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& Urban Development Journal • 3rd Quarter

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Editor's Urban Development Journal: Overlapping Urban Networks

Professor Will Macht, Editor

In his debate before the City Club on June 23, 2008 with Metro Councilor Rex Burkholder on the Columbia River Crossing, economist Joe Cortright compared the ODOT/WDOT Task Force staff's 5,000-plus-page environmental impact study with the work of French writer Marcel Proust. Cortright said, "It's interminably long, written in a foreign language, obsessed with a bygone time and largely a work of fiction. . . . All of its assumptions are based on a world of $1 to $1.25 gas."

In the second quarter journal,[1] we introduced the importance of viewing cities as a series of overlapping urban networks. We analyzed the 12-lane, $4.2 billion Columbia River Crossing Bridge as an inadequate solution to solve the problem of traffic congestion on the existing I-5 Bridge because it is oblivious to the function of the existing bridge as only one piece of a much

[1] May 1, 2008 http://www.pdx.edu/media/r/e/RE_2008quarterly.pdf

more complicated urban network. The ODOT/WDOT proposed solution, crafted by traffic engineers myopically focused on a single bridge in a narrowly defined corridor, approved by a Task Force selected by and advisory to it, fails to appreciate that a network is not a hierarchy. Four arterials on each side of the river will still need to converge at a single point. Congestion will be even worse at the Rose Quarter only four miles away. Hayden Island will still be accessible only by a single freeway bridge. Barge traffic will still be impeded by an improperly placed swing span in the rail bridge. Access to over 2,300 acres of waterfront land that could be redeveloped with mixed-use urban intensity will still be compromised. Light rail that could act as a development incentive for mixed-use urban development on under-developed Hayden Island and western downtown Vancouver will bypass those areas.

Inter-city rail and commuter rail will still be too distant to link with light rail. Travel behavior and settlement patterns that exacerbated low-density, single-use sprawl will be reinforced, oblivious to the impacts of $4:00 to $5:00 gasoline, carbon pollution, global warming, an aging Baby Boomer population less capable of driving, and by reduced economic activity as the result of toll/tariff barriers on both I-5 and I-205 being placed by this very project in the heart of a four-to-six county metropolitan area.

The fundamental error is in trying to put all the region's transportation eggs in one basket —— a single, suburban-style, supposed high-speed freeway bridge in the heart of a metropolis that will rarely have speeds greater than urban arterials —— a 12-lane, 90+-foot high, elevated concrete box-girder bridge that starts flying at the south end of Hayden Island and lands at Mill Plain, more than three-times as long as the existing bridge and roughly ten times more expensive than alternative solutions. As the single most expensive infrastructure development in the Portland metropolitan area, it would not be inaccurate to paraphrase Winston Churchill —— 'never will so much be paid by so many to accomplish so little'. And the process that has produced this proposal has already taken twice as long as it took the Allies to win World War II. In terms of its costs, benefits and results, this proposal may be the single biggest urban planning and development error ever made in the Portland/Vancouver metropolitan area.

What bridge proponents do not recognize is that the power of networks is not in single elements of it, but rather in the connections between the elements. Even though it is significantly less than we recommended,[2] leaving the bridge in its existing condition while adding a 530-foot shorter, surface-level arterial bridge twin to the rail bridge could reinforce the urban street network and give alternative redundancy in a measure far greater than the behemoth bridge. Substitution of a single bridge by a single bridge, no matter how wide or tall, adds not a *single* connection to the urban street network. What is needed is *addition* of connections, not a *substitution* of them.

[2] In addition to the arterial road/rail bridge, we recommended that the lift span of the I-5 Bridge be eliminated by raising the 530-foot long center high span by as little as 18 feet while seismically reinforcing the piers, recovering the 38 feet between the spans and adding there two reversible lanes in the center, without the need for any interchange reconstruction or right-of-way acquisition and at a cost for two bridges at less than a quarter of the $4.2 billion cost for one replacement bridge.

The concentration on a single, isolated element of the urban community is what consigns it, if not to failure, then to marginal returns on urban investment. Last quarter we discussed how an ersatz growth center, like Beaverton Round, isolated from everything around it, needed to build anew everything it needs to survive according to the resources and imagination of a single, so-called 'master developer'. That isolation did not attract enough of those needed from the market to make it successful, and it has suffered several defaults and bankruptcies. By contrast, growth corridors like Hawthorne, NW 23rd, East Burnside, Belmont and others add a small piece at a time that builds on what others have brought to the area, including the city that supplies a parking advantage for the retail space at a built-in 2 to 1 retail on-street parking ratio. The growth corridor builds *on* the network, whereas the growth center must *build* the entire network.

Now let us take another example. Taxis are dependent upon overlapping urban networks. Unless the pedestrian realm overlaps with the street realm, one could never hail a taxi. In fact, in Portland, the taxi system is inefficient, among other reasons, because hailing a cab is almost impossible by reason of the very small number of taxis is permitted by the City of Portland, and the practice of taxi companies of clustering cabs at taxi stands only at high traffic locations.

Portland caps the number of taxis at 382, or only one for every 1500 residents. By way of contrast, Seattle has nearly twice as many [651 taxis or one per 890 residents] while Las Vegas has one per 250 residents and New York one per 160 residents. Therefore, in Portland, most taxis must be called be telephone resulting in long waits, discouraging their use. Exacerbating that situation is that one must find the telephone number of a single taxi company, and then only that single company can dispatch the cabs available to it.

The same situation obtains with respect to towncars, limousines and shuttles, as well as taxis. Each is a totally separate company. Each has its own dispatch system and pricing policies. This is an inefficient static model that misses the potential to use the large individual investments in alternative transit in a dynamic way to expand the urban transportation system, as well as to increase ridership, which could in turn lead to increased return on investment for the operators.

Rather than a static, inefficient, isolated model, think what could happen if Metro and/or TriMet started and operated a real-time metropolitan urban taxi dispatch network [let us call it TaxiNet] that ties all the taxis, towncars, limousines and shuttles together into a real-time GPS, cell phone and computer dispatch network that sends the nearest vehicle immediately to the site of the caller.

The result is a smarter, inter-connected taxi/shuttle/towncar/shuttle network that creates an alternative urban transportation system based on existing assets and investments. Para-transit ridership would increase significantly because more vehicles would be available to get quickly to where users need them, when they need them. Unlike mass transit, point-to-point travel times

would be reduced because para-transit both solves the first mile and last mile travel problems [getting to and from transit stops, from origins and to destinations] as well as transit schedule delay problems.

Why would private operators be willing to join a public TaxiNet urban network? As availability of service is increased, along with reliability, ridership and revenues should rise. Capacity utilization of existing investment increases. A parked taxi or a shuttle with few riders is an under-utilized asset that still has high carrying costs.

But why would a large private operator be willing to share dispatch with a public network, especially one where other operators might get business? The larger the operator, the more taxis it would have that could be positioned as the nearest vehicle to a user, increasing the chance that it would pick up more fares. Moreover, since the urban network would be transparent, all operators could see patterns emerge and station its vehicles nearer to optimal places, subject to minimum service requirements. Both larger and smaller operators could reduce dispatch costs in terms of both equipment and labor. Shared costs for the network should be considerably less than duplicative services for several operators, particularly the smaller ones. Dispatch using a single Internet website could also increase patronage.

Payment systems could be automated and simplified. Users should be able to pay via a smart card, cell phone account, credit card or prepaid card as well as cash. Since all taxis would be linked to the same system, verification could be through that system.

Why would the public sector, Metro or TriMet/C-Tran, be willing to run such a real-time GPS dispatch para-transit system? Provision of services to the first and last mile is the most expensive for public agencies. A para-transit system would supplement, and even feed its mass-transit system, which could concentrate on longer-haul, higher-volume routes. One who uses a para-transit system to get someplace when time is critical would be car-less and might well use mass transit for return trips. Special-needs transport is expensive for transit agencies and they might reduce costs for non-critical transport.

Any trip made via para-transit does not require parking. Developers may be able to provide fewer parking spaces, or those spaces could support higher densities, if ubiquitous, reliable, affordable point-to-point para-transit is available. Developers do not make money by building parking spaces. They make money selling or leasing more housing, hotel units, office and retail space. While one cannot attribute increased densities in Manhattan and San Francisco to para-transit alone, it is no accident that a convenient, ubiquitous taxi system augments high-capacity mass transit systems in those cities.

Why would residents and visitors be more likely to use an integrated, smarter urban para-transit network? Many commuters insist on driving because they need the security of being able to go to meetings or run errands on an unscheduled basis. Car sharing systems like ZipCar may fill part of that need. However, reservations are needed; cars are often at inconvenient sites; return times must be met and the cars must be parked at the meeting site, which may be difficult, time-consuming and expensive. Some residents, like visitors, may not know the best driving routes. Point-to-point pick-up and delivery can be much more convenient and not necessarily more expensive.

Cities regulate the number of taxis and other private-for-hire transportation, as well as setting standards for drivers, vehicles, safety, liability for operators and rates. The Portland regulations are heavily oriented towards traffic to and from the airport, as though the taxi system would not be normally used for other purposes. Regulation varies from city to city. Vancouver also has its own private-for-hire transportation commission. So regulation and operation of taxis, shuttles, vans, limousines and towncars is splintered over the metropolitan area. This splintered system of regulation, with no connection between and among the constituent parts, results in a very inefficient system, under-utilized capacity, sub-optimal investment returns, over reliance upon personal private automobiles and a fractured para-transit "system", if one could even call it that.

How does the foregoing discussion of overlapping urban networks support the development community's interests in greater density and larger profits? A hierarchical road system that channels cars to a single point, as does the Columbia River Crossing, or a single road, as does route 217, underutilizes vast quantities of land that could be used to support a mixture of urban uses. Single-use zoning under-builds land, over-burdens highways and precludes the potential of shared parking which cannot exist without mixed-uses. Conversely, an integrated taxi network increases mobility, reduces parking demand and supports higher density development.

Some of the other articles in this issue of the journal articulate other overlapping networks. Our article on retail condominiums points out that the value of land would be much too high to support single-level retail space on urban sites without the contribution of the residential condo-miniums above it. And because those condominiums are not enough to support the retail space, the parking below it attracts and supports patrons from greater distances. Witness the success of the retail space in the Brewery Blocks supported by 1300 parking spaces below it and hundreds of units above it, as well as hundreds of thousands of square feet of office space.

Taken one step further, no single housing tower could support the retail space below it without the proximity of other towers. Witness the gradual increase in retailers' sales as the Pearl district has enlarged. So overlapping urban networks become self-reinforcing.

And our article about scissor stairs shows how point towers can be built efficiently, creating buildings that fit better into the urban fabric than monolithic blocks. Vancouver, BC's success with point towers demonstrates how they attract larger numbers of buyers, create more valuable corners and stimulate large populations of urban residents, reducing the need for

automobiles and freeways. State Economist Dr. Tom Potiowsky's article invites questions as to whether Oregon's more stable performance in the housing downturn may result from its reduced dependence on industrial timber operations and more constrained development within urban growth boundaries.

Successful urban development requires the development community to understand that any project, be it a building or a bridge, will be successful to the degree it adds something to, and fits within, overlapping urban networks.

Respectfully yours,
William P. Macht
Professor Will Macht
Editor, Center for Real Estate Quarterly
Associate Director, Center for Real Estate

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Oregon Association of Realtors®

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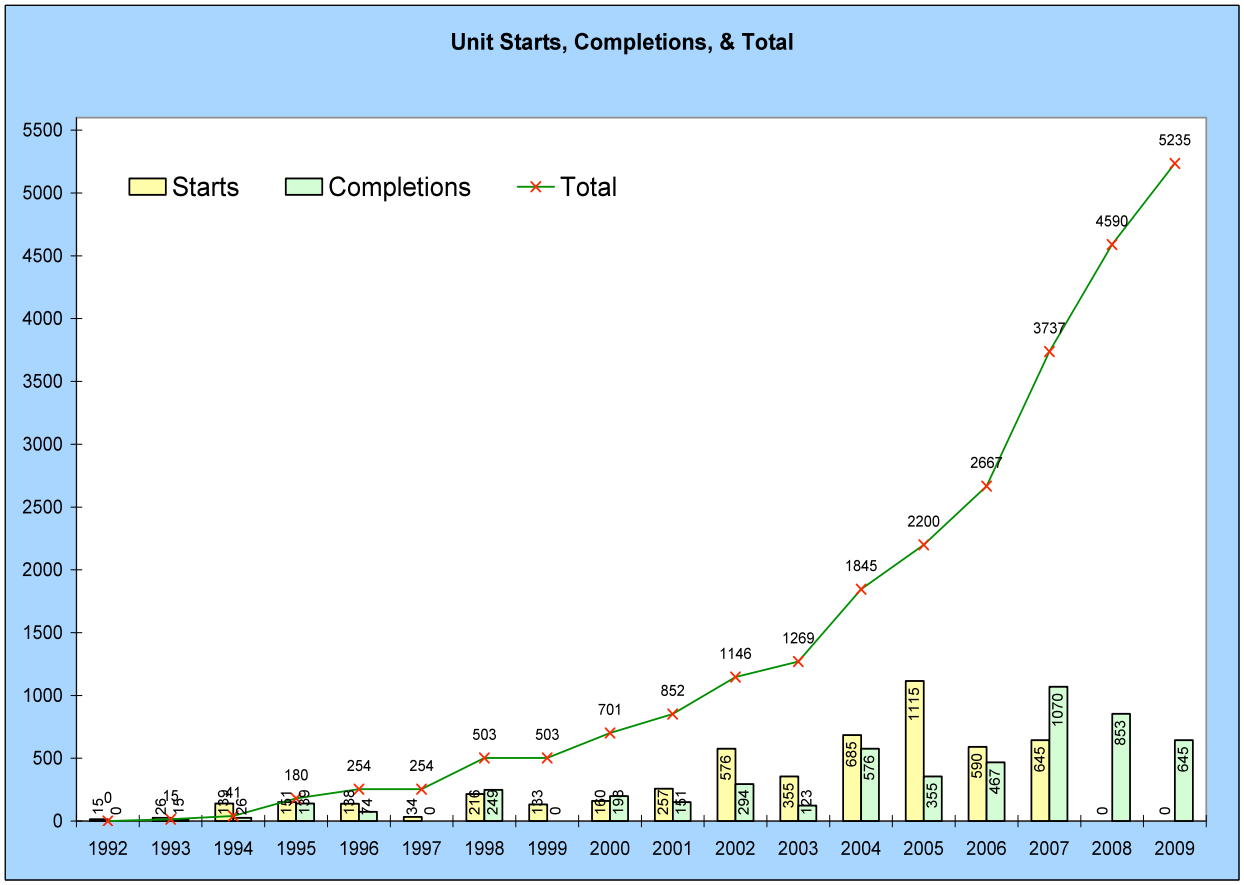
Retail Condominiums: A New Frontier of Portland Retailing

Jacob Becker, Realty Trust City & Matthew Johnson, Cushman Wakefield

Burgeoning Retail Condominiums

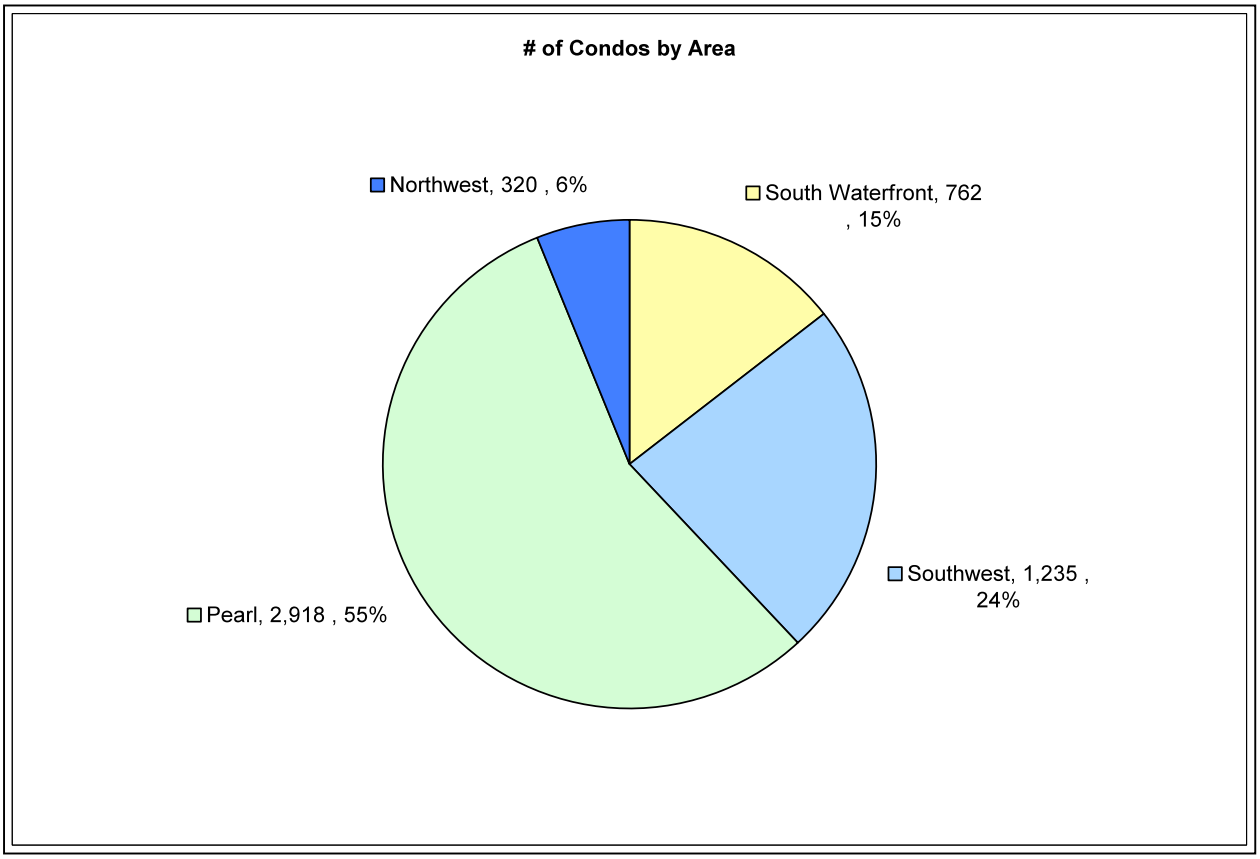
Portland's evolving residential condominium market continues to shape retail space in the downtown core. New condominium towers provide amenities for buyers by creating retail spaces for restaurants, shops, and other businesses that offer convenience and enhance the urban lifestyle. Since 1992, 46 condominiums buildings have added approximately 5,200 condominiums to Portland's urban core.



Twenty-five of these projects contain retail space totaling over 345,000 square feet, nearly as much as suburban lifestyle centers like Bridgeport Village. In many cases the retail spaces in these projects were provided by developers to enhance the urban lifestyle and, subsequently, drive condominium demand.

Over the last two decades, the majority of mixed-use condominium development in Portland has occurred in downtown Portland defined here as the area between the Willamette River and I-405. From the early 1990s through 2000, this product type was concentrated almost exclusively in the Pearl District.

The Mckenzie Lofts was the Pearl's first new large scale mixed use project, which included 68 lofts and seven retail spaces totaling approximately 8,500 square feet. Tenants range from EWF Modern to Starbucks. Caryl Brown, a commercial broker for Debbie Thomas Real Estate who has worked on many of the Pearl's mixed use projects, explains the district's appeal: "The Pearl District has come to be a leading example of a successful urban revitalization of an area that was predominantly an industrial zone. The old and new buildings complement each other and attract the goods, such as Whole Foods and services, including the Portland Streetcar, necessary to support revitalization efforts."

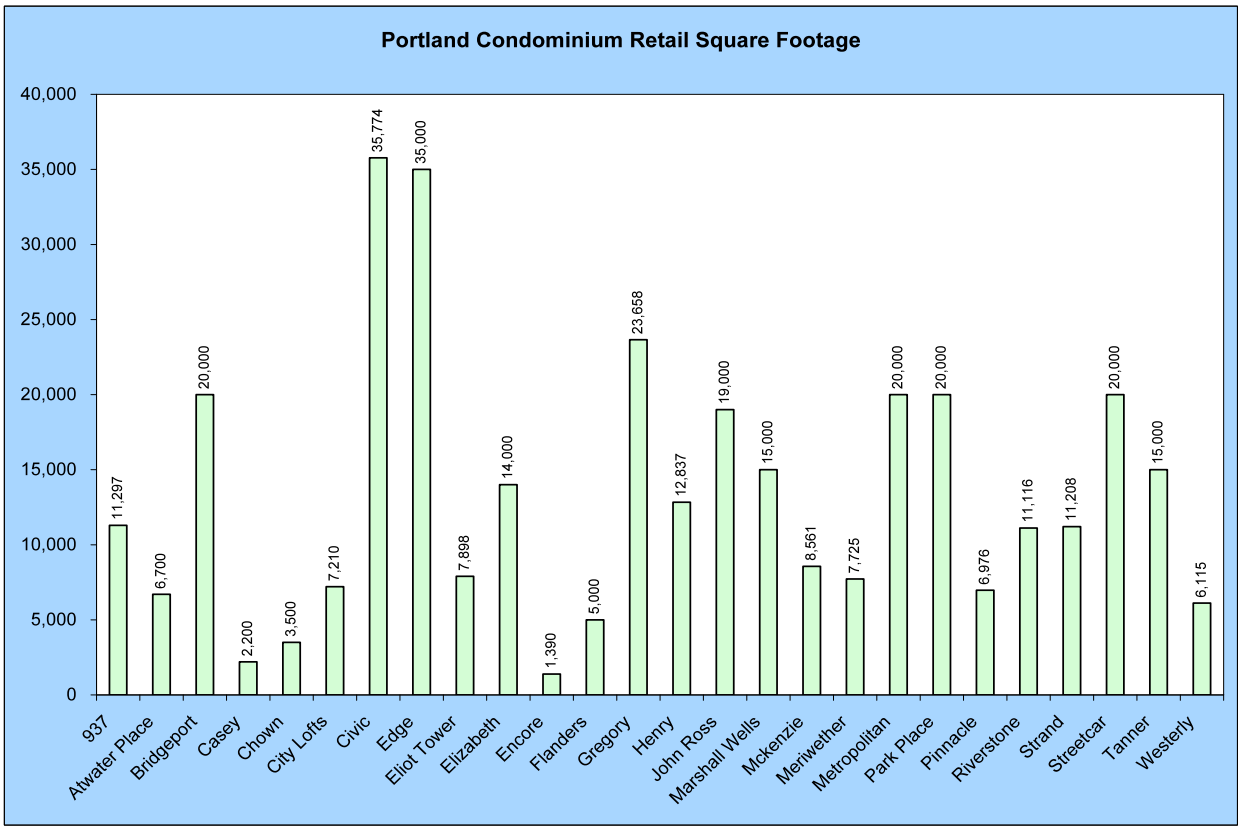


Mixed-use buildings such as the Gregory (Pearl), Henry (Pearl), Meriwether (South Waterfront), and Civic (Southwest) represent this same preferred development model that has dominated new construction across Portland for almost a decade.

In South Waterfront and RiverPlace's latest stages, developers are attempting to apply some of the Pearl's successful attributes to another area. Major projects of note in this quadrant include the Meriwether, John Ross, Atwater Place, and the Strand. In between the Pearl and the waterfront, the Benson, Eliot, Civic and Cyan are helping the market shift to a broader downtown focus. This has resulted in a broader mix of product offerings for condominium buyers and retailers.

Retail spaces in condominium developments range in size from approximately 500 to 30,000 square feet. The largest retail space situated within a mixed-use condominium tower is the REI store, at over 30,000 square feet, anchoring the SW corner of the Edge Lofts. The smallest space in the sampling used for this report is for lease in the Strand at 500 square feet.

An important aspect of mixed-use buildings with retail at street level is the adjacency to a built-in clientele paired with the immediate accessibility to amenities for condo homeowners. For example, a building like the John Ross, with 303 condominiums, has the potential to give a retailer access to 394-plus customers (303 units multiplied by 1.3 residents per unit average occupancy). Retailers in both older neighborhoods and newer suburban developments, like Forest Heights typically don't have 400 people an elevator ride away from their front doors.



Compare the land area needed to supply the same customer base to a retailer for an urban condominium model of 260 people living in one 200-plus unit building on one city block [40,000 SF, 0.92 acres], with the equivalent suburban model at Forest Heights, which occupies 600 acres, of which 400 acres are residential, with approximately 5,000 people living within 1,950 homes. [1]At its density of 12.5 residents per acre, Forest Heights requires 21 residential acres to supply the same retail customer base as a single urban residential building on less than one acre. Moreover, the density of urban development inherently connects it to retail space on foot in a way that suburban development cannot.

Nevertheless, it is important to note, as Matt Johnson does below, that 200 units of higher-income housing can support only about 8,000 square feet of retail space, approximately 40 square feet of retail space per higher-income unit.

Select Tenant Mix

Developers often maintain control of the tenant mix, hand picking tenants to meet the needs both of the residents of the project and of the surrounding neighborhood. Subsequently, this boosts demand for the real profit center, which are the condominiums.

The banking industry is keenly aware of the business opportunity that can exist in condominium towers. Retail banks such as Umpqua Bank, US Bank, and Wells Fargo all occupy retail spaces within condo towers. Umpqua Bank, for example, has three branches at the base of condominium projects (Streetcar Lofts, Eliot Tower and John Ross). Locating retail branches below condominium owners who have capital to deposit seems to make sense with an

[1] Source: Forest Heights Homeowners Association

estimated average household annual income for new condominium developments at over $100,000 compared to $62,449 for all of Portland (iXpress 2007). This gives banks access to

higher-end clients and the ability to cater to their needs. Other businesses like coffee shops, restaurants, dry cleaners, neighborhood markets, furniture stores, and interior design shops are also recognizing the opportunity that exists to tap into higher income customers.

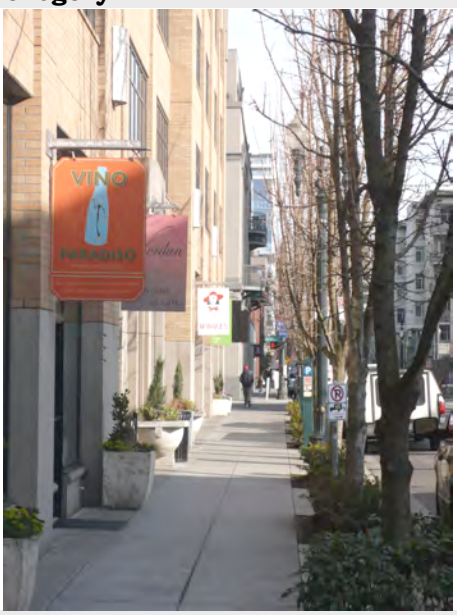
In a non-traditional sense, residential condominiums have become a kind of anchor for retail space that would not exist without the housing because land and construction costs are too high to build standalone retail space with parking. Retailers add to the urban fabric driving housing sales and prices. Moreover, ground floors in urban locations can rarely be used for residential units and therefore retail space can be developed at lower effective cost because the condos above are covering the cost of the land.

However, since retail space is a minor portion of the condominium development project for developers, who rarely hold and operate small retail or office spaces, they typically choose to sell either to individual retailers or, more recently, to investors.

The major benefits to developers are the amenities that the retail space provides to condo unit buyers, which may drive sales prices higher and/or shorten absorption periods. But if developers do not get the right tenant mix, inappropriate retailers or vacant storefronts may drive prices lower and lengthen absorption periods. Done well, condominium developers create retail space that enjoys a symbiotic relationship with the condominium owners: the retail

business could not survive without the built-in clientele and the homeowners enjoy amenities just outside their doors, which enhances their urban lifestyle.

Gregory



In 2001, John Carroll of Carroll Investments developed the 12-story Gregory in the heart of the Pearl. It sits on a full city block with one floor of retail at the base, offices on floors 2 to 4 of the east side of the building that mirrors the 3-story parking structure on the west side, and residential condominiums on floors 5 through 12. The development program is:

- 23,658 SF Retail
- 30,000 SF Office
- 133 Condominiums

The project sold out before completion and serves as an example of recent mixed-use development in Portland. Other buildings include the Henry, Bridgeport, Elizabeth and Park Place. New buildings with well conceived retail at the base tend to experience greater appreciation and stronger resale demand than buildings with little retail. This reinforces the theory that vibrant ground floor retail space contributes to the urban fabric and makeup of the neighborhood and project.

Henry

In 2001, Gerding-Edlen Development LLC began plans for a 123-unit condominium tower called the Henry. It was positioned to be one of Portland's most upscale residential condominium buildings. On the ground floor are four retail spaces:

- Adidas – 4,621 SF
- Lucy – 2,411 SF
- Sole – 1,603 SF
- Ten-01 – 4,562 SF

In September of 2007, the Henry's 12,837 square feet of retail space sold to an institutional investment group for $8,050,000, or $627 per square foot. This is the highest price per square foot sale in the marketplace for retail space below a Portland condominium tower and marks one of the first times that an institutional group has purchased small retail space in the Portland market. Before this transaction, most owners were local investors or businesses which were usually owner-operated.

Meriwether

Located in South Waterfront, the Meriwether was the first and one of the greenest residential projects in

Portland to date, although its Casey project will be the first LEED Platinum condominium tower. The Meriwether consists of 245 units in two towers with retail space on the ground floor of the west tower. On February 23rd, 2007 the four retail spaces representing 7,725 square feet were sold for $2,175,000 or $282 per square foot. This retail space is located two blocks from OHSU's Center for Health & Healing, which attracts about 5,000 people daily along with approximately 650 people living in four towers that are within 200 feet of the Meriwether's retail space.

Civic

Located on a 60,000 square-foot block at 1926 West Burnside, The Civic has evolved into an efficient urban development model for residential and retail space. Adjacent to the site is also a mixed-income housing component that helps drive traffic. What had been a 140-unit apartment complex that was in decay has been replaced with 261 condominiums, 35,774 square feet of retail space, 140 mixed-income housing units, called the Morrison Apartments, and more than 400 parking spaces. The combination of all these components has created space, a sense of place and a node of activity.

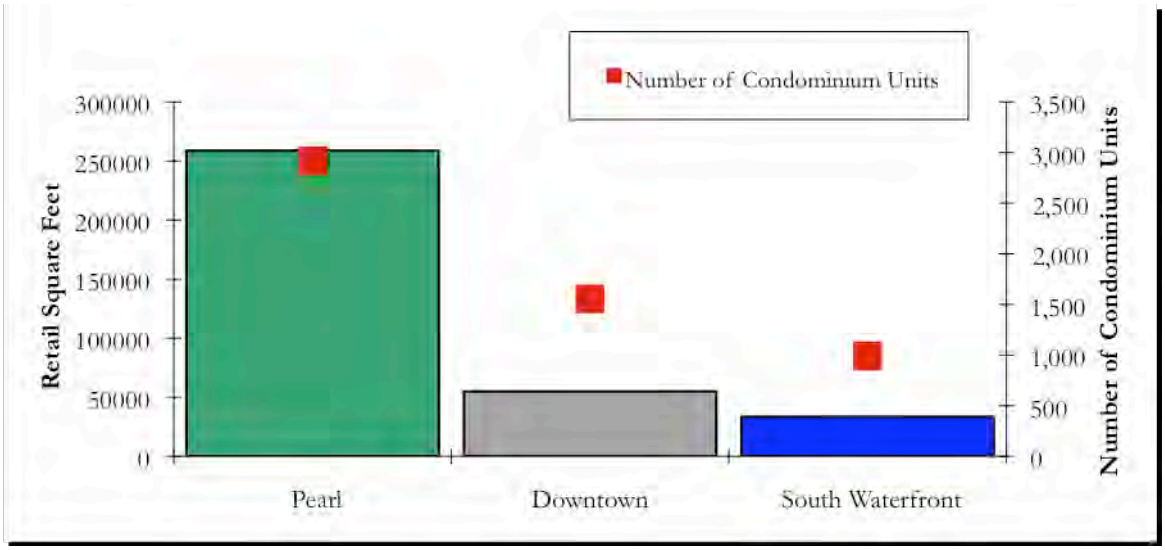
Do Condominiums Do for Retail What Retail Does for Condominiums?

Supply-Driven Retail

When a rush of condominium development hit the Pearl district in early 2001, little demand existed for the retail space that was found on the first floor of most of the projects. Leasing for the new retail space was slow and rents did not initially financially justify including retail space in developments. However, despite the economic conditions, early developers did not have another option but to include retail on the ground floor of their projects since street level retail was sometimes required by zoning and the alternatives, ground floor residential units, were not attractive to most potential buyers. So, despite lacking sufficient demand, retailers found a home in the ground floor spaces that residential condominiums provided and developers patiently tolerated the underperforming retail space while residential sales and pricing accelerated.

The success of the early condominium developments, aided by the residential boom, enticed more developers to enter the condominium market, and soon cranes silhouetted Portland's skyline. Land prices skyrocketed as condominium developer's bid up prices of prime land. Residential and office developments can afford increases in land prices by building at a higher-density to match increased market demand and recoup the increased land cost that retail, on its own, could not bear. Moreover, multi-level retail space is rare except in urban retail malls.[2] However, retail space managed to establish an important beachhead in the Pearl by riding the coattails of the high-density and highly-profitable condominium development wave of the last ten years. In fact, over 77% of retail space in condominiums, is located in the Pearl district, while Portland's Downtown and South Waterfront house only 16% and 10% respectively.

[2] The tallest office tower in the Portland region is 41-stories and 546 feet, the tallest residential building is 31 stories and 325 feet, while the tallest retail mall (containing purely retail) is five stories and estimated at under 100 feet.



What Makes Urban Retail Work?

Traditional suburban shopping centers and malls are configured with smaller retail stores (often referred to as in-line tenants) between larger anchor tenants with the anchor tenant attracting the majority of demand and smaller in-line stores benefiting from traffic generated by the anchor stores. The same dynamic holds true in an urban setting like the Pearl district, with Powell's Books and Whole Foods serving as anchors. Whole Foods draws residents from around the area and commuters on their way home from work. Additionally, consumer convenience plays a large role in where individuals choose to shop, making access to parking important for retail success. Whole Foods shares approximately 1,300 parking spaces with partially validated parking within the Brewery Blocks. This allows consumers to frequent surrounding stores without having to re-park and provide a boon to smaller in-line tenants within close proximity to Whole Foods.

Establishing an anchor in an urban environment like the Pearl district can be challenging due to high land costs, complicated development programs and parking constraints[3]. While the $250,000,000 catalyst for the Pearl district, the Brewery Blocks, was able to overcome these challenges, there are limited opportunities for large-scale development in an urban environment. This makes many urban environments more reliant on having consumers cross-shop smaller boutique stores than in typical suburban retail centers. Cross-shopping occurs when there is a critical mass or a clustering of stores that provide sufficient options to make consumers' shopping experience convenient and enjoyable. Overcoming early challenges of isolated and fragmented store placement, the Pearl district now epitomizes urban boutique retailing, catering to new residents in the condominium towers, employees in nearby offices, suburban shoppers looking for a new experience and tourists visiting from other cities.

Does it Take a Village to Support a Coffee Shop?

A Cushman & Wakefield analysis demonstrates the surprisingly small number of retail establishments that can be supported by condominium residents, including assessments of consumer expenditure patterns, the incomes of residents that live within condominiums, a likely capture rate or the percentage of all expenditures condominium residents make that is

[3] Additionally, many large retailers are unwilling to alter their traditional suburban retail format to fit within an urban environment. However, some stores, like H&M, have received recent publicity for their willingness to find less traditional opportunities. If they are successful it is likely other stores will follow.

likely to occur within the downtown trade area[4], and the sales per square foot necessary for a store to operate.

As summarized in the chart on the next page, the 6,800 new residents of condominiums stretching from South Waterfront to the northern fringes of the Pearl, who live in a combined 5,235 units, could potentially support an estimated 209,954 square feet of retail space in the downtown market. Therefore our research shows that a higher-income condominium unit supports approximately 40 square feet of retail space. This is approximately 60% of the 347,165 square feet of retail space that residential condos add to the market – a figure that becomes even more staggering when considering that many of the first condominiums entering the market did so without the benefit of additional demand generated from anchors or cross-shopping opportunities.

To consider this another way, the Metropolitan, a 136-unit building, housing approximately 177 people, can support approximately 6,424 square feet of retail space within the downtown trade area, assuming higher than average incomes.[5] Currently, the Metropolitan building houses approximately 20,000 square feet of retail space on its ground floor. While this analysis can not accurately indicate what percentage of retail space the residents of the Metropolitan can support at their building rather than the larger trade area in general, it does provide a tangible example of how much retail space a single project brings to the market versus the amount of demand generated by its residents.

In order for ground floor retail to be successful, like the Pearl district, it has to generate additional demand. This demand comes from workers in and around the area, residents outside the area and tourists, all of whom must be lured to the area by a convenient and/or enjoyable shopping experience. Moreover, it must supply adequate parking to accommodate those who come from outside the area. It is not an accident that the most successful retail space surrounds the 1,300 parking spaces within the Brewery Blocks parking structure.

The Unique Boutique Pearl District Tenant Mix and the Suburban 'Lifestyle' Center

The vibrant urban environment of the Pearl district is mirrored by the boutique shopping and dining opportunities found in suburban lifestyle centers like Bridgeport Village in Tualatin. Relatively new to Oregon, lifestyle centers like Bridgeport Village attract shoppers[6] by offering a larger number of higher quality restaurants and higher-end stores. Chris Sherland, a national retail market analyst for Cushman & Wakefield's retail industry group explains that the lifestyle center "format has existed since the mid 1980s, but Oregon's first lifestyle center, the Old Mill District in Bend, opened in 2001." The Old Mill District is one of only three lifestyle centers in Oregon, including Bridgeport Village and Streets of Tanasbourne. Approximately 230

[4] This analysis considers a capture rate for a downtown trade area that extends from South Waterfront, the northern fringes of the Pearl, approximately NW 18th on the west and the river on the east. Purchases made outside this area are considered leakage out of the market and reflected in the capture rate.

[5] The average income was determined by Realty Trust Analyst Jacob Becker, using proprietary data.

[6] Nearly 4 million people visited Bridgeport Village in 2006.

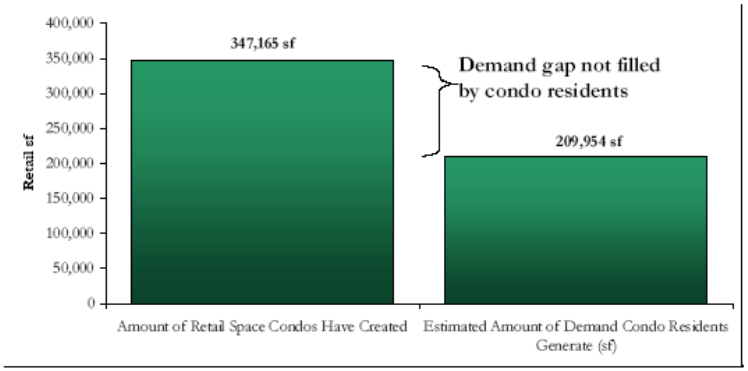
RETAIL ANALYSIS
CUSHMAN & WAKEFIELD RESEARCH SERVICES

DEMAND GENERATED

	2007 Consumer Expenditure Data by Store Type (Portland, OR)	Percentage of Income Spent on Retail Goods[1/]	(Times) Est. Per Capita Income[2/]	(Equals) Amount of Money Spent by Pearl District Residents	(Times) Est. Capture Rate[3/]	(Equals) Per Person Expenditures	(Times) Number of Condominium Residents[4/]	(Equals) Est. Expenditures by Pearl District Residents
Furniture and Home Furnishings Stores	$241,531,268	1.63%	$64,000	$1,046	25%	$261.40	5,785	$1,512,139
Electronics and Appliances Stores	$234,018,751	1.58%	$64,000	$1,013	25%	$253	5,785	$1,465,106
Building Material and Garden Equipment Stores	$969,146,692	6.56%	$64,000	$4,196	5%	$210	5,785	$1,213,495
Food and Beverage Stores	$1,096,505,007	7.42%	$64,000	$4,747	60%	$2,848	5,785	$16,475,561
Health and Personal Care Stores	$418,473,142	2.83%	$64,000	$1,812	50%	$906	5,785	$5,239,815
Clothing & Clothing Accessories Stores	$420,988,285	2.85%	$64,000	$1,823	55%	$1,002	5,785	$5,798,438
Sporting Goods, Hobby, Book, Music Stores	$194,239,769	1.31%	$64,000	$841	35%	$294	5,785	$1,702,490
General Merchandise Stores	$1,089,418,799	7.37%	$64,000	$4,716	25%	$1,179	5,785	$6,820,453
Miscellaneous Store Retailers	$252,758,296	1.71%	$64,000	$1,094	50%	$547	5,785	$3,164,855
Non-Store Retailers	$552,673,834	3.74%	$64,000	$2,393	10%	$239	5,785	$1,384,036
Foodservice and Drinking Places	$907,729,936	6.14%	$64,000	$3,930	60%	$2,358	5,785	$13,639,116
Total	**$6,377,483,779**	**43.1%**	n/a	**$27,608.88**	n/a	**$10,098**	n/a	**$58,415,502**
Average	**$579,771,253**	**3.92%**	n/a	**$2,510**	**36.36%**	**$918**	n/a	**$5,310,500**

CONVERSION TO SUPPLY

	(Equals) Est. Expenditures by Pearl District Residents	(Divided by) Est. Sales Per Square Foot[5/]	(Equals) Est. Square Feet Supported
Furniture and Home Furnishings Stores	$1,512,139	$194	7,795
Electronics and Appliances Stores	$1,465,106	$292	5,017
Building Material and Garden Equipment Stores	$1,213,495	$315	3,852
Food and Beverage Stores	$16,475,561	$341	48,315
Health and Personal Care Stores	$5,239,815	$513	10,214
Clothing & Clothing Accessories Stores	$5,798,438	$255	22,739
Sporting Goods, Hobby, Book, Music Stores	$1,702,490	$227	7,500
General Merchandise Stores	$6,820,453	$159	42,896
Miscellaneous Store Retailers	$3,164,855	$256	12,363
Non-Store Retailers	$1,384,036	$256	5,406
Foodservice and Drinking Places	$13,639,116	$311	43,856
Total	**58,415,502**	**$284**	**209,954**



1/ Established by dividing consumer expenditure totals for Portland, Oregon for the respective retail categories by the aggregated income for the Portland area. The aggregated income was calculated by multiplying the per capita income by the population. To remain conservative, only goods that were likely to locate in the downtown area were considered for potential demand.

2/ The approximate per capita income was established by Realty Trust Market Analyst Jacob Becker using proprietary sales data from condominium projects. These incomes were confirmed by income qualifying buyers through comparing the average price of condominium sales and the minimum income needed to qualify for a loan on the property.

3/ Capture rates were determined by evaluating previous retail market studies in Portland, market studies from outside the market area, national proprietary sources and interviews with several Cushman & Wakefield retail experts.

4/ Assumes full build out and occupancy by 2009 established by taking the total number of condominium units and multiplying by the average household size. The average household size was established by Jacob Becker, Market Analyst for Realty Trust, using proprietary sales data. This number was adjusted by 15% to account for seasonal residents, vacant units for sale and rental units that are not occupied.

5/ Sales per square foot was established using data from Urban land Institutes data from *Dollars and Cents of Shopping*. This number is expected to be conservative given that rent as a percentage of sales psf analysis would indicate that for a store that paid approximately $25.00 psf in rent and a assuming an industry standard 6% of rent paid as a percent of sales the estimated sales psf would be closer to $400 - which would yield approximately 146,000 square feet of retail demand.

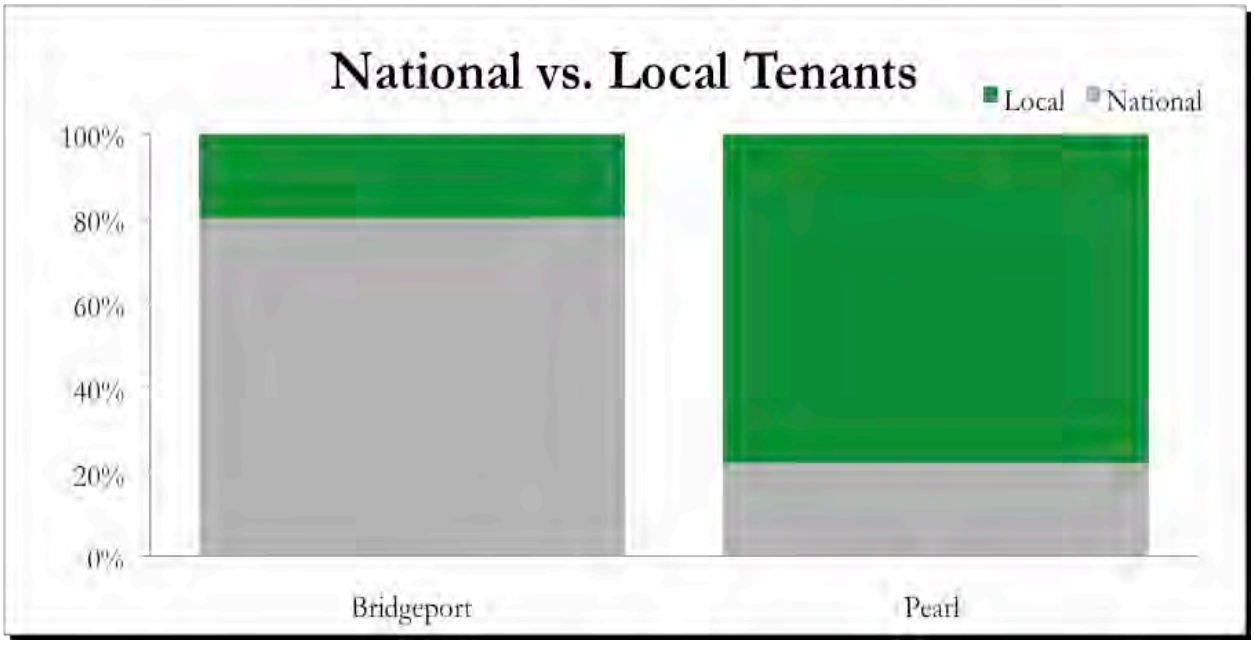
lifestyle centers exist nationwide. He continues, "nationally, lifestyle center development has outpaced that of regional malls for the last seven years with a total of 148 new lifestyle centers built compared to just 33 regional malls", roughly 21 lifestyle centers are developed for every 5 regional malls.

Like the Pearl district, Bridgeport Village is heavily reliant on small storefronts, and retail space in each location is characterized by a similar composition in the number of in-line stores. Condominiums in the Pearl district house 88 in-line stores and Bridgeport Village contain 79. The small store format helps developers enjoy higher lease rates and provides consumers with a high number of specialized retail options. Both the Pearl district and Bridgeport Village have a disproportionately high number of restaurants, between 20% and 30%, compared to just 12% of stores in national lifestyle centers. The higher proportion of restaurants has helped the success of both areas, because restaurants are generally considered to be reliable drivers of foot traffic, extend shopping times and generate repeat sales.

Control is a primary advantage enjoyed by lifestyle centers over urban retail environments. Developer control of parking, tenant mix, location, store rollout, signage, access and management is a considerable advantage. Areas like the Pearl district have to overcome fragmented land ownership, limited on-street parking, fractured tenant mix, divided retail management and phasing in of retail development over several years to create a critical mass, versus a coordinated opening for shopping centers. Despite urban constraints, the Pearl district's success is evident in its newest buildings built on the edge of the district. While edge locations do not command the same rent as businesses located in the more traditional core, they are gaining traction. The Pinnacle, a new building on the northern edge of the Pearl, is asking $26 per square foot, triple-net, while the Casey, a new building located closer to the neighborhood's core, recently leased space to a tenant for $36 per square foot, triple-net. Lower rents in these buildings will attract new or pioneering stores, and as more retail and condominium space is added to the Pearl, expansion will continue making these new spaces as viable as the more established spaces closer to the neighborhood's core.

The appeal of local retailers is increasingly attractive to consumers and is a trend that developers across the nation increasingly incorporate. The Pearl District capitalizes on this appeal, with 80% of current tenants housed in condominiums comprised of local businesses.

Developers of lifestyle centers developed by merchant developers, like Bridgeport, typically look for national credit tenants, whose leases make their developments more valuable to prospective buyers when the development is finished. Developers in the Pearl district, who may sell smaller spaces to local investors, provide a home to many local tenants who lack the financing or credit to enter Bridgeport, but can capitalize on emerging markets that many national tenants miss.



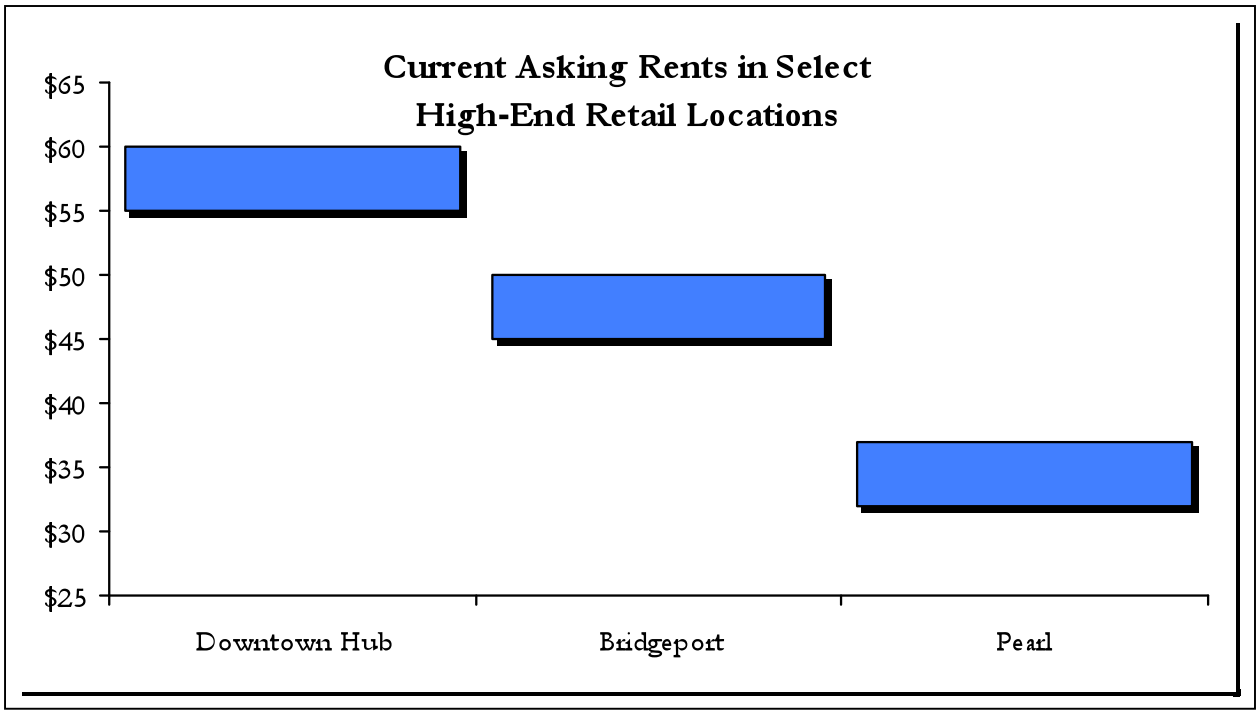
The ability of lifestyle centers to provide a controlled environment, reduce risk for retailers and generate large traffic volumes translates into high sales per square foot. Asking rents for in-line space in Bridgeport Village range from approximately $45 to $50 per square foot, triple-net, while a similar space in the Pearl district would likely range in the mid- to low- $30s. At $50 per square foot, it is difficult for many local businesses to obtain financing, or take the risk on their own to enter into a multi-year lease. National retailers have the financial wherewithal, credit and space programming resources to take the risk, and can reduce their exposure by running coordinated marketing efforts and efficient merchandising to achieve the highest efficiency from the space. Another reason for the difference in tenant mix may have more to do with national retailers being less familiar with a 'micro market' like the Pearl as well as the smaller in-line space options in an urban environment as compared to the more uniform and more familiar lifestyle center concepts.

National tenants already exist in Portland's more established and expensive downtown locations on SW Broadway, near the Morrison and Yamhill retail spine where asking rents are now pushing $60 per square foot. Nationals, however, are getting more adventurous as seen in Eddie Bauer's choice of the Metropolitan – a trend that could increase as rents and registers in the Pearl continue to rise.

Rents in the Pearl district have responded to its success, and increased by as much as $5 per square foot from only a few years ago. In fact, there has been almost a dollar increase per year over the last decade as the market has matured as a retail destination. Higher lease rates for retail space have translated into higher per-square-foot prices for retail condominiums.

Many investors anticipate that these rates will continue to rise and have recently paid a premium – over $500 per square foot is not uncommon and as high as $627 per square foot

for space located in the Henry – for retail condominiums in the Pearl district. This is well above the approximately $350 to $400 per square foot that many retail condominiums were selling for just a few years ago. With investors expectations high, many local tenants who renew their leases may see a rent increase – some as high as 20%.



Looking Forward: South Waterfront…a Lifestyle Center in an Urban Destination?

The Pearl district currently houses 77% of all retail space found in condominiums in the CBD and can serve as an example of successfully integrated mixed-use development. However, much of the developable land in the Pearl district has already been taken and future development appears to be shifting to downtown and to South Waterfront.

If the condominium over-supply is absorbed, South Waterfront has the potential to become the next high-density, mixed-use district in Portland. Its abundance of developable land, waterfront location, association with the area's largest employer (OHSU), and transportation links are unique. South Waterfront's retail, however, has been limited to a few stores on the ground floor of the residential towers and the OHSU Health and Healing Center. While some small tenants like the Daily Café have expanded from successful stores in the Pearl district into South Waterfront, this is far from the critical mass needed to draw consumers from outside the district in order to support a significant concentration of retail space.

Lessons learned from the evolution of retail space in the Pearl can be applied to South Waterfront. First, South Waterfront would benefit from a large-scale anchor retailer or entertainment development, much like the Brewery Blocks. The anchor could draw from outside the immediate area and benefit surrounding stores. Further, additional parking, which was an important catalyst in the Pearl district, is needed despite the superior connectivity already afforded by mass transit options like the Tram and the Streetcar. Shared parking of the extensive OHSU parking facilities will be critical, along with common operating hours.

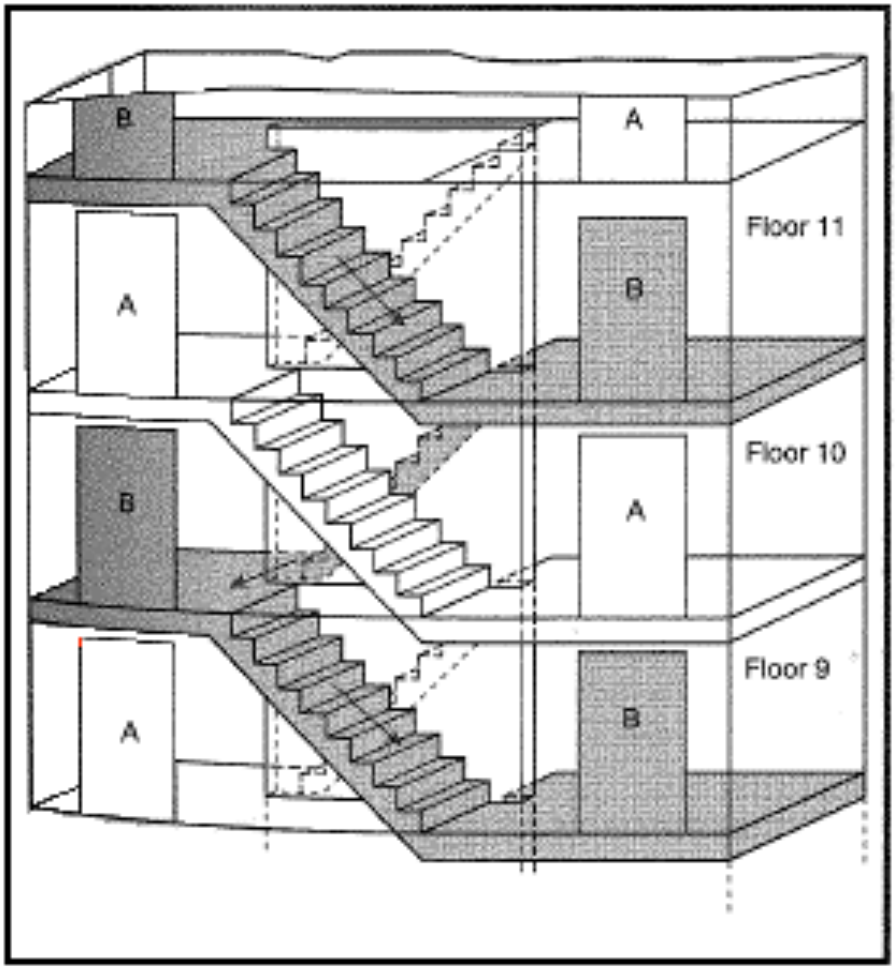
Finally, development must continue. The Pearl district was fortunate to ride the residential boom, which is now behind us. It is unlikely that the South Waterfront will be able to build condominiums at the pace we have seen over the last decade, yet it may have the opportunity to add apartments and continue to developing employment towers. It is important to build on the momentum of the past few years, as much of the buyer interest in the district is based on how they perceive the area developing in the future.

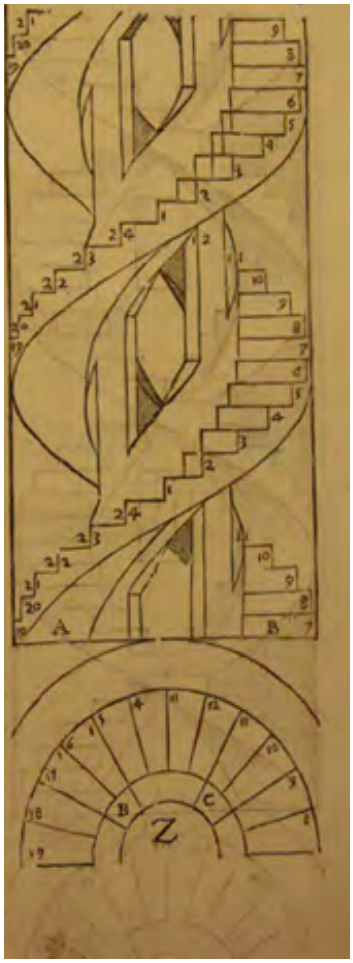
The potential is there, especially given the large blocks of developable land that are found in South Waterfront, for the area to create a unique urban environment like the Pearl district and share many of the development advantages that accompany access to available land found in a lifestyle center. In many ways, the South Waterfront has fewer obstacles to overcome than the Pearl, yet it will take the same long term vision that developers of the Pearl embraced, along with more favorable market conditions, to create a thriving retail environment that attracts workers in and around the area, residents both in and outside the area and tourists.

Scissor Stairs:
Origins, Development and Contemporary Use

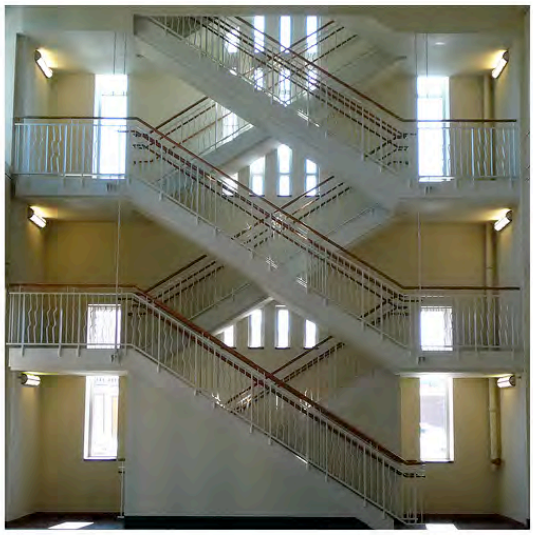
Samir Mokashi, Principal, Evergreen Engineering

Scissor stairs have been shaping the skyline of British Columbia's burgeoning urban development and are now making spotted appearances along Portland's Willamette River. Heralded by architects and developers as a sleek way to maximize office and residential design, the scissor stair possesses an undeniable attraction. This unique stair design is not without its drawbacks however, and may not be the right fit for buildings with large floorplates.





The scissor stair design is commonly known as a set of two intertwined stairs located within one stairwell enclosure. Two adjacent flights connect the same floors in opposite direction, crossing each other like a scissor, hence the name. In enclosed scissor stairs it is possible for two people to climb or descend simultaneously without ever having to meet each other. A variation of the straight scissor stair has two circular stairs winding around to form a double helix. An open version of the double helix stairs is seen in the Vatican museum. This ornate set of intertwined stairs has enthralled visitors for centuries.



A Brief History:

Scissor stairs have a long history and many anecdotes regarding their origins and function. One of the more famous scissor stairs is actually of the double-helix style in Le Château de Chambord, a French castle situated on the Loire River. Built in the 1500s, the Chambord castle provided the royal court with an ample staging ground for hunting within the thick forests that surrounded the site. Most associated with the castle is King Francois the 1st, who persuaded Leonardo da Vinci to travel from Italy to help him create his dream château. King Francois, a known lover of ladies, was said to have used the staircase to usher in his mistresses without alerting the Queen.

Francois must have been badly let down by one of his concubines however, as in 1545 he took a diamond ring and inscribed into his workroom window the words *"Souvent femme varie, bien fol est qui s'y fie."* (Women are fickle; unhappy is he who puts his trust in them.)

Besides being a secluded passageway for mistresses, the scissor stair is also rumored to have kept the master of the household from having to gaze upon his servants. In 1737, the famous architect theorist Jacques Blondel published *"Maisons de Plaisance"* where he devoted much of his attention to the dwelling structure. In his manuscript, Blondel describes the scissor staircase as providing the

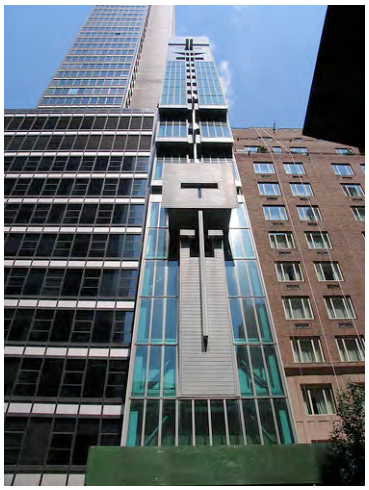
"serving staff with effective vertical circulation…the two flights allowed servants to go in opposite directions without running into one another." This suggests that not only did the scissor stair's design obscure servants from their masters; it also helped them carry out their tasks effectively and efficiently.

More recently, turn of the century designs indicate that scissor stairs were used in public schools and factories to separate the sexes. The crisscrossing parallel design was meant to be an efficient use of space while keeping the genders separate as they went to work in their different areas.

Form and Function:

The aspect of the scissor stair design that is irresistible to the architect and the developer is in its exceptional ability to conserve space and maximize perimeter views. This design has been made famous by the slender glass towers of Vancouver B.C. called "Point Towers". The Seattle Daily Journal of Commerce has noted a growing level of buzz created by Vancouver B.C.'s slender point-tower design in Seattle and other northwest cities. These new tower designs would not be possible without the incorporation of a scissor stair within the building's core.

The scissor stair condenses two paths of egress within a single stairwell and is commonly placed within the center of the building. This frees up space at the building's corners usually reserved for traditional stairwells. The result is more leasable or saleable space per square foot as well as a sleek tower design. The versatility and aesthetic appeal is evident in its growing popularity.



The modern scissor stair is usually compact and hidden; however, in New York, Raimund Abraham took this bland, functional, building element and turned it on its head. In his Austrian Cultural Forum building, a 24-story building that is 24 feet wide and 81 feet deep, Raimund placed scissor stairs at the back of the building expressing it as a design element. His innovative use of metal clad exterior Scissor Stairs has transformed this commonly hidden functional element into a sculpture.

Cost savings:

In large buildings, traditional stairwells dispersed over the building's floorplate are necessary to meet the building code requirements of travel distance or exit separation. This places a stair that is easily accessible at multiple locations, it also provides alternate paths in the event that one is compromised and allows a large number of occupants to descend quickly. Since smaller

buildings are not burdened by the long travel distances and heavy occupant loads of large high rises, they do not require multiple staircases and scissor stairs fit the bill.

Scissor stairs require less floor area, share a common wall and other components, and do not require intermediate landings. Hence, compared to traditional stairs, the scissor stair is less expensive to build. In some buildings a one-hour corridor may be needed to meet the exit separation required by the building codes, which will nullify the cost reductions gained from the compact design. However, the biggest gain is in the opening up of useable/saleable space.

Frequently in traditional buildings often there is wasted space inside the tenant area around building stairs. The scissor stair eliminates this waste by consolidating the two stairs in one location and reducing the circulation space needed outside each stair. The increase in leasable/saleable space can vary based on the building design, but is almost always a significant gain for buildings with a scissor stair.

Safety Concerns:

Safety issues surrounding the favored stair design were once again brought to the forefront after the World Trade Center Building Code Task Force published its proposal to limit the use of scissor stairs to buildings with small floorplates (under 10,000 square feet). Scissor stairs are not recommended for large buildings since the design inherently requires the two stair exits to be located within close proximity of one another. If one of the scissor stairs, or its enclosure, becomes compromised, it is likely that the second stair will be compromised as well. This could trap building occupants, leaving them with no means to escape or for emergency personnel to reach them, unless the stairwell structures and fire separations are adequately designed and built to preclude such compromise.

Firefighters have also taken issue with the scissor stair design, since their unfamiliarity with them can create confusion as to which standpipe is located at which stairwell, while the crisscrossing exits can disorient rescue workers who are under high levels of stress during an emergency.

Still, the scissor stair has increased in popularity, especially within circles of architects who design residential and mixed-use developments. New technology in building safety features such as sprinklers, early smoke detection, and fireproof construction has allowed designers more flexibility while keeping building occupants safe. When placed within buildings with small floorplates, scissor stairs offer a number of attractive design characteristics that are perfectly safe.

On the West Coast, building codes have previously not allowed scissor stairs to count for more than one exit. The Uniform Building Code required that exit stairs be located in separate enclosures and the distance between the walls of these separate enclosures be a minimum of 30 feet to count as two exits. Consequently, there are very few buildings along the United States' western coast that have scissor stairs incorporated into their design.

Some buildings permitted before the adoption of UBC codes by the city or state contain scissor stairs that are designed to be an integral part of the buildings egress systems. Portland, Oregon's old TN building, (Now

Courtyard by Marriott) located in downtown at the corner of SW 6th and Oak Street is one such building. The change of occupancy from an office building to a hotel required additional review of the existing scissor stair before the proposed renovations could begin. The architect, owner and the City officials had to work together to address this unique condition. The initial hesitancy regarding this design was soon overcome and the owners were able to move forward.

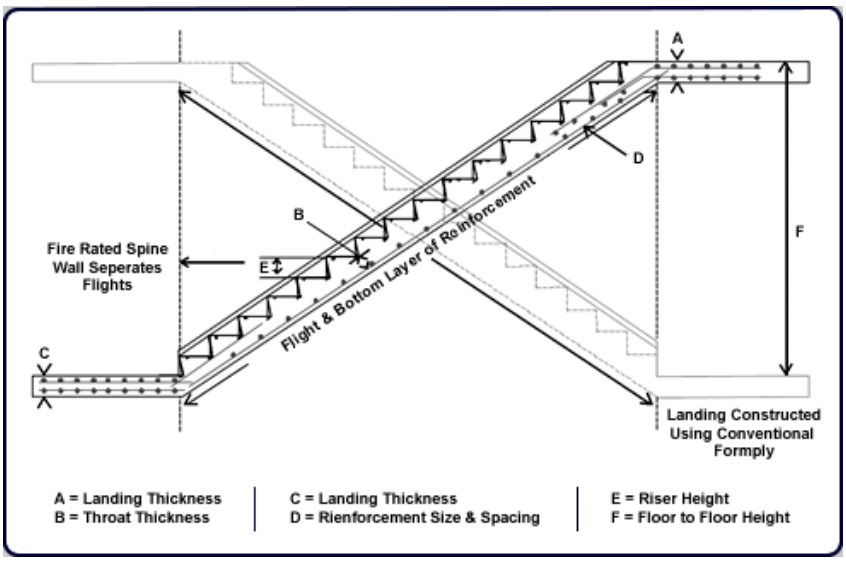
Evolving Standards

The east, west, and southern areas of the United States were formerly governed by three different model codes. The International Building Code (IBC) combined the South's SBC, the East's NBC, and the West's UBC to form one comprehensive standard. The IBC is continuously evolving to reflect the changes in modern building construction technology and architectural innovations. Updates and modifications to code standards are submitted and reviewed by the International Code Council (ICC) every 18 months to stay current with advances made within the construction industry. If the modifications are deemed safe, they are then adopted through a consensus approval process.

During the ICC's April 2000 public hearing, David Frable of the General Services Administration submitted a minor modification to the standard that required exit enclosures to be separated by a distance of not less than 30 feet.[1] This modification eliminated the 30-foot separation requirement between two exit stairs but required that scissor stairs be counted as one exit. This paved the way for scissor stairs to be used as egress stairs in contemporary buildings. Frable's statement in support of this modification said:

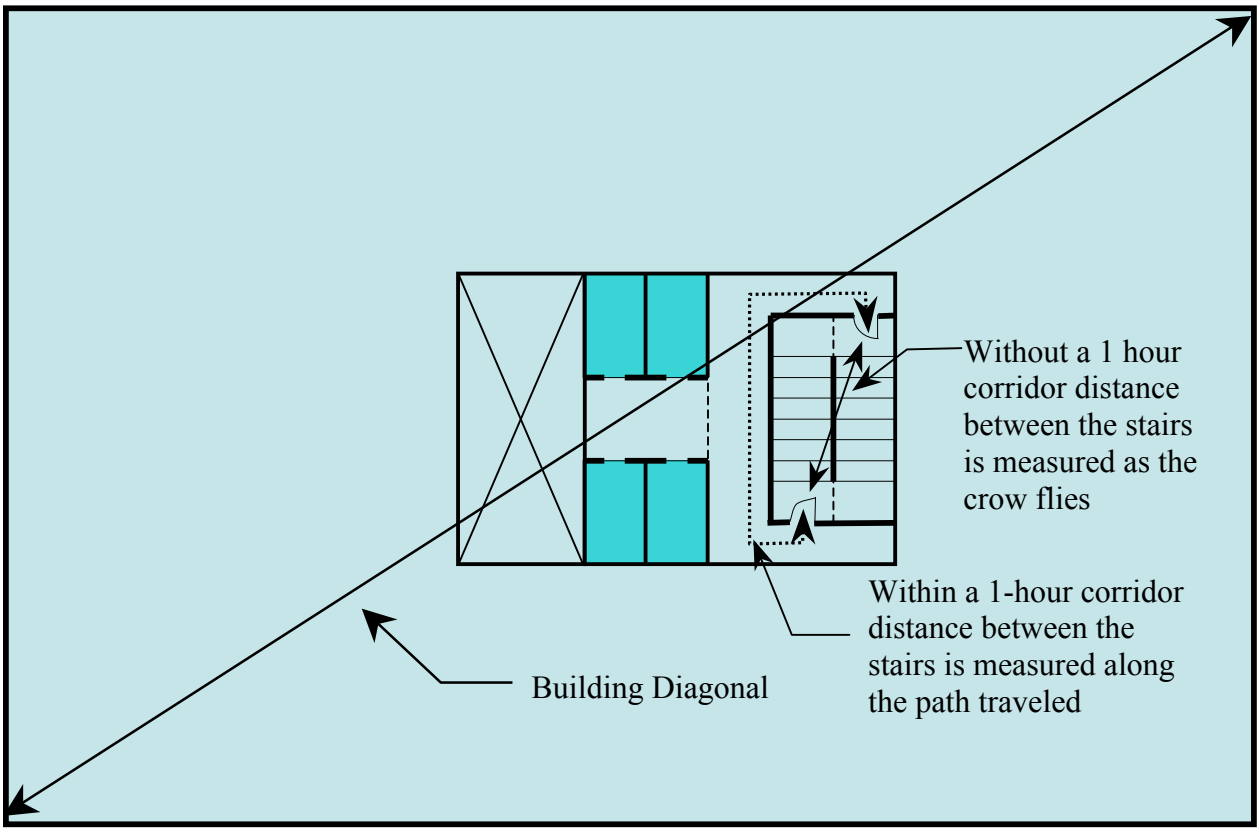
"While much of the opponents' debate implied that the current text is only in one model code, it will impact small floor plate buildings, and the 30 feet separation distance is an arbitrary distance… The crux of this proposal is to reaffirm the belief that scissor stairs cannot be reliably built to create an absolute barrier to the passage of smoke and toxic gasses between the stairs… The proposal does not eliminate scissor stairs but only permits them to be counted as one exit enclosure… Therefore, eliminating the need for all exit enclosures to be separated a minimum of 30 feet apart at any point in a direct line of measurement"

This code modification was formally incorporated in the 2003 edition of the International Building Code. The commentary published with the 2003 IBC discussed the concerns about smoke migration between the two stairs when they are located within a single enclosure. As the designers, developers and code officials looked at this modification within the context of existing and new buildings, further questions were raised. The 2006 IBC commentary addressed these questions by clarifying that intertwining stairs, when



[1] ICC Public Hearing: April 2000, Modification E44-00; 1004.2.2.1 (IFC 1004.2.2.1)

separated by construction that meets the stair enclosure requirements, [i.e. creates a barrier to the passage of toxic gas and smoke between the two stairs], are then not classified as "scissor stairs" and meet the code intent for two separate exits.[2]



Even though separate enclosures permit these stairs to be counted as two exits, exit separation is an additional requirement that has to be addressed in buildings with scissor stairs. Exits are required to be separated by more than third of the diagonal (distance between two diagonally opposite corners of the building) in sprinklered buildings, and more than half the diagonal in non-sprinklered buildings. In some instances the scissor stairs are too compact to meet the required separation. The solution is to connect the two entrances of the scissor stair by a one-hour fire-rated corridor. In a one-hour fire-rated corridor, the egress travel distance is measured along the path travelled. In buildings without corridors, or buildings without fire rated corridors, the distance is measured as the crow flies. Since most sprinklered buildings are allowed non-rated corridors, the addition of a one-hour corridor increases overall safety. Although, this eats up floor space which makes scissor stairs such an attractive approach in the first place, it still allows a more compact design than two separate stair towers.

The scissor stair has withstood the test of time and survived for over five centuries. It will continue to adorn new buildings, but the real and perceived safety concerns will preclude it from becoming commonplace. Many in the construction industry still fear the complexity of the intertwined stair design. The expressed concern is the potential for miscommunication between consultants, within design documents, or within the construction team, which will result in significant modifications during construction. As the pace and complexity of today's design and construction increases, this should not be taken lightly. However, progress made in the

[2] 2006 International Building Code Commentary, Section1015.2.1, Exceptions 1 & 2.

computer-aided design, especially Building Information Modeling (BIM) systems, may allay these fears. In the end the scissor staircases still remain a novelty in most areas, which is a shame because for small buildings, this is a valuable space saving solution that increases design freedom and development profitability without compromising safety.

The Housing Market Downturn: Why Has It Not Decimated The Oregon Economy?

By Dr, Tom Potiowsky, Oregon State Economist

The Nation is faced with the one of the deepest housing downturns in the post WWII period. Headlines such as "Americans losing houses at highest rate in 30 years"[1] fill the news. Oregon, the timber state, should be one of the hardest hit states. Instead, the recent data (early June) point to a slowing state economy and a depressed housing market, but Oregon is faring better than most states. How is this possible?

There are two main camps concerning the housing market and its impact on the Oregon economy. The first camp believes that Oregon is always a latecomer to recessions. They think that the relative strength of the housing market will evaporate and Oregon's housing market will come crashing down, sending the state into a deep recession. Just be patient, we are told, we simply lag the negative impacts.

The second camp believes that Oregon, while not immune from the housing downturn, will be in relatively better shape compared to other "hot" housing markets. The influence of housing on Oregon's economy is not as great today. Other additional factors have played a role to mitigate the adjustments seen in states such as Arizona, California, Florida, and Nevada.

I find myself in this second camp. This article explains why.

[1] Oregonian, June 6, 2008

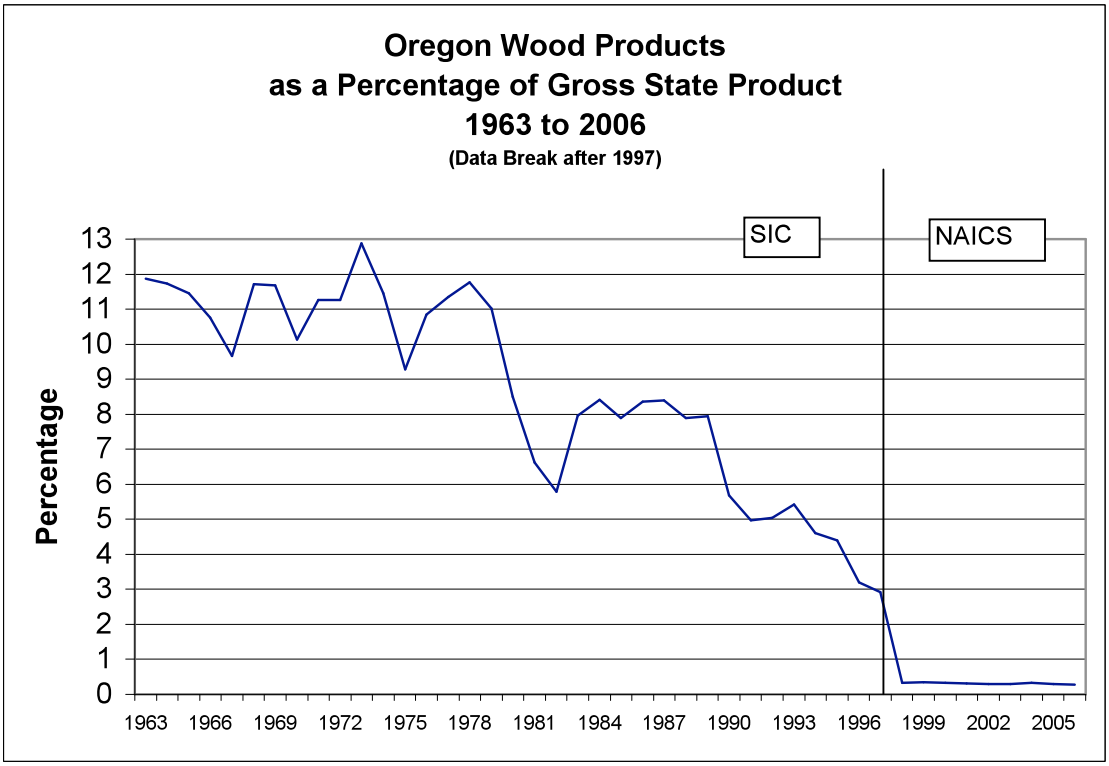
Wood Products' Influence on the State Economy

Oregon is one of the largest wood producing states in the country. Back in late 1979, inflation was rising and the Federal Reserve embarked on one of the strongest money tightening policies in its history. The housing market was devastated and Oregon fell into a deep recession with unemployment reaching above 12 percent in late 1982. Compared to the early 1980s, housing permits in Oregon for 2007 are at their lowest levels since 2000, and given the pace in 2008, may reach the dismal levels in 1982. The US housing permit level in 2007 is at its lowest levels since 1982.

The wood products industry is in a depression. The Western Wood Products Association (WWPA) projects lumber production in 2008 to drop 11.5 percent, the lowest volume since 1982. With commodity prices at half of what they were only three years ago, mill closures are spreading across the state. In the past two years, this industry has shed over 8 percent of their jobs. Back in the early 1980's, the depressed wood products industry was a major contributor to Oregon's recession.

Our economy is a bit different today than it was back in the early 1980s. One indication can be seen in Figure 1 which looks at the proportion that the output value of Oregon's wood products industry is to the state's gross domestic product, or what used to be called gross state product.

Figure 1



Source: US Census, Bureau of Economic Analysis

In 1978, the Oregon wood products sector was around 12 percent of the Oregon economy. The devastating recessions of the early 1980's crippled this industry and it never really recovered. Although the data are not truly comparable after 1997, the indication is that this industry's influence over the Oregon economy is very much less today than it was compared to the late 1970s.

Covered Employment and Wages
Oregon Lumber and Wood Products
as a percentage of Total Employmment

1978	2000	2007
8.3%	3.1%	1.7%

Source: Oregon Employment Department

Even with the diminished number of wood mills today, the latest housing downturn has meant numerous closures throughout the state. Although the wood products industry's influence on the state economy is much reduced, this still means horrendous hardships on communities dependent on this sector of our economy. Oregon is still a leading producer of wood products and close to 30,000 jobs are directly tied to the North American Industrial Classification System (NAICS) for wood products.

Broader Influence of Housing on the Oregon Economy

Besides the connection of the housing industry to the wood products sector, numerous other industries make their living from housing. This is very evident to someone who is a first time homebuyer or is building his/her own home. The major influences of the housing market on the Oregon economy can be viewed as those directly or indirectly the results of payments for housing, or those induced by housing. The direct impacts relate to payments for on-site construction, be they new or remodeled homes. Indirect impacts are payments to suppliers of off-site contractors and service providers (including real estate professionals, financial, title companies, retail stores, etc.). Induced payments are the recycling of incomes throughout the economy. Combining these three viewpoints is the classic economic impact analysis usually derived from input-output modeling.

A very broad measure of the relative size of housing on state's economies is provided by the

Table 1. Housing As a Share of Gross State Product (GSP), 2005

State	Residential Investment				Housing Services			Total Housing Share of GSP	Ranking
	Home Builders/ Remodel	Suppliers	Other	Total	Existing Housing Stock	Other (Accomodation)	Total		
Nevada	6.1%	2.3%	1.9%	10.2%	11.3%	8.0%	19.2%	29.5%	1
Hawaii	3.0%	1.3%	2.0%	6.2%	15.1%	3.6%	18.8%	25.0%	2
Florida	6.0%	2.9%	1.8%	10.7%	12.4%	0.9%	13.4%	24.1%	3
Arizona	5.3%	2.9%	1.9%	10.1%	11.4%	0.8%	12.1%	22.2%	4
California	3.5%	3.0%	1.2%	7.7%	14.0%	0.5%	14.5%	22.2%	5
Maryland	3.5%	1.9%	1.3%	6.6%	12.9%	0.6%	13.5%	20.1%	6
Colorado	4.1%	2.8%	1.0%	8.0%	10.5%	0.6%	11.1%	19.1%	7
Idaho	4.4%	3.4%	1.5%	9.3%	9.1%	0.4%	9.6%	18.9%	8
Montana	3.9%	2.9%	0.8%	7.7%	10.2%	0.8%	10.9%	18.6%	9
Oregon	2.5%	3.1%	1.5%	7.0%	11.0%	0.4%	11.4%	18.4%	10
New Jersey	2.4%	2.3%	1.0%	5.7%	11.8%	0.7%	12.5%	18.2%	11
Virginia	3.0%	2.3%	1.1%	6.5%	10.5%	0.5%	11.0%	17.4%	12
Washington	2.6%	2.3%	1.1%	5.9%	11.0%	0.4%	11.4%	17.3%	13
United States	2.7%	2.5%	1.0%	6.2%	9.9%	0.6%	10.4%	16.6%	

Source: National Association of Home Builders, HousingEconomics.com, 2008

National Association of Home Builders (NAHB). Table 1 above presents the top 13 states ranked by the percentage of housing to Gross State Product.

This snapshot in time is taken during the housing boom, which peaked in the US in late 2005 or early 2006. Other events also impact these measures such as hurricane Katrina, which placed Louisiana at the bottom of the rankings. "Housing Services" relate to existing housing services and measures both income-producing rental housing units and the "imputed" rental income of homeowners.

The first part of Table 1 is more related to new housing and remodeling that was occurring during the housing boom. Of note is the relatively lower percentage of residential investment for homebuilders/remodelers associated with Oregon. The 'Suppliers' measure includes "miscellaneous professional, scientific and technical services, retail trade, manufacturing of fabricated metal, nonmetallic mineral and wood products, which are the largest contributors of inputs used in residential construction." *(NAHB, 2008).* For Oregon, the wood products sector is the largest contributor and is influenced by the national housing boom more so than what was occurring in the state. The 'Other' category is mainly influenced by brokerage fees and, in Oregon's case, manufactured homes. When Oregon is compared to the other hot housing markets, such as Arizona, Nevada, Florida, and California, the influence of the housing market during this boom time is not as great.

Where does the housing market stand with respect to its influence on the Oregon economy? Relative the late 1970s, the influence is much reduced today. Table 2, below, is a very rough

OREGON COVERED EMPLOYMENT WAGES, 2007
HOUSING RELATED INDUSTRIES

Number of Units	Total Wages	Total Jobs	Average Wages	Industry Sector Description
852	$ 315,544,579	7,380	$ 42,757.21	Forestry and logging
324	$ 124,086,296	4,466	$ 27,785.16	Support activities for forestry
13282	$ 2,930,998,373	73853	$ 39,686.92	Net Construction[1]
512	$ 1,163,997,365	29,686	$ 39,210.81	Wood product manufacturing
18	$ 8,344,811	196	$ 42,576.06	Pottery, ceramics, and plumbing fixture mfg.
72	$ 66,890,976	1,435	$ 46,614.42	Ready-mix concrete manufacturing
12	$ 14,150,704	338	$ 41,866.48	Lighting fixture manufacturing
444	$ 202,412,888	6348	$ 31,886.09	Net Furniture manufacturing[2]
44	$ 26,884,440	538	$ 49,971.57	Home furnishing merchant wholesalers
203	$ 243,388,847	3,389	$ 71,817.80	Lumber and wood merchant wholesalers
18	$ 13,056,445	251	$ 52,018.20	Roofing and siding merchant wholesalers
23	$ 18,777,978	393	$ 47,781.61	Electric appliance merchant wholesalers
1,008	$ 236,268,548	8,129	$ 29,065.39	Furniture and home furnishings stores
512	$ 144,810,424	5,038	$ 28,744.13	Appliance, TV, and other electronics stores
1,027	$ 470,217,095	15,748	$ 29,859.34	Building material and garden supply stores
2,987	$ 1,544,811,259	30,598	$ 50,487.82	Credit intermediation and related activities
1,823	$ 176,428,140	4,121	$ 42,812.47	Offices of real estate agents and brokers
60	$ 13,176,101	390	$ 33,785.37	Home and garden equip. and appliance repair
71	$ 4,093,161	169	$ 24,220.38	Reupholstery and furniture repair
23,292	$ 7,718,338,430	192,466	$ 40,102.35	Total Housing Related Industries
130,695	$ 68,371,055,182	1,728,036	$ 39,566.25	Total All Industries
17.8%	11.3%	11.1%	101.4%	Housing Relative to Total Industries

[1] Total construction minus other construction activites such as: Industrial, Commercial, Heavy and Civil, Oil and Gas Pipeline, Power and Communications, Highway, Street, and Bridge, Other Heavy, and Steel and Precaste Concrete

[2] Total Furniture Manfacturing minus: Office Furniture and Fixtures

Source: Oregon Employment Department

estimate of the size and components of the Oregon housing industry in an attempt to capture

its relationships to the various sectors of the economy that participate in some capacity in the housing sector.

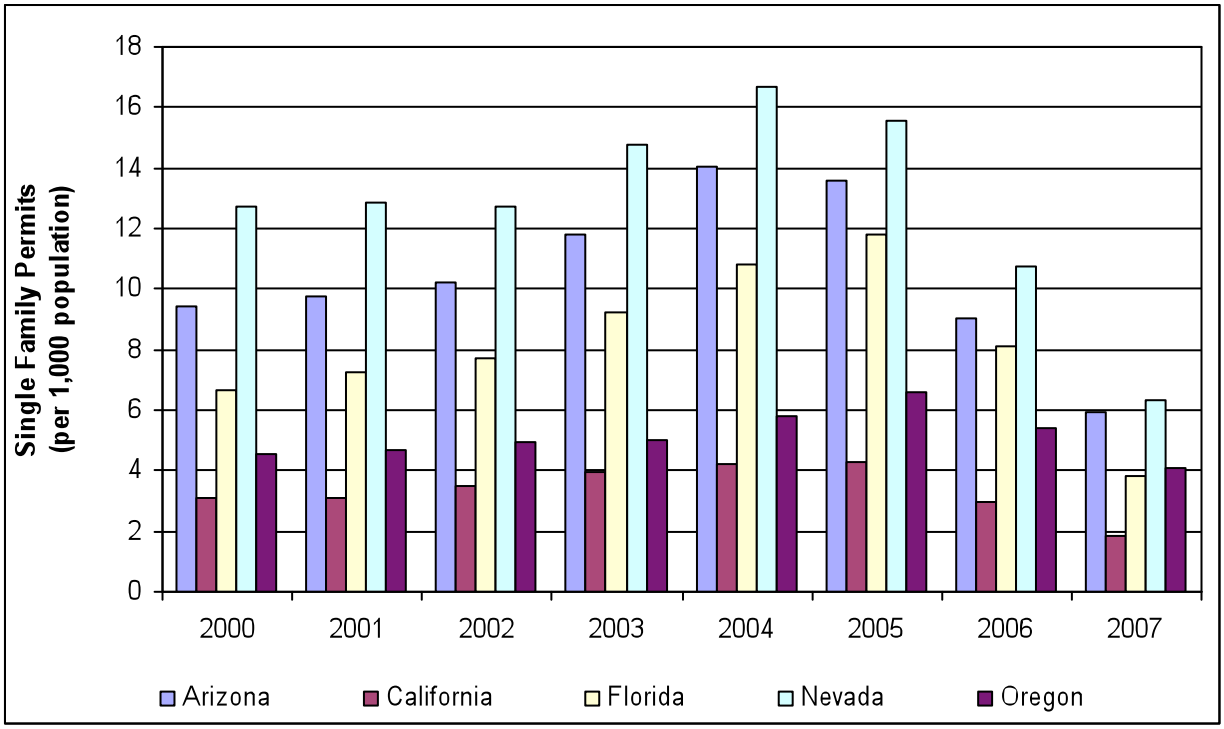
Many of these sectors are overstated in their participation in the housing industry. Also missing are numerous miscellaneous businesses such as trucking, publishing and local governments, to name a few. Without an extensive input-output modeling of the state, we can surmise from the available tables above that the housing market plays an important role in the Oregon economy, but one that is less influential today compared to thirty years ago.[2]

Oregon's Housing Experience Through the Boom and Bust in Housing

The U.S. housing market likely peaked during the fourth quarter of 2005. The Oregon housing market was not far behind with a likely peak during the second quarter of 2006. Generally, housing starts in Oregon have followed the U.S. trend, growing a bit stronger over this period of time. This is in keeping with the stronger population growth in Oregon compared to the national average. But the downturn has been pronounced in Oregon. The permit level in 2007 is the lowest annual number since 2000. The situation is even more dramatic in the U.S., with annual permits in 2007 at the lowest level since 1982. Adjustments to the housing stock are quite dramatic in. the recent first quarter of 2008 with single-family permits down 51.0 percent in Oregon and 43.2 percent for the U.S., compared to the same period a year ago.

Figure 2 shows single-family housing permits per 1,000 population in some of the hottest housing markets.

Figure 2



Source: US Census

[2] See "Housing for Economic Development", Policy Brief, Washington Research Council, PB 05-12, November 2005, for an economic impact analysis of the housing market utilizing the National Association of Home Builders model as an example of the type of analysis that could be applied to Oregon.

Arizona and Nevada are closer in population size compared to Oregon than the large population states of California and Florida. The run-up and decline are very pronounced in Arizona, Nevada, and Florida, with California and Oregon experiencing similar declines from their peaks. The chart shows that Oregon did not explode in building homes as much as the so-called "hot" housing market states. California has a relatively low level of housing permits to population and may be more a reflection of the large population base and high housing values.

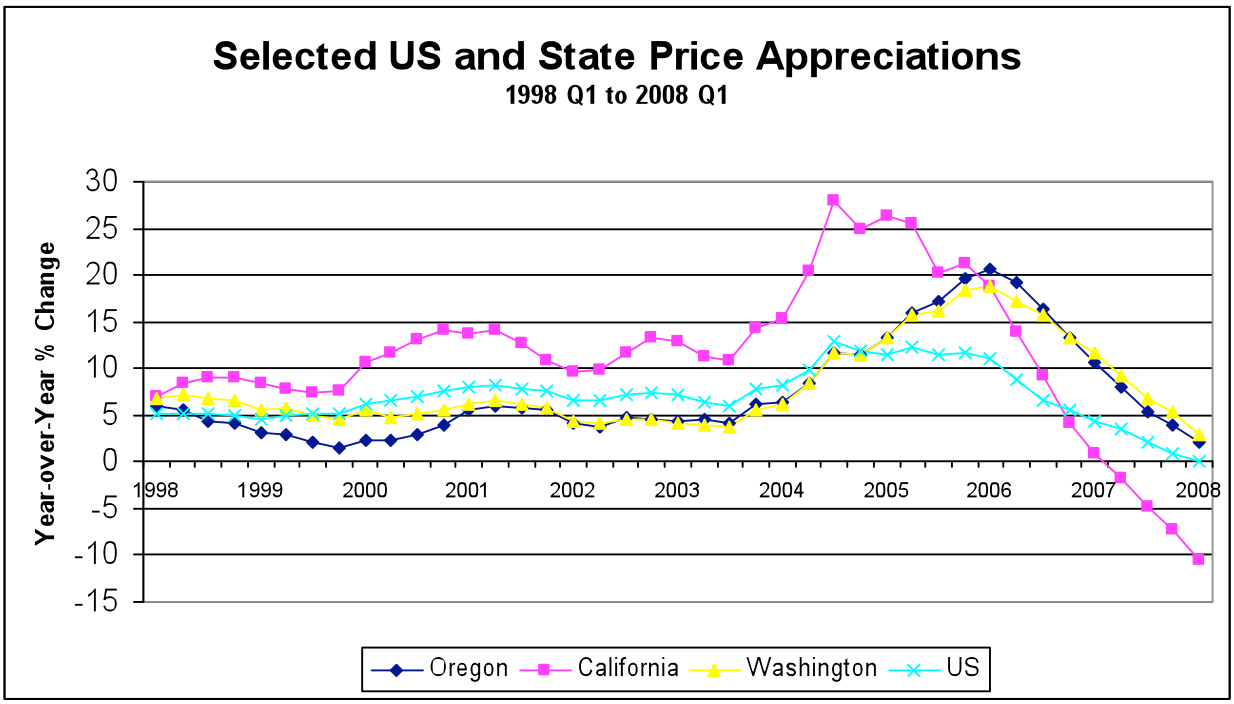
This decrease in homebuilding activity indicates a great deal of excess supply of homes on the market and/or a lack of demand. For supply to come back into balance with demand, fewer houses need to be built, and that is exactly what we are seeing. But the supply is also increasing because many people are not able to make their mortgage payments. The following Table 3 compares national with Oregon delinquency rates on mortgages and equity loans:

Table 3

	Delinquency Rate^		
	Q4 2005	Q1 2008	% chg
National (%)	2.0	4.4	120%
Oregon (%)	1.5	2.5	67%
Oregon's Rank (highest = 1; out of 51)	42	44	

^ 30 days past due for 1st and 2nd mortgages and home equity loans
Source: Wall Street Journal: Equifax/Moody's Economy.com

Oregon has a relatively low delinquency rate, and ranks 44th out of the 50 states and the District of Columbia. The Mortgage Bankers Association (MBA) has a similar rank for Oregon, placing the state at 46th out of 51 for seriously delinquent subprime adjustable rate mortgages (ARMs 90 days past due or in foreclosure) for the first quarter of 2008. Oregon has a similar ranking for subprime loans delinquent 60 days. At the same time, Oregon is ranked 22nd out

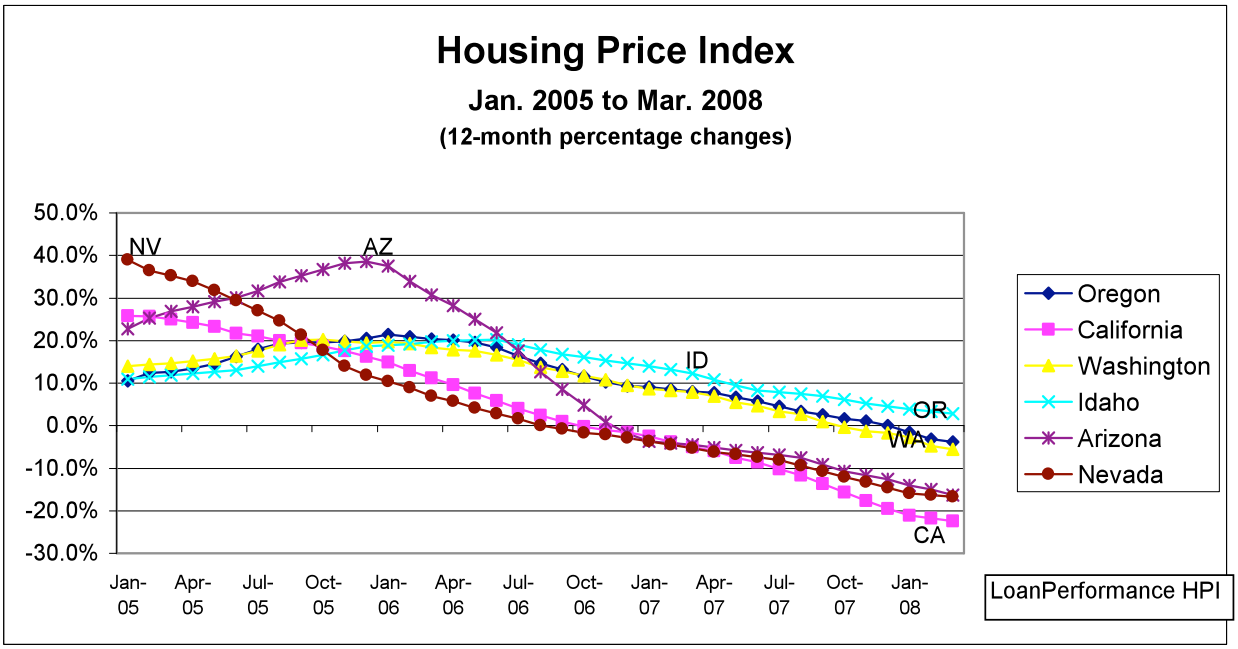


Source: Office of Federal Housing Enterprise Oversight
of 51 for subprime ARMs as a percentage of all loans for the fourth quarter of 2007. Part of the reason for the subprime loans in Oregon that seem to be performing well is the relatively better level of price appreciation for Oregon homes during this housing downturn.

Figure 3, above, shows the Office of Federal Housing Enterprise Oversight (OFHEO) state-level house price index changes for Oregon and the nation. This home price index follows repeat sales or refinancing on the same properties, but excludes high priced homes that have "jumbo" mortgages.

Oregon was a relative latecomer to the housing boom and still shows a slight positive price appreciation. Even during the period from 1998 thru late 2004, Oregon home price appreciation stayed below the U.S. average. Another look at home price appreciation is produced by LoanPerformance. Figure 4 compares Oregon to other western states and Florida.

Figure 4



Back in January 2005, Nevada had an annual price increase of almost 40 percent, with Arizona and California both above 20 percent. Oregon, Washington, and Idaho were very similar though this entire period of time. Prices have definitely held up better in Oregon than other states that experienced the housing boom.

Another price measure, the S&P/Case-Shiller Price Index, reported that out of 20 cities it tracks, Portland had the third best price performance in March 2008, year over year. Although the house price index reported a 4.0 percent decline for Portland, the best performing city, Charlotte, North Carolina, had an increase of only 0.8 percent. Comparing these numbers to the worst price-performing cities, Las Vegas at minus 25.9 percent and Miami at minus 24.6 percent, Portland's housing market is holding its prices quiet well.

It's not a coincidence that Oregon has both a lower delinquency rate and stable house prices. If a homeowner is faced with a "short sale", where the value of the home is less than the debt of the mortgage, the homeowner may be inclined to be delinquent on payments or walk away from

the house (foreclosure).[3] Therefore, more stable housing prices would suggest that fewer mortgages would be at levels greater than their underlying housing prices, and fewer homeowners would have lost all their equity and therefore have lower incentive to continue to pay mortgage debt service.

Although this next Table 4 does not show all areas of Oregon, it does give a sense of the rising supply of homes on the market:

Table 4

Various Residential Inventory in Months
(Active sales/Closed Sales)

	Metro Portland			Clark County			Lane County			Douglas County		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Jan	3.2	6.2	12.8	5.3	9.7	17.0	3.8	5.6	10.2	6.5	12.0	20.4
Feb	2.7	5.2	10.4	4.5	7.8	14.6	3.3	4.9	9.0	6.2	11.6	17.0
Mar	2.0	3.8	9.1	3.8	7.0	11.9	2.4	4.5	8.4	6.3	9.6	19.6
Apr	2.4	4.4		4.8	7.2		2.7	4.7		6.9	13.8	
May	2.3	4.5		4.2	7.1		2.8	4.5		6.0	11.1	
Jun	2.6	5.0		4.7	6.8		3.1	4.6		8.5	11.0	
Jul	3.5	5.7		6.1	7.6		3.8	6.0		7.8	12.7	
Aug	3.6	6.2		5.9	7.7		3.2	5.1		8.5	9.9	
Sep	4.5	8.6		6.4	12.0		4.5	8.0		8.7	14.9	
Oct	4.6	8.4		7.2	11.4		4.5	7.2		8.7	15.3	
Nov	5.1	8.3		7.0	11.0		5.6	8.3		11.1	13.8	
Dec	4.5	8.5		7.0	12.7		4.9	7.0		11.9	14.2	

Source: RMLS

This is as expected in a housing downturn. The Portland metropolitan region and Lane County are behaving in a fairly similar fashion, and the recent rise in inventories will most likely put further downward pressure on prices. Douglas County is feeling the effects of the depressed timber industry along with the housing market correction. Most likely the supply overhang would be much worse without the urban growth boundaries. Homebuilding in Oregon was relatively limited compared to the rapid building that led to greater problems in other urban areas in the U.S.

Summary

The Oregon real estate market is feeling the same effects as those in the rest of the nation, but not as intensely. There are several factors in Oregon's favor:

[3] See Doms, Mark, Frederick Furlong, and John Krainer, "House Prices and Subprime Mortgage Delinquencies", FRBSF Economic Letter, Federal Reserve Bank of San Francisco, No. 2007-14, June 8, 2007. The authors argue that forecloses are linked to declining house prices.

- The real estate market was late to the boom in Oregon.
- Housing does have excess supplies, but prices have not been decimated as in other "hot" desirable markets.
- Delinquent loans are fewer in Oregon, leading to fewer foreclosures and therefore lower additional supply of homes dumped on the market.
- The Urban Growth Boundaries probably contributed to slowing the pace of overbuilding, which limited overgrowth of the housing supply.
- Housing supply adjustments in Oregon are happening at about the pace of the U.S. and therefore alignment of supply and demand should occur along with the rest of the country, rather than lag behind.

The housing market in Oregon will revive. Economic downturns are the exceptions to business cycles – growth is more prominent. Population growth continues to outpace the national average. Even though the economic downturn does mean job losses in Oregon, these losses have not reached the stage of those during the last recession. With building permit growth dramatically down, and prices edging into negative territory, the overhang of housing inventory will go away. Our best estimate is that demand and supply may be more in balance more likely in mid or late 2009. But with relatively mild growth in the economy next year, the housing market will not come booming back, but it should see mild growth into 2010.

We are not out of the woods and many risks still loom on the horizon. Our economy is being hit by the U.S. downturn, and energy poses a threat to inflationary fears. Our export markets are helping to alleviate some of the effects of the economic downturn. Given expectations that this downturn will be shallow, although lasting longer than initially thought, and given continued higher population growth, Oregon's real estate market should weather this downturn better than most states. This is in relative terms, however. In absolute terms, the real estate market is in a downturn. The greatest risks are a deeper and more protracted U.S. downturn that will translate into a tougher time for Oregon's real estate market.

Housing Market Analysis

By Elizabeth Warren, Certificate of Real Estate Development Graduate Student & Oregon Association of Realtors [OAR] Fellow

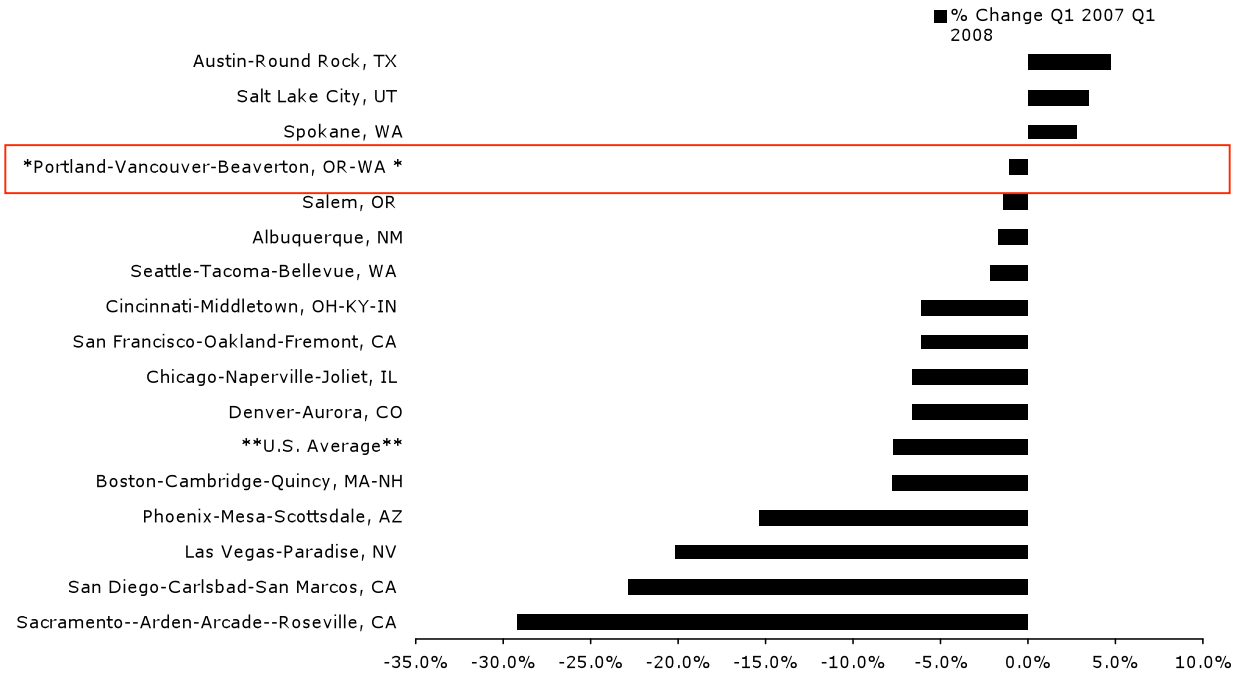
Median Home Values of Existing Detached Homes

	U.S.	West	Portland Metro Area
May 2007 Median Sales Price	$ 222,700	$ 341,200	$310,000
May 2008 Median Sales Price	$ 208,600	$ 286,600	$297,500
% Change in Median Sales Price	-6.3%	-16.0%	-4.0%
% Change in Number of Sales May 2007-2008	-15.9%	-12.8%	-12.8%

Source: National Association of Realtors (May 2008) and RMLS (May 2008)

The second quarter of 2008 marked an upturn for Oregon in the midst of the housing crunch felt across the nation. Since first quarter, median sales price and number of sales increased while number of days on market went down. Building permits are still dramatically fewer than the previous year and single-family homes continue to depreciate. However signs of improvement from 2008's first quarter are evident in a slight increase of permit applications and appreciated value from first quarter. Nationally, median home values are up 5% from last quarter, but still 16% below 2007's numbers.

Median Sales Prices of Existing Single Family Homes By Metropolitan Area



Source: http://www.realtor.org/Research.nsf/Pages/MetroPrice

Portland housing prices suffered less than other cities in the market downturn during the past year. A 1.1% decrease in median sales prices is minor when compared to the U.S. average

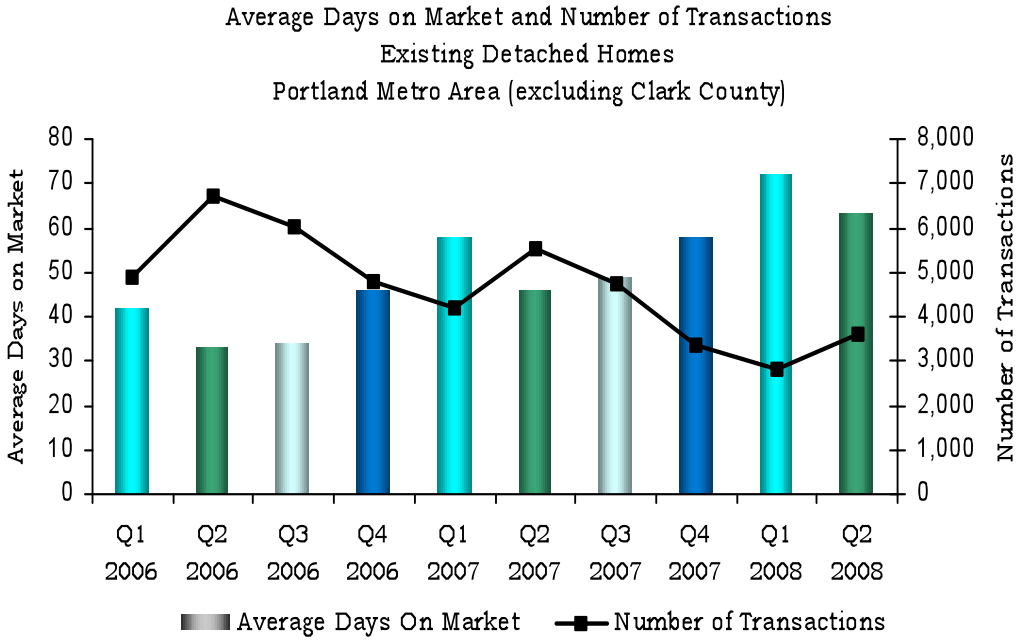
Building Permits Issued[1]

	SINGLE-FAMILY			MULTIFAMILY		
	May-08	May-07	PCT CHG	May-08	May-07	PCT CHG
UNITED STATES	273,841	465,985	-41%	139,035	170,590	-18%
OREGON	3,902	7,798	-50%	1,829	3,202	-43%
Portland-Vancouver-OR-WA	2,073	4,109	-50%	1,544	2,687	-43%
Bend OR	312	874	-64%	65	124	-48%
Corvallis OR	14	58	-76%	0	6	-100%
Eugene-Springfield OR	318	518	-39%	88	236	-63%
Medford OR	179	486	-63%	5	89	-94%
Salem OR	274	487	-44%	102	102	0%

decline of <7.7%> and the staggering <30%> observed in Sacramento, CA.

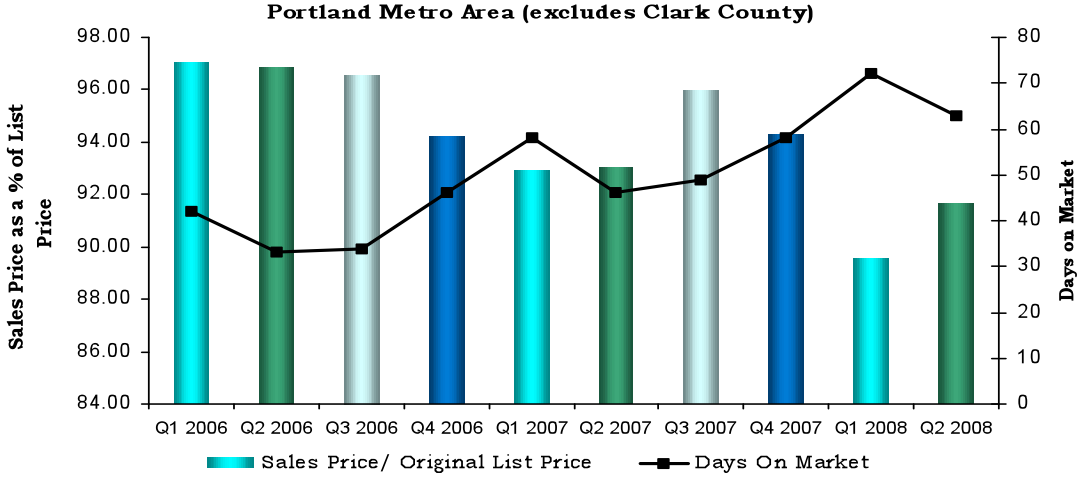
Portland

For the Portland metropolitan area, the second quarter of 2008 results proved optimistic, given the stark results of first quarter. The number of sales reached 3,599, 28% higher than first quarter totals. Average days on market declined to 63, and sellers began receiving a 91.63 ratio of return between their original and final sales prices. Median sale prices for existing detached homes remained around $295,000, and annual appreciation ultimately dropped below the positive mark to –4.1%. For new detached homes, the median sales price dropped slightly from the markedly high first quarter median.

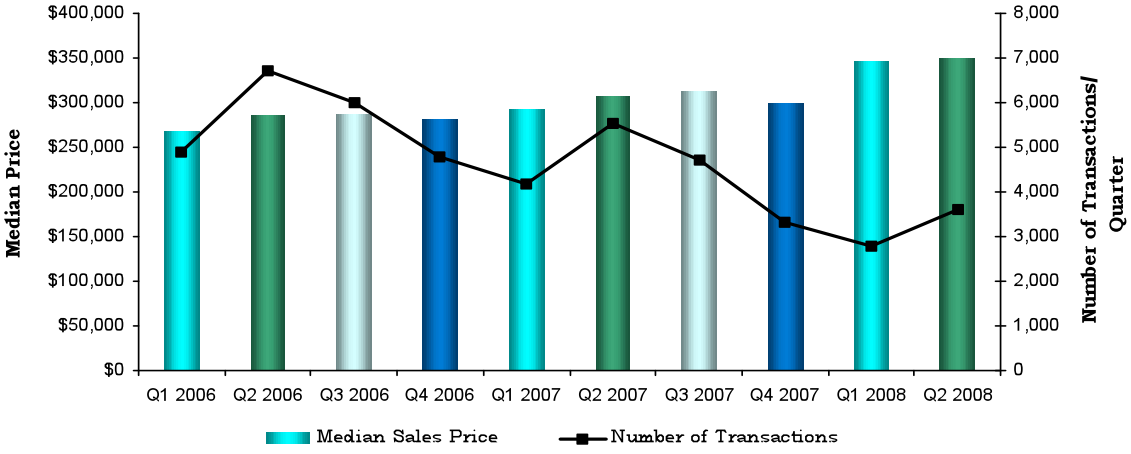


[1] National Association of Home Builders (June 2008)

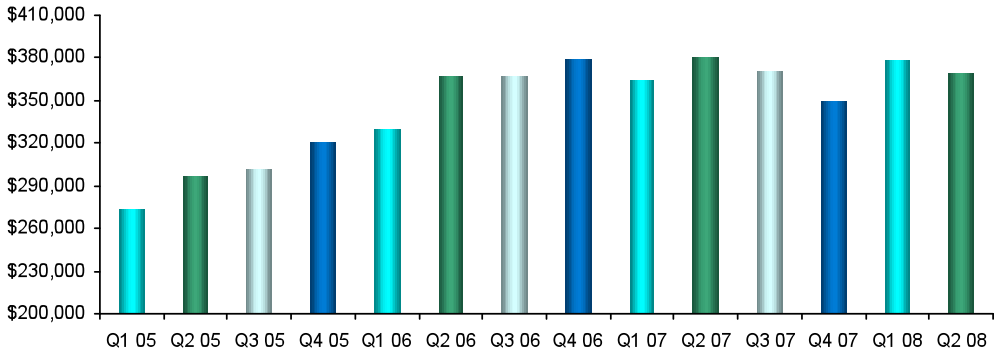
Sale Price/Original List Price and Average Days on Market
Existing Detached Homes
Portland Metro Area (excludes Clark County)



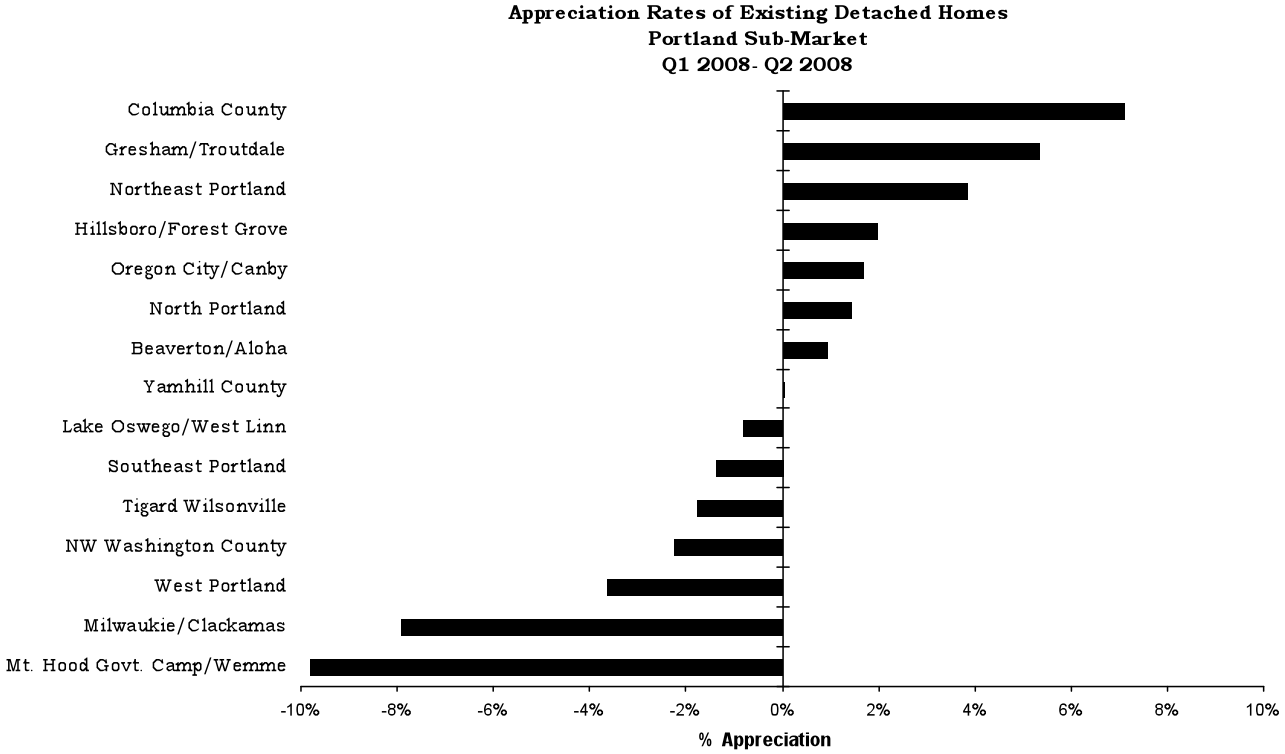
Median Sales Price of Existing Detached Homes and
Number of Homes Sales Per Quarter
Portland Metro Area (excludes Clark County)



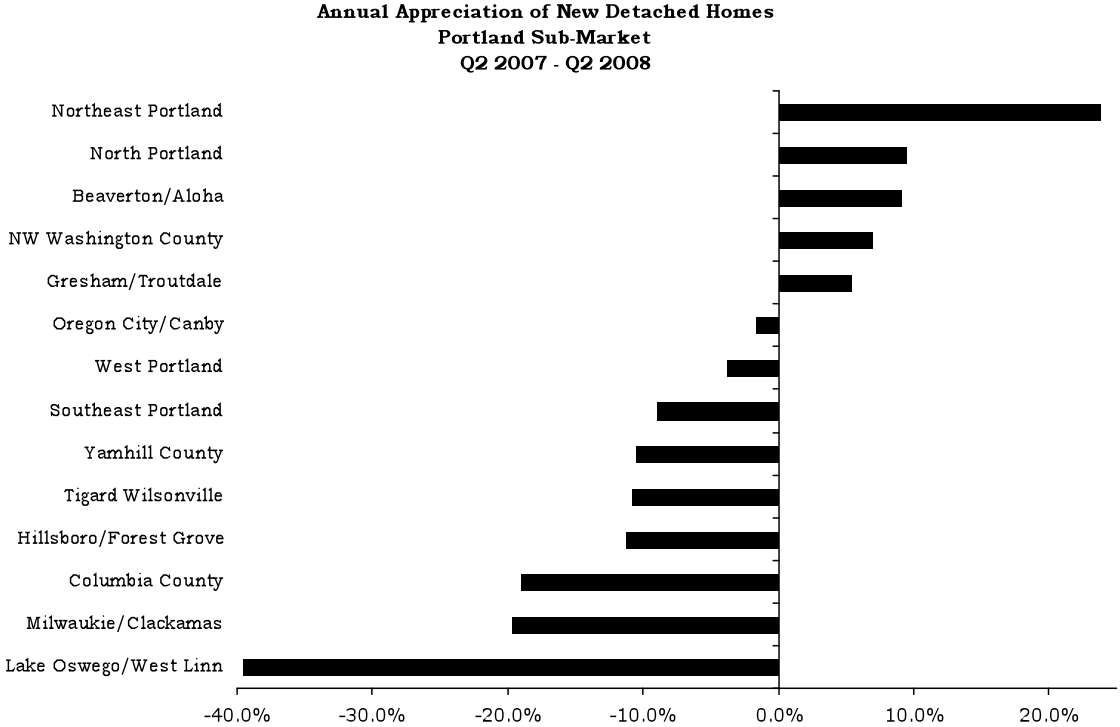
Median Price of New Detached Homes
Portland Metro Area (excluding Clark County)



Annual appreciation is still depreciating for all but Oregon City/Canby (.67% increase) with West Portland down 12.05% from second quarter of 2007.

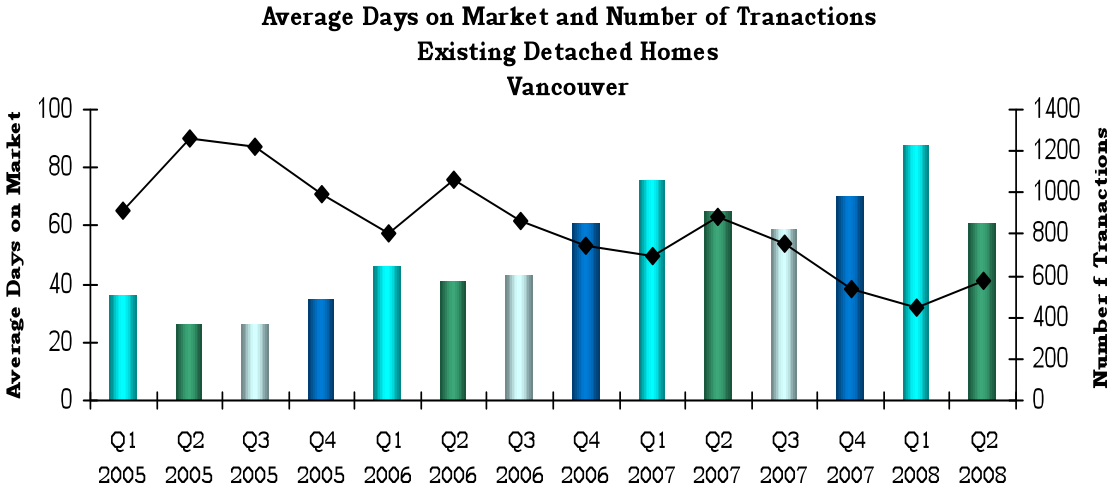


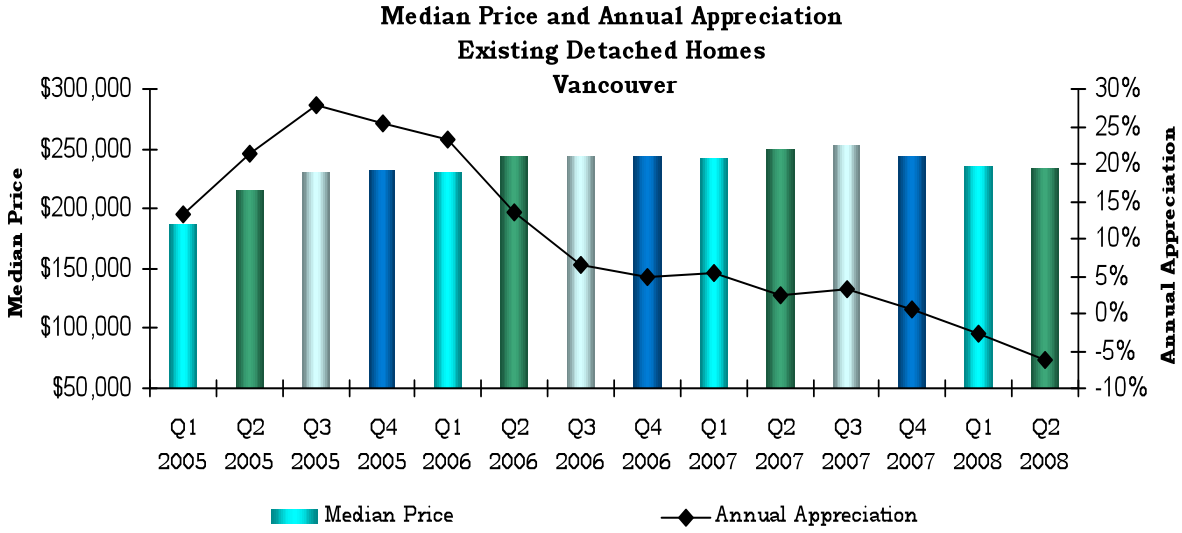
The neighborhoods of North and Northeast Portland show the strongest positive trends overall for both new and existing single-family homes. Building permits in Lake Oswego have come to a standstill as existing homes depreciate and prices of new, detached single-family homes continue to fall.



Vancouver

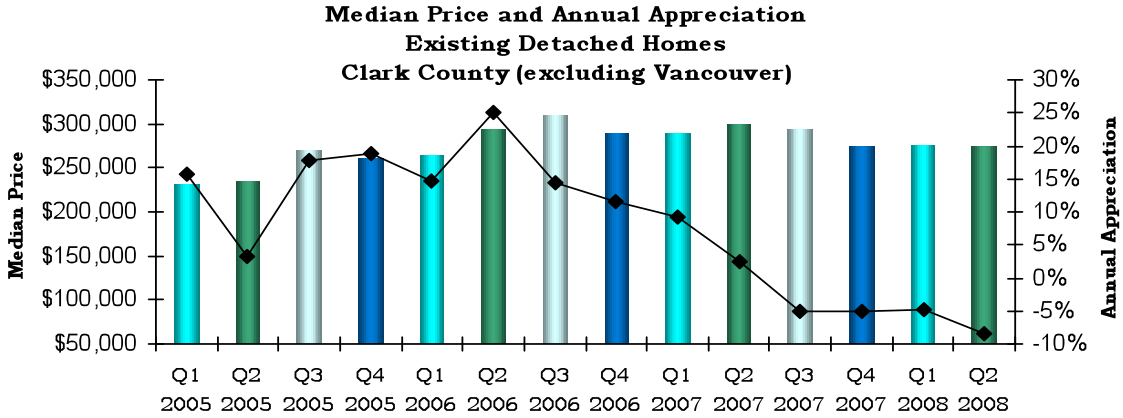
For the City of Vancouver, the second quarter median price trend for existing detached homes remained relatively stable, from the first quarter decreasing by half a percent – from $236,000 to 234,700 – since the first quarter.[2] However, the annual comparison to 2007 revealed a 6.12% decrease in median price. The number of units sold increased by 29% since last quarter, to 572. The average days on market declined for the first time since last year, dropping below second quarter, 2007's average of 65 to 61.



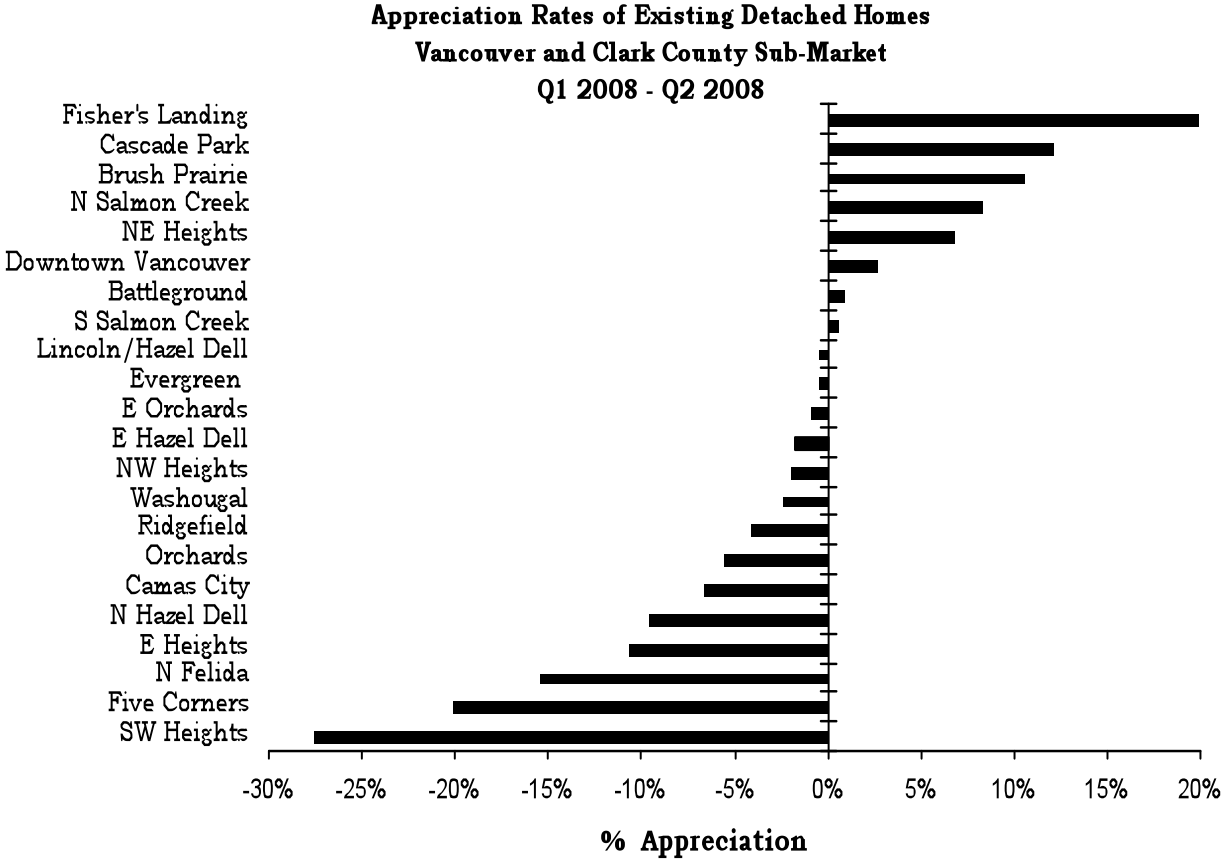


[2] All data for Vancouver was compiled from RMLS (June 2008)

The suburban areas of Clark County experienced a long-awaited increase in number of single-family home sales, and average days on market decreased to 61. However, median prices fell once again, half a point from last quarter and 6.1% from last year, marking the fourth consecutive quarter of declining sale prices.

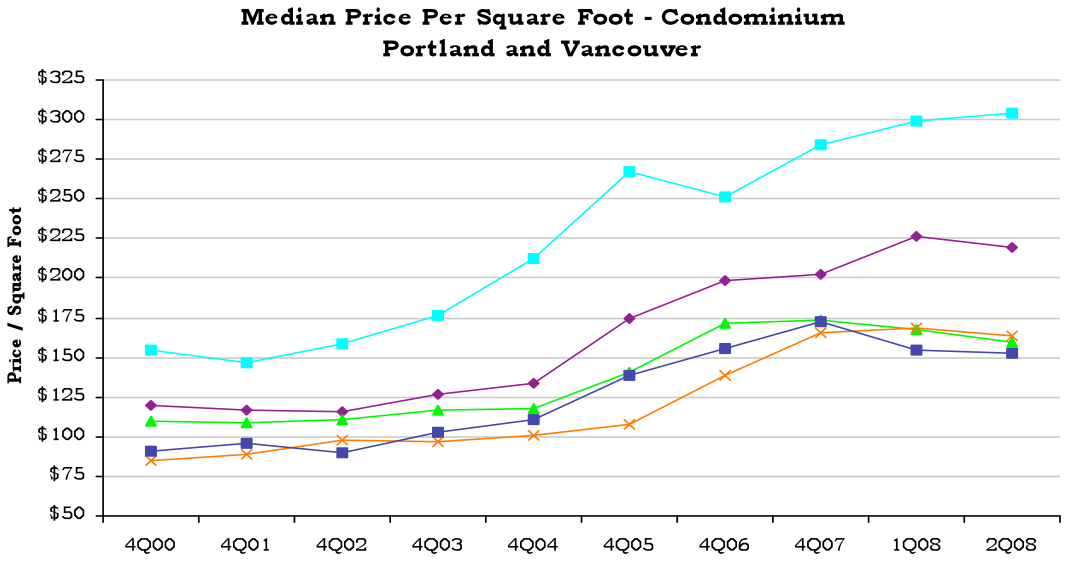


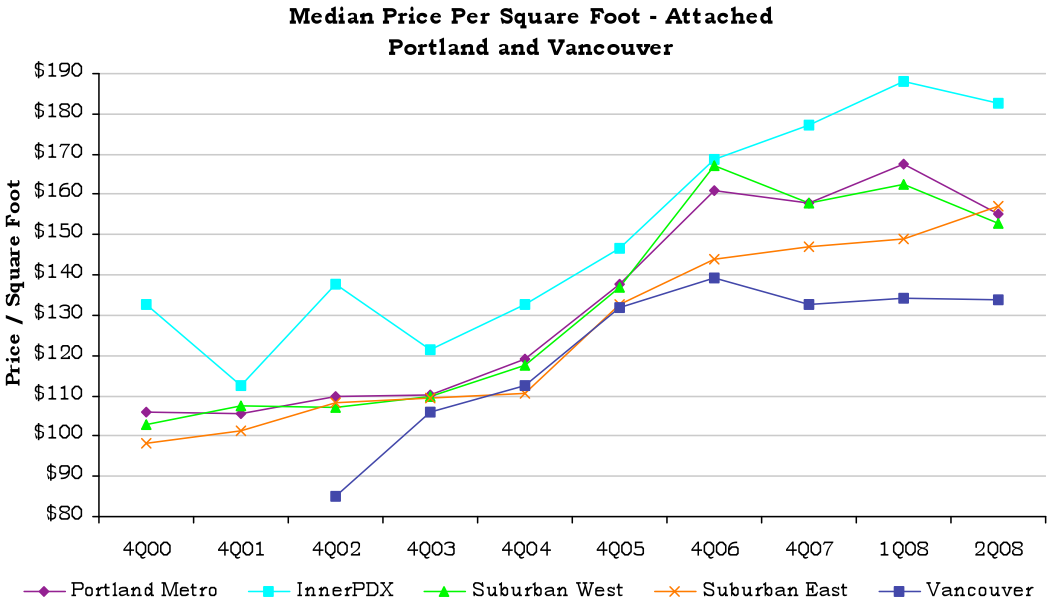
Existing home sales in the Vancouver and Clark County sub-market plummeted along the annual and quarterly appreciation cycles. Annually, the only two markets showing positive appreciation were NE Heights (1.3%) and Brush Prairie (9.7%). On the other end, SW Heights marked a 36.7% annual depreciation. By quarter, Brush Prairie and NE Heights continue to appreciate, while Fisher's Landing marks the highest upturn from first quarter with 19.89% appreciation.



Condominium and Attached Markets[3]

The condominium market leveled out this quarter after experiencing remarkable increases in median price over the last four quarters. Median price per square foot in the Portland metro area registered at $219.44, a 2.9% decrease from last quarter. The downtown Portland neighborhoods continue to show the strongest market for condominium development, achieving sales of $304.22 per square foot. Trends in attached housing sales appear historically more volatile market. However a five-year snapshot shows fluctuations becoming less drastic, the strongest positive trend coming out of the suburban east side of Portland.

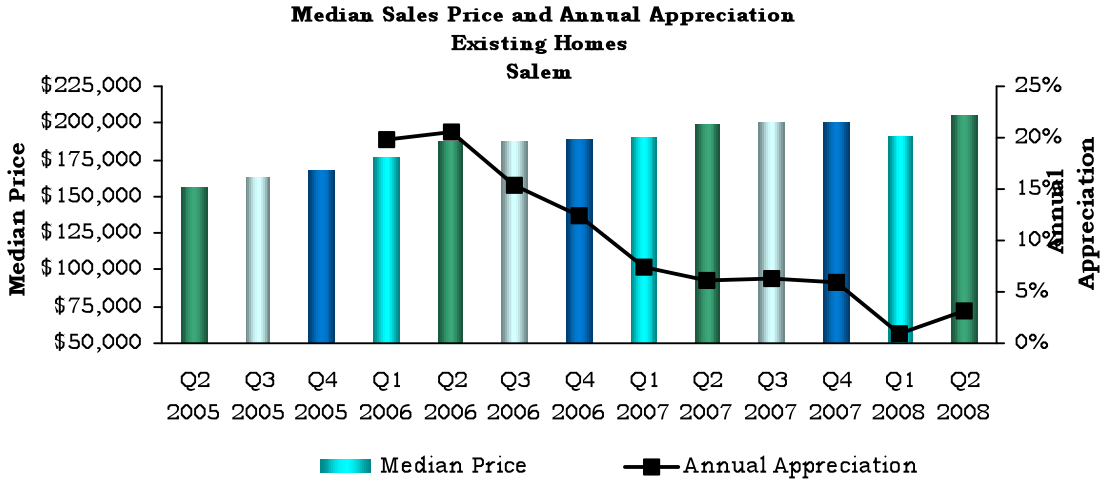


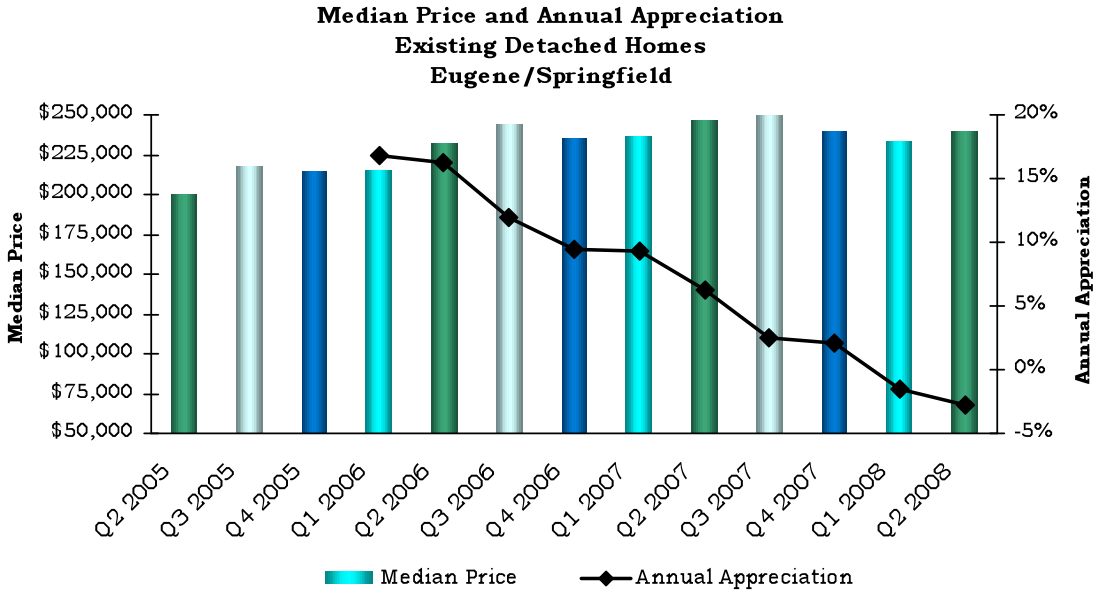


[3] RMLS defines "attached" as "an element of the residence construction is shared with another property, condominiums excluded. "Condominiums" are defined as an attached or stand-alone residence for which the owner has title to the space inside the unit and shares common spaces with other unit owners in accordance with specific legal guidelines.

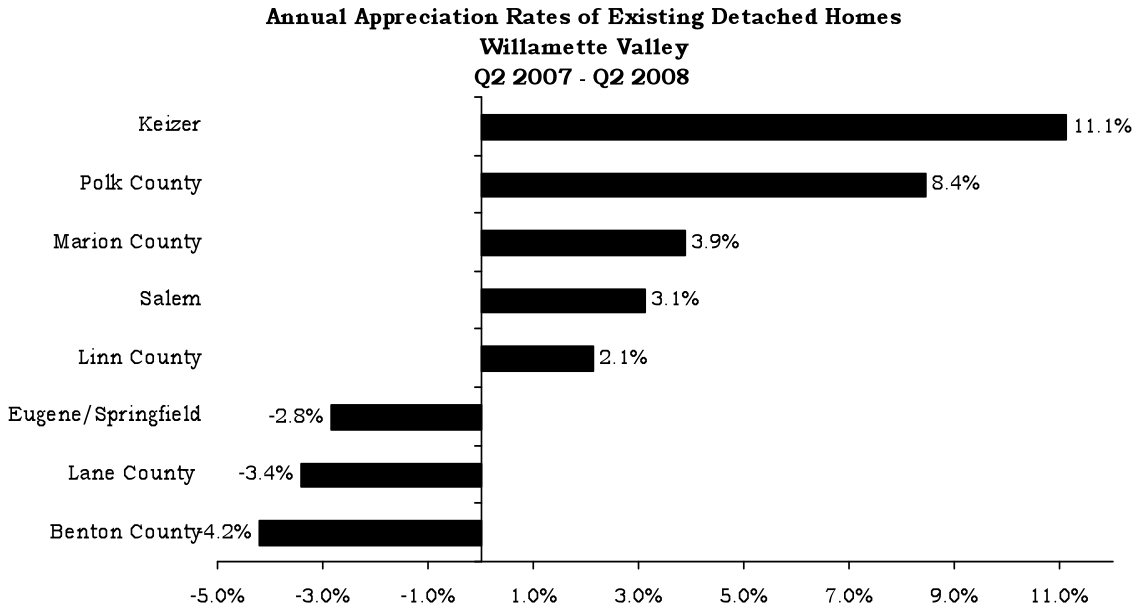
Willamette Valley

The Willamette Valley experienced an upturn from last quarter for the existing home sales market. Most notable is Linn County, with a 2.1% second quarter annual appreciation – an eight point jump from first quarter's –6% depreciation. Keizer is also worth mentioning, as its annual appreciation reached 11.1% and number of transactions is up 34% from first quarter. In Salem, the median price is up 3% from 2007; the number of transactions increased 30% from the first quarter, and average days on market decreased to 113.[4] Eugene/Springfield did not provide such optimistic results. Although median price was up 3% from last quarter, annual appreciation fell to –2.84%.





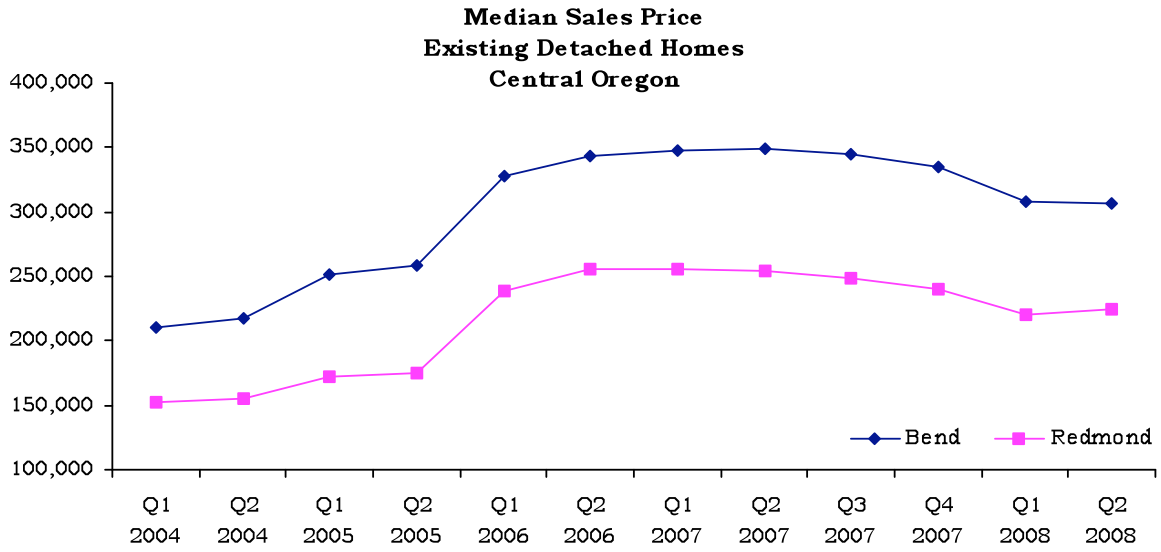
[4] Data for Salem, Keizer, Marion County, Polk County, Benton County, and Linn County was compiled from Willamette Valley MLS (June 2008)



For the surrounding Willamette Valley counties, the second quarter marked an upturn in median sales prices. While the number of transactions increased dramatically across the board, average days on market increased also. Linn County experienced a remarkable 83% rise in sales as well as a 3.4% appreciation.

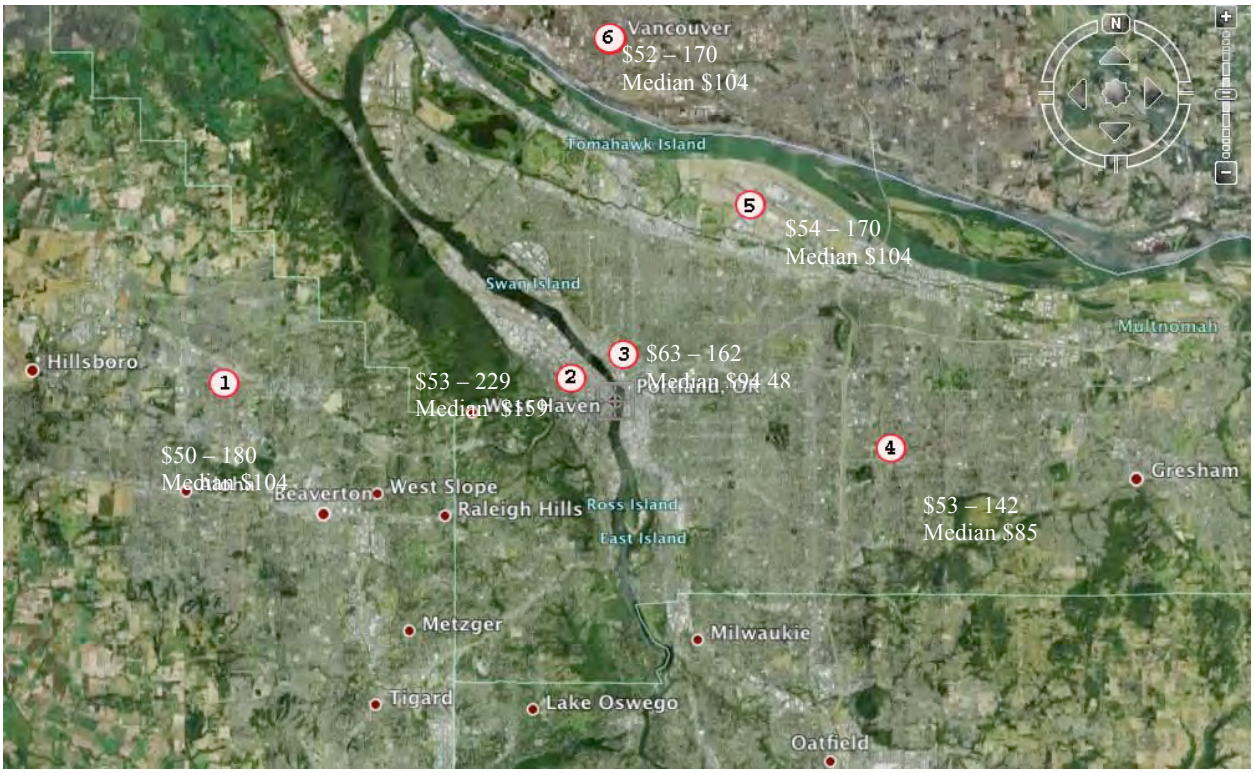
Central Oregon

For the cities of Central Oregon, second quarter median sales price remained relatively stable at $306,000 for Bend and $225,000 for Redmond. Annual appreciation was down 12.43% for Bend and 11.73% for Redmond; however the number of transactions was up 23% for both cities.



Hotel Market Analysis

By Elizabeth Warren, Certificate of Real Estate Development Graduate Student & Oregon Association of Realtors [OAR] Fellow



1. *Suburban West includes Beaverton, Sunset Corridor, Hillsboro, Lake Oswego, Tualatin, Tigard & Wilsonville.*
2. *Downtown Portland includes Downtown, John's Landing, Uptown and Northwest Industrial*
3. *Rose Quarter / Lloyd Center*
4. *Suburban Eastside includes Jantzen Beach, Gresham, Troutdale, Clackamas, Oregon City and Milwaukie*
5. *Portland International Airport*
6. *Vancouver, Washington*

Portland's metropolitan hotel industry has shown strong market growth, outperforming national trends and projected slow growth through the 2008 business year. In 2007, the number of properties sold was 70% over the previous year, with the price per key 30% higher[1]. According to Smith Travel Research, hotel occupancy rates in downtown Portland rose two points to 77.6 percent in 2007. Average revenue per available room, (RevPAR), a standard industry measurement, was $98.35. The weakening of the dollar has also spurred foreign tourist interest in the U.S. and foreign investors looking to the U.S. market for portfolio

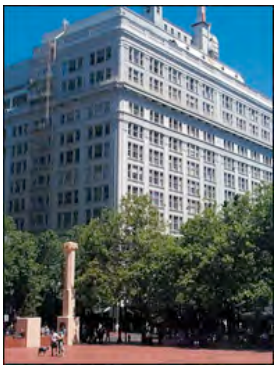
[1] Data provided by The Dundon Company, LLC's March 2008 Portland Hotel Survey

bargains.

	Hotels Number	Available Rooms	Construction Rooms	Planned Rooms	Renovation Rooms
Suburban Westside	45	**4,934**	-	220	101
Downtown	27	**4,923**	587	150	173
Suburban Eastside	40	**3,911**	93	-	-
Int'l Airport	24	**3,271**	136	361	-
Vancouver WA	20	**2,122**	-	40	-
Rose Quarter	12	**1,692**	-	-	-
Metropolitan Total	**168**	**20,853**	**816**	**771**	**274**

The boutique hotel trend has hit Portland's downtown, with four new hotels scheduled to open this year. Like the Ace Hotel, these properties have chosen to renovate instead of redevelop, hoping to provide a uniquely local experience for their guests. Three of the four hotels are not operated by a national hotel flag brand and the other, the Nines, is the first of a new Starwood luxury brand.

Hotel	Location	# of Rooms	Corporate Rate/Single Room	Description	Opening Date
 **Modera**	1414 SW 6th Ave	174	-	Formerly the Days Inn Center, the 174-room Hotel Modera reinforces and updates its mid-century modern architecture and goes green with a 15-foot living wall and other features. Amenities include boardroom-style meeting facilities, a private courtyard with fire pits and local art display, wireless internet and free passes to 24 Hour Fitness next door.	8-Jun
 **Hotel Fifty**	50 SW Morrison	140	$139	Seattle-based Coastal Hotel Group redeveloped the former Four Points Sheraton. Hotel. While remaining open during renovation, the $7-million remodel of Hotel Fifty also embraces the mid-century architecture by the same architect as the Modera. Services include covered self-parking, a business center and complimentary passes to the adjacent Bally's fitness center. Two meeting rooms accommodate 10 to 50 guests.	July 2008

	**Nines**	Between 5th & 6th Alder & Morrison	331	???	Developed by Denver-based Sage Hospitality, the hotel will operate as a Starwood luxury brand and occupy the top nine floors of the historic Meier & frank Building. The $140-million project converts the top floors from a solid box to a hollow square, creating an atrium that will give all of the hotel rooms access to natural light. The hotel includes an atrium restaurant, a 7,000 SF ballroom, and 7,000 SF for additional conference facilities. Developers seek LEED Silver certification, and utilize "green housekeeping" practices.	3rd Quarter 2008
	**Ace**	1022 SW Stark Street	79	$140	Developed as its second hotel by a Seattle-based group, the Ace Hotel is housed inside a renovated 1912 historic building. Each room is decorated by a local artist and furnished with vintage materials. Amenities include flat screen TVs, complimentary Mac laptop access, business lounge, a Stumptown Coffee bar in the lobby, and a city-bike fleet for guest use.	2/14/07

Office & Industrial Market Analysis

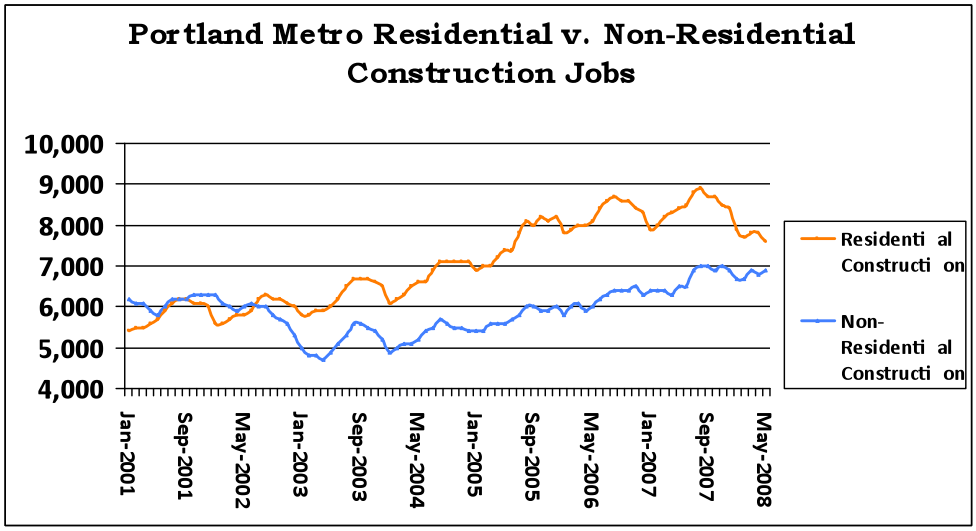
Greg LeBlanc, MBA, RMLS Fellow, & Certificate of Real Estate Development Student

Portland Office Market

The office market continues to remain strong with low vacancy rates for most submarkets and continuing rent growth for Class A properties. However, the struggling economy is beginning to have a more pronounced effect on the office market as seen by slowing demand, fewer investment transactions and an increase in CBD Class A sub-lease space.

Economy

As of May 2008 the unemployment rate in metropolitan Portland has increased 0.5% over one year ago to 5.3%.[1] This translates to an additional 5,700 workers being unemployed. Industries accounting for the most dramatic job losses are the financial and construction sectors. Banks, insurance, title and real estate companies continue to shed employees, with a loss of over 1,700 jobs in the last year.[2] The construction industry has also continued to lose jobs in the last year, leading to a deficit of 1,900 jobs in the last year alone. This is notable since the construction industry typically adds jobs in the late spring and early summer. A large proportion of construction job losses (800 jobs) is related to the collapse of the housing market. The graph below details the loss of residential construction jobs in the Portland metropolitan area, with continued stable employment for commercial construction.

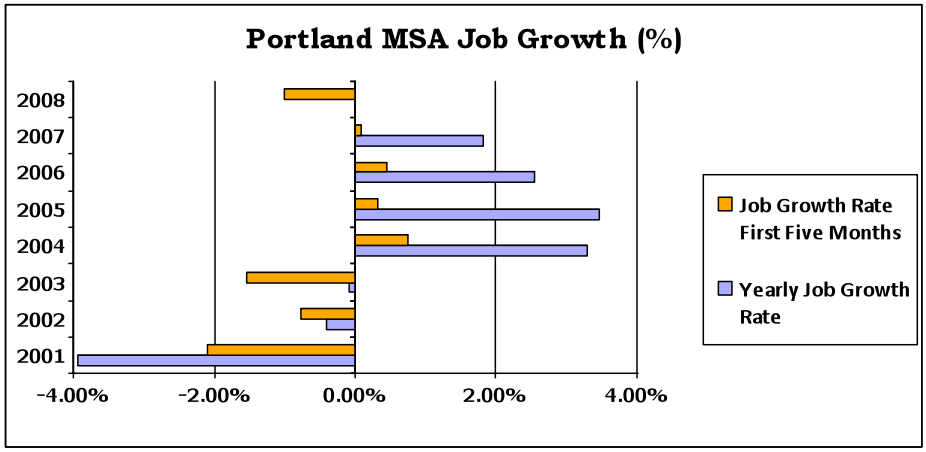


**Source: Oregon Employment Department*

[1] Oregon Employment Department, Portland Metro Labor Trends, July, 2008, http://www.qualityinfo.org/pubs/llt/pdf/07-08/0708-pdx.pdf

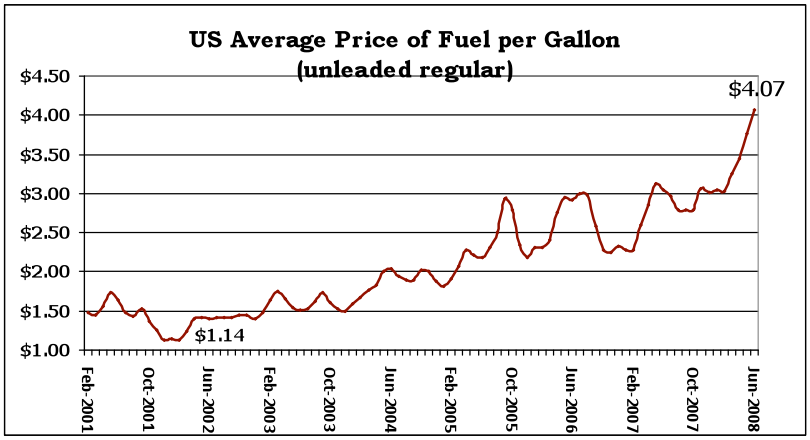
[2] Ibid.

The metropolitan area unemployment rate of 5.3% is comparable to that of the national unemployment rate of 5.5%. Over the last five years the Portland area has tended to start the year with modest job growth followed by stronger gains in the late spring through early fall. In each of the last four years Portland has gained jobs. The first five months of 2008, however, show a job loss of 1%, which will make it difficult to turn a positive gain in employment by year end. The last time the metropolitan area posted negative job growth for the first five months was in 2003, when job growth registered -1.5%. The rate of job growth for that year finished at -0.1%.



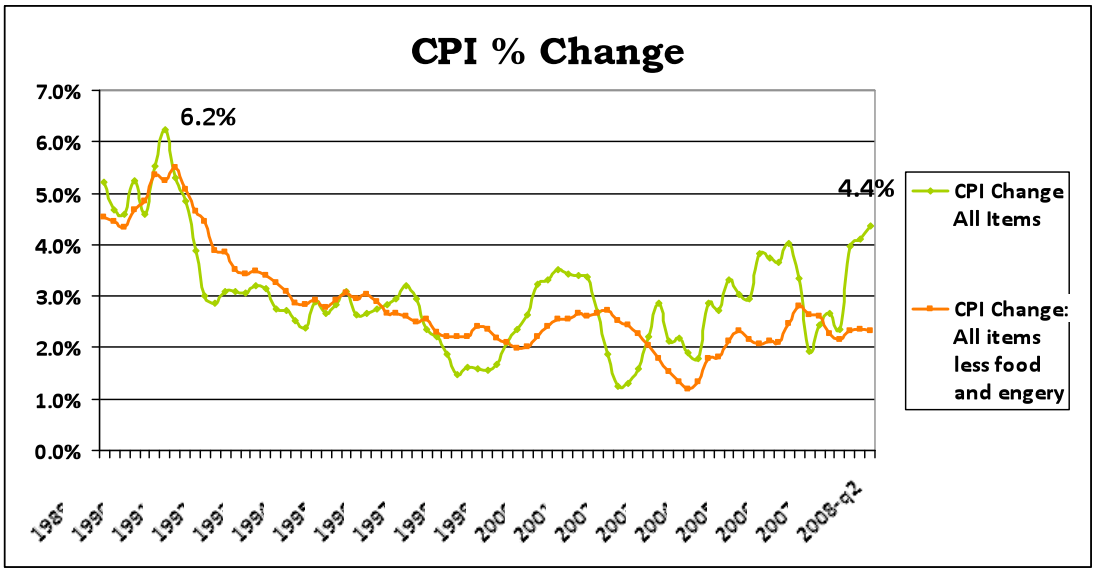
**Source: Oregon Employment Department*

A big concern for the national economy has been the rate of inflation. While the National Bureau of Economic Research has not proclaimed that the country is in a recession, rising inflation and unemployment make this a tough time for many. Figures released in June, 2008 by the U.S. Department of Labor showed the consumer pricing index (CPI) up 4.4% for June.[3] The last time that the CPI was above 4% was the second quarter of 1991 *(see chart on next page)*. The jump in inflation has come primarily as a result of increased fuel prices. In the past year the average price per gallon of regular unleaded gasoline has increased over 33%.[4] The recent "good" news is that the price of oil retreated from a high of $147 a barrel to close at $128.88 on July 18, 2008. Locally, the impact is seen through the increased ridership on TriMet, which reported a 10.3% increase in June ridership over the same month a year ago.[5]



**Source: U.S. Department of Labor*

[3] U.S. Bureau of Labor Statistics
[4] Ibid.
[5] Portland Business Journal, July 18, 2008.



The high rate of inflation comes at a time when many of the nation's financial institutions are struggling with the fallout from the home mortgage market. To date, banks have written off $300 billion in loans.[6] Most had hoped that the worst was in the past, but recent weeks have seen the government devise plans to assist Fannie Mae and Freddie Mac, and the takeover of Indy Mac Bank by the Federal Deposit Insurance Corporation. When the last U.S. recession occurred in 2001 there were three key factors that were absent then, but are now present today. They are: (1) tighter lending standards; (2) high energy prices; and (3) declining home prices. At the beginning of the year, economists opined that they expected loan defaults to ease and job growth to pick up by the middle to latter part of 2008. Increasingly, however, more economists are revising their forecasts for recovery to early to mid 2009.

Despite the gloomy forecast, there are several factors that position the Portland office market better than many others in the nation. The first is the relatively low fallout from residential subprime mortgages. Struggling office markets have seen a strong correlation to those markets with high rates of subprime lending. Portland's rate of subprime mortgage lending is half that of struggling areas in Florida, Arizona and Nevada. The second factor is that there is not an oversupply of office space on the market. Class A direct vacancy in downtown is now at less than 6%. True, there are nearly 1.3 million square feet of office space under construction in the CBD, but only 275,000 square feet is scheduled to come on line by the end of this year. When Oregon hit the last recession in 2001, the metropolitan market had a glut of new office space, primarily in the Sunset Corridor and downtown. As an example, there were over 700,000 square feet of vacant office in the Sunset Corridor in 2001, which accounted for a 40% vacancy in Class A office space in the submarket.[7] Since then, this submarket has made steady improvement where Class A direct vacancy has improved to 19%.[8] Today, the Sunset market is also one of the primary beneficiaries of the Business Energy Tax Credit, which provides incentives for companies investing in clean energy. Developers of renewable energy, like wind and solar, are sprouting up in the metro area attracted by the State's Business Energy Tax Credits and experienced technical workforce. Last, Portland's infrastructure, including Portland's mass transit system of buses, Max light rail and Portland Streetcar lines, give commuters more options than other similarly sized cities. The next year and a half will see

[6] Goodman, Peter, "A Slowdown With Trouble at Every Turn", New York Times, July 19, 2008.
[7] Culverwell, Wendy, "Steady Rise in Occupancy Revises Sunset Corridor", Portland Business Journal, May 23, 2008.
[8] Grubb & Ellis Company, Office Quarterly Report, Second Quarter 2008 Statistics.

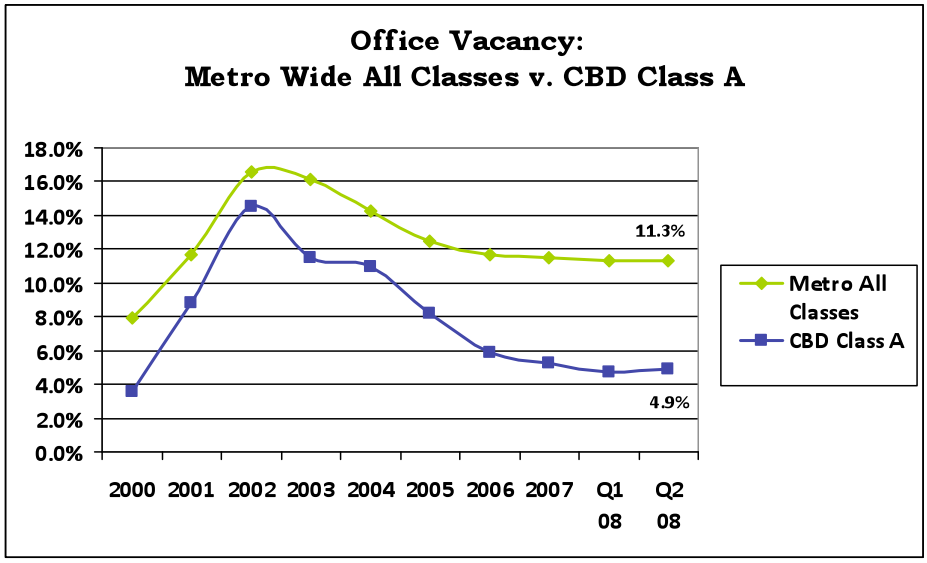
the addition of the I-205 Max line to Clackamas and the Washington County commuter rail line running between Wilsonville and Beaverton.

Second Quarter Office Market Trends[9]

Office	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Norris, Beggs & Simpson	Median
Market-Wide Vacancy	**10.5%**	**11.4%**	**11.3%**	**13.2%**	**11.4%**
Previous Quarter	10.7%	11.3%	11.3%	12.5%	**11.3%**
Second Quarter 2007	11.6%	11.3%	12.3%	14.1%	**12.0%**
CBD and Downtown Vacancy (Class A & B)	**7.8%**	**9.1%**	**7.8%**	**9.8%**	**8.5%**
Previous Quarter	8.4%	8.9%	7.9%	10.2%	**8.7%**
Second Quarter 2007	8.5%	9.5%	9.1%	12.2%	**9.3%**
CBD Class A	**5.3%**	**6.2%**	**4.9%**	**6.5%**	**5.8%**
Previous Quarter	5.7%	6.1%	4.7%	6.2%	**5.9%**
Second Quarter 2007	4.7%	6.8%	6.8%	5.9%	**6.4%**
CBD Class A Asking Rents	**$27.04**	**$26.49**	**$25.94**	**N/A**	**$26.49**
Previous Quarter	$26.89	$26.02	$25.76	N/A	**$26.02**
Second Quarter 2007	$23.42	$24.75	$24.75	N/A	**$24.75**
Suburban Vacancy	**13.0%**	**13.5%**	**13.4%**	**15.0%**	**13.5%**
Previous Quarter	12.8%	13.6%	12.4%	15.3%	**13.2%**
Second Quarter 2007	14.4%	13.2%	14.2%	16.0%	**14.3%**
Suburban Class A Vacancy	**N/A**	**14.0%**	**14.9%**	**N/A**	**14.5%**
Previous Quarter	N/A	13.9%	12.7%	N/A	**13.3%**
Second Quarter 2007	N/A	12.6%	14.1%	N/A	**13.4%**
Suburban Class A Asking Rents	**N/A**	**$24.47**	**$24.35**	**N/A**	**$24.41**
Previous Quarter	N/A	$24.33	$24.37	N/A	**$24.35**
Second Quarter 2007	N/A	$23.38	$23.33	N/A	**$23.36**

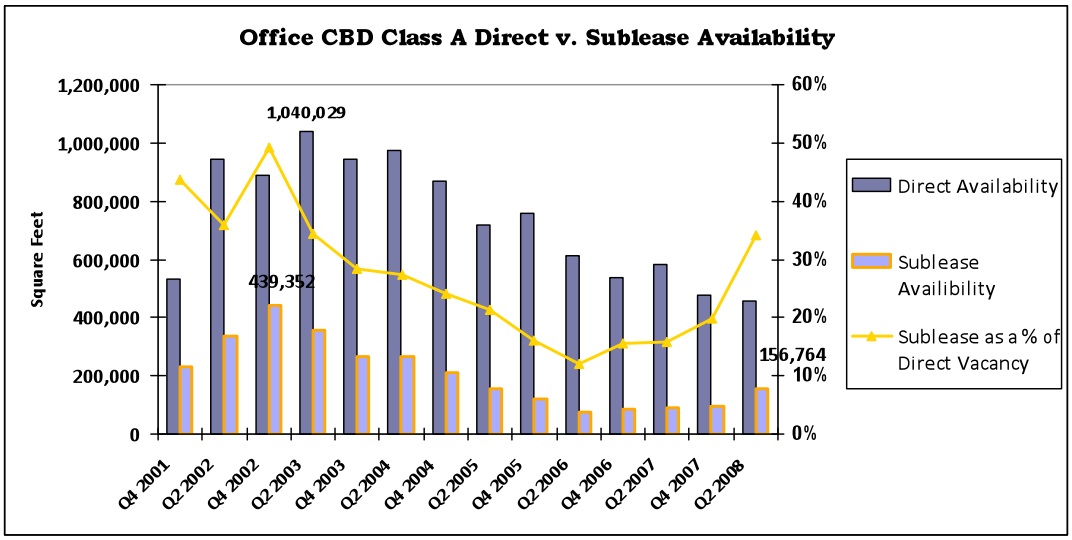
[9] Source: CB Richard Ellis (CBRE), Cushman & Wakefield, Norris, Beggs and Simpson, and Grubb & Ellis (July 2008). Vacancy rates above include subleases except those reported by CBRE. CBD figures include close-in neighborhoods, except Class A figures reported by CBRE. All rents are full service. All other suburban figures include Vancouver.

Office vacancy for the Portland market and the downtown shows little change from the first quarter of 2008. Based on surveys completed by Grubb & Ellis Co., vacancy for the metro area and the CBD Class A space only increased 0.1% over last quarter to register 11.3% and 4.9% respectively.



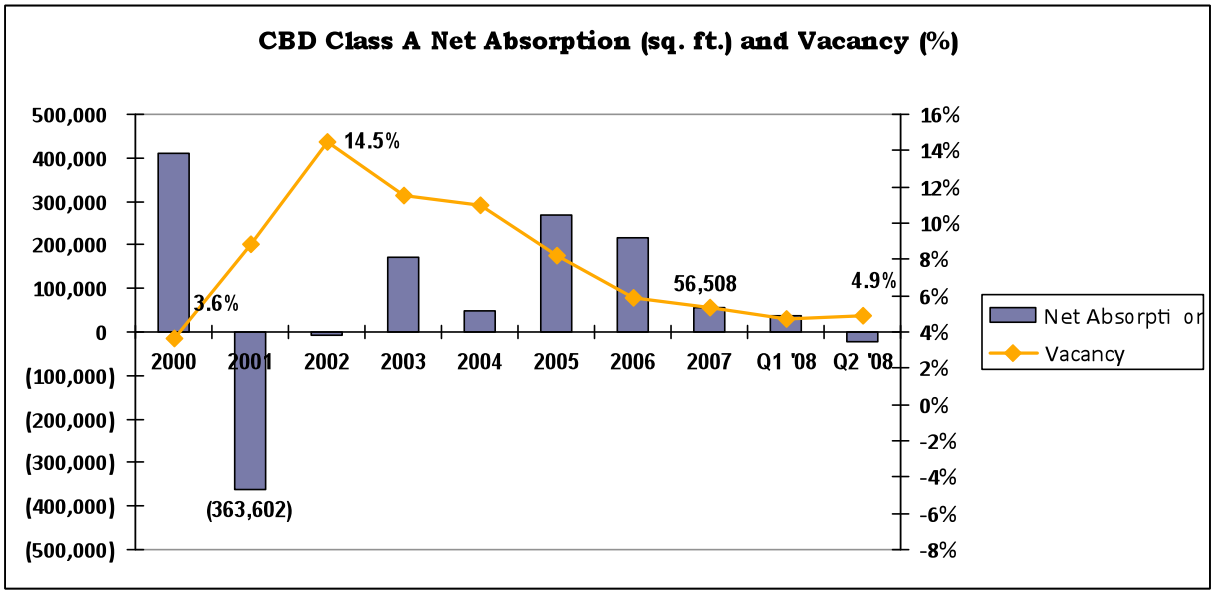
**Source: Grubb & Ellis, Co., Office Quarterly Report, Second Quarter 2008 Statistics*

The interesting development over last quarter is the increase in Class A sublease space. Research by Cushman & Wakefield shows that Class A subleased space increased from 94,851 square feet to 156, square feet in the second quarter of 2008. Although the current size of the sublease market is not abnormally large, the fact that Class A subleased space increased by 65% warrants mention. Another interesting point is that the amount of Class A sublease space available now equates to 34% of the Class A space available through direct leasing. The last time the sublease market compared to the direct leasing market in this proportion was the second quarter of 2003. At that time, however, sublease availability was over 350,000 square feet.



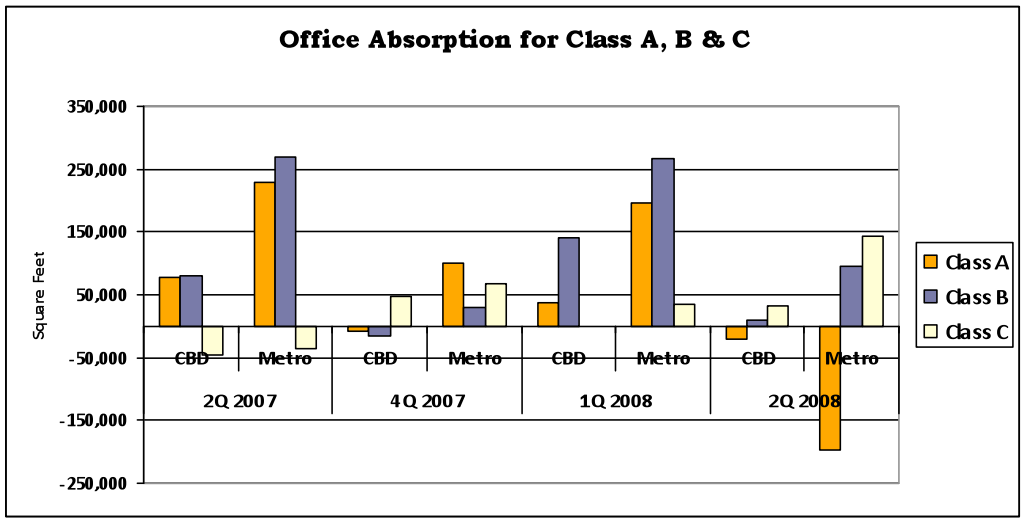
**Source: Cushman & Wakefield, Second Quarter 2008 Market Update Portland, Oregon Office & Industrial Markets, June 26, 2008*

Grubb & Ellis Co. reported a noticeable drop in Class A absorption for the second quarter, with -20,815 sq. ft. in the CBD, and -196,545 sq. ft. for the metro market.[10] Absorption levels for Class A space in the CBD have remained relatively low lately due to low vacancy. Most of the negative absorption for the metro market is attributed to the Sunset Corridor and Washington Square/Kruse Way submarkets, where absorption registered -72,886 sq. ft. and -64,266 sq. ft., respectively.[11] This is not surprising considering that most of the Class A 2008 new construction is attributed to the Fanno Creek Place development in the Tigard triangle.



Source: Grubb & Ellis, Co., Office Quarterly Report, Second Quarter 2008 Statistics

The latest quarterly figures suggest a penchant for economy, with tenants opting for more economically priced leases in Class B and C buildings. The table below shows the increase absorption for Class C properties in the second quarter of 2008. Most of the absorption occurred in the CBD (31,852 sq. ft.) and downtown/west Vancouver submarket (71,031 sq. ft.).

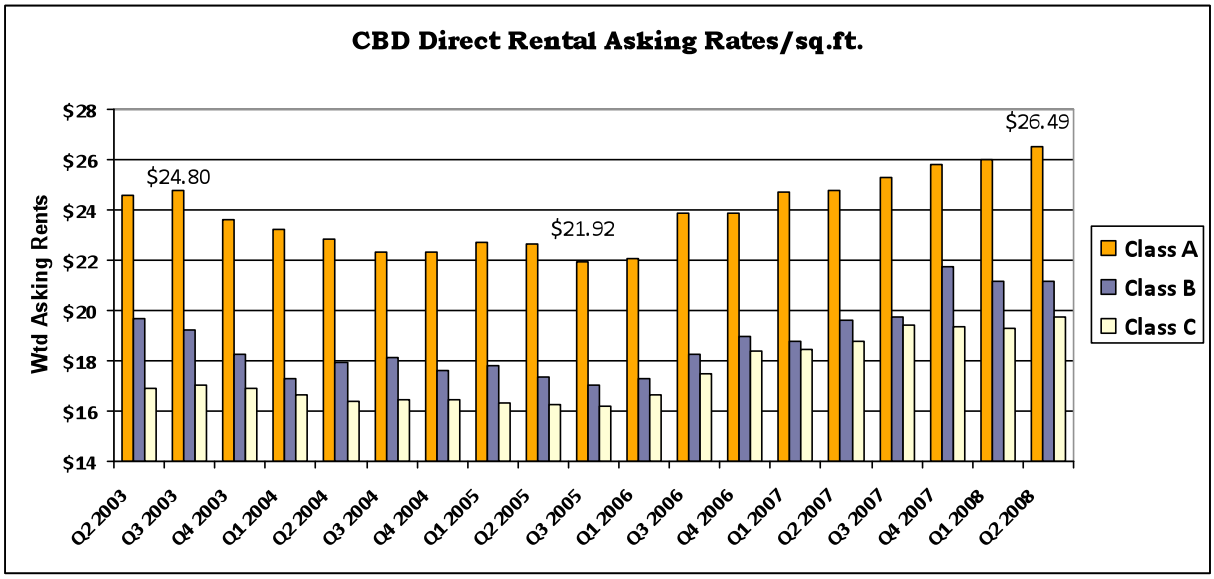


Source: Grubb & Ellis, Co., Office Quarterly Report, Second Quarter 2008 Statistics

[10] Grubb & Ellis, Co., Office Quarterly Report, Second Quarter 2008 Statistics

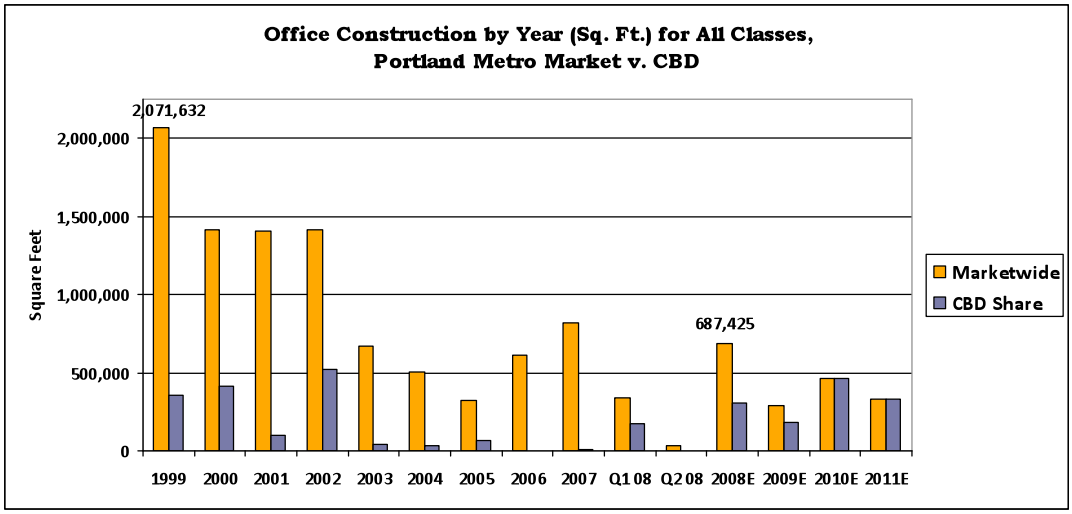
[11] Ibid.

Portland CBD asking rents for Class A continued to rise, and are now at $26.49 a square foot. With the negative absorption that has occurred and the recent downturn in the economy, it may be difficult for landlords to expect additional increases in the near term. Since the first quarter of 2005 Class A asking rents have increased over 14% in the CBD. Class B rents in the CBD have begun to retreat, but asking rents are still 18% higher than in the early part of 2005.



**Source: Cushman & Wakefield, Second Quarter 2008 Market Update Portland, Oregon Office & Industrial Markets, June 26, 2008*

Downtown Portland and the Pearl district are alive with commercial development. The next three years will see almost 1.3 million square feet of office space added to the Portland CBD. Downtown has not seen any significant development since 2003. In past years, most new development has been in suburban areas. For now, suburban development has slackened mostly as a result of the overbuilding that occurred in the late 1990s and early part of this decade. Of the projected development in the next three years, the CBD will apparently claim a more significant share.



**Source: Grubb & Ellis, Co., Office Quarterly Report, Second Quarter 2008 Statistics and Kathleen Buono, Sr. Analyst, Integra Realty Resources of Portland*

This year will see the addition of four projects in the Pearl district and downtown, adding 308,602 square feet. In 2009 another 180,000 square feet will be added followed by 459,000 square feet in 2010 and 330,000 square feet in 2011.

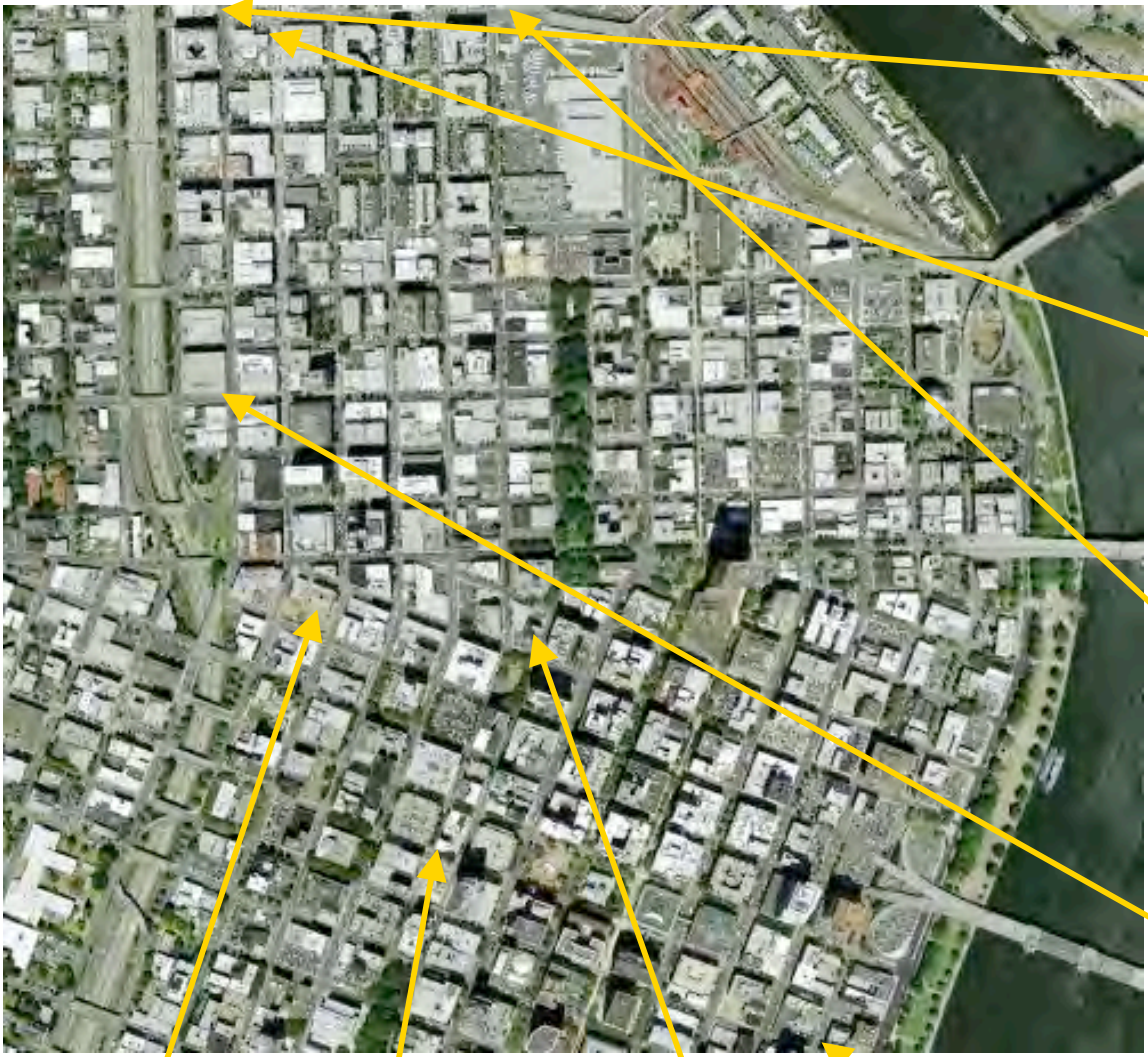
CBD New Construction

Building	Owner/Developer	Location	CBD Area	Sq. Ft.	Completion Date
Lovejoy	Unico	NW Lovejoy & 13th	Pearl	82,843	3rd qtr 08
Federal Reserve Tower	Harsch	915 SW Stark	N. downtown	65,759	3rd qtr 08
Machine Works	Machine Works LLC	1455 NW Northrup	Pearl	112,000	4th qtr 08
809 NW Flanders	ConOverBar	809 NW Flanders	Pearl	48,000	4th qtr 08
Ziba Design Headquarters	Ziba	1044 NW 9th Ave.	Pearl	70,000	2nd qtr 09
ZGF Building	Gerding-Edlen	431 SW 12th Ave.	N. downtown	110,000	2nd qtr 09
Meier & Frank Building	Gerding-Edlen	1417 NW Everett	Pearl	92,816	1st qtr 10
First & Main	Shorenstein	100 SW Main St.	Downtown	366,500	1st qtr 10
Park Ave West	TMT Development	700 SW 9th Ave.	Downtown	330,000	2011
			Total	**1,277,918**	

The next two pages identify the locations of new and proposed construction in the CBD. Most new developments are being built, or proposed, as speculative projects. Based on information provided by Grubb & Ellis Co., the two largest developments currently under construction, Park Avenue West and the First & Main building, have not yet signed any tenants. All of the buildings currently under construction, with the exception of the Federal Reserve Tower and 809 NW Flanders, will be Class A buildings. With the addition of the new construction, Class A inventory in the CBD will increase by over 11%.[12] Should the developments currently being planned or proposed also be completed Class A space in the CBD would increase by another 10%.

[12] Based on CBD Class A inventory of 10,167,498 as reported by Grubb & Ellis Co.

CBD Office Construction in the Pearl District & North Downtown



Machine Works

The Lovejoy

Ziba Design HQ

Meier & Frank

ZGF Building

Park Ave. West

Federal Reserve

First & Main (Off Map, South of Hawthorne Bridge)

Proposed Downtown/CBD Construction

	Bldg.	Owner	Location	CBD Area	Sq. Ft.	Building Description
	100 Columbia	Common-Wealth Partners	100 SW Columbia St.	Downtown	311,425	15 story LEED certified officer tower adjacent to the KOIN Tower. Floor plates will range between 17,000 and 25,000 square feet.
	Mercy Corps	Mercy Corps	Skidmore Fountain Bldg	Downtown	80,000	Corporate headquarters for non-profit specializing in disaster relief. Project consists of the renovation of the Skidmore building and construction of a four story building next door.
	One Waterfront Place	Winkler/ B. Naito	1201 NW Naito Pkwy	River Dist.	248,824	12-story office building with 4 levels of parking.
	Overton	Melvin Mark	1325 NW 15th Ave.	Pearl	61,725	First floor retail with four floors of Class A office space above.
	100 NE Multnomah	StarTerra, LLC	100 NE Multnomah	Convention Center	320,000	19-story tower with 3,000 feet of retail on the bottom floor. Total of 450 parking spaces at above and below ground level.
				Total	**1,021,974**	

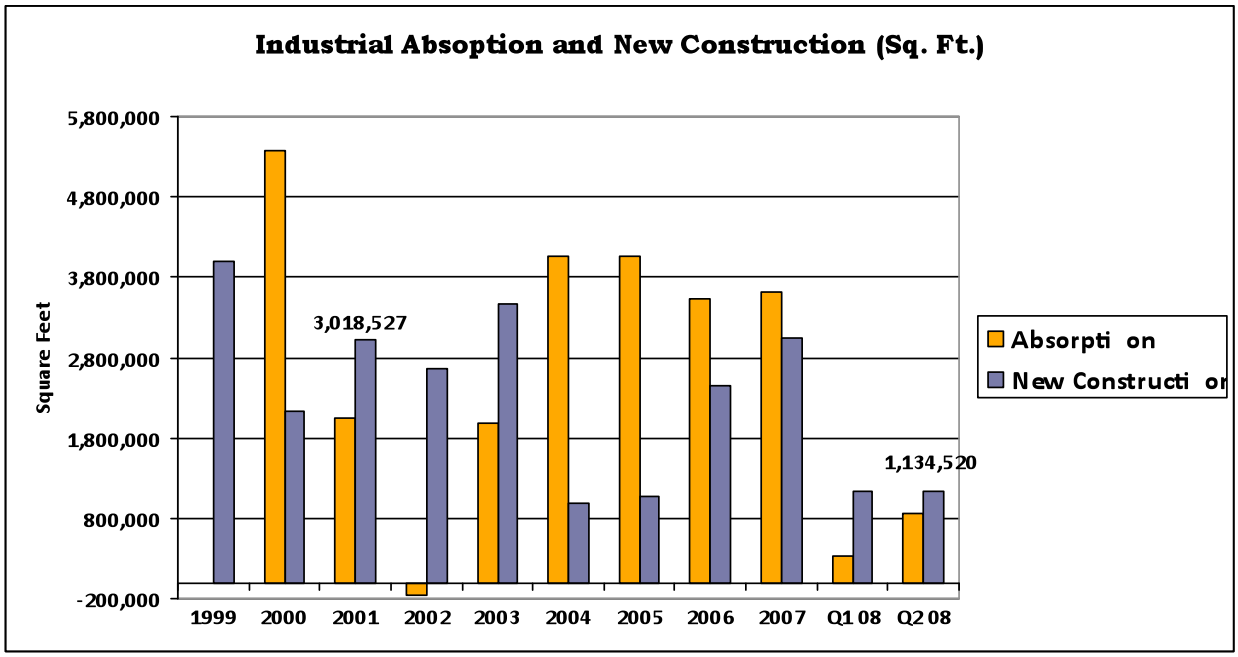
Industrial Market

In the second quarter of 2008 vacancy for the Portland industrial market increased to a median average of 6.3%, up from 5.5% the previous quarter and 5.2% one year ago. Again, this is another indication of the downturn in the economy. Typically the industrial market reacts faster than the office market to fluctuations in the economy. As discussed earlier, job growth in the metropolitan area for 2008 has been slower than in the previous four years. In addition to slower demand, the construction of over one million square feet has caused vacancy rates to increase.

A bright spot comes from the Port of Portland where business remains active. So far this year, total tonnage for 2008 is up almost 9% from this point a year ago. Portland's position as one of the four primary U.S. gateways for goods to and from Asia, along with the weak dollar, continue to keep shipping related industries active.

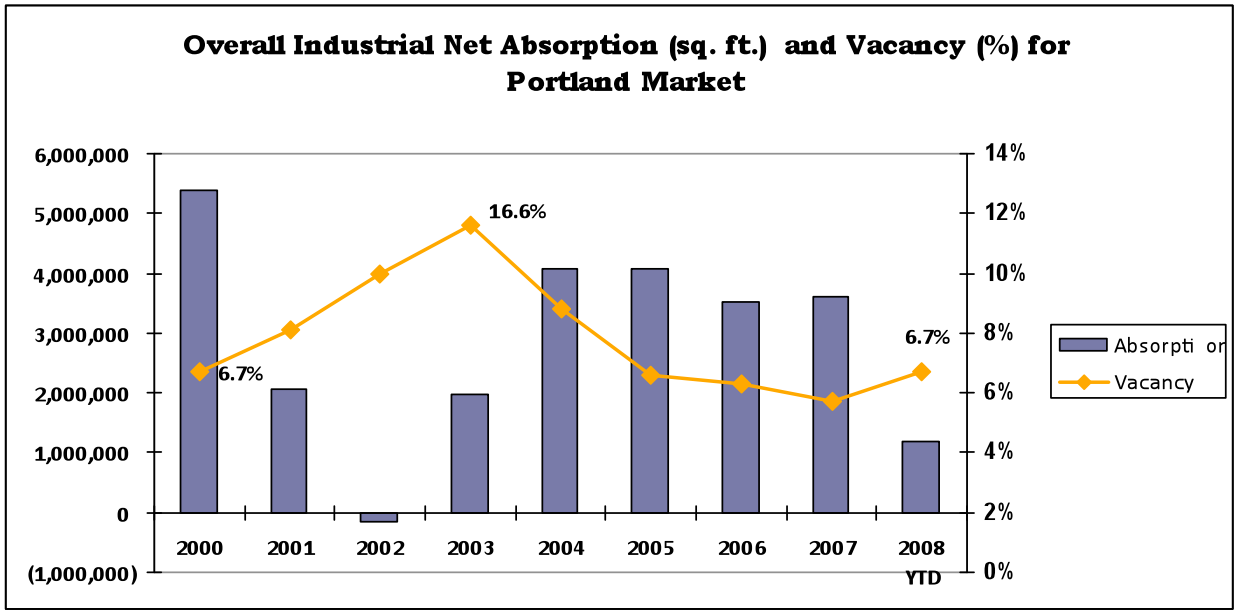
Grubb & Ellis Co. reports that absorption this quarter rebounded from 330,000 square feet in the first quarter to over 850,000 square feet. This, however, was not enough to keep up with the 2.2 million square feet of new construction that has been delivered so far this year. Nearly two-thirds of this new construction was in the northeast and eastside markets.

Absorption for 2008 is not on the same pace as the previous four years when the Portland market absorbed an average of 3.8 million square feet. Leasing activity is down significantly. All of the commercial real estate brokerage houses in Portland report that businesses are being conservative in considering new leasing decisions. NAI Norris Beggs & Simpson states in their quarterly report that industrial buildings with large floor plates are not generating the same interest as in past years. However, smaller spaces measuring 20,000 square feet or less are in high demand. Owners that are able to divide their spaces will be able to capture this market, but it is doubtful that new construction would fill the void due to the added costs of developing on a smaller scale.



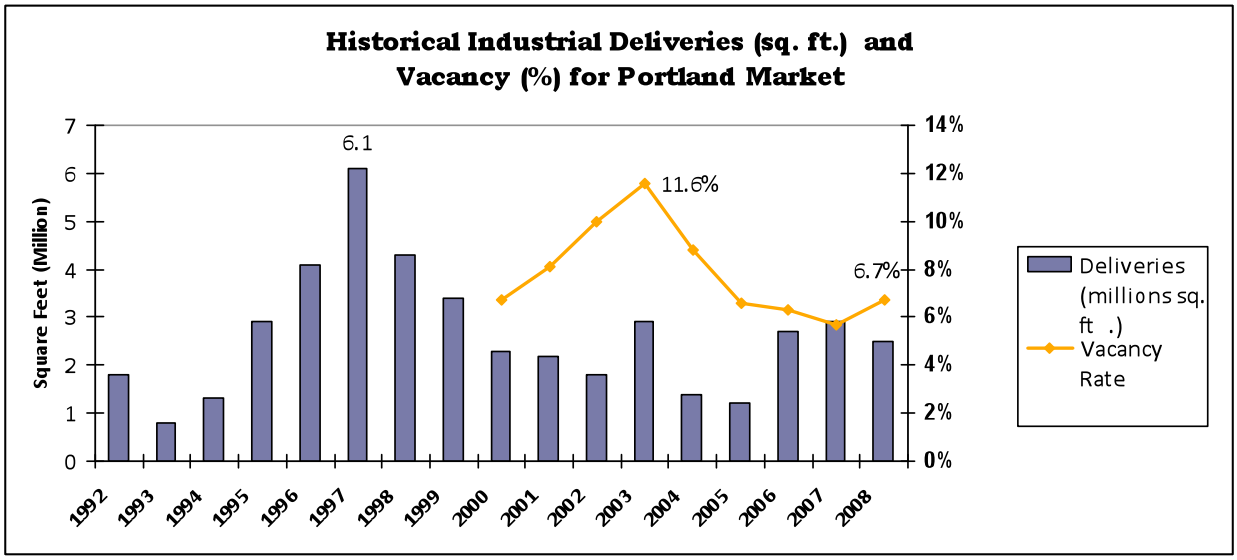
**Source: Grubb & Ellis Co., Industrial Quarterly Report, Second Quarter 2008.*

Over the last four years, absorption has outpaced new construction in the Portland market. So far for this year, however, absorption stands at a million square feet less than new construction added to the market. Considering the current state of the economy, most industrial brokers expect that 2008 will end with an overall negative absorption, or will struggle to break even.



**Source: Grubb & Ellis Co., Industrial Quarterly Report, Second Quarter 2008.*

Although there are over 6.7 million square feet of industrial construction proposed for the metropolitan area, only 400,000 square feet will be delivered next quarter. Since new industrial space can be added relatively quickly, developers will elect to wait for the market before starting new projects. Of the new developments scheduled for next quarter, over half of the new space will be added by two projects, one in Clark County and the other in the I-5 Southwest Corridor.



**Source: Grubb & Ellis Co., Industrial Quarterly Report, Second Quarter 2008, and The CoStar Industrial Report, Portland Market, Mid-Year 2008*

The eastside submarkets of the Columbia Corridor and Rivergate district have seen the most new construction. Vacancy for the Columbia Corridor and Rivergate submarkets measure 9% and 10.9%, respectively. Since these are two of the larger submarkets in the metropolitan area, available space on the eastside now exceeds 3.8 million square feet. Conversely, the Southwest I-5 Corridor submarket has less than 600,000 square feet of available inventory for a vacancy of 3.3%.

Second Quarter Industrial Market Trends

	CB Richard Ellis	Cushman & Wakefield	Grubb & Ellis	Median
Market-wide Vacancy	**5.8%**	**6.3%**	**6.7%**	**6.3%**
Previous Quarter	5.5%	5.5%	6.6%	**5.5%**
Second Quarter 2007	5.2%	4.9%	5.6%	**5.2%**
Warehouse/Distribution	**N/A**	**5.8%**	**6.8%**	**6.3%**
Previous Quarter	N/A	5.3%	6.5%	**5.9%**
Second Quarter 2007	N/A	3.8%	5.1%	**4.5%**
R&D/Flex Vacancy	**N/A**	**9.2%**	**6.5%**	**7.9%**
Previous Quarter	N/A	7.6%	6.8%	**7.2%**
Second Quarter 2007	N/A	9.5%	7.3%	**8.4%**
Asking Monthly Shell Rates	**$0.39**	**N/A**	**$0.42**	**$0.41**
Previous Quarter	$0.38	N/A	$0.42	**$0.40**
Second Quarter 2007	$0.36	N/A	$0.39	**$0.38**
Asking Monthly Flex Rates	**$0.85 to $1.05**	**N/A**	**$0.82**	N/A
Previous Quarter	$0.85 to $1.05	N/A	$0.81	N/A
Second Quarter 2007	$0.75 to $0.85	N/A	$0.81	N/A

Source: CB Richard Ellis, Cushman & Wakefield, and Grubb & Ellis (Second Quarter 2008). Warehouse and Distribution figures for Cushman & Wakefield include manufacturing space, which represents one-fifth of warehouse/distribution space. All rents are NNN.

Major Lease Transactions

Industrial

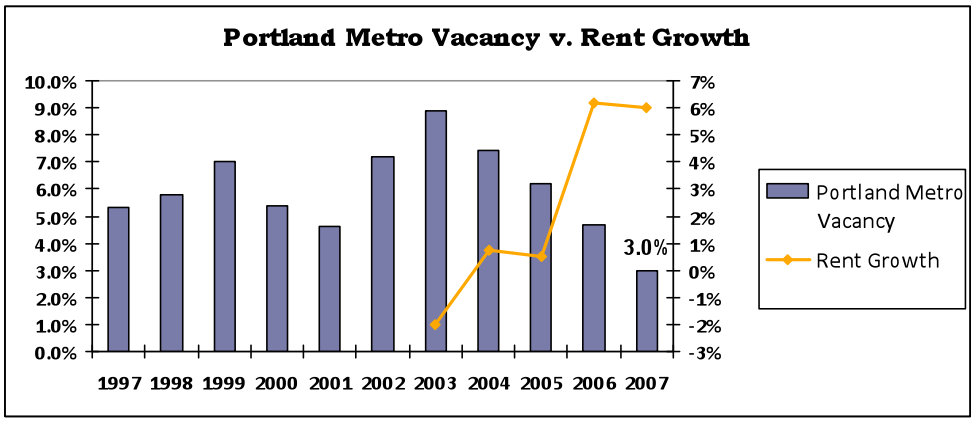
Tenant	Building	(Sq. Ft.)	Submarket
XSUNX	23365 NE Halsey	90,000	North/Northeast
Land O Lakes/Purina	Kelley Point Distrib. Center	74,800	North/Northeast
Latitudes	Heinz Industrial Park	68,400	North/Northeast

Subaru of America (Renewal)	158th Ave. Commerce Park	124,000	North/Northeast
Pacific Nutritional	Sifton Industrial Park	55,000	Vancouver
Storables	Yeon Business Center	45,890	Northwest
Aladdin Transportation	ProLogis Business Park	44,447	Eastside
	Total	**502,537**	
Flex			
Wells Fargo Bank (renewal)	187000 NW Walker Rd.	212,000	Hillsboro/Sunset
Providence Health Systems (renewal)	Murray Business Center	120,000	Beaverton
Rosendin Electric	SunTech Corporate Park	18,526	Hillsboro/Sunset
	Total	**350,526**	

**Source: NAI Norris Beggs & Simpson, Grubb & Ellis, CB Richard Ellis, and Cushman & Wakefield, Industrial Quarterly Reports, Second Quarter 2008*

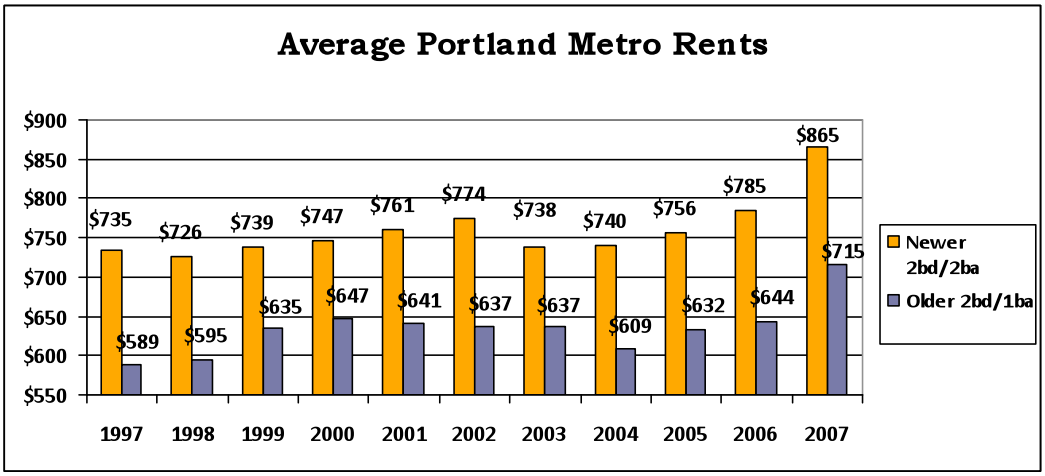
Multi-Family Market

The multi-family market is one of the strongest performing real estate classes in Portland. After years of minimal rent growth, the last two and a half years have seen rents increase by an average of 6%. Since 2003 vacancy has dropped every year with the metro-wide vacancy now at 3.3% [13]. While this vacancy rate is low, it inched up 0.4% over the fall 2007 rate. The single family housing market has played a big part in the success of rental housing. Supply has been constrained as multi-family projects were passed over in favor of condominiums and row homes. Additional constraints on supply were caused by converting existing rental units into condominiums, particularly in close-in neighborhoods.



*Source: Mark D. Barry & Associates and Hendricks & Partners

Due to tighter lending standards homebuyers now need to have higher credit scores and come up with a larger down payment. Although home prices are falling, many may find it difficult to save for a down payment in the current inflationary environment. Also, those that can afford houses may be opting to wait out the market in anticipation of continued depreciation. The end result is that more people are now renting. The graph below details average rents for two bedroom apartments in the Portland metropolitan market. Not coincidentally, rents increased notably from 2006 to 2007.



*Source: Norris & Stevens Apartment Investors Journal, Winter 2008

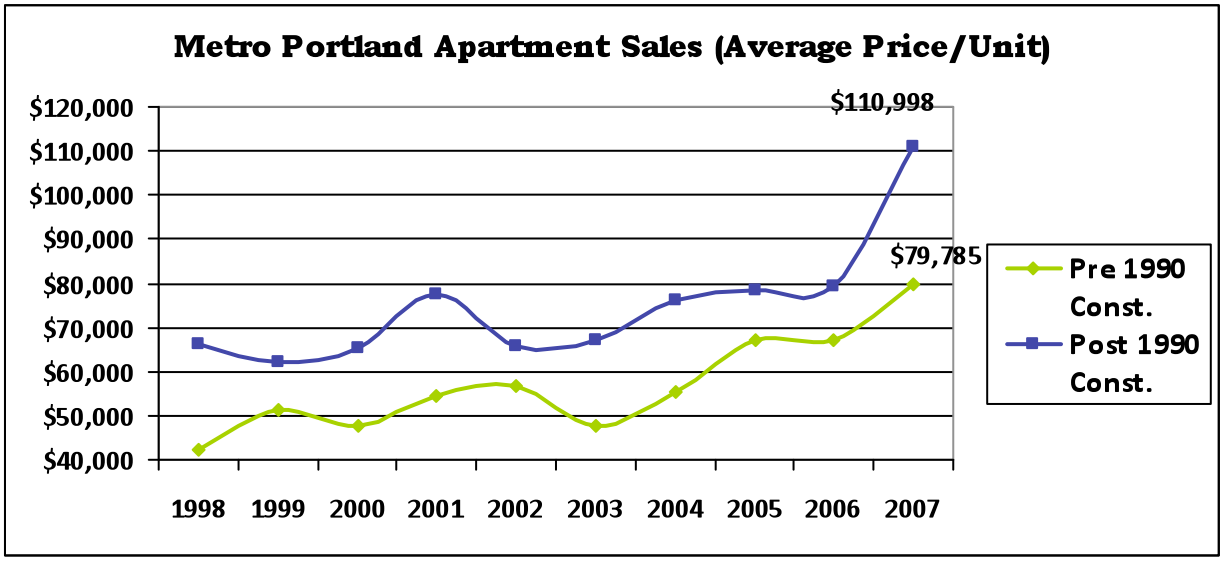
[13] Metro Multi-Family Housing Association, "The Apartment Report", Spring, 2008.

With the strong performance of the multi-family market it is not surprising that cap rates on sales of multi-family properties have continued to decrease. Many expected cap rates to in-crease in 2007 as lending tightened, but the year ended with sales at a median cap rate of 6.05%. Currently, buyers are finding it tougher to obtain financing, as they have to prove they are better capitalized and can contribute a larger share of equity. Now that loans through commercial mortgage backed securities have decreased, financing options are primarily through banks, life insurance companies, Fannie Mae and Freddie Mac.

Portland Metro Median Cap Rates	
2001	8.21%
2002	8.30%
2003	7.60%
2004	7.20%
2005	6.40%
2006	6.30%
2007	6.05%

**Source: Mark D. Barry & Associates*

The low cap rates for multi-family sales in the past year are reflected in the average price/unit. According to brokers Norris & Stevens, 2007 sale prices for newer apartment properties jumped by 40% over the previous year to an average of $110,998 per unit. Older building sales also jumped noticeably, appreciating over 18% from 2006 prices with an average sale price of $79,785 per unit.



**Source: Norris & Stevens Apartment Investors Journal, Winter 2008*

In looking forward, multi-family brokers expect continued low vacancies and rent increases for 2008. However, if the economy continues to sputter and inflation persists, landlords will find it difficult to raise rents. The Metro Multi-Family Housing Association, which surveys over 32,000 units across twenty submarkets in the metropolitan area, reported that its Spring 2008 survey showed modest rent decreases of 1% to 5% in five submarkets. Included with the markets showing a drop in rents were Troutdale/Gresham, North Portland/St. Johns, and Northwest Portland, where rents for the latter submarket decreased by 5%.

The current performance of the Northwest submarket may hint at troubles on the horizon for the high-end rental market. Although still one of the most expensive rental markets in the area, the average rent per square foot in Northwest Portland dropped from $1.14 in the Fall of 2007 to $1.09 in the Spring of 2008. This submarket, along with downtown and the South Waterfront have seen a number of new condominium projects enter the market in the last five

years. Inventory from unsold condominiums may be starting to have an effect on the high-end rental market.

Over the next two years over 2,000 high-end rental units will enter the Portland market. Considering the current shadow market caused by unsold condominiums, it will be interesting to see how this luxury rental market plays out in downtown Portland.

Luxury Rentals Coming on the Market:

Project	Units	Location	Developer	Expected Completion
Wyatt	245	Pearl	Sobrato	Complete
2120 Belmont	109	Close-in SE	WD	Complete
3720	323	South Waterfront	Gerding Edlen	Aug-08
Lovejoy Apartments	234	Pearl	Unico	Dec-08
North Mississippi	188	N. Portland	TCR	Jun-09
12th & Washington	274	Downtown	Gerding Edlen	Jun-09
Park Apartments	101	Northwest	Opus	2009
Alexan	294	South Waterfront	TCR	Late 2009
Ladd Tower	332	Downtown	Opus	Late 2009
Total	**2,100**			

*Source: TCR