

Interurban Building (shown here) and the Heritage Building (opposite page) in Seattle are appealing to creative tenants who are drawn to their historic architectural elements



# BUILDING ON HISTORY

**With careful planning and the right team, the advantages of buying historical properties can outweigh the challenges. MYKE FOLGER takes a look at what crucial steps developers are taking to draw new tenants to old buildings.**

**AT A GLANCE**, investing in older, historic buildings would seem quite the uphill endeavor.

There would be façade issues, and the matter of the roof where rainwater finds its way onto the ceilings of the top floor. The HVAC history is sketchy, and they weren't built with the Internet in mind.

But then there are the amazing possibilities and the built-in "cool factor" that can draw major tenants.

That's what the Brickman real estate firm of New York City saw in the Heritage Building in Seattle's historic Pioneer Square. Michael Esquenazi,

executive vice president and chief financial officer at Brickman, oversaw the purchase of the historical site. He saw it as a perfect fit with what they had been doing in other cities, especially in Boston, which is chock full of historical properties. Brickman recently bought and rebuilt the property at 313 Congress Street, which is located in Boston's popular Seaport neighborhood and has a classic loft-like brick and beam interior. Brickman updated the façade and archway entry. The building is currently 92 percent leased.

"Tech firms, software developers, architectural-engineering firms and nonprofits—these

types of businesses are drawn to these buildings," Esquenazi says. "It's a theory we have about growth industries and the talent they go after; these brick and beam, eclectic and historic spaces go hand-in-hand with that."

The Heritage Building at 111 South Jackson Street in Seattle matched that theory. It already housed Microsoft (which leases 50 percent of the building and is scheduled to lease more) and needed few updates.

"Certainly the architecture and history is interesting, but the tenancy was even more attractive," Esquenazi says. "Obviously, with Microsoft being there, the fact that they're using that space as a showpiece, that was more of what we looked at."

Brickman spent \$3 million on improvements to the sandstone façade and updated the interior window lines. The penthouse of the five-story, 73,079-square-foot building is a glass atrium surrounded by trees and is permitted for either residential or office use.

Like Brickman, the Maier Siebel Baber (MSB) real estate company of San Francisco also sees great value in older, historical properties. MSB recently purchased the historic

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Interurban Building at 157 Yesler Way at the heart of Seattle's Pioneer Square. The six-story property was designed by John Parkinson in 1890 and originally housed the Office of the Puget Sound Electric Railway Interurban Line. The exterior is an earthen blend of sandstone and brick complete with harrowing gargoyle faces jutting out at either side of the lobby's entryway. But there were problems that needed tending. The roof leaked, the elevators didn't work, the lobby was drab and the HVAC system blew either too much hot air or too much cold air. Worse, half of the tenants were month-to-month, something that didn't fit with MSB's long-term plans.

"The thought process was, as our full-floor tenants grow, they'll need to expand, and we don't want them to have to leave," says Ken Baber, president and CEO of MSB. The 60,000-square-foot building housed 64 tenants and MSB asked most of the month-to-month lessees to leave. That was uncomfortable, he acknowledges. "We had an objective to take the building to a new place. Most of the previous tenants didn't like that objective, but now we're getting five-, seven- and 10-year leases."

MSB now has three full-floor tenants, each leasing more than 8,000 square feet.

One surprise in the renovation was the lobby. When workers were tearing out the old décor, the original black-veined, white marble walls and stairwell were exposed. The company loved it. So did the tenants.

"The whole building is a lot nicer," says longtime tenant Charles Smyth, an independent editor and writer. "The lobby is transformed."

To keep up with the changes at Interurban, MSB hired Seattle-based Colliers International to manage the property. Colliers has space on the fourth floor and, since taking over, has repaired the leaky roof, updated the lobbies and fixed the elevators. Colliers also fixed the HVAC system.

"Tenants who have stayed so far like the changes," says Colliers' Dane Hofbauer, who manages the building. "They're happy with the way the building has turned out."

Both MSB and Brickman hired Colliers to operate their respective buildings because of the consistency and understanding of older buildings that Colliers offers. Colliers' managing director of real estate management services in Puget Sound, Brian Lennon, says the company makes sure it has experts who can highlight historic and technical engineering issues of buildings it represents. The company is seeing increased activity among

owners working to renovate properties in Pioneer Square, which of late has been in the shadow of the South Lake Union neighborhood development led by billionaire and Microsoft co-founder Paul Allen.

"The story in Seattle real estate is that there is a lot going on in conversions of older office and civic buildings," Lennon says. "It's quite a bit

of activity that might not get as much publicity as South Lake Union but is validated by tenants such as Microsoft and other creative firms choosing to lease in 100-year-old Pioneer Square buildings with no parking. They're looking for that history and character that you can't design into new buildings. Disney tries, but in the real world, it's hard to do." **KL**

