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## Triton Towers Hits 100% Occupancy Amid Recession

By Brian K. Miller

RENTON, WA—Amid the worst economic crisis since the Great Depression a multi-tenant, 400,000-square-foot office campus here is now fully leased, with less than 2% expiring this year and less than 5% of the campus rolling in 2010. A few years ago, amid the boom, the three-building Triton Towers complex sat half empty.

Achieving 100% occupancy in a multi-tenant development is no small feat, even with Boeing Co. occupying about 60% of the space. There are 32 tenants in Triton Towers with an average lease term of four years (half of them five-year leases, half of them three-year leases). That means eight tenants' leases will expire in any given year on average.

In a good market it takes six months to market a space and end up with a signed lease. As a result, large multi-tenant office complexes virtually never achieve 100% occupancy in the best of times, let alone when average vacancy in the submarket is in the high teens.

"We have owned many, many large office complexes over our 15-year operating history and have never achieved 100% leased on any of them, even in the absolutely strongest markets," Dana Behar, president of property owner HAL Real Estate Investments, tells GlobeSt.com. "Triton Towers is more than 25 years old and has never been 100% leased."

An investment arm of HAL Holdings NV, an international investment company based in the Netherlands Antilles, HAL Real Estate invests exclusively in Puget Sound properties. Since 1992, it has purchased or developed more than 3.5 million square feet of office and residential space. It currently owns six properties in the region, including Pike Plaza, a 103,442-square-foot office and retail building in Downtown Seattle, and Plaza Yarrow Bay, a four-building, 273,438-square-foot office development at the junction I-405 and SR-520 in Kirkland.

HAL acquired Triton Towers in 2001, known then as Renton Place, along with two other Renton properties in a 670,000-sf package deal from Seattle-based Unico Properties for about \$83.2 million. Renton Place, a trio of well-located mid-rise buildings, was the Trophy of the package. The other two properties were Valley Office Park, a four-building, 200,000-sf low-rise complex, and Blackriver 800, a low-rise 75,000-square-foot building.

At the time, the portfolio was mostly full. A few years later, Blackriver 800 was empty, Valley Office Park was 80% vacant and Triton Towers, known then as Renton Place, was half empty, with a big chunk of the space leased at below-market rates. "We were really badly hurt," Behar recalls.

In 2005, however, the Puget Sound Educational Service District inked a 10-year lease for Blackriver 800 and, in one of the largest leases of the year in the Puget Sound region; Boeing doubled its leasehold at Renton Place to 243,000 square feet, dropping vacancy in the building from 40% to 10%. The deal included a major renovation of Renton Place and as part of the upgrades HAL renamed the complex Triton Towers.

In 2006, the PSESD exercised a purchase option that was in the contract, paying \$11.6 million for Blackriver 800 and

in 2007 Providence Health System acquired the vacant Valley Office Park for \$28.8 million, leaving HAL with a stabilized Triton Towers, which, appraised out at about \$71 million (\$150 per square foot) a little more than a year ago. The last year may have stolen 10% of that value but if it remains stabilized through the recession it could easily be worth \$80 million (\$200 per square foot) in a couple of years, according to local market sources, which would still be a significant discount to replacement costs. Behar declined to comment on the speculation, but he didn't disagree, either.

"We thought it was the right time to sell," Behar says. "We couldn't compete on the buying side so we sold everything in Renton we thought had no more upside, and held onto Triton Towers because we were, and still are, bullish about where the Renton CBD is headed. The others-- were low-rise properties that didn't have the transportation advantages or the nearby amenities."

To get from 90% occupancy to 100% occupancy over the past several months HAL and CB Richard Ellis completed seven transactions totaling 43,000 square feet to fill the last few holes at Triton Towers and renew a few tenants whose leases otherwise would have expired. Triton had been operating at 99% occupancy for the past few months after inking deals with F. Atkinson Construction (10,070 square feet), Horizon Lines (9,146 square feet) and Eliot Management Group (1,348 square feet). The final two holes were filled with a new lease to Manpower International (1,659 square feet), who received four months of free rent as an incentive, and a 1,117-square-foot expansion by First American Title.

It should be noted that the four months of free rent HAL offered is not uncommon these days as owners look to maintain face rates as much as possible while also minimizing capital expenditures on things like tenant improvement allowances. So why are Triton Towers full up while other buildings are losing occupancy?

"I think it is that our properties in Renton offer an attractive lower cost alternative to the Bellevue/Eastside or Seattle office markets," Behar says. "We can offer space, amenities, and convenience that is highly competitive with these two markets."

Triton is the most visible office building in the Renton submarket, sitting just east of Interstate 5 at the junction of Interstate 405 and Highway 167, 10 miles from both Downtown Bellevue and Downtown Seattle and just minutes from Sea-Tac International Airport, and widening work now underway on I-405 will further improve access. Tenants in the upper floors of the buildings enjoy views of the Cascade Mountains and Lake Washington and all tenants benefit from a host of nearby amenities for which walkscore.com gives the complex a score of 88 out of 100.

As for rental rates, the full-service asking rate at Triton Towers is approximately \$23 per square foot, which is a couple dollars above the submarket average but still well below the regions' larger, better known submarkets. The average, class A, full-service asking rents in Downtown Seattle and Downtown Bellevue are in the \$33- to \$34 range.

In addition to value and location, Behar credits his company's repositioning of the asset, which was largely vacant four years ago and known as Renton Place. HAL Real Estate renovated lobbies and common spaces at Triton Towers, enhanced its visibility with new signage and renamed the campus. As a result, "there are less expensive options available in the market right now, but none offer the stature, amenities and accessibility of Triton Towers," says CB Richard Ellis vice president Geoff Pendergast, who handles leasing at Triton Towers.

Behar also credits the City of Renton, which he says has done a good job revitalizing its Downtown and helping to attract business to the region that diversified its jobs base. In 1992, 60% of Renton's employees worked for Boeing. Since that time Renton's population has grown by 85% and the number employed by Boeing is down to 30%.

Recent new attractions include The Landing, a major new retail and mixed-use development on former Boeing land. New businesses include the Seattle Seahawks, which built a new headquarters and practice facility; the Federal Reserve Bank of San Francisco, which last year relocated its Seattle branch to Renton; and Providence Health & Services, which consolidated its regional operations and headquarters in Renton from Seattle. Looking ahead, the destination grocery store and restaurant Uwajimaya has announced plans to open next door.


In addition to Boeing, significant tenants in the complex include PIMA Medical Institute (24,000 square feet); City University (20,000 square feet); Pacific Financial Services (14,250 square feet); and Farmers Insurance (10,235 square feet). While no leases roll this year and only 18,000 square feet rolls in 2010, Behar and Pendergast still have their hands full.

Boeing's two leases roll at the start of 2011, which puts Triton Towers at risk of being more than half empty again a

little more than 18 months from now. Local sources tell GlobeSt.com that Boeing has made significant investments in the building and are happy the location, which is located near many of its other Southend operations. Behar declined to comment on Boeing's operations in the building, but apparently likes his chances of retaining them.

At this point we have no reason not to expect that they will renew both leases, Behar says. We fully expect them to do so.



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