

# Deals, Projects, Transactions, Moves and More

## Freightliner Contemplates Large Office Addition on Swan Island

Over the last decade or more much of the news involving one of our longest and largest industrial employers, Freightliner has revolved around layoffs, sizing down or even worse a possible relocation to North Carolina. But when I heard word a couple months back that Freightliner might be looking at a 200,000 sf plus office building next to their Swan Island headquarters, given all the news about moving out of the area, I thought it was a cruel hoax. But then if true, it would be a real industrial and jobs boon for Portland. "It is very preliminary, but we are putting together some plans and preliminary costs to submit back to Germany", says long term Freightliner Real Estate Director, Jim Siedow. He would not give any specific job addition numbers or go much further on probabilities because it really is too early, but they have hired Trammell Crow as a developer and already they have gone out to market to select contractors so it sounds pretty serious. Siedow admits Freightliner is bulging at the seams for office, engineering space and leases several offices off site that they want to bring together. "We will continue to gather information regarding timing, costs and planning into summer and will probably submit a request to incorporate in the third quarter and even if they sign off there are not guarantees that this would move forward" Siedow says. Freightliner would deconstruct the old wooden and tired Ports of Call office complex to the south of their existing office buildings along the river and construct a new waterfront building with a project value that could get up into the \$20 million dollar range and may result in hundreds of new employees in the complex and almost better yet would cement Freightliner's commitment to Portland.

## Paulson Floor Covering Buys Former Paper Zone Building on Grand Avenue

The former Paper Plus location at 1136 S.E. Grand Avenue has sold to the Paulson Floor Company. Though not the prettiest building with a very bland paint job and non-descript façade, the 19,000 sf building does have a great location. The price of \$1,850,000 for a multistory building to my recollection is pushing the envelope on value for multi-story buildings but that is probably due to its huge exposure and an EX zoning. Located next to Rejuvenation's (Williams of Sonoma) cool digs, the building does have some limited parking but it's mostly unfinished on its interior. Paulson which closed its NE Sandy location will finish out the space for its floor covering showroom and distribution business for the close in eastside.

## Yes... another freakin' Brewery, but One with a Pedigree

The first time I met John Harris besides taking notice of his bearded Cheshire cat grin and the fact he looks like he could be Bilbo Baggins neighbor in the Shire, it was how unassuming, funny and laid back he was. When I found out he had created Mirror Pond Pale Ale among many other iconic Oregon brews, I felt I just was in the presence of the Picasso of Oregon Brewers. It was shortly substantiated when I dialed his name into Google and saw how revered he was in Oregon's beer community. Well, John is starting his own gig...finally, and he has landed on a 14,000 non-descript concrete tilt building that was home to a body shop sitting below groovy N.Mississippi and Fremont Street. But with views of downtown and a big potential outdoor sipping area, he undoubtedly will put a very crafty and homespun feel into the building. He has lots of work to do but he is committed to opening by September and with his mad scientist brewing chops and creative brewing pedigree expect hoppy beverages that even beer snobby Portland will find different and definitely tasty...I can't wait.

## Produce Row PDX Challenge Gears Up.

The PDC has been embarking over the last year in what is called in marketing circles, a "rebranding" of the Central Eastside to PRODUCE ROW which really is not something new but something of a throwback to the area's home to multiple produce distributors that have had and continue to have a large presence in the Central Eastside. Many of us veterans of the district wondered how the moniker Produce Row would come to express the changing nature of an area that now is home to huge variety of different type companies engaged in activities from cutting edge food companies, design firms, record labels, coffee roasters, non-profits, web service et al. The ribbon on this new package of thinking about what has become almost an indescribable neighborhood is the PDX Challenge. This effort is designed to bring a new kind of paradigm of the popular business incubator concept to the neighborhood. Called PDX Challenge,

the program is basically a start-up contest whereby new firms make application which were due in April and up to 6 companies will then be picked by an already determined criteria to receive a nice package of benefits: free rent for a year; \$10,000 of working capital; free legal/accounting/HR assistance and the ability to network and support 5 other like-minded entrepreneurial companies in a cool new space. The space is located at 1220 SE Grand, a block from Rejuvenation. The PDC is building out the 5000 sf space on their nickel. Julie Bennett one of the owners of the building saw no downside to donating the space "We really get a nice build out of space, help young firms get started and receive some excellent exposure. We really saw it as a no lose situation". There were over 200 applicants for the program and the 6 lucky winners should be selected in the coming months and up and operating in the space by summer.

## Killians Adds to CE Holdings.

Killian Pacific which has several development projects going on in the Central Eastside is showing their commitment to the area again with the pending purchase of the Arcoa Building located on 1006 S.E. Grand Avenue. This 18,000 three level retro older office building fronting on Grand has a great location next to the bridgeheads and also has some parking and is owned by a Vancouver family that over time has struggled to keep it full. Killian, which only talks about pending deals after waterboarding won't tip their hand on plans. However hard it is to see how the building can be expanded or redeveloped, don't put it past them to come up with something creative. It could be just a good place to park some of their millions they have aimed at investments in the close in core areas.

## Trade Bindery Bldg in Close Northeast Finally Sells

**- Starts Redevelopment** — This 20,000 sf building located at 1805 NE 2nd Avenue just a block north of Broadway sat vacant for close to 3 years but finally sold late last year to a couple of local Portland investors for \$1,200,000. Bindery operations like printers used to be numerous in Portland but many were sold or went out of business in the last 5-6 years and many of these buildings are being repurposed. Zoned EX and basically two different buildings bolted together the problem here was it had no parking and a boxy layout and then of course price. Carrington Barrs owner of a local green construction outfit with another partner secured the building on a contract sale then got \$200,000 plus from the PDC (The building is in a Urban Renewal Area) for improvements and are well on their way to creating smaller spaces with an interesting line up of tenants including The Community Cycling Center that will be expanding and moving their administrative and outreach offices into the space. There is also Sizzle Pie and a hard cider maker setting up shop too.

## Other Transactions of Note;

**The former Arvey Paper Bldg at 1005 SE Grand** which has an enviable location right at the Morrison Bridehead in the Central Eastside has finally leased. Vacant for close to two years, the older two story 40,000 sf structure is owned by local developer/investor Bill Floberg. The building is getting a bit tired but with a great location and parking on the west side of the building it has a lot going for it. Sparks Furniture, a family owned contemporary furniture company is the tenant and will be moving in this summer.

**Luxmoto** which helps people cut through the hassle of finding great used luxury cars at good prices and great service has doubled their space to 20,000 sf on 1020 SE Market Avenue to the south of their original location on 526 SE 6<sup>th</sup>. Brian Buck one the owners says "Our business has just steadily grown and we needed more space but wanted to stay in this area as it is so central and easy to get to for our employees and customers".

**32,000 sf Close in Northeast Building Sells.** With soaring wooden bow strung ceilings, a flexible layout, parking, EX zoning and an open floorplan these building gems are a real estate collector's dream. Tucked into northeast Portland at 2117 NE Oregon, a couple blocks off Sandy, this property drew considerable interest because it is one of few full block buildings close in that could be bought. Home to Pacific Paper and Box before the business was sold in 2007, it was recently used by artistic glass manufacturer Savoy Studios who ran into tough times and had to relocate. Sacha Kirvoski and partners bought the building recently for \$2,200,000 to convert into smaller flexible spaces. "It is a large wonderful building with excellent potential and we are well on our way to re-envisioning a higher use for it" he says. He has bought a couple of other buildings in the neighborhood so this fit his plan well to divide into smaller upgraded spaces for a variety of businesses. Wineries, a boxing gym, a food company and more have shown serious interest in leasing part of the building which should be ready for occupancy this fall.

**Victor Winkler dba as Fairmount Financial LLC bought a 8500 sf industrial concrete tilt building on 10,000 sf of land located at 120 NE 9<sup>th</sup> for \$1,100,000 earlier this year.** Winkler who owns several Central Eastside buildings and is a principal of metals recycling behemoth Metro Metals quickly re-tenanted the building with Paper's Plus, the retail arm of distribution giant Unisource, which moved from their former location a block away. The property was formerly home to local company Contractor's Supply and sits on the new Couch couplet which is converting this arterial into a more commercial corridor.

**Sacks adds to his Portfolio** After he and his wife sold the very successful Anne Sacks Tile Company a decade back to Kohler Co, Robert Sacks has turned his talents to real estate development. He often finds neglected real estate gems then applies some innovative renovations to bring back some life and energy that has led to him owning a growing cadre of mostly central city core buildings. His latest is located at 404 SE 6<sup>th</sup> Avenue and from the outside does not look like much more than a military Quonset hut but inside with the rounded high ceilings you can see the potential. "This building just has some real interesting potential and given the growth towards higher uses in the neighborhood, along with the parking and location it just has lots of potential". The 9000 sf building really does not divide too well so Sacks is seeking a full building tenant and is breaking the \$1 per foot per month barrier for creative industrial space asking \$13 psf per year. He paid \$675,000 for the building late last year.

**12<sup>th</sup> and Salmon/Taylor** The same development group led by Aaron Jones that is under construction on 77 units on 26<sup>th</sup> Hawthorne recently closed on a 20,000 sf EX zoned site in the Central Eastside. They paid \$1,550,000 which translates to \$77 psf which is starting to push the upper reaches of land sales on the eastside and shows the resiliency of the mixed-use/apartment market. Attracting the developers obviously is the potential of retail on SE 12<sup>th</sup> which is quickly becoming a commercial corridor and the fact that upper reaches of what might possibly be a 4-5 story project could have some rather nice views over the district to downtown. No plans yet on exact amount of units and of course everyone's questions "How much parking will there be"