Central City Grocery Market Analysis

For the Portland Development Commission

September 2011

marketek
9220 SW Barbur Boulevard
Suite 119-220
Portland, Oregon 97219
503.636.1659
www.marketekinc.com

Executive Summary

The Portland Development Commission contracted with Marketek, Inc. in April 2011 to prepare a grocery market study for four potential grocery sites in the City of Portland. The purpose of the analysis is to identify and analyze factors affecting grocery supply and demand in general and in specific Central City market areas for the RiverPlace, North District (OHSU/ZRZ properties), PSU (SW 4th & Harrison) and 10th & Belmont sites.

Marketek delineated grocery market areas for each site and then prepared a summary of the current grocery supply and a statistical analysis of existing and future potential support for new grocery store space within each market area. While the market analysis is a critical step in evaluating the potential for a grocery store, it is equally important to gauge the capacity of local grocers to expand and their response to selected sites. Following the market analysis and evaluation of each site, Marketek identified grocer candidates that would potentially be a good fit for trade area demographics and central Portland locations. The prospect list focused on full service operators actively seeking expansion in the Portland market, with four candidates emerging – Barbur World Foods, Market of Choice, New Seasons and Whole Foods. Via in-person meetings with representatives of each company, Marketek shared market and site information and gathered feedback regarding each company's level of interest in the proposed grocery sites.

Based on market data and grocer responses, a site located in PSU, such as the 4th & Harrison site, is the most attractive site for a store location in the immediate future. Grocers anticipate being able to readily pull from the immediate PSU consumer base as well as from residents of the West Hills neighborhood and South Waterfront area, to some extent. A South Waterfront location also holds some promise for a full service store over the longer term and a smaller specialty convenience grocer in the near term. The RiverPlace site was of limited interest, and grocers had no interest in the 10th & Belmont site. The table on the following pages summarizes the market research, site assessments, grocer interviews and next steps.

Summary of Research Findings

	RiverPlace	OHSU-ZRZ	PSU / 4th & Harrison	10th & Belmont
Supply Summary	• 1 full service grocer (Safeway) • 2 specialty grocers • 16 convenience stores	• 1 full service grocer (Safeway) • 2 specialty grocers • 16 convenience stores	• 1 full service grocer (Safeway) • 2 specialty grocers • 16 convenience stores	• 1 full service grocer (New Seasons) • 3 specialty grocers • 8 convenience stores
Demand Summary	• Existing sales leakage and future potential demand to support an additional 90,259 SF of grocery space in market area by 2016	• Existing sales leakage and future potential demand to support an additional 90,259 SF of grocery space in market area by 2016	• Existing sales leakage and future potential demand to support an additional 85,931 SF of grocery space in market area by 2016	• No grocery leakage • Future potential demand to support an additional 8,852 SF of store space by 2016
Site Capture	• 15% of market area demand by 2016: 13,540 SF	• 15% of market area demand by 2016: 13,540 SF	• 35% of market area demand by 2016: 30,075 SF	
Recent Development since 2005	• Capacity for 2,902 new residents and 1,312 new employees	• Capacity for 2,902 new residents and 1,312 new employees	• Capacity for 2,522 new residents and 1,999 new employees	• Capacity for 88 new residents and 81 new employees
Planned/Proposed Development through 2016	• Capacity for 770-980 new residents and 1,629 new employees	• Capacity for 770-980 new residents and 1,629 new employees	• Capacity for 2,238 new residents and 3,150 new employees	• Capacity for 378 new residents and 1,306 new employees
Top Strengths	• Potential to serve multiple markets • Location proximate to downtown	• Concentrated residential, employment base is developing • Captive market	• Dense PSU market that is underserved	• Large, unplanned city block
Top Challenges	• Limited density in immediate area • PSU and SW Hills residents unlikely to travel there	• Access, parking, disconnected • Full service store dependent on customers arriving by car	• Parking may be a development barrier	• Insufficient residential base • Development momentum has slowed

Recommendations / Key Findings

1. Prioritize locating a full service grocer in the PSU District, specifically near the 4th & Harrison intersection, with a minimum 20,000 SF footprint and full amenities. The strongest candidates are Market of Choice and New Seasons. They have the capacity, experience and product offerings with the greatest appeal to the university demographic.

2. With a creative, flexible operator, a smaller store can potentially succeed in the South Waterfront. New Seasons and Barbur World Foods have both expressed interest.

3. A full service store could be accommodated in South Waterfront with the addition of 10,000 new residents to the existing 3,000 South Waterfront residents (assuming 100 percent occupancy).

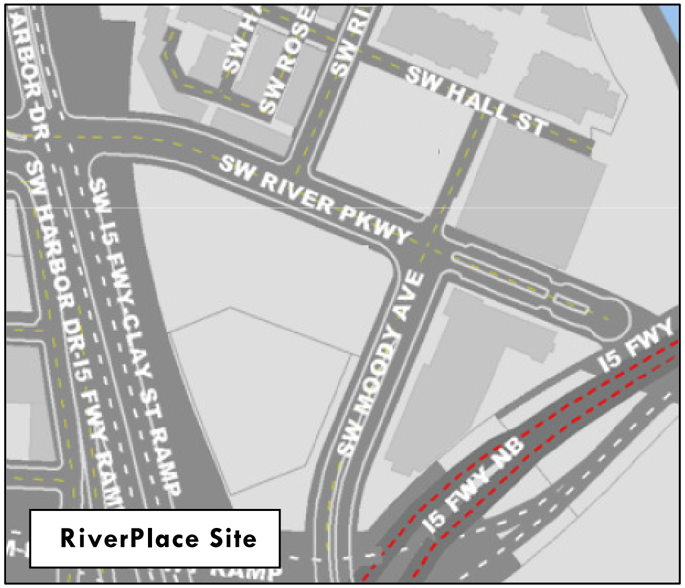
Contents

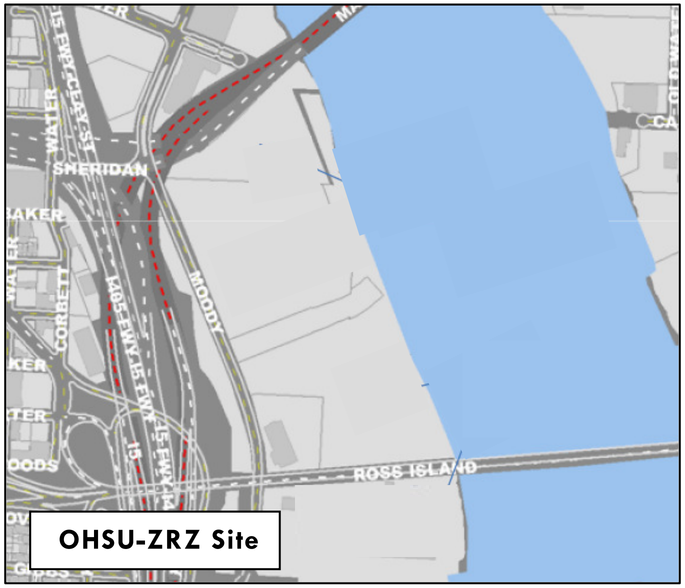
Section 1. Introduction

The Portland Development Commission contracted with Marketek, Inc. in April 2011 to prepare a grocery market study for four potential grocery sites in the City of Portland. The purpose of the analysis is to identify and analyze factors affecting grocery supply and demand in general and in specific Central City market areas for the RiverPlace, North District (OHSU/ZRZ properties), PSU (SW 4th & Harrison)[1] and 10th & Belmont sites.

This multifaceted study includes:

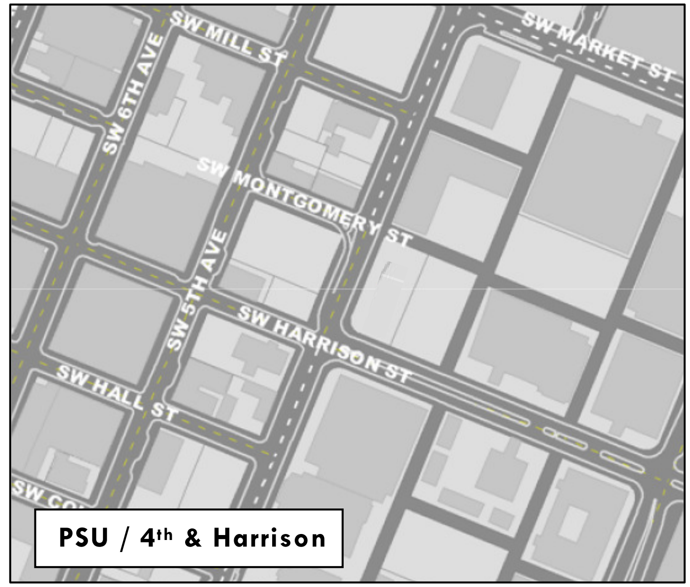
- Identification of national and local grocery success factors and market trends;
- Characterization of Central City Portland's grocery market potential within the marketplace, including the existing competitive supply; market demographics; consumer preferences, needs and buying patterns; and opportunities/challenges for growth and development;
- Analysis of potential grocery sites considering visibility, access, customer base, surrounding land uses, image and planned public and private investment;
- Meetings with target grocers likely to have an interest in Central City sites to share market information, gather feedback and discern level of interest;
- Clarification of the grocery store concept most suitable for the Central City potential grocery sites; and





[1] For purposes of this study, SW 4th & Harrison was chosen as an example site within the PSU area. The results of this study could apply to other sites within the PSU area given that they meet the critical requirements of size, access and visibility.

- Identification of national and local grocery success factors and market trends.

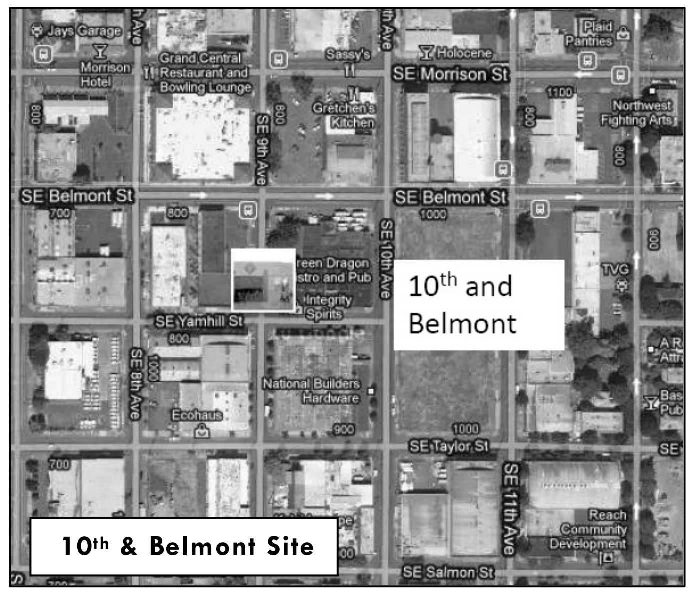


Methodology

The market analysis considers a five-year time period from 2011 to 2016, a realistic projection period for development. Marketek conducted several site visits, which included driving and walking tours of the Central City sites, visits to existing grocery/ convenience stores, interviews, meetings with the local project team and interviews with target grocers.

Other primary and secondary research included:

- Statistical estimates of potential supportable grocery space;
- Interviews with local business and community leaders;
- Grocery store supply inventories and mapping of key convenience shopping centers; and
- Demographic analyses of the Central City potential grocery sites.



Section 2. Grocery Supply Analysis

Existing Grocery Supply

Marketek prepared an inventory of existing grocery shopping around each Central City target grocery site, including full-service grocers, convenience stores, wholesale/outlet stores and specialty grocers.

West of the Willamette River (including the RiverPlace, OHSU-ZRZ and 4th & Harrison sites), there is one full service supermarket – a 47,000 SF Safeway at Jefferson. Other offerings include six small grocers, two specialty grocers and ten convenience stores, all under 10,000 SF.

On the east side of the Willamette, near the 10th & Belmont site, there is also one full service supermarket – a 29,000 SF New Seasons on Division. Smaller stores (less than 10,000 SF) constitute the remainder of the supply and include three specialty grocers, two small grocers and six convenience stores.

Existing Grocery Supply	
RiverPlace, OHSU-ZRZ and 4th & Harrison Sites	
Full Service Supermarket	
Safeway at Jefferson (47,000 SF)	
Mid-Size Convenience Stores*	
Peterson on Morrison	Plaid Pantry
Small Grocers**	
Georgia's Grocery Store	Paradise Deli & Grocery
Ross Island Grocery & Cafe	Juniors at Taylor
Marina Marketplace at RiverPlace	Duniway Deli & Grocery
Small Specialty Grocers**	
Anna's Chocolate Café	Urbana Market
Small Convenience Stores**	
7-Eleven	One Main Sundries
J R's Convenience Shop	Peterson's Newsstand
Ma & Pa Market	Plaid Pantry (2 stores)
Michelle's on Fifth	
10th & Belmont Site	
Full Service Supermarket	
New Seasons Market on Division (29,000 SF)	
Mid-Size Convenience Stores*	
7-Eleven	Circle K
Mid-Size Specialty Grocers*	
Cash & Carry	Sheridan Fruit Co. Inc.
Small Grocers*	
3 Brother's Market	Seven Days Food Market
Small Convenience Stores**	
Plaid Pantry (3)	Bob's Handy Pantry
Small Specialty Grocer**	
Food Fight Grocery	
* 2,500 to 9,999 SF	** Under 2,500 SF

National Grocery Market Trends

- Food and grocery products are being sold in an increasingly wide variety of store formats, including dollar stores, drug stores and large general merchandise stores (i.e., Target and WalMart). Growing competition will temper price increases despite rising food commodity costs, which have grown by 20 percent since 2009.

- Downtowns and urban neighborhoods seeing new grocery store development as both independents and national chains look for new, multiple-niche markets.

- Food retailers continue branding their products, including higher quality and higher priced signature items. While these products will continue to attract value-oriented consumers, they will not be positioned as 'extreme value' options and will include natural and organic offerings.

- Consumers are willing to pay more for groceries that offer better nutrition and quality. "Fresh" is growing in importance as a deciding factor on where to shop for groceries. The desire for locally grown products will continue to grow. Pressure will be on grocery stores' pre-prepared offerings to ratchet up freshness and healthiness, especially as restaurants begin the recovery process. Independent grocers are not the only ones competing in terms of local food – WalMart plans to double its locally-sourced food offerings over the next 5 years and invest $1 billion in product coming from small and medium sized farms.

- In national surveys, when asked what is most important to them in selecting their grocery store, shoppers identified the selection of fresh meats, locally grown products and natural/organic foods as very important. In terms of store size, 30,000 to 50,000 SF is ideal according to consumers – large enough to provide value and selection but small enough to offer fresh products and convenient service.[2] This preference includes a comparison to all big box stores carrying grocery products.

Metro Portland Grocery Market Trends

- Twenty years go, Costco was just coming to metro Portland market, Fred Meyer was initiating growth and Winco was not yet here. Independent[3] grocers had the majority of the market share, but the pendulum was shifting toward chains and big box stores.

---

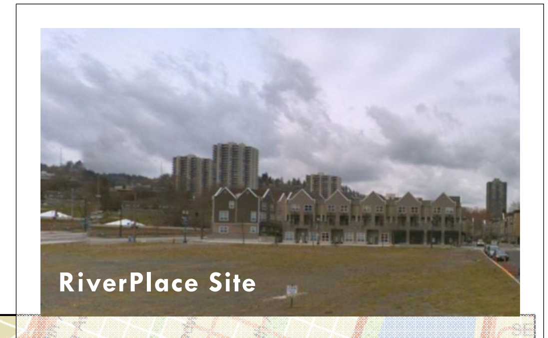
[2] "2011 Supermarket Trends: Good for Manufacturers and Retailers, Tough for Consumers" by Rich Shea, Shea Marketing; Progressive Grocer Market Trends; Whole Health 2011; National Grocers Association; Urban Land Institute

[3] An independent grocery is a full service grocer that is part of a buying cooperative and not a publicly traded company or a club. Within Oregon, examples of independent grocers include IGA, Thriftway, Sentry, Select and Ray's Food Place.

- Over time, independent stores have lost market share to larger stores such as WalMart, Costco, Target and Winco, who are competing on low prices and discounts.
- From 1990 to 2010, independent grocers shrank from 95 full-service stores to 32 (such as Barbur World Foods, New Seasons, Market of Choice and Thriftway).
- Today, metro Portland is seeing a resurgence in support for independent grocery stores. Shoppers are looking for local products, amenities (kitchens, bakeries, meats) and service.
- New Seasons is the leading independent grocer in metro Portland in terms of the number of existing and planned store locations. It is viewed as a company that cares and is known for buying local products and giving back to the community. New Seasons succeeds at prepared meals, service meats, produce, natural and organic products and the information/education they give consumers in the form of product knowledge. Other top independents in metro Portland include Zupan's, Market of Choice, Lamb's Thriftway, Haggen, Barbur World Foods and several other independents and co-ops.
- While Trader Joe's is a consumer-favorite, they are highly selective in locations with slow-to-moderately paced expansion plans. They do not build stores, instead preferring to go into existing space.
- As the national economy emerges from the recession, several Portland area grocers are in the right position to meet customer needs, which have shifted toward more natural, organic, local options, as evidenced by the explosion of farmers markets and other alternatives to conventional supermarkets.
- New Seasons recently opened three new stores in metro Portland, Whole Foods opened one and Safeway is remodeling several. New Seasons plans to open 2 to 3 new stores per year in the next few years, including stores in Vancouver, WA.
- WalMart is looking for 17 store sites in the Portland area (including Vancouver) and plans to place about half in suburban locations. They are considering existing buildings only and have acquired several locations. Store concepts include 42,000 SF 'Neighborhood Markets' with anticipated weekly sales of $250,000-$275,000 and 20,000 SF WalMart Expresses, which are getting ready to enter the market in the Midwest. WalMart is also working on its image in the metro Portland market, along with creating relationships with local suppliers.

Section 3. Grocery Demand Analysis

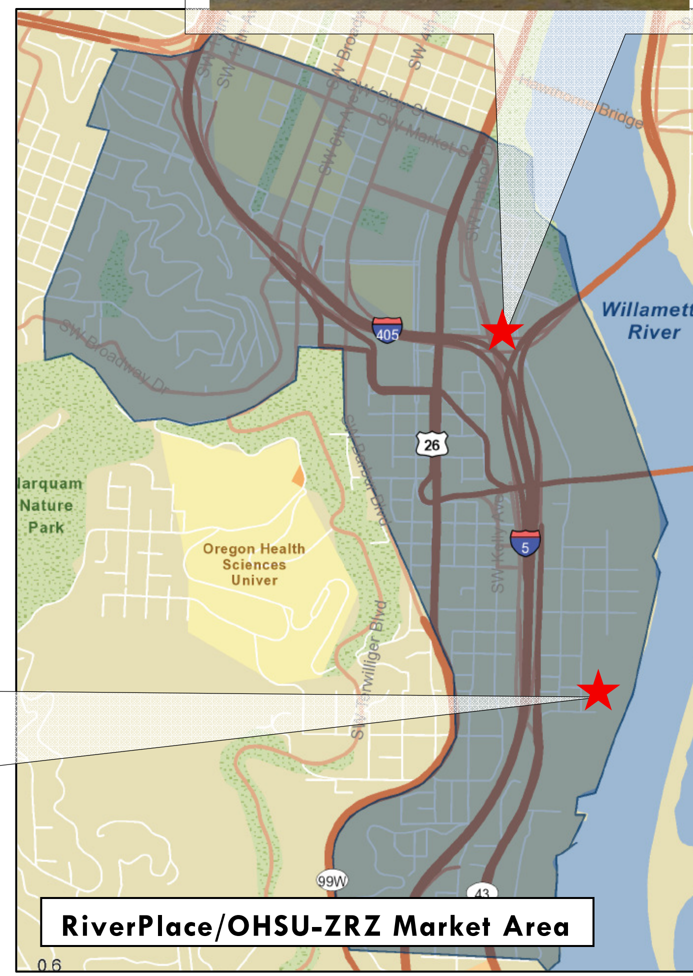
In the demand analysis, Marketek delineated a market area for each site and then estimated the amount of potential new grocery space that can be supported within that market area now and over the next five years. The RiverPlace and OHSU-ZRZ sites share the same market area. The market area for PSU is similar, but does not extend as far to the south. The 10th & Belmont market area, east of the Willamette River, is unique.



Potential grocery demand is based on grocery spending by market area residents and employees. Potential grocery sales are estimated based on spending patterns, current population estimates and projected growth rates. Potential sale are then translated to square feet of store space using sales per square foot standards from the Urban Land Institute. This section provides an overview of residents and employees in each market area, along with results of the statistical demand analyses for grocery store space.

RiverPlace and OHSU-ZRZ Sites

The RiverPlace and OHSU-ZRZ Market Area is roughly bounded by Clay Street to the north, the Willamette River to the east, Landing Square to the south and 16th Avenue/Barbur Boulevard to the west.



Target Markets

In 2010, the RiverPlace/OHSU-ZRZ Market Area was comprised of 12,166 persons in 6,517 households. Since 2000, it grew by an average of 4.3 percent per year; however, growth is expected to slow over the next five years, to an annual average of 2.1 percent. Market area household sizes are small, averaging 1.5 persons. While the median household income is modest ($45,351), nearly two-thirds of market area residents over the age of 25 hold a four-year degree or higher. (Please refer to Appendix A for a more detailed demographic profile.)

The RiverPlace/OHSU-ZRZ Market Area employs over 25,000 workers, with the largest shares in health services (26 percent), other services (20 percent) and finance/insurance/real estate (15 percent).

In addition to market area residents and employees, Portland State University (PSU) students will be another key target market for potential grocers at the RiverPlace and/or OHSU-ZRZ sites. As of 2010, PSU enrolled 25,647 students, with an additional 1,753 anticipated by 2019.

Recent and Anticipated New Development

Appendix B summarizes recent and anticipated new development in the RiverPlace/OHSU-ZRZ Market Area. Since 2005, 2,073 units of new housing (with space for an estimated 2,902 new residents) have been constructed, along with retail and office space for 1,312 new employees. Three projects – an affordable housing community, an OHSU classroom building and ZRZ Phase 1 – are expected to add 770-980 residents and 1,629 employees through 2016.

Population & Housing Characteristics: RiverPlace/OHSU-ZRZ Market Area

	2010	2015
Population	12,166	13,435
Households	6,517	7,239
Avg. Annual Pop. Growth*	4.3%	2.1%
Avg. Household Size	1.49	
Median Age	33.3	
Median Income	$45,351	
4-Year Degree or Higher	64.5%	
Avg. Grocery Spending	$5,888	

*From 2000-2010 and 2010-2015

Sources: 2010 Census; ESRI BIS; Marketek

Employment & Top Industries: RiverPlace/OHSU-ZRZ Market Area

	Number	Percent
Total Employment	25,059	100.0%
Health Services	6,601	26.3%
Other Services	4,987	19.9%
Finance/Ins./Real Estate	3,732	14.9%

Source: ESRI BIS

Potential Grocery Demand

Resident and employee demand is derived from two sources. The first, "existing demand," is grocery demand generated by existing market area households and employees that currently is not being met within the trade area.[4] In 2010, the RiverPlace/OHSU-ZRZ Market Area had grocery sales leakage of $29.7 million, which translates to support for 76,096 square feet of store space, based on sales per square foot of $390. (Please refer to Appendix C for more detailed grocery demand charts.)

Grocery Leakage
Existing sales potential being met outside of the market area: **$29.7 million or 76,096 square feet**

Grocery Demand Potential
Potential support for additional new grocery store space over the next five years: **14,163 square feet**

Site Capture
Capture of 15 percent of market area demand translates to potential for **13,540 square feet of new grocery store space** at RiverPlace or OHSU/ZRZ sites by 2016

The second source of demand, "future demand," is based on current spending patterns and anticipated market area household and employment growth over the next five years. This analysis shows potential support for 10,901 square feet based on residential growth and 3,262 square feet based on employment growth, for a total of 14,163 square feet of new grocery store space through 2016. Appendix C shares the more detailed methodology for these calculations.

Potential Site Capture

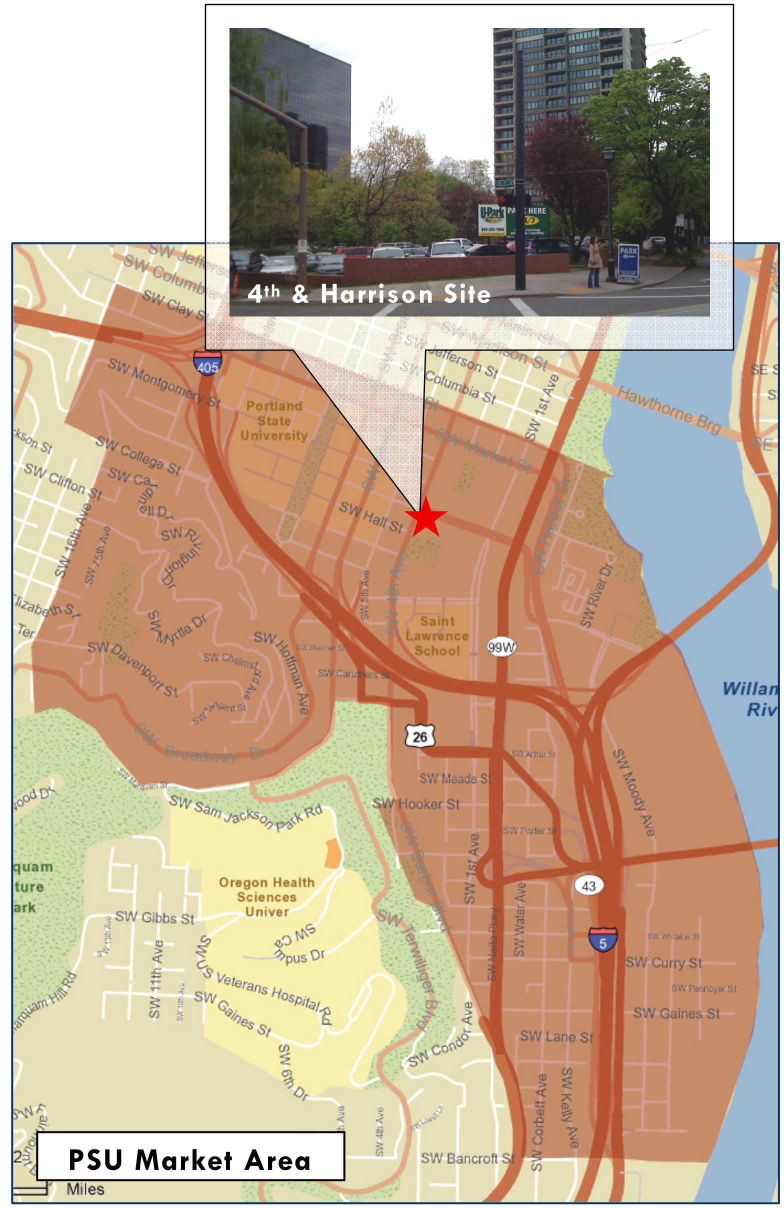
Altogether there is potential demand for 90,259 square feet of new grocery store space in the RiverPlace/OHSU-ZRZ Market Area over the next five years, based on spending by residents and employees.[5] The degree to which the RiverPlace and OHSU-ZRZ sites are able to capitalize on this potential demand will depend on numerous factors, including their configuration, size, access, image, appearance and surrounding land uses, along with business attraction efforts and the overall pace of neighborhood redevelopment. Marketek estimates that the RiverPlace or OHSU-ZRZ sites can capture up to 15 percent of market area demand over the next five years, which translates to potential for 13,540 square feet of grocery store space at RiverPlace or OHSU/ZRZ through 2016.

[4] To estimate existing demand, retail supply (i.e., actual retail sales) is compared with retail demand (i.e., the expected amount spent by market area residents based on consumer expenditure patterns). When demand outweighs supply, a leakage occurs, indicating that residents are spending outside of the market area. While consumers will always do some shopping away from home, this comparison provides a reasonable indication of the availability of groceries within the local market.

[5] Note that this analysis does not include demand generated by PSU students not living or working within the market area.

PSU / 4th & Harrison Site

The market area for PSU is similar to that of the RiverPlace and OHSU-ZRZ sites, but does not extend as far south. It is roughly bounded by Clay Street to the north, the Willamette River to the east, Bancroft Street to the south and 16th Avenue/Barbur Boulevard to the west.



Target Markets

As of 2010, the PSU Market Area contained 11,757 residents in 6,271 households. Population growth was strong over the last decade at an average of 3.7 percent per year. The pace of growth is expected to slow somewhat through 2015, although remaining healthy at an average of 2.1 percent annually. Like the RiverPlace/OHSU-ZRZ Market Area, the PSU Market Area has small household sizes (average of 1.5 persons) and modest incomes (median of $42,706). Educational attainment is high – nearly two-thirds of the population age 25 or older holds a Bachelor degree or higher.

Over 21,000 employees work within the PSU Market Area. The largest shares work in health services (29 percent), other services (19 percent) and finance/insurance/real estate (16 percent).[6] PSU students will be an additional target market for grocery development in this area. PSU anticipates enrollment will grow by 7 percent by 2019, from 25,647 students to 27,400.

Recent and Anticipated New Development

Appendix B provides an overview of recent and planned development (excluding South Waterfront) in the PSU Market Area. Since 2005, seventeen new projects have added housing units to accommodate

[6] See Appendix A for a more detailed socioeconomic profile of the market area.

2,522 new residents and commercial space for nearly 2,000 new employees. Over the next five years, space for another 2,238 residents and 3,150 retail and office workers is planned or proposed.

Potential Grocery Demand
Marketek estimated grocery demand based on existing and future resident and employee spending in the PSU Market Area. A comparison of existing grocery spending potential (demand) and current grocery sales (supply), indicate sales leakage of $28.5 million out of the market area. This amount translates to potential demand for 73,122 square feet of grocery store space (see Appendix C).

Future support for new store space generated by market area household and employee growth totals 12,809 square feet (10,901 SF supported by residential growth and 2,781 SF supported by employment growth. In total, there is potential for 85,931 square feet of new store space in the PSU Market Area over the next five years.

Potential Site Capture
PSU has potential to capture up to 35 percent of market area demand over the next five years, which translates to 30,075 square feet by 2016.

Grocery Leakage
Existing sales potential being met outside of the market area: **$28.5 million or 73,122 square feet**

Grocery Demand Potential
Potential support for additional new grocery store space over the next five years: **12,809 square feet**

Site Capture
Capture of 35 percent of market area demand translates to potential for **30,075 square feet of new grocery store space** by 2016

Population & Housing Characteristics: PSU Market Area

	2010	2015
Population	11,757	12,978
Households	6,271	6,965
Avg. Annual Pop. Growth*	3.7%	2.1%
Avg. Household Size	1.50	
Median Age	33.0	
Median Income	$42,706	
4-Year Degree or Higher	64.1%	
Avg. Grocery Spending	$5,636	

*From 2000-2010 and 2010-2015
Sources: 2010 Census; ESRI BIS; Marketek

Employment & Top Industries: PSU Market Area

	Number	Percent
Total Employment	21,364	100.0%
Health Services	6,233	29.2%
Other Services	4,076	19.1%
Finance/Ins./Real Estate	3,334	15.6%

Source: ESRI BIS

10th & Belmont Site

The 10th & Belmont Market Area extends north to south from I-84 to Division Place and east to west from SE 20th Avenue to the Willamette River.

Target Markets

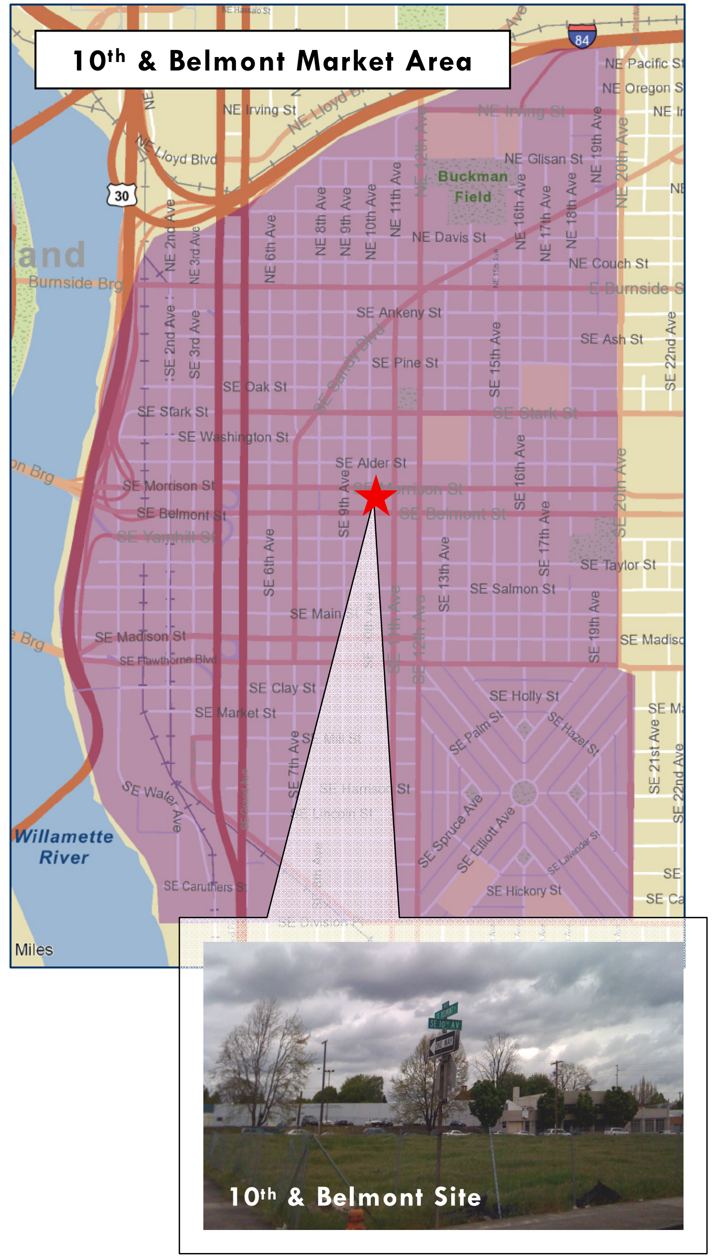
The 10th & Belmont Market Area is the least populated of the three grocery market areas, with an estimated 8,303 residents in 4,462 households as of 2010. Growth was slow over the last decade (averaging 0.7 percent per year) and is expected to remain low over the next five years despite increasing to an annual average of 0.9 percent (see Appendix A).

Households are slightly larger than in the market areas west of the Willamette, averaging 1.7 persons. Median household income is modest at $43,028, although educational attainment is significant. Nearly half (49 percent) of market area residents age 25 or older hold a four-year degree or higher.

There are an estimated 24,629 jobs in the 10th & Belmont Market Area. Approximately one-fifth are in education services, 17 percent in other services and 16 percent in retail trade.

Recent and Anticipated New Development

Development in the market area since 2005 has added capacity for 88 new residents and 81 new office workers (see Appendix B). Over the next five years, three new projects are projected to bring 378 additional residents and 1,306 new employees to the market area.



Potential Grocery Demand

Marketek's analysis of existing supply and demand in the 10th & Belmont Market Area revealed a grocery sales surplus of $7.3 million, meaning that the market area is importing shoppers from beyond its boundaries. This surplus is likely due to New Seasons' ability to draw from a larger market than that delineated for the 10th & Belmont site.

Over the next five years, there is potential demand to support an additional 8,852 square feet of new retail space – 5,647 based on growth in the residential market and 3,206 based on growth in the employee market. Please refer to Appendix C for more detailed demand calculations and methodology.

Grocery Surplus
Grocery sales that market area attracts in addition to demand generated by its residents and employees: **$7.3 million in sales**

Grocery Demand Potential
Potential support for additional new grocery store space over the next five years: **8,852 square feet**

Population & Housing Characteristics: 10th & Belmont Market Area

	2010	2015
Population	8,303	8,672
Households	4,462	4,929
Avg. Annual Pop. Growth*	0.7%	0.9%
Avg. Household Size	1.72	
Median Age	34.7	
Median Income	$43,028	
4-Year Degree or Higher	48.9%	
Avg. Grocery Spending	$4,716	

*From 2000-2010 and 2010-2015

Sources: 2010 Census; ESRI BIS; Marketek

Employment & Top Industries: 10th & Belmont Market Area

	Number	Percent
Total Employment	24,629	100.0%
Education Services	5,310	21.6%
Other Services	4,269	17.3%
Retail Trade	3,900	15.8%

Source: ESRI BIS

Section 4. Site Evaluations

Each Central City potential grocery site was evaluated based on its location, access and linkages, customer base/activity, image/identity and market potential.

RiverPlace Site Evaluation

	Rating*	Comment
Access & Linkages		
Visibility	S	Corner sites are a plus; Lot 3 especially ample size
Pedestrian Connectivity	N	Walkable area; limited foot traffic
Transit Access	S	Adjacent to streetcar
Auto Access & Circulation	N	Right turn access (Lot 3) more desirable than left turn (Lot 8)
Parking	W	Limit on undergrounding; planned parking is very limited
Truck Access	N	Close to I-5
Neighborhood Linkages	N	Proximate to downtown; separated by river, freeway from other areas
Customer Base/Activity		
Residential Market	N	Dependent on larger geographic market than immediate neighborhood
Employment Market	S	Close to downtown core
Daytime to Nighttime "Street Life"	N	Limited; Marriott Residence Inn is benefit, waterfront
Destination Attractions/Businesses	N	RiverPlace Marina
Retail Business Clusters/Synergies	W	Nearby, but not adjacent
Market Position	N	Multi-market but no focus
Image/Identity		
Appearance	S	Clean, contemporary, water access a plus
Sense of Place	N	Lacks a 'heart' or center; disjointed uses/collection of buildings
Perceived Safety	N	
Streetscape	S	Relatively new and fresh
Established/Growing Community	N	A familiar neighborhood but lacking momentum
Market Potential Indicators		
Existing Grocery Gap	S	Enough for one full service grocer in entire market area
Competitive Supply	N	Limited supply; Public Market will compete directly
Planned Private Investment	S	PDC has signed MOU for Lot 3 development
Planned Public Investment	S	North Macadam URA Plan

* S=Strong, W=Weak, N=Neutral

OHSU-ZRZ Site Evaluation

	Rating*	Comment
Access & Linkages		
Visibility	W	Ground floor visibility very limited
Pedestrian Connectivity	N	Good internal circulation
Transit Access	S	Streetcar availability
Auto Access & Circulation	W	Water & transportation barrier; narrow traffic lanes; traffic pinchpoint
Parking	W	Underground parking may not be an option
Truck Access	W	Full service store will be challenged to get product delivered; roads need to accommodate 40' semi trucks
Neighborhood Linkages	W	External access significant challenge; uncertain if RiverPlace customers will hop streetcar
Customer Base/Activity		
Residential Market	N	S. Waterfront neighborhood market small; demographic mix hard to serve
Employment Market	S	Significant and growing
Daytime to Nighttime "Street Life"	N	Limited evening activity
Destination Attractions/Businesses	S	OHSU; health care
Retail Business Clusters/Synergies	W	Extremely limited
Market Position	N	Health care mixed use center; future medical school
Image/Identity		
Appearance	S	Waterfront high rise cluster; excellent streetscape
Sense of Place	S	Green neighborhood identity
Perceived Safety	N	Very open and clean
Streetscape	S	Attractive, interesting
Established/Growing Community	N	New, developing neighborhood; real estate values less than anticipated
Market Potential Indicators		
Existing Grocery Gap	S	Enough for one full service grocer in entire market area
Competitive Supply	N	Public Market will be significant competition
Planned Private Investment	S	Life Sciences Center; strong housing/employment growth over 20 years
Planned Public Investment	S	North Macadam URA Plan

* S=Strong, W=Weak, N=Neutral

PSU / 4th & Harrison Site Evaluation	Rating*	Comment
Access & Linkages		
Visibility	S	On primary 4th Avenue corridor
Pedestrian Connectivity	S	Significant pedestrian traffic
Transit Access	S	Streetcar immediately adjacent
Auto Access & Circulation	S	Grid pattern; 3 lanes on 4th; right turn off 4th or Harrison
Parking	W	Significant challenge; may impede out of neighborhood traffic
Truck Access	N	Easy off I-405 but challenging unloading area
Neighborhood Linkages	N	Highway barriers
Customer Base/Activity		
Residential Market	S	PSU has ambitious growth plans
Employment Market	S	PSU rapidly expanding
Daytime to Nighttime "Street Life"	S	Student-based
Destination Attractions/Businesses	S	PSU, City offices, St. Mary's, Civic Center, etc.
Retail Business Clusters/Synergies	N	Not immediately adjacent
Market Position	S	Student/staff-oriented
Image/Identity		
Appearance	N	Institutional looking
Sense of Place	S	Heart of PSU
Perceived Safety	N	
Streetscape	N	Mature, green; somewhat refreshed through street car
Established/Growing Community	S	PSU is significant central city anchor
Market Potential Indicators		
Existing Grocery Gap	S	Enough for one full service grocer in entire market area
Competitive Supply	N	Proximity of future public market will impact fresh food grocer
Planned Private Investment	S	Expanding retail, office, residential
Planned Public Investment	S	PSU expansion

* S=Strong, W=Weak, N=Neutral

10th & Belmont Site Evaluation	Rating*	Comment
Access & Linkages		
Visibility	S	Visibility best traveling on Belmont
Pedestrian Connectivity	W	Limited pedestrian activity
Transit Access	N	On bus line; 5 blocks from street car
Auto Access & Circulation	S	Excellent access on Belmont/Morrison & 11th/12th couplets
Parking	S	Street parking; large site can accommodate spaces
Truck Access	S	Very good access to 99E/I-5
Neighborhood Linkages	N	Excellent street grid but somewhat isolated from surrounding neighborhoods
Customer Base/Activity		
Residential Market	W	Low density, largely single family
Employment Market	N	On edge of Central Industrial District; cannot rely on as primary market
Daytime to Nighttime "Street Life"	W	A couple of nearby restaurants/bars, but limited
Destination Attractions/Businesses	W	No large 'magnets' of activity
Retail Business Clusters/Synergies	W	Several 'destination businesses, but no clusters
Market Position	N	Industrial district
Image/Identity		
Appearance	N	Pockets of redevelopment
Sense of Place	W	Disjointed; no concentrated built environment or pedestrian-oriented core
Perceived Safety	N	
Streetscape	W	Dated
Established/Growing Community	N	Not in heart of Central Eastside or any neighborhood
Market Potential Indicators		
Existing Grocery Gap	N	Market area currently attracts demand beyond that generated by its residents
Competitive Supply	W	Wide selection of grocery options within easy access
Planned Private Investment	N	Recently redeveloped Grand Central Building w/ ground floor vacancy
Planned Public Investment	N	Nearby streetcar

* S=Strong, W=Weak, N=Neutral

Section 5. Grocery Prospecting Results

Following the grocery market analysis and site evaluations, a list of grocer candidates was identified that would potentially be a good fit for the trade area demographics and central Portland locations. Among the grocery operators considered were: Barbur World Foods, Food Front Cooperative, Fresh and Easy (national), Kenny's IGA (Lincoln City), Market of Choice, New Seasons Market, PCC Natural Market (Seattle-based), The Fresh Market, Trader Joes and Whole Foods (national).

The list was further narrowed using the principal criteria of stores that are full service operations and ones that are actively seeking expansion in the Portland market. The top four candidates were: Barbur World Foods, Market of Choice, New Seasons and Whole Foods. Although WalMart is aggressively expanding in the Portland metro area at this time, it was not deemed a top choice or match for the highly educated population base of the target urban locations.

Grocer Prospects

Marketek prepared an information packet for grocer prospects that identified and described the four target sites, highlighted trade area demographics, summarized grocery supply and demand and other relevant factors. During July and August, Marketek associate and grocery consultant, Tanney Staffenson, conducted face-to-face meetings with the owner/operators and/or real estate development managers for each company. The purpose was to share market and site information, gather candid feedback and discern each company's level of interest in these central city locations. The table below presents key characteristics of and location factors important to the four prospects followed by a summary of their response to the potential market opportunity and each site.

Summary and Location Factors for Target Grocers

	New Seasons	Whole Foods	Market of Choice	Barbur World Foods
Real Estate Manager	Don Forest, Director of Development 2004 N. Vancouver Ave. Portland, OR 97227 503.292.1987	Bruce Silverman, Regional Vice President 33rd & Fremont Portland, OR 503.287.3545 HQ – Austin, TX	Rick Wright, President/CEO 25th West 25th Ave. Eugene, OR 97405 541.345.0566	John Attar, President 9845 SW Barbur Blvd. Portland, OR 97219 503.244.0670
Store Type	Focused on locally sourced organic and conventional products with unique health and home goods depts	World's largest retailer of natural and organic food products	Conventional and organic products; selection customized to neighborhood; socially responsible	Gourmet grocery with specialty Middle Eastern and European products
Stores Operated	11 (including Progress Ridge opening Sept. 2011)	300	8 (Eugene-4, Portland area-2, Ashland-1, Corvallis-2)	1
Portland Area Stores	11	5	2	1
New Stores Planned	2012: 3-4 (metro Portland) 2013: 3-4 (metro Portland)	2011: 5 (nationally) 2012: 5 to 8 (nationally)	2012: 1 (metro Portland)	2012: 1 (metro Portland)
Sales (2010)	$90 million	$8.4 billion	$65 million	$9 million
Preferred GLA	15,000 to 40,000 SF	18,500 to 80,000 SF	30,000 SF	15,000 to 25,000 SF
Market Requirements	Middle income; College educated	Population of 130,00 in 3-mile radius; Core customer is mid- to high-income w/ 4-year degree or higher	Middle income; Advanced degree; Desire a 45,000 population in 2-mile radius	Middle income
Locations Considered	Freestanding, community strip center	80%+ in shopping centers; Community & neighborhood strip centers, Mixed-use, Downtown/central business district, Freestanding	Freestanding, Neighborhood strip center, Near college campus	Any
Preferred Co-Tenants	All considered	Upscale	Discount	All considered

Source: Marketek, Inc.; Plain Vanilla Shell

Grocer Observations

To gain insight to the perspective of grocery operators in evaluating the central city marketplace and the four prospective sites, it is useful to clarify their objectives and assumptions in locating a store. Aside from a quality site of suitable size, with good visibility, excellent access and sufficient traffic volumes,[7] grocers also seek the following: 1. Immediate market penetration and capture of 20-30% of existing grocery sales. This means displacing or moving customer purchases from other stores or choices and over time growing sales from an increased capture and household growth. 2. Weekly sales of $250,000 to $300,000 to break even, based on performance of other full service stores of the size and type identified on page 19. Using an industry average of $22 per customer transaction that translates to between 11,300 and 13,600 customer transactions a week. This perspective helps frame the site evaluations shared below.

John Attar, Owner/Operator Barbur World Foods	
Site	**Observations**
RiverPlace	• Needs significantly more residential to support store • Unlikely that a store in this location will be able to pull South Waterfront or downtown customers
OHSU/South Waterfront	• Interest in exploring smaller store at this site; focus on meals-to-go and basic convenience goods • Intrigued by Life Sciences Center as potential catalyst but wants certainty on timing and results • Interested in staying on top of this location
PSU District (SE 4th & Harrison, assuming full city block)	• Interested in site • Concerned about parking • Would explore a two-story store at this location
10th & Belmont	• Not enough residential in area to make the site of interest • Does not believe present industrial workforce in area is his target customer or would add many sales
Summary	Considerable interest in expansion to a second location for the right situation. Not as capitalized as the other target grocers, but runs a very successful operation on Barbur Blvd.

[7] It is assumed that each prospect will look for truck & vehicle access, 2-3 off street parking spaces per 1,000 SF of store space and a 10 year lease with options.

Rick Wright, President & CEO Market of Choice	
Site	**Observations**
RiverPlace	• Considers location to be very challenging • Doesn't believe that people will go from downtown across Naito Parkway and back • Concerned about drawing South Waterfront to the site—not close enough to walk; not easily accessible • Transportation and physical barriers
OHSU/South Waterfront	• Not enough density there to support full service store • Life Sciences Center is a plus, but more development needed for a store to succeed • Timing may be better in a few years as residential and employment bases increase • Future development has to be *certain* not conjecture • Over next 2-3 years, this location is not a consideration without a significant increase in residents
PSU District (SE 4th & Harrison, assuming full city block)	• Very interested in site; the customer base is Market of Choice's target market • Has looked at the site before and would consider a 30,000 SF store • Primary objection/concern is how to deal with parking; absolute minimum need is 2-3 spaces per 1,000 SF • Parking structure may make a store cost prohibitive
10th & Belmont	• In recent past, he independently examined the site and market area • Not enough residents in direct market area to support store—one mile • No residential west of site; market is all east of site making it a very challenging trade area to serve
Summary	Market of Choice is only interested in a PSU site; very experienced with this demographic/ market; has capital to move ahead quickly.

Don Forrest, Director of Development New Seasons	
Site	**Observations**
RiverPlace	• Consumer market in the immediate vicinity is too small to support a store; traffic patterns are not conducive to drawing significant customer base from South Waterfront or downtown • Limited-to-no interest in the site
OHSU/South Waterfront	• Well drawn trade area boundary • Captive market • Would potentially consider this location to experiment with a smaller format, 'grab and go' out of box model • Not a priority site in the immediate future
PSU District (SE 4th & Harrison, assuming full city block)	• Excellent underserved dense consumer market • Very interested in this location
10th & Belmont	• Initial response: "a tough trade area;" Market is all east of property; Insufficient household density to support a store • No ready market exists and the property is of very limited interest • New Seasons expressed some interest in moving office to this location, but only with a store co-locating
Summary	New Seasons is evaluating multiple locations for expansion in immediate future. Carefully studying several Portland sites. Will roll out a comprehensive strategy and determine their future locations by fall.

John Kellogg, Real Estate Broker for Whole Foods Commercial Realty Advisors[8]	
Site	**Observations**
RiverPlace	• Access is an issue • Don't envision a store working in this location; feels like 'an island' • Not enough populace to support a store; will unlikely never have the density for a grocery store
OHSU/South Waterfront	• Not enough development in the immediate area to support development they want • Don't believe the neighborhood is ready for a full service grocer until complete build- out
PSU District (SE 4th & Harrison, assuming full city block)	• Attractive location • Level of activity in vicinity is a plus • Strong population • Very concerned about truck access • Plans to make SW Montgomery Street a nonvehicular 'green street' further limit truck and auto access
10th & Belmont	• Insufficient demand • Not enough rooftops in trade area • Limited market to the west • Overall, a very challenging site
Summary	A PSU site is the only one of the four sites/areas that offers appeal. Overall moderate interest.

[8] Commercial Realty Advisors, 733 SW 2nd Avenue, Portland, Oregon 97204, 503.274.0211

Section 6. Conclusions & Recommendations

The market study findings substantiate that the south side of Portland's central business district is underserved with full service grocery options. Existing residential and employment density and future growth in the PSU area and to some extent in the South Waterfront area are attractive to some grocer operators seeking expansion in the Portland market. Based on current and anticipated market conditions in the next two years and capacity and interest of local grocers, there is room for one full grocer in central city south and possibly a small store format in South Waterfront.

Sites

The market data and the response of grocers to the four sites under review indicate the following:

- In the immediate future, 4th & Harrison or a similarly suitable site in the PSU or south Downtown area, is the most attractive site for a store location. Fourth & Harrison is at the heart of central city south and has an expanding anchor (PSU), streetcar service, additional residential coming online and, overall, a dense and expanding marketplace. Grocers anticipate being able to readily pull from the existing activity as well as from the base of the West Hills neighborhood and South Waterfront area, to some extent.

- A South Waterfront location also holds some promise in the next 3-to-5 years as more projects come online. There is an underserved market there, but it is small. The current residential/employment base is insufficient for full service store success. The driving question of all grocers is what does the future development look like and when will it occur? All need considerably more certainty about proposed projects and need more developments out-of-the-ground before they will seriously consider a full service store. None are interested in being the neighborhood's lead retail anchor at this time but want to monitor development. Two grocers would entertain a small format store, but still need convincing of the timing and foot traffic of the Life Sciences Center and other development.

- The RiverPlace location is of limited interest. Although visibility is good, there is no critical mass of activity and foot traffic which are essential to grocery store success. Grocers are not confident that sufficient customer traffic can be generated by the South Waterfront population and are skeptical that the site would draw from across Naito Parkway. Access and convenience are perceived barriers. Grocers are not interested in being the first anchor retailer in a newly developing area. Industry profit margins are too slim to absorb store losses for more than a very short time period.

- Across the board, there was no interest in the 10th & Belmont site. The east side marketplace is already well served by a wide variety of grocers and there is insufficient market demand to justify additional store locations. Based on long experience in the industry, the employment base in the central eastside will make only a minor contribution to store sales at that location.

Recommendations

1. PDC should prioritize locating a full service grocer in the PSU District, specifically near the 4th & Harrison intersection, with a minimum 20,000 SF footprint and full amenities: bakery, deli, prepared meals, creative 'sit down' option. The strongest candidates are Market of Choice and New Seasons. They are viable, solid, local operators w/ proven track records. Market of Choice has strong experience and demonstrated flexibility in serving the college market with very successful stores in three college towns: Eugene, Ashland and Corvallis. New Seasons is also a very good candidate for the location and is in an expansion mode.

2. With a creative, flexible operator, a smaller store can potentially succeed in the South Waterfront and could be developed concurrent with a store at 4th & Harrison. The keys to success assuming a quality store and product continue to be easy accessibility and convenience. New Seasons and Barbur World Foods have both expressed interest in a smaller store in the South Waterfront and would work hard to fill the gap in this location. However, before any operator will consider South Waterfront, the future of a PSU location should be determined. This is the very next step.

3. To support a full-service grocer in South Waterfront (in addition to one at PSU) would require 10,000 new residents in the South Waterfront area, in addition to the existing 3,000 South Waterfront residents, (assuming 100 percent occupancy).[9] This estimate assumes that the South Waterfront market will be fairly self-contained and not share much demand with a PSU grocery store.

[9] Based on estimated per person weekly grocery spending of $55 (or $715,000 for 13,000 residents) with a capture rate of 35 percent (35 percent of $715,000 yields potential weekly sales of $250,250, which could support a full-service grocery).

Appendix A. Demographic Profile

Demographic Snapshot: Grocery Market Areas & City of Portland, 2010

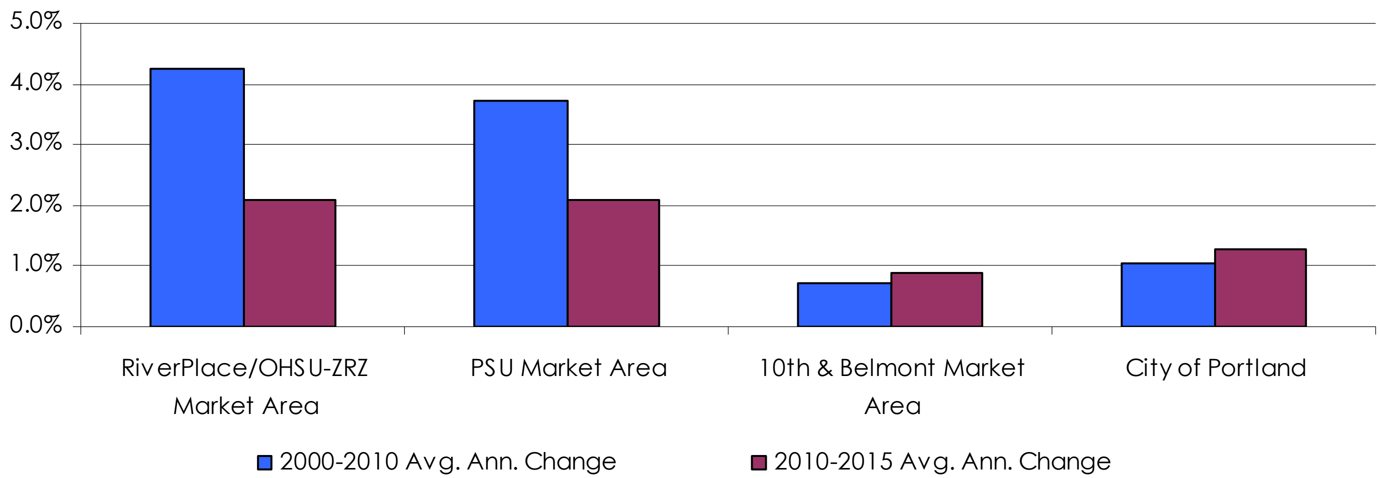
Demographic Indicator	RiverPlace/OHSU-ZRZ Market Area	PSU Market Area	10th & Belmont Market Area	City of Portland
Population				
2010	12,166	11,757	8,303	583,776
2015 (forecast)	13,435	12,978	8,672	620,979
Avg. Ann. % Change ('00 to '10)	4.26%	3.71%	0.73%	1.03%
Avg. Ann. % Change ('10 to '15)	2.09%	2.08%	0.89%	1.27%
Households				
2010	6,517	6,271	4,462	248,546
2015 (forecast)	7,239	6,965	4,929	264,975
Avg. Ann. % Change ('00 to '10)	2.16%	1.71%	0.67%	1.11%
Avg. Ann. % Change ('10 to '15)	2.22%	2.21%	2.09%	1.32%
Average Household Size	1.49	1.50	1.72	2.29
Median Household Income	$45,351	$42,706	$43,028	$54,352
Median Age (Years)	33.3	33.0	34.7	37.3
Race				
Percent White Alone	80.1%	79.2%	86.7%	76.1%
Percent Other Race/2+ Races	19.9%	20.8%	13.3%	23.9%
Percent Hispanic	5.1%	5.0%	5.9%	9.4%
Homeownership	22.8%	21.2%	22.8%	55.3%
Educational Attainment				
Associate Degree	5.8%	5.9%	6.3%	6.7%
Four Year Degree	37.8%	38.3%	33.5%	23.8%
Graduate/Professional Degree	26.7%	25.8%	15.4%	14.8%

Sources: ESRI BIS

Population and Household Growth: Grocery Market Areas & City of Portland, 2000 – 2015

Geographic Area	2000	2010	Avg. Ann. Change 2000-2010		2015 (Forecast)	Avg. Ann. Change 2010-2015	
			Number	Percent		Number	Percent
RiverPlace/OHSU-ZRZ Market Area							
Population	8,533	12,166	363	4.26%	13,435	254	2.09%
Households	5,361	6,517	116	2.16%	7,239	144	2.22%
Avg. Household Size	1.50	1.49	-0.001		1.49	0.000	
PSU Market Area							
Population	8,576	11,757	318	3.71%	12,978	244	2.08%
Households	5,354	6,271	92	1.71%	6,965	139	2.21%
Avg. Household Size	1.51	1.50	-0.001		1.49	-0.002	
10th & Belmont Market Area							
Population	7,736	8,303	57	0.73%	8,672	74	0.89%
Households	4,180	4,462	28	0.67%	4,929	93	2.09%
Avg. Household Size	1.73	1.72	-0.001		1.72	0.000	
City of Portland							
Population	529,121	583,776	5,466	1.03%	620,979	7,441	1.27%
Households	223,737	248,546	2,481	1.11%	264,975	3,286	1.32%
Avg. Household Size	2.30	2.29	-0.001		2.29	0.000	

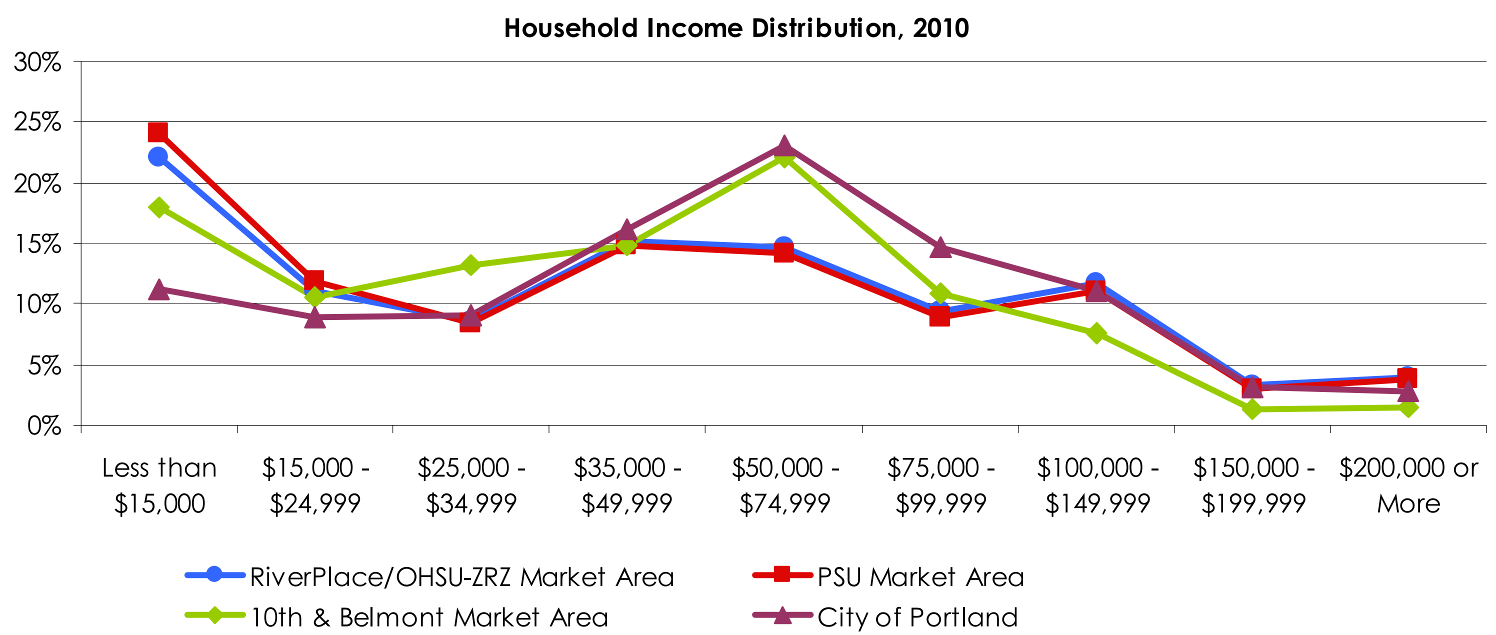
Average Annual Population Growth Rates, 2000-2015



Source: ESRI BIS

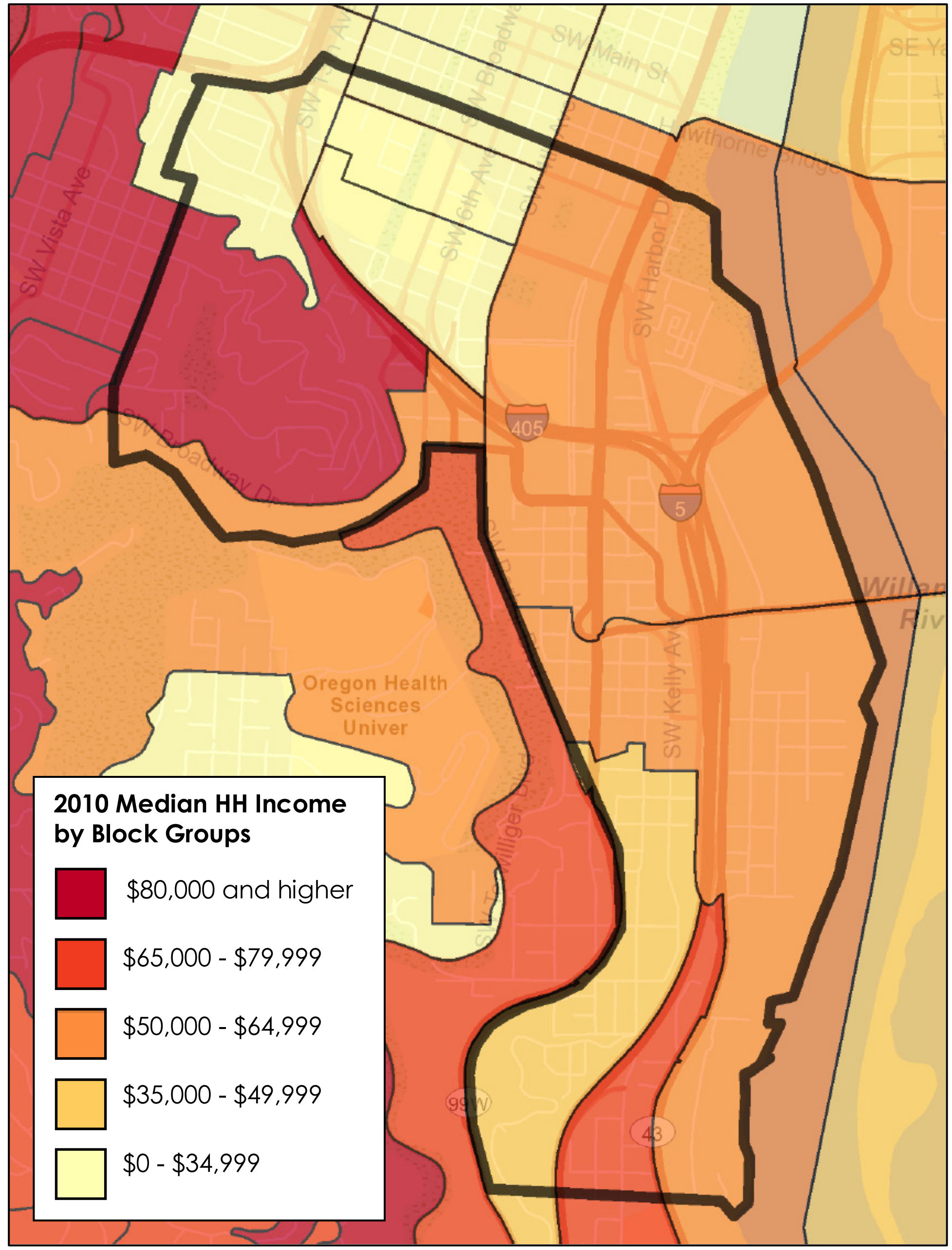
Household Income: Grocery Market Areas & City of Portland, 2010

Household Income	RiverPlace/OHSU-ZRZ Market Area	PSU Market Area	10th & Belmont Market Area	City of Portland
Less than $15,000	22.1%	24.1%	18.0%	11.2%
$15,000 - $24,999	11.1%	11.9%	10.6%	8.9%
$25,000 - $34,999	8.6%	8.4%	13.2%	9.1%
$35,000 - $49,999	15.1%	14.8%	14.9%	16.2%
$50,000 - $74,999	14.7%	14.1%	22.1%	23.0%
$75,000 - $99,999	9.4%	8.9%	10.8%	14.6%
$100,000 - $149,999	11.7%	11.0%	7.5%	11.1%
$150,000 - $199,999	3.3%	3.0%	1.4%	3.1%
$200,000 or More	4.0%	3.8%	1.5%	2.8%
Total	6,517	6,271	4,462	248,546
Median Household Income	$45,351	$42,706	$43,028	$54,352

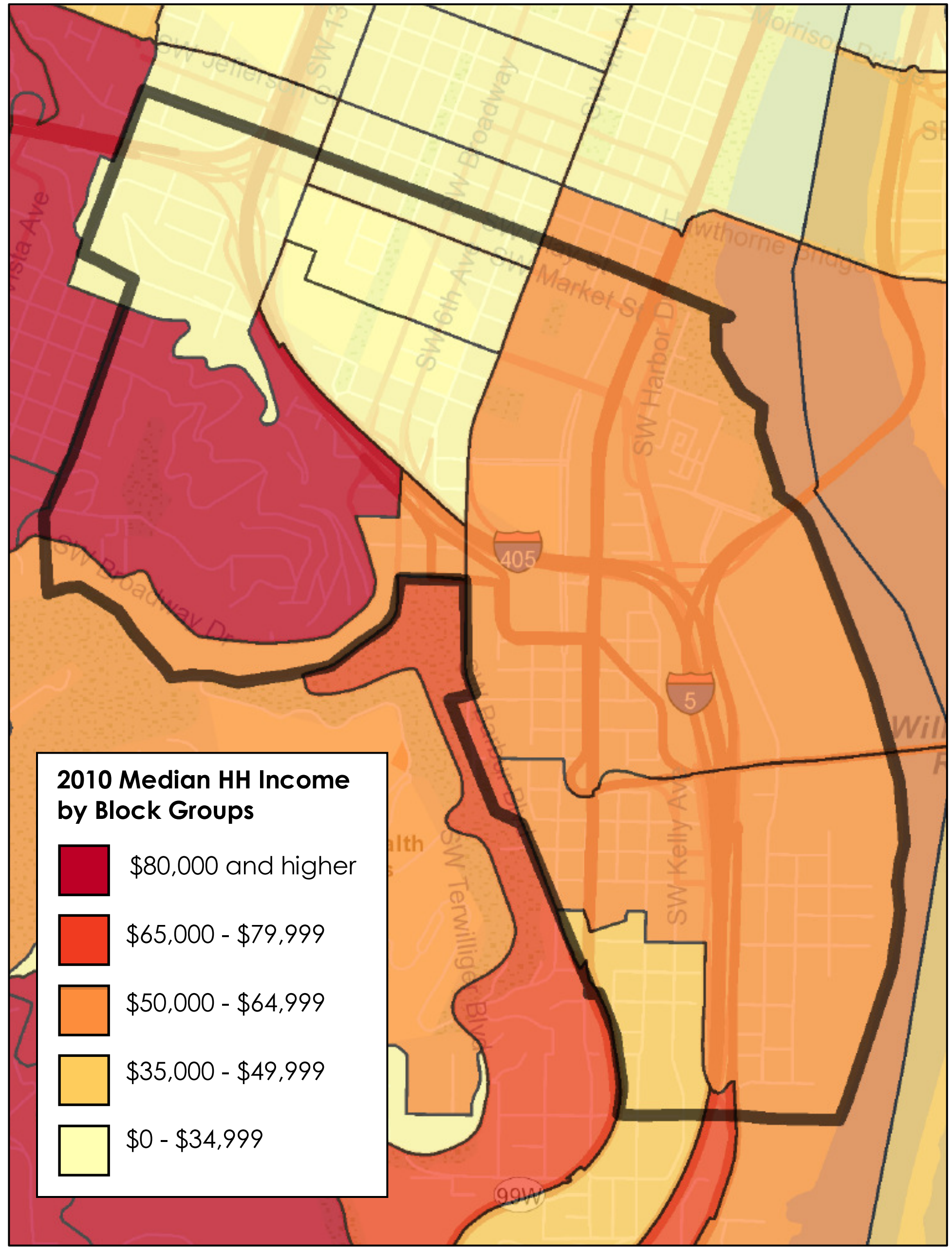


Source: ESRI BIS

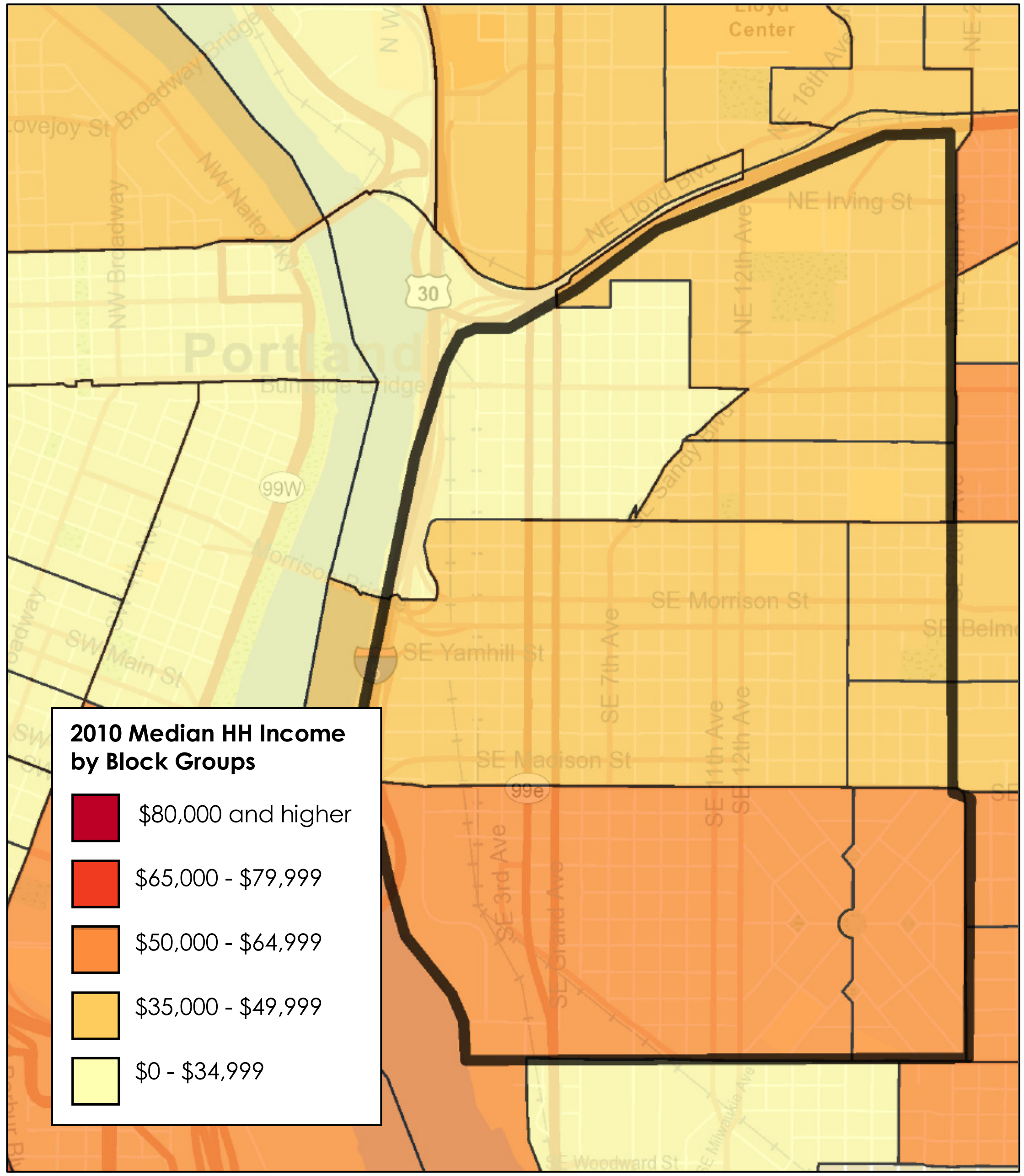
Median Household Income by Block Group: RiverPlace/OHSU-ZRZ Market Area (2010)



Median Household Income by Block Group:
PSU Market Area (2010)

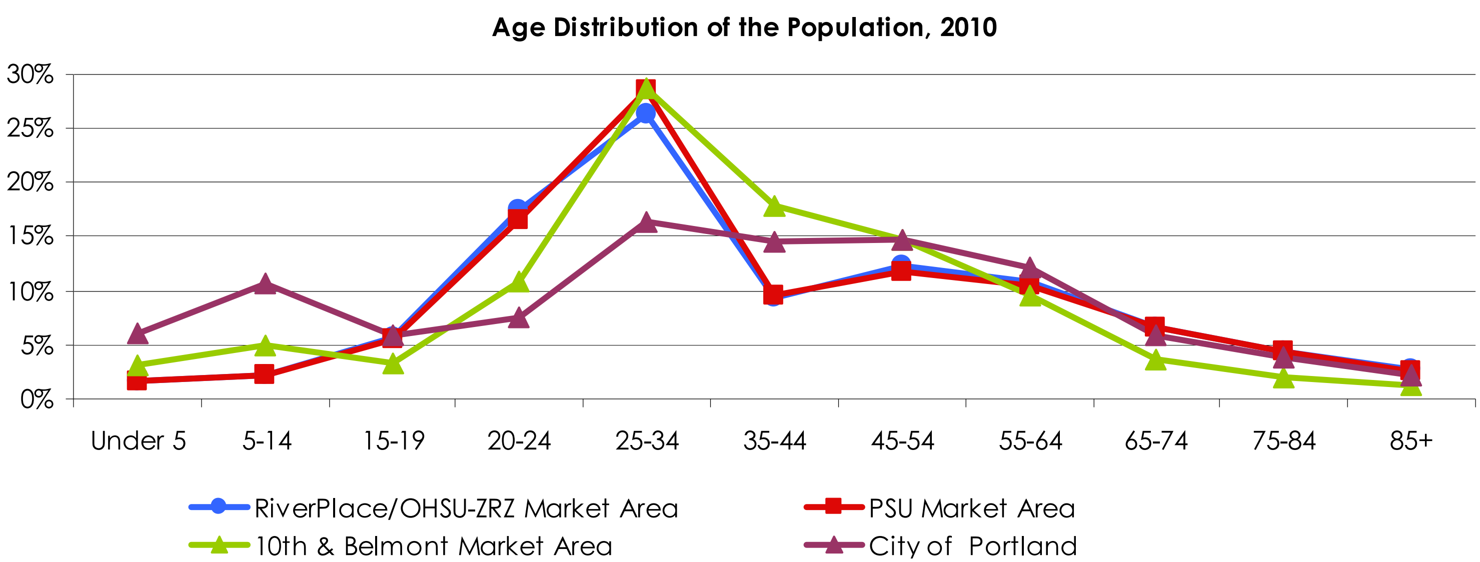


Median Household Income by Block Group: 10th & Belmont Market Area (2010)



Population by Age: Grocery Market Areas & City of Portland, 2010

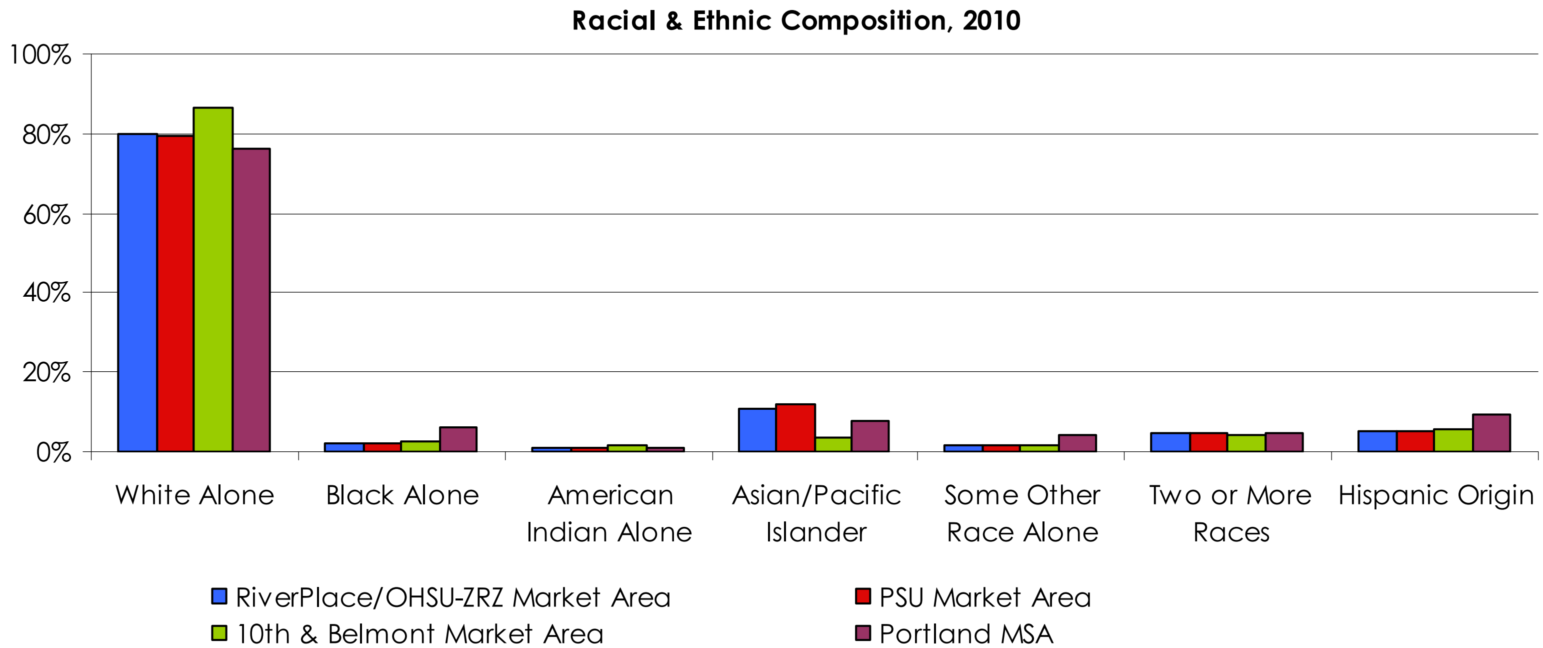
Age Category	RiverPlace/OHSU-ZRZ Market Area	PSU Market Area	10th & Belmont Market Area	City of Portland
Under 5	1.7%	1.6%	3.1%	6.0%
5-14	2.2%	2.2%	5.0%	10.7%
15-19	5.7%	5.5%	3.3%	5.8%
20-24	17.5%	16.6%	10.8%	7.6%
25-34	26.3%	28.6%	28.7%	16.4%
35-44	9.4%	9.6%	17.8%	14.6%
45-54	12.4%	11.8%	14.7%	14.7%
55-64	10.9%	10.5%	9.5%	12.2%
65-74	6.7%	6.6%	3.7%	5.9%
75-84	4.5%	4.4%	2.1%	3.9%
85+	2.7%	2.6%	1.3%	2.2%
Total	12,166	11,757	8,303	583,776
Median Age	33.3	33.0	34.7	37.3



Source: ESRI BIS

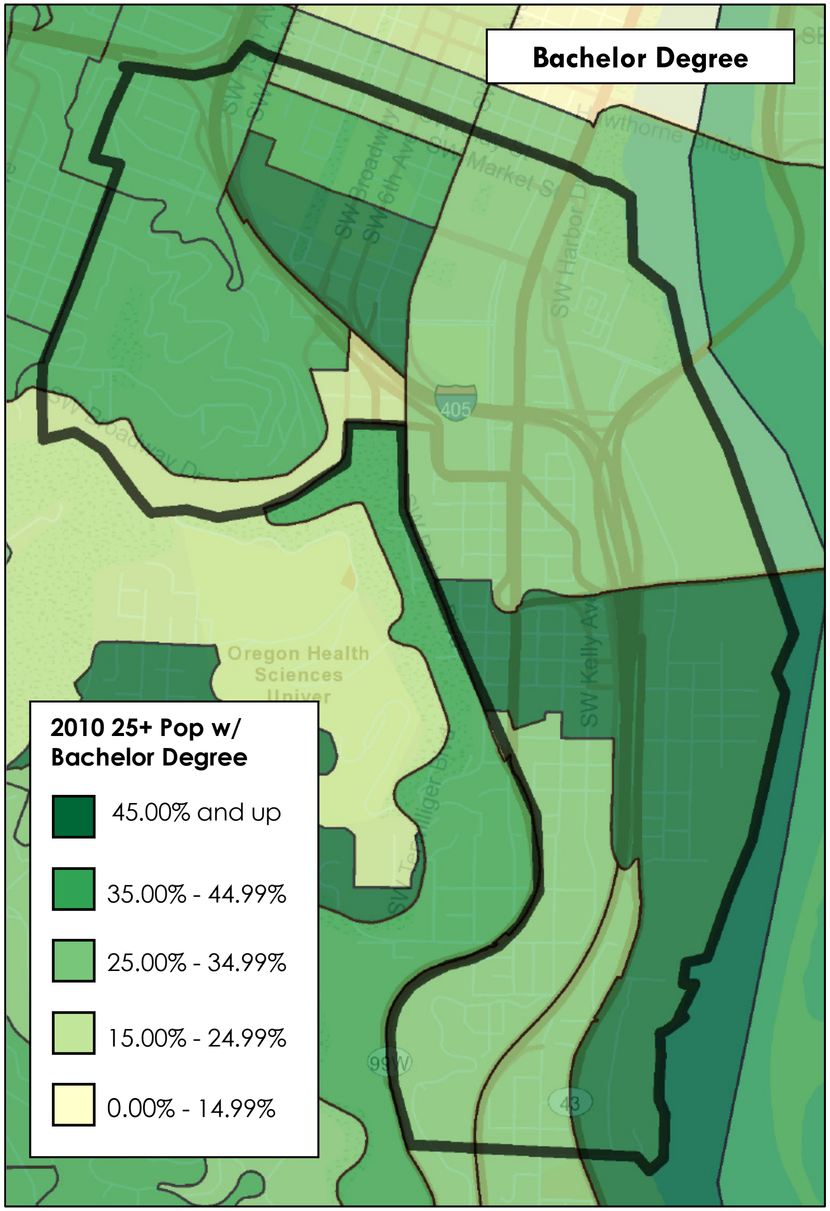
Racial and Ethnic Composition: Grocery Market Areas & City of Portland, 2010

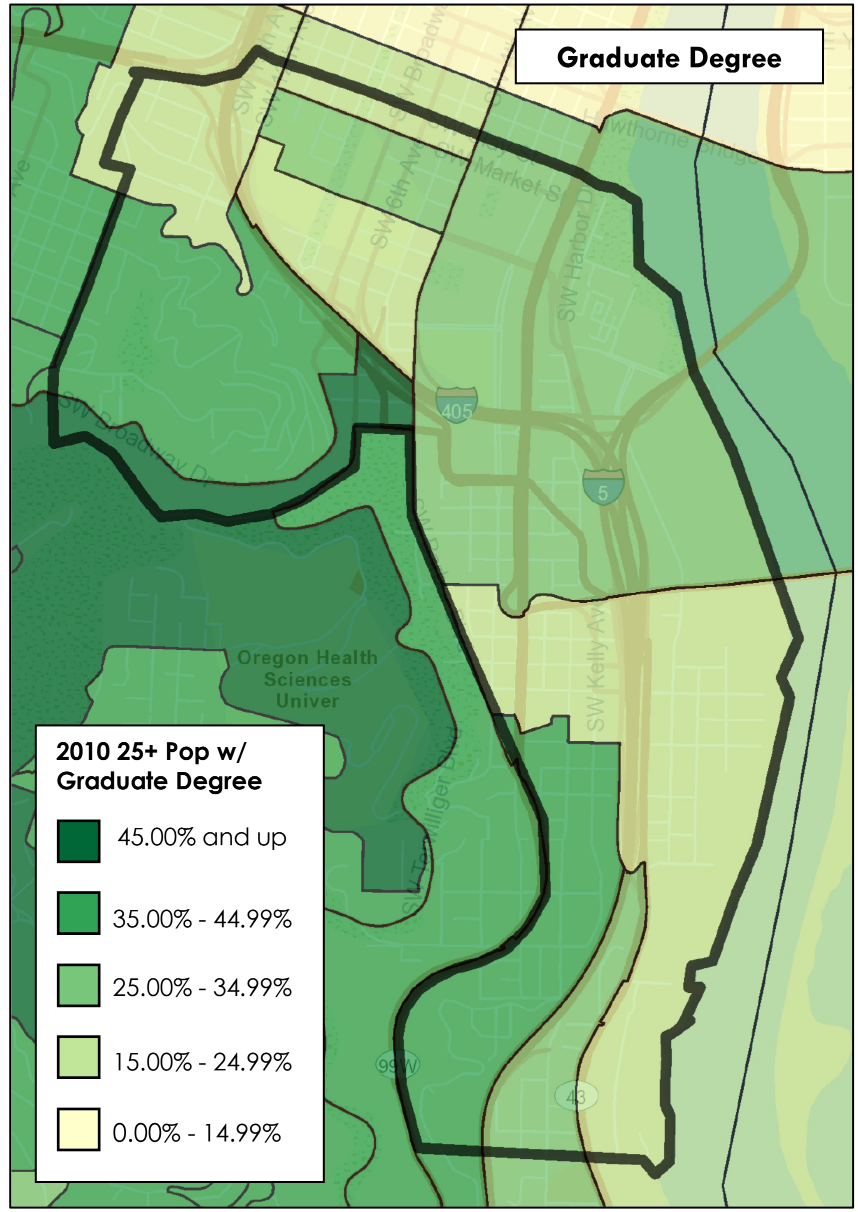
Race/Ethnicity	RiverPlace/OHSU-ZRZ Market Area	PSU Market Area	10th & Belmont Market Area	Portland MSA
White Alone	80.1%	79.2%	86.7%	76.1%
Black Alone	2.3%	2.3%	2.5%	6.3%
American Indian Alone	0.8%	0.8%	1.4%	1.0%
Asian/Pacific Islander	10.9%	11.6%	3.5%	7.7%
Some Other Race Alone	1.5%	1.5%	1.8%	4.2%
Two or More Races	4.4%	4.6%	4.1%	4.7%
Hispanic Origin	5.1%	5.0%	5.9%	9.4%
Total	12,166	11,757	8,303	583,776



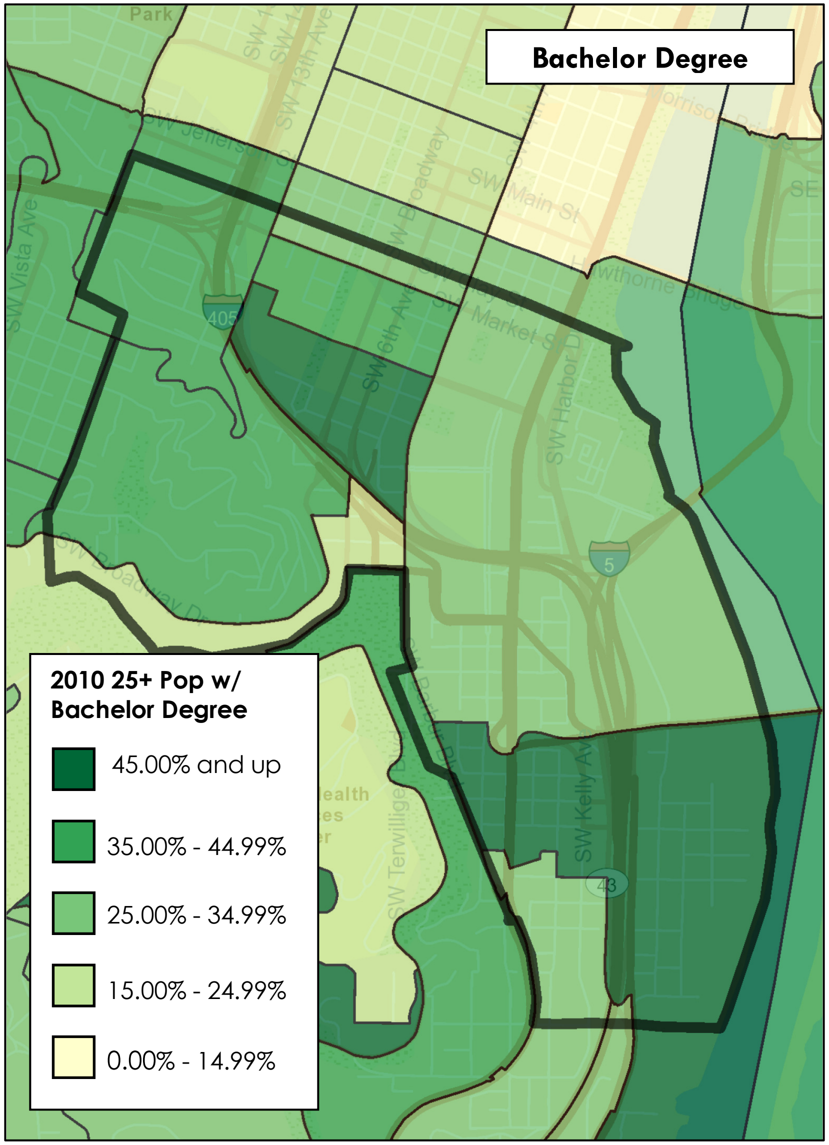
Source: ESRI BIS

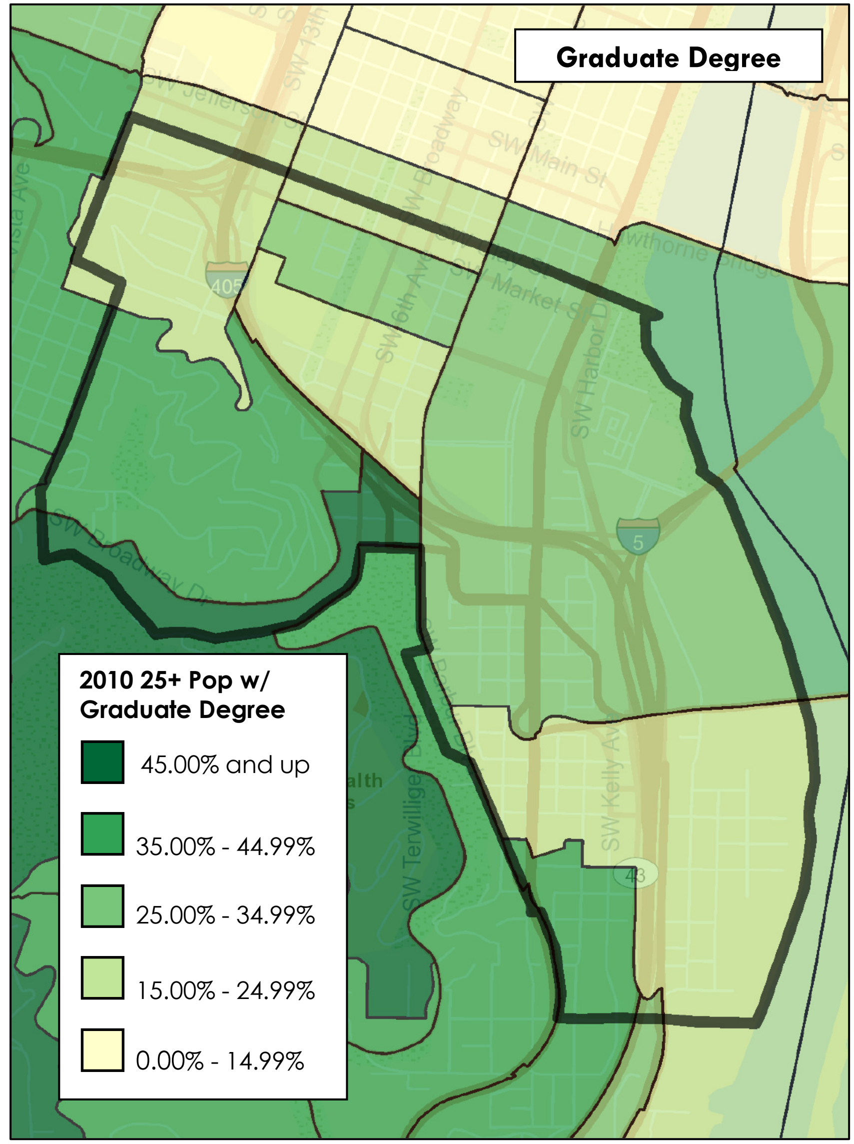
Market Area Educational Attainment for Population age 25 and Up by Block Group: RiverPlace/OHSU-ZRZ Market Area (2010)



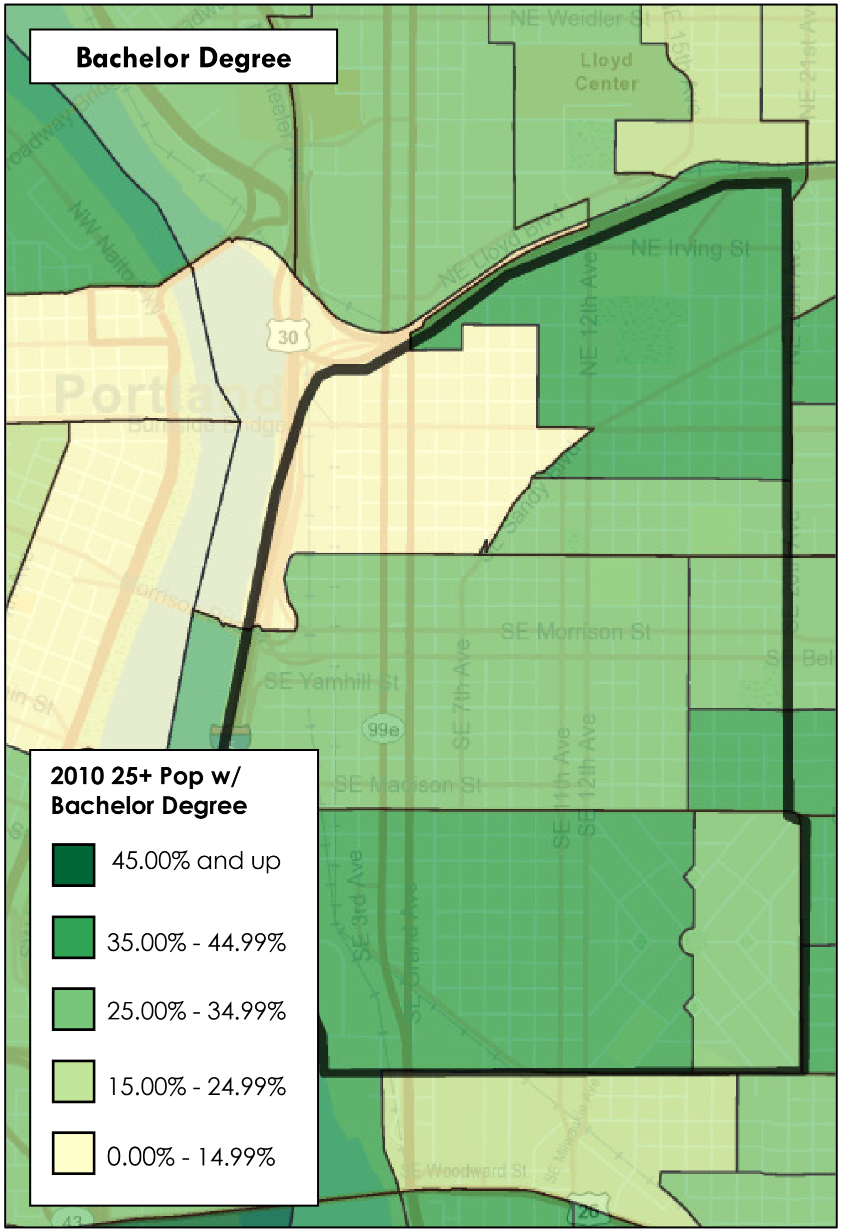


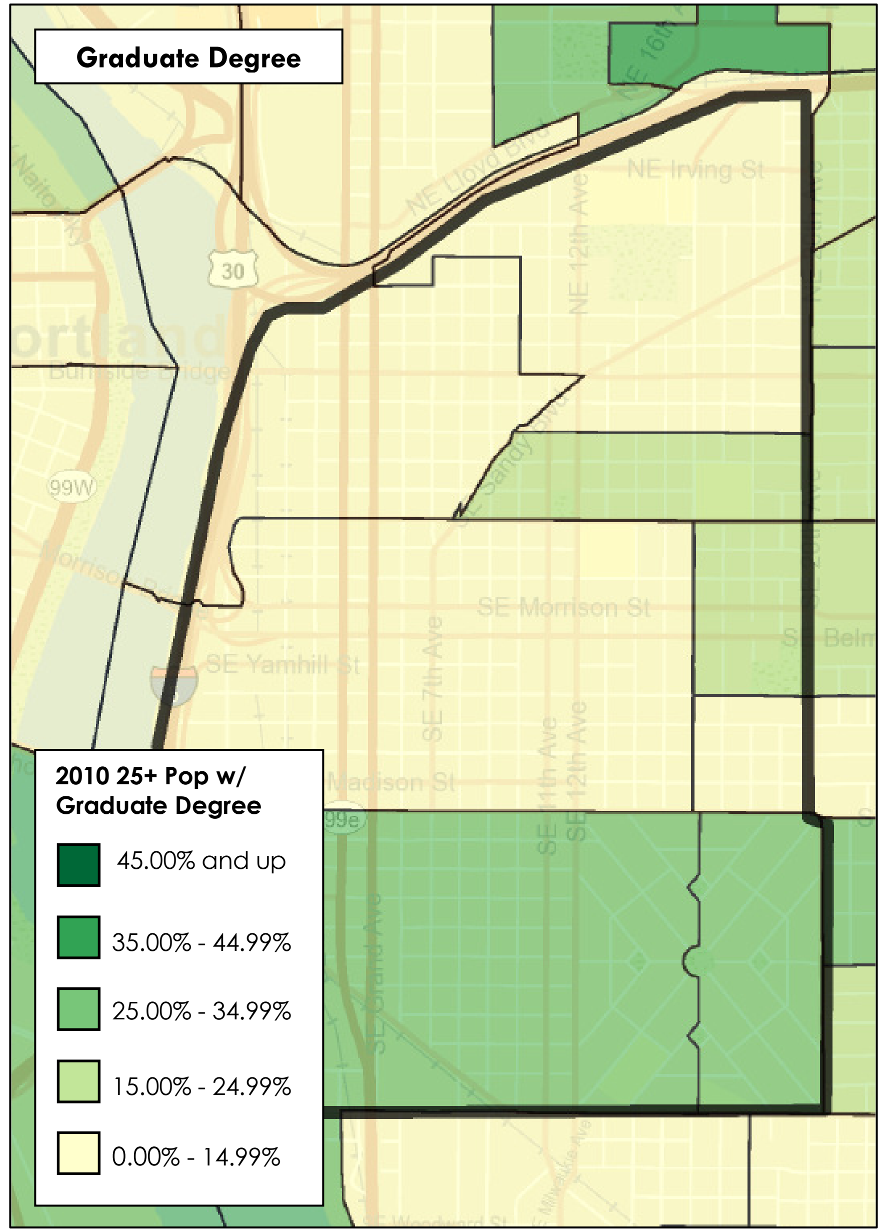
Market Area Educational Attainment for Population age 25 and Up by Block Group: PSU Market Area (2010)





Market Area Educational Attainment for Population age 25 and Up by Block Group: 10th & Belmont Market Area (2010)





Jobs by Economic Sector: Grocery Market Areas, 2010

Industry	RiverPlace/OHSU-ZRZ Market Area		PSU Market Area		10th & Belmont Market Area	
	Number	Percent	Number	Percent	Number	Percent
Agriculture & Mining	30	0.1%	26	0.1%	63	0.3%
Construction	534	2.1%	457	2.1%	1,759	7.1%
Manufacturing	567	2.3%	390	1.8%	1,803	7.3%
Transportation	18	0.1%	9	0.0%	979	4.0%
Communication	2,280	9.1%	1,078	5.0%	28	0.1%
Electric/Gas/Water/Sanitary Services	38	0.2%	38	0.2%	3	0.0%
Wholesale Trade	326	1.3%	242	1.1%	2,482	10.1%
Retail Trade	1,531	6.1%	1,235	5.8%	3,900	15.8%
Finance/Insurance/Real Estate	3,732	14.9%	3,334	15.6%	1,774	7.2%
Services	14,746	58.8%	13,307	62.3%	10,794	43.8%
Hotels & Lodging	*453*	*1.8%*	*422*	*2.0%*	*58*	*0.2%*
Automotive Repair, Services, Parking	*54*	*0.2%*	*39*	*0.2%*	*388*	*1.6%*
Motion Picture & Amusements	*234*	*0.9%*	*193*	*0.9%*	*187*	*0.8%*
Health	*6,601*	*26.3%*	*6,233*	*29.2%*	*407*	*1.7%*
Legal	*531*	*2.1%*	*463*	*2.2%*	*175*	*0.7%*
Education Institutions & Libraries	*1,886*	*7.5%*	*1,881*	*8.8%*	*5,310*	*21.6%*
Other Services	*4,987*	*19.9%*	*4,076*	*19.1%*	*4,269*	*17.3%*
Government	1,092	4.4%	1,091	5.1%	905	3.7%
Other	165	0.7%	156	0.7%	138	0.6%
Total Employment	25,059	100.0%	21,363	100.0%	24,628	100.0%

Source: ESRI BIS

Appendix B. Planned, Proposed & Recently Completed Projects

RiverPlace/OHSU-ZRZ Market Area: Planned, Proposed & Recently Completed Projects, 2005 – 2016

Project	Time frame	Units	Residents[1]	Office Employees[2]	Retail Employees[2]	Comments
Planned and Proposed						
Block 33		400	560			Affordable housing contained in two residential towers
Collaborative Life Science Building	2014			1,020	31	First building in OHSU Schnitzer campus
ZRZ (Zidell) Phase 1	2013-2016	150-300	210-420	531	47	Phase one will feature one office building, two residential buildings and 258,755 SF of parking. At build-out, which is anticipated to occur in four phases and be completed by 2041, approximately 2,600 residents, 81,000 square feet of retail and over 2.1 million square feet of office are planned.
Sub-total		450-700	770-980	1,551	78	
Projects Completed Since 2005[3]						
Atwater Place	2008	212	297		42	23-story condominium tower with ground floor retail
Meriwether Towers	2006	245	343		32	21- and 24-story condominium towers
Mirabella	2011	224	314	50		Market-rate senior housing; 224 independent living; 16 assisted living apartments and 41 special care rooms
OHSU Center for Health & Healing	2006			937		16-story, 400,000 SF, multi-use building; eight floors of outpatient practices, four floors of educational offices, three floors housing a wellness center
Riva on the Park	2009	294	412		61	22-story apartment building with ground floor retail
The Ardea	2009	323	452		69	30-story condominium project, also features townhomes
The John Ross	2008	286	400		88	31-story condominium tower
The Matisse	2010	275	385			Two, five-story apartment buildings with ground floor retail
The Strand	2006	214	300		33	187 condominiums, 27 townhomes; 100-room hotel
Sub-total		2,073	2,902	987	325	

Includes projects in OHSU's south campus and the South Waterfront district.
1. Assumes 100 percent occupancy and 1.4 persons/HH for Central City Portland, with the exception of student housing projects with a specified number of residents.
2. Assumes job density of one employee/245 SF for retail, per Urban Land Institute standards.
3. Office employee estimates provided by developers and project staff.

Sources: Marketek, Inc., Portland Business Alliance 2010 and 2011 Central City Development and Redevelopment Project reports, interviews with project developers, project websites, and Google Earth.

PSU Market Area: Planned, Proposed & Recently Completed Projects, 2005 – 2016

Project	Time frame	Units	Residents[1]	Office Employees[2]	Retail Employees[2]	Comments
Planned and Proposed (excluding South Waterfront)						
100 Columbia				1,286		Office tower
The Beacon		158	221			Two residential towers with ground floor retail; 90,000 SF
Blackbox				41	16	Renovation of 10,000 SF building, offices and ground floor retail
Block 41		224	314			24-story condo project; ground floor retail; part of larger master plan
College Station	2012	282	978	20		Under construction; ground floor retail and 2 stories of classrooms; 372,500 SF
Innovative Housing	2014	54	76		24	Market-rate student housing
Jefferson Building		254	356		41	16-story building; ground floor retail
Morrison Bridgehead					449	110,000 SF James Beard Public Market; project will also include a 17-story office tower
Park Avenue West	2014			1,224		Construction projected to restart in 2012; 26 floors of office; ground floor retail
The Tamarack	2012	209	293	49		Veteran's housing, 25 percent affordable units; building will house Reach CDC Headquarters
Sub-total		1,181	2,238	2,620	530	
Projects Completed Since 2005 (excluding South Waterfront)						
12 + Alder	2005	2	3		20	
Benson Towers		143	200		31	26-story building with condominiums and ground floor retail ~7,500 SF
Crystal Hotel	2010				12	51-room hotel; ground floor restaurant ~ 3,000 SF; historic renovation
Cyan PDX	2010	354	496		23	
Eliot Tower	2006	223	312		43	233 condos, 9 townhomes; 332,580 total SF
Esquire Hotel	2010	19	27		10	Conversion of hotel to market-rate apts; ground floor restaurant ~ 2,500 SF
First and Main	2010			1,412	82	
Hotel Alder	2005	99	99			Affordable housing, conversion of hotel to SRO
Indigo@twelve west	2010					Mixed-use office, residential with ground floor retail; LEED Platinum
James Hawthorne Apartments	2010	48	67			27,000 SF affordable housing
Ladd Tower	2010	332	465		22	Apartments with estimated 5,500 SF ground floor retail
Living Room Theaters	2006					Independent movie theater
Mercy Corps Headquarters	2010			294		72,000 SF office building
The Broadway	2010	384	538		49	21,135 SF of classroom space; ground floor retail ~ 12,000 SF
The Jeffrey Apartments	2008	80	112			Apartments
The Martha Washington Hotel	2010	108	151			Affordable housing
Wheeldon Apartments	2010	37	52			Affordable senior and disabled housing; renovation project
Sub-total		1,829	2,522	1,706	293	

Includes projects west of the Willamette River, south of Burnside, and north and east of I-405. Excludes projects in the OHSU / South Waterfront area.

1. Assumes full occupancy and 1.4 persons/HH for Central City Portland, with the exception of single-resident occupancy projects, where 1 person/unit is assumed, and student housing projects with a specified number of residents.

2. Assumes job density of one employee/245 SF of office and retail, per Urban Land Institute standards.

Source: Marketek, Inc., Portland Business Alliance 2010 and 2011 Central City Development and Redevelopment Project reports, interviews and Google Earth.

10th & Belmont Market Area: Planned, Proposed & Recently Completed Projects, 2005 – 2016

Project	Time frame	Units	Residents[1]	Office Employees[2]	Comments
Planned and Proposed					
100 Multnomah				1,306	320,000 SF office tower in Phase 1
532 NE Davis		70	98		4 stories of housing; retail and 7 live/work units on ground floor; has secured City of Portland design review approval
The Cosmopolitan		200	280		31-story mixed-use "point" tower; has secured City of Portland design review approval; construction will begin when market improves
Sub-total		270	378	1,306	
Projects Completed Since 2005					
Artists Lofts	2006				2-story building; artist lofts with ground floor retail
Cascade Brewing	2010			20	Brewpub with some brewery activities on site
Clifford Apartments	2010	88	88		Historic hotel renovation, affordable studio and one-bedroom apartments
Fire Station #7	2010			61	15,000 SF commercial
Grand Central Market Building	2007				Bowling alley renovation and retail
Jones-Cash Warehouse	2005				Office with ground floor retail
Olympic Mills	2008				Historic conversion of warehouse to office/commercial space
Sub-total		88	88	81	

Includes projects east of the Willamette River, south of I-84, west of 20th Street and north of Division Street.

1. Assumes 1.4 persons/HH for Central City Portland, with the exception of single-resident occupancy projects, where 1 person/unit is assumed, and student housing projects with a specified number of residents.

2. Assumes job density of one employee/245 SF of office and retail, per Urban Land Institute standards. Employee estimates do not include employment estimates for the Olympic Mills and Grand Central Market Building, for which no employment data was available at the time of this inventory.

Source: Marketek, Inc., Portland Business Alliance 2010 and 2011 Central City Development and Redevelopment Project reports, interviews and Google Earth.

Appendix C. Grocery Demand Methodology

Existing Grocery Supply and Demand Balance: Grocery Market Areas, 2010

Market Area	Grocery Spending Potential (Demand)		Grocery Retail Sales (Supply)[3]	Leakage (or Surplus)	Sales* ($ per SF)	Space (SF)
	Residents[1]	Employees[2]				
RiverPlace/OHSU-ZRZ	$31,199,907	$11,173,808	$12,696,219	$29,677,496	$390	76,096
PSU	$30,437,618	$9,526,208	$11,446,384	$28,517,442	$390	73,122
10th & Belmont	$16,104,625	$10,982,071	$34,396,866	($7,310,170)		

1. From ESRI Business Information Solutions.
2. Based on International Council for Shopping Center's *Office Worker Retail Spending Patterns* report; Assumes market area captures 65 percent of existing demand generated by employees.
3. From ESRI Business Information Solutions.
4. Based on sales per square foot standards from the Urban Land Institute's *Dollars and Cents of Shopping Centers*.

Sources: ESRI BIS; Urban Land Institute; ICSC; Marketek, Inc.

Grocery Expenditure Potential by Market Area Residents: Grocery Market Areas, 2011 – 2016

Market Area	Grocery Spending per Household[1]	Target Sales ($/SF)[2]	2011 Potential		2016 Potential		5-Year Net Gain	
			Sales (in mil $)[3]	Space (SF)	Sales (in mil $)	Space (SF)	Sales (in mil $)	Space (SF)
RiverPlace/OHSU-ZRZ	$5,888	$390	$38.4	98,398	$42.6	109,299	$4.3	10,901
PSU	$5,636	$390	$35.3	90,619	$39.3	100,648	$3.9	10,029
10th & Belmont	$4,716	$390	$21.0	53,952	$23.2	59,599	$2.2	5,647

1. From ESRI Business Information Solutions; includes other food, snacks, smoking products and household products.
2. Based on sales per square foot standards from the Urban Land Institute's *Dollars and Cents of Shopping Centers*.
3. Found by multiplying estimated market area households by average per houshold grocery expenditure.

Sources: ESRI BIS; Urban Land Institute; Marketek, Inc.

Grocery Expenditure Potential by Market Area Employees: Grocery Market Areas, 2011 – 2016

Market Area	Grocery Spending per Employee[1]	Target Sales ($/SF)[2]	2011 Potential		2016 Potential		5-Year Net Gain	
			Sales (in mil $)[3]	Space (SF)	Sales (in mil $)	Space (SF)	Sales (in mil $)	Space (SF)
RiverPlace/OHSU-ZRZ	$686	$390	$17.2	44,078	$18.5	47,340	$1.3	3,262
PSU	$686	$390	$14.7	37,579	$15.7	40,359	$1.1	2,781
10th & Belmont	$686	$390	$16.9	43,322	$18.1	46,527	$1.3	3,206

1. Based on International Council for Shopping Center's *Office Worker Retail Spending Patterns* report.
2. Based on sales per square foot standards from the Urban Land Institute's *Dollars and Cents of Shopping Centers*.
3. Found by multiplying estimated market area employees by average grocery expenditure per employee. Employee growth projected to be 1.5 percent per year based on *Portland Economic Development Plan* City Center job growth forecasts.

Sources: ICSC; Urban Land Institute; Portland Economic Development Plan; Marketek, Inc.