

Gramor Development Co. bucks construction trend

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There's no economic downturn at Gramor Development Inc.

Since July, the Tualatin-based commercial developer and its retail partners have broken ground on four separate projects with a combined value of more than \$230 million.

Collectively, its projects will add more than 1 million square feet of store space to metro Portland's inventory of 44 million square feet of retail real estate. Gramor's efforts are helping to bring a Costco store to Vancouver's Eastside, a New Seasons Market to Beaverton and a Fred Meyer to Wilsonville.

It also is anchoring the team working to reconnect downtown Vancouver to the Columbia River, where it will lead a Pearl District-type redevelopment of 26 acres of waterfront land once occupied by Boise Cascade.

It's a coincidence Gramor has four active projects in a recession that otherwise clobbered the retail industry and boosted vacancy rates, said Barry Cain, Gramor's co-founder and president.

"Most of the things we're doing, we've been working on for years," he said.

Gramor, which employs 15, does not reveal revenue. Reference USA, an online database, estimates its sales at \$8.08 million.

Gramor projects employ more than 3,000 construction workers. Its projects are bringing local businesses such as New Seasons Market, Cinetopia, McMenamins Pubs & Breweries and Al's Family Entertainment Centers to new neighborhoods.

The work may signal that real estate development is returning to normal.

"This may be the green shoots of spring," said Gerry Mildner, director for the Center for Real Estate at Portland State University's School of Business Administration.

Gramor's projects will boost Portland's retail inventory in the long run. The city has about 10 percent less space per resident than average for the U.S.

But the new space, with its unfilled storefronts, could boost also retail vacancies. At mid-year, Portland's retail vacancy rate stood at 8 percent, up more than two percentage points in two years as retailers shed nearly 300,000 square feet of space, according to NAI Norris, Beggs & Simpson.

Nationally, however, the International Council of Shopping Centers projects few-



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Gramor President Barry Cain's company is working on four projects worth a collective \$230 million.

er store closing in 2010 than 2009 and more improvement in 2011.

In one promising sign for Gramor, rival developer CenterCal Properties LLC successfully packed its newest properties with prominent tenants including some new-to-Oregon firms. CenterCal, which is backed by the California State Teachers Retirement, reports occupancy rates of 95 percent and higher at its newest projects — Bridgeport Village in Tigard and Cascade Station near Portland International Airport.

Gramor routinely ranks among Portland's largest commercial developers, alongside Trammell Crow Co., Opus Northwest LLC, Harsch Investment Properties and DP Partners. The privately held firm formed in 1985 and averages about two projects a year. It has developed nearly 692,000 square feet of mostly retail space in the past five years.

Its notable recent projects include Happy Valley Town Center, which is anchored by New Seasons Market, and West Linn Central Village, a redevelopment project which is anchored by Market of Choice.

Gramor leverages private equity and bank loans to construct town center-style retail projects, typically anchored by groceries.

Cain said the company tends to hold onto its centers for the long-term, though it does sell if the circumstances are right. In July, it sold Happy Valley Town Center to Purchase, N.Y.-based Retail Opportunity Investment Co. for \$39.4 million.

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GRAMOR'S CURRENT PROJECT ROSTER

● **PROGRESS RIDGE.** The \$60 million, 325,000-square-foot retail center on the Beaverton-Tigard border is anchored by New Seasons Market, Cinetopia and Big Al's Family Entertainment Center. Big Al's opened last month with 200 employees. Construction on the balance of the center began across the street in August.

Cinetopia will open in August 2011 and New Seasons will open a month later. U.S. Bank provided a \$45 million loan for the project, Gramor assembled \$15 million in private equity. Gramor spent years trying to re-develop the former rock quarry and at one point hoped to site a Fred Meyer store there until city support collapsed. Progress Ridge is about 70 percent pre-leased.

● **LACAMAS CROSSING.** Construction began on the \$40 million, 181,000-square-foot Costco-anchored project in August in East Vancouver, near the intersection of Northeast 192nd Avenue and Southeast First Street. It opens in early 2011. Costco is constructing a 154,000-square-foot store on property it purchased from Gramor. The developer is creating 27,000 square feet of additional retail space on three acres and envisions leasing to tenants interested in being close to Costco. The project is 50 percent pre-leased.

● **OLD TOWN SQUARE.** Better known as the new "Wilsonville Fred Meyer," the project began July 26 and opens in a year. The Kroger Co. is constructing a 145,000-square-foot Fred Meyer store on a parcel Gramor first brought to the grocer's attention nearly two decades ago. Gramor is constructing an additional 51,000 square feet of retail space. Its \$19.26 million project is about 50 percent pre-leased with McMenamins Pubs & Breweries signed on as a tenant.

● **VANCOUVER WATERFRONT.** Gramor paid \$8 million to buy the 26-acre waterfront site from Boise Cascade in 2008. The property is isolated from downtown Vancouver by a railroad spur.

Work began this month on a \$44.6 million access project to establish underpasses below the railroad. Eventually, the site will reconnect to Vancouver's street grid, setting the stage for a \$1.3 billion redevelopment led by Gramor. The site could eventually sport 3,300 residential units, 1.2 million square feet of office space, 400,000 square feet of retail space, 10 acres of parks and a 200-room hotel. Gramor will likely sell the non-retail sites to other developers and retain the retail ones for itself. Gramor expects to begin construction within two years. The waterfront will take 10 to 15 years to complete.

— Wendy Culverwell