

Memorandum

Date 7 March 2017
To Marcy McInelly, Urbsworks
From Ted Kamp and Chris Zahas, Leland Consulting Group
Study area Market Opportunities Assessment DRAFT
Project King City Concept Plan

King City Market Analysis

EXECUTIVE SUMMARY

Primary competition for residential development will come from Tigard/Tualatin/King City/Sherwood (including nearby unincorporated areas likely to enter the UGB).

Ample market support for suburban development in the study area location

- Robust household growth projections (double the national rate)
- Strong income demographics (though surprisingly income-diverse in immediate area)

Millennials (now aged 19-35) emerging from a period of delayed household formation

- Should begin driving starter home demand
- With enough residual apartment demand to sustain that booming segment for a few more years

Boomers (now aged 52-70) are large enough to span several housing segments

- Leading edge, approaching 80 over the next decade, will drive rental market for active senior and assisted living housing
- Many homeowners will age in place (hopefully sans Millennial kids); others will downsize for less maintenance and more flexibility (some off size for an upgrade in location)

Hottest residential markets (especially in metro Portland) are in-town neighborhoods

- Cultural amenities, proximity to jobs and urban walkability are key draws.
- Gen X arguably fueled the urban resurgence (and still abound in Portland), but Boomers and Millennials have voiced similar preference.
- Neighborhoods with urban-style amenities in a suburban location is proving to be a viable alternative for those priced out of central Portland (or just averse to raising kids in the city)

The 4-city market area will add just over 5,500 new housing units over 10 years to accommodate projected growth

The study area is well positioned to absorb 500-950 units, drawing from that decade of demand

- Assuming a broad offering of price points and approximately 1/5 to 1/3 multifamily

A 40,000 to 60,000 square foot neighborhood retail center on the study area should have enough rooftop and traffic support sometime in year 5-10

- Large enough for a smaller-format grocer with surrounding dining & shops
- Likely location is near corner of Roy Rogers & Beef Bend

An additional non-residential component, based on a “gateway to wine country” positioning could add another 40-60,000 square feet

- Enough for a 70-room lodge, wedding/event space and signature restaurant
- Could also leverage difficult-to-develop riverfront land with outdoor amenities such as educational vineyard, organic culinary garden, etc.

Main caveats for development potential include

- Natural challenges (wetlands, slopes etc.)
- Fragmented low-density residential ownership could slow or prevent assembly needed for certain planning/phasing approaches, depending on willingness to sell/develop

BACKGROUND

Project/Task:

As part of a broader planning effort led by Urbsworks and the City of King City, Leland Consulting Group was retained to provide input on the market, economic and real estate considerations important to the successful development of an approximately 525-acre study area which is eligible for inclusion into the Metro Urban Growth Boundary (UGB).

The specific role of this analysis is to establish a realistic program of housing (including senior), neighborhood commercial and employment development for the study area, consistent with market preferences, demographic trends and prevailing conditions for supply and demand across those land use categories. Analysis is intended be high-level, but sufficiently detailed to support preliminary recommendations as to housing type, size, price segmentation and density/land area requirements.

Method/Inputs:

Research draws on a variety of quantitative and qualitative inputs, including:

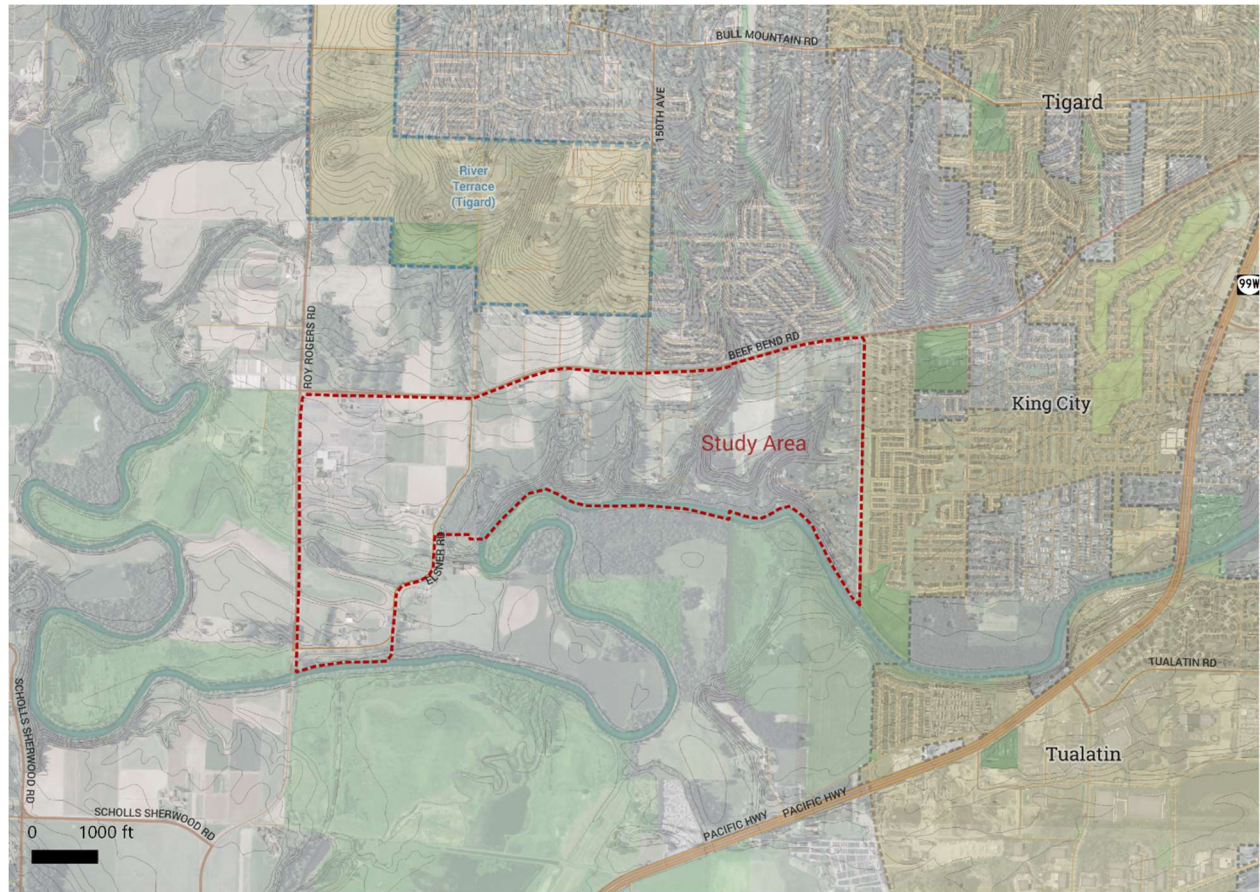
- Analysis of existing (and likely future) site conditions
- City staff and leadership comments from September 2016 kickoff meeting
- Relevant economic and demographic indicators and trends
- Residential and commercial development trends and pipeline activity (including pricing, absorption, occupancy, sales volume, etc., as available) for considered land use categories

- Special consideration of generational demographic changes and their relation to housing demand
- Special consideration of opportunities for commercial and/or tourism development in the study area (e.g. wine-county related attractions)

Study Area:

The study area boundary is illustrated in the map below:

Figure 1: Study Area



MARKET-BASED SITE ANALYSIS

The ability of the study area to attract redevelopment investment and support successful new land uses will depend in large part on how favorably that property compares to potentially competitive sites in the region. A range of *site-specific* attributes combine to determine a property's potential for market competitiveness, with differing levels of importance typically found across major development types.

Because of the large study area size, many of the attributes considered may vary significantly across the overall site. This internal variety can inform site planning decisions such as phasing and the configuration of different land uses and densities.

Table 1: Site Analysis/Market Competitiveness Summary

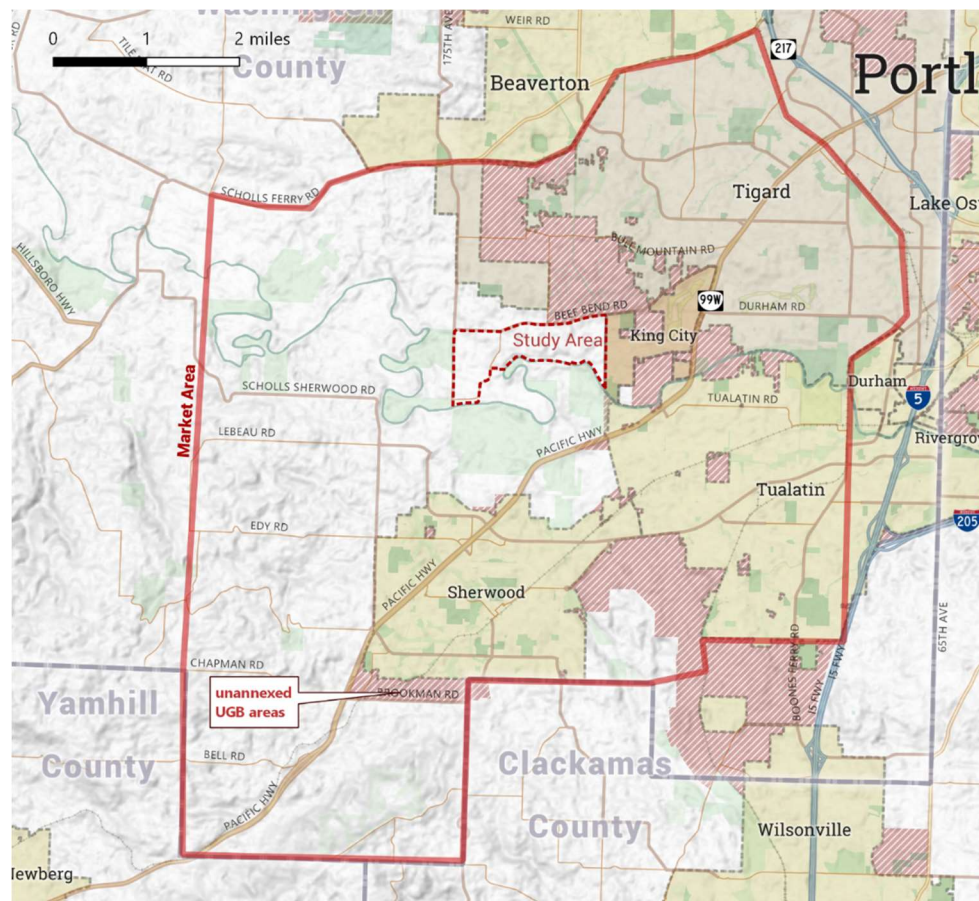
Attribute	Site Notes
Proximity to Employment	While a morning commute may be one hour to downtown Portland and over 30 minutes to downtown Beaverton, the site is very convenient to smaller, but significant employment concentrations in Tualatin, Tigard and in Wilsonville to the south. Lack of nearby office employment will make new office development on the site highly unlikely during the buildout period.
Proximity to (Other) Households	When built, the study area will be near other residential development to the east (existing King City, Tualatin) and north (Tigard, including major new development at River Terrace). Development to the west is likely to remain rural and sparsely populated due to the urban growth boundary. This will constrain the retail development possibilities for commercial considered along Roy Rogers Rd., despite increased traffic on that street.
Proximity to Shopping, Dining, Schools	An aging but functional cluster of neighborhood & community scale retail lies at the eastern edge King City, beyond walking distance but convenient by car. Regional retail is reasonably convenient by car, four miles east at Bridgeport Village and five miles north at Washington Square in far-north Tigard. Local schools perform well.
Visibility	Visibility is primarily important for any retail (and related commercial uses). Businesses located along Roy Rogers Rd. would be visible easily from that road. Beef Bend Rd. is elevated relative to the site and would afford superior views of properties to the south.
Access	Roy Rogers Rd. provides convenient northbound access, allowing some bypassing of I-5, at least until cutting over at Scholl's Ferry. East-west access would be dependent on Beef Bend Rd. until another east-west street can be built between the river and Beef Bend. Ped/bike access and amenities are currently poor in King City, but could improve with investments in trails.
Traffic Volume	Site-adjacent traffic is highest along Roy Rogers Rd. at approximately 20,000 vehicles per day (5,000 per day on Beef Bend). This balance of traffic flows makes Roy Rogers frontage (or at least strong signage and access) a likely prerequisite for retail development on the study area.

Neighboring Land Uses	Currently sparsely populated due to the urban growth boundary and predominant Rural Reserve designation to the west of Roy Rogers Rd. To the north and east, existing low- and even medium-density development in King City and Tigard should be generally compatible with residential and modest commercial development considered here.
Site Aesthetics	The site in general has very good to excellent visual attributes, with classic semi-rural Pacific Northwest appeal. Scenic vistas to the south and west are best from the northernmost parcels on the site, with as much as 100 feet in elevation difference relative to riverfront land on the south side of the study area. Depending on design possibilities relative to riparian land, properties along the southern site could compensate for restricted vistas by adding value through direct riverfront appeal.

MARKET AREA DEFINITION

Here we define a regional market area likely to compete with study area across key development types. In the case of neighborhood retail, this market area should also encompass likely sources of household spending support. The *study area* (will capture some portion of the growth likely to take place across this broader *market area* geography, shown below.

Figure 2: Market Area for Competing Development and Retail Support



MARKET AREA DEMOGRAPHIC PROFILE

This section discusses demographics and market conditions within the market area as compared to Washington County, the Portland metro, and the nation.

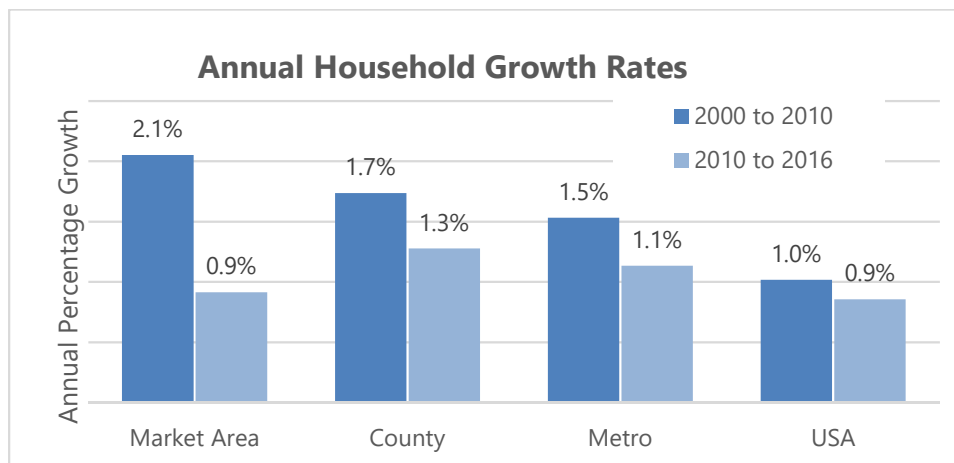
Table 2: Population, Households and Historical Growth Comparisons

	Market Area	County	Metro	USA
Population - 2016 est.	97,095	569,215	2,372,802	323,580,626
Households - 2000	28,891	169,165	745,531	105,480,101
Households - 2010	35,391	200,934	867,794	116,716,292
Households - 2016 est.	37,034	214,088	918,063	121,786,233
2000 to 2010	2.1%	1.7%	1.5%	1.0%
2010 to 2016	0.9%	1.3%	1.1%	0.9%

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

As shown in Table 2, the market area has approximately 97,000 residents living in just over 37,000 households. From 2000 to 2010, market area household growth was faster than the county or metro area, at more than double the national annual rate. Since 2010, market area growth has slowed to match the national average, while county and metro growth have tempered to a lesser degree.

Figure 3: Household Growth Rate, Market Area and Comparisons



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

Table 3: Household Estimates and Projections for Market Area TAZs

Households			
	2010	2035	CAGR 2010-35
Market Area Total	36,443	54,992	1.66%

Source: Metro Council "gamma series" projections, and Leland Consulting Group

*CAGR=compounded annual growth rate

Table 3 shows Metro household estimates and projections for traffic analysis zones (TAZs) lying within the defined market area boundary. The overall growth rate between 2010 and 2035 is expected in this model to average 1.7% annually. For the residential and retail demand projections later in this report, we apply this 1.7 percent rate, as it appears supported by both Metro projections and recent (2000 to 2016) historical growth.

Table 4: Housing Characteristics (HH size, home ownership, family orientation)

	Market Area	County	Metro	USA
Average Household Size (2016)	2.61	2.63	2.54	2.59
"Traditional" Families (two parents + related children)	28%	26%	22%	22%
Single-person Households	25%	25%	27%	27%
Renter Households (2016)	32%	40%	39%	33%

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

Table 5: Households by Size, Market Area vs. Comparisons (2010)

	Market Area	County	Metro	USA
1-person	25%	25%	27%	27%
2-person	33%	33%	34%	33%
3-person	17%	17%	16%	16%
4-person	16%	15%	13%	13%
5+ person	9%	11%	10%	11%

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

As Table 4 shows, household sizes in the market area are generally comparable to the county as a whole. Both the county and market area skew towards having fewer one-person households and more four-person households, proportionally, versus metro or national figures.

Table 6: Population by Age Group, Market Area and Comparisons

Age in 2016	Market Area	County	Metro	USA
0 - 4	6%	7%	6%	6%
5 - 9	7%	7%	6%	6%
10 - 14	7%	7%	6%	7%
15 - 24	12%	13%	13%	14%
25 - 34	12%	15%	15%	14%
35 - 44	15%	15%	14%	13%
45 - 54	14%	13%	13%	13%
55 - 64	13%	12%	13%	13%
65 - 74	8%	7%	8%	9%
75 - 84	4%	3%	4%	4%
85 +	2%	2%	2%	2%

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

Residents of the market area generally follow county and national age distributions, but with slightly lower proportions of teens and young adults aged 15 to 34.

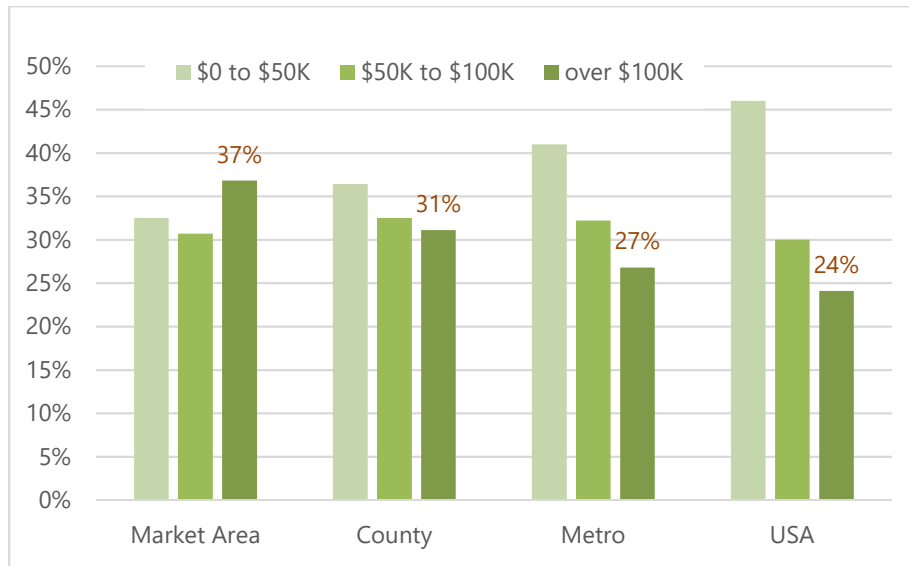
Table 7. Income and Education Characteristics, Market Area vs. Comparisons (2016)

	Market Area	County	Metro	USA
Median Household Income	\$76,459	\$67,221	\$60,063	\$54,149
Average Household Income	\$96,299	\$87,768	\$81,160	\$77,008
Incomes above \$150K	15.9%	13.3%	11.1%	10.7%
Average Income as Percent of Median Income	126%	131%	135%	142%
Incomes below \$25K	14%	15%	19%	23%
top 10% Household Income	\$189,000	\$185,000	\$179,000	\$176,500
Percent with Bachelor's Degree (age 25+)	44%	41%	36%	30%

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

The market area is comparatively affluent, with median, average and per capita incomes well above national and county figures. As shown in Table 7 and Figure 4, the market area has a considerably higher share of households earning over \$100,000 per year (37%) than all comparison geographies.

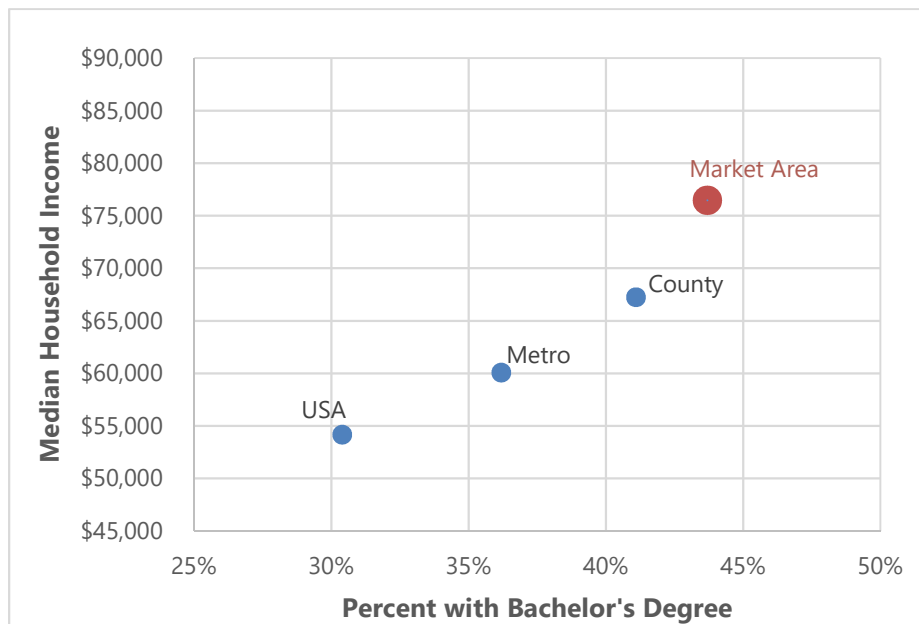
Figure 4: Distribution of Household Incomes, Market Area vs. Comparisons (2016)



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

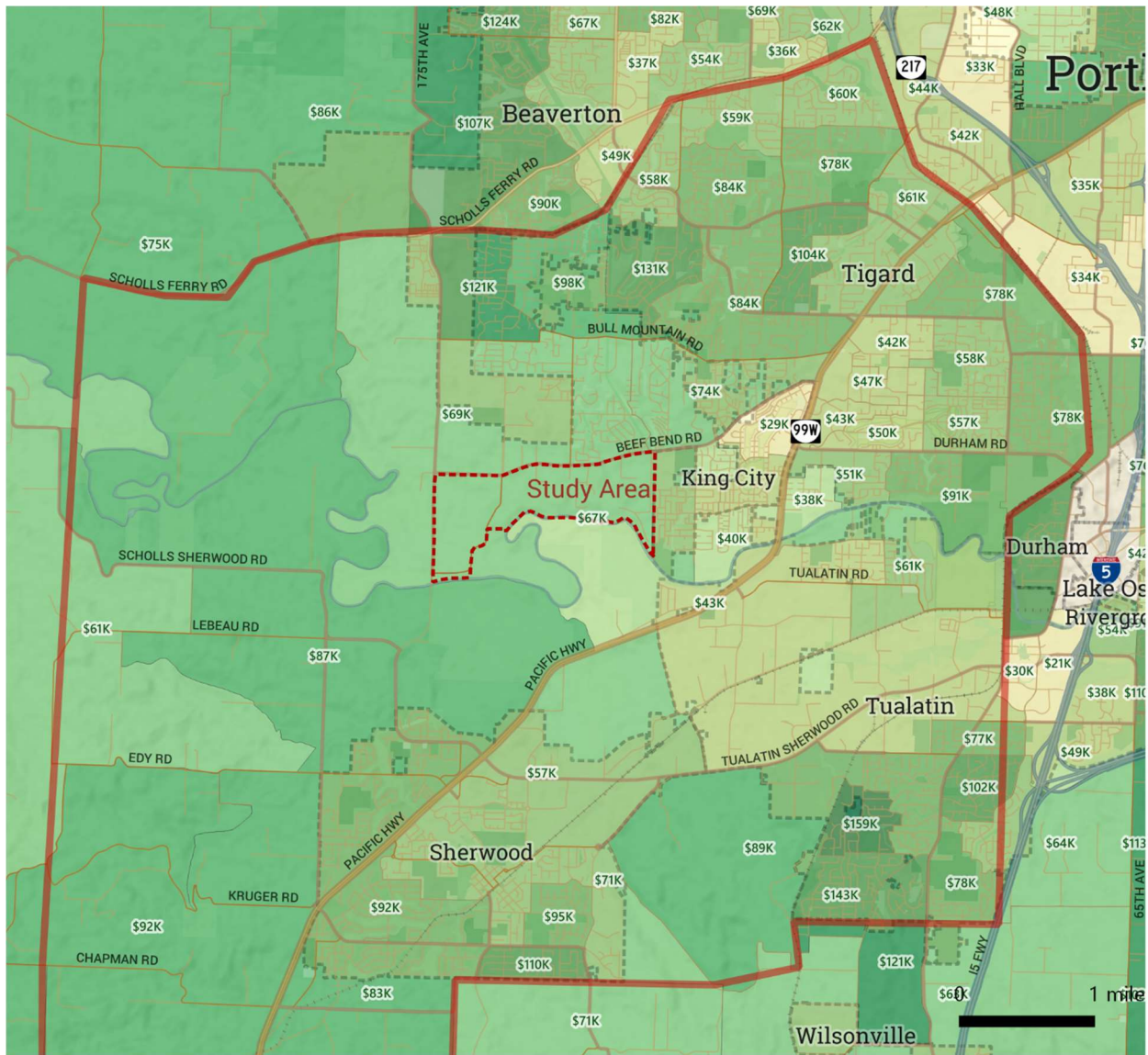
Figure 5 shows educational attainment paired with median incomes, with the market area leading in both categories.

Figure 5: Income by Educational Attainment



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

Figure 6: Median Household Income by Census Block Group, 2014



Source: US Census/ACS 2014, and Leland Consulting Group

Lifestyle/Psychographic Segments

Psychographics is a term used to describe characteristics of people and neighborhoods which, instead of being purely demographic, measure their attitudes, interests, opinions, and lifestyles. ESRI, a commercial provider of demographic and geographic data, has developed a widely-used proprietary system, Tapestry™, for categorizing U.S. neighborhoods into 65 different market segments based on demographic, lifestyle, and consumer traits.

The market area is more diverse than many suburbs, especially in terms of income and lifestyle influences, with seven different Tapestry segments needed to represent less than three-quarters of area households.

Table 8: Market Area Households by Tapestry Segment, Showing Comparison to US

Tapestry Segment	Market Area	US	
			<i>Index to US</i>
Soccer Moms	22.4%	2.8%	8.0x
Bright Young Professionals	12.1%	2.2%	5.5x
Professional Pride	10.7%	1.6%	6.7x
Savvy Suburbanites	8.7%	3.0%	2.9x
The Elders	7.1%	0.7%	10.1x
Middleburg	6.5%	2.8%	2.3x
Boomburbs	6.1%	1.5%	4.1x
Subtotal	73.6%	14.6%	

Source: ESRI and Leland Consulting Group

Excerpts of Tapestry™ Segment Profiles

Soccer Moms

WHO ARE WE?

Soccer Moms is an affluent, family-oriented market with a country flavor. Residents are partial to new housing away from the bustle of the city but close enough to commute to professional job centers. Life in this suburban wilderness offsets the hectic pace of two working parents with growing children. They favor time-saving devices, like banking online or housekeeping services, and family-oriented pursuits.

OUR NEIGHBORHOOD

- Soccer Moms residents prefer the suburban periphery of metropolitan areas.
- Predominantly single family, homes are in newer neighborhoods, 36% built in the 1990s (Index 253), 31% built since 2000.
- Owner-occupied homes have high rate of mortgages at 74% (Index 163), and low rate vacancy at 5%.
- Median home value is \$226,000.
- Most households are married couples with children; average household size is 2.96.
- Most households have 2 or 3 vehicles; long travel time to work including a disproportionate number commuting from a different county (Index 133).

SOCIOECONOMIC TRAITS

- Education: 37.7% college graduates; more than 70% with some college education.
- Low unemployment at 5.9%; high labor force participation rate at 72%; 2 out of 3 households include 2+ workers (Index 124).
- Connected, with a host of wireless devices from iPods to tablets—anything that enables convenience, like banking, paying bills, or even shopping online.
- Well insured and invested in a range of funds, from savings accounts or bonds to stocks.
- Carry a higher level of debt, including first (Index 159) and second mortgages (Index 154) and auto loans (Index 151).

MARKET PROFILE (Consumer preferences are estimated from data by G/K M/R)

- Most households own at least 2 vehicles; the most popular types are minivans and SUVs.
- Family-oriented purchases and activities dominate, like 4+ televisions (Index 165), movie purchases or rentals, children's apparel and toys, and visits to theme parks or zoos.
- Outdoor activities and sports are characteristic of life in the suburban periphery, like bicycling, jogging, golfing, boating, and target shooting.
- Home maintenance services are frequently contracted, but these families also like their gardens and own the tools for minor upkeep, like riding mowers and tillers.

HOUSING

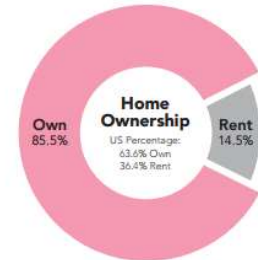
Median home value is displayed for markets that are primarily owner occupied; average rent is shown for renter-occupied markets. Tenure and home value are estimated by Esri. Housing type and average rent are from the Census Bureau's American Community Survey.



Typical Housing:
Single Family

Median Value:
\$226,000

US Median: \$177,000



Bright Young Professionals

WHO ARE WE?

Bright Young Professionals is a large market, primarily located in urban outskirts of large metropolitan areas. These communities are home to young, educated, working professionals. One out of three householders is under the age of 35. Slightly more diverse couples dominate this market, with more renters than homeowners. More than two-fifths of the households live in single-family homes; over a third live in 5+ unit buildings. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs (among the college students). Median household income, median home value, and average rent are close to the US values. Residents of this segment are physically active and up on the latest technology.

OUR NEIGHBORHOOD

- Approximately 56% of the households rent; 44% own their homes.
- Household type is primarily couples, married (or unmarried), with above average concentrations of both single-parent (Index 125) and single-person (Index 115) households.
- Multiunit buildings or row housing make up 55% of the housing stock (row housing (Index 182), buildings with 5–19 units (Index 277)); 44% built 1980–99.
- Average rent is slightly higher than the US (Index 102).
- Lower vacancy rate is at 8.9%.

SOCIOECONOMIC TRAITS

- Education completed: 36% with some college or an associate's degree, 30% with a bachelor's degree or higher. Education in progress is 10% (Index 127).
- Unemployment rate is lower at 7.1%, and labor force participation rate of 73% is higher than the US rate.
- These consumers are up on the latest technology.
- They get most of their information from the Internet.
- Concern about the environment, impacts their purchasing decisions.

MARKET PROFILE

(Consumer preferences are estimated from data by GfK MRI)

- Own US savings bonds.
- Own newer computers (desktop, laptop, or both), iPods, and 2+ TVs.
- Go online to do banking, access YouTube or Facebook, visit blogs, and play games.
- Use cell phones to text, redeem mobile coupons, listen to music, and check for news and financial information.
- Find leisure going to bars/clubs, attending concerts, going to the zoo, and renting DVDs from Redbox or Netflix.
- Read sports magazines and participate in a variety of sports, including backpacking, basketball, football, bowling, Pilates, weight lifting, and yoga.
- Eat out often at fast-food and family restaurants.

HOUSING

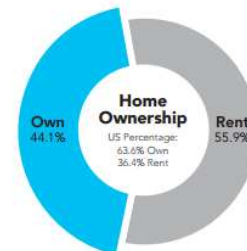
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Typical Housing:
Single Family;
Multiunits

Average Rent:
\$1,000

US Average: \$990



The Elders

WHO ARE WE?

With a median age of 71.8 years, this is Tapestry Segmentation's oldest market. *The Elders* residents favor communities designed for senior or assisted living, primarily in warmer climates with seasonal populations. Most of these householders are homeowners, although their housing varies from mobile homes to single-family residences to high-rise apartments. These seniors are informed, independent, and involved.

OUR NEIGHBORHOOD

- Suburban periphery of metropolitan areas, primarily in the warmer climates of Florida or Arizona.
- 44% married couples without children; 44% single households; average household size, 1.67.
- Owner-occupied housing units; median home value of \$153,000 (Index 86).
- Housing mix of single-family homes (43%), town homes, and high-density apartment buildings in neighborhoods built from 1970 through 1989.

SOCIOECONOMIC TRAITS

- Predominantly retirees, *The Elders* has a low labor force participation rate of 21.3%.
- Those who are still in the labor force tend to be self-employed or part-timers, commonly in real estate or the arts.
- Their income derives primarily from Social Security (80% of the households), retirement, or investments (almost half of the households). Less than 30% of the households draw wage/salary income.
- Median household income is lower than the US (Index 68), but median net worth is much higher (Index 273).

MARKET PROFILE

(Consumer preferences are estimated from data by GfK MRI)

- Vehicles are just a means of transportation, but their first choice is luxury sedans. Most of their cars are older (5+ years).
- They are connected via modems (cable or dial-up) on older PCs or notebooks. However, banking is commonly done in person; shopping is by phone or in person.
- Shopping includes apparel and exercise equipment.
- They are avid readers, with audio books and e-readers. Newspapers and magazines are staples for news and entertainment. Cable TV is also a must, primarily watching news or movie channels, but also golf, travel, and history channels.
- Residents are sociable seniors, partial to a variety of clubs and organizations and generous with their time and support.

HOUSING

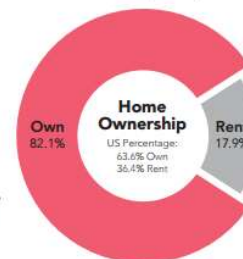
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Typical Housing:
Single Family, High-Rises,
Mobile Homes/Seasonal

Median Value:
\$153,000

US Median: \$177,000



Middleburg

WHO ARE WE?

Middleburg neighborhoods transformed from the easy pace of country living to semirural subdivisions in the last decade, when the housing boom reached out. Residents are conservative, family-oriented consumers. Still more country than rock and roll, they are thrifty but willing to carry some debt and are already investing in their futures. They rely on their smartphones and mobile devices to stay in touch and pride themselves on their expertise. They prefer to buy American and travel in the US. This market is younger but growing in size and assets.

OUR NEIGHBORHOOD

- Semirural locales within metropolitan areas.
- Neighborhoods changed rapidly in the previous decade with the addition of new single-family homes.
- Include a number of mobile homes (Index 152).
- Affordable housing, median value of \$158,000 (Index 89) with a low vacancy rate.
- Young couples, many with children; average household size is 2.73.

SOCIOECONOMIC TRAITS

- Education: 66% with a high school diploma or some college.
- Unemployment rate lower at 7.4% (Index 85).
- Labor force participation typical of a younger population at 66.7% (Index 106).
- Traditional values are the norm here—faith, country, and family.
- Prefer to buy American and for a good price.
- Comfortable with the latest in technology, for convenience (online banking or saving money on landlines) and entertainment.

MARKET PROFILE (Consumer preferences are estimated from data by GRK MIR)

- Residents are partial to trucks, SUVs, and occasionally, convertibles, or motorcycles.
- Entertainment is primarily family-oriented, TV and movie rentals or theme parks and family restaurants.
- Spending priorities also focus on family (children's toys and apparel) or home DIY projects.
- Sports include hunting, target shooting, bowling, and baseball.
- TV and magazines provide entertainment and information.
- Media preferences include country and Christian channels.

HOUSING

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Typical Housing:
Single Family

Median Value:
\$158,000

US Median: \$177,000



Source: ESRI

Age/Generational Growth and Housing Demand

Fundamental need for new housing is driven by expected growth among households of varying sizes and family arrangements (and income levels). In the past, this approach to estimating demand was a relatively straightforward exercise based on population-by-age projections. Young adults struck out from their parents' homes in their early 20s, primarily into **apartments**, graduating in their 30s to **starter homes** suitable for small families, then in their 40s and 50s (incomes allowing) into larger and/or costlier **"move-up" homes**. Upon retirement, newly empty nesters would either remain in place or move into smaller, lower-maintenance **downsized** options.

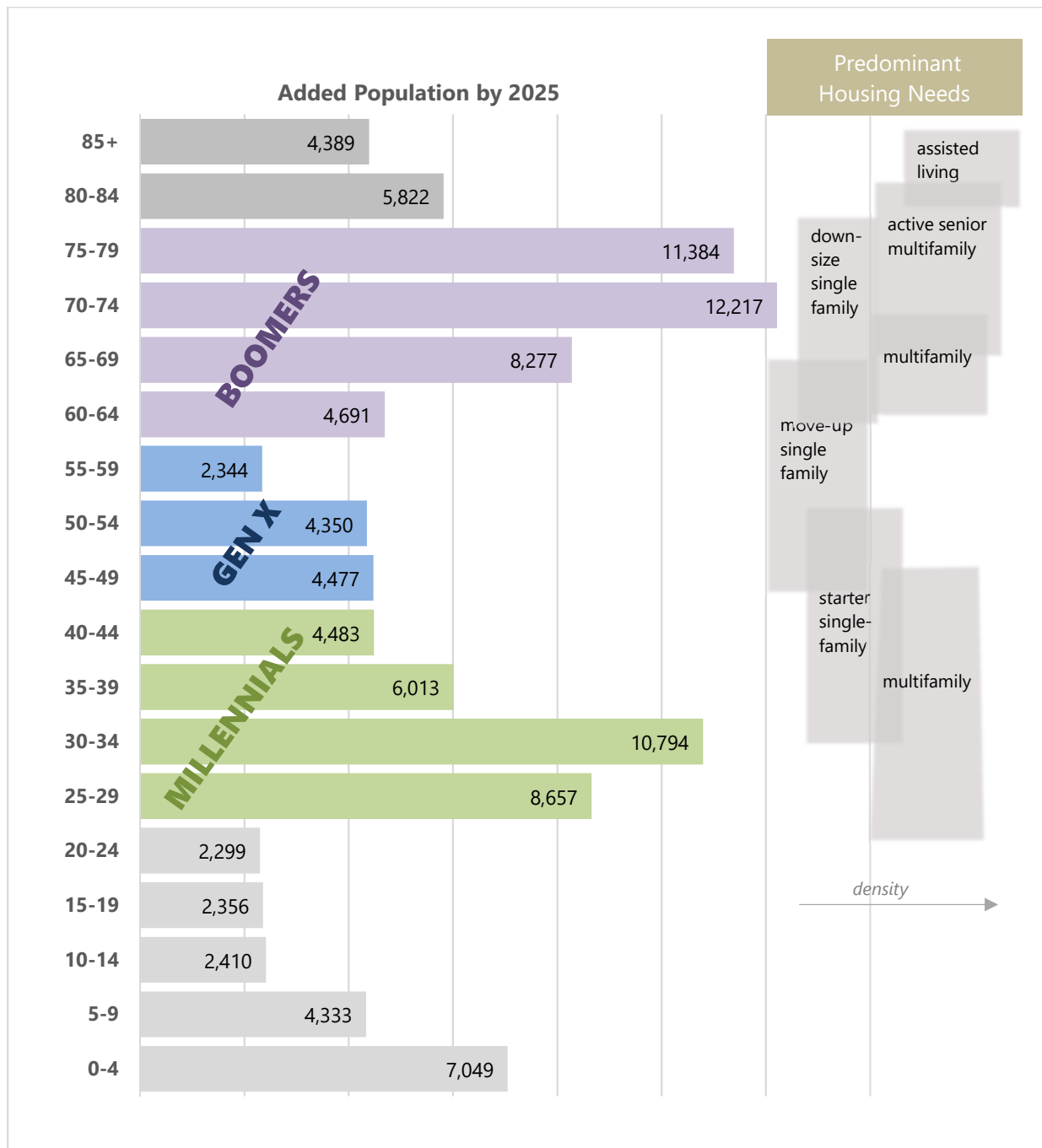
Current trends, however, are resulting in housing patterns that are less easily predictable. What *is* certain is that both nationwide and locally, the coming decade will see a surge in retirement-age householders (Baby Boomers) and in the population aged 25-45 (Millennials), with relatively stagnant growth among Gen X'ers¹ in between. However, the housing needs and wants of the two surging groups is thus far deviating from the usual age-based expectations.

¹ The Portland metro area actually skews higher than the nation on Gen X residents, and as such, will not see as pronounced stagnation as most other markets in the nation.

Table 9: Millennials and Baby Boomers Housing Comparison

Millennials	Baby Boomers
<p>Current age 19-35 2026 age: 29-45</p> <ul style="list-style-type: none"> Typically, strong growth in 30-somethings would be a major boost to starter-home demand to accommodate young families. However, in the aftermath of the Great Recession, several factors have changed the equation. Financial difficulties (for both kids and parents) made it more difficult for young adults to strike out and enter the housing market, even as renters. Many Millennials postponed this first rung on the housing life-stage progression to remain “in the nest” Rising debt from student loans and steadily climbing housing costs keep Millennials from accruing savings for potential home-buying, especially in the face of stricter lending. Those who now rent often have larger households due to rent sharing and are caught up in a cycle of rent escalation, low vacancy/choice, and out-of-reach ownership housing prices. Housing in diverse, walkable urban environments has proven popular among Millennials – but experts are divided on how much that is driven by age, versus actual generational difference in preference Emerging consensus is that Millennials will still enter the home-buying market, but much more slowly than expected given the above market realities Gallup polling shows very strong family-starting intentions among this group, but delayed marriages, delayed childbirth and learned market wariness are shifting that event Desires for walkable environments with urban amenities is expected to continue – but likely with more openness to suburban locale 	<p>Current age 52-70 2026 age: 62 to 80</p> <ul style="list-style-type: none"> Forecasters have long predicted a need in downsizing housing options for aging Boomers – smaller, low-maintenance apartments and attached ownership options like condos, townhomes, rowhomes and the like. This shift in product preference has not yet fully emerged, for several possible reasons: The prolonged burden of housing Millennial children is likely stalling Boomers’ ability to pursue their own residential choices. Consistent with deferred retirement and longer lifespans due to medical advances and healthier lifestyles, the core segment of Boomers may not yet feel the need for downsizing big yards, extra bedrooms and related chores. Rising housing costs and low vacancies, in both rental and ownership may delay a move that would otherwise happen Even if most Boomers eventually seek downsizing option, there also appears to be an emerging segment, especially in the West and Midwest who’s retirement goal is not necessarily smaller and more urban, but actually more like an “acreage,” at least among those with the good health or wealth required to keep up with the maintenance.

Figure 7: Washington Co. Growth by Age Group (2015-25 proj.), Showing Housing Needs²



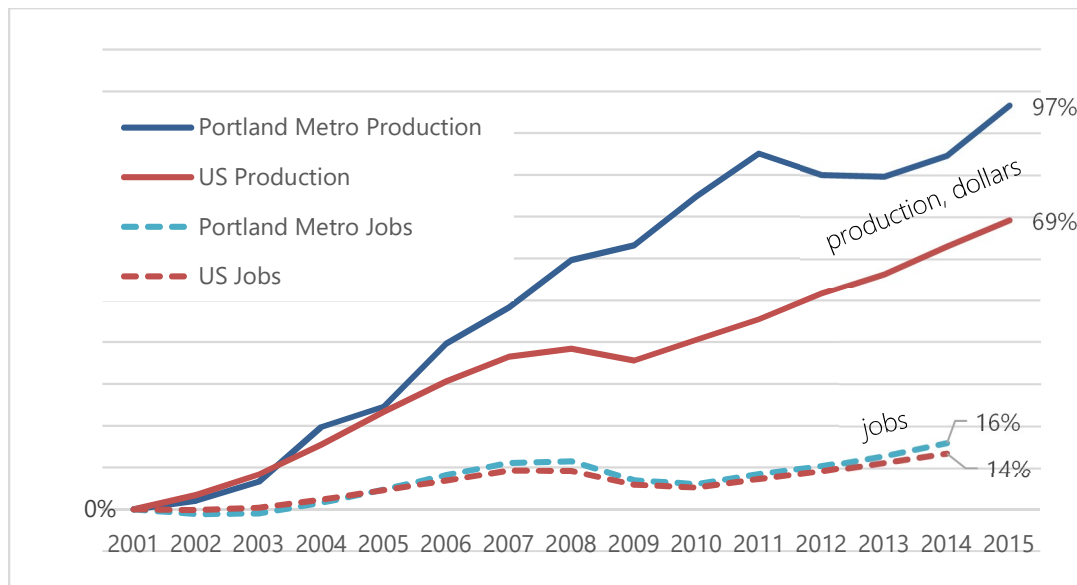
Source: State of Oregon Office of Economic Analysis, and Leland Consulting Group

² Shaded boxes are intended to show *predominant* housing needs only; some demand for multifamily can be found across all age segments.

ECONOMIC TRENDS

Washington County and the market area are part of a metropolitan region experiencing very robust economic growth over the past decade. As shown in Figure 8, the Portland metro area has nearly doubled its GDP since 2001 while seeing a 16 percent increase in employment, outpacing national (combined metropolitan area) growth, especially during and after the recent recession.

Figure 8: Overall Economic Growth (GDP and Employment), Portland Metro



Source: BEA and Leland Consulting Group

- Regional economic growth has been especially strong in the manufacturing sector, buoyed by high tech firms, with local GDP growth in that industry of 200 percent since 2001 (down from a peak of 279 percent in 2011).
- That increase, however, has been driven by rising productivity (output per employee), rather than net job growth. Even in the Portland metro, where manufacturing activity has gained national attention for its encouraging performance, industry jobs counts have in fact declined 10 percent since 2001³.

³ This has been a mixed economic blessing for many areas with strong industrial sectors like the market area, where rising automation-era industrial sales and new factories can lead to disappointing upward movement in employment and wages.

Table 10: Projected Employment Growth, Market Area TAZs

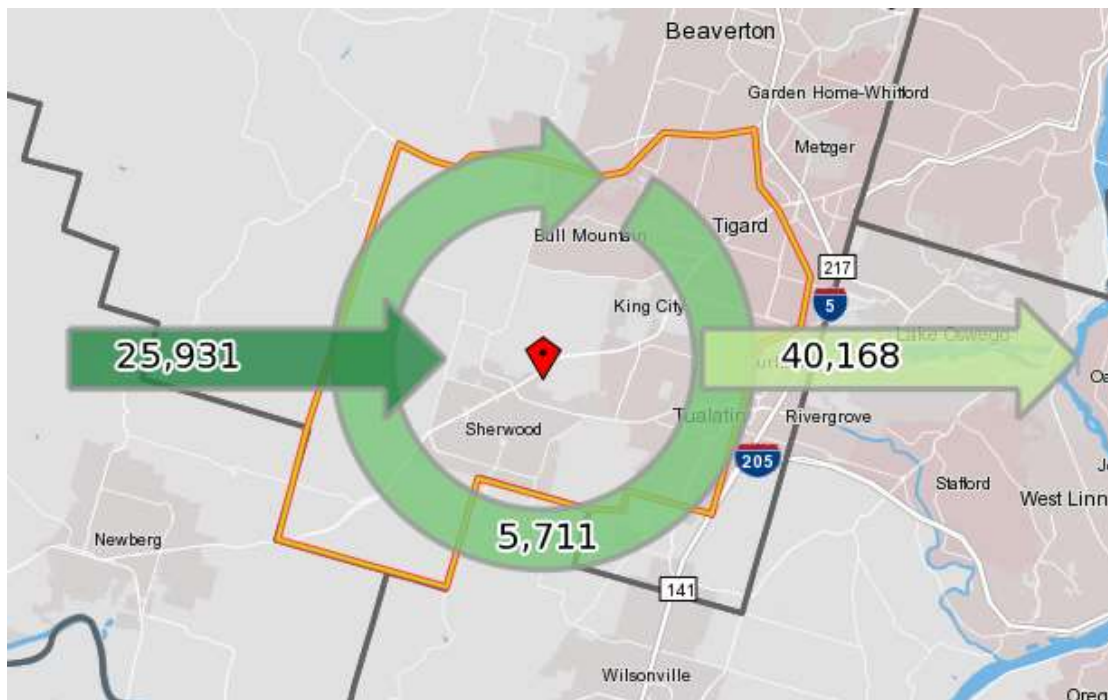
Employment			
	2010	2035	CAGR 2010-35
Market Area Total	26,226	48,007	2.45%

Source: Metro, gamma series projections

Metro Council projections show an average annual growth rate of 2.5 percent for total employment in market area forecast zones. This robust pace of job growth provides support for continued household (and thus residential) expansion in the market area.

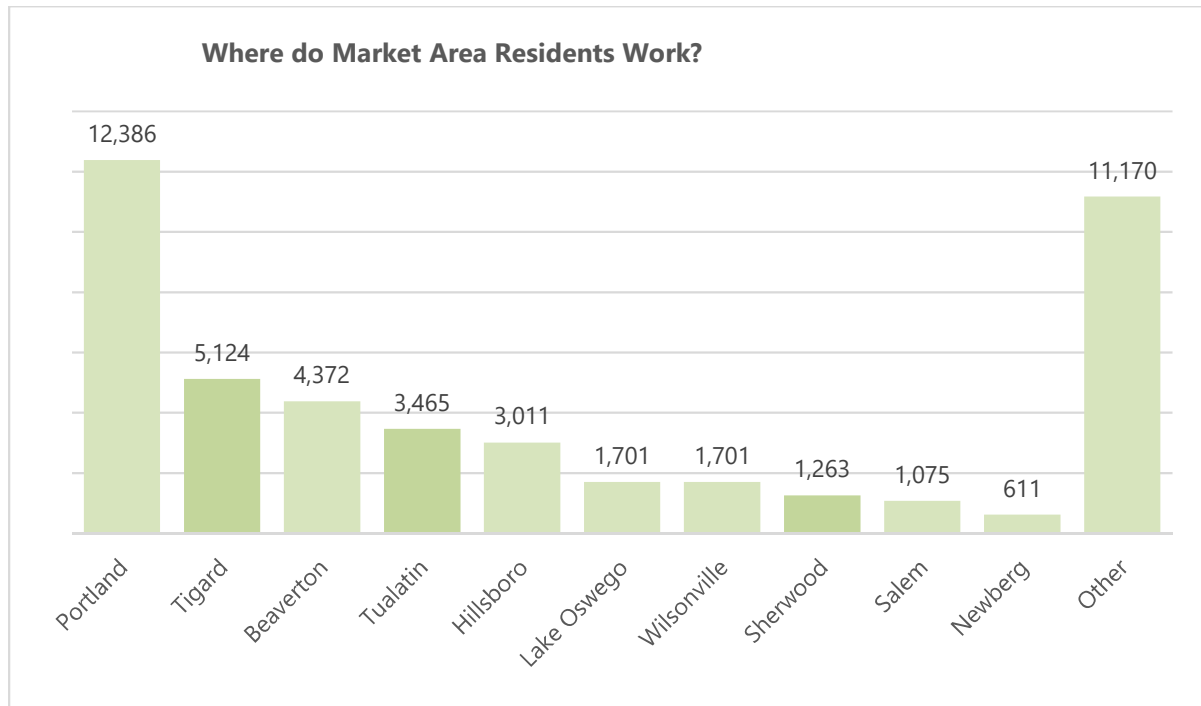
Figure 9 and Figure 10 show commuting patterns for market area employment in 2014. Each day, some 26,000 workers commute into the market area for work, while over 40,000 commute from homes in the market area to workplaces outside. Approximately 5,700 market area residents have relatively easy commutes, with jobs also inside the market area.

Figure 9: Market Area In-Commuting, Work-In-Place, and Out-Commuting (2014)



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

Figure 10: Out-Commute Destinations for Market Area Residents (2014)

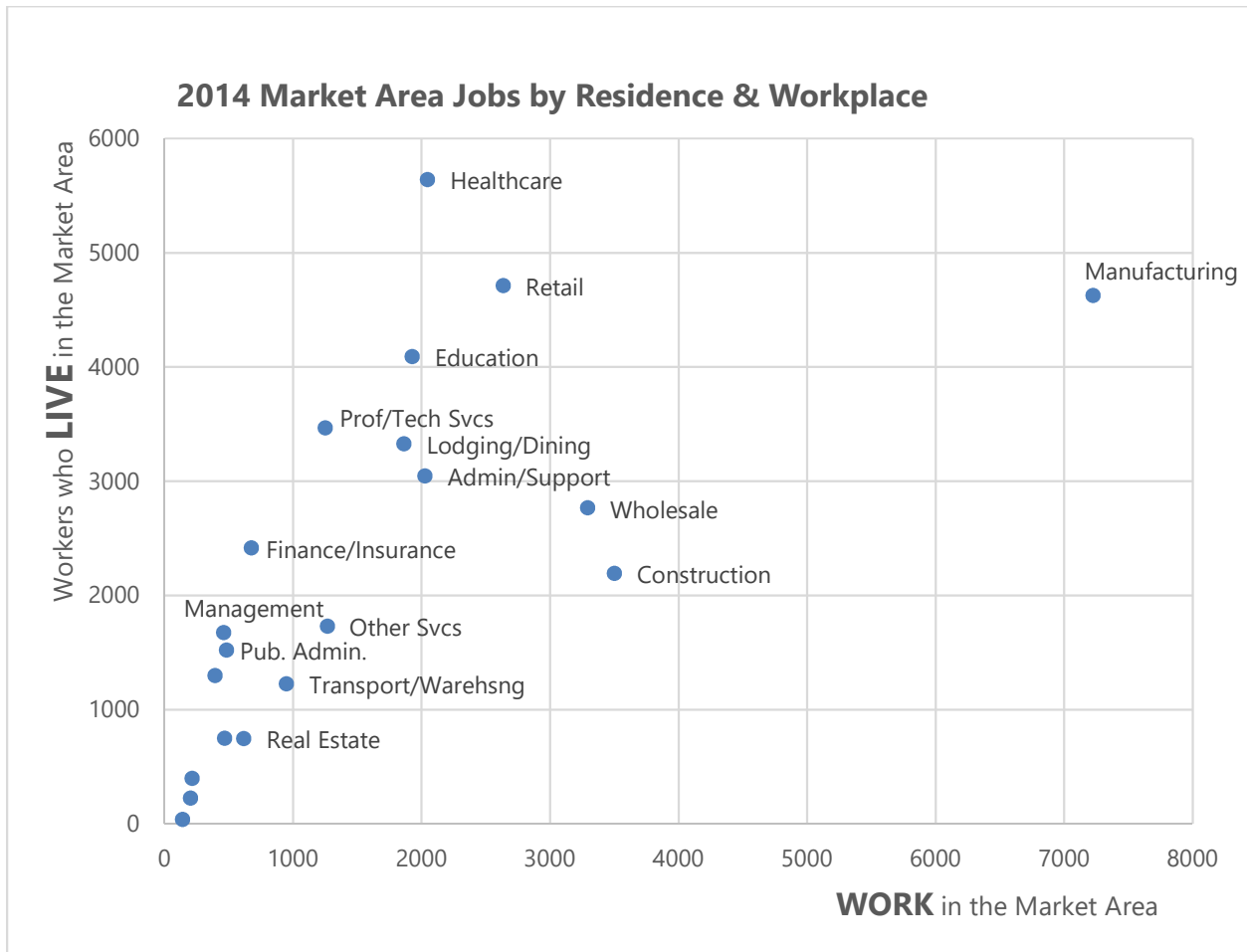


Source: U.S. Census Longitudinal Employment-Household Dynamics (LEHD), and Leland Consulting Group

Figure 11 illustrates major industries for the market area, from both the workplace and residence perspective. **Healthcare** is the leading industry sector for employed residents of the market area, with over 5,500 residents working in that field. Just over 2,000 healthcare jobs take place within market area establishments.

Manufacturing is by far the top sector for market area firms, providing over 7,200 jobs in 2014. Wholesale and construction are other major employer industries, while retail, education and professional/technical services are other top sectors for area residents.

Figure 11: Market Area Industry Profile, 2014

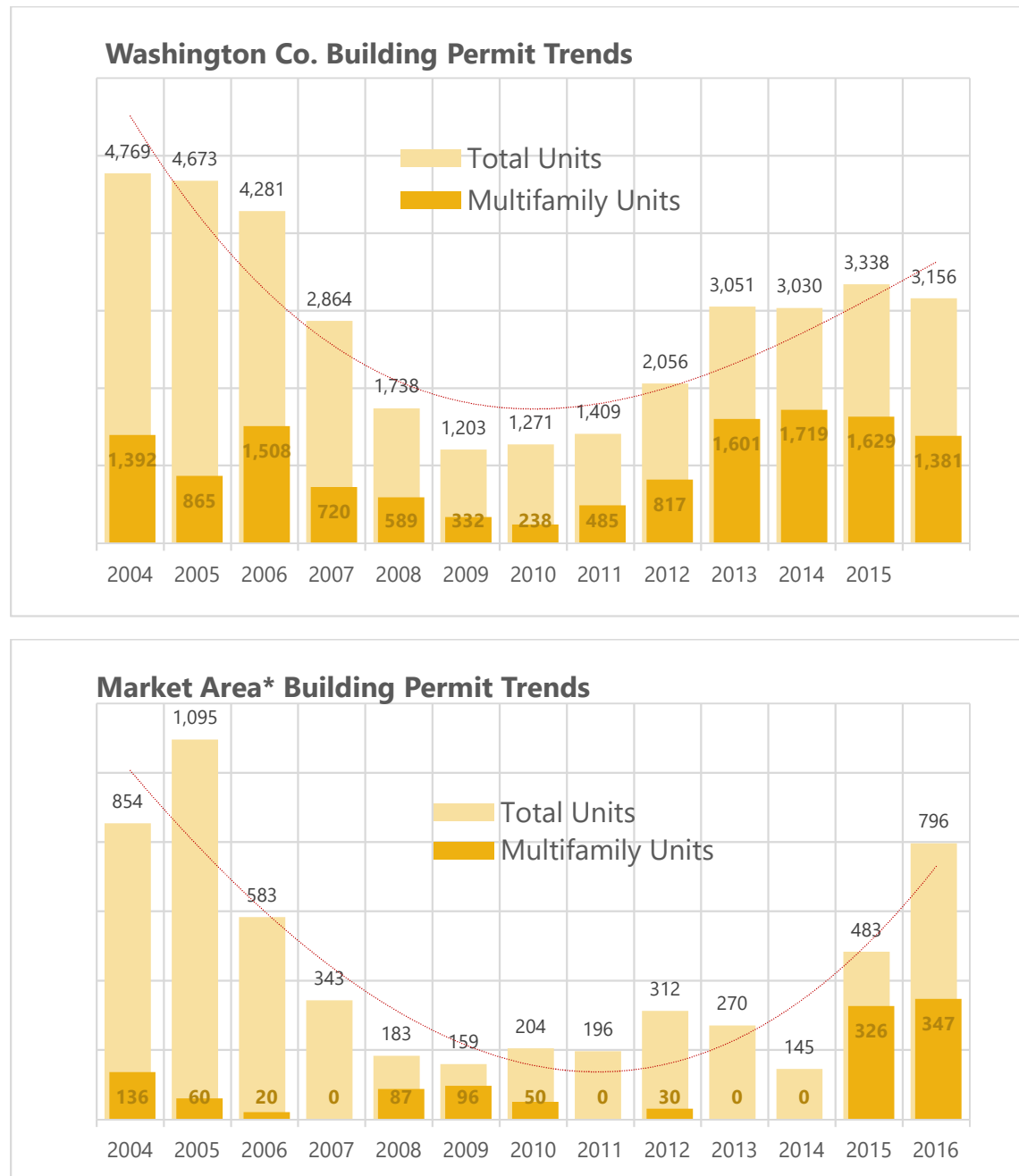


Source: U.S. Census Longitudinal Employment-Household Dynamics (LEHD), and Leland Consulting Group

RESIDENTIAL MARKET SUPPLY & DEMAND

Supply Characteristics:

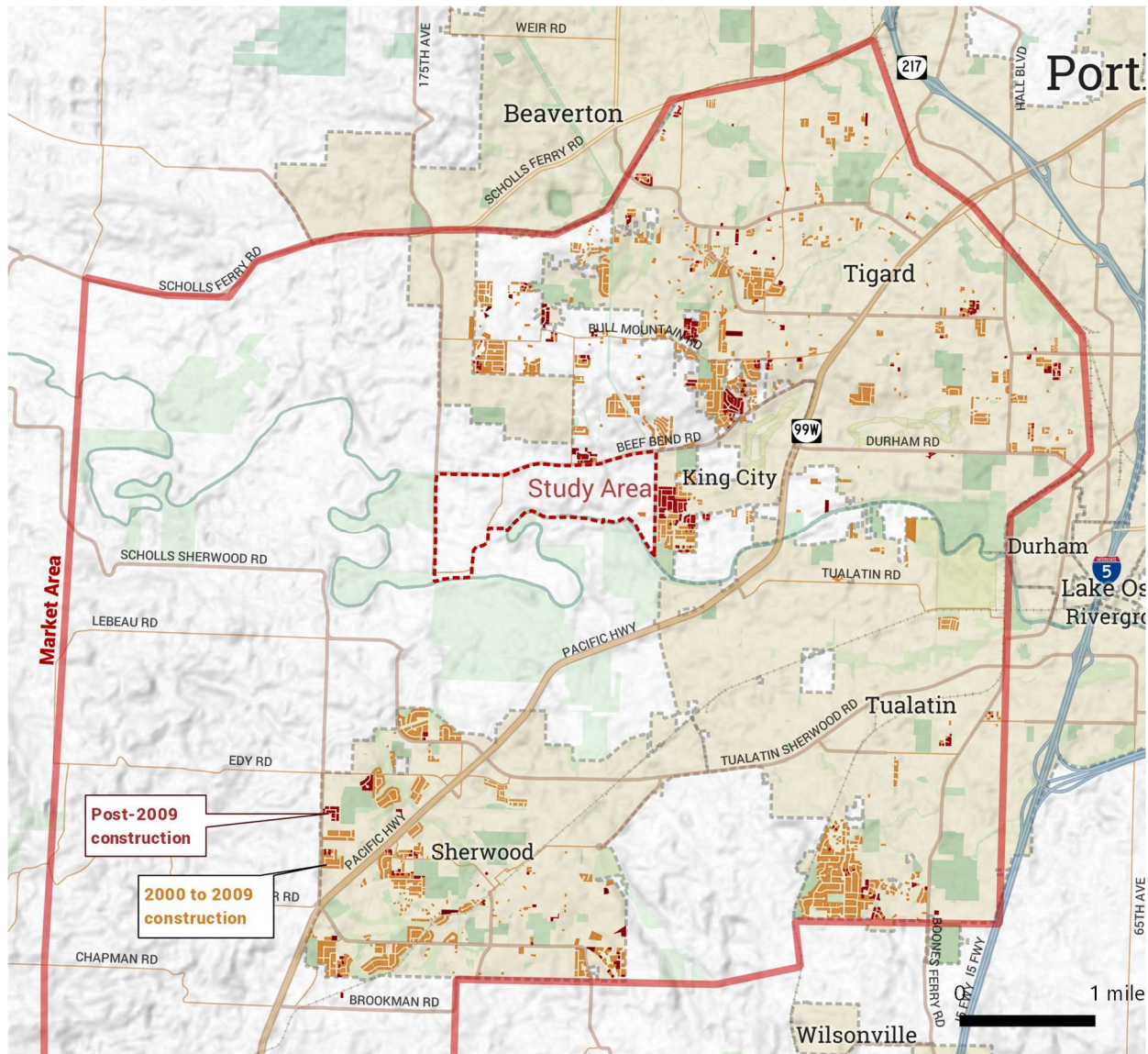
Figure 12: Building Permit Trends



Source: HUD SOCDs (based on local jurisdiction building departments; and Leland Consulting Group

*Note: Building permit data is available at the municipality level only, so this graphic likely includes some permit activity in Tigard and Tualatin taking place outside the market area.

Figure 13: Post-2000 Market Area Single-Family Construction Activity

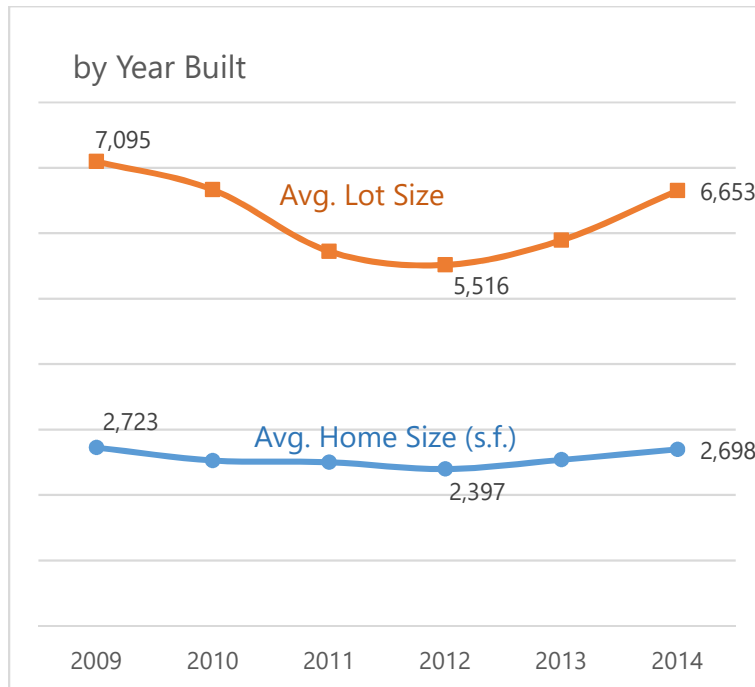


Source: Washington County Assessor (via Metro), and Leland Consulting Group

Figure 13 Shows all parcels with units built since 2000 in the market area, with post-recession activity further highlighted as dark red. Note that in the study area vicinity, King City itself has been the site of much recent construction activity. The Bull Mountain unincorporated area north of the study area saw considerable (and somewhat scattered) activity during the pre-recession period, but little since 2010. The adjacent incorporated part of southeast Tigard, has had substantial single-family development both before and after the recession.

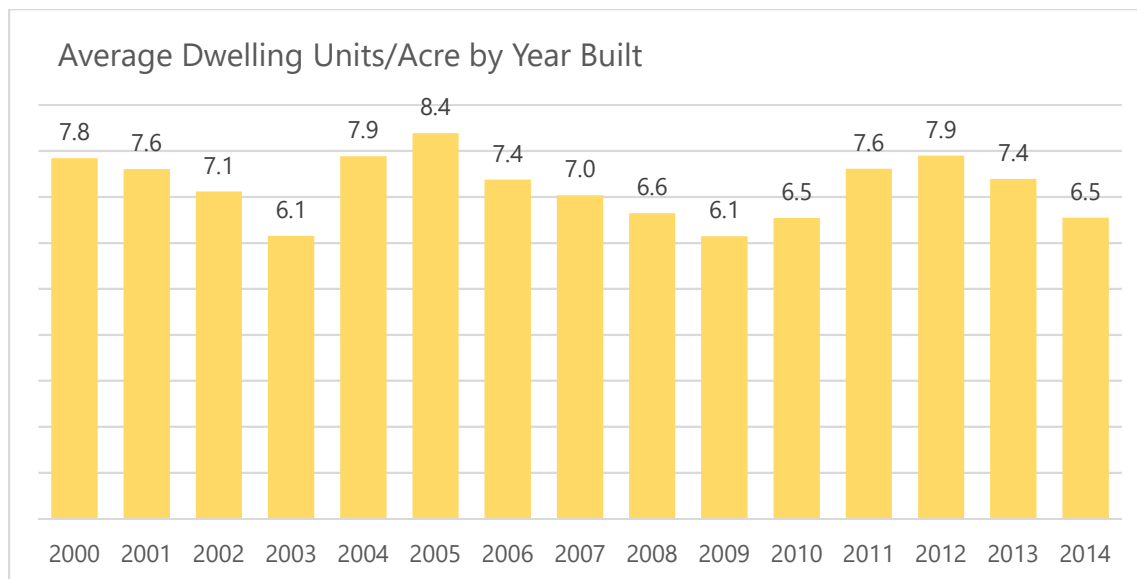
The combined southwest Tigard and unincorporated Bull Mountain area (within the market area, north of Beef Bend Rd. east of Roy Rogers, west of Pacific Hwy) has approximately 2,500 lots with homes built since 2000. Over the same period, the (much smaller) western portion of King City completed approximately 600 units. Both Sherwood and Tualatin experienced brisk single-family construction prior to the recession and recovery period construction at a reduced pace.

Figure 14: Market Area Single Family Trends for Lot Size and Home Size



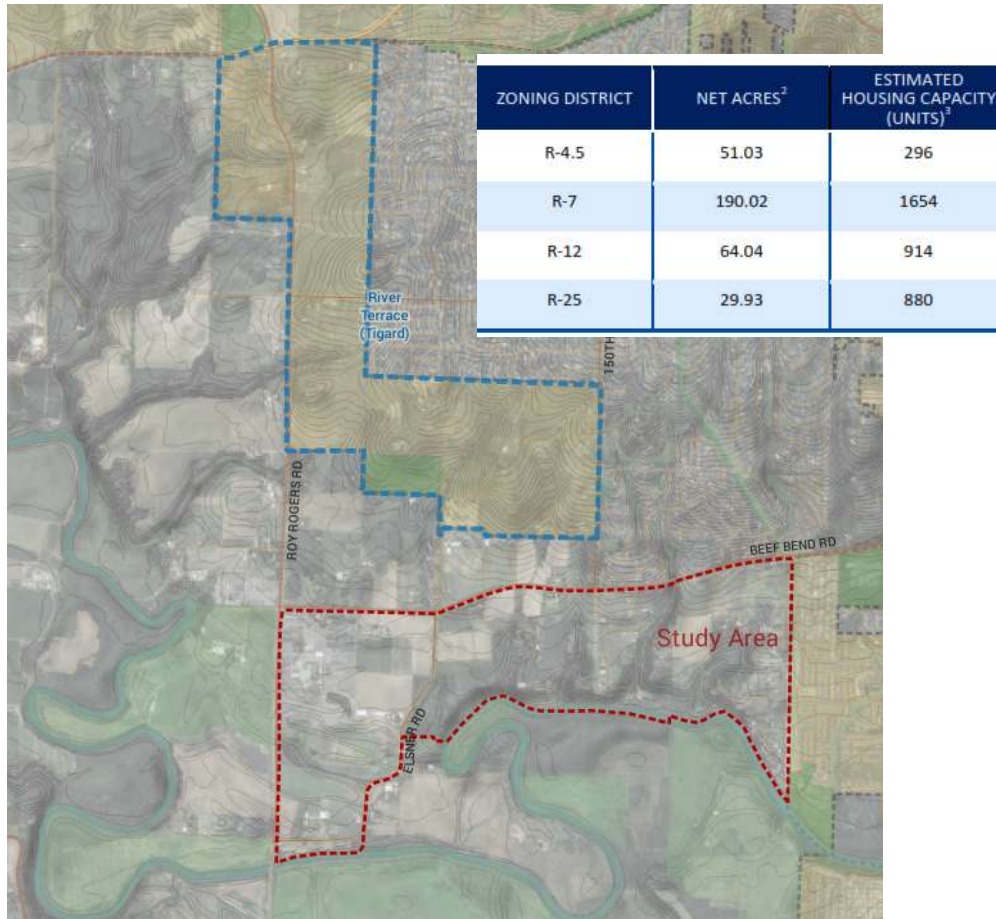
Source: Leland Consulting Group, using Washington County Assessor parcel data

Figure 15: Market Area Single Family Development Densities



Source: Leland Consulting Group, using Washington County Assessor parcel data

Figure 16: River Terrace, Tigard



Source: River Terrace Community Plan, 2014

A recently adopted UGA expansion in Tigard called River Terrace will likely serve as the primary local competition for residential development for the study area. The River Terrace Community plan, produced in 2014, states that the area's net buildable acreage would have capacity for 3,744 housing units across a range of proposed densities. Nearly half would be built at a typical SFD density of seven units per acre, but almost 900 units could be built at a 25-units per acre apartment density.

Table 11: Market Area* Apartment Supply

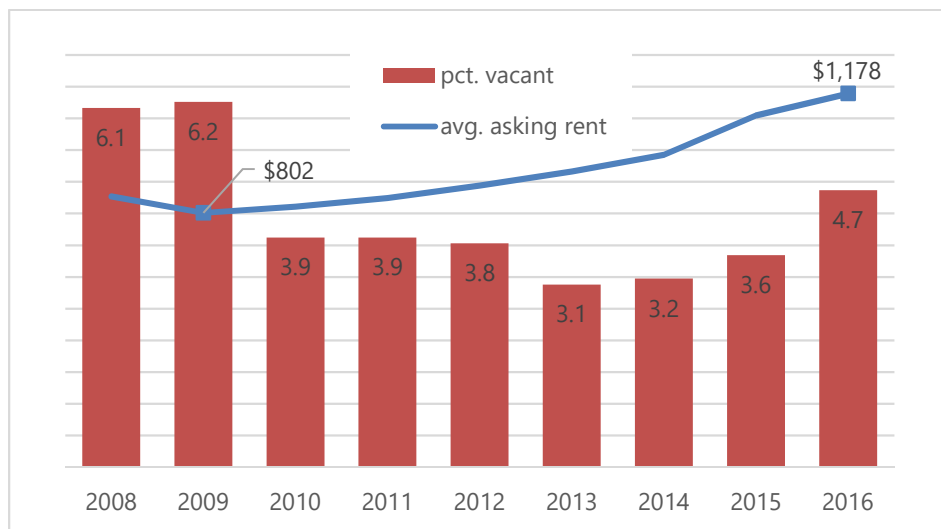
	Total	Built Post-2009
Properties	104	6
Unit Inventory	8,410	221
Under Construction Properties	3	
Under Construction Units	466	
Vacant Units	364	29
Vacancy Rate (%)	4.3%	13.1%

	Total	Built Post-2009
Median Asking Rent	\$1,065	\$1,372
Median Rent/sf	\$1.25	\$1.55
1-story units	687	
2-story units	5,044	
3-story units	2,648	221
20th Percentile density (units/ac)	11.5	n/a
Median density	19.0	n/a
80th Percentile density	24.5	n/a
Affordable Units	1,161	0
Senior Units (excl. assisted living)	572	0
Units by City*		
Portland	655	
King City	196	
Sherwood	851	101
Tigard	4,583	
Tualatin	2,125	120

Source: Costar and Leland Consulting Group

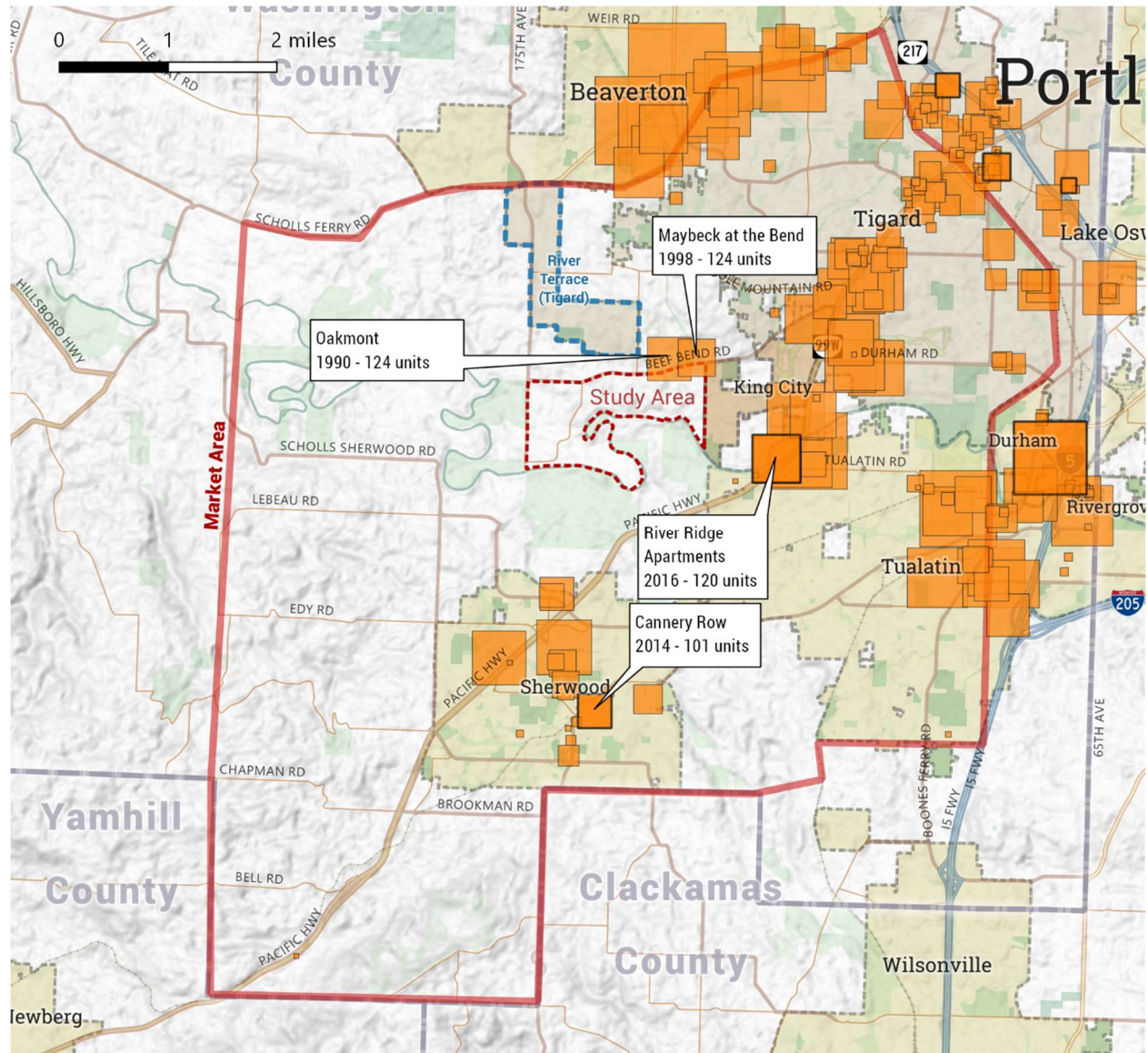
* Note: information in this table refers to apartment properties within the overall market area; city subtotals include only those portions within that boundary.

Figure 17: Market Area Apartment Vacancy and Rent Trends



Source: Costar, and Leland Consulting Group

Table 12: Market Area Apartments, Highlighting Recent and Nearby Projects



Source: Costar, and Leland Consulting Group

Table 13: Market Area Senior Housing Supply

Building Name	Units	Year Built	Avg. Asking Rent	Rent/sf	RentType	Vacancy Pct.	Est. DU/ac
King City Apartments	196	1968	\$967	\$1.15	Market, Affordable	6.1	37
Summerfield	175	1976	\$1,056	\$1.27	Market	3.0	61
Woodspring Apartments	172	1991	\$952	\$0.91	Affordable	0.0	21

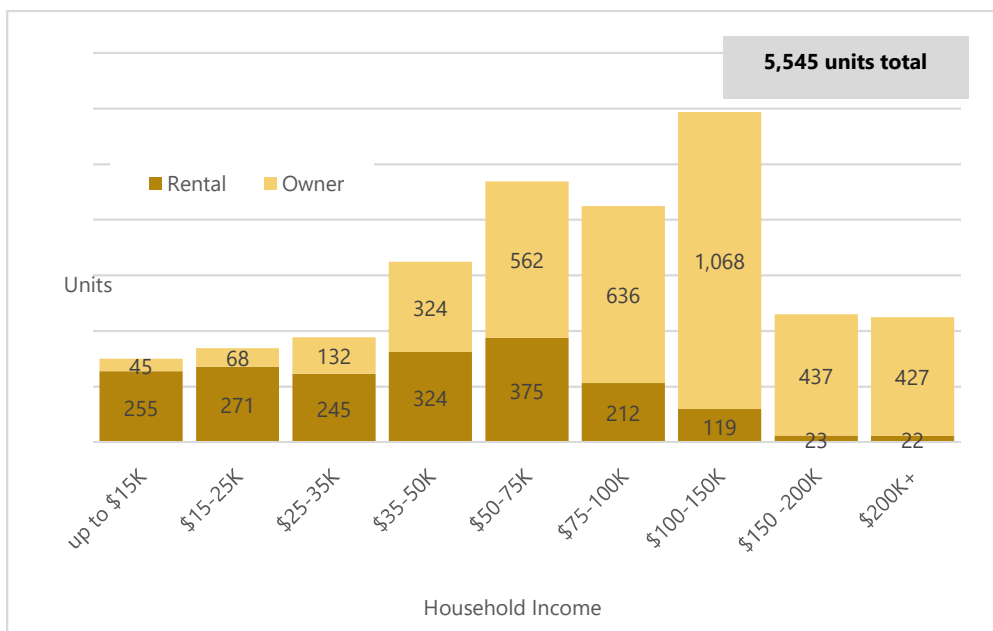
Building Name	Units	Year Built	Avg. Asking Rent	Rent/sf	RentType	Vacancy Pct.	Est. DU/ac
The Village at Forest Glen	82	1985			Market		11
The Knoll at Tigard	48	2011	\$697	\$1.06	Affordable	4.6	n/a
Stewart Terrace Senior Apartments	29	1983	\$918	\$1.38	Affordable	5.2	23

Source: Leland Consulting Group, using Costar data and on-line research

Residential Demand:

Long-term (10-year) market area forecast of unit demand, by type and approximate income range, is summarized in the figure below. Current counts for market area households by income are assumed to grow at 1.7 percent annually across the board and retail approximately the same current proportion of renter to owner households. Five percent is added to the resulting total household increase to maintaining an equilibrium occupancy level and account for a small quantity of second homes and homes replaced due to demolition. The result is ten-year demand of 5,545 units with expected rent/own split as shown below.

Figure 18: 10-year Market Area Residential Demand (units) by Household Income

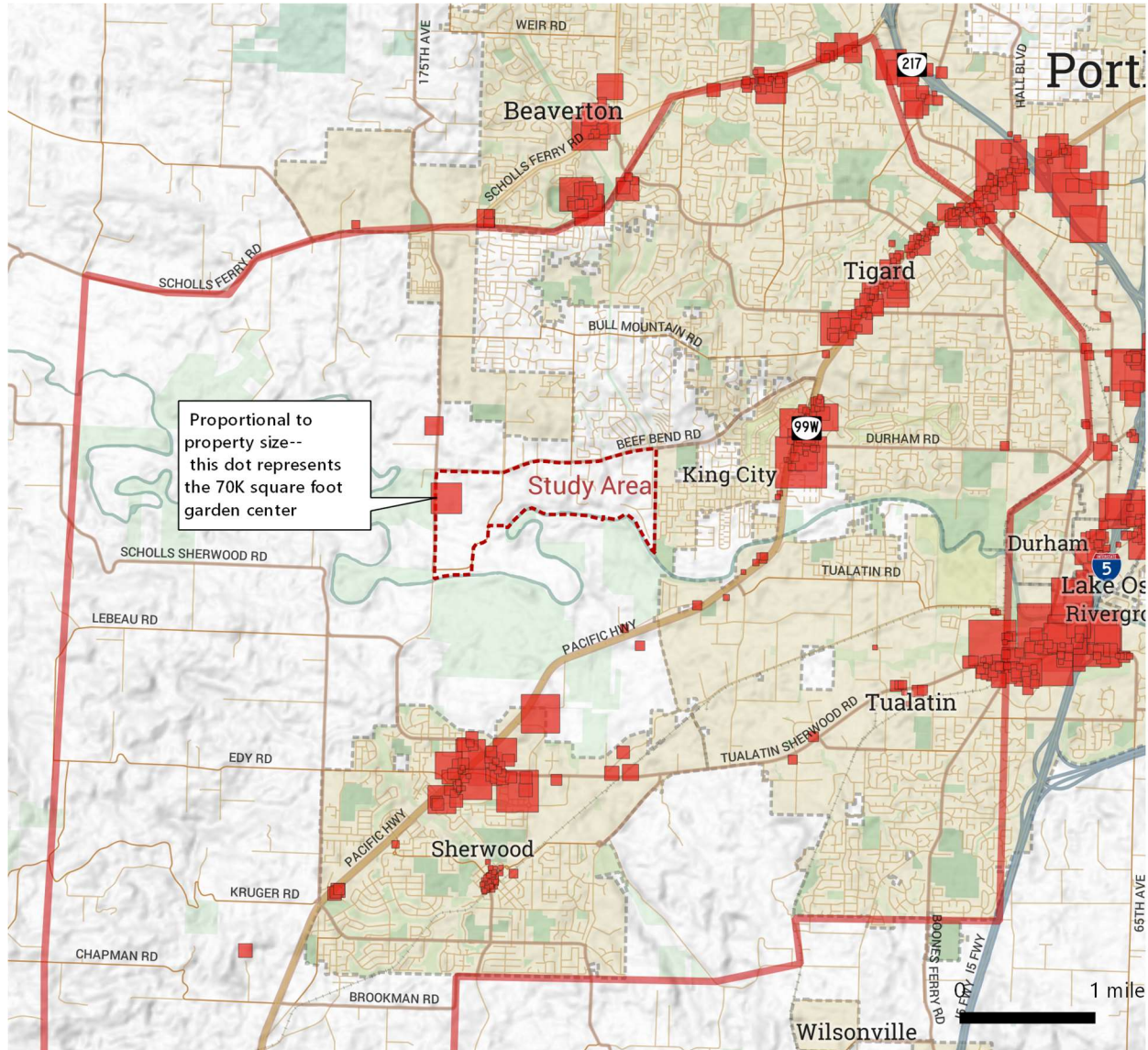


Source: Leland Consulting Group, with inputs from Census data, Metro Council projections and ESRI.

RETAIL MARKET SUPPLY & DEMAND

Supply Characteristics:

Figure 19: Market Area Retail Supply, 2017

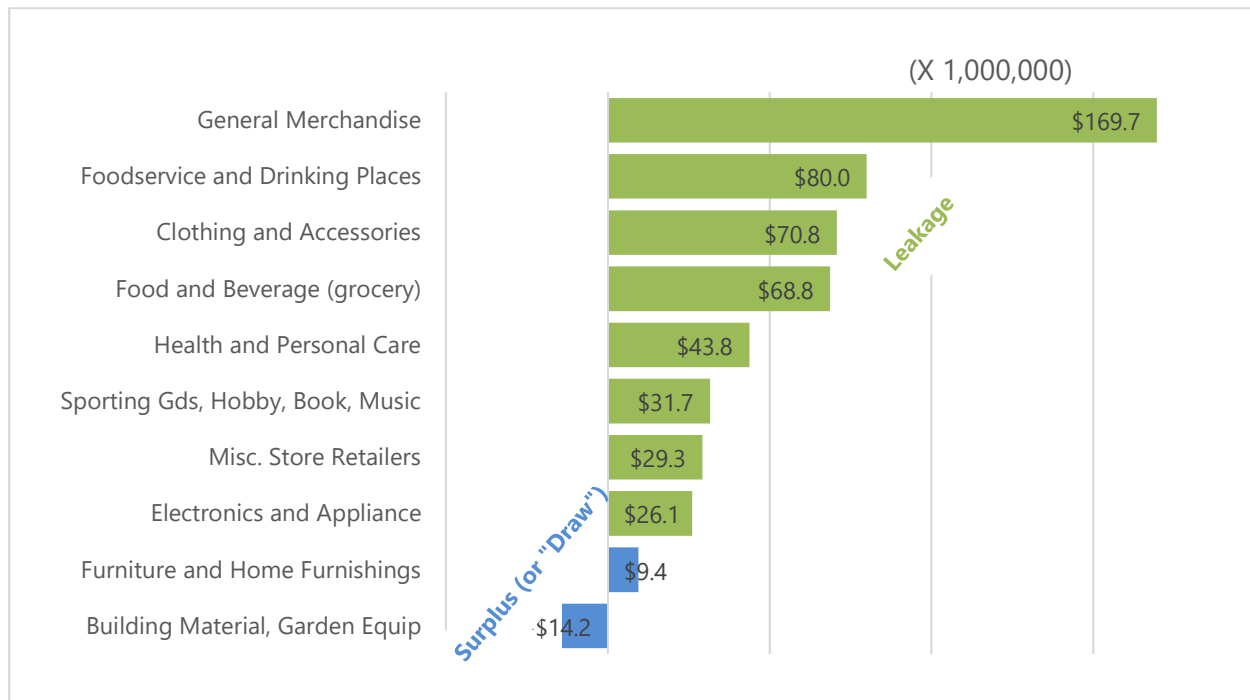


Source: Costar and Leland Consulting Group

Figure 19 illustrates the distribution of retail supply in the market area and just beyond. Market area inventory consists primarily of convenience and neighborhood scale retail development, with more regional scale projects falling just outside to the east and northeast, clustered near major I-5 interchanges. The only retail currently within the study area itself is Al's Garden Center, on Roy Rogers.

Future Demand:

Figure 20: Market Area Retail Leakage Analysis by Major Category



Source: ESRI and Leland Consulting Group

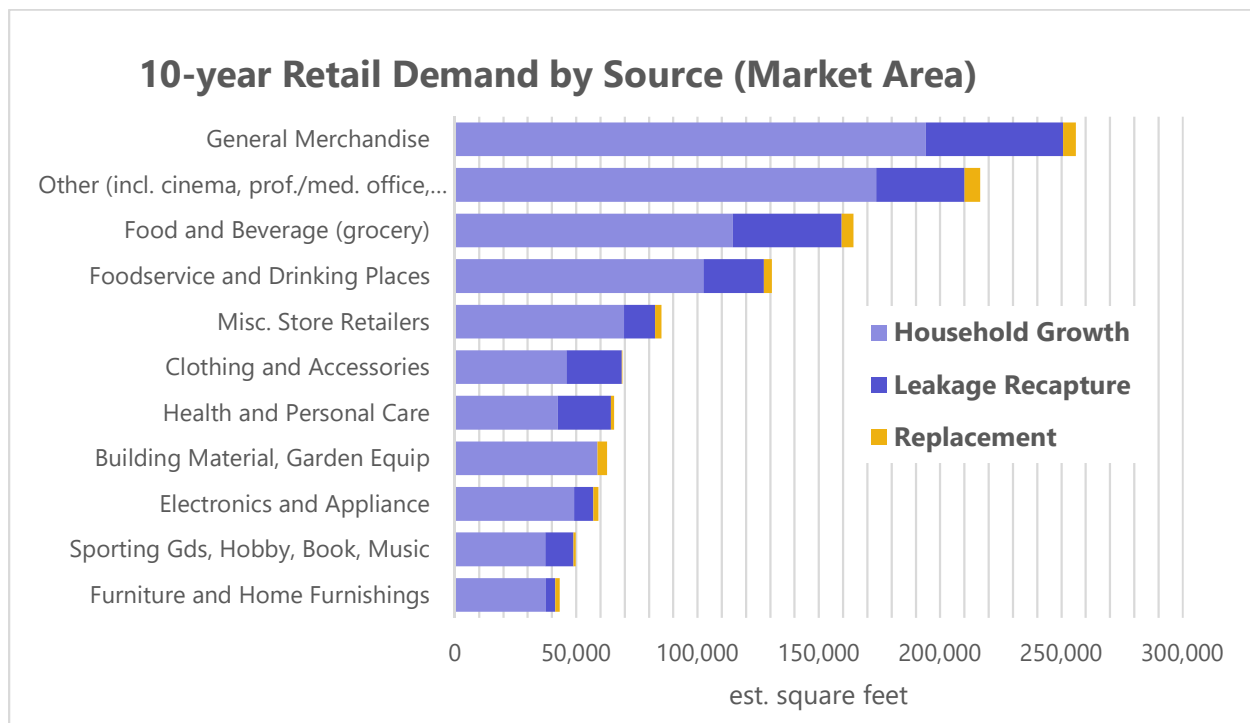
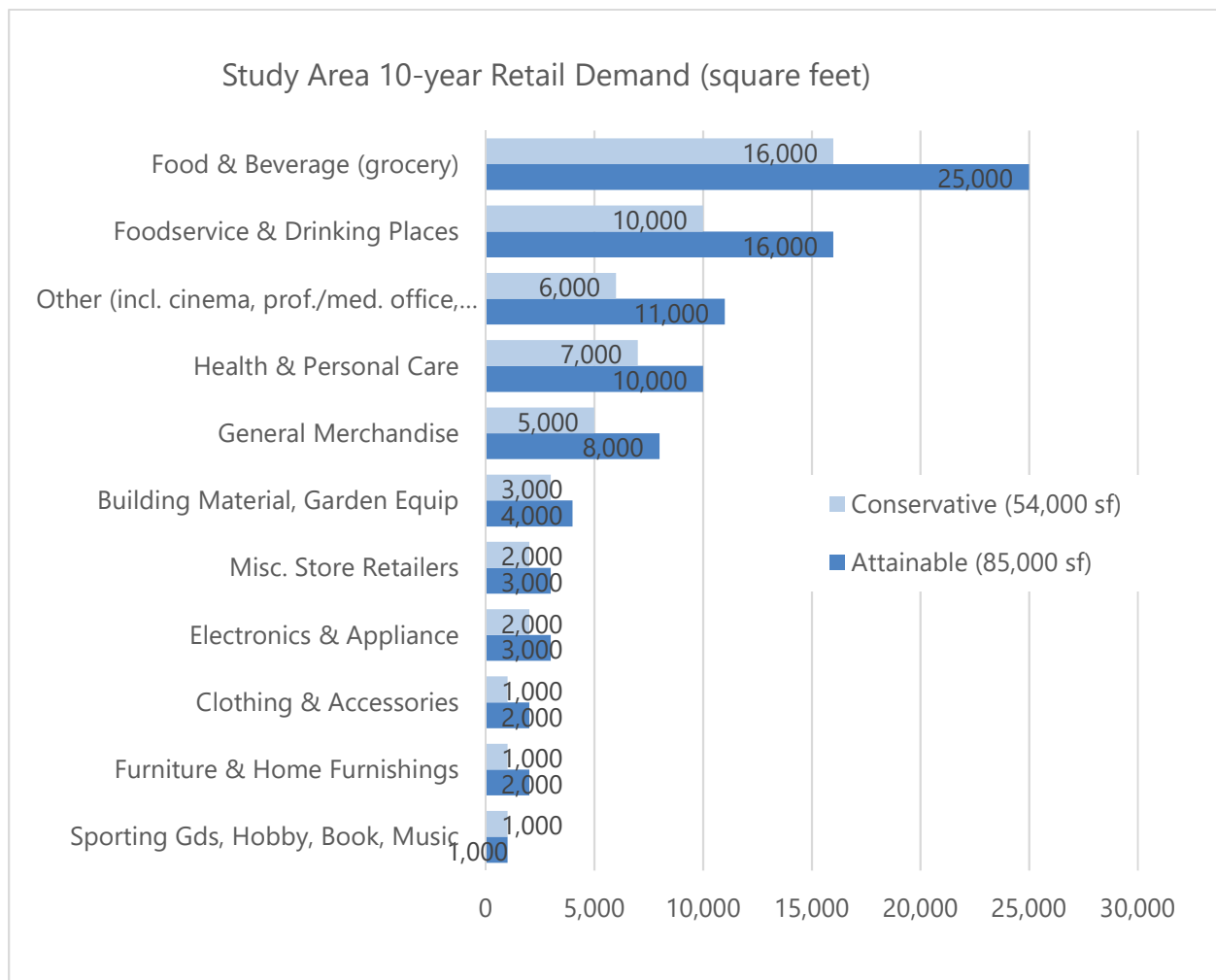


Figure 21: Study area 10-year Attainable Retail Demand



Attainable study area capture within retail is driven by opportunities for grocery and dining, resulting in adequate market support for a small- to mid-sized neighborhood center anchored by a small format (15-25,000 sf) grocer, with pad and in-line co-tenants made up of restaurants (primarily fast-casual), local personal services such as a salon, yoga or jui-jitsu studio, storefront health services (dental/chiro/clinic) and other miscellaneous shops.

RECOMMENDED NEXT STEPS

The preceding analysis quantifies and describes market support for residential development, in addition to limited commercial development, on study area land through a 2040 time horizon. Next steps include reconciling this attainable land absorption with the inventory of buildable land available for site planning. This process requires an approximation of required deductions for additional transportation rights-of-way, wetlands, floodplain, open space and other unbuildable land, to arrive at a reasonable assumption of net buildable acreage. This could potentially involve dividing the study area into two or more subarea parts (as in the example below).

Inventory of Buildable Land [example below]

Land Category	Study Area (Acres)		
	Part A	Part B	Total
Total Area	179	316	495
Unbuildable			
Committed ^a	12	90	102
Unbuildable (stream corridor/ adjacent wetland / adjacent riparian buffer/ >25% slope)	24	37	61
Buildable but challenging			
Acreage of all non-significant wetlands	18	5	23
20% of the total acreage of non-significant wetlands ^b		1	5
Subtotal ^c	54	124	177
Gross Buildable (Total acreage less unbuildable)	126	192	318
Infrastructure and Amenities			
Internal Roads ^d	23	35	57
Stormwater Management	5	3	8
Parks ^e	5	5	10
Subtotal	33	42	75
Net Buildable			
Retail/Commercial	2	5	7
Residential	91	145	236
Net Buildable	93	150	243

With a canvas of net buildable parcel acreage and rough placement of roads and open space, the site can then be populated with alternative versions of housing and retail types of varying densities to further refine build-out expectations.

Housing Types

In order to illustrate potential development scenarios within the Study Area, this market analysis uses five different housing types, as shown below. These are broad categories, and there can be significant variation in home design, layout, site size, and other factors within these types. These housing types are key parts of the “palette” with which stakeholders can paint the West King City area during later phases of the Concept Plan process. These housing types are based on housing recently built in the market area, housing proposed for other comparable new development areas.

Large Lot Single-Family



Medium Lot Single-Family



Small Lot Single-Family



Single-Family Attached



Multifamily



Potential Development Per Decade (PRELIMINARY example – to be revised & refined in remaining project phases)

Attainable Absorption per Decade

		Market Area Units	Capture Rate		10-year Study Area Absorption		Approx. Units Per Acre		Acreage Required	
			low	hi	low	hi	low	hi	low	hi
Single Family Detached	% of units									
small lot	30	933	10%	20%	93	187	10	15	9.3	12.4
medium lot	40	1,244	10%	20%	124	249	7	10	17.1	24.9
large lot	30	933	10%	20%	93	187	5	7	18.2	25.7
Townhome, Condo, Plex		500	10%	15%	50	75	20	25	2.5	3.2
Rental Apartments		1,600	10%	15%	160	240	25	30	6.4	8.0
Total Residential Units		5,210	10%	18%	521	942	9.7	12.7	53.6	74.2
Non-Residential										
Retail					(s.f.)		(FAR)			
Neighborhood Retail (small format grocery anchor)					40,000	60,000	0.2	0.25	4.6	5.5
Wine Country Lodging/Event Space/Dining										
70-room lodge, 10K sf event, 10K sf restaurant					40,000	60,000	0.2	0.25	4.6	5.5
Educational vineyard, organic culinary garden (part flood plain?)									5	10
Total Acreage (Year 10)									121	169