Gateway

Urban Design & Market Study

January 2012

PDC | PORTLAND DEVELOPMENT COMMISSION

JOHNSON REID LAND USE ECONOMICS

SERA ARCHITECTURE URBAN DESIGN + PLANNING INTERIOR DESIGN

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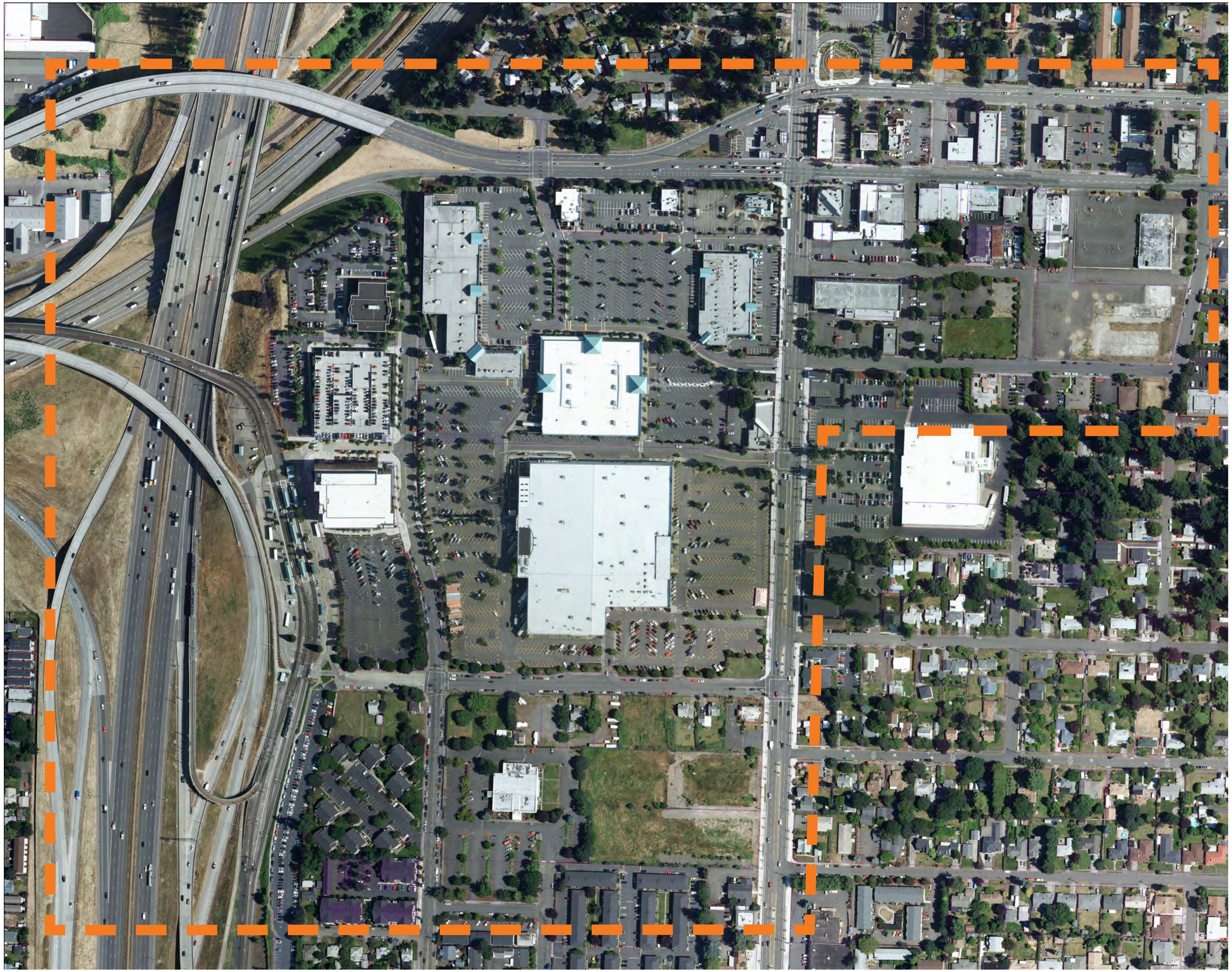
STUDY AREA


NE Weidler
NE Halsey
NE Clackamas
NE Wasco
NE Multnomah
NE Holladay
NE Pacific
NE Oregon
NE 99th
NE 100th
NE 102nd

Demographic and Economic Trends

The Portland metropolitan area has been suffering from weak economic growth over the last few years, consistent with national and regional economic trends. This has resulted in reduced employment levels, while continued in-migration levels have contributed to a sharp rise in unemployment. The pace of in-migration has subsequently slowed and local employment levels have begun to show steady and gradual improvement. Despite recent gains, the overall employment level is not projected to reach 2007 levels until the fourth quarter of 2014.

The Gateway district has been largely developed, with new development in the area predominantly infill and redevelopment. Population growth in the district over the last decade averaged 0.75% per year. The age profile of the district as shifted to an older demographic, while income levels have risen as well. The income trends are consistent with an aging demographic profile.

Real Estate Markets

Traditional Office Space

In recent years, the market in the Portland Metro area for most real estate types has suffered from weak market conditions, characterized by rising vacancies, weaker lease rates and rising distressed sales and foreclosures. The real estate sector has been particularly hard hit in terms of property valuations, overall declining activity, and employment losses. The real estate industry is currently working its way through a period of uncertainty, slowly establishing new price levels, new lending standards and new expectations for the coming years.

Performance for office properties has differed significantly depending on the submarket. The Central City maintains lower average vacancy rates than suburban product, and continues to see some construction and leasing activity. In contrast, many suburban markets are experiencing office vacancy well above the average. The Central 205 submarket, which includes the Gateway District, is among the strongest suburban markets. Office vacancy in the submarket has risen from roughly 10% in 2008 to nearly 20% by the end 2010. Vacancy has since declined slightly to 18.1%.

Medical Office Space

In contrast with the general economy, healthcare remains the strongest sector, experiencing positive job growth in recent years, while others have lost employment. As a result, medical office buildings (MOB) have been more stable than other office properties. While medical office rents have fallen somewhat, and vacancy has risen, these impacts have been moderate in the MOB sector in comparison to the traditional office sector. Portland and the Seattle area have some of the lowest MOB vacancy rates in the nation at 6.5%.[1]

While the MOB sector is not immune to current market realities, there are several factors which point to this sector outperforming others in the mid- and long-term:

> ***Demographics:*** An aging population will increase overall need for health care. The follow-on "echo-boomer" generation, which approaches the baby boom generation in size, is also progressing from younger age when they are disproportionately underinsured, to having insurance and needing more frequent care.
>
> ***Supply:*** As with most real estate types, construction of medical office has slowed considerably, meaning new supply is not being added.
>
> ***Healthcare Reform:*** While the full impacts of recent legislation are yet to be seen, if it is successful in causing 30 to 40 million uninsured people to become insured, this will represent a large increase in demand for regular healthcare. This trend, along with insurance industry preferences, should push more patients to out-patient facilities in the future, rather than hospital facilities.

Medical office space is often driven by marketing goals as well as physical needs. Many of the hospital systems use the convenience of neighborhood medical office space as a way to feed patients into the broader system.

Johnson Reid surveyed four medical office projects in the submarket totaling over 135,000 square feet. The survey includes a range of property types from new Class A medical to more dated Class C medical space. The properties ranged in size from 23,000 to over 52,000 square feet. The majority of vacancy was concentrated in the Gateway Medical Plaza. Quoted rent rates ranged from $20 to $25 per-square-foot. All properties offer negotiable terms, and tenant improvement allowances generally in the $30 to $50/s.f. range.

The Gateway are has a significant concentration of older wood-frame medical office buildings, many of which are oriented around 102nd Avenue. While any new construction in the regional center would not be expected to directly compete with this product, the ready availability of low cost space in the area has a depressing impact on rents. Nonetheless, practices in older and lower quality space are seen as prospective tenants in a new building. While rents would be higher, the cost of space is relatively low relative to overall business costs for tenants with a high level of well compensated employment such as medical services.

Retail Market

Currently in Portland, retail market conditions differ significantly by submarket. The 122nd/Gresham submarket is experiencing the highest vacancy at 8.9%, after recently losing a 50,000 square foot Safeway tenant at Division Crossing. However, other parts of the Metro area are experiencing relatively low vacancy. This includes the Eastside and Southeast submarkets. The Eastside submarket, which includes the Gateway District, covers significant ground, from North/Northeast Portland to 122nd Avenue. Conditions in this market are the strongest in the region, with overall vacancy at 3.6%. The Eastside Submarket has experienced vacancy under 6% dating back to before 2009.

Despite a strengthening vacancy environment, retail rents have been on a downward trend since early 2009. Year-over-year current rents of $16.45/NNN are down 3.6% from a year ago according to Kidder Matthews. There are significant concessions in the market at this time, and concessions are likely to be drawn down before rents begin to appreciate.

Despite lingering weakness in both the national and local economy, the Portland market remains a growth area for retail tenants. According to CoStar, Portland remains the third most underserved retail market in the country, averaging 14.4 square-feet of shopping center space per-capita (compared to 24.7 square-feet at the national level). When coupled with several large projects under construction, and Wal-Mart's recent announcement of up to 17 new stores in the metro area, evidence for future strength in Portland's retail market is strong.

1 Marcus & Millichap

In the analysis, we evaluate both targeted retail opportunities and a forecast of anticipated retail demand over the near-term by major retail sectors. Because the district includes a mixture of destination type tenants and tenants serving the immediate neighborhood, we focus on a trade area comprised of three concentric radii from the center of the district (1 mile, 3 mile, 5 mile).

The following is a summary of our conclusions for the three alternative trade areas:

- Within a one mile radius, more money was spent within the area than the residents of the area spent as a whole. This is an expected finding, and a testament to the broader regional draw of the district, as net retail dollars from residents outside the district filtered into the district to the tune of $84 million[2]. Major retailers in the trade area such as Winco and Fred Meyers have a regional draw, and rely upon support from a trade area well beyond one mile. Large surpluses are concentrated in retail categories that typically have trade areas larger than one-mile, namely Building materials, grocery stores, and general merchandising.

- The three-mile trade area exhibits a net retail opportunity gap of $170 million or 7.5% of demand. Underserved sectors include Gasoline Stations, Health & Personal Care, Building Materials & Garden Equipment Stores, and Clothing & Clothing Accessories Stores (82%) are also largely underserved. These needs are likely being met in part by large surpluses in General Merchandising.

- Rates of gap/surplus at the five-mile level are roughly consistent with the three-mile level, with the exception of a narrowing of the gap in Clothing & Clothing Accessories (26%) as a result of the trade area's inclusion of Lloyd Center Mall.

One retail area of potential interest is a considerable lack of first run movie theaters in the area east of I-205 and west of Gresham. Very few cinemas are available in the area, and of those there are no first run theaters between 82nd Avenue and Gresham. While this type of use is likely inappropriate in a suburban format in the Regional Center, the need may support some implementation of a theater concept in the area.

Rental Apartments

The Portland metropolitan area's rental apartment market is viewed as one of the strongest in the nation at this time. Average vacancy in Portland was estimated at 2.7% in the first quarter of 2011, two full percentage points below its level during the same period in 2010. The weakness in the market remains in lower quality markets with limited newer supply. The Outer-NE Submarket, which includes the Gateway District, is among these markets. At 4.5% Outer-NE is tied with NW Portland for the highest vacancy in the region, according the Metro Multi-Family Housing Association. However, 4.5% vacancy is a stable and health rate, particularly after moving down from over 8.5% vacancy exhibited in late 2009.

Despite weakened economic conditions, The Outer-NE has displayed stable rent escalation since 2008. Across the metro area, Outer-NE's average rent is slightly below the $0.94 metro area average.

Across all newer units surveyed, 1B/1b units averaged $7651 per month, 2B/2b units commanded an average market rent of $984, and 3B/2b netted $1,103 per month.

A survey of 4 apartment projects in the Competitive Market Area were selected and surveyed in order to determine the characteristics of apartment development in the district.

- Surveyed developments were generally medium aged projects, constructed in the late 1990's to early 2000s
- Project's offer one, two, and three bedroom floorplans, ranging from 675 to over 1,380 square feet in size.
- The average rental rate across all units ranges from $875 to $950, or $0.91 to $1.01 per-square-foot, indicating these projects are outperforming the submarket-wide average.
- Russellville Commons and Lorence Court are the most amenitized projects in the survey, offering a diversity of amenities including pool (Russellville Commons), clubhouse, fitness center, parking, and washer & dryer in unit.

The Primary Market Area is expected to add 357 net-new households to the market area seeking rental housing. Young households aged less than 35 years and senior households over 65 years comprise the lion's share of anticipated structural growth at 167 and 114 households, respectively. Based on the income and ability to pay composition of the market, the majority of unit demand will fall on rental units priced under $800 on a monthly rent basis. Roughly 80% of forecasted rental unit demand is expected to be in multi-family units, including duplexes, multi-plexes, and apartment units. An addition 20% will prefer single-family dwelling units.

On the margin, a significant share of net new household growth in the market is expected to be relatively young as well as senior households. However, when turnover demand is considered, the demand profile is distributed more uniformly in accordance with the current population distribution. Collectively, the entire market has a demand profile of 667 households annually based on a 10% turnover rate. The total market is strong in the market for households between 25 and 44 years, as well as those over 75 years which may be approaching assisted living stage. In the entire market, depth exists for units priced between $1,000 and $1,250 per month, lending support to larger two-bedroom townhome and three-bedroom units at current market rates.

PROGRAM IMPLICATIONS

Recent trends and conditions in the real estate market indicate few short-term development opportunities for the Gateway area, although medical office space and rental apartments both appear to have readily identifiable markets and an ability to be financed in the short-term. The condominium market is largely off the table as a financeable use for the next several except in special cases, while traditional office space suffers from soft market conditions. The area has high concentration of retail space already, leaving limited opportunities for new retail development.

The following matrix summarizes prospective use types in the study area, as well as our market findings with respect to these uses:

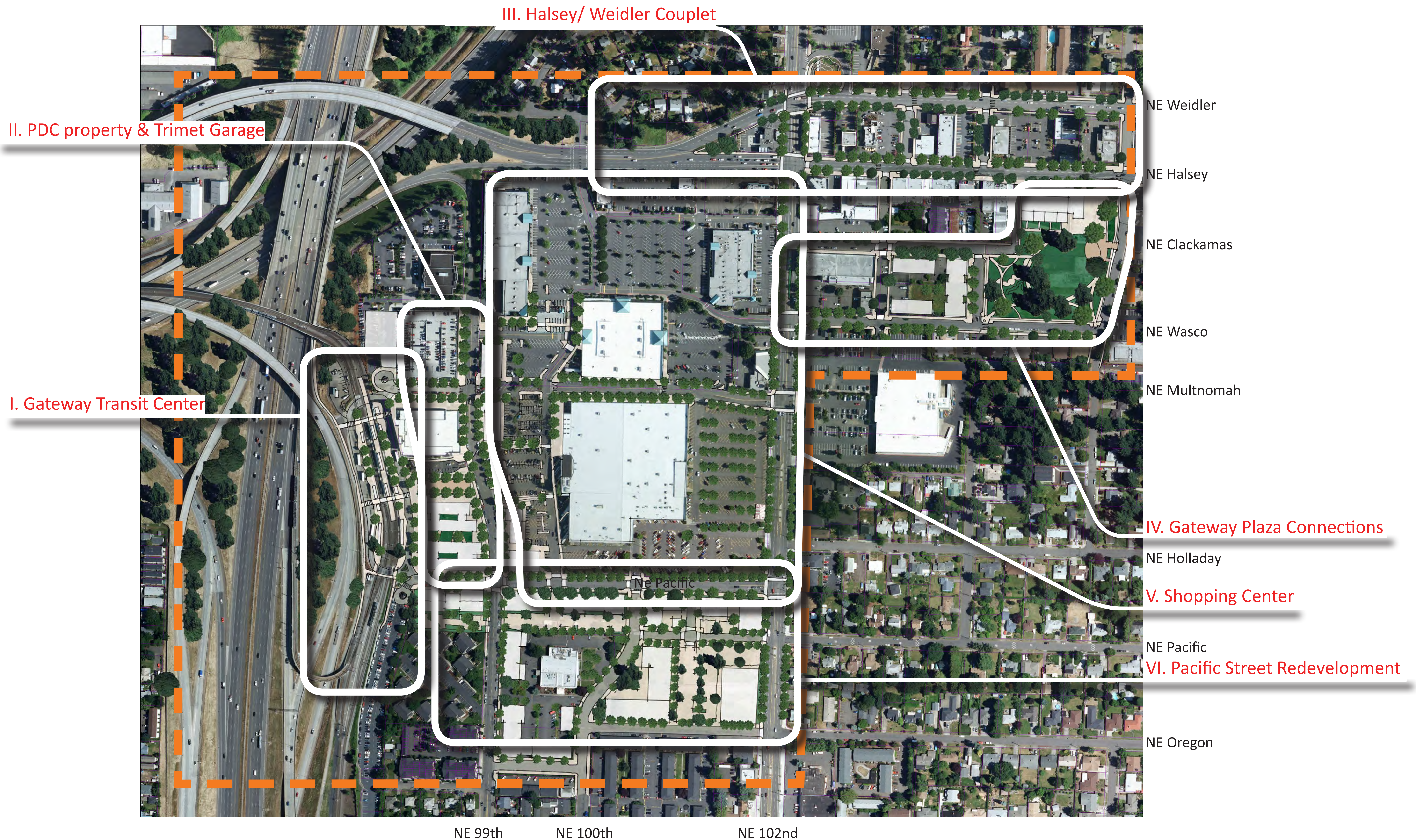
2 In actuality, the share of retail sales attributable to residents outside the district is likely much higher, as a share of local resident spending certainly "leaks" outside the district.

Prospective Use Summary

LAND USE	PROGRAM ELEMENT	DESCRIPTION
Office	Medical Office Build-to-Suit Speculative Office	•Medical office represents the most immediate opportunity, either through an independent clinic or hospital chain affiliated clinic. Small tenants are widespread in the district, and could be attracted to a speculative multi-tenant space. Price sensitivity is a concern. • The study area is not seen as a strong regional office location. Issues include a lack of executive housing, access, and proximity to the CBD and other established areas. •Build-to-Suit opportunities may be more financeable in this area, particularly in the short-term. The market is not currently viewed as "investment grade", and achievable pricing is below replacement cost.
Retail	Neighborhood and Convenience Retail Theaters	• The area currently serves as a significant retail hub, with major retailers serving the broader community. The primary immediate opportunities are convenience and neighborhood based services. • An impediment to getting tenants will be price sensitivity, with relatively low cost space available on the Halsey/Weidler couplet to the east. • Bankable tenants will want frontage on arterials. • Several code requirements will challenge new retail development
Rental Residential	Rental Apartments	•Small, primarily studio unit rental apartments. Market rate, but targeting a price sensitive market that will value the local amenity base. Parking can be minimal for this market. • More traditional unit mix, allowing for traditional renters. Parking ratios can still be below 1.0 per unit in this location •Formats: Garden currently viable, with transition to podium parking product not currently achievable for rentals. Market trends may allow for this product over time.
Ownership Residential	Condominiums Townhomes	•This market has been proven viable in the area in the past, despite a poor urban environment. While the market is likely to remain depressed for a few years, we expect ownership product to be viable again within the mid-term. •Achievable pricing has supported Type V construction over podium, as well as townhomes.
Education Center	Gateway Education Center •Day Care •Charter School •Courses	This is not a "market deal", and viability is a function of ability to obtain financing. The function of the facility can provide an amenity for the area, with a better frontage on Glisan and active programming with services and activity.
Hotel/Lodging	Traveler/Business Hotel	This program element is not considered to be viable in the current location, but an expanded amenity mix and increased employment core may make it a more viable location. Accessibility from I-205 and I-84, combined with transit service to the airport and CBD would be marketable.

The matrix includes an assessment of the Gateway Education Center, which is a non-market driven use but also one that we see as generally supportive of increasing the intensity of development in the area.

The district's current entitlement structure is an obstacle to new development, as required densities and associated development forms are not supported by the achievable rents in the district at this time. If additional development is to be realized, it will likely require flexibility with interpretation of the existing entitlements.



III. Halsey/ Weidler Couplet
II. PDC property & Trimet Garage
I. Gateway Transit Center
NE Weidler
NE Halsey
NE Clackamas
NE Wasco
NE Multnomah
IV. Gateway Plaza Connections
NE Holladay
V. Shopping Center
NE Pacific
VI. Pacific Street Redevelopment
NE Oregon
Ne Pacific
NE 99th
NE 100th
NE 102nd

EXECUTIVE SUMMARY | DESIGN STUDY

The Gateway Study is a combined market analysis and urban design analysis of properties in the Gateway Transit sub-area of the Gateway Urban Renewal Area. The study area includes: the Gateway Shopping Center complex; the Gateway Transit Center properties; the Trimet parking garage; the Oregon Clinic; three large properties south of Pacific Street; Halsey and Weidler Street couplet; and the connections to the future Gateway Plaza Park.

The study initially involved a market analysis looking at the opportunities and constraints from a market standpoint, and interviews with primary stakeholders to ascertain the goals and challenges faced by property owners. An urban design analysis of the existing properties was carried out in parallel to inform discussions with the stakeholders and the team and to develop economic improvement proposals.

The urban design analysis included analysis of the vehicular and pedestrian circulation and access in the area, and define challenges and opportunities of the existing land use and building designs.

Where is it?

Despite the excellent location, lying immediately adjacent the intersection of the I-205, US-30 and I-84 freeways, vehicular access to the actual Gateway district is challenged by the freeway interchange itself with its limited signage and somewhat concealed off-ramp. Currently only one sign indicates that the Gateway District off-ramp is approaching. Once on the ramp drivers are jettisoned east down the one way couplet of Halsey Street and typically pass through Gateway district in seconds.

The Gateway District is also challenged in terms of understanding where it's boundaries and center are. It's identity and image is difficult to define. The Halsey and Weidler couplet has the potential to be perceived as a historic or cultural core but lacks building consistency or strong identifiers. The shopping center retail outlet, while providing the main economic activity of the district, also offers very little in terms of creating a distinguishable district identity or creating a town center.

The introduction of light rail and the transit center in Gateway brought obvious benefits of increased pedestrian mobility and connections to Portland, Clackamas, Gresham and the airport. However, the increase in physical redevelopment has been modest. The Oregon Clinic has been the single major redevelopment in the area. 102nd Ave street has been improved with street trees and new sidewalks but little redevelopment has followed.

The increase in pedestrian activity generated by a transit center usually prompts redevelopment around it but the actual location of the transit station has given limited redevelopment opportunities. The transit station was positioned at the edge of the district bounded on one side by I-205 on the west and the shopping center to the east.

Six focus areas were identified within the study area and urban design physical improvements and land use concepts were developed by SERA Architects in conjunction with the land use economics consultant, Johnson Reid, and PDC.

I. Economic Trends and Conditions

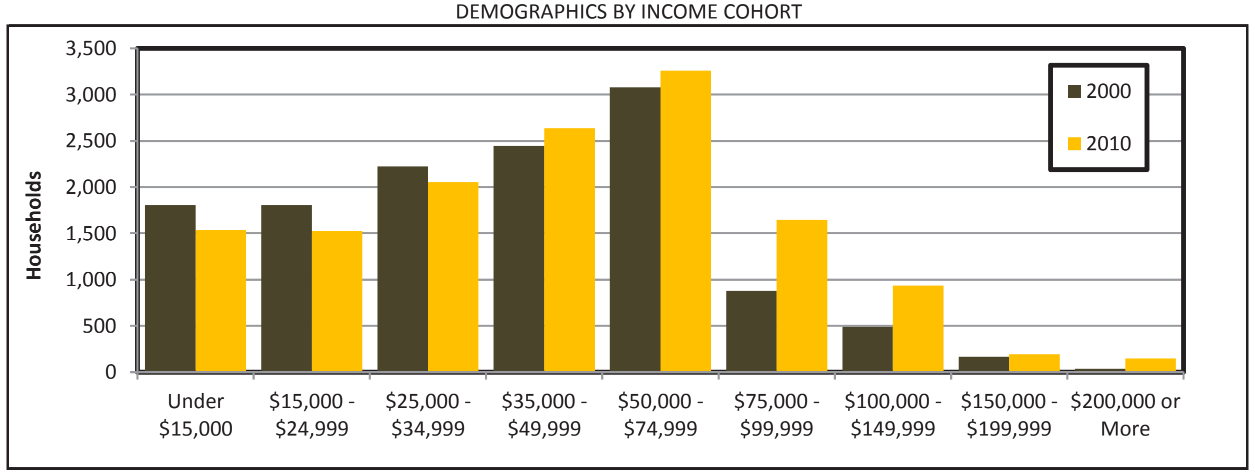
The following analysis details regional economic trends and conditions that will influence the broad direction of residential and commercial markets in the Portland Metropolitan Area and the Gateway district through the next five years.

Household Trends

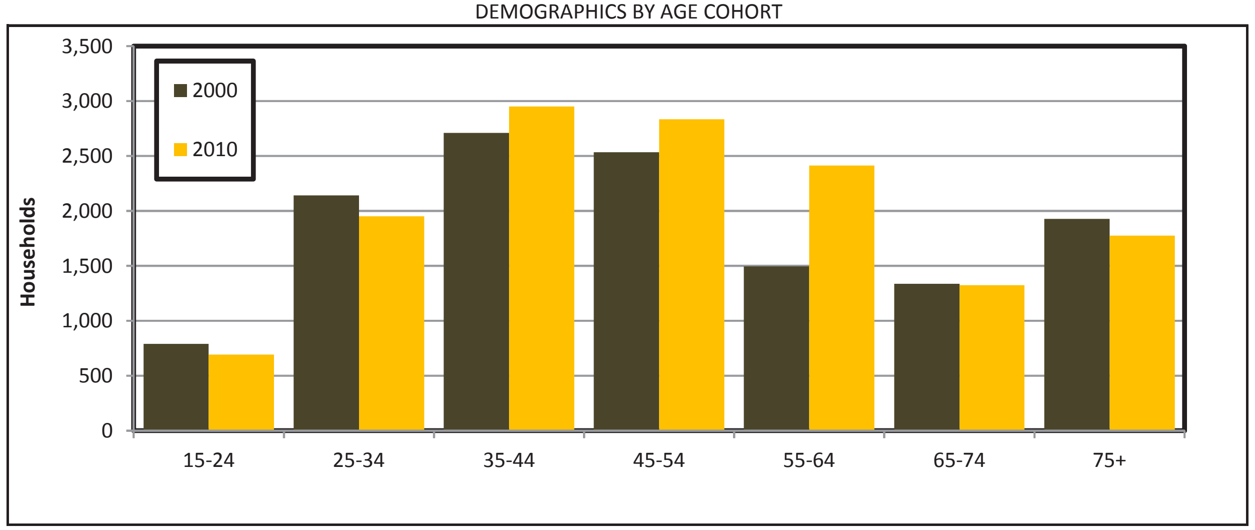
Between 2000 and 2010, the population of the Portland/Vancouver metro area grew an estimated 15%, reflecting an average annual growth rate of 1.4% per year. During that period the outer-eastside Gateway District grew at a more modest 0.75% per year. This is attributable to two main factors. The first of these is that the district is significantly built out, and new growth is largely accommodated through redevelopment. The second factor is that Portland's Eastside did not see the intensity of new residential development that the Westside did during the real estate "boom" from 2003 through 2007.

Figure 1: Demographic Profile of the Gateway District

DEMOGRAPHICS BY INCOME COHORT



DEMOGRAPHICS BY AGE COHORT



SOURCE: Nielsen Claritas

Employment Trends

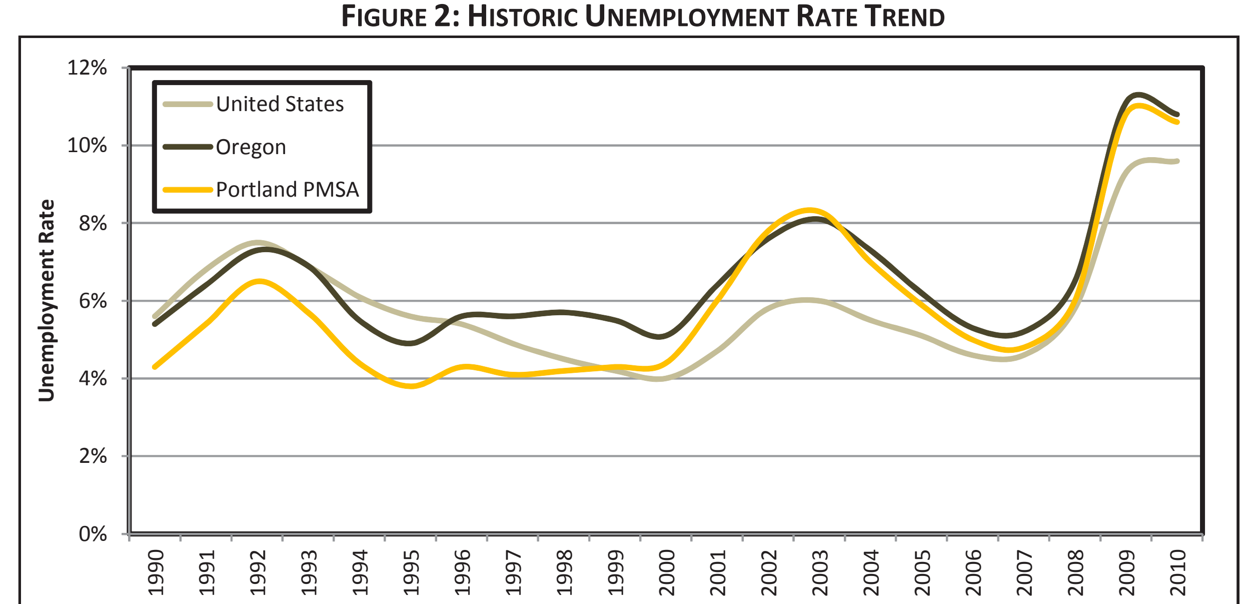
Employment trends in the Metro area have mirrored cycles at the state and national level, including sustained growth during the 1990s and expansion of the high-tech sectors. During this period, the Metro area enjoyed a lower unemployment rate than the national average. However, this period of growth was followed by a nationwide recession beginning in 2001, during which Oregon suffered high unemployment rates, cresting in 2002 and 2003.

The period since 2003 has been characterized by growing employment as the economy rebounded from the tech recession, with the unemployment rate falling below 5%. Employment grew in service sectors such as financial, real estate and hospitality services. The heated real estate market that lasted from 2003 into 2007 created many construction-related jobs as well.

Beginning in mid-2007, the collapsing real estate "bubble" and the end of the construction and financing boom has led to layoffs in these sectors, and many secondary sectors which also prospered from the housing market. As with much of the nation, Oregon is currently experiencing a slow recovery from the 2007 through 2009 recession. Concern is increasing that the nation and State is potentially facing another recession in the short-run.

The following figure presents trends in the unemployment rate since 1990. Since the late 1990s, the unemployment rates in Oregon and the Portland metro area have tended to exceed the national average. From 2003 to 2007 unemployment fell to roughly 5% in Portland, before rising steeply during the recent recession. Between 2007 and 2009, the rate rose 6 percentage points, to peak above 11%. The local rate peaked well above the national average, but recently has been declining at a faster rate. In August 2011, Portland's unemployment rate stood at 9.1%, which is on par with the national average and slightly below 9.6% at the state level.

Figure 2: Historic Unemployment Rate Trend



SOURCE: U.S. Bureau of Labor Statistics

The following table presents the employment base in Multnomah County by industry. The Oregon Employment Department presents the most accurate employment data at the county level. As population and employment in Multnomah County are dominated by the City of Portland, it provides a fair proxy for the employment mix in the city.

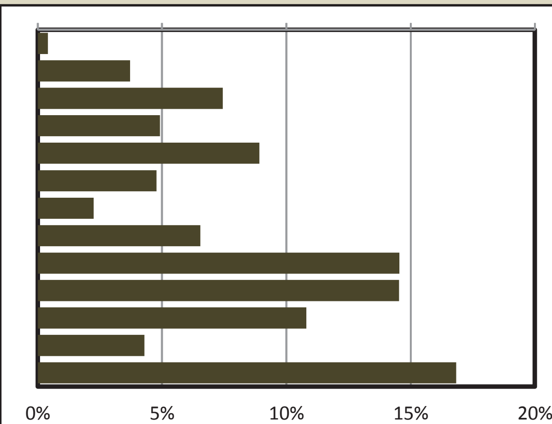
The local employment base leans towards "Professional & Business Services," "Education & Health Services," and "Leisure & Hospitality" sectors, each of which represents between 10% and 15% of total employment. The largest sector is "Government" at 17% due to the presence of local, county, regional (Metro), state and federal employees.

These sectors tend to pay average to above average wages (the Hospitality sector pays well below average).

FIGURE 3: EMPLOYMENT BASE BY SECTOR, MULTNOMAH COUNTY, OR (2010)

INDUSTRY SECTOR	EMPLOYMENT		AVG. WAGE
Natural Resources	1,730	0.4%	$31,125
Consturction	15,630	3.7%	$58,163
Manufacturing	31,385	7.4%	$50,985
Wholesale Trade	20,705	4.9%	$55,905
Retail Trade	37,581	8.9%	$27,981
T.W.U	20,132	4.8%	$46,274
Information	9,506	2.3%	$72,069
Financial Activities	27,560	6.5%	$62,367
Professional & Business Services	61,289	14.5%	$60,082
Education & Health Services	61,263	14.5%	$44,624
Leisure & Hospitality	45,549	10.8%	$20,871
Other Services	18,090	4.3%	$31,057
Government	70,913	16.8%	$54,353
TOTAL/AVERAGE:	***421,333***	***100.0%***	***$47,212***

DISTRIBUTION BY INDUSTRY



SOURCE: Oregon Employment Department

The "Professional & Business Services," and "Education & Health Services" sectors are expected to grow the most rapidly over the next 10 years. The Oregon Employment Department forecasts growth by sub-regions within the state. Portland is included in Region 2, which encompasses Multnomah and Washington Counties.

FIGURE 4: PROJECTED ANNUAL EMPLOYMENT GROWTH BY SECTOR, REGION 2 (2008-2018)

INDUSTRY SECTOR	EMPLOYMENT		'08-'18 CHANGE	
	2008	2018	Jobs	AAGR
Natural Resources	5,900	6,600	700	1.1%
Consturction	35,100	35,800	700	0.2%
Manufacturing	82,200	79,900	-2,300	-0.3%
Wholesale Trade	40,600	44,700	4,100	1.0%
Retail Trade	69,800	74,700	4,900	0.7%
T.W.U	27,200	28,600	1,400	0.5%
Information	19,700	20,400	700	0.3%
Financial Activities	50,300	52,400	2,100	0.4%
Professional & Business Services	101,600	118,600	17,000	1.6%
Education & Health Services	89,700	109,500	19,800	2.0%
Leisure & Hospitality	67,800	76,100	8,300	1.2%
Other Services	25,800	27,500	1,700	0.6%
Government	96,600	105,700	9,100	0.9%
TOTAL/AVERAGE:	***712,300***	***780,500***	***68,200***	***0.9%***

SOURCE: Oregon Employment Department

Overall, employment is expected to grow at 0.9% (roughly 6,800 jobs) per year in Region 2 between 2008 and 2018. This growth rate is slightly slower than the expected population and household growth in these two counties.

The following is a list of the largest employers in the Portland metro area as of 2007, the latest year available from the Portland Business Alliance.

FIGURE 5: TOP EMPLOYERS IN THE PORTLAND METRO AREA, 2007

Company	Employee Count	Location
Intel Corp.	16,740	Hillsboro
Precision Castparts	15,384	Portland
Providence Health System	14,639	Portland
Oregon Health & Science University	11,500	Portland
Fred Meyer Stores	8,500	Portland
Kaiser Foundation Health Plan of the Northwest	8,221	Portland
Legacy Health System	8,196	Portland
Nike Inc.	7,648	Beaverton
Wells Fargo	4,873	Portland
Greenbrier Cos. Inc	3,972	Lake Oswego
Portland Community College	3,515	Portland
Freightliner LLC	3,500	Portland
Portland State University	3,420	Portland
United Parcel Service	3,400	Portland
Southwest Washington Medical Center	3,286	Vancouver
U.S. Bank	3,196	Portland
Bonneville Power Administration	2,959	Portland
Portland General Electric	2,750	Portland
Standard Insurance Company	2,500	Portland
Target Corp.	2,387	Tualitin
PacifiCorp	2,372	Portland
Tektronix Inc	2,000	Beaverton

Source: Portland Business Alliance, "Portland Metro Area Largest Employers," 2007

II. OFFICE MARKET ANALYSIS

In recent years, the market in the Portland Metro area for most real estate types has suffered from weak market conditions, characterized by rising vacancies, weaker lease rates and rising distressed sales and foreclosures.

The current down cycle was led by the market for ownership housing. The increasingly hot housing market from roughly 2003 to 2007 faltered under rising interest rates, and then collapsed as all players realized the extent of speculation, questionable lending, and unsupportable valuations that had fueled the bubble. In the aftermath, home prices in Portland have dropped significantly, and foreclosures have climbed to record levels.

As the housing industry faltered, as well as the support industries which grew with it, employment levels and consumer spending began to fall. By the end of 2007, the worsening economic conditions began to hurt businesses and shrink employment, and thus soften the market for commercial real estate.

In the fall of 2008, a crisis of confidence in banks and related institutions with exposure to bad real estate loans, caused credit markets to freeze up. Despite the federal government stepping in with unprecedented bailouts and stimulus spending, banks failed, the stock market plummeted, and unemployment soared to levels not seen in decades.

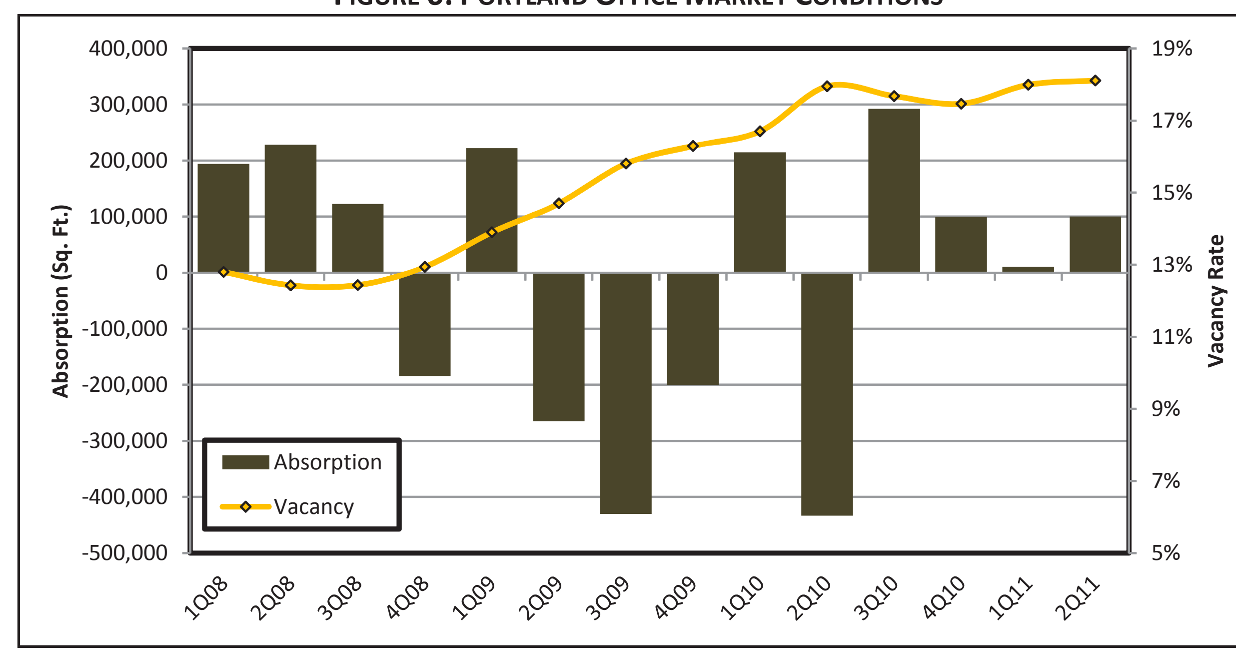
As real estate assets were at the heart of the financial and economic crisis, the industry has been particularly hard hit in terms of property valuations, overall declining activity, and employment losses. The real estate industry is currently working its way through a period of uncertainty, slowly establishing new price levels, new lending standards and new expectations for the coming years.

While nationally the commercial real estate market has been negatively impacted by reduced employment levels, relatively low return requirements have actually had the net effect of boosting values of "trophy" properties. In other words, investors have been willing to pay a relatively high price for properties with a strong income stream and excellent location.

PORTLAND OFFICE MARKET CONDITIONS

Vacancy in the Portland Metro Area has been on a stead incline since 2008, with total office vacancy rising from 12% in 2008 to 18% in 2010. Vacancy has remained at or near 18% over the previous six quarters. Office development is typically underwritten with an assumed 10% vacancy rate, well below the current overall market vacancy.

FIGURE 6: PORTLAND OFFICE MARKET CONDITIONS



Source: Norris, Beggs, & Simpson, and Johnson Reid LLC

Performance for office properties has differed significantly depending on the submarket. The Central City maintains lower average vacancy rates than suburban product, and continues to see some construction and leasing activity.

FIGURE 7: OFFICE MARKET CONDITIONS BY SUBMARKET

Selected Submarkets	Inventory (Sq. Ft.)	Available (Sq. Ft.)	% Vacant	Under Const. (Sq. Ft.)
Central City	20,446,888	2,614,679	12.8%	398,425
Sunset Corridor	3,705,869	995,509	26.9%	0
Central 217	1,589,904	407,270	25.6%	0
Tigard Triangle / South 217	1,159,268	246,641	21.3%	0
Barbur Blvd.	478,521	120,894	25.3%	0
Beaverton-Hillsale/Sylvan	728,112	145,825	20.0%	0
Central Beaverton	682,033	123,384	18.1%	0
I-5 South	1,993,518	506,133	25.4%	26,000
SW Waterfront/Johns Lndg.	1,067,013	176,306	16.5%	0
Kruse Way	2,329,444	669,914	28.8%	0
Lake Oswego/West Linn	457,521	94,224	20.6%	0
North/Northeast	910,021	233,956	25.7%	33,000
Central 205	1,337,550	243,134	18.2%	0
Southeast	402,400	59,557	14.8%	0
Vancouver	4,513,356	933,354	20.7%	293,920
All suburban markets:	21,354,530	4,956,101	23.2%	352,920

Source: Norris, Beggs, & Simpson, and Johnson Reid LLC

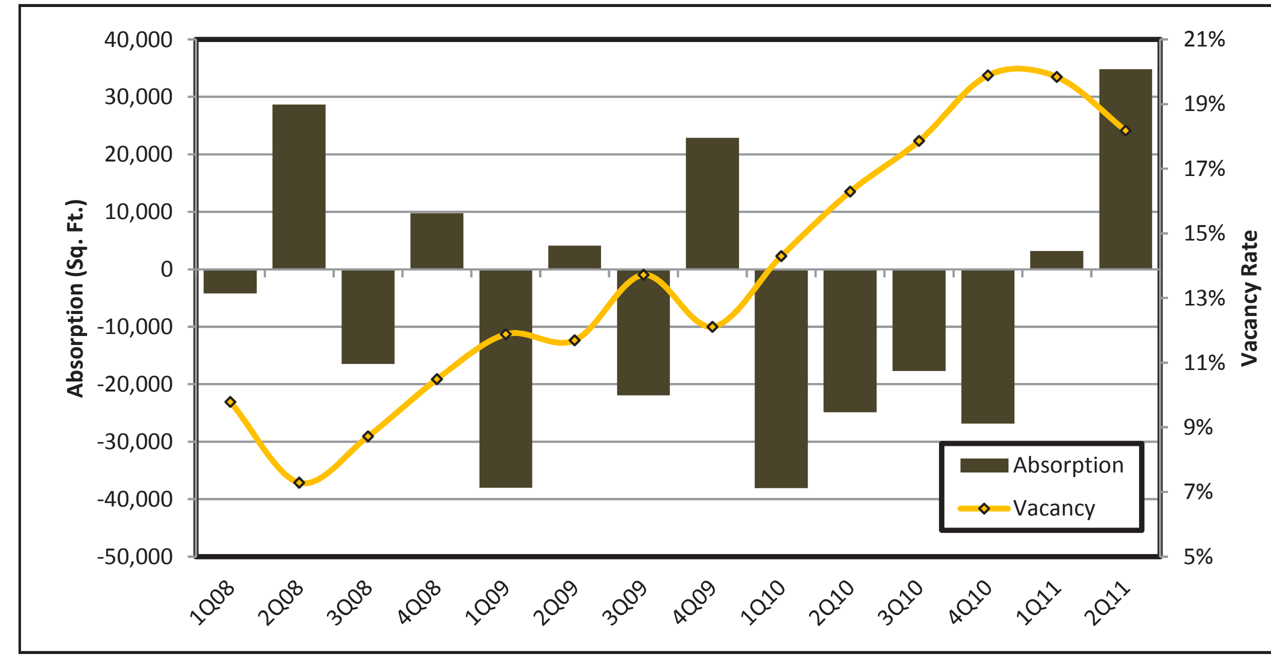
In contrast, many suburban markets are experiencing office vacancy well above the average. Second quarter vacancy averaged 18.1% in the region including the CBD, in submarkets outside the central city, vacancy averaged above 23%.

The highest vacancy rates are found in western and southwestern submarkets, most notably concentrations of Class A space along Kruse Way, and office space along the Sunset Corridor, Central 217, and I-5 South. These areas had an unusually high level of mortgage processing companies, which were disproportionately impacted during the downturn. The Central 205 submarket, which includes the Gateway District, is among the strongest suburban markets at 18% vacancy, although still well above an equilibrium rate of 10%. Vancouver is the only suburban market exhibiting significant construction activity, with Fisher Investments building a nearly 300,000 square foot headquarters in Camas.

CENTRAL 205 SUBMARKET OFFICE MARKET CONDITIONS

Figure 8 shows recent absorption and vacancy trends for the Central 205 Submarket. With the exception of the previous two quarters, absorption has been generally negative since the beginning of 2009. Office vacancy in the submarket has risen from roughly 10% in 2008 to nearly 20% by the end 2010. Vacancy has since retreated slightly to 18.1%.

FIGURE 8: OFFICE MARKET CONDITIONS, CENTRAL 205 SUBMARKET



Source: Norris, Beggs, & Simpson, and Johnson Reid LLC

Rent Levels

Despite increasing vacancy rates across the region, quoted lease rates have remained surprisingly stable. According to Kidder Matthews, metro area office lease rates fell only 1% over the previous year and 3.4% going back to the second quarter of 2009. This is consistent with the findings of brokerage Cushman & Wakefield, who quote a current Class A gross average of $23.46 full service, down only 1.4% from a year ago. Cushman & Wakefield classify the Gateway district as part of the Mall 205/122nd/Gresham submarket, with a quoted average rate of $18.00 full service, down from $18.60 a year ago.

MEDICAL OFFICE MARKET CONDITIONS

In contrast with the general economy, healthcare remains the strongest sector, experiencing positive job growth in recent years, while others have lost employment. As a result, medical office buildings (MOB) have been more stable than other office properties. Only 1% of MOB is currently distressed, while 3% of traditional office is distressed. In dollar terms, there is 100 times more in troubled loans for traditional office than medical office - $20 billion vs. $200 million.

While medical office rents have fallen somewhat, and vacancy has risen, these impacts have been moderate in the MOB sector in comparison to the traditional office sector. Vacancy has climbed an estimated 1.5% over the last two years, in comparison with 4.5% in traditional office. Portland and the Seattle area have some of the lowest MOB vacancy rates in the nation at 6.5%.[1]

Medical office rents vary significantly based on location, including affiliation with a hospital, medical group, or size and number of private practices. However, in general, medical office rents run well above traditional

1 Marcus & Millichap

office rents, sometimes by 20% to 30%. This often reflects the relatively high cost of this type of space, which requires a number of specialized tenant improvements.

While the MOB sector is not immune to current market realities, there are several factors which point to this sector outperforming others in the mid- and long-term:

> ***Demographics:*** An aging population will increase overall need for health care. The follow-on "echo-boomer" generation, which approaches the baby boom generation in size, is also progressing from younger age when they are disproportionately underinsured, to having insurance and needing more frequent care.
>
> ***Supply:*** As with most real estate types, construction of medical office has slowed considerably, meaning new supply is not being added.
>
> ***Healthcare Reform:*** While the full impacts of recent legislation are yet to be seen, if it is successful in causing 30 to 40 million uninsured people to become insured, this will represent a large increase in demand for regular healthcare. This trend, along with insurance industry preferences, should push more patients to out-patient facilities in the future, rather than hospital facilities.

Medical office space is often driven by marketing goals as well as physical needs. Many of the hospital systems use the convenience of neighborhood medical office space as a way to feed patients into the broader system.

Office and Medical Office Market CMA

The following section summarizes the characteristics of newer medical and traditional office space in the proximity of the Gateway District.

<u>Medical Office</u>

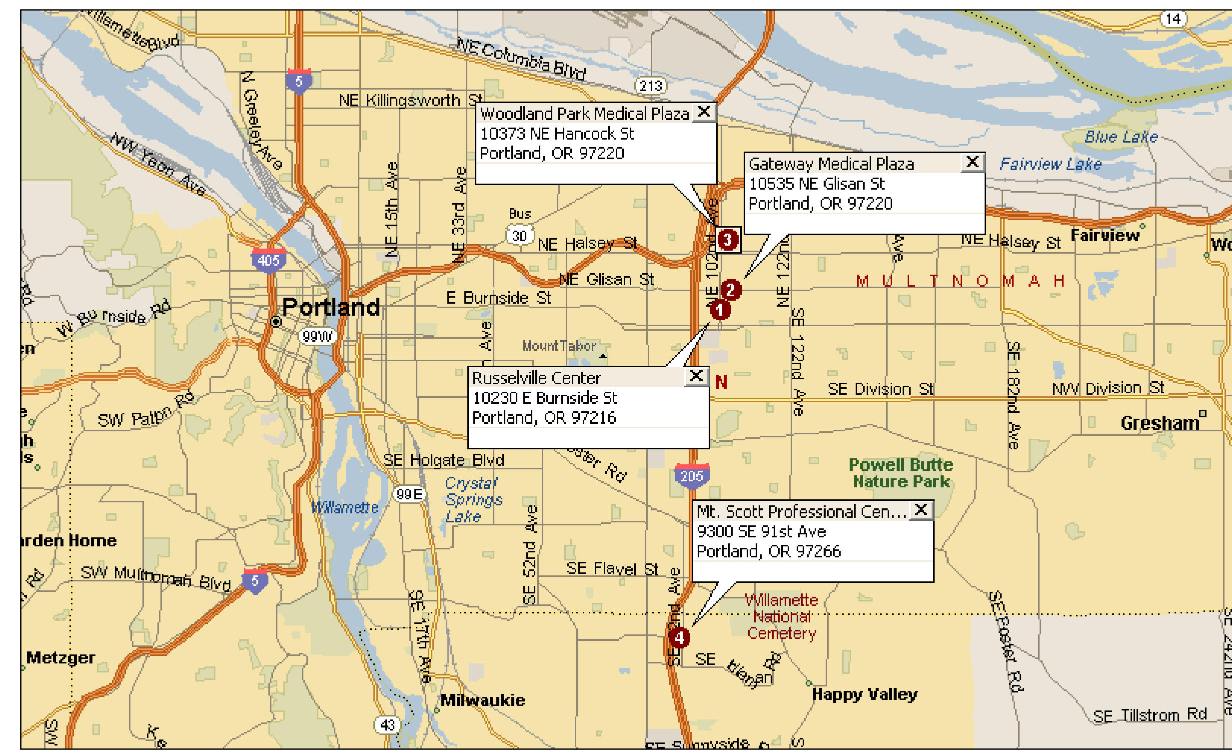
Johnson Reid surveyed four medical office projects in the submarket totaling over 135,000 square feet. The survey includes a range of property types from new Class A medical to more dated Class C medical space. The properties ranged in size from 23,000 to over 52,000 square feet. The majority of vacancy was concentrated in the Gateway Medical Plaza. Quoted rent rates ranged from $20 to $25 per-square-foot. All properties offer negotiable terms, and tenant improvement allowances generally in the $30 to $50/s.f. range.

Figure 9: Medical Office Market Survey

Property	Year Built	Square Footage	Class	Vacancy Sq.Ft.	Vacancy Rate	Rent/SF/ Year	Terms
Russellville Center 10230 NE Burnside St. Portland, OR 97209	2009	30,000	B	4,036	13%	$23.00	NNN, Negotiable
Gateway Medical Plaza 10535 NE Glisan St. Portland, OR 97220	1994	23,100	B	11,425	49%	$22.00	FS, Negotiable
Woodland Park Medical Plaza 10373 NE Hancock St Portland, OR 97220	1985	30,284	C	0	0%	$20.00	MG, Negotiable
Mt. Scott Professional Center 9300 SE 91st Ave. Portland, OR 97210	2008	52,500	A	1,442	3%	$25.00	NNN, Negotiable

SOURCE: Loopnet and Johnson Reid

Figure 10: Map of Surveyed Medical Office Projects



The Gateway are has a very significant concentration of older wood-frame medical office buildings, many of which are oriented around 102nd Avenue. While any new construction in the regional center would not be expected to directly compete with this product, the ready availability of low cost space in the area has a depressing impact on rents. Nonetheless, practices in older and lower quality space are seen as prospective tenants in a new building. While rents would be higher, the cost of space is relatively low relative to overall business costs for tenants with a high level of well compensated employment such as medical services.

<u>Traditional Office Projects</u>

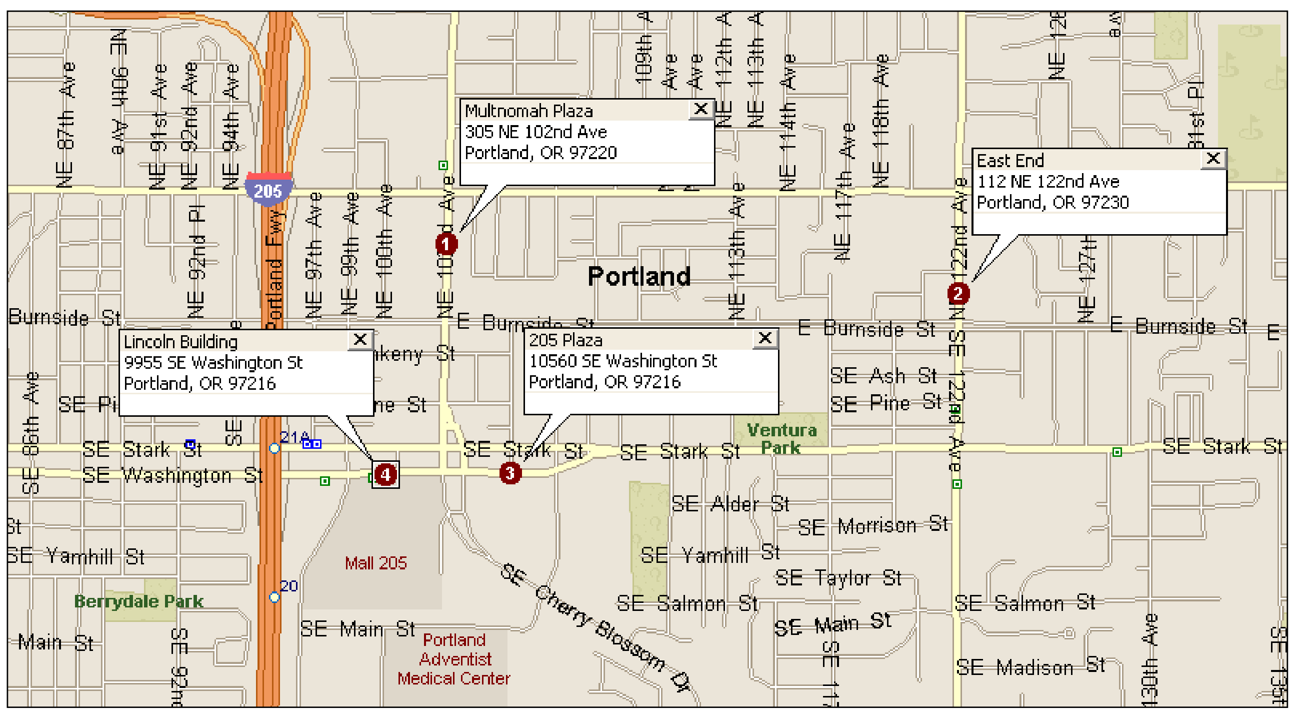
To supplement our survey of medical office developments, Johnson Reid also surveyed a representative sample of traditional office projects in and around the Gateway District. The survey included a more narrow range of office types, as new traditional Class A office space is rare in the vicinity. The properties ranged in size from 20,000 to over 46,000 square feet. Combined, 26,000 of a total 124,000 square feet was vacant, a 21% rate. Quoted rents ranged from $13.20 to $18.50 per-square-foot. All properties offer negotiable terms.

FIGURE 11: TRADITIONAL OFFICE MARKET SURVEY

Property	Year Built	Square Footage	Class	Vacancy Sq.Ft.	Vacancy Rate	Rent/SF/ Year	Terms1
Multnomah Plaza 305 NE 102nd Avenue Portland, OR 97220	1987	46,635	B	8,689	19%	$18.50	FS, Negotiable
East End 112 NE 122nd Avenue Portland, OR 97220	N/A	20,000	B	3,800	19%	$13.20	FS, Negotiable
205 Plaza 10560 SE Washington Street Portland, OR 97216	1975	32,339	C	10,809	33%	$14.00	FS, Negotiable
Lincoln Building 9955 SE Washington Street Portland, OR 97216	1979	25,334	B	2,785	11%	$18.50	FS, Negotiable

SOURCE: Loopnet and Johnson Reid

FIGURE 12: MAP OF SURVEYED TRADITIONAL OFFICE PROJECTS



ANTICIPATED OFFICE MARKET DEMAND

In order to assess the demand for new office space in the Gateway District, JOHNSON REID considered overall demand in a larger Primary Market Area (PMA). In this case, the PMA is comprised of the delineated boundaries of the Gateway District.

<u>Employment Based Demand Projections</u>

Projections of office demand into the future are based on the projected growth in employment. After projecting total employment growth by sector, we can estimate the number of those jobs that will take place in an office environment. Using estimates of the average square footage per employee for different industries, we arrive at an estimate of the new office space required to accommodate the projected job growth.

<u>Creating a Local Base Year Estimate</u>

Timely localized employment data is limited for small geographies. For this analysis we rely on the U.S. Census Bureau's on-going Local Employment Dynamics Program. Data here is derived from Unemployment Insurance Wage Records reported by employers and maintained by each state for the purpose of administering its unemployment insurance system. The most period of data available is 2008, near the onset of regional employment declines in the Portland Metro Area. To compensate for business cycle changes since 2008, we calculated the countywide change in employment by industry according to covered employment records from the Oregon Employment Department. When applied to the 2008 estimates from the Census, we derive an estimate of 2010 employment in the PMA.

FIGURE 13: BASE YEAR EMPLOYMENT ESTIMATE BY INDUSTRY, PMA

Industry	2005	2006	2007	2008	Countywide Change	2010 Estimate
Construction	207	187	152	173	-25%	130
Manufacturing	145	149	148	158	-16%	133
Wholesale Trade	194	185	183	182	-12%	161
Retail Trade	1,486	1,335	1,405	1,464	-6%	1,373
T.W.U.	274	1,579	306	296	-12%	261
Information	72	63	91	76	-19%	62
Financial Activites	529	531	479	491	-9%	447
Professional & Business	969	920	748	740	-8%	683
Education	263	255	281	286	8%	308
Heath Care and Social Assistance	3,681	2,851	3,985	4,132	3%	4,238
Leisure & Hospitality	1,474	1,429	1,420	1,261	-3%	1,221
Other Services	241	161	196	209	-5%	198
Public Administration	40	41	49	51	2%	52
TOTAL	***11,580***	***11,692***	***11,450***	***11,527***	***-6%***	***10,806***

SOURCE: U.S. Census, Local Employment Dynamics, Oregon Employment Department, and Johnson Reid

<u>Forecasting Local Employment</u>

After completing a base year estimate, we forecast local employment through the application of regional growth rates by industry to our local employment base. We refer back to Figure 4 which presented regional 10-year industry employment forecasts produced by the Oregon Employment Department. The application of these rates to local employment yields Figure 14. Through this methodology, we arrive at the following findings:

Figure 14: Forecasted Employment By Industry, PMA

Primary Market Area Employment Sector	Base Year 2010	Cumulative Net New Growth 2015	2020
Construction	130	132	133
Manufacturing	133	131	129
Wholesale Trade	161	169	177
Retail Trade	1,373	1,420	1,469
T.W.U	261	267	274
Information	62	63	64
Financial Activities	447	456	466
Professional & Business Services	683	738	797
Education	308	332	358
Healthcare & Social Assistance	4,238	4,710	5,236
Leisure & Hospitality	1,221	1,294	1,371
Other Services	198	204	211
Government	52	54	57
Total	**9,267**	**9,971**	**10,741**

Over the forecast period, the PMA's employment growth is projected to average 1.5% across all industries.

The Health Care & Social Assistance (5,236 jobs) and Retail Trade (1,469 jobs) sectors are expected to display accelerated growth at the regional level during the period. Only modest rates of growth area expected in most Goods Producing industries in the district.

<u>Forecasting Office Employment</u>

Sector employment growth is then converted into growth in office employment based on typical percentages of jobs, or capture factors, by sector that will be located in office development rather than industrial or retail development.

Figure 15: Forecast of Office Space Utilizing Employment by Industry, PMA

Primary Market Area Employment Sector	Base Year 2010	Total Employment 2015	2020	*Office Share 2/*	Base Year 2010	Office Space-Utilizing Emp. 2015	2020	'10-'20
Construction	130	132	133	*2%*	3	3	3	**0**
Manufacturing	133	131	129	*5%*	7	7	6	**0**
Wholesale Trade	161	169	177	*5%*	8	8	9	**1**
Retail Trade	1,373	1,420	1,469	*5%*	69	71	73	**5**
T.W.U	261	267	274	*30%*	78	80	82	**4**
Information	62	63	64	*90%*	55	56	57	**2**
Financial Activities	447	456	466	*90%*	402	411	419	**17**
Professional & Business Services	683	738	797	*90%*	614	664	717	**103**
Education	308	332	358	*40%*	123	133	143	**20**
Health Care and Social Assistance	4,238	4,710	5,236	*40%*	1,695	1,884	2,094	**399**
Leisure & Hospitality	1,221	1,294	1,371	*5%*	61	65	69	**7**
Other Services	198	204	211	*27%*	53	55	57	**4**
Government	52	54	57	*85%*	44	46	48	**4**
Total	**9,267**	**9,971**	**10,741**	*41%*	**3,214**	**3,483**	**3,779**	**565**

2/ Share of industry employment that utilizes office space. From the Urban Land Institute converted to NAICS by JOHNSON REID.

<u>Forecasting Office Space Need</u>

Office space utilizing employment is then converted to office space need through employment density ratios. The average space in square feet necessary per office job, were utilized to calculate total office space demand given projected employment growth. Ratios and densities utilized are from the Urban Land Institute. Results in Figure 16 indicate a 10-year marginal need of 227,000 square feet of office space in the district. An estimated 160,000 is expected to be driven by the Health Services industry.

Figure 16: Forecast of Office Space Need by Industry, PMA

Primary Market Area Employment Sector	Base Year 2010	Jobs in Office Space 2015	2020	*Avg. Space Per Job 2/*	Base Year 2010	Projected Office Space 2015	2020	*'10-'20*
Construction	3	3	3	*366*	1,049	1,059	1,070	**21**
Manufacturing	7	7	6	*366*	2,682	2,644	2,607	**-75**
Wholesale Trade	8	8	9	*366*	3,241	3,401	3,569	**327**
Retail Trade	69	71	73	*366*	27,639	28,593	29,579	**1,940**
T.W.U	78	80	82	*366*	31,498	32,299	33,120	**1,621**
Information	55	56	57	*366*	22,320	22,714	23,114	**793**
Financial Activities	402	411	419	*366*	162,035	165,383	168,800	**6,765**
Professional & Business Services	614	664	717	*366*	247,366	267,261	288,756	**41,390**
Education	123	133	143	*366*	49,647	53,472	57,591	**7,944**
Health Care and Social Assistance	1,695	1,884	2,094	*366*	682,450	758,550	843,137	**160,688**
Leisure & Hospitality	61	65	69	*366*	24,587	26,048	27,597	**3,010**
Other Services	53	55	57	*366*	21,479	22,175	22,894	**1,415**
Government	44	46	48	*366*	17,814	18,634	19,492	**1,678**
Total	**3,214**	**3,483**	**3,779**		**1,293,807**	**1,402,233**	**1,521,325**	**227,517**

2/ Average office employment density by industry sector based on Urban Land Institute guidelines.
3/ Assumes a market-clearing 10% office space vacancy rate.

III. Retail Market Analysis

In addition to analyzing the market for medical office space in the study area, Johnson Reid also performed a retail market assessment, to determine the strength of the subject site as a potential location for retail development.

Retail Market Conditions

Retail space has also faced challenges in recent years, nationally and regionally, as economic conditions and strained household finances led to a drop in discretionary spending beginning in 2007 and exacerbated by the financial and stock market crisis at the end of 2008. 2009 was a very difficult year for retailers, with many national chains declaring bankruptcy, consolidating and/or closing stores.

In 2010, consumer spending has leveled off and had begun to show slight growth. Retail hiring had also picked up, signaling that retailers are anticipating more spending growth. However, waning consumer confidence reemerged in 2011 in the wake of lackluster economic performance and a tumultuous political discourse over public deficits.

In the Portland Metro area, overall vacancy climbed from around 5% in the 2006/2007 timeframe, to 8% by the end of 2009. Since mid 2010, the commercial retail market in has recovered from 8% vacancy during the second half of last year to a healthy 6% in the second quarter of 2011. However, retail vacancy has remained largely unchanged throughout most of 2011, as skittish confidence in the likelihood of broad based economic recovery had deafened both absorption and new development activity.

Currently in Portland, conditions differ significantly be submarket. The 122nd/Gresham submarket is experiencing the highest vacancy at 8.9%, after recently losing a 50,000 square foot Safeway tenant at Division Crossing.

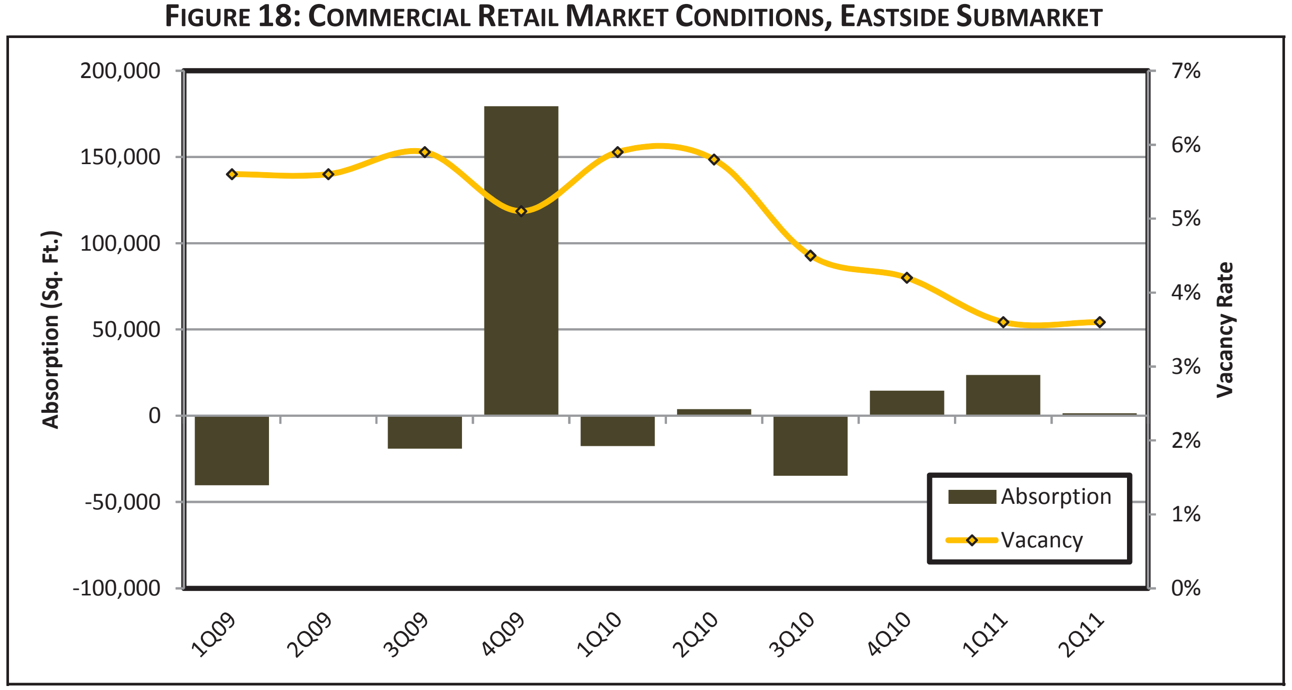
FIGURE 17: COMMERCIAL RETAIL MARKET CONDITIONS BY SUBMARKET

Selected Submarkets	Inventory (Sq. Ft.)	Available (Sq. Ft.)	% Vacant	Under Const. (Sq. Ft.)
Central City	2,160,825	184,205	8.5%	0
122nd/Gresham	5,967,649	530,933	8.9%	0
Eastside	5,428,634	195,934	3.6%	0
SWE/East Clackamas	5,320,923	293,143	5.5%	0
Southwest	10,906,049	474,734	4.4%	374,552
Sunset Corridor	5,324,019	337,212	6.3%	0
Vancouver	9,455,302	806,320	8.5%	26,286
TOTAL	44,563,401	2,822,481	6.3%	400,838

Source: Norris, Beggs, & Simpson, and Johnson Reid LLC

However, other parts of the Metro area are experiencing relatively low vacancy. This includes the Eastside and Southeast submarkets. The Eastside submarket, which includes the Gateway District, covers significant ground, from North/Northeast Portland to 122nd Avenue. Conditions in this market are the strongest in the region, with overall vacancy at 3.6%.

FIGURE 18: COMMERCIAL RETAIL MARKET CONDITIONS, EASTSIDE SUBMARKET



Source: Norris, Beggs, & Simpson, and Johnson Reid LLC

As Figure 18 demonstrates, the Eastside Submarket has experienced vacancy under 6% dating back to before 2009.

<u>Retail Rents</u>

Despite a strengthening vacancy environment, retail rents have been on a downward trend since early 2009. Year-over-year current rents of $16.45/NNN are down 3.6% from a year ago according to Kidder Matthews. There are significant concessions in the market at this time, and concessions are likely to be drawn down before rents begin to appreciate.

<u>Construction Activity</u>

According to Norris, Beggs, & Simpson, there is currently over 400,000 square feet of retail space under construction in the Portland Metro Area. This space is largely comprised of community centers expected to be delivered in the third quarter. Both the Wilsonville Town Square (250,000 square feet) and Progress Ridge Town Center (125,000 square feet) are located in the Southwest Submarket. Neither project is expected to contribute significantly to retail vacancy as each is anchored by major retail tenants (Fred Meyer, New Seasons, and Cinetopia) and have considerable pre-lease activity.

<u>Retail Outlook</u>

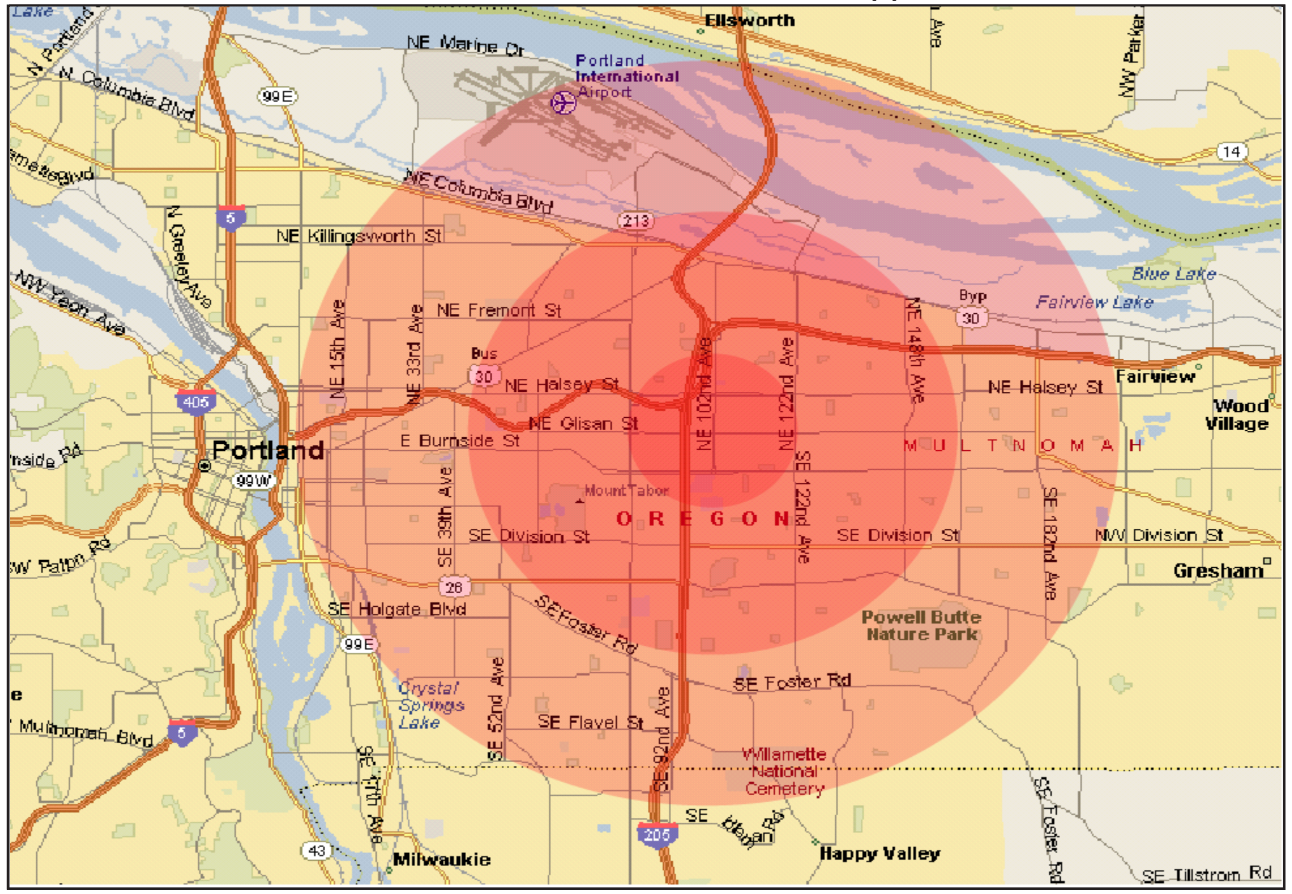
Despite lingering weakness in both the national and local economy, the Portland market remains a growth area for retail tenants. According to CoStar, Portland remains the third most underserved retail market in the country, averaging 14.4 square-feet of shopping center space per-capita (compared to 24.7 square-feet at the national level). When coupled with several large projects under construction, and Wal-Mart's recent announcement of up to 17 new stores in the metro area, evidence for future strength in Portland's retail market is strong.

However, in the near-term, the course of the current economic situation is proving difficult to forecast. Anemic growth in the first half of the year has depleted consumer confidence, leading to a climate of caution in the marketplace. Consumer spending growth remains flat, with a return to previous trend unlikely until broad based economic recovery proves it course.

PRIMARY RETAIL TRADE AREA(S)

In the analysis that follows, we will present both an evaluation of both targeted retail opportunities and a forecast of anticipated retail demand over the near-term. This analysis begins with a determination of the likely trade area for the Gateway District. Because the district includes a mixture of destination type tenants and tenants serving the immediate neighborhood, we focus on a trade area comprised of three concentric radii from the center of the district (1 mile, 3 mile, 5 mile).

FIGURE 19: PRIMARY RETAIL TRADE AREA(S)



RETAIL OPPORTUNITY ANALYSIS

A retail opportunity analysis represents the net-balance between the purchasing power (demand) of residents living within a geographic area, and the retail opportunities (supply) within the same geographic region. The net gap or surplus within specific retail types indicates the strengths, opportunities, or clusters of business activity within the trade area.

In Figure 20, we summarize a gap analysis for the one-mile primary trade area:

FIGURE 20: RETAIL OPPORTUNITY ANALYSIS, ONE-MILE TRADE AREA

One Mile Trade Area			
NAICS Retail Class	Demand	Supply	Gap
Motor Vehicle and Parts Dealers	$35,747,400	$44,071,997	($8,324,597)
Furniture and Home Furnishings Stores	$4,749,889	$5,506,700	($756,811)
Electronics and Appliance Stores	$5,873,641	$5,653,725	$219,916
Building Material, Garden Equip Stores	$23,109,665	$49,955,311	($26,845,646)
Food and Beverage Stores	$38,384,352	$69,709,934	($31,325,582)
Health and Personal Care Stores	$14,716,403	$5,431,685	$9,284,718
Gasoline Stations	$22,323,490	$19,992,132	$2,331,358
Clothing and Clothing Accessories Stores	$11,238,567	$1,643,978	$9,594,589
Sporting Goods, Hobby, Book, Music Stores	$5,244,309	$5,327,287	($82,978)
General Merchandise Stores	$35,396,421	$60,496,020	($25,099,599)
Miscellaneous Store Retailers	$6,745,117	$8,463,230	($1,718,113)
Non-Store Retailers	$17,990,110	$0	$17,990,110
Foodservice and Drinking Places	$27,301,173	$57,005,562	($29,704,389)
	$248,820,537	$333,257,561	($84,437,024)

Source: Nielsen Claritas and Johnson Reid

- In 2010 this trade area posted a retail surplus of roughly $84 million. In other words, more money was spent within this area than the residents of the area spent as a whole. This is an expected finding, and a testament to the broader regional draw of the district, as net retail dollars from residents outside the district filtered into the district to the tune of $84 million[2]. Major retailers in the trade area such as Winco and Fred Meyers have a regional draw, and rely upon support from a trade area well beyond one mile.

- The district's regional draw is further evidenced in the categories of retail surplus. Specifically, large surpluses are concentrated in retail categories that typically have trade areas larger than one-mile, namely Building materials, grocery stores, and general merchandising.

- Despite the district's regional draw, there are several industries that still post retail gaps, with both small supply numbers. Combined, Health & Personal Care Stores and Clothing & Clothing Accessories Stores posted a $19 million gap on $7 million in sales. In other words, residents of the district and non-residents shopping in the district do not have adequate retail opportunities in these sectors.

In Figure 21, we extend the evaluation to a three-mile trade area, evaluating net resident spending and retail sales:

2 In actuality, the share of retail sales attributable to residents outside the district is likely much higher, as a share of local resident spending certainly "leaks" outside the district.

FIGURE 21: RETAIL OPPORTUNITY ANALYSIS, THREE-MILE TRADE AREA

Three Mile Trade Area			
NAICS Retail Class	Demand	Supply	Gap
Motor Vehicle and Parts Dealers	$340,990,096	$387,234,080	($46,243,984)
Furniture and Home Furnishings Stores	$46,138,542	$29,875,401	$16,263,141
Electronics and Appliance Stores	$53,820,569	$50,119,547	$3,701,022
Building Material, Garden Equip Stores	$222,610,479	$170,150,515	$52,459,964
Food and Beverage Stores	$337,909,094	$330,626,317	$7,282,777
Health and Personal Care Stores	$131,422,544	$75,297,100	$56,125,444
Gasoline Stations	$198,649,576	$92,311,333	$106,338,243
Clothing and Clothing Accessories Stores	$103,836,470	$22,138,716	$81,697,754
Sporting Goods, Hobby, Book, Music Stores	$47,324,934	$69,292,829	($21,967,895)
General Merchandise Stores	$318,435,788	$414,619,328	($96,183,540)
Miscellaneous Store Retailers	$60,799,382	$58,030,672	$2,768,710
Non-Store Retailers	$161,556,579	$75,183,642	$86,372,937
Foodservice and Drinking Places	$242,992,615	$321,140,417	($78,147,802)
	$2,266,486,668	$2,096,019,897	$170,466,771

Source: Nielsen Claritas and Johnson Reid

- Overall, the three-mile trade area exhibits a net retail opportunity gap of $170 million or 7.5% of demand. This figure is appears slightly inflated, as Gasoline Station sale, which are less commonly conducted near home represents a large share of the gap. The same is true for Auto Sales, with the three-mile trade area including auto sales concentrations along both the 82nd Avenue and 122nd Avenue corridors.

- Nevertheless, several industries are significantly underserved when both residents and opportunities at the three-mile level are included. Again, Health & Personal Care Stores are underserved to the tune of 42% of demand. Building Materials & Garden Equipment Stores (24%) and Clothing & Clothing Accessories Stores (82%) are also largely underserved. These needs are likely being met in part by large surpluses in General Merchandising.

- Rates of gap/surplus at the five-mile level are roughly consistent with the three-mile level above, with the exception of a narrowing of the gap in Clothing & Clothing Accessories (26%) as a result of the trade area's inclusion of Lloyd Center Mall.

One retail area of potential interest is a considerable lack of first run movie theaters in the area east of I-205 and west of Gresham. As shown in the following map, very few cinemas are available, and of those there are no first run theaters between 82nd Avenue and Gresham. While this type of use is likely inappropriate in a suburban format in the Regional Center, the need may support some implementation of a theater concept in the area.

THEATER LOCATIONS, MID-MULTNOMAH COUNTY

1. **Deluxe Film Svc**
   11845 NE Marx St, Portland, OR
   2.46mi (503) 253-4300
2. **Visionary Cinema & Sound**
   2227 NW Eleven Mile Ave, Gresham, OR
   2.71mi (503) 669-7639
3. **The Academy Theater**
   7818 SE Stark St, Portland, OR
   3.95mi (503) 252-0500
4. **Eat Art Theater**
   850 NE 81st Ave, Portland, OR
   3.68mi (503) 548-4096
5. **Mt Hood Theatre**
   401 E Powell Blvd, Gresham, OR
   4.56mi (503) 665-0604
6. **Hollywood Theatre**
   4122 NE Sandy Blvd, Portland, OR
   5.62mi (503) 281-4215
7. **Cinetopia**
   11700 SE 7th St, Vancouver, WA
   6.03mi (360) 213-2800
8. **Mt Tabor Theatre**
   4811 SE Hawthorne Blvd, Portland, OR
   5.47mi (503) 360-1450
9. **Regal Cascade 16**
   1101 SE 160th Ave, Vancouver, WA
   5.36mi (360) 882-5458
10. **Cinemark 16 Eastport Plaza**
   4040 SE 82nd Ave, Portland, OR
   4.62mi (503) 772-1111

ANTICIPATED RETAIL NEED

In the following analysis, we forecast anticipated marginal growth in retail demand over a ten-year horizon. In the figures below we combine resident household supported growth and non-resident spending growth. This analysis relies on household growth within the one-mile trade area only. For non-resident growth, we assume a fixed ratio of non-resident spending to resident spending based on the Retail Opportunity Analysis above.

<u>Estimated Per-Household Consumer Spending</u>

JOHNSON REID estimated per-household annual spending by retail category utilizing data derived from the US Bureau of Labor Statistics Consumer Expenditure Survey. Categories are as detailed in the following table by the North American Industry Classification System (NAICS).

The analysis conservatively assumes no real income growth over the forecast period.

FIGURE 22: AVERAGE HOUSEHOLD EXPENDITURES ON RETAIL GOODS

CONSUMER SPENDING PATTERNS		Per Household
NAICS	Category	Expenditures[1]
Estimated Households in 2010: 7,630		
441	Motor Vehicle and Parts Dealers	$4,685
442	Furniture and Home Furnishings Stores	$623
443	Electronics and Appliance Stores	$770
444	Building Materials and Garden Equipment	$3,029
445	Food and Beverage Stores	$5,031
446	Health and Personal Care Stores	$1,929
448	Clothing and Clothing Accessories Stores	$2,926
451	Sporting Goods, Hobby, Book and Music Stores	$1,473
452	General Merchandise Stores	$687
453	Miscellaneous Store Retailers	$4,639
722	Foodservices and Drinking Places	$3,578
	Totals/Weighted Averages	***$29,369***

[1] Average Retail Sales Figures in 2010 Dollars

SOURCE: *Nielsen Claritas and JOHNSON REID*

Household Growth Projections

For modeling growth in resident driven retail demand, JOHNSON REID utilized household growth rates forecast by Nielsen Claritas, a third-party data provided. This produces a household growth rate of 1.1% annually over the next ten years.

FIGURE 23: ESTIMATED HOUSEHOLD GROWTH

	HOUSEHOLD FORECAST			'10-'20 Δ	
Scenario	2010	2015	2020	HH's	Rate
One-Mile	7,630	8,066	8,527	436	1.1%

SOURCE *: Nielsen Claritas and JOHNSON REID*

Future Retail Sales

Future retail sales originating within the trade area were simply calculated as the product of future household counts and annual average retail sales by category. Resident spending was grossed up by 45% to reflect net non-resident demand. This process results in an estimate of $38 million additional retail sales annually by 2020.

FIGURE 24: FORECAST OF FUTURE RETAIL SALES

Baseline Growth Scenario		Per Household	Household Retail Spending (In Millions)			
NAICS	Category	Expenditures	2010	2015	2020	'10-'20 Δ
441	Motor Vehicle and Parts Dealers	$4,685	$51.8	$54.8	$57.9	***$6.1***
442	Furniture and Home Furnishings Stores	$623	$6.9	$7.3	$7.7	***$0.8***
443	Electronics and Appliance Stores	$770	$8.5	$9.0	$9.5	***$1.0***
444	Building Materials and Garden Equipment	$3,029	$33.5	$35.4	$37.4	***$3.9***
445	Food and Beverage Stores	$5,031	$55.7	$58.8	$62.2	***$6.5***
446	Health and Personal Care Stores	$1,929	$21.3	$22.6	$23.8	***$2.5***
448	Clothing and Clothing Accessories Stores	$2,926	$32.4	$34.2	$36.2	***$3.8***
451	Sporting Goods, Hobby, Book and Music Stores	$1,473	$16.3	$17.2	$18.2	***$1.9***
452	General Merchandise Stores	$687	$7.6	$8.0	$8.5	***$0.9***
453	Miscellaneous Store Retailers	$4,639	$51.3	$54.3	$57.4	***$6.0***
722	Foodservices and Drinking Places	$3,578	$39.6	$41.8	$44.2	***$4.7***
	Totals/Weighted Averages	***$29,369***	***$324.9***	***$343.5***	***$363.1***	***$38.2***

SOURCE: *JOHNSON REID*

Future Retail Space

Future retail sales are converted into need for developed retail space by calculating the product of future retail sales by category to a category-specific Sales Support Factors. The Sales Support Factor is the national average retail sales per square foot of space for each category of retail. Sales support factors are from the Urban Land Institute publication *Dollars & Cents*. This process estimates the need for roughly 160,000 square feet of additional retail space annually over the next ten years.

FIGURE 25: FORECAST OF FUTURE RETAIL SPACE

Baseline Growth Scenario		Sales Support	Spending Supported Retail Demand[2]			
NAICS	Category	Factor[1]	2010	2015	2020	'10-'20 Δ
441	Motor Vehicle and Parts Dealers	$387	147,331	155,750	164,650	***17,319***
442	Furniture and Home Furnishings Stores	$209	36,249	38,321	40,510	***4,261***
443	Electronics and Appliance Stores	$302	31,021	32,794	34,668	***3,647***
444	Building Materials and Garden Equipment	$389	94,756	100,170	105,894	***11,139***
445	Food and Beverage Stores	$430	142,379	150,515	159,116	***16,737***
446	Health and Personal Care Stores	$279	84,131	88,939	94,021	***9,890***
448	Clothing and Clothing Accessories Stores	$156	228,243	241,286	255,074	***26,830***
451	Sporting Goods, Hobby, Book and Music Stores	$199	90,078	95,225	100,667	***10,589***
452	General Merchandise Stores	$164	51,004	53,919	57,000	***5,996***
453	Miscellaneous Store Retailers	$127	444,546	469,948	496,802	***52,257***
722	Foodservices and Drinking Places	$267	163,091	172,411	182,263	***19,172***
	Totals/Weighted Averages		***1,365,499***	***1,443,528***	***1,526,015***	***160,516***

SOURCE: *JOHNSON REID*

1/ Based on national averages derived from "Dollars & Cents of Shopping Centers," Urban Land Institute, 2008. Median sales for neighborhood scale centers were used.

[2] *Assumes a Market Clearing Vacancy Rate of 10%*

In reality, the retail market is highly tenant-driven, as well as continually evolving. New retail forms emerge, with associated tenants, which tend to drive out older formats. These then either redevelop to more current forms, or compete for marginal tenants on a price basis. A challenge to retail development in the study area is the large amount of low-cost space available along the Halsey/Weidler corridor. While not directly competitive, this space can reduces achievable rent levels in the area.

IV. Rental Apartment Market Analysis

This section will evaluate the competitive landscape for rental apartments in the foreseeable future, including a detailed evaluation of housing preferences in the market, and market depth and opportunities on the margin.

Market Trends

As a component of this analysis, Johnson Reid evaluated rental survey information at the submarket level to characterize broad rental apartment market trends locally. This raw information was obtained through respected third party sources and developed into a trended time series analysis by Johnson Reid.

Vacancy Trends

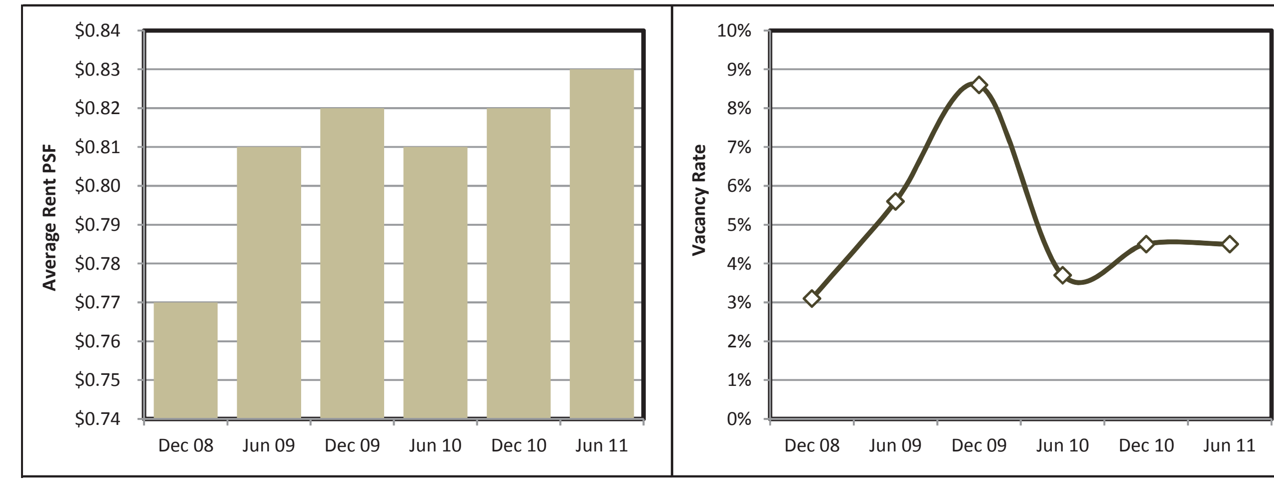
Across the entire Portland Metro Area, vacancy rates have rebounded over the course of 2010 and into 2011. In the first quarter, the most recent period available, average vacancy in Portland (2.7%) was two full percentage points below its level during the same period in 2010 (4.8%). The weakness in the market remains in lower quality markets with limited newer supply. The Outer-NE Submarket, which includes the Gateway District, is among these markets. At 4.5% Outer-NE is tied with NW Portland for the highest vacancy in the region, according the Metro Multi-Family Housing Association. However, 4.5% vacancy is a stable and health rate, particularly after moving down from over 8.5% vacancy exhibited in late 2009.

Rent Levels

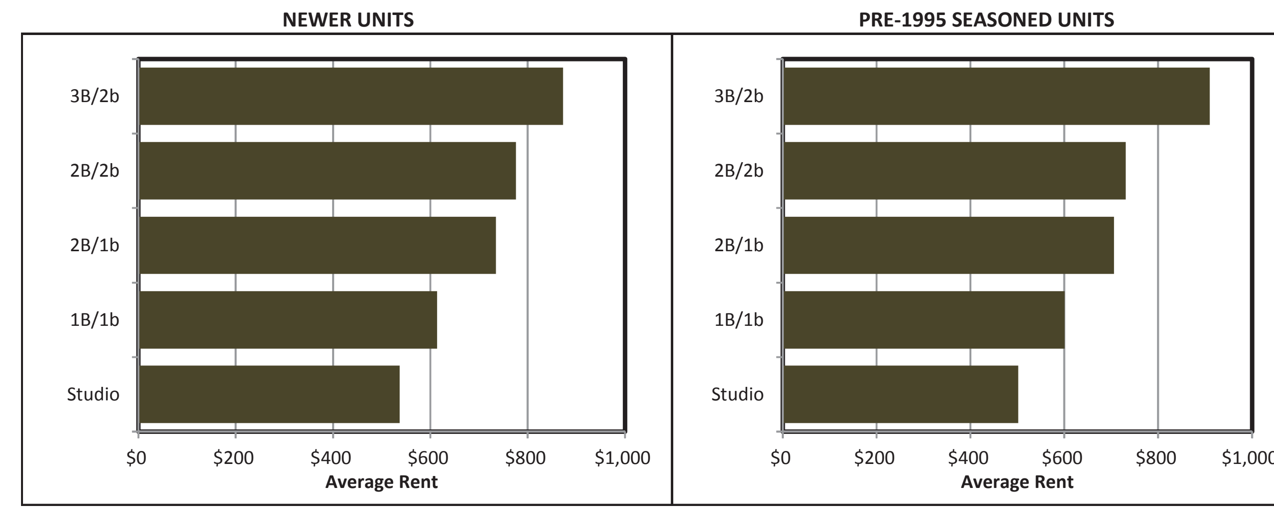
Despite weakened economic conditions, The Outer-NE has displayed stable rent escalation since 2008. For example, current rents in the submarket average $0.88 per-square-foot. This measure is up 2.4% from the same period in 2010 and 8.0% from 2008 levels. Across the metro area, Outer-NE's average rent is slightly below the $0.94 metro area average.

Across all newer units surveyed, 1B/1b units averaged $7651 per month, 2B/2b units commanded an average market rent of $984, and 3B/2b netted $1,103 per month.

Figure 26: Rental Apartment Market Trends, Outer-NE Submarket



SOURCE: Metro Multii-Family Housing Association



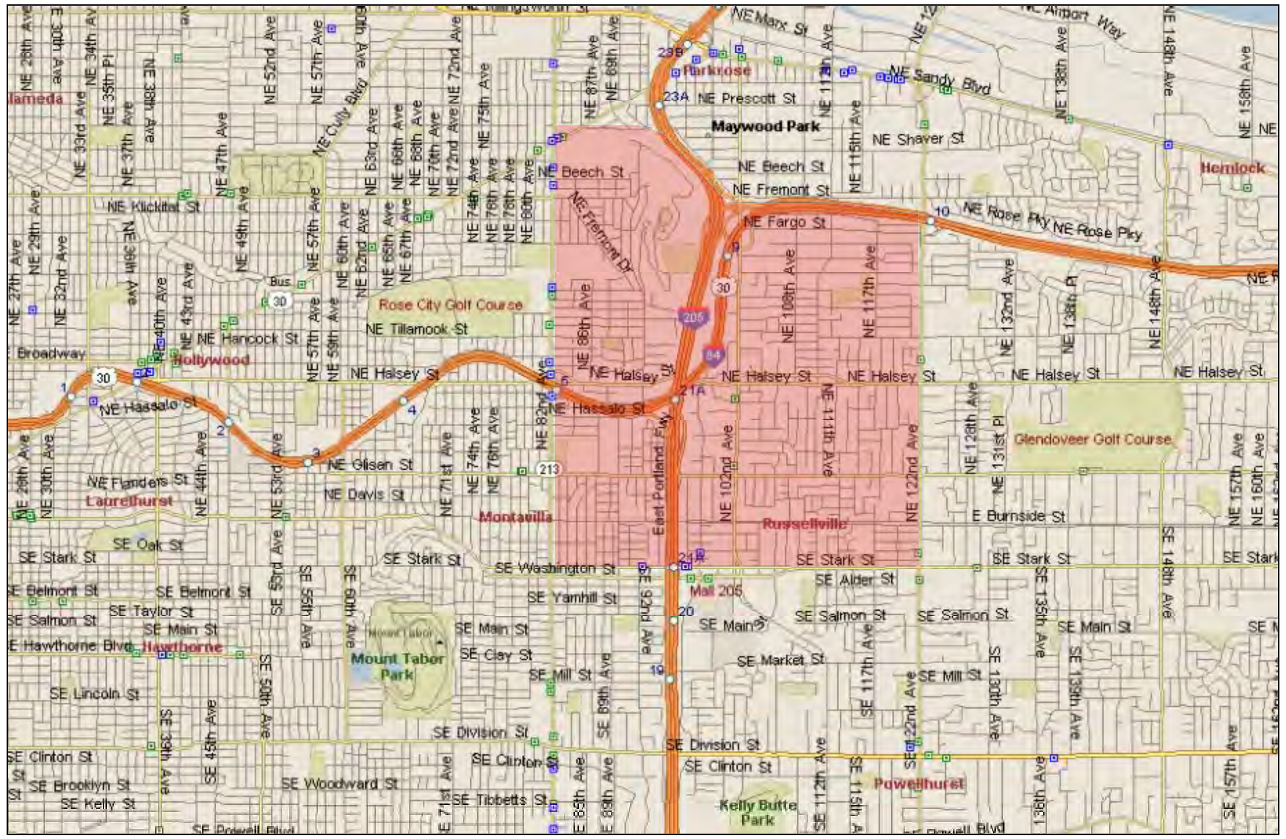
SOURCE: Norris & Stevens

Gateway Rental Apartment Market CMA

Competitive/Primary Market Area

The Competitive Market Area (CMA) is defined as the geographic region from which similar projects compete with each other on a comparable basis. Similarly, the Primary Market Area (PMA) is defined as the geographic region from which the subject development is expected to draw the majority of its market support. For this analysis, we consider these two areas to be one in the same. This geographic region is depicted in Figure 27.

FIGURE 27: COMPETITIVE/PRIMARY MARKET AREA



A survey of 4 apartment projects in the Competitive Market Area were selected and surveyed in order to determine the characteristics of apartment development in the district. A summary of findings is included in Figure 28 and discussed below.

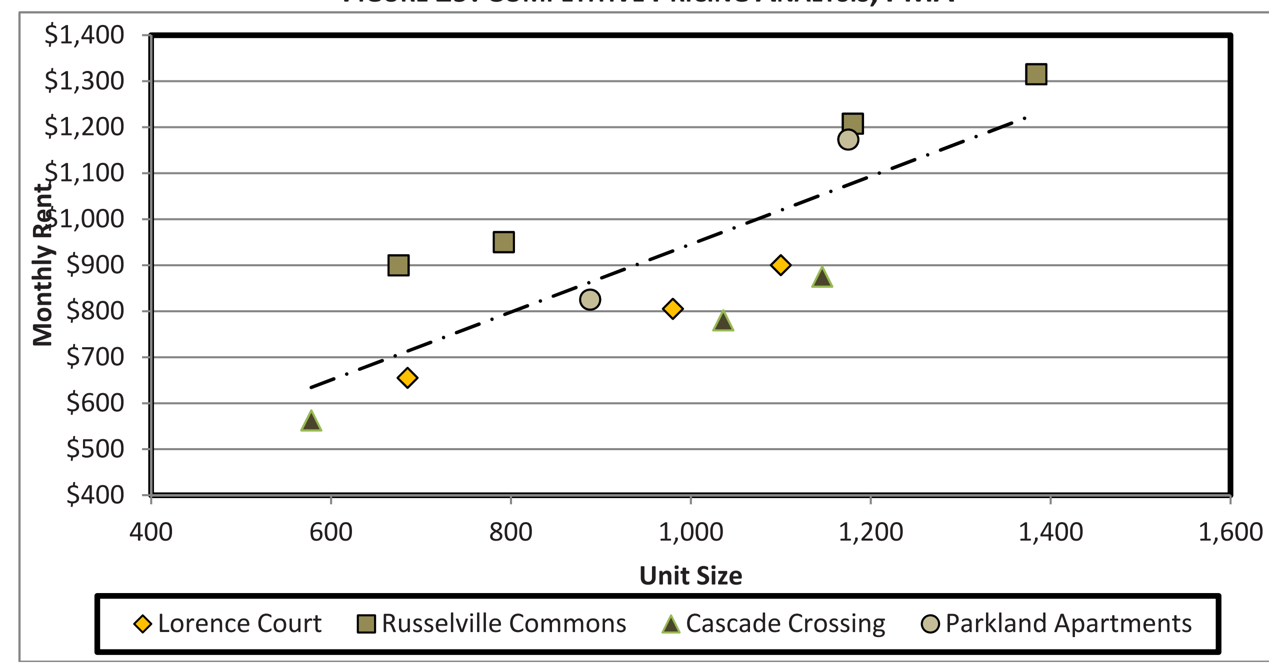
FIGURE 28: SURVEY OF SELECTED APARTMENT PROJECTS

Project Name/ Address	Unit Type	Average Size	Average Rent Range Low	-	Average Rent Range High	Average Rent Range PSF Low	-	Average Rent Range PSF High
Lorence Court								
302 SE 105th Avenue	1B/1b	685	$635	-	$675	$0.93	-	$0.99
Portland, OR 97216	2B/2b	980	$765	-	$845	$0.78	-	$0.86
Built in 2003	2B/2b TH	1,100	$895	-	$905	$0.81	-	$0.82
110 Total Units								
Russelville Commons								
10320 SE Pine Stret	1B/1b	675	$764	-	$1,035	$1.13	-	$1.53
Portland, OR 97216	2B/1b	792	$920	-	$980	$1.16	-	$1.24
Built in 1999	2B/2b	1,180	$1,135	-	$1,280	$0.96	-	$1.08
283 Total Units	3B/2b	1,384	$1,305	-	$1,325	$0.94	-	$0.96
Cascade Crossing	1B/1b	578	$550	-	$575	$0.95	-	$0.99
10535 East Burnside Street	2B/1b	1,036	$760	-	$800	$0.73	-	$0.77
Portland, OR 97216	3B/2b	1,146	$850	-	$900	$0.74	-	$0.79
Built in 1999								
Units N/A								
Parkland Apartments	2B/2b	888	$800	-	$850	$0.90	-	$0.96
3202 SE 92nd Avenue Portland	3B/2b	1,175	$1,086	-	$1,260	$0.92	-	$1.07
Portland, OR 97226								
Built in 2003								
104 Total Units								

Summary of Findings

- Surveyed developments were generally medium aged projects, constructed in the late 1990's to early 2000's
- Project's offer one, two, and three bedroom floorplans, ranging from 675 to over 1,380 square feet in size.
- The average rental rate across all units ranges from $875 to $950, or $0.91 to $1.01 per-square-foot, indicating these projects are outperforming the submarket-wide average.
- Russellville Commons and Lorence Court are the most appointed projects in the survey, offering a diversity of amenities including pool (Russellville Commons), clubhouse, fitness center, parking, and washer & dryer in unit.

FIGURE 29: COMPETITIVE PRICING ANALYSIS, PMA



ANTICIPATED RENTAL APARTMENT DEMAND

Johnson Reid has developed demographically driven housing demand model. Our near-term demand forecast begin with estimates of market area households stratified by age and income cohort, which are the best predictors of tenure split. We typical use rates of housing expenditures and psychographic analysis to derive assumptions of housing preferences and ability/willingness to pay, or in other words, rent ranges. The projected new households are converted to a forecast for rental housing units by type and price.

Household Growth Estimates

Over the next five years the household base in the Primary Market Area is expected to increase by 5.5% or 769 households. The primary growth segment in the market area is likely to comprise low to middle income households earning under $50,000 annually. New household growth is also expected to be concentrated in both the younger and emerging senior age demographics. Households aged 55-74 years will comprise half of projected growth.

FIGURE 30: HOUSEHOLD COMPOSITION AND GROWTH, PRIMARY MARKET AREA

2011	Age Cohort							
Income Cohort	15-24	25-34	35-44	45-54	55-64	65-74	75+	Total
< $15,000	105	185	193	203	303	222	326	1,537
$15,000 - $24,999	140	188	173	263	216	207	341	1,528
$25,000 - $34,999	177	340	380	325	288	157	386	2,053
$35,000 - $49,999	112	390	565	451	464	298	358	2,638
$50,000 - $74,999	108	474	898	674	654	246	205	3,259
$75,000 - $99,999	31	244	485	452	275	90	71	1,648
$100,000 - $124,999	11	75	164	223	112	46	27	658
$125,000 - $149,999	4	27	59	119	37	28	3	277
$150,000 - $199,999	4	22	20	73	42	14	18	193
$200,000+	1	5	13	52	22	16	40	149
TOTAL:	693	1,950	2,950	2,835	2,413	1,324	1,775	13,940
2016	**Age Cohort**							
Income Cohort	**15-24**	**25-34**	**35-44**	**45-54**	**55-64**	**65-74**	**75+**	**Total**
< $15,000	121	201	196	208	318	264	328	1,636
$15,000 - $24,999	162	204	175	270	227	246	343	1,627
$25,000 - $34,999	205	369	385	334	302	187	388	2,170
$35,000 - $49,999	129	424	573	463	487	354	359	2,789
$50,000 - $74,999	125	515	910	692	687	292	205	3,426
$75,000 - $99,999	36	265	492	464	289	107	71	1,724
$100,000 - $124,999	13	81	166	229	118	55	27	689
$125,000 - $149,999	5	29	60	122	39	33	3	291
$150,000 - $199,999	5	24	20	75	44	17	18	203
$200,000+	1	5	13	53	23	19	40	154
TOTAL:	802	2,117	2,990	2,910	2,534	1,574	1,782	14,709

SOURCE: Nielsen Claritas and Johnson Reid

Tenure

We then developed a tenure matrix demonstrating the propensity to own/rent by age and income cohort. This process involved cross tabulating 2009 American Community Survey (ACS) data. When we cross tabulate the Census tenure datasets, we calculate the propensity of different demographic segments to choose rental housing over ownership.

FIGURE 31: RENT PROPENSITY MATRIX, PMA

Renter Propensity	Age Cohort							
Income Cohort	15-24	25-34	35-44	45-54	55-64	65-74	75+	Total
< $15,000	85.2%	75.1%	67.5%	56.8%	53.0%	63.6%	71.7%	66.6%
$15,000 - $24,999	82.1%	70.6%	62.4%	51.2%	47.3%	58.2%	66.9%	61.3%
$25,000 - $34,999	77.8%	64.9%	56.0%	44.5%	40.8%	51.7%	60.8%	54.9%
$35,000 - $49,999	71.5%	56.9%	47.6%	36.5%	33.0%	43.3%	52.5%	46.5%
$50,000 - $74,999	59.6%	43.7%	34.8%	25.2%	22.5%	31.0%	39.4%	33.8%
$75,000 - $99,999	47.4%	32.1%	24.6%	17.1%	15.0%	21.5%	28.4%	23.8%
$100,000 - $124,999	27.8%	16.4%	11.8%	7.7%	6.7%	10.1%	14.1%	11.3%
$125,000 - $149,999	18.5%	10.9%	7.9%	5.2%	4.5%	6.7%	9.4%	7.6%
$150,000 - $199,999	46.0%	31.0%	23.6%	16.3%	14.4%	20.6%	27.3%	22.8%
$200,000+	46.0%	31.0%	23.6%	16.3%	14.4%	20.6%	27.3%	22.8%
TOTAL:	69.8%	54.9%	45.6%	34.6%	31.3%	41.3%	50.5%	44.5%

SOURCE: 2009 American Community Survey and Johnson Reid

Ability/Willingness to Pay

The next analytical step is to establish assumptions of ability/willingness to pay for housing by age and income cohort. For this, we turn to the 2002 American Housing Survey (AHS), periodically conducted by the U.S. Census Bureau for larger metropolitan areas. In Figure 8 below, we present the AHS estimates of households by income cohort stratified by the average percentage of income allocated to Housing Costs.

FIGURE 32: RENTER HOUSEHOLDS BY INCOME, AND PERCENTAGE OF INCOME SPENT ON HOUSING COSTS, PMA

Renter Households	Percent of HH Income on Housing															
Income Cohort	< 5%	5% - 9%	10% - 14%	15% - 19%	20% - 24%	25% - 29%	30% - 34%	35% - 39%	40% - 49%	50% - 59%	60% - 69%	70% - 99%	> 100%	Neg. Income	No Cash	Total
< $0	0.2	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.0	5.4	0.9	7.3
$0 - $4,999	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.2	0.2	0.6	0.0	0.4	6.1	0.0	0.5	8.8
$5,000 - $9,999	0.2	0.0	0.2	0.2	1.1	2.9	2.4	1.0	1.2	1.5	1.8	4.0	4.5	0.0	1.3	22.3
$10,000 - $14,999	0.0	0.0	0.7	2.1	0.6	1.2	1.3	1.5	3.1	6.1	3.8	5.4	3.0	0.0	1.2	30.0
$15,000 - $19,999	0.4	0.4	0.6	0.4	1.3	1.5	2.0	2.5	5.8	3.8	1.0	1.5	1.5	0.0	0.5	23.2
$20,000 - $29,999	0.0	0.4	0.2	2.0	4.2	10.6	10.0	9.1	7.6	4.1	1.3	0.6	0.6	0.0	2.0	52.7
$30,000 - $39,999	0.2	0.5	1.6	3.5	10.8	8.4	3.8	3.1	2.4	1.1	0.2	0.4	0.2	0.0	1.1	37.3
$40,000 - $59,999	0.4	1.1	6.2	11.8	11.1	4.4	2.8	0.8	0.6	0.4	0.2	0.0	0.2	0.0	1.5	41.5
$60,000 - $79,999	0.0	0.4	3.4	3.8	2.3	0.9	0.8	0.2	0.2	0.0	0.2	0.0	0.0	0.0	0.4	12.6
$80,000 - $99,999	0.2	0.6	2.1	1.0	1.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
$100,000 - $119,000	0.0	1.1	1.5	1.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.3
$120,000 +	0.4	1.9	1.9	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5
TOTAL	1.9	6.4	18.4	27.7	32.7	30.5	23.7	18.4	21.2	17.5	8.6	12.2	16.1	5.4	9.4	250.1

SOURCE: 2002 American Housing Survey, Portland Metro Area

To determine the total share of income spent on rental housing within each income cohort, calculate the share of percentage spent cohort within each income level.

FIGURE 33: SHARE OF HOUSEHOLDS WITHIN INCOME COHORTS, AND PERCENTAGE OF INCOME SPENT ON HOUSING COSTS, PMA

Renter Households	Percent of HH Income on Housing														
Income Cohorts	< 5%	5% - 9%	10% - 14%	15% - 19%	20% - 24%	25% - 29%	30% - 34%	35% - 39%	40% - 49%	50% - 59%	60% - 69%	70% - 99%	> 100%	Neg. Income	No Cash
< $15,000	0.5%	0.0%	1.4%	4.5%	2.7%	5.8%	5.8%	4.1%	7.3%	12.9%	8.9%	14.7%	18.8%	7.0%	5.5%
$15,000 - $24,999	0.9%	1.2%	1.5%	2.8%	6.8%	13.3%	13.8%	14.0%	19.7%	12.1%	3.4%	3.8%	3.8%	0.0%	3.0%
$25,000 - $34,999	0.3%	1.0%	2.3%	6.6%	18.5%	21.3%	14.6%	12.8%	10.4%	5.4%	1.5%	1.1%	0.8%	0.0%	3.4%
$35,000 - $49,999	0.8%	2.2%	11.4%	22.1%	27.5%	14.6%	7.9%	4.1%	3.1%	1.6%	0.5%	0.4%	0.5%	0.0%	3.4%
$50,000 - $74,999	0.5%	2.9%	21.0%	29.3%	22.5%	8.9%	6.5%	1.8%	1.5%	0.5%	1.0%	0.0%	0.2%	0.0%	3.4%
$75,000 - $99,999	3.8%	11.3%	39.6%	18.9%	18.9%	7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
$100,000 - $124,999	0.0%	25.6%	34.9%	30.2%	4.7%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
$125,000 - $149,999	8.9%	42.2%	42.2%	2.2%	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
$150,000 - $199,999	8.9%	42.2%	42.2%	2.2%	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
$200,000+	8.9%	42.2%	42.2%	2.2%	0.0%	0.0%	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Lastly, we average the percentage of income figures within each income cohort to derive a ***total percentage of income spent on housing*** assumption for household in each income cohort. When applied to the distribution of households within each income cohort, we have developed an assumption of ***household ability/willingness to pay*** for rental housing by income cohort.

FIGURE 34: SHARE OF INCOME ON HOUSING AND ABILITY/ WILLINGNESS TO PAY BY INCOME, PMA

Renter Households Income Cohorts	Average Share of Income	Average Ability/ Willingness to Pay
< $15,000	64%	$451
$15,000 - $24,999	42%	$682
$25,000 - $34,999	32%	$796
$35,000 - $49,999	24%	$824
$50,000 - $74,999	20%	$1,035
$75,000 - $99,999	15%	$1,097
$100,000 - $124,999	13%	$1,256
$125,000 - $149,999	10%	$1,151
$150,000 - $199,999	10%	$1,465
$200,000+	10%	$2,093

Psychographics/Housing Preferences

Psychographic analysis is an analytical tool by which households within a geographic region are clustered into similar market segments based on age, income, life-stage, household size, ethnicity, market preferences, and countless other factors. The tool allows us to move beyond a worldview of simply age, income, and HH size, and begin to think about how those factors, among others, impact the decisions and preferences made by households in their consumption of housing. For example, middle-aged households with multiple children have a far lower propensity for urban multi-family than highly mobile young singles and couples with medium incomes.

Psychographic segmentation datasets are typically developed by specialized third-party market research firms specializing in the process. Our preferred provider is Nielsen Claritas' PRIZM market segmentation. PRIZM identifies 66 unique cluster groups determined by life-stage and social group. Figure 35 highlights the PMA broad psychographic profile.

Figure 35: Psychographic Profile, PMA

LIFESTAGE GROUP Demographic Segment	Local HH's	Index Value	Age Class	Income Class	Urbanicity Class	Median Income	Typical Age Range	Predominant HH Status	Housing Preference	Typical Housing Type	Social Group	Typical Education Level	Occupation Type	Typical Racial Composition
YOUNGER YEARS														
Midlife Success														
3 Movers and Shakers	42	26	Mid	Wealthy	Suburban	$109,351	35-54	Couples	Mostly Owner	Mostly SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
19 Home Sweet Home	107	58.2	Mid	Upper-Mid	Suburban	$72,029	< 55	Couples	Mostly Owner	SFDU	The Affluentials	College	Prof, WC	White
30 Suburban Sprawl	59	44.7	Mid	Midscale	Suburban	$53,267	45-64	Singles/Couples	Owners	Mix SFDU, Low-Rise M.F.	Middleburbs	College	WC	White
Young Achievers														
4 Young Digerati	169	138.9	Young-mid	Wealthy	Urban	$91,104	25-44	Family Mix	Mix, Owners	Apartments & Condos	Urban Uptown	College Grad.+	Exec, Prof, WC	White, Asian, Hispanic
16 Bohemian Mix	267	150.2	Youg-Mid	Upper-Mid	Urban	$57,083	< 55	Family Mix	Mostly Renters	Apartments & Condos	Urban Uptown	College	Prof, WC	White, Black, Asian, Hispanic
22 Young Influentials	31	21	Young-mid	Midscale	Suburban	$51,684	< 55	Singles/Couples	Renters	Apartments	Middleburbs	College	Prof, WC	White, Black, Asian
31 Urban Achievers	***918***	***591.2***	***Young***	***Lower-Mid***	***Urban***	***$37,252***	***< 35***	***Family Mix***	***Renters***	***Apartments***	***Midtown Mix***	***Some College***	***Prof, WC, Service***	***White, Black, Asian, Hispanic***
Striving Singles														
44 New Beginnings	73	46.7	Young-mid	Low Income	Suburban	$32,558	< 55	Singles/Couples	Renters	Low Income Apartments	Inner Suburbs	Some College	WC, Service	White, Black, Hispanic
FAMILY LIFE														
Accumulated Wealth														
2 Blue Blood Estates	2	2	Mid	Wealthy	Suburban	$126,538	45-64	Families	Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
6 Winner's Circle	1	0.9	MId	Wealthy	Suburban	$112,580	35-54	Families	Mostly Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
Young Accumulators														
17 Beltway Boomers	47	48.4	MId	Upper-Mid	Suburban	$80,026	45-64	Families	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White, Asian
18 Kids and Cul-de-Sacs	58	35.7	Young-Mid	Upper-MId	Suburban	$76,379	25-44	Families	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White, Asian, Hispanic
29 American Dreams	***2,028***	***948.2***	***Mid***	***Upper-Mid***	***Urban***	***$58,517***	***35-54***	***Families***	***Owners***	***Mix, SFDU, Low-Rise Condos***	***Urban Uptown***	***Some College***	***WC, Service***	***White, Black, Asian, Hispanic***
Mainstream Families														
36 Blue-Chip Blues	41	32.6	Young-MId	Midscale	Suburban	$53,463	25-44	Families	Mix, Owners	Mix, SFDU, Low-Rise Condos/Apts.	Middleburbs	Some College	WC, Service, BC	White, Black, Hispanic
52 Suburban Pioneers	9	8.5	Mid	Downscale	Suburban	$35,221	< 55	Family Mix	Mix, Owners	Mix, SFDU, Low-Rise Condos/Apts.	Inner Suburbs	Elem. School, H.S.	WC, Service, BC	White, Black, Hispanic
54 Multi-Culti Mosiac	***1,097***	***651.8***	***Mid***	***Lower-MId***	***Urban***	***$36,945***	***35-54***	***Family Mix***	***Mix, Owners***	***Mix, SFDU, Low-Rise Condos/Apts.***	***Midtown Mix***	***Elem. School, H.S.***	***WC, Service, BC***	***Black, Hispanic***
Sustaining Families														
65 Big City Blues	***1,057***	***938.2***	***Young-MId***	***Lower-Mid***	***Urban***	***$33,055***	***< 55***	***Families, Singles***	***Renters***	***Apartments***	***Urban Cores***	***Elem. School, H.S.***	***WC, Service, BC***	***Black, Asian, Hispanic***
LIFESTAGE GROUP **Demographic Segment**	**Local HH's**	**Index Value**	**Age Class**	**Income Class**	**Urbanicity Class**	**Median Income**	**Typical Age Range**	**Predominant HH Status**	**Housing Preference**	**Typical Housing Type**	**Social Group**	**Typical Education Level**	**Occupation Type**	**Typical Racial Composition**
MATURE YEARS														
Affluent Empty Nesters														
1 Upper Crust	38	24.7	Mid-Older	Wealthy	Suburban	$121,186	45-64	Couples	Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
7 Money and Brains	290	146.6	Mid-Older	Wealthy	Urban	$93,457	45-64	Couples, Families	Mostly Owners	Mix, SFDU, Urban Condos	Urban Uptown	College Grad.+	Exec, Prof, WC	White, Asian
Conservative Classics														
14 New Empty Nests	65	60.3	Older	Upper-Mid	Suburban	$75,295	65+	Couples	Mostly Owners	SFDU	The Affluentials	College	Mostly Retired	White
15 Pools and Patios	70	52.9	Mid-Older	Upper-Mid	Suburban	$76,099	45-64	Couples	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White
21 Gray Power	92	98.3	Older	Midscale	Suburban	$55,328	65+	Singles/Couples	Mostly Owners	Mostly SFDU, some Condos	Middleburbs	College	Mostly Retired	White
26 The Cosmopolitans	***940***	***817.2***	***Mid-Older***	***Upper-Mid***	***Urban***	***$59,750***	***55+***	***Couples***	***Owners***	***Mix, SFDU, Urban Condos***	***Urban Uptown***	***Some College***	***WC***	***White, Black, Asian, Hispanic***
Cautious Couples														
39 Domestic Duos	15	12.3	Older	Midscale	Suburban	$51,622	65+	Singles/Couples	Mostly Owners	SFDU	Middleburbs	Some College	Mostly Retired	White, Black
40 Close-In Couples	***1,085***	***944.4***	***Older***	***Lower-MId***	***Urban***	***$43,049***	***55+***	***Couples***	***Owners***	***Mix, SFDU, Urban Condos***	***Midtown Mix***	***H.S. Graduate***	***Mostly Retired***	***White, Black, Hispanic***
49 American Classics	105	101.3	Older	Downscale	Suburban	$36,412	65+	Singles/Couples	Mostly Owners	SFDU	Inner Suburbs	H.S. Graduate	Mostly Retired	White, Black, Hispanic
Sustaining Seniors														
59 Urban Elders	***559***	***420.8***	***Older***	***Downscale***	***Urban***	***$26,113***	***55+***	***Singles***	***Renters***	***Apartments***	***Urban Cores***	***Elem. School, H.S.***	***Mostly Retired***	***Black, Asian, Hispanic***
61 City Roots	***806***	***706.3***	***Older***	***Downscale***	***Urban***	***$29,292***	***65+***	***Singles/Couples***	***Owners***	***SFDU, Duplexes***	***Urban Cores***	***Elem. School, H.S.***	***Mostly Retired***	***Black, Hispanic***

SOURCE: Claritas and Johnson Reid

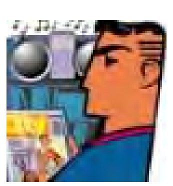
In smaller geographies such as the Primary Market Area, the household population is often characterized by only a basket of clusters. In Figure 36, the field titled "Index Value" indicates the PMA's concentration of households within that group relative to the national average. Naturally, the PMA like any other neighborhood has uniqueness to its people and culture, attracting some types of households more than others. Figure 36 list's the PMA's top PRIZM segments, representing groups which the PMA has a higher concentration than the national average. According to Nielsen Claritas, the top 11 segments comprise 93% of all HH's in the PMA, with the top 29 covering 78% of all households. For simplicity, we only included the top 40 PRIZM segments represented in Portland. A description of each group follows.

FIGURE 36: PRIMARY PRIZM SEGMENTS, PMA

PRIZM Segment	Local HH's	Index Value
American Dreams	2,028	948.2
Close-In Couples	1,085	944.4
Big City Blues	1,057	938.2
The Cosmopolitans	940	817.2
City Roots	806	706.3
Multi-Culti Mosiac	1,097	651.8
Urban Achievers	918	591.2
Urban Elders	559	420.8
Bohemian Mix	267	150.2
Money and Brains	290	146.6
Young Digerati	169	138.9

American Dreams
American Dreams is a living example of how ethnically diverse the nation has become: just under half the residents are Hispanic, Asian, or African-American. In these multilingual neighborhoods--one in three speaks a language other than English--middle-aged immigrants and their children live in upper-middle-class comfort.

Close-In Couples
Close-In Couples is a group of predominantly older, ethnically diverse couples living in older homes in the urban neighborhoods of mid-sized metros. High school educated and empty nesting, these mostly older residents typically live in older city neighborhoods, enjoying their retirements.



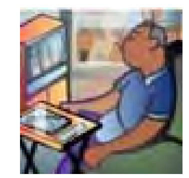
Big City Blues
With a population that's more than 45 percent Latino, Big City Blues has one of the highest concentrations of Hispanic-Americans in the nation. But it's also the multi-ethnic address for low-income Asian and African-American households occupying older inner-city apartments. Concentrated in a handful of major metros, these younger singles and single-parent families face enormous challenges: low incomes, uncertain jobs, and modest educations. More than 15 percent have less than a 9th grade education.

The Cosmopolitans
Educated, upper-midscale, and ethnically diverse, The Cosmopolitans are urbane couples in America's fast-growing cities. Concentrated in a handful of metros--such as Las Vegas, Miami, and Albuquerque--these households feature older, empty-nesting homeowners. A vibrant social scene surrounds their older homes and apartments, and residents love the nightlife and enjoy leisure-intensive lifestyles.

City Roots
Found in urban neighborhoods, City Roots is a segment of downscale retirees, typically living in older homes and duplexes they've owned for years. In these ethnically diverse neighborhoods--more than 60 percent are African-American or Hispanic--residents are often widows or widowers living on fixed incomes and maintaining low-key lifestyles.

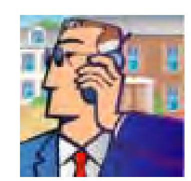
Multi-Culti Mosaic
An immigrant gateway community, Multi-Culti Mosaic is the urban home for a mixed populace of Hispanic, Asian, and African-American singles and families. With nearly a quarter of the residents foreign born, this segment is a Mecca for first-generation Americans who are striving to improve their lower-middle-class status.

Urban Achievers
Concentrated in the nation's port cities, Urban Achievers is often the first stop for up-and-coming immigrants from Asia, South America, and Europe. These young singles, couples, and families are typically college-educated and ethnically diverse: about a third are foreign-born, and even more speak a language other than English.

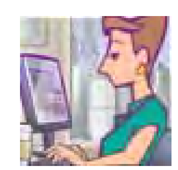


Urban Elders
For Urban Elders--a segment located in the downtown neighborhoods of such metros as New York, Chicago, Las Vegas, and Miami--life is often an economic struggle. These communities have high concentrations of Hispanics and African-Americans and tend to be downscale, with singles living in older apartment rentals.

Bohemian Mix
A collection of mobile urbanites, Bohemian Mix represents the nation's most liberal lifestyles. Its residents are an ethnically diverse, progressive mix of young singles, couples, and families ranging from students to professionals. In their funky row houses and apartments, Bohemian Mixers are the early adopters who are quick to check out the latest movie, nightclub, laptop, and microbrew.



Money and Brains
The residents of Money & Brains seem to have it all: high incomes, advanced degrees, and sophisticated tastes to match their credentials. Many of these city dwellers are married couples with few children who live in fashionable homes on small, manicured lots.



Young Digerati
Young Digerati are tech-savvy and live in fashionable neighborhoods on the urban fringe. Affluent, highly educated, and ethnically mixed, Young Digerati communities are typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants and all types of bars--from juice to coffee to microbrew.

Utilizing the age by income groups in Figure 30, and the high concentration PRIZM clusters above, we assigned "most likely" PRIZM segments to each age and income group. Results are in the tables below:

FIGURE 37: PRIZM SEGMENT TO AGE AND INCOME BRIDGE, PMA

Income Cohort	Age Cohort 15-24 / 25-34	Age Cohort 35-44 / 45-54 / 55-64	Age Cohort 65-74 / 75+	Age Cohort 15-24 / 25-34	Age Cohort 35-44 / 45-54 / 55-64	Age Cohort 65-74 / 75+
< $15,000 $15,000 - $24,999 $25,000 - $34,999	1,135	2,344	1,053	Big City Blues Urban Achievers	Big City Blues Multi-Culti Mosaics	Urban Elders City Roots
$35,000 - $49,999 $50,000 - $74,999 $75,000 - $99,999	1,359	5,552	634	Urban Achievers Bohemian Mix	Multi-Culti Mosaics American Dreams Cosmopolitians	Close-In Couples
$100,000 - $124,999 $125,000 - $149,999 $150,000 - $199,999 $200,000+	149	936	88	Young Digerati	Cosmopolitians Money and Brains	Upper Crust Money and Brains

Building upon the bridge developed above above, Johnson Reid developed estimates of typical housing preferences by age and income cohort, using housing preference propensities by PRIZM segment from Nielsen Claritas. To use an example, Nielsen qualitatively classifies the "Young Digerati" PRIZM segment as:

> *"Young Digerati are tech-savvy and live in fashionable neighborhoods on the urban fringe. Affluent, highly educated, and ethnically mixed, Young Digerati communities are typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants and all types of bars--from juice to coffee to microbrew."*

Nielsen's discrete index of housing preferences by PRIZM segment describes "Young Digerati" as a mix of owner and renters with a strong preference for multi-family housing. When viewed in light of our HIA bridge, we assume that HIAs with a high concentration of "Young Digerati" households will have a correspondingly high preference for multi-family housing, in this case 75% to 85%. This process is repeated across all our HIA groupings to arrive at Figure 38 below, which presents assumed preferences for housing type by age and income.

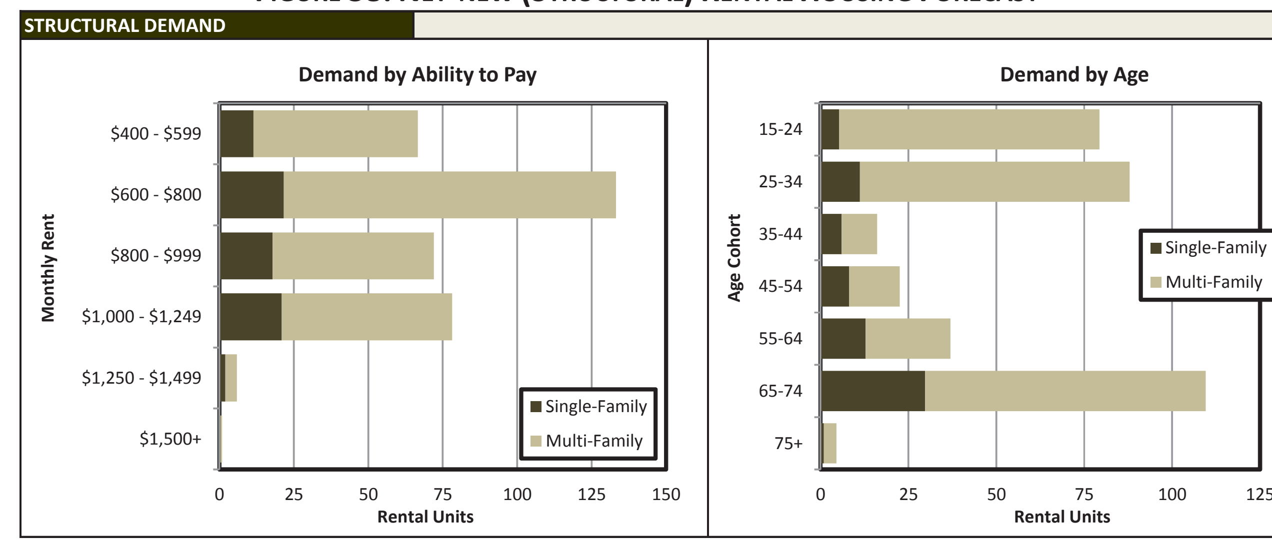
FIGURE 37: PRIZM SEGMENT TO AGE AND INCOME BRIDGE, PMA

Income Cohort	MULTI-FAMILY 15-24	25-34	35-44	45-54	55-64	65-74	75+	SINGLE FAMILY 15-24	25-34	35-44	45-54	55-64	65-74	75+
< $15,000	95%	90%	80%	80%	80%	75%	80%	5%	10%	20%	20%	20%	25%	20%
$15,000 - $24,999	95%	90%	75%	75%	75%	75%	80%	5%	10%	25%	25%	25%	25%	20%
$25,000 - $34,999	95%	90%	70%	70%	65%	75%	80%	5%	10%	30%	30%	35%	25%	20%
$35,000 - $49,999	90%	85%	60%	60%	60%	70%	75%	10%	15%	40%	40%	40%	30%	25%
$50,000 - $74,999	90%	85%	55%	55%	55%	70%	75%	10%	15%	45%	45%	45%	30%	25%
$75,000 - $99,999	90%	85%	50%	50%	50%	70%	75%	10%	15%	50%	50%	50%	30%	25%
$100,000 - $124,999	85%	80%	45%	45%	50%	65%	70%	15%	20%	55%	55%	50%	35%	30%
$125,000 - $149,999	85%	80%	40%	40%	50%	65%	70%	15%	20%	60%	60%	50%	35%	30%
$150,000 - $199,999	85%	75%	40%	40%	45%	65%	70%	15%	25%	60%	60%	55%	35%	30%
$200,000+	80%	75%	40%	40%	45%	65%	70%	20%	25%	60%	60%	55%	35%	30%

New Renter Households (Structural Demand)

Taking all these assumptions together, we derive forecasts of renter housing over the next five years. Over this interval, new household growth is projected to add 357 net-new households to the market area seeking rental housing. Young households aged less than 35 years and senior households over 65 years comprise the lion's share of anticipated structural growth at 167 and 114 households, respectively. Based on the income and ability to pay composition of the market, the majority of unit demand will fall on rental units priced under $800 on a monthly rent basis. Roughly 80% of forecasted rental unit demand is expected to be in multi-family units, including duplexes, multi-plexes, and apartment units. An addition 20% will prefer single-family dwelling units. Most single-family rental demand will originate from family households or young households in roommate situations.

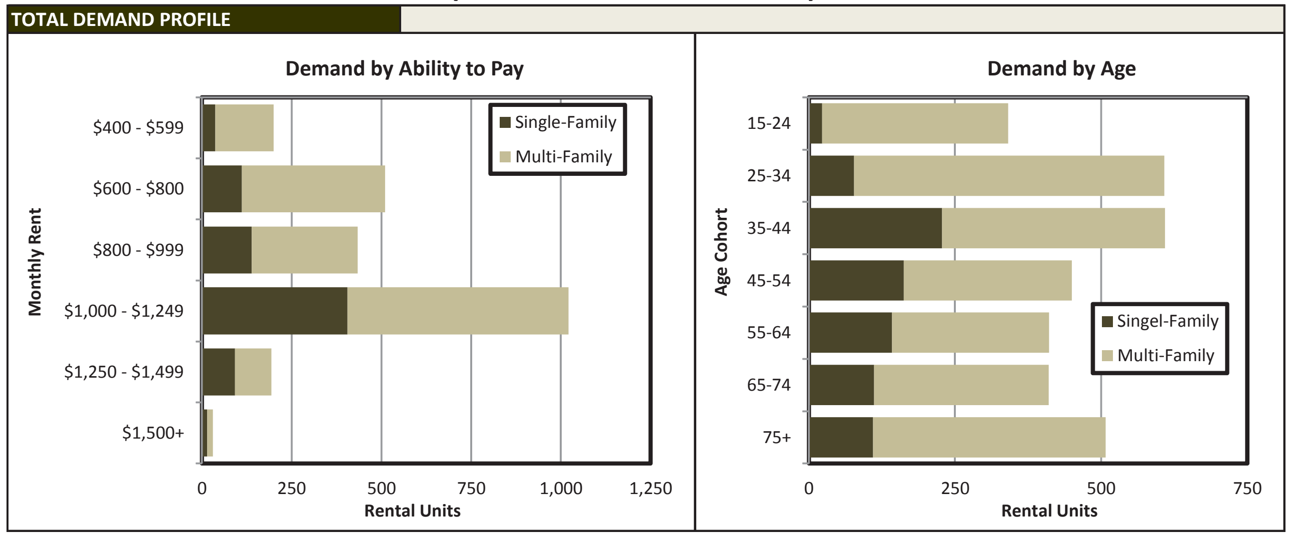
FIGURE 38: NET-NEW (STRUCTURAL) RENTAL HOUSING FORECAST



Total Demand Profile (Structural and Turnover Demand)

On the margin, a significant share of net new household growth in the market is expected to be relatively young as well as senior households. However, when turnover demand is considered, the demand profile is distributed more uniformly in accordance with the current population distribution. Collectively, the entire market has a demand profile of 667 households annually based on a 10% turnover rate. The total market is strong in the market for households between 25 and 44 years, as well as those over 75 years which may be approaching assisted living stage. In the entire market, depth exists for units priced between $1,000 and $1,250 per month, lending support to larger two-bedroom townhome and three-bedroom units at current market rates.

FIGURE 39: TOTAL DEMAND (STRUCTURAL AND TURNOVER) RENTAL HOUSING FORECAST



V. PROGRAM IMPLICATIONS

The preceding analysis summarizes the background context for marginal development in the study area. Recent trends and conditions in the real estate market indicate few short-term development opportunities for the Gateway area, although medical office space and rental apartments both appear to have readily identifiable markets and an ability to be financed in the short-term. The condominium market is largely off the table as a financeable use for the next several except in special cases, while traditional office space suffers from soft market conditions. The area has high concentration of retail space already, leaving limited opportunities for new retail development.

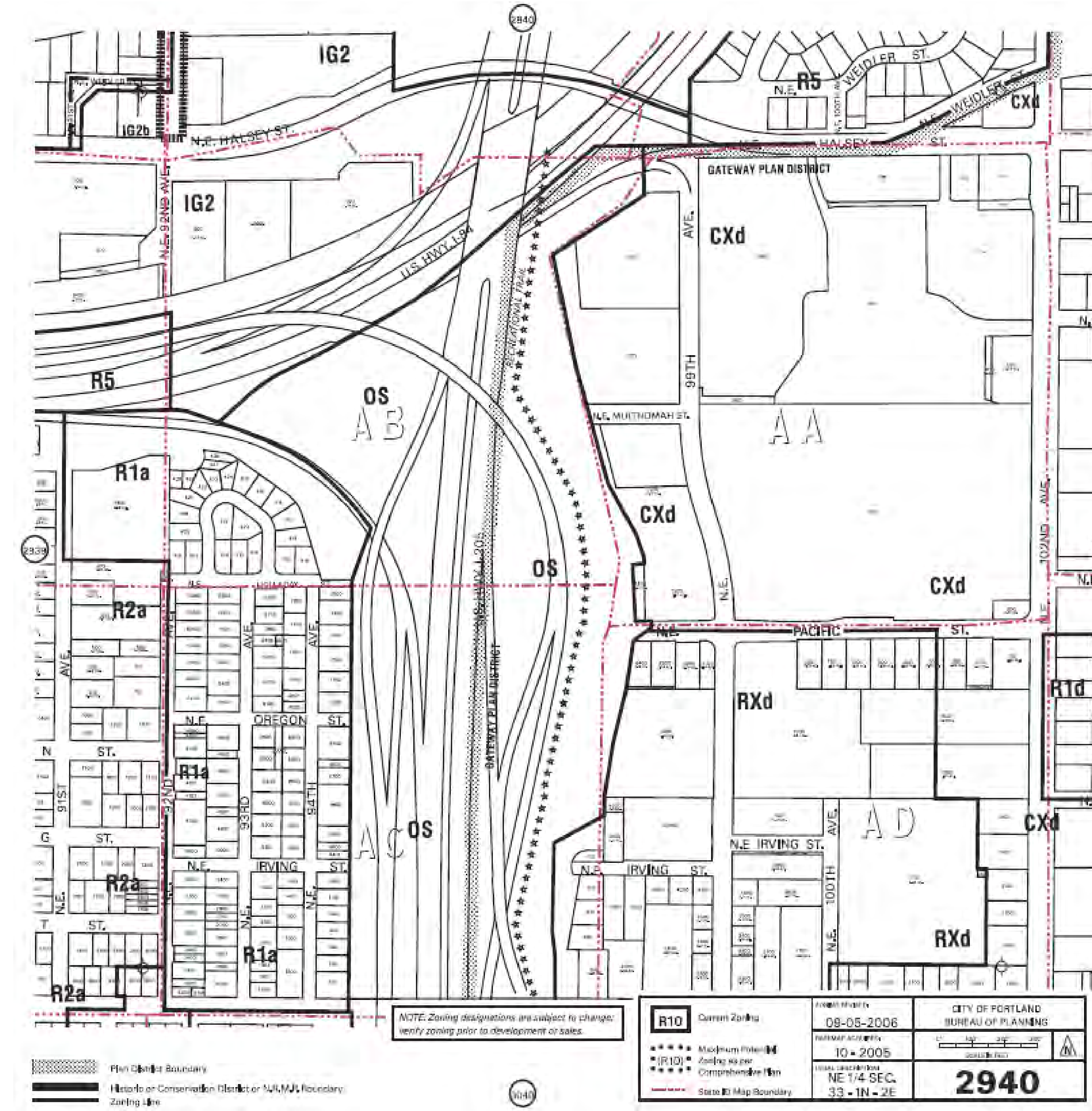
The following matrix summarizes prospective use types in the study area, as well as our market findings with respect to these uses:

PROSPECTIVE USE SUMMARY

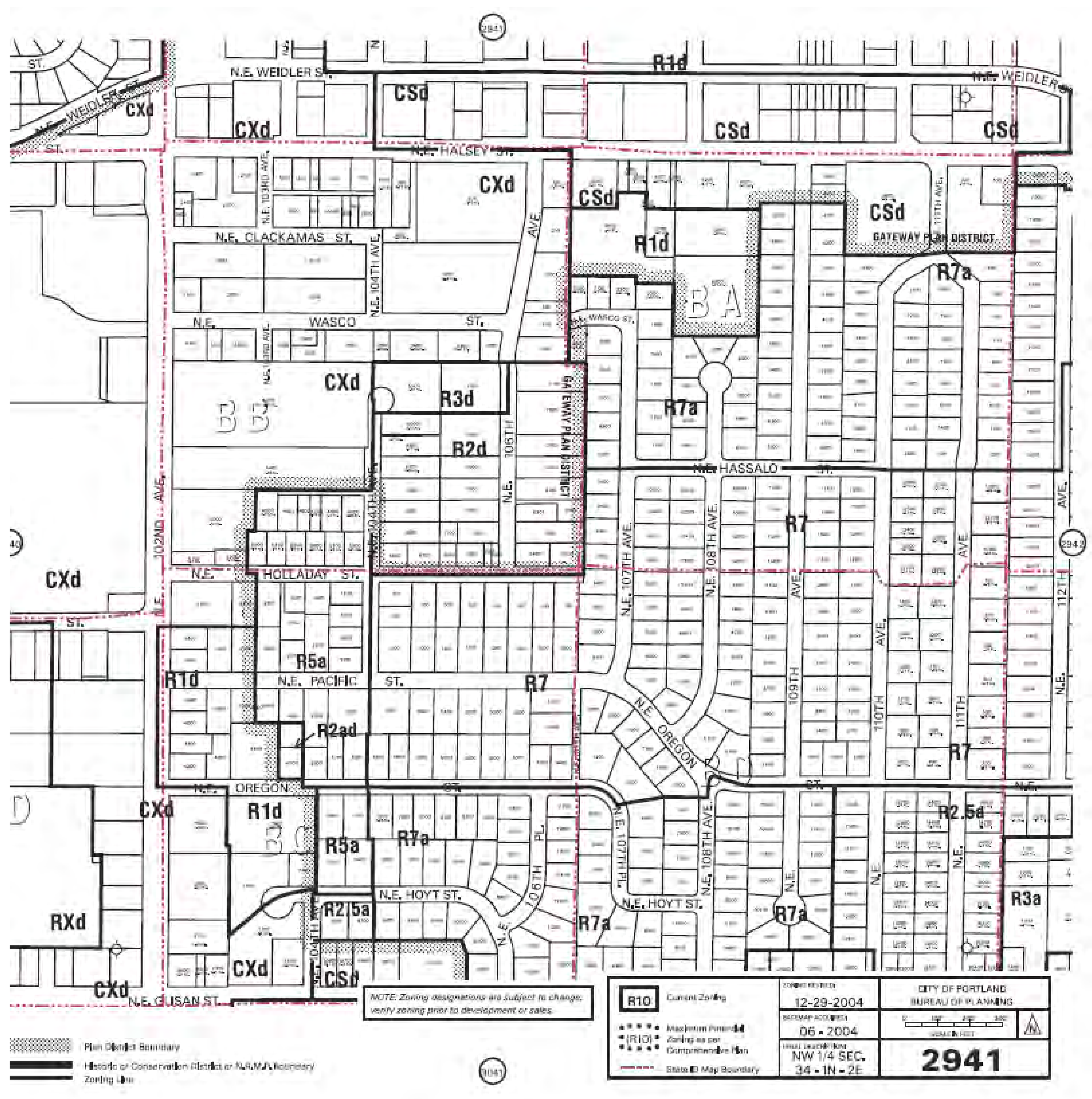
LAND USE	PROGRAM ELEMENT	DESCRIPTION
Office	Medical Office Build-to-Suit Speculative Office	•Medical office represents the most immediate opportunity, either through an independent clinic or hospital chain affiliated clinic. Small tenants are widespread in the district, and could be attracted to a speculative multi-tenant space. Price sensitivity is a concern. • The study area is not seen as a strong regional office location. Issues include a lack of executive housing, access, and proximity to the CBD and other established areas. •Build-to-Suit opportunities may be more financeable in this area, particularly in the short-term. The market is not currently viewed as "investment grade", and achievable pricing is below replacement cost.
Retail	Neighborhood and Convenience Retail Theaters	• The area currently serves as a significant retail hub, with major retailers serving the broader community. The primary immediate opportunities are convenience and neighborhood based services. • An impediment to getting tenants will be price sensitivity, with relatively low cost space available on the Halsey/Weidler couplet to the east. • Bankable tenants will want frontage on arterials. • Several code requirements will challenge new retail development
Rental Residential	Rental Apartments	•Small, primarily studio unit rental apartments. Market rate, but targeting a price sensitive market that will value the local amenity base. Parking can be minimal for this market. • More traditional unit mix, allowing for traditional renters. Parking ratios can still be below 1.0 per unit in this location •Formats: Garden currently viable, with transition to podium parking product not currently achievable for rentals. Market trends may allow for this product over time.
Ownership Residential	Condominiums Townhomes	•This market has been proven viable in the area in the past, despite a poor urban environment. While the market is likely to remain depressed for a few years, we expect ownership product to be viable again within the mid-term. •Achievable pricing has supported Type V construction over podium, as well as townhomes.
Education Center	Gateway Education Center •Day Care •Charter School •Courses	This is not a "market deal", and viability is a function of ability to obtain financing. The function of the facility can provide an amenity for the area, with a better frontage on Glisan and active programming with services and activity.
Hotel/Lodging	Traveler/Business Hotel	This program element is not considered to be viable in the current location, but an expanded amenity mix and increased employment core may make it a more viable location. Accessibility from I-205 and I-84, combined with transit service to the airport and CBD would be marketable.

The matrix includes an assessment of the Gateway Education Center, which is a non-market driven use but also one that we see as generally supportive of increasing the intensity of development in the area.

The district's current entitlement structure is an obstacle to new development, as required densities and associated development forms are not supported by the achievable rents in the district at this time. If additional development is to be realized, it will likely require flexibility with interpretation of the existing entitlements.


IG2
N.E. HALSEY ST.
IG2b
IG2
N.E. 92ND AVE.
U.S. HWY. I-84
R5
OS
N.E. WEIDLER ST.
HALSEY ST.
CXd
GATEWAY PLAN DISTRICT
CXd
99TH AVE.
N.E. MULTNOMAH ST.
R1a
CXd
OS
CXd
102ND AVE.
R2a
N.E. PACIFIC ST.
RXd
R1d
N.E. OREGON ST.
R1a
93RD AVE.
94TH AVE.
91ST AVE.
OS
N.E. IRVING ST.
N.E. IRVING ST.
100TH AVE.
CXd
R2a
R1a
RXd
R2a
GATEWAY PLAN DISTRICT
NOTE: Zoning designations are subject to change; verify zoning prior to development or sales.
R10 Current Zoning
(R10) Maximum Potential Zoning as per Comprehensive Plan
State ID Map Boundary
Plan District Boundary
Historic or Conservation District or N.R./M.R. Boundary
Zoning Line
08-05-2006
10 - 2005
NE 1/4 SEC. 33 - 1N - 2E
CITY OF PORTLAND
BUREAU OF PLANNING
2940

URBAN DESIGN ANALYSIS



CURRENT ZONING SUMMARY

The study area is primarily zoned CX (Central Commercial) zone with the Gateway Plan District overlay (see appendix for zoning map)

The Central Commercial (CX) zone is intended to provide for commercial development within Portland's most urban and intense areas. A broad range of uses is allowed to reflect Portland's role as a commercial, cultural and governmental center. Development is intended to be very intense with high building coverage, large buildings, and buildings placed close together. Development is intended to be pedestrian-oriented with a strong emphasis on a safe and attractive streetscape.

Gateway Plan District (GA) overlay zone
The Gateway plan district provides for an intensive level of mixed-use development including retail, office, and housing to support light rail transi t stations and the Regional Center at Gateway. This is accomplished by:
Encouraging new development and expansions of existing development to promote the district's growth and light rail transit ridership;
Promoting compatibility between private and public investments along the light rail system through building design and site layout standards which provide safe, pleasant, and convenient access for pedestrians to the light rail transit station; and
Requiring that new development and expansions of existing development create attractive and convenient facilities for pedestrians and transit patrons to visit, live, work, and shop.

ZONING DEVELOPMENT STANDARDS SUMMARY

Max FAR: 8 to 1; 6 to 1; 4 to 1; 3 to 1 (see appendix for map)
Min FAR: 1 to 1; 1.5 to 1 (see appendix for map)
Max height: 75ft
Building coverage: no limit
Required parking: none
Min landscape area: none
Ground floor window standards: required
Enhanced pedestrian streets: required

- Zero setback for 75% of lot line or 12ft if sidewalk extended.
- Ground floor active uses reqd along 50% of building

FIRST IMPRESSIONS

Where is it?

Despite the excellent location, lying immediately adjacent the intersection of the I-205, US-30 and I-84 freeways, vehicular access to the actual Gateway dist¬rict is challenged by the freeway interchange itself with its limited signage and somewhat concealed off-ramp. Currently only one sign indicates that the Gateway District off-ramp is approaching. Once on the ramp drivers are jettisoned east down the one way couplet of Halsey Street and typically pass through Gateway district in seconds.

The Gateway District is also challenged in terms of understanding where it's boundaries and center are. It's identity and image is difficult to define. The Halsey and Weidler couplet has the potential to be perceived as a historic or cultural core but lacks building consistency or strong identifiers. The shopping center retail outlet, while providing the main economic activity of the district, also offers very little in terms creating a distinguishable district identity or creating a town center. Previous retail owners created the Gateway Arch for this very reason - to create a visual identifier due to lack of urban identity. The Gateway arch has long since gone but the idea is still toyed with by the city in it's signage branding campaign.

The introduction of light rail and the transit center in Gateway brought obvious benefits of increased pedestrian mobility and connections to Portland, Clackamas, Gresham and the airport. However, the increase in physical redevelopment has been modest. The Oregon Clinic has been the single major redevelopment in the area. 102nd Ave street has been improved with street trees and new sidewalks but little redevelopment has followed.

The increase in pedestrian activity generated by a transit center usually prompts redevelopment around it but the actual location of the transit station has given limited redevelopment opportunities. The transit station was positioned at the edge of the district bounded on one side by I-205 on the west and the shopping center to the east.

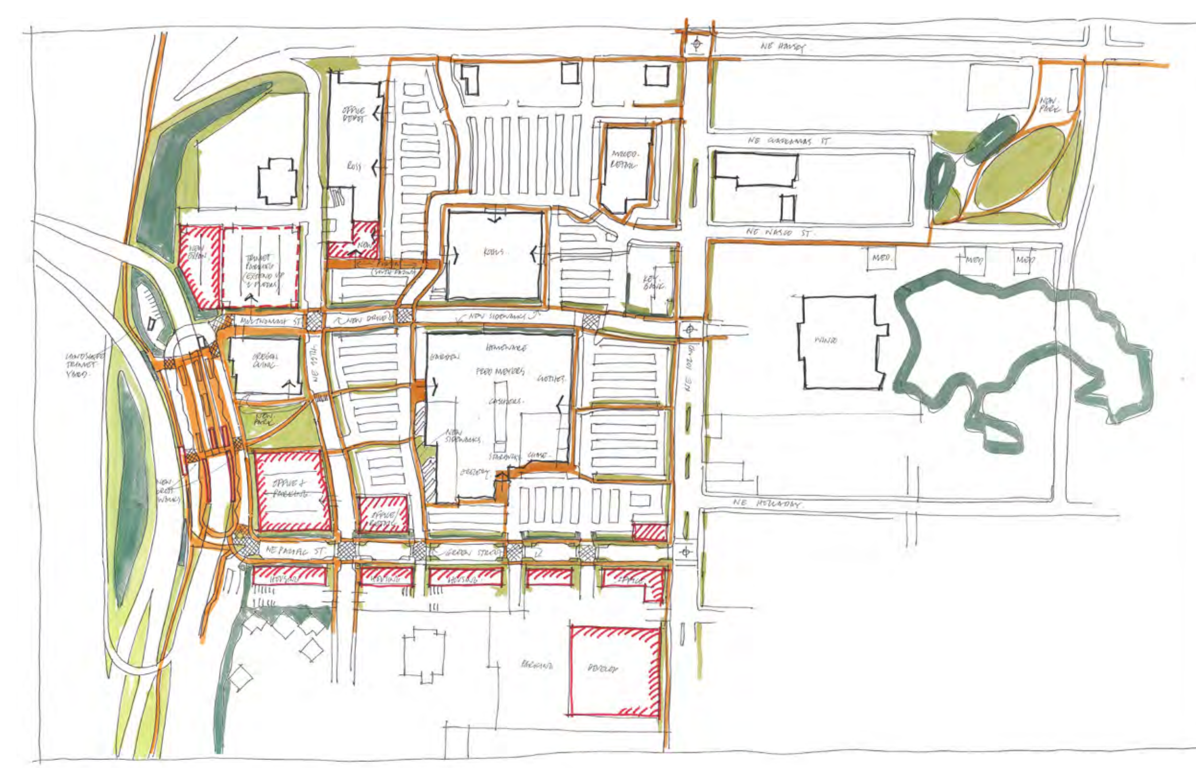
The Pedestrian Experience and first impressions

For passengers alighting from the light rail and proceeding on foot or bicycle into the district or beyond the pedestrian experience is poor and has many deficiencies. The image and perception of the Gateway district for many is formed by this pedestrian experience leaving the transit center.

The transit center consists of platforms and tracks surrounded by a large bus terminal loop. Ground surfaces of pedestrian walkways, the bus parking areas and bus driveway loop are all mainly concrete and extensive. There is minimal soft landscaping and no evidence of a landscape strategy or design. A multi modal bicycle and foot path and a chain link fence separates the freeway and bus loop is also concrete and has no other features except three poles representing art involvement. The outlook across the freeway interchange is generally bleak.

Alighting passengers head to the north end of the platform where there is the only crosswalk over the bus loop. Unfortunately further north on axis is a Trimet utility yard area with unscreened dumpsters and trimet's own truck random parking.

Crossing the bus loop the view is a large storage room window of the Oregon Clinic. Most pedestrians continue along Multnomah Street which is characterized by the loading dock of the Oregon clinic and the vehicle entry black holes of the trimet structured parking garage. There is also a noticeable prevalence

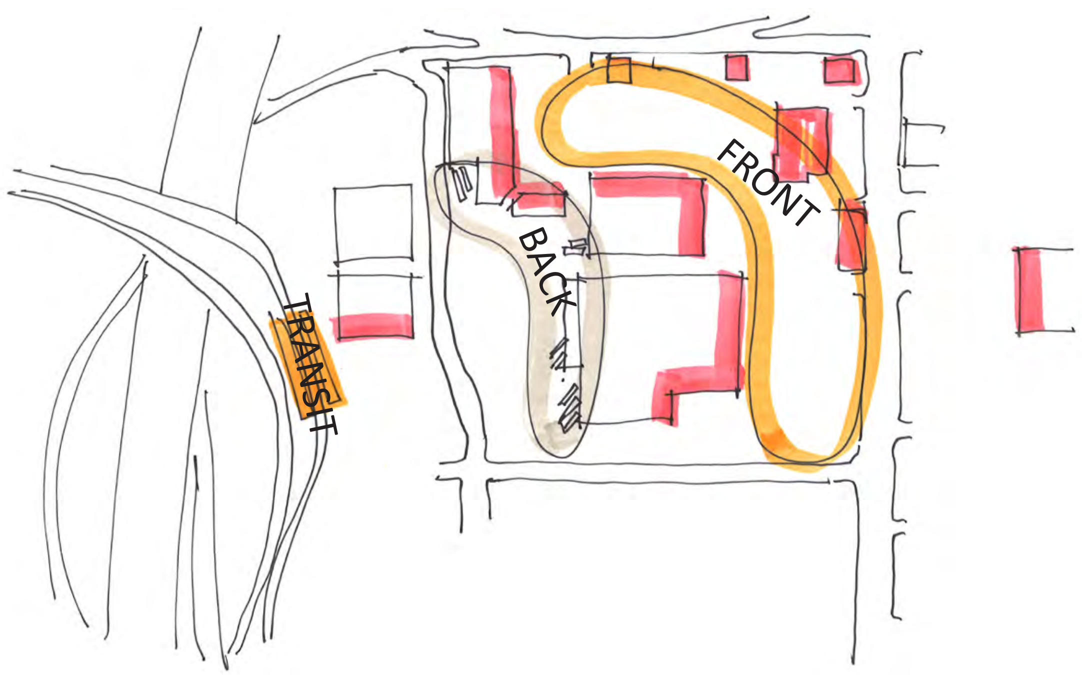


of negative signage such as no parking and no smoking and restrictive bollards and chain railings which generally creates an atmosphere of mistrust and hostility. At 99th Ave passengers are faced with the shopping center parking lot and no defined pedestrians routes and beyond looking at the loading docks of all the retail stores. They then typically head in all directions randomly across the parking lots. Here lies the origin of the fundamental urban design problem of the Gateway District. The shopping center development was original oriented towards the north and east (Halsey and 102nd Ave) with retail fronts and entries facing those streets and loading bays on the rear facing 99th Ave. The recent transit center was located at the rear of the shopping center resulting in transit users essential entering Gateway through the 'back door'

The retail store designs are still confused and have not fully acknowledged this new front. Fred Meyers has made efforts to address this but it's loading docks and truck manouvering areas still pose a visual and physical problem for pedestrians.

Transit users awaiting pickup by car form family or friends seem to wait on 99th Ave on the east side of the Oregon Clinic. Pacific and Multnomah dead end at the transit center but the turnaround is difficult and generally feels un welcome and not encouraged. 99th therefore effectively becomes the public front of the transit center but with little formal pedestrian and vehicular connection.

Traversing the shopping center on foot is also a poor experience. Most centers and malls are the similar – we love the convenience but hate the pedestrian experience. Gateway shopping center lacks a cohesive understandable layout for pedestrians and drivers and is a product of a series of separately conceived retail box developments.
The driving experience is similarly poor. Enter the area on 99th from the off ramp drivers are facing the blank back of stores and loading docks. Enter further along Halsey and driver face the fronts but the main driveway awkwardly turns and bottlenecks through to the backs again with no clear hierarchy of vehicle circulation around the shopping center superblock. Pacific Street on the south also feels like the back door since it is undeveloped and has no sidewalks.



Easement agreements and constraints

The current shopping center easement agreements discussed with Pactrust impose many complex and different requirements on the properties and have the general effect of making redevelopment difficult.
Parking count quotas and development restrictions overlay most of the parking lot areas and hinder redevelopment. The concepts for development shown later have utilized areas that are currently minimally parked and would open up the bottleneck and present a new frontage to 99th Ave.

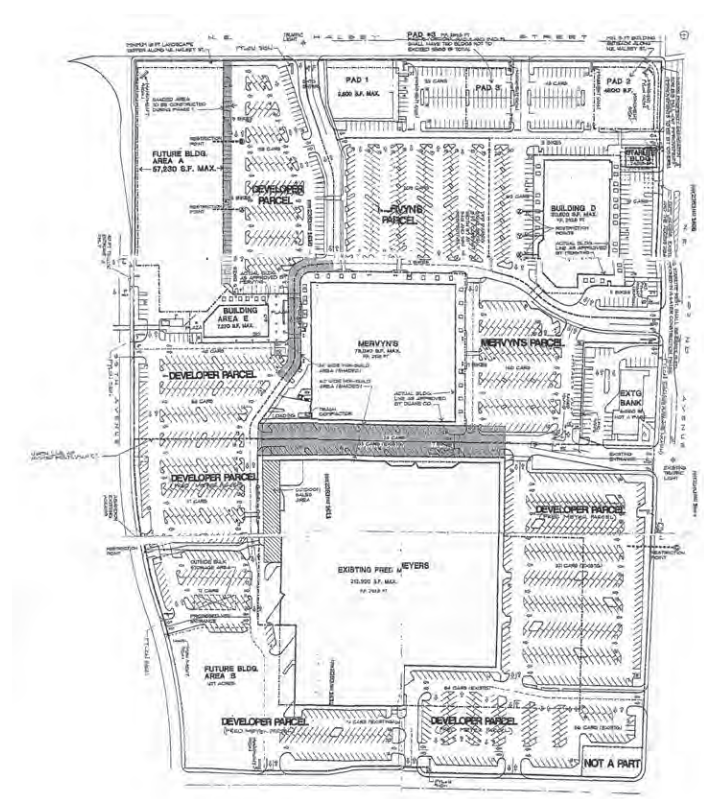
Halsey and Weidler Couplet

Halsey and Weidler are challenged as attractive pedestrian streets since traffic moves through them so fast. Parallel parking is limited and difficult to do with the speed of traffic. Crossing Halsey as a pedestrian is difficult. The cross streets are also poorly defined and have the effect of creating a superblock and barrier between north and south. The economic success of the commercial and retail properties along Halsey and Weidler would obvious benefit from slowing cars so drivers could stop and park and introducing crosswalks and curb extensions so pedestrians could safely and easily walk the neighborhood.

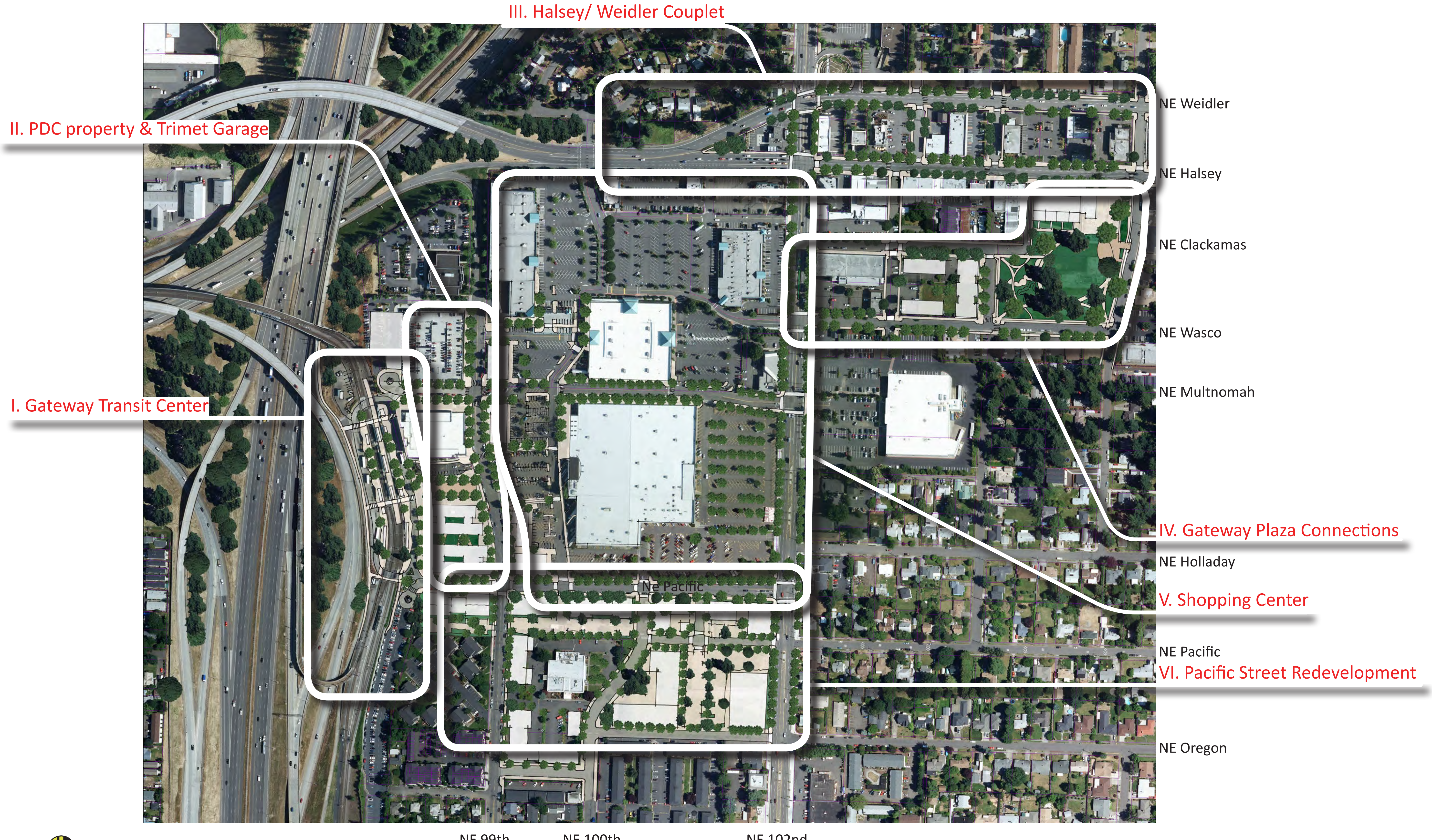
The existing Halsey commercial and retail developments are a mix of building types and styles but do have a slight retro 50's /60's drive-in character. While not a usual historic base to build an identity, the character and style could be developed and enhanced to create a unique district identity. The existing drive through retail parking is so ubiquitous that perhaps it could be enhanced with signage, lighting and storefronts to develop an almost retro "American Graffiti" character. Easy on-street parking combined with a more pedestrian oriented emphasis could be the areas strength.

Gateway Plaza Park Connections

For the future planned Gateway Plaza park or any park to be successful as a park and an integrated hub of a neighborhood it requires integrated connections to the surrounding neighborhood and requires positive enclosure with buildings offering 'eyes on the street' and activate the edges. The concepts shown later flank the park new mid-rise apartment developments on the west and north. Clackamas and Wasco streets are proposed to be improved with street trees and curb extensions to create an improved pedestrian oriented district and further engage the north, south east and west districts of Gateway.



STUDY FOCUS AREAS



I. GATEWAY TRANSIT CENTER

i. Gateway Transit Center: as existing aerial view

New comprehensive landscape plan for freeway interchange. Large firs would enhance and strengthen Gateway/ Rocky Butte identity, create symbolic eastern gateway to Portland.

New landscaping and screening around Trimet utility yard.

New landscape plan for west edge to buffer freeway, create enclosure and enhance bike path. New bike path wayfinding signage and improved lighting. New seating along path

Red noted features denote public finance incentive opportunity

New North Plaza/ vehicle turn-around for passenger drop off / pickup. Quasi pedestrian/vehicle paver surfaces with central sculpture/marker

New pedestrian friendly guardrails, bollards and fixtures.

New landscape plan for platforms and sidewalks around transit center

New concession stand with improved visibility and exposure

New cross walk at platform south end and improved sidewalks for a more pedestrain oriented transit center.

New large bike parking shelters to promote bike and ride. Layout and design part of coherent comprehensive plan.

New South Plaza/ vehicle turn-around for passenger drop off / pickup. Quasi pedestrian/vehicle paver surfaces with central sculpture/marker

II. PDC PROPERTY & TRIMET GARAGE

Improve pedestrian and driver experience along Multnomah Street. solve awkward turn around and redesign barriers and surfaces .

Include the New North Plaza/ vehicle turnaround for passenger drop off /pickup in Multnoma street improvements. Quasi pedestrian/ vehicle paver surfaces with central sculpture/marker

Include the new south Plaza/ vehicle turnaround for passenger drop off /pickup. Quasi pedestrian/ vehicle paver surfaces with central sculpture/marker

Red noted features denote public finance incentive opportunity

Extend existing Park and Ride garage to west side.

Add two addtional floors to existing garage and relocate oregon clinic parking in parking structure.

New hardscaped public plaza extending transit center to 99th ave. and giving center a formal visible street frontage.
Plaza to serve as flexible event space and improve safety. Relocate clinic drop off and parking

Medical class A office development. Possible location for Gateway Education Center.
Potentially phased block design for incremental development.
Articulated frontage with widened sidewalks to promote interactive active use ie. ground floor cafes.
Flexible and robust mixed use ground floor space.

99th Ave developed on both sides of street to create as active urban enclosure. Possible internal enclosure within block.

Highly efficient north -south oriented solar responsive office design

III. HALSEY/ WEIDLER COUPLET

NE 102nd

NE Halsey St

NE Weidler St

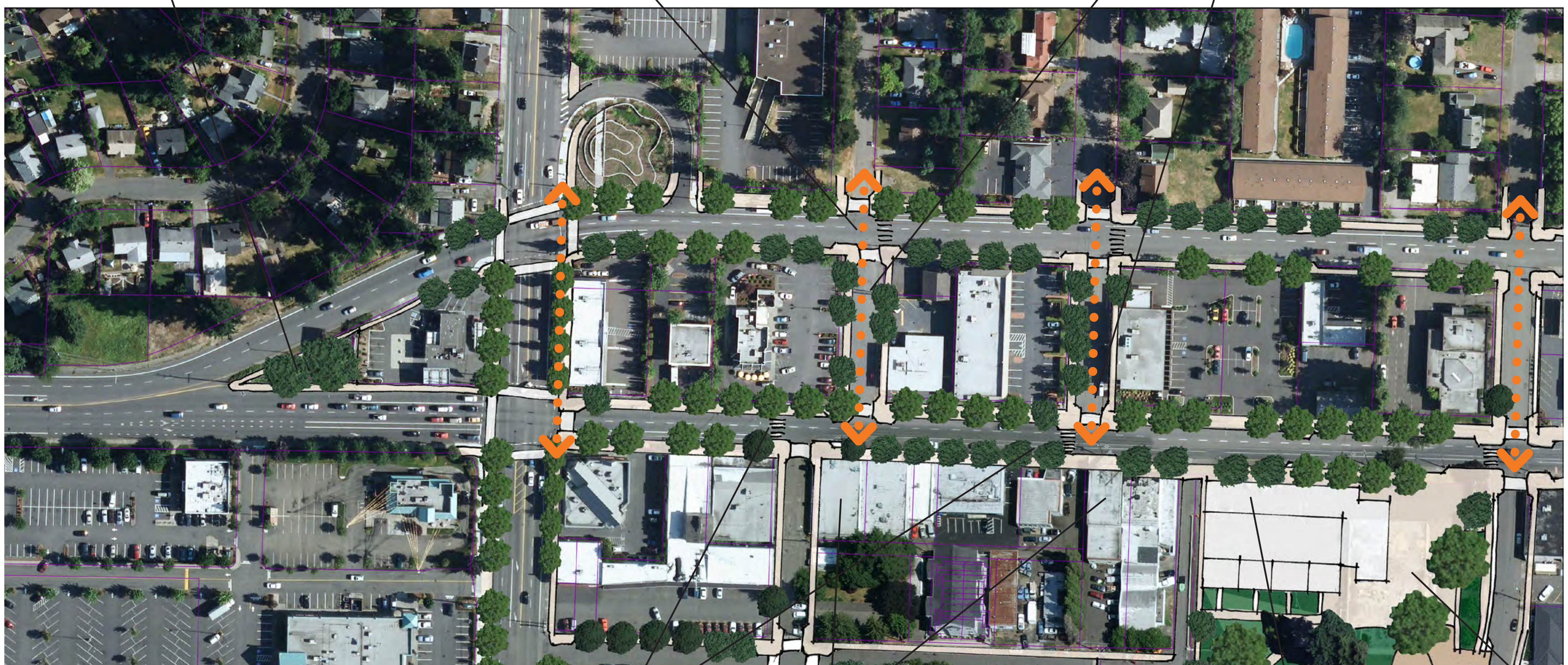
New landscaped triangle as entry identifier. Large firs would enhance and strengthen Gateway/ Rocky Butte identity, and create symbolic entry to Gateway. Currently the gateway entry sign is dwarfed by the Arco gas station billboard.

New street improvements to reduce traffic speed, improve safety, and enable drivers to stop and park easier. Add curb extensions and street trees.

North south cross streets improved and emphasized to break existing long couplet and reduce urban grain to pedestrian scale. Add curb extensions and street trees.

NE 102nd

NE 106th



NE Weidler St

NE Halsey St

Improve pedestrian cross walks on all streets

Promote storefront improvement program to enhance neighborhood commercial character ie. 'american graffitti' drive-in style with pedestrian/sidewalk emphasis.

New commercial development

New Gateway Plaza

Red noted features denote public finance incentive opportunity

IV. GATEWAY PLAZA CONNECTIONS

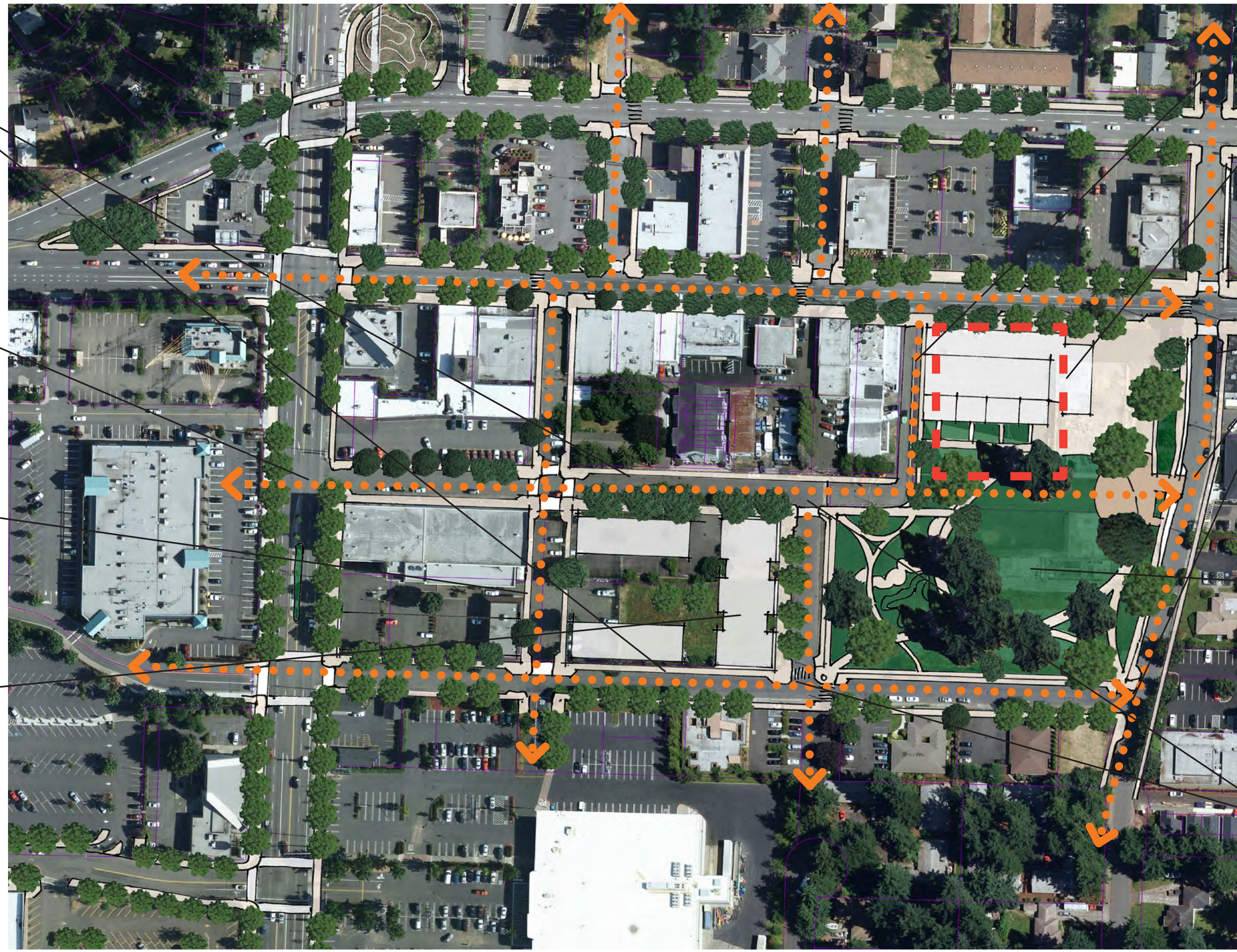

NE 102nd
NE 103rd
NE 104th
NE Wasco
NE Clackamas
NE Halsey

New street improvements, sidewalk and street trees, to enhance pedestrain routes along NE Wasco Street and NE Clackamas

New crosswalk and pedestrian operated traffic signal

New private pedestrian accessway with pedestrian street character

Potential housing development oriented toward future Halsey Park would provide a safer and more vibrant park.
5 over 1 type housing project probably most viable.



Widen proposed alley and create better pedestrian oriented accessway and convenient retail parking

Future mixed use commercial development. Orientate retail to north and east frontage, but south needs strong residential frontage to anchor and frame park. (dash shows alternative footprint)

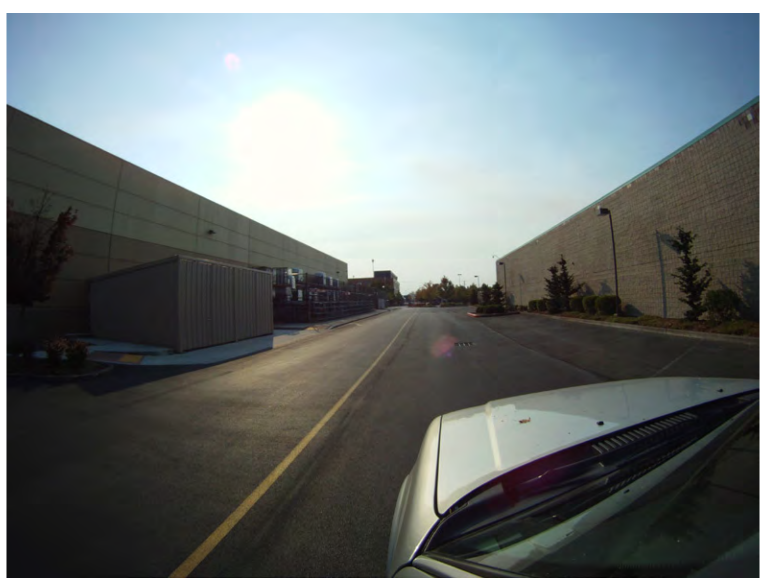
Curb extensions to reduce traffic speed and improve pedestrian safety on NE 106th

Proposed New Halsey Park

New curb extensions at junctions of NE 103rd and NE 104th

Red noted features denote public finance incentive opportunity

V. SHOPPING CENTER



Add shopping center / Gateway entry signage and improve landscaping /first impressions.

Screen existing loading and dumpsters.

Remove existing retail unit leg to open up site, provide views through, and remove trafffic bottleneck.
Relocate units on 99th ave pads

New cross walks and curb extensions to slow traffic improve pedestrian experience and safety.

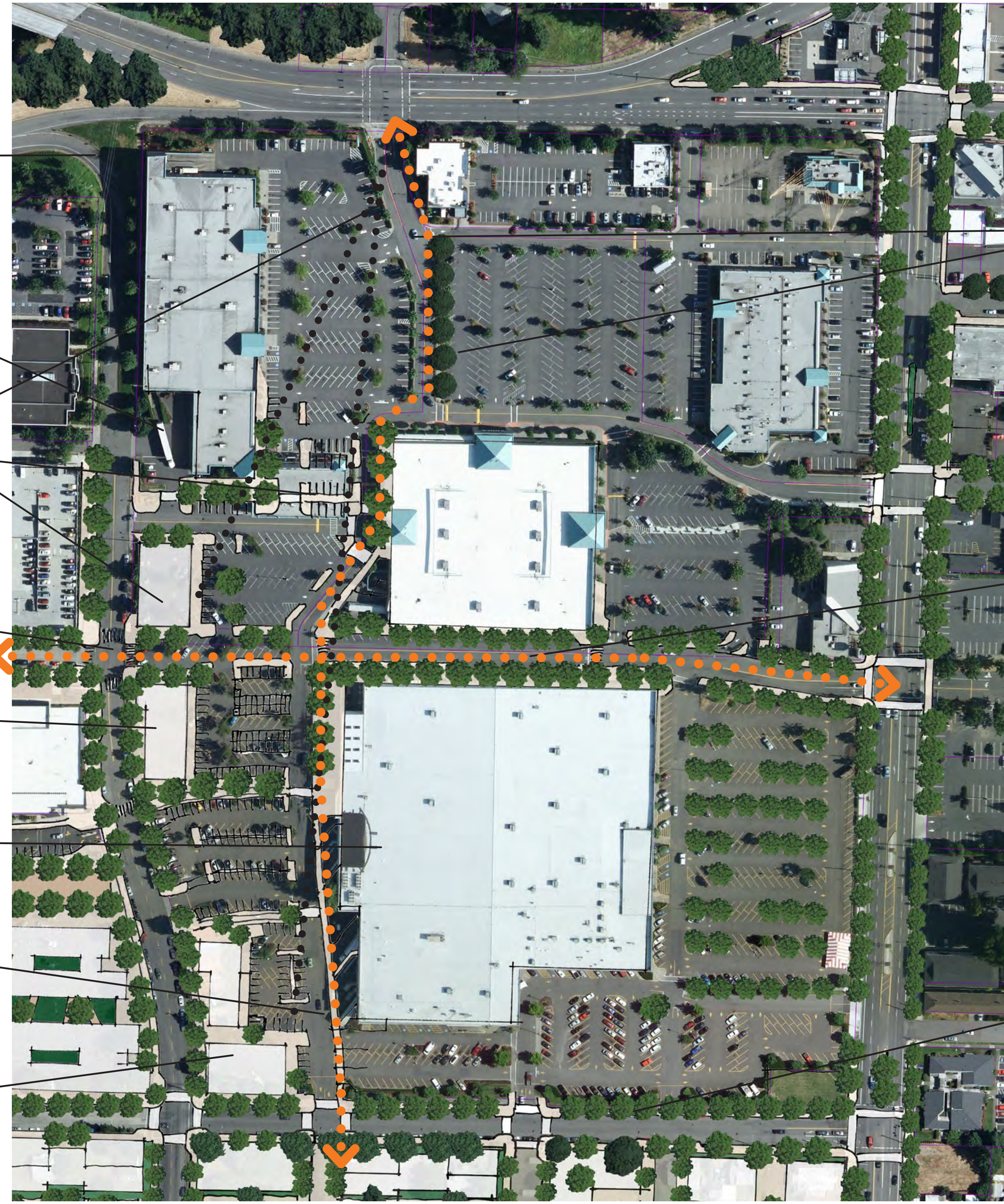
Potential future retail pad

Maintain views to Fred Meyers entry

Add new sidewalk/ pathways to better define pedestrian realm and emphasis

Potential future retail pads on less used parking areas.

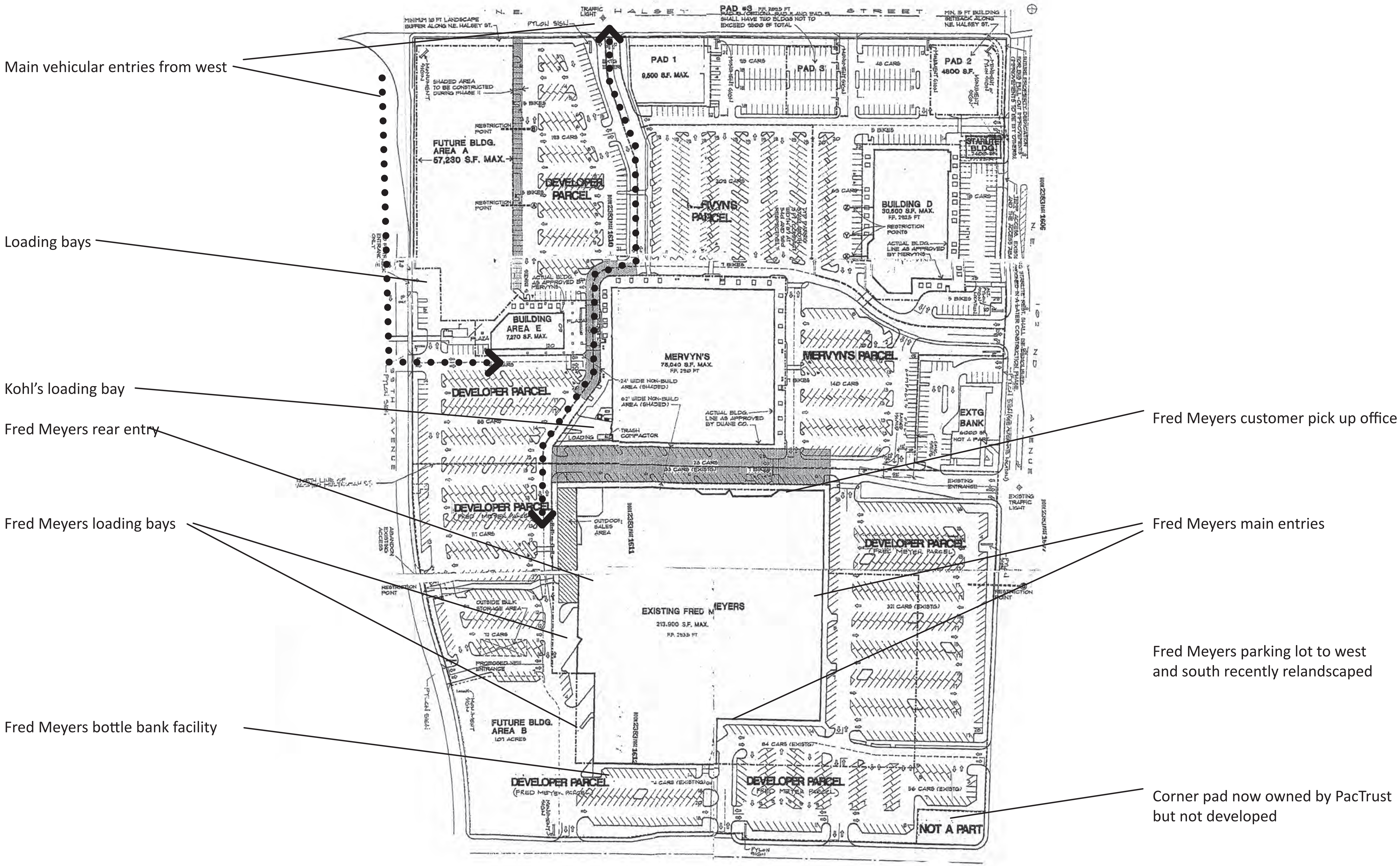
Red noted features denote public finance incentive opportunity



Improve pedestrian sidewalks/ pathways generally across north end of site.

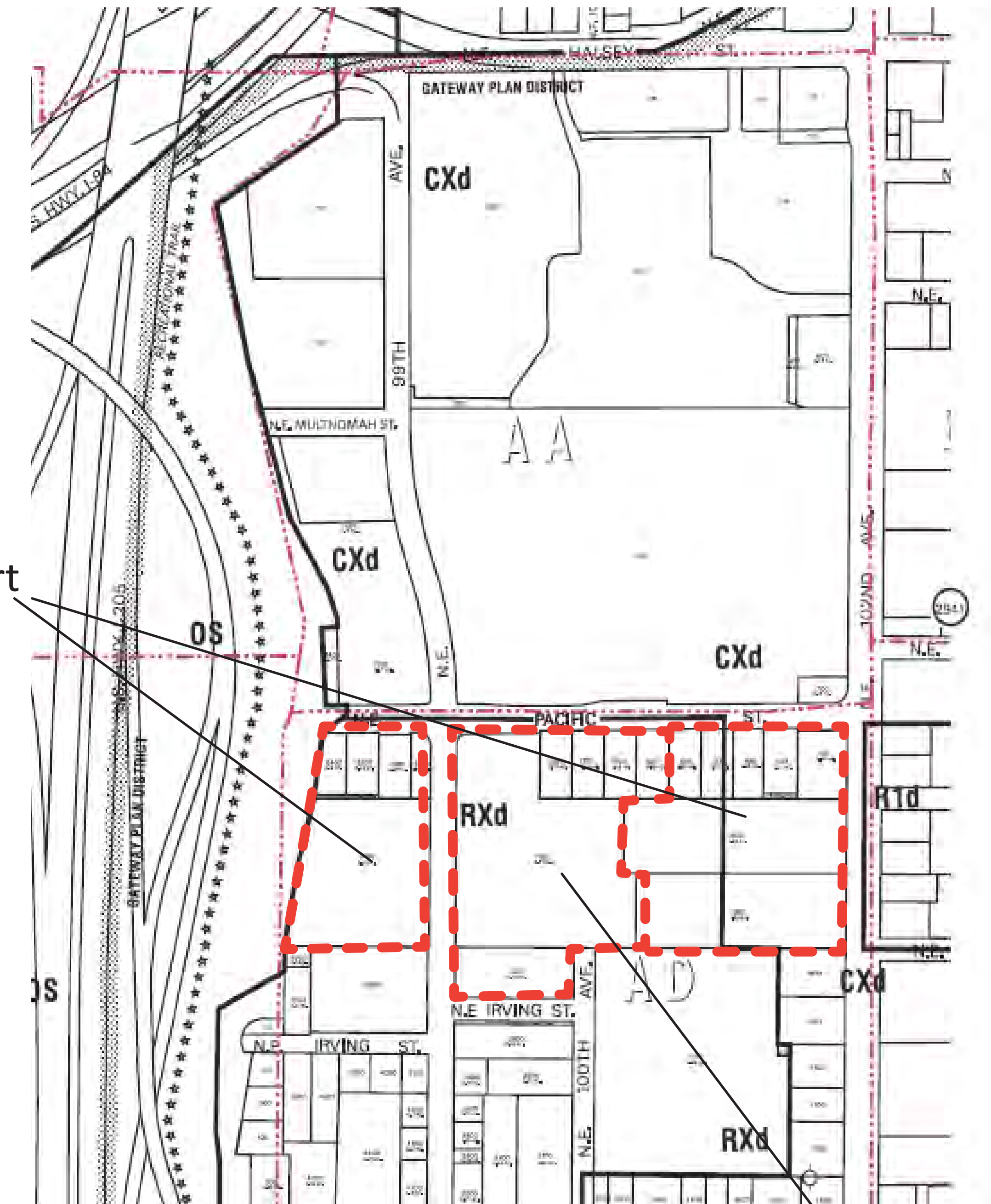
Improve site legibility by improving main east west mid block accessway. Maintain private ownership but add sidewalks and street trees to create safe pedestrian and bicycle oriented alternate route through and around the shopping center

Add new sidewalks and curb extensions, and bicycle lanes, along Pacific Street.


Main vehicular entries from west
Loading bays
Kohl's loading bay
Fred Meyers rear entry
Fred Meyers loading bays
Fred Meyers bottle bank facility
Fred Meyers customer pick up office
Fred Meyers main entries
Fred Meyers parking lot to west and south recently relandscaped
Corner pad now owned by PacTrust but not developed
N.E. HALSEY STREET
PAD 1
PAD 2
PAD 3
FUTURE BLDG. AREA A 57,230 S.F. MAX.
DEVELOPER PARCEL
MERVYNS PARCEL
BUILDING D
BUILDING AREA E
MERVYN'S
MERVYN'S PARCEL
EXTG BANK
EXISTING FRED MEYERS 213,900 S.F. MAX.
FUTURE BLDG. AREA B
NOT A PART

VI. PACIFIC STREET REDEVELOPMENT

Gilbert



Elks

New Plaza/ vehicle turnaround for passenger drop off /pickup. Quasi pedestrian/vehicle paver surfaces with central sculpture and terminus to Pacific Street

Housing developments with partial commercial ground floor uses.

Potential housing developments

Extend NE 100th to Pacific Street

New sidewalks, curb extensions, and street trees to improve pedestrian and bicycle experience and safety.

NE Pacific Street

Retail / restaurant pads. with smaller pedestrian scaled street

Retail development or potential cinema complex with surface parking

NE Oregon Street

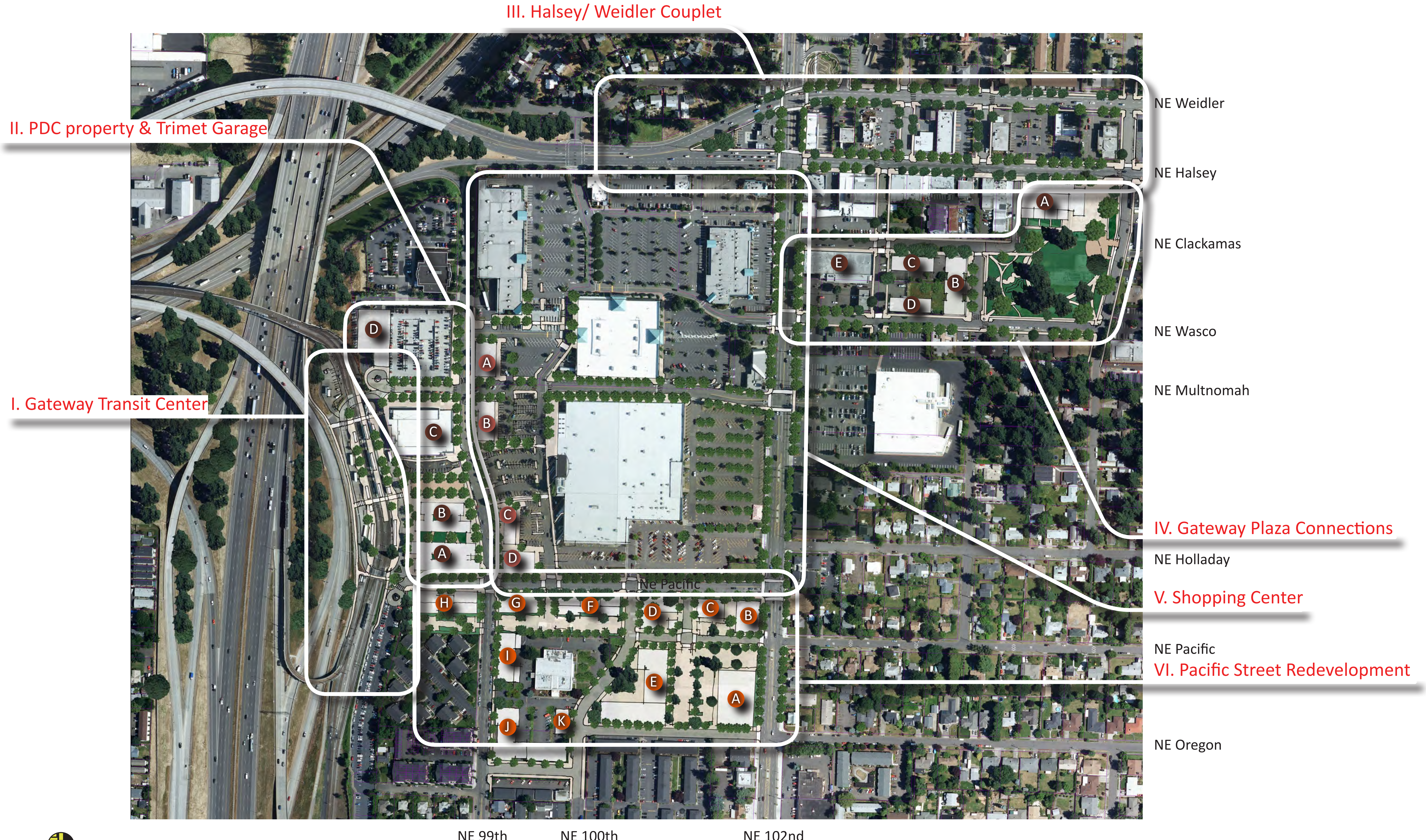
Improve accessway and existing housing frontages

NE 99th NE 100th NE 102nd

Red noted features denote public finance incentive opportunity

CONCEPT OVERVIEW

CONCEPTUAL COST ESTIMATE

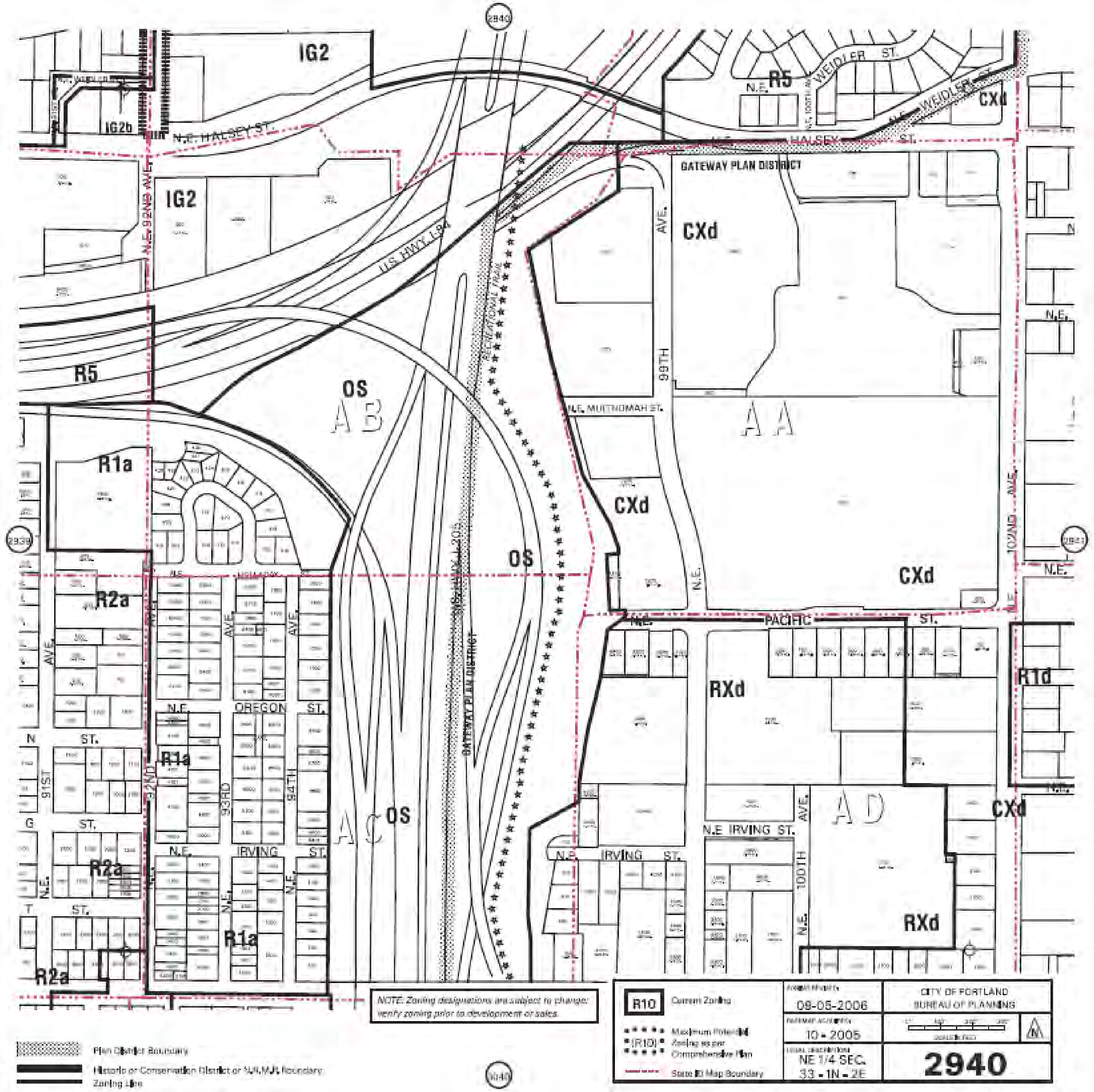


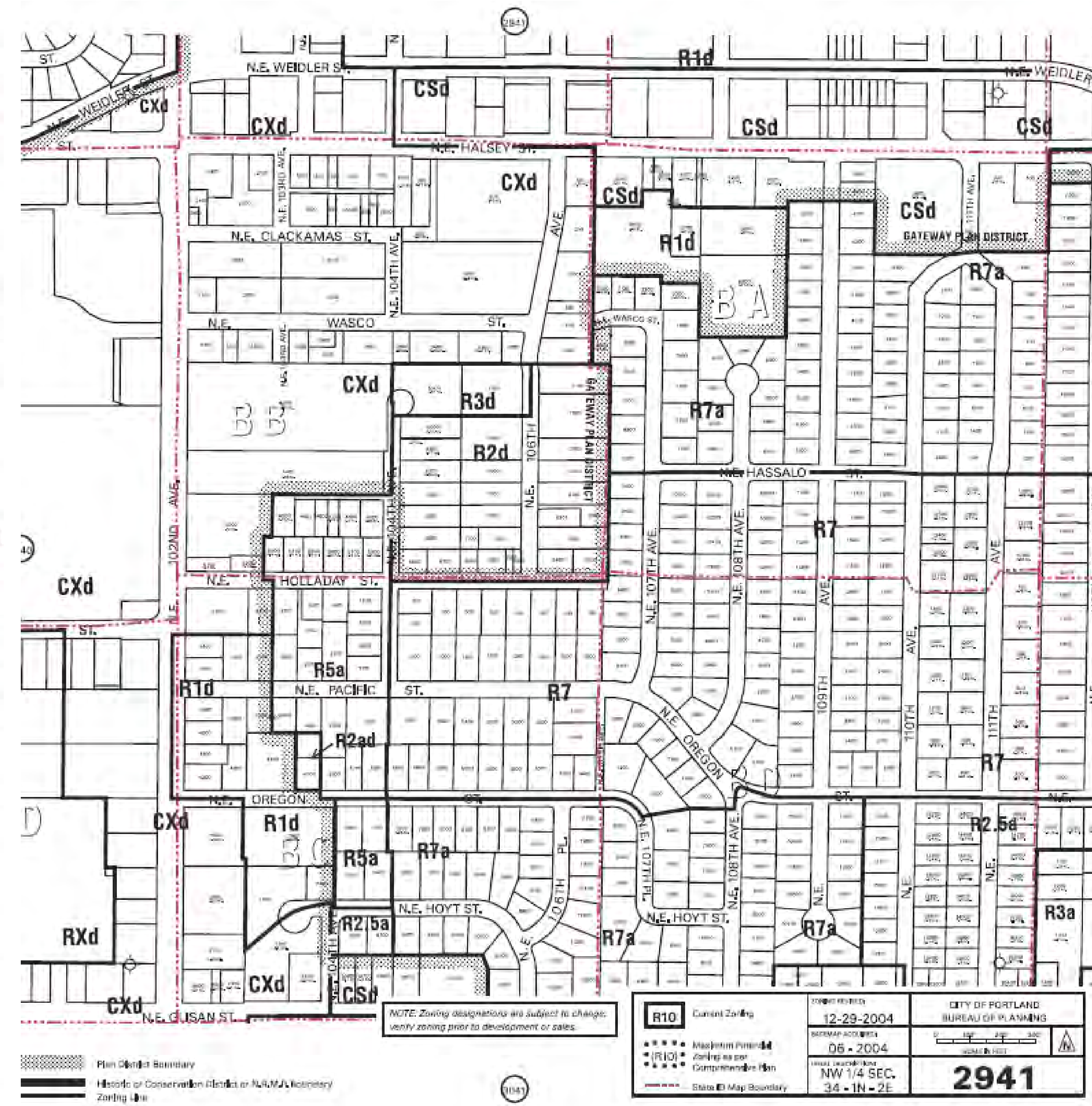
	Focus area	floorplate gross area	#floors	#	gross area	hardcost/sf	hardcost estimate	linear feet	sitework area	sitework cost/sf	sitework cost	conceptual construction cost estimate total	total project hard & soft cost factor	conceptual project estimate	notes
I	**Gateway Transit Center**											-			
	bike shelters (60 x15)	900		2	1800	75	135,000					**135,000**	1.5	202,500	
	trimet /multi modal shelters	200		2	400	75	30,000					**30,000**	1.5	45,000	
	merchant kiosk/ café	300		1	300	150	45,000					**45,000**	1.5	67,500	
	trimet yard structures	500		1	500	100	50,000					**50,000**	1.5	75,000	
	public toilets	100		2	200	150	30,000					**30,000**	1.5	45,000	
	ODOT hwy intersection tree planting										250,000	**250,000**	1.5	375,000	
	hard/ soft landscape site work								108,000	3	324,000	**324,000**	1.5	486,000	crosswalks, multimodal, some sidewalks
	trimet yard improvements								30,000	10	300,000	**300,000**	1.5	450,000	surface parking lot , screens
	north street turnaround								12,000	15	180,000	**180,000**	1.5	270,000	sidewalks, street, crosswalks
	south street turnaround								12,000	15	180,000	**180,000**	1.5	270,000	sidewalks, street, crosswalks
	total				3,200		**290,000**				**1,234,000**	**1,524,000**	1.5	**2,286,000**	
II	**PDC property & Trimet Garage**														
	medical office A -upper	19,000	5		95,000	250	23,750,000					**23,750,000**	1.5	35,625,000	
	medical office A -gf	14,000	1		14,000	250	3,500,000					**3,500,000**	1.5	5,250,000	
	retail shell A-gf	5,000	1		5,000	100	500,000					**500,000**	1.5	750,000	
	medical office B -upper	14,000	5		70,000	250	17,500,000					**17,500,000**	1.5	26,250,000	
	medical office B- gf	10,000	1		10,000	250	2,500,000					**2,500,000**	1.5	3,750,000	
	retail shell B- gf	5,000	1		5,000	150	750,000					**750,000**	1.5	1,125,000	
	garage extra 2 floors	50,000	2		100,000	100	10,000,000					**10,000,000**	1.5	15,000,000	
	garage addition	10,000	5		50,000	100	5,000,000					**5,000,000**	1.5	7,500,000	
	plaza								34,500	15	517,500	**517,500**	1.5	776,250	
	sitework								20,000	15	300,000	**300,000**	1.5	450,000	
	pacific half street improvement							250		350	87,500	**87,500**	1.5	131,250	
	102nd half street improvement							400		350	140,000	**140,000**	1.5	210,000	
	total						**63,500,000**					**64,545,000**		**96,817,500**	
III	**Gateway Plaza Connections**														
	hasley park retail shell A	8,000	1		8,000	100	800,000					**800,000**	1.5	1,200,000	
	apartments A- gf	8,000	1		8,000	130	1,040,000					**1,040,000**	1.5	1,560,000	
	apartments A- upper (5 over 1)	16,000	5		80,000	130	10,400,000					**10,400,000**	1.5	15,600,000	
	apartment B (4 story)	14,000	4		56,000	130	7,280,000					**7,280,000**	1.5	10,920,000	
	apartments C (4 story)	7,000	4		28,000	130	3,640,000					**3,640,000**	1.5	5,460,000	
	apartments D (4 story)	7,000	4		28,000	130	3,640,000					**3,640,000**	1.5	5,460,000	
	sitework ABC								26,000	10	260,000	**260,000**	1.5	390,000	
	Clackamas street improvements							770		700	539,000	**539,000**	1.5	808,500	sidewalks, curb extensions, street trees
	Wasco street improvements							1050		700	735,000	**735,000**	1.5	1,102,500	sidewalks, curb extensions, street trees
	104th street improvements							220		700	154,000	**154,000**	1.5	231,000	sidewalks, curb extensions, street trees
	103rd street improvement							220		700	154,000	**154,000**	1.5	231,000	sidewalks, curb extensions, street trees
	total						**26,800,000**				**1842000**	**28,642,000**		**42,963,000**	

Focus area		floorplate gross area	#floors	#	gross area	hardcost/sf	hardcost estimate	linear feet	sitework area	sitework cost/sf	sitework cost	conceptual construction cost estimate total	total project hard & soft cost factor	conceptual project estimate	notes
IV	**Halsey/ Weidler Couplet**														
	storefront improvements			20		20,000	400,000					**400,000**	1.5	600,000	
	halsey street improvements							1,000		700	700,000	**700,000**	1.5	1,050,000	sidewalks, curb extensions, street trees
	weidler street improvements							1,000		700	700,000	**700,000**	1.5	1,050,000	sidewalks, curb extensions, street trees
	103rd street improvements							200		700	140,000	**140,000**	1.5	210,000	sidewalks, curb extensions, street trees
	104th street improvements							200		700	140,000	**140,000**	1.5	210,000	sidewalks, curb extensions, street trees
	106th street improvements							200		700	140,000	**140,000**	1.5	210,000	sidewalks, curb extensions, street trees
	west entry triangle								4,500	15	67,500	**67,500**	1.5	101,250	trees and landscape
	total						**400,000**				**1,887,500**	**2,287,500**		**3,431,250**	
V	**Shopping center**														
	retail shell A	8000	1		8000	100	800,000		10000	10	100,000	**900,000**	1.5	1,350,000	
	retail shell B	8000	1		8000	100	800,000		5000	15	75,000	**875,000**	1.5	1,312,500	
	retail shell C	5000	1		5000	100	500,000		3000	15	45,000	**545,000**	1.5	817,500	
	retail shell D	8000	1		8000	100	800,000		5000	15	75,000	**875,000**	1.5	1,312,500	
	demo & remedial A								6000	25	150,000	**150,000**	1.5	225,000	
	north sitework improvements										150,000	**150,000**	1.5	225,000	
	Multnomah Street improvement							1040		700	728,000	**728,000**	1.5	1,092,000	sidewalks, curb extensions, street trees
	NE Pacific street half improvements							1,200		350	420,000	**420,000**	1.5	630,000	sidewalks, curb extensions, street trees
	internal sidewalks							400		150	60,000	**60,000**	1.5	90,000	
	total						**2,900,000**				**1,803,000**	**4,703,000**		**7,054,500**	
VI	**Pacific Street Redevelopment**														
	retail/multiscreen shell A	24,000	1		24,000	100	2,400,000		36,000		-	**2,400,000**	1.5	3,600,000	
	retail shell B	8,000	1		8,000	100	800,000		10,000	10	100,000	**900,000**	1.5	1,350,000	
	retail shell C	5,000	1		5,000	100	500,000		10,000	10	100,000	**600,000**	1.5	900,000	
	retail shell D	8,000	1		8,000	100	800,000		10,000	10	100,000	**900,000**	1.5	1,350,000	
	retail shell E	13,000	1		13,000	100	1,300,000		20,000	15	300,000	**1,600,000**	1.5	2,400,000	
	apartment E -gf	17,000	1		17,000	130	2,210,000		-		-	**2,210,000**	1.5	3,315,000	
	apartment E -upper	30,000	4		120,000	130	15,600,000		-		-	**15,600,000**	1.5	23,400,000	
	apartment F	14,000	5		70,000	130	9,100,000		23,000	10	230,000	**9,330,000**	1.5	13,995,000	
	apartment G	9,000	5		45,000	130	5,850,000		15,000	10	150,000	**6,000,000**	1.5	9,000,000	
	apartment H	14,000	5		70,000	130	9,100,000		23,000	10	230,000	**9,330,000**	1.5	13,995,000	
	apartment I	10,000	5		50,000	130	6,500,000		10,000	10	100,000	**6,600,000**	1.5	9,900,000	
	apartment J	24,000	5		120,000	130	15,600,000		16,000	10	160,000	**15,760,000**	1.5	23,640,000	
	apartment K	4,000	3		12,000	130	1,560,000		6,000	10	60,000	**1,620,000**	1.5	2,430,000	
	NE Pacific street half improvements							1,200		350	420,000	**420,000**	1.5	630,000	sidewalks, curb extensions, street trees
	NE 100th street extension							500		700	350,000	**350,000**	1.5	525,000	sidewalks, curb extensions, street trees
	NE Oregon half Street improvements							600		350	210,000	**210,000**	1.5	315,000	sidewalks, curb extensions, street trees
	total						**71,320,000**				**2,510,000**			**110,745,000**	

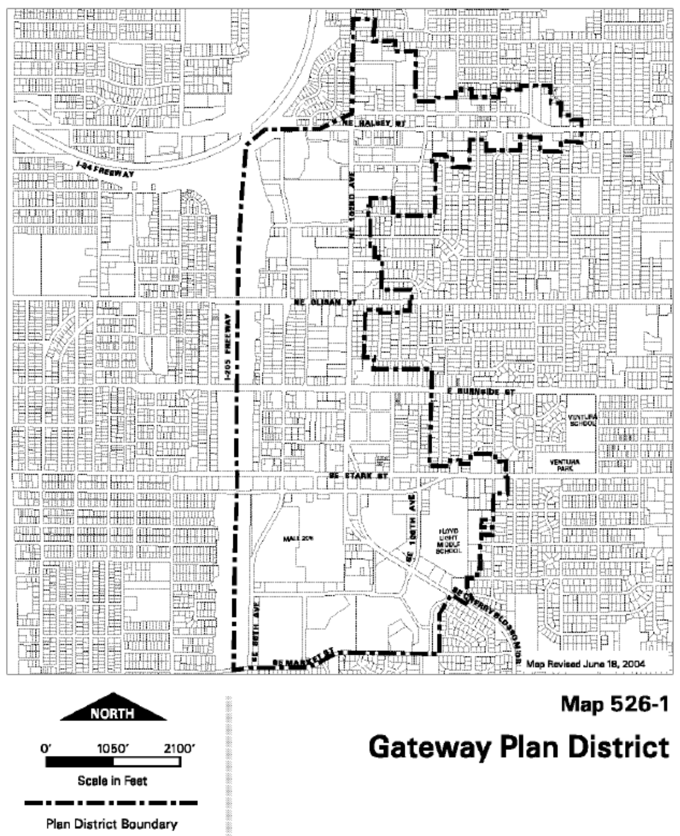
APPENDIX

ZONING

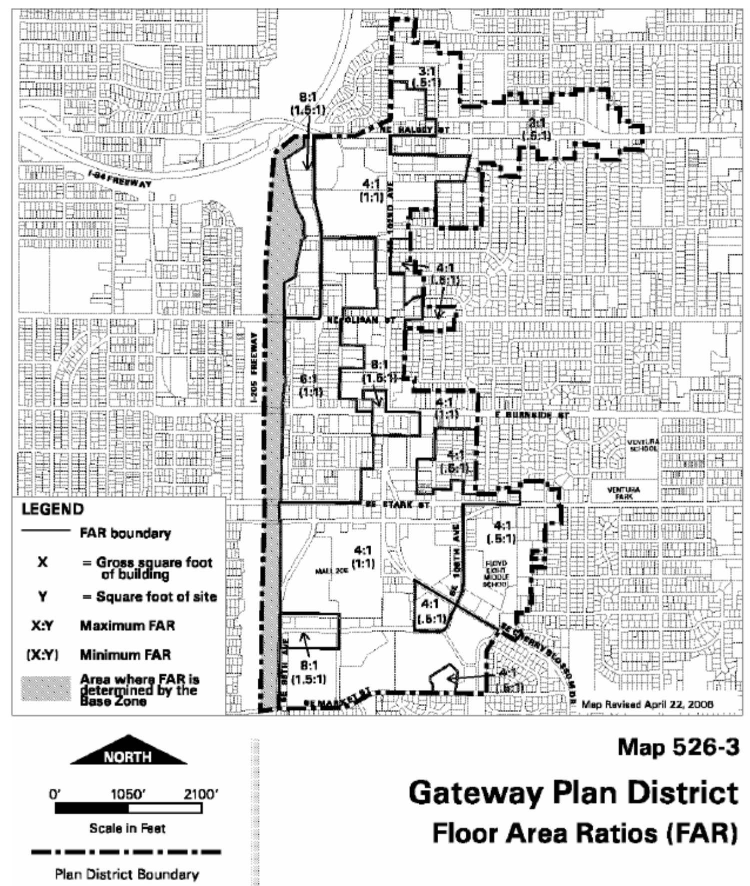

IG2
IG2b
N.E. HALSEY ST.
IG2
N.E. 92ND AVE.
US HWY I-84
GATEWAY PLAN DISTRICT
CXd
R5
OS
R1a
R2a
R1a
R2a
R1a
R2a
OS
OS
CXd
RXd
RXd
CXd
N.E. MULTNOMAH ST.
PACIFIC
OREGON
IRVING
N.E IRVING ST.
99TH
100TH
102ND AVE.
94TH
93RD
91ST
R1d
CXd
NOTE: Zoning designations are subject to change; verify zoning prior to development or sales.
R10
Current Zoning
09-05-2006
10 - 2005
NE 1/4 SEC.
33 - 1N - 2E
CITY OF PORTLAND
BUREAU OF PLANNING
2940


N.E. WEIDLER ST.
R1d
N.E. WEIDLER
CXd
CSd
CXd
CSd
CSd
N.E. HALSEY ST.
CXd
CSd
R1d
CSd
GATEWAY PLAN DISTRICT
N.E. CLACKAMAS ST.
WASCO
R7a
CXd
R3d
R2d
R7a
N.E. HASSALO ST.
R7
HOLLADAY ST.
CXd
R5a
R1d
N.E. PACIFIC ST.
R7
R2ad
OREGON
R1d
CXd
R5a
R7a
R2.5a
R7
R3a
RXd
R2.5a
N.E. HOYT ST.
R7a
R7a
CXd
CSd
CXd
N.E. GLISAN ST.
102ND AVE.
106TH
108TH AVE.
109TH
110TH
111TH
112TH
NOTE: Zoning designations are subject to change; verify zoning prior to development or sales.
R10
Current Zoning
12-29-2004
06 - 2004
NW 1/4 SEC.
34 - 1N - 2E
CITY OF PORTLAND
BUREAU OF PLANNING
2941

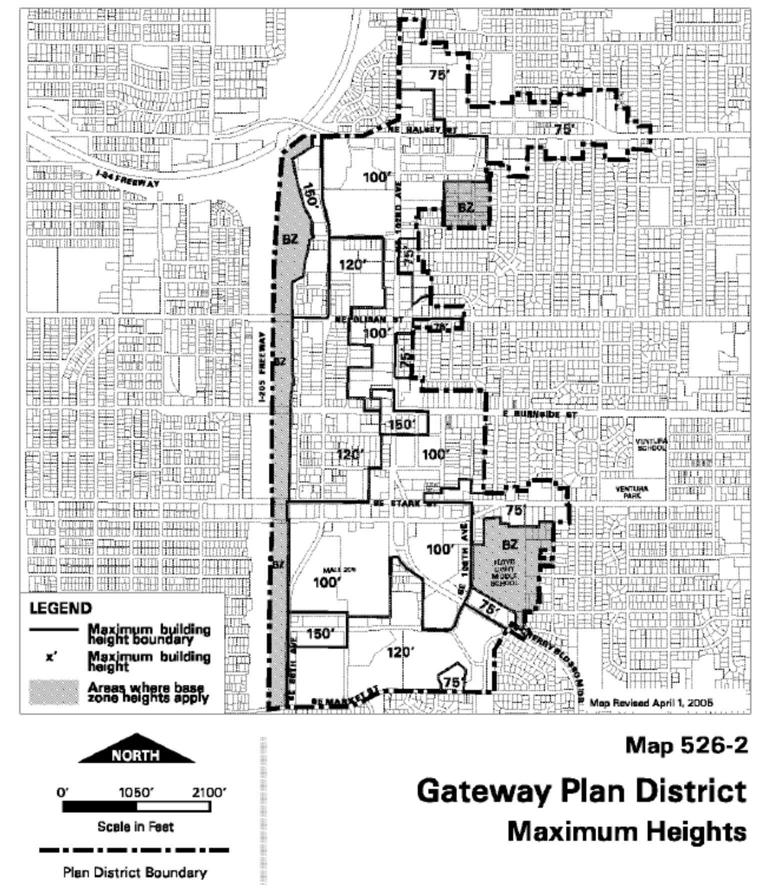
DEVELOPMENT STANDARDS



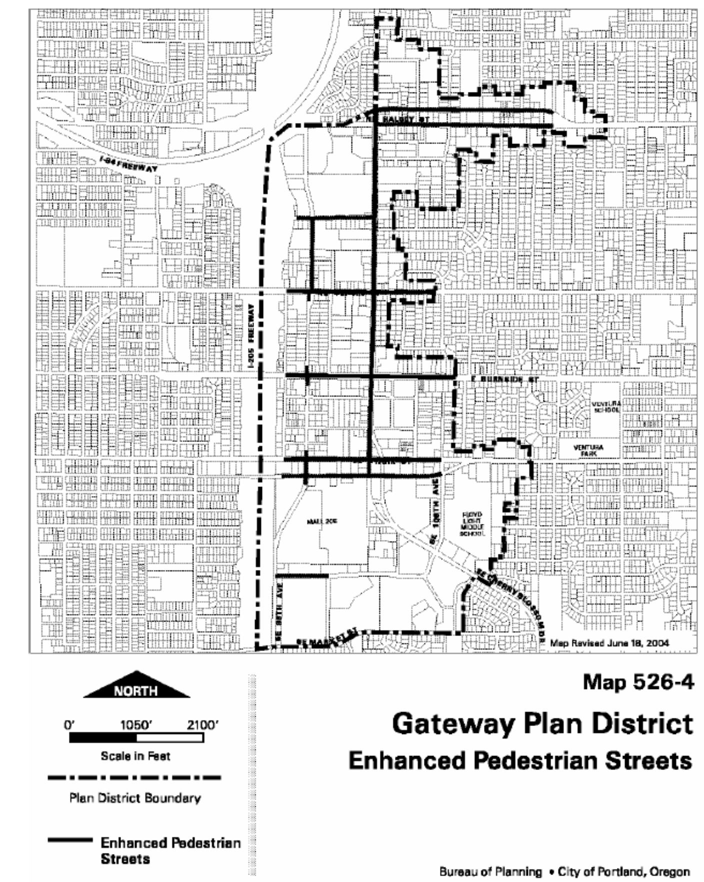
GATEWAY DISTRICT MAP



FAR



MAX HEIGHT MAP



ENHANCED PED STREETS

SERA

Johnson Reid
Land Use Economics

PDC
Portland Development Commission