

**THE PORTLAND WORLD TRADE CENTER  
A Case Study on the Conversion of a Corporate  
Headquarters Facility to a  
World Trade Center**

by

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MASSACHUSETTS INSTITUTE  
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ABSTRACT

The study of the Portland World Trade Center was conducted as part of a joint analysis of five World Trade Centers. Other sites studied are those located in Amsterdam, Curacao, and New York City. The comparisons and contrasts that were found among the five sites are analyzed in order to arrive at a series of conclusions for this study, including whether or not there are common characteristics that result in a specific set of guidelines that may be applied to the development of future World Trade Centers.

A series of hypotheses were developed to arrive at a set of real estate related properties and amenities considered unique to such developments. One theory suggests that there are specific types of services offered that allow for the realization of premium rents. Specialized services include extensive trade promotion and marketing on behalf of tenants and the provision of computerized trade information and databases. Another theory, supported by the research conducted in Portland, suggests that the trade environment present within a particular country can encourage and promote regional economic development. This paper will analyze the Portland World Trade Center and summarize those characteristics considered essential for a successful World Trade Center development.

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**Acknowledgements**

The information presented throughout this paper was collected during a week long site visit during which extensive interviews were conducted with the World Trade Center Portland's management team, tenants, local real estate brokers and state and local public officials. Information was also collected through a literature search of the facility at the Portland Public Library. The author would like to extend his appreciation and indebtedness to all those who made this study possible and a success.

**CHAPTER ONE**  
**INTRODUCTION**

Traditionally economic markets have been separated by political boundaries. The movement of labor and capital was often inhibited by political boundaries and religious and ideological differences. Capital, labor and goods moved within countries instead of across borders.

Today, however, one can hardly pick up a newspaper or listen to the evening news without hearing the term "global economy." Economic markets are clearly no longer distinct. The trend in recent decades has been towards an integrated world economy. Changes in technology, telecommunications, and transportation link economic markets. International competition between national markets exists for a wide variety of goods and services. Prices of goods in one country are commonly influenced by prices of goods in another. While there are those who still yearn for a simpler world, the events noted above coupled with the political changes which continue to occur in Eastern Europe and the former Soviet Union are no doubt moving us toward an increased dependance on international trade.

Developers and owners of real estate have discovered that they too are part of an integrated world economy. Foreign ownership of real estate received much attention in the mid 1980's. Foreign financiers provided much of the short and long term debt and equity funds needed for real estate development. Developers and owners of real estate

discovered that local markets for space are often influenced by the global movement of goods and services. In areas where trade flourished, companies and real estate markets prospered as well. Thus it is not surprising that developers became interested in promoting international trade. They became active boosters of their communities and region and participated in trade missions abroad. In addition, a number of developers in cities around the world have sought to promote trade by developing special facilities, World Trade Centers, which are explicitly designed to encourage and facilitate global trade.

In its broadest sense, a World Trade Center is a shopping mart where all the services and people associated with international trade are gathered under one roof. A World Trade Center is typically a real estate based facility which receives official designation from the World Trade Center Association. Although a World Trade Center is real estate based, it should not be seen as a typical real estate office development. A successful WTC facility is often comprised of commercial office and retail space, conference facilities, exhibition halls and in many cases hotel facilities. Together with these physical components, a WTC will also provide a range of services and activities, such as, trade information, educational services, WTC Clubs, language services and other activities devoted to stimulating world trade. The development and operation of a

WTC facility is accomplished with the support of the World Trade Centers Association.

The World Trade Centers Association was formed in 1968 by three businessmen interested in promoting world trade. Since 1968, the WTCA has grown into a network of over 240 member organizations in 230 cities worldwide. The Association is dedicated to several basic goals:

- 1) To foster increased participation in world trade,
- 2) to promote international business relationships, and
- 3) to encourage mutual assistance and cooperation among members of the WTCA.<sup>1</sup>

The WTCA aspires to accomplish its objectives through the establishment of a network of franchised World Trade Centers. As defined by the Association, a WTC is comprised of two components:

- 1) The building and its tenants, and
- 2) the trade services and products provided by the individual WTC management.

Both components must meet WTCA standards in order to receive and maintain the WTC designation. A successful World Trade Center, therefore, is more than just a complex of exhibition halls, trade marts, office space and hotel rooms. A successful WTC must also offer services and activities specifically devoted to enhancing international

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1. WTCA, Constitution & Bylaws, 1990, pg. 5.



commerce within the trade environment in which it is located.

To the casual observer, a World Trade Center is often indistinguishable from other buildings in the area. The purpose of this paper is to examine the degree to which these projects are successful in their mission. More specifically, from the perspective of the developer/owner, are tenants willing to enter into rental agreements on terms more favorable to the landlord; because of its special status as a WTC? Does the building command a rental premium in the market or enjoy higher occupancy rates and if so what effect does WTC designation have on the asset value? From the perspective of the tenants, are there benefits associated with being located in the building? Does proximity to other trade-oriented tenants or the availability of trade related services enhance their business? From the perspective of the region in which the WTC is located, does the existence of a World Trade Center act as a stimulus to economic development through world trade?

This study is part of a broader study conducted by 5 graduate students of the Massachusetts Institute of Technology's Center for Real Estate and sponsored by the WTCA. The study examined World Trade Centers in Amsterdam, Portland, Taipei, Curacao and New York. These sites were

selected by the WTCA because they represent a variety of different approaches to operating a WTC. For example, this paper specifically focuses on one of the 5 study sites selected by the WTCA, the Portland World Trade Center (WTCP).

The paper is organized into four chapters. Chapter Two provides a physical description of the WTCP. Pertinent information regarding the tenant roster, facility composition, WTC product lines and the ownership and capital structure are presented in detail. Chapter Two proceeds to review the reasons why and manner in which Portland General Electric's (PGE) corporate headquarters were converted to a WTC.

Chapter Three reviews the performance of the WTCP since its conversion in 1988 from the perspective of the primary participants of the complex. The chapter also reviews the characteristics of the Portland commercial real estate market and the position of the World Trade Center Portland within that market. Chapter Four provides a comparative analysis of the performance of the WTCP as compared with the four other WTCs reviewed in the larger study. Comparisons and contrasts among these sites are presented to arrive at a conclusion, or series of conclusions, including whether there is a specific "recipe" for a successful WTC.

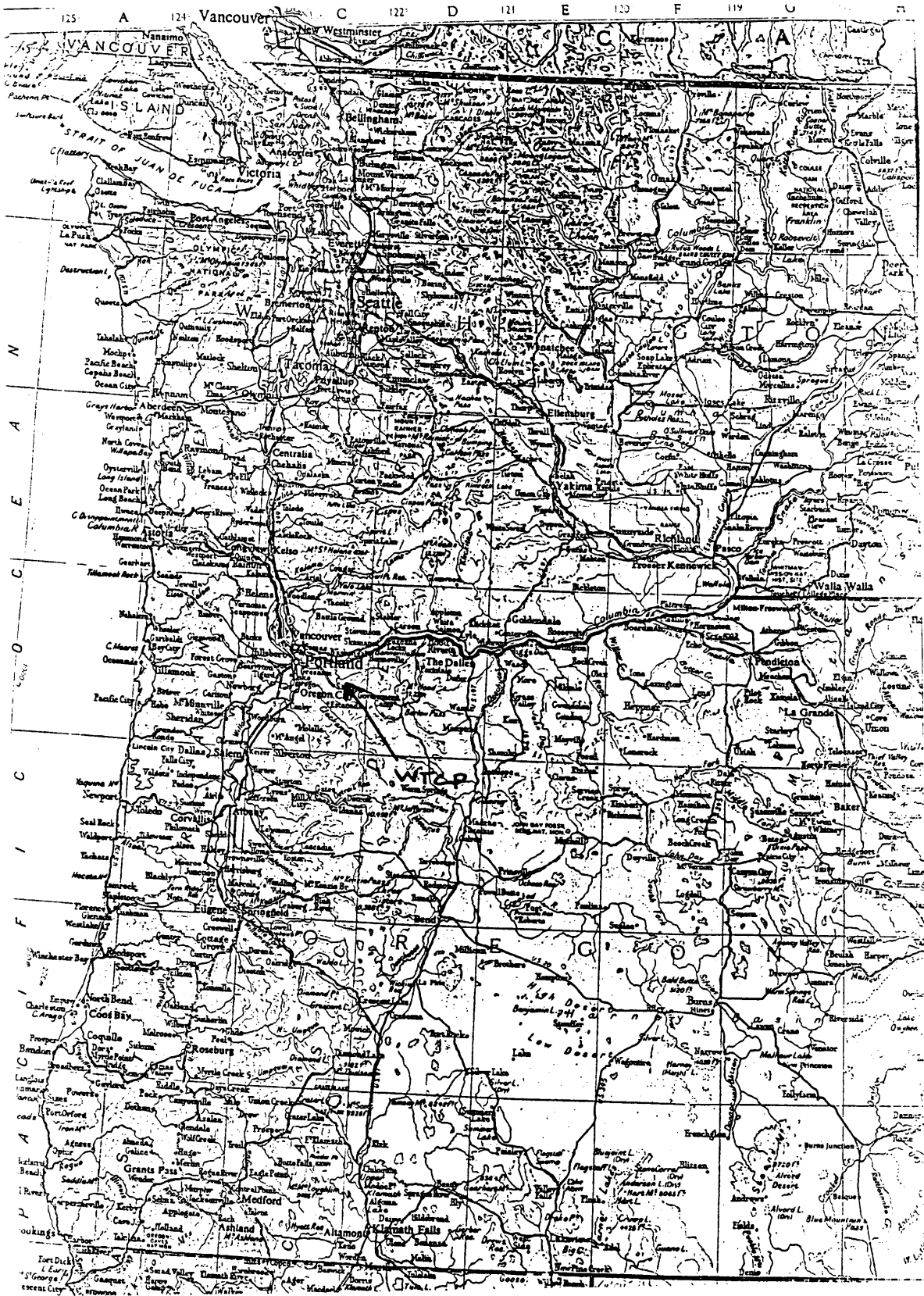
**CHAPTER TWO**

**THE HISTORY BEHIND THE CONVERSION OF THE  
WORLD TRADE CENTER PORTLAND**

## **The City of Portland, Oregon**

The City of Portland is frequently described as one of the most successful and livable cities of the west coast. An important characteristic of the city's persona is the widely varied terrain surrounding Portland. Located in the northwestern part of the State of Oregon, about an hours drive from the Pacific Ocean, the city enjoys a more moderate and drier climate than its northern neighbor, Seattle. The majestic Mount Hood, the Coast Range bordering the Pacific Ocean, Willamette Valley and the Columbia River Gorge, (self-proclaimed windsurfing capital of the world), are only a few of the arresting sites beckoning each day. (see Exhibit 1)

**Exhibit 1**  
**State of Oregon, City of Portland Locational Map**



Portland is a comparatively small city when compared to its neighbors, San Francisco and Los Angeles to the south, and Seattle and Vancouver to the north. This is the result of several factors. First, the city's overall size is physically constrained by its location at the confluence of two rivers, the Columbia and the Willamette. Second, Oregon has a long history of being environmentally sensitive in its policies regarding development. As a result, Portland officials have adopted a carefully thought out and implemented metropolitan growth plan. The controlled growth philosophy has proven to be one of Portland's greatest attractions for potential residents and employers considering a move to Portland. The controlled and environmentally sensitive growth attitude provides an attractive living and working environment when compared to the sprawling, uncontrolled growth of such cities as Los Angeles, San Francisco and to a lesser degree Seattle.

Portland is the largest city in Oregon boasting a vibrant population of 1.5 million people. However, Salem, located south of Portland, serves as the state's capital. Known primarily as an industrial city, Portland serves as the state's principal port and is the third busiest port for waterborne commerce on the west coast.<sup>2</sup> The primary exports of Oregon include lumber, paper, wood pulp, fruits and vegetables and in recent years services, high-technology and

manufacturing. Portland's major imports are petroleum products and automobiles.

### **The Oregon Economy**

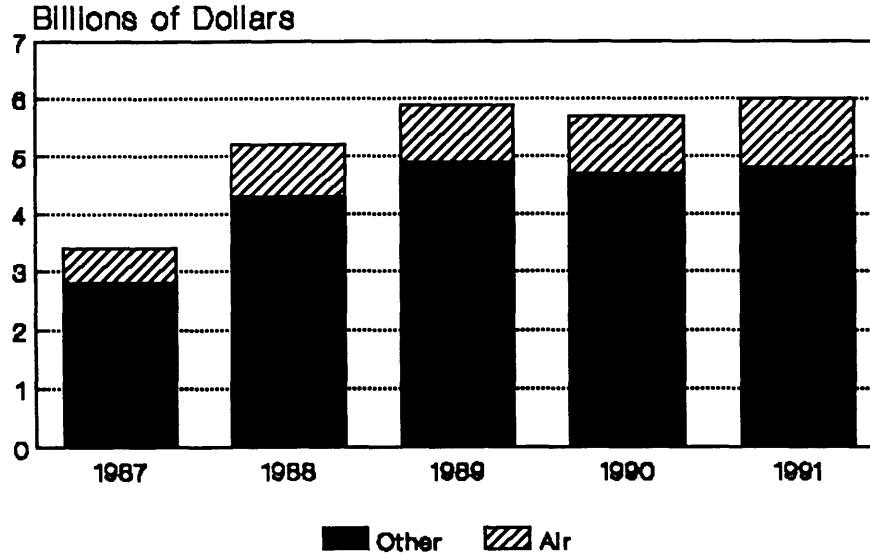
Portland's economic history has been greatly influenced by its location at the confluence of two major river systems: the Columbia, serving Washington state and central Oregon and the Willamette, serving western Oregon. Seafaring trade has always been an important part of the economy of Portland. Today, Portland's state of the art port facilities and ideal port location (Portland is a full day closer to Asia than most California ports) have resulted in Oregon becoming a major international trading player. Between 1987 and 1990 total exports originating in Oregon increased from \$3 billion to over \$5 billion and trade flowing through the state jumped from \$3.5 billion to \$5.8 billion.<sup>3</sup> (see Exhibit 2)

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2. Grubb & Ellis, Portland Real Estate Report 1992, Grubb & Ellis Real Estate Services, pg 3.

Exhibit 2

## Oregon Total Exports



Grubb & Ellis Market Research

Trade is not the only component of Portland's economy. The attractive environment and perceived quality of life created rapid population growth in recent years. The population of Oregon grew 2.8% in 1991, the fifth fastest in the nation, while the metropolitan area of Portland grew 3.1% in 1990, adding over 100,000 new people in a three year period.<sup>4</sup> (see Exhibit 3) The growth in population generated rapid business growth in the areas of services, manufacturing and high-technology. The growth of these sectors greatly diversified Portland's and Oregon's economic base, once highly natural resource dependant. This has in

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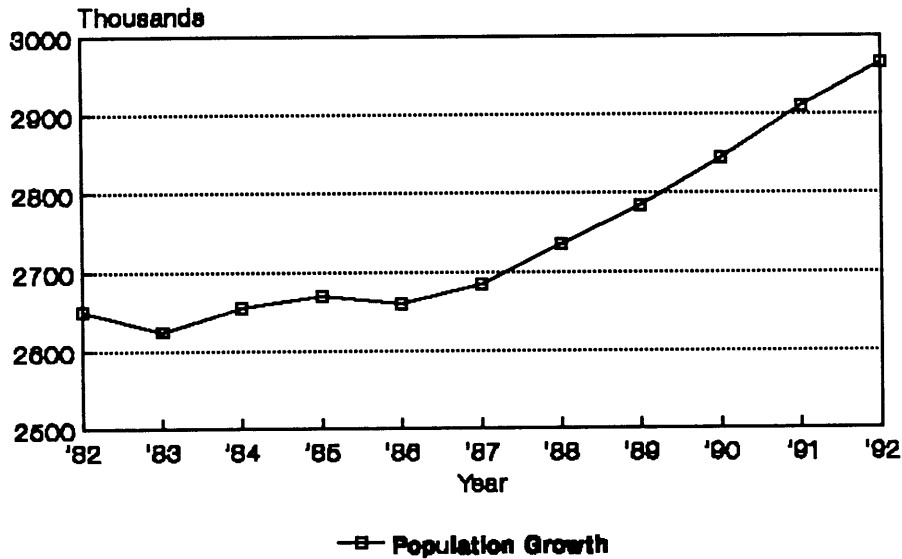
3. Grubb & Ellis, Portland Real Estate Report 1992, Grubb & Ellis Real Estate Services, pg 4.



turn created a much more stable economy and environment for business.

**Exhibit 3**

### **Oregon Population Growth**



Grubb & Ellis Market Research

As a result of strong in-migration and the accompanying business growth, Portland and the Pacific Northwest have shown considerable economic strength and stability during the current national recession. Oregon's economy expanded for the third consecutive quarter during the first three months of 1992 and unemployment has remained below the national average.

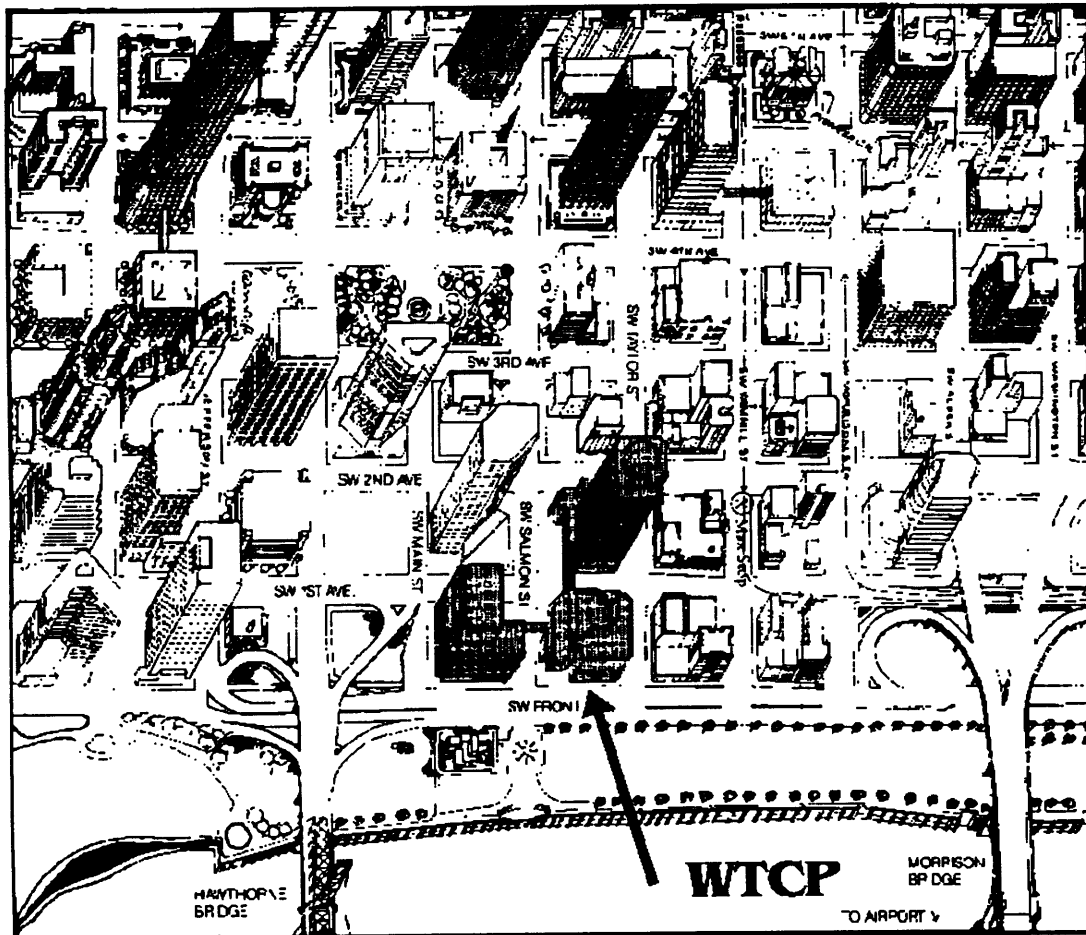
Despite a relatively stable economy, the steady growth which Portland experienced during the 1980's has been

moderated by the broader economy of the nation. Unemployment has risen and job and income growth is expected to be only slightly higher than the national average. In addition, and as will be discussed in greater detail in the Chapter Three, the Portland commercial real estate market has weakened considerably over the past several years. Overall though, Portland and the State of Oregon are expected to fare slightly better than the rest of the nation over the short term. The greatest attraction for the area will continue to be the city's livability and strong tradition and appreciation for the environment.

#### **The World Trade Center Portland**

The World Trade Center Portland (WTCP), located in the heart of Portland's downtown business district, is a three-block office complex located along the Willamette River and the Thomas McCall Waterfront Park. (see Exhibit 4)

**Exhibit 4**  
**WTCP Location Map**



The complex is owned by Portland General Electric, PGE, a subsidiary of Portland General Corporation, PGC. PGE is a regional electric utility serving the Columbia River Basin. The complex is accessed from the north and south via Southwest Front Avenue, from the east by the Hawthorne and Morrison Bridges and is located approximately 20 - 25 minutes by car, taxi or express bus from the Portland International Airport. The WTC - Portland is within walking distance of a MAX light-rail stop, the historic shopping districts of Pioneer Place and Yamhill Marketplace, the

fountains and river front esplanade of the Thomas McCall Waterfront Park, the city's financial and government core as well as some of the city's finest hotels.

The WTCP is a three building complex varying in height. The three buildings are connected by a series of glass enclosed "sky-bridges". The complex has a gross square footage of 802,435 square feet (sf) which is used as follows:

**Table 1**  
**WTCP Gross Space Allocation by Use**

Space Use	Square Footage	Percent of Total
Office Space:	458,282	57%
Retail Services:	28,783	3%
Reception Areas: (lobbies, atriums)	41,641	5%
Conference Space:	24,000	4%
Parking:	166,185	20%
Building Services: (maint., waste etc.)	85,544	11%
<b>Total Square Feet:</b>	<b>802,435</b>	<b>100%</b>

The smallest building, Three World Trade Center, is a 5 story 269,752 gross square feet (gsf) building completely occupied by PGE. The building houses the utility's main switching and operational center as well as the complex's plant facility. The International Conference Center (ICC), is a three story 154,018 gsf building. Until recently this building was used as the utility's private conference and training center. The building contains 8 conference rooms,

seating 35-150 persons, and is equipped with state of the art projection booths and audio-visual equipment. The ICC also contains 227 seat auditorium equipped with multi-language simultaneous translation and computer controlled lighting systems. The ICC also has approximately 2000 - 3000 sf of exhibit space. Located in the lower two levels of the building is an underground parking garage for 450 automobiles.

Located adjacent to the ICC and within the same block is a partially enclosed outdoor plaza. The plaza was originally designed for a city operated skating rink but, today serves as seasonal exhibit or outdoor meeting space. As will be discussed in greater depth in Chapter 3, the conversion of this facility from a private training and seminar facility into a public for-hire conference center has become an important part of the WTCP's revenue stream.

The anchor building of the complex, One World Trade Center, is a 17 story 378,665 gsf office building accessed from SW 1st Ave by an enclosed escalator. The seventeenth floor of the building houses PGE's Executive Offices. PGE initially believed that they would occupy the entire building. However, over the years various amounts of the building have been leased to the market as the utility expanded and/or contracted its work force. As reflected in

Table 2, PGE occupies approximately 60%, 276,104 rentable square feet (rsf), of the total complex.

The WTCP has, as of June 1992, a total of 68 tenants. Table 2 is a list of the major tenants of the facility (a complete tenant roster is contained in Appendix 1). The industries represented by the tenants are summarized in Table 3. The tenants of the facility can be segregated into three groups:

- 1) PGE (60% of total rentable space)
- 2) State and Federal Trade Agencies (5% of rentable total)
- 3) Private Business Tenants (35% of rentable total)

**Table 2**  
**Major Tenants of the WTC Portland**

Tenant	Sq. Ft Occupied	% of Total
Portland General Electric	276,104	60%
World Trade Center Association	10,020	2%
U.S. Department of Commerce	2,454	.5%
Oregon Trade & Marketing Center	}	
Oregon Economic Development Dept.		
Oregon Department of Agriculture		
Oregon Department of Forestry	}21,021	5%
Kem Per Securities	10,236	2%
NYK Shipping	4,842	1%
Maersk Inc.	1,112	.2%
Rubicon International	7,100	1%
Overseas Strategic Services	200	.04%
Klarguist Sparkman	12,906	3%
Other	112,286	25%
<b>Totals</b>	<b>458,282</b>	<b>100%</b>

**Table 3  
Industry Representation by Tenants**

<b>Industry Sector</b>	<b># of Tenants</b>
Trading Companies	2
Transport Companies	2
Manufactures	0
International Banks	2
Insurance Companies	0
International Consultants	3
Accounting Firms	0
International Law Firms	3
Government Agencies	6
Other(Visitor Center, Restaurant)	17

**History of the World Trade Center Portland**

The three building complex was designed by the architectural firm of Zimmer Gunsul Frasca Partnership to serve as the corporate offices of Portland General Corporation. PGE finished the complex in 1979. Christened the "The Willamette Center" the office complex served the corporate needs of PGE from 1979 to 1988. Throughout this period, the project was commonly thought of as the "PGE Building". Despite possessing a public utility image the complex has always possessed a prominent position within the Portland market.<sup>5</sup> Local real estate brokers state that this is due to its distinct architecture and ironically it's financially stable and publicly visible owner-occupant.

The \$42m construction cost of the complex was financed by PGE. The property was sold in 1982 to American Real Estate Holding Corporation of New York in a re-financing transaction. Under the terms of the sale PGE entered into a

4. Grubb & Ellis, Portland Real Estate Report 1992, Grubb & Ellis Real Estate Services, pg 4.

40 year lease-back with a 25 year option period and a right to re-purchase in 2003.<sup>6</sup> However, according to Lee Hodges, Vice-President of the WTC, "all aspects of the building's ownership reside with PGE."<sup>7</sup>

### **Genesis of the World Trade Center Portland**

The conversion of the Willamette Center to a World Trade Center was due to the vision of several individuals. In the late 1950's, Calvin Van Pelt, a young vice-president of White Stag, a regional clothing manufacturer, began searching for foreign manufacturers for his firm's line of clothing. Van Pelt soon discovered the complexity and time consuming nature of this task. While on a business trip to Miami, Van Pelt visited the World Trade Center - Miami and discovered a facility organized to promote international commerce with Latin American concerns. Intrigued with the concept of a centralized trading center Van Pelt embarked on a 20 year effort to establish a World Trade Center in Portland.

In the early 1970's Van Pelt headed up a group of local businessmen that qualified for affiliation with the World Trade Center Association. After purchasing the WTC license from the WTCA the group set up the Columbia World Trade Center, CWTC. Over the next 14 years the CWTC played a

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5. Wood, Bill. Personal interview. June 17, 1992.

6. Eisler, Gary. "Portland's Portal To Trade", **Oregon Business.**, May 1991.



"public service" role in the promotion of international business throughout the Columbia River Basin. Lacking the financial resources to create a stand alone WTC complex, Van Pelt, sold the WTC franchise rights to PGE in 1982. The utility's interest in the center stemmed from a desire to have a healthy regional economy. As James W. Durham, Senior Vice President, stated in 1985, "if trade and economic development grow, the utility's customer base increases and the company does well."<sup>8</sup>

At first PGE was uncertain as to whether the creation of a WTC might involve the construction of a new office building or the renovation of an existing one. In the period 1982 through late 1987 several inconclusive feasibility studies were conducted. It was not until Bob Short, Chairman of PGE, and then Governor Neil Goldschmidt traveled on a state trade mission to Japan that the World Trade Center Portland concept would actually begin to solidify.

While on the trip the two men were asked by the leading watch manufacturer, Seiko, if they could recommend a Oregon firm capable of manufacturing cast plastic parts. To their own surprise and embarrassment, the two most prominent players in the Oregon political and business scene, on a

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7. Goranson, Eric. "PGE considers establishing WTC in Portland", *The Oregonian.*, February 28, 1985.

trip to promote their state's trade potential, were unable to answer the Seiko executive. The two men realized a need for a central clearing house for trade information.<sup>9</sup>

In little over a year, Governor Goldschmidt was able to gain, in a sometimes bitter and contentious battle, legislative approval to "co-locate" the various state agencies involved in promoting Oregon internationally. PGE offered long-term below market rent deals to the state in order to co-locate the state and federal agencies responsible for organizing and monitoring trade related activities. PGE also set aside \$2.0 million for the building's conversion and to cover projected short term operating deficits created in the course of repositioning the complex.<sup>10</sup> In little over a year the two men working together with the state legislature, local business concerns and the various public agencies, established the World Trade Center Portland. In June 1988, PGE officially converted its corporate headquarters into a World Trade Center, formally renaming the complex the World Trade Center Portland. The State of Oregon now had a facility where "the users and suppliers of international trade services were co-located in order to facilitate trade"<sup>11</sup>

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8. Richert-Boe, Paul. "Filling in the Blanks", **Portland Magazine.**, June 1988.

9. Richert-Boe, Paul. "Filling in the Blanks", **Portland Magazine.**, June 1988.

10. Allcock, Charles, Personal interview. June 16, 1992.

## **WTC - Portland Today**

The WTCP project recently completed its fourth year of operation. During this period the complex has become a visible and important component of the Portland international business scene. The rapid success of the WTCP, however, has come as a result of considerable effort and cost. The exterior of the three building complex has changed very little over the four years. However, its distinctive steel grey granite facade and series of interconnecting sky-bridges have been augmented with new international signage bearing the World Trade Center name and logo and the entire complex has been brightly decorated with colorful international flags. Today it is obvious to a visitor that the three building complex serves a much broader role than a typical Class A office building.

The process by which the Portland WTC has come to be a leader within the WTC organization is the result of various programs, services, trade missions and events, some of which were successful, and others that were not. As the WTCP management team embarked on the conversion of the Willamette Center into a first-class world trade center they looked to the world-wide WTC organization for support and guidance. Portland discovered that the WTCA was not as strong as they thought and that the WTCA was only able to offer only nominal support in their effort to prescribe a recipe for a WTC in Portland. By one account Portland's representatives

were told "that a WTC is what ever works in your city."<sup>12</sup> As a result of the lack of a "model WTC recipe" Portland's management team was forced to develop a package of services, amenities and to identify an image which could be not only profitable but also convince a skeptical business community that the conversion of their building into a World Trade Center was more than a ploy to fill the building with tenants.

After visiting and speaking with the operators of both successful and unsuccessful WTC's, Portland's management team realized 1) that a successful WTC consisted of two basic business components; i) a basic real estate component and ii) an international theme program; 2) that these two basic elements were not mutually exclusive; and 3) that for a WTC to be successful a patient, deep pocket investor, such as PGE or a governmental entity was critical. In the case of Portland they started with two out of three.

A successful, profitable WTC is not created by simply organizing an array of programs, memberships, and services aimed at promoting international trade. Portland realized early on that several of the WTCA's programs such as, NETWORK, regional membership programs, trade missions and international libraries, were unable to generate self-

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11. Richert-Boe, Paul. "Filling in the Blanks", **Portland Magazine.**, June 1988.

sustaining revenues. They also discovered that the products offered little value to the established international business community. They sensed that in the minds of some of the more respective business leaders that these activities were considered as "marketing fluff" aimed only at securing additional tenants.<sup>13</sup> In my brief exposure to Portland it is easy to see that the programs and services had to possess more than mere fluff, otherwise the business community would soon be turned off.

With these lessons and concepts in mind, we will briefly examine the current WTCP product lines. Chapter 3 assesses the overall success of these services from both the owners and tenants perspective as well as the revenue potential of each element.

#### **Product Lines of the WTC Portland**

The WTCP to date has established four (4) product lines: Member Services, School of Languages, International Executive Suites, and Education Services. The specific attributes of each of these products is detailed in Table IV.<sup>14</sup>

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12. Allcock, Charles, Personal interview. June 16, 1992.

13. Allcock, Charles, Personal interview. June 16, 1992.

**Table IV**  
**WTC Portland Products & Services**

**Member Services**

- Networking with other area businesses in international trade.
- Access to visiting business leaders at "Executive Briefings".
- Monthly newsletter highlighting local members and global events. (see Appendix 2).
- Reciprocal services at WTCs around the world.

**Education and Training Services and Programs**

- Courses on import/export issues such as licensing, transportation.
- "Doing Business With..." series of country-specific seminars.
- WTC breakfasts/luncheons with international business representatives.
- Industry specific seminars.
- Local experts taught classes and programs.

**School of Languages**

- Pre-Departure Orientation (PDO) cultural and business etiquette training.
- Customized business language training in more than 45 languages.
- Translating services ranging from brief documents and letters to corporate manuals.
- LINGOLINK 24 - hour emergency interpretation service.

**International Suite**

- 22 prestigious executive suite offices.
- Complete business support services.
- Telephone and mailbox "IDENTITY PACKAGE", word processing, fax, special projects.
- Meeting and conference rooms available for groups to 20.

**Conclusion**

The conversion of the Willamette Center to a WTC by PGE was initiated through a public/private initiative aimed at

promoting the State of Oregon and the City of Portland. What Governor Goldschmidt's and Bob Short's envisioned was an all inclusive facility devoted to the promotion of world trade. Although each individual may have possessed slightly different long term goals, they each recognized the value of creating a unified voice and image dedicated to enhancing their trade environment's trade potential.

What is interesting about the Portland WTC is that it represents not only the conversion of an existing 15 year old three building complex into a WTC but also the repositioning of an essentially private corporate headquarters facility to a very public facility. The documentation of the critical characteristics of this process should be of critical value over the next several as building owners look to differentiate their properties within extremely competitive markets. Public officials charged with promoting their region's trade potential should also be interested in Portland's story as they aim to capture more international trade and commerce.

**CHAPTER THREE**  
**A REVIEW OF THE PERFORMANCE OF THE**  
**WORLD TRADE CENTER PORTLAND**



Having reviewed the history behind the creation of the WTCP we now turn to examine the actual performance of the facility. The discussion which follows examines the major questions outlined in Chapter One. We review these questions by first recognizing that the creation of the WTCP was initiated by public and private desires to promote the Portland and Oregon economies. Recognizing that economic development constituted the primary objective of both Governor Goldschmidt and PGE's Bob Short we attempt to present the degree to which the WTCP has been successful in achieving this goal. The analysis then moves beyond economic promotion to assess the performance of the center as a real estate asset. By examining the facility's performance both prior to and after the conversion and in the context of competing properties and the market we develop a sense of the significance of World Trade Center designation. The chapter closes with a discussion of the pertinent data received in interviews with tenants regarding their assessment of the performance of the facility as a WTC.

#### **Performance of the World Trade Center Portland**

In analyzing the overall performance of the WTCP it is important to briefly review PGE's motivation to convert the Willamette Center into a World Trade Center. As mentioned earlier the conversion of the facility in 1988 was the result of a joint effort between the then Gov. Goldschmidt

and PGC's Chairman, Bob Short. Short saw the WTC concept as an opportunity to promote economic development within his service region. Total economic development continues to play a major role for the WTCP. As is stated more specifically in the WTCP 1991 Business Plan "the overall concept remains the same - be THE focal point for international business activities in the region."<sup>15</sup> In addition, PGE also has a continuing objective to maximize Net Operating Income (NOI) and in turn the value of their real estate asset.<sup>16</sup> In order to properly assess the success of the complex's conversion we must seek to answer the following questions:

- To what degree has the WTC-Portland actually contributed to the economic development of the state/region?
- How does the local business community and general community at large perceive the three building complex?
- How does the real estate asset compare to others in the market? (vacancy, rental rates, credit quality of tenants)
- How has the financial performance of the asset changed since the conversion. (revenues, expenses, NOI, asset value)
- Has the decision to convert the complex into a WTC been a successful one? Would PGE do it again?

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14. World Trade Center Portland 1991 Business Plan. pg. 1.  
15. World Trade Center Portland 1991 Business Plan. pg. 3.

## **Economic Development**

Assessing the impact of the WTCP on the state's economic development is a difficult task. Due to the young age of the WTC there exists little quantitative data on job growth, increased import/export transactions and/or improved trade indicators which are directly attributable to the WTC. Additionally, it is important to note that since the facility's conversion in 1988 the national economy has been anything but robust. The weak economy, in which trade figures have declined overall, make it difficult to empirically document the contribution of a single entity.

The lack of such "hard" data is not to say that the facility has had no impact at all. Interviews conducted with local businessmen involved in international trade, such as, bankers, consultants, shipping concerns and to a lesser degree state and federal agencies responsible for promoting international trade with Oregon, all indicate that the presence of the WTC has had a positive effect on Portland's (and the state's) international business image.

As an illustration of the facility's local image today, Glen Ford, Director of the Oregon Economic Development Department and WTCP tenant, stated that

"it was funny, at first when the building was renamed, it was like nothing had changed, however today hardly anyone thinks of the building as the Willamette Center or the PGE building.....the WTC management team has done a very good job of sponsoring promotional

events which draw attention to international business and trade."<sup>17</sup> Another respondent stated: "the Portland WTC has contributed to the validation of Portland and state of Oregon in the international business community."<sup>18</sup>

A former state agency staffer and now international business consultant provided a different opinion. When asked about the effect of the co-location of state agencies I heard: "it was remarkable, although all of these state agencies charged with promoting Oregon internationally, no one knew what the other was doing. They operated in a sort of vacuum. As soon as they were co-located they started to communicate with each other. They soon realized that in several instances many agencies were servicing particular needs whereas in other areas certain needs went unserved. The real benefit to the co-location today is that the state has a more efficient, coordinated and focused international promotional message."<sup>19</sup>

The WTC's role in the economic development of Oregon is as yet uncertain. The quantitative documentation of this factor is left to further study. What can be said, however, is that over the course of the past four years the image of the three building complex has changed significantly. No longer is it considered the PGE Building or the Willamette Center. We also deduce from the interview data that the image of Portland's, and Oregon's, position within the international business scene has also changed as a result of

the consolidation of the state and federal agencies as well as having a physical focal point of international stature.

#### **Asset Performance - Developer/Owner Perspective**

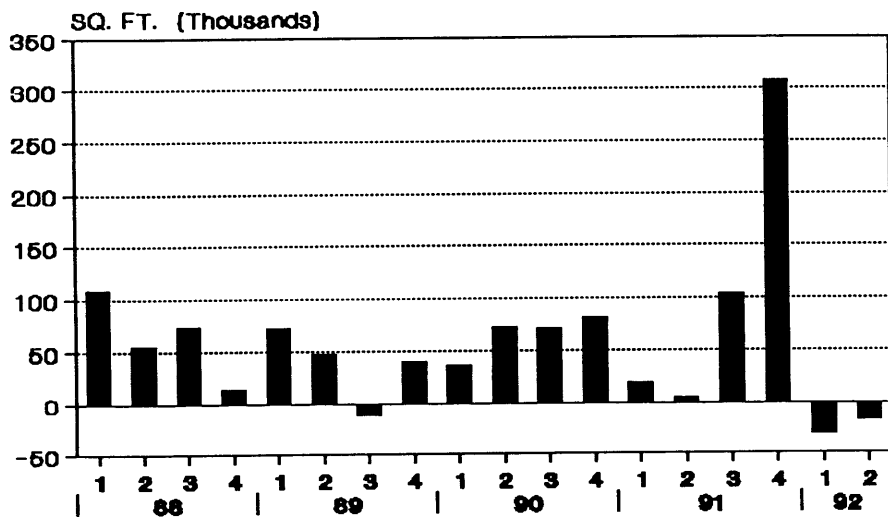
The performance of the WTCP when measured by the traditional yardsticks of vacancy, average rents received, Net Operating Income (NOI) and asset value provide us with an accurate and somewhat objective assessment of the impact of the WTC designation on this particular property. As we shall see the conversion of the Willamette Center to the WTCP has benefited the office complex's owners, PGE, especially when considered in the context of a tremendously declining market. Before proceeding it should be noted that much of the material presented below must be considered secondary data. Information on the market was provided by a leading brokerage firm. The expense, revenue and NOI data was provided by the building management and is presented in percentage change format for confidentiality. In spite of this, I am confident that the material realistically reflects both the performance and relative position of this asset in the market.

#### **The Portland Commercial Real Estate Market**

In order to gauge the success of the Portland WTC, it is necessary to place it in the context of the larger Portland real estate market. Although Portland has remained economically stable, the downtown office market has been seriously affected by the downsizing trend among the major

corporations. Over the past 6-9 months Portland has seen a number of significant mergers and consolidations. The impact of these events has created a significant increase in the size of the sublease market and a decrease in net absorption. For example, the amount of sublease space available in the CBD Class A market presently stands at 172,479sf while, as Exhibit 5 shows, the Class A market experienced negative absorption in the first two quarters of 1992.<sup>20</sup>

**Exhibit 5  
Portland Net Class A Absorption**



Grubb & Ellis Market Research

**Market Characteristics:**

Portland's commercial office market is relatively small. As an overview, Portland's central business district

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17. Confidential interview. June 15, 1992.

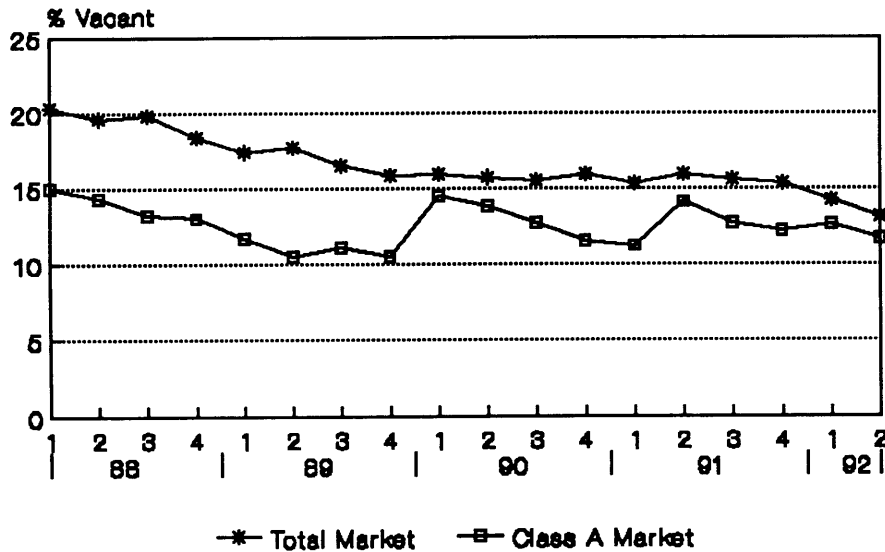
(CBD) office market is made up of 111 buildings comprising 13.5 million square feet (msf) of leasable office space. As Table 5 reflects that the total market is made up of three (3) sub-markets, the Central Business District (CBD), the Lloyd District and the North/Northwest district. Recently the office market has cooled, succumbing to the total decline of real estate as well as the national economy. Exhibit 6 provides a historical overview of the overall office market vacancy rates back to 1988.

**Table 5  
Portland Office Market Vacancy Report - Overall**

Sub-Market	# of Bldings	Total Sq.Ft.	Vacancy Rate
Central Business Dist.	97	11,677,538	17.1%
Lloyd District	10	1,266,057	19.0%
North/Nwest Dist.	4	777,191	4.2%
Total	111	13,720,786	16.6%

Source: Norris, Beggs & Simpson Market Research

**Exhibit 6  
Portland Office Vacancy Rates '88-'92**



Source: Grubb & Eillis Market Research

The WTCP is located in Portland's CBD and is considered a Class A building. The CBD Class A market has a total of 7.0 msf of office space in 22 buildings. As of second quarter 1992, the CBD Class A market had a overall vacancy



rate of 14.3% and a weighted average asking rent of \$19.83 per square foot (/sf). As Table 6 reflects, building vacancy ranged from a high of 71.7% at the recently completed 1000 Broadway Building to a low of 1.7% at the First Interstate Tower building. The WTCP complex has the forth lowest vacancy of the 22 Class A buildings, lagging behind First Interstate Tower @ 1.7%, Columbia Square @ 2.4%, and Standard Plaza @ 3.2%. The average asking rent at the WTCP was \$18.25/sf, which is lower than the average of \$19.83/sf but consistent with the similar vintage buildings. The competitive set of buildings to which the WTCP competes are identified in bold in Table 6. The relative performance of the WTCP with these comparable properties will be discussed in further detail later in the chapter.

**Table 6**  
**Class A Office Market**

<b>Building</b>	<b>Year Built</b>	<b>Total Sq.Ft.</b>	<b>Avg. Rent</b>	<b>% Vacant</b>
200 Market	1973	353,859	\$18.90	8.5%
1000 Broadway	1991	253,014	\$23.60	73.5%
The 1515 Blding	1981	194,892	\$15.00	29.0%
<b>Bank Of America Fin.</b>	<b>1988</b>	<b>328,346</b>	<b>\$22.60</b>	<b>12.7%</b>
Bank of California	1969	197,000	\$14.50	17.6%
<b>Ben Franklin Plaza</b>	<b>1974</b>	<b>256,513</b>	<b>\$16.50</b>	<b>19.0%</b>
Columbia Square	1979	271,000	\$16.50	2.4%
Crown Plaza	1971	238,000	\$14.50	9.7%
First Interstate Tower	1972	544,563	\$18.25	1.7%
Harrison Square	1972	182,800	\$16.00	26.3%
Koin Center	1984	339,000	\$21.50	26.7%
<b>One Main Place</b>	<b>1980</b>	<b>309,241</b>	<b>\$17.25</b>	<b>19.7%</b>
One Pacific Square	1983	214,245	\$15.50	4.4%
Pacific First Federal	1981	177,843	\$16.00	7.6%
PacWest Center	1984	487,889	\$26.75	14.1%
Parkside Center	1982	235,000	\$15.50	27.4%
Pioneer Tower	1990	284,000	\$24.75	26.3%
Security Pacific Plaza	1980	332,876	\$18.00	13.9%
Standard Insurance Ctr.	1970	451,058	\$18.00	4.4%
Standard Plaza	1963	191,732	\$17.50	3.2%
US Bancorp Tower	1983	752,000	\$18.00	8.1%
<b>World Trade Center</b>	<b>1977</b>	<b>429,499</b>	<b>\$18.25</b>	<b>3.9%</b>
<b>Totals:</b>		<b>7,024,370</b>	<b>N/A</b>	<b>14.3%</b>

Source: Norris, Beggs & Simpson Market Research

### Building Occupancy

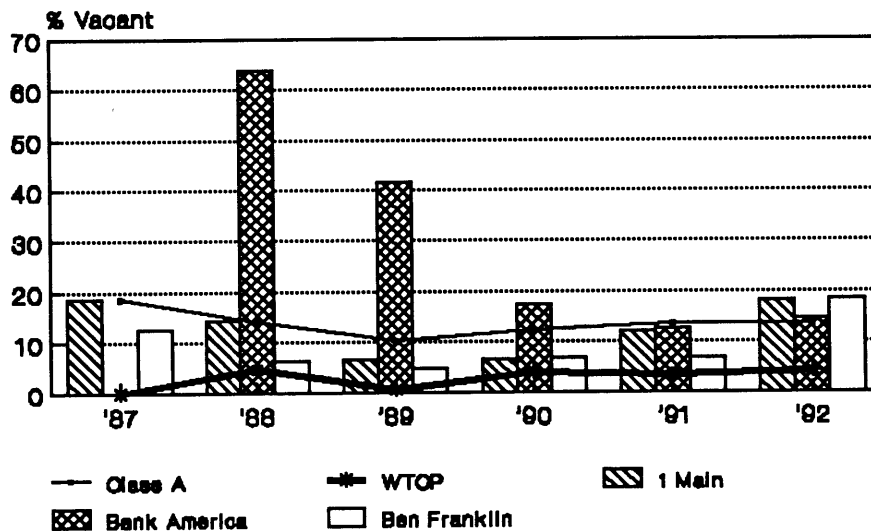
The three building complex has always been considered an above average building. Commercial space brokers attributed this to:

- Building age (one of first Class A buildings built).
- Distinct architectural elements.
- Prominent waterfront location with views of river and Mount Hood.
- Ample and safe underground parking.

Historically the PGE/WTCP has been never been below 92% occupied; today it is 95.6% occupied.<sup>21</sup> As Exhibit 7 reflects, going back as far as 1987, that vacancy has never exceeded 5% and is on average approximately 10% less than the Class A market as a whole.

**Exhibit 7**

**CBD Vacancy Rates**



Norris, Beggs & Simpson Market Research

When compared to comparable properties the WTCP complex has performed equally well. Exhibit 7 shows the WTCP complex had lower vacancy rates than both One Main and the Ben Franklin building in 1987 and 1988. Both of these years were prior to the building's conversion to a WTC.

18. Confidential interview. June 15, 1992.

Subsequent to the conversion the data reflects that the office complex has had a consistently higher occupancy rate than its three competitors. It is even more revealing to examine the period 1989 through 1992. During this period both market and competitive building vacancy increased while vacancy at the WTCP remained a fairly constant 4-5%.

### **Rent Trends**

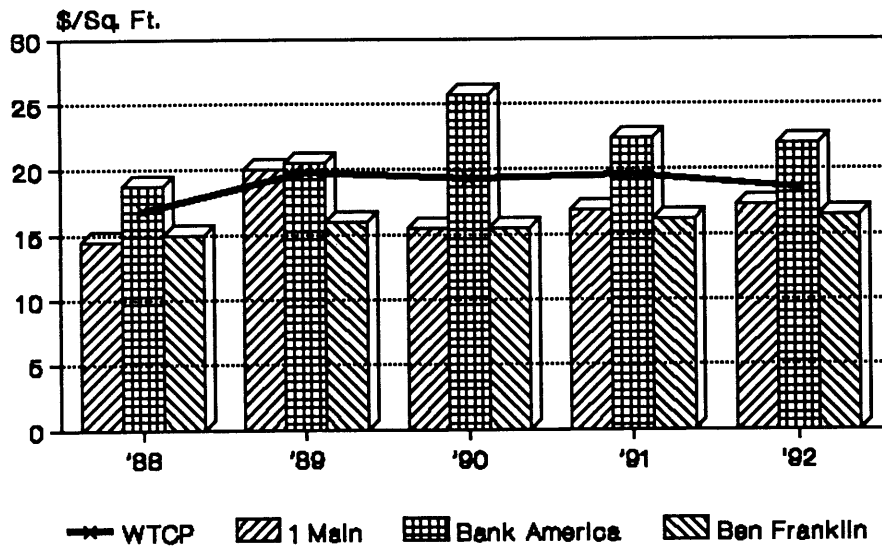
According Lee Hodges, Vice President and in charge of leasing activity at the WTC, "until the last few years this complex was your typical office building. We would compete to the last nickel with One Main Street for a credit worthy tenant."<sup>22</sup> Local brokers reinforced this comment by stating that "when compared with the rest of the Class A market space the complex never commanded rent premiums...and...the complex has always competed with the rest of the market for credit quality tenants."<sup>23</sup>

This information must be taken for granted as rent statistics for the years prior to 1988 were unavailable. For the years subsequent to 1988 and the complex's conversion a slightly different story emerges. As Exhibit 8 shows with the exception of the newer Bank America Financial Center, the WTCP complex has consistently commanded a rental

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19. Thayer, James. Personal interview. June 14, 1992.  
20. Collinson, Karen. "Central City Office Report". Norris, Beggs & Simpson, Central City Office Report., Qtr.2 1992.

premium over historical rivals One Main and the Ben Franklin Building. WTCP commands a \$1.00 to \$2.50 per square foot rent premium over a comparable subset of the CBD Class A market.

**Exhibit 8  
Portland CBD Rent Trend**



Norris, Beggs & Simpson Market Research

What is interesting to remember is that the WTCP management team early on had a difficult time identifying the recipe for a successful WTC. Exhibit 8 reveals that, even though the entire program was as yet not in place, some sort of positive message was disseminated and believed in the market.

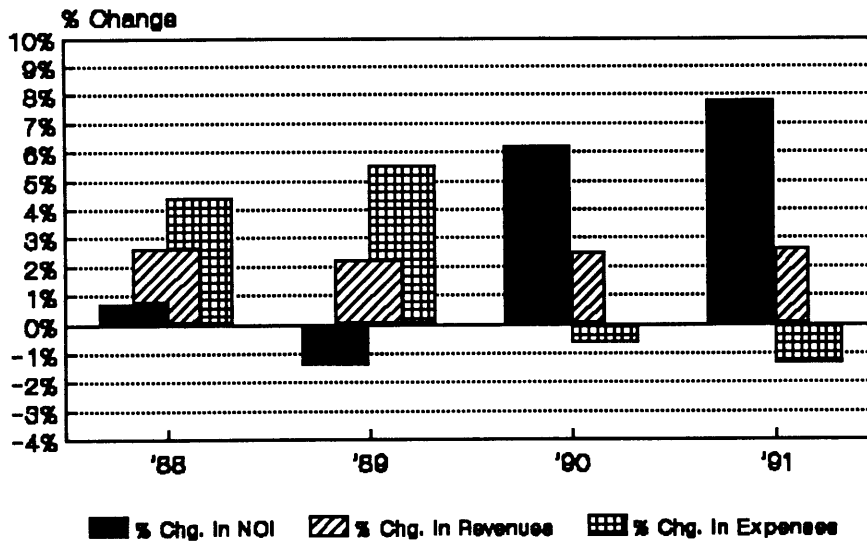
In summary, when examining the complex since the facility's conversion in 1988, several different trends emerge. Both the hard and soft data reveal that the complex has been able to attract and retain a large share of tenants. This was borne out in the vacancy data. Secondly, the complex in recent years has commanded a \$1.50-\$2.50 per square foot rental premium over a comparable subset of the Class A market. This is the good news. The bad news is that over the next two years many of the existing leases will be rolling. The effects of a soft market with a growing sub-lease market will most likely force rental rates down and vacancy up. Over the next several months the largest block of space in a number of years, approximately 14,500 sf, will become available in the building. The speed and rate at which this space is leased will provide a good barometer of the true position of the WTCP in the current market.

#### **WTCP Financial Performance**

In assessing the financial performance of the WTCP over the last four years several interesting trends emerged. Exhibit 9 reflects the percentage change in Net Operating Income. The results are not uncharacteristic if we consider the conversion a new business venture. Expenses increased dramatically in the first two years as management explored various WTC product lines and set up a more service oriented operating staff. Gross revenues, anchored by the rents

received from PGE, dipped slightly and then began to climb as the new services, programs and management regime became established. Overall NOI declined initially and has since rebounded sharply.

**Exhibit 9  
WTCP Financial Performance**



As a result of the improvements in the asset's net operating income and the \$1.00 to \$2.50/rent premium, we can determine that the building has increased in value by \$1-3 million over the last four years. For example, out of a total 429,499 net rentable sf, PGE has 276,104sf and public agencies 21,021, leaving approximately 132,374sf of spec space. Assuming \$1.00 - \$2.50 of additional cash flow per square foot, additional rental revenues of \$132,374 to

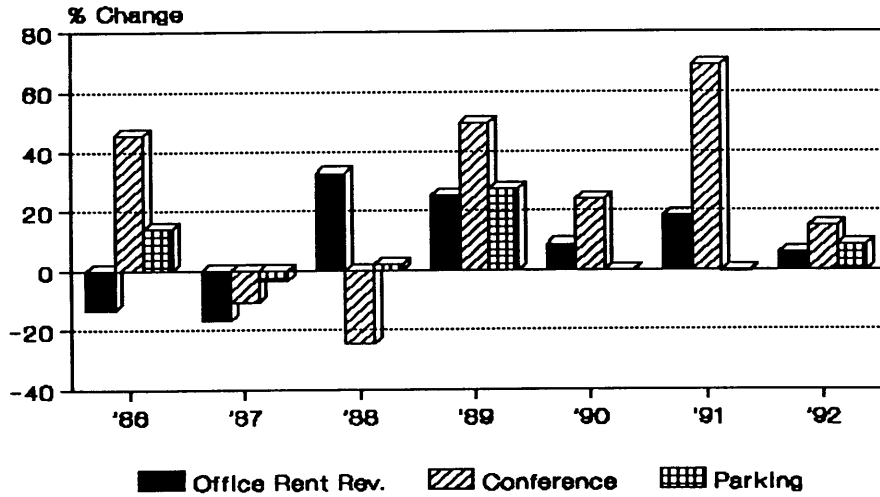
\$330,935 are generated. If capitalized at 10% to 12% an increase in value of \$1-3 million is realized. Although this is only a rough estimate the point to be made is that as a result of the facility's conversion to a WTC and managements new operating approach the asset has increased in value.

Exhibits 10 and 11 examine the overall financial performance of the facility at a more micro level in attempt to understand what drives the financial performance of a WTC conversion project. On both the revenue and expense side no immediate trends appear. We do see an increases in office rental and conference revenues. The increase in conference revenues is expected with the conversion of the facility from a private training center to a for-hire conference facility.



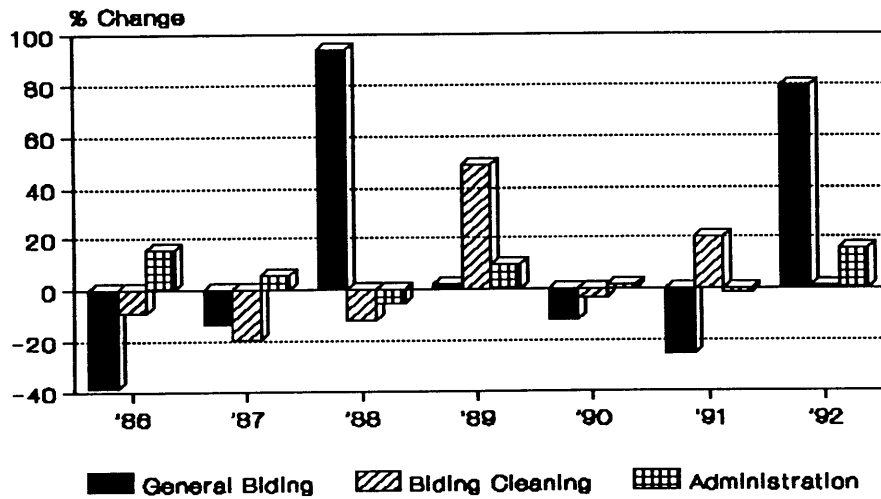
**Exhibit 10**

### Revenue Trends



**Exhibit 11**

### Expense Trends



The expense trends parallel the expenses overall. The General Building line includes the cost of the various WTC programs explored in the early years. Having now identified both marketable and profitable WTC product lines the variability in expense has diminished considerably. Both building cleaning and administration reflect the changing demands associated with figuring out how to set up and operate a public office facility.

Based on this information one obvious question that came to mind was "would PGE do this again." Although I did not speak directly with the senior officials of PGE or Bob Short, the WTC management team indicated that the company overall was extremely pleased with the results to date. From a financial stand point the conversion had proceeded along better than expected, to date they have not exceeded the \$2.0 million initial subsidy and projections do not anticipate additional sizable subsidies. Secondly, the general image of the facility has been successfully changed to reflect the international image. As such, one of their primary goals, the promotion of Oregon internationally has been achieved. In summary, "PGE feels the conversion was good for PGE and the region."<sup>24</sup>

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21. Wood, Bill. Personal interview. June 17, 1992.

## **WTC - Portland Tenant Observations**

Interviews were conducted with seven (7) tenants of the World Trade Center. The tenants interviewed ranged from a small 200sf International Suite type tenant to a 5000sf Government Agency tenant. All tenants interviewed, with the exception of the governmental agencies, can be considered market tenants. That is they are tenants which could have elected to rent in any building within the city. The largest tenant, Portland General Electric, was not interviewed due to its position of building owner. A complete list of the tenants interviewed is contained in Appendix II. The information received from the public agency tenants varied from that of the private business tenants. The interview data has been organized from these two viewpoints.

### **Public Agency Tenants**

The information received from the public agency tenants can be distinguished from that of the private tenants on the basis of their decision to locate in the WTC. According to several accounts once it became known that the state wished to co-located several large state agencies, a major battle ensued as to where they would be located. Major office developers, interested in leasing a large blocks of space, contested the initial placement of these tenants in the PGE building forcing a competitive bidding process. After a fair amount of haggling PGE's building was chosen based on

two factors. The first was PGE's control of the WTC license. The state not only wanted to gain some efficiencies through the co-location of its agencies but they also wanted a internationally recognizable and credible name. Because of this reason, the alternative sites considered by the state will not be discussed.

The second reason was economics. Each of the public agencies spoken with stated that they felt that the primary reason why they were located in the WTC "it represented the best deal."<sup>25</sup> One of the goals behind the creation of the WTC was to create a sense of "one-stop shopping" for international trade information. Comments received from the various public officials interviewed convey that this has in fact been achieved. Glenn Ford of the Oregon Economic Development Department stated that "the state has realized large benefits by the co-locating the various public agencies responsible for promoting Oregon internationally in the WTC" ... specifically, the agencies have been to better plan and coordinate their activities and because there is a critical mass of us here we really have been able to better service businesses looking to get into the internationally trading arena.<sup>26</sup> Stated slightly differently, Ford put it "the place has a kind of center of gravity which enables it to draw business to it."

~~22. Hodges, Lee. Personal interview. June 15, 1992.~~

23. Wood, Bill. Personal interview. June 17, 1992.

24. Hodges, Lee. Personal interview. June 15, 1992.

The public agency tenants provided a mixed response when asked about the level of use and value of the various international services and programs offered at the WTC. On one hand I learned that the agencies realized little benefit from the ICC, felt that some of the trade missions and seminars encroached on their missions and that NETWORK was quite poor.<sup>27</sup> Alternatively I heard comments such as "the membership program opened up their services to a larger universe of companies and products and that the staff took advantage of some of the educational programs."<sup>28</sup>

In summary, the WTC has been successful from a public agency viewpoint when viewed in the context of the original goal: the creation of a centralized "one-stop" source of international trade information and greater coordination among state and federal agencies in the promotion of Oregon's trade potential internationally.

#### **Private Business Tenants**

Two reasons were stated for electing to rent in the WTC most often by the private business tenants: 1) tenants thought that they had secured a fair market rent lease terms and 2) the image, credibility and validation which the WTC

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25. Ford, Glenn. Personal interview. June 18, 1992.
  26. Ford, Glenn. Personal interview. June 18, 1992.
  27. Confidential interview. June 15, 1992.
  28. Confidential interview. June 15, 1992.
  29. Schulberg, Richard. Personal interview. June 19, 1992.

name brought to their business operations. Other reasons stated were are outline in Table 7.

**TABLE 7**

<b>Reason</b>	<b>Frequency Stated</b>
Location	4
Views of river and Mount Hood	6
Building Security/Safety	3
Availability of parking	6
Presence of State Agencies	3
Building/Management Reputation	5
WTC Association Services	0
Conference Facilities	1

When considering the issue of the WTC service package a general theme arose. Overall, many of the tenants had not greatly utilized the international services or programs which were offered nor did they elect to locate in the building because of them. They did however, attribute a good deal of value to them. For instance one tenant stated that "although we have not taken advantage of some of the things which Allcock and his people do, they are really nice to have...the programs help foster a international image of the facility which adds credibility to my business."<sup>29</sup>

**WTC - Portland Regional Business Community Observations**

The view of the WTC in the Portland's regional business community was somewhat mixed but none-the-less quite positive. On the negative side one public group charged with sponsoring Portland's international trade potential felt that it was too early to assess the impact of the WTC

on the region's economic development. One agency head stated that the WTC was "really a non-player in the trade scene."<sup>30</sup>

More positively, several individuals felt that the WTC had a positive influence on the economic development of the area in that it provided a "kind of infrastructure and a tangible focal point for international business."<sup>31</sup>

### **Conclusion**

The creation of a World Trade Center in Portland has proven to be successful for all parties involved. The state has at a minimum realized efficiencies in its efforts to promote the state's trade potential globally. PGE has successfully repositioned its facility in the marketplace and has increased the facility's overall value in an otherwise declining market.

The significance of the recent success of the WTCP must however, be weighed against the historical strength of this facility. Historically, the three building complex always performed well as measured by high occupancy and competitive rental rates. However, over the past several years, the WTCP has out performed the market. This success bodes well for assets manager in other markets considering a WTC

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30. Confidential interview. June 15, 1992.

31. Dorgan, Dennis. Personal interview. June 17, 1992.

approach to product differentiation. The important thing for other to remember is the effort which must be put forth in the area of international services. The manner of providing such services is akin to the operation of a first class hotel and as such requires considerable staff and organizational changes to implement. The effect however, if successfully carried out is considerable and can be a significant value to all those involved.



**CHAPTER 4**  
**A COMPARATIVE ANALYSIS OF THE**  
**WORLD TRADE CENTER PORTLAND**

As the preceding chapter presented, PGE's decision to convert their corporate headquarters facility to a World Trade Center has proven to be a successful decision. The facility has successfully convinced the local business community and the general public that the WTCP is synonymous with international trade. Tenants have chosen to locate in the complex based on the enhanced image they feel their businesses obtain by being affiliated with the WTC and the state has realized efficiencies in their promotional endeavors as a result of co-location. With all of this in mind, what can we conclude from Portland experience about what it takes to successfully implement a conversion/development World Trade Center project? This chapter will examine this issue by comparing and contrasting the critical elements of Portland's program with the four other WTC sites examined. By identifying the similarities and differences among the five sites, this study arrives at a series of conclusions necessary to create a successful World Trade Center.

### **Trade Environment and Strategy**

If we judge one aspect of success of a WTC from the view point of the WTCA, that successful WTCs foster and promote international business, it is critical to understand the trade environment in which each WTC is to operate. A WTC has the capacity to influence international business/trade within a geographic area by amplifying the

trade potential of the region. However, the facility's degree of success is dependant upon that region's trade environment. International business and trade varies in the manner in which it is conducted. The operating strategy that a WTC adopts is thus dependant upon the business, cultural and economic characteristics particular to a region, and that region's competitive position in the global economy.

Using the contrast between the island economies of Taipei and Curacao and Portland, Oregon, we can identify two broad operating strategies which a WTC might adopt. Each of the five WTCs examined, as well as the remaining 53 operating WTCs, can said to have adopted one of these strategies or the other.

In countries like Curacao or Taipei, international trade activity plays a dominant role in the country's economy. Lacking an abundance of natural resources, these two nations are forced to go abroad for goods and services. As such a WTC, has the potential of assuming the promotional responsibilities of their region. By concentrating international trade and commerce related activities under one roof, a WTC becomes an influential voice. WTCs, like the facilities in Taipei and Curacao, possess the ability to influence their region's "trade policy" by acting as the central point through which all international trade flows.

In these two examples, the physical concentration of trade related activities magnifies the importance of trade for the region. In these types of trade environments a WTC's operational strategy is the outright promotion of their country's trade.

By contrast, cities like Amsterdam, New York and Portland constitute a component of a much larger trade environments. In the case of Portland, the U.S. Government, for the most part, creates the trade policy and hence the trade environment in which smaller markets, like Portland, participate. Portland must then promote the attributes which make their trade environment more attractive than the neighboring trade environments of Seattle, Vancouver, San Francisco and Long Beach, California. Such characteristics as state of the art port facilities, distance to the major pacific rim ports, access to resources like labor, capital and natural resources all become important aspects of a trade environment's (and WTC's) promotional message. As a result, the Portland WTC is more similar to the Amsterdam WTC, which competes for business with the other major Europeans cities. Therefore in larger markets, a WTC adopts an operating strategy which is market share oriented versus promotional. They attempt to gain increased market share in otherwise established international trade environment.

## **The Importance of the Real Estate**

A key ingredient to the success of any WTC which must not be overlooked is the real estate itself. As stated earlier, a WTC is composed of two elements, real estate and an international trade service package. Like traditional real estate projects, for a WTC to be successful, the real estate component must be successful. Stated differently, a WTC project, whether it be the development of a new facility or the conversion of an existing facility must be well conceived relative to the requirements of its market. There is no specific programmatic recipe for a successful WTC. Each WTC facility must gain an understanding of what its respective market will bear in terms of size and type of office building, hotel accommodations and/or conference facilities.

In the case of the WTCP, the facility was a conversion of an existing and successful three building office complex. The market had an existing real estate project that was well known and respected and the conversion was but one event in its life. In addition, the complex had always worked; the building had historically high level occupancy levels and commanded competitive rents. It also enjoys a terrific location. As such, the project was a well conceived from the start.

Reinforcing this notion, looking back to Table 7, we are reminded that the 4 most important reasons stated by tenants for choosing to lease in the WTCP were 1) building location 2) building views 3) availability of parking and 4) building management reputation. Thus, we can conclude that the success of any WTC must ultimately be anchored by a well conceived, throughout and implemented real estate project.

In addition to the real estate component each WTC possesses a service component. The service component is made up of the various trade related services which a WTC provides its market. The Portland WTC thinks of this aspect of their mission as a "second business". International trade services are referred to as "product lines," and as such are expected to generate at a minimum self-sustaining revenues. It is important to note two things here. First, in "market share" type cities where WTC are owned and operated by private concerns, the promotion of world trade ought to be considered a business. Second, as in any business, one must make money in it to survive. By referring to the non real estate aspect of WTCs as product lines, the WTCP staff constantly reminds themselves of the importance of this component.

Portland's operating strategy can be contrasted with Taipei's. The Taipei WTC is essentially a government sponsored and operated facility, whose entire mission is to

promote that county's international commerce potential. As such the trade related service aspect of the WTC need not be measured by profitability. The government is in a sense responsible for providing such activities for the public good of its people.

Critical to the success of the WTC product lines is the complete understanding of the cultural norms of conducting business within a trade region. For example, in Portland social/dinner clubs play a minimal role in normal business culture. In Taipei, by contrast, clubs are very important and are an integral part the Asian culture. As such, the WTCPs International Club is not a key component of their trade services package.

Another example of the importance of cultural norms concerns the use of NETWORK. In both Portland and New York NETWORK is used in varying degrees for the purchase and sale of goods and services. However, in Amsterdam, business culture dictates that trading be accomplished through paper medium versus electronic. All of this is to point out the importance and influence which local customs and cultures play in shaping the type and substance of a WTC's product mix.

### **Management Team**

The management team selected by PGE to implement the conversion is probably one of the most important strengths of the WTCP. The present team possesses the unique ability to understand the link between two connected yet separate businesses, real estate asset management and international theme park management. These individuals have created and/or adopted an operating philosophy which focuses on the consolidated return of the complex. Success means positive returns from both the real estate asset and the theme park. To this end the entire team is judged on the total returns and as such every employee is motivated to facilitate success in both business areas irrespective of their specific area of responsibility..

### **Government Role**

The role of the Oregon state government has also been a key determinant in the success of the Portland WTC. Gov. Goldschmidt's desire to create a "one-stop shopping center" for businesses interested in international trade was a key factor in the creation of a WTC in Portland. The very image of today's WTCP within the minds of Portland businesses would be drastically influenced by the removal of the public agency tenants.

Government affiliation with World Trade Centers provides legitimacy to the existence of these facilities. Since so much of international trade and commerce is



influenced in one way or another by government involvement or actions, the presence of governmental agencies in a world trade center helps to define the WTC purpose. In the case of Portland, the legislative action which led to the collocation of state and federal agencies provided a focal point around which a WTC could be created.

The second way in which governments influence WTCs is in defining the facility in the market. The presence of state agencies draws a specific subset of tenants from within the market to the building. These tenants also help to define the image of the facility. Take for example Taipei, where the complex is chiefly occupied by the government agency responsible for coordinating the regions trade. The presence of this government entity provides a clear image of the purpose of the facility. Portland's government agency tenants provide to a lesser degree a similar image which help to distinguish the facility in the marketplace.

WORLD TRADE CENTER

June 12, 1992

<u>FIRM NAME</u>	<u>LOCATION</u>
Anne's Deli	1WTC PL
Bank of Nova Scotia	3WTC PL
*3 Bartoloni & Abbott, Law Offices of	1WTC 3
Brown's Flowers	1WTC PL
Cascade Center for Int'l Bus. & Policy, Inc.	1WTC BR
*1 Center for Electric End-Use Data (EPRI)	1WTC 11
Cheil Foods & Chemicals, Inc. Portland Branch	1WTC 15
Copies Now	1WTC PL
*1 Cornell, Bokelmann & Associates	1WTC 11
Foster, Mark E., Law Offices of	1WTC 3
*1 Four Sons Capital Group	1WTC 11
G G Telecommunications	1WTC P1
Gardner, Cosgrove & Gardner	1WTC 14
*1 German American Foundation	1WTC 11
Hatfield, Mark O. U.S. Senator	1WTC 14
Imperial Tour & Travel	1WTC PL
International Suite	1WTC 11
*2 International Trade Institute	1WTC BR
*1 Ishihara USA Corporation	1WTC 11
Kemper Securities Group, Inc.	1WTC 15
Klarquist, Sparkman, Campbell, Leigh & Whinston	1WTC 16
Littler, Mendelson, Fastiff & Tichy	1WTC 15
*1 Lueddemann, Hillman	1WTC 11
Maersk, Inc.	1WTC 11
*1 Manufacturers Life Insurance Company	1WTC 11
*1 McKenzie River Corp., Northwest	1WTC 11
Me Hair Design	1WTC PL
*1 Meridian Group International	1WTC 11
*3 Miyoko Katabami, Consultant	1WTC 3
Murray, Smith & Associates, Inc.	1WTC 11
Northwest Airlines	1WTC PL
Northwest Power Pool	3WTC 4
*1 Novalux America	1WTC 11
NYK Line (North America), Inc.	1WTC 12
O'Connell Gallery	2WTC PL
*4 Oregon Biotechnology Association	1WTC 16
*1 Oregon Consular Corps.	1WTC 11
*2 Oregon Department of Agriculture	1WTC BR
*2 Oregon Economic Development Department	1WTC 3
Oregon Independent College	
Foundation, Inc.	1WTC 11
Oregon Partnership for International Education	1WTC 11
Oregon Trade and Marketing Center	1WTC BR
*1 Overseas Strategic Services	1WTC 11
Portland General Corporation	1WTC 17
Portland/Oregon Visitors Association	3WTC PL
Portland Repertory Theater	2WTC BR
*1 Project Real 1, Inc.	1WTC 11
Rafati's on the Waterfront	2WTC PL
Rubicon West, Inc.	1WTC 12
Security Pacific Bank Oregon	1WTC PL
*2 Small Business International Trade Program	1WTC BR
Starbucks Coffee Company	1WTC PL
Steam-N-Sisters	2WTC PL
*1 Steinburg & Burton	1WTC 11
TAIKI Corporation, USA	1WTC 15
*1 Texagon Investment	1WTC 11
*1 Tollycraft	1WTC 11

U.S. Department of Commerce Bureau of Export Administration	1WTC BR
U.S. Department of Commerce International Trade Administration	1WTC BR
* U.S. Secret Service	1WTC 13
*1 Wessinger Foundation	1WTC 11
*1 Western Living Centers, Inc.	1WTC 11
*2 World Affairs Council of Oregon	1WTC 3
World Trade Center Cleaners	1WTC PL
World Trade Center Northwest Corp.	1WTC BR