



J O H N S O N
G A R D N E R

MARKET FEASIBILITY ANALYSIS
FOR RESIDENTIAL AND RETAIL
DEVELOPMENT IN
NORTH MACADAM URA/RIVERPLACE

Prepared For:
PORTLAND DEVELOPMENT COMMISSION

April 14, 2004



J O H N S O N
G A R D N E R

MEMORANDUM

DATE: April 14, 2004

TO: Ms. Rachel Lewitt
PORTLAND DEVELOPMENT COMMISSION
1900 SW Fourth Avenue, Suite 7000
Portland, OR 97201

FROM: JOHNSON GARDNER, LLC

SUBJECT: Market Feasibility of Mixed-Use Residential and Commercial Development at a Site in the North Macadam URA /RiverPlace Area of Portland, Oregon

JOHNSON GARDNER was retained by the PORTLAND DEVELOPMENT COMMISSION to prepare an evaluation of residential and commercial retail development opportunities at PDC-owned "Parcel 8" near South Waterfront Park and the existing RiverPlace development. This memorandum summarizes the key conclusions of this evaluation, as well as outlining demographic characteristics of the market in more depth.

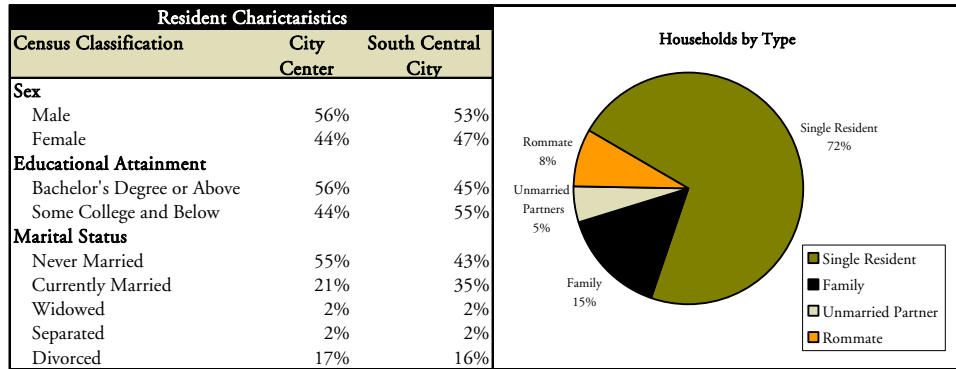
I. EXECUTIVE SUMMARY

The following are key findings and conclusions for this assignment.

- 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 ideal locational qualities for apartments or condominiums, including views, proximity to Downtown, the Pearl District and South Waterfront, and adjacency to the Streetcar extension and the planned Southbound MAX line, among others.
- A project timeline of 2009 introduces great, inherent uncertainty about specific market conditions that development of the subject property may encounter. However, project execution at that time will also benefit from the maturity of the Pearl District, three years of observed market reception of South Waterfront Plan District development, as well as likely-adequate time for the current over-supplied pipeline of apartment projects to reach market and stabilize.
- 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 for development at the subject property should largely mirror those determined by the U.S. Census Bureau and the 2002 PDC-Portland Business Alliance Downtown Housing Study. The majority of existing households are largely single, well-educated, likely rent, do not have a family and are employed downtown. Alternatively, the



immediate, South Central City submarket exhibits a higher share of married couples, households that are slightly less educated, and households who own their own home due to the prevalence of existing, older development.



- Households employed downtown in the Transportation, Communication and Utilities, Financial Services, Non-Education/Health Professional Services and Government sectors exhibit a higher level of inbound commuting that represents untapped, pent-up demand for downtown workforce housing.
- The Central City rental apartment market has stayed relatively healthy, as measured by vacancy, compared to the greater metro area. New supply of market-rate product has been limited because condominiums have been the highest and best use for residential land over the last few years. Currently, however, there is enough new product in the pipeline to substantially raise vacancy in Central City with recovery to 95% occupancy not likely until after 2006 if all goes through.
- The Central City condominium market continues to exhibit strength as record-low mortgage rates continue to fuel development. Popularity of attached product has spread, with such development now occurring in the Downtown/Mid-Town, University Districts and the new South Waterfront Central District. The risk of upward mortgage rate creep puts this particular product type at more risk of slowdown than apartments, however timing of subject property development is beyond such likely shorter-term market fluctuations.
- Market-rate apartments are currently achieving an average of \$1.42 per square foot. JOHNSON GARDNER would anticipate that the subject property would achieve slightly lower rates than the Pearl District, i.e. \$1.35 per square foot base price given the project's distance from a wealth of amenities compared to the Pearl District. Alternatively, view premiums introduce substantial rent upside for upper-floor units.
- Market-rate condominiums are presently selling for between \$300 and \$330 per square foot. If the subject property were developed today, it would likely achieve prices in the lower end of the range given the more isolated location, though view premiums would also apply. Demographically, the area will likely continue to see more married couples and others seeking a quieter environment, thus more price sensitive.
- 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 80 market-rate rental or for-sale units would see full absorption within a year if 300 to 400 new, competing for-sale or rental units were also built annually based on current trends interpolated five years forward. Based on currently available information, the project could be as large as 150 to 200 units and still successfully lease-up or sell in 12 to 14 months. Results are, naturally, subject to substantial market changes over a five-year period.
 - While either product type is found to have likely market success at the subject property, JOHNSON GARDNER finds that there is greater longer-term risk to the for-sale product market than for rental product. Certain increases in mortgage rates, likely to the neighborhood of 8% to 9% over the next three years based on past economic recoveries, strengthens the position of rental housing relative to for-sale product. Site-specific qualities also potentially lend itself better to apartment development over the longer term.
 - Ground floor retail development at the subject property has strong market potential given high visibility, good access, the Streetcar and MAX lines, and proximate residential development at the subject property, on Parcel 1 and immediately north at RiverPlace. Little comparable development exists in the immediate market area, though vacancy rates are healthy at between 5% and 10% with lease rates up to \$48 per square foot.
 - The subject property would likely achieve the mid-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. \$20 to \$22 per square foot triple net is likely with upside depending upon successful execution of residential development at the subject property, Parcel 1 and realization of the Streetcar line and the MAX line.

II. THE SUBJECT SITE AND THE COMPETITIVE MARKET AREA

Subject Property

The subject site is a 1.1-acre vacant redevelopment parcel at the northwest corner of Moody Avenue and River Parkway near downtown Portland. The PDC-owned property, internally referred to as "Parcel 8," features several locational qualities that can translate into considerable market strengths for residential and commercial development:

- Convenience to the Portland Central Business District (CBD) and the greater region due to interstate freeway proximity;
- Marketable mountain, river and city views;
- One block away from the South Waterfront Park and the Willamette River;
- Walking distance from RiverPlace residential development, commercial development and marina to the north;
- Strong visibility at the corner of Moody and River Parkway with potentially good visibility for northbound traffic on Harbor Drive;
- Located along the planned Harrison Street extension of the Portland Streetcar and Tri-Met's planned Southbound MAX line; and
- Convenient for guests at the Marriott Residence Inn, whose nearest shopping and services are at RiverPlace; and



- Adjacent to a planned three-building residential campus-style condominium project that is expected to see market entry by 2006.

In addition to these qualities, as will be discussed in more detail below, the subject property is uniquely located at the southern periphery of the Downtown housing market and the northern periphery of the planned South Waterfront Plan District. As a result, the property will offer appealing convenience for workforce housing demand in both Downtown and planned OHSU research and clinical buildings in the South Waterfront Plan District.

South Central City

The project is technically located in the northern end of the North Macadam URA, though its location places it within a distinct competitive market area roughly delineated by I-405 to the south, I-5 to the east, Market Street to the north and Fourth Avenue to the west. The market area is immediately south of the City's Central Business District (CBD), much of which represents the results of redevelopment efforts in the 1960s. This district is characterized by a series of super-blocks, which break up the traditional 200' by 200' grid system in the remainder of the CBD and RiverPlace, the successful Willamette River waterfront residential and commercial district and marina. RiverPlace and the subject property are somewhat pedestrian-isolated from the rest of the former South Auditorium District by Harbor Drive, however that will change with extension of the Portland Streetcar on Harrison. Unlike the greater market area, parking is somewhat better and pedestrian access and flow is dramatically superior due to RiverPlace planning and adjacency to the South Waterfront Park.

Competitive Market Area

On a broader competitive standing, the Competitive Market Area for the subject property will be both the *Close-In Westside* market area and the *South Waterfront Plan District*.

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 the 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.



South Waterfront Plan District

Due to the longer expected timeline of project completion at the subject property, it can also be expected to compete with residential development in the South Waterfront Central District, bound by the Willamette River to the east, Macadam Avenue to the west, Gibbs Street to the north and Lane Street to the south. The following table summarizes current plans for the Central District.

South Waterfront District	2004-2008	2008 +
Residential	(Units)	(Units)
Market Rate (Rental & For-Sale):	Up to 630	Up to 1,420
Affordable:	230	170 +
Student Housing:	250	250
Commercial		
Hotel/Conference:	<200 Rooms	0
OHSU Facilities:	350k Sq. Ft.	<1.15 mil Sq. Ft.
Amenities		
Urban Greenway (4 acres)		
Neighborhood Park (2 acres)		
Transportation Enhancement: Roads, Tram, Streetcar, Bus, Trails		

SOURCE: Portland Development Commission

Groundbreaking is expected to occur this summer (2004) on construction of a 350,000 square foot OHSU research and clinical facility and The Meriwether, a two-tower, 245-unit condominium project priced from \$179,000 to \$1.85 million per unit with ground floor retail. The speed of success for The Meriwether will likely determine development timing for the second residential project, planned to include 280 condominium units with comparable product types, price levels, and amenities.

The planned work-live campus orientation of the South Waterfront Central District will be significantly different from development possible at the subject property. Location, size, views, nearby employment, and access are but a few of the differences. However, as South Waterfront and Downtown/University District pick up steam and the Pearl District matures, the subject site will provide a central locational alternative for both distinctive submarket areas. The potential competitive advantages of site location are further discussed later in this study.

III. ECONOMIC OVERVIEW

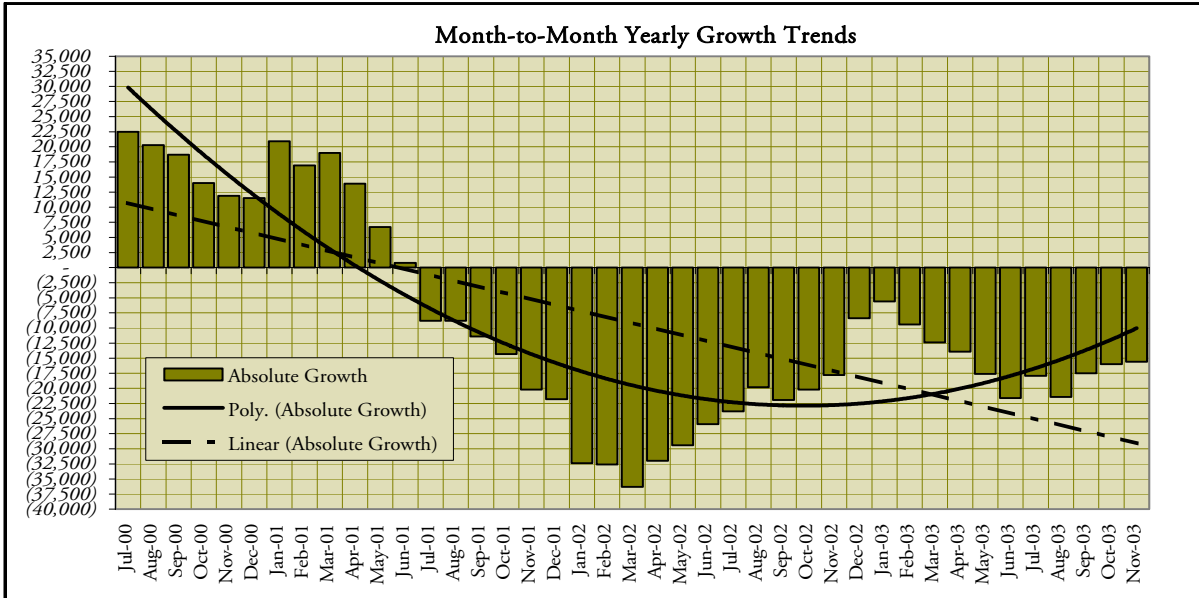
The following section provides context for economic trends that help shape current and likely future residential development.

Regional Economy

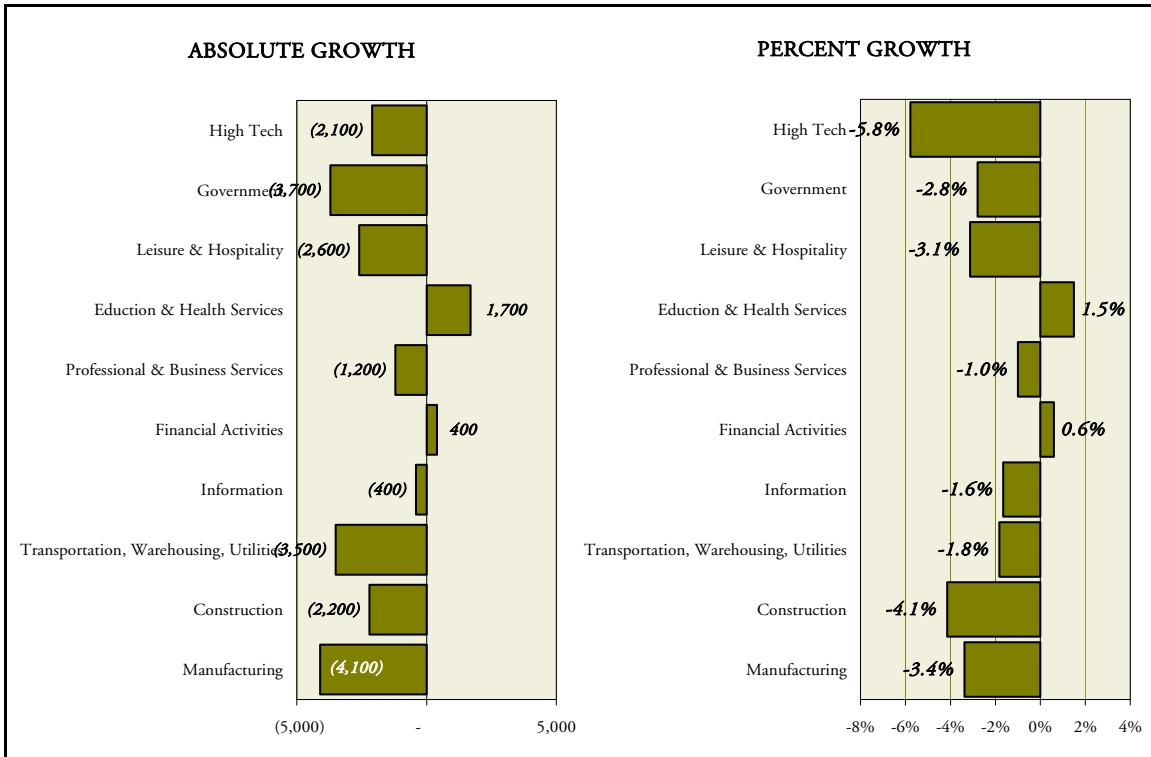
The Portland metropolitan area continued to under perform vis-à-vis the national average in the fourth quarter of 2003. As in the third quarter, the regional economy was sluggish and failed to show signs of the recovery underway elsewhere in the country. Employment levels in November 2003 were 15,600 below November 2002 levels, despite a gain of 1,800 jobs in November. Manufacturing



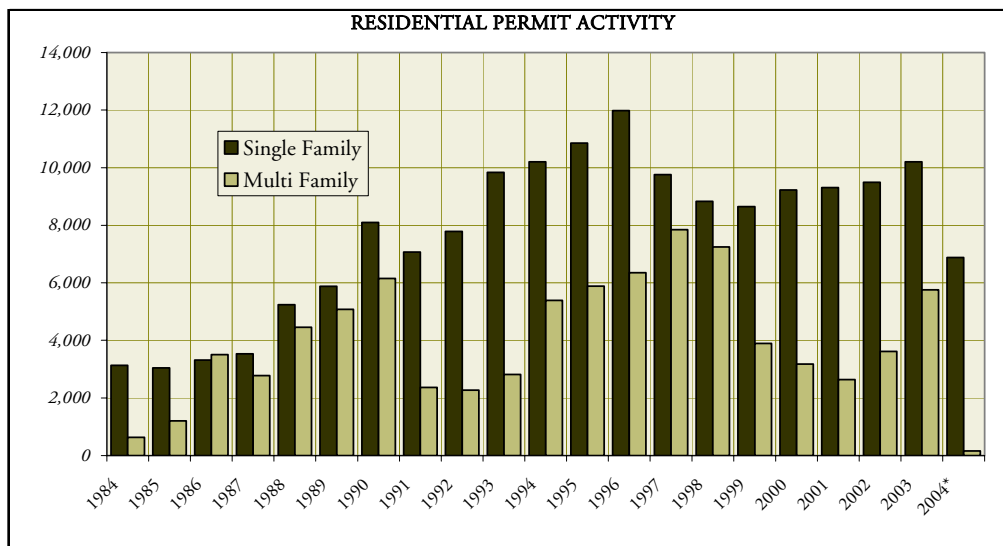
employment was 4,100 jobs below last year's levels, with over half of the losses occurring in high-tech manufacturing.



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 high-tech and construction sectors reported the greatest percentage declines. Education & health services and financial activities reported modest growth, consistent with continuing population growth in the area.



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).

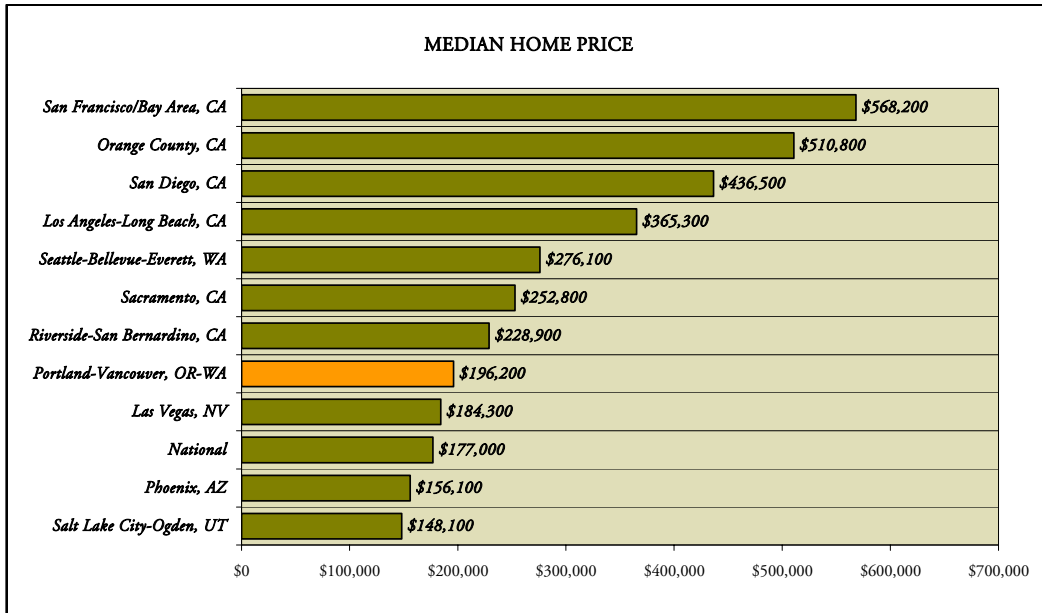


SOURCE: Bureau of the Census and Johnson Gardner
 *2004 data include permit activity through Feb.

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



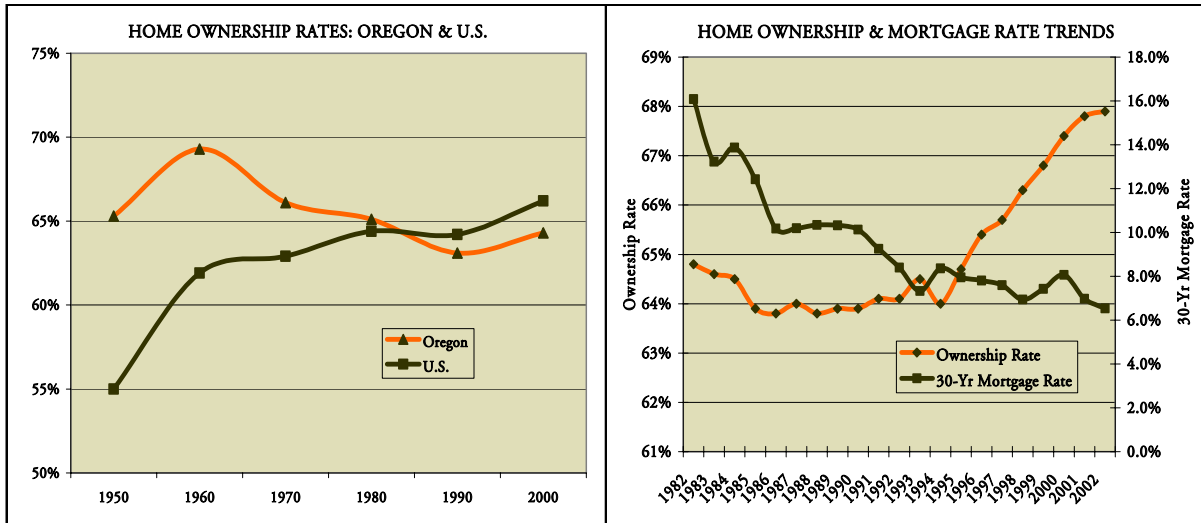
metro area on the West Coast. Of the two, Portland's relative affordability stands to change the least over the longer term given historical economic and demographic patterns. The following figure provides a comparison of current home prices in the western United States.



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

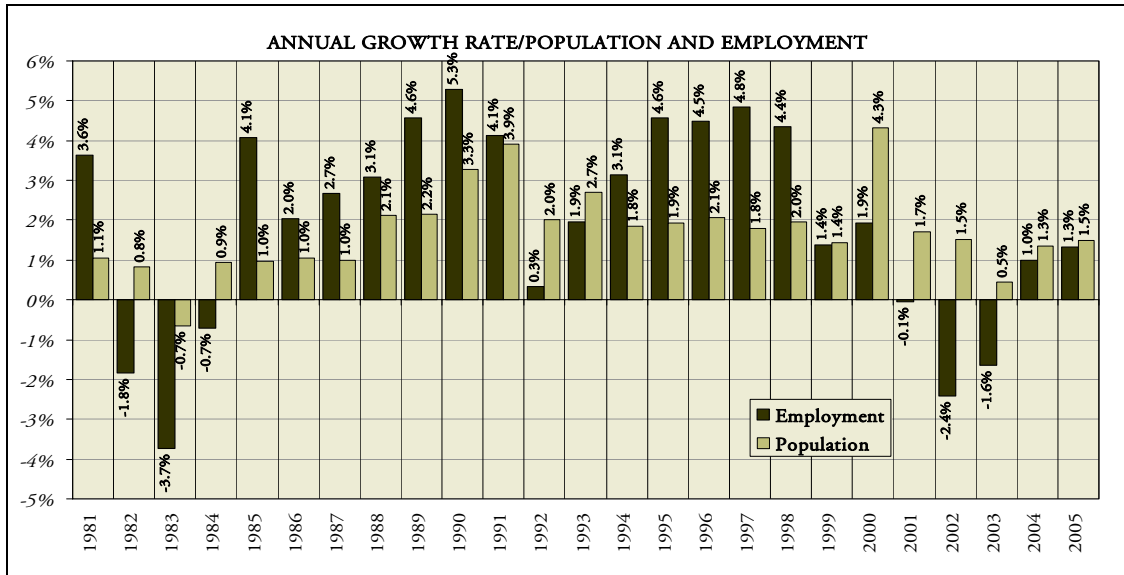
Job gains between August and December, along with improving national economic indicators and job trends, provide some hope for broader job recovery over the coming year.¹ Our forecast continues to assume that the Portland metropolitan area will benefit from a national expansion, although lagging national 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 7.2% in November, 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.

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:

- *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.

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



IV. DEMOGRAPHIC CHARACTERISTICS

Demographic makeup of the competitive market area in which the subject property will compete provides vital clues as to the potential candidate households seeking residential opportunities potentially captured at the subject property. The likely development timeline of the subject property is 2009, therefore there is a greater factor of uncertainty in the demographic make-up of the competitive market area over the five-year or greater duration. Nevertheless, recent and near-future demographic patterns are the best indicator of likely trends over longer periods. This section discusses the demographics of the Close-In Westside competitive market area and the South Central City submarket, specifically.²

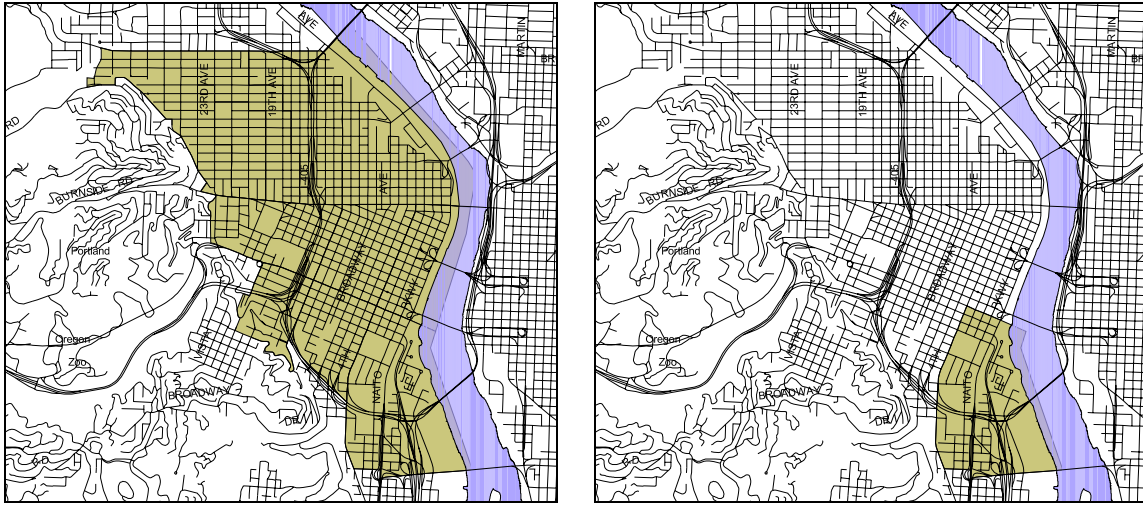
In the discussion that follows, “City Center” (Close-In Westside Competitive Market Area) refers to Multnomah County census tracts 47-57, including the CBD, West End, University District, Government Center, Pearl District, the former Southern Auditorium District, RiverPlace, Goose Hollow and inner Northwest Portland. The South Central City Submarket, as defined in the project location description of this report, is roughly approximated by census tract 57. The following maps show these two areas:

CENSUS TRACT STUDY AREAS

Portland City Center—Tracts 47-57

South Central City Submarket—Tract 57

² Because the South Waterfront Plan District is yet undeveloped, future demographics of North Macadam are assumed to resemble existing demographics of the Close-In Westside competitive market area. Variation will certainly exist, however the type of housing planned in the South Waterfront Central District most resembles successful development in the Pearl District and elsewhere in Central City. These proven housing types, combined with existing, proximate employers and amenities, draw upon definite demographic groups here summarized.



Gender, Educational Attainment & Marital Status

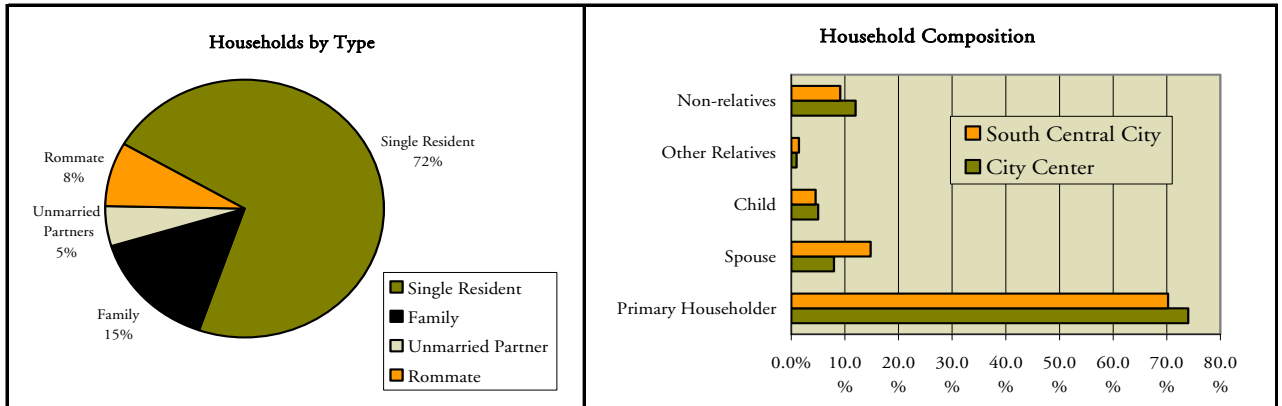
City Center residents are 56% men and 44% women. Of those 25 years and older, 45% have a Bachelor’s degree. The majority (55%) of all residents have never been married. 21% are currently married, 17% are divorced and 4% are either separated or widowed.

The table below compares these City Center residential characteristics with those of the South Central City submarket. Perhaps due to its quieter location as compared to the rest of downtown, the South Central City differs most notably from the greater City Center in its higher percentage of married residents,

Residential Characteristics		
Census Classification	City Center	South Central City
Sex		
Male	56%	53%
Female	44%	47%
Educational Attainment		
Bachelor’s Degree or Above	56%	45%
Some College and Below	44%	55%
Marital Status		
Never Married	55%	43%
Currently Married	21%	35%
Widowed	2%	2%
Separated	2%	2%
Divorced	17%	16%

Household Composition & Tenure

Within the City Center, 72% of households contain residents living alone. 15% are family households with two or more members including a spouse, child and/or other family member. 5% are unmarried partner households and the remaining 8% are households with multiple un-related residents (i.e. roommates). The figure below shows household types in the area and breaks down household composition by relationship to the primary householder.



89% of households in the city center are renter-occupied as compared to 76% of households in the South Central City. A large number of condominiums in the South Central City accounts for this difference.

Downtown Housing Survey

In addition to U.S. Census data discussed above, JOHNSON GARDNER studied results from a recent downtown housing survey so as to better characterize the downtown rental pool and potential Portland Center residents. This survey, commissioned by the Portland Business Alliance, in conjunction with the Portland Development Commission, profiled downtown workers and residents and their views related to housing. 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 survey³:

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.

³ Greater Portland Downtown Housing Report – Executive Summary



- 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.
- 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 doorman, 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.

City Center Employment

To round out this analysis of downtown demographics, JOHNSON GARDNER considered residential data by employment sector in Portland's City Center. According to information provided by Claritas Inc., downtown workers in finance, insurance and real estate as well as communications and public utilities are proportionally under-represented among current City Center residents. Employees in these two sectors represent the most likely source of new workforce demand within the area. (See the figure below).



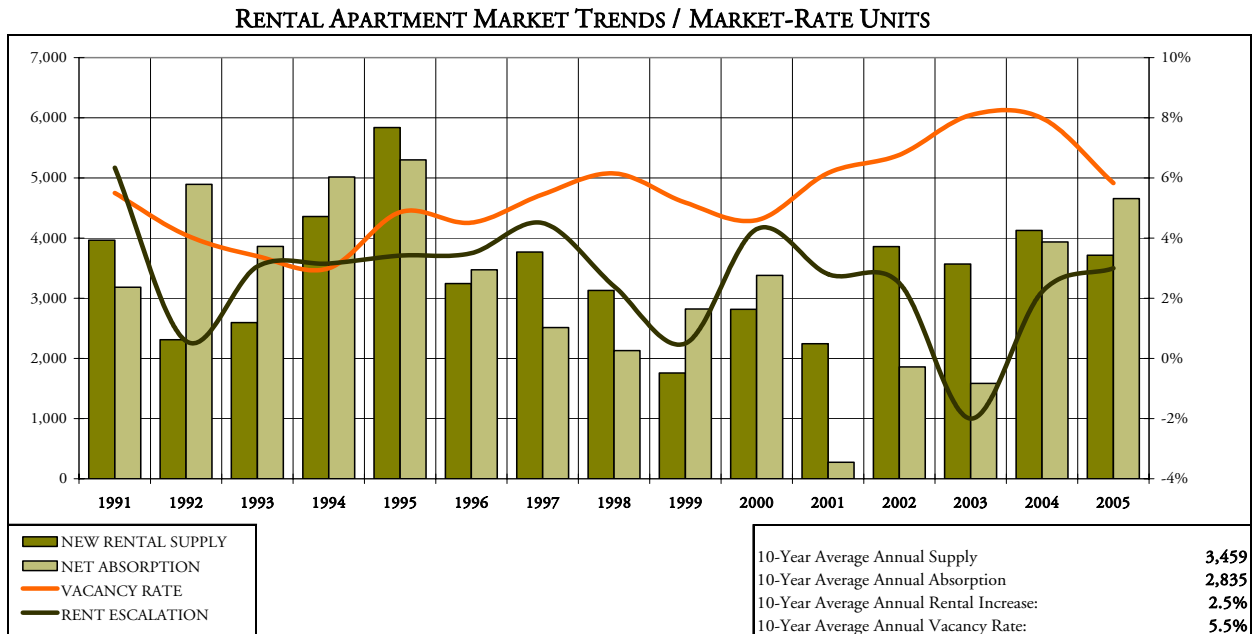
Major Industry	2001 Population Age 16+				Work Downtown
	Work Downtown		Live Downtown		Live Downtown
	Count	%	Count	%	Ratio
Total Private Sector Employees	105757	100.0%	16285	100.0%	6.49
Agr., Forestry, Fisheries	428	0.4%	417	2.6%	1.03
Mining	4	0.0%	0	0.0%	0.00
Construction	1652	1.6%	590	3.6%	2.80
Manufacturing (Non-dur. Goods)	4390	4.2%	737	4.5%	5.96
Manufacturing (Durable Goods)	1649	1.6%	938	5.8%	1.76
Transportation	7327	6.9%	670	4.1%	10.94
Communications & Other Pub U	4774	4.5%	401	2.5%	11.91
Wholesale Trade	2507	2.4%	586	3.6%	4.28
Retail Trade	19040	18.0%	3302	20.3%	5.77
Finance, Ins., and Real Estate	21001	19.9%	1531	9.4%	13.72
Business and Repair Services	10485	9.9%	1176	7.2%	8.92
Personal Services	3678	3.5%	854	5.2%	4.31
Enter./Recreation Services	1807	1.7%	445	2.7%	4.06
Professional & Rel. Health Serv	5207	4.9%	1325	8.1%	3.93
Professional & Rel. Educ. Serv.	2002	1.9%	1376	8.4%	1.45
Other Professional & Rel. Serv.	19806	18.7%	1937	11.9%	10.23
Total Public Sector Employees	26614	-	636	-	41.85

Source: Claritas Inc. & Johnson Gardner, LLC

II. RENTAL RESIDENTIAL MARKET TRENDS

Regional Apartment Market

Weakened by continuing low interest rates and the stagnant local economy, the rental market slid further in the fourth quarter of 2003. Occupancy fell by 0.8%, marking the sixth consecutive quarter of worsening vacancy. A market recovery now appears unlikely before the latter half of 2005, when interest rates are finally expected to rise along with tightening in the labor market.



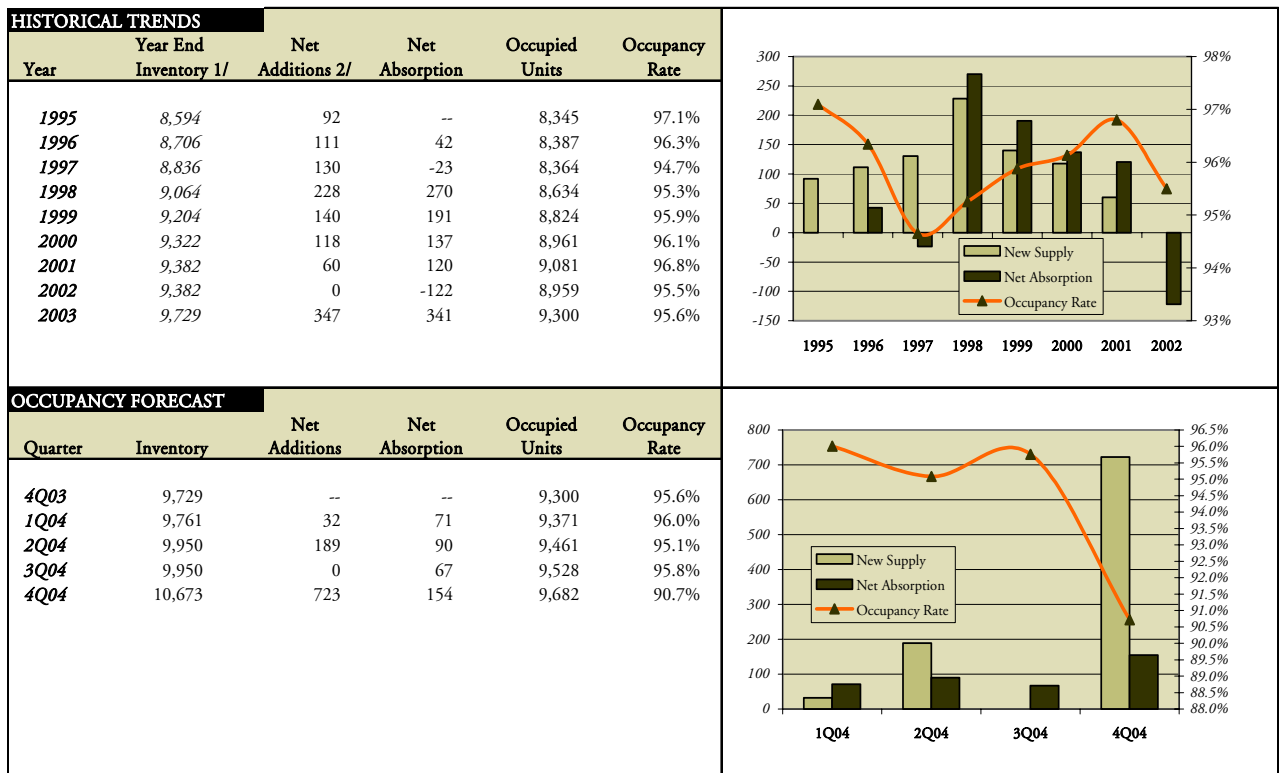


By December of 2003, the market occupancy rate was estimated at 91.9%. Current estimated occupancy rates range from 90.5% in Beaverton/Aloha to 95.6% in the Close-In Westside subregion. New construction outside of downtown Portland has been largely limited to tax-credit projects, with achievable lease rates insufficient to justify new market rate construction. Despite weakness in the suburban markets, the Pearl District is seeing a significant amount of new construction, which will increase the inventory of market rate units in this district by almost 400%. While projects in the Pearl have done well to-date, the depth of this market will be tested by this new supply. The ability to maintain a pool of renters for units priced above \$1,300 in this market for a sustained period of time has not been demonstrated to-date.

Overall market conditions have slowly deteriorated over the last year, but we expect that they will finally begin to stabilize in late 2004 with market improvement through 2005. Slow rent acceleration will keep new construction to a minimum, with the State of Oregon expected to reduce the level of tax credit units approved in the metropolitan area over the next few years. In conjunction with a rising interest rate environment and a return to economic expansion, this should allow the rental market to begin a gradual recovery.

City Center Market Trends

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.⁴ 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.

Compared to other parts of the Portland metro area apartment market, the Central City Competitive Market Area has fared well. The aforementioned success of urban living and amenities has translated into a still-healthy occupancy rate of 95.6% downtown as indicated in the figure above. As a general rule, a 95% occupancy rate suggests a stable rental market – a level of occupancy that the Central City market has retained for eight of the last nine years. 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, rental housing for middle-income households and to a lesser extent upper-income households⁵ 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.

Peer Group Analysis

A total of nine existing market-rate apartment developments were identified as comparables for the sake of this market analysis. The projects represent 1,741 units, with overall occupancy rate of 90%. The average rent level in the survey was \$1,064 per month, reflecting rents of \$1.42 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.

The results do suggest gradual weakening of the City Center rental apartment market. These projects charge rents at or near the top of the market, while occupancy rates at all projects fail to equal the City Center average vacancy rate of 4.4%. Older units charging lower rents enjoy higher occupancy. Museum Place, the newest rental apartment community in Central City, presently exhibits a 70% occupancy rate, skewing the sample occupancy rate downward somewhat. The project has leased 98 of 140 units since October of 2003. At current pace, lease-up of the project will require a full year.

With the exception of River Place Square, which has townhouse units with attached garages, all of the projects surveyed rented parking outside of the basic rent structure. The typical charge for covered and secured parking was \$85 to \$95 per month for residents, with some projects leasing space to non-residents at a substantial premium.

⁴ Portland Business Alliance, 2003 Spring Downtown Occupancy Report.

⁵ 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.



COMPETITIVE PEER GROUP COMPARISON, DOWNTOWN PORTLAND APARTMENT

Project Name / Location	Unit Characteristics		Units Occupied	Occupancy Rate (%)	Monthly Rents	
	Total	Size (S.F.)			Price	Price/S.F.
University Park	125	748	112	92%	\$1,048	\$1.40
Southpark Square	191	793	176	92%	\$1,005	\$1.28
Park Plaza	149	533	142	95%	\$637	\$1.25
Regency	85	230	81	95%	\$448	\$1.95
Oakwood at the Essex House	156	872	137	88%	\$1,051	\$1.21
River Place Square	290	1,031	261	91%	\$1,316	\$1.28
Kearney Plaza	199	626	189	95%	\$1,092	\$1.74
Museum Place 1/	140	962	98	70%	\$1,674	\$1.74
The Village @ Lovejoy Fountain	208	735	187	90%	\$752	\$1.03
	1,741	750	1,561	90%	\$1,064	\$1.42

1/ Museum Place began lease up in fall of 2003

III. OWNERSHIP RESIDENTIAL MARKET TRENDS

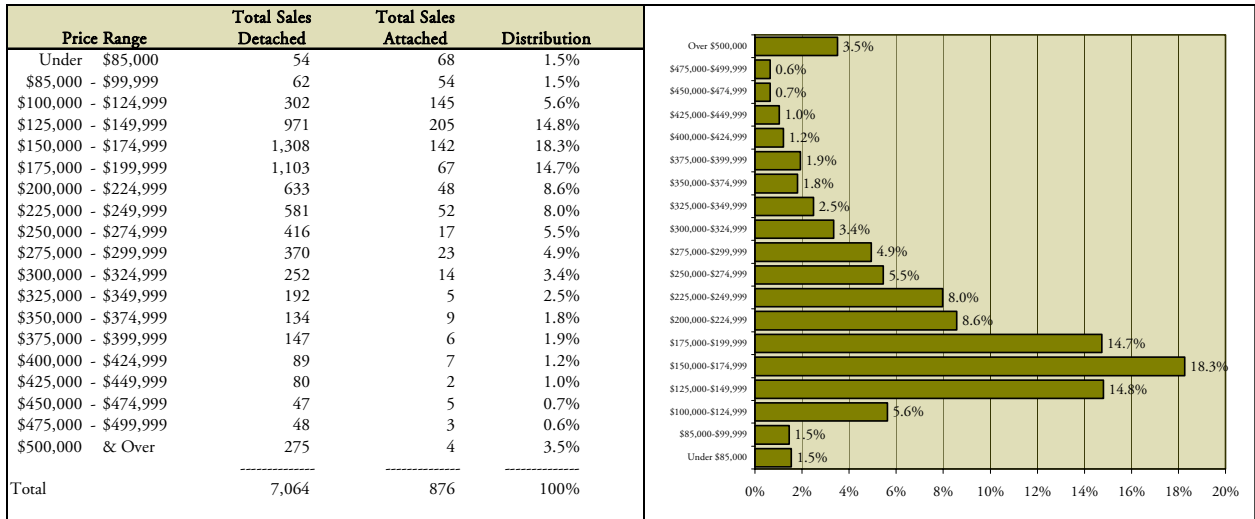
Metro Area Market Trends

The Portland metropolitan area's ownership residential market was unable to keep up the rapid pace seen in the third quarter, with home sales down 19.3%. The attached market contracted by 9.3%, while the detached market shrank by 20.4%. Attached housing accounted for 12.4% of overall for-sale housing activity during the quarter, a slight increase from the previous quarter. On a seasonal basis, sales activity during the fourth quarter was 6.5% higher than during the fourth quarter of 2002.

Sales prices were down during the quarter. The average price for attached home sales for new construction averaged \$188,581 per unit on the Westside, while detached sales went for approximately \$355,000 during the quarter. New construction on the Eastside achieved the lowest price levels for new detached product at \$247,310, while new attached product and resale detached product was priced lowest in Clark County. The Westside maintains a significant pricing premium vis-à-vis either the Eastside or Clark County markets.

Total Sales Volume			
	Detached	Attached	Total
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
2nd Quarter-02	7,488	921	8,409
Annual Percent Increase (Decrease)	6.4%	7.4%	6.5%
Average Sales Price -- New Construction			
	Detached	Attached	Attached/ Detached
WESTSIDE			
NEW	\$355,681	\$188,581	53.0%
ALL SALES	\$332,311	\$190,670	57.4%
EASTSIDE			
NEW	\$247,310	\$154,574	62.5%
ALL SALES	\$224,864	\$172,744	76.8%
CLARK COUNTY			
NEW	\$278,577	\$150,858	54.2%
ALL SALES	\$205,089	\$150,725	73.5%

The greatest market depth continues to be for products priced below \$200,000. The share of overall activity in this price range rose from 54.0% in the third quarter to 56.4% in the fourth quarter. Residential units priced below \$300,000 accounted for 83.4% of all activity during the quarter. Attached housing continued to prosper as a low-price housing alternative, accounting for 25% of all sales priced below \$150,000 and 39% of all sales priced below \$125,000.

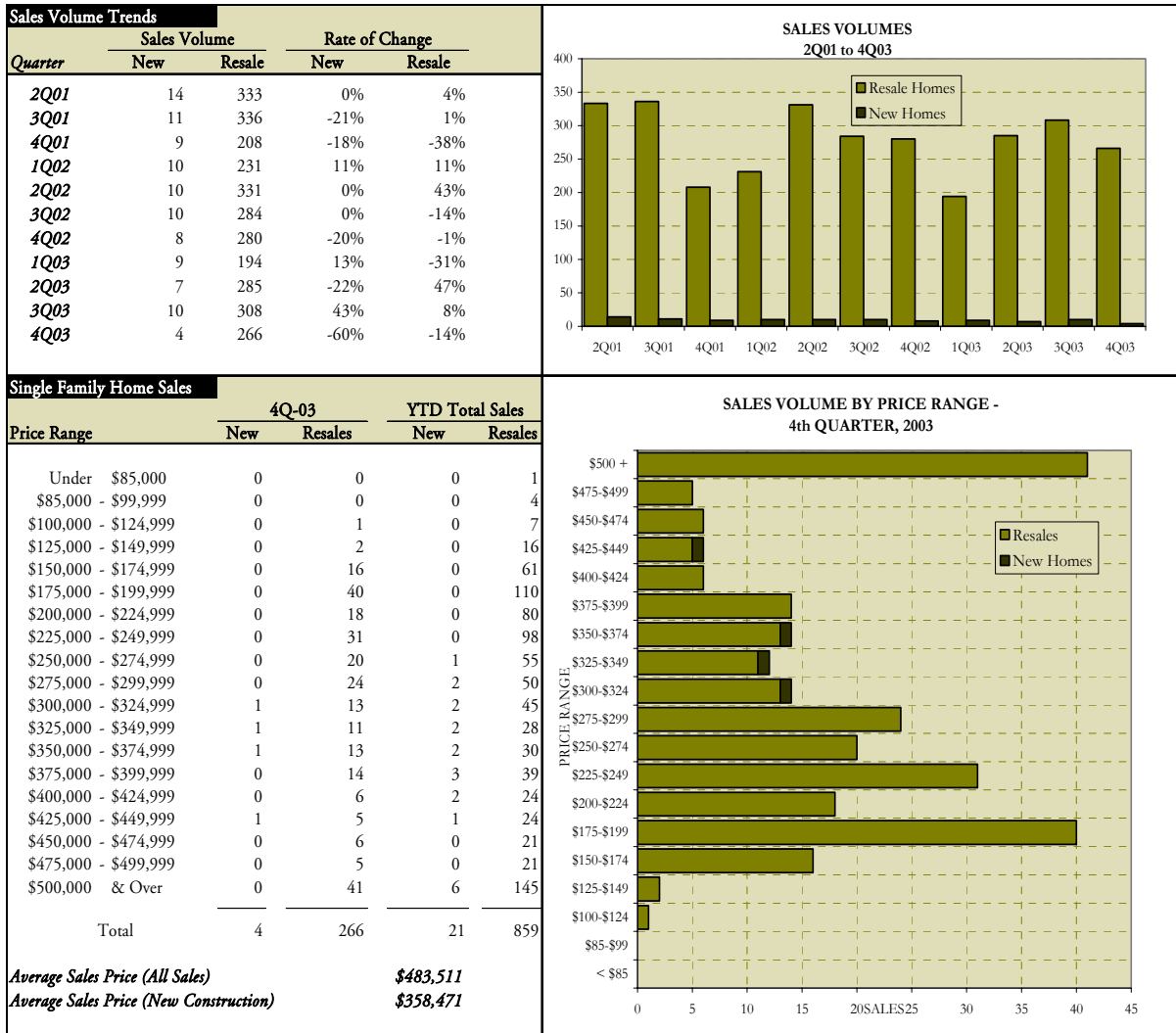


City Center Market Trends

Condominiums have been the dominant development form in the Pearl District over the last decade, with new condominium projects also seen in Mid-Town, University District and Goose Hollow areas. Net absorption of these projects has reportedly been strong, with many of the projects reportedly 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 in the Inner Westside, which includes the West Hills, is concentrated in the Below \$250,000 range, however market strength is exhibited in units priced greater than \$500,000.⁶ New projects currently under construction in the Pearl District and elsewhere Close-In Westside are priced in excess of \$330 per square foot, pushing prices well above the \$300,000 level for most units. As of the fourth quarter of 2003, the average sales price for new condominium and townhouse construction in the competitive market area 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.

⁶ RMLS



Pier Group Analysis

Five of the most recent condominium projects in the Close-In Westside market area were identified as comparables for the purpose of this market analysis. The projects represent 592 units, with a 65% average sales rate. The Henry is unique in that it was able to completely sell out before construction is complete. Average market price per square foot is \$307, with considerable variation. The Edge Lofts delivers the highest value among the projects with average unit size at 1,500 square feet and average price per square foot at \$229. The Mosaic, located in the University District, is the vanguard of new attached for-sale product in that submarket, averaging \$297 per square foot with average unit size at 681 square feet and no parking. 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, CLOSE-IN WESTSIDE FOR-SALE

Project Name/ Location	Unit Characteristics				Sales Characteristics			Price/ (S.F.)	
	Number		Size Range		Price Range				
	Total	Sold	Low	High	Average	Low	High		Average
Mosaic	40	28	454 - 1,050		681	\$134,900 - \$320,000		\$202,425	\$297
Park Place Condominiums	124	52	725 - 2,715		1,381	\$206,000 - \$1,171,000		\$452,780	\$328
The Edge	124	70	842 - 2,028		1,504	\$240,850 - \$724,000		\$345,084	\$229
The Elizabeth	180	108	884 - 3,293		1,302	\$296,300 - \$1,325,000		\$433,918	\$333
The Henry	124	124	755 - 2,945		1,409	\$199,000 - \$1,180,000		\$474,694	\$337
Totals/Averages:	592	382	786 - 2,683		1,341	\$234,485 - \$1,068,581		\$412,161	\$307

SOURCE: Johnson Gardner LLC

IV. ABSORPTION AND PRICING

The following section provides a discussion of potential market reception of residential development at the subject property. Future potential competition is discussed, as is quantification of future potential residential unit demand in the competitive market area. Johnson Gardner does again note that the tentative 2009 project construction date introduces substantial uncertainty into market condition forecasts. The following section is a best-estimate interpolation of likely future conditions given very recent market trends.

Future Residential Supply

Rental Apartments

There are approximately 2,900 apartment units planned for the Close-In Westside/South Waterfront Plan District over the next several years, including market rate, affordable and student housing. In the next three years, approximately 1,414 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 Close-In Westside market area has averaged 150 new market-rate apartment units annually while retaining a healthy occupancy rate of roughly 95%.

RENTAL HOUSING PIPELINE, CLOSE-IN WESTSIDE/NORTH MACADAM, 2004 FORWARD

Project	Status	Completion	Units	Target Market
Lexis Apartments (Pearl District)	Construction	2004	139	Market Rate
10 th & Hoyt (Pearl District)	Construction	2004	177	Market Rate
Station Place (Pearl District)	Construction	2004	176	Market Rate
Burlington (Pearl District)	Construction	2004	158	Market Rate
Brewery Blocks (Pearl District)	Planned	2005	144	Market Rate
Wesbild Apartments (Pearl District)	Planned	2006	300	Market Rate
PDC – 3 rd & Oak (CBD)	Planned	2006	60	Market Rate
PDC – 3 rd & Salmon (CBD)	Planned	2006	60	Market Rate
TCR – 5 th & Harrison (CBD)	Planned	2006	200	Market Rate
South Waterfront Central District	Planned	To 2008	150	Market Rate
South Waterfront Central District	Planned	To 2008	200	Affordable
South Waterfront Central District	Planned	To 2008	250	Students
South Waterfront Central District	Planned	2008+	450	Market Rate
South Waterfront Central District	Planned	2008+	200	Affordable
Totals:			1,414	Market Rate



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 below. 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 Close-In Westside/North Macadam market areas may see up to 4,000 new condominium and townhouse units based on the current development pipeline detailed in the following table. Through 2006, new supply is estimated at 1,294 units including the planned condominium project at the Parcel 1 development adjacent to the subject property. JOHNSON GARDNER currently understands that all of the listed projects are market rate, i.e. fetching prices in the neighborhood of \$300 to \$330 per square foot.

FOR-SALE HOUSING PIPELINE, CLOSE-IN WESTSIDE/NORTH MACADAM, 2004 FORWARD

Project Title	Number of Units	Location	Target Completion	Project Status
The Embassy	69	Close-in NW	2004	Start
The Avenue Lofts	166	Pearl	2004	Start
Block 16-condominiums	179	Pearl	2005	Final Planning
The Pinnacle	176	Pearl	2005	Start
Brewery Block 5 Housing/retail tower	244	Pearl	2005	Start
Block 1/RiverPlace Condominiums	215	RiverPlace South	2006	Planning
The Meriwether	245	South Waterfront	2006	Final Planning
Union Station Phase C	106	Near river	-	Deferred
Envoy (rennovation to condos)	41	Close-in NW	-	Planning
Overton Street Condominiums	55	Close-in NW	-	Planning
Lovejoy Condominium Building	86	Close-in NW	-	Planning
Mixed-use condominium tower	168	Downtown	-	Planning
Riverscape Lots 2 & 3	40	Near river	-	Planning
Riverscape Lots 4-6-8	81	Near river	-	Planning
Couch Street Lofts	86	Pearl	-	Planning
Block 35/South Waterfront Central Dist.	280	South Waterfront	2007+	Planning
<u>Future South Waterfront Central Dist.</u>	<u>984</u>	<u>South Waterfront</u>	<u>2008+</u>	<u>Planning</u>
<i>Totals:</i>	<i>3,927</i>			

SOURCE: Portland Development Commission, *Daily Journal of Commerce* and Johnson Gardner

As with apartment development, the condominium pipeline becomes less firm beyond 2006 due to market condition variability. Unlike the apartment pipeline described above, planned ownership development is more evenly distributed across future years. 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. Projects without a targeted completion/in planning stages are assumed to be developed in 2007-2008.

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.

JOHNSON GARDNER further notes that the following analysis is a longer-than-usual interpolation of future market behavior than ordinarily studied for project feasibility. Development of the subject property by 2009 provides a substantial window of time for market conditions, product pipelines and financial markets to vary, sometimes considerably. The following analysis, therefore, is better viewed as a broad-brushed analysis given current, though clearly imperfect information, rather than as a more precise, short-term absorption analysis for the purposes of development pro forma analysis.

Our demand model was run for the greater Close-In Westside and future South Waterfront Plan District areas. Results of this analysis are summarized in the following table as well as in the appendix of exhibits.

Structural Demand

The figure below reflects projected structural demand – new households to a defined market area – in five-year increments for the Close-In Westside/South Waterfront Plan District. 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 Central City and the South Waterfront Central 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 – new (structural) workforce housing.

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. Households earning between \$50,000 and \$75,000 are the second largest future source of for-sale demand, reflecting the popularity of attached units Close-In Westside priced in the neighborhood of \$175,000 to \$215,000.



**STRUCTURAL DEMAND PROJECTIONS: CLOSE-IN WESTSIDE AND SOUTH WATERFRONT PLAN DISTRICT
5-YEAR INCREMENTS**

Household Income Range	Net HH Increase		Assumed Tenure Split		5-Yr Net Increase	
	5-Yr Total	%	Owner	Renter	Owner	Renter
Under \$15,000	92	5.6%	10.9%	89.1%	10	82
\$15,000-\$24,999	195	11.9%	14.4%	85.6%	28	167
\$25,000-\$34,999	181	11.0%	17.1%	82.9%	31	150
\$35,000-\$49,999	254	15.5%	21.6%	78.4%	55	199
\$50,000-\$74,999	364	22.2%	28.9%	71.1%	105	259
\$75,000-\$99,999	251	15.3%	37.5%	62.5%	94	157
\$100,000+	304	18.5%	45.8%	54.2%	139	165
Total/Weighted Avg.	1,640	100.0%	28.2%	71.8%	462	1,178

Rental Housing Income Range	5-Yr Net Increase	Affordable Payment 3/		% of Max	Projected Payment	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	82	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	167	\$375	\$625	100.0%	\$380	\$630
\$25,000-\$34,999	150	\$625	\$875	95.0%	\$590	\$830
\$35,000-\$49,999	199	\$875	\$1,125	95.0%	\$830	\$1,070
\$50,000-\$74,999	259	\$1,125	\$1,500	90.0%	\$1,010	\$1,350
\$75,000-\$99,999	157	\$1,500	\$1,875	85.0%	\$1,280	\$1,590
\$100,000+	165	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	1,178			92.2%		

Ownership Housing Income Range	5-Yr Net Increase	Affordable Payment 1/		% of Max	Affordable Home 2/	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	10	-	\$325	100.0%	-	\$62,600
\$15,000-\$24,999	28	\$325	\$542	100.0%	\$62,600	\$104,400
\$25,000-\$34,999	31	\$542	\$758	95.0%	\$99,200	\$138,800
\$35,000-\$49,999	55	\$758	\$975	90.0%	\$131,500	\$169,100
\$50,000-\$74,999	105	\$975	\$1,300	85.0%	\$159,700	\$213,000
\$75,000-\$99,999	94	\$1,300	\$1,625	80.0%	\$200,400	\$250,500
\$100,000+	139	\$1,625	+	80.0%	\$250,500	+
Total/Weighted Avg.	462			85.0%		

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 workforce⁷ rental housing demand and new structural demand discussed immediately above.

⁷ 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. A more recent workforce housing study for the OHSU/North Macadam Urban Renewal Area is presently underway, though results are not yet available. The above workforce housing need estimates are, therefore, underestimated to the extent that OHSU and related development creates jobs and workforce housing need in and south of Central City.



Workforce Demand Income Range	5-Yr Net Increase	Affordable Payment 3/		% of Max	Projected Payment	
		Minimum	Maximum		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/		% of Max	Projected Payment	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	141	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	265	\$375	- \$625	100.0%	\$380	- \$630
\$25,000-\$34,999	527	\$625	- \$875	95.0%	\$590	- \$830
\$35,000-\$49,999	785	\$875	- \$1,125	95.0%	\$830	- \$1,070
\$50,000-\$74,999	583	\$1,125	- \$1,500	90.0%	\$1,010	- \$1,350
\$75,000-\$99,999	342	\$1,500	- \$1,875	85.0%	\$1,280	- \$1,590
\$100,000+	560	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	3,203			91.9%		

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%

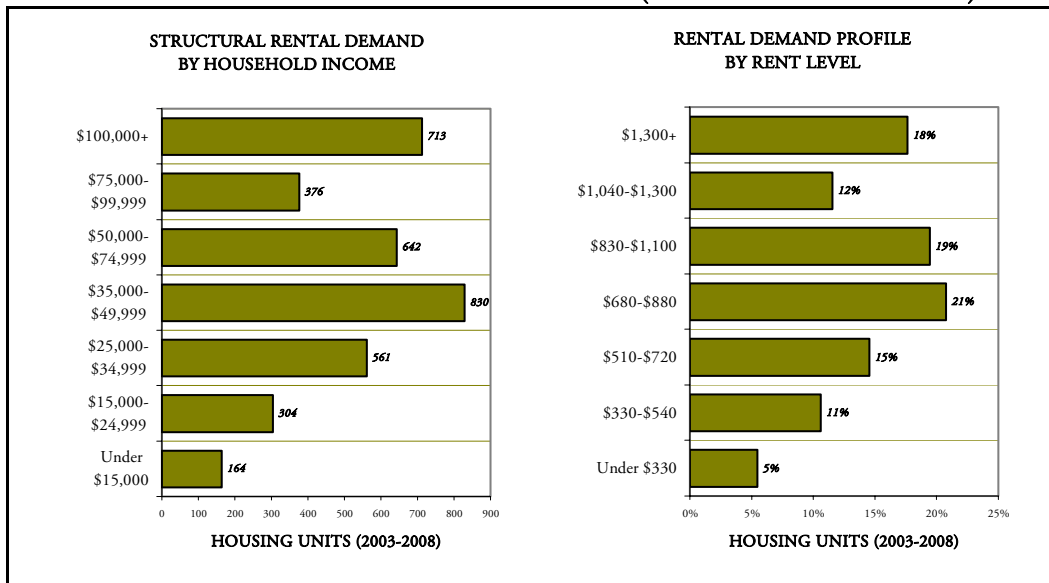
3/ Assumes 30% of gross income towards rent.

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 be derived 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, CLOSE-IN WESTSIDE/SOUTH WATERFRONT (FIVE-YEAR INCREMENTAL)



Ownership Demand Profile: Structural and Workforce Demand

The following figure provides five-year estimates of both pent-up workforce⁸ 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 89% 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 is for households earning between \$25,000 and \$50,000.

⁸ See previous footnote.



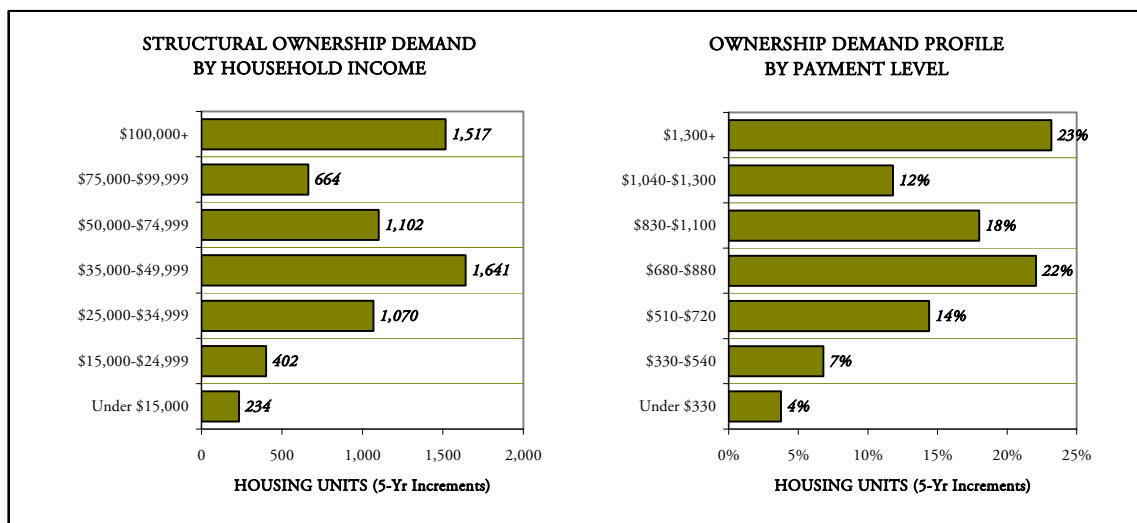
Workforce Demand Income Range	5-Yr Net Increase	Affordable Payment 3/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	201	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	335	\$325	-\$542	100.0%	\$330	-\$540
\$25,000-\$34,999	1,005	\$542	-\$758	95.0%	\$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 Income Range	5-Yr Net Increase	Affordable Payment 1/ Minimum Maximum		% of Max	Projected Payment Minimum Maximum	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	234	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	402	\$325	-\$542	100.0%	\$330	-\$540
\$25,000-\$34,999	1,070	\$542	-\$758	95.0%	\$510	-\$720
\$35,000-\$49,999	1,641	\$758	-\$975	90.0%	\$680	-\$880
\$50,000-\$74,999	1,102	\$975	-\$1,300	85.0%	\$830	-\$1,100
\$75,000-\$99,999	664	\$1,300	-\$1,625	80.0%	\$1,040	-\$1,300
\$100,000+	1,517	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	6,630			87.6%		

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

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 only McCormick Pier Condominiums has been able to tap. Even so, a sizeable demographic earning above \$100,000 can be expected to continue to fuel demand for higher-priced product if properly executed.





We do note, however, that ownership absorption estimates do not factor in additional workforce housing need created by OHSU employees in the South Waterfront Central District.

Residential Market Conclusions

With a distant development timeline for the property, it is not yet possible to provide precise detail of likely market performance given known specifics about competition, mortgage rates and existing market conditions (occupancy, rents/prices, etc.). Currently available information, however, points to potential market success for either market-rate rental apartments or market-rate condominiums. The following are key considerations for this conclusion:

- *The location of the property is ideally located for residential development.* The importance of views, proximity to RiverPlace, South Waterfront Park, the planned MAX and Portland Streetcar extension, easy access to Downtown, the South Waterfront Plan District and Interstate 5 cannot be overstated.
- *The subject property will have cross-shopping appeal for households seeking residences in either Close-In Westside or the South Waterfront Plan District.* The property is centrally located for Pearl District, Downtown, PSU and future OHSU employment. Accordingly, residential development at the site can successfully tap demand – cross-shopping appeal - for housing further north in the Pearl District or south along the Waterfront in ways that development in both distinct submarkets will not.
- *The near-waterfront location and likely mid-rise orientation will be a more unique product type in the market, particularly compared to new high-rise development in the South Waterfront Plan District.* Parcel One development slated for 2006 will be the only somewhat comparable development if the project is attached for-sale.

As a rental apartment project, the development is likely to be capable of achieving base pricing of close to \$1.35 per square foot, inflation-adjusted, with view premiums available for higher stories. The overall pricing mix with premiums should be close to \$1.65 per square foot, inflation adjusted, assuming good 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 \$290 to \$300 range on average, inflation adjusted, assuming a high quality execution. We would recommend relatively small units targeted towards singles, young professionals – particularly employed at PSU, 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 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.

However, 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 the South Waterfront Plan District will allow a lower parking ratio. Because of the small parcel size and height restrictions, 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, South Waterfront and University District employment. Lower apartment construction costs and greater upside on rental rates contribute to the potential financial advantage.

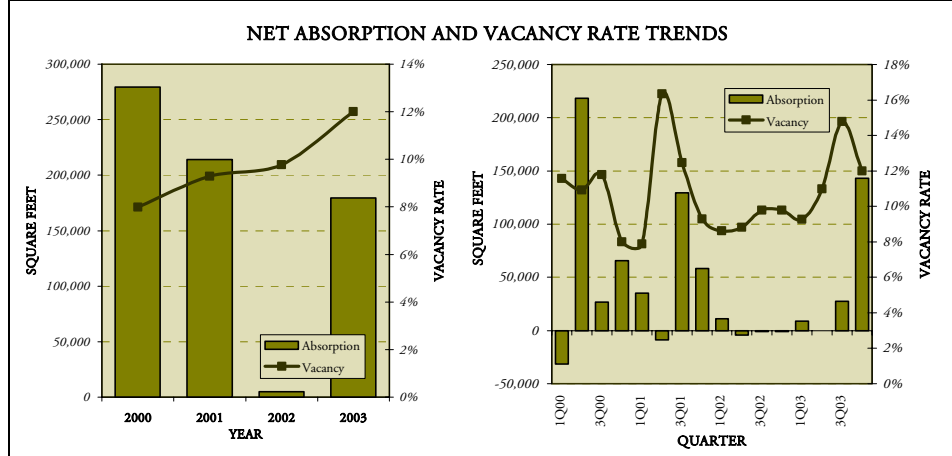
V. SPECULATIVE RETAIL MARKET

Portland Metro Area Trends

As opposed to the office and industrial market, the retail market is driven by shifts in buying power. While a drop in employment certainly reduced local buying power, this relationship is less direct. In addition, continued in-migration into the region increases buying power, offsetting some of the employment-related losses. The overall vacancy rate in the retail market is estimated at 9.0%, with the highest vacancy rates seen in strip/specialty/urban and mixed-use centers. Vacancy remains negligible in regional and power centers, while community/neighborhood centers report a relatively healthy 7.2% 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.



	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy	
					S.F.	Rate
BREAKOUT BY TYPE						
Strip/Specialty/Urban	855,468		136,218	132,385	150,527	17.60%
Community/Neighborhood	716,073		-16,500	-7,343	18,661	2.61%
Mixed Use	150,203		10,000	17,965	37,421	24.91%
Power/Regional	0		0	0	0	N/A
Total	1,721,744	0	129,718	143,007	206,609	12.00%



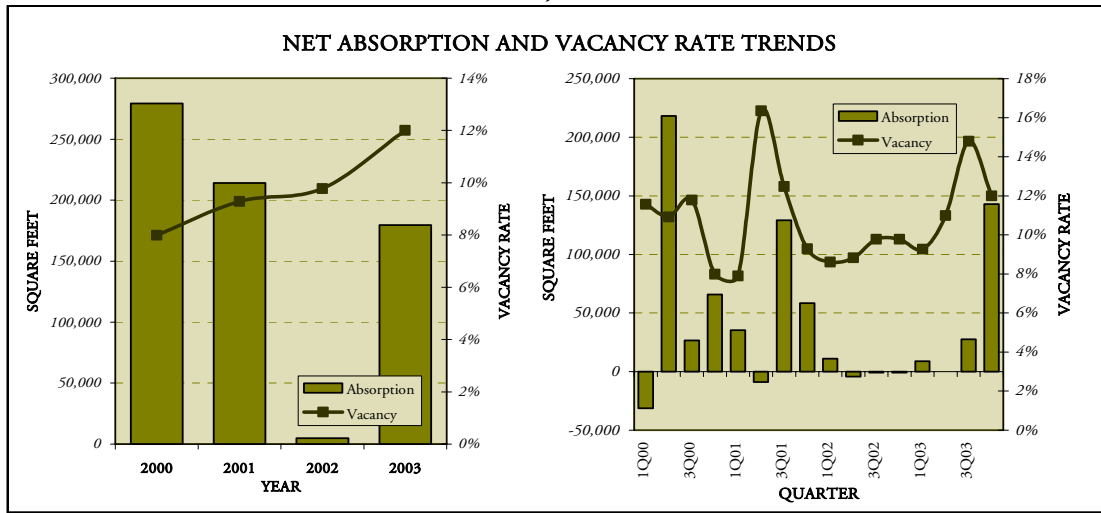
A total of 1,020,344 square feet of new space is projected to enter the market over the next twelve months, while demand is forecasted at 846,172 square feet. As a result, the overall vacancy rate is projected to rise slightly to 9.2% over the next year. The overall vacancy rate is expected to fall to 6.9% by the fourth quarter of 2005.

Central City Market Trends

Within the Central City market, the market has shown a higher level of resilience. The Central City market is characterized by a high level of unanchored specialty retail, which historically has a higher vacancy rate than more traditional suburban shopping centers. The strengths of the local market from a retail perspective continue to be strong regional access and daytime population. The expansion of downtown residential development over the last fifteen years has increased resident population substantially, further strengthening the market.



RETAIL MARKET TRENDS, PORTLAND CENTRAL CITY



The subject site represents a strong retail site, although somewhat distant from the retail core. Proximity to existing RiverPlace development, new condominiums on Parcel 1 and residential development at the subject site provide considerable strength for potential retail space, likely convenience retail and financial services. JOHNSON GARDNER conducted a survey of downtown retail occupancy and lease rates for buildings with retail space under 15,000 square feet. Results are displayed in the table below.

Ground-floor retail in the Central City submarket generally displays an extremely healthy vacancy rate of 4.7%, though this is somewhat skewed downward by Pioneer Place and other larger retail tenants downtown. Lease rates for ground-floor retail vary from \$8 to \$48 per square foot triple net across all sizes, though retail space below 15,000 square feet leases for a slightly higher average. Vacancy in smaller-sized spaces exhibits a still-healthy 10% vacancy rate.

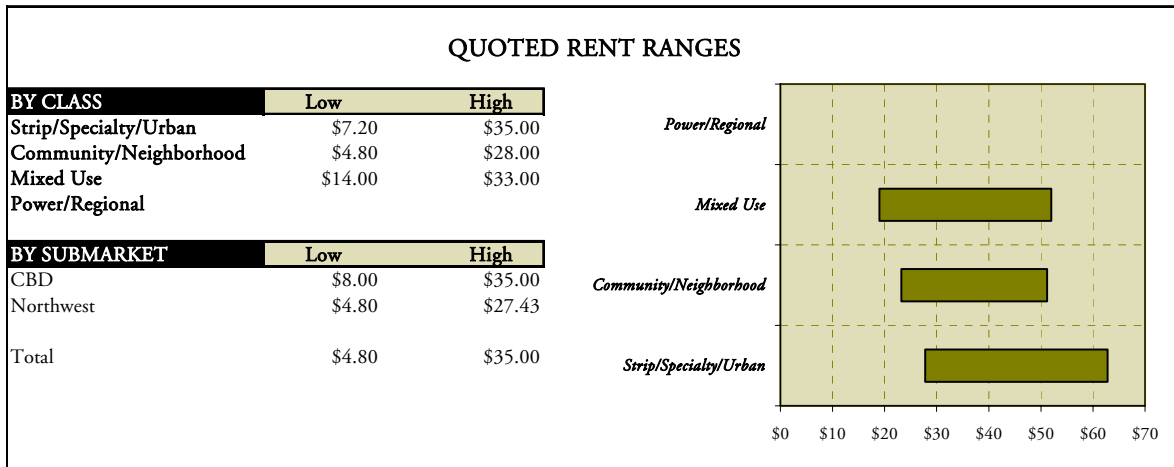
Shopping Center <i>Location</i>	<i>Anchor(s) / Tenant(s)</i>	Total SF	Vacant SF	% Vacant	Asking Range	
					Low	High
1515 Building	DMV, Waterhouse	13,115	5,058	38.6%	\$13.00	-\$21.00
400 Sixth Avenue	Camera World, Deli	12,000	0	0.0%	\$22.50	-\$22.50
Cascade Building	Subway, Island Joe's	10,000	600	6.0%	\$35.00	-\$35.00
Director Building	n/a	10,000	5,900	59.0%	\$35.00	-\$35.00
Jackson Tower	Jessica McClintock, Margulis Jewellery	6,000	0	0.0%	\$18.50	-\$20.90
Lindsay Building	n/a	6,000	0	0.0%	\$19.50	-\$21.50
Mayer Building	Three Lions Bakery	10,000	0	0.0%	\$16.00	-\$16.00
Morgan Building	Hunan Restaurant, Empire Travel	15,000	720	4.8%	\$12.00	-\$15.50
Pacific Building	Ben Bridge Jewelers	13,006	0	0.0%	\$40.00	-\$48.00
Postal Building	Federal Express, Mings Dynasty	10,417	1,095	10.5%	\$20.00	-\$20.00
Public Services Building	US Bank, Niketown	15,000	0	0.0%	\$19.50	-\$21.50
Robert Duncan Plaza	Lorn & Dottie's, Quick Print	12,000	0	0.0%	\$12.00	-\$14.00
SAMPLE TOTAL (ALL SIZES)		1,481,895	70,166	4.7%	\$8.00	-\$50.00
15,000 SQUARE FEET OR LESS		132,538	13,373	10.1%	\$12.00	-\$48.00

SOURCE: Norris Beggs & Simpson and Johnson Gardner



At present, little comparable ground-floor retail below residential development exists in the immediate vicinity of the South Auditorium submarket. RiverPlace retail, over 20,000 in size, is presently 13.8% vacant and achieves \$18.00 per square foot.

JOHNSON GARDNER finds that achievable lease rates at the subject property would likely be in the mid-range for mixed-use space displayed in the figure below, inflation adjusted to 2009 dollars. New development of retail on-site would likely garner \$20 to \$22 per square foot triple net with upside potential given expected residential development nearby at Parcel 1.



RIVERPLACE MARKET STUDY

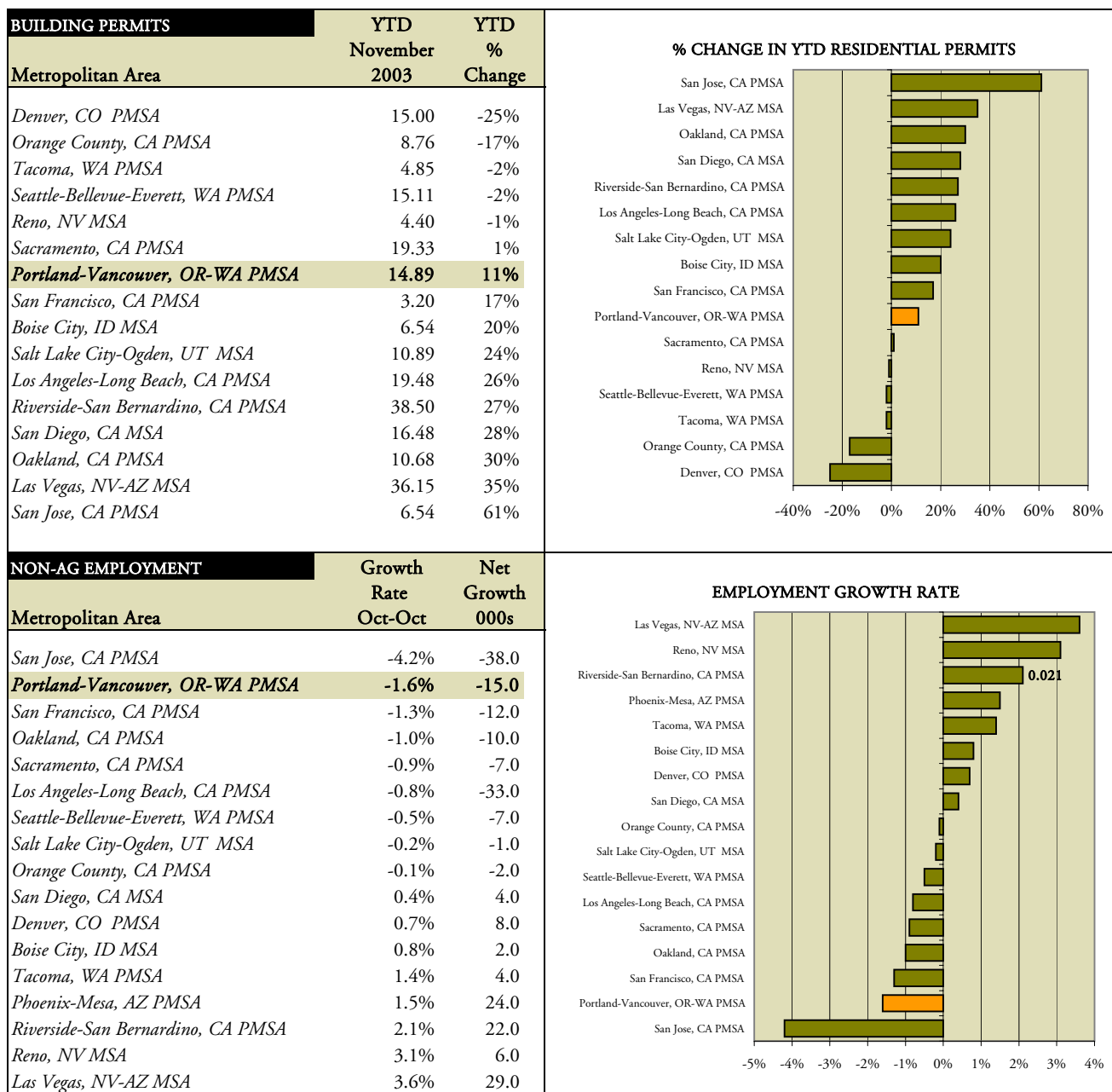
APPENDIX OF EXHIBITS

RIVERPLACE MARKET STUDY

ECONOMIC EXHIBITS

EXHIBIT 1.01

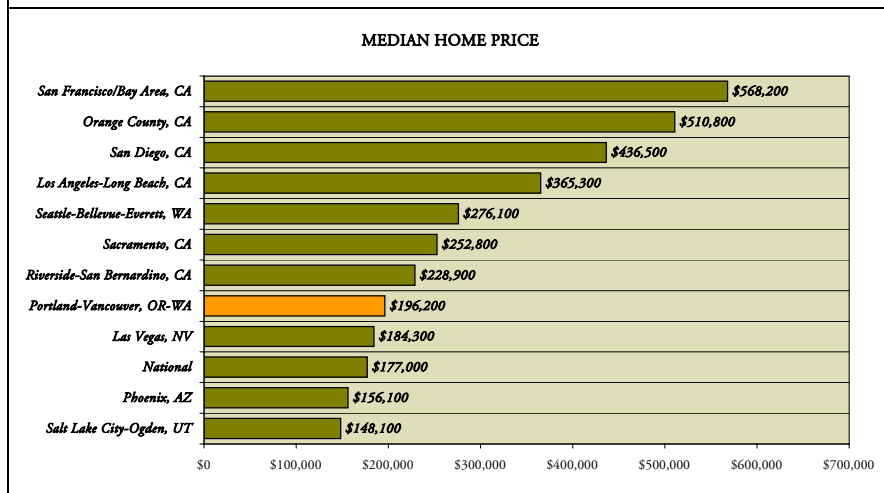
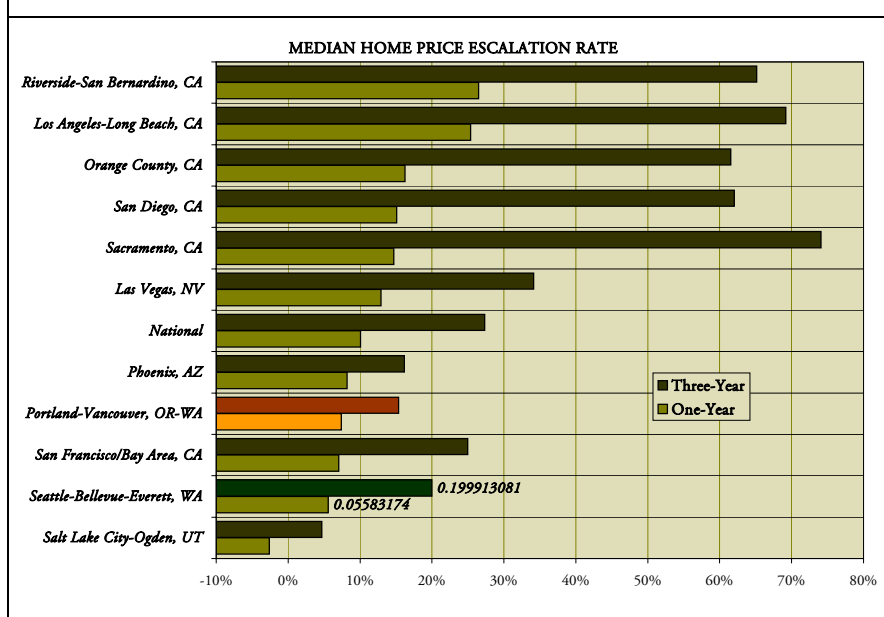
EMPLOYMENT AND MIGRATION TRENDS
MAJOR WESTERN METROPOLITAN AREAS



Source: National Association of Home Builders and Johnson Gardner

EXHIBIT 1.02
RELATIVE HOME PRICE TRENDS
MAJOR WEST COAST MARKETS
 Third Quarter, 2003

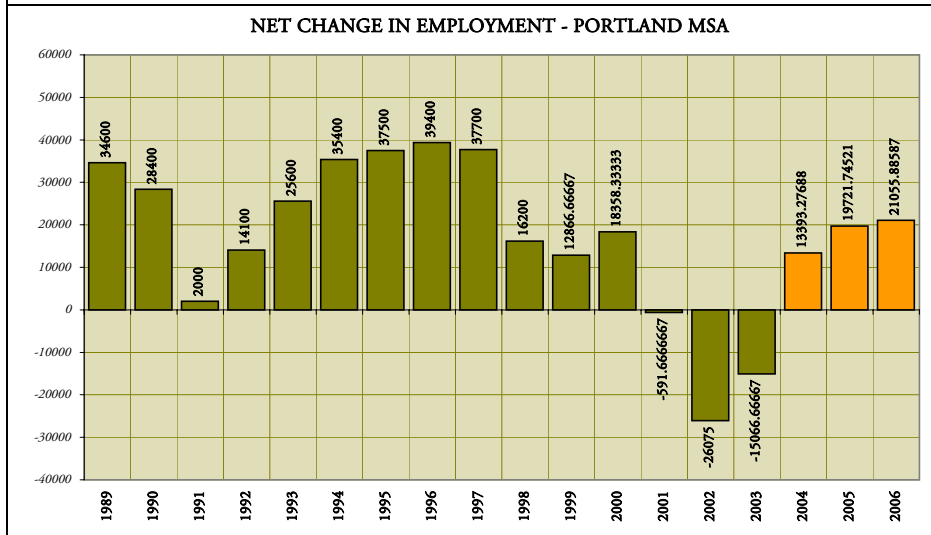
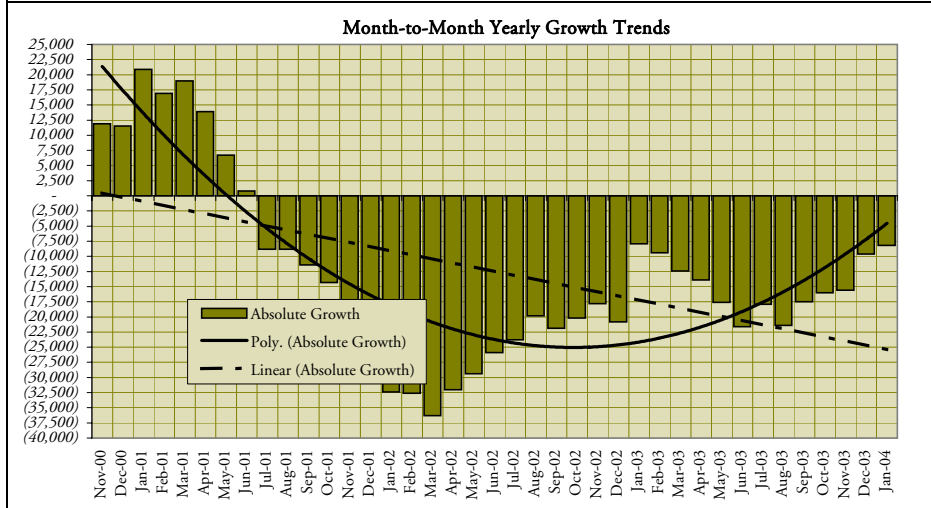
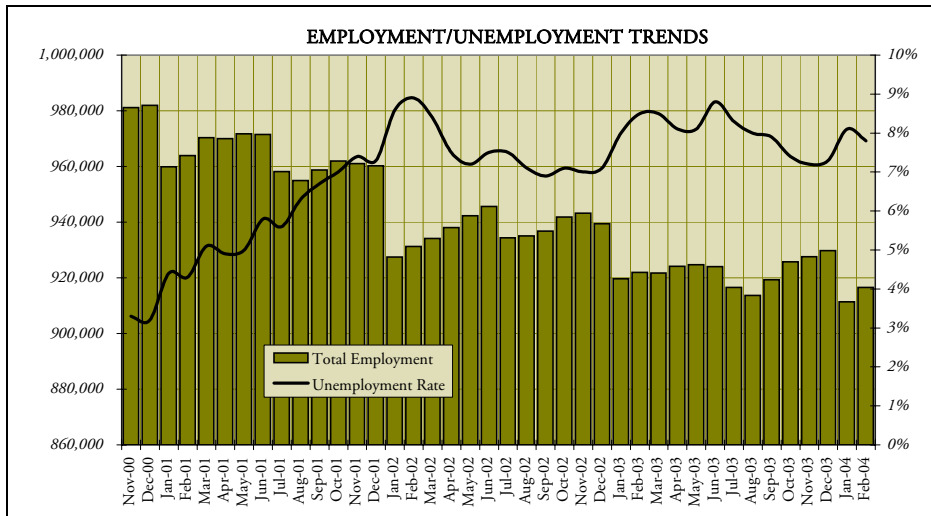
Metropolitan Area	Median Price	Home Price Escalation		
		Quarter	1-Yr.	3-Yr.
<i>Las Vegas, NV</i>	\$184,300	4.1%	12.9%	34.1%
<i>Los Angeles-Long Beach, CA</i>	\$365,300	8.3%	25.4%	69.2%
<i>Orange County, CA</i>	\$510,800	8.3%	16.2%	61.5%
<i>Phoenix, AZ</i>	\$156,100	2.4%	8.2%	16.1%
<i>Portland-Vancouver, OR-WA</i>	\$196,200	2.4%	7.4%	15.3%
<i>Riverside-San Bernardino, CA</i>	\$228,900	7.7%	26.5%	65.2%
<i>Sacramento, CA</i>	\$252,800	3.9%	14.7%	74.1%
<i>Salt Lake City-Ogden, UT</i>	\$148,100	-3.0%	-2.6%	4.7%
<i>San Diego, CA</i>	\$436,500	7.2%	15.1%	62.0%
<i>San Francisco/Bay Area, CA</i>	\$568,200	1.4%	7.0%	25.0%
<i>Seattle-Bellevue-Everett, WA</i>	\$276,100	0.8%	5.6%	20.0%
<i>National</i>	\$177,000	5.1%	10.1%	27.3%



SOURCE: National Association of Realtors and Gardner Johnson

EXHIBIT 1.03

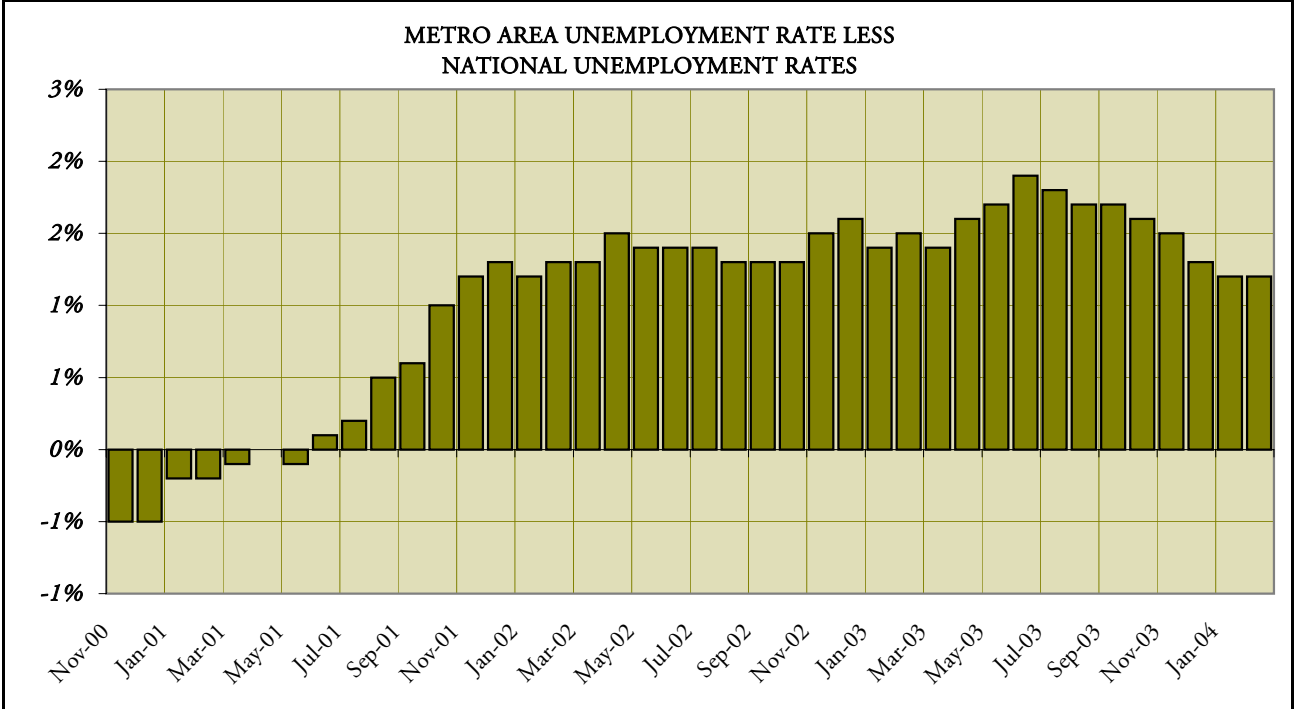
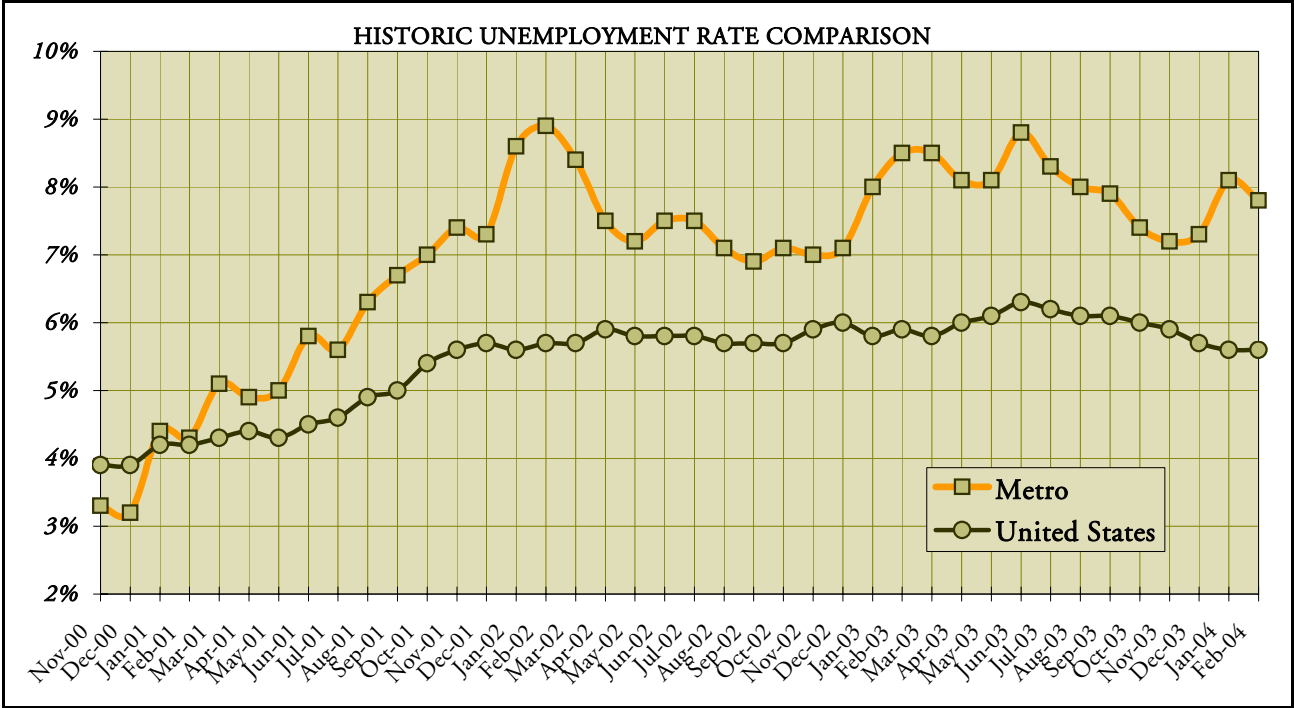
HISTORIC EMPLOYMENT GROWTH PATTERNS
PORTLAND-VANCOUVER PMSA



SOURCE: Oregon Employment Department

EXHIBIT 1.04

HISTORIC UNEMPLOYMENT RATE TRENDS
PORTLAND-VANCOUVER PMSA



Negative values indicate that Portland -Vancouver's unemployment rate was lower than the national average.

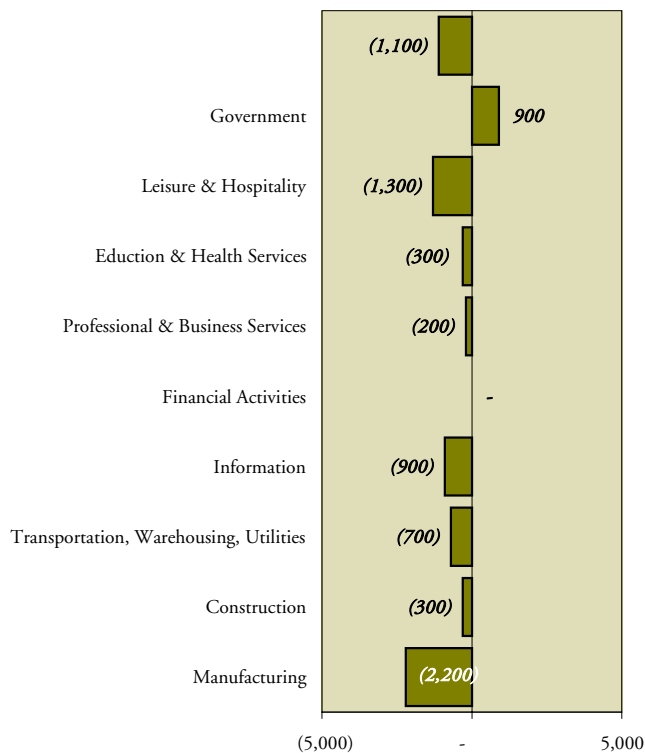
SOURCE: Oregon Employment Department

EXHIBIT 1.05

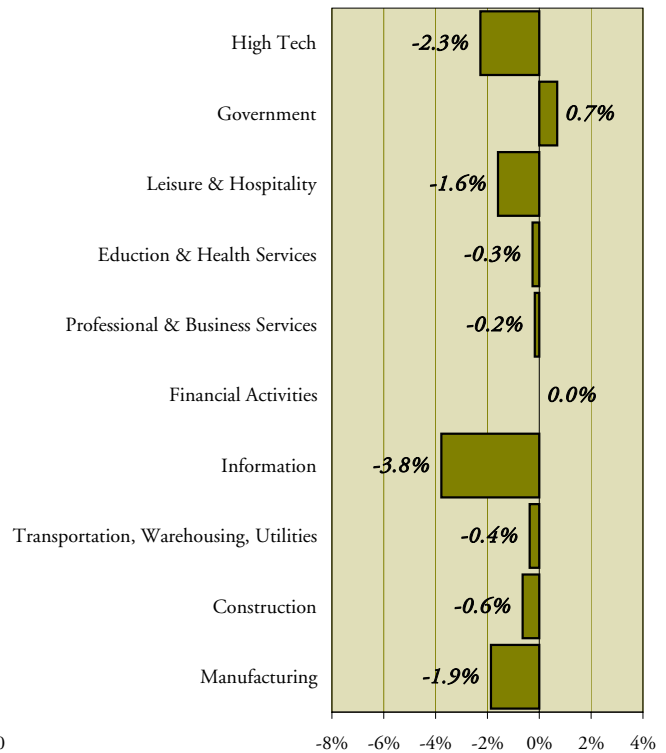
EMPLOYMENT BY INDUSTRY PORTLAND-VANCOUVER PMSA

INDUSTRY	Feb-03		Feb-04	
	Employment	% Growth	Employment	% Growth
TOTAL NONFARM EMPLOYMENT	921,000	--	916,500	-0.5%
Manufacturing	118,400	--	116,200	-1.9%
Construction	47,000	--	46,700	-0.6%
Transportation, Warehousing, Utilities	187,600	--	186,900	-0.4%
Information	23,800	--	22,900	-3.8%
Financial Activities	67,000	--	67,000	0.0%
Professional & Business Services	115,400	--	115,200	-0.2%
Education & Health Services	114,200	--	113,900	-0.3%
Leisure & Hospitality	81,800	--	80,500	-1.6%
Government	130,500	--	131,400	0.7%
High Tech	48,300	--	47,200	-2.3%

ABSOLUTE GROWTH



PERCENT GROWTH

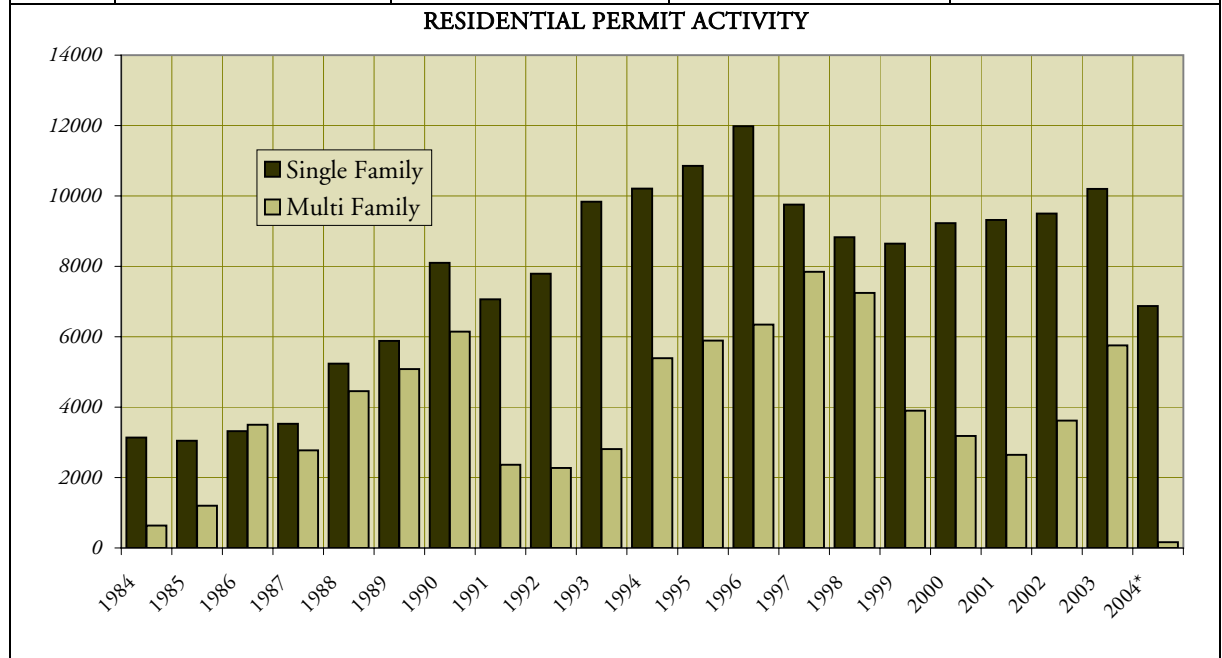


SOURCE: Oregon Employment Department

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



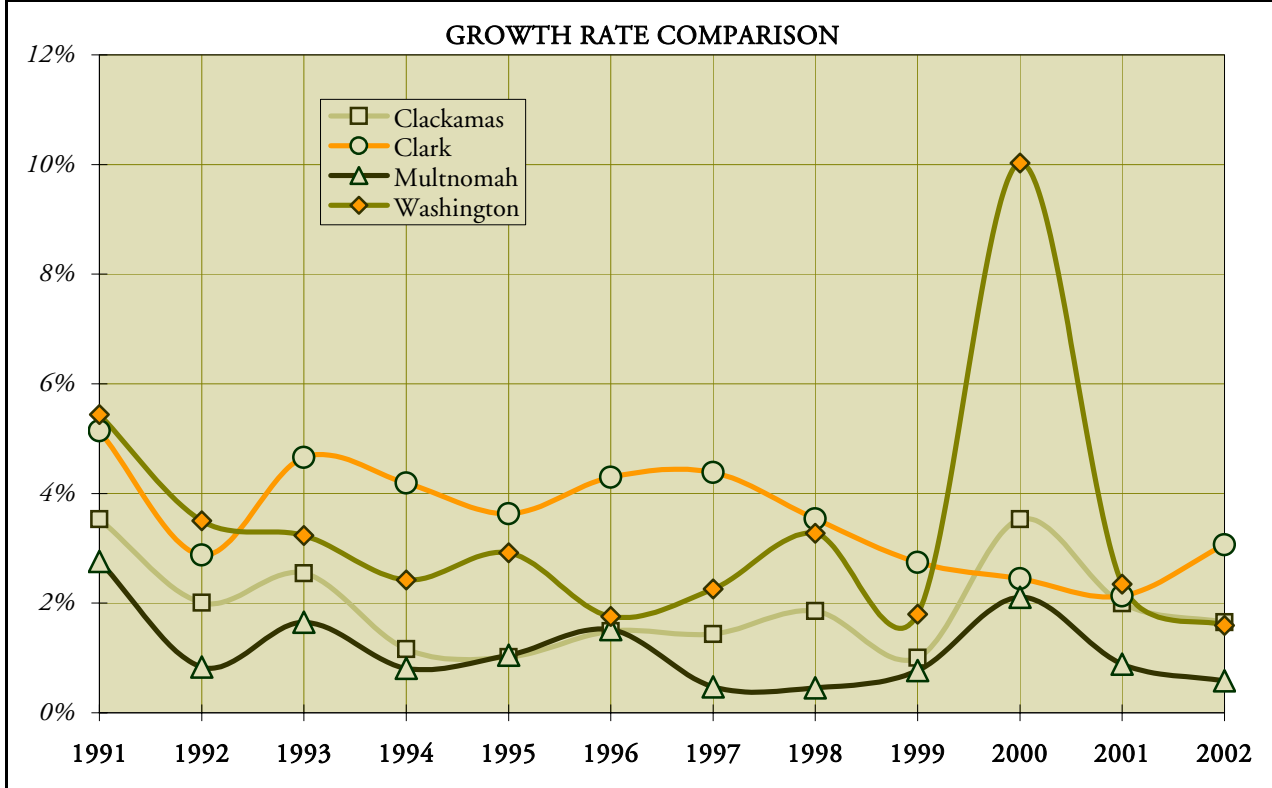
SOURCE: Bureau of the Census and Johnson Gardner

*2004 data include permit activity through Feb.

EXHIBIT 1.07

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

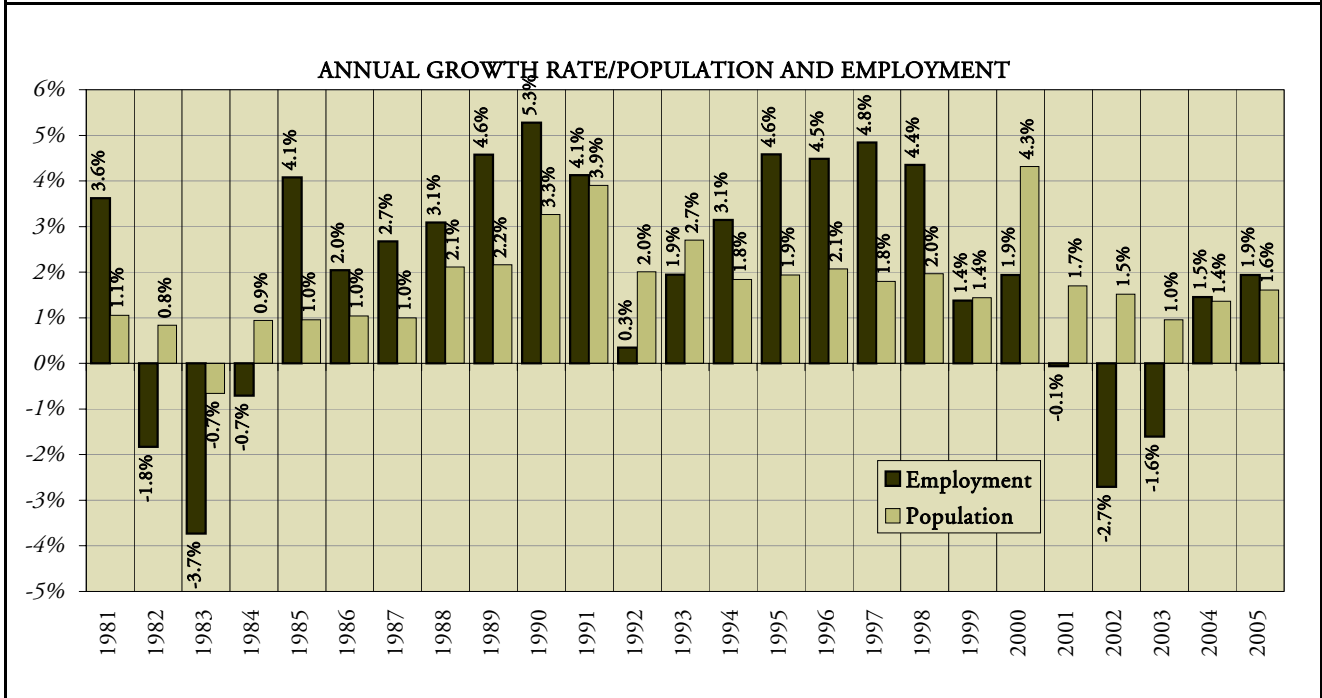
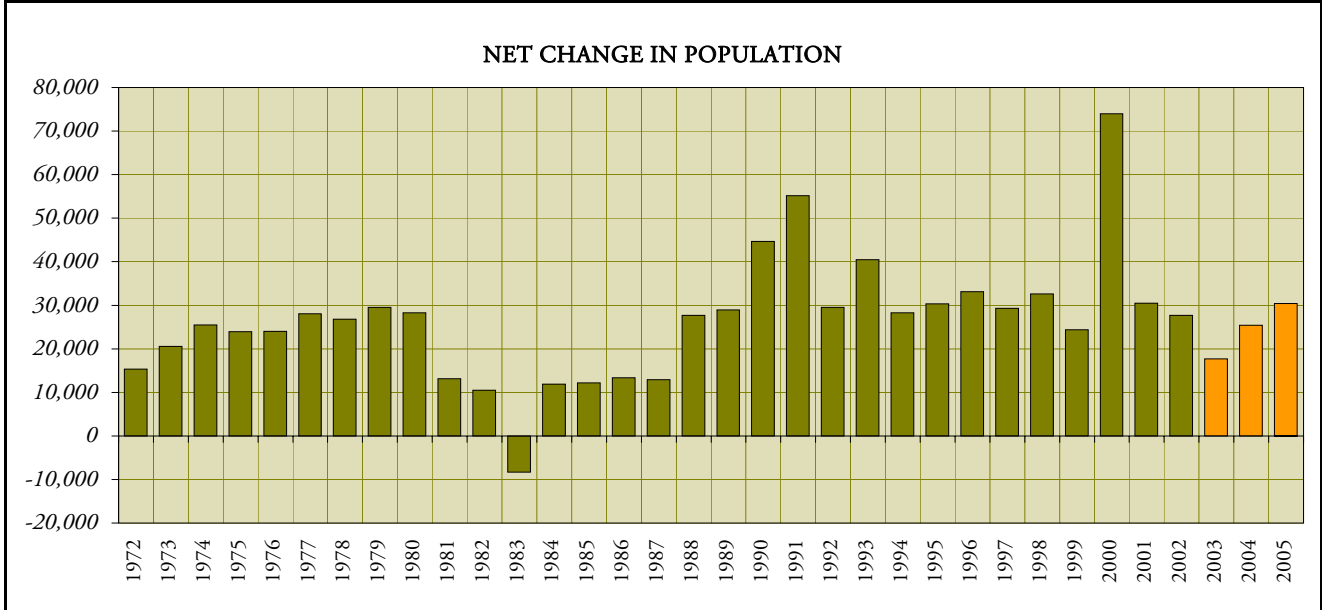
COUNTY POPULATIONS								
	Clackamas		Clark		Multnomah		Washington	
	Population	% Growth	Population	% Growth	Population	% Growth	Population	% Growth
1990	278,850		238,053		583,887		311,554	
1991	288,700	3.5%	250,300	5.1%	600,000	2.8%	328,500	5.4%
1992	294,500	2.0%	257,500	2.9%	605,000	0.8%	340,000	3.5%
1993	302,000	2.5%	269,500	4.7%	615,000	1.7%	351,000	3.2%
1994	305,500	1.2%	280,800	4.2%	620,000	0.8%	359,500	2.4%
1995	308,600	1.0%	291,000	3.6%	626,500	1.0%	370,000	2.9%
1996	313,200	1.5%	303,500	4.3%	636,000	1.5%	376,500	1.8%
1997	317,700	1.4%	316,800	4.4%	639,000	0.5%	385,000	2.3%
1998	323,600	1.9%	328,000	3.5%	641,900	0.5%	397,600	3.3%
1999	326,850	1.0%	337,000	2.7%	646,850	0.8%	404,750	1.8%
2000	338,391	3.5%	345,238	2.4%	660,486	2.1%	445,342	10.0%
2001	345,150	2.0%	352,600	2.1%	666,350	0.9%	455,800	2.3%
2002	350,850	1.7%	363,400	3.1%	670,250	0.6%	463,050	1.6%



SOURCE: Oregon Employment Department and Washington Office of Financial Management

EXHIBIT 1.08

HISTORICAL POPULATION GROWTH
PORTLAND METROPOLITAN AREA

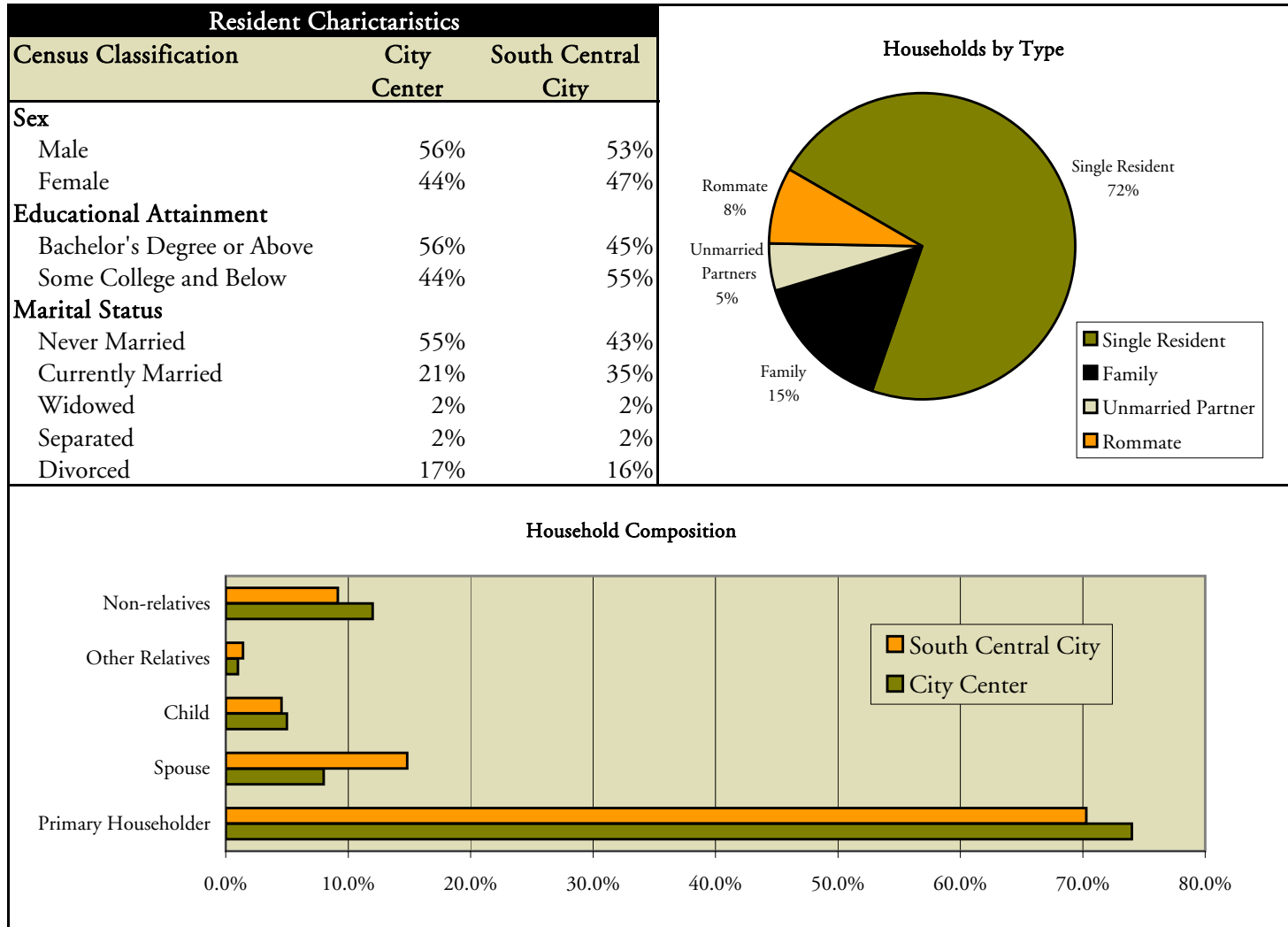


*Reflects 2000 Census; updated historical data not yet available.

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

EXHIBIT 1.09

PORTLAND CITY CENTER DEMOGRAPHICS



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

EXHIBIT 1.10

PORTLAND CITY CENTER WORKFORCE POPULATION
BY INDUSTRY AND PLACE OF RESIDENCE

Major Industry	2001 Population Age 16+				Work Downtown
	Work Downtown		Live Downtown		Live Downtown
	Count	%	Count	%	Ratio
Total Private Sector Employees	105,757	100.0%	16,285	100.0%	6.49
Agr., Forestry, Fisheries	428	0.4%	417	2.6%	1.03
Mining	4	0.0%	0	0.0%	0.00
Construction	1,652	1.6%	590	3.6%	2.80
Manufacturing (Non-dur. Goods)	4,390	4.2%	737	4.5%	5.96
Manufacturing (Durable Goods)	1,649	1.6%	938	5.8%	1.76
Transportation	7,327	6.9%	670	4.1%	10.94
Communications & Other Pub Util	4,774	4.5%	401	2.5%	11.91
Wholesale Trade	2,507	2.4%	586	3.6%	4.28
Retail Trade	19,040	18.0%	3,302	20.3%	5.77
Finance, Ins., and Real Estate	21,001	19.9%	1,531	9.4%	13.72
Business and Repair Services	10,485	9.9%	1,176	7.2%	8.92
Personal Services	3,678	3.5%	854	5.2%	4.31
Enter./Recreation Services	1,807	1.7%	445	2.7%	4.06
Professional & Rel. Health Serv	5,207	4.9%	1,325	8.1%	3.93
Professional & Rel. Educ. Serv.	2,002	1.9%	1,376	8.4%	1.45
Other Professional & Rel. Serv.	19,806	18.7%	1,937	11.9%	10.23
Total Public Sector Employees	26,614	-	636	-	41.85

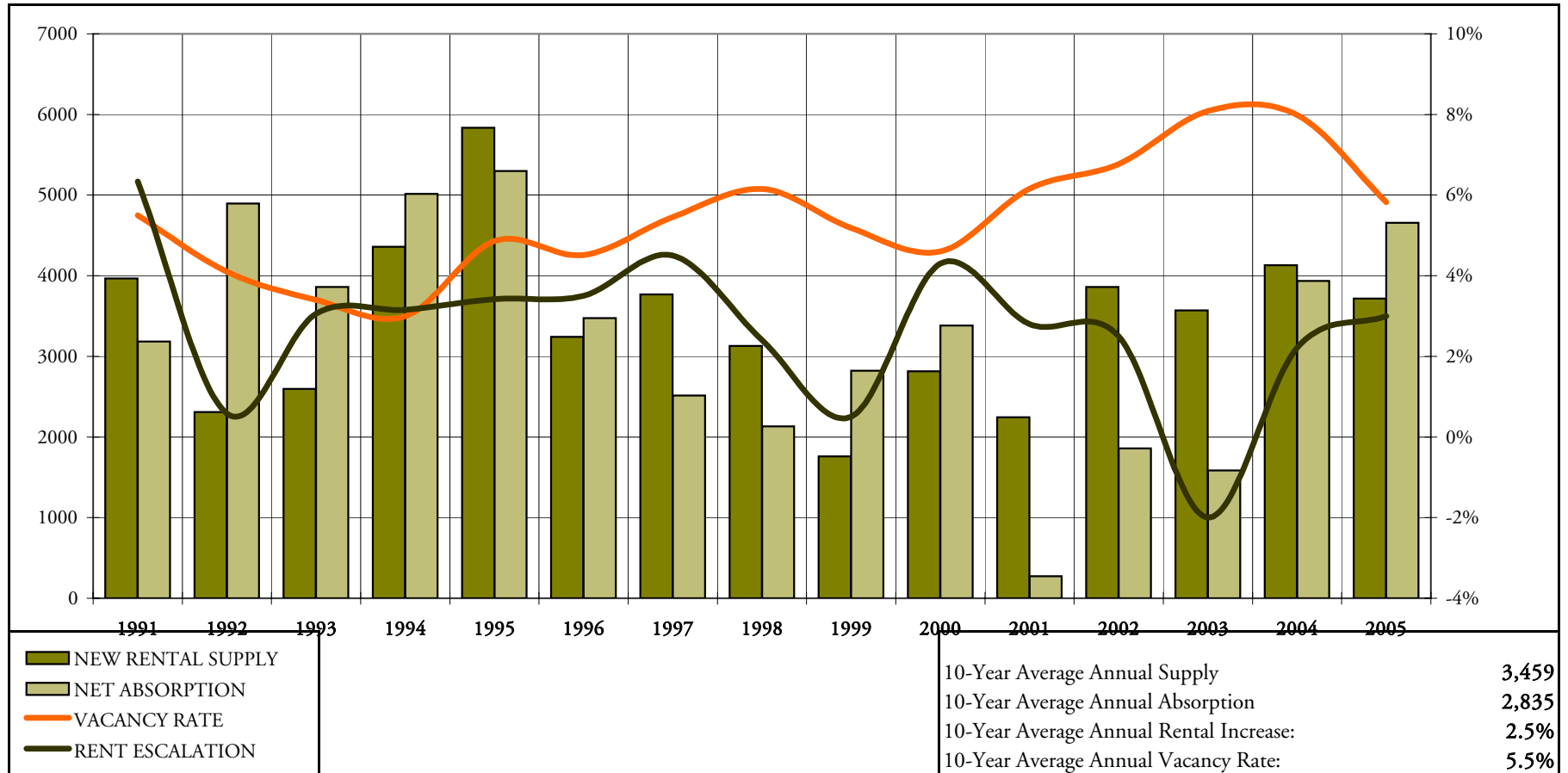
Source: Claritas Inc. & Johnson Gardner, LLC

RIVERPLACE MARKET STUDY

RENTAL APARTMENT MARKET EXHIBITS

EXHIBIT 2.01

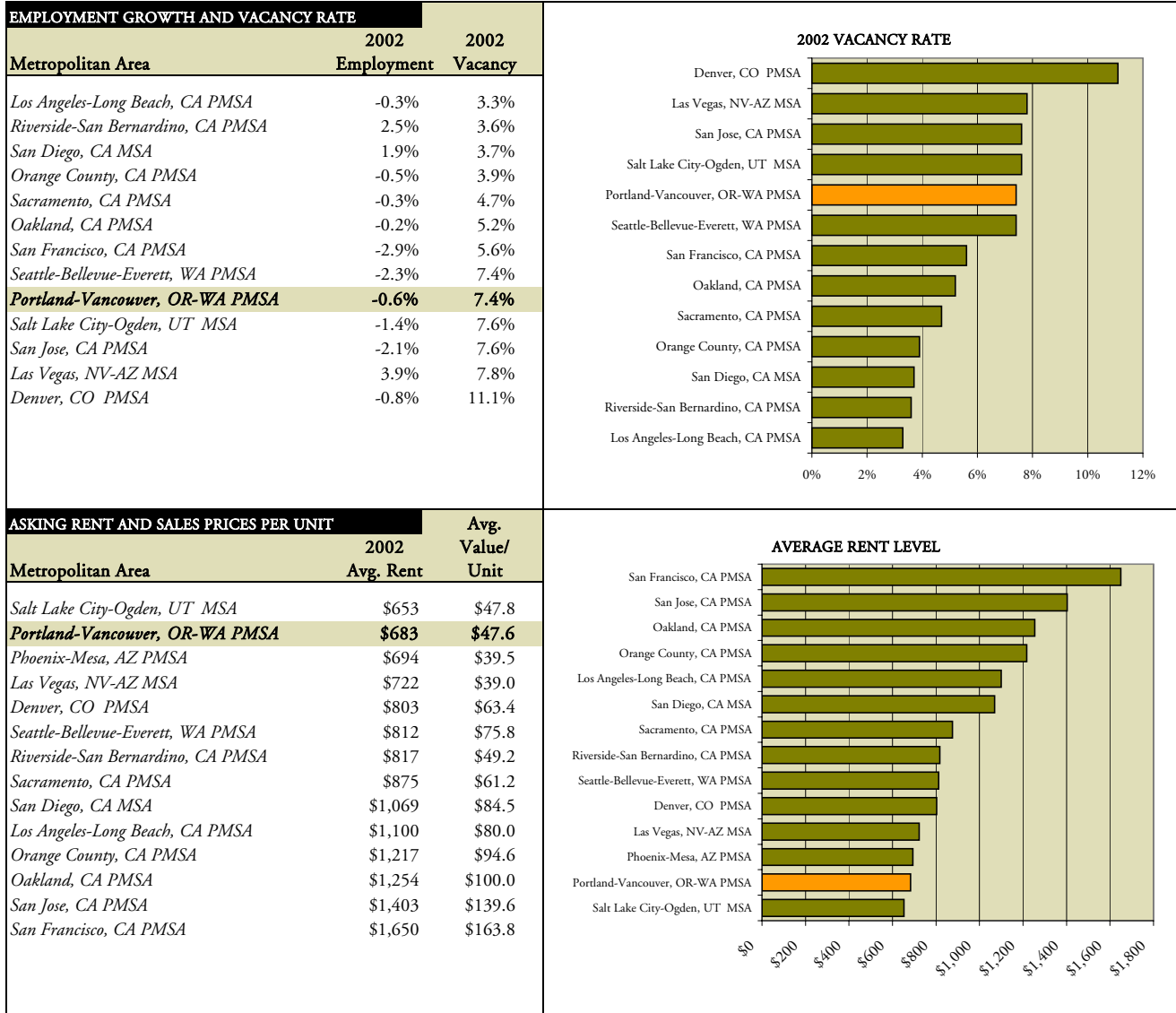
RENTAL APARTMENT MARKET TRENDS - MARKET RATE UNITS
 PORTLAND/VANCOUVER METROPOLITAN AREA
 TEN-YEAR SUMMARY/TWO-YEAR FORECAST



SOURCE: Johnson Gardner

EXHIBIT 2.02

COMPARATIVE MARKET CONDITIONS
MAJOR WESTERN METROPOLITAN AREAS

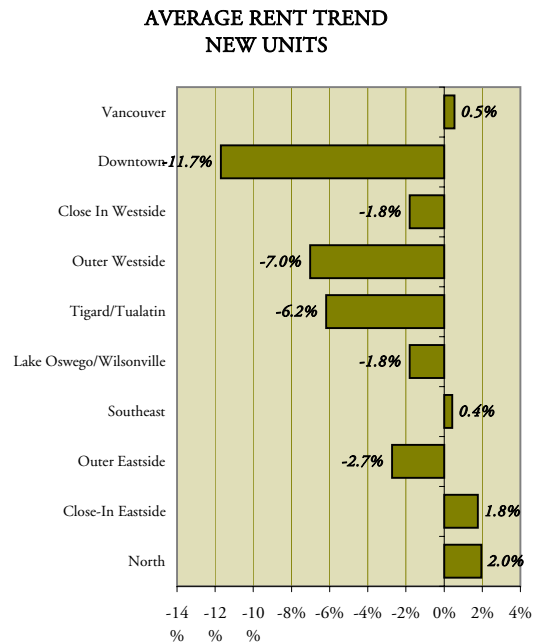
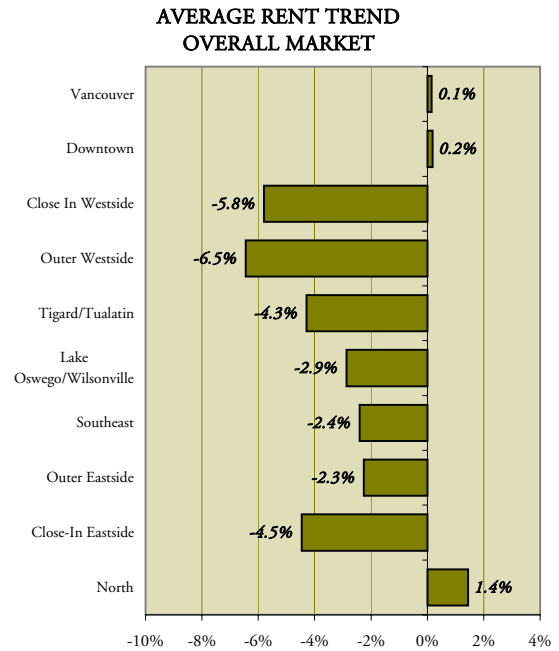


SOURCE: Marcus & Millichap Research Services

EXHIBIT 2.03

ANNUALIZED RENT TRENDS
PORTLAND-VANCOUVER METROPOLITAN AREA

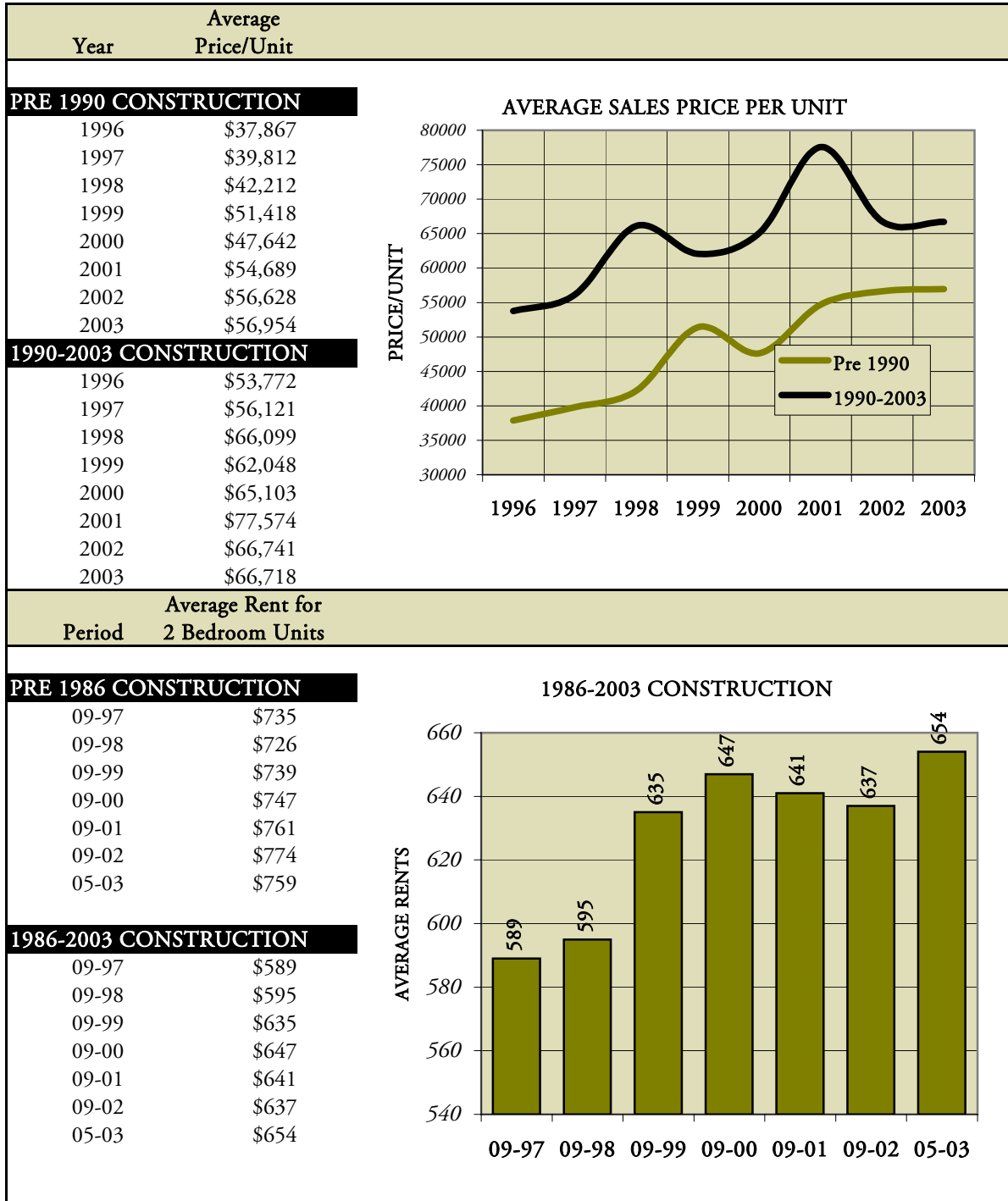
	AVERAGE RENT		PERCENT CHANGE
	4Q02	4Q03	
Overall			
North	\$622	\$631	1.45%
Close-In Eastside	\$740	\$707	-4.46%
Outer Eastside	\$666	\$651	-2.25%
Southeast	\$706	\$689	-2.41%
Lake Oswego/Wilsonville	\$837	\$813	-2.87%
Tigard/Tualatin	\$699	\$669	-4.29%
Outer Westside	\$775	\$725	-6.45%
Close In Westside	\$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

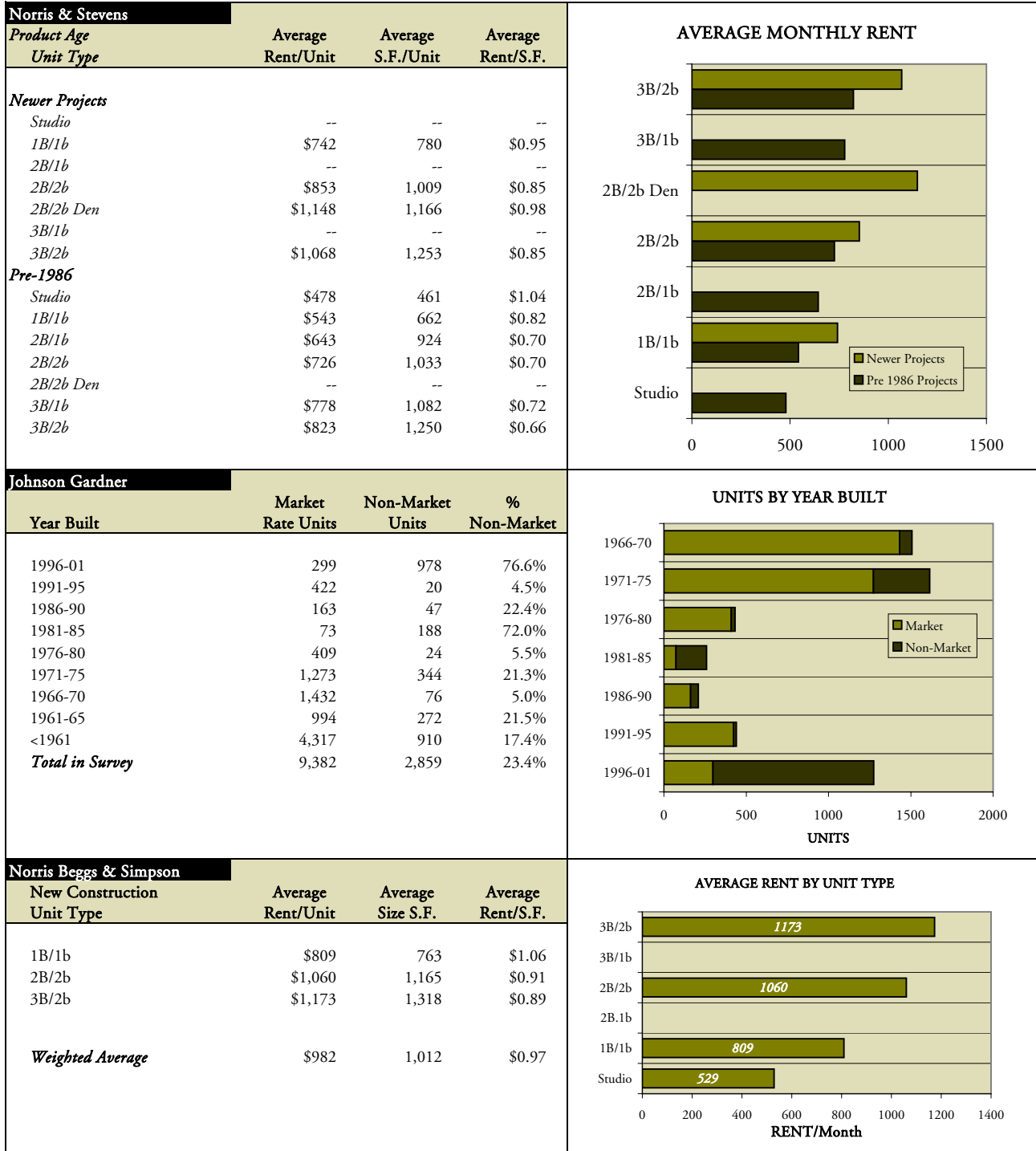
AVERAGE PRICE/UNIT FOR APARTMENT SALES
1996-2003



SOURCE: Norris & Stevens and Johnson Gardner

EXHIBIT 2.05

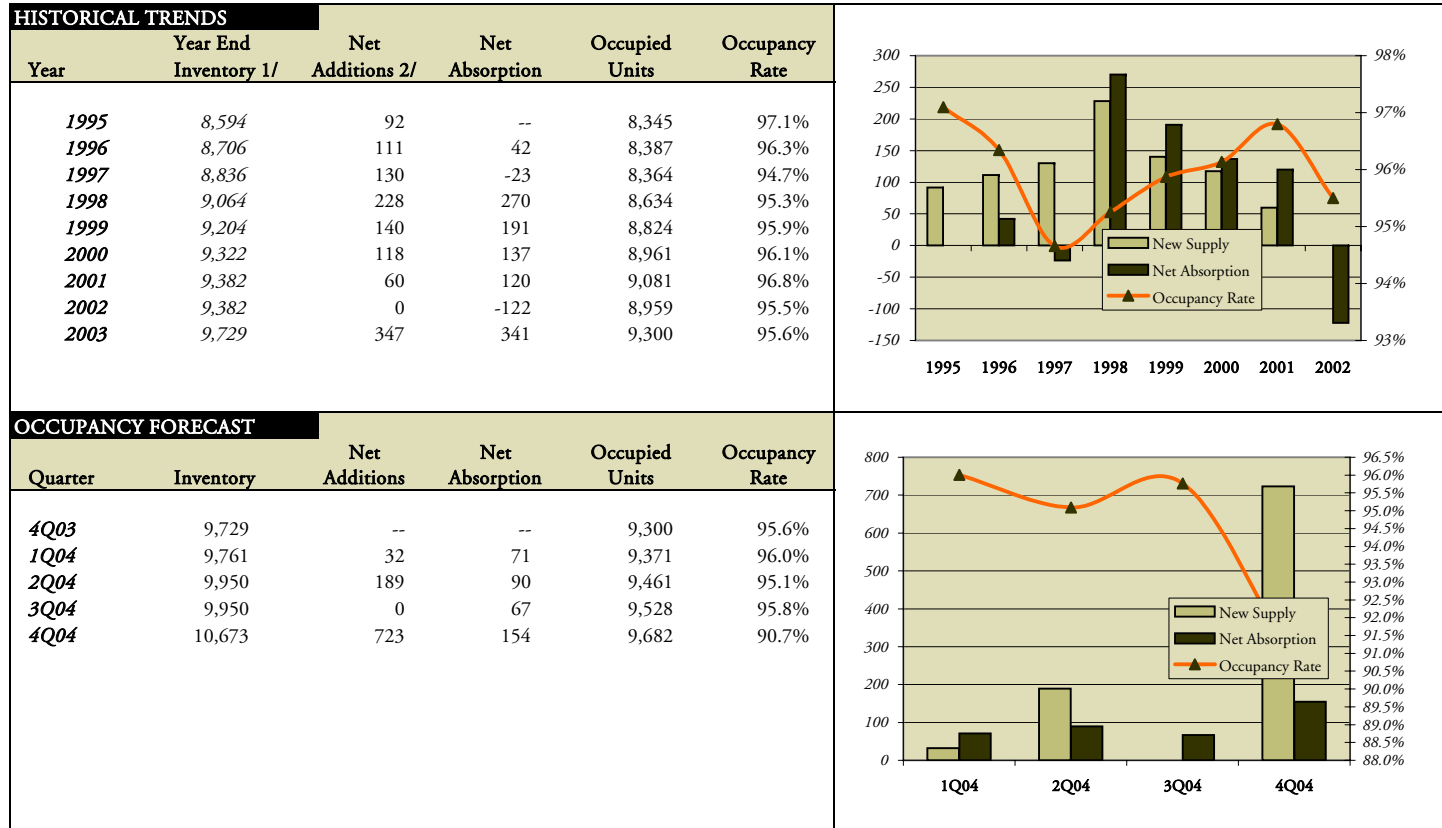
SUBMARKET TRENDS
CLOSE-IN WESTSIDE SUBMARKET
FOURTH QUARTER, 2003



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	Unit Characteristics				Units Occupied	Occupancy Rate (%)	Monthly Rents		Notes
	Total	Type	Size (S.F.)	Mix			Price	Price/S.F.	
University Park	3	Studio	435	2%	--	--	\$775	\$1.78	
1500 SW Park Ave.	8	1B/1b	555	6%	--	--	\$885	\$1.59	
Portland	67	1B/1b	652	54%	--	--	\$900	\$1.38	
	31	2B/1b	892	25%	--	--	\$1,200	\$1.35	
	12	2B/2b	970	10%	--	--	\$1,275	\$1.31	
	4	2B/2.5b	1,210	3%	--	--	\$2,200	\$1.82	
<i>Totals/Weighted Averages</i>	125		748		112	92%	\$1,048	\$1.40	
Southpark Square	20	Studio	462	10%	--	--	\$657	\$1.42	
1525 SW Park Ave.	78	1B/1b	663	41%	--	--	\$854	\$1.29	
Portland	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	
<i>Totals/Weighted Averages</i>	191		793		176	92%	\$1,005	\$1.28	
Park Plaza	19	Studio	426	13%	--	--	\$595	\$1.40	
1969 SW Park Ave.	48	1B/1b	410	32%	--	--	\$595	\$1.45	
Portland	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	
<i>Totals/Weighted Averages</i>	149		533		142	95%	\$637	\$1.25	
Regency	85	Studio	230	100%	81	95%	\$448	\$1.95	
1410 SW Broadway									
Portland									
Oakwood at the Essex House	103	1B/1b	694	66.0%	--	--	\$859	\$1.24	
1330 SW Thrid Ave.	48	2B/2b	1,200	30.8%	--	--	\$1,400	\$1.17	
Portland	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	
<i>Totals/Weighted Averages</i>	156		872		137	88%	\$1,051	\$1.21	
River Place Square	22	Studio	483	8%	--	--	\$780	\$1.61	
0308 SW Montgomery St.	24	1B/1b	712	8%	--	--	\$1,230	\$1.73	
Portland	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	
<i>Totals/Weighted Averages</i>	290		1,031		261	91%	\$1,316	\$1.28	

EXHIBIT 2.07

SELECTED COMPETITIVE APARTMENT PROJECTS
DOWNTOWN CORE MARKET AREA

Project Name / Location	Unit Characteristics				Units Occupied	Occupancy Rate (%)	Monthly Rents		Notes	
	Total	Type	Size (S.F.)	Mix			Price	Price/S.F.		
Kearney Plaza	92	Studio	495	46%	--	--	\$875	\$1.77		
931 NW 11th Avenue	91	1B/1b	688	46%	--	--	\$1,191	\$1.73		
	16	2B/2b	1,030	8%	--	--	\$1,775	\$1.72		
<i>Totals/Weighted Averages</i>	199		626	1	189	95%	\$1,092	\$1.74		
Museum Place 1/	--	Studio/1b	645	--	--	--	\$1,095	\$1.70		
1030 SW Jefferson Street	--	Studio/1b	745	--	--	--	\$1,175	\$1.58		
	--	1B/1b	665	--	--	--	\$975	\$1.47		
	--	1B/2b	955	--	--	--	\$1,885	\$1.97		
	--	1B/2b	1,090	--	--	--	\$2,495	\$2.29		
	--	2B/1b	840	--	--	--	\$1,300	\$1.55		
	--	2B/2b	1,185	--	--	--	\$1,650	\$1.39		
	--	2B/2b	1,200	--	--	--	\$1,995	\$1.66		
	--	2B/2b	1,330	--	--	--	\$2,495	\$1.88		
<i>Totals/Weighted Averages</i>	140		962		98	70%	\$1,674	\$1.74		
The Village @ Lovejoy Fountain	Bldg. 1	40	Studio	474	20%	--	\$469	\$0.99	40 units @ 50%	
245 SW Lincoln		55	1B/1b	670	28%	--	\$845	\$1.26		
Portland		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		
		13	1B/1b	828	6%	--	\$825	\$1.00		
		13	2B/1b	828	6%	--	\$915	\$1.11		
		52	2B/2b	950	25%	--	\$935	\$0.98		
<i>Totals/Weighted Averages</i>		208		735		187	90%	\$752	\$1.03	
		1,741		750		1,561	90%	\$1,064	\$1.42	

1/ Museum Place began lease up in fall of 2003

EXHIBIT 2.08

SUMMARY OF PLANNED AND PROPOSED PROJECTS
RENTAL APARTMENTS

Project Name / Location		Unit Characteristics				Monthly Rent Characteristics	
		Total	Type	Size (S.F.)	Mix	Price	Price / S.F.
Pearl District							
Lexis Apartments	2004	30	Studio	739	22%	n/a	n/a
1125 N.W. 9th Ave.		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%		
		<u>139</u>		<u>872</u>			
10th & Hoyt	2004	15	Studio	565	8%	n/a	n/a
911 N.W. Hoyt St.		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%		
		<u>177</u>		<u>769</u>			
Station Place	2004	27	Studio	405	15%	n/a	n/a
1020 N.W. 9th Ave.		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%		
		<u>176</u>		<u>556</u>			
Burlington	2005	8	1B/1b	506	5%	n/a	n/a
900 N.W. Lovejoy St.		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%		
		<u>158</u>		<u>855</u>			
Brewery Blocks	2005	144	n/a	n/a	n/a	n/a	n/a
N.W. 11th Ave. & Couch St.							
Wesbild Apartments	2006	300	n/a	n/a	n/a	n/a	n/a
14th & Marshall							

EXHIBIT 2.08

SUMMARY OF PLANNED AND PROPOSED PROJECTS
RENTAL APARTMENTS

Project Name / Location		Unit Characteristics				Monthly Rent Characteristics	
		Total	Type	Size (S.F.)	Mix	Price	Price / S.F.
South Central City/CBD							
Unnamed (PDC)							
SW 3rd & Oak	2006	60	n/a	n/a	n/a	n/a	n/a
Unnamed (PDC)							
SW 3rd & Salmon	2006	60	n/a	n/a	n/a	n/a	n/a
Unnamed (TCR)							
Fifth & Harrison	2006	200	n/a	n/a	n/a	n/a	n/a
South Waterfront District							
Unnamed Market Rate	To 2008	150	n/a	n/a	n/a	n/a	n/a
Unnamed Affordable	To 2008	200	n/a	n/a	n/a	n/a	n/a
Unnamed Student Housing	To 2008	250	n/a	n/a	n/a	n/a	n/a
Unnamed Market Rate	After 2008	450	n/a	n/a	n/a	n/a	n/a
Unnamed Affordable	After 2008	400	n/a	n/a	n/a	n/a	n/a
Totals							
<i>Market Rate</i>		<i>2,014</i>					
<i>Affordable</i>		<i>600</i>					
<i>Student</i>		<i>250</i>					
Total:		2,864					

SOURCE: Johnson Gardner LLC

RIVERPLACE MARKET STUDY

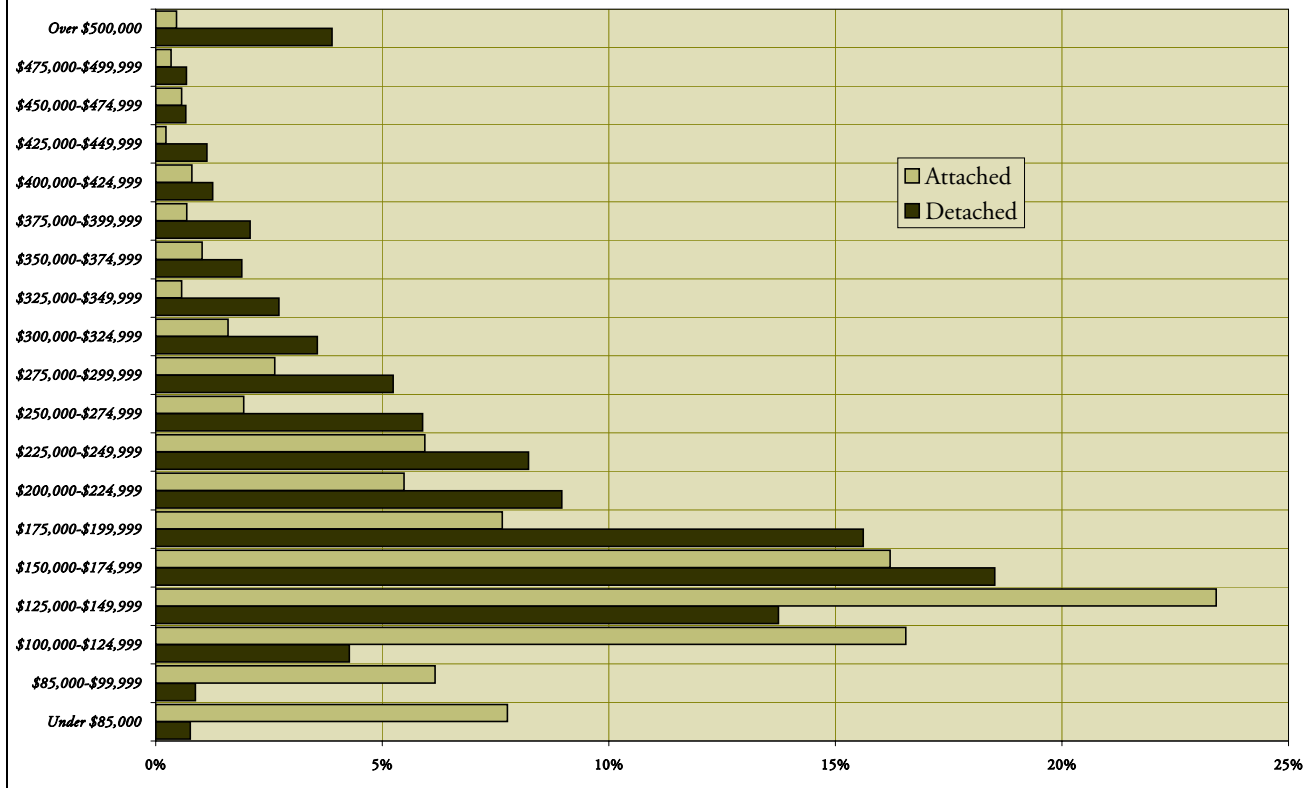
ATTACHED OWNERSHIP MARKET EXHIBITS

EXHIBIT 3.01

SUMMARY OF RECENT OWNERSHIP SALES ACTIVITY
 PORTLAND-VANCOUVER PMSA
 Fourth Quarter, 2003

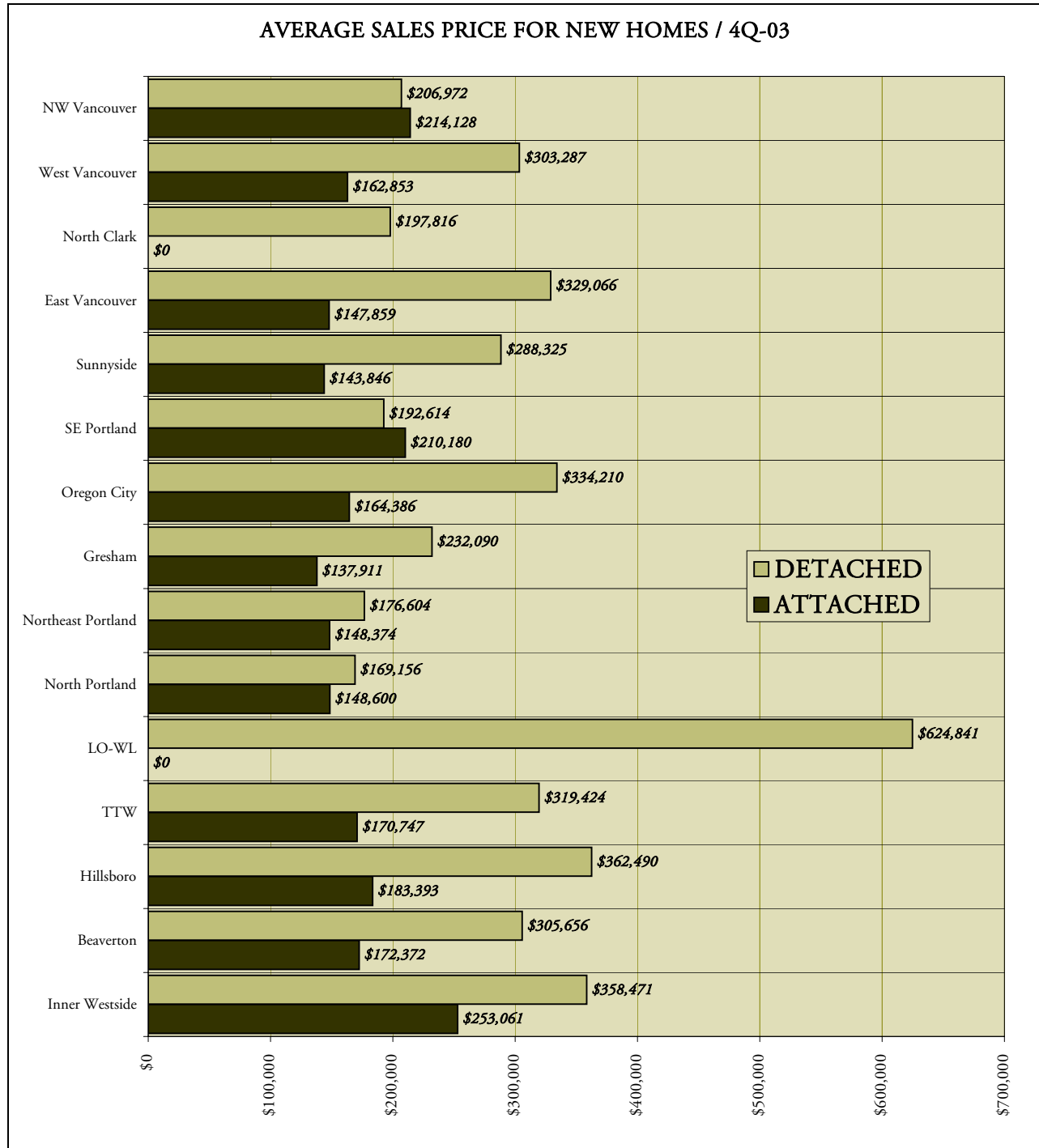
Price Range	Total Sales 1/ Detached	Total Sales 1/ Attached	Distribution	Total Sales Volume			
				Detached	Attached	Total	
Under \$85,000	54	68	1.5%	4th Quarter-03	7,064	876	7,940
\$85,000 - \$99,999	62	54	1.5%	3rd Quarter-03	8,870	966	9,836
\$100,000 - \$124,999	302	145	5.6%	2nd Quarter-03	7,616	982	8,598
\$125,000 - \$149,999	971	205	14.8%	1st Quarter-03	5,609	696	6,305
\$150,000 - \$174,999	1,308	142	18.3%	4th Quarter-02	6,642	816	7,458
\$175,000 - \$199,999	1,103	67	14.7%	3rd Quarter-02	7,870	944	8,814
\$200,000 - \$224,999	633	48	8.6%	2nd Quarter-02	7,488	921	8,409
\$225,000 - \$249,999	581	52	8.0%	Annual Percent Increase (Decrease)	6.4%	7.4%	6.5%
\$250,000 - \$274,999	416	17	5.5%	Average Sales Price -- New Construction		Attached/ Detached	
\$275,000 - \$299,999	370	23	4.9%				
\$300,000 - \$324,999	252	14	3.4%	WESTSIDE			
\$325,000 - \$349,999	192	5	2.5%	NEW	\$355,681	\$188,581	53.0%
\$350,000 - \$374,999	134	9	1.8%	ALL SALES	\$332,311	\$190,670	57.4%
\$375,000 - \$399,999	147	6	1.9%	EASTSIDE			
\$400,000 - \$424,999	89	7	1.2%	NEW	\$247,310	\$154,574	62.5%
\$425,000 - \$449,999	80	2	1.0%	ALL SALES	\$224,864	\$172,744	76.8%
\$450,000 - \$474,999	47	5	0.7%	CLARK COUNTY			
\$475,000 - \$499,999	48	3	0.6%	NEW	\$278,577	\$150,858	54.2%
\$500,000 & Over	275	4	3.5%	ALL SALES	\$205,089	\$150,725	73.5%
Total	7,064	876	100%				

DISTRIBUTION OF SALES BY PRICE RANGE



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

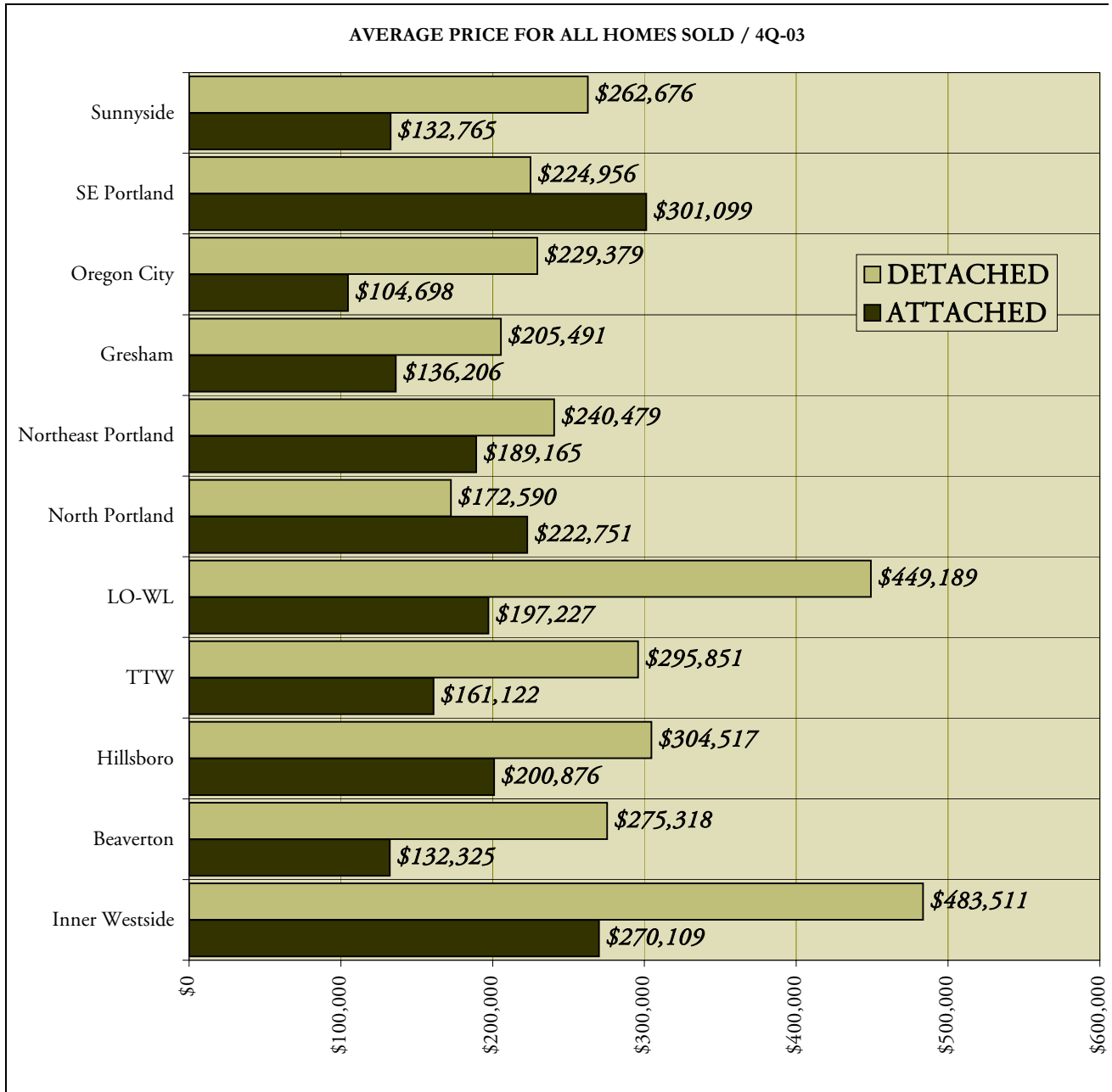
**EXHIBIT 3.02
RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION**



SOURCE: RMLS & Johnson Gardner LLC

EXHIBIT 3.02 (cont.)

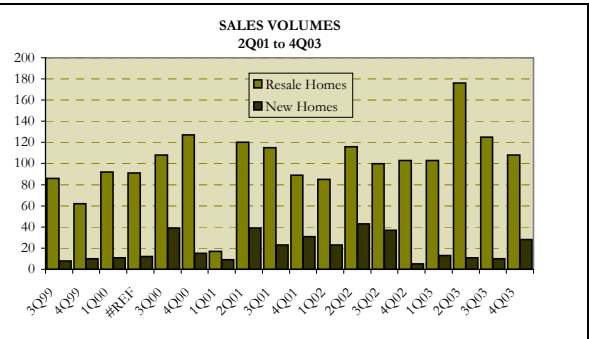
RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION



SOURCE: RMLS & Johnson Gardner LLC

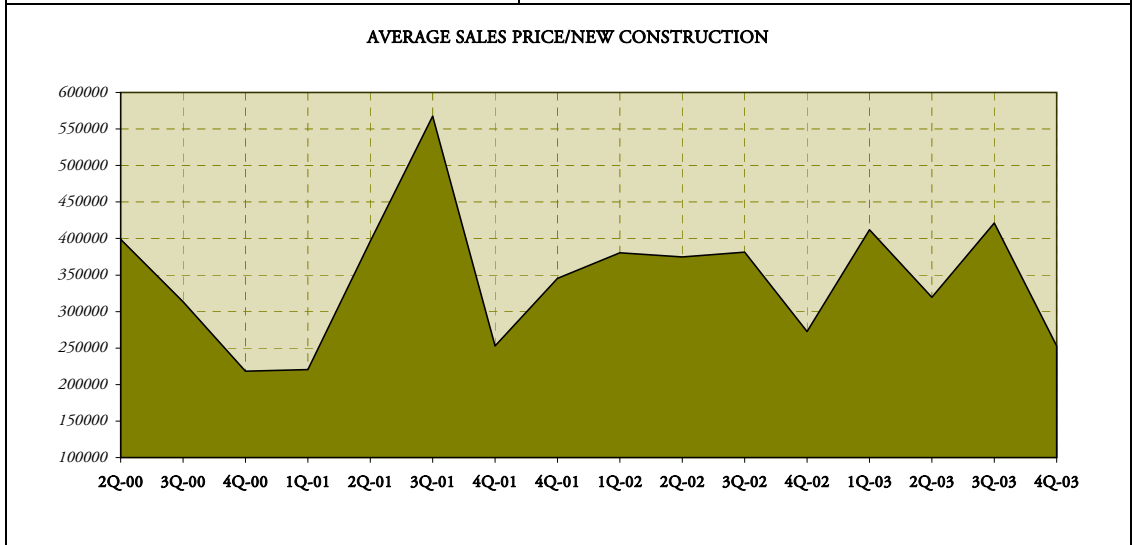
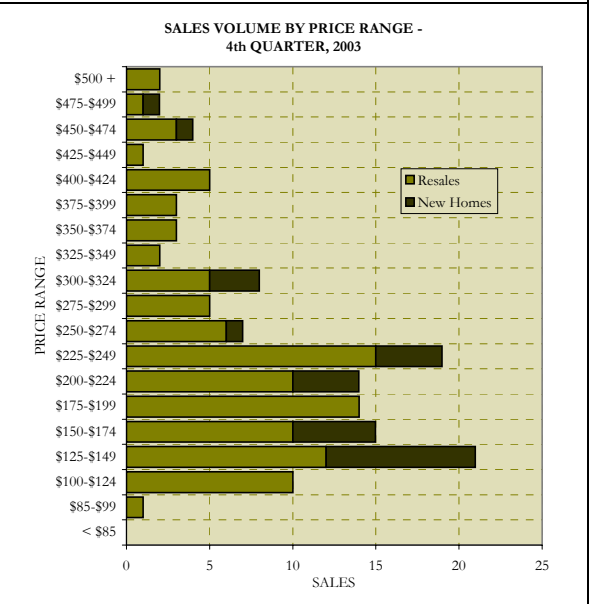
EXHIBIT 3.03
ATTACHED HOME SALES TRENDS
INNER WESTSIDE PORTLAND
Fourth Quarter, 2003

Sales Volume Trends				
Quarter	Sales Volume		Rate of Change	
	New	Resale	New	Resale
2Q01	39	120	333%	606%
3Q01	23	115	-41%	-4%
4Q01	31	89	35%	-23%
1Q02	23	85	-26%	-4%
2Q02	43	116	87%	36%
3Q02	37	100	-14%	-14%
4Q02	5	103	-86%	3%
1Q03	13	103	160%	0%
2Q03	11	176	-15%	71%
3Q03	10	125	-9%	-29%
4Q03	28	108	180%	-14%



Attached Home Sales				
Price Range	4Q-03		YTD Total Sales	
	New	Resales	New	Resales
Under \$85,000	0	0	0	4
\$85,000 - \$99,999	0	1	0	11
\$100,000 - \$124,999	0	10	0	40
\$125,000 - \$149,999	9	12	9	58
\$150,000 - \$174,999	5	10	5	42
\$175,000 - \$199,999	0	14	2	49
\$200,000 - \$224,999	4	10	17	56
\$225,000 - \$249,999	4	15	5	53
\$250,000 - \$274,999	1	6	5	28
\$275,000 - \$299,999	0	5	1	31
\$300,000 - \$324,999	3	5	4	22
\$325,000 - \$349,999	0	2	1	14
\$350,000 - \$374,999	0	3	1	16
\$375,000 - \$399,999	0	3	1	25
\$400,000 - \$424,999	0	5	1	11
\$425,000 - \$449,999	0	1	2	7
\$450,000 - \$474,999	1	3	1	7
\$475,000 - \$499,999	1	1	2	9
\$500,000 & Over	0	2	5	29
Total	28	108	62	512

Average Sales Price (All Sales) **\$270,109**
Average Sales Price (New Construction) **\$253,061**

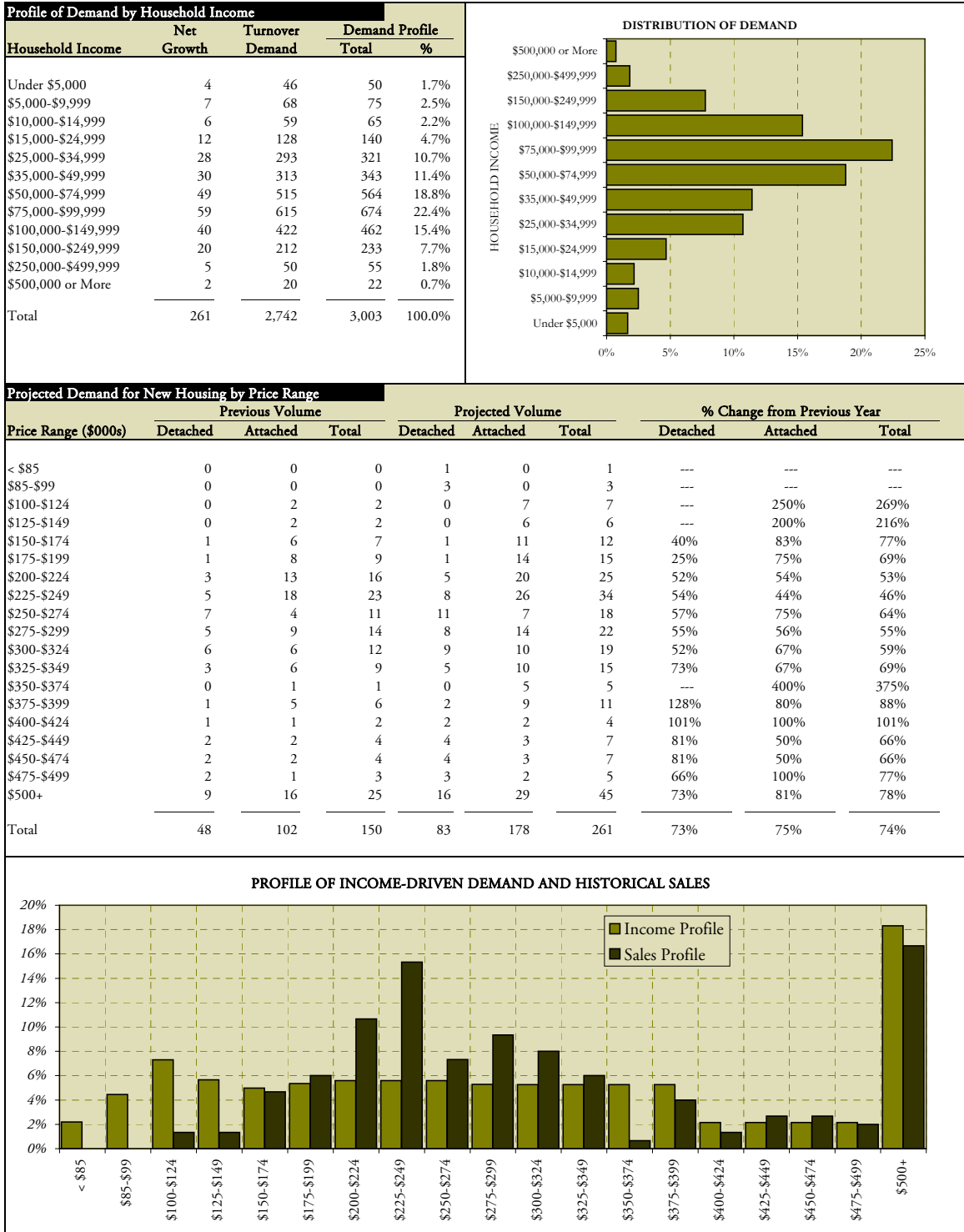


SOURCE: RMLS & Johnson Gardner LLC

EXHIBIT 3.04

PROJECTED DEMAND FOR OWNERSHIP HOUSING
INNER WESTSIDE PORTLAND

Fourth Quarter, 2003 through Fourth Quarter, 2004



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

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	
<i>SOUTHWEST PORTLAND</i>											
Mosaic	18	18	Studios	454	- 590	522	-	\$134,900	- \$174,900	\$154,900	\$297
1410 SW 11th	<u>22</u>	<u>11</u>	1B/2b Lofts	<u>628</u>	- <u>1,050</u>	<u>839</u>	-	<u>\$179,900</u>	- <u>\$320,000</u>	<u>\$249,950</u>	<u>\$298</u>
	40	28		454	- 1,050	681		\$134,900	- \$320,000	\$202,425	\$297
<i>NORTHWEST PORTLAND</i>											
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	<u>1,480</u>	<u>2,715</u>	<u>2,098</u>	6%	<u>\$582,000</u>	- <u>\$1,171,000</u>	<u>\$876,500</u>	<u>\$418</u>
	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
	<u>10</u>	<u>5</u>	Penthouse Loft/2b	<u>1,478</u>	- <u>2,513</u>	<u>1,996</u>	8%	<u>\$539,000</u>	- <u>\$724,000</u>	<u>\$631,500</u>	<u>\$316</u>
	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	<u>2,230</u>	- <u>3,293</u>	<u>2,762</u>	4%	<u>\$1,325,000</u>	- <u>\$1,325,000</u>	<u>\$1,325,000</u>	<u>\$480</u>
	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	<u>2,675</u>	3%	\$1,080,000	- \$1,080,000	\$1,080,000	\$404
	2	2	Penthouse 2B/2.5b	<u>2,945</u>	- <u>2,945</u>	<u>2,945</u>	2%	<u>\$1,180,000</u>	- <u>\$1,180,000</u>	<u>\$1,180,000</u>	<u>\$401</u>
	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
Union Station Phase C	GSL Properties	NW Naito Pkwy near Union	106	Near river	-	Townhouse/Condo	Deferred
Block 16-condominiums	Hoyt Street Properties, LLC	1030 NW 12th Ave.	179	Pearl	February-05	Townhouse/Condo	Final Planning
Envoy (rennovation to condos)	Reliance Development, Inc.	2336 SW Osage St.	41	Close-in NW	-	Townhouse/Condo	Planning
Overton Street Condominiums	Ankrom Moisan Associated Architects	1940 NW Overton St.	55	Close-in NW	-	Townhouse/Condo	Planning
Lovejoy Condominium Building	PBH, Inc.	Lovejoy b/w 22nd and 23rd	86	Close-in NW	-	Townhouse/Condo	Planning
Eliot Tower	John Carroll	SW 10th & Jefferson	222	Downtown	Spring 2006	Townhouse/Condo	Planning
Mixed-use condominium tower	Octagon Development Corporation	1520 SW 11th Ave.	168	Downtown	-	Townhouse/Condo	Planning
Riverscape Lots 2 & 3	Apollo Homes	NW Front & NW Sherlock Ave.	40	Near river	-	Townhouse/Condo	Planning
Riverscape Lots 4-6-8	c/o Architect (HMA Architects)	N of Fremont Bridge	81	Near river	-	Townhouse/Condo	Planning
The Elizabeth	John Carroll	333 NW 9th Ave.	180	Pearl	October-04	Townhouse/Condo	Planning
Couch Street Lofts	Viking Properties	NW 6th & Couch St.	86	Pearl	-	Townhouse/Condo	Planning
The Embassy	Robert Ball	2015 NW Flanders	69	Close-in NW	Late 2004	Townhouse/Condo	Start
Park Place Condos	Hoyt Street Realty	922 NW 11th Ave.	124	Pearl	March-04	Townhouse/Condo	Start
The Avenue Lofts	Robert Ball	1400 NW Irving	166	Pearl	August-04	Townhouse/Condo	Start
The Edge	ECO Trust	NW 14th & Johnson	124	Pearl	Early 2004	Townhouse/Condo	Start
The Henry	Gerding Edlen Development Co.	1025 NW Couch St.	125	Pearl	May-04	Townhouse/Condo	Start
The Pinnacle	Hoyt Street Realty	NW 9th & Marshall	176	Pearl	February-05	Townhouse/Condo	Start
Brewery Block 5 Housing/retail tower	Gerding/Edlen Development Co.	1120 NW Davis	244	Pearl	October-04	Townhouse/Condo	Start

EXHIBIT 3.07

MARKET AREA PIPELINE REPORT-CONDOMINIUMS MULTI-FAMILY RESIDENTIAL CONSTRUCTION

Project Title	Number of Units	Location	Target Completion	Project Status
The Embassy	69	Close-in NW	2004	Start
The Avenue Lofts	166	Pearl	2004	Start
Block 16-condominiums	179	Pearl	2005	Final Planning
The Pinnacle	176	Pearl	2005	Start
Brewery Block 5 Housing/retail tower	244	Pearl	2005	Start
Block 1/RiverPlace Condominiums	215	RiverPlace South	2006	Planning
The Meriwether	245	South Waterfront	2006	Final Planning
Union Station Phase C	106	Near river	-	Deferred
Envoy (rennovation to condos)	41	Close-in NW	-	Planning
Overton Street Condominiums	55	Close-in NW	-	Planning
Lovejoy Condominium Building	86	Close-in NW	-	Planning
Mixed-use condominium tower	168	Downtown	-	Planning
Riverscape Lots 2 & 3	40	Near river	-	Planning
Riverscape Lots 4-6-8	81	Near river	-	Planning
Couch Street Lofts	86	Pearl	-	Planning
Block 35/South Waterfront Central Dist.	280	South Waterfront	2007+	Planning
<u>Future South Waterfront Central Dist.</u>	<u>984</u>	<u>South Waterfront</u>	<u>2008+</u>	<u>Planning</u>
<i>Totals:</i>	<i>3,927</i>			

SOURCE: Portland Development Commission, *Daily Journal of Commerce* and Johnson Gardner

RIVERPLACE 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	4,998	1,117	1,139	610	752	520	408	452
\$15,000-\$24,999	3,312	695	917	411	472	214	298	305
\$25,000-\$34,999	2,207	420	630	320	367	159	169	142
\$35,000-\$49,999	2,565	409	919	330	328	241	133	205
\$50,000-\$74,999	2,523	256	999	496	315	266	75	116
\$75,000-\$99,999	1,539	94	558	286	314	190	46	51
\$100,000-\$149,999	1,482	205	434	305	238	224	50	26
\$150,000-\$249,999	651	55	151	121	197	66	22	39
\$250,000-\$499,999	207	8	30	56	47	32	14	20
\$500,000 or More	93	2	17	35	15	8	5	11
Overall	19,577	3,261	5,794	2,970	3,045	1,920	1,220	1,367
2008								
Under \$15,000	975	80	227	184	214	164	83	23
\$15,000-\$24,999	634	50	183	124	134	68	60	15
\$25,000-\$34,999	448	30	126	96	104	50	34	7
\$35,000-\$49,999	519	29	183	99	93	76	27	10
\$50,000-\$74,999	562	18	199	149	90	84	15	6
\$75,000-\$99,999	365	7	111	86	89	60	9	3
\$100,000-\$149,999	343	15	87	92	68	71	10	1
\$150,000-\$249,999	154	4	30	36	56	21	4	2
\$250,000-\$499,999	51	1	6	17	13	10	3	1
\$500,000 or More	22	0	3	11	4	3	1	1
Overall	4,073	235	1,155	894	867	606	247	69
NET CHANGE								
Under \$15,000	92	22	4	-7	4	23	16	-7
\$15,000-\$24,999	195	44	12	-20	11	58	31	-10
\$25,000-\$34,999	181	35	14	-28	15	66	25	-6
\$35,000-\$49,999	254	29	20	-50	31	113	29	-6
\$50,000-\$74,999	364	19	21	-77	58	182	35	-7
\$75,000-\$99,999	251	7	9	-46	41	129	22	-4
\$100,000-\$149,999	189	3	5	-31	29	97	17	-3
\$150,000-\$249,999	86	2	2	-15	15	43	10	-2
\$250,000-\$499,999	21	0	1	-3	4	10	3	0
\$500,000 or More	8	0	0	-1	1	3	1	0
Overall	1,640	162	88	-277	210	723	188	-47

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	80.0%	83.5%	83.0%	81.1%	79.2%	76.5%	75.7%	77.7%
\$15,000-\$24,999	79.3%	83.1%	82.4%	80.0%	77.9%	74.8%	74.0%	76.2%
\$25,000-\$34,999	78.3%	82.7%	81.8%	79.0%	76.7%	73.5%	72.6%	74.9%
\$35,000-\$49,999	77.1%	81.8%	80.6%	77.5%	75.1%	71.7%	70.8%	73.2%
\$50,000-\$74,999	74.4%	79.7%	78.0%	74.5%	72.0%	68.7%	67.8%	70.1%
\$75,000-\$99,999	68.6%	74.7%	72.5%	69.0%	66.6%	63.7%	63.0%	64.9%
\$100,000-\$149,999	64.2%	70.3%	68.1%	64.7%	62.5%	59.8%	59.2%	60.9%
\$150,000-\$249,999	59.3%	65.5%	63.4%	60.1%	58.0%	55.6%	54.9%	56.5%
\$250,000-\$499,999	53.7%	60.3%	58.1%	54.9%	53.0%	50.7%	50.1%	51.6%
\$500,000 or More	48.3%	54.3%	52.1%	48.9%	46.9%	44.6%	44.0%	45.5%
Overall	75.4%	81.3%	78.2%	73.2%	69.7%	66.9%	67.1%	70.9%
RENTAL DEMAND / 03-08								
Under \$15,000	61	19	3	-5	3	17	12	-5
\$15,000-\$24,999	127	37	10	-16	9	43	23	-7
\$25,000-\$34,999	117	29	12	-22	12	48	18	-5
\$35,000-\$49,999	152	24	16	-39	23	81	20	-5
\$50,000-\$74,999	201	15	17	-58	42	125	23	-5
\$75,000-\$99,999	122	5	7	-31	27	82	14	-3
\$100,000-\$149,999	83	2	3	-20	18	58	10	-2
\$150,000-\$249,999	35	1	1	-9	9	24	5	-1
\$250,000-\$499,999	7	0	0	-2	2	5	1	0
\$500,000 or More	1	0	0	-1	1	1	0	0
Overall	906	132	69	-203	146	484	126	-33
RENTER DEMAND PROFILE								
Under \$15,000	4,088	952	949	490	599	415	321	346
\$15,000-\$24,999	2,770	615	766	313	377	203	243	225
\$25,000-\$34,999	1,860	376	527	231	294	165	141	101
\$35,000-\$49,999	2,147	359	757	217	269	254	114	145
\$50,000-\$74,999	2,096	219	797	312	269	308	74	76
\$75,000-\$99,999	1,187	75	412	166	236	203	43	30
\$100,000-\$149,999	1,048	146	299	177	167	192	40	14
\$150,000-\$249,999	424	37	97	64	123	61	17	21
\$250,000-\$499,999	118	5	17	29	27	21	8	10
\$500,000 or More	46	1	9	16	8	5	2	5
Overall	15,783	2,785	4,628	2,014	2,368	1,826	1,003	974

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	20.0%	16.5%	17.0%	18.9%	20.8%	23.5%	24.3%	22.3%
\$15,000-\$24,999	20.7%	16.9%	17.6%	20.0%	22.1%	25.2%	26.0%	23.8%
\$25,000-\$34,999	21.7%	17.3%	18.2%	21.0%	23.3%	26.5%	27.4%	25.1%
\$35,000-\$49,999	22.9%	18.2%	19.4%	22.5%	24.9%	28.3%	29.2%	26.8%
\$50,000-\$74,999	25.6%	20.3%	22.0%	25.5%	28.0%	31.3%	32.2%	29.9%
\$75,000-\$99,999	31.4%	25.3%	27.5%	31.0%	33.4%	36.3%	37.0%	35.1%
\$100,000-\$149,999	35.8%	29.7%	31.9%	35.3%	37.5%	40.2%	40.8%	39.1%
\$150,000-\$249,999	40.7%	34.5%	36.6%	39.9%	42.0%	44.4%	45.1%	43.5%
\$250,000-\$499,999	46.3%	39.7%	41.9%	45.1%	47.0%	49.3%	49.9%	48.4%
\$500,000 or More	51.7%	45.7%	47.9%	51.1%	53.1%	55.4%	56.0%	54.5%
Overall	24.6%	18.7%	21.8%	26.8%	30.3%	33.1%	32.9%	29.1%
OWNERSHIP DEMAND / 03-08								
Under \$15,000	33	4	1	-1	1	5	4	-2
\$15,000-\$24,999	67	7	2	-4	2	15	8	-2
\$25,000-\$34,999	65	6	3	-6	4	17	7	-2
\$35,000-\$49,999	100	5	4	-11	8	32	8	-2
\$50,000-\$74,999	164	4	5	-20	16	57	11	-2
\$75,000-\$99,999	128	2	2	-14	14	47	8	-2
\$100,000-\$149,999	106	1	2	-11	11	39	7	-1
\$150,000-\$249,999	52	1	1	-6	6	19	4	-1
\$250,000-\$499,999	13	0	0	-1	2	5	1	0
\$500,000 or More	6	0	0	-1	1	2	1	0
Overall	734	30	20	-75	65	238	59	-14
OWNERSHIP DEMAND PROFILE								
Under \$15,000	1,004	188	194	114	157	127	103	99
\$15,000-\$24,999	736	124	163	78	106	69	86	71
\$25,000-\$34,999	529	79	118	61	89	59	53	34
\$35,000-\$49,999	670	79	182	63	90	100	47	53
\$50,000-\$74,999	792	56	224	106	104	140	35	33
\$75,000-\$99,999	602	26	155	75	119	116	25	16
\$100,000-\$149,999	623	62	140	97	100	129	27	9
\$150,000-\$249,999	314	20	56	42	89	48	14	16
\$250,000-\$499,999	109	3	13	24	24	21	8	10
\$500,000 or More	54	1	8	17	9	6	4	6
Overall	5,434	638	1,255	678	888	816	402	346

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	92	6.0%	36.0%	64.0%	33	59
\$15,000-\$24,999	195	12.8%	34.4%	65.6%	67	128
\$25,000-\$34,999	181	11.9%	35.9%	64.1%	65	116
\$35,000-\$49,999	254	16.7%	39.4%	60.6%	100	154
\$50,000-\$74,999	364	23.9%	45.1%	54.9%	164	200
\$75,000-\$99,999	251	16.4%	51.1%	48.9%	128	123
\$100,000+	189	12.4%	93.9%	6.1%	177	12
Total/Weighted Avg.	1,525	100.0%	48.1%	51.9%	734	791

Rental Housing Income Range	5-Yr Net Increase	Affordable Payment 3/		% of Max	Projected Payment	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	59	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	128	\$375	-\$625	100.0%	\$380	-\$630
\$25,000-\$34,999	116	\$625	-\$875	95.0%	\$590	-\$830
\$35,000-\$49,999	154	\$875	-\$1,125	95.0%	\$830	-\$1,070
\$50,000-\$74,999	200	\$1,125	-\$1,500	90.0%	\$1,010	-\$1,350
\$75,000-\$99,999	123	\$1,500	-\$1,875	85.0%	\$1,280	-\$1,590
\$100,000+	12	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	791			93.2%		

Ownership Housing Income Range	5-Yr Net Increase	Affordable Payment 1/		% of Max	Affordable Home 2/	
		Minimum	Maximum		Minimum	Maximum
Under \$15,000	33	-	\$325	100.0%	-	\$62,600
\$15,000-\$24,999	67	\$325	-\$542	100.0%	\$62,600	-\$104,400
\$25,000-\$34,999	65	\$542	-\$758	95.0%	\$99,200	-\$138,800
\$35,000-\$49,999	100	\$758	-\$975	90.0%	\$131,500	-\$169,100
\$50,000-\$74,999	164	\$975	-\$1,300	85.0%	\$159,700	-\$213,000
\$75,000-\$99,999	128	\$1,300	-\$1,625	80.0%	\$200,400	-\$250,500
\$100,000+	177	\$1,625	+	80.0%	\$250,500	+
Total/Weighted Avg.	734			86.5%		

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	5-Yr Net	Affordable Payment 3/		% of	Projected Payment	
Income Range		Increase	Minimum		Maximum	Minimum
Under \$15,000	59	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	128	\$375	- \$625	100.0%	\$380	- \$630
\$25,000-\$34,999	116	\$625	- \$875	95.0%	\$590	- \$830
\$35,000-\$49,999	154	\$875	- \$1,125	95.0%	\$830	- \$1,070
\$50,000-\$74,999	200	\$1,125	- \$1,500	90.0%	\$1,010	- \$1,350
\$75,000-\$99,999	123	\$1,500	- \$1,875	85.0%	\$1,280	- \$1,590
\$100,000+	12	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	1,178			62.6%		

Workforce Demand	5-Yr Net	Affordable Payment 3/		% of	Projected Payment	
Income Range		Increase	Minimum		Maximum	Minimum
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	5-Yr Net	Affordable Payment 1/		% of	Projected Payment	
Income Range		Increase	Minimum		Maximum	Minimum
Under \$15,000	141	-	\$375	100.0%	-	\$380
\$15,000-\$24,999	265	\$375	- \$625	100.0%	\$380	- \$630
\$25,000-\$34,999	527	\$625	- \$875	95.0%	\$590	- \$830
\$35,000-\$49,999	785	\$875	- \$1,125	95.0%	\$830	- \$1,070
\$50,000-\$74,999	583	\$1,125	- \$1,500	90.0%	\$1,010	- \$1,350
\$75,000-\$99,999	342	\$1,500	- \$1,875	85.0%	\$1,280	- \$1,590
\$100,000+	560	\$1,875	+	85.0%	\$1,590	+
Total/Weighted Avg.	3,203			91.9%		

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 4.04

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	33	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	67	\$325	\$542	100.0%	\$330	\$540
\$25,000-\$34,999	65	\$542	\$758	95.0%	\$510	\$720
\$35,000-\$49,999	100	\$758	\$975	90.0%	\$680	\$880
\$50,000-\$74,999	164	\$975	\$1,300	85.0%	\$830	\$1,100
\$75,000-\$99,999	128	\$1,300	\$1,625	80.0%	\$1,040	\$1,300
\$100,000+	177	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	734			86.5%		

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	234	-	\$325	100.0%	-	\$330
\$15,000-\$24,999	402	\$325	\$542	100.0%	\$330	\$540
\$25,000-\$34,999	1,070	\$542	\$758	95.0%	\$510	\$720
\$35,000-\$49,999	1,641	\$758	\$975	90.0%	\$680	\$880
\$50,000-\$74,999	1,102	\$975	\$1,300	85.0%	\$830	\$1,100
\$75,000-\$99,999	664	\$1,300	\$1,625	80.0%	\$1,040	\$1,300
\$100,000+	1,517	\$1,625	+	80.0%	\$1,300	+
Total/Weighted Avg.	6,630			87.6%		

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
PARCEL 8 - RENTAL PROGRAM

Fair Share Demand Analysis	2009		2010		2011	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Annual Demand						
<i>Projected Turnover Demand 1/</i>	2,952	82%	3,016	84%	3,080	86%
<i>Structural Demand</i>	158	4%	158	4%	158	4%
<i>Workforce Demand</i>	482	13%	482	13%	482	13%
<i>Total Annual Projected Demand</i>	3,592	100%	3,656	102%	3,720	104%
	2009		2010		2011	
	Units	% of Total	Units	% of Total	Units	% of Total
<i>Projected Turnover Demand</i>	2,952	88.1%	3,016	84.6%	3,080	88.5%
Projected Net Absorption by Project (Units)						
Other South Waterfront District	250	7.5%	250	7.0%	250	7.0%
Other Close-In Westside	150	4.5%	150	4.2%	150	4.2%
Subject Property (150 units)	-	0.0%	150	4.2%	-	0.0%
	Subject Property					
<i>Estimated Absorption per Month (1st Year):</i>	12.8 - 15.4					
<i>Estimated time to Lease-up (Months):</i>	5.2 - 6.2					

1/ 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
PARCEL 8 - CONDO PROGRAM

Fair Share Demand Analysis	2009		2010		2011	
	Units	% of Total	Units	% of Total	Units	% of Total
Projected Annual Demand						
<i>Projected Turnover Demand 1/</i>	964	68%	1,008	72%	1,052	75%
<i>Structural Demand</i>	147	10%	147	10%	147	10%
<i>Workforce Demand</i>	<u>297</u>	<u>21%</u>	<u>297</u>	<u>21%</u>	<u>297</u>	<u>21%</u>
<i>Total Annual Projected Demand</i>	1,407	100%	1,452	103%	1,496	106%
	2009		2010		2011	
	Units	% of Total	Units	% of Total	Units	% of Total
<i>Projected Turnover Demand</i>	964	76.3%	1,008	72.6%	1,052	77.8%
<i>Projected Net Absorption by Project (Units)</i>						
Other South Waterfront Supply	150	11.9%	150	10.8%	150	10.8%
Other Close-In Westside Supply	150	11.9%	150	10.8%	150	10.8%
Subject Property (80 units)	-	0.0%	80	5.8%	-	0.0%
	Subject Property					
<i>Estimated Absorption per Month (1st Year):</i>	7.0 - 8.4					
<i>Estimated time to Sell-Out (Months):</i>	9.6 - 11.5					

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

SOURCE: Johnson Gardner, LLC

RIVERPLACE MARKET STUDY

RETAIL/COMMERCIAL MARKET EXHIBITS

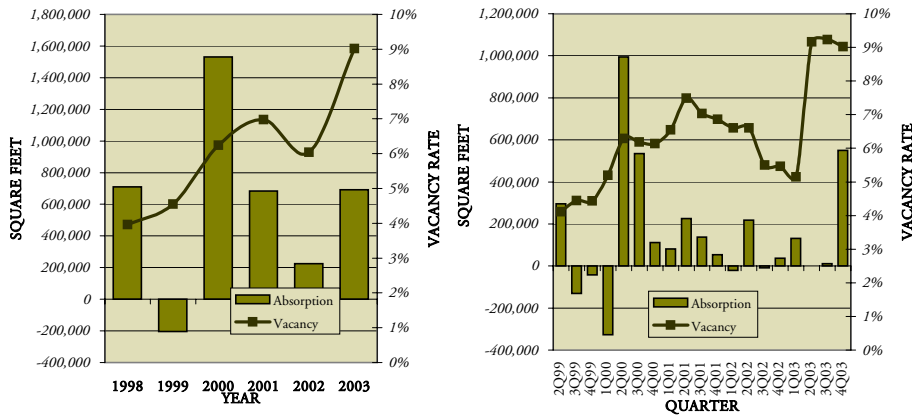
EXHIBIT 5.01

OVERVIEW OF SUBMARKET TRENDS
PORTLAND METROPOLITAN AREA

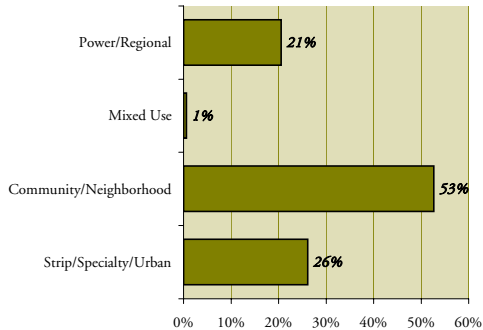
	Speculative	New	Inventory	Net	Vacancy	
	Inventory	Construction	Adjustments	Absorption	S.F.	Rate
QUARTERLY TRENDS						
2Q99	33,018,632	--	--	295,245	1,356,278	4.1%
3Q99	32,905,631	--	--	-130,477	1,463,150	4.4%
4Q99	33,033,387	0	127,756	-41,899	1,465,586	4.4%
1Q00	33,332,243	0	298,856	-327,289	1,730,950	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	550,244	3,146,940	9.0%

	Speculative	New	Inventory	Net	Vacancy	
	Inventory	Construction	Adjustments	Absorption	S.F.	Rate
BREAKOUT BY TYPE						
Strip/Specialty/Urban	9,119,585	69,425	4,831,689	366,722	1,711,242	18.8%
Community/Neighborhood	18,385,212	50,000	-5,830,065	163,692	1,331,003	7.2%
Mixed Use	220,825	0	220,825	20,472	53,786	24.4%
Power/Regional	7,177,709	0	-1,324,479	3,147	50,909	0.7%
Total	34,903,331	69,425	-2,102,030	554,034	3,146,940	9.0%

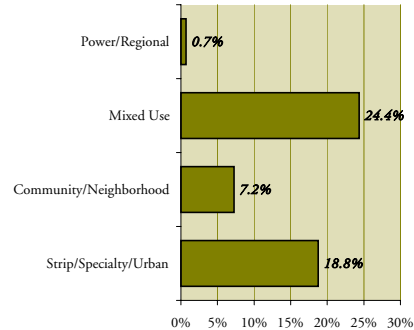
NET ABSORPTION AND VACANCY RATE TRENDS



DISTRIBUTION OF SPACE BY TYPE



VACANCY RATE BY TYPE



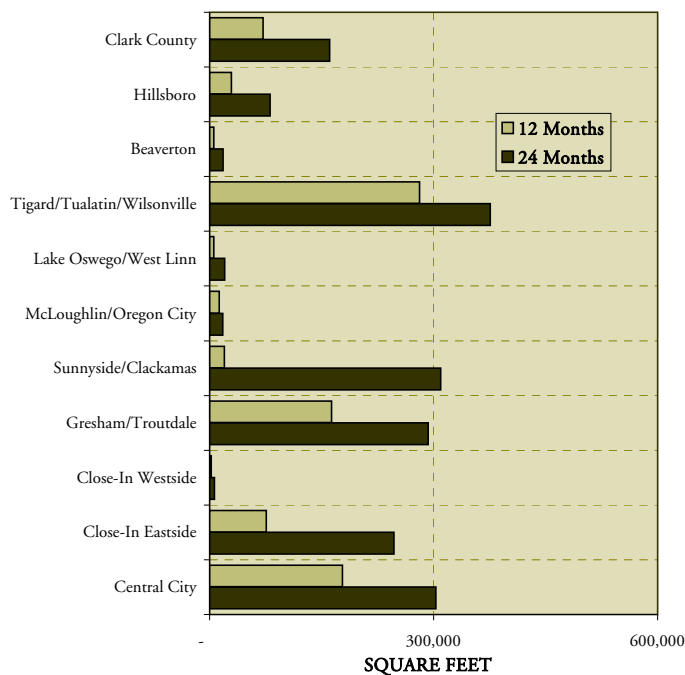
SOURCE: CoStar and Johnson Gardner

EXHIBIT 5.02

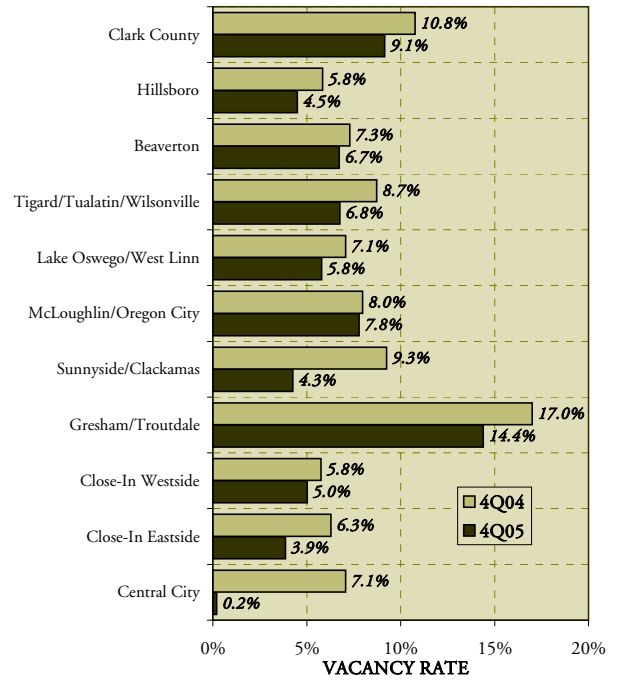
PROJECTED DEMAND BY SUBREGION AND SUBMARKET
 PORTLAND-VANCOUVER METROPOLITAN AREA RETAIL MARKET

Subregion Submarket	4th Quarter 2003		New Supply		Forecasted Demand		Projected Vacancy Rate	
	Speculative Inventory	Vacancy Rate	1Q04-4Q04	1Q05-4Q05	1Q04-4Q04	1Q05-4Q05	4Q04	4Q05
Central City	1,721,744	12.0%	100,019	0	177,918	124,944	7.1%	0.2%
<i>CBD</i>	1,468,415	13.1%	100,019	0	174,719	111,576	7.5%	0.4%
<i>Northwest</i>	253,329	5.6%	0	0	3,198	13,368	4.4%	-0.9%
Close-In Eastside	5,145,256	6.0%	95,000	46,000	75,982	170,687	6.3%	3.9%
<i>Eastside/Mall 205</i>	2,018,278	6.7%	39,000	23,000	36,459	88,916	6.7%	3.5%
<i>North/Jantzen</i>	1,087,461	2.8%	56,000	23,000	39,523	81,771	4.1%	-1.0%
Close-In Westside	624,843	6.1%	0	0	2,010	4,611	5.8%	5.0%
Gresham/Troutdale	4,731,164	16.5%	225,000	0	163,335	129,454	17.0%	14.4%
<i>Airport Way</i>	752,203	22.9%	0	0	9,296	29,611	21.7%	17.8%
<i>Gresham/Gateway</i>	2,620,813	17.8%	225,000	0	154,039	99,844	18.8%	15.3%
Sunnyside/Clackamas	3,591,547	9.7%	6,000	115,000	19,599	289,944	9.3%	4.3%
McLoughlin/Oregon City	2,219,739	7.8%	19,450	0	12,874	4,531	8.0%	7.8%
<i>SE Outlying</i>	319,094	1.5%	0	0	747	948	1.3%	1.0%
<i>Oregon City</i>	1,186,748	8.1%	19,450	0	10,531	3,583	8.7%	8.4%
Lake Oswego/West Linn	1,116,821	7.6%	0	0	5,753	14,252	7.1%	5.8%
<i>Lake Oswego</i>	498,505	7.8%	0	0	3,568	8,807	7.1%	5.3%
<i>West Linn</i>	278,410	9.2%	0	0	2,184	5,445	8.4%	6.4%
Tigard/Tualatin/Wilsonville	4,360,615	5.0%	486,500	0	281,332	94,518	8.7%	6.8%
<i>Tigard</i>	977,593	5.7%	0	0	5,020	24,344	5.2%	2.7%
<i>Washington Square</i>	2,251,340	4.8%	0	0	10,671	51,152	4.3%	2.0%
<i>Tual.-Wilsonville-Sherwood</i>	1,131,682	4.8%	486,500	0	265,641	19,022	17.0%	15.8%
Beaverton	2,152,999	7.6%	0	0	5,763	12,358	7.3%	6.7%
Hillsboro	3,827,898	6.2%	17,000	0	29,171	51,725	5.8%	4.5%
Clark County	5,410,705	10.9%	71,375	0	71,435	89,147	10.8%	9.1%
Metropolitan Area Total	34,903,331	9.0%	1,020,344	161,000	845,172	986,172	9.2%	6.9%

PROJECTED ABSORPTION BY SUBREGION



PROJECTED VACANCY RATE BY SUBREGION



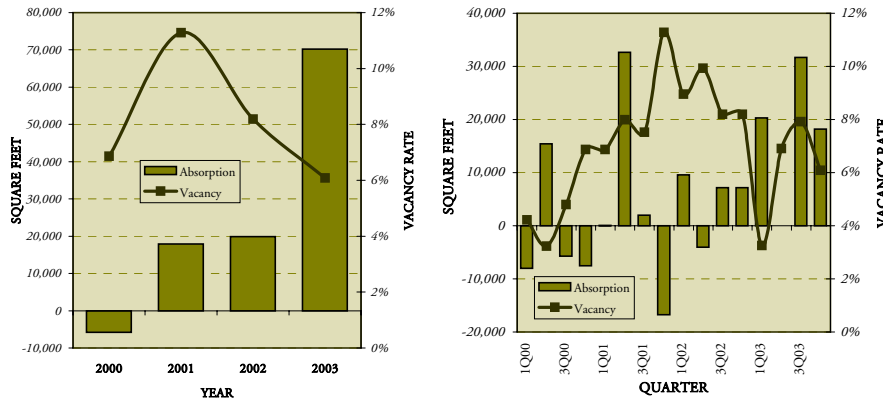
SOURCE: Johnson Gardner

EXHIBIT 5.03

OVERVIEW OF SUBMARKET TRENDS
CLOSE-IN WESTSIDE SUBREGION

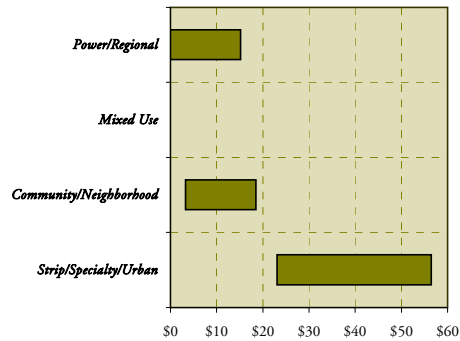
	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy	
					S.F.	Rate
QUARTERLY TRENDS						
1Q00	330,446	0	0	-8,000	13,921	4.21%
2Q00	363,148	0	32,702	15,434	11,706	3.22%
3Q00	363,148	0	0	-5,715	17,421	4.80%
4Q00	363,148	0	0	-7,500	24,921	6.86%
1Q01	363,148	0	0	59	24,921	6.86%
2Q01	421,175	0	0	32,622	33,653	7.99%
3Q01	421,175	0	0	2,000	31,653	7.52%
4Q01	411,505	0	-9,670	-16,769	46,422	11.28%
1Q02	411,505	0	0	9,577	36,845	8.95%
2Q02	411,505	0	0	-4,024	40,869	9.93%
3Q02	411,505	0	0	7,150	33,719	8.19%
4Q02	411,505	0	0	7,150	33,719	8.19%
1Q03	411,505	0	0	20,328	13,391	3.25%
2Q03	573,971	0	162,466	N/A	39,598	6.90%
3Q03	617,065	16,000	27,094	31,685	48,862	7.92%
4Q03	624,843	0	7,778	18,177	37,990	6.08%
BREAKOUT BY TYPE						
Strip/Specialty/Urban	174,755	0	4,750	15,161	24,894	14.25%
Community/Neighborhood	278,244	0	3,028	1,386	8,768	3.15%
Mixed Use	10,644	0	0	0	0	0.00%
Power/Regional	161,200	0	0	1,630	4,328	2.68%
Total	624,843	0	7,778	18,177	37,990	6.08%
BREAKOUT BY SUBMARKET						
Barbur Blvd.	219,964	0	4,778	54	31,462	14.30%
John's Landing	43,500	0	0	12,000	2,200	5.06%
Sylvan/Hillsdale	361,379	0	3,000	6,124	4,328	1.20%
Total	624,843	0	7,778	18,177	37,990	6.08%

NET ABSORPTION AND VACANCY RATE TRENDS



QUOTED RENT RANGES

BY CLASS	Low	High
Strip/Specialty/Urban	\$10.44	\$33.50
Community/Neighborhood	\$12.00	\$15.28
Mixed Use		
Power/Regional	\$15.23	\$15.23
BY SUBMARKET	Low	High
Barbur Blvd.	\$10.44	\$33.50
John's Landing	\$12.00	\$12.00
Sylvan/Hillsdale	\$15.23	\$15.23
Total	\$10.44	\$33.50



SOURCE: CoStar and Johnson Gardner

EXHIBIT 5.04

SUMMARY OF SURVEYED RETAIL
PRIMARY MARKET AREA

April-04

Shopping Center <i>Location</i>	<i>Anchor(s) / Tenant(s)</i>	Total SF	Vacant SF	% Vacant	Asking Range	
					Low	High
1515 Building <i>1515 SW 5th Ave</i>	<i>DMV, Waterhouse</i>	13,115	5,058	38.6%	\$13.00	\$21.00
200 Market Building <i>200 SW Market St</i>	<i>Key Bank, First American Title</i>	45,000	0	0.0%	\$20.00	\$20.00
400 Sixth Avenue <i>400 SW 6th Ave</i>	<i>Camera World, Deli</i>	12,000	0	0.0%	\$22.50	\$22.50
Alderway Building <i>711 SW Alder St</i>	<i>Pizzicato</i>	34,996	0	0.0%	\$14.00	\$14.00
Bank of America <i>121 SW Morrison</i>	<i>n/a</i>	37,793	2,073	5.5%	\$19.00	\$24.00
Berg Building <i>615 SW Broadway</i>	<i>Golden Optical</i>	19,920	4,383	22.0%	\$12.00	\$12.00
BPM Building <i>620 SW Washington</i>	<i>Office Depot, Kitchen Kaboodle</i>	45,000	0	0.0%	\$15.50	\$50.00
Cascade Building <i>520 SW 6th Ave</i>	<i>Subway, Island Joe's</i>	10,000	600	6.0%	\$35.00	\$35.00
Columbia Square <i>111 SW Columbia St</i>	<i>US Govt. Bookstore, US Bank</i>	24,346	2,940	12.1%	\$12.00	\$16.00
Congress Center <i>1001 SW 5th Ave</i>	<i>Bank of America, Gentle Dental</i>	30,344	0	0.0%	\$8.00	\$15.00
Crown Plaza <i>1500 SW 1st Ave</i>	<i>Little Persons, State Employee Credit</i>	28,000	3,153	11.3%	\$16.00	\$16.00
Director Building <i>808 SW 3rd Ave</i>	<i>n/a</i>	10,000	5,900	59.0%	\$35.00	\$35.00
Embassy Suites <i>319 SW Pine</i>	<i>Portland Steak & Chop House</i>	26,018	0	0.0%	\$12.00	\$19.00
Fox Tower <i>800 SW Broadway</i>	<i>Pottery Barn</i>	60,000	10,170	17.0%	\$25.00	\$45.00
Galleria <i>921 SW Morrison</i>	<i>Mario's, Made in Oregon</i>	71,000	0	0.0%	\$18.00	\$23.00
Hilton Hotel <i>545 SW Taylor</i>	<i>Porto Terra</i>	20,000	12,400	62.0%	\$18.00	\$50.00
Jackson Tower <i>814 SW Broadway</i>	<i>Jessica McClintock, Margulis Jewellery</i>	6,000	0	0.0%	\$18.50	\$20.90
KOIN Center <i>222 SW Columbia</i>	<i>Regal Cinemas, Mortons</i>	35,000	0	0.0%	\$19.75	\$24.00

EXHIBIT 5.04

SUMMARY OF SURVEYED RETAIL
PRIMARY MARKET AREA

April-04

Shopping Center <i>Location</i>	<i>Anchor(s) / Tenant(s)</i>	Total SF	Vacant SF	% Vacant	Asking Range	
					Low	High
Kress Building <i>622 SW 5th Ave</i>	<i>Norstrom Rack, Williams Sonoma</i>	32,000	0	0.0%	\$45.00	\$45.00
Lincoln Place <i>1521 SW Salmon St</i>	<i>n/a</i>	36,031	0	0.0%	\$14.00	\$14.00
Lindsay Building <i>710 SW 2nd Ave</i>	<i>n/a</i>	6,000	0	0.0%	\$19.50	\$21.50
Mayer Building <i>1130 SW Morrison St</i>	<i>Three Lions Bakery</i>	10,000	0	0.0%	\$16.00	\$16.00
Morgan Building <i>515 SW Broadway</i>	<i>Hunan Restaurant, Empire Travel</i>	15,000	720	4.8%	\$12.00	\$15.50
Morrison Park West <i>900 SW Morrison St</i>	<i>Real Mother Goose, Bush Garden Rest.</i>	27,600	2,470	8.9%	\$20.00	\$20.00
New Market Village <i>50 SW 2nd Ave</i>	<i>Frame Factory, Signature Imports</i>	41,800	0	0.0%	\$16.00	\$16.00
ODS Tower <i>SW 2nd Ave</i>	<i>Copeland Sports</i>	33,369	0	0.0%	\$18.50	\$18.50
One Main Place <i>102 SW Salmon St</i>	<i>Santorini, Quick Print</i>	16,269	5,219	32.1%	\$9.00	\$9.00
Pacific Building <i>520 SW Yamhill St</i>	<i>Ben Bridge Jewelers</i>	13,006	0	0.0%	\$40.00	\$48.00
Pacwest Center <i>1211 SW 5th Ave</i>	<i>Key Bank, Starbucks</i>	32,950	5,896	17.9%	\$20.00	\$20.00
Pioneer Place <i>700 SW 5th Ave</i>	<i>Saks 5th Ave, The Gap</i>	365,000	0	0.0%	n/a	n/a
Pittock Block <i>921 SW Washington</i>	<i>Hamids Persian Rugs, Lubliner Florist</i>	29,229	0	0.0%	\$14.75	\$14.75
Portland Center Plaza <i>2075 SW 1st Ave</i>	<i>AM-PM, Portland Center</i>	18,459	0	0.0%	\$12.50	\$12.50
Postal Building <i>510 SW 3rd Ave</i>	<i>Federal Express, Mings Dynasty</i>	10,417	1,095	10.5%	\$20.00	\$20.00
Public Services Building <i>920 SW 6th Ave</i>	<i>US Bank, Niketown</i>	15,000	0	0.0%	\$19.50	\$21.50
River Place <i>315 SW Montgomery</i>	<i>Harborside</i>	28,000	3,855	13.8%	\$18.00	\$18.00
Robert Duncan Plaza	<i>Lorné Dotties, Quick Print</i>	12,000	0	0.0%	\$12.00	\$14.00
SAMPLE TOTAL (ALL SIZES)		1,481,895	70,166	4.7%	\$8.00 - \$50.00	
15,000 SQUARE FEET OR LESS		132,538	13,373	10.1%	\$12.00 - \$48.00	

SOURCE: Norris Beggs & Simpson and Johnson Gardner