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CENTER FOR REAL ESTATE

Quarterly Report

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CENTER FOR REAL ESTATE Quarterly Report

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SUMMARY AND EDITORIAL

Eric Fruits

Editor and Oregon Association of Realtors Faculty Fellow
Portland State University

The *Quarterly* is now in its 10th year of publication. Over the years, the report has provided one-of-a-kind research and analysis of Oregon's real estate markets. Through the generous contributions of our sponsors, the *Quarterly* now supports three student fellows who provide in-depth reviews of single family, multifamily, and commercial real estate. Former fellows have entered into the real estate profession and many are now successfully contributing to the industry.

The *Quarterly* covers a wide range of topics written by real estate professionals and researchers. In this issue **Clyde Holland** projects that changing household demand driven largely by creative class workers and millennials, will bring a housing shortfall of 40,000 or more units, or a shortage of at least 4,000 units annually over the next decade. To alleviate this pressure, he recommends implementing policies to support the construction of 25,000 units of new high-rise housing in Portland's walkable urban core, 15,000 units of mid-rise housing at transit locations and 9 million square feet of urban office space to attract new economy jobs.

Oregon's **residential market** saw typical seasonal slowdowns, but demonstrated a relatively strong market compared to last year. Building permits in Oregon are

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up 15 percent over a year ago and up 5 percent in the Portland area. Portland transactions are up 13.5 percent, median sales price is up 2 percent, and days on the market remain low.

The Portland **multifamily market** ended 2015 with historic sales volumes in multifamily, and one of the highest rates of rental growth in the U.S. This years is expected to show some weakening of rent growth, as Portland adds approximately 4,900 new units in on top of the the 4,609 units added in 2015. Nevertheless, solid employment growth, strict lending standards for homebuyers and continued strong in migration all point to continued rent growth overall and stable vacancy rates for the region.

The **office market** finds the Portland office market favorable for developers. Strong absorption, decreasing vacancy, and increasing rates have yet to be met with significant deliveries. While 2016 is anticipated to bring 1.5 million square feet of deliveries, more than half of the deliveries currently under construction have already been preleased. In addition, reports project at least 1.7 million square feet of additional demand from tenants in the market looking for 10,000 square feet of space or more.

Portland's **industrial market** ended 2015 on a strong note, with strong tenant demand and limited supply continuing to bring rents to historic highs and vacancies to historic lows. Not including Intel, the market absorbed 1.4 million square feet in the quarter, bringing the yearly total to 3.5 million square feet, the highest rate since 2007. New product, especially in the Northeast submarkets, continued to attract tenants seeking large, modern spaces, and two new leases were inked in the quarter, each over 100,000 square feet. Investor activity brought historic highs for transaction volume and sales prices. With strong economic and market fundamentals, industry observers expect these trends to continue through 2016.

The Portland **retail market** experienced a positive but relatively unnoteworthy fourth quarter. Vacancy decreased slightly, rates increased slightly, and deliveries brought 820,000 square feet of retail online with absorption sufficient to absorb the new supply.

I hope you enjoy this latest issue of the Center for Real Estate *Quarterly Report* and find it useful. The *Report* is grateful to the Oregon Association of Realtors and RMLS for their continued support. ■

AN ALTERNATIVE URBAN DEVELOPMENT STRATEGY TO ADDRESS THE PORTLAND METROPOLITAN AREA'S HOUSING AFFORDABILITY CHALLENGE

CLYDE HOLLAND

Holland Partner Group

From 2000 to 2014 the number of individuals in the Portland metropolitan area grew by 400,297. During this same time only 155,704 units of housing were constructed. With the changing household demand driven largely by creative class workers and millennials, the majority of which prefer single occupant housing, we estimate this housing shortfall exceeds 40,000 units, or 4,000 units annually over the next decade. The overwhelming housing preference for many individuals including creative class professionals is to be urban and walkable. This accounts for

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the higher rent growth in the urban core. Addressing this urban housing shortfall is also supportive of attracting high wage jobs which will benefit the entire region.

To address the shortfall we recommend removing barriers in support of 25,000 units of new high-rise housing in Portland's walkable urban core, 15,000 units of mid-rise housing at transit locations and 9 million square feet of urban office space to attract new economy jobs. The ratio is 2,500 units annually in the urban core (60 percent of demand) and at 1,500 units annually at transit locations (40 percent of demand). Both locations can produce the required housing with minimal impact on public infrastructure and transportation.

Developing effective solutions to address the Oregon's housing affordability challenge is an important policy imperative. However, to achieve a sustainable balanced market this challenge must be addressed in conjunction with policy that supports an adequate supply of housing, higher workforce wages, increased resources for education, police, fire, parks, and transportation. Only when each of these are effectively addressed will employers and citizens develop the confidence to invest in a sustainable way towards a successful future.

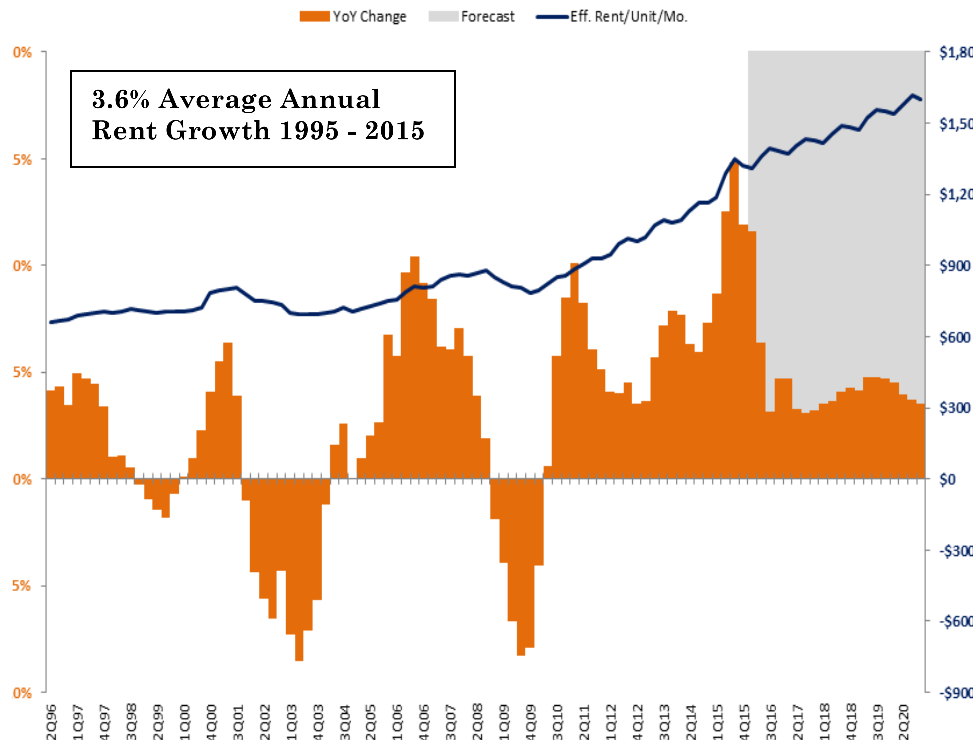
BACKGROUND

Oregon state government, Portland city government, and Metro regional government have long been celebrated for their vision and land use policies. The region's urban growth boundary and investments in public transportation have been widely recognized as visionary. The goal for our Alternative Urban Housing Strategy is to develop and implement an effective affordable housing policy mandate that will be recognized as equally successful as the region's land use policies.

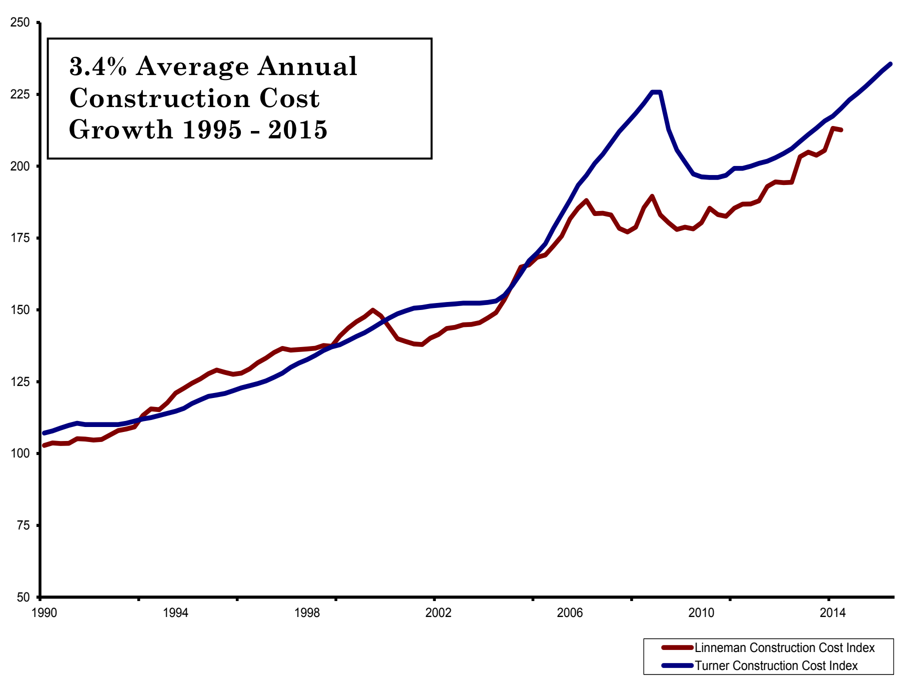
Empirical research included in Exhibit 2 shows that not only have rent control and inclusionary zoning policies implemented throughout the United States failed at their stated goals of producing adequate affordable housing, but have actually had the opposite effect of dampening housing production and increasing the housing cost burden.

The State of Oregon has considered lifting the current prohibition on inclusionary zoning, opening up the possibility that these policies will be implemented in Portland and other Oregon cities. This industry analysis establishes an alternative approach to addressing the Portland metropolitan area's housing affordability challenge through development driven solutions, and by providing additional benefits to the community such as increased funding for critical services including education, transportation, utilities, police, fire and parks.

Over the past 15 years, the cost of rental housing in the Portland Metropolitan Area has increased 3.6 percent annually. The recent rates of increase have lifted the actual decreases in rent levels in the late 1990's due to overbuilding, the tech bust from 2000–2005, and the 2008–2011 financial crisis. During the same period construction costs increased approximately 3.4 percent according to the Turner and Linneman Construction Cost Reports.



YoY Change
Forecast
Eff. Rent/Unit/Mo.
3.6% Average Annual Rent Growth 1995 - 2015



3.4% Average Annual Construction Cost Growth 1995 - 2015
Linneman Construction Cost Index
Turner Construction Cost Index

ALTERNATIVE POLICY OPPORTUNITY

We have prepared the following alternative to the current discussion on inclusionary zoning in support of housing that is affordable to Oregon's workforce, living wage jobs, adequate funding for police, fire, parks and transportation, along with increased resources for Oregon's schools.

Adequate Supply

The only way to have housing that is affordable to all income levels is to have an adequate overall supply of housing. To achieve this, you have to measure demand and deliver a supply at or above demand. Only by removing barriers to housing construction will it be possible to increase production and hold rising costs in check over the long term. One possible cost effective solution to providing affordable housing is to subsidize eligible households accessing the private market.

Inclusionary zoning will not result in increased housing production. Powell & Stringham (2004) show that this policy has a chilling effect on the amount of housing produced. In Los Angeles, for instance, the thirteen LA metro municipalities that adopted inclusionary zoning polices produced 17,296 less homes in the seven years following the enactment of the policy than in the seven years prior.[1]

Measuring the Cost Necessary to Add the Next Unit of Housing

When you make the next available unit of housing more expensive you make the entire market more expensive. Before lenders and investors can approve a new project, an appraisal is required to confirm if the market rents support the development costs. When an appraiser is hired to opine on rents for a possible new development he completes a market survey to determine if the market will support the rents necessary to make the development feasible.

If market comparables indicate that expected new development rents are above market, the development will be delayed until rents increase sufficiently to justify the costs. So if you raise the level of costs necessary to develop a new unit, you will have to wait until the market moves its rent base up to support that new required rent level. Higher costs will result in fewer projects being economically feasible. In other words, if the goal is to produce more affordable units, it is misguided policy to adopt a program that inherently imposes higher costs on housing production in order to encourage additional supply. A current underwriting model analyzing the full costs of inclusionary zoning is attached as Exhibit 1.

Realization on Infrastructure Investments

Cities have made enormous investments in roads, public transportation, utilities, schools and parks. What is missing in housing policy is an effective conversation about how to **maximize the return on these investments** and to **minimize the**

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[1] Powell, B., & Stringham, E. (2004). Do Affordable Housing Mandates Work? Evidence from Los Angeles County and Orange County. *Reason Foundation*.

future costs in each area along with the ongoing maintenance costs of those services.

For example, in the urban core you can build a mid-rise structure of seven stories (five stories of wood construction over two levels of concrete). Or on that same block you could build a high rise development. In the high-rise you will have approximately three times the number of units and rentable area than the mid-rise building, three times the impact fees, and three times the property tax. So if a high-rise with greater density is built instead of a mid-rise, government will have three times the return on investment in its existing infrastructure with little or no incremental cost to the public. We believe that this is a critical component of the housing equation, since the costs to the city are nearly the same for each development, when you factor in the costs of the lost housing opportunities and transporting the individuals who would have been able to walk to work, shopping, and entertainment in the urban environment at no additional strain to existing infrastructure, the benefits of building in the urban core are even more compelling.

Costs of Transportation

Prior to World War II cities were walkable and public transportation connected cities and suburbs providing easy and affordable transportation to many citizens. Today the actual incremental cost of providing services (roads, water, sewer, schools) to different forms of new housing is rarely calculated. In the urban core, individuals walk on existing sidewalks, hitch rides on existing mass transit, and drive on existing streets. That is all at a zero or very low incremental cost to the public. The second lowest cost product is housing that is walkable to transportation hubs. The most expensive costs to cities and taxpayers is housing that requires extending and maintaining roads and other services, particularly in areas not served by public transportation.

Costs of Education

The historical ratio of children in new construction single family housing is 0.64:1. So when 100 new single-family homes are built, the local schools have to anticipate that over time they will be educating 64 new students. For apartments the ratio is 0.31:1, or approximately half of the new construction single family residential. However for new construction urban high-rise housing the ratio is 0.12:1, or less than one-fifth the ratio of new construction single family.[2] But when impact assessments are made, the urban units are assessed at the same rate as farther out housing with greater student demand. This is another cost layered on to downtown development, with benefits flowing away from the center of development.

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[2] All figures are NMHC tabulations of data from the America Housing Survey. See Research Notes, "Apartments and Schools," NMHC, August 24, 2001, available at: www.nmhc.org/Content/ServeContent.cfm?ContentItemID=2620&IssueID=80. A recent study using data from the 2001 Residential Finance Survey suggests a smaller differential, though one that has grown over time. See Jack Goodman, "Houses, Apartments, and the Incidence of Property Taxes," Housing Policy Debate, Vol. 17, Issue 1, 2006.

Transportation, Utilities, Police, Fire and Parks

In the urban environment all of these services are fully provided. In outlying areas each of these services needs to be extended to serve the new development at a significant costs to the city, county and state. The Brookings Institute and Smart Growth America have studied the issue and came to the conclusion that property taxes associated with suburban developments in fact always lose money for the municipality based on the incremental costs of new roads, sewers, police, schools, etc.

Living Wage Jobs

We have conducted research into long term wage growth in cities that are attracting new economy and technology related jobs. What we have found is that the positive income effect of increasing the tech job base raises the income levels of all other job classes in the city providing an overall economic lift. The question you have to answer if you are seeking to attract new tech jobs is: are you providing the housing that they desire, which is walkable, urban infill close to jobs, shopping, entertainment and key services. If yes, then adding these jobs will not increase your market cost of housing. If no, then the individuals in these tech jobs will outbid those in the locations they seek and you will raise the cost of housing for the entire market. This displacement then ripples through the entire housing stock.

Jobs Center

Technology employers are in intense competition for top talent. That top talent wants to live in an urban location with a walkable lifestyle. The result is that tech companies have moved into cities like Portland, Seattle and Denver to recruit the employees who are attracted to the lifestyles offered by those cities. At a macro level, Portland must develop more urban and transit-oriented housing or risk becoming non-competitive compared to cities such as Seattle and Denver.

With these principles in mind, we suggest an alternative to mandatory inclusionary zoning that will attract investors and developers to produce the types of housing sought after by the market and at price points that residents can afford.

RECOMMENDED HOUSING POLICY CONSIDERATION

We recommend removing the barriers to production of 25,000 units (2,500 annually) of new high-rise development within the existing urban fabric and 15,000 units (1,500 annually) in midrise projects that are within a half mile of transit stop locations. These locales will leverage the public services already in place and enable residents direct access to walkable employment and public transportation.

Barriers to such development include zoning restrictions, floor-to-area ratio (FAR) restrictions, permit timing, code alternatives, financing and amortization of the assessed impact fees from the new property taxes generated and offsets to structured parking which enable full density solutions.

Assuming an average 300-unit development scale (similar to a project like Ladd Tower located in downtown Portland, adjacent to the South Park Blocks), production of 25,000 new units can be accomplished by constructing 80 new urban communities. Our estimate is that 8-12 communities can be developed annually so we can feasibly produce the contemplated housing over a ten-year implementation timeframe if barriers are eliminated to enable this new development to occur. For mid-rise units around transit stops communities would average 250 units. To accomplish this goal 60 new communities would be constructed, which we estimate could be built at a pace averaging eight communities per year over an eight-to-ten-year timeframe. Using the Orenco Station solution three times the expected density was achieved when the development barriers were removed. See development overview attached as Exhibit #3.

RESULTS OF POSSIBLE ALTERNATIVE HOUSING POLICY

Incremental Impact Fees. Current Portland System Development Charges for Schools, Transportation, Parks and Water System are approximately $9,305 per unit.

Analysis of Incremental SDC and Tax Revenue Potential (Achieved Over a 10-Year Implementation Period)			
	Base Case[3]	**Densification Scenario**[4]	**Incremental Impact Fees/Taxes**
Multi-Family Housing Production	19,512	59,512	40,000
Average Real Market Value per Unit	$275,000	$327,510	$353,125
Average Assessed Value per Unit[5]	$135,190	$161,004	$173,596
System Development Charge (SDC) Revenue			
Schools	$ 27,073,430	$ 82,575,035	$ 55,501,604
Transportation	$ 40,523,020	$ 123,596,817	$ 83,073,797
Parks	$ 107,861,331	$ 328,981,331	$ 221,120,000
Water	$ 6,095,617	$ 18,591,874	$ 12,496,257
Total SDC Revenue	**$ 181,553,399**	**$ 553,745,057**	**$ 372,191,658**
Annual Property Tax Revenue			
Education Tax Revenue	$ 19,464,346	$ 70,703,015	$ 51,238,669
General Governmental Tax Revenue	$ 38,141,046	$ 138,544,954	$ 100,403,909
Bonds and Misc. Tax Revenue	$ 4,705,313	$ 17,091,754	$ 12,386,441
Total Annual Property Tax Revenue	**$ 62,310,705**	**$ 226,339,723**	**$ 164,029,018**

[3] Assumes multi-family housing production consistent with average annual multi-family production experienced in City of Portland from 2004 – 2014. *U.S. Census Bureau Annual New Privately-Owned Residential Building Permits (Portland, Oregon (Multnomah County – 051)*

[4] Assumes production of 4,000 additional multi-family units per year at densities which are three times the historical average.

[5] Assessed Value adjusted for 49.16% Multnomah County Change Property Ratio

While there are incremental costs to serve additional urban units these costs pale in comparison to the costs of extending new services to outlying areas.

Increased Property Taxes. 25,000 units of high rise housing will increase the tax base by approximately $400,000 per unit. 15,000 units of mid-rise housing will increase the tax base by $275,000 per unit. That translates into $6.9 billion in new tax base or annual new tax revenue of approximately $164 million at a 23.6222 millage rate for properties located in Portland's urban core and transit oriented locations. Using a debt rate of 3.0 percent and a 1.5 coverage factor these new taxes will support approximately $3.6 billion of new bonding capacity.

Increased Living Wage Jobs

Of the $14.1 billion in investment in new housing approximately 60 percent or $8.5 billion will be for construction activities. Based on our history, the level of profit in the contract base is approximately 15 percent or net taxable income of $1.3 billion netting the state approximately $127 million of incremental income taxes at 10 percent. Payroll runs about 50 percent of the construction activities so using an estimated payroll tax of 1.71 percent this will increase income from payroll deduction of $72.5 million. Additional taxes will total $339 million, at an 8 percent average on construction wages.

Support of New Economy Jobs

The 40,000 units of housing will provide housing for approximately 60,000 new residents. This will support approximately 15,000 baby boomers (25 percent) seeking to downsize and move into the urban environment and 45,000 new individuals coming to Portland. Technology employers are using office space at 5 individuals per 1,000 square feet so this level of housing will support 9 million square feet of new office development in the urban core or 20 new office developments of scale. The cost of new office development is approximately$400 per square foot so this new office development will result in another $1.8 billion of new property tax base. This will also result in another $42 million annually of new property taxes with other positive contributions to impact fees and living wage jobs.

The National Association of Home Builders prepared a study analyzing the impact of building 100 multifamily units in a typical metro area. (National Association of Home Builders, Housing Policy Department, 2009) In the study, NAHB concluded that for every 100 units developed 122 local jobs are supported.[6] In the case of high-rise development, these impacts are roughly doubled. Over the contemplated ten-year implementation program of developing 40,000 units (4,000 annually) across 80 high-rise and 60 mid-rise developments, there will be approximately 5,000 local jobs supported.

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[6] National Association of Home Builders, Housing Policy Department. (2009). *The Local Impact of Home Building in a Typical Metro Area.* Washington, DC: National Association of Home Builders.

We have only calculated the direct effect of this new investment into housing and office. The multiplier effect of these investments are approximately 2.5 so the full value of these positive impacts will be substantially in excess of what is outlined above.

Support for Affordable Housing

If only 25 percent of the incremental property taxes are allocated to supporting housing that is affordable at income levels determined by the city and state then a fund of approximately $51 million per year will be available. Current average rents in Portland are $1,325. A subsidy of $206 monthly will enable over 21,000 households to achieve housing costs at the 80 percent AMI level or $1,119. The recommendation we have is to provide individuals such as teachers, firemen, police, and others working in the urban core the opportunity to "buy down" the cost of housing from the Portland average of $1,325 per month to an 80 percent AMI level of $1,119 per month. Please consider that this housing is being added into areas where the costs to serve the units is a small fraction of the revenue gained.

SUMMARY AND CONCLUSION

If we focus on reducing barriers to providing the housing necessary to attract the jobs that will raise the standards of living for all Oregonians, everyone wins. In addition there is direct support for over 21,000 units being reduced from the current average rental cost to affordable at an 80 percent AMI level. This can be accomplished at the lowest possible cost to citizens and which will provide increased funding for transportation, education, police, fire, parking, transportation and other services are at the highest level over costs for any housing product in the region.

We recommend that the State Legislature focus on policies designed to encourage housing construction when designing solutions intended to increase the affordability of housing before putting inclusionary housing policies in place. By effectively reducing supply, affordable housing policies that impose additional burdens on the production of housing will have the opposite effect to the stated goals. ■

EXHIBIT 1. THE COST OF THE NEXT AVAILABLE UNIT

Case Study: 14th & NW Glisan, Portland, Oregon

If the Proposed Inclusionary Zoning Bill becomes law, 14th & NW Glisan may be subject to an up to 30 percent affordable housing requirement. In order to maintain a return that enables development by the private sector, the remaining market rents units must increase by 21 percent to cover the reduced revenue from the affordable units.

Case Study: 14th & NW Glisan, Portland, OR			
Inclusionary Requirement		30.0%	@ 80% of Median Income
Average Unit Size		622	Square Feet
Unit Mix			
No. of Affordable Units (30% Required)		73	Units @ 80% of AMI
No. of Market Rate Units		171	Units @ Market
Total Units		**244**	**Units**
Rents			
Market Rent		$ 2,191	per Month
Affordable Rent @ 80% of AMI		1,119	per Month
Subsidy	**$**	**1,071**	**per Month**
Projected Revenue			
Revenue on 244 Market Rate Units		$ 6,415,248	Annually
Less: Subsidy (73 units * $1,071, annualized)		(938,481)	Annually
Revenue with Inclusionary Requirement	**$**	**5,476,767**	
Annual Inclusionary Tax on Each New Market Rate Unit		$ 5,488	Annually
Monthly	**$**	**457**	**= 20.9% Increase**

Effect on Affordability in Downtown Portland	
Units Necessary to Meet Market Demand	40,000
Who Suffers?	
70% Market Rate (70% of 40,000)	28,000
Current Rental Stock	125,019
Total Rental Stock	**153,019**
Additional Annual Rent	
New Units at 28,000 × $457 × 12	$ 153,860,784
Existing Units × (20.9%× $1,324 × 12)	$ 415,137,091
Total Additional Annual Rent	**$ 568,689,091**
Capitalized at 5% Rate of Return	$ 11,373,781,825
Economic Burden per Unit for 12,000 Affordable Units @ 80% of AMI	**$ 947,815 Per Unit**

- We expect that the housing stock in Portland needs to increase by an incremental 40,000 units (4,000 units annually) to meet market demand.
- In order for the private sector to finance this growth, the existing rental stock of 153,019 units will experience an additional 21 percent monthly burden.
- An inclusionary housing requirement is not a solution for affordability.
- The solution to facilitate housing construction is decreasing the cost to deliver each unit, therefore increasing access to supply and affordability.

Using this project as an example, we have analyzed the impacts on development cost structure and resulting feasibility of the development assuming varying affordable set-aside requirements and affordability requirements.

Given current institutional equity yield requirements of approximately 5.50 percent for residential investment in the Portland market, below is the discount to land value developers will face given varying set-aside requirements and mandated affordability level requirements.

Land Purchase Price Reduction for Multi-Family Residential Development As a Result of Inclusionary Zoning ($ in Millions)

	Affordable Set-Aside Land Price Reduction						
	0%	5%	10%	15%	20%	25%	30%
60% of AMI	$ 0.0	$ (3.3)	$ (6.7)	$ (10.3)	$ (13.6)	$ (17.0)	$ (20.3)
80% of AMI	$ 0.0	$ (2.6)	$ (5.3)	$ (8.2)	$ (10.8)	$ (13.5)	$ (16.1)
100% of AMI	$ 0.0	$ (1.9)	$ (3.9)	$ (6.0)	$ (7.9)	$ (9.9)	$ (11.8)

Land Price Discounts for Multi-Family Residential Development As a Result of Inclusionary Zoning

	Affordable Set-Aside Percentage Land Price Reduction						
	0%	5%	10%	15%	20%	25%	30%
60% of AMI	0%	39%	79%	121%	161%	200%	239%
80% of AMI	0%	31%	62%	96%	127%	159%	190%
100% of AMI	0%	23%	46%	70%	93%	116%	139%

As the tables above illustrates, in today's rising construction cost environment mandating affordability set-asides results in impacting deal economics to the point of project infeasibility.

Land Use Alternatives

In the open market land owners have multiple options for realizing their land's full market value. They can hold and capture the existing use, develop for hotel, develop for office, develop for retail or a governmental use. If the Inclusionary Zoning requirements are instituted it will result in residential developers being unable to compete with land values supported by other uses. In other words, the highest and best use of land otherwise suited for residential development will be forced to another use due to the onerous economics. As a result, Inclusionary Zoning will result in the counterproductive outcome of significantly diminishing the number of sites available for housing production and further constricting supply.

EXHIBIT 2. RESEARCH SUMMARY

Below are key findings from several experts engaged in the discussion related to Inclusionary Zoning.

Do Affordable Housing Mandates Work? Evidence from Los Angeles County and Orange County. (Powell & Stringham, 2004)

Inclusionary zoning produces few units, has high costs, makes market-priced homes more expensive, restricts the supply of new homes, and reduces government revenue. Price controls do not address the cause of the affordability problem. The real problem is government restrictions limit supply and increase costs.

Inclusionary zoning has failed to produce a significant number of affordable homes due to the incentives created by the price controls. Even the few inclusionary zoning units produced have cost builders, homeowners, and governments greatly. By restricting the supply of new homes and driving up the price of both newly constructed market-rate homes and the existing stock of homes, inclusionary zoning makes housing less affordable.

California Assembly Bill 1229 Veto Letter. (Brown, 2013)

"As Mayor of Oakland, I saw how difficult it can be to attract development to low and middle income communities. Requiring developers to include below-market units in their projects can exacerbate these challenges, even while not meaningfully increasing the amount of affordable housing in a given community."

The Irony of Inclusionary Zoning (Ellickson, 1981)

Most "inclusionary" programs are ironically titled. These programs are essentially taxes on the production of new housing. The programs will usually increase general housing prices, a result which further limits the housing opportunities of moderate-income families. In short, despite the assertions of inclusionary zoning proponents, most inclusionary ordinances are just another form of exclusionary practice.

The High Costs of Low-Income Housing. (Rosenthal, 2011)

Howard Husock, of Harvard's Joint Center for Housing Studies, believes that the government should allow builders to simply build housing the market wants and can afford, and that the government should stay out of the way.

The High Cost of Rent Control. (National Multifamily Housing Council, 2016)

Rent control has the perverse consequence of reducing, rather than expanding, the supply of housing in time of shortage. Harm caused by rent control includes inhibition of new construction, deterioration of existing housing, reduced property tax revenues, substantial administrative costs, reduced consumer mobility, and increasing consumer entry costs. From a social perspective, the substantial costs of rent control fall most heavily on the poor, higher income households benefit most from rent control, promotion of housing discrimination, and unfairly tax rental housing providers.

Economists have long considered rent control a failed housing policy. Dr. Anthony Downs, a leading economist and nationally-recognized expert on housing policy, concluded in a recent report on rent controls, other than during wartime, the economic and social costs of rent control "almost always outweigh any perceived short-term benefits they provide."

The Builder's Perspective on Inclusionary Zoning. (Tombari, 2005)

San Francisco Area: In 30 years, the 27 participating municipalities in the Bay Area managed to create 6,840 affordable units through inclusionary zoning requirements, or roughly 28 percent of the *annual* affordable housing need. When divided amongst the 6,840 units of housing produced, the "tax" on the area economy to create each affordable unit was $321,637.42.

Los Angeles Area: The sum total of "affordable" housing units created in 27 years is 6,379, or roughly 51 percent of the *annual* affordable housing need. When divided amount the 6,379 units of housing produced, the "tax" on the area economy to create each affordable unit was $596,546.

How Rent Control Drives Out Affordable Housing. (Tucker, 1997)

A look at the classified ads in rent-controlled cities reveals that very few moderately priced rental units are actually available. Most advertised units are priced well above the actual median rent. Yet in cities without controls, moderately priced units are universally available.

The lesson for the rest of the country is that rent control is policy that never was justified and certainly should be scrapped.

The Local Impact of Home Building in a Typical Metro Area. (National Association of Home Builders, Housing Policy Department, 2009)

THE STATE OF THE ECONOMY

ADAM SEIDMAN

Portland State University

In its latest report, the Oregon Office of Economic Analysis noted that “full employment is finally within sight” in Oregon. Indeed, 2015 saw very strong employment gains in Oregon and the Portland MSA, helped by robust job growth in the fourth quarter. The annual job growth totals were the strongest since the mid-1990s at both the state and regional level, and unemployment levels were at or near 5 percent by the end of the year.

Job growth continued at the national level albeit at a slower rate than in Oregon and Portland, with US annual growth of 1.9 percent and unemployment dropping to 5 percent. In part a result of these trends, the Federal Reserve raised its benchmark interest rate for the first time in seven years, ending the “zero interest rate” run. However, GDP growth remained sluggish as a strong dollar impacted exports and companies with international operations and the potential upside of cheaper energy costs were offset by the hit to America’s energy industry.

Lower energy and commodity prices and a slowdown and rebalancing of China’s economy led the IMF to revise its growth estimates downwards for the next two years for the global economy, but recovery in currently distressed countries is still projected to lead to overall increases in global growth.

■ Adam Seidman is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author’s responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

Table 1: Key Economic Indicators, Portland MSA, Oregon, and US Q4 2015

	Q4 2015/ Dec 2015	Q3 2015/ Sept 2015	Q4 2014/ Dec 2014
GDP Growth (annualized)			
US	0.7%	2.0%	2.1%
Unemployment Rate			
US	5.0%	5.1%	5.6%
OR	5.4%	6.2%	6.7%
Portland MSA	4.9%	5.6%	6.2%
Job Growth Rate (12-mo growth)			
US	1.9%	2.0%	2.3%
OR	3.1%	3.2%	3.1%
Portland MSA	3.3%	3.3%	3.1%
Inflation (12-mo unadjusted)			
US	0.7%	0.0%	0.8%
Interest Rates			
Federal Funds Rate	0.4%	0.1%	0.1%
10-Year Treasury	2.2%	2.2%	2.2%

Sources: BEA, BLS, Federal Reserve, Oregon Employment Department

GLOBAL TRENDS

The International Monetary Fund (IMF) revised its global growth projection down for 2016 and 2017 to 3.4 percent and 3.6 percent, respectively, and noted that "risks to the global outlook remain tilted to the downside." The IMF's latest report noted that 3 key transitions impact their downward revisions: a slowdown and rebalancing of the Chinese economy, lower energy and commodity prices, and the gradual tightening of monetary policy in the United States. Recessions in Russia and Brazil are expected to continue in the near-term but to recover over the next eight quarters.

Relatively strong but slowing growth is projected for China, whose economy is in the midst of a rebalance from fixed-asset investments and exports to a consumer- and services-led economy. The IMF projects GDP growth in China of 6.3 percent in 2016 and 6.0 percent in 2017, both down from 6.9 percent growth in 2015. Oregon businesses will continue to pay close attention to trends in China, as the country is Oregon's top export market, accounting for approximately 20 percent of all of the state's exports (although it should be noted it is unclear what share of these exports are true global trade versus shipments from Oregon companies such as Intel to their own factories in China).

After 7 years of zero interest rates, the United States Federal Reserve finally increased its target rate by a quarter percentage point (25 bps) in December, indicating a belief that economic conditions in the country have significantly improved.

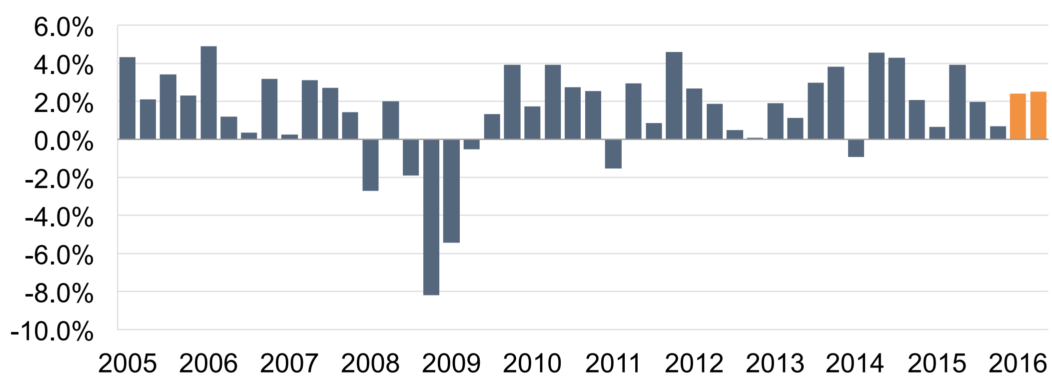
After a 24 percent fall in the third quarter, oil prices tumbled again in the fourth quarter, ending up down 18 percent. Down nearly 40 percent year-over-year, oil prices are now at levels not seen since 2004. This decline has hurt oil-dependent economies across the world, including Russia and Brazil, both of which are currently in recession. Some analysts believe that oil prices will need to fall further to balance out the excess supply with current market demand.

The dollar ended the year up 12 percent versus foreign currencies, the biggest one-year gain since the 1970s. This has continued to impact the prices of US exports as well as the value of foreign sales of US-based firms, and may have contributed to weaker GDP growth in the fourth quarter.

GDP/OUTPUT

According to the "advance" estimate from the Bureau of Economic Analysis (BEA), United States GDP grew by an annualized 0.7 percent in the fourth quarter. This follows growth of 2.0 percent in the third quarter (revised upwards from the "advance" estimate of 1.5 percent). The BEA report noted that growth in the quarter was driven primarily by consumer expenditures, government spending, and the housing sector. The slower growth in the fourth quarter was likely due in part to the stronger dollar (impacting exports), the weaker global market, and business pullback in investments as a result of these and other trends. Looking ahead, The Wall Street Journal Economic Forecasting Survey projects annualized GDP growth of 2.4 percent to 2.5 percent for the next two quarters, which are reductions of previous forecasts.

Figure 1: Gross Domestic Product, United States, Annualized Percent Change, 2005–2016 (Forecast)



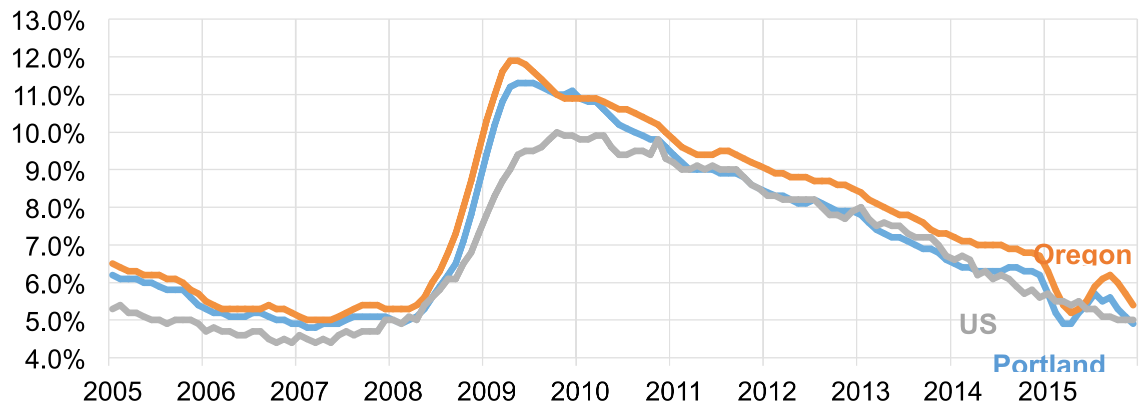
Source: Bureau of Economic Analysis (blue bars) and Wall Street Journal Economic Forecasting Survey (orange bars)

EMPLOYMENT

The Bureau of Labor Statistics (BLS) reported that total U.S. nonfarm employment increased by 292,000 in December and 2.7 million for the year, for an annual job growth rate of 1.9 percent. This compares with growth of 3.1 million (2.3 percent rate) in 2014. National unemployment figures declined to 5.0 percent, the lowest since April 2008.

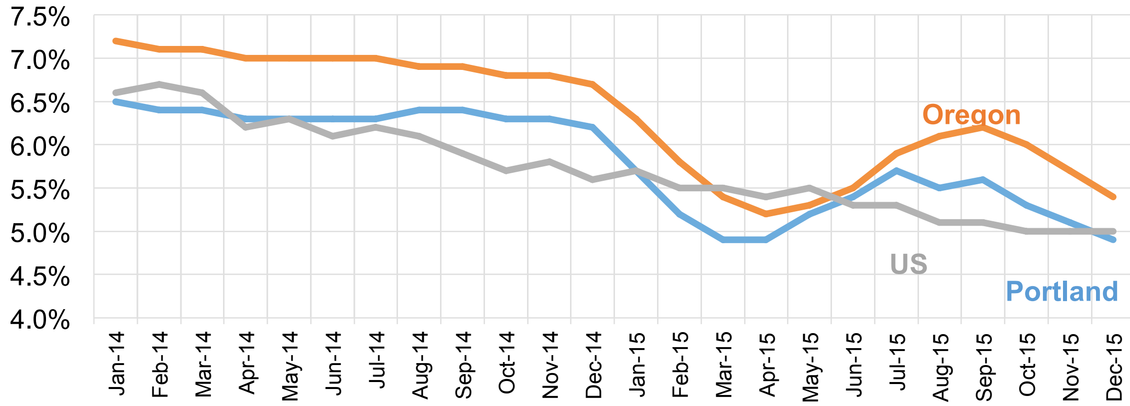
The unemployment rate for both Oregon and the Portland Metropolitan Statistical Area (MSA) saw significant declines in the fourth quarter, with end of year rates of 5.4 percent and 4.9 percent, respectively. As with the national figures, one has to go back to early 2008 to find unemployment this low.

Figure 2A: Unemployment Rate, Portland MSA, Oregon and United States, 2005-2015



Source: Bureau of Labor Statistics

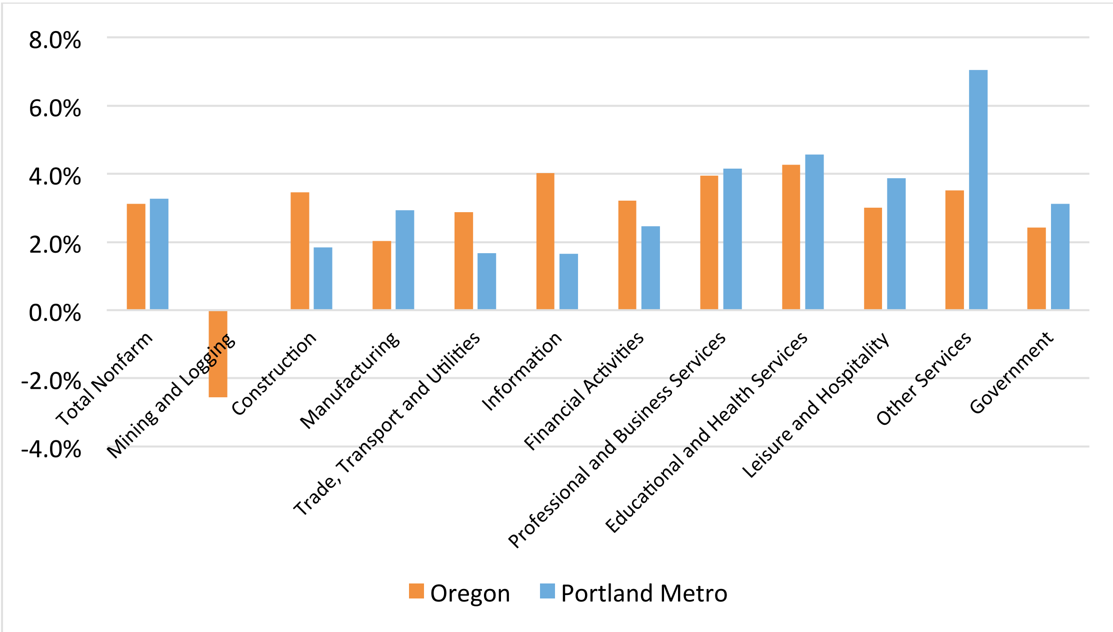
Figure 2B: Unemployment Rate, Portland MSA, Oregon and United States, Jan 2014-Dec 2015



Source: Bureau of Labor Statistics

Both Oregon and the Portland MSA finished 2015 on a strong note, with gains of 2,300 jobs for each area in December and the highest quarterly growth of the year. For 2015, Oregon added nearly 55,000 jobs and the Portland MSA grew by 36,000 jobs – these are the highest annual totals since the mid-1990s. This growth was broad-based across almost all sectors in the state, and represents growth rates of 3.1 percent in Oregon and 3.3 percent in Portland, both significantly above the national rate of 1.9 percent over the same time period. As a result of this strong growth, the OEA noted that “full employment is finally within sight.”

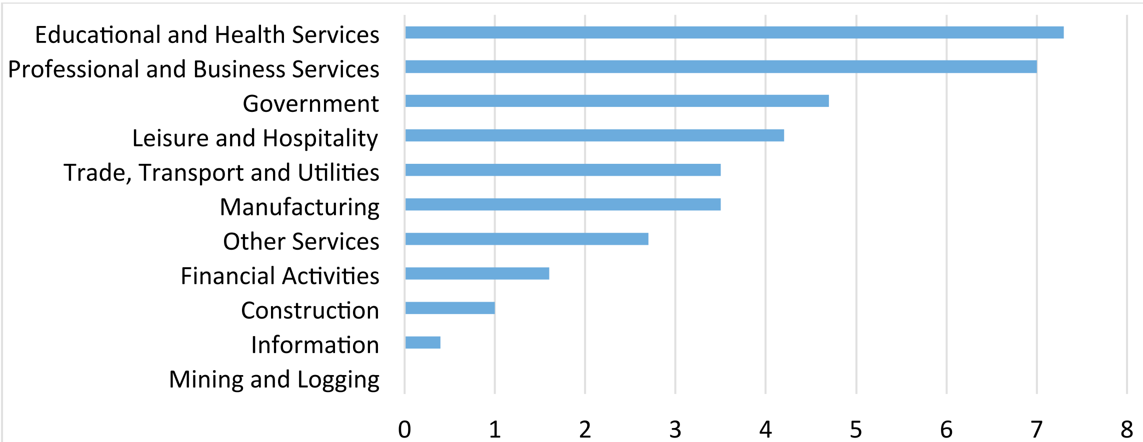
Figure 3: Employment Growth Rate by Sector, Portland MSA and Oregon, 12 Months to December 2015



Source: Oregon Employment Department

Aside from Mining and Logging, the Portland MSA saw job growth in every one of its sectors of at least 1.5 percent over the past year. Of the 36,000 jobs added, over a third came from service-oriented employment, led by Educational and Health Services and Professional and Business Services.

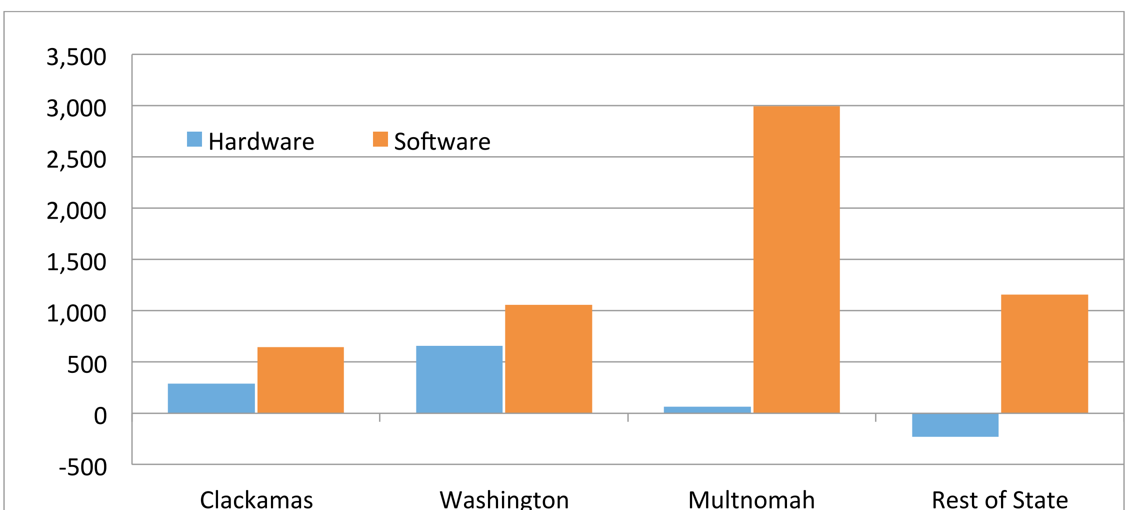
Figure 4: Employment Growth by Sector, Portland MSA, 12 Months to December 2015 (000s)



Source: Oregon Employment Department

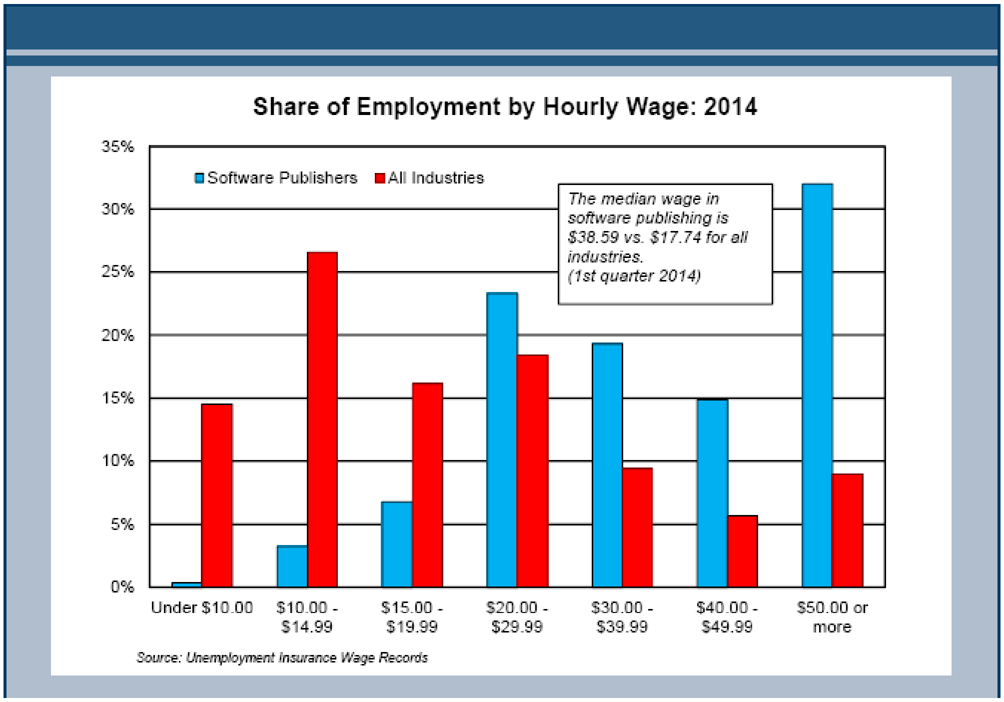
Job growth in the Portland MSA since 2010 has been heavily weighted towards high-wage positions, with nearly 70 percent from those earning $75,000 or more per year, and 35 percent from those earning $100,000 or more. Much of this high-wage growth has been in the software sector in Multnomah County, and not in the MSA's hardware sector in Washington County. Many of the new software jobs are for firms headquartered out-of-state that have set up satellite offices in Portland, including eBay, Salesforce, Google, and Airbnb. The growth in high-wage earners, coupled with other demand and supply trends, has had an impact on affordability metrics in the Portland MSA housing market as rents and housing prices continue to increase at rates above that of average wage growth.

Figure 5: Growth in Tech Employment, Oregon, Q1 2012-Q2 2015



Source: BLS, Oregon Employment Department, Oregon Office of Economic Analysis

Figure 6: Share of Employment by Hourly Wage, Oregon, 2014



Source: Oregon Employment Department (from December 2015 OR Labor Trends)

Job growth in Oregon and Portland is expected to continue, driven by projected population growth and in-migration trends. However, the rate of growth is expected to moderate over the next two years. The Oregon Office of Economic Analysis expects job growth of 2.7 percent in 2016 and 2.9 percent in 2017, representing a downward revision from their prior forecast. Other forecasters, such as IHS, are less bullish about growth prospects after this year.

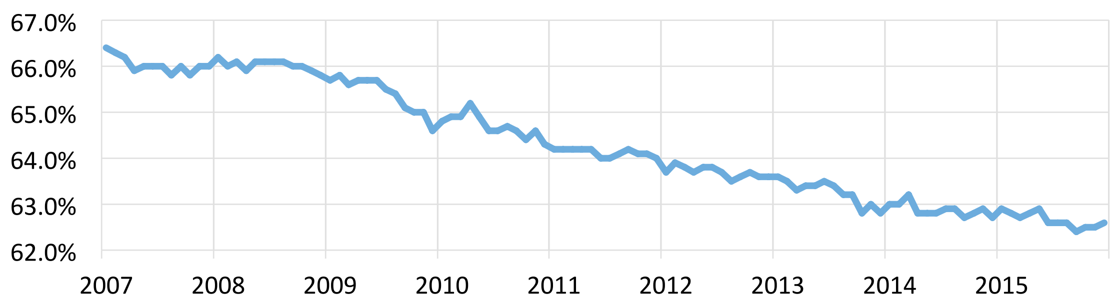
Table 2: Employment Growth Forecasts, Oregon, 2015-2017

Forecaster	2015	2016	2017
Oregon Office of Economic Analysis	3.2%	2.7%	2.9%
IHS Economics	3.0%	1.8%	1.6%
Western Blue Chip Consensus	2.7%	2.5%	-

Source: Oregon Office of Economic Analysis

The labor force participation rate remains a concern to state economists. Although the rate saw a small uptick towards the end of the year to over 61 percent, it hit its historic low in June and remains at historically low levels. This echoes the national trend, which also saw a small uptick but stands at 62.6 percent, compared to over 66 percent before 2008. At both the state and national level, an aging population is in part to blame; the Congressional Budget Office notes that roughly half of the decline in labor-force participation since the end of 2007 is due to the aging of the workforce.

Figure 7: Labor Force Participation Rate, United States, 2007-2015



Source: Bureau of Labor Statistics

INFLATION

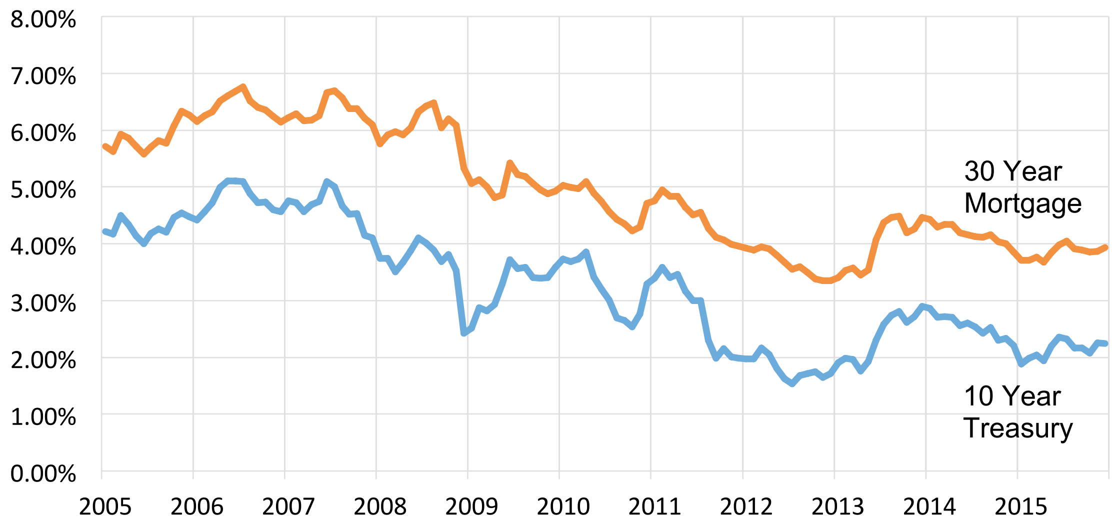
The United States Consumer Price Index (CPI-U) decreased 0.1 percent in September on a seasonally-adjusted basis and for the year saw a gain of 0.7 percent on a non-adjusted basis. Rising prices for services, housing, and other items were more than offset by decreases in energy, driven by a sharp drop in gasoline and fuel prices. The energy index is down more nearly 13 percent over the past year. The Wall Street Journal's Economic Forecasting Survey projects that the unadjusted 12-month CPI will increase by 1.2 percent in June 2016.

INTEREST RATES

The Federal Reserve finally raised rates in December, following an unprecedented 7-year stretch of rates effectively at zero. The interest rate hike suggested that the Federal Reserve believed the US economy had improved enough to withstand increased rates, although it emphasized that future rate hikes will be dependent on data relative to current conditions. It is widely believed that the Federal Reserve will raise the rates a few times before the end of the year, and at least once by mid-year. The Wall Street Journal's Economic Forecasting Survey projects that the rate will increase to 0.73 percent by June 2016 and to 1.14 percent by the end of 2016.

December saw the 10-year Treasury decrease slightly to 2.24 percent and the 30-year mortgage rate tick up to 3.93 percent respectively. Both of these measures are slightly higher than their December 2014 levels.

Figure 8: Treasury and Mortgage Rates, United States, 2005-2015

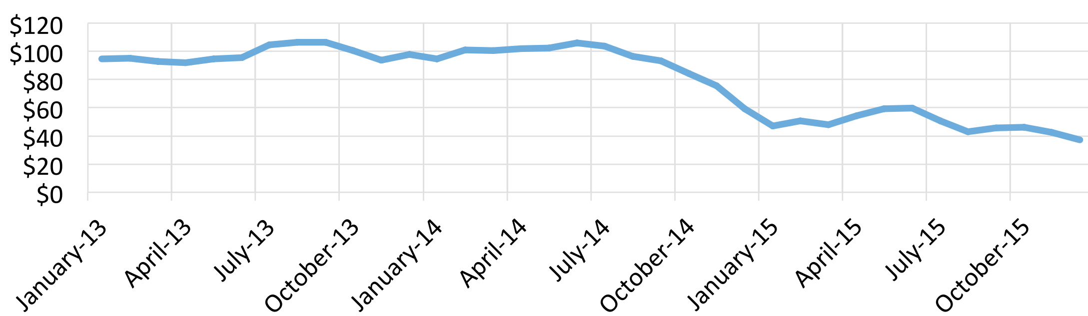


Source: Federal Reserve

CAPITAL MARKETS

As a result of rise of the Federal Reserve's benchmark interest rates, US bond prices decreased and yields increased for both short- and long-term Treasuries. Falling commodity prices, notably in oil and mining, negatively impacted bond and equity prices in the quarter. High yield bonds were especially impacted as the energy and mining sectors account for nearly 20 percent of the US high yield market.

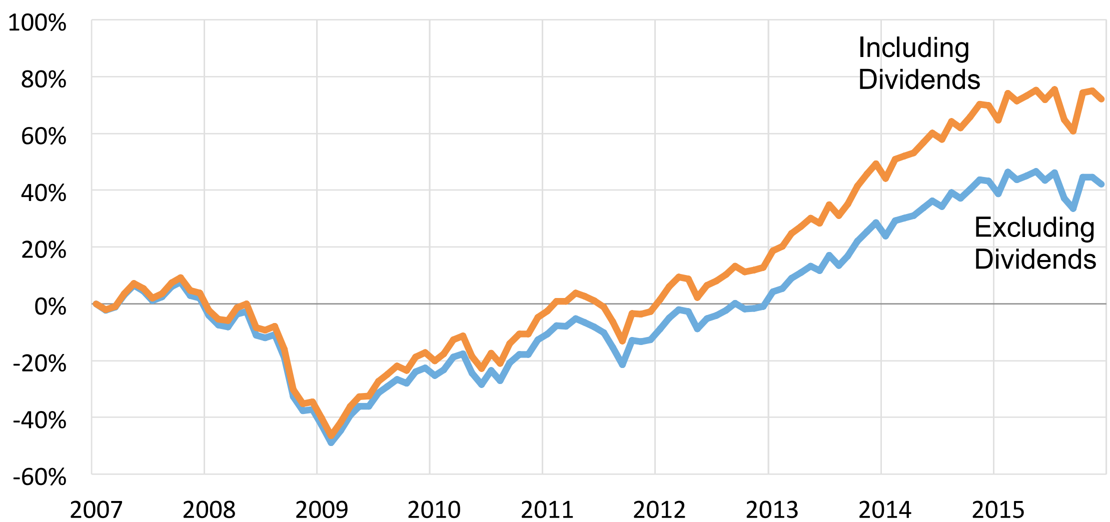
Figure 9: Oil Price per Barrel (WTI Spot), 2013–2015



Source: US Energy Information Administration

Volatility in the equity markets continued, as the US markets rebounded in the fourth quarter after significant declines in the previous quarter. For the year, including dividends the S&P increased 1.4 percent and the NASDAQ gained 5.7 percent.

Figure 10: Standard & Poor's 500 Index, 2007–2015



Source: S&P Dow Jones Indices, McGraw Hill Financial

LOOKING AHEAD

Oregon and Portland's economies had banner years in 2015, but forecasters call for more tempered growth in 2016 and beyond. Will growth continue at 2015's pace or will it cool off in 2016? And will we start to see more growth for middle-income earners?

Eyes will continue to be on the Federal Reserve to see how aggressive its interest rate policy will be. This will impact the capital markets at various levels, and a tighter monetary policy could impact loans to developers, investors, businesses, and home buyers. Oregon's export businesses will be closely watching the strength of the dollar and signs from China's economy, and oil and commodity prices will also be on most investor's and analyst's radars.■

RESIDENTIAL MARKET ANALYSIS

ALEX JOYCE

Portland State University

In general, single family trends saw expected seasonal slowdowns compared to last quarter. However, year-over-year trends, in most cases, highlight a strong single family real estate market across Oregon and at the national level.

The National Association of Realtors (NAR) reports the median sale price for existing single-family homes registered at $226,000 in December 2015, an 8 percent premium over December 2014. Transaction volume was also up in year-over-year terms by 7.1 percent to a SAAR of 4.82 million units. Unsold inventory of all home types at the end of December tightened to a 3.9-month supply, down 25 percent from 5.2 months in November. First-time homebuyers represented a 32 percent share of the market in December.

National single-family permitting increased steadily again in the fourth quarter to a SAAR of 725,000. This climb represents a 4.9 percent increase compared to the third quarter and an 8.7 percent year-over-year increase.

Interest rates began a steady increase throughout the fourth quarter of 2015, likely in anticipation of the key interest rate increase by the Federal Reserve, which ultimately occurred in December. In October of 2015, the monthly average commitment rate for a 30-fixed rate mortgage from Freddie Mac was 3.80 percent,

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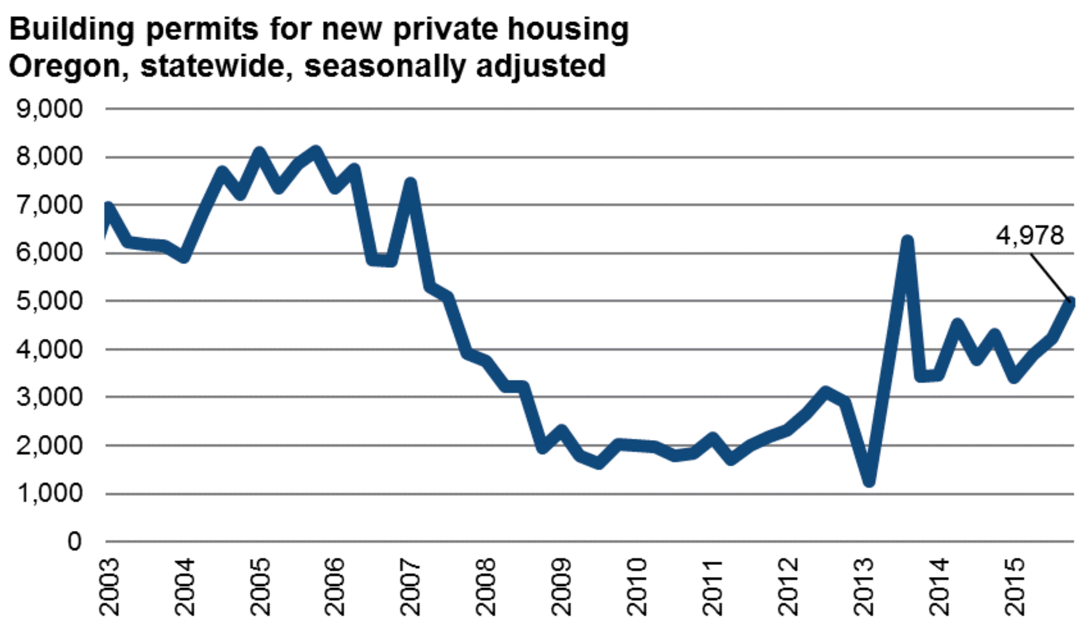
and by December 2015, the rate climbed to 3.96 percent. This represents a 4.2 percent increase in interest rates during the fourth quarter.

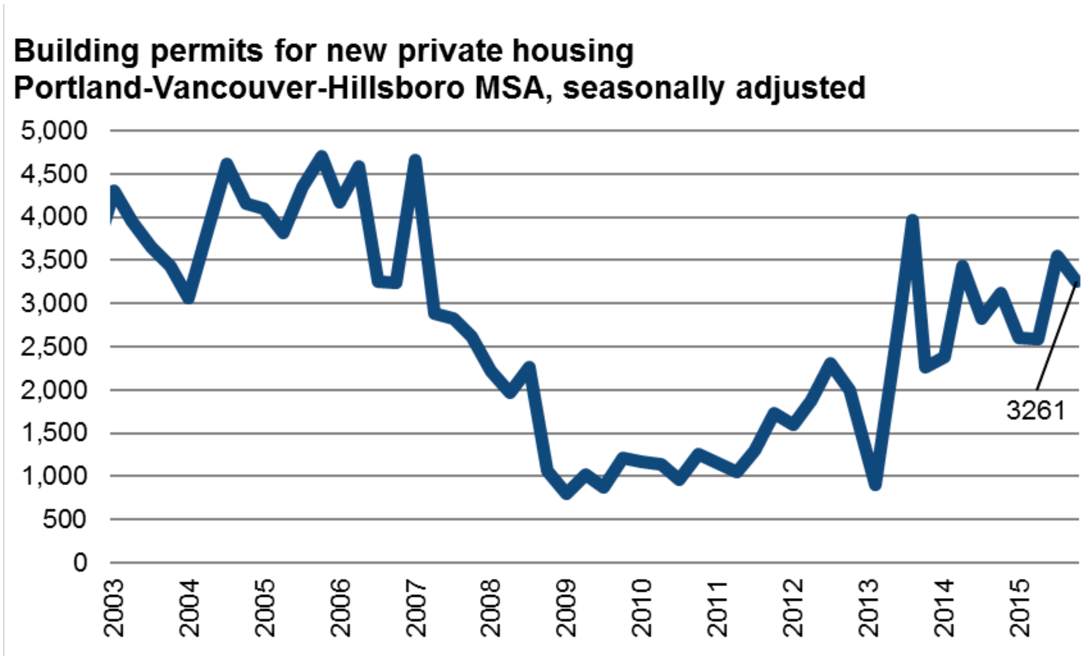
RealtyTrac's January Housing News Report contains housing forecasts for 2016 from six economists. Opinions range from predictions of moderated sales growth to continued strong and expanding sales. Several economists predict a stabilizing of the rapidly increasing home prices seen in recent years. The reasons cited include continued lack of real wage growth among low and moderate income families, and the resulting slim savings and difficulty affording down payments. Other economists predict a continued brisk home sale market as buyers try to lock in mortgage rates ahead of increases by the Federal Reserve and as home building continues a post-recession expansion.

LOCAL PERMITTING

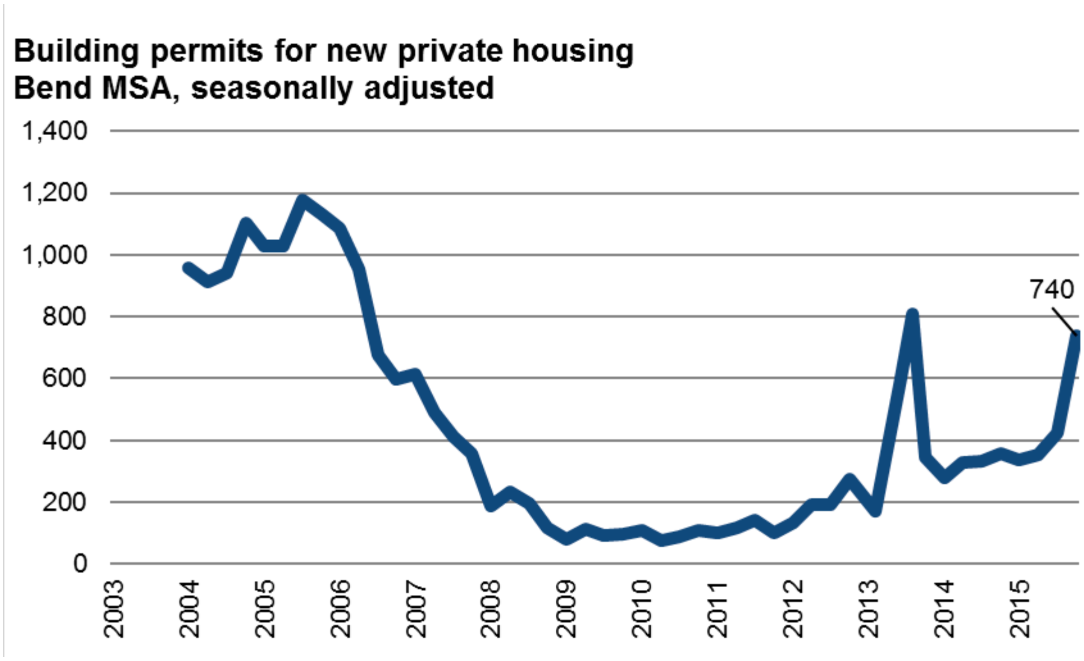
In the fourth quarter of 2015, 4,978 building permits for new private housing units were issued in total across Oregon. This is 17.9 percent more permits than were issued in the prior quarter and 15.4 percent more than were issued in the fourth quarter of 2014.



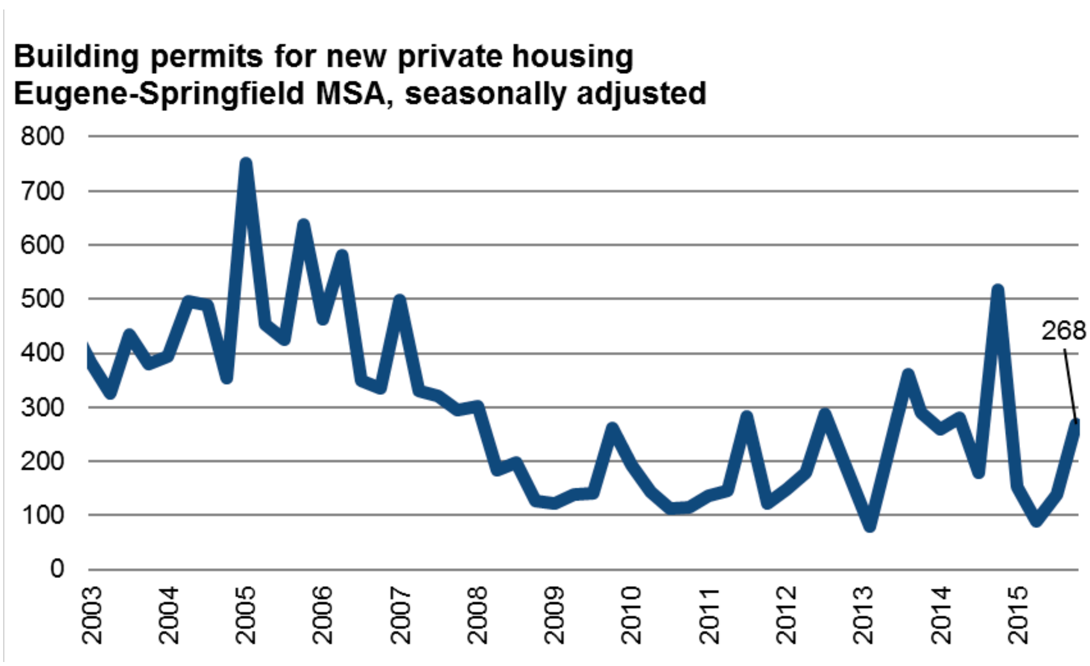
3,261 permits for new private housing units were issued in the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) in the fourth quarter. This represents an 8 percent decline in permits compared to the third quarter, but a 5 percent increase in year-over-year permitting.



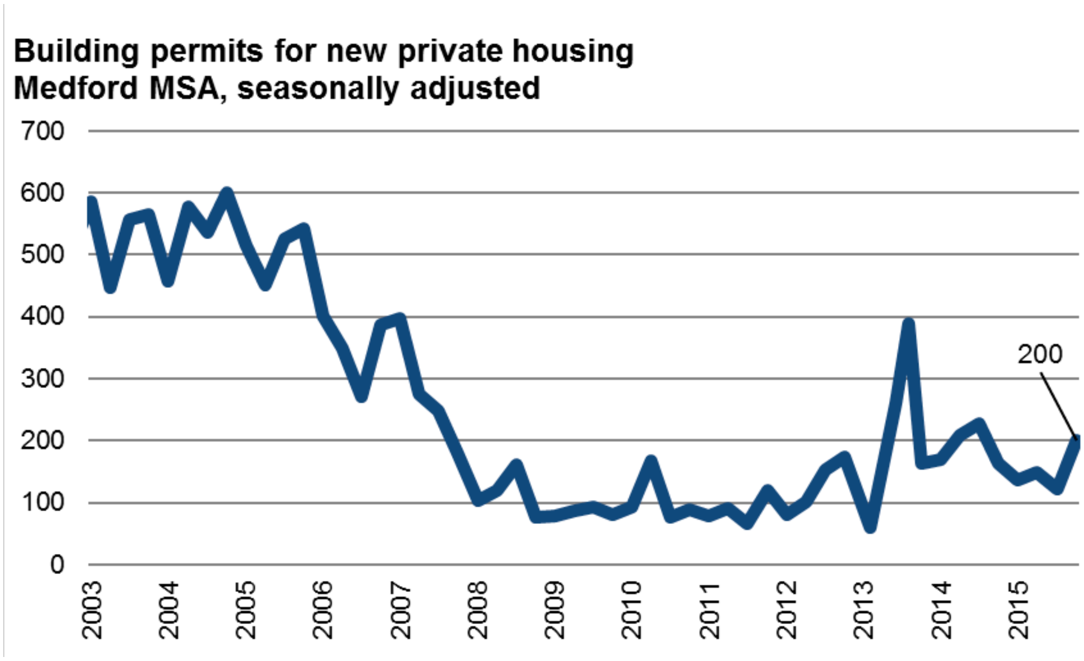
The Bend MSA saw a substantial uptick in permits with 740 in the fourth quarter compared to 422 last quarter – a 75 percent increase. Year-over-year increases were even greater, more than doubling from 357 in the fourth quarter of 2014.



The Eugene-Springfield MSA's fourth-quarter results saw the opposite trend compared to Portland with strong quarterly change but a year-over-year decline. Permitting for new private housing units totaled 268, nearly double the previous quarter but 249 fewer or a 48 percent decline year-over-year.



The Medford MSA saw a strong reversal in trends from the last several quarters with 200 new permits issued in the fourth quarter, or a 62.6 percent increase over the 123 permits issued last quarter. Year-over-year permits were also up 22 percent.



LOCAL TRANSACTIONS

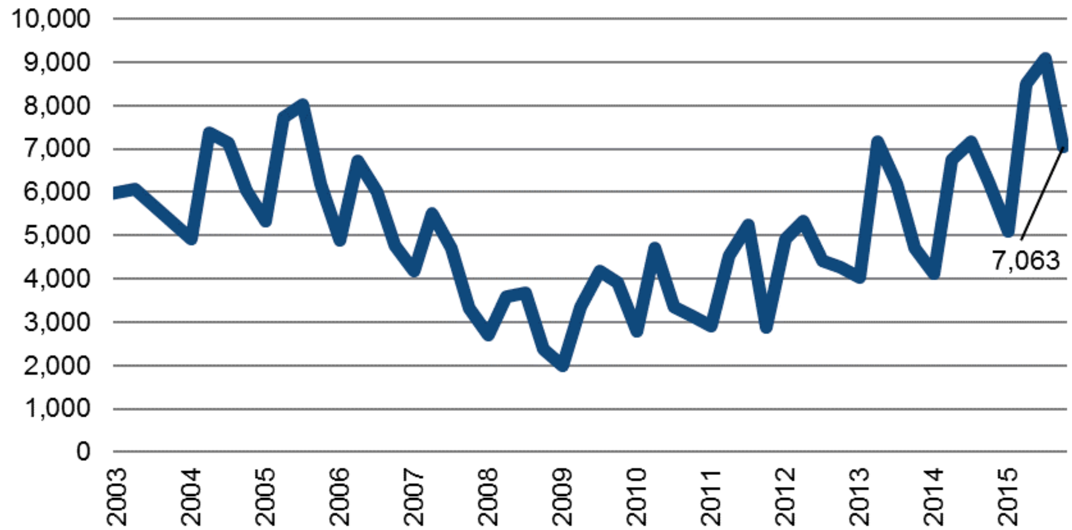
PORTLAND

The trend since the low point of sale volume in the first quarter of 2009 has been a steady year-over-year increase in sales, and 2015 on the whole continues that trend. However, fourth quarter transactions experienced a 22.2 percent decline compared to the third quarter. A certain cyclical, seasonal decline is to be expected, however, this represents the most substantial decline from quarter to quarter this year. 7,063 transactions were recorded in the fourth quarter, fully 2,017 fewer than the 9,080 transactions recorded in the third quarter.

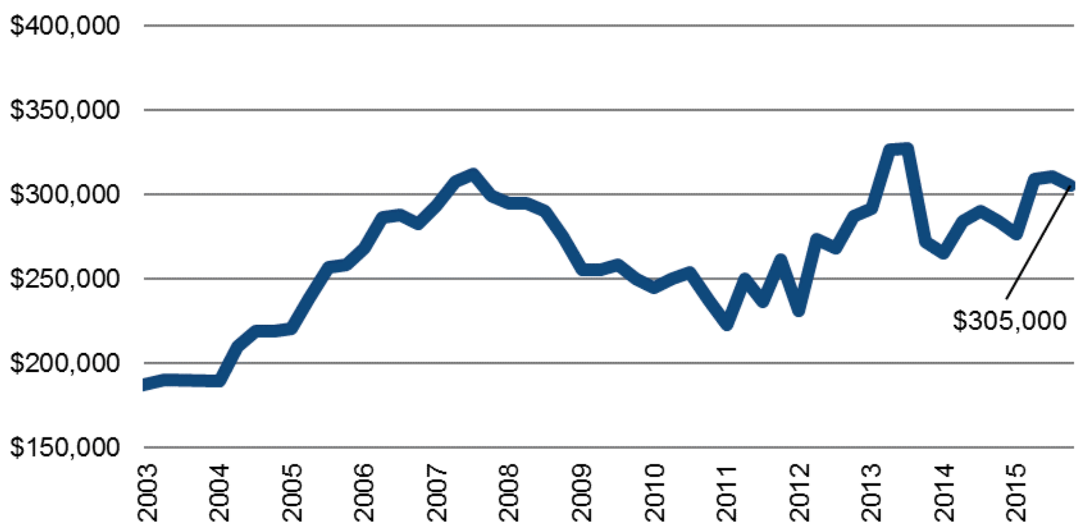
Sales compared to the same quarter in 2014 grew in the fourth quarter, but have moderated compared to the previous two quarters. Year-over-year sales were up only 13.5 percent in the fourth quarter compared to a steady 20-25 percent expansion in previous year-over-year quarter comparisons. This may simply be an anomaly or a seasonal slowdown, or perhaps a sign that housing prices are beginning to moderate or even plateau. It is difficult to say with a single quarter change in these trends.

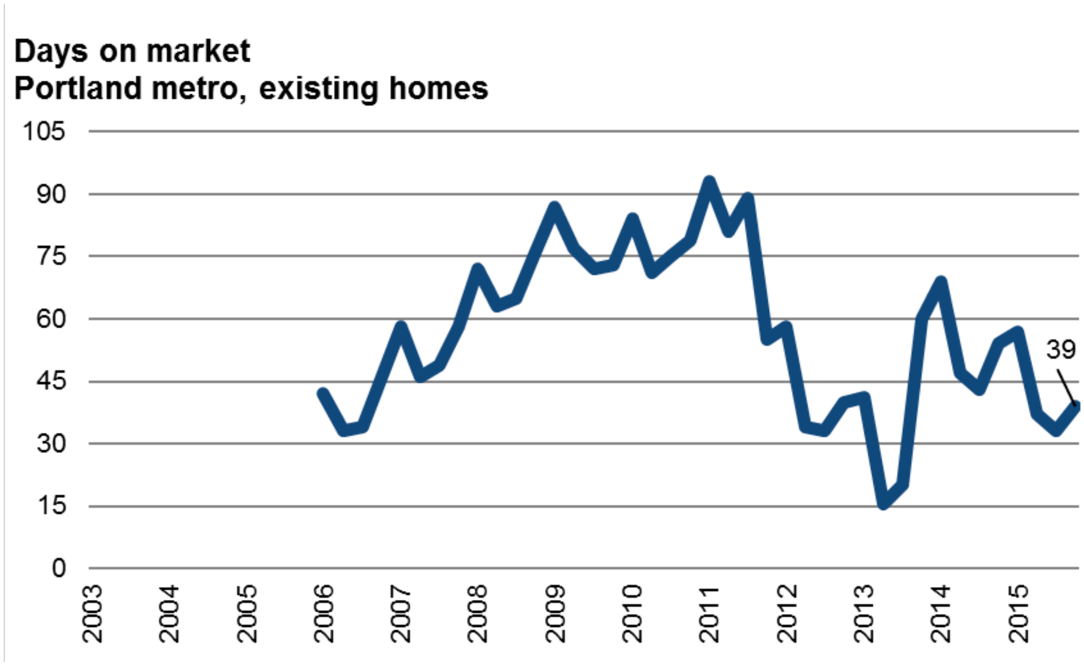
Average days on market edged up moderately from 33 days in the third quarter to 39 days in the fourth, an 18 percent increase. Compared to the same time last year, however, the days on market has fallen nearly 28 percent from 54 in the fourth quarter of 2014.

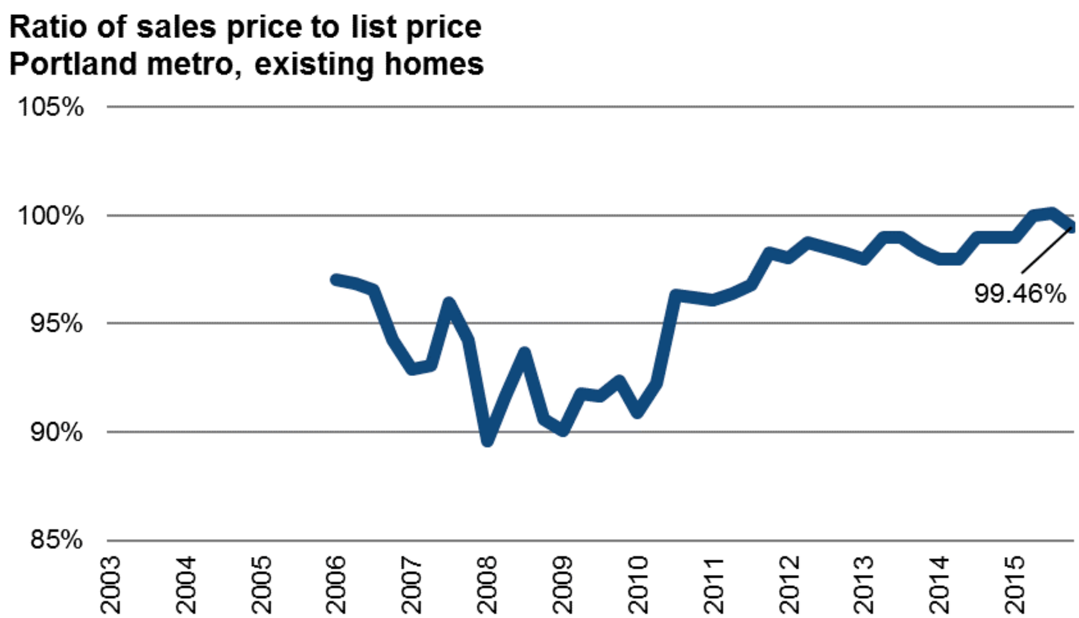
Number of transactions
Portland metro, existing homes



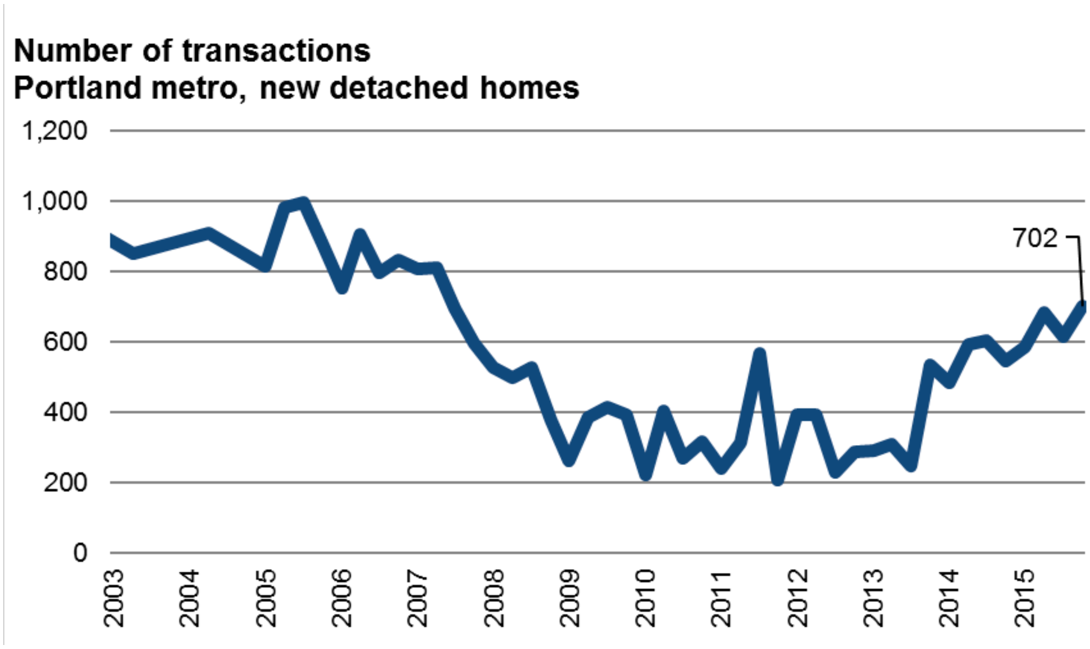
Median sales price
Portland metro, existing homes

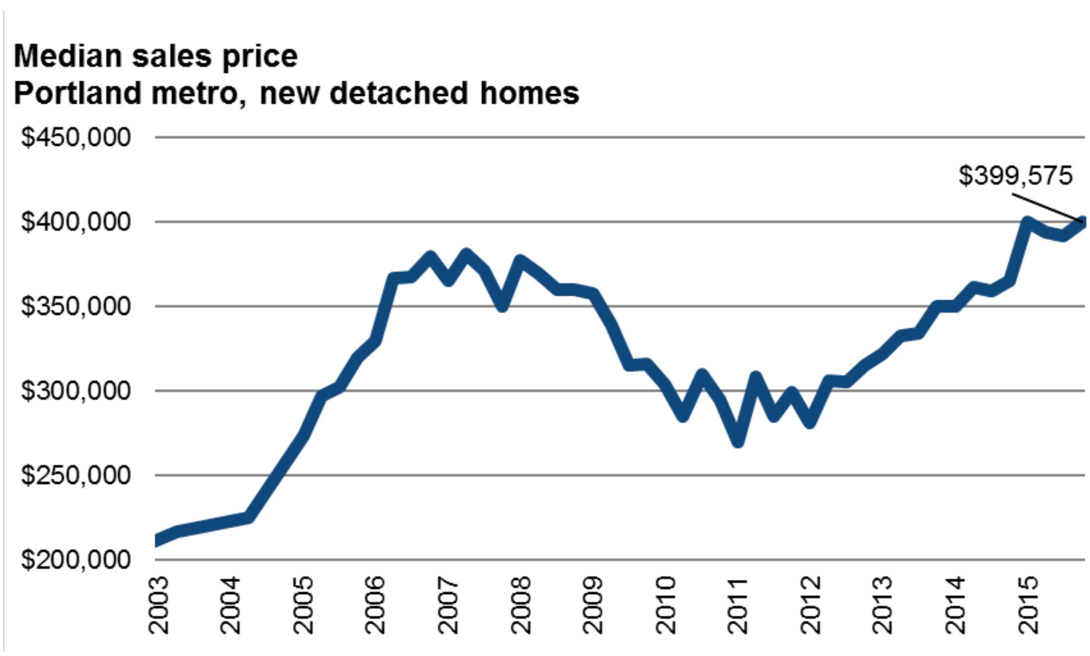






In the market for newly built detached single-family units, sales volume and median price performed better than existing homes. Both sales volume and median sales price edged upward. Sales of new homes increased 14 percent compared to the third quarter and nearly 29 percent year-over-year. Median sale price increased, though more moderately, from $391,320 to nearly $400,000, which represents a 2 percent increase over the third quarter and a 9.5 percent increase year-over-year.





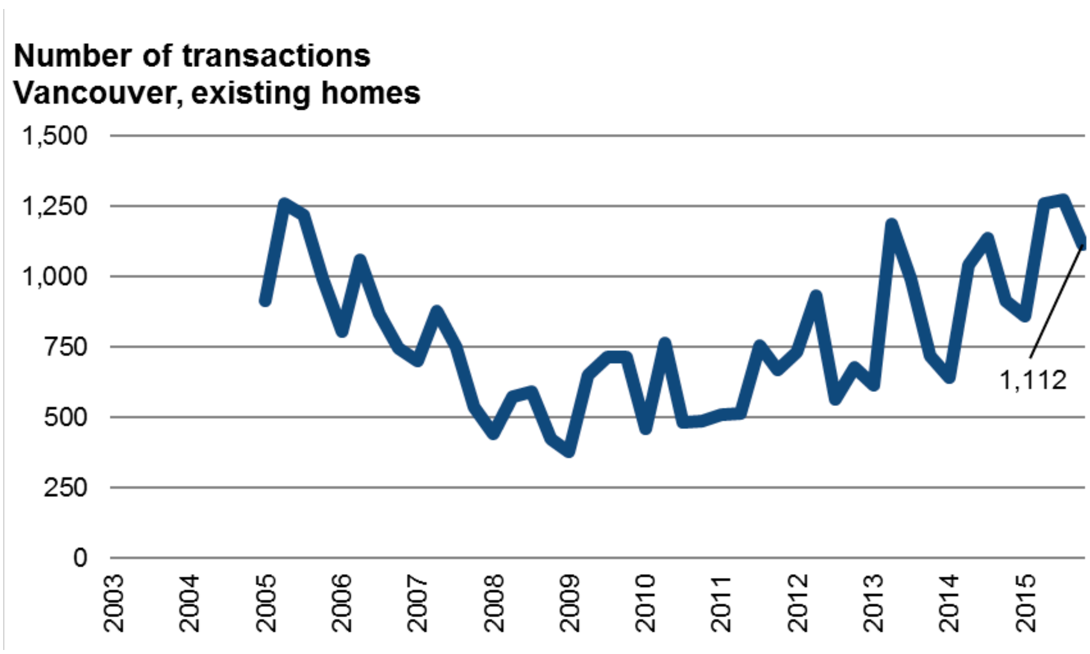
Vancouver and Clark County

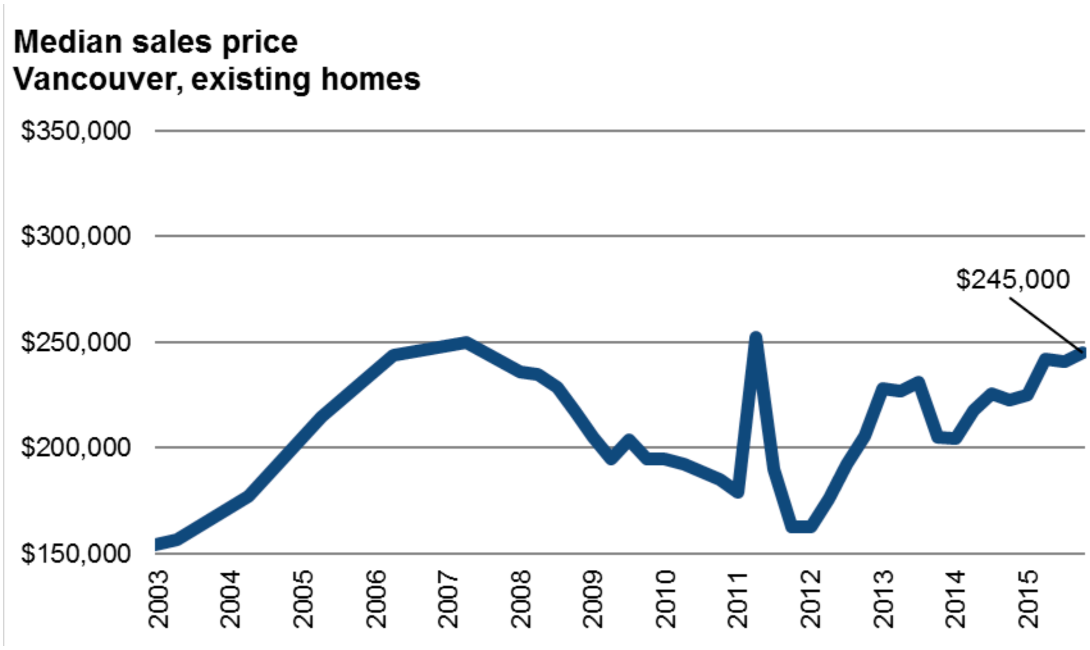
The trend in Vancouver and Clark County show a modest decline in quarterly sales volume compared to the third quarter. Clark County recorded 788 transactions, which represents a 15.8 percent decline from the previous quarter. Vancouver recorded 1,112 transactions, which represents a 12.6 percent decline.

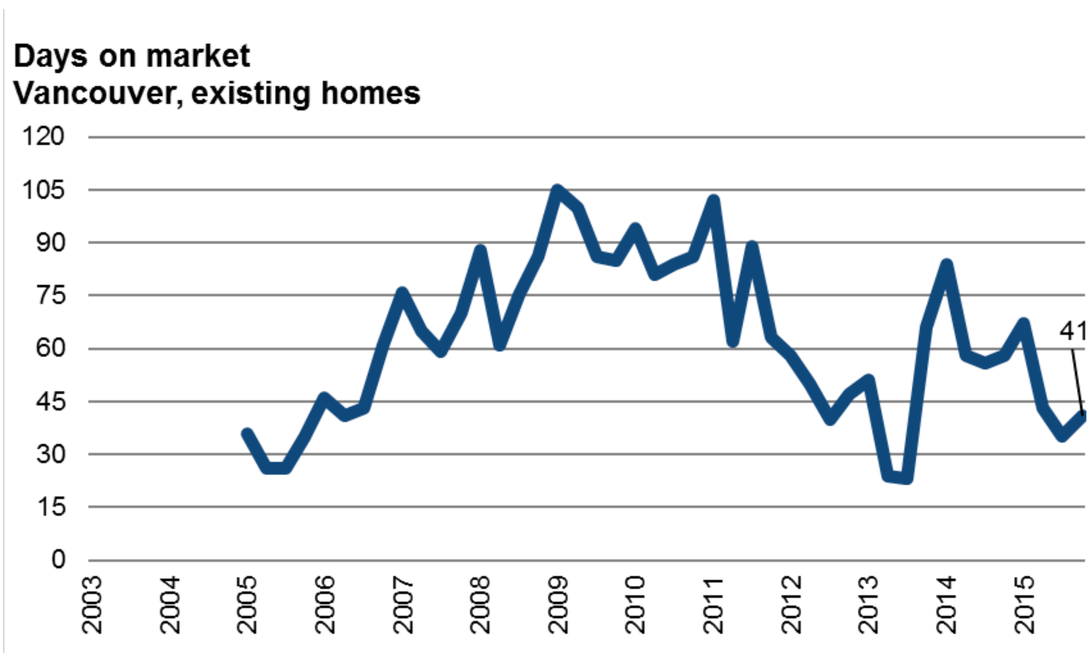
Compared to the same quarter last year, both Clark Count and Vancouver experienced double digit increases in transactions, however. Clark County saw a 15 percent increase in sales this quarter compared to the fourth quarter of 2014. Vancouver experienced a 21.5 percent increase.

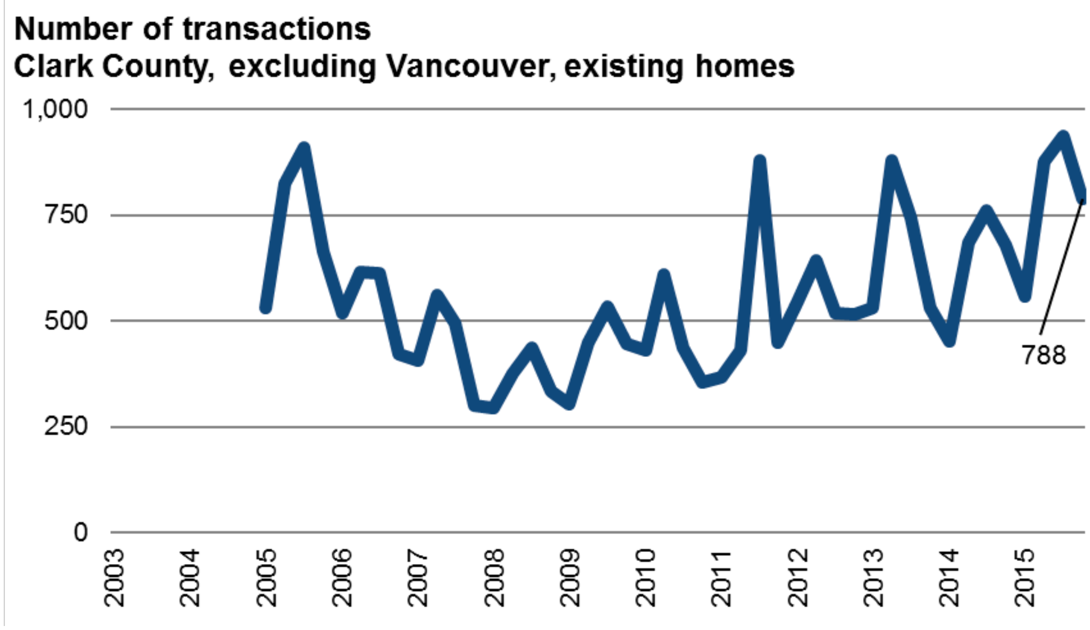
Median sale price in Clark County declined slightly by 2.3 percent in the fourth quarter compared to last quarter, reaching $283,046. Vancouver saw a slight increase of 1.6 percent to $245,000. Compared to the same quarter last year, Clark County median prices were up 9 percent, while Vancouver increased 10 percent. Both of these year-over-year increases continue a trend of steady, modest increased pricing.

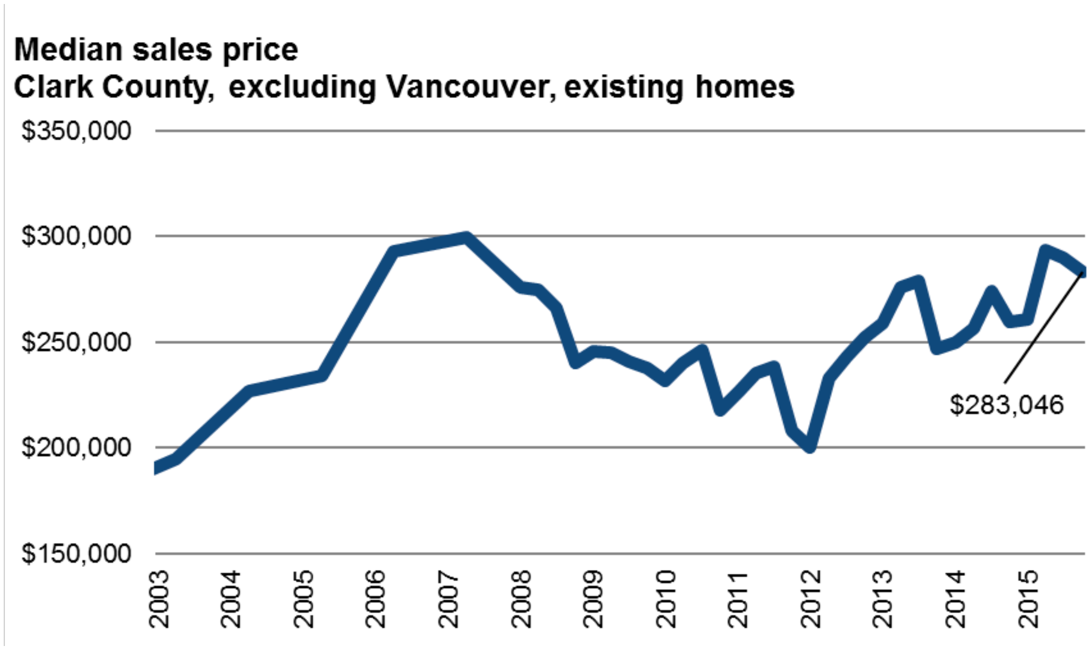
Average days on market have experienced a sustained and substantial downward trend, year-over-year, for both Clark County and Vancouver. While the average days on market in Clark County edged up 14 percent compared to last quarter to 57 days, that represents a 24 percent decline in average days on market compared to the fourth quarter in 2014 when the average was 75 days. A similar short term increase in average days on market was experienced in Vancouver. The average days on market increased 17 percent from 35 to 41 since last quarter, however, that represents a 29 percent decline from the fourth quarter in 2014 when the average was 58 days.

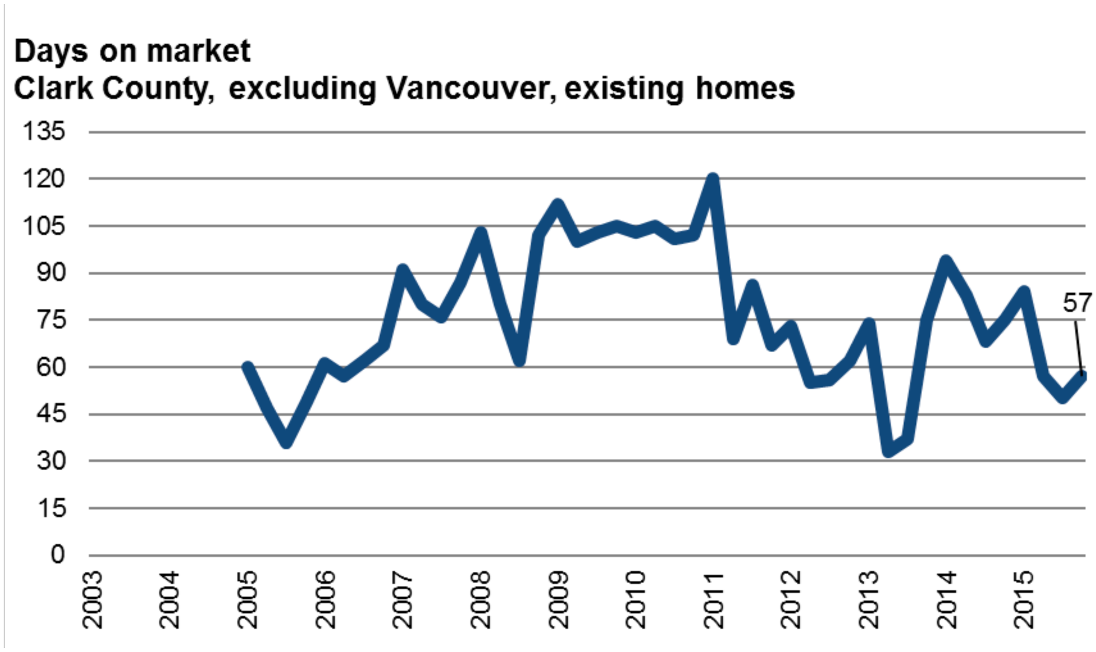



Median sales price
Vancouver, existing homes
$350,000
$300,000
$250,000
$200,000
$150,000
$245,000
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015


Days on market
Vancouver, existing homes
120
105
90
75
60
45
30
15
0
41
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015


Number of transactions
Clark County, excluding Vancouver, existing homes
1,000
750
500
250
0
788
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015


Median sales price
Clark County, excluding Vancouver, existing homes
$350,000
$300,000
$250,000
$200,000
$150,000
$283,046
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

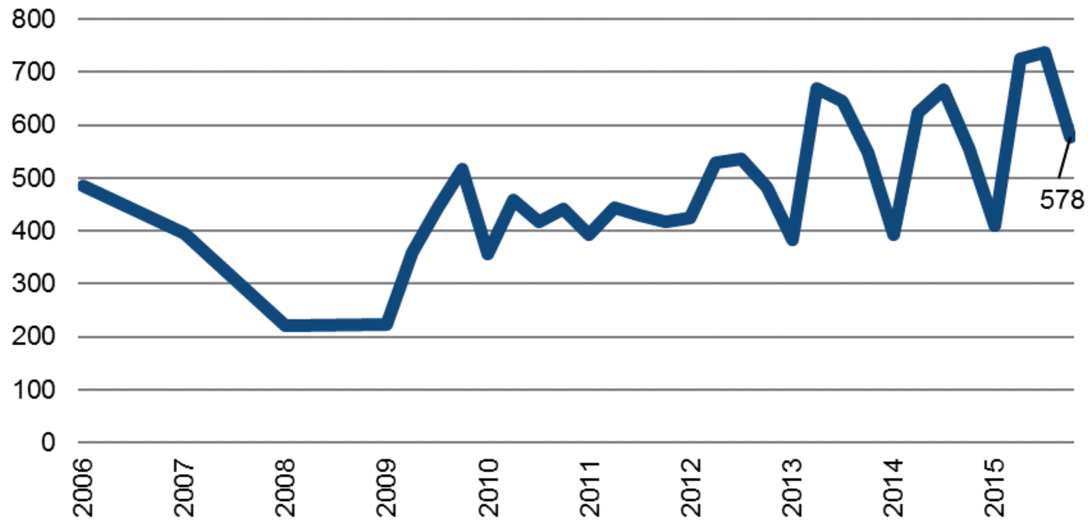


Central Oregon

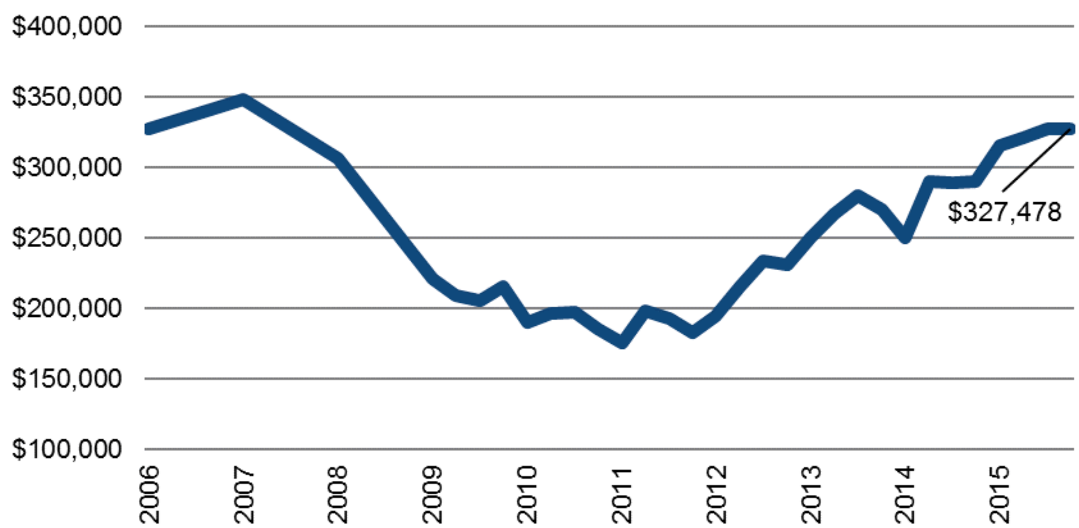
While permitting was brisk in Bend, sales volumes declined and median sales prices remained flat since last quarter. The fourth quarter in Bend saw 578 trades of existing homes, a decline of over 21 percent compared to the third quarter. While this represents a substantial quarterly change, Bend still saw a 4 percent increase in year-over-year transactions.

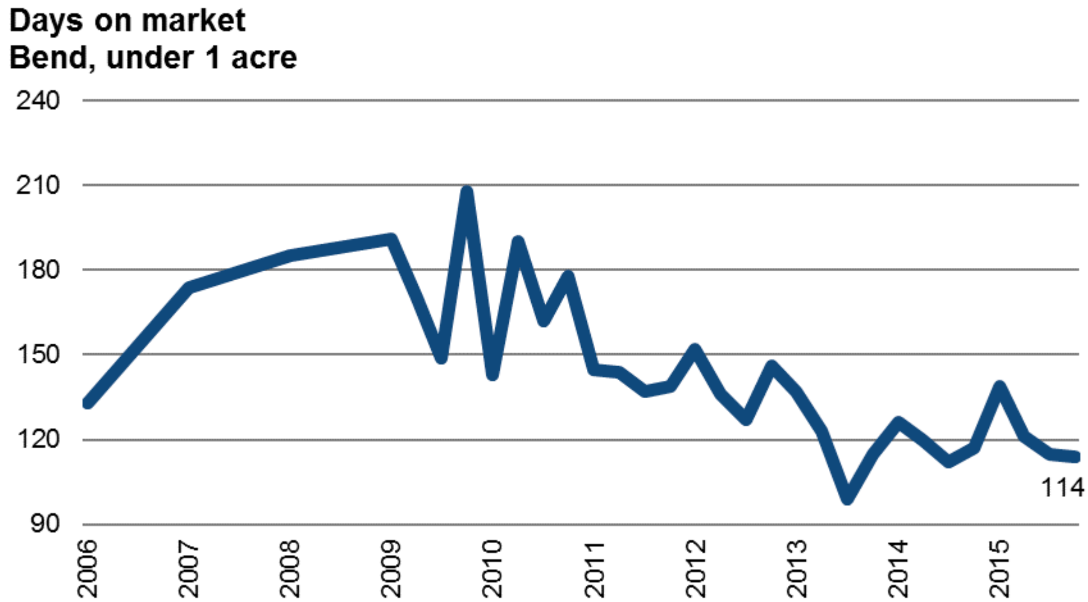
The median sale price remained flat at $327,478 in the fourth quarter but even while flat compared to last quarter, this still represents a nearly 13 percent increase compared to the fourth quarter of 2014. Average days on market continued a slight decline to 114 days, which represents a modest 2.5 percent decline year-over-year.

Number of transactions
Bend, under 1 acre

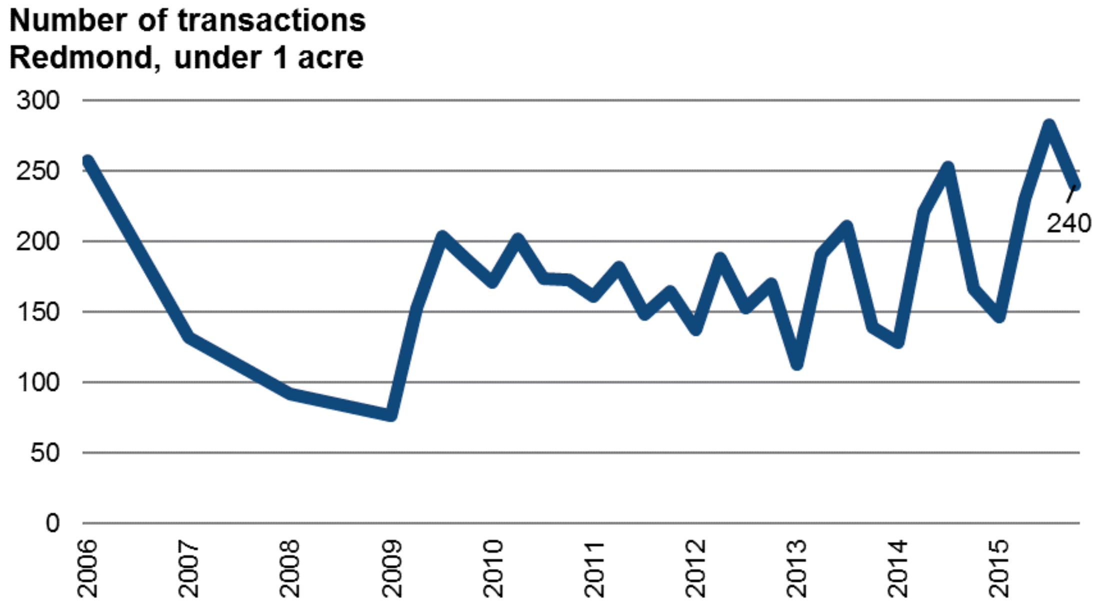


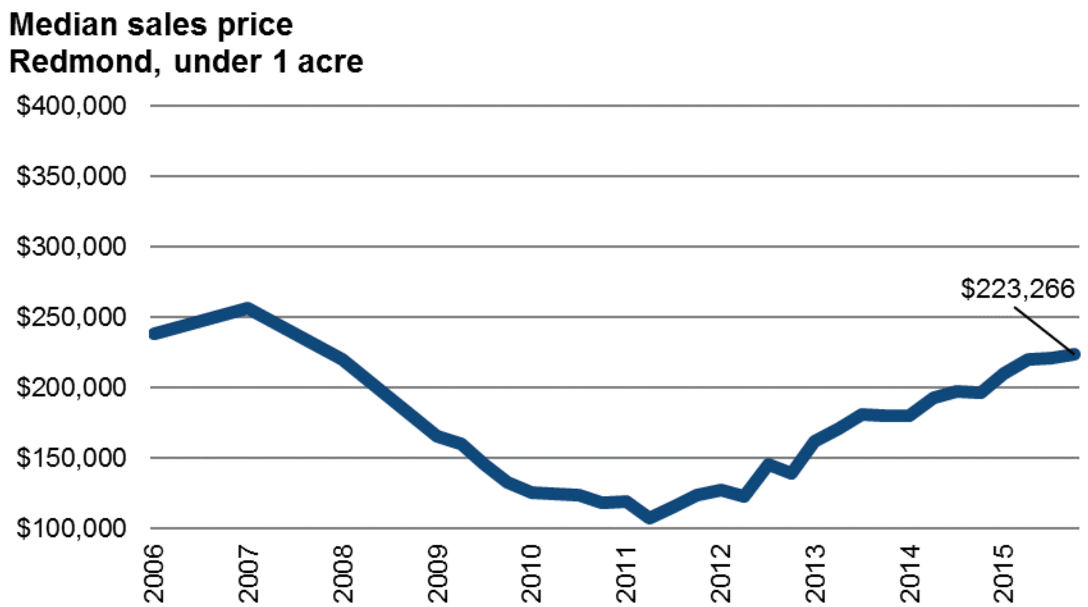
Median sales price
Bend, under 1 acre

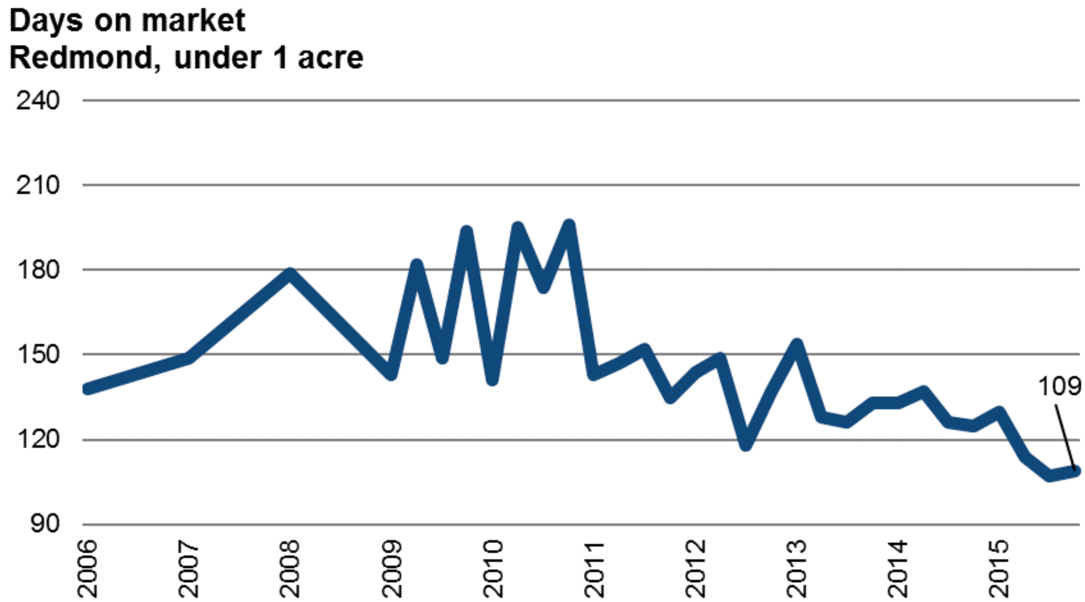




Redmond's quarterly trends tracked with Bend but Redmond performed even better year-over-year. Sales volume declined 15 percent compared to last quarter, but was still up over 44 percent year-over-year. Median sales prices saw a slight increase of 1 percent compared to the last quarter to $223,226, but this modest quarterly increase still represents a 13.7 percent year-over-year increase. Average days on market rose 2 days to 109 compared to last quarter, but have come down 12.8 percent year-over-year from 130 days in the fourth quarter of 2014.


Number of transactions
Redmond, under 1 acre
300
250
200
150
100
50
0
240
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

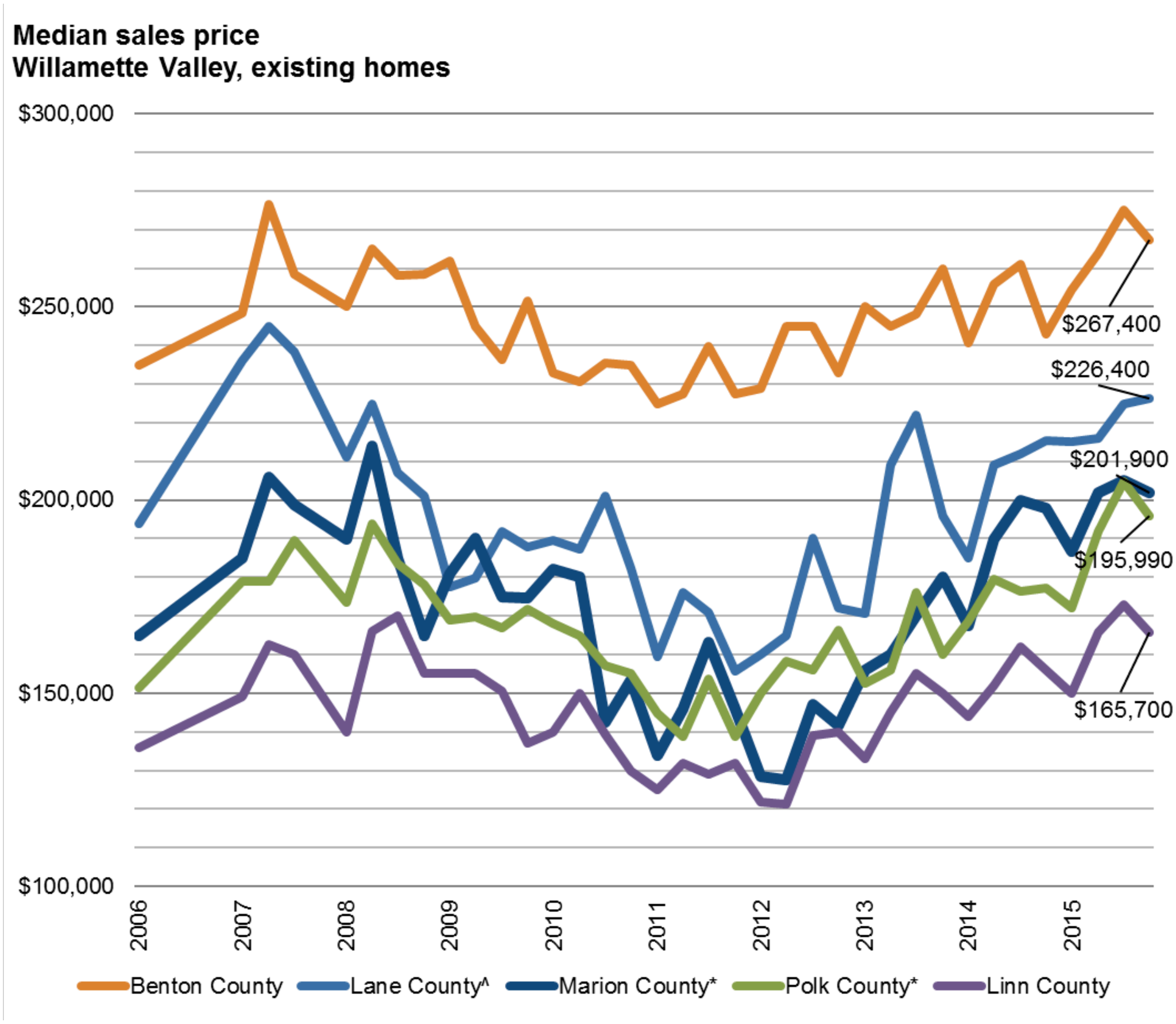

Median sales price
Redmond, under 1 acre
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$223,266
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015



WILLAMETTE VALLEY

The trend of steady increases in median sale price of the past two quarters for the Willamette Valley counties saw a reversal for all but Lane County. The seasonal slowdowns are evident. A longer term look shows continued modest increases compared to the same quarter last year.

- Benton County: $267,400 median price, a 2.7 percent decline from the prior quarter but a 10 percent increase year-over-year
- Lane County (excluding Eugene): $226,400 median price, a 0.6 percent increase from the prior quarter and a 5 percent increase year-over-year
- Marion County (excluding Salem): $201,900 median price, a 1.5 percent decline from the prior quarter and a 2 percent increase year-over-year
- Polk County (excluding Salem): $195,990 median price, a 4.3 percent decline from the prior quarter and a 10.5 percent increase year-over-year
- Linn County: $165,700 median price, a 4 percent decline from the prior quarter and a 6 percent increase year-over-year

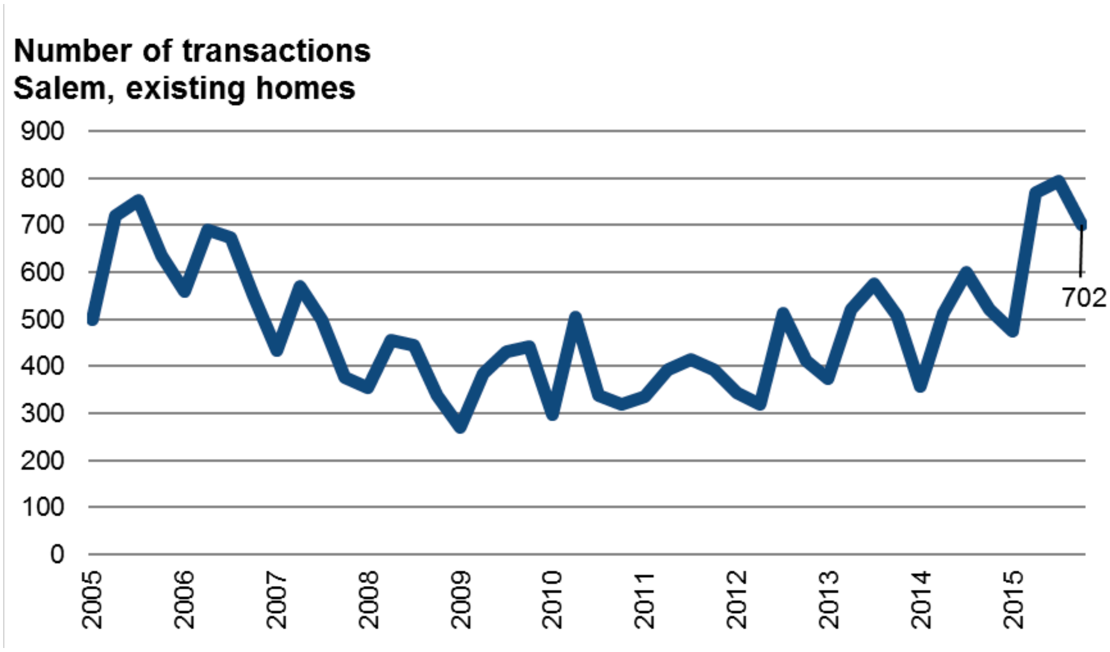


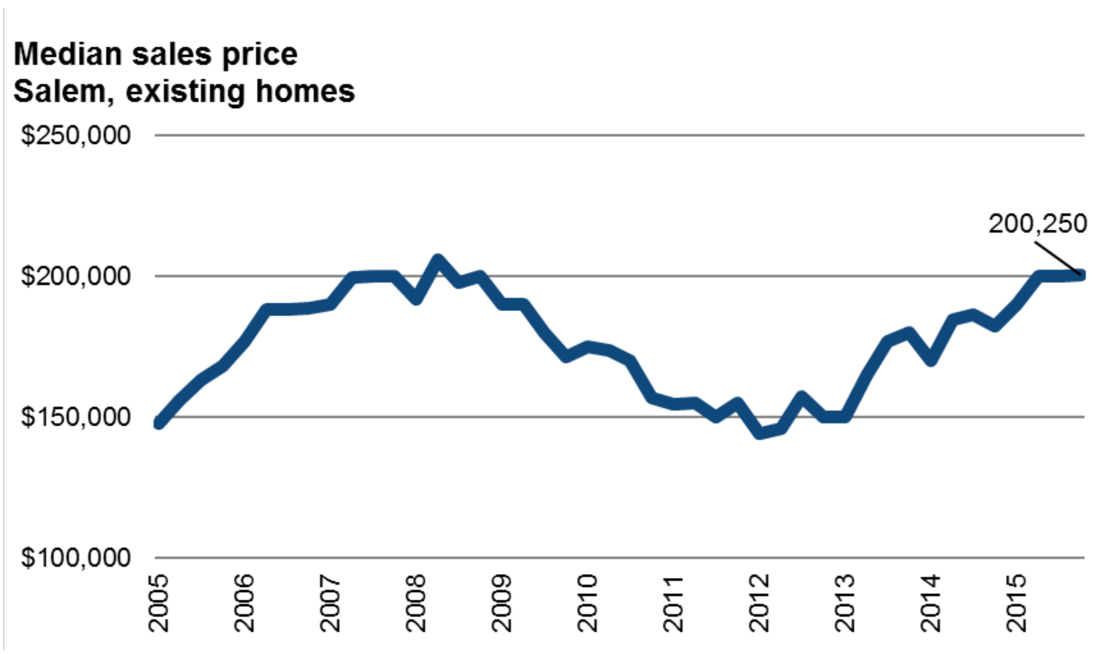
^Excluding Eugene *Excluding Salem

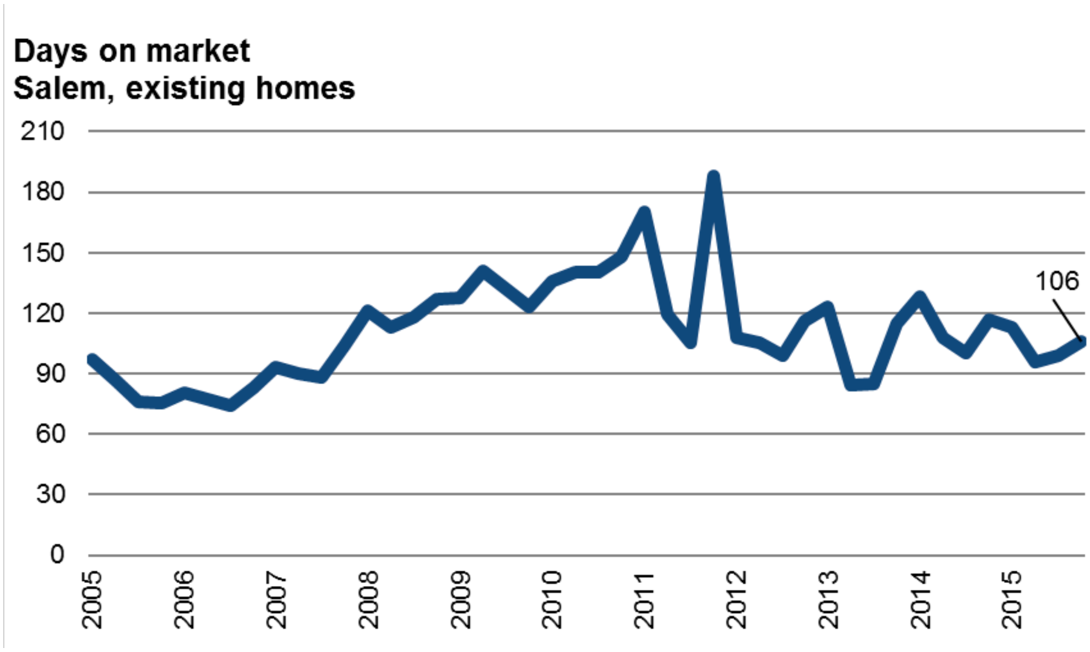
SALEM

Transaction volume in Salem experienced a seasonal decline in sales volume in the fourth quarter compared to last quarter. 702 sales were recorded in the fourth quarter, which represents a 11.6 percent decline compared to the 794 sales required last quarter. However, Salem continued a strong year-over-year trend of increased sales volume. Compared to the 520 sales in the fourth quarter last year, Salem recorded 702 sales this quarter – an increase of 35 percent.

Median sales prices remained nearly flat at $200,250 this quarter compared to $199,900 in the third quarter. Compared to the fourth quarter of 2014 when the median sales price was $182,250, prices this quarter have increased nearly 10 percent. Similarly, average days on market experienced an increase compared to last quarter of 7 percent, from 99 to 107 days. However, compared to the fourth quarter of 2014, average days on market have declined 9.4 percent from 117 to 106 days.





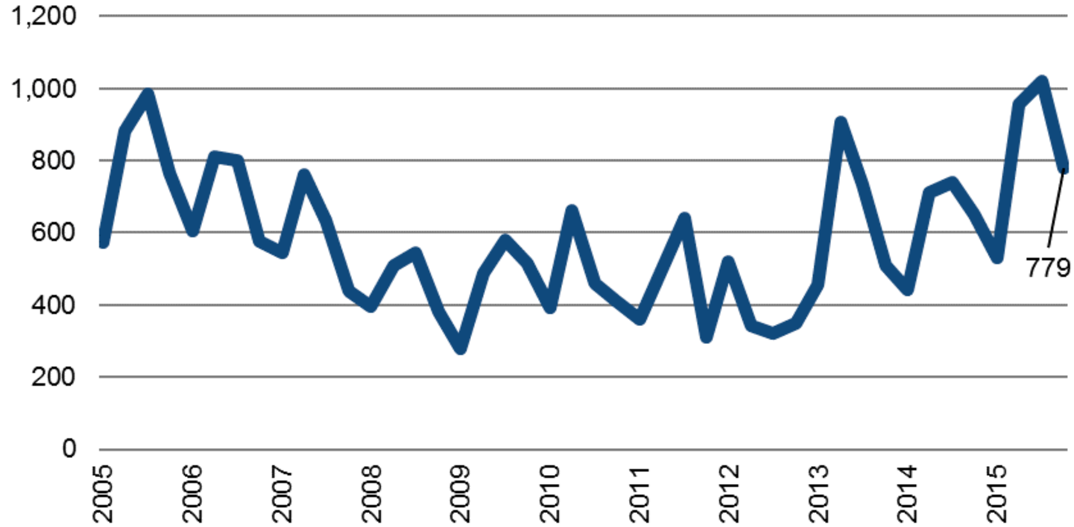


EUGENE–SPRINGFIELD

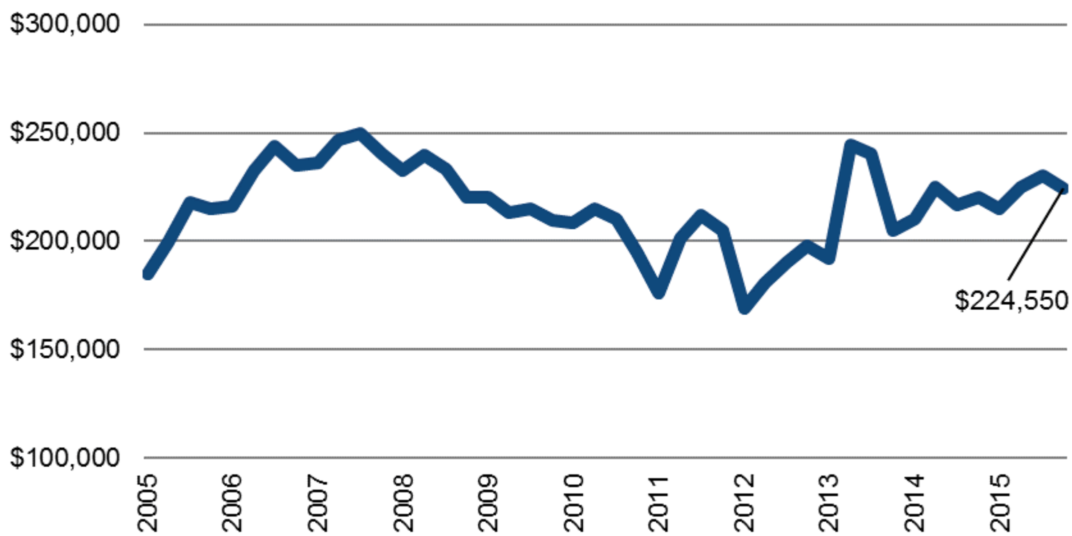
As with most markets, Eugene-Springfield experienced a seasonal slowdown in sales volume in the fourth quarter. Eugene-Springfield sales volume declined 23.6 percent compared to last quarter from 1,020 to 779 sales. However, also like many of the markets analyzed, Eugene-Springfield continued to experience strong longer term sales volumes. Compared to the same quarter last year, sales volume is up nearly 20 percent.

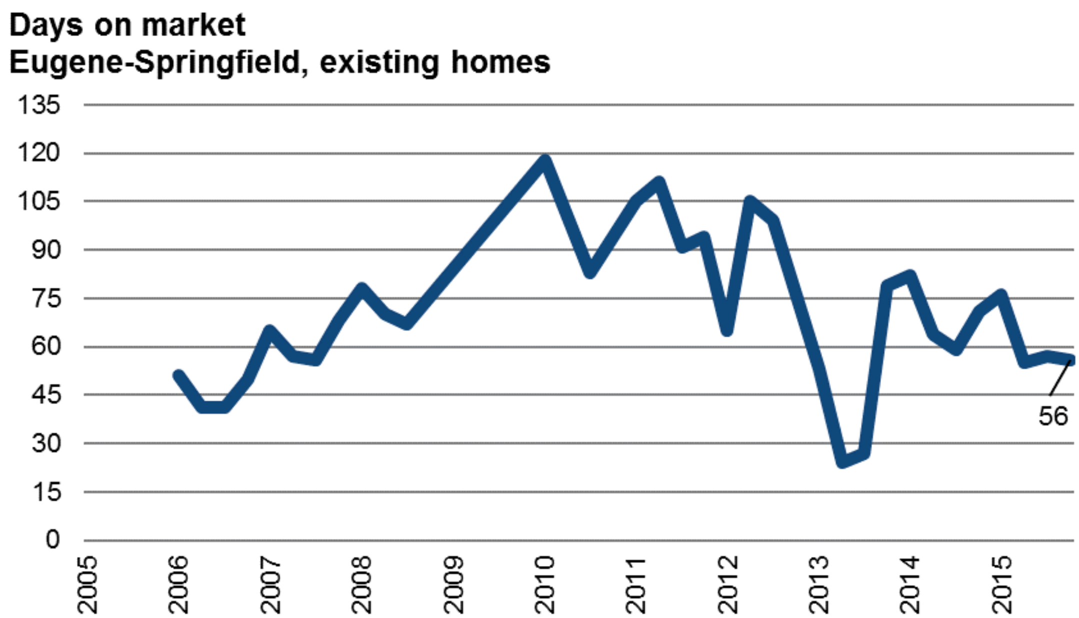
Median home prices declined slightly compared to last quarter, going from $230,000 to $224,550, which represents a 2.4 percent decline. Year-over-year change edged up 2 percent, however. Days on market declined by one day on average from 57 to 56 days compared to last quarter. The year-over-year change is more substantial, dropping from 71 in the fourth quarter of 2014 to 56 days in this quarter – a decline of 21 percent.

Number of transactions
Eugene-Springfield, existing homes



Median sales price
Eugene-Springfield, existing homes

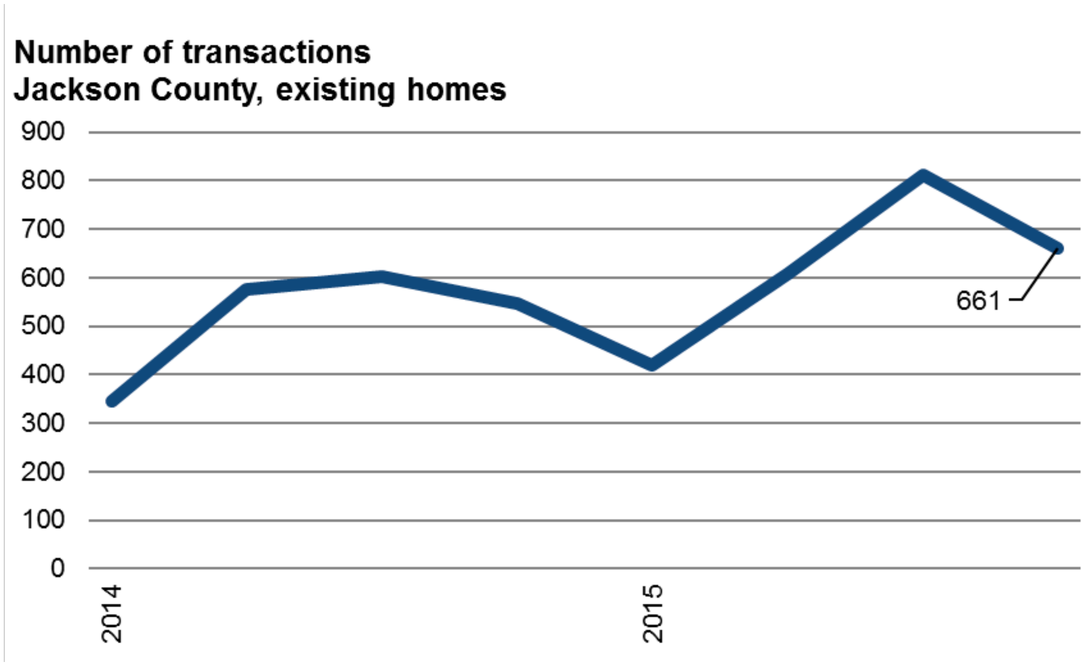


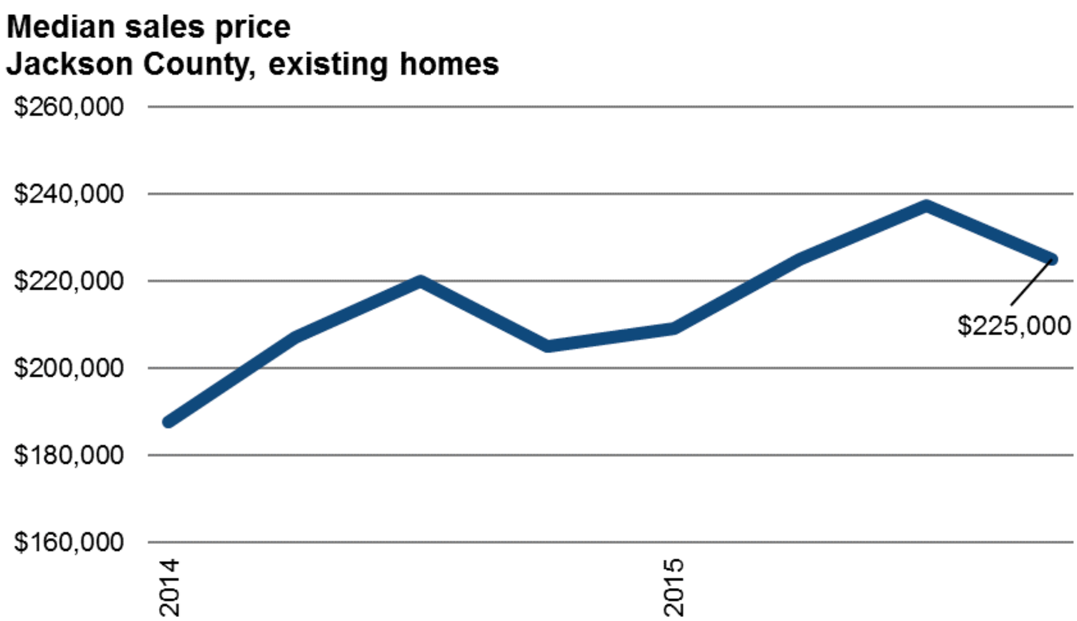


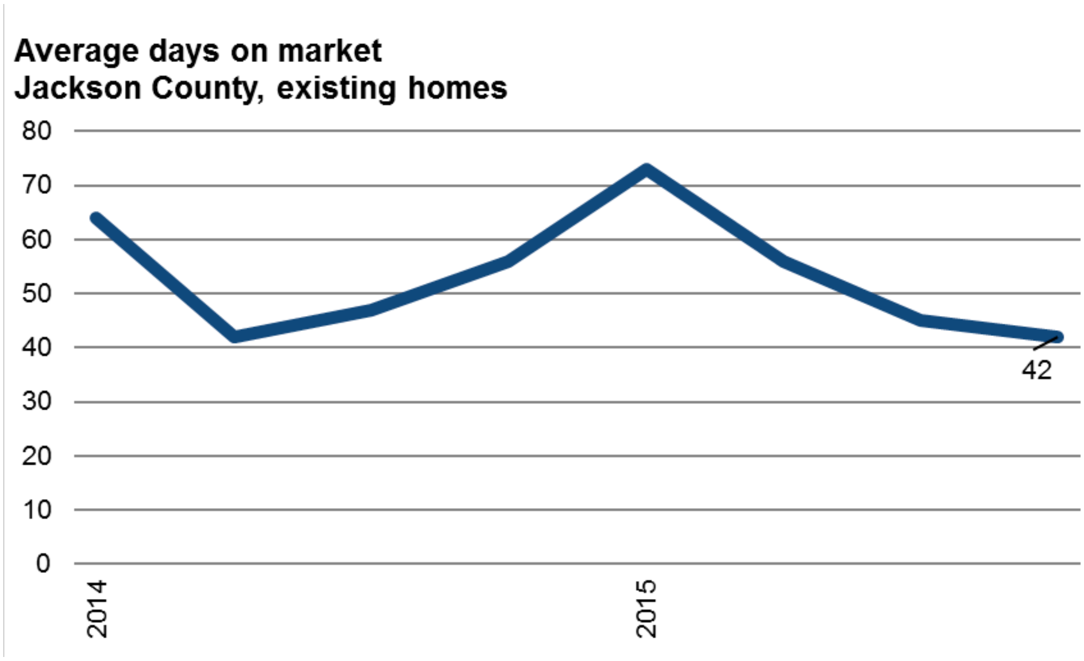
SOUTHERN OREGON

Data for southern Oregon is provided in rolling three-month groupings, and the most recent dataset available for this region covers the September 1, 2015 – November 30, 2015 time period.

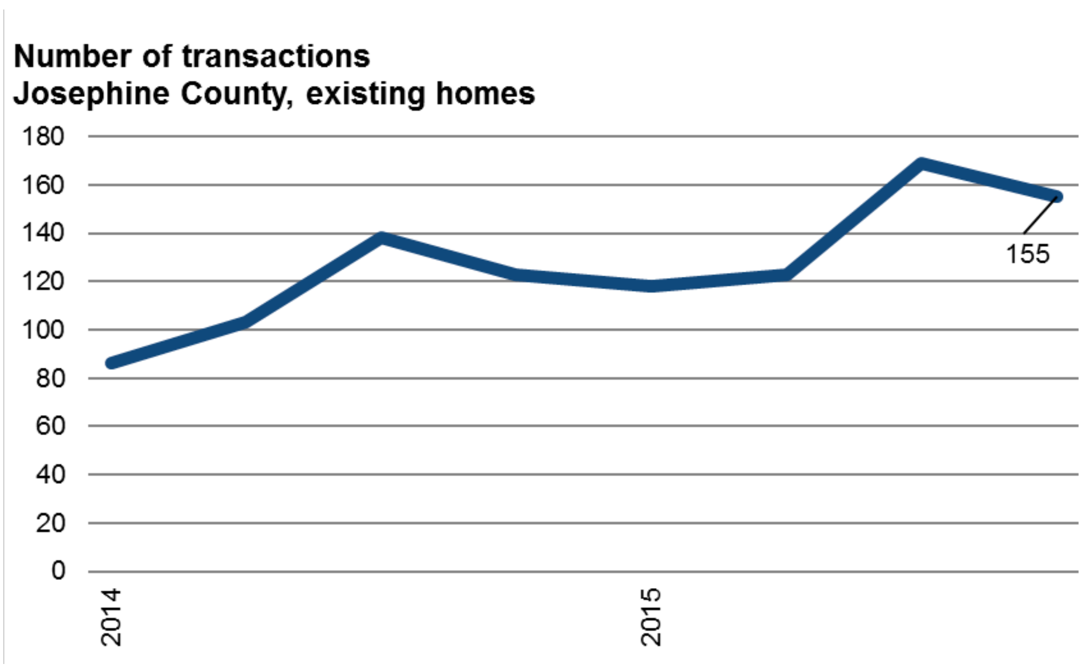
The following figures display the data for Jackson County.

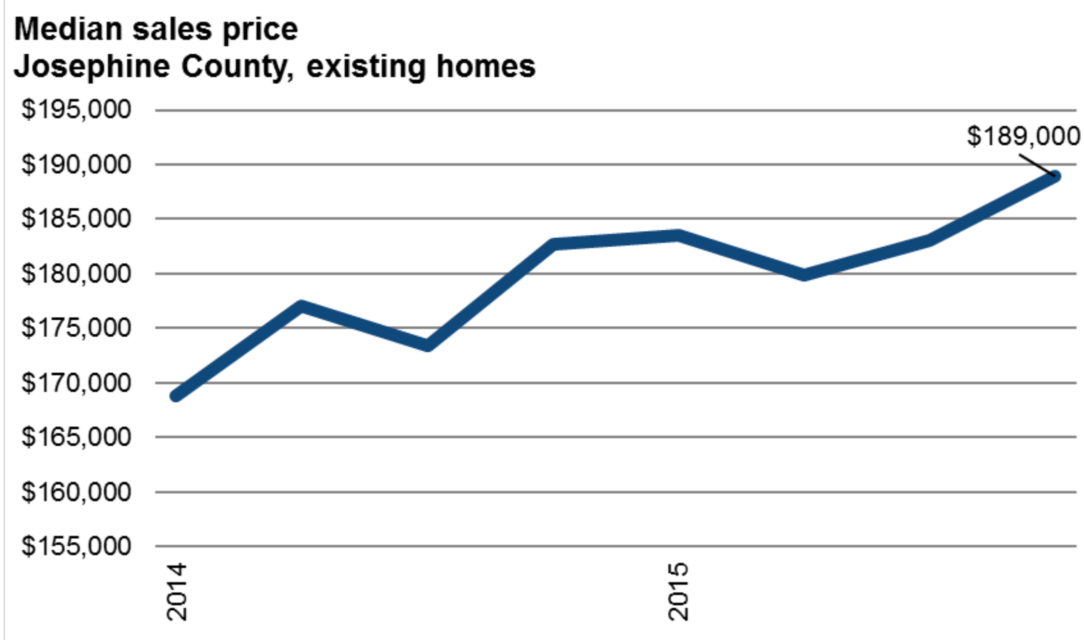

Number of transactions
Jackson County, existing homes
900
800
700
600
500
400
300
200
100
0
661
2014
2015

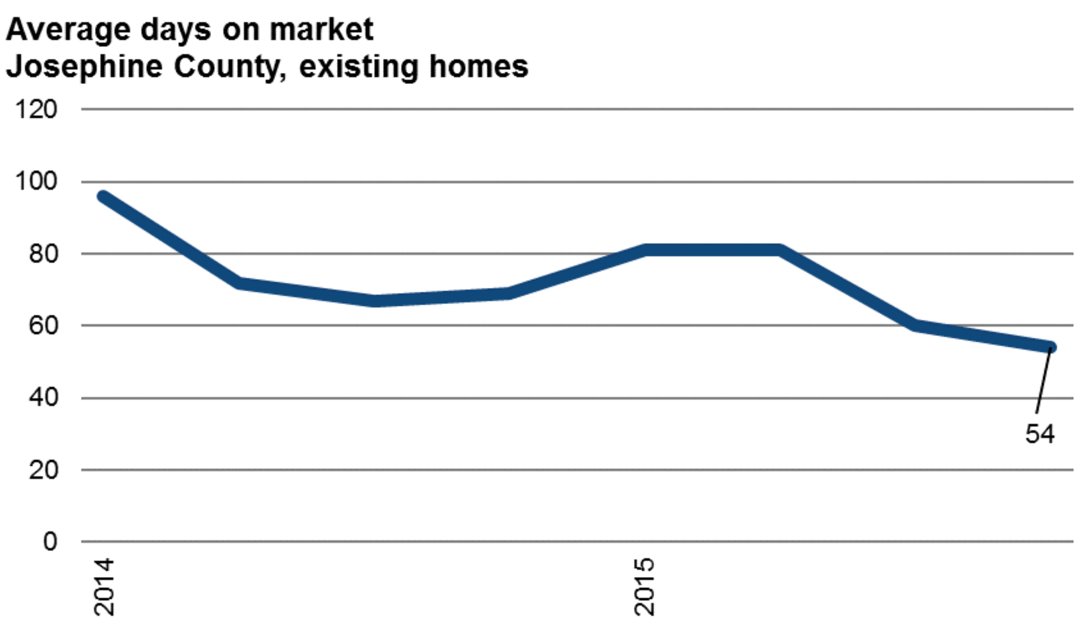

Median sales price
Jackson County, existing homes
$260,000
$240,000
$220,000
$200,000
$180,000
$160,000
$225,000
2014
2015



The following figures display the data for Josephine County.




Median sales price
Josephine County, existing homes
$195,000
$190,000
$185,000
$180,000
$175,000
$170,000
$165,000
$160,000
$155,000
$189,000
2014
2015


Average days on market
Josephine County, existing homes
120
100
80
60
40
20
0
54
2014
2015

MULTIFAMILY MARKET ANALYSIS

MARC STRABIC

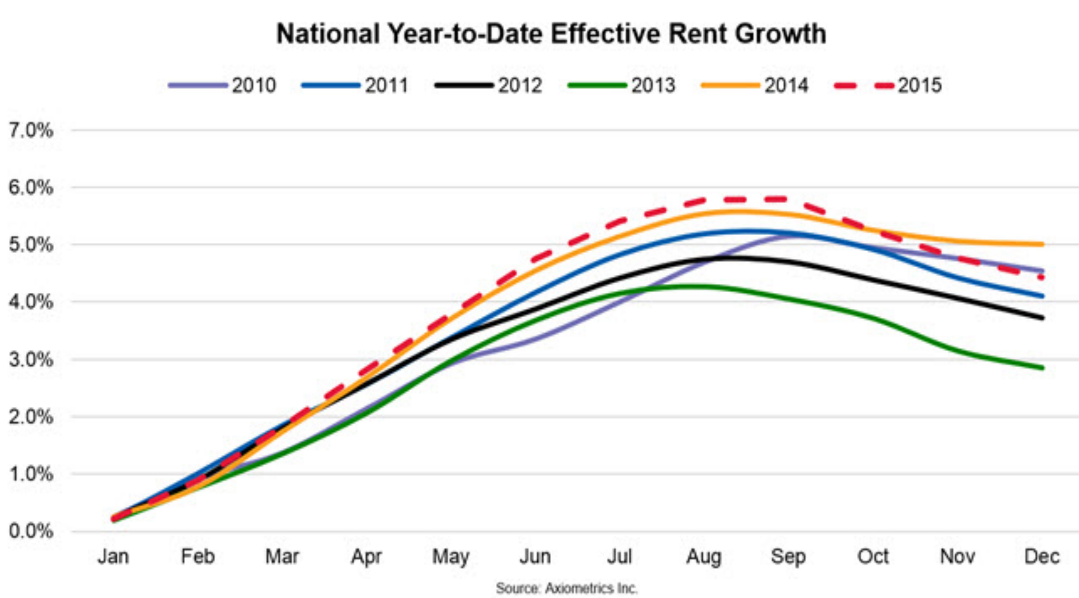
Portland State University

At the national level, annual effective rent growth is beginning to moderate from the levels seen earlier this year. The national annual effective rate of rent growth for December 2015 was 4.3 percent, a 28 basis-point decrease from November 2015. According to Axiometrics, the December rate, is double the 20-year long-term average (2.0 percent) and last year demonstrated a record year for multi-family sales (over 150 billion). The national average for rents increased $54 to $1,244, a 4.5 percent year-over-year increase from 2014. The adjusted fourth quarter rent growth average is 4.7 percent, a 7 basis-point increase year-over-year from 2014. So while rent growth is slowing nationally, the market remains strong overall when viewed from historical analytics.

Here in Portland, 2015 ended the year with historic sales volumes in multifamily and Portland sitting atop Axiometrics' Top 50 U.S. Markets for annual effective rent growth for 4Q2015 (12.0 percent). We expect 2016 to experience some weakening of rent growth on a percentage basis, as Portland adds approximately 4,900 new units in 2016, coupled with the 4,609 units added in 2015. But solid employment growth, strict lending standards for homebuyers and continued strong in migration all point to continued rent growth overall and stable vacancy rates for the region in 2016.

■ Marc Strabic is a current Master of Real Estate Development candidate through a joint program of Portland State University's School of Business Administration and School of Urban Studies and Planning, as well as a commercial broker with HSM Pacific Realty. He is the 2016 Multi-Family Student Fellow at PSU's Center for Real Estate. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

THE NATIONAL PICTURE IN MULTIFAMILY



National trends point to a cooling of the multifamily market. Again, perspective is key, as indicators in historical rent growth and occupancy rates remain above the national averages. So while there is a softening in national effective annual rent growth numbers underway, Axiometrics notes the 2015 apartment market recorded its highest year-end rent growth since 2005. Additionally, rent growth has been above 4.7 percent for five continuous quarters, a first in the 20 year period the national data service provider has been researching rent growth trends.

Unemployment and job growth indicators continue to improve nationally. According to the U.S. Bureau of Labor Statistics, seasonally adjusted unemployment has fallen from 5.7 percent in January to 5.0 percent by the end of 2015. The U.S. economy added 292,000 jobs in December, 252,000 jobs in November and 298,000 jobs in October.

Occupancy rates provide maybe the strongest direct correlation to a weakening market overall, and while we are seeing an uptick in vacancies rates and moderating rent growth, it should be noted that experts agree that the recent levels of rent growth are unsustainable in most markets; some softening in rent growth projections is to be expected. The mid-term outlook still points to stronger than average growth projections in apartment rents. It is also important to note that occupancy typically softens in the winter months, as noted in the graph above, but positive absorption trends overall are still easy to decode in the data. According to Axiometrics, the national average in occupancy rates are as follows:

2010	**2011**	**2012**	**2013**	**2014**	**2015**
93.16%	93.55%	94.14%	94.18%	94.67%	97.75%

National apartment rent growth has been at, or above 4.7 percent for five straight quarters, a record for the past 20 years. The national average for rents increased $54 to $1,244, a 4.5 percent year-over-year increase from 2014. Rent growth in the first three quarters of 2015 were stronger than any previous cycle post the Great Recession. It is not possible to sustain these types of increases year over year. The takeaway for 2016 is: expect softening in apartment fundamentals nationally, but do not mistake the downturn in growth rates to indicate a weak market overall, or the harbinger of a major shift in national trends in apartments.

PORTLAND APARTMENT MARKET OVERVIEW

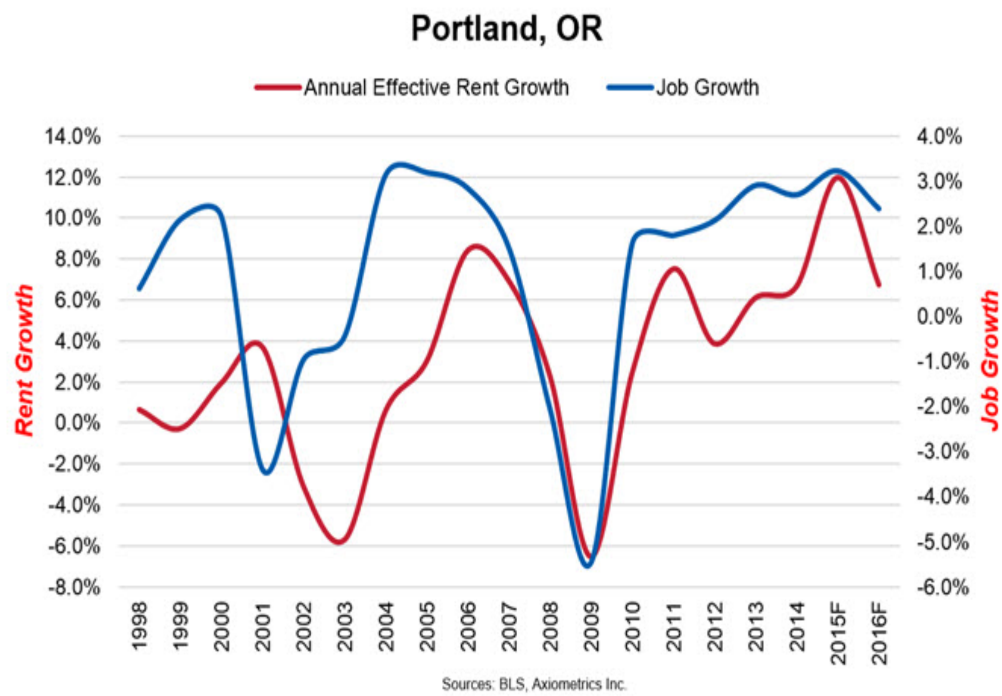
The multifamily market in the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA) has ended 2015 on a high note and 2016 looks to continue the trends of strong demand and increasing rents.

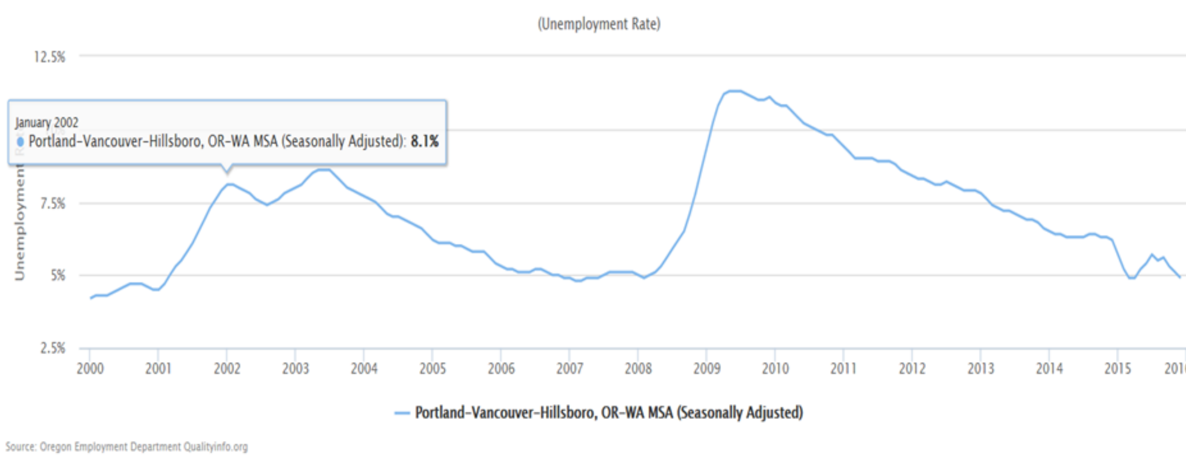
Axiometrics measured the Portland-Vancouver-Hillsboro MSA's annual effective rent growth for December 2015 at 11.3 percent. This continues Portland's run as the national leader in annualized rent growth amongst the 50 metros studied by the research firm; a postion in which Portland has held since August 2015. Further, the Portland MSA has been in the first, or second positon for monthly averages of annual effective rental growth for all of 2015. Runners up for December's totals were Oakland & Sacramento CA (9.5 percent respectively), Seattle, WA (7.8 percent), and Orlando, FL (7.6 percent).

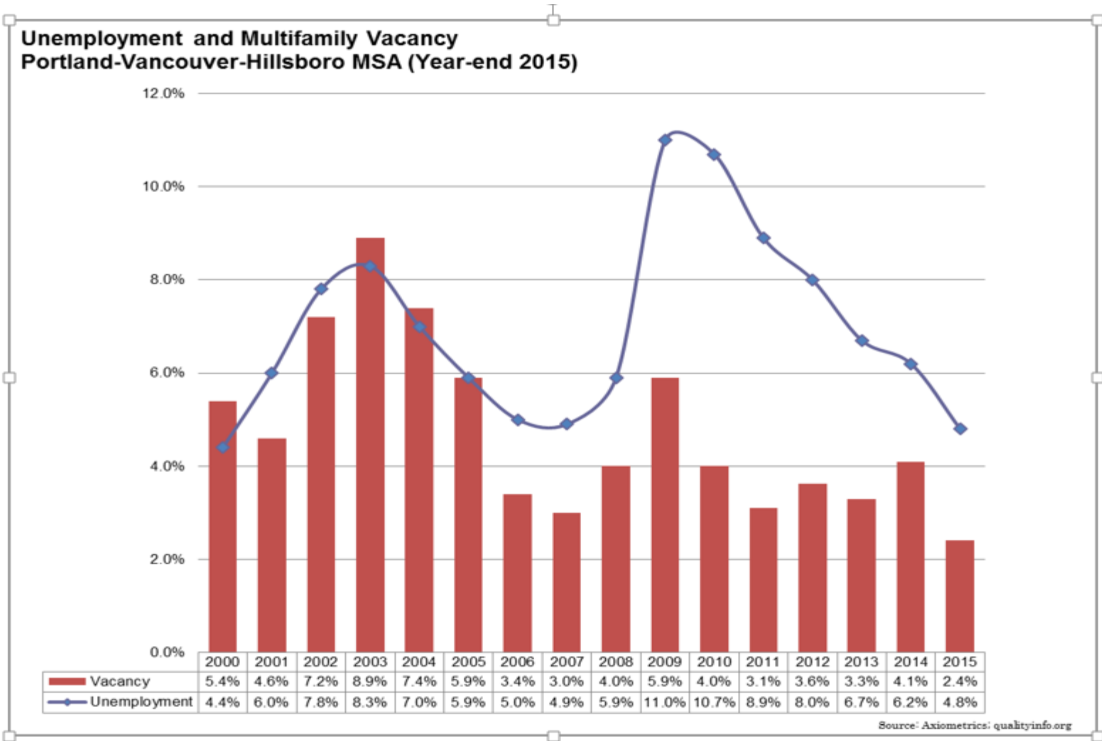
As it has been discussed in previous editions of this report, job growth is closely linked to rent growth. Axiometrics latest data on job growth has pegged Portland with a 3.4 percent annualized growth rate at the end of October 2015. Oakland, CA, again first in annualized rent growth has a job growth figure of 1.9 percent. Yet in the case of Oakland, it is important to note that the neighboring cities of San Jose and San Francisco (5.2 percent and 4.6 percent annualized job growth respectively) are the primary drivers of jobs, and Oakland is clearly benefiting from these close-by job generators.

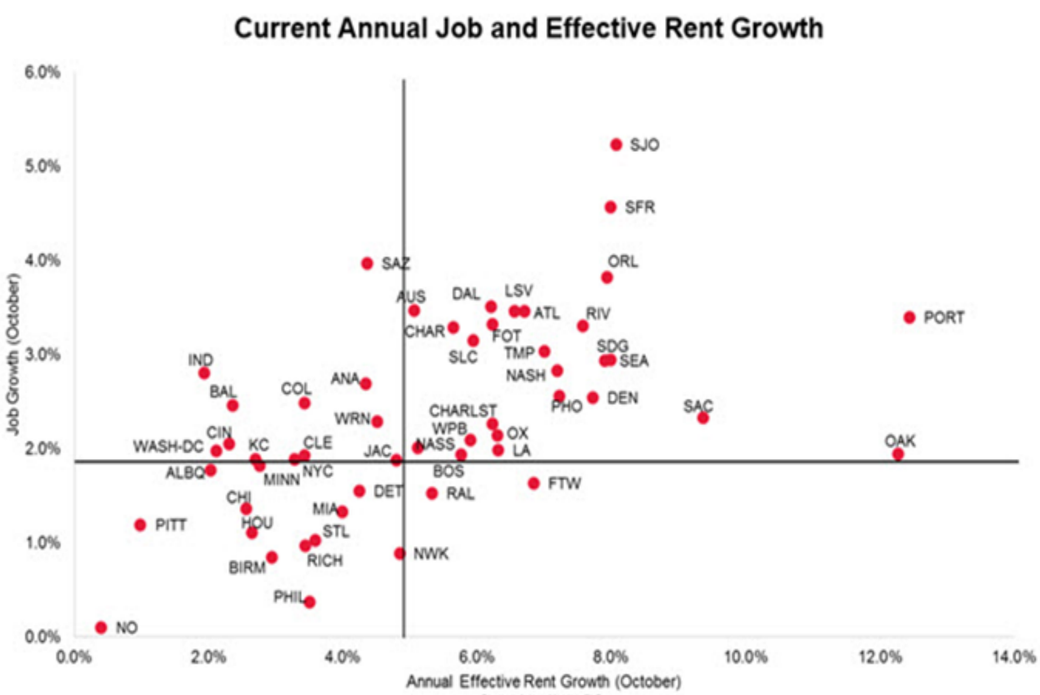
In their 4Q2105 apartment report, the CoStar Group states that Portland's job growth is outpacing the national average and places Portland in the top five national economies in job growth overall. The U.S. Department of Labor lists the Portland MSA's current unemployment rate at 4.8 percent. Portland continues to add jobs in manufacturing, technology and athletic apparel design. Intel, the region's largest employer, has plans to invest $100 Billion into its Oregon operations, including a multi-billion dollar expansion of its DX1 operations at the Ronler Acres campus. Companies recentely expanding Oregon operations include: Airbnb, eBay, Jive Software, Li Ning and Under Armour; Google is expected to continue to grow its operational foothold in Portland as well.

The takeaway is that Portland's population, labor force and median household incomes are growing faster than the national average. It should come as no surprise that Portland's growth in housing, both for multifamily and single family units is following suit. As shown in the charts below, Portland's annual effective rent growth projections tend to track job growth.






Unemployment and Multifamily Vacancy
Portland-Vancouver-Hillsboro MSA (Year-end 2015)
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Vacancy	5.4%	4.6%	7.2%	8.9%	7.4%	5.9%	3.4%	3.0%	4.0%	5.9%	4.0%	3.1%	3.6%	3.3%	4.1%	2.4%
Unemployment	4.4%	6.0%	7.8%	8.3%	7.0%	5.9%	5.0%	4.9%	5.9%	11.0%	10.7%	8.9%	8.0%	6.7%	6.2%	4.8%
Source: Axiometrics; qualityinfo.org


Current Annual Job and Effective Rent Growth
Job Growth (October)
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
SJO
SFR
ORL
SAZ
AUS
DAL
LSV
ATL
RIV
PORT
CHAR
FOT
SLC
TMP
SDG
SEA
IND
NASH
ANA
BAL
COL
DEN
PHO
SAC
CHARLST
WRN
WPB
OX
CIN
WASH-DC
KC
CLE
NASS
LA
OAK
JAC
ALBQ
MINN
NYC
BOS
FTW
DET
RAL
CHI
MIA
PITT
HOU
STL
NWK
BIRM
RICH
PHIL
NO
0.0%
2.0%
4.0%
6.0%
8.0%
10.0%
12.0%
14.0%
Annual Effective Rent Growth (October)
Sources: Axiometrics Inc. BLS

TRANSACTIONS

Listed below is a table of significant mutifamily transactions, courtesy of Colliers International, that have occurred in the Portland MSA/4Q2015:

PROJECT	CITY	SALE DATE	SALES PRICE	# UNITS	PRICE/UNIT	PRICE/SF
Village at Main Street Apartments	Wilsonville	12/18/2015	$ 95,000,000	464	204,741	$ 182.06
Green Leaf River Pointe Apartments	Vancouver	12/16/2015	$ 54,750,000	388	141,108	$ 91.03
Oakwood Portland Pearl District (fka The Janey)	Portland	12/15/2015	$ 45,000,000	112	401,786	$ 652.17
Montclair Terrace	Portland	10/29/2015	$ 32,750,000	188	174,202	$ 189.83
Avalon Apartments	Gresham	10/30/2015	$ 32,650,000	225	145,111	$ 167.23
Green Leaf Springs	Portland	10/21/2015	$ 29,050,000	266	109,211	$ 131.68
Heatherbrae Commons	Milwaukie	12/8/2015	$ 26,500,000	174	152,299	$ 168.65
Fieldstone Apartments	Fairview	10/14/2015	$ 20,800,000	154	135,065	$ 135.91
The Mark (fka Sofi) at Lake Oswego	Lake Oswego	10/8/2015	$ 15,500,000	82	189,024	$ 209.23
The Astoria	Portland	12/18/2015	$ 11,250,000	68	165,441	$ 195.88
Glendoveer Estates	Portland	10/9/2015	$ 6,225,000	79	78,797	$ 106.65
Mediterranean Manor Apartments	Beaverton	12/1/2015	$ 5,000,000	49	102,041	$ 142.89

Measuring these sales, we show an average sales price of $31,206,250, with an average unit price of $166,569 and price/SF of $197.77. The total value of these transactions exceeds $370 million; the total number of units equals 2,249.

Joesph Bernard, LLC's tracking of significant 4Q2015 transactions shows a total sales number 34, equalling $232,495,125 in transaction value, and totalling over 1,500 units.

Sperry Van Ness/Bluestone & Hockley shows 4Q2015 totals of 160 sales transactions (all product types) equating to $520,727,437 in sales volume. Their report shows an average price/SF of $166.72 and an average cap rate of 5.72 percent.

CoStar reports a year-end adjusted cap rate of 5.0 percent for all product levels in multifamily with pricing at historic highs, espeically so for close-in submarkets. CoStar's 4Q2015 year-end sales totals show 254 sales transaction, equalling over $2 billion in sales vloume. CoStar's significant transaction totals show 30 sales worth over $811 million.

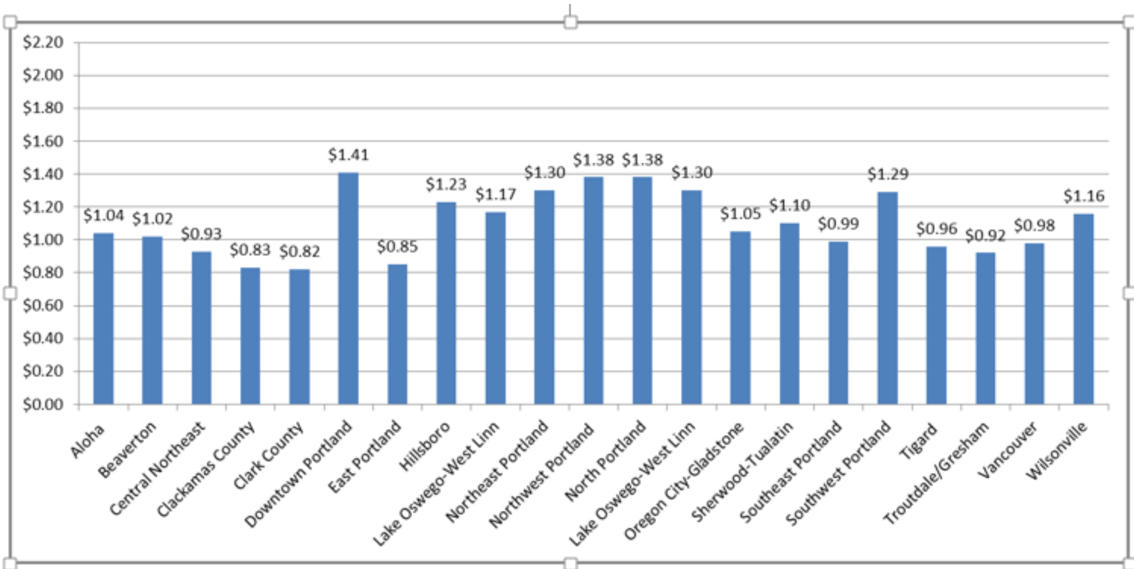
Below is an updated chart of the transactional fundimentals that ABR Winkler Real Estate Services shows for year-end totals (2015):

Median price per square foot	$129
Median cap rate	5.50%
Dollar volume of sales	$2,024,272,160
Median gross rent multiplier	9.35
Median price per unit	$110,784
Average price	$8,577,424
Average number of units	53

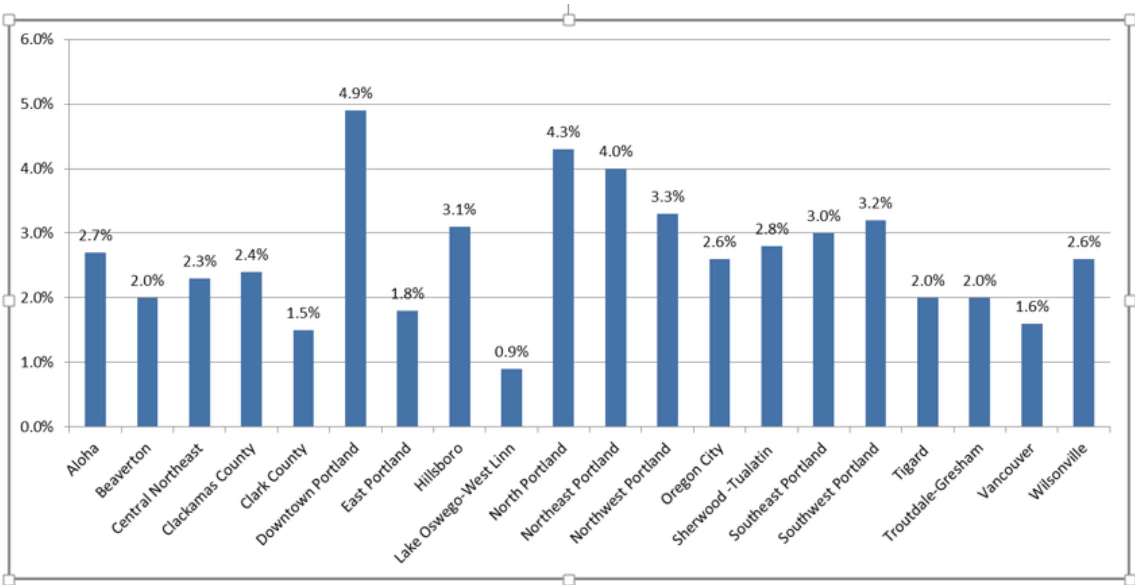
EFFECTIVE RENTS

Below are representations of CoStar's average rents per square foot and average vacancy rates for the 21 Portland submarkets in its most recently published survey.

Rent/SF by Submarket, 4Q2015



Vacancy Rate by Submarket, 4Q2015



PERMITS & CONSTRUCTION

The following information pertains to building permit issuances in the fourth quarter of 2015 for projects with five or more private housing units only, as tracked by the U.S. Census Bureau.

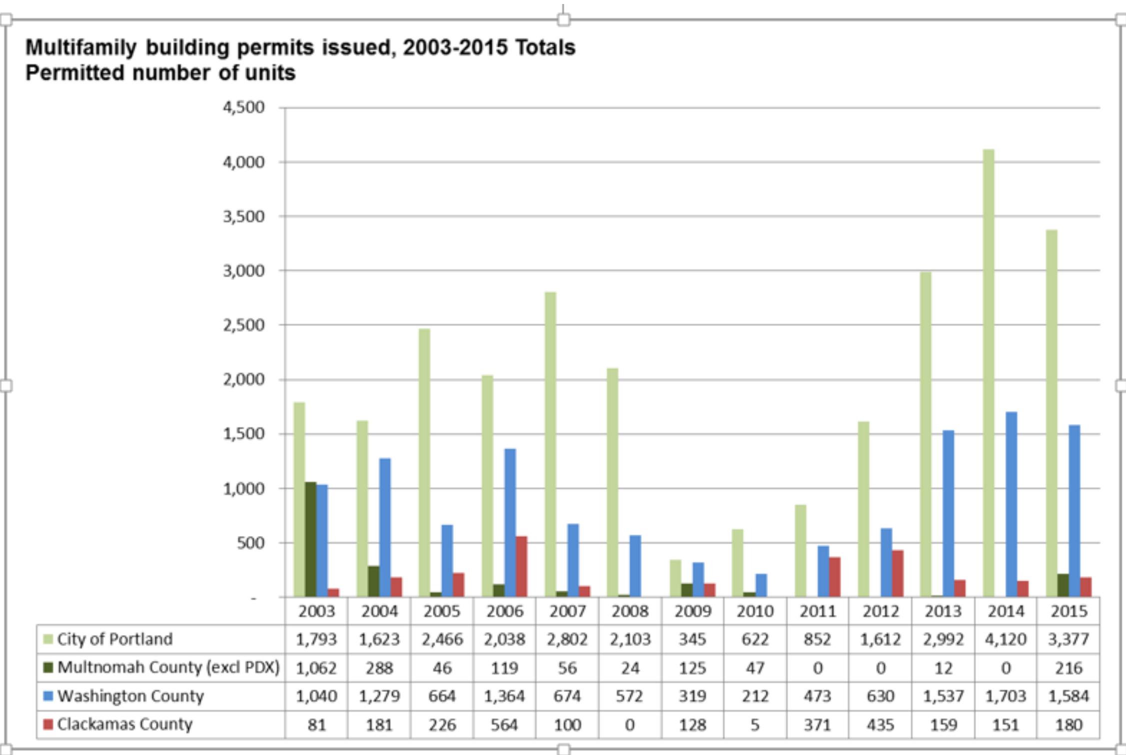
Year to date totals show the Portland-Vancouver MSA issued 220 building permits for structures of five units or more, equaling to 6,391 units. Total housing unit figures (all structures) show 13,829 units permitted in 2015.

Fourth-quarter and year-to-date permit totals (including Clark Co.) for the five areas surveyed are:

Area	4Q Total Permits	4Q Total # ofUnits
City of Portland	20	1,234
Multnomah County	1	44
Clackamas County	4	60
Washington County	14	350
Clark County, WA	10	225

Area	YTD Permits	YTD # ofUnits
City of Portland	72	3,377
Multnomah County	3	216
Clackamas County	15	180
Washington County	50	1584
Clark County, WA	57	1,003

Year-to-date permit totals (excluding Clark Co.) for the four areas surveyed are:



Source: U.S. Census Bureau

NEW CONSTRUCTION

The following totals and samples are courtesy of the Fall 2015 Barry Apartment Construction Report.

Total Units Proposed and Under Construction

	Proposed	Under Construction	Total
North Portland	1,623	912	2,535
Close in East Portland	4,989	1,472	6,461
Close in West Portland	4,674	3,680	8,354
Suburban West	4,146	1,272	5,418
Suburban East	1,190	141	1,331
Suburban South	1,556	180	1,736
Clark County	2,550	1,347	3,897
Total	**20,728**	**9,004**	**29,732**

Total Projects Proposed and Under Construction

	Proposed	Under Construction	Total
North Portland	38	13	51
Close in East Portland	79	30	109
Close in West Portland	47	26	73
Suburban West	23	8	31
Suburban East	25	4	29
Suburban South	10	1	11
Clark County	22	10	32
Total	**244**	**92**	**336**

Sampling of New Construction Underway

Name	Address	City	Units	Complete	Notes
Burnside Bridgehead	321 NE Couch St.	Portland	75	2016	10-story mixed use
D50 Lofts	4975 SE Division St.	Portland	134	2016	Includes ground floor retail and parking
Goat Blocks	SE 10th & Belmont	Portland	257	2016	Multi-site, mixed use with signifcant retail
Block 67	22 NE 2nd Ave	Portland	276	2016	21-story mixed use.

Close-in Westside

Name	Address	City	Units	Complete	Notes
Block 37	3700 SW River Parkway	Portland	278	2016	6-story mixed use
Block 17	1315 NW 11th Ave.	Portland	281	2016	16-story, multi-building
12 Overton	1333 NW 12th Ave.	Portland	285	2016	26-story mixed use
Modera Pearl	1420 NW 14th Ave.	Portland	290	2017	9-Story mixed use

Suburban Westside

Name	Address	City	Units	Complete	Notes
Sunset View	16251 SW Jenkins Rd	Beaverton	236	2016	Planned residential development
Sequoia Village	21575 W Baseline Rd.	Hillsboro	242	2016	Multi-phased residential development
North Bethany Crest	NW Kaiser & NW Brugger	Portland	251	2016	Planned residential development
AmberGlen West	NW 206th & Wilkins St.	Hillsboro	352	2016	Planned residential development

Suburban Eastside

Name	Address	City	Units	Complete	Notes
Lents Apartments	5205 SE 86th Ave.	Portland	40	2016	Subsidized project
Unnamed	17101 SE Division	Portland	78	2016	Subsidized project

Suburban South

Name	Address	City	Units	Complete	Notes
Espedal Property	17865 SW Pacific Hwy.	Tualatin	180	2016	Newly annexed property along river.

Clark County

Name	Address	City	Units	Complete	Notes
15 West Apartments	400 W Mill Plain Rd.	Vancouver	120	2016	
Parkside Apartments	17701 SE Mill Plain Blvd.	Vancouver	206	2016	4-story project
Copper Lane	N. Four Seasons Ln.	Vancouver	216	2016	Multi-site, mixed use with signifcant retail
Columbia View	5001 Columbia View Dr.	Vancouver	320	2016	Multi-phased residential development

OFFICE MARKET ANALYSIS

ALEC LAWRENCE

Portland State University

The fourth quarter finds the Portland office market nearing a sweet spot for developers. Strong absorption, decreasing vacancy, and increasing rates have yet to be met with significant deliveries. While JLL expects 2016 to bring 1.5 million square feet of deliveries—over three times the 477,490 square feet delivered during 2015—over half of the deliveries currently under construction have already been preleased and CBRE reports over 1.7 million square feet of additional demand from tenants in the market looking for 10,000 square feet of space or more. In contrast to the previous cycle, the CBD is driving rental rate increases and new deliveries. Expect the market to remain a developer's market well into 2016.

Leading to further reason for optimistic projections, JLL's 2015 Technology Office Outlook report further propels the idea of Portland as an increasingly attractive city for tech company relocation and expansions. According to the report, tech now accounts for more than 60,000 Portland area jobs, and growth in the sector has supported decreasing office vacancies and increasing rents. JLL's data, related below, show Portland remaining economically attractive for office expansions relative to the major West Coast tech hubs.

■ **Alec Lawrence** is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions are those of the author solely and do not represent the opinions of any other person or entity.

Metro Area	Rent[1]	% Above Portland
Portland	$24.08	--
Seattle	$33.7	40%
Silicon Valley	$41.68	73%
San Francisco	$66.8	177%

Source: JLL; [1]Average Overall Direct Asking Rent

The fourth quarter brokerage reports focused on strong growth in absorption, sales volume, and rental rates:

- **Colliers** finds much to be optimistic about in Portland's current office market: finding fourth quarter 2015 absorption at its second highest in the last five years (647,000 square feet), decreasing vacancy (8.85 percent overall), the highest ever CBD Class A direct rental rates ($30.72 per square foot per year), and increasing foreign investment.

- **CBRE** summarized the fourth quarter stating, "Office absorption outperforms the 10-year average while asking rates reach new highs." According to CBRE's data, overall vacancy stood at 10.5 percent, its lowest since 2007. In contrast to the previous peak, it is now the CBD driving increased rent and not the suburban market. Noting 1.7 million square feet of demand from tenants in the market, CBRE predicts continued strong absorption and rates. CBRE rounds out its overview with data showing increased sales volume supported by local and national investors.

- **JLL** finds absorption and deliveries up with strong absorption in the CBD as well as activity in the Westside and Eastside suburbs. JLL notes that while 2015 deliveries (477,490 square feet) surpassed the 10-year average, they will be dwarfed by a total of 1.5 million square feet in 2016. JLL notes the deteriorating distinction between Class A, B, and C as demand for creative office expands to "non-creative" companies. Well-positioned Creative Office Class B office can now command higher rates than traditional Class A space.

LABOR MARKET

The Portland Metro economy continues to grow, with 35,600 jobs added over the year, a 3.2 percent annual growth rate. This is the fastest job growth experienced in nearly 20 years and is the fifth consecutive year job growth has exceeded the national rate. Portland ranked as the 11th fastest-growing large metropolitan area in the nation during 2015. The Portland Metro gained 5,602 jobs in December, 10,021 in November, and 9,783 in October. The professional and business services sector added the most amount of jobs through the year with over 7,100 jobs added, followed by health care and social assistance with 5,400, leisure and hospitality with 4,900, and manufacturing at 4,000 jobs.

The State of Oregon's Office of Economic Analysis (OEA) shows the unemployment rate on the decline: decreasing to 4.9 percent in December from 5.1 percent in November and 5.3 percent in October (seasonally adjusted). December was the first time Portland's rate dropped below the national rate—at 5.0 percent in December—since May 2015. JLL highlights Oregon's continued status as the most moved to state as rated by United Van Lines and points to employment opportunities attracting newcomers as well as the "Oregon lifestyle." This continued in-migration will add to the labor force in 2016 and test its ability to continue generating new jobs.

VACANCY

Table 1: Total Vacancy Rates by Brokerage, Class, and Quarter-to-Quarter Change, Fourth Quarter 2015

Brokerage	Total	CBD	CBD Class A	CBD Class B	CBD Class C	Suburban	Q-to-Q Change
CBRE	10.5%	9.4%	9.7%	7.2%	8.1%	12.4%	Decrease
Colliers	8.8%	9.2%	9.4%	9.5%	7.9%	8.7%	Decrease
JLL	8.9%	7.0%	7.2%	6.4%	7.5%	10.5%	Decrease

Source: Brokerage Quarterly Reports

CBRE, Colliers, and JLL found vacancy to be back to pre-recession levels and suggest that, despite an uptick in deliveries in 2016, vacancy should remain steady as about 50 percent of the 2016 deliveries are already pre leased and additional demand remains strong. JLL calls its 8.9 percent overall average vacancy rate a record low and the fourth lowest rate in the country. According to CBRE, while downtown vacancy (9.4 percent) leads suburban vacancy (12.4 percent), the suburban rate continues to decline.

Table 2: Portland Direct Vacancy Rate by Market area and Submarket, Fourth Quarter 2015

Location	Q4	Change from Q3
Portland CBD	6.7%	-0.5%
Lloyd District	4.5%	0.4%
Portland Central City	**6.4%**	**-0.5%**
Clackamas / Milwaukie Totals	10.2%	-0.7%
Airport Way/Columbia Corridor	7.4%	-0.4%
Close In Eastside	4.3%	-0.3%
Outer Eastside	14.3%	0.8%
Portland Eastside Suburbs	**7.7%**	**-0.4%**
217 Corridor / Beaverton	13.6%	-1.1%
I-5 South Corridor	12.2%	-1.8%
Kruse Way	8.1%	0.9%
Northwest	14.5%	1.7%
Sunset Corridor	7.6%	2.1%
SW Close In	8.7%	-0.7%
Portland Westside	**10.6%**	**0.1%**
Cascade Park/Camas	7.9%	-3.1%
CBD/West Vancouver	11.0%	0.6%
Hazel Dell / Salmon Creek	8.0%	-1.8%
Orchards/Outer Clark	12.2%	-3.3%
St. John's Central Vancouver	25.1%	10.7%
Vancouver Mall	5.3%	0.2%
Vancouver Suburbs	**10.4%**	**-0.2%**
Portland Metro	**8.5%**	**-0.2%**

Source: JLL

RENTAL RATES

Table 3: Average Quoted Rates ($/SF FSG) by Brokerage, Class, and Quarter-to-Quarter Change, Fourth Quarter 2015

Brokerage	Average	CBD	Suburban	CBD Class A	CBD Class B	CBD Class C	Q-to-Q Change
CBRE	$24.50	$28.15	$21.51	$30.76	$25.99	$24.37	Increase
Colliers	$23.03	$28.00	--	$30.72	$27.67	$21.84	Increase
JLL	$24.59	$29.86	--	$31.26	$29.28	$26.64	Increase

Source: Brokerage Quarterly Reports

JLL data show the overall Portland Metro average direct asking rent at $24.59, a 10.7 percent year-to-date increase. Colliers reported an average CBD Class A rate of $30.72 per square foot; the first time the average has surpassed $30. Colliers also reports that overall CBD rental rates grew by 1.4 percent from the third quarter and overall suburban rates grew by 1.9 percent during the same period. CBRE projects that several projects, including Pearl West, Towne Storage, and 12th & Morrison, will attempt to surpass the $40 per square foot FSG level once delivered. Continued strong demand for creative office is skewing the distinction between Class A and Class B creative and the pipeline indicates developers are keen to exploit this demand with features more akin to Class B creative office than conventional Class A space.

Table 4: Portland Average Direct Asking Rent ($ per square foot) Market Area and Submarket, Fourth Quarter 2015

Location	Q4	Change from Q3
Portland CBD	$29.86	$0.91
Lloyd District	$26.25	$1.33
Portland Central City	$29.60	$1.00
Clackamas / Milwaukie Totals	$21.33	($0.82)
Airport Way/Columbia Corridor	$19.59	$0.30
Close In Eastside	$25.59	($4.13)
Outer Eastside	$18.32	($0.76)
Portland Eastside Suburbs	$20.98	($2.05)
217 Corridor / Beaverton	$21.42	$0.42
I-5 South Corridor	$21.84	$1.18
Kruse Way	$28.81	$0.21
Northwest	$35.17	$11.72
Sunset Corridor	$20.56	($1.67)
SW Close In	$18.43	$0.14
Portland Westside	$23.14	$1.19
Cascade Park/Camas	$19.65	($0.90)
CBD/West Vancouver	$20.25	($0.22)
Hazel Dell / Salmon Creek	$20.98	$0.00
Orchards/Outer Clark	$19.40	$1.39
St. John's Central Vancouver	$19.90	$0.03
Vancouver Mall	$17.69	$0.92
Vancouver Suburbs	$19.87	($0.25)
Portland Metro	$24.59	$0.51

Source: JLL

ABSORPTION AND LEASING

Table 5: Net Absorption (square feet) by Brokerage and Area, Fourth Quarter 2015

Brokerage	Overall	CBD	Suburban
CBRE	249,636	63,845	141,189
Colliers	647,260	208,486	344,062
JLL	368,818	147,559	206,293

Source: Brokerage Quarterly Reports

Absorption picked up in the fourth quarter for both the CBD and the suburbs. Notable transactions in the CBD include: Simple, the Oregon Department of Justice, and Providence Health Services. Colliers notes that fourth quarter absorption is 1,120 percent higher than the third quarter's and is the second highest quarterly absorption rate in the last five years. CBRE found overall absorption for 2015 of 877,150 square feet to be well above the 10-year average of 513,552.

Strong absorption should continue into 2016 with CBRE reporting a total of 1.7 million square feet of demand from over 50 active tenants in the market. Based on estimates that 50 percent of the pipeline has been preleased—only 750,000 square feet of projected 2016 deliveries remain available. While firms relocating within the Portland area will create additional availability, the market looks to remain a developer's market for the time being.

Table 6: Notable Lease Transactions, Fourth Quarter 2015

Building/Address	Tenant	Market	Square Feet
Clay Creative	Simple	Close-In Eastside	62,187
100 at Park Square	OR Department of Justice	CBD	58,524
Lloyd Center Mall	Providence Health Services	Lloyd District	45,098
CDK Plaza	Zones	CBD	31,329
The Lovejoy	Ruby Receptionist [Renewal/Expansion]	Northwest	27,621
Fremont Place II	Benson Industries [Renewal]	CBD	24,896
Overton Buildings	West Coast Event Productions [Extension/Expansion]	CBD	22,000
Commonwealth Building	City of Portland [Extension]	CBD	20,600
Five Centerpointe	United HealthCare Services, Inc. [Renewal]	Kruse Way	19,989
Pine Street Market	GuideSpark, Inc.	CBD	19,810
2030 Pettygrove	Connective DX	Northwest	18,266
Bank of America Financial Center	Farleigh Wada Witt PC [Extension]	CBD	18,117
Block 6	M.J. Murdock Charitable Trust	Cascade Park/Camas	18,000
Lincoln Building	CareOregon	CBD	17,686
First & Main	Travel Portland	CBD	16,502
Block 75 Phase 1	Centrl Office	Central Eastside	14,545
CDK Plaza	Examworks	CBD	14,504
1220 Main	Regus	Vancouver	14,433
Crown Plaza	PacificSource	CBD	11,975
Cascade Square	Dell	217 Corr/Beaverton	10,732

Sources: JLL; Colliers International

SALES TRANSACTIONS

CBRE reports a total of $123 million in fourth quarter sales transactions involving 24 trades. The largest transaction saw the University of Oregon purchase the Skidmore Building from Venerable Properties. Colliers notes the strong presence of foreign capital in recent transactions highlighting the purchase of the US Bancorp Tower by a Swiss investor, the purchase of the Moda Tower by UBS, and a Hong Kong investors partnership with Beam Development to buy the Mason Ehrman Buildings. Colliers suggests that the relative strength of the United States economy in a turbulent global economic environment should lead to continued foreign interest.

Table 7: Notable Sales Transactions, Fourth Quarter 2015

Building Address	City	Price	Price/SF	SF
White Stag Block	Portland	$42,600,000	$310.00	137,559
Tidewater Cove	Vancouver	$14,000,000	$135.00	103,246
Captain Couch's Square (3 buildings)	Portland	$12,188,000	$145.59	83,715
2030 NW Pettygrove	Portland	$7,300,000	$399.65	18,266
Orenco Park Building	Hillsboro	$4,068,555	$145.00	28,059
2233 SW Jefferson St	Portland	$3,900,000	$243.75	16,000
Vancouver Square Building B	Vancouver	$3,860,911	$226.79	17,024
Jones & Roth Building	Hillsboro	$2,790,000	$232.50	12,000
7707 SW Capitol Highway	Portland	$2,210,000	$329.75	6,702
Oak & Third Building	Hillsboro	$2,200,000	$151.72	14,500
Madison Office Condos Unit 400	Portland	$1,950,000	$314.87	6,193
5711 E Burnside Street	Portland	$591,500	$660.16	896

Source: Colliers International; JLL

DELIVERIES AND CONSTRUCTION

JLL reported a total of 477,490 square feet of new or renovated office space delivered in 2015. The brokerage notes that this is over the 10-year average of 444,399 square feet. JLL projects a total of 1.5 million square feet to be delivered in 2016 and 500,000 in 2017.

Table 8: Portland Office Market Construction and Deliveries by Submarket, Fourth Quarter 2105

Location	Deliveries	% of Total Deliveries	Under Construction	% of Total Construction
Portland CBD	195,116	41%	899,763	57%
Lloyd District	24,400	5%	206,940	13%
Portland Central City	219,516	46%	1,106,703	71%
Clackamas / Milwaukie Totals	--	--	--	--
Airport Way/Columbia Corridor	--	--	--	--
Close In Eastside	99,154	21%	98,600	6%
Outer Eastside	--	--	--	--
Portland Eastside Suburbs	99,154	21%	98,600	6%
217 Corridor / Beaverton	--	--	--	--
I-5 South Corridor	--	--	--	--
Kruse Way	--	--	--	--
Northwest	--	--	85,933	5%
Sunset Corridor	98,820	21%	--	--
SW Close In	--	--	70,000	4%
Portland Westside	98,820	21%	155,933	10%
Cascade Park/Camas	12,000	3%	206,000	13%
CBD/West Vancouver	48,000	10%	--	--
Hazel Dell / Salmon Creek	--	--	--	--
Orchards/Outer Clark	--	--	--	--
St. John's Central Vancouver	--	--	--	--
Vancouver Mall	--	--	--	--
Vancouver Suburbs	60,000	13%	206,000	13%
Portland Metro	477,490	100%	1,567,236	100%

Source: JLL

INDUSTRIAL MARKET ANALYSIS

ADAM SEIDMAN

Portland State University

The Portland metro's industrial market ended 2015 on a strong note, with strong tenant demand and limited supply continuing to bring rents to historic highs and vacancies to historic lows. Not including Intel, the market absorbed 1.4 million square feet in the quarter, bringing the yearly total to 3.5 million square feet, the highest rate since 2007. New product, especially in the Northeast submarkets, continued to attract tenants seeking large, modern spaces, and two new leases were inked in the quarter, each over 100,000 square feet. Investors were very active, and the year saw historic highs for transaction volume and sales prices. With strong economic and market fundamentals, these trends are expected to continue into 2016.

VACANCY AND RENTS

The fourth quarter continued the trend seen throughout the year for metropolitan Portland's industrial market: occupancies and asking rates at or near historic highs. According to CBRE, the market is "clearly accepting recent, across-the-board rent escalations led by new deliveries that are achieving precedent-setting rents." A review of quarterly research reports from four leading commercial real estate firms revealed a metro-wide average vacancy rate of 4.73% in the fourth quarter, 25 basis points below the prior quarter and 66 basis points below the fourth quarter of 2014. This vacancy rate is especially impressive in light of the delivery of over 900,000 square feet of new, mostly speculative space (not including Intel's Ronler Acres

■ Adam Seidman is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions expressed are those of the author solely and do not represent the opinions of any other person or entity.

development). Distribution/warehouse vacancy rates dropped 23 basis points versus the prior quarter and 62 basis points below the prior year, while flex space vacancy stood 100 basis points below the prior quarter and 155 basis points below the prior year.

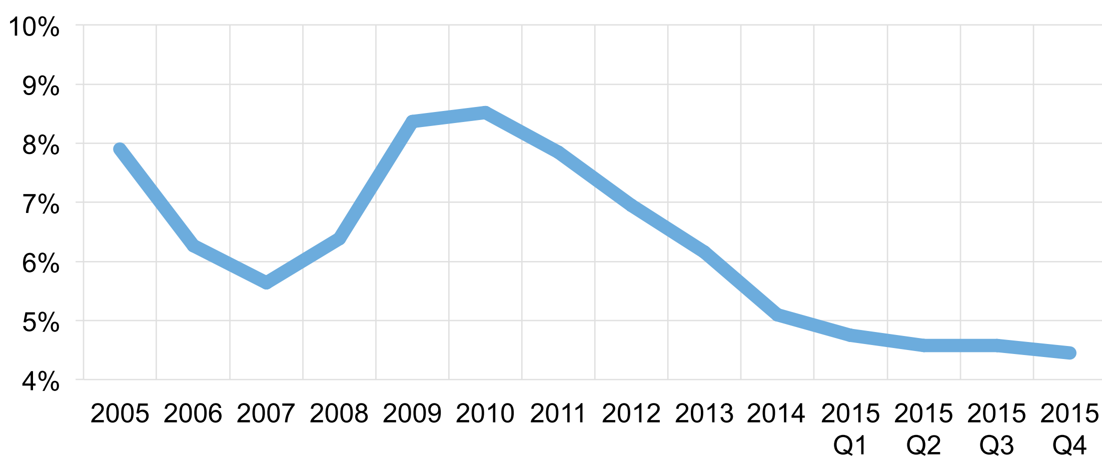
Table 1: Portland Metro Industrial Quarterly Report Survey Q4 2015

	Colliers	JLL	CBRE	Cushman & Wakefield	Average - Q4 2015	Chg vs Prior Qtr	Chg vs Prior Year
Vacancy							
- Distribution/Warehouse	4.70%	3.80%	4.60%	4.90%	4.50%	-23 bps	-62 bps
- Flex	9.60%	8.90%	-	-	9.25%	-100 bps	-155 bps
- Weighted Average	5.15%	4.28%	4.60%	4.90%	**4.73%**	**-25 bps**	**-66 bps**
Rents *							
- Distribution/Warehouse	$0.48	$0.50	$0.41	$0.47	$0.46	1.1%	3.1%
- Flex	$1.00	$0.96	$1.08	-	$1.01	0.6%	9.9%
- Weighted Average	$0.52	$0.54	$0.47	$0.47	**$0.50**	**1.0%**	**4.0%**

* Asking rents; Industrial = shell space; Flex = shell and office space
Sources: Quarterly Reports

Capacity Commercial noted the positive impact that strong population growth is having on the regional industrial market, as people continue to migrate to the Portland metro for employment and lifestyle reasons. Colliers speculated that the market might even by stronger than official numbers show, with vacancy for distribution/warehouse potentially as low as 2% to 3% market-wide.

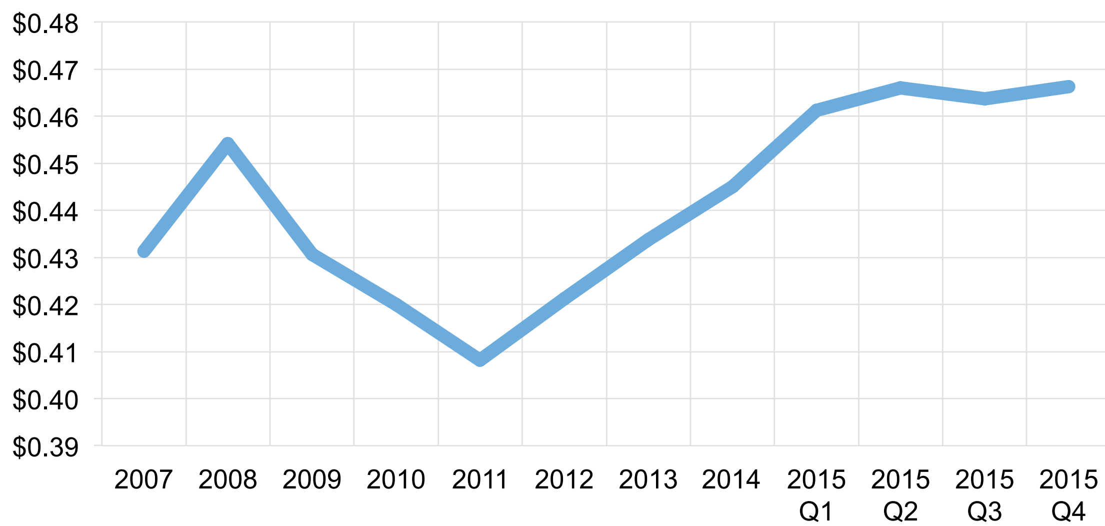
Figure 1: Portland Metro Distribution/Warehouse Market Vacancy Rate, 2007–2015 Q4



Sources: Average of Quarterly Reports from CBRE, JLL, Colliers, and Kidder Mathews

Along with steady vacancy rates, asking rental rates remained virtually unchanged in the fourth quarter. The quarterly report survey showed monthly distribution/warehouse asking rates of $0.46/square foot and flex rates of $1.01/square foot, for a combined weighted market average of $0.50/square foot. Distribution/warehouse rates were up 1.1% from the third quarter and 3.1% year-over-year. JLL noted that average asking rates are being held down because the new properties with top rents are being scooped up quickly, leaving behind less desirable spaces that temper the available average. Flex rates increased 0.6% from the third quarter and exhibited strong annual growth of nearly 10%.

Figure 2: Portland Metro Distribution/Warehouse Market Asking Rents, 2007–2015 Q4



Sources: Average of Quarterly Reports from CBRE, JLL, Colliers, and Kidder Mathews

ABSORPTION AND DELIVERIES

Colliers reported positive net absorption of over 3 million square feet in the fourth quarter and over 6 million for the year. Not including Intel's construction, net absorption was 1.4 million and 3.5 million for the quarter and year, respectively. This net absorption run rate is higher than the market's average annual net absorption from 2004-2014 of 2.55 million square feet, but still under the 2004-2007 average of 4.85 million square feet.

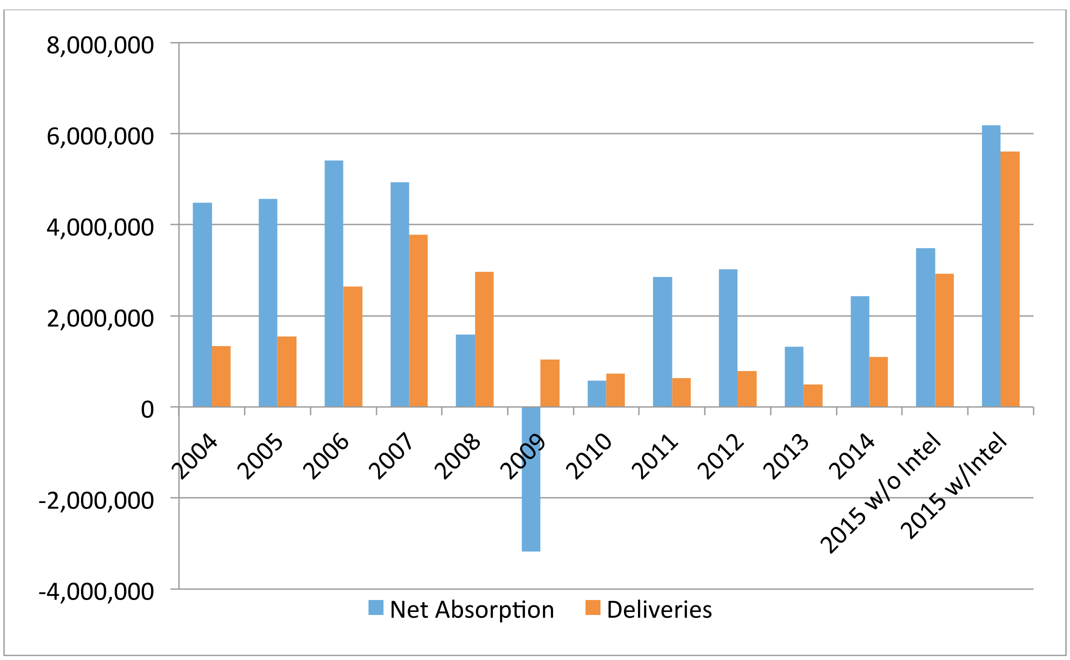
Notable deliveries in the quarter included 320,000 square feet at Holland's Cameron Distribution Center, 310,000 square feet for Reser's Fine Foods, and 157,000 square feet at Trammell Crow's Southwest Industrial Park.

Table 2: Portland Metro Industrial Net Absorption Last 4 Quarters (Excluding Intel)

	Distribution/ Warehouse	Flex	Total
Q1 2015	1,284,694	-52,308	1,232,386
Q2 2015	-151,683	29,174	-122,509
Q3 2015	649,114	237,089	886,203
Q4 2015	1,382,332	111,370	1,493,702
Total 2015	3,164,457	325,325	3,489,782
AVG 2004-2014			2,549,245
AVG 2004-2007			4,852,053
Peak Annual	*2006:*		*5,412,028*
Trough Annual	*2009:*		*-3,169,003*

Source: Colliers International, does not include Intel absorption of 2.7 million s.f. of flex space

Figure 3: Portland Metro Industrial Net Absorption & Deliveries, 2004–2015



Sources: Colliers Quarterly Report and Colliers/Capacity Commercial Presentation

Table 3: Notable Portland Metro Industrial Lease Transactions Q4 2015

Tenant	Building	Submarket	Size (s.f.)	Type
Keystone Automotive	Interstate Crossroads	East Columbia	229,141	New
Cenveo	2000 NW Wilson	Guilds Lake	167,562	Renewal
Ashley Furniture	Cameron Distribution Center	East Columbia	167,193	New
Celestica	Southshore Corporate Park	East Columbia	165,000	Renewal
LaCrosse Footwear	17634 NE Airport Way	East Columbia	126,697	Renewal

Sources: CBRE and Colliers

UNDER CONSTRUCTION

JLL noted that there is known tenant demand for approximately 4.4 million square feet of space, with over half of this demand coming from tenants seeking spaces over 200,000 square feet. There is also demand at the smaller end of the spectrum, and Capacity Commercial noted that developers are finally responding to this market, building projects for users seeking 10,000 to 30,000 square feet – economically feasible now that the higher rents can cover the higher cost of smaller buildings.

To meet known and speculative demand, there are over 2 million square feet of space currently under construction. Much of the future supply, 1.6 million square feet, is located in the Northeast Portland submarkets. JLL noted that 60% of the pipeline supply is speculative product, and 38% is pre-leased. Notable projects in the pipeline include:

Northeast:

- PDX Logistics Center: 355,000 square feet in Building 3, due to deliver Q2 2016
- Gateway Corporate Center: 211,000 square feet in Buildings D and E, due to deliver early 2016
- Dermody Properties: Approximately 200,000 planned square feet in 3 buildings, due to deliver Q3 2016
- Gresham Vista Business Park: 600,000 square foot build-to-suit for Subaru, due to deliver Q4 2016

Other:

- Majestic Brockwood Business Park: 300,000 square feet of speculative space in Hillsboro
- Clackamas Distribution Center: 190,000 square feet of speculative space in Clackamas

INVESTMENT ACTIVITY

JLL reported that 2015 saw $670 million in transactions, breaking the previous annual high by 50% ($450 million in 2006) and nearly three times the 10-year average. Institutional and international investors have shown increased interest in the region, and cap rates have dropped to the high 5s and low 6s, with an average of approximately 6.2% for the year.

Capacity Commercial Group noted that investor demand is strong, supply is limited, and local investors are not able to compete with the "auction style of play" that institutional investors bring. CBRE noted that close-in spaces are now at $150/square foot, versus $97/square foot for the overall market. Both the overall market and the close-in submarkets have exhibited strong double-digit growth in sales price per square foot year-over-year.

Table 4: Notable Portland Metro Industrial Sales Transactions Q4 2015

Address	Location	Size (s.f.)	Price	Price/s.f.	Type
Parkway Woods Business Park	Wilsonville	581,540	$ 32,700,000	$ 56.23	Investment
LogistiCenter 205	Vancouver	98,398	$ 8,600,000	$ 87.40	Owner/User
3901 SE Naef Rd	Milwaukie	205,311	$ 7,500,000	$ 36.53	Investment
2000 NW Wilson St	Portland	167,560	$ 7,500,000	$ 44.76	Investment
Cornell Business Park	Hillsboro	47,144	$ 3,500,000	$ 74.24	Owner/User

Sources: Colliers and Kidder Mathews

LOOKING AHEAD

The Portland metro's industrial sector looks set to continue exhibiting strength in 2016. The metropolitan area is expected to see notable gains in population and employment growth in the upcoming year, which in turn will lead to increased demand for distribution and warehouse space. There are approximately 2 million square feet under construction, with an additional 500,000 square feet in planning. Much of this space is speculative, but pre-leasing has been strong, and demand is expected to continue for modern spaces over 100,000 square feet. The market's fundamentals are also likely to continue attracting institutional investors which should exert downward pressures on already-low capitalization rates.■

RETAIL MARKET ANALYSIS

ALEC LAWRENCE

Portland State University

The Portland Metro's retail market experienced a positive but relatively un-noteworthy fourth quarter. Vacancy decreased slightly, rates increased slightly, and deliveries, though below 2014 levels, brought 820,000 square feet of retail online with absorption generally steady enough to absorb the new supply.

This occurred with a somewhat chaotic backdrop for the retail industry nationally. The bifurcation of the retail industry between luxury and bargain continued, with traditional mid-priced retailers continuing to struggle. E-commerce has continued to account for a greater amount of overall spending, while brick and mortar retailers have continued implementing omni-channel capabilities.

Holiday sales were up by 3 percent nationally according to the National Retail Federation. However, many mid-priced traditional retailers reported disappointing holiday sales in the fourth quarter. These included: Kohl's, Ralph Lauren, Macy's, Gap, and Best Buy among others. Clothiers were reportedly hit by unseasonably warm weather reducing demand for higher-priced winter clothing. The National Retail Federation reported 9 percent growth in online and other non-store holiday sales during the holiday season.

A sure sign of change, Wal-Mart announced it will close 269 stores and will end its Wal-Mart express small-store format after the format never caught on with consumers. Of the 269 stores, 154 are in the United States and of the 154, 102 are its express store format. Two are in the Portland area: its 8235 SW Apple Way store in Portland and its 17711 Jean Way store in Lake Oswego. Both are its Neighborhood Market format.

■ **Alec Lawrence** is a Master of Real Estate Development candidate and has been awarded the Center for Real Estate Fellowship. Any errors or omissions are the author's responsibility. Any opinions are those of the author solely and do not represent the opinions of any other person or entity.

Despite closing two Neighborhood Market stores locally, Wal-Mart looks to expand this format, which is slightly larger than the Dollar Store sized Express format. Despite the large number of closings, the verdict is out as to whether Wal-Mart will actually shrink its US store count this year. Based on upper-end estimates for US store openings in 2016, the chain would increase its number of stores, but, based on lower-end estimates, the chain would actually shrink its number of US stores for the first time in its history.

Wal-Mart projects lower profits in the short term due to continued investments in e-commerce and its work force. It has reportedly invested $2 billion in its e-commerce operations on expanding its workforce, investing in infrastructure, and opening up several logistics centers.

Amazon, in contrast, experienced continued growth during the year. According to an estimate by Macquarie Research, the firm captured 51 cents of every additional dollar spent online in 2015 in the US and a quarter of overall US retail growth. Though unconfirmed by Amazon, the Wall Street Journal reported that Amazon plans to open up to 400 brick-and-mortar bookstores. The move would be a marked change for the online-only company and follows Amazon's experimentation with the concept in Seattle.

Despite the mixed holiday results, Green Street Advisors reported 10 percent growth in commercial property prices in 2015 and 30 percent growth on average over the last three years. Mall values increased by 12 percent and strip-centers by 8 percent. And, according to JLL's Development Outlook for 2016, demand for retail space will continue to outpace new construction, which will compress vacancy and drive rents up in major markets. According to the report, stand-alone retail buildings, small neighborhood centers, and grocery-anchored and power centers will make up 76 percent of new construction. Growth will be from grocery and service-based retailers.

Cushman and Wakefield's Garrick Brown forecasted "16 Retail Trends to Watch in 2016." Highlights included:

- Struggling retailers and consolidation in some sectors will lead to the most store closures since 2010. By April, there will likely be many negative headlines, however, venture capital acquisition will probably expand some retail concepts easing some, but not all, of the losses.

- Retailers in general will look to a continued search for a balance between ecommerce and bricks and mortar. This will see greater investment in technology by traditional retailers, and greater investment in bricks and mortar and localized, distribution by ecommerce retailers.

- Food oriented retailers will continue to see gains in 2016 and will anchor many new developments. Fast casual (e.g., gourmet pizza and burgers, Asian fusion) is the quickest growing segment. Urban markets are experiencing quick growth with high-end food halls, with 24 such food halls under construction across the country. In the grocer segment, off-price, discount, and club warehouse will see strong growth alongside luxury, organic, small format, and ethnic.

- New developments are coming online 70 percent preleased. Retailers are consistently showing appetite for Class A space at a premium over Class B or even B plus. Suburban power and regional as well as core markets are seeing growth while malls and lifestyle centers will see losses.

- Sporting goods, fitness, medical, and home related retail are growing. Electronics, office supplies, bookstores, toy stores, video stores, and drug stores are shrinking (i.e., anything easily acquired online).

VACANCY

Vacancy continued to move downward, ending at 4.6 percent for the fourth quarter from 4.7 percent in the third quarter. This compares favorably to the overall national rate of 5.6 percent, but is higher than the fourth quarter rates in San Francisco (2.1 percent) and Seattle (4.3 percent). Four of the Portland Metro market areas are currently experiencing vacancy of below 4 percent: Northwest, Southeast, Southwest, and the Westside. Within these market areas, several submarkets stand out even lower: Close-In Southeast (2.3 percent), Close-In Northeast (1.1 percent), Barbur Boulevard/ Capitol (1.6 percent), Airport Way (2.2 percent), and Tualatin (2.1 percent). By retail sector, General Retail is the top performer, with 2.4 percent vacancy in the fourth quarter as compared to 6.8 percent for Malls, 4.6 percent for Power Centers, and 7.5 percent for Shopping Centers.

Table 1: Vacancy by Submarket, Fourth Quarter 2015

Market	Vacancy
CBD	4.3%
Clark County	6.7%
I-5 Corridor	4.0%
Lloyd District	6.1%
Northeast	4.4%
Northwest	3.6%
Southeast	3.9%
Southwest	3.8%
Westside	3.7%
Total	**4.6%**

Source: Costar

ABSORPTION

Portland ended the year with positive net absorption of 191,966 square feet. While this follows a much stronger third quarter in which 514,749 square feet was absorbed, it helped to increase total absorption for the year to 705,712 square feet. Clark County stood out with 342,672 square feet in absorption, while the CBD, Lloyd District, and the Westside dragged down absorption for the year. Several markets saw large deliveries and strong absorption: Clackamas/Milwaukie (46,385 square feet delivered / 111,203 square feet absorbed), Close-In Northwest (146,239 / 122,920), Orchards (216,953 / 247,621), Tualatin (53,008 / 50,832).

Table 2: Year-to-Date Absorption by Submarket, Fourth Quarter 2015

Market	YTD Absorption
CBD	-57,365
Clark County	342,672
I-5 Corridor	121,787
Lloyd District	-124,225
Northeast	119,777
Northwest	122,920
Southeast	134,674
Southwest	74,252
Westside	-28,780
Total	**705,712**

Source: Costar

RENTAL RATES

Rental rates continued a slow steady increase from recession period lows, ending the fourth quarter at $17.42 per square foot. This marks a healthy recovery from a low of $15.75 per square foot during 2012, but is still below the peak set during the last cycle of $18.33 per square foot in 2008. Seattle concluded the fourth quarter with an overall average rate of $17.56 per square foot and San Francisco ended at $37.31.

Table 3: Rental Rates by Submarket, Fourth Quarter 2015

Market	Quoted Rates
CBD	$19.69
Clark County	$16.90
I-5 Corridor	$21.61
Lloyd District	$15.76
Northeast	$17.35
Northwest	$21.45
Southeast	$15.86
Southwest	$18.16
Westside	$18.30

Source: Costar

DELIVERIES AND CONSTRUCTION

The fourth quarter saw eight buildings delivered for a total of 83,372 square feet (GLA). In total, 2015 saw 66 buildings delivered for a total of 820,026 square feet. This is below the amount delivered in 2014, but it trails only 2014 as the most delivered since the recession. The current pipeline suggests that deliveries will slow next year, with just 304,880 in the pipeline. Of the pipeline, 165,236 square feet are in the Clackamas/Milwaukie submarket and 54,887 are in the Sunset Corridor/Hillsboro submarket.

Key deliveries included: the Woodstock New Seasons with a total of 25,050 square feet and Sports Authority in the Hazel Dell marketplace with a total of 19,041 square feet.

The much-anticipated Pine Street Market, which is now anticipated to deliver April 1, 2016 in the CBD, will include a 10,000 square foot food hall featuring some of Portland's most-well-known local food businesses: Barista, Common Law, Food + Juice, Marukin, Olympia Provisions, Pollo Bravo, Salt & Straw, Shalom Y'all, and Trifecta.

Gramor Development broke ground on its Happy Valley Crossroads project. The project is an $80 million mixed-use project that will include 184,000 square feet of retail. Fred Meyer will anchor the site with a 144,000 square foot store. Killian Pacific continued construction on its LOCA @ The Goat Blocks project, which includes 97,000 square feet of retail space.

Table 4: Year-to-Date Deliveries and Total Under Construction by Submarket, Fourth Quarter 2015

Market	YTD Deliveries	Under Construction
CBD	0	0
Clark County	301,016	14,378
I-5 Corridor	169,423	14,455
Lloyd District	10,000	0
Northeast	26,832	41,320
Northwest	146,239	0
Southeast	47,325	179,840
Southwest	119,191	0
Westside	0	54,887
Total	**820,026**	**304,880**

Source: Costar

SALES

Table 4: Notable Investment Transactions, Fourth Quarter 2015

Property	City	Sale Price	Square Feet	Price/SF
Johnson Creek Shopping Center	Happy Valley	$32.1 M	109,209	$294
New Seasons Market	Portland	$15.68 M	25,050	$626
Cascade Marketplace – Safeway	Vancouver	$10 M	68,164	$147

Source: Costar