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Real Estate Services Division
BROKERAGE AND MANAGEMENT

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NOV 15 1990

METRO FINANCE &
ADMINISTRATION DEPARTMENT

November 14, 1990

Ms. Jennifer Sims
Metro
2000 SW First Avenue
Portland, Oregon 97201

Dear Jennifer:

Listed below is an overview of the steps that will be taken for the leasing and marketing of the Metro Building at 2000 SW First Avenue.

I've included information on prospective tenants, their square footages and expiration dates. Also, I've developed a schedule for marketing, which will begin immediately upon the closing of the Sears Building.

Also, for your review, I've included a first draft of Coldwell Banker's 1991 Office Market Survey. Hopefully the information contained in the survey will add to your optimism in regards to releasing your building.

I. PROSPECTIVE TENANTS

Tenants Industry	Square Footage	Year of Move
State Requirement	35,000	'91 - '91
Multnomah County	entire building	current to '92
Equipment Company	entire building	'92
Cellular One	entire building	current to '92
Law Firm	entire building	'92
Marketing Company	23,000 to 25,000	'92

These tenants have expressed some interest in the property. At this time their interest would depend on an acceptable occupancy date being formulated. Also, it is important to note, that limited conversations have been had with prospects due to the contingencies remaining with the purchase of the Sears Building.

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II. SCHEDULE FOR IMPLEMENTATION OF MARKETING PLAN

Week of:

December 17th	Prepare Marketing Brochure and Package
December 21st	Order sign for 2000 SW First Property (installation takes 5-7 days).
December 24th	Final proofing of Brochure
January 2nd	Re-contact prospects who have expressed interest in the Property. Give timeline for Metro's move from the building.
January 2nd	Sign installed on Property.
January 2nd	Brochure to Printer
January 7th	Brochure mailed to Portland brokerage community.
January 14th	Begin showings and on-going prospecting.
January 14th	Mailer to all companies in downtown larger than 30,000 sf
on-going	Prospecting and Negotiations.

The actual timing for concluding a transaction will potentially be extended due to a lack of urgency caused by the space not being vacated by Metro prior to February of 1992. I would anticipate having a fully executed lease document for the 2000 SW First Avenue Building by June or July of 1991.

Optimistically, there is a chance I will find a tenant who will immediately (in 30 to 60 days) sign a lease for the entire building because of how unique this property will be to the marketplace.

Let me know if you have further questions. I'm confident given the existing market conditions, your building will lease rapidly.

Best regards,

Brad Pihas

Brad Pihas
Sales Consultant
(503) 221-4876

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OFFICE MARKET STUDY
Brad Pihas

The Portland Office Market is filling up. In the Portland Tri-County Market, which consists of 350 buildings, totaling over 21,000,000 sq.ft., demand for space is beginning to exceed supply. An exceptional change from only two years ago, when Landlords where faced with extremely high vacancy rates, which created a "shopping list" of concessions for tenants, Landlords are now hand picking their tenants and achieving much higher rents.

Portland's marketplace which has traditionally been over-built, is beginning to feel the tightening of the financing market. The effect of this is that landlord's who traditionally would be building at the current level of vacancies, 15.6 in the downtown and 11.9 in the southwest suburbs, are faced with inserting a large amount of capital, or accomplishing a high percentage of pre-leasing, which will allow prudent lenders to feel comfortable with these new projects.

During the past ten year period, Portland's marketplace has been faced with vacancies exceeding 24%. The lack of construction currently is directly attributable to the financial constraints implemented over the past 6 months.

Portland's marketplace consists of four primary areas; downtown; the southwest suburbs; the Lloyd district; and Vancouver/Clackamas. These areas breakdown as follows:

Downtown	SW Suburbs	Lloyd District	Vancouver/Clackamas
11,000,000 sq.ft.	6,000,000 sq.ft.	1,200,000 sq.ft.	1,200,000 sq.ft.
55% of office market	30% of office market	6% of office market	6% of office market

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Downtown:

The downtown market is actively growing and is as strong as its ever been. The Central Business District, which consists of 12,000,000 sq.ft. has seen vacancy rates drop from 17.5% in 1989 to 15.5% to date in 1990. During 1990 Pioneer Place, a 284,000 sq.ft., tower opened and 1000 Broadway, a 240,000 sq.ft. tower broke ground. Pioneer Place is currently at 50% occupancy and is achieving rental rates in the $17.50 range. Other projects that are planned include; the Morrison Tower a 525,000 sq.ft., 32-story Class "A" Building; Pacific Center Tower a 423,000 sq.ft., 24-story Class "A" Building and a potential Hyatt Hotel. All variables considered, downtown should see one, but not both, of these two towers break ground during the next two years.

During 1990 the downtown market absorbed over 450,000 sq.ft. During the past two years effective rental rates for downtown increased from 1989 values of $14.00 to $22.00 to $15.00 to $25.00 in Class "A" Buildings. These rates should hold steady or increase as the space supply will continue to decrease until 1000 Broadway is ready for occupancy the second quarter of 1990.

The Suburbs

The suburban marketplace continues to grow at a rampant pace. Standard in this marketplace has been 450,000 to 500,000 sq.ft. of absorption per year, which held true in 1989 and was surpassed in 1990.

The only thing that may slow the absorption rate in 1991 is the lack of supply which will dwindle from a projection of 470,000 sq.ft. to approximately 200,000 sq.ft. This is due to the financial restriction being implemented in 1989. Vacancy rates have decreased from a high of 20.5% in late-'89 to 14% for Class "A" space. The majority of the space remaining is in sizes smaller than 3,000 sq.ft. and is spread throughout the entire marketplace.

The interest in the suburban office market will continue and therefore rates will continue to increase. Market rents that were $14.50 to $15.00 in 1989, are now between $15.50 to $16.50 per sq.ft. Developers continue to talk about building, however no ground has been broken on prospective projects. The projects targeted for 1991 which will become reality are: a 120,000 sq.st. Class "A" building to be developed by Hillman Properties Northwest; 120,000 sq.ft. Class "A" building to be constructed by Birtcher Frank Properties. Additionally, Pactrust will continue to build flex-office space at Pacific Corporate Center, in Tigard. In 1991 they should complete approximately 100,000 square feet of space.

A very strong suburban market will continue, however landlords will be looking for major tenants to anchor their prospective development projects, which will eliminate the large deposits being required by bankers prior to loan approval.

We will continue to see flex-office space be an alternative for the sizeable office users who are unable to find the large bulk spaces in Class "A" buildings. The rates for these properties, which are constructed of concrete tilt-up materials, and are therefore much less expensive to build, will range from $.72 net to $.88 net. These spaces can be finished with a tenant improvement package which makes the interiors look similar to Class "A" buildings.

For the new Class "A" buildings under consideration rents are projected in the $20.00 to $21.00 per sq.ft. asking range with effective rents to be approximately $17.00 to $18.00. Concessions will be given in the form of free rent, and will continue to dwindle as the available space declines.

Land values will decrease by approximately 10 to 15% from the current levels. This is primarily due to the lack of demand for land and the inability for most developers to "land bank" for any excessive period of time.

SUMMARY

The Portland Office Market is currently being fueled by the financial markets throughout our country. Therefore we will see development stagnant while the Pacific Northwest, Portland specifically, continues to grow. Looking at basic economics, we have demand which exceeds supply, which will begin to favor the landlord's from two basic standpoints; First, new tenants will be paying a surplus for spaces that are available and while most available spaces will be 3,000 sq.ft. or smaller rents will increase effectively to $16.50 to $17.00 per sq.ft. Second, tenants renewing their leases will have limited alternatives to compare against and therefore their existing landlords will achieve substantial rental increases.