



WILSONVILLE TOWN CENTER PLAN

Market Analysis

April 2017

PREPARED FOR



PREPARED BY

 **LELAND CONSULTING GROUP**

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PROJECT BACKGROUND

Project Description

The Wilsonville Town Center Plan will guide development in Town Center to create a cohesive, unified district within Wilsonville's growing community. The Plan will provide a community-driven vision for Town Center and strategic actions that create a clear path to advancing the vision. These actions may include new projects, programs, partnerships, or policies that will guide future development and investments, leverage the area's many assets, and identify opportunities to address existing barriers to achieving the community's vision for the future of Town Center. The Plan will support the development of Town Center as an attractive and accessible place for visitors and residents of all ages to shop, eat, live, work, learn, and play.

Analytic Objectives

The market analysis will assist in understanding the Town Center's competitive position within the region. The data will help to inform the plan by identifying land use types and characteristics (type, scale, density) that are more feasible and could be included in future land use and redevelopment options in the coming decade.

This market analysis provides a baseline assessment of demographic, economic, and real estate conditions affecting the Wilsonville Town Center. It considers the Town Center both within the context of the City of Wilsonville as well as the Portland metropolitan region.

This analysis highlights opportunities for attracting new development consistent with an emerging overall vision for the Town Center. These will be based on observed supply and demand characteristics and real estate trends, in both the Town Center itself and the larger regional market area. Recommendations, based on professional judgment, are supported by available evidence—drawing on a combination of relevant existing market studies (where possible) and public and subscription databases. Data sources include U.S. Census/American Community Survey (ACS), Costar (commercial real estate), Clackamas County, Metro, U.S. Bureau of Economic Analysis (BEA), Esri, Census Longitudinal Employment/Household Dynamics (LEHD), and others.

The market analysis includes an assessment of demographic indicators, such as population and household growth, income, employment, and educational attainment. Other components in the analysis include:

- Industry and job growth trends
- Building permit trends
- Residential supply/demand by type/tenure
- Vacancy and absorption rates for commercial and multi-family residential
- Commercial supply/demand conditions (office and retail)

Study Area

The Wilsonville Town Center (“Town Center”) is Wilsonville’s commercial and civic core. It is generally bounded by Interstate 5 to the west, Wilsonville Road to the south, the northern edge of the commercial lots on the north side of Town Center Loop, and Town Center Loop to the east. The Town Center is about one-quarter of a square-mile area (approximately 155 acres) surrounding Town Center Loop, a circular road that joins onto Wilsonville Road.

Figure 1: Town Center within City of Wilsonville



Source: Clackamas Assessor and Leland Consulting Group

INVENTORY OF TOWN CENTER DEVELOPMENT

Wilsonville Town Center

This section includes information about real estate performance of the Town Center compared to the City; including vacancy and rental rates for commercial and retail space, recent and proposed projects, business types and vacancies in the Town Center, housing absorption trends, and summary information about competitive commercial areas.

Table 1: Land Uses in Wilsonville Town Center

Land Use	Parcels	Total Parcel Acres
Commercial	47	100.8
Multifamily residential	2	10.0
Institutional (church)	1	3.0
Undeveloped	9	10.5
Grand Total	65	124.3

Source: Clackamas County Assessor and Leland Consulting Group

As Table 1 shows, the Town Center is dominated by commercial development. On the 47 commercial parcels, there are approximately 34 retail buildings and 14 office buildings. There are two multifamily projects in the Town Center, one of which is a senior living/assisted living facility (Brookdale).

Land Value

As Table 2 shows, there is about \$171 million in total value (land and buildings) in the Town Center, about 86 percent of which is considered commercial.

Table 2: Value per Land Use in Wilsonville Town Center

Land Use	Total Parcel Value	Improvement to Land Ratio
Commercial	\$147,524,993	1.96
Multifamily residential	\$15,527,624	3.95
Institutional (church)	\$2,389,399	7.84
Undeveloped	\$5,526,833	0
Total	\$170,968,849	(Avg.) 1.82

Source: Clackamas County Assessor and Leland Consulting Group

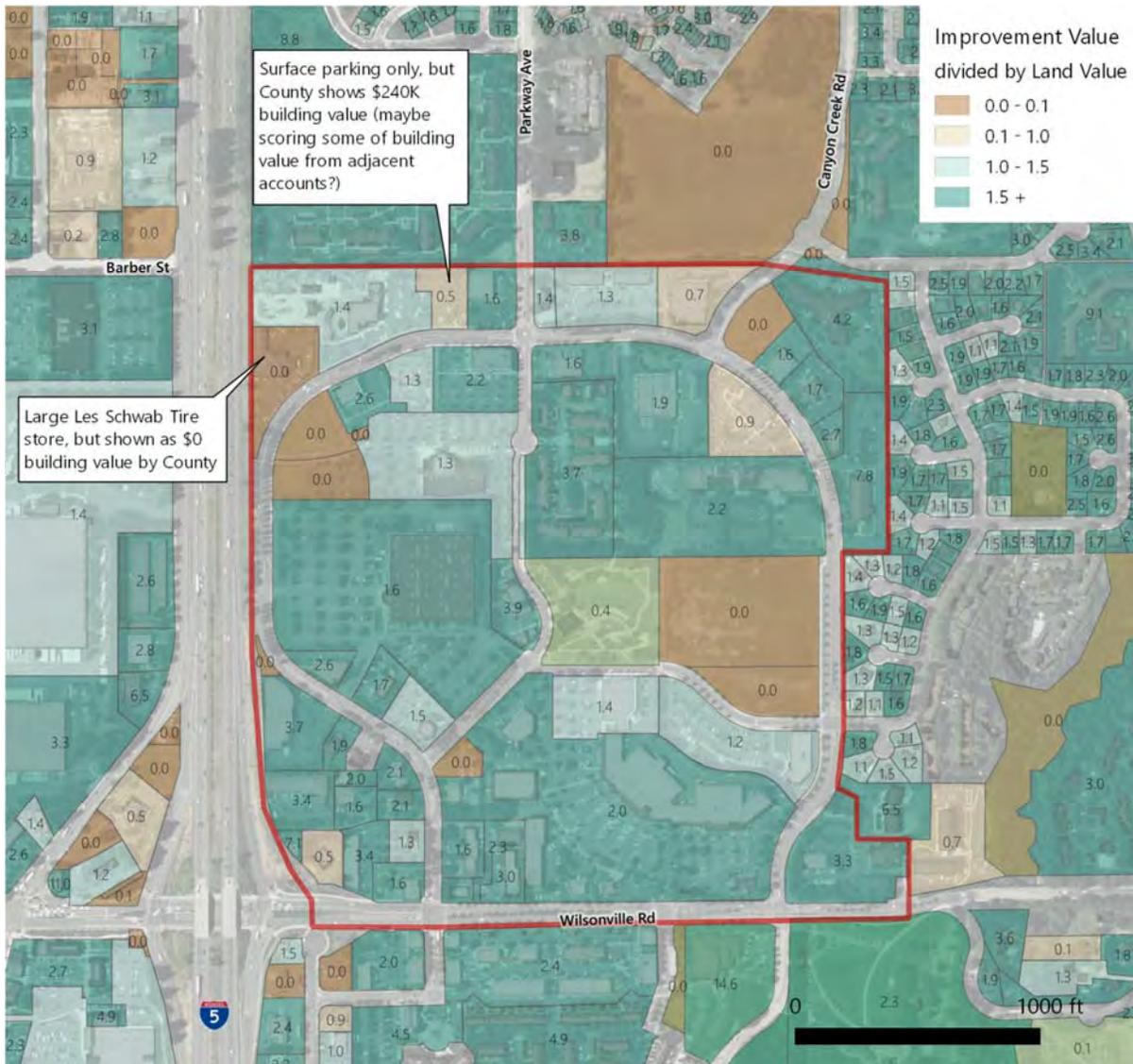
The Improvement to Land Ratio is the ratio between improvement value (typically only building improvements) and land value. A parcel with a value less than 1.5 is considered inefficient and underutilized, and a parcel may be considered “highly-utilized” with an improvement ratio value greater than 2.5. This ratio is commonly used to identify properties that may be underutilized and ripe for redevelopment. When a property has few or no improvements (buildings) on it, it will have a low improvement to land value ratio, indicating that it is more easily redeveloped. Conversely, if a property has significant improvements on it, the ratio will be high, indicating that redevelopment is unlikely. As

Table 2 shows, on average, most developed land use parcels are considered well-utilized. With that said, the Town Center may improve the utilization of existing commercial land uses, which currently have an improvement value of 1.96 (well-utilized, but not highly-utilized). This may be due to the prolific amount of surface parking.¹

In Figure 2 below, darker blue parcels represent those with high improvement to land value ratios. Darker brown parcels are those with low ratios, indicating potential opportunity sites for redevelopment.

¹ It is worth noting that while surface parking is considered a greater improvement to land than dirt, the Assessor's parcel dataset does not include the value of surface parking in the "improvement" value.

Figure 2: Town Center Improvement to Land Ratio



Source: Clackamas County Assessor and Leland Consulting Group²

By current land use, commercial parcels in the Town Center outnumber multifamily and undeveloped parcels by a factor of 10. Commercial parcels also hold about 10 times the total market value of multifamily parcels. There is a single institutional parcel (where the Church of Jesus Christ of Latter Day Saints is located), which has a very high improvement-to-land ratio. Multifamily properties have a higher improvement-to-land ratio than commercial lots by about a factor of two. The 10 acres of undeveloped land, which represents 8.5 percent of all land uses in the Town Center, is vacant and therefore the improvement to land ratio is zero.

² The map includes notes that indicate potential inaccuracies in the parcel data. The zero-value parcel at NE corner of Canyon Creek Road and Town Center Loop East is also now developed, housing Wilsonville Self Storage. The remaining parcels are considered accurate. Updated and accurate parcel data remains unavailable as of March 2017.

Town Center Properties of Interest

Postal Services

The United States Post Office occupies a 26,000-square-foot building which was constructed in 1994 on a four-acre parcel. The United Parcel Service (UPS) also has a small store nearby, creating a small freight-oriented destination for the area.

Clackamas Community College (CCC) Wilsonville Campus

With a building footprint of almost 50,000 square feet on about eight acres of land, CCC Wilsonville has a significant presence in the area. Located at 29353 Town Center Loop, the first phase was constructed in 1991 and presents significant and unique opportunities for the Town Center. The College is catered to technical programs for jobs in the utility and energy management industry and serves as a utility training center for employees of utility companies, including Portland General Electric. The campus boasts available space for community meetings, conferences, luncheons, corporate events, and weddings.

Public Buildings

Wilsonville City Hall occupies a seven-acre site in the southeastern portion of the Town Center. City Hall is a major employer in the area³. The 30,000-square-foot building was completed in 2006. The design of the site and building allow for a future 10,000 square-foot building addition and the development of a remaining 1.9-acre parcel.

Wilsonville Community Center, located in the very southeastern portion of the Town Center, is a smaller property owned by the City. The Community Center provides activities for the community and is available for rental on evenings and weekends.

Wilsonville Public Works Department and Wilsonville Police Department are also located in the southeast portion of the Town Center, sharing an office at 30000 Town Center Loop E.

Wilsonville Parks & Recreation Administration Offices occupy a building in Town Center Park in the center of the Town Center.

Parks/Recreation

Centrally located in the Town Center, the Town Center Park is five acres in size. The park includes seating and a stage, a basketball court, picnic areas, restrooms, a playground and a large interactive water feature. The City and community organizations frequently holds public events in the park, including the Wilsonville Festival of Arts, Fun in the Park, a summer concert series, and other large community events. The Oregon Korean War Memorial is also located within the park, which is a regional destination.

Undeveloped Land

The most significant piece of undeveloped land is a nearly seven-acre parcel located on the east side of the Town Center. Owned by Kaiser Foundation Hospitals, the property is surrounded by civic and public land uses—Clackamas Community College, City Hall, and Town Center Park. Kaiser does not have any

³ Per QCEW data usage agreements, employment statistics for single-organization cannot be made public.

immediate plans for this property. The other significantly sized vacant parcels are located opposite Les Schwab Tire Center on the northwest side, immediately west of Village Dental. The parcels total about two-and-a-half acres, although half of the southern parcel consists of parking for Regal Cinemas, 500 feet to the east.

Per Costar data, there are approximately 4,600 parking spaces in the Town Center, the equivalent of about 17 acres (almost 14 percent of all parcel acreage, based on a standard 161.5 square foot parking space). This does not include any right-of-way or parking lot areas other than parking spaces. It suggests an inefficient land use pattern.

CITY OF WILSONVILLE PROFILE

This section discusses demographics and market conditions within the city of Wilsonville and specific to the Town Center, where appropriate.

Demographics

Table 3: Population, Households & Growth, Wilsonville, Metro Region, and Oregon

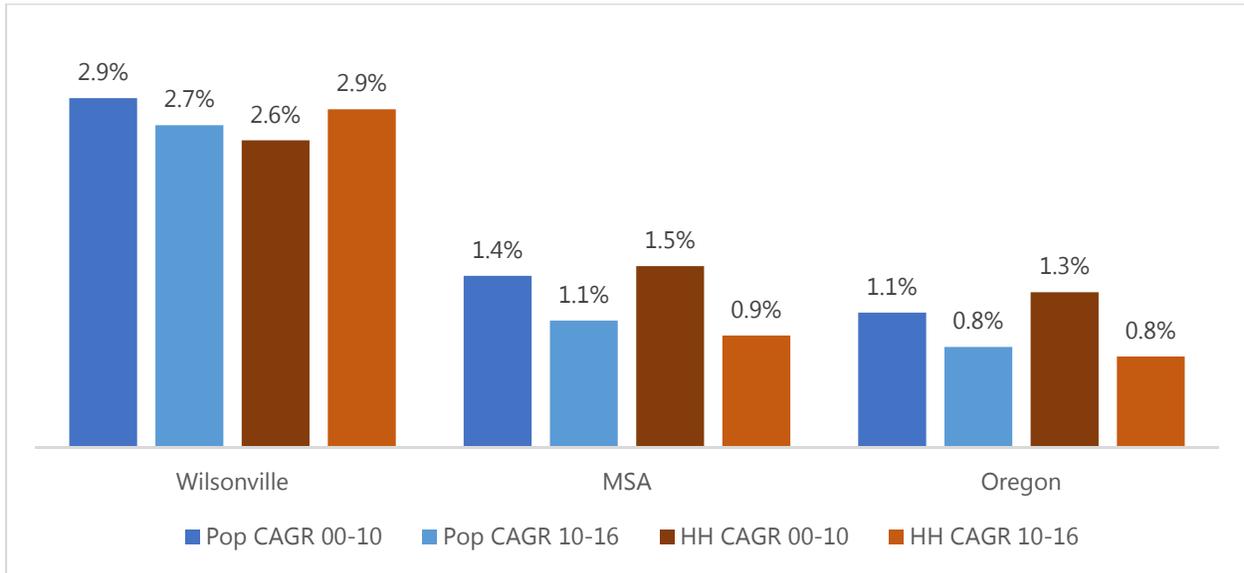
	Wilsonville	Metro Region	Oregon
Population			
2000	14,588	1,927,881	3,421,399
2010	19,509	2,226,009	3,831,074
2016 ⁴	22,919	2,372,802	4,029,968
Percent Change	57%	23%	18%
Households			
2000	6,084	745,531	1,333,723
2010	7,859	867,794	1,518,938
2016	9,305	918,063	1,590,047
Percent Change	53%	23%	19%

Source: ESRI (based on U.S. Census data) and Leland Consulting Group

As shown in Table 3, Wilsonville’s population grew about 57 percent between 2000 and 2016—about three times as fast as Oregon’s population and over twice as fast as the greater metro region over the same period. As of 2016, Wilsonville had approximately 23,000 residents living in just over 9,300 households.

⁴ Population data from ESRI is estimated, based on American Community Survey data. Portland State University (PSU) estimates that Wilsonville’s population in 2016 was, in fact, 23,740 and Oregon’s was 4,076,350. For consistent comparative analyses, given that data across all demographic geographies in this report are based on ESRI data, population data will continue to be sourced from ESRI.

Figure 3: Population (Pop) and Household (HH) Compound Annual Growth Rates (CAGR), 2000 to 2016



Source: ESRI (based on U.S. Census data) and Leland Consulting Group

As indicated in Figure 3, Wilsonville’s population growth throughout the 2000s was marginally higher than household growth. Nationwide, household growth tended to slow post-recession, but Wilsonville’s growth has remained about three times as fast as the state and metro region overall. In fact, while population growth has somewhat slowed following the recession, household growth has increased.

Further, after 2010, household growth rates equaled or dropped below population growth rates in the Portland metro region and the state of Oregon. Conversely, Wilsonville’s household growth rate increased to 2.9 percent, 0.2 percent higher than its population growth. While the difference is marginal, it implies that households are getting increasingly smaller. This increased growth is due in part to the post-recession multifamily development boom that saw permits issued for 615 multifamily units in 2011 and 2012, as well as the record-setting single-family housing starts year over year for the past four years (see Figure 17 for Wilsonville’s building permit activity). As the population of the wider region grows in the coming years, it is expected that household growth in Wilsonville will remain strong. However, this is dependent on available land.

Table 4: Population Forecast

	2010	2035	Change	CAGR ⁵
City of Wilsonville	19,509	28,475	8,966	1.5%
City of Tualatin	26,054	28,484	2,430	0.4%
City of Sherwood	18,194	19,342	1,148	0.2%

Source: Metroscope Gamma Forecasts, 2013 and Leland Consulting Group

Table 4 shows the population forecast and the corresponding compound annual growth rate (CAGR) for Wilsonville, Tualatin, and Sherwood. Despite Tualatin currently having a much higher population,

⁵ Compound Annual Growth Rate (CAGR): the rate at which population grows over a period of years, taking into account the effect of annual compounding.

Wilsonville is projected to grow significantly faster and in fact equal Tualatin’s population around the year 2035.

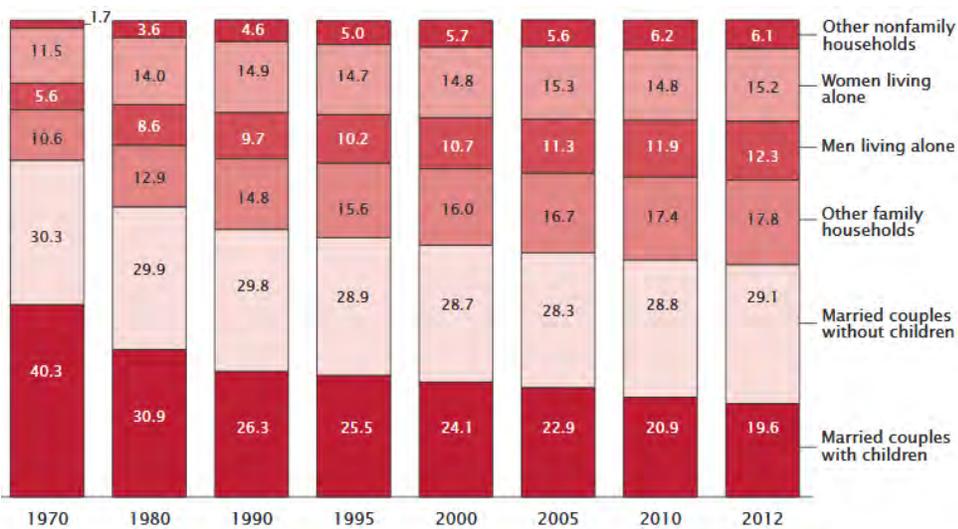
Table 5: Household Growth Rate Projection

	2010	2035	Change	CAGR ⁶
City of Wilsonville	8,011 ⁷	12,530	4,519	1.8%
City of Tualatin	10,000	11,170	1,170	0.4%
City of Sherwood	6,316	7,269	953	0.6%
Clackamas County	146,324	208,437	62,113	1.4%
Multnomah County	304,649	442,546	137,897	1.5%
Washington County	202,647	289,592	86,945	1.4%
Three County Total	653,620	940,575	286,955	1.5%
Metro Region	651,264	940,575	289,311	1.5%

Source: Metro and Leland Consulting Group

As Table 5 shows, Wilsonville’s household growth in the next twenty years is set to increase at the fastest rate of all comparison areas. Between 2010 and 2035, Wilsonville is projected to add over 4,500 households, totaling 12,500 (up from 8,000 in 2010). In keeping with current growth rates, Wilsonville’s population is projected to further increase by 46 percent by 2035, while total households are projected to increase 56 percent.

Figure 4. Households by Type (percent), United States, 1970 to 2012



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement

⁶ Compound Annual Growth Rate (CAGR): the rate at which households grows over a period of years, taking into account the effect of annual compounding.

⁷ This value differs slightly (by about 150 households) from that provided in an earlier table due to the different data sources. ESRI provides historical data, and projections are from Metro—which should be used as a measure of future growth, rather than for the historical values.

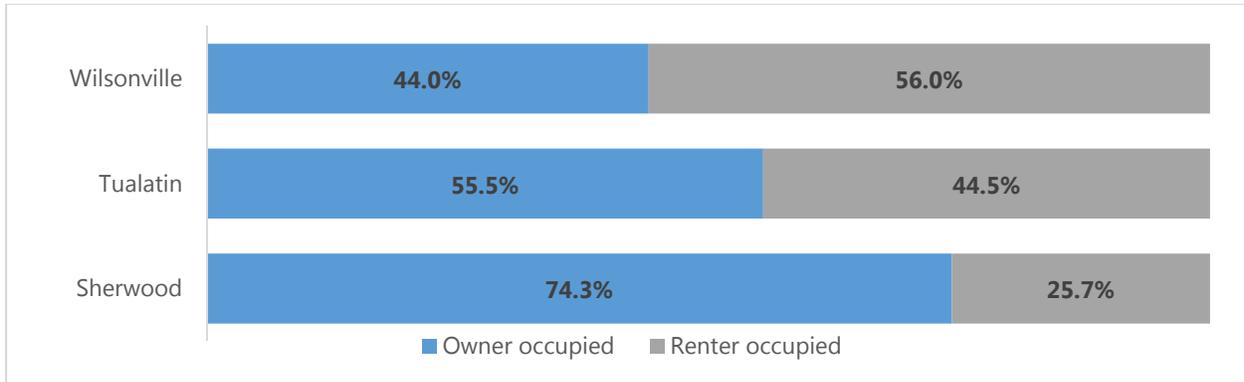
Figure 4 shows the national trend of shrinking household sizes over the last several decades, with more single-person and childless households. Adding households faster than population growth suggest that more units are being added to accommodate smaller family sizes, more childless households, and more single-person households.

Table 6: Household Characteristics (HH size, home ownership, family orientation), 2016

	Wilsonville	MSA	Oregon
Owner Occupied Units	41.4%	55.2%	53.3%
Renter Occupied Units	51.8%	38.6%	37.0%
Vacant Housing Units	6.8%	6.2%	9.6%
Avg. Household Size	2.32	2.54	2.48

Source: ESRI (based on U.S. Census data) and Leland Consulting Group

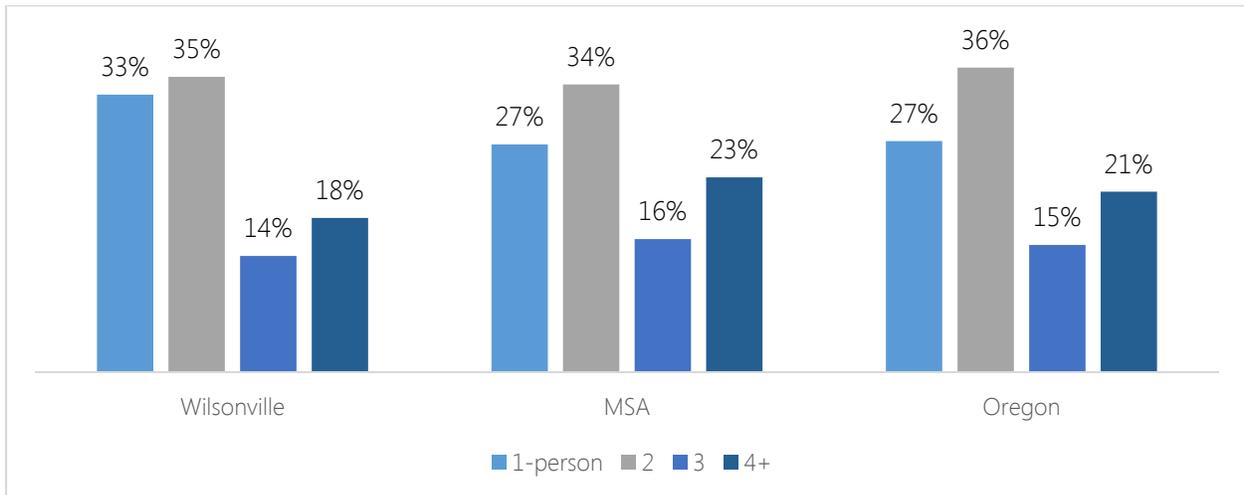
Figure 5. Tenure (occupied units), 2015



Source: American Community Survey, 2015 and Leland Consulting Group

Per Table 5 and Figure 5, the percentage of renters in Wilsonville is far higher than comparable cities in the market area, as well as higher than both the metro region or the state. This is a typical situation for a dense urban area, but generally unusual for a suburban area such as Wilsonville.

Figure 6. Households by Size



Source: ESRI (from US Census Data) and Leland Consulting Group

As Figure 6 shows, Wilsonville households tend to be smaller than metro and state comparisons, with one- and two-person households totaling almost 68 percent of all households (versus 61 and 63.5 percent for MSA and Oregon). Typical residents of single- or two-person households are often young professionals, students, singles, couples without children, parents with one child, and empty nesters. Both Clackamas Community College and Oregon Institute of Technology attract a significant student population which can be leveraged. Research has shown that students, young professionals, and singles are the ideal candidates for downtown or urban housing.

Population by Age

Table 7: Wilsonville Population by Age (2016), City, Metro Region, State & Nation

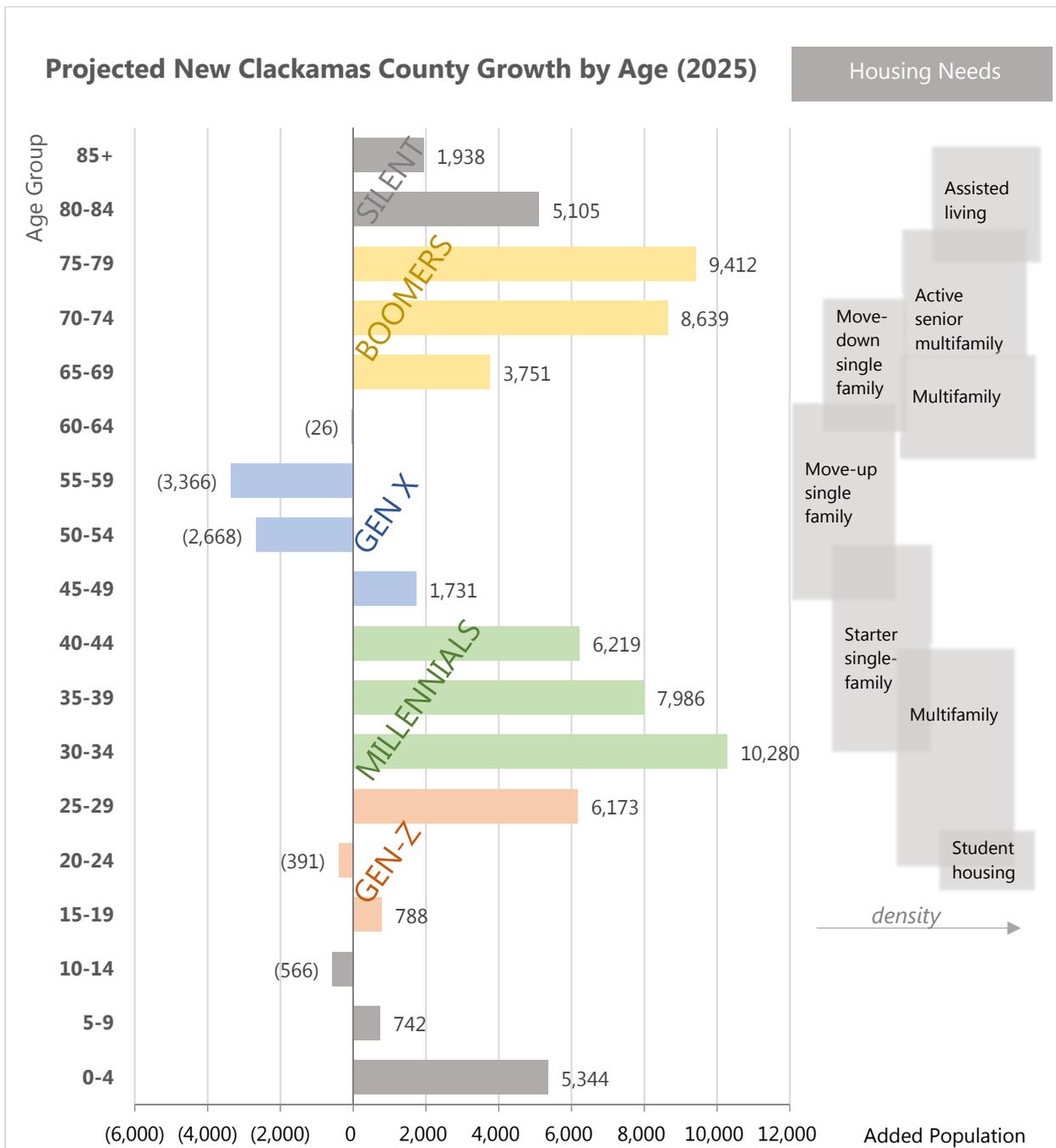
2016 Population	Wilsonville	MSA	Oregon	USA
Total	22,921	2,372,802	4,029,968	321,418,820
0 - 4	6.0%	6.2%	5.9%	6.2%
5 - 14	11.6%	12.6%	11.9%	12.8%
15 - 24	13.2%	12.7%	13.0%	13.6%
25 - 34	16.3%	14.6%	13.6%	13.6%
35 - 44	13.8%	14.0%	12.6%	12.6%
45 - 54	12.6%	13.3%	12.8%	13.3%
55 - 64	11.5%	12.9%	13.8%	12.8%
65 - 74	8.0%	8.3%	9.7%	8.8%
75 - 84	4.1%	3.6%	4.5%	4.3%
85 +	3.0%	1.8%	2.1%	1.9%

Source: ESRI (based on U.S. Census data) and Leland Consulting Group

Table 7 shows Wilsonville's population is consistent with regional and statewide data for those under the age of 24. However, the proportion of 25- to 34-year-olds in the city is significantly higher than in the wider region, state, and nation, indicating a popular place of residence for young professionals and young families. The next several age brackets are consistent with the comparison areas, but there is also a slightly greater portion of the population in their late 70s and 80s in the City of Wilsonville.

Population Projections by Age

Figure 7: Projected New Clackamas County Population Growth and Housing Needs by Age⁸ (2025)



Source: Office of Economic Analysis, State of Oregon and Leland Consulting⁹

⁸ Birth dates of generations, from oldest to youngest generation: Silent Generation, born between 1928 and 1945; Baby Boomers, born between 1946 and 1964; Generation X, born between 1965 and 1980; Millennials, born between 1981 and 1996; Generation Z, born after 1997. (source: Pew Research Center)

Figure 7 shows projected population growth by 2025 (based on 2015 population figures). Most of Clackamas County's population growth is anticipated to come from the Millennial generation—who will be between 29 and 44 years old in 2015. Significant population growth is also expected to come from the Baby Boomer generation—who will be between 61 and 79 in 2025, presenting very different potential opportunities and challenges to those of the Millennials (such as ADA compliant housing, assisted living facilities, and active senior housing, for example). Projected Clackamas County data aligns with current City of Wilsonville data, so these preliminary conclusions are likely to be consistent for both the County and the City.

On the right of the graph is the most common *current* housing need for age group. As shown in the Figure, the housing “needs” of those age groups projected to see the most growth are mainly multifamily, starter single-family (typically attached, such as townhomes, stacked flats, or duplexes), and senior housing. It is worth noting that these needs are associated with *current* trends, and may shift significantly in the coming years. Indeed, in the past 20-somethings have generally moved away from multifamily and sought single-family homes instead. Today, this change is not so apparent, with an unprecedented number of young people choosing to stay in multifamily housing.

Housing Impacts of Shifting Age Demographics

As the housing market in the Portland metro area continues to strengthen and the population grows and steadily ages, the impacts are likely to be most apparent in the housing sector. Demand for multifamily residential properties boomed in the last decade, largely due to the Millennial and Baby Boomer generations. While Baby Boomers continue on this path, it remains to be seen whether the Millennial generation will continue as most move beyond their prime renting-age 20s. However, the high cost of homeownership (given the metro area's skyrocketing home prices and the cost of a down payment) is continuing to restrict prospective homeowners from entering the market and, as such, will continue to fuel rental demand among all age groups (Marcus & Millichap, 2017 Multifamily Forecast).

It appears to be an open question whether aging Baby Boomers—who are typically less encumbered by financial constraints than their younger counterparts—will be attracted to apartment rental living by choice. Research such as the “America in 2015” survey done by the Urban Land Institute (ULI) indicates that as nests begin to empty, this cohort will turn to smaller, lower-maintenance housing choices, albeit still in the suburbs. Other recent opinion research, such as a 2013 survey done by The Demand Institute, however, seems to suggest that most Boomers may still be drawn to the idea of home ownership and yards in the suburbs.

Wilsonville (especially in the Town Center) appears to be in a potentially favorable market position relative to this housing indecision. Wilsonville, with its many jobs, suburban town location, and numerous amenities within easy walking distance, may have a legitimate “best-of-both-worlds” appeal to the wide and growing segment of both Boomers and Millennials. Further, as rents rise for an eighth consecutive year in the metro region, some tenants will seek units in suburban markets for affordability. Due to the increasing tenant demand for lower rents, buyers and investors may be drawn to suburban properties to capture this new market trend.

⁹ Projections are not available for smaller geographic areas than the county.

Income and Educational Attainment

Table 8. Income and Education Characteristics, City, Metro Region and State

	Wilsonville	MSA	Oregon State
Education			
Bachelor's Degree or Higher	41.80%	36.20%	31.3%
Occupation			
White Collar	71.9%	62.8%	59.7%
Blue Collar	13.9%	19.4%	21.0%
Service	14.3%	17.7%	19.3%
Income			
Median Household Income	\$56,181	\$60,063	\$52,196
Incomes above \$150k	10.1%	11.1%	8.1%
Incomes below \$25k	19.7%	18.8%	23.1%

Source: ESRI (based on U.S. Census data) and Leland Consulting Group

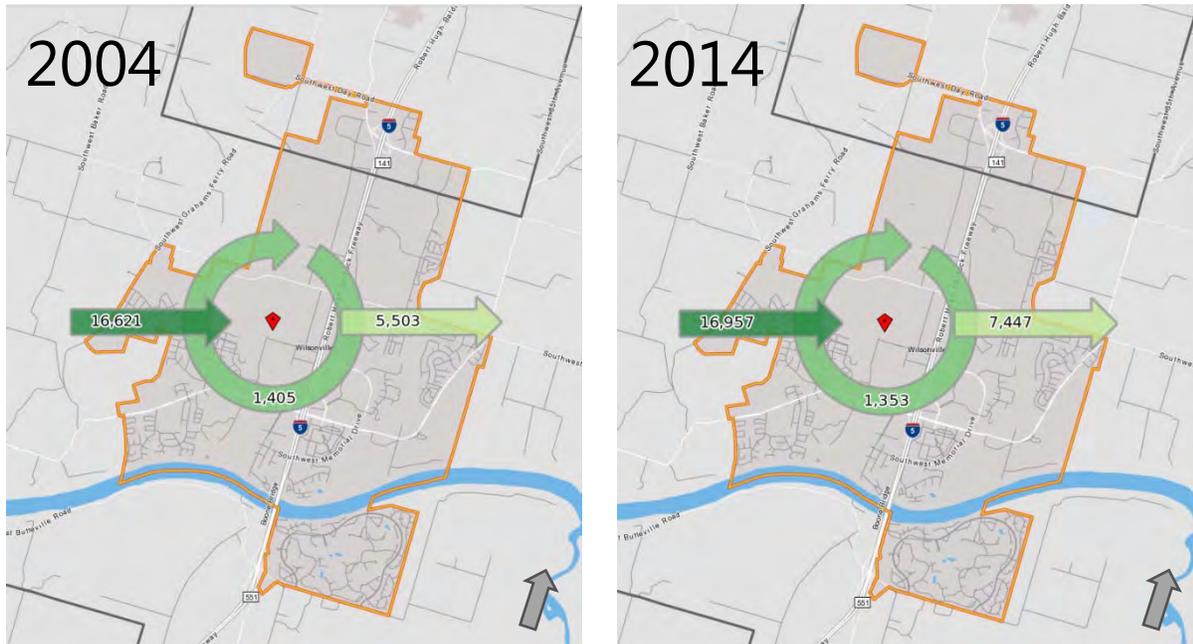
Table 8 shows Wilsonville’s median income is lower than the metro region but higher than the state, despite having a higher level of educational attainment and more white collar jobs than either area. One reason for this discrepancy presumably is that Wilsonville’s younger population has yet to attain their highest potential salary brackets. And, with a large proportion of the population between the ages of 25 and 34, it is expected that we will see increases in median incomes in the coming years. This would be coupled with the growth of income of those in the early and middle stages of their career, provided these residents stay in the city.

Further reason to anticipate increases in median income in the future is evident in the occupation of city residents. Approximately 72 percent of Wilsonville’s residents are employed in white collar occupations (10 percent higher than the MSA), with 14.3 percent of the working population with service jobs, and only 13.9 percent of the population in blue collar occupations.¹⁰ White collar professions generally have higher salary ceilings than either blue collar or service positions.

¹⁰ White collar work is generally performed in an office or other administrative setting. Blue collar workers generally perform labor jobs and typically work with their hands, with varying levels of skills necessary. Service occupations include customer interaction, entertainment, sales, or other service-oriented work.

Employment Flows

Figure 8: Wilsonville Worker/Household Flows, 2004 to 2014



Source: U.S. Census 2014 Longitudinal Employment-Household Dynamics (LEHD) dataset and Leland Consulting Group

Figure 8 shows the number of non-city residents entering Wilsonville to work (the incoming, darker arrow), the number of city residents leaving Wilsonville for work (outgoing, lighter arrow), and the number of people who live *and* work in Wilsonville (the circular arrow). Per Figure 8 and Table 9 (below), Wilsonville has been adding residents employed elsewhere much faster than it has been adding local jobs (a 27.4 percent increase in residents versus only a 1.6 percent increase in local jobs). Also, the number of residents who hold in-town jobs decreased by about 50 people between 2004 and 2014, meaning most of these new Wilsonville workers live elsewhere, and most residents commute out of the city to work.

Table 9. Inflow/Outflow Job Counts (All Jobs), 2005 and 2014

	2004	Share	2014	Share	% Change
Employed in Wilsonville	18,026	100.0%	18,310	100.0%	1.6%
Employed in Wilsonville but Living Outside	16,621	92.2%	16,957	92.6%	2.0%
Employed and Living in Wilsonville	1,405	7.8%	1,353	7.4%	-3.7%
Living in Wilsonville	6,908	100.0%	8,800	100.0%	27.4%
Living in Wilsonville but Employed Outside	5,503	79.7%	7,447	84.6%	35.3%
Living and Employed in Wilsonville	1,405	20.3%	1,353	15.4%	-3.7%

Source: U.S. Census 2014 Longitudinal Employment-Household Dynamics (LEHD) dataset and Leland Consulting Group

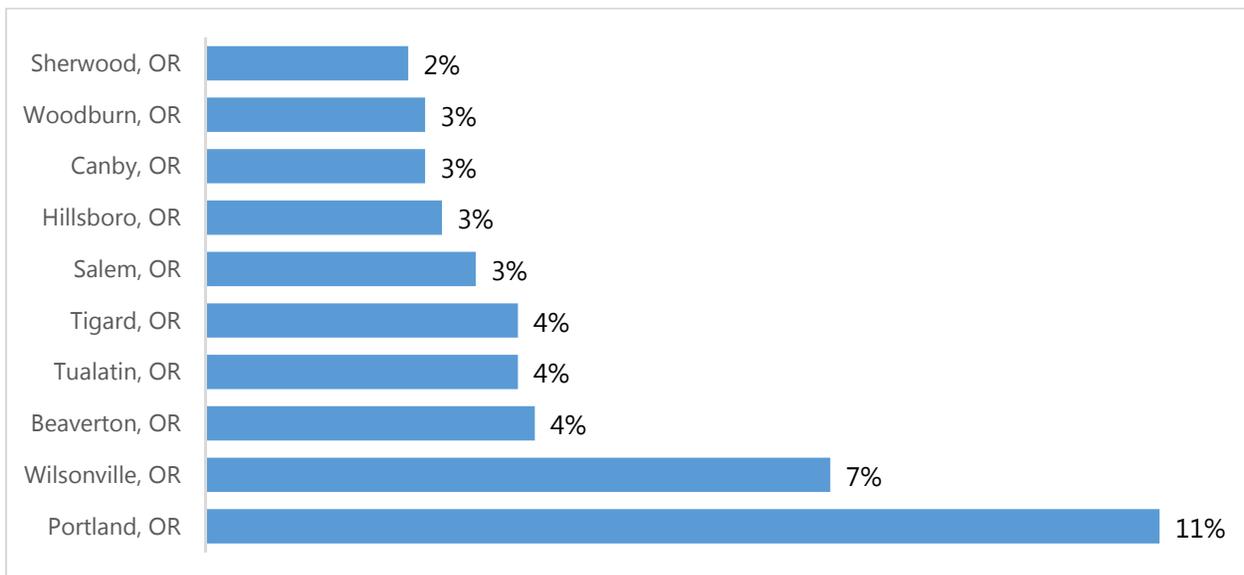
Wilsonville has had more jobs in the city than employment-aged residents for some time for several reasons, including its location on Interstate 5, proximity to Portland (but lower commercial rents than downtown), generally flat and available industrial land and transit options. This location has led to the city becoming headquarters for several major local and national companies, as well as several additional

regional campuses and facilities locating in the city. The tech boom has been relatively recent within the Wilsonville city limits, while some more established companies have had facilities in Wilsonville for many decades.

In keeping with national trends, much of the workforce at large tech companies are Millennials (born between 1981 and 1997). Millennials are the generation most likely to live in more urban environments, which is consistent with Figure 9, showing the City of Portland to be the top place where Wilsonville workers live. Additionally, one in five Millennials are dissatisfied with their housing options (the most of any generation), and one in four renters—most of which consist of Millennials and Baby Boomers (born between 1946 and 1965)—are dissatisfied, per ULI’s “America in 2015” report. Generally, the desire is for a greater range of higher quality housing options in the community, with a focus on walkability.

With that said, recent developments have begun to diversify the housing stock and increase housing and neighborhood options in Wilsonville. This has been seen in the New Urbanist community of Villebois, which consists of a range of single family attached and detached properties and several multifamily properties. Future development includes the Frog Pond area to the east, although this will mostly be single-family homes which will be unlikely to represent an opportunity for the walkable environments desired by Millennials and Baby Boomers

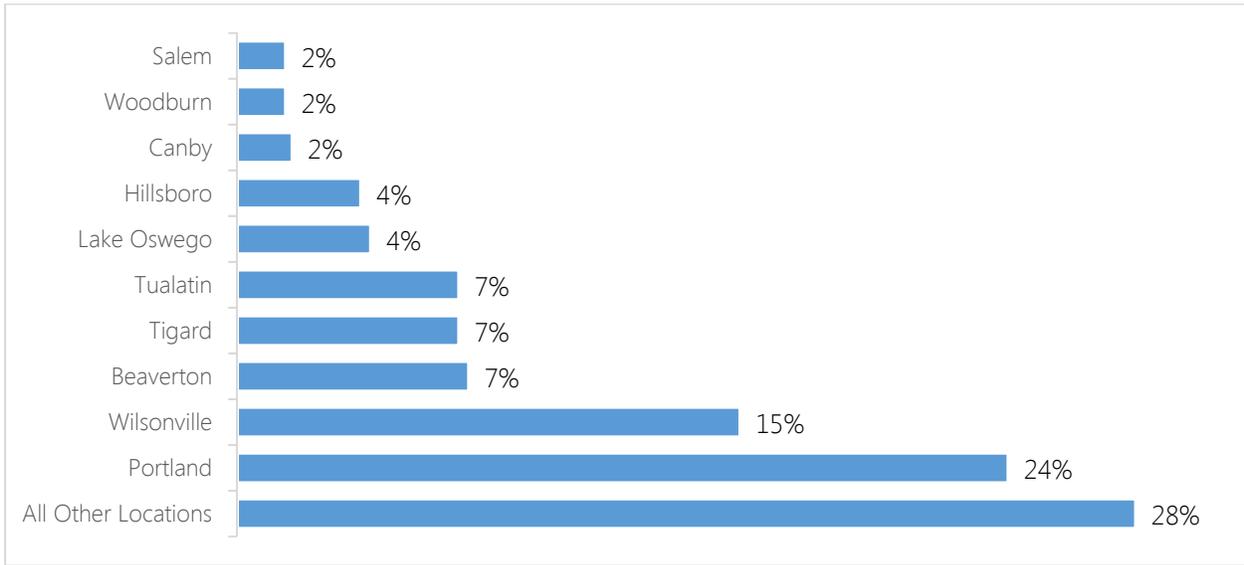
Figure 9: Where Wilsonville Employees Live, 2014



Source: U.S. Census 2014 Longitudinal Employment-Household Dynamics (LEHD) dataset and Leland Consulting Group

As Figure 9 shows, one-tenth of Wilsonville employees live in Portland, with only seven percent living in Wilsonville. Not surprisingly, due to its location at the far south end of the Portland region, Wilsonville also attracts many workers who live in surrounding communities, such as Beaverton, Tualatin, and Sherwood, as well as communities to the south such as Canby, Salem, and Woodburn. Increasing the number of workers that live in Wilsonville will be a challenge going forward, but as Portland becomes increasingly unaffordable for many residents, Wilsonville may be able to capitalize and offer similar amenities at a more affordable cost.

Figure 10: Where Wilsonville Residents Work, 2014

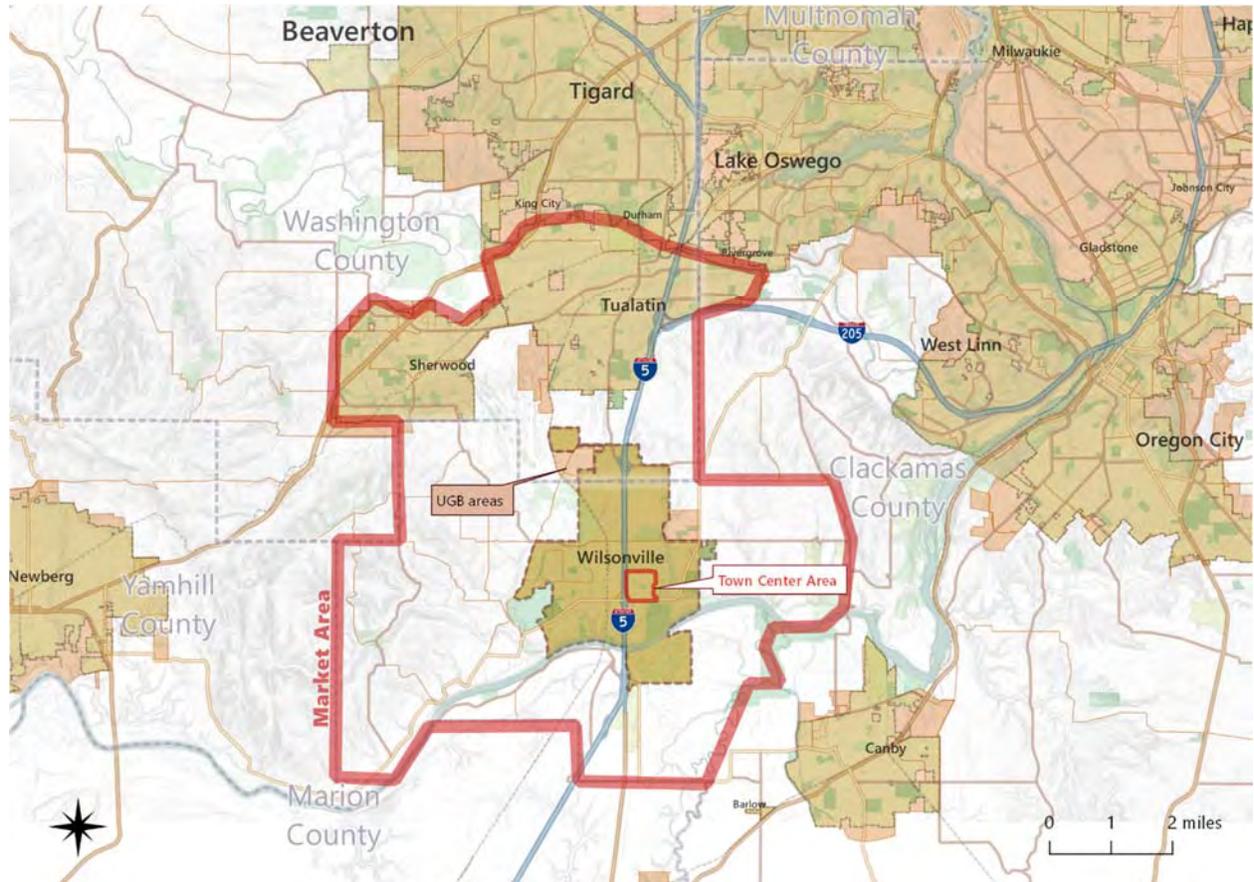


Source: U.S. Census 2014 Longitudinal Employment-Household Dynamics (LEHD) dataset and Leland Consulting Group

As shown in Figure 10, there are also more Wilsonville residents working in Portland than any other city in the region (with about a quarter of residents). With the largest proportion of both workers and residents both travelling between Portland and Wilsonville—almost 20 miles—this suggests a large population to capture to live and work in Wilsonville. To do this, it will be important to understand employment growth trends and the type of employees tied to certain employment types. Going forward, this may require further research into Wilsonville’s major employers to develop a strategy for retaining existing employees within the city limits.

MARKET AREA DISCUSSION

Figure 11: Residential and Office Market Area Map



Source: Clackamas County Assessor and Leland Consulting Group

The residential and office market area, as defined above in Figure 11, represents the area from which most people will support the retail market, lease/utilize office space, and live in the Town Center. The market area for residential and office developments includes the three-city area of Tualatin, Sherwood, and Wilsonville. For retail, the primary trade area is approximately defined as a 3-mile radius around Wilsonville, while the total trade area extends south to Woodburn and north to I-205, as defined in Figure 12 on the next page.

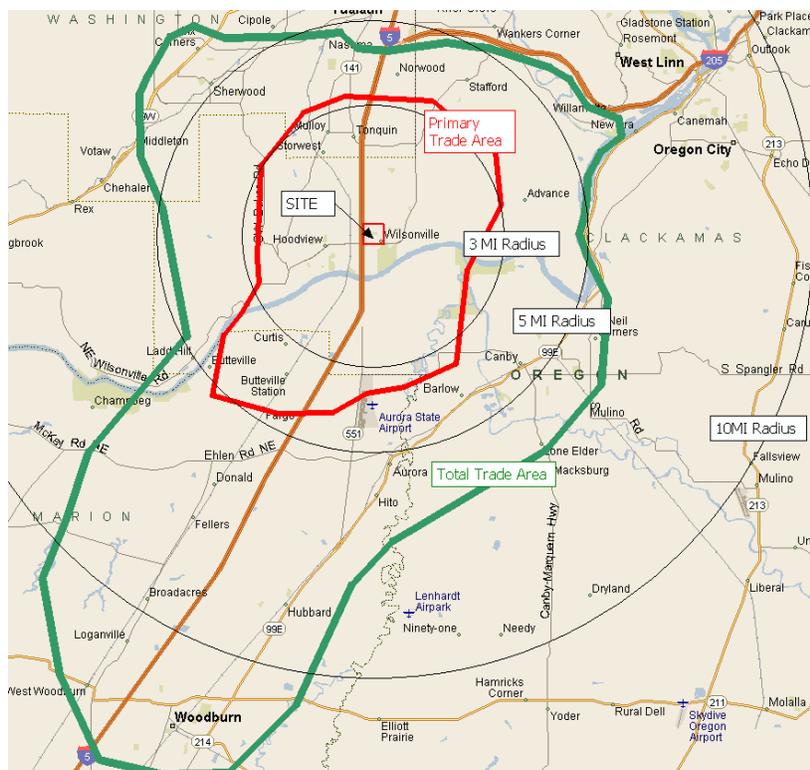
To understand competitive supply and likely demand forces affecting development potential, we look beyond the borders of the immediate study area to consider broader geographies likely to directly influence market performance for relevant land use categories.

For **residential**, most prospective homebuyers and renters will not already live in the market area. The assumption is the study area will capture a portion of the forecasted growth in a larger market area (generally considered the metro region) and compete with other projects in the area. Consumers (buyers and renters) who would consider the Town Center—based on family, lifestyle and employment considerations—would presumably also consider other nearby developments.

For **office**, the market area is based on the proximity to the current and desired workforce, executives' residences, desirable community amenities, and access to similar and complementary businesses. As with residential, the market area definition for office is more competition-based than customer-based, per se.

For **retail**, the primary trade area is the consumer market where the study area has a significant competitive advantage because of access, design, lack of quality competition and traffic and commute patterns. This competitive advantage equates to a potential domination of the capture of consumer expenditure by the retailers in the study area. As such, GPG defined a primary and total trade area by topography, vehicular access, strength of retail competition and residential growth patterns instead of standardized "drive-times." Consumers inside the primary trade area will account for up to 60 to 70 percent of the total sales captured by retailers in the Town Center study site.

Figure 12: Retail Market Area Map



Source: Gibb's Planning Group: The primary trade area (outlined in red) consists of approximately 36 square miles with convenient access to the site via I- 5. The total trade area (outlined in green) represents residents likely to visit Wilsonville Town Center, but it will not be their primary shopping destination.

The following borders approximately delineate the primary trade area:

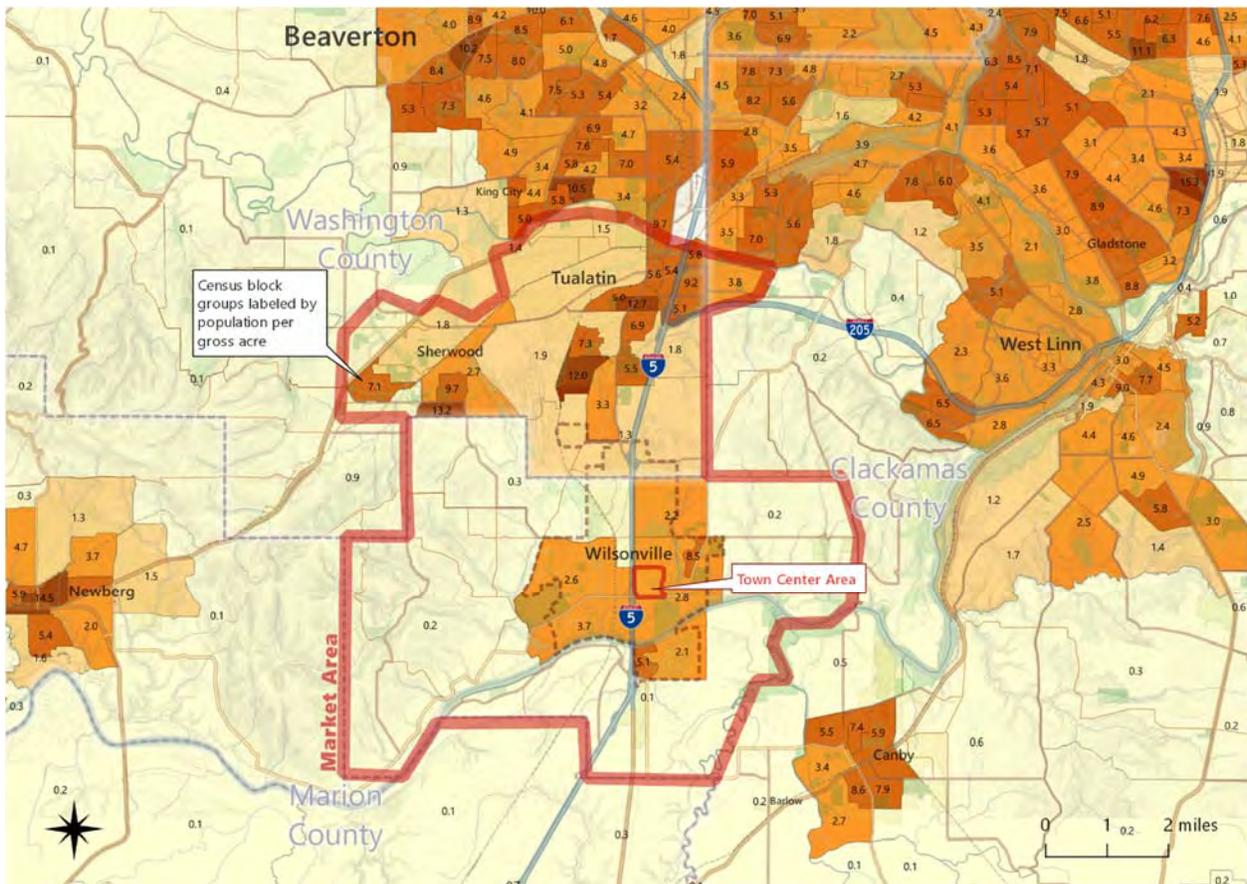
- North – SW Norwood Road and SW Meridian Way
- South – South Arndt Road to Bents Road NE and Fargo Road NE
- East – South Barlow Road on through Molalla State Park and up to SW Lone Fir Lane
- West – SW Baker Road to the Willamette River to Butteville Road NE.

The total trade (Figure 12) area extends in all directions to include residents and workers who, because of convenient access, may currently or in the future contribute expenditure to study site retailers. The boundaries of the total trade area extend north to Interstate 205 and SW Tualatin- Sherwood Road, east to the Willamette River and S. Haines, south to Belle Passi Road NE and west to Spada Reservoir up to the Clackamas County Line and on to 99W at Six Corners. Residents who live in the total, but not within the primary, trade area will shop at Wilsonville Town Center occasionally, but the area will not be their primary shopping destination. Consumer expenditure by these residents will account for 10 to 15 percent of retail sales. Other sources and users, such as ecommerce and domestic and international visitors, will likely account for remaining sales.

MARKET AREA PROFILE

Demographics

Figure 13: Residential Population Density (Population per Acre), Wilsonville and Region

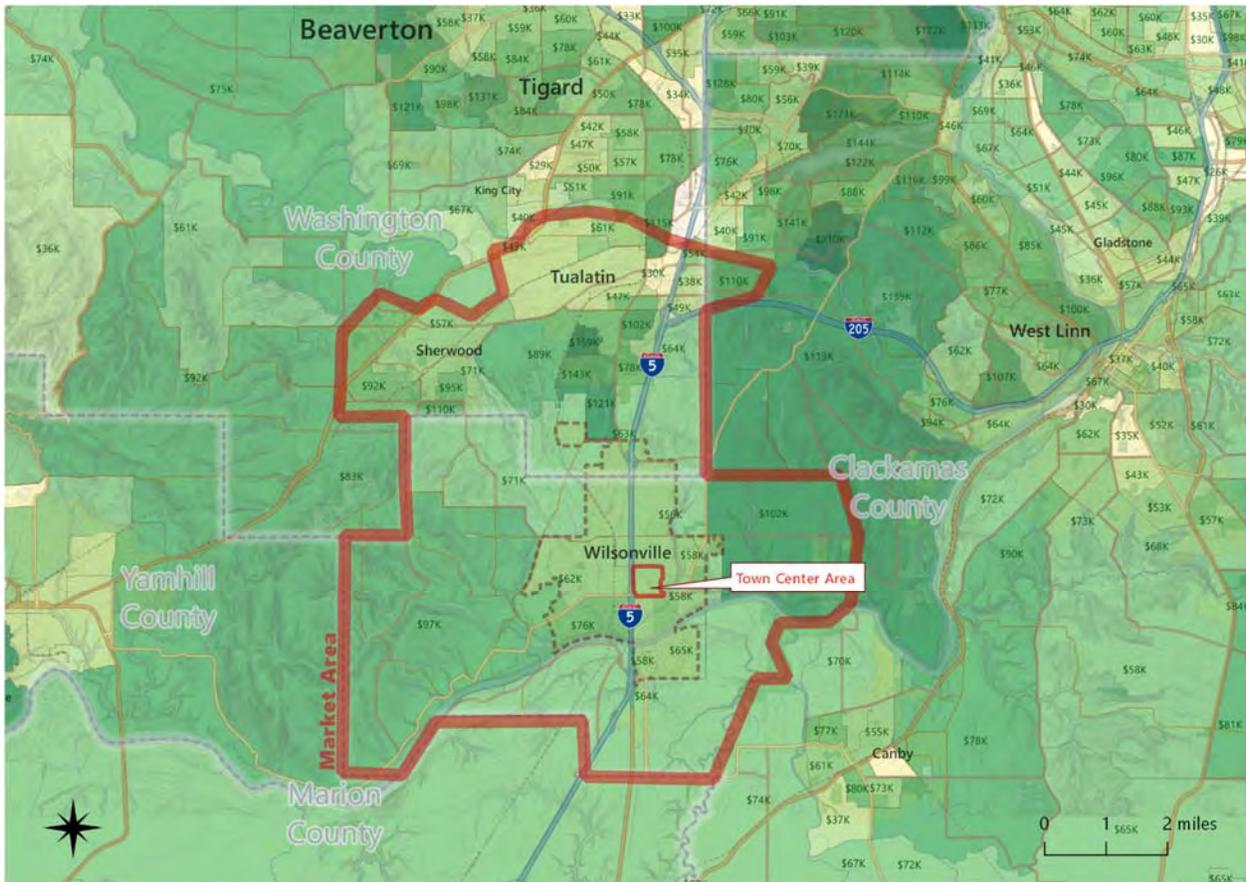


Source: U.S. Census/ACS 2014 (block group level) and Leland Consulting Group

Wilsonville’s population is relatively low density and is generally isolated from denser population clusters (the darker census block groups shown in Figure 13), such as Tualatin, Sherwood, and Canby.

Income and Educational Attainment

Figure 14: Median Household Incomes, Wilsonville and Region



Source: U.S. Census/ACS 2014 (block group level) and Leland Consulting Group

Wilsonville’s median household income (per census block group) is generally lower than the surrounding locations in the market area, with exception of some block groups in Tualatin. The wealthiest block groups are found just south of Tualatin, with median household incomes upwards of \$150,000.

RESIDENTIAL MARKET SUPPLY & DEMAND

Supply Characteristics

Residential supply characteristics include total stock, location patterns, and age, rents, and occupancy statistics. This section highlights these statistics as they relate to different residential property types, namely single-family, condominiums, and apartments. The section addresses all property types located near the Town Center, as these developments are likely to have the greatest impact on the commercial (and other) uses in the Town Center. However, apartments are the only property types discussed within the wider market area, as spatial limitations and a commercial focus in the Town Center will highly restrict single-family development, and higher-density condominiums are unlikely to be built for reasons later discussed—although condominium townhomes and multiplexes are more likely.

Overview

Wilsonville’s residential areas are clustered in the southern portion of the city, away from the industrial land uses which are mostly located in the center and north of the city flanking both sides of Interstate 5. There are single-family neighborhoods in the east (such as Arbor Crossing and Canyon Creek), in the Old Town Area, and in Charbonneau to the south. Over the past 10 years, much of Wilsonville’s single family housing development has occurred at Villebois, a New Urbanist¹¹ master-planned community on the west side of the city. Just north of the Town Center is The Grove, a neighborhood of two large apartment communities, a secure, elevator-served senior housing project at the Portera, and single family homes built in the past five years. Additionally, residential development (predominantly single-family) is anticipated in the Frog Pond area in the easternmost part of the city

There are only two residential properties located in the Town Center study area, but several other residential properties are within walking distance in the surrounding areas, including both multifamily and single-family developments. The Town Center contains multifamily dwellings only.

Single Family

In contrast to the City, which has 4,373 single-family residential parcels, there is no single-family residential in the Town Center. Most of the city’s single-family development is in the southwestern, southern, and eastern parts of the city. There are several single-family developments within walking distance of the Town Center, including Renaissance at Canyon Creek and Brenchley Estates to the north, and Village at Main Street and Day Dream Ranch to the south. There are about 116 single-family properties adjacent to the eastern boundary of the Town Center at Courtside Estates.

Figure 15 shows the housing types that are considered “missing middle housing”. All housing types shown, in addition to conventional single-family homes, are included in the 4,373 single-family residential parcels described above.¹²

Figure 15: Missing Middle Housing



Source: Opticos

¹¹ “New Urbanism is a planning and development approach based on the principles of how cities and towns had been built for the last several centuries: walkable blocks and streets, housing and shopping in close proximity, and accessible public spaces. In other words: New Urbanism focuses on human-scaled urban design.” (Source: Congress for New Urbanism)

¹² Clackamas County parcel dataset does not categorize single-family housing by subtype (i.e. duplex, triplex, rowhouse, etc.).

Condominium

There are no condominium units located in the Town Center. However, within walking distance there are a handful of existing condominium properties, including Oak View Condos (built 1979) to the north, Wilsonville Village (built 1981) and Boeckman Creek (built 1980) to the east, and Village Estates (built 2004) to the south. The other condominiums are in the Charbonneau neighborhood in the south of the city, across the river. This section will be the only place specifically detailing condominiums, as new development is unlikely to occur in Wilsonville going forward. This is for several reasons that have been well-documented, including:

1. "A significant shift towards rental housing demand since the Great Recession, due to factors such as demographics, shifting preferences, changing home and work patterns, higher quality rental supply, and increased standards for qualifying for home mortgages;
2. The impact of failed or challenging condo projects on regulations and perceptions (for the developer, investor, and lender), and the resulting difficulty in obtaining capital for condo projects in the current cycle – both for developers and for prospective buyers of condo units; and
3. The impact of construction defect liability claims on developer perceptions and on project risk and financial feasibility."¹³

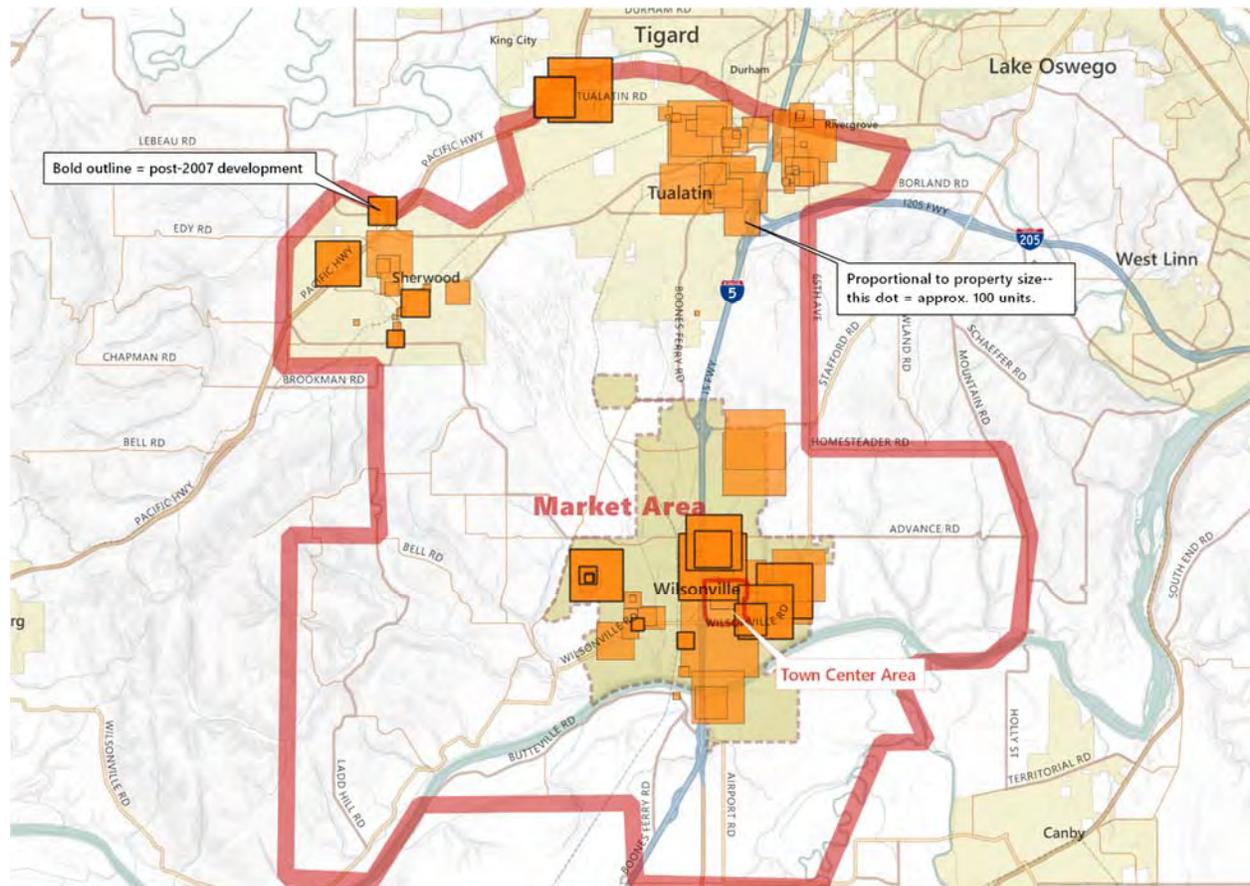
The reasons outlined above have significantly restricted condominium development nationwide. However, as the market improves and home ownership becomes more attainable, it may again become more feasible from a development perspective to build condominiums. Due to the liability issue, more expensive and higher quality condos may be one of the only options to developers. As such, attached single-family, such as townhomes and multiplexes, are likely to absorb most demand for lower cost owned residential units.

Apartments

Figure 16 shows the location and size of apartment properties in the three-city market area. Out of the three cities, Wilsonville has both the highest number of apartment dwellings and the most recent developments of apartments. Tualatin has no post-2007 apartment dwellings (although there are two developments on Pacific Highway to the northwest of Tualatin, just southwest of Tigard, which are outside the city limits), while Sherwood has several small-to-medium developments built since 2007. In contrast, 5 of the 16 apartment dwellings surrounding the Town Center have been constructed since 2010, with a collective total of 859 units. Of the pre-2010 construction, the largest property is the 464-unit Village at Main Street, just south of the Town Center, which was constructed in 1998. The Town Center has one apartment property, the 111-unit Town Center Park Apartments, built in 1990.

¹³ Seidman, A., 2016, "In Search of the Missing Condos: An Analysis of the Condo Development Market in the Portland Area," Portland State University, Center for Real Estate Quarterly Report, vol. 10, no. 3

Figure 16. Apartment Supply, Wilsonville Market Area



Source: Costar and Leland Consulting Group

- Most multifamily development is located immediately to the north, east, and south of the Town Center, although several multifamily property clusters are in the west (the Villebois development) and southwest along Wilsonville Road.
- Three major apartment properties, the 324-unit Jory Trail, the 288-unit Terrene, and the 112-unit Portera are all part of the Grove development, just north of the Town Center, and were constructed in 2012, 2013, and 2015, respectively. The 274-unit Domaine at Villebois, in the west of the city, was constructed in 2008.
- Other recent apartment developments include Wilsonville Greens (2016) on Wilsonville Road to the west of the Town Center, Carriage Homes at Villebois (2015), Bell Tower at Old Town Square (2012) southwest of the Town Center, and Wilsonville Summit (2003) in the north of the city.
- The City of Wilsonville includes 34 multifamily apartment properties, accounting for 4,553 apartments (7,937 bedrooms). As over half percent of Wilsonville’s housing stock is multifamily housing a significant proportion of the city’s 23,000 residents are living in rented apartment units.
- The average asking rent is \$1.33 per square foot. (However, at least five of the city’s 34 complexes are considered rent restricted or affordable; without these properties, the average rent increases to \$1.41 per square foot per month.) The average asking rent for the market area is marginally

higher, at \$1.36 per square foot, and the Portland metro region averages \$1.42 per square foot (although this is heavily weighted by high downtown Portland rents).

Table 10: Wilsonville Apartments.

Apartment Property	Num. of Units	Num. of Studio	Num. of 1-Bed	Num. of 2-Bed	Num. of 3-Bed	Year Built	% Vacant	Num. Park'g Spaces	Asking Rent per s.f.
<i>Carriage Homes at Villebois*</i>	6		6			2015	16.7	12	
<i>Portera at the Grove*</i>	112		23	70	19	2015	18.0	99	\$1.37
<i>Terrene at the Grove</i>	288		84	168	12	2013	4.3	300	\$1.45
<i>Bell Tower at Old Town Sq.</i>	51	1	36	14		2012	1.2	69	\$1.76
<i>Jory Trail at The Grove</i>	324		84	216	12	2012	1.8	400	\$1.42
<i>Creekside Woods**</i>	84		77	7		2010	0.0	40	\$1.05
<i>The Charleston</i>	52		51	1		2009	0.2	22	\$0.96
<i>Domaine at Villebois</i>	274	6	99	144	25	2008	7.3	237	\$1.36
<i>Wilsonville Summit</i>	326		92	198	36	2003	1.9	330	\$1.46
<i>Canyon Creek Apt. Villages</i>	372		84	240	48	1998	5.2	400	\$1.35
<i>Village at Main Street</i>	464		92	236	136	1998	3.5	400	\$1.49
<i>Wiedemann Park Apts.**</i>	58		34	24		1998	3.8	62	\$1.24
<i>Hathaway Court Apts.</i>	300		64	156	80	1997	4.0	164	\$1.34
<i>Berkshire Court Apts.</i>	266		49	156	61	1996	2.4	500	\$1.32
<i>Boulder Creek</i>	296		71	177	48	1990	9.2	100	\$1.35
<i>Sundial</i>	120		24	72	24	1990	9.2	120	\$1.39
Town Center Park	111		43	57	11	1990	1.4	165	\$1.54
<i>Bridge Creek</i>	315		80	183	52	1989	11.1	476	\$1.33
<i>Haven at Charbonneau</i>	126		72	54		1989	2.7	141	\$1.66
<i>Autumn Park</i>	144		70	54	20	1988	5.0	150	\$1.07
<i>French Prairie Village Apts.</i>	150					1987			
<i>Wilsonville Heights Apts.</i>	24		4	16	4	1985	4.2	30	\$1.10
<i>Carriage Estates</i>	37		19	18		1979		50	
<i>29450 Brown</i>	6					1977		4	
<i>Woodleaf Apts.</i>	24			24		1977	4.2		\$1.09
<i>Montebello Apts.</i>	84		26	58		1976	6.0		\$1.17
<i>29470-670 Brown</i>	25					1973		20	
<i>Primavera</i>	12			8	4	1973		18	

Sources: Costar and Leland Consulting Group

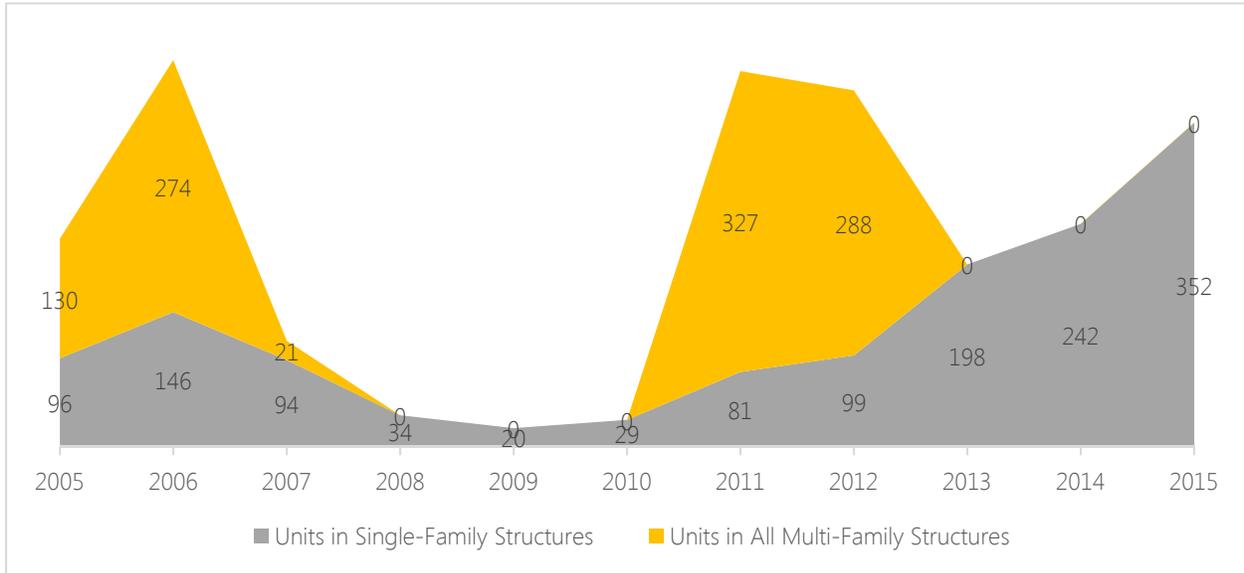
* Because these properties were recently constructed, they had not reached full occupancy by the time of this survey and thus show higher vacancy rates than the market average.

** Senior apartments where affordable housing is provided, providing significant affordable housing opportunities.

Figure 17 shows residential building permit activity for the city, as well as the two surrounding counties. Leading up to the housing bust of 2008-2010, Wilsonville was issuing permits for new residential construction at a significant rate, with building permits issued for 420 total residential (multifamily and single-family) units in 2006 and 115 units in 2007. The challenges of the recession were highly apparent, with very few permits issued (permits were only issued for 34, 20, and 29 units in 2008, 2009, and 2010,

respectively). Post-recession, Wilsonville experienced a resurgence. The city issued permits for 408 units in 2011 and for 387 units in 2012, building its recovery on the strength of the multifamily market (with three-quarters of the permits issued for multifamily structures). In each of the three years following 2012, the City of Wilsonville broke the record for the number of single-family building permits issued in a year.

Figure 17: Building Permit Trends, City of Wilsonville (Year Permits Issued)



Source: HUD (from U.S. Census, based on local reporting) and Leland Consulting Group

Wilsonville’s rapid increase in multifamily building permits in 2011 and 2012 may be due to pent-up demand from during the recession. However, since then there have been no permits issued for new multifamily units. This may be due to several factors, including an equilibrium of supply and demand, land supply and build out, or regulatory challenges such as parking, minimum lot sizes, and density. Indeed, there was no multifamily permit activity for the city in 2016 either, while 317 permits for single-family structures were issued.¹⁴

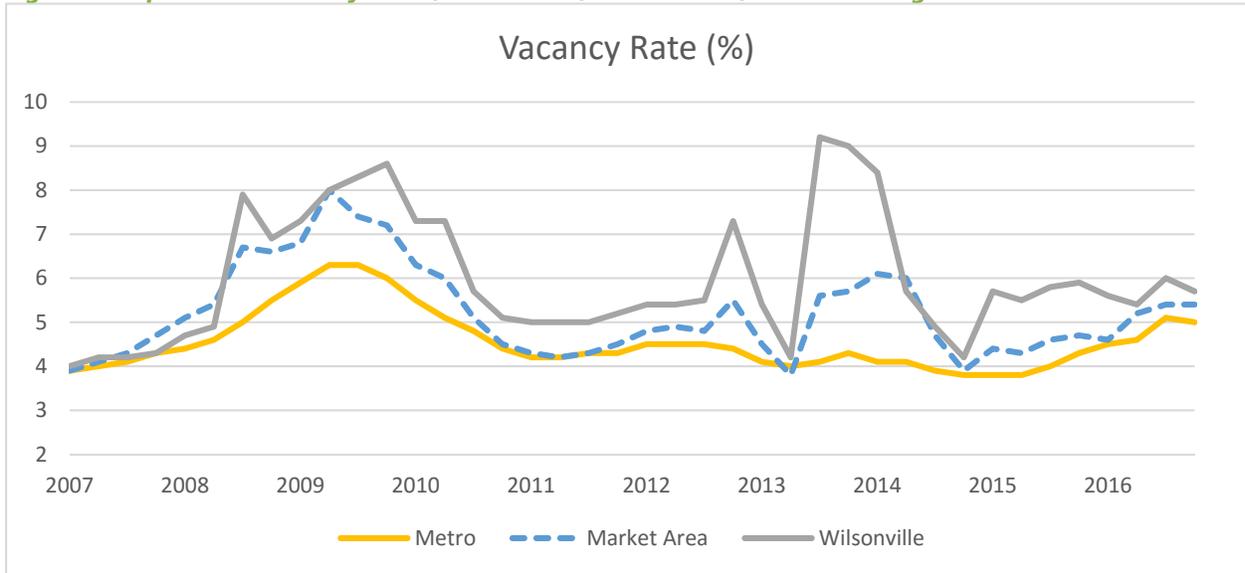
Elsewhere in the market area, namely Sherwood and Tualatin, residential growth has not been as pronounced. Per HUD data, Sherwood issued 140 permits for single-family units since 2010 and only 14 permits for multifamily units (all 14 issued in 2015). Tualatin issued 80 permits for single-family units since 2010 and 98 permits for multifamily units (all 98 issued in 2015). Both cities also issued a small number of multifamily permits in 2016. The increased multifamily permit activity in these two cities indicate that apartment demand is picking up again in the market area.

Based on permit data, continued single-family growth and limited multifamily growth seems to suggest that the city will see increases in the percentage of owned housing units in the coming years. However, even with the build-out of Villebois and future single-family development in the Frog Pond area, it is likely that Wilsonville will continue to have a higher percentage of rented housing units than the metro region, especially given that Wilsonville’s demographics (large Millennial population) seem to support continued multifamily development projects.

¹⁴ This is according to City staff. HUD data shows 187 building permits issued.

Rents, Occupancy

Figure 18. Apartment Vacancy Rates, Wilsonville, Market Area, and Metro Region

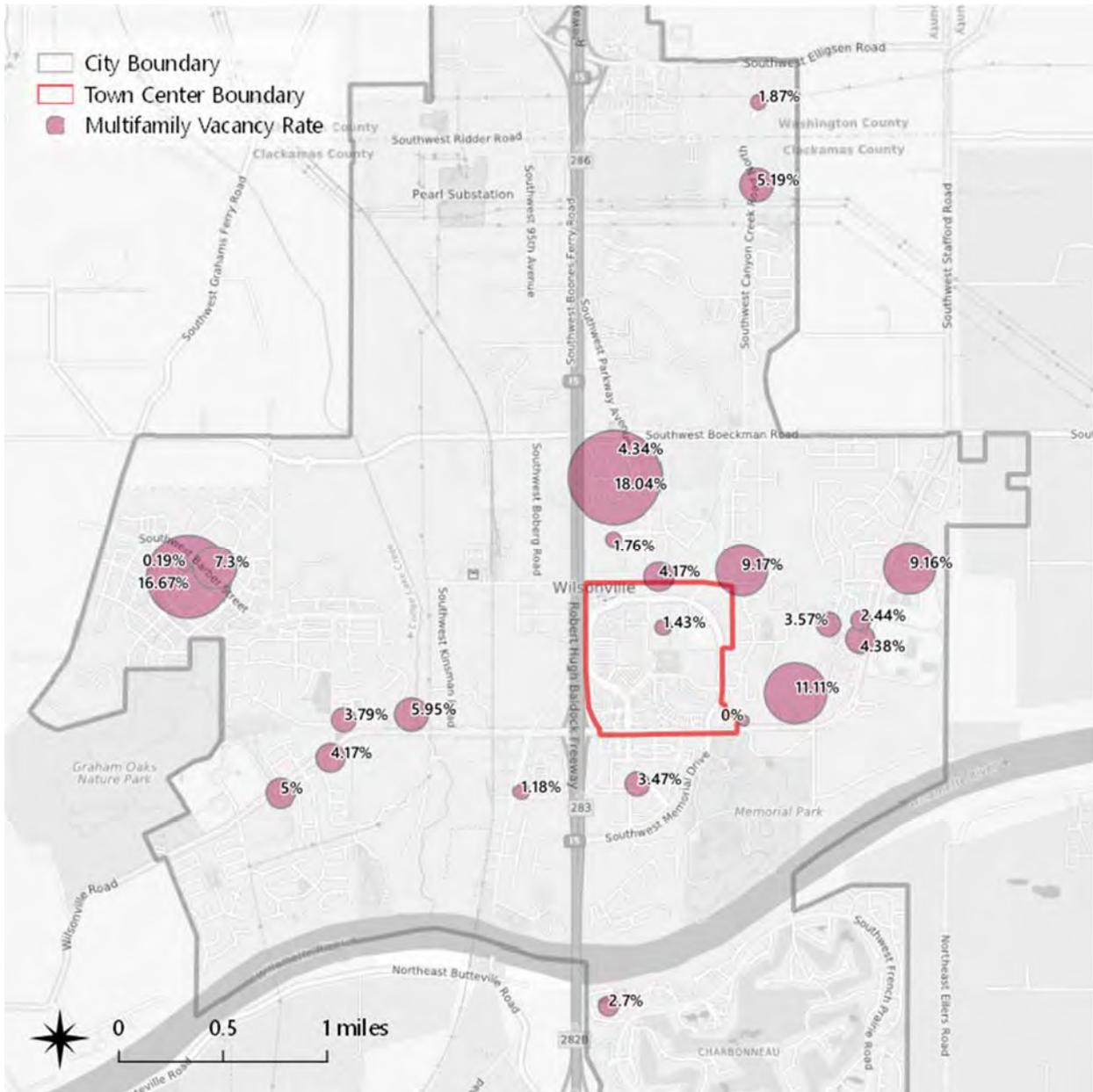


Sources: Costar Apartment Advisors and Leland Consulting Group

Over the last decade, the city’s apartment market has seen vacancy rates that are generally in line with the market area and metro region, albeit slightly higher (ranging from 5 to 10 percent). In 2013 Q3, vacancy rates peaked in Wilsonville at 9.3 percent (reflective of the post-recession boom in multifamily construction), well above those at the metro and state levels, but decreased to 4.2 percent in 2014 Q3, remaining below 6 percent since. The high vacancy rate in Wilsonville around 2013 is likely the result of the significant volume of new apartments that came online in 2012 and 2013, since it can often take 12 to 24 months for a large apartment complex fully lease up after opening.

The metro region has seen consistently lower vacancy rates than the City of Wilsonville, hovering mostly between four and five percent. A vacancy rate below 5 percent indicates a “tight” market, with supply unable to keep pace with multifamily demand. Vacancy rates have, however, been steadily rising toward the equilibrium rate of 5 percent, reflective of increasing development activity in the metro region.

Figure 19. Apartment Vacancy Rates, Wilsonville, 2016 Q4

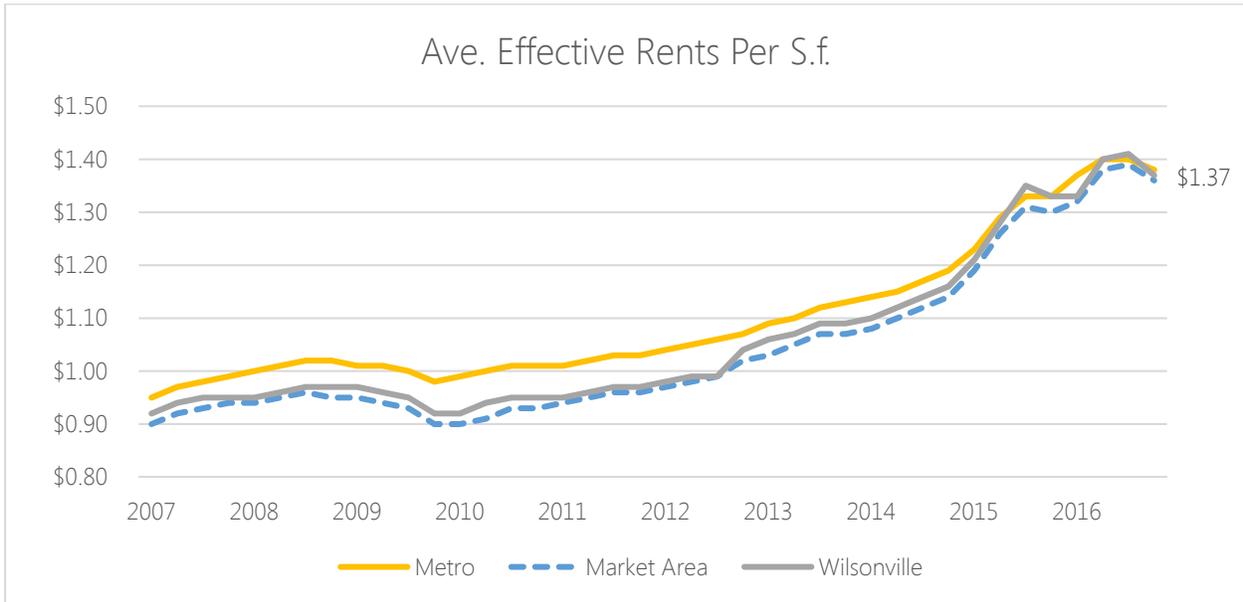


Sources: Costar and Leland Consulting Group

Figure 19 shows vacancy rate per apartment property in the City of Wilsonville. The dot sizes are proportionate to the vacancy rate. Some of the lowest vacancies are along Wilsonville Road to the west, and in the Town Center. The highest vacancies tend to be in the most recently developed properties as they continue to find tenants, which is not necessarily reflective of the state of the market.

The Wilsonville apartment market, as the data suggests, is not as “tight” as it could be, with demand yet to consistently meet overall supply. With that said, when the more recent apartments become fully tenanted, the lack of multifamily residential building permit activity in the last few years will result in vacancy rate decreases for the city.

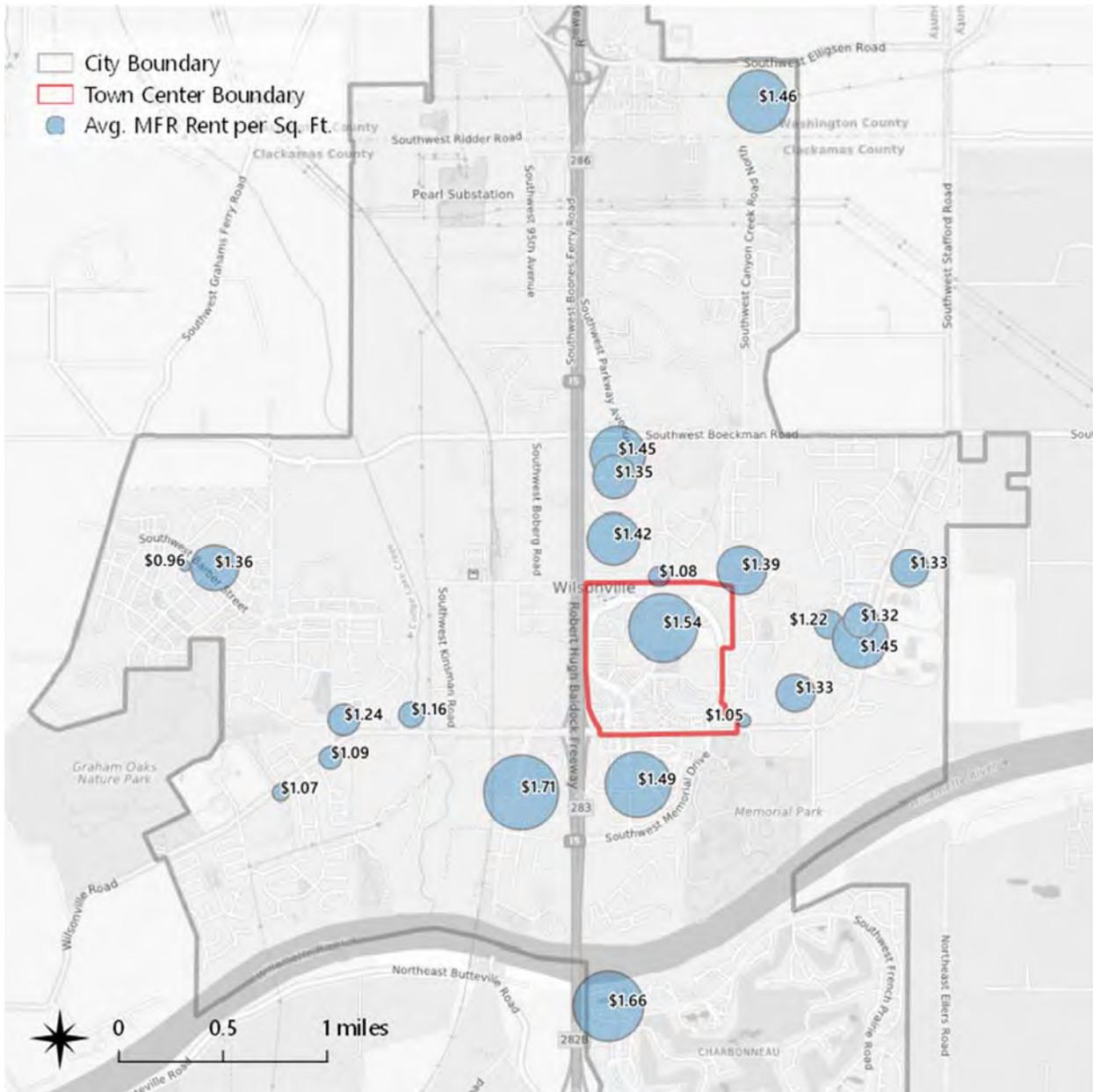
Figure 20. Average Apartment Rents, Wilsonville, Market Area and Portland Metro Region



Sources: Costar and Leland Consulting Group

Apartment rents per square foot have been steadily increasing over the last decade, consistent with the metro region and the overall state. The metro region has maintained slightly higher rents than Wilsonville, although the metro region is heavily weighted by high rents achieved in downtown Portland. Compared to the market area, Wilsonville has achieved higher rents throughout the last decade, and rents in the City of Wilsonville increased beyond metro levels in 2015, reflecting the newer, high-quality apartment units entering the market during this time.

Figure 21. Average Apartment Rents, Wilsonville, 2016 Q4



Sources: Costar and Leland Consulting Group

Figure 21 shows the average effective rent per square foot per apartment property in the City of Wilsonville. Significantly, the highest rents are found in the apartments nearest the Town Center. In fact, the only apartments situated within the Town Center are also one of the highest in the City.

Town Center Park Apartments was built in 1990 and sits on almost six acres of land. The property includes 165 parking spaces and 111 units, about half of which are two-bedrooms. Asking rents are \$1.54 per square foot per month, which are the third-highest apartment rents in Wilsonville despite being almost three decades old. The property is outperforming all new apartment construction throughout the city, with exception of two properties: The Bell Tower at Old Town Square, a 51-unit luxury apartment structure located just southwest of the Town Center, which rents for \$1.71 per square foot, and Haven at

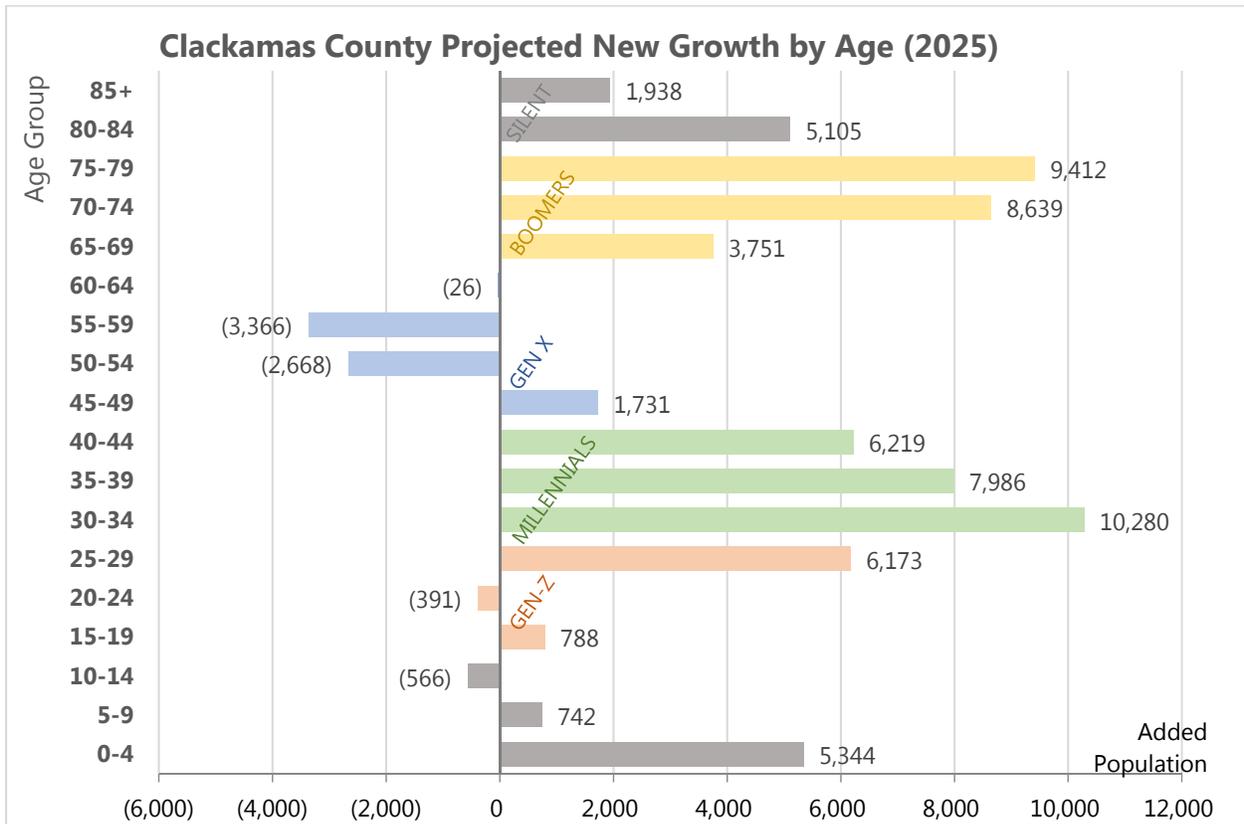
Charbonneau, a 126-unit two-story apartment structure, which rents for \$1.66 per square foot. The performance of the Town Center Park Apartments is indicative of nationwide trends where most generations are paying higher rents for walkable, amenity-rich locations (over 80 percent of Millennials indicating a preference for walking rather than driving, according to ULI's American in 2015 report). Gen X, those born between 1965 and 1980, are the only generation still maintaining an overwhelming preference for traditional single-family suburban homes; although the population of Gen X is the only generation projected to decline in number over the next decade.

Planned, Proposed Multifamily Activity

Despite increasing apartment rents and decreasing vacancy rates, the city has no planned or proposed multifamily projects tracked by Costar. Additionally, no new apartment properties are planned or proposed in the Wilsonville market area. There has been a recent approval for a large condo building in Villebois which is indicative of a returning market that has been gone for some time. Single-family home prices are increasing as are rents, which is making condo construction more favorable again. However, as discussed earlier in the Condominium section, liability is still a major challenge for developers and will likely therefore limit development to luxury condominiums.

Projected New Residential Demand

Figure 22: Projected New Clackamas County Population Growth by Age (2025)



Source: Office of Economic Analysis, State of Oregon and Leland Consulting¹⁵

As shown and discussed earlier in the Population Projections by Age section, Clackamas County is projected to experience the highest growth in the Millennial and Baby Boomer cohorts. The 0 to 4 age group will also see significant growth in the next decade as the large Millennial generation begins to reach their prime child-bearing years. Baby Boomer growth will likely result in increased demand for senior housing and one- and two-bedroom units as they begin to downsize. However, there are several more nuanced implications for Wilsonville’s future housing needs, which include the following points.

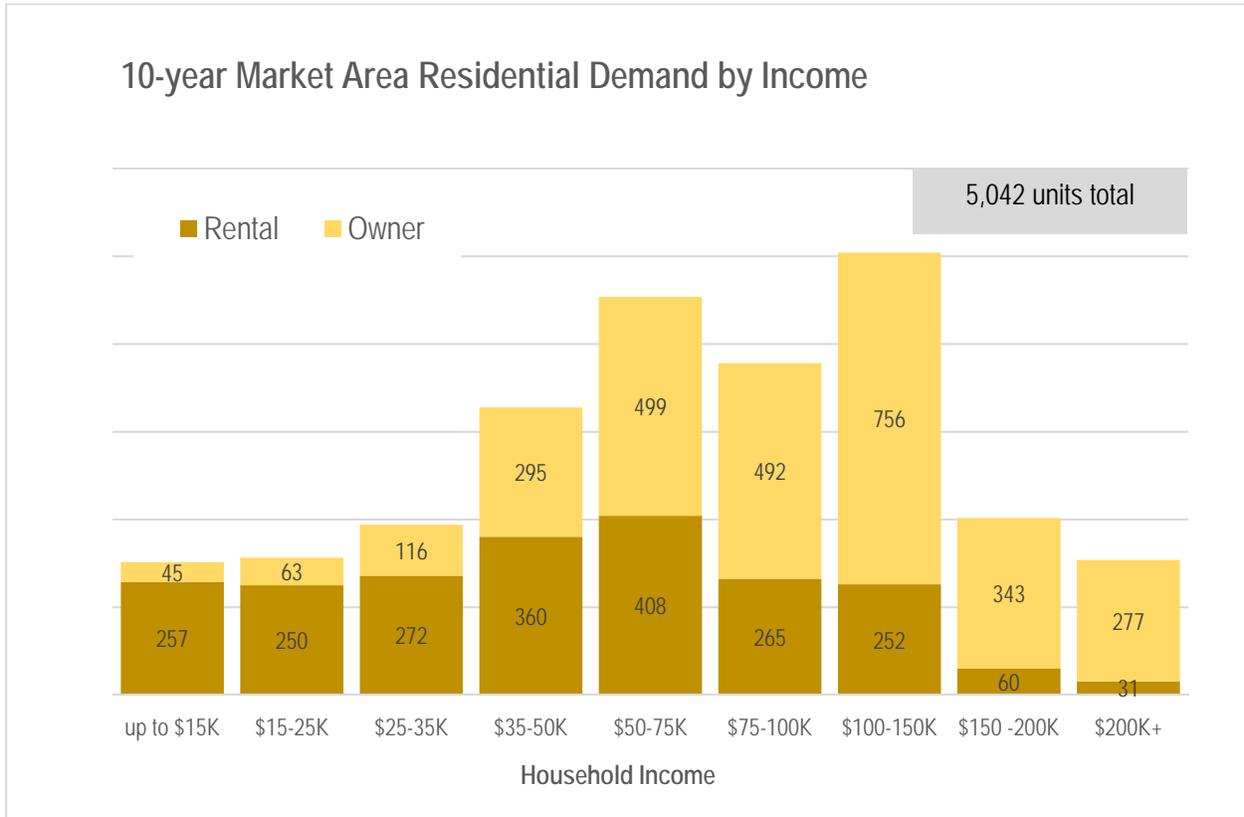
- Recently, Millennials have driven most of the demand for apartments while in their prime rental years and due to their distinct preference for mobility (walkability and a transportation options). While it is likely that there will be an increase in the number of Millennials choosing conventional single-family housing as they start families, many—a greater proportion than any prior generation—are expected to become lifetime renters to avoid the responsibility of ownership, using their income instead to support a more urban lifestyle. Those Millennials that do turn to ownership might yet turn to condominiums rather than single-family housing. As shown, Clackamas County is expected to continue to have a large contingent of Millennials, which will significantly impact housing.

¹⁵ Projections are not available for smaller geographic areas than the county.

- Older Baby Boomers and empty nester households who want to downsize from the responsibilities of single-family homes will have a significant role in the future of Clackamas County housing. This generation generally wants the freedom to travel for significant periods of time. Multifamily dwelling units provide the opportunity to “lock and leave”. Prior to the recession, Baby Boomers typically sought condominiums, but have since become disillusioned because of high property taxes, rising homeowners’ association fees, the internal politics of HOAs, and the current absence of appreciation in condo buildings.¹⁶
- The Silent Generation (those currently over 69 years of age) are most likely to currently live in rural areas and small towns. If they move, it will be to more convenient and accessible areas where there are opportunities for increased mobility and access to services such as healthcare. This will significantly increase demand for senior apartments, multifamily structures, and assisted living facilities.
- Generation Xers (those currently 35 to 50 years of age) are predominantly owners of single-family homes and least likely to desire urban amenities. Most of this population is expected to move to larger living quarters within five years (per ULI’s “America in 2015” report). In the next 10 years, it is expected the Gen X population in Clackamas County will decline. It remains an open question whether this will decrease demand for larger single-family developments, or whether this will be absorbed by an aging Millennial population—which is also a much larger and more populous cohort.
- Significant Millennial and Baby Boomer growth will continue to drive residential demand for rental units, but Millennials will have a stronger impact on the demand for ownership units.
- Across all generations, most people want to live in more walkable neighborhoods, regardless of the urban, suburban, or rural nature of their neighborhood. Nationwide, one-quarter live in single-family homes, but would prefer an attached home if it was in a neighborhood where they could walk to places with a shorter commute (ULI).

¹⁶ While some condominiums in high-density urban settings have more quickly appreciated in recent years, the high number of condominiums in less urban settings that entered the market prior to the recession resulted in a surplus of units. As many are still developer-owned, condominiums frequently sell for below market-rate, deterring further construction.

Figure 23. 10-Year Residential Demand, Wilsonville Market Area



Sources: ESRI, US Census and Leland Consulting Group

The Wilsonville market area can expect a total residential demand of about 5,000 new units (total units in Figure 23) in the coming decade¹⁷. Most of that demand in the market area will be for housing units suited to households earning \$50,000 to \$150,000 (2,672 units), while two-thirds of those (1,747 units) are ownership units. Almost all new rental demand in the next decade will come from households with incomes less than \$150,000, peaking in the national median income range of \$35,000 to \$75,000.

From the market perspective (not considering zoning or land use regulations), Wilsonville Town Center can accommodate 230 to 360 new residential units over the next 10 years. Demand for rental is expected to be about 80 percent of this total, with the remaining owned units in the form of townhouse and multiplex development. Higher-density condominium development is unlikely to be a desirable development type of both residents and developers, for reasons previously outlined.

NON-RESIDENTIAL MARKET SUPPLY AND DEMAND

As summarized in the Inventory of Town Center Development section, the Town Center’s current retail and office market is quite limited in scope. Key market indicators of occupancy, rent levels, and absorption

¹⁷ This is calculated by multiplying the existing number of households in the Wilsonville market area by the Metro TAZ-level compound annual growth rate for households. The breakdown of demand by household income is based on estimated households by income bracket, multiplied by estimated percent rental.

can be measured across the broader region, but ultimately, they have relatively limited bearing on the viability of commercial real estate in the Town Center, which derives much of its demand from the immediately surrounding area.

Table 11: Commercial Supply Characteristics, City of Wilsonville and 3-City Market Area, 2016

	Number of Properties	Total Inventory (sq. ft.)	Average Size (sq. ft.)	Largest Building (sq. ft.)	Avg. Rent (per sq. ft.)	Avg. % Vacant	Avg. Year Built
City of Wilsonville							
General Retail	113	2,147,278	19,002	250,000	\$24.95	4.01%	1994
Office	65	1,351,877	20,798	131,851	\$21.80	4.71%	1984
Wilsonville-Sherwood-Tualatin Market Area							
General Retail	394	6,985,509	17,730	300,000	\$21.64	4.95%	1989
Office	233	3,808,008	16,343	131,851	\$21.80	5.26%	1984

Source: Costar and Leland Consulting Group

Table 11 shows selected characteristics for commercial properties within the City of Wilsonville and the broader market area. Wilsonville's retail buildings are, on average, larger than the market area, command higher rents, have higher occupancy, and are newer than retail in the market area. Its office buildings are, on average, also larger and have higher occupancy than office in the market area, although the average office rent and the age of office in the City of Wilsonville is the same as the wider market area.

Table 12: Town Center Industries, 2015

Industry	# orgs	Total Employees	% of Total	Total Payroll	% Of Total
Accommodation and Food Services	26	333	20%	\$5,372,877	10%
Admin, Supp. & Waste Mgmt. & Remediation Services	4	22	1%	\$777,274	1%
Arts, Entertainment, and Recreation	5	122	7%	\$2,354,279	4%
Construction	7	46	3%	\$2,205,612	4%
Educational Services	5	47	3%	\$2,092,611	4%
Finance and Insurance	13	52	3%	\$3,353,388	6%
Health Care and Social Assistance	24	223	13%	\$7,438,657	13%
Information	3	24	1%	\$542,017	1%
Management of Companies and Enterprises	4	104	6%	\$7,295,746	13%
Other Services (Except Public Administration)	11	39	2%	\$1,306,200	2%
Professional, Scientific, and Technical Services	11	34	2%	\$1,162,141	2%
Real Estate Rental and Leasing	3	29	2%	\$803,731	1%
Retail Trade	22	382	23%	\$10,402,124	18%
Transportation and Warehousing	4	124	7%	\$4,593,901	8%
Wholesale Trade	4	20	1%	\$1,381,346	2%
Other (Agriculture, Manufacturing, Public Admin ¹⁸)	3	91	5%	\$5,302,987	9%
Grand Total		1692	100%	\$56,384,891	100%

Sources: QCEW and Leland Consulting Group

Businesses in the Town Center accounted for a total of 1,692 full-time equivalent (FTE) jobs in 2015, with a total payroll of over \$56 million (averaging a salary of approximately \$33,000 per year). As Table 12 shows, most employees in the Town Center work in Accommodation and Food Services (20 percent) and Retail Trade (23 percent). However, these categories only account for 10 percent and 18 percent, respectively, of total payroll generated in the area. Of all industries, the Management of Companies and Enterprises industry, which typically offers higher salaries, contributes 13 percent of total payroll while only employing 6 percent of all Town Center employees. Similarly, Health Care and Social Assistance employs 13 percent of all employees and contributes 13 percent of total payroll.

Office Supply Characteristics

Town Center Office

The Wilsonville Town Center study area includes a mix of Class B and C buildings, and a single Class A property.¹⁹ There are a total of 13 office buildings that total approximately 140,000 square feet. Most properties are occupied by multiple tenants.

¹⁸ The QCEW data use agreement stipulates that data summaries and statistics include a minimum of three units, so that no single organization can be singled out.

Table 13 inventories the office buildings in the Wilsonville Town Center. Significant properties include:

- The largest and most significant property is the 42,000 square foot A-class building located at 29100 Town Center Loop, currently tenanted by several companies, including Coyote Logistics. Coyote Logistics is one of the fastest-growing freight brokers and logistics providers in the nation.
- Other office space is generally tenanted by financial service, health service, and other professional organizations, such as the Oregon Association of Nurseries.

Table 13: Town Center Office

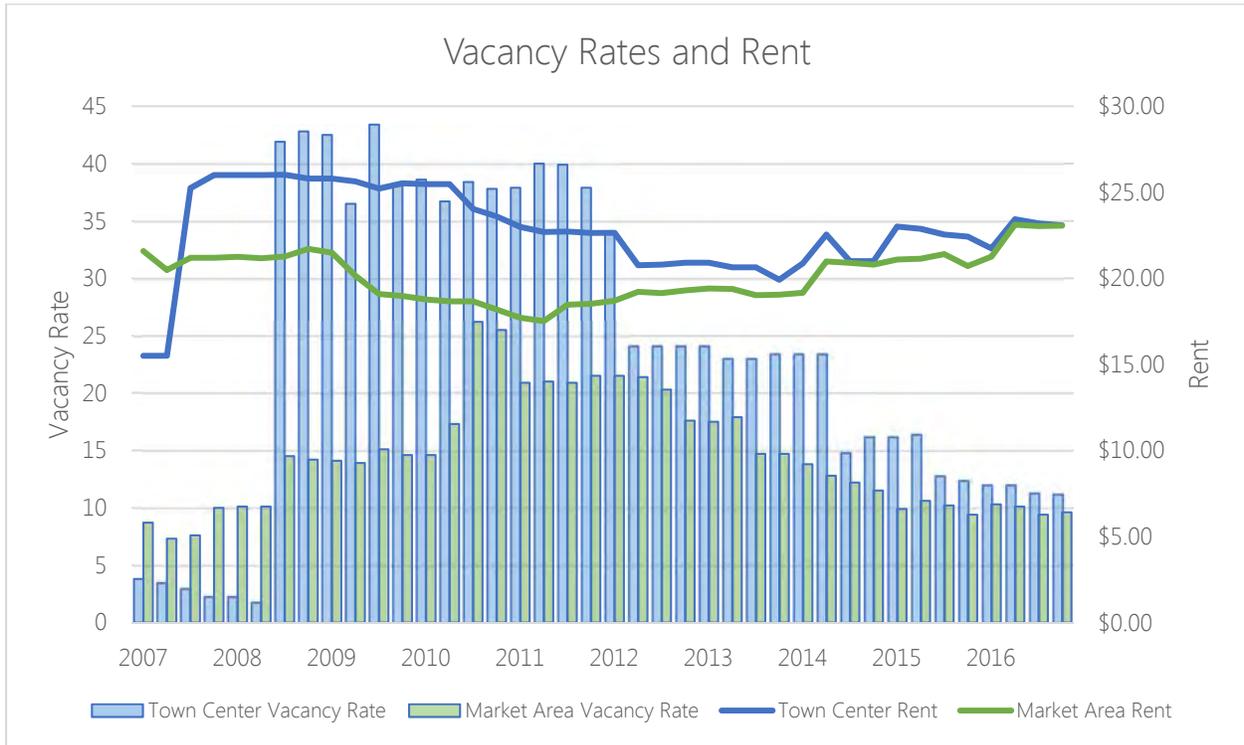
Building Address	Building Name	Bldg. Class	Land Area (ac)	Park'g Spaces	# Stories	% Leased	Size (s.f.)	Year Built
29100 SW Town Center Loop W		A	2.0	200	3	81.11	42,279	2008
29345 SW Town Center Loop E	Wilsonville Medical Plaza	B	2.5	100	2	93.6	25,000	2009
29200 SW Town Center Loop E		B	0.7	23	2	100	17,029	
29174 SW Town Center Loop	Village Commercial	B	1.1	32	2	49.93	12,000	2009
8755 SW Citizens Dr	Christine Plaza	C	0.7	30	2	100	8,040	1986
8655 SW Citizens Dr	Webb Professional Bldg	B	0.6	20	2	100	6,816	1991
29781 SW Town Center Loop W	JDP Building	C	0.6	20	2	100	6,770	1982
29765 SW Town Center Loop W		C		16	2	100	4,400	
29751 SW Town Center Loop W	Wilsonville Medical Clinic	C	0.5	12	2	100	4,383	1987
29292 Town Center Loop E		B	0.4	20	1	100	4,000	1993
29783 SW Town Center Loop W		C	0.3	13	2	100	3,100	1981
8840 SW Citizens Dr		B	0.8	20	1	100	3,000	1974
8900 SW Citizens Dr		C	0.2	12	2	100	2,650	1980

Source: Costar, Clackamas County Assessor, and Leland Consulting Group

While office square footage is outnumbered by retail by about 4-to-1 in the Town Center, the office market averages slightly higher rents than the retail market, currently at about \$23 per square foot per year (compared to \$22 per square foot for retail). Figure 24 shows that offices in the Town Center historically achieved higher rents than the overall market area, although rents were generally equal by the end of 2016.

¹⁹ Generally, office space is grouped into three classes. These classes represent a subjective quality rating of buildings which indicates the competitive ability of each building to attract similar types of tenants. A combination of factors including rent, building finishes, system standards and efficiency, amenities, location, and market perception are used as relative measures. Class A buildings are considered the most prestigious, competing for premier office users with rents above average for the area. Class B buildings generally compete for a wide range of users with rents in the average range for the area. Class C buildings generally compete for tenants requiring functional space at rents below the average for the area.

Figure 24: Office Performance, Market Area & Town Center



Source: Costar and Leland Consulting Group

- The Town Center has maintained slightly higher office rents than the three-city market area, and generally has been consistent with rents across the wider metro area, although the metro region is not a good comparison area for the office market.²⁰ Average Wilsonville Town Center rents decreased post-recession, consistent with high vacancy rates in the area, and have begun to increase now that vacancy rates have significantly declined. In the wider market area, the increase in vacancy was not as drastic as in the Town Center, resulting in steadily increasing rents over the last five years.
- The Town Center experienced significant vacancy rates throughout the recession and the years immediately after. Part of this was due to three new properties entering the market in 2008 and 2009. The first property, the 42,000-square-foot Class A property at 29100 SW Town Center Loop, was completed in 2008 Q3. The other two, the 25,000-square-foot Wilsonville Medical Plaza at 29345 SW Town Center Loop and a 12,000 square-foot building at 29174 SW Town Center Loop, were completed in 2009 Q2 and Q3, respectively. At almost 80,000 square feet, these three buildings account for approximately 57 percent of total office inventory in the Town Center and currently account for *all* the area’s vacant office space.

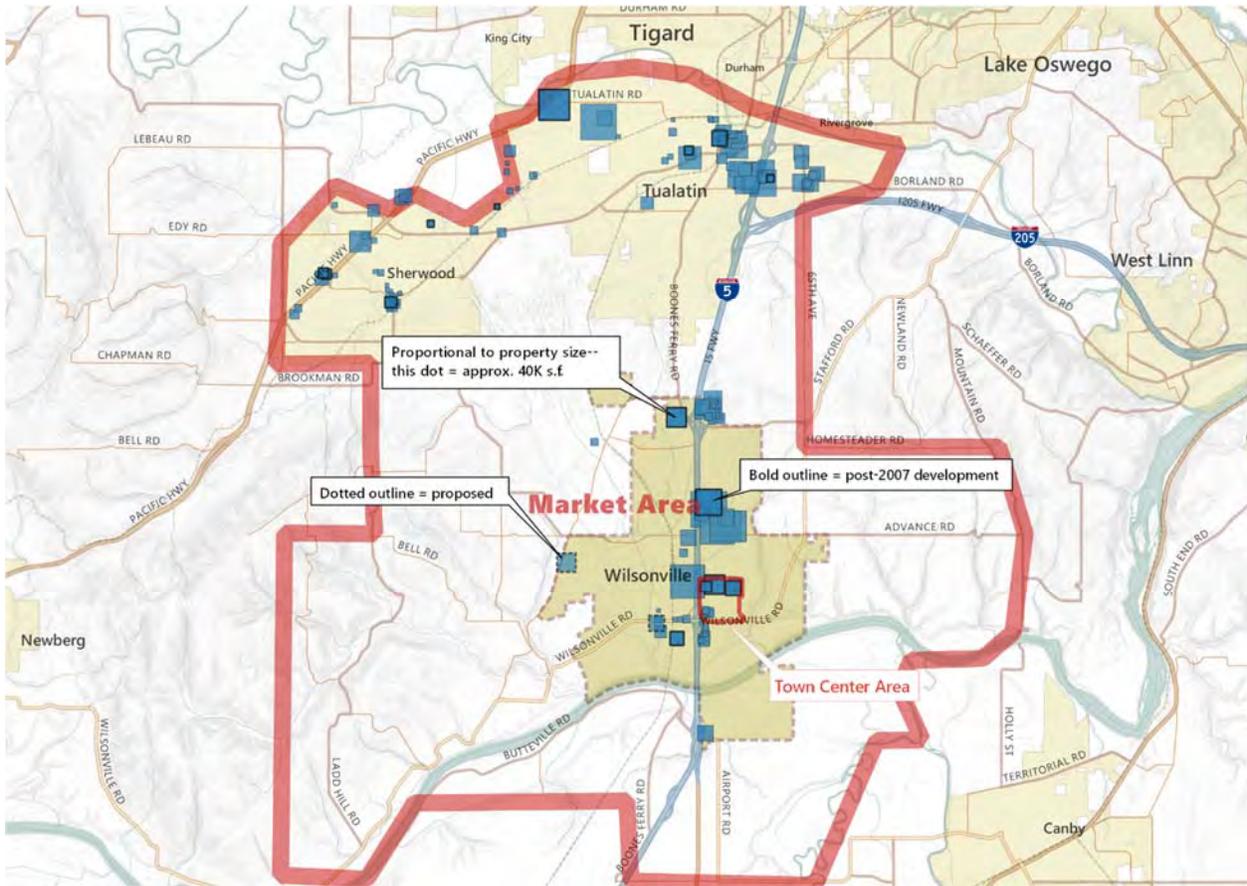
²⁰ The Portland metro office market is heavily weighted to downtown Portland, which recovered strongly after the recession, but suburban areas have been much slower to recover, if at all. Therefore, the metro average is not helpful since it is an average of a strong downtown market and much weaker suburban areas.

Market Area Office

In the market area, office generally follows a clustering pattern (see Figure 25). Tualatin and Wilsonville share a similar amount of office space, while Sherwood has very little. In Wilsonville, the largest office properties are clustered around Interstate 5 and Boeckman Road. Included in this cluster are Oregon Tech (130,000 square feet); and the Mentor Graphics properties, which include 117,000 square-feet of office/manufacturing space and two other 100,000-square-foot properties located just west of the Town Center across Interstate 5 on Payton Lane.

- The market area has approximately 2.6 million square feet of office space in inventory.
- The median age of construction for market area office is 1984. While 1.3 million square feet of office space was constructed between 2000 and 2009, there has been just under 136,000 square feet developed since the recession (post-2010).
- Most new (post-2007) office development has occurred within Wilsonville city limits, with some new small-to-medium sized properties in both Sherwood and Tualatin. Three of the six office properties constructed since 2007 are in the Wilsonville Town Center.
- Two office properties totaling 61,150 square feet are proposed for Wilsonville. The first, a 24,500-square-foot medical office property is proposed on a vacant parcel, west of the Town Center and across I-5 at 9900 SW Wilsonville Road. The other, the 37,000-square-foot Campanile at Villebois, is proposed at Barber St and Villebois Dr. near the western boundary of the city limits (although the property is set to feature a retail component). No new office space is currently proposed in the Town Center study area.

Figure 25: Office Supply by Size, Wilsonville Market Area



Source: Costar and Leland Consulting Group

Over the years, Wilsonville has attracted many large corporations, particularly tech companies, largely due to its convenient location on Interstate 5, access to a highly-educated workforce, and high quality of life. Many companies have stationed their headquarters in the city, including Mentor Graphics and Flir Systems, Inc. Mentor Graphics, founded in 1981, recently built a data center on its property. Mentor Graphics was sold to Siemens in November 2016, but Siemens has indicated that it will maintain Mentor Graphics as a standalone company and keep its headquarters in Wilsonville. Flir Systems, Inc., the world’s largest commercial company specializing in the design and production of thermal imaging cameras, components, and imaging sensors, moved into a building bought from Mentor Graphics in 2004.

Xerox is another tech giant with a Wilsonville campus, which acquired the 625,000-square-foot property when it bought Tektronix over 15 years-ago. Although Xerox sold its three buildings to Portland real estate investment firm ScanlanKemperBard and Oaktree Capital Management in 2015, it leased back a significant portion of the property and still has a significant employee presence in the city. Xerox had initially employed about 2,400 employees in Wilsonville. Today, according to an Oregonian article from 2015, it still employs around 700.

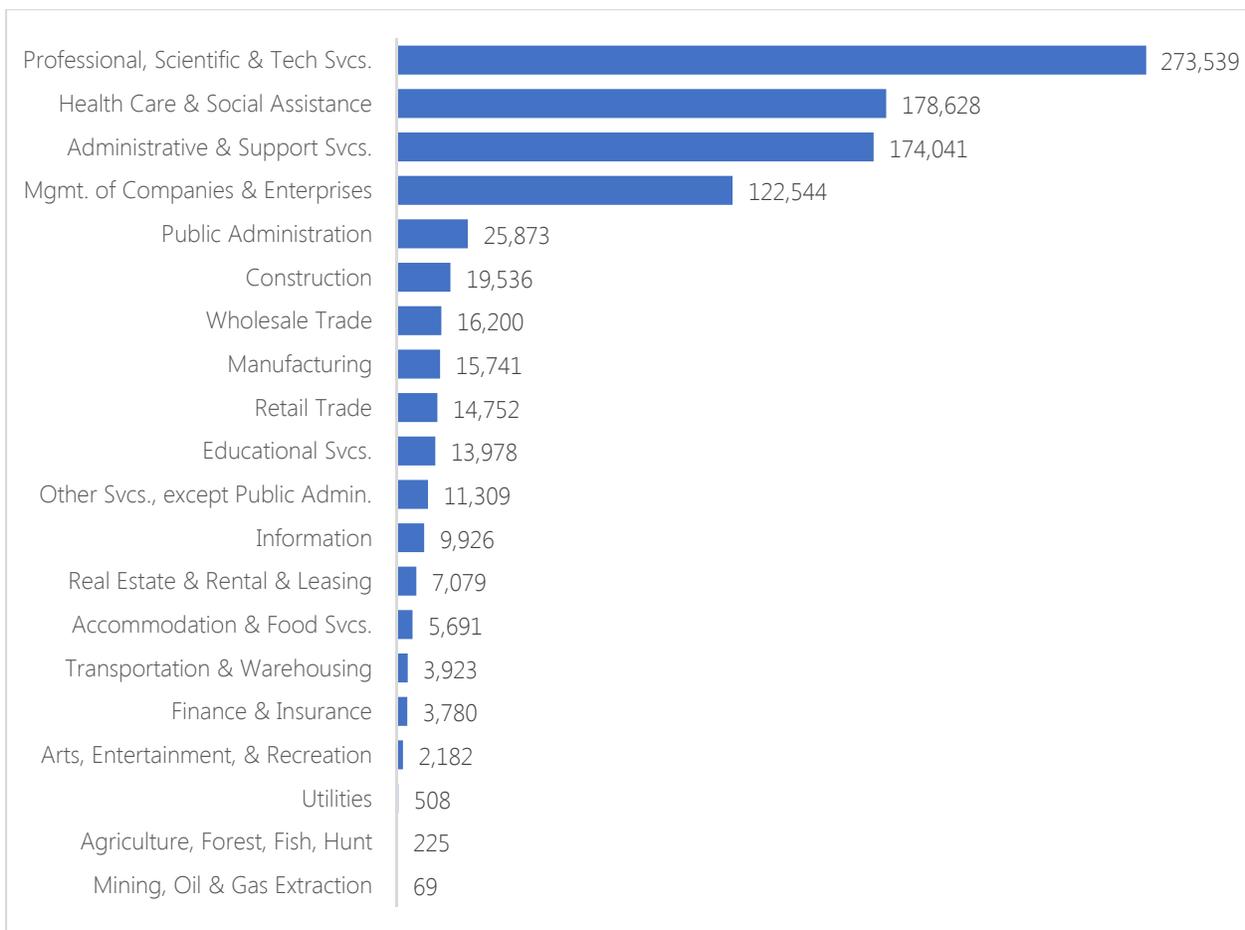
Other major tech firms in the city include Rockwell Collins, Tyco Electronics Corporation, Microsoft, DWFritz Automation and 3D Systems (both tech manufacturers), APCON, Inc., and Coherent, Inc.

Significant non-tech companies include Coffee Creek Correctional Facility (CCCF), Sysco, and Costco. CCCF is a multi-custody female prison that occupies about 85 acres in the most northwestern section of the city, connected by Day Road. CCCF has a capacity of 1,280, per Department of Corrections data. Sysco, a food distribution center, moved into its 270,000-square-foot Wilsonville facility in the early 1990s. The 149,000-square-foot Costco was built in 2004.

While the northern section of the city is dominated by tech companies, the southwestern portion contains primarily light and medium industrial companies, which include a Coca Cola Bottling Co. facility, Ore Pac Building Products, Wilsonville Concrete Products, and Marten Transport Ltd.

Estimating Future Office Demand

Figure 26. 10-Year New Office Demand (square foot), Tri-City Market Area (2015 to 2025)



Source: Esri, Metro and Leland Consulting Group.

As Figure 26 shows, in the next 10 years, the market area is expected to generate approximately 900,000 square feet of new office demand.²¹ Most (83 percent) new market area demand will be in the following sectors:

²¹ This number is based on locally-adjusted future compound annual growth rates for office space (i.e. the average between local historical and projected rates). These rates are applied to current market area jobs per industry sector,

- Professional, scientific and technical services (NAICS 54)²²: 274,000 square feet
- Health Care and Social Assistance (NAICS 62)²³: 179,000 square feet
- Administrative and Support Services (NAICS 56)²⁴: 174,000 square feet
- Management of Companies and Enterprises (NAICS 55)²⁵: 123,000 square feet

From the market perspective, given Wilsonville’s current employment composition and available space in the Town Center, it is anticipated that the Town Center can capture approximately five to ten percent of total office market demand—the equivalent of 45,000 to 90,000 square feet. All four industry sectors listed above are already present in the Town Center, and it is assumed—given declining vacancy and stabilizing rents—that these properties are performing adequately. It is therefore reasonable to assume that the Town Center can successfully add 45,000 to 90,000 square feet (3.5 to 7 percent of current area inventory) of new office space over the next decade.

With this said, the Wilsonville Town Center also may be poised to capitalize on a changing office market, which may increase the demanded square footage of office space. Generally, the current office inventory was built for the Baby Boomer generation, when traditional suburban living was the most common lifestyle. However, by 2020, nationwide Millennials will comprise over 50 percent of the workforce (Meister and Willyerd, 2010), while the proportion of Baby Boomers will decline to 23 percent. To support this shift, companies will have to provide workspaces and programs that align with new needs and preferences. These preferences include: an increasing array of social activities and collaborative work experiences; a shift in the purpose of the workplace from supporting function to creating experience; integrated workspaces that support the transition of people from individual to group work modes, both between locations and within primary workspaces; and distributed interaction, where meetings are more flexible and generally more casual (O’Neill, 2010). These changing preferences follow a general theme, summed up in NHKF’s “Suburban Office Obsolescence” White Paper: across all demographics, office employees are increasingly wanting good location (relative to mass transit and highways) and access to building and neighborhood amenities. Given the Town Center’s location, new office development in the Town Center can provide these amenities and capture a significant amount of new market area demand. If future Town

providing the number of new jobs by 2025. Industry-standard office space per employee is applied to provide the estimated total demand for new office space within the market area.

²² Includes: legal services; accounting, tax preparation, bookkeeping and payroll services; architectural, engineering and related services; specialized design services; computer systems design and related services; management, scientific and technical consulting services; scientific research and development services; advertising, public relations, and related services; and other professional, scientific, and technical services. Generally, the activities performed in this sector require a high degree of expertise and training.

²³ Includes: ambulatory health care services; hospitals; nursing and residential care facilities; and social assistance. The services provided by establishments in this sector are delivered by trained professionals. Many of the industries are defined based on the educational degree held by the practitioners included in the industry.

²⁴ Includes: administrative and support services; and waste management and remediation services. Generally, this industry supports business behind the scenes and consists of janitors and cleaners; laborers; landscapers and grounds keeping workers; office clerks; and security guards.

²⁵ Establishments in this sector perform essential activities that are often undertaken, in-house, by establishments in many sectors of the economy.

Center development aligns with this trend, then the high-end estimate of 90,000 square feet could be realized.

It may prove worthwhile devising short- and long-term strategies to first address the existing market demand, and then to address potential additional demand stemming from the shifting office market described in the previous paragraph.

Retail Supply Characteristics

Town Center Retail

Retail in the Town Center is Town Center retail is a mixture of independent stores and national chains, banks, restaurants, and entertainment, characterized by older big-box development and surface parking. The average building was constructed in 1991. Despite this, retail building vacancies have been very low since the recession, hovering around the two percent mark. In fact, although vacancy rates doubled during the recession, they have remained below the five percent rate, indicative of a “tight” market. Rents in the Town Center are yet to return to the 2009 Q1 peak of \$22.52 per square foot per year, although Figure 27 on the next page indicates that rents should soon reach such levels.

Table 14: Town Center Retail, Select Characteristics, 2016 Q4

Address	Size (sq. ft.)	Percent Vacant	Year Built	Parking Spaces*	Tenant
29400 SW Town Center Loop	146,515	0	1992	450	Fry's Electronics
8235-8241 SW Wilsonville Rd	103,695	9	1991	800	Safeway; multiple
29020 SW Town Center Loop E	44,100	0	1986	85	Multiple
29300 SW Town Center Loop	35,000	0	1997	250	Regal Cinemas
29735 SW Town Center Loop	31,179	0	1993	48	NW Rugs
29970 SW Town Center Loop W	28,270	8	1984	118	Multiple
29333 SW Town Center Loop E	26,103	0	1994	100	US Post Office
29040 SW Town Center Loop E	23,126	0	1986	42	Wilsonville Lanes
8261-8263 SW Wilsonville Rd	22,000	7	unknown	100	Multiple
29756 SW Town Center Loop	21,184	15	1991	100	Dollar Tree, etc.
29175 SW Town Center Loop W	18,030	0	1992	50	Les Schwab Tire Center
29111 SW Town Center Loop W	16,386	0	1981	250	Family Fun Center
29030 SW Town Center Loop E	13,807	0	1991	85	UPS, etc.
29890 SW Town Center Loop W	13,430	16	1984	80	Plaid Pantry, etc.
8750 SW Citizens Dr.	12,030	0	1990	50	Multiple
29660 SW Town Center Loop W	11,500	0	1997	16	Mattress World
29585 SW Park Pl	10,000	28	na	38	Dar Essalam

Source: Costar, and Leland Consulting Group

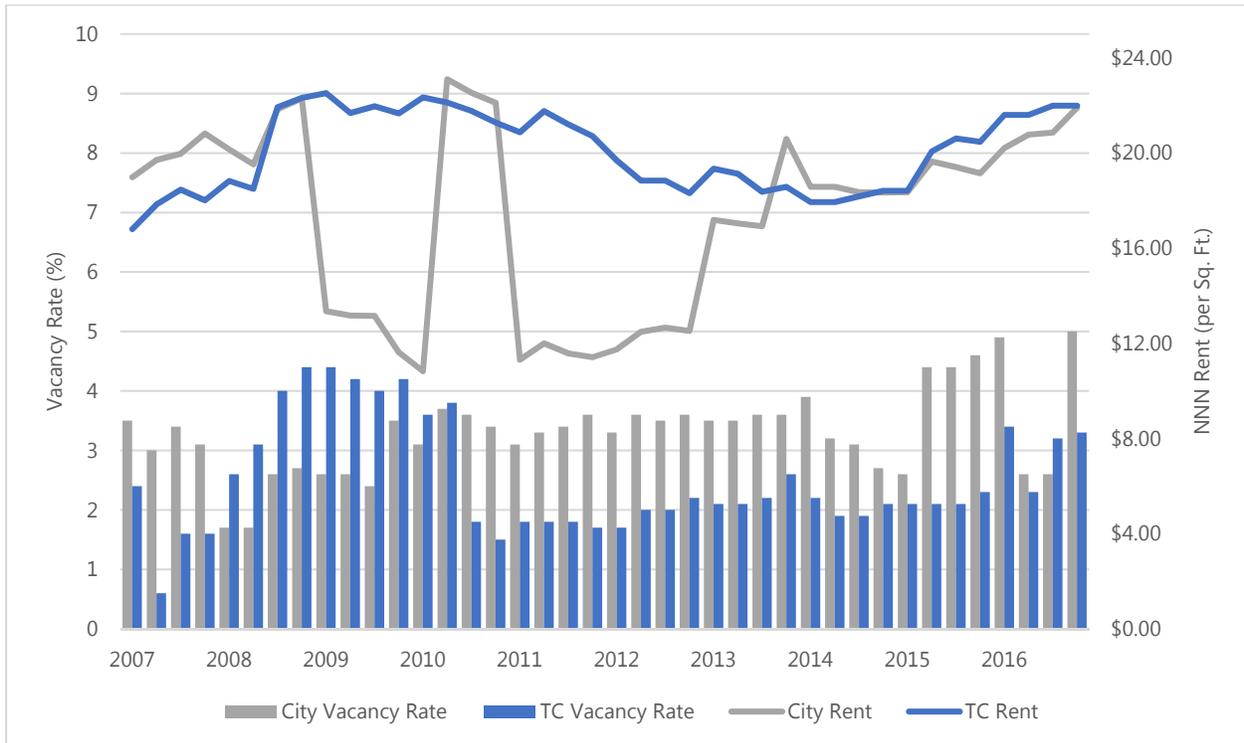
*Many of these buildings house multiple tenants, and therefore parking spaces will also accommodate other tenants. While parking is use-based and consistent with the regional standards at a given time, existing lease structures maintain a specified number of parking spaces and will therefore require new lease agreements going forward.

As shown in Table 14, the largest retail properties are a mixture of owner-occupied and multiple-tenant buildings. Of the owner-occupied, the most significant in terms of size is Fry's Electronics, which sits on 15 acres of land and has 450 parking spaces. Other significant properties and tenants include:

- Safeway recently moved into the former Thriftway supermarket property, and shares the building with a handful of other tenants.
- Regal Cinemas is a national movie theatre chain operating a nine-screen cinema on a parcel almost six acres in size. The cinema was built in 1997 and has 250 parking spaces.
- Family Fun Center: The family fun center at 29111 SW Town Center Loop in the northwest corner of the Town Center occupies a five-acre parcel. The facility includes a go kart track, mini golf, batting cages, a zip line, and an arcade in a 16,000-square-foot building that was built in 1981.
- Wilsonville Lanes: A bowling alley occupies a building built in 1986 on 1.77 acres of land in the northern end of the Town Center at 29040 SW Town Center Loop.

Restaurants in the Town Center study area are prevalent, and include a mix of fast food, casual, and sit-down restaurants. As expected in an area dominated by big-box retail and adjacent to a freeway interchange, many national and regional chains are represented such as Chipotle, Subway, McDonald's, Papa Murphy's and Bellagio's Pizza. However, several small independent restaurants, particularly of the multicultural variety, are also present in the area. These include Boston's Pub & Grill, India Cuisine, Dar Essalam, Shari's Café & Pies, and Juan Colorado. San Francisco Tienda Mexicana, a Mexican grocery store, is also located in the Town Center.

Figure 27: Retail Performance, Town Center & City of Wilsonville



Source: Costar, Clackamas County Assessor, and Leland Consulting Group

Figure 27 shows the vacancy rates and average rents of retail in the Town Center. Vacancy rates are very low in the City, and even lower in the Town Center. The Town Center's marginally higher vacancy rates from 2008 to 2010 may be due to the opening of the Old Town Square project in 2010, anchored by a

new Fred Meyer. However, the overall rates on display over the last decade—even during the recession—are indicative of a very tight market where demand has outpaced supply. Moreover, retail rents in the Town Center are on the rise and have been consistency some of the highest in the City. Higher rents and low vacancy rates are positive signs for future retail development.

Market Area Retail

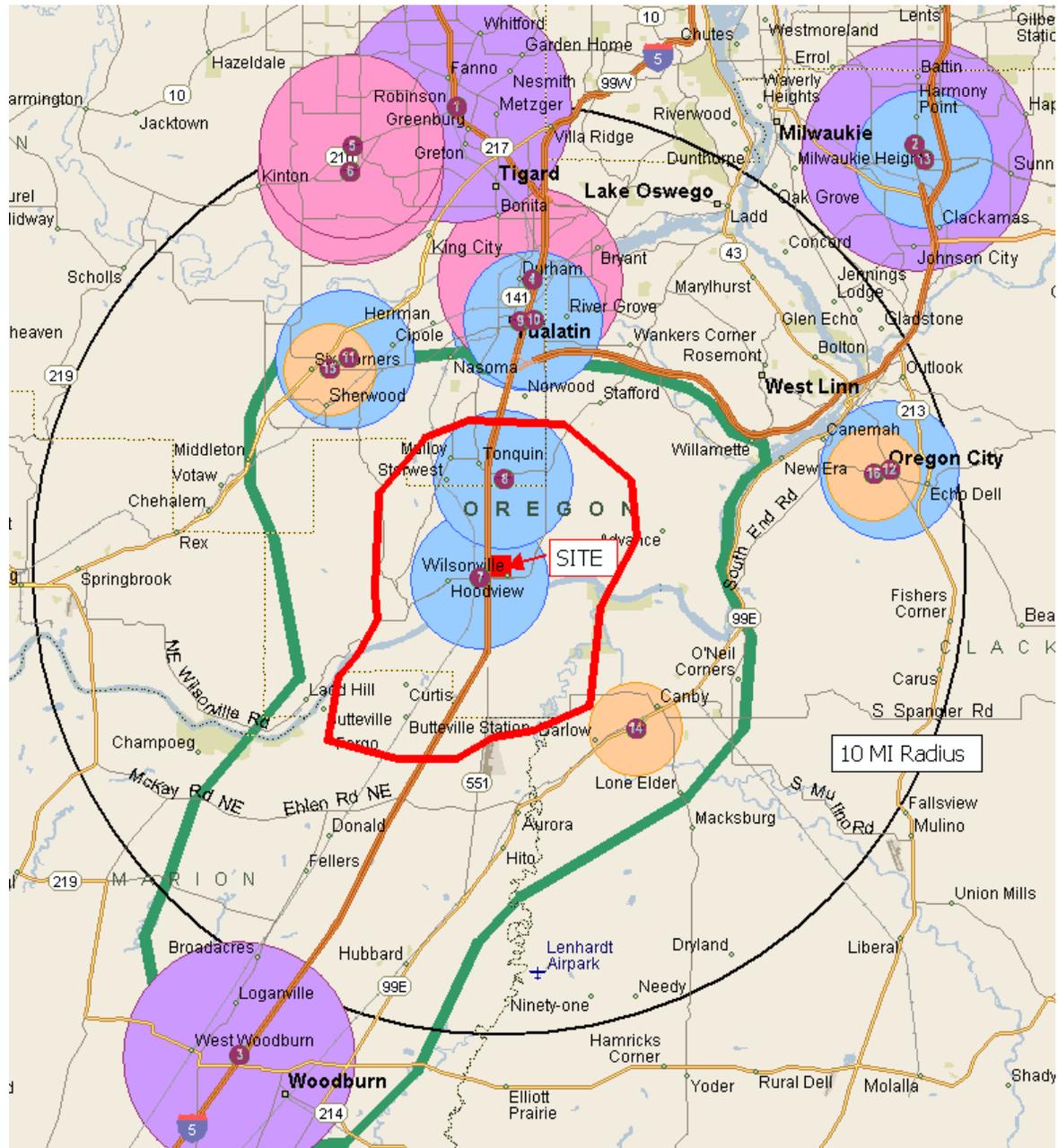
Gibb's Planning Group (GPG) conducted a retail market analysis for the Wilsonville Town Center and created a model to assess spending potential alongside actual supply, resulting in a "void analysis." Among the questions that GPG addressed in the study were:

- What is the existing and planned retail market in the study and trade area?
- What is the current and projected growth for retail expenditures in the primary trade area, now and for the next five years?
- How much additional retail square footage is supportable in the Wilsonville study area, and what retail uses should be encouraged? What sales volumes can development achieve in or near the study area?

To address the above issues, GPG defined a trade area (defined earlier in the Market Area Discussion) that would serve the retail in the study area based on geographic and topographic considerations, traffic access and flow in the area, relative retail strengths and weaknesses of the competition, concentrations of daytime employment and the retail gravitation in the market, as well as their experience defining trade areas for similar markets. The population, consumer expenditure and demographic characteristics of trade area residents were collected by census tracts from the U.S. Bureau of the Census, U.S. Bureau of Labor Statistics and Esri.

Gibb's Planning Group then assessed drive times, demographics, credit card charges, online trends, vacation trends, and other demographic preferences to identify neighborhood, community and regional shopping centers near the site. Each shopping center was identified and studied to assess their retail appeal, strength of tenant mix, general maintenance and accessibility. In addition to the inspection of the most significant competing shopping concentrations to the study area, GPG used information from the International Council of Shopping Centers' Global Shopping Center Directory. Figure 28 shows the location of these shopping centers relative to the Town Center. GPG's retail analysis report provides an in-depth description of each.

Figure 28: Competing Shopping Centers



Source: Gibbs Planning Group (See Retail Study), legend on following page.

Table 15: Competing Shopping Centers

Map Designation	Retail Center Name	Shopping Center Type	Size (sq. ft.)	Distance to Study Area
1	Washington Square	Regional Center	1,441,000	10.0 miles
2	Clackamas Town Center	Regional Center	1,230,000	11.5 miles
3	Woodburn Premium Outlets	Regional Center	350,000	12 miles
4	Bridgeport Village	Lifestyle Center	465,000	7.0 miles
5	Murray Scholl's Town Center	Lifestyle Center	200,000	9.5 miles
6	Progress Ridge Town Square	Lifestyle Center	323,000	9.0 miles
7	Wilsonville Old Town Square	Community Center	200,000	0.5 miles
8	Argyle Square	Community Center	350,000	2.0 miles
9	Nyberg Rivers	Community Center	300,000	5.5 miles
10	Nyberg Woods	Community Center	250,000	5.5 miles
11	Parkway Village at Sherwood	Community Center	190,000	5.5 miles
12	Hilltop Mall	Community Center	180,000	8.5 miles
13	Clackamas Promenade	Community Center	236,600	11.5 miles
14	Canby Square	Neighborhood Center	115,700	4.0 miles
15	Sherwood Market Center	Neighborhood Center	124,000	5.5 miles
16	Southridge Shopping Center	Neighborhood Center	125,000	8.5 miles

Source: Gibbs Planning Group (See Retail Study)

Estimating Future Retail Demand

Gibb's Planning Group identified several significant characteristics that indicate a strong retail market in Wilsonville, and more specifically, the Town Center. Wilsonville's high growth rate, high income levels, and high education levels are prime demographic characteristics which retailers look for when deploying new stores. Wilsonville's strong employment base also adds to this retail potential; there are approximately 29,000 people working within a 10-minute drive of the Town Center, which equates to about \$87 million per year in potential spending power (as referenced in the February 6, 2017 City Council Presentation). As such, there is an opportunity for the Town Center to capture more worker spending with additional retail.

Looking at estimated sales and household spending potential across a variety of retail categories for the City of Wilsonville, together with projections of household growth, Gibb's Planning Group provided an estimate of new retail demand that can be absorbed within Renton over the next several years (of which the Town Center may capture a limited portion).

This demand consisted of two main components:

- Demand from re-capturable leakage (current household spending potential in excess of estimated local sales).
- New demand from household growth – typically the largest component of new demand.

Figure 29 shows the supportable retail square footage and potential number of stores in the Town Center by 2017 and 2022. Approximately 75 retail categories were studied and assessed for feasibility in the Town Center. The retail categories provided in the table are the most feasible. These numbers are based on data provided by Esri, and are current as of January 2017.

Figure 29: 2017 & 2022 Additional Supportable Retail, Wilsonville Town Center

Retail Category	2017 Estimated Supportable SF	2017 Sales/SF	2017 Estimated Retail Sales	2022 Estimated Supportable SF	2022 Sales/SF	2022 Estimated Retail Sales	No. of Stores
Retailers							
Apparel Stores	3,250	\$320	\$1,040,000	5,810	\$335	\$1,946,350	1-2
Beer, Wine & Liquor Stores	6,560	\$385	\$2,525,600	7,000	\$405	\$2,835,000	2-3
Book & Music Stores	2,340	\$250	\$585,000	2,610	\$265	\$691,650	1
Department Store Merchandise	2,170	\$260	\$564,200	6,150	\$275	\$1,691,250	1
Electronics & Appliance Stores	5,870	\$410	\$2,406,700	6,430	\$430	\$2,764,900	2-3
Florists	1,220	\$225	\$274,500	1,480	\$235	\$347,800	1
Furniture Stores	1,410	\$265	\$373,650	3,040	\$280	\$851,200	1
Grocery Stores	18,000	\$380	\$6,840,000	18,000	\$400	\$7,200,000	1
Hardware	3,610	\$240	\$866,400	7,090	\$250	\$1,772,500	1-2
Jewelry Stores	3,530	\$420	\$1,482,600	4,160	\$440	\$1,830,400	1-2
Office Supplies & Gift Stores	10,740	\$240	\$2,577,600	11,430	\$250	\$2,857,500	3-5
Pharmacy	12,210	\$385	\$4,700,850	13,610	\$405	\$5,512,050	1-2
Specialty Food Stores	4,190	\$265	\$1,110,350	5,240	\$280	\$1,467,200	1-2
Retailer Totals	75,100	\$311	\$25,347,450	92,050	\$327	\$31,767,800	17-26
Restaurants							
Bars, Breweries & Pubs	5,440	\$385	\$2,094,400	6,080	\$405	\$2,462,400	1-2
Full-Service Restaurants	19,930	\$365	\$7,274,450	22,180	\$385	\$8,539,300	4-5
Limited-Service Eating Places	7,380	\$280	\$2,066,400	10,460	\$295	\$3,085,700	2-3
Special Food Services	8,470	\$265	\$2,244,550	9,120	\$280	\$2,553,600	2-4
Restaurant Totals	41,220	\$324	\$13,679,800	47,840	\$341	\$16,641,000	9 - 14
Retailer & Restaurant Totals	116,320	\$314	\$39,027,250	139,890	\$330	\$48,408,800	26 - 40

Source: Esri and Gibbs Planning Group (See Retail Study)

As shown in the table above, further evidence of the Town Center's retail strength is shown in the 2017 and 2022 sales per square foot columns. As referenced in Bob Gibb's presentation to City Council (on February 6, 2017), the average sales per square foot for the U.S. is approximately \$220. For Gibb's Planning Group's additional demand for 2017, the average sales per square foot of retail space for the Town Center is \$314—almost \$100 per square foot higher than the national average.

The Town Center's capture rate (or market share) should be highest in categories where its unique amenity combination could help attract shoppers and diners as a special destination – primarily in civic

and entertainment land uses and food and beverage, but also in specialty retail, general merchandise and expanded grocery space.

This study finds that the Wilsonville Town Center site can presently support up to 116,000 square feet (sf) of additional retail and restaurant development, generating up to \$39 million in sales. By 2022, the Town Center will likely be able to support as much as 140,000 sf of total commercial development producing up to \$48.4 million in gross sales. This retail development could include:

- **Corner Stores:** One to two corner stores at 1,500 to 2,500 sf, located near neighborhood entries on Town Center Loop.
- **Convenience Centers:** Two to three 15,000 to 25,000 sf convenience centers located along Wilsonville Road with excellent visibility and sufficient parking. These centers can include a wide range of retailers such as grocers, pharmacy, beverage stores, office supplies and gifts, electronics and appliances, full-service and limited-service restaurants, special food services, hardware, jewelry and apparel.
- **Neighborhood Centers:** One 80,000 to 120,000 sf neighborhood center located along or with direct views from I-5 and Wilsonville Road. This center could support one full-service grocers, one or two pharmacies, four to five full-service restaurants, two to three limited-service restaurants, two to three beverage stores, two to three electronics and appliance stores, two to four office supplies and gifts stores, two to four special food services, and one to two specialty food stores, bars, breweries and pubs, hardware stores, jewelry stores and apparel stores, as well as single furniture, floral, book and music and department store tenants. Neighborhood Centers are generally encouraged, as their development patterns tends to result in a more walkable area. This is in keeping with retail trends, where retailers are looking for places with a walk score of 80 or higher (in comparison, the current Walk Score in the Town Center is between 50 and 80, and the City of Wilsonville has a Walk Score of 24).
- **Community or Lifestyle Centers:** One 125,000 to 140,000 sf community center located with exceptional visibility from I-5 and convenient access from Wilsonville Road. This center would require a desirable grocery anchor complemented by a number of national and regional tenants including a competitive restaurant component. If developed in a "Main Street" configuration the project would be considered a lifestyle center.

It is worth noting that the actual amounts of supportable retail could be significantly higher or lower depending on multiple market and not market variables including the type, design and quality of the new development. It is plausible that a walkable town center, with well-designed buildings and public realm, could draw visitors from beyond this study's estimated trade area boundaries and considerably outperform the site's location and limited market potential. This would require an extraordinary development team and retailer mix unique to the market, including anchor retailers. On the other hand, a poorly implemented commercial center or badly managed businesses could underperform the location.

Further, retail development is not an isolated sector and demand may fluctuate with the development of residential uses. The correct combination of uses can result in cross-sector benefits and increased demand. For example, someone will generally pay 12 to 20 percent more for a residential unit if it is within

walking distance of a Starbucks or Whole Foods. This is known as the “Starbucks Effect” or “Whole Foods Effect” (as referenced in Bob Gibbs’ presentation to City Council).

Entertainment uses currently feature in the Town Center, and will continue to be important in activating the area. GPG’s retail analysis did not include entertainment—and it should be noted that entertainment analyses tend to be more complex and nuanced than other land uses—but the City will need to consider demographic and other trends as they relate to entertainment. For example, entertainment is trending toward more specialized groups, such as small independent movie theatres, which are growing in popularity. Additionally, Millennials, in particular, are experience driven, so entertainment demand is generally strong in locations with a younger population, such as Wilsonville.

This focus on experience is a key factor in driving retail development programming and density. Several new projects including Avalon, Georgia; North Hills, North Carolina; and Station Park, Utah all include a highly programmed central “third place” which is a central park surrounded by retail. All developers have indicated that this third place now draws the customers who then happen to shop at the surrounding retail locations. This same experiential concept is taken inside a store as well with boutiques including coffee shops to customers into their shop on a routine basis²⁶. Also important to this experience concept is mix of uses within the retail center. Station Park for example includes 250 housing units and 100,000 square feet of office.

The findings of this study represent GPG’s best estimates for the amounts and types of retail projects that should be supportable in the study area. Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by GPG independent research effort, general knowledge of the industry, and consultations with the client and its representatives.

²⁶ *Is American Retail at a Historic Tipping Point?* New York Times, April 15, 2017

SUMMARY OF MARKET DEMAND POTENTIAL

Table 16 summarizes market supported demand for private-sector real estate development in the Wilsonville Town Center study area over the next 5-10 years, based on a variety of prevailing market conditions including: regional growth trends, local and regional demographics, local amenities, access considerations and likely competitive activity across the broader local area.

Key Demographic & Employment Takeaways

- Currently, Wilsonville's most prevalent generation is the Millennials. Nationally, three-quarters of Millennials are likely to move in the next five years due to dissatisfaction with their existing housing situation. They are most likely to seek out urban environments, walkability, transit, and quality environment. There is also a significant senior (69+) population (the Silent Generation), who are expected to downsize their homes and seek convenience and accessibility, while senior related mobility options such as ADA ramps will become increasingly in demand. Wilsonville can capture this market by continuing to diversify the housing stock, and increasing walkability and mobility, particularly when targeting certain age demographics.
- While the city is unlikely to compete with suburban locations that are closer to downtown Portland, such as Beaverton and Lake Oswego, the Town Center has its own unique opportunities. Its tech-heavy employment centers and young population set it apart from surrounding areas (such as Sherwood, Tualatin, etc.). Wilsonville's positioning as an entry to the metro region from the south and small neighboring communities also sets it apart.
- The City of Wilsonville is an isolated location, with little development connecting it to the rest of the metro region. As such, it is unlikely to draw demand from surrounding areas as the alternatives have the same amenities but are much closer to the City of Portland. However, due in part to being uniquely separated from Downtown Portland, there is an opportunity to provide amenities locally and position the Town Center as the heart of the community, catered to its young, wealthy, and well-educated population.
- Wilsonville is a heavy employment area, with the number of jobs outnumbering the number of residents by a factor of two. There is therefore an opportunity to capture many of those workers as residents.
- Wilsonville's household growth is faster than population growth, resulting in increasingly smaller households. This situation is currently well-suited to Wilsonville's younger population. Traditionally these younger residents have moved beyond their prime apartment-rental-years, and entered the housing market and/or started families. However, it has been well documented that fewer people are now committing to home ownership (FannieMae, 2014, "Declining Homeownership among "Prime" First-Time Home Buying Candidates). Therefore, there will still need be an effort to continue to diversify the housing stock to provide both rented and owned units.

Strategic Real Estate Considerations

Table 16: Town Center Supportable Market Demand (by 2026 for Residential & Office, by 2022 for Retail)

Product Type	Demand (conservative)	Demand (attainable)	Notes
Residential			
Ownership Attached	40 units	80 units	Condo, townhomes, rowhomes, or stacked flats. Consider 3 or even 4-story form to help define compact, walkable downtown streetscape
Apartments	190 units	285 units	3-5 story apartments, stacked-flat rentals, and mixed use developments. As with ownership multifamily attached, the goal is to improve residential "critical mass" to Town Center. Strongest apartment market likely over the next 1-5 years (as of 2016 Q4), but continued moderate demand in years 6-10.
Single Family Detached	*	*	SFD is poor fit for infill in the Town Center. Typical Town Centers usually consist of higher density development patterns and a greater mix of uses; traditional single-family is low density and requires larger parcel sizes. Single family development would therefore be contradictory to any plan for a walkable and higher density Town Center. The market better supports single family in areas such as Frog Pond.
Non-Residential			
Professional Office	45,000 s.f.	90,000 s.f.	Demand growth for professional/technical services and health/medical clinics (including dental, chiropractic, physical therapy, etc.) could support a multiple office building(s). These may include freestanding buildings or smaller storefront-type space. However, new office development needs to be aligned with the spatial limitations of the Town Center, and changing office trends and employee preferences.
Dining & Drinking	48,000 s.f.		Restaurants, of all retail categories, can be the most flexible in their building form. The demanded number of new restaurants ranges from 9 to 14.
Grocery, Food & Beverage	18,000 s.f.		Given industry standards, demand for grocery, food and beverage is likely to a single store.
Pharmacy	13,600 s.f.		One to two stores can be expected, either as freestanding buildings or part of a larger center.
Office Supplies & Gift Stores	11,400 s.f.		Three to five stores can be expected, most likely housed within larger, shared buildings.
Other (incl. Beer, Wine & Liquor, Electronics, Specialty Food, Hardware, Jewelry, Apparel, Book & Music, and Furniture stores)	48,000 s.f.		These are likely to be developed and leased as parts of bigger projects based around the previously listed retail categories. In most cases, only one or two stores may be supported in the Town Center.

Source: Leland Consulting Group

Residential Development

- Demand for residential units remains strong across the entire market area and Wilsonville could be able to capture a large portion of new development, especially considering the high number of out-of-area residents working in Wilsonville's employment clusters.
- Well-designed residential in the Town Center study area could complement existing and future commercial uses, leading to faster redevelopment than commercial growth alone.
- Three-to-four-story apartments, stacked-flat rentals, and mixed-use properties could be best suited to the Town Center. The apartment market has been strongest in the last few years, and as Millennials and Boomers continue to drive demand for multifamily structures the market is likely to remain strong over the next one to five years, with moderate demand to continue for another five years thereafter.
- Robust household growth and strong income demographics should drive new unit demand in the wider city well into the coming decade and beyond. Desire for walkable locations and urban amenities across all generations can drive new residential demand to the Town Center.
- A growing senior population will drive demand for accessible senior housing, stacked flats, and multifamily housing. With amenities within walking distance and prevalent public transit options, the Town Center seems poised to capture much of this demand.
- Suburban town center projects in the region have generally been successful when a range of housing options have been implemented. Lake View Village and Block 137 in Lake Oswego Town Center are mixed-use developments of varying sizes; Orenco Station in Hillsboro is a high-density, pedestrian-friendly community built with tech employees in mind; and The Rise is a mixed-use project in Beaverton's Old Town neighborhood.
- The Town Center is surrounded by several large multifamily developments as well as many single-family developments in short walking distance, which will likely make up a large contingent of potential customers for new and existing commercial space.

Office Development

- Suburban office prospects are weak, and Wilsonville is not necessarily primed to capture additional office growth. Kruse Way and Tigard Triangle are both considered much stronger suburban office markets in the region, and happen to be closer to downtown Portland. As such, the Town Center is unlikely to significantly scale up its current office space.
- While current office inventory is low, occupancy is high with only a 4 percent vacancy rate, well below the office equilibrium rate of 12 to 15 percent, indicating that there is pent-up demand in the market area. However, scale is important, as referenced in the previous point. Wilsonville's office inventory is mostly small, community-oriented space and tenanted by small businesses. As such, it is likely that developing small- to medium-scale good quality office space can be successful and accommodate further employment in the Town Center over the coming decade.
- Office and employment helps to activate retail spaces and generate sales in the day time. However, this is more likely to come from the office development in the north of the City.

- In keeping with the current office inventory, smaller professional and health care/clinic-related office may continue to be a good fit in the Town Center, either in the form of two- to three-story buildings or in the form of storefront locations.
- As noted earlier in the residential takeaways, the Town Center is surrounded by several large multifamily developments as well as many single-family developments in short walking distance, which will likely make up a large contingent of potential customers for new and existing commercial space.

Retail Development

- Retailers in the Wilsonville primary trade area are currently underserving the potential demographic base represented by a considerable amount of sales leakage among local employees and residents that could be captured by existing businesses and/or with the opening of 25 to 40 additional restaurants and stores.
- Median household incomes in the primary trade area are desirable for retail growth. Home construction is on the rise in the surrounding area and home values have recovered from the recession. The annual population and income growth rates demonstrate a stable and increasing consumer base that will favorably affect new retail development.
- Wilsonville is devoid of the large-scale (i.e. big box) retail that can be found north of I-205. This could translate to a captive audience of nearby consumers who would rather shop closer to home than drive more than five miles for other shopping experiences.
- Commercial development in the Town Center will benefit from its proximity to the many jobs located immediately to its north. These workers will continue to drive demand for places to eat, drink, recreate, and even live.
- Located at the intersection of I-5 and Wilsonville Road in an already established retail location, new commercial development, particularly in a mixed-use walkable town center configuration, would be supported by sound market fundamentals and could capture considerable expenditure from the trade area and beyond.
- The Town Center retail market is strong, supported by a demographic and employment base which is typically sought after by retailers. Gibb's Planning Group's estimated supportable retail square footage tends to be conservative, and the correct combination of land uses and good design may increase the amount of supportable retail space. For example, the demand for walkability is well-documented, and a mix of uses generally increases the desirability of an area.
- While the online retail sector (ecommerce) is growing in popularity, it still accounts for only nine cents for every dollar spent (per Bob Gibbs' presentation to City Council). As such, brick and mortar stores remain the predominate retail form. However, stores are now shuttering at a record pace, and it is estimated that more stores will close this year than during the recession. This is largely due to decades of overbuilding, the rise of online shopping, and changing consumer preferences, which now no longer see traditional retail (especially malls) as entertainment, and are instead pursuing more experience-based retail. Additionally, more stores are adopting an online presence, such as Wal-Mart, in an effort to compete with ecommerce, and some online-only

stores, such as Amazon, are now starting to open brick-and-mortar stores (Wall Street Journal, *Brick-and-Mortar Stores are Shuttering at a Record Pace*, April 21, 2017).

- This concept of experience integrated with retail is critical as an alternative to ecommerce retailing. Provision of a highly programmed engaging “third place” is an important element for modern retail centers.