

MARKET ANALYSIS

This section of the market analysis identifies existing and emerging economic opportunities for the Port of Woodland. Findings from this work are intended to assist the Port and its local government partners and stakeholders as they identify existing and potential business activities that are consistent with the Port's vision. The goal of this section is to establish a clear economic development direction for the Port that is consistent with local, regional, and state market trends and planning policies.

The steps used to complete this work are described below.

1. Identify Port strategic advantages with regard to geographic location/proximity to primary and secondary trade areas, regional transportation infrastructure, and available amenities.
2. Review data on historical population and employment trends.
3. Describe national, state, and local economic trends.
4. Review information regarding existing and potential growth of major employers.
5. Compile wage and salary employment data for the local and regional economy and conduct industry clusters analysis to ascertain emerging economic development characteristics.
6. Identify tourism trends and related market opportunities.
7. Prepare market-supportable commercial and industrial development forecasts for the Port district and potential capture rates for Port-owned land and facilities.

As part of this work effort, the consultant team evaluated current economic plans, marketing plans, and statistics provided by local, state, and federal government agencies.

A. ECONOMIC OVERVIEW

The Port holds around 350 acres of development ready industrial land for lease between the Lewis and Columbia Rivers in and around the city of Woodland, located in Cowlitz County. In addition to providing industrial land, the Port facilitates economic development activities between public and private entities in the region.

National Overview

As of 2015, moderate economic expansion is occurring nationally and in the state of Washington. According to the US Bureau of Economic Analysis, national real gross domestic product (GDP) – the measure of the value of all goods and services produced annually – increased by 2.3% (annualized rate) during the second quarter of 2015, compared with an annual rate of 4.6% in 2014 and 1.1% in 2013.

The future GDP outlook is promising. According to recent projections by the Federal Reserve Open Market Committee, national real GDP is expected to grow by between 1.8% and 2.0% in 2015 and by 2.4% to 2.7% in 2016.

Washington Overview

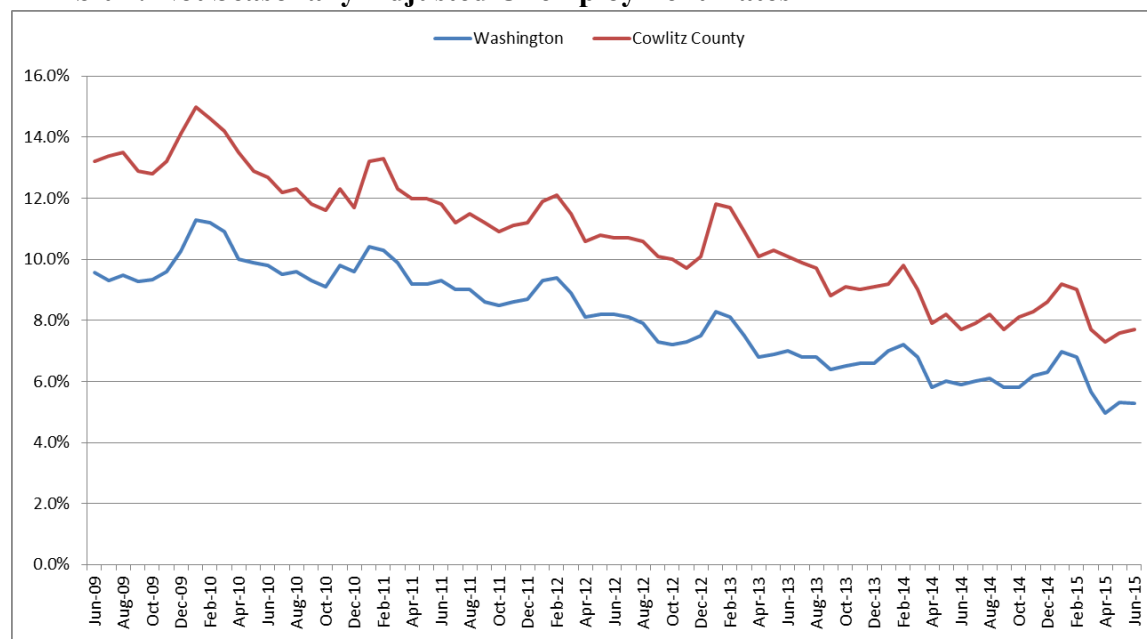
According to the U.S. Bureau of Economic Analysis (BEA), in 2014 (latest year available), the state of Washington recorded their highest-ever GDP figure, \$427.1 billion, up from \$407.2 billion in 2013 and up from \$296.7 billion in 2005.

In addition to GDP, Washington's foreign exports set records in 2014 as well with \$90.5 billion worth goods and services exported outside of the United States according to the U.S. Census Bureau. That represents 5.6% of total United States exports in 2014. These figures are up from \$64.8 billion (4.4% of U.S. total) in 2011.

With regard to employment, Washington posted a year-over-year overall gain of 113,000 jobs between June 2014 and June 2015, which was an improvement over the prior year's gain of 75,300 jobs. At the same time, the state's seasonally adjusted unemployment rate continued to fall from 6.1% in June 2014 to 5.3% in June 2015, which is at parity with the national average for the month of June.

The unadjusted unemployment rate in Cowlitz County is above the Washington statewide rate at 7.7% compared to 5.3% for the state as of June 2015. As shown in **Exhibit 1**, while the county unemployment rate remains above the state average, both have improved significantly since the depths of the recession. It should be noted that Washington and Cowlitz County are experiencing a high level of under-employment, which is not reflected in these data trends.

Exhibit 1: Not Seasonally Adjusted Unemployment Rates



Source: Washington State Employment Security Dept.

Washington state economists are predicting a continued upward trend in statewide employment of about 2.6 percent in 2015 and 1.6 percent annually through 2019. Moderate job growth in Cowlitz County is also expected.

Trade Overview

Established in 1960, the Port of Woodland has focused on economic development by providing industrial land to businesses as well as appropriate infrastructure to serve that land. Over the past 55 years, the regional economic base has shifted from forest product extraction and lumber manufacturing to more diverse types of manufacturing and service industries. Today, the Port enjoys exceptional access to transportation ranging from freight truck access to Interstate 5, BNSF and Union Pacific rail transport in

Woodland, and nearby access to marine trade (provided at the ports of Kelso and Longview) and air cargo access located at both Portland International Airport and Sea-Tac Airport.

Local Population and Income Levels

In 2015, Cowlitz County’s population consisted of 104,280 people according to the Washington Office of Financial Management (OFM) Forecasting Division. The average annual population growth rate for Cowlitz County was less than half of the Washington average over the 2000 to 2015 timeframe (**Exhibit 2**).

Exhibit 2: Population Trends

	2000	2010	2015	Annual Growth Rate	
	Census	Census	WA OFM	2000-2010	2010-2015
Cowlitz County	92,948	101,244	104,280	0.86%	0.59%
Woodland	3,780	5,271	5,760	3.38%	1.79%
Longview	34,660	36,605	37,130	0.55%	0.29%
Kelso	11,895	11,977	11,950	0.07%	-0.05%
Washington	5,894,121	6,561,297	7,061,410	1.08%	1.48%

Source: U.S. Census; Washington Office of Financial Management Forecasting Division

The OFM expects that population growth in Cowlitz County will continue to trail the statewide rate for the foreseeable future. As indicated in **Exhibit 3**, Cowlitz County is projected to add 14,487 people between 2010 and 2040, a rate of .44% annually. Meanwhile, Washington is expected to add 2,066,441, or .9% annually through the same period.

Exhibit 3: Population Projections, Cowlitz County

	2010	2015	2020	2030	2040	Annual Growth Rate
	Census	WOFM	WOFM	WOFM	WOFM	2010-2040
Cowlitz County	102,410	105,130	108,588	114,158	116,897	0.44%
Washington	6,724,540	7,022,200	7,411,977	8,154,193	8,790,981	0.90%

Source: U.S. Census; Washington Office of Financial Management Forecasting Division
Washington State Growth Management Population Projections for Counties: 2010 to 2040

In 2012, the median household income level for Cowlitz County was approximately \$47,596 and the average per capita income level was \$23,557. The County’s median income levels are now about 20% lower than the Washington statewide average, a gap which has widened between the 2000 U.S. Census and the 2009-2013 American Community Survey (ACS), as indicated in **Exhibit 4**.

Exhibit 4: Income Trends

		1999	2013	Annual Growth Rate
Median Household Income	Cowlitz County	\$39,797	\$47,596	1.29%
	Washington	\$45,776	\$59,478	1.89%
	Oregon	\$40,916	\$50,229	1.48%
	US	\$41,994	\$53,046	1.68%
Per Capita Income	Cowlitz County	\$18,583	\$23,557	1.71%
	Washington	\$22,973	\$30,742	2.10%
	Oregon	\$20,940	\$26,809	1.78%
	US	\$21,587	\$28,155	1.92%

Source: Census (in 1999 dollars) and ACS for 2009–2013 (in 2013 dollars)

Economic Strengths and Weaknesses

The economic, demographic, and infrastructure characteristics of the Port of Woodland establish a framework within which businesses can establish themselves and grow. An analysis of the Port district in the context of the broader regional or state economy is used to help identify potential target industries as well as identify where policies could be adjusted to help remove barriers to job creation. Please refer to the Strengths Weaknesses Opportunities and Threats (SWOT) analysis summarized by BergerABAM.

Location and Geography

The Port is located between the Columbia and Lewis Rivers in and around the city of Woodland Washington. The terrain is typical of a river valley. Woodland is well served by Class 1 rail lines as well as Interstate 5. This location provides convenient access to rail, truck, air and marine freight movement opportunities.

Transportation and Infrastructure

Please refer to the report of the condition assessment of Port facilities completed by BergerABAM.

B. MARKET ANALYSIS

Employment Trends

According to the Washington State Employment Security Department (ESD), at the end of 2013, there were 34,458 non-farm jobs in Cowlitz County (covered by unemployment insurance). The current level of employment in the County is down 5.7% from the 2007 peak of 36,544 covered jobs. The employment sectors in the County that grew the fastest between 2001 and 2013 were education and health services, wholesale trade, and professional and business services (**Exhibits 5, 6, and 7**).

Exhibit 5: Cowlitz County Employment Trends 2003-2013

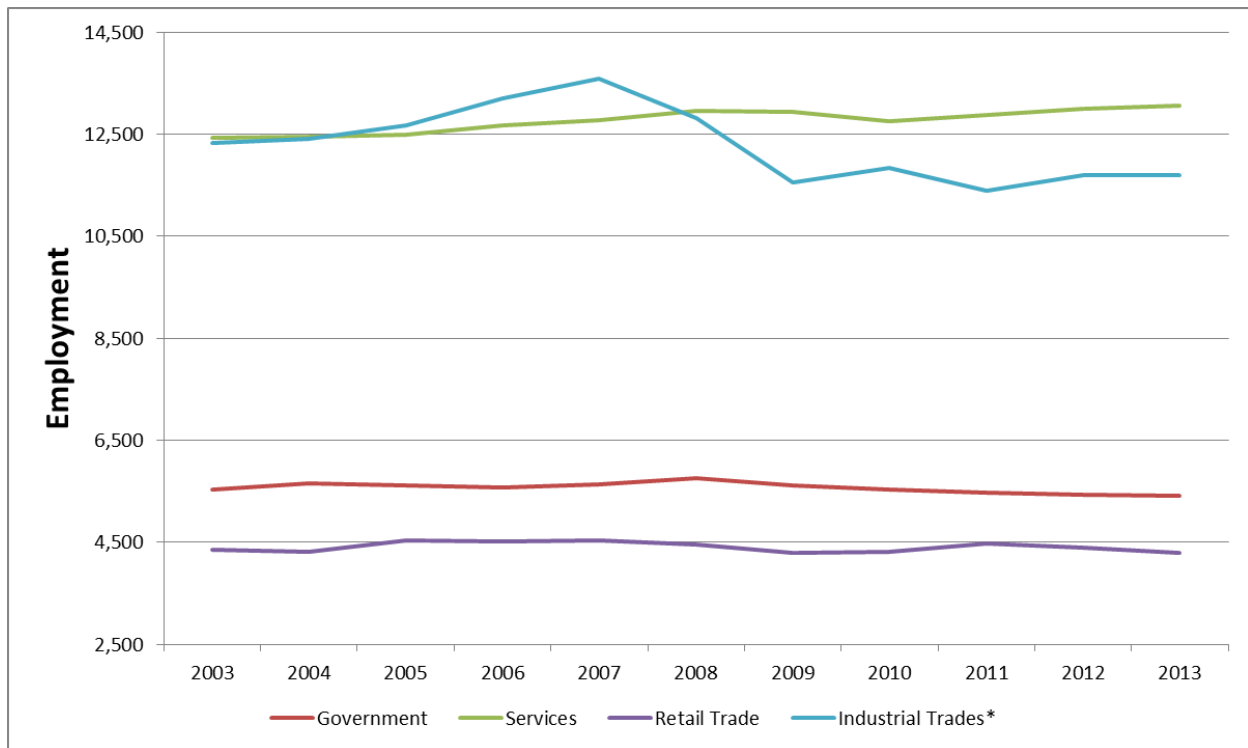


Exhibit 6: Non-Farm Employment Trends by Sector in Cowlitz County, 2001-2013

	2003	2008	2013	2003 - 2013	
				Change	CAGR
Industrial Trades*	12,318	12,816	11,701	-617	-0.51%
Retail Trade	4,348	4,464	4,291	-57	-0.13%
Services	12,433	12,963	13,056	623	0.49%
Government	5,539	5,758	5,410	-129	-0.24%
Total	34,638	36,001	34,458	-180	-0.05%

* Includes construction, manufacturing, wholesale trade, transportation, utilities and mining/logging businesses.

Source: Washington State Employment Security Department, compiled by FCS GROUP. Employment includes workers "covered" by unemployment insurance.

Exhibit 7: Cowlitz County Employment Trends by Sector, 2003–2013 (covered workers)

	2003	2008	2013	2001-2013	
				Change	Annual Growth Rate
Total nonfarm employment	34,638	36,001	34,458	-180	-0.05%
Total private	29,099	30,244	29,048	-51	-0.02%
Mining and logging	862	801	815	-47	-0.56%
Construction	2,121	2,384	2,065	-56	-0.27%
Manufacturing	6,941	6,477	6,188	-753	-1.14%
Wood product manufacturing	1,199	927	859	-340	-3.28%
Paper manufacturing	2,929	2,405	2,173	-756	-2.94%
Trade, transportation, and utilities	6,742	7,617	6,924	182	0.27%
Wholesale Trade	1,050	1,529	1,330	280	2.39%
Retail trade	4,348	4,464	4,291	-57	-0.13%
Food and beverage stores	938	924	777	-161	-1.87%
General merchandise stores	1,101	1,065	1,341	240	1.99%
Transportation, warehousing, and utilities	1,344	1,624	1,303	-41	-0.31%
Information	407	452	349	-58	-1.53%
Financial activities	989	928	819	-170	-1.87%
Professional and business services	2,046	2,290	2,312	266	1.23%
Educational and health services	4,661	4,929	5,105	444	0.91%
Leisure and hospitality	3,300	3,306	3,265	-35	-0.11%
Other services	1,729	1,692	1,855	126	0.71%
Government	5,539	5,758	5,410	-129	-0.24%
Federal government	259	227	224	-35	-1.44%
State government	1,011	1,065	986	-25	-0.25%
Local government	4,269	4,466	4,200	-69	-0.16%

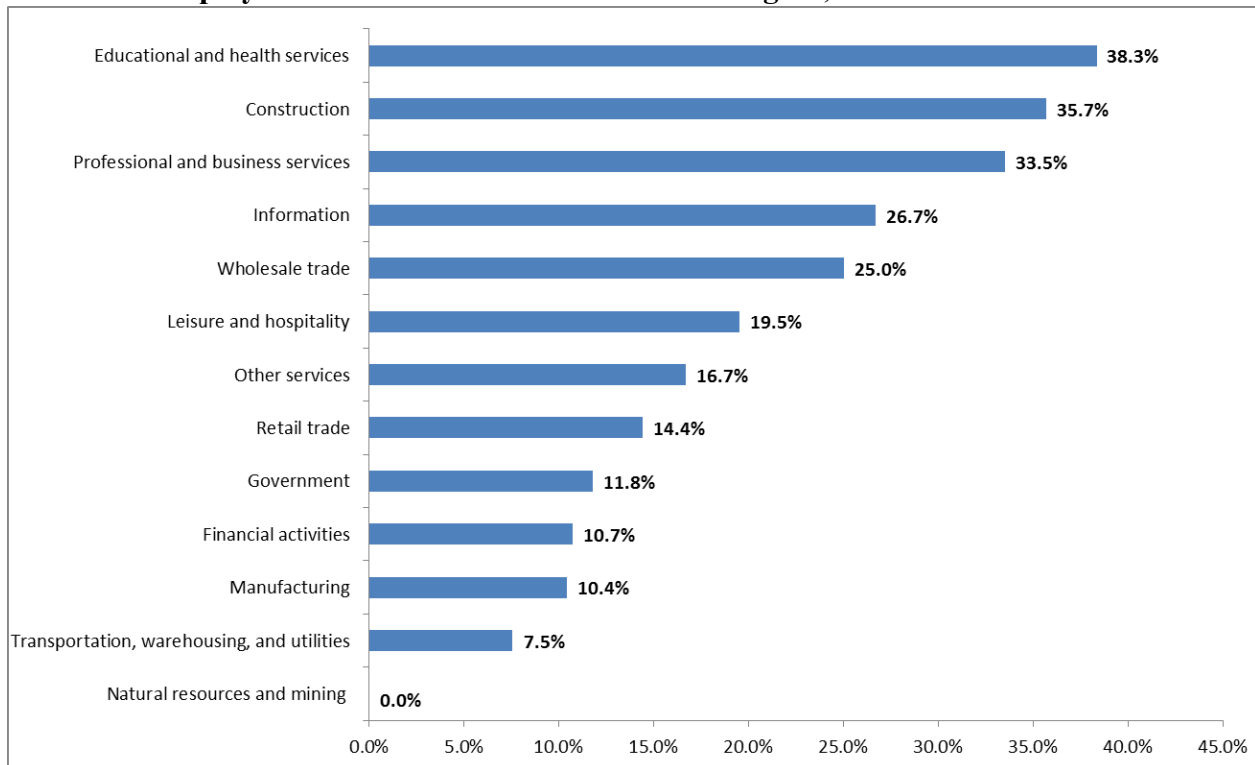
Source: Washington State Employment Security Department, compiled by FCS GROUP. Employment includes workers “covered” by unemployment insurance.

Employment Forecast

The ESD is forecasting a 21.5 percent increase in employment within the Southwest Washington area during the 2013 to 2023 period.¹ A net increase of 37,500 jobs is forecast over the next 10 years within the region. The largest increases in job growth are expected in education and health services as well as construction and professional and business services. Other leading job growth sectors are expected to include information, wholesale trade and leisure and hospitality (**Exhibit 8**).

¹ Note, the Washington Employment Security Department does not prepare detailed employment forecasts on the county level so much of this analysis must utilize regional forecasts for the combined Southwest Washington region.

Exhibit 8: Employment Forecast for Southwest Washington, 2013-2023



Source: Washington Employment Security Department.

In addition to the larger categories discussed above, ESD also generates a top ten list of job occupations that are projected to add workers at a rapid pace (**Exhibit 9**). This list includes projected annual job openings in Southwest Washington over the 2013 to 2023 time frame. The fastest growing occupations are expected to include: computer application developers, cement masons and concrete finishers, computer systems analysts and electricians.

Exhibit 9: Top 10 occupations by growth and openings in Southwest Washington 2013-2023

Occupational titles	AAGR 2013-2023	Average annual job openings 2013-2023
Sales representatives, services, all other	3.51%	81
Massage therapists	5.14%	41
Construction laborers	3.06%	158
Computer systems analysts	3.58%	41
Software developers, applications	3.71%	40
Personal care aides	2.92%	104
Landscaping and groundskeeping work	2.83%	147
Electricians	2.97%	69
Cost estimators	3.35%	37
Cement masons and concrete finishers	3.65%	27

Source: Washington State Employment Security Department, compiled by FCS GROUP.

Industry Clusters Analysis

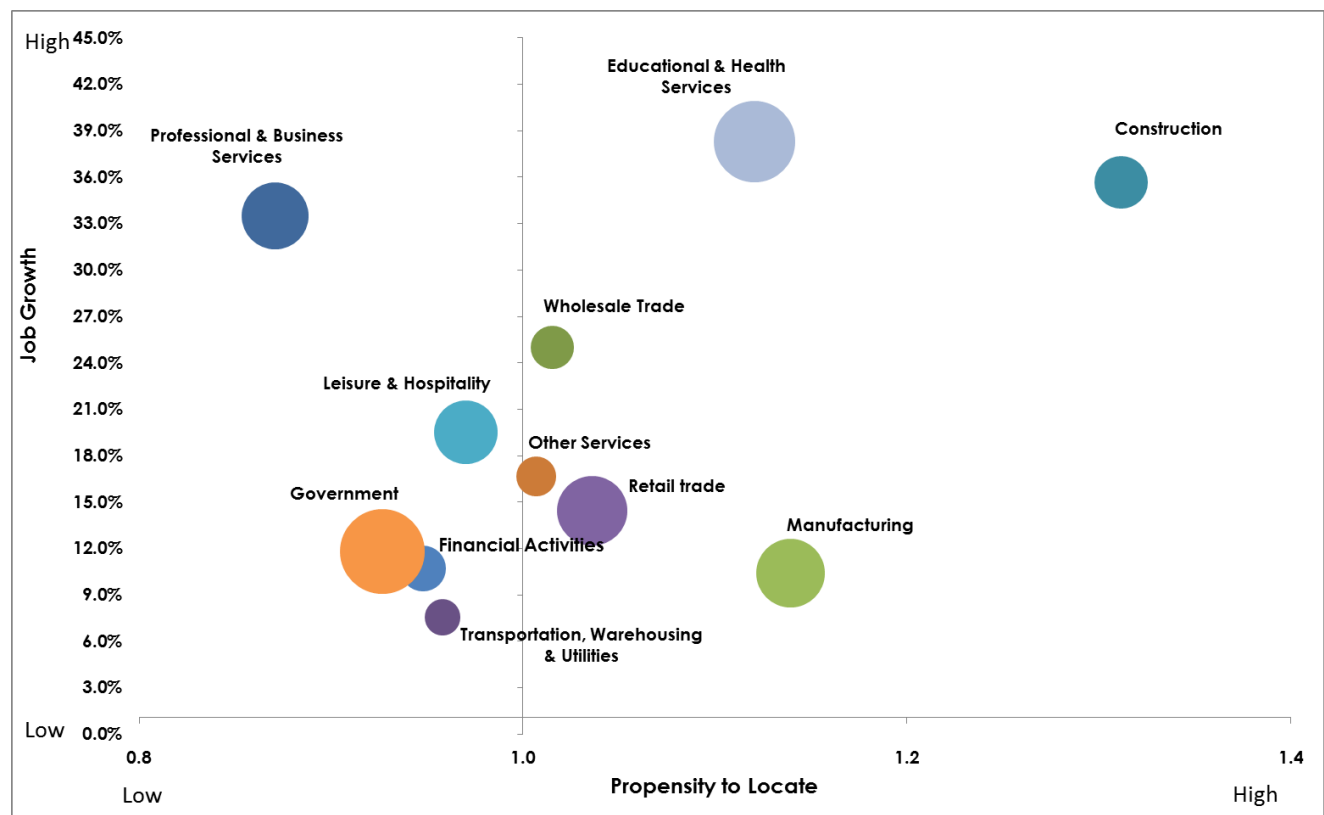
FCS GROUP prepared an employment clusters analysis for the Southwest Washington area to identify existing and emerging industry market opportunities. It is a widely accepted theory among economic development professionals that employment clusters are the primary force driving local economic currents and business location decisions. Clusters of economic activity go well beyond mere concentrations of industry or employment types. They represent unique competitive market advantages with regard to employment, work force, creativity, entrepreneurship, business costs, and supporting natural resources.

The employment clusters analysis helped identify potential industry sector candidates, which were also discussed during the stakeholder interviews. The clusters analysis entailed:

1. Obtaining employment security wage and salary employment data from ESD for Southwest Washington and the state for the year of 2013 (latest data year).
2. Conducting a location-quotient (LQ) analysis to evaluate business and industrial clusters in the Port area relative to the state.
3. Evaluating business clusters within the Port area with regard to their LQ, projected growth rates, economic size, and average and aggregate wages.

The employment cluster analysis is summarized in **Exhibit 10**, which shows business and industrial sectors by their LQ, size (aggregate wages paid annually), and 10-year growth forecast (derived from ESD information).

Exhibit 10: Key Job Clusters in Southwest Washington



Source: FCS GROUP based on ESD data

Note: Note: Mining (LQ of 2.7) and Information (LQ of .48) were omitted since they threw off the LQ axis and are relatively small clusters

FCS GROUP sorted business clusters into four classifications.

Stars – includes businesses with high LQ (propensity to locate in the region) and higher than average projected growth rate compared to other locations in Washington. Business types include:

- ✓ Construction
- ✓ Educational and Health Services (includes workforce training and health care)
- ✓ Manufacturing

Opportunities – includes businesses with low LQ and high average growth rate (possible pent-up demand or a competitive market disadvantage relative to other locations). Business types include:

- ✓ Professional & Business Services
- ✓ Leisure & Hospitality
- ✓ Financial activities
- ✓ Transportation, Warehousing & Utilities

Industrial Flex Business Park Market Opportunity

In June 2015, the Port of Woodland funded an independent study by Johnson Economics which detailed the feasibility of the Port constructing a flex industrial park. The study concluded that the Southwest Washington market for industrial buildings is strong enough to absorb a new industrial flex building in the city of Woodland at what was determined to be a market lease rate (\$0.44 to \$0.47 /SF/month with an office surcharge of \$0.80 /SF/month). While that study did not detail the financial impacts to the Port of Woodland (as a potential developer), it determined that job growth and industrial building demand in the area does justify the need for more industrial space in the Southwest Washington region and suggests that the project could be a success.

Retail Target Market Opportunities

While the retail sector is already doing well, it is constantly evolving as new businesses open and others close. FCS GROUP analyzed retail supply and demand within the primary market area, which is defined as the area within a 20-minute drive of Port headquarters. The analysis (see Appendix A) indicates the following findings:

- As would be expected with areas between major population centers, the Port of Woodland area has a significant outflow of retail spending in most store group categories. The amount of spending lost in these categories is referred to as retail leakage. Some retail sectors which fall into this category include: motor vehicle & parts stores, food services and drinking establishments as well as clothing and accessories stores building materials, electronics and appliance stores.
- Some store groups exhibit the opposite, indicating consumers travel from outside of the port district to patronize these stores. These store types include: health & personal care stores, department stores and food and beverage stores.
- Residents near the Port of Woodland will likely continue to travel outside the local area for purchases, but it is possible that the Port could provide retail development opportunities for non-store retailers that require low-cost space to store and ship products by Fed-Ex or UPS.

Target Market Opportunities

The industrial clusters within the Port district that appear most viable for long-term expansion are based on analysis found throughout this report as well as an analysis of existing enterprises that are already concentrated in the region. The recommended target industries for the Port include:

- Light Manufacturing: including supply chain businesses that support major mill or fabricated metal operations.
- Miscellaneous manufacturing and processing: including emerging value-added industries related to agricultural products.
- Stone product manufacturing
- Technical training programs (e.g., construction related professions)
- Regional warehousing and distribution
- Wholesale warehouse/showrooms
- Transportation and logistics firms
- Motor vehicle repair and parts recycling businesses

Appendix A Retail Trade Inflow/Outflow Analysis

Retail inflow/outflow within 20 minute drive of Port Headquarters



Retail MarketPlace Profile

Port of Woodland
115 Davidson Ave, Woodland, Washington, 98674
Drive Time: 20 minute radius

Prepared by Esri
Latitude: 45.90091
Longitude: -122.74720

Summary Demographics						
2015 Population						92,060
2015 Households						34,173
2015 Median Disposable Income						\$54,426
2015 Per Capita Income						\$30,821
Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$1,110,538,853	\$869,456,764	\$241,082,089	12.2	708
Total Retail Trade	44-45	\$1,003,158,178	\$780,457,868	\$222,700,310	12.5	590
Total Food & Drink	722	\$107,380,674	\$88,998,897	\$18,381,777	9.4	119
Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$205,363,243	\$71,923,774	\$133,439,469	48.1	57
Automobile Dealers	4411	\$176,150,475	\$49,165,933	\$126,984,546	56.4	23
Other Motor Vehicle Dealers	4412	\$13,968,309	\$11,850,555	\$2,117,754	8.2	17
Auto Parts, Accessories & Tire Stores	4413	\$15,244,456	\$10,907,286	\$4,337,170	16.6	17
Furniture & Home Furnishings Stores	442	\$22,622,963	\$28,332,053	-\$5,709,090	-11.2	33
Furniture Stores	4421	\$12,550,466	\$5,932,013	\$6,618,453	35.8	9
Home Furnishings Stores	4422	\$10,072,498	\$22,400,040	-\$12,327,542	-38.0	24
Electronics & Appliance Stores	443	\$19,064,710	\$5,720,991	\$13,343,719	53.8	21
Bldg Materials, Garden Equip. & Supply Stores	444	\$34,369,429	\$44,468,866	-\$10,099,437	-12.8	62
Bldg Material & Supplies Dealers	4441	\$29,676,387	\$37,312,462	-\$7,636,075	-11.4	47
Lawn & Garden Equip & Supply Stores	4442	\$4,693,042	\$7,156,404	-\$2,463,362	-20.8	16
Food & Beverage Stores	445	\$199,172,002	\$215,847,843	-\$16,675,841	-4.0	75
Grocery Stores	4451	\$185,007,901	\$208,523,509	-\$23,515,608	-6.0	40
Specialty Food Stores	4452	\$5,015,162	\$4,205,698	\$809,464	8.8	31
Beer, Wine & Liquor Stores	4453	\$9,148,938	\$3,118,635	\$6,030,303	49.2	4
Health & Personal Care Stores	446,4461	\$67,861,775	\$108,055,965	-\$40,194,186	-22.8	35
Gasoline Stations	447,4471	\$78,296,099	\$44,003,736	\$34,292,363	28.0	11
Clothing & Clothing Accessories Stores	448	\$57,969,171	\$22,878,512	\$35,090,659	43.4	46
Clothing Stores	4481	\$43,900,284	\$18,756,998	\$25,143,286	40.1	33
Shoe Stores	4482	\$7,525,961	\$2,771,751	\$4,754,210	46.2	6
Jewelry, Luggage & Leather Goods Stores	4483	\$6,542,926	\$1,349,763	\$5,193,163	65.8	8
Sporting Goods, Hobby, Book & Music Stores	451	\$16,538,570	\$14,301,834	\$2,236,736	7.3	63
Sporting Goods/Hobby/Musical Instr Stores	4511	\$15,051,884	\$13,715,961	\$1,335,923	4.6	56
Book, Periodical & Music Stores	4512	\$1,486,686	\$585,872	\$900,814	43.5	6
General Merchandise Stores	452	\$175,193,659	\$166,401,988	\$8,791,671	2.6	10
Department Stores Excluding Leased Depts.	4521	\$64,703,604	\$127,448,936	-\$62,745,332	-32.7	6
Other General Merchandise Stores	4529	\$110,490,055	\$38,953,052	\$71,537,003	47.9	4
Miscellaneous Store Retailers	453	\$31,827,890	\$28,991,812	\$2,836,078	4.7	141
Florists	4531	\$1,123,208	\$1,178,066	-\$54,858	-2.4	12
Office Supplies, Stationery & Gift Stores	4532	\$9,537,895	\$4,696,773	\$4,841,122	34.0	30
Used Merchandise Stores	4533	\$2,775,101	\$2,255,017	\$520,084	10.3	25
Other Miscellaneous Store Retailers	4539	\$18,391,686	\$20,861,956	-\$2,470,270	-6.3	74
Nonstore Retailers	454	\$94,878,662	\$29,530,495	\$65,348,167	52.5	34
Electronic Shopping & Mail-Order Houses	4541	\$86,737,467	\$25,920,592	\$60,816,875	54.0	10
Vending Machine Operators	4542	\$852,882	\$361,905	\$490,977	40.4	5
Direct Selling Establishments	4543	\$7,288,314	\$3,247,997	\$4,040,317	38.3	20
Food Services & Drinking Places	722	\$107,380,674	\$88,998,897	\$18,381,777	9.4	119
Full-Service Restaurants	7221	\$50,812,083	\$31,151,965	\$19,660,118	24.0	38
Limited-Service Eating Places	7222	\$47,380,528	\$45,126,581	\$2,253,947	2.4	55
Special Food Services	7223	\$4,960,189	\$6,563,594	-\$1,603,405	-13.9	10
Drinking Places - Alcoholic Beverages	7224	\$4,227,875	\$6,156,756	-\$1,928,881	-18.6	16

Data Note: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. Esri uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector. For more information on the Retail MarketPlace data, please view the methodology statement at <http://www.esri.com/library/whitepapers/pdfs/esri-data-retail-marketplace.pdf>.

Source: Esri and Dun & Bradstreet. Copyright 2015 Dun & Bradstreet, Inc. All rights reserved.

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