



Prime Meridian

New condominium project breaks ground

BY NICOLE KRUEGER

WITH ITS large, upscale condos located on top of 30,000 feet of office space, The Meridian will break new ground in more ways than one.

The \$54 million mixed-use development, which will soon occupy a now-empty lot on Commercial Street, is a fairly common concept in other cities, but one that developer Dan Berrey has had to pioneer in Salem.

From finding a location large enough to accommodate a project of this size to overcoming skepticism to grappling with rising construction costs, just getting the project to the point of breaking ground has been the work of three years and more than 16 different consultants, Berrey said as he spoke recently about the development.

What is the status of The Meridian?

The site is being staged, which basically means it's being prepped for excavation. They're putting up everything from construction trailers to security fencing; grubbing, which is the removal of

vegetation; and the dewatering of wells is something we've dealt with as well. For all purposes the project has started.

Roughly 30 percent of the residences have been reserved or have nonrefundable deposits, and the commercial space is being purchased by the investment group. They will divide it up and lease it as the construction progresses.

What was your initial vision for the project, and how has that changed?

Initially the concept for the development was five floors; two floors had been set up for office space. The change is we added a sixth floor for additional penthouse residences. We also added a mezzanine level for dry storage because we anticipate that most of the office space is going to be medical, and on-site storage is something most leasing facilities don't have. The Meridian will actually have space to provide on-site storage for files.

We converted the second floor from office space to residential units. We're

actually finding that residential units are easier to deal with than the parking requirements for medical offices because medical requires a very high parking ratio.

How did medical become the primary interest in The Meridian's office space?

The vacancy for medical space in Salem is 1 percent. The Meridian is four blocks from the hospital, and the office space can be leased with the option to purchase, so doctors can actually own an office four blocks from the hospital. Based on the fact that doctors have a requirement to be within five minutes of the hospital and the fact that there are no available office spaces nearby, it was pretty much easy to see.

What made you believe Salem was ready for a development of this sort?

I'm an Urban Land Institute member, and as a member of the ULI, I've traveled around the United States looking at other projects. One of the things that caught our interest is that the fastest-growing

population segment in the United States is the baby boomers who are turning 50.

This is a facility that is not in competition with the local housing market. It's a facility for people who want to become more mobile, who want to be able to leave their home and not worry about it. It's for people who are looking for a facility that provides them with low-maintenance, or really no-maintenance, housing. Before, the only option for them was to leave the community. They would have to go to Portland or Central Oregon to find housing like this.

We were hearing of a number of people who were relocating to Portland. We knew some folks had family here and wanted to remain.

Describe the importance of location to a project such as this. How did you pinpoint this location?

When we first started the project I was almost skeptical of the location. But since then we've realized we had underestimated the value of Bush Park, the library right across the street, the river, the hospital.

Ideally the best location for a mixed-use development is in the heart of the city, so downtown, near restaurants, near waterfronts, is the ideal location. The problem Salem is facing is the assembly of enough land to make a mixed use development economically feasible.

We were fortunate enough to find two property owners willing to combine their properties to make them large enough. Often in Salem you can't find two adjacent property owners willing to sell their property.

What changes have taken place in the construction industry and how have they affected The Meridian?

Last year, construction costs rose 30 to 40 percent. We had the hurricanes, and New Orleans was wiped out, so that's created a building materials demand. China has put a great deal of pressure on our building materials as well.

That's why The Meridian has grown in size. We had to delay the project at one point because we had to reengineer and redesign The Meridian to increase the size of the project. Our prices went up as well to absorb some of it. You basically increase the size of the building but the land costs remain the same, so you can absorb some of the costs.

How has the market been for your condos?

I think we are still waiting to see how the market will react. It's tough for a local buyer to look at the project and envision what it will be when it's done. If you can't see anything but a hole in the ground, that's a big leap of faith for the buyer to spend \$225,000 or more on. What will the quality be? What will the view be?

My belief is once folks see the project standing and see the quality of work – The Meridian will actually be a higher quality building than some of the existing buildings in Portland. With The Meridian, we're actually allowing buyers to customize and design their units. That's unusual in this market. They can choose everything from flooring to materials to wall colors. They can even change the walls around.

We're also selling to an out-of-town market. We're having more people from out of town stepping up who are moving back to Salem. They've lived in other communities where they're used to seeing condos and mixed-use developments.

Why do you feel The Meridian will be successful?

The Meridian has two things going for it. It does not look like an office building, and it's a higher quality of building. The cheapest way to build a building is to build a box. That's the highest return a developer can get.

What we've chosen to do is put in a lot of breaks in the elevation, a lot of ins and outs. That type of construction isn't cheap. It's also a wing design, to be able to take advantage of the different views. It's all stone and brick, and you don't often see that. Plus the entire skeleton is concrete.

That's how we've overcompensated for the concerns people have had. We've got to bring something to the table that will blow away any options you'd see in the Portland market. ■■



The Meridian

Project: Condominium and office project

Size: More than 190,000 square feet on six floors

Value: \$54 million

Location: 777 Commercial St. SE in downtown Salem

Condos: 89 units. Typical units will range from 850 to 2,300 square feet; some may be larger.

Prices: Condo units will sell for an average of \$475 per square foot.

Commercial space: 30,000 square feet for medical or other professional offices

Developer: Commercial Concepts Inc.

Builder: John Hyland Construction Inc.

Architect: Arbuckle Costic Architects Inc.

Contact: (503) 485-2246; www.themeridian.biz/

The Meridian will have views overlooking the Willamette River.

