



Bureau of Planning and Sustainability
Innovation. Collaboration. Practical Solutions.

MEMO

DATE: July 8, 2015

TO: Carolyn Ciolkosz, Pearl District Business Association

FROM: [Tyler Bump](#), Economic Planner
[Nicholas Kobel](#), Community Service Aide

CC: Heather Hoell, Venture Portland

SUBJECT: Market dynamics in the Pearl District and adjacent business associations

PURPOSE: To explore employment dynamics and market trends in the Pearl District. This memo presents current demographics, analyzes employment and earnings data, and discusses real market trends for office and retail spaces.

ANALYSIS AREAS: This memo focuses primarily on the Pearl District Business Association (PDBA). Secondary study areas include Nob Hill Business District (NHBD), Goose Hollow Business Association (GHBA), Old Town/Chinatown Business District (OTCBD), the West End analysis area and Front Avenue analysis area (Map 1). The boundary conflict between NHBD and PDBA is also analyzed independently.

KEY FINDINGS

- The Pearl District is quickly growing and is projected to add 3,800 new households between 2015 and 2035. Over 1,400 new multi-family units were built in 2010-2014.
- The established brand of the Pearl District is being challenged by rapid growth in new industries, particularly “second-level” professional service businesses.
- The office market in the Pearl District is performing exceptionally well in a post-recession economy. Lease rates are currently around \$27 per square foot, which is the top of the range for the office market in the Central City. Pearl District retail lease rates have remained relatively flat over the last ten years at around \$20 per square

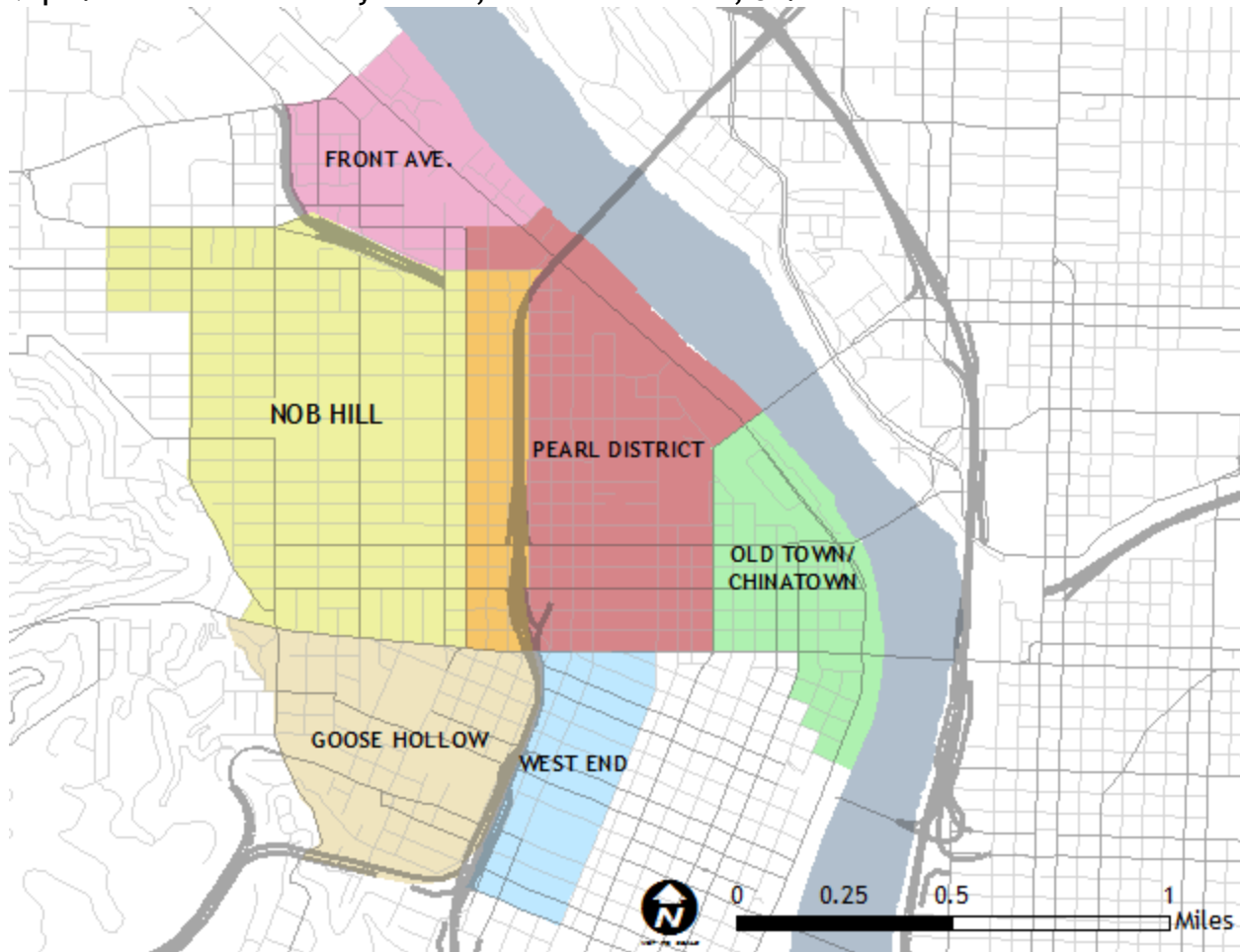


City of Portland, Oregon | Bureau of Planning and Sustainability | www.portlandoregon.gov/bps
1900 SW 4th Avenue, Suite 7100, Portland, OR 97201 | phone: 503-823-7700 | fax: 503-823-7800 | tty: 503-823-6868

Printed on 100% post-consumer waste recycled paper.

foot. Vacancy rates are decreasing and which indicate an increase in lease rates if demand stays strong.

Map 1. Business district analysis areas, downtown Portland, OR.



DEMOGRAPHICS & RECENT DEVELOPMENT

Fast growing population. The Pearl District grew at more than six times the citywide average rate between 2010 and 2015—a rate of 3.0% per year (Table 1). It is also the most dense of all the comparison business districts that were evaluated. The Proposed Comprehensive Plan anticipates an additional 3,800 households in the Pearl between 2015 and 2035 (Table 2).

Low household size and higher per capita income. The average household size in 2010 was 1.36 in the Pearl District, significantly lower than the citywide average household size of 2.3 people per household. (Table 1). Although the median household income reflects the citywide average, the low household size means a much higher per capita income, at about \$53,000 per year. There is significant income diversity in the Pearl as the result of higher end condo construction as well a considerable amount of affordable housing development that has



occurred over the last fifteen years. The age composition of the Pearl is predominantly middle aged with only 5 percent of the population under the age of 20 and only 10 percent of the population over the age of 64.

Table 1. Demographic overview of the Pearl District, Nob Hill and the City of Portland, 2010-2015.

	Pearl District			Nob Hill			City of Portland		
	2010	2015†	CAGR‡	2010	2015†	CAGR‡	2010	2015†	CAGR‡
Area	0.396 sq. mi.			0.607 sq. mi.			133 sq. mi.		
Population	5,993	6,934	3.0%	9,829	10,305	1.0%	583,776	605,898	0.7%
Density (per sq. mi.)	15,130	17,510	3.0%	16,190	16,980	1.0%	4,390	4,560	0.8%
Households	4,192	4,839	2.9%	6,596	6,910	0.9%	248,546	259,001	0.8%
Average household size	1.36	1.37	0.1%	1.46	1.46	0.0%	2.28	2.27	-0.1%
Income *									
Median household	\$ 50,636			\$ 35,608			\$ 51,741		
Per capita	\$ 53,283			\$ 38,385			\$ 30,980		
Age distribution									
<20	5.1%	6.7%	5.5%	7.0%	7.3%	0.7%	21.5%	21.3%	-0.2%
>64	9.8%	13.1%	5.9%	9.3%	10.6%	2.7%	10.4%	12.4%	3.5%
Race									
White	84.0%	83.1%	-0.2%	86.6%	85.8%	-0.2%	76.1%	75.2%	-0.2%
Black	3.4%	3.2%	-1.4%	1.8%	1.8%	-0.4%	6.3%	6.1%	-0.7%
American Indian	0.8%	0.8%	-1.3%	0.8%	0.7%	-0.9%	1.0%	1.0%	-0.9%
Asian	6.8%	7.6%	2.2%	4.8%	5.3%	2.0%	7.1%	7.7%	1.6%
Native Hawaiian	0.2%	0.2%	1.2%	0.2%	0.2%	0.1%	0.5%	0.6%	1.9%
Some other race	1.1%	1.2%	0.9%	1.7%	1.8%	1.0%	4.2%	4.4%	0.9%
Multi-racial	3.6%	3.9%	1.6%	4.2%	4.5%	1.6%	4.7%	5.0%	1.5%
Ethnicity									
Hispanic/Latino	4.5%	4.7%	1.0%	5.7%	6.3%	1.9%	9.4%	10.2%	1.7%
Not Hispanic/Latino	95.5%	95.3%	0.0%	94.3%	98.6%	0.9%	90.6%	93.6%	0.7%

† Esri estimates for 2015 figures. ‡ Compound average growth rate. * Median household income and per capita income are expressed in current (2015) dollars. *Data sources* : U.S. Census Bureau, Census 2010 Summary File 1; Esri Business Analyst, Demographic and income comparison profile, Esri 2015 forecasts; City of Portland Bureau of Planning and Sustainability, 2015.

Low racial diversity. People of color represent only 17% of the population in the Pearl District (Table 1). Between 2010 and 2015, the population of color grew by about 2.9% per year, which is faster than the citywide average of 1.1% per year. The Asian population grew the fastest and compromised the most growth for communities of color in the Pearl District.



Many multi-family units built in recent years. The Pearl District saw over 1,400 new multi-family units built between 2010 and 2014 (Table 3). The 12 multi-family development permits during this period means that each building delivered about 120 units on average.

Table 2. Housing unit trends and projections, business district analysis areas, 1990-2035.

	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	Trendline
Pearl District	460	592	724	2,962	5,201	6,971	7,923	8,875	9,827	10,779	
Nob Hill	5,167	5,565	5,963	6,490	7,018	7,617	8,082	8,546	9,011	9,475	
Nob Hill/Pearl	564	522	479	492	505	485	531	576	622	667	
Goose Hollow	2,469	2,914	3,359	3,730	4,102	4,001	4,536	5,072	5,607	6,142	
Old Town Chinatown	272	753	1,235	1,667	2,098	2,674	2,995	3,317	3,638	3,959	
West End	1,215	1,645	2,076	2,748	3,420	4,297	5,031	5,765	6,499	7,233	
Front Ave.	40	28	16	65	115	368	600	831	1,063	1,294	

Data sources: U.S. Census Bureau. Census 1990, 2000, 2010; City of Portland Bureau of Planning and Sustainability. (2015). Proposed Comprehensive Plan allocation using the Buildable Lands Inventory (BLI).

Table 3. Permit activity and permit allocation, business district analysis areas, 2010-2035.

	2010–2014 units built			% MFR	2015–2035 forecast units			% MFR
	SFR	MFR	Total		SFR	MFR	Total	
Pearl District	1	1,438	1,439	100%	-	3,808	3,808	100%
Nob Hill	17	727	744	98%	115	1,743	1,858	94%
Nob Hill/Pearl	-	166	166	100%	-	182	182	100%
Goose Hollow	3	160	163	98%	16	2,120	2,141	99%
Old Town Chinatown	-	278	278	100%	-	1,285	1,285	100%
West End	-	94	94	100%	-	2,936	2,936	100%
Front Ave.	-	244	244	100%	-	926	926	100%

SFR: Single-family residential. MFR: Mutli-family residential.

Data source: City of Portland Bureau of Planning and Sustainability. (2015). Development permits and Proposed Comprehensive Plan permit allocation using the Buildable Lands Inventory (BLI).

EMPLOYMENT & BUSINESS DYNAMICS

Fast-growing economy. The Pearl District grew its employment at an annual average rate of 4.6% between 2006 and 2013, which was much faster than Nob Hill (0.5%) and the citywide average (0.8%) (Table 4). The fastest-growing sectors were health care and social assistance; management of companies and enterprises; and arts, entertainment and recreation. A simplified version can be found in Table 5. Additionally, the Proposed Comprehensive Plan allocates over 2,000 jobs to the Pearl District between 2015 and 2035, bringing the total job forecast to 14,800 jobs. The Pearl District will surpass Nob Hill as an employment hub.



Table 4. Employment by industry sector, Pearl District & Nob Hill, 2006-2013.

NAICS-2	Industry sector	Pearl District			Nob Hill		
		2006	2013	CAGR '06-'13	2006	2013	CAGR '06-'13
11	Agriculture, Forestry, Fishing and Hunt	1	10	38.1%	-	-	-
22	Utilities	6	1	-22.9%	-	-	-
23	Construction	631	655	0.5%	842	758	-1.5%
31-33	Manufacturing	464	335	-4.5%	385	255	-5.8%
44-45	Retail Trade	1,039	1,512	5.5%	1,222	1,285	0.7%
48-49	Transportation and Warehousing	79	26	-14.8%	58	205	19.9%
42	Wholesale Trade	319	293	-1.2%	135	108	-3.1%
51	Information	204	219	1.0%	304	265	-1.9%
52	Finance and Insurance	300	471	6.7%	116	165	5.1%
53	Real Estate and Rental and Leasing	316	278	-1.8%	219	214	-0.4%
54	Professional, Scientific, and Technical S	1,651	2,614	6.8%	392	445	1.9%
55	Management of Companies and Enterpr	460	953	11.0%	1,615	2,097	3.8%
56	Administrative and Support and Waste	220	334	6.2%	116	31	-17.2%
61	Educational Services	714	714	0.0%	130	235	8.8%
62	Health Care and Social Assistance	101	407	22.0%	3,594	3,345	-1.0%
71	Arts, Entertainment, and Recreation	209	408	10.0%	71	127	8.6%
72	Accommodation and Food Services	1,442	2,141	5.8%	1,694	1,870	1.4%
81	Other Services (except Public Administr	459	421	-1.2%	680	605	-1.7%
92	Public Administration	93	140	6.0%	-	-	-
99	Other (uncategorized)	8	1	-24.1%	2	0	-24.6%
00	Total	8,717	11,932	4.6%	11,574	12,010	0.5%

NOTE: USPS removed from Pearl District analysis due to significant loss in employment.

Data source: U.S. Bureau of Labor Statistics. (2008, 2015). Quarterly Census of Employment and Wages (QCEW). Oregon Employment Department & City of Portland Bureau of Planning and Sustainability, 2015.

New industry growth. The Pearl District grew in areas that aren't typically associated with the retail- and entertainment-heavy brand that the area has established. Just ten industry groups comprised 63% of the job growth in the Pearl District for all industries that experienced growth in the period of 2006-2013 (Table 6). These industries added close to 2,000 jobs. Many were in the 2-digit NAICS sector 54—professional, scientific and technical services—and other office-based industry groups. These industry groups are high-paying, with an average pay at \$96,100 per year in 2013. One of the fastest-growing between 2010 and 2013 was NAICS 5415—computer systems design—which added 360 jobs at a growth rate of 56% per year. This trend implies the opportunity for employees to spend more money locally and that business district strategies should reach out to emerging industries.



Table 5. Job growth by industrial group, Pearl District & Nob Hill, 2006-2013.

Industrial group	Pearl District			Nob Hill		
	Jobs		CAGR	Jobs		CAGR
	2006	2013	'06-'13	2006	2013	'06-'13
Education & medical	815	1,121	4.6%	3,724	3,581	-0.6%
Entertainment	1,651	2,549	6.4%	1,765	1,997	1.8%
Office-based	2,931	4,535	6.4%	2,645	3,185	2.7%
Other	780	906	2.2%	799	637	-3.2%
Production, distribution & repair	1,500	1,310	-1.9%	1,419	1,325	-1.0%
Retail	1,039	1,512	5.5%	1,222	1,285	0.7%
Grand Total	8,717	11,932	4.6%	11,574	12,010	0.5%

Source: U.S. Bureau of Labor Statistics. (2008, 2015). Quarterly Census of Employment and Wages (QCEW). Oregon Employment Department and City of Portland Bureau of Planning and Sustainability, 2015.

Table 6. Quickly growing industry groups, Pearl District, 2006-2010.

NAICS-4	Industry group	Employment			Absolute change			Growth rate		
		2006	2010	2013	06-10	10-13	06-13	06-10	10-13	06-13
5511	Management of Companies and Enterp	460	700	953	241	253	494	11.1%	10.8%	11.0%
5415	Computer Systems Design and Related	113	125	470	12	345	357	2.5%	55.6%	22.6%
5418	Advertising and Related Services	618	677	872	60	194	254	2.3%	8.8%	5.0%
2362	Nonresidential Building Construction	200	236	437	36	201	238	4.3%	22.8%	11.9%
5416	Management, Scientific, and Technica	125	181	263	56	82	138	9.8%	13.2%	11.2%
7139	Other Amusement and Recreation Indt	69	143	199	75	56	131	20.2%	11.6%	16.5%
4481	Clothing Stores	75	134	194	59	60	119	15.5%	13.2%	14.5%
5112	Software Publishers	33	127	136	94	9	103	40.0%	2.3%	22.4%
4251	Wholesale Electronic Markets and Agei	53	68	142	15	74	89	6.5%	27.8%	15.2%
4541	Electronic Shopping and Mail-Order Ho	205	142	271	(63)	129	66	-8.7%	23.9%	4.1%
	Total for selection	1,949	2,534	3,937	585	1,403	1,988	6.8%	15.8%	10.6%

Note: NAICS 72 removed due to industry reclassification issues.

Data source : U.S. Bureau of Labor Statistics. (2008, 2012, 2015). Quarterly Census of Employment and Wages (QCEW). Oregon Employment Department & City of Portland Bureau of Planning and Sustainability, 2015.

High-paying jobs yield more consumer expenditure. The 3,200 jobs that came to the Pearl District means there are more pockets from which businesses can draw to support their enterprise. Firms in the Pearl District are paying about \$225 million more to their employees in 2013 than they did in 2006. Generally, workers spend 10% of their household expenditures, or \$1,400 per year, within walking distance of their work place. The 3,200 new jobs in the pearl from 2006 to 2013 translates to an additional \$4.5 million that is filtering through the local economy in the Pearl District on food, personal services, apparel, household furnishings and entertainment.



Table 7. Average pay by industry group, Pearl District & Nob Hill, 2006-2013.

Industrial group	Pearl District			Nob Hill		
	Average pay		CAGR '06-'13	Average pay		CAGR '06-'13
	2006	2013		2006	2013	
Education & medical	\$ 32,470	\$ 37,580	2.1%	\$ 66,710	\$ 66,580	0.0%
Entertainment	\$ 24,250	\$ 23,200	-0.6%	\$ 23,930	\$ 21,270	-1.7%
Office-based	\$102,110	\$103,880	0.2%	\$ 73,610	\$ 72,230	-0.3%
Other	\$ 47,180	\$ 51,650	1.3%	\$ 33,660	\$ 28,400	-2.4%
Production, distribution & repair	\$ 74,730	\$ 82,400	1.4%	\$ 57,120	\$ 58,450	0.3%
Retail	\$ 38,860	\$ 34,700	-1.6%	\$ 28,040	\$ 27,460	-0.3%
Grand Total	\$ 63,680	\$ 65,330	0.4%	\$ 54,220	\$ 53,440	-0.2%

Note: All dollar amounts adjusted for inflation reported in 2015-chained dollars.

Data source: U.S. Bureau of Labor Statistics. (2008, 2015). Quarterly Census of Employment and Wages (QCEW). Oregon Employment Department and City of Portland Bureau of Planning and Sustainability, 2015.

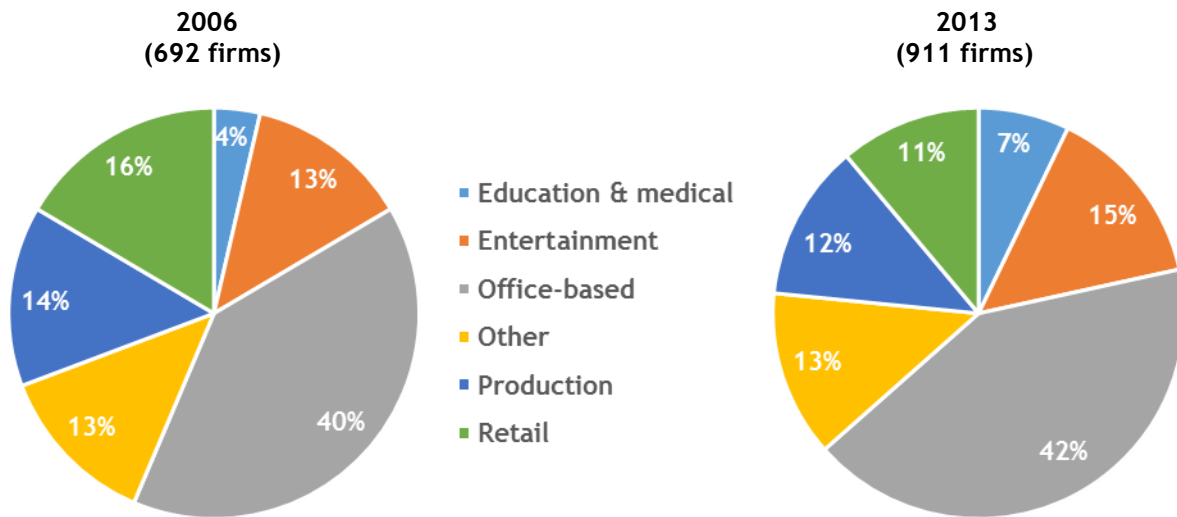
Growing share of entertainment and office-based firms; shrinking presence of retail.

Between 2006 and 2013, over 200 new firms located in the Pearl District (Figure 1). About half were new office-based firms locating in the Pearl—a growth rate of 4.8% per year. Entertainment, education and medical industries also grew considerably—about 80 new firms. But the number of retail firms shrank by about 1.7% per year. However, employment in retail grew by 5.5% per year, adding almost 500 jobs. Retail has gotten leaner in a post-recession economy, and retailers are doing more in smaller spaces. This shift of increasing office-based firms and decreasing retail presents an opportunity for understanding how the Pearl can evolve.

Growing and mid-sized companies comprise most of the employment. About 11,800 employees are spread across 785 firms in the Pearl District (Figure 2). Over 97% of these firms have 100 employees or fewer. This trend is generally consistent with the citywide average, except employment from large firms (500+ employees) is much lower in the Pearl District. There are also much fewer self-employed persons in the Pearl District than in the rest of the city.

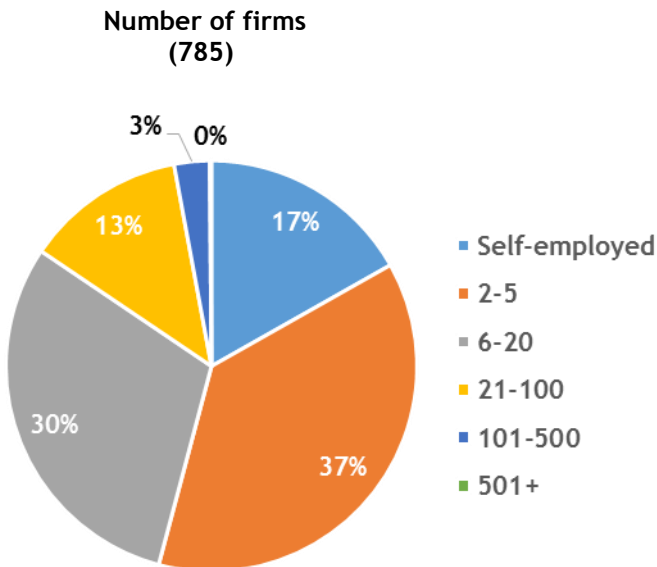


Figure 1. Number of firms by industry group, Pearl District, 2006-2013.



Data source: U.S. Bureau of Labor Statistics. (2008, 2015). Quarterly Census of Employment and Wages. Oregon Employment Department & City of Portland Bureau of Planning and Sustainability, 2015.

Figure 2. Number of firms and employees by firm size, Pearl District, 2013.



NOTE: Firms not listing the number of employees were removed from analysis.

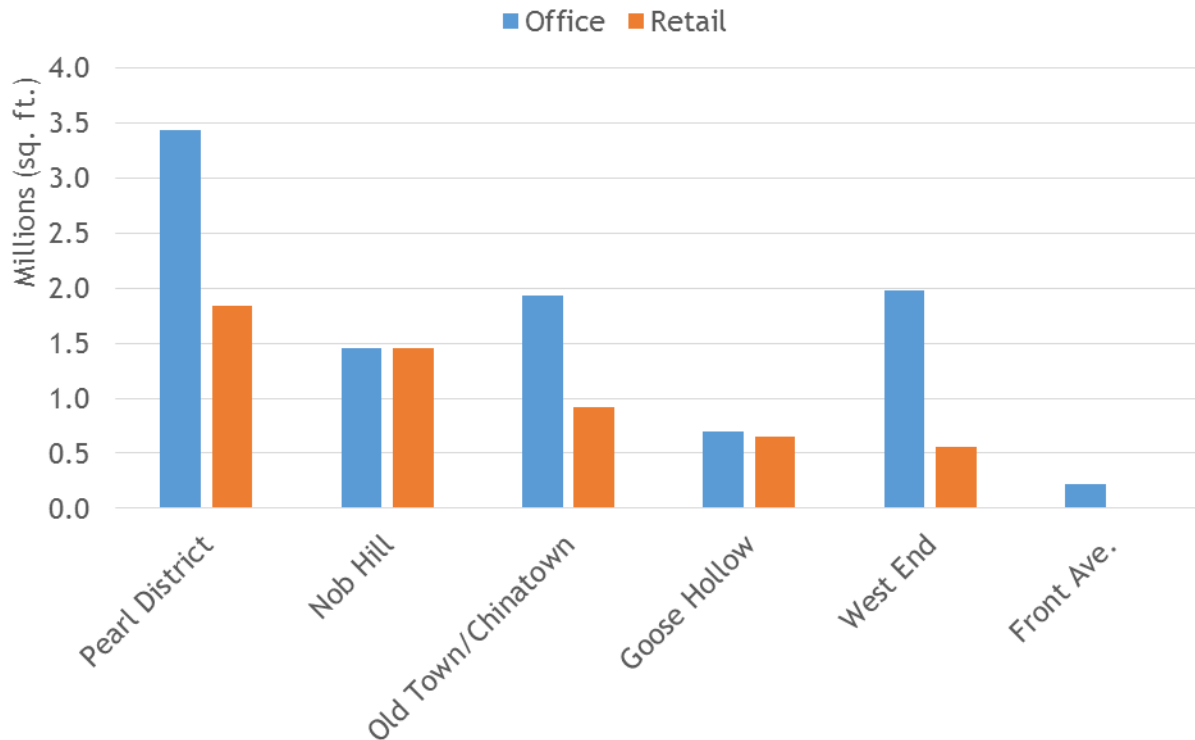
Data source: U.S. Bureau of Labor Statistics. (2015). Quarterly Census of Employment and Wages. Oregon Employment Department & City of Portland Bureau of Planning and Sustainability, 2015.



REAL ESTATE MARKET ANALYSIS (OFFICE & RETAIL)

The Pearl District has nearly 3.5 million ft² rentable building area (RBA) of office and over 1.8 million in retail (Figure 3). The Pearl District is largely zoned Central Employment (EX), which is permissive to mixed-use development. The Pearl District has the most amount of office space of all business districts in the Central City besides the Downtown Core. The Pearl is also the business district that has experienced the most growth in new office space delivered to the market over the last ten years in Portland. Between 2008 and 2013, over 500,000 ft² of new office space came onto the market (Figure 4). In the coming years, the Central Eastside will increasingly become more competitive with the Pearl District office market as creative office allowances are expanded to accommodate growing demand for that tenant space in the Central City.

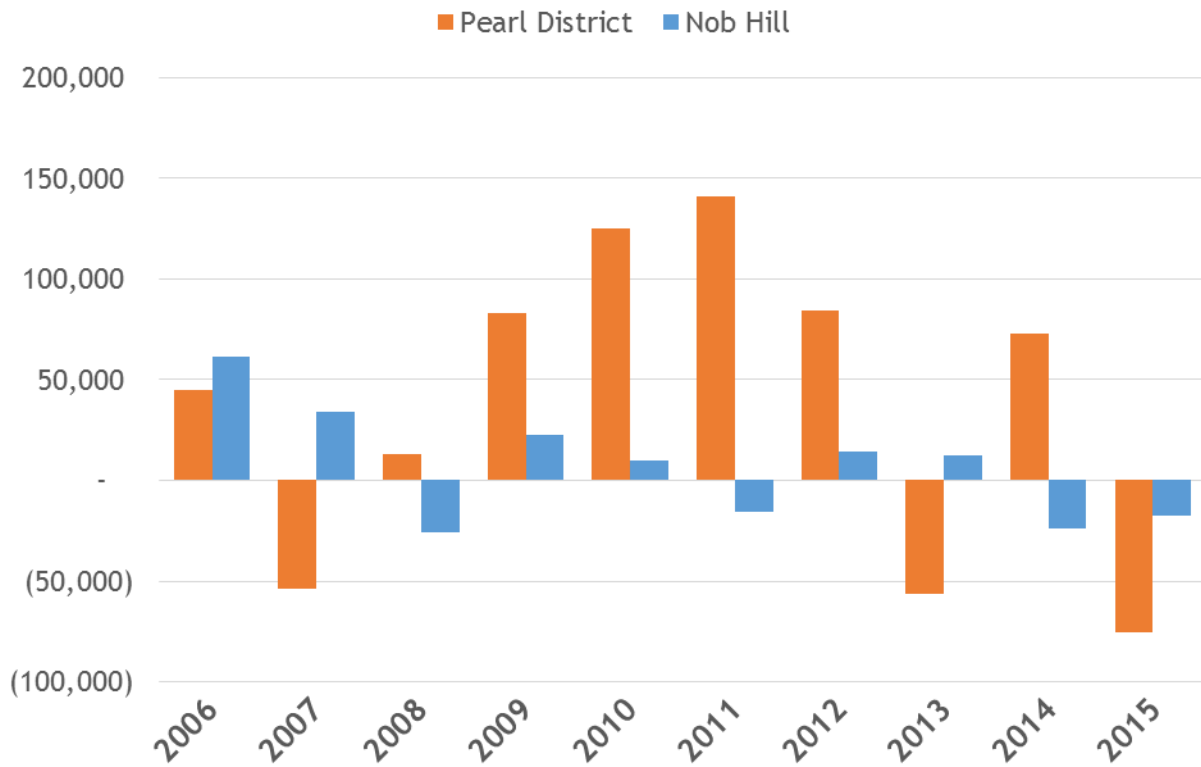
Figure 3. Rentable building area by type of space YTD 2015.



Data source: CoStar Realty Information. (2015). Portland Development Commission.

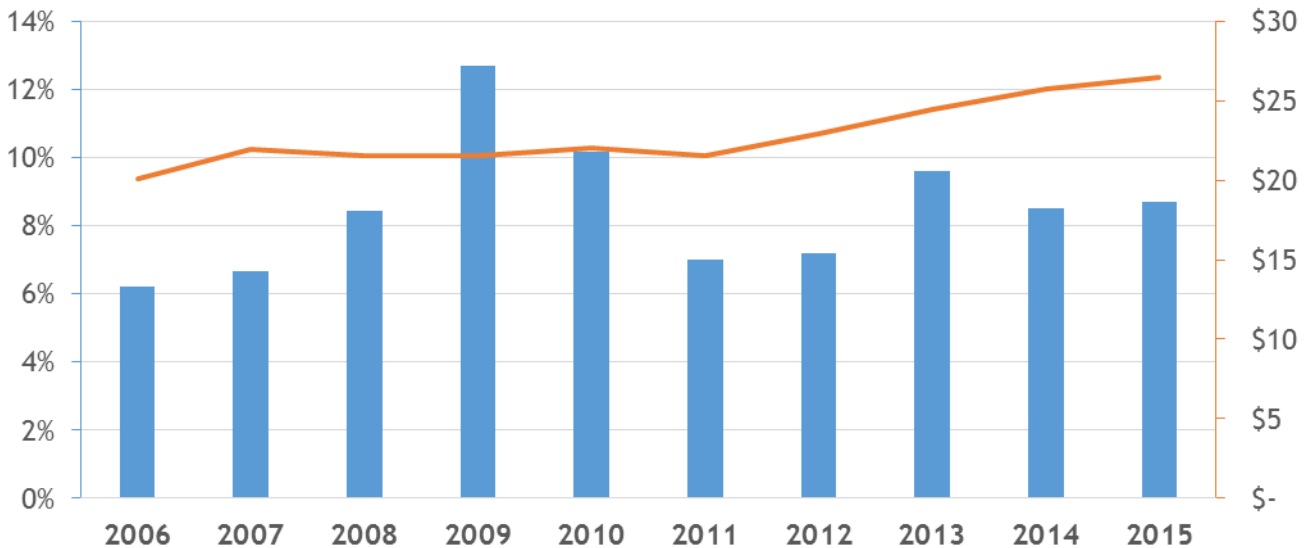


Figure 4. Office absorption, absolute and rate, Pearl District & Nob Hill, 2006-2015 Q2.



Data source: CoStar Realty Information. (2015). Portland Development Commission.

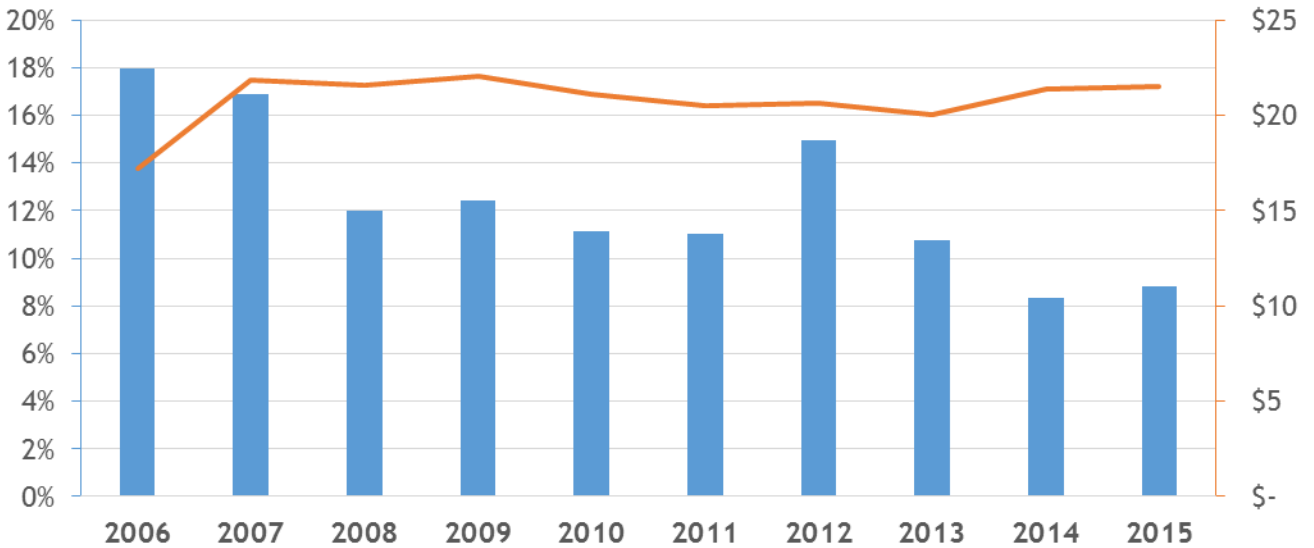
Figure 5. Office vacancy and lease rates, Pearl District, 2006-2015 Q2.



Data source: CoStar Realty Information. (2015). Portland Development Commission.



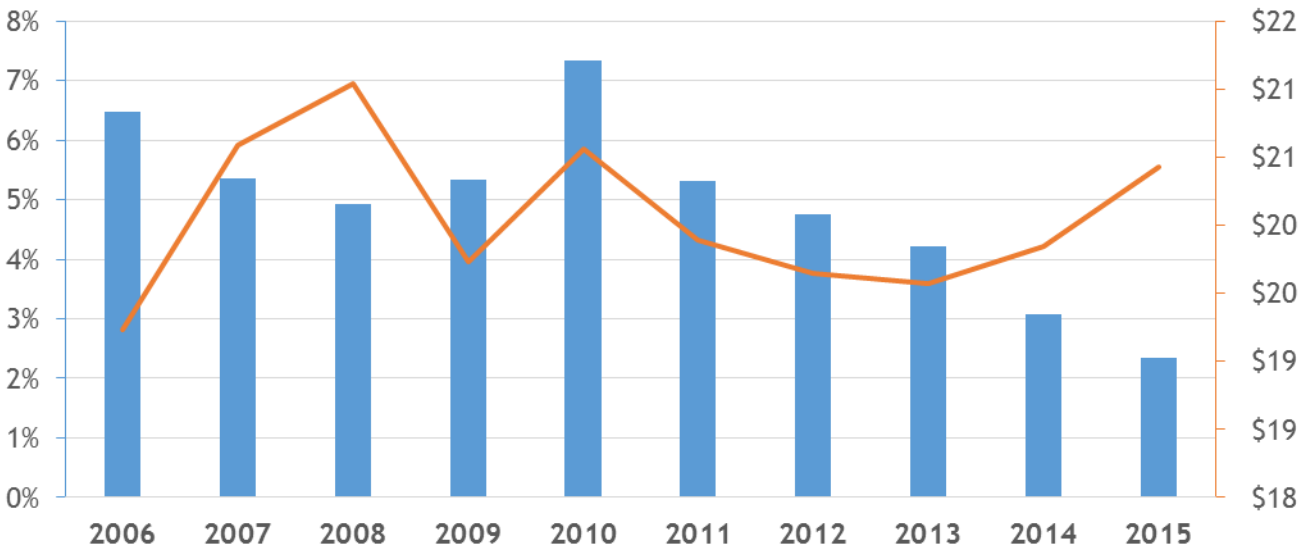
Figure 6. Office vacancy and lease rates, West End, 2006-2015 Q2.



Data source: CoStar Realty Information. (2015). Portland Development Commission.

The office market in the Pearl District is performing exceptionally well in a post-recession economy. Lease rates are currently around \$27 per square foot, which is the top of the range for the office market in the Central City. Lease rates have increased substantially while there is still a significant amount vacancy in the market. The increase in lease rates can be attributed to general improvements in the economy, as well as growth in new sectors that are driving the office market in the Pearl. These growth sectors include corporate headquarters, advertising and branding, software, and architecture and design.

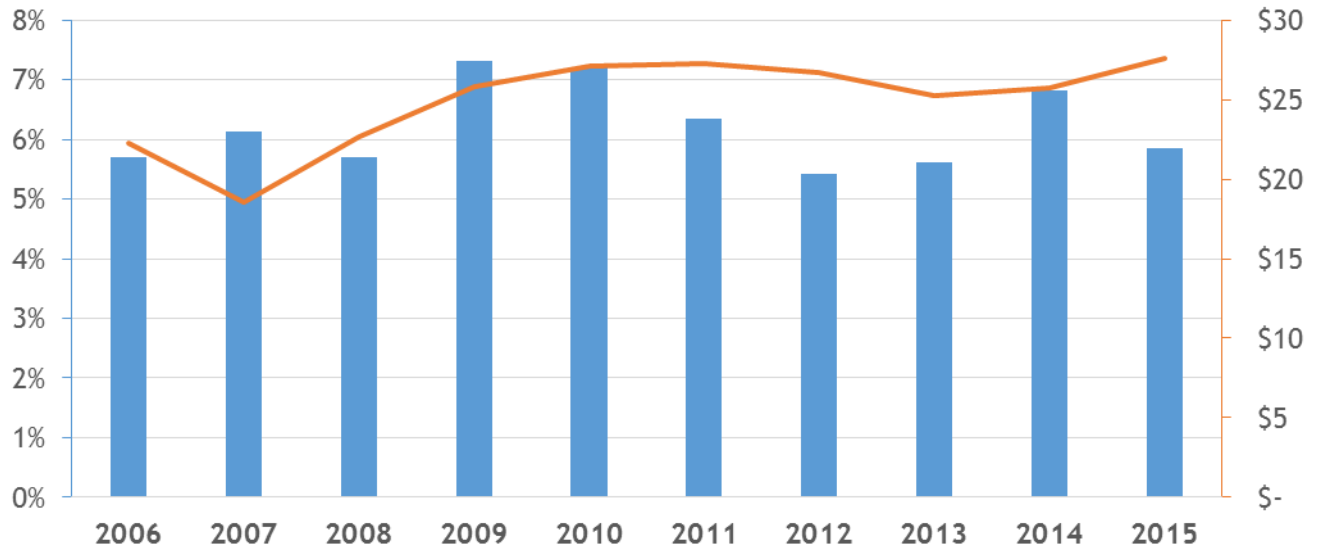
Figure 7. Retail vacancy and lease rates, Pearl District, 2006-2015 Q2.



Data source: CoStar Realty Information. (2015). Portland Development Commission.



Figure 8. Retail vacancy and lease rates, West End, 2006-2015 Q2.



Data source: CoStar Realty Information. (2015). Portland Development Commission.

Pearl District retail lease rates have remained relatively flat over the last ten years at around \$20 per square foot. However, increasing occupancy of vacant retail space over the last few years has brought vacancy rates down to 2 percent. These exceptionally low retail vacancy rates signify that demand is starting to outpace supply of retail space and that lease rates could increase in the near future if supply remains tight. Newer development projects in Northwest Portland (Conway and new construction in Nob Hill) will bring a large supply of retail space onto the market in the next couple of years that could impact lease rates across many business districts in NW and SW Portland.



NOTES

We collapse several industry sectors into “industry groups.” Note that “industry group” also means the 4-digit NAICS classification.

Industry group	NAICS sector
Education & medical	61, 62
Entertainment	71, 72
Office-based	51, 52, 53, 54, 55
Other	11, 21, 56, 81
Production, distribution & repair	22, 23, 31, 32, 33, 42, 48, 49
Retail	44, 45

Explore NAICS codes at <http://www.census.gov/cgi-bin/sssd/naics/naicsrch>

Source: Center for Transit-Oriented Development. (2010). Modified by authors.

Data discrepancies

1. Data for 2015 in Table 1 are based on projections by Esri using the 2010 Census as a base figure. These estimates may not reflect the actual numbers.
2. For employment figures reported using QCEW, we subtracted the employment and wage figures attributed to the United States Postal Service in the Pearl District. Due to significant job loss by this employer and the publicly owned nature of this establishment, a more accurate reflection of the changes taking place in the Pearl District would discount its contribution.
3. Firms disaggregated by firm size exclude firms that did not specify any number of employees for 2006 or 2013.
4. Table 4 is the most complete and accurate figure that reports employment figures.

