

# 21 cranes, 15 hotels, 10,000 jobs: Inside Oregon's development spree

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*The Oregonian/OregonLive*

John Killin pressed the panic button in February amid a multibillion-dollar tsunami of real estate development.

The building frenzy that lit up the Portland-area economy and changed the city irrevocably has depleted the pool of skilled construction workers. In a letter to fellow contractors, Killin warned of a "new normal" of chronic labor shortages.

"There are probably 10,000 open jobs out there," said Killin, executive director of the Associated Wall and Ceiling Contractors of Oregon and Southwest Washington. "We need 800 carpenters, we need about the same number of electricians. And there are 20 more trades."

Nearly a decade after the Great Recession, the long and frustratingly slow recovery has morphed into a barrage of development that by some measures surpasses the mid-2000s housing bubble. The city issued nearly 12,000 buildings permits through the first 10 months of its current fiscal year for a record \$2.5 billion in projects, easily eclipsing the previous high of \$1.9 billion set the year before.

Interviews with dozens of developers, construction company executives and union officials reveal a boom that includes all real estate categories, from high-end apartments in Portland's urban core to enormous data centers in the eastern Oregon desert. Fueled by strong in-migration and job growth, Portland should remain red-hot in the near-term, they predict.

Twenty-one construction cranes currently dot the metro-area's skyline, the fifth most in the country and more than either San Francisco or New York. The development mania extends north to Seattle, where a nation-leading 64 construction cranes are in action.

"This boom is unprecedented; it's absolutely unlike anything else I've seen in 50 years," said Bob Walsh



In this July 19 photo, children and adults alike dangle from the high rise swing ride at the Lane County Fair in Eugene. Oregon is the midst of a massive building and development spree.

Rhianna Gelhart/The Register-Guard via AP

of Walsh Construction in Portland.

But it's not all roses for the real estate set. Demand has slowed for the thousands of pricey apartments recently developed in the city. But most industry players remain confident the industrial and commercial sectors will compensate for the multi-family lull. The deals come at a furious pace:

Developers continue to make inroads in Northwest Portland's industrial sanctuary. Caim Pacific is pushing ahead with its Slabtown development, a \$1.4 billion reboot of the former Con-Way Trucking property. Nearby, under the shadow of the Fremont Bridge, Portland developer Project "i" is building two enormous office buildings totaling 300,000 square feet.

Mortenson Construction will break ground next month on a \$220 million Convention Center hotel in Northeast Portland, one of 15 hotels in the works in the city. E-commerce titan Amazon has agreed to lease more than 1.1 million square feet of warehouse space — think 15 football fields — in Troutdale and Hillsboro in the past year. It also intends to complete three new data

centers in the eastern Oregon towns of Boardman and Umatilla, which could exceed \$1 billion in cost. Google and Facebook are also finishing up their own new data centers in The Dalles and Prineville, respectively. Oregon Health & Science University, the University of Oregon and Portland State University are at work on or planning expansions worth more than \$700 million. Multnomah County is breaking ground on a \$300 million courthouse, the city of Portland is gearing up for a \$195 million renovation of the Portland Building, and the Port of Portland is launching the first stages of a \$2 billion renovation and expansion at Portland International Airport.

### Labor shortage

The University of Oregon Foundation last fall embarked on a \$70 million renovation of Hayward Field, the Eugene university's famed track and field venue. It was a plum job for a high-profile client — worthy of any contractor's portfolio.

And then, nothing. Subcontractors weren't interested.

"We had difficulty finding any bids," said Paul Weinholt, chief executive officer of the foundation. "They were too

busy. The bids we got were 10-15 percent higher than we'd anticipated. It's a little spooky."

The Great Recession that took hold in 2008 was particularly brutal on real estate and construction. The workforce plummeted from about 100,000 to 60,000 in Oregon, as workers retired or found other occupations.

When the slow recovery transformed into a storm of development, no one was prepared. Crews today are working six and seven days a week. Contractors have scoured other states looking for qualified labor. "The local union is recruiting from all over the country in an effort to meet demands, but their out-of-work list (of available workers) is essentially empty," Killin told contractors in his letter.

"Unfortunately, this spring, summer and likely fall will see a new normal of previously unconsidered workforce shortages."

Oregon Labor Commissioner Brad Avakian blames schools that eliminated vocational classes and a society enamored of all things digital.

"We were no longer teaching young people that this is a great career path," Avakian said. "We completely ignored that people can earn \$60,000 to \$150,000 with benefits in these trades. These are the people who built Oregon."

And though aggressive recruiting has landed 830 people in the local electricians' apprenticeship program, it's not enough to cover looming retirements, said Carl Redman, president of Bear Electric of Portland.

"I think it is fair to say that if you want to work, there is zero unemployment for electricians," he said.

Much the same is true for carpenters, excavators, plumbers and the other skilled trades. Steve Simms, who oversees the construction trade apprenticeship programs for Avakian, said he knows of 1,000 jobs that could be filled tomorrow.

The labor shortage has led to delays and helped feed rising construction costs. Some developers allege it's also contributed to lapses in quality.

Last month, Portland developer Tom Brenneke's company sued Andersen Construction, claiming it did shoddy work on his Oxbow 49 apartment building in Johns Landing. The problems stem, in part, from the pressure to work fast and move on to the next job, Brenneke alleged.

"I paid Andersen \$28 million, and what I got was a bunch of quality-control problems," he said.

Andersen officials in a written statement said "there are different perspectives to every story and since this has moved into legal action we would prefer not to try and liti-

gate this matter in the public nor through the media."

### Exit strategy

Another powerful force could counteract the apparent residential slowdown and encourage even more development. Some of the world's most deep-pocketed institutional investors have "discovered" Portland and are eager to buy in.

These investment bankers and pension fund managers have trillions of dollars to invest. Developers lucky enough to attract their attention are making small fortunes.

The Yard apartment building at the east end of the Burnside Bridge took all sorts of heat from critics who thought it was too big, too dark, too monolithic. But the developers had the last laugh. They had barely leased half the Yard's 284 units late last spring when a Thai investment trust swooped in with an offer to buy the building for an eye-popping \$126 million.

The developers, who spent \$84 million on the project, quickly accepted.

Seattle-based Urban Renaissance sold the former home of *The Oregonian/OregonLive* in April for \$95 million, six times its purchase price for the downtown Portland building. Last week, Specht Development sold the sprawling Northeast Portland warehouse it built just two years ago for \$56 million.

Both deals were record-high purchase prices in Portland, noted Chris Nelson, of Capstone Partners, testament to institutional investors' new regard for the region.

And yet, industry veterans who've lived through the collapse of other bullish cycles, can't help but be wary. "Everyone agrees the party has been going on a long time," said Jim Link, general manager and executive vice president of Skanska USA Building in Portland.



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Pictured in the EO newsroom staff photo, L-R:  
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