

Portland's urban pioneers stake out the Sound

Pearl District developer Gerding Edlen has lofty ambitions



Scott Eaton of Gerding Edlen Development Co. LLC is framed by his company's \$500 million Bellevue Towers as it rises across the street from the project showroom. BUSINESS JOURNAL PHOTO/DAK SCHLATTER



Lapping up luxury

Hundreds of downtown high-end condos are being scooped up — long before they're completed.

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Gerding Edlen debuts with big Bellevue splash

Urban-vibed, ecology-minded Portland developer scouting for more Seattle-area projects



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Models of the Bellevue Towers gleam in the sales showroom where Gerding Edlen markets its first big Puget Sound area project. The Portland firm says it's looking for additional high-density development opportunities in Seattle and on the Eastside.

By BRAD BERTON
CONTRIBUTING WRITER

A year ago, Gerding Edlen Development Co. LLC — the Portland firm that helped crank up that city's bustling Pearl District — started its first Puget Sound area project, the \$500 million Bellevue Towers, and quietly relocated principal Scott Eaton to work out of the Bellevue sales office.

As anyone traversing downtown Bellevue's southern flank can see, Eaton's firm is making a loud splash on the skyline. The Bellevue Towers' concrete frames at Northeast Fourth Street and 106th Avenue Northeast have each risen above 20 stories — on their way to 42 and 43.

Reflecting its track record down south, Gerding Edlen is offering a high-rise product that the Eastside market apparently finds appealing. Despite signs of softening in the regional condo market, agent Realty Trust Group has sold more than 160 of the first phase's 293 luxury units (the north tower and central "podium") more than a year before the scheduled completion.

As the team prepared for the late September release of units in the south tower, Eaton was spending some of his time scouting for more high-profile projects. He and his Gerding Edlen associates perceive excellent opportunities in Portland's bigger Northwest neighbor, and they expect to participate in additional large-scale developments in Seattle and Eastside urban districts.

"We're feeling pretty good about sales at Bellevue Towers — and about other opportunities we'll be pursuing here," said the 40-year-old Eaton.

While focusing most of his attention on maximizing Bellevue Towers' success, Eaton continues "selectively" scouring Puget Sound's dueling downtowns for promising high-density, mixed-use development opportunities. The 11-year-old firm prefers complex challenges, like its signature Brewery Blocks project, which anchors downtown Portland's thriving Pearl District.

Gerding Edlen and its development partners just sold a big chunk of the multi-

block Portland mix of offices, retail space and apartments, developed on the former Blitz-Weinhard brewery site, to institutional investors for about \$292 million.

"Putting together the Brewery Blocks really expanded our capabilities," Eaton said. "And we'd love to get involved with something like that here in the Seattle area. It's a great market for a project that mixes offices and retail with high-density residential."

The Portland firm's other main outpost is Los Angeles, where it started in 2004 by partnering on the \$320 million South Park project, housing nearly 1,500 down-

town dwellers. It's currently building the \$318 million Wilshire and Vermont towers as a flashy followup.

Maria Sicola, who heads global real estate brokerage Cushman & Wakefield's U.S. research group, isn't surprised a successful developer such as Gerding Edlen would seek opportunities in the Puget Sound area and L.A.

Large real estate investment and development firms, she said, are particularly attracted today to markets boasting educated work forces and experiencing tech-driven employment growth.

Eaton loves his hometown, but is indeed reminded of Seattle's bigger economy every morning while watching the stock ticker.

"We see just a couple Portland companies," he said, "but it's a who's who list up here in Seattle."

While he's all too aware of downtown Bellevue real estate's historical rises and falls in tandem with the tech sector, Eaton sees the Eastside as far more diverse than in days past. Along with Microsoft's voluminous local hiring, Boeing's extensive back-orders give him considerable comfort.

"And you've got Starbucks, Costco, Amazon.com, Nordstrom," he said.

And therein lies something of a built-in market for condos in the glass-skinned towers Gerding Edlen and partners are developing on the site of the old Puget Sound Energy headquarters in Bellevue.

Indeed, Microsoft just agreed to lease a

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"Bellevue might be something of the new kid on the block, but the environment makes for great development potential."

Scott Eaton, principal, Gerding Edlen Development Co. LLC

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massive 740,000 square foot at one of several new downtown Bellevue office towers soon to house thousands of comfortably compensated techie types. Yahoo! and Expedia have made large downtown commitments as well, and Google pre-leased a large development under way in nearby Kirkland.

Hence, it's no surprise that units continue moving at Bellevue Towers, where prices start at about \$400,000.

"We've had two really strong months of sales," Eaton said, even during a traditional late-summer slow period and nationwide mortgage market volatility.

The developers have been able to increase prices on some of the units boasting the best views and most popular floor plans at the north tower, Eaton noted. The south tower is scheduled for completion in 2009.

Buyers to date are mostly Eastsiders typically ranging in age from their late-30s to late-50s, Eaton noted.

According to Columbia Real Estate Group's FatReport tracking local new condo sales, Bellevue Towers units are commanding an average of \$675 per square foot. That's well above most of the other Bellevue condo developments, which offer smaller units typically selling in the \$400s per square foot.

Columbia Real Estate Group principal Brett Prosser is well aware of Gerding Edlen's enviable track record in Portland, but he's still "amazed" at the Bellevue Towers pre-sale activity to date — especially given the absence of mass-marketing efforts. His impression is that Bellevue Towers has done particularly well

with the "move-down" market, as affluent Eastsiders relinquish single-family homes in favor of luxury units in an increasingly livable downtown.

"It's been a dynamic shift from a decade ago, when it didn't seem like downtown would ever become a residential district in such an automobile-oriented culture," Prosser said.

But given that Bellevue Towers' larger and upper units run well into seven figures, Prosser also wonders whether many of the pre-sale commitments will fail to close because of recent hikes in mortgage rates for so-called "jumbo" or "nonconforming" loans. These are mortgages above \$417,000, which government-sponsored housing finance giants Fannie Mae and Freddie Mac aren't currently allowed to purchase.

Eaton credits the strong pre-sales to Bellevue Towers' views, attractive floor plans and environmentally friendly design. A lengthy roster of so-called "green building" features — a Gerding Edlen hallmark — are designed to sharply reduce energy consumption.

The developers are targeting a LEED (Leadership in Energy and Environmental Design) Gold certification from the U.S. Green Building Council. That would make Bellevue Towers the largest residential project in Washington to achieve that designation.

Of course, downtown Bellevue's ongoing renaissance can't hurt. Downtown has become a walkable environment with a variety of dining and shopping opportunities. Gerding Edlen will likely target "local flavor" restaurants and merchants for Bellevue Towers' 16,000 square feet



BUSINESS JOURNAL PHOTO/DAN SCHLATTER

A model living room beckons visitors at the Bellevue Towers showroom. The developers are targeting LEED Gold certification, which they say would make Bellevue Towers the largest residential project in Washington with that designation.

of retail space, he said. Real Retail is the leasing agent.

Gerding Edlen brings "fresh eyes" with respect to identifying opportunities in central Seattle and Bellevue, said Eaton.

"They're distinctly different downtowns. Seattle has these wonderful pock-

ets," Eaton said. "And Bellevue might be something of the new kid on the block, but the environment makes for great development potential."

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