



Helping Business do Business Since 1893



Marc Stiles
Real Estate Editor

April 28, 2011

Real Estate Buzz: Tenants, buyers sniff around in Bellevue

By [MARC STILES](#)
Real Estate Editor

Here are three signs downtown Bellevue is heating up:

- Expedia is expanding and is rumored to be taking 50,000 square feet of space at Skyline Tower. Makes sense. The company is growing, with 349 job openings in Bellevue listed on its website. Plus, Skyline is next to Expedia's headquarters. Company officials did not respond to an email seeking comment.
- Investors are interested. A brief article tucked inside yesterday's Wall Street Journal stated New York-based Thor Equities has agreed to buy Bellevue Galleria for \$87.5 million. "We see enormous potential in this market and in this property in particular," Thor Chairman and CEO **Joe Sitt** told the Journal. The 204,000-square-foot office and retail project is 99 percent leased. A spokesperson for the current owner, RP Realty Partners of Los Angeles, did not respond to an email.
- The Puget Sound Business Journal reported Beacon Capital Partners is trying to sell the 23-story Key Center office tower. Beacon President **Fred Seigel** told the PSBJ the lack of high-quality assets for sale and record-low financing make this a good time to sell.

This all means "Bellevue's got a pulse. It's got a big pulse," said **Brian Hatcher**, an Eastside office broker with Kidder Mathews. The amount of activity among office users is triple what it was a year ago and six times greater than in 2009, with "a lot of big tenants sniffing around."

This is happening in a market where there are few, if any, blocks of 50,000 square feet or more. "All the towers have some vacancy. But big blocks? Not there," said Hatcher. He predicts rents will rise 15 to 20 percent in the next 12 to 18 months.

"It's got to happen," he said.

Touchstone selling Seattle site

Seattle developer Touchstone is selling half of the block that it bought last year in the Cascade/South Lake Union area, and retained **Jim** and **Ross Klinger** of Kidder Mathews to market the multi-family site at 205 Minor Ave. N.

Asking price: \$12.5 million.

Under current zoning, the site could hold 270 units in a 7-story building, though city officials plan to rezone the area. Under the most robust alternative, the maximum height could be doubled to 160 feet.

Jim Klinger said there's been a big uptick in interest among investors for multi-family development plots.

“Core sites are at the top of the totem pole,” he said, with bidding wars breaking out. Those wars are being won by REITs with cash on hand.

Touchstone, which builds office, biotech, hotel and retail, paid \$9.2 million for most of the block between Fairview and Minor avenues north and John and Thomas streets. Under one rezone alternative, building heights could reach 300 feet on the half block that Touchstone is keeping.

When Touchstone bought the property in August, company principal **Douglas Howe** said he had no immediate plans for it.

Is Kilroy the next Spieker?

Watch for Kilroy Realty to ratchet up its presence in the Puget Sound region and other West Coast markets.

“I think Kilroy is in line to be the next Spieker-like [company] on the West Coast,” Kilroy Chief Investment Officer **Eli Khouri** said days after wrapping up the \$100 million purchase of the Plaza at Yarrow Bay in Kirkland.

If that's the plan then Kilroy hired the right person in Khouri, who worked for Spieker. But to say his company could be the next Spieker is bold.

Spieker, a real estate investment trust, was a dominant player in the greater Seattle area until another REIT, Equity Office Properties, acquired it 10 years ago for \$7.3 billion. At the time, Spieker had 2.75 million square feet of commercial real estate here.

Kilroy raised \$1.5 billion last year from new equity and debt offerings, putting it in a good position to outmaneuver private companies when it comes to acquisitions.

Los Angeles-based Kilroy's expertise includes land acquisition, financing, development, construction management, leasing and operations, and long-term portfolio development. It isn't a retail player, though it will look at mixed-use.

The company holds a small amount of industrial property in Southern California but does not yet have a strategy for that sector in Seattle. For now, office projects are the target, Khouri said.

Putting the frosting on the cake

Continental Properties had what to us was a new take on last week's groundbreaking for the 56-unit Lake Boren Townhomes in Newcastle. The company said it would bring a cake model of the project to the ceremony.

We were skeptical, but by the looks of the picture, Mike's Amazing Cakes in Redmond did, well, an amazing job.



Photo courtesy of Continental Properties [\[enlarge\]](#)

Lake Boren Townhomes — in flour and sugar

Guess we'll have to eat our words.

Got a Buzz tip? Send it to marc@djc.com or call (206) 219-6517.