

# Shorenstein breaks ground on downtown office tower

BY WENDY CULVERWELL  
BUSINESS JOURNAL STAFF WRITER

Some 150 cars have been evicted, construction fencing is up and the ground is broken.

It's official — Shorenstein Properties LLC has begun construction on First and

Main, the first new office building to grace the Portland skyline since Tom Moyer opened Fox Tower in 2000.

"We're going to build this thing," said Todd Sklar, senior vice president and development group chief for Shorenstein, the San Francisco real estate investment firm that became Portland's largest landlord just six months ago when it acquired 4 million square feet of office space formerly owned by Equity Office Properties.

Equity initiated the 16-story, 350,000-square-foot First and Main project. Shorenstein is pressing ahead, though without any confirmed tenants. Gerding Edlen Development is coordinating the development. GBD Architects designed the building and Hoffman Construction is the contractor. NAI Norris Beggs & Simpson and Urban Works Real Estate are the office and retail brokers, respectively.

First and Main, which is set to open in 2010, will have three floors of parking, an ambitious lobby and decks on the fourth, 15th and 16th floors. It will occupy a half-block of land between Southwest Main and Madison streets, fronting on First Avenue at the approach to the Hawthorne Bridge.

Matt Cole, who is marketing the project to prospective tenants, said having a building to show people will help build leasing momentum. "Now we have something to discuss," he said.

Shorenstein has set up a sales suite on the ninth floor of the neighboring Umpqua building, where visitors can get a sense of the river views as well as typical finishes the new building will offer.

"I think the general feeling is this is good for Portland," Cole said.

First and Main has been on the drawing board for about two years and was not always a sure thing. Cole called Shorenstein's decision to press ahead with the \$100 million project a strong commitment to the local market by an entity new to the city.

The start of First and Main signals the start of a new round of office-building in Portland, with developers Tom Moyer and Jim Winkler both set to launch work on their own towers in the near future.

The Sept. 26 groundbreaking was a significant moment for Portland, which has seen

lots of construction but little new office space in the central business district in nearly a decade, said John Russell, a veteran developer and owner of 200 Market.

"It's a canary in the mine shaft that there's a need for office space in the market," he said.

Russell said he welcomes the addition of a well-crafted building to the neighborhood and is looking forward to the upward pressure it will put on rents.

Russell said that in his three-plus decades of developing and owning downtown office buildings, he's observed that Portland rents typically rise significantly only after a new building is constructed. One reason: Builders can't budge on their rents.

Right now, it takes a rent level in the mid \$30s per square foot per year to warrant new construction in Portland.

"They can't deviate from that or everything is in jeopardy," he said.

As a nearby property owner, he can't help but benefit by comparison.

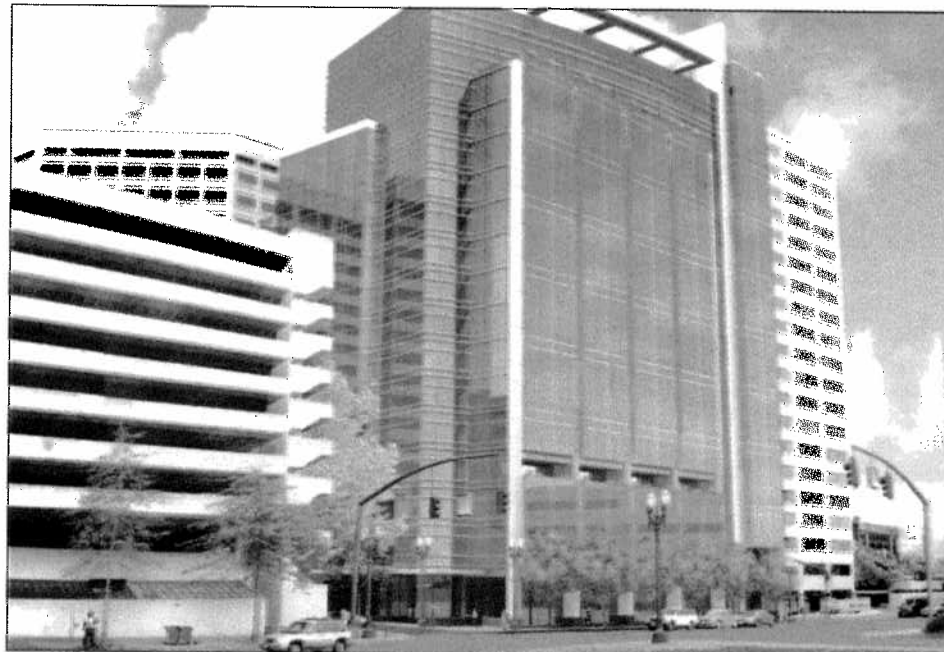
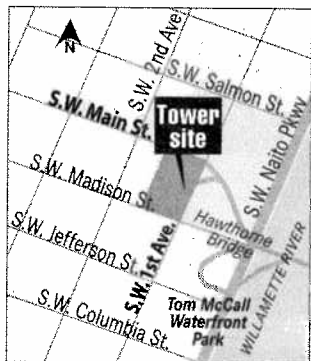
Russell has no building plans of his own, but wouldn't rule out a new undertaking if the right opportunity presented itself.

Veteran office broker Joe Vaughan, who recently joined Pacific Real Estate partners, said Shorenstein is making a bold move. The way the current market is developing, he said, First and Main has a reasonable probability of success.

A tight market for Class A space coupled with recent rent growth makes it an attractive time to be entering the market, although Vaughan disagreed with Russell's take that rents only rise when a new building opens.

Portland has seen office rents climb for the past year or two, he noted. Still, the premise is generally sound.

"Historically, owners of existing buildings have prospered because they've had an opportunity to push their rental rates to a degree," he said.



COURTESY OF SHORENSTEIN PROPERTIES

The First and Main project, shown in a computerized image, will have 16 stories, 350,000 square feet.

For tenants looking for a large block of contiguous space, Portland offers few options at the moment. Even the long-vacant top floor of U.S. Bancorp Tower has been leased. Among newer downtown buildings, vacant floors are a rarity — with just one left at Bancorp Tower, one at Fox Tower and two more at KOIN Center. Most available blocks of 10,000 or more square feet are contained in Class B or historic buildings.

Jim Mark, chief executive officer of Melvin Mark Cos., said new development is good news for Portland.

Melvin Mark represents another new undertaking, Jim Winkler's One Waterfront building, a 235,000-square-foot Class A office

building intended as one of the greenest buildings in Portland.

Mark said that with vacancies at about 6 percent and little space for anyone needing 10,000 or more square feet, new construction makes sense.

"If you're a 50,000-square-foot [tenant] right now in the market, there aren't opportunities to find space."

Mark said he isn't worried that Portland will see an oversupply of new office buildings.

"The new projects all trigger at different times. The big question mark is, will the economy stay stable enough."

wculverwell@bizjournals.com | 503-219-3415

**F**ounded in 1966, Norris & Stevens is one of the largest locally owned commercial real estate firms in Oregon and SW Washington. We offer the market knowledge and experience to assist our clients—from property management to corporate