



J O H N S O N

G A R D N E R

**RESIDENTIAL & COMMERCIAL
MARKET ANALYSIS FOR
BLOCK 49**

PREPARED FOR:
THE PORTLAND DEVELOPMENT COMMISSION

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TABLE OF CONTENTS

I. INTRODUCTION	2
II. EXECUTIVE SUMMARY	2
III. THE SUBJECT SITE AND THE COMPETITIVE MARKET AREA	3
SUBJECT PROPERTY	3
COMPETITIVE MARKET AREA	4
IV. ECONOMIC OVERVIEW.....	5
REGIONAL ECONOMY	5
OUTLOOK	9
V. DEMOGRAPHIC CHARACTERISTICS.....	10
CENSUS DATA TRENDS.....	10
DOWNTOWN HOUSING SURVEY TRENDS.....	11
VI. RENTAL RESIDENTIAL MARKET TRENDS.....	12
PORTLAND/VANCOUVER METRO AREA APARTMENT MARKET.....	12
LLOYD DISTRICT TRENDS.....	15
PEER GROUP ANALYSIS.....	16
VII. OWNERSHIP RESIDENTIAL MARKET TRENDS	17
PORTLAND/VANCOUVER METRO AREA RESIDENTIAL OWNERSHIP MARKET.....	17
LLOYD DISTRICT TRENDS.....	19
PEER GROUP ANALYSIS.....	20
VIII. ABSORPTION AND PRICING	21
FUTURE RESIDENTIAL SUPPLY	21
Rental Apartments	21
For-Sale Attached.....	22
ABSORPTION ANALYSIS	23
Rental Demand Profile: Structural and Workforce Demand	25
Ownership Demand Profile: Structural and Workforce Demand	27
FAIR-SHARE ABSORPTION ANALYSIS	29
Rental Market Performance	29
Ownership Market Performance	30
RESIDENTIAL MARKET CONCLUSIONS	31
IX. SPECULATIVE RETAIL MARKET.....	33
PORTLAND/VANCOUVER METROPOLITAN AREA RETAIL TRENDS.....	33
LLOYD DISTRICT TRENDS.....	34
PEER GROUP ANALYSIS.....	34



I. INTRODUCTION

The PORTLAND DEVELOPMENT COMMISSION retained JOHNSON GARDNER to prepare an evaluation of residential and commercial retail development opportunities at PDC-owned “Block 49” across from the Convention Center on NE Holladay. This report summarizes the key conclusions of our evaluation, as well as outlining demographic characteristics of the market in more depth.

II. EXECUTIVE SUMMARY

The following are key findings and conclusions from this assignment:

- Over the next several years, JOHNSON GARDNER considers housing to be the highest and best use of Block 49. Portland’s speculative office market is significantly overbuilt, and current achievable lease rates are insufficient to justify new construction. The market will need to recover and effective rents rise for several years before a new speculative office building is supportable. In addition, parking charges in the Lloyd District for office space are currently insufficient to justify structured parking. The retail market is relatively solid, but ground floor space without adequate parking has been slow to lease in projects such as The Merrick.
- The condominium market has been extremely strong over the last several years in the Central City, with rising prices providing room for a project in the Lloyd District to deliver product at a price advantage vis-à-vis more established urban residential neighborhoods like the Pearl District. Market rate rental apartments have been somewhat less successful, requiring a significant discount relative to Westside locations rendering them difficult to underwrite. To-date, there have been few tax credit projects in the Lloyd District, but this use may provide a better return for rental product.
- JOHNSON GARDNER finds no major market obstacles to development of either market-rate rental apartments or condominiums at the subject property given currently available information. The site has a number of residential development advantages including views, proximity to Downtown, the Pearl District and Lloyd Center. It is also on the MAX line and close to the planned Eastside Streetcar extension.
- JOHNSON GARDNER anticipates that Portland’s longer-term economic outlook is more positive than presently, and thus in-migration will likely pick up. However, we are certain mortgage rates will increase from below 6% currently to the range of 8%-9% over the next few years, putting for-sale condominium development more at risk of a slow-down than rental apartment development.
- Market demographics at the subject site should mirror existing trends in the Central City. U.S. Census data and the 2002 PDC-Portland Business Alliance Downtown Housing Study indicate the majority of Central City residents are single, well-educated, likely rent, do not have a family and are employed downtown.
- As a result of the weakened economy and a surge in new construction, occupancy fell significantly in the Central City apartment market over the past year. In the first quarter, vacancy was at a nine year high of 9%. An additional 675 units are expected to come on-line



in the next year and occupancy in the market is expected to remain below 95% well into 2005.

- The Central City condominium market continues to exhibit strength as record-low mortgage rates fuel new development. Popularity of attached product has spread, with such development now occurring in the Downtown/Mid-Town, University, and Lloyd Districts and the new South Waterfront Central District. In the future, the risk of upward mortgage rate creep puts this particular product type at more risk of slowdown than apartments.
- Surveyed Central City market-rate apartments currently achieve average rents between \$1.10 and \$1.95 per square foot. JOHNSON GARDNER anticipates that the subject property would be at the lower end of this range (i.e. \$1.15 per square foot base price given the project's distance from a wealth of amenities compared to Downtown projects). View premiums would allow substantial rent upside for upper-floor units, pushing average project rents closer to \$1.30 per square foot.
- Market-rate condominiums are presently selling at prices between \$202 and \$337 per square foot. The subject property would likely achieve prices in the lower end of the range given the more isolated location, though view premiums would also apply. We predict sales between \$215 and \$280 per square foot would be achievable.
- The economics of residential development make it increasingly difficult for new residential projects to achieve price points that can tap middle-income households (\$35,000 to \$75,000 depending upon household size). The result is that for both rental and ownership product, growing pent-up demand for middle-income downtown employees, if tapped, would ensure a dramatically successful project. Specifically, larger, non-loft-style condominiums priced below \$200,000 and market-rate apartments renting for \$750 to \$1,200 per month.
- Assuming development economics continue to generate pent-up workforce housing demand in the competitive market area, development at the subject property of roughly 150 market-rate rental or for-sale units would see full absorption within a year to fourteen months given our estimates of incoming supply.
- Ground floor retail development at the subject property has market potential given high visibility, access to the MAX line, and proximate residential and office development. Little comparable development exists in the immediate market area, though vacancy rates at surveyed location in the Lloyd District vary between \$14 and \$23 per square foot (Net) and have occupancy close to 84%.
- The subject property would likely achieve the low-range of mixed-use/ground floor retail lease rates due to the subject property's distance from the central retail core and daytime traffic flow of downtown. \$14 to \$18 per square foot triple net is likely with upside depending upon successful execution of residential development at the subject property.

III. THE SUBJECT SITE AND THE COMPETITIVE MARKET AREA

Subject Property

The subject site is a .9-acre vacant parcel at the northwest corner of NE Holladay St. and 1st Avenue in Portland's Lloyd District. The PDC-owned property, known as "Block 49" has several locational strengths that could be leveraged by a residential and commercial development at the site:



- Convenience to the Portland Central Business District (CBD) and the greater region with proximity to both MAX and Interstate freeways;
- Marketable mountain, river and city views;
- Walking distance from Lloyd Center and the Broadway/Weidler retail corridor as well as the East Bank Esplanade;
- Excellent visibility from I-5 as well as the Oregon Convention Center and Rose Garden Arena, which attract over two million visitors to the area annually;
- Proximity to the planned Portland Streetcar Eastside extension; and
- Location near the proposed new Convention Center hotel at the corner of Holladay St. and Martin Luther King Jr. Boulevard. This hotel facility along with other PDC plans to invest in the area should support increasingly intense use in the district.



In addition to these qualities, as will be discussed in more detail below, the subject property is uniquely located at the eastern periphery of Downtown (the Close-in Westside) and the western periphery of the Close-in Westside. As a result, the property could be expected to attract residents from both of these housing markets.

Competitive Market Area

With its convenient location and a price point lower than many inner city neighborhoods, a development at Block 49 would attract existing residents from across Portland's city center. With this in mind, the Competitive Market Area used in this report assumes demand for the project from both *Close-In Westside* and *Close-in Eastside* sub-markets. We discuss general characteristics of these two markets below.

Close-In Westside

During the last decade, Portland's close-in Westside experienced a number of major changes. New developments along the South Park blocks in the 1990s and in the Pearl District in recent years have significantly altered the competitive environment. The Pearl District has displaced Northwest Portland as the leader in terms of residential desirability, bolstered by an increasingly well-developed entertainment and restaurant scene. The level of residential development in the district has allowed for a marked increase in available services as well, including retailers such as REI, Whole Foods and a planned Safeway store to name a few. The planned relocation of Portland Center Stage to the old Armory Annex building in the Pearl will further enhance the marketability of lifestyle and residential development in the district.

Over the past two years, the Downtown Core and University District have exhibited growing residential development activity as urban living has enjoyed a resurgence. Projects such as The Mosaic, The Eliot Towers, Museum Place, The Saint Francis and the planned Riverplace Partners project adjacent to the subject property have materialized with market appeal for households employed in the CBD and in the immediate vicinity of Portland State University, specifically. Considerable expansion of PSU over the next decade bodes well for continued health of this residential submarket, while its superior pedestrian and public transportation linkage with downtown employment to the north actually provides a competitive advantage over the Pearl District for a segment of the residential market.



Close-In Eastside

Portland's Close-in Eastside gentrified considerably over the last two decades. Laurelhurst, Alameda, and most recently Irvington have emerged as some of the most affluent neighborhoods in the city. Homes in these neighborhoods are primarily single-family with some older middle-income apartments and duplexes on the fringes. Build-out in these areas has limited new construction, although there has been some recent in-fill development of townhomes.

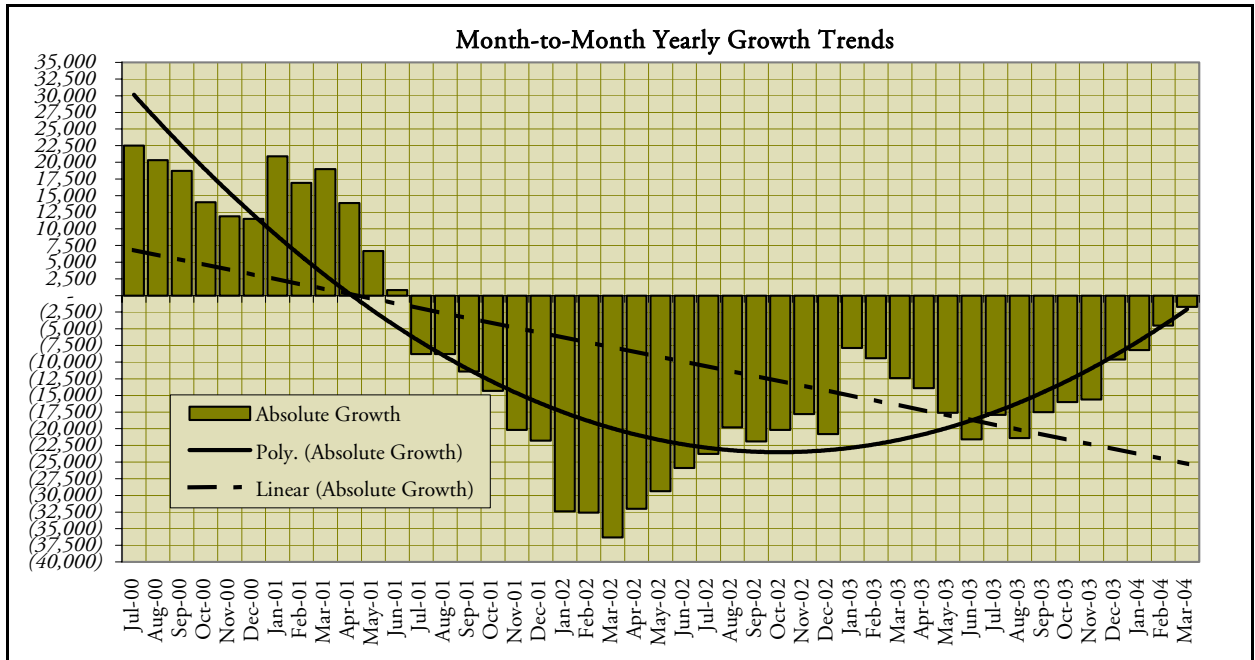
The Lloyd District, with relatively little housing, and more vacant land, is the primary location for new multi-family housing construction in the Close-in Eastside. Apartment projects including Lloyd Place, Buckman Terrace and the Cornerstone were built in the district in the late 1990s and now enjoy high occupancy. The Merrick, the latest apartment development on NE Multnomah, targets a higher price point than these slightly older projects and appears to be somewhat less successful in its lease-up to date. New condominiums in the district include Cascadian Court, built in 2001, and 1620 Broadway, scheduled for completion later this year. The 1620 Broadway building has been particularly popular and has already pre-sold over 40% of its units.

IV. ECONOMIC OVERVIEW

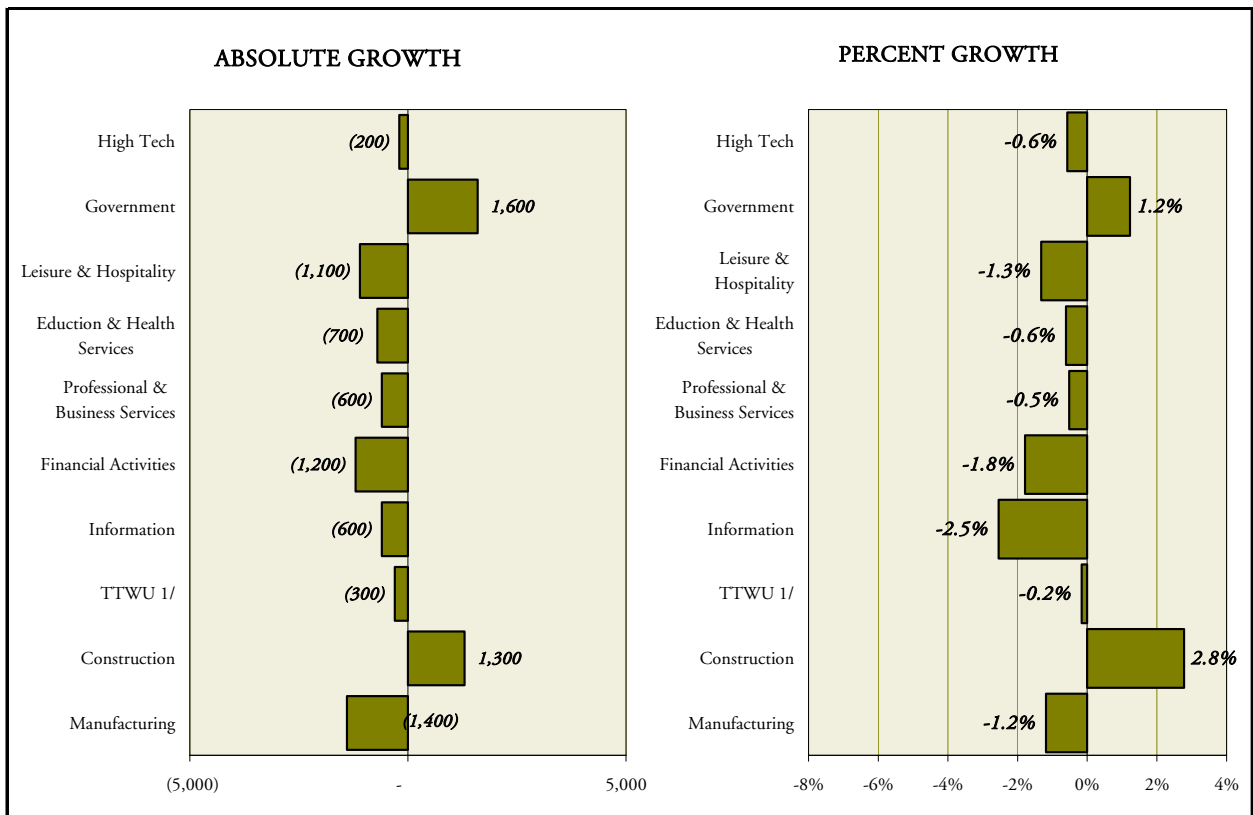
The following section provides an overview of economic trends that will influence the market for residential and commercial development at Block 49.

Regional Economy

Portland metropolitan area employment fell by 9,800 jobs, or 1%, in the first quarter of 2004--a modest improvement over the first quarter of 2003, when employment dropped by 16,900 jobs, or nearly 1.8%. The trend on a monthly basis is definitely improving, with a return to positive growth expected by the second quarter. The region continues to lag behind the nation, which has experienced 1.5% positive job growth so far this year. Although local employment is stabilizing, it remains well below pre-recession levels. In March 2004, employment grew by 2,600, but was 2,500 below March 2003, and 14,100 below March 2002. The regional economy has been on the verge of recovery the last two quarters and is expected to rebound sometime in 2004.



Employment losses during the last year have been widely distributed, reflecting a general decline in most major industry sectors. The manufacturing sector reported the greatest magnitude of losses, while the information and financial activity sectors reported the greatest percentage declines. Government had modest growth, mostly attributable to hiring in local education. Construction also grew, largely due to increased housing demand on account of continuing low interest rates.

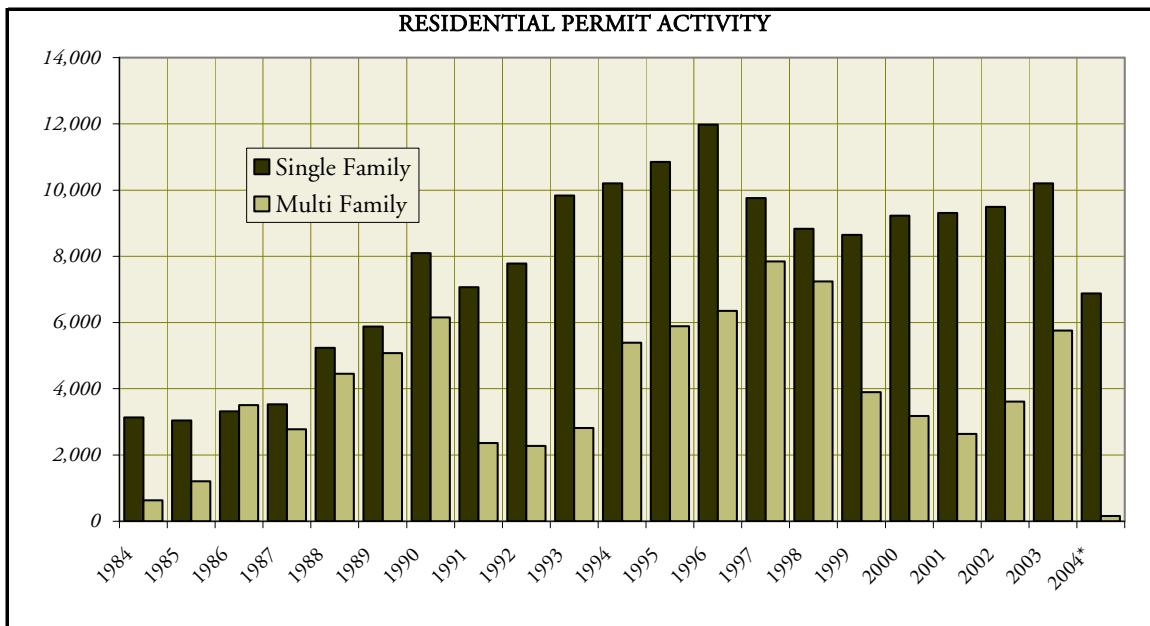


1/ Trade, Transportation, Warehousing & Utilities

Job gains in February and March, along with improving national economic indicators and job trends, provide some hope for broader job recovery by late 2004.¹ Our forecast continues to assume that the Portland metropolitan area will benefit from a national expansion, although lagging national growth rates. The region's rate of population growth is projected to exceed employment growth, leading to a sustained period of relatively high unemployment. With an estimated local rate of 7.6% in March, the local rate exceeded the national rate of 5.6% significantly. While this should theoretically slow the rate of in-migration, the metropolitan area's relative affordability on the West Coast may allow this differential to continue. Similarly, slow adjustment and recovery in export related industries is likely to keep regional unemployment high in the near future.

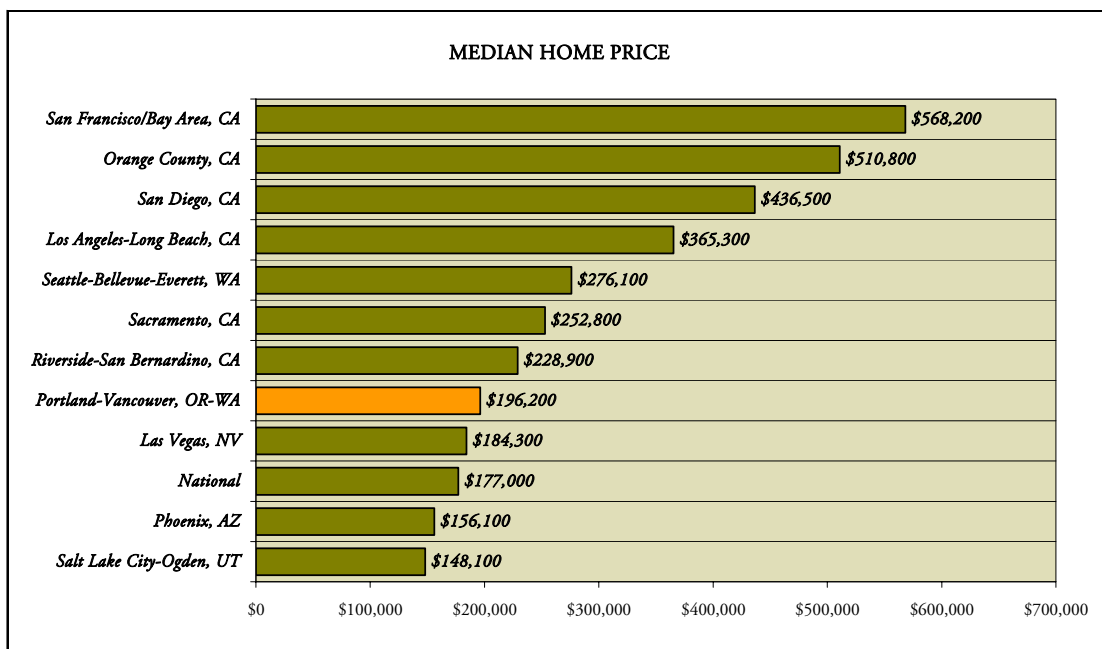
As the following figure demonstrates, local economic weakness is having little measurable effect upon residential construction activity. In 2003, metro-area residential permitting recorded its highest level since 1997 with 14,631 units, 36% of which were attached product (rental and for-sale attached).

¹ Oregon Employment Department, *2003 Employment Trends Show Ripple Effects*



SOURCE: Bureau of the Census and Johnson Gardner
 *2004 data include permit activity through Feb.

The primary explanation for the continued residential construction surge is twofold: higher ownership rates due to continued low mortgage rates and the relative affordability of the Portland metro area on the West Coast. Of the two, Portland's relative affordability stands to change the least over the longer term given historical economic and demographic patterns. The following figure provides a comparison of current home prices in the western United States.

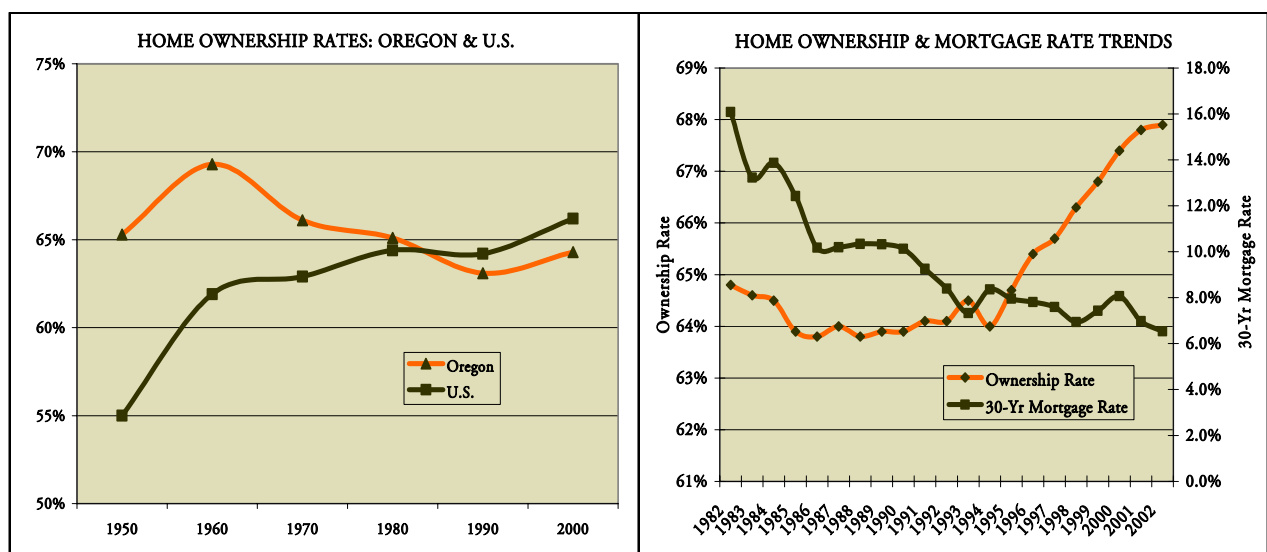


SOURCE: National Association of Realtors and Johnson Gardner



As the following figure demonstrates, home ownership rates in Oregon finally began to grow over the last decade after falling between the 1960s and 1990. Oregon has lagged behind the nation in home ownership growth; only between 1980 and 1990 did the U.S. see a decline in home ownership. The deep structural conversion of the Oregon economy from agriculture and timber to manufacturing and services between 1970 and 2000 largely explains the discrepancy.

The following figure does, alternatively, demonstrate the powerful effect of low mortgage rates on homeownership as well. The data indicate that for every 0.5% decrease in 30-year rates, home ownership rates increase by 0.2% and vice versa. The Portland metro area housing market has benefited from this particular effect immensely, given the flurry of residential construction activity despite Portland's present stature as the most economically sluggish in the country.



SOURCE: Federal Home Loan Mortgage Corporation and U.S. Census Bureau

Outlook

Local employment gains, along with improving national economic indicators and job trends, support expectation for broader job recovery over the coming year.² Our forecast continues to assume that the Portland metropolitan area will benefit from a national expansion, although lagging national growth rates.

Mortgage rates, which more than anything have bolstered the local housing market, will creep upward over the next several months, though not dramatically. Long-term rates are determined by demand and supply of long-term debt instruments, largely by Asian central banks such as those of Japan and China. Because those two countries desire to keep their currency strong – to keep a surplus trade balance and render domestic capital assets expensive to foreign investors – the U.S. dollar will be propped up by their purchase of long-term U.S. debt for artificially low interest rates.

Over the next several years, however, mortgage rates stand to increase to the 8% to 9% range as economic recovery, wage inflation and higher short-term rates signal confidence in the U.S. economy. Two scenarios for Portland are possible:

² Oregon Employment Department, *2003 Employment Trends Show Ripple Effects*



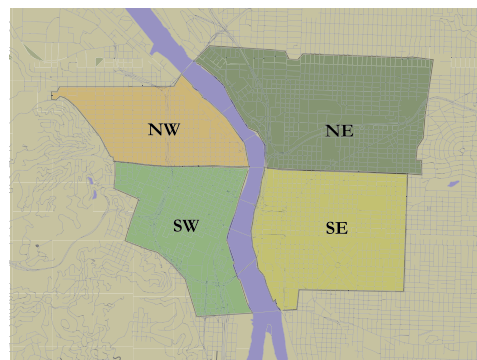
- *Higher Likelihood:* Portland metro area begins to add jobs at a greater pace, i.e. keeps up with the country as a whole, local in-migration and housing demand should sustain the ill effects of upwardly creeping mortgage rates.
- *Lower Likelihood:* Portland job growth fails to keep up with the U.S. over the long-haul, thus eroding residential market strength.

V. DEMOGRAPHIC CHARACTERISTICS

The existing demographic makeup of Portland's City Center provides insights as to potential households that would be interested in living at the Block 49 site. This section summarizes recent downtown Portland demographic trends using both U.S. Census Data and a recent Downtown Housing Survey.

Census Data Trends

Johnson Gardner used 2000 U.S. Census data to profile residents in close-in Northeast, Southeast, Northwest and Southwest Portland neighborhoods. We pooled information for these four regions with the assumption that Block 49, given its central location, would attract residents from across the City Center. The table below includes data collected for each of these neighborhoods as well as summary information for these areas in aggregate.



Of the 56,012 residents in close-in Portland's City Center, 53% are men and 47% are women. 19-39 year-olds make up 49% of the population followed by 40-64 year-olds, whom comprise 33%. Children under 18 and seniors over 65 are 8% and 10% of the population, respectively. Median Family Income in the area is \$28,854. The majority of housing (83%) consists of rental apartments, while only 17% is owner occupied. Non-family households (59%) greatly outnumber family households (33%).

Residential Characteristics	Southeast	Northeast	Southwest	Northwest	Total
Total Population	10,824	16,017	15,281	13,890	56,012
Age					
0-18	12%	11%	6%	6%	8%
19-39	48%	44%	50%	53%	49%
40-64	33%	34%	31%	32%	33%
65+	7%	11%	13%	9%	10%
Sex					
Male	51%	49%	56%	56%	53%
Female	49%	51%	44%	44%	47%
Household Type					
In Family Households	45%	43%	21%	25%	33%
In Non-Family Households	51%	54%	66%	65%	59%
In Group Quarters	4%	3%	13%	10%	8%
Housing Units					
Owner Occupied	29%	23%	9%	14%	17%
Renter Occupied	71%	77%	91%	86%	83%
Median Household Income	\$34,133	\$33,040	\$21,428	\$28,085	\$28,854

Source: U.S. Census 2000



Downtown Housing Survey Trends

In addition to U.S. Census data discussed above, JOHNSON GARDNER studied results from a recent downtown housing survey so as to better characterize potential residents at the subject site. This survey, commissioned by the Portland Business Alliance, in conjunction with the Portland Development Commission, profiled downtown workers and residents, including those from the Lloyd District.³ The survey was conducted as a component of the Greater Portland Downtown Housing Report, and was completed by Moore Information. It included random telephone interviews of 460 downtown workers in April 2002, with similar interviews conducted of downtown residents during the same month.

Following is a summary of selected findings from this survey⁴:

Perception of Downtown Quality of Life

Most study area workers and residents say the quality of life downtown is good or very good. These results mirror those of the Business Census and Survey conducted by APP, which indicates that most workers believe downtown is relatively safe and clean. Older residents and workers and those with higher incomes and more education are the most likely of all respondents to say it is very good.

Characteristics of Downtown Residents

- 63% of those surveyed live alone. 26% live with one other person. Of those living with additional household members, 69% live with a spouse and 19% live with roommates.
- Only 16% of surveyed residents live in households with children under the age of 18.

Reasons for Working or Living Downtown

- Going shopping and visiting restaurants are the top two reasons study area workers stay downtown after work.
- Nearly 80% of study area workers would prefer to keep working downtown if they could keep their same job. People with advanced degrees are most likely to prefer to keep working downtown.
- Study area workers perceive the proximity to a wide range of activities, including jobs, and the ability to access them without driving as the biggest benefits of living downtown.

Housing Preferences

- 14% of study workers currently live outside the downtown area, but would consider moving into the city center.
- Of those study residents living downtown, 26% live in studios and 32% live in one-bedroom apartments.
- Once residents move downtown, they are inclined to stay there. Roughly a quarter of surveyed residents have lived downtown for more than 10 years. 60% of all surveyed residents plan to continue living downtown for the next five years.

³ The study area for this survey was slightly different from the area used in our census calculations above. It does not include locations west of I-405.

⁴ Greater Portland Downtown Housing Report – Executive Summary



- Study area workers who are not interested in moving downtown most frequently cite cost issues and satisfaction with their current neighborhood as the biggest reasons for not moving downtown.
- Overall, the most important housing amenities for workers and residents are basic features such as a washer & dryer, parking, amount of square footage and number of bedrooms. A deck or balcony also ranks high with both groups. Lowest-ranking features include a doorperson, pool and fitness center.

Commute Characteristics

- 34% of surveyed downtown residents walk or bike to work, while 28% drive and the remainder carpool or take public transportation.
- Over half of downtown residents surveyed have less than a fifteen-minute commute.

VI. RENTAL RESIDENTIAL MARKET TRENDS

Portland/Vancouver Metro Area Apartment Market

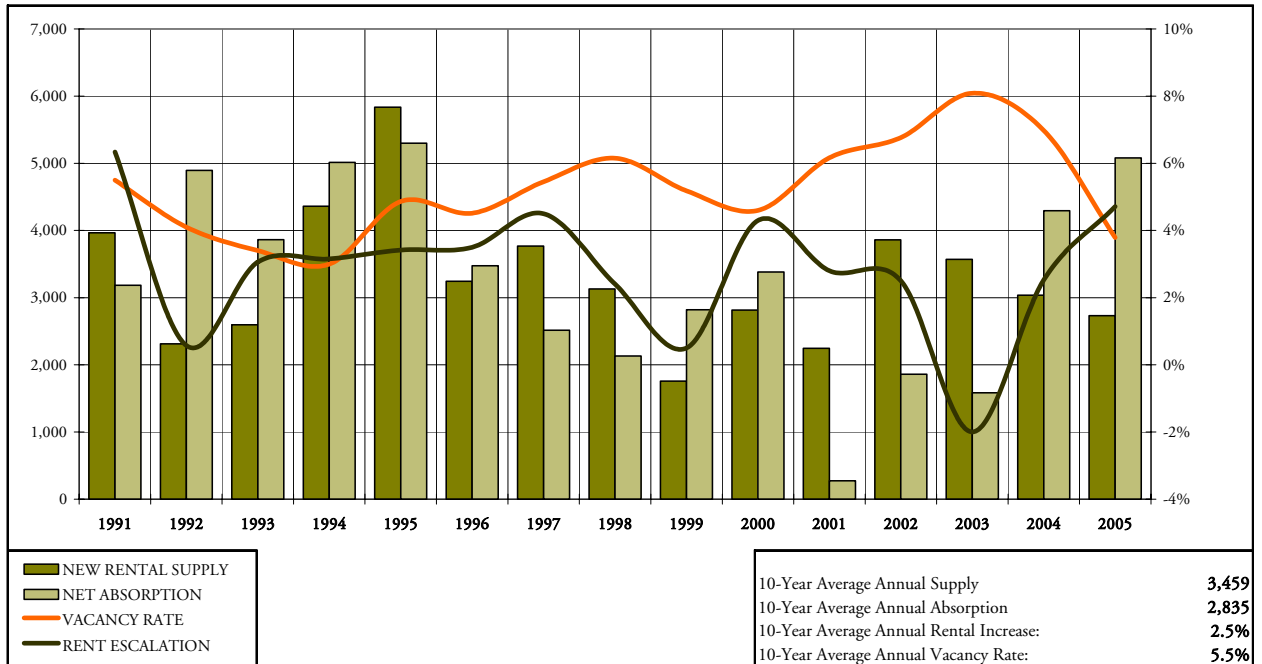
This section summarizes trends in the Portland-Vancouver metropolitan area's rental apartment market, as well as our forecast of demand for the next twelve months. The focus of this report is on market-rate developments, and the inventory reflects a comprehensive inventory of market-rate rental apartment projects of 15 or more units.

The metropolitan area rental apartment market showed signs of tightening during the first quarter, with overall occupancy rising 0.5%. This reverses a six-quarter slide in occupancy. With interest rates expected to rise over the next year, competition from ownership products should diminish. Leasing activity is reportedly picking up, with rent levels starting to rise. Norris Beggs & Simpson reports a 2.2% rise in average rents during the first quarter, reflecting a 9.1% annualized rate. Investment activity in existing apartment complexes has been robust, with 47 transactions reported during the first quarter.

The overall market occupancy rate was estimated at 92.4% at the end of the first quarter of 2004. Current estimated occupancy rates range from 91.3% in Beaverton/Aloha to 93.3% in the Clark County subregion. The range in occupancy rates by subregion has narrowed considerably, with markets that appeared to have weathered the general weakness now showing relatively high vacancy levels. New construction outside of downtown Portland remains largely limited to tax-credit projects, with achievable lease rates insufficient to justify new market rate construction. A surge in new construction in the Central City has already started to weaken that market, with projects reporting both higher vacancy as well as substantial price discounts.



RENTAL APARTMENT MARKET TRENDS / MARKET-RATE UNITS



Net absorption is projected to outpace new supply in 2004, for the first time since 2000. Overall market conditions are expected to improve through 2005, with average occupancy exceeding 95% by mid-2005. Depressed rent levels will keep new construction to a minimum until there is a substantial shift in achievable rents. With a rising interest rate environment and local economic expansion expected, a significant shift in rents would be expected in the latter half of 2004 and 2005.

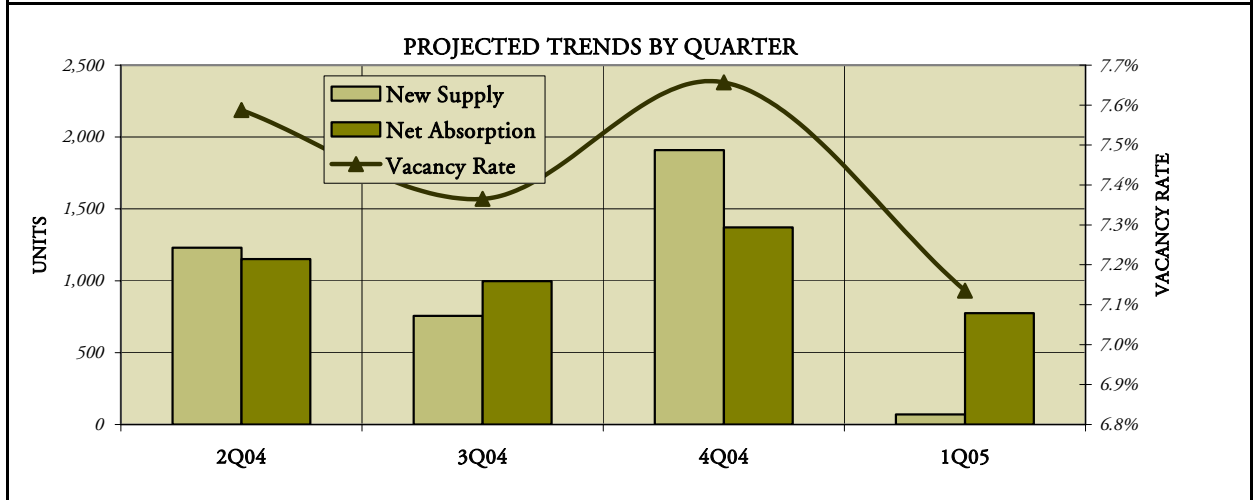
Projections

Over the next year, we forecast that demand will exceed new supply, with most new supply in suburban markets being income-restricted. The overall occupancy rate is projected to rise modestly to 92.9% through the first quarter of 2005. In a reverse of recent trends, the close-in markets are expected to be relatively soft, with significant recovery in the suburban markets. The following table summarizes current and projected market conditions by major subregion in the metropolitan area:



CURRENT AND PROJECTED MARKET CONDITIONS

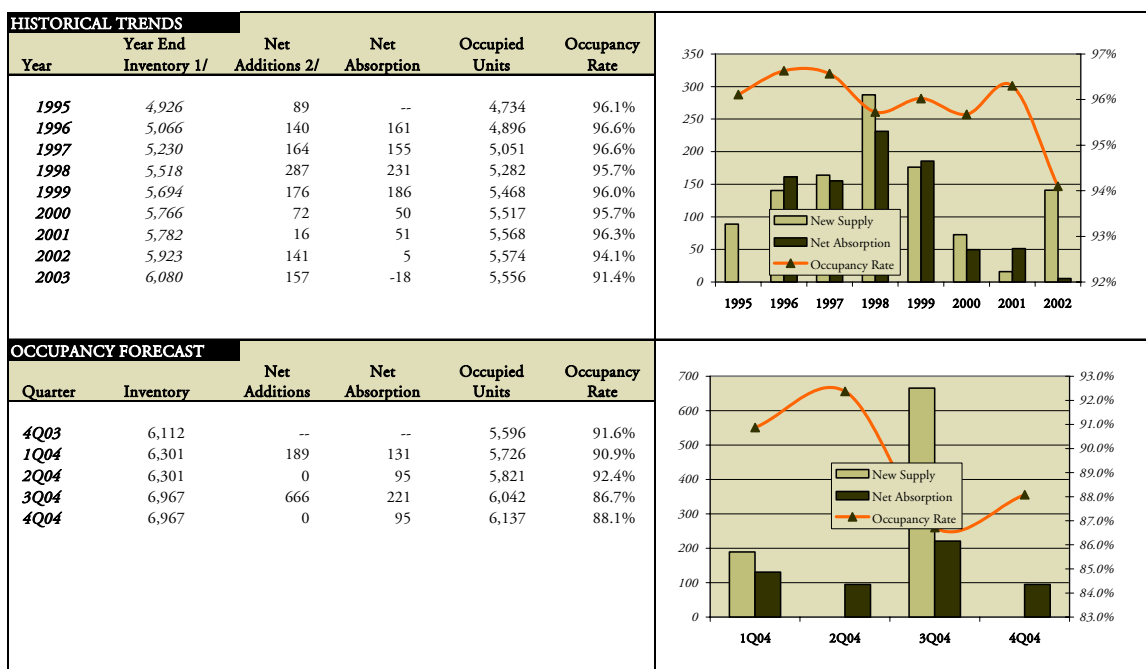
Submarket	1Q04		New Supply	Net Absorption	1Q05	
	Inventory	Occupancy			Inventory	Occupancy
<i>Beaverton/Aloha</i>	16,977	91.3%	0	559	16,977	94.6%
<i>Hillsboro/Tanasbourne</i>	14,879	92.5%	426	489	15,305	93.1%
<i>Tigard/Tualatin/Wilsonville</i>	12,903	93.0%	0	163	12,903	94.2%
<i>Sunnyside/Clackamas</i>	5,313	93.1%	0	176	5,313	96.4%
<i>Lake Oswego/West Linn</i>	4,921	93.2%	10	120	4,931	95.5%
<i>Oregon City/Gladstone</i>	7,237	92.6%	0	105	7,237	94.0%
<i>Gresham/Troutdale</i>	20,738	91.6%	380	554	21,118	92.6%
<i>Close-In Westside</i>	9,761	92.7%	855	447	10,616	89.4%
<i>Close-In Eastside</i>	12,289	92.5%	960	564	13,249	90.0%
<i>Central City</i>	6,112	91.6%	855	541	6,967	88.1%
<i>Clark County</i>	20,885	93.3%	479	577	21,364	93.9%
Metro Area Total	132,015	92.4%	3,965	4,294	135,980	92.9%





Lloyd District Trends

Block 49 is part of the Central City rental apartment market, which includes Downtown, Close-in Northwest, and the Lloyd District. Over the last decade, the Central City housing market underwent dramatic change as a result of cooperative efforts between the development community and the City of Portland. The public and private partnership has resulted in the successful marketing and development of urban living, with associated cultural and lifestyle amenities. Recent success is best represented by the emergence of the Pearl District, as well as affordable housing construction in the Downtown Core.



The Pearl District had an estimated 1,764 residential units as of April 2003, of which only 602 were rental units according to the last formal survey.⁵ The estimated vacancy rate in the district was 2.7%, well below the metropolitan-wide average, as well as the broader Central City average. The wider Central City area, which includes the CBD and Chinatown, has a total of over 10,200 rental units, of which over 4,200 are income-restricted.

For eight of the last nine years, the Central City had an occupancy rate of 95% or above. As a general rule, a rate of 95% suggests a healthy, stable market. In the last year, occupancy fell significantly as a result of the weakened economy and a surge in new construction. An additional 675 units are expected to come on-line in the next year and occupancy in the market is expected to remain below 95% well into 2005.

Until recently, limited new supply of market-rate apartments in the Central City area has largely been the result of development economics pointing to for-sale attached as highest and best use given mortgage rates, development costs and demographics. As a result of ownership's predominance,

⁵ Portland Business Alliance, 2003 Spring Downtown Occupancy Report.



rental housing for middle-income households and to a lesser extent upper-income households⁶ is lacking in the Central City, representing the greatest potential for untapped, or pent-up, apartment demand in the study area. New market rate rental supply currently in the pipeline appears to be largely targeting the upper range of the market, with price points at or exceeding those of Kearney Plaza in the Pearl District. The cost of structured parking is a reliable hurdle to delivering apartments at lower price points close-in. Accordingly, untapped market opportunity at the subject property, as will be discussed later in this document, will likely be this unmet need for middle-income households working close-in.

As compared to the City Center at large, there has been less new construction in the Lloyd District. A handful of newer projects, including the recently completed Merrick, cater to high-end renters similar to new downtown developments. Like the greater City Center, there appears to be untapped demand amongst middle-income households in the area. This is evident from Eastside projects built in the late 1990s which charge rents lower than the newest projects and enjoy nearly full occupancy.

Peer Group Analysis

A total of fourteen existing market-rate apartment developments were identified as comparables for the purpose of this market analysis. The projects comprise 2,341 units, with an overall occupancy rate of 92%. The average rent level in the survey was \$1,003 per month, reflecting rents of \$1.30 per square foot. The following table outlines the basic market characteristics summarized for the market-rate projects in our survey, with more detailed information outlined in the appendix of exhibits.

COMPETITIVE PEER GROUP COMPARISON, CENTRAL CITY APARTMENTS

Project Name / Location	Unit Characteristics		Units	Occupancy	Monthly Rents	
	Total	Size (S.F.)	Occupied	Rate (%)	Price	Price/S.F.
Westside						
University Park	125	748	112	90%	\$1,048	\$1.33
Southpark Square	191	793	176	92%	\$1,005	\$1.28
Park Plaza	149	533	137	92%	\$637	\$1.25
Regency	85	230	81	95%	\$448	\$1.95
Oakwood at the Essex House	156	872	147	94%	\$1,051	\$1.21
River Place Square	290	1,031	261	90%	\$1,316	\$1.28
Museum Place 1/	140	962	105	75%	\$1,674	\$1.74
Kearney Plaza	199	626	189	95%	\$1,092	\$1.74
Village @ Lovejoy Fountain 2/	406	735	365	90%	\$752	\$1.03
Eastside						
Lloyd Place	202	851	200	96%	\$1,008	\$1.18
Buckman Terrace	213	740	213	98%	\$728	\$0.98
Bookmark	47	739	44	94%	\$816	\$1.10
The Cornerstone	116	703	110	95%	\$864	\$1.23
The Merrick 3/	183	764	18	15%	\$1,117	\$1.28
Total/Average	2,502	768	2,158	92%	\$983	\$1.28

1/ Museum Place began lease up in fall of 2003

2/ Includes 40 affordable units

3/ The Merrick began lease-up in April 2004. It is not included in the total vacancy calculation.

Survey results suggest weakness in the City Center rental apartment market. These projects charge rents at or near the top of the market, while their average occupancy is below 95%, which is typically

⁶ Middle-income and high-income households are more inclined to own rather than rent. However, rental units for these demographic groups are lacking based on analysis discussed later in this summary, as well as in the technical appendix.



the rate associated with balance in the market. Vacancy in newer units is generally higher than in older units. Museum Place, the newest rental apartment community in the Westside, presently has a 70% occupancy rate, skewing the sample occupancy rate downward somewhat. As of April 2004, the project had leased 105 of 140 units since it opened in October of 2003. At current pace, lease-up of the project may require a full year.

With the exception of River Place Square, which has townhouse units with attached garages, all of the projects surveyed rent parking outside of the basic rent structure. The typical charge for covered and secured parking is \$65 to \$95 per month for residents, with some projects leasing space to non-residents at a substantial premium.

In general Eastside projects charge less than Westside projects, although the Merrick, a new luxury apartment complex on Northeast Multnomah, is at a price point above more seasoned Westside developments. The Merrick opened in April of 2004 and after a month of lease-up is only 15% occupied. Its quoted rents dropped by nearly \$0.20 in the last month suggesting there is little room in the Eastside market for product above \$1.30 per square foot. The Merrick is only 2 blocks away from Block 49 and is probably the best indication of potential apartment performance at the site.

VII. OWNERSHIP RESIDENTIAL MARKET TRENDS

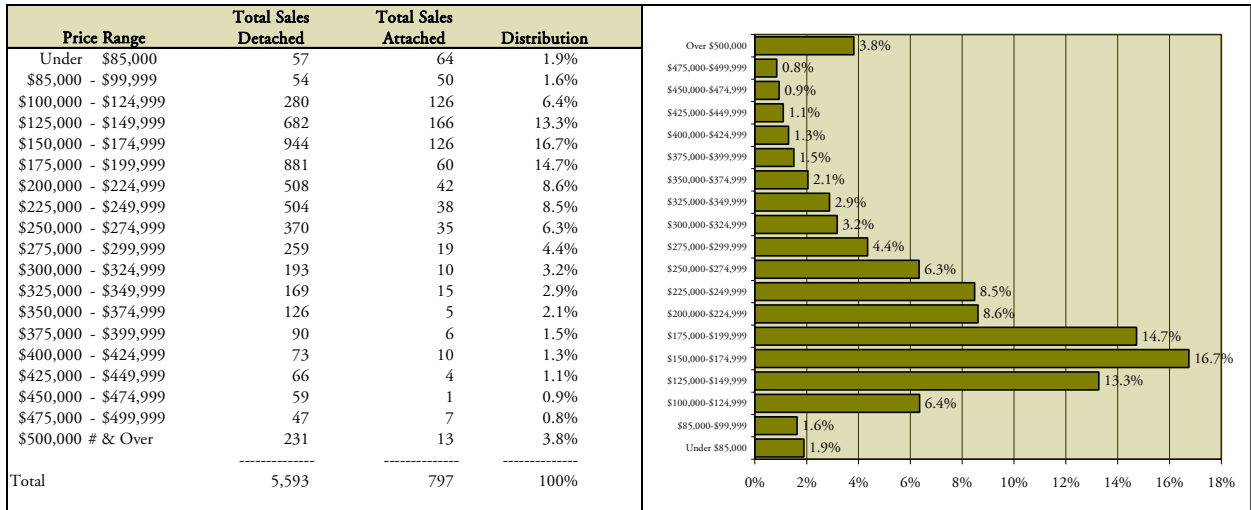
Portland/Vancouver Metro Area Residential Ownership Market

The overall market beat last years strong first quarter pace by a modest 1.3%, with strong attached product demand offsetting flat detached activity. Attached sales volume was 14.5% higher than during the first quarter of 2003, while detached volume was 0.3% lower. The overall sales volume during the quarter was 6,390 units, of which 12.5% were attached.

Prices rose significantly during the first quarter, with average pricing for new product in the Westside roughly \$20,000 per unit higher than reported during the fourth quarter of 2003. The average sales price of new detached product was \$377,000 on the Westside, \$300,600 in Clark County and \$256,200 on the Eastside. New attached product averaged \$231,100 on the Westside, \$204,800 on the Eastside and \$163,100 in Clark County.

Total Sales Volume			
	Detached	Attached	Total
1st Quarter-04	5,593	797	6,390
4th Quarter-03	7,064	876	7,940
3rd Quarter-03	8,870	966	9,836
2nd Quarter-03	7,616	982	8,598
1st Quarter-03	5,609	696	6,305
4th Quarter-02	6,642	816	7,458
3rd Quarter-02	7,870	944	8,814
Annual Percent Increase (Decrease)	-0.3%	14.5%	1.3%
Average Sales Price -- New Construction			
	Detached	Attached	Attached/ Detached
WESTSIDE			
NEW	\$376,939	\$231,068	61.3%
ALL SALES	\$322,236	\$201,724	62.6%
EASTSIDE			
NEW	\$256,155	\$204,777	79.9%
ALL SALES	\$231,349	\$158,167	68.4%
CLARK COUNTY			
NEW	\$300,627	\$163,101	54.3%
ALL SALES	\$189,954	\$163,432	86.0%

Units priced below \$200,000 accounted for 54.6% of all activity during the first quarter, with units priced below \$300,000 accounting for 82.4%. Attached housing continued to prosper as a low-price housing alternative, accounting for 27% of all sales priced below \$150,000 and 34% of all sales priced below \$125,000. These levels are largely consistent with trends during the fourth quarter of 2003.



Demand Forecast

A near-term demand analysis was prepared in order to determine the potential market depth for ownership housing in the Portland-Vancouver metropolitan area. The analysis is based on existing and projected demographics within the region, as well as observed construction and sales patterns. Regional demand is allocated to subregions based on historic patterns, permit data, and intra-metropolitan area trends. Demand was segmented into nineteen price categories. Overall net demand for ownership housing is projected to be 8,900 net new units over the next twelve months, with modestly rising interest rates being offset by the return of local economic growth. The following is a summary of current and projected demand in each of the for-sale residential subregions.

PROJECTED OWNERSHIP RESIDENTIAL DEMAND – 1Q04-1Q05

Geographic Subregion	Projected Net New Demand	Percent of Total	Demand by Price Range (\$ Thousands)					
			Under \$125	\$125 - \$199	\$200 - \$299	\$300 - \$399	\$400 - \$499	Over \$500
Multnomah County								
Inner Westside Portland	287	3.2%	13	37	108	55	25	49
North Portland	146	1.6%	10	112	15	4	2	3
Northeast Portland	286	3.2%	24	184	46	16	4	12
Southeast Portland	362	4.1%	29	215	43	44	11	20
Gresham/East Multnomah	911	10.2%	95	561	179	50	8	18
Washington County								
Beaverton	1,308	14.7%	112	687	336	109	22	42
Hillsboro	1,567	17.6%	87	738	394	147	80	121
Tigard/Tualatin/Wilsonville	914	10.3%	65	374	297	108	35	35
Clackamas County								
Lake Oswego/West Linn	341	3.8%	14	90	54	81	47	57
Oregon City	428	4.8%	24	241	128	19	6	10
Sunnyside/East Clackamas	566	6.4%	43	260	213	30	8	11
Clark County								
West Vancouver	174	2.0%	16	107	29	13	3	6
Northwest Vancouver	440	4.9%	29	121	145	102	26	16
East Vancouver	952	10.7%	128	367	290	98	28	41
North Clark County	218	2.5%	25	80	60	21	15	18
Total-Metropolitan Area	8,900	100.0%	711	4,173	2,339	898	319	460



Lloyd District Trends

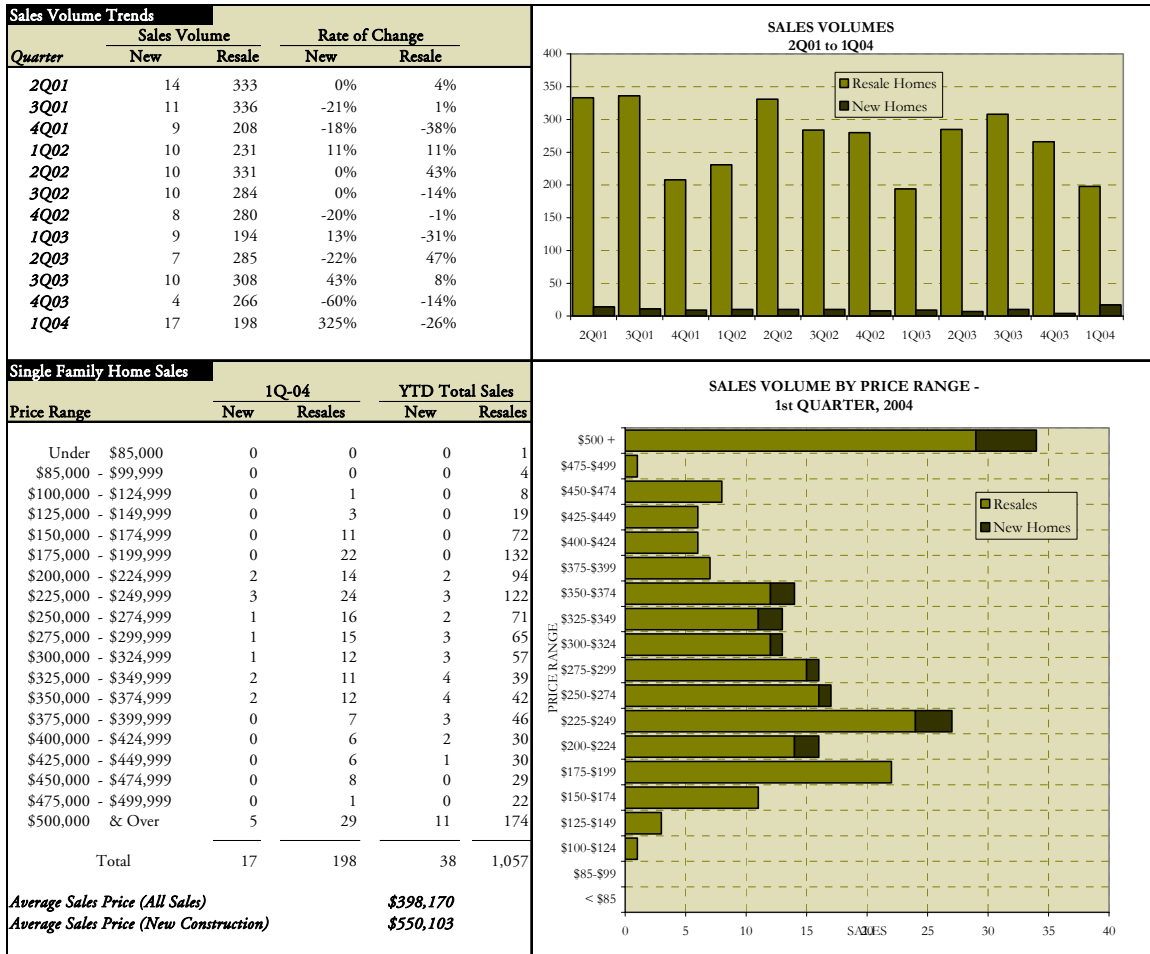
There are relatively few condominium developments in the Lloyd Districts. Sales at these projects are generally considered in the context of the greater downtown market, which has grown rapidly in recent years.

Condominiums have been the dominant development form downtown over the last decade, with new condominium projects built in the Pearl District, Mid-Town, University District, and Goose Hollow areas. Net absorption of these projects has reportedly been strong, with many of the projects largely pre-sold prior to completion. Anecdotal evidence is that this is largely true, but that higher-priced units, i.e. penthouse-type product in top floors have not sold as well with the exception of The Henry. Alternatively, McCormick Pier Condominiums, an apartment rehab project, has achieved dramatic sales pace with its first phase nearly sold out, largely because of its lower price point relative to new construction projects. As many of the other projects are still under construction, and no transaction can be recorded until completed, the reported sales cannot be considered hard sales as of yet. Sales agents report that a number of their pre-sales are to households currently living in the area and moving up, and the sale of the new unit may be contingent upon an assumed sale of the current unit.

Overall market activity for attached product is concentrated in the below \$250,000 range, however market strength is exhibited in units priced greater than \$500,000.⁷ New projects currently under construction in the Pearl District are priced in excess of \$330 per square foot, pushing prices well above the \$300,000 level for most units. As of the first quarter of 2004, the average sales price for new condominium and townhouse construction downtown was \$358,500 with average price for new units and resales topping out at \$483,500. Although sales prices are impressive, averages are likely skewed upward somewhat by more infrequent sales of top-floor, multi-million dollar units.

Given the large concentration of high-end condominiums downtown, new condominiums on the Eastside target a lower price point, typically \$50 to \$100 per square foot less than those in the Pearl District. These Eastside projects have been popular with budget conscious first-time homebuyers as well as empty nesters. Their sales have been relatively strong, although presales are somewhat slower than recent downtown projects.

⁷ RMLS



Peer Group Analysis

Johnson-Gardner identified eight recent condominium projects as comparables for the purpose of this market analysis. These projects comprise 755 units, with a 64% average sales rate. Four of them are still under construction and the others were completed within the last four years. Both Downtown and Eastside projects were selected to establish relative pricing in these areas.

Of the projects surveyed, the Henry is unique in that it has sold out before completion. Its average market price per square foot is \$302, with considerable variation. Cascadian Court delivers the highest value with average unit size of 728 square feet and average price per square foot at \$202. The Mosaic, located in the University District, is the vanguard of new attached for-sale product in the submarket, averaging \$297 per square foot with average unit size at 681 square feet and no parking. On the Eastside, the 1620 NE Broadway building, currently under construction, is indicative of the potential for a well-executed project in the area. Approximately 40% of its units have already been sold. The following table outlines the basic market characteristics summarized for our selected market-rate projects.



Project Name/ Location	Unit Characteristics					Sales Characteristics		
	Number		Size Range			Price Range		
	Total	Sold	Low	High	Average	Low	High	Average
<u>Downtown</u>								
Mosaic	40	28	454 - 1,050			\$134,900 - \$320,000		\$202,425
<u>Pear District</u>								
Park Place	124	52	725 - 2,715			\$206,000 - \$1,171,000		\$452,780
The Edge	124	70	842 - 2,028			\$240,850 - \$724,000		\$345,084
The Elizabeth	180	108	884 - 3,293			\$296,300 - \$1,325,000		\$433,918
The Henry	124	124	755 - 2,945			\$199,000 - \$1,180,000		\$474,694
<u>Eastside</u>								
Cascadian Court	59	56	440 - 2,171			\$73,532 - \$325,000		\$146,669
Hawthorne	16	10	1,046 - 1,400			\$244,664 - \$313,250		\$271,776
1620 NE Broadway	88	35	844 - 2,247			\$199,750 - \$786,450		\$343,271
Totals/Averages:	755	483	771	2,396	1,109	\$189,608	- \$863,278	\$334,639
								\$302

SOURCE: Johnson Gardner LLC

Based on this survey, Johnson Gardner predicts that condominiums at the Block 49 site could potentially sell between \$215 and \$280 per square foot. The site is well situated amongst low-rise buildings, and would have substantial view premiums above the fourth or fifth floor.

VIII. ABSORPTION AND PRICING

The following section provides a discussion of potential market reception of residential development at the subject property. It gauges potential new competition in the market area and quantifies potential residential unit demand

Future Residential Supply

Rental Apartments

There are approximately 3,177 apartment units proposed for the Central City. In the next three years, 2,518 rental apartment units are expected to enter the Central City market based on future development activity anticipated by PDC, various local press reports and prior research by JOHNSON GARDNER. Expected new supply is considerable, given that since 1998, the market area has averaged 150 new market-rate apartment units annually while retaining a healthy occupancy rate of roughly 95%. The table below outlines selected projects with known completion dates.

RENTAL HOUSING PIPELINE, PORTLAND CENTRAL CITY, 2004 FORWARD



Project	Number of Units	Location	Status	Scheduled Completion
Residential Mixed Use Bldg	141	1613 NE Weidler St	Final Planning	2004
The Burlington	32	900 NW Lovejoy St	Start	2004
Lexis Apartments	14	1125 NW 9th Ave	Start	2004
10th & Hoyt	175	NW 10th and NW Hoyt	Start	2004
The Tower at Station Place Apartments	176	NW Ninth & NW Lovejoy	Start	2004
South Pearl Apartments	246	NW 12th & Couch	Planning	2004
Albina Fuel Site Apartments	310	3246 N.E. Broadway	Planning	2005
Macadam Student Housing	250	North Macadam Riverfront	Planning	2006
Wesbild	300	N.W. 14th & Marshall	Planning	2006
PDC Unnamed	60	S.W. 3rd and Oak	Planning	2006
PDC Unnamed	60	S.W. 3rd and Salmon	Planning	2006
Trammell Crow Unnamed	200	S.W. 5th and Harrison	Planning	2006
North Macadam Residential Tower	250	North Macadam Riverfront	Final Planning	2006
Roosevelt Tower	104	934 SW Salmon St	Final Planning	2006
Macadam Affordable	200	North Macadam Riverfront	Planning	2007

Beyond 2005, the pipeline of apartment development for any market area is somewhat speculative, particularly for mixed-use urban projects like many of those listed above. Apartments may become condominiums or vice versa, project financing may be elusive or other development opportunities may change developer priorities. For the purposes of a conservative demand analysis, however, JOHNSON GARDNER assumes that projects scheduled through 2006 will be delivered as planned and that after 2006, the market area will return to historical averages of 150 new market-rate apartments annually.

For-Sale Attached

Over the next several years, the Central City market area may see up to 4,611 new condominium and townhouse units based on the current development pipeline reports. Through 2006, approximately 2,757 units are expected to enter the market. The table below summarizes selected projects scheduled for completion in the next three years.



FOR-SALE ATTACHED HOUSING PIPELINE, CENTRAL CITY, 2004 FORWARD

Project	Number of Units	Location	Status	Scheduled Completion
Belmont Lofts Condominiums	27	3442 SE Belmont St	Start	2004
1620 Broadway Condominiums	88	1613 NE Weidler St	Start	2004
The Henry	125	1025 NW Couch St	Start	2004
Condominiums	10	2222 NW Hoyt St	Start	2004
Meier & Frank Warehouse Convert to Loft Condos	166	1438 NW Irving St	Start	2004
Park Place Condos	124	922 NW 11th Ave	Start	2004
The Embassy (rennovation to condos)	69	2015 NW Flanders	Start	2004
The Avenue Lofts	166	1400 NW Irving	Start	2004
Brewery Block Five - Housing / Retail Tower	244	1120 NW Davis St	Start	2004
Condominiums - Hume Court Site	34	8323 SW 24th Ave	Start	2004
NW Thurman Town Homes	5	2484 NW Thurman St	Start	2004
The Pinnacle	176	1030 NW 12th Ave	Start	2005
Elizabeth Lofts	182	333 NW 9th Ave	Start	2005
Envoy (rennovation to condos)	41	2336 SW Osage St.	Start	2005
Benson Tower Condominiums	168	1504-1520 SW 11th Ave	-	2005
RiverPlace Parcel 1- Condos	210	Parcel 1- SW River Parkway	-	2005
North Macadam Condominium Tower - Block 30	500	North Macadam Riverfront	-	2006
North Macadam Residential Tower	200	North Macadam Riverfront	Final Planning	2006
Eliot Tower	222	SW 10th and Jefferson	Final Planning	2006

As with apartment development, the condominium pipeline becomes less firm beyond 2005 due to market condition variability. For the purposes of a market demand analysis for the subject property, JOHNSON GARDNER assumes that the pipeline of condominium development will roughly follow the timeline expressed above through 2006. After 2006, we assume 150 units will enter the market per year, which is consistent with historical trends.

Absorption Analysis

JOHNSON GARDNER's residential demand analysis is based on both recent market trends as well as the current and projected demographic characteristics of households in the defined study area. Existing and projected households are stratified by age- and income-cohort, which are the best predictors of tenure split. The net change in households by cohort group is converted to structural demand for owner housing units using a matrix of propensities to own or rent by cohort. Structural demand forecasts are then generated, which reflect the net change in households on the basis of tenure, age and income range.

For this particular analysis, our model included a calculation of pent-up demand. The Central City area has historically been considered to be supply-constrained, with a significant amount of downtown employees interested in living in the area if appropriate supply were available. We refer to this type of demand as Workforce Demand in our model.

Our demand model was run for the primary market area including the CBD, River District, Pearl District, South Auditorium District. Results of this analysis are summarized in the following table as well as in the appendix of exhibits.

Structural Demand



The figure below summarizes projected structural demand – new households to the defined market area – over the next five years. Results of the demand analysis indicate a continuation of current trends in the area, as well as additional demand induced by the anticipated new supply in the area.

Demand for renter-occupied housing will largely comprise entry-level professionals working in the CBD and Lloyd District, as well as households seeking an urban lifestyle. Based on the above numbers, however, the economics of new development will place necessary rental rates increasingly beyond the reach of much of the market, i.e. households earning between \$35,000 and \$50,000.

Ownership demand is somewhat different in that households earning above \$100,000 can be expected to continue to power sales based on the results of the analysis. Demand is spread fairly evenly across other income groups with households making between \$35,000 and \$75,000 comprising approximately 30% of the future source of for-sale demand, and buying attached units priced in the neighborhood of \$131,500 to \$213,000.

STRUCTURAL DEMAND PROJECTIONS: PRIMARY MARKET AREA, 2003-2008



Rental Housing		5-Yr Net		Affordable Payment 3/		% of	Projected Payment	
Income Range		Increase		Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000		514		- \$375		100.0%	- \$380	
\$15,000-\$24,999		347		\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999		245		\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999		302		\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999		244		\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999		139		\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+		162		\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.		1,952				95.0%		

Ownership Housing		5-Yr Net		Affordable Payment 1/		% of	Affordable Home 2/	
Income Range		Increase		Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000		79		- \$325		100.0%	- \$62,600	
\$15,000-\$24,999		59		\$325 - \$542		100.0%	\$62,600 - \$104,400	
\$25,000-\$34,999		46		\$542 - \$758		95.0%	\$99,200 - \$138,800	
\$35,000-\$49,999		64		\$758 - \$975		90.0%	\$131,500 - \$169,100	
\$50,000-\$74,999		64		\$975 - \$1,300		85.0%	\$159,700 - \$213,000	
\$75,000-\$99,999		52		\$1,300 - \$1,625		80.0%	\$200,400 - \$250,500	
\$100,000+		84		\$1,625 +		80.0%	\$250,500 +	
Total/Weighted Avg.		448				89.8%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

3/ Assumes 30% of gross income towards rent.

Rental Demand Profile: Structural and Workforce Demand

The following figure provides five-year estimates of both pent-up workforce⁸ rental housing demand and new structural demand discussed immediately above.

⁸ Estimates of workforce housing need are extrapolations of future demand based on the 2002 Downtown Housing Study commissioned by PDC and the Portland Business Alliance.



Workforce Demand Income Range	5-Yr Net Increase	Affordable Payment 3/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
Under \$15,000	82	- \$375		100.0%	- \$380	
\$15,000-\$24,999	137	\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999	411	\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999	630	\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999	384	\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999	219	\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+	548	\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.	2,412			91.5%		

Overall Demand Income Range	5-Yr Net Increase	Affordable Payment 1/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
Under \$15,000	596	- \$375		100.0%	- \$380	
\$15,000-\$24,999	484	\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999	657	\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999	932	\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999	628	\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999	358	\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+	710	\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.	4,364			93.1%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

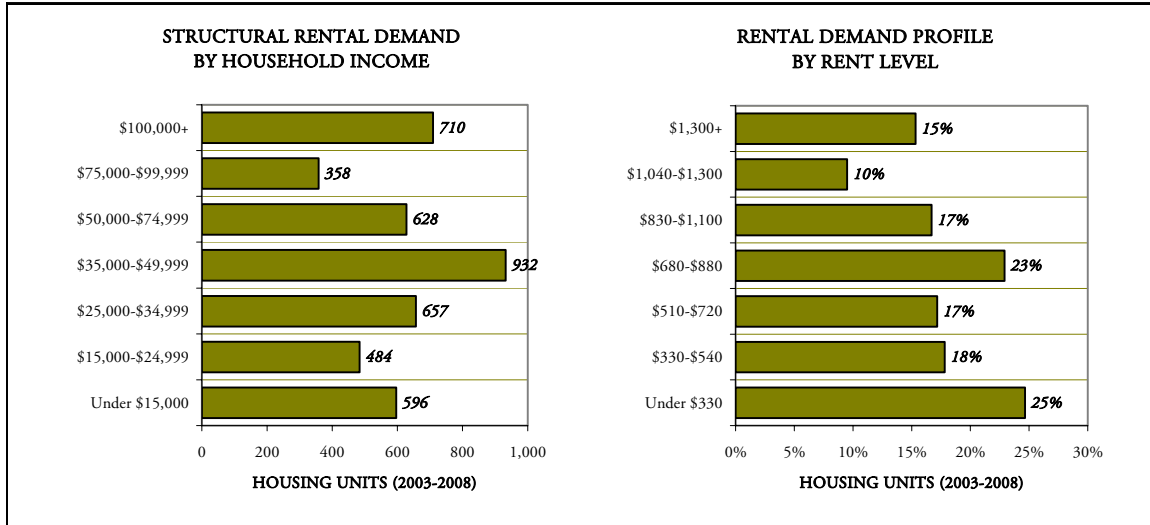
3/ Assumes 30% of gross income towards rent.

Pent-up workforce demand will account for the bulk of new demand in the area assuming development over the next five years cannot be delivered at price points moderate enough to render them affordable to households in the \$25,000 to \$75,000 range. Roughly half of the estimated demand profile will be from households earning greater than \$50,000 annually, while 30% is estimated to come from households earning greater than \$75,000. This profile is significantly less affluent than that reported by the only major market rate project in the Pearl District, Kearney Plaza. We believe that this discrepancy reflects the relative scarcity of high-end product in the area, and that the overall demographic mix will need to more closely reflect the general market profile as new products enter the market.

In addition to producing an analysis of structural demand, the model also forecasts a demand profile. This profile represents the anticipated profile of overall demand, including turnover demand. The profile of demand is typically more critical for developers, as it better represents the market they will be building towards. In addition, turnover demand is particularly important in an urban setting which is under-supplied, as much of the support for new housing is expected to be drawn from existing residents that would relocate to downtown if appropriate housing was available. The profile of demand, which presents a more relevant analysis, indicates a diverse range of demand sources, in terms of both household income and age.



PROJECTED STRUCTURAL RENTAL RESIDENTIAL DEMAND AND DEMAND PROFILE, PRIMARY MARKET AREA (FIVE-YEAR INCREMENTAL)



Ownership Demand Profile: Structural and Workforce Demand

The following figure provides five-year estimates of both pent-up workforce⁹ ownership housing demand and new structural demand discussed above.

As with rental housing demand, pent-up workforce demand will account for the bulk of new demand in the area assuming development over the next five years cannot be delivered at price points moderate enough to render them affordable to households in the \$25,000 to \$50,000 range. Unmet need for workforce ownership housing is more acute than for rental housing as pent-up demand is estimated to account for 90% of five-year demand potential in the market area. Over half of the estimated demand profile will be from households earning less than \$50,000 annually, with the greatest need for households earning between \$25,000 and \$50,000.

⁹ See previous footnote.



Workforce Demand	5-Yr Net	Affordable Payment 3/		% of	Projected Payment	
Income Range	Increase	Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000	201	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	335	\$325	- \$542	100.0%	\$330	- \$540
\$25,000-\$34,999	1,005	\$542	- \$758	95.0%	\$510	- \$720
\$35,000-\$49,999	1,541	\$758	- \$975	90.0%	\$680	- \$880
\$50,000-\$74,999	938	\$975	- \$1,300	85.0%	\$830	- \$1,100
\$75,000-\$99,999	536	\$1,300	- \$1,625	80.0%	\$1,040	- \$1,300
\$100,000+	1,340	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	5,896			87.8%		

Overall Demand	5-Yr Net	Affordable Payment 1/		% of	Projected Payment	
Income Range	Increase	Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000	280	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	394	\$325	- \$542	100.0%	\$330	- \$540
\$25,000-\$34,999	1,051	\$542	- \$758	95.0%	\$510	- \$720
\$35,000-\$49,999	1,605	\$758	- \$975	90.0%	\$680	- \$880
\$50,000-\$74,999	1,002	\$975	- \$1,300	85.0%	\$830	- \$1,100
\$75,000-\$99,999	588	\$1,300	- \$1,625	80.0%	\$1,040	- \$1,300
\$100,000+	1,424	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	6,344			87.9%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

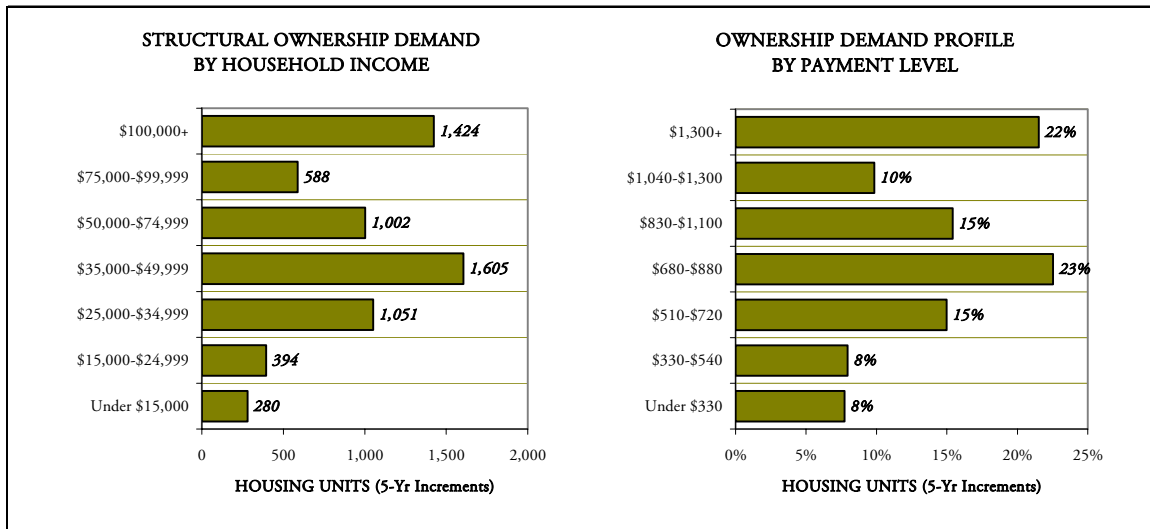
Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

3/ Assumes 30% of gross income towards rent.

As expressed above, the vast majority of ownership housing opportunity in the competitive market area recently has been well beyond the reach of the majority of households seeking residential opportunity in the Central City proximate to their locations of employment. The higher costs of mid and high-rise residential development, particularly with structured/below-grade parking, has ensured a wealth of pent-up demand that has not been tapped. Even so, a sizeable demographic earning above \$100,000 can be expected to continue to fuel demand for higher-priced product if properly executed.



Fair-Share Absorption Analysis

An overall market absorption forecast was conducted utilizing the previous structural and turnover demand estimates for both rental and ownership housing. The analysis assumes a project will capture its proportionate share of annual demand based on its own share of total supply on the market. It does not factor in qualitative advantages, which we assume are largely offset by price differences among projects.

Rental Market Performance

Results of the rental absorption projection are presented in the appendix of exhibits and are summarized below. The analysis assumes development of 150 middle-income, market-rate rental apartment units at the subject site with entry into the market in 2006.



Competitive Market Area Rental Fair-Share Demand Analysis: 2006 to 2008

Fair Share Demand Analysis	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Annual Demand						
<i>Baseline Structural Demand 1/</i>	390	5%	390	5%	390	5%
<i>Projected Turnover Demand 2/</i>	7,545	90%	7,690	91%	7,754	92%
<i>Projected Workforce Demand</i>	482	6%	482	6%	482	6%
Total Annual Projected Demand	8,418	100.0%	8,563	101.7%	8,627	102.5%
<i>Income-Restricted</i>	5,020	59.6%	2,627	30.7%	2,646	30.7%
<i>Mid-Range</i>	2,107	25.0%	4,094	47.8%	4,124	47.8%
<i>High-Range</i>	1,291	15.3%	1,843	21.5%	1,856	21.5%
	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
<i>Projected Turnover Demand 2/</i>	7,475	88.8%	8,120	94.8%	8,407	97.4%
Projected Net Absorption by Project (Units)						
<u>Income-Restricted</u>						
Macadam Affordable (200)	-	0.0%	38	0.4%	30	0.3%
Other Supply (100)	-	0.0%	29	0.3%	41	0.5%
<u>Mid-Range (<\$1,300)</u>						
Macadam Student Housing (250)	242	2.9%	58	0.7%	-	0.0%
Wesbild (300)	121	1.4%	29	0.3%	-	0.0%
PDC Unnamed (60)	48	0.6%	12	0.1%	-	0.0%
PDC Unnamed (60)	48	0.6%	12	0.1%	-	0.0%
Other Supply (100)	-	0.0%	50	0.6%	50	0.6%
Subject Property (150 units)	121	1.4%	29	0.3%	-	0.0%
<u>High-Range (>\$1,300)</u>						
Macadam (250)	201	2.4%	49	0.6%	-	0.0%
Trammell Crow Unnamed (200)	161	1.9%	39	0.5%	-	0.0%
Other Supply (200)	-	0.0%	100	1.2%	100	1.2%
	Subject Property					
<i>Estimated Absorption per Month (1st Year):</i>	10.1 - 12.1					
<i>Estimated time to Lease-up (Months):</i>	12.4 - 14.9					

Our model projects total annual leasing activity in the Central City of approximately 8,418 units per year, of which 25% would be for mid-range product and 15% for high-range product (units priced above \$1,300). Projected market activity is allocated to individual projects as well as units in turnover on the basis of their proportionate share of available units each year. As shown, the model projects estimated annual absorption at the subject site between 10 and 12 units per month.

Ownership Market Performance

Results of the ownership absorption projection are presented in the appendix of exhibits and are summarized below. The analysis assumes development of 150 market-rate condominium units at the subject site in 2006.

Our model projects total annual sales activity in the market area of approximately 1,746 units per year, of which 48% would be for mid-range product and 22% for high-range product (units priced above \$250,000). Projected market activity is allocated to individual projects as well as units in



As a rental apartment project, the development is likely to be capable of achieving base pricing of close to \$1.15 per square foot, with view premiums available for higher stories. The overall pricing mix with premiums should be close to \$1.35 per square foot, assuming strong execution. At this price point, the project will be positioned above the older projects along the South Park Blocks, but below Pearl District rents.

A condominium development on the site would be expected to achieve sales prices in the \$215 to \$280 range on average, assuming moderate quality execution. We would recommend relatively small units targeted towards singles and young professionals, with a significant absolute price advantage vis-à-vis Pearl District product. While many of the projects in the Pearl District have successfully targeted the move-down market, the subject project's location is still somewhat isolated and not as proximate to a wealth of amenities like development in the Pearl District and future development planned in the South Waterfront Plan District. Accordingly, the project would more likely appeal to a more price-sensitive market. From a product program perspective, units should be designed to keep size down to allow for a more marketable price point.

Given the longer-term horizon and likely market and financial trends, JOHNSON GARDNER finds that market risk for rental apartment development stands to decrease relative to risk for attached for-sale product at the subject property. The following are key considerations for this conclusion:

- *Mortgage rates stand to return to the 8% range or higher over the next few years.* Record-low mortgage rates and unprecedented access to residential financing have almost solely fueled Portland's remarkable condominium market the last few years. While the economy was in the doldrums, in-migration slowed, though not as much as many analysts expected. The result is that Central City purchases have been driven by the existing, local Empty-Nester "move-down" market, first-time owners seeking affordable loft units and low-mortgage-rate induced rise in the rate of home ownership. A return of economic expansion, inflation fears and resulting higher mortgage rates will reverse this trend over the next several years, sooner rather than later.
- *Rental apartment development can better leverage the Streetcar and MAX amenity, potentially reducing parking need and expense.* Apartment success is more predicated on locational proximity than is ownership development given that relocation costs for renters are far lower than for owners. Accordingly, the subject property's streetcar and rail linkage and central location relative to the Pearl District, Downtown, PSU and Lloyd Center will allow a lower parking ratio. Because of the small parcel size, some surface parking may be necessary, reducing the potential footprint of the building.
- *Rental apartments will likely have greater development flexibility in meeting yet untapped central city housing need, particularly south of Northwest Portland and the Pearl District, than will condominiums.* The economics of new mid-rise and high-rise condominium development make it difficult to achieve moderate price points for workforce housing in the market area. Although substantial condominium conversion opportunity exists in Northwest Portland, that submarket is unique and more isolated for households seeking homes near downtown, Lloyd District and University District employment. Lower apartment construction costs and greater upside on rental rates contribute to the potential financial advantage.

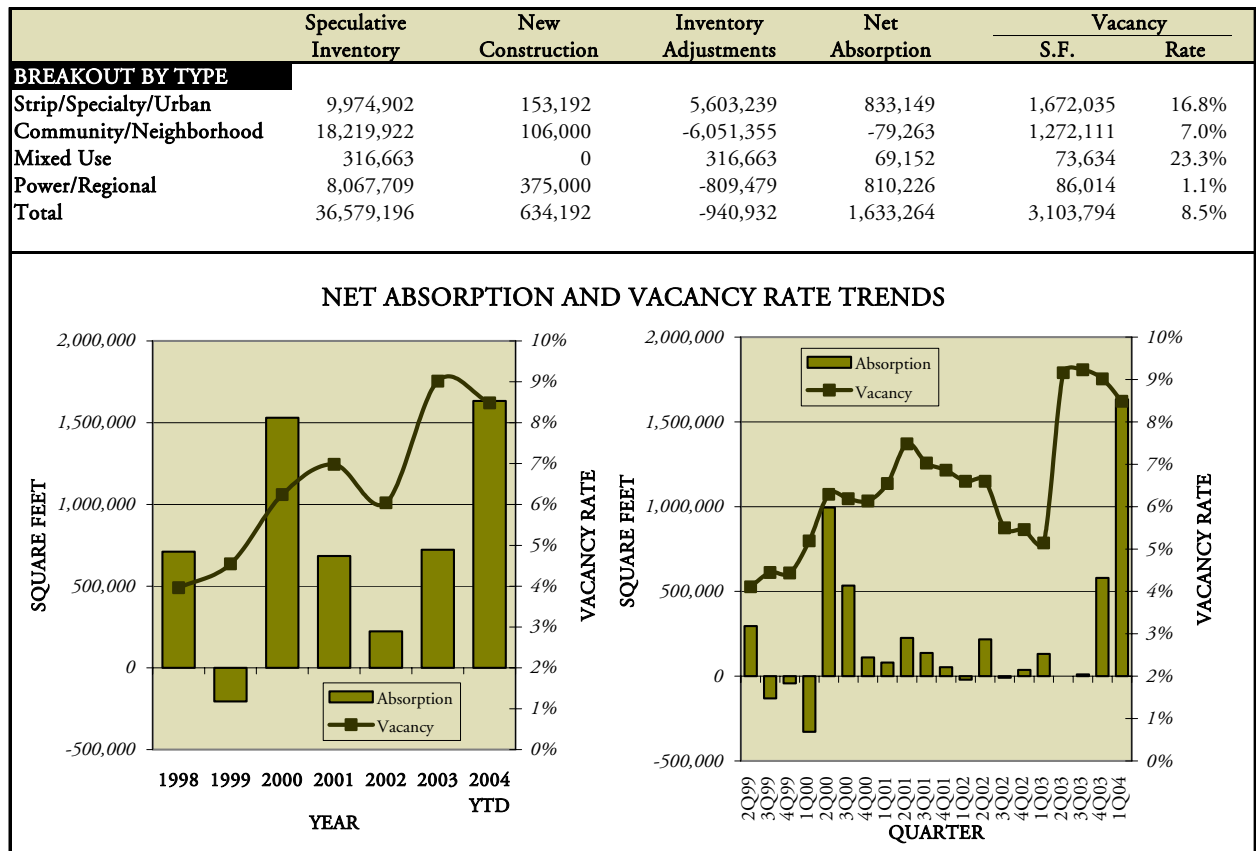


IX. SPECULATIVE RETAIL MARKET

Portland/Vancouver Metropolitan Area Retail Trends

The Portland metropolitan area's retail market continues to see new construction related to the entry and expansion of major retailers. The overall vacancy rate in the retail market is estimated by CoStar at 8.5%, with the highest vacancy rates seen in mixed-use and strip/specialty/urban centers. Norris Beggs & Simpson estimates overall vacancy rates at a more robust 5.1%. Vacancy remains negligible in regional and power centers, while community/neighborhood centers report a relatively healthy 7.0% rate. Tenants continue to drive the market, as expansion by major retailers such as Lowe's, Wal Mart, Target, Dollar Tree and the major grocers driving development.

The Clackamas Town Center is planning a major expansion, adding 240,000 square feet of retail space. Gateway Station will bring 120,000 square feet of retail space, mixed with office and residential space.



A total of 480,000 square feet of new space is projected to enter the market over the next twelve months, while demand is forecasted at 500,000 square feet. As a result, the overall vacancy rate is projected to decline slightly to 8.3% over the next year. The overall vacancy rate is expected to fall to 7.1% by the first quarter of 2006.

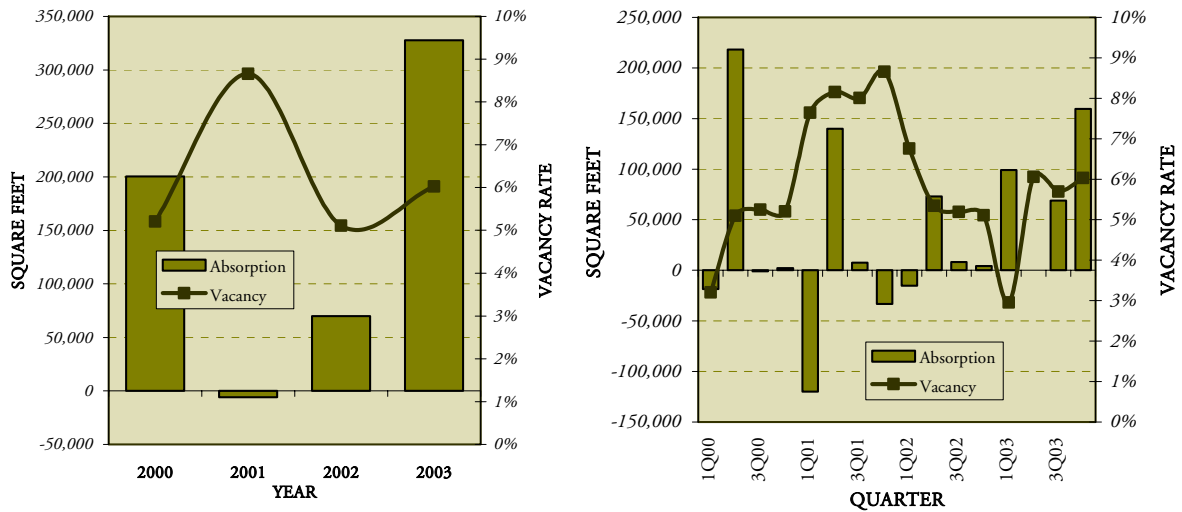


Lloyd District Trends

Retail vacancy in the Lloyd District sub-market averages 7.08%. The Lloyd Center Mall, with approximately 1,500,000 square feet, makes up nearly three-quarters of retail space in the area. Excluding the fully occupied mall, vacancy among other sub-market retailers jumps to nearly 25%. Gross rents in the area vary widely ranging from \$6.00 to \$25.00 per square foot (Net). Generally speaking, retail in the Broadway/Weidler Corridor outperforms other parts of the sub-market.

	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy	
					S.F.	Rate
BREAKOUT BY TYPE						
Strip/Specialty/Urban	1,168,466	16,000	183,058	152,669	244,364	20.91%
Community/Neighborhood	1,236,840		0	16,638	38,198	3.09%
Mixed Use	34,876		0	-9,800	15,120	43.35%
Power/Regional	2,705,074		0	0	12,547	0.46%
Total	5,145,256	16,000	183,058	159,507	310,229	6.03%
BREAKOUT BY SUBMARKET						
Eastside/Mall 205	2,018,278	16,000	59,253	62,368	135,309	6.70%
North/Jantzen	1,087,461		2,310	21,093	30,497	2.80%
Northeast/Lloyd Dist.	2,039,517		121,495	76,046	144,423	7.08%
Total	5,145,256	16,000	183,058	159,507	310,229	6.03%

NET ABSORPTION AND VACANCY RATE TRENDS



Peer Group Analysis

Johnson Gardner identified four Northeast retail locations near the Block 49 site. These selected locations comprise 187,929 square feet and are currently 16% vacant. Their rents vary from \$14.00 to \$23.00 per square foot (Net).



Location	Year Built	Total SF	Vacant SF	Vacancy Rate	Asking Rate	Lease Type
3030 NE Weidler	1989	127,929	0	0%	\$14.00-\$21.00	Net
1200 NE Broadway	1986	26,000	25,000	96%	\$20.00	Net
1500 NE Weidler	1996	18,000	5,194	29%	\$18.00	Net
1127 NE Broadway	n/a	16,000	0	0%	\$23.00	Net
Total/Average		187,929	30,194	16%	\$14.00-\$23.00	

Source: Norris Beggs & Simpson, Retail Market Report, Fourth Quarter 2003

There are relatively few mixed-use residential/retail developments in the Lloyd District, but given available data, Johnson Gardner finds that rents of \$14-\$18.00 per square foot (Net) would be achievable at the subject site. Plans for a mixed-use development, with some housing component, should be complementary to retail at the location and help it maintain lower vacancy than the 16% rate of these surveyed retailers.

BLOCK 49 MARKET STUDY

APPENDIX OF EXHIBITS

BLOCK 49 MARKET STUDY

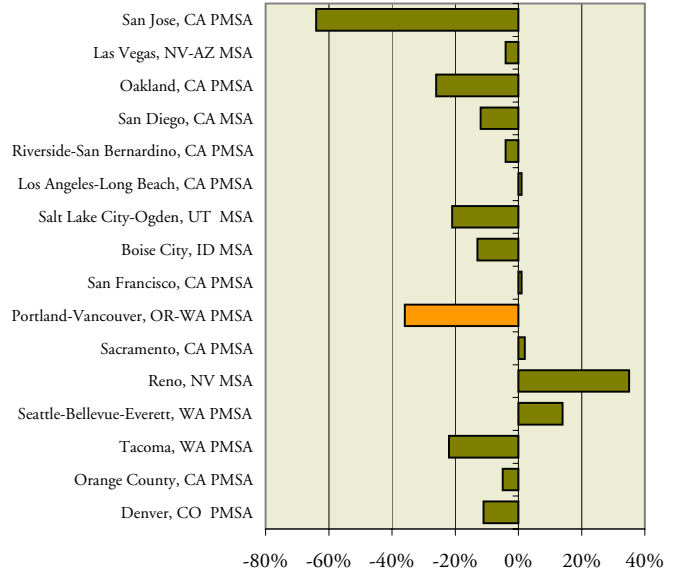
ECONOMIC EXHIBITS

EXHIBIT 1.01

EMPLOYMENT AND MIGRATION TRENDS MAJOR WESTERN METROPOLITAN AREAS

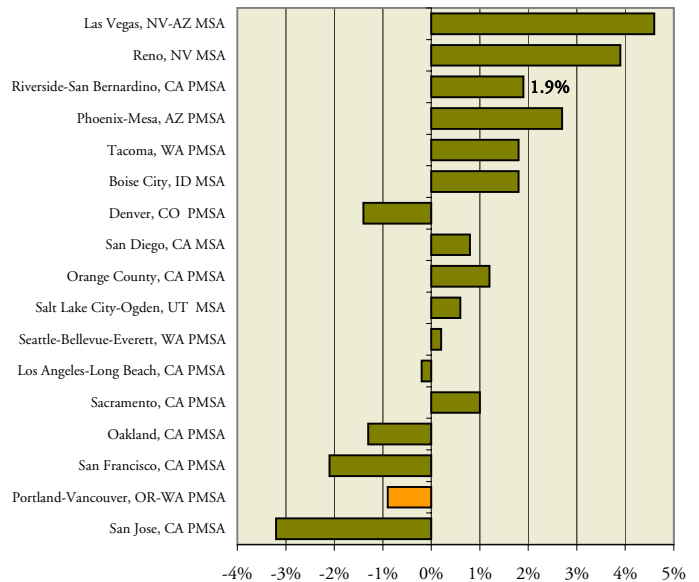
BUILDING PERMITS	YTD	YTD
	February	%
Metropolitan Area	2004	Change
<i>Denver, CO PMSA</i>	2.44	-11%
<i>Orange County, CA PMSA</i>	1.90	-5%
<i>Tacoma, WA PMSA</i>	0.66	-22%
<i>Seattle-Bellevue-Everett, WA PMSA</i>	2.50	14%
<i>Reno, NV MSA</i>	1.01	35%
<i>Sacramento, CA PMSA</i>	3.02	2%
<i>Portland-Vancouver, OR-WA PMSA</i>	1.66	-36%
<i>San Francisco, CA PMSA</i>	0.32	1%
<i>Boise City, ID MSA</i>	0.96	-13%
<i>Salt Lake City-Ogden, UT MSA</i>	1.36	-21%
<i>Los Angeles-Long Beach, CA PMSA</i>	3.57	1%
<i>Riverside-San Bernardino, CA PMSA</i>	6.17	-4%
<i>San Diego, CA MSA</i>	2.46	-12%
<i>Oakland, CA PMSA</i>	1.37	-26%
<i>Las Vegas, NV-AZ MSA</i>	6.01	-4%
<i>San Jose, CA PMSA</i>	0.58	-64%

% CHANGE IN YTD RESIDENTIAL PERMITS



NON-AG EMPLOYMENT	Growth	Net
	Rate	Growth
Metropolitan Area	Jan-Jan	000s
<i>San Jose, CA PMSA</i>	-3.2%	-28.0
<i>Portland-Vancouver, OR-WA PMSA</i>	-0.9%	-9.0
<i>San Francisco, CA PMSA</i>	-2.1%	-20.0
<i>Oakland, CA PMSA</i>	-1.3%	-13.0
<i>Sacramento, CA PMSA</i>	1.0%	8.0
<i>Los Angeles-Long Beach, CA PMSA</i>	-0.2%	7.0
<i>Seattle-Bellevue-Everett, WA PMSA</i>	0.2%	3.0
<i>Salt Lake City-Ogden, UT MSA</i>	0.6%	4.0
<i>Orange County, CA PMSA</i>	1.2%	17.0
<i>San Diego, CA MSA</i>	0.8%	10.0
<i>Denver, CO PMSA</i>	-1.4%	-16.0
<i>Boise City, ID MSA</i>	1.8%	4.0
<i>Tacoma, WA PMSA</i>	1.8%	5.0
<i>Phoenix-Mesa, AZ PMSA</i>	2.7%	43.0
<i>Riverside-San Bernardino, CA PMSA</i>	1.9%	21.0
<i>Reno, NV MSA</i>	3.9%	8.0
<i>Las Vegas, NV-AZ MSA</i>	4.6%	37.0

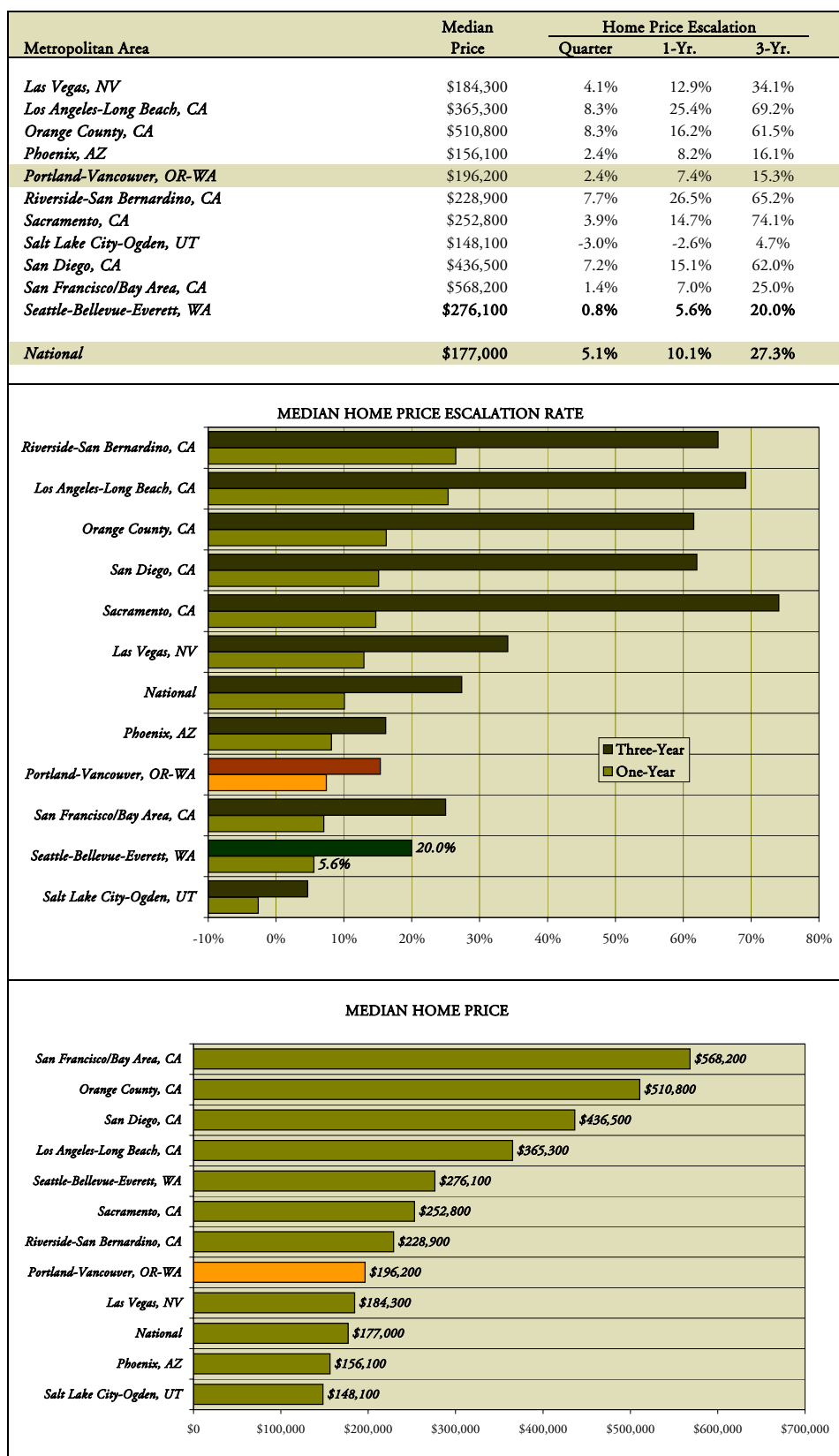
EMPLOYMENT GROWTH RATE



Source: National Association of Home Builders and Johnson Gardner

EXHIBIT 1.02

RELATIVE HOME PRICE TRENDS
MAJOR WEST COAST MARKETS
Third Quarter, 2003



SOURCE: National Association of Realtors and Gardner Johnson

EXHIBIT 1.03

HISTORIC EMPLOYMENT GROWTH PATTERNS PORTLAND-VANCOUVER PMSA

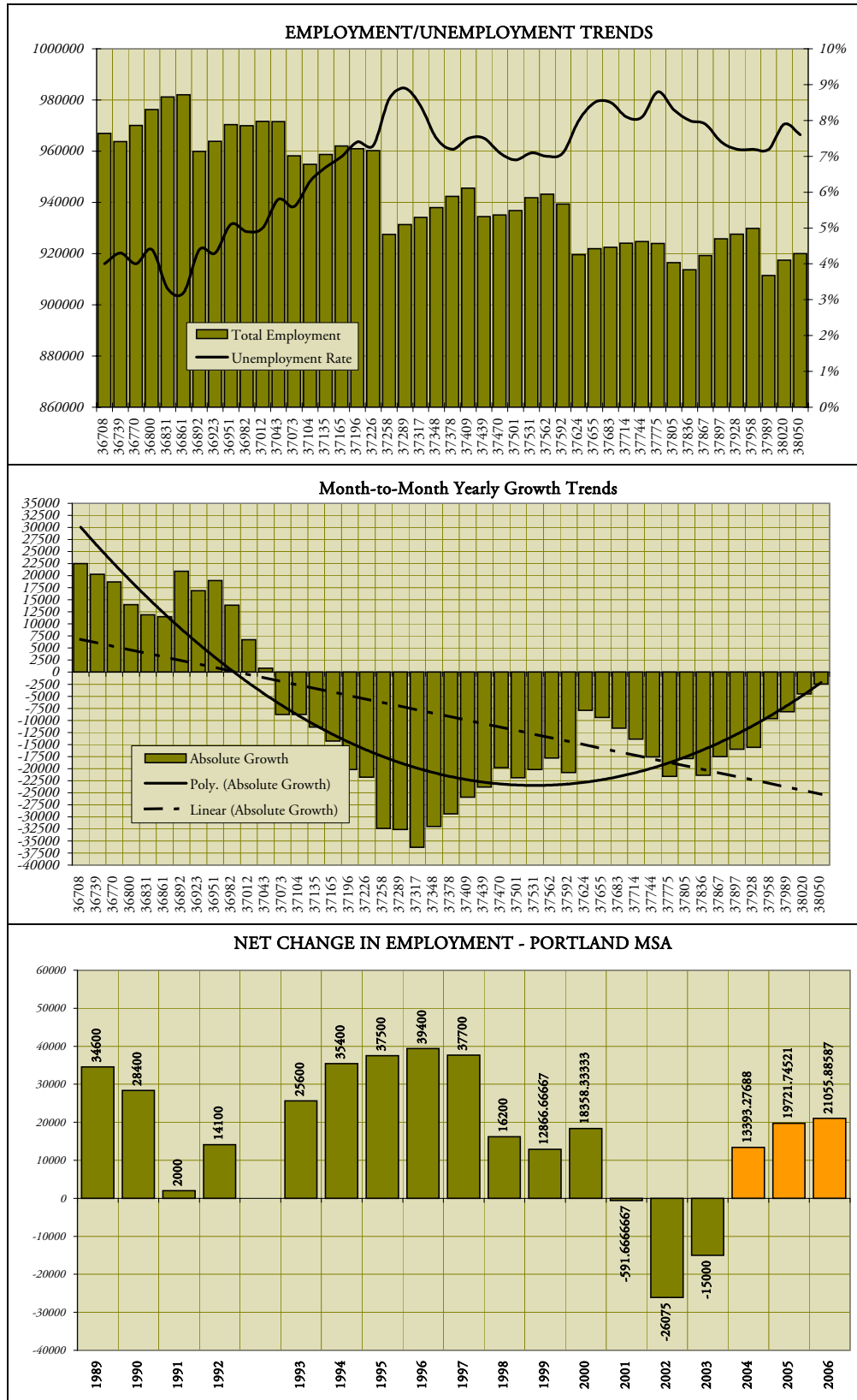


EXHIBIT 1.04 HISTORIC UNEMPLOYMENT RATE TRENDS PORTLAND-VANCOUVER PMSA

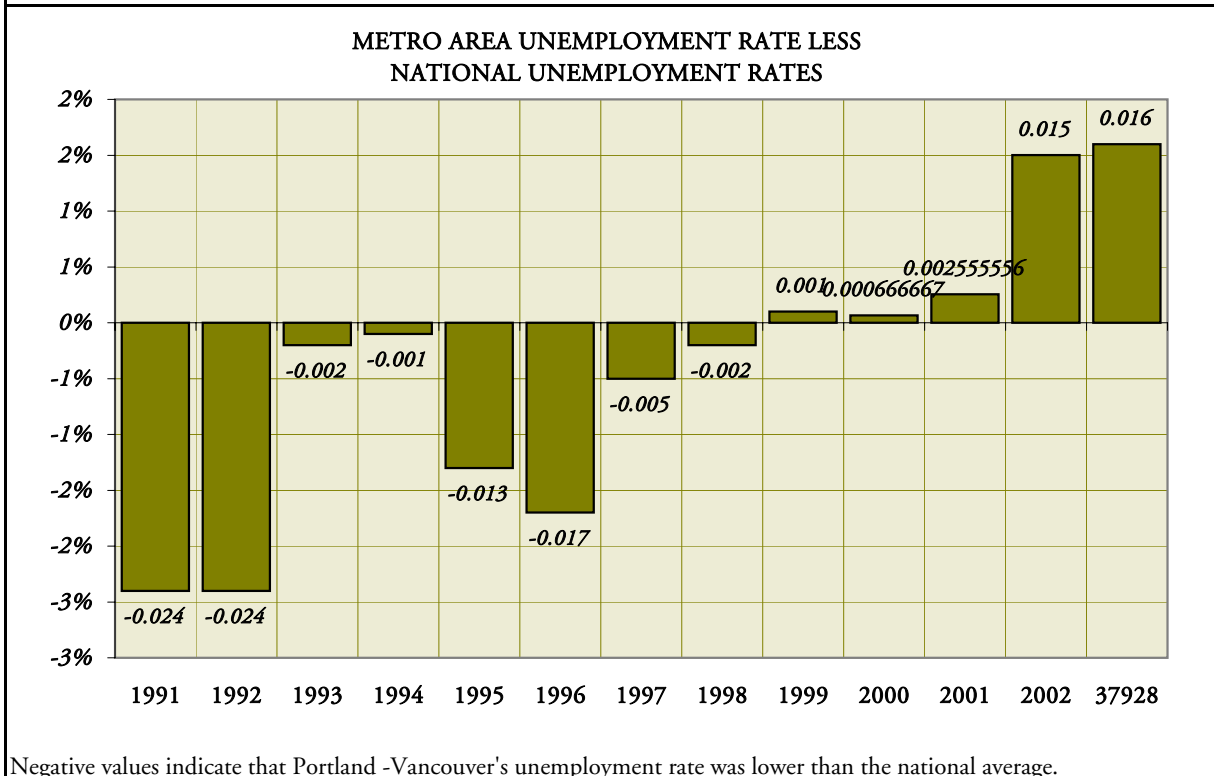
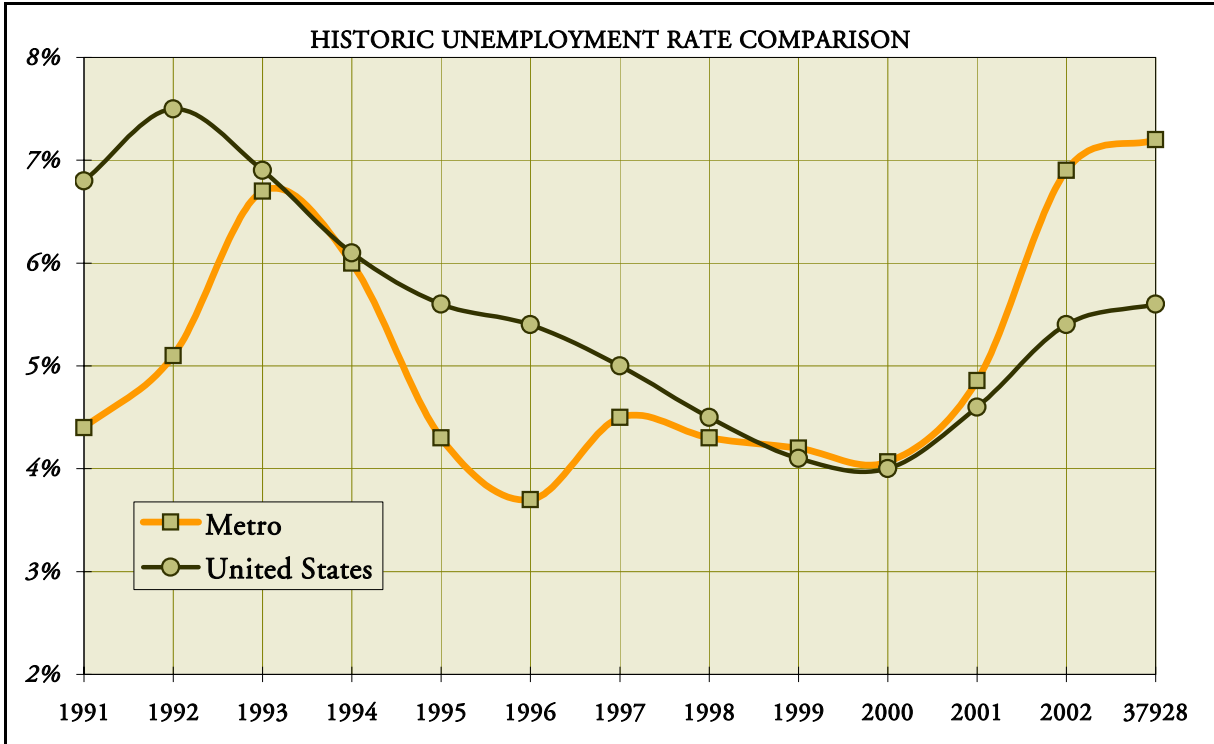
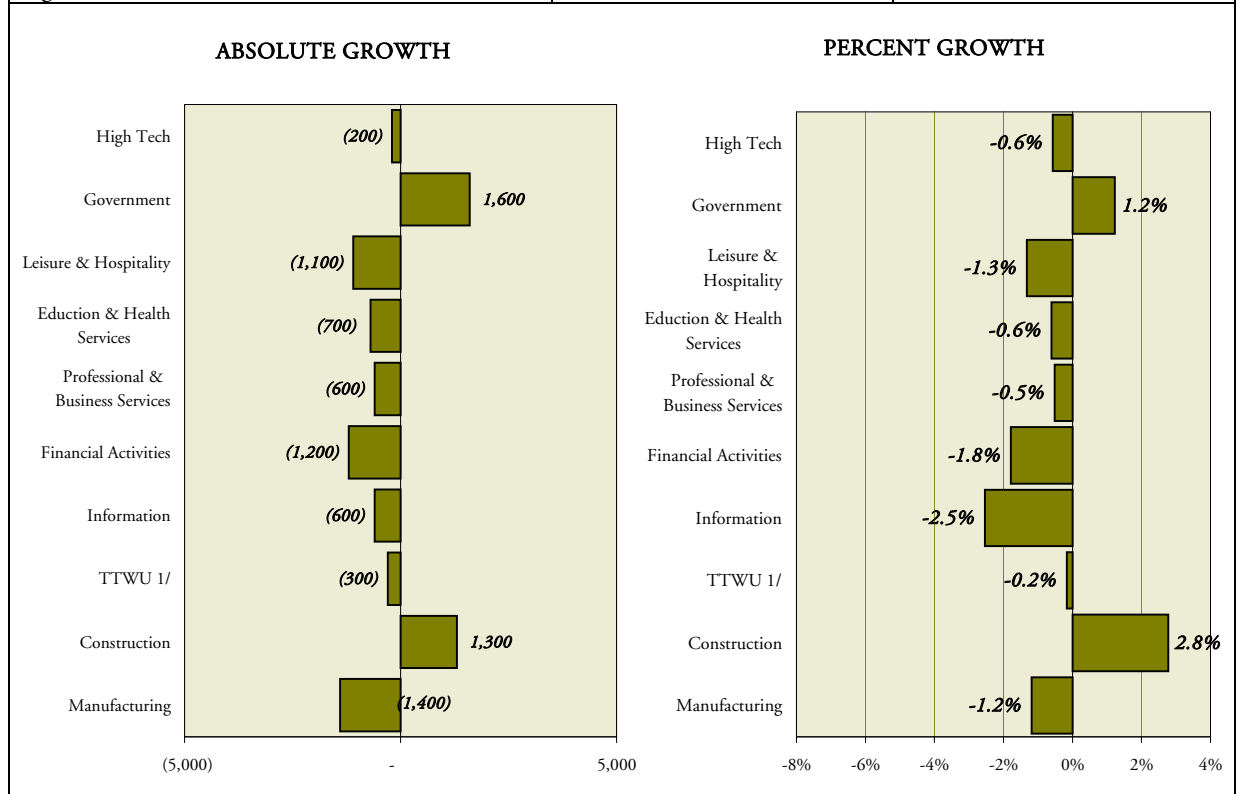


EXHIBIT 1.05

EMPLOYMENT BY INDUSTRY PORTLAND-VANCOUVER PMSA

INDUSTRY	Mar-03		Mar-04	
	Employment	% Growth	Employment	% Growth
TOTAL NONFARM EMPLOYMENT	922,500	--	920,000	-0.3%
Manufacturing	118,000	--	116,600	-1.2%
Construction	46,800	--	48,100	2.8%
TTWU 1/	187,400	--	187,100	-0.2%
Information	23,600	--	23,000	-2.5%
Financial Activities	67,300	--	66,100	-1.8%
Professional & Business Services	115,500	--	114,900	-0.5%
Education & Health Services	114,800	--	114,100	-0.6%
Leisure & Hospitality	82,900	--	81,800	-1.3%
Government	130,700	--	132,300	1.2%
High Tech	35,000	--	34,800	-0.6%



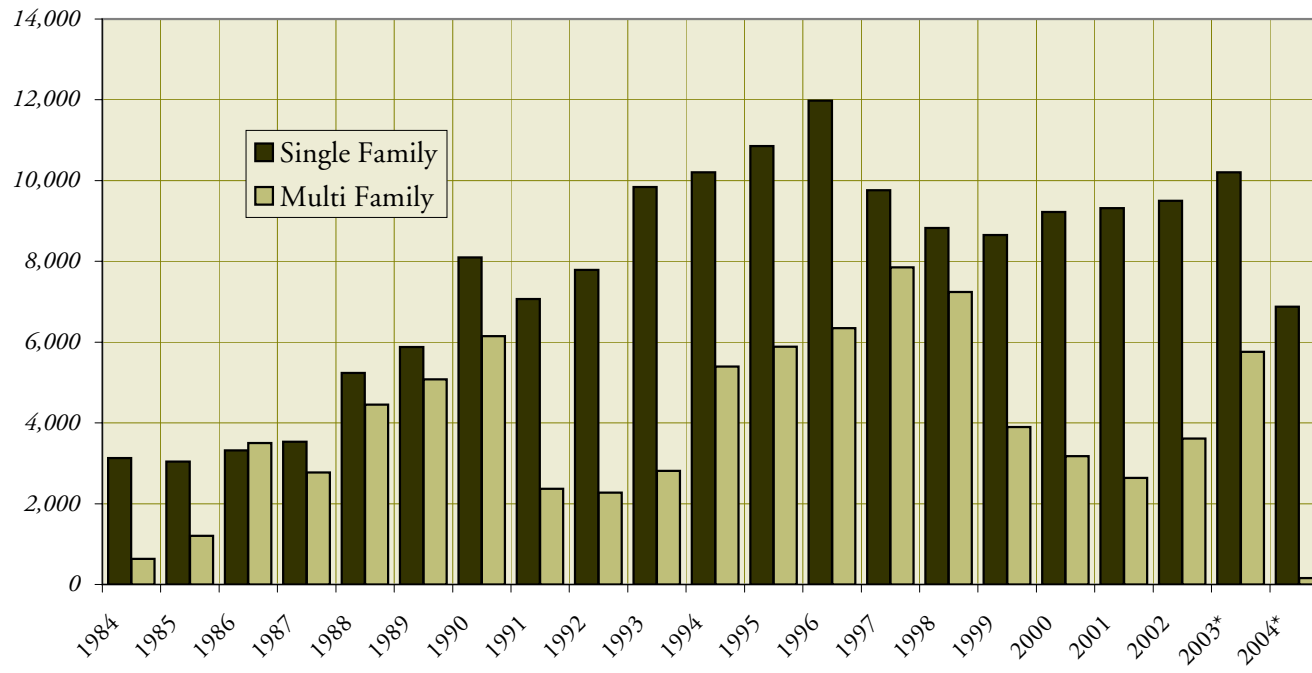
1/ Trade, Transportation, Warehousing & Utilities

EXHIBIT 1.06

HISTORIC RESIDENTIAL PERMIT TRENDS CLACKAMAS, CLARK, MULTNOMAH, & WASHINGTON COUNTIES

	Clackamas		Clark		Multnomah		Washington	
	S.F.	M.F.	S.F.	M.F.	S.F.	M.F.	S.F.	M.F.
1995	1,605	1,347	2,948	758	1,645	1,171	4,654	2,611
1996	1,922	1,037	3,599	837	1,764	2,401	4,698	2,075
1997	1,938	1,123	3,504	1,385	1,703	2,692	2,614	2,648
1998	1,560	455	3,352	1,043	1,859	4,026	2,058	1,720
1999	1,839	598	2,929	671	1,473	2,010	2,407	620
2000	1,743	522	2,917	920	1,420	1,171	3,144	566
2001	1,712	257	2,732	307	1,688	1,208	3,182	870
2002	1,519	312	3,111	653	1,718	1,564	3,149	1,087
*2003	1,490	95	3,320	804	1,570	3,268	2,972	1,112
2004	200	3	325	0	209	23	412	1

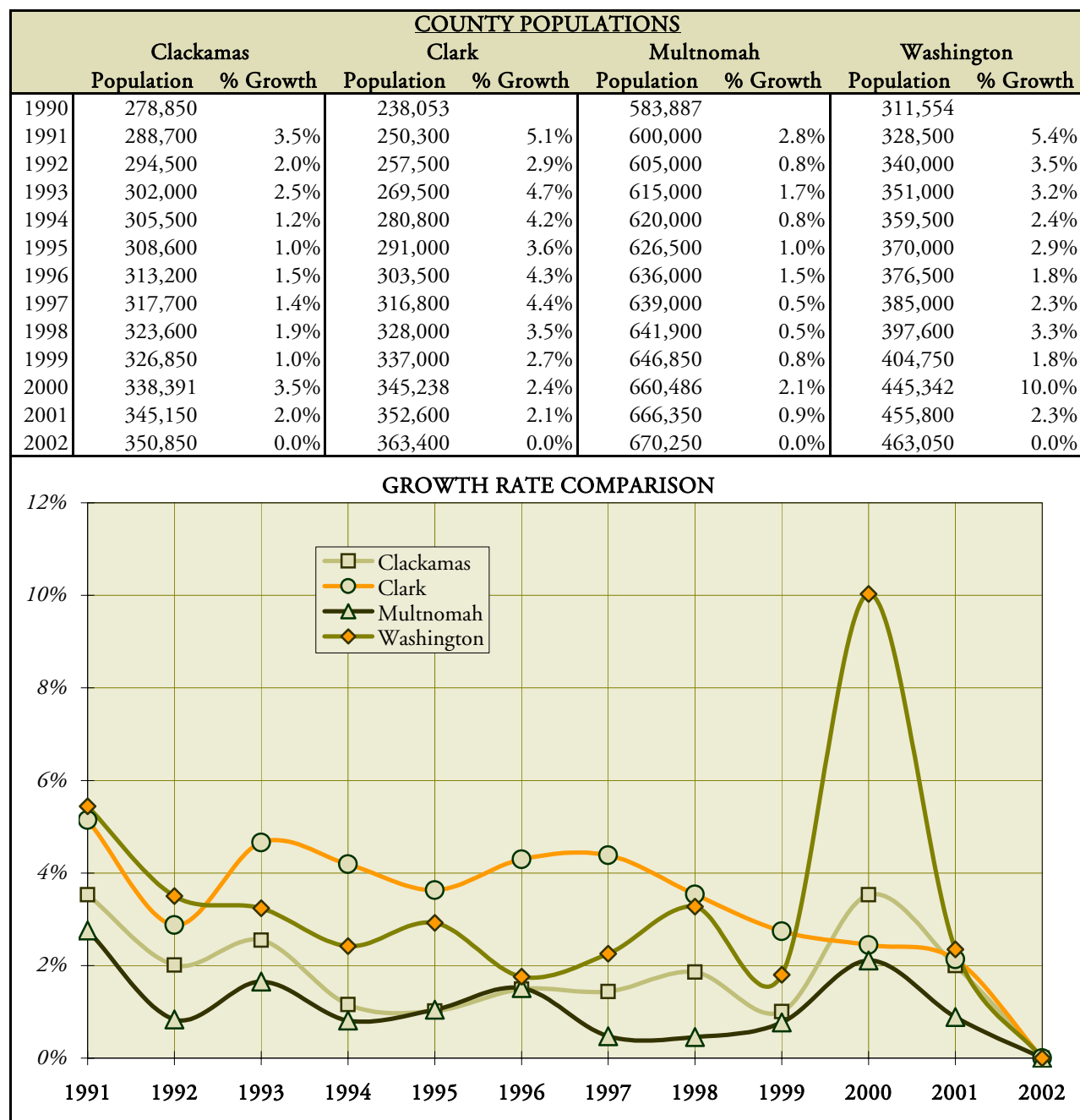
RESIDENTIAL PERMIT ACTIVITY



* 2003 data include permit activity through November. The graph above includes permitting projections for December of 2003

EXHIBIT 1.07

HISTORIC POPULATION TRENDS CLACKAMAS, CLARK, MULTNOMAH, & WASHINGTON COUNTIES

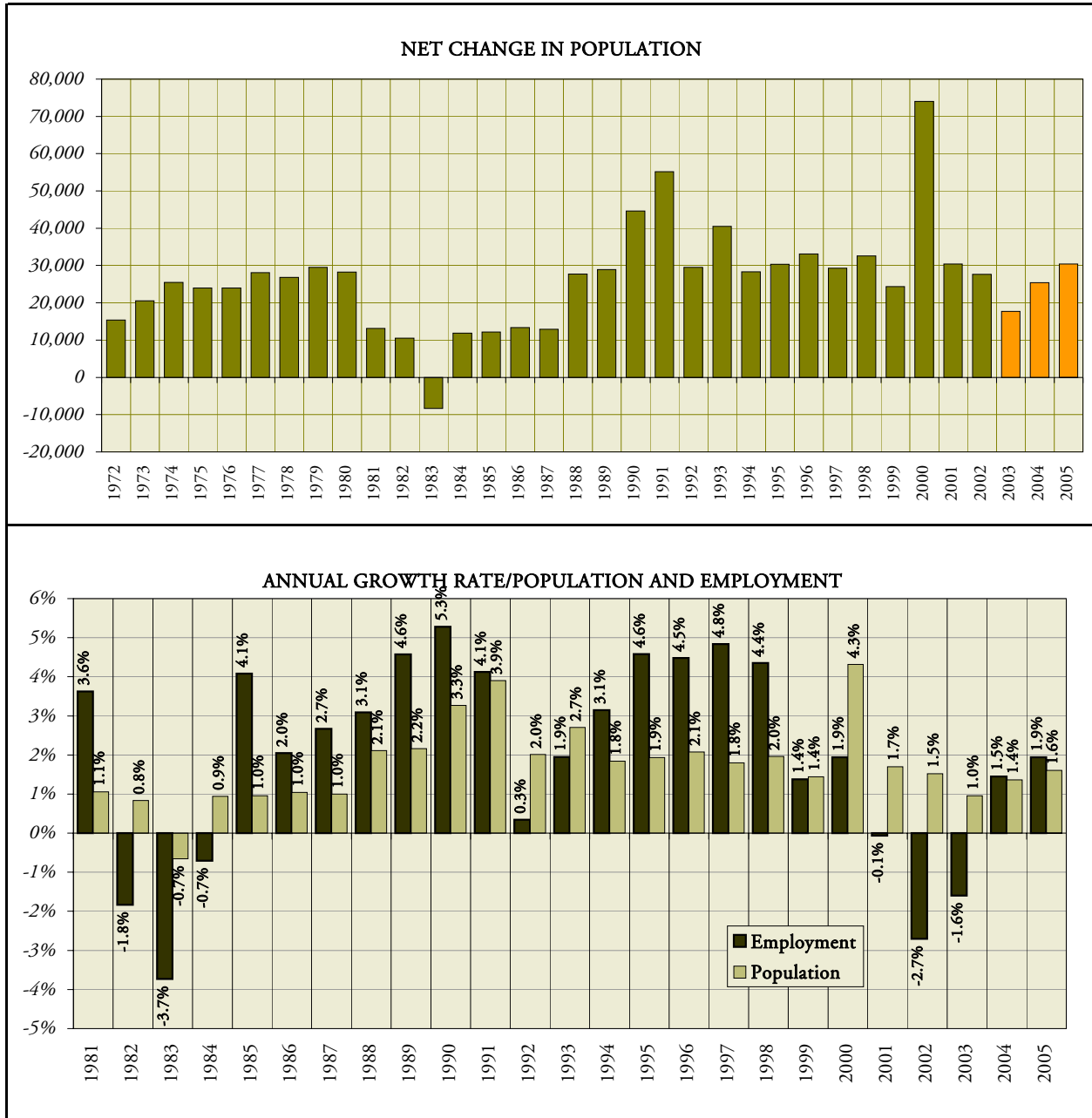


*Reflects 2000 Census; updated historical data not yet available.

SOURCE: Center for Population Research and Census, PSU and the Washington Office of Financial Management

EXHIBIT 1.08

HISTORICAL POPULATION GROWTH PORTLAND METROPOLITAN AREA



*Reflects 2000 Census; updated historical data not yet available.

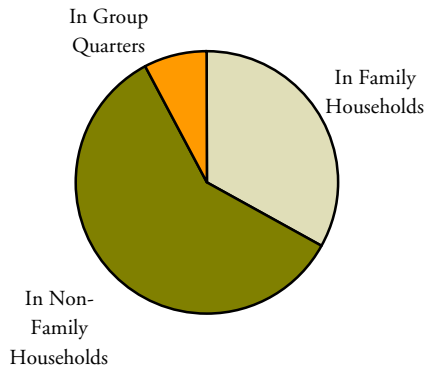
SOURCE: Center for Population Research and Census, State of Washington Office of Finance, and Johnson Gardner

EXHIBIT 1.09

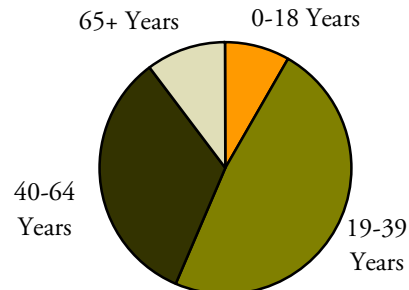
CENTRAL CITY DEMOGRAPHICS

Residential Characteristics	Central City District				Total
	SE	NE	SW	NW	
Total Population	10,824	16,017	15,281	13,890	56,012
Age					
0-18	12%	11%	6%	6%	8%
19-39	48%	44%	50%	53%	49%
40-64	33%	34%	31%	32%	33%
65+	7%	11%	13%	9%	10%
Sex					
Male	51%	49%	56%	56%	53%
Female	49%	51%	44%	44%	47%
Household Type					
In Family Households	45%	43%	21%	25%	33%
In Non-Family Households	51%	54%	66%	65%	59%
In Group Quarters	4%	3%	13%	10%	8%
Housing Units					
Owner Occupied	29%	23%	9%	14%	17%
Renter Occupied	71%	77%	91%	86%	83%
Median Household Income	\$34,133	\$33,040	\$21,428	\$28,085	\$28,854

Residents by Household Type



Residents by Age



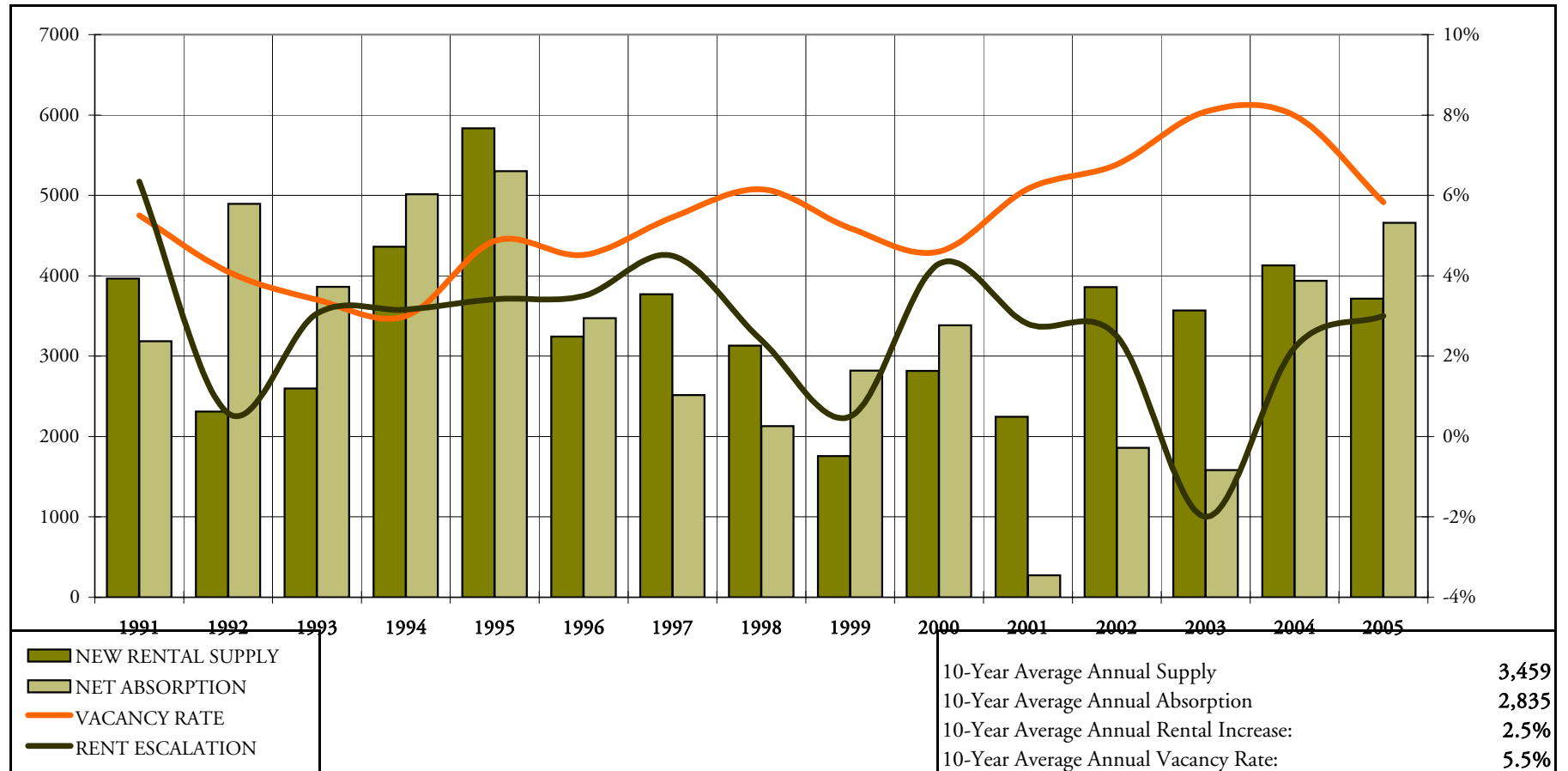
Source: U.S. Census 2000 & Johnson Gardner LLC

BLCOK 49 MARKET STUDY

RENTAL APARTMENT MARKET EXHIBITS

EXHIBIT 2.01

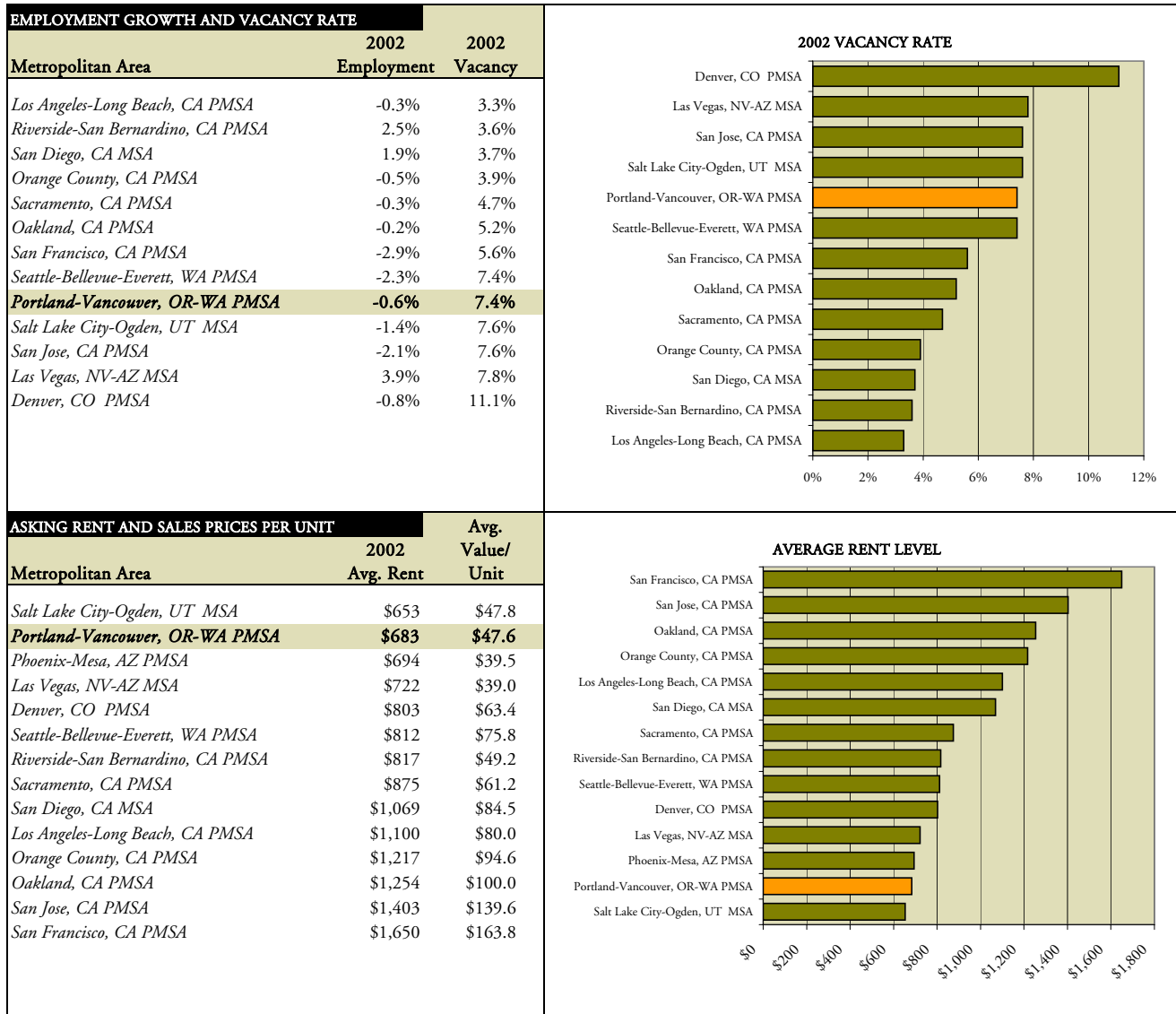
RENTAL APARTMENT MARKET TRENDS - MARKET RATE UNITS PORTLAND/VANCOUVER METROPOLITAN AREA TEN-YEAR SUMMARY/TWO-YEAR FORECAST



SOURCE: Johnson Gardner

EXHIBIT 2.02

COMPARATIVE MARKET CONDITIONS
MAJOR WESTERN METROPOLITAN AREAS

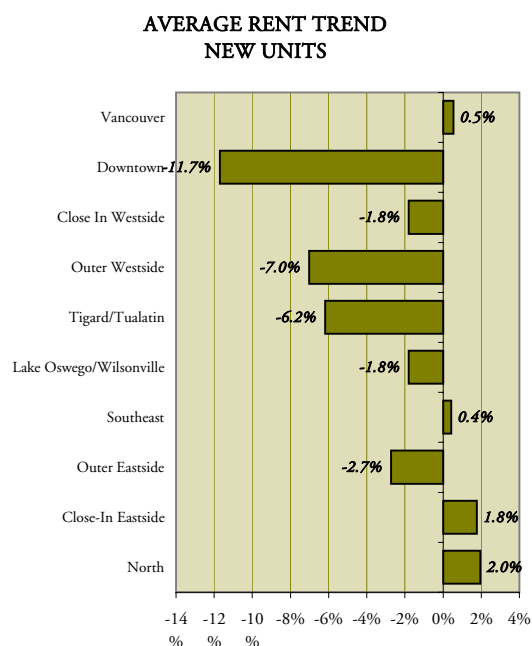
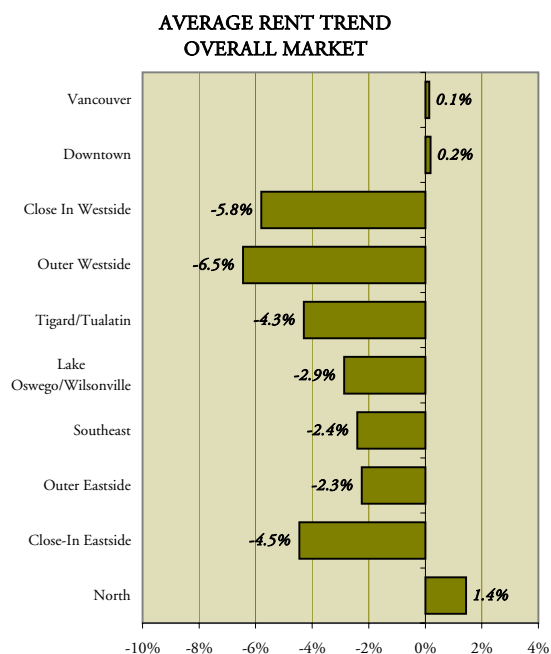


SOURCE: Marcus & Millichap Research Services

EXHIBIT 2.03

ANNUALIZED RENT TRENDS PORTLAND-VANCOUVER METROPOLITAN AREA

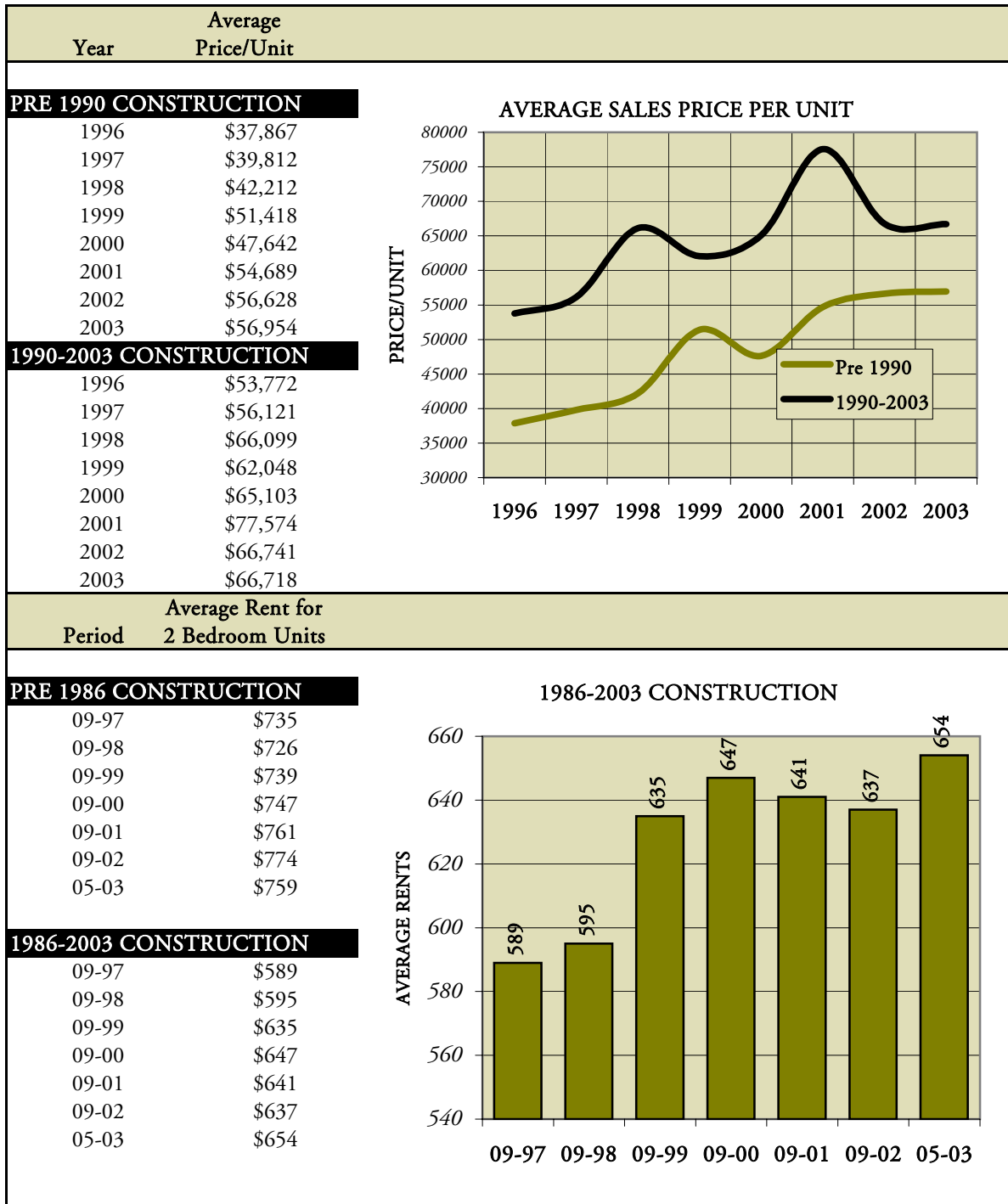
	AVERAGE RENT		PERCENT CHANGE
	4Q02	4Q03	
Overall			
North	\$622	\$631	1.45%
Close-In Eastside	\$740	\$707	-4.46%
Outer Eastside	\$666	\$651	-2.25%
Southeast	\$706	\$689	-2.41%
Lake Oswego/Wilsonville	\$837	\$813	-2.87%
Tigard/Tualatin	\$699	\$669	-4.29%
Outer Westside	\$775	\$725	-6.45%
Close In Westside	\$1,138	\$1,072	-5.80%
Downtown	\$1,060	\$1,062	0.19%
Vancouver	\$685	\$686	0.15%
Overall	\$753	\$730	-3.05%
New Units			
North	\$715	\$729	1.96%
Close-In Eastside	\$735	\$748	1.77%
Outer Eastside	\$698	\$679	-2.72%
Southeast	\$708	\$711	0.42%
Lake Oswego/Wilsonville	\$889	\$873	-1.80%
Tigard/Tualatin	\$760	\$713	-6.18%
Outer Westside	\$854	\$794	-7.03%
Close In Westside	\$1,000	\$982	-1.80%
Downtown	\$948	\$837	-11.71%
Vancouver	\$740	\$744	0.54%
Overall	\$773	\$746	-3.49%
Seasoned Units			
North	\$593	\$597	0.67%
Close-In Eastside	\$752	\$682	-9.31%
Outer Eastside	\$615	\$606	-1.46%
Southeast	\$705	\$682	-3.26%
Lake Oswego/Wilsonville	\$813	\$781	-3.94%
Tigard/Tualatin	\$666	\$640	-3.90%
Outer Westside	\$736	\$691	-6.11%
Close In Westside	\$1,312	\$1,298	-1.07%
Downtown	\$1,093	\$1,174	7.41%
Vancouver	\$650	\$649	-0.15%
Overall	\$731	\$710	-3.06%
Metro Area Total	\$753	\$730	-3.05%



SOURCE: Norris Beggs & Simpson

EXHIBIT 2.04

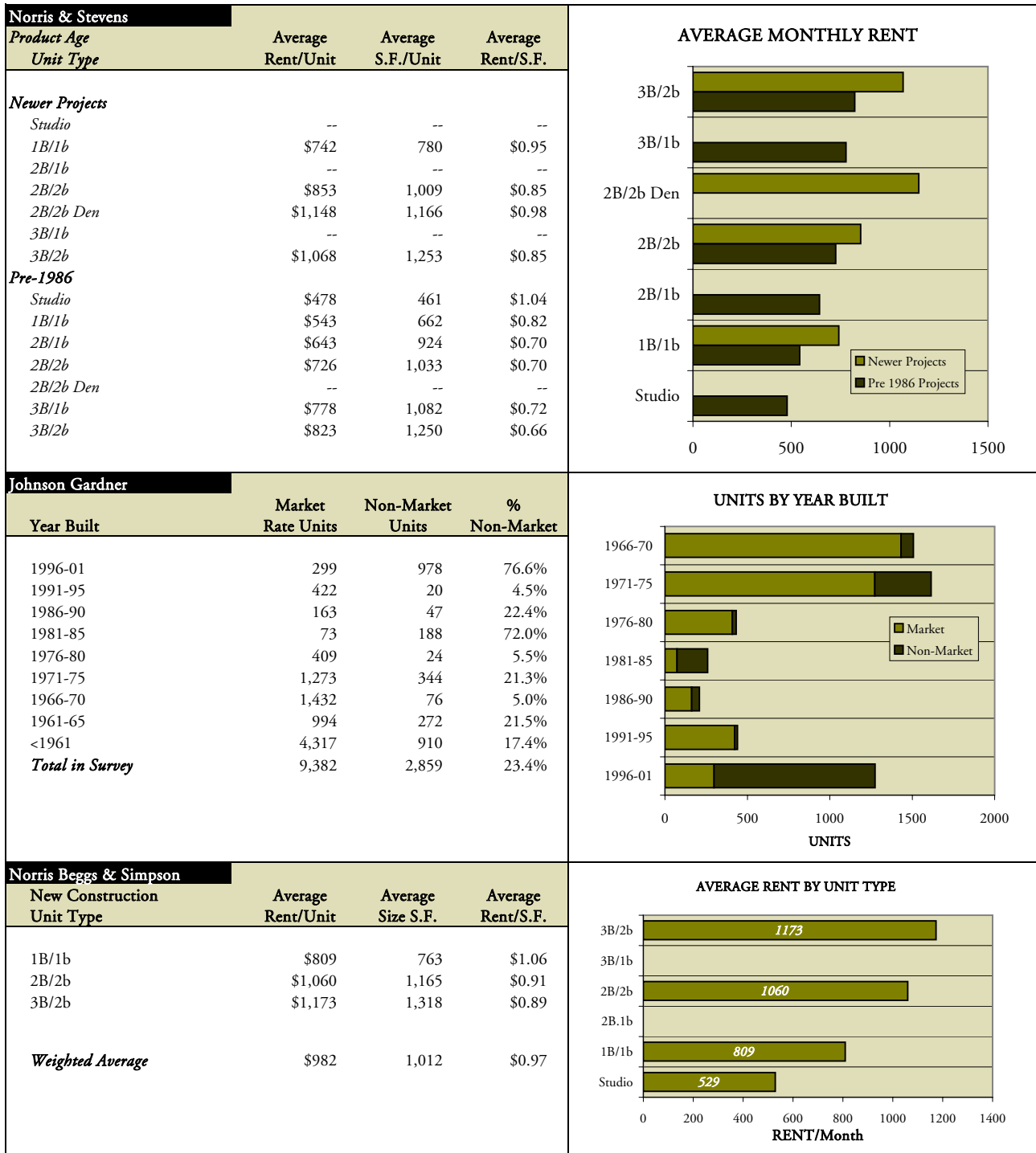
AVERAGE PRICE/UNIT FOR APARTMENT SALES 1996-2003



SOURCE: Norris & Stevens and Johnson Gardner

EXHIBIT 2.05

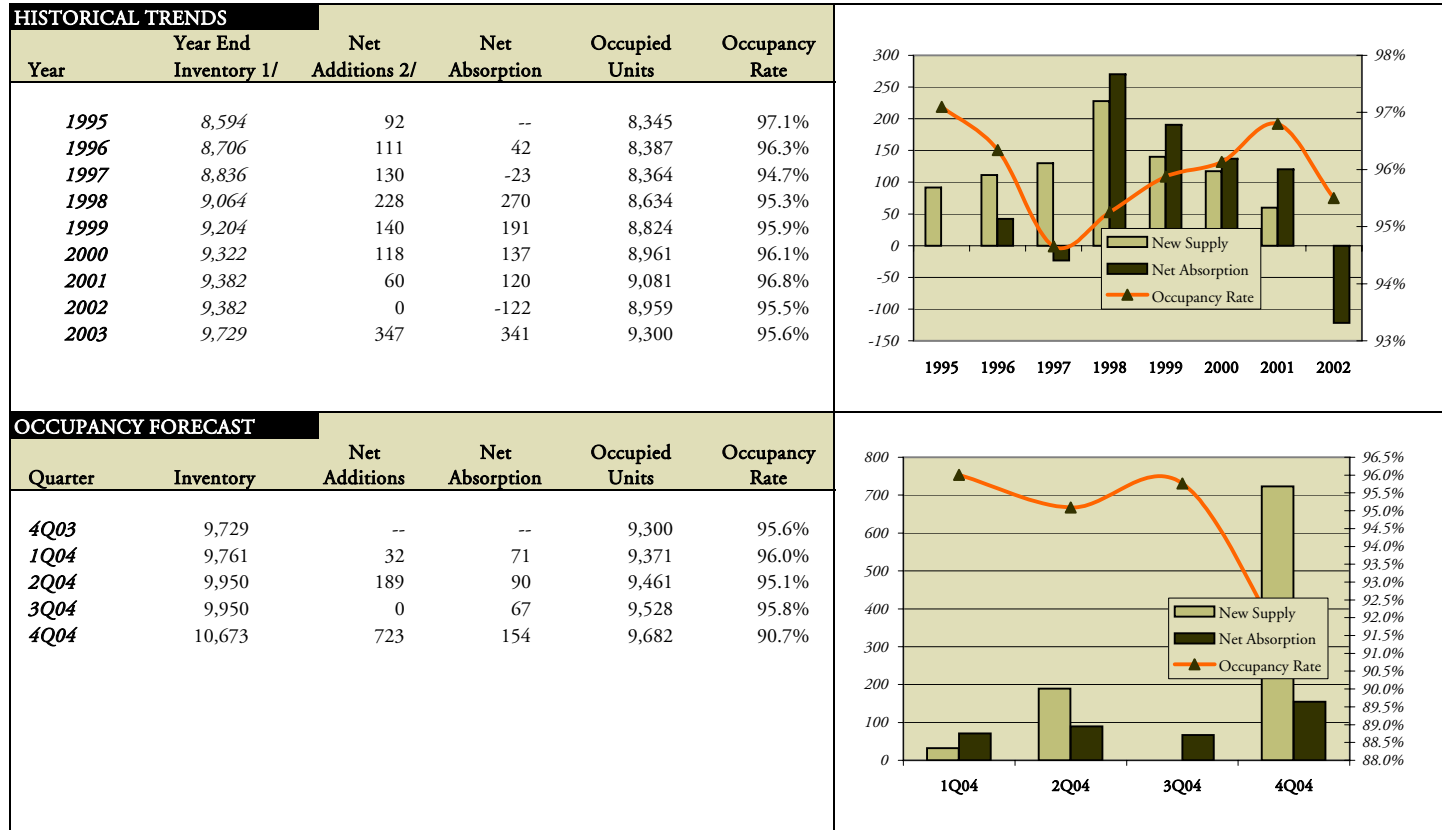
SUBMARKET TRENDS
CLOSE-IN WESTSIDE SUBMARKET
FOURTH QUARTER, 2003



SOURCE: Norris & Stevens, Marathon Management, Norris Beggs & Simpson and Johnson Gardner

EXHIBIT 2.06

SUBMARKET TRENDS CLOSE-IN WESTSIDE SUBMARKET FOURTH QUARTER, 2003



1/ Reflects market-rate projects of 15+ units.

2/ New construction less conversions and demolitions.

3/ Projected

SOURCE: Johnson Gardner

EXHIBIT 2.07

SELECTED COMPETITIVE APARTMENT PROJECTS
DOWNTOWN CORE MARKET AREA

Project Name / Location	Year Built	Unit Characteristics				Units Occupied	Occupancy Rate (%)	Monthly Rents	
		Total	Type	Size (S.F.)	Mix			Price	Price/S.F.
CLOSE-IN WESTSIDE									
University Park 1500 SW Park Ave. Portland	1987	3	Studio	435	2%	--	--	\$775	\$1.78
		8	1B/1b	555	6%	--	--	\$885	\$1.59
		67	1B/1b	710	54%	--	--	\$900	\$1.27
		31	2B/1b	905	25%	--	--	\$1,200	\$1.33
		12	2B/2b	976	10%	--	--	\$1,275	\$1.31
		4	2B/2.5b	1,429	3%	--	--	\$2,200	\$1.54
Totals/Weighted Averages		125		790		112	92%	\$1,048	\$1.33
Southpark Square 1525 SW Park Ave. Portland	1988	20	Studio	462	10%	--	--	\$657	\$1.42
		78	1B/1b	663	41%	--	--	\$854	\$1.29
		16	1B/1b D	805	8%	--	--	\$943	\$1.17
		7	2B/1b	787	4%	--	--	\$979	\$1.24
		63	2B/2b	1,009	33%	--	--	\$1,270	\$1.26
		4	2B/2b D	1,113	2%	--	--	\$1,340	\$1.20
		1	2B/2.5b T	1,306	1%	--	--	\$1,480	\$1.13
		2	3B/2.5b T	1,375	1%	--	--	\$1,672	\$1.22
Totals/Weighted Averages		191		793		176	92%	\$1,005	\$1.28
Park Plaza 1969 SW Park Ave. Portland	1954	19	Studio	426	13%	--	--	\$595	\$1.40
		48	1B/1b	410	32%	--	--	\$595	\$1.45
		37	1B/1b	512	25%	--	--	\$625	\$1.22
		38	1B/1b	656	26%	--	--	\$675	\$1.03
		7	2B/1b	1,100	5%	--	--	\$900	\$0.82
Totals/Weighted Averages		149		533		137	92%	\$637	\$1.25
Regency 1410 SW Broadway Portland	1926	85	Studio	230	100%	81	95%	\$448	\$1.95
Oakwood at the Essex House 1330 SW Third Ave. Portland	1992	103	1B/1b	694	66.0%	--	--	\$859	\$1.24
		48	2B/2b	1,200	30.8%	--	--	\$1,400	\$1.17
		4	2B/2b T	1,383	2.6%	--	--	\$1,650	\$1.19
		1	2B/2.5b T	1,485	0.6%	--	--	\$1,700	\$1.14
Totals/Weighted Averages		156		872		147	94%	\$1,051	\$1.21
Kearney Plaza 931 NW 11th Avenue		92	Studio	495	46%	--	--	\$875	\$1.77
		91	1B/1b	688	46%	--	--	\$1,191	\$1.73
		16	2B/2b	1,030	8%	--	--	\$1,775	\$1.72
Totals/Weighted Averages		199		626	1	189	95%	\$1,092	\$1.74
Museum Place 1/ 1030 SW Jefferson Street	2003	40	Studio/1b	645	--	--	--	\$1,095	\$1.70
		5	Studio/1b	745	--	--	--	\$1,175	\$1.58
		67	1B/1b	665	--	--	--	\$975	\$1.47
		7	1B/2b	955	--	--	--	\$1,885	\$1.97
		2	1B/2b	1,090	--	--	--	\$2,495	\$2.29
		2	2B/1b	840	--	--	--	\$1,300	\$1.55
		5	2B/2b	1,185	--	--	--	\$1,650	\$1.39
		10	2B/2b	1,200	--	--	--	\$1,995	\$1.66
		2	2B/2b	1,330	--	--	--	\$2,495	\$1.88
Totals/Weighted Averages		140		962		105	75%	\$1,674	\$1.74

EXHIBIT 2.07

SELECTED COMPETITIVE APARTMENT PROJECTS
DOWNTOWN CORE MARKET AREA

Project Name / Location	Year Built	Unit Characteristics				Units Occupied	Occupancy Rate (%)	Monthly Rents		
		Total	Type	Size (S.F.)	Mix			Price	Price/S.F.	
River Place Square	1995	22	Studio	483	8%	--	--	\$780	\$1.61	
0308 SW Montgomery St. Portland		24	1B/1b	712	8%	--	--	\$1,230	\$1.73	
		8	1B/1b	733	3%	--	--	\$1,170	\$1.60	
		20	1B/1b	733	7%	--	--	\$1,178	\$1.61	
		4	1B/1b	819	1%	--	--	\$1,283	\$1.57	
		5	1B/1b	819	2%	--	--	\$1,175	\$1.43	
		17	1B/1b D	853	6%	--	--	\$1,305	\$1.53	
		3	1B/1b D	853	1%	--	--	\$1,223	\$1.43	
		62	1B/1b T	1,036	21%	--	--	\$1,148	\$1.11	
		10	1B/1b T	1,236	3%	--	--	\$1,228	\$0.99	
		2	1B/1b T	1,618	1%	--	--	\$1,400	\$0.87	
		28	2B/2b	1,138	10%	--	--	\$1,675	\$1.47	
		4	2B/2b	1,159	1%	--	--	\$1,575	\$1.36	
		8	2B/2b T	913	3%	--	--	\$1,310	\$1.43	
		2	2B/2b T	952	1%	--	--	\$1,350	\$1.42	
		12	2B/2b T	1,440	4%	--	--	\$1,563	\$1.09	
		6	2B/2b T	1,449	2%	--	--	\$1,648	\$1.14	
		10	2B/2b T	1,224	3%	--	--	\$1,540	\$1.26	
		26	2B/2b T	1,394	9%	--	--	\$1,463	\$1.05	
		15	2B/2b T	1,450	5%	--	--	\$1,655	\$1.14	
		1	3B/2b T	2,302	0%	--	--	\$2,785	\$1.21	
	1	3B/2b T	2,228	0%	--	--	\$2,785	\$1.25		
Totals/Weighted Averages		290		1,031		261	91%	\$1,316	\$1.28	
The Village @ Lovejoy Fountain	Bldg. 1	40	Studio	474	20%	--	--	\$469	\$0.99	
245 SW Lincoln Portland	1999	55	1B/1b	670	28%	--	--	\$845	\$1.26	
		35	1B/1b	755	18%	--	--	\$950	\$1.26	
		4	1B/1b	778	2%	--	--	\$1,020	\$1.31	
		10	1B/1b	822	5%	--	--	\$1,100	\$1.34	
		5	1B/1b	725	3%	--	--	\$915	\$1.26	
		20	2B/2b	989	10%	--	--	\$1,300	\$1.31	
		10	2B/2b	1,004	5%	--	--	\$1,275	\$1.27	
		4	2B/2b	1,015	2%	--	--	\$1,325	\$1.31	
		5	2B/2b	1,082	3%	--	--	\$1,310	\$1.21	
		5	2B/2b	1,250	3%	--	--	\$2,000	\$1.60	
		5	1B/1b *	474	3%	--	--	\$695	\$1.47	
			198		733		178	90%	\$920	\$1.23
		Bldg. 2	130	1B/1b	630	63%	--	--	\$655	\$1.04
	1999	13	1B/1b	828	6%	--	--	\$825	\$1.00	
		13	2B/1b	828	6%	--	--	\$915	\$1.11	
		52	2B/2b	950	25%	--	--	\$935	\$0.98	
Totals/Weighted Averages		208		735		187	90%	\$752	\$1.03	
CLOSE-IN EASTSIDE										
The Merrick 2/	2004	29	Studio/1b	527	16%	--	--	\$695	\$1.32	
NE MLK Jr. Blvd. Portland		112	1B/1b	722	61%	--	--	\$913	\$1.26	
		42	2B/2b	1,041	23%	--	--	\$1,352	\$1.30	
Totals/Weighted Averages		183		764		28	15%	\$979	\$1.28	
Lloyd Place	1997	16	1B/1b	651	8%	--	--	\$875	\$1.34	
1500 NE 15th Ave. Portland		76	1B/1b	704	38%	--	--	\$845	\$1.20	
		2	1B/1b	790	1%	--	--	\$940	\$1.19	
		4	1B/1b	858	2%	--	--	\$940	\$1.10	
		19	2B/2b	932	9%	--	--	\$1,200	\$1.29	
		71	2B/2b	985	35%	--	--	\$1,113	\$1.13	
		2	2B/2b	1,005	1%	--	--	\$1,123	\$1.12	
		8	2B/2b	1,090	4%	--	--	\$1,290	\$1.18	
		4	2B/2b	1,144	2%	--	--	\$1,325	\$1.16	
	Totals/Weighted Averages		202		851		194	96%	\$1,008	\$1.18

EXHIBIT 2.07

SELECTED COMPETITIVE APARTMENT PROJECTS
DOWNTOWN CORE MARKET AREA

Project Name / Location	Year Built	Unit Characteristics				Units Occupied	Occupancy Rate (%)	Monthly Rents	
		Total	Type	Size (S.F.)	Mix			Price	Price/S.F.
Buckman Terrace 303 NE 16th Ave. Portland	2000	4	Studio/1b	550	3%	--	--	\$610	\$1.11
		7	1B/1b	553	6%	--	--	\$610	\$1.10
		110	1B/1b	757	90%	--	--	\$738	\$0.97
		1	2B/1b	895	1%	--	--	\$1,025	\$1.15
<i>Totals/Weighted Averages</i>		122		740		119	98%	\$729	\$0.99
The Cornerstone 1425 NE 7th Ave. Portland	1999	20	Studio/1b	680	17%	--	--	\$813	\$1.20
		16	Studio/1b	745	14%	--	--	\$833	\$1.12
		30	1B/1b	648	26%	--	--	\$810	\$1.25
		44	1B/1b	700	38%	--	--	\$913	\$1.30
		6	2B/1b	964	5%	--	--	\$1,038	\$1.08
<i>Totals/Weighted Averages</i>		116		703		110	95%	\$865	\$1.23
Bookmark Apartments 2034 N.E. 40th Ave. Portland	2002	1	Studio/1b	532	2%	--	--	\$585	\$1.10
		14	1B/1b	756	30%	--	--	\$960	\$1.27
		19	1B/1b	620	40%	--	--	\$600	\$0.97
		11	2B/2b	941	23%	--	--	\$960	\$1.02
		2	Loft/1b	748	4%	--	--	\$1,195	\$1.60
<i>Totals/Weighted Averages</i>		47		739		44	94%	\$816	\$1.10
Close-in Westside		1,741		770		1,573	90%	1,029	\$1.36
Close-in Eastside		670		774		495	74%	911	\$1.18
TOTAL/AVERAGE		2,411		771		2,068	86%	996	\$1.31
1/ Museum Place began lease up in fall of 2003									
2/ The Merrick began lease-up in April 2004									

EXHIBIT 2.08

**MARKET AREA PIPELINE REPORT-APARTMENTS
MULTI-FAMILY RESIDENTIAL CONSTRUCTION**

Project Title	Primary Owner Name	Primary Address	Number of Units	Location	Target Completion	Property Type	Project Status
<u>Close-in Eastside</u>							
Residential Mixed Use Bldg	Aiyana Group Architects	1613 NE Weidler St	141	Portland	Aug-04	Apartments	Final Planning
Albina Fuel Site Apartments	Holland Partners	3246 N.E. Broadway	310	Portland	Jul-05	Apartments	Planning
12th and Taylor Retail / Apartment Building	Taylor Street LLC	12th and SE Taylor St	159	Portland	n/a	Apartments	Planning
Albina Fuel Company Site	Holland Partners	NE Broadway & NE 33rd Ave	159	Portland	n/a	Mixed Use	Pre-Planning
Hawthorne Bridgehead Site	Portland Development Commission	vic Hawthorne Ave-1st Ave-	159	Portland	n/a	Mixed Use	Deferred
Lloyd Crossing Mixed Use Development	Portland Development Commission	20 acre Lloyd District central	1,063	Portland	n/a	Unclassifiable	Pre-Planning
Hollywood Station Mixed Use Residential / Retail	c/o Architect (Ankrom Moisan Associated Architects PC)	901 NE Glisan St	159	Portland	n/a	Unclassifiable	Planning
Multifamily Housing	Portland Development Commission	84 NE Weidler St	43	Portland	n/a	Unclassifiable	Deferred
<u>Close-in Westside</u>							
The Burlington	Prendergast Associates	900 NW Lovejoy St	32	Portland	Feb-04	Apartments	Start
Lexis Apartments	c/o General Contractor (R & H Construction)	1125 NW 9th Ave	14	Portland	Apr-04	Apartments	Start
10th & Hoyt	Trammell Crow Residential	NW 10th and NW Hoyt	175	Portland	Apr-04	Apartments	Start
The Tower at Station Place Apartments	REACH Community Development, Inc.	NW Ninth & NW Lovejoy -	176	Portland	Nov-04	Apartments	Start
South Pearl Apartments	Gerding/Edlen	NW 12th & Couch	246	Portland	Dec-04	Apartments	Planning
North Macadam Residential Tower	Williams and Dame	North Macadam Riverfront	200	Portland	Jan-06	Unclassifiable	Final Planning
Roosevelt Tower	Avalon Holdings	934 SW Salmon St	104	Portland	Nov-06	Apartments	Final Planning
Willamette Landing Apartments	HGW, Inc.	5310 SW Macadam Ave	100	Portland	n/a	Apartments	Deferred
12th and Taylor Apartment Building	Taylor Street LLC	12th and SW Taylor St	159	Portland	n/a	Apartments	n/a
Broadway Jackson Inn Mixed Use Building	Wander Development	1984 SW Broadway	42	Portland	n/a	Apartments	Planning
Lovejoy Apartments	Ossey Patterson Co.	2234 NW Lovejoy St	25	Portland	n/a	Apartments	Planning
South Waterfront Student Housing	Portland Development Commission	SW Bond Ave	250	Portland	n/a	Apartments	n/a
Parcel 3 Mixed Use Residential	Portland Development Commission	off SW Harbor nr river	159	Portland	n/a	Mixed Use	Deferred
Parcel 3 Mixed Use - RiverPlace	Portland Development Commission	off SW Harbor nr river	159	Portland	n/a	Mixed Use	n/a
Mixed Use Residential	Venerable Properties	403 NW 5th Ave	42	Portland	n/a	Mixed Use	Deferred
Mixed Use Development	Metro	Morrison Bridgehead Site	159	Portland	n/a	Mixed Use	n/a
Mixed Use Residential/Retail Bldg	VPM Development	1005 SW Main St	40	Portland	n/a	Mixed Use	Planning
Mixed-Use Development - Butler Block	Tri-County Metro Transp Distr - Capital Projects	blk bordered by SW 18th	n/a	Portland	n/a	Subsidized/Mixed income	Pre-Planning
South Waterfront Block 29	Williams and Dame	S.W. Bond Ave - 130 acres	300	Portland	n/a	Unclassifiable	n/a

EXHIBIT 2.09

SUMMARY OF SELECTED PLANNED AND PROPOSED PROJECTS RENTAL APARTMENTS

Project Name / Location		Unit Characteristics				Monthly Rent Characteristics	
		Total	Type	Size (S.F.)	Mix	Price	Price / S.F.
Eastside							
Unnamed 3234 NE Broadway	2005	47	1B/1b	575	15%	n/a	n/a
		77	1B/1b	645	25%		
		77	2B/1b	850	25%		
		109	2B/2b	1,000	35%		
		310					
Pearl District							
Lexis Apartments 1125 N.W. 9th Ave.	2004	30	Studio	739	22%	n/a	n/a
		6	1B/1b	655	4%		
		30	1B/1b	717	22%		
		22	1B/1b	761	16%		
		15	1B/1b	833	11%		
		12	2B/2b	1,119	9%		
		16	2B/2b	1,206	12%		
		8	2B/2b TH	1,453	6%		
		139		872			
10th & Hoyt 911 N.W. Hoyt St.	2004	15	Studio	565	8%	n/a	n/a
		5	Studio	544	3%		
		98	1B/1b	713	55%		
		10	1B/1b	762	6%		
		10	1B/1b	807	6%		
		19	2B/2b	1,005	11%		
		20	2B/2b	1,013	11%		
		177		769			
Station Place 1020 N.W. 9th Ave.	2004	27	Studio	405	15%	n/a	n/a
		9	Studio	475	5%		
		107	1B/1b	551	61%		
		18	1B/1b	654	10%		
		9	2B/2b	754	5%		
		3	2B/2.5b	817	2%		
		3	2B/2.5b	884	2%		
176		556					
Burlington 900 N.W. Lovejoy St.	2005	8	1B/1b	506	5%	n/a	n/a
		16	1B/1b	659	10%		
		36	1B/1b	730	23%		
		25	1B/1b	778	16%		
		16	1B/1b	820	10%		
		19	1B/1b	851	12%		
		14	1B/2b	1,112	9%		
		14	2B/2b	1,129	9%		
		7	2B/2b	1,276	4%		
		1	2B/2b	1,553	1%		
		2	2B/2b	1,833	1%		
158		855					

Source: RMLS and Johnson Gardner LLC

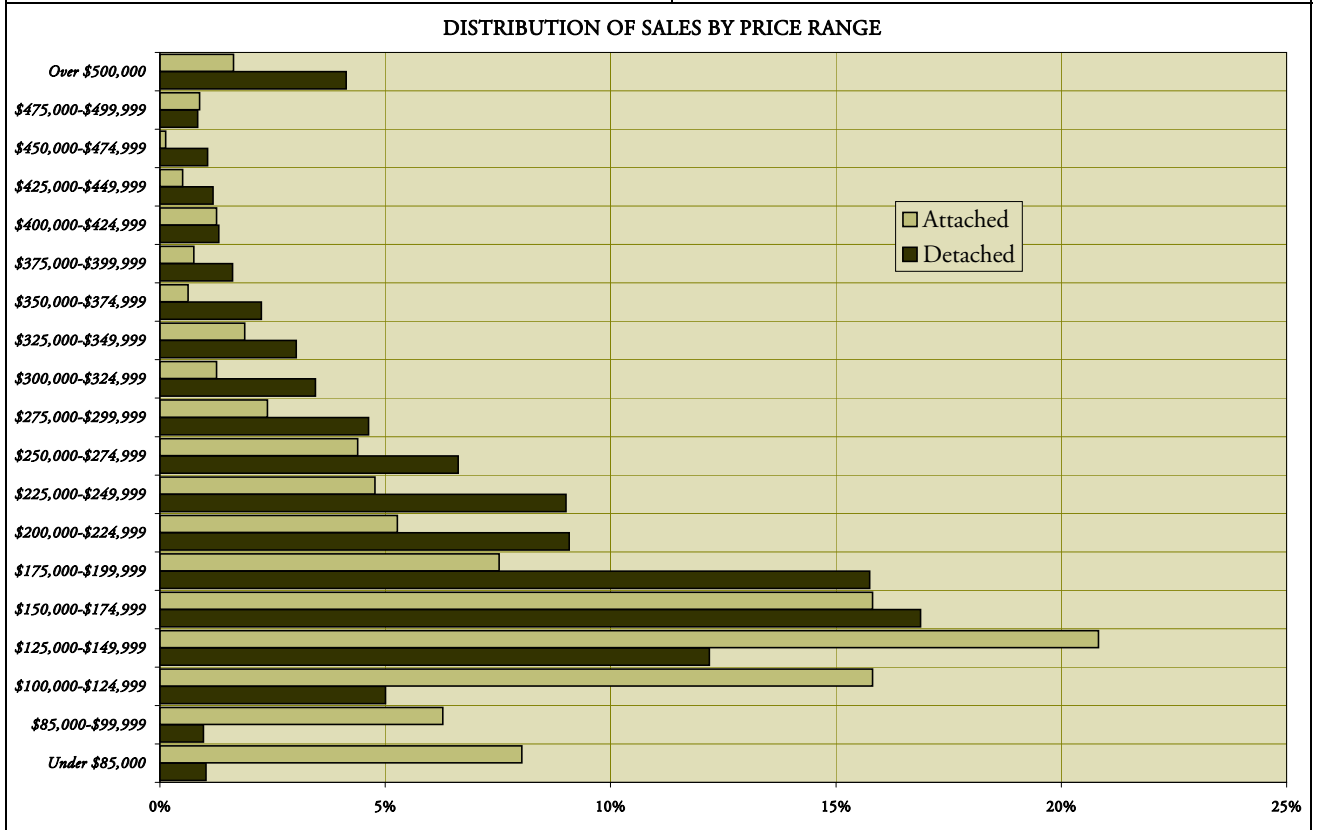
BLOCK 49 MARKET STUDY

ATTACHED OWNERSHIP MARKET EXHIBITS

EXHIBIT 3.01

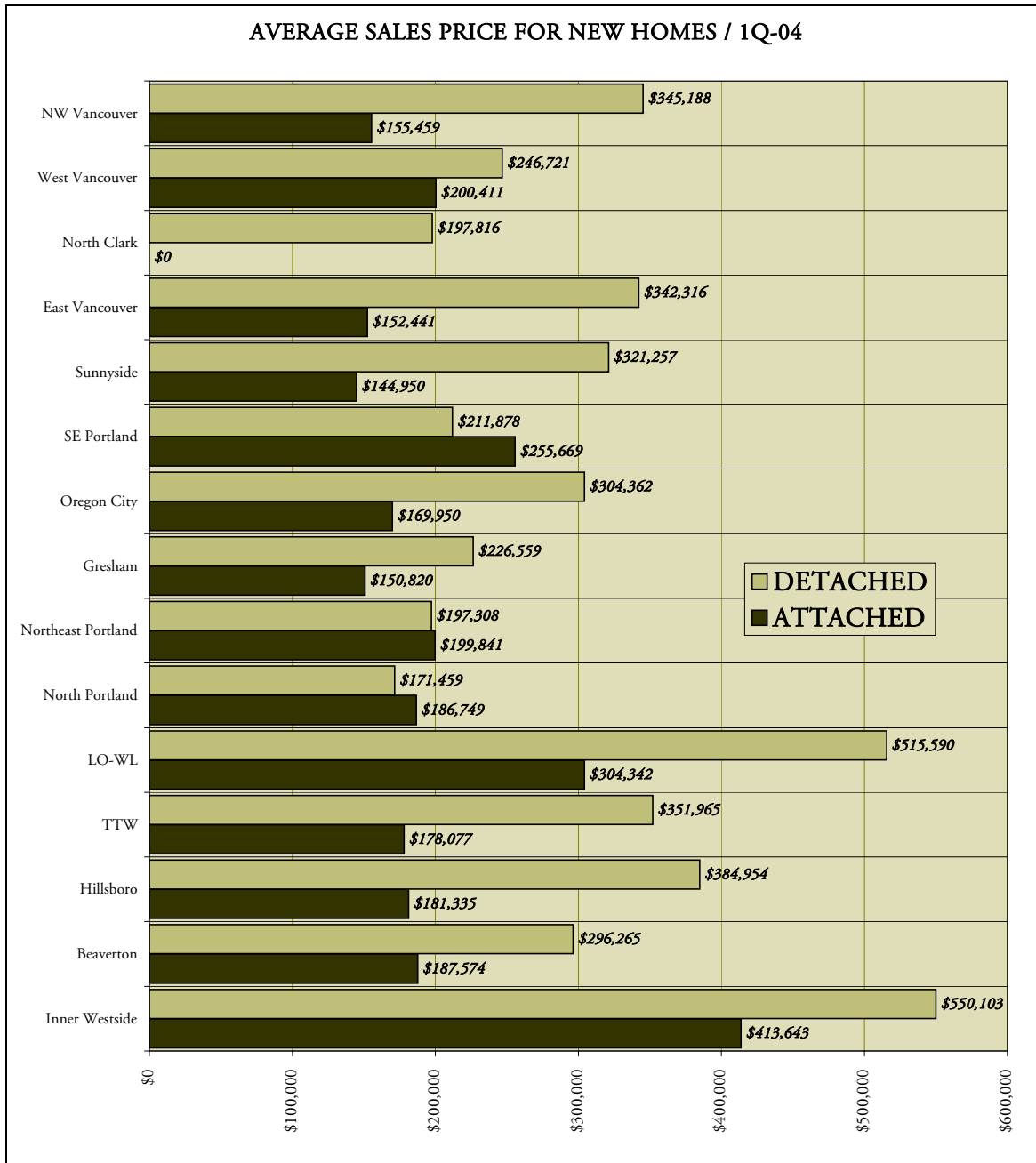
SUMMARY OF RECENT OWNERSHIP SALES ACTIVITY PORTLAND-VANCOUVER PMSA First Quarter, 2004

Price Range	Total Sales 1/ Detached	Total Sales 1/ Attached	Distribution	Total Sales Volume	Detached	Attached	Total
Under \$85,000	57	64	1.9%	1st Quarter-04	5,593	797	6,390
\$85,000 - \$99,999	54	50	1.6%	4th Quarter-03	7,064	876	7,940
\$100,000 - \$124,999	280	126	6.4%	3rd Quarter-03	8,870	966	9,836
\$125,000 - \$149,999	682	166	13.3%	2nd Quarter-03	7,616	982	8,598
\$150,000 - \$174,999	944	126	16.7%	1st Quarter-03	5,609	696	6,305
\$175,000 - \$199,999	881	60	14.7%	4th Quarter-02	6,642	816	7,458
\$200,000 - \$224,999	508	42	8.6%	3rd Quarter-02	7,870	944	8,814
\$225,000 - \$249,999	504	38	8.5%	Annual Percent Increase (Decrease)	-0.3%	14.5%	1.3%
\$250,000 - \$274,999	370	35	6.3%	Average Sales Price -- New Construction	Detached	Attached	Attached/ Detached
\$275,000 - \$299,999	259	19	4.4%	WESTSIDE			
\$300,000 - \$324,999	193	10	3.2%	NEW	\$376,939	\$231,068	61.3%
\$325,000 - \$349,999	169	15	2.9%	ALL SALES	\$322,236	\$201,724	62.6%
\$350,000 - \$374,999	126	5	2.1%	EASTSIDE			
\$375,000 - \$399,999	90	6	1.5%	NEW	\$256,155	\$204,777	79.9%
\$400,000 - \$424,999	73	10	1.3%	ALL SALES	\$231,349	\$158,167	68.4%
\$425,000 - \$449,999	66	4	1.1%	CLARK COUNTY			
\$450,000 - \$474,999	59	1	0.9%	NEW	\$300,627	\$163,101	54.3%
\$475,000 - \$499,999	47	7	0.8%	ALL SALES	\$189,954	\$163,432	86.0%
\$500,000 & Over	231	13	3.8%				
Total	5,593	797	100%				



1/ Total of all sales, New Construction and Resales.
SOURCE: RMLS & Johnson Gardner LLC

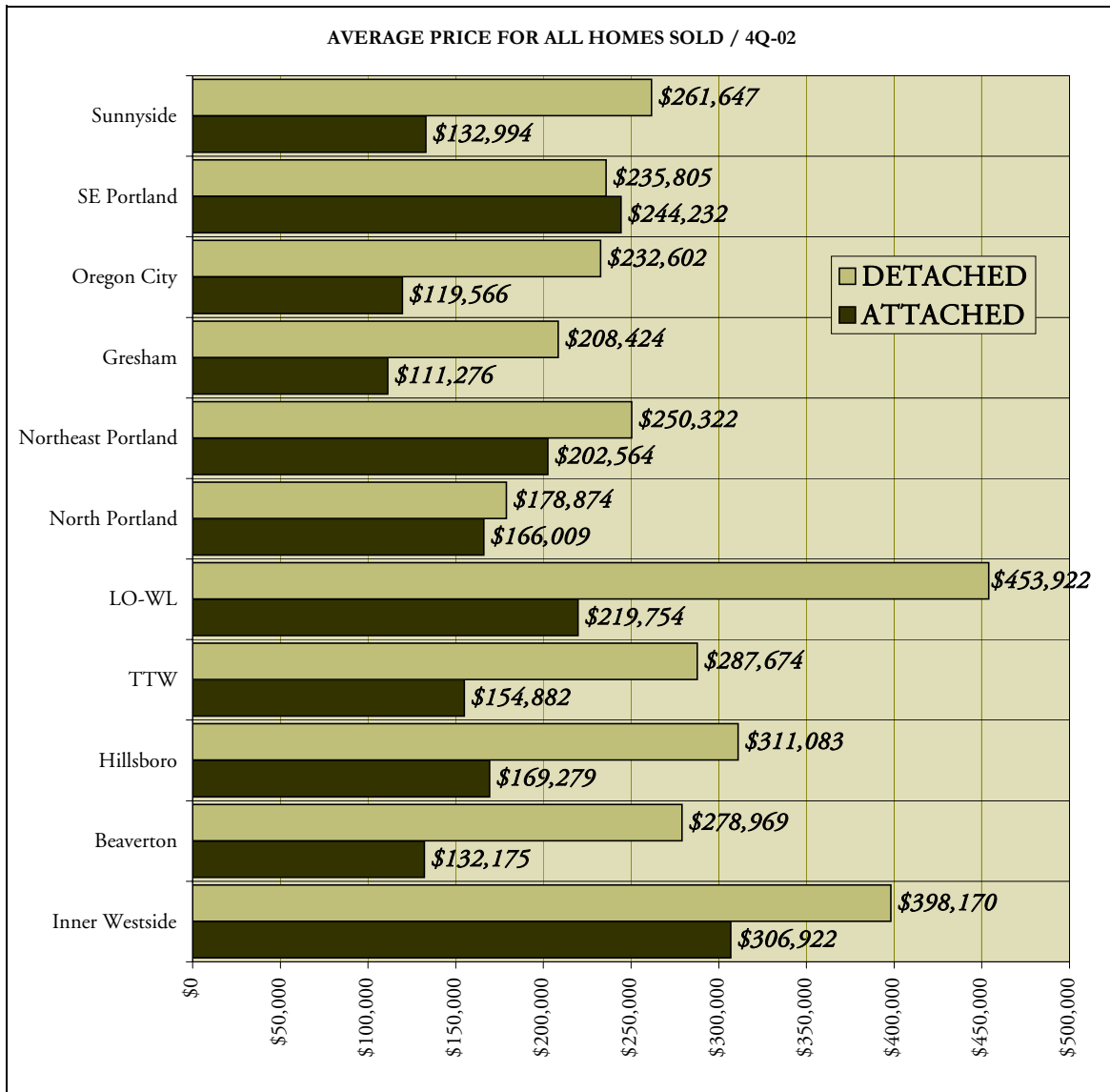
EXHIBIT 3.02
RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION



SOURCE: RMLS & Johnson Gardner LLC

EXHIBIT 3.03 (cont.)

RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION



SOURCE: RMLS & Johnson Gardner LLC

EXHIBIT 3.03

ATTACHED HOME SALES TRENDS NORTHEAST PORTLAND

First Quarter, 2004

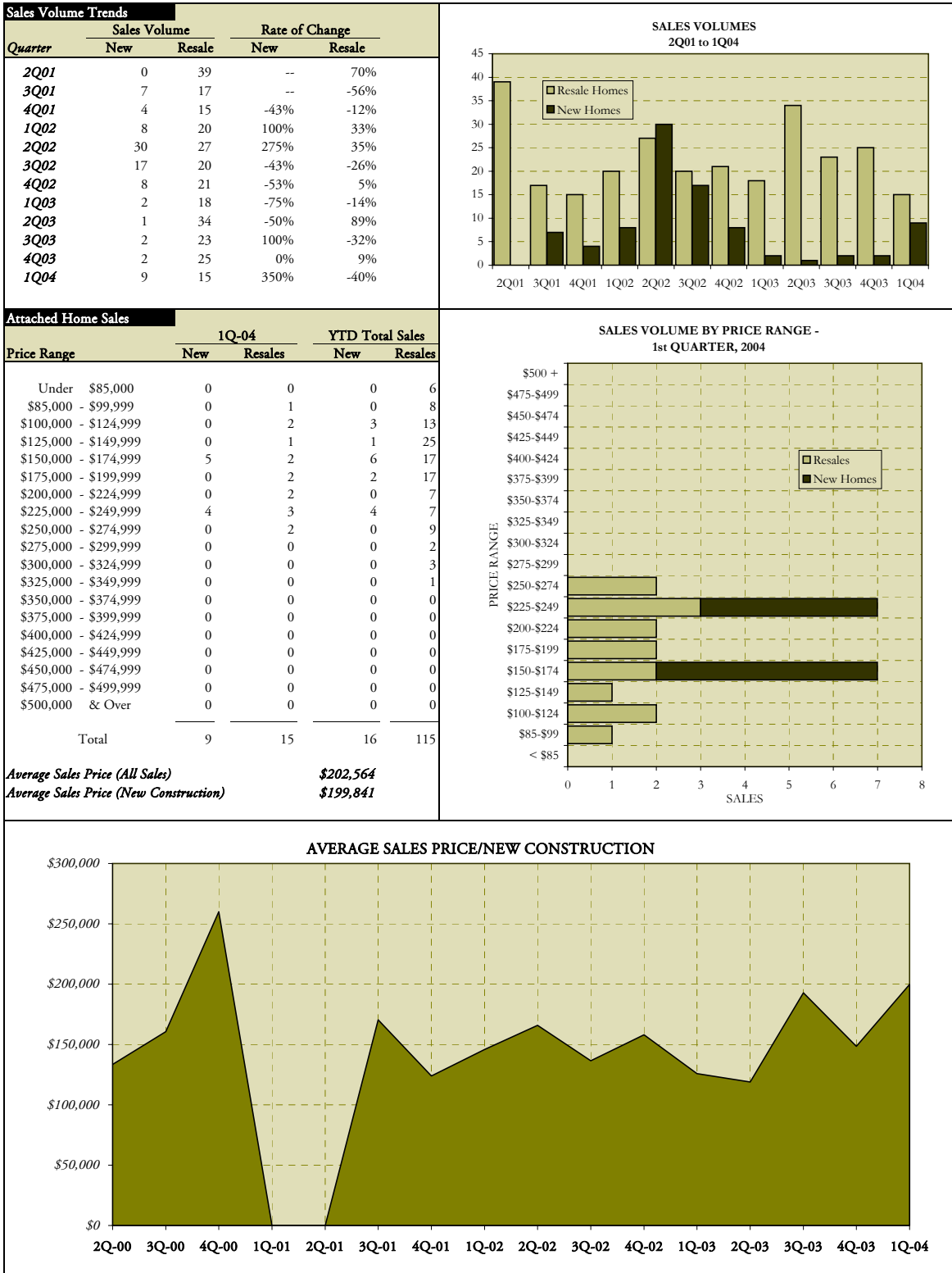
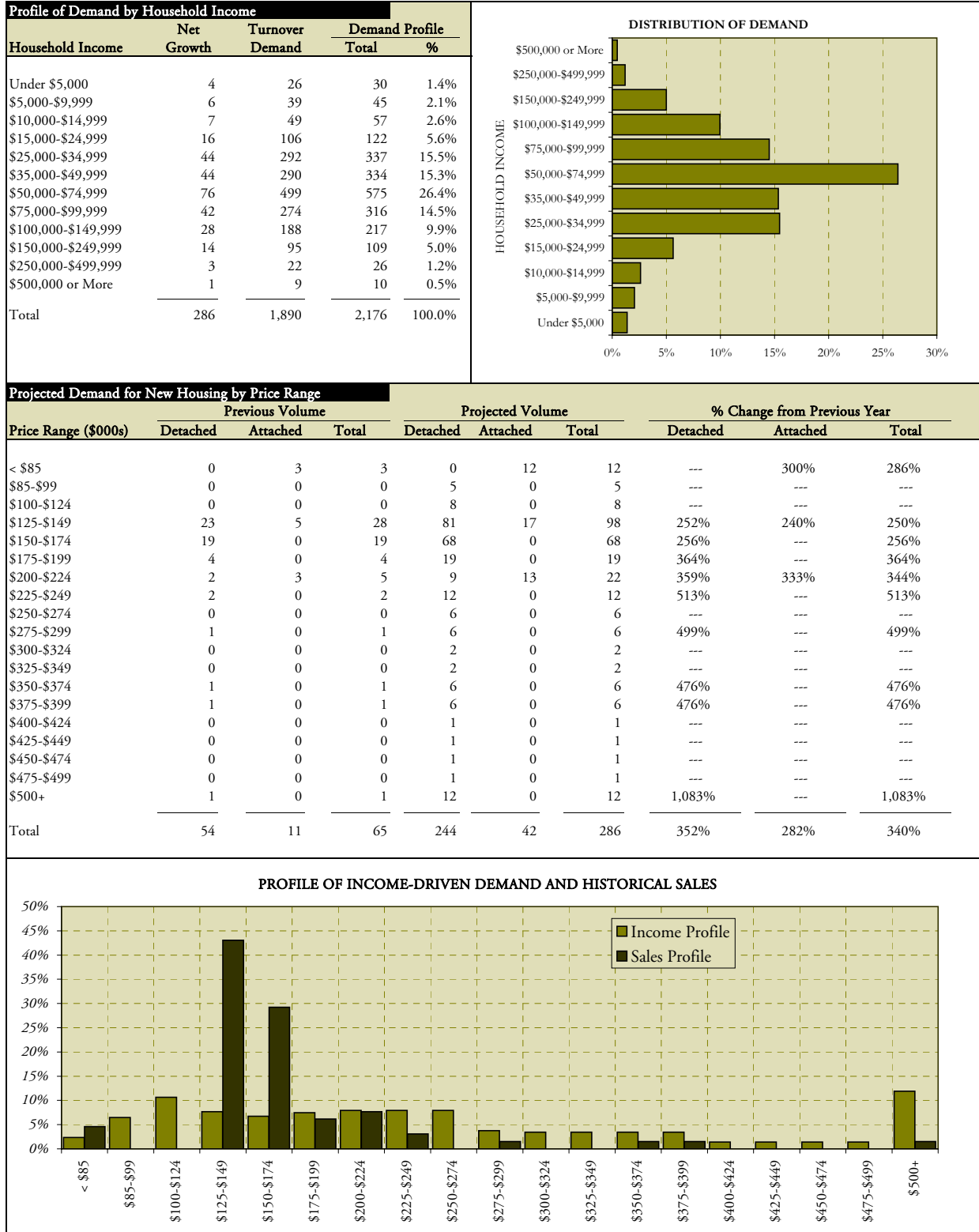


EXHIBIT 3.04

PROJECTED DEMAND FOR OWNERSHIP HOUSING NORTHEAST PORTLAND

First Quarter, 2004 through First Quarter, 2005



1/ Based upon sales volume over the previous twelve months and demand projections for the next twelve months.

SOURCE: RMLS & Johnson Gardner LLC

EXHIBIT 3.05

SUMMARY OF SELECT COMPETITIVE CONDOMINIUM PROJECTS
PORTLAND CITY CENTER

Project Name/ Location	Unit Characteristics							Sales Characteristics				
	Number		Type	Size Range			Mix	Price Range			Price/ (S.F.)	
	Total	Sold		Low	High	Average		Low	High	Average		
<u>NORTHEAST PORTLAND</u>												
1620 Broadway 1620 NE Broadway	23	15	1B/1b	844 - 1,078		961	26%	\$199,750 -	\$269,500	\$234,625	\$244	
	18	2	1B/1.5b/1D	1,000 - 1,030		1,015	20%	\$253,000 -	\$288,360	\$270,680	\$267	
	27	14	2B/2b	1,139 - 1,440		1,290	31%	\$336,750 -	\$384,480	\$360,615	\$280	
	13	4	2B/2b/1D	1,344 - 1,647		1,496	15%	\$336,000 -	\$469,510	\$402,755	\$269	
	2	2	3B/2b	1,702 - 1,702		1,702	2%	\$595,700 -	\$595,700	\$595,700	\$350	
	1	1	3B/2.5b	2,063 - 2,063		2,063	1%	\$722,050 -	\$722,050	\$722,050	\$350	
	4	1	3B/3b	2,115 - 2,247		2,181	5%	\$740,250 -	\$786,450	\$763,350	\$350	
	88	39		844 - 2,247		1237		\$199,750 -	\$786,450	\$343,271	\$278	
<u>SOUTHWEST PORTLAND</u>												
Mosaic 1410 SW 11th	18	18	Studios	454 - 590		522	-	\$134,900 -	\$174,900	\$154,900	\$297	
	22	11	1B/2b Lofts	628 - 1,050		839	-	\$179,900 -	\$320,000	\$249,950	\$298	
	40	28		454 - 1,050		681		\$134,900 -	\$320,000	\$202,425	\$297	
<u>NORTHWEST PORTLAND</u>												
Park Place Condominiums												
922 NW 11th Avenue	1	-	Townhome 1B/1b	1,170 - 1,170		1,170	1%	\$362,500 -	\$362,500	\$362,500	\$310	
	6	1	Townhome 2B/2b	1,735 - 2,250		1,993	5%	\$592,000 -	\$769,500	\$680,750	\$342	
	1	-	Townhome 2B/3b	1,950 - 1,950		1,950	1%	\$676,000 -	\$676,000	\$676,000	\$347	
	1	-	Townhome 1B/1.5b	1,440 - 1,440		1,440	1%	\$431,000 -	\$431,000	\$431,000	\$299	
	4	-	Loft Studio/1b	725 - 735		730	3%	\$206,000 -	\$225,000	\$215,500	\$295	
	1	-	Loft 1B/1b	1,275 - 1,275		1,275	1%	\$361,500 -	\$361,500	\$361,500	\$284	
	11	8	Loft 1B/2b	1,130 - 1,800		1,465	9%	\$423,000 -	\$544,500	\$483,750	\$330	
	2	-	Loft 3B/3b	2,035 - 2,035		2,035	2%	\$588,000 -	\$609,000	\$598,500	\$294	
	28	15	1B/2b/D	805 - 1,114		960	23%	\$287,000 -	\$346,000	\$316,500	\$330	
	10	-	1B/1B/D	1,030 - 1,100		1,065	8%	\$320,500 -	\$375,500	\$348,000	\$327	
	9	7	1B/1.5b/D	1,050 - 1,115		1,083	7%	\$331,500 -	\$337,500	\$334,500	\$309	
	17	3	2B/2b	1,270 - 1,455		1,363	14%	\$360,000 -	\$520,500	\$440,250	\$323	
	14	5	2B/2.5b	1,480 - 1,750		1,615	11%	\$457,500 -	\$551,500	\$504,500	\$312	
	11	9	2B/2.5b/D	1,845 - 1,890		1,868	9%	\$466,500 -	\$613,000	\$539,750	\$289	
	8	4	Penthouse 2B/2.5b	1,480 - 2,715		2,098	6%	\$582,000 -	\$1,171,000	\$876,500	\$418	
	124	52		725 - 2,715		1,381		\$206,000 -	\$1,171,000	\$452,780	\$328	
	The Edge											
	NW 14th & Marshall	96	57	Loft/1b	842 - 2,028		1,435	77%	\$240,850 -	\$333,040	\$286,945	\$200
18		8	Loft/2b	1,476 - 1,727		1,602	15%	\$440,850 -	\$551,225	\$496,038	\$310	
10		5	Penthouse Loft/2b	1,478 - 2,513		1,996	8%	\$539,000 -	\$724,000	\$631,500	\$316	
124		70		842 - 2,028		1504		\$240,850 -	\$724,000	\$345,084	\$229	
The Elizabeth												
333 NW 9th Avenue	128	62	Loft/1b	884 - 1,160		1,022	71%	\$296,300 -	\$385,500	\$340,900	\$334	
	44	39	Loft/2b	1,399 - 2,300		1,850	24%	\$516,000 -	\$569,000	\$542,500	\$293	
	8	7	Loft/2.5b	2,230 - 3,293		2,762	4%	\$1,325,000 -	\$1,325,000	\$1,325,000	\$480	
	180	108		884 - 3,293		1301.5889		\$296,300 -	\$1,325,000	\$433,918	\$333	
The Henry												
NW 11th & Couch	12	12	1B/1b	755 - 755		755	10%	\$199,000 -	\$265,000	\$232,000	\$307	
	1	1	1B/1b	833 - 833		833	1%	\$300,000 -	\$300,000	\$300,000	\$360	
	18	18	1B/1.5b	988 - 988		988	15%	\$269,000 -	\$341,000	\$305,000	\$309	
	18	18	1B/1.5b	1,025 - 1,025		1,025	15%	\$269,000 -	\$410,000	\$339,500	\$331	
	12	12	1B/1.5b	1,139 - 1,139		1,139	10%	\$344,000 -	\$425,000	\$384,500	\$338	
	1	1	1B/1.5b	1,305 - 1,305		1,305	1%	\$469,000 -	\$469,000	\$469,000	\$359	
	8	8	2B/2b	1,320 - 1,320		1,320	6%	\$394,000 -	\$435,000	\$414,500	\$314	
	8	8	2B/2b	1,451 - 1,451		1,451	6%	\$437,000 -	\$480,000	\$458,500	\$316	
	8	8	2B/2b	1,758 - 1,770		1,764	6%	\$479,000 -	\$579,000	\$529,000	\$300	
	8	8	2B/2b	1,720 - 1,720		1,720	6%	\$499,000 -	\$619,000	\$559,000	\$325	
	6	6	2B/2b	1,885 - 1,894		1,890	5%	\$530,000 -	\$690,000	\$610,000	\$323	
	10	10	2B/2b	2,046 - 2,059		2,053	8%	\$615,000 -	\$765,000	\$690,000	\$336	
	2	2	Penthouse 1B/1.5b	1,457 - 1,457		1,457	2%	\$599,000 -	\$599,000	\$599,000	\$411	
	2	2	Penthouse 2B/2b	1,672 - 1,672		1,672	2%	\$679,000 -	\$679,000	\$679,000	\$406	
	4	4	Penthouse 2B/2.5b	2,228 - 2,228		2,228	3%	\$896,000 -	\$909,000	\$902,500	\$405	
	4	4	Penthouse 2B/2.5b	2,675 - 2,675		2,675	3%	\$1,080,000 -	\$1,080,000	\$1,080,000	\$404	
	2	2	Penthouse 2B/2.5b	2,945 - 2,945		2,945	2%	\$1,180,000 -	\$1,180,000	\$1,180,000	\$401	
	124	124		755 - 2,945		1409		\$199,000 -	\$1,180,000	\$474,694	\$337	

SOURCE: Johnson Gardner LLC

EXHIBIT 3.06

**MARKET AREA PIPELINE REPORT-CONDOMINIUMS
MULTI-FAMILY RESIDENTIAL CONSTRUCTION**

Project Title	Primary Owner Name	Primary Address	Number of Units	Location	Target Completion	Property Type	Project Status
<u>Close-in Eastside</u>							
Belmont Lofts Condominiums	Rapaport Development	3442 SE Belmont St	27	Portland	Nov-04	Townhouse/Condo	Start
1620 Broadway Condominiums	Aiyana Weidler LLC	1613 NE Weidler St	88	Portland	Nov-04	Townhouse/Condo	Start
Cascadian Tower	Portland Development Commission	1010 NE Grand	794	Portland	n/a	Apartments	Planning
Hawthorne Bridgehead Site	Portland Development Commission	vic Hawthorne Ave-1st Ave-	159	Portland	n/a	Mixed Use	Deferred
Residential Housing over Metro Center	Metro	600 NE Grand Ave	85	Portland	n/a	Townhouse/Condo	n/a
Lloyd Crossing Mixed Use Development	Portland Development Commission	20 acre Lloyd District central	1,063	Portland	n/a	Unclassifiable	Pre-Planning
Rowhouses	Martin Smith, Trustee	2158 & 2136 NE Multnomah St	16	Portland	n/a	Unclassifiable	Planning
Mixed Use Building	c/o Architect (LRS Architects)	3510 NE Martin Luther King	7	Portland	n/a	Unclassifiable	Planning
Hollywood Station Mixed Use Residential / Retail	c/o Architect (Ankrom Moisan Associated Architects PC)	901 NE Glisan St	159	Portland	n/a	Unclassifiable	Planning
Multifamily Housing	Portland Development Commission	84 NE Weidler St	43	Portland	n/a	Unclassifiable	Deferred
<u>Close-in Westside</u>							
The Henry	Gerding / Edlen Development Co.	1025 NW Couch St	125	Portland	May-04	Townhouse/Condo	Start
Condominiums	Ralston Investments	2222 NW Hoyt St	10	Portland	Jun-04	Townhouse/Condo	Start
Meier & Frank Warehouse Convert to Loft Condos	Lovejoy Corner LLC	1438 NW Irving St	166	Portland	Jun-04	Townhouse/Condo	Start
Park Place Condos	Hoyt Street Properties, LLC	922 NW 11th Ave	124	Portland	Aug-04	Townhouse/Condo	Start
The Embassy (rennovation to condos)	Robert Ball	2015 NW Flanders	69	Portland	Aug-04	Townhouse/Condo	Start
The Avenue Lofts	Robert Ball	1400 NW Irving	166	Portland	Aug-04	Townhouse/Condo	Start
Brewery Block Five - Housing / Retail Tower	Gerding / Edlen Development Co.	1120 NW Davis St	244	Portland	Oct-04	Mixed Use	Start
Condominiums - Hume Court Site	Mike Foote	8323 SW 24th Ave	34	Portland	Nov-04	Townhouse/Condo	Start
NW Thurman Town Homes	Bitar Brothers LP	2484 NW Thurman St	5	Portland	Nov-04	Townhouse/Condo	Start
The Pinnacle	Hoyt Street Properties, LLC	1030 NW 12th Ave	176	Portland	Feb-05	Townhouse/Condo	Start
Elizabeth Lofts	Carroll Investments	333 NW 9th Ave	182	Portland	Apr-05	Townhouse/Condo	Start
Envoy (rennovation to condos)	Reliance Development, Inc.	2336 SW Osage St.	41	Portland	Jul-05	Townhouse/Condo	Start
Benson Tower Condominiums	Octagon Development Corporation	1504-1520 SW 11th Ave	168	Portland	Sep-05	Townhouse/Condo	n/a
RiverPlace Parcel 1- Condos	Onder Development Company LLC	Parcel 1- SW River Parkway	210	Portland	Dec-05	Mixed Use	n/a
North Macadam Condominium Tower - Block 30	Williams and Dame	North Macadam Riverfront	500	Portland	Jan-06	Townhouse/Condo	n/a
North Macadam Residential Tower	Williams and Dame	North Macadam Riverfront	200	Portland	Jan-06	Unclassifiable	Final Planning
Eliot Tower	John Carroll	SW 10th and Jefferson	222	Portland	Mar-06	Townhouse/Condo	Final Planning
Parcel 3 Mixed Use Residential	Portland Development Commission	Off SW Harbor near river	159	Portland	n/a	Mixed Use	Deferred
Parcel 3 Mixed Use - RiverPlace	Portland Development Commission	off SW Harbor nr river	159	Portland	n/a	Mixed Use	n/a
Butler Block	M. David Paul & Associates	1715 SW Salmon St	180	Portland	n/a	Mixed Use	Planning
Mixed Use Residential	Venerable Properties	403 NW 5th Ave	42	Portland	n/a	Mixed Use	Deferred
Mixed Use Development	Metro	Morrison Bridgehead Site	159	Portland	n/a	Mixed Use	n/a
Mixed Use Residential/Retail Bldg	VPM Development	1005 SW Main St	40	Portland	n/a	Mixed Use	Planning
Mixed-Use Development - Butler Block	Tri-County Metro Transp Distr - Capital Projects	blk bordered by SW 18th		Portland	n/a	Subsidized/Mixed income	Pre-Planning
Market Hill Condominiums	PBH, Inc.	SW Market St & SW 20th Ave	8	Portland	n/a	Townhouse/Condo	Abandoned
Rowhouses-Apartments	OTAK Inc.	1299 SW Cardinell Dr	45	Portland	n/a	Townhouse/Condo	Deferred
Couch Street Lofts	Viking Properties	NW 6th and Couch St	86	Portland	n/a	Townhouse/Condo	Planning
Hoyt Street Properties - Block 9	Hoyt Street Properties, LLC	11th, 10th and	145	Portland	n/a	Townhouse/Condo	Planning
Lovejoy Condominium Building	PBH, Inc.	between 22 and 23rd and	86	Portland	n/a	Townhouse/Condo	Planning
Mixed Use Condominium Tower	Octagon Development Corporation	1520 SW 11th Ave	168	Portland	n/a	Townhouse/Condo	Planning
Overton Street Condominiums	Ankrom Moisan Associated Architects PC	1940 NW Overton St	55	Portland	n/a	Townhouse/Condo	Planning
Riverscape Lots 2 & 3	Apollo Homes	NW Front & NW Sherlock Ave	40	Portland	n/a	Townhouse/Condo	Planning
Riverscape Lots 4-6-8	c/o Architect (Mithun - Architecture Design & Planning)	N of Fremont Bridge & S of	81	Portland	n/a	Townhouse/Condo	Planning
Rowhouses & Apartments/Condominiums	RCR Construction	1299 SW Cardinell Dr	45	Portland	n/a	Townhouse/Condo	Planning
Union Station Housing Ph C	GSL Properties	NW Naito Pkwy near Union	38	Portland	n/a	Townhouse/Condo	Planning
Condominiums	Downtown Developers	SW Stark St at SW Naito Pkwy	159	Portland	n/a	Townhouse/Condo	Pre-Planning
High Rise Apartment/Condominium Bldg	Portland Development Commission	NEC of SW Third & SW Oak	278	Portland	n/a	Townhouse/Condo	Pre-Planning
South Waterfront Block 29	Williams and Dame	S.W. Bond Ave - 130 acres	300	Portland	n/a	Unclassifiable	n/a
Rowhouses	Northland Homes	236 SW Seymour Ct	12	Portland	n/a	Unclassifiable	Planning

BLOCK 49 MARKET STUDY

RESIDENTIAL DEMAND ANALYSIS EXHIBITS

EXHIBIT 4.01

**AGE BY INCOME DISTRIBUTION OF HOUSEHOLDS
BY AGE AND INCOME COHORT
PRIMARY TRADE AREA
2003-2008**

Household Income Range 1/	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-64	65-74	75+
2003								
Under \$15,000	7,684	1,596	1,808	864	1,160	785	617	854
\$15,000-\$24,999	5,871	1,096	1,668	779	870	464	416	578
\$25,000-\$34,999	4,503	690	1,428	726	734	346	251	328
\$35,000-\$49,999	5,532	663	1,894	877	959	484	237	418
\$50,000-\$74,999	4,974	407	1,836	970	825	489	184	263
\$75,000-\$99,999	2,884	156	948	613	614	340	102	111
\$100,000-\$149,999	2,279	241	571	502	470	309	80	106
\$150,000-\$249,999	917	58	206	188	254	94	34	83
\$250,000-\$499,999	237	8	32	67	52	38	15	25
\$500,000 or More	98	2	17	38	16	8	5	12
Overall	34,979	4,917	10,408	5,624	5,954	3,357	1,941	2,778
2008								
Under \$15,000	8,277	1,735	1,886	819	1,298	972	660	907
\$15,000-\$24,999	6,277	1,191	1,740	738	974	575	445	614
\$25,000-\$34,999	4,794	750	1,490	688	821	429	268	349
\$35,000-\$49,999	5,898	721	1,976	831	1,073	599	253	444
\$50,000-\$74,999	5,282	442	1,915	919	923	606	197	279
\$75,000-\$99,999	3,075	170	989	581	687	421	109	118
\$100,000-\$149,999	2,440	262	596	476	526	383	86	113
\$150,000-\$249,999	981	63	215	178	284	116	36	88
\$250,000-\$499,999	253	9	33	63	58	47	16	27
\$500,000 or More	102	2	18	36	18	10	5	13
Overall	37,379	5,344	10,858	5,328	6,663	4,158	2,076	2,952
NET CHANGE								
Under \$15,000	593	139	78	-45	138	187	43	53
\$15,000-\$24,999	406	95	72	-41	104	111	29	36
\$25,000-\$34,999	291	60	62	-38	87	83	17	21
\$35,000-\$49,999	366	58	82	-46	114	115	16	26
\$50,000-\$74,999	308	35	79	-51	98	117	13	16
\$75,000-\$99,999	191	14	41	-32	73	81	7	7
\$100,000-\$149,999	161	21	25	-26	56	74	6	7
\$150,000-\$249,999	64	5	9	-10	30	22	2	5
\$250,000-\$499,999	16	1	1	-4	6	9	1	2
\$500,000 or More	4	0	1	-2	2	2	0	1
Overall	2,400	427	450	-296	709	801	135	174

EXHIBIT 4.01 (Cont'd)

**PROJECTED RENTAL HOUSING DEMAND
BY AGE AND INCOME COHORT
PRIMARY TRADE AREA
2003-2008**

Household Income Range 1/	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-64	65-74	75+
RENTER PROPENSITY								
Under \$15,000	87.8%	91.2%	90.6%	88.5%	86.5%	83.5%	82.7%	84.8%
\$15,000-\$24,999	87.0%	90.8%	90.0%	87.4%	85.0%	81.7%	80.8%	83.1%
\$25,000-\$34,999	86.1%	90.3%	89.3%	86.3%	83.8%	80.3%	79.3%	81.8%
\$35,000-\$49,999	84.6%	89.3%	88.0%	84.7%	82.0%	78.3%	77.3%	79.9%
\$50,000-\$74,999	81.5%	87.0%	85.2%	81.4%	78.6%	75.0%	74.0%	76.5%
\$75,000-\$99,999	75.2%	81.6%	79.2%	75.3%	72.7%	69.6%	68.8%	70.9%
\$100,000-\$149,999	70.4%	76.8%	74.4%	70.6%	68.2%	65.3%	64.6%	66.5%
\$150,000-\$249,999	64.9%	71.6%	69.2%	65.6%	63.3%	60.7%	60.0%	61.7%
\$250,000-\$499,999	58.6%	65.8%	63.5%	60.0%	57.8%	55.3%	54.7%	56.3%
\$500,000 or More	52.5%	59.2%	56.9%	53.4%	51.2%	48.7%	48.0%	49.7%
Overall	83.0%	88.8%	86.2%	81.8%	79.8%	76.5%	77.8%	79.9%
RENTAL DEMAND / 03-08								
Under \$15,000	512	126	71	-40	119	156	35	45
\$15,000-\$24,999	346	86	65	-36	88	90	23	30
\$25,000-\$34,999	246	54	55	-33	73	66	14	17
\$35,000-\$49,999	302	51	72	-39	94	90	13	21
\$50,000-\$74,999	243	31	68	-42	77	87	9	13
\$75,000-\$99,999	138	11	32	-24	53	56	5	5
\$100,000-\$149,999	109	16	18	-19	38	48	4	4
\$150,000-\$249,999	41	4	6	-6	19	14	1	3
\$250,000-\$499,999	10	0	1	-2	4	5	1	1
\$500,000 or More	1	0	0	-1	1	1	0	0
Overall	1,948	379	388	-242	566	613	105	139
RENTER DEMAND PROFILE								
Under \$15,000	7,264	1,581	1,710	725	1,122	812	545	769
\$15,000-\$24,999	5,458	1,081	1,566	644	828	469	359	511
\$25,000-\$34,999	4,130	677	1,330	593	688	344	213	285
\$35,000-\$49,999	4,987	643	1,740	703	880	469	196	355
\$50,000-\$74,999	4,303	385	1,632	747	725	454	145	214
\$75,000-\$99,999	2,310	138	783	438	500	293	75	84
\$100,000-\$149,999	1,718	201	443	336	358	250	56	74
\$150,000-\$249,999	638	46	148	117	180	71	21	54
\$250,000-\$499,999	149	5	21	38	34	26	9	15
\$500,000 or More	53	1	10	19	9	5	2	6
Overall	31,008	4,758	9,382	4,362	5,324	3,192	1,622	2,368

1/ Stated in 2003 dollars.

EXHIBIT 4.01 (Cont'd)

PROJECTED OWNERSHIP HOUSING DEMAND
BY AGE AND INCOME COHORT
PRIMARY TRADE AREA
2003-2008

Household Income Range 1/	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-59	65-69	75-79
OWNERSHIP PROPENSITY								
Under \$15,000	12.2%	8.8%	9.4%	11.5%	13.5%	16.5%	17.3%	15.2%
\$15,000-\$24,999	13.0%	9.2%	10.0%	12.6%	15.0%	18.3%	19.2%	16.9%
\$25,000-\$34,999	13.9%	9.7%	10.7%	13.7%	16.2%	19.7%	20.7%	18.2%
\$35,000-\$49,999	15.4%	10.7%	12.0%	15.3%	18.0%	21.7%	22.7%	20.1%
\$50,000-\$74,999	18.5%	13.0%	14.8%	18.6%	21.4%	25.0%	26.0%	23.5%
\$75,000-\$99,999	24.8%	18.4%	20.8%	24.7%	27.3%	30.4%	31.2%	29.1%
\$100,000-\$149,999	29.6%	23.2%	25.6%	29.4%	31.8%	34.7%	35.4%	33.5%
\$150,000-\$249,999	35.1%	28.4%	30.8%	34.4%	36.7%	39.3%	40.0%	38.3%
\$250,000-\$499,999	41.4%	34.2%	36.5%	40.0%	42.2%	44.7%	45.3%	43.7%
\$500,000 or More	47.5%	40.8%	43.1%	46.6%	48.8%	51.3%	52.0%	50.3%
Overall	17.0%	11.2%	13.8%	18.2%	20.2%	23.5%	22.2%	20.1%
OWNERSHIP DEMAND / 03-08								
Under \$15,000	79	12	7	-5	19	31	7	8
\$15,000-\$24,999	59	9	7	-5	16	20	6	6
\$25,000-\$34,999	46	6	7	-5	14	16	4	4
\$35,000-\$49,999	64	6	10	-7	21	25	4	5
\$50,000-\$74,999	64	5	12	-10	21	29	3	4
\$75,000-\$99,999	52	2	9	-8	20	25	2	2
\$100,000-\$149,999	51	5	6	-8	18	26	2	2
\$150,000-\$249,999	24	1	3	-3	11	9	1	2
\$250,000-\$499,999	8	0	1	-1	3	4	0	1
\$500,000 or More	1	0	0	-1	1	1	0	0
Overall	448	46	62	-53	144	186	29	34
OWNERSHIP DEMAND PROFILE								
Under \$15,000	1,011	153	176	94	176	160	114	138
\$15,000-\$24,999	818	110	174	94	146	105	86	103
\$25,000-\$34,999	665	73	160	95	133	84	56	64
\$35,000-\$49,999	911	77	236	128	194	130	58	89
\$50,000-\$74,999	978	58	284	171	198	151	51	66
\$75,000-\$99,999	764	31	206	143	187	128	34	34
\$100,000-\$149,999	721	61	152	139	168	133	30	38
\$150,000-\$249,999	344	17	67	62	104	46	15	34
\$250,000-\$499,999	106	3	13	26	25	21	7	12
\$500,000 or More	47	1	7	17	9	5	3	6
Overall	6,367	584	1,476	967	1,340	964	453	583

1/ Stated in 2003 dollars.

EXHIBIT 4.02

RESIDENTIAL DEMAND FORECAST ASSOCIATED WITH STRUCTURAL SHIFT IN HOUSEHOLDS PRIMARY TRADE AREA (Stated in 2003 Dollars)

Household Income Range	Net HH Increase		Assumed Tenure Split		5-Yr Net Increase	
	5-Yr Total	%	Owner	Renter	Owner	Renter
Under \$15,000	593	24.7%	13.3%	86.7%	79	514
\$15,000-\$24,999	406	16.9%	14.5%	85.5%	59	347
\$25,000-\$34,999	291	12.1%	15.8%	84.2%	46	245
\$35,000-\$49,999	366	15.2%	17.5%	82.5%	64	302
\$50,000-\$74,999	308	12.8%	20.8%	79.2%	64	244
\$75,000-\$99,999	191	7.9%	27.3%	72.7%	52	139
\$100,000+	246	10.2%	34.2%	65.8%	84	162
Total/Weighted Avg.	2,400	100.0%	18.7%	81.3%	448	1,952

Rental Housing Income Range	5-Yr Net Increase	Affordable Payment 3/		% of Max	Projected Payment	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	514	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	347	\$375	- \$625	100.0%	\$380	- \$630
\$25,000-\$34,999	245	\$625	- \$875	95.0%	\$590	- \$830
\$35,000-\$49,999	302	\$875	- \$1,125	95.0%	\$830	- \$1,070
\$50,000-\$74,999	244	\$1,125	- \$1,500	90.0%	\$1,010	- \$1,350
\$75,000-\$99,999	139	\$1,500	- \$1,875	85.0%	\$1,280	- \$1,590
\$100,000+	162	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	1,952			95.0%		

Ownership Housing Income Range	5-Yr Net Increase	Affordable Payment 1/		% of Max	Affordable Home 2/	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	79	-	\$325	100.0%	-	\$62,600
\$15,000-\$24,999	59	\$325	- \$542	100.0%	\$62,600	- \$104,400
\$25,000-\$34,999	46	\$542	- \$758	95.0%	\$99,200	- \$138,800
\$35,000-\$49,999	64	\$758	- \$975	90.0%	\$131,500	- \$169,100
\$50,000-\$74,999	64	\$975	- \$1,300	85.0%	\$159,700	- \$213,000
\$75,000-\$99,999	52	\$1,300	- \$1,625	80.0%	\$200,400	- \$250,500
\$100,000+	84	\$1,625	+	80.0%	\$250,500	+
Total/Weighted Avg.	448			89.8%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

3/ Assumes 30% of gross income towards rent.

SOURCE: Johnson Gardner

EXHIBIT 4.03

RENTAL RESIDENTIAL DEMAND FORECAST ASSOCIATED WITH WORKFORCE HOUSING PORTLAND CITY CENTER (Stated in 2003 Dollars)

Trended Demand Income Range	5-Yr Net Increase	Affordable Payment 3/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
Under \$15,000	514	- \$375		100.0%	- \$380	
\$15,000-\$24,999	347	\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999	245	\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999	302	\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999	244	\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999	139	\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+	162	\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.	1,178			157.5%		
Workforce Demand Income Range	5-Yr Net Increase	Affordable Payment 3/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
Under \$15,000	82	- \$375		100.0%	- \$380	
\$15,000-\$24,999	137	\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999	411	\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999	630	\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999	384	\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999	219	\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+	548	\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.	2,412			91.5%		
Overall Demand Income Range	5-Yr Net Increase	Affordable Payment 1/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
Under \$15,000	596	- \$375		100.0%	- \$380	
\$15,000-\$24,999	484	\$375 - \$625		100.0%	\$380 - \$630	
\$25,000-\$34,999	657	\$625 - \$875		95.0%	\$590 - \$830	
\$35,000-\$49,999	932	\$875 - \$1,125		95.0%	\$830 - \$1,070	
\$50,000-\$74,999	628	\$1,125 - \$1,500		90.0%	\$1,010 - \$1,350	
\$75,000-\$99,999	358	\$1,500 - \$1,875		85.0%	\$1,280 - \$1,590	
\$100,000+	710	\$1,875 +		85.0%	\$1,590 +	
Total/Weighted Avg.	4,364			93.1%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

3/ Assumes 30% of gross income towards rent.

SOURCE: Johnson Gardner

EXHIBIT 4.04

OWNERSHIP RESIDENTIAL DEMAND FORECAST ASSOCIATED WITH WORKFORCE HOUSING COMPETITIVE MARKET AREA (Stated in 2003 Dollars)

Trended Demand	5-Yr Net	Affordable Payment 3/		% of	Projected Payment	
Income Range	Increase	Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000	79	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	59	\$325	- \$542	100.0%	\$330	- \$540
\$25,000-\$34,999	46	\$542	- \$758	95.0%	\$510	- \$720
\$35,000-\$49,999	64	\$758	- \$975	90.0%	\$680	- \$880
\$50,000-\$74,999	64	\$975	- \$1,300	85.0%	\$830	- \$1,100
\$75,000-\$99,999	52	\$1,300	- \$1,625	80.0%	\$1,040	- \$1,300
\$100,000+	84	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	448			89.8%		

Workforce Demand	5-Yr Net	Affordable Payment 3/		% of	Projected Payment	
Income Range	Increase	Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000	201	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	335	\$325	- \$542	100.0%	\$330	- \$540
\$25,000-\$34,999	1,005	\$542	- \$758	95.0%	\$510	- \$720
\$35,000-\$49,999	1,541	\$758	- \$975	90.0%	\$680	- \$880
\$50,000-\$74,999	938	\$975	- \$1,300	85.0%	\$830	- \$1,100
\$75,000-\$99,999	536	\$1,300	- \$1,625	80.0%	\$1,040	- \$1,300
\$100,000+	1,340	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	5,896			87.8%		

Overall Demand	5-Yr Net	Affordable Payment 1/		% of	Projected Payment	
Income Range	Increase	Minimum	Maximum	Max	Minimum	Maximum
Under \$15,000	280	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	394	\$325	- \$542	100.0%	\$330	- \$540
\$25,000-\$34,999	1,051	\$542	- \$758	95.0%	\$510	- \$720
\$35,000-\$49,999	1,605	\$758	- \$975	90.0%	\$680	- \$880
\$50,000-\$74,999	1,002	\$975	- \$1,300	85.0%	\$830	- \$1,100
\$75,000-\$99,999	588	\$1,300	- \$1,625	80.0%	\$1,040	- \$1,300
\$100,000+	1,424	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	6,344			87.9%		

1/ Assumes 26% of gross income towards payment.

2/ Based on the following financing assumptions

Interest Rate 6.75%

Mortgage Term 30

% of Income 26.00%

% Financed 80.00%

3/ Assumes 30% of gross income towards rent.

SOURCE: Johnson Gardner

EXHIBIT 4.05

PROJECTED SITE LEVEL ABSORPTION
BLOCK 49 - RENTAL PROGRAM

Fair Share Demand Analysis	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Annual Demand						
<i>Baseline Structural Demand 1/</i>	390	5%	390	5%	390	5%
<i>Projected Turnover Demand 2/</i>	7,545	90%	7,690	91%	7,754	92%
<i>Projected Workforce Demand</i>	482	6%	482	6%	482	6%
Total Annual Projected Demand	8,418	100.0%	8,563	101.7%	8,627	102.5%
<i>Income-Restricted</i>	5,020	59.6%	2,627	30.7%	2,646	30.7%
<i>Mid-Range</i>	2,107	25.0%	4,094	47.8%	4,124	47.8%
<i>High-Range</i>	1,291	15.3%	1,843	21.5%	1,856	21.5%
	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
<i>Projected Turnover Demand 2/</i>	7,475	88.8%	8,120	94.8%	8,407	97.4%
Projected Net Absorption by Project (Units)						
<u>Income-Restricted</u>						
Macadam Affordable (200)	-	0.0%	38	0.4%	30	0.3%
Other Supply (100)	-	0.0%	29	0.3%	41	0.5%
<u>Mid-Range (<\$1,300)</u>						
Macadam Student Housing (250)	242	2.9%	58	0.7%	-	0.0%
Wesbild (300)	121	1.4%	29	0.3%	-	0.0%
PDC Unnamed (60)	48	0.6%	12	0.1%	-	0.0%
PDC Unnamed (60)	48	0.6%	12	0.1%	-	0.0%
Other Supply (100)	-	0.0%	50	0.6%	50	0.6%
Subject Property (150 units)	121	1.4%	29	0.3%	-	0.0%
<u>High-Range (>\$1,300)</u>						
Macadam (250)	201	2.4%	49	0.6%	-	0.0%
Trammell Crow Unnamed (200)	161	1.9%	39	0.5%	-	0.0%
Other Supply (200)	-	0.0%	100	1.2%	100	1.2%
	Subject Property					
Estimated Absorption per Month (1st Year):	10.1 - 12.1					
Estimated time to Lease-up (Months):	12.4 - 14.9					

1/ Exhibit 2.04

2/ Annual turnover of existing rental units in the competitive market area, assuming a 20% turnover rate.

SOURCE: Johnson Gardner, LLC

EXHIBIT 4.06

PROJECTED SITE LEVEL ABSORPTION BLOCK 49 - CONDO PROGRAM

Fair Share Demand Analysis	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Annual Demand						
<i>Baseline Structural Demand 1/</i>	90	5%	90	5%	90	5%
<i>Projected Turnover Demand 2/</i>	477	27%	527	30%	539	31%
<i>Projected Workforce Demand</i>	1,179	68%	1,179	68%	1,179	68%
Total Annual Projected Demand	1,746	100.0%	1,796	102.9%	1,808	103.6%
<i>Income-Restricted</i>	535	30.7%	551	30.7%	555	30.7%
<i>Mid-Range</i>	834	47.8%	858	47.8%	864	47.8%
<i>High-Range</i>	376	21.5%	386	21.5%	389	21.5%
	2006		2007		2008	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Turnover Demand 2/	1,219	68.9%	1,436	79.2%	1,512	83.2%
Projected Net Absorption by Project (Units)						
<u>Mid-Range (<\$250,000)</u>						
Cascadian Court II (100 units)	100	5.7%	-	0.0%	-	0.0%
Other Supply (100)	-	0.0%	50	2.8%	50	2.8%
Subject Property (100 units)	100	5.7%	-	0.0%	-	0.0%
<u>High-Range (>\$250,000)</u>						
Eliot Tower (222 units)	106	6.0%	79	4.3%	37	2.0%
The Meriwether (245 units)	117	6.6%	87	4.8%	41	2.3%
Block 1 Riverplace (215 units)	103	5.8%	76	4.2%	36	2.0%
Other Supply (200)	-	0.0%	68	3.7%	132	7.3%
Subject Property (50 units)	24	1.4%	18	1.0%	8	0.5%
	Subject Property					
Estimated Absorption per Month (1st Year):	10.2 - 12.2					
Estimated time to Sell-Out (Months):	12.3 - 14.7					

1/ Exhibit 2.04

2/ Annual turnover of existing rental units in the competitive market area, assuming a 20% turnover rate.

SOURCE: Johnson Gardner, LLC

BLOCK 49 MARKET STUDY

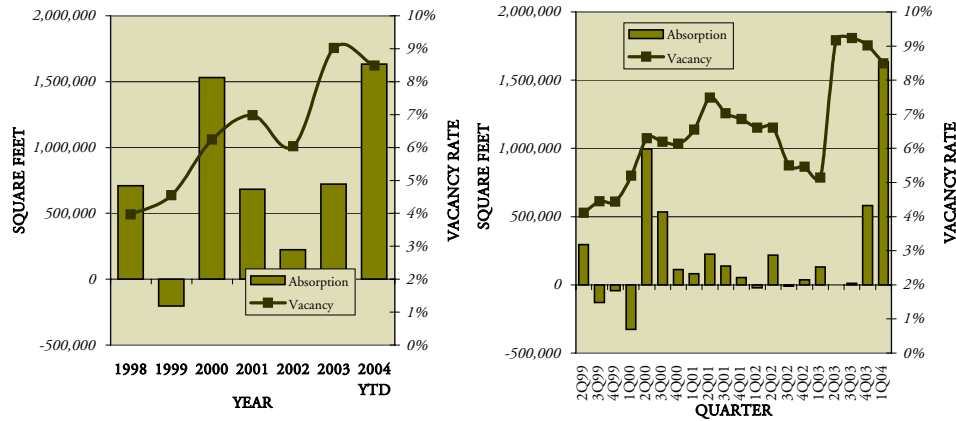
RETAIL/COMMERCIAL MARKET EXHIBITS

EXHIBIT 5.01

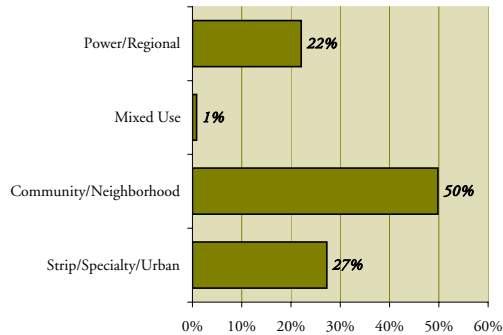
OVERVIEW OF SUBMARKET TRENDS
PORTLAND METROPOLITAN AREA

	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy	
					S.F.	Rate
QUARTERLY TRENDS						
2Q99	33,018,632	--	--	295,245	1,356,278	4.1%
3Q99	32,905,631	--	--	-130,477	1,463,150	4.4%
4Q99	33,033,387	0	127,756	-41,899	1,465,586	4.4%
1Q00	33,332,243	0	298,856	-327,289	1,730,950	5.2%
2Q00	35,718,578	786,585	1,599,750	995,185	2,246,799	6.3%
3Q00	37,281,022	898,566	663,878	535,088	2,306,880	6.2%
4Q00	37,194,805	85,000	-171,217	111,115	2,281,809	6.1%
1Q01	37,797,502	0	602,697	81,002	2,474,288	6.5%
2Q01	36,100,411	0	-1,697,091	225,762	2,701,608	7.5%
3Q01	36,294,910	0	194,499	136,857	2,551,611	7.0%
4Q01	36,093,520	0	-201,390	53,001	2,475,856	6.9%
1Q02	36,534,408	0	440,888	-20,978	2,424,687	6.6%
2Q02	36,591,936	0	498,416	217,394	2,424,687	6.6%
3Q02	36,611,936	20,000	498,416	-9,382	2,028,969	5.5%
4Q02	36,611,936	0	317,026	37,106	1,998,031	5.5%
1Q03	36,885,936	0	792,416	131,592	1,896,944	5.1%
2Q03	33,989,675	106,738	-3,002,999	N/A	3,113,628	9.2%
3Q03	34,353,528	94,430	269,423	10,791	3,171,129	9.2%
4Q03	34,903,331	69,425	480,378	580,357	3,146,940	9.0%
1Q04	36,579,196	634,192	1,591,476	1,633,264	3,103,794	8.5%
BREAKOUT BY TYPE						
Strip/Specialty/Urban	9,974,902	153,192	5,603,239	833,149	1,672,035	16.8%
Community/Neighborhood	18,219,922	106,000	-6,051,355	-79,263	1,272,111	7.0%
Mixed Use	316,663	0	316,663	69,152	73,634	23.3%
Power/Regional	8,067,709	375,000	-809,479	810,226	86,014	1.1%
Total	36,579,196	634,192	-940,932	1,633,264	3,103,794	8.5%

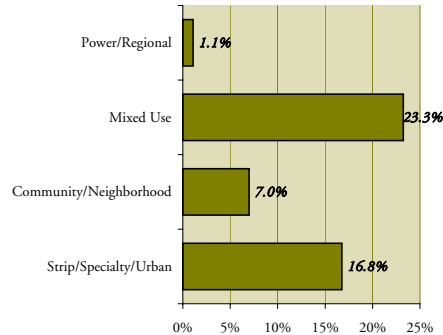
NET ABSORPTION AND VACANCY RATE TRENDS



DISTRIBUTION OF SPACE BY TYPE



VACANCY RATE BY TYPE



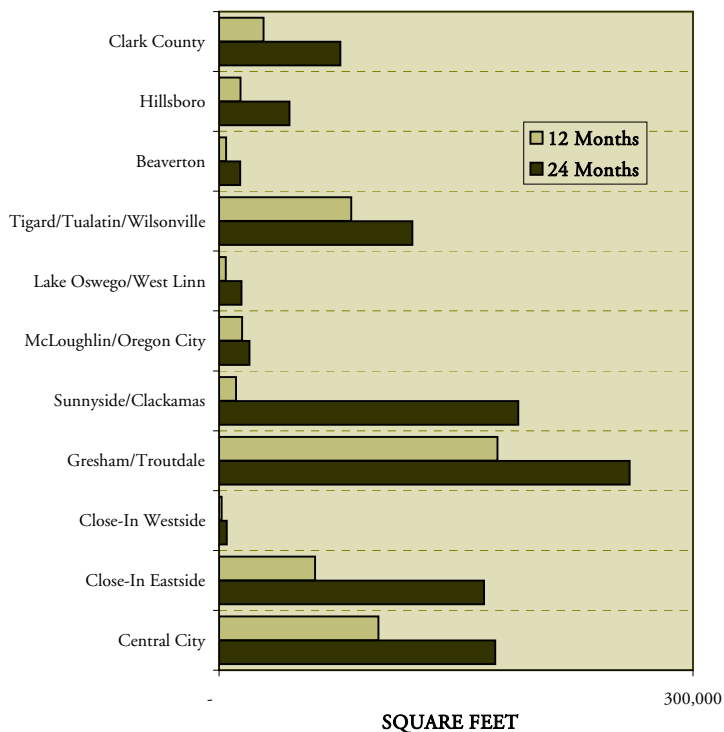
SOURCE: CoStar and Johnson Gardner

EXHIBIT 5.02

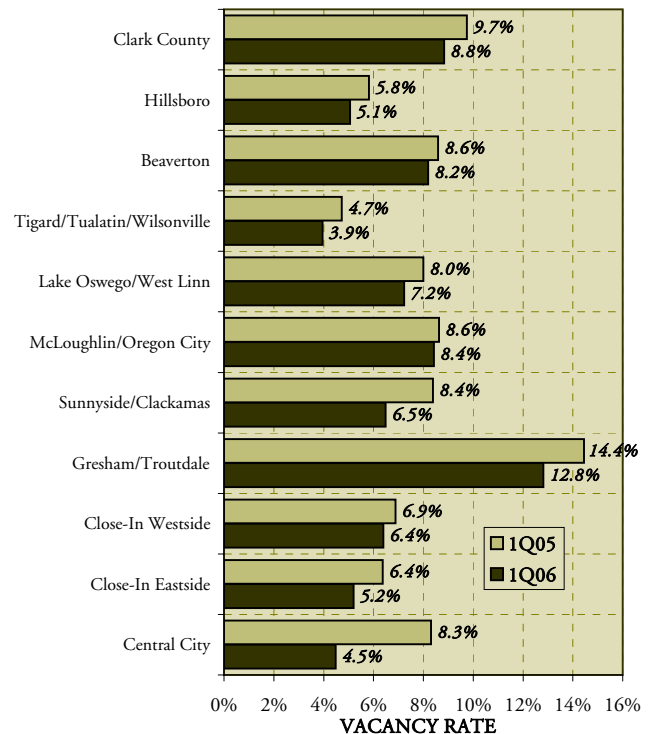
PROJECTED DEMAND BY SUBREGION AND SUBMARKET
PORTLAND-VANCOUVER METROPOLITAN AREA RETAIL MARKET

Subregion Submarket	1st Quarter 2004		New Supply		Forecasted Demand		Projected Vacancy Rate	
	Speculative Inventory	Vacancy Rate	2Q04- 1Q05	2Q05- 1Q06	2Q04- 1Q05	2Q05- 1Q06	1Q05	1Q06
Central City	1,899,795	12.0%	34,402	0	100,835	74,016	8.3%	4.5%
CBD	1,640,701	12.3%	34,402	0	97,418	63,961	8.3%	4.5%
Northwest	259,094	9.8%	0	0	3,417	10,055	8.5%	4.6%
Close-In Eastside	5,352,280	6.3%	69,000	46,000	60,810	106,860	6.4%	5.2%
Eastside/Mall 205	2,158,626	6.4%	39,000	23,000	35,846	55,780	6.4%	4.9%
North/Jantzen	1,099,750	4.5%	30,000	23,000	24,964	51,080	4.8%	2.3%
Close-In Westside	661,803	7.1%	0	0	1,539	3,244	6.9%	6.4%
Gresham/Troutdale	4,885,261	13.9%	234,904	0	176,248	83,576	14.4%	12.8%
Airport Way	752,203	22.5%	0	0	5,833	20,903	21.7%	18.9%
Gresham/Gateway	2,642,245	15.1%	234,904	0	170,415	62,673	16.1%	13.9%
Sunnyside/Clackamas	3,751,975	8.7%	0	115,000	10,781	178,711	8.4%	6.5%
McLoughlin/Oregon City	2,239,339	8.5%	19,450	0	14,605	4,579	8.6%	8.4%
SE Outlying	319,094	1.9%	0	0	449	956	1.7%	1.4%
Oregon City	1,190,348	14.8%	19,450	0	12,387	3,624	15.1%	14.8%
Lake Oswego/West Linn	1,279,328	8.3%	0	0	4,350	9,797	8.0%	7.2%
Lake Oswego	661,012	8.5%	0	0	3,043	6,852	8.0%	7.0%
West Linn	278,410	8.7%	0	0	1,306	2,945	8.3%	7.2%
Tigard/Tualatin/Wilsonville	4,908,251	4.3%	111,500	0	83,609	38,671	4.7%	3.9%
Tigard	1,026,382	6.8%	0	0	3,482	12,436	6.4%	5.2%
Washington Square	2,284,228	3.0%	0	0	5,240	18,088	2.8%	2.0%
Tual.-Wilsonville-Sherwood	1,597,641	4.5%	111,500	0	74,887	8,147	6.3%	5.9%
Beaverton	2,165,564	8.8%	0	0	4,485	8,853	8.6%	8.2%
Hillsboro	4,100,680	6.1%	0	0	13,547	31,090	5.8%	5.1%
Clark County	5,334,920	10.1%	11,375	0	28,189	48,603	9.7%	8.8%
Metropolitan Area Total	36,579,196	8.5%	480,631	161,000	499,000	588,000	8.3%	7.1%

PROJECTED ABSORPTION BY SUBREGION



PROJECTED VACANCY RATE BY SUBREGION



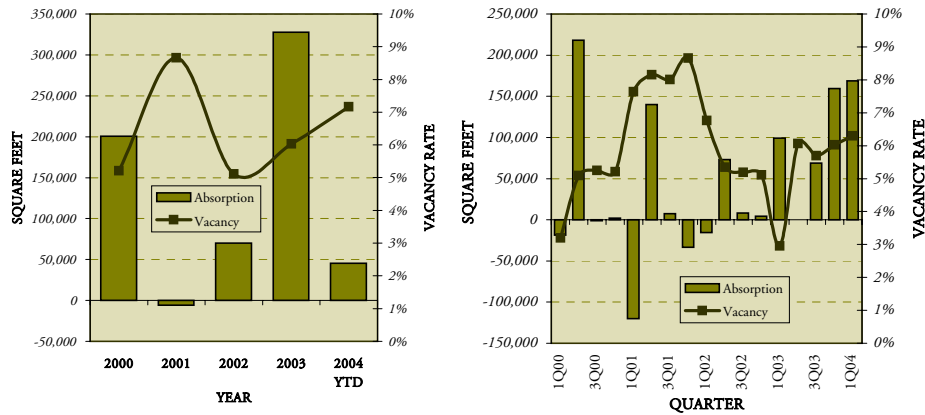
SOURCE: Johnson Gardner

EXHIBIT 5.03

OVERVIEW OF SUBMARKET TRENDS
CLOSE-IN EASTSIDE SUBREGION

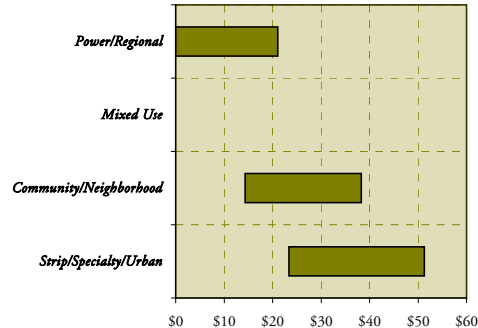
	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy S.F.	Vacancy Rate
QUARTERLY TRENDS						
1Q00	4,750,763	0	0	-18,600	152,082	3.20%
2Q00	4,885,334	137,000	-2,429	218,184	248,813	5.09%
3Q00	5,023,587	138,253	0	-1,000	263,502	5.25%
4Q00	5,023,587	0	0	1,985	261,517	5.21%
1Q01	5,033,587	0	10,000	-119,936	384,674	7.64%
2Q01	5,132,783	0	0	139,918	418,506	8.15%
3Q01	5,132,783	0	0	7,548	410,958	8.01%
4Q01	5,132,783	0	0	-33,428	444,386	8.66%
1Q02	5,173,351	0	40,568	-15,321	349,521	6.76%
2Q02	5,173,351	0	40,568	73,026	276,495	5.34%
3Q02	5,173,351	0	40,568	8,120	268,375	5.19%
4Q02	5,173,351	0	40,568	4,213	264,162	5.11%
1Q03	5,173,351	0	40,568	99,240	152,922	2.96%
2Q03	4,888,644	0	-284,707	N/A	296,228	6.06%
3Q03	4,946,198	0	57,554	68,789	281,715	5.70%
4Q03	5,145,256	16,000	183,058	159,507	310,229	6.03%
1Q04	5,352,280	23,661	183,363	168,744	336,965	6.30%
BREAKOUT BY TYPE						
Strip/Specialty/Urban	1,380,650	23,661	188,523	162,814	281,865	20.42%
Community/Neighborhood	1,228,840		-8,000	2,775	27,927	2.27%
Mixed Use	37,716		2,840	6,981	10,800	28.64%
Power/Regional	2,705,074		0	-3,826	16,373	0.61%
Total	5,352,280	23,661	183,363	168,744	336,965	6.30%
BREAKOUT BY SUBMARKET						
Eastside/Mall 205	2,158,626	23,661	116,687	130,629	137,682	6.38%
North/Jantzen	1,099,750		12,289	-7,264	49,276	4.48%
Northeast/Lloyd Dist.	2,093,904		54,387	45,379	150,007	7.16%
Total	5,352,280	23,661	183,363	168,744	336,965	6.30%

NET ABSORPTION AND VACANCY RATE TRENDS



QUOTED RENT RANGES

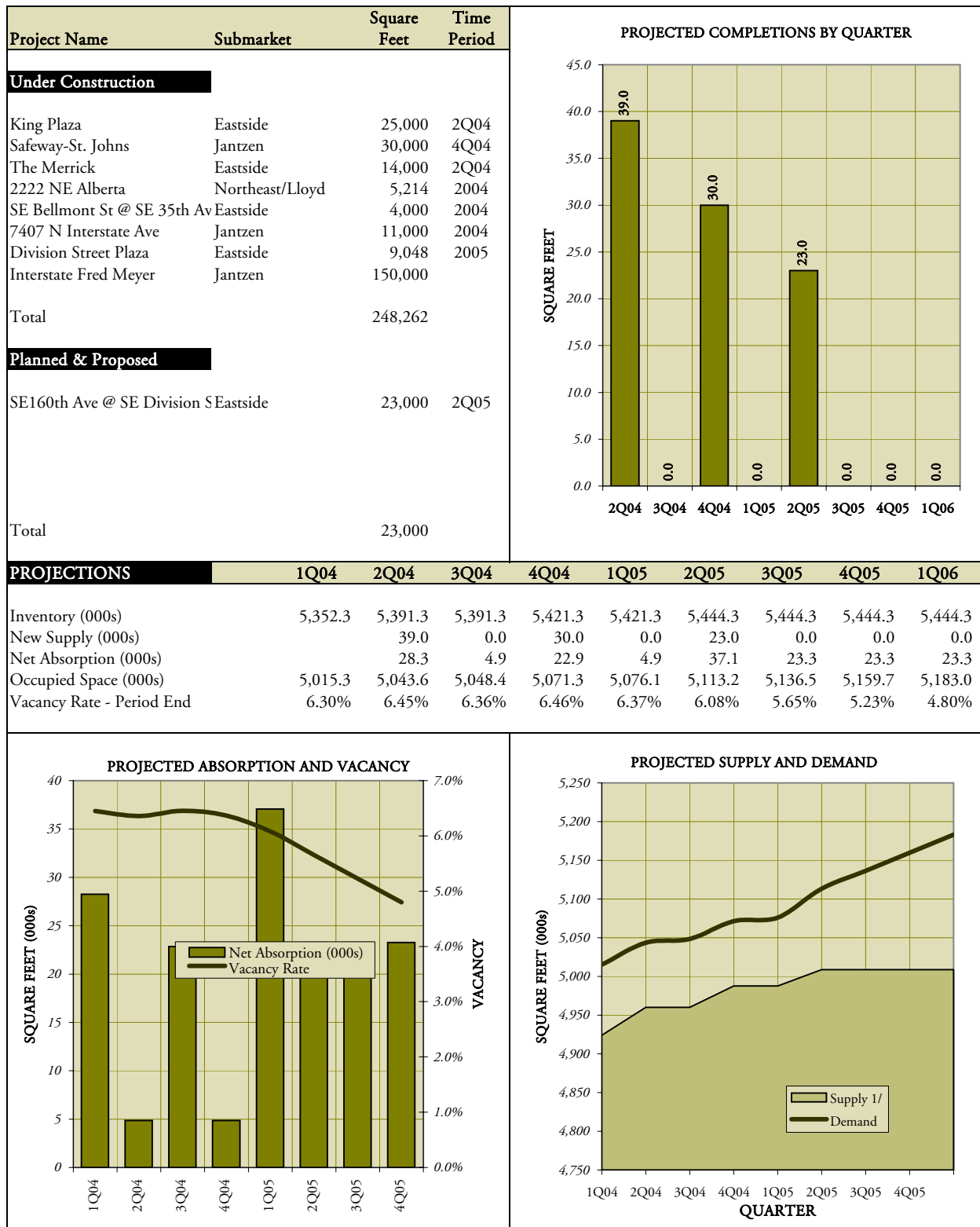
BY CLASS	Low	High
Strip/Specialty/Urban	\$4.62	\$28.00
Community/Neighborhood	\$9.68	\$24.00
Mixed Use		
Power/Regional	\$21.15	\$21.15
BY SUBMARKET	Low	High
Eastside/Mall 205	\$4.62	\$24.00
North/Jantzen	\$10.20	\$26.62
Northeast/Lloyd Dist.	\$6.00	\$25.00
Total	\$4.62	\$26.62



SOURCE: CoStar and Johnson Gardner

EXHIBIT 5.04

PROJECTED MARKET CONDITIONS
CLOSE-IN EASTSIDE SUBREGION



1/ Assumes a stabilized 8% vacancy rate.

SOURCE: Norris Beggs & Simpson and Johnson Gardner

EXHIBIT 5.05

SUMMARY OF SELECTED RETAIL
CLOSE-IN NORTHEAST PORTLAND

Center Name	Year Built	Address	Total SF	Vacant SF	Vacancy Rate	Asking Rate	Lease Type	Center Type
Hollywood Fred Meyer	1989	3030 NE Weidler	127929	0	0%	\$14.00-\$21.00	Net	Neighborhood
Holladay's Market	1986	1200 NE Broadway	26000	25000	96%	\$20.00	Net	Specialty
Lloyd Center	1960	2201 Lloyd Center	1500000	0	0%	\$17.50-\$17.50	NNN	Regional Center
Lloyd Place Apts. Retail	1996	1500 NE Weidler	18000	5194	29%	\$18.00	Net	Neighborhood
Irvington Place	n/a	1127 NE Broadway	16000	0	0%	\$23.00	Net	Specialty

Source: Norris Beggs & Simpson, Retail Market Report, Fourth Quarter 2003