UNIVERSITY PLACE 2.0

What would **you** do with 4 acres in the Central City?
UNIVERSITY PLACE 2.0

Envisioning a way forward for the University Place site

April 2, 2015 • Presented by Adam Boehm, Jurie Lewis, Bryce Payne, Bob Sassa & Jason Wald
Overview

- **Neighborhood** context
- **Market** analysis
- **Site** and our assessment
- Development **program**

- Key **assumptions**
- Financial **results**
1. NEIGHBORHOOD CONTEXT

University Place 2.0
South Portland

Image credit: City of Portland Archives, 1938
South Auditorium Urban Renewal

Image credit: Halprin Landscape Conservancy
A few defining elements of the neighborhood

- Halprin Open Sequence
- PSU & University District
- MAX Orange line LRT
- Innovation Quadrant
- Proposed Green Loop
Halprin Open-Space Sequence

“We experience ourselves as dancers through awareness of our movements, and our city through awareness of our movements within it.” — Anna Halprin
The Halprin Open-Space Sequence

3. Pettygrove Park

2. Lovejoy Fountain

1. Source Fountain
“The space is choreographed for movement with nodes for quiet and contemplation, action and inaction, hard and soft, yin and yang.”

— Lawrence Halprin
Portland State University is a university on the move

With a $1.4 bil urban footprint, PSU powers PDX's economic growth in big ways

bit.ly/1zKjw20 #FearlessPSU

President Wim Wiewel

Skyways to Science
Students have a new lab and classroom space in the Collaborative Life Sciences Building.

New Business School
The University is renovating its School of Business Administration starting in August.

Viking Pavilion
The University's outdated athletics facility will soon be remodeled.
PSU enrollment is forecasted to grow...

Enrollment up 26% since 2002, relatively stable since 2009

2015 enrollment exceeds 2019 forecast; long term target: 32-36,000 students

Three student enrollment scenarios

<table>
<thead>
<tr>
<th>Growth scenario</th>
<th>2008*</th>
<th>2019</th>
<th>2034</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUS projection</td>
<td>24,000</td>
<td>27,400</td>
<td>32,300</td>
</tr>
<tr>
<td>Historic projection</td>
<td>24,000</td>
<td>28,600</td>
<td>36,100</td>
</tr>
<tr>
<td>40/40/20</td>
<td>24,000</td>
<td>33,600</td>
<td>48,600</td>
</tr>
</tbody>
</table>

* Projections were completed using Fall 2008 enrollment, current enrollment is higher

Data source: Portland State University District Framework Plan
MAX Orange line starts this fall....
Innovation Quadrant

Marquam Hill:
• OHSU

South Waterfront:
• OHSU

University District:
• PSU

Central Eastside Industrial District:
• OMSI
• PCC

Together, the four districts of the quadrant are projected to grow by approximately 30,000 jobs and 11,000 households over the next 25 years.

Image credit: http://www.pdxinnovation.com/
Green Loop
2. MARKET CONTEXT

University Place 2.0
Housing: Portland multifamily market remains strong

Vacancy decreasing

Average rent $/SF increasing

Data source: Axiometrics

Data source: Multifamily NW
Multifamily
PMA + pipeline

- 838 units under construction
- 1,665 units in pipeline

<table>
<thead>
<tr>
<th>Multifamily Pipeline</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Block 7 (MAC Club) - SW 20th &amp; Main St</td>
<td>265</td>
</tr>
<tr>
<td>2. Jefferson St Flats - 2040 SW Jefferson St</td>
<td>134</td>
</tr>
<tr>
<td>3. Jefferson Apt - 1450 SW Jefferson St</td>
<td>61</td>
</tr>
<tr>
<td>4. Columbia Apt - 1423 SW Columbia St</td>
<td>23</td>
</tr>
<tr>
<td>5. Taylor Apt - 15th &amp; Taylor St</td>
<td>121</td>
</tr>
<tr>
<td>6. Lincoln Place Apt - 1500 SW Taylor St</td>
<td>158</td>
</tr>
<tr>
<td>7. Clay Apt - 1500 SW 12th Ave</td>
<td>83</td>
</tr>
<tr>
<td>8. Market St Apt - 1115 SW Market St</td>
<td>67</td>
</tr>
<tr>
<td>10. Park Ave West - 760 SW 9th Ave</td>
<td>203</td>
</tr>
<tr>
<td>11. Jefferson Hotel (+Apt) - 202 SW Jefferson St</td>
<td>24</td>
</tr>
<tr>
<td>12. Core Campus - 325 SW Harrison St</td>
<td>400</td>
</tr>
<tr>
<td>13. The Beacon - 1551 SW 6th Ave</td>
<td>150</td>
</tr>
<tr>
<td>14. Zidell Apt #2 - 3000 SW Moody Ave</td>
<td>117</td>
</tr>
<tr>
<td>15. Block 37 - 3700 SW River Pkwy</td>
<td>278</td>
</tr>
<tr>
<td>16. Block 43 - 3850 SW Moody Ave</td>
<td>199</td>
</tr>
<tr>
<td>17. Kings Hill Apt - 3916 SW Corbett Ave</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,527</strong></td>
</tr>
</tbody>
</table>
Multifamily comparables

- Rent range: $2.20-2.82/SF
- Unit size range: 500-980 SF
Opportunity: The rise of the millennials

- **Bigger:**
  18-34 age group now 61% of population

- **Faster:**
  The size of this group has increased by 62% in last 4 years *vs. 36% for population overall*

*Data source: Social Explorer, US Census (Census tracts 56-57)*
Student housing

- 2,000+ PSU units housing
- 7.4% of students
- 28,000+ students and likely to grow
Existing student housing

- On campus
- Near campus
Future student housing

- Highest concentration anticipated near Living/Learning Center
Student housing comparables

- Rent range:
  $2.25-2.82/SF
  $554-1,384/bed

- Unit size range:
  485-980 SF

- University Housing:
  $513-$1,207/bed
Opportunity: Ages 55-74 fastest growing population in primary market area (2000-2013)

Data source: Social Explorer, US Census
Empty-Nesters Flock to Apartment Living

Magnitude of Boomers’ rental demand stuns some industry observers.

By KC Sanjay

Young adults ages 22 to 30—those “Millennials” who are a target demographic for many of the new apartment properties hitting the market—are likely to be in their first or second post-college home away from their parents. But it’s becoming more and more possible that their next-door neighbors could be their parents ... or at least people their parents’ age.

That empty-nesters whose children have grown up and gone to college or work are downsizing by selling their suburban homes and moving into apartments is old news; the magnitude of this trend is what’s surprising developers.
Hotel: occupancy trends (2009-2018f) strong

Downtown Lower occupancy

Downtown Upper outperforming

Data source: PKF
Hotel: ADR trends (2009-2018f) positive

Downtown Lower ADR

Downtown Upper ADR

Data source: PKF
University Place performance (2013-2014):
RevPAR up 24% year over year; equals 62% of PKF Downtown Lower 2014 RevPAR

Seasonal occupancy (2014 average: 57% vs. 75-83%)

Seasonal ADR (2014 average: $88 vs. $107-168)

Data source: Portland State University
Hotel

PMA + pipeline

- Branded boutique: 802
- Convention Center: 600
- Extended stay: 203
- Historic: 290
- Hostel/Independent: 88

<table>
<thead>
<tr>
<th>HOTEL PIPELINE</th>
<th>Inventory</th>
<th>Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Upper</td>
<td>6458</td>
<td>1889</td>
</tr>
<tr>
<td>Downtown Lower</td>
<td>1268</td>
<td>272</td>
</tr>
<tr>
<td>Total Downtown</td>
<td>7726</td>
<td>2161</td>
</tr>
<tr>
<td>% PDX Metro</td>
<td>29.32%</td>
<td>62.17%</td>
</tr>
</tbody>
</table>

1. Canopy by Hilton 299
2. Society Hotel 36
3. Grove Hotel 52
4. Woodlark/Cornelius 150
5. Pioneer Building 140
6. AC Marriott 204
7. Curio by Hilton 299
8. Hyatt House 203

TOTAL ROOMS 1383
South of Market (SoMa) office market

- 2.3 million SF
- Average floor plate: 18,452 SF
- Average parking ratio: 1.48/1,000 SF
- Median age: 1969
- Rental rates: $18-28/SF Full Service
- Leasing activity: 56,000+ SF in last year

Data sources: CBRE, CoStar

Image source: CBRE
Office: SoMa market trends (2005-2015Q1)

Vacancy over time

Rents increasing

Data source: CoStar
Office

“It is important to us to offer a working environment that will help attract and retain the best talent.”

– Jeff Heggedahl, president and ceo of Ecova

Viewpoint | Image credit: Sam Tenney/Daily Journal of Commerce
Office: pipeline

Under construction

• Park Avenue West (TMT)
  • 221,380 SF
  • 67% leased

• Pearl West (BPM)
  • 155,465 SF
  • 63% leased

Proposed

• Zidell Yards near Tillicum Crossing
  • 246,000 SF

• Zidell Yards near The Emery
  • 113,000 SF

Adaptive reuse

• The 100 Park Square (Clarion Partners/W3)
  • 97,644 SF
  • 29% leased

• Former Oregonian HQ (URG/Clarion Partners)
  • 165,000 SF
Potential educational/institutional demand

• OHSU/PSU School of Public Health
  Pursuing accreditation

• PSU Business Accelerator
  Currently off campus

• PSU School of Art + Design
  Across multiple buildings

• PSU University Technology Services
  Currently leasing space

Image credit: UBI Global
Retail: market trends (2005-2014)

CBD submarket metrics: 3.8% vacancy | $22.10/SF quoted rates (2014Q4)

Vacancy decreasing

Rents increasing

Data source: CoStar
Retail

- Demand in the district
- Rents: $18-28/SF
- Edge of trade area
- Challenging access
- Better sites for retail
3. SITE ASSESSMENT

The Exchange + Lincoln Station
Site
Current zoning

Zoning: CXd
FAR: 2:1
Max height: 150 feet
Future zoning

FAR: 4:1

Max height: 250 feet
Opportunities

- Scale
- Transportation
- Proximity to PSU
- Views

Challenges

- Access
- Site circulation
- Competition
- Debt
Development objectives

- Retire debt
- Urban design and density
- Mix of uses
- Incorporate existing amenities
- Health and wellness
- Sustainability
4. PROGRAM + SITE PLAN

The Exchange + Lincoln Station
The Exchange + Lincoln Station is a mixed-use development with potential for real synergies between hospitality, housing, employment, education, and open space for all.
## Development program

<table>
<thead>
<tr>
<th></th>
<th>Residential</th>
<th>Hotel</th>
<th>Office</th>
<th>Institutional</th>
<th>Parking</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Units</strong></td>
<td>469</td>
<td>145</td>
<td></td>
<td></td>
<td>363</td>
<td></td>
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<tr>
<td><strong>Gross SF</strong></td>
<td>405,100</td>
<td>90,300</td>
<td>60,000</td>
<td>44,000</td>
<td>599,400</td>
<td></td>
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</table>
Phasing

Phase 1:

**Hospitality + Housing**
- Below-grade parking
- Hotel and restaurant
- Two apartment buildings
- Halprin plaza

Phase 2:

**Education + Employment**
- Ground floor retail
- Academic podium
- Office
- Student housing tower
- Halprin open space
Phase 1

- Mid-range hotel
- Restaurant
- Multifamily apartments
Phase 1

- 145 room mid-high range hotel
- Restaurant/outdoor terrace
- ADR $168
Phase 1

- PSU related
  - Visitors
  - Conferences

Program element: hotel
Phase 1

Program element: hotel
Phase 1

- Hotel guests, office tenants, students/faculty

Program element: restaurant
Phase 1

Program element: apartments
Phase 1

- 161,700 GSF
- 197 units
- Avg. rent $2.56

Program element: apartments

The Marie APARTMENTS
Phase 1

Program element: apartments

The Marie APARTMENTS
Phase 1

The Marie Apartments

Program element: apartments

- Urban professionals
- PSU students and staff
- Millennials
Phase 1

• 113,400 GSF
• 120 units
• Avg. rent $2.46

Program element: apartments
Phase 1

Program element: apartments
Phase 1

- Empty nesters
- Retirees
- Boomers

Program element: apartments

The Anna APARTMENTS
Phase 2

- Height and density
- Mixed use office-institutional
- Student housing
- Ground floor retail
Phase 2

• 44,000 GSF
• Avg. rent $26 NNN
• Classrooms/offices
Phase 2

Program element: institutional
Phase 2

- 60,000 GSF
- Rent $22 NNN
- Open, flexible office space
Phase 2

Program element: office

Image credit: Deutsche Telekom AG
Phase 2

Program element: student housing

- 130,000 GSF
- 152 units/354 beds
- Avg. rent per SF $2.60

Lincoln

A

ASCENT STUDENT LIVING
Phase 2

Program element: student housing

ASCENT
STUDENT LIVING
Phase 2

A
ASCENT
STUDENT LIVING

Program element: student housing
Open space

- Halprin Sequence
- Gathering spaces and recreation
- Bocce ball court
- Community garden
- Art fairs
- Music events
- Green Loop
Open space
Parking

- 363 stall parking garage
Parking

Ratios:
- Hotel: 0.4/room
- Institutional: 1.0/1000 sf
- Office: 1.5/1000 sf
- Apartment 1: 0.5/per room
- Apartment 2: 1.0/room
- Retail: 5.0/1000sf
- Student: 0.4/room

• 363 total stalls
• Shared parking reduces need by 127 stalls saving $3.5 million
• 637 bike parking spots
# Development timeline

<table>
<thead>
<tr>
<th>Phasing Plan</th>
<th>Yr 1</th>
<th>Yr 2</th>
<th>Yr 3</th>
<th>Yr 4</th>
<th>Yr 5</th>
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<tr>
<td>Phase 1</td>
<td></td>
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<tr>
<td>Negotiate with PSU</td>
<td>Yellow</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Purchase Property</td>
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<td>Phase 1 Design and Entitlement</td>
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<td>Green</td>
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<tr>
<td>Garage Construction</td>
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<td></td>
<td>Green</td>
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<tr>
<td>Hotel Construction</td>
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<td></td>
<td>Blue</td>
<td></td>
</tr>
<tr>
<td>Res 1 Construction</td>
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<td>Blue</td>
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<tr>
<td>Res 2 Construction</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Phase 2</td>
<td></td>
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<tr>
<td>PSU Acquires Wyse Property</td>
<td>Yellow</td>
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<tr>
<td>Design and Entitle Western Portion of Site</td>
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<td>Red</td>
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<tr>
<td>Constuction of Commercial/Institutional/Student Housing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Red</td>
</tr>
</tbody>
</table>
Fly-over
5. KEY ASSUMPTIONS

The Exchange + Lincoln Station
Acquisition Cost

- University Place
  - $100/SF
  - $16,814,800

- Demolition
  - $6.40/SF
  - $765,400

- Wyse Parcel
  - $100/SF
  - $1,882,000

- Demolition
  - $6.40/SF
  - $29,811

TOTAL: $19,636,151
- Hotel:
  - $383/SF
  - $238,692/key

- Apartment 1:
  - $308/SF
  - $253,340/unit

- Apartment 2:
  - $331/SF
  - $313,200/unit

- Parking:
  - $42,000/stall

- Mixed-use:
  - $292/GSF
Total Cost Phase 1: $126,000,000

**Sources**
- Phase 1
  - Equity
    - Developer 10% - $4,630,000
    - Institutional 90% - $41,664,000
  - Debt
    - Hotel - $21,332,000
    - Apartment 1 - $32,515,000
    - Apartment 2 - $25,886,000

65% LTC average

**Uses**
- Phase 1
  - Site acquisition - $19,636,000
  - Parking structure - $16,399,000
  - Hotel - $34,610,000
  - Apartment 1 – 37,506,100
  - Apartment 2 - $26,355,650
<table>
<thead>
<tr>
<th>Building Values Phase 1:</th>
<th></th>
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<tbody>
<tr>
<td>Parking -</td>
<td>$9,170,000 (7.00% cap)</td>
</tr>
<tr>
<td>Hotel -</td>
<td>35,308,000 (7.25% cap)</td>
</tr>
<tr>
<td>Apartment 1 -</td>
<td>53,207,000 (5.50% cap)</td>
</tr>
<tr>
<td>Apartment 2 -</td>
<td>36,979,000 (5.50% cap)</td>
</tr>
<tr>
<td>TOTAL VALUE -</td>
<td>134,665,000</td>
</tr>
<tr>
<td>TOTAL COST -</td>
<td>126,000,000</td>
</tr>
<tr>
<td>Return on Cost -</td>
<td>6.85%</td>
</tr>
</tbody>
</table>
Total Cost Phase 2: $65,710,000
Total Value Phase 2: $72,508,000
6.25% cap
10.3% return on cost

Sources
- Equity
  - Developer 10% - $2,040,000
  - Institutional 90% - $18,352,000
- Debt
  - 45,320,000

69% LTC

Uses
- Phase 2
  - Mixed-use building - $65,710,000
6. FINANCIAL RESULTS

The Exchange + Lincoln Station
Annualized cash yield:  11.00%
Levered IRR:  13.70%
Levered IRR w/PDC:  18.10%
Acknowledgements

A special thank you to our advisor, Jerry Johnson of Johnson Economics.

Without the help of many, this would not have been possible. Thank you to:

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- **OHSU**: Brian Newman
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- **PacTrust**: J. Benjamin Chessar
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- **University Place Hotel**: Shelby Matson
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- **Wells Fargo**: Tara Stevenson
- **WFG Title**: Scott Morcum
- **And many more...**
Thank you.