

Apartment getting all gussied up, but not for condos

The \$29.05M price is far above the norm, but could signal the start of a revival

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In a year when apartments were little more than condos-in-waiting, an end-of-year deal signals a change in attitude toward multifamily investments.

In the third-largest apartment deal of 2005 — so far — Fairfield Residential LLC of San Diego paid \$29.05 million for Brookdale Glen, a 357-unit complex on the western edge of downtown Portland.

Fairfield plans to spend about \$17,000 per unit to gussy up the place. It will continue to run it as a rental property, said Jim Leguizamón, vice president of acquisitions.

Fairfield will phase construction around tenants and operate Brookdale Glen as an apartment complex, at least for the time being. Fairfield envisions a short-term hold for Brookdale Glen, so the improvements could be acquired by a condo converter in the future.

Leguizamón said the time is right to invest in apartment properties. After the updates, Fairfield's investment in Brookdale Glen will be nearly \$103,000 per unit, well above the metro Portland average of about \$72,900 per unit.

Leguizamón said \$100,000-plus is actually a reasonable investment in an apartment in Portland right now. Job growth leads to more household formation. Rising interest rates and housing prices will keep more people in the rental market. Few new apartments are being built and existing ones are being turned into condominiums at a brisk clip.

Brookdale Glen is perfectly positioned to take advantage of that, he said. Situated in Portland's West Hills, about 15 minutes from downtown, it is already filled with downtown workers.

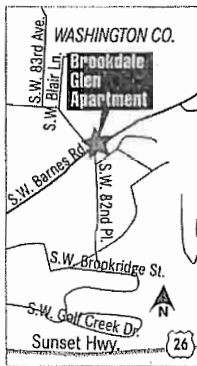
"We believe the Portland market is on the way back, so you have to get in early. It is going to be a recovering market," he said.

Fairfield Residential owns eight other apartment properties in the Portland area and is acquiring two others, though Leguizamón would not identify them.

Plagued in recent years by high vacancy rates and stagnant rents, the rental industry is showing signs of improvement. Landlords are offering fewer concessions to attract tenants and the market is expected to firm up enough in the coming year to warrant the first significant rent increases in the last four years.

Still, Fairfield's play has some investment experts scratching their heads.

Gary Winkler, who specializes in multifamily properties at Colliers, said \$100,000 is a premium price and a property like Brookdale Glen lends itself to a condo



conversion.

It has balconies, washers and dryers, fireplaces and garages, is close to downtown and has a good mix of one- and two-bedroom units.

What's more, local demand for condominiums remains strong. While there have been some signs of weakening in California, the

local market is performing well, he said. There is plenty of evidence that Port-

landers haven't lost their appetite for condominiums. One need only look at the luxury models cropping up along the Willamette River and updated former apartments such as Portland Center, which Equity Residential sold earlier this year for more than \$75 million.

Portland Center apartments, a 537-unit complex in the heart of downtown, is being converted into condominiums but sales won't commence until next year. That hasn't stopped more than 500 potential buyers from signing up for the registration list established by the new owners.

Indeed, the loss of Portland Center from the rental market could bolster Fairfield's contention that the market is poised for a rebound.

Kirk Taylor and Ann Blume of CB Richard Ellis represented the seller, Aca-

cia Capital Corp. of San Mateo, Calif. Taylor said the flurry of condo conversions has taken slack out of the market and is helping to push up rents. That makes apartments more attractive to investors, he said.

Built in 1986, Brookdale Glen will get new siding and windows. Interiors will be revamped too as tenants cycle through — each unit will get new appliances, cabinets, paint and other furnishings.

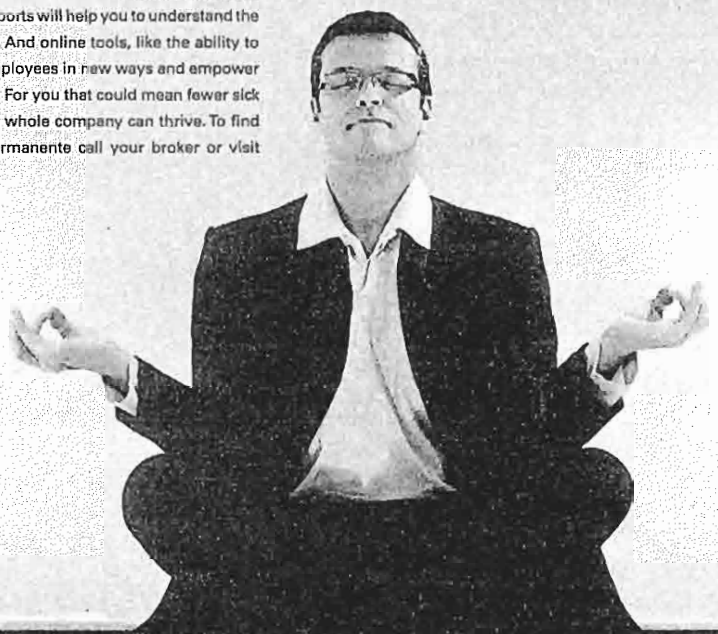
So far this year, CB Richard Ellis has tallied 129 apartment transactions with selling prices of \$1 million or more.

The average price for the 7,864 individual apartment units involved is just under \$72,900, but the range is considerable, \$34,000 to nearly \$200,000 per unit.

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Evergreen's signs deal with Boeing

The Boeing Co. has tapped Evergreen International Airlines Inc. to operate the 747 Large Cargo Freighter fleet of modified 747-400 jets that will transport major assemblies for the new Boeing 787 Dreamliner. Evergreen International Airlines Inc. is a subsidiary of McMinnville-based Evergreen International Aviation Inc.

Evergreen has responsibility for the operation of the Boeing fleet, flying routes to and from the United States and Japan.