

## Benaroya, the empire builders

By **Bill Kossen**

*Seattle Times business reporter*

Larry Benaroya looked out the car window at the "Available" sign planted among the rows of corn stubble in the Kent Valley, where such property is rare.

"We called on that, and they said it was sold," Benaroya said, frowning as much at the lost opportunity as the misleading sign.

Benaroya does not like to waste time on frivolous calls. That's not how his father built a real-estate empire of office and industrial parks before selling it all in a 1984 blockbuster deal, and Larry Benaroya is much like his dad — becoming known as an empire builder in his own right.

But unlike Jack Benaroya, who cashed out of the local real-estate market for \$315 million just before it tanked, his son is having to navigate the company through a major economic downturn.

That can be tricky in an industry increasingly dominated by publicly traded corporate giants. The Benaroya Co. is privately held and sees itself as a "mom-and-pop" operation, spokesman Adam Silber said.

Actually, it's more like father and son. And a second-generation operation is a rarity in the commercial-real-estate business, said Al Clise, president of Clise Properties in Seattle.

Clise runs one of the oldest businesses in Seattle, founded by his great-grandfather 115 years ago. It has seen many family-run competitors come and go.

"They're not many of us left," Clise said. "After one or two generations, they usually implode or explode."

Benaroya, with about 4 million square feet of office, high-tech and industrial space in the Seattle area, won't disclose its finances but has been able to preserve its staff of 45.

### **Big chunk of empty space**

For the past year, though, it had a big chunk of industrial space on the market — a 312,000-square-foot warehouse in Renton — used by online grocer Webvan before it folded a year ago.

London Fog recently signed a deal to occupy most of that space, moving its distribution center from Maryland two years after relocating headquarters from there to Seattle.

Benaroya went through a similar situation in 2001 when struggling Internet company Network Commerce backed out of plans to move into a new Benaroya office building near downtown.

Nordstrom's high-tech unit eventually moved in, but not before the lack of a tenant caused some anxiety in Benaroya's offices.

Now Benaroya is trying to sell the old Rainier Brewery, which it bought three years ago and turned into the headquarters and roasting plant for Tully's Coffee. Tully's has said it plans to move some or all of its operations to the Kent Valley.

The antiquated Rainier Brewery complex off Interstate 5 doesn't fit in with Benaroya's other holdings: modern office buildings and business parks.

But in another example of good timing, Benaroya still is coming out ahead in the deal.

A Benaroya unit, Kent Central, paid \$16.8 million for the entire Rainier Brewery site, which straddled both sides of Airport Way South. Plans were to turn it into a high-tech corridor. But last year, it sold 11 acres on the west side of the street for \$24.35 million to Sound Transit, which wants to build a maintenance shop. Benaroya is asking \$7.5 million for the rest of the property: the brewery building.

Back when postwar Seattle was ringed by sleepy suburbs and farmland, Jack Benaroya was buying land and turning it into something nobody had seen here before: well-designed communities of office and industrial buildings. The industrial parks (later called business parks) had lawns, shrubs, trees and sidewalks, and all carried the Benaroya name.

Jack Benaroya, now 80 and retired, was the first and the best at Northwest office parks. When he sold all his properties in 1984 to two California pension funds and Dallas-based Trammell Crow, the deal became a legend of market timing, a textbook example of buying low and selling high.

The local real-estate market crashed not long after, forcing other developers into bankruptcy while the Benaroyas sat safely on the sidelines.

Because the deal included a clause that prevented them from competing in the commercial real-estate market for five years, the family focused instead on philanthropic and venture-capital projects.

Not being in the market temporarily allowed them to make what appeared to be another smart business move. As commercial real estate showed signs of reheating in the early 1990s, Larry

Benaroya said he started "dabbling" again in real estate, buying an office park and building here and there.

By 1995, Larry Benaroya had re-established the company that bears the family name.

The Benaroyas prefer having their buildings speak for them, making Benaroya a paradox — one of the best-known and least-known names around.

"The family liked to be below the radar screen," said Tom O'Keefe, chairman of Tully's Coffee and a family friend.

Jack Benaroya once was described in a news story as "one of the city's most private people." He wasn't reclusive, often appearing at charity events, but thought seeing his name any place other than on one of his office parks was a form of bragging. He didn't even want the symphony hall downtown, which opened in 1998, named for him after donating \$15.8 million to help get it built.

His soft-spoken son has a similar aversion to publicity, although that is starting to change.

"It is a good idea to be accessible, and so we're trying to do a better job with that," he said in a recent interview.

Larry Benaroya, 51, who is married and has two children, along with a brother and a sister not involved in the business, preferred not to discuss family and personal matters. He was more relaxed talking about his office and industrial buildings, and vacancy and lease rates.

He occasionally mentioned business lessons he learned from his father, dating to when he was a teenager helping out in the office, making copies of blueprints and going on Sunday drives to inspect their properties, a tradition Larry Benaroya continues today.

When asked if he often turns to his dad for business advice, he smiled and said: "It's nice having him around."

Jack Benaroya's parents moved from California to Seattle during the Depression, and his father and older brother established a prominent beer distributorship.

But he chose to go into construction, beginning in the 1950s by putting up small post offices. On a trip to Dallas around 1960, he saw his first industrial park, developed by Trammell Crow.

He built his first industrial park in South Seattle's Georgetown neighborhood, piece by piece, buying property until he owned the block.

The site is no longer owned by Benaroya but sticks out amid the industrial hodgepodge of the Duwamish Valley.

The newer Benaroya buildings in the Kent Valley also are distinctive, but the differences are more subtle. Some include copper canopies over the loading docks and more room for supersized trucks to maneuver.

Both Benaroyas have reputations as fair, no-nonsense negotiators and formidable competitors who work hard to keep tenants from getting better deals with other landlords. To allow that to happen would be criminal, Larry Benaroya said.

It's an attitude that has earned the respect of competitors as big as Equity Office Properties, the largest owner of office properties in both the Seattle area and the nation.

"They are very focused on their tenants, and you can see that," said Patrick Callahan, who runs regional operations for Equity Office, whose holdings include the 76-story Bank of America Tower in downtown Seattle. "They are very worthy competitors. I try to mimic what they do."

### **A good landlord**

To his tenants, Larry Benaroya is known as a landlord with well-maintained, well-designed buildings who provides good service.

"Whenever we need something, we make a call and they're here, usually the same day," said John Gaston, the Kent distribution-center manager for Tommy Bahama sportswear, which rents a large Benaroya building.

Because The Benaroya Co. takes good care of its properties and usually fills them with tax-paying businesses, cities like dealing with it.

In the mid-1990s, as Boeing started downsizing in Renton, the city was struggling to attract development. When Larry Benaroya announced plans to build a business park there, it gave the city a big boost, said Sue Carlson, Renton's economic-development director.

"They were willing to step up and take a risk and invest in us," Carlson said.

In a way, Larry Benaroya was following in the footsteps of his father, who built one of his first business parks in Renton in the 1970s.

Carlson remembers when Jack Benaroya opened an outlet mall near Southcenter in the early 1980s, which closed a few years ago. It, too, was the first of its kind in the Northwest and a predecessor to the factory outlets that sprouted across the American landscape in the 1990s.

"He was ahead of his time," Carlson said. "He placed himself in the right place at the right time."

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