Tigard-Washington Square Regional Center

Market Analysis

August 17, 2020

Prepared for: City of Tigard

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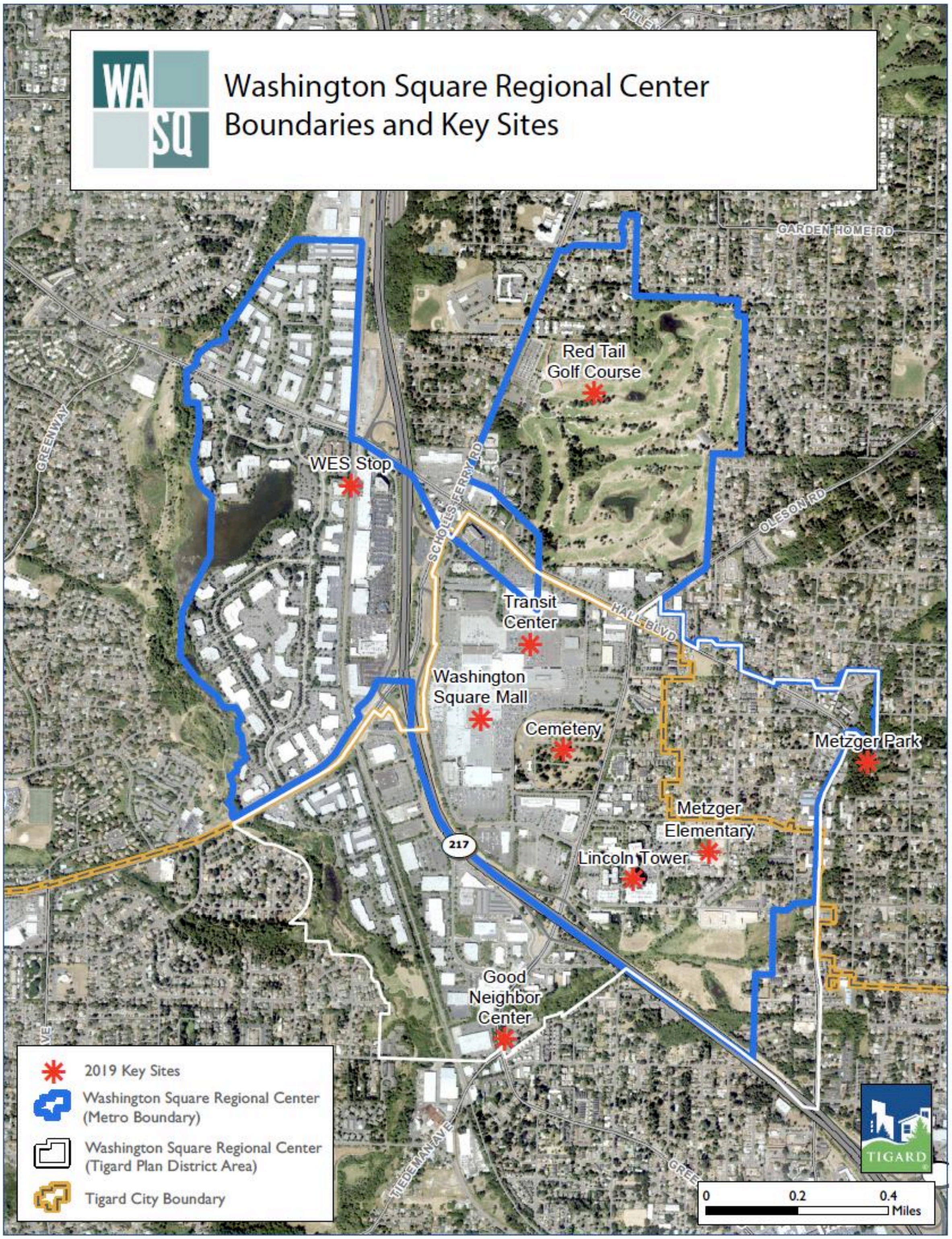
Exhibit 1: Washington Square Regional Center Study Area



Note: The study area for the Washington Square Regional Center Plan Update project includes both the blue outlined area that is within the Metro-designated Regional Center boundary and the white outlined area that is within the City of Tigard's Plan District boundary.

Executive Summary

As part of an effort to refine the original vision for the Washington Square Regional Center (WSRC) to promote housing, employment, and transportation options that are consistent with Tigard's strategic vision to be a walkable, healthy, and inclusive community, ECONorthwest has prepared this Market Analysis to inform planning for a range of land uses within the WSRC. The Market Analysis is intended to identify whether each of the land uses is likely to expand, maintain, or decline within the WSRC over the coming years, and to provide input into more detailed evaluations of development feasibility.

The WSRC study area (see Exhibit 1) is largely developed, with little vacant land remaining. New buildings will be limited to smaller infill development and development that can generate enough value to justify redevelopment of developed sites. However, there is also potential for adaptive reuse of existing buildings, particularly large, flexible spaces that may have become functionally obsolete for their original use. While the area remains auto-oriented, many of the existing surface lots are over-sized, creating opportunities for infill development on underutilized surface parking lots with commercial (or possibly residential) uses. An accompanying Subareas and Opportunities Memo provides additional discussion of locations within the study area that have opportunities for (re)development.

The Washington Square Mall (Mall) site offers the greatest potential for redevelopment due to: 1) the property owners' need to find other uses that will help keep the Mall successful as the economy becomes increasingly challenging for brick-and-mortar retailers, 2) the availability of large parking areas under common ownership with the existing Mall site, and 3) the potential for a consolidated master plan that leverages both new and existing development. Over the long-term, this redevelopment could include a mix of uses, such as office, residential, retail, entertainment, and hospitality.

While there is potential for private development in the WSRC, the investments made by Beaverton and Tigard in nearby areas (such as Downtown Beaverton, Downtown Tigard, and the Tigard Triangle) will likely draw private investment to these areas instead of the WSRC area, absent a similar level of public investment in the WSRC.

Redevelopment to flex and industrial uses is difficult from a financial feasibility perspective and rarely occurs outside of the most prime locations for the highest-paying industrial users. Repositioning and remodels of existing space are more likely for depreciated industrial and flex building stock. Given this and the lack of available vacant land in the WSRC area, it is unlikely that new flex or industrial construction will be possible. While rents are comparatively high for the existing flex/industrial spaces in the WSRC, some of this comes from non-industrial users (e.g., indoor recreation) who are drawn to the flexible, affordable spaces and regional accessibility. Trends indicate that flex and industrial sector demand is more likely to come from industrial services (e.g., repair businesses) and smaller e-commerce and distribution related companies with moderate storage and shipping needs rather than production and distribution due to transportation system constraints.

Our key findings and conclusions related to apartments, residential mixed use, retail, office, flex, and industrial use are summarized in brief below. This summary of Strengths, Weaknesses, Opportunities, and Strengths (SWOT) helps clarify the WSRC's competitive position in the region relative to other comparable inner-suburb market areas (Beaverton, Tigard, Tualatin/Sherwood, and Kruse Way) for a given type of development. While the WSRC and Tigard are experiencing similar demand trends as other inner-ring suburbs around the Portland region, existing transportation networks and land use patterns mean that those trends may affect this area differently from other inner-ring locations. Specifically, current transportation infrastructure and existing large-lot commercial development could be a market barrier to both residential and commercial tenants who are looking for a pedestrian-friendly environment.

Multifamily (Apartments)[1]

Strengths	Weaknesses
▪ Access to the regional transportation network ▪ Close proximity to regional job centers ▪ Proximity to a broad range of grocery, restaurant, and retail options	▪ Limited pedestrian and bike access to nearby commercial services ▪ Street network and built environment around the Mall serves as a barrier to access
Opportunities	**Threats**
▪ Amenities and services at the Mall can contribute to stronger demand for nearby residential development	▪ Lack of infrastructure and public financing tools to attract private investment through public realm improvements and incentives

Conclusion: The WSRC area has seen some new residential development (i.e., apartments, townhomes, etc.) over the last two development cycles, though mostly small-scale. A recent apartment development in the area is achieving rents similar to those in comparable buildings in Central Beaverton and Downtown Tigard, though lease-up has been somewhat slow. With redevelopment at the mall, this area should become even more attractive and compete well for additional apartment development.

Retail

Strengths	Weaknesses
▪ Access to the regional transportation network ▪ Low vacancy rates as of 2019 ▪ The Washington Square Mall attracts higher-end "anchor" tenants ▪ Existing concentration of regional-serving retail	▪ Little rent growth; rents have not recovered since the Great Recession

[1] Tigard does not use the term "multifamily" in the development code. However, this is standard terminology in real estate market data. We use these terms interchangeably throughout this document. Note that multifamily in this context is limited to multifamily rental housing (i.e., apartments) and does not encompass condominiums.

Opportunities	Threats
▪ Potential for infill on pad sites in existing shopping centers ▪ Potential to build on existing cluster of indoor fitness, entertainment, and recreation businesses (post COVID-19), though these uses may or may not locate in typical retail space	▪ On-going transitions within the retail industry have made bricks-and-mortar stores less relevant, particularly for national chains ▪ Closure of additional national retailers in the wake of COVID-19 shut-downs will cause a sudden increase in vacancies

Conclusion: The large amount of current retail space in the area today and overall trends for retail (away from large-format, towards experiential retail) suggest that the total amount of retail space in the area is likely to remain constant or decline (for example, through large retail spaces being redeveloped or converted to other uses) over the coming years. However, some new, smaller retail spaces could be built (on their own or as part of a mixed-use development) that are better tailored to the format and amenities that are currently in demand.

Office

Strengths	Weaknesses
▪ Access to the regional transportation network ▪ Rent growth has been gradual but positive over past 5 years for existing office space ▪ A variety of amenities and restaurants	▪ Congested location ▪ Lack of connectivity between the office parks and the food options at the Washington Square Mall
Opportunities	**Threats**
▪ Call centers, co-working space, or low-cost creative office[2] could be viable uses for conversion of existing spaces within the Mall to fill spaces left by recent and impending vacancies for national retailers ▪ Long-term potential for new traditional or higher-end creative office space if part of mall redevelopment	▪ High vacancy rate for existing suburban office space in the region may constrain near-term rent growth ▪ Unlikely to out-compete other, established suburban office park areas for rents

Conclusion: Substantial new office development is unlikely within the WSRC unless it occurs as part of a mixed-use redevelopment of portions of the Mall in the long-term future. Small medical/dental/professional offices are possible within the WSRC to meet local needs, along with employment uses taking over vacated retail space.

[2] Creative office is defined as any office space that falls out of the traditional layout (private offices on the perimeter and cubicles) and provides thoughtfully designed space that invokes creativity, flexibility, and collaboration. Typical creative office characteristics include flexible open floor plans, less space per employee, and amenities and services to support workforce attraction. Creative office is typically occupied by tenants in the technology, advertising, media, information, and software industries. Higher-end creative office spaces are often found in new construction or historic building remodels with exposed wood, concrete, and metal materials, but repurposed large, flexible spaces can offer a lower-cost alternative for more cost-conscious tenants.

Flex

Strengths	Weaknesses
▪ Access to the regional transportation network ▪ Rents have been increasing and are similar to the Tualatin submarket where substantial new flex development is occurring ▪ Vacancy rates have been declining since about 2013	▪ Congested location ▪ Limited tech anchor tenants (BiAmp, IntelliCAD, etc.)
Opportunities	**Threats**
▪ Upgrades to existing flex space through repositioning or transitions to other uses ▪ Increasing demand from smaller e-commerce and distribution-related companies with moderate storage and shipping needs ▪ Potential demand from office users that have a need for additional flexible space for storage or distribution that also prefer to be in a close-in suburban market ▪ Increasing demand for more recreation and entertainment uses like small personal fitness businesses or family-oriented activity and play space	▪ Little remaining vacant land suitable for flex development ▪ Flex spaces may continue to transition to other uses in need of low-cost, flexible space (i.e., indoor recreation facilities, religious institutions, etc.) ▪ Shifting market demand overall toward flex space that can accommodate fulfillment centers and large facilities that require more land and parking availability for employees than exists currently

Conclusion: New flex development is unlikely, and existing flex spaces may continue to transition to other uses (e.g., indoor recreation, religious institutions).

Industrial

Strengths	Weaknesses
▪ Access to the regional transportation network ▪ The WSRC area has one of the highest industrial rents across the comparison submarkets ▪ Vacancy rates for existing industrial space in the WSRC are below 5 percent	▪ Congested location ▪ Older industrial building stock that may not meet modern needs of industrial users (modern needs for large industrial users include large truck courts, truck turn-around space, and parking that exceeds what many current sites have available)
Opportunities	**Threats**
▪ Some older industrial spaces have converted to non-industrial uses, such as specialty recreational facilities (e.g., trampoline gyms). There may be continuing demand for these types of uses for older industrial space. ▪ May be desirable location for industrial repair businesses serving regional manufacturers or niche consumer markets like aftermarket auto repair	▪ Little remaining vacant land suitable for industrial development ▪ Declining “traditional” industrial/ manufacturing uses

Conclusion: New industrial development is unlikely in the WSRC, but on-going adaptive reuse of existing industrial buildings can help keep rents for industrial space in the area higher, and offer opportunities for new types of businesses to come into the area at a low cost.

1. Introduction

Background and Purpose

Washington Square is one of eight regional centers in the Metro 2040 Growth Concept. The original regional center plan, which was developed in 1999, envisioned the area as a dense and walkable commercial hub, with lots of housing and mixed-use development served by high-quality transit.

The main tenets of the original vision remain valid, but Tigard believes an update is necessary given the significant changes that have occurred in the past 20 years with how we shop, travel, and work. The original vision also lacks an equity lens and did not anticipate the housing or climate issues that we are facing today. Tigard believes that the Washington Square Regional Center (WSRC) has the potential to change and grow to better serve the community, and needs an updated plan to guide its development into the future.

The purpose of Washington Square Regional Center Plan Update Project (Project) is to work with the community and Project partners to refine the original vision with the goal of facilitating more housing, employment, and transportation options that are consistent with Tigard's strategic vision to be a walkable, healthy, and inclusive community. The City of Tigard contracted with ECONorthwest and team of consultants to assist in this effort.

The purpose of this Market Analysis Report is to:

- Inform future analysis of development feasibility and opportunities for a range of land uses within the WSRC.
- Help the project team and stakeholders understand the trajectory and future outlook for existing uses and whether they are growing, stable, or declining.
- Evaluate how the WSRC compares to other competitive areas in the region in terms of desirability for various land uses.

Report Overview

The report is organized by land use type:

- Residential:
  - Multifamily
  - Mixed-use Residential
- Commercial:
  - Retail

- Office
- Flex
- Industrial

For each land use type, we provide the following (see Section 2):

- **Summary of competitive market areas** used for comparison purposes **and competitive advantages** of the WSRC relative to those areas. These sections help clarify Washington Square's competitive position in the region relative to other comparable inner-suburb market areas for a given type of development.
- **Market trends** for the WSRC and competitive market areas. These sections show how key indicators of market performance (rents, vacancy rates, deliveries of new space and absorption of space) have varied over time and how the WSRC compares to the competitive areas.
- **Demand drivers** and **broader trends** that inform how much demand we would expect for each use in the WSRC in the future.
- A **market outlook** that distills and synthesizes the information in other sections to describe the growth potential for the land use within the WSRC.

In Section 3, we provide additional information and caveats about the data sources used in this report.

Study Area Overview

Location Context

The Washington Square Regional Center straddles Highway 217 and spans multiple jurisdictions, including portions of Beaverton, Tigard, and unincorporated Washington County. It is part of an inner ring of suburban development that largely took place in the second half of the last century, between 1950 and 1999 (when the original plan was adopted). The regional center boundary encompasses a broad range of existing land uses (see Exhibit 1), including:

- Washington Square Mall, a regional shopping center home to a range of national and local retailers.
- Suburban office parks and other employment uses (including the tallest office building in Washington County—the 12-story Lincoln Tower).
- The Red Tail Golf Course, owned by the City of Portland.
- A cemetery surrounded by mall development.
- Metzger Elementary School.
- Single-family and multifamily housing.

There is good access to the regional center via roads, but poor access within the regional center due to barriers created by existing development, major roads, a heavy rail line, and Fanno Creek.

Existing Conditions: Demographics and Economy

The Background and Conditions Report provides a detailed summary of the demographic and economic conditions in the WSRC area. We have repeated a few of the relevant high-level findings below for convenience; see the Background and Conditions Report for details.

Community Demographic and Housing Trends

The regional center population is growing and changing. It is home to larger families and more single-person households as compared to the rest of Tigard. Regional center residents rent at higher rates, have modestly-valued homes, somewhat lower household incomes, and are somewhat younger as compared to the rest of Tigard. They also have somewhat lower levels of higher education than the City as a whole. The regional center is also home to a growing Black/African American population. The area is home to a little over 600 households, and just over 1,900 people as of 2017.

Community Economic Trends

The number of employees and businesses in the regional center has declined by about 12 percent since 2003. Salaries across all industries have declined as well. The lowest paid employees made up roughly a third of the 2018 workforce, totaling over 5,000 employees, and earned 33 percent less than their 2003 counterparts. Lincoln Center consistently has the highest number of employees per acre, and Washington Square Mall consistently employs the greatest number of workers.

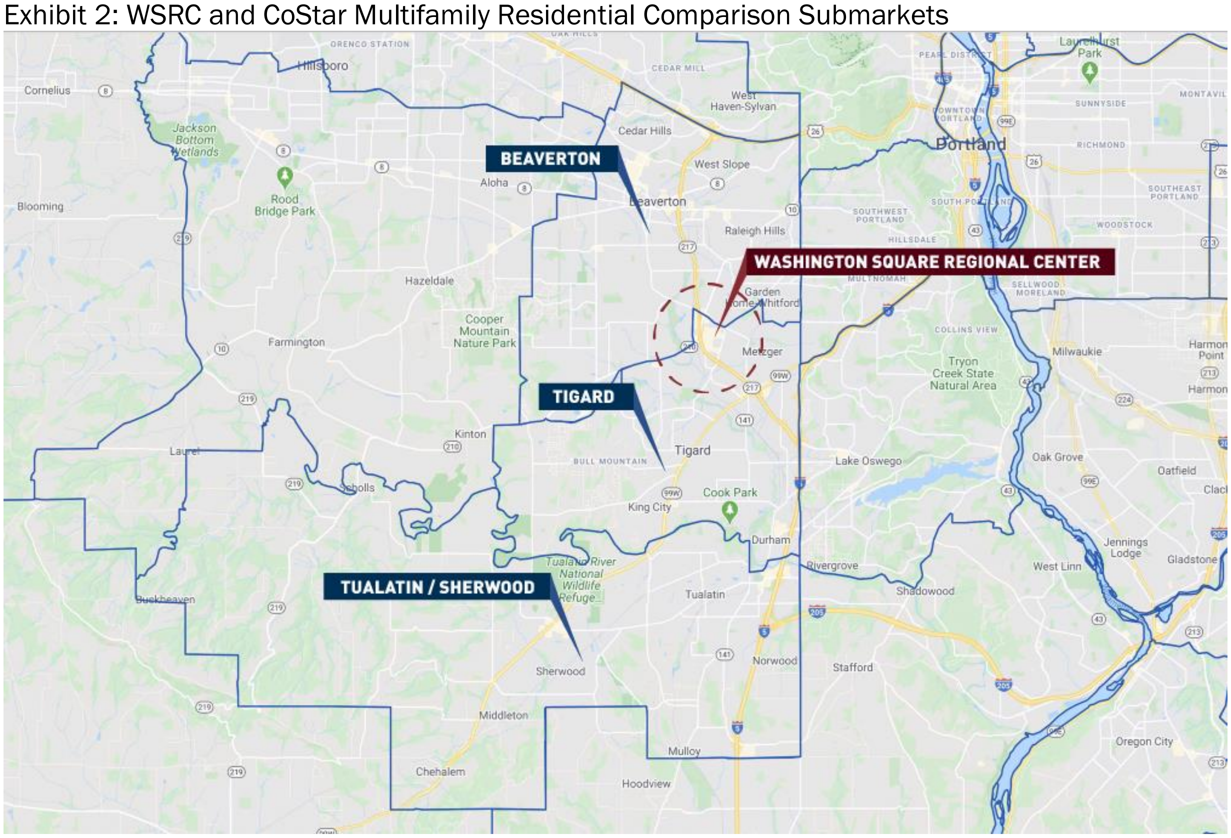
2. Market Conditions and Trends

Residential Real Estate Market

Multifamily (Apartments)

For simplicity, we have used three broad geographies to provide context for the WSRC-specific data: Tigard, Beaverton, and the Tualatin-Sherwood area. These geographies roughly follow city limits but are defined based on CoStar geographies (see Exhibit 2). (The WSRC area—defined for these purposes as a mile from the center of the Mall—falls primarily within the Tigard submarket, though it extends slightly into the Beaverton submarket as well.) We use specific relevant developments from around this area and urban Washington County to inform more specific assumptions for achievable rents for new construction. Apartment rents gathered from CoStar are only for apartment properties with five or more units. We collect rents from CoStar because this data source offers the most accurate available apartment rents that reflect the current trends in the WSRC and other comparison submarkets.

Exhibit 2: WSRC and CoStar Multifamily Residential Comparison Submarkets



Source: ECONorthwest and CoStar

Competitive Advantages for Multifamily

From a locational perspective, the WSRC area offers easy access to employment opportunities within the regional center, where there are over 14,000 jobs (as of 2018), and reasonably convenient access to employment concentrations in Lake Oswego, Tualatin, and Beaverton (e.g., Nike). However, this is relatively similar for other nearby areas throughout Tigard, Beaverton, and Tualatin. The easy access to Highway 217 offers benefits for those commuting to jobs further away, but the traffic congestion on this highway makes this an unappealing commute for many drivers during peak times. Access to the WES commuter rail offers a potential advantage for those who can use it to commute, but with limited destinations and schedule, it offers a minimal benefit.

A lack of connectivity within the regional center along with the traffic volumes on the few streets that connect out of the regional center also make it difficult to walk or bike to shops and services, parks, and other amenities, even if they are located relatively close by as the crow flies. However, there are a number of neighborhood amenities located in and around the WSRC area including Metzger Park which is located just outside the study area, and a concentration of restaurant options and service businesses available in and around the Mall.

The area is somewhat more diverse than the rest of Tigard and incomes are somewhat lower. The proximity of Metzger Elementary School may be appealing for families considering moving to the area, although the school is not highly rated in sources that are readily available to families (ratings are typically based on test scores, which are only one measure of school quality).[3]

The existing multifamily housing stock in the WSRC tends to be older apartments, similar to the Beaverton and Tigard submarkets. The majority—about 77 percent—of the WSRC's housing stock was built before 1980. Over 90 percent of WSRC's multifamily stock is one- and two-bedroom units, similar to the Tigard submarket overall (the Tualatin and Beaverton submarkets both have primarily one-and two-bedroom units, but have higher proportions of three-bedroom units than the WSRC and Tigard subareas). There is only one four-star quality building (based on CoStar's rating system[4]) in the WSRC today, out of a total of 10 in the Tigard submarket (six

[3] For example, Greatschools.org rates the school as a 3 out of 10: "This school is rated below average in school quality compared to other schools in Oregon. Students here perform below average on state tests, are making below average year-over-year academic improvement, and this school has below average results in how well it's serving disadvantaged students." https://www.greatschools.org/oregon/tigard/1207-Metzger-Elementary-School/ While these ratings do not reflect all aspects of school quality, this type of information is readily available to families making housing decisions and is likely to influence those decisions whether it is fully reflective of conditions at the school or not.

[4] CoStar's building rating system assigns a rating from 1 to 5 to each building, with 5 being the highest and 1 being the lowest. According to CoStar, "Buildings are rated through an examination of the design and construction of a building. For example, the type of exterior materials, the quantity and quality of windows and the lobby finishes present in office buildings; the ceiling height and number of loading docks in warehouses and distribution centers; the entrances and parking areas for retail properties; and the types of finishes offered in the units of multi-family

of which were built since 2012). The majority (68 percent) of WSRC multifamily buildings have less than 50 units. This is a higher percentage than in the Tigard and Tualatin submarkets, but a smaller percentage than in the Beaverton submarket.

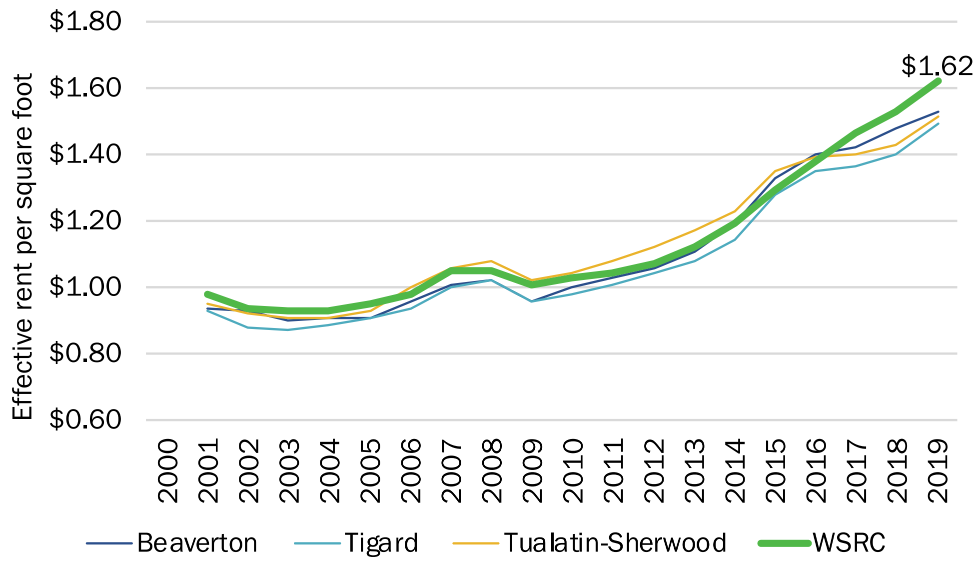
Market Trends

Multifamily rents in the WSRC area are at a historic high and are higher compared to the other submarkets.

The growth in multifamily rents per square foot in the three submarkets track one another closely.[5]

Exhibit 3. Multifamily Effective Rent per Square Foot, WSRC, Beaverton, Tigard, and Tualatin-Sherwood Submarkets, 2000 through 2019

Source: CoStar



buildings." https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf?sfvrsn=12a507a4_2

[5] In part, this is due to the fact that CoStar adjusts rents over time using overall trend information as well as specific listing data.

The multifamily vacancy rate in the WSRC ticked up to 9.5 percent in 2019, as new units were delivered to the market.

The 187 units at Astikos Lofts in the WSRC were roughly 60 percent occupied as of May 2020, a little under a year after opening. This is a somewhat slower pace of leasing than The Rise Central in Beaverton, which opened a few months earlier.

Exhibit 4. Multifamily Vacancy Rate, WSRC, Beaverton, Tigard, and Tualatin-Sherwood Submarkets, 2000 through 2019

Source: CoStar

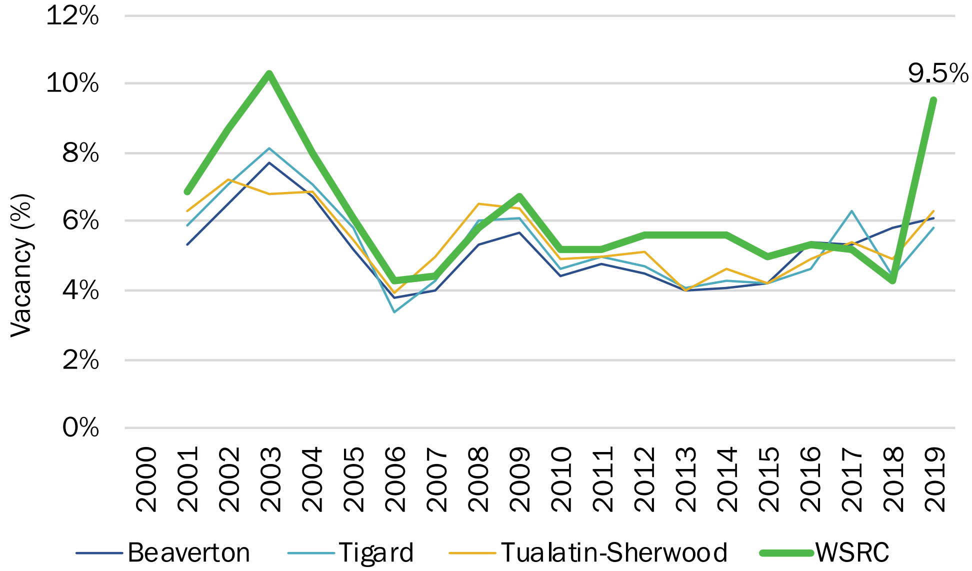
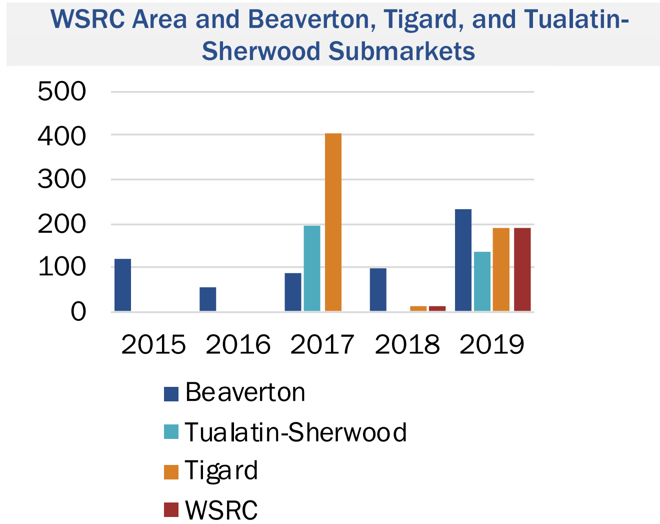
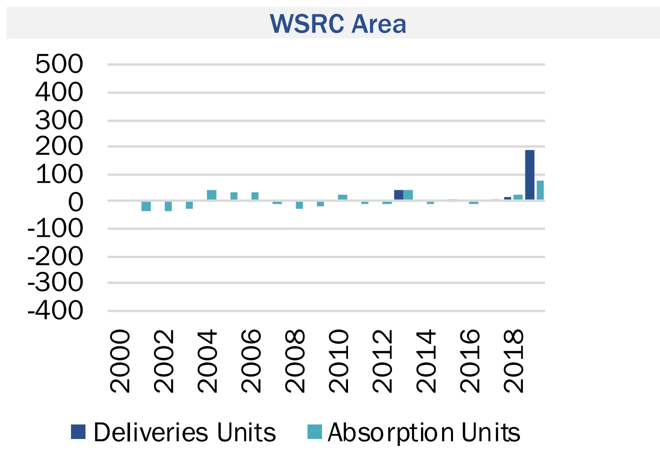


Exhibit 5: Multifamily Deliveries and Absorption[6] (Units), WSRC Area and Beaverton, Tigard, and Tualatin-Sherwood Submarkets

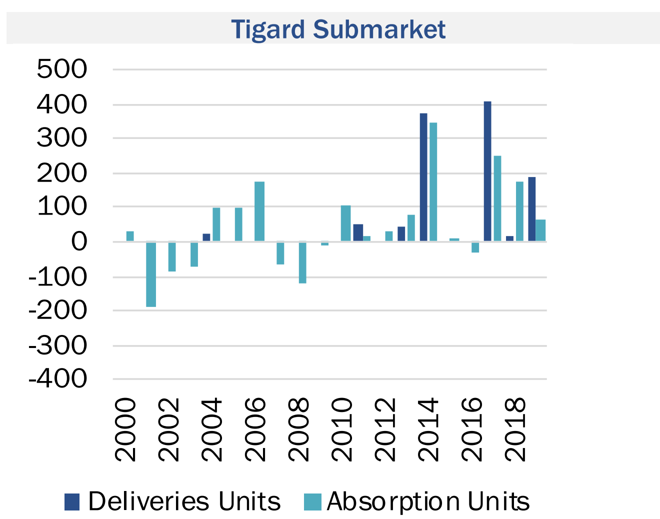
All comparison submarkets saw deliveries in 2019, with the new construction in the WSRC representing 100 percent of those in the Tigard submarket that year. In total over the last five years, the Tigard submarket delivered more multifamily units than the other comparison submarkets at more than 600 units. The Beaverton submarket delivered the second highest number of multifamily units of about 417.



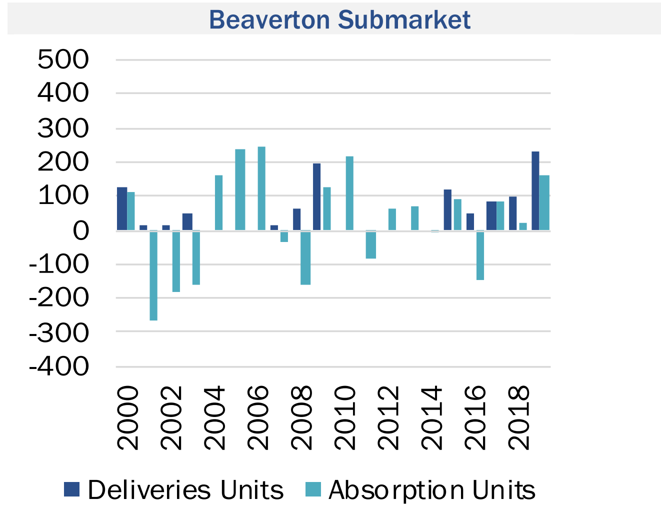
The majority of multifamily unit deliveries in the WSRC area occurred in recent years. Between 2017 and 2019, 201 units were delivered to the market. The majority of these units came from the construction of the Astikos Lofts which delivered 187 units. This represents about one-third of all new housing units in the Tigard submarket between 2017 and 2019.



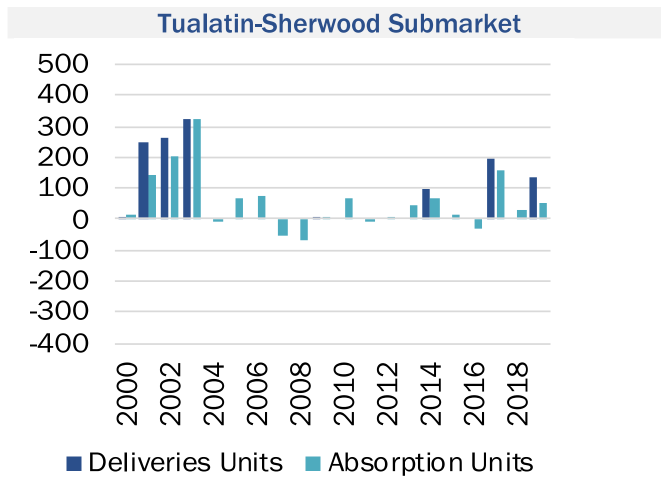
Between 2017 and 2019, 606 units were delivered in the Tigard submarket. In 2016 alone, the Syngii (240 units) and Attwell (165 units) apartments combined delivered 405 multifamily units. Unit absorption has been positive in the Tigard submarket since 2017. Unit absorption in the Tigard submarket has been strong since larger amounts of new multifamily properties started to come online beginning in 2014.



In the Beaverton submarket, 417 units were delivered between 2017 and 2019. During that same period, absorption was positive across all years.



The majority of multifamily unit deliveries in the Tualatin-Sherwood submarket occurred prior to 2004. Between 2000 and 2003, 845 multifamily units were delivered but between 2017 and 2019, only 328 units were delivered. Unit absorption has been positive in the Tualatin-Sherwood submarket since 2017.



Key Findings

- Multifamily rents in the WSRC have increased fairly steadily to $1.62 per square foot in 2019, up from $0.98 in 2001, an increase of 65 percent. Rents have increased at roughly the same pace as the comparison submarkets. However, as of 2019, multifamily rents in the WSRC area hit a historic high and were higher than the comparison submarkets. This is likely due in large part to the delivery of a new, large apartment building with rents that are higher than the surrounding area, bringing the average up.
- Vacancy rates in the WSRC area have generally been slightly higher than the comparison geographies since 2000. Vacancies ticked up to 9.2 percent in 2019 in the WSRC area as new multifamily units were delivered to the market and have taken longer to be absorbed. Strong absorption trends from the Tigard submarket overall

[6] Deliveries refers to the addition of new buildings or new space. Absorption refers to the total square feet of space or units newly occupied less the total space or units vacated over a given period of time.

suggest that these new deliveries are likely to be absorbed within a reasonable amount of time.

- There were minimal multifamily deliveries in the WSRC area and comparison submarkets between 2000 and 2010 (except for the Tualatin-Sherwood submarket which had 841 units delivered during that time). Interest in market rate multifamily development increased in all submarkets beginning in 2014.

Characteristics of New Multifamily Development

Recent medium-density multifamily developments in the western suburbs of the Portland region generally fall into one of three categories:

- Large garden-style/walk-up apartment developments in master planned communities at the urban fringe on sites from 1.27 to 16 acres.
- Infill developments near denser suburban downtowns, generally three to six stories and more urban in style (e.g., set next to the sidewalk with tuck-under parking and a pedestrian-oriented ground floor). Some include ground floor retail while others place lobbies and common areas in ground floor store-front style areas. Site sizes range from 0.93 to 1.63 acres.
- Small- to medium-size walk up or townhome-style apartment developments in scattered infill locations where higher-density zoning has allowed a transition to multifamily development. Site sizes range from 0.64 to 2 acres.

The table below shows a summary range of rents per square foot for recent new multifamily construction. These rent ranges are summarized from analyzing several developments in the western suburbs of the Portland region that encompass a range of possible scales and styles that could be possible within the WSRC. *(Note that not all developments had units of a given type.)* For more details about the example developments analyzed in this report please see Appendix A.

Rent by Unit Type: Multifamily Example Developments

Unit Type	Rents per Square Foot
Studio	--
1-bed	$1.39 - $2.69
2-bed	$1.35 - $1.77
3-bed	$1.28 - $1.86

Source: CoStar

The new apartments in the WSRC are achieving rents that are similar to those in comparable new developments around Beaverton and Tigard on a per square foot basis, including those in Central Beaverton and Downtown Tigard.

Demand Drivers & Link to Broader Trends

According to CBRE—a commercial real estate services and investment firm—suburban multifamily will continue to outperform urban markets, maintaining lower vacancy and achieving higher rent growth.[7] Demand for additional multifamily housing in the suburbs will come in part from changes in housing preferences driven by changing income and demographics, most notably: the aging of Baby Boomers, housing demand from Millennials, and family households.

Housing preferences amongst these demographic groups have changed. Millennials expected to seek starter single-family homes were delayed due to the Great Recession, rising cost of homeownership, and increased debt burdens. These factors have meant that Millennials are still more likely to rent rather than own, and are driving continued growth in the multifamily housing market. Their continued demand for apartments and other rental housing should sustain demand for higher-density housing for a few more years as they slowly begin to form families. However, the economic repercussions of the COVID-19 crisis may influence the timing of the Millennials' transition to homeownership in ways that remain to be seen (for example, job losses may delay some from being able to buy homes, while continued low interest rates may help those who continue to have stable jobs afford their first home).

Baby Boomers, often predicted to downsize, have also been slow to do so. This may be the result of several factors including: the need to house adult children affected by the Great Recession, high housing costs, low vacancies, increased life expectancy, a desire to age in place, or delayed retirement. Housing preference and needs will vary for Boomers moving through their 60's, 70's, and 80's (and beyond). They will require a range of housing opportunities. Over time, the multifamily market can expect an increase in demand for assisted living and active senior multifamily housing.

Gen X continues to show a preference for urban walkability and close proximity to amenities. Some Gen X and Boomers may seek "move up" single-family homes as family size and/or incomes increase. Each of these generations reveal an openness to suburban living and increased interest in cultural amenities and walkability, which may support demand for greater density and walkability in a suburban context.

In the Portland region, recent multifamily developments in Beaverton, Tigard, and Tualatin suggest strong development activity for medium-density multifamily construction, as described above.

Market Outlook

While the WSRC area has seen a limited number of new residential development projects delivered to market over the last two development cycles, the market fundamentals of the area

[7] CBRE. 2020. 2020 U.S. Real Estate Market Outlook. Retrieved from https://www.cbre.us/research-and-reports/2020-US-Real-Estate-Market-Outlook-Multifamily

indicate both near and long-term opportunities for residential development. Rents and vacancy rates in the area perform on-par with other comparable inner suburban markets that have seen higher rates of new development in the last two development cycles. The longer term occupancy rates and achievable rents of recent residential development projects in the area will serve as a proof of market for more residential development in the WSRC in the future.

Good access to the regional transportation network and close proximity to regional job centers are locational attributes that could help support residential demand. While pedestrian and bike access to nearby commercial services is limited, there is a broad range of grocery, restaurant, and retail options located in and around the area. Washington Square Mall serves as both an opportunity and threat to future residential development in the area. The street network and built environment around the Mall serves as a barrier to access for current future residents of the area directly adjacent to the Mall. However, the Washington Square Mall has successfully positioned itself as destination regional mall, even as other malls across the region and the county are struggling, by attracting high quality retail and food service tenants. If Washington Square Mall continues to position itself for success into the future, the amenities and services of the Mall can contribute to stronger demand for nearby residential development.

While the market fundamentals of the WSRC can compete with other comparable residential markets, the area is at a disadvantage given the infrastructure and public financing tools that are available in the nearby Tigard Triangle and in parts of Beaverton. Investments through urban renewal in both the Tigard Triangle and in Beaverton to support development and public realm improvements could make those areas more attractive to private sector investment.

Mixed Use

Competitive Advantages for Mixed-use

The WSRC area has decent market conditions for both retail and multifamily development, although the potential for pedestrian-oriented retail like that found in typical residential mixed-use development is more challenging. The concentration of existing retail space in the area creates a destination that can draw people from outside the area, but also provides many competing spaces for businesses to locate. However, since many of the existing buildings are older and auto-oriented, there may be opportunities for the retail spaces in a mixed-use building to offer an aesthetic and style that is not available elsewhere in the study area. The planned mixed-use development at the southern end of the Washington Square Mall site will be best positioned to take advantage of these opportunities, and it may create opportunities for adjacent sites to build on that cluster.

Market Trends

Since residential mixed-use is just a combination of multifamily and retail, we haven't provided separate trends charts here. Please see those sections for the relevant data: multifamily beginning on page 6 and retail beginning on page 18.

Characteristics of New Mixed-Use Development

As noted above for multifamily, the Portland region's western suburbs have begun to see podium-style mixed use developments in their downtowns. Many of these have been supported by incentives and/or funding as part of downtown revitalization and/or urban renewal efforts. General characteristics of these new mixed-use developments include:

- Infill developments near denser suburban downtowns, generally 3-6 stories and more urban in style (e.g., set next to the sidewalk with tuck-under parking and a pedestrian-oriented ground floor). Most mixed-use developments include ground floor retail while others place lobbies and common areas in ground floor store-front style areas. Site sizes range from 0.93 to 1.63 acres.
- New mixed-use developments are typically near amenity- and transit-rich areas of downtowns where residents can walk to local restaurants, retail, and transit (where light rail stations are less than 1-mile away).

Recent mixed-use developments analyzed have rents in the range of $1.89 to $2.20 per square foot overall (rent ranges by unit type are shown in the table below). Generally, mixed-use developments tend to have higher rents than other multifamily developments because of the change in construction type (wood-frame over a concrete podium rather than all wood-frame) and the higher rents that can be achieved due to being located in more walkable locations. Commercial ground floor rents in new mixed-use development vary in lease type and lease amount. For example, ground floor rents are at $33.00 per square foot (NNN[8]) in one development and $44.00 in another (MG[9]).

For detailed information about the example developments analyzed please see Appendix A.

Rent by Unit Type: Mixed Use Development Examples

Unit Type	Rents per square foot
Studio	$2.06 - $2.35
1-bed	$1.71 - $2.16
2-bed	$1.71 - $1.74
3-bed	--

Source: CoStar

Demand Drivers & Link to Broader Trends

Both regionally and nationally, mixed-use development in suburban locations has been increasing over the past decade. This can take the form of large-scale, master-planned redevelopment efforts (including at aging malls) that create their own destination, more

[8] NNN = Triple Net Lease. Under this type of lease a tenant must pay rent and all operating cost related to the property.

[9] MG = Modified Gross Rent. Modified gross rent is similar to residential gross rent where the landlord pays all operating costs.

intensive development adjacent to transit stations, and infill and redevelopment in existing downtowns.

Parking can be a critical challenge for these developments—surface parking can prevent development from achieving the density and form that makes mixed-use development successful, but structured parking can be prohibitively expensive in areas where rents (for all of the uses) are still well below those in more central downtown locations. Some developments have used existing slopes and/or tuck-under parking to provide some structured parking at lower cost. Others have created new local streets (public or private) with parallel or diagonal on-street parking to meet parking demand without large surface parking lots.

Other key factors for successful suburban mixed-use development include:

- **Location**: Good access to high-quality transit (e.g., light rail) and commute routes to key employment centers typically help attract younger, educated workers (though the salience of these features may have decreased due to COVID-19 related disruptions). Good access to the regional roadway network for residents from the region to access services and amenities during the evening and on weekends helps support recreational destinations.
- **Visibility and Destinations**: The retail spaces within mixed-use developments need visibility and attractors, such as anchor stores or entertainment uses, that will draw people in.[10] Events and other programming (e.g., farmers markets) can also help create temporary destinations that build awareness of an area and draw people in for those special occasions.
- **Mix of Uses**: Developments with a broader range of uses, including housing, office, hospitality, recreation/entertainment, and retail have often been more successful and more resilient. The office and residential components both generate revenue in their own right (if done well and if there is adequate demand for both) and provide a critical mass of daytime and evening population to support the retail and entertainment uses.
- **Retail Tenant Mix**: Having a mix of retail tenants that includes both necessities (e.g., groceries) and "experiential" tenants such as coffee shops, restaurants, and boutiques can give people reasons to come in the first place and reasons to linger.[11]

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[10] Robert Steuteville, "Designing and building mixed-use centers in the suburbs," Public Square, a CNU Journal, Dec. 11, 2019. https://www.cnu.org/publicsquare/2019/12/11/designing-and-building-mixed-use-centers-suburbs#:~:text=Mixed%2Duse%20centers%E2%80%94often%20in,construction%2C%20and%20most%20include%20retail.

[11] Mixed-use Developments Bring the City to the Suburbs by Stephanie Bell, Commercial Investment Real Estate Magazine (no date). https://www.ccim.com/cire-magazine/articles/mixed-use-developments-bring-city-suburbs/?gmSsoPc=1

- **Design**: To offer an experience differentiated from other suburban development, mixed-use development needs to offer qualities that make the area attractive to live, work, and walk around.

Market Outlook

While the market outlook for multifamily development is positive, the market outlook for mixed-use development is more mixed. There is likely unmet demand for more urban type mixed-use development in the WSRC. However, mixed-use development is likely to occur only in areas that have an existing public realm that supports pedestrian activity and ground floor orientation. There are likely opportunities to strategically align project funding in the City's capital improvement plan to support nodes of mixed-use development throughout the WSRC.

There are two major barriers to mixed-use development in the WSRC. The first barrier is that ground floor retail uses in mixed-use development typically require tenants to pay top-of-market retail rents, which are likely higher than the current rents within the WSRC. However, there are opportunities for the City to target restaurant and retail tenants currently operating in pedestrian-oriented areas and to work with developers, brokers, and building operators to build a pipeline of potential tenants.

The second barrier to mixed-use development is related to site efficiency and parking in a suburban context. Both residential and retail components of mixed-use development in the WSRC will require parking in the near-term. Achievable rents for both multifamily and retail uses are not high enough to support the construction of underground parking. Parking demand in the near-term will need to be met through surface and tuck-under parking in mixed-use development which can be a challenge given physical site constraints and development and design standards.

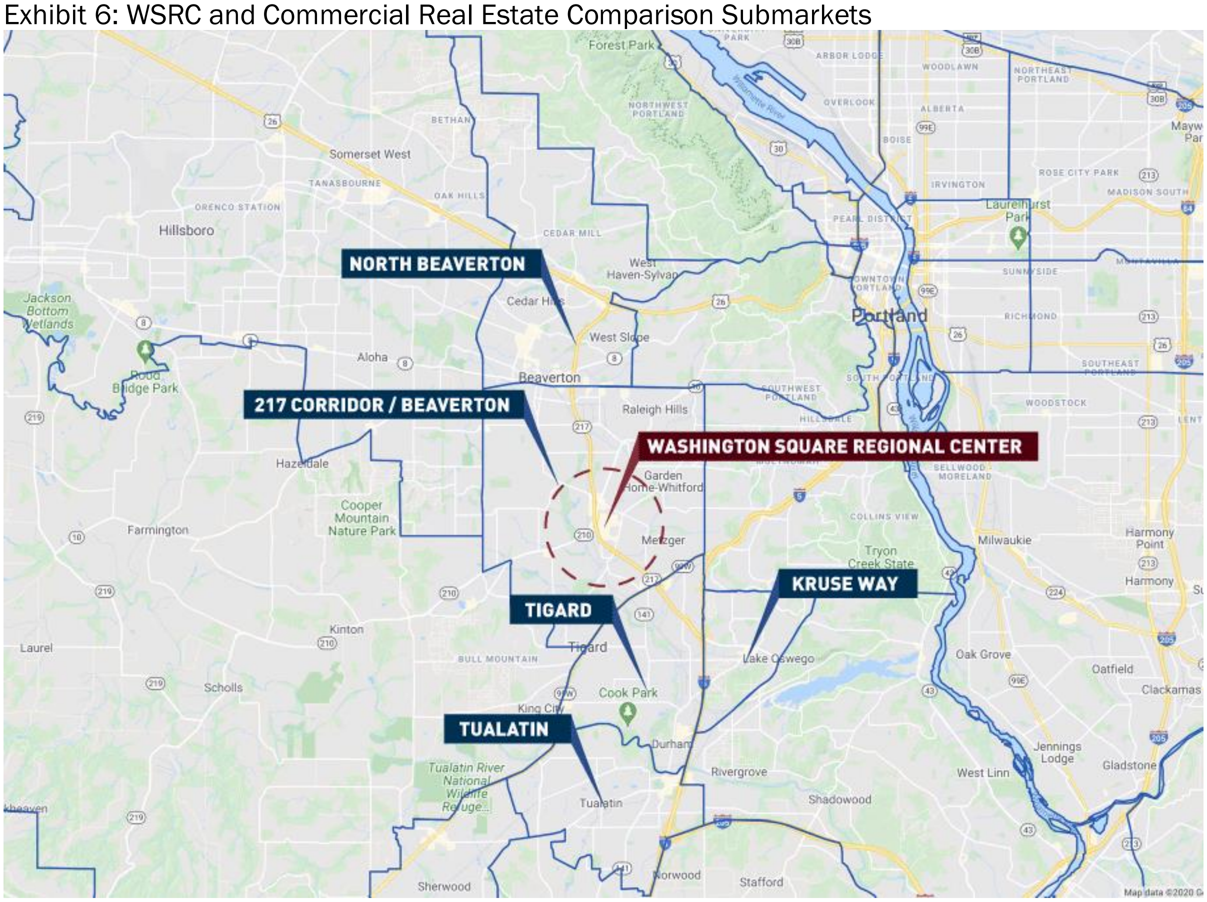
Commercial Real Estate Market

This section details the Washington Square and comparison submarkets' real estate conditions and identifies market drivers and trends that will influence the market appeal and viability of a range of commercial and light industrial uses. For purposes of this report, we are grouping any non-residential property used for commercial profit-making purpose as commercial real estate, including retail, office, flex, and industrial developments.

Exhibit 6 below shows Washington Square Regional Center relative to other comparison submarkets – North Beaverton, 217 Corridor / Beaverton, Tigard, Tualatin, and Kruse Way – where we will evaluate commercial real estate trends. *(Note that the WSRC Regional Center sits within the "217/Beaverton" submarket rather than the "Tigard" submarket as defined in CoStar, and we have kept that terminology here.)* We identified these submarkets to compare to WSRC because they all are inner-suburban submarkets that contain similar commercial real estate to that present in the WSRC area. We've intentionally included adjacent subareas where conditions may be more favorable for a particular type of development to highlight how WSRC compares to these neighboring areas.

The comparison submarkets shown in Exhibit 6 are the same submarkets that we will utilize across the retail, office, flex, and industrial markets unless noted otherwise.

Exhibit 6: WSRC and Commercial Real Estate Comparison Submarkets



Retail

For purposes of this report, retail uses include restaurants and other food services as well as personal services uses.

Competitive Advantages

The concentration of existing retail space in the area—particularly the Washington Square Mall—creates a destination that draws people from outside the area. This, along with a location at a highway interchange, makes the area relatively attractive for retail serving southeastern Washington County and potentially Lake Oswego for businesses and services not available locally. However, there are other locations along Highway 217, I-5, and Highway 26 that offer similar levels of accessibility.

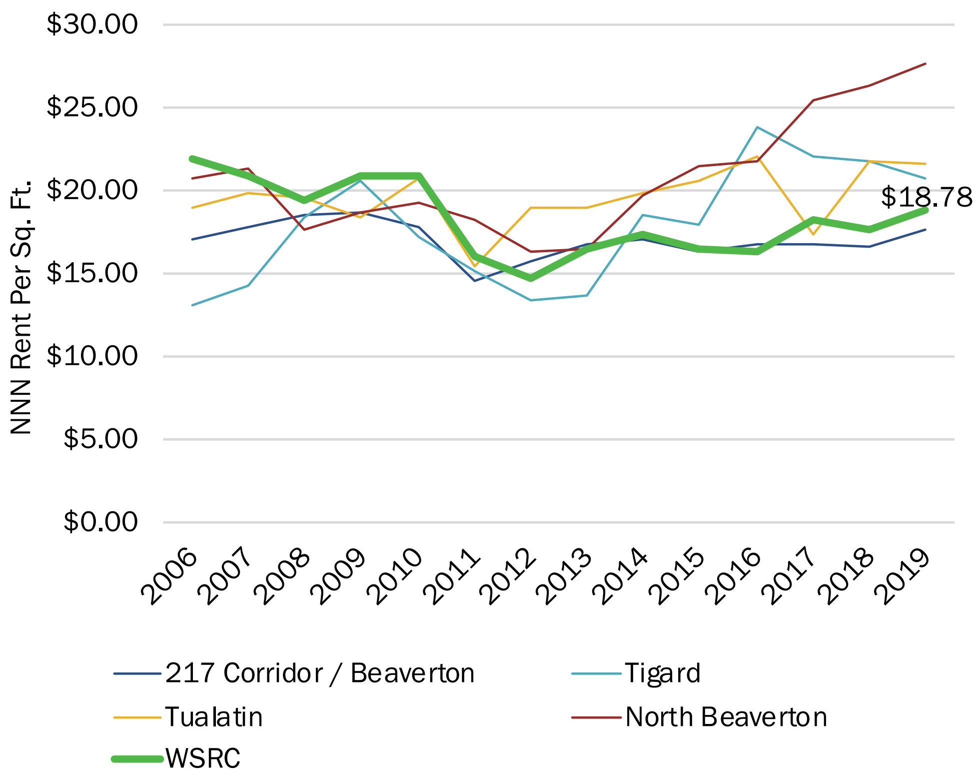
While incomes are somewhat lower in the immediate study area than in surrounding areas, the fact that the area already draws from a broader geography means that a broader range of shoppers might visit retailers in this area than reflected in the surrounding demographics.

Across all comparison submarkets, retail buildings less than 5,000 square feet and between 5,000 to 15,000 square feet make up the majority share of buildings in each submarket. The 217 / Beaverton retail market has the largest share of older retail buildings compared to the other submarkets – about 80 percent of the retail buildings were built before 1990. The Tualatin submarket has a larger share of newer retail buildings – about 18 percent built after 2010 followed by the North Beaverton with 15 percent respectively. Although the Tualatin and North Beaverton submarkets have similar distribution of retail buildings built by decade, both submarkets have very distinct distribution of buildings by class rating. About 61 percent of Tualatin's retail building stock is rated B or above, while North Beaverton's submarket only has about 30 percent of retail buildings rated B or above. This suggests that building location and age may have a bigger effect on retail rents than building class rating, as shown below.

Retail rents per square foot have risen since the end of the Great Recession in all submarkets; however, rent growth in the WSRC and the 217 Corridor subarea was very limited in that time.

Due to a large decline from 2006 to 2012, and anemic rent growth following the recession, the WSRC saw a 14 percent decline in rents overall between 2006 and 2019. The North Beaverton submarket had the highest retail rents per square foot in 2019. The retail market in North Beaverton has been outperforming the other submarkets mostly due to its close proximity to Nike and light-rail transit and higher number of mixed-use retail businesses.

Exhibit 7: Retail Annual NNN Rent per Square Foot, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2006 through 2019
Source: CoStar



Retail vacancy rates have been below 5 percent in most of the competitive submarkets since 2012, but vacancy rates began to tick upward as of 2019.

The WSRC submarket saw a larger jump in vacancy rates during the Great Recession than the other submarkets.

Exhibit 8: Retail Vacancy Rate, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2006 through 2019

Source: CoStar

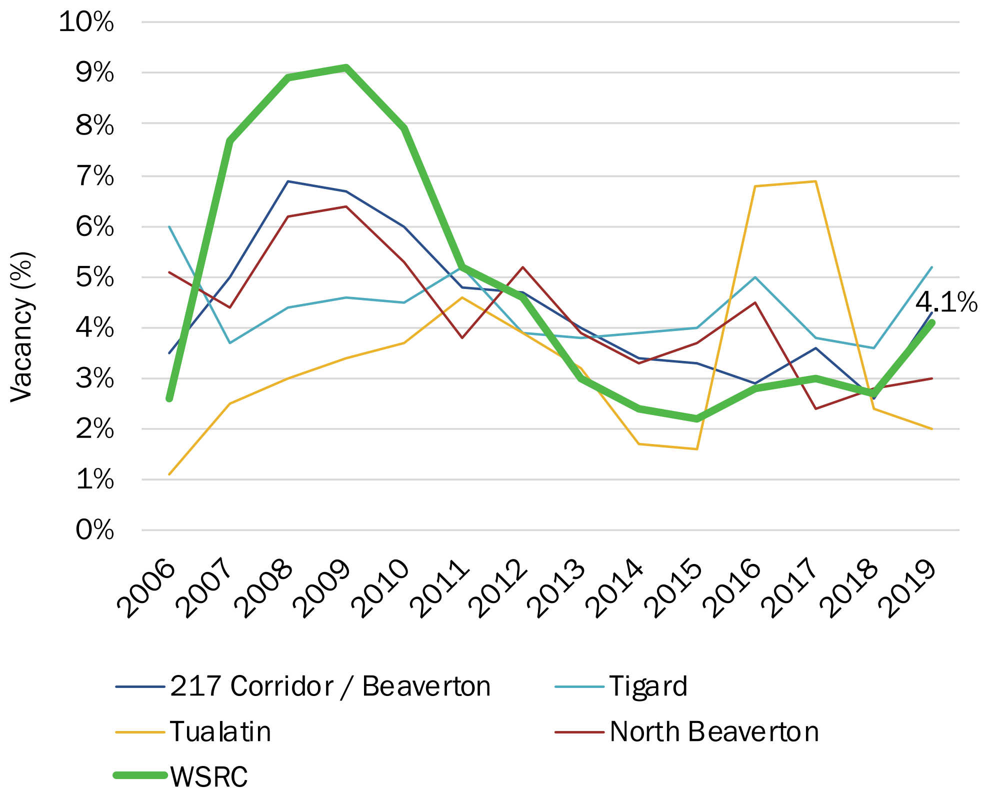
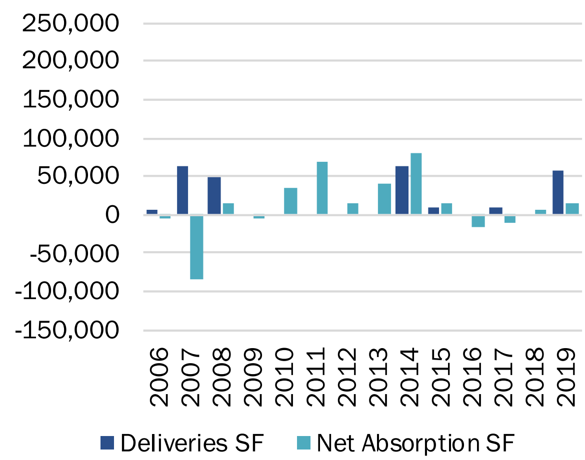
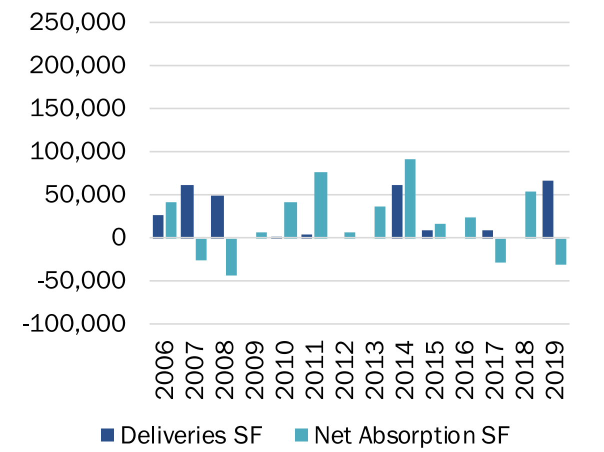


Exhibit 9: Retail Deliveries and Absorption (Square Feet), 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2006 through 2019

WSRC Area



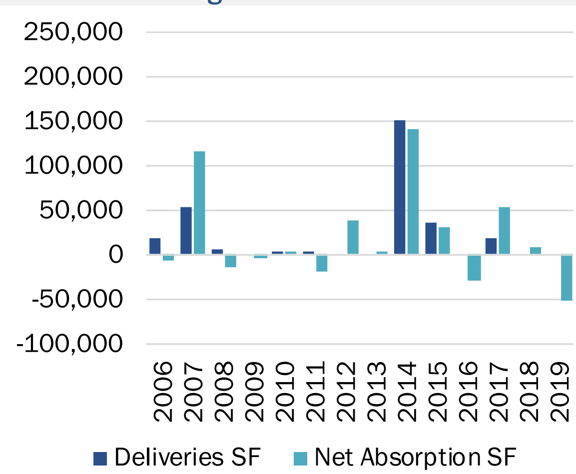
217 Corridor / Beaverton Submarket



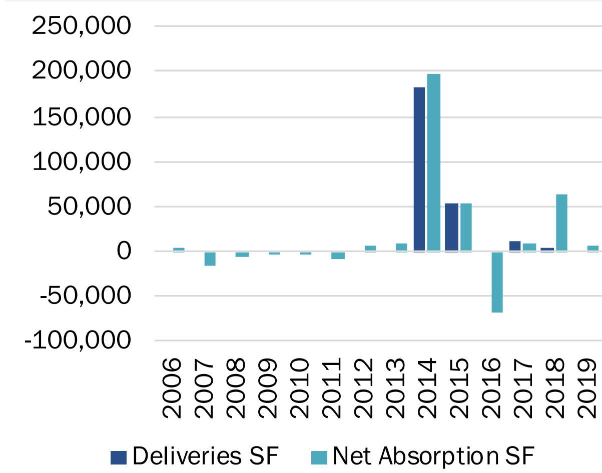
Retail square footage around the WSRC area was delivered around cyclical development peaks before and after the Great Recession and most recently in 2019. About 68,640 square feet of retail space were delivered in the WSRC area between 2017 and 2019.

The 217 Corridor / Beaverton submarket had 77,440 square feet of deliveries between 2017 and 2019.

Tigard Submarket

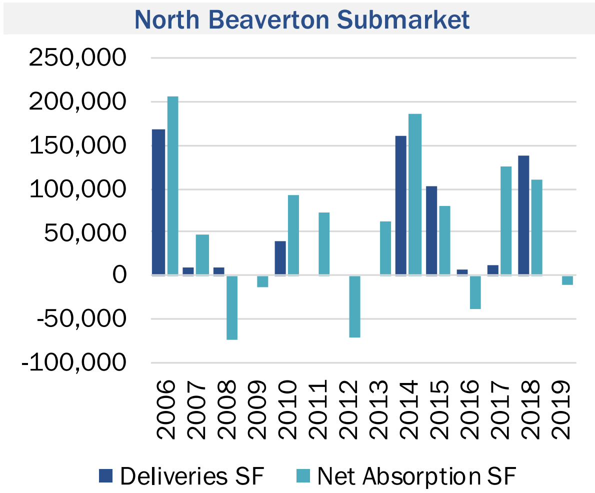


Tualatin Submarket



Over 184,000 square feet of retail space were delivered in the Tigard submarket between 2014 and 2015. This includes new retail space on Wal-Mart's property at the Tigard Triangle, two new retail buildings at adjacent to the Bridgeport Village Mall, and retail developed in conjunction with apartments adjacent to Bridgeport Village. There were no retail deliveries in the Tigard submarket between 2017 and 2019.

The retail real estate market was not very active in the Tualatin submarket until 2014 when 183,528 square feet of retail space was delivered to the market; a Cabela's delivered in 2014 accounted for the majority of this new space. The Tualatin submarket had only about 15,000 square feet of deliveries between 2017 and 2019.



The North Beaverton submarket had 150,892 square feet of deliveries between 2017 and 2019. The majority of this new retail space was from the Cedar Hills Crossing redevelopment and other new stand-alone retail buildings along SW Canyon Blvd. and NW Cornell Blvd. Out of the surrounding submarkets, the North Beaverton submarket has seen the most deliveries of retail square footage during this same time period.

Source: CoStar

Key Findings

- Overall, the WSRC saw a 14 percent decrease in rents between 2006 and 2019 due to a decline in rents from 2006 through 2012 and slow growth following the recession.
- In 2019, the WSRC area had the second-lowest retail rents compared to the other submarkets at about $18.78 per square foot, but this was slightly higher than the rest of the 217 Corridor / Beaverton submarket, which had rents at about $17.65 per square foot.
- Vacancy rates in the WSRC have been trending downward since the end of the great recession, but ticked up in 2019 when about 59,000 square feet of new retail space (Jaguar and Land Rover car dealership) was delivered to the market.
- Recent retail deliveries in and surrounding other malls/regional shopping destinations, including Bridgeport Village and Cedar Hills Crossing, suggest potential for additional retail development through repositioning and redevelopment at the Washington Square Mall to support increasing consumer demand for more experience-oriented retail.

Characteristics of New Retail Development

There were several new shopping centers developed in outlying areas of the west-side suburbs in recent years (including Progress Ridge in southwest Beaverton and Nyberg Rivers in Tualatin). In addition, older malls are starting to redevelop (e.g., the Cedar Hills Crossing mall in Central Beaverton) to include more entertainment uses and outdoor-facing spaces. Much of the retail that has been built lately in the west-side suburbs outside these shopping centers consists of stand-alone chain restaurants, gyms, drive-through coffee, and car dealerships. However, the Cedar Hills Crossing redevelopment and on-going retail infill around Bridgeport Village (including some as part of a horizontal mixed-use development) may offer inspiration for the WSRC area.

About 70 percent of the retail buildings in the WSRC area are older than 1990. The 217 Corridor has the largest share, about 80 percent, of retail buildings older than 1990. The WSRC has a larger share of mid- to large-format buildings than the comparison submarkets. These buildings tend to be in the range of 5,000-14,999 and 15,000-49,000 square feet in size. WSRC had the second-highest share of retail buildings identified as class B or higher with about 44 percent, after the Tualatin submarket at 50 percent.

Demand Drivers & Link to Broader Trends

The size, location, and retail mix of a commercial location matter. For consumers, time and distance are the primary determinants of shoppers' willingness to patronize a particular center. Households are not generally willing to travel past (or further than) a comparable or superior center. In order to attract a large consumer base, the commercial/retail center must provide a competitive retail mix.

However, recent retail trends suggest dramatic shifts occurring in the suburbs – specially around suburban shopping centers and malls. Demand for urban style living and experiential and entertainment retail is increasing. This includes a growing food and beverage sector, as well as museums and art. As big box stores continue to close, especially in the suburbs, developers seek to transition these large empty spaces into urban lifestyle hubs. As parking requirements are increasingly relaxed by jurisdictions, outdated and struggling malls are increasingly transitioning into mixed-use redevelopments and further encouraged and integrated into the surrounding suburban residential communities.

According to CBRE, retail-only centers may no longer be the highest and best use for many outdated or struggling malls.[12] Malls and oversized retail centers are well positioned to transform into mixed-use town centers that provide a community with many opportunities and amenities where people want to live, work, and play. Successful mixed-use redevelopments integrate new uses beyond traditional multifamily residential, office, and hotels. Uses such as co-living, coworking, recreational and entertainment, public event space, and green space are complementing shopping and dining destinations, creating dynamic suburban environments and integrated communities. There is no existing prescribed mixed-use solution to apply to every mixed-use redevelopment. To be successful each mixed-use redevelopment must tailor its retail mix and amenities to meet the needs of each community and provide distinct localization.

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[12] CBRE. 2020. 2020 U.S. Real Estate Market Outlook. Retrieved from https://www.cbre.us/research-and-reports/2020-US-Real-Estate-Market-Outlook-Retail

Market Outlook

While the Washington Square Mall has been impacted by the closure of several anchor tenants in recent years, including Sears and Kmart, the Mall's owners (The Macerich Co.) reported it to be one of their most financially successful properties, with high sales per square foot as recently as 2014.[13] Over the last five years, the Mall operators have been successful in tenanting space with modern and relevant retail uses and destination food services that have contributed to the Mall's performance, even in the face of anchor vacancies. However, the closing and/or bankruptcy of a host of additional national chain stores in the wake of the COVID-19 shut-downs will create major challenges for Washington Square Mall and malls throughout the country.

Retail more broadly across the WSRC was hit harder by the 2007-2009 recession than the comparison commercial markets evaluated. Retail vacancies that occurred during the 2007-2009 recession were more severe for the WSRC than for the comparison geographies. The severity of retail vacancy rates through 2011 translated to constrained rents through 2016. Rents were relatively stagnant through the recovery as vacant retail space was absorbed, which provided fundamental market barriers to higher rates of new retail development through 2019.

However, the WSRC area is well poised to take advantage of increasingly positive market fundamentals for close-in suburban markets. Increasing retail demand in close-in suburban markets combined with demographic shifts indicates that demand will increase for experiential retail and restaurants with a focus on popular regional concepts that appeal to consumers who are looking for something different than large format retailers. Retail tenants are going to be increasingly deploying omni-channel retail programming (i.e., bricks-and-mortar, e-commerce experience, and local fulfillment) which will shift how customers access retailers and retailers' space needs. Additionally, the future demand for multifamily development as noted above will increase market demand through additional rooftops as more multifamily units are delivered to the market.

Recent retail development in the western suburbs has mostly been smaller incremental development on infill or redevelopment sites and larger mixed-use retail developments on large vacant sites. Based on these trends and the lack of large, vacant sites in the WSRC, future retail development in this area will likely occur through the repositioning of existing retail centers and through incremental infill and pad development in centers that have large amounts of underused surface parking. Larger parcels that do redevelop are likely to include a mix of uses, such as residential or other commercial uses along with retail.

[13] Elliot Njus, *The Oregonian*, "Washington Square mall owner Macerich Co. doubles down, buys out partner," Nov 18, 2014 (Updated Jan 10, 2019).

Office

Office Competitive Advantages

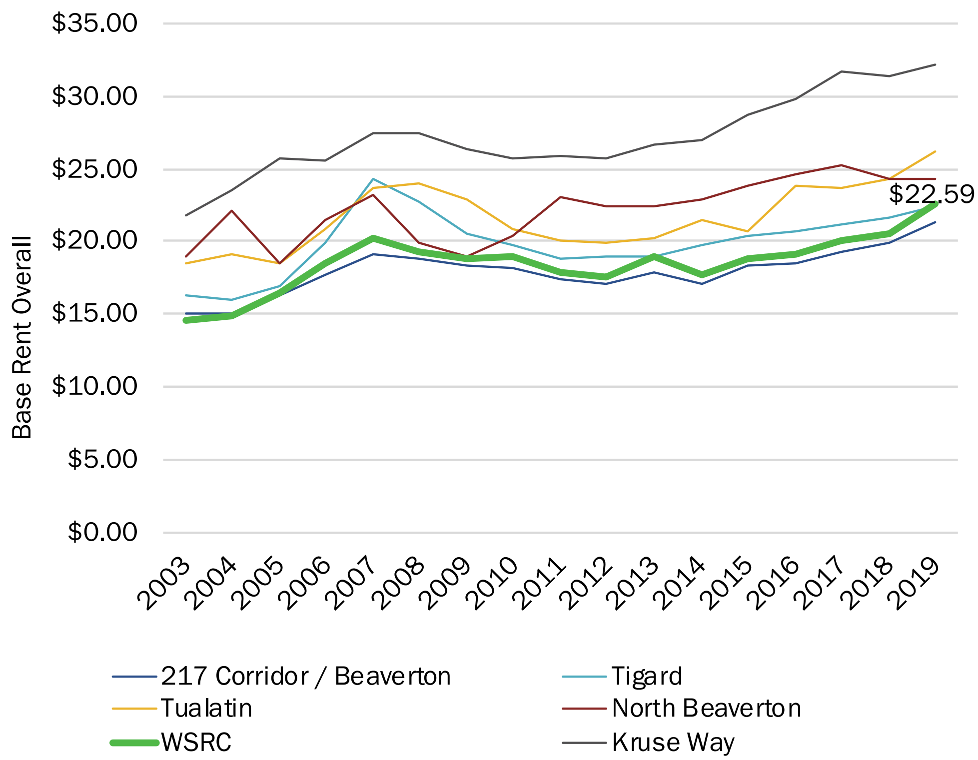
The WSRC area has an existing concentration of office parks totaling more than 2.5 million square feet. The clustering of businesses could offer synergies that attract other businesses, making an established location more desirable. The location offers easy highway access, but with Highway 217 congested at peak commute hours, this has become less of an asset, especially in comparison to the neighboring submarkets. (The planned improvements to Highway 217 over the next few years may improve this situation somewhat.) There is access to transit via WES and bus, but service is limited. (Portions of North Beaverton with access to the MAX have better transit access.) The WSRC area is reasonably accessible for a broad range of the Washington County suburbs and southwest Portland, but this is similar to the comparison submarkets. Kruse Way offers superior convenience for upper-income workers in Lake Oswego and West Linn, which has made it attractive for employers seeking to attract and retain those workers. Despite its proximity to the Washington Square Mall (and to some degree, because of it), there are few food options within an easy walk of the office parks on the west side of the highway.

Office rents per square foot have been increasing across all submarkets since roughly 2013.

Between 2003 and 2019, the WSRC submarket saw rent growth of about 55 percent—stronger growth than the other areas—but continues to be a comparatively low-cost option.

The Kruse Way submarket has consistently had the highest rents out of the comparison areas. At about $32.08 per square foot in 2019, this is substantially higher than the WSRC and other submarkets.

Exhibit 10. Office Annual Overall Base Rent per Square Foot, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton, and Kruse Way Submarkets, 2003 through 2019
Source: CoStar



Since the end of the Great Recession, suburban office vacancy rates have been on a downward trend across all submarkets.

In 2019, most submarkets had vacancy rates above 10 percent. The WSRC submarket had the highest vacancy rate across all submarkets at 15 percent.

Exhibit 11. Office Vacancy Rate, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton, and Kruse Way Submarkets, 2003 through 2019
Source: CoStar

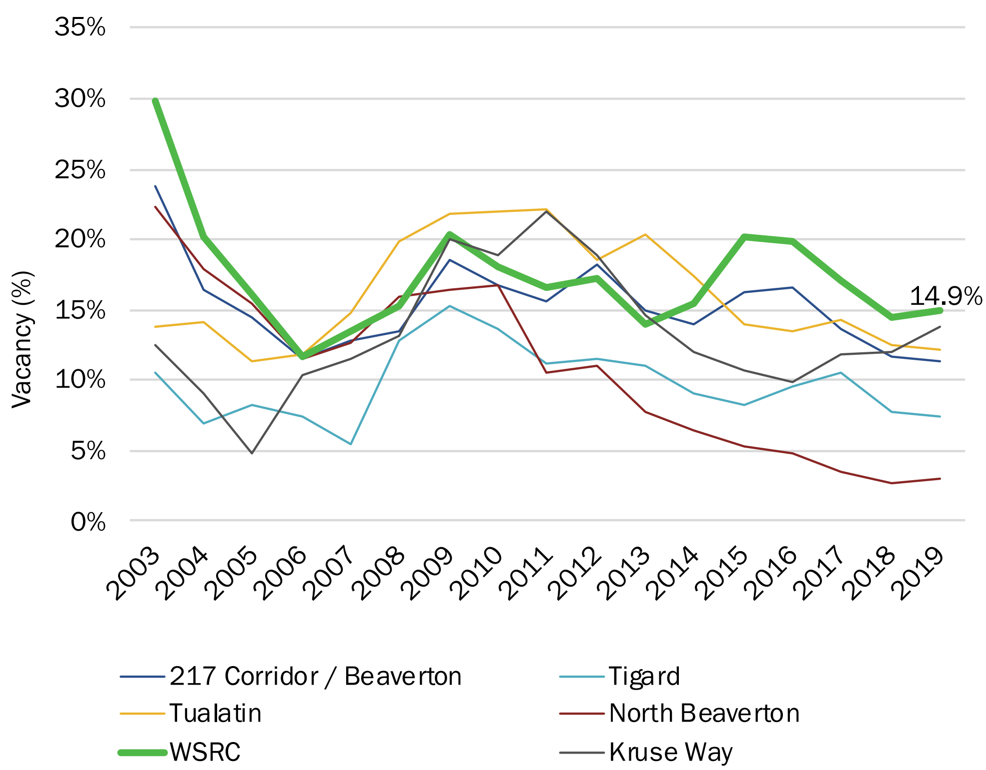
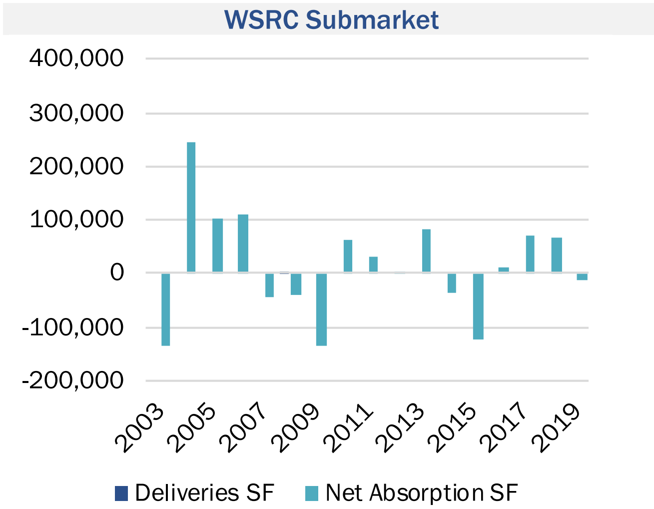
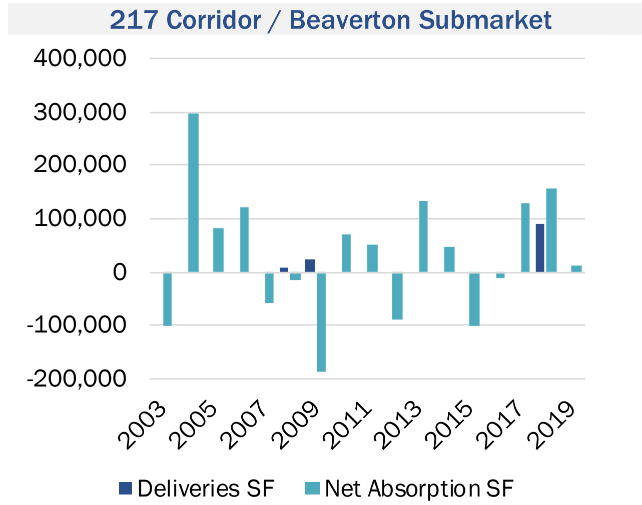


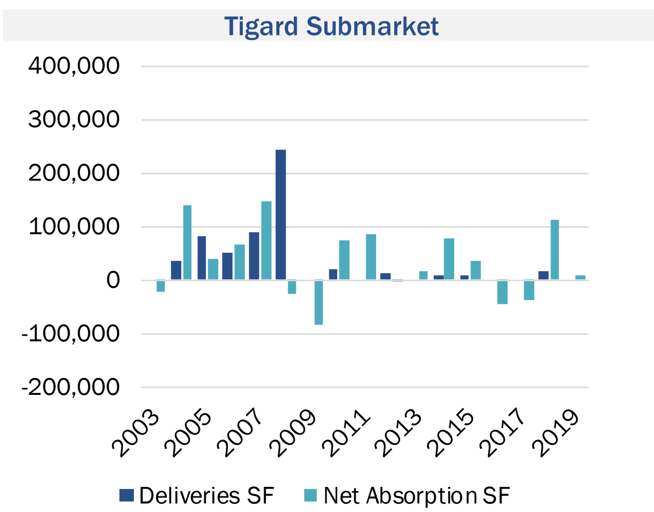
Exhibit 12. Office Deliveries and Absorption (Square Feet), 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton, and Kruse Way Submarkets, 2003 through 2019

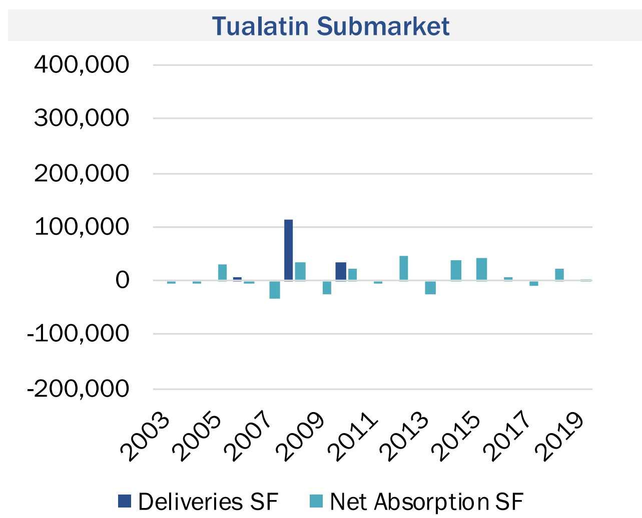




There have been no deliveries of office space in the WSRC area since 2003. Net absorption of existing space has been mixed, with several recent years of positive absorption followed by a small amount of negative absorption in 2019.

There have been very few deliveries of office space since 2003 in the 217 Corridor / Beaverton submarket. Between 2017 and 2019, close to 90,000 square feet of office space were delivered.

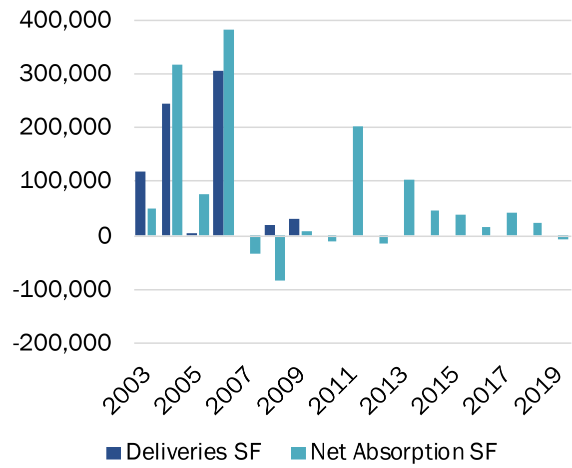




Like the North Beaverton submarket, the majority of office space in the Tigard submarket was delivered prior to the Great Recession. Between 2017 and 2019 a small amount of office space (a little over 18,000 square feet) has been delivered to the market and absorption has generally been positive.

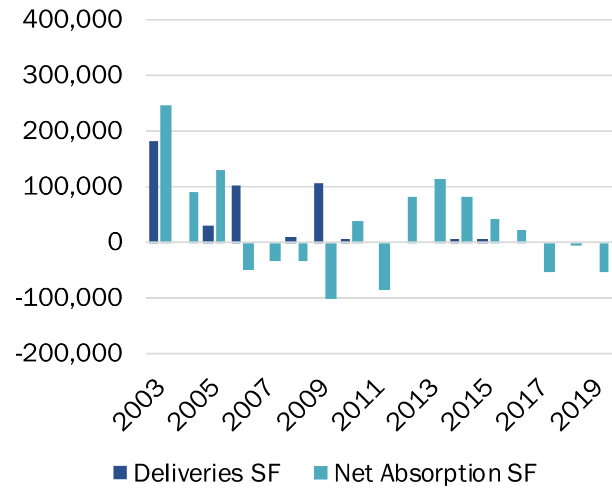
Between 2003 and 2019, there has been little activity in the office real estate market in the Tualatin submarket. A total of nearly 155,000 square feet of office space has been delivered during this time, but none since 2009.

North Beaverton Submarket



The majority of office space in North Beaverton was delivered prior to the Great Recession; no office square footage has been delivered since 2009 and absorption of office space has been in decline in the submarket for the past decade.

Kruse Way Submarket



The Kruse Way submarket saw most of the recent office space delivered prior to 2010, with little delivered since then. Absorption was positive from 2012 through 2016, but has been negative for the last three years.

Source: CoStar

Key Findings

- The WSRC area has seen the highest office rent growth across all comparison submarkets of about 55 percent between 2003 and 2019. However, as of 2019, office rents in the WSRC area are still several dollars per square foot lower than the competitive markets in North Beaverton and Tualatin and well below the top end of suburban office parks in the Kruse Way submarket.
- Low rents and high vacancy rates signal limited demand for office space in the WSRC compared to other competitive office markets nearby. Kruse Way space was hit so hard in the recession and has not fully recovered which impacts all other submarkets.
- In general, rents in the WSRC have been trending gradually upward since about 2014 along with other comparison submarkets.
- However, WSRC had a higher vacancy rate for office as of 2019 than any of the comparison areas at 15 percent.

Characteristics of New Office Development

New suburban office development over the last decade generally falls into the following categories:

- Small office buildings largely for medical/dental practices and small service-oriented businesses in scattered site locations, often on sites under an acre.
- Large new buildings for established major employers (e.g., Kaiser Permanente, Nike) on large sites or existing campuses.

However, there are a few interesting exceptions that may provide an aspirational model for infill office development in the WSRC area, including a three-story mixed-use-style office building in Tualatin. (See Appendix A for details.)

Rents for selected new office developments that provide relevant comparable or an aspirational model for future office development in the WSRC range between $24.62 and $38.00 per square foot (NNN). This is generally higher than what office rents were in the WSRC area in 2019. For more detailed information about the example office developments analyzed, please see Appendix A.

Demand Drivers & Link to Broader Trends

According to Urban Land Institute (ULI) Emerging Trends, there is an increasing desire to work in mixed-use environments.[14] This has changed the office market toward providing environments where people can live, work, and play. The suburban office market has begun replicating mixed-use environments that exist in urban downtowns. According to NAIOP—a commercial real estate development association focused on office and industrial properties—suburban office markets must provide significant amenities to tenants in order to compete with urban markets. Examples of these amenities include roof gardens, outdoor spaces, flexible working space, and access to retail, restaurants, and health and fitness centers. In addition, suburban office buildings are being constructed in areas with amenities, mass transit, and entertainment. These pockets of experiential spaces amplify the opportunity for suburban office development. You may not find true walkability in suburban office settings – as you would in an urban environment – but the more walkable these are with outdoor gathering areas for both tenants and the public, the better. Suburban offices near transit with walkable amenities, including retail, outperform commodity suburban offices.[15]

In addition, in some suburban locations, struggling malls are transitioning from retail space to employment uses, including co-working spaces and call centers. While most co-working spaces are located in dense, urban centers, some have started to open in suburban locations that offer on-site or nearby amenities, which is why malls can be a good fit. For call centers, malls offer ample parking, large floorplates, and easy access to lunch options.[16]

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[14] PwC and the Urban Land Institute: Emerging Trends in Real Estate 2020. Washington, D.C.: PwC and the Urban Land Institute, 2019.

[15] NAIOP, "Office Development in Mixed-use Settings: Raising the Bar in Suburbia," Development magazine, Winter 2016/2017.
https://www.naiop.org/Research%20and%20Publications/Magazine/2016/Winter%202016%202017/Development%20Ownership/Office%20Development%20in%20Mixed%20use%20Settings%20Raising%20the%20Bar%20in%20Suburbia

[16] King White, The Site Selection Group, "Call Centers Taking Advantage of Over 36 Million Square Feet of Vacant Retail Space Coming Available in 2017," May 23, 2017. https://info.siteselectiongroup.com/blog/call-centers-taking-advantage-of-over-36-million-square-feet-of-vacant-retail-space-coming-available-in-2017

In addition, while the COVID-19 outbreak is disrupting the office real estate market, a reduced emphasis on centralized office space in region's central business district could mean increased demand for low-rise suburban office space, or at least less disruption in that portion of the office market looking into the future as office businesses make different operational decisions.

Market Outlook

Substantial new office development is unlikely within the WSRC unless it occurs as part of a mixed-use redevelopment of portions of the Mall in the long-term future. Business and employment trends by sector documented in the Background and Conditions Report prepared by the City of Tigard indicate that substantial demand for traditional office tenants is unlikely given the loss of both office-based business and employees since 2003. However, call centers, co-working space, or creative office could be viable uses within the Mall to fill spaces left by recent and impending vacancies of national retailers. Conversion of existing space offers lower cost and hence lower rents, allowing a broader range of cost-conscious businesses to potentially absorb the additional space.

In addition, small medical/dental/professional offices are possible within the WSRC to meet local needs. If a pedestrian-oriented node emerges within the WSRC, a low-rise mixed-use-style office building similar to the example in Tualatin might be possible, though this is unlikely in the near-term. Medical uses are also becoming more integrated uses within, and adjacent to, regional shopping malls.

The existing cluster of office space in the WSRC seems to be performing reasonably well, though the comparatively high vacancy rate suggests rent growth is likely to level off in the near-term. Over the longer-term, the congested location and lack of connectivity between the office parks and the food options at the Washington Square Mall may make the office space in the WSRC less attractive relative to other suburban office parks.

Flex Space

By definition, flex space is among the most accommodative employment development forms. "Flex" is loosely defined in commercial real estate, but generally refers to an industrial-type building with 14' - 16' clear ceiling heights with buildings in a park-like setting. Flex attracts a diverse tenant mix that can include retail, office, service, or light production users.

Competitive Advantages for Flex

The WSRC area has good transportation access and some existing flex space, but there is little remaining vacant land suitable for new flex development. Recent development has been focused in Tualatin along Tualatin-Sherwood Highway, where there is a large amount of available vacant land and a tech presence anchored by Lam. Tualatin-Sherwood Highway also offers a less congested route to access I-5, despite Highway 217 from WSRC offering a shorter route in terms of distance. North Beaverton offers proximity to the Tektronix campus and the associated tech cluster. The Tigard submarket and Beaverton/217 submarkets do not have the same anchor tech presence as the other areas, though all offer fairly good highway access.

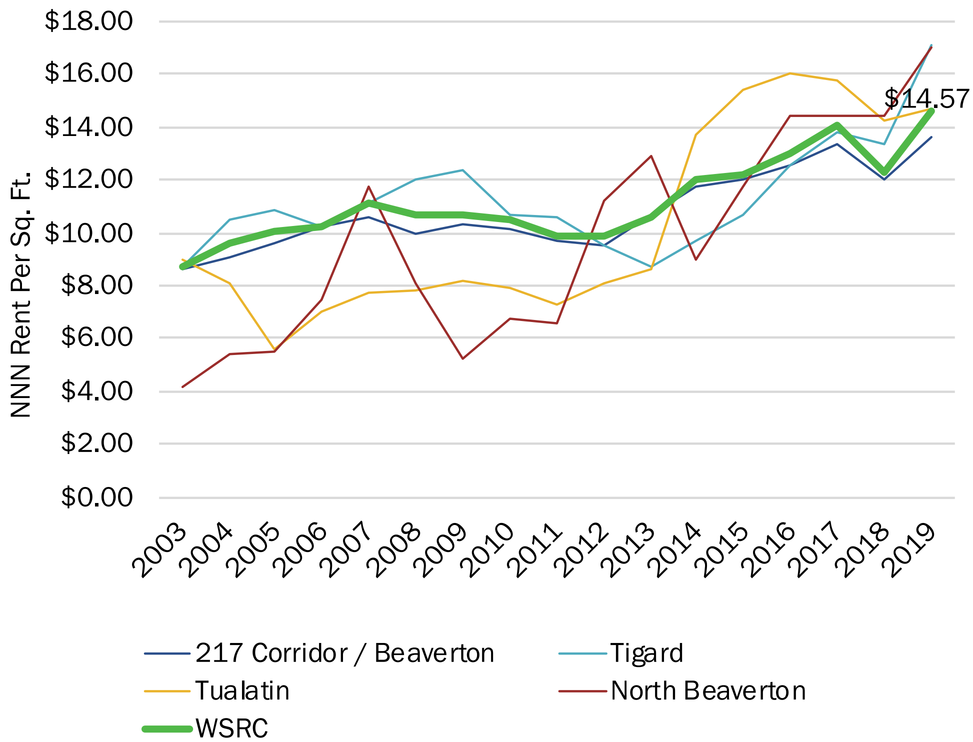
Market Trends

Flex rents have increased across all submarkets since 2003 and were generally around $12 to $16 per square foot in 2019.

The North Beaverton submarket saw the highest rent growth of about 309 percent.

The WSRC saw modest rent growth of about 68 percent between 2003 and 2019. Current rents in the WSRC rents were the same as in the Tualatin submarket at $14.57 per square foot in 2019.

Exhibit 13. Flex Annual NNN Rent Overall per Square Foot, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2003 through 2019
Source: CoStar



In general, flex vacancy rates across all submarkets have been declining since 2003.

Vacancy rates in the WSRC have dropped substantially from 17 percent in 2003 down to 8.3 percent in 2019.

Exhibit 14. Flex Vacancy Rate, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2003 through 2019

Source: CoStar

Note: North Beaverton has a missing data point for 2014 resulting in a missing link in the line chart

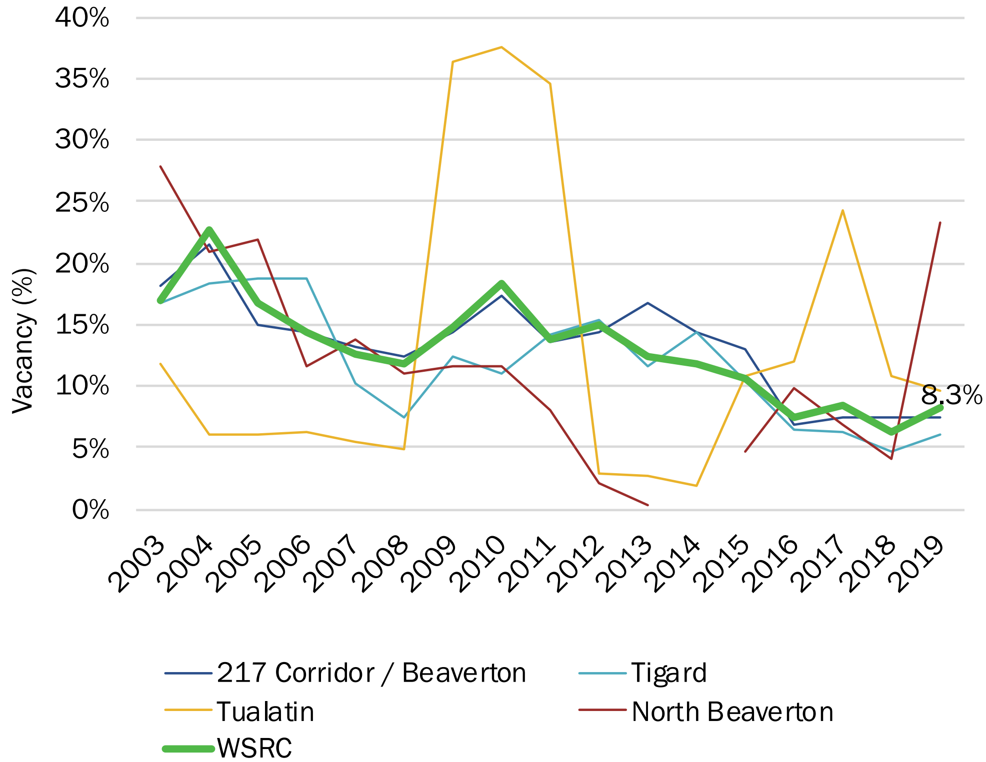
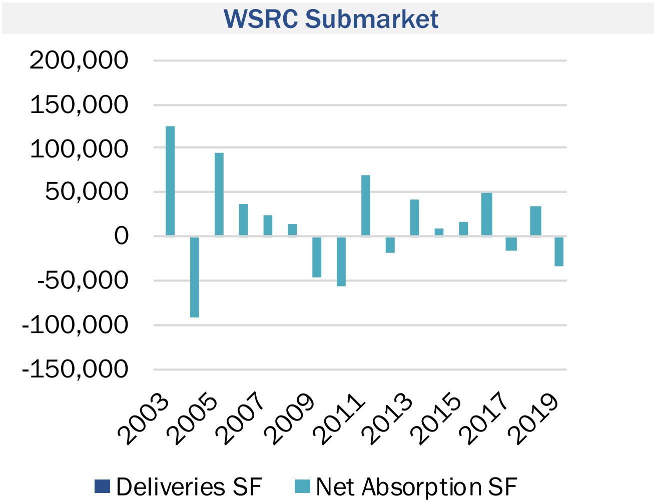
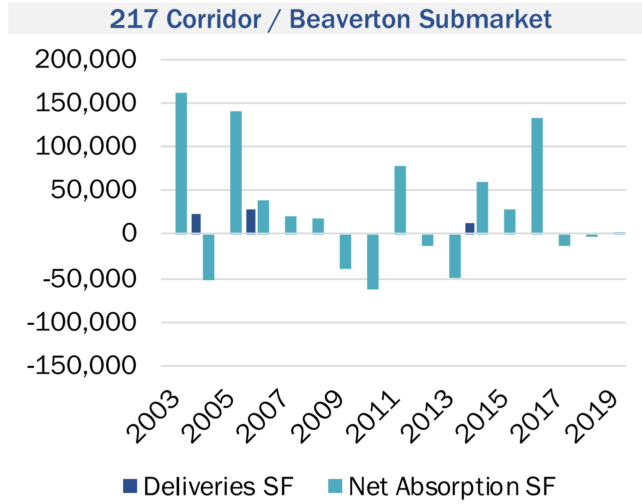


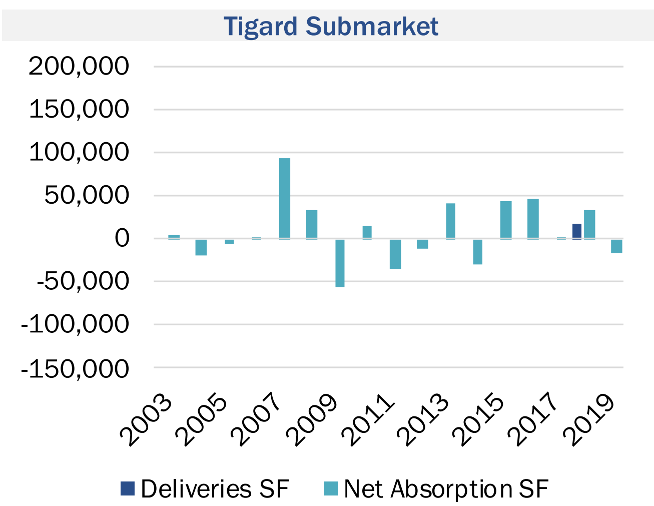
Exhibit 15. Flex Deliveries and Absorption (Square Feet), 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2003 through 2019



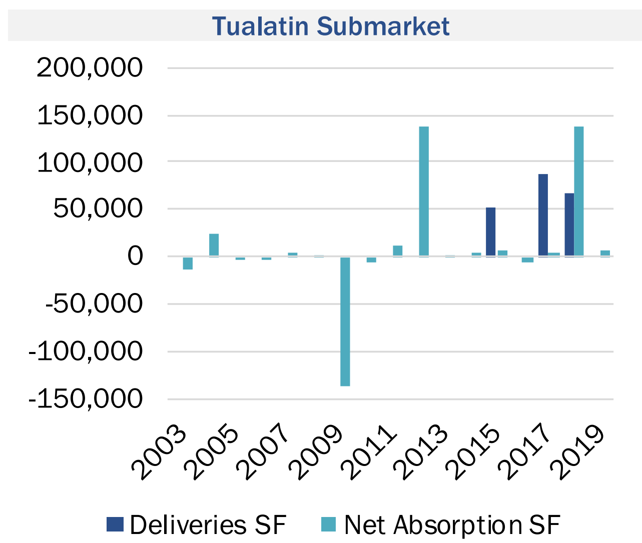
There have been no deliveries of flex space in the WSRC area since 2003. Absorption has been mixed but largely positive from 2013 to 2019.



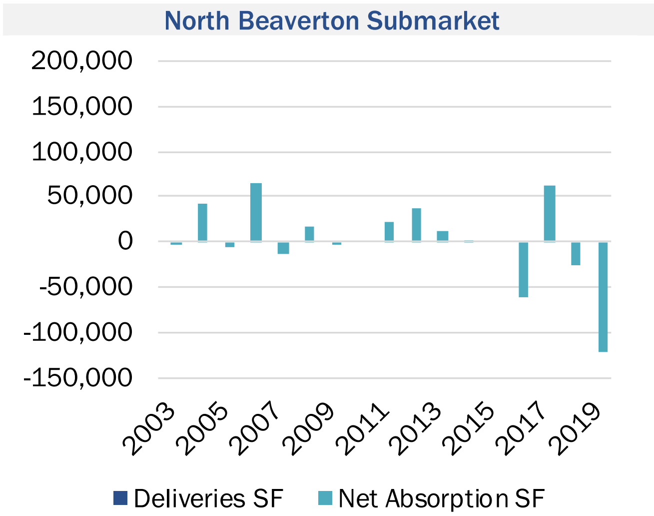
Very little flex space was delivered to the 217 Corridor / Beaverton submarket between 2003 to 2019 and absorption of flex space has been erratic over that period.



Between 2003 and 2019, only 17,024 square feet was delivered in the Tigard submarket. Absorption of flex space has been variable over this time.



Compared to other submarkets, the Tualatin submarket has seen a substantial amount of flex development, adding over 200,000 square feet of flex space between 2015 and 2019. Absorption of flex space has been positive since 2017.



No new flex space was delivered in the North Beaverton submarket between 2003 and 2019. Absorption of flex square footage has been negative in the last two years.
Source: CoStar

Key Findings

- Current flex rents in the WSRC submarket are the same as in the Tualatin submarket and competitively close to that of North Beaverton and the greater Tigard submarkets despite the greater amount of new space delivered and absorbed in the Tualatin submarket.
- Flex rents in the WSRC are at a historic high and have increased to $14.57 per square foot in 2019, up from $8.69 per square foot in 2003: an increase of about 68 percent over that period.
- Vacancies have been declining in WSRC and several of the comparison submarkets (including the Tigard submarket and Beaverton / 217 submarket) since about 2013.

Characteristics of New Flex Development

As noted above, the vast majority of new flex development in recent years has occurred in Tualatin's Tualatin-Sherwood Highway corridor. Site sizes are on average 5.5 acres on a level site.

- New flex developments are typically class A buildings that often have office space along with distribution/manufacturing space.
- Typical tenants of flex space are large corporate and medical/research and development businesses.

The rents for selected recent developments range between $9.00 and $15.76 per square foot (NNN). WSRC's flex rents in 2019 are in the higher end of this range. For more detailed information about the flex developments analyzed, please see Appendix A.

Demand Drivers & Link to Broader Trends

Historically, flex space has been attractive to users who do not necessarily require the visibility and amenities of traditional office space. Common uses were back-office functions, telecommunications companies, diagnostics labs, and light production users like printing. However, a broad range of users have exhibited a growing need for flexible spaces to remain innovative and respond and react to changing economic conditions. This is driving a larger share of traditional office users into flex space. For example, the 2020 Forecast from Avison Young[17] recently predicted that flex space could jump from 5 percent to 15 to 30 percent of space in major office markets over the next 10 years. This shift has driven a wave of flex development and repositioning in recent years. Flex buildings along with the "park" environments they typically locate in are becoming more amenitized in response.

If there is a real estate "winner" coming out of a post-pandemic world, it appears flex might be it. Business models are going to be reconfigured. Space needs will change. There will be a reversal of open floorplan seating where space will be at a premium. Flex space comes at a discount vis-a-vis traditional office. Flex parks are common in suburban markets where housing is cheaper and preference for suburban housing locations are emerging. These factors should accelerate the trend toward flex space utilization already underway.

Market Outlook

The long-term market outlook for new construction flex space in the WSRC is limited. While flex market fundamentals in the WSRC are strong with recent growth in lease rates and low vacancy rates, the lack of vacant large sites to accommodate low floor area ratio (FAR) flex buildings limit the outlook for new flex development. Regional demand for flex development will continue to occur in communities to the south of Tigard along the Tualatin-Sherwood Highway and along I-5 in Wilsonville and Aurora. However, the Parkside Business Center, on the west side of Highway 217 and north of Hall Blvd., was acquired by Harsch Investment Properties (a local real estate investment company) in 2015 based on expected continuing strong demand for flex space in the 217 Corridor and desirable site characteristics including a mix of light industrial, office, and mini storage space and substantial parking.[18]

Increasing rents and decreasing vacancy rates are likely to lead to repositioning and renovation of the existing flex space in the WSRC. Renovation and improvements to flex space and business parks in the WSRC will be geared toward repositioning occupancy towards higher rent and higher employment density tenants. There are opportunities for value-add acquisition and repositioning of flex space in the WSRC, particularly in the Tigard portion of the WSRC

[17] Avison Young. "2020 Economic Forecast: Ten for Twenty"

https://www.avisonyoung.com/documents/20342/74749348/AY2020Forecast_Trends.pdf#page=9

[18] Susanne Orton, "Harsch Investment Properties Acquires Parkside Business Center in Beaverton, OR," NewsWire, March 31, 2015. https://newswire.net/newsroom/pr/00088122-harsch-investment-properties-acquires-parkside-business-center-in-beaverton-or.html

(southwest of Highway 217), given the recent acquisition of the Parkside Business Center to the north.

Industrial

Industrial Competitive Advantages

The WSRC area has good highway access, though the heavy congestion on Highway 217 makes it much less attractive from a transportation perspective. Recent industrial development has been focused in Tualatin along Tualatin-Sherwood Highway, where there is a large amount of available vacant land suitable for industrial use and a less congested (if longer) access to I-5. The WSRC lacks available vacant land of suitable size for new industrial development and has little existing truly industrial development (most of the existing quasi-industrial space is considered flex space).

Market Trends

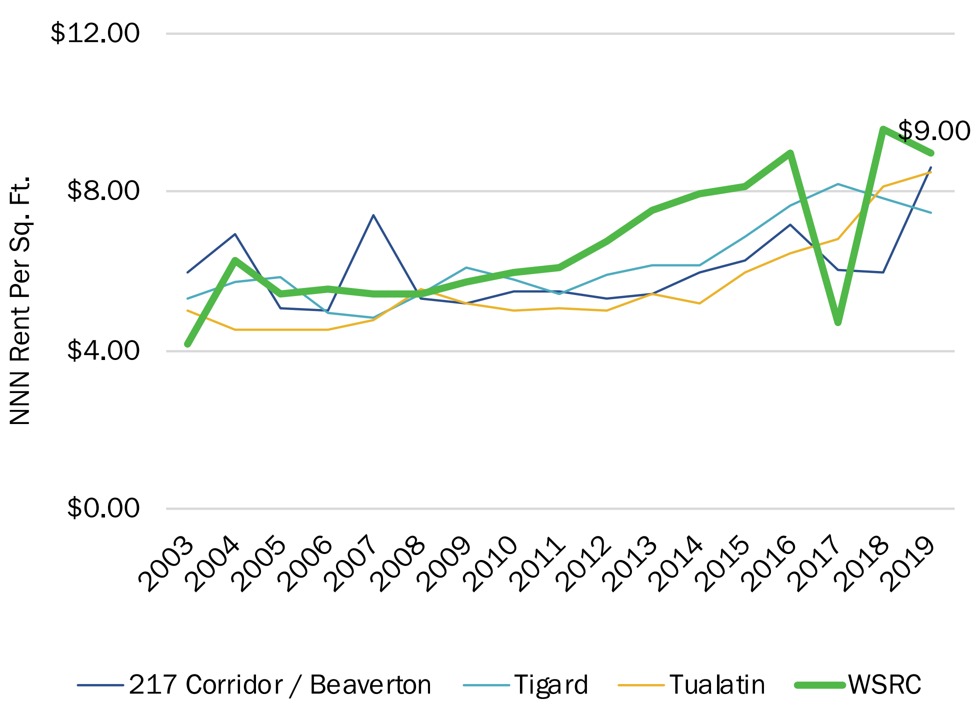
Note that there are few industrial properties in the WSRC area and in the North Beaverton submarket (less than 30 properties each, not all of which include rent or vacancy information). This makes the data for these areas "noisy" and less reliable as changes for a single building can swing results more dramatically for the area.

Industrial rents have increased across all submarkets since 2003, with most rent growth occurring since 2013.

Industrial rents in the WSRC grew by 116 percent between 2003 and 2019.

Industrial rents in the WSRC are the second highest, after the North Beaverton submarket, as of 2019, though the small sample size makes this finding less reliable.

Exhibit 16. Industrial Annual NNN Rent Overall per Square Foot, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin Submarkets, 2003 through 2019
Source: CoStar



Industrial vacancy rates have been highly volatile since 2003, but have declined to below 5 percent as of 2019 across most of the submarkets.

Vacancies in the WSRC decreased sharply in recent years from about 24 percent in 2013 down to 2 percent in 2019.

Exhibit 17. Industrial Vacancy Rate, WSRC, 217 Corridor / Beaverton, Tigard, Tualatin Submarkets, 2003 through 2019
Source: CoStar

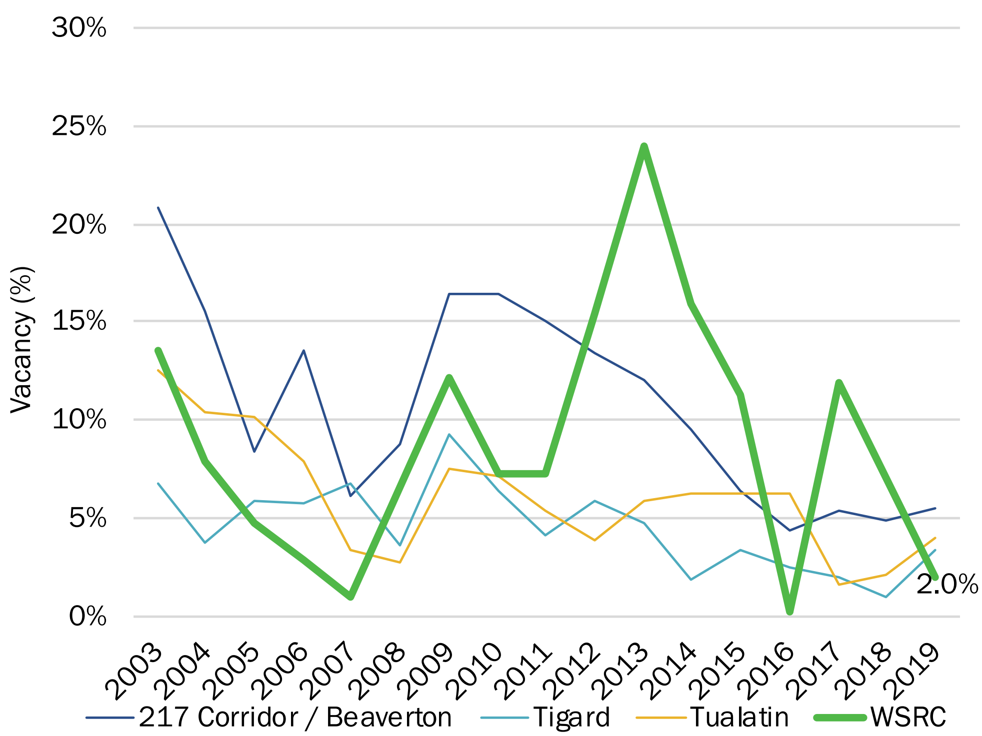
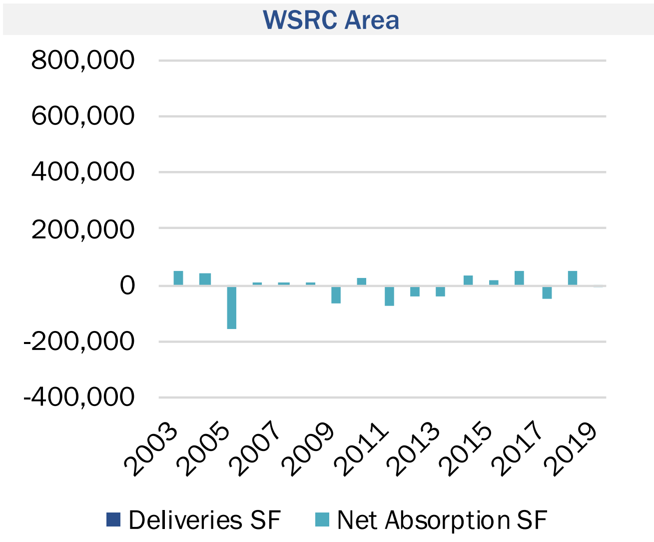
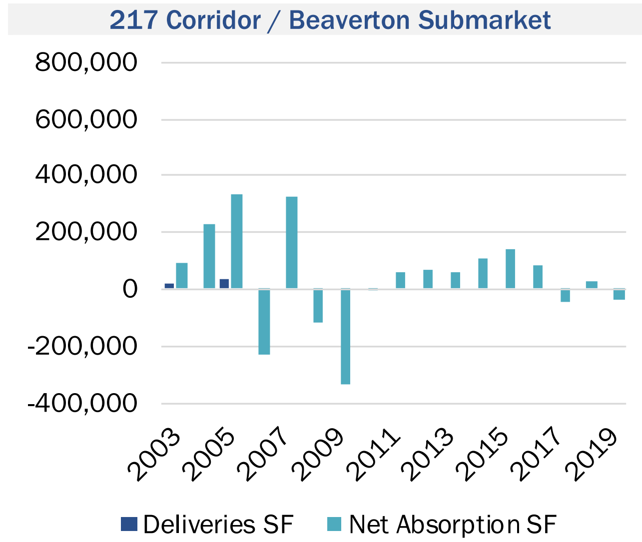


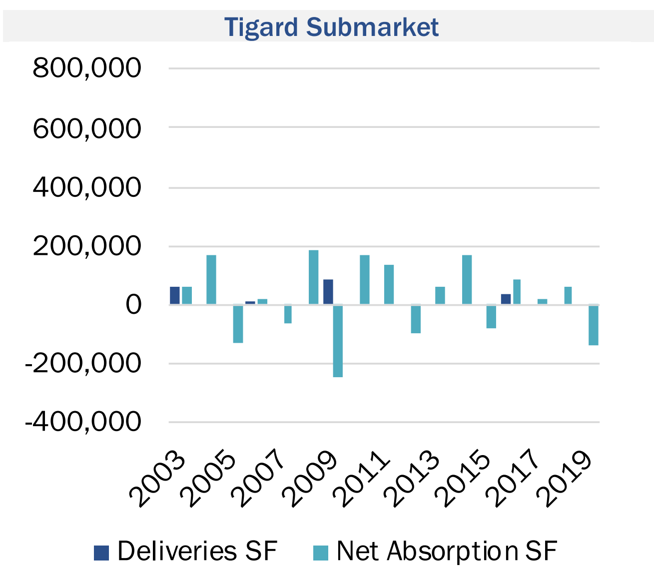
Exhibit 18. Industrial Deliveries and Absorption (Square Feet), WSRC Area and 217 Corridor / Beaverton, Tigard, Tualatin, North Beaverton Submarkets, 2003 through 2019



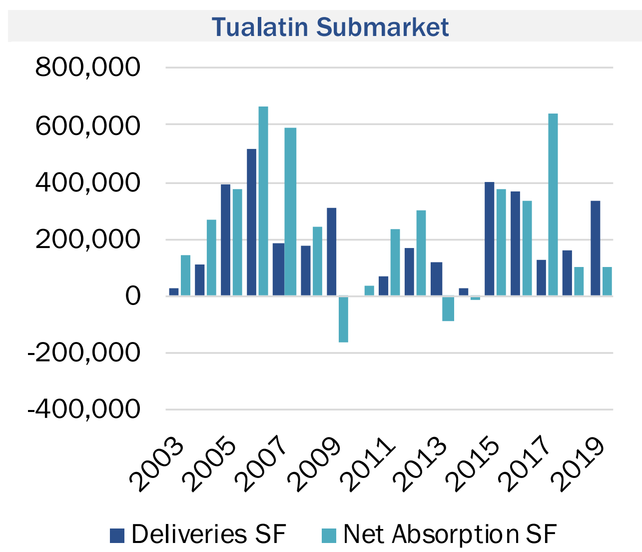
There were no deliveries of industrial space in the WSRC area. Absorption has been mixed over the past 5 years but more positive than negative.



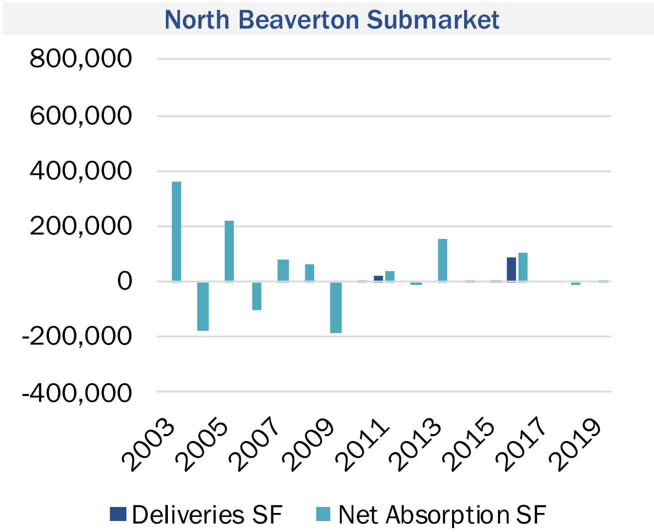
The 217 Corridor / Beaverton submarket has seen few deliveries of industrial space and none since 2005. Absorption has generally been positive in the last decade.



The Tigard submarket, like the 217 Corridor / Beaverton and North Beaverton submarkets, has seen limited industrial deliveries between 2003 to 2019. Absorption of industrial space was variable over this time period.



Compared to surrounding submarkets, the Tualatin submarket has seen substantial industrial development. Deliveries of industrial space between 2003 and 2019 totaled nearly 3.5 million square feet and absorption of industrial space has been positive in all but three years (2009, 2013, and 2014) between 2003 to 2019.



Absorption of industrial square feet has been close to zero in the North Beaverton submarket since 2014. The latest delivery of industrial space in North Beaverton was in 2016 with 91,000 feet.
Source: CoStar

Key Findings

- The WSRC area currently has one of the highest industrial rents across the comparison submarkets of about $9.00 per square foot in 2019, though the limited number of properties in the WSRC area makes the rent data more reflective of smaller transactions and more variable than in the larger submarkets.
- The WSRC submarket saw strong rent growth of about 116 percent between 2003 and 2019.
- Vacancy rates of 2 percent in the WSRC are currently amongst the lowest when compared to the other submarkets.
- The industrial real estate market in the WSRC is strong with high rents and very low vacancy rates despite a lack of new deliveries. This signals possible competing demand between traditional industrial/manufacturing uses and new specialty recreational facilities for industrial space in the WSRC.
- Increasing rents and decreasing vacancy rates indicates demand for smaller industrial users in the study area. Lack of land availability and traffic congestion limit the competitiveness of the WSRC area to attract large industrial users who need space for larger buildings, more parking, and on-site transportation requirements that are land intensive.

Characteristics of New Industrial Development

As noted above, the vast majority of new industrial development in recent years has occurred in Tualatin's Tualatin-Sherwood Highway corridor, though there has been some development in

Tigard and Beaverton. Site sizes are generally at least 3 acres on a level site, though there is one smaller example on a site under an acre.

- Recent new industrial development ranges in scale between 30,000 and 60,000 square feet in floor area and has generally been located in industrial parks.
- New industrial development buildings are typically constructed out of reinforced concrete tilt up panels and rated class B and C.
- Rents for recent industrial developments range between $6.60 to $11.76 per square foot (NNN). WSRC's industrial rents are in the mid-range of the example rents. See Appendix A for a detailed information about the industrial developments analyzed.

Demand Drivers & Link to Broader Trends

By-and-large the industrial real estate sector is driven by production (manufacturing) and logistics (storage and transportation). Historically, the manufacturing sector had driven demand for industrial real estate. More recently, however, the proliferation of e-commerce has dominated the development cycle, driving demand for logistics (warehousing and distribution) space. This is unlikely to change in the foreseeable future. However, even before the COVID-19 pandemic, a convergence of factors has been influencing the industrial sector, indicating a slide into the mature phase of the development cycle. As a sector that follows macroeconomic fluctuations, expectations of a broader economic slowdown were already in place, and now the economy has been thrust into a potentially prolonged recovery. This comes at a time that defines a late cycle dynamic, where an increasing availability rate was already expected as recent production has been outpacing demand. This will be exacerbated by the current economic disruption.

Looking forward, several factors present optimism for industrial real estate generally. Growth in e-commerce will continue, and perhaps accelerate in coming years. The role of reverse logistics has already emerged as a growth subsegment. As it relates to regional economies, the market has exhibited a trend toward premium locations, driven by access to labor and proximity to consumers in a drive to reduce transportation costs. This may create long-term opportunities for redevelopment in premium close-in locations. On the production side, it is likely that trends already underway—deglobalization, nearshoring, diversification and localization of supply chains, and consolidation of R&D and production, will continue to influence location decisions of manufacturers.

Market Outlook

New industrial development is unlikely in the WSRC, due to lack of land availability and locational characteristics that are not ideally suited to new industrial development. Regional demand for new industrial development is predominantly for larger multi-acre vacancy sites that are unavailable in the WSRC area. The lack of availability of vacant land, and especially limited large industrial sites, limits the long term outlook for new industrial development. Land constraints along with congested transportation networks indicate that the WSRC area is not able to compete with industrial areas with vacant industrial sites further south along the Tualatin-Sherwood Highway, adjacent to I-5 in Wilsonville, and towards Salem.

On-going adaptive reuse of existing industrial buildings can help keep rents for industrial space in the area higher, and offer opportunities for new types of businesses to come into the area at a low cost. Additionally, there may be demand in the future for smaller and medium scale last-mile fulfillment operators to serve growing regional e-commerce demand in the southwestern suburbs that could lease up and reposition existing industrial buildings in the WSRC area. Last-mile fulfillment centers and operators in the WSRC could serve Mall-oriented retailers that position to omni channel retail functions in the future.

3. Notes about the Data

Market data comes from CoStar, a proprietary data source commonly used for market analysis in the real estate industry. While CoStar is one of the best available sources of rent and vacancy data overall, the data has gaps and limitations that make it less reliable in areas with few existing buildings. Newer buildings and those that are professionally managed are more likely to have reliable rent and vacancy information, while smaller, older buildings may have incomplete data or be missing from the system entirely. Recognizing those limitations, ECONorthwest typically supplements our data analysis through interviews with brokers, developers, and other real estate professionals who can validate or help to refine our findings through local knowledge and professional experience. Due to the delay in initiating public outreach for this project, ECONorthwest was not able to conduct as much outreach to these local experts as is typical. We plan to conduct additional outreach as a follow-up prior to beginning our analysis of development feasibility.

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Tigard Washington Square Regional Center

Appendix A: Recent Relevant Developments

This appendix provides examples of recent, relevant developments to inform a range of possible forms that future development in the WSRC study area might take and to illustrate recent development trends in the surrounding market areas.

Multifamily

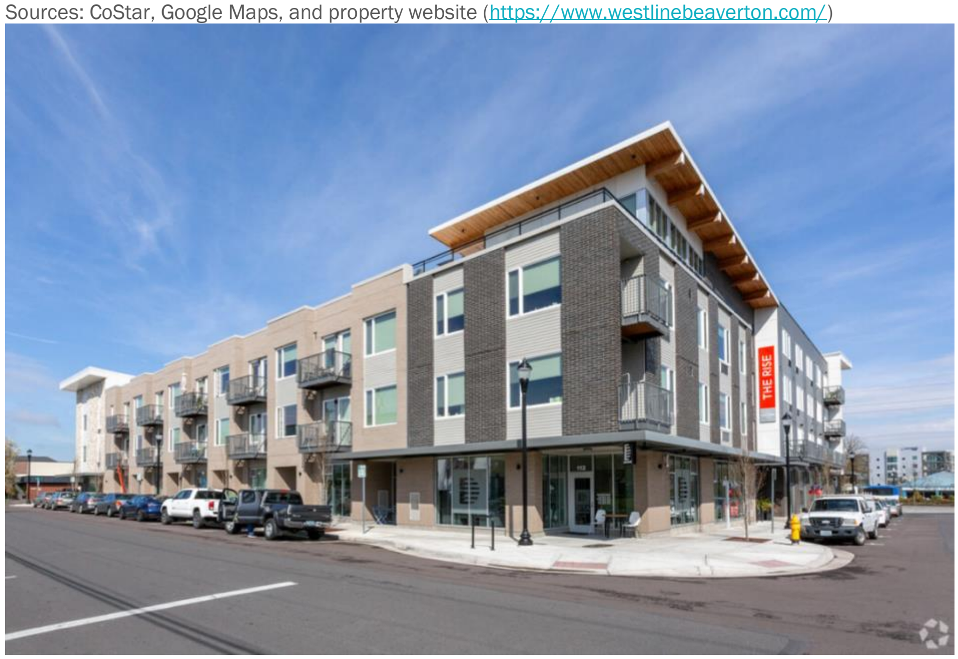
Westline, located in downtown Beaverton, is a 38-unit, 4-story apartment building. The building offers high-end amenities in an increasingly walkable downtown area. With an urban style, the building offers live-work spaces and a lobby on the ground floor, wrapped around tuck-under and surface parking. The Beaverton Transit Center is a half-mile away.

Land Area:
0.93 AC

Amenities:
Package service
Pet washing station
Rooftop deck with fire pit, grill and covered seats
Penthouse lounge with chef's kitchen
Controlled-access parking

4545 SW Angel Ave – BUILT 2017

Sources: CoStar, Google Maps, and property website (https://www.westlinebeaverton.com/)



Construction Type:	Star Rating:	Building SF:
Podium (4 Story)	4 Star	72,000 SF

Unit Type	# of Units
Studio	21
1Bd	51
2Bd	15
3Bd	--
Total	38

Sunset Crossing, located along Highway 26, is a 102-unit, 3-story apartment complex with 17 buildings.

This development is located next to the Tanasbourne Town Center shopping center, and is tucked behind an office building. The 17 buildings are laid out in a typical garden-apartment style with landscaping between buildings and surface parking.

Land Area:
3.84 AC

Amenities:
Energy Star labeled
Fitness center
Playground
Walking/biking trails

17999 NE Evergreen Pkwy – BUILT 2011

Source: CoStar, Google Maps

Construction Type:	Star Rating:	Building SF:
Wood Frame (3 Story)	3 Star	180,578 SF

Unit Type	# of Units
Studio	--
1Bd	6
2Bd	65
3Bd	31
Total	102

Blanton Commons, located outside of Aloha and abutting Tualatin Hills Nature Park, is a 33-unit, 4-story apartment building.

This development sits between Aloha and Beaverton Town Center, with easy access to the employment centers of Nike, Intel, and others via several bike paths. Surface parking (1.5 spaces per unit) is located behind and to the side of the building.

Land Area:
1.27 AC

Amenities:
Cable ready
Double vanities
Sprinkler system

16919 SW Blanton St – BUILT 2018

Source: CoStar

Construction Type: Wood Frame (4 Story)

Star Rating: 4 Star

Building SF: 32,000 SF

Unit Type	# of Units
Studio	1
1Bd	9
2Bd	23
3Bd	--
Total	33

Johnson Street Apartments, located near Aloha, is an 18-unit, 3-story residential building.

This is a smaller infill development located in a residential area, set back behind an existing home. The nearest bus stop is about 0.5 miles away. The site has surface parking and minimal landscaping or open space.

Land Area:
Not available

Amenities:
Air Conditioning

18990-18996 SW Johnson St – BUILT 2015

Source: CoStar, Google Maps

Construction Type:	Star Rating:	Building SF:
Wood Frame (3 Story)	4 Star	14,868 SF

Unit Type	# of Units
Studio	--
1Bd	--
2Bd	18
3Bd	--
Total	18

Residential Mixed Use

72nd Apartments, located on SW 72nd Avenue in Tigard, is a 38-unit, 5-story residential mixed-use building with ground-floor commercial space.

Recently constructed in the Tigard Triangle, this mixed-use building is setting a precedent for the area.

Land Area:
0.59 AC

Amenities:
Fitness center
Lounge
Spa

The 72ND APARTMENTS – BUILT 2020
Source: CoStar

Construction Type:	Star Rating:	Building SF:
Podium (5 Stories)	4 Star	40,000 SF

Unit Type	# of Units
Studio	16
1Bd	22
2Bd	--
3Bd	--
Total	38
Commercial	1

The Rise Central, adjacent to the Beaverton Central MAX Station, is a 230-unit, 5-story mixed use building.
Recently constructed in Central Beaverton, this development is part of an on-going effort to revitalize the area. The development received a Transit-Oriented Development (TOD) grant from Metro and acquired the land from the City of Beaverton. The building offers high-end amenities, but also includes 15 affordable units (5 percent of the total).

Land Area:
1.63 AC

Amenities:
Fitness center
Lounge
On-site retail
Pet care
Pet washing station

12875 SW Crescent St – BUILT 2019

Sources: CoStar, Rembold Properties (http://www.rembold.com/new-gallery)

Construction Type:	Star Rating:	Building SF:
Podium (5 Story)	4 Star	230,000 SF

Unit Type	# of Units
Studio	15
1Bd	198
2Bd	17
3Bd	--
Total	230

La Scala Apartments in downtown Beaverton is a 44-unit, 5-story luxury apartment complex with ground-floor retail. These units sit atop a ground-floor food hall. Several grocery stores and restaurants can be reached within five-minutes.

Land Area:
0.38 AC

Amenities:
Bicycle storage
Controlled access
Elevator
Gated
Public transportation

4725 SW Lombard Ave – BUILT 2016

Source: CoStar

Construction Type: Podium (5 Story)

Star Rating: 5 Star

Building SF: 61,470 SF

Unit Type	# of Units
Studio	--
1Bd	28
2Bd	16
3Bd	--
Total	44

The Adrienne, located on SW 72nd Avenue among several office buildings, is an 8-unit 3-story mixed-use residential building. Set in the southern portion of the Tigard Triangle, this mixed-use building sets a precedent for smaller-scale infill buildings that can add density. This mixed-use apartment is about 1.5-miles from the Tigard Transit Center.

Land Area:
0.36 AC

Amenities:
Not listed

7148 SW Gonzaga St – BUILT 2014

Source: CoStar

Construction Type:	Star Rating:	Building SF:
Wood Frame (3 Story)	3 Star	16,224 SF

Unit Type	# of Units
Studio	--
1Bd	--
2Bd	8
3Bd	--
Total	8

Retail

Cedar Hills Blvd Building 1/Phase 1, located across from Cedar Hills Crossings, is a two-story, 129,000 square foot retail building with six tenants.

This building was built within an existing shopping center with a two-story parking garage. Key tenants include medical, retail, restaurant, and health and personal care businesses.

Site Layout:
This building is located within an existing shopping center and surrounded by smaller retail buildings along the street frontage. Surface parking is located in the interior of the shopping center, and a new two-story garage is located in the back end of the shopping center, next to Cedar Hills Blvd Building 1/Phase 1.

Land Area:
Not available

Cedar Hills Blvd Building 1/Phase 1 – BUILT 2018

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Steel (2 Story)	4 Star	128,652 SF

Tenant Mix	# Spaces
King Pins	1
Virginia Garcia	1
LáSen Grill	1
Legacy Westside Internal Medicine	1
Evergreens Salad	1
Club Pilates	1

Office

R&C Professional Plaza, located in Aloha, is a two-story, 5,760 square foot office building.
This small medical and dental office was constructed along a major thoroughfare.

Site Layout:
A standalone office building, this structure is in a mostly residential area with some small offices nearby and office buildings along the street frontage. Surface parking is located in front of the office building.

Land Area:
0.41 AC

4055 SW 185th Ave – BUILT 2010
Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Wood Frame (2 Story)	3 Star	5,760 SF

Tenant Mix	# Spaces
Rathbone, Robert M DC	1
NW Foot Clinic	1
Lee Denture	1
Patrick J Moullet Agency	1

Tanasbourne Professional Office Building, located off of Highway 26, is a two-story, 20,000 square foot office building. This building was built at the edge of the Tanasbourne Town Center shopping center.

Site Layout:
Located between a residential neighborhood and a shopping center, this building is surrounded by strip retail and a few other offices. Surface parking is located in the interior of the commercial center.

Land Area:
0.33 AC

17885 NW Evergreen Pkwy – BUILT 2013

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Masonry (2 Story)	3 Star	20,000 SF

Tenant Mix	# Spaces
Athenix Body Sculpting	1
Biermann Orthodontics	1
Clearview MRI	1

Kaiser Permanente, located off Highway 217 in Beaverton, is a multi-story, 89,964 square foot office building.

This building was built within an existing commercial center near Beaverton Town Square. Kaiser Permanente is the single tenant.

Site Layout:

Located within a compact commercial center, this building is surrounded by smaller retail and office buildings along the street frontage. Surface parking surrounds the building.

Land Area:

0.69 AC

10370 SW Beaverton Hillsdale Hwy – BUILT 2018

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Steel (3 Story)	4 Star	89,964 SF

Tenant Mix	# Spaces
Kaiser Permanente	1

13333 SW 68th Pkwy, located at the interchange of Highway 217 and I-5, is a proposed three-story, 60,000 square foot office building with a single tenant.
The site is near other large office buildings in Tigard.

Site Layout:
Located at a major intersection, this building is near other corporate office parks. Surface parking will surround the building.

Land Area:
1.00 AC

13333 SW 68th Pkwy – PROPOSED
Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
N/A (3 Story)	3 Star	60,000 SF

Tenant Mix	# Spaces
Office	3

Robinson Crossing, located along Boones Ferry Road, is a 3-story, 34,718 square foot office building.
This building was built in central Tualatin, in a commercial center with a mix of retail and office businesses.

Site Layout:
Located within a compact commercial center, this building is surrounded by smaller strip retail, office buildings, and adjacent to residential areas. The building is across the street from a transit stop. Some surface parking is also available.

Land Area:
0.50 AC

18840 SW Boones Ferry Rd – BUILT 2012
Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Reinforced Concrete (3 Story)	3 Star	34,718 SF

Tenant Mix	# Spaces
Pixel Interconnect	1
Commercial Plumbing Consulting & Design, LLC	1
Tualatin Optimal Wellness	1
Northwest ADHD Treatment Center	1
Philadelphia Insurance Companies	1
FocusPoint Communications	1
Vacant Retail	1
Vacant Office	6

Flex

The Allied Building, located east of Highway 217 in Beaverton, is a 2-story, 12,638 square foot flex building.

This building was built within an existing industrial center with a mix of distribution, recreation and light industrial businesses.

Site Layout:

Located near the Allen Blvd. exit on Highway 217, this building is surrounded by commercial, light industrial, and residential uses. Surface parking is located to the side of the building.

Land Area:

0.43 AC

6640 SW Fallbrook Pl – BUILT 2014

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Masonry (2 Story)	3 Star	12,638 SF

Tenant Mix	# Spaces
Not Available	N/A

108th & Leveton, located north of Tualatin, is a two-story, 87,474 square foot flex building with a single tenant.
This building was built in a low-density industrial center. LAM Research is the sole tenant.

Site Layout:
This building is surrounded by other industrial and flex uses and some single-family to the north.

Land Area:
5.85 AC

18623-18625 SW 108th Ave – BUILT 2017
Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Reinforced Concrete (2 Story)	3 Star	87,476 SF

Tenant Mix	# Spaces
LAM Research	1

Hedges Creek Business Park, located southwest of Tualatin, is a two-building flex complex that totals 118,100 square feet of space.

These buildings were built in phases, in 2015 and 2018, on largely undeveloped land.

Site Layout:

Located near mostly industrial uses, these buildings are surrounded by corporate industrial research sites and distribution centers.

Land Area:

3.25 AC/
7.52 AC

20111 SW 112th Ave/11452 SW Amu St – BUILT 2015/2018

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Reinforced Concrete (2 Story)	3 Star/ 4 Star	51,050 SF/ 67,050 SF

Tenant Mix	# Spaces
Vacant	2
Perlo Construction	1
Meister Elite	1

Industrial

12540 SW Leveton Dr, located outside of Tualatin, is a single story, 35,728 square foot industrial building. The building had not yet been leased as of June 2020.

Site Layout:
Located in a growing industrial area, this building is surrounded by several vacant lots, self-storage units, and other industrial buildings.

Land Area:
2.21 AC

12540 SW Leveton Dr – BUILT 2019
Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
N/A (1 Story)	3 Star	35,728 SF

Tenant Mix	# Spaces
Vacant	4

19800 & 19850-19990 SW 112th Buildings 1, 2, and 3, located in Tualatin, are three single-story industrial buildings that total 93,446 square feet.

These buildings were built in phases, in 2016 and 2019.

Site Layout:

This building is surrounded by other industrial uses in the immediate vicinity and some single-family to the north.

Land Area:
2.60 AC

19800 & 19850-19990 SW 112th Buildings 1, 2, & 3 – BUILT 2016 & 2019

Source: CoStar

Construction Type:	Star Rating:	Rentable Building Area:
Reinforced Concrete (1 Story)	3 Star	30,458 SF 32,986 SF 30,002 SF

Tenant Mix	# Spaces
Bldg 1 Ferguson	1
Bldg 2 Sublet Available	1
Bldg 3 Vacant	1