

Venture Capital: Carillon Point not the hub it used to be

By John Cook

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If you were looking for venture capital during the Internet boom, chances are the quest led to Carillon Point in Kirkland.

Dozens of high-tech lawyers, bankers and venture capitalists clustered at the expensive waterfront property in the late 1990s, leading some to compare the office park to Silicon Valley's famed Sand Hill Road.

But as the air leaked out of the Internet bubble, many of the high-tech professionals who resided at Carillon Point left. Earlier this month Wilson Sonsini Goodrich & Rosati -- a Silicon Valley law firm and Carillon Point tenant since 1998 -- announced plans to move its 35 staffers to Bank of America Tower in downtown Seattle.

That followed the departures of Venture Law Group, which left Carillon Point in October after its merger with Heller Ehrman; Cooley Godward, which pulled out of the market last year; and Blakely, Sokoloff, Taylor and Zafman, an intellectual-property law firm that moved to downtown Seattle more than two years ago.

High-tech law firms aren't the only ones leaving. OVP Venture Partners -- one of the region's oldest venture capital firms and a Carillon Point tenant since 1989 -- left in 2001. So did Cascadia Capital, a boutique investment bank that resettled in downtown Seattle.

In the past three months, **Myrio** Corp., Talisma Corp. and 180 Solutions -- venture-backed technology companies that together employ more than 150 people locally -- left for cheaper office space on the Eastside.

Despite the turnover, Carillon Point is weathering the storm with a vacancy rate under 3 percent. And while real estate professionals say the property -- a former shipyard that underwent redevelopment in 1989 -- may have lost many of the high-tech lawyers and venture capitalists, it still remains one of the premier addresses in the Pacific Northwest.

Billionaires Bill Gates and Craig McCaw maintain investment offices there. And several companies, including IBM, Who's Calling, Mercury Interactive and Greenpoint Technologies, have gobbled up excess office space. Compared with other high-end offices in the Seattle area, where vacancies range from 10 percent to 45 percent, Carillon Point is doing extremely well. Lease rates have dropped by about 30 percent in the past three years, although the property still boasts some of the most expensive office space in the state.

"As tough as this market is, Carillon still gets people knocking on the door," said The Broderick Group's Paul Sweeney, who handles real estate at the complex. "There has been a fallout with the venture law firms. But every time we lose a tenant, the space gets leased."

That may be the case. But Carillon Point is no longer the center of venture capital activity, a designation that has shifted to downtown Seattle in recent years.

The change doesn't seem to bother Barbara Leland, general manager of the 450,000-square-foot office complex. The "Sand Hill Road North" concept, which was touted by Venture Law Group founder Craig Johnson when the firm established a Kirkland office in 1996, never really seemed to click.

"We were very successful before they ever came, and we are showing we can continue to attract other types of companies," said Leland. "In the long run, the diversification is better for the property."

In December 1998, when Patrick Schultheis opened the Wilson Sonsini office in Kirkland, Carillon Point was the place to be. It was not uncommon to see venture capitalists making deals at the corner Starbucks or Yarrow Bay Grill. A waiting list grew to more than a dozen firms and office space soared to more than \$50 per square foot.

"It felt like 3000 Sand Hill Road. You had a number of private equity firms here and a number of service providers," Schultheis recalls. But in the past three years, as the high-tech meltdown accelerated, Carillon Point's cachet as the center of Pacific Northwest's venture capital scene faded.

"In 1998, there were two centers, Carillon Point and downtown," said Schultheis, whose firm is moving in May. "Now there is only one."

Sweeney, an 18-year veteran of the real estate market, said the high-tech law firms value the Seattle address because of its proximity to clients and other service providers.

"There is more mass in downtown Seattle," he said. "There is a huge business climate down there."

That was one of the reasons why Schultheis chose downtown Seattle over properties on the Eastside.

"A lot of the other service providers that we work with on a day-to-day basis, whether it is the financial printers, the other law firms, the accounting firms or the investments banks, are down there," he said.

The start-up scene has not entirely evaporated at Carillon Point. Two of the biggest technology banks in the region -- Comerica and Silicon Valley Bank -- are located there. In fact, Silicon Valley Bank closed a downtown Seattle office last fall in order to consolidate operations at Carillon Point.

Geir Hansen, senior relationship manager at Silicon Valley Bank, said the majority of the bank's clients are on the Eastside.

Although many of the high-tech professionals have moved, Hansen said it appears to be as busy as ever at Carillon Point.

"There are still long lines at the Starbucks," he said.

Schultheis -- who thinks the complexion of Carillon Point is changing -- said he will continue to set up meetings at the waterfront property.

"You will still go by the Starbucks and see deals getting made," he said. "And I will still be doing that because I live on the Eastside."

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