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Two of Pacific Northwest's top real estate investors form partnership

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File photo: Dan Schlatter

Unico CEO Quentin Kuhrau stands among the University of Washington-owned Metropolitan Tract of properties. Unico now has a presence in four new metropolitan areas.

Seattle-based [Unico Properties LLC](#) is more than doubling the amount of commercial property it manages through a new partnership agreement with Portland-based [ScanlanKemperBard Cos.](#)

Additionally, the agreement, announced this week, gives Unico a presence in four new markets in which to build its property-management services and make investments through a recently formed \$150 million real estate fund with Laird Norton.

Under the agreement, Unico will manage most of SKB's seven-million-square-foot portfolio. The agreement supplements Unico's expiring 60-year ground lease for developing and managing the University of Washington's 11-acre Metropolitan Tract, in downtown Seattle. Unico CEO Quentin Kuhrau has said the firm will bid to continue its agreement with UW when the lease expires in 2014.

Financial terms were not disclosed, but Unico will earn fees for its day-to-day management services. The agreement takes effect Friday, Oct. 1.

The deal covers management duties for SKB's buildings but has significant long-term implications for the real estate industry. The agreement creates a formal partnership between two

of the Northwest's leading real estate investors and will likely lead to joint investment deals in the future.

The deal helps Unico diversify its business by more than doubling its third-party management business, which currently accounts for less than a third of its 10 million-square-foot portfolio.

Bob Scanlan, principal and founder of SKB, said he sought a partner that views its properties with an owner's eye, after he grew frustrated with a management network that was strong in some markets and weak in others.

SKB raises funds from wealthy investors to acquire commercial real estate. It operates in eight western states. After expanding rapidly prior to the recession, it has kept a low profile for the past two years while struggling with vacancies, stagnant rents, declining real estate values and lenders taking back some of its holdings, including the John Ross condominiums in Portland and a specialty office complex in San Francisco.

"SKB is coming out of its slumber. This is our kickoff," Scanlan said.

The management deal expands Unico's portfolio to about 16 million square feet. Critically, it extends Unico's reach to four SKB markets where it does not currently operate: Los Angeles, Phoenix, Salt Lake City and Honolulu.

That's important since Unico just launched a fund to buy commercial real estate in markets where it operates.

Unico announced its Unico Diversified Fund 1 on Sept. 13. The firm and its partners are raising \$100 million to \$150 million to invest in office and apartment properties in cities where it operates.

Laird Norton Co., a seventh-generation Seattle firm with roots in the timber industry, will contribute \$40 million as the fund's lead investor. Unico is contributing \$10 million.

The balance will be raised from wealthy investors, the same group SKB serves.

SKB won't directly participate in the fund at the outset. However, Scanlan said his firm could provide information about the Unico fund to its client list. The deal also will help SKB grow by giving Unico the first opportunity to participate in SKB deals in the future.

"We want to grow. We've been on the sidelines for two and a half years, and I'm frankly sort of beating myself up a bit," he said.

In SKB, Unico saw a chance to branch into new territory.

"We said, 'Wow. Strategically this makes a lot of sense for us,'" said John Lamb, Unico's CFO and senior vice president for property management.

The deal between two well-positioned real estate investors is a good idea, said Joe Vaughan, an office broker with [Pacific Real Estate Partners](#) and member of the board of the Portland chapter of Building Owners and Managers Association, an industry trade group.

Unico has a proven management team that will serve SKB well, he said.

The deal should not effect overall employment, but will result in job changes for many.

Lamb said Unico will hire four people from SKB's accounting staff and an additional 35 people to manage the properties, chiefly people currently working on the SKB-owned projects.