

# Front Porch

Who's up, down, and upside down in real estate

## Apartment rents rise, attracting investors

Writers at The New York Times aren't the only ones who love Portland these days. So do California apartment investors.

Developer John Sobrato's Cupertino, Calif., company paid \$111.5 million to buy The Wyatt from Portland developer Bob Ball and his investors.

Ball built the 15-story Wyatt as a top-of-the-line condo tower. But sputtering sales in a slumping condo market last year prompted him to turn the building into apartments.

County property records show that Sobrato's company paid \$455,000 per unit for 245 units.

For comparison, the third tower at The Harrison, which had been rehabbed to condo finishes, sold last month to another investor for about \$245,000 per unit. The 185-unit building sold for \$45 million, according to the buyer, JB Matteson Inc. of Redwood City, Calif.

Here's why institutional investors like it here: The apartment market is hot.

Those would-be condo buyers apparently are instead renting downtown apartments. The subprime mortgage meltdown means other marginal buyers can't get a mortgage now. They're forced to rent, driving up demand and rents. Landlords are raising rents as much as 10 percent between tenants, according to real estate firm **Norris, Beggs & Simpson.**

An average two-bedroom, one-bath apartment in downtown Portland went for \$1,148 a month, the priciest rate in the metro area in the first quarter, **Norris, Beggs & Simpson** said.

## Vacancy rate grows among retail tenants

The central city retail market — stretching from downtown to the Lloyd District — softened in the first quarter with the highest vacancy rate since spring 2005.

Tenant losses at Pioneer Place mall contributed to a 17,900-square-foot drop in

net absorption. The first quarter vacancy rate was 7.3 percent, up 2 percentage points from the same period in 2007.

The vacancy rate has been rising since it hit a low of 4.1 percent in spring 2006. But the share of empty shops remains far below what it was during the troubles that followed the tech bust. Vacancies hit nearly 17 percent in spring 2001, according to **Norris, Beggs & Simpson.**

On the office side, the central city office market vacancy rate was down about 2 percentage points from the same quarter a year ago to about 10 percent. Suburban office vacancies were flat from a year earlier at 15 percent.

Kruse Way, where mortgage brokers fill up many cubicle farms, reported net absorption. The vacancy rate there was 10 percent.

## Loft and condo builder plans a rock theater

Randy Rapaport is selling most of his land holdings, but he says he's plugging away on his next deal: a 2,000-seat rock theater in the central eastside.

Rapaport, a hard-core fan of the Flaming Lips, calls the project a "rock 'n' roll opera house" for "musical form and creativity."

Rapaport's target is Portland's thriving music scene.

"It's about indie rock," he said. "It's a place where Modest Mouse or Flaming Lips could play one show and call it a day."

Rapaport's best known for his innovative Belmont Street Lofts and his Clinton Condominiums under construction at Southeast Division Street and 26th Avenue.

For his rock theater, Rapaport said he's looking at several sites to build on and hopes to have it designed by Works Partnership Architecture, which has its office in the central eastside.

Rapaport expects to break ground in January and finish in December 2009.

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