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Thursday on Wall Street: Dow Jones industrials: 10,422.05 +44.02 | Nasdaq: 2,110.78 +4.14 | S&P 500: 1,214.62 +4.42 | Market report, B4-5

# Developers buy towers for condos

## A joint venture pays \$77.5 million for the high-rise Portland Center Apartments and will sell units as early as next spring

By DYLAN RIVERA  
THE OREGONIAN

A team of Portland developers plans to announce today that it has bought the high-rise Portland Center Apartments for \$77.5 million in a deal that will convert the three massive towers into condominiums.

The purchase of 537 units is believed to be the largest condominium conversion in the Portland area, which has seen a flurry of apartment buildings converted to for-sale units in recent years. It also marks one of the highest Portland-area prices ever paid for an apartment building: \$144,320 per unit.

"Holy smokes, that's amazing," said Gary Winkler, a multifamily property broker with the Portland office of the Colliers International brokerage.

The deal is the latest sign that the Portland-area condominium market, like the housing market, remains white hot. The same historically low mortgage rates are fueling both — and increasingly making multifamily buildings worth more money as condos than they are as apartments.

The Portland Center Apartments join other high-profile conversions, including the Uptown Heights Apartments in Northwest Portland, the Hamilton Arms Apartments near PGE Park and The Lexis in the Pearl District.

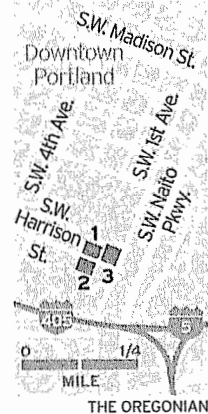
The latest conversion opens a new era for a pioneering part of Portland's downtown. The trio of high-rises, which stand 22 to 25 stories tall near Portland State University on Southwest Harrison Street, were built in 1965 as the first residential towers in the South Auditorium Urban Renewal Area.

Nels Hall of Yost Grube Hall Architecture in Portland said he studied the buildings when he was a student at the Massachusetts Institute of Technology in the 1970s. While the plentiful parks and buildings set back from the street give it a less intense feel than the more contemporary Pearl District, the South Auditorium was remarkable for mixing housing, offices and parkland, Hall said.

"It was one of the few urban renewal districts in the country that encouraged mixed-use develop-

Please see **CONDOS**, Page B2

1. 255 S.W. Harrison St.
2. 222 S.W. Harrison St.
3. 111 S.W. Harrison St.



## Portland Center Apartments

**Built:** 1965

**Distinction:** First high-rise residential project in the South Auditorium Urban Renewal Area

**Design:** Skidmore, Owings & Merrill LLP

**Buildings:** 255 S.W. Harrison St., 25 stories, 193 units; 222 S.W. Harrison St., 24 stories, 188 units; 111 S.W. Harrison St., 22 stories, 156 units

# Condos: Most units will be priced less than \$325,000

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ment and had an overall plan that respects the block pattern of the city," Hall said.

In the decades since, Portland's downtown has become even more popular as a residential destination — particularly for condominium buyers — laying a financial foundation for the current conversion plan.

As low mortgage interest rates made homeownership more affordable, renters have fled apartment buildings to buy a home.

As a result, apartment owners have increasingly been forced to reduce rents and add incentives to keep units occupied, Winkler said.

The average rent for a one-bedroom apartment in the Portland-Vancouver area in the second quarter of this year was \$644 a month, almost unchanged from the same quarter two years ago, according to RealFacts, a California-based market research firm. Home and condominium prices have skyrocketed over the same period.

The changed environment has made apartment properties, once valued for the income stream they generate over the years, more in demand for their value in a quick sale. Condo converters are willing to pay so much for the concrete and steel itself that many apartment owners feel like they have little choice but to sell.

"You can move that cash into something else that cash-flows better," said Winkler, who was not involved in the Portland Center deal.

Such conversions may be great for the building's owner — in the case of Portland Center Apartments, the Chicago firm Equity Residential — but they tend to force out some renters.

## Condo conversion

For-rent apartments are converted into for-sale condominium units. Tenants with leases at the time of the conversion have some rights to buy their own unit, and often developers offer a chance to buy other units in the building. The Oregon Real Estate Agency regulates conversions and handles complaints.

"We find if you can give people a timeline it makes them comfortable with what's going on. It may not be the best news, but at least they know. . . . And they can gain some control of whether they leave and how they move."

**Scott Stehman**

Reliance Development Inc.

College students and the elderly make up a significant number of residents at Portland Center, several renters said Thursday.

"If they wait a couple of years after I finish my engineering degree, yeah, I'll be able to buy," said Michael Thomason, a Portland State student.

But for now, Thomason said, all he can afford is the \$690 a month he pays in rent.

"I've dealt with harder stuff," he said Thursday about being forced to move. "I'll get through this, too."

Scott Stehman, of Reliance Development Inc., a partner in the venture that is buying the buildings, said he expects to give formal notice of the conversion plans to residents in the first tower today. A meeting with all residents is set for Tuesday.

The first units could be sold to buyers in the westernmost building, at 255 S.W. Harrison St., in spring 2006, developers said. The units in all three buildings would be converted by 2008.

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able with what's going on," he said. "It may not be the best news, but at least they know. . . . and they can gain some control of whether they leave and how they move."

By state law, tenants' current leases must be honored, said Howard M. Feuerstein, an attorney with the Stoen Rives firm and a condo law expert who represents the conversion team. But tenants under month-to-month arrangements can be given as little as 30 days' notice to vacate, he said.

Stehman, who also converted the Envoy apartments near the Uptown Shopping Center and the Hamilton Arms, said he will give preference to current tenants when it comes time to sell the units. But tenants will most likely have to vacate as renovations are phased in, because some renovations will involve asbestos abatement, he said.

The buyer, Portland Center Investors LLC, is a joint venture of Portland developers and investors Williams & Dame Development Inc., Bean Investment Real Estate and Reliance Development Inc. Homer Williams, most known for helping pioneer the Pearl District and South Waterfront areas, is helping plan the redevelopment, which will be led by Stehman, president of Reliance.

A unit of Wall Street's Lehman Brothers has put up most of the equity for the deal, developers said.

"What we're promoting here is a great location and tremendous views at a price point that's under the Pearl District and under South Waterfront," Stehman said.

While new condos in the Pearl District and South Waterfront areas fetch as much as \$400 a square foot, with few units for less than \$325,000, the Portland Center conversion will ask less.

Stehman said developers plan to charge \$185,000 to \$800,000 for units ranging from about 575 square feet to 1,600 square feet. Most of the units will be priced for less than \$325,000, and every unit's price includes a parking space, he said.

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Photos by ROGER JENSEN/THE OREGONIAN

The three towers of the Portland Center Apartments stand tall over the RiverPlace section of Southwest Portland, as a group of children walk Thursday along the east bank of the Willamette River. A team of local developers will announce today that it bought the apartments and plans to convert them to condominiums.



Portland State University engineering student Michael Thomason said he'll have to move out of the complex because he won't be able to afford a condo unit.



Octavie Chalbos wonders if anyone would buy a condo as small as her one-bedroom apartment. Some units are no more than 575 square feet and will list for about \$185,000.