



Q1 GREATER PORTLAND MARKET INSIGHTS

THE COST & VALUE OF ECONOMIC DEVELOPMENT



GREATER
PORTLAND

Welcome



Overview

- New quarterly events focusing on current market trends and activity impacting our region's economy and the work we do in economic development.
- A featured speaker on a timely topic, followed by the presentation of a set of data from GPI staff.
- All attendees will receive our Greater Portland Q1 Market Insights Report.
- Zoom event for now, but plans for in-person events.
 - Data & Drinks?!



Today's Agenda



- I. Introductions**
- II. The Cost & Value of Economic Development**
- III. Economic Development Incentives – Benefits, Costs, and ROI**
- IV. Quarterly Market Insights**
- V. Key Takeaways**
- VI. Questions?**

Introductions



Monique Claiborne
President & CEO
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971-339-2007

- 15+ years of experience as a public finance and economic development professional.
- Structured more than \$10 billion municipal transactions.
- Background includes municipal general obligation and revenue bond financing; interest rate derivatives; tax increment financing; and tax credits and incentive negotiating and structuring.



Bret Marchant
Director of Data & Research
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@greaterportlandinc.com
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- 20+ years of experience in economic development and community planning.
- Prior to joining Greater Portland Inc, worked in research-focused roles for the United Way, Chamber of Commerce, and local government in Winston-Salem, NC.
- A certified planner (AICP) with a Masters degree in City Planning focused on economic development from Georgia Tech and an economics degree from Wake Forest.

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THE COST AND VALUE OF ECONOMIC
DEVELOPMENT



What is Economic Development?



Economic Development:

- Aims to create wealth and increase economic mobility, which comes from access to living wage jobs and equity through business creation and investments.
- Encompasses programs, policies, and activities that seek to improve the economic well-being and quality of life for a community by creating and retaining jobs and providing a stable tax base.

Source: Greater Portland CEDS and IEDC



The Value of Economic Development



- **Job creation** – Growing more and better jobs gives people dignity, choice, and the means to support themselves and their families
- **Industry diversification** - An expanded and diversified tax base lowers tax rates for residents and helps better withstand economic downturns.
- **The multiplier effect** - Employer payroll flows through the local economy, supporting retailers, restaurants and service providers
- **Increased tax base** – Funds community improvements downtown and in neighborhoods, creates vibrant places where people want to live, work and play



Traded Sector vs Local Sector

- Traded-sector companies sell their goods and services in competition with businesses in other states and countries.
- Local-sector companies sell their goods and services primarily in a local market.
- Traded-sector companies bring money into the region, whereas local-sector companies keep local money at home.
- In general, adding one additional skilled job in the traded sector generates 2.5 jobs in local goods and services.



What are Economic Development Incentives?



- Direct financial benefits **provided to firms** to incentivize their opening, expansion, or retention.
- State and local governments **selectively design** and provide incentives to individual businesses.
- The **initial cost** of an incentive program is the value of any tax reductions, refundable credits, or cash grants or the cost of customized services provided to the target business.
- Potential economic impacts or “**value**” on worker earnings, property values, and business profits mean that well-designed programs can be worth the cost.

Source: Brookings, Pew



What are Economic Development Incentives?



<https://www.youtube.com/watch?v=Vqk7VZjy6hQ&t=192s>

Oregon Incentives

(focused on urban areas)



State-Level Incentives

- Enterprise Zones – Standard Enterprise Zone
 - Also can have additional local requirements
- Strategic Investment Program
 - Also can have additional local requirements
- Governor’s Strategic Reserve Fund
- Business Expansion Program

Other Local Incentives

- Wilsonville WIN Zone, Local Urban Renewal Programs, Expedited Permitting, Workforce Training

The Cost & Value of Property Tax Incentives in Oregon



The **Portland Metro region accounts for about 74% of the total impact** in terms of economic output.

- 36% of the companies are in the region, accounting for 69% of the direct employment change and 71% of the total job impacts.

Cost	Value
\$2.5 billion in property tax abated over the 2007 to 2019/2020 period	27,668 jobs net new jobs
	\$2.3 billion additional payroll
	\$17.4 billion in economic output
	71,000 direct, indirect and induced jobs
	\$5.0 billion in labor income from direct, indirect and induced jobs
	\$1.9 billion of additional personal income taxes generated by the direct, indirect and induced employees

Sources: Oregon Property Tax Incentives Impact Study, Applied Economics and TadZo.

Note: The study relies on detailed data for companies that had exempt property in one of the three incentive programs in 2019 or 2020. 279 Standard Enterprise Zone (SEZ) businesses, 8 Long Term Rural Enterprise Zone (LRZ) businesses, and 13 Strategic Investment Program (SIP) businesses

Washington Incentives

(focused on urban areas)



Primarily Has Industry-focused Incentives

- Generally geared toward specific industries in the form of tax credits, exemptions or deferrals for specific activities, such as adding new equipment, investing in new technologies or energy source.

Example: Semiconductor Industry

- Reduced B&O tax rate of 0.275% for manufacturers of semiconductor materials (0.484% for standard manufacturing).
- Sales and use tax exemption on purchases of gases and chemicals used in producing semiconductor materials.

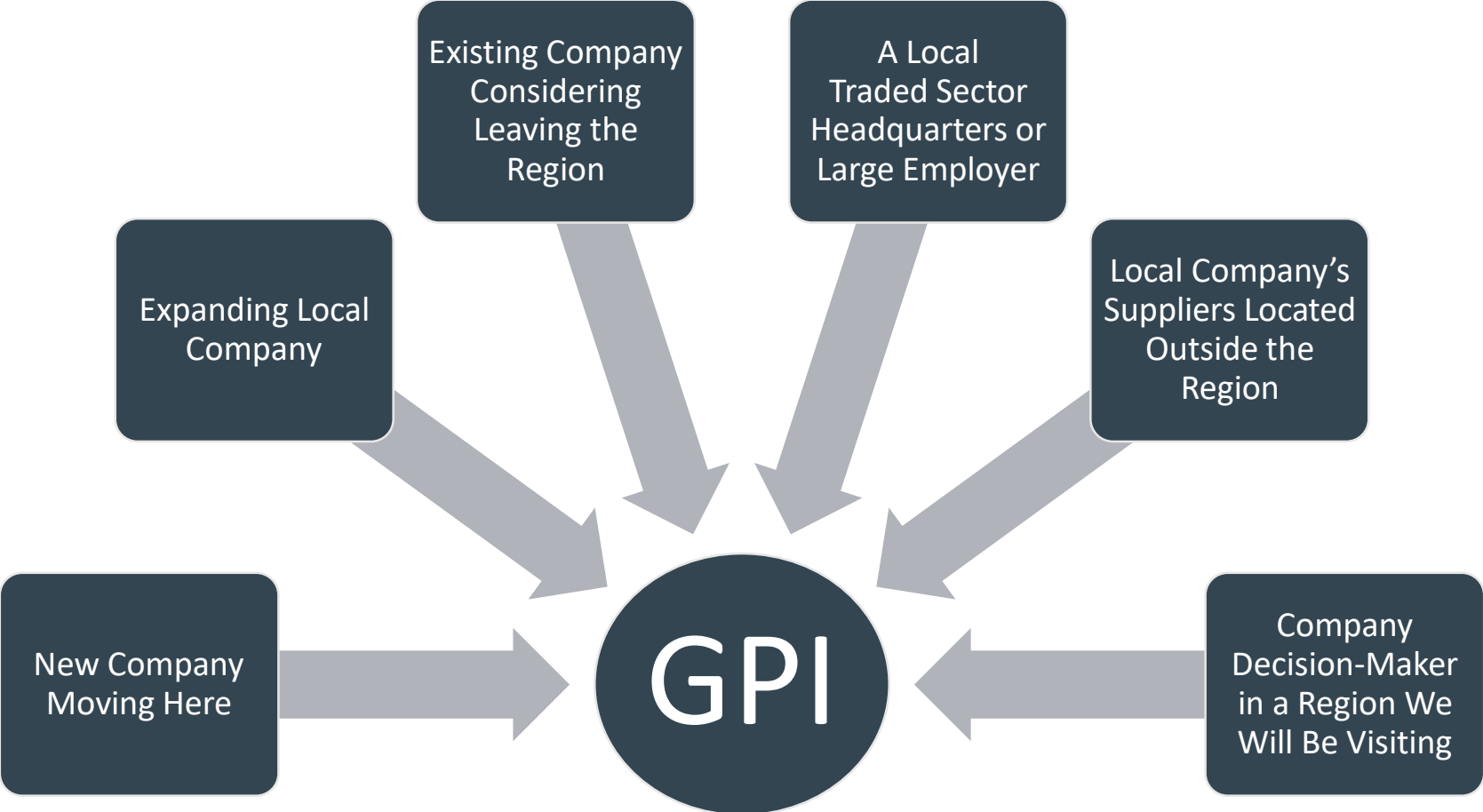
Governor's Strategic Reserve Fund

Local Incentives

- City of Vancouver Business License Fee Surcharge Waiver, City Building Permit Fee Cap, Streamlined Land Use/Engineering Review Process, Workforce Training

Source: Washington Department of Revenue
<https://dor.wa.gov/taxes-rates/tax-incentives/tax-incentive-programs#1132>

Triggers for Referring Recruitment, Retention & Expansion Projects



Steps to Success - Twist



March 2020: Oregon Bioscience Association connects GPI with a company from California possibly interested in locating in our region and hiring 200.



April 2020: GPI begins working with our partners across the region to gather site options and make the pitch for the company locating in the region.

June 2020: GPI presents the company with a combined regional proposal.



July–September 2020: GPI continues to work with the company and our partners to identify the ideal site and potential incentives.

December 2020 – Twist announces they are building the “Factory of the Future” in Wilsonville.



January 2021 – Kidder Matthews represents developer ScanlanKemperBard in the initial lease transaction at ParkWorks Industry Center.

Impacts - Twist



May 2021 – Twist announces the project has doubled in size, from 100K to 190K SF, and investment increased to \$70M with up to 400 new jobs in the region at average wage of \$70,000.

Twist is set to receive a **property tax rebate for tenant improvement of approximately \$600,000 in the first year** of the program and additional rebates for the following six years.

Total Direct and Indirect Annual Impact:

- **Employment = 672**
- **Sales/Output = \$171 Million**
- **Compensation = \$53 Million**





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Overview



- Be more proactive about **sharing our research and insights** on a regular basis.
- You leave **better informed about economic development trends** and activity impacting our economy and our region's ability to attract, grow, and retain quality jobs and businesses.
- Synthesize and present a variety of **relevant data from reliable sources** – employment, labor market, real estate, and cost of living.
- **Portland MSA** = Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon, and Clark and Skamania counties in Washington.

Greater Portland Market Insights

Q1 | 2022

Regional
Unemployment Rate

3.9%

-0.5%

Office Vacancy Rate

12.1%

+0.1%

Consumer Price Index,
West Region

301.2

+2.1%

Industrial Vacancy Rate

4.5%

-0.1%

Top Four Fastest-Growing Industries

Performing Arts
and Spectator Sports

3,421

+23.1%

Amusements, Gambling,
and Recreation

10,427

+8.4%

Heavy and Civil
Engineering Construction

6,633

+3.6%

Other Information Services
(websites, storage, internet publishing)

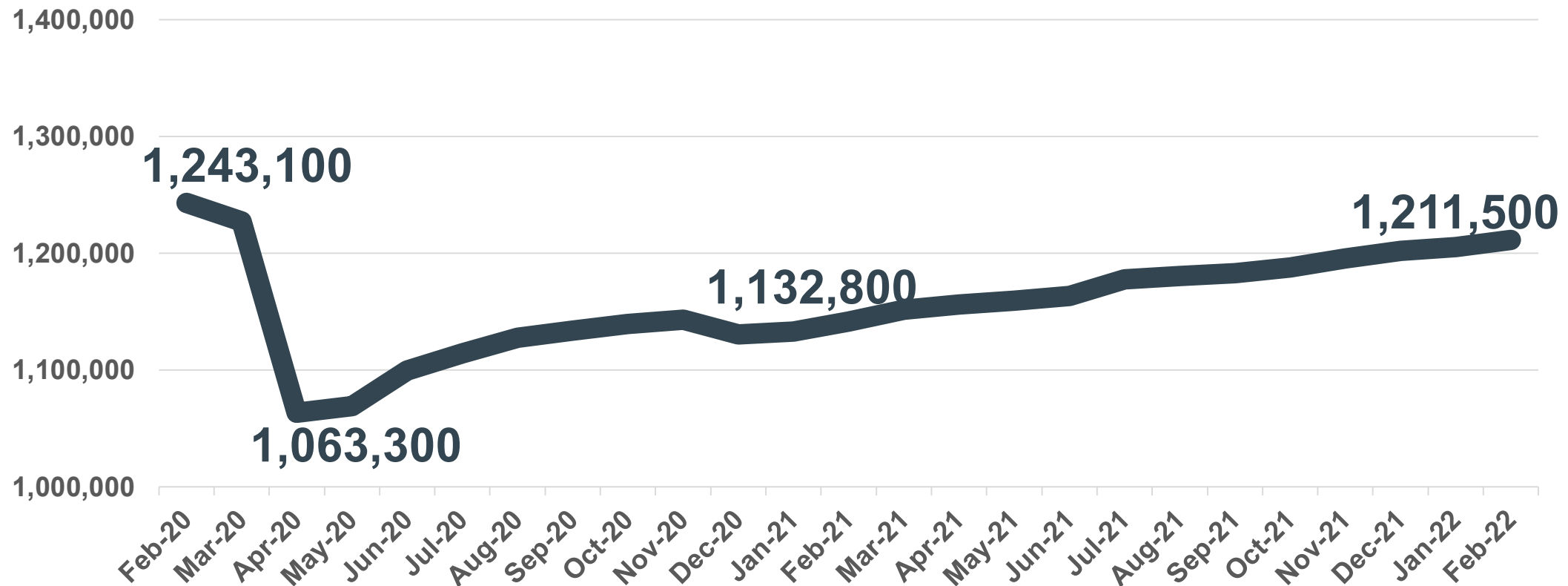
1,933

+2.9%

Portland MSA Employment



Since April 2020, our region's businesses have added 148,200 jobs. Our region's businesses still have 31,600 fewer jobs than before the pandemic.

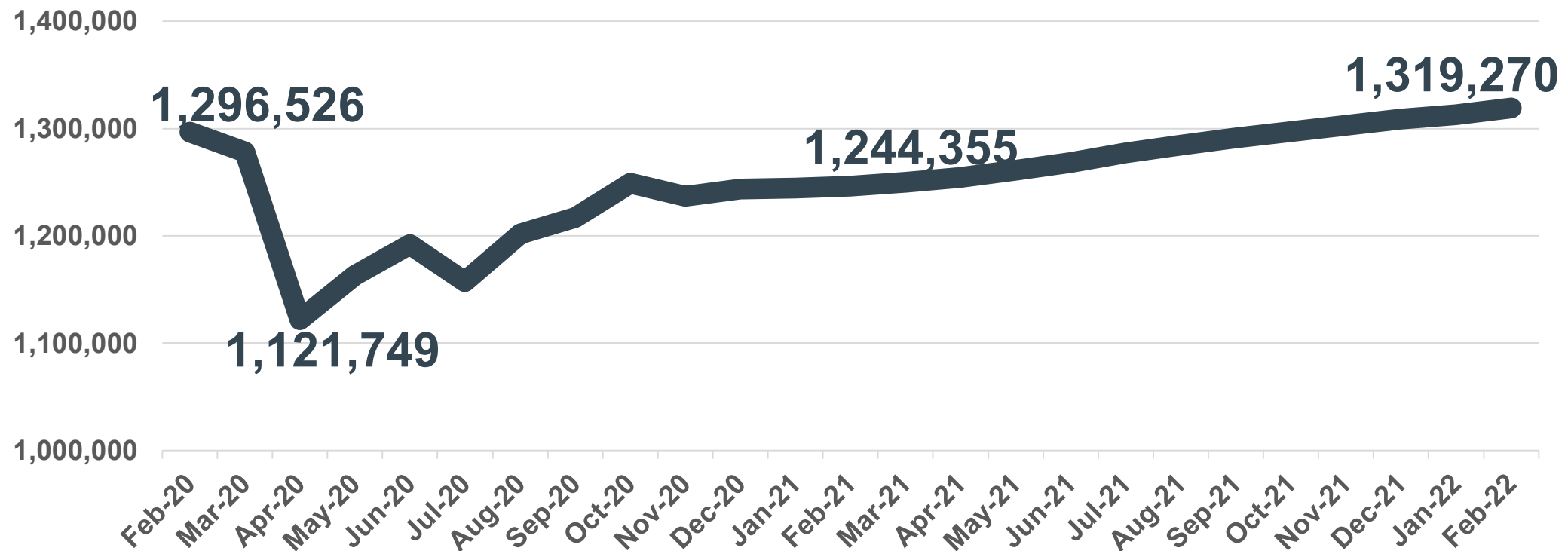


Source: Oregon Employment Department. Current Employment Statistics. Official Oregon Series. Seasonally Adjusted Data

Portland MSA Employment



Since April 2020, our region has added 197,500 jobs.
In October 2021, total employment was higher than it was in February 2020.

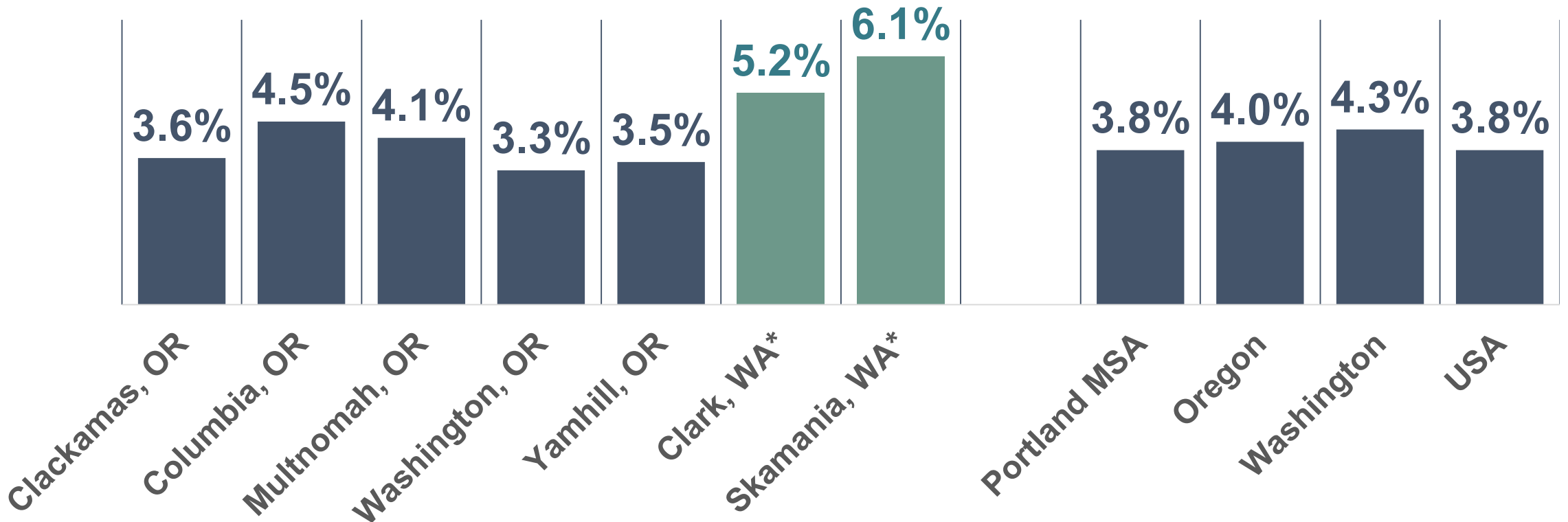


Source: Oregon Employment Department, LAUS Seasonally Adjusted Data

Unemployment Rates: Feb 2022



In February 2020, the Portland MSA unemployment rate was 3.0%.



*Not Seasonally Adjusted

Source: Oregon Employment Department, Washington Employment Security Department, LAUS, Seasonally Adjusted

Recent Expansion Announcements in our Region



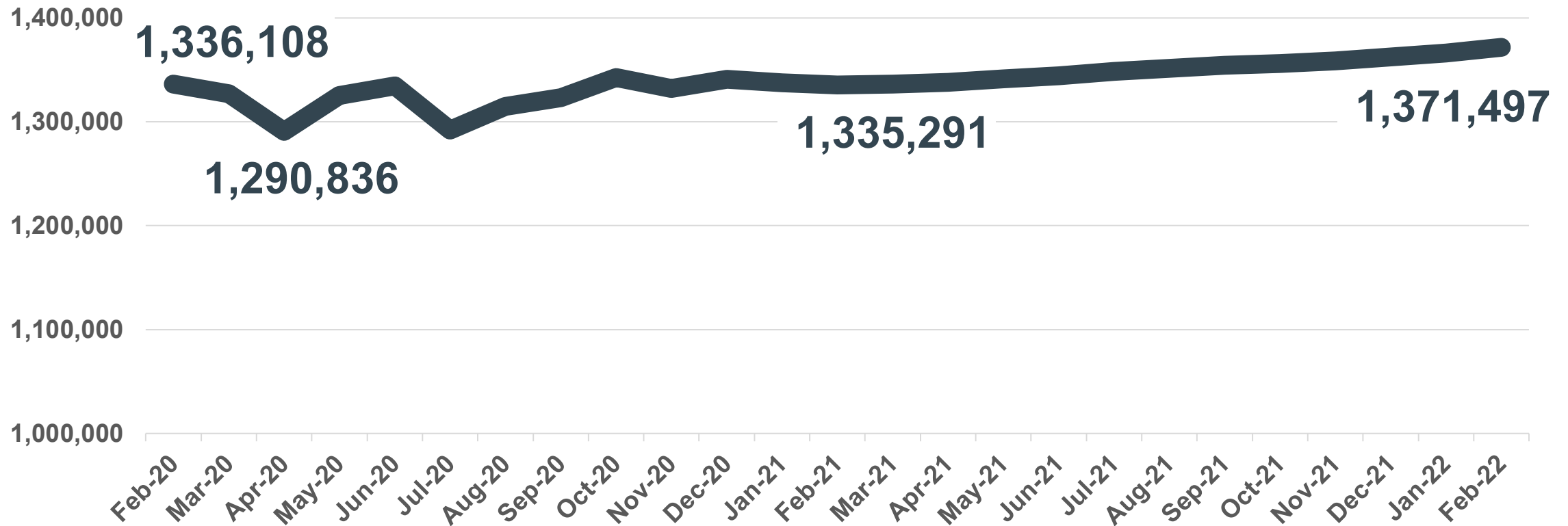
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Portland MSA Labor Force



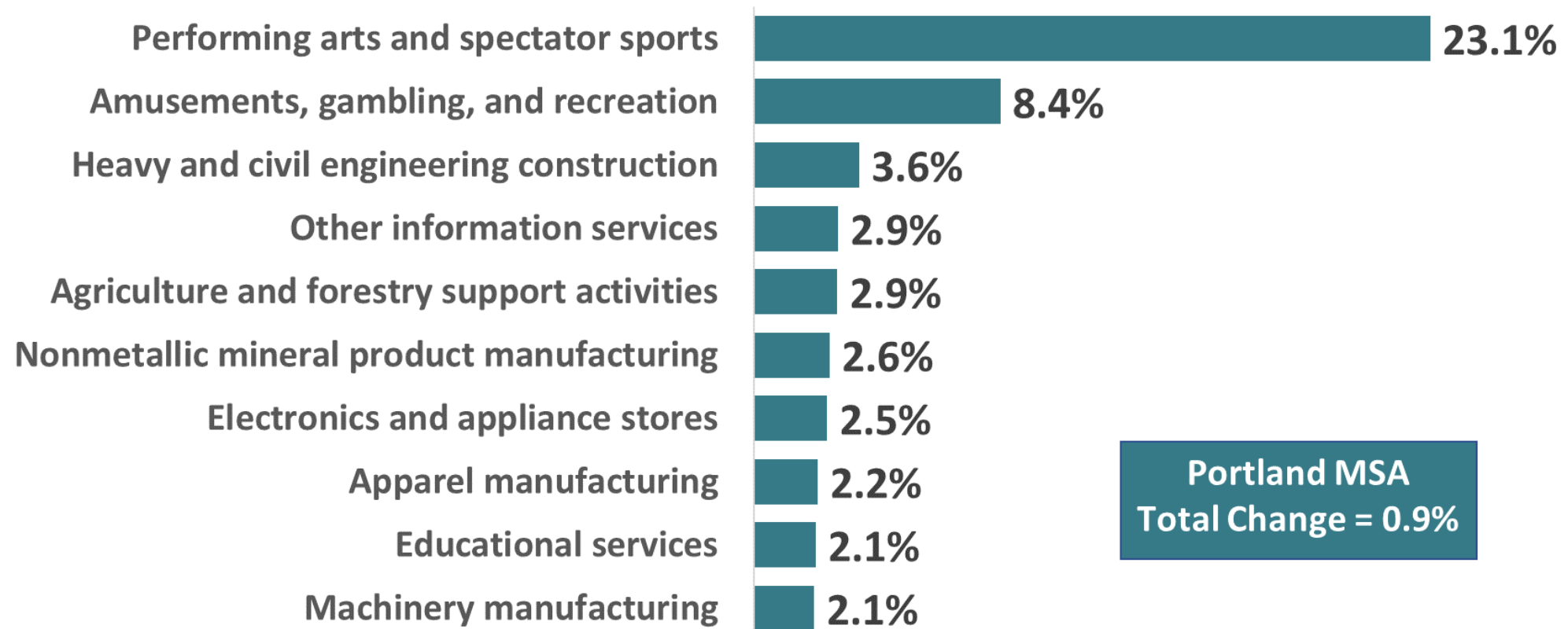
Since February 2021, the region's labor force has increased by over 36,200 or 2.7%.



Employment Growth by Industry Portland MSA, 2021Q2 - Q3



Top Ten Fastest Growing Industries (3-Digit NAICS, Emp > 500).

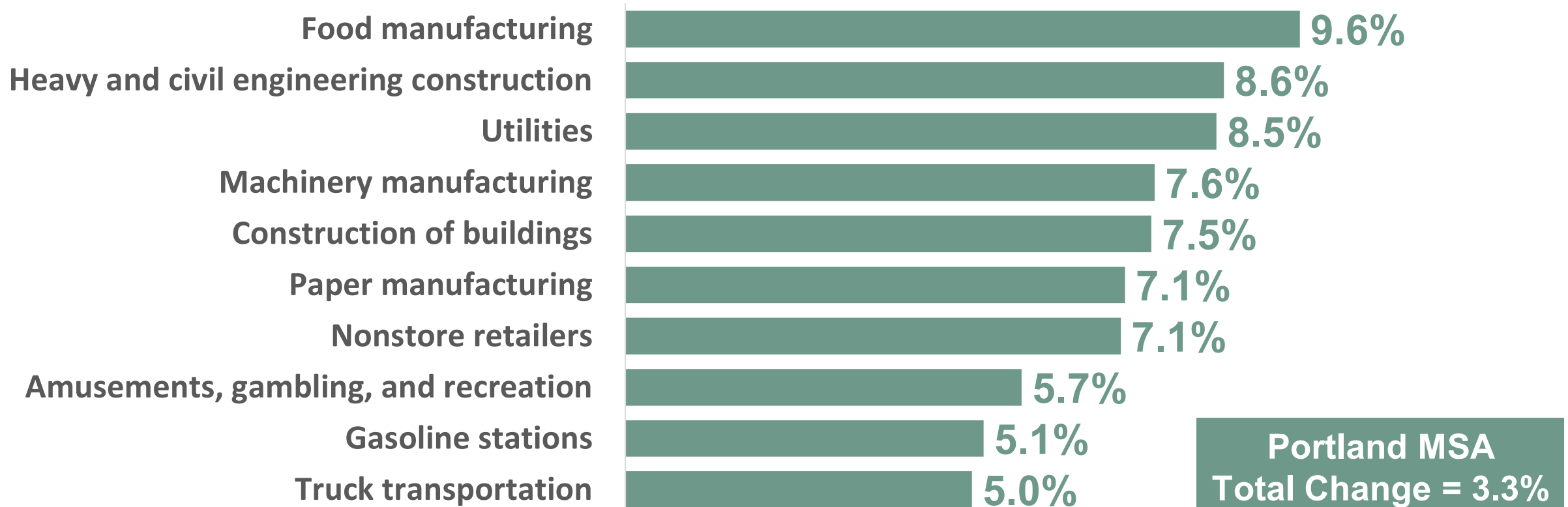


Source: U.S. Bureau of Labor Statistics, QCEW
Note: Data from selected industries were suppressed.

Average Wage Growth by Industry Portland, MSA 2021Q2 - Q3



Top Ten Fastest Growing Industries (3-Digit NAICS, Emp > 500).

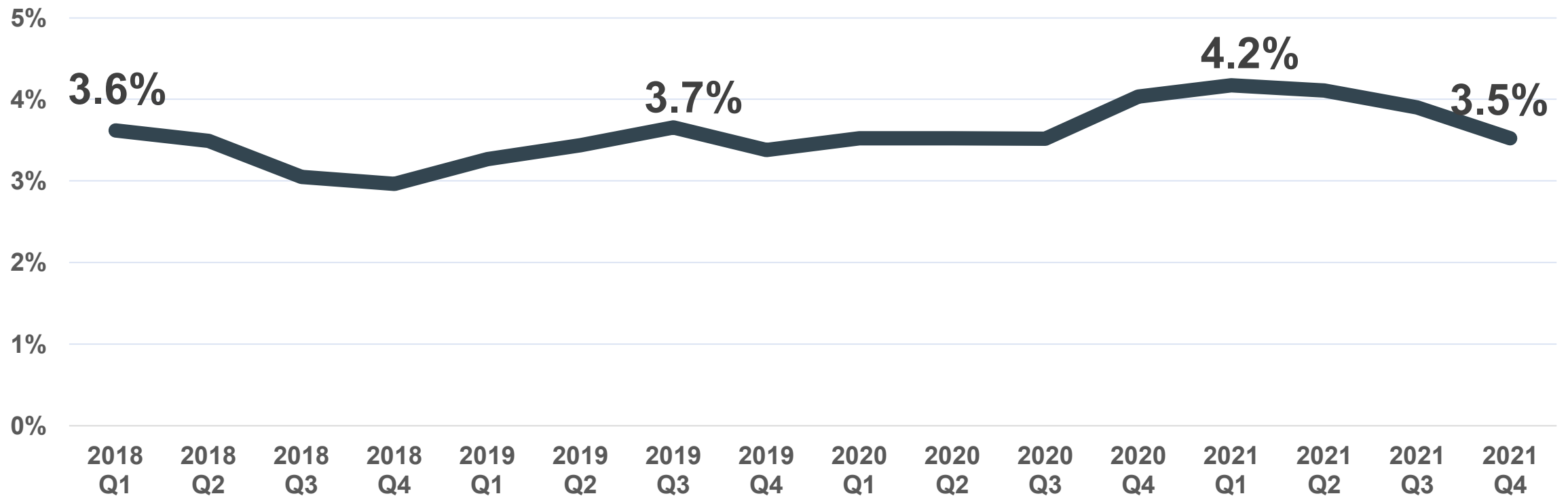


Source: U.S. Bureau of Labor Statistics, QCEW
Note: Data from selected industries were suppressed.

Portland Market Industrial Vacancy Rates



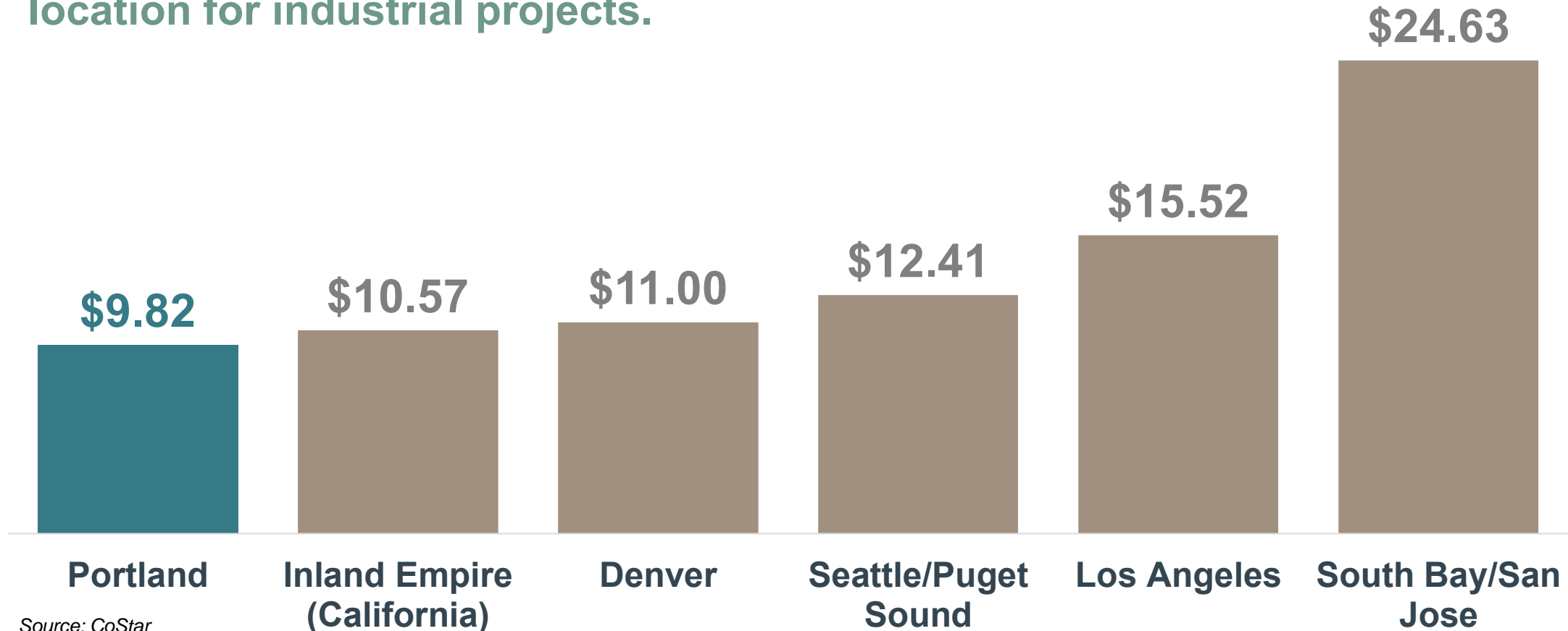
In the last year, industrial vacancy rates have declined from 4.2% to 3.5%, market rents have risen 5.0% and available property has declined by 2.4 million sq ft.



Comparing Industrial Market Rent/SF, 2021Q4



Our region still offers a cost competitive West Coast location for industrial projects.



Source: CoStar

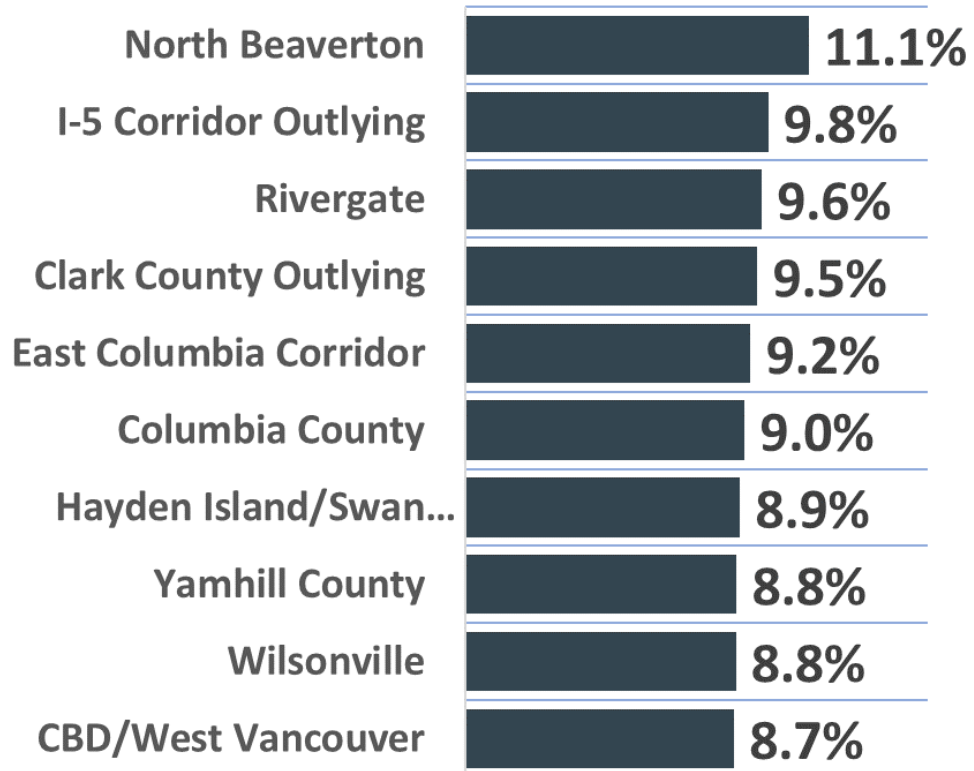
Industrial Submarkets

March 2022



The 10 submarkets with the fastest growing (annual), highest and lowest rents.

Fastest Growing Rents



Highest Average Rents	
Cascade Park	\$18.07
Johns Landing	\$17.84
Mall 205	\$14.43
Barbur Blvd/Capitol Hwy	\$14.37
Vancouver Mall	\$14.14
SE Close-In	\$13.81
NW Close-In	\$13.80
Sunset Corridor/Hillsboro	\$13.52
Sylvan/Hillsdale	\$13.42
Lloyd District	\$13.30

Lowest Average Rents	
Rivergate	\$8.00
CBD/West Vancouver	\$8.40
Hayden Island/Swan Island	\$9.39
Westside Outlying	\$9.48
Sherwood	\$9.49
Tualatin	\$9.55
East Columbia Corridor	\$9.66
Columbia County	\$9.74
Yamhill County	\$9.77
Guilds Lake	\$9.89

New Large Industrial Leases



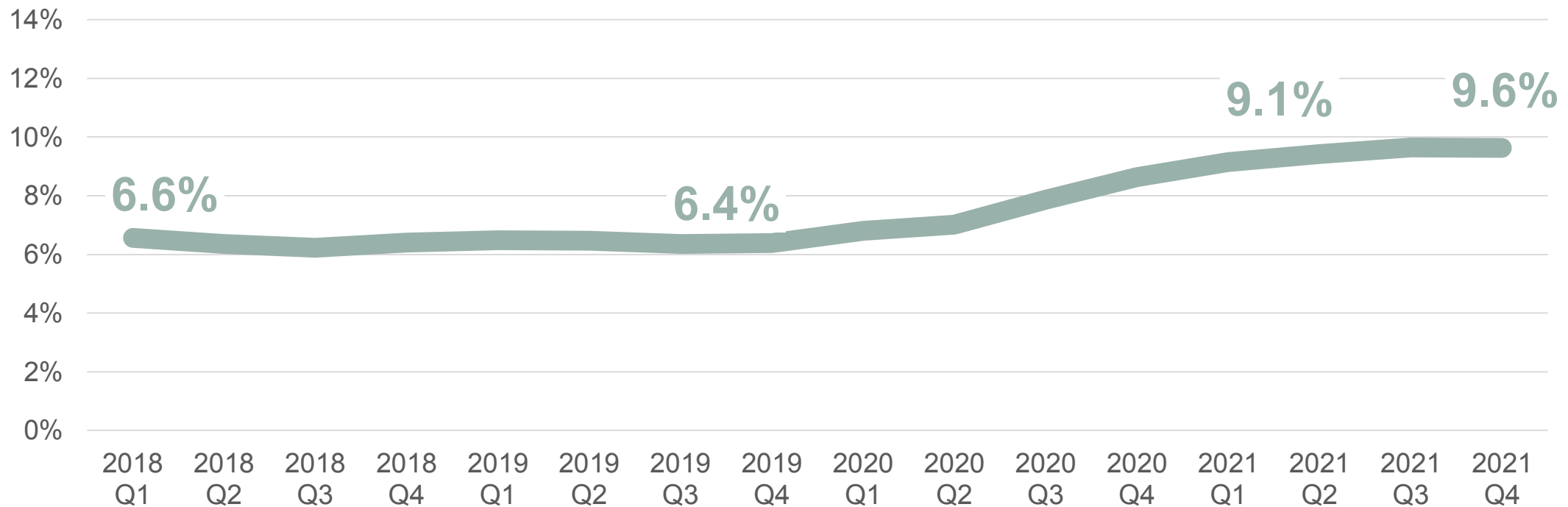
Leases above 90,000 sq ft. September 2021 – February 2022.

Tenant	SF Leased	Site	City	Type	Sign Date
Bob's Red Mill	168,480	11205 SE Jennifer St	Clackamas	New	1/28/2022
Bell-Carter Packaging	91,200	Bldg A, 14300-14340 N Lombard	Portland	Renewal	12/29/2021
Ford Motor Company	215,189	8929 N Ramsey Blvd	Portland	Renewal	12/25/2021
Aaron's	97,625	8929 N Ramsey Blvd	Portland	Renewal	12/25/2021
Fulcrum Logistics	158,577	5910 N Cutter Cir	Portland	New	12/22/2021
CTDI	210,000	22638 NE Townsend Way	Fairview	Renewal	12/1/2021
JCB Packaging	150,000	Bldg 1, 15645 N Lombard St	Portland	New	11/30/2021
Subaru	413,700	14510 N Lombard St	Portland	Renewal	11/19/2021
S&M Moving	92,960	Bldg C, 21151-21249 SW 115th A	Tualatin	New	11/1/2021
Amazon	517,000	S Township Rd	Canby	New	10/5/2021
Child Logistics	106,422	3201 NW 32nd Ave	Portland	New	10/5/2021
Mondelez International	242,250	Bldg A, 14300-14340 N Lombard	Portland	New	9/14/2021

Portland Market Office Vacancy Rates



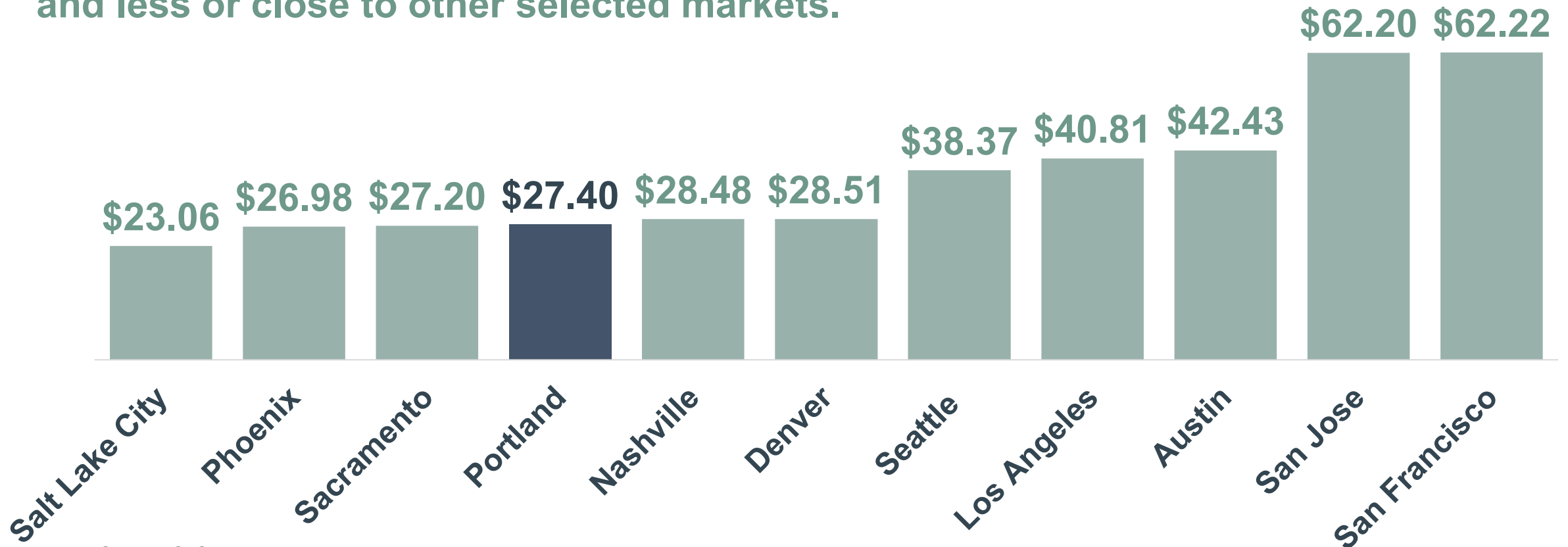
Since 2020 Q1, office vacancy rates have increased from 6.8% to 9.6% - an increase of 4.6 million sq ft of vacant space on the market.



Comparing Office Market Rent/SF, 2021Q4



Rents in the Portland office market are still considerably lower than our primary West Coast competitor markets – and less or close to other selected markets.



Source: CoStar

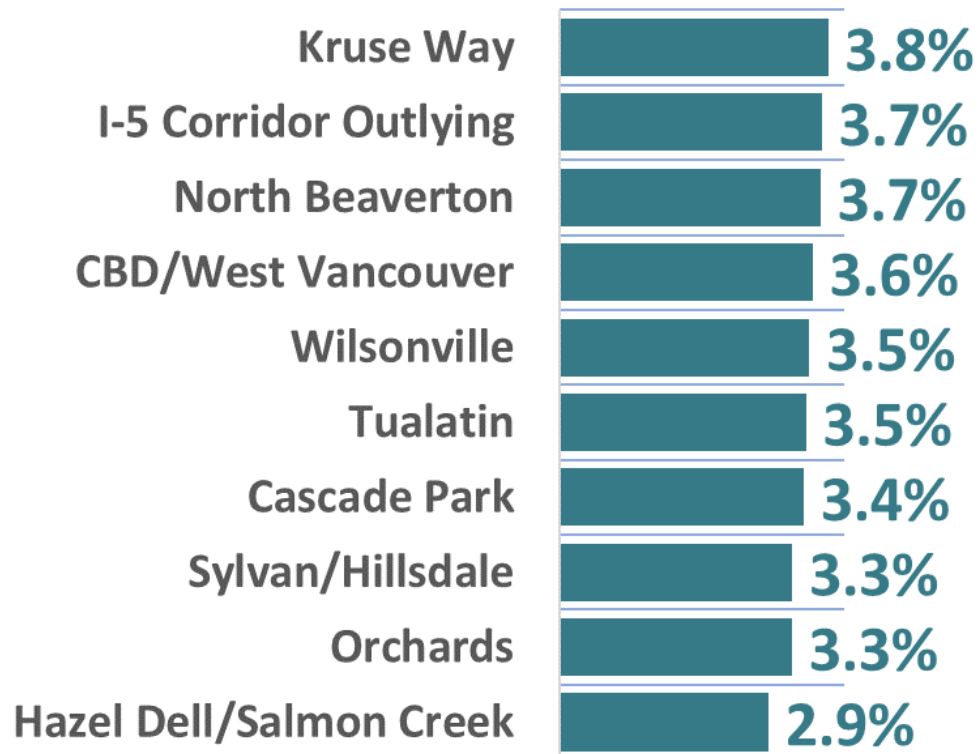
Office Submarkets

March 2022



The 10 submarkets with the fastest growing (annual), highest and lowest rents.

Fastest Growing Rents



Highest Average Rents	
Kruse Way	\$34.35
CBD	\$33.59
NW Close-In	\$30.84
Lloyd District	\$30.80
Cascade Park	\$30.13
Johns Landing	\$29.94
Airport Way	\$29.18
Lake Oswego/West Linn	\$28.88
Hayden Island/Swan Island	\$28.33
SE Close-In	\$28.07

Lowest Average Rents	
Skamania County	\$19.41
Barbur Blvd/Capitol Hwy	\$21.87
Mall 205	\$21.93
Yamhill County	\$22.42
Columbia County	\$22.44
NE Outlying	\$22.69
Sylvan/Hillsdale	\$22.75
Orchards	\$22.89
Gresham	\$22.94
Westside Outlying	\$23.15

New Large Office Leases



Leases above 20,000 sq ft. Sep 2021 – Feb 2022.

Tenant	SF Leased	Site	City	Type	Sign Date
N/A	34,430	RiverEast Center, 1515 SE Water Ave	Portland	New	2/24/2022
N/A	42,214	8500 SW Creekside Pl	Beaverton	New	2/18/2022
N/A	23,282	8500 SW Creekside Pl	Beaverton	New	2/18/2022
N/A	25,366	The Park At AmberGleb; 1385 NE Amberglen Pky	Hillsboro	New	2/1/2022
N/A	41,942	US Custom House, 220 NW Eighth Ave	Portland	New	2/1/2022
TriMet	95,000	One Main Place, 101 SW Main St	Portland	New	1/26/2022
On Inc.	28,762	Tanner Point, 1250 NW 9th Ave	Portland	New	12/10/2021
Marquis Companies	35,128	International Plaza, 4560 SE International Way	Milwaukie	Renewal	11/15/2021
PAE Consulting	39,043	PAE Living Building, SW 1st Ave & SW Pine	Portland	New	11/5/2021
Umpqua Bank	24,073	72nd Corporate Center, 13535 SW 72nd Ave	Tigard	New	10/15/2021
ZoomInfo	366,000	Terminal 1, 100 SE Columbia Way	Vancouver	New	9/28/2021
Avangrid Renewables	50,000	Montgomery Park, 2701 NW Vaughn St	Portland	New	9/20/2021
The Good Feet Store	20,473	Bldg F, 16505-16575 SW 72nd Ave	Tigard	New	9/1/2021

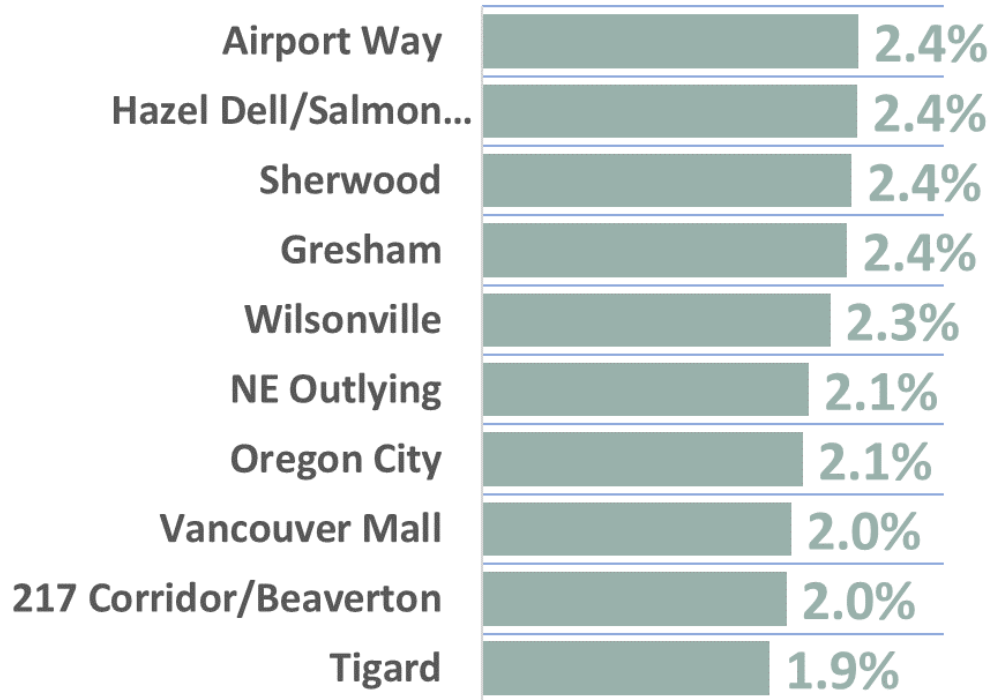
Retail Submarkets

March 2022



The 10 submarkets with the fastest growing, highest and lowest annual rents.

Fastest Growing Rents



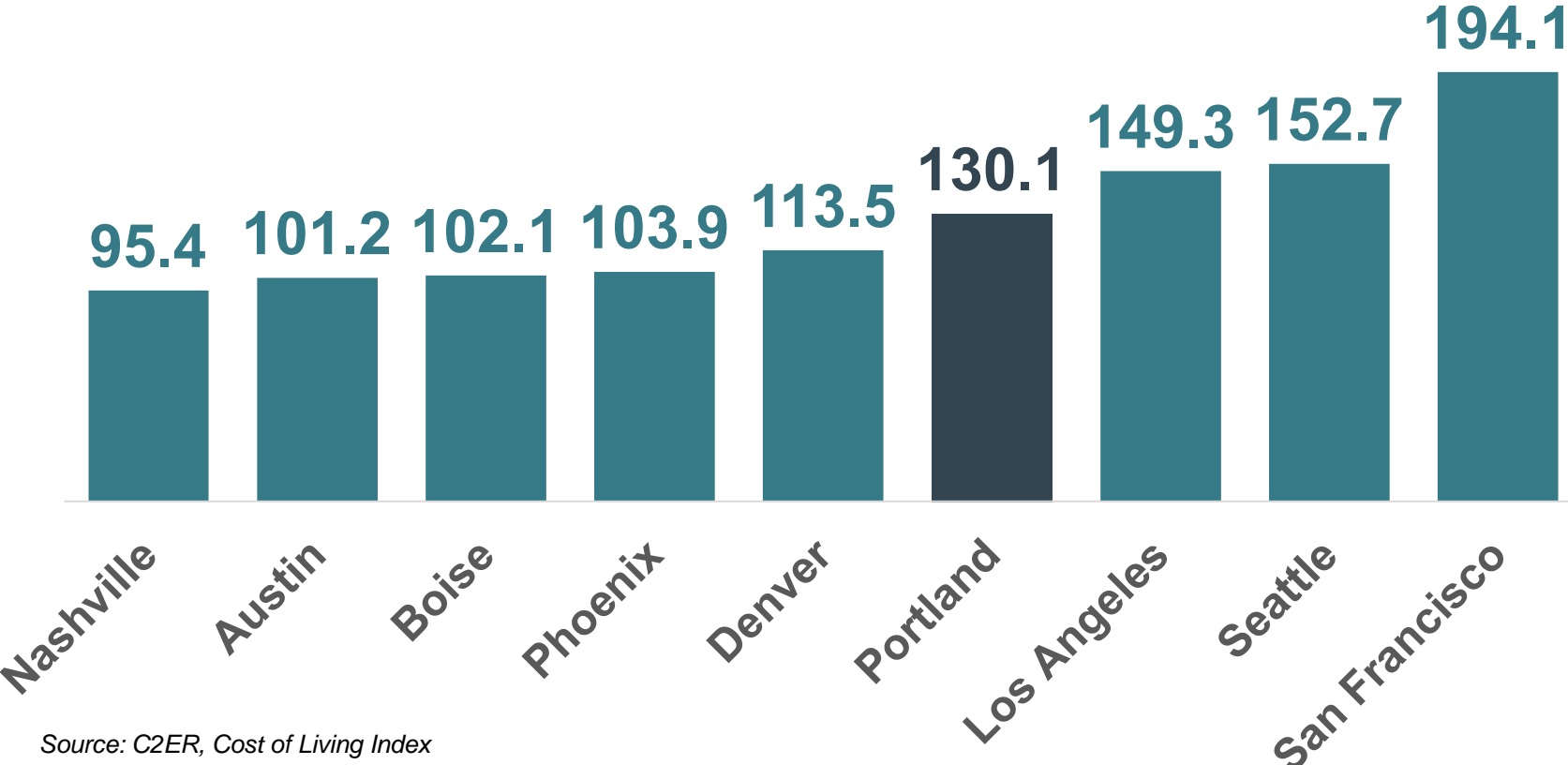
Highest Average Rents	
NW Outlying	\$31.71
Kruse Way	\$29.59
Cascade Park	\$28.17
Tualatin	\$28.09
NW Close-In	\$27.70
Lake Oswego/West Linn	\$27.34
Sunset Corridor/Hillsboro	\$26.94
Wilsonville	\$26.37
CBD	\$26.35
Sherwood	\$26.32

Lowest Average Rents	
Columbia County	\$14.67
NE Outlying	\$15.82
Yamhill County	\$17.45
SE Outlying	\$18.55
Skamania County	\$18.58
CBD/West Vancouver	\$19.95
Rivergate	\$20.00
Gateway	\$20.40
Gresham	\$20.55
Westside Outlying	\$20.60

Cost of Living Comparison: 2021



Portland still remains affordable compared to other West Coast markets, yet is significantly more expensive than some other competitor markets.



If you move from San Francisco to Portland	
Groceries will cost:	17% less
Housing will cost:	49% less
Utilities will cost:	32% less
Transportation will cost:	12% less
Health will cost:	6% less

Source: C2ER, Cost of Living Index

Recent Regional Accolades



Our region still has considerable strengths attracting new businesses and residents.

#5 moving destination

According to the National Association of Realtors, the Portland metro was a top 5 destination for movers in the first half of 2021.

#1 place to live

In 2021, U.S. News & World Report named Portland the best place to live on the West Coast and #10 in the U.S.

“New residents flocking to the Portland, Oregon, area are influencing the need for services, particularly housing and other entertainment or essential amenities commonly provided via brick-and-mortar real estate. Retail tenants appear to be responding to this demand, with leasing data suggesting businesses are back in growth mode.” -CoStar

Key Takeaways



- 1. Opportunities to generate wealth are derived from the private market.**
- 2. Public sector reinforces value by investing in:**
 - Infrastructure
 - Stable business climate
 - Health and safety, and
 - Sound governance.
- 3. Economic development incentives' value outweigh the cost and are reserved for firms that advance regional opportunities via:**
 - Incentivizing opportunity-rich private firms and industries
 - Incentivizing firms to provide more opportunities (new jobs, increased wages, etc.)
 - Addressing local and regional objectives.



**GREATER PORTLAND IS IN
THIS TOGETHER**

Fostering Upward Economic Mobility
Supporting a Competitive Economy
Building a Resilient Region



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