



Portland Downtown Retail Summary of Findings and Recommendations

Prepared for:

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Subject: Portland Downtown Retail Study Summary of Findings and Recommendations

This summary describes findings and recommendations from the 2008 Portland Downtown Retail Study. The summary is one of four reports submitted to Portland Development Commission as part of the engagement. The supporting reports include local and national retail research and a presentation to key stakeholders and panel of experts.

The findings reveal that Portland's downtown retail core, while at present comparatively healthy and experiencing significant change, is vulnerable and in need of overarching leadership and committed capital support.

Portland is the central city of our region. Downtown Portland is the heart of the city and to an extent, the heart of our region. Strong cities have strong hearts, reflecting the health of the city and region. Without a successful Downtown, the Pearl District would not exist, inner-city neighborhoods would not be strong and attractive, visitors would not come, urban housing would not be developed, and jobs would migrate to the suburbs. The Downtown retail core -- the most visible element of our central city provides vitality, dining, shopping, culture, entertainment and more -- it must be protected and sustained or the entire city is weakened.

Developing, revitalizing, growing and sustaining a downtown must not be treated as either a project or an event. Quite the contrary, it is a highly demanding, competitive and delicate business. And as with any successful enterprise, it must be long-term, requiring sustained and knowledgeable leadership, professional staffing, on-going capital infusion, state-of-the-art marketing, and skilled operations.

Portland lacks such a structure today despite the many best efforts of leaders and organizations that participate in our Downtown's care and growth. The observation from the research and focus groups is that there is no overarching entity in charge of protecting downtown and its continued success. Due to the lack of such an entity, Portland struggles to make its downtown competitive. Institutions and organizations focusing on their areas of individual concern combined with capital and political pressures from other sectors contributes to separating the parts and thus prevents integrated decision-making. And in that condition, lies great vulnerability.

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1

Introduction

A Downtown Legacy

A Downtown Legacy

The status of downtown retail and the overall health of Downtown Portland involves a complex set of market, financial, political, physical, and regulatory factors. This report summarizes how these factors relate to the health of Downtown Portland. Starting with the 1972 Downtown Plan, Portland has been very successful in revitalizing its downtown and keeping it healthy and attractive for its citizens and visitors. This summary tells the story about Downtown Portland retail today in light of pending challenges and opportunities.

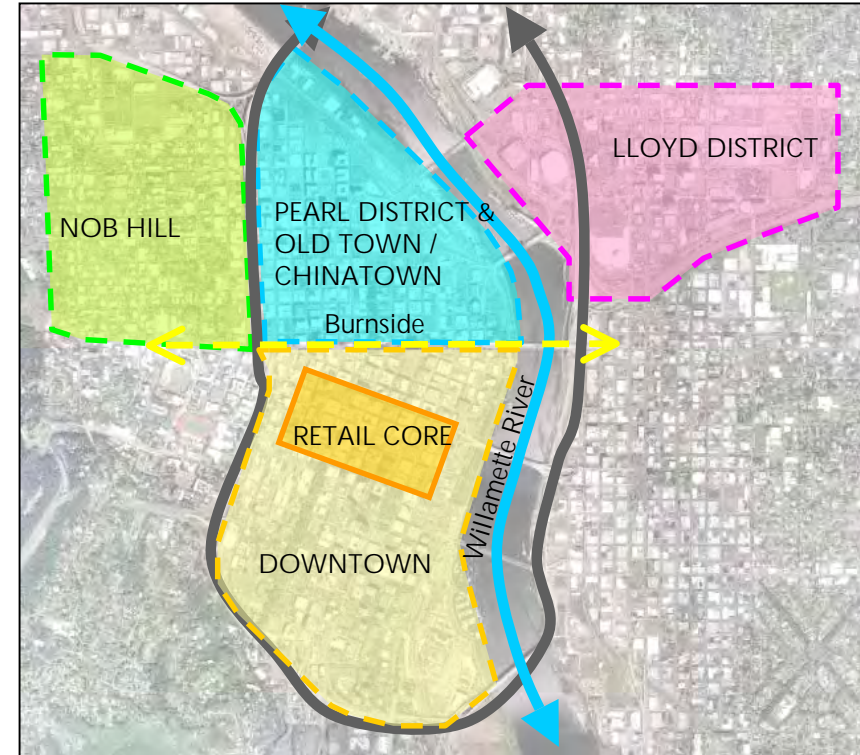
1. Downtown retail is **healthy**, but has **vulnerabilities**.
2. Downtown's greatest threat is **complacency – a perception that Downtown is 'done'**.
3. The health of Downtown Retail reflects the health of Portland and the region. **A unified vision and effort is needed to protect and communicate this message to all listeners.**

In addition to telling this story, this report reviews, assesses, and updates two downtown retail strategies that focused exclusively on the Downtown Retail Core. These documents include the Downtown Portland Retail Strategy Update (2007 Strategy Update), Portland Business Alliance, January 2007, and the 2002 Downtown Portland Retail Strategy. This report includes:

- Findings from national and local market research with reference to findings from the 2002 and 2007 Retail Strategies.
- Synthesis of comments from four focus groups and one retail expert discussion panel.
- Recommendations to the Portland Development Commission (PDC) and the Portland Business Alliance (PBA) about implementing and evaluating the 2007 Retail Strategy Update.

The appendices to this summary offer more information about the national and local retail markets. The presentation of market findings given to the retail expert panel (Appendix C) is included.

Geographic Definition of Downtown and Retail Core in Relation to Central City Sub Districts



2

Diagnosis

Healthy, yet Vulnerable

Healthy, yet Vulnerable

“While downtown Portland development is the envy of many cities, downtown retail is not keeping pace with outlying and adjacent areas. It is becoming increasingly vulnerable to experiencing a notable downward slide.”

--2007 Downtown Portland Retail Strategy Update

Downtown Portland Retail is comparatively healthy (described on this and the following page). However, a number of factors (described on pages ten and 11) point to its pending vulnerability.¹ This is a cause for concern. First, many stakeholders have voiced that public and civic leadership have become complacent with Downtown’s success and do not see the need for an increased effort to improve Downtown and the Downtown Retail environment. Second, there is a lack of agreement regarding the “Downtown vision” amongst the various organizations and public agencies that represent downtown.

HEALTH INDICATORS

1. Performance

According to 2007 data from the Nielsen Company, most national fashion retailers such as the Gap, Express, and Talbots achieved the highest annual sales² at their downtown locations compared to their other Portland Metro locations. As reported by ESRI Business Analyst, total 2007 annual sales in the Downtown Retail Core (\$313 million) exceed those of the entire Nob Hill shopping district (\$255 million) and the Pearl District and Old Town combined (\$256 million). Geographic definitions of these boundaries are found on page six.

2. High Demand

While this research does not include a comprehensive leakage analysis, Leland Consulting Group completed preliminary estimates of downtown retail demand using 2002 Strategy assumptions and consumer expenditure reports from ESRI Business Analyst. According to these estimates and broker interviews, downtown Portland Retail has a supply issue, NOT a demand issue.

Leland Consulting Group estimates that Downtown Portland (Burnside south to I-405) is under-retailed by at least 500,000 square feet of retail space today. That is, the Downtown has the

demand to support 2.2 million square feet of retail in 2008. Economics Research Associates (ERA), the consulting firm that authored the 2002 strategy, predicted that Downtown could support up to 2.6 million square feet by 2015.

3. New Investment

Since 2002, 124 Central City development and redevelopment projects³ have been completed, are in the pipeline, or are on the drawing boards. All of these projects contribute to the Downtown Retail customer base and environment. Some of the key measures and projects of this development activity include:

- **Almost one million square feet of office development is in the pipeline or on the drawing boards.** This is the most office development activity Portland has experienced for over a decade.
- **Almost 7,000 new housing units in Downtown and the Pearl District** have been completed since 2002, are in the pipeline, or on the drawing boards.

NOTES

- ¹ More data and information can be found in Appendix A: Portland Downtown Retail Market Review.
- ² This data does not measure sales per square foot.
- ³ **Central City Development and Redevelopment Projects.** Heritage Consulting Group and Portland Business Alliance. April 2007.

Healthy, yet Vulnerable (cont'd)

- **The booming tourist industry has increased the demand for hotel rooms downtown.**
Hotel occupancy for the Portland Central City in June 2007 was up to 84 percent.⁴ A number of new hotels have entered or are entering the Portland market, such as the Ace Hotel and The Nines.
- Other improvements to the public realm will greatly enhance the downtown experience. These include the Portland Mall Revitalization Project and the Park Block 5 Park Project.
- On Morrison Avenue from Park Avenue up to 10th Avenue, a critical mass of new projects are underway such as Park Avenue West, Park Block 5, re-tenanting of the Galleria including Brooks Brothers. Proposed renovation of the Pacific First Building and the proposed redevelopment of the 10th & Yamhill garage are infusing new retail energy to the core.

4. Key Target Markets

Population growth in Downtown's primary trade areas⁵ signal more potential customers in close proximity to Downtown. The trade area is composed primarily of one and two-person households with high household incomes and large capacity to spend.

Portland's tourist and visitor industry is growing. Visitor spending increased by almost 25 percent between 2000 and 2006.⁶ Downtown Retail has excellent potential to capture more of the visitor market.

5. Retail Anchors and Infrastructure

Downtown Portland has many of the amenities and infrastructure that a great downtown shopping street should have – transit access, street activity, public plazas, and key retail anchors such as Nordstrom and Macy's.

6. Other Contributing Factors

Finally, there are a number of other contributing factors to the retail health of Downtown Portland:

- Urban Renewal funding has leveraged private investment for key programs such as Storefront Improvement, services such as the Retail Specialist, and projects such as Pioneer Place and the renovation of the former Meier and Frank store.
- The Portland Development Commission and the City of Portland have set an excellent example for successful public-private partnerships.
- Portland has focused on livability factors such as a pedestrian friendliness, transit, waterfront access, and public amenities. These are all elements sought by the targeted downtown customer.



Portland: Pedestrian friendly, transit, focus on livability

- The lack of a sales tax has helped elevate the attractiveness for out-of-state customers.
- The Urban Growth Boundary has limited the number of available sites for competitive retail development within the Portland Metro region.

NOTES

- ⁴ **HVS Market Intelligence Report:** Downtown Portland. Smith Travel Research. June 2007
- ⁵ Trade areas as defined in the 2002 Strategy.
- ⁶ **Economic Impacts of Travel, 2006: Portland, Oregon.** Dean Runyan Associates. January 2007.

Healthy, yet Vulnerable (cont'd)

The 2007 Strategy Update identifies factors that indicate the vulnerability of Downtown Retail. The factors listed here validate the 2007 findings.

VULNERABILITIES

1. Changing Face of Retail

Retail changes its face, image, space requirements, and character every five to seven years. According to the Urban Land Institute 2004 publication, *Ten Principles for Rethinking the Mall*, "Retail competition has become ferocious, as overbuilding and the emergence of newer formats and delivery channels erode sales among retailers in the traditional middle of the market—leading to their rapid disappearance." These retail market realities, combined with other barriers, make enhancing the vitality of downtown retail particularly challenging.

2. Lack of Suitable Space

The 2007 Strategy Update cites some of the reasons why interested key retailers have not been able to locate in the Retail Core such as "lack of appropriate space, fragmented ownership, and poor economics of proposals." The 2007 Strategy Update also points out that Downtown recruiters have elicited Strong interest from at least seven key 'first to market' retailers but have lost them to other locations.

3. Competition

Flourishing retail typically occurs in areas with the greatest population growth. From 2000 to 2007, the greatest population growth occurred in the suburban counties of the Portland Metro area – Washington County at 14.8 percent, Clackamas County at ten percent, and Multnomah County at 7.5 percent.⁷

Shopping malls and lifestyle centers, in contrast to Downtown, offer continuity of storefronts, safety, family-friendly amenities, a carefully chosen merchandising mix, and build-to-suit locations for key anchor tenants. Moreover, they are able to offer significant financial incentives to entice 'the right tenant.'

Regional malls and lifestyle centers are achieving higher sales per square foot than Downtown's shopping center: Washington Square at \$763/ square foot and Bridgeport Village at \$850/square foot compared to Pioneer Place at \$540 / square foot.⁸ Stakeholders have also pointed to a number of other key national retailers that are achieving higher sales in suburban locations.

4. Losing Potential to Capture Key Target Markets

According to the PBA 2006 Business Census, Downtown employment has decreased since 2000. The number of employees within the Central City area (bounded by the I-5/I-405 loop) dropped by 2.4 percent between 2000 and 2006. Employees are a key target market for Downtown Retail. According to a national survey, 34 percent of office workers are more likely to shop closer to work than closer to home.⁹

According to the 2007 PBA Shopper Intercept Survey, Downtown Portland is not perceived as a family friendly destination. According to the survey, all downtown shoppers over 30 years old, those most likely to have children, choose shopping areas other than downtown as their primary shopping destination. The top reasons why those respondents do not (mainly) shop downtown is that other shopping centers are closer to their homes and they prefer the store selection elsewhere. Some also found Downtown inconvenient in terms of parking and getting around with small children.

NOTES

⁷ Portland State University Population Research Center.

⁸ GVA Kidder Matthews.

⁹ **Office Worker Retail Spending Patterns.** International Council of Shopping Centers. 2004.

Healthy, yet Vulnerable (cont'd)

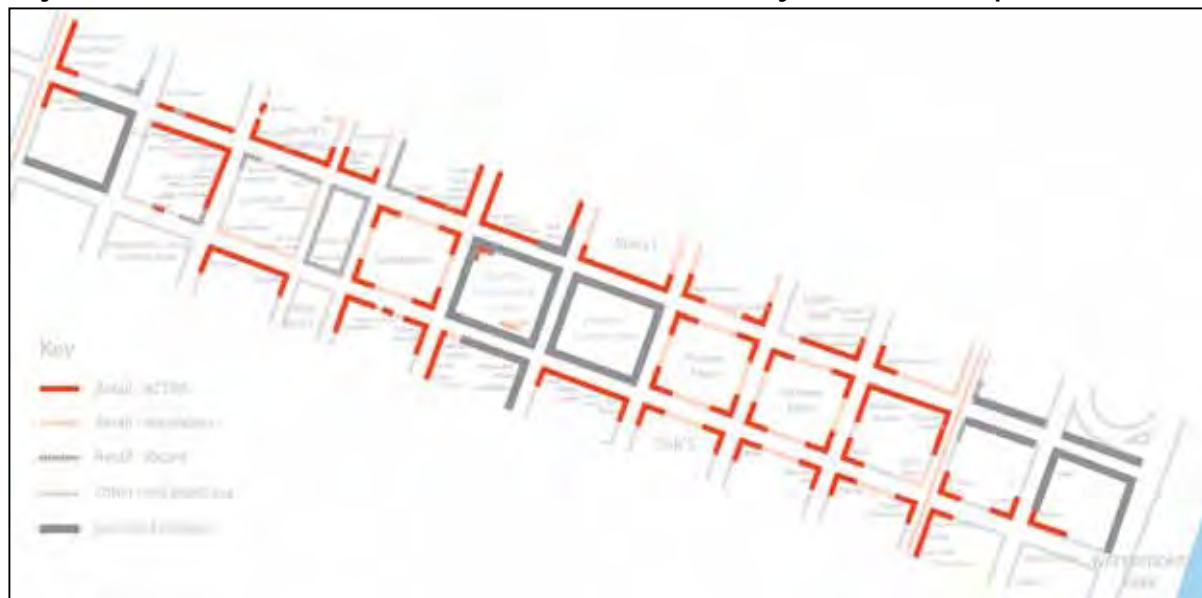
5. Perception of Downtown Safety

Downtown continues to be perceived as unsafe despite a 16 percent decrease in crime between January 2007 and January 2008.¹⁰ Stakeholders and brokers indicate that retail customers consider the downtown street environment less inviting, particularly in comparison to the Pearl District. According to the 2006 PBA Business Census, when asked what factors most needed improvement in the downtown area, panhandlers and transients were cited as the top two concerns.

6. Retail Continuity and Streetscape

Another important aspect to consider in the shopping experience is the continuity and appearance of streetscape. A retail customer will not typically walk more than 5 to 6 city blocks (1,200 to 1,500 feet), even in a fully activated area. If there is a gap in the retail environment or nothing interesting to draw the customer along, they will turn around. Continuity of retail facades is essential for retailers and for the public's downtown experience. The figure at right shows the active and inactive frontages along Morrison and Yamhill Streets. Inactive frontages disturb the continuity in the streetscape and weaken retail.

Key Retail Streets – Morrison and Yamhill – lack of continuity in the streetscape



Source: Leland Consulting Group

Some cities, such as San Francisco, have city code provisions that dictate active uses for key retail locations. Such provisions prohibit banks or other inactive uses from occupying key retail locations in order to strengthen retail continuity.

7. Perception of Parking and Convenience

Whether real or perceived, parking is an issue. The suburban or regional customer unfamiliar with Downtown is often intimidated by structured parking. For example, despite the supply of 1,300 underground parking spaces at the Brewery Blocks, customers still complain about lack of parking.

Other elements in the Downtown environment make it inconvenient to get around, particularly for the elderly and parents with children. Some of these include frequent street crossings and grade changes, the lack of covered space to walk under, and the absence of clean and safe public restrooms.

NOTES

¹⁰ **Downtown Portland's crime drop continues for third consecutive year.** City of Portland Press Release, January 22, 2008.

4

Observations

Need for a Unified Vision and Effort

Need for a Unified Vision and Effort

Leland Consulting Group conducted a retail workshop in February 2008 with Portland retail stakeholders and experts. The workshop consisted of four focus groups, a walking tour of the Retail Core with retail experts, and a discussion panel with both the experts and stakeholders. The experts are individuals from the region with a working knowledge and expertise in national retail trends, issues, and best practices.

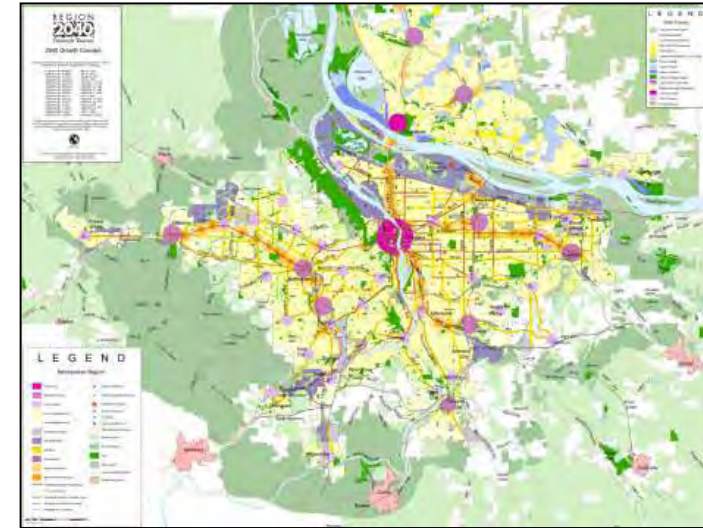
Incorporating suggestions and ideas from the workshop, Leland Consulting Group made the following recommendations about the status of the Downtown vision.

Create a form of over-arching leadership for Downtown interests.

Many different groups and organized interests such as the PDC, PBA, City of Portland, Portland Downtown Services, Inc., Downtown Businesses, Portland Mall Management, Inc., Downtown Marketing Initiative, etc. are working hard to make downtown healthy and successful. However, there is lack of agreement in the vision and priorities of the many different groups. A leadership entity with a common vision needs to lead and manage a focused effort amongst these organizations, businesses, and agencies.

Communicate to the community and to the public leadership the importance of Downtown Retail to the health of the city overall.

Downtown is everybody's Downtown. Its health benefits the entire region as it functions as the region's heart. Retail and the streetscape are the most visible elements of the Downtown. The effort to protect and enhance the viability of Downtown Retail must be accompanied with the message that retail issues are not just retail issues, they are a critical part of sustaining Downtown's, the city's, and the region's health.



Downtown -- the heart of the region.

Establish a long-term funding solution for Downtown.

Downtown is an area of the city that needs continual attention and investment from the public sector. Focused public resources are key to making and maintaining successful downtowns. The expiration of two of the three Downtown Urban Renewal Districts (South Park Blocks and Downtown Waterfront) threatens the flow of financing to service the core. The Retail Core is on the verge of experiencing a renaissance, but without public finance — key to urban public-private partnerships -- it may never achieve that transformation.

3

Guiding Principles

- Encourage New Retail Growth
- Enhance and Link Sub Areas
- Strengthen Retail Streets
- Encourage Supportive Development
- Recruit and Retain Key Retailers
- Promote the Downtown Retail Core as a Unique Shopping Destination
- Enhance Public Space and Customer Convenience

A Healthy Heart

Cities across the country have realized that strong and healthy downtown retail is frontline economic development for many reasons.

- **Downtown is the heart of the city and strong cities have strong hearts. It is the economic driver of employment for the city and the region.**
- **A strong downtown also strengthens city neighborhoods.**
- **The public realm and retail are the two most visible elements of downtown that visually communicate its health.**
- **A healthy downtown is a powerful statement of community pride and identity. A strong downtown image is a powerful recruitment tool for prospective businesses and residents.**
- **A strong downtown supports Portland’s businesses by boosting the region’s tourist and visitor industry.**

Managing Downtown should be thought of as an ongoing, competitive business -- it is never ‘done.’ Other cities are competing for residents, businesses, and tourists. To stay competitive, a number of problems and issues need to be addressed in order to sustain Downtown Portland’s health.

The table at right describes the key guiding principles of this report and the corresponding principles from the 2002 Retail Strategy and the 2007 Retail Strategy Update. These guiding principles encompass ongoing priorities of downtown stakeholders. For each principle, a priority recommended action for implementation is first identified. Continuing to protect downtown’s health involves these seven principles, described in the following pages.

Summary of Guiding Principles

	2008 LCG Guiding Principles	2002 Guiding Principles	2002 Strategy Conclusions Guiding 2007 Update
1	Encourage New Retail Growth.	Protect and Enhance the Existing Core.	The Retail Core is a first tier retail center with a natural market share of higher end, destination retail set apart from mid-market convenience and discount shopping areas. All development of complementary markets and recruitment efforts should focus on reinforcing the natural market share.
2	Enhance and Link Sub Areas .	Create Distinctiveness in Downtown Subareas.	Create distinctiveness in Downtown sub areas and linkage between them in order to create variety.
3	Strengthen Retail Streets .	Strengthen Retail Streets that Serve as Connectors.	Strengthen retail streets that serve as connectors in order to promote retail continuity, create pedestrian friendly streets that encourage retail activity, and co-tenancy opportunities to create visual linkages among storefronts.
4	Recruit and Retain a Healthy Retail Mix.	Continue Aggressive Marketing and Recruitment.	Continue aggressive marketing, retention, and recruitment to keep Downtown Portland on the forefront of retailers’ and customers’ consciousness.
5	Encourage Supportive Development.	Expand the Size of the Local Market.	Expand the size of the adjacent residential market. A strong Retail Core needs a large, proximate, balanced housing stock.
6	Promote the Downtown Retail Core as a Unique Shopping Destination.	Continue Aggressive Marketing and Recruitment.	Maintain Downtown Portland as a distinct destination retail center for the region. Without distinction, the positive effects for other retail, office and residential development are difficult to achieve.
7	Enhance Public Space & Customer Convenience.	Exploit Existing Amenities and Invest in New Amenities and Programs.	N/A



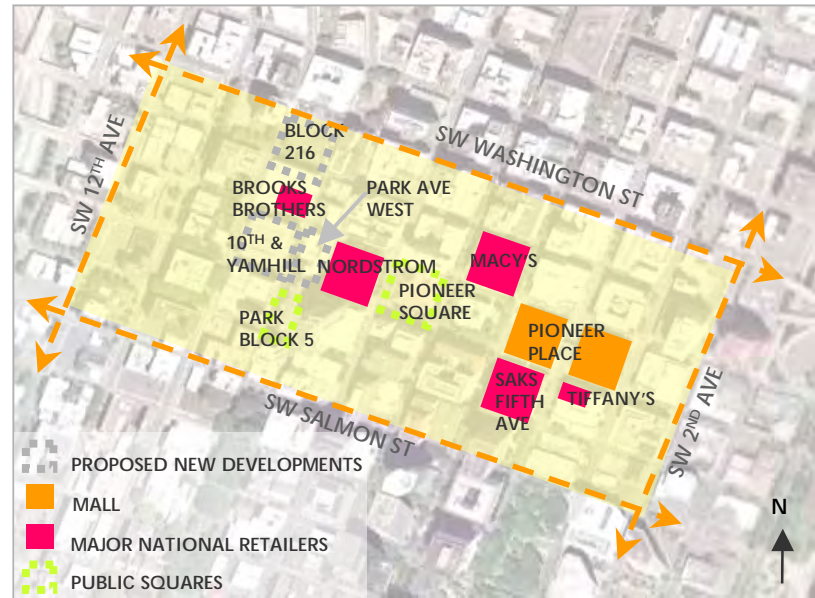
1. Encourage New Retail Growth

Encourage new retail development in the Retail Core, particularly in areas that complement retail continuity and energy.

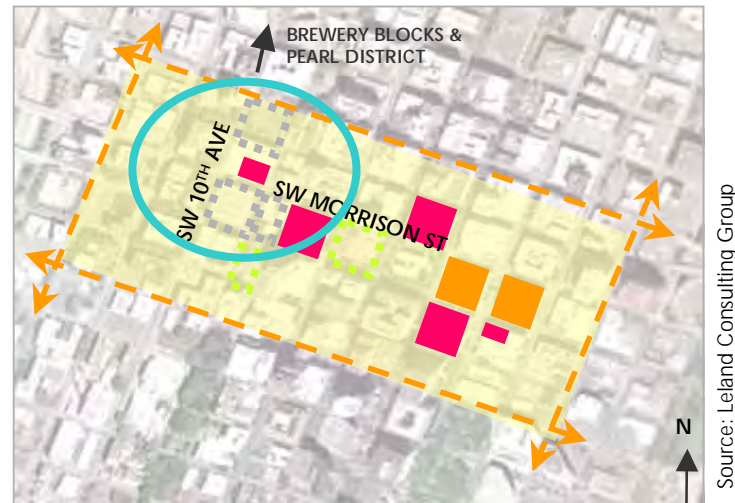
Retail changes relatively quickly. Retail formats and energy pulse points for retail in downtowns change every five to seven years. Moreover, Downtown Portland is currently undersupplied in retail space. Creating that new vibrancy and allowing for flexibility for the rapidly changing face of retail is essential to maintaining an attractive downtown retail environment. Successful retail requires continual reinvestment. Part of that reinvestment involves protecting and enhancing existing retail investments, such as Pioneer Place, and another part is encouraging new redevelopment opportunities.

The energy of the retail core is expanding west from Pioneer Place towards 10th Avenue and north towards Alder Street. The re-tenanting of the Galleria with Brooks Brothers, the Park Block 5 Park Project, Park Avenue West, and the relocation of the Mercantile to the intersection of Park Avenue and Alder Street have all triggered an infusion of new energy. This does not dilute the existing retail to the east, but rather offers an opportunity for new retailers, both national and independent, to enter the Downtown Portland market. Furthermore, the redevelopment opportunities at the 10th and Yamhill garage and Block 216 are key to channeling that new energy and providing critical linkages to the Brewery Blocks and to Burnside Street.

Downtown Retail Core



New Investment at and around 10th and Morrison



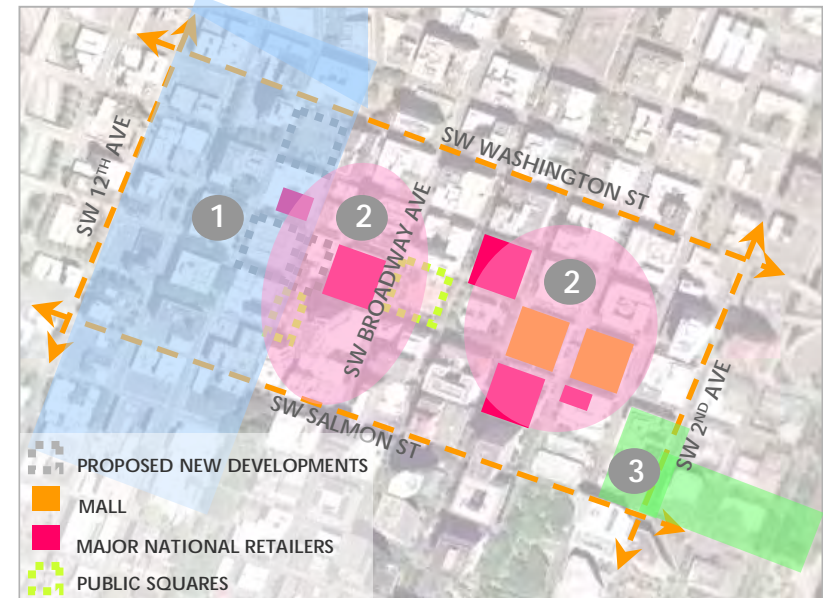
2. Enhance and Link Sub Areas

Require active retail use at select areas within the Retail Core to create linkage between sub areas.

The Downtown Portland Retail Core has expanded over the years. In 2002, the Retail Core was defined as the area that extended from SW Taylor to SW Alder Streets and from SW 3rd to SW 9th Avenues. The Core has since expanded west to SW 12th Avenue to include greater portions of the West End Plan District¹¹ and east to 2nd to include a portion of the Yamhill Historic District.¹² While this has diluted the focus for retail concentration, it also has allowed for new opportunities to develop more retail at infill sites and to create linkages between them.

Great retail streets “have a streetscape filled with different businesses and activity centers, rather than a few large ones.”¹³ What makes Downtown Portland Retail unique is a combination of its authenticity, mix of independent and national retailers, and the flavor of its various districts and the different markets they serve. However the identity of these various districts and the linkages between them is not clearly defined. One critical discontinuity is within the sub area that constitutes high end fashion and national anchor retailers¹⁴. The area between these two shopping districts needs to be activated in such a way as to draw the shopper along and continue pedestrians interest with activated storefronts.

Sub Areas within the Retail Core



Source: Leland Consulting Group

- 1 **West End** – Location of long time independent retailers such as Finnegans, emerging design such as CANOE, Intelligent Design, and Gingko Home Furnishings.
- 2 **High End Fashion and National Anchors** – National anchors such as Nordstrom, Brooks Brothers, Saks and Macy’s, but also Pioneer Place and Williams Sonoma and smaller fashion retailers such as Mercantile, Mario’s, and Jeri Rice.
- 3 **Yamhill Historic District**– Mixed use, entertainment district.

NOTES

¹¹ Boundaries as defined in the **West End Plan**. Portland Bureau of Planning. 2002.

¹² **Yamhill Historic District**. Portland Maps. Accessed March 2008.

¹³ **Great Streets**. Allan Jacobs. 1993.

¹⁴ District definition as interpreted from PBA Retail Inventory, December 2007.

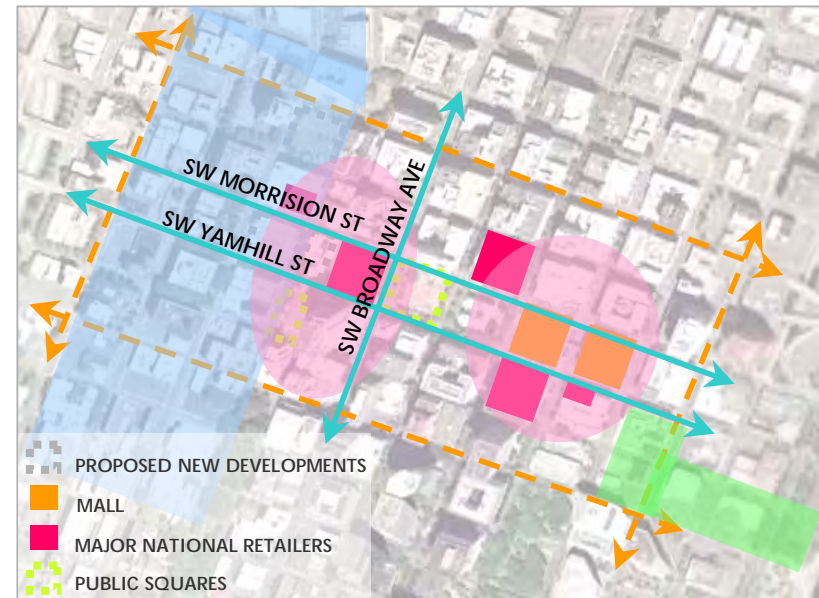
3. Strengthen Retail Streets

Evaluate the public realm amenities along the key retail streets of the Downtown Retail Core. Continue further unifying and strengthening these important streets.

Great retail streets serve both as connectors and as an inviting environments for pedestrians. The streets connect districts, retail stores, and other destinations for pedestrians. They also offer a comfortable, safe environment, have strong definition, and are transparent--allowing pedestrians to view activity inside buildings. By offering plenty of eye-catching features, authenticity, and variety, the streets generate a sense of discovery for the pedestrian. A great street not only has all of these elements, but incorporates them in a holistic fashion.¹⁵

The Retail Core's primary retail streets -- Broadway, Morrison, and Yamhill -- serve extremely important functions within the core, but have not realized their full potential as 'great retail streets.' Stakeholders and retailers express that the shopper does not perceive the primary retail streets as the avenues that signal that you have "arrived" in the downtown shopping area. There must be a greater effort to enhance these three streets and allow for a greater focus of energy along them.

Key Retail Streets within the Retail Core



Source: Leland Consulting Group

NOTES

¹⁵ **Great Streets.** Allan Jacobs. 1993

4. Encourage Supportive Development

Continue to encourage development of land uses that support Downtown Retail.

A vibrant mix of land uses support a healthy Downtown and Retail Core. Downtown Retail is supported by the mix of other uses that generate customer traffic and patronage.

1. Employment

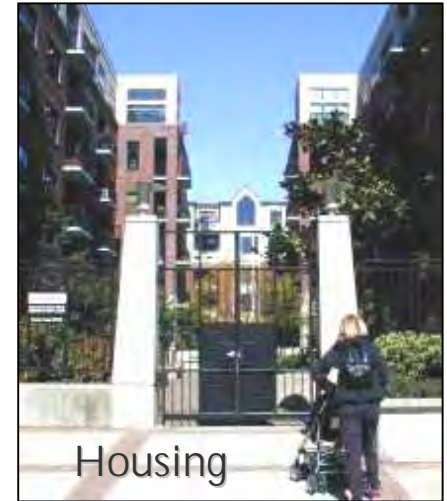
From 2000 to 2006, the number of employees working within the I-405/I-5 loop decreased. Although there is almost a million square feet of office on the drawing boards or in the pipeline for Downtown, there does not seem to be one entity that is focused exclusively on recruiting key employers to Downtown. Downtown is, and continues to be, vulnerable to losing employment to the suburbs.

2. Housing

Residents are the primary market for downtown retail. Portland has been very successful at increasing the housing stock in and around the Downtown. While Portland has been successful at increasing its stock of affordable rental and luxury condominium units, there is a lack of workforce housing options, typically defined as units for those earning 80 percent to 120 percent of Median Family Income.

3. Hotels

Portland is increasingly becoming a desirable place to visit and recreate. More hotels in the Downtown mean more potential for Downtown retailers to capture visitor spending. Demand for hotel rooms in the Central City is on the rise as Portland's tourist industry continues to expand.



4. Entertainment

Unlike other areas in the region, Downtown is a destination for those looking for events, night life, and cultural opportunities. Strengthening the identity and quality of the cultural and entertainment sector is one way to enhance the attractiveness of the Downtown environment.

5. Recruit and Retain Key Retailers

Continue to actively recruit destination national retailers, but also recruit an equal mix of independent retailers.

Shopping mall and lifestyle center success is highly dependent on management's ability to recruit and lease to a carefully selected mix of retailers. Selecting the right mix of retailers is essential. As many retail developers claim, once you 'dummy down' retailers into a project, it will be tougher to 'bring back' the health of the overall retail environment.

Unlike a mall, Downtown has highly fractured ownership and challenging spaces to lease in terms of size and design. However, aggressive recruitment coupled with financial or amenity incentives will land the 'right' retail tenant. For example, Brooks Brothers chose its current Downtown Portland location because of the future synergistic potential with Park Block 5, Park Avenue West, and the 10th and Yamhill garage redevelopment.

In order to stay competitive, the PBA and the PDC need to continue recruitment and retention of both key national destination and independent retailers. National anchors help support independent retailers by generating a large

volume of foot traffic for retailers in the area. By combining national destination retailers with regional uniqueness and a local Downtown flavor, the Downtown becomes a one-of-a-kind destination, unlike most other national shopping destinations.

Other cities have recognized the importance of independent retailers in the Downtown Retail Core. The City of Chicago worked with pre-identified successful neighborhood retailers and downtown landlords, brokers, and developers. They were successful in attracting a handful of those retailers to the Chicago Downtown.¹⁶

In addition, Chicago conducts regular marketing sessions and neighborhood tours with prospective retailers. Retailer recruitment and retention programs involve a strategic balance of relationship building, marketing, and on-the-ground community knowledge. **These recruitment efforts require a long term commitment.** One deal may take many years to achieve.

Since 2003, the PDC and the PBA began to explore avenues to recruit retailers. For three years, the organizations had a retailer recruitment booth at the International Council of Shopping Centers (ICSC) annual conference – a valuable recruitment tool that has since lost funding.

Possible Target Retailers for Downtown

- H & M
- Nau
- Zara
- MNG (Mango)
- Muji
- Adidas
- Crate and Barrel/CB2
- Benihana
- Cusp
- French Connection
- Fresh & Easy
- Jos. A Bank

Source: Leland Consulting Group and Stakeholder Interviews

Attracting Brooks Brothers to the Downtown was a result of that effort. In addition, the City of Portland, the PBA, and the PDC hired a broker to act as a Downtown Retail Advocate for retail recruitment. Such efforts need to increase and become more aggressive as the national retail market has slowed down and is projected to continue its slow down into 2008.¹⁷

NOTES

¹⁶ Frances Spencer, City of Chicago. 2008 Speech, Oregon Alliance Program.

¹⁷ **2008 National Retail Report.** Marcus & Millichap.

6. Promote the Downtown Retail Core as a Unique Shopping Destination

Establish and reinforce a branding and identity for the Downtown Retail Core: Portland's *Premier Shopping District*.

Chicago has the 'Magnificent Mile', San Francisco has 'Union Square', and New York has 5th Avenue. However, the Downtown Portland Retail Core lacks that one unique branded identity that shoppers can point to or identify with. Stakeholders have voiced that the Downtown Retail Core needs to further distinguish its identity as a destination shopping district. They pointed to the "Pearl" District, in comparison, which has a much stronger brand.

Numerous marketing entities such as the Downtown Marketing Initiative (DMI) and the Portland Oregon Visitors Associations (POVA) help to market Downtown, but no one marketing campaign focuses exclusively on forming a brand and identity for the Retail Core. Because Downtown Portland is not viewed as a luxury retail destination by regional residents, Portland luxury retailers believe that a majority of these residents are purchasing those items elsewhere.

A Distinct Downtown Retail Brand



UNION SQUARE, SAN FRANCISCO

The Retail Core should be considered the city's *Premier Shopping District*. This suggests that it is the most desirable shopping district in the city with a range of shopping options located in a vibrant and healthy urban environment. Amenities unique to the Downtown should be strengthened and may help the brand—amenities such as the waterfront, the cultural district, authenticity, and interesting street life.



MAGNIFICENT MILE, CHICAGO

7. Public Space and Customer Convenience

Continue to make pedestrian safety and customer convenience a top priority.

Keeping a downtown clean, safe, comfortable, and convenient is one of the most important and one of the most difficult challenges for a downtown. Downtown retailers, brokers, and other stakeholders still report that public nuisance issues continue to be top concerns. Customers voice that they feel unsafe or uncomfortable due to the following issues.

- Loiterers often blocking the public right of way.
- Aggressive panhandling.
- Reports of drug dealing and fighting.
- Feelings of intimidation from those asking for contributions.

The PBA and its predecessor the Association for Portland Progress (APP), Portland Mall Management, Inc., the Portland Police Bureau and other associated organizations have made numerous efforts to make Downtown Portland clean and safe. The SAFE Workgroup, initiated by the Office of Tom Potter, brought together numerous stakeholders to determine solutions for dealing with the population of homeless and transients in the Downtown Retail Core.

The Public's Perception of Safety and Parking Continue to be Top Concerns for Downtown



Photo Source: <http://www.portlandground.com>

These efforts need to continue and be more effective, particularly as transit mall construction has impacted the street and retail activity along the transit mall. Dealing with these issues require a 'no tolerance' approach with continual follow up. Furthermore, continued proactive communication and collaboration amongst downtown stakeholders is essential to implementing further safety measures for downtown.



Finally, stakeholders have also voiced that there continues to be a perception by the regional visitor that Downtown lacks parking or it is too expensive. Efforts such as the parking count board on the Morrison Bridge have gotten positive feedback. However, perceptions have not yet changed. This suggests that retailers and marketing organizations should continue to find ways to educate the Portland visitor about parking options in downtown and about the parking validation system for shoppers.

5

Conclusions

- A New Downtown Legacy
- Summary of Priority Recommendations

A New Downtown Legacy

Retail is an ever evolving paradigm; Downtown Retail requires constant care and attention. Since the 2002 Retail Strategy, the 2007 Strategy Update and this document reflect many ongoing issues in the Downtown Portland Retail environment, but also elevate new and evolving issues that need to be addressed. A summary of the recommendations described in this report are shown to the right. A combination of these efforts will help form a new legacy for Downtown Portland.

Keeping the retail core healthy and viable are important to the success of Downtown, however **it does not reflect the complete picture of retail in the Central City and in the City of Portland.** The tremendous growth of neighborhood retail in Portland's Central City and inner city neighborhoods in recent years is an important part of the city's overall retail picture.

Moreover, Downtown Retail is not just about retail. It's about the combination of land uses and public amenities that constitute a healthy and vibrant Downtown.

Summary of Priority Recommendations

1. Create a form of over-arching leadership for Downtown interests.
2. Communicate to the community and to the public leadership and the importance of Downtown Retail to the health of the city overall.
3. Establish a long-term financing strategy for downtown.
4. Encourage new retail development in the Retail Core, particularly in areas that complement retail continuity and energy within the Retail Core.
5. Require active retail use at select areas within the Retail Core to create linkage between sub areas.
6. Evaluate the public realm amenities along the key retail streets of the Downtown Retail Core. Continue further unifying and strengthening these important streets.
7. Continue to encourage development of land uses that support downtown retail.
8. Continue to actively recruit destination national retailers and also recruit an equal mix of independent retailers.
9. Establish and reinforce a branding and identity for the Downtown Retail Core: Portland's *Premier Shopping District*.
10. Continue to make pedestrian safety and customer convenience a top priority.

Given this study's limited scope, LCG did not address the following for this project:

- The role of the various retail sub-districts in the Central City in relationship to each other.
- The function and nature of the other neighborhood shopping districts within the City of Portland.
- An assessment of the health of Downtown overall, including other land uses, transportation options, and public amenities.
- In depth research and analysis of any of the above recommendations.
- The financial linkage between retail and creating successful high density urban housing.

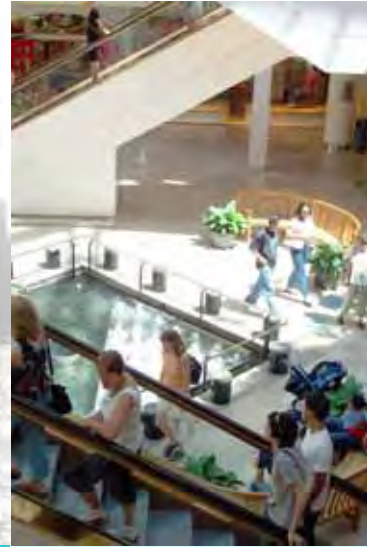


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Portland Downtown Retail

Local Retail Review

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Introduction

Leland Consulting Group, Urban Strategists, has been retained by the Portland Development Commission (PDC) to review and assess the Downtown Portland Retail Strategy Update (January 2007) and Downtown Portland Retail Strategy (April 2002). Strategic recommendations will be provided in the final report for an ongoing public – private effort to maintain a healthy downtown retail core.

A component of this effort is an update of existing market conditions and other indicators that illustrate the status of downtown retail. This document fulfills that effort and is meant to provide a series of baseline data elements to help stimulate discussion and verify arguments about the health of Downtown Portland retail. Data is cited clearly in order to aid the PDC, the Portland Business Alliance (PBA), the City of Portland, and other stakeholders in re-evaluating future information and in utilizing such data for subsequent discussions on Portland Downtown Retail. Additionally, this effort will allow for a ‘living’ database for PDC and PBA for their use.

This document is one component of a larger report. A second component is a retail workshop held in February that involves focus groups, a retail expert panel discussion, and a work session with public and private sector stakeholders. The final report delivered to the Commission will incorporate both these elements into a set of findings and recommendations for the final report.

Unlike the 2002 Downtown Portland Retail Strategy, this analysis and work scope is more streamlined and does not provide an analysis of downtown retail leakage, nor does it project future retail demand. Rather, this body of work assembles a number of indicators to ‘tell the story’ about Downtown Portland Retail in 2007 and 2008 and how it has changed since 2002. Where appropriate, a comparison is made to benchmarks set in the 2002 Downtown Portland Retail Strategy and have indicated this comparison with the following icon:

2002 Retail Strategy

In the interest of ‘telling a story’ about Downtown Portland Retail, we have organized this set of market exhibits into seven sections.

1. Study Areas

Downtown captures both a regional and local market share. In order to better understand the nature of downtown retail and how it relates to other shopping districts, a series of base maps for orientation are provided as reference for the reader. Please refer to these maps for reference throughout the report.

2. Regional Retail Markets

Downtown competes with other regional shopping centers for both customers and tenants. A first-to-market national retail tenant has the option to locate in a number of regional locations. They may choose downtown, a lifestyle center such as Bridgeport Village, or another regional shopping center such as Washington Square.

3. Central City Retail

Numerous neighborhoods and shopping districts comprise the Portland Central City. This section explores the geography and relationship of these districts to one another.

4. Central City Office and Residential

Two primary drivers of Downtown Portland retail demand are Central City residents and employees. Therefore, trends in both of these markets are described.

5. Downtown Retail Target Market Profiles

The downtown shopper fits the profile of one or more of the following:

- Central City resident
- Close in Portland Westside or Eastside resident
- Resident in the Greater Portland Metropolitan area
- Portland visitor or tourist
- Downtown employee

The trends and characteristics of these various demographics are described here in order to recognize who the downtown shopper is. By understanding downtown's natural market share, we can better describe downtown's market strengths and niche.

6. Downtown Retail Core Characteristics

The Downtown Retail Core encompasses the area from SW Washington Street to SW Salmon Street and SW 2nd Avenue to SW 12th Avenue. The health of the retail core is indicative of the health of downtown retail in general. Focused effort and energy from both the public and private sector are needed to maintain the core's strength. This section examines the physical and economic characteristics of the retail core.

7. Downtown Shopper Patterns and Opinion

To complement the quantitative and geographic data, included are summaries of findings from the PBA 2006 Business Census, a 2007 survey conducted by the Downtown Marketing Initiative, and a December 2007 Shopper Intercept survey conducted by the PBA.

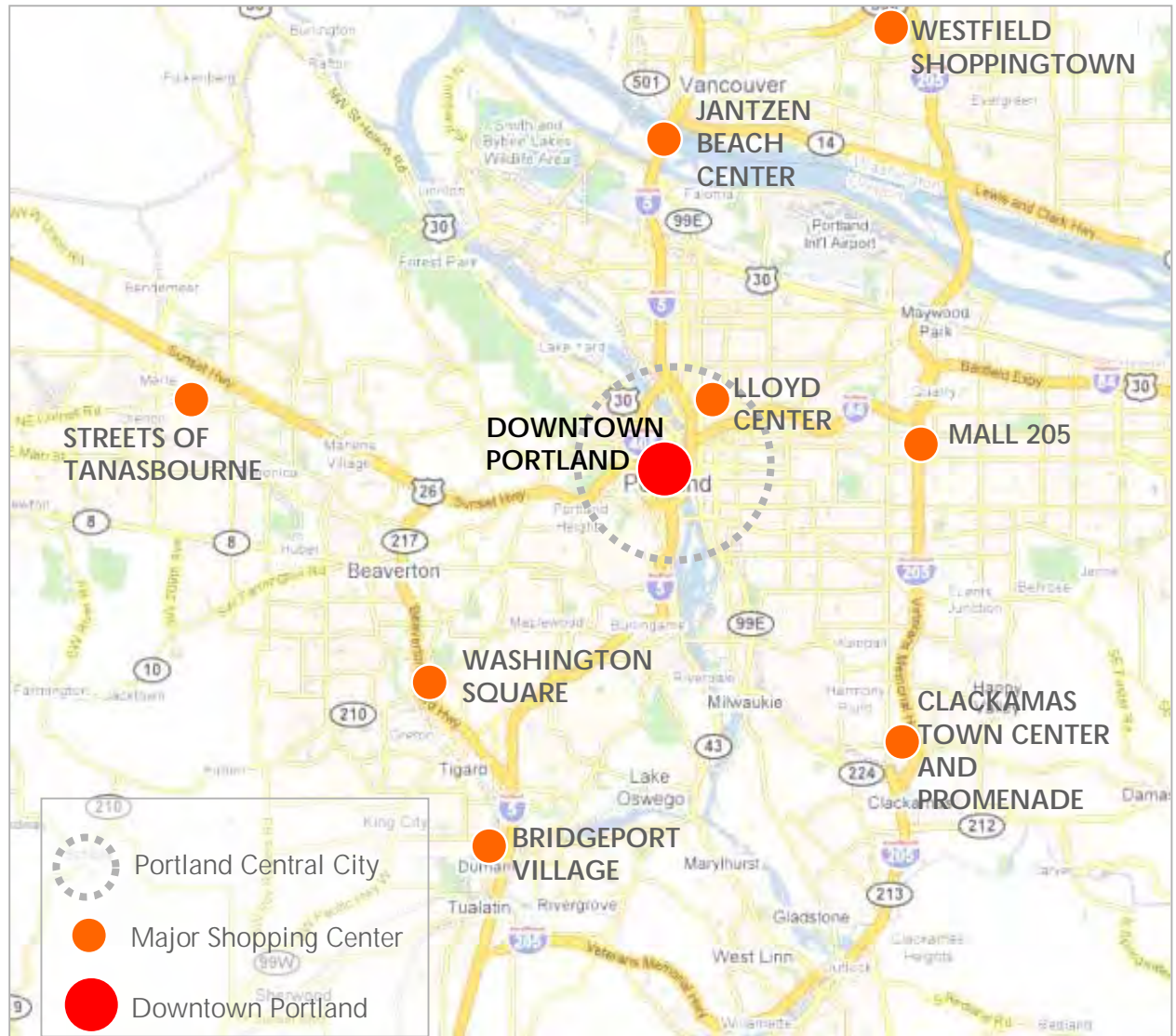


Southwest Alder Street looking west.

Portland Metropolitan Region

The Portland Metropolitan Region has an array of regional shopping centers that compete with Downtown Portland for regional market share. The map at right shows these shopping centers in relative geographic relation to Downtown Portland.

Major Shopping Centers within 15 Miles of Central City



Sources: Googlemaps and Leland Consulting Group.

Shopping Districts in the Portland Central City

The Portland Central City boasts four distinct shopping districts that both complement each other and compete for market share.

Nob Hill

Famous for its NW 23rd Avenue scene, Nob Hill has attracted key national retailers such as Pottery Barn, Williams & Sonoma, and The Gap. The boundaries defined here follow the Nob Hill Business Association Boundaries with the exception of Hwy 30 to the north and NW 24th to the west.

Downtown

The Downtown boundaries follow those defined in the 2002 Downtown Portland Retail Strategy – West Burnside to the north and the southern boundary of the I-405 loop.

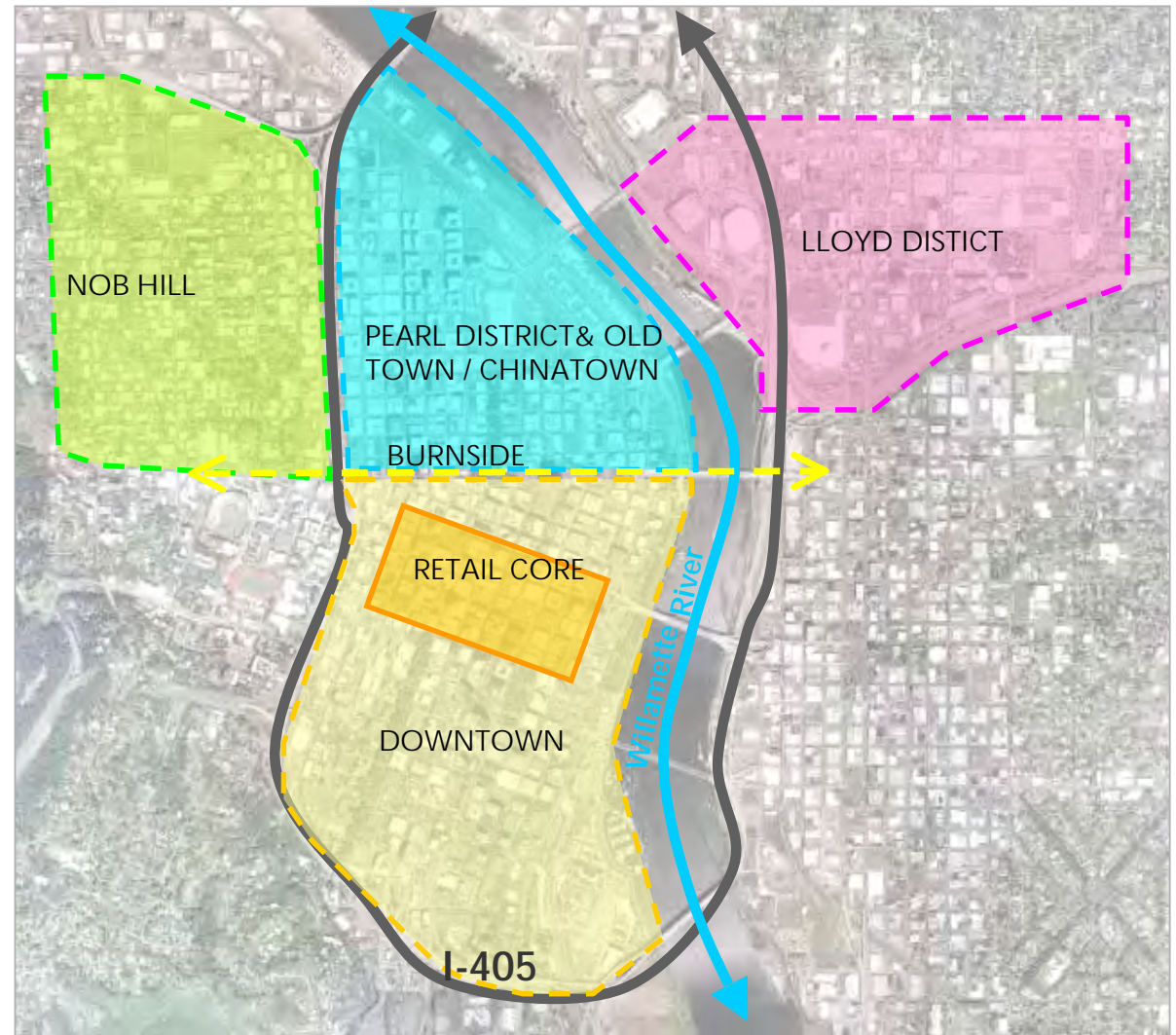
Lloyd District

The boundaries follow the Lloyd District Urban Renewal Area boundaries and include the Lloyd Center Shopping Mall.

Pearl District & Old Town / Chinatown

The burgeoning Pearl District boasts a hip arts scene and the Brewery Blocks—home to Anthropologie and PF Chang's, among other national retailers and local icon, Powell's bookstore.

Downtown, Nob Hill, Lloyd, Pearl and Old Town / Chinatown Districts



Sources: Googlemaps and Leland Consulting Group.

Downtown Portland

The core of all retail activity in the downtown sub area is the Retail Core.

In 2002, Economics Research Associates (ERA) defined the retail core within the Downtown Portland Retail Strategy. The previously defined core included all blocks from SW 3rd Avenue to SW 10th Avenue and from SW Washington Street to SW Salmon Street.

The Portland Business Alliance recommended adding two support areas and thus extending the core in 2007. The PDC Board of Commissioners approved an extension of the core to 2nd Avenue to the east and to 12th Avenue to the west.

Downtown Boundary and Retail Core

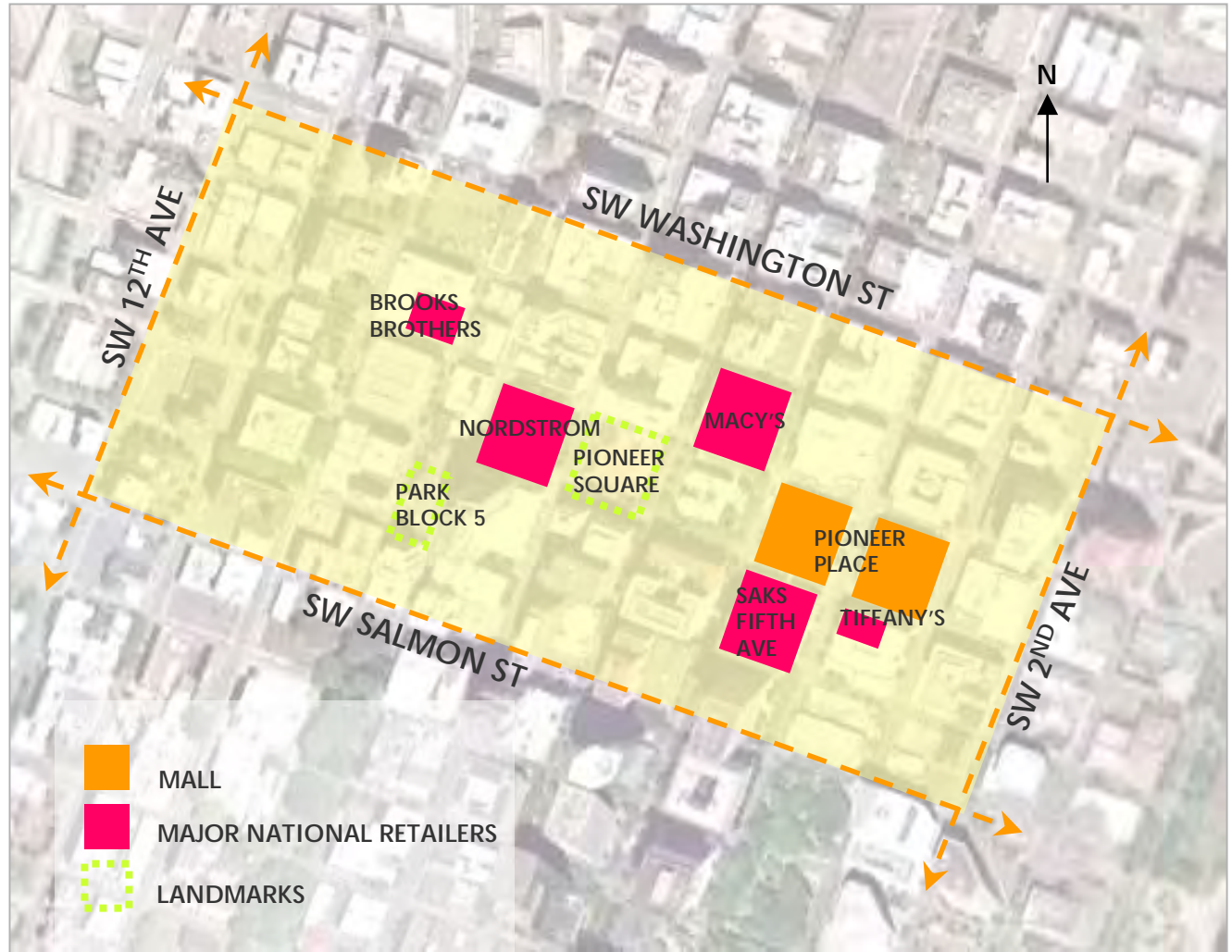


Sources: Googlemaps, Portland Business Alliance and Leland Consulting Group.

Downtown Retail Core

The retail core includes three major department stores and an assortment of other major national retailers found no where else in the region. Other key landmarks include Pioneer Square and South Park 5, a new public park currently under construction.

Downtown Retail Core



Sources: Googlemaps, Portland Business Alliance and Leland Consulting Group.

Lease Rates & Sales

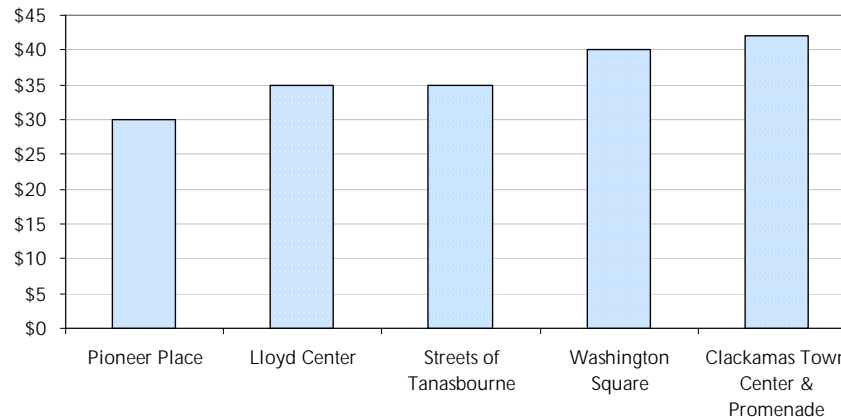
The highest sales per square foot and lease rates are at shopping centers not in Downtown Portland.

- Bridgeport Village is achieving an average of \$850 per square foot. This is higher compared to Pioneer Place (in Downtown Portland) at \$750 per square foot.
- Minimum lease rates appear to be higher at locations other than Pioneer Place, as shown in the bottom figure.

Lease Rates and Sales for Select Shopping Center Locations, Portland Metropolitan Region, 2007

Shopping Location	Key Retailers	Total Retail SQ FT	Center Sales Volume / SQ FT	Total Sales Volume	Minimum Rent / SQ FT	Maximum Rent/ SQ FT	Occupancy
Pioneer Place	Saks Fifth Avenue, Tiffany & Co., Talbots, Ann Taylor, J. Crew	370,000	\$540	\$199,800,000	\$30	\$140	N/A
Lloyd Center	Nordstrom, Macy's, Marshall's	1,472,000	\$415	\$610,880,000	\$35	N/A	95%
Streets of Tanasbourne	Macy's, REI, Banana Republic, PF Chang's	370,000	N/A	N/A	\$35	N/A	100%
Washington Square	Nordstrom, JCPenney, Macy's, Williams Sonoma, Sears	1,454,448	\$763	\$1,109,743,824	\$40	\$200	98%
Clackamas Town Center & Promenade	Nordstrom, Macy's, REI, Coldwater Creek	1,230,000 (+ 250,000 for lifestyle center)	N/A	N/A	\$42	N/A	N/A
Bridgeport Village	Crate & Barrel, Mario's, Nau	500,000	\$850	\$425,000,000	N/A	N/A	100%

Comparison of Minimum Lease Rates for Select Shopping Center Locations



Sources: GVA Kidder Matthews, Portland Development Commission, & Leland Consulting Group



Market Demographics

Downtown Portland captures a young and affluent market.

- According to a 2005 study of select regional shopping centers, Washington Square and Pioneer Place are competing for the highest income demographics.
- Pioneer Place, located in downtown Portland, captures the youngest market of all other shopping centers surveyed in this study.
- Downtown Portland is capturing a young, professional adult market.

Demographics of Select Portland Metro Shopping Centers, 2005

Shopping Location	# Stores	Median Age of Shopper	Median HH Income
Washington Square	174	43.2	\$63,200
Pioneer Place	100	36.7	\$62,400
Cedar Hills Crossing	64	42.1	\$61,700
Clackamas Promenade	40	44.9	\$58,200
Jantzen Beach Supercenter	150	42.2	\$54,100
Clackamas Town Center	185	43.3	\$51,300
Lloyd Center	180	40.2	\$50,700

Source: Scarborough Research Corporation - Insider Newsletter, Trade Dimensions Inc: <http://plainvanillashell.com/pdf/Portland.PDF>, 2005; Leland Consulting Group

National Chain Comparisons

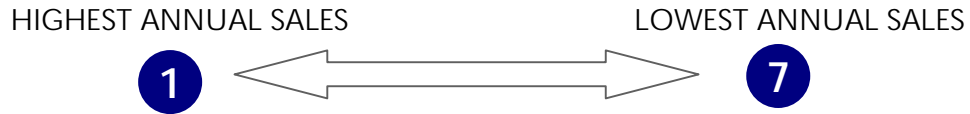
However, many national chains are achieving their highest annual sales for the region at the Downtown Portland locations.

- The table at right shows rankings in terms of total 2007 annual sales of all national retailers in the Nielsen database that have a store in downtown Portland.
- Downtown stores continue to outperform all other locations in terms of *annual sales*.
- Other shopping centers that compete in terms of retailer offering include Clackamas Town Center, Bridgeport Village, Streets of Tanasbourne, Washington Square, and Lloyd Center.
- According to stakeholder interviews, the retailers delivering higher end products are achieving extremely favorable sales. **National and regional retailers believe there is a greater depth in the high end fashion market downtown than is currently being under served.**

*A Macy's store opened in the retail core Fall 2007, but there is yet no annual sales dollars reported for that store.

** Store is located in proximity to shopping center, but not in the shopping center.

Regional Rankings Based on Total Annual Sales for Select National Chains, 2007



LOCATION	Fashion Retailers: \$1.5M - \$6M Annual Sales					Fashion Retailers: \$6M - \$33M Annual Sales		Department Stores: \$29M - \$64M Annual sales		Other Retailers	
	Abercrombie & Fitch	Talbots	Gap	Express	Eddie Bauer	Nordstrom Rack	Ross	Macy's	Nordstrom	Williams Sonoma	Borders
Retail Core	1	1	1	1	1	1	1	*	1	1	1
Clackamas Town Center	4			4	4	3	6	3	4		
Bridgeport Village		2									3
Streets of Tanasbourne	3			3		2**	4**	4			
Washington Square	2	3&4	2,3 & 4		2					2	
Lloyd Center			6&7	2	3		2	1	3		
Mall 205							3**				
Cedar Hills Crossing							5				2
Nob Hill			5								
Jantzen Beach							7				

Source: Retailer Performance Report, The Nielsen Company

Note: Rankings based on annual sales, not sales/s.f.

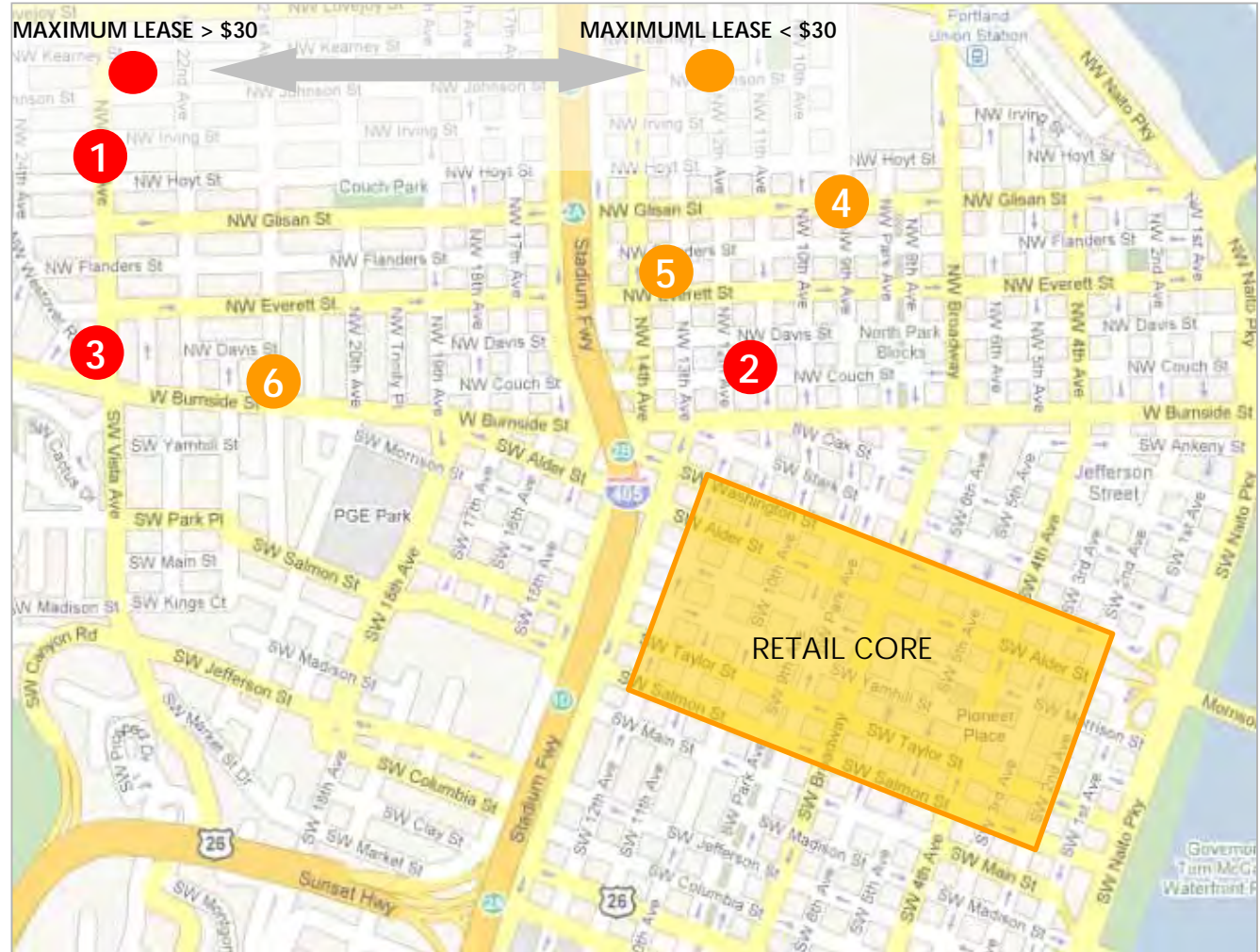


Retail Leasing*

Prime retail locations north of Burnside include the Brewery Blocks and Nob Hill.

Lease Rates for Select Nob Hill and Pearl District Locations, 4Q 2007

- 1 NW 23rd
\$25 - \$50
- 2 Brewery Blocks
\$33 - \$35
- 3 Thiele's Square & Uptown Shopping Center**
\$30 - \$36
- 4 The Gregory
\$20 - \$30
- 5 Wieden & Kennedy Bldg
\$22
- 6 Stadium Shopping Center
\$20



*All values in \$/square foot NNN and listed in order of highest lease first.

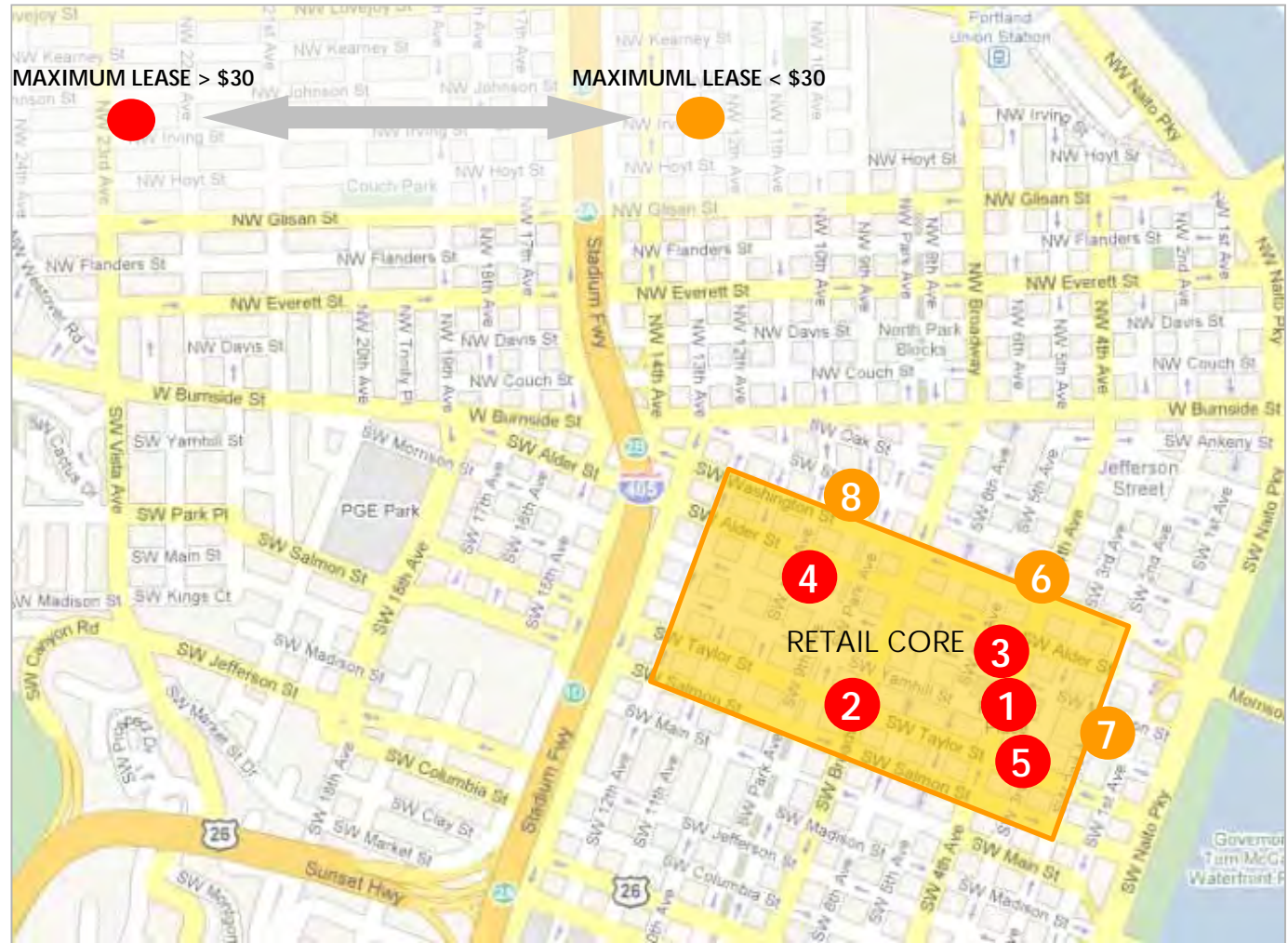
Sources: Norris, Beggs, & Simpson Q4 Retail Report, Integra Realty Resources, Broker Interviews, & Leland Consulting Group.

Retail Leasing*

The retail core exhibits the highest lease rates downtown. Broadway Avenue between, Morrison and Salmon, is considered the prime street level retail location.

- 1 Pioneer Place
\$30 - 140
- 2 Various stores,
600 – 800 SW Broadway
\$25 - \$60
- 3 Kress Building
\$20 - \$55
- 4 Galleria, Eaton Building &
Morrison Park West
\$30 - 40
- 5 Directors Building
\$35
- 6 Postal Bldg & U.S. Bank Tower
\$20 - \$25
- 7 Yamhill District
\$16 - \$17.50
- 8 Pittcock Building
\$15 - \$17

Lease Rates for Select Downtown Locations, 4Q 2007

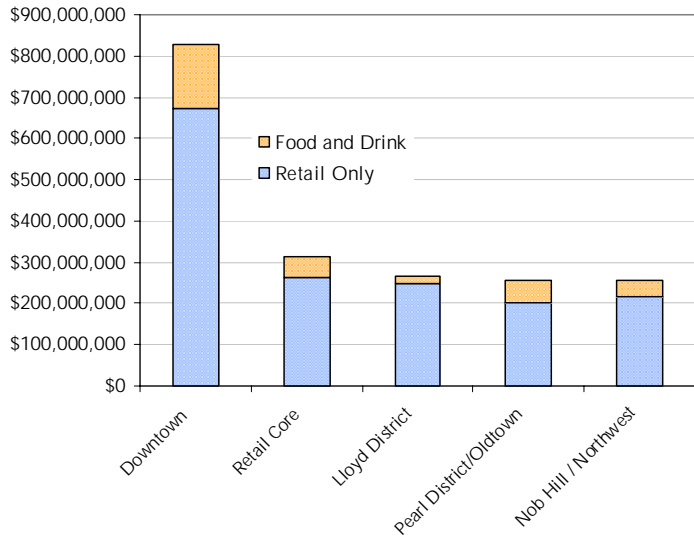


Sources: Norris, Beggs, & Simpson Q4 Retail Report, Integra Realty Resources, & Leland Consulting Group.

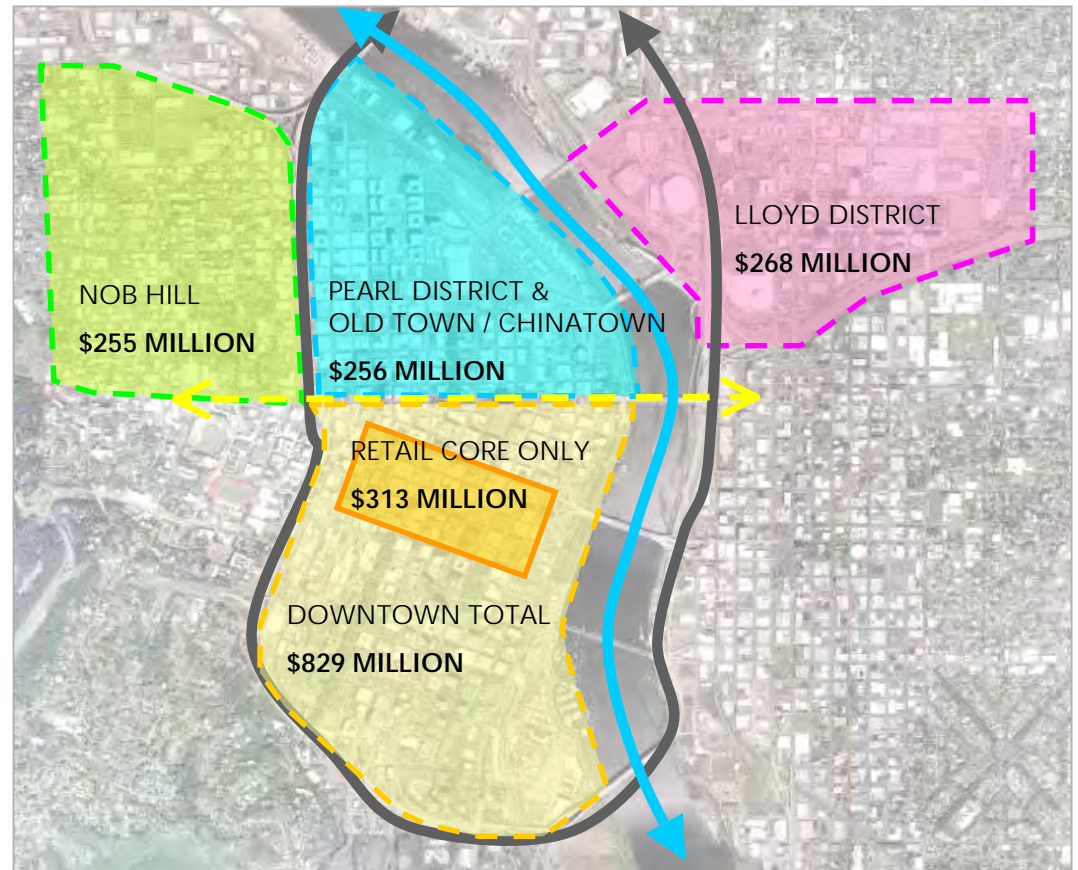
* All values in \$/square foot NNN.

Sales by District

The downtown exceeds all other central city districts in terms of sales volume.



Total Retail Sales by District, 2007



Sources: ESRI Business Analyst and Leland Consulting Group

Sales by District

Downtown outperforms all other Central City districts in every retail sector EXCEPT furniture and home furnishings stores.

- Key sectors in downtown Portland that exceed all other districts in terms of sales include Clothing & Clothing Accessories, General Merchandise Stores, and Food Service & Drinking Places.
- Furthermore, the retail core only surpassed the other district in a number of retail sectors including Electronics & Appliance Stores, Health & Personal Care Stores, Clothing & Clothing Accessory Stores, Miscellaneous Store Retailers, and Food Services & Drinking Places.
- The Pearl District and Nob Hill exceed downtown by over 100% in sales of Furniture and Home Furnishings.

Sales by Commodity and District, 2007

NAICS	Description	Downtown	Retail Core	Lloyd District	Pearl District/Oldtown	Nob Hill /Northwest
441	Motor Vehicle & Parts Dealers	\$65,030,791	\$12,260,090	\$28,958,377	\$8,271,246	\$4,330,654
442	Furniture & Home Furnishings Stores	\$7,129,863	\$2,868,687	\$5,987,557	\$17,250,732	\$21,898,654
443/4431	Electronics & Appliance Stores	\$60,013,723	\$22,065,852	\$7,871,655	\$10,169,014	\$1,800,127
444	Bldg Materials, Garden Equip. & Supply Stores	\$9,221,864	\$4,604,592	\$446,507	\$2,980,942	\$3,259,682
445	Food & Beverage Stores	\$40,134,110	\$7,192,717	\$20,021,262	\$31,746,693	\$17,213,479
446/4461	Health & Personal Care Stores	\$27,528,379	\$14,528,827	\$14,930,326	\$6,536,759	\$13,325,991
447/4471	Gasoline Stations	\$12,072,566	\$2,516,240	\$6,986,829	\$0	\$6,073,682
448	Clothing and Clothing Accessories Stores	\$149,532,926	\$70,176,199	\$66,752,642	\$64,201,767	\$30,687,682
451	Sporting Goods, Hobby, Book, and Music Stores	\$42,976,148	\$16,103,546	\$9,753,529	\$34,584,001	\$43,698,795
452	General Merchandise Stores, including department stores	\$189,824,293	\$91,789,065	\$77,536,877	\$9,275,375	\$43,078,852
453	Miscellaneous Store Retailers, including office supply, florists, etc	\$69,681,044	\$19,444,573	\$4,376,255	\$16,258,226	\$13,057,360
454	Nonstore Retailers	\$442,709	\$0	\$4,356,257	\$885,418	\$16,070,613
722	Food Services & Drinking Places	\$155,569,884	\$49,173,369	\$19,644,815	\$54,352,678	\$41,003,832
441-454, 722	Total Retail Trade and Food & Drink	\$829,158,300	\$312,723,757	\$267,622,888	\$256,512,851	\$255,499,403
441-454	Total Retail Trade only	\$673,588,416	\$263,550,388	\$247,978,073	\$202,160,173	\$214,495,571
722	Total Food & Drink	\$155,569,884	\$49,173,369	\$19,644,815	\$54,352,678	\$41,003,832

Sources: ESRI Business Analyst and Leland Consulting Group.

Note: Refer to map on page 14 for geographic definitions of each district.



Aggregate Sales

Downtown retail sales growth has exceeded 2002 projections.

2002 Retail Strategy Sales Projections for Downtown Portland* versus Current Estimate

2002 Retail Strategy

	2001	2005	2007	2010
Constant 2001 dollars	\$551,181,000	\$607,478,000		\$705,646,000
Current 2007 dollars	\$645,302,000	\$711,212,000	\$829,158,000	\$826,143,000

Sources: ESRI Business Analyst, Economic Research Associates, Inflation Calculator (Bureau of Labor Statistics) and Leland Consulting Group.

* Because Oregon does not have a sales tax, Economic Research Associates (ERA) estimated sales volume by comparing the Portland Metro Region to other comparable regions in the country with sales tax. The 2007 estimate here is from a different source—ESRI Business Analyst.

Downtown Retail Inventory

Retail vacancies in Downtown

Portland currently hover around five percent.

- Average sales per square foot is approximately \$488/ s.f.¹ for total downtown retail combined.
- Downtown Portland is achieving slightly higher than average dollars per square foot for western United States super regional shopping centers. Average annual sales / square foot in that category were \$343.73 for 2006 with the lower docile at \$197.71 and the upper docile at \$565.312.²

2002 Retail Strategy

- September 2001 retail vacancies were estimated at **7.4 percent, much higher than current reported vacancies of 4.2 percent.**
- ERA estimated total square feet of downtown retail space at **1,895,295 square feet in 2001, as compared to 1.7 million in 2007.** However ERA's methodology differed from that of this study and the Norris Beggs 2007 survey included 36 Central City buildings as opposed to 41 buildings surveyed in 2001.³
- ERA reported an average sales per square foot of **\$314** in 2001 dollars (**\$367** in adjusted 2007 dollars), compared to \$488 / square foot in 2007 and an increase of 33 percent..

Retail Square Footage and Vacancies for Downtown

	Square Feet
Nordstrom	174,000
Macy's	220,000
Pioneer Place (including Saks)	388,444
Other Retail and Restaurant Space	918,322
Total Occupied Space	1,629,855
Vacant Retail Space	70,911
Total Downtown Portland	1,700,766
Vacancy Rate	4.20%

Sources: Norris, Beggs, & Simpson Q4 Retail Report, Portland Development Commission, & Leland Consulting Group.

¹Assuming total downtown sales equal \$829,158,300, as shown on previous page.

² Dollars & Cents of Shopping Centers/ The SCORE 2006, Urban Land Institute and International Council of Shopping Centers

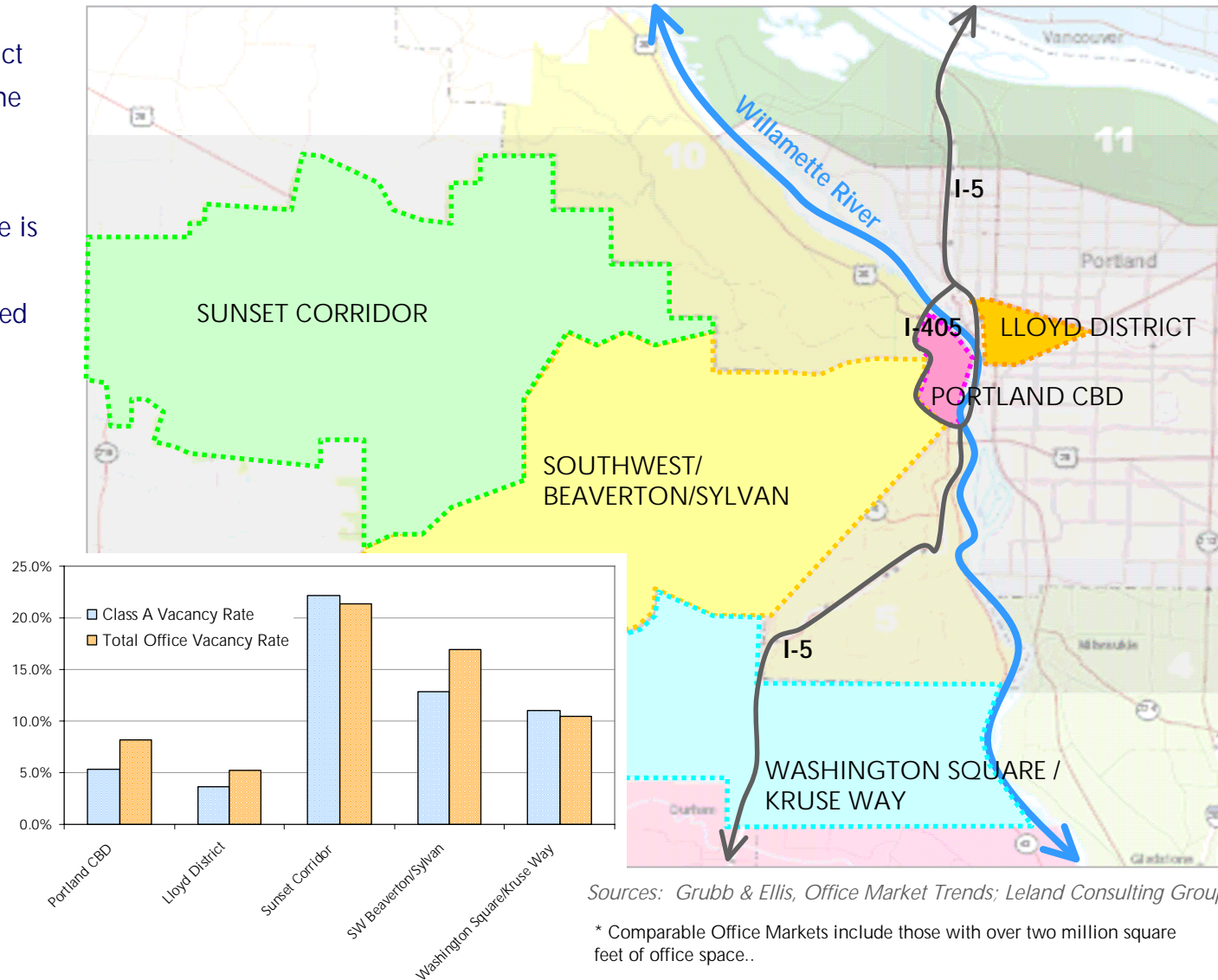
³See Table 2 in Downtown Portland Retail Strategy, 2002.

Office

The Portland Central Business District (CBD) and the Lloyd District have the lowest office vacancies of all five comparable office markets. Almost one million square feet of new office is planned or under construction for Portland Central City due to increased demand.

- Employment growth, a driver of office demand, is between 1.2 and 1.4 percent per year. Regional unemployment is hovering between 4.5 and 5 percent.
- Central City office markets (CBD & Lloyd District) show the lowest vacancies of other large office markets (over 2 million square feet) in the Portland Area.
- **Class A vacancies were 5.3 percent in the CBD for the fourth quarter of 2007, with 3.6 percent in the Lloyd District.**

Office Vacancy Rates for Comparable Office Markets*, Portland Metro Area 4Q2007



Office

The Portland Central Business District (CBD) and the Lloyd District have the lowest office vacancies of all other comparable office markets.

- Class A office rental rates in Portland’s CBD increased 7.5 percent over the fourth quarter of last year. This was the highest average office rent increase in the region.
- Landlords of Class B buildings in the Portland CBD are upgrading to capture the high demand for Class A office.
- As shown in the figure at right, the highest asking Class A rents of all five comparable office submarkets for the fourth quarter of 2007 was the Portland Central Business District, at \$35.50.

Office Vacancy Rates for Comparable Office Markets, Portland Metro Area 4Q2007

	Class A asking rents		Class B asking rents	
	Lower	Upper	Lower	Upper
Portland CBD	\$17.00	\$35.50	\$15.00	\$24.00
Lloyd District	\$24.50	\$28.00	\$12.00	\$19.50
Sunset Corridor	\$16.50	\$25.60	\$16.50	\$26.00
SW Beaverton/Sylvan	\$21.00	\$25.50	\$12.75	\$26.50
Washington Square/Kruse Way	\$18.00	\$33.00	\$15.25	\$30.00

Sources: Grubb & Ellis, Office Market Trends; Leland Consulting Group

Residential

By 2010, over 5,000 units of market rate housing will have been added to the Pearl District and Downtown combined.

- Since 2002, the boom in the condominium and housing market has allowed for the addition of over 2,000 new market rate for sale and rental units to the Pearl District and Downtown combined, with more than 1,000 more on their way.
- Slowdown in the condominium market and rising rents has spurred a number of condominium projects to convert their program to market rate apartment projects in downtown and the Pearl District, such as the Ladd Tower and the Wyatt.
- Despite a nationwide slowdown in the housing market, Portland continues to enjoy positive price appreciation and employment growth of 1.2 to 1.4 percent.

Central City Housing Units

Status	Market Rate Units		Affordable Units		TOTAL
	Downtown	Pearl	Downtown	Pearl	
Completed since 2002	416	1920	231	1133	3700
Under construction	894	1109	0	38	2041
On the drawing board	952	152	80	0	1184
TOTAL UNITS	2262	3181	311	1171	6925

Sources: Central City Development and Redevelopment Projects (PBA and Heritage Consulting Group) & Leland Consulting Group.

2002 Retail Strategy

- ERA recommended 2,500 new market rate units be added to the Downtown core by 2010 in order to achieve the projected retail sales growth. Downtown is on its way to hitting that benchmark with 894 built and 1,032 on the drawing boards, totaling 1,926.



Downtown Retail Target Markets

Five target markets make up the market share of Downtown Portland retail.

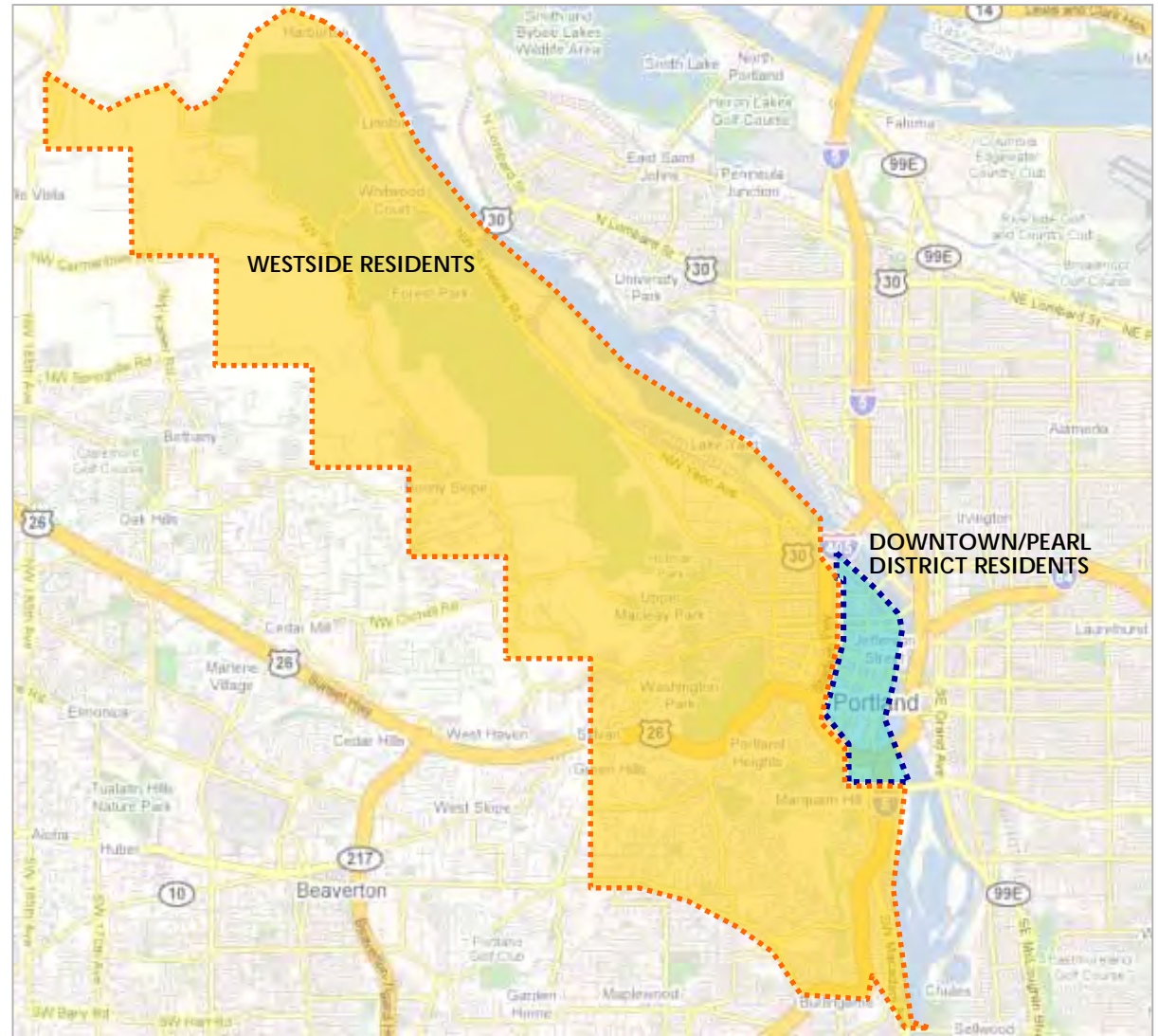
The following target markets were examined for this study:

- **Primary Trade Area Residents.**
 - Residents of Downtown and Pearl District
 - Westside Residents Closer to Downtown than to Other Regional Shopping Centers
- **Secondary Trade Area Residents.** The Balance of the Four-County Region, which includes Washington, Multnomah, Clackamas, and Clark Counties
- **Visitors to the Portland Metropolitan Area.** Number of air passengers arriving at the Portland International Airport.
- **CBD Employees.** Employees in the Central Business District Bounded by I-405 and the Willamette River

All target markets are derived from the trade areas delineated in the 2002 Portland Retail Strategy.

Portland State University students are another target market not described here, as it was not part of the original 2002 Retail Strategy. This is another target market that may be explored in future studies.

Primary Trade Area Residents



Source: ESRI Business Analyst, 2002 Portland Retail Strategy, and Leland Consulting Group.

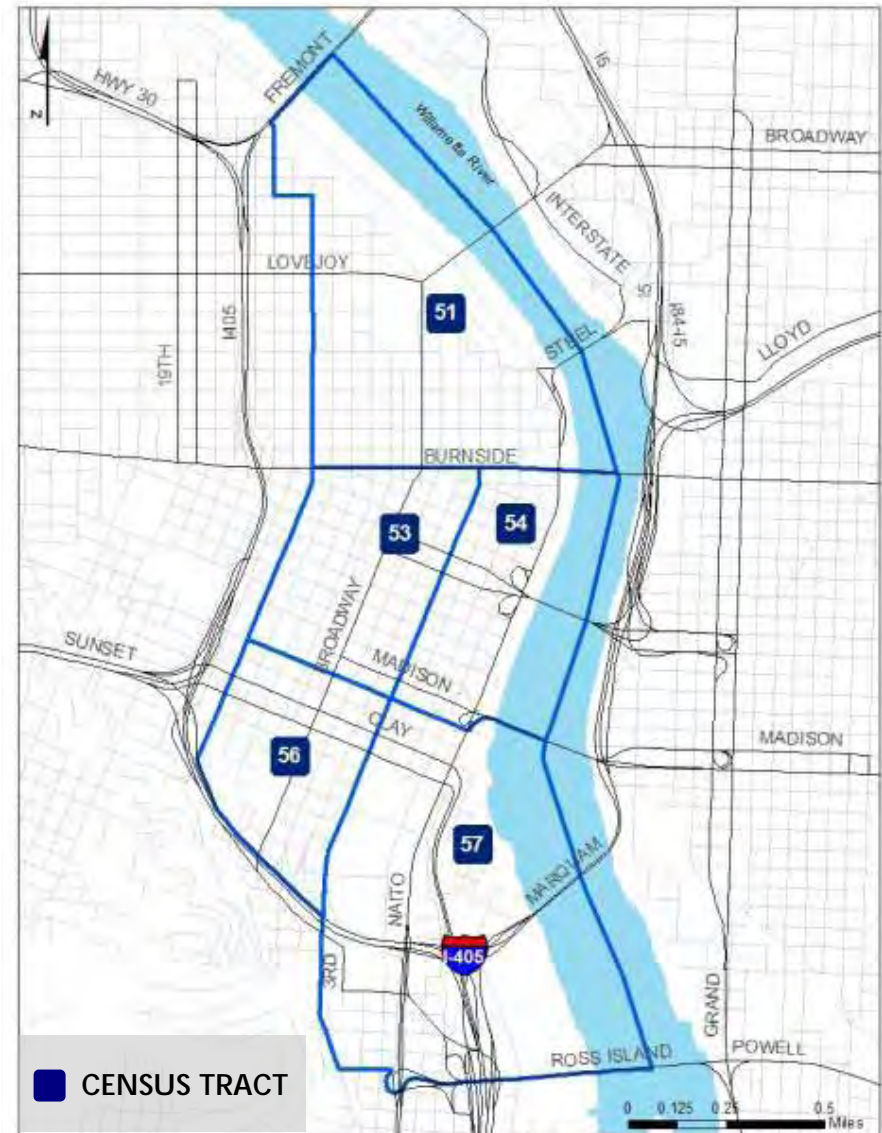
Downtown & Pearl District Residents Demographics

	Downtown & Pearl District Residents	Four County Region
2007 Population	16,764	2,007,760
2007 - 2012 Annual Growth Rate	2.49%	1.63%
2007 Households	10,492	775,640
1- and 2- Person Households (2000)	96.7%	60.6%
3+ Households (2000)	3.3%	39.4%
Average Family Size	2.13	3.10
2007 Median Household Income	\$26,018	\$60,950
2007 Median Age	38.4	36.1
Owner Occupied Units	16.1%	60.6%
Bachelor's Degree or Higher	36.0%	29.6%

- The downtown population growth rate is higher than that of the metropolitan region at 2.49 percent and 1.63 percent respectively.
- There is an extremely high percentage (96.7 percent) of one and two person households implying a strong adult market.
- Median household income is below the region's median household income.
- There is a considerably smaller share of homeowners than the region's total share.
- This demographic has a greater share of college educated individuals than the share of the region as a whole (36 percent versus 28.8 percent).

Sources: ESRI Business Analyst and Leland Consulting Group.

Downtown and Pearl District Residents Census Tracts

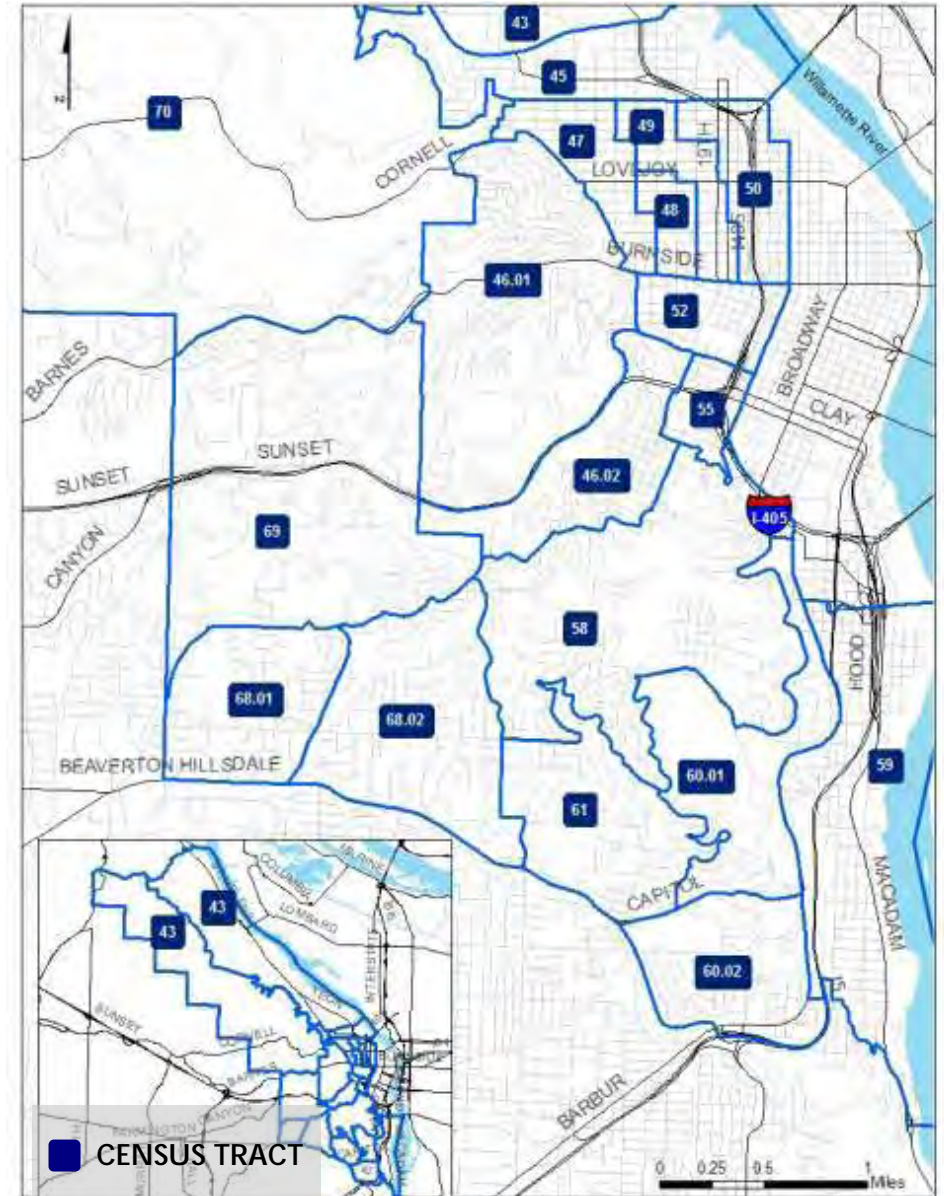


Westside Residents
Demographics

	Westside Residents	Four County Region
2007 Population	55,275	2,007,760
2007 - 2012 Annual Growth Rate	0.91%	1.63%
2007 Households	29,347	775,640
1- and 2- Person Households (2000)	81.5%	60.6%
3+ Households (2000)	18.5%	39.4%
Average Family Size	2.67	3.10
2007 Median Household Income	\$62,052	\$60,950
2007 Median Age	39.2	36.1
Owner Occupied Units	44.2%	60.6%
Bachelor's Degree or Higher	62.6%	29.6%

- These areas consist of affluent families and individuals with the median household above that of the region's (\$62,052 versus \$60,579).
- There is a highly educated population with 62.6 percent having earned a bachelor's degree or higher, compared to 28.8 percent regionally.

Westside Residents Census Tracts



Sources: ESRI Business Analyst and Leland Consulting Group.

Primary Trade Area

Tapestry Segments

Tapestry segments are part of a socio-demographic classification system developed by ESRI, Inc. and used by Leland Consulting Group for real estate assignments across the country. The system is frequently updated and is based on a powerful set of economic, demographic, geographic, and sociological measurement systems including the US Census and proprietary databases.

The top eight tapestry segments by population percentage for each trade area are profiled here. The two most prevalent tapestry segments for the Westside trade area are Metro Renters and Connoisseurs, described at right. The other six tapestry segments are described in the following two pages.

METRO RENTERS



Metro Renters residents are young (approximately 30 percent are in their 20s), well educated singles beginning their professional careers in some of the largest U.S. cities. The median age is 33.6 years; **the median household income is \$52,300**. As the name *Metro Renters* implies, most residents are renting apartments in high-rise buildings, living alone or with a roommate. Their interests include traveling, reading two or more daily newspapers, listening to classical music and public radio programs, and surfing the Internet. For exercise, they work out regularly at clubs, play tennis and volleyball, practice yoga, ski, and jog. They enjoy dancing, attending rock concerts, going to museums or the movies, and throwing a Frisbee. Painting and drawing are favorite hobbies. Politically, this market is liberal.

Young demographic with ample disposable income.

CONNOISSEURS



A top demographic for conspicuous consumption, *Connoisseurs* residents are **well educated and somewhat older, with a median age of 45.4 years**. Although residents appear closer to retirement than child rearing age, many of these married couples have children who still live at home. Their neighborhoods tend to be older bastions of affluence where the median home value is \$664,500. Growth in these neighborhoods is slow. **Residents spend money for nice homes, cars, clothes, and vacations.** Exercise is a priority; they work out weekly at a club or other facility, ski, play golf, snorkel, play tennis, practice yoga, and jog. Active in the community, they work for political candidates or parties, write or visit elected officials, and participate in local civic issues.

Enjoy spending money on luxury items.

SUBURBAN SPLENDOR



These successful suburbanites are the epitome of upward mobility, just a couple of rungs below the top, situated in growing neighborhoods of affluent homes with a median value of \$408,100. **Most households are composed of two-income, married-couple families with or without children.** The population is well educated and well employed, with a median age of 40.5 years. **Home improvement and remodeling are a main focus of *Suburban Splendor* residents. Their homes feature the latest amenities and reflect the latest in home design.** Residents travel extensively in the United States and overseas for business and pleasure. Leisure activities include physical fitness, reading, visiting museums, or attending the theater. This market is proactive in tracking investments, financial planning, and holding life insurance policies.

Market for upscale home design and amenities.

URBAN CHIC



Urban Chic residents are well-educated professionals **living an urban, exclusive lifestyle.** Most own expensive single-family homes with a median value of \$633,000. Married couple families and singles comprise most of these households. The median age is 41.4 years. *Urban Chic* residents travel extensively, visit museums, attend dance performances, play golf, and go hiking. **They use the Internet frequently to trade or track investments or to buy concert and sports tickets, clothes, flowers, and books.** They appreciate a good cup of coffee while reading a book or newspaper and prefer to listen to classical music, all-talk, or public radio programs. Civic minded, many residents would probably volunteer in their communities.

Excellent market for high end retail.

METROPOLITANS



Metropolitans residents favor city living in older neighborhoods. **Approximately half of the households are composed of singles who live alone or with others.** However, married-couple families are 40 percent of the households. The median age is 37.1 years. Half of employed persons hold professional or management positions. These neighborhoods are an eclectic mix of single-family homes and multiunit structures, with a median home value of \$194,100. **The median household income is \$57,600.** Residents lead busy, active lifestyles. They travel frequently and participate in numerous civic activities. They enjoy going to museums and zoos and listening to classical music and jazz on the radio. Refinishing furniture and playing a musical instrument are favorite hobbies. Exercise includes yoga, roller blading, and hiking/backpacking.

Great market for urban housing.

LAPTOPS AND LATTES



Community Tapestry's most eligible and unencumbered market, *Laptops and Lattes* residents are **affluent, single, and still renting**. They are highly educated, professional, and partial to city life, preferring major metropolitan areas. **The median household income is \$91,000**; the median age is 38.1 years. Technologically savvy, this is the top market for owning a laptop or notebook PC; **they use the Internet on a daily basis, especially to shop**. **Their favorite department store, by far, is Banana Republic**. Leisure activities include going to the movies, rock concerts, shows, museums, and nightclubs. These residents exercise regularly and take vitamins. They enjoy yoga, jogging, skiing, reading, watching foreign films on VHS/DVD, dining out, and traveling abroad. **They embrace liberal philosophies and work for environmental causes**.

High income market with tremendous spending power.

SOCIAL SECURITY SET



Four in ten residents in the *Social Security Set* segment are aged 65 years or older; the median age is 44.6 years. Most of these residents live alone. Located in large cities scattered across the United States, these communities are dispersed among business districts and around city parks. The service industry provides more than half of the jobs held by residents who work. Households subsist on very low, fixed incomes. Most residents rent apartments in low-rent, high-rise buildings. Many rely on public transportation, because more than half of these households do not own a vehicle. Limited resources somewhat restrict the purchases and activities of these residents, although many have invested their savings in stock. They enjoy going to movies and soccer games and reading science fiction. Many households subscribe to cable TV; residents particularly enjoy watching game shows, sports, and entertainment news shows.

Need close by retail due to limited mobility.

TRENDSETTERS



On the cutting edge of urban style, *Trendsetters* residents are **young, diverse, mobile, educated professionals with substantive jobs**. The median age is 35.0 years. More than half of the households are single-person or shared. Most still rent, preferring upscale, multiunit dwellings in older city districts. The median household income is \$56,700. **Residents are spenders; they shop in stores, online, and via the phone**. They own the latest laptop computers, cell phones, and MP3 players, and use the Internet daily. Exercise includes playing tennis, volleyball, baseball, and golf as well as ice skating, snorkeling, and yoga. Leisure activities include traveling, attending rock concerts, and reading biographies. Residents also enjoy syndicated TV shows such as *Access Hollywood* and *Seinfeld*.

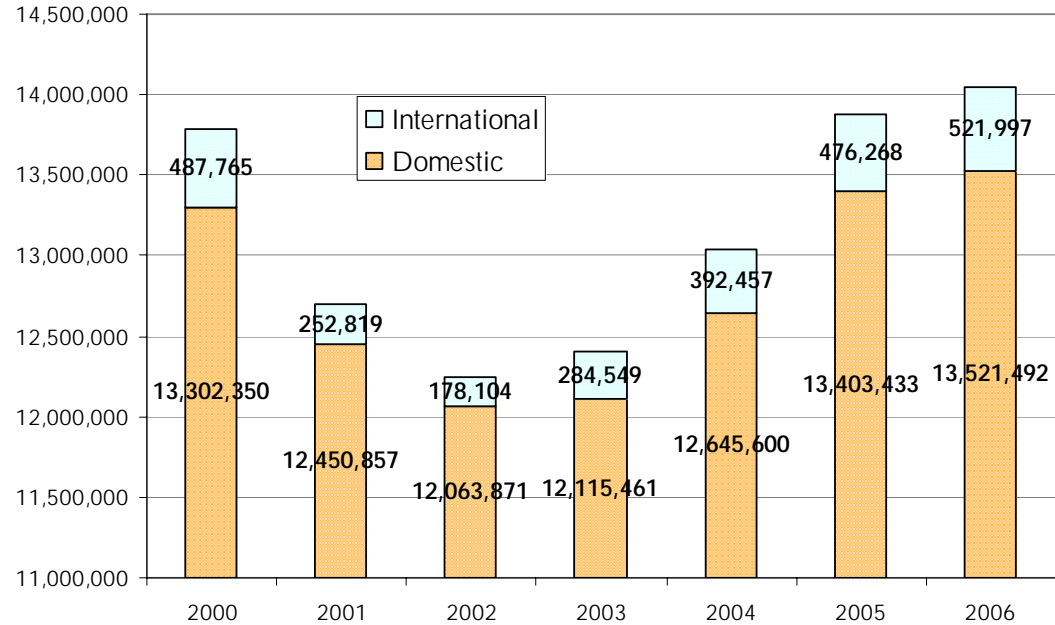
Demographic that likes to spend and with an abundance of disposable income.

Visitors to the Portland Metropolitan Area

An increase in air passenger arrivals in Portland indicate a healthy, growing tourist and visitor industry.

- Since the post '9/11' travel recession experienced in 2002, total air passengers arriving in Portland have increased by 14.7%.
- International arrivals have increased by 193% since 2002.
- Compared to 2000 (before 9/11), all arrivals have gone up by only 1.8 percent but international arrivals have increased by 7 percent.

International & Domestic Air Passenger Arrivals to Portland



Sources: Portland Oregon Visitors Association, State of the Industry Presentation, 1 February 2007;

Visitors to the Portland Metropolitan Area

There is an increasing and high demand for quality hotels in the Portland Central City.

- Compared to its competitor markets, Portland had the highest occupancy levels in 2006 (see table top right).
- The average daily rate for the Portland Central City has sharply increased as demand and occupancy continue to increase from 63.3 percent to 84 percent in 2007 (see table bottom right).

2002 Retail Strategy

- According to Portland Oregon Visitors Association (POVA), hotel room nights for the Portland Metro Area are estimated at **3.6 million for 2006**.
- In the 2002 report, ERA projected room nights to reach **3.02 million** by 2005.

Hotel Occupancy, January – November 2006

	Avg Daily Rate	Occupancy
Portland Market	\$95.05	70.5%
Portland Central City	\$116.26	76.1%
Total U.S.	\$97.35	64.6%
Seattle Market	\$113.32	N/A
Top 25 Markets	\$118.99	69.8%

Average Daily Rate and Occupancy for Portland Central City

	Avg Daily Rate	Occupancy
2001	\$112.06	63.3%
2002	\$105.71	64.5%
2003	\$104.09	65.2%
2004	\$106.26	69.2%
2005	\$114.54	74.4%
2006*	\$122.81	82.0%
2007*	\$133.70	84.0%

*June 2005 – June 2006

**June 2006 - June 2007

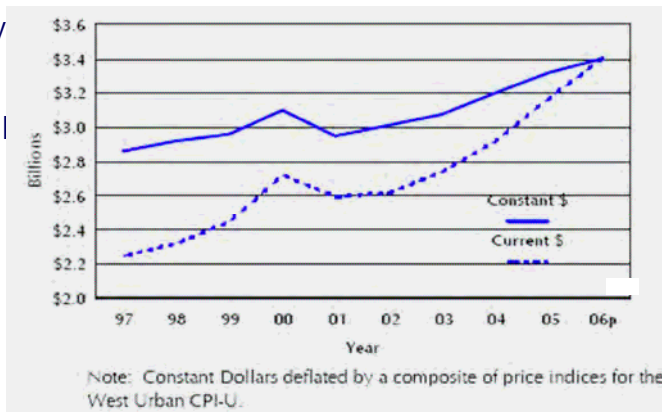
Sources: Portland Oregon Visitors Association, State of the Industry Presentation, 1 February 2007; HVS Market Intelligence Report: Downtown Portland; Smith Travel Research; Leland Consulting Group

Visitors to the Portland Metropolitan Area

Portland Metro Area visitor spending is on the rise. Combined, retail & food services combined capture the greatest share of visitor spending. The Portland Central City is the primary benefactor of visitor spending.

- According to a 2006 economic impact study, visitor spending in the Portland Metro Area has increased far beyond the 2000 spending dollars (see figure, top left).
- **Of all Metro Area visitor dollars in 2005, 74 percent were spent in Multnomah County**, which houses the City of Portland.
- After accommodations and transportation, **food & beverage services and retail sales combined account for the largest share of visitor spending (33.4 percent)** (see table, top right).
- A majority of arts, entertainment, and recreation dollars are spent on urban activities located in Portland Central City such as the theater, concerts, and art exhibits (see figure, bottom).

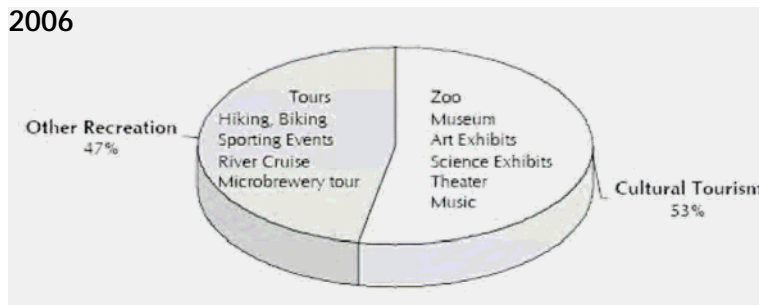
Portland Metro Direct Travel Spending, 1997-2006



Metro Area Visitor Spending by Commodity Purchased (\$M)

Commodity	2006	Share of Total
Accommodations	465	16.8%
Food & Beverages Services	542	19.6%
Food Stores	94	3.4%
Ground Tran. & Motor Fuel	774	28.0%
Arts, Entertainment & Recreation	182	6.6%
Retail Sales	382	13.8%
Air Transportation (visitors only)	321	11.6%
Spending at Destination	2,761	100.0%
Retail Sales and Food & Beverage Services	924	33.5%

Visitor Spending on Arts, Entertainment, & Recreation for the Portland Metro Area, 2006



Sources (this page): *Economic Impacts of Travel, 2006*, Dean Runyan Associates; *Portland Oregon Visitors Association*; *Leland Consulting Group*

Portland Central Business District Employees

Overall, Central City employment has decreased since 2001.

Some sectors with a higher average wage have experienced in an increase in the number of jobs.

- Central City employment **decreased** by 2,071 employees, or 2.4 percent, from 2001 to 2006.
- The greatest losses in employment numbers were in transportation & warehousing and finance & insurance, shown in green in the table at right.
- The number of **some higher wage earners** increased in the Profession Scientific & Technical Services and Management of Companies & Enterprises sectors (highlighted in yellow at right).
- Retail Trade** has lost over 500 employees while employment numbers for **Accommodation & Food Services** have dramatically increased by 1,341 (highlighted in orange at right).

Portland CBD Employees by Industry Sector

Sector	2006	2001	Variance	2006 Average Wage
Utilities	1,569	1,538	32	N/A
Construction	386	648	-262	\$42,166
Manufacturing	1,999	2,862	-863	\$49,715
Wholesale Trade	431	926	-495	\$58,329
Retail Trade	5,341	5,930	-589	\$25,188
Transportation & Warehousing	2,751	3,836	-1,085	\$41,245
Information	4,577	5,350	-773	\$57,150
Finance & Insurance	11,952	13,102	-1,150	\$57,137
Real Estate, Renting & Leasing	2,312	2,221	91	\$32,544
Professional Scientific & Technical Services	15,606	14,504	1,102	\$53,753
Management of Companies & Enterprises	502	151	351	\$71,479
Administrative & Support	2,175	2,307	-132	\$25,416
Education Services	6,886	6,603	283	\$28,091
Health Care & Social Assistance	3,094	3,078	16	\$39,409
Arts, Entertainment & Recreation	2,395	2,837	-442	\$20,804
Accommodation & Food Services	9,129	7,788	1,341	\$14,757
Other Services	3,540	3,210	330	\$25,184
Public Administration	10,052	9,878	174	\$40,041
Total	84,697	86,769	-2,071	

Source: 2006 Downtown Portland Business Census and Survey, Portland Business Alliance; Oregon Employment Department

Portland Central Business District (CBD) Employees

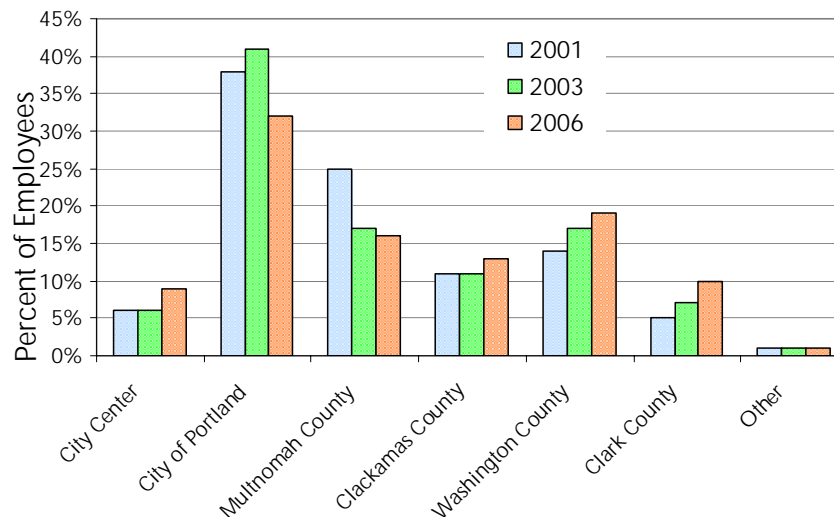
More than half of Portland CBD employees are female, and roughly one third of those are between the ages of 25 and 44. A greater share of CBD employees in 2006 lived outside of Multnomah County than in 2001.

- As shown in the table at right, the majority (57 percent) of downtown employees are female and of those females, almost one third are between the ages of 25 and 44. This implies a young, fashion conscious female downtown worker market.
- Since 2001, a lower percentage of employees live in the City of Portland. Increasing numbers now commute from Washington, Clark, and Clackamas counties (see table, bottom). This indicates that downtown is competing for suburban dollars that could be spent closer to home
- However, the percentage of residents in the Portland City Center has increased by 3 percent. A greater resident base of those who work downtown are more likely to spend their dollars close to home, downtown.

Employee Age and Gender Distribution, 2006

Age	Female	Male	Total
Under 18	1%	1%	2%
18-24	5%	3%	8%
25-44	29%	22%	51%
45-65	21%	16%	37%
65	1%	1%	2%
All	57%	43%	100%

Downtown Employee Residences, 2006



Sources: 2006 Downtown Portland Business Census and Survey, Portland Business Alliance; Leland Consulting Group

Inventory

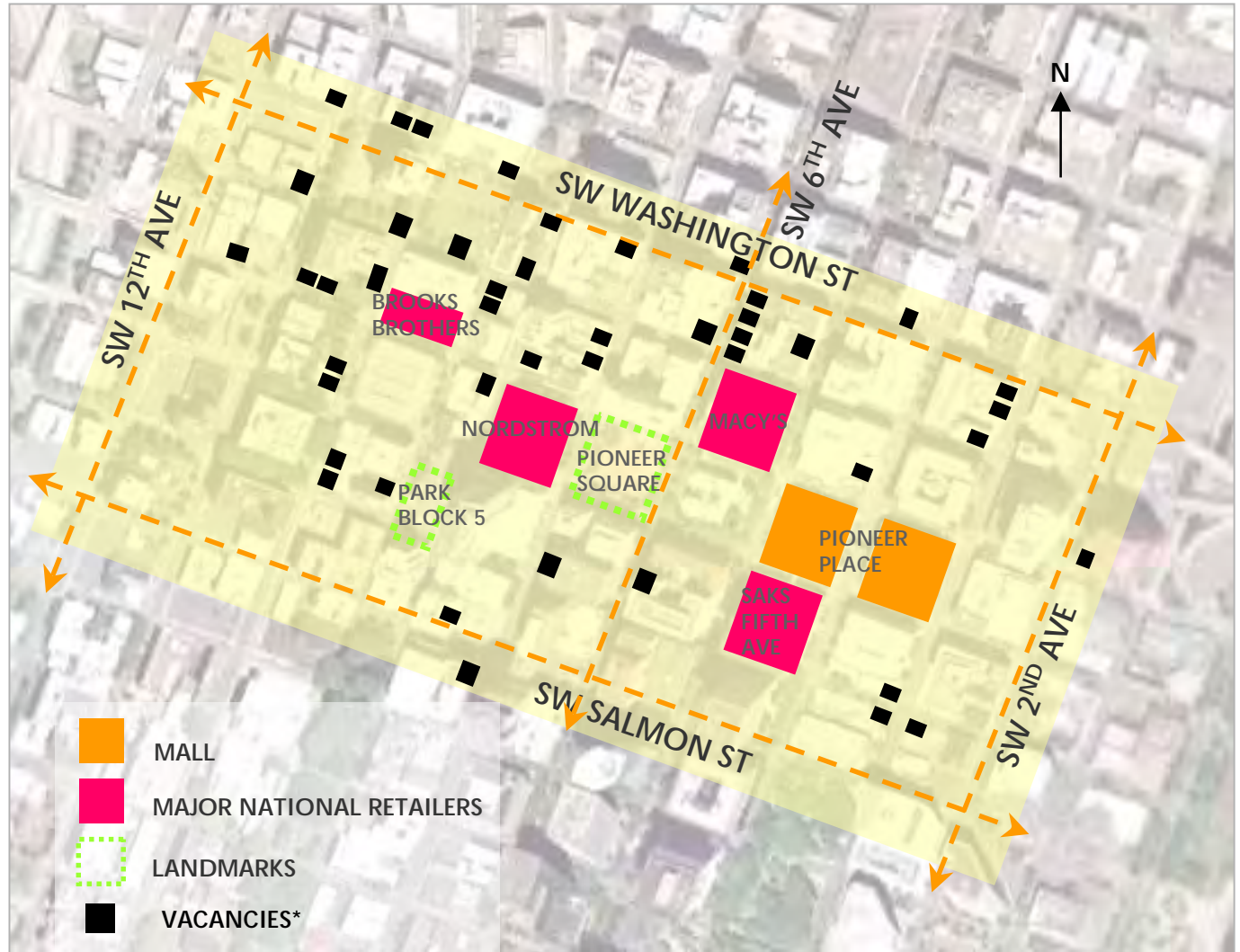
The retail core has an 11 percent ground floor vacancy. Most vacancies are concentrated in the northwest corner of the core.

- Retail is the primary ground floor use in the retail core. Of the 409 ground floor spaces surveyed, retail constituted 42.8 percent.
- Most vacancies are in the northwest corner of the retail core.
- Due to the temporary relocation of the transit mall, there is a concentration of vacancies on 6th Avenue between Washington and Alder Streets.

Stores by Category, Retail Core, January 2008

Type	Number	Share of Total
Food	112	27.4%
Hotel	8	2.0%
Retail	175	42.8%
Services	66	16.1%
Pharmacy	3	0.7%
Vacant	45	11.0%
Total	409	100.0%

Vacant Storefronts, January 2008



* All locations approximate.

Sources (this page): Portland Business Alliance Retail Core Inventory and Leland Consulting Group

Pedestrian Activity

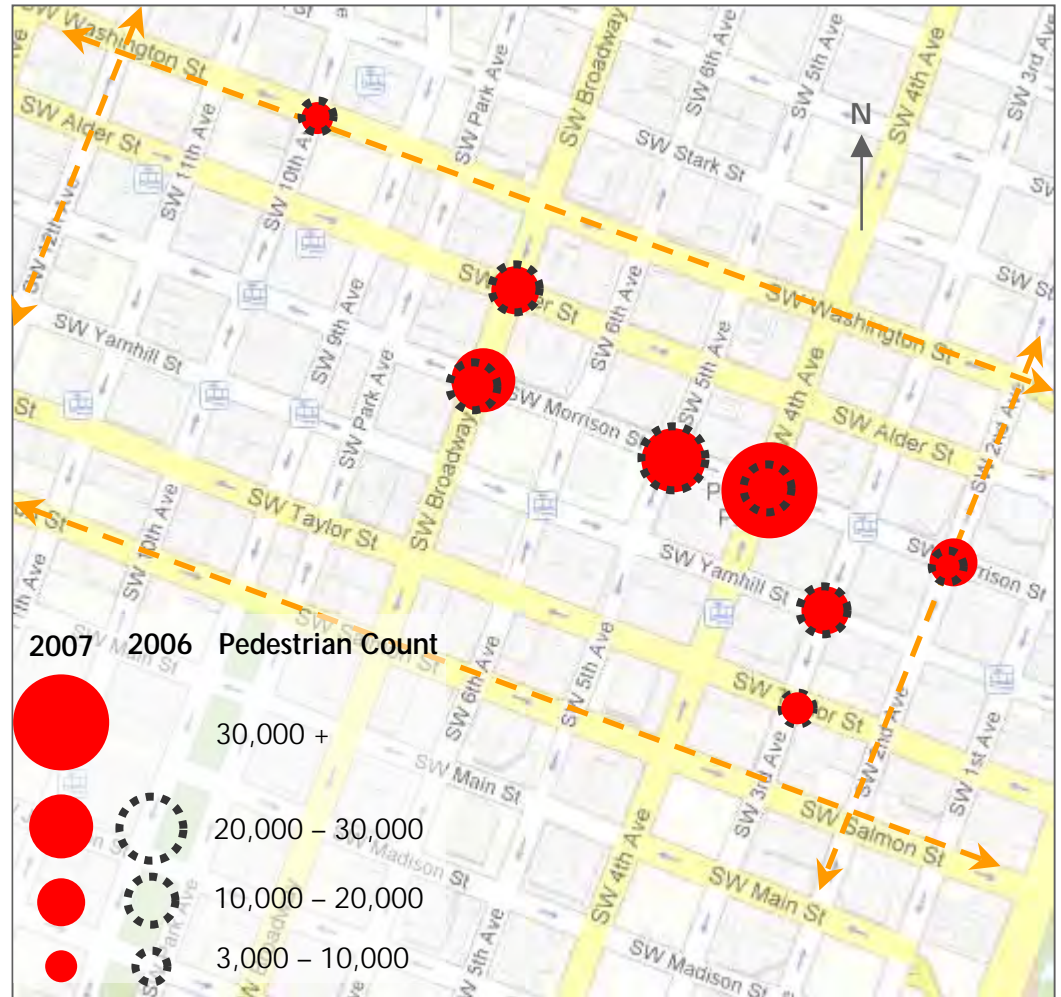
Morrison Street is the most highly trafficked pedestrian street in the retail core.

- Pedestrian patterns changed this year due to temporary relocation of the Transit Mall from 5th and 6th Avenues to 3rd and 4th Avenues.
- Overall, pedestrian activity in 2007 went up by 25 percent compared to 2006.*
- 3rd Avenue & Taylor Street and 10th Avenue and Washington Street experienced more than 25 percent increase in pedestrian traffic over last year.*
- Morrison Street, in particular, experienced increased pedestrian traffic.*
- The greatest change in pedestrian traffic this year over last was at the corner of 4th Avenue and Morrison Street*. The entrances to both Williams Sonoma and Pioneer Place front this intersection.

Intersection	Dec-07	Dec-06	Dec 2007 - Dec 2006 Difference	Dec 2007 - Dec 2006 % Change
4th & Morrison	30,352	16,630	13,722	83%
3rd & Yamhill	12,603	10,401	2,202	21%
3rd & Taylor	6,145	4,129	2,016	49%
2nd & Morrison	10,864	9,969	895	9%
Broadway & Alder	14,215	14,702	-487	-3%
5th & Couch**	4,077	3,712	365	10%
10th & Washington	7,601	5,941	1,660	28%
3rd & Clay*	3,162	3,025	137	5%
Broadway & Morrison	25,403	19,097	6,306	33%
5th & Morrison	25,967	25,060	907	4%
TOTAL	140,389	112,666	27,723	25%

* Portland Business Alliance reports these numbers may be skewed because pedestrian counts were taken the day of an event on Pioneer Square. In addition, pedestrian counts were taken the previous year on a poor weather day.

Pedestrian Counts, December 2007 & December 2006 Comparison



Source: Portland Business Alliance & Leland Consulting Group

**Not shown in map at right.

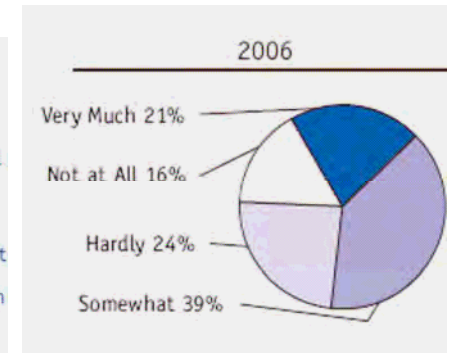
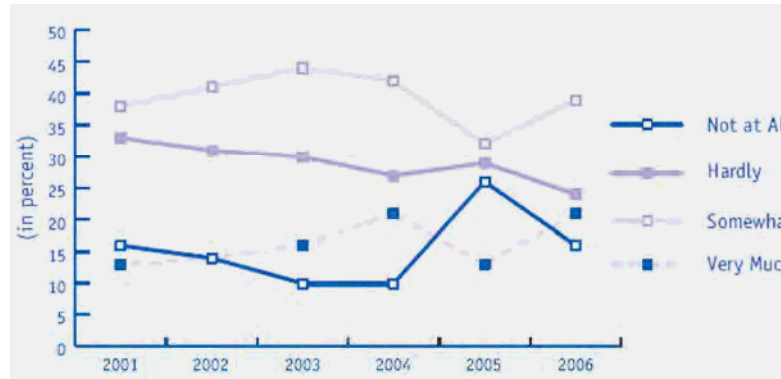
Downtown Businesses

Sixty percent of business owners and managers surveyed believe that panhandlers and public inebriates very much or somewhat have an effect on the health and safety of the downtown area.

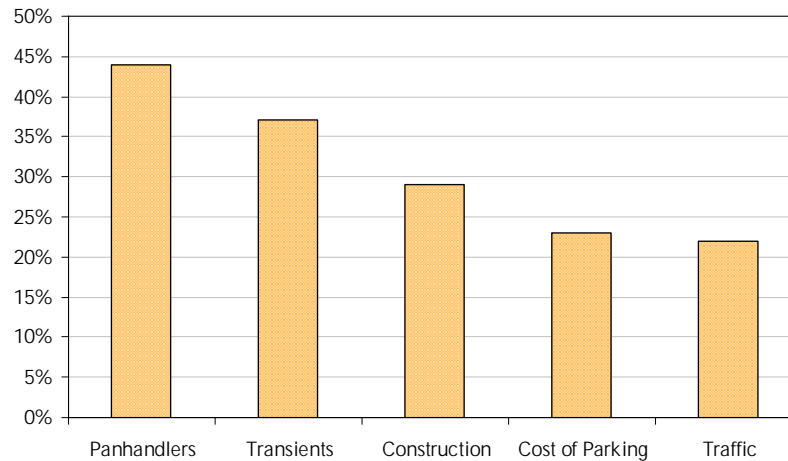
In 2006, the business community voiced a stronger sentiment than in previous years that panhandlers and public inebriates have a major impact on the quality of the downtown environment. The percentage of those who feel as such has gone up from 2001 (see figure, top left). Sixty percent of those surveyed believe panhandlers and public inebriates have strong or somewhat a negative impact on downtown versus about 53 percent in 2001, as shown in the pie chart, top right.

Moreover, businesses cited panhandlers and transients as the top two factors that need improvement in Downtown Portland (see figure, bottom).

To what degree do you feel that panhandlers and/or public inebriates in the defined area (BID Boundaries) affect your employees or your customers/clients?



What are the top three factors that need improvement in the downtown area?



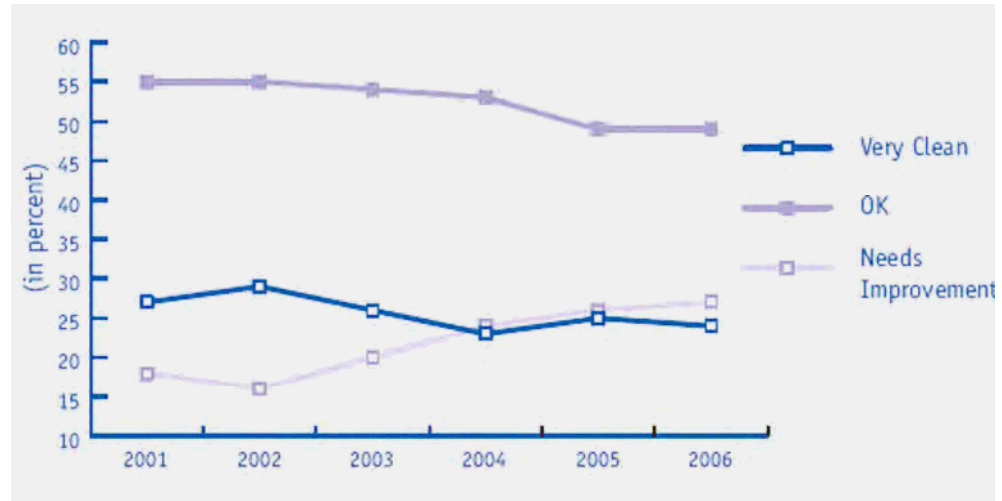
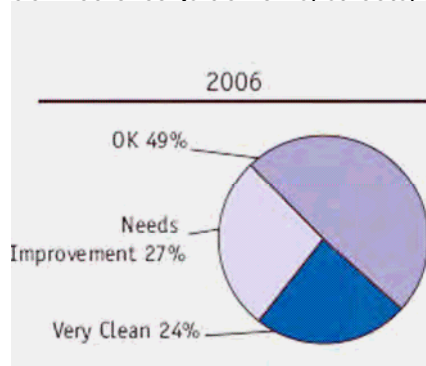
Sources: Portland Business Alliance & Leland Consulting Group

Downtown Businesses

The greatest share of those surveyed believe that downtown cleanliness is ok or is very clean.

The majority of business owners and managers from 2001 to 2006 believe that the cleanliness of the downtown environment is ok. The share of those that believe that the cleanliness of downtown needs improvement has gone up from approximately 17 percent to 27 percent.

How would you describe the cleanliness of public spaces within the defined area (sidewalks, streets, parks, etc.)?

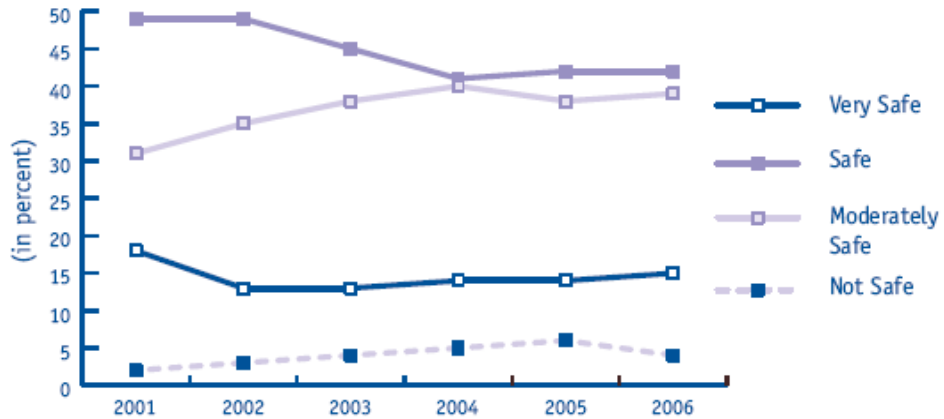
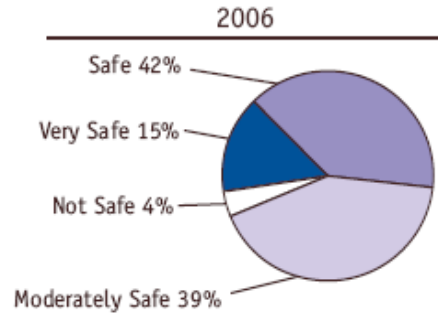


Downtown Businesses

The majority of business owners and managers believe downtown is safe or very safe.

Since 2004, business perception on the safety of downtown has changed relatively little. The percentage of those who have a very strong opinion about downtown safety (very safe or not safe) has stayed fairly steady since 2004.

Overall, how does your business view public safety in the defined area?

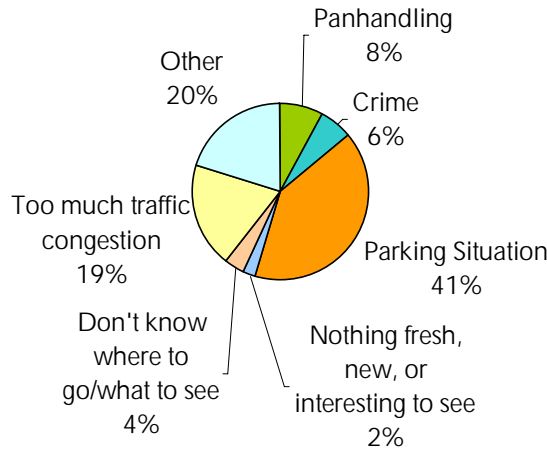


**Public Perception –
Downtown Marketing Initiative**

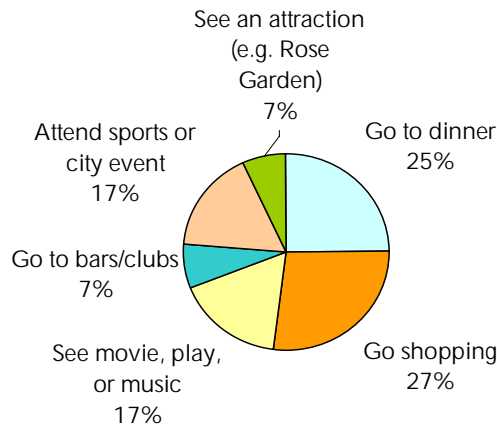
The Downtown Marketing Initiative (DMI) conducted a 2006 survey of 300 Portland Metro Area residents that do not work in Downtown Portland. The survey’s intent was to gauge the general public’s perception of Downtown Portland.

- Parking and congestion were the most significant deterrents to visiting downtown for leisure.
- The majority of respondents (52 percent) are most likely to go downtown for shopping or food service related reasons, with entertainment attractions making up the remainder.

Which of the following is most likely to discourage you from going downtown for leisure?



For which of the following is the reasons are you most likely to visit downtown for leisure (not-work-related)?



**Shopping Patterns –
PBA Shopper Intercept Survey**

On a Thursday, Friday, and Saturday in December, the Portland Business Alliance conducted a shopper intercept survey. They stopped pedestrians at key shopping nodes downtown to ask them why they shop downtown, and if they do not shop downtown, why not?

One hundred percent of respondents that said they mainly shop downtown were 30 years old and younger.

Of those who mainly shop elsewhere (Lloyd Center, suburbs or at neighborhood retail) the top reasons by age group were:

- **29 and under:** All preferred Downtown over other areas.
- **30 – 39:** Most prefer to shop closer to home. Five prefer stores elsewhere.

Do you mainly shop Downtown, the suburbs, the neighborhoods, or Lloyd Center?

Age	Number surveyed	Mainly shop downtown	Mainly shop suburbs, neighborhoods or Lloyd Center	No answer
30 and under	177	46%	0%	54%
30 - 39	104	6%	20%	72%
40 - 49	96	0%	38%	63%
50 +	65	0%	22%	78%

Source: Portland Business Alliance & Leland Consulting Group

- **40 – 49:** Most prefer to shop closer to home.
 - Ten cited parking or cost of parking as issues.
 - Eleven prefer shopping in an indoor environment or being close to other amenities.
 - Five felt it was difficult to get around downtown, especially with small children.
 - Sixteen preferred store selection elsewhere.
- **50 + :** Most prefer to shop closer to home.
 - 24 respondents said they simply prefer shops elsewhere.
 - Four respondents felt downtown shops were too expensive.
- The other respondents cited the proximity of stores to one another and price as two reasons they do not shop downtown or prefer shopping elsewhere.



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Portland Downtown Retail

National Retail Review

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February 2008

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Key Points

- Retail fundamentals—location, access, visibility, and safety—remain critical.
- 2008, in general, will be a year of contraction in the retail industry, not expansion.
- In addition to the retail fundamentals, a dense concentration of downtown employment and housing are critical to the ongoing success of downtown retail.
- In comparison to other similar-sized cities, Portland has a higher than average amount of central city housing. Its central city retail and employment base are about average. Given the amount of developable land remaining in close-in areas, there is reason to believe that housing and jobs can continue to increase, leading to more retail growth and vibrancy. In addition, there is evidence that Portland's policies to encourage central city development have been successful thus far, and that Portland is over-achieving for its size.
- Due to a number of factors, an increasing number of national retailers are attempting to modify their formats and move into urban, and thus usually smaller, spaces. This trend includes a variety of retailers, from big box to upscale merchants. The more attuned Portland is to the retailers making this change, the more likely the city will be to attract major new national retailers.
- A variety of retailers are, as always, shaking up the marketplace and creating a buzz. Not all are a good fit for downtown Portland. However, at least several dozen may be a good fit, and include: Crate & Barrel, H&M, Nau, and the Cheesecake Factory. Some are already in the regional Portland market, but remain good candidates for a downtown store.
- National demographics trends, particularly with Baby Boomers, Generation X and Generation Y, will continue to influence the next generation of retailers.
- Many national demographic trends favor the types of retail that could locate in downtown Portland.
 - Baby Boomers are looking for sensual and high quality purchases, often in convenient, close to home, locations.
 - Generation X consumers are looking for *experiences* that are unique, urban, authentic, and edgy.
 - Generation Y consumers expect shopping to be entertainment and an opportunity to socialize; they want to see socially and environmentally positive outcomes from their spending. They are also used to high-tech experiences.
- In each case, downtown Portland has some distinct advantages to attract these markets. For example, many Baby Boomers are locating in more urban residential locations, and thus might find downtown shopping highly convenient.

Retail 101

As Portland reflects on it's the conditions of the retail core and its strategy going forward, it is important to remember the very basics of retail. According to the Urban Land Institute, these basics are:

- **Central location.** Stores should be conveniently located vis a vis their target markets. For example, office supply stores will naturally locate downtown near their target markets. Home and garden stores geared towards large-lot homes will not. Careful analysis of target markets will reveal which retailers are right for downtown.
- **High visibility.** Retailers almost always seek locations where they are likely to be seen by thousands of passers-by every day. Most retail that is hidden will struggle. This principle may be important on some of downtown Portland's less-traveled streets.
- **Easy access.** Shoppers should be able to get to stores easily, whether by car, transit, foot, bike, or other mode.
- **Continuity.** Pedestrian-oriented retail destinations and districts should feature continuous retail or active frontages. When storefronts are empty, shoppers turn around.

Retail 2008

Through 2007, consumers continued to spend despite the slowing economy. Despite the general economic downturn in the U.S., consumers have continued to spend at high levels.

From USAToday: *"Consumer spending has proven resilient enough to pull the nation through some rough patches in the past, and will sustain the economy in the coming year. A healthy dose of tentative optimism will be prudent for retailers during the first half of the year; as the nation gets closer to the 2008 election, a rebound may be in the offing."* (USAToday)

But that changed in December:

"The holiday season for most retailers turned out even bleaker than many feared, as worsening economic conditions caused many consumers to cut back on discretionary spending and insist upon deep discounting."

"The retail numbers leave little doubt that shoppers are in belt-tightening mode," said Retail Forward senior economist Frank Badillo. "No part of retail spending is immune right now." (USAToday)

High end retailers have been some of the *least* affected by the economic downtown, while middle of the road retailers suffer. The upper income brackets continue to do well and spend well, while the rest of the US watches their wallets.

Choppy Waters for Retailers in 2008

2008 is expected to be a difficult time for most retailers. Only time will tell whether the downturn in retail—and the related housing and economic downturns—are temporary or long-term. From "How America Shops 2008," WSL Strategic Retail: **"Prudence Remains: Shoppers are cutting back on their shopping trips and the categories that they buy.**

Across the board shoppers are cutting back on almost everything. Except for food and their pets, all other expenditures are considered discretionary and therefore dispensable.

Middle America Shudders: *The middle class is shopping more like lower income shoppers. Middle market supermarkets and department stores are being squeezed because shoppers can get a lot more for less at big box stores and smaller, well edited stores [i.e. retailers that are selective about their inventory] are easier to shop."*

Learning from other Central Cities

Perhaps the most important drivers of retail have nothing to do with the quality of storefront displays, the types of retailers in a downtown, or even how comfortable an area is.

In short, these drivers are not necessarily “retail related.” They are: **Population and Employment.**

According to the Urban Land Institute:

“Successful retail depends on successful residential neighborhoods. Great streets are always surrounded by dense residential development. Where residential growth and revitalization is occurring, retail is primed to follow; it simply will not happen the other way around.”

This principle is echoed in the findings of a national retail study undertaken by the city of Baltimore in 2005, shown in the tables at right.

In the Baltimore and other studies, Portland is often listed among the country’s top US Retail Cities; yet Portland’s regional population is 24th in the US, far behind the other top eight.



Top US Retail Cities

1. New York
2. Chicago
3. San Francisco
4. Boston
5. Seattle
6. Washington, D.C.
7. Philadelphia
8. Portland

Common Attributes of Top Downtowns

1. Large metro area.
2. High city population density.
3. High populations in 1 and 3 mile Radius from the Center.
4. High daytime employment.
5. High average incomes in 1 mile radius.
6. Good public transportation.
7. Good public safety downtown.

Source: City of Baltimore Retail Assessment, 2005.

Contrasting Portland with Other Central Cities

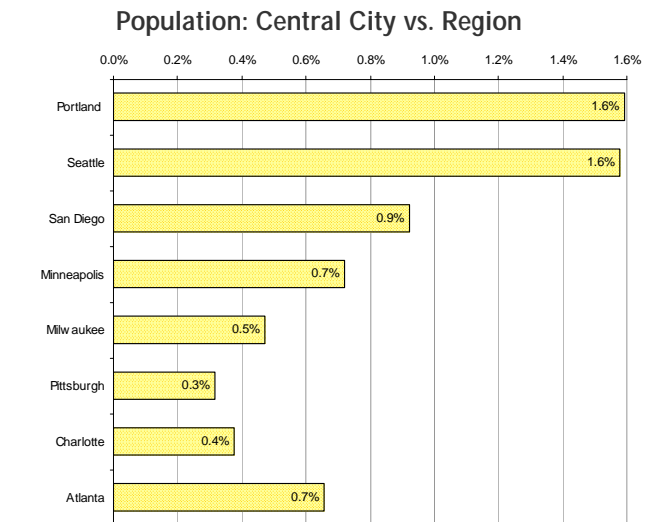
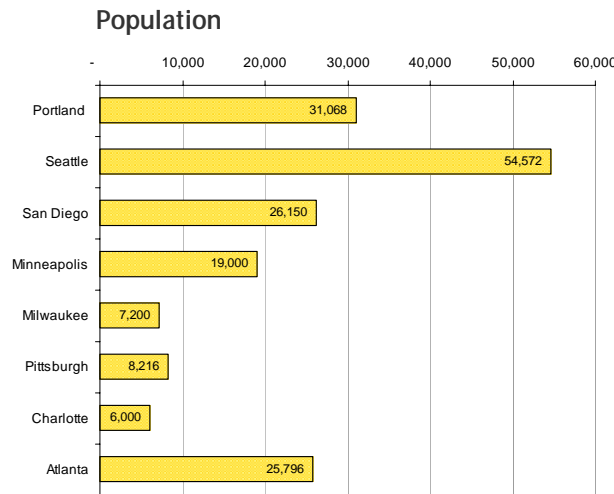
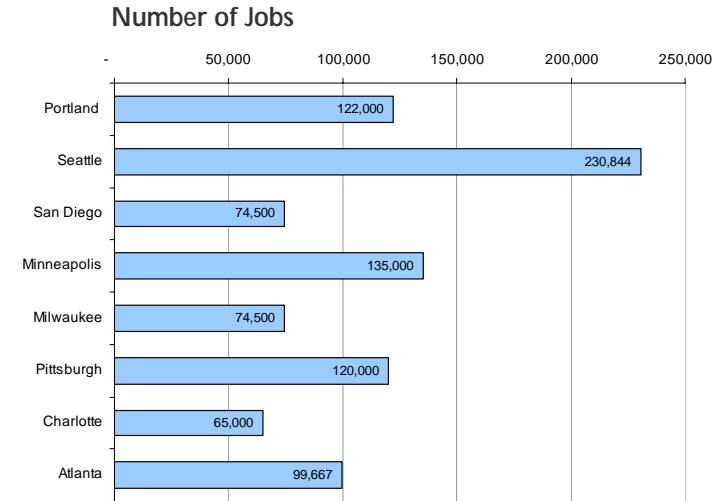
Both the list of central cities compared here and the data used to compare them were drawn from research completed by the Portland Bureau of Planning. Cities were chosen because of their comparable size and other features, and because all had recently completed a major plan akin to the Central Portland Plan.

In all cases, given the amount of developable land projected by the Planning Bureau, there are adequate sites still available for redevelopment or new development of housing, offices, and/or retail within the Central City.

Retail Area. Portland is slightly above average. Milwaukee sets the pace.

Jobs. Portland is slightly above average. Here, Seattle sets the pace.

Population. Here, two methods were used. The first shows that Portland's central city population is above average. The second shows that, when we control for the size of the entire metro area, the central city population is the highest of all comparable cities. In terms of central city population, Portland is over-achieving for its size.



Source: Portland Bureau of Planning, 2007.

Changing Lifestyle Preferences

The nation’s changing demographics—embodied in an evolving set of lifestyles and preferences—will have a dramatic impact on retailing today and in the future.

The lifestyles and preferences of the three primary shopping generations are covered on the following page.

The Baby Boomers offer one example of how demographic changes will affect downtown residential and retail markets. As they have in the past, Baby Boomers will exert a considerable influence on the next generation of retail, due in part to the sheer size of the cohort. By 2030, approximately 80 million, or one in five Americans, will be at or past the age of retirement—the largest senior population the country has ever seen. Studies indicate that as many as a third of this boomer population is at least somewhat likely to relocate to a more urban setting—for the arts, convenience, excitement, and to continue participating part-time in the workforce. Their preferences for comfortable, convenient, meaningful, and experiential retail; community connections; and other amenities, should be taken into account in downtown Portland.

Generation	Born	Age Today	Percent of Population (2006)	Total Population in Millions (2006)	
Eisenhowers	Before 1946	62 +	16%	48	
Baby Boomers	1946 - 1964	43 - 61	26%	76	
Generation X	1965 - 1980	27 - 42	21%	62	
Echo Boomers/Gen Y	1981 - 1999	8 - 26	28%	83	
Post Echo	After 2000	0 - 7	9%	28	

Source: RCLCo., Claritas, Inc.; National Center for Health Statistics

Boomers, Gen X, Gen Y



Baby Boomers

- First experimentation and idealism, then hedonism; boomers see themselves as “forever young.” “Baby Boomers have made it pretty clear that 1) they’re not ready for the rocking chairs yet and 2) they’re not planning to scrimp along the way.” (*PlainVanillaShell*)
- “The quest for sensuous gratification has long since shifted its focus to products like artisanal cheese and single-malt Scotch... [Their energy] has been diverted into aerobics and yoga.” (*Newsweek*)
- Many down-sizing and urbanizing, seeking residential and thus retail choices close to home.
- Appreciate implicit nods to aging bodies: scattered seating; less stooping for items; clear aisles, easy-to-read signage.
- **Retailers:** Whole Foods; wine tasting rooms; art galleries.



Generation X

- Young, peak earning years still ahead; more than two thirds are college educated.
- Diversity and tolerance are facts of life; accepting of a wide variety of lifestyle choices.
- Early stereotype: slackers, disillusioned by divorce, drugs, and gangs.
- Now: entrepreneurs, resilient, involved, responsible. Two thirds volunteered recently in their communities (compared with 56% of population at large); majority favor “green”
- **Retailers:** Anthropologie, Urban Outfitters; edgy, “authentic,” and green; “A visit to one of these stores gives a clear picture of the environmentally concerned and slightly misanthropic view of Gen Xers.”



Generation Y

- Most ethnically diverse generation: one third are minorities.
- Technology: Never experienced life without the internet, acquired credit cards, cell phones, and other gizmos early.
- Shopping is entertainment, seek places to gather.
- Shop and socialize online, when they arrive in the store, they know what they want.
- Beliefs: Education is good; integrity is admirable; parents are role models.
- “The line between work and home doesn't really exist. They just want to spend their time in meaningful and useful ways, no matter where they are.” *Time* magazine
- **Retailers:** Apple Store, Sony Store, Hollister; interactive shopping experiences.

Sources: *Urban Land Institute, Deloitte, Leland Consulting Group.*

Retail is Shrinking

Across the country and across categories, retailers are more and more willing to try formats that are smaller and more urban in style. As shown at right, this trend goes much further than just retailers like Starbucks and the Gap. Big boxes that were once found only on suburban fringes—Home Depot, Target, and even Wal-Mart—are vigorously refocusing on urban sites.

Approaches vary, but include throw-back features such as: escalators (for people and shopping carts); renewed focus on storefront displays and windows; innovative parking solutions; and more.

Tracy Mullin, National Retail Federation:

"I can think of no better example of a smart urban store than The Home Depot in downtown Manhattan. Just by checking out the window displays, you quickly realize that the store was not created for the contractor undertaking a massive project or the suburban dad trying to best the neighbors with his immaculately-kept lawn. It focuses on projects for smaller spaces by highlighting corner shelving units, small potted plants and cheery, compact appliances. Plus, they provide same-day delivery.

The number of retail stores in urban locations will increase by nearly 30 percent this year."

New Urban Retail Formats

Retailer	Locations	Format Details
Big Box		
Home Depot	New York City Vancouver, B.C.	Product mix adjusted to appeal to urban "fix-it" projects rather than major home remodels; offers same-day delivery.
Target	Chicago, West Hollywood, Washington, DC, Minneapolis Stamford, Conn.	Stores are still large--125,000 sf average; most two stories; use escalators; sales in urban stores on average are higher; attempted in major downtowns, lifestyle centers, and even small downtowns.
Best Buy	--	40 percent smaller stores
Wal-Mart	Still in planning phases.	Much smaller, grocery-focused, "neighborhood" store.
Grocery		
Fresh and Easy	California, Arizona, Nevada; 50 stores in operation Q2 2007	Focus on produce, prepared foods, "everyday gourmet," everyday needs; 10,000 sf average; mostly suburban.
Whole Foods	Colorado, Portland	"Whole Foods Market Express;" Pearl District store still a trend setter for below grade parking and size.
Chain Restaurants		
Baja Fresh	Portland and many other locations	600 sf with no parking--a big change from typical suburban format.
High End		
Neiman Marcus	New York City	Smaller format "Cusp."
Bloomingdales	New York City	Small SoHo prototype store
Tiffany		Smaller "Tiffany & Co. Collections," coming 2008/09.

Source: Leland Consulting Group.

Retail is Shrinking

Target. *“Until recently, all Target stores were the typical single-story boxes with surface parking. But in the last half-decade, Target has built or acquired 35 multilevel stores with structured parking and another 8 stores with parking underneath. In all, about 3 percent of Target’s 1,350 stores nationwide have unusual urban formats that Target calls “unique.”*

Unlike Wal-Mart, which so far has resisted radical changes to its building designs, Target has gone so far as to build one store in Brooklyn’s Atlantic Terminal that has no dedicated parking. Another store planned in Queens, New York, will be beneath 800 housing units.”



▲ Two unlikely urban retailers: Home Depot and Target.

The British Invasion: Fresh and Easy

“The chief executive of Tesco PLC, Terry Leahy, runs a retail chain that’s twice the size of Wal-Mart Stores Inc. in the United Kingdom. And this fall, even though the U.S. is considered over-crowded with stores, Mr. Leahy plans to expand into Wal-Mart’s home turf.

Mr. Leahy has studied how Americans shop, and he is hoping his new design for smaller stores with fresher food will differentiate his stores from competitors’.

“To develop his model, he sent Tesco teams to live with American families. One finding: Americans visit many stores; they’re not one-stop shoppers after all.

Mr. Leahy says the different store sizes were necessary to meet Britain’s tough zoning laws. That flexibility, he says, now helps the retailer in foreign countries. In the U.S., Tesco will open only 10,000-square-foot stores, which are smaller than typical U.S. supermarkets but bigger than U.S. convenience stores.” –Wall Street Journal, 2007

“Today, Wal-Mart is doing everything it can to stop Mr. Leahy from crashing its last big growth business: groceries. It has a team of executives hunkered down far from Bentonville in the San Francisco Bay area devising two new small-footprint stores, including a response to the November launch of Tesco’s U.S. grocery stores, according to people familiar with the group.

Their brainchildren represent an unlikely step for staid Wal-Mart: One idea calls for urban convenience stores less than a tenth of the size of the company’s supercenters and stocked with groceries geared to more affluent tastes.”

–Wall Street Journal, 2007

2008 Retail Trends

Adapted from “Eight Predictions for ‘08” by the National Retail Federation (December 2007):

Bucking Recession

While consumers proved to be unexpectedly resilient in 2007, economic forecasters are divided on whether or not Americans will keep the economy going through retail spending in 2008. On one hand, the economy added significant jobs in the third quarter and election years often coincide with optimism. On the other hand, the mortgage lending crisis continues to spread. Stay tuned.

Green v. Green

“Retail CEOs will find themselves faced with some hard questions about the green movement sweeping through corporate America. The biggest one: Can they be profit-driven and still be passionate about the planet?” Regardless of whether retailers can cushion the blow to the bottom line, consumers will be looking hard for green products and experiences. And retailers from REI to Wal-Mart have responded with ambitious sustainability plans.

Attention Small Mart Shoppers

“For a long time it was all about “big” – big stores, deep product offerings, expansive thinking. Now the tide has turned: Retail executives are not only thinking small, they’re building smaller stores, delivering edited product assortments and betting that this approach will deliver a big return on investment.”

Rewriting the Rules of Engagement

“These days shoppers can connect to just about anyone, anywhere at anytime.” Customers can shop in person, on-line, over the phone, by catalogue—and pretty soon, via cell phone. Retailers need to stay nimble and adjust how they relate and communicate with their customers. For example, “In 2008, retailers will need to ask themselves: Am I really a multi-channel retailer if I’m not making product available via the mobile web?”

Steady Doses of Inconsistency

This is the era of “microtrends” and personal customization. It’s in the housewife that shops at whole foods but only buy clothes at half-off. Or the guy who installs solar panels but drives a Hummer. Consumers expect everything their way, on their time frame. If not, they’ll shop somewhere else on line or in person.

Exclusivity Meets Authenticity

Think unique, local, and personal experiences: CAMP in Costa Mesa, SoHo in Manhattan, or even the personable barrista who makes your coffee. “Whatever retailers and marketers do, they need to keep it real – or, to borrow the buzzword of the day, “authentic.” Shoppers are way too savvy to lap up a phony marketing façade.”

Born in the USA Redux

“Springsteen’s familiar anthem had nothing to do with products manufactured in the good ‘ol USA, but expect Americans – wary of tainted toothpaste, lead-laden toys and contaminated foods – to make it a rallying cry in 2008.”

Waiting to Exhale

Since we’re all busier than ever, retailers (and downtowns) need to make the shopping experience easier and more comfortable than ever before. Possible strategies include: Offering shoppers a small bottle of water; making sure store signage and navigation is clear; offering shoppers standing in line a sample of a new food item; or simply doing something that tells the shopper “your time matters to me.”

Smaller Stores are only Part of the Retail Story

Big Boxes are here to stay.

Not every retail outlet will be shrinking. In fact, many are still getting bigger, and many retailers trying small or urban concepts are also maintaining their much larger, suburban formats.

The top five retailers in the country, by 2006 revenues, are: Wal-Mart, Home Depot, Kroger, Costco, Target. (National Retail Federation) All five of these chains, and most others in the top 100, continue to build standard large-scale, surface parked, suburban stores.

By some estimates, downtown retail accounts for two to three percent of total regional retail spending. By comparison, approximately 8 percent of all retail spending in the country happens at Wal-Mart. (NRF)

Clicks Threaten Bricks —But Not Too Much

Much has been made of the imminent demise of old fashioned, bricks and mortar retailing, due to the rise of online retail. The truth, of course, has turned out to be more complex, and not nearly as dark.

E-commerce as a percentage of total retail sales is approximately 2.2 percent per year. (Plunkett's) Only three of the 100 largest US retailers do not have stores—and two of them are television/home shopping related. Further, only two of the country's fastest growing 100 retailers are online only—Amazon and Blue Nile. Thus, though online sales are growing fast (they quadrupled between 200 and 2005), they do not necessarily threaten the traditional retailing base.

“Channel Integration”

Probably more important to retail in the medium and long run will be “channel integration,” in which retailers use multiple channels, including their websites, catalogues, stores and in-store digital media to educate consumers about every aspect of the brand and products. Consumers can then do in-depth product research in store or online, and likewise make the actual purchase where they like. The population, especially younger consumers, is expected to increasingly demand more and more integrated physical and digital environments.



▲ Apple's Manhattan store. By making a major (and counterintuitive) move, into a physical presence, Apple has shown that old-fashioned in-person retailing still has some major advantages over online.

Apple Stores Lead the Way

“Not only has the company made many of its stores feel like gathering places, but the bright lights and equally bright acoustics create a buzz that makes customers feel more like they are at an event than a retail store. But the secret formula may be the personal attention paid to customers by sales staff. Relentlessly smiling employees roam the floor, carrying hand-held terminals for instant credit-card swiping. Technicians work behind the so-called genius bar, ministering to customers' ailing iPods, MacBooks and iPhones. Others, designated “personal trainers,” give one-on-one instruction and lead workshops.” (New York Times)

Urban is In: Experience, Authenticity, and Meaning

It has become abundantly clear over the last decade that experience is a critically important component of the shopping experience. “Lifestyle Centers” have boomed, inviting shoppers to participate in a “town center” environment where they can stroll and mingle while also making purchases. Starbucks has expanded globally—no longer selling coffee, but a “lifestyle” complete with music, books, and personal interactions.

But downtowns have a competitive advantage when it comes to creating unique and meaningful experiences. They are already eclectic, diverse, and “real.” People feel a greater sense of ownership and connection to historic downtowns. Observers from a diverse set of fields have arrived at this conclusion and underscored it with the observations here. Thus, one challenge for downtown Portland is to amplify and celebrate its experiential essence.

Paco Underhill, *The Call of the Mall*:

“More disposable income has been transferred to travel, adventure, and vacation, from retail. People are seeking meaningful experiences.”

Michael Beyard, Urban Land Institute:

“The really important goals of modern retailing, whether it is inaccurately called lifestyle or not, should be to create real places that reflect deeper community values such as sustainability, adaptability, to changing consumer demands, denser mixed-use environments that offer... true community focus and connections with surrounding neighborhoods.”

The Economist, on lifestyle center developer Rick Caruso:

“Designers visit cities as diverse as Savannah and Capri to measure buildings and try to capture their appeal... with the aim of creating a festive, holiday atmosphere which people go to hang out in and end up spending money.”

Daniel Brents, Vice President, Gensler:

“The prevailing trend in developing successful urban retail is creating a sense of place. Ultimately, it is more about congregating than merchandizing.” Brents defines a successful place as, *“a gathering spot with special qualities and characteristics not found everywhere else that provides excitement, variety, and a range of choices; a human-scale environment with humanizing touches; and a safe, clean environment.”*

Downtown Portland’s Unique Experiences

Pioneer Courthouse Square:
festivals, events, and concerts

People watching, crowded sidewalks,
urban bustle

Historic buildings

The Rose Festival

The MAX: Transportation and kinetic
sculpture

Holiday lights

The Willamette and Waterfront Park

Art openings and wine tastings.

A unique and eclectic mix of stores
Theaters and Museums.

Daniel Pink, *A Whole New Mind*:

“In the early years of the twenty-first century, several forces have gathered to create the circumstances for the pursuit of meaning on a scale never before imagined. Freed from the struggle for survival, we have the luxury of devoting more of our lives to the search for meaning.”

Authenticity

Although authenticity can be difficult to define, one interpretation emphasizes “local” and “unique”—in other words, a store or experience that is created by natives of a place, and impossible to recreate elsewhere. The Ace Hotel (on the edge of the downtown retail core) and the related retailers that share its ground floor retail space, have received considerable local and national recognition for a unique evocation of a Portland brand. Retailers include local Stumptown coffee brewers, two one-of-a-kind restaurants, and the hotel’s lobby. Thus, the Ace offers one, but by no means the only, model for creating an authentic experience that resonates locally.

Metropolis magazine on the Ace:

“Nike, for example, often checks its visiting designers and executives into Ace Portland. In a world where money can buy anything, there is an increasing desire for the personal, a reaction against anonymous cookie-cutter experiences. The singular patina that places like the Chateau Marmont or the Chelsea Hotel have acquired through age and history, Ace attempts to create by design.”



▲ The lobby of the Ace Hotel, Portland. A recent arrival to downtown, the Ace’s ambience is locally-inspired, unique, and “authentic.”

“We travel a lot all over the world,” [hotel founder] Calderwood says. “You try to seek out those kinds of places, those social ambassadors, those local people, who can get under the skin of the community. It amazes me that in Portland every day there are those people sitting there in the lobby.”

James Gilmore and Joseph Pine, authors of *The Experience Economy: Work Is Theater & Every Business a Stage and Authenticity: What Consumers Really Want*:

“Those businesses that relegate themselves to the diminishing world of goods and services will be rendered irrelevant. To avoid this fate, you must learn to stage a rich, compelling experience.”

Customers *“would rather buy something real from someone genuine rather than something fake from some phony. When deciding to buy, consumers judge an offering’s authenticity as much as—if not more than—price, quality, and availability.”*

Hot Retailers

The table at right shows a list of retailers that would be desirable to attract (or in one case, retain) in downtown Portland. Depending on the retailer attributes sought, many other firms could potentially be added to the list.

Downtown's track record in attracting up and coming national retailers is one measure of success that can be used on an ongoing basis.

The list was assembled as follows:

- Begin with a list of the 100 fastest-growing retailers in the country from the National Retail Federation. The "rank" of each retailer at right reflects its place on this list. Growth is measured by total revenue change from 2005-2006.
- Add retailers that are not among the fastest growing, but have generated significant buzz due to unique offerings or formats.
- Eliminate retailers that do not appear to be a good "fit" for downtown Portland. For example, Wal-Mart continues to be one of the fastest growing retailers in the country but in its current format is not seen as a good fit for downtown Portland.
- Eliminate retailers that already have a location within or very close to downtown. One exception to this is Nike, which due to the age of NikeTown, appears ready to move to an updated store format.

Note that due the source, this list is weighted towards national retailers. There may be other regional or local retailers that would be good fits for downtown Portland.

Potential "Hot" Retail Prospects for Portland

Name	Rank	Description
H & M	--	Clothing
Nau	--	Sustainable Clothing
Zara	--	Clothing
Zumiez	4	Snowboard accessories
Public Market	--	Produce, prepared foods similar to Pike Place.
Charlotte Russe	8	Women's clothing
Adidas	--	Shoes and clothing
Crate and Barrel	--	Furniture, housewares
Aeropostale	42	Clothing
Benihana	86	Restaurant
California Pizza Kitchen	52	Restaurant
Kohl's	50	Furniture, housewares
Coldwater Creek	7	Women's clothing
DSW	77	Shoes for fashion and workplace.
Jos. A Bank	39	Fine Men's Clothing
Whole Foods Market	31	Grocer
Publix Super Markets	--	Grocer
NikeTown	35	Sporting goods. (New store.)
Urban Outfitters	76	Clothing, lifestyle
Wet Seal	72	"Teen Clothing for Girls."
Limited Brands (The Limited)	94	Clothing
1-800-Flowers	46	Flowers
Bed, Bath, & Beyond	61	Housewares
Fresh & Easy	-	Neighborhood grocer.
Charming Shoppes	82	Includes LaneBryant and other womens brands.
Cheesecake Factory	83	Restaurant
Costco	65	Diversified, has attempted urban store formats.
PetSmart	74	Pet supplies
Dress Barn	13	Clothing
Guitar Center	62	Musical Instruments
Jennifer Convertibles	55	"America's sofabed and leather specialists."
P.F. Chang's	51	Restaurant
Panera Bread	14	Restaurant
Restoration Hardware	22	Housewares

Source: National Retail Federation, Leland Consulting Group.

Hot Retailers

**H&M**

- Headquarters: Sweden
- H&M is a hugely popular retailer known for selling fashionable women's clothes (and *some* men's) at bargain basement prices.
- Despite stores within the central cities and downtowns of many other major US cities, H&M does not have a store in the Portland region.
- H&M began operating on the West Coast in 2005; it now operates four stores in the City of San Francisco alone, and several dozen in California. The chain does not yet operate any stores in the Pacific Northwest.

**NAU**

- Headquarters: Portland, Ore.
- Nau is a much-publicized sustainable clothing manufacturer founded in Portland in 2005. The company is the creation of several former executives from Nike, Columbia Sportswear, and other local companies.
- Nau embodies some essential Portland attributes: sustainability, outdoor ethic, and local connection in both its design and manufacture.
- Although Nau operates a flagship store in the Pearl district, its location

**Coldwater Creek**

- Headquarters: Sandpoint, Idaho
- Originated as catalogue only retailer
- Casual, versatile, professional clothing
- Core markets: Upper middle-class professional women; "baby boomers with a zest for living" who've "got lots of money to spend, and they want to upgrade their entire life."
- Most locations in upscale, suburban locations
- Three Oregon locations: Streets of Tanasbourne, Bend, and Eugene.

**Zumiez**

- Headquarters: Everett, Wash.
- Fourth fastest-growing retailer in US, 2006.
- "Board sports"—snow and skateboarding—equipment and accessories for teens and others. A good fit for Oregon's outdoor culture.
- Five Portland region locations, including Lloyd Center.

Hot Retailers



Public Market

- Local proponents have long argued that Portland ought to bring back a public market akin to Seattle's Pike Place.
- Such a market would marry local produce, wines, beers, cheeses, prepared foods, and other products in an attractive and unique environment. This would be a regionally significant



Fresh & Easy

- Fresh & Easy is currently expanding in California and other western states. Within the next few years, the U.K. transplant will be bringing their "neighborhood" scale, high-quality local grocer to the Northwest.
- Downtown employees could pick up prepared foods on the way home. Likewise convenient for the increasing downtown residential population.



Zara

- Like H & M, Zara is a fast-expanding, popular European retailer very comfortable in downtowns.
- As yet, no Northwest locations.



Target

- The original mass purveyor of low-cost high-design now advertises wine and cheese on its web site.
- Would sell to an underserved "middle market" in downtown.
- As described earlier, this traditionally big-box store is increasingly considering urban locations.



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Portland Downtown Retail

Glossary of Terms & Definitions

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RETAILER STORE TYPOLOGY

National. A retailer with national chains, all offering almost identical products and store formats.

Independent. Retail stores are owned and operated locally or regionally. While independent retail owner may have multiple stores, they tend to not exceed five stores within the region or area of the county. *Portland examples: Jeri Rice (one store in Seattle, one store in Portland), Mario's (one store downtown, one store at Bridgeport Village.)*

Anchor. A store within a larger retail center or street that typically has a larger floor plate and acts as the major draw; it generates foot traffic for the adjacent retail. *Portland example: Nordstrom in Downtown Portland.*

In-line. Smaller stores, typically located in close proximity to a retail anchor, that may offer more specialty items or smaller selection. In-line stores are attached as part of a larger enclosed or open air complex. *Examples: Stores that are not anchors in a shopping mall, ground floor retail in the Pearl District.*

Destination. A retailer that offers an item or price that will draw a large number customers to the store within a radius roughly greater than five miles. *Portland examples: Downtown independent fashion retailer Mercantile, Saks Fifth Avenue in Downtown or neighborhood restaurants.*

Specialty. A retailer that offers a unique item or service that draws clientele from a radius of greater than three to five miles. *Portland example: Bike Gallery in Downtown Portland.*

Convenience. A retailer that offers every day goods such as food and toiletries. The majority of customers live within a two to three mile radius. *Portland examples: Neighborhood convenience stores.*

Residential Serving or Neighborhood Retail. Retail whose primary market area are residents in the immediate neighborhood. A typical market area is a radius of 1.5 to two miles. *Example: Grocery store.*

Big Box. National retailers with a store size anywhere from 20,000 square feet to 200,000 square feet. There are four types of big box stores¹:

- 1. Discount Department Stores.** Store sizes range from 80,000 to 200,000 square feet and offer a wide variety of merchandise at low prices. *Examples: K-Mart, Wal-Mart, and Target.*
- 2. "Category Killers:"** Category killers are specialty or niche stores that offer a large selection of items in a particular category. Stores vary in size from 20,000 to 120,000 square feet. These big boxes drive away competition from a market by offering the lowest prices and choice in a market. *Examples: Barnes & Noble/Borders Books, Circuit City, Office Depot, and Home Depot.*
- 3. Outlet Stores:** Often the discount arms of major department stores, these stores range from 20,000 to 80,000 square feet. Merchandise is sold directly from the manufacturer at discounted prices.. *Examples: Nordstrom Rack, Nike, and Burlington Coat Factory.*
- 4. Warehouse Clubs.** Stores range from 104,000 to 200,000 square feet and offer a variety of goods in bulk wholesale process. Warehouse clubs typically charge their customers an annual fee with a limited number of product items, generally 5,000 or less. *Examples: Costco Wholesale, Pace, and Sam's Club.*

RETAIL CENTERS²

Enclosed Shopping Center (or Mall). An indoor shopping center with typically two or more anchor department stores managed by one central entity.

Open Air Center. Attached row of three or more retailers, managed by one central entity. Entry to each store is from the outside.

Super Regional Center. A super regional center offers a wide variety of merchandise, entertainment, and services. The center contains at least three or more full line department stores. Sizes of the centers range from 500,000 to 1,000,000 square feet, with 1,000,000 square feet the most typical size. A super regional will draw customer from ten miles or more. *Portland examples: Washington Square & Clackamas Town Center.*

Regional Center. Not as extensive in its offerings or size as a super regional center, a regional center ranges from 250,000 to 900,000 square feet. The center is served by one or more full in-line department stores. A regional center draws 80 percent of its sales from customers from within ten miles. *Portland example: Gresham Station & Cedar Hills Crossing.*

Power Center. At least three big box stores comprise a power center, each having a size of at least 25,000 square feet. Less than 20 percent of Power Center space is in-line space; some have no in-line space at all. They range in size from 250,000 to 1,000,000 feet and draw customers from five miles or more. *Portland examples: Mall 205, Cascade Station, Jantzen Beach.*

Neighborhood Center. A neighborhood center provides for day-to-day needs for customers within a two to three mile radius. Offerings include convenience goods (i.e. food, drugs, toiletries) or personal services (i.e. dry cleaning, video rental, hair salon). Usually anchored by a supermarket or drugstore, neighborhood centers range from 100,000 to 300,000 square feet. *Portland example: Beaverton Town Square.*

Lifestyle Center. Lifestyle Centers offer a variety of upscale national chain specialty stores (and some independent), dining, and entertainment in an open air setting. Unlike other centers, lifestyle centers are not typically anchored by traditional department store tenants, but rather by a grouping of highly branded stores. *Portland examples: Bridgeport Village & Streets of Tanasbourne.*

NOTES

- ¹ **California Responses to Supercenter Development: A Survey of Ordinances, Cases and Elections.** Public Law Research Institute. Spring 2004.
- ² **Dollars & Cents of Shopping Centers/ The SCORE 2006.** Urban Land Institute and International Council of Shopping Centers.

RETAIL MARKET ANALYSIS³

Trade Area or Market Area. Geographic area from which a retailer, or retail center, will draw its customers.

Primary Trade Area. Trade area from which a retailer, or retail center, will draw its largest share of repeat sales⁴.

Secondary Trade Area. Trade area from which a retailer, or retail center, will draw some repeat sales, but not to the extent of the primary trade area. Typically this area generates between 15 to 20 percent of sales.

Target Market. A segment of the population that a business or retailer aims to capture as their primary customer base⁵.

Leakage Analysis. A calculation of the share of aggregate spendable income that is not spent on local retail offerings and escapes to retailers beyond the local trade area. A leakage analysis will identify the percentage of sales a retailer or retail center captures from a local trade area and/or the amount of square feet of retail, given current competition, that could be built to satisfy that market⁶.

NOTES

- ³ **Real Estate Market Analysis: A Case Study Approach.** Urban Land Institute. 2001.
- ⁴ For purposes of this report, Downtown & Pearl District residents and West Hills residents are considered the primary trade areas. Economics Research Associates (ERA), the authors of the 2002 Downtown Portland Retail Strategy, identified the West Hill residents as the primary trade area.
- ⁵ For purposes of this report, target markets were considered those populations that downtown retailers aim to serve: Downtown & Pearl District residents, West Hills residents, all residents within the Portland-Vancouver-Beaverton Four County Metropolitan area, downtown employees, and regional visitors. These populations were identified in the 2002 Downtown Portland Retail Strategy.
- ⁶ ERA completed a leakage analysis in 2002 for Downtown retail but a leakage analysis was not included in the scope of work for this report.