



# DAILY JOURNAL OF COMMERCE

Helping Business do Business Since 1893

February 25, 2010



**Marc Stiles**  
Real Estate  
Editor

## Real Estate Buzz -- Apartment sales: After you. No, after you

By MARC STILES  
Real Estate Editor

The flood of new multi-family properties that investors have been expecting hasn't come onto the market yet, but a crack in the dike did appear on Monday. That's when Apartment Realty Advisors' Seattle office began marketing the 203-unit Apex Apartments in Tacoma.

ARA's **Jim Claeys** said the sale is "the first true opportunity to recapitalize" a big new Class A development in the Puget Sound region since the start of the Great Recession. In the hardest hit markets — like Vegas, Phoenix and Miami — the torrent already has begun. Properties have been going for 50 cents on the dollar, or less, giving investors an idea of how deep the trough is.

In the Seattle area, sellers have lined up at the top of the cliff, but they're waiting for others to jump first. They're aided by lenders who have agreed to keep the construction loan in place a little longer hoping that things will turn around.

It's called "extend and pretend," Claeys says, but he thinks lenders are merely avoiding the inevitable. Borrowers and banks will face the same difficult situation when the extensions expire.

A partnership led by MC Construction Consultants, a develop/design/build firm in Olympia and Tacoma, is selling the Apex. Built in 2006 and 2008, the high-end property has a pool, hot tub, fitness center, game room, courtyard, etc.

According to MC's Web site, rents start at \$800 for studios and one-bedrooms, and just under \$1,100 for two-bedrooms. The landlord is offering one month's free rent for some units.

The Apex hit the market un-priced. Occupancy is 77 percent, according to Claeys, who says that's not distressed compared to other new projects that are only 15 to 20 percent leased. Still, given the market, Claeys expects the property will go for slightly less than replacement cost, which he pegged at between \$235,000 and \$250,000 per unit.

No wonder developers are waiting for others to jump first.

**Coldwater space going, going...**

**Don't expect Coldwater Creek's high-profile retail space to be vacant long.**



Photo courtesy of Apartment Realty Advisors [enlarge]

**Market watchers are keeping an eye on the sale of the Apex Apartments in Tacoma to judge the state of the market.**

**Maria Royer** of Real Retail, who has been marketing the 13,600-square-foot store in downtown Seattle's 5th & Pine Building for about 18 months, says she's receiving multiple offers. She expects to announce a deal next month, with the new tenant opening by fall.

If the deal moves as quickly as anticipated, it will validate what retail experts are saying: well-located, close-in space does well despite the economy. Royer and **Lori Hill** of Pacific Real Estate Partners peg the vacancy rate for this area at 5 percent or less. The Puget Sound market in general and the downtown submarket in particular are among the healthiest in the nation, they say.

For Royer's firm, however, the most active listings are not in downtown, but up on Capitol Hill's Broadway, which for years has been in a state of decline, and that's putting it politely. Even though the light rail station won't open for six years, investors are staking their claims, and fueling a turnaround.

So who'll take the Coldwater space, and how much will they pay? All Royer would say is that among the lookers are retailers new to the area and existing players who want a flagship.

"We've been able to achieve our asking rates," says Royer, who declined to say what the landlord, Metzler North America, which owns the building on behalf of a German investment fund, is asking.

### NAIOP Roundtable a sellout

If you didn't sign up for NAIOP's first Roundtable tomorrow, you're out of luck. The event at the Pan Pacific Hotel in Seattle is sold out.

What's the big draw? Four heavy-hitters — Vulcan's **Ada Healey**, **Dave Sabey** who heads his own company, **Craig Wrench** of Washington Real Estate Holdings and **Bob Ratliffe** of Kennedy Associates — will each host a table and lead a discussion about projections for the year. After lunch they will summarize the table talk for the entire group.

The development group sent out an e-mail alert last week saying there were 20 spots left. A NAIOP representative said those spots were gone within 15 minutes.

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

### Previous columns:

- Real Estate Buzz: Equity Residential: 'Good time to buy', 02-18-2010
- Real Estate Buzz: Lenders — and tenants — like 'apodments', 02-11-2010
- Real Estate Buzz: Law firm buys Bellevue office complex, 12-31-2009
- Real Estate Buzz: Less development, more buying for Legacy, 12-17-2009
- Real Estate Buzz: Wasatch says condo sales picking up, 12-03-2009
- Real Estate Buzz: Hotel occupancy, rates continue to fall, 11-19-2009
- Real Estate Buzz -- Poll: Real estate has further to fall, 11-05-2009
- Real Estate Buzz: Apartment rents fell 2% in 3rd quarter, 10-22-2009

---

Copyright 2010 Seattle Daily Journal of Commerce