



July 2024

Retail Market Analysis and Recommendations Report

City of Sandy

Prepared for: City of Sandy

ECOnorthwest

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1. Introduction

The City of Sandy has a history of supporting commercial retail businesses, including commissioning a Retail Market Analysis in 2009, updating it in 2015, and establishing an Economic Development Advisory Board to advance economic development objectives. However, the COVID-19 pandemic disrupted retail markets globally, prompting the City to reevaluate its retail strategy in the context of structural market changes. As Sandy emerges from the pandemic with a relatively healthy economy and increasing development interest, it recognizes the need to adapt to shifting market dynamics and capitalize on new opportunities.

An ongoing hurdle to development is Sandy's current wastewater infrastructure challenges. In October 2022, the city imposed a moratorium on any new development that would require additional connections or increased flows to the wastewater system. This moratorium aims to prevent exceeding the system's capacity while improvements are made. The timeline for lifting this moratorium remains uncertain.

Sandy's primary goal is to foster a vibrant business community with diverse retail offerings that cater to both locals and visitors. The purpose of this market analysis is to develop a data-driven, market-based retail strategy that directly supports this goal. By integrating information on demographic, economic, and market trends, as well as details on commercial land availability and constraints, this analysis aims to inform strategic recommendations for encouraging retail development, attracting new retailers, and supporting existing businesses. It positions Sandy to capitalize on commercial retail development opportunities once the moratorium is lifted. Additionally, it provides valuable market insights for existing businesses, helping them navigate the current landscape. The study also serves as a recruitment tool to attract new businesses to existing spaces, maximizing the use of available retail areas.

Key Objectives

- ◆ Understand the types of retail most viable for growth in Sandy based on consumer spending patterns, existing retail offerings, and market depth.
- ◆ Identify barriers to attracting and/or retaining retailers in Sandy and propose solutions.
- ◆ Serve as a retail recruitment tool and provide support for existing businesses with market research and loan assistance.
- ◆ Position Sandy to capitalize on commercial retail development opportunities when the current wastewater-related development moratorium is lifted.



Through this comprehensive and data-driven approach, the market analysis aims to equip Sandy with the necessary insights and strategies to support its retail sector, attract new development, and foster a thriving retail landscape, both during the current moratorium and in preparation for future growth opportunities. While focusing on retail across Sandy, the strategy acknowledges the importance of an active downtown area in offering unique shopping, dining, and entertainment experiences.



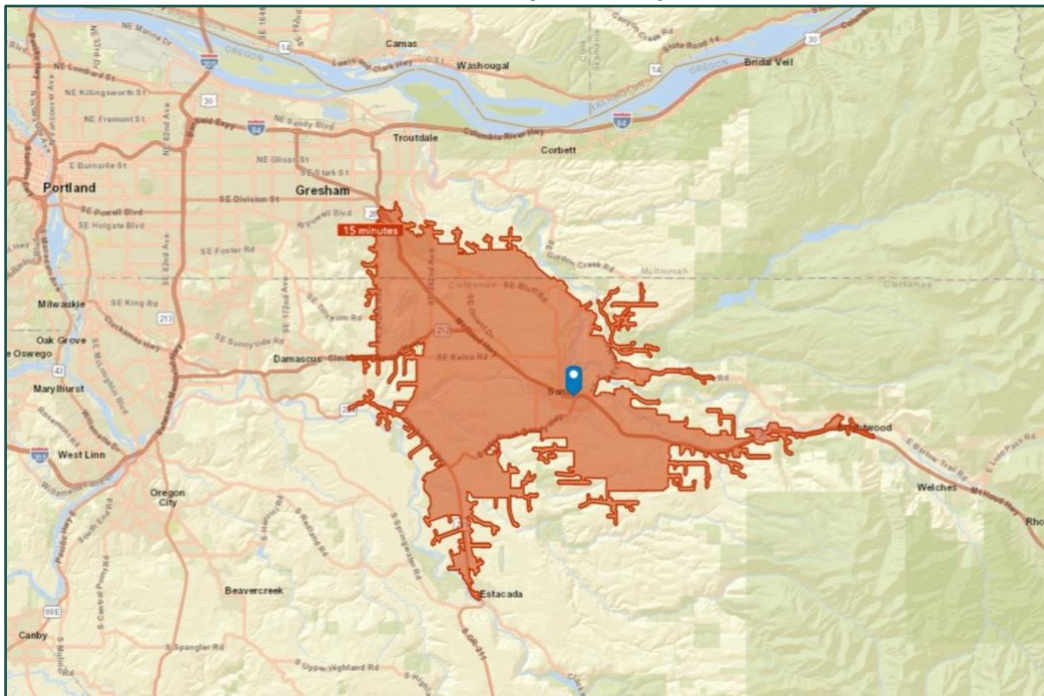
2. Development Outcome Assessment

This section assesses the findings from the previous market research reports conducted in 2009 and 2015 and evaluates the extent to which actual development and growth have aligned with the forecasted estimates. The analysis covers developed space, population and household growth, and stakeholder insights.

2009 and 2015 Sandy Retail Market Area

The City of Sandy completed market studies in 2009 and 2015 which defined the Sandy Retail Market Area as a 15-minute drive time from the Sandy city center (Exhibit 1). The studies established this boundary to identify the core area from which retail businesses in Sandy draw most of their customers.

Exhibit 1: 15-Minute Drive Time Map, “Sandy Retail Market Area”



Source: ESRI Business Analyst, 2024



Population and Household Growth: Projection Versus Reality

» **Key Takeaway: Population and household growth significantly exceeded projections, likely driven in part by increases in remote work trends (accelerated by the COVID-19 pandemic) and proximity to outdoor recreation.**

The 2015 Market Analysis provided an estimate and forecast for population, age, and households for 2014 and 2019. However, according to the latest estimates (2023), the 15-minute Retail Market Area has experienced faster growth than previously projected. While the analysis predicted a 0.9 percent annual growth rate between 2014 and 2019, Sandy actually grew at an average 3.1 percent annual rate between 2014 and 2023. As of 2023, the Retail Market Area has 51,071 residents and 17,895 households, approximately 11,100 residents and 3,300 households more than the 2014 estimate (Exhibit 2).

This rapid growth may be influenced by recent shifts in migration driven in part by remote work trends, with more individuals and families opting for areas like Sandy that are outside major urban centers. Sandy's popularity is driven by a mix of proximity to outdoor recreational opportunities, a healthy housing stock, and reasonable access to the metropolitan core. The out-migration to second cities with strong quality-of-life characteristics is not unique to Sandy; other tertiary markets like Ridgefield, Kalama, North Plains, and Oregon City have exhibited a similar trajectory. Given this growth in population and incomes, it is reasonable to anticipate an increase in locally supported retail demand.

Exhibit 2. Demographic Snapshot, 2014, 2019, and 2023

DEMOGRAPHIC INDICATOR	2014 ESTIMATE	2019 FORECAST	2023 ESTIMATE	DIFFERENCE 2014-2023
Population	39,951	41,798	51,071	+ 11,120
Median Age	39.4	39.7	40.2	+ 0.8
Households	14,603	15,301	17,895	+ 3,292
Median Household Income	\$60,050	-	\$91,156	+\$31,106 (not inflation adjusted)
Homeownership	73.2%	-	75.2%	+2%

Source: ESRI Business Analyst for 2023, 2015 Sandy Market Analysis report for 2014 and 2019



Review of 2015 Retail Supply and Demand

» **Key Takeaway: New retail development has not kept pace with forecasted demand. The 2015 Market Analysis estimated that the Sandy Market Area could support an additional 700,220 square feet of retail space by 2019. However, between 2014 and March 2024, the Sandy Retail Market Area added only 37,658 square feet of new retail space.**

In 2014, the supply of food and beverage stores and home improvement stores outweighed the demand, indicating a surplus of those store types. However, the supply for other retail categories was insufficient to meet the demand of local shoppers, resulting in spending leakage to other markets. The categories with the greatest amount of spending leakage were general merchandise, apparel, health and personal care, and restaurants.

The 2015 Market Analysis estimated that surplus demand that was leaking to other areas across all retail types could support an additional 640,629 square feet of retail space in 2014 if all demand was able to be recaptured. It forecasted this demand would grow by another 59,591 square feet by 2019, resulting in a total projected supportable space of 700,220 additional square feet by 2019.

However, according to CoStar data, as of 2024 year-to-date, the Sandy Retail Market Area only added 37,658 square feet of additional retail space since 2014 (Exhibit 3). This actual growth is substantially less than the projected 2019 demand, reflecting development constraints, lack of land, and persistent leakage to other markets in most retail segments.

Exhibit 3: Retail Inventory in the Sandy Retail Market Area, 2015, 2019, and 2024

Source: CoStar, March 2024

YEAR	NUMBER OF BUILDINGS	TOTAL SQUARE FEET
2014	122	1,119,464
2019	123	1,123,464
2024 YTD	125	1,157,122
Change 2014 to 2024	3	37,658



2015 Consumer and Business Insights

Consumer surveys from the 2015 Market Analysis garnered 250 responses and revealed that Sandy shoppers value options and low prices over shopping locally, which contributes to why many Sandy residents shop outside of the area. Shoppers expressed a desire for:

- ◆ Apparel options beside Fred Meyer
- ◆ Grocery options that offer healthy, natural foods (Trader Joe's)
- ◆ Restaurants with more menu options

Business owner surveys highlighted the following about the Sandy business climate:

- ◆ Strengths: Friendly environment and sense of community, helping the local economy, good visibility.
- ◆ Weaknesses: Isolation from the ecosystem of amenities and services; burdensome City restrictions and regulations.
- ◆ Positive Indicators: Businesses reported moderate growth or steady business as well as steady investment.

Current Status of Retail Property Identified as Available in the 2015 Market Analysis

In 2015, several sites were highlighted as potential tenant attraction and development opportunities. Vacant spaces identified in the 2015 report have since been mostly occupied. The 2015 study also identified three infill properties as potential development sites. Since then, one property now hosts a permanent food cart pod. Another property has been through the land use process and is cleared for construction. The large vacant lot across from the Fred Meyer store has recently undergone infrastructure improvements, with roads being constructed to provide access to the site. This development paves the way for potential future construction projects on that property.



Exhibit 4. Current Status (as of July 2024) of the Vacant Retail Spaces from the 2015 Market Analysis

Property	Status	Current Details
39831 Hwy 26	Occupied	<ul style="list-style-type: none"> • Clackamas County purchased the "Oregon's Wild Harvest Building" in 2019, four years after the 2015 Market Study. • The county demolished the building in 2021 and constructed the new Clackamas County Health Clinic on the site in 2023.
37515 Hwy 26	Fully leased up	<ul style="list-style-type: none"> • Safeway retail strip mall • Fully leased up since 2019
39330 Proctor Blvd	2 of 5 leasable spaces are currently occupied	<ul style="list-style-type: none"> • "Prestige Business Center" • Building was sold in 2023
38958 Proctor Blvd	Fully leased up	<ul style="list-style-type: none"> • Strip mall, houses the UPS store

Source: 2015 Sandy Market Analysis, CoStar March 2024, discussions with the City

Exhibit 5. Current Status (as of July 2024) of the Undeveloped Infill Properties from the 2015 Market Analysis

Property	Status	Current Details
38400 Pioneer Blvd	Fully occupied	<ul style="list-style-type: none"> • Dedicated food truck lot "Sandlandia" • 10 spaces
38940 Pioneer Blvd	Been through the land use process and ready to proceed with construction	<ul style="list-style-type: none"> • Four lots – future home of the Barlow Trail Vet Clinic
90.71-acre space across from Fred Meyer (Skipper/ Lundeen properties)	Undeveloped	<ul style="list-style-type: none"> • The Bell Street/362nd Avenue extension, completed in October 2023, has opened development opportunities for this site

Source: 2015 Sandy Market Analysis, CoStar March 2024 and discussions with the City



3. Evaluation of Changes in Structural Market Conditions

This section assesses structural changes in consumer behavior and the local market area that may influence the trajectory of the future retail market. This assessment pays particular attention to how businesses and consumers have reacted to the “new normal” post-pandemic.

Commercial Real Estate Market Trends in a Post-COVID World

The COVID-19 pandemic had significant effects on the commercial real estate market, including a decline in foot traffic, an increase in remote and hybrid work, closure of retail businesses and restaurants (some temporarily, but others permanently), changes in consumer behavior, and changes in commute patterns. These disruptions to traditional patterns of work, commerce, and consumer behavior have had a significant and lasting impact on the commercial real estate market—especially office and retail markets. As we have returned to a “new normal,” there is an increasing yet slow return to brick-and-mortar business locations. However, structural shifts that look to be “sticky” remain.

Retail

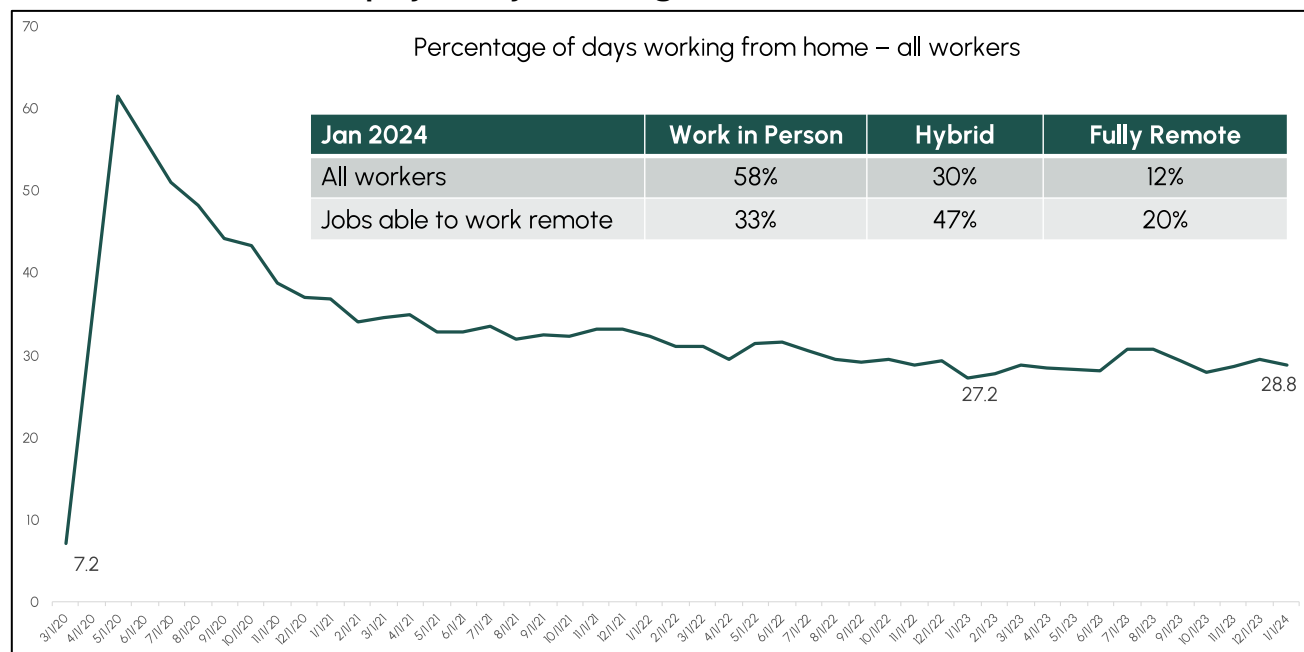
The accelerated shift toward online shopping as a result of the pandemic has led to decreased foot traffic, lower sales, and higher vacancy rates in some shopping centers. On the positive side for retailers, during COVID lockdowns, some retailers struggled to keep up with rent payments, leading to more flexible lease and rent negotiations by landlords that remain today. Home improvement and garden centers saw increased sales due to people investing in their living spaces. We see three effects that are driving shifts in retail patterns:

Reduced daytime employment. The pandemic created a structural shift in the way many sectors work. Markets where the economy is concentrated in service sectors that allow people to work from home have reduced the number of in-person weekly daytime employees. By extension, this has adversely impacted restaurants and other convenience retailers that rely on daytime population. National data has shown that markets have settled into a “new normal,” with the percentage of days employees are working from home settling between 25 and 30 percent compared to over 60 percent during the peak of the pandemic and 7 percent pre-pandemic. In Sandy, this effect is



likely less pronounced due to a higher concentration of production sectors and the offsetting migration effects (see below) of the pandemic.

Exhibit 6. Percent of Employee Days Working from Home, United States, 2020–2024



Source: SWAA, WFH Research

Substitution effect to secondary markets. One of the defining characteristics of the pandemic was the acceleration of a migratory shift in population and households to “second cities” with more affordable housing markets and greater access to recreational and other amenities. While the magnitude of the shift is beyond this project’s purview to estimate, the acceleration in Sandy’s growth rate beyond even optimistic forecasts can reasonably be attributed in part to this condition. This has resulted in a greater number of households and local retail market support.

Acceleration of e-commerce. With fewer goods and services available in brick-and-mortar establishments, the pandemic accelerated households’ comfort with e-commerce while also improving retailers’ logistical efficiency. These conditions have had two outcomes; first, consumers purchase a greater share of retail goods online through non-store retail platforms. Secondly, larger-scale brick-and-mortar retailers are able to increase throughput in a given physical space, in some cases compressing retail footprints in certain retail sectors.



Food and Beverage

Similar to the consumer shift toward e-commerce, the COVID-19 pandemic accelerated a move towards more food and beverage purchases being made through delivery platforms. As lockdowns exposed a broader demographic to these platforms, the delivery market share increased. However, given Sandy's semi-rural environment, this shift may be less pronounced locally.

Despite potential lower local impact, there are still implications for independent restaurants. Delivery operators typically charge 15 to 30 percent in fees per order. Coupled with reduced in-person dining demand and loss of high-margin bar sales, this makes operating traditional dine-in restaurant models challenging long-term. As a result, independent restaurants are likely to reduce their brick-and-mortar footprints over time. New models like food halls, pop-ups, ghost kitchens, and co-location concepts are gaining popularity. These hybrid models capitalize on shared spaces, clustering benefits and economies of scale to keep maintenance and equipment costs lower compared to operating a full-service dine-in restaurant alone.



4. Sandy Primary Trade Area Consumer Profile

This section identifies the primary trade area (the area from which the majority of Sandy's customers are expected to originate) and develops a comprehensive consumer profile for the trade area.

Primary Trade Area

A Primary Trade Area (PTA) is the geographic region from which a retail development generates most of its customers, typically accounting for 75 percent of market support. The PTA for Sandy was determined based on the following key factors:

Proximity and Access to Household Concentrations. ECOnorthwest used two centralized commercial locations as proxies to understand how consumers are interreacting with different development forms (discussed next)—a Fred Meyer retail area along Highway 26 and a downtown corridor. The Fred Meyer area caters to residents from Sandy and surrounding communities like Boring, Estacada, and Eagle Creek who lack a larger department store. The downtown corridor serves both local Sandy residents and visitors from the broader Portland metro area passing through on their way to Mt. Hood.

Retail Development Form. The two key commercial areas represent two different development forms—a suburban retail strip (Fred Meyer area) and a downtown corridor with restaurants, small businesses, and services.

- ◆ **Size, Location, and Retail Mix of Competing Locations.** The theory of retail gravity asserts that time and distance heavily influence shoppers' willingness to patronize a particular center. Households are not generally willing to travel past (or further than) a comparable or superior alternative. Sandy's Fred Meyer competes with another location in nearby Gresham, but residents from areas like Boring may prefer to travel to Sandy to avoid Gresham traffic. Sandy also draws customers from towns east towards Mt. Hood and south to Estacada due to having larger retail and grocery options compared to those smaller cities.
- ◆ **Presence of Pass-through or Daytime Employment.** The Primary Trade Area is primarily residential, with a significant portion of residents commuting out of the area for work. Despite the daytime population being lower than the regular population, Sandy has an employment base as well. Sandy hosts a daytime population of approximately 11,850 people, comprising 5,200 workers and 6,650 residents. Additionally, Highway 26 serves a vital role as a commuter



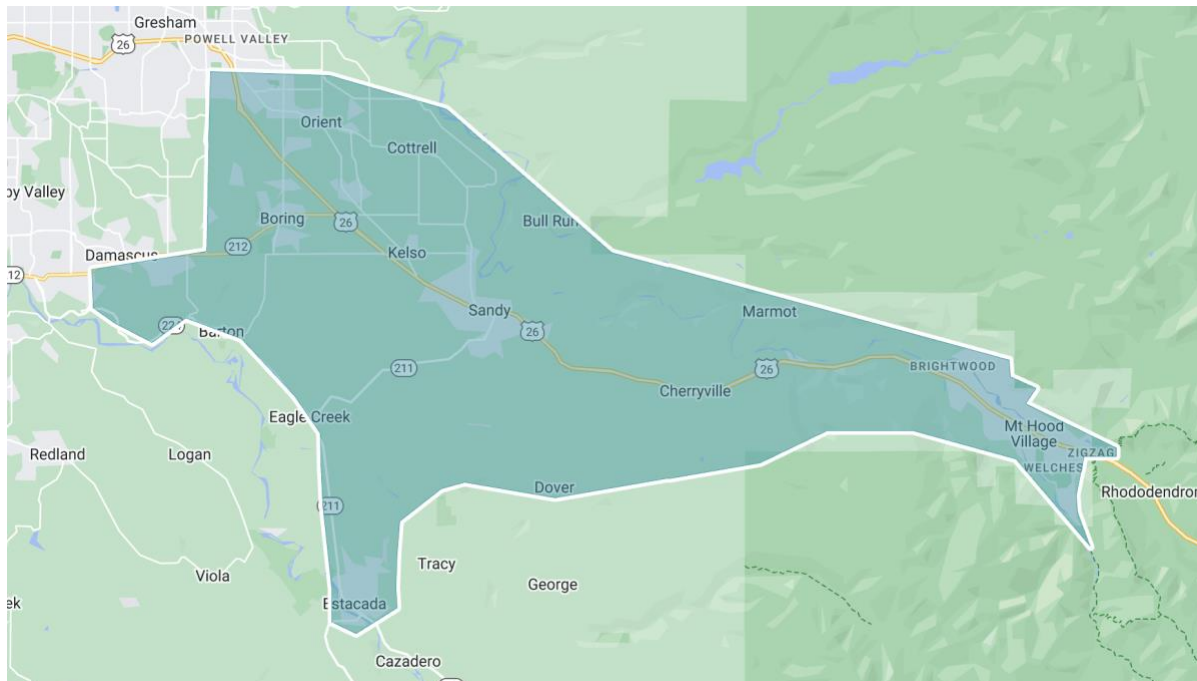
route connecting Sandy to the broader Portland Metro area, as well as a major route for tourists and traffic heading towards Mount Hood or Central Oregon. This strategic location along a popular travel corridor contributes to an influx of visitors passing through the area.

- ◆ **Presence of Physical or Manmade Barriers.** Physical barriers have a significant impact on the study area’s PTA. Much of the region is rural in nature, with the Sandy River to the north and the Clackamas River to the southwest limiting regional accessibility.

Establishing the Primary Trade Area (PTA)

ECONorthwest established the PTA boundary (see Exhibit 7) using drive time information and visitor data from Placer.ai based on two centralized commercial locations in Sandy: the Fred Meyer anchored retail center on Hwy 26 and 362nd Ave and the Sandy Downtown Corridor.

Exhibit 7. Sandy Primary Trade Area



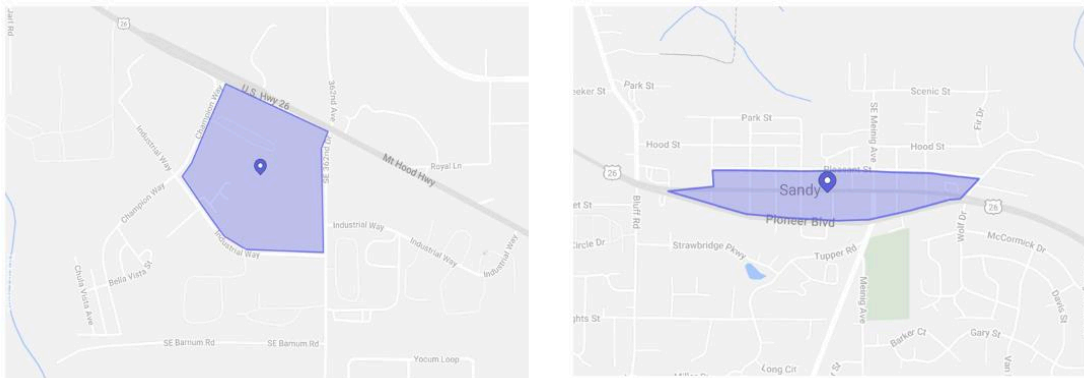
Source: ECONorthwest

The Fred Meyer anchored retail center is located along a commercial strip of large grocery stores, automobile dealers, and retail stores. We use the Fred Meyer anchored retail center as a proxy for “power retailers” in the area. The Downtown area has many restaurants, small retail businesses, and service-related businesses. It primarily serves residents of Sandy while also welcoming visitors on their way to Mt. Hood from the broader metro area population. Exhibit 8 shows the identified



commercial areas: Community Retail Center (anchored by Fred Meyer) (left) and Downtown Sandy (right).

Exhibit 8. Sample Sources of Commercial Activity, Sandy OR



Source: EConorthwest

To identify people who traffic these key commercial areas and likely purchase goods and services, EConorthwest utilized Placer.ai, a proprietary artificial intelligence software that estimates foot traffic trends from cell phone data.¹ According to this data, approximately 40 percent of visitors to both locations are Sandy residents. Beyond Sandy residents, visitors to the Community Retail Center area mostly live in more rural areas (Boring, Estacada, and Eagle Creek), whereas visitors in Downtown Sandy primarily reside in Portland. The top six visitor home locations capture 76 percent of the Community Retail Center visitors and 68 percent of Downtown Sandy visitors (Exhibit 9).

Exhibit 9. Share of Visitors to Key Commercial Locations by Home Location

HOME LOCATION	SHARE OF VISITORS TO	
	COMMUNITY RETAIL CENTER	DOWNTOWN SANDY
Sandy, OR	40%	38%
Boring, OR	11%	8%
Estacada, OR	11%	5%
Eagle Creek, OR	5%	2%
Portland, OR	5%	9%
Gresham, OR	4%	7%
Other	24%	32%
Total	100%	100%

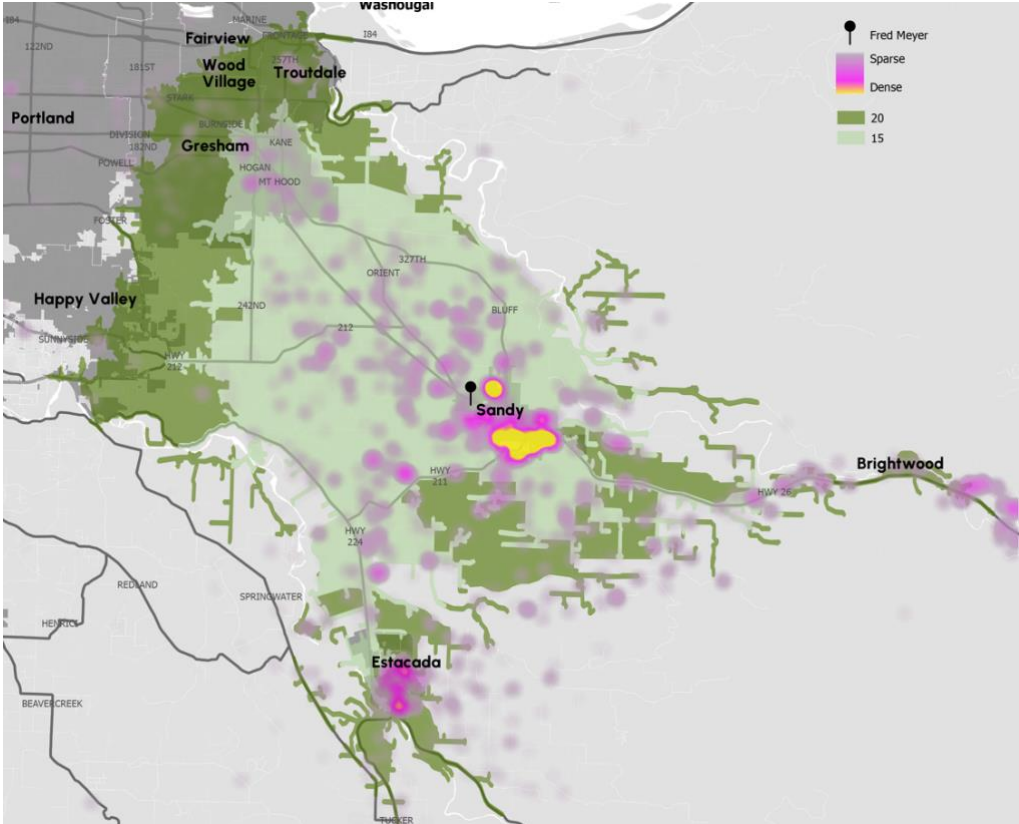
Source: Placer.ai, 2023

¹ Placer.ai estimates foot traffic trends from cell phone data on a “Place of Interest” (POI) basis. From these POI reports, two key data elements are extracted: 1) The total number of visitors to a heritage location in 2023, and 2) the distance, in miles, visitors traveled to reach these locations.



From the key commercial areas, ECONorthwest mapped a 15-minute and 20-minute drive time and overlaid information on the home location of visitors to these areas. The results help to identify and define a reasonable trade area for commercial activity in Sandy. Exhibit 10 shows the described overlay for drive time and Placer.ai visitors by home location, with yellow showing higher density of visitors in that home location and light pink showing lower density.

Exhibit 10. Community Retail Center Drive Time Map and Visitor Home Location Density



Source: Placer.ai, 2023, and ECONorthwest analysis

Given the similarity in visitation patterns, ECONorthwest used a unified 15-minute drive-time trade area from the Community Retail Center, considering major roadways, such as Highway 212 and Highway 211, and natural barriers that define Mt. Hood Village, shown in Exhibit 7. This PTA captures approximately 75 percent of customers to the area.



Consumer Profile Analysis

Gaining an understanding of the various consumer groups within Sandy's PTA—including residents, employees, and visitors, as well as their spending behaviors and preferences—provides valuable insights into the local market dynamics. This analysis can help businesses make informed decisions about establishing new operations or expanding their existing presence in Sandy.

Residents

- » **Key Takeaway: The PTA has a notable presence of families with children and older residents. It exhibits larger household sizes and a greater share of family households compared to Clackamas County. Incomes are similar to Clackamas County with about 48 percent of households earning over \$100,000 annually. The PTA is projected to grow faster than Clackamas County over the next five years and is anticipated to gain about 7,000 new residents and 2,500 additional households, indicating potential for retail growth opportunities catering to this demographic mix. Given the trend in migration patterns, new households on the margin are likely to be younger but also reflect higher rates of family households compared to the region.**

POPULATION AND HOUSEHOLDS

The Primary Trade Area has a population of about 88,130 across 31,580 households. The population is expected to grow 8 percent (7,050 people) between 2024–2029 at an annual average growth rate of 1.6 percent.² This is a higher annual growth rate than projected for Clackamas County (1 percent).³ Household growth is projected to increase at a similar pace to the population, increasing from 31,577 households in 2024 to 34,103 households in 2029.

In the PTA, most households own their homes, with 23,683 owner-occupied units and 7,894 renter-occupied units. With an average household size of 2.76 people, this indicates a relatively stable residential community. The PTA has a higher concentration of families (71 percent of households) compared to Clackamas County (68 percent of households).

² ECONorthwest based the population growth rate on the City of Sandy's adopted Housing Capacity Analysis, which projected an annual average growth rate of 1.9%. To account for potentially slower growth in areas outside the city limits, ECONorthwest discounted this rate for the larger Primary Trade Area.

³ The population growth rate for Clackamas County is based on the 2018 Urban Growth Report, Appendix 1 which estimates a 1% annual population growth rate for the Portland Metro (seven county region) between 2025 and 2030.



Exhibit 11. Demographic Snapshot of Sandy’s PTA and Comparison Areas, 2024–2029

	SANDY PTA	CLACKAMAS CO.
Population		
2024 (estimate)	88,129	434,027
2029 (forecast)	95,179	455,728
% Change (2024-2029)	8.0%	5.0%
Annual Rate (2024-2029)	1.6%	1.0%
Households		
2024 (estimate)	31,577	165,932
2029 (forecast)	34,103	174,229
% Change (2024-2029)	8.0%	5.0%
Annual Rate (2024-2029)	1.6%	1.0%
Average Household Size (2024)	2.76	2.59
Share of Families (2024)	71%	68%
Homeownership (2024)	75%	71%

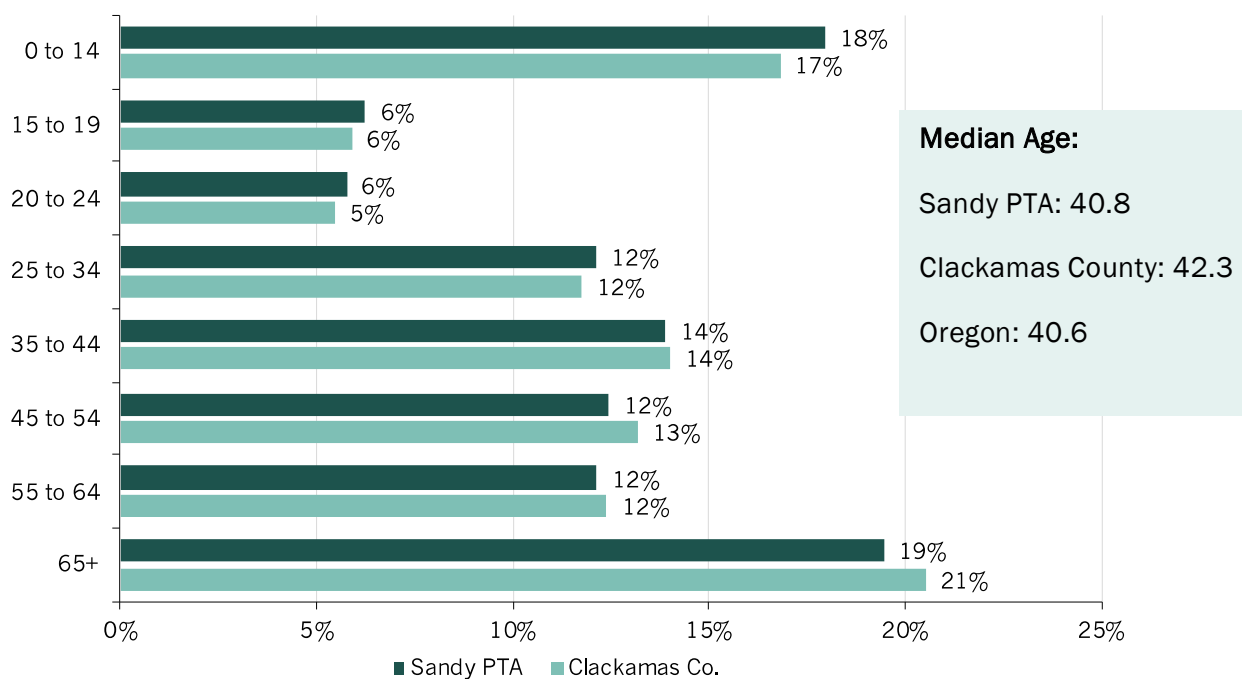
Source: ESRI Business Analyst, 2024, and EConorthwest analysis for growth rates

AGE

The PTA’s median age of 40.8 years is younger than Clackamas County's (42.3) but similar to the state's median (40.6). The market area has a higher share of children than Clackamas County and similar concentrations across the middle age groups. This combination indicates a high concentration of families within the trade area. While the area has a slightly smaller share of residents over 60 than the county, nearly 20% of residents are 65 and older. This demographic mix, with its relatively high proportions of both families and retirees, is consistent with the area's suburban character.



Exhibit 12. Trade Area Population and Comparison Areas by Age Group, 2024



Source: ESRI Business Analyst, 2024

RACE AND ETHNICITY

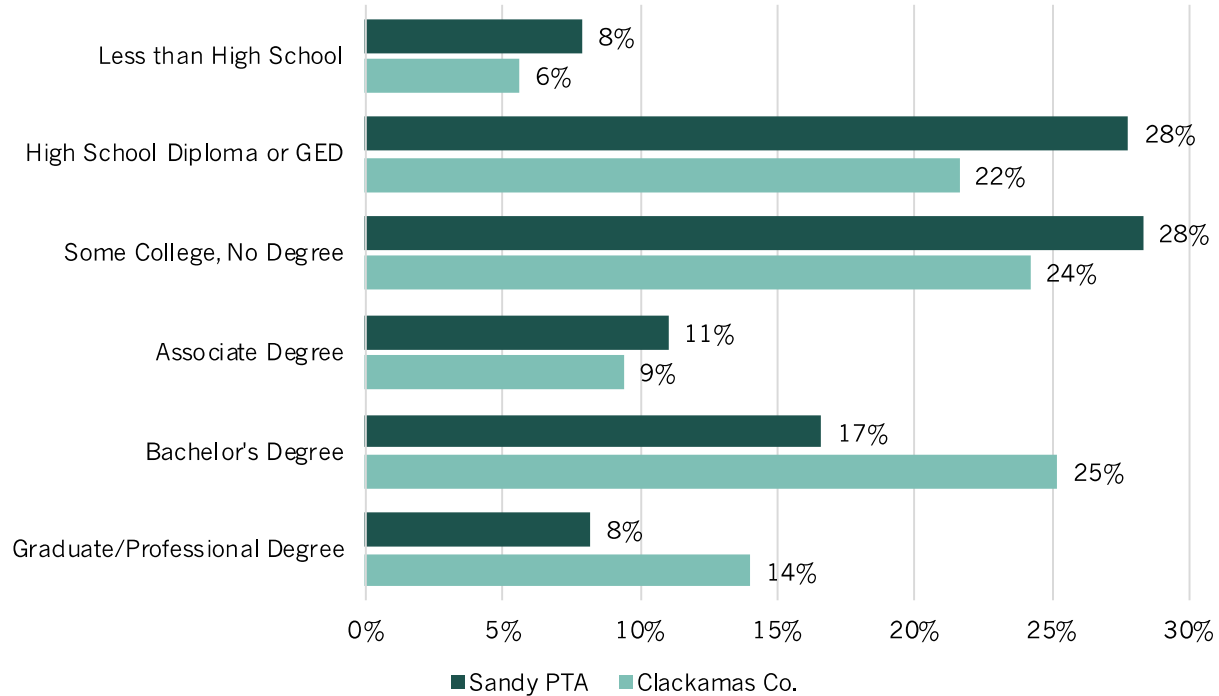
The PTA's population is predominately white (78 percent) followed by residents who identify as two or more races (10 percent). About 13 percent of trade area residents identify as Hispanic or Latino (of any race) which is slightly less than the state (15 percent) but greater than Clackamas County (10 percent).

EDUCATIONAL ATTAINMENT

Residents of the PTA have on average, a lower level of educational attainment than residents of Clackamas County. About 25 percent of the PTA's population has a bachelor's degree or higher compared to Clackamas County where 39 percent of the population have a bachelor's degree or higher. This will have implications for some retail tenants who increasingly use educational attainment as a site selection criterion.



Exhibit 13. Educational Attainment



Source: ESRI Business Analyst, 2024

INCOME

Primary Trade Area households have a median income of \$94,640 which is slightly lower than the median of Clackamas County (\$103,302). PTA households are concentrated in higher income brackets, with nearly a quarter earning between \$100,000 and \$149,999 annually. Compared to households in Clackamas County, a higher proportion of PTA households earn between \$100,000 and \$149,999, while Clackamas County has more households who earn above \$150,000.

Median Income:

Sandy PTA: \$94,642

Clackamas County: \$103,302

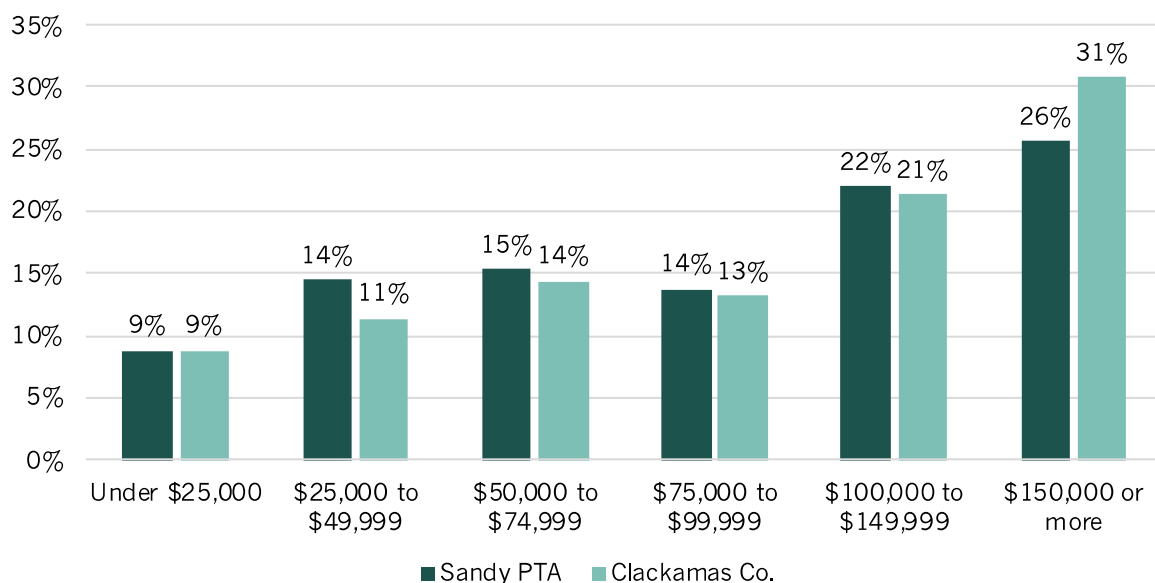
Per Capita Income:

Sandy PTA: \$43,311

Clackamas County: \$53,255



Exhibit 14. Household Income Distribution in Trade Area, Portland, and Oregon, 2024



Source: ESRI Business Analyst, 2024

To understand the depth of consumer spending within the PTA, Exhibit 15 shows the number of trade area households by income bracket. Around 7,000 households earn \$100,000 to \$149,999, and 8,100 earn above \$150,000, collectively representing 48 percent of PTA households. Notably, nearly a quarter of households earn under \$50,000, aligning with retail and service industry wages.

Exhibit 15. Primary Trade Area Household Income Distribution

INCOME BRACKET	HOUSEHOLDS	% OF HOUSEHOLDS
Under \$25,000	2,780	9%
\$25,000 to \$49,999	4,566	14%
\$50,000 to \$74,999	4,847	15%
\$75,000 to \$99,999	4,344	14%
\$100,000 to \$149,999	6,949	22%
\$150,000 or more	8,091	26%
Total	31,577	100%

Source: ESRI Business Analyst, 2024



Area Employees

- » **Key Takeaway: The City of Sandy has a daytime population of 11,850 people. About 44 percent of the daytime population (5,200 people) are employees concentrated in retail trade, accommodation/food services, and other local-serving industries. Commute patterns suggest that many of these workers are non-residents, creating a larger base of consumers than household counts would indicate.**

Businesses in Sandy employ about 5,200 people. This employment base constitutes approximately 44 percent of the daytime population of 11,850 in the city. Although this daytime population is smaller than the overall residential population of 13,120, it plays a crucial role in sustaining local businesses in convenience retail sectors within the area.⁴

The two sectors with the greatest employment are retail trade and accommodation/food services. These industries account for 24 percent and 16 percent of the total workforce, respectively, reflecting the area's strategic location along a commuter and tourist route. This positioning not only caters to the needs of local residents but also attracts visitors passing through.

⁴ Daytime population (resident and employee) as well as total population were retrieved from ESRI Business Analyst, 2023. As described in ESRI's methodology statement: The estimates are generated using a mix of inputs from Esri's U.S. Updated Demographics, the decennial census, the American Community Survey (ACS), and business data from Data Axle. The workday population is disaggregated into two primary groups: workers and residents.[2] The former is estimated using the geographic worker flow data from ACS and employment distributions from Data Axle to establish place-of-residence and place-of-work linkages. The result is an estimate of the total daytime population covering both residents and workers that can be used for a more detailed and complete demographic analysis for any neighborhood in the United States. Lastly, the model still explicitly accounts for post-pandemic elevated rates of telework using data from the ACS. While the share of persons working from home has tapered, rates remain elevated above historical pre-pandemic levels.



Exhibit 16. Sandy Estimated Total Employment by Industry

Industry Sector	Estimated Total Employment	
	Number	Percent
Construction & Agriculture	198	4%
Manufacturing	220	4%
Wholesale Trade	62	1%
Retail Trade	1251	24%
Transportation and Warehousing	263	5%
Information	85	2%
Finance and Insurance	180	4%
Real Estate and Rental and Leasing	212	4%
Professional Services and Management of Companies	134	3%
Admin. / Support and Waste Mgmt / Remediation Serv.	80	2%
Educational Services	36	1%
Health Care and Social Assistance	532	10%
Recreation, Accommodation, and Food Services	813	16%
Other Services (except Public Administration)	509	10%
Government	539	11%
Total	5,114	100%

Source: Sandy Economic Opportunity Analysis (2024), based on 2019 QCEW data

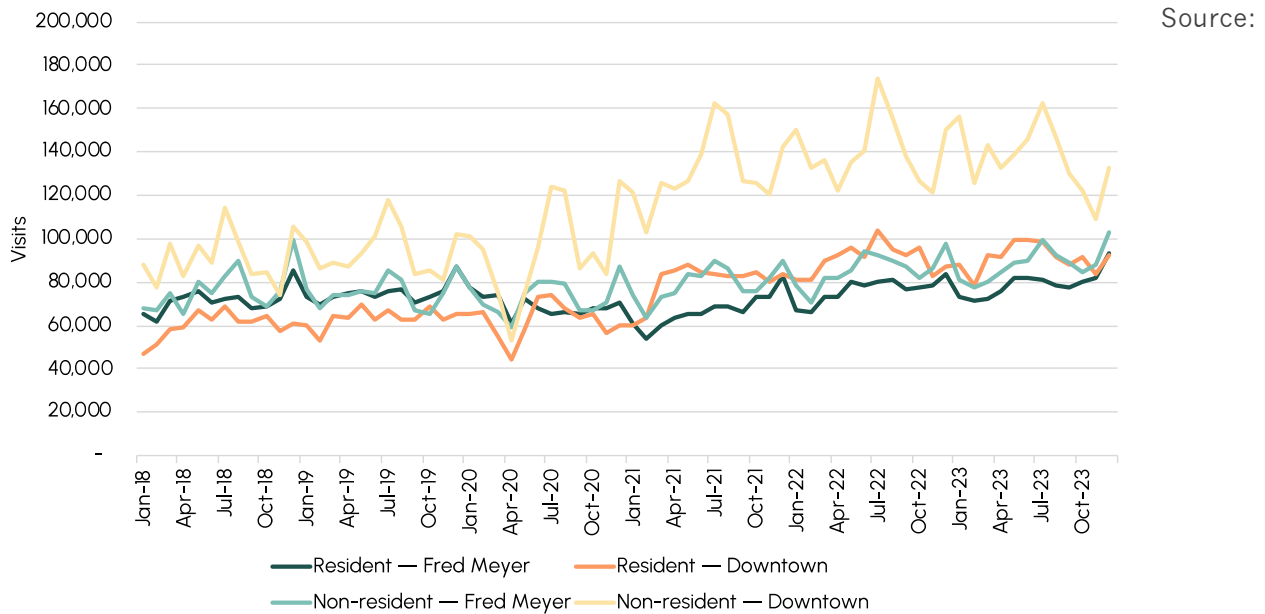


Visitors

- » **Key Takeaways:** Sandy lies along a key transportation corridor to major recreational sites to the east of the Portland MSA. Visitors from all over the region pass through Sandy before going to the Mt. Hood National Forest or through to Central Oregon. Sandy residents compose about 40 percent of all visitors to Sandy Downtown, while non-resident tourists contribute heavily to visitation and are slowly becoming the key drivers of visitations—especially on weekends and during ski season. Despite this trend, non-resident visitors have short visitation duration, demonstrating the pass-through characteristic of consumer behavior in Sandy.

ECONorthwest evaluated visitation data for the Downtown Sandy commercial area as well as Fred Meyer within the defined Community Retail Center to analyze visitor trends. Over the past 5 years, residents living within 4 miles of Downtown Sandy visited both commercial areas at steady rates, contributing about 70,000 visits per month to each location. Non-resident visitors accounted for 80,000 visits per month to Fred Meyer across the 5 years. However, the number of non-resident visitors to Downtown Sandy has been steadily increasing, with a growth rate almost double that of resident visitation growth. Exhibit 17 shows visit counts from residents and non-residents at the two primary retail locations, as detailed in Establishing the Primary Trade Area.

Exhibit 17. Visitation to Downtown Sandy and Fred Meyer by Resident and Non-resident visitors (2018-2023)



Placer.AI, ECONorthwest



Resident visits are 2 percentage points higher between Friday and Sunday as compared to what would be expected if visits were uniformly distributed through the week, while non-resident visits are 7 percentage points higher. This suggests that non-resident visitors are more likely to visit Downtown Sandy over the weekend as compared to resident visitors. Fred Meyer similarly hosts about 48 percent of their weekly visitors between Friday and Sunday however, this is consistent across residents and non-resident visitors.

Additionally, there is a strong seasonal trend amongst non-resident visitors to Downtown Sandy, correlated with the Mt. Hood Ski Season, running from December to April.⁵ The months of December through March see, on average, a 2-percentage-point higher monthly visitation rate as compared to the annual average. This trend is present but considerably muted for non-resident visitors to Fred Meyer, indicating that commodity retail types capture less of an impact from seasonality compared to restaurants and experience commercial services. This seasonality is further evident in commute patterns where 4.2 percent of all non-residents who visited to Downtown Sandy went to Mount Hood directly after, as compared to only 2.5 percent of trips by residents.

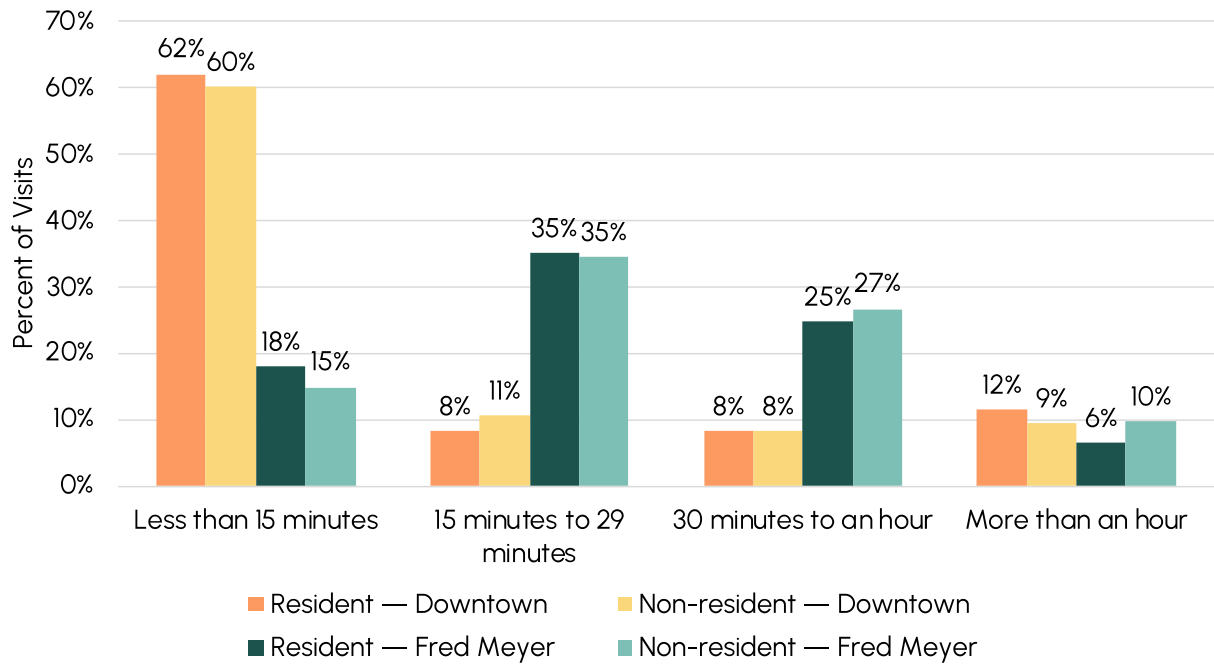
Despite the higher number of visits, the average visit time is significantly shorter in Downtown Sandy than it is for Fred Meyer, for residents and non-residents alike. 62 percent of resident visitors and 60 percent non-resident visitors to Downtown stayed for less than 15 minutes (see Exhibit 18).⁶ The low duration of stay suggests that a high number of visitors stop at businesses with quick service such as coffee shops and fast-food chains. Non-resident visitors are marginally more likely to spend longer in the market areas as compared to resident visitors.

⁵ Mt. Hood Meadows. (2024) Operating Schedule. Accessed at: <https://www.skihood.com/explore/Schedule>

⁶ This may be a limitation of the dataset as it is possible that some of these datapoint represent travelers who were stuck in traffic congestion along the Downtown corridor and erroneously counted as visitors.



Exhibit 18. Share of Visitors by Duration and Location



Source: Placer.AI (April 2023–March 2024), EConorthwest



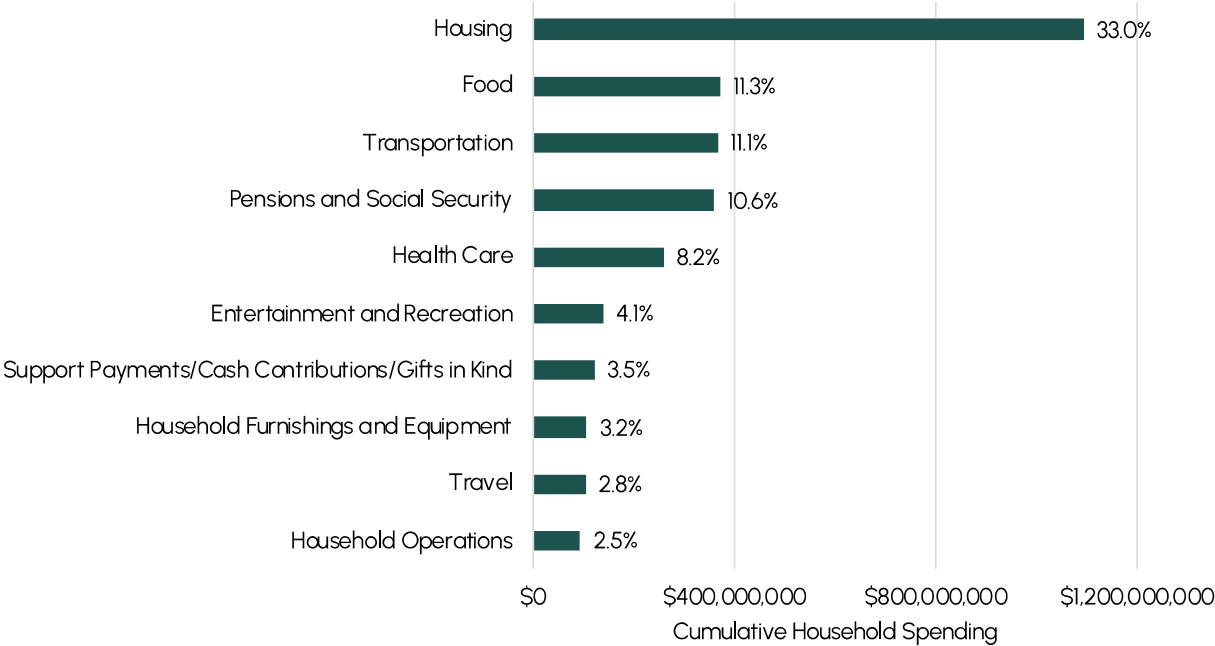
Consumer Spending Habits

» **Key Takeaways: Households in the PTA have higher incomes and tend to spend more on investments, luxury travel, and creating comfortable home environments compared to the average U.S. household.**

In 2024, households in the PTA cumulatively spent around \$3.3 billion, or an average of \$104,858 per household on shelter, investments, goods, and services which is 6 percent more than the average U.S. household. Housing was the largest expense category, with total household spending over \$1.0 billion or \$34,650 per household. On average, trade area residents spend 55 percent of their income on necessities (housing, food, and transportation), which is slightly more than the typical U.S. household.

Exhibit 19 presents the cumulative total household spending in each category in 2024 and the labels indicate the percentage each category comprises of the total. PTA residents spend close to 11 percent of their income on pension and social security deposits, 8 percent on healthcare, and 4 percent on entertainment.

Exhibit 19. Top 10 Household Expense Categories

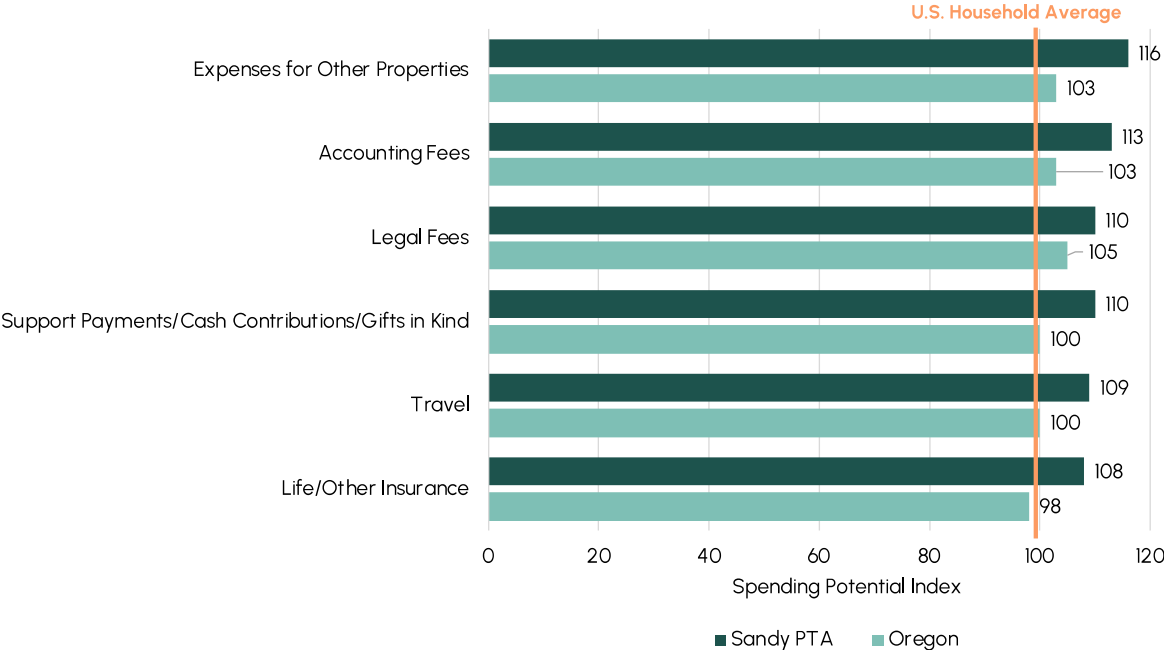


Source: ESRI Business Analyst, 2024



Some notable spending patterns emerge when compared to the national average. Exhibit 20 presents the spending potential index of each household expense category and compares to the Oregon household average. An index value of 100 indicates the U.S. household average spending. PTA households tend to spend more on expenses related to other properties they own (such as rental properties) as indicated by the highest spending potential index value of 116 on Expenses for Other Properties. Coupled with the high index value for Support Payments (index value of 110), trade area households have more disposable income than the average U.S. household and Oregon household. They also spend more on insurance and healthcare, aligning with the senior demographic concentration in the area.

Exhibit 20. Top 6 Spending Potential Index Values



Note: An index value of 100 indicates the U.S. household average spending.

Source: ESRI Business Analyst, 2024

Regarding retail spending habits, trade area households and adults generally spend similarly to average U.S. counterparts on apparel, automobiles, groceries, and restaurants. However, they tend to spend less on entertainment outside the home but more on TV & electronics, insurance, luxury travel, and home improvement (Exhibit 21).



PTA residents appear focused on their financial future, as indicated by higher rates of property ownership, life insurance, and stock investments. They are likely to use credit cards, most likely for consumer rewards and travel benefits. They prioritize creating a comfortable home environment, as evident from higher rates of pet ownership, home improvement purchases, appliance purchases, and multiple TV ownership. These residents also enjoy luxury vacations and cruises, which could be driven by the concentration of older residents with more disposable income and time for travel.

Exhibit 21. Retail Market Potential on Select Consumer Characteristics, 2024

Characteristic	Number of Households or Adults	% of Households or Adults	Index Value
Financial (Adults)			
Have 1st Home Mortgage	28,322	41%	113
Own Shares in Mutual Fund (Stocks)	10,500	15%	114
Avg \$1,001–\$2,000 Monthly Credit Card Expenditures	9,401	14%	114
Insurance (Adults/Households)			
Currently Carry Life Insurance	37,419	54%	106
Homeowner Carries Home/Personal Property Insurance	46,870	68%	112
Home (Households)			
HH Did Home Improvement in the Last 12 Months	12,749	40%	111
HH Bought Large Kitchen Appliance in the Last 12 Months	5,401	17%	107
Pets (Households)			
HH Owns Cat	7,855	25%	106
HH Owns Dog	13,675	43%	112
Restaurants (Adults)			
Ordered Eat-In Fast Food in the Last 6 Months	20,463	30%	103
Take-Out/Drive-Thru/Curbside Fast Food in the Last 6 Months	37,096	54%	102
Television & Electronics (Adults/Households)			
HH Owns 4+ TVs	7,861	25%	112
HH Owns Portable GPS Device	6,439	20%	110
Travel (Adults)			
Spent \$2,000–\$2,999 on Domestic Vacations in the Last 12 Months	4,223	6%	118
Took Cruise of More Than One Day in the Last 3 Years	6,422	9%	110

Note: An index value of 100 indicates the U.S. household average spending.

Source: ESRI Business Analyst, 2024



Market Segments

- » **Key Takeaway: The PTA comprises price-conscious older residents and married couple households, many with children, with higher disposable incomes who value outdoor activities, home improvement, and suburban/rural living. Overall, providing value-oriented experiences and services for active family lifestyles will be important across retail, dining, entertainment, and home services in this trade area.**

To enhance the quantitative analysis, ECOnorthwest compiled information from ESRI Business Analyst's **Tapestry Segmentation profile** for the PTA. Esri Tapestry Segmentation categorizes U.S. neighborhoods into 67 distinct segments based on a wide array of demographic and socioeconomic factors.⁷ Tapestry Segmentation offers a nuanced understanding of residential areas by considering elements such as age, education level, homeownership status, product preferences, and economic purchasing power. The value of this data lies in its ability to paint a picture of the local population's lifestyle, spending habits, and consumer behavior. Tapestry Segmentation can help inform market analysis, targeted marketing, site selection, resource allocation, and urban planning. In this analysis, the Tapestry Segmentation informs the retail types that might resonate most with current Sandy PTA residents. Exhibit 22 shows the categories that encompass 76 percent of the area's residents.

These categories highlight the concentration of families and older individuals in the PTA. The top three Tapestry Segments—Middleburg, The Great Outdoors, and Green Acres—account for nearly half of residents. These segments are composed mainly of couples who own homes and live within their means. The median age ranges from 36 to 47 years old, reflecting a mix of younger families and older individuals.

Across the Tapestry Segments, residents are active and enjoy outdoor recreation and gardening. Many are homeowners and take pride in their homes. These categories reinforce findings from the economic and demographic trends section that residents have moderate to high incomes. The segments also highlight the presence of older residents living in single or couple households, with no children, as well as young families, many with children.

This information can be helpful in determining the market potential in retail and services in the trade area. For example, the top three Tapestry Segments are likely to shop at larger retail chains to save money and may be interested in retail offerings for outdoor recreation gear, gardening supplies, and home improvement/DIY products. They may be less likely to go to restaurants than other segments but when they do, they may prefer more family-friendly restaurants with affordable prices. Whereas residents within the Workday Drive Segmentation might be more likely to

⁷ For more information on Tapestry Segments visit: <https://doc.arcgis.com/en/esri-demographics/latest/regional-data/regional-data.htm>



support restaurants and shops in Downtown Sandy preferring upscale retailers for outdoor gear and home goods aligned with suburban lifestyles, along with contemporary casual dining and fast casual options convenient for commuters. They may be more likely to frequent services like salons and fitness studios.



Exhibit 22. Top 8 Market Tapestry Segments, Primary Trade Area

SEGMENT	% OF HH	HH TYPE	MEDIAN HH INCOME (US)	CONSUMER PREFERENCES & PURCHASES	POTENTIAL RETAIL & SERVICE PREFERENCES
Middleburg	17%	Young couples, many with children	\$59,800	Middleburg neighborhoods have shifted from country to semi-rural living, reflecting a wider housing boom. Residents, traditional and family-focused, prioritize thriftiness while investing in their future, relying on smartphones, preferring US products, and favoring US travel.	Retail: Large chain retailers offering outdoor recreation gear, gardening supplies, and home improvement/DIY products at affordable prices.
The Great Outdoors	16%	Married couple families/ Couples with no children at home	\$56,400	Great Outdoors neighborhoods are scattered across rural areas in the US, inhabited by educated empty nesters leading active yet humble lives, prioritizing land ownership. They prefer investing in real estate or vacation homes over stocks and enjoy homesteading. Despite nearing retirement, many continue working, with incomes slightly above the national average.	Restaurants: Family-friendly dining with value offerings
Green Acres	12%	Married couples, most with no children.	\$76,800	The Green Acres lifestyle embodies rural living and self-sufficiency, with residents embracing DIY projects, equipped with an array of power tools. Gardening takes precedence, supported by tools like tillers and tractors. Outdoor activities, ranging from hunting and fishing to golfing, characterize their leisure pursuits.	
Workday Drive	8%	Married couples with children	\$90,500	Workday Drive represents an affluent, family-centric market with a rural charm, preferring new housing in tranquil areas while maintaining proximity to urban employment hubs for commuting. Residents value the suburban tranquility as a counterbalance to the busy lives, embracing time-saving technologies like online banking while prioritizing family-oriented activities.	Retail: Upscale retailers for outdoor gear and home goods aligned with suburban lifestyles Restaurants: Contemporary casual dining, fast-casual options for commuters
Bright Young Professionals	7%	Couples / single parents / single person	\$54,000	Bright Young Professionals, encompasses primarily young, educated individuals under 35, often diverse couples, with a preference for renting over homeownership. They engage in a mix of white-collar work and part-time jobs, residing in both single-family homes and multi-unit buildings. This dynamic group is known for its active lifestyle and tech-savvy nature.	Retail: Affordable electronics, home goods, etc. suited for renters and smaller homes Restaurants: Fast-casual, family friendly, offering variety and value
Front Porches	5%	Single-parent families or singles living alone, mostly.	\$43,700	Front Porches is a diverse community, featuring a higher proportion of young families with children and single households compared to the average. With over half of the residents renting, the housing stock predominantly comprises older townhomes or duplexes. Close ties with friends and family play a significant role in household decisions, while car ownership is limited to one vehicle, utilized sparingly.	



Comfortable Empty Nesters	6%	Married couples, some with children, but most without	\$75,000	This burgeoning segment consists mainly of older individuals, with a significant portion aged 55 or above, often residing in their suburban hometowns. Primarily employed in government, healthcare, or manufacturing, they are affluent Baby Boomers who have accumulated substantial wealth through prudent financial management. Many are transitioning from child-rearing to retirement and prioritize both their health and financial security.	Retail: Retailers for recreation, home goods aligned with downsizing/retirement living Restaurants: Casual family dining, cafes for social interactions
Southern Satellites	5%	Married couples with no children	\$47,800	Southern Satellites comprises primarily older married-couple families who own their homes, with a mix of single-family and mobile homes. Despite below-average income and home values, residents engage in various industries, favoring outdoor activities and DIY projects.	

Source: ESRI Business Analyst, 2023 and ECONorthwest analysis



5. Forecast of Current and Future Market Potential

Forecast of Current and Future Market Potential

- » **Key Takeaway:** The PTA has a strong presence of retail stores in home improvement, aligned well with the demand drivers outlined in the Market Tapestry profile. The trade area residents have existing and projected demand in personal care services, home furnishings, and restaurants. This demand could support additional retail space. Other retail sectors with potential growth include electronics, grocery, sporting goods, and clothing. Total retail space market support could reach 3.2 million square feet by 2029.

Retail Leakage

In 2024, residents of the Primary Trade Area (PTA) demanded \$1.86 billion in retail goods and services. Close to 60 percent of demand is for store retailers, excluding demand for motor vehicle parts and gasoline. Demand for non-store retailers is primarily driven by e-commerce and comprises 15.5 percent of total retail demand (see Exhibit 23). The demand projections exclude motor vehicle dealers and gasoline retailers because these are not targeted retail stores. Non-retail stores are also excluded because purchases are outside of the PTA.

Exhibit 23. Retail Demand by Retailer Type, 2024

RETAILER TYPE	DEMAND	SHARE OF DEMAND
Store Retailers	\$1,067,887,000	57.4%
Motor Vehicle and Parts Dealers	\$392,471,000	21.1%
Gasoline	\$111,317,000	6.0%
Non-Store Retailers	\$287,687,000	15.5%
Total	\$1,859,363,000	100.0%

Source: EConorthwest Analysis of Claritas Data

Exhibit 24 presents **store** retail spending in the PTA compared to spending that is captured by retailers within the same geography. In 2024, estimates suggest that households within the PTA will spend over \$1 billion on retail goods and services, only \$832 million of which will be retained locally. The remaining \$236 million is being “leaked” outside the market. Leakage tends to be higher in retail sectors that are commonly served by large format retailers (Costco, Walmart, Home Depot, regional malls) where people are willing to travel longer distances for specialty purchases, or—in pass-through markets like Sandy—restaurants that capture a share of non-residents. Specifically, we see the largest retail gap



is in health and personal care services and restaurants. High leakage rates for restaurants reflect spending on vacations, at or near places of work outside the trade area, and in restaurants outside the trade area. High restaurant spending outside the PTA is likely, in part, reflective of limited diversity in the local restaurant sector. There is likely some variance within each of these sectors, which aggregate retail stores into broad categories. For example, it is likely that there are stores in the PTA that sell mobile phones exclusively (T-Mobile or Verizon) and stores that sell appliances exclusively. Similarly, building material and garden equipment stores can include a broad range of stores that would include Ace Hardware, retail nurseries, tractor and equipment suppliers, lumber yards, and other store types.

Exhibit 24. Retail Gap/Surplus Analysis of Store Retailers, Sandy Primary Trade Area, 2024

Note: Excludes Motor Vehicle and Parts Dealers and Gasoline Retailers.

RETAIL STORE TYPE	DEMAND	SUPPLY/CAPTURE	RETAIL GAP/SURPLUS
Furniture and home furnishings stores	\$33,739,000	\$27,314,000	\$6,424,000
Electronics and appliance stores	\$25,971,000	\$24,796,000	\$1,176,000
Building material and garden equipment and supplies dealers	\$112,609,000	\$123,470,000	-\$10,861,000
Food and beverage stores	\$231,107,000	\$182,826,000	\$48,281,000
Health and personal care stores	\$98,561,000	\$42,426,000	\$56,135,000
Clothing and clothing accessories stores	\$70,793,000	\$53,188,000	\$17,605,000
Sporting goods/hobby/musical instrument/bookstores	\$28,199,000	\$24,454,000	\$3,745,000
General merchandise stores	\$205,243,000	\$193,843,000	\$11,400,000
Miscellaneous store retailers	\$36,334,000	\$26,442,000	\$9,892,000
Food services and drinking places	\$225,330,000	\$132,803,000	\$92,528,000
Total	\$1,067,886,000	\$831,562,000	\$236,325,000

Source: EConorthwest Analysis of Claritas Data



Commercial Space Demand

Retail stores have a fixed amount of space for inventory, which translates into a limit on the amount of supportable sales at any given store. Growth in support for retail space is a function of local household growth, growth in real spending power, capture of local spending, and capture of spending from non-residents (tourism and regional households). We assume a growth rate of 2,593 households (1.6 percent annual average growth rate) over the next five years (2024–2029).

In Exhibit 25 we calculate the demand profile for the PTA. We adjust the overall demand profile to account for structural leakage and a share of the market that is likely to continue to gravitate to retail centers in Sandy. We estimate that the PTA could support an additional 243,440 square feet of retail space over the next five years. Combined with existing pent-up demand for commercial space in the PTA, the total market support over the next five years could reach 3.2 million square feet in 2029. With a conservative local capture rate of 35 percent and our estimates of retail leakage rates, demand from PTA residents could potentially support 1.1 million square feet of the total demand for commercial space. However, this does not account for supply constraints of current and future land use policies. When supply constraints are present, further retail spending will leak out of the PTA.

Currently, many Primary Trade Area residents go outside of the trade area to patronize health and personal care stores and restaurants at a high rate, indicating that the PTA could expand retail space in those sectors to capture a higher share of local demand. Additionally, retail space could be expanded in home furnishings, electronics, grocery, clothing, recreation/entertainment and retail sectors to capture more local demand.

The retail demand analysis, coupled with the Market Tapestry Profile above, indicates that the Sandy PTA could expand in retail sectors related to home goods (home furnishing, electronics, etc.), outdoor recreation, and personal care services.



Exhibit 25: Retail Demand Potential, Sandy Primary Trade Area⁸

Retail Sector	Per HH Spending ⁹ (2023)	Sales Support Factor	Market Support from Growth (SF) (2024-2029)	Potential Existing Market Capture (SF) (2024-2029)
Furniture and home furnishings stores	\$1,075	\$335	8,735	40,069
Electronics and appliance stores	\$827	\$395	5,703	26,159
Building material and garden equipment and supplies dealers	\$3,588	\$250	39,067	179,209
Food and beverage stores	\$7,363	\$600	33,407	153,246
Health and personal care stores	\$3,140	\$450	18,996	87,140
Clothing and clothing accessories stores	\$2,256	\$425	14,447	66,272
Sporting goods, hobby, musical instrument, and bookstores	\$898	\$375	6,522	29,918
General merchandise stores	\$6,539	\$275	64,731	296,935
Miscellaneous store retailers	\$1,158	\$375	8,403	38,549
Food services and drinking places	\$7,179	\$450	43,429	199,220
Total	\$34,024		243,440	1,116,715

Source: ECOnorthwest analysis of Claritas Data

⁸ The most comprehensive study of sales support factors was published by the Urban Land Institute's "Dollars and Cents of Shopping Centers" Guidebook. Factors in the analysis have been adjusted for inflation and regional market conditions.

⁹ Based on an average household size of 2.76 in 2023.

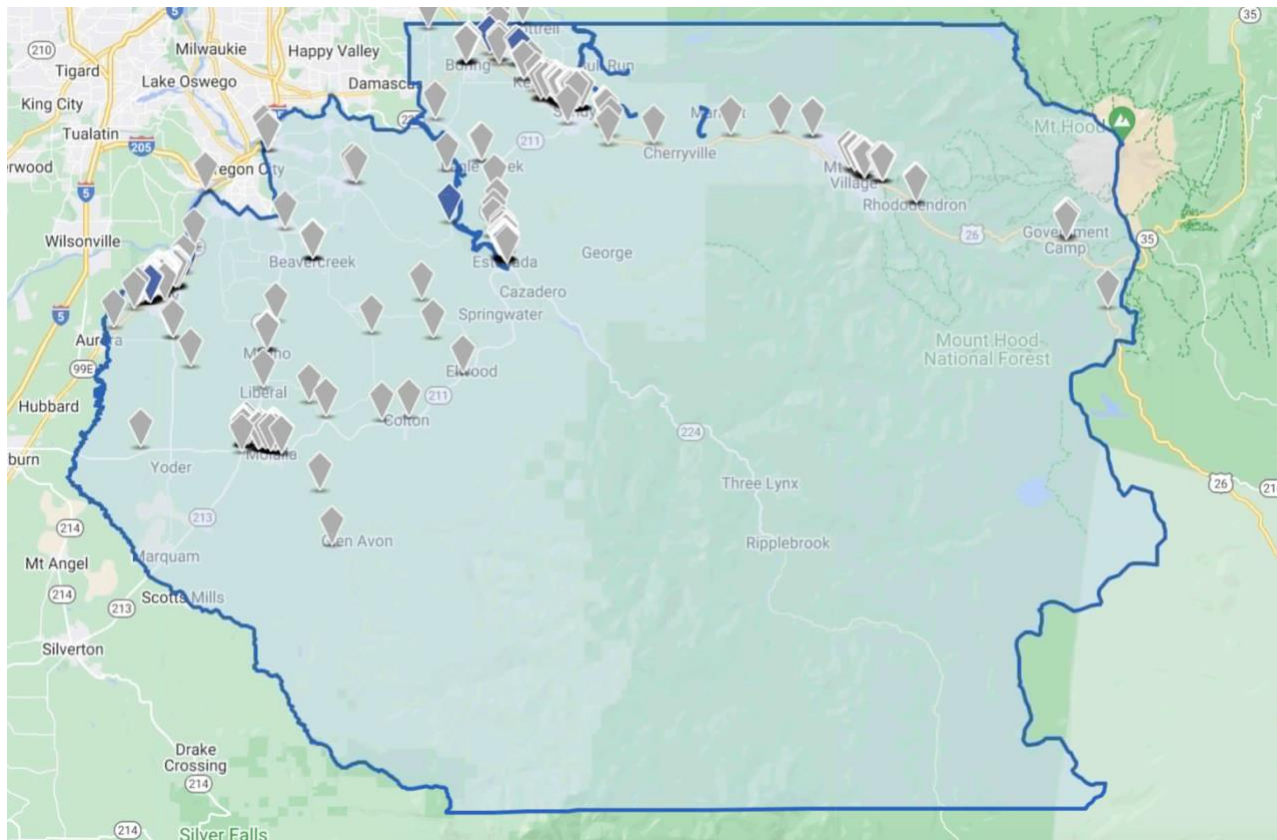


6. Inventory of Current Land Supply

This section provides an overview of the retail market conditions in Sandy and the broader submarket region defined as “SE Outlying.” Submarkets are generally defined by the brokerage community to organize geographies into segments that generally operate in a similar way. This submarket, as defined by CoStar, encompasses an area extending south from the southern edge of Gresham, along Highway 99 to just north of Silverton and Highway 22, and east to Mount Hood. We chose this broader submarket for comparison because it includes areas with similar characteristics to Sandy, such as proximity to Portland, suburban and rural mix, and influence from tourism due to Mount Hood. This comparison allows us to contextualize Sandy's retail market within a larger, relevant geographic area to assess how market conditions deviate from a benchmark geography of peer markets.

It is important to note that the Costar data has a limited sample size. To account for this, we supplement the Sandy findings with insights from discussions with the City and stakeholders. Additionally, where applicable, we make comparisons to the SE Outlying geography, which benefits from a larger data sample. Making comparisons to SE Outlying helps provide wider market context to complement the Sandy-specific Costar data.

Exhibit 26. Map of Submarket “SE Outlying”



Source: CoStar, 2024



Sandy's retail market presents a conflicting picture: an extremely low vacancy rate signals strong demand, yet lease rates declined during the COVID-19 pandemic and have not recovered despite the limited supply. The likely drivers are Sandy's aging retail stock falling behind market-rate rents that newer construction may be able to capture, as well as a low turnover rate and long-term tenants who may be paying below-market rates given established relationships with property owners. Very little new commercial development has occurred over the past decade despite strong population growth, due to a lack of development-ready land. However, recent completion of the Bell St./362nd extension has opened a 66-acre parcel for commercial development which could help alleviate the constrained supply.

However, Sandy's current wastewater-related development moratorium presents a significant obstacle. This moratorium prevents all new development in the near term, including on the newly accessible 66-acre parcel. As a result, Sandy's retail market faces additional complications, as the city cannot address its supply constraints through new construction until the moratorium is lifted.

Retail Rent

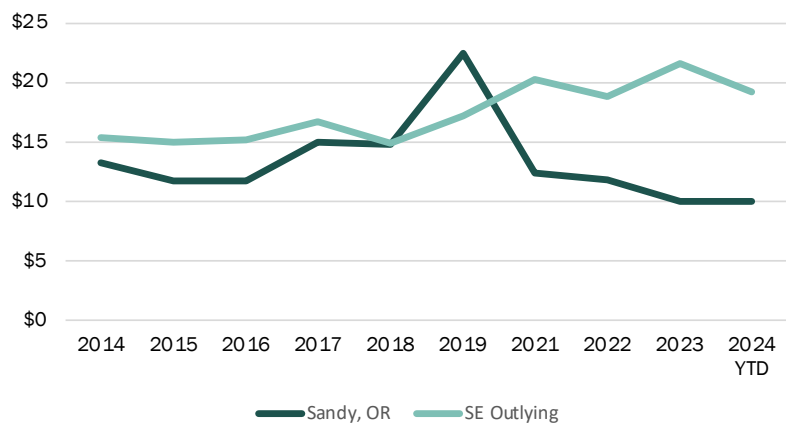
While retail rents in the SE Outlying area have generally increased since 2014, retail rents in Sandy declined in 2020, likely driven by the COVID-19 pandemic. However, Sandy's rental rates have not recovered, and continued to decline in 2023. As of 2023–2024, Sandy's rental rates were around \$10 per square foot, which is about half the rate of the broader subarea.

While lower achievable rents can deter new development, Sandy's lower rent rates are likely more reflective of the age of the building stock and/or long-term tenants paying below market rate rents. Newer development would likely be able to achieve higher rates consistent with broader market performance.

Exhibit 27. NNN Retail Rent, Sandy and SE Outlying, 2014–2024 YTD

Source: Costar, pulled February 2024

Note: No data available for Sandy in 2020.



Vacancy Rate

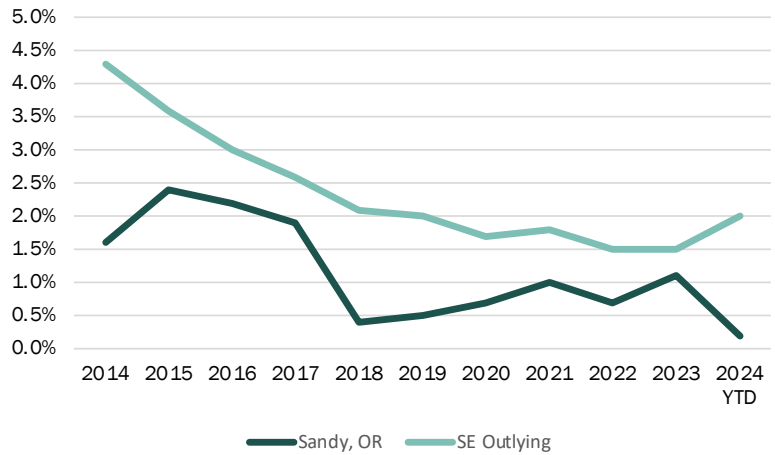
Sandy's retail vacancy rates have remained consistently low over the past decade. Rates peaked in 2015 at 2.5 percent and reached a decade low of 0.2 percent as of 2024 YTD, according to CoStar.

The broader submarket region has followed a similar trend, staying below 2.5 percent since 2018. This suggests minimal turnover in existing space and a need for new development to accommodate incoming retailers. However, Sandy's current wastewater-related development moratorium will prevent new construction in the near term.

Sandy has some persistently vacant buildings not recorded in CoStar (detailed in the following "Current Inventory" section). These unaccounted-for vacancies mean the actual vacancy rate is somewhat higher than reported. Nevertheless, even when considering these additional vacant properties, Sandy still has a limited supply of updated, move-in ready buildings available for businesses.

Exhibit 28. Average Retail Vacancy Rate, Sandy and SE Outlying Submarket, 2014–2024 YTD

Source: CoStar, pulled February 2024



Deliveries and Absorption

According to CoStar, Sandy had a net absorption of nearly **18,000 square feet over the past decade. In contrast, only about 6,000 square feet of new retail space was delivered in the same period.**

Over the past decade, Sandy has had limited development-ready commercial land available, which is likely why there has been little retail development.

The recent construction of the Bell St/362nd extension has opened a parcel of approximately 66 acres for additional commercial development in the future. However, Sandy's current wastewater-related development moratorium prevents new development in the near term, including on the newly accessible 66-acre parcel.

Meanwhile the Southeast Outlying Submarket had a net absorption of nearly 304,000 square feet over the past decade, with 186,000 square feet delivered to the market over the same period.

The Submarket had nearly 140,000 square feet delivered to the market between 2020 and 2022 and overall did not seem to have any lasting impacts from the COVID-19 pandemic, with steadily increasing rents and declining vacancy.

Exhibit 29. Retail Deliveries and Net Absorption in Square Feet, Sandy, 2014–2024 YTD

Source: CoStar, pulled February 2024

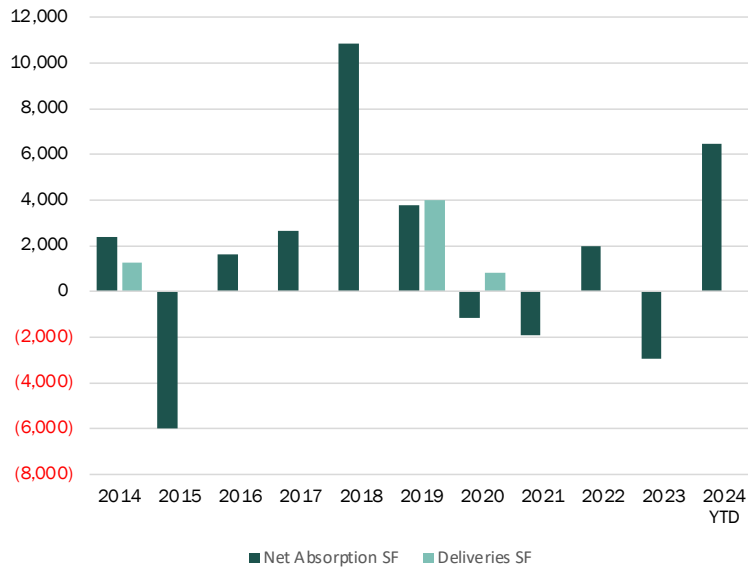
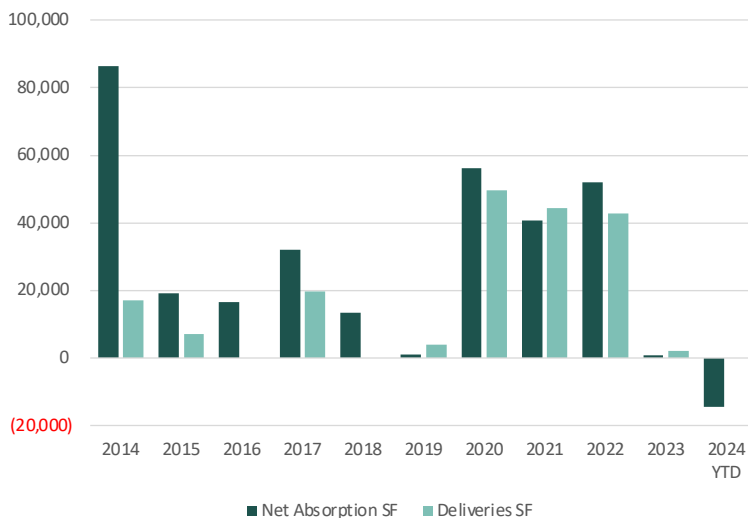


Exhibit 30. Retail Deliveries and Net Absorption in Square Feet, SE Outlying Submarket, 2014–2024 YTD

Source: CoStar, pulled February 2024



Current Inventory

The inventory of available commercial space is limited to five buildings. However, these locations are each advantageous since they are positioned in existing shopping centers with strong retail anchors and/or in the Downtown Commercial zone near other businesses. Given low inventory and high demand, vacant space represented here are likely a function of natural turnover.

Exhibit 31. For Lease, July 2024

Property	About
16605 SE 362 nd Ave, Suite B	<ul style="list-style-type: none"> • Suite B available with 920 SF • Building type: strip retail • Zone: C-2 General Commercial • Fred Meyer is an anchor tenant; co-tenants in building include Chipotle , Burger King, Subway, Papa Murphy's and Great Clips.
16618 362 nd Ave	<ul style="list-style-type: none"> • 1,600 SF • Building type: commercial office • Zone: C-2 General Commercial
38530 Pleasant Street, Suite A	<ul style="list-style-type: none"> • Suite A available with 125 SF • Building type: office • Zone: C-1 Downtown Commercial • Other tenants include a massage therapist and two tattoo artists (one artistic & one para-medical). Other businesses in separate suites in the building include acupuncture, massage, and a hair and nail salon.
38720 Proctor Blvd	<ul style="list-style-type: none"> • Five separate offices available (59 SF, 61 SF, 69 SF, 87 SF, 89 SF, 283 SF); may be leased individually or in packages • Building type: office • Zone: C-1Downtown Commercial
39085 Pioneer Blvd	<ul style="list-style-type: none"> • Four suites available (150 SF, 120 SF, 750 SF, 170 SF) • Building type: Class A office • Zone: C-1Downtown Commercial

Source: City of Sandy website about available properties

With retail demand exceeding existing supply and limited available retail space for new or expanding retail businesses, Sandy needs additional development to support retail growth. Two lots have recently gone through the development process and are now pending construction. These include:

- ◆ 37133 Hwy 26 – Future home of the Riffles which is Sandy’s second food cart pod.
- ◆ 38940 Pioneer Blvd - Future home of the Barlow Trail Vet Clinic.



As of 2024, there are three lots that could serve as additional development opportunities. These are listed in Exhibit 32 below. However, Sandy's current wastewater-related development moratorium will prevent additional development in the near term.

Exhibit 32: Commercial Lots for Sale, July 2024

Property	About
38687 Proctor Blvd	<ul style="list-style-type: none"> • For sale • 2,000 SF free standing corner building (1,700 restaurant/300 storage & office) • Zone: C-1 Downtown Commercial • Previous use was restaurant and bar
Lundeen Property	<ul style="list-style-type: none"> • 66.4 acres, for sale • Zone: C-2 General Commercial • Undeveloped - property at the northeast corner of the intersection at US 26 and 362nd Avenue • This 66-acre lot is at the west entrance of the City of Sandy and is bisected by and accessible via the brand new 362nd Avenue/Bell Street extension.
Niswen Property	<ul style="list-style-type: none"> • 0.26 acres, for sale • Zone: C-2 General Commercial • Undeveloped - property on the west side of University Avenue; north property line is parallel with Meeker Street

Source: City of Sandy website about available properties

Despite low overall vacancy rates, Sandy has several buildings that have remained unoccupied for multiple consecutive years. These long-term vacant properties are not included in the standard vacancy statistics, nor are they listed in the "for lease" or "for sale" tables. There can be various reasons why a building remains empty for so long. However, given that most retail buildings in Sandy have low vacancy rates, it is unlikely that lack of market demand is the cause for these chronically vacant properties. Instead, these persistent vacancies likely result from other issues specific to the buildings/locations.

- 39150 Pioneer Blvd (Smith Building)
- 17470 Scales Ave (Old La Bamba Building)
- 38736 Pioneer Blvd (Old church)
- 39535 Proctor Blvd (Old 76 Gas Station)
- 38773 Proctor Blvd
- 38756 Pioneer Blvd (recently purchased)



7. Case Studies

The following section presents case study profiles of retail districts in Sisters, Hood River, and Madras. The City's Economic Development Advisory Board identified these cities as ideal peers from which to draw insights that can support Sandy's retail development efforts. These case studies detail the retail challenges that these cities have faced, and the actions taken by those communities to attract and retain retail businesses in their commercial districts. Additionally, they highlight the outcomes resulting from these efforts, providing valuable lessons for Sandy to consider.

Case Study Key Takeaways

Community identity and branding is important. Having a cohesive identity and branding strategy has been successful in attracting visitors beyond just pass-through traffic.

Seasonal programming can help offset off-peak slow periods. Similarly, community programming has been successful in attracting a broader visitor base. This includes off-peak programming designed to increase visitor-ship during periods when they are not already coming or passing through town. For its size, Sisters has been highly successful with events like the Sisters Rodeo.

Partnerships matter. Encouraging collaborative partnerships between the city, businesses, chambers, regional tourism boards, and other business organizations were noted in all case studies as keys to successfully supporting retailers.

Enhancing place creates retail gravity. Every city also cited investments and programming around enhancing the pedestrian environment, synergy, and sense of place as key to creating a “gravity” environment that keeps patrons longer and encourages multiple stops during a trip.

Support programs are effective when possible. Although resources are often limited, Sisters and Hood River reported success in their support of marketing programs.

Balancing local community and tourism needs is crucial. Responsible tourism practices and maintaining livability for residents are essential for long-term retail success. An example is Hood River’s focus on sustainable practices and infrastructure management.



Sisters, Oregon



Population

3,445



Households

1,465



Median Income

\$79.8k



Retail Inventory

505k square feet



Retail Vacancy

1.5 Percent



Average Lease Rate

\$20.57 PSF (NNN)



Walk Score

77 out of 100

Sisters is a key Central Oregon entry point for western travelers along Highway 22. Local retailers benefit from a strong community identity and branding strategy that makes it attractive for visitors and events alike. Its western branding and culture around the arts and outdoor recreation have worked cohesively with major events like the Sisters Rodeo, the Folk Festival, and the Quilt Show. The retail offerings of Downtown Sisters make it more than a pit stop, but rather a destination and basecamp for all that Central Oregon has to offer.

Keys to Success

- Deliberate "centers of gravity" with complementary businesses/organizations/amenities.
- Intentional development code supporting local, non-franchise businesses.
- Motivated, creative business owners implementing unique concepts.
- Partnerships facilitating coordination between businesses and the city.
- Pedestrian-oriented, walkable environment.
- Major events serving as visitor anchors and experience creators.



Retail Challenges

Seasonal Tourism Impacts: Sisters faces highly seasonal tourism patterns, with businesses struggling during the off-season months. Inconsistent operating hours across the district due to lack of coordination and a cohesive vision can further deter visitors.

Small Residential Base: To establish a thriving retail scene capable of sustaining through the winter, businesses must cultivate a strong local customer base. This is particularly challenging in Sisters with its small population (including seasonal "snowbirds") and many older residents. Recent city initiatives to expand housing opportunities will help grow the year-round population, providing crucial support for businesses across all seasons.

Highway Through Downtown: The highway running directly through downtown Sisters poses challenges for pedestrian access and walkability. The city has ongoing infrastructure projects aimed at improving accessibility by diverting highway traffic, especially larger trucks, away from the downtown core.

Vacant Downtown Properties and Absentee Landowners. Several properties in Sisters' downtown have remained vacant for years due to absent landowners. These underutilized lots represent missed opportunities for growth and revitalization.

Key Partners

Sisters Business Association (SBA): A new entity focused on supporting downtown retail businesses. It was started to combat some of the challenges around business coordination.

Economic Development for Central Oregon: EDCO leads a quarterly business roundtable in Sisters and employs a Sisters Area Director to liaise between the business community and greater business resources.

Explore Sisters: The City's recently established Destination Management Company for tourism promotion.

Chamber of Commerce: The Chamber supports businesses and organizes events. The City has recently shifted its Transient Room Tax dollars to support Explore Sisters, so the Chamber's role in visitor promotion has diminished.

Retail Programs



Assistance and Marketing

- The City established Explore Sisters to focus on off-season tourism marketing and business collaboration.
- SBA plans to market locally in nearby cities like Redmond and Bend.
- SBA is increasing collaboration among businesses to provide a consistent customer base year-round.
- Neither the City nor Chamber currently offer financial grants/loans for retail businesses, though the City previously had a facade improvement program.



Events and Programming

- Major festivals/events are crucial for creating visitor experiences and return trips. These events are
- organized/funded by their respective groups. The City supports events through permitting and street closures but does not directly market, organize, or fund them.
 - Businesses actively host their own events including music performances and book signings.



Infrastructure & Amenities

- A restrictive development code prevents franchise
- businesses in the downtown core. This provides an opportunity for local businesses to thrive.
 - The City is actively exploring opportunities to purchase vacant buildings and lots with the goal of supporting new housing development in the downtown area.
 - The City acquired a parking lot from ODOT to create a future transit hub with restrooms, bike rentals, and shuttle/tour bus connections.
 - The city has ongoing infrastructure projects in aimed at improving downtown accessibility by diverting highway traffic away from downtown.



Other

- Local businesses are very savvy and have implemented their own business-generation techniques (e.g., live music, events). For instance, The Barn is a restaurant that
- hosts food trucks, outdoor seating, and open space, and has created a center of gravity for the area. Building off The Barn's gravity, the City recently leased the old library to "Sisters Makers" for a cultural and tourism hub with maker spaces, classes, and events.

Hood River, Oregon



Population

8,593



Households

3,509



Median Income

\$96.5k



Retail Inventory

763k square feet



Retail Vacancy

2.1 Percent



Average Lease Rate

\$21.00 PSF (NNN)



Walk Score

84 out of 100

Hood River's retailers benefit from three key advantages: the city's location along Interstate 84, serving as a gateway to major destinations like Mt. Hood and the Columbia River Gorge, and having evolved into a popular tourist destination itself. Close enough to Portland for a daytrip, but far enough away to feel like a true getaway, Hood River is an outdoor recreation hub for water sports like windsurfing and kiteboarding, as well as hiking and fishing. In addition to its charming downtown core of shops and restaurants, Hood River's waterfront district seamlessly blends recreation, public open spaces, and commercial retail opportunities.

Keys to Success

- Leveraging unique natural amenities like the waterfront.
- Targeted investments in infrastructure and amenities to support a mix of complimentary uses.
- Balancing needs of visitors and residents.
- Comprehensive parking and mobility management strategies
- Promoting responsible tourism and visitor management.
- Creative use of tourism tax funding for marketing/programming.
- Vibrant event programming to drive foot traffic.



Hood River, Oregon

Retail Challenges:

Balancing Tourism and Livability: Hood River's popularity as a tourist destination and for second homes exacerbates the city's tight housing market. Maintaining livability for permanent residents while supporting a thriving visitor economy is an ongoing challenge.

Responsible Tourism: Peak visitor volumes can strain local amenities. Combined with open container laws and scarce late-night transportation, this creates safety concerns. Visit Hood River, in partnership with the City, emphasizes responsible tourism initiatives to promote sustainable practices, wise alcohol consumption, and safe ride options after hours. The goal is managing visitor impacts to protect amenities for both tourists and residents long-term.

Competing Priorities and Commercial Growth: Downtown has historically been the commercial core, while the waterfront — though a huge draw — has zoning restrictions limiting retail/commercial development opportunities to fully capitalize on heavy visitor traffic.

Mobility Constraints: Interstate 84 creates a physical barrier between the two main retail districts. Limited evening transportation services exacerbate these issues.

Key Partners:

Visit Hood River: Hood River County's Chamber of Commerce is supported in part by Hood River City lodging taxes. It promotes tourism and a responsible visitor economy.

Business Associations (Downtown, Waterfront): These advocate for district needs, help recruit businesses, and sponsor events/promotions.

Transportation Providers: Columbia Area Transit provides trolley and bus service; private shuttles/taxis support visitor mobility.

Retail Programs:



Assistance and Marketing

- The city does not currently have direct financial assistance programs for businesses.
- The City provides Visit Hood River ~\$600K annually from transit lodging taxes for promotion focused on responsible tourism and off-season visitation.
- The city continues to allow outdoor dining parklets during warmer months, a program started during COVID-19.

The retired Columbia-Cascade Urban Renewal District funded 30 years of revitalization, with major development in the Waterfront district after 2008 using urban renewal funds and intentional city support.



Events and Programming

- Waterfront festivals like Harvest Fest and Cider Fest.
- First Fridays on Oak St (street closures, programming).
- The City had to work with ODOT to get jurisdictional transfer of Oak Street.
- Visit Hood River offers grants for new initiatives that contribute to the enhancement, promotion, and sustainability of Hood River as a destination.
- Businesses host their own music performances & events.



Physical Amenities

- Waterfront parks/beaches are huge visitor draws.
- Downtown has charming, pedestrian-friendly historic buildings.
- Creative use of spaces, e.g., two-story retail buildings with bottom floor focused on visitors and upper floors converting to things like yoga studios that bring in their own local customer base.



Parking & Mobility








- Comprehensive parking strategy: the City owns two public parking lots, has implemented meterless parking technology, and has strict parking enforcement.
- Implemented free parking on Wednesdays during off-season to encourage locals to visit downtown.
- Columbia Area Transit offers trolley/bus service connecting the two main retail districts. Area Transit also offers bus service to major nearby attractions including Mt. Hood.
- With no Uber/Lyft, the focus is on supporting taxi service expansion, particularly for tourists needing post-event transportation.



Other

- The city's strategic focus is on balancing growth, preserving community character, and ensuring there are enough amenities and housing for locals as well as visitors.
- The City does not have economic development staff, so partners very closely with Visit Hood River.
- Housing remains an economic priority to support the local workforce.



	Population
	7,777
	Households
	2,836
	Median Income
	\$53.6k
	Retail Inventory
	580k square feet
	Retail Vacancy
	4 Percent
	Average Lease Rate
	\$7.45 PSF (NNN)
	Walk Score
	78 out of 100

Madras enjoys a strategic location at the intersection of two major highways, positioning its downtown as a significant gateway to Central Oregon for visitors coming from the north. With its proximity to the scenic Lake Billy Chinook and other natural attractions, Madras retailers benefit from a steady influx of outdoor enthusiasts visiting the area. The city boasts a diverse population, with a strong representation of Latino and Native American residents, whose cultural influences contribute to a unique sense of place in the downtown area. This multicultural business environment — combined with high visitor traffic, growing distinctive character, and strong public-private partnerships — presents the ideal conditions for economic and retail development opportunities to thrive in Madras.

Keys to Success

- Effective utilization of Urban Renewal funds.
- Ongoing and consistent engagement with local businesses, property owners, and residents to understand priorities and guide decision-making.
- Strategic business recruitment.
- Well-defined vision and City-specific solutions, not generic programs.
- Business-friendly zoning codes and regulations.
- Infrastructure and amenities that create an attractive environment for customers.



Retail Challenges:

Lack of Broader Vision and Siloed Retail Support Programs:

Traditional retail assistance programs were not driving growth and revitalization in the downtown area, prompting the need for a broader vision to connect programs, partners, and strategies.

Lack of Restaurants and Dispersed Commercial Core:

The 2016 Urban Renewal Area identified a dispersed commercial core with few restaurants as a challenge, with retail establishments dispersed along a two-and-a-half-mile stretch of US 26/97 and limited walkability. The City is implementing the 2016 Urban Renewal Action Plan priorities with targeted programs and recruitment to help address this.

Restrictive Zoning Codes: The City has since removed minimum parking requirements in the Downtown Core Zoning District.

Lack of Downtown Housing: To ensure long-term vibrancy, a retail district needs a strong residential base. Madras is working to add more housing options and mixed use opportunities in the downtown area.

Couplet through Downtown: Traffic levels and speed on US 26/97 create both opportunities and barriers. The auto-oriented corridor has raised safety concerns for pedestrians and does not foster a pedestrian-scale environment for local shops. The 2019 Revitalization Toolkit emphasized the importance of creating a pedestrian-oriented downtown. It provided tools for business owners, property owners, and the City to activate businesses and properties. Additionally, it outlined where the City should concentrate on catalytic projects to encourage long-term density and growth.

Key Partners:

Madras Redevelopment Commission: A coalition of elected officials and business owners who assist the city in meeting its economic development objectives. The Commission manages Urban Renewal funding and implements programs.

Chamber of Commerce: The City partners with the Chamber for promotion and engagement efforts.

Revitalization Experts: The City brought in experienced consultants to advise on retail revitalization strategies.

Local Businesses, Property Owners, and Residents:

Local businesses, property owners and residents are key partners in downtown revitalization both in creating the vision and implementing changes.

Retail Programs:



Business Support

- The City offers numerous business assistance programs devoted to downtown revitalization that support the goals outlined in the 2019 Revitalization Toolkit and the 2016 Urban Renewal Action Plan. These include:
 - Design assistance program
 - Paint Improvement Grant Program
 - Window Display Improvement Program
 - Building Improvement and Adaptive Reuse Program
 - Redevelopment-New Development Program
 - Property Acquisition and Remediations
 - Sidewalk Grant Program



Infrastructure & Amenities

- In 2023, Madras was awarded a \$4.4 million grant from the Department of Commerce to upgrade and expand infrastructure that will support downtown revitalization.
 - The City is actively working to recruit a brewery to Madras, an action outlined in the URA Plan, recognizing the community's desire for such a business.
 - The City removed minimum parking requirements in the Downtown Core Zoning District to lower barriers for new retail businesses.



Planning & Visioning

- The City established an Urban Renewal Area in 2002 and has utilized Urban Renewal funds to support various economic development initiatives between 2002–2016:
 - Placemaking and streetscape improvements
 - Regulatory changes (updating design standards)
 - Marketing efforts (Saturday market, Air Museum, Chamber of Commerce funding, wayfinding improvements)
 - Direct business support (storefront improvements)
- In 2016, the City developed an Urban Renewal Action Plan outlining 15 priority and partnership projects and has since used funds support those projects.
 - The 2019 Revitalization Toolkit detailed a tailored retail vision and strategies for activating the downtown area, likening the city to a store and considering visitor entry/exit points and their impact on spending, focusing on increasing spending on a per-square-foot basis.

8. Conclusion and Recommendations

Key Conclusions

Sandy's target market is well-calibrated. Our use of new technology that uses cell phone data to track spending activity confirms that Sandy's "Primary Retail Trade Area" remains a roughly 15-minute drive time from primary retail concentrations.

The Primary Trade Area has seen increased buying power. Population, household, and income growth has significantly exceeded expectations and forecasts in previous studies. This has resulted in an increase in purchasing power among residents in the target area.

Retail supply growth is not keeping up. The increase in purchasing power has not been captured in the local market due to lack of development. This means that a greater share of retail activity is leaking out of the area. This has likely led to pent-up demand in the market.

Total retail supply is almost nonexistent. All previously available retail space has been absorbed and retail vacancy currently stands at near zero percent. The inventory of available commercial space is limited to five buildings. Given low inventory and high demand, vacant spaces represented here are likely a function of natural turnover. So even though positive demand fundamentals suggest there should be willing retailers looking to locate in the market, there is no space for them to go into.¹⁰

Sandy's has a unique consumer profile. Sandy's consumer profile is comprised of resident households, non-resident visitors, and daytime employees. Resident households make up most of the retail support. Relative to the region, residents tend to be slightly older, and far more likely to own their homes. There is a higher concentration of families relative to the region. While they make about the same as the average household across the region, they are price-conscious and practical spenders with above average savings rates. They tend to spend money on their households and household goods and support restaurants at a slightly above average rate. Discount to mid-range retailers are most likely to be attracted to this profile.

Retail leakage is exceptionally high. Excluding automobiles and auto parts, gas, and non-store retailers (e-commerce), a minimum of 23 percent or \$236 million in locally supported retail demand currently "leaks" outside of the region. We use the term "minimum" to reflect the fact that part of local retail supply/capture is supported by nonresidents. This will impact retail sectors disproportionately (higher for restaurants).

¹⁰ Sandy has several buildings that have remained unoccupied for multiple consecutive years. However, given that most retail buildings in Sandy have low vacancy rates, it is unlikely that lack of market demand is the cause for these chronically vacant properties. Instead, these persistent vacancies likely result from other issues specific to the buildings/locations.



Sandy has considerable market depth and pent-up demand. Net-new household growth forecasted for the PTA translates into market support of 243,440 square feet of additional market demand. However, pent-up demand is considerably higher. We estimate that total retail spending currently equates to roughly 2.9 million square feet in total market depth. According to CoStar, Sandy currently has roughly 758,000 square feet of retail space, equating to 26 percent of existing market-depth.

In a less supply-constrained market, we would expect more of this leakage to be captured locally. Net of existing supply, a conservative 35 percent capture rate would translate into additional pent-up market support of 342,000 square feet of space above demand growth.

Recommendations and Strategies

Proactively make market information available to local retailers. Previous retail reports have been used by local retailers, especially independently owned businesses, with business planning, marketing, and in some cases raising capital. The City should be proactive in making businesses aware of this resource and making it available publicly.

Remove barriers to supply additions. The development moratorium will continue to constrain supply in the short-term. Once reconciled this will remove barriers. The City should also evaluate its policies and land use regulations for additional constraints. This also includes infrastructure investments necessary to “unlock” land with scale suitable to accommodate larger institutional developments that would create space for flagship retailers and local businesses alike. The City has begun to take steps to remove these barriers through recent investments in the Bell Street/362nd Avenue Extension.

Promote informal business collaboration. Our case studies found that other cities have seen success in facilitating greater communication between businesses that can mutually benefit from working with each other. This can fall short of a funding mechanism like a Business Improvement District (BID). Rather, collaborative programming, funding a chamber, collaborative marketing, and encouraging property maintenance are all outcomes that could be supported. The City could play a facilitating role in encouraging coordination between businesses. This could also include direct or indirect support for local businesses in developing and enhancing their online presence, either individually or collectively, including websites, social media, and e-commerce platforms.

Continue to make placemaking improvements to increase Downtown “gravity”. Sandy businesses could be performing better at getting pass-through visitors to stop off in Sandy. Parking is not a barrier, as it is in many other communities. The City should continue to enhance clear and attractive signage directing pass-through traffic to key retail areas, parking, and points of interest within Sandy. Wayfinding signage can help visitors easily find local businesses and services, increasing foot traffic and sales. The City should also



continue to encourage activation of business frontages through utilization of its existing Facade Improvement grant program to provide an increasingly attractive retail climate.¹¹

Support deliberate and creative programming. Successful retail districts are not just supported by local residents. While Sandy captures some pass-through traffic, it has not matured into a destination in and of itself. The impact of event programming extends beyond the activity created by the event itself. Over time, the larger benefit is commonly when visitors get the opportunity to “discover” something else attractive about the community that leads to future trips. Events such as car shows, festivals, concerts, and food events can have market making staying power on a retail district.

Continue to develop strategic partnerships. Specifically, the City should collaborate with owners and operators of recreational resources in the Mt. Hood region to enhance retail capture. Matching businesses with operators to create discount or voucher programs would be effective. Also continue to collaborate with local and regional organizations like the Chamber, Travel Oregon, Mt. Hood Territory, and other active organizations in the City.

¹¹ City of Sandy. (2024). Façade Improvement Grant. Accessed at; <https://www.ci.sandy.or.us/planning/page/facade-improvement-grants>

