WOODBURN OREGON Incorporated 1889

Addendum

May 27, 2020

To: Planning Commission (May 28, 2020)

From: Colin Cortes, AICP, CNU-A, Senior Planner

Cc: McKenzie Granum, Assistant City Attorney
Chris Kerr, Community Development Director C.K.
Dago Garcia, P.E., City Engineer
Doug Hamilton, Leeb Architects
Eugene Labunsky, developer

Subject: Addendum to Agenda Item 6a: Allison Way Apartments (DR 2020-05)

Summary:
The developer submitted written testimony in advance of the public hearing video conference tomorrow. Three documents are now attached to the record via this addendum.

Recommendation:
Same as per the staff report.

Attachment(s):
- "Market Analysis for Stacy Allison Way, A Rental Apartment Development", May 22, 2020 (55 pages)
- "Study for Possible Additional Parking", May 27, 2020 (1 spreadsheet)
- "Stacy Allison Way" conceptual cross section via Streetmix.net, May 27, 2020 (1 sheet)

Johnson
Economics

Market Analysis for Stacy Allison Way, a Rental Apartment Development in Woodburn, Oregon

Prepared for
West Coast Home Solutions, June 2019

Johnson Economics, LLC
621 SW Alder St, Suite 506
Portland, Oregon 97205

DR 2019-05

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I. INTRODUCTION

JOHNSON ECONOMICS was retained by WEST COAST HOME SOLUTIONS to evaluate the market potential of a rental apartment development on a site in Woodburn, Oregon. The main objectives of the study are to generate reliable assumptions with respect to achievable pricing and absorption as well as to provide general program guidelines considering the competitive environment and anticipated market demand.

The main components of this study are:

- Site evaluation
- Analysis of relevant local economic and demographic conditions
- Evaluation of local apartment trends
- Survey of the competitive environment, including existing and anticipated future supply
- Market depth analysis, with absorption projections for the market and the subject site
- Recommendations with respect to market timing, tenant orientation, and program characteristics

II. EXECUTIVE SUMMARY

ECONOMIC TRENDS

The Portland Metro economy has experienced strong growth in this business cycle. The growth has moderated lately, in part due to limited availability of labor. The region is currently adding around 30,000 jobs (2.6%) per year, which is more than twice the national rate. Income growth is currently around 5% per year. The population is growing by nearly 40,000 annually, which should translate into household formation of 15,000-20,000 units, given adequate and appropriate housing supply. Housing production has been below this level in recent years, something that has put upward pressure on rents and home prices.

The Salem Metro Area has tracked the Portland area closely over the past five years and is currently adding 2,700 jobs (1.6%) per year. The growth is broad-based and reflects a general increase in the demand for goods and services, including housing. Wages are increasing at the same pace as in the Portland Metro Area, around 4.0% per year. Young workers fill an increasing share of new jobs, reflecting the size of the millennial cohort and near-full employment among older workers. Strong growth among young workers is contributing to the region's strong demand for apartment units.

Woodburn's economy is heavily reliant on the retail sector, especially Woodburn Premium Outlets, and jobs in industrial settings (manufacturing, wholesale, warehouse/distribution). Job growth has historically tracked the wider region, averaging nearly 450 new jobs annually in recent years. Growth in coming years is anticipated to shift from retail to the industrial sector, reflecting that the outlet mall is fully built out while development of industrial space is expected to continue. The city recently approved the annexation of 108-acres of industrial land which could bring an estimated 500-1,000 new jobs into the area.

Woodburn has added 1,800 households since the turn of the millennium, for a 1.4% annual growth rate. The growth has taken place across a broad demographic spectrum, with more new family-age and younger households than in the surrounding region.

THE APARTMENT MARKET

The Portland Metro apartment market has been among the strongest in the nation during the current decade, though it has softened over the past two years as new supply has addressed the region's apartment shortage. The most recent data from Multifamily NW (spring 2019) puts the vacancy rate at 5%, with annual rent growth at 7.7%. Data from

CoStar, spanning a larger sample, suggests that the rent growth has remained somewhat stable at 2.8% as of Q1 2019, with the newest properties experiencing rent declines.

Woodburn and the surrounding French Prairie area have seen more limited construction in recent years, and remain undersupplied. Woodburn's vacancy rate is currently 1.6%, according to CoStar, while the annual rent growth is 4.8%. Our own survey of newer projects within the market area defined for the site (French Prairie) indicate vacancy around 1.0%, which is unusually low, both in a historical and geographic context. This suggests continued strong rent growth and capacity for additional supply.

JOHNSON ECONOMICS surveyed a sample of ten apartment projects for this analysis, located between Tualatin and Keizer. The projects were constructed over the past eleven years. As mentioned, occupancy rates are high across these projects. One- and three-bedroom units capture relatively high rents, suggesting that these are undersupplied relative to two-bedroom units in the current market.

MID-TERM APARTMENT SUPPLY AND DEMAND

At the 1% vacancy rate observed in our competitive survey, the defined market area needs another 230 vacant units to bring the market to a balanced 5% vacancy level. The lack of available units has likely created pent-up demand for new units among households that are currently on the sidelines of the market, possibly on the order of 100 units. In addition, we estimate demand growth of around 170 units per year over the coming five years. In other words, we estimate that the market needs roughly 1,150 new units in order to keep a 5% vacancy level five years from now. In comparison, we have identified roughly 630 units in the pipeline within this market, excluding the subject site. This indicates potential for another 520 units in this market over this period.

THE SUBJECT SITE

The subject site is well suited for apartments, providing good access to amenities, freeway, and employment. The main disadvantages are the freeway exposure and lack of natural greenbelts and views. We regard the site to be best positioned vis-à-vis young renters without children, which is a segment that places emphasis on access to employment and amenities. However, we expect the site to capture broad demand, including from young families and middle-age renters without children. With appropriate elevator-served buildings, the site will also likely capture senior demand.

ACHIEVABLE PRICING

Based on our assessment of the competitive position of the subject site, JOHNSON ECONOMICS estimates that the site can achieve monthly rents ranging from around $1,260 to $1,700 per unit in today's market, depending on unit type and size. These rates assume an up-to-date, mid-market profile with a relatively extensive amenity package (see next page). With the following recommended unit mix, this produces a blended average of $1,453 per unit and $1.77 PSF in the current market. Assuming 3% rent growth over the next two years, this suggests a blended PSF rate of $1.88 two years from now.

FIGURE 2.1: ACHIEVABLE RENTS, SUBJECT SITE

				2Q19 RENT		2Q21 RENT *	
Unit Type	**Units**	**Unit Mix**	**Avg. Size**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**
1B/1b Sm	30	12%	550	$1,152	$2.09	$1,222	$2.22
1B/1b Md	40	16%	650	$1,242	$1.91	$1,318	$2.03
1B/1b Lg	30	12%	750	$1,328	$1.77	$1,408	$1.88
2B/1b	50	20%	800	$1,348	$1.69	$1,430	$1.79
2B/2b Sm	35	14%	900	$1,446	$1.61	$1,534	$1.70
2B/2b Lg	25	10%	1,000	$1,519	$1.52	$1,612	$1.61
3B/2b	40	16%	1,150	$1,620	$1.41	$1,718	$1.49
Total/Avg.	***250***	***100%***	***830***	***$1,379***	***$1.66***	**$1,463**	***$1.76***

* Assumes annual rent growth of 3%.

SOURCE: JOHNSON ECONOMICS

ABSORPTION

Based on anticipated supply and demand, and assuming delivery of around 250 units in early 2021, JOHNSON ECONOMICS estimates that the subject site can achieve absorption at a rate of 15 to 21 units per month, with complete absorption of 250 units in 12 to 17 months. On this basis, and taking into account the impact on the market-wide vacancy rate, we recommend a four-phase approach for a 1,000-unit project, with a new phase every 18 to 24 months. We also recommend staggered delivery of the buildings in pace with demand growth.

RECOMMENDED TARGET SEGMENTS

We recommend a broad demographic target, reflecting the scale of the project. We suggest a particular focus on non-family renters below the age of 35, but also accommodating families and middle-age renters without children – possibly also seniors. In terms of income, we recommend targeting households in the $50,000-80,000 range. However, we also recommend offering some units appropriate of single-income households with incomes down to $40,000 and two-income households with incomes in the $100,000 range.

RECOMMENDED PROFILE AND UNIT MIX

We recommend a mid-market profile with a design that is modern enough to differentiate the project from the existing apartment stock, yet traditional and timeless enough to resonate with a broad demographic spectrum. We recommend a mix of units targeting singles as well as couples and families and appealing to the entire target income range. We recommend roughly 40% one-bedroom units, 45% two-bedrooms, and 15% three-bedroom units, offering a variety of floor plans and sizes.

RECOMMENDED AMENITIES

We recommend 9-foot ceilings and an up-to-date and modestly upscale finish level. We recommend balconies in all units and air-conditioning at least in south- and west-facing units. In terms of community amenities, we recommend a clubhouse, fitness room, and outdoor pool and spa. We also recommend some amenities oriented toward families, such as a playground and ball court, as well as features that appeal to pet owners and middle-age and senior renters, such as a pet wash station and a greenspace. In terms of parking, we recommend a minimum ratio of 1.70 per unit with the recommended unit mix, including some covered parking and garages.

FIGURE 2.2: RECOMMENDED AMENITIES

Unit Amenities	Community Amenities
9-foot ceilings	Clubhouse w/lounge and kitchen
Vinyl/laminate plank and carpet flooring	Deck w/seating, firepit, and BBQ
Stone or solid surface countertops	Fitness room
Undermount sinks	Outdoor pool and spa
Garbage disposal	Pet wash station or grooming room
Stainless steel kitchen appliances	Playground, (indoor play area)
Washer and dryer	Ball court
Gas fireplace (larger units)	Greenspace
Balconies/patios	(Storage units)
Air conditioning (S/W facing units)	(Sauna, steam room, splash pad)
	Auto parking, min 1.7 stalls/unit

SOURCE: JOHNSON ECONOMICS

III. Site Analysis

The Subject Site

The subject site is located in the western portion of Woodburn, just east of Winco Foods Distribution Center and the I-5 freeway. The site is roughly 35 acres in size and backs up against a residential neighborhood with single-family homes and apartment complexes. Directly to the north is a Walmart Supercenter and a freeway-oriented commercial area that includes convenience stores and fast food restaurants. A 108-acre tract of industrial land sits adjacent to the Winco Foods Distribution Center. A large industrial project is proposed on this site, which will likely have implications for apartment demand in this area (see next page).

Figure 3.1: Subject Site

SOURCE: City of Woodburn, Atlas Management, Johnson Economics

The following figure shows concept drawings for the apartment community, including the locations of buildings and designated parking areas.

FIGURE 3.2: SITE CONCEPT PERSPECTIVE

SOURCE: Andy, Atlas Management

<u>I-5 LOGISTICS CENTER</u>

On the mentioned 108-acre site west of the I-5 freeway, Specht Development has proposed an industrial development that might include around 2,000,000 square feet of space in two to four buildings. Figure 3.3 shows the two-building option currently being evaluated for the site, and illustrates the proximity to the subject site. No tenants have been signed at this point, and the timing of the development is uncertain. However, the developer is intent on proceeding with a speculative project over the near term. Based on typical per-employee space usage in large distribution centers, we would expect this project to result in 500-1,000 new jobs.

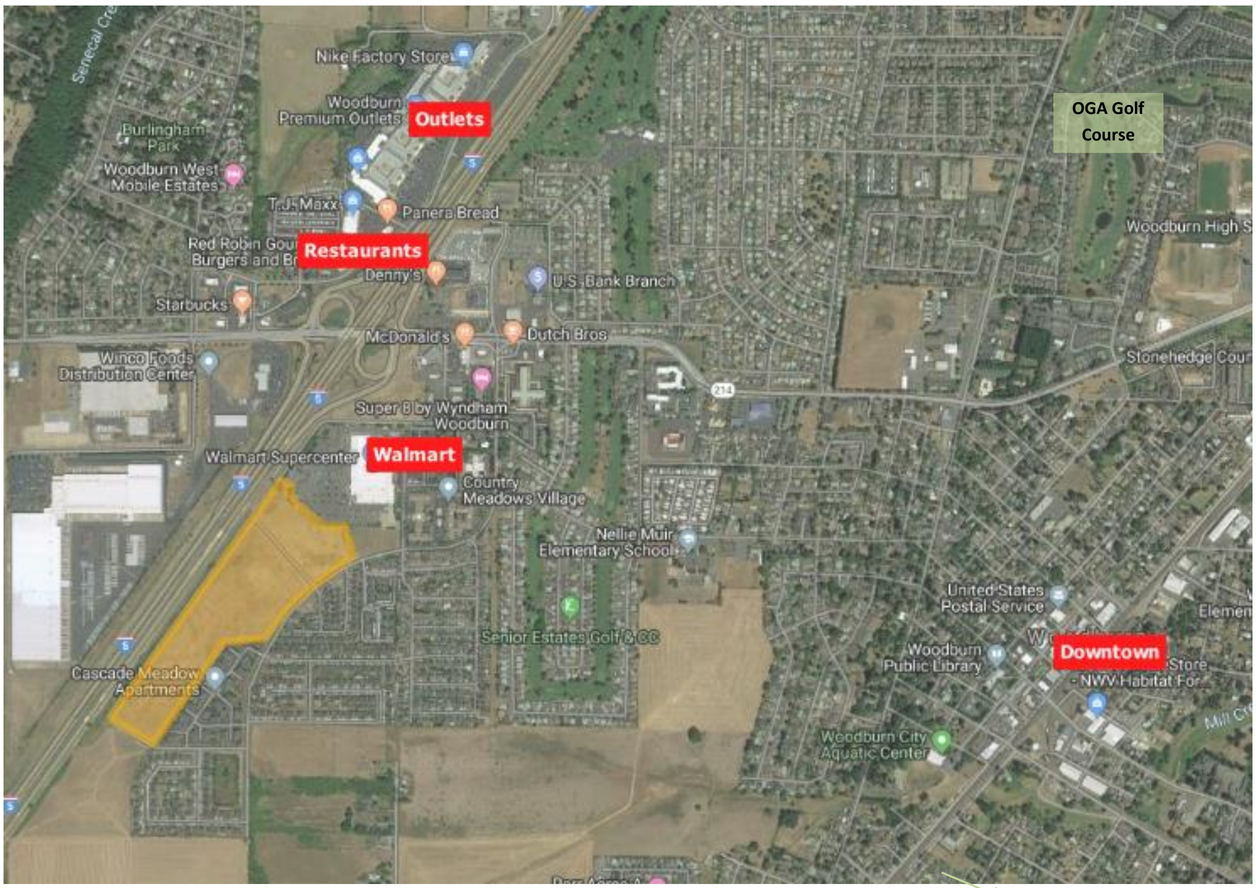
FIGURE 3.3 SPECHT I-5 LOGISTICS CENTER

SOURCE: Specht Development

Nearby Amenities

The subject site provides good access to commercial amenities. First, it is a short drive away from the Woodburn Premium Outlets, which along with a wide range of apparel stores also include food and drinking places, including a coffee shop, juice bar, sandwich shop, and Mexican grill. Additional restaurant options are located immediately around the mall (Red Robin, Panera, Chipotle, Arby's, Elmer's, Sora Sushi, Jack in the Box, Nancy's Burgers). Directly north of the subject site is a Walmart Supercenter and a Walgreens Pharmacy. Additional amenities and services are found in Downtown Woodburn, which is less than two miles or roughly five minutes away by car. A Safeway store is located east of Downtown, three miles from the site.

Figure 3.4: Nearby Amenities



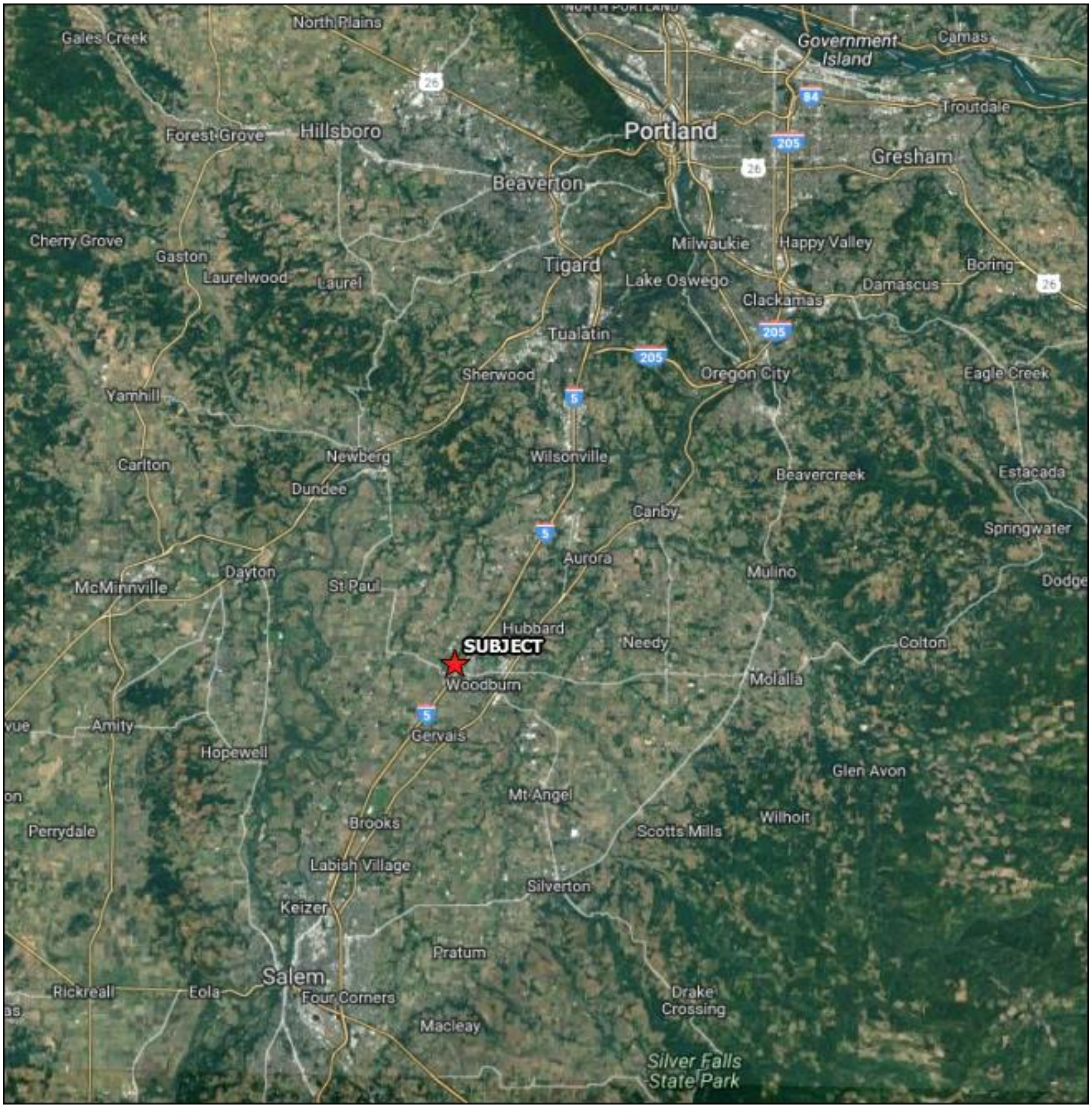
SOURCE: QGIS, Google Maps, Johnson Economics

Regional Context

Regional Access

In a broader context, the subject site and Woodburn are located centrally in the French Prairie, the part of the Willamette Valley that extends between Wilsonville and Salem, east of the Willamette River. This is a mostly rural area dominated by agriculture, but with a number of smaller urban communities. Woodburn is centrally located within this area, providing rapid and convenient access to most of these communities as well as Portland and Salem. As such, it represents a natural commercial hub and a convenient place of residence for couples with employment in different parts of the region. The site is roughly 30 minutes from Downtown Portland and Salem outside rush hours, while Wilsonville is 15 minutes away. Newberg, Canby, Molalla, and Silverton are roughly 20-25 minutes from the site.

FIGURE 3.5: REGIONAL CONTEXT



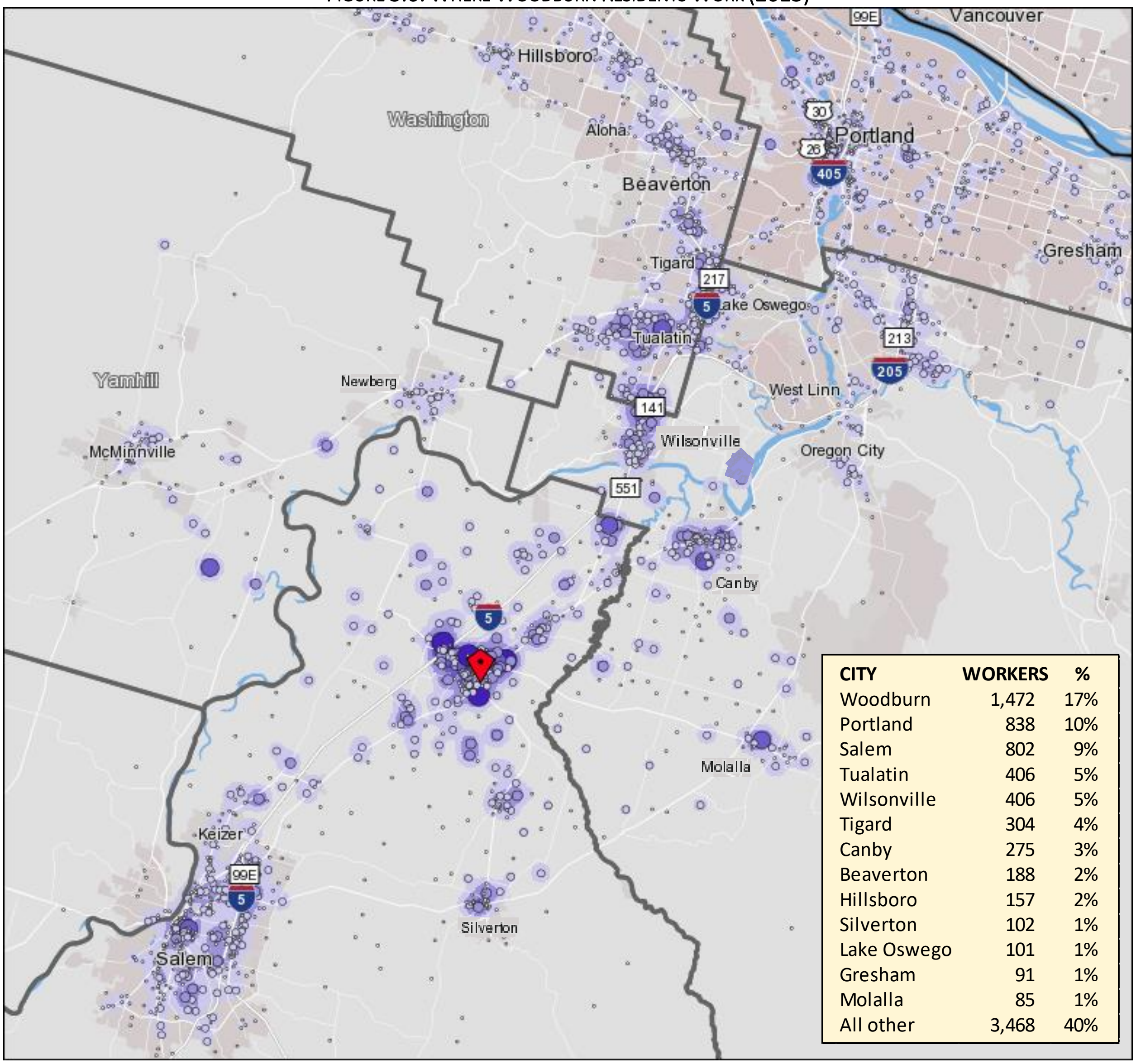
SOURCE: QGIS, Google Maps, JOHNSON ECONOMICS

EMPLOYMENT CONCENTRATIONS

Central Portland is the largest employment center in the region, with roughly 250,000 jobs. Washington County represents slightly more jobs (270,000), spread across a larger geographic area, while the Salem/Keizer area totals approximately 100,000 jobs. Woodburn itself represents approximately 8,000 jobs, while Wilsonville has nearly 20,000 jobs. Among the other employment centers within commute range of the site, Newberg has 9,000 jobs, Canby has 6,000, Silverton has 3,000 jobs, and Molalla 2,000.

The following map shows where Woodburn residents work, based on data from 2015 (most recent available). Of the 8,600 employed workers who live in Woodburn as of 2015, 17% also work in Woodburn. More than half of the workforce commute to the north, including 17% each to Washington and Clackamas counties, and 11% to Multnomah. One-quarter of the workforce commute to the south, nearly all within Marion County. Woodburn has become more of a bedroom community over the past ten years. Whereas there were 12% more workers commuting into than out of Woodburn in 2005, there were 7% more workers commuting out of than into the city in 2015, with Washington County commuters representing the strongest growth.

FIGURE 3.6: WHERE WOODBURN RESIDENTS WORK (2015)



CITY	WORKERS	%
Woodburn	1,472	17%
Portland	838	10%
Salem	802	9%
Tualatin	406	5%
Wilsonville	406	5%
Tigard	304	4%
Canby	275	3%
Beaverton	188	2%
Hillsboro	157	2%
Silverton	102	1%
Lake Oswego	101	1%
Gresham	91	1%
Molalla	85	1%
All other	3,468	40%

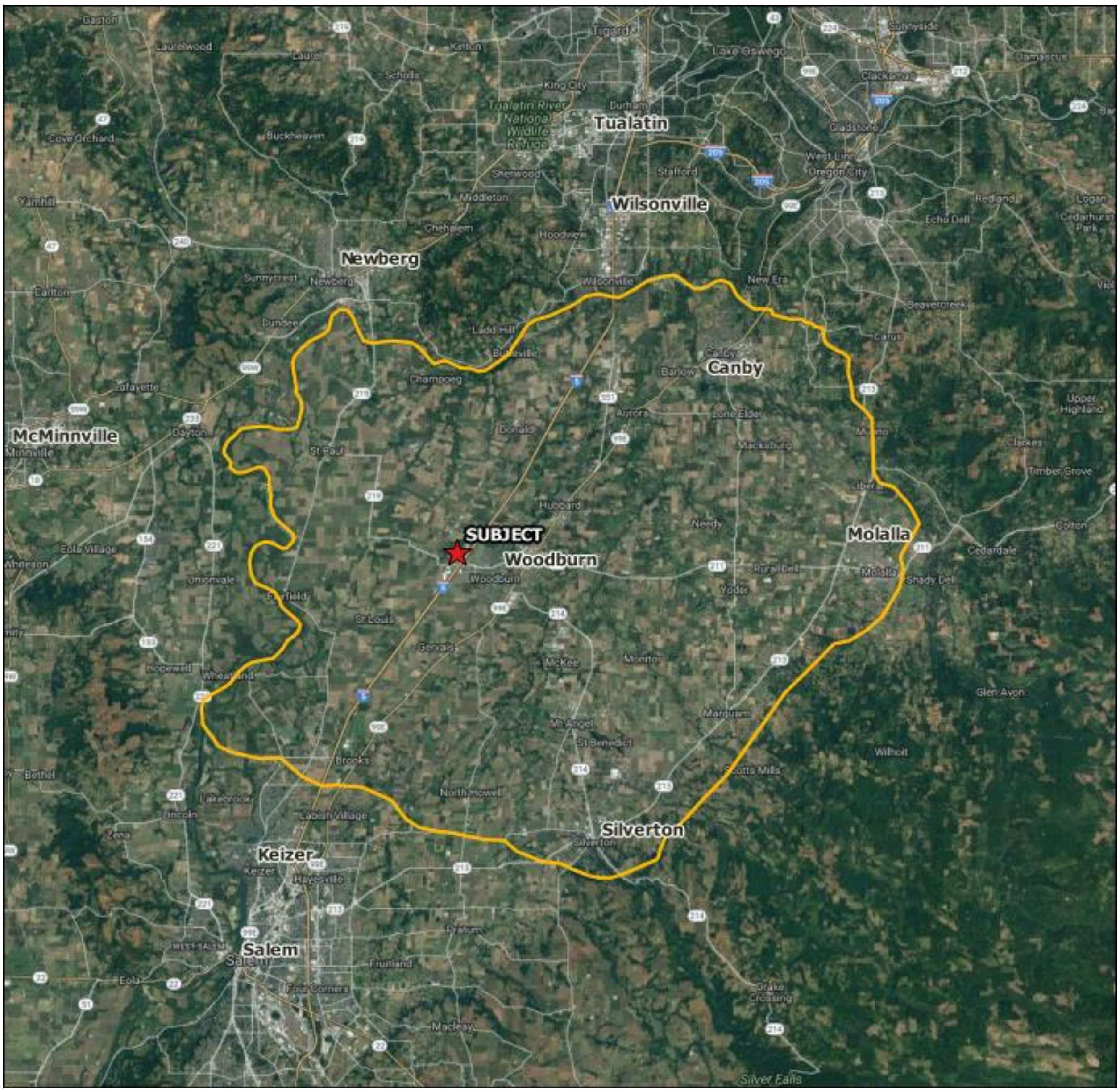
SOURCE: U.S. Census Bureau

IV. Market Area Definition

The Primary Market Area (PMA) is defined as the geographic region from which the subject development is expected to draw most of its market support, and within which similar projects compete on a comparable basis. In other words, it is the geographic region from which we would expect potential renters to evaluate alternative options.

For this analysis, we define the PMA as shown in the map below, which roughly corresponds to the region sometimes referred to as the French Prairie. This region spans the I-5 corridor between Wilsonville and Keizer, extending east to the communities of Canby, Molalla, and Silverton. The area is bounded by the Willamette River to the north and the west. The PMA represents a drive radius of 15-25 minutes from the site. We regard this market to be distinct from markets to the north and south, which are more urban and more directly oriented toward Portland and Salem.

FIGURE 4.1: MARKET AREA



SOURCE: Google Maps, Johnson Economics

V. SOCIO-ECONOMIC TRENDS

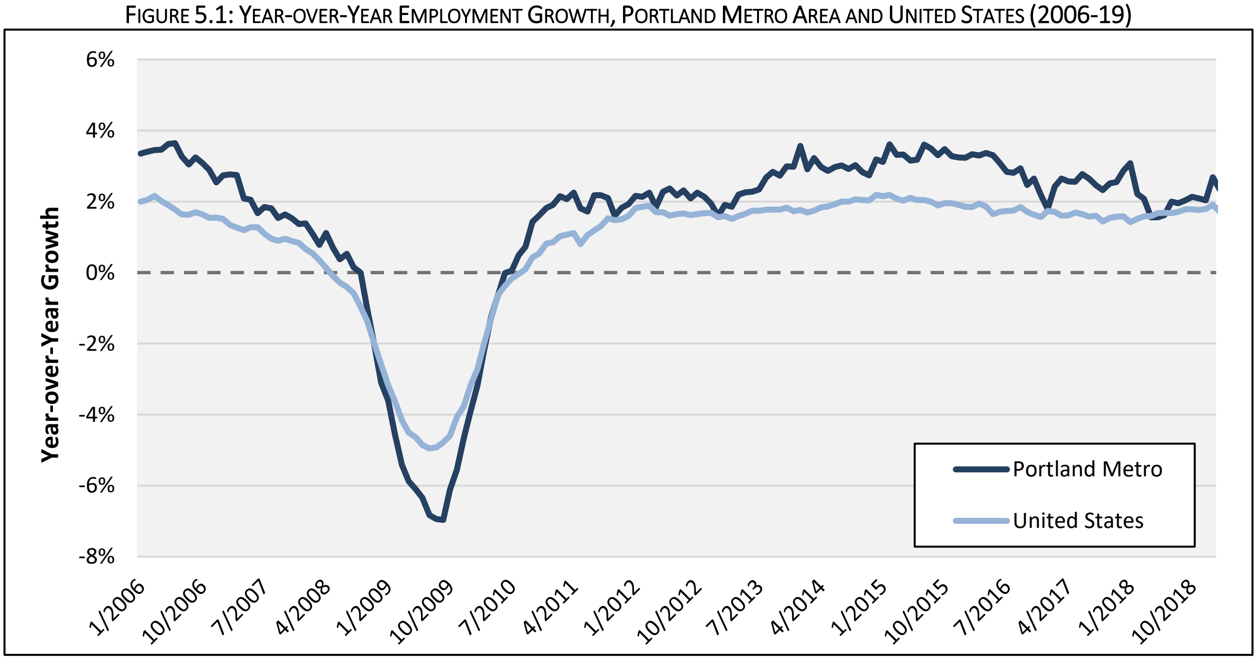
PORTLAND METRO AREA

EMPLOYMENT

The four-county Portland Metro Area is currently adding roughly 30,000 new jobs per year. This represents a year-over-year growth rate of 2.6% – well above the national rate of 1.6%. The region has been outperforming the remainder of the nation during much of the recovery, largely due to a thriving tech sector and strong in-migration. However, an increasingly tight labor market has limited job growth in recent years.

The deceleration in the growth rate began to take effect as the regional unemployment rate dipped below 5.0%, affecting virtually all industries (healthcare being a notable exception). The unemployment rate has since fallen to 3.9% - well below the "natural rate" of 4.7-5.8%, which according to the Federal Reserve characterizes a healthy economy. A tight labor market reduces access to labor directly, and secondarily limits the growth in consumption, which in turn reduces the need for new hiring. The growth made a temporary bounce in mid-2018, likely reflecting an increase in available labor due to new graduates and summer migration.

FIGURE 5.1: YEAR-OVER-YEAR EMPLOYMENT GROWTH, PORTLAND METRO AREA AND UNITED STATES (2006-19)



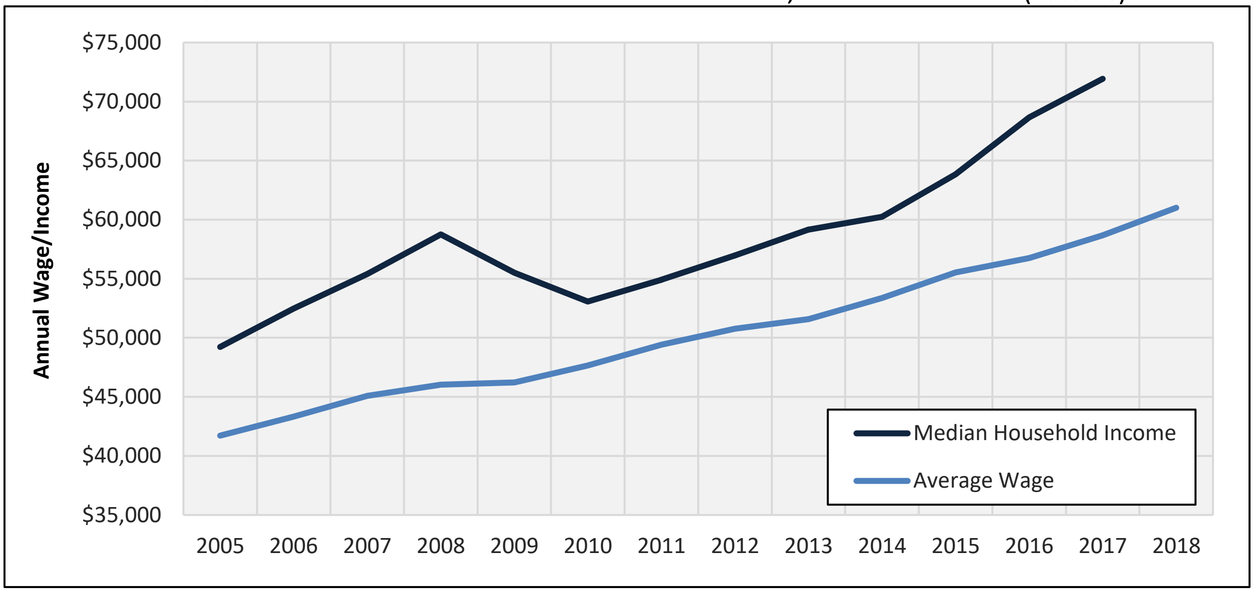
SOURCE: Oregon Employment Department, JOHNSON ECONOMICS

WAGES AND INCOME

Wages in the Portland Metro Area have grown at a healthy rate since the recession and averaged $61,000 as of 4Q18. The average annual increase in the wage level since 2009 is 2.7%, which is high in a national context, reflecting growth in high-wage tech and business management jobs. The annual wage growth accelerated to 4% in 2015, the largest since pre-recession numbers, and has remained high at 3.4% and 4% for 2017 and 2018 respectively. This demonstrates that employers are increasingly forced to raise wages to attract workers.

Household incomes declined rapidly as jobs were cut between 2008 and 2010, but rose at a robust annual rate around 3.0% in the three following years due to rising employment and wage levels, combined with household compression. The annual growth peaked at 7.6% in 2016, and decelerated to 4.7% in 2017 as increasing housing supply allowed for an increase in new single-income households. As of 2017, the median income level was $72,00 in the seven-county Metro Area. At this level, the typical household earns $18,900 more per year than in 2010 (+36%).

FIGURE 5.2: AVERAGE ANNUAL WAGE AND MEDIAN HOUSEHOLD INCOME, PORTLAND METRO AREA (2005-18)

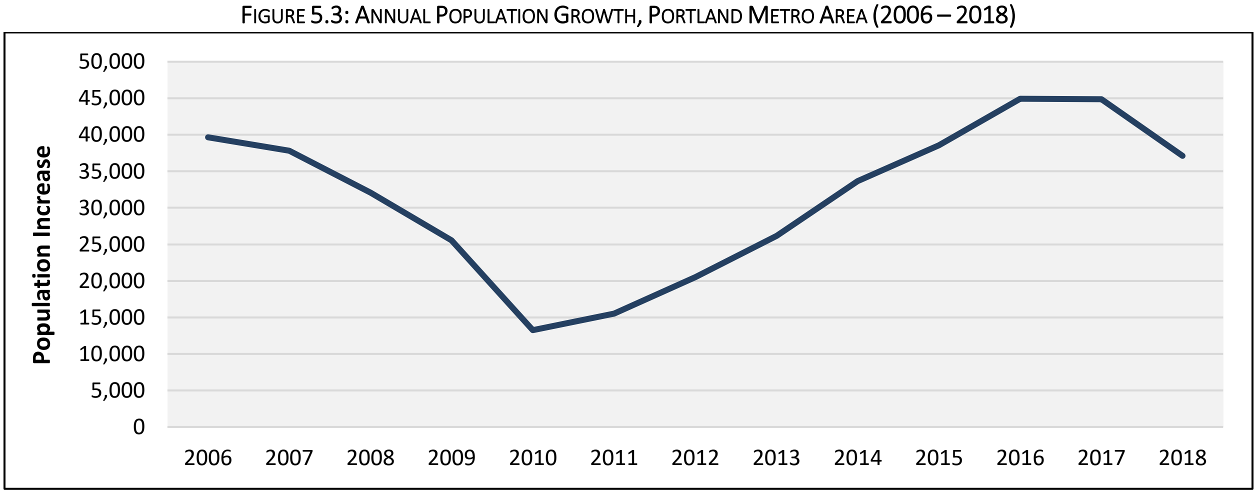


SOURCE: Oregon Employment Department, U.S. Census Bureau, JOHNSON ECONOMICS

POPULATION

The following chart displays the annual population increase in the seven-county Portland Metro Area through 2018. After accelerated growth during the first part of the current economic expansion, the increase finally topped out in 2016 with an added 45,000 individuals. Growth slowed to 37,500 in 2018 - still well above pre-recession levels. At an average household size of 2.60 (2017), this should translate into household formation of around 14,500 units per year, assuming adequate housing supply. However, current household growth is weighted to smaller households without children, which likely translates into housing demand closer to 20,000 units per year.

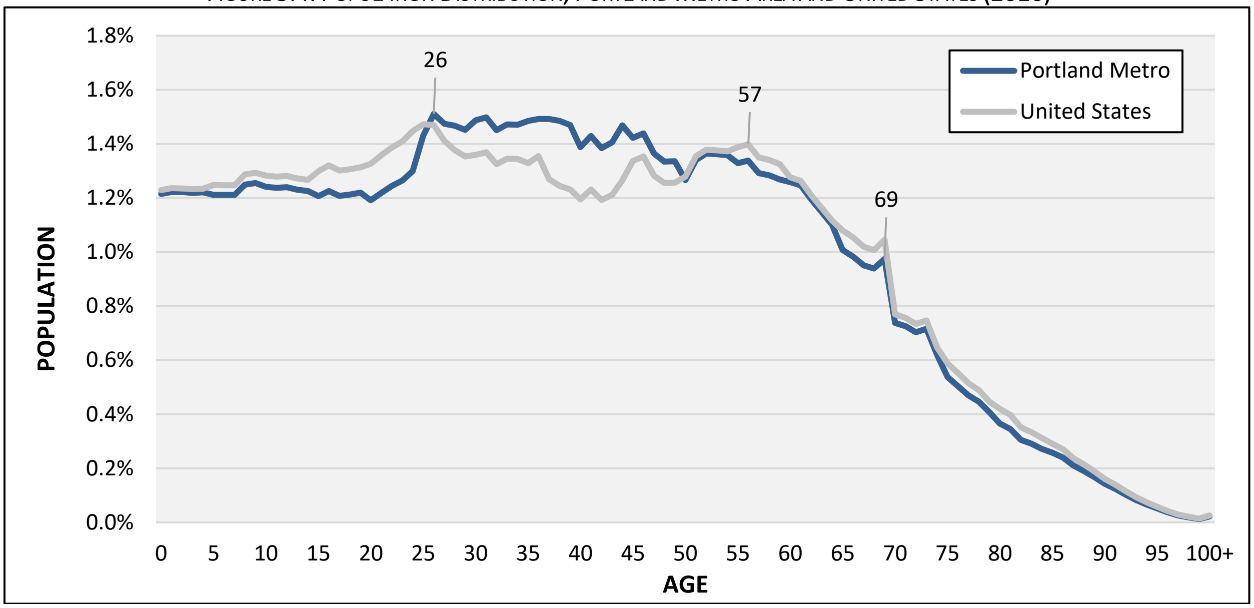
FIGURE 5.3: ANNUAL POPULATION GROWTH, PORTLAND METRO AREA (2006 – 2018)



SOURCE: U.S. Census Bureau, JOHNSON ECONOMICS

The population distribution in the Portland Metro Area differs from the national distribution. The local population is somewhat younger overall, but with a smaller share of college-age residents and a larger working-age population. This twist is a result of relatively few universities located within the region, but a large tech sector that attracts young workers. Population estimates for the region are only available for five-year age groups. We rely on estimates from Portland State University (NERC) rather than from the Census Bureau. In the following chart, we have distributed the five-year estimates to single years, largely assuming that the local population reflects the same distribution as the national population within each five-year group. The chart indicates that there are relatively few millennials at the typical "move-out" age of 18-22 within the region. Estimates from the Census Bureau indicates even fewer younger millennials. The crest of the millennial wave was 26 years old in 2016, and is turning 29 in 2019.

FIGURE 5.4: POPULATION DISTRIBUTION, PORTLAND METRO AREA AND UNITED STATES (2016)



SOURCE: PSU NERC, U. S. Census Bureau, JOHNSON ECONOMICS

<u>POPULATION-RELATED IMPACTS ON HOUSING DEMAND</u>

There are several implications of the population distribution for future housing demand in the Portland Metro Area. First, with the peak concentration of millennials currently at 29 years of age (28 nationwide), we can assume that the wave of household formation driven by millennials is behind us. Although millennials remain in their parents' homes longer than previous generations, research has shown that a large majority are moved out by this age. JOHNSON ECONOMICS estimates that roughly 75% of all millennials (defined as born in the eighties or nineties) nationwide by now have moved out from their partents, something that has boosted apartment demand over the most recent years.

Second, the relatively few college-age residents in the region suggests that demand for apartments is dependent on continued in-migration of college graduates to the Portland Metro Area. This, in turn, is dependent on continued strong job creation. The nationwide decline in college enrollment over the most recent years (peaked in 2011), partly reflecting that the crest of the millennial wave has moved past the typical college age, indicates moderating in-migration of college graduates in coming years. Thus, we also expect apartment demand to moderate.

Over the next years, the crest of the millennial wave will move into the family stage and create demand for additional single-family housing. The median age of first-time births is 27 (Washington State data), and the median age of first-time homebuyers is 32 or 33, depending on data source, suggesting immediate strong demand for single-family rentals, followed by peak demand for starter ownership homes in a few years. However, declining rates of family formation and births, along with financial hurdles for current apartment renters seeking to buy a single-family home, are likely to keep many of the family-age households in apartments and other rental units in coming years.

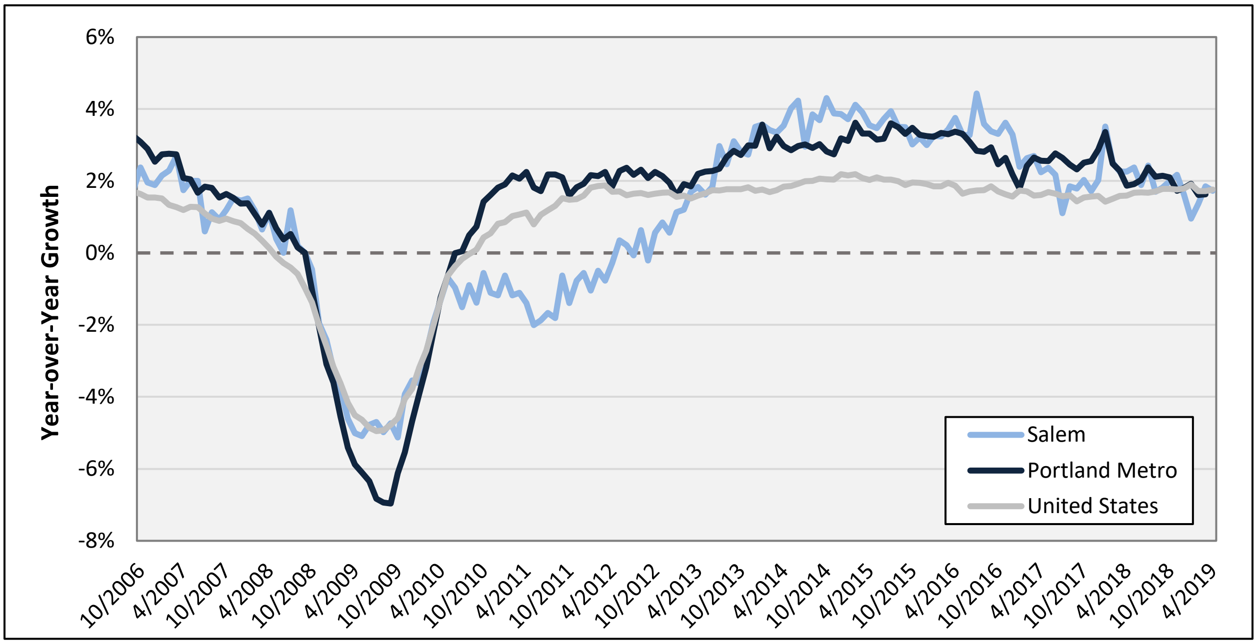
Finally, the aging of the baby boomers will also impact housing demand. As the boomers age into the empty nester and senior stages, the demand for large, expensive single-family homes might decline, while demand for move-down and senior options will likely increase, including demand for smaller single-story homes and senior-friendly apartments and condominiums. The boomer wave is still a decade away from reaching the assisted living stage in full force.

SALEM METRO AREA

EMPLOYMENT GROWTH

The Salem Metro Area (Marion and Polk counties) has largely tracked the Portland Metro Area in terms of employment growth over the past five years, after lagging throughout the first part of the recovery due to cuts in the government sector. The resurgence reflects the wider suburban recovery – with growth in construction, retail, and health services – combined with re-hiring in the government sector. As in the Portland Metro Area, the growth has moderated recently as unemployment levels have fallen. At year-end 2018, annual non-farm job growth is 2,700 jobs (1.6%), and unemployment is at 4.3%.

FIGURE 5.5: NON-FARM EMPLOYMENT GROWTH, SALEM VS. PORTLAND METRO AREA AND U.S. (2006-2019)



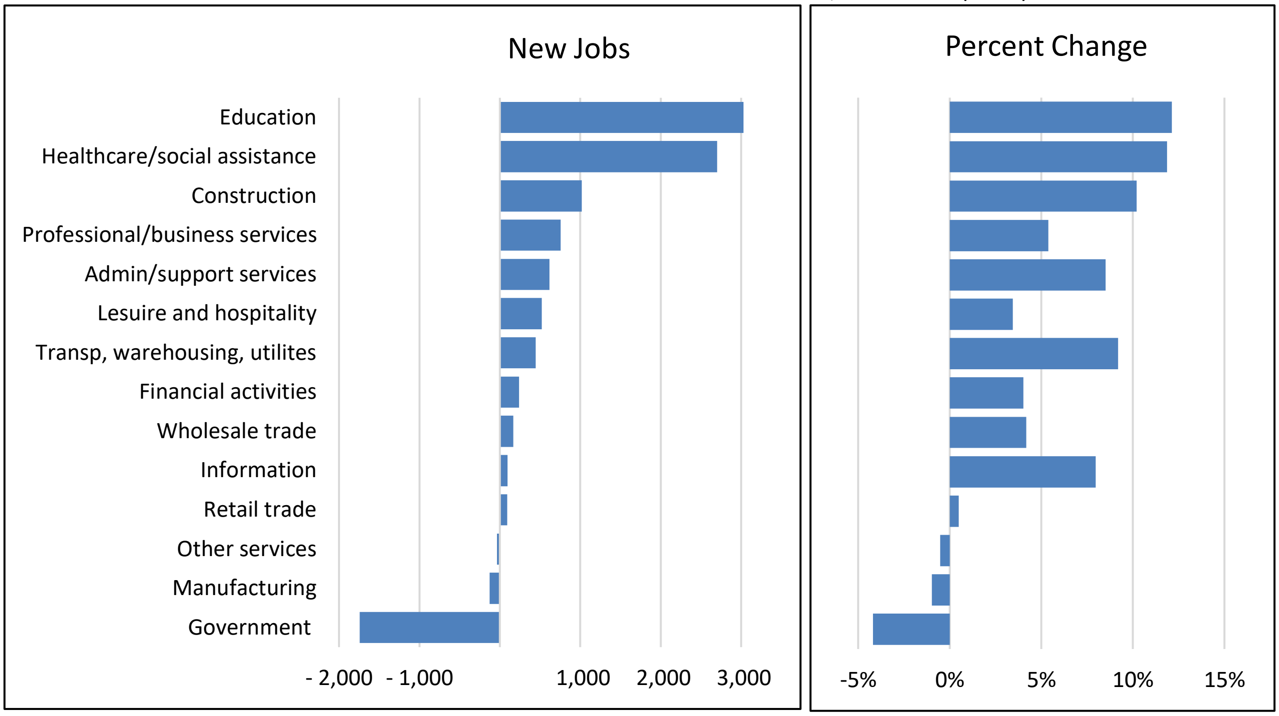
SOURCE: *U.S. Bureau of Labor Statistics, Oregon Employment Department*

INDUSTRY GROWTH

The current job growth in the Salem Metro Area is broad-based, with contributions from many industries. The growth is driven by a general increase in demand for goods and services, including housing. The largest contributor to growth over the past year is education, which has generated 3,000 new jobs. This is also the industry with the highest relative growth, at 12% over the past year. The area has also seen strong growth in healthcare (+2,700 jobs, 12%) and construction (+1,000, 10%), reflecting population growth and increasing demand for healthcare services from aging baby boomers. The area is also experiencing growth related to demand generated outside the local household base, for instance in transportation/warehousing (+445, 9%) and administrative services (+600, 3.9%).

Government is currently the weakest industry in both absolute and relative terms, losing 1,740 jobs over the past year (-4.0%). Retail has also struggled to gain momentum with slight annual increase of 92 jobs (0.5%) This is reflective of the nationwide – or even global – shift from brick-and-mortar to online shopping. This trend is reflected in the high relative growth of the transportation, warehousing, and utilities in Salem, which added 445 jobs in 2018 (9%)

FIGURE 5.6: YEAR-OVER-YEAR EMPLOYMENT GROWTH BY INDUSTRY, SALEM MSA (2018)

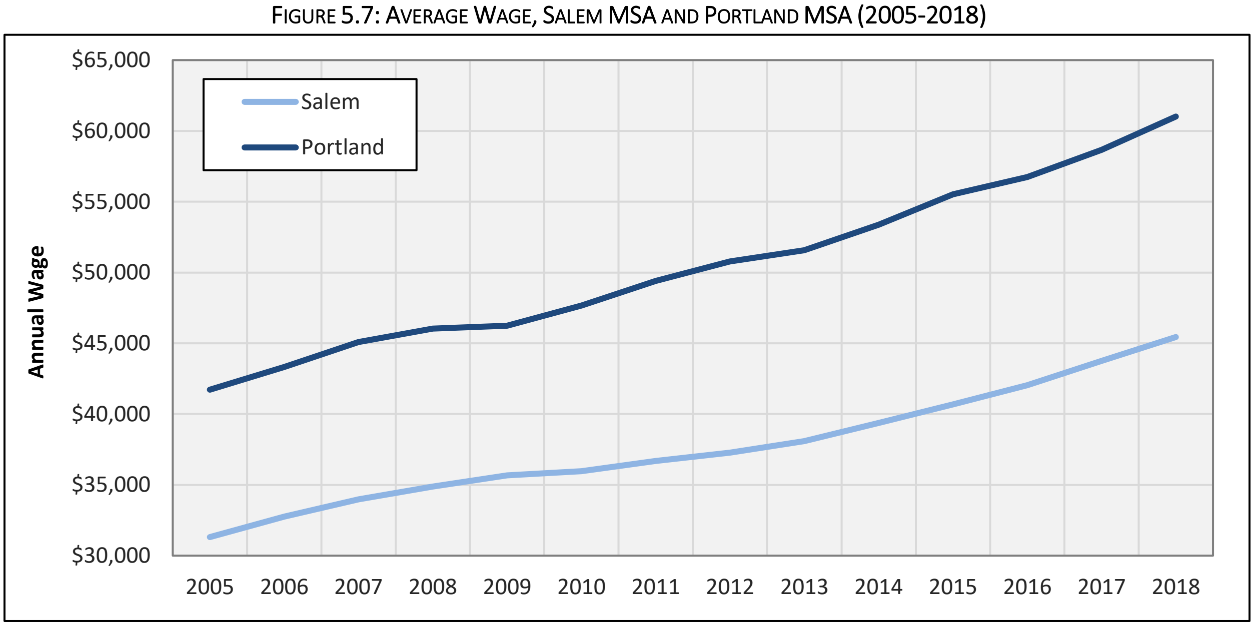


SOURCE: Oregon Employment Department, JOHNSON ECONOMICS

WAGES

Wage levels in the Salem MSA are lower than in the Portland MSA, with an average of $4,500 (2018), compared to $61,000 in the Portland area. However, the Salem MSA has seen very similar percentage-wise growth over the past ten years, with a total increase of 30% compared to 32.5% in Portland. The Salem area has exhibited steady increases over this period, with recent growth hovering around 4.0% per year.

FIGURE 5.7: AVERAGE WAGE, SALEM MSA AND PORTLAND MSA (2005-2018)



SOURCE: Oregon Employment Department, JOHNSON ECONOMICS

Demographic Shifts in the Workforce

A large share of the new jobs created in Marion County are currently filled by young workers. This is primarily a cyclical phenomenon, reflective of an economy in the mature stages of the business cycle. At the current low unemployment rate, there is a shortage of experienced labor, forcing employers to hire younger and less experienced workers. In Marion County, this dynamic is partially offset by hiring in the government sector, which is weighted to relatedly old workers (the opposite is true of the Portland Metro Area, which is generating more white-collar employment reliant on a young workforce). In this analysis, we rely on the QCEW dataset, which differs somewhat from the data presented over the previous pages. Demographic variables are only available on the county level, and only through 2017.

Whereas the 55-64 age group accounted for much of the job growth in Marion County prior to 2013, the strongest growth since 2012 has taken place among younger cohorts, especially in the 25-34 and 35-44 age groups. Workers between 19 and 34 are of particular interest in the context of apartment demand. These have filled 38% of the new jobs created in Marion County over the 2013-17 period, for a total of 8,000 jobs. Transportation & warehousing and construction are two of the largest contributors of new jobs to 19-34-year-olds, generating 30% and 28% of all new jobs filled by these workers, respectively. Other services saw the largest increase within this age group, representing 48% of total growth. Note that demographic jobs data is only available through 2017, and only on the county level.

We include the same analysis for Clackamas County, which as a more freeway/retail-oriented economy in some ways is more representative of Woodburn. Clackamas reflects a similar shift in job growth from older to younger workers, with the 35-44 segment as the largest contributor to growth in 2017. The largest sectoral driver of job growth among 19-34-year-olds in Clackamas over the 2013-17 period was healthcare, accounting for 23% of the new jobs. This was followed by construction (16%), accommodation and food (10%), and retail (9%).

Figure 5.8: Net Job Growth (Y/Y) by Worker Age, Marion and Clackamas Counties (2007-2017)

MARION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
19-24	-113	-1,067	-847	-310	-49	258	1,106	879	683	178	524
25-34	746	-579	-699	-147	-341	-286	833	1,173	969	616	1,055
35-44	-234	-1,094	-708	-4	-23	702	945	1,239	1,020	600	978
45-54	14	-907	-1,122	-654	-650	-82	408	304	1,028	-147	186
55-64	1,274	745	434	700	-3	662	454	538	820	283	394
65-99	441	-64	254	335	485	510	488	538	559	575	844
TOTAL	**2,108**	**-3,715**	**-3,406**	**-335**	**-669**	**1,817**	**4,479**	**4,938**	**5,321**	**2,265**	**4,260**

CLACKAMAS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
19-24	-203	-1,961	-671	-90	245	382	366	765	908	239	110
25-34	-27	-2,387	-580	-82	283	592	368	1,037	1,251	979	613
35-44	-870	-2,445	-640	280	476	924	710	1,083	1,367	1,180	955
45-54	-586	-2,244	-617	-166	-71	74	152	723	858	480	413
55-64	841	-86	527	821	653	809	562	698	1,014	738	576
65-99	361	-56	283	183	629	519	535	623	729	829	793
TOTAL	**-595**	**-10,256**	**-2,589**	**647**	**2,185**	**3,367**	**2,845**	**5,359**	**6,516**	**4,772**	**3,548**

SOURCE: U.S. Census Bureau, U.S. Bureau of Labor Statistics

In terms of wage levels, job growth among 19-34-year-olds in Marion County is currently concentrated between $20,000 and $70,000, though growth just above $20,000 is largely due to wage increases rather than job growth. Among the older cohorts, most of the growth is in the $60,000-90,000 range. Wage levels in Clackamas County exhibit more variation, with growth among the youngest segments spanning the $30,000-70,000 range, and older segments concentrated above $50,000 – we also note a significant increase in the $70,000-90,000 range for 35-44-year-olds.

FIGURE 5.9: YEAR-OVER-YEAR EMPLOYMENT GROWTH BY AGE AND WAGE, MARION AND CLACKAMAS COUNTIES (2017)

MARION, 2017	19-24	25-34	35-44	45-54	55-64	65-99	Total
<$10,000	-121	3	10	3	2	-13	158
$10,000-$19,999	-72	-830	-486	-134	-531	260	-1,813
$20,000-$29,999	661	534	47	218	705	-212	1,975
$30,000-$39,999	38	448	804	-90	-511	607	1,299
$40,000-$49,999	-41	-13	-432	-71	995	-31	407
$50,000-$59,999	53	348	-1,132	-267	-404	48	-1,354
$60,000-$69,999	-8	380	1,885	-357	-550	118	1,468
$70,000-$79,999	6	-76	-7	-1,323	1,116	-47	-331
$80,000-$89,999	8	41	155	2,155	-727	-34	1,598
$90,000-$100,000	0	220	-16	7	39	82	332
>$100,000	0	0	150	45	260	66	521
Total	***524***	***1,055***	***978***	***186***	***394***	***844***	***4,260***

CLACKMAS, 2017	19-24	25-34	35-44	45-54	55-64	65-99	Total
<$10,000	-1,569	0	4	0	0	59	-1,508
$10,000-$19,999	342	-2,404	-787	-235	-130	-1,203	-3,884
$20,000-$29,999	-218	-2,136	-630	-1,835	-910	1,637	-4,106
$30,000-$39,999	451	886	1,056	-234	-448	291	2,006
$40,000-$49,999	773	1,499	-2,042	-961	1,308	316	893
$50,000-$59,999	-223	1,415	2,593	875	-1,221	-579	2,860
$60,000-$69,999	184	1,038	-3,520	1,801	348	1,812	1,663
$70,000-$79,999	0	-202	3,300	-188	44	-203	2,751
$80,000-$89,999	37	-1,024	5,508	1,016	412	-144	5,805
$90,000-$100,000	0	2,511	-3,255	-665	1,542	-7	126
>$100,000	-7	249	1,509	1,958	41	240	3,990
Total	***-230***	***1,832***	***3,736***	***1,532***	***986***	***2,219***	***10,596***

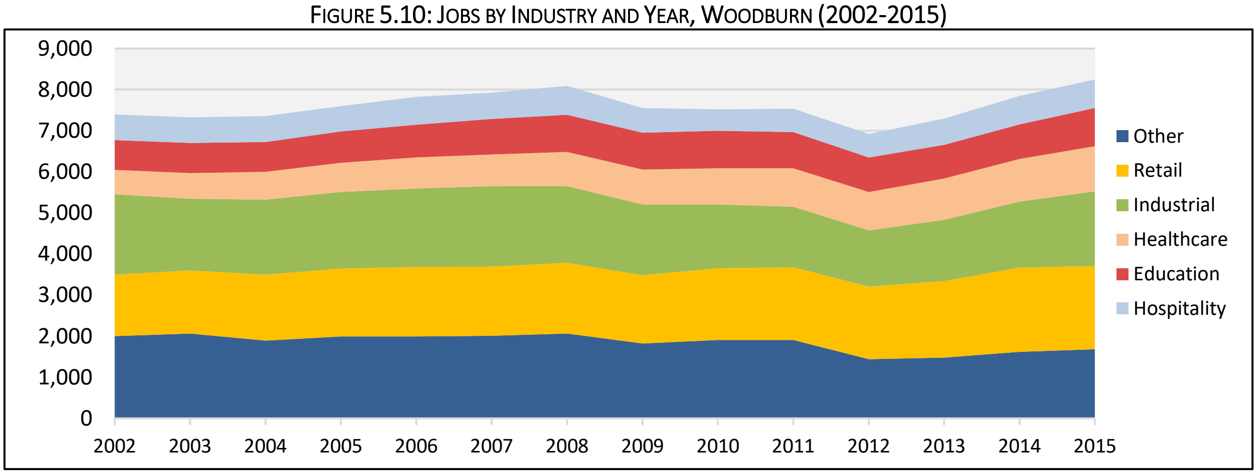
SOURCE: U.S. Bureau of Labor Statistics, U.S. Census Bureau, JOHNSON ECONOMICS

WOODBURN AND THE PMA

EMPLOYMENT

Employment data on the sub-county level is only available through 2015. As of 2015, Woodburn had a total of 8,250 primary jobs (the highest paid job for any individual worker), accounting for 5% of the Salem MSA economy. Retail is the largest industry in Woodburn, accounting for 25% (2,030) of the jobs, concentrated at Woodburn Premium Outlets. Industrial jobs (manufacturing, wholesale, warehousing/transportation) account for 22% of the city's jobs.

FIGURE 5.10: JOBS BY INDUSTRY AND YEAR, WOODBURN (2002-2015)

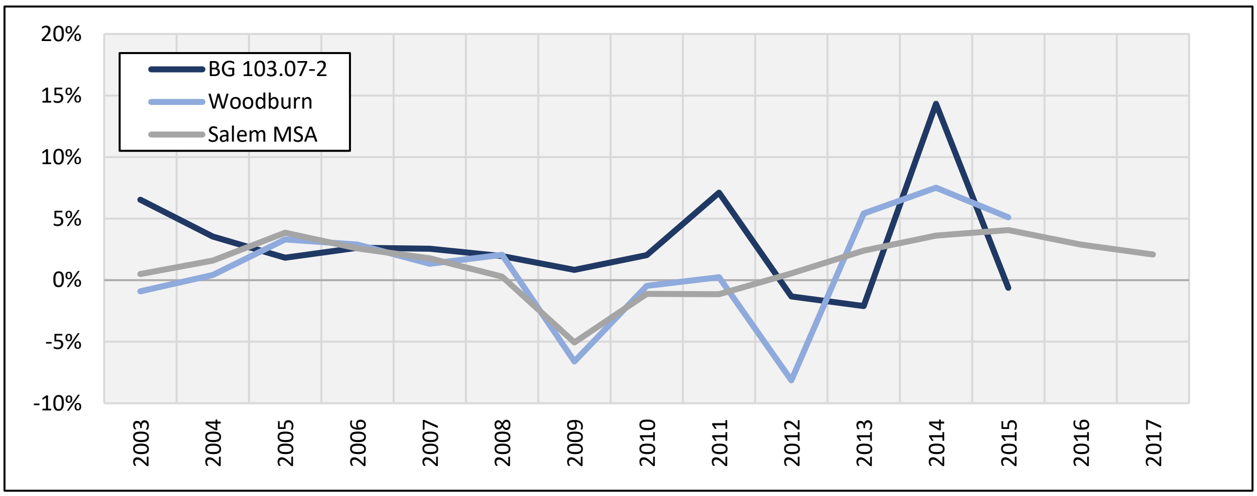


SOURCE: U.S. Bureau of Labor Statistics, Oregon Employment Department

In terms of growth rate, Woodburn has historically tracked the Salem MSA. Some 400 jobs were added in the city in 2015, after generating 550 jobs in 2014 and 375 jobs in 2013. Manufacturing and retail contributed 40% of the new jobs over this three-year period (270 jobs each), though the retail sector was flat in 2015. Healthcare, construction and transportation/warehousing were other important growth sectors over this period.

Census Block Group 103.07-2, home to the Woodburn Premium Outlets, is located across I-5 from the subject site (see next page). In 2015 the block group had nearly 1,600 jobs; of these, 920 jobs were in retail, 440 in transportation/warehousing, and 150 in hotel and restaurants. The number of retail jobs in the block group declined by 90 in 2015, after gaining 230 in 2014. An average of 35 new retail jobs were created per year over the 2013-15 period. No new space was added to the outlet mall over this period, and the mall operated at or near 100% occupancy throughout the period. However, a TJ Max store and some smaller retailers opened to the south of the mall in 2015. In the industrial area south of Highway 214, there were 1,300 manufacturing and transportation/warehousing jobs in 2015, up from 1,200 in 2014 and 1,000 in 2012. Although current employment data for this area is not available, we expect the block group and Woodburn more generally to have seen healthy employment growth through recent years.

FIGURE 5.11: ANNUAL EMPLOYMENT GROWTH (2003-2017)

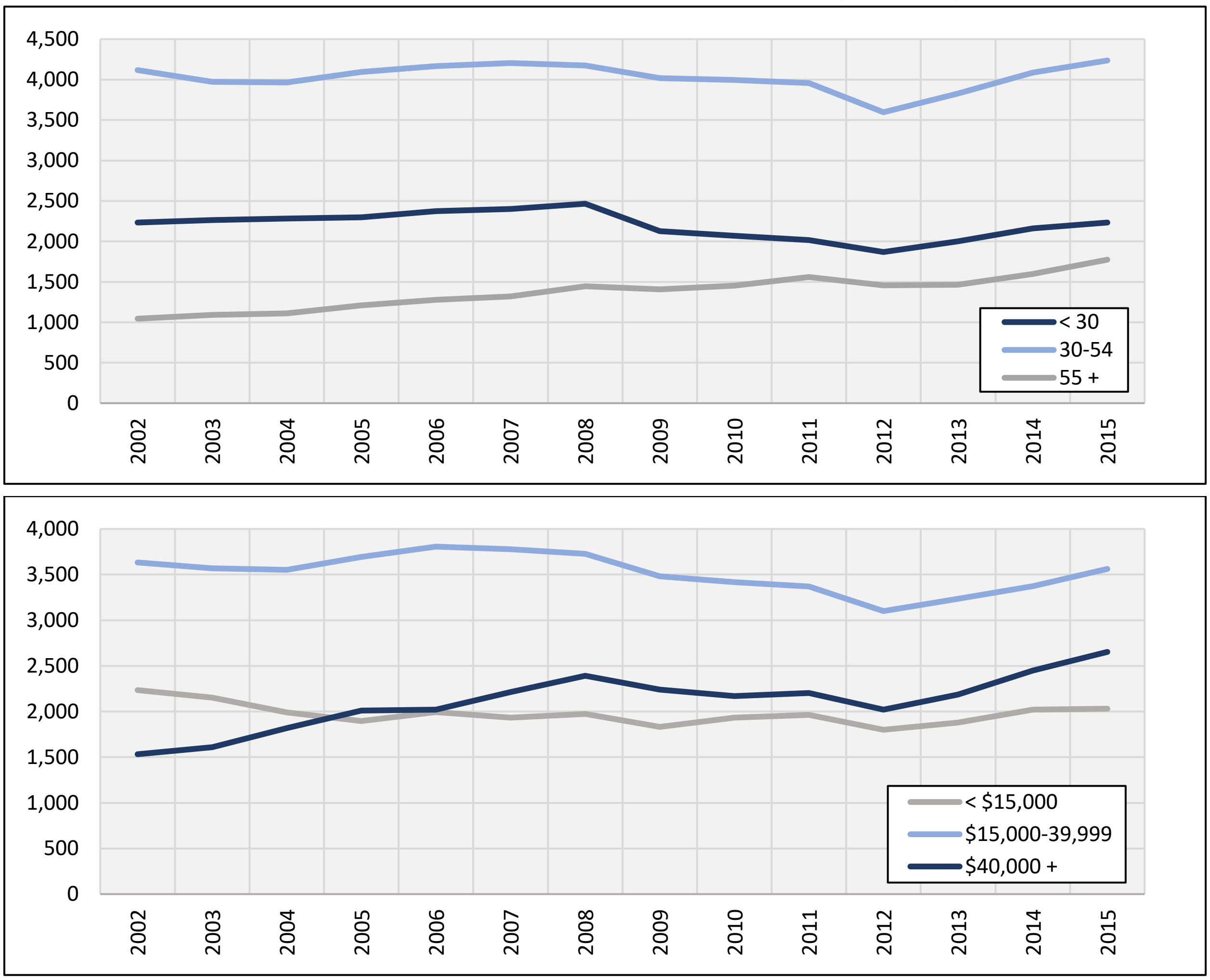


SOURCE: *U.S. Census Bureau, Oregon Employment Department*

In terms of worker age, Woodburn has seen the same trends as in the wider region in this millennium. The 55+ segment contributed much of the growth through 2012, but younger segments have dominated the growth since. Data on the sub-county level is only available in three broad age groups. Between 2012 and 2015, the 30-54 segment filled 640 jobs, nearly the same number as the two other segments together. Workers below 30, which are an important source of apartment demand, filled 360 new jobs over the period – or 120 jobs per year on average. This segment held 2,200 jobs in Woodburn in 2015, which represents 27% of all jobs in the city – a decline from 30% before the 2008 recession. The job counts include part-time jobs.

In terms of wages, one-quarter of the jobs pay less than $15,000 per year and are thus part-time jobs. Roughly one-third pay more than $40,000 annually, and 43% pay between $15,000 and $40,000. The strongest growth in this recovery has come in the $40,000+ segment, partly reflecting wage inflation.

FIGURE 5.12: EMPLOYMENT BY AGE AND WAGE LEVEL, WOODBURN (2002-2015)



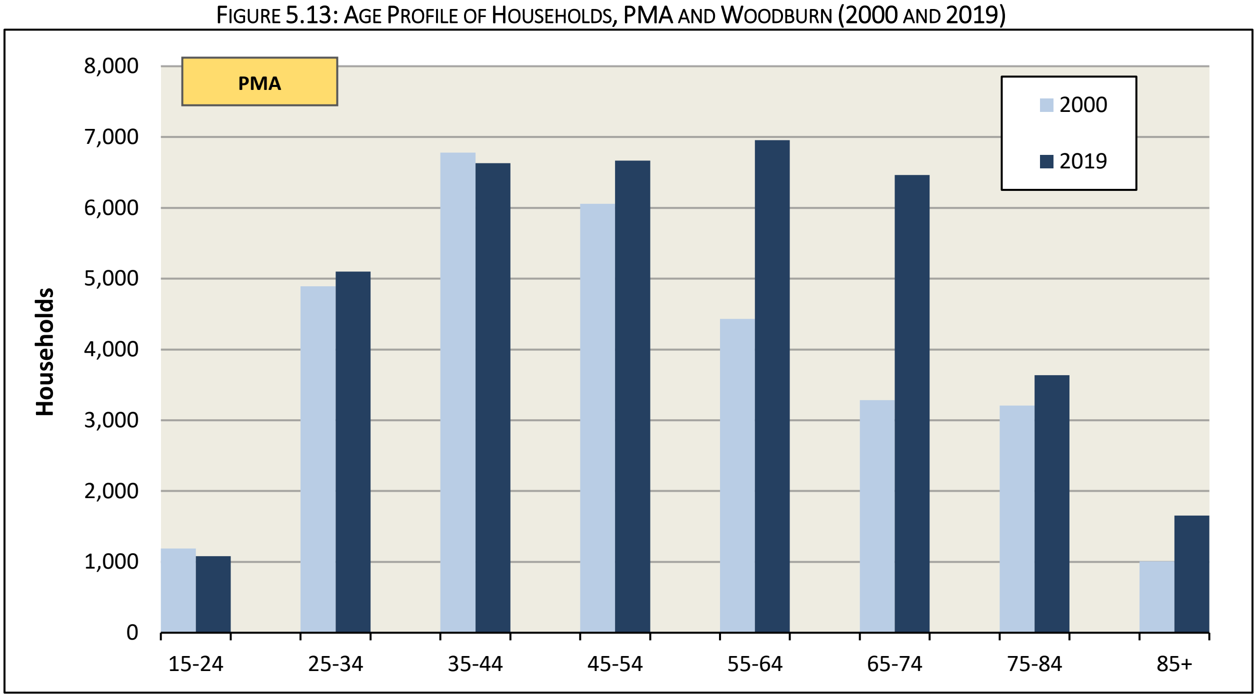
SOURCE: U.S. Bureau of Labor Statistics, Oregon Employment Department

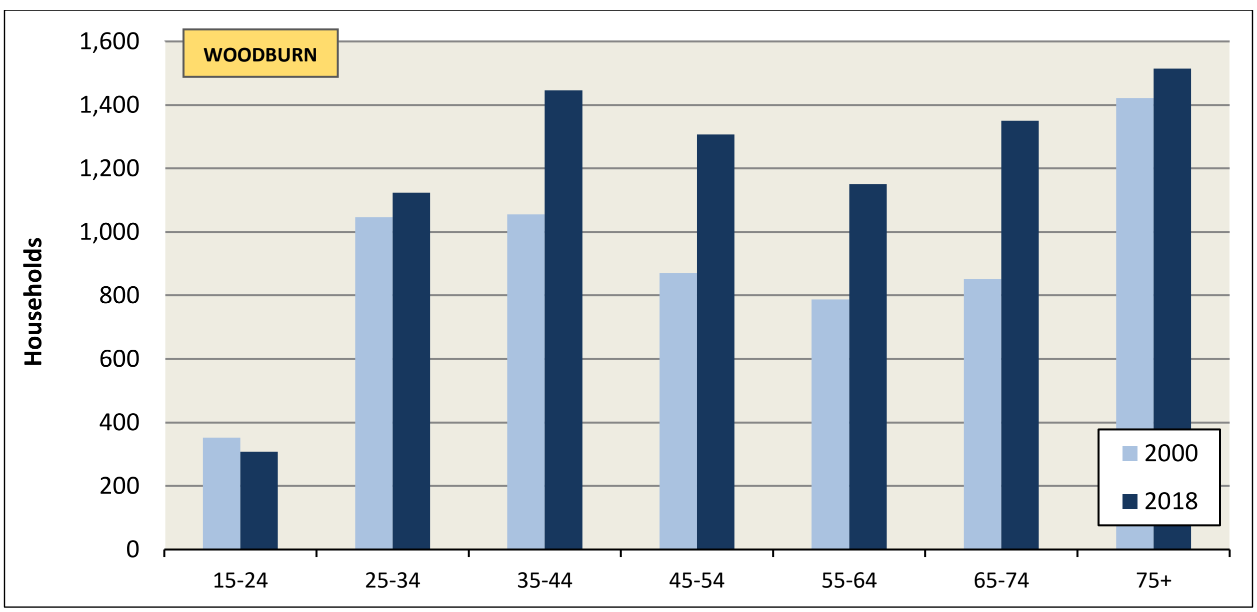
HOUSEHOLDS

As of 2019, the PMA has grown from 30,800 to an estimated 38,200 households since the turn of the millennium. This increase of 7,400 households translates into average annual growth of 1.25%. From 2000 to 2018, the City of Woodburn has grown from 6,400 to 8,200 households, at an average annual growth rate of 1.4%. The growth of 1,800 households within Woodburn represents 30% of the total PMA growth over this period.

The following charts show how the household growth within the PMA and Woodburn has been distributed across age groups since 2000. By far the strongest growth in the PMA has taken place among empty nesters and seniors. This is consistent with nation-wide demographic trends, reflecting that the cusp of the baby boomer wave has moved from the family stage to older segments. However, the concentration of growth in these segments within the PMA is somewhat stronger than seen nationally or regionally. The PMA has also had some growth at the late family stage (age 45-54), while the number of younger households has remained flat over the period. The growth in Woodburn reflects a younger profile, with considerable growth at the early family stage (35-44), and some growth also among younger households.

FIGURE 5.13: AGE PROFILE OF HOUSEHOLDS, PMA AND WOODBURN (2000 AND 2019)

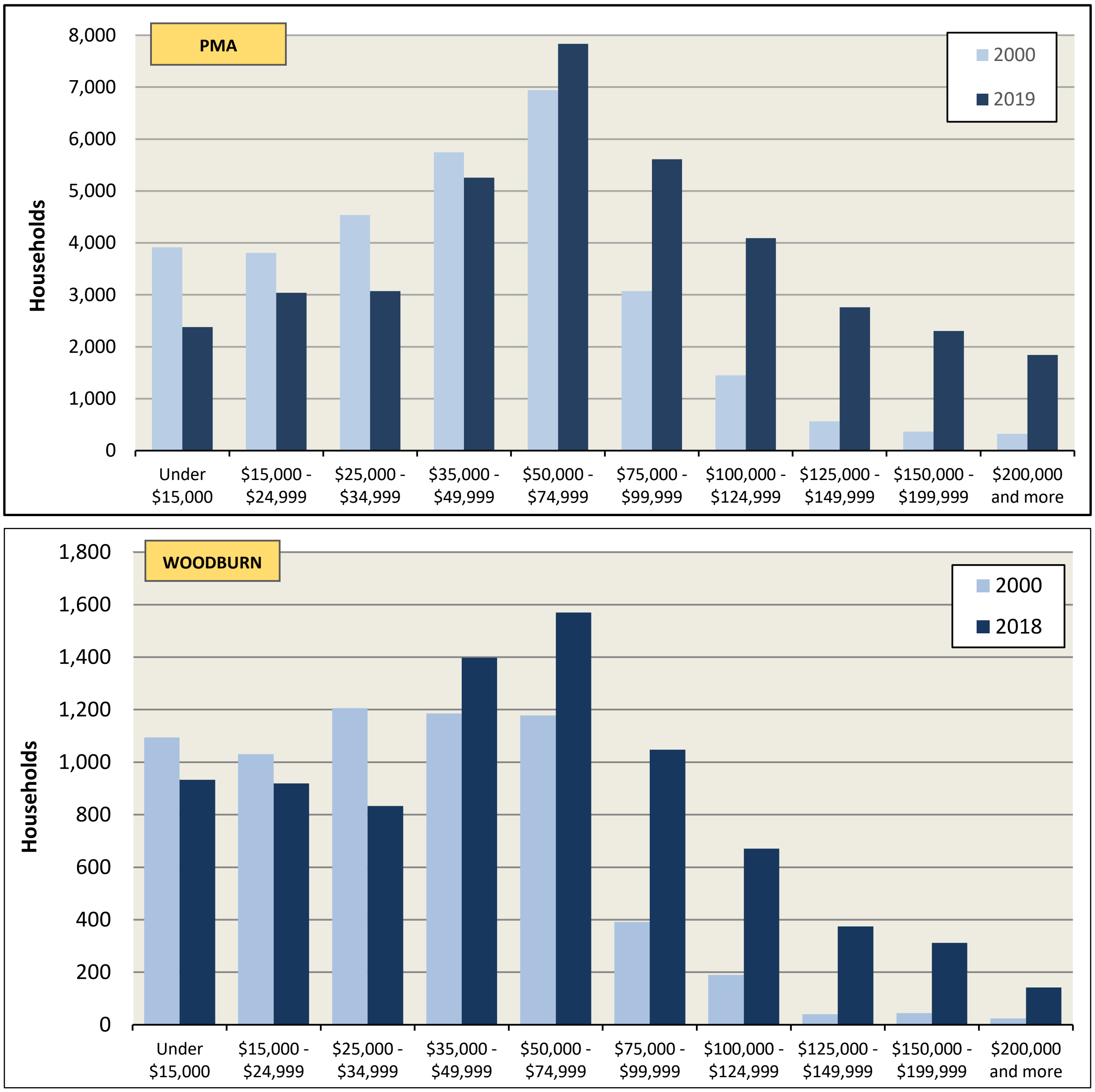




SOURCE: Environics

With respect to income, the growth since 2000 has taken place in mid/upper- and upper-income segments, while the number of low-income households has declined (partly caused by wage inflation). This is true for Woodburn as well as the wider PMA, though Woodburn has seen more growth among households earning $35,000-50,000, reflecting retail and entry-level industrial/warehousing jobs. Over the period, Woodburn gained 1,050 households earning $35,000 to 75,000, and 1,200 households earning more than $75,000. Within the 25-34 age group, which is a crucial driver of apartment demand, growth has taken place above $75,000 (especially $75,000-100,000), offset by declines below $75,000. Growth among empty nesters and seniors has been stronger around the $50,000-75,000 level.

FIGURE 5.14: INCOME PROFILE OF HOUSEHOLDS, PMA AND WOODBURN (2000 AND 2019)



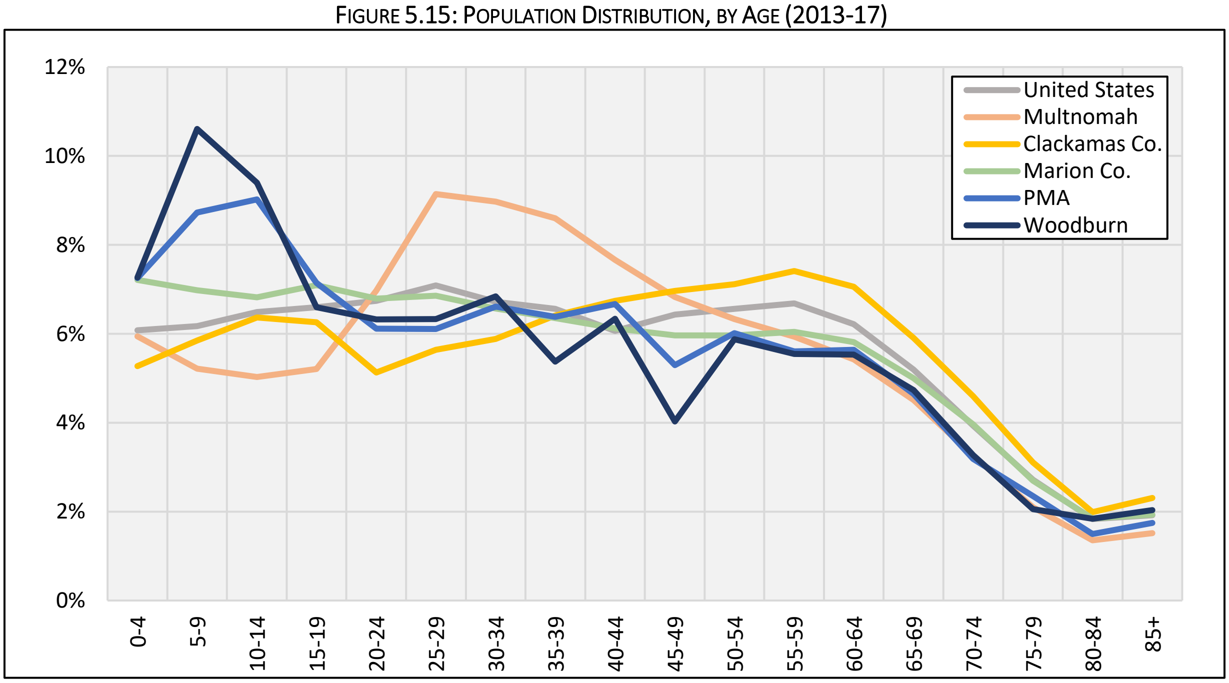
SOURCE: Environics

POPULATION

The following chart compares the population distribution in Woodburn to county, regional, and national distributions, based on data from the Census Bureau. The following points characterize Woodburn relative to the other geographies:

- Large concentration of elementary-age children. This is partially matched by a corresponding (though smaller) concentration of 30-44-year-olds, likely representing the parent generation. At an average of 3.65 persons per family, Woodburn has the largest family households of all the areas surveyed. This explains the relatively few family-age adults.
- The share of college-age residents is relatively large for a small, non-university town – higher than in Clackamas county and the PMA. This likely reflects the availability of jobs without college requirements (e.g., retail and warehousing) often filled by high school graduates. Woodburn's share is smaller than in Marion County, which includes Willamette University as well as satellite campuses for larger universities. The college-age population in Marion County also likely reflects some commuter students attending OSU and UO.
- Relatively few residents at post-college and early-family stages compared to regional averages, especially compared to Multnomah County. During the current economic expansion, we have observed a migration of these segments from the suburbs to Portland, likely reflecting availability of jobs and an increasingly vital urban environment in Portland. However, the relative size of these segments in Woodburn is larger than in many other smaller towns in the periphery of the Portland Metro Area.
- Low concentrations of empty nesters (age 55-64). This is especially notable in comparison to Clackamas, which offers upscale housing with views (e.g., Happy Valley), which tends to attract empty nesters disproportionately due to their relative affluence. Woodburn's share of empty nesters is also smaller than in Marion County, reflecting that Salem has a large government sector with many older workers.
- A senior population just above average. Woodburn's senior concentration is on par with Marion County, but smaller than in Clackamas. Clackamas attracts seniors from Multnomah, offering relatively affordable senior-friendly housing and good access to health services.

FIGURE 5.15: POPULATION DISTRIBUTION, BY AGE (2013-17)

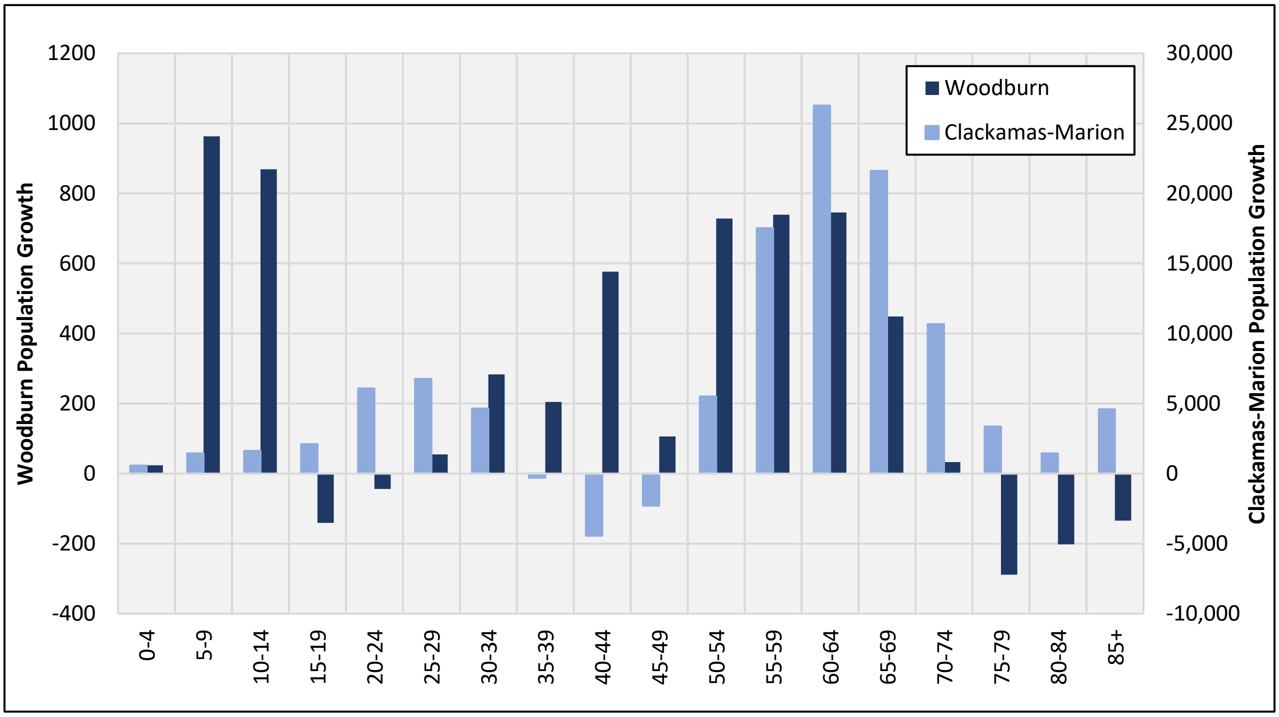


SOURCE: U.S. Census Bureau

The following chart shows the population growth in Woodburn during this millennium, compared to the growth in the combined area of Clackamas and Marion counties. The figures are based on estimates from the 2000 census and the most recent ACS estimates, which roughly represents the 2015 level (2013-17 average). As in the Clackamas-Marion area, much of the growth in Woodburn has taken place among empty nesters and seniors, reflecting the aging of the baby boomers. The growth in these segments appear stronger than reflected in the household growth, suggesting an increasing share of couples as opposed to singles.

Some of Woodburn's population growth has also taken place at the typical family ages, unlike in Clackamas-Marion. This is especially evident with the spike in elementary and middle school children. However, the population growth in these segments appears more limited than reflected in the household growth, suggesting an increase in single-person households. Another difference between the two geographies is Woodburn's decline in college-age segments and lack of growth in the 25-34 segment. These segments, which have grown considerably in Clackamas and Marion counties, are traditionally the most important source of apartment demand.

FIGURE 5.16: POPULATION GROWTH BY AGE BETWEEN 2000 AND 2013-17



SOURCE: U.S. Census Bureau

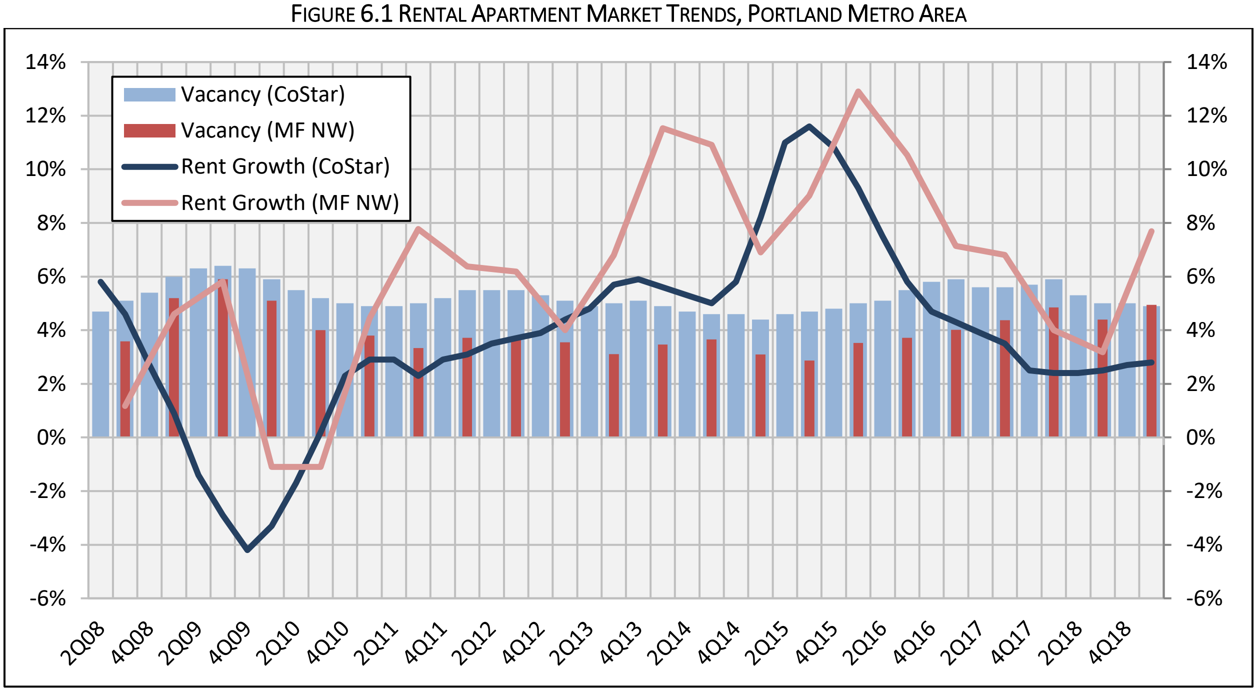
VI. APARTMENT MARKET TRENDS

PORTLAND METRO AREA

RENT AND OCCUPANCY TRENDS

The Portland Metro apartment market has been among the tightest in the nation during the current decade, though it has softened over the past two years as new supply has addressed the region's apartment shortage. According to CoStar, the regional vacancy rate for market-rate projects with 10 or more units is now 6.3%, and year-over-year rent growth has slightly up-ticked at 2.8%. Multifamily NW, a trade organization for property management firms, which conducts a bi-annual survey of its members, reported a 4.4% vacancy rate in the fall of 2018, with annual rent growth at 7.7%. The Multifamily NW data generally presents a more accurate picture of vacancy conditions in larger, professionally managed communities, while the CoStar data provides a good indication of market-wide rent trends.

FIGURE 6.1 RENTAL APARTMENT MARKET TRENDS, PORTLAND METRO AREA



SOURCE: CoStar

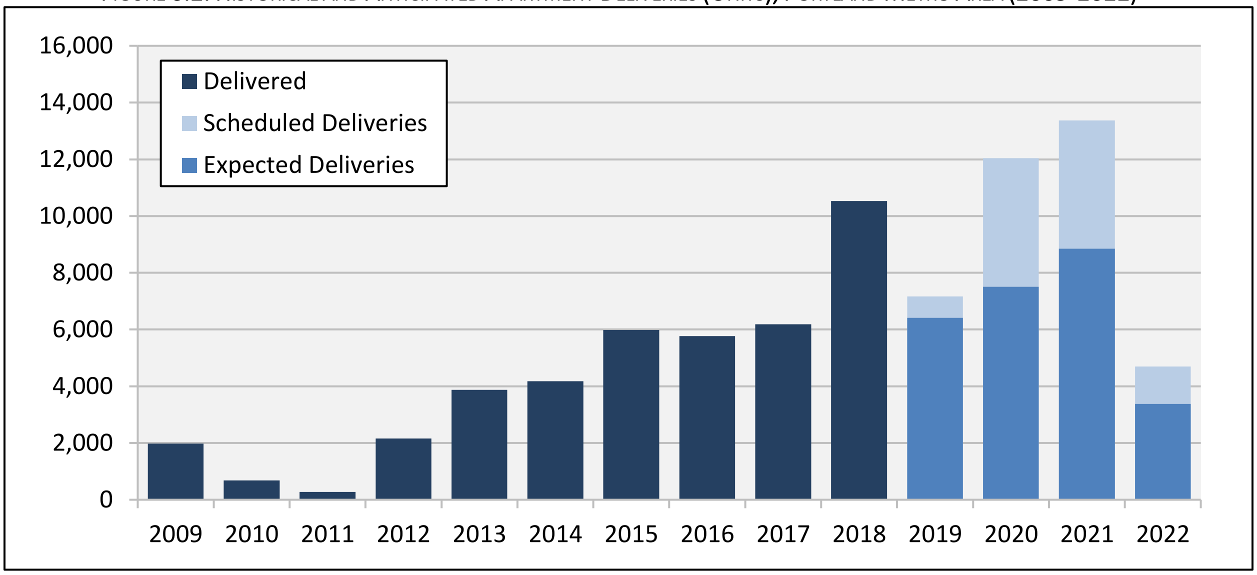
The strongest momentum currently is in suburban areas that saw moderate growth earlier in this cycle. Judging from rent growth over the past year, Outer Southeast Portland, between 82nd Avenue and Wood Village/Gresham, is the strongest market currently, with rents up 11.3% over the year. This is also one of the submarkets with the strongest performance over the past five years, with rents up 54%.

REGIONAL DEVELOPMENT PIPELINE

The amount of new supply in all stages of development has grown significantly across the Portland Metro Area in recent years. At the end of 1Q19, JOHNSON ECONOMICS was tracking roughly 500 projects with 48,000 units at some stage in the development process. This represents an inventory increase of more than 20%. However, these figures include many projects that sought to be vested under the former entitlement regime in Portland, before the inclusionary zoning rules took effect in 2017. The figures also include projects that have been discussed with planning staff in pre-application conferences. Many of these tentative projects are likely to be shelved or abandoned, given softening market fundamentals in Central Portland.

Based on the status of projects currently in the pipeline, we expect deliveries in 2019 and 2020 to be 6,500-7,500 units per year. This is less than the 10,500 units delivered in 2018, which was a record for the region. The delivery projections incorporate assumptions with respect to the percent of proposed projects that will be realized, based on entitlement and construction status. Softening market fundamentals are expected to increase the share of projects that are abandoned or shelved over the coming years.

FIGURE 6.2: HISTORICAL AND ANTICIPATED APARTMENT DELIVERIES (UNITS), PORTLAND METRO AREA (2009-2022)



SOURCE: JOHNSON ECONOMICS

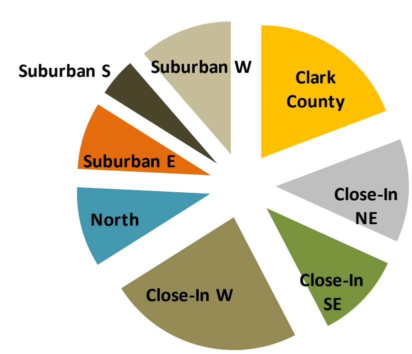
Based on our estimates, the current construction cycle (beginning in 2012) will have produced around 50,000 new apartment units in the region by 2020, expanding the inventory by 28%. In comparison, 23,000 units were built in the ten years leading up to this construction cycle.

The Close-in Westside continues to be the most active submarket in terms of apartment construction, representing 24% of the total supply (see next page). However, Clark County is the submarket where we have added the greatest number of new units to the pipeline over the past year, reflecting the strong economic growth experienced in the county.

FIGURE 6.3: DEVELOPMENT PIPELINE BY SUBMARKET, YEAR-END 2018

Submarket	Units	%	Qtr Δ	Year Δ
Clark County	9,328	19%	1,596	2,853
Close-In Northeast	6,097	13%	1,102	1,074
Close-In Southeast	5,127	11%	437	-34
Close-In Westside	11,462	24%	-352	-1,259
Close-In North	4,736	10%	323	748
Suburban East	3,968	8%	-515	923
Suburban South	2,282	5%	638	-27
Suburban West	5,494	11%	554	1,915
Total	**48,494**	**100%**	**3,783**	**6,193**

Distribution



SOURCE: JOHNSON ECONOMICS

REGIONAL PIPELINE IMPACTS ON THE MARKET

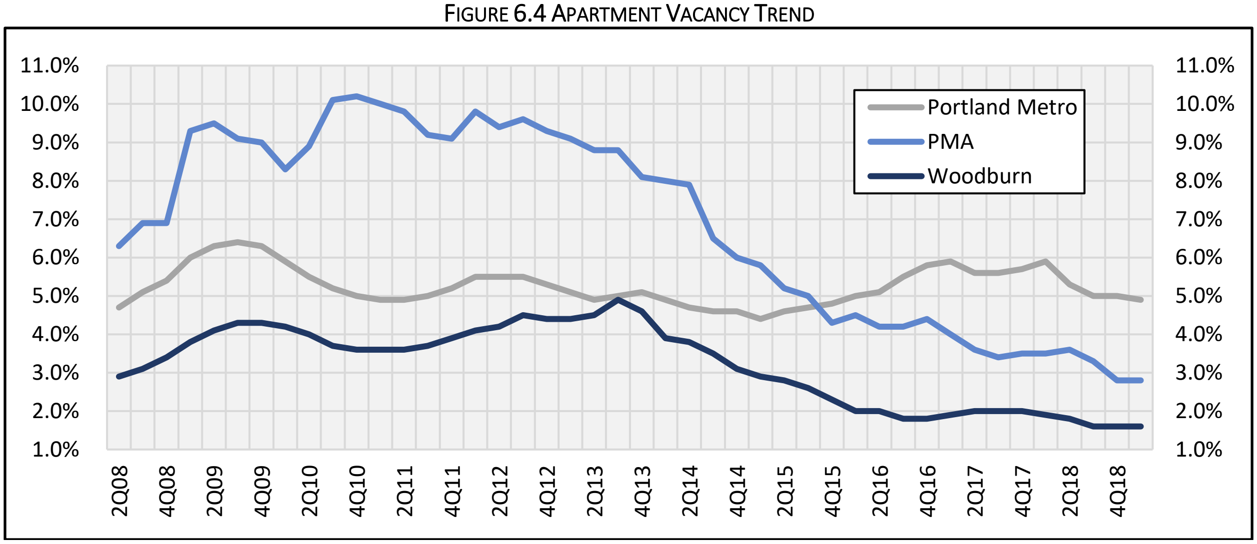
The historically wide apartment pipeline has raised concerns over whether the Portland market will be overbuilt, and what the impacts might be on rents and occupancy. The region currently has an estimated inventory of 205,000 units, and our delivery estimates for the next five years represent an average annual increase of 2.7%. This does not appear excessive considering the current shortage of housing units in the region, the near-complete lack of new condominium supply, and annual job growth around 2.5% weighted to relatively young workers.

Our main concern is the amount of high-rent supply and the concentration of new supply in Central Portland. The current pipeline in Central Portland (roughly 25,000 units over five years) represents a 35% inventory increase. Though many developers are counting on continued migration from the suburbs, we believe the high rent levels in central submarkets are making this a limited possibility. Rents in the central city have increased by much more than the average renter income over the past years and are out of reach for many suburban renters. The pricing mismatch between supply and demand – rather than oversupply on a total unit basis – is likely to continue to put downward pressure on occupancy in Central Portland. In the suburban portion of the region, we believe the current pipeline is well balanced with future demand, though oversupply in Central Portland might have some spillover effects on occupancy and rent growth also in suburban areas.

PMA TRENDS

The PMA exhibited higher vacancy rates than the Portland Metro Area in the wake of the last recession. However, the vacancy rate in the PMA has declined markedly since the recovery in the suburban-rural economy began to take hold in 2014. The total vacancy rate (including projects in lease-up) sits at 2.8% - well below the regional level, indicating a lack of new supply in the area. Woodburn has consistently exhibited lower vacancy than both the PMA and the Portland Metro Area over the past ten years. No new supply has been delivered over this period, and the current vacancy rate is 1.6%. Note that CoStar's vacancy estimates include projects in lease-up (non-stabilized), and are partly based on listed availabilities, including units that are not yet vacated. As such, these rates tend to exaggerate actual, stabilized vacancy rates.

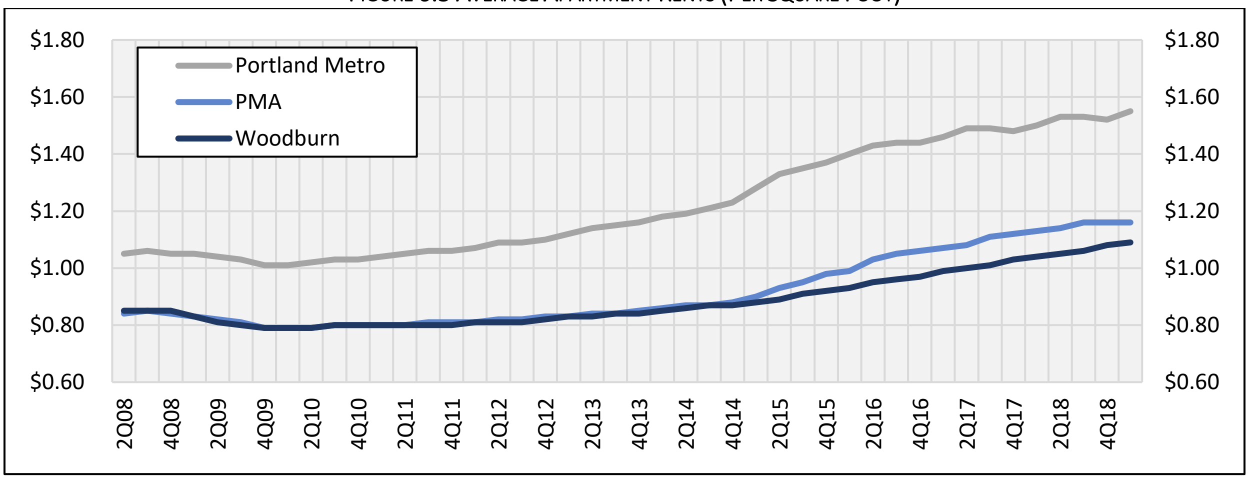
FIGURE 6.4 APARTMENT VACANCY TREND



SOURCE: *CoStar*

Rent levels in the PMA are generally lower than in the Portland Metro Area, and currently average $1.16 per square foot among market-rate properties, according to CoStar, compared to $1.55 in the Metro Area (see next page). The lower rent levels are largely a function of the submarket's more peripheral location, though the age and quality of the apartment stock also limit current rent averages in the submarket. Woodburn averages $1.09 currently, partly reflecting the age of its apartment stock. Underpricing at some of the largest projects in the city has also likely put downward pressure on the rent average (see Competitive Survey, Cascade Meadows). Woodburn's rent level was on par with that of the PMA until around 2015, when the northern portion of the PMA began to benefit from spill-over demand from the Portland Area. New supply in the PMA has also contributed to increasing rent averages.

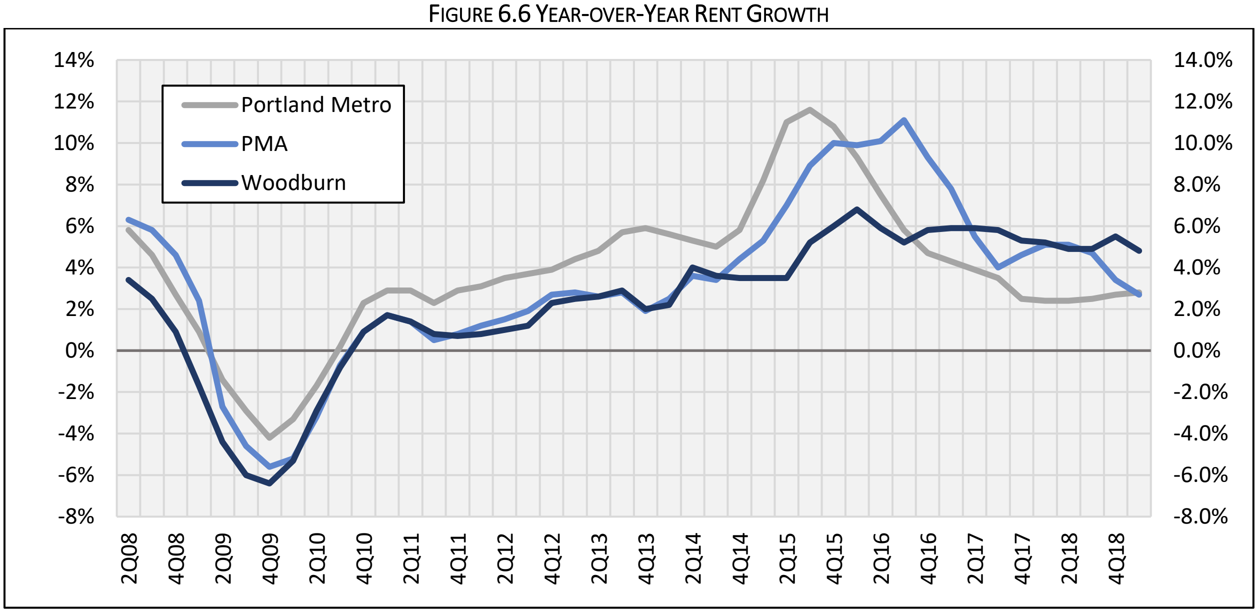
FIGURE 6.5 AVERAGE APARTMENT RENTS (PER SQUARE FOOT)



SOURCE: *CoStar*

Rent growth in the PMA trailed the Portland Metro Area prior to 2015, when demand was concentrated in Close-in Portland. However, the PMA has outperformed the region over the past three years, reflecting that new supply has put downward pressure on rent growth in Portland while apartment renters have migrated to suburban and peripheral communities to escape Portland's high rent levels. After posting annual growth of 10-11% in late-2015, the rent growth has since moderated in response to easing market pressures regionally, and currently represents 2.7% per year. As indicated, Woodburn had seen more limited rent growth in the recent past, in part due to the lack of new projects boosting rent averages. However, it currently experiences stronger rent growth (4.8% per year) than both the PMA and Portland, reflecting its local occupancy pressure.

FIGURE 6.6 YEAR-OVER-YEAR RENT GROWTH



SOURCE: *CoStar*

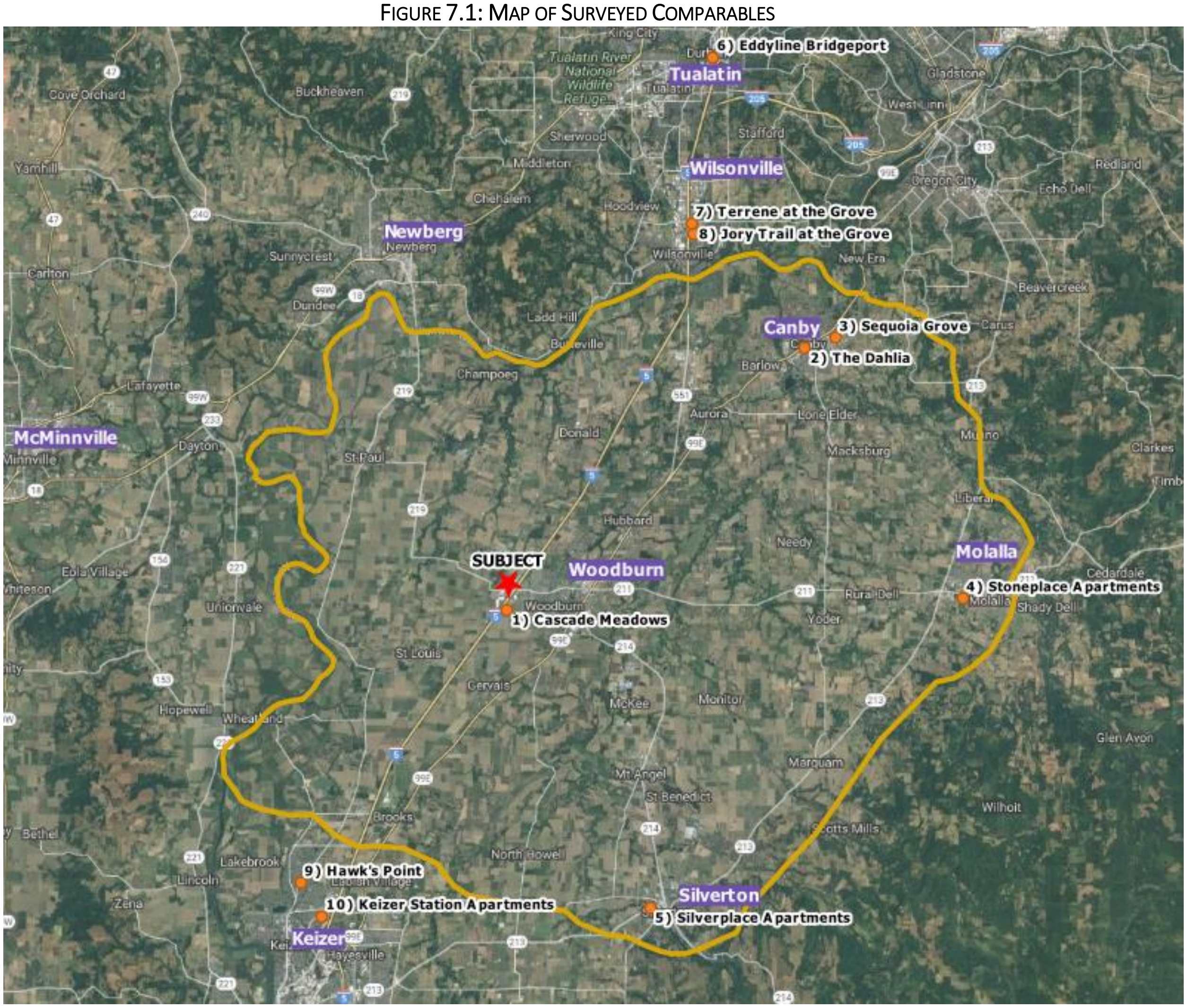
VII. Competitive Market Survey

Competitive Survey

Johnson Economics conducted a detailed survey of ten apartment projects for this market study. All of the projects were completed within the past eleven years, including four completed over the past three years (one of these projects is currently in lease-up). Five of the surveyed properties are located within the defined market area, including one in Woodburn and three in smaller communities outside the I-5 corridor. Five projects are located outside the PMA, all within the I-5 corridor just to the north and south of the PMA. These include one in Tualatin, two in Wilsonville, and two in Keizer.

The following map shows the locations of the surveyed properties. Detailed profiles of the projects are included over the next pages, followed by a summary of relevant observations and an analysis of achievable pricing at the site.

Figure 7.1: Map of Surveyed Comparables



SOURCE: Google Earth, QGIS, Johnson Economics

FIGURE 7.2: PROFILES OF SURVEYED COMPARABLES

1 - CASCADE MEADOWS

311 S Evergreen Road, Woodburn, Oregon

Project Description:

Cascade Meadows is a 200-unit project located along the I-5 freeway in Woodburn. It was built eleven years ago, and appears dated today, as it has not been renovated since opening. It represents a true garden-style format, with extensive landscaping and lawns between the buildings. The project has very few community amenities, limited to a playground and picnic area. The complex is located in a residential area, but are within a half mile of a Walmart store. The units hold a basic standard, and do not come with washer/dryers or air-conditioning. The property has operated at or near 100% occupancy since late 2015, something that indicates underpricing. Ground-floor garages are included in rent. No carports.

YEAR BUILT:	**2008**
TOTAL UNITS:	**200**
PARKING STALLS/UNIT:	**1.98**
OCCUPANCY:	**100%**
AVERAGE RENT/SF:	**$1.19**

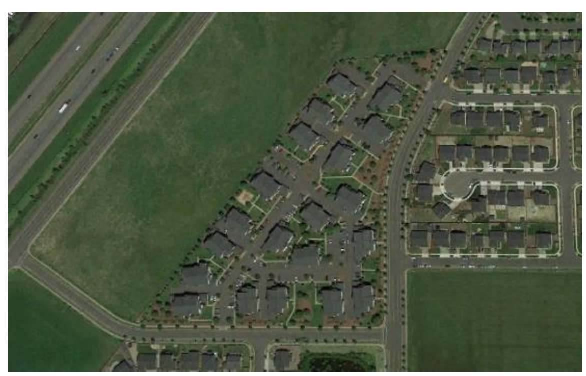
Project Amenities	Unit Amenities
Playground	Laminate countertops
Picnic area	Carpet and vinyl flooring
Ground-floor garages	White appliances
	Washer/dryer hookups
	8-foot ceilings, balcony/patio

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	27	14%	774	0	100%	$993	$993	$993	$1.28
2B/1b	92	46%	926	0	100%	$1,118	$1,118	$1,118	$1.21
2B/2b	48	24%	990	0	100%	$1,148	$1,148	$1,148	$1.16
3B/2b	33	17%	1,192	0	100%	$1,384	$1,384	$1,384	$1.16
Tot./Avg:	***200***	***100%***	***965***	***0***	***100%***	***$993***	***$1,384***	***$1,152***	***$1.19***

Kitchen

Living Area

Exterior



Aerial

2 - THE DAHLIA

111 NW 2nd Ave, Canby, OR 97013

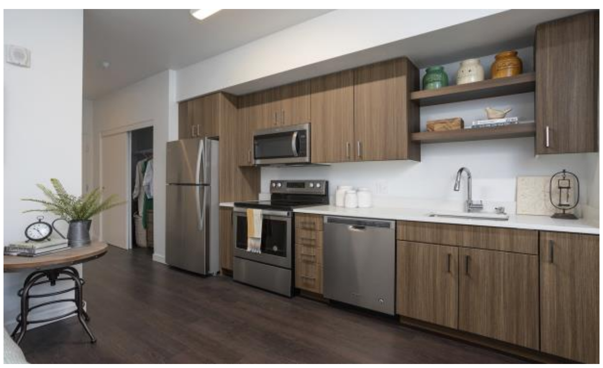
YEAR BUILT:	2018
TOTAL UNITS:	69
PARKING STALLS/UNIT:	0.40
OCCUPANCY:	84.1%
AVERAGE RENT/SF:	$2.18

Project Description:

The Dahlia, a 69-unit complex, came online in October 2018 and is currently in lease-up. The project is located between the Molalla River and Pacifc Hwy E in downtown Canby - roughly two miles from both the Willamette Valley County Club and Molalla River State Park. With nearby dining and retail, it holds a respectable walk score of 85. However, parking is limited to 13 covered spaces and 16 surface spots. The building also offers four ground-level retail spaces ranging in size 1,278-8,036 squarefeet. The property is currently offering 6-weeks free rent with $99 security deposits.

Project Amenities	Unit Amenities
Coffee bar	Washer/dryer
Fitness room	Dishwasher
Covered parking (extra fee)	Quartz countertops
Bike storage	Mountain views (select units)
Outdoor garden/seating area	Vinyl wood plank flooring

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
Studio Sm	20	29%	450	4	80%	$1,115	$1,155	$1,135	$2.52
Studio Lg	10	14%	533	0	100%	$1,205	$1,230	$1,218	$2.28
1B/1b Sm	15	22%	602	4	73%	$1,270	$1,390	$1,330	$2.21
1B/1b Lg	24	35%	671	3	88%	$1,220	$1,385	$1,303	$1.94
Tot./Avg:	***69***	***100%***	***572***	***11***	***84%***	***$1,115***	***$1,390***	***$1,248***	***$2.18***



Kitchen

Living Area

Lounge/Coffee Bar

Aerial

3 - SEQUOIA GROVE

259 S Sequoia Parkway, Canby, Oregon

YEAR BUILT:	**2017**
TOTAL UNITS:	**174**
PARKING SPACES/UNIT:	**2.00**
OCCUPANCY:	**97%**
AVERAGE RENT/SF:	**$1.54**

Project Description:

Sequoia Grove is a new garden-style project in Canby, developed by Urban IDM (Aaron Jones) of Vancouver, Washington. It is located southeast of Downtown, behind a retail center anchored by Fred Meyer. Apart from its access to retail and restaurants, the site has a downscale location between a rail line and an industrial area. The project is based on blueprints from a 2001 project in Vancouver that has been replicated at a number of suburban locations in the Portland Metro Area. It has a mid-market profile, offering modern but modest features. The property is currently 97% occupied and offering no concessions.

Project Amenities	Unit Amenities
Clubhouse, fitness center	Quartz countertops
Community lounge w/kitchen	Stainless steel appliances, w/d
Outdoor pool and spa	Vinyl plank and carpet flooring
Package lockers	9' ceilings, balcony
Gated community	A/C (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b Sm	8	5%	569	0	100%	$1,135	$1,270	$1,203	$2.11
1B/1b Lg	42	24%	721	2	95%	$1,350	$1,375	$1,363	$1.89
2B/1b	50	29%	1,018	2	96%	$1,385	$1,390	$1,388	$1.36
2B/2b	65	37%	1,036	2	97%	$1,565	$1,615	$1,585	$1.53
3B/2b	9	5%	1,306	0	100%	$1,635	$1,740	$1,688	$1.29
Tot./Avg:	***174***	***100%***	***947***	***6***	***97%***	***$1,135***	***$1,740***	***$1,462***	***$1.54***

Living Area

Kitchen

Clubhouse & Outdoor Pool

Aerial

4 - STONEPLACE APARTMENTS

872 W Main Street, Molalla, Oregon

YEAR BUILT:	**2009-16**
TOTAL UNITS:	**283**
PARKING SPACES/UNIT:	**1.83**
OCCUPANCY:	**99%**
AVERAGE RENT/SF:	**$1.32**

Project Description:

Stoneplace Apartments is a three-phase project in Molalla, totaling 283 units. The first two phases opened in 2009 and 2014, while phase three opened in late 2016. The third phase came on the heels of two years of strong rent growth (~10%/yr), with particularly strong demand for the smaller units. Phase three added 96 units, including studios, which were not previously offered at the site. No three-bedroom units were added. The project includes a wide range of amenities. Both the amenity space and the units hold a basic standard, though some units include granite countertops. The project is 1/2 mile from a Safeway store and 3/4 miles from Downtown Molalla, which offers a limited range of amenities.

Project Amenities	Unit Amenities
Clubhouse, biz center, fitness center	Vinyl plank and carpet flooring
Outdoor pool, spa, tennis court	Laminate countertops (granite in select)
Playground, BBQ/picnic area	Black appliances, washer/dryer
Pet stations, laundry room	9'/vaulted ceilings (select units)
Carwash, storage units	Air conditioning, balcony/patio

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)*	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
Studio	24	8%	547	0	100%	$885	$900	$893	$1.63
1B/1b	56	20%	727	1	98%	$1,020	$1,135	$1,078	$1.48
2B/1b	77	27%	844	1	99%	$1,100	$1,180	$1,140	$1.35
2B/2b Sm	67	24%	945	0	100%	$1,150	$1,245	$1,198	$1.27
2B/2b Lg	12	4%	1,125	0	100%	$1,365	$1,365	$1,365	$1.21
3B/2b	47	17%	1,204	2	96%	$1,420	$1,460	$1,440	$1.20
Tot./Avg:	***283***	***100%***	***891***	***4***	***99%***	***$885***	***$1,460***	***$1,180***	***$1.32***

Living Area

Kitchen

Clubhouse

Aerial

5 - SILVERPLACE APARTMENTS

329 Fossholm Street NE, Silverton, Oregon

YEAR BUILT:	**2017**
TOTAL UNITS:	**93**
PARKING SPACES/UNIT:	**1.78**
OCCUPANCY:	**100.0%**
AVERAGE RENT/SF:	**$1.37**

Project Description:

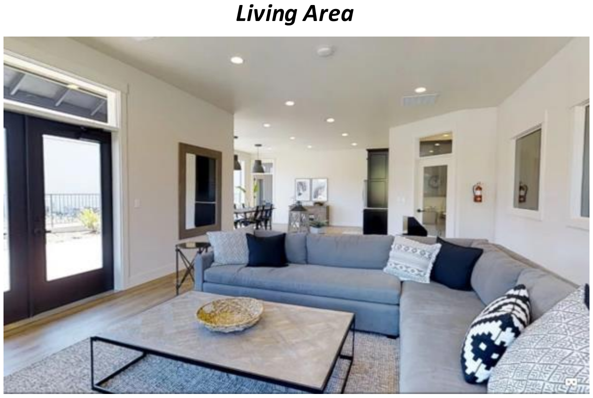
Silverplace is a new project in Silverton, with opening in mid-2017. It has a profile similar to Stoneplace in Molalla, and includes some of the same floor plans. It is also managed by the same management company. However, it is smaller in scale, and offers a more limited range of community amenities. The property is located along a rail line, a half mile west of Downtown Silverton, within walking distance of a Safeway store, fitness center, coffee shop and additional amenities. The property is also close to the Silverton Hospital - a major employer in the city. There is no covered parking on-site. The project was fully leased before the end of 2017, with average monthly absorption of 16 units. Surface parking only.

Project Amenities	Unit Amenities
Clubhouse w/conference room	Vinyl plank and carpet flooring
Fitness center	Laminate countertops
Outdoor pool	Black appliances, washer/dryer
Playground	9-foot ceilings
	Air conditioning, balcony/patio

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
Studio	12	8%	549	0	100%	$1,050	$1,090	$1,070	$1.95
1B/1b	35	23%	728	0	100%	$1,160	$1,210	$1,185	$1.63
2B/2b Sm	28	18%	973	0	100%	$1,289	$1,340	$1,315	$1.35
2B/2b Lg	52	34%	1,162	0	100%	$1,416	$1,466	$1,441	$1.24
3B/2b	26	17%	1,204	0	100%	$1,533	$1,553	$1,543	$1.28
Tot./Avg:	***153***	***100%***	***987***	***0***	***100%***	***$1,050***	***$1,553***	***$1,380***	***$1.37***

Living Area

Kitchen



Clubhouse

Aerial

6 - EDDYLINE BRIDGEPORT

18049 SW Lower Boones Ferry Road, Tualatin, Oregon

Project Description:
Eddyline at Bridgeport is a wrap project by Mill Creek Residential Trust, completed in 2014. It is located directly south of Bridgeport Village Mall. Though detached from the pedestrian part of the mall, it provides walkway access to REI, Boom Fitness, and Whole Foods. Durham City Park and the Tualatin River Trail is a ten-minute walk away. The project has a semi-urban design, and is relatively dense. It includes some live-work units and retail space, and ample parking. Unit finishes are relatively upscale and the amenity package is extensive. Tenants highlight community amenities, access to retail, and parking on unit level as main benefits.

YEAR BUILT:	**2014**
TOTAL UNITS:	**367**
OCCUPANCY:	**94%**
PARKING STALLS/UNIT:	**2.20**
AVERAGE RENT/SF:	**$2.15**

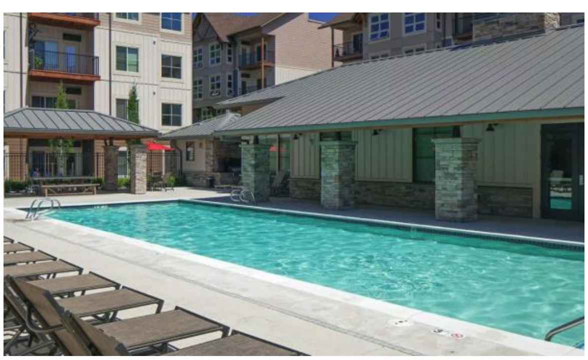
Clubhouse w/conf. room, game room
Fitness center, pet grooming station
Courtyard, bocce court, pool, BBQ
Bike repair/storage, storage units
Secured garage parking on unit level

Granite countertops
Laminate plank flooring
Stainless Steel Appliances
9-foot ceilings, A/C
Balconies (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
Studio LW	8	2%	534	0	100%	$1,322	$1,417	$1,370	$2.56
1B/1b Sm	96	26%	637	8	92%	$1,487	$1,510	$1,499	$2.35
1B/1b Md	119	32%	746	8	93%	$1,502	$1,884	$1,693	$2.27
1B/1b Lg	23	6%	1,011	2	91%	$1,819	$1,940	$1,880	$1.86
2B/1b	16	4%	868	1	94%	$1,910	$1,930	$1,920	$2.21
2B/2b	79	22%	1,059	3	96%	$2,160	$2,363	$2,262	$2.14
2B/3b TH	14	4%	1,584	0	100%	$2,500	$2,500	$2,500	$1.58
3B/2b	12	3%	1,407	0	100%	$2,468	$2,513	$2,491	$1.77
Tot./Avg:	***367***	***100%***	***856***	***22***	***94%***	***$1,322***	***$2,513***	***$1,836***	***$2.15***

Living Area

Kitchen/Dining Area



Outdoor Pool

Aerial View

7 - TERRENE AT THE GROVE

8890 SW Ash Meadows Circle, Wilsonville, Oregon

YEAR BUILT:	**2013**
TOTAL UNITS:	**288**
PARKING SPACES/UNIT:	**1.63**
OCCUPANCY:	**93%**
AVERAGE RENT/SF:	**$1.59**

Project Description:

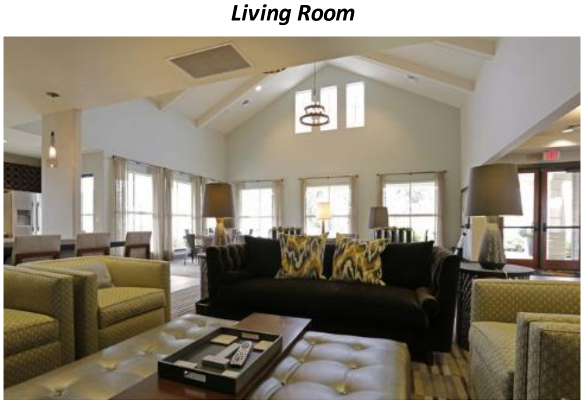
Terrene at the Grove is one of several multi-family projects by developer Holland Partners in Wilsonville, at the site of a former mobile home park. The project is located adjacent to the I-5 freeway, without commercial amenities in the immediate vicinity. The project has a standard suburban garden-style format, and shares a small park with Portera - a senior living facility. The property includes a large number of garages (114) as well as carports (136). After opening in 2013, the property raised its rents by 13% over the next two years, but has seen limited rent growth since. No concessions currently.

Project Amenities	Unit Amenities
Clubhouse, fitness center	Granite countertops, tile backsplash
Outdoor pool and spa	Carpet and vinyl flooring
Playground, dog park	Black appliances, washer/dryer
Picnic and barbeque area	Balcony/patio, A/C, 9-foot ceilings
Pet friendly	Fireplace (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	84	29%	723	7	92%	$1,250	$1,375	$1,313	$1.82
2B/1b	72	25%	895	5	93%	$1,487	$1,595	$1,541	$1.72
2B/2b	96	33%	1,150	1	99%	$1,717	$1,717	$1,717	$1.49
3B/2b	12	4%	1,241	4	67%	$1,780	$2,105	$1,943	$1.57
4B/2b	24	8%	1,715	2	92%	$2,199	$2,255	$2,227	$1.30
Tot./Avg:	***288***	***100%***	***1,013***	***19***	***93%***	***$1,250***	***$2,255***	***$1,607***	***$1.59***

Living Room

Kitchen



Clubhouse

Aerial

8- JORY TRAIL AT THE GROVE

8520 SW Ash Meadows Circle, Wilsonville, Oregon

YEAR BUILT:	2012
TOTAL UNITS:	324
OCCUPANCY:	96%
PARKING STALLS/UNIT:	1.77
AVERAGE RENT/SF:	$1.55

Project Description:

Jory Trail is part of the same master plan development as Terrene at the Grove in Wilsonville. It is located just to the south, separated by a green belt and single-family subdivision. It was built concurrently as Terrene, and opened a few months before. The scale, profile, and amenities are similar. Jory Trail is denser, and has a less upscale feel than Terrene, but is more protected from the freeway due to a grove of trees. The project also benefits from being closer to amenities like the Wilsonville Family Fun Center and Regal Cinemas, though it is out of walking range of grocery, restaurant, and coffee options along SW Wilsonville Road. Rent levels are on average 8% lower than at the Terrene. No concessions currently.

Project Amenities	Unit Amenities
Clubhouse, fitness center	Granite countertops, tile backsplash
Outdoor pool and spa	Carpet and vinyl flooring
Playground, dog park, walking trails	Stainless steel appliances, w/d
Picnic and barbeque area	Balcony/patio, A/C, 9-foot ceilings
Pets allowed.	Fireplace (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Leased (%)	Low	High	Average	Avg. PSF
1B/1b	84	26%	700	1	99%	$1,248	$1,289	$1,269	$1.81
2B/1b Sm	116	36%	904	3	97%	$1,389	$1,437	$1,413	$1.56
2B/1b Lg	28	9%	1,056	3	89%	$1,557	$1,557	$1,557	$1.47
2B/2b Sm	48	15%	1,150	1	98%	$1,609	$1,721	$1,665	$1.45
2B/2b Lg	24	7%	1,307	2	92%	$1,685	$1,834	$1,760	$1.35
3B/2b	12	4%	1,243	1	92%	$1,925	$1,925	$1,925	$1.55
4B/2b	12	4%	1,716	1	92%	$2,341	$2,387	$2,364	$1.38
Tot./Avg:	***324***	***100%***	***973***	***12***	***96%***	***$1,248***	***$2,387***	***$1,505***	***$1.55***

Kitchen

Living Room

Clubhouse

Aerial

9 - HAWK'S POINT

1124 McGee Court NE, Keizer, Oregon

YEAR BUILT:	2008
TOTAL UNITS:	235
PARKING SPACES/UNIT:	1.87
OCCUPANCY:	99%
AVERAGE RENT/SF:	$1.23

Project Description:

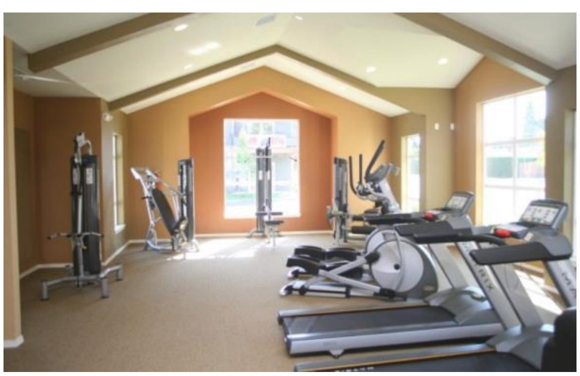
Hawk's Point is a pre-recession complex located in a residential area along River Road north in Keizer. The nearest commercial centers are roughly a mile away, at Keizer Station and Keizer Creekside. The project holds a basic standard, and includes few community amenities. The units appear somewhat dated in today's market. Pets are not allowed. The property is managed by SMI, which has a history of underpricing their properties and operating near 100% occupancy. The project is currently 99% occupied and offers no concessions. One covered parking space per unit, plus garages and surface parking.

Project Amenities	Unit Amenities
Clubhouse	Laminate countertops
Fitness room	Vinyl and carpet flooring
(Pets not allowed)	White appliances, W/D hookups
	Balcony/patio
	A/C (select units)

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	40	17%	725	0	100%	$975	$1,125	$1,050	$1.45
2B/1b	52	22%	901	1	98%	$1,025	$1,125	$1,075	$1.19
2B/2b Sm	70	30%	935	0	100%	$1,050	$1,150	$1,100	$1.18
2B/2b Lg	65	28%	1,015	0	100%	$1,200	$1,300	$1,250	$1.23
3B/2b	8	3%	1,180	1	88%	$1,350	$1,450	$1,400	$1.19
Tot./Avg:	***235***	***100%***	***922***	***2***	***99%***	***$975***	***$1,450***	***$1,147***	***$1.23***

Kitchen

Kitchen/Living Area



Fitness Room

Aerial

10 - KEIZER STATION

5500 McLeod Lane NE, Keizer, Oregon

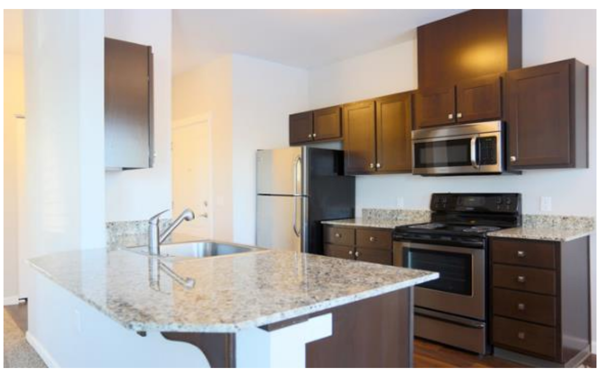
Project Description:

Keizer Station is a 180-unit project located along the I-5 and Salem Parkway (99E), just south of the Keizer Station retail center and north of the Keizer Little League Park. The retail center, which is within walking distance of the property, is anchored by Target and Lowes, and includes Starbucks, Jamba Juice, Panera Bread, and several fast food options. The project represents a standard, suburban, mid-market format, and includes the typical amenities for a project of its scale. It was developed by Mountain West, and opened in late 2016. Month-to-month contracts are offered for a $150 monthly premium.

YEAR BUILT:	**2016**
TOTAL UNITS:	**180**
OCCUPANCY:	**97%**
PARKING STALLS/UNIT:	**2.01**
AVERAGE RENT/SF:	**$1.24**

Project Amenities	Unit Amenities
Clubhouse w/theater room	Granite countertops
Deck w/BBQ and firepit	Carpet and vinyl plank flooring
Fitness center	Stainless steel appliances, W/D
Outdoor pool, playgrounds	9-foot ceilings
Covered picnic pavilion	Air conditioning, balcony/patio

	UNIT CHARACTERISTICS			OCCUPANCY		RENTS			
	Units (#)	Units (%)	Avg. Size	Vac. (#)	Occ. (%)	Low	High	Average	Avg. PSF
1B/1b	54	30%	738	1	98%	$1,025	$1,050	$1,038	$1.41
2B/2b Sm	66	37%	1,022	2	97%	$1,180	$1,286	$1,233	$1.21
2B/2b Lg	36	20%	1,153	2	94%	$1,345	$1,355	$1,350	$1.17
3B/2b	24	13%	1,209	1	96%	$1,420	$1,440	$1,430	$1.18
Tot./Avg:	***180***	***100%***	***988***	***6***	***97%***	***$1,025***	***$1,440***	***$1,224***	***$1.24***



Kitchen

Living Area

Clubhouse

Aerial

SOURCE: Surveyed Properties, CoStar, Craigslist, Johnson Economics

Summary of Observations

The following table summarizes unit, rent, and occupancy characteristics at the surveyed properties. The table continues on the next page.

Figure 7.3: Competitive Survey Summary

Project Name/ Location	Year	Occupancy	Unit Characteristics: Type	Units	Mix	Sq. Ft.	Vacant		Rent Characteristics: Low Rent		High Rent	Avg. Rent	Avg. Rent Per SF.
PMA													
1) Cascade Meadows	2008	100%	1B/1b	27	14%	774	0	0%	$993	-	$993	$993	$1.28
311 S Evergreen Rd			2B/1b	92	46%	926	0	0%	$1,118	-	$1,118	$1,118	$1.21
Woodburn, OR			2B/2b	48	24%	990	0	0%	$1,148	-	$1,148	$1,148	$1.16
			3B/2b	33	17%	1,192	0	0%	$1,384	-	$1,384	$1,384	$1.16
			Tot./Avg:	***200***	***100%***	***965***	***0***	***0%***	***$993***	-	***$1,384***	***$1,152***	***$1.19***
2) The Dahlia	2018	84%	Studio Sm	20	29%	450	4	20%	$1,115	-	$1,155	$1,135	$2.52
111 NW 2nd Ave	(lease up)		Studio Lg	10	14%	533	0	0%	$1,205	-	$1,230	$1,218	$2.28
Canby, OR			1B/1b Sm	15	22%	602	4	27%	$1,270	-	$1,390	$1,330	$2.21
			1B/1b Lg	24	35%	671	3	13%	$1,220	-	$1,385	$1,303	$1.94
			Tot./Avg:	***69***	***100%***	***572***	***11***	***16%***	***$1,115***	-	***$1,390***	***$1,248***	***$2.18***
3) Sequoia Grove	2017	97%	1B/1b Sm	8	5%	569	0	0%	$1,135	-	$1,270	$1,203	$2.11
259 S Sequoia Pkwy			1B/1b Lg	42	24%	721	2	5%	$1,350	-	$1,375	$1,363	$1.89
Canby, OR			2B/1b	50	29%	1,018	2	4%	$1,385	-	$1,390	$1,388	$1.36
			2B/2b	65	37%	1,036	2	3%	$1,565	-	$1,615	$1,585	$1.53
			3B/2b	9	5%	1,306	0	0%	$1,635	-	$1,740	$1,688	$1.29
			Tot./Avg:	***174***	***100%***	***947***	***6***	***3%***	***$1,000***	-	***$1,740***	***$1,462***	***$1.54***
4) Stoneplace	2009-16	99%	Studio	24	8%	547	0	0%	$885	-	$900	$893	$1.63
872 W Main St			1B/1b	56	20%	727	1	2%	$1,020	-	$1,135	$1,078	$1.48
Molalla, OR			2B/1b	77	27%	844	1	1%	$1,100	-	$1,180	$1,140	$1.35
			2B/2b Sm	67	24%	945	0	0%	$1,150	-	$1,245	$1,198	$1.27
			2B/2b Lg	12	4%	1,125	0	0%	$1,365	-	$1,365	$1,365	$1.21
			3B/2b	47	17%	1,204	2	4%	$1,420	-	$1,460	$1,440	$1.20
			Tot./Avg:	***283***	***100%***	***891***	***4***	***1%***	***$885***	-	***$1,460***	***$1,180***	***$1.32***
5) Silverplace	2017	100%	Studio	12	8%	549	0	0%	$1,050	-	$1,090	$1,070	$1.95
329 Fossholm St			1B/1b	35	23%	728	0	0%	$1,160	-	$1,210	$1,185	$1.63
Silverton, OR			2B/2b Sm	28	18%	973	0	0%	$1,289	-	$1,340	$1,315	$1.35
			2B/2b Lg	52	34%	1,162	0	0%	$1,416	-	$1,466	$1,441	$1.24
			3B/2b	26	17%	1,204	0	0%	$1,533	-	$1,553	$1,543	$1.28
			Tot./Avg:	***153***	***100%***	***987***	***0***	***0%***	***$1,050***	-	***$1,553***	***$1,380***	***$1.37***
TUALATIN													
6) Eddyline Bridgeport	2014	94%	Studio LW	8	2%	534	0	0%	$1,322	-	$1,417	$1,370	$2.56
18049 SW L. Boones F. Rd			1B/1b Sm	96	26%	637	8	8%	$1,487	-	$1,510	$1,499	$2.35
Tualatin, OR			1B/1b Md	119	32%	746	8	7%	$1,502	-	$1,884	$1,693	$2.27
			1B/1b Lg	23	6%	1,011	2	9%	$1,819	-	$1,940	$1,880	$1.86
			2B/1b	16	4%	868	1	6%	$1,910	-	$1,930	$1,920	$2.21
			2B/2b	79	22%	1,059	3	4%	$2,160	-	$2,363	$2,262	$2.14
			2B/3b TH	14	4%	1,584	0	0%	$2,500	-	$2,500	$2,500	$1.58
			3B/2b	12	3%	1,407	0	0%	$2,468	-	$2,513	$2,491	$1.77
			Tot./Avg:	***367***	***100%***	***856***	***22***	***6%***	***$1,322***	-	***$2,513***	***$1,836***	***$2.15***

FIGURE 7.4: COMPETITIVE SURVEY SUMMARY, CONT.

Project Name/ Location	Year	Occupancy	Type	Units	Mix	Sq. Ft.	Vacant		Low Rent		High Rent	Avg. Rent	Avg. Rent Per SF.
			UNIT CHARACTERISTICS						RENT CHARACTERISTICS				
WILSONVILLE													
7) Terrene at the Grove	2013	93%	1B/1b	84	29%	723	7	8%	$1,250	-	$1,375	$1,313	$1.82
8890 SW Ash Meadows Cir			2B/1b	72	25%	895	5	7%	$1,487	-	$1,595	$1,541	$1.72
Wilsonville, OR			2B/2b	96	33%	1,150	1	1%	$1,717	-	$1,717	$1,717	$1.49
			3B/2b	12	4%	1,241	4	33%	$1,780	-	$2,105	$1,943	$1.57
			4B/2b	24	8%	1,715	2	8%	$2,199	-	$2,255	$2,227	$1.30
			Tot./Avg:	*288*	*100%*	*1,013*	*19*	*7%*	*$1,250*	-	*$2,255*	*$1,607*	*$1.59*
8) Jory Trail at the Grove	2012	96%	1B/1b	84	26%	700	1	1%	$1,248	-	$1,289	$1,269	$1.81
8520 SW Ash Meadows Cir			2B/1b Sm	116	36%	904	3	3%	$1,389	-	$1,437	$1,413	$1.56
Wilsonville, OR			2B/1b Lg	28	9%	1,056	3	11%	$1,557	-	$1,557	$1,557	$1.47
			2B/2b Sm	48	15%	1,150	1	2%	$1,609	-	$1,721	$1,665	$1.45
			2B/2b Lg	24	7%	1,307	2	8%	$1,685	-	$1,834	$1,760	$1.35
			3B/2b	12	4%	1,243	1	8%	$1,925	-	$1,925	$1,925	$1.55
			4B/2b	12	4%	1,716	1	8%	$2,341	-	$2,387	$2,364	$1.38
			Tot./Avg:	*324*	*100%*	*973*	*12*	*4%*	*$1,248*	-	*$2,387*	*$1,505*	*$1.55*
KEIZER													
9) Hawk's Point	2008	99%	1B/1b	40	17%	725	0	0%	$975	-	$1,125	$1,050	$1.45
1124 McGee Ct NE			2B/1b	52	22%	901	1	2%	$1,025	-	$1,125	$1,075	$1.19
Keizer, OR			2B/2b Sm	70	30%	935	0	0%	$1,050	-	$1,150	$1,100	$1.18
			2B/2b Lg	65	28%	1,015	0	0%	$1,200	-	$1,300	$1,250	$1.23
			3B/2b	8	3%	1,180	1	13%	$1,350	-	$1,450	$1,400	$1.19
			Tot./Avg:	*235*	*100%*	*922*	*2*	*1%*	*$975*	-	*$1,450*	*$1,147*	*$1.23*
10) Keizer Station	2016	97%	1B/1b	54	30%	738	1	2%	$1,025	-	$1,050	$1,038	$1.41
5500 McLeod Ln NE			2B/2b Sm	66	37%	1,022	2	3%	$1,180	-	$1,286	$1,233	$1.21
Keizer, OR			2B/2b Lg	36	20%	1,153	2	6%	$1,345	-	$1,355	$1,350	$1.17
			3B/2b	24	13%	1,209	1	4%	$1,420	-	$1,440	$1,430	$1.18
			Tot./Avg:	*180*	*100%*	*988*	*6*	*3%*	*$1,025*	-	*$1,440*	*$1,224*	*$1.24*
ALL SURVEYED UNITS			Studio	74	3%	518	4	5%	$885	-	$1,417	$1,082	$2.09
Average age (years):	6		1B/1b	707	31%	719	37	5%	$975	-	$1,375	$1,344	$1.87
Total occupancy:	96%		2B/1b	503	22%	916	16	3%	$1,025	-	$1,390	$1,322	$1.44
Total stabilized occupancy:	97%		2B/2b	770	34%	1,068	13	2%	$1,050	-	$2,363	$1,500	$1.40
			3B/2b	219	10%	1,305	12	5%	$1,350	-	$2,513	$1,700	$1.30
			Total	*2,273*	*100%*	*931*	*82*	*4%*	*$885*		*$2,513*	*$1,418*	*$1.52*

SOURCE: Surveyed Properties, CoStar, Craigslist, JOHNSON ECONOMICS

OCCUPANCY AND ABSORPTION

Occupancy rates are high, especially within the PMA. Occupancy rates range from 97% to 100% across stabilized properties within the PMA, for a total of 99%. With the one property still in lease-up included (84% leased), the overall occupancy rate in the PMA is 98%. Among the properties located outside the PMA, occupancy rates range from 93% to 99%. The total stabilized occupancy rate across the survey is 97%.

Three of the PMA properties finished their lease-up over the past year or two. Stoneplace (phase 3) and Silverplace both achieved absorption at an average rate of 16 units per month, which is quite normal for projects of their scale (both delivered around 100 units), indicating appropriate market pricing. Sequoia Grove in Canby achieved absorption at a rate of 13 units per month. Though this is a bit low for a project with nearly 200 units, the absorption at the site was probably held back by staggered delivery and lease-up.

RENTS

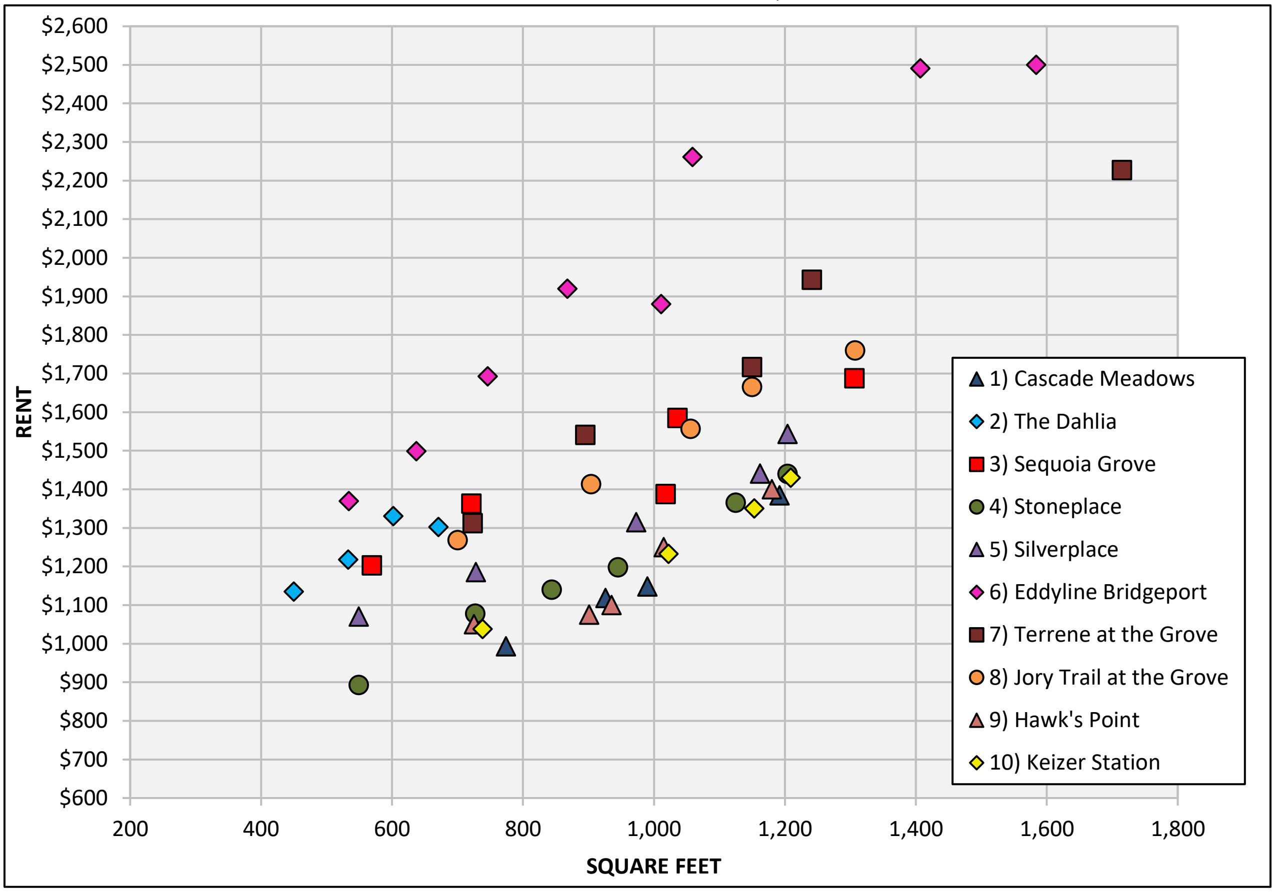
Rent levels at the PMA properties range from a low of $885 for the smallest units at one of the oldest projects (Stoneplace in Molalla) to a high of $1,740 for relatively new two-bedroom units at Sequoia Grove in Canby. The average rent level across these projects is $1,265 per unit, which translates into an average per-square-foot level of $1.38 at an average unit size of 910 square feet. If we include the properties located outside the PMA, rent levels go up to $2,513 for large townhouse units at the Eddyline. The average rent level for the survey is $1,418 per unit and $1.52 per square foot (PSF). Across the sample, one- and three-bedroom units capture relatively high rents, indicating that these are undersupplied relative to two-bedroom units in the current market.

In line with urban economic theory, the highest rent levels are observed closest to Portland, reflecting that these projects capture demand from higher-income households and can charge a premium for access to employment and amenities in Central Portland. The Eddyline in Tualatin tops the list, with an average rent level of $1,836 per unit and $2.15 PSF. However, both projects in Wilsonville slightly exceed the newer Sequoia Grove in Canby ($1,462; $1.54). Terrene at the Grove in Wilsonville follows Eddyline at $1,607 per unit and $1.59 PSF, while the second and less upscale project in Wilsonville (Jory Trail, built 2012) comes in third at $1,505 per unit and $1.55 PSF. Due to substantially smaller unit sizes, The Dahlia in Woodburn has the second highest PSF of all the projects in the survey ($2.18). The more peripheral projects in the PMA, located in Molalla and Silverton, incur discounts for their more limited access and lower income levels, averaging PSF rates of $1.32 and $1.37. The two properties in Keizer, which compete in the Salem market, average $1.23 and $1.24 PSF.

The lowest rent levels in the survey are observed at Cascade Meadows in Woodburn and Hawk's Point in Keizer, which average $1,152 and $1,147 respectively per unit. The low rates are counterintuitive when compared to rates in more peripheral communities like Molalla and Silverton, but partly reflects the projects' older vintage (both 2008). In addition, neither property appears to be leasing at market rents, as they have been operating at or near 100% over the last several years. When turnover units are consistently leased before they are vacated, the lack of market resistance is a sign of below-market pricing.

The following scatter plot displays the observed rents as a function of square footage, with each plot representing a unit type average at a property.

FIGURE 7.5: OBSERVED RENTS AS A FUNCTION OF SQUARE FOOTAGE



SOURCE: Surveyed Properties, CoStar, Craigslist, JOHNSON ECONOMICS

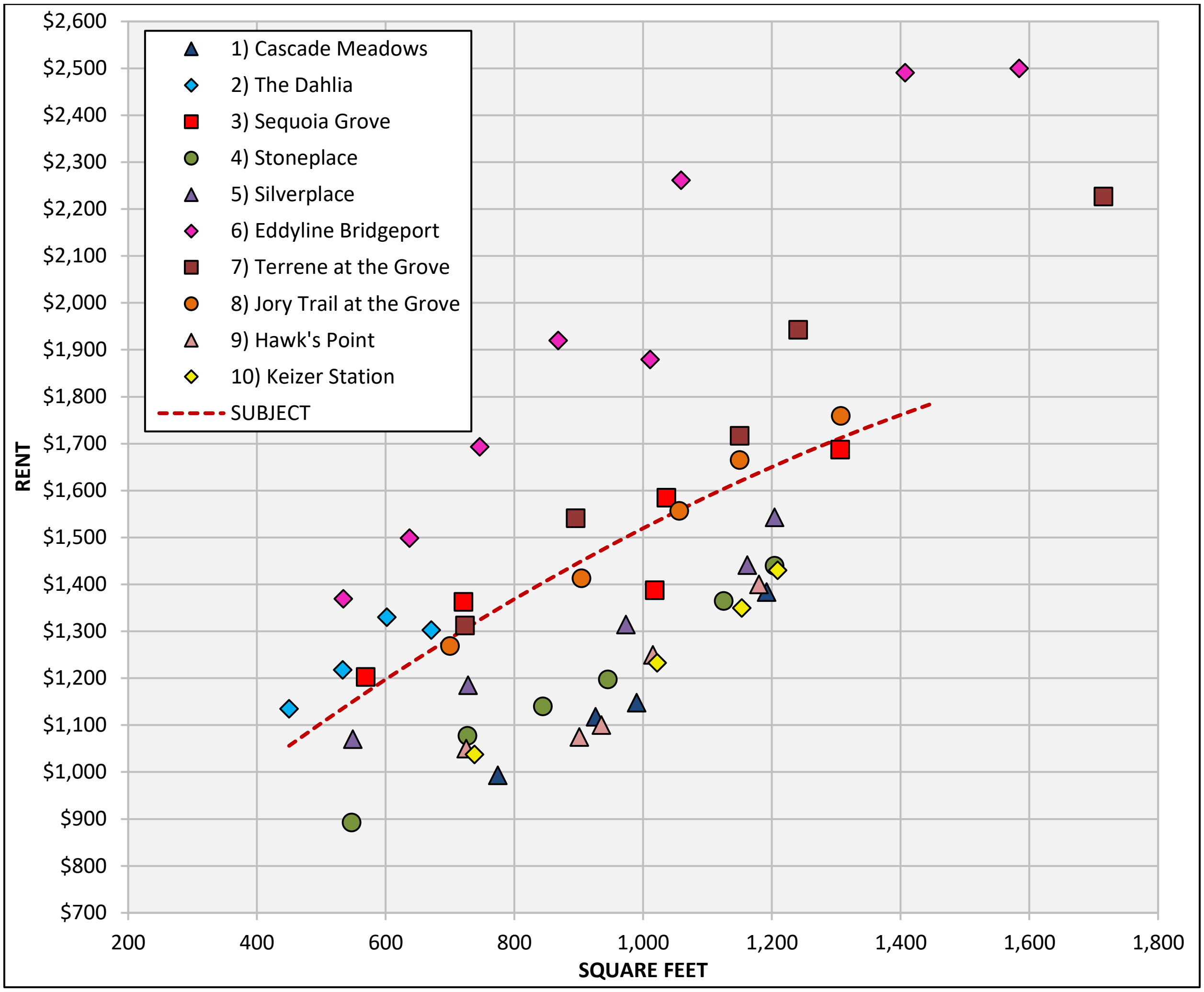
ACHIEVABLE PRICING

Achievable pricing at the subject site will to some extent depend on the standard and profile of the community, including specific unit features and community amenities. In the following, we assume the features and amenities recommended later in this report, which reflect a modest but up-to-date profile.

With these assumptions, we expect the subject site to be positioned around the middle of the survey sample in terms of pricing, above the projects located in Woodburn, Molalla, Silverton, and Keiser. We expect the subject to be positioned below the Dahlia, the Eddyline and Terrene, which are the most upscale projects in the sample, and roughly on par with Jory Trail and Sequoia Grove. Jory Trail enjoys a stronger location, with superior access to high-wage employment in Washington County and Portland, but it is now seven years old and is beginning to show signs of wear and outdated interiors.

We regard Sequoia Grove to be the most comparable property in the sample, as it is a fairly new project with similar drive times to Wilsonville and Portland. It is inferior in terms of its industrial environment and lack of access to amenities, though its access to Fred Meyer is similar to the subject's access to Walmart. However, the subject is closer to the Keizer-Salem market, which represents a lower-rent substitute, thus putting downward pressure on achievable rents. We thus expect achievable pricing slightly below Sequoia Grove, though above the aging Cascade Meadows adjacent to the subject site. These estimates take into account the market depth of the Woodburn market and the relatively large scale of the subject development.

FIGURE 7.6: PEER GROUP PRICING ANALYSIS



SOURCE: CoStar, JOHNSON ECONOMICS

RENT MATRIX

The following matrix shows our estimates of achievable monthly rents at the subject site, as displayed in the preceding chart, applied to the unit mix that we recommend for the site (see Recommendations). The estimates assume balconies in every unit and air-conditioning in south/west-facing units, as well as the other amenities listed in our recommendations. The estimates reflect 12-month contracts, with utilities billed separately.

The estimates range from around $1,150 for small one-bedroom units to $1,620 for three-bedroom units, with PSF rates ranging from $1.41 to $2.09. With the recommended unit mix, our estimates indicate that the subject can achieve a blended PSF rate of $1.66 in the current market. We expect achievable rents to move with the wider market prior to market introduction. Assuming rent growth of 3% over the next two years, the estimates indicate a blended PSF rate of $1.76 two years from now.

FIGURE 7.7: ACHIEVABLE PRICING

Unit Type	Units	Unit Mix	Avg. Size	2Q19 RENT Per Unit	2Q19 RENT Per SF	2Q21 RENT * Per Unit	2Q21 RENT * Per SF
1B/1b Sm	30	12%	550	$1,152	$2.09	$1,222	$2.22
1B/1b Md	40	16%	650	$1,242	$1.91	$1,318	$2.03
1B/1b Lg	30	12%	750	$1,328	$1.77	$1,408	$1.88
2B/1b	50	20%	800	$1,348	$1.69	$1,430	$1.79
2B/2b Sm	35	14%	900	$1,446	$1.61	$1,534	$1.70
2B/2b Lg	25	10%	1,000	$1,519	$1.52	$1,612	$1.61
3B/2b	40	16%	1,150	$1,620	$1.41	$1,718	$1.49
Total/Avg.	***250***	***100%***	***830***	***$1,379***	***$1.66***	**$1,463**	***$1.76***

* Assumes annual rent growth of 3%.

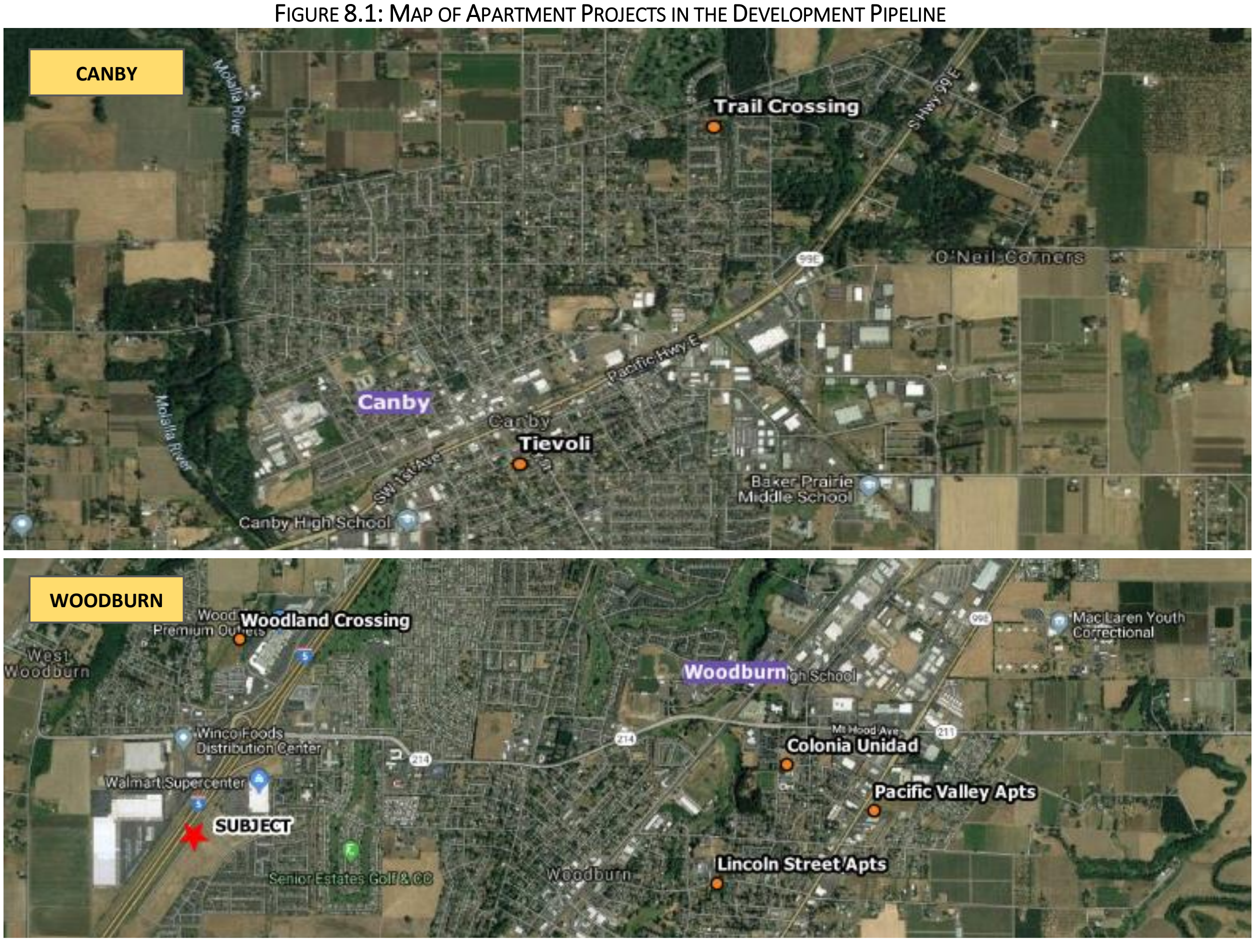
SOURCE: JOHNSON ECONOMICS

VIII. NEW SUPPLY

We have identified six apartment projects with a total of 630 units in the supply pipeline within the PMA. Four of these – two rent/income-restricted – are located in Woodburn. The two affordable projects are expected to supply 61 units to qualifying low-income families in 2019. We expect these to be met by demand from renters currently priced out of the market, and thus have very limited impact on the demand-supply balance for market-rate units. The two market-rate projects in Woodburn, Pacific Valley and Woodland Crossing, comprise the bulk of new supply in the PMA, with roughly 500 new units. The latter is the largest, with potential for 300 market-rate units – however, some of these might be slated for senior living, thus having less impact on the subject site demand.

The last two projects are in Canby and are expected to be completed in 2019 and 2020. Tievoli is an 8-unit project with negligible impact on demand. Trail Crossing includes 58 units, and also represents limited impact on demand. It is located on a site with inferior access characteristics compared to the subject site.

FIGURE 8.1: MAP OF APARTMENT PROJECTS IN THE DEVELOPMENT PIPELINE



Project Name	Location	City	Status	Est. Delivery	Entitlement	Comments	Units
Lincoln Street Apts	E Lincoln St	Woodburn	U.C.	2019	Permit Issued	Affordable, east of Downtown	17
Colonia Unidad	1750 Park Ave	Woodburn	U.C.	2019	Permit Issued	Affordable, east of Downtown. FHDC	44
Trail Crossing	NE Territorial Rd	Canby	U.C.	2019	Permit Issued	Market-rate, next to Willamette Grove	58
Woodland Crossing	9065 Arney Ln NE	Woodburn	Proposed	2020	Approved	Market-rate, potentially some Senior	300
Tievoli	SW 3rd Ave	Canby	Proposed	2020	LU Review	Market-rate	8
Pacific Valley Apts	1310 N Pacific Hwy	Woodburn	Proposed	2021	LU Review	Market-rate	204
TOTAL UNITS							***631***

SOURCE: Planning departments, local brokers and developers, online media, JOHNSON ECONOMICS

IX. MARKET DEPTH ANALYSIS

In this section, we analyze the depth of the market for rental apartments within the defined market area. We provide estimates of market depth in the existing apartment population as well as demand growth over the coming five years. We also discuss the potential impact of pent-up demand. In the following section, we then reconcile our demand estimates with the identified supply pipeline in order to project absorption for the PMA and the subject site.

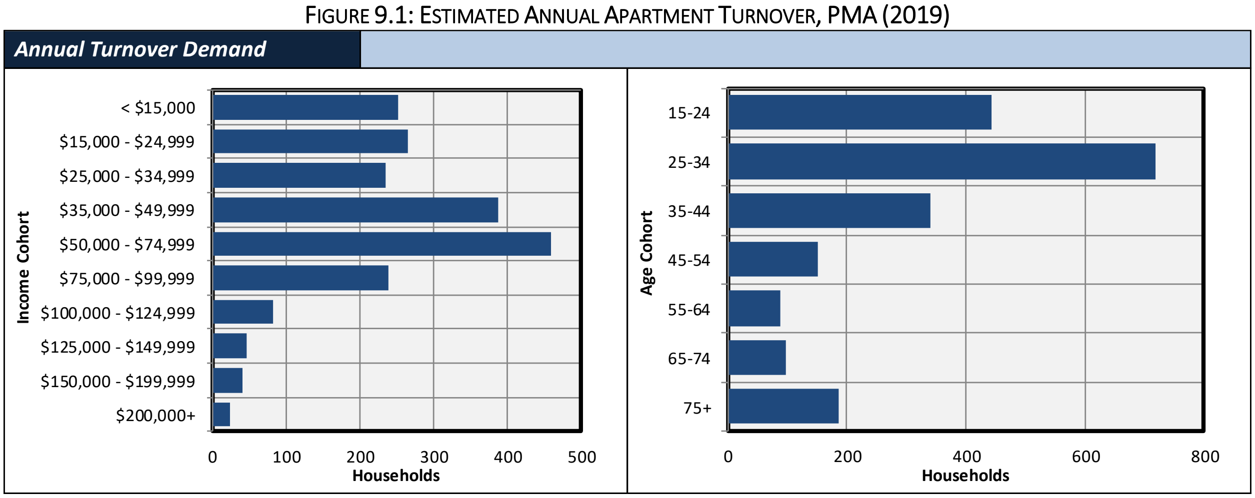
CURRENT MARKET DEPTH

Based on census estimates, adjusted to account for recent apartment deliveries, the PMA currently totals 5,500 apartment households. We segment these renters by age and income based on Environics' (form. Nielsen Claritas) segmentation of the total household base (presented in the Socio-Economic Trends section). This is done in a model that uses microdata from the U.S. Census Bureau to establish local propensity rates for apartment tenure in each age-income segment. The same dataset is used to establish historical, segment-specific turnover rates.

According to our model, turnover among existing apartment households in the PMA represents roughly 2,000 lease transactions annually. Turnover demand tends to benefit new projects disproportionately, as these have more visible marketing and more marketable units and amenities.

Young and low/middle-income households are expected to dominate turnover in the market, reflecting the market's demographic profile and the relatively high turnover rates in the younger segments. We expect support for a new apartment project on the subject site to come primarily from households with incomes above $50,000. Our model indicates 900 annual turnover transactions above this threshold. The following chart provides a demographic profile of turnover, based on the outputs from our segmentation model.

FIGURE 9.1: ESTIMATED ANNUAL APARTMENT TURNOVER, PMA (2019)



SOURCE: Environics and JOHNSON ECONOMICS

DEMAND GROWTH (2019-2024)

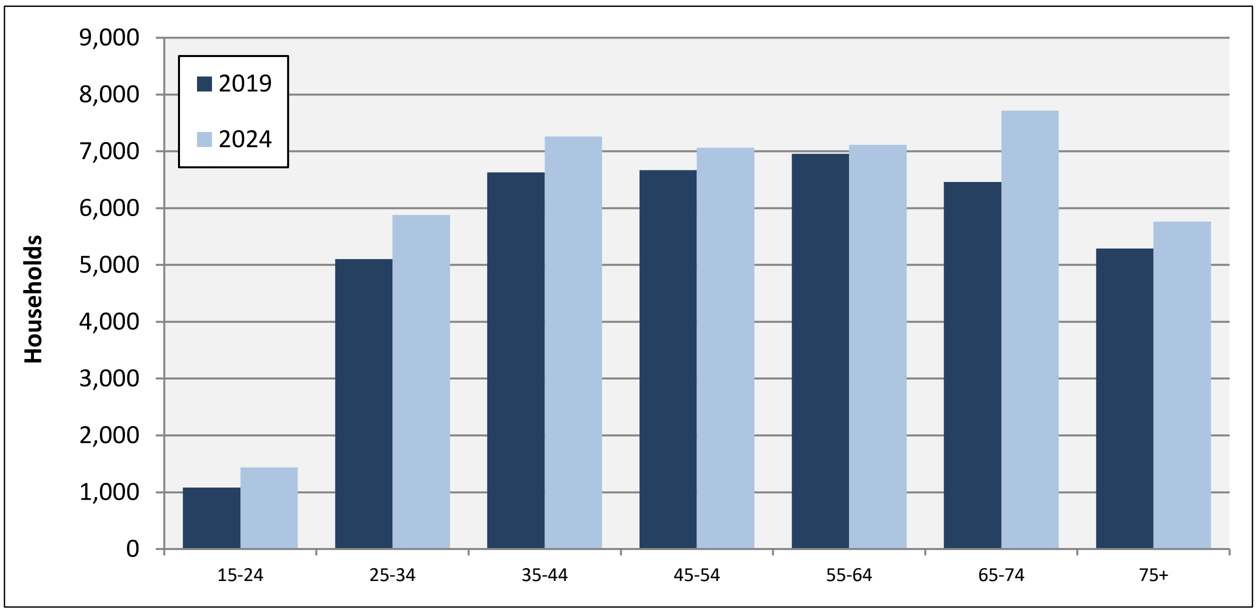
JOHNSON ECONOMICS has developed a housing demand model that translates estimates of market-area household growth into demand for housing of different forms. Our model begins with household growth estimates stratified by age and income, as these are the variables that best predict housing preferences. Our household growth estimates are based on projections by Environics (Nielsen Claritas), which produces age/income-specific household projections for custom areas down to the census block group level. We adjust these estimates when we have specific knowledge of local conditions pertaining to employment and housing, and based on our county-wide and regional projections, which are informed by population projections from Portland State University's NERC program. The goal is for the projections to reflect underlying demand (preferences) rather than expected realized household growth, which is constrained by supply. Local, segment-specific propensity rates calculated from census microdata are used to allocate the new growth to different types of housing.

TOTAL HOUSING DEMAND

Over the coming five years, our baseline forecast is for a demand increase of 4,000 housing units, or 800 units per year. This represents annual growth of 1.4%, which is slightly higher than the average annual growth seen since 2000 (1.25%). A somewhat higher growth rate is justified as our demand estimates seek to reflect underlying demand, and not realized growth, which over the past five years has been restrained by inadequate housing supply.

The following chart displays the anticipated distribution of housing demand across age segments over the coming five years. The projections indicate growth concentrations among young adults (age 25-34; +800 units) and seniors (age 65+, +1,700 units). Some growth is also expected among the very youngest segment and among family-age households.

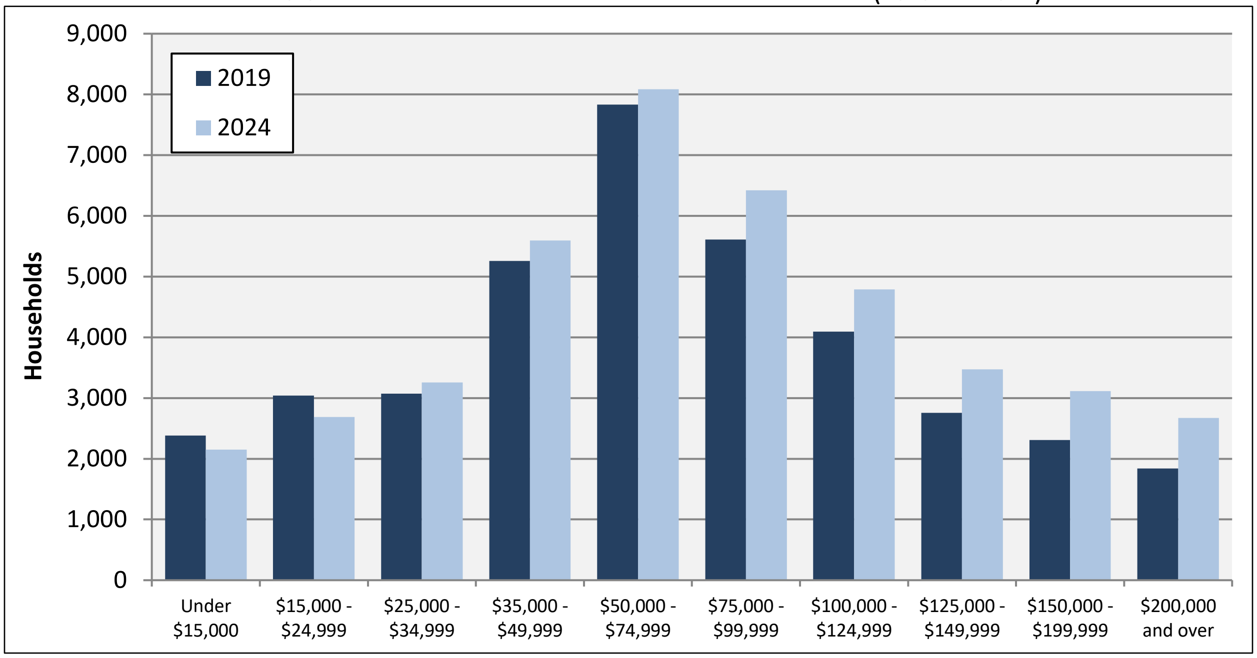
FIGURE 9.2: PROJECTED DISTRIBUTION OF PMA HOUSEHOLDS BY AGE (2019 AND 2024)



SOURCE: Environics, JOHNSON ECONOMICS

With respect to income, the demand growth is anticipated to be distributed widely across middle- and upper-income households, partly offset by declines at the lowest income levels (see next page). Roughly 75% of the demand growth is expected at income levels above $100,000, dominated by age groups between 35 and 74. Among households below 35, 740 new households with incomes in the $50,000-150,000 range are expected over the period.

FIGURE 9.3: PROJECTED DISTRIBUTION OF PMA HOUSEHOLDS BY INCOME (2019 AND 2024)



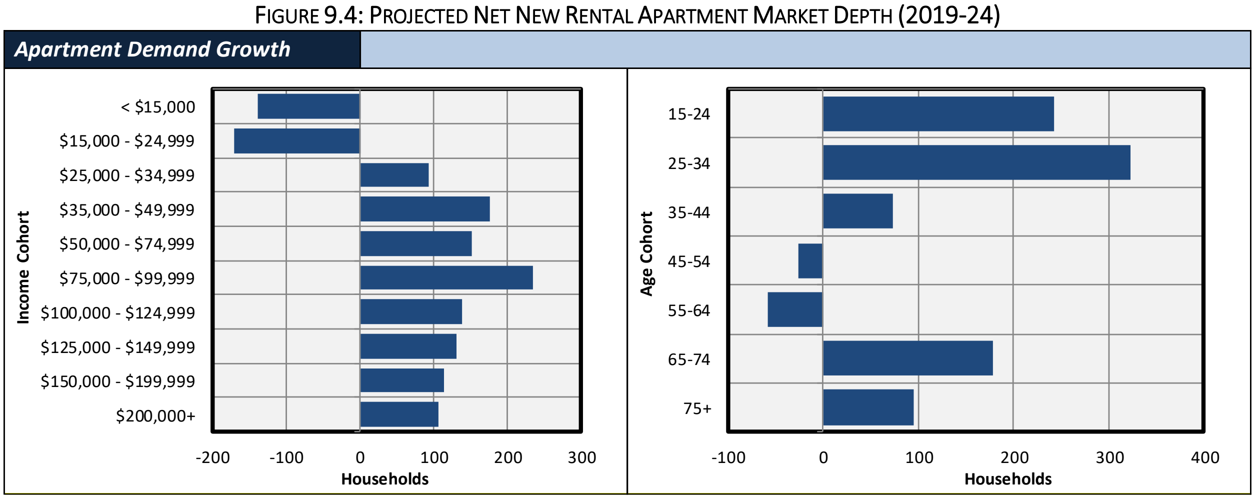
SOURCE: Environics, JOHNSON ECONOMICS

FORECAST OF DEMAND GROWTH FOR RENTAL APARTMENTS

Our forecast model indicates that 23% of the net new households in the PMA will be renters. This rate is estimated based on existing, segment-specific tenure splits in the market area, applied to projected growth. In comparison, roughly 30% of the existing household base are renters, according to census data. Nearly 90% of the net new demand for rental housing is expected to be for apartments.

Over the next five years, our baseline estimate for net-new rental apartment demand is roughly 830 units, or 170 units annually. On a net basis, the growth is expected to be concentrated among young adults and seniors, widely distributed across income levels above $25,000. Growth is also expected among family-age households, at income levels above $50,000, offset by declines at lower incomes. Among the younger segments (<35), nearly 75% of the demand growth is expected between $35,000 and $100,000.

FIGURE 9.4: PROJECTED NET NEW RENTAL APARTMENT MARKET DEPTH (2019-24)

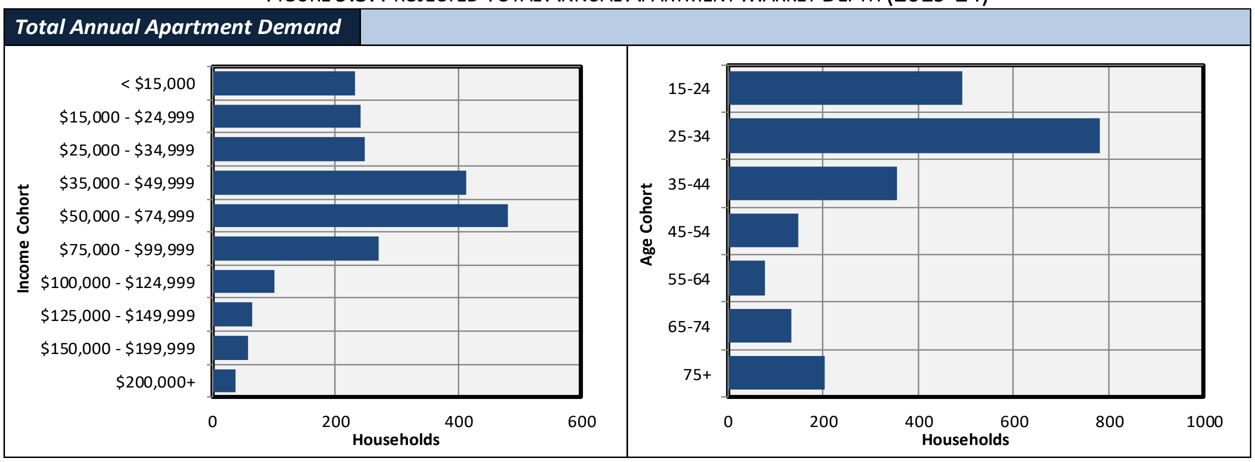


SOURCE: Environics and JOHNSON ECONOMICS

FORECAST OF TOTAL APARTMENT DEMAND

Combining our estimates of turnover demand and demand growth, we arrive at the following profile of total annual demand within the market area. The estimates indicate 2,150 lease transactions per year, dominated by young and middle-income renters. We expect more than 1,000 transactions annually involving households with incomes above $50,000, and 260 with incomes above $100,000.

FIGURE 9.5: PROJECTED TOTAL ANNUAL APARTMENT MARKET DEPTH (2019-24)



SOURCE: Environics and JOHNSON ECONOMICS

PENT-UP DEMAND

The PMA exhibits clear signs of pent-up apartment demand. This is a regional phenomenon, caused by strong economic growth paired with a limited supply of new housing. The increase in housing supply over the most recent years has helped to release some of the pent-up demand regionally, though high rent levels – relative to incomes – still force many individuals to double up with family or friends rather than forming their own households.

Pent-up demand is an elusive concept, and notoriously difficult to measure quantitatively, as it is a matter of preferences, financial ability, and trade-offs. A young individual might prefer a single-family home, but might also consider an apartment unit, or remain in his parents' household, depending on current home prices and rent levels. In the context of apartment absorption, the most interesting question is how many individuals (or potential households) currently have the preference and financial ability to rent a unit but are held back because of a lack of available units that meet their requirements.

Within the PMA, pent-up apartment demand is indicated by the current high occupancy rates observed in our competitive survey (99%) as well as occupancy rates reported by CoStar, especially in Woodburn (98.4%). Additionally, developers of affordable housing projects report strong demand and long waitlists for new units. The Farmworker Housing Development Corporation (FHDC), which operates in the Mid-Willamette Valley, had more than 150 names on their waitlist for their Colonia Unidad project in Woodburn (44 units), when the project broke ground.

Pent-up housing demand is also reflected in the current large average household size reported for Marion County by the Census Bureau, which was 2.86 in 2017 compared to an average of 2.69 pre-recession (only available for single years on the county level). Applied to the PMA, this differential represents 5,600 individuals and more than 2,000 households (at the pre-recession average household size). Apartments is the most realistic option for most of these, though a large number are presumably without the financial ability to lease a market-rate unit in the current market. However, we would expect some of these potential households (we would assume 100 households) to have the financial means to participate in the apartment market once appropriate supply becomes available. Though few will lease a new unit directly, these households will help in the absorption of new units by buoying market occupancy rates, as they backfill older units vacated by more affluent renters moving into the new units.

X. ABSORPTION

PMA SUPPLY-DEMAND BALANCE

Current vacancy rates in the PMA indicate that this area is undersupplied in terms of apartment units. As noted, CoStar's reported rates (currently 2.8%) tend to exaggerate vacancy, as these include units in lease-up and are partly based on listed future available units that are currently occupied. Assuming our own competitive survey is representative of the entire market, the PMA has a vacancy rate of 1.0% at the moment. On this assumption, we estimate that another 225 vacant units are needed to bring the market to 5% vacancy, which is generally regarded to represent a balanced market. In addition, we have suggested that the market might need on the order of 100 units to accommodate pent-up demand among, plus another 170 units per year to accommodate future demand growth. This suggests a need for roughly 1,150 new units over the coming five years in order to accommodate 5% vacancy.

Our pipeline survey identified roughly 630 apartment units slated for delivery over the coming three years in the PMA. This suggests capacity for 520 additional units. As noted, additional projects might be added to the pipeline, though it is also possible that some of the identified projects will be postponed or abandoned.

The following figure displays our absorption model for the PMA over the coming five years, based on anticipated supply and demand. The model assumes delivery of new projects at the beginning of each year. We have assumed that Woodland Crossing will divided in two equal phases (2020 and 2021). Without additional supply beyond what is already in the pipeline, the model indicates that the occupancy rate will remain above 98% in the PMA over the forecast period. Additional explanation of the model is included on the next page.

FIGURE 10.1: MARKET ABSORPTION ANALYSIS (2019-24)

Market Absorption	
Annual Demand Growth	166
Annual Turnover Demand	2,027
Total Anual Demand	***2,193***

ABSORPTION	2019		2020		2021		2022		2023	
	Units	Capture	Units	Capture	Units	Capture	Units	Capture	Units	Capture
Existing Turnover Supply	2,027	94.5%	2,027	92.8%	2,027	85.1%	2,027	98.6%	2,027	100.0%
New Supply										
Lincoln Street Apts (17 u.)	17	0.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Colonia Unidad (44 u.)	44	2.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Trail Crossing (58 u.)	58	2.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Tivoli (8 u.)			8	0.4%	-	0.0%	-	0.0%	-	0.0%
Woodland Crossing (300 u.)			150	6.9%	138	6.3%	12	0.6%	-	0.0%
Pacfic Valley (200 u.)					188	8.6%	16	0.8%	-	0.0%

MARKET DYNAMICS	2019	2020	2021	2022	2023
Beginning inventory	5,653	5,772	5,930	6,284	6,284
New inventory (excl. subj.)	119	158	354	0	0
Year-end inventory	5,772	5,930	6,284	6,284	6,284
Beginning renters	5,596	5,762	5,928	6,095	6,261
Absorbed units	119	158	326	28	0
Year-end renters	5,762	5,928	6,095	6,261	6,284
Beginning occupancy	99.0%	99.8%	100.0%	97.0%	99.6%
Year-end occupancy	99.8%	100.0%	97.0%	99.6%	100.0%
Average Occupancy (%)	**99.4%**	**99.9%**	**98.5%**	**98.3%**	**99.8%**

SOURCE: JOHNSON ECONOMICS

SITE-LEVEL ABSORPTION

We use the same model for estimating absorption at the subject site. The model incorporates a fair-share assumption in terms of absorption, assuming that each new project in the pipeline, as well as each existing project with available turnover units, will capture a share of total demand proportionate to its share of total available supply, including turnover supply. Differences between the projects in terms of competitive position are thus assumed to be accounted for by rent premiums and discounts rather than by the pace of absorption.

The results of our absorption model are displayed below, with 256 units assumed delivered at the subject site in early 2021. According to the model, 83% of the new supply delivered in 2021 is expected to be absorbed within 12 months, while the remainder will be absorbed in 2022. The subject site is estimated to achieve absorption at a rate of 15 to 21 units per month, with complete absorption of 256 units in 12 to 17 months.

The total market occupancy rate (not just stabilized inventory) is projected to decline to 93% at the end of 2021, but to approach 96% again at the end of 2022. This suggest capacity for delivery of a second phase at the subject site in mid-2022 or early 2023. Assuming continued demand growth at around 170 units in this market, 250 additional units of supply can be delivered every 18 months while maintaining a healthy market with occupancy around 95%.

FIGURE 10.2: SUBJECT SITE ABSORPTION ANALYSIS (2019-24)

Subject Site Absorption	
Annual Demand Growth	166
Annual Turnover Demand	2,027
Total Anual Demand	***2,193***

	2019		2020		2021		2022		2023	
ABSORPTION	**Units**	**Capture**	**Units**	**Capture**	**Units**	**Capture**	**Units**	**Capture**	**Units**	**Capture**
Existing Turnover Supply	2,027	94.5%	2,027	92.8%	2,027	76.9%	2,027	95.2%	2,027	100.0%
New Supply										
Lincoln Street Apts (17 u.)	17	0.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Colonia Unidad (44 u.)	44	2.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Trail Crossing (58 u.)	58	2.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Tivoli (8 u.)			8	0.4%	-	0.0%	-	0.0%	-	0.0%
Woodland Crossing (300 u.)			150	6.9%	125	5.7%	25	1.2%	-	0.0%
Pacfic Valley (200 u.)					170	7.7%	34	1.6%	-	0.0%
SUBJECT (Ph.1, 256 u.)					***213***	***9.7%***	***43***	***2.0%***	***-***	***0.0%***

	Low	**Baseline**	**High**
Est. Unit Absorption per Month	**15**	**18**	**21**
Estimated Months to Lease Up	**17**	**14**	**12**

MARKET DYNAMICS	**2019**	**2020**	**2021**	**2022**	**2023**
Beginning inventory	5,653	5,772	5,930	6,540	6,540
New inventory (excl. subj.)	119	158	610	0	0
Year-end inventory	5,772	5,930	6,540	6,540	6,540
Beginning renters	5,596	5,762	5,928	6,095	6,261
Absorbed units	119	158	507	103	0
Year-end renters	5,762	5,928	6,095	6,261	6,427
Beginning occupancy	99.0%	99.8%	100.0%	93.2%	95.7%
Year-end occupancy	99.8%	100.0%	93.2%	95.7%	98.3%
Average Occupancy (%)	**99.4%**	**99.9%**	**96.6%**	**94.5%**	**97.0%**

SOURCE: JOHNSON ECONOMICS

XI. RECOMMENDATIONS

SCALE AND PHASING

Based on anticipated supply and demand, we believe a phased approach with delivery of around 250 units per phase is an appropriate approach for the subject site. For suburban multi-building projects, we also recommend staggered construction and delivery of buildings within the same phase, in order to avoid prolonged vacancy. With the first phase opening in early 2021, our absorption projections indicate that later phases can be delivered every 18 months, assuming limited competing supply. This suggests a total absorption period of around six years. Allowing for some additional supply, delivery every two years may be a more appropriate approach, for a total absorption period of eight years.

TARGET SEGMENTS

Reflecting the scale of the project, we recommend a relatively broad demographic orientation that can accommodate absorption from a large renter pool. We suggest a primary focus on renters below 35 years of age, as we expect a particular concentration of demand in this segment. Current job growth in the region is weighted to young workers, reflecting the size of the millennial cohort and the near-full employment among older workers. Because of the current high home prices and strict financing requirements, these younger workers have limited ability to buy their own homes. Thus, they remain in the apartment market longer than before, often long after forming families. Our demographic model indicates that renters below 35 years of age represent the strongest demand growth on a net basis over the mid-term. Seniors also represent strong growth but are more difficult to accommodate in garden-style communities, due to their preference for elevators, which are costly in multi-building projects.

In addition to the advantage that the youngest renters represent in terms of market demand, we also regard these to be the segment that the subject site is best positioned toward in terms of competitive advantage. The subject enjoys strong access to amenities, which is a weighty factor for young renters without children. Families, on the other hand, place greater emphasis on a protected, family-friendly setting and access to schools. Empty nesters and seniors also tend to prefer quiet, protected settings, though they also like good access to services, especially healthcare.

Though we recommend a primary focus on the 18-35 age segment, we also expect the site to capture demand from older renters, and therefore advise against a profile too narrowly focused on young, non-family renters. The size of the site allows for a separate section with family-oriented amenities, without exposing the entire community to play-related noise. Due to the very limited construction of townhomes and smaller detached homes since the last recession, many young families are relegated to the apartment market. This has driven up rents for three-bedroom units across the region, something that is also reflected in our competitive survey. We expect continued growth in demand from young families, as millennials enter this life stage. We expect 2019 to be a peak year for first-time births among millennials in the Portland Metro Area, suggesting strong near-term demand for family housing. We expect this to represent a market opportunity as the new apartment supply in the region is weighted to small units.

We also expect some demand at the site from non-family renters above the age of 35. Our demand projections indicate a shift in demand to higher income levels among these. Due to the age of the existing apartment stock in the PMA, we expect the subject to become an attractive alternative for these older and relatively affluent renters. However, it might be challenging to attract these if there is a large component of family renters in the community. We would therefore consider a separate senior component with elevator buildings on the site.

In terms of income, we recommend primarily targeting renters in the $50,000-80,000 range, while also accommodating some single renters with incomes down to $40,000 and two-income renters in the $100,000 range. Within Marion and Clackamas counties, current job growth in the below-35 segment primarily takes place at wage levels between $30,000 and $70,000.

PROFILE, UNIT MIX, AND PRICING

We recommend a mid-market profile with a design that is modern enough to differentiate the project from the existing apartment stock, yet still traditional and timeless to resonate with a broad demographic spectrum. The unit mix should reflect the target market, dominated by one- and two-bedroom units. A limited number of studios is a possibility, but we recommend small one-bedrooms instead. We also recommend including some three-bedroom units, oriented toward families. Renter households in the suggested $50,000-80,000 target income range typically spend between $1,200 and $1,500 in monthly rent in the current market, which at the estimated achievable rent levels at the subject site correspond to units between 500 and 900 square feet in size. We therefore believe the bulk of the units should be within this size range, though we also recommend including some larger units.

We recommend a unit mix consisting of approximately 40% one-bedroom units, 45% two-bedrooms, and 15% three-bedrooms. These rates are based on anticipated demand and rent differentials observed at the surveyed properties, taking to account unit type allocations. The latter indicate a particular undersupply of one- and three-bedroom units. For two-bedroom units, we recommend including both one- and two-bath configurations. The former is marketable to price-sensitive singles and couples who prefer an extra room for work, guests, and storage, while two-bathroom units are popular among roommates and more affluent couples. We suggest a variety of floor plans, with the smallest units starting at around 550 square feet, and the largest around 1,150. The suggested mix is estimated to achieve a blended PSF rate of $1.66 in the current market and $1.76 two years from now. The allocation should be viewed as flexible targets, subject to site constraints, building configuration, and design considerations.

FIGURE 11.1: RECOMMENDED UNIT MIX AND PRICING

				2Q19 RENT		2Q21 RENT *	
Unit Type	**Units**	**Unit Mix**	**Avg. Size**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**
1B/1b Sm	30	12%	550	$1,152	$2.09	$1,222	$2.22
1B/1b Md	40	16%	650	$1,242	$1.91	$1,318	$2.03
1B/1b Lg	30	12%	750	$1,328	$1.77	$1,408	$1.88
2B/1b	50	20%	800	$1,348	$1.69	$1,430	$1.79
2B/2b Sm	35	14%	900	$1,446	$1.61	$1,534	$1.70
2B/2b Lg	25	10%	1,000	$1,519	$1.52	$1,612	$1.61
3B/2b	40	16%	1,150	$1,620	$1.41	$1,718	$1.49
Total/Avg.	***250***	***100%***	***830***	***$1,379***	***$1.66***	**$1,463**	***$1.76***

* Assumes annual rent growth of 3%.

SOURCE: JOHNSON ECONOMICS

AMENITIES

UNIT AMENITIES AND FINISHES

We recommend up-to-date, mid-market finishes with a few key upscale features that exceed what is offered at existing projects in Woodburn, and that match finish levels at recent projects in the PMA. We recommend vinyl/laminate plank flooring in kitchens and living areas, and carpet in bedrooms. We further recommend stone or solid surface countertops, undermount sinks, stainless steel kitchen appliances, in-unit washers and dryers, and gas fireplaces (at least in larger units). We recommend nine-foot ceilings and balconies in all units. Air conditioning might be limited to south- and west-facing units.

COMMUNITY AMENITIES

One of the advantages of large-scale projects is that they can spread the cost of community amenities over more units. Thus, they can support a more extensive amenity package, and thereby expand their competitive advantage. This represents a distinct opportunity in Woodburn, where existing apartment communities offer limited amenities. The challenge for large projects with wide demographic targets is to arrive at an amenity mix and profile that appeals to the entire target range without alienating any individual segments. Young renters tend to value amenities that facilitate social interaction, while families place emphasis on outdoor play, and older renters emphasize convenience and quiet recreation. We recommend accommodating all of these preferences to some extent, as long as it can be done in a way that does not negate the marketability to any individual segment.

We recommend a clubhouse with a lounge, kitchen, and deck. The space should have a modern profile that appeals to young renters, but with a level of elegance that avoids associations to a party den – which would deter more mature renters. We suggest not including a game room that might draw children into the clubhouse, as this will reduce the appeal to adults. We recommend a deck or outdoor community area, with barbeques, fire pits, and seating. We also recommend an attached fitness amenity, which appeals to a broad range of renters, and is particularly important at locations without nearby full-service fitness centers. We further suggest an outdoor pool and spa, which also have broad appeal. Clustering these amenities and linking them with an attractive lobby area and/or an outdoor court with seating facilitates social interaction and enhances the sense of community.

In order to further enhance the appeal of the community and signal an upscale positioning for the more mature renters, the project might include a sauna and/or steam room. These are not common in this market and would set the community apart. However, we do not regard these amenities to be necessary. Similarly, in order to enhance the appeal to young families, a splash pad may be included, or an indoor play area adjacent to a TV lounge for adults.

We recommend a small greenspace, which will appeal to older renters and pet owners. To further appeal to pet owners, we recommend an outdoor pet wash station or indoor grooming room. We also recommend some family-oriented amenities, such as a playground and a ball court. To the extent possible, we suggest isolating these amenities from the remainder of the community in order to limit noise exposure. Some of the amenities may be added during future phases, leaving some flexibility in order to assess market demand.

FIGURE 11.2: RECOMMENDED AMENITIES

Unit Amenities	Community Amenities
9-foot ceilings	Clubhouse w/lounge and kitchen
Vinyl/laminate plank and carpet flooring	Deck w/seating, firepit, and BBQ
Stone or solid surface countertops	Fitness room
Undermount sinks	Outdoor pool and spa
Garbage disposal	Pet wash station or grooming room
Stainless steel kitchen appliances	Playground, (indoor play area)
Washer and dryer	Ball court
Gas fireplace (larger units)	Greenspace
Balconies/patios	(Storage units)
Air conditioning (S/W facing units)	(Sauna, steam room, splash pad)
	Auto parking, min 1.7 stalls/unit

SOURCE: JOHNSON ECONOMICS

PARKING

The surveyed properties have parking ratios ranging from a low of 0.40 per unit at The Dahlia to a high of 2.20 at Eddyline Bridgeport. Most of the properties have ratios ranging from around 1.80 to 2.00. This is relatively high, even if these projects do not have access to off-site parking. At the subject site, we recommend a parking ratio of at least 1.70 per unit with the suggested mix. This ratio reflects the assumption of 1.1-1.4 spaces per one-bedroom unit (depending on size); 1.6-2.0 spaces per two-bedroom unit; 2.0 spaces per three-bedroom; and visitor parking at 0.1 per unit.

To the extent possible, we would strive to provide parking near unit entrances, including some covered spaces. A small charge ($25-35/month) may be warranted for assigned, covered spaces near entrances. We would also include some garages on the site, which will differentiate the project from competing projects in Woodburn. When provided in small numbers (0.05 to 0.10 per unit), individual garages generate relatively high rents. We recommend garages at a rate around 0.10-0.15 per unit at the subject site, with an expected achievable monthly charge around $100.

ALLISON WAY APARTMENTS
WOODBURN, OREGON
5.28.2020

STUDY FOR POSSIBLE ADDITIONAL PARKING

	UNITS	PARKING REQUIRED 2/UNIT	PARKING ON SITE	PARKING SHORT	OFF SITE PARKING HOOPER	OFF SITE PARKING ALLISON EAST	OFF SITE PARKING ALLISON WEST	POTENTIAL PARKING AVAILABLE WITH EAST	POTENTIAL PARKING AVAILBLE WITH WEST	POTENTIAL PARKING AVAILBLE TOTAL
PHASE 1	179	358	319	39	13	26	32	358	364	390
PHASE 2	407	814	720	94	13	53	63	786	796	849
TOTALS	586	1172	1039	133	26	79	95	1144	1160	1239
TYPICAL OCCUPANCY 90%	527	1055	1039	16	26					

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MAY 27 2020
COMMUNITY DEVELOPMENT DEPARTMENT
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