

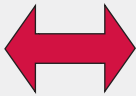
RETAIL REPORT

Portland Metro Area | Second Quarter 2010



TRENDS:

Vacancy Rate



Net Absorption



Construction



OVERVIEW

Retail vacancy was unchanged at 8.0% during the Second Quarter, with negative 20,547 sf of absorption. Vacancy in Central City decreased nearly a percentage point to 10.9%. Vacancy in Southeast/East Clackamas increased more than a percentage point to 6.5%, with more than 20,000 sf of negative absorption each at Clackamas Town Center and Hilltop Mall. However, there was considerable leasing activity in big-box stores that are not tracked in our report. For instance, Salvation Army leased about 40,000 sf at the former Linens 'n Things on SE 82nd, and Dick's leased the nearly 50,000 sf former Joe's Sports, Outdoors & More at Johnson Creek Crossing in Clackamas.

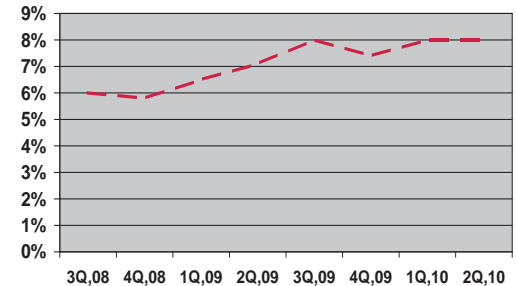
Vancouver vacancy rose by half a percentage point to 11.0%, with 46,688 sf of negative absorption. At Columbia Square – Vancouver, 20,000 sf became available. This is a portion of the former Joe's Sports, Outdoor & More space, which is partially occupied by Chuck's Produce (expected to open in August).

Noteworthy News

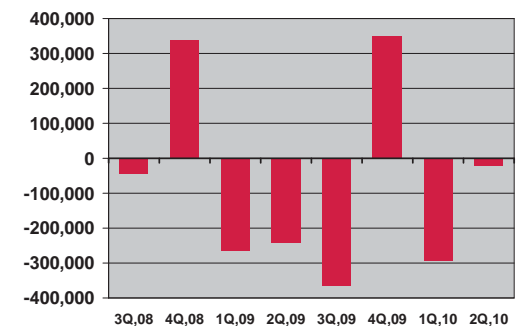
Closely watched indicators of the health of the retail market were mixed during the Second Quarter. Retail sales grew by a seasonally adjusted rate of 0.6% in April, but fell by 1.2% in May. The Conference Board's Consumer Confidence Index also dropped by almost 10 points to 52.9 in June. Economists didn't expect such a significant decrease, as the index had been rising since February.

Portland continues to attract large tenants of all kinds. In recent months, Ultimate Electronics, which was acquired by Hollywood Video founder and former CEO Mark Wattles, leased the 40,000 sf former Levitz Furniture building in Beaverton. Two new clothing stores are also in the

Vacancy Comparison (%)



Absorption Comparison (SF)



works: H&M confirmed its Pioneer Place store will open this fall, and Saks Fifth Avenue Off Fifth will open at Bridgeport Village September 2. Nordstrom Rack also leased 48,344 sf at Cascade Plaza Shopping Center.

Signs of life were present in the Portland
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Major Lease Transactions

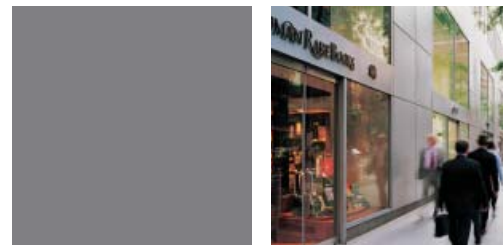
Tenant:	Building:	Size (SF):	Submarket:
Ultimate Electronics	9770 SW Scholls Ferry Road	40,041	Sunset Corridor
Saks Off Fifth	Bridgeport Village	28,000	Southwest
Children's Gym	1625 NE Sandy Blvd.	12,750	Eastside

Major Sale Transactions

Buyer:	Building:	Price:	Submarket:
Retail Opportunity Investments Corp.	Vancouver Market Center	\$11,190,000	Vancouver
Husbands Trust	Jack In The Box - 2145 NW Town Center Dr.	\$2,190,000	Sunset Corridor
HJT Investment LLC	8308 SE Powell Boulevard	\$2,000,000	Eastside

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SUBMARKET	# BLDGS	INVENTORY (SF)	**TOTAL AVAILABLE (SF)	**% VACANT	**TOTAL NET ABSORPTION	UNDER CONSTRUCTION
RETAIL*						
122nd/Gresham	40	5,667,348	394,023	7.0	18,514	0
Central City	64	2,280,464	249,298	10.9	17,483	0
Southeast/East Clackamas	31	5,516,056	356,468	6.5	(84,426)	20,921
Eastside	31	5,791,160	338,101	5.8	3,880	0
Sunset Corridor	42	5,183,806	408,730	7.9	(15,299)	0
Southwest	96	10,826,394	808,033	7.5	85,989	0
Vancouver	92	8,911,111	983,106	11.0	(46,688)	8,178
TOTAL	396	44,176,339	3,537,759	8.0	(20,547)	29,099

*Additions and Subtractions to the numbers above are in our detailed report.

**Numbers only reflect direct space.

Featured Deals



Parklane Mattress Lease

Parklane Mattress leased 3,750 sf at Hillsboro Promenade, anchored by Albertsons, on SW Baseline and Cornelius Pass Roads in Hillsboro. It is the Oregon-based company's fourth location in the metro area, and its first store serving the Hillsboro and Beaverton area. Associate Vice President Jack Gallagher represented the landlord.



Goodwill Industries & Umpqua Bank | Lease

Two tenants leased space at the former Hollywood Video at SE 36th and Hawthorne in Portland. Goodwill Industries of the Columbia Willamette leased 3,742 sf for its new boutique concept, and Umpqua Bank leased 2,500 sf for its neighborhood store concept. Real Estate Broker J.J. Unger represented the landlord on both transactions, and Umpqua Bank.

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retail investment market during the Second Quarter. Retail Opportunity Investments, Corp., purchased Vancouver Market Center in Vancouver for \$11.19 million, and is under contract to purchase a portfolio of four other centers in the Portland Metro Area from Gramor Development for about \$90 million.

Though retail development has slowed, with our report tracking just under 30,000 sf of space under construction in the metro area, some activity and future planning is occurring. Big Al's, the popular bowling center in Clark County, has a second 66,000 sf location under construction at Progress Ridge in Beaverton. It is expected to open in August, and developers hope the site will also be the future home of New Seasons and Cinetopia.

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