

# **Barbur Boulevard Corridor Market Analysis**

**Draft**

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## Demographic Analysis

To obtain a broader cross-section of the community that surrounds and utilizes Barbur, the demographic analysis study area is identified as one half mile on both sides of Barber Boulevard within the City of Portland (see Attachment 1). Additionally, the study area excludes the Central City.

**Table 1: Demographic Summary**

	Barbur Study Area			City of Portland			Portland Region		
	1990	2000	2010	1990	2000	2010	1990	2000	2010
Population	22,666	24,144	27,019	486,600	529,121	583,776	1,523,741	1,927,881	2,226,009
Households	10,554	11,491	13,021	206,105	223,737	248,546	592,507	745,531	867,794
Average Household Size	2.14	2.09	2.07	2.30	2.30	2.29	2.53	2.54	2.56
Median Household Income	\$57,093	\$67,114	\$65,453	\$43,063	\$50,841	\$54,352	\$51,731	\$59,563	\$61,823
Per Capita Income	\$36,062	\$33,802	\$41,204	\$23,931	\$28,672	\$29,282	\$25,030	\$29,496	\$29,095
Age Characteristics									
% Under 18	20%	19%	17%	25%	24%	23%	28%	28%	27%
% Over 65	11%	10%	11%	14%	12%	12%	12%	10%	11%
Race/Ethnicity									
% African-American	2%	2%	3%	7%	7%	6%	3%	3%	3%
% Asian and Pacific Islander	4%	4%	5%	5%	7%	8%	3%	5%	6%
% Other	4%	5%	6%	4%	8%	9%	4%	7%	9%
% American Indian or Alaska Native	1%	1%	1%	1%	1%	1%	1%	1%	1%
% White	90%	87%	86%	83%	78%	76%	89%	85%	81%
% Hispanic	2%	5%	5%	3%	7%	9%	3%	7%	11%

\*1990 and 2000 adjusted for inflation in 2010 Dollars

Source: Census 1990, 2000, 2010; ESRI Business Analyst, 2011.

### Population Overview and Household Trends

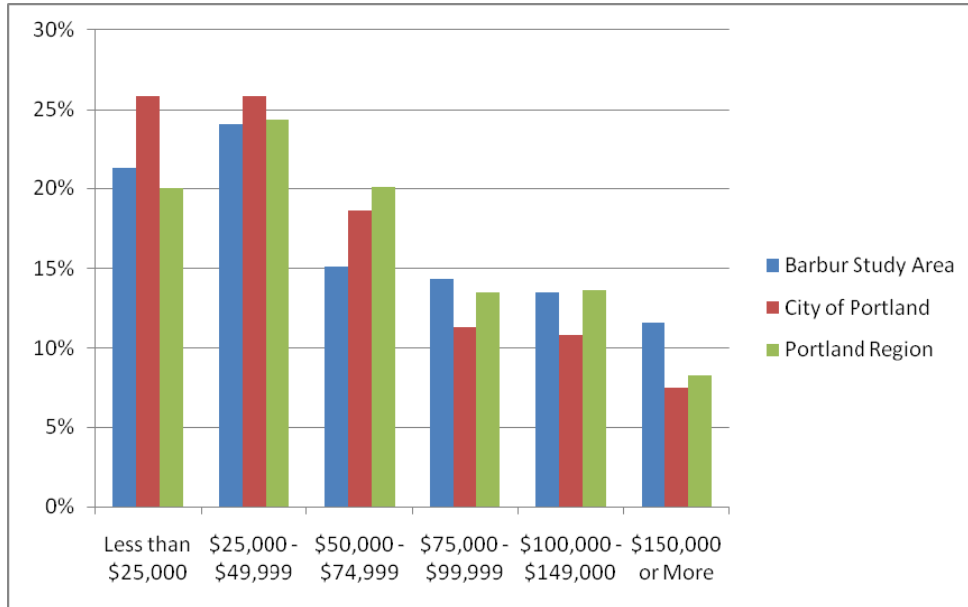
Table 1 provides a demographic overview of the Barbur Study Area compared to the City of Portland and the Portland Region.<sup>1</sup> According to the 2010 Decennial Census, there are 27,019 people in 13,021 households throughout the study area. The Barbur Study Area has a relatively low average household size of 2.07 persons per household compared to the City (2.29) and the Region (2.56).

### Household Income

Households in the Barbur Study Area generally have a higher per household income than household averages throughout the City of Portland and the Region. The median household income for the Barbur Study Area is \$65,453, just slightly higher than \$61,823 in the region and nearly 15 percent higher than the City of Portland at \$54,352. While household sizes have declined slightly in the study area from 1990 to 2010, median household income and per capita income have shown significant increases. However, the median household income for the study area declined slightly, two percent, between 2000 and 2010. The Barbur Corridor is economically diverse. The study area has a higher proportion of households in the three highest income groups (Figure 1). Almost 40 percent of all households in the study area make more than \$75,000 per year. However, the majority, 45 percent, of households along Barbur make less than \$50,000 per year. Over 20 percent of Barbur residents make less than \$25,000 per year.

<sup>1</sup> The Portland Region refers to the Portland Metropolitan Statistical Area which includes Multnomah, Washington, Clackamas, Columbia, and Yamhill counties in Oregon as well as Clark and Skamania counties in Washington.

**Figure 1: Households by Income**



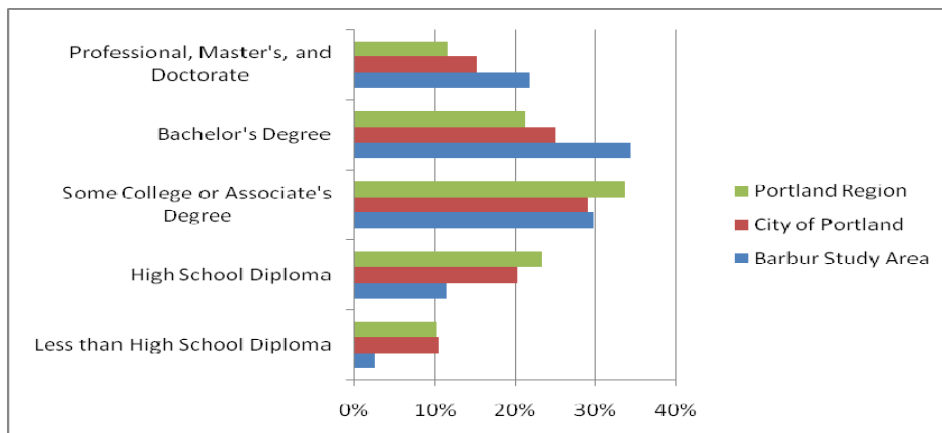
Source: Census 2005-2009 American Community Survey 5-Year Estimates.

**Education and Diversity**

While the majority of residents in the Barbur Study Area are white, racial and ethnic diversity has increased since 1990. The proportion of white residents decreased from 90 percent in 1990 to 86 percent in 2010. However, the study area saw significantly less of an increase in racial and ethnic diversity than the City and the Region. For example, the percentage of residents in the study area who identify themselves as Hispanic grew by 3 percent from 1990-2010 while residents who identify themselves as Hispanic grew by 6 percent in the City and 8 percent in the Region in the same time period.

As shown in Figure 2, the proportion of Barbur Study Area residents who have attended institutions of higher education is higher than both the City and the Region. 56 percent of study area residents have achieved a Bachelor’s degree or higher compared to 40 percent in the City and 33 percent in the region.

**Figure 2: Educational Attainment**



Source: Census 2005-2009 American Community Survey 5-Year Estimates

## Housing Market

In the last few years, the housing market in the Barbur Study has been out performed by the City of Portland and the Portland Region as a whole. The Barbur Corridor has a current vacancy rate of approximately 9 percent, while the City of Portland and the Portland region both have vacancies rates around 6 percent.

**Table 2: Total Housing Units in 2010**

Lair Hill	The Woods	Historic Highway	Far Southwest	Barbur Study Area	Vacancy Rate
3,307	3,493	4,537	2,957	14,294	8.9%

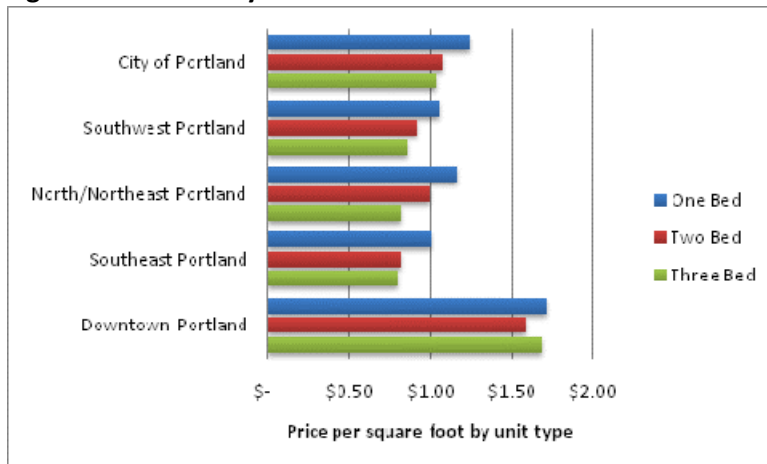
Source: US Bureau of the Census, 2010.

## Multifamily Housing

Multifamily rental units along the Barbur Corridor command slightly higher rents than similar unit types across the City of Portland. However, there is a fairly large stock of one bedroom apartments throughout the corridor that rent for significantly lower rates, nearly 35 percent, than units of comparable size and quality throughout the City of Portland. These one bedroom units provide affordable and accessible housing for students and employees of the institutions throughout the corridor. Two and three bedroom unit prices throughout the corridor are slightly higher compared to the city.

Multifamily for sale units in the Southwest Submarket are slightly more affordable than in other areas of Portland. This is especially true for one and two bedroom units. Three bedroom units in the Southwest Submarket are marginally more expensive compared to other areas throughout Portland

**Figure 3: Multifamily For Sale Market**



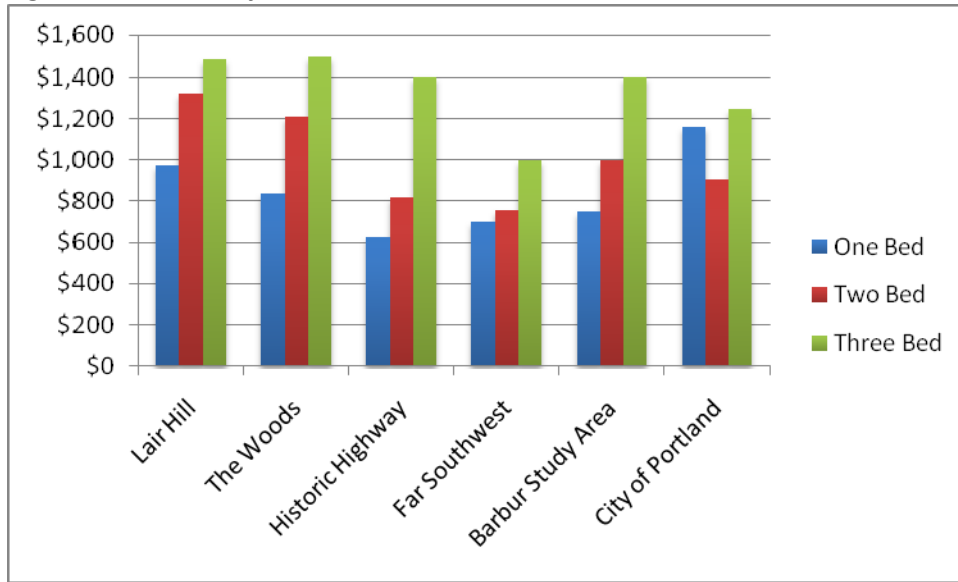
Source: Norris, Beggs, & Simpson, 2011.

**Table 3: Multifamily Rental Market**

	One Bed	Two Bed	Three Bed
Lair Hill	\$975	\$1,323	\$1,483
The Woods	\$838	\$1,213	\$1,495
Historic Highway	\$625	\$820	\$1,400
Far Southwest	\$700	\$755	\$1,000
Barbur Corridor	\$748	\$998	\$1,400
City of Portland	\$1,149	\$907	\$1,245

Source: Craigslist, Apartments.com, Rent.com, RentBits: 2011

**Figure 4: Multifamily Rental Market**

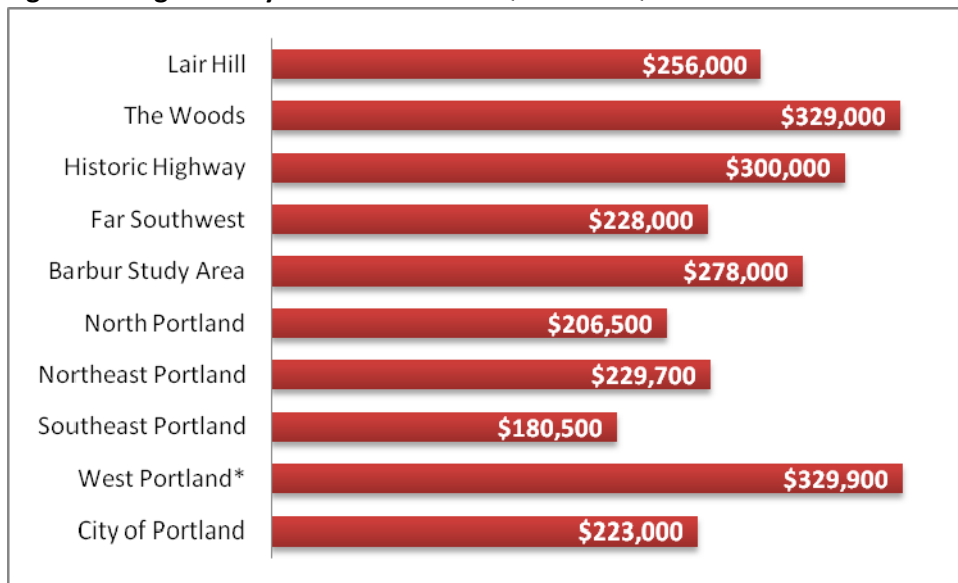


Source: Craigslist, Apartments.com, Rent.com; 2011

**Single Family Housing**

Single family homes command higher sale prices than nearly all other areas of Portland. However, single family homes in the Barbur Study Area provide more affordable housing choices to households who wish to locate in Southwest Portland. The Lair Hill and Far Southwest sections of the Barbur Corridor have the lowest median prices for single family homes throughout the corridor while The Woods area has the highest single family home values throughout the corridor, 32 percent higher than the median price in the City of Portland and 16% higher than the median price for the Barbur Corridor.

**Figure 5: Single Family for Sale Market 3Q 2010 – 3Q 2011**



\*West Portland includes SW and NW Portland and parts of Eastern Washington County  
 Source: Market Action, Zillow; October 2011

## Existing Employment

In 2010 there were 32,605 jobs that were located within one half mile of the Barbur Corridor. The majority of jobs along the corridor, 63 percent, are within the education and medical industries. Jobs within the knowledge based industry group account for almost 5,500 jobs along the corridor. Knowledge based industries include jobs in finance, insurance, real estate, information, and professional services.

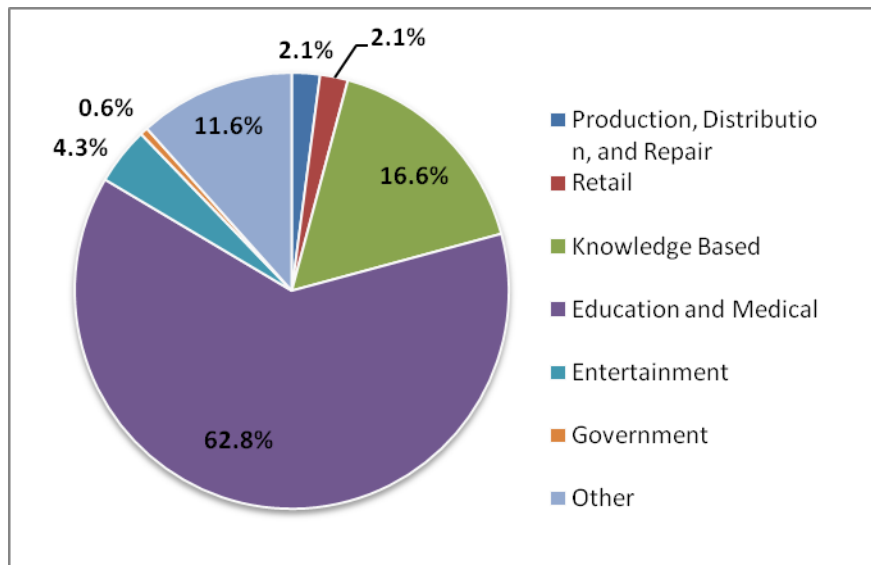
The largest strength for employment in the Barbur Corridor is the proximity to the Central City and major destinations. Major institutional destinations along the Barbur Corridor include Oregon Health and Science University, Portland Veteran Affairs Medical Center, National College of Natural Medicine, and Portland Community College-Sylvania Campus (see Attachment 1). These major destinations are not only a draw for a large employment base, but also serve residents throughout the region.

**Table 4: Study Area Employment by Industry Group in 2010**

Industry Group	Number of Employees
Production, Distribution, and Repair	678
Retail	675
Knowledge Based	5,424
Education and Medical	20,460
Entertainment	1,388
Government	193
Other	3,787
<b>Total Employment</b>	<b>32,605</b>

Source: Oregon Employment Department, 2010.

**Figure 6: Study Area Employment by Industry Group in 2010**

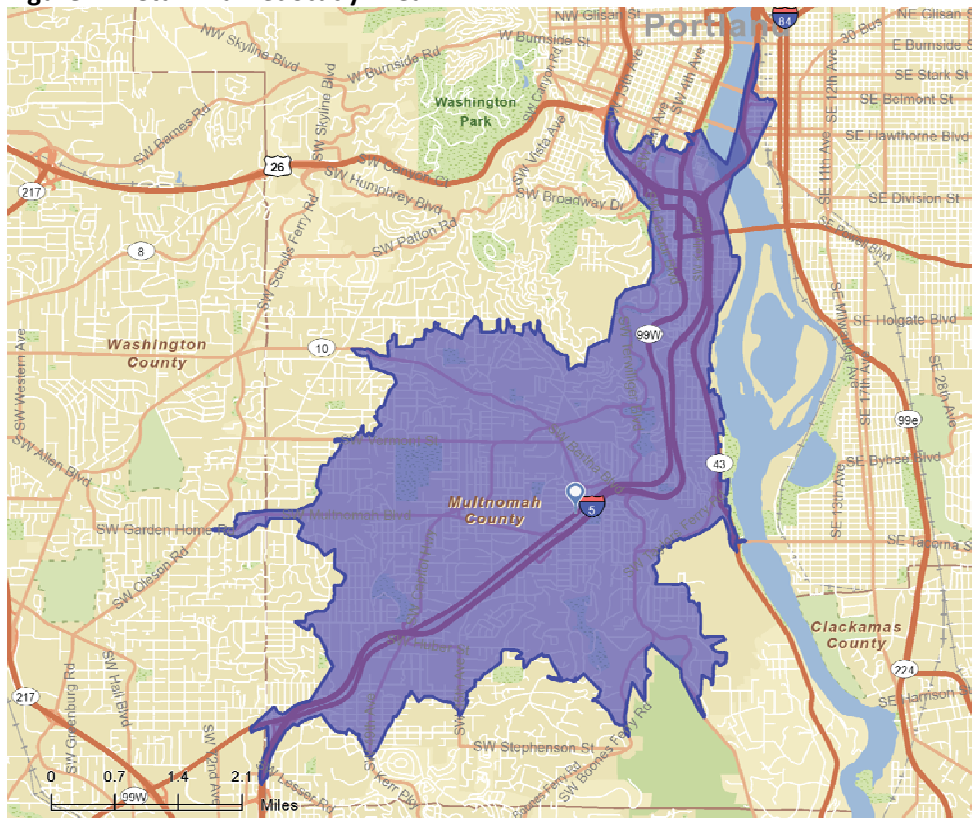


Source: Oregon Employment Department, 2010.

## Retail Market Analysis

For the purposes of the retail market analysis, the Retail Market Study Area geography is identified more broadly as all households that are within a five minute drive time from the center of the corridor (see Figure 4). The majority of retail uses along the Barbur Corridor are 1950s era auto-oriented restaurants. Retail vacancy rates in the Barbur Retail Market Area are slightly higher than vacancy rates in the region and nearly 2 percent higher compared to the City of Portland. Rental rates in the second quarter of 2011 are lower than both the City and the Region which reflects the overall aging retail building stock along the corridor. Retail rental rates topped out around \$24.00 per square foot in 2008 which coincides with the delivery of new ground floor retail space in the South Waterfront. Absorption, which reflects the rental market demand for retail space, remains fairly weak from 2009 through 2011 reflecting the national trend in lower consumer spending during the economic recovery. Current absorption rates remain near a five-year low point that occurred in 2006.

**Figure 7: Retail Market Study Area**



## Retail Demand

A retail leakage analysis was performed to identify the potential demand for retail space along the Barbur Corridor. Leakage analyses demonstrate the amount of consumer spending that is occurring outside of the market area. Leakage analyses examine the amount of household spending within a market area that is being spent outside the area due to a factors such as lack of access to services or retailers, and proximity to competitive retail markets such as regional shopping centers or large format general merchandise stores. This analysis indicates that retail leakage is occurring for nearly all industry groups with the exception of home furnishings, office supplies, full-service restaurants, and

beer/wine/liquor stores (see figure 8). Households within the retail trade area spend over \$200 million on comparison goods per year (goods that consumers buy at infrequent intervals and normally compare prices before buying e.g. TV, clothes, cars) and around \$45 million per year on convenience goods in other retail areas throughout the region.

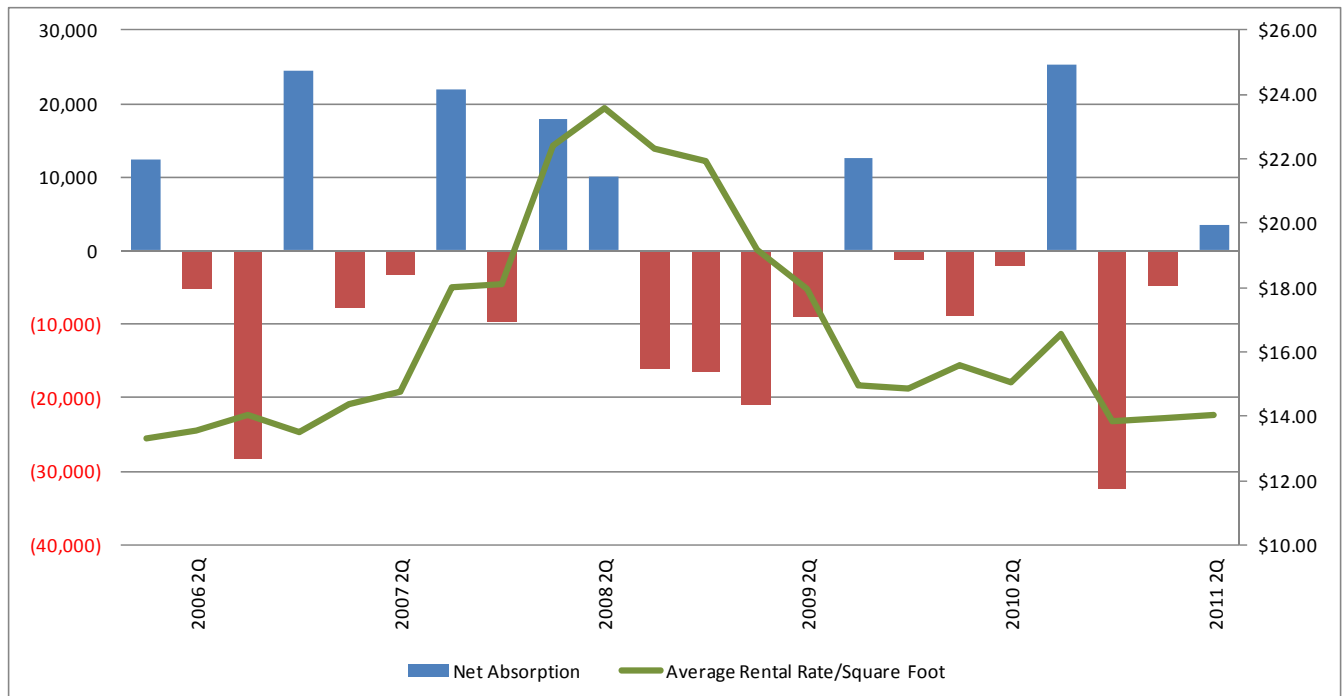
The retail demand summary in Table 4 examines the potential existing demand for retail space in the Barbur retail market area as well as estimates the potential future demand for retail based on household projections for the Barbur Corridor in 2035. The household projections are based on the MetroScope model and estimate that there will be nearly 21,000 new households added to the area by 2035. This projected growth in households alone could generate demand for over one million square feet of new comparison good retail space and over 600,000 square feet of convenience good retail space. The projected retail demand for comparison and convenience goods will likely be met through existing and new regional retail as well as new local serving retail. The strongest market opportunities for retail along the Barbur Corridor will likely be for convenience goods that meet the daily and weekly needs of existing and future residents.

**Table 5: Total Retail Market Supply Statistics, Second Quarter 2011**

	# of Buildings	Total Retail SF	Total Vacant SF	% Vacant	YTD Net Absorption	SF Under Construction	Average Rental Rate
Barbur Market Area	121	1,669,059	107,649	6.4%	(1,252)	0	\$14.05
City of Portland	5,371	53,734,020	2,561,101	4.8%	(55,800)	3,770	\$16.03
Portland Region	9,604	113,172,701	6,788,748	6.0%	6,082	520,427	\$16.46

Source: CoStar, 2011.

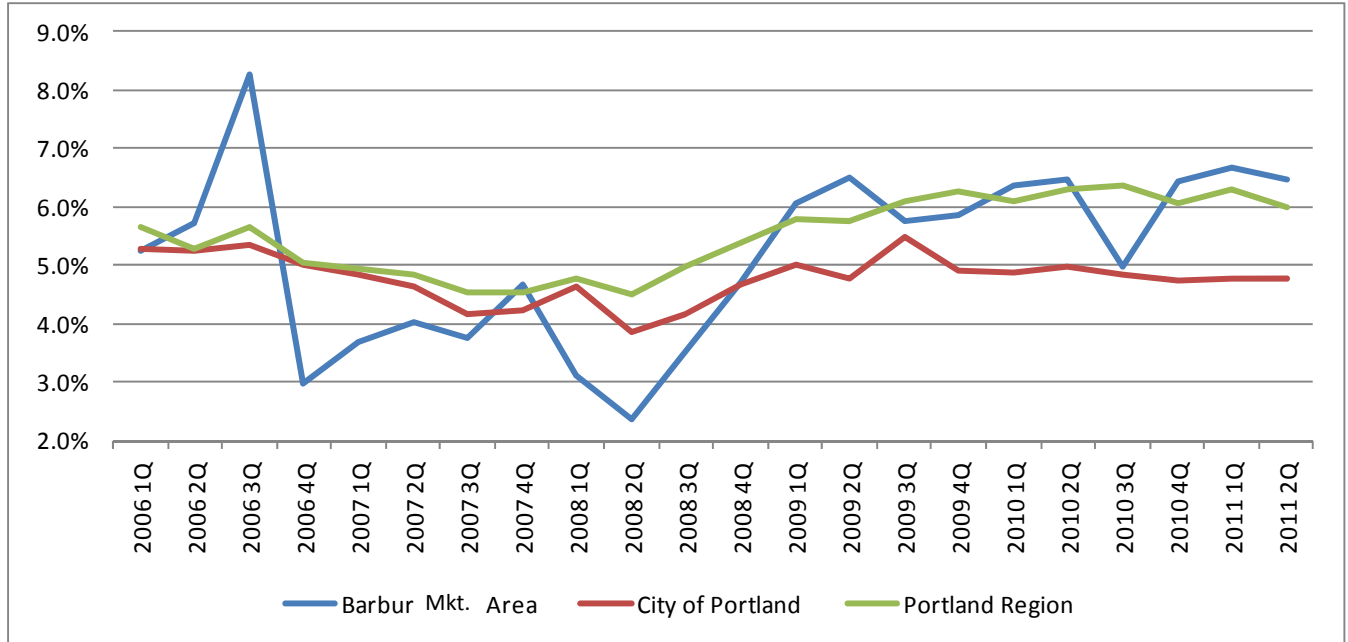
**Figure 8: Barbur Retail Market Study Area Rental Rates and Net Absorption Trends**



Source: CoStar, 2011; Urban Works Real Estate, 2011.

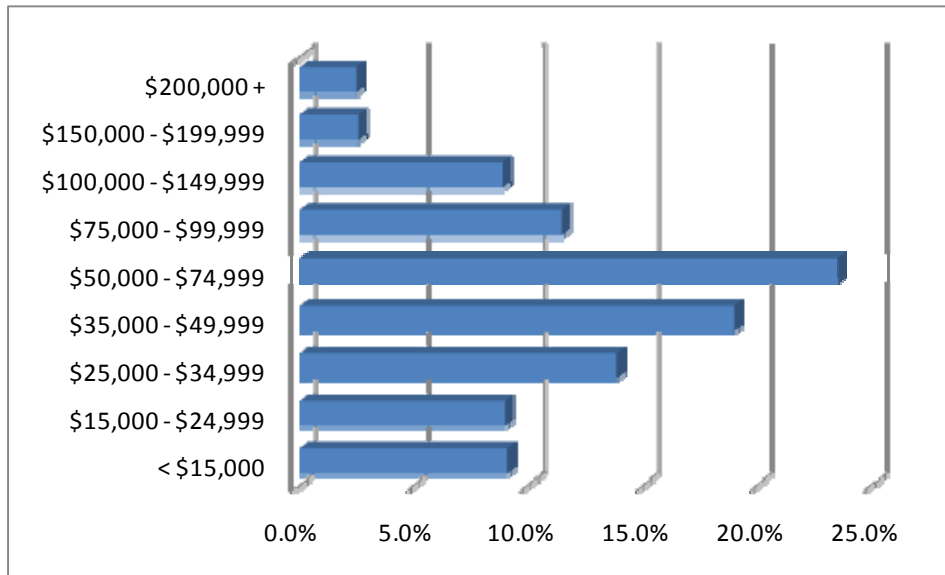


**Figure 9: Retail Vacancy Rate Trends**



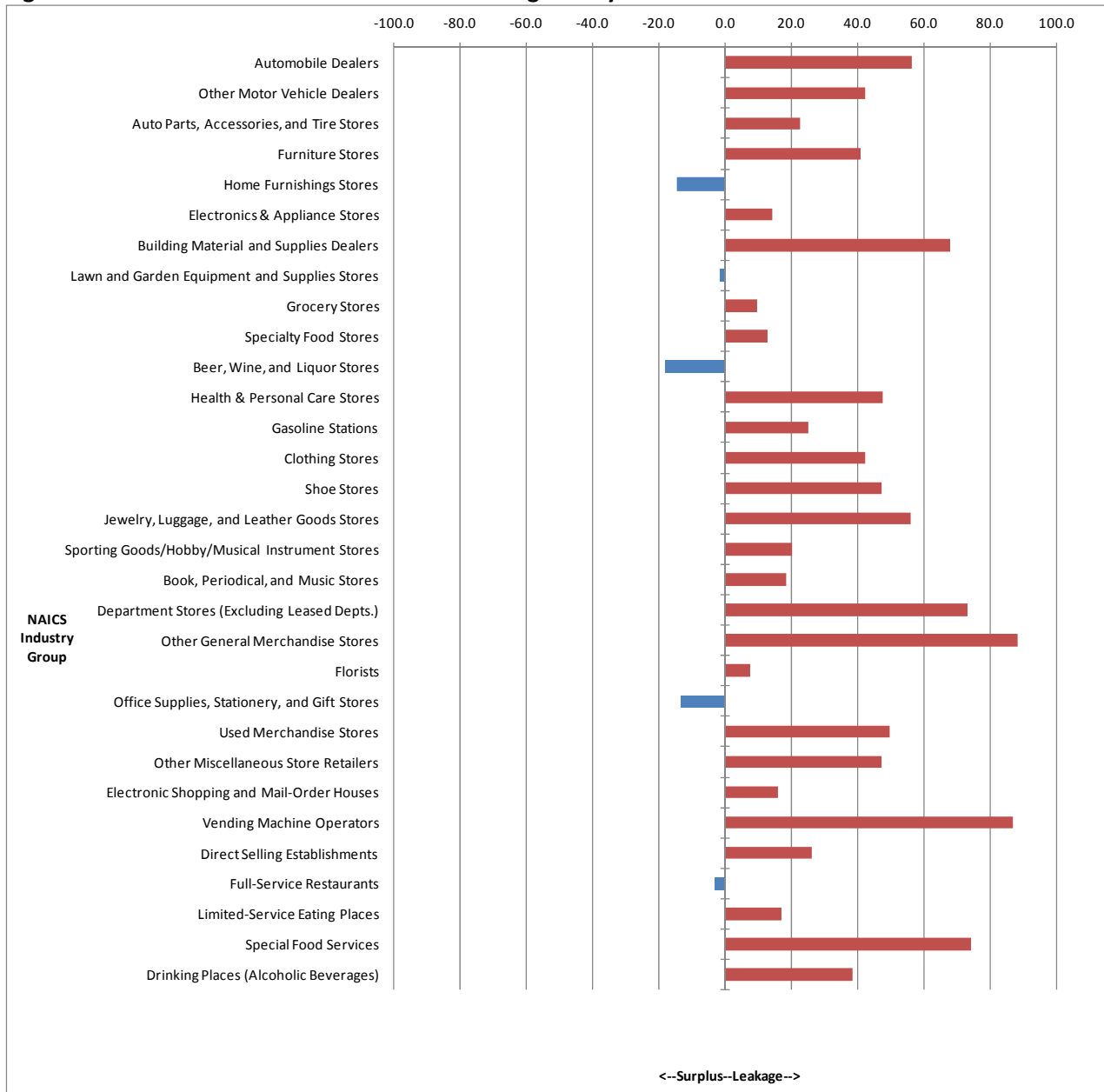
Source: CoStar, 2011.

**Figure 10: Barbur Retail Market Area Households by Disposable Income in 2010**



Source: ESRI Business Analyst, 2011.

**Figure 11: Barbur Retail Market Area Retail Leakage Analysis**



Source: ESRI Business Analyst, 2011.

**Table 6: Barbur Market Area Retail Demand Summary**

	Retail Category	Existing Demand (Retail Potential)	Existing Supply (Retail Sales)	Existing Unmet Demand	Existing Unmet Demand SF	Potential Future Demand SF 2035*
Comparison Goods	Apparel					
	Clothing Stores	\$19,798,221	\$7,993,084	\$11,805,137	59,026	102,479
	Jewelry, Luggage, and Leather Goods Stores	\$2,510,388	\$708,137	\$1,802,251	9,011	12,994
	Shoe Stores	\$3,245,734	\$1,158,609	\$2,087,125	10,436	16,800
	Auto					
	Automobile Dealers	\$105,457,132	\$29,397,299	\$76,059,833	304,239	436,692
	Other Motor Vehicle Dealers	\$9,788,271	\$3,967,537	\$5,820,734	23,283	40,533
	Auto Parts, Accessories, and Tire Stores	\$11,106,812	\$6,993,887	\$4,112,925	16,452	45,993
	Home Furnishings					
	Furniture Stores	\$11,880,595	\$4,966,763	\$6,913,832	30,728	54,663
	Home Furnishings Stores	\$6,428,561	\$8,602,096	-\$2,173,535	-9,660	19,918
	Home Improvement					
	Building Material and Supplies Dealers	\$18,130,935	\$3,475,518	\$14,655,417	48,851	62,566
	Lawn and Garden Equipment and Supplies Stores	\$686,699	\$710,917	-\$24,218	-81	2,289
	Specialty Retail					
	Sporting Goods/Hobby/Musical Instrument Store	\$4,751,678	\$3,138,576	\$1,613,102	8,066	24,596
	Book, Periodical, and Music Stores	\$3,571,259	\$2,465,886	\$1,105,373	5,527	18,485
	Florists	\$548,495	\$470,164	\$78,331	392	2,839
	Office Supplies, Stationery, and Gift Stores	\$2,775,740	\$3,637,913	-\$862,173	-4,311	10,057
	Used Merchandise Stores	\$868,751	\$292,503	\$576,248	2,881	4,497
Other Miscellaneous Store Retailers	\$6,389,730	\$2,299,410	\$4,090,320	20,452	33,074	
Electronics & Appliance Stores	\$16,793,696	\$12,651,614	\$4,142,082	20,710	86,927	
General Merchandise						
Department Stores Excluding Leased Depts	\$40,125,787	\$6,186,632	\$33,939,155	104,428	127,814	
Other General Merchandise Stores	\$41,785,922	\$2,603,382	\$39,182,540	120,562	133,102	
Convenience Goods	Grocery					
	Grocery Stores	\$103,814,983	\$85,614,880	\$18,200,103	48,534	286,594
	Specialty Food Stores	\$3,891,253	\$3,000,324	\$890,929	2,546	11,510
	Beer, Wine, and Liquor Stores	\$3,989,324	\$5,768,583	-\$1,779,259	-5,931	7,835
	Health/Personal Care					
	Health & Personal Care Stores	\$13,798,062	\$4,902,701	\$8,895,361	32,347	51,943
	Restaurants/Entertainment					
	Full-Service Restaurants	\$42,313,993	\$45,209,695	-\$2,895,702	-8,273	116,883
Limited-Service Eating Places	\$33,901,282	\$24,117,829	\$9,783,453	27,953	100,274	
Special Food Services	\$8,701,543	\$1,280,144	\$7,421,399	29,686	36,033	
Drinking Places - Alcoholic Beverages	\$8,690,239	\$3,851,545	\$4,838,694	13,825	25,704	

**Office Market**

The office market was analyzed for the one half mile buffer around the Barbur Corridor (see Attachment 1). Office based industries located along the Barbur Corridor benefit from location advantages that are unique within the region. A relatively high concentration of knowledge based industries, specifically professional services and FIRE (Finance, Insurance, and Real Estate), can be attributed to the location advantage of proximity to the Central City. These firms that occupy office space along the Barbur Corridor benefit from the proximity to the Central City while simultaneously benefitting from lower lease rates along the Babur Corridor.

Lease rates along Barbur remain lower than both the City of Portland and the region (Table 5). Additionally, lease rates remain lower than much of the vacant office space in suburban communities. As of the second quarter 2011, the average yearly lease rate for office space in the Barbur Corridor was \$18.14. This average rate reflects the diversity of office building types throughout the Barbur Corridor.

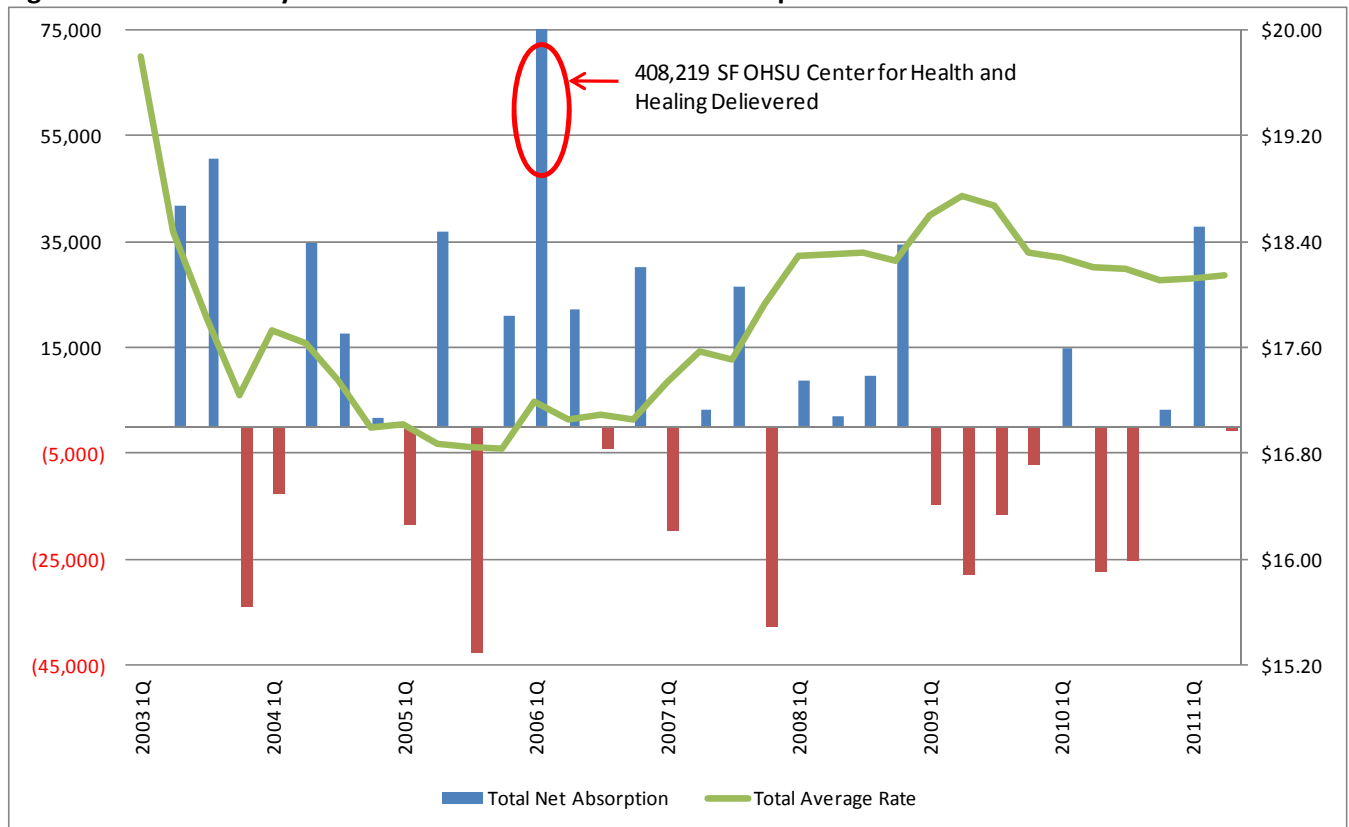
For example, newer class A and class B office space located in John’s Landing commands higher rates ranging from \$20.00/sf to upwards of \$25.00/sf per year while older class B and C office space located directly adjacent to Barbur ranges from \$10.00/sf to \$17.00/sf. The class B and C office space located along Barbur is typically 2-4 story built in the late 1970s through the mid 1980s.

Office vacancy rates for the Barbur Corridor have mirrored those of the Portland Region over the last five years (Figure 10). Both the region and the corridor saw a 12 percent vacancy rate in the second quarter of 2011. Barbur Corridor vacancy rates have fluctuated consistent with city-wide rates but have also remained 1-2 percent higher for every quarter since 2003. Vacancies in the office market were at their highest rate at the end of 2010 and have decreased slightly since that time.

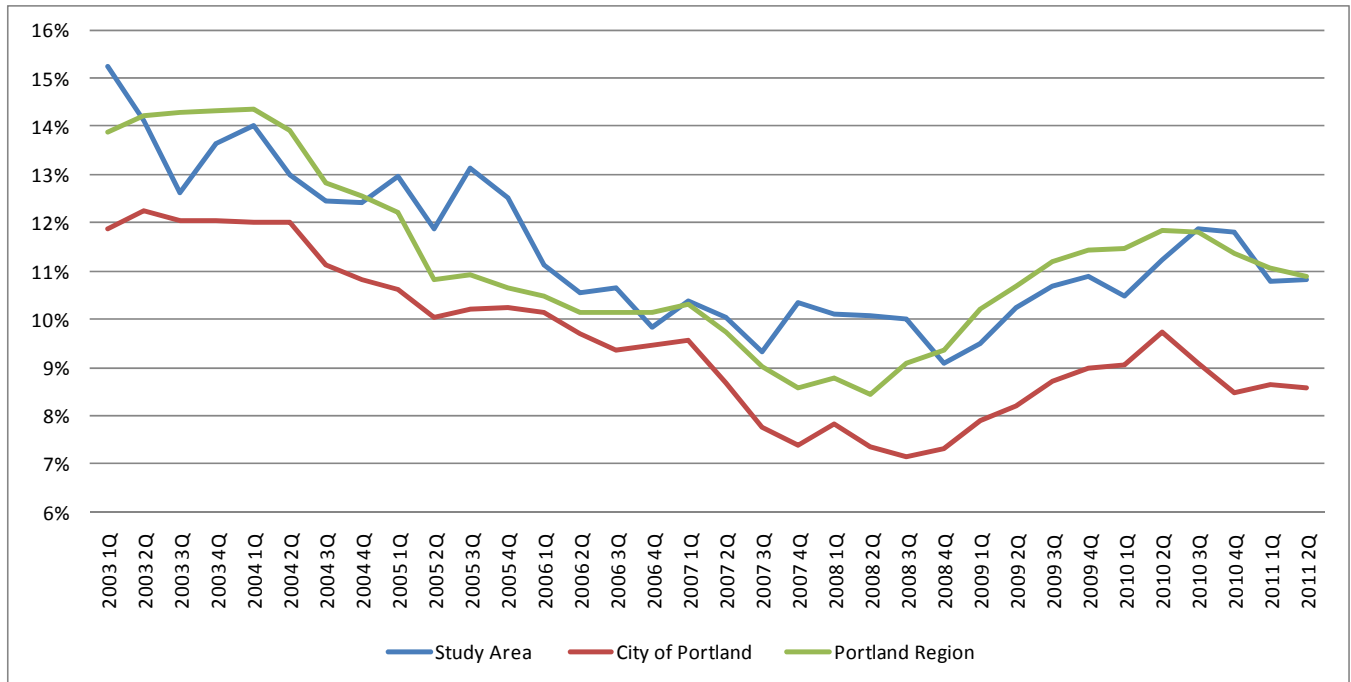
**Table 7: Total Office Market Statistics, Second Quarter 2011**

	# of Buildings	Total Office SF	Total Vacant SF	% Vacant	YTD Net Absorption	SF Under Construction	Average Lease Rate
Barbur Study Area	214	3,748,180	405,148	10.8%	37,206	0	\$18.14
City of Portland	2,686	55,577,504	4,760,843	8.6%	(68,364)	383,460	\$20.03
Portland Region	5,090	93,952,318	10,245,468	10.9%	471,489	716,929	\$19.23

**Figure 12: Barbur Study Area Office Rental Rates and Net Absorption**



**Figure 13: Office Vacancy Rate Trends**



**Office Demand**

As the office market along the Barbur Corridor matures through 2035, it is important to understand the implications that investment may have on affordability for current tenants. While proximity to the Central City and access to the regional freeway and highway network contribute to site location decisions of firms throughout the corridor, affordability also plays a significant role. In a competitive regional office market firms choose to locate along Barbur both for location attributes as well as affordability.

The introduction of high capacity transit may increase the demand for office space along Barbur and provide a unique opportunity to meet the demand for close in class B office space. Recently completed projects in the Central City and the South Waterfront indicate that the market in these areas will continue to deliver higher premium class A office space. The Barbur Corridor has the potential to accommodate more affordable class B office space that is served by transit and is still affordable relative to Central City office space.

Projected employment growth for the Barbur Corridor is summarized in Table 5. The majority of employment growth, over 70 percent of new jobs in the Barbur Corridor, is projected to occur in consumer, health, and business services industries. The most significant growth within these industries is likely to occur in educational services, health care and social assistance, finance, and professional and technical services. The projected employment growth within these industries has potential dramatic land use implications for the accommodation of employment growth within the corridor.

The projected employment growth in educational services and health care reflects the major health and educational institutions that are located along the Barbur Corridor (Attachment 1). Institutions such as Oregon Health and Science University and Portland Community College-Sylvania have land needs for expansion that are oftentimes unique and include development that needs to occur on or near the campuses in addition to satellite uses that can locate in other locations along the corridor. Firms that see agglomeration benefits from locating near these institutions also drive office demand both within and outside of education and health industries.

The majority of jobs within the financial, professional, scientific, and technical services industries are office based jobs. The significant amount of projected job growth in these industries demonstrates the potential future demand for office space throughout the Barbur Corridor.

**Table 8: Office Demand Summary**

Industry	2010 Jobs	Est. 2035 Jobs	Est. 2035 Office Job Growth	Potential Future Demand SF 2035
Agriculture and Forestry	3	3	-	-
Construction	1,000	850	-	-
Manufacturing	268	457	19	5,672
Transportation, Warehousing, Utilities	78	2,172	523	157,013
Wholesale Trade	332	277	-	-
Retail Trade	1,843	2,364	26	7,821
Finance, Insurance, Real Estate*	2,119	8,572	6,130	1,839,147
Consumer, Health, Business Services	26,959	42,292	7,667	2,299,972
All Jobs	32,602	56,988	14,365	4,309,625

Source: CoStar, 2011; MetroScope 2010

Note: Assumes 300 s.f of office space per office employee

\* Projection totals for this industry group are likely to be corrected to reflect a lower job growth rate as the employment projection model is updated for accuracy.

### Transit Oriented Employment

The relationship between access to employment by transit and transit's mode share are highly connected. Research performed by the Center for Transit Oriented Development has shown that while work-related trips total just fewer than 20 percent of all trips by all modes of transportation, they are the largest category of trips by transit, comprising 59 percent of total transit trips.<sup>2</sup> Employment density and linking transit networks to concentrated employment hubs are also indicators of transit's ability to capture a higher portion of commute trips. Research has also shown that office based employees who work within a half mile of high capacity transit stations are three times more likely to commute by

<sup>2</sup> Center for Transit Oriented Development, TOD 202: Transit-Oriented Development and Employment, 2008.

transit than their counter parts whose places of employment are located further away from these stations.<sup>3</sup>

## Conclusion

The introduction of more frequent transit service will increase the capacity to accommodate the projected employment growth within health/education and office based industries along the Barbur Corridor. Recent research has shown that some industry sectors have a greater affinity for transit accessible locations when making site decisions.<sup>4</sup> For example, around 36% of jobs nationally in Professional, Scientific, and Technical services are located within a half mile of a transit station. While transit areas have shown overall employment gains between 2002 and 2008, the Health Care and Social Assistance sector performed extremely well in these locations and grew by 10 percent in this time period. Additionally, jobs in Finance, Insurance, and Real Estate have a strong affinity to locate in transit-rich locations.<sup>5</sup> The majority of job growth projected for the Barbur Corridor is expected to occur in these industries that have an affinity to locate in areas that are well served by transit.

It is clear that both employers and workers in these industries are increasingly realizing the benefits of locating in transit-rich areas. A focused investment strategy to guide employment opportunities near transit with the introduction of more frequent service along the Barbur Corridor could achieve multiple economic development and general livability objectives including:

- Accommodate future job growth by providing the capacity for desirable and affordable commercial development in transit-rich locations
- Increase the employment base of the City of Portland
- Increase transit ridership and reduce greenhouse gas emissions
- Increase transit access to locations throughout the region
- Promote a more compact urban form that with better access to jobs, housing, retail and services
- Locating employment near transit will likely generate a higher share of transit trips; nevertheless, a holistic approach to station area planning inclusive of neighborhood amenities, neighborhood serving retail and community services is integral to creating communities of value.

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<sup>3</sup> Cervero, Robert, Alternative Approaches to Modeling the Travel-Demand Impacts of Smart Growth, Journal of the American Planning Association

<sup>4</sup> Center for Transit Oriented Development, Transit and Regional Economic Development, 2011.

<sup>5</sup> Ibid

**Attachment 1 – Barbur Corridor Study Area Boundary and Major Destinations**

