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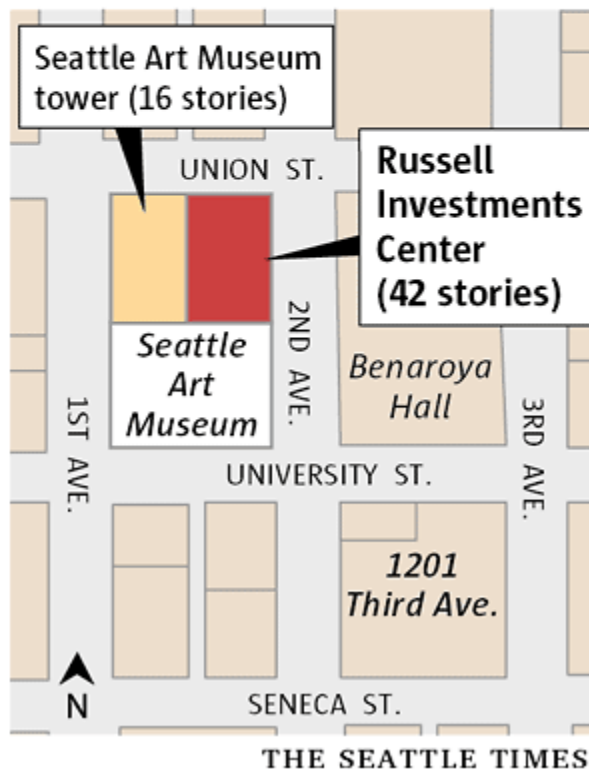
GREG GILBERT / THE SEATTLE TIMES

Ken Dyer gives a shore pine a trim on the 17th floor roof garden of the Russell Investments Center in downtown Seattle. The 42-story tower used to be the headquarters of Washington Mutual.

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## Russell Investments Center

The former WaMu Center is gaining tenants but remains only half full, and top floors are entirely vacant.



## Former WaMu tower half full, including Russell Investments

By Eric Pryne

Seattle Times business reporter

Is the Russell Investments Center half full, or half empty?

The owner of the gleaming downtown Seattle office tower announced four new leases Thursday, pushing the building's occupancy to 50 percent for the first time in nearly two years.

Back then, the 42-story tower still was called the WaMu Center. Built to be Washington Mutual's headquarters, it emptied after the thrift's implosion two years ago this month.

The building became a monument to the financial meltdown and helped push downtown's office-vacancy rate past 20 percent, a record high.

Representatives of Northwestern Mutual, the Wisconsin insurance giant that bought the 886,000-square-foot tower last September, say the new leases are a milestone in the building's rebirth.

Altogether, the new tenants — digital-signature company DocuSign, biotech Acucela, video-game company En Masse Entertainment and Chicago-based bank Northern Trust — will occupy 75,000 square feet.

The new deals aren't the only signs of life:

— Next month Russell Investments will move its 900 employees into the tower, 13 months after the financial-services company announced it would relocate from Tacoma, its longtime headquarters.

— Nordstrom, which last December announced plans to lease space on seven lower floors, began relocating 1,100 back-office employees to the building this spring, a move that will continue into next summer.

The Russell and Nordstrom leases generated buzz. But together they filled less than one-third of the tower's office space.

Even with the four new leases, the high-rent top stories — every floor from 27 through 42 — remain vacant.

But commercial real-estate insiders say half full isn't so bad in this dismal market.

And, when you consider the unusual circumstances under which Northwestern Mutual bought the building, "I don't think they have to be in a hurry," said Oscar Oliveira, managing director at brokerage Broderick Group.

Before the Federal Deposit Insurance Corp. seized WaMu and sold most of its assets to JPMorgan Chase for \$1.9 billion in September 2008, the homegrown thrift occupied all the office space in the tower it had completed just two years earlier.

WaMu also leased 240,000 square feet — eight full floors — from the Seattle Art Museum (SAM) in an adjoining, 16-story building, part of a complex development deal between the bank, the museum and the city.

That wasn't all. WaMu leased 500,000 square feet in a half-dozen more downtown buildings.

By early 2009, almost all that space had been emptied. Chase laid off 80 percent of WaMu's headquarters employees and put the building up for sale, vacating all but three floors.

Chase's deal with the FDIC also allowed it to break its leases without penalty. SAM was especially hard hit.

The rent it had collected from WaMu went to pay off bonds issued to finance the museum's expansion. Chase gave SAM \$10 million to soften the loss of that income, and Nordstrom later leased six of the eight floors.

But two floors remain vacant, and the museum revealed several weeks ago it still faces a shortfall of up to \$10 million.

To fill that gap, SAM said it would borrow from its own endowment fund and pay back the debt ' with interest ' with money it plans to solicit from donors once the economy recovers.

### **After the fall**

But there were winners as well as losers in WaMu's demise. And Northwestern Mutual looks like one of them.

The insurance company bought WaMu's former headquarters from Chase the same day Russell, a Northwestern Mutual subsidiary, concluded a two-year, closely watched search by announcing it had chosen the building for its new headquarters.

The price tag: \$115 million ' all cash ' about one-third what it cost to build the tower four years earlier. It was a screaming bargain even in this down market, brokers and developers agreed.

For Northwestern Mutual, "it was a great opportunity," said Seattle broker Craig Kinzer, who advised Russell in its headquarters search. "It was a no-brainer."

Chase could sell the building for so little because it hadn't paid anything for it ' it came with the rest of WaMu's assets.

The county assessor's office said as much in a note in its file on the building this June: "Sale is not a reliable indicator of value in that seller was not typically motivated."

When Northwestern Mutual bought the tower, there was widespread speculation the low purchase price would allow it to slash lease rates below those of competing properties, fill the building quickly ' and still make money.

That hasn't happened. Northwestern Mutual apparently can afford to wait.

"They could have easily undercut the market, but they didn't," said Jesse Ottele of CB Richard Ellis, the lead listing agent for the building. "They're looking for high-quality tenants who are going to be here awhile."

The Russell Center has pursued tenants aggressively, but not desperately, brokers say. "There are other landlords in Seattle that are being equally aggressive," said Conan Lee at brokerage Jones Lang LaSalle.

### **Demand still slack**

Leasing at the Russell Center and other downtown buildings has been hindered by a lack of new demand; most businesses aren't expanding.

And in uncertain times, many businesses are inclined to stay put instead of moving, "even if another building offers a better face [rental] rate," said Rob Aigner, senior vice president at Harsch Investment Properties.

Northwestern Mutual is making some changes to the Russell Center to broaden its appeal.

There are plans for a new fitness center and a renovated lobby, one more suited to a multi-tenant building than a bank headquarters. A conference center and cafe will be added to the 17th floor, which already features an enormous landscaped deck with impressive city, Puget Sound and mountain views.

There's speculation that, if Northwestern Mutual does fill the building, it will put the property up for sale. Investors are paying a premium now for trophy buildings with few vacancies and stable, long-term tenants.

That isn't the company's intent, Ottele said. "Northwestern Mutual has and wants a long-term commitment to the Puget Sound area."

Because of its prominence, and perhaps because of its troubled history, the Russell Center already has one advantage over its competitors, said Gary Danklefsen, managing director at Jones Lang LaSalle's Seattle office.

"It's one of the few buildings that tenants are aware of before they even engage a broker," he said.

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