The Lloyd 700 Superblock
PSU/NAIOP Workshop
Agenda

- Site Description & Ownership
- The Site in Context: A Closer Look at the Lloyd District
- Development Program and Principles
- Scheme I
- Scheme II
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The Lloyd 700 Superblock: One of the Most Attractive Redevelopment Opportunities within the Lloyd District and Ashforth’s Holdings

Area Map

Site Details

• Site is located in the Lloyd District
• Neighboring uses: Lloyd Center Tower, Lloyd Center Mall, MAX line, DoubleTree Hotel and Streetcar (proposed)
• Zoning: CXd
• Site covers an area the size of four city blocks
• Site currently contains the Lloyd 700 office building and associated three level parking structure
• Base FAR allowance: 12:1, max. height: 250’
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A Place of Commerce & Entertainment

Office Core

- More than 2.5 million sq. ft of office space
- Three of the top 25 largest office buildings in the city
- Several large anchor tenants

Oregon Convention Center

- Largest convention center in Oregon at 1 million sq. ft
- Includes more than 250,000 sq. ft of exhibit space and Portland’s largest ballroom
- Hosts more than 400 events generating more than $525 million in activity

Lloyd Center Mall

- One of Oregon’s largest malls at 1.4 million sq. ft
- Generates approx. 12 million visits per year
- Covers an area the size of 45 football fields
A Transportation Hub

Two Freeways, Three MAX lines

- I5: Two off-ramps, one on-ramp, less than 1 mile from site
- I84: One off ramp, one on-ramp, less than 0.5 miles from site
- Fare-less Square: Red, blue and yellow MAX lines

Coming Soon: Streetcar

- Streetcar loop coming late 2011
- Stops at Lloyd 700 Superblock
- Expected to contribute towards lowering car commuters in the district to < 45%.
A District in Transition

1960s...

• Development started in the 1920s with Ralph Lloyd
• Lloyd purchased more than 170 lots in the district, working on his vision over three decades
• Lloyd family focus turns to retail. Largest mall in the country is completed in 1960.

...Through 2011

• The District has continued to attract large investments (e.g. OCC, Rose Quarter etc)
• Plenty of vacant lots and development opportunities remain
Looking Ahead…

100 NE Multnomah, Headquarters Hotel…

- 19-story, 320,000 sq. ft office and retail tower
- 600-room hotel, public private partnership
- Cosmopolitan Tower Apts. (Joe Weston)
- NE Holladay to become pedestrian-only

...Jumptown

- Transformation into a “world-class” mixed-use sports and entertainment district
- Historic renovation of the Dude Ranch
- Construction of a 10-story mixed use building with 110 housing units
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Development Program & Principles for the Lloyd 700 Superblock

• Capitalize on District momentum and become a catalyst for development
• Become a connector between sites in the District
• Develop site as an amenity unto itself and beyond

Mixed Use Development Centered Around a Plaza

Distribution of Proposed Uses

- Apartments
- Office
- Retail/Dining
- Plaza
- Parking

Square Feet
The District has been Primed for Housing, Site Offers Great Views

Plenty of Amenities to Support Housing

- Pedestrian improvements along NE Holladay
- Streetcar has a track record of boosting housing development (e.g. Pearl)
- Lots to do: movie theaters, Rose Quarter, shopping, Eastbank Esplanade etc.

Unmatched Views

- Site is elevated, offering unmatched views of river, mountain and city
- Views unlikely to be obstructed by future development (Ashforth owns surrounding properties)
- Residents likely to pay a premium for stunning views
Market Dynamics Favorable for Development of Apartments

Low Vacancy in the District

- Merrick: 5%
- Lloyd Place: 4%
- Cornerstone: 6%
- Tupelo Alley: 0%

Source: Johnson Reid

Not Much Coming to Market as Tidal Wave of Renters Looms

- Number of permits issued in 2010 a fraction of annual average in the preceding ten years
- Renters within one mile of the site account for 71% of households, compared to 43% throughout Multnomah County
- The number of Echo Boomers aged 25-44 are the largest generation to reach adulthood in the nation’s history

Source: Joint Center For Housing Studies (Harvard University), Metro Multifamily Housing Association

Multifamily Residential Permits Issued, 2000-2010
Meeting the Need for Luxury Apartments on the East-Side

Luxury Residence on Par with West-Side

- Fill market niche: currently no luxury apartments in the area
- On-site amenities, secured parking, high-end finishes
- Rents comparable with Ladd Tower, Indigo @12W

Target Market

- Long-time east-side residents likely have a preference to remain on the east-side
- Short-term labor assignments on the rise as employers remain reluctant to hire. Limited corporate housing available in District
- Alternative to Pearl District. Offers shorter commutes for east-side employees (e.g. Adidas)
The Lloyd District Office Core: a Strong, Supply-Constrained Market

Absorption

Lloyd District Class A Office Net Absorption, 2005-2010

Vacancy

Vacancy Rates for City Center Office Markets, 2005-2010

- No new supply in 10 years!
- Very little tenant turnover, high retention rates
- Consistently lower vacancy rates in the Lloyd District than elsewhere
- Vacancy rates did not spike in Lloyd District during economic downturn

Source: CBRE
Various Scenarios Expected to Spur Growth for Office Space

Tenants Wanting to Consolidate Space

- Knowledge Learning Corp leases space in three buildings throughout the District (ditto for Integra)

- Only five buildings in CBD currently offer more than 20,000 contiguous space

- Ability to accommodate consolidation provides competitive advantage e.g. "Koin Tower Lands Wells Fargo Advisers"

Tenants Needing More Space to Support Growth

Education and Health Services
Professional and Business Services
Leisure and Hospitality
Government
Trade, Transport and Utilities

Industry Employment Forecast, Multnomah/Wash. Co, 2008-2018

Source: Oregon Employment Dept.
Capitalize on Existing Strong Retail Traffic

Lloyd Center Mall Ranks Among the Largest Retail Centers

- At 1.4 million sq. ft, Lloyd Center Mall essentially ties Clackamas TC for first place in the state
- The mall attracts more than 12 million visits each year

Successful Retailers on the Periphery of the Mall

- Several retailers located on the periphery of the mall have benefited from mall traffic
Potential for Big Box Retail Tenant

Target is Actively Looking for Urban Space

• Target recently announced plans to open smaller format stores in urban areas

• Lloyd 700 Superblock provides superior (freeway) access and more retail traffic than other sites in town (e.g. Galleria)

Target Can Meet the Need for Groceries and General Merchandise

• New Target store formats feature stronger focus on groceries and convenience items

• Plenty of demand expected from employees in office core and proposed apartment tower
More Retail Tenants:

- Leading provider of healthcare on-demand (growth industry)
- Has stores at many major malls in the city except Lloyd Center
- Daycare would be great amenity for office core and proposed apartment tower
- KLC, operator of KinderCare, already leases space from Ashforth Pacific
- Aggressive expansion plans for Portland
- Pressure to defend market share against Umpqua Bank
- Umpqua has several branches in Lloyd District, Chase has none
There is a Dearth of Casual Dining Options in the Office Core

Number of Office Employees And Dining Options In The Area

For more than 7,000 office employees looking for a casual dining venue, Stanford's is the only viable option*

* Some office buildings provide basic cafeteria services
A Casual Dining Restaurant At The L700 Site Would Reduce Lunch Travel-Time For ALL Offices In The Area

Pedestrian Access From The Office To Stanford’s

Walking to lunch at Stanford’s is really only an option for some office towers

Pedestrian Access From The Office To New Restaurant At L700

A comparable restaurant at L700 would make casual dining accessible to **twice as many** office workers.
Possible Credit Dining Tenants/Restaurateurs

<table>
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<tr>
<th>Brand</th>
<th>Rationale</th>
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| Owner of Portland City Grill also successfully operates Stanford’s and Newport Seafood Grill in the area. May be keen to preserve local market share. A “Lloyd Center Grill” would add to the branding value of the site.  

To make its mark in a city like Portland, the Lloyd Center needs its own brew-pub. Laurelwood has been exploring a number of expansion concepts, opening a new pub in Battle Ground WA in 2009 and launching a “beer outlet” within the Rose Garden Arena in 2010.  

Expanding across the west coast, but has no presence on central east-side of the city. Prefers mall-vicinity e.g. Bridgeport Village/Clackamas TC. Nearest existing branch is located 10 miles from the site. |
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Multi-Tenant: 34,115 sf
Multi-Tenant Res.: 6,600 sf
Plaza Food Carts: 4-6 stalls

Level 2:
Large Retail: 40,780 sf
Large Retail Total: 80,709 sf

Office - 15 Levels, 306,000 sf rentable
Ground Floor:
Lobby and Service: 10,650 sf
Level 2:
Parking Lobby and Service: 6,575 sf
Level 3-17:
Typ. floor 20,400 sf rentable

Residential - 14 Lvs, 151 Units, 119,412 sf rentable
Ground Floor:
Lobby and Service, 5,230 sf
Level 2-13:
1 typ. floor rentable, 9,991 sf, 12 units
(4) Studio
(6) 1 Bedroom
(2) 2 Bedroom
Level 14 Penthouse
Amenity unit, recreation room and outdoor terrace
Rentable floor: 9735
(4) 1 BR
(3) 2 BR

Parking - 1319 total new stalls
Ground Floor:
Plaza Surface: 60 Stalls
Level 2-3:
Structured Above Ground: 169
Level 4:
Below grade parking: 1265, 175 existing
Exclusive residential included at 151 stalls
Level 3

Parking Level 1 & 2 sim

Level 2

Parking Level 3

Retail - 2 levels: 121,425 sf Total
Ground Floor:
  Large Retail: 33,930 sf
  Multi-Tenant: 34,115 sf
  Multi-Tenant Res.: 6,600 sf
  Plaza Food Carts: 4-6 stalls
Level 2:
  Large Retail: 46,780 sf
  Large Retail Total: 80,709 sf

Office - 15 Levels, 306,000 sf rentable
Ground Floor:
  Lobby and Service: 10,650 sf
Level 2:
  Parking Lobby and Service: 6,575 sf
Level 3-17:
  Typ. floor: 20,400 sf rentable

Residential - 14 Lvs, 151 units, 119,412 sf rent
Ground Floor:
  Lobby and Service: 5,230 sf
Level 2-13:
  Typ. floor: 9,391 sf, 12 units
  (4) Studio
  (6) 1 Bedroom
  (2) 2 Bedroom
Level 14: Penthouse
  Amenities, unit, recreation room and outdoor terrace
  Rental floor: 9735
  (4) 1 BR
  (3) 2 BR

Parking - 1319 stalls
Ground Floor:
  Plaza Surface: 60 Stalls
Level 2-3:
  Structured Above Ground: 159
Level P1-P3:
  Below grade parking: 1285, 176 existing
  Exclusive residential included at 151 stalls
Main Program Elements

- Large Format Retail ..................... 80,710sf
- Multi-tenant Retail ....................... 40,716sf
- Office ........................................ 306,000sf
- Residential .............................. 151 units, 119,000sf
- Public Plaza
- Below and Above Ground Parking... 1340 stalls
Financial Costs
Project Costs ............ $208m
Equity ..................... $83m
Loan to value .......... 60%
Going in Cap Rate ...... 6.1%
Terminal Cap Rate ...... 7.0%
Levered IRR .......... 11.2%
ROE Year 9 ............ 7.94%

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Scheme II: A Low Risk, Phased, More Traditional Development

- **Office**
  - 301,750 rentable

- **Residential**
  - 210 luxury rental units

- **Supportive Retail**
  - 59,700 SF

- **Parking**
  - 1,158 new (1,377 total)

- More flexible program
- Smaller floorplates, reduces dependency on large-space office users
- Project can be developed in phases, according to market factors
Scheme II: Program

- **Office**
  - 17 levels
- **Residential**
  - 23 levels
- **Supportive Retail**
  - Ground floor
- **Parking**
  - 4 levels res
  - 6 levels office/retail
Scheme II: Pedestrian Oriented
Scheme II: Residential
Scheme II: Ground Level Retail,Wrapped-Around Parking/Office
Scheme II: A 24-Hour Amenity
Scheme II: Construction Costs and Returns

- Total Construction Cost: $201.4 million
- 60% LTV
- Required Equity: $80.5 million
- Going-in Cap @ 6.19%
- Terminal (Yr 10) @ 7.00%
- ROE (Yr 10) 8.30%
- Levered IRR 11.71%