

## CALENDAR

- ▶ **DECEMBER DEVELOPING LEADERS  
9TH ANNUAL JINGLE BELL BASH  
& NORTHWEST HARVEST FOOD DRIVE**

Tue, Dec 9, 2014 4:30 PM  
Hard Rock Cafe, Seattle



- ▶ **DECEMBER PAC FUNDRAISER EVENT**

Wed, Dec 10, 2014 4:30 PM  
Doug Howe's Sky Cellar  
1521 Second Ave, Seattle



- ▶ **SOUTH SOUND HOLIDAY FUNDRAISER**

Tue, Dec 16, 2014 4:30 PM  
Pacific Grill Events Center  
1530 Pacific Avenue, Tacoma



# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION  
WASHINGTON STATE CHAPTER

# The Deal

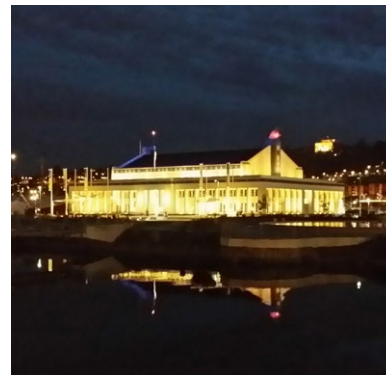
MONTHLY  
NEWSLETTER

## November Breakfast Meeting - 2015 Economic and Construction Forecast

by Ed Scherer, Avidex Industries, LLC

“A rising tide lifts all yachts” was the message that NAIOP members heard at our annual Economic and Construction Forecast Breakfast sponsored by Associated Builders and Contractors (ABC) and Venture General Contracting. We sincerely thank our sponsors. The event, held in conjunction with AGC, took place at the Museum of History and Industry (MOHAI). We were hosted by Leonard Garfield, Executive director of MOHAI, who gave an enthusiastic talk about the historical perspective of the building boom that is ongoing; relating how this boom is the third big building boom in Seattle history. Joe Simmons of AGC spoke of the need for Transportation infrastructure improvement that is required. Natalie Quick spoke about affordable housing and the proposed Seattle City linkage fee and how we need to get involved in the discussion.

Our featured speaker was Cliff Brewis – Vice President of Operations at Dodge Data & Analytics. Mr. Brewis started out by saying that Seattle was doing very well, outpacing most of the other markets in the United States. He spoke firstly of the national picture outlining that real GDP growth has been positive since 2009. Mr.



Brewis was quick to point out that there have been potholes in the road to recovery but that generally the trend is positive. He spoke of the recession as the biggest economic downturn since the Great Depression and that unlike the recovery from that event; this recovery is being fueled by the private sector. That means that the recovery time will be longer as the private sector reacts more quickly to uncertainty. Mr. Brewis outlined some significant reasons that the public sector is somewhat hamstrung in this recovery, the effects of Sequestration, the polarization of government, and the size of the federal deficit. In looking forward towards 2015 and beyond, he

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## **NAIOP PROFILE**

**Name:** Sharon Coleman

**Title & Company:** Senior Director of Development, Vulcan Real Estate

**Brief description, size and scope of Company:** Seattle-based Vulcan Real Estate directs all real estate investment activities for Vulcan Inc., a Paul G. Allen company. Our team consists of 35 professionals with expertise in investment strategy, acquisitions & dispositions, entitlements, design & development, financing and marketing & leasing. We oversee a \$2 billion diversified portfolio of high-performing quality assets including office, biotech, residential and mixed-use projects.

**How long have you been with your Company?** 12.833 years.....or so.

**Previous companies and/or previous career fields:** My first job was as a corn detasseler on a farm in Illinois. Detasseling is all about dramatically producing higher yields. Logical transition to real estate development.

**How did you get into your field?** Architecture was fun.....but I realized that assembling and leading teams to design and build buildings was my passion. I feel like I have the best job in the city.

**What would you be doing if you weren't at your firm?** Mayor of Seattle.....or bike messenger.

**What do you like best about your industry?** I'm surrounded by incredibly smart and creative people, which is so, so fun. And my work in South Lake Union....the experience of building a neighborhood.....priceless.

## **Special Feature – Remembering Herman Sarkowsky**

by Rob Aigner, Harsch Investment Properties, LLC



The entire Seattle community lost one of its legends earlier this month with the passing of Herman Sarkowsky. Mr. Sarkowsky was 89 years old at the time of his passing. The legacy he created started right here in Seattle where he decided to raise his family and begin his career.

Early on in his career he founded and ran United Homes Corporation, the largest home builder in the Northwest at the time and went on to develop in 1990 what was known then as the AT&T Gateway Tower on Fifth Avenue (now called the Seattle Municipal Tower).

I had the distinct pleasure of meeting Mr. Sarkowsky in his offices on the 63rd floor of the Tower one particular afternoon. Having been named as the Resident Manager of Coldwell Banker Commercial back in those days, Bob Farra (another past NAIOP President) and I sat in Mr. Sarkowsky's conference room to pitch him on listing the building with us. On this particular afternoon, Bob and I proceeded with our well-rehearsed presentation, making sure we were covering all the important points about the building and our market knowledge. There was only one problem. Just minutes before we started, a building had caught fire in the Sodo area of Seattle. And from our high perch on the 63rd floor you could see the black smoke billowing into the atmosphere. Now our backs were to the fire burning in the distance as we presented while Mr. Sarkowsky had a direct bird's eye view looking south. So as Bob and I were presenting our finest sales presentation it was evident that we really didn't have Mr. Sarkowsky's full attention. So about half way through, doing his best to be accommodating and polite he stopped us and said: "Do you see that smoke from the fire in that building there?" And as we turned our conference room chairs for a look he said: "I own that building....." He then apologized for his lack of attention and promised to reschedule our meeting at a later date. Needless to say, we didn't get the business. However, the manner in which Mr. Sarkowsky graciously handled our letdown left me with an admiration for the man.

Little did I realize at the time that I was meeting an icon of our industry and one of Seattle's supreme philanthropists. His contributions to our community are vast and impressive. Seahawks owner, Trailblazer owner, UW contributor, racehorse owner and benefactor of the arts, his contributions and gracious manner in which he bestowed his time and love back to his community are exemplary. For those of us following in Mr. Sarkowsky's footsteps we would do well to learn from his ways. There is a lot we take for granted in our industry, but recognizing that we are here, standing on the shoulders of giants, should give us all pause for gratitude.

**CONTINUED ON PAGE 4**

# November Sustainability Roundtable

by Stuart Hand, MulvannyG2 Architecture

NAIOP's Sustainable Development Committee presented a Roundtable November 5 on the topic of sustainability and valuation. The discussion was moderated by Jeff Peterson of Coughlin Porter Lundeen and the panel featured:

- Ross Peyton of Hudson Pacific Properties
- Brett Phillips of Unico, and
- Anthony Gibbons of Resolve

As an appraiser, Gibbons stressed that in order for green elements to be appraised appropriately they must be integrated into the cash flow. Often there is lack of data to support appraising green features. Factors that can be used to help measure value include tenant retention and occupancy rates. He added that the appraisal community is on the trailing edge of the movement as it is trying to follow the market.

Phillips highlighted that occupancy rates and lease rates are higher in LEED buildings but not necessarily because of the certification itself. Buildings designed towards a LEED standard often have noticeably better natural light and indoor air quality. Tenants genuinely feel better in these spaces. In addition to the appraisal process the industry is often hindered by traditional leases. Better mechanisms are needed to capture the value of features like efficient lighting and plumbing fixtures.

He also noted the following industry trends:

- A huge interest in LEED and sustainability from capital and institutional investors
- More and more companies are disclosing energy usage



- LEED Silver and Gold are becoming passé in the marketplace, and
- The appraisal and brokerage community have not been as involved as other industry groups in promoting sustainability

Peyton mentioned that from a leasing perspective, the key features that often have the biggest resonance with tenants are those that focus on the “wellness” aspect of sustainability. These include bike lockers, showers and common/great rooms for building a sense of community. The trends in this area are often market led. There are also additional benefits at the city level from going green including building height. Also, owners and lessors are continuing to try to future-proof their properties while carefully weighing market factors such as reduced parking capacity and market expectations. Thank you to our sponsors, GLY Construction and GeoEngineers.

## NEW MEMBERS

Ben Brodsky	DCT Industrial Trust	Nicholas King	Parker Smith Feek
Taylor Champagne	N/A	Junjie Liao	UW
Jason Chen	UW	Justin Mak	Chicago Title Co.
Will Colby	Howard S. Wright	Ivor Parkes	Sterling Realty Co.
Thomas Collins	Sustainable Site Development LLC	Reagan Perry	MacDonald Miller Facility Solutions
		Alec Thomas	Andersen Construction Company



## NAIOP PROFILE - CONTINUED FROM PAGE 2

**What is the most memorable experience of your career (good or bad)?** Alley Vacations

**We understand that you are the NAIOP Washington incoming president. What do you hope to accomplish in 2015?** I'd like to focus on our programs. To me, the breakfast meetings are the face of NAIOP, and I'd like to make 2015 programs the best ever. I also hope to continue A-P Hurd's lead on focusing on inclusivity and diversity in our chapter.

**What do you do for relaxation/recreation (e.g., hobbies, sports, exercise, travel, etc...)?**

Running with my dog, Kirby, skiing, reading, traveling...and the Sunday NYT crossword puzzle with my husband.

**What is the number one item on your bucket list?**

To log and catalog all of the stuff I want to do before I die. No seriously..... Learn to play the piano.

**What book did you read most recently (that you want to admit to):** All the Light We Cannot See.....beautifully written...

**Which NAIOP committee do you serve on and why did you choose that committee?** I've been on the Government Affairs committee for years. The political environment is so impactful (both positive and negative) to our industry and our group is excellent in monitoring all of the issues. Our PAC enables NAIOP to play a strong role at the local/state level on real estate / land use issues in ways that almost all other organizations cannot.

**What is your idea of perfect happiness?** My husband, my dog and a long beach. So sappy, but true.

**What 3 words describe your childhood?** Fiesty Little Shit (it's what my father called me)

**What is your motto?** Let's try to not take everything so seriously. Life is short. Enjoy it!

## NOVEMBER BREAKFAST MEETING - CONTINUED FROM PAGE 1

of the Federal Deficit. In looking forward towards 2015 and beyond, he noted that a tapering of the Federal stimulus program has not had the upward pressure on interest rates that many had forecast.

In terms of employment, Mr. Brewis stated that employment is coming back gradually but steadily, although not consistently across the United States. The Construction Industry is also recovering. Using 2002 as the benchmark of 100, we reached 180 in 2008 and then suffered a steep downturn. In 2013 we were almost back to the benchmark level of 100 and poised for further growth. That growth has occurred and the new level forecast for 2015 is 125. Total Construction spend nationally is up but we still have a distance to go in order to achieve the level that we saw before the recession.

Washington State has a more optimistic picture. Single family construction is up sharply and Mr. Brewis stated that spending in this sector is the best and strongest indicator for the market in total as retail, schools, roads, etc. follow residential development. In the multi-family marketplace, there were three separate areas that are performing uniquely. The construction of apartments has been strong. We see a lot of this construction in Seattle and the expectation with continued inflow of population is that this market will continue to be strong for the foreseeable future. The Condo market is improving and the Senior Assisted Living market is quite stable.

Mr. Brewis then moved on to the Retail market. There is a lot of renovation activity in this market and he saw this as a precursor to new construction of retail. Hotel occupancy and revenues are up. This is a strong market. The Office Building market is also very strong with an overall vacancy rate of around 10% and is led by the growth of Amazon and the South Lake Union area. In the healthcare marketplace new construction is led by the smaller facilities such as clinics. Major Hospital builds are limited by the cost of those facilities and the fact that consolidation of providers is occurring but Mr. Brewis noted that there are strong demographic factors that indicate long term growth for this market.

In the Public Works sector, specifically Education and Highways there are mixed results to report. Construction of K-12 facilities appears to have bottomed out and is improving but there are still issues with funding. Higher Education construction is doing better and Research facilities are performing the best in this sector. Highways are particularly strong here in comparison to other States led by the big projects such as the Viaduct replacement and the 520 Bridge replacement.

The message is that we have survived and that these are the "good old days" that people will talk of in the future. Cliff said that he sees nothing to indicate that this boom will not last at least another 24 – 36 months. Here in Washington we are doing very well in comparison to the rest of the Nation.



## 2014 Night of the Stars Winners

by Jeff Curwen

The Night of the Stars Gala, held November 7 at the Hyatt Regency in Bellevue, saw nearly 1,000 attendees as we celebrated the best and the brightest in Washington's commercial real estate industry. Prominent projects, developers, and individuals were showcased at the exclusive black-tie event. In all, twenty awards were handed out, two outstanding public officials were recognized, and two industry leaders were inducted into the Hall of Fame.

The list of winners included:

**Developer of the Year** – Vulcan Real Estate

**Deal of the Year** – Skyline DC (Former Washington State  
Liquor Control Board Building)

**Office Development of the Year** – Stone 34

**Industrial Development of the Year** – SGL Automotive Carbon  
Fibers, Phase 2

**Mixed-Use Development of the Year** – Stack House and Supply  
Laundry Buildings

**Multi-Family Development of the Year (Mid-Rise)** –  
Sunset Electric

**Multi-Family Development of the Year (High-Rise)** –  
Stadium Place

**Retail Development of the Year** – Westlake Center Plaza and  
Interior Redevelopment

**Redevelopment/Renovation of the Year** – 325 Westlake

**Historic Renovation of the Year** – Addison on Fourth Apartments

**Office Redevelopment/Renovation of the Year** – Skyline Tower  
Public Space Repositioning

**Community Impact of the Year** – Emerald City Commons

**Commercial Interior of the Year** – Schuchart Office

**Judges Award** – The Northwest School

**Mariann Stuart Volunteer Award** – Rodger Benson, Mortenson

**CORENET Awards:**

**Industry Excellence** – Rob Towne, Microsoft

**Commercial Real Estate Executive of the Year** –  
Cristy Handsaker, CH2M Hill

**Washington State Chapter of SIOR Awards:**

**Office Broker of the Year** – Jesse Ottele, CBRE

**Investment Broker of the Year** – Loris Hill, JLL;  
Stuart Williams, JLL

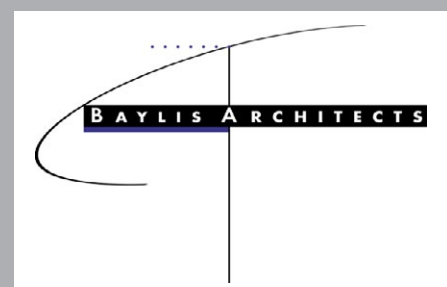
**Industrial Broker of the Year** – Thad Mallory, Kidder  
Mathews

**Public Official(s) of the Year** – Ray Stephanson, Mayor,  
City of Everett; Lanie McMullin, Executive Director  
of Economic Development, City of Everett

**Hall of Fame Inductees** – John G.W. Underwood; Dan Fulton



**SPONSORS**



# Crowdfunding Brings Accessibility to Investors

by Brendan Mason

If you are reading this article, you are likely involved in commercial real estate in one form or another. But like many readers, you may not be in a position to invest directly in your chosen field. Now a small group of websites are looking to change that as they bring crowdfunding platforms to commercial real estate. Crowdfunding websites have taken off in the last five years and their growth has been exponential. In 2013 alone, an estimated \$5.1 billion was raised through crowdfunding websites. Realty Mogul, Crowdstreet, Fundrise, and others are giving investors the opportunity to invest in real estate for sums that are more accessible. On Thursday, November 13, the South Sound Committee hosted a breakfast program on this exciting new form of financing. Katlin Jackson, Fundrise's Vice President of Real Estate Pacific Northwest, shed light on the Crowdfunding industry for those attending.

Jackson explained that although the platform is new, crowdfunding is really going "back to the future" in how deals were put together before large institutional investing became prominent. Local investors would create a syndication with friends, family, and business partners. One of the goals of Fundrise is to help bring local investment back to commercial real estate in a platform that is transparent and easy to understand. Less than five percent of the projects submitted to Fundrise for consideration are accepted. Those that do make it provide significant amounts of project data that investors can research. Today's regulations prevent all but the wealthiest 3 percent from investing in commercial real estate directly and many are left with real estate investment trusts (REIT's) as their only investment opportunity. With REIT's come a number of fees to middlemen and it is nearly impossible to find out information on specific projects your money is invested in. By removing middlemen, crowdfunding is giving investors more direct access to developers and the potential for greater returns.

One of the issues facing crowdfunding websites to date is government regulations that are only allowing accredited investors to invest in the large majority of

projects listed on the site. That may all soon change as the American JOBS act loosens regulation on crowdfunding sites. As restrictions are loosened, the hope is that anyone may invest in projects for as little as \$100 dollars a share.

Presenting alongside Jackson was Dugan Earl, principal of Revolve Development. Earl spoke about his experience raising capital with Fundrise and why he chose crowdfunding to finance a portion of a multi-family project Revolve is developing on the fringe of Capitol Hill. He started by emphasizing that although the platform is different, the structure of these investments is still very traditional. For his Capitol Hill project, Earl is raising a million dollars through Fundrise and is offering a preferred return of 14 percent over a 30-month term. Interest is accrued and distributions are made quarterly. The remaining capital raise will be made using more traditional methods.

Earl also mentioned that the choice was based on how the project's values were aligned with Fundrise in bringing local investment to a project in an up-and-coming neighborhood. Another benefit Revolve gets working with Fundrise is reporting. The system is automated, sends K-1 tax forms to investors, and shows investment performance via the individual investor's online dashboard. This allows Earl to focus on his project, while Fundrise takes care of investor management.

Crowdfunding mixes old investment principals with today's cutting edge technology. As regulations change and systems are refined, it will be exciting to see the role crowdfunding plays in commercial real estate financing and investment.

The South Sound Committee would like to thank the sponsors of this event for their generous support -- Davis Property & Investment, GeoEngineers, Phillips Burgess, Tarragon, Tehaleh, and Wells Fargo Insurance.

## Chapter Members in the News

### Cairncross & Hempelmann Ranked in 2015 Edition of U.S. News - Best Lawyers “Best Law Firms”!

Cairncross & Hempelmann have been ranked in the 2015 “Best Law Firms” list by U.S. News & World Report and Best Lawyers® in the following areas:

#### National Awards

Land Use & Zoning Law

Litigation - Real Estate

Metropolitan Awards

Seattle, Family Law

Seattle, Land Use & Zoning Law

Seattle, Litigation - Land Use & Zoning

Seattle, Litigation - Real Estate

Seattle, Real Estate Law

Seattle, Corporate Law

Seattle, Litigation - Bankruptcy

Seattle, Mergers & Acquisitions Law

Seattle, Bankruptcy & Creditor Debtor Rights / Insolvency & Reorganization Law

Seattle, Commercial Litigation



Firms included in the 2015 “Best Law Firms” list are recognized for professional excellence with persistently impressive ratings from clients and peers. Achieving a ranking signals a unique combination of quality law practice and breadth of legal expertise.

The 2015 Edition of “Best Law Firms” includes rankings in 74 national practice areas and 120 metropolitan-based practice areas.

The U.S. News - Best Lawyers “Best Law Firms” rankings, for the fifth consecutive year, are based on a rigorous evaluation process that includes the collection of client and lawyer evaluations, peer review from leading attorneys in their field, and review of additional information provided by law firms as part of the formal submission process. Clients and peers were asked to evaluate firms based on the following criteria: responsiveness, understanding of a business and its needs, cost-effectiveness, integrity and civility, as well as whether they would refer a matter to the firm and/or consider the firm a worthy competitor.

#### ***About Cairncross & Hempelmann***

Located in the beautiful Pacific Northwest, Cairncross & Hempelmann is a Seattle law firm with offices situated on the edge of the city’s historic Pioneer Square District. Founded in 1987, CH&’s practice areas are based on the following core competencies: Bankruptcy & Creditors’ Rights; Corporate Finance & Business Transactions; Employment; Family Law; Land Use, Natural Resources & Environmental Law; Litigation; Real Estate; Tax; Technology & Intellectual Property Transactions; and Trademarks. Additional information about the firm may be found at [www.cairncross.com](http://www.cairncross.com).

*Photo caption: NAIOP members from left to right, Victoria Stephanova, Don Marcy, Randall Olsen, Nancy Bainbridge Rogers, Ryan White and David Herrman.*