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Portland real estate has strong third quarter

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Portland's real estate market has, for the time being, dodged the sub-prime-mortgage bullet.

But as the market shows reasonable gains across the board, brokers still aren't certain whether the national market slowdown represents a musket or a Gatling gun.

Norris, Beggs & Simpson released its third-quarter report Wednesday, and the news looks better than many in the industry expected. Vacancy in the office market is on a downward trajectory, dropping about 2 percent in the central city.

The vacancy rate in the office market now stands at 10.28 percent, but brokers at Norris, Beggs & Simpson predict the market will improve further – a result of the nearly two million square feet of office space currently under construction.

A major factor in market growth was Gerding Edlen's Brewery Block sale of three mixed-use buildings and part of a subterranean parking structure for \$291.6 million to institutional investors advised by JPMorgan Asset Management – Real Estate. The transaction was handled by Robert Black and Sean Turley of Norris, Beggs & Simpson.

Black said growth, particularly in the multi-family market, will continue.

"It's been a real strong market for investors in the multi-family world," Black said, adding that rents at the beginning of 2006 began to inch upward, which was beneficial to the overall market and made investment opportunities desirable.

The industrial real estate market in Portland has remained relatively flat while the retail market has seen vacancy rates drop from 5 percent to 4.6 percent. The east side and downtown have benefited the most, Norris, Beggs & Simpson reported.

There were fears that the sub-prime mortgage crash that has hit most of the country would affect Portland's real estate market, but these fears have proved untrue so far, according to Norris, Beggs & Simpson's report.

Black attributes the urban growth boundary with shielding Oregon from the negative effects of the sub-prime mortgage fallout. The

Grubbs & Ellis also released its third quarter office trends report Wednesday.

According to the Grubbs & Ellis report, the Washington Square/Kruse Way area is the only place in the Portland metro area affected by the sub-prime mortgage slowdown, while downtown Portland has continued to show significant improvement, accounting for 60 percent of net absorption in the office market.

Patricia Raicht of Grubbs & Ellis said Portland is an atypical city because its downtown continues to remain healthy.

"It's a lot easier to put up a three-story building in a suburban area, and a lot less risky, than putting up a 10-story building in the (city)," Raicht said.

Grubs & Ellis' forecast calls for increased activity within the office leasing sector, as more companies either look to expand or move locations. As a result, vacancy rates will continue to drop while rental prices rise, correlating with an increase within lower quality office space alternatives.