

Real Estate Notebook

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How does the struggling Seattle office market look to an out-of-state investor with a freshly minted half-billion bankroll to spend? Not very interesting, yet.

Tom McCarthy's company has a new \$495 million joint venture for investing in five Western states, but "we haven't spent a lot of time recently" looking in the Greater Seattle area, he said. The co-president of Los Angeles-based McCarthy Cook & Co. said he's not shopping the Puget Sound region right now because of "the lack of what we see as good opportunities and the softness of the local economies and the relatively high vacancy rates." Although he prefers to invest near the bottom in any given market, "we'd like to see the beginning of a recovery," said McCarthy. "We haven't seen signs of it recovering yet in Seattle."

McCarthy Cook last week announced a joint venture backed by \$495 million from Charlesbank Realty Fund V LP, which is managed by Charlesbank Capital Partners LLC of Boston and funded by Harvard University and other institutional investors. They expect to spend \$200 million a year (65 percent of it borrowed) on office properties and commercial mortgages in California, Arizona, Colorado, Oregon and Washington. McCarthy said that for the moment, he's deploying his capital in the Southern California market, "where the recession has been relatively milder." Two deterrents face a potential investor in the Seattle market right now, he said. For one, The Boeing Co. and the region's high-tech companies are not absorbing new office space; if anything, they are shedding space. As a result, "the industries and businesses that are derivatives of that are still not growing, or are contracting," said McCarthy.

A second, equally important hurdle to an investor coming into the Seattle market is that relatively few properties are up for sale, he said. In a slumping market, owners who don't need to sell often refinance and hold on until the market improves. "That's been the general trend throughout the country," with a few exceptions such as Washington, D.C., and Southern California," he said.

Since launching in 1995, McCarthy Cook has acquired more than \$1 billion in assets, and currently owns or manages more than 3 million square feet in Southern and Northern California. The firm's three offices are all in California "until we buy that big building in Seattle," McCarthy said with a laugh.