

## Real Estate

Adjust font size: [+](#) [-](#)

January 15, 2009



**Lynn Porter**  
Real Estate  
Editor

### Real Estate Buzz: Full speed ahead for Escala condos

By [LYNN PORTER](#)  
Real Estate Editor

Lexas Cos. principal **John Midby** said his firm won't halt construction on its Escala high-rise condo project in downtown Seattle, dispelling speculation the building would be capped off to wait for a friendlier sales cycle.

“What's to wait for?” Midby said in a recent interview. “We're very confident in the Seattle market.”

The 31-story project at Fourth Avenue and Virginia Street is slated for completion in November. Midby said it wouldn't make sense to stop.

“It would be catastrophic for our project, and there's really no reason to anyway,” he said.

The 850,000-square-foot Escala, which Lexas values at \$350 million, got started late in the last building cycle. Midby said it was the last high-rise condo development financed in downtown Seattle before that became difficult or impossible.

Owners of the recently completed upscale Four Seasons Private Residences and Fifteen Twenty-One Second Avenue in downtown have said they've done well, but some local real estate professionals have questioned the depth of the luxury market.



Image courtesy of Lexas Co. [\[enlarge\]](#)

**The 31-story Escala project at Fourth Avenue and Virginia Street is slated for completion in November.**

Midby said sales have been good, but acknowledges it's a difficult time to be selling.

“We've sold better than anybody else this last year, but you obviously have a very psychologically inhibited buying public,” he said.

Lexas had hoped Escala would be sold-out by the end of this year, but now expects to reach that milestone a year later. It has presold 30 percent of the approximately 270 condos, Midby said. It

had expected to have 35 percent to 40 percent sold by this time, he said.

Midby thinks the market will get better as jumbo mortgage rates continue to fall. He also said some Escala condo buyers have paid in cash or put 50 percent down.

**Jeff Bell**, mortgage banker/partner with Kirkland-based Cobalt Mortgage, the preferred lender for Escala, said interest rates for jumbo mortgages (those over \$506,000 in King County) have come down about a percentage point in the last month, although this isn't reflected on many financial Web sites. But he said there are few lenders providing those competitive rates and they typically require more than 20 percent down.

Midby sees a shortage of new condos downtown between 2010 and 2013 because the poor national economy and credit crunch are holding back construction. He estimates that only 659 condo units can be delivered by 2011.

Las Vegas-based Lexas has such confidence in Seattle that it intends to start building two 40-story condo towers at 1200 Stewart St., Midby said. Work on the towers could begin in spring or summer of 2010, with presales starting late this year, he said. The project may be built in one or two phases.

The complex will include a privately operated pre-school/kindergarten and may include a hotel in one or both towers. The firm will target researchers and technology employees with young families.

The development will be high quality but without "the luxury bent of Escala," Midby said.

The units will be compact, but designed to feel spacious, he said. A typical three-bedroom will have 1,200 square feet.

RREEF Real Estate, part of RREEF Alternative Investments, the alternative investment management business of Deutsche Bank's Asset Management division, is Lexas' equity partner in Escala and the 1200 Stewart project. iStar Financial Inc. is Escala's construction lender.

Escala will have private elevators to most units, a private club, large balconies, a grand entry, upscale finishes and options that include outdoor fireplaces.

On another note, Midby suggested Seattle could help pay for the Alaskan Way viaduct replacement by filling in parts of Elliott Bay near downtown and selling the land to developers. He envisions tall, skinny towers on the land, like those in Vancouver, B.C.

"I think it would be a huge benefit to Seattle in terms of its livability downtown," he said.

Midby said he doesn't think it would have an environmental impact.

"You could put piling out and fill in behind the piling," he said.

### **South Lake Union parcel sells**

A development group made up of **Rich Reel** of Reel Management Co., Nitze-Stagen & Co. and some principals of Seneca Real Estate Group has picked up another parcel in South Lake Union.

The group intends to build one or two commercial, residential or mixed-use projects in the next three to five years in the block bordered by Republican and Harrison streets and Eighth and Ninth avenues north.

Most recently, it purchased a 7,200-square-foot site at the southeast corner of Republican and Eighth. It paid Fischler Real Estate Investments LLC \$1.7 million, or \$236.11 per square foot. The property has a 5,160-square-foot building constructed in 1949 and occupied by Glazer's Camera Supply, which Reel said will continue to lease it.

The group now owns a bit more than an acre on the block, with most of its holdings forming an L-shape around Vulcan Real Estate's Veer Lofts. The land is zoned for construction to 85 feet, Reel said.

The property is across from the UW Medicine buildings, and near the future headquarters of Amazon.com and the Bill & Melinda Gates Foundation.

The development group may build a project on Eighth Avenue and one on Ninth Avenue, or just one that would touch on both streets, Reel said. They would also like to buy a parcel at Ninth and Republican, but Reel said it's not critical.

The newest parcel allows exposure and perhaps an entrance on Republican, offers a facade facing UW Medicine, and ensures the view isn't blocked. "You never know what would happen on that Glazer site if we hadn't bought it," Reel said.

The development group is waiting for a potential up-zone of South Lake Union. The city's decision on that "strongly impacts whether we do residential or commercial," Reel said. The city may offer more square footage to residential than commercial projects, he said.

"That's been suggested in most of the scenarios they're studying," he said.

### Of condos and clairvoyants

**Alyce Conti** couldn't predict the Seattle condo market would slump just as her Eden Development Co. bought a Capitol Hill apartment building in October of 2007 for conversion. But she's hired a "master psychic and clairvoyant" in a marketing ploy designed to attract potential buyers who want a look into their future.

**Judith Ballard** will answer questions about the coming year at Eden's ArtHaus condo project, 735 Federal Ave. E., on Sunday, Jan. 18 from 1 to 4 p.m.

Ballard will do free personalized tarot card and numerology readings on life, love, finances, home and happiness.

"People are just so uncertain," Conti said. "We've just heard that over and over again."

ArtHaus is a renovated 1927 apartment building. It has a permanent art collection purchased from local, emerging artists and is open for Capitol Hill's monthly art walk.

Units are 580 to 1,370 square feet. Studios, one-bedrooms and a penthouse are for sale. Prices go from \$288,000 to \$684,000.

The condos have original refinished oak floors, 16-inch molding in living rooms and ogee archways in the entries. Kitchen and bathrooms have new fixtures, cabinets and finishes.



Eden will give artists and teachers a \$5,000 credit towards a condo purchase.

Five of the original nine condos are left. Eden has been selling one a month, half of what it had initially predicted. It holds monthly marketing events to promote the project, and called in the psychic because Conti said it's interesting and fun. Conti expects the event to bring in fresh faces. Interest in the project has been picking up lately as mortgage rates have fallen, she said.

“It's impossible to say how things are going to be in the future and how quickly things are going to sell,” she said.

May we suggest you ask your psychic.

*Lynn Porter can be reached by [email](#) or by phone at (206) 622-8272.*

© Seattle Daily Journal and djc.com.