

Condominium sales no longer the hot commodity in Portland

Sea shift | With the slowdown in buying, builders are switching to luxury apartments

By **RYAN FRANK**
THE OREGONIAN

When condo sales soared in Portland in recent years, apartments emptied as renters chased the next buy.

Now that condo sales have sagged, apartments are filling up again.

Portland's push-pull housing market is again favoring apartments. Nowhere is that more clear than in downtown.

"We've seen a sea shift in the psychology of the tenant," said Kirk Taylor, an executive vice president at CB Richard Ellis who's been a Portland apartment broker since 1974.

Norris, Beggs & Simpson, a real estate firm that tracks the apartment market, says downtown has the fastest growth in rents in the region. The demand drove the biggest apartment construction boom of the last decade, the firm said. And more apartments are on the way.

It wasn't like this two years ago.

Then, lots of people wanted to buy condos when prices spiked and interest rates dropped. To anyone with some extra cash, condos seemed like an easy way to make a buck.

Some apartment landlords were forced to offer two months free rent to entice renters.

But prices have leveled off and troubles in the mortgage market have made it tougher to get loans.

The buy-now hyperbole is gone.

New condo sales in downtown high-rises peaked in 2005 at 990. So far in 2007, 286 condos have sold. (The 2007 figure is driven lower because a number of people who pre-bought

condos two years ago have now canceled their purchase.)

"People are quite happy to pay rent," Taylor said. "We're seeing it at everyplace in the market."

The new downtown apartments, Taylor says, fall into the luxury class. Luxury apartments, in other words, are the 2007 version of the condo.

Luxury apartments have nicer finishes and higher rents than the typical garden apartment.

The average rents across the region were \$644 for a one bedroom in spring 2007. Today, the Louisa, Portland's fanciest apartment tower in the Pearl District, offers one bedroom units for \$1,250 to \$2,600.

The first luxury apartment rose in 2004 with the Burlington Tower in the Pearl, Taylor said. Since then, the Louisa went up and others are on the way.

In March, Opus Northwest changed direction for its Ladd Tower from condos to apartments. The tower is under construction in the South Park blocks. This week, developer Bob Ball shifted The Wyatt under construction in the Pearl District to apartments.

In South Waterfront, Trammell Crow Residential said in 2005 that it needed a city tax break to build apartments. At that point, why would anyone put up apartments when they could make far more on a condo?

But today, Trammell Crow's Alexan apartments are rising in South Waterfront with no tax break.

Ryan Frank: 503-221-8519;
ryanfrank@news.oregonian.com