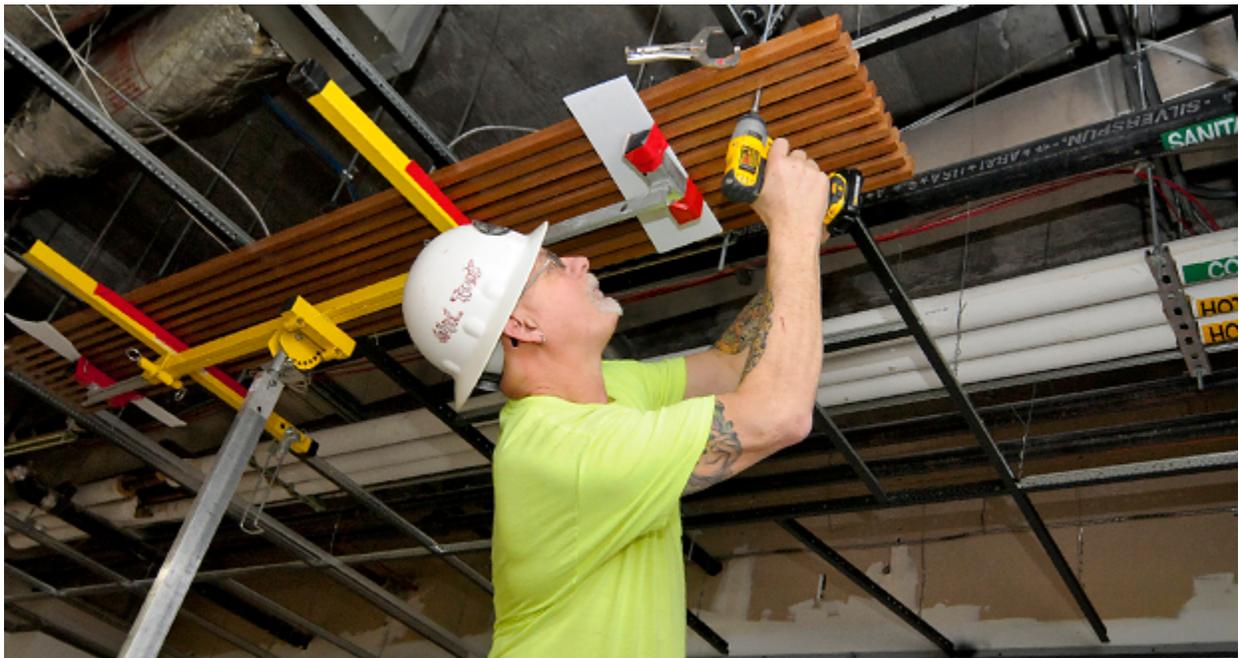


## Race is on to attract creative office users

By: [Lee Fehrenbacher](#) in [Scrolling Box](#) February 13, 2014 1:50 pm



Ken Gordon Clapp, a carpenter with Harlan's Drywall and a member of Local 146, removes a test piece of suspended wooden ceiling while working on a conference room at Block 300, a downtown Portland office building being renovated by Swinerton Builders. (Sam Tenney/DJC)

When the **Edith Green-Wendell Wyatt Federal Building** reopened in downtown last May, a ripple effect reached some of Portland's premier office properties.

Nearly half of the approximately 350,000-square-foot **Block 300**, for instance, was left vacant when the **General Services Administration** relocated to the renovated high-rise. It was essentially the first time in Block 300's 23-year history that it wasn't 100 percent leased.

But rather than sit and wait for new tenants to fill the space, the owners three months ago started a major renovation to completely reposition the building.

“There is a considerable capital investment by the owners going into the property, and we feel like this is going to be a premium Class A asset that can provide everything from traditional office space to the most creative and collaborative space in town,” said Jake Lancaster, a broker with **Jones Lang LaSalle**, which is marketing the building to prospective tenants.

Demand for Portland office space is growing – open and collaborative environments, in particular. Many developers and real estate professionals are responding accordingly.

Don Ossey, a principal at **Capacity Commercial Group**, recently brokered the sale of a 10,000-square-foot industrial building (at 1033 S.E. Main St.) for that very reason. The nondescript, concrete box sold for nearly \$1.77 million.

“The buyer is going to gut the building and rebuild it as quasi-creative office space,” he said. “I wish I had 10 of those listings on the central eastside because they’d all be sold. They’re like hotcakes.”

Ossey said many similar buildings throughout the city no longer suit industrial use. Some don’t have the clear heights or loading dock space of their modern-day counterparts, but their old-timber beams and concrete floors are prized by new, knowledge-based firms.

According to Christian Kaylor, an economist with the Oregon Employment Department, approximately 45 percent of the region’s population growth over the past five years occurred in the city of Portland — a trend not seen since the 1940s.

“What’s driving this demographic shift?” Kaylor asked at a recent event hosted by Sperry Van Ness. “College grads in their 20s and 30s. If you look at the population in the workforce — those 18 to 44 — the vast amount of people moving to Portland are in that age group.”

They’re also increasingly part of the creatively inclined technology industry. And according to 2013 research by Impresa Economics, Portland’s tech sector was the fastest growing in the nation between 2001 and 2011.

That is leading to projects like the one at 105 S.E. Taylor St. A private group – including the developer of the **Alberta Central** renovation – is renovating a century-old, 33,000-square-foot industrial building to accommodate creative office and retail users. The project will open up ceilings, expose brick and hardwood, and upgrade mechanical and electrical systems.

“Activity has been extremely strong,” said Benjamin McInnis, president of **Benco Commercial Real Estate**, which is leasing the building. “... It’s going to be a really first-

class redevelopment with all of the historic nature and character of the building totally restored, and we think it's going to be really well received by the market. Quality creative space is probably at or sub five percent. The larger the creative user, the larger the challenge there is to secure decent space."

Brian Pearce, senior vice president of property management for **Unico Properties**, said even big firms like his are feeling pressure to compete with smaller creative spaces in the **Central Eastside Industrial District**. On Tuesday, Unico announced **U.S. Bank** had renewed its lease at the **U.S. Bancorp Tower**, but for only 277,000 square feet of the 408,000 it held previously.

The news came as no surprise. Pearce said U.S. Bank had been rightsizing for the past couple of years to make its workspace more collaborative and efficient. Creative offices tend to require fewer square feet per employee than traditional ones.

As the bank vacates space, Unico is investing considerable money to gut it and refill it with creative users. The company has already secured lease agreements totaling 120,000 square feet with **Webtrends** and six smaller creative office tenants. Rather than tell the bank to slow its departure, Pearce said he has told it to accelerate it so he can meet demand.

So, how deep is Portland's office market? According to a January report by Jones Lang LaSalle, Portland was tied with San Francisco and New York for the lowest office vacancy in the nation at 11.1 percent.

"I think it's pretty deep," Pearce said. "I think as the tech market continues to evolve and mature, and as people get priced out of the Bay Area, I think a lot of tenants will continue to look at Portland and say, 'This is a great alternative for an outpost for our company.' I think that workforce still would prefer to be in urban locations, although some are having to go out to the suburbs just to find space."

At Block 300, Lancaster said he's marketing some of the largest creative floor plates in the city at up to 39,000 square feet. The renovation – designed by **ZGF Architects** and constructed by **Swinerton Builders** – will revamp the lobby and four floors. The GSA still anchors about half of the building, but new tenants are on the horizon.

"There is limited inventory for large blocks of space in the city, so there is a real opportunity for Block 300," Lancaster said. "I sense we will have some leases signed over the next few months in the building for large blocks of space."