



PORT OF VANCOUVER

Waterfront Market Analysis

PREPARED FOR



PREPARED BY



JULY 2015

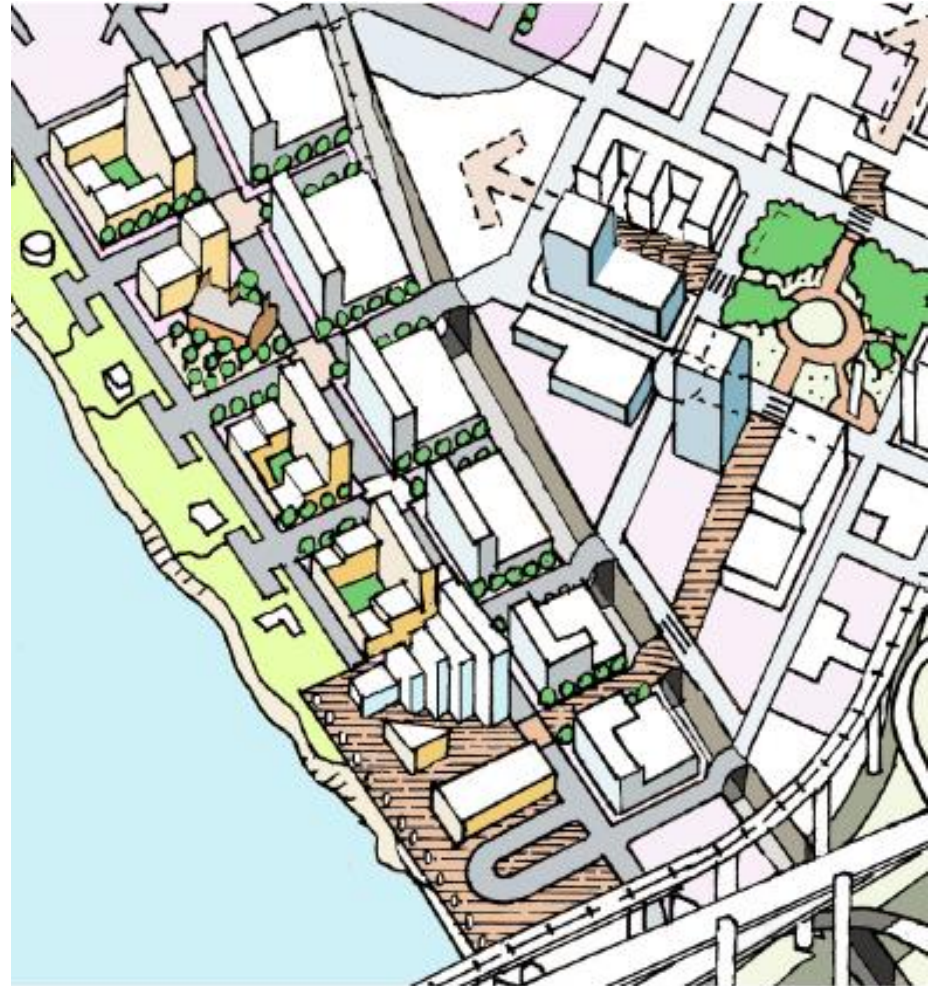
Presentation Summary

- Project Context
- “Phase 1”
- Office Market
- Hotel Market
- Recommendations
- Discussion

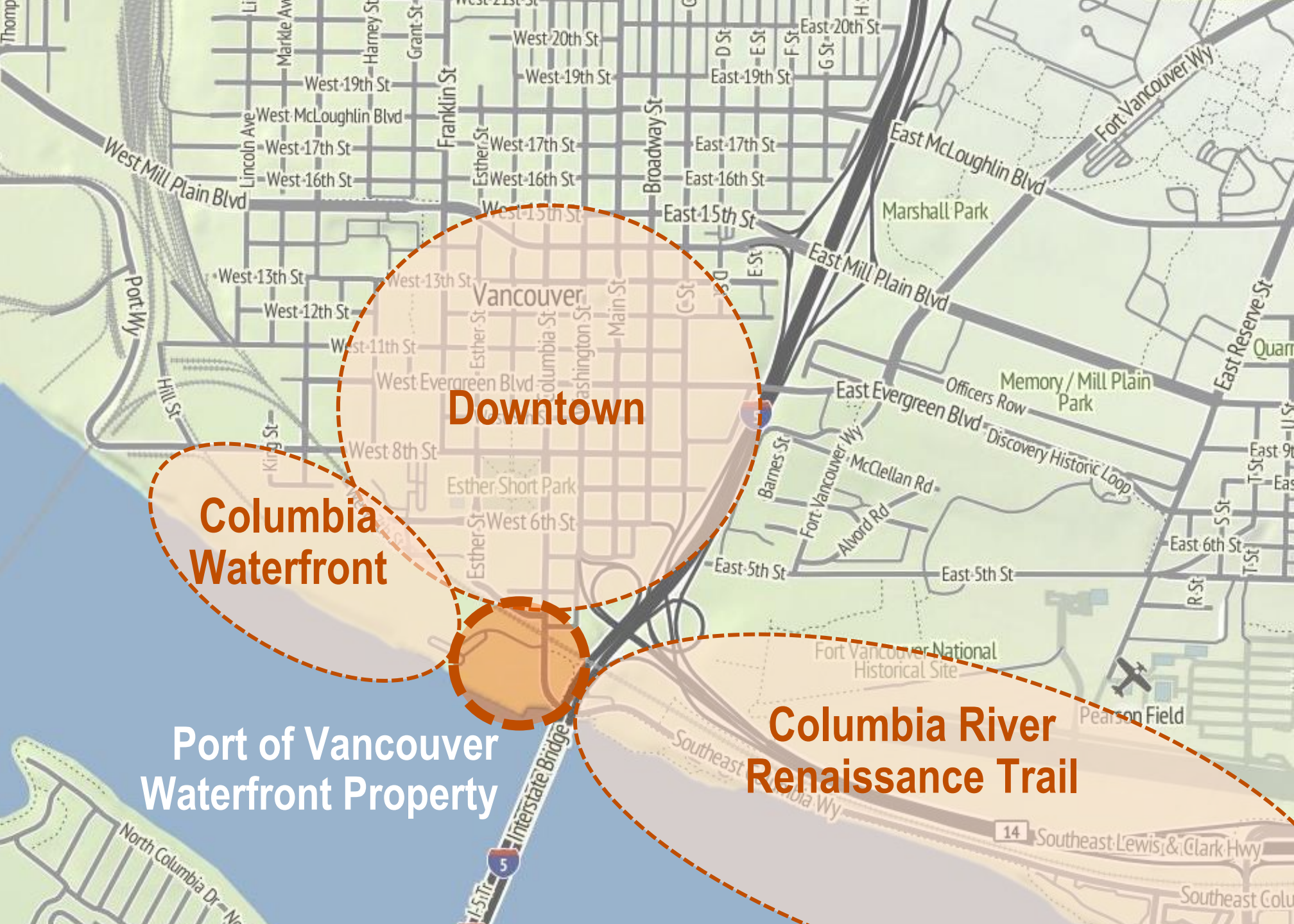


Waterfront Project Goals

- **Provide public access to the Columbia River waterfront**
- **Create a development that supports the community through economic growth and job creation**
- Develop public assets in a financially responsible manner
- Utilize sustainable development practices
- Interpret the port's history as an economic development engine for Southwest Washington



Vancouver City Center Vision, 2007



Downtown

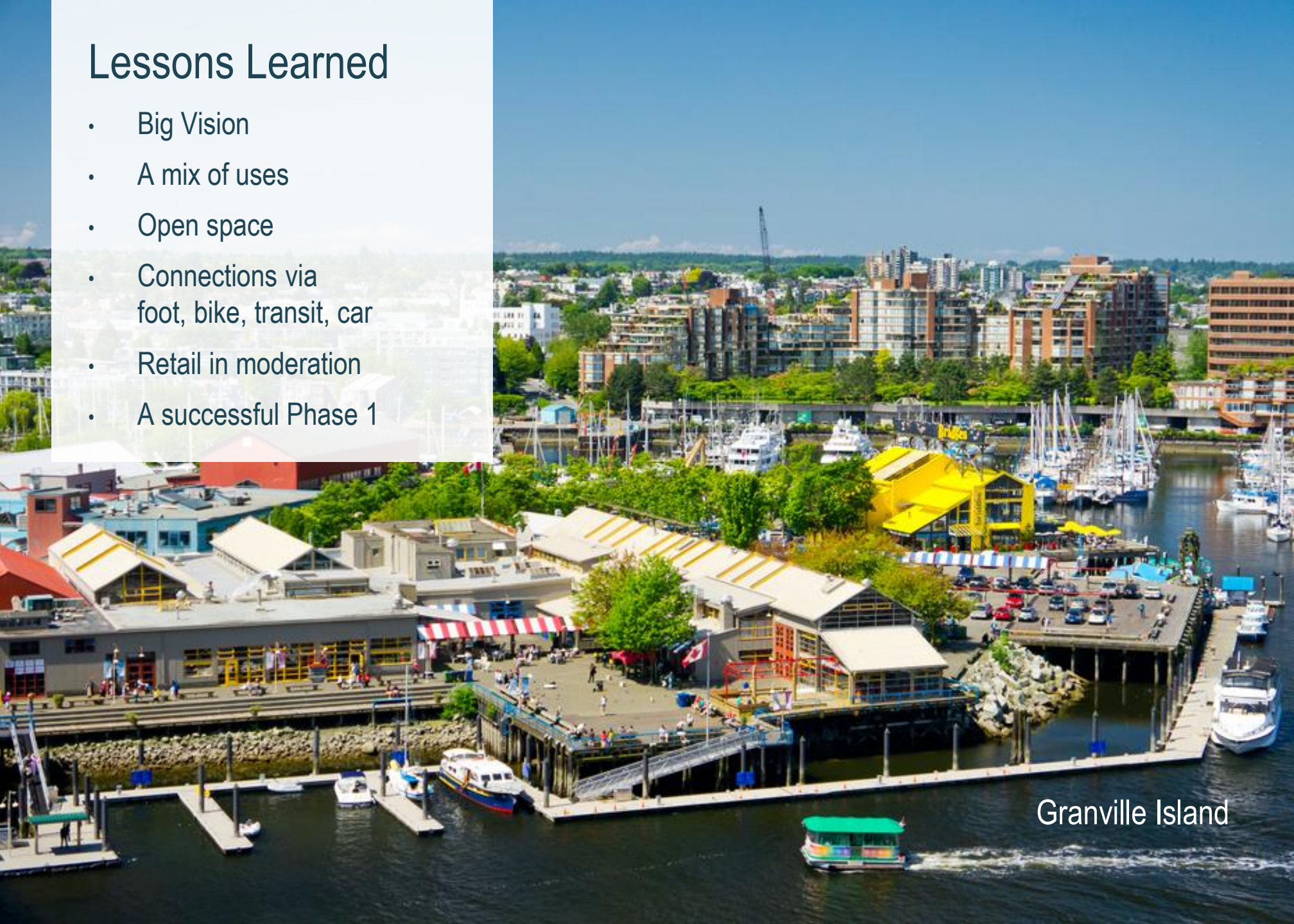
Columbia Waterfront

Port of Vancouver Waterfront Property

Columbia River Renaissance Trail

Lessons Learned

- Big Vision
- A mix of uses
- Open space
- Connections via foot, bike, transit, car
- Retail in moderation
- A successful Phase 1



Granville Island



RiverPlace, Portland

Port Waterfront: “Phase 1” Premise

Mixed-Use Building	Port Offices
	Speculative Office Space
	Hotel
	Ground Floor Retail
	Parking
Other Uses (Master Plan)	Public Open Space
	Terminal 1 Rehabilitation
	Parking

Phase



Master Plan Area

Mixed Use Building

Office Market



Class A CBD Office Buildings

New City Hall



Columbia Bank Building



805 Broadway Building



Main Place Bldg



First Independent Place



Vancouver Center – N. Tower



Riverview Tower



Murdock Executive Plaza



Clark County Waterfront Office Space

Class A

Tidewater Cove



Class B

CE John Building



Columbia Shores IV



Office: Under Construction and Proposed



101 Building

Killian Pacific

45,000 SF (significant pre leasing)

Parking: off site

Under Construction



Columbia

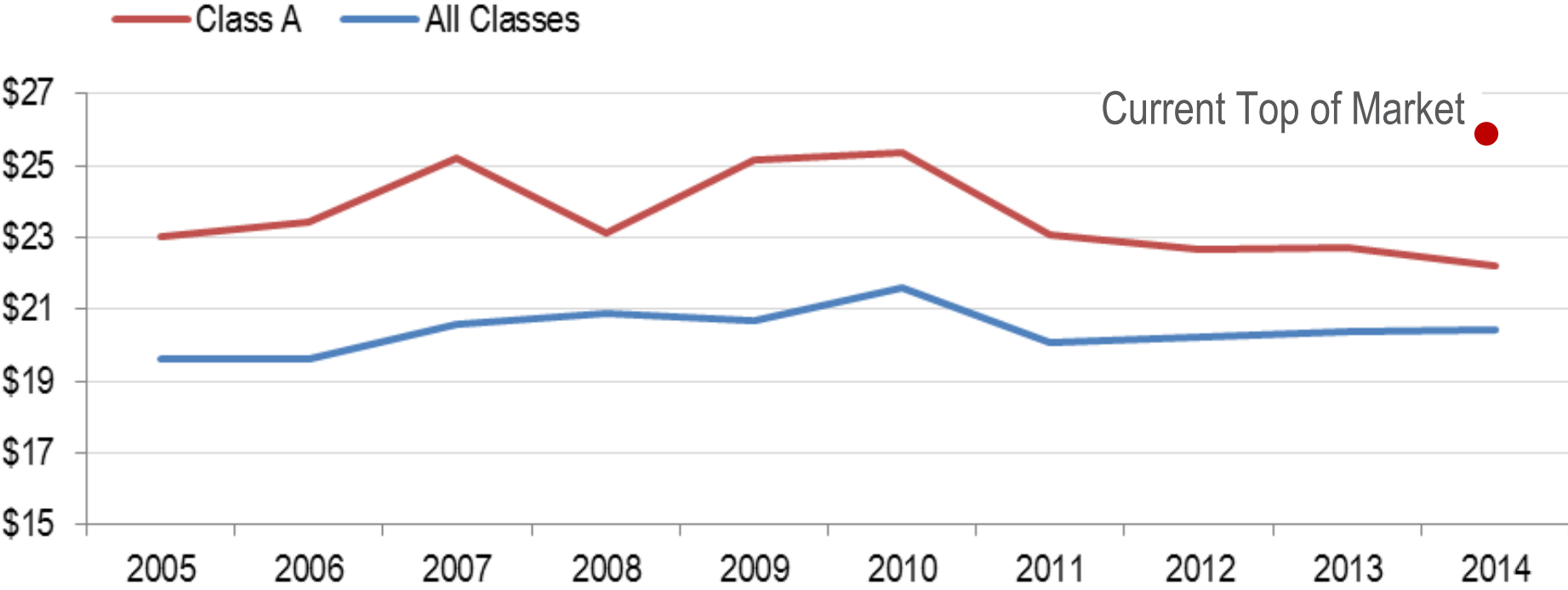
Waterfront LLC

Up to 1.1 million SF

Parking: Structured and below grade

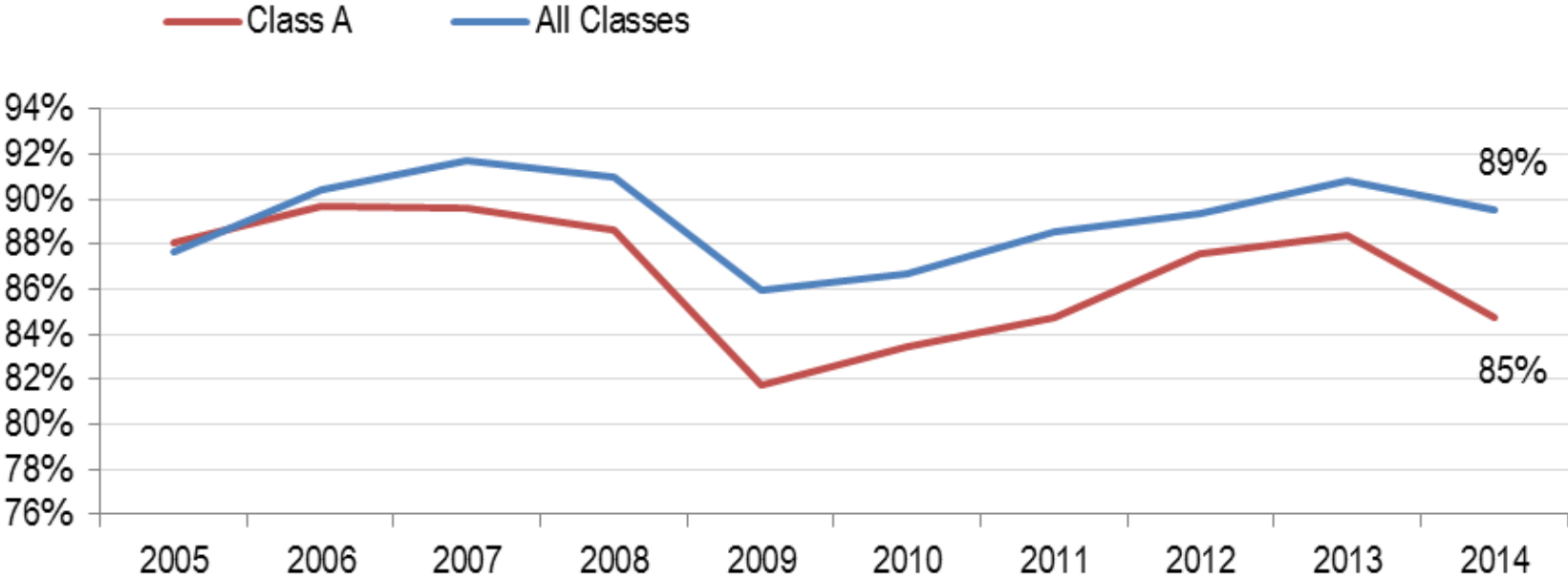
Proposed

Downtown Vancouver: Office Rents



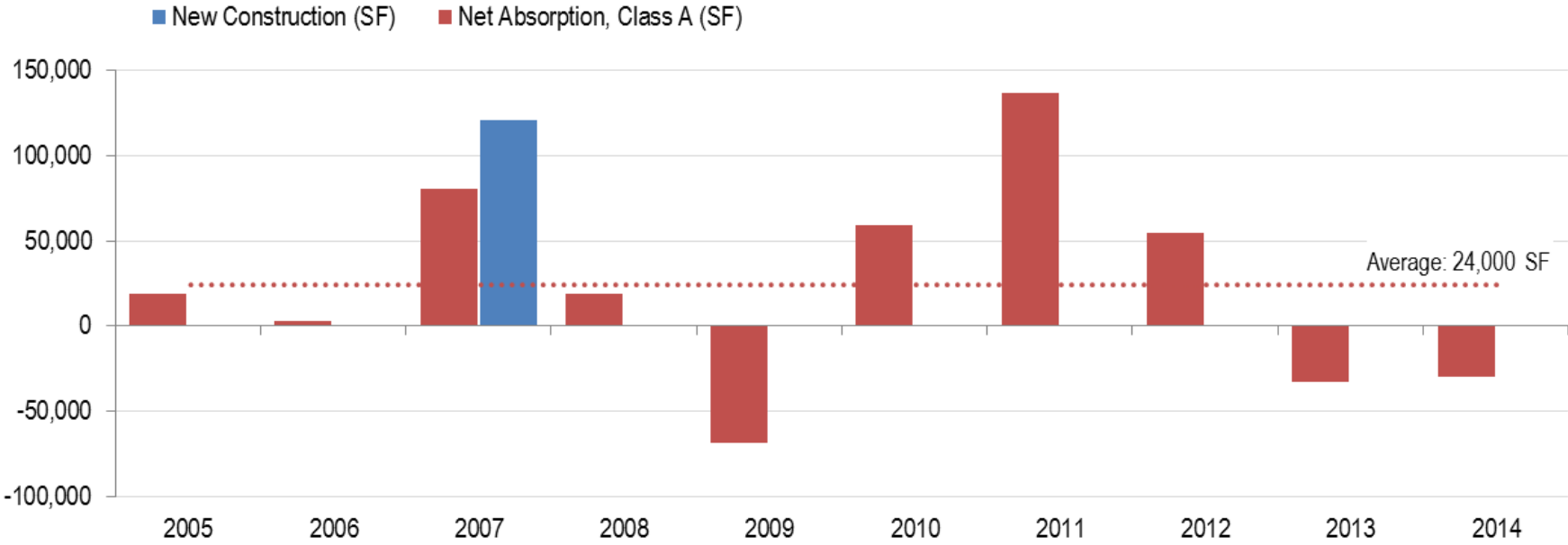
Note: Most Downtown Vancouver office leases are *full service* or *gross* leases.
Source: CoStar, Leland Consulting Group.

Downtown Vancouver: Occupancy Rate



Source: CoStar, Leland Consulting Group.

Downtown Vancouver: Construction & Absorption



Source: CoStar, Leland Consulting Group.

Summary and Conclusions

- The Clark County and CBD office markets have not fully recovered from the recession.
- Financing for office development has been difficult to secure and usually requires significant preleasing.
- The economics of new office development are challenging, requiring significantly higher rents than the current market
- The Port's tenancy can be a catalyst for the office building, Phase 1, and Waterfront Revitalization
- History may not be the best predictor of the future.



Hotel Market



Hotel Market

- Red Lion Inn at the Quay
 - 160 rooms
 - ~ 10,000 SF meeting space
 - Dated design
 - RLH negotiations ongoing
- Vancouver Hilton
 - 1000 feet, 4 minute walk
 - 226 rooms
 - Conference Center drives occupancy 80 nights/year



Hotel Market

- Site benefits from proximity to
 - Hilton & Convention Center
 - Waterfront
 - Downtown Office Space and Amenities
 - Port Offices and Terminal 1
- Rare waterfront site in Portland-Vancouver region
- Metrics for competitive set:
 - Av. Occupancy: 75%
 - Av. Rate: \$117



Hotel Market

- Hotel market is generally strong and undersupplied
 - Nationwide
 - Portland region (2,000 rooms under development)
 - Vancouver
- Market can support one or more *additional* hotels
- Hotel development “window” is open, but development is cyclical



Hotel Recommendations

- Upscale experience
- 100 to 130 rooms
- High quality exterior design
- High quality interior amenities
- Directly overlooking River
- Physically integrated with plaza, esplanade, Terminal 1, and office building
- Limited service: Little or no meeting space or dining
- Typical overnight or extend stay
- Three to five stories most economical



Hotel Benefits

- Helps create a special place at the Columbia Waterfront
- Extend use of the site from day, to evenings and weekends
- Attracts upscale business and leisure customers
- Increases Convention Center's appeal to conferences, profitability
- Increases architectural variety
- Land lease revenue to Port



Estimated Benefits of 125-Room Hotel

- \$4 million in annual room revenue
- Additional \$4 million in food, beverage, other direct travel revenue
- Additional shopping revenues
- Significantly increase transient occupancy taxes
- 45,000 guests / additional visitors per year



Other Site Features



Port Waterfront: “Phase 1” Premise

Mixed-Use Building	Port Offices
	Speculative Office Space
	Hotel
	Ground Floor Retail
	Parking
Other Uses (Master Plan)	Public Open Space
	Terminal 1 Rehabilitation
	Parking

Public Open Space



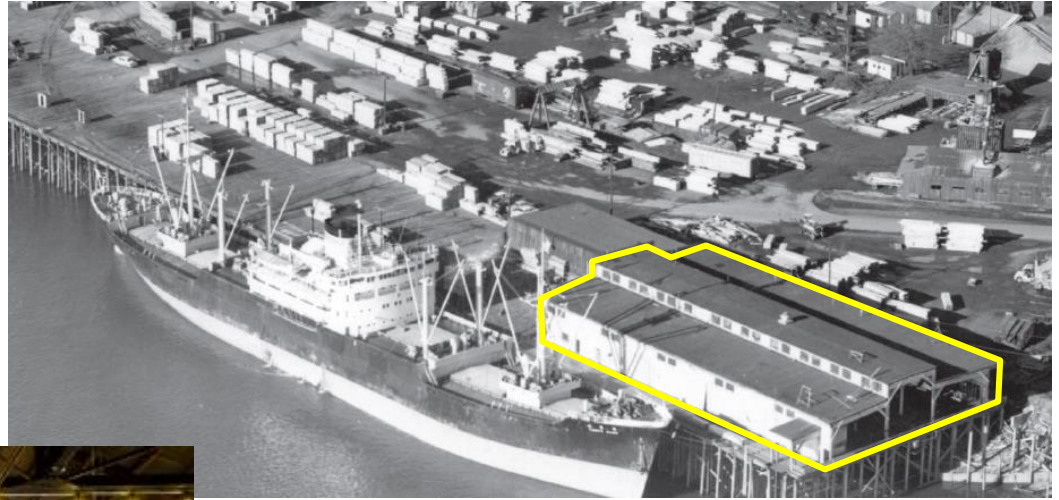
- Delivers on a key Port goal
- Major differentiator for property
- Fundamentally important:
Will drive resident and traveler visits, and value for real estate

Public Open Space



Terminal 1 Rehabilitation / Public Market

- Potential for special, regionally-significant market
- Authentic, “public” use
- Major differentiator for site
- Evaluation ongoing

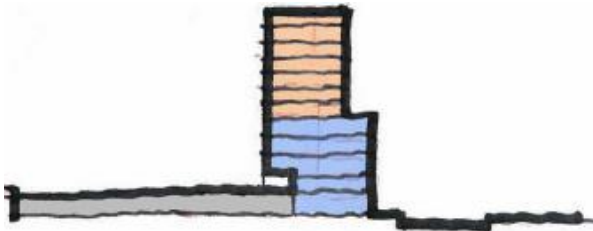


Programs and Site Design

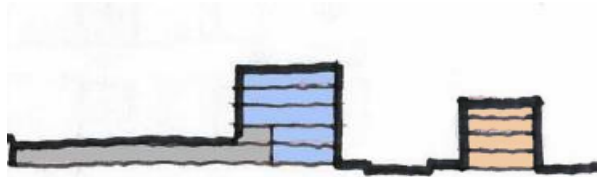


Building Options

1



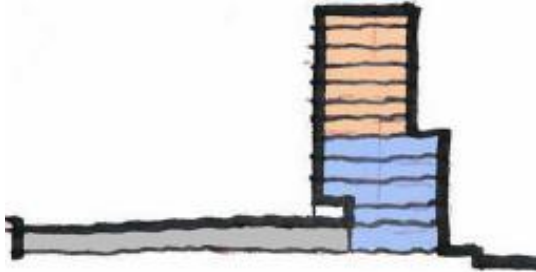
2



3



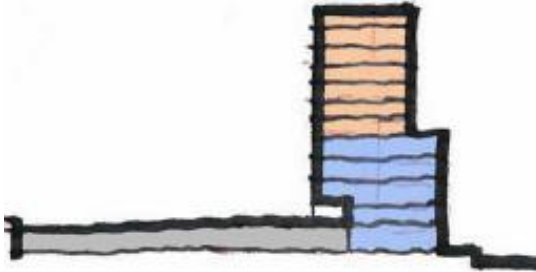
Option 1: Mixed Use Building



Strengths

- Impressive, iconic, and visible Phase 1 building
- Maximizes use of site, density of uses in building
- Hotel views

Option 1: Mixed Use Building



Challenges

- Hotel and office:
Different market cycles, developers, owners
- Two cores and lobbies: less efficient
- Building materials: Steel adds to hotel costs
- Floor plate size and depth
- Higher costs require higher rent
or Port investment
- More difficult to finance
- Height: Zoning; 75'+ = high rise code
- Hotel – water relationship; parallel orientation
- Increases likelihood that other blocks
would be empty

Option 2: Office with Structured Parking



2100 SW River Parkway, Portland



Option 2: Office with Structured Parking



Strengths

- Two projects can move ahead independently, with different developers and owners
- Hotel can overlook river
- Structured parking provides district amenity
- Multiple buildings surround key street or plaza

Challenges

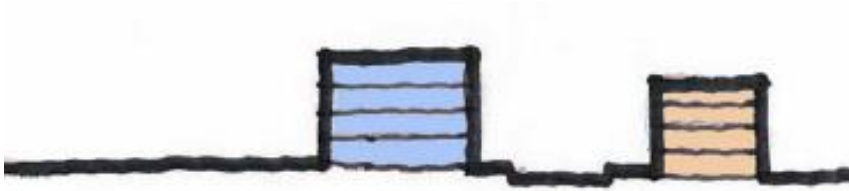
- Structured parking cost
- Not highest density

Option 3: Office with Surface Parking



Liberty Center, Portland

Option 3: Office with Surface Parking



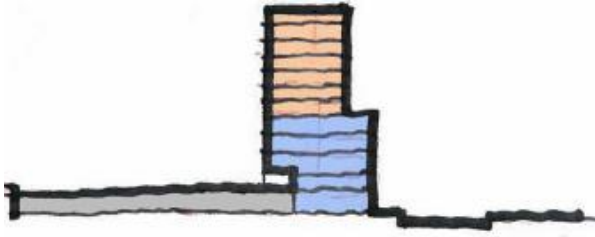
Strengths

- Two projects can move ahead independently
- Hotel can overlook river
- Lowest cost
- Structured parking can be phased over time

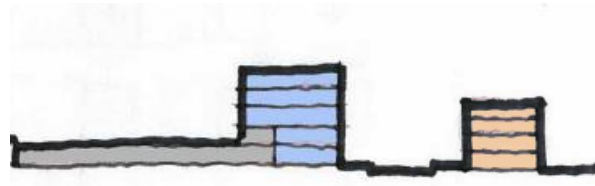
Challenges

- Surface parking does not build urban character
- Occupies lots where future development would occur
- Not highest density

Building Options



Most Complex



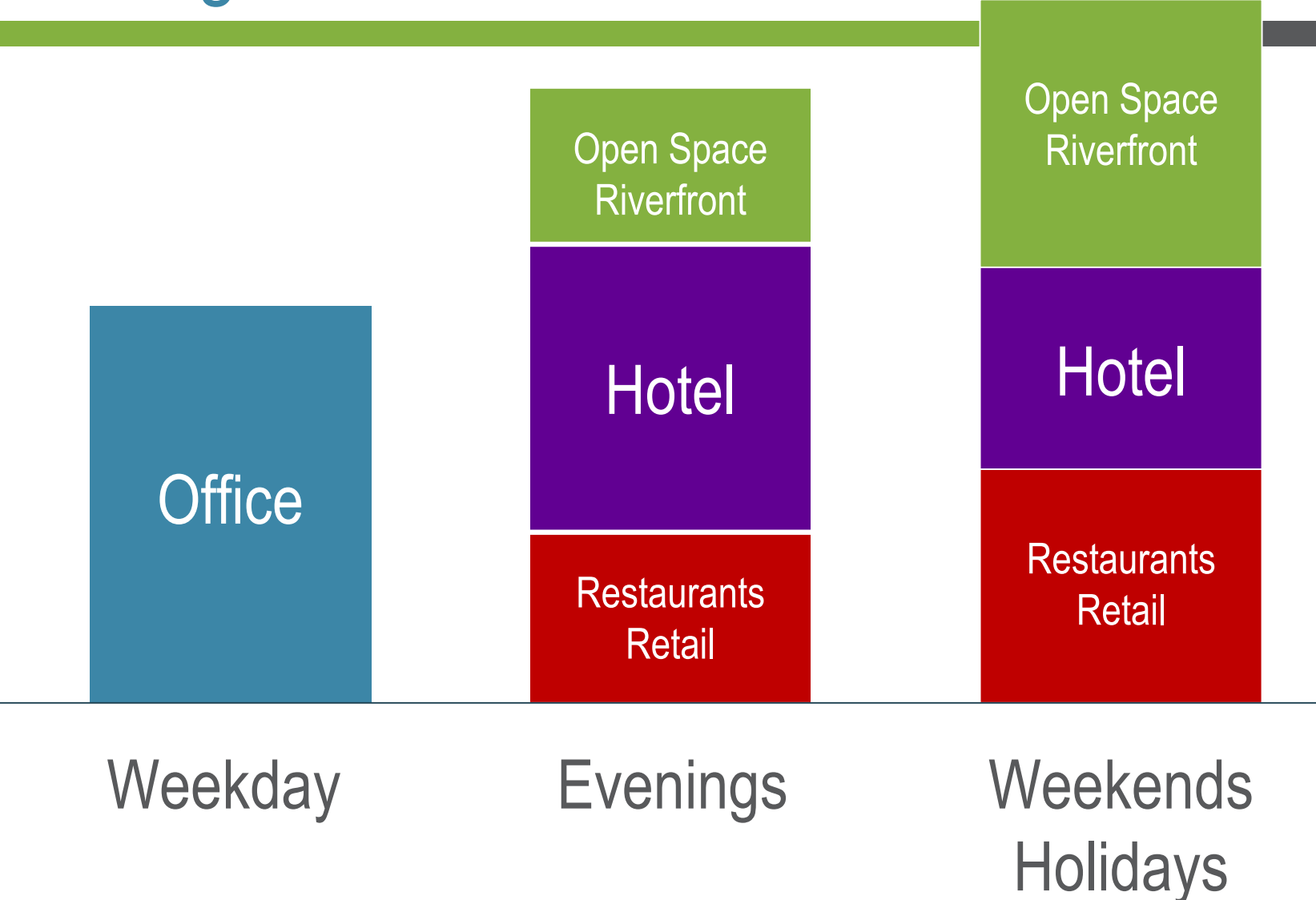
Simplest

Port Owned Office vs Lease

- Port owned building likely less expensive, assuming similar building attributes

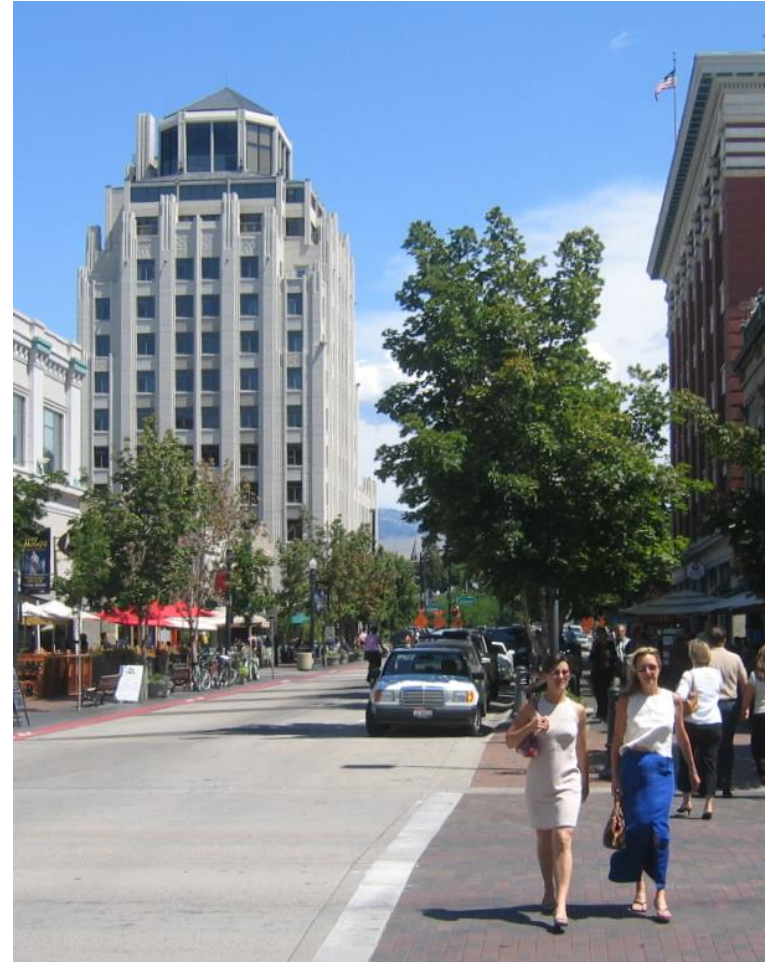


Site Usage



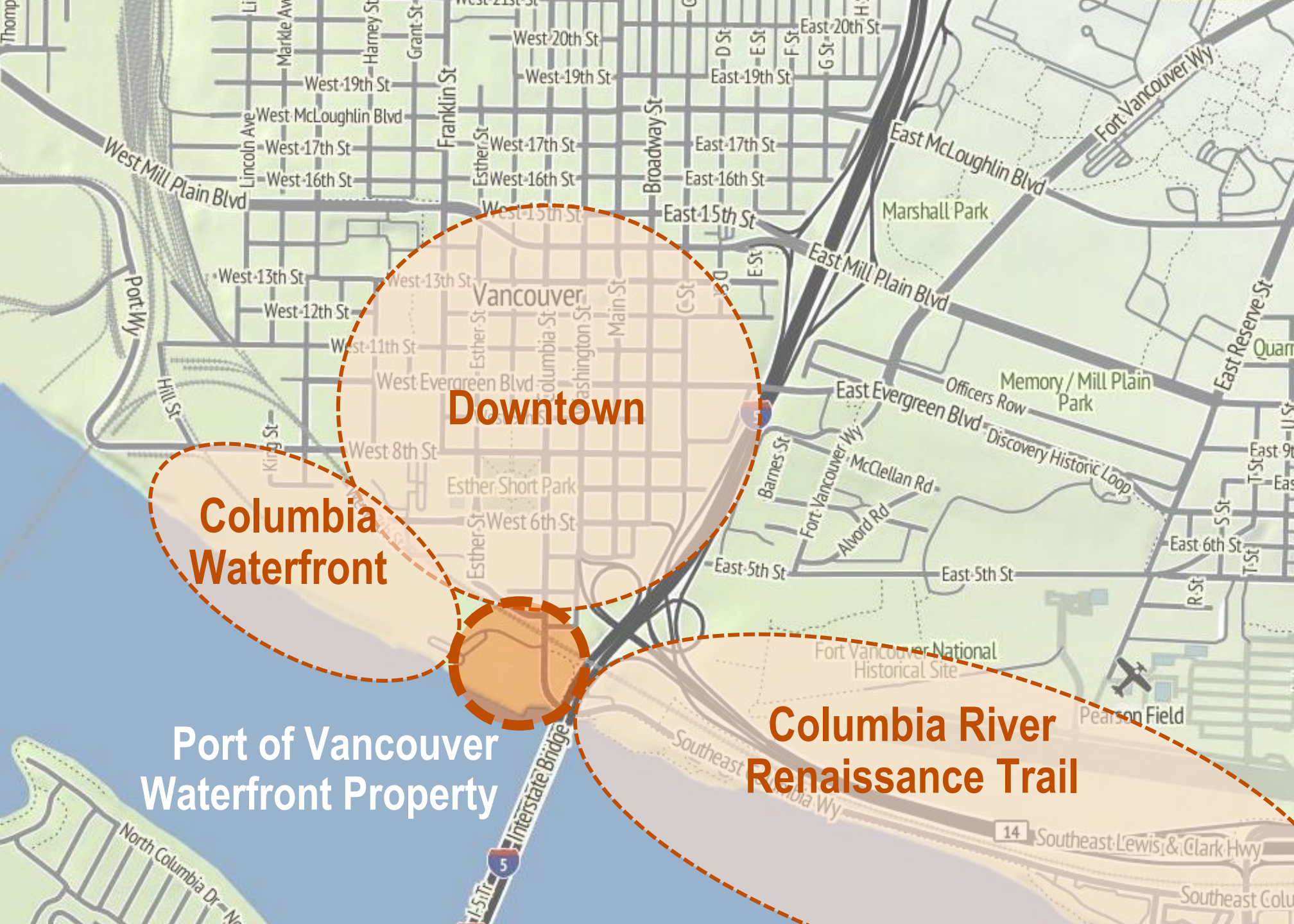
A Great Waterfront Destination

- The best urban places have a mix of uses
- Different uses
 - Activate the waterfront on different days, different times
 - Create customers for each other
- Mixed use can enable structured parking
- Likelihood of success increases when all Phase 1 uses are brought together



Port Waterfront: Phase 1 Program

Mixed-Use Building	Port Offices	20,000 – 45,000 SF
	Speculative Office Space	40,000 SF
	Hotel	100 to 130 rooms
	Ground Floor Retail, Dining	5,000 to 10,000 SF
	Parking	200 to 250 spaces
Other Uses (Master Plan)	Public Open Space	Being designed
	Terminal 1 Rehabilitation	Analysis ongoing
	Parking	TBD



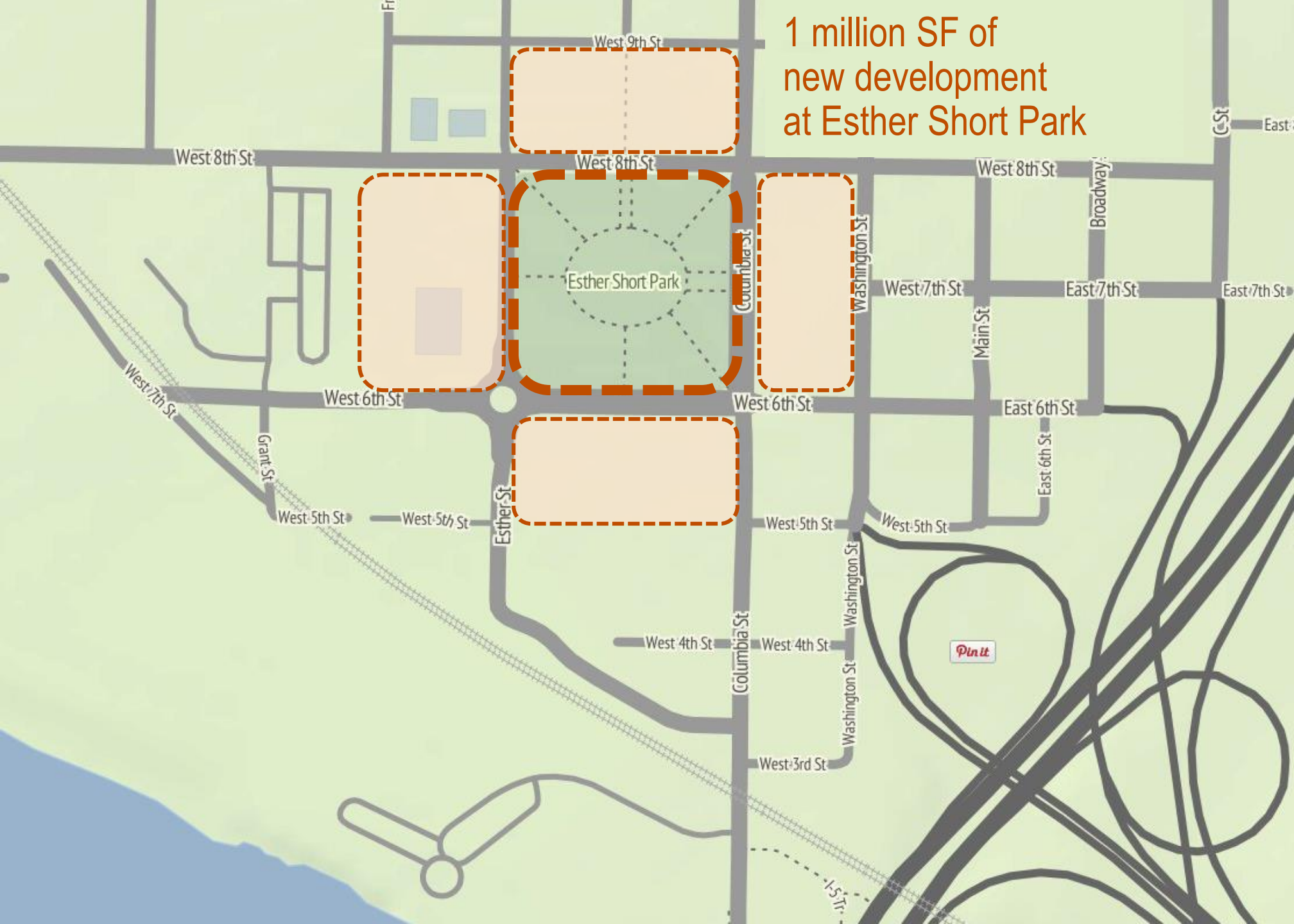
Downtown

Columbia Waterfront

Port of Vancouver Waterfront Property

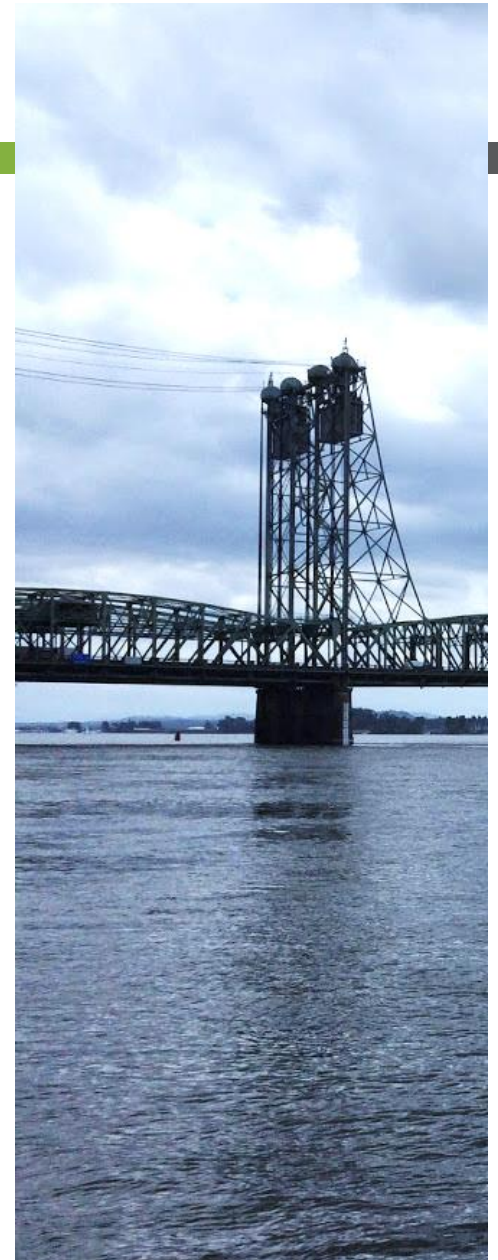
Columbia River Renaissance Trail

1 million SF of
new development
at Esther Short Park



Final Thoughts

- The Port has a very special site and opportunity
- The Port has site control and the tools to advance development—which is rare
- A complete mix of uses is important
- Office and hotel should be in separate buildings
- The Port's offices on the site can help make it happen
- There is a market for a hotel on the site
- A hotel by itself will likely increase risk, not activate the area during weekdays, and not support structured parking
- A successful Phase 1 can be a tremendous economic development catalyst for the entire Vancouver Waterfront and Downtown





LELAND CONSULTING GROUP

People Places Prosperity

503.222.1600

www.lelandconsulting.com

Development Advisors and Urban Strategists