# DOWNTOWN PORTLAND OFFICE SPACE TRENDS



Prepared for City of Portland
Prepared by Bay Area Economics (BAE)
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#### INTRODUCTION

# **Purpose of Report**

Downtown Portland, located on the Willamette River, serves as the Portland metropolitan region's economic center. The downtown area is a prime location for office space in the region, featuring a well-connected public transportation system, an array of attractive public spaces, and a diverse population. The Portland Bureau of Planning and Sustainability (BPS) is currently working on The Central City 2035 project, an update to the 1988 Central City Plan, to formulate a new vision and address long-term planning issues for Portland's downtown. In support of this effort, BPS retained Bay Area Economics (BAE) to research and analyze historic office development patterns in the Central City.

This report analyzes the pattern of office space development downtown and across the region, and assesses changes in downtown Portland's capture of new office space over time. Portland trends for the past two decades are compared to other regions in the U.S. to provide additional context for the City's historic office development patterns.

This study was conducted in the context of steady employment decentralization across the country. According to a recent Brookings Institution study of the 98 largest metropolitan areas in the U.S., jobs in almost every major industry shifted away from city centers between 1998 and 2006. During this time period, employment growth in the outer-most parts of metropolitan areas far outpaced growth in the urban core; overall, suburban areas saw employment increase by 17 percent between 1998 and 2006, compared to growth of less than one percent in central city areas.<sup>1</sup>

# Methodology

#### **Data Sources**

To provide benchmarks for Portland's office development trends, this report analyzes downtown and regional office space trends for eight comparable cities / regions in the U.S. These peer cities and their regions include:

- 1. Austin, TX
- 2. Charlotte, NC
- 3. Denver, CO
- 4. Nashville, TN
- 5. Sacramento, CA
- 6. San Diego, CA
- 7. San Jose, CA
- 8. Seattle, WA

The Brookings Institution, "Job Sprawl Revisited: The Changing Geography of Metropolitan Employment" (April 2009).

BPS was interested in obtaining a long-term historical view of downtown Portland's office space performance from 1990 to the present. In order to meet this BPS objective, BAE contacted several real estate industry organizations, including the Urban Land Institute, the National Association of Realtors, and the Society of Office and Industrial Realtors, as well as private brokers, to obtain office market data for Portland and the eight comparison regions from 1990 to 2010. However, reliable historical data was difficult to obtain, particularly for years prior to 2000, because many brokers did not maintain computerized databases until the mid-1990s.

Due to the challenges associated with data collection, the analysis of office market trends included in this report is based on data from several sources. BAE obtained historic office market data from Cushman and Wakefield, a private real estate broker, for Portland and six of the peer markets (Charlotte, Denver, Nashville, San Diego, San Jose, and Seattle). For most markets, the Cushman and Wakefield data includes office market trends from 1990 to 2010. To complete the analysis, BAE obtained additional office market data for the remaining markets from Colliers International (Sacramento) and CoStar Group (Austin). This supplemental data, however, is only available for 2000 to 2010. Table 1 summarizes the data source used for Portland and each comparison market, as well as the earliest year for which data is available. Appendix A provides geographic definitions for the Central Business District (CBD) and the region for each market, as defined by the respective real estate broker that provided the data.

TABLE 1: OFFICE MARKET DATA SOURCES

| Region (a) | Data Source            | Earliest Year<br>Available |
|------------|------------------------|----------------------------|
| Portland   | Cushman & Wakefield    | 1990                       |
| Austin     | CoStar (b)             | 2000                       |
| Charlotte  | Cushman & Wakefield    | 2000                       |
| Denver     | Cushman & Wakefield    | 1990                       |
| Nashville  | Cushman & Wakefield    | 1990                       |
| Sacramento | Colliers International | 2000                       |
| San Diego  | Cushman & Wakefield    | 1990                       |
| San Jose   | Cushman & Wakefield    | 1990                       |
| Seattle    | Cushman & Wakefield    | 1990                       |

Note

(a) The same data source is used for a given CBD and region.

(b) Austin data available for CBD only.

Source: BAE, 2010.

Although data from Colliers International and CoStar Group are only used in this analysis for two markets, quarterly office market data was obtained for all markets from these sources. Appendix C provides additional analysis of this supplemental data for 2003 to 2010. Again, it should be noted that the geographic definitions of CBD vary greatly between brokerage firms; thus, only the general trends in Appendix C for the 2003 to 2010 period can be compared to the main data set used in this report due to the different sources of data and their underlying different geographic definitions.

#### Inventories of Multi-Tenant Buildings Only

There is one key caveat that must be applied to all information in this report: the office space inventories tracked by private real estate brokerage firms do not track single-user (e.g., corporate owned and/or occupied) or government-owned office buildings. Thus, the inventories undercount actual square feet of all office space in a geographic location. This key caveat may also impact the findings in this report; if a CBD has numerous single-user occupied corporate buildings, and/or numerous government-owned buildings, the data is not representative of all office space or office-based jobs in the location.

To best describe the type of space included in the brokerage firms' inventories, this report labels all data as "multi-tenant."

For this reason – the office space data does not reflect the full picture of all office occupants – use of brokerage data is not as robust of an analysis of trends as actual employment counts by geography. The Conclusion chapter of this report contains a recommendation for a more comprehensive trends analysis and links to policy implications for Portland's Central City planning process.

#### **Analysis**

To assess the central question of how Portland's CBD has fared in capturing office space development within the region over time, BAE conducted the following analyses:

- Office space concentrations in CBD as percent of regional office space inventory in 1990, 2000, and 2010
- Analysis of employment growth trends, employment composition by industry sector, population growth, household income, and unemployment rates to profile basic differences in the regions' economies as they relate to office market trends

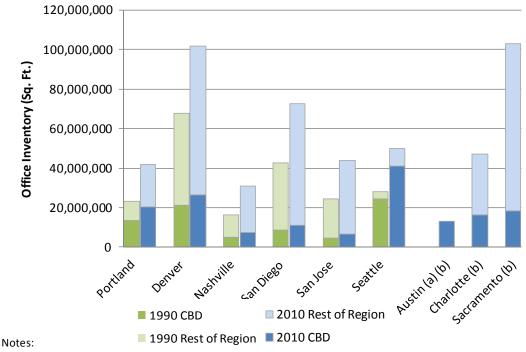
# **OFFICE SPACE TRENDS**

# Regional and CBD Office Inventory

Portland's CBD comprised a larger share of regional multi-tenant office inventory than most of the other peer markets in both 1990 and 2010. Figure 1 illustrates the office inventories for CBDs and regional balances in 1990 and 2010 for Portland and the comparison markets.<sup>2</sup> In second quarter 2010, Portland's CBD had a total office inventory of 20.5 million square feet across all classes, representing 49 percent of the Portland region's total of 41.8 million square feet. Seattle's CBD was the only comparison location with a higher concentration of multi-tenant office space in its CBD than Portland, with 82 percent of Seattle MSA's office space in its CBD. Table 2 provides additional detail on the office inventory in 1990, 2000, and 2010.

On an absolute square footage basis, Portland's current CBD inventory in 2010 is larger, at 20.5 million square feet, than the average office inventory for the eight comparison locations (average 17.6 million square feet), while Portland's regional inventory, at 41.8 million square feet, is smaller than the average for the comparison regions (average of 64.1 million square feet).

FIGURE 1: CBD AND REGIONAL MULTI-TENANT OFFICE INVENTORY, 1990 AND 2010



<sup>(</sup>a) Regional data for Austin not available.

Sources: Cushman & Wakefield, 2010; Colliers, 2010; CoStar, 2010; BAE, 2010.

<sup>(</sup>b) 1990 data unavailable.

<sup>1990</sup> data is unavailable for Austin, Charlotte, and Sacramento. Regional data is not currently available for Austin.

TABLE 2: MULTI-TENANT OFFICE SPACE INVENTORY DETAIL, 1990-2010

|                       | Total C       | Office Inventory | (sq.ft.)    | Square     | e Feet Added in | Period        | Percent Change |               |               |  |
|-----------------------|---------------|------------------|-------------|------------|-----------------|---------------|----------------|---------------|---------------|--|
|                       | 1990          | 2000             | 2010 (a)    | 1990-2000  | 2000-2010 (a)   | 1990-2010 (a) | 1990-2000      | 2000-2010 (a) | 1990-2010 (a) |  |
| Portland CBD          | 13,382,997    | 16,669,172       | 20,548,058  | 3,286,175  | 3,878,886       | 7,165,061     | 24.6%          | 23.3%         | 53.5%         |  |
| Portland Region       | 23,093,753    | 30,534,865       | 41,832,464  | 7,441,112  | 11,297,599      | 18,738,711    | 32.2%          | 37.0%         | 81.1%         |  |
| CBD Share of Region   | 58.0%         | 54.6%            | 49.1%       | 44.2%      | 34.3%           | 38.2%         |                |               |               |  |
| Austin CBD            | NA            | 11,169,641       | 13,168,612  | NA         | 1,998,971       | NA            | NA             | 17.9%         | NA            |  |
| Austin Region         | NA            | NA               | NA          | NA         | NA              | NA            | NA             | NA            | NA            |  |
| CBD Share of Region   | NA            | NA               | NA          | NA         | NA              | NA            |                |               |               |  |
| Charlotte CBD         | NA            | 12,522,885       | 16,273,832  | NA         | 3,750,947       | NA            | NA             | 30.0%         | NA            |  |
| Charlotte Region      | NA            | 34,020,355       | 47,072,794  | NA         | 13,052,439      | NA            | NA             | 38.4%         | NA            |  |
| CBD Share of Region   | NA            | 36.8%            | 34.6%       | NA         | 28.7%           | NA            |                |               |               |  |
| Denver CBD            | 21,081,045    | 22,515,139       | 26,619,436  | 1,434,094  | 4,104,297       | 5,538,391     | 6.8%           | 18.2%         | 26.3%         |  |
| Denver Region         | 67,832,921    | 86,005,755       | 101,650,974 | 18,172,834 | 15,645,219      | 33,818,053    | 26.8%          | 18.2%         | 49.9%         |  |
| CBD Share of Region   | 31.1%         | 26.2%            | 26.2%       | 7.9%       | 26.2%           | 16.4%         |                |               |               |  |
| Nashville CBD         | 5,240,565     | 6,004,122        | 7,560,689   | 763,557    | 1,556,567       | 2,320,124     | 14.6%          | 25.9%         | 44.3%         |  |
| Nashville Region      | 16,547,258    | 22,866,836       | 30,741,103  | 6,319,578  | 7,874,267       | 14,193,845    | 38.2%          | 34.4%         | 85.8%         |  |
| CBD Share of Region   | 31.7%         | 26.3%            | 24.6%       | 12.1%      | 19.8%           | 16.3%         |                |               |               |  |
| Sacramento CBD        | NA            | 14,541,551       | 18,252,970  | NA         | 3,711,419       | NA            | NA             | 25.5%         | NA            |  |
| Sacramento Region     | NA            | 79,065,165       | 102,985,997 | NA         | 23,920,832      | NA            | NA             | 30.3%         | NA            |  |
| CBD Share of Region   | NA            | 18.4%            | 17.7%       | NA         | 15.5%           | NA            |                |               |               |  |
| San Diego CBD         | 8,825,794     | 9,149,425        | 11,087,949  | 323,631    | 1,938,524       | 2,262,155     | 3.7%           | 21.2%         | 25.6%         |  |
| San Diego Region      | 42,800,000    | 49,245,278       | 72,582,356  | 6,445,278  | 23,337,078      | 29,782,356    | 15.1%          | 47.4%         | 69.6%         |  |
| CBD Share of Region   | 20.6%         | 18.6%            | 15.3%       | 5.0%       | 8.3%            | 7.6%          |                |               |               |  |
| San Jose CBD          | 4,753,063     | 5,393,768        | 6,547,818   | 640,705    | 1,154,050       | 1,794,755     | 13.5%          | 21.4%         | 37.8%         |  |
| San Jose Region       | 24,555,764    | 30,039,484       | 43,786,716  | 5,483,720  | 13,747,232      | 19,230,952    | 22.3%          | 45.8%         | 78.3%         |  |
| CBD Share of Region   | 19.4%         | 18.0%            | 15.0%       | 11.7%      | 8.4%            | 9.3%          |                |               |               |  |
| Seattle CBD           | 24,334,705    | 31,906,050       | 40,998,698  | 7,571,345  | 9,092,648       | 16,663,993    | 31.1%          | 28.5%         | 68.5%         |  |
| Seattle Region        | 27,980,725    | 40,054,907       | 49,912,443  | 12,074,182 | 9,857,536       | 21,931,718    | 43.2%          | 24.6%         | 78.4%         |  |
| CBD Share of Region   | 87.0%         | 79.7%            | 82.1%       | 62.7%      | 92.2%           | 76.0%         |                |               |               |  |
| Average of Comparison | n Markets (b) |                  |             |            |                 |               |                |               |               |  |
| CBD                   | 12,847,034    | 14,150,323       | 17,563,751  | 2,146,666  | 3,413,428       | 5,715,884     | 16.7%          | 24.1%         | 44.5%         |  |
| Region                | 35,943,334    | 48,756,826       | 64,104,626  | 9,699,118  | 15,347,800      | 23,791,385    | 27.0%          | 31.5%         | 66.2%         |  |
| CBD Share of Region   | 35.7%         | 29.0%            | 27.4%       | 22.1%      | 22.2%           | 24.0%         |                |               |               |  |
|                       |               |                  |             |            |                 |               |                |               |               |  |

Notes

Sources: Cushman and Wakefield, 2010; Colliers International, 2010; CoStar Group, 2010; BAE, 2010.

<sup>(</sup>a) 2010 data tabulated as of the end of the 2nd Quarter for all markets except Sacramento. Sacramento data based on 1st Quarter 2010.

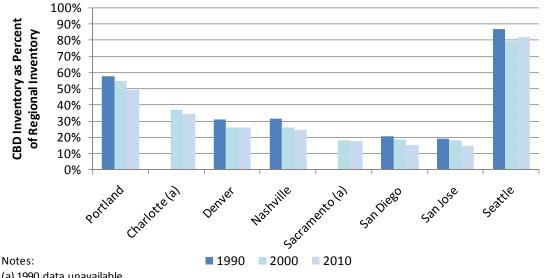
<sup>(</sup>b) Averages calculated among comparison markets for which data is available, excluding Portland.

Portland's CBD exhibited the second highest capture rate of regional office inventory among all comparison regions in both 1990 and 2010 (Seattle's CBD represented the highest share of regional inventory in both periods). Portland's CBD accounted for 58 percent of the region's total office inventory in 1990, compared to average among peer regions of 36 percent. By 2010, Portland's share of region had declined to 49 percent, while the average in comparison CBDs was 27 percent.

The CBD share of regional office space has declined in all markets analyzed over the past two decades. This is consistent with Brookings Institution findings of employment decentralization discussed in the following chapter.

Figure 2 illustrates the CBD share of regional inventory in the 1990, 2000, and 2010 for Portland and the comparison regions, showing how CBD decentralization has been reflected each decade by office space. While Portland's CBD concentration of offices space declined between 1990 and 2010, its rate of decline was slower than the average for other peer locations. In Portland, the CBD's share of total regional office space decreased from 58 percent in 1990 to 49 percent in 2010, an 18 percent drop in share over twenty years. By comparison, the peer markets averaged a 23 percent drop in CBD shares of the respective regions over the same time period.

FIGURE 2: CBD MULTI-TENANT INVENTORY AS PERCENT OF REGIONAL INVENTORY, 1990-2010



(a) 1990 data unavailable.

Sources: Cushman & Wakefield, 2010; Colliers, 2010; BAE, 2010.

# Regional Shifts to Non-CBD Office Space

The shift in multi-tenant office space away from the CBD has occurred as growth in regional office inventories has outpaced CBD office space growth. As shown in Figure 3, regional office inventories experienced larger growth than their respective CBD in all markets. For example, Portland's region as a whole experienced an 81 percent increase in office inventory, topped only by Nashville's region, with an inventory increase of 86 percent over twenty years. On average, the comparison regions' office space inventories grew by 66 percent between 1990 and 2010.

Portland's regional inventory growth has, however, been more modest in terms of absolute square footage due to its smaller size. The Portland region added 18.7 million square feet between 1990 and 2010. The average comparison region added 23.8 million square feet of office space over the same period; Denver led all regions in terms of absolute square footage increase, with 33.8 million square feet of new space, while Nashville saw just 14.2 million square feet of new regional office space between 1990 and 2010.

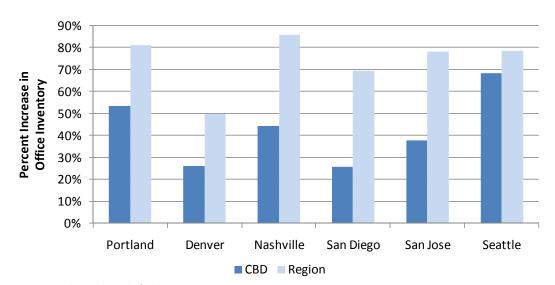


FIGURE 3: PERCENT INCREASE IN MULTI-TENANT OFFICE INVENTORY, 1990-2010

Sources: Cushman & Wakefield, 2010; BAE, 2010.

It is important to note, however, that Portland's office market experienced more substantial growth than the comparison markets for <u>both</u> the CBD and the region as a whole on a percentage basis. Portland's CBD grew by 54 percent over the past twenty years, second to only Seattle, where the CBD experienced a 69 percent increase in office square footage between 1990 and 2010. On average, the comparison CBDs grew by 45 percent during this time period.

In addition to a faster than average growth rate, Portland's CBD saw a larger increase in inventory than most comparison markets, in terms of actual square footage. Figure 4 illustrates the new office inventory added between 1990 and 2010 for the CBD and the rest of the region. As shown, Portland's CBD added 7.2 million square feet over twenty years, the second largest inventory expansion after Seattle's CBD.

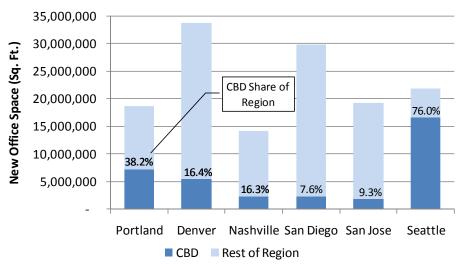


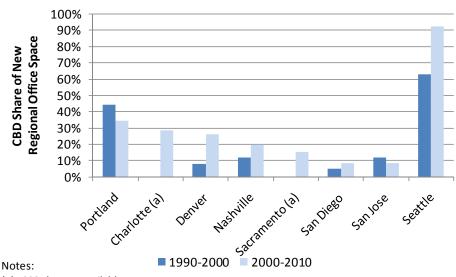
FIGURE 4: NEW MULTI-TENANT OFFICE INVENTORY (SQ. FT.), 1990-2010

Sources: Cushman & Wakefield, 2010; BAE, 2010.

With the exception of Seattle, Portland's CBD had the highest capture rate of new regional office space between 1990 and 2010. As indicated in Figure 4, over 38 percent of new office space was captured by the CBD. In Denver, Nashville, San Diego, and San Jose, the CBD represented an average of 12 percent of new regional office space. These data indicate that while national trends appear to be creating regional decentralization, Portland's CBD did better than the comparison cities in terms of attracting new office space, helping the CBD to retain its position as a center for office space within the region, albeit at a lower concentration in 2010 than 1990.

Figure 5 provides a more detailed analysis on a decade-by-decade basis of the CBD's share of regional office development. Portland's CBD captured a larger share of regional office development than all regions except Seattle in both decades. However, while most comparison jurisdictions saw an increased share of office growth in the CBD during the last ten years, compared to the 1990-2000 period, Portland CBD's share of regional office growth for the most recent ten-year period, from 2000 to 2010, was actually lower than the 1990 to 2000 time period. In contrast, four of the five markets for which complete data is available, the CBD's capture of regional office space growth rose in the last 10 years compared to the previous decade. Portland and San Jose were the only two markets in which the CBD's capture rate of new office development fell between 2000 and 2010. Thus, this decade-by-decade analysis suggests that while Portland's 20 year overall trend has been relatively positive, its more recent CBD position appears to be losing ground relative to its own prior performance as well as to some other comparison locations.

FIGURE 5: CBD SHARE OF NEW REGIONAL MULTI-TENANT OFFICE INVENTORY, 1990 TO 2000 & 2000 TO-2010

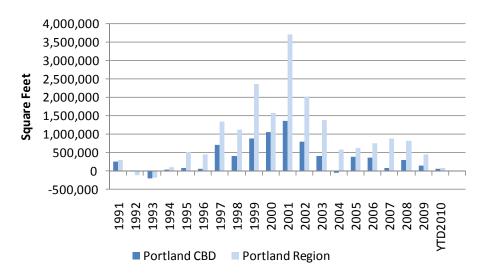


(a) 1990 data unavailable.

Sources: Cushman & Wakefield, 2010; Colliers, 2010; BAE, 2010.

Portland's lower CBD capture rate of new office space within the region between 2000 and 2010 can be pinpointed to the period when regional space increased substantially, which occurred during the early years of the decade. As shown in Figure 6, the Portland region added substantial new space between 2001 and 2003. In 2001 alone, over 3.5 million square feet was added to the region's office inventory. While CBD's office inventory also grew during this time, the rest of the region's (e.g., non-CBD) growth during these years in particular was much more substantial.

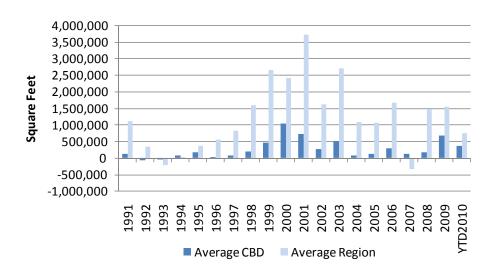
FIGURE 6: ANNUAL CHANGE IN MULTI-TENANT OFFICE INVENTORY, PORTLAND, 1990-2010



Sources: Cushman & Wakefield, 2010; BAE, 2010.

Portland's annual office development trends follows patterns exhibited in the comparison markets. Figure 7 illustrates the average annual change in office inventory across the peer markets. As shown, peak office development occurred in 2001 on average for the comparison regions, before declining to lower levels in subsequent years. The slower growth after 2001 coincides with the dot-com era bust and associated economic downturn.

FIGURE 7: ANNUAL CHANGE IN MULTI-TENANT OFFICE INVENTORY, COMPARISON REGIONS, 1990-2010



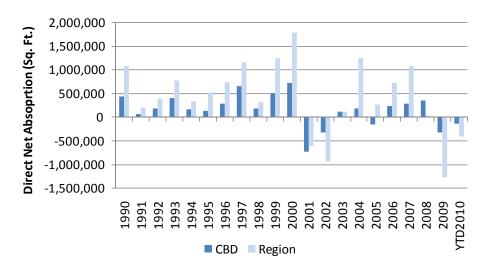
Sources: Cushman & Wakefield, 2010; Colliers, 2010; Costar, 2010; BAE, 2010.

# **Absorption**

Absorption refers to the change in occupied space. This analysis focuses on direct net absorption, which measures the total space leased less the total space vacated over a given period of time. Subleases and lease renewals are not factored into direct net absorption unless the renewal includes leasing of additional space.

As shown in Figure 8, the Portland CBD and region experienced positive direct net absorption between 1990 and 2000, with absorption generally increasing over the decade. Absorption fell into negative numbers in 2001 and 2002 as the economy weakened, while substantial amounts of new office space continued to enter the market. Net absorption was again negative in 2009 and 2010, reflecting the current economic recession.

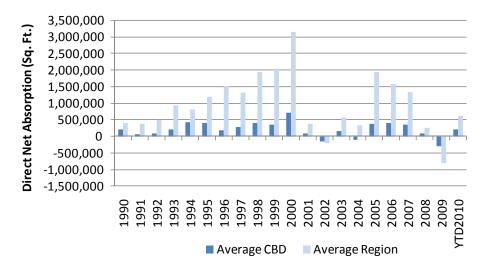
FIGURE 8: DIRECT NET ABSORPTION, MULTI-TENANT OFFICE SPACE IN PORTLAND, 1990-2010



Sources: Cushman & Wakefield, 2010; BAE, 2010.

Portland's peer cities and regions exhibited similar absorption trends, with increasing positive absorption between 1990 and 2000 (see Figure 9). On average, absorption was substantially lower or negative between 2001 and 2005. Although absorption rebounded between 2005 and 2007, subsequent years saw minimal or negative absorption as a result of the Great Recession.

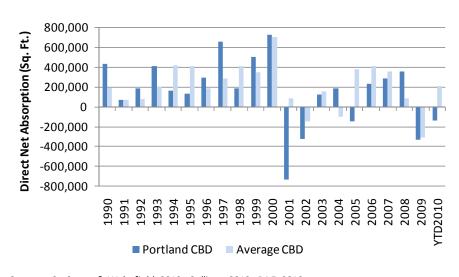
FIGURE 9: AVERAGE DIRECT NET ABSORPTION, MULTI-TENANT OFFICE SPACE IN COMPARISON REGIONS, 1990-2010



Sources: Cushman & Wakefield, 2010; Colliers, 2010; BAE, 2010.

Figure 10 compares direct net absorption in the Portland CBD and the peer markets' CBDs. The Portland CBD outperformed the comparison CBDs for most of the 1990s; with the exception of 1994 and 1995, direct net absorption in the Portland CBD exceeded the average absorption across comparison CBDs. However, since 2001, the comparison CBDs have generally exhibited better net absorption trends than the Portland CBD.

FIGURE 10: DIRECT NET ABSORPTION FOR MULTI-TENANT OFFICE SPACE, PORTLAND AND COMPARISON CBDS, 1990-2010



Sources: Cushman & Wakefield, 2010; Colliers, 2010; BAE, 2010.

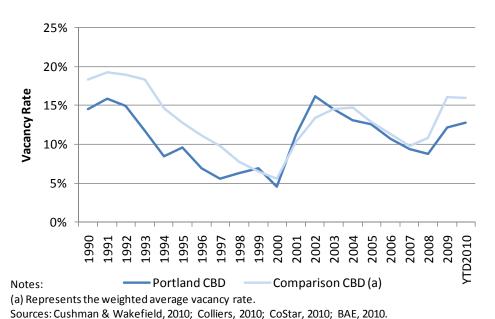
#### **Vacancies**

In the first quarter of 2010, the vacancy rate for Portland office space stood at 12.8 percent in the CBD and 17.8 percent in the region as a whole. Vacancies in the peer regions exhibited similar patterns to Portland. CBD vacancies were generally lower than the region's as whole, particularly after 1997.

Figure 11 illustrates the vacancy rate for Portland's CBD and the weighted average for the comparison CBDs between 1990 and 2010 while Figure 12 details vacancy rates for Portland and the comparison regions.

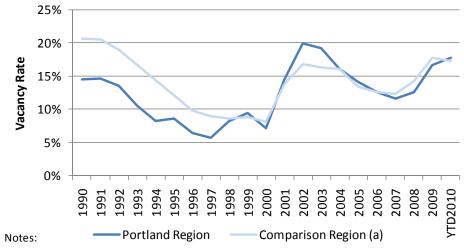
Overall, Portland's vacancy rate for both the CBD and region was lower than the average for comparison cities between 1990 and 2010. However, between 2001 and 2006, Portland's vacancy rate for both the CBD and region were higher than the average peer market's vacancy. The period of higher vacancy in Portland corresponds with the dot-com bust as well as several years of negative absorption and substantial new office development in the region. As discussed in the following chapter, the dot-com bust resulted in significant job loss within Downtown Portland; between 2001 and 2002 alone, the CBD lost approximately 4,700 jobs. At the same time, the Portland region and CBD experienced a large amount of office growth in the early part of the decade, particularly in 2001. The growing office inventory likely contributed to higher vacancy rates as the new space took time to be absorbed by the market.

FIGURE 11: TOTAL VACANCY RATE, MULTI-TEANANT OFFICE SPACE IN CBDs, 1990 TO 2010



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FIGURE 12: TOTAL VACANCY RATE, MULTI-TENANT OFFICE SPACE, REGIONS, 1990 TO 2010



(a) Represents the weighted average vacancy rate.

Sources: Cushman & Wakefield, 2010; Colliers, 2010; CoStar, 2010; BAE, 2010.

# **ECONOMIC TRENDS UNDERLYING OFFICE SPACE DEMAND**

This chapter summarizes several economic indicators for the comparison regions, to provide background information for the office space trends described in the preceding chapter. This chapter also provides detailed data regarding the composition of jobs within each region's economy, including office-based employment trends.

This analysis presents data for the cities and their respective regions, defined as the metropolitan statistical areas (MSAs), for the period from 1990 to 2009 or 2010.<sup>3</sup> Appendix B defines the MSAs used for Portland and each of the eight comparison areas. It is important to note that the following data defines regions as MSAs per Census, in contrast to the less systematic definitions uses by real estate brokers for the respective regions; thus, some of the trends and information presented below may not align directly with the geographic trends outlined in the previous chapter regarding office space.

# **Regional Trends**

#### **Regional Employment Growth**

The Portland region contained approximately 972,400 jobs in 2009, a 33 percent increase over the number of regional jobs in 1990, when the region had 730,500 jobs. On average, Portland's regional employment base was slightly smaller than the comparison regions in both 1990 and 2009. Employment in the comparison regions averaged 754,100 jobs in 1990 and 1.0 million jobs in 2009 (see Table 3 on next page).

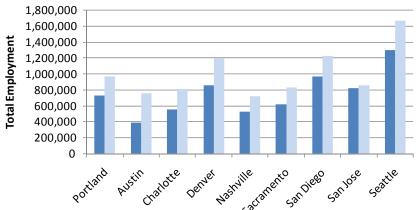


FIGURE 13: REGIONAL EMPLOYMENT, 1990 AND 2009

<sup>■ 1990 ■ 2009</sup>Sources: U.S. Bureau of Labor Statistics, 2010; BAE, 2010.

MSAs are geographic regions defined by the U.S. Office of Management and Budget for the purpose of collecting, tabulating, and publishing federal data. MSA's generally consist of at least one urbanized area, along with adjacent communities that have a high degree of social and economic integration with that core.

On average, employment has grown faster in the comparison regions than in the Portland region between 1990 and 2009. Five of the eight peer regions experienced more rapid employment growth; only San Diego, San Jose, and Seattle MSAs exhibited slower growth than Portland. The Austin region experienced the most substantial employment growth, with a 95 percent increase in the number of jobs between 1990 and 2009. At the other end of the spectrum, the San Jose region experienced just a four percent increase in jobs during this time period. It should be noted that while San Jose MSA experienced significant job growth during the dot-com boom, the region lost a large number of jobs after the dot-com bubble burst in the early 2000s, resulting in 2009 job levels only slightly higher than in 1990.

100% Percent Change in Employment 90% 80% 70% 60% 50% 40% 30% 20% 10% 0% ento santiego saniose seatule Charlotte Austin Denver

FIGURE 14: RATE OF REGIONAL EMPLOYMENT GROWTH, 1990-2009

Sources: U.S. Bureau of Labor Statistics, 2010; BAE, 2010.

TABLE 3: ECONOMIC INDICATORS FOR PEER REGIONS

|   | To         | otal Jobs (a | )       | F         | Population |         | Lai       | Labor Force (b) |         | Unempl<br>Rate | •     | Median Household Income |          |         |  |  |  |
|---|------------|--------------|---------|-----------|------------|---------|-----------|-----------------|---------|----------------|-------|-------------------------|----------|---------|--|--|--|
| -                                       |            |              | Percent |           |            | Percent |           |                 | Percent |                |       |                         |          | Percent |  |  |  |
| -                                       | 1990       | 2009         | Change  | 1990      | 2009       | Change  | 1990      | 2010            | Change  | 1990           | 2010  | 1990                    | 2009     | Change  |  |  |  |
| Portland City                           | N/A        | N/A          | N/A     | 485,833   | 562,077    | 15.7%   | 242,062   | 303,795         | 25.5%   | 5.3%           | 10.3% | \$25,776                | \$48,149 | 86.8%   |  |  |  |
| Portland Region                         | 730,500    | 972,400      | 33.1%   | 1,523,741 | 2,218,761  | 45.6%   | 853,381   | 1,164,136       | 36.4%   | 4.3%           | 11.0% | \$31,025                | \$56,392 | 81.8%   |  |  |  |
| City Share of Region                    |            |              |         | 31.9%     | 25.3%      | -20.5%  | 28.4%     | 26.1%           | -8.0%   |                |       |                         |          |         |  |  |  |
| Austin City                             | N/A        | N/A          | N/A     | 499,053   | 749,861    | 50.3%   | 270,480   | 427,959         | 58.2%   | 5.3%           | 6.6%  | \$26,099                | \$47,972 | 83.8%   |  |  |  |
| Austin Region                           | 388,900    | 758,100      | 94.9%   | 846,217   | 1,659,847  | 96.1%   | 476,501   | 904,502         | 89.8%   | 4.9%           | 7.3%  | \$27,957                | \$56,899 | 103.5%  |  |  |  |
| City Share of Region                    |            |              |         | 59.0%     | 45.2%      | -23.4%  | 56.8%     | 47.3%           | -16.6%  |                |       |                         |          |         |  |  |  |
| Charlotte City                          | N/A        | N/A          | N/A     | 428,283   | 653,491    | 52.6%   | 231,672   | 345,486         | 49.1%   | 3.0%           | 10.4% | \$32,363                | \$51,904 | 60.4%   |  |  |  |
| Charlotte Region                        | 550,000    | 810,200      | 47.3%   | 1,024,331 | 1,720,586  | 68.0%   | 581,022   | 856,015         | 47.3%   | 3.2%           | 12.8% | \$31,541                | \$54,037 | 71.3%   |  |  |  |
| City Share of Region                    |            |              |         | 41.8%     | 38.0%      | -9.2%   | 39.9%     | 40.4%           | 1.2%    |                |       |                         |          |         |  |  |  |
| Denver City                             | N/A        | N/A          | N/A     | 467,153   | 596,565    | 27.7%   | 252,894   | 313,671         | 24.0%   | 5.6%           | 9.1%  | \$25,101                | \$46,474 | 85.1%   |  |  |  |
| Denver Region                           | 856,000    | 1,198,400    | 40.0%   | 1,666,935 | 2,528,842  | 51.7%   | 942,419   | 1,346,980       | 42.9%   | 4.5%           | 8.4%  | \$32,938                | \$60,248 | 82.9%   |  |  |  |
| City Share of Region                    |            |              |         | 28.0%     | 23.6%      | -15.8%  | 26.8%     | 23.3%           | -13.2%  |                |       |                         |          |         |  |  |  |
| Nashville City                          | N/A        | N/A          | N/A     | 488,364   | 601,095    | 23.1%   | 275,724   | 315,817         | 14.5%   | 3.8%           | 9.2%  | \$27,818                | \$46,109 | 65.8%   |  |  |  |
| Nashville Region                        | 526,600    | 723,700      | 37.4%   | 1,048,218 | 1,568,642  | 49.6%   | 557,345   | 784,290         | 40.7%   | 4.3%           | 9.7%  | \$29,630                | \$51,427 | 73.6%   |  |  |  |
| City Share of Region                    |            |              |         | 46.6%     | 38.3%      | -17.8%  | 49.5%     | 40.3%           | -18.6%  |                |       |                         |          |         |  |  |  |
| Sacramento City                         | N/A        | N/A          | N/A     | 368,923   | 475,422    | 28.9%   | 176,219   | 218,462         | 24.0%   | 5.6%           | 15.1% | \$28,159                | \$48,410 | 71.9%   |  |  |  |
| Sacramento Region                       | 618,700    | 833,500      | 34.7%   | 1,481,126 | 2,143,806  | 44.7%   | 749,986   | 1,055,942       | 40.8%   | 4.8%           | 12.9% | \$32,728                | \$59,886 | 83.0%   |  |  |  |
| City Share of Region                    |            |              |         | 24.9%     | 22.2%      | -11.0%  | 23.5%     | 20.7%           | -11.9%  |                |       |                         |          |         |  |  |  |
| San Diego City                          | N/A        | N/A          | N/A     | 1,111,048 | 1,308,416  | 17.8%   | 557,587   | 694,555         | 24.6%   | 4.7%           | 10.7% | \$33,689                | \$60,318 | 79.0%   |  |  |  |
| San Diego Region                        | 966,600    | 1,229,800    | 27.2%   | 2,498,016 | 3,064,619  | 22.7%   | 1,215,650 | 1,555,918       | 28.0%   | 4.6%           | 10.7% | \$35,020                | \$62,468 | 78.4%   |  |  |  |
| City Share of Region                    |            |              |         | 44.5%     | 42.7%      | -4.0%   | 45.9%     | 44.6%           | -2.7%   |                |       |                         |          |         |  |  |  |
| San Jose City                           | N/A        | N/A          | N/A     | 784,324   | 963,667    | 22.9%   | 434,202   | 459,636         | 5.9%    | 4.7%           | 13.0% | \$46,187                | \$83,106 | 79.9%   |  |  |  |
| San Jose Region                         | 824,300    | 855,800      | 3.8%    | 1,534,280 | 1,852,234  | 20.7%   | 873,717   | 899,722         | 3.0%    | 4.2%           | 12.1% | \$47,795                | \$87,732 | 83.6%   |  |  |  |
| City Share of Region                    |            |              |         | 51.1%     | 52.0%      | 1.8%    | 49.7%     | 51.1%           | 2.8%    |                |       |                         |          |         |  |  |  |
| Seattle City                            | N/A        | N/A          | N/A     | 516,262   | 602.016    | 16.6%   | 302,795   | 372.834         | 23.1%   | 4.6%           | 7.8%  | \$29,353                | \$56,730 | 93.3%   |  |  |  |
| - · · · · · · · · · · · · · · · · · · · | 1,301,800  | 1,668,700    | 28.2%   | 2,559,164 | 3,381,567  | 32.1%   | 1,395,793 | 1,880,738       | 34.7%   | 4.1%           | 9.5%  | \$35,041                | \$63,787 | 82.0%   |  |  |  |
| City Share of Region                    |            |              |         | 20.2%     | 17.8%      | -11.7%  | 21.7%     | 19.8%           | -8.6%   |                |       |                         |          |         |  |  |  |
| Average of Comparison                   | on Markets | s (c)        |         |           |            |         |           |                 |         |                |       |                         |          |         |  |  |  |
| City                                    | N/A        | N/A          | N/A     | 582,926   | 743,817    | 27.6%   | 312,697   | 393,553         | 25.9%   | 4.7%           | 10.1% | \$32,464                | \$57,391 | 76.8%   |  |  |  |
| Region                                  | 754,113    | 1,009,775    | 33.9%   | 1,582,286 | 2,240,018  | 41.6%   | 849,054   | 1,160,513       | 36.7%   | 5.6%           | 9.7%  | \$34,830                | \$62,414 | 79.2%   |  |  |  |
| City Share of Region                    |            |              |         | 36.8%     | 33.2%      | -9.9%   | 36.8%     | 33.9%           | -7.9%   |                |       |                         |          |         |  |  |  |

Sources: Claritas, 2009; U.S. Bureau of Labor Statistics, 2010; BAE, 2010.

<sup>(</sup>a) Employment data not available at City-level.

<sup>(</sup>b) Labor force and unemployment data for 2010 reported for February 2010.

<sup>(</sup>c) Excludes Portland. Weighted average shown for median household income and unemployment rate.

#### Regional Population, Labor Force, Unemployment, and Income Trends

As shown on Table 3 on the preceding page, the Portland MSA and each of the peer regions exhibited somewhat different profiles in terms of population growth, labor force changes, and unemployment levels between 1990 and 2009 (latest year of full data available). These indicators are summarized below with respect to Portland and its MSA, and profiled more comprehensively in the Conclusion chapter.

Although Portland's regional job base increased 33 percent between 1990 and 2009, its regional population grew more rapidly, increasing by almost 46 percent for the same period. Portland's regional labor force also increased by 36 percent, leading to rising unemployment rates, which grew from 4.3 percent in 1990 to 11.0 percent in the 2<sup>nd</sup> quarter of 2010. The Portland MSA's unemployment rate of 11.0 percent in 2010 is the fourth highest among the peer regions, outranked by Sacramento, Charlotte, and San Jose MSAs.

All of the regions exhibited a declining share of population located within the core city of the region, except for San Jose, which experienced a slight increase in its core city share of MSA population. Portland MSA's share of population in its core city declined from 32 percent in 1990 to just 25 percent by 2009, a drop of 21 percent during the decade. All of the regions experienced a drop in labor force within their respective core cities as well, with the exception of San Jose and Charlotte.

Reflecting these varying trends, each region and its core city have different profiles regarding the median household income of its residents. In 1990, Portland ranked third lowest in its median household income for core city residents, with only Austin and Denver having slightly lower median incomes. By 2009, due to relatively rapid growth in household incomes, Portland's core city moved up one step in rankings, with Austin, Denver, and Nashville falling lower than Portland. Interestingly, just Portland and Seattle's core cities' median household incomes grew more rapidly than their respective regional incomes overall, reflecting the office space standing of their CBDs in terms of relative strength within their regions during the same time period.

# **Employment by Industry Sector**

Table 4 presents a distribution of jobs by industry sector in the Portland MSA and the comparison regions for 1990 and 2009. Industries typically associated with office use are shaded and totaled at the bottom of the table to represent an estimate of the region's office-based employment. These office-related industries include Information; Finance & Insurance; Real Estate & Rental Leasing; Professional, Scientific, and Technical Skills; Management of Companies and Enterprises; Administration & Support & Waste Management; and Government.

TABLE 4: DISTRIBUTION OF REGIONAL (MSA) JOBS BY INDUSTRY, 1990-2009

|                                    | Po      | ortland | -Vancouv | er-Hillsl | boro MSA  |       | Au      | Austin-Round Rock-San Marcos MSA |         |      |          |       | Charlotte-Gastonia-Rock Hill NC-SC MSA |      |         |      |           |       |
|------------------------------------|---------|---------|----------|-----------|-----------|-------|---------|----------------------------------|---------|------|----------|-------|--|------|---------|------|-----------|-------|
|                                    |         |         |          |           | Chan      | ge    |         |                                  |         |      | Chan     | ge    |  |      |         |      | Chan      | ge    |
|                                    | 1990    | )       | 2009     | 9         | 1990-2    | 009   | 1990    | )                                | 2009    | •    | 1990-2   | 009   | 1990                                   | )    | 2009    | )    | 1990-2    | 009   |
| Industry Sector (a)                | Number  | Pct     | Number   | Pct       | Number    | % Chg | Number  | Pct                              | Number  | Pct  | Number   | % Chg | Number                                 | Pct  | Number  | Pct  | Number    | % Chg |
| Mining, Logging, and Construction  | 39,000  | 5%      | 50,400   | 5%        | 11,400    | 29%   | 13,100  | 3%                               | 40,800  | 5%   | 27,700   | 211%  | 35,000                                 | 6%   | 42,200  | 5%   | 7,200     | 21%   |
| Manufacturing                      | 124,900 | 17%     | 108,600  | 11%       | (16, 300) | -13%  | 47,500  | 12%                              | 48,300  | 6%   | 800      | 2%    | 124,300                                | 23%  | 68,500  | 8%   | (55, 800) | -45%  |
| Wholesale Trade                    | 41,600  | 6%      | 54,400   | 6%        | 12,800    | 31%   | 12,300  | 3%                               | 38,000  | 5%   | 25,700   | 209%  | 34,800                                 | 6%   | 45,200  | 6%   | 10,400    | 30%   |
| Retail Trade                       | 82,600  | 11%     | 100,900  | 10%       | 18,300    | 22%   | 42,500  | 11%                              | 82,000  | 11%  | 39,500   | 93%   | 64,700                                 | 12%  | 90,300  | 11%  | 25,600    | 40%   |
| Transportation & Utilities         | 31,700  | 4%      | 34,300   | 4%        | 2,600     | 8%    | 5,900   | 2%                               | 12,800  | 2%   | 6,900    | 117%  | 29,700                                 | 5%   | 33,000  | 4%   | 3,300     | 11%   |
| Information                        | 16,100  | 2%      | 22,900   | 2%        | 6,800     | 42%   | 10,400  | 3%                               | 19,800  | 3%   | 9,400    | 90%   | 16,000                                 | 3%   | 21,300  | 3%   | 5,300     | 33%   |
| Finance & Insurance                | 30,000  | 4%      | 41,200   | 4%        | 11,200    | 37%   | 16,700  | 4%                               | 30,100  | 4%   | 13,400   | 80%   | 23,300                                 | 4%   | 57,600  | 7%   | 34,300    | 147%  |
| Real Estate and Rental Leasing     | 20,000  | 3%      | 23,000   | 2%        | 3,000     | 15%   | 6,200   | 2%                               | 13,600  | 2%   | 7,400    | 119%  | 8,100                                  | 1%   | 12,500  | 2%   | 4,400     | 54%   |
| Prof., Scientific, & Tech. Skills  | 36,300  | 5%      | 51,900   | 5%        | 15,600    | 43%   | 20,000  | 5%                               | 57,100  | 8%   | 37,100   | 186%  | 19,400                                 | 4%   | 43,500  | 5%   | 24,100    | 124%  |
| Mgmt of Companies & Enterprises    | 10,200  | 1%      | 23,400   | 2%        | 13,200    | 129%  | 1,800   | 0%                               | 5,700   | 1%   | 3,900    | 217%  | 15,600                                 | 3%   | 25,700  | 3%   | 10,100    | 65%   |
| Admin/Support & Waste Mgmt         | 31,000  | 4%      | 49,100   | 5%        | 18,100    | 58%   | 14,800  | 4%                               | 43,700  | 6%   | 28,900   | 195%  | 25,600                                 | 5%   | 55,500  | 7%   | 29,900    | 117%  |
| Educational Services               | 11,700  | 2%      | 23,200   | 2%        | 11,500    | 98%   | 4,200   | 1%                               | 11,600  | 2%   | 7,400    | 176%  | 1,400                                  | 0%   | 12,800  | 2%   | 11,400    | 814%  |
| Health Care & Social Assistance    | 61,800  | 8%      | 111,700  | 11%       | 49,900    | 81%   | 31,900  | 8%                               | 71,700  | 9%   | 39,800   | 125%  | 28,000                                 | 5%   | 68,700  | 8%   | 40,700    | 145%  |
| Arts, Entertainment and Recreation | 9,900   | 1%      | 13,900   | 1%        | 4,000     | 40%   | 5,400   | 1%                               | 10,000  | 1%   | 4,600    | 85%   | 9,600                                  | 2%   | 16,900  | 2%   | 7,300     | 76%   |
| Accomodation & Food Services       | 53,700  | 7%      | 80,100   | 8%        | 26,400    | 49%   | 29,700  | 8%                               | 73,300  | 10%  | 43,600   | 147%  | 34,700                                 | 6%   | 69,900  | 9%   | 35,200    | 101%  |
| Other Services                     | 25,700  | 4%      | 35,200   | 4%        | 9,500     | 37%   | 15,400  | 4%                               | 33,200  | 4%   | 17,800   | 116%  | 17,800                                 | 3%   | 31,200  | 4%   | 13,400    | 75%   |
| Government                         | 104,300 | 14%     | 148,200  | 15%       | 43,900    | 42%   | 111,100 | 29%                              | 166,400 | 22%  | 55,300   | 50%   | 62,000                                 | 11%  | 115,400 | 14%  | 53,400    | 86%   |
|                                    |         |         |          |           |           |       |         |                                  |         |      |          |       |  |      |         |      |           |       |
| Total Employment                   | 730,500 | 100%    | 972,400  | 100%      | 241,900   | 33%   | 388,900 | 100%                             | 758,100 | 100% | 369, 200 | 95%   | 550,000                                | 100% | 810,200 | 100% | 260,200   | 47%   |
| Office Employment (a)              | 247,900 | 34%     | 359,700  | 37%       | 111,800   | 45%   | 181,000 | 47%                              | 336,400 | 44%  | 155, 400 | 86%   | 170,000                                | 31%  | 331,500 | 41%  | 161,500   | 95%   |
|                                    |         |         |          |           |           |       |         |                                  |         |      |          |       |  |      |         |      |           |       |

<sup>(</sup>a) Shaded industries represent sectors typically associated with office use.

<sup>(</sup>b) Data is not available due to confidentiality agreements. Sector-level employment included in "Total Employment."

TABLE 4: DISTRIBUTION OF REGIONAL (MSA) JOBS BY INDUSTRY, 1990-2009, CONT.

|                                    | Denver-Aurora MSA |      |           |      |          |       | Nashville- Davidson-Murfreesboro-Franklin MSA |     |         |     |           | Sacramento-Arden Arcade-Roseville MSA |         |      |         |      |         |       |
|------------------------------------|-------------------|------|-----------|------|----------|-------|---|-----|---------|-----|-----------|---------------------------------------|---------|------|---------|------|---------|-------|
| •                                  |                   |      |           |      | Chan     | ge    |   |     |         |     | Chan      | ge                                    |         |      |         |      | Chan    | ge    |
| _                                  | 1990              | )    | 2009      |      | 1990-2   | 009   | 1990  | )   | 2009    | )   | 1990-2    | 009                                   | 1990    | )    | 2009    | •    | 1990-2  | .009  |
| Industry Sector (a)                | Number            | Pct  | Number    | Pct  | Number   | % Chg | Number  | Pct | Number  | Pct | Number    | % Chg                                 | Number  | Pct  | Number  | Pct  | Number  | % Chg |
| Mining, Logging, and Construction  | 42,800            | 5%   | 76,600    | 6%   | 33,800   | 79%   | 22,500  | 4%  | 31,500  | 4%  | 9,000     | 40%                                   | 42,600  | 7%   | 43,500  | 5%   | 900     | 2%    |
| Manufacturing                      | 84,800            | 10%  | 63,000    | 5%   | (21,800) | -26%  | 87,300  | 17% | 62,200  | 9%  | (25, 100) | -29%                                  | 39,300  | 6%   | 34,400  | 4%   | (4,900) | -12%  |
| Wholesale Trade                    | 52,800            | 6%   | 62,300    | 5%   | 9,500    | 18%   | 29,100  | 6%  | 36,100  | 5%  | 7,000     | 24%                                   | 19,900  | 3%   | 24,100  | 3%   | 4,200   | 21%   |
| Retail Trade                       | 91,500            | 11%  | 120,600   | 10%  | 29,100   | 32%   | 63,900  | 12% | 83,000  | 11% | 19,100    | 30%                                   | 77,500  | 13%  | 87,100  | 10%  | 9,600   | 12%   |
| Transportation & Utilities         | 39,700            | 5%   | 47,600    | 4%   | 7,900    | 20%   | 21,600  | 4%  | 28,000  | 4%  | 6,400     | 30%                                   | 16,200  | 3%   | 23,300  | 3%   | 7,100   | 44%   |
| Information                        | 35,100            | 4%   | 46,300    | 4%   | 11,200   | 32%   | 16,300  | 3%  | 20,400  | 3%  | 4, 100    | 25%                                   | 15,000  | 2%   | 18,300  | 2%   | 3,300   | 22%   |
| Finance & Insurance                | 47,600            | 6%   | 67,700    | 6%   | 20,100   | 42%   | (b)   | N/A | (b)     | N/A | N/A       | N/A                                   | 29,300  | 5%   | 41,000  | 5%   | 11,700  | 40%   |
| Real Estate and Rental Leasing     | 18,600            | 2%   | 24,800    | 2%   | 6,200    | 33%   | (b)   | N/A | (b)     | N/A | N/A       | N/A                                   | 11,200  | 2%   | 12,600  | 2%   | 1,400   | 13%   |
| Prof., Scientific, & Tech. Skills  | 62,900            | 7%   | 100,100   | 8%   | 37,200   | 59%   | 16,500  | 3%  | 37,600  | 5%  | 21,100    | 128%                                  | 27,300  | 4%   | 52,100  | 6%   | 24,800  | 91%   |
| Mgmt of Companies & Enterprises    | 11,500            | 1%   | 23,300    | 2%   | 11,800   | 103%  | 3,300   | 1%  | 9,900   | 1%  | 6,600     | 200%                                  | 5,600   | 1%   | 9,000   | 1%   | 3,400   | 61%   |
| Admin/Support & Waste Mgmt         | 55,100            | 6%   | 78,800    | 7%   | 23,700   | 43%   | 22,400  | 4%  | 44,700  | 6%  | 22,300    | 100%                                  | 22,000  | 4%   | 39,600  | 5%   | 17,600  | 80%   |
| Educational Services               | 9,600             | 1%   | 20,400    | 2%   | 10,800   | 113%  | 13,700  | 3%  | 21,200  | 3%  | 7,500     | 55%                                   | 5,100   | 1%   | 13,000  | 2%   | 7,900   | 155%  |
| Health Care & Social Assistance    | 62,500            | 7%   | 117,300   | 10%  | 54,800   | 88%   | 48,600  | 9%  | 93,900  | 13% | 45,300    | 93%                                   | 48,300  | 8%   | 86,400  | 10%  | 38,100  | 79%   |
| Arts, Entertainment and Recreation | 8,200             | 1%   | 20,600    | 2%   | 12,400   | 151%  | (b)   | N/A | (b)     | N/A | N/A       | N/A                                   | 9,200   | 1%   | 13,400  | 2%   | 4,200   | 46%   |
| Accomodation & Food Services       | 69,600            | 8%   | 105,200   | 9%   | 35,600   | 51%   | (b)   | N/A | (b)     | N/A | N/A       | N/A                                   | 44,200  | 7%   | 68,500  | 8%   | 24,300  | 55%   |
| Other Services                     | 32,500            | 4%   | 47,600    | 4%   | 15,100   | 46%   | 20,700  | 4%  | 30,100  | 4%  | 9,400     | 45%                                   | 21,700  | 4%   | 28,700  | 3%   | 7,000   | 32%   |
| Government                         | 131,200           | 15%  | 176,200   | 15%  | 45,000   | 34%   | 72,100  | 14% | 104,600 | 14% | 32,500    | 45%                                   | 184,300 | 30%  | 238,500 | 29%  | 54,200  | 29%   |
|                                    |                   |      |           |      |          |       |   |     | -       |     |           |                                       |         |      |         |      |         |       |
| Total Employment                   | 856,000           | 100% | 1,198,400 | 100% | 342,400  | 40%   | 526,600                                       | 83% | 723,700 | 83% | 197,100   | 37%                                   | 618,700 | 100% | 833,500 | 100% | 214,800 | 35%   |
| Office Employment (a)              | 362,000           | 42%  | 517,200   | 43%  | 155,200  | 43%   | 130,600                                       | 25% | 217,200 | 30% | 86,600    | 66%                                   | 294,700 | 48%  | 411,100 | 49%  | 116,400 | 39%   |

<sup>(</sup>a) Shaded industries represent sectors typically associated with office use.

<sup>(</sup>b) Data is not available due to confidentiality agreements. Sector-level employment included in "Total Employment."

TABLE 4: DISTRIBUTION OF REGIONAL (MSA) JOBS BY INDUSTRY, 1990-2009, CONT.

|                                    | Sa      | n Dieg | o-Carlsbad- | San Ma | arcos MSA | ı.    | San     | San Jose-Sunnyvale-Santa Clara MSA |         |      |           |       |           | Seattle-Tacoma-Bellevue MSA |           |     |           |       |
|------------------------------------|---------|--------|-------------|--------|-----------|-------|---------|------------------------------------|---------|------|-----------|-------|-----------|-----------------------------|-----------|-----|-----------|-------|
| •                                  |         |        |             |        | Chan      | ge    |         |                                    |         |      | Chan      | ge    |           |                             |           |     | Chan      | ge    |
|                                    | 1990    | )      | 2009        |        | 1990-2    | 009   | 1990    | )                                  | 2009    | )    | 1990-2    | 009   | 1990      |                             | 2009      |     | 1990-2    | .009  |
| Industry Sector (a)                | Number  | Pct    | Number      | Pct    | Number    | % Chg | Number  | Pct                                | Number  | Pct  | Number    | % Chg | Number    | Pct                         | Number    | Pct | Number    | % Chg |
| Mining, Logging, and Construction  | 60,800  | 6%     | 61,500      | 5%     | 700       | 1%    | 29,600  | 4%                                 | 34,100  | 4%   | 4,500     | 15%   | 75,700    | 6%                          | 95,000    | 6%  | 19,300    | 25%   |
| Manufacturing                      | 123,400 | 13%    | 95,400      | 8%     | (28,000)  | -23%  | 254,200 | 31%                                | 155,700 | 18%  | (98, 500) | -39%  | 222,200   | 17%                         | 172,800   | 10% | (49, 400) | -22%  |
| Wholesale Trade                    | 32,200  | 3%     | 40,700      | 3%     | 8,500     | 26%   | 37,700  | 5%                                 | 35,600  | 4%   | (2, 100)  | -6%   | 68,700    | 5%                          | 79,200    | 5%  | 10,500    | 15%   |
| Retail Trade                       | 115,300 | 12%    | 130,500     | 11%    | 15,200    | 13%   | 77,000  | 9%                                 | 78,900  | 9%   | 1,900     | 2%    | 144,000   | 11%                         | 168,600   | 10% | 24,600    | 17%   |
| Transportation & Utilities         | 24,100  | 2%     | 27,100      | 2%     | 3,000     | 12%   | 14,200  | 2%                                 | 12,000  | 1%   | (2,200)   | -15%  | 56,500    | 4%                          | 59,100    | 4%  | 2,600     | 5%    |
| Information                        | 21,700  | 2%     | 37,000      | 3%     | 15,300    | 71%   | 21,100  | 3%                                 | 41,100  | 5%   | 20,000    | 95%   | 34,700    | 3%                          | 87,900    | 5%  | 53,200    | 153%  |
| Finance & Insurance                | 42,300  | 4%     | 43,800      | 4%     | 1,500     | 4%    | 20,400  | 2%                                 | 18,700  | 2%   | (1,700)   | -8%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Real Estate and Rental Leasing     | 23,000  | 2%     | 26,500      | 2%     | 3,500     | 15%   | 12,700  | 2%                                 | 13,000  | 2%   | 300       | 2%    | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Prof., Scientific, & Tech. Skills  | 65,600  | 7%     | 108,100     | 9%     | 42,500    | 65%   | 61,600  | 7%                                 | 105,200 | 12%  | 43,600    | 71%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Mgmt of Companies & Enterprises    | 12,500  | 1%     | 15,300      | 1%     | 2,800     | 22%   | 5,200   | 1%                                 | 9,800   | 1%   | 4,600     | 88%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Admin/Support & Waste Mgmt         | 46,000  | 5%     | 74,000      | 6%     | 28,000    | 61%   | 44,700  | 5%                                 | 46,900  | 5%   | 2,200     | 5%    | 53,200    | 4%                          | 84,600    | 5%  | 31,400    | 59%   |
| Educational Services               | 11,100  | 1%     | 26,100      | 2%     | 15,000    | 135%  | 21,600  | 3%                                 | 32,600  | 4%   | 11,000    | 51%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Health Care & Social Assistance    | 73,000  | 8%     | 116,900     | 10%    | 43,900    | 60%   | 50,400  | 6%                                 | 75,500  | 9%   | 25, 100   | 50%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Arts, Entertainment and Recreation | 15,900  | 2%     | 24,700      | 2%     | 8,800     | 55%   | 11,400  | 1%                                 | 11,300  | 1%   | (100)     | -1%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Accomodation & Food Services       | 88,500  | 9%     | 130,500     | 11%    | 42,000    | 47%   | 47,000  | 6%                                 | 63,000  | 7%   | 16,000    | 34%   | (b)       | N/A                         | (b)       | N/A | N/A       | N/A   |
| Other Services                     | 33,800  | 3%     | 47,000      | 4%     | 13,200    | 39%   | 22,800  | 3%                                 | 24,300  | 3%   | 1,500     | 7%    | 49,400    | 4%                          | 63,900    | 4%  | 14,500    | 29%   |
| Government                         | 177,400 | 18%    | 224,700     | 18%    | 47,300    | 27%   | 92,700  | 11%                                | 98,100  | 11%  | 5,400     | 6%    | 190,000   | 15%                         | 263,500   | 16% | 73,500    | 39%   |
|                                    |         |        |             |        |           |       |         |                                    |         |      |           |       |           |                             |           |     |           |       |
| Total Employment                   | 966,600 | 100%   | 1,229,800   | 100%   | 263, 200  | 27%   | 824,300 | 100%                               | 855,800 | 100% | 31,500    | 4%    | 1,301,800 | 69%                         | 1,668,700 | 64% | 366,900   | 28%   |
| Office Employment (a)              | 388,500 | 40%    | 529,400     | 43%    | 140,900   | 36%   | 258,400 | 31%                                | 332,800 | 39%  | 74,400    | 29%   | 277,900   | 21%                         | 436,000   | 26% | 158, 100  | 57%   |
|                                    |         |        |             |        |           |       |         |                                    |         |      |           |       |           |                             |           |     |           |       |

<sup>(</sup>a) Shaded industries represent sectors typically associated with office use.

<sup>(</sup>b) Data is not available due to confidentiality agreements. Sector-level employment included in "Total Employment."

TABLE 4: DISTRIBUTION OF REGIONAL (MSA) JOBS BY INDUSTRY, 1990-2009, CONT.

|                                    |           | Averag | e Comparis | son Reg | gions (c)  |       |
|------------------------------------|-----------|--------|------------|---------|------------|-------|
|                                    |           |        |            |         | Chang      | е     |
|                                    | 1990      |        | 2009       |         | 1990-20    | 09    |
| Industry Sector (a)                | Number    | Pct    | Number     | Pct     | Number     | % Chg |
| Mining, Logging, and Construction  | 322,100   | 5%     | 425,200    | 5%      | 103, 100   | 32%   |
| Manufacturing                      | 983,000   | 16%    | 700,300    | 9%      | (282, 700) | -29%  |
| Wholesale Trade                    | 287,500   | 5%     | 361,200    | 4%      | 73, 700    | 26%   |
| Retail Trade                       | 676,400   | 11%    | 841,000    | 10%     | 164,600    | 24%   |
| Transportation & Utilities         | 207,900   | 3%     | 242,900    | 3%      | 35,000     | 17%   |
| Information                        | 170,300   | 3%     | 292,100    | 4%      | 121,800    | 72%   |
| Finance & Insurance                | 179,600   | 3%     | 258,900    | 3%      | 79,300     | 44%   |
| Real Estate and Rental Leasing     | 79,800    | 1%     | 103,000    | 1%      | 23, 200    | 29%   |
| Prof., Scientific, & Tech. Skills  | 273,300   | 5%     | 503,700    | 6%      | 230,400    | 84%   |
| Mgmt of Companies & Enterprises    | 55,500    | 1%     | 98,700     | 1%      | 43, 200    | 78%   |
| Admin/Support & Waste Mgmt         | 283,800   | 5%     | 467,800    | 6%      | 184,000    | 65%   |
| Educational Services               | 66,700    | 1%     | 137,700    | 2%      | 71,000     | 106%  |
| Health Care & Social Assistance    | 342,700   | 6%     | 630,400    | 8%      | 287,700    | 84%   |
| Arts, Entertainment and Recreation | 59,700    | 1%     | 96,900     | 1%      | 37,200     | 62%   |
| Accomodation & Food Services       | 313,700   | 5%     | 510,400    | 6%      | 196,700    | 63%   |
| Other Services                     | 214,100   | 4%     | 306,000    | 4%      | 91,900     | 43%   |
| Government                         | 1,020,800 | 17%    | 1,387,400  | 17%     | 366,600    | 36%   |
|                                    |           |        |            |         |            |       |
| Total Employment                   | 6,032,900 | 100%   | 8,078,200  | 100%    | 2,045,300  | 34%   |
| Office Employment (a)              | 2,063,100 | 34%    | 3,111,600  | 39%     | 681,900    | 33%   |

<sup>(</sup>a) Shaded industries represent sectors typically associated with office use.

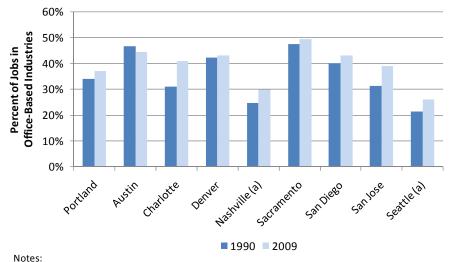
<sup>(</sup>b) Data is not available due to confidentiality agreements. Sector-level employment included in "Total Employment."

<sup>(</sup>c) Excludes Portland

As shown, within the Portland region, *Health Care & Social Assistance* was the largest industry sector in the region, representing nearly 12 percent of total jobs in 2009. *Health Care & Social Assistance* also experienced the largest gain in number of jobs, with 49,900 new jobs added between 1990 and 2009. *Manufacturing* was the second largest industry sector in the Portland region in 2009; however, its share of total employment has declined, due to a loss of 6,300 jobs during the period. It is notable that in the Portland region, *Manufacturing* represented a larger share of regional jobs than for eight other regions analyzed in this study; *Manufacturing* in the Portland MSA accounted for 11.2 percent of all jobs in 2009, compared with an average of 8.6 percent of share for the comparison regions. *Government* represented the third largest industry in the Portland region in 2009, with 44,100 new jobs added to this sector since 1990.

The share of office-based jobs in Portland and all eight peer regions grew between 1990 and 2009. As shown in Figure 15 below, in 2009 approximately 37 percent of jobs in the Portland region were in office-based industries, an increase from 34 percent in 1990. However, it is important to note that by 2009, Portland's share of office-based jobs to total jobs was slightly lower than for the peer regions, which averaged 39 percent. The Sacramento and Austin regions had the highest percentage of jobs in office-based industries among the peer regions, with 49 and 44 percent concentrations, respectively, in 2009. Both the Austin and Sacramento regions contain their respective state capitols and a relatively large share of government jobs compared to other regions. The Charlotte region saw the largest increase in the share of office-based jobs in its regional economy over the past twenty years, growing from 31 to 41 percent of all jobs during the period. This large increase can be attributed to substantial gains in *Government*, *Finance & Insurance*, and *Administration and Support* sectors' employment during this time period. Notably, the 60-story Bank of America Corporate Center (initially called the NationsBank Corporate Center) was completed in Charlotte in 1992.

FIGURE 15: PERCENT OF JOBS IN OFFICE-BASED INDUSTRIES, 1990 AND 2009



(a) Actual percentage of office-based jobs is higher than shown here because employment data for particular office-based industries was supressed in these regions due to data confidentiality requirements.

Sources: U.S. Bureau of Labor Statistics, 2010; BAE, 2010.

# **Downtown Portland Employment Trends**

Reliable published employment data for the eight peer cites is not readily available at the city or CBD geographic levels for the 1990 through 2009 period. However, BAE did obtain employment data for Portland's downtown from the Bureau of Planning and Sustainability for 2000 to 2008. Unfortunately, more recent data capturing the full effects of the current economic recession is not available. Table 5 presents a breakdown of employment in the City of Portland and the Central City area. As shown, employment in the City as whole increased by less one percent between 2000 and 2008, with approximately 3,000 new jobs added. During this time period, the Central City experienced larger job growth than the City overall, with employment growing by six percent or approximately 7,500 jobs between 2000 and 2008. While the number of jobs in the Central City grew, employment in the remainder of the City actually fell by 1.7 percent; the non-Central City districts lost 4,500 jobs during this time period. This data exhibits a growing concentration of jobs in the Central City. The Central City's percentage of citywide jobs was 33.4 percent in 2008, compared to 31.8 percent at the beginning of the decade.

TABLE 5: CITY OF PORTLAND AND CENTRAL CITY EMPLOYMENT. 2000-2008

|                   | Central  | Non-Central | City of        | Central City as |
|-------------------|----------|-------------|----------------|-----------------|
| _                 | City (a) | City        | Portland Total | Percent of City |
| 2000              | 123,696  | 265,884     | 389,580        | 31.8%           |
| 2002              | 127,494  | 240,698     | 368,192        | 34.6%           |
| 2004              | 124,361  | 248,357     | 372,718        | 33.4%           |
| 2006              | 125,782  | 246,630     | 372,412        | 33.8%           |
| 2008              | 131,192  | 261,436     | 392,628        | 33.4%           |
| Change, '00-'08   | 7,496    | -4,448      | 3,048          | 1.7%            |
| % Change, '00-'08 | 6.1%     | -1.7%       | 0.8%           |                 |

Notes:

(a) Central City includes the following neighborhoods: Downtown, South Waterfront, University District, River District, Goose Hollow, Lloyd District, Central Eastside, and Lower Albania.

Sources: City of Portland, 2010; BAE, 2010.

An analysis of the distribution of Central City employment by industry points to an increase in office-based employment in the downtown area between 2000 and 2008. Table 6 presents a breakdown of employment by industry in 2000 and 2008. The *Finance & Insurance, Real Estate, Professional, Scientific, & Technical Services, Management,* and *Administration* industries represent the largest share of Central City jobs in 2008 at 37 percent. These industries are also responsible for the most significant job growth, adding over 8,800 jobs since 2000. Meanwhile, industries not typically associated with office use, such as *Utilities, Construction, Manufacturing, Transportation, Warehouse,* and *Wholesale*, collectively lost over 9,200 jobs between 2000 and 2008.

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<sup>&</sup>lt;sup>4</sup> The Central City includes the Downtown, South Waterfront, University District, River District, Goose Hollow, Lloyd District, Central Eastside, and Lower Albania neighborhoods.

TABLE 6: CENTRAL CITY EMPLOYMENT BY INDUSTRY, 2000 AND 2008

|  | 20      | 000        | 20      | 008        | 2000-2008 |          |  |  |
|--|---------|------------|---------|------------|-----------|----------|--|--|
|  | Number  | % of Total | Number  | % of Total | Change    | % Change |  |  |
| Agriculture  | 44      | 0.0%       | 212     | 0.2%       | 168       | 381.8%   |  |  |
| Utilities  | 4,781   | 3.9%       | 2,081   | 1.6%       | (2,700)   | -56.5%   |  |  |
| Construction   | 4,756   | 3.8%       | 4,556   | 3.5%       | (200)     | -4.2%    |  |  |
| Manufacturing  | 5,570   | 4.5%       | 3,433   | 2.6%       | (2,137)   | -38.4%   |  |  |
| Transportation, Warehoue & Wholesale   | 11,769  | 9.5%       | 7,568   | 5.8%       | (4,201)   | -35.7%   |  |  |
| Retail, Arts, Accommodations   | 28,523  | 23.1%      | 32,369  | 24.7%      | 3,846     | 13.5%    |  |  |
| Finance & Insurance, Real Estate, Professional, Scientific, Tech. Services, Management, & Admin. | 39,924  | 32.3%      | 48,772  | 37.2%      | 8,848     | 22.2%    |  |  |
| Information  | 6,884   | 5.6%       | 6,234   | 4.8%       | (650)     | -9.4%    |  |  |
| Education & Health   | 9,622   | 7.8%       | 11,579  | 8.8%       | 1,957     | 20.3%    |  |  |
| Public   | 11,151  | 9.0%       | 14,338  | 10.9%      | 3,187     | 28.6%    |  |  |
| Other/Unclassified   | 679     | 0.5%       | 21      | 0.0%       | (658)     | -96.9%   |  |  |
| TOTAL (b)  | 123,703 | 100.0%     | 131,163 | 100.0%     | 7,460     | 6.0%     |  |  |

#### Notes

Sources: City of Portland, 2010; BAE, 2010.

<sup>(</sup>a) Central City includes the following neighborhoods: Downtown, South Waterfront, University District, River District, Goose Hollow, Lloyd District, Central Eastside, and Lower Albania.

<sup>(</sup>b) Totals differ slightly from Table 5 due to rounding.

## **SUMMARY**

#### How does Portland CBD's share of regional office space today compare with peer regions?

In 2010, Portland's CBD represented 49 percent of the region's office space inventory for multitenant buildings. This capture of total regional office space compares very favorably to the eight peer regions, with only Seattle's CBD outranking Portland in concentration of regional office space (82 percent share). At the low end of the spectrum, in contrast, San Jose, San Diego, and Sacramento's CBDs only account for 15 to 17 percent of their respective region's office space inventory. Denver, Nashville, and Charlotte's CBDs rank in the middle of the peer locations, with 25 to 35 percent of regional office space located in their respective CBDs.

#### How has Portland fared over the past 20 years in terms of CBD office space capture?

Portland's CBD started the study period in 1990 also ranking second out of the peer locations in terms of CBD share of regional office space inventory. In 1990, Portland's CBD contained 58 percent of the region's multi-tenant office space, again outranked among comparison locations only by Seattle's CBD, with an 87 percent capture of the region, according to the brokerage firm data provided by Cushman and Wakefield.

The downward trend of CBD capture of regional office space is evident in Portland as well as all eight of the peer locations. Portland's CBD capture rate declined from 58 percent of the region's office space in 1990, to 49 percent by 2010. Overall, the average for the seven peer locations dropped from 36 percent in the CBD in 1990, to just 27 percent by 2010.

While Portland's CBD continues to represent a larger share of regional multi-tenant inventory than most comparison regions, the CBD performance was stronger in the 1990s than the first decade of the 21<sup>st</sup> century. Between 1990 and 2000, Portland CBD's capture rate of new office space in the region stood at 44 percent, compared to only 34 percent between 2000 and 2010.

In terms of specific market performance factors, Portland CBD's direct net absorption and vacancy trends for multi-tenant office space were also stronger in the 1990s than the early 2000s. Vacancy rates were lower than the average comparison CBD throughout the 1990s. Furthermore, net absorption in the Portland CBD was positive in every year and exceeded the average absorption across comparison CBDs in all but two years during the 1990s. Since 2001, however, the CBD has experienced several years of negative net absorption, indicating a slowdown in the CBD's position relative to Portland's regional office market.

### What are the policy implications of this analysis?

As the City of Portland envisions its Central City 2035 Plan, policy-makers seek to understand if the totality of policies designed to strengthen the urban core have worked, and which policies should be refined and/or shifted to further achieve this goal. This report offers one set of data

to inform these key policy questions, but due to the data limitations, is likely not the best approach to determining historic trends and future direction.

In order to further refine the analysis and link to future policy direction, BAE recommends the following:

- 1. Expand the analysis in this report to include a detailed analysis of confidential firm-by-firm employment data (unpublished) for Portland's Central City compared to its region (published) over time. We recommend focusing on the 2000 to present period, when the data shown in this report suggests a potential weakening of the CBD's capture of regional office space growth. This analysis would look at all jobs, and categorize by industry clusters and link to type of space needed/used.
- 2. Conduct a case study analysis of firms which were present in the Central City in 2000, and no longer present in that location. Profile firm deaths, relocations elsewhere outside the region, and decisions to relocate outside the Central City for those that opted for that approach. Conduct a mirror analysis of firms present today in the Central City, who were not present in 2000. Profile these firms' birth or relocation from elsewhere in the region to the Central City from elsewhere (region or outside). Seek to isolate the impacts of policy decisions (past and future) on these firms. This study could be conducted more broadly using a survey research approach, or more narrowly but deeply using an interview approach.
- 3. Based on past BAE work for City of Portland, as well as substantial other work by Portland agencies and departments, it is likely that some of the findings if Item 2 above were conducted would indicate the impacts of parking availability, costs of parking, and lease rates for some firms' location decisions, while others will report the attraction of a downtown location across many dimensions. Moving beyond these factors, however, it would be useful to explore methods that could offset these impacts, to strengthen the Central City's ability to attract and retain office-based employment.
- 4. Analyze the impacts of substantial FAR applied to CDB property, in terms of inadvertently increasing its land value and subsequent threshold rental rates. These, and other economic factors impacting location in the CBD are constantly shifting, and potentially require examination to accommodate future planning.

# **ACKNOWLEDGEMENTS**

BAE gratefully acknowledges the time and assistance of Mr. Garrick Brown, Vice President of Research at Colliers International. Mr. Brown provided historic office data for this report for some of the markets (see Supplemental Analysis).

BAE would also like to thank Ms. Kelly Ross, Director of Research at Cushman & Wakefield, Inc. Ms. Ross facilitated data acquisition for this report, creating the central 1990 through 2010 database on which the office space trends analysis is based.

# APPENDIX A: REGIONAL AND CBD OFFICE MARKET DEFINITIONS

Cushman and Wakefield provided geographic definitions for the following markets in: Portland, Charlotte, Denver, Nashville, San Diego, San Jose, and Seattle. Colliers provided geographic definitions and data for the Sacramento region.

Current geographic definitions for Cushman and Wakefield were compared with definitions in 2003. The CBD boundaries have not changed between 2003 and 2010. However, because older geographic definitions are not available, BAE could not determine whether CBD boundaries have changed over the study period and whether those changes impacted office inventories. It should be noted that Cushman and Wakefield did reclassify some of the office inventory in two markets during the study period. In 2007, about 9 million square feet of office inventory in the San Diego region was reclassified to R&D when Cushman and Wakefield merged with Burnham Real Estate, a local brokerage firm. In San Jose, approximately 5 million square feet of office inventory was reclassified in 2000.

#### Portland

#### CENTRAL BUSINESS DISTRICT

South of Market Street - North boundary is Market Street, south and west boundaries are I-405 and east boundary is the river.

North of Market/South of Yamhill - North boundary is Yamhill Street, south boundary is Market Street, west boundary is I-405 and east boundary is the river.

North of Yamhill/West of Broadway - North boundary is Burnside, south boundary is Yamhill, east boundary is Broadway, west boundary is I-405

North of Yamhill/East of Broadway - North boundary is Burnside, south boundary is Yamhill, east boundary is the river, west boundary is Broadway

*Lloyd District* - South boundary is I-84, west boundary is the river, north boundary is Weidler, and east boundary is 15th

*Close-In Northwest* - North/northwest boundary is the river, west boundary is I-405 and south boundary is Burnside.

#### NON-CBD

Westside Suburban Market- John's Landing, Barbur Boulevard, Wilsonville, Tualatin, Sherwood, Lake Oswego/Kruse Way/West Linn, Tigard/I-5/Hwy 217, Washington Square, Beaverton/Beaverton-Hillsdale, Cedar Hills/Sylvan, Sunset Corridor

Eastside Suburban Market- Close-in Eastside1, Airport/Columbia Corridor, Mall 205/122<sup>nd</sup> Avenue/Gresham, Sunnyside/Clackamas, Milwaukie/Gladstone/Oregon City

#### Austin - Not Available

#### Charlotte

#### CENTRAL BUSINESS DISTRICT

Downtown Charlotte is bordered to the northwest by the I-77, to the northeast by Brookshire Freeway, and to the south by Central Avenue, Freedom Drive, and I-277.

#### NON-CBD

Cotswold, Crown Point/ Matthews, East Charlotte, I-77/Southwest Charlotte, Midtown, NC 51/Southeast Charlotte, North Charlotte, Northeast Charlotte, Park Road, South Park

#### Denver

#### CENTRAL BUSINESS DISTRICT

The area bounded by I-25, 23rd Street, Logan Street, 12th Street, and Speer Boulevard.

#### NON-CBD

Includes Submarkets: Midtown, Southeast Denver, Cherry Creek, Northeast Denver (Thornton, Northglenn, Commerce City, and parts of Aurora), Southwest Denver, Union Square, East Denver/Aurora, Denver Tech Center, Greenwood Plaza, Inverness / Panorama, Arapahoe Road, Meridian, West Denver (Arvada, Golden, and Wheat Ridge), Denver / Boulder Turnpike

#### Nashville

#### CENTRAL BUSINESS DISTRICT

The CBD is bordered by I-65 to the north and west, by I-24 to the east, and I-40 to the south.

#### NON-CBD

Includes Submarkets: Airport North, Airport South, Brentwood, Cool Springs, Green Hills, Metro Center, North Nashville, West End.

#### Sacramento (Colliers International)

#### CENTRAL BUSINESS DISTRICT

The CBD is bordered to the north by Sacramento Avenue, to the east by I-80, to the south by 4<sup>th</sup> Avenue.

#### NON-CBD

Includes Submarkets: Roseville/Rocklin, Rio Linda/North Highlands, Point West, Citrus Heights/Orangevale/ El Dorado, North Natomas/Northgate, Watt Avenue, Carmichael/Fair Oaks, Davis/Woodland, South Natomas, Howe Avenue/Fulton Avenue, Folsom, West Sacramento,

Midtown, East Sacramento, Campus Commons, Highway 50 Corridor, South Sacramento, Elk Grove.

#### San Diego

#### CENTRAL BUSINESS DISTRICT- DOWNTOWN SAN DIEGO

The Downtown San Diego submarket is bordered on the West by San Diego Harbor, on the North by Laurel St and I-5, on the east by I-5, and South by Hwy-75.

#### NON-CBD

*Central Suburban*- North Park, Kearny Mesa, Mission Gorge, Mission Valley, Morena, Old Town, Point Loma/Ocean Beach, Uptown, Rose Canyon, Sports Arena/Airport

*Mid-City-* Del Mar Heights/Carmel Valley, Governor Park, Hwy-56 Corridor, La Jolla, Miramar, Sorrento Mesa, Torrey Pines, Sorrento Valley, North University City (UTC), Eastgate/Campus Point

North County- Carlsbad, Del Mar, Encinitas, Escondido, Oceanside, Rancho Santa Fe, San Marcos, Solana Beach, Vista/Fallbrook, San Diego – I-15 Corridor, Poway, Carmel Mountain Ranch, Rancho Bernardo, Sabre Springs, Scripps Ranch

South Bay- Coronado, Chula Vista, National City, Imperial Beach, Bonita Vista, Otay Mesa, San Ysidro

East County- Santee, East San Diego, El Cajon, La Mesa, Lemon Grove, Lakeside, Spring Valley

#### San Jose

#### CENTRAL BUSINESS DISTRICT

The northern boundaries are Highway 880/Stockton Avenue/Highway 87/West Santa Clara, and the southern boundary is 13th Street. The eastern boundary is Highway 101. Highway 280 is the western boundary.

#### NON-CBD

Includes Submarkets: Northeast San Jose (Hwy 101, Hwy 880, Mckee, Hwy 680), International Business Park, East San Jose, Central San Jose(South of CBD), South San Jose, West San Jose, North San Jose (North of Hwy 237), North First Street(North of Highway 101, south of Hwy 237), San Jose Airport Area (Hwy 101, Hwy 87, Hwy 880)

#### Seattle

#### CENTRAL BUSINESS DISTRICT

Includes Submarkets: Financial District, Denny Regrade, Pioneer Square/International District, Lower Queen Anne/Lake Union

#### NON-CBD

Includes Submarkets: North Seattle, East Seattle/Capitol Hill, South Seattle Close-in, Tukwila, (SeaTac, Burien and Des Moines), Renton, Kent/Auburn, Federal Way, Bellevue CBD, 405 Corridor, 520 Corridor, I-90 Corridor (Issaquah, Mercer Island), Bel-Red, Redmond (Redmond city), Kirkland, Bothell/Woodinville, Lynnwood (Lynnwood, Edmonds and Mountlake Terrace), Everett/Mukilteo

# APPENDIX B: DEFINITION OF METROPOLITAN STATISTICAL AREAS

# TABLE B.1: DEFINITION OF METROPOLITAN STATISTICAL AREAS (MSAS)

| Anson County, NC                       | ·   |
|--|---|
| Alison County, NC                      | Adams County  |
| Cabarrus County, NC                    | Arapahoe County   |
| Gaston County, NC                      | Broomfield County   |
| Mecklenburg County, NC                 | Clear Creek County  |
| Union County, NC                       | Denver County   |
| York County, SC                        | Douglas County  |
|  | Elbert County   |
|  | Gilpin county   |
|  | Jefferson County  |
|  | Park County   |
| Sacramento-Arden Arcade-Rosevillie, CA | San Diego-Carlsbad-San Marcos, CA   |
| Eldorado County                        | San Diego County  |
| ,                                      |   |
| ,                                      |   |
| Yolo County                            |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
|  |   |
| Seattle-Tacoma-Bellevue, WA            | Portland- Vancouver-Beaverton, OR-WA  |
| 9 ,                                    | Clackamas County, OR  |
| ,                                      | Columbia County, OR   |
| Pierce County                          | Multnomah County, OR  |
|  | Clark County, WA  |
|  | Skamania County, WA   |
|  | Gaston County, NC Mecklenburg County, NC Union County, NC York County, SC  Sacramento-Arden Arcade-Rosevillie, CA Eldorado County Placer County Sacramento County Yolo County |

Sources: U.S. Office of Management and Budget, 2008; BAE, 2010.

# APPENDIX C: SUPPLEMENTAL OFFICE MARKET DATA (2003 TO PRESENT)

As discussed in the Methodology section of this report, BAE obtained historic office market data from several sources, including Cushman and Wakefield, Colliers International, and CoStar. The primary analysis in this report is based on a combined data set that provides the most comprehensive coverage in terms of years of data available, commencing in 1990. BAE did, however, obtain less comprehensive historic quarterly data for all markets from Colliers International and CoStar, starting with year 2000 or 2003, depending on the region BAE conducted supplemental analysis of the Colliers/CoStar data starting in 2003 as additional background trend information. This Appendix provides supplemental analysis based on the Colliers International and CoStar data for the first quarter of 2003 to the first quarter of 2010.

#### Office Inventory

During the first quarter of 2010, Colliers International reported that Portland's CBD had a total office inventory of 24.0 million square feet across all classes. The Portland region as a whole contained 115.4 million square feet. Figure C.1 illustrates the office inventory in the first quarter of 2010 for Portland and the comparison regions.<sup>6</sup> The office inventory in Portland's CBD is larger than the average for the eight comparison cities, which was 17.4 million square feet. However, the Portland region's inventory was smaller than the average comparison geography inventory of 127.2 million square feet.

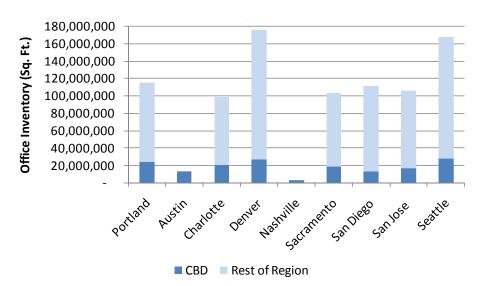


FIGURE C.1: OFFICE INVENTORY, Q1 2010

Sources: Colliers International, 2010; CoStar Group, 2010; BAE, 2010

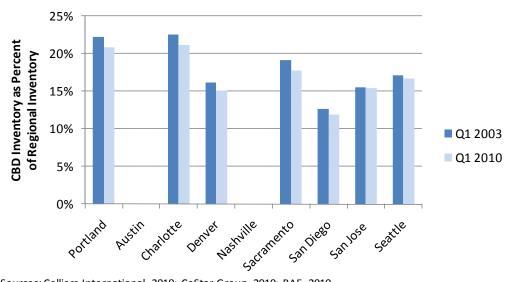
<sup>&</sup>lt;sup>5</sup> CoStar Group provided data for Austin and Nashville while Colliers International provided data for Portland and the remaining comparison markets.

Regional data is not currently available for Austin and Nashville. BAE is currently working to obtain this data.

It should be noted that the different real estate brokerage firms define CBDs and regions differently, resulting in variation between the data presented in the main body of this report and data presented here. Nevertheless, the primary trends remain consistent. For example, the Portland CBD's share of regional inventory was higher than the average for comparison jurisdictions in both analyses. Portland's CBD accounted for 20.8 percent of the region's total office inventory during the first quarter of 2010 using this Colliers/CoStar data set. While Portland's CBD captured the highest percentage of regional office space relative to the eight comparison markets in 2010, the CBD's share of regional space has declined slightly since 2003, when 22.2 percent of regional office inventory was located in the CBD.

Figure C.2 illustrates the CBD share of regional inventory in the 2003 and 2010 for Portland and the comparison regions. As shown, the CBD share of regional office space has declined in all markets analyzed. This is consistent with the declining CBD share of regional space presented in the main body of the report.

FIGURE C.2: CBD INVENTORY AS PERCENT OF REGIONAL INVENTORY - ALL CLASSES, Q1 2010



Sources: Colliers International, 2010; CoStar Group, 2010; BAE, 2010

#### **Growth in Office Space**

Portland's office market experienced smaller growth than the comparison markets for both the CBD and the region as a whole between 2003 and 2010 (see Figure C.3). Portland's CBD grew by six percent, compared to an average of 11 percent for the comparison cities. The Portland region grew by 11 percent while the comparison regions saw an average increase of 14 percent.

Differences in CBD and regional definitions used by the different brokerage firms account for variation in data regarding office space growth presented in the main body of the report and in this Appendix. Nevertheless, overall trends are largely consistent across the two data sets. While the Portland CBD and region experienced faster growth in office space between 1990 and 2010 than the comparison regions, much of the new office development occurred between 1997 and 2003. As shown in Figure 12 in the main body of this report, the CBD and region both saw much less growth in office inventory between 2004 and 2010. Therefore, Portland's more modest office growth relative to other peer markets between 2003 and 2010 shown in this data is not surprising.

35% ᇤ Percent Increase in Office Sq. 30% Q1 2003-Q2 2010 25% 20% 15% CBD 10% Region 5% 0% Sacramento san Diego sanjose

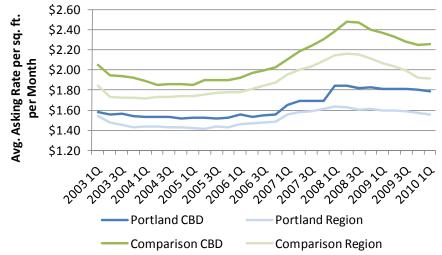
FIGURE C.3: INCREASE IN OFFICE SQUARE FOOTAGE, Q1 2003 TO Q1 2010

Sources: Colliers International, 2010; CoStar Group, 2010; BAE, 2010

#### **Asking Rents**

Average asking rates in Portland and in the comparison cities have declined since 2008. In the first quarter of 2010, the average monthly full-service rent for all classes in the Portland CBD was \$1.79 per square foot, compared to \$1.55 per square foot in the region as a whole. Figure C.4 illustrates the average asking rate per month (full-service) for Portland's CBD and region as well as the weighted average for the comparison CBDs and regions. As shown, the CBD's average rate was higher in Portland and comparison cities. Overall, Portland rents were lower than the average comparison markets for both the CBD and the region as a whole.

FIGURE C.4: AVERAGE ASKING RATE PER MONTH (FULL-SERVICE), Q1 2003 TO Q1 2010



Sources: Colliers International, 2010; CoStar Group, 2010; BAE, 2010