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Unico's Pearl plan

Developer says Safeway deal means it will build Lovejoy

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Permits willing, Unico Properties Inc. breaks ground in October on Lovejoy, a two-block development that will bring 80,000 square feet of office space to the Pearl District and a much-anticipated Safeway.

The Lovejoy is Seattle-based Unico's first foray into office construction in decades.

Unico and its partner, Marpark LLC, will begin developing the complex on two blocks in the Pearl District as soon as the city issues permits, said Brian Pearce, who manages Unico holdings in Portland, most notably the 43-story U.S. Bancorp Tower.

The Lovejoy will occupy the blocks bordered by Northwest Lovejoy and Marshall streets and by Northwest 12th and 14th avenues.

The Safeway store will occupy the ground floor of a seven-story building that will include parking and three levels of Class A office space with a little more than 80,000 square feet of space.

The second block will be developed with ground-level retail topped by roughly 220 apartments.

With a tentative opening date of spring 2008, The Lovejoy could be the first office space to open in the downtown area in recent years.

Equity Office Properties intends to build a much larger office tower -- 15 stories -- at Southwest First Avenue and Southwest Main Street. But Equity wants commitments from tenants for 100,000 square feet before it proceeds.

Unico and Marpark, which have committed to Safeway to build a store, will build the project even if they don't get commitments from tenants before construction starts.

Portlanders usually like to see what they're renting before signing contracts, Pearce said.

"This market typically doesn't pre-lease," Pearce said. "We have to deliver a Safeway. We are building."

Pearce said the project is perfectly positioned to open as the market for office space in downtown Portland heats up. By the end of this year or early 2007 at the latest, he predicts the vacancy rate will drop below 5 percent -- a key eel that tends to drive up rents and spur developers

"We'll be the first one out," he said.

The Lovejoy will replace an unused warehouse on one block. The other is being used by construction crews as a staging area for the Wyatt Condominiums project next door.

Both Pearl projects will be packed with sustainable features to qualify for the U.S. Green Building Council's Leadership in Energy and Environmental Design rating system. Energy-efficient design, ample windows to allow in daylight and ecoroofs are all part of the plan.

Speech Development will manage construction on behalf of the owners, Unico and Marpark. Buzz Ellis and Mark Friel at Pacific Real Estate Partners are the leasing agents for the office space.

Friel, a vice president with Pacific Real Estate Partners, anticipates the office space will be well received. And he doesn't agree that Portland businesses won't commit to unbuilt space. Fox Tower and ODS Tower both pre-leased more than half of their offices before construction was finished, he said.

The Lovejoy is already attracting attention, with its proximity to the hipster Pearl District scene and amenities such as REI, nightclubs, galleries, restaurants and so forth.

"The Pearl is a creative edge," Friel said. "We'll definitely have one or two tenants by the time this comes out of the ground."

The Lovejoy office has an asking price of $25 a square foot with a triple net lease, in which the tenant pays utilities, taxes and insurance. There will be two parking spots for every 1,000 square feet of space, about twice the typical ratio found in downtown proper.

The difference between office rents and the cost of new construction is narrowing all the time as large blocks of office space disappear from the downtown market, which to Pearce includes the northern reaches of the Pearl District.

"All the sudden, that differential is getting smaller."

Unico last ventured into new office construction in the late 1970s and early 1980s in downtown Seattle, an effort that yielded One and Two Union Square and the unusual Rainier Tower -- a skyscraper sitting atop a slim pillar.

The undertaking in the Pearl District may not test the bounds of credibility the way Rainier Tower did, but it does signal a new Portland-centered focus for Unico as it pushes into new corners of the commercial real estate business.

The company recently entered the multifamily market with projects in Seattle. The Lovejoy will be its first apartment project in Portland, which is an increasingly important market for Unico.

"Portland is Unico's top market for expansion," Pearce said.

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