

**GATEWAY REGIONAL CENTER
STUDY AREA
MARKET ASSESSMENT**

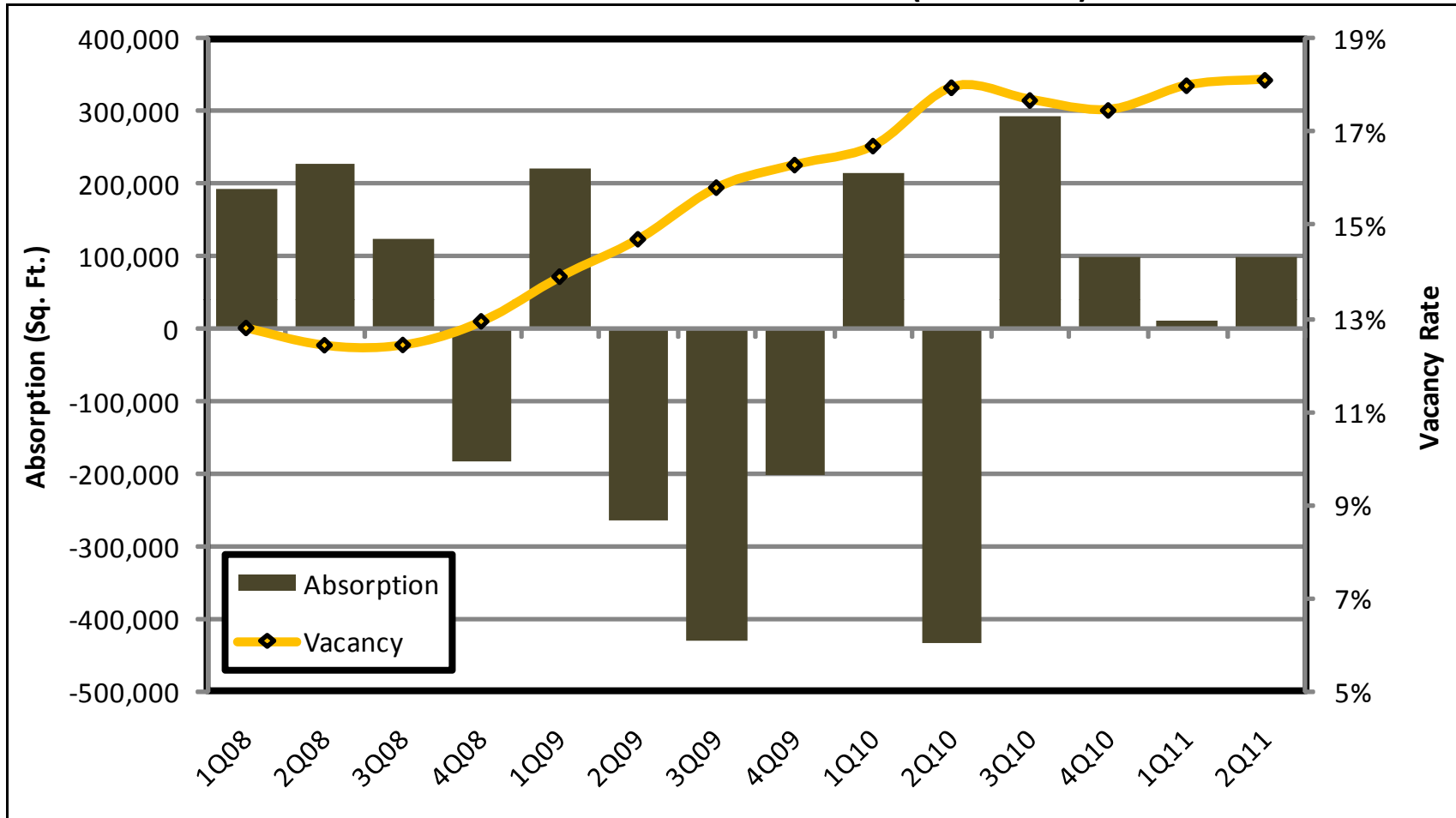
Short and Mid Term Opportunities

PROSPECTIVE USE SUMMARY

LAND USE	PROGRAM ELEMENT	DESCRIPTION
Office	Medical Office Build-to-Suit Speculative Office	<ul style="list-style-type: none"> •Medical office represents the most immediate opportunity, either through an independent clinic or hospital chain affiliated clinic. Small tenants are widespread in the district, and could be attracted to a speculative multi-tenant space. Price sensitivity is a concern. •The study area is not seen as a strong regional office location. Issues include a lack of executive housing, access, and proximity to the CBD and other established areas. •Build-to-Suit opportunities may be more financeable in this area, particularly in the short-term. The market is not currently viewed as “investment grade”, and achievable pricing is below replacement cost.
Retail	Neighborhood and Convenience Retail Theaters	<ul style="list-style-type: none"> •The area currently serves as a significant retail hub, with major retailers serving the broader community. The primary immediate opportunities are convenience and neighborhood based services. •An impediment to getting tenants will be price sensitivity, with relatively low cost space available on the Halsey/Weidler couplet to the east. •Bankable tenants will want frontage on arterials. •Several code requirements will challenge new retail development
Rental Residential	Rental Apartments	<ul style="list-style-type: none"> •Small, primarily studio unit rental apartments. Market rate, but targeting a price sensitive market that will value the local amenity base. Parking can be minimal for this market. •More traditional unit mix, allowing for traditional renters. Parking ratios can still be below 1.0 per unit in this location •Formats: Garden currently viable, with transition to podium parking product not currently achievable for rentals. Market trends may allow for this product over time.
Ownership Residential	Condominiums Townhomes	<ul style="list-style-type: none"> •This market has been proven viable in the area in the past, despite a poor urban environment. While the market is likely to remain depressed for a few years, we expect ownership product to be viable again within the mid-term. •Achievable pricing has supported Type V construction over podium, as well as townhomes.
Education Center	Gateway Education Center •Day Care •Charter School •Courses	<p>This is not a “market deal”, and viability is a function of ability to obtain financing. The function of the facility can provide an amenity for the area, with a better frontage on Glisan and active programming with services and activity.</p>
Hotel/Lodging	Traveler/Business Hotel	<p>This program element is not considered to be viable in the current location, but an expanded amenity mix and increased employment core may make it a more viable location. Accessibility from I-205 and I-84, combined with transit service to the airport and CBD would be marketable.</p>

OFFICE MARKET TRENDS

OFFICE ABSORPTION & VACANCY TRENDS PORTLAND METROPOLITAN AREA (2008-2011)



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

OFFICE MARKET TRENDS

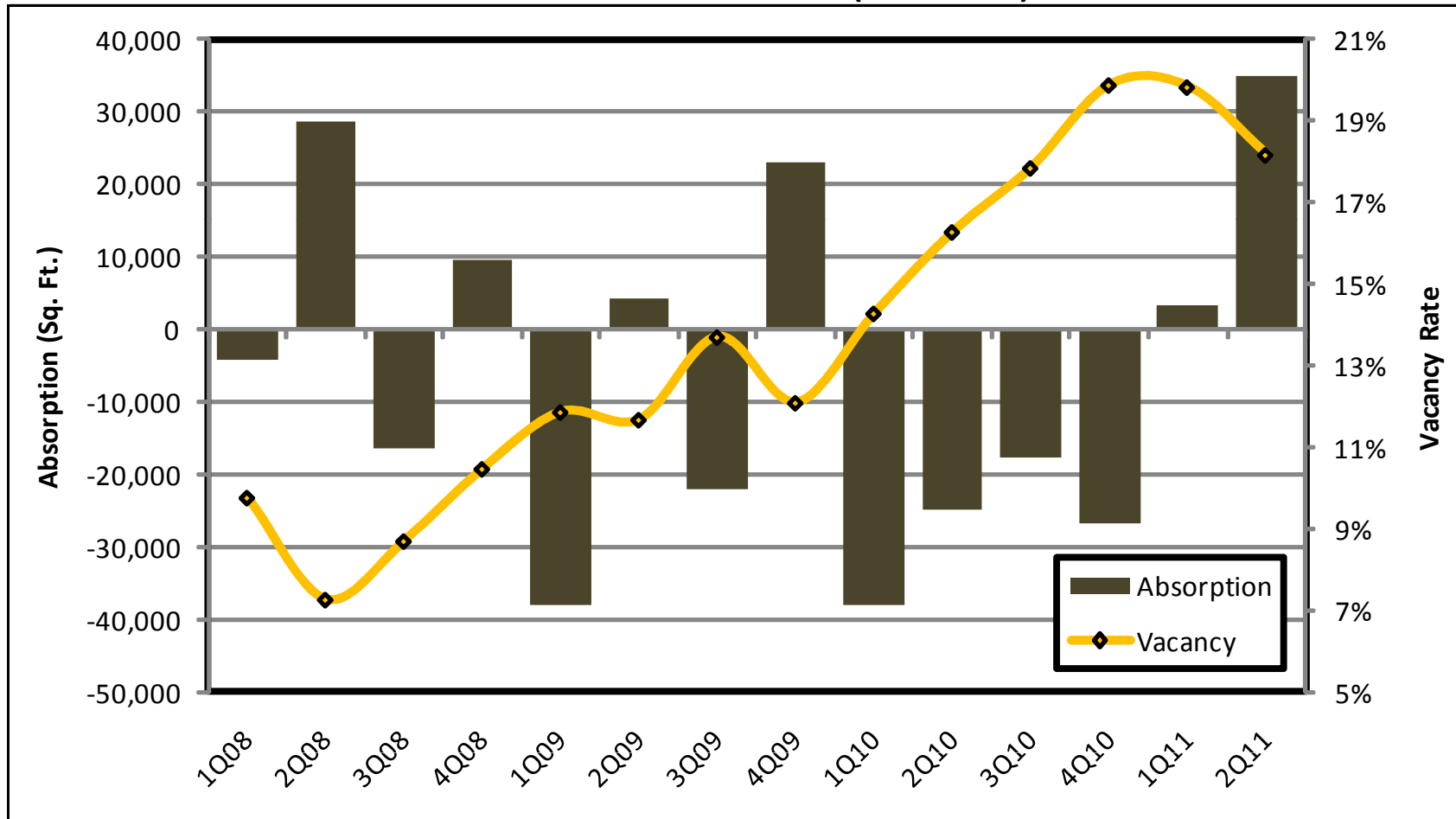
OFFICE MARKET CONDITIONS PORTLAND METRO AREA SUBMARKETS (2Q11)

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

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

OFFICE MARKET TRENDS

OFFICE ABSORPTION & VACANCY TRENDS
CENTRAL 205 SUBMARKET (2008-2011)



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

OFFICE MARKET TRENDS

Medical Office

MEDICAL OFFICE COMPARABLES

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

SOURCE: Loopnet and Johnson Reid

OFFICE MARKET TRENDS

Speculative Office

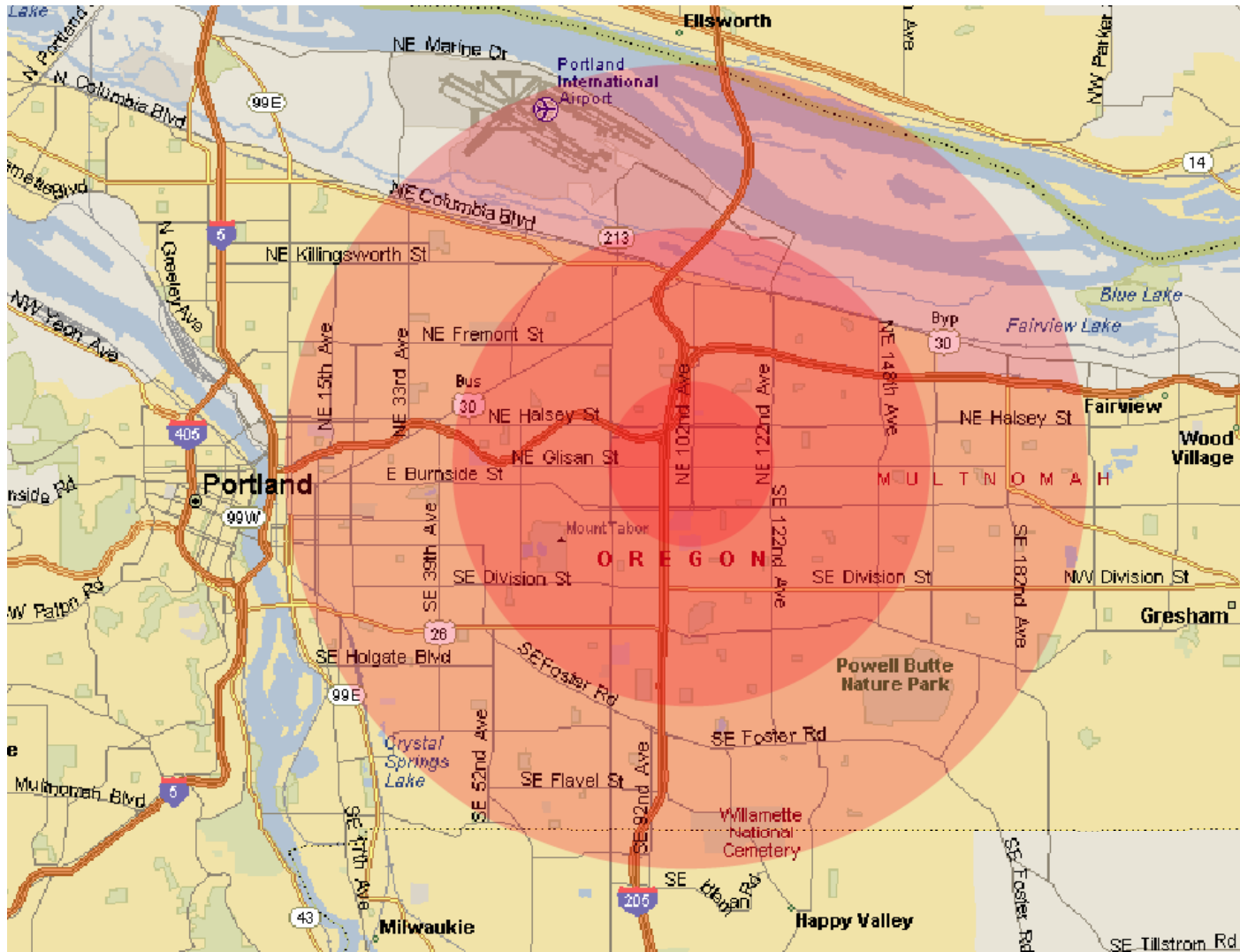
OFFICE COMPARABLES

Property	Year Built	Square Footage	Class	Vacancy		Rent/SF/Year	Terms ¹
				Sq.Ft.	Rate		
Multnomah Plaza 305 NE 102nd Avenue Portland, OR 97220	1987	46,635	B	8,689	19%	\$18.50	FS, Negotiable
East End 112 NE 122nd Avenue Portland, OR 97220	N/A	20,000	B	3,800	19%	\$13.20	FS, Negotiable
205 Plaza 10560 SE Washington Street Portland, OR 97216	1975	32,339	C	10,809	33%	\$14.00	FS, Negotiable
Lincoln Building 9955 SE Washington Street Portland, OR 97216	1979	25,334	B	2,785	11%	\$18.50	FS, Negotiable

SOURCE: Loopnet and Johnson Reid

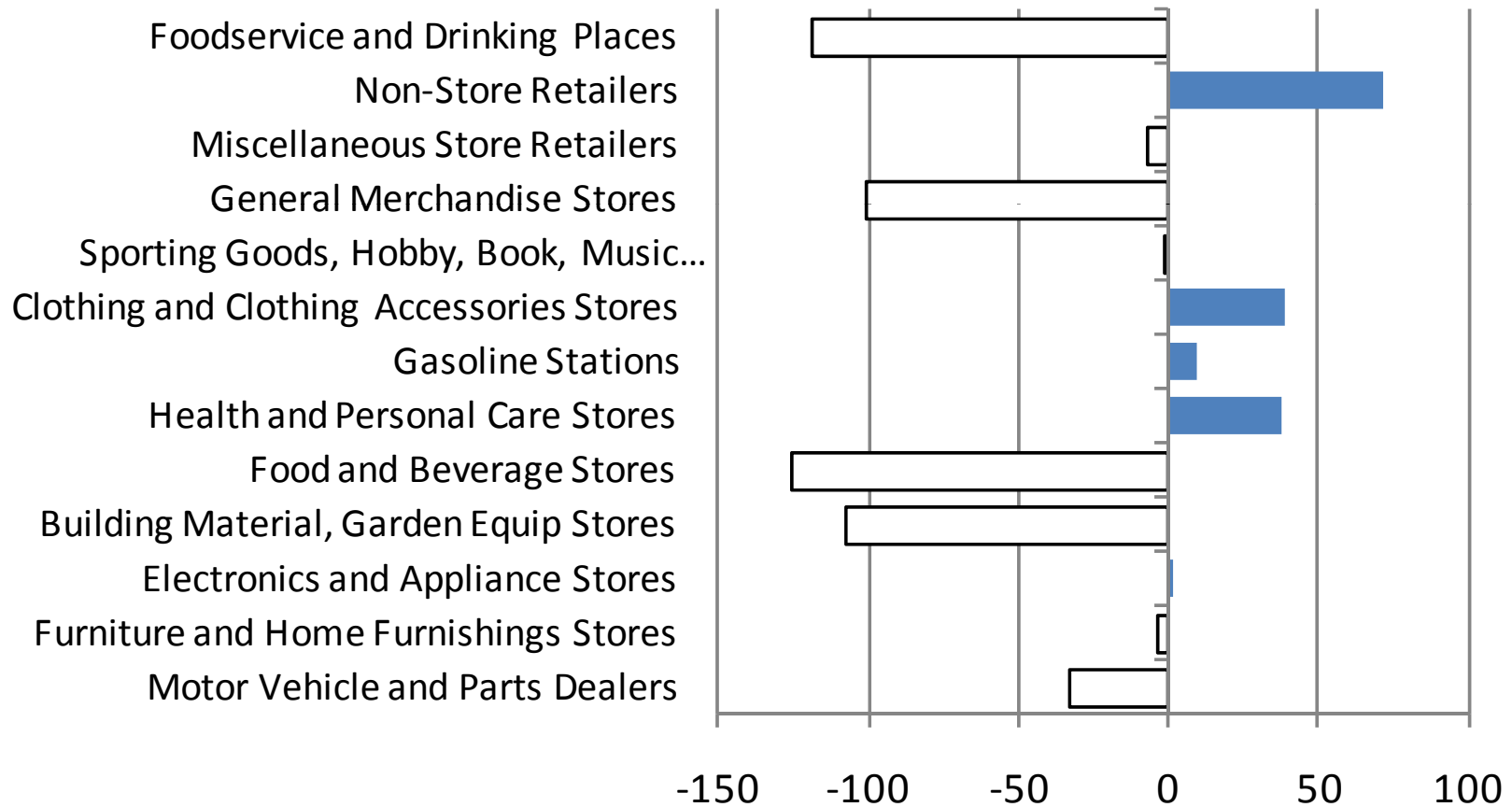
RETAIL TRADE AREAS

One, Three and Five Mile Rings



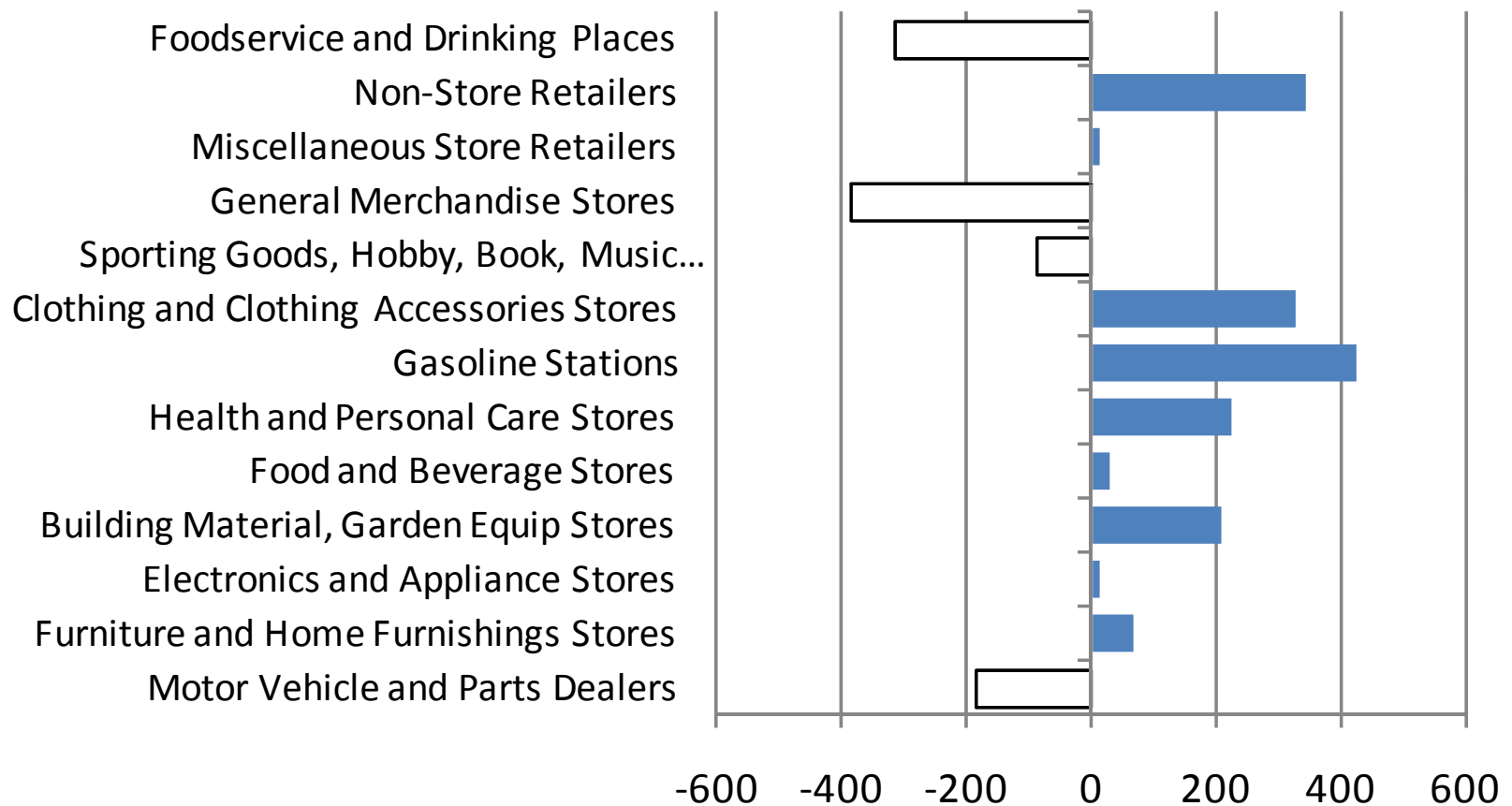
RETAIL OPPORTUNITY INDEX

One Mile Ring



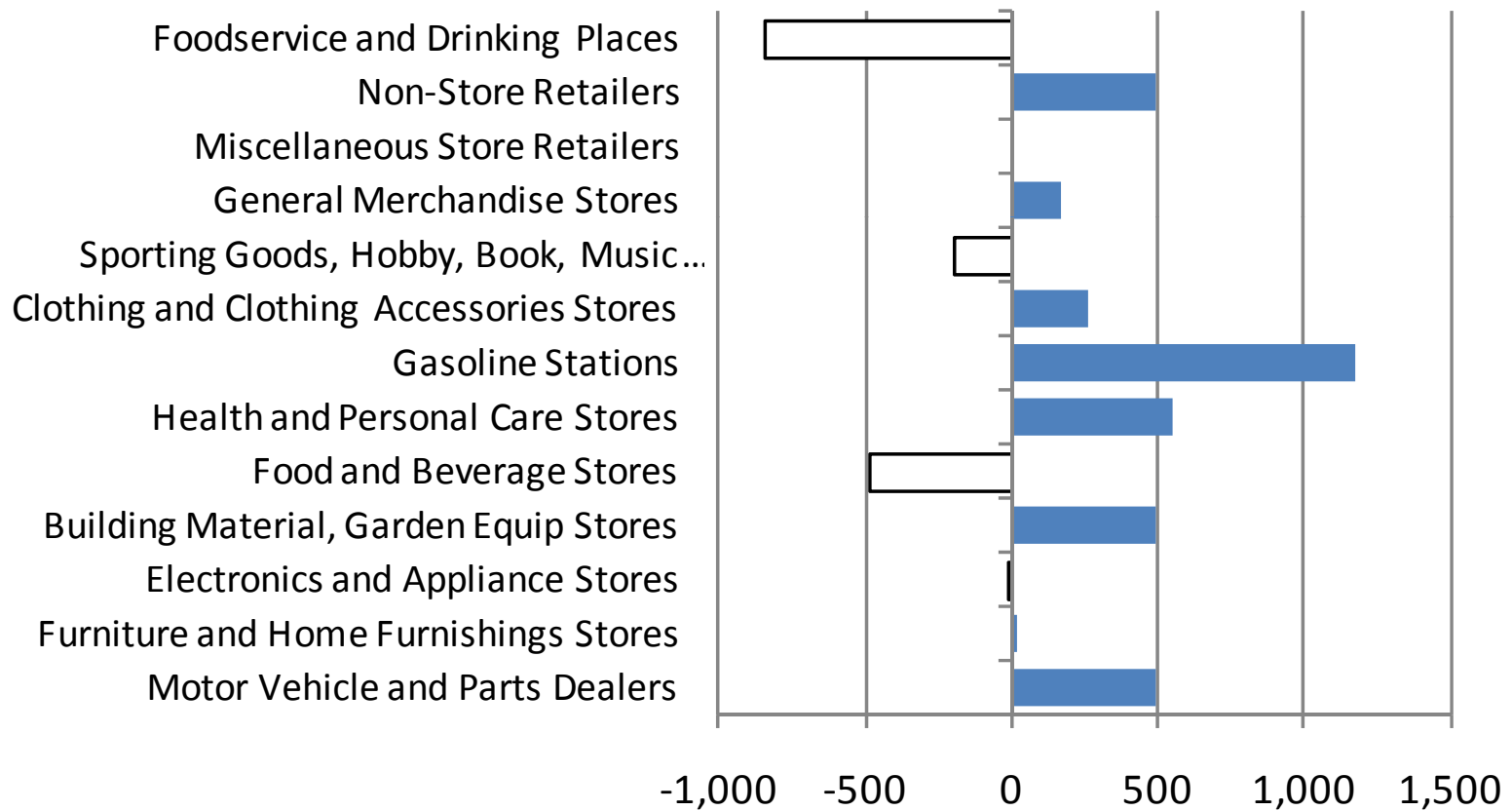
RETAIL OPPORTUNITY INDEX

Three Mile Ring



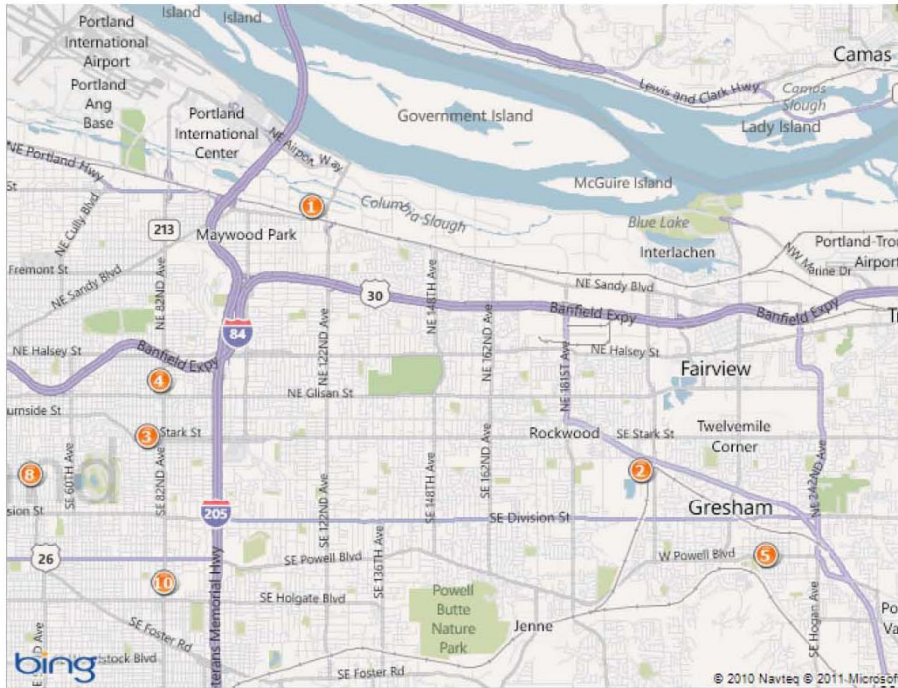
RETAIL OPPORTUNITY INDEX

Five Mile Ring



MOVIE THEATER OPPORTUNITY

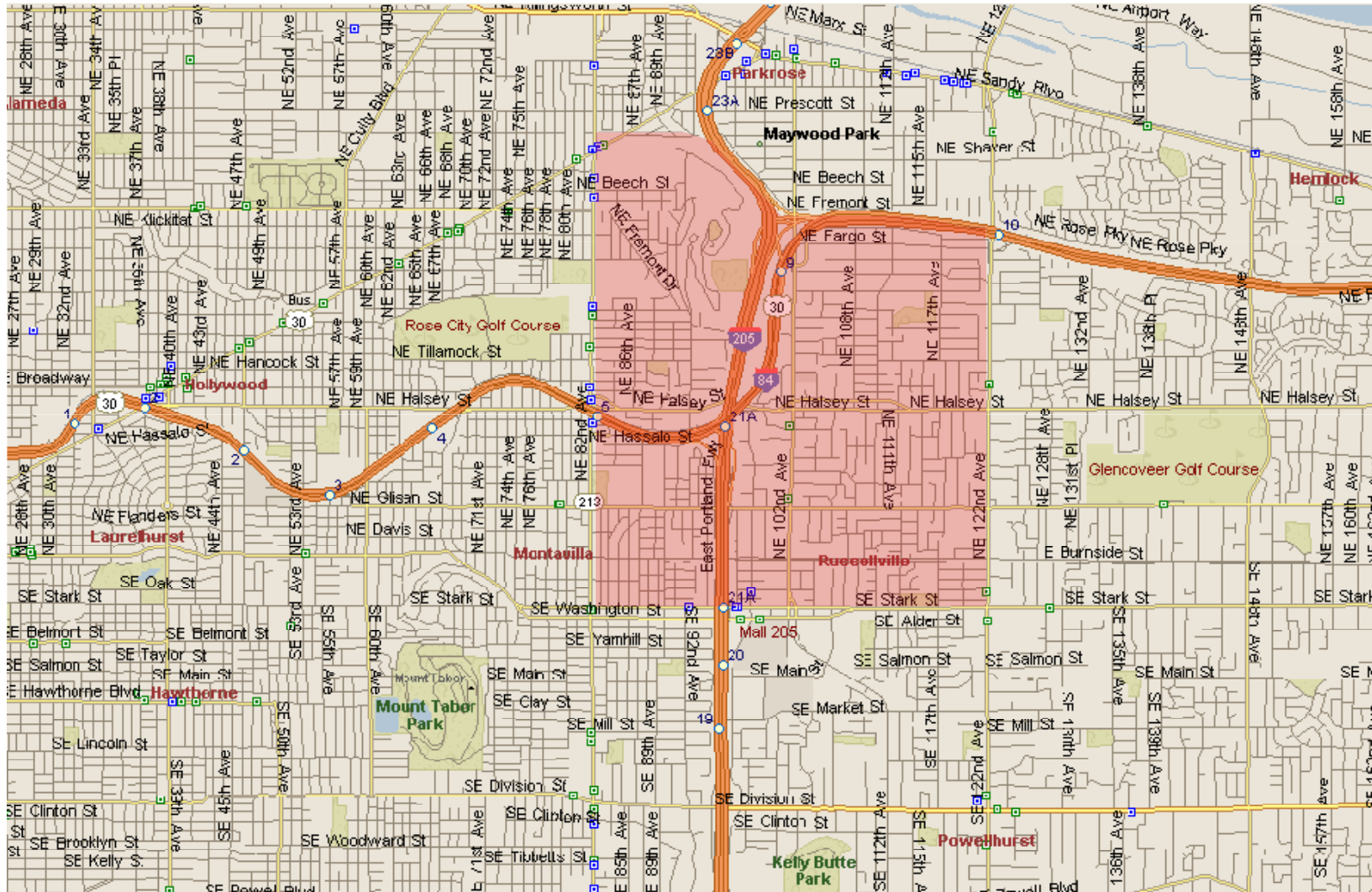
First Run Options Limited



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

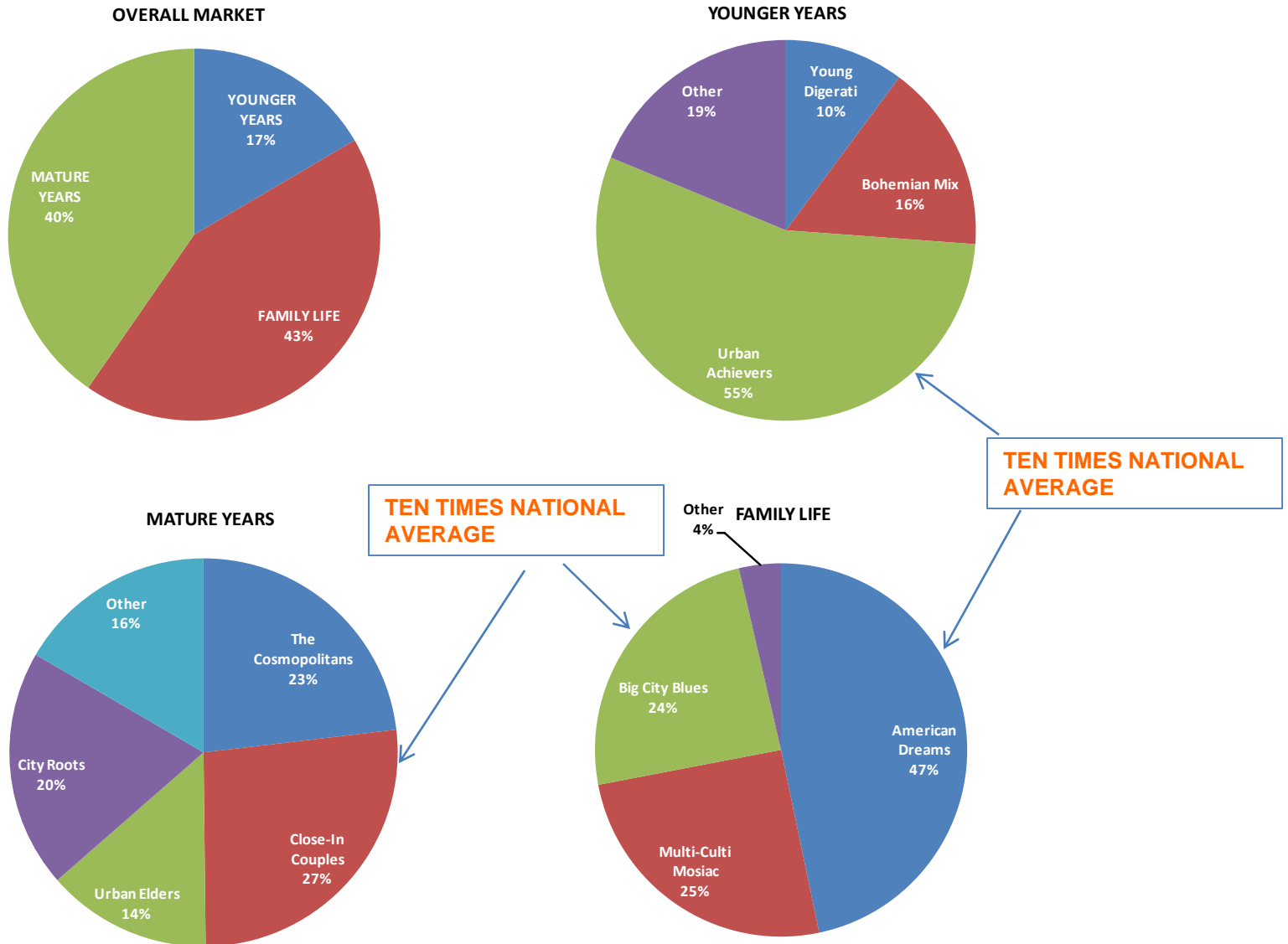
RESIDENTIAL

Delineated Residential Market Area




DEMOGRAPHICS


Distribution of Households Types



DEMOGRAPHICS

Major Households Types

Urban Achievers	
	Concentrated in the nation's port cities, Urban Achievers is often the first stop for up-and-coming immigrants from Asia, South America and Europe. These young singles and couples are typically college-educated and ethnically diverse: about a third are foreign-born, and even more speak a language other than English.
Percent of U.S. Households:	1.54%
Percent of Local Households:	9.12%
Median Household Income:	\$37,252
<u>Example Lifestyle Traits & Preferences:</u>	<u>Typical Demographic Traits:</u>
<ul style="list-style-type: none"> • Shops at Banana Republic • Plays Soccer • Reads Latina Magazine • Watch Tyra • Drives a Volkswagon GTI or similar 	<p><i>Urbanicity:</i> Urban</p> <p><i>Typical Ethnic Diversity:</i> White, Black, Asian, Hispanic</p> <p><i>Presence of Children:</i> Family Mix</p> <p><i>Typical Age Range:</i> Less than 35 years</p> <p><i>Education Level:</i> Some College</p> <p><i>Occupation Type:</i> White Collar, Mix</p> <p><i>Homeownership:</i> Renters</p>

American Dreams	
	American Dreams is a living example of how ethnically diverse the nation has become: just under half the residents are Hispanic, Asian, or African-American. In these multilingual neighborhoods--one in three speaks a language other than English--middle-aged immigrants and their children live in upper-middle-class comfort.
Percent of U.S. Households:	2.12%
Percent of Local Households:	20.14%
Median Household Income:	\$58,517
<u>Example Lifestyle Traits & Preferences:</u>	<u>Typical Demographic Traits:</u>
<ul style="list-style-type: none"> • Shops at Old Navy • Buys Motivational Tapes • Reads Black Enterprise Magazine • Watches TeleFutura • Drives a Lexus IS300 or similar 	<p><i>Urbanicity:</i> Urban</p> <p><i>Typical Ethnic Diversity:</i> White, Black, Asian, Hispanic</p> <p><i>Presence of Children:</i> Family Mix</p> <p><i>Typical Age Range:</i> 35-54 years</p> <p><i>Education Level:</i> College Graduate</p> <p><i>Occupation Type:</i> Professional</p> <p><i>Homeownership:</i> Homeowners</p>

DEMOGRAPHICS

Major Households Types

Multi-Culti Mosaic



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

Percent of U.S. Households: 1.67%
Percent of Local Households: 10.89%
Median Household Income: \$36,945

Typical Demographic Traits:

Urbanicity: Urban

Typical Ethnic Diversity: White, Black, Asian, Hispanic

Presence of Children: Family Mix

Typical Age Range: 35-54

Education Level: Some College

Occupation Type: White Collar, Service, Mix

Homeownership: Homeowners

Example Lifestyle Traits & Preferences:

- Shops at CVS Pharmacy
- Buys Spanish/Latin Music
- Reads Seventeen
- Watches Premio Juventud
- Drives a Volkswagon GLI or Similar

Big City Blues



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

Percent of U.S. Households: 1.12%
Percent of Local Households: 10.50%
Median Household Income: \$33,055

Typical Demographic Traits:

Urbanicity: Urban

Typical Ethnic Diversity: White, Black, Asian, Hispanic

Presence of Children: Family Mix

Typical Age Range: Less than 55 years

Education Level: High School Only

Occupation Type: White Collar, Service, Mix


Homeownership: Renters


Example Lifestyle Traits & Preferences:

- Shops at The Gap
- Goes to Movies
- Reads Ser Padres
- Watches El Gordo Y La Flaca
- Drives a Toyota Yaris or Similar

DEMOGRAPHICS

Major Households Types

The Cosmopolitans	
	Educated, upper-midscale, and ethnically diverse, The Cosmopolitans are urbane couples in America's fast-growing cities. Concentrated in a handful of metros--such as Las Vegas, Miami, and Albuquerque--these households feature older, empty-nesting homeowners. A vibrant social scene surrounds their older homes and apartments, and residents love the nightlife and enjoy leisure-intensive lifestyles.
Percent of U.S. Households:	1.14%
Percent of Local Households:	9.33%
Median Household Income:	\$59,750
<u>Example Lifestyle Traits & Preferences:</u>	<u>Typical Demographic Traits:</u>
<ul style="list-style-type: none"> • Shops at Costco • Buys Classical Music • Reads Harper's Bazaar • Watches BBC America • Drives a Lexus LX or similar 	<p><i>Urbanicity:</i> Urban</p> <p><i>Typical Ethnic Diversity:</i> White, Black, Asian, Hispanic</p> <p><i>Presence of Children:</i> Mostly Couples</p> <p><i>Typical Age Range:</i> Older Than 55 Years</p> <p><i>Education Level:</i> College Graduate</p> <p><i>Occupation Type:</i> White Collar, Mix</p> <p><i>Homeownership:</i> Homeowners</p>

Close-In Couples	
	Close-In Couples is a group of predominantly older, ethnically diverse couples living in older homes in the urban neighborhoods of mid-sized metros. High school educated and empty nesting, these mostly older residents typically live in older city neighborhoods, enjoying their retirements.
Percent of U.S. Households:	1.14%
Percent of Local Households:	10.77%
Median Household Income:	\$43,049
<u>Example Lifestyle Traits & Preferences:</u>	<u>Typical Demographic Traits:</u>
<ul style="list-style-type: none"> • Shop's at Macy's • Travels Domestically by Railroad • Reads The New Yorker • Watches The View • Drives a Chrysler PT Cruiser or Similar 	<p><i>Urbanicity:</i> Urban</p> <p><i>Typical Ethnic Diversity:</i> White, Black, Asian, Hispanic</p> <p><i>Presence of Children:</i> Mostly Couples</p> <p><i>Typical Age Range:</i> Older Than 55 Years</p> <p><i>Education Level:</i> High School Graduate</p> <p><i>Occupation Type:</i> Mostly Retired</p> <p><i>Homeownership:</i> Homeowners</p>

DETAILED PSYCHOGRAPHICS

Residential Market Area

LIFESTAGE GROUP	Local	Index	Age	Income	Urbanicity	Median	Typical	Predominant	Housing	Typical	Social	Typical	Occupation	Typical Racial
Demographic Segment	HH's	Value	Class	Class	Class	Income	Age Range	HH Status	Preference	Housing Type	Group	Education Level	Type	Composition
YOUNGER YEARS														
<u>Midlife Success</u>														
3 Movers and Shakers	42	26	Mid	Wealthy	Suburban	\$109,351	35-54	Couples	Mostly Owner	Mostly SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
19 Home Sweet Home	107	58.2	Mid	Upper-Mid	Suburban	\$72,029	< 55	Couples	Mostly Owner	SFDU	The Affluentials	College	Prof, WC	White
30 Suburban Sprawl	59	44.7	Mid	Midscale	Suburban	\$53,267	45-64	Singles/Couples	Owners	Mix SFDU, Low-Rise M.F.	Middleburbs	College	WC	White
<u>Young Achievers</u>														
4 Young Digerati	169	138.9	Young-mid	Wealthy	Urban	\$91,104	25-44	Family Mix	Mix, Owners	Apartments & Condos	Urban Uptown	College Grad.+	Exec, Prof, WC	White, Asian, Hispanic
16 Bohemian Mix	267	150.2	Young-Mid	Upper-Mid	Urban	\$57,083	< 55	Family Mix	Mostly Renters	Apartments & Condos	Urban Uptown	College	Prof, WC	White, Black, Asian, Hispanic
22 Young Influentials	31	21	Young-mid	Midscale	Suburban	\$51,684	< 55	Singles/Couples	Renters	Apartments	Middleburbs	College	Prof, WC	White, Black, Asian
31 Urban Achievers	918	591.2	Young	Lower-Mid	Urban	\$37,252	< 35	Family Mix	Renters	Apartments	Midtown Mix	Some College	Prof, WC, Service	White, Black, Asian, Hispanic
<u>Striving Singles</u>														
44 New Beginnings	73	46.7	Young-mid	Low Income	Suburban	\$32,558	< 55	Singles/Couples	Renters	Low Income Apartments	Inner Suburbs	Some College	WC, Service	White, Black, Hispanic
FAMILY LIFE														
<u>Accumulated Wealth</u>														
2 Blue Blood Estates	2	2	Mid	Wealthy	Suburban	\$126,538	45-64	Families	Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
6 Winner's Circle	1	0.9	Mid	Wealthy	Suburban	\$112,580	35-54	Families	Mostly Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
<u>Young Accumulators</u>														
17 Beltway Boomers	47	48.4	Mid	Upper-Mid	Suburban	\$80,026	45-64	Families	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White, Asian
18 Kids and Cul-de-Sacs	58	35.7	Young-Mid	Upper-Mid	Suburban	\$76,379	25-44	Families	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White, Asian, Hispanic
29 American Dreams	2,028	948.2	Mid	Upper-Mid	Urban	\$58,517	35-54	Families	Owners	Mix, SFDU, Low-Rise Condos	Urban Uptown	Some College	WC, Service	White, Black, Asian, Hispanic
<u>Mainstream Families</u>														
36 Blue-Chip Blues	41	32.6	Young-Mid	Midscale	Suburban	\$53,463	25-44	Families	Mix, Owners	Mix, SFDU, Low-Rise Condos/Apts	Middleburbs	Some College	WC, Service, BC	White, Black, Hispanic
52 Suburban Pioneers	9	8.5	Mid	Downscale	Suburban	\$35,221	< 55	Family Mix	Mix, Owners	Mix, SFDU, Low-Rise Condos/Apts	Inner Suburbs	Elem. School, H.S.	WC, Service, BC	White, Black, Hispanic
54 Multi-Culti Mosaic	1,097	651.8	Mid	Lower-Mid	Urban	\$36,945	35-54	Family Mix	Mix, Owners	Mix, SFDU, Low-Rise Condos/Apts.	Midtown Mix	Elem. School, H.S.	WC, Service, BC	Black, Hispanic
<u>Sustaining Families</u>														
65 Big City Blues	1,057	938.2	Young-Mid	Lower-Mid	Urban	\$33,055	< 55	Families, Singles	Renters	Apartments	Urban Cores	Elem. School, H.S.	WC, Service, BC	Black, Asian, Hispanic

DETAILED PSYCHOGRAPHICS

Residential Market Area

LIFESTAGE GROUP	Local	Index	Age	Income	Urbanicity	Median	Typical	Predominant	Housing	Typical	Social	Typical	Occupation	Typical Racial
Demographic Segment	HH's	Value	Class	Class	Class	Income	Age Range	HH Status	Preference	Housing Type	Group	Education Level	Type	Composition
MATURE YEARS														
Affluent Empty Nesters														
1 Upper Crust	38	24.7	Mid-Older	Wealthy	Suburban	\$121,186	45-64	Couples	Owners	SFDU	Elite Suburbs	College Grad.+	Exec, Prof, WC	White, Asian
7 Money and Brains	290	146.6	Mid-Older	Wealthy	Urban	\$93,457	45-64	Couples, Families	Mostly Owners	Mix, SFDU, Urban Condos	Urban Uptown	College Grad.+	Exec, Prof, WC	White, Asian
Conservative Classics														
14 New Empty Nests	65	60.3	Older	Upper-Mid	Suburban	\$75,295	65+	Couples	Mostly Owners	SFDU	The Affluentials	College	Mostly Retired	White
15 Pools and Patios	70	52.9	Mid-Older	Upper-Mid	Suburban	\$76,099	45-64	Couples	Mostly Owners	SFDU	The Affluentials	College	Prof, WC	White
21 Gray Power	92	98.3	Older	Midscale	Suburban	\$55,328	65+	Singles/Couples	Mostly Owners	Mostly SFDU, some Condos	Middleburbs	College	Mostly Retired	White
26 The Cosmopolitans	940	817.2	Mid-Older	Upper-Mid	Urban	\$59,750	55+	Couples	Owners	Mix, SFDU, Urban Condos	Urban Uptown	Some College	WC	White, Black, Asian, Hispanic
Cautious Couples														
39 Domestic Duos	15	12.3	Older	Midscale	Suburban	\$51,622	65+	Singles/Couples	Mostly Owners	SFDU	Middleburbs	Some College	Mostly Retired	White, Black
40 Close-In Couples	1,085	944.4	Older	Lower-Mid	Urban	\$43,049	55+	Couples	Owners	Mix, SFDU, Urban Condos	Midtown Mix	H.S. Graduate	Mostly Retired	White, Black, Hispanic
49 American Classics	105	101.3	Older	Downscale	Suburban	\$36,412	65+	Singles/Couples	Mostly Owners	SFDU	Inner Suburbs	H.S. Graduate	Mostly Retired	White, Black, Hispanic
Sustaining Seniors														
59 Urban Elders	559	420.8	Older	Downscale	Urban	\$26,113	55+	Singles	Renters	Apartments	Urban Cores	Elem. School, H.S.	Mostly Retired	Black, Asian, Hispanic
61 City Roots	806	706.3	Older	Downscale	Urban	\$29,292	65+	Singles/Couples	Owners	SFDU, Duplexes	Urban Cores	Elem. School, H.S.	Mostly Retired	Black, Hispanic
TOTAL, ALL HH's	10,071													

SOURCE: Claritas and Johnson Reid

MARKET SUMMARY

- Immediate Development Opportunities
 - Medical Office Space
 - Achievable Rents Adequate
 - Ability to Finance Projects
 - Support/Amenity Retail
 - Gateway Education Center
 - Rental Apartments
 - Structured Parking Not Market Viable
- Longer Term Opportunities
 - Build-to-Suit Office
 - Condominiums
 - Townhomes
 - Theaters
- Entitlements Remain an Impediment