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Apartments rising in South Waterfront

Rentals are hot, condos are not, as market demands shift

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South Waterfront, Portland's new riverfront neighborhood, started rising when condos got crazy and Oregon Health & Science University craved more space. Five condo towers and one medical research building sprouted in the past four years.

South Waterfront's second generation will look quite different.

With condo sales cool, developers sidelined two projects. A third will be built instead as apartments.

Developers now have designs on that apartment building and five others within a few blocks as apartments become the fastest-growing segment of the downtown housing market. OHSU, which is constrained by tight finances, sold one of its lots to make way for senior housing and has no immediate plans to build on its neighboring property.

Developers' flip to apartments and senior housing provide a window into Portland's shifting downtown housing market. Developers and investors see a condo oversupply, a new urban lifestyle for seniors and, apparently, near boundless demand for high-rise, high-rent apartments. Top-of-the-line apartments will run more than \$3,000 a month.

The condo and apartment markets are well-known for boom-then-bust cycles, and it's possible that some planned projects may not happen. But for now, the rush to build is on.

Prometheus Real Estate Group Inc., a Bay Area apartment builder, plans two South Waterfront towers to cash in on what it sees as Portland's popularity with newcomers.

Jon Moss, a senior vice president, chalks it up to the often repeated line about Portland's quality of life.

"As a result, you see more companies move there, creating more jobs," says Moss, whose company makes a practice of holding its apartment properties for decades. "We're bullish in the long term."

Downtown housing in flux

Downtown Portland hasn't always been so popular.

In the post World War II race to the suburbs, Portland's downtown -- like so many across America -- emptied. For decades, Portland saw only a handful of housing towers jut into the skyline. That changed with the Pearl District in the 1990s and, more recently, South Waterfront.

The Pearl saw condos go up first, proving there's demand for downtown living. Those were followed by apartments that provided more housing options. It's the natural evolution for a downtown neighborhood, says **Robert Black, associate vice president at Norris Beggs & Simpson.**

But with condos slow and apartments hot, the rental supply downtown is tight and rents are rising. So, apartments are the new condo in Portland's skyline.

In South Waterfront, apartment builders see a captive market driven by their neighbor and Portland's largest employer, OHSU.

Even with high rents, they expect students, interns, nurses and visiting professors will help fill the roughly 1,800 apartments in the plans. Outside the university, Black says high-rise renters may be people who just want to try out urban life, or well-paid contract workers for big businesses, such as Nike or Columbia Sportswear. "That's a pretty deep market," Black said. "It's surprising how deep it is."

Tall plans Four of South Waterfront's planned apartments would rise above 20 stories.

The first will be Trammell Crow Residential's 22-story luxury tower. The Alexan, now under construction, is designed to look just like the neighboring condos from the outside.

"Now, the floodgates are open," said Michael W. Cline, a principal at Portland's Ankrom Moisan Associated Architects, which is designing four South Waterfront apartment projects.

At his Southwest Portland office, Cline stood before a wall plastered with Ankrom's South Waterfront designs. Asked about the district's future, Cline pumps his fists and says: "Apartments. Apartments. Apartments."

Just south of the Alexan, Trammell Crow plans to start another 22-story apartment in fall 2008.

Just east of that, Prometheus plans an even earlier start next spring on a 250-foot tall apartment.

Just south of that, Prometheus plans another apartment tower -- maybe as tall as 325 feet -- in early 2009.

All the while, property right next to the river -- land coveted for high-priced condos -- will sit untouched once the tony Atwater Place is finished.

High-rise construction is expensive and also brings high rents.

The apartments will run about \$2.20 or \$2.25 per square foot.

That means a typical 700-square-foot one bedroom would run about \$1,500 a month. A three-bedroom, top-floor apartment would be more than \$3,000.

In addition to the high rises, two shorter apartment projects are in the works.

Simpson Housing of Denver plans a six-story project. Ankrom Moisan had drawn up plans for a 20-story condo project on the site, known as Block 46, before the market cooled. Just south of that, the city and developer Homer Williams are working on a low-income project targeted for veterans.

On OHSU land, Pacific Retirement Services will start work in March on a 30-story senior housing tower, called the Mirabella. The Medford nonprofit is betting that downsizing baby boomers will prefer active city life over secluded suburban assisted-living centers.

"It's a new way to look at the next chapters of life," said Paul Riepma, the company's vice president of marketing.

So far, it seems to be selling. Riepma says people have reserved more than one-third of their 224 units since they started taking orders in September.

Next door, OHSU has not decided what year it will start its next South Waterfront building.

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