



# Lake Oswego Market Analysis Update

## November 2020



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## Introduction and Summary

This report updates the Retail Market Analysis completed for the City of Lake Oswego by Marketek in 2012 and published in January 2013. The main objective is to understand the status of the current retail base, key changes since 2012, and expected long-term impacts from the COVID-19 pandemic.

### Approach

- Demographic analysis of Lake Oswego Retail Market Area;
- Statistical estimates of potential supportable retail space;
- Site visits to and updated inventory of Lake Oswego’s main shopping areas (Downtown, Lake Grove Village Center, Mountain Park, McVey area);
- Interviews with selected business owners/retail brokers representing Lake Oswego properties; and,
- Retail trend snapshot and identification of long-term COVID impacts.

### Key Findings

- Lake Oswego market continues to be dominated by grocery-anchored neighborhood centers and is significantly under-retailed for general and specialty retail.
- Restaurant and non-retail uses dominate retail space throughout town. Kruse Village is a case in point with a business mix that includes: 14 health/wellness; 11 restaurants/food service; 3 office and 1 traditional retailer.
- Several neighborhood and strip centers – e.g., Oswego Village, Country Square and Palisades- have a high vacancy rate (>20%). The numerous strip centers in Lake Grove Village are well-occupied in part due to lower rents.
- Demographic and retail demand changes over the last eight years appear below.
- While e-commerce purchases are fast-rising in part due to the pandemic, there remains good demand for unique, local brick and mortar retail. Smaller footprints will be in demand.
- The retail sales gap or leakage for grocery sales within a ten-minute drive from the former Palisades Market is sizable at \$26.3M for Grocery Stores and \$12.6M for Specialty Food Stores.
- COVID-related business shutdowns will continue until a vaccine is widely available. Post-COVID, successful storefront retail will fill niches in: specialty retail, dining and entertainment.
- Yet, large national chains and box stores who have pivoted successfully to a hybrid storefront/online model emphasizing safe shopping are here to stay. Target and Walmart are noteworthy examples.
- Highlights of key demographic retail demand factors comparing 2012 to 2020 findings are below.

	2012	2020
<i>Population (market area)</i>	120,356	130,373
<i>Income (market area)</i>	\$79,252 median household	\$107,781 median household
<i>Retail Leakage - Consumer Spending outside market area</i>	\$423M or 1.97M SF	\$753M or 2.28M SF
<i>Key Retail Space Additions (City of LO)</i>		115,000 square feet-SF (top additions: Windward, Kruse Village)
<i>Business Mix</i>		<b>Growth:</b> Food, health/fitness, pet-related, professional service, one-of-a-kind stores/dining <b>Decline:</b> Traditional/specialty retail

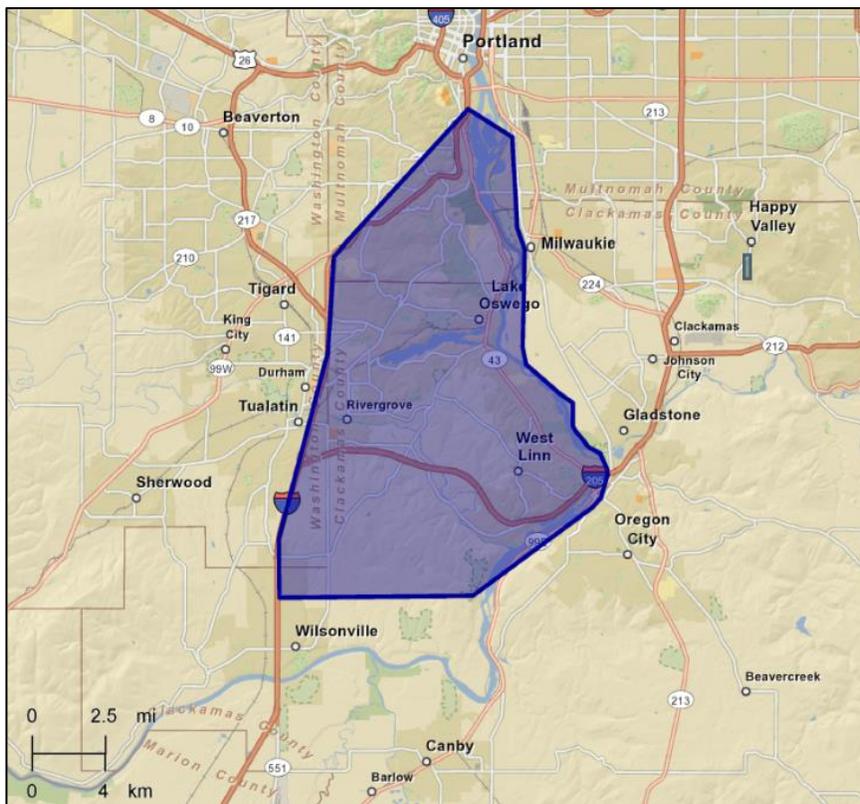
## Target Market Analysis Update

Lake Oswego’s primary target consumers for retail, services, restaurants, and entertainment include local residents and area employees. Visitors and business travelers comprise secondary markets. This section provides an updated characterization of the size and features of prime target markets with selected comparisons to 2012 figures.

### A. Local Resident Shoppers

The Retail Market Area, a custom-drawn area delineated by Marketek for 2009 and 2012 retail studies, is based on the patronage of existing businesses, Lake Oswego’s location within the region, its competitive assets, geographic and man-made boundaries and drive-time estimates (Map 1). Market area residents and employees provide Lake Oswego with the greatest opportunity for a dependable source of *year-round* sales. Key demographic characteristics for the Lake Oswego Retail Market Area are provided in Exhibit 1, with highlights in the bullets that follow. For a full picture of demographic data, see Appendix A.

Map 1. Lake Oswego Retail Market Area



#### Population

- As of 2020, the Market Area population is estimated to be 130,373, with an average annual growth rate of 0.85% since the 2010 census. The area is projected to continue to grow, at 0.96% annual rate through 2025. Similarly, growth estimates for the City of Lake Oswego are (0.9%), while estimates for Portland MSA and Oregon are higher over the same period, at 1.3% and 1.1% respectively.

- Average household size in the Market Area has remained at 2.34 since our last update. This is smaller than the average household size of Portland MSA (2.53) and Oregon (2.47). Meanwhile, the City of Lake Oswego's average is smaller still at 2.28.

### **Income**

- As of 2020, the median income the Market Area is \$107,781, reflecting marked growth from 2012's estimate of \$79,252. The 2020 median income is well above the MSA's (\$77,838) and the State's (\$63,776), but still below the City's (\$121,540). Of note is that the City of Lake Oswego's 2020 median income is nearly double the State's. The substantial income growth is in part attributed to the strong and sustained economic expansion after the Great Recession during which U.S. incomes declined by 8%.

### **Age**

- Both Market Area and City residents trend older, with an especially large population in the 55-64 age cohort (15.7% and 18.4% respectively) compared to the Portland MSA (12.7%) and Oregon (13.4%). In 2020, the median age of Market Area residents is estimated at 43.6, up from 2012's estimate of 41.9. City of Lake Oswego residents trend older with the median age at 48.4.

### **Racial and Ethnic Composition**

- Most Market Area residents are white (85.7%) and non-white residents total 14.3%. People who identify their origin as Hispanic, Latino or Spanish may be of any race and total 6.4%. The census separates this question from the race question and so Hispanic residents should not be added to the total. Over the last eight years, only small increases in non-white market area residents have occurred.

Exhibit 1. Demographic Snapshot

DEMOGRAPHIC SNAPSHOT				
City of Lake Oswego, Lake Oswego Market Area, Portland MSA and State of Oregon				
2020				
Demographic Indicator	City of Lake Oswego	Retail Market Area	Portland MSA	State of Oregon
Population				
2020 (estimate)	39,144	130,373	2,533,321	4,281,589
2025 (forecast)	40,909	136,636	2,698,149	4,517,043
Avg. Ann. % Change ('10 to '20)	0.71%	0.85%	1.53%	1.31%
Avg. Ann. % Change ('20 to '25)	0.90%	0.96%	1.30%	1.10%
Households				
2020 (estimate)	17,044	54,777	984,367	1,695,625
2025 (forecast)	17,832	57,364	1,047,773	1,788,978
Avg. Ann. % Change ('10 to '20)	0.76%	0.87%	1.49%	1.29%
Avg. Ann. % Change ('20 to '25)	0.92%	0.94%	1.29%	1.10%
Average Household Size	2.28	2.34	2.53	2.47
Median Household Income	\$121,540	\$107,781	\$77,838	\$63,776
Median Age (Years)	48.4	43.6	38.4	40.0
Race				
Percent White Alone	86.7%	85.7%	77.2%	80.3%
Percent Other Race/2+ Races	13.3%	14.3%	22.8%	19.7%
Percent Hispanic	4.6%	6.4%	12.6%	13.7%
Homeownership	70.5%	67.0%	61.4%	60.8%
Educational Attainment				
Associate Degree	4.7%	6.1%	9.3%	9.3%
Four Year Degree or More	71.9%	65.4%	38.7%	34.4%

Source: ESRI BIS, Marketek, Inc.

## Tapestry Segmentation

To add dimension to basic demographics, Marketek also summarized the tapestry or lifestyle segmentation of the Retail Market Area, which has shifted only slightly since 2012. A newer group of young professionals (Emerald City) now take the top spot. The top 5 segments listed below represent 62.1% of area households. For a more comprehensive look at the top 10, see Appendix B. For the City of Lake Oswego proper, the top lifestyle categories are: Exurbanite (21.9%), Urban Chic (20.2%), Golden Years (17.7%), Top Tier (11%) and Emerald City (10.3%) totaling 81% of all households.

*Exhibit 2. Tapestry Segments*

TOP FIVE TAPESTRY MARKET SEGMENTS				
Lake Oswego Market Area				
2020				
Segment	% of Hholds	Hhold Type	Median Income	Consumer Preferences & Purchases
Emerald City	16.0%	Single Persons/ Shared Hholds	\$59,200	Young singles or nonfamily cohabitants with well-paying jobs. They are highly connected, using the Internet for work, entertainment, purchases, learning and communication. They are health and environmentally conscious, and travel frequently (domestically and abroad).
Urban Chic	15.4%	Married couples/ Singles	\$109,400	White-collar professionals with exclusive, sophisticated lifestyles, members of these households are avid readers and moviegoers, environmentally active, tech-savvy and financially stable.
Savvy Suburbanites	12.7%	Married couples/ Empty nesters	\$108,700	Well-educated and well-read, these families include empty nesters and married couples with older or adult children still living at home. Their lifestyle includes home remodeling and garden, food and wine, sports/fitness and enjoying the city's cultural events.
In Style	9.4%	Singles/ Couples without children	\$73,000	Professional couples or singles, often without children, who have the time to focus on their homes and hobbies. Lifestyle includes support of the arts/theater/museums, travel, and reading.
Exurbanites	8.6%	Empty nesters/ Couples w/out children	\$103,400	College-educated and more likely to be self-employed or work from home, these households are approaching retirement but maintaining an active lifestyle emphasizing fitness, community involvement, and charitable giving. They are well-connected and tech-savvy and prioritize quality over price.

**Top 5 Total      62.1%**

## B. Employees

Employees working in Lake Oswego remain an important captive market for retail, services and entertainment businesses, with national research indicating that office workers typically spend between 10 and 15 percent of their expendable income in or near their places of work.

In 2020, within the City limits are an estimated 2,149 businesses employing 27,838 employees. The largest share of workers is in the services industry (58.8%), followed by finance/insurance/real estate (14.5%) and retail trade (11.5%). Comparisons to 2012 data are not available as a different geography was utilized.

*Exhibit 3. Businesses and Employment*

BUSINESSES AND EMPLOYMENT				
City of Lake Oswego				
2020				
Industry	Businesses		Employees	
	#	%	#	%
Agriculture & Mining	28	1.3%	239	0.9%
Construction	83	3.9%	390	1.4%
Manufacturing	55	2.6%	2,347	8.4%
Transportation	35	1.6%	319	1.1%
Communication	11	0.5%	83	0.3%
Electric/Gas/Water/Sanitary Services	3	0.1%	8	0.0%
Wholesale Trade	54	2.5%	326	1.2%
Retail Trade	289	13.4%	3,196	11.5%
Finance/Insurance/Real Estate	450	20.9%	4,043	14.5%
Services	858	39.9%	16,357	58.8%
Government	30	1.4%	479	1.7%
Other	253	11.8%	51	0.2%
<b>Total Employment</b>	<b>2,149</b>	<b>100.0%</b>	<b>27,838</b>	<b>100.0%</b>

Source: ESRI BIS, Marketek, Inc. based on InfoGroup business database including home-based businesses where public information is available.

## Retail Supply Update

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Marketek conducted a walking and drive-by survey and online research of ground floor businesses of the Lake Grove/Kruse Way, Mountain Park, Downtown Lake Oswego and McVey shopping areas to identify significant changes in Lake Oswego's ground floor business mix/inventory since 2012. Selected shopping center managers were also contacted. Key observations are summarized below.

### Lake Grove Village Center

- Market Position: Convenience shopping, dining and service center
- Spurred in part by implementation of Lake Grove Village Center Urban Renewal Plan the most significant changes to this commercial corridor include:
  - Development of the Kruse Village neighborhood-serving shopping center- the addition of 62,000 square feet of retail space.
  - Redevelopment of the Mercantile Plaza (underway) as mixed-use residential/commercial 'Mercantile Village;' many businesses at the Plaza relocated elsewhere.
- Most prominent retail intersection remains is Boones Ferry and Bryant Roads anchored with two grocers.
- Several aging/older small strip centers that are well occupied with basic professional services and a wide variety of moderately priced restaurants with relatively low lease rates.
- Prevalent services: health, beauty and wellness; educational/tutoring; pet-related
- Occupancy overall is high though many businesses had reduced hours or appointment-only window signs due to the pandemic.
- A preponderance of single-story and free-standing commercial structures. Newer buildings are the exception. (Hasson, Wells Fargo, Mortgage Co.)
- Restaurants dominate retail (30 est'd) with only a small number of specialty retailers: e.g., Naomi's, Accent Lighting, Healthy Pet

### Southwest Employment Area (SWEA)

Within the industrial SWEA are several retail spots and notable retail changes. At the intersection of SW Jean Road and Pilkington are two small neighborhood strip centers that stay largely occupied. In early 2020, Wilco Farm Store opened at the corner of Jean Way and Boones Ferry taking the space vacated by the Walmart Neighborhood Market. A new commercial building on Willow Lane off Pilkington features a new bakery.

### Mountain Park

This shopping area at the base of the Mountain Park community on Boones Ferry Road incorporates an estimated 188,380 square feet of built space and is principally organized as the Oswego Towne Square Shopping Center. The physical space is largely unchanged from 2012. New Seasons, Columbia Sportswear and DMV anchors are significant traffic generators. Long time tenant Hanna Andersson recently vacated but the leasing agent reports the space is not expected to idle for long. Monkey Subs just opened (11/20). Smaller spaces as found in this center are the most popular/stable and fitting for today's retail needs.

## **Downtown**

The Lake Oswego downtown area includes the State Street corridor from McVey Avenue south to D Avenue north and A Avenue from 6<sup>th</sup> Street to State including adjacent commercial blocks on B Avenue. A Avenue and First Street make up the retail spine with the current identity of B Avenue as a service/office corridor. The North Anchor project development may spur a transition to additional retail. Presently, there are approximately 790,000 square feet of ground floor building space within this district.

- Several long-time retail anchors closed: E.g., Grahams Stationery and Books, Accessories of the Heart, Bernard's Chocolates, Chuck's Place, Sur La Table, Tuesday Mornings. Space repurposing has also occurred with Kyra's Bakeshop (former nursery) and Duke's Public House (former Firestone) as examples.
- Vacancies are on the rise reflecting in part due to the loss of key retailers noted above.
- The most significant retail/commercial space addition is the Windward adding 43,000 SF. The recently opened Beacon Bldg. brings 2,200 SF of retail, but will be occupied largely by office users. Oswego Village (anchored by 365 grocer) has undergone a major renovation which markedly enhances the image and vitality of this center for the long term. Several smaller tenants relocated (nail salon) or closed (Subway) and current vacancy is at 27%

Taken as a whole, downtown's ground floor vacancy rate is in the 12-15% range above the 4.8% reported in 2012.

## **McVey Corridor**

At the intersection of McVey Avenue and South Shore Boulevard are two gas/service stations and three small strip shopping centers: McVey Crossing, Palisades Place and Palisades Market. Until the 28,000 square foot space vacated by Lamb's Palisades Market is filled, it will be challenging to attract tenants to other available space in that center. The current vacancy rate is estimated to be 27% up from 6.9% in 2012.

## **Mary's Woods**

Mary's Woods Village Square on Highway 43 is the name for the addition of three commercial buildings in 2019 (40k SF total). Anchored by Providence Medical, a fitness center and other medical office, some of the space is being actively marketed for retail. The Reis Building offers 7,926 SF of storefront retail with about 19% or 1,500 SF available and leasing at \$27/SF.

Exhibit 4. Retail Supply in Lake Oswego

RETAIL SUPPLY IN LAKE OSWEGO BY AREA					
November 2020					
Name & Location	Key Tenants	Total Sq Ft Street level	Vacancies, % Vacant	SF/lease rate (NNN)	Website / Source
<b>Downtown Area - 798,193 SF est.</b>					
<b>Lake Place</b> 333 South State Street	Petco, UPS Store, Trainer's Club, Nicoletta's, 7 other specialty	28,000 (est.)	4 vacancies- 5,380 SF total = 18%	\$24-\$29	<a href="https://www.cra-nw.com/assets/documents/properties/flyer/Lake%20Place.pdf">https://www.cra-nw.com/assets/documents/properties/flyer/Lake%20Place.pdf</a>
<b>Lake View Village</b> 310-390 N State Street	Chicos, Peets, St. Honore, mix of retail and small restaurants	50,000	4 vacancies- 10,757 SF total = 21%	\$35-\$40	<a href="https://gramor.com/wp-content/uploads/2013/01/Lake-View-Village-Retail-Leasing-Flyer-2.pdf">https://gramor.com/wp-content/uploads/2013/01/Lake-View-Village-Retail-Leasing-Flyer-2.pdf</a>
<b>Oswego Village</b> 101 S State Street	Whole Foods-365, Ace Hardware, Laughing Planet, Pure Barre	97,520	10 vacancies- 26,439 SF total = 27%	\$28	<a href="https://www.loopnet.com/Listing/101-S-State-St-Lake-Oswego-OR/21179940/">https://www.loopnet.com/Listing/101-S-State-St-Lake-Oswego-OR/21179940/</a>
<b>Windward</b> 140 A Ave	Salt and Straw, Chuckie Pies, Bamboo Sushi, Adorn, Domain Serene, City Home	43,000 of retail/commercial	4 vacancies- 7,298 SF total = 17%	\$36	<a href="https://www.cra-nw.com/assets/documents/properties/flyer/Windward_new.pdf">https://www.cra-nw.com/assets/documents/properties/flyer/Windward_new.pdf</a>
<b>1st Street/Hwy 43</b>	Gemini, LO Dog Shoppe, Lake Twin Cinema, Stickmen Brewing, mix of small retail, services and restaurants, Beacon Blg (B Ave)		Limited: 540 State St (2,040 SF), 417 2nd St. (2,766 SF)	\$15 - \$25	
<b>Country Square</b> 425-485 2nd Street & 148 B Ave, Lake Oswego, OR 97034	Zen Garden Massage, Tada Sushi, Baird's on B, nail salon, yoga, dry cleaner	16,034 (est.)	3 vacancies- 4,515 SF total = 28%	\$25	CoStar; <a href="https://www.barnardcommercial.com/uploads/3/4/0/1/3401014/countrysquareflyer10252020.pdf">https://www.barnardcommercial.com/uploads/3/4/0/1/3401014/countrysquareflyer10252020.pdf</a>

Name & Location	Key Tenants	Total Sq Ft	Vacancies, % Vacant	SF/lease rate (NNN)	Website / Source
<b>Lake Grove Village Center - 852,286 SF est.</b>					
<b>Aldergrove Center</b> 16130 SW Boones Ferry Road	Healthy Pet, Dogtopia, LaBelle Nails, State Farm, Regal Flooring, Pilates, Piper Louie Home+ Design	34,207	0 vacant		
<b>15450 Boones Ferry</b>	Szechuan Kitchen, Hasson Realtors, Salon (2), Spa, Nails, Vision Clinic		0 vacant		
<b>15630 Boones Ferry</b>	Subway, Papa Murphy, Frame shop, Nail Shop		0 vacant		
<b>Boones Ferry (selected free-standing)</b>	Giant, Sherwin Williams, Naomi's Lights, Starbucks, Gubancs, Ricardos, Babica Hen, Malee Thai (small center diagonal from USPO), Albertson's, Round Table Pizza, Wells Fargo, B of A, other banks		0 vacant		
<b>15572 Boones Ferry</b>	Star Teriyaki, Lake Music, Investment and financial advisors, 3 other restaurants		0 vacant		
<b>Kruse Village 4811 - 4871 Meadows Road</b>	Tavern on Kruse, Ava's Coffee, Hair M, Mod Pizza, Barre3, Nekter, BurnCycle	62,000	4 vacancies- 7,800 SF total = 12.5%	\$35+	<a href="https://www.cranw.com/assets/documents/properties/flyer/Kruse%20Village.pdf">https://www.cranw.com/assets/documents/properties/flyer/Kruse%20Village.pdf</a>
<b>Lake Grove Plaza 16066 Boones Ferry Rd</b>	Zen Garden Massage, Pet Grooming, Barber, Auto service, Micro Cars, LuxTan, Car Wash, Teriyaki	18,000 est.	2 vacancies- 6,500 SF total = 35%	\$25-\$28	CoStar
<b>Lake Grove Village Plaza 16380 Boones Ferry Road</b>	Zupans, Rite Aid, Jefe	45,000	1 vacancy- 1,000 SF = 2%	\$30-\$35	
<b>16381 Boones Ferry @ Pilkington</b>	Photo lab, cleaners, LO Wellness, Learning Center, Foot Clinic	10,000 (est.)	0 vacant		
<b>(Vintage) Mercantile Village SW Mercantile Drive</b>	Biscuits, Chase Bank, Natural Healing, Edward Jones, Dental Clinic, Coldwater Banker Real Estate+ nearby Corona Mexican		0 vacant		
<b>New Mercantile Village (4105 SW Mercantile Drive): opening 2021</b>	CVS, St. Jack, Oven and Shaker (most pre-leased)	50,000 total	under construction		<a href="https://www.hsmpacific.com/image_data/properties/pdfs/lake-oswego-mercanti le-village.pdf">https://www.hsmpacific.com/image_data/properties/pdfs/lake-oswego-mercanti le-village.pdf</a>

Name & Location	Key Tenants	Total Sq Ft	Vacancies, % Vacant	SF/lease rate (NNN)	Website / Source
<b>Mountain Park - 188,300 SF</b>					
<b>Oswego Towne Square Shopping Center-</b> 7 Monroe Pkwy	New Seasons, Mud Bay, Columbia Factory Store, Flying Pie Pizza, DMV, Starbucks, Pilates, Little Big Burger, urgent care, pet store, massage	183,380	1 vacancy- 3,949 SF; another by 1/21 = 2%	\$30-32	
<b>The Marketplace at Mountain Park 4</b> Monroe Parkway	Chevron, mix of small retail		2 vacancies- 2,400 SF total	\$16	<a href="http://www.barnardcommercial.com/uploads/3/4/0/1/34010144/marketplaceatmtnparkflyer.pdf">http://www.barnardcommercial.com/uploads/3/4/0/1/34010144/marketplaceatmtnparkflyer.pdf</a>
<b>McVey - 114,300 SF (including freestanding)</b>					
<b>McVey Crossing 1167</b> McVey Ave	Starbucks, Anytime Fitness, Sobek Salon	10,000	1 vacancy- 1,370 SF = 14%	\$23-27	<a href="https://images1.loopnet.com/d2/dv10PTXDBklyjPpXydUG2oYrZ_E267V4xdrNhF3Jg38/document.pdf">https://images1.loopnet.com/d2/dv10PTXDBklyjPpXydUG2oYrZ_E267V4xdrNhF3Jg38/document.pdf</a>
<b>Palisades Marketplace</b> 1355-1399 SW McVey Avenue	Bellagio's Pizza, La Belle Nails (former Palisades grocery)	35,065	2 vacancies- 30,973 SF total = 88%	\$25 & up	<a href="https://www.naielliott.com/apps/website_listings/record/a16c84d5ddc9359757f10bcdd56da9cf/pmpflyer112219emb2.pdf">https://www.naielliott.com/apps/website_listings/record/a16c84d5ddc9359757f10bcdd56da9cf/pmpflyer112219emb2.pdf</a>

*\*Inventory focused on ground floor tenants and vacancies with 2 exceptions: Bairds on B at Country Square and Five Spice at Lake View Village*

## Retail Demand Update

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Marketek updated the estimate of potential demand for retail and restaurant space within the Lake Oswego Retail Market Area. The estimates are based on a multitude of factors including population, income, consumer expenditures/average household spending and lifestyle factors. Using e-commerce retail sales reports from the Census of Retail Trade, Marketek deducted e-commerce sales or spending from brick and mortar retail. Appendix C details the retail supply and demand (or spending potential) by retail categories, leakage and online sales. Appendix D details the category breakdowns. The methodology follows.

### Existing Retail Gap

A retail gap or leakage is found by comparing retail supply (i.e., actual retail sales) with retail demand (i.e., the expected amount spent by market area households based on income and consumer expenditure patterns). When demand outweighs supply, a leakage occurs, indicating that consumers are spending outside of the market area for retail goods or services. While consumers will always do a certain amount of shopping out of the local market area, leakage figure is an indicator of the availability of retail goods and services in the local market. 2020 retail market area leakage (not including e-commerce sales) is estimated at \$753M, up from \$423M in 2012. The sizable growth is directly linked to the addition of 10,000 market area residents and rising household incomes during the last eight years.

The estimate of existing retail supply and demand balance for the Lake Oswego Retail Market Area (Exhibit 5 on the following page) shows sales leakage (demand exceeding supply) in all retail categories. In 2012, three retail categories had sales in excess of demand: Furniture/Home Accessories, Electronics & Appliances and Sporting Goods/Hobbies/Books. Within the summary categories presented in the exhibit are two subsectors that show a potential oversupply: Home Furnishings: \$1.3M and Beer, Wine & Liquor \$16.4M. Note that customers may be supporting affiliated businesses from outside the market area as is most likely the case with the cluster of home furnishings stores along the I-5 corridor off Bonita Road.

Also of note is the significant unmet demand for General Merchandise retail which includes stores like or merchandise offered by Costco, Target and Fred Meyer—all of which exist just outside the market area boundary, and no doubt, are capturing a large portion of consumer spending from the Lake Oswego trade area.

To better understand the scale of market area consumer spending, leakage figures were converted to square feet of store space (Col. 3) based on sales per square foot standards (Col. 2) derived from the Urban Land Institute's *Dollars and Cents of Shopping Centers* and Marketek research of subsector sales.

### Nonstore Retail Sales

In addition to the sales/spending figures in Exhibit 5 is the Nonstore Retailers subsector (454). Establishments in this sector are exclusively electronic shopping enterprises such as Amazon, Newegg and Overstock, as well as mail-order houses, vending machine operators, home delivery sales, and sales through portable stalls (e.g., street vendors, except food). E-commerce divisions of brick-and-mortar companies are included in electronic shopping figures. The latest nonstore retail sales figure available for the market area was \$40M for 2017.

Exhibit 5. Existing Retail Balance: Lake Oswego Retail Market Area, 2020

POTENTIAL DEMAND FOR NEW RETAIL SPACE			
Greater Lake Oswego Retail Market Area			
2020			
Store Type (NAICS- industry code)	Existing Unmet Demand- Leakage (\$)	Target Sales (\$/SF) <sup>1</sup>	Potential Space (SF)
<b>Shoppers Goods</b>			
Home Furnishings (442)	\$3,105,326	\$340	9,133
Electronics & Appliances (443)	\$35,233,585	\$340	103,628
Bldg Materials & Gardening (444)	\$72,785,781	\$350	207,959
Apparel & Accessories (448)	\$65,900,792	\$370	178,110
Sporting Goods, Hobby, Book & Music (451)	\$22,313,381	\$216	103,303
General Merchandise Stores (452)	\$298,357,647	\$320	932,368
Miscellaneous Specialty Retailers (453) (florist, office supplies, gift stores, etc.)	\$57,200,574	\$216	264,817
<b>Restaurants (722)</b>	\$96,306,382	\$460	209,362
<b>Convenience Goods</b>			
Food & Beverage Stores (445)	\$40,553,105	\$390	103,982
Health & Personal Care (446)	\$61,698,332	\$365	169,037
<b>Estimated Supportable Square Footage</b>			<b>2,281,699</b>

(1) Based on ULI Dollars & Cents of Shopping Centers, ICSC, Marketek  
Sources: ESRI, U.S. Census of Retail Trade, ULI, Marketek

### Grocery Demand

The City expressed interest in learning about potential for additional grocers, particularly after the loss of Palisades Market Place in fall 2019. This closure was part of the shut down by the Bales/Lamb's independent operator of all four of their stores in the Portland area due to operational/management challenges.

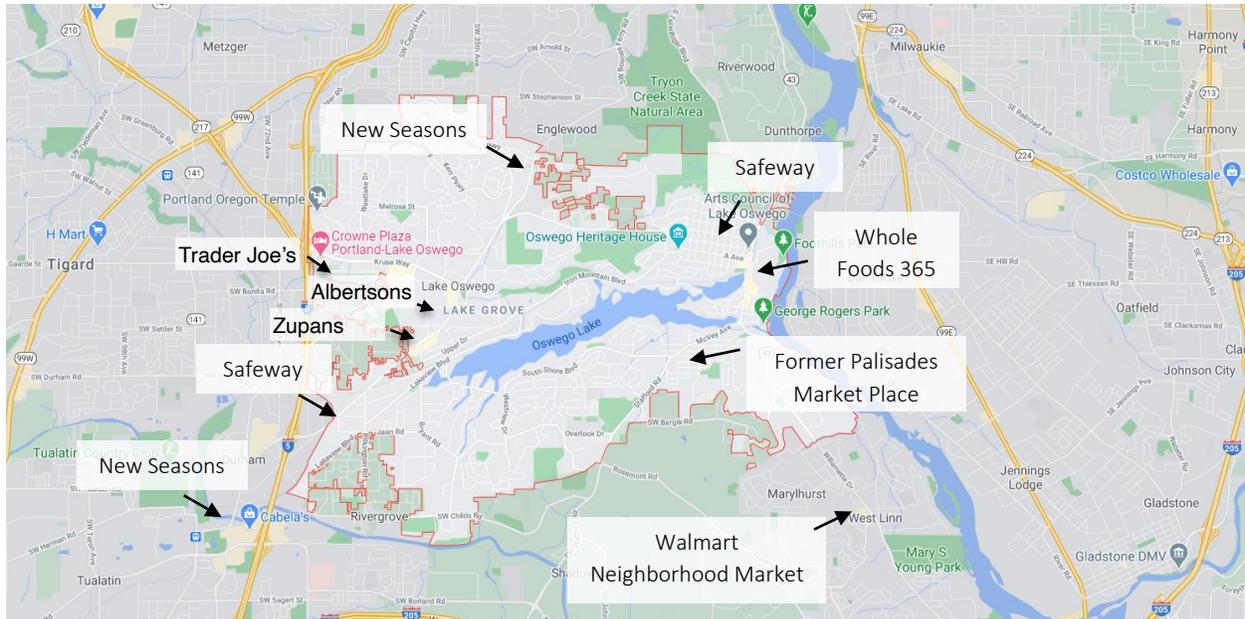
Grocery demand is locally driven with the prime consumer base residing within a ten-minute drive. Success in the market is directly linked to shopper convenience and factors such as high-quality fresh goods, outstanding service and store conditions from layout to innovative merchandising.

Within a ten-minute drive of the former Palisades store are several grocers, the closest being Safeway and Whole Foods 365 in downtown Lake Oswego and the Walmart Neighborhood Market in West Linn. On the very edge of this convenience market area are New Seasons in Mountain Park and Safeway at Boones Ferry/Interstate 5.

In this geography are: 59,000 residents, 23,400 households and median disposable household income of \$91,494. The retail sales gap or leakage for grocery stores within ten-minutes from the Palisades market is sizable at \$26.3M for Grocery Stores and \$12.6M for Specialty Food Stores. Specialty food includes meat and fish markets, fruit and vegetable and other custom-produced grocery items.

Prior to the COVID-19 pandemic, online grocery sales were less than 5% according to the National Grocers Association. It is expected that grocery overall will remain less susceptible to E-commerce than shoppers' goods.

Map 2. Lake Oswego and Nearby Grocers



Over the last eight years, strong population and significant income growth in the Retail Market Area have boosted overall retail consumer demand. Yet, the retail space demand (SF) has increased slightly from 2012, in part due to online sales, rising average rents and increased sales per square foot for all categories. Further, retail sales out of brick and mortar space are being chipped away at by online sales. Despite storefront retail being especially vulnerable during COVID, there remains considerable potential for this format. The retail trends section of the report elaborates on long-term changes in the retail industry.

The share of space that Lake Oswego's shopping areas can capture depends on numerous factors, including retail outreach efforts, the availability of quality, retail-ready space, the performance of competitive shopping areas and the success of redevelopment efforts. A passive or segmented approach would limit Lake Oswego's ability to achieve its potential.

## Retail Market Insights

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Marketek interviewed 10 Lake Oswego business owners and commercial brokers to gather insight to how businesses are faring during COVID and potential long-term impacts. The list appears in Appendix E with trends and insights shared below. Appendix F shares 2020 retail openings and closings within the City.

### General Retail Trends

- Business owners reported year over year revenue drops of 30 -50%; Employment is down approximately one-third as well.
- Food service that offers take-out and convenience services like UPS, Postal Annex are doing well. Specifically, it looks like services like these that cater to locals are doing really well, as people seem to be using what's closer to them more often.
- Fitness industry is hurting and not sure how and when it will bounce back.
- Key to retail success during COVID is to be ready and willing to 'pivot' as often as it takes.
- Retail space is really hurting in general during COVID, although a few businesses have opened. Expect a second wave of business closures after the holidays.
- The 'Amazon effect' hurts brick and mortar but there are plenty of innovative, future-oriented entrepreneurs who will succeed.
- One business owner felt that when the COVID crisis concludes, the suburbs will recover faster than Portland due to the damage done through prolonged protests.

### About Lake Oswego

- Absence of Kruse Way employee traffic has negatively impacted Kruse Village and Lake Grove restaurant and service business.
- With Downtown's limited employment base (even pre-COVID) the lunch foot traffic is very small.
- Despite COVID-related impacts, brokers and some retailers note that Lake Oswego is 'very under-retailed' for the population base and incomes in town; opportunity exists. The 35 year and older demographic continue to prefer the connection of in-store experience.
- Lake Oswego is in a unique position because it's a destination – you don't get there 'by accident' or via passing through to somewhere else.
- Boutique fitness was a huge success in Lake Oswego, but they won't be coming back to the table anytime soon.
- Must be mindful of the residents, who trend older and many who seem to spend half a year vacationing. Things that will be most successful are services that they need to use, caters directly to the neighbors.
- Restaurants are very touch and go. Most people who have the flexible income and want a night out will go downtown Portland. Similarly, retail, they will make an event out of it vs. staying in their neighborhood. So, there's a very limited group of those that succeed in Lake Oswego.

### Property Owner-Tenant Relations

- Some property owners have discounted rent against future payment or reduced lease rates for the period of the pandemic.

- Vacancies are rising and will take longer to fill, especially in Class A higher-rent retail centers; rent negotiation is essential to regain occupancies.
- Tenants are less willing to accept traditional terms, like 5-year leases and prefer 1-year to keep options open.

### **Working with the City**

- Among the business and property owners interviewed, no business outreach or assistance has occurred to help restaurants prepare for outdoor dining with shared, heated, covered space, or other businesses establish contact-less, express walk-up/drive-up or other adaptations. On the contrary, three business owners working to adapt to COVID-related restrictions noted that the City's code and/or fee requirements are rigid and a barrier and they were surprised that there wasn't flexibility during the unprecedented challenge of COVID.
- While some businesses benefited from City business grants, two were frustrated that the grants were gone in the first hour. One business owner referenced several immigrant business owners in their shopping center who were ill-equipped or intimidated by completing a funding application. Language and cultural differences were identified as an issue and may indicate additional communication is needed to reach minority businesses.
- Commercial brokers expressed high interest in grants for smaller and local startups that might help incentivize entrepreneurs to Lake Oswego vs. lower rent (and higher traffic) centers in Tualatin for example, nearby.
- Brokers identified permitting as a pain point that slows things down considerably and would like to see it expedited. An example cited was Multnomah County's facilities permit program, which you pay for, but it puts you at the front of the line. This might help tenants get open more quickly, and landlords receiving rent sooner

## Retail Trends – COVID Impacts

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Marketek tracks emerging development and retail trends to aid clients in anticipating future innovation, successful project development and customer attraction. This section provides a summary of pre-COVID trends, short- and long-term retail impacts of the pandemic and a snapshot of retail themes and forecasts from industry experts.

### Retail Development at the Start of 2020

Real estate and demographic sources note three key development trends which bode well for Lake Oswego.

1. **Suburbs and Stability:** Millennials are heading for the suburbs. The US Census Bureau reported that over 2.6 million people a year have moved from principal cities within the metropolitan areas to the suburbs in the last 3 years. The key difference is that millennials are also looking for amenities, including access to mass transit, walkable neighborhoods and proximity to shopping and entertainment. Especially important are the areas around a transit node – developers should shift their attention to these areas.
2. **The New Vision for Suburbia:** *Where People Want to Be* is being coined as “Surban” Communities, as reported by the Urban Land Institute (ULI). These suburban neighborhoods will seek to offer the most desired features of urban *and* suburban living and will attract the most households in the US over the next ten years. Despite the ongoing revival of urban downtowns, the suburbs will draw at least 80% of the coming new wave of households as younger families seek urban amenities combined with more kid-friendly housing and good schools typically associated with the suburbs. Adding to this trend locally is the recent business disruption from protests in Portland’s central city spurring some business and residents to relocate to suburbs.
3. **Pedestrian-oriented developments and multimodal transportation:** The design world has advocated for the integration of placemaking and transportation for a long time and it is now taking off. Retailers have joined the movement. Unlike the previous generation, the millennials moving to the suburbs are looking for areas that are close to transport, that are walkable and *active*. Public space programming is a critical component of these placemaking elements which are strategies to organize events and activities that encourage the community to use a park or open space. Think: disc golf, horseshoes, interactive water features, etc.

Critical Retail spending and trends include e-commerce and more:

1. **E-commerce is not one-dimensional.** True, e-commerce sales are growing and in 4<sup>th</sup> quarter of 2019 accounted for 11.3% of total U.S. retail sales. (For reference, 3<sup>rd</sup> quarter 2020 e-commerce estimates by Census Bureau are 14.3% of total retail sales.) Top categories of online purchases were apparel/accessories, health and beauty and books/media. However, industry analysts note that not all retail is going online; many retailers are using storefronts as a necessary marketing tactic to connect shoppers to a broader online product range. Further, the ‘last-mile problem’ has begun to plague Amazon and other delivery services. Road congestion, high cost of free package delivery and poor transportation infrastructure trend toward transformation of large retail space to distribution centers.

2. **Pop-up stores and markets and flexible spaces are gaining traction in diverse markets – including high-end properties – and are here to stay.** They provide retail the ultimate chance to give fickle consumers what they want while retaining a cost-effective smaller footprint to meet market demands. A shift is taking place from simply merchandising goods to the addition of space for services and experiences. These services include urgent care medical facilities, health and fitness, restaurants, financial services and entertainment venues.
3. **Focusing on the *Experience*.** The evolution in retail involves using technology to build engagement, especially through *experiences*, as **time** is incredibly valued. According to *The Retail Trends Playbook 2020*, “today’s shoppers prioritize an exceptional customer experience” and they’re willing to provide their data and spend up to 16% more on products and services but expect a higher-quality experience in return. Customers don’t want to just walk into a shop, buy a product and leave – they can do this in the comfort of their own homes. By creating a more immersive retail experience, retailers can drive customers to their store and ensure they leave not just with products, but also *memories*.
4. **Convenience is king.** Even before COVID-19, the NRF reported that 9 in 10 consumers chose retailers based on *Convenience*. As the pandemic took over, big-box retailers like Target and Walmart quickly added or expanded contactless, curbside pickup and delivery options, but we also saw this as a new offering from smaller retailers (e.g., Urban Outfitters and Anthropologie) and restaurants. Now that consumers have become accustomed to these convenient options, it’s likely they’ll remain even as pandemic restrictions eventually lift.
5. **Retailtainment** – the fusion of *retail* and *entertainment* – is an effort on the part of retailers to provide customers with fun, unique experiences. This trend is growing and is expected to dominate the industry in the years ahead. As an example, Ikea brought a unique experience to life through a Facebook challenge, where 100 winners were able to spend the night in an Ikea store. The guests were given massages and salon services, and were able to select their mattress, sheets and pillows, giving them a tailored experience to satisfy their needs.
6. **Retail evolution.** The National Retail Federation (NRF) tracks store openings and closings, and in mid-2019 reported the top growth categories as: convenience, superstores, drugstores and specialty hard and soft goods. Specific merchandise categories which were stable or expanding in brick-and-mortar space included pet supplies, wellness/fitness spaces, home goods/accessories, household appliances, personal electronics, garden-related, building materials, floral/gift shops and athletic apparel. Restaurant expansion was expected to continue related to consumer pursuit of dining convenience, experiences and unique, healthy dining options.

## COVID: An Unexpected Market Disrupter

The COVID-19 pandemic has brought rapid change to businesses and organizations as they strive to adapt to the Next Normal. Transformations that would typically take years to implement are being achieved in a few months, such as skyrocketing growth in e-commerce and the use of omnichannel platforms.

### COVID-19: General Observations

*Expanded research findings on short- and long-term impacts of COVID-19 disruption follow.*

- **The pandemic accelerated what was already taking place.** Businesses that were struggling pre-pandemic were the first to fail once the full force of COVID hit.

- **Businesses with change and innovation as part of their internal DNA are most resilient.** Regardless of business type, COVID has demanded change and adaptation. Harry Robinson, of McKinsey & Company notes that 70% of transformations fail, so it is critical to learn from the 30% that are successful. Three characteristics of companies that implement successful transformations include: 1) Setting the highest aspirations; 2) Creating actionable plans and processes; and 3) Engaging employees in the quest to continually improve. *“Transformation is something that employees do – NOT something that is done to them.”* Meaning: everyone has to be aligned and engaged in helping bring new ideas to the table regardless of their position in the company.
- **E-commerce's already-growing market share was accelerated** during the pandemic, shattering timelines and expectations. Some sectors saw changes within six months that were expected two years (or more) down the road.
- **The demand for shopping convenience will not go away.** This includes increased online shopping and flexibility for home delivery or touchless store pick-up. This is a growing consumer behavior that will continue to expand.
- **Shopping center and retail forecasters are avoiding “hard number” estimates** on post-pandemic space and business upsides/downsides. This is likely due to: 1) they don't want to spook an industry that is already reeling, causing additional fallout; and 2) they understand that making such predictions in fluid and rapidly changing circumstances isn't a good hedge on bets.

#### Early & Short-Term COVID Impacts

1. As much of the country prepared to stay ‘hunkered down,’ there was a surge of spending in March-April 2020 for essential goods, totaling a 12.5% gain. Digital Commerce 360: Online portals = ESSENTIAL to survival (*grocery sales saw a 40% increase*).
2. *E-commerce uptick:* COVID spurred a dramatic 31.8% increase in e-commerce sales 2<sup>nd</sup> quarter over the 1<sup>st</sup> quarter 2020, representing 16.1% of total retail sales. As earlier noted, the figure remains high but is fluctuating and as of 3<sup>rd</sup> quarter 2020 is at 14.3%.) This is well above 11.3% in 4<sup>th</sup> quarter 2019. (Source: U.S. Census estimates)
3. An October survey by National Real Estate Investor revealed almost half of retail investor respondents (47%) anticipate that retail property values will decline over the next 12 months by an average of -6.8 percent. Overall, half of respondents who already own that property type said it is a better time to hold (compared to 34% who believe it is better to sell and 16% to buy).

#### Category Bright Spots

At the macro level, many investors expected a grim outlook for retail, but there are several segments within the retail category that are performing well – and even exceeding expectations.

- In March 2020, when the pandemic began to dominate public consciousness in the U.S., bike sales were 50% higher than the year before.
- Personalized services like grocery shopping (Fresh Express), personal trainers (online), tutoring, etc.
- Grocery-anchored centers that have a drug store, dollar store or other essential retailers are stable.

### Biggest Losers:

- Shopping centers with fitness centers, movie theaters and a lot of sit-down dining
- Jewelry
- Consumer electronics
- Accessories
- Furnishings – Appliances
- Vehicles
- Restaurants
- Apparel
- Footwear

## Long Term COVID Impacts and Structural Change

Marketek conducted online research of national retail organizations and economic trend watchers to glean insight to long term impacts stemming from the COVID pandemic. Highlights follow with a summary chart at the conclusion of this section.

1. Forbes reports that based on current economic forecasts **it's likely that the U.S. economy won't get back to pre-crisis GDP until 2022.** *"A majority of investors believe that a full recovery to the economy will come well after 2021. Nearly half (46%) predict that recovery will come in 2022; 19% said 2023; and 12% said 2024 or later."*
2. **The consumer is forever changed.** With consumers' lives upended by the crisis, there have been *substantial and lasting* changes in the way people live, work and shop. (Accenture, 8/2020)
3. **The pandemic will change retail players forever.** The big will get bigger as mom-and-pops perish and shopping goes virtual. As an example of how this is playing out, following is the 2020 list of the largest and strongest global retailers identified by the National Retail Federation.
  - Walmart
  - Amazon
  - Costco
  - Kroger
  - Walgreens
  - Home Depot
  - CVS
  - Target
  - Lowes
  - Albertsons
4. **The retail real estate landscape will be forever altered.** As a result of increasing online sales and permanent closures (in some nonessential categories), retail vacancies will reduce building values, asking rents, rents obtained and investor confidence. (National Real Estate Investor-NREI)
  - **Permanent Closures:** CoStar forecasts **100,000 retail stores closing nationwide** – especially those focused on 'discretionary' spending.
  - **Rising mall vacancies:** As a result of retail store closures, malls will pivot to include more "live/work/play" amenities with a mix of retail, healthcare, restaurants, entertainment, education, apartments and office space. This shift requires creativity – some commercial

property owners are leasing parking lots for outdoor markets or drive-in movie theaters, for example – but short-term instability will impact long-term investor confidence.

5. **Not all remaining businesses will be considered equal.**
  - **Big Business = Profit, Accountability, Responsibility.** Consumers have high expectations of medium and large businesses. It's imperative for consumers that these businesses care for their employees and customers – and they will judge them if they don't.
  - **Local Treasures = Community, Neighborhood, People.** In comparison, consumers define their 'local' businesses – small, independent stores in their immediate neighborhood – as much-loved places they fear won't survive. They're making efforts to support these retailers and their staff, ordering takeout and shopping there when they can. (Accenture)
6. **Consumers will reward businesses that did the 'right thing' during the pandemic.** What happens to brands and businesses *after* this pandemic will be heavily influenced by what they did *during* it.
7. **There will be a demand for new experiences that are optimistic, entertaining, and fresh.** Regardless of how long the actual quarantine periods last, retailers should prepare to offer experiences that feel metaphorically like spring.
8. **New consumer behaviors will become commonplace.** Social distancing drove more consumers to digital platforms, and people who had never used services like DoorDash, etc. will keep using them long after the pandemic. (6,7,8: ChangeUp Retail Specialists)
9. **The key to long-term business sustainability: Bold Action with the future in mind.** Even as the COVID crisis continues to create a world of uncertainty, the goal of businesses must be to *rebuild for the longer term – to act rather than react*. Not only do leaders need to act now, but they also need to act boldly. (McKinsey & Co.)

Exhibit 6 below provides topline insights from relevant organizations about the future of retail.

Exhibit 6: Forecasts of Long Term COVID Impacts on Retail

FORECASTS OF LONG TERM COVID IMPACTS ON RETAIL				
Source	Structural Shifts	What's in?	What's out?	Opportunities
<b>National Retail Federation</b>	<ul style="list-style-type: none"> <li>- Faster move to online as primary mode of shopping</li> <li>- Shopping moves from entertainment &amp; leisure to transactional &amp; intentional</li> </ul>	<ul style="list-style-type: none"> <li>- Pick up in store or curbside; smaller spaces</li> <li>- Larger 'baskets', fewer trips &amp; shorter distances traveled</li> </ul>	Shipping costs	<ul style="list-style-type: none"> <li>- Concierge services that save on shipping costs</li> <li>- Improved inventory accuracy to avoid disappointing (&amp; losing) customers</li> </ul>
<b>National Restaurant Association</b>	<ul style="list-style-type: none"> <li>- Menu changes &amp; touchless delivery options are here to stay. Walk-up and drive-up windows permanent</li> <li>- Struggling to innovate &amp; stay afloat; worst year on record: &gt;25% permanent closure</li> </ul>	<ul style="list-style-type: none"> <li>- Streamlined menus; multiple touchless options; move to allow alcohol take-out</li> <li>- Demand for reduced indoor space &amp; more outdoor space</li> </ul>	<ul style="list-style-type: none"> <li>- Self-serve options such as drinks &amp; buffets; unhealthy "comfort food" options</li> </ul>	Continued focus on take-out & keeping menus fresh, relevant & healthy
<b>Main Street America</b>	<ul style="list-style-type: none"> <li>- Increase in entrepreneurship – this coincides with data from last Great Recession &amp; loss of jobs</li> <li>- Importance of rethinking every aspect of existing business.</li> </ul>	<ul style="list-style-type: none"> <li>- Maker spaces, unique crafted products, shared commercial kitchens.</li> <li>- Successful businesses will examine business models, revenue channels &amp; product/service offerings.</li> </ul>	Business as usual.	<ul style="list-style-type: none"> <li>- Focus on providing "Economic Vitality" assistance to entrepreneurial start-ups &amp; transitions.</li> <li>- SBDC assistance for revamps</li> </ul>
<b>CoStar Retail Research</b>	<ul style="list-style-type: none"> <li>- Smaller retail spaces – not as much space needed as ecommerce continues to expand.</li> <li>- Using omnichannels to survive &amp; thrive.</li> </ul>	<ul style="list-style-type: none"> <li>- "Showrooming" and downsizing of retail space; using industrial space as storage, if needed.</li> <li>- Multi-channel shopping &amp; delivery options.</li> </ul>	Traditional retail without good online interaction.	<ul style="list-style-type: none"> <li>- Creative use of underutilized larger spaces as a collective of storage for retailers.</li> <li>- Double down on digital and bring an instore feel to the online experience.</li> </ul>
<b>Deloitte (Annual Retail Report)</b>	<ul style="list-style-type: none"> <li>- Demands for convenience will drive more contactless transactions.</li> <li>- Product mixes will likely permanently change.</li> </ul>	<ul style="list-style-type: none"> <li>- Convenience, convenience, convenience.</li> <li>- New product mixes &amp; partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>- The typical way we used to shop.</li> <li>- Expecting "the same old" to get through the pandemic &amp; beyond.</li> </ul>	<ul style="list-style-type: none"> <li>- Build off the move to contactless transactions – figuring out how to provide more "value added".</li> <li>- Opportunities to explore new innovative partnerships to expand customer base for both parties.</li> </ul>
<b>CBRE</b>	<ul style="list-style-type: none"> <li>- The more fluid workplace.</li> <li>- Changes in where &amp; how people live.</li> </ul>	<ul style="list-style-type: none"> <li>- Companies feel more empowered by not being bound by physical walls of one workplace.</li> <li>- Larger spaces (to work from home); green energy (to help keep at-home costs down); smart homes (with good technology)</li> </ul>	<ul style="list-style-type: none"> <li>- Expecting everyone to come to the office every day.</li> <li>- Smaller apartments for those who work from home.</li> </ul>	<ul style="list-style-type: none"> <li>- Opportunity to recruit and engage with workers who work remotely. (Re: Zoom community development)</li> <li>- Opportunities to deliver housing options for the remote worker.</li> </ul>
<b>International Council of Shopping Centers</b>	<ul style="list-style-type: none"> <li>- Adaptive reuse for empty malls &amp; shopping centers.</li> </ul>	Office, housing, medical.	The typical mall as we knew it.	Opportunities for adaptive reuse to address community needs.

## Business Mix Update

Nationwide, downtowns and neighborhoods are recognized and celebrated as the center of unique, specialty, one-of-a-kind merchandise and entrepreneurs. While often anchored with one or more large retail draws, the most successful downtown streets are lined with a mix of independent, creative retailers. The key retail themes of small shopping districts that apply to Lake Oswego include:

- Stores that celebrate local arts
- Lifestyle and wellness retail
- Neighborhood-serving retailers
- Community gathering places/social nodes
- Stores that entertain and educate
- Food, drink and fun—all varieties
- Gifts and indulgences

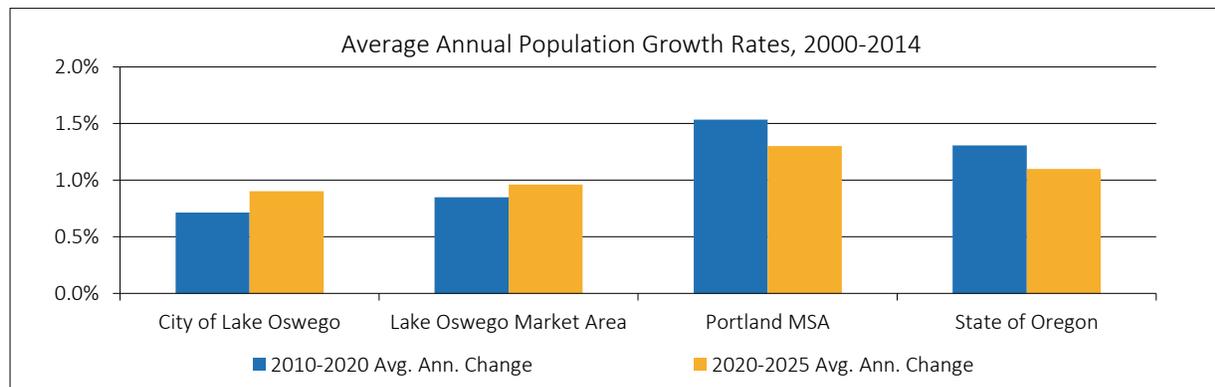
Business opportunity and success are inextricably linked to key factors including location, nearby complementary businesses, traffic (foot, vehicle) and more. With internet shopping on the rise, now more than ever, retail districts must be populated with imaginative entrepreneurs who are obsessed with tracking and responding to consumer trends. Today’s neighborhood retailers and restauranteurs are especially seeking smaller retail spaces with amenities from excellent street appeal to ample parking.

Based on the existing supply and market area demand, retail trends, project interviews and Marketek’s deep experience with facilitating retail development in business districts a *preliminary* list of target business/merchandise opportunities appears below. This may be more fully developed in the future with shopper and business surveys.

PRELIMINARY TARGET OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Home Goods, Gardening (EcoVibe, Thicket-Alberta District)</li> <li>• Boutique kitchen shops – especially in light of home cooking trend (Kitchen Kaboodle)</li> <li>• Bookstore (over 40 independent book sellers operating in Oregon downtowns)</li> <li>• Baby and Children’s Clothing (Frock Boutique, Alberta District)</li> <li>• Bakery/Demonstration Kitchen (Decadent Creations, Hillsboro)</li> <li>• Specialty Grocery – fresh, organic, local (World Foods, Pearl District)</li> <li>• Home Décor – Gift Boutique (White Birch, Hillsboro)</li> <li>• Toy Store- (Piccolo Mondo Toys, Hillsboro)</li> <li>• Local hand-crafted goods: Art Salon &amp; Home Accessories (Perks of Art, Hillsboro)</li> <li>• Dog Bakery (&gt;10 across metro Portland)</li> <li>• Vintage Clothing and Jewelry (over 50 stores in metro Portland)</li> <li>• Vintage Home Furnishings (Ladybird’s Vintedge, Oregon City)</li> <li>• Shoes – (Gimre’s, Hillsboro)</li> <li>• Dining and Food Service - Increased variety of casual dining; food hall or food truck pod settings</li> </ul>

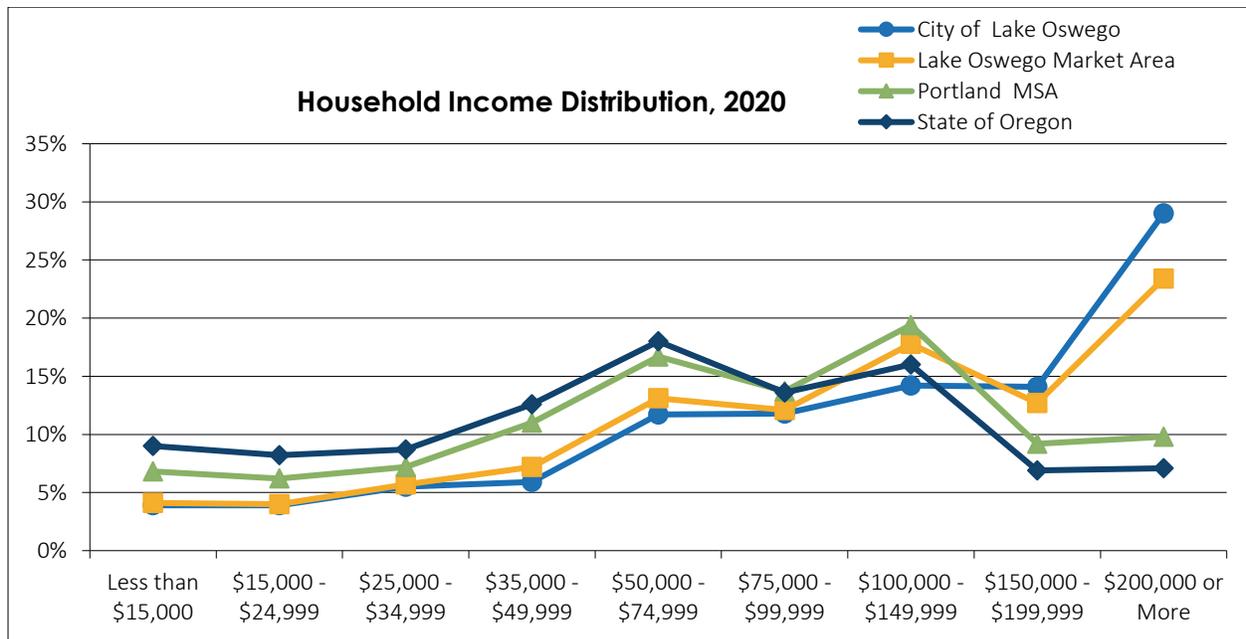
## Appendix A – Demographic Indicators

POPULATION & HOUSEHOLD GROWTH							
City of Lake Oswego, Lake Oswego Market Area, Portland MSA and State of Oregon							
2010-2025							
Geographic Area	Avg. Ann. Change 2010-2020				Avg. Ann. Change 2020-2025		
	2010	2020 (Estimate)	Number	Percent	2025 (Forecast)	Number	Percent
<b>City of Lake Oswego</b>							
Population	36,779	39,144	263	0.71%	40,909	353	0.90%
Households	15,958	17,044	121	0.76%	17,832	158	0.92%
Avg. Household Size	2.29	2.28	-0.001		2.28	0.000	
<b>Lake Oswego Market Area</b>							
Population	121,126	130,373	1,027	0.85%	136,636	1,253	0.96%
Households	50,789	54,777	443	0.87%	57,364	517	0.94%
Avg. Household Size	2.34	2.34	0.000		2.34	0.000	
<b>Portland MSA</b>							
Population	2,226,009	2,533,321	34,146	1.53%	2,698,149	32,966	1.30%
Households	867,794	984,367	12,953	1.49%	1,047,773	12,681	1.29%
Avg. Household Size	2.52	2.53	0.001		2.54	0.002	
<b>State of Oregon</b>							
Population	3,831,074	4,281,589	50,057	1.31%	4,517,043	47,091	1.10%
Households	1,518,938	1,695,625	19,632	1.29%	1,788,978	18,671	1.10%
Avg. Household Size	2.47	2.47	0.000		2.48	0.002	



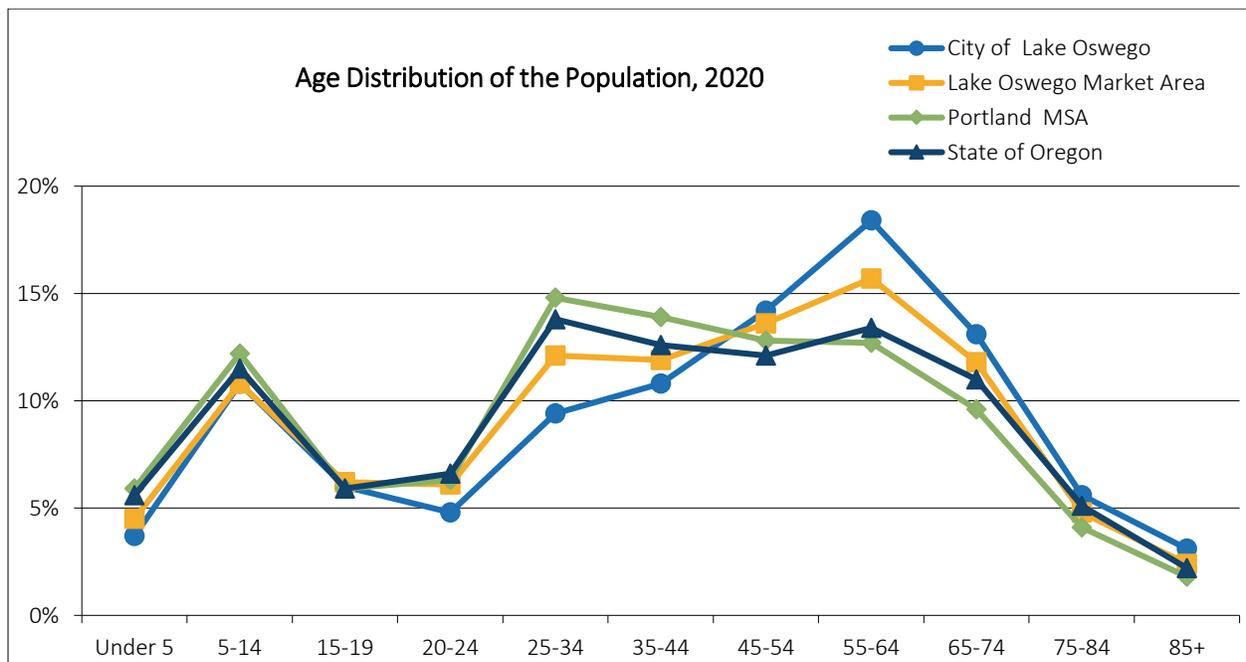
**HOUSEHOLD INCOME**  
 City of Lake Oswego, Lake Oswego Market Area, Portland MSA and State of Oregon  
 2020

Income	City of Lake Oswego	Lake Oswego Market Area	Portland MSA	State of Oregon
Less than \$15,000	3.9%	4.1%	6.8%	9.0%
\$15,000 - \$24,999	3.9%	4.0%	6.2%	8.2%
\$25,000 - \$34,999	5.5%	5.7%	7.2%	8.7%
\$35,000 - \$49,999	5.9%	7.2%	11.0%	12.6%
\$50,000 - \$74,999	11.7%	13.1%	16.7%	18.0%
\$75,000 - \$99,999	11.8%	12.1%	13.7%	13.6%
\$100,000 - \$149,999	14.2%	17.8%	19.4%	16.0%
\$150,000 - \$199,999	14.1%	12.7%	9.2%	6.9%
\$200,000 or More	29.0%	23.4%	9.8%	7.1%
<b>Total</b>	<b>17,044</b>	<b>54,777</b>	<b>984,367</b>	<b>1,695,625</b>
<b>Median Household Income</b>	<b>\$121,540</b>	<b>\$107,781</b>	<b>\$77,838</b>	<b>\$63,776</b>



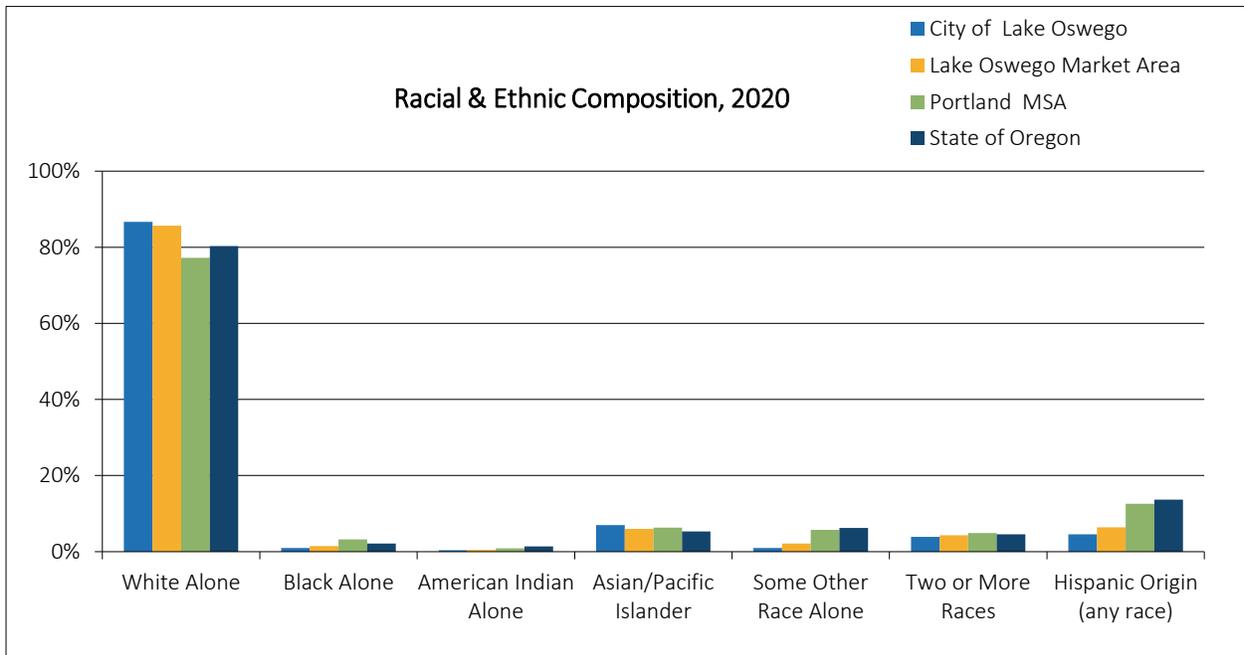
**POPULATION BY AGE**  
 City of Lake Oswego, Lake Oswego Market Area, Portland MSA and State of Oregon  
 2020

Age Category	City of Lake Oswego	Lake Oswego Market Area	Portland MSA	State of Oregon
Under 5	3.7%	4.5%	5.9%	5.6%
5-14	10.8%	10.8%	12.2%	11.5%
15-19	6.0%	6.2%	5.9%	5.9%
20-24	4.8%	6.1%	6.3%	6.6%
25-34	9.4%	12.1%	14.8%	13.8%
35-44	10.8%	11.9%	13.9%	12.6%
45-54	14.2%	13.6%	12.8%	12.1%
55-64	18.4%	15.7%	12.7%	13.4%
65-74	13.1%	11.8%	9.6%	11.0%
75-84	5.6%	4.8%	4.1%	5.1%
85+	3.1%	2.4%	1.8%	2.2%
<b>Total</b>	<b>39,144</b>	<b>130,373</b>	<b>2,533,321</b>	<b>4,281,589</b>
<b>Median Age</b>	<b>48.4</b>	<b>43.6</b>	<b>38.4</b>	<b>40.0</b>



**RACIAL & ETHNIC COMPOSITION**  
 City of Lake Oswego, Lake Oswego Market Area, Portland MSA and State of Oregon  
 2020

Race/Ethnicity	City of Lake Oswego	Lake Oswego Market Area	Portland MSA	State of Oregon
White Alone	86.7%	85.7%	77.2%	80.3%
Black Alone	1.0%	1.5%	3.2%	2.1%
American Indian Alone	0.4%	0.5%	0.9%	1.4%
Asian/Pacific Islander	7.0%	6.0%	6.3%	5.3%
Some Other Race Alone	1.0%	2.1%	5.7%	6.2%
Two or More Races	3.9%	4.3%	4.9%	4.6%
Hispanic Origin (any race)	4.6%	6.4%	12.6%	13.7%
Total	39,144	130,373	2,533,321	4,281,589



## Appendix B – Tapestry Segments

TOP TEN TAPESTRY MARKET SEGMENTS Lake Oswego Market Area 2020				
Market Segment & % of Hholds	Hhold Type	Median Age	Median Income	Consumer Preferences & Purchases
1 <b>Emerald City</b> 16.0%	Single Persons/ Shared Hholds	37	\$59,200	Young singles or nonfamily cohabitants with well-paying jobs. They are highly-connected, using the Internet for work, entertainment, purchases, learning and communication. They are health and environmentally conscious, and travel frequently (domestically and abroad).
2 <b>Urban Chic</b> 15.4%	Married couples/ Singles	43	\$109,400	White-collar professionals with exclusive, sophisticated lifestyles, members of these households are avid readers and moviegoers, environmentally active, tech-savvy and financially stable.
3 <b>Savvy Suburbanites</b> 12.7%	Married couples/ Empty nesters	45	\$108,700	Well-educated and well-read, these families include empty nesters and married couples with older or adult children still living at home. Their lifestyle includes home remodeling and garden, food and wine, sports/fitness and enjoying the city's cultural events.
4 <b>In Style</b> 9.4%	Singles/ Couples without children	42	\$73,000	Professional couples or singles, often without children, who have the time to focus on their homes and hobbies. Lifestyle includes support of the arts/theater/museums, travel, and reading.
5 <b>Exurbanites</b> 8.6%	Empty nesters/ Couples w/out children	51	\$103,400	College-educated and more likely to be self-employed or work from home, these households are approaching retirement but maintaining an active lifestyle emphasizing fitness, community involvement, and charitable giving. They are well-connected and tech-savvy, and prioritize quality over price.
6 <b>Golden Years</b> 6.9%	Singles/ Empty nesters	52	\$71,700	Independent and active seniors (single or empty nesters, mostly retired) who are pursuing leisure activities, such as fitness, travel, dining out, museums and concerts. They are well-educated and financially secure.
7 <b>Top Tier</b> 6.5%	Married couples	47	\$173,200	Highly-educated and high-earning married couples with older children or empty nesters. They select upscale salons and spas, high-end retailers, and indulge in frequent, lavish vacations. They are interested in the fine arts and maintain close circles of family and friends.
8 <b>Metro Renters</b> 4.2%	Single Persons	32	\$67,000	Highly mobile, well-educated young professionals and college students who are environmentally-conscious, these consumers consider cell phones and computers to be integral to everyday life. A significant portion of income is spent on rent and technology.

9	<b>Soccer Moms</b> 3.8%	Couples with children	37	\$90,500	Affluent, family-oriented, often with two working parents and long commutes into the city, this group prioritizes convenience and owns a wide range of wireless/mobile devices to streamline life, learning and entertainment. Usually own multiple vehicles and has higher-than-average debt.
10	<b>Professional Pride</b> 3.3%	Couples with or without children	41	\$138,100	Well-educated career professionals with long commutes and long hours but have highly organized schedules to prioritize needs of young children. These families are high-earning and financially-savvy, with luxury homes including in-home gyms and theaters.
<b>Total Households</b>					

## Appendix C – Retail Balance

EXISTING RETAIL BALANCE Lake Oswego Market Area 2020						
Merchandise Category	Demand/ Spending Potential	Supply/ Retail Sales	Difference	Percent of E-Commerce Sales 2nd Q 2020	E-Commerce sales reduction	Leakage (gap)
<b>Shoppers Goods</b>						
Home Furnishings (442)	\$94,084,296	\$90,430,971	\$3,653,325	15.0%	\$547,999	\$3,105,326
Electronics & Appliances (443)	\$94,739,127	\$52,186,488	\$42,552,639	17.2%	\$7,319,054	\$35,233,585
Bldg Materials & Gardening (444)	\$191,018,165	\$111,033,790	\$79,984,375	9.0%	\$7,198,594	\$72,785,781
Apparel & Accessories (448)	\$150,893,182	\$74,707,295	\$76,185,887	13.5%	\$10,285,095	\$65,900,792
Sporting Goods, Hobby, Book & Music (451)	\$102,310,575	\$76,059,539	\$26,251,036	15.0%	\$3,937,655	\$22,313,381
General Merchandise Stores (452)	\$490,727,408	\$131,260,363	\$359,467,045	17.0%	\$61,109,398	\$298,357,647
Miscellaneous Specialty Retailers (453) (florist, office supplies, gift stores, etc.)	\$130,001,846	\$62,707,053	\$67,294,793	15.0%	\$10,094,219	\$57,200,574
<b>Restaurants &amp; Drinking Places (722)</b>	\$309,380,580	\$213,074,198	\$96,306,382	0.0%		\$96,306,382
<b>Convenience Goods</b>						
Food & Beverage Stores (445)	\$453,424,582	\$408,365,576	\$45,059,006	10.0%	\$4,505,901	\$40,553,105
Health & Personal Care (446)	\$166,798,166	\$95,055,920	\$71,742,246	14.0%	\$10,043,914	\$61,698,332
<b>Total Leakage</b>						<b>\$753,454,906</b>

Source: ESRI BIS; Census of Retail Trade; Marketek, Inc.

## Appendix D – Summary of Merchandise and Service Categories

Merchandise/Service Category	Types of Goods/Services
Apparel	Women's Apparel, Men's Apparel, Children's, Footwear, Watches, Jewelry
Home Furnishings	Furniture, Floor Coverings, Major and Small Appliances, Household Textiles, Floor Coverings, PC Software and Hardware, Housewares, Dinnerware, Telephones
Home Improvement	Maintenance and Remodeling Materials, Lawn & Garden
Misc. Specialty Retail	Pet Care, Books & Periodicals, Sporting Equipment, Toys & Hobbies, Video Cassettes & Games, TV/VCR/Cameras, Audio Equipment, Luggage, Eyeglasses
Groceries	Food at Home, Nonalcoholic Beverages at Home, Alcoholic Beverages, Smoking Products
Restaurants	Food Away from Home, Alcoholic Beverages
Entertainment	Admission to Movie/Theater/Opera/Ballet, Recreational Lessons, Participation in Clubs
Personal Services	Shoe Repair, Video Rental, Laundry & Dry Cleaning, Alterations, Clothing Rental, Storage, Watch & Jewelry Repair, Photo Processing & Supplies, Child Care

## Appendix E – Local Project Interviews

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Pat Kessi, The Windward

Jenny and Casey Lakey, Trainers Club

Jen Riker, Brave Boutique

Clayton Lee, Jefe and Holy Taco

Scott Booth, HSM Realty

Lisa Shaw-Ryan, Chuckie Pies, Casa Pequena Taqueria

Judy VanDeGraff, Pigments Boutique

David Emami, Barrington Management

Matthew Sichel, NAI Elliott

Dan Bozich, Urban Works Real Estate

## Appendix F – City of Lake Oswego Retail Business Openings & Closings

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### 2020

#### Business Closures – somewhat in order since January

On a Whim Studios (January)  
Uptown Market (January)  
Sofa Store (on State, next to paint store)  
Big Town Hero (February?)  
Chocolates by Bernard (no more US distribution)  
Chuck's Coffee Shop  
Dahlia  
Tuesday Morning  
Sur la Table  
Fleet Feet  
Hannah Anderson  
Anchor of Life Chiropractic (moved to Idaho)  
Cha Cha Cha Taqueria  
Bambuza  
Coral Story Beauty (moved)  
Insurance Lounge  
Garden Bar  
Lake Place Cleaners  
Sofas on State  
Bluestar  
Fuddrucker's  
Star Teriyaki  
Trios Studio (retirements)  
Aesthetic business by Trainer's Club (opened at beginning of pandemic)

#### Business Opening (not in order)

Back N' Line  
Vape Shop  
Monkey's Subs  
Kwench Juice  
Crumb Cookie  
Storybook Daycare/Preschool  
HoneyBaked Ham  
Pearl Pilates  
Marylhurst:  
    Ovation Coffee, Nail Shop, Dentist, Providence Health Center  
Coming to Garden Bar – KURE juice shop  
Coming to 365 Center – Pure Barre (January)

Source: City of Lake Oswego Business License Records