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<https://www.bizjournals.com/portland/news/2017/10/05/central-eastside-evolves-into-one-of-portlands.html>

Central Eastside evolves into one of Portland's hottest — and priciest — office scenes

The one-time sleepy industrial district has become one of Portland's most in-demand, and priciest office districts, rivaling the Pearl

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Like many Portland tech startups before it, [Uncorked Studios](#) found itself a few years ago occupying some space in the RiverTec Building in the Pearl District.

But as the digital product agency began to grow, it needed to find a new home. Working with [JLL](#) and Beam Development, Uncorked ended up moving across the river into 1,500 square feet of the Eastbank Commerce Center in the Central Eastside Industrial District.

According to Marcelino Alvarez, founder and CEO at Uncorked, the jump across the Willamette was prompted in part by the budding relationship with Beam, partly by the Central Eastside's character and partly by the cheaper rents.

"The Central Eastside just felt like us," he said. "There's great public transit, it's got the vibe of a warehouse district that had a history of manufacturing, there's sort of the bridge between old and new. And we really could not have afforded the rent if we had stayed in the Pearl."

Much of what drew Uncorked to the [CEID](#) has also drawn scores of other companies — and developers — to the neighborhood, as well. So much so, in fact, that the gritty inner Eastside neighborhood that was long home to warehouses and light manufacturing operations has quickly become the hottest spot — over the Pearl and the Central Business District — for creative offices in town.

"From the Meatpacking District in New York City to LoDo and RiNo in Denver . . . Portland's Central Eastside is the most recent example of a former industrial area becoming the center of it all," said [Mark Friel](#), a director with APEX Real Estate Partners. "In each of these markets, tenant demand transformed these tired and older industrial zones into cool, sought-after neighborhoods."

Astonishing rents



GRANT LEMONS

The rooftop deck on Uncorked's building at 811 S.W. Stark offers sweeping views of downtown Portland. For the right firms, the Central Eastside, not downtown or the Pearl, has become the place to be in Portland's office market.

With that transformation, however, has come what usually follows a rush of new interest: tighter supply, increased congestion and rising rents. In the past few years alone, brokers have cited with astonishment the rising rents in the CEID and how they have come to almost parallel those in the tony Pearl District.

According to JLL, back in 2013, average full-service gross asking rents in the Pearl District were at \$25.87 per square foot. Those in the close-in Eastside were at \$16.76. As of the third quarter of this year, rents in the Pearl were up to \$35.66 per square foot, and those in the close-in Eastside weren't far behind at \$32.02.

Justin Sand, an associate with Colliers International, said both landlords and developers were quick to take note of the CEID's numbers — and potential.

"Naturally, landlords and developers noticed the movement and influx of office tenants and have aimed to capitalize on the lower acquisition costs of the area to either redevelop existing buildings or develop new projects entirely," he said. "As such, office rates on the central eastside have been and will continue to rise."

Last year, [Capstone Partners](#) and Premium Property acquired roughly two blocks at Southeast Ninth Avenue and Madison Street from Custom Stamping and Manufacturing for \$9 million. The developers have since embarked on a thorough renovation that will convert the existing warehouses into 72,000 square feet of office space to be known as the Custom Blocks.

"I think we really liked the industrial character of the neighborhood, but also the amount of innovative new makers there," said [Chris Nelson](#), co-founder of Capstone Partners. "We like how it has evolved from its old manufacturing base into this new creative and innovative neighborhood. Finding an opportunity on a scale like the Custom Blocks was appealing, because we think the Central Eastside is an area that has not just immediate potential, but good long-term opportunities as well."

Promising horizon

Nelson, who noted that Capstone has been "trading paper" with a handful of prospective creative office tenants, said he expects rents to hover just above \$30 per square foot for space in the Custom Blocks. Though the neighborhood has seen significant rent growth in recent years, Nelson said rising construction and acquisition costs and a slight softening in the market may limit how much higher rents will go in the CEID in the near future.

Still, the horizon looks promising for the CEID and its growing number of creative office users. Prominent companies have begun to move in — AutoDesk leased all of 100,000 square feet of the Towne Storage building and online bank Simple has space in two new buildings — and several other new projects from Harsch Investment Properties and Gerding Edlen are in the works.

Alvarez, of Uncorked, liked the neighborhood so much that he and his partners became part-owners of a new building at 811 S.W. Stark St., where Uncorked now has its offices. He said the district's continued evolution will likely result in a time when companies will be able to find everything they need — product design and innovation firms along with small manufacturers — to bring their ideas to fruition without ever having to leave the neighborhood.

He also said that he has heard that a few venture capital firms have even been sniffing around the neighborhood, looking for a place to call home and get in on the Eastside action.

"I think we are all really excited for the future of the neighborhood," Alvarez said.

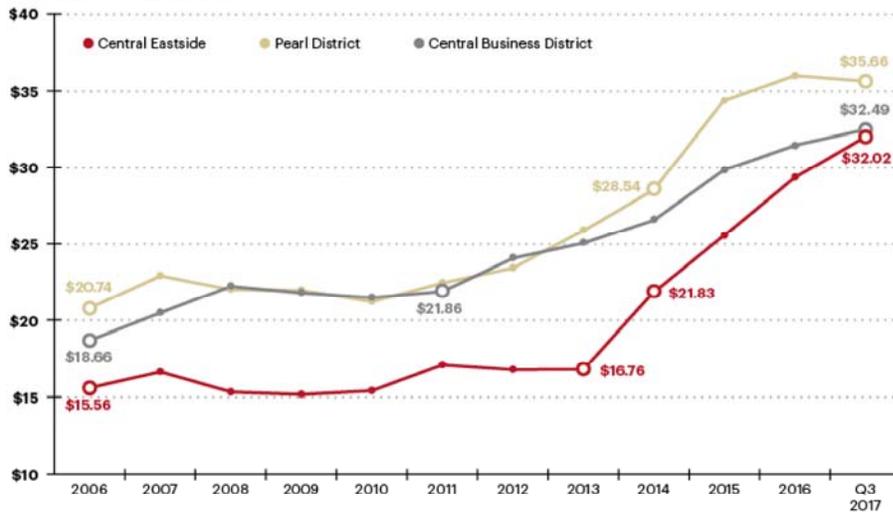
HIGH-PRICED RACE

HIGH-PRICED RACE: CENTRAL EASTSIDE VS. THE PEARL

Since 2013, the average full-service gross asking rent in Portland's Central Eastside has increased 91 percent, according to data from JLL. The neighborhood's meteoric rise from an industrial and manufacturing district to an artist's haven to a burgeoning office market has elevated its rents to heights near that of the tony Pearl District. Here's a look at how the average rents in the Central Eastside over the past 10 years compare to the Pearl District and the broader Central Business District.

AVERAGE ASKING RENT

▼ PRICE PER SQUARE FOOT



*Note: the Pearl District is part of the Central Business District
SOURCE: JLL

Jon Bell
Staff Reporter
Portland Business Journal

