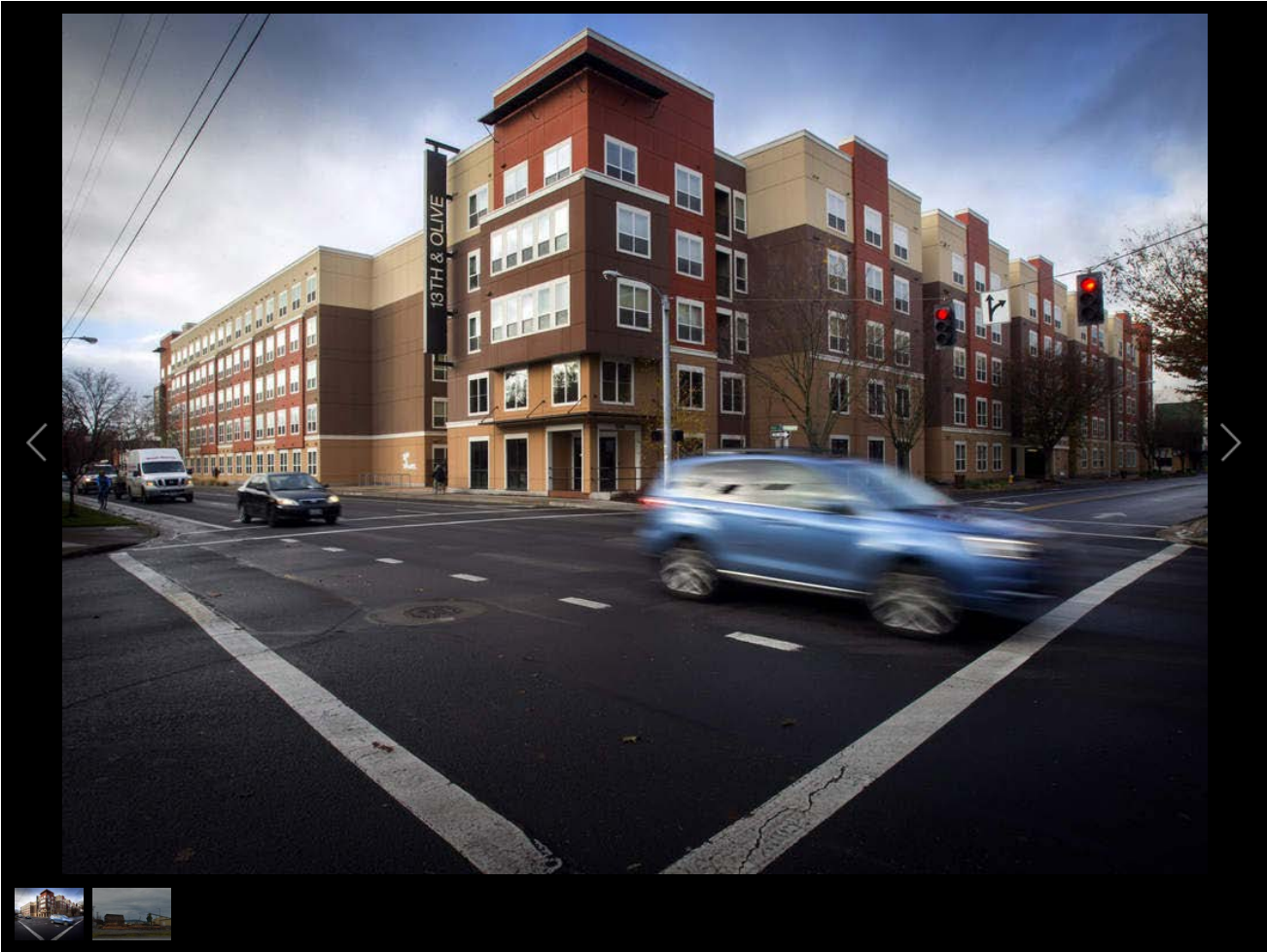


BUSINESS

Rosboro, Capstone sales launched Lane County's top real estate deals of 2016 to new heights



1/2 – The \$104 million sale of Capstone apartments in Eugene to a Singapore investment firm was the second largest real estate deal in Lane County last year and the largest for a single property. (Andy Nelson/The Register-Guard, file)

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The Register-Guard



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Investors from Oregon to Asia made 2016 a record-setting year for Lane County real estate.

Two deals dwarfed any in recent history by dollar value, a review of the county's largest real estate deals of last year shows: Springfield wood products manufacturer Rosboro's \$194 million sale of its county timber holdings, and the \$104 million sale of the Capstone student apartment complex in Eugene to a Singapore investment firm.

Just three years ago, the most expensive deal was a \$13.2 million sale of Heritage Village, a Eugene apartment complex built in the 1970s. But led by Rosboro's sale and a rush of investors scooping up some of Eugene's splashiest apartment complexes, nine sales last year closed for more than the Heritage Village deal, according to figures compiled by Lane Council of Governments. The figures don't include deals where properties were exchanged, rather than sold, or where sale prices weren't publicly disclosed.

Eugene's recent apartment housing boom hasn't gone unnoticed. Investment firms spent more than \$330 million combined last year on nine large Eugene apartment complexes. Most of them, like the 375-apartment Capstone project downtown and the 466-apartment Riverwalk development near Goodpasture Island Road, were built in 2010 or later.

Investors see a safe bet in these newer buildings, said René Nelson, principal broker with Eugene-based Pacwest Commercial Real Estate, Inc. And they're emboldened by the Eugene market, with a relatively steady employment base anchored by the University of Oregon, a growing population and lower prices than Portland or Seattle.

"They're looking at the Eugene market and they see our job growth, our stability of employers and our overall tenant pool," Nelson said. "And from a tenant aspect, a lot of people want to move here."

In the years after the Great Recession, developers built massive student apartment complexes like Capstone downtown, and University House, Skybox and Courtside near the UO campus as the university's enrollment rose sharply.

But most of the large complexes sold last year were higher-end properties for older renters. The properties included the Boulders on the River complex on Goodpasture Island Road in north Eugene, the Broadway Place apartment and retail development downtown and Heron Meadows Apartments near Randy Papé Beltline in west Eugene. Each sold for at least \$10 million more than their previous sale price.

"We actually are finding more value in paying more in Eugene because we're still perceiving good growth there," Michael Green of California-based Virtu Investments, said after his company purchased Broadway Place.

Most of the sales involved regional firms selling properties to other out-of-state firms.

"A lot of developers owning property, they're wanting to take that profit and go into other markets, like New York and L.A.," Nelson said.

That opens the door for new investors who aren't fazed by the rising prices.

Other big properties

The sale of Rosboro's timberlands and the acquisition of apartment complexes last year dominated the list of top deals, but they weren't the only big properties that changed hands.

Sacramento investors bought a 102-lot manufactured home community in northeast Eugene.

Two industrial sales — Winnebago Industries' January purchase of a Junction City warehouse and storage complex, for its RV manufacturing and service operation, and Lane Forest Products' purchase of the former Rears Manufacturing property — cracked the 20 top deals. So did three hotel sales.

Three multi-tenant office buildings in Eugene made the top 20, led by Pentagon Federal Credit Union's \$8.5 million purchase of the three-story building it occupies on Country Club Road.

But three other office building transactions just missed the top 20 list, selling for \$2.5 million to \$3.5 million. And a seventh deal — a proposed sale of the Broadway Commerce Center in the heart of downtown — was pending at year end.

"The market is flooded with investors," said Matt Hogan, a partner with commercial real estate firm C.W. Walker & Associates in Eugene.

Hogan said more office building sales are closing than reported on the Lane Council of Governments' list of top property sales, which are based on deeds filed with the Lane County Clerk's Office. That's because in some deals a purchaser can acquire majority ownership of a limited liability company that remains the owner of a property. Such corporate ownership changes can take place without a new property deed being filed.

With employment on the upswing in Eugene, commercial real estate investors are finding solid bets in office buildings, Hogan said.

Investors' confidence is borne out by data showing strong employment gains in the "professional and business services" industries that cover a wide range of fields, from software and architectural firms, to data centers and engineering and law offices. These types of businesses need plenty of office space.

Lane County employed an annual average of 17,500 people in these fields last year, according to Oregon Employment Department figures, 1,000 more than in 2015 and 3,200 more than in 2009, when the economy tanked.

"It's kind of indicative of the overall economy," said Brian Rooney, a regional economist with the Employment Department. "When (professional jobs are) growing, it generally means there's broad-based growth in the overall economy."

As the economy grows, investors get bolder, and banks are more willing to help finance purchases of big office buildings, Hogan said.

"Interest rates are low, and banks are very willing to put their money to work in the market," he said.

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TOP 20 REAL ESTATE DEALS OF 2016

1. \$194.3 million: Rosboro, of Springfield, sold its Lane County timber holdings to Portland-based Campbell Global, LLC.
2. \$104 million: Capstone Collegiate Communities, of Birmingham, Ala., sold the 375-unit Capstone apartments in Eugene to Singapore-based Mapletree Investments.
3. \$45.8 million: Hrebek Properties, of Tempe, Ariz., sold the 248-unit Boulders on the River apartments in Eugene to Rolling Hills Estates, Calif.-based Casa-Boulders, LLC.
4. \$43.1 million: BPM Real Estate Group, of Portland, sold the 466-unit Riverwalk Apartments in Eugene to Danville, Calif.-based Green Leaf Partners.
5. \$40 million: Investors Capital Group, of Seattle, sold the 300-unit Heron Meadows Apartments in Eugene to Seattle-based Evergreen Housing Development Group.
6. \$31 million: Evergreen Housing Development Group, of Seattle, sold the 192-unit Ecco Apartments in Eugene to San Francisco-based Hamilton Zanze Real Estate Investments and other investors.
7. \$30.5 million: The Wolff Co., of Scottsdale, Ariz., sold the 170-unit Broadway Place apartment and retail complex in Eugene to Larkspur, Calif.-based Virtu Investments.
8. \$21.2 million: Rosboro, of Springfield, sold its Springfield and Veneta mills and Lane County manufacturing operation to Rosemont, Ill.-based Wynnchurch Capital.
9. \$18.5 million: Christopher Capital Inc., of San Diego, sold the 74-unit Skybox apartments in Eugene to Denver-based University Communities.
10. \$13 million: Gerding Edlen, of Portland, sold a majority stake in the 65-unit University House apartments in Eugene to Portland-based Columbia Investments Ltd.
11. \$12.1 million: Christopher Capital Inc., of San Diego, sold the 47-unit Courtside apartments in Eugene to Denver-based University Communities.
12. \$10.4 million: Steven Ward, of Eugene, sold the 102-space Summer Oaks Park manufactured home community in Eugene to Sacramento, Calif.-based FollettUSA.
13. \$8.5 million: McKay Investment Company, of Eugene, sold a 52,800-square-foot office building on Country Club Road in Eugene to Alexandra, Va.-based Pentagon Federal Credit Union.
14. \$7.3 million: Kornbluth Enterprises, Inc., of Yucca Valley, Calif., sold the 61-room Hampton Inn hotel in Eugene to Charles Miano, of Livermore, Calif.
15. \$7.2 million: LM-Broadway I, LLC, of California, sold the Parkview Place office building in downtown Eugene to Kelly Beckley and Mike Hudman, of Eugene.
16. \$4 million: Lee Joint Trust, of Lane County, sold a warehouse and storage complex in Junction City to Forest City, Iowa-based Winnebago Industries.
17. \$3.9 million: Alfred Boas Family Trust, of Los Angeles County, sold the 49,000-square-foot Delta Triad Building office complex in Eugene to Daniel and Christine Kersey, of Springfield.
18. \$3.9 million: Eunsook Kim, of Beaverton, sold the 40-room Best Western hotel in Cottage Grove to Seong and Helen Kim, of Eugene.
19. \$3.6 million: Rears Manufacturing, of Coburg, sold a 15.8-acre industrial property in Eugene to Eugene-based Lane Forest Products.
20. \$3.5 million: Realvest Corporation, of Vancouver, Wash., sold the Village Inn Motel and Cottage House property in Springfield to Ada Lee Living Trust, of Eugene.

"It's kind of indicative of the overall economy."

— Brian Rooney, regional economist with the state Employment Department, on investments and job gains during 2016

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Tea time at Shelton-McMurphey-Johnson House

Eugene's Victorian museum expands its popular parties year-round

At the Shelton-McMurphey-Johnson House — Eugene's Victorian house museum — tickets to the annual



holiday teas in December are so sought after that sometimes Executive Director Leah Murray will get a call about them as ...



- Treat your palate with shrimp, herbs and vibrant Asian ingredients
- Fajitas guaranteed to score for Super Bowl
- A toast to the Super Bowl: Best bubbly for the big game

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Weekend

GOOD WALKS

It's all in the timing

Catch a sunny break, get in some wintry miles along Pre's Trail to Kelly Butte and back

We've been looking at the weather forecast a lot lately in attempt to plan our next ventures out on the walking trail. It's really winter, after all, and from one week to the next there ...



- Weekend events for Lane County and beyond, Feb. 4-5
- Super Bowl party fare: Chicken wings, Korean style

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