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JPMorgan Buys Brewery Blocks MXD for \$292M

By Brian K. Miller
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PORTLAND, OR—Gerding Edlen Development has sold the remaining pieces of its diversified, LEED-certified commercial portfolio here known as the Brewery Blocks. The five-block development at East Burnside and Northwest 11th Avenue sits on this city's streetcar line and connects the Downtown core to the Pearl District, a former warehouse district now lined with mid-rise office and residential buildings anchored by popular retailers. Much of it happened while the Brewery Blocks were being redeveloped.

When Gerding Edlen brought the three blocks it still owned to market [in May](#), local real estate experts priced the package at between \$250 million and \$300 million. JPMorgan Asset Management, which invests on behalf of pension funds and others, came in at the top of that range to land the portfolio. There were reportedly 17 other bidders. The capitalization rate on the deal is in the low 5% range, local sources tell GlobeSt.com.

"I have mixed reactions (to the sale); I lived and breathed this thing for seven years," Gerding Edlen principal Mark Edlen tells GlobeSt.com. "On one hand I hate to see it go; I truly did love it. On the other hand we have an obligation to our investors, and it was certainly a stellar return."

For the price, JPMorgan's undisclosed client is getting three contiguous blocks containing two office buildings and an apartment complex, all anchored by national retailers, and the majority of a 1,500-slip underground parking lot. The office, apartments and retail all command the highest rents in the city and a cap on the rate that can be charged for the parking is expiring in a few years.

"I think the four different income streams made it very compelling for these guys to really stretch," the listing broker, Chris Johnson of Norris Beggs & Simpson, who brokered the sale, tells GlobeSt.com.

One of the blocks, Block 4, holds a 10-story, 270,000-sf building with 234,000 sf of class A office space and 36,000 sf of street-level retail. The building is 100% leased. Retail tenants include Anthropologie (10,300 sf) and PF Chang's China Bistro (6,200 sf). Office tenants include Art Institute of Portland (84,000 sf), M Financial (57,000 sf), PPM Energy (49,000 sf), and the Army Corps of Engineers (33,500 sf).

Block 1 holds a four-story, 158,000-sf building that houses a 50,395-sf Whole Foods Market on the ground floor and Tyco Telecom on the top floor. Both are on long-term leases. Also in the building is Portland Energy Systems, which operates an energy-efficient cooling system on the roof of the building that provides air conditioning for all of the buildings in the Brewery Blocks and other Downtown properties.

Block 5 holds a 16-story, 282,000-sf building containing 242 apartment units above 34,000 sf of street-level retail and three levels of underground parking. The multifamily component is essentially fully leased. Retail tenants include Lululemon, North Face, Washington Mutual and West Elm.

Rents for the office buildings are in the \$30s per sf and all leases have built in rental increases. The apartment building commands upward of \$2 per sf. Whole Foods is on a 15-year lease and Tyco, also on a long term lease, reportedly invested \$50 million building out its space. Not including the parking, the rentable square footage in the deal is about 710,000 sf, including 342,000 sf of office, 250,000 sf of residential and 120,000 sf of retail. That translates to a gross sale price of about \$412 per sf.

Gerding Edlen acquired the former Blitz Weinhard brewery blocks next to the city's most popular bookstore, Powell's, in 1999. Ignoring advice from Wall Street to level the blocks, build a larger parking garage on one block and office on the others, Gerding Edlen chose to incorporate the Blitz brewhouse into a mixed-use project, a move that ultimately helped retain some of the area's former character.

The brewhouse block, which now holds a 10-story, 248,000-sf class A building with ground-floor retail and three levels of underground parking, was sold to Multi-Employer Property Trust in 2001 while it was under construction. The other block not included in the JPMorgan deal now holds a 15-story, 270,000-sf mixed-use building housing 123 condominiums above street-level retail and three levels of parking.