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Another big lease inked for downtown

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Isilon, a fast-growing data storage company in Seattle, is leasing 180,000 square feet in Starbucks' new Pioneer Square office building, and will take more space there if the company's growth continues, an Isilon spokesman said.

It's the latest of several big leases in Seattle and at least one more mega-deal could be pending. According to one broker, Dan Dahl of Colliers International, there are rumors that Amazon.com is going to take 250,000 square feet of space in the new West 8th tower near its new 1.7 million-square-foot headquarters.

A-P Hurd, a vice president at Touchstone Corp., the developer of West 8th, declined to discuss the Amazon rumor. "We never discuss prospective tenants until we have a signed lease," she said.

The activity indicates that the long-suffering office market is re-emerging. "This means that we have a market which could recover more quickly than other markets in the region," said Dahl. "If you are a tenant [looking for space] you should be putting your foot on the accelerator because landlords are going to be changing their tune soon."

Landlords have been giving tenants concessions, such as tenant improvement money and free rent. The rule of thumb has been one free month of rent for every year on the lease.

Broker Tony Ford of Pacific Real Estate Partners predicts concessions will "come down significantly" as "landlords are a little less willing to do anything for deals."

According to Cushman & Wakefield Commerce's fourth quarter report, released last week, downtown's overall vacancy rate dipped 80 basis points to 20.8 percent. The rate had peaked at 22 percent in mid-2010. Rents for Class A space ticked up slightly to \$30.50 per square foot during the fourth quarter, when the sub-market logged nearly 297,000 square feet of positive absorption.

Isilon will vacate 87,000 square feet at Martin Selig

Real Estate's 3101 Western Building into 505 First Ave. S., where it signed a 10-year deal, according to company spokesman Chris Blessington. He anticipates the company will move in October. Rental rates were not available.

Blessington said Isilon surveyed various properties, and 505 First "was a clear choice for us." The company wanted a place it could expand at a property near transportation hubs in a neighborhood that would appeal to its young engineering workforce. Blessington, who estimates up to 375 employees will work in the building, declined to elaborate what kinds of space expansion options are in the lease.

Isilon is a 10-year-old company that provides data storage for "some of the biggest brands in the world," he said. The company was recently acquired by EMC Corp., the world's largest data storage company, for \$2.5 billion.

Starbucks is the developer of the 505 building, which is next to another office building, 83 King St, that it also owns. In 2008, after laying off 550 non-store employees, Starbucks put the 505 First/83 King complex up for sale and lease. The company hired Kinzer Real Estate Services to market the property.

This spring, after Nuance Communications leased 46,000 square feet at 505 First, broker Jim Allison of Kinzer said the 500,000-square-foot complex was about 50 percent leased. Allison did not return calls for comment Friday. Blessington said Michael Dash of Cushman & Wakefield Commerce represented Isilon. Dash also could not be reached.

Other large recent leases include the Polyclinic taking all of the 205,000-square-foot 7th & Madison building next to Interstate 5 and Cobalt leasing just over 100,000 square feet at 605 Union Station. In addition, the Fred Hutchinson Cancer Research Center bought 1100 Eastlake, another empty office building that it will occupy.

Even though 1100 Eastlake is an owner-user transaction, it still takes 177,000 square feet of vacant space out of the market, and that's key to the recovery, Dahl said.