



## Equity project jumps to the forefront

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Sparked by a recovering downtown office market, Portland's largest building owner is extending its reach.

Equity Office announced this week it will develop a 15-story Class A office building at First and Main streets.

It purchased the parking lot in March. The project team includes Gerding/Edlen Development Co. and its long-standing partners, GBD Architects and Hoffman Construction. NAI Norris Beggs & Simpson will work with Equity's in-house leasing staff to enlist tenants beginning next year.

The company is calling the project the First and Main Building, said Patrick Callahan, senior vice president for the Seattle region for Equity.

The preliminary plans for the 350,000-square-foot building call for floor plates of 22,000 square feet as well as 20,000 square feet of retail, restaurant and conference space on the ground floor.

It will have 275 to 300 parking spots for a parking ratio of about one spot per 1,200 square feet.

Equity's decision to launch a new project now comes as demand for downtown office space is firming up -- tenants absorbed a little more than 42,000 square feet in the third quarter, according to Trammell Crow Co. statistics, based on figures compiled by CoStar Group.

"Downtown Portland has been absorbing office space for about two years now," Callahan said. In two years, when the building is ready to occupy, Equity anticipates the market for office space will be tight. There are no other downtown office buildings in active development, although numerous projects are on the boards in anticipation of a recovering market.

Breaking it down still further, CB Richard Ellis reports that the vacancy rate for the 8.2 million square feet of leasable Class A space in the central business district is about 8 percent

But no matter who is doing the math, asking rates for downtown office space are well below the \$30-plus per square foot that market watchers say is needed to warrant new construction.

"We continue to see increased momentum in leasing activity throughout the market and believe there will be continued growth in the [downtown] submarket," Callahan said.

With views of the Willamette River and Mount Hood and top-drawer amenities, First and Main will be pitched to professional agencies including accounting and law firms, architects, and engineers, Callahan said.

The case for new downtown construction is boosted further by several key trends.

First, the amount of space available for sublease has dropped considerably, even more so on news

that Jeld-Wen Inc., the Klamath Falls door and window maker, is subleasing the second floor of U.S. Bancorp Tower from U.S. Bank. A year ago, some of the biggest leases involved space being subleased by one firm from another, as when the accounting firm Moss Adams LP took surplus space from Louisiana-Pacific Corp. at Fox Tower.

Those days are largely over.

More important for Equity, there is a notable shortage of large, contiguous office space of the sort that can accommodate big accounting concerns and law firms.

North Pacific Group, Oregon's second largest private firm after Jeld-Wen, made headlines earlier this year with news it would move out of Portland because it couldn't find suitable offices in its first-place location, downtown.

And WebTrends, a fast-growing software company that occupies three floors in two buildings (Fox Tower and Pacific First Center) said last week it wants to consolidate under a single roof and is considering 50,000- to 60,000-square-foot spots across the metro Portland area.

First and Main represents the first time Equity has partnered with Gerding/Edlen -- a prominent local developer with a past history at the site. Hoffman Construction has more experience building high-rise structures in downtown than any other, Callahan said, adding that GBD completes the package.

"The team we've assembled has a great history of working together," he said.

As for naming rights -- Callahan said they may not be up for grabs.

"We think 'First and Main' is a pretty good description of what the building is all about. We believe that will be the focus of the building moving forward," he said.

Equity is Portland's largest building owner, with more than 4 million square feet in the downtown area. Its holdings include Umpqua Bank Plaza, Congress Center and One Pacific Square.

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