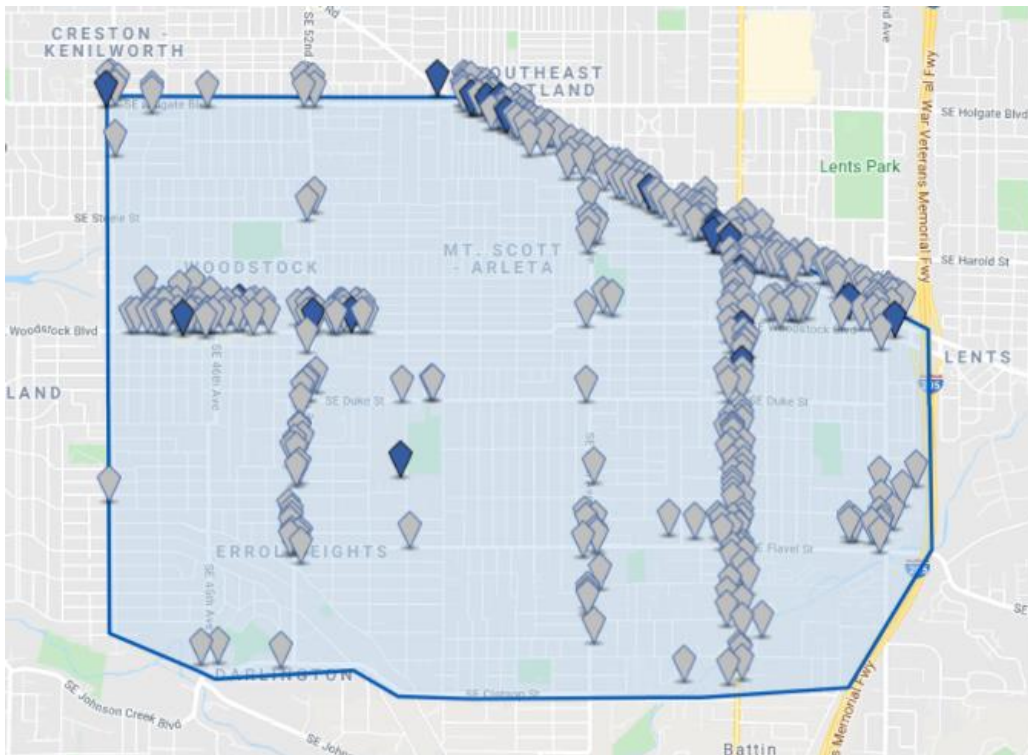
Introduction

In this report we will review commercial real estate indicators, and perform a retail market analysis for the Lower Southeast Rising (Lower SE) study area. Existing commercial real estate will be analyzed for the entire study area, as well as the three main commercial subareas along Foster Blvd, Woodstock Blvd, and 82nd Ave. We will also look at commercial activity on 52nd Ave from Duke to Flavel Blvd. and 72nd between Duke and Harney to identify future commercial opportunities, particularly for the Brentwood-Darlington neighborhood, which lacks a neighborhood center designation. This report will also begin to examine existing home-based businesses in the study area to understand the potential for growing local small businesses into existing retail space, or expanding the opportunities for businesses that are successfully operating out of people's homes.

Commercial Real Estate

The study area has approximately 2 million square feet of commercial real estate. As seen in Fig. 1, a map of the study area, the majority of commercial real estate properties (symbolized by the grey and blue diamonds) are concentrated along commercial corridors, such as Foster between 52nd and 92nd, and 82nd between Foster and Harney, and on Woodstock Blvd. a neighborhood center commercial area, between Cesar Chavez Blvd and 56th Ave.

Fig 1. Study Area Commercial Real Estate Properties



Source: CoStar, 2021.

The map also shows that there are other clusters of commercial properties throughout the study area. Commercial property is commonly broken out into three main uses, Office, Retail and Industrial. The breakdown of the study area’s commercial properties by type can be seen in Fig. 2, and shows that the area is dominated by retail uses along these commercial corridors and neighborhood centers.

Fig 2. Commercial Real Estate by Type, Lower SE Rising and Portland, 2021

	Lower SE			Portland		
	Office	Retail	Industrial	Office	Retail	Industrial
Total SF	231,000	1,400,000	236,000	62,800,000	49,200,000	104,000,000
Share of total SF	12%	70%	12%	29%	23%	48%
Vacancy Rate	1.9%	3.8%	6.2%	13.2%	4.6%	6.8%
Market Rate / SF	\$24.28	\$20.04	\$11.46	\$29.64	\$22.56	\$9.39

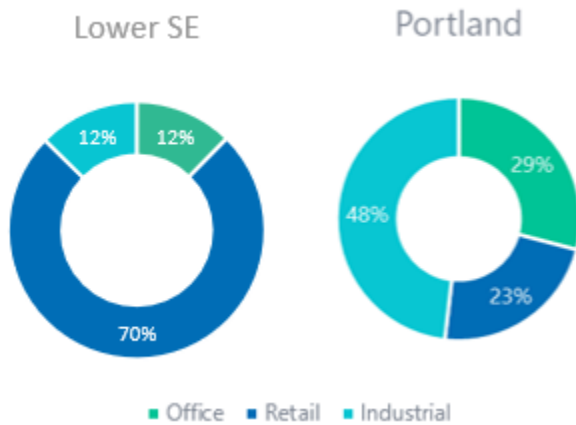
Source: CoStar, 2021

Commercial Real Estate in Citywide Context

Compared to the city of Portland, the commercial real estate landscape in Lower SE has significantly lower vacancy rates than the city of Portland across all types, but particularly office uses (1.9% vs. 13.2%). On average, commercial rents are lower in the study area for Office and Retail. This reflects the much higher prices for office and retail space in downtown Portland and in other areas with newer, high rise buildings. Rents for industrial uses are slightly higher in the study area than citywide.

As seen in Fig. 3, the most significant difference in commercial real estate between the study area and the city of Portland is that Lower SE has a much greater share of its commercial square footage devoted to Retail (70% vs. 23%). In the city, Industrial represents nearly half (48%) of all commercial property square footage, followed by Office (29%), and last by Retail (23%).

Fig. 3 Commercial Real Estate Inventory, Study Area and Portland



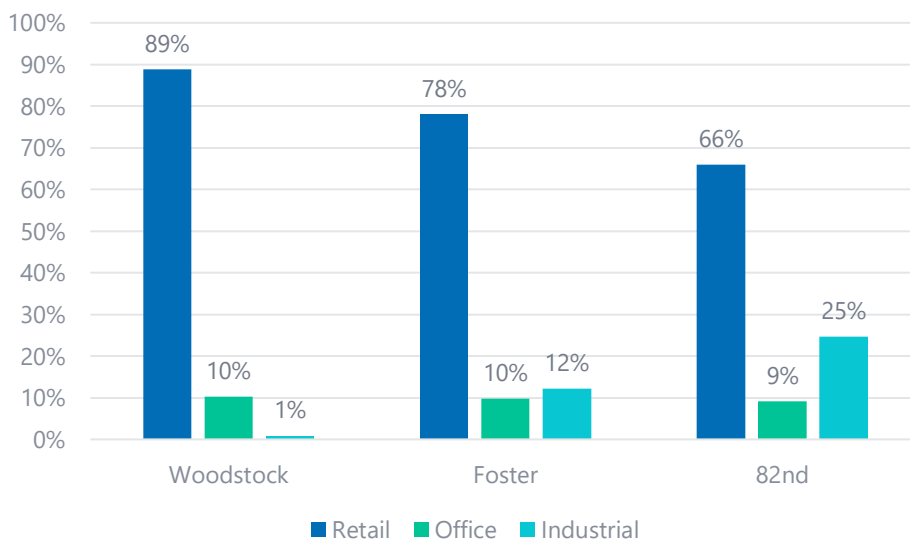
Source: CoStar, 2021

Real Estate by Subarea

COMMERCIAL INVENTORY BY SQUARE FOOT

Looking at the individual subareas, we see that the main commercial corridors differ in their make-up and character of commercial uses (Fig. 4). The Woodstock neighborhood center is overwhelmingly made up of retail commercial uses (89%), with a small percentage of offices (10%), and almost no industrial properties (1%). Foster Blvd., historically a route into the city from agricultural lands to the east, is now also predominantly retail (78%), but still retains a modest share of industrial uses (12%) and includes some office (10%). Meanwhile, 82nd Ave. has a significantly higher amount of Industrial uses (25%) while still mostly being dominated by retail (66%).

Fig. 4 Commercial Real Estate Inventory Share by Lower SE Subarea



Source: CoStar, 2021

VACANCY RATES

The relative strength of the study area's real estate market is evident when looking at the area's vacancy rates by commercial real estate type. Most of the areas have lower vacancy rates than Portland overall (Fig. 5). It should also be noted that looking at vacancy rates historically, Foster had full occupancy of its Industrial commercial real estate until the fourth quarter of 2020. In fact, all the subareas had vacancy rates were under 2% until 2020, which was a calamitous year for many businesses around the world due to the pandemic economic shut down.

Fig. 5 Commercial Real Estate Vacancy Rates by Type and Subarea

	Woodstock	Foster	82nd	Portland
Overall Current	4.1%	4.8%	4.8%	8.1%
Retail	3.8%	3.6%	7.2%	4.6%
Office	7.2%	0%	0%	13.2%
Industrial	0%	16.2%	0%	6.8%

Source: CoStar, 2021

RENTS

Commercial real estate rent rates are another reflection of the area's relative market strength. Woodstock has the highest overall rents (Fig. 6), based primarily on the market price of retail space in that neighborhood commercial center. Foster has higher rents than Portland overall, however, that is mostly due to the higher going rate for Industrial space on Foster Blvd. The rents for Retail and Office space on Foster are lower than those found in the city more generally. SE 82nd Ave. tends to have the lowest rents across all three real estate types and overall. The fact that 82nd Ave. has higher Retail vacancy rates (Fig. 5) than the city and the other subareas, despite its considerably lower rents, may point to the difficulties of establishing successful retail businesses on a busy highway as opposed to slower, more walkable corridors.

Fig. 6 Commercial Real Estate Market Rents by Type and Subarea

	Woodstock	Foster	82nd	Portland
Overall Current	\$24.17	\$19.33	\$17.08	\$18.34
Retail	\$24.00	\$19.98	\$19.48	\$22.56
Office	\$26.79	\$22.33	\$23.05	\$29.64
Industrial	\$10.56	\$12.70	\$8.47	\$9.39

Source: CoStar, 2021

OPPORTUNITY SUBAREAS

In addition to the designated commercial corridors and centers in the study area, there are multiple commercial buildings interspersed among residential properties along 52nd between Duke St. and Flavel Dr., and 72nd between Duke St. and Harney St. These are primarily properties used for retail uses, rather than office, and there are no buildings with industrial uses in the two areas. The community has expressed interest in exploring the expansion of commercial opportunities along these corridors to create a 15-minute neighborhood in the southern part of the study area.

The area on 52nd between Duke and Flavel Dr. is part of the Woodstock Business Association boundary, but feels distinctly removed from the main stretch of the Woodstock main street. Its current inventory is almost 79,000 square feet (Fig. 7), and it is home to a variety of business types, including a gas station, several eating and drinking establishments, salons, a gym, a laundromat, and health and wellness providers. Rents in the area are slightly lower than those found on Woodstock Blvd, but on par or higher than those on Foster Blvd. and 82nd Ave.

There is less commercial square footage on 72nd Ave., and no commercial office space, but the commercial properties that do exist there are fully occupied (Fig. 7). Rents are similar to those on 52nd, which are slightly lower than Woodstock, but higher than retail spaces on 82nd Ave, which is 10 blocks to the east.

Fig. 7 Commercial Real Estate, 52nd and 72nd

	52nd	72nd
Inventory (SF)	78,700	40,700
Vacancy Rate	0%	0%
Rent	\$22.60	\$21.89

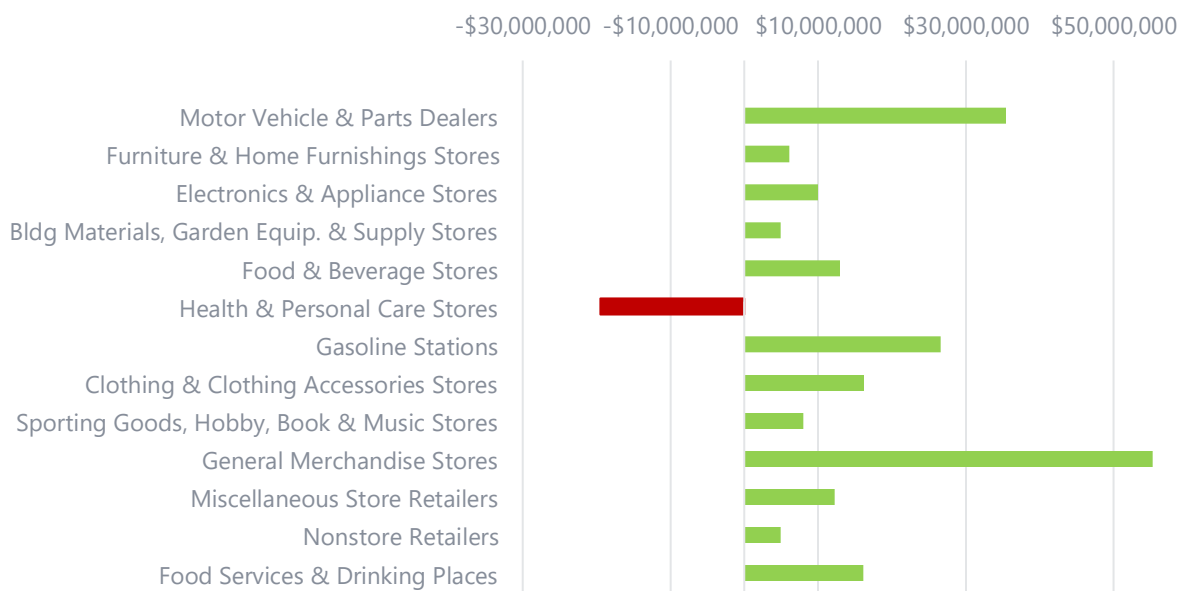
Source: CoStar, 2021

Retail Market Analysis

An analysis of the retail market in Lower SE can help us better understand the opportunities that exist in the study area for expanded commercial zoning, small business development, and a more complete and equitable community. A gap analysis illustrates the difference between the retail demand in an area, based on the day-time population, and the capacity to which the area's retail stores are meeting that demand. This can help identify types of businesses that are not effectively meeting local demand, leading residents and day-time workers to leave their neighborhood to purchase those services.

In Fig. 8 we see that almost every business type shows a surplus of demand in the area, meaning that the community is underserved by its retail sector. Despite the significant amount of retail that exists in Lower SE, the purchasing power of area residents, compared to the retail sales revenue of local businesses, indicates that the population consumes heavily outside of the study area. Local supply exceeds the local demand in only one category, Health and Personal Care Stores.

Fig. 8 Lower SE Retail Gap Analysis



Source: ESRI Business Analyst, 2017.

Equity Considerations

It is important to remember that the population of the study area is not homogenous. The Lower SE Rising Existing Conditions report demonstrated the disparities in infrastructure, income, race, and ethnic background within the study area. To incorporate equity into this analysis, we should consider whose commercial needs are being least served, as well as their relative ability to have their needs met elsewhere.

As illustrated by the land use analysis in the Existing Conditions report, the Brentwood-Darlington neighborhood portion of the study area, particularly the southeastern extent tends to have lower incomes, higher shares of communities of color, higher rates of disability, and a greater share of renters.

Home-Based Businesses

Previous community plans for the Brentwood-Darlington neighborhood point to a need to develop existing home-based businesses as a strategy for negotiating a landscape without a designated neighborhood commercial center, as well as an equitable way to promote economic development for the area’s residents.

Using business license registration data we can learn a bit about the existing home-based businesses in the area and begin to narrow in on some potential recommendations. There are 1,196 registered home-based businesses in the Lower SE study area, across a broad range of business types (Fig. 10).

Fig. 9 Existing Lower SE Home-Based Businesses

NAICS code	Category	# Businesses
81	Other	623
99	Unclassified	169
54	Professional Services	69
71	Entertainment	65
44-45	Retail Trade	62
53	Real Estate	40
31-33	Manufacturing	36
62	Health & Social Assistance	34
48-49	Transportation & Warehousing	17
23	Construction	16
61	Education	14
72	Accommodation & Food	12
51	Information	11
11	Agriculture	7
52	Finance & Insurance	6
42	Wholesale Trade	5
56	Admin, Waste & Remediation	4
55	Management	3
21	Mining & Extraction	1
221	Utilities	1
926	Administration of Economic Program	1
Total		1196

Source: City of Portland, Business License Registry, 2020

which regulations should potentially be waived or modified permanently to support business creation and expansion without sacrificing neighborhood livability. Further study should be conducted by engaging owners of existing home-based businesses in the area to determine what regulatory changes would be most likely to help them expand their businesses.

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