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From the **Puget Sound Business Journal**:

<https://www.bizjournals.com/seattle/news/2018/07/01/cadence-real-estate-apartment-developers-slowdown.html>

Strats

After tremendous growth, Cadence Real Estate prepares for apartment slowdown

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The three principals of **Cadence Real Estate** have built a **\$185 million portfolio** from scratch in 10 years.

Chris Garvin wheels and deals, finding investment and development opportunities. His childhood friend, Barrett Johnston, focuses on construction. Garvin's younger brother, John Garvin, leads Cadence's property management arm, Guide Property Services.

The Garvins and Johnston grew up in Bellevue, with the brothers dreaming of playing professional baseball and Johnston wanting to run a construction company. After college, Chris Garvin worked for Seattle commercial real estate company Gibraltar, while Johnston was a project engineer for Bellevue-based general contractor Foushée.

Tired of proposing investment opportunities to clients, Chris Garvin pitched one to Johnston: a small Capitol Hill apartment building in need of some TLC.

They bought the building but kept their day jobs and renovated the property at night. Soon they struck out on their own.

It was 2008, just ahead of the recession. People told them they were crazy, but their timing was ideal for buying properties at low prices and holding for high returns.

Cadence aims for net investor returns in at least the mid-20 percent range per deal.

An early investment was the Whitworth, a 53-unit Capitol Hill building that Cadence bought for \$8 million in late 2010 and sold for \$18.25 million six years later.

The firm has a handful of private equity institutional groups and close to 200 investors including Lars Knudsen, a managing director and partner at wealth management company HighTower Bellevue.

Knudsen met Chris Garvin when Garvin was a student at Newport High School and was interested in investing. Garvin's father was (and still is) a HighTower client.

Knudsen said most clients like to do direct private investment in small groups rather than place money with larger, less personal real estate investment trusts.

"They prefer to drive by and say, 'I own that building,'" even if it's just 5 percent of it, said Knudsen.

Knudsen invests with Cadence because of the principals' complementary skills.



ANTHONY BOLANTE | PSBJ

Cadence Real Estate principals Chris Garvin (right), John Garvin (left) and Barrett Johnston (center) with architectural renderings of their two current development projects at their offices in Seattle.

"I think they have done a good job balancing each other out," he said.

His latest investment with the company is a \$4.5 million development with 29 studios at 111 21st Ave. in Seattle's Central District.

Scheduled to start construction in September, Cadence will build it using cross-laminated timber, a relatively new engineered wood product. Johnston expects it will be Seattle's first CLT project.

Cadence excels in complicated projects, said Johnston. A good example is Cadence's \$13 million project at 1622 Aurora Ave. N.

The property is a steep site on the east slope of Queen Anne, and was such a tough nut to crack that bigger, better capitalized companies wouldn't touch it. But Cadence was willing to take on the risk and is putting up a five-story building with 42 apartments.

Running any fast-growing business isn't easy, but it can be especially tough doing it with friends and brothers.

"There were a lot more fights early on," said John Garvin, who joked that wrestling matches settled disputes before the company matured.

The Seattle firm's portfolio "will be worth \$200 million by the end of the year," Chris Garvin said. "Ten years out, we could hit that billion number."

That's some audacious talk, particularly now that the Puget Sound region's apartment market has peaked.

The market isn't "euphoric" like it was two years ago, said Chris Garvin, but he sees strength from Amazon.com Inc., Google and Facebook continuing to develop and lease new office space in the Seattle area as they add employees.

Still, a correction is coming, Chris Garvin said. "The question is how much of one."

Cadence has slowed down its pace of acquisitions and is being choosier. Cadence also does third-party construction and property management, with Cadence Build's third-party work ramping up, Johnston said.

"The market is hot. It's hard to find return," Chris Garvin said. "We want to be able to weather the storm."

Cadence Real Estate

Business: The real estate investment company focuses on apartment properties. It has a construction arm, Cadence Builds, and property management arm, Guide Property Services.

Principals: Chris Garvin (right), John Garvin (left) and Barrett Johnston (center)

Headquarters: Seattle

Founded: 2008

Portfolio: 18 apartment properties with more than 600 units worth \$185 million

Employees: 53

Lessons Learned

Create and maintain relationships with real estate brokers and debt and equity partners.

Be proactive. When a problem arises, address it.

Take care of your employees and residents.

Marc Stiles
Staff Writer
Puget Sound Business Journal



Redevelopment looms at Central Area apartments as Seattle considers how to combat displacement

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Thepsuwan Phonephit, 68, has been a resident of The Chateau since arriving from Laos in 1980, he said through a translator. He uses a space heater because it's cheaper than the apartment's heating unit. Residents... (Alan Berner / The Seattle Times)



Renee Holmes kisses her aunt Darlene Gordon. Gordon, 88, has lived at The Chateau for decades and grew up in the Central District. "I don't want to move her out of her environment that she's really used to," says... (Alan Berner / The Seattle Times)

New owners at an aging Central Area apartment building have submitted plans to demolish and replace the structure with a larger complex, adding to anxiety at City Hall about the loss of less-expensive housing.

By [Daniel Beekman](#)

Seattle Times staff reporter

For decades, Darlene Gordon has withstood [the forces](#) that have pushed many of her friends and relatives out of the Central Area. But the 88-year-old may not be able to hold out much longer.

New owners at the building where Gordon has lived since the 1980s have submitted plans to demolish and replace the aging structure with a larger complex sure to command higher rents, adding to anxiety at City Hall about the loss of less-expensive housing.

“I never thought the change would come to our doorstep,” said Gordon’s niece, Renee Holmes, who lives with her aunt at the 19th Avenue building known as The Chateau. “Mother Gordon wants to stay in her home.”

Because the property is in Seattle’s plan to allow taller buildings and denser construction in 27 neighborhoods while requiring developers to help create low-income housing, a vote by the City Council [in a few weeks](#) matters.

Were the council to pass the plan, a new building at the Central Area site could rise 50 feet, rather than 40 feet. The owners, whose plans call for a 73-unit complex, would be required to include five low-income apartments in their project or pay a fee of \$22 per square foot into the city’s affordable-housing fund.

Five low-income units are more than none, and low-income apartments produced via the plan would need to be maintained with low rents for 75 years, whereas apartments like Gordon’s are less secure.

The Chateau’s owners have decided not to renew after 2019 a contract with the U.S. Department of Housing and Urban Development

that accommodates Section 8 rent-voucher holders at the building, creating uncertainty for Gordon and others who rely on the vouchers.

But some council members say the situation at The Chateau underscores why more must be done to help tenants in older complexes. While five units could be created under the upzone plan, 21 low-income households could lose their homes, putting many at risk.

Tenants include a disabled senior from Laos who's lived at the building since arriving in the U.S. in 1980 and a couple with two young children who moved in recently after sleeping in their vehicle and in homeless shelters.

Thepsuwan Phonphit, a refugee, said he's worried because he doesn't know how or where he would find another apartment, after staying in the same place for so long.

That's why Councilmember Lisa Herbold [has proposed](#) requiring developers who raze relatively inexpensive apartments to engage in extra mitigation. Under the legislation, developers in some neighborhoods would need to replace such apartments with an equal number of rent-restricted units or pay even more in fees.

"We should ensure we don't end up with a net loss of housing units for low-income people," the council member said.

When she introduced her proposal last week, Herbold said she hoped the council would consider it immediately. But Councilmember Rob Johnson, who chairs the council's land-use committee, has shelved the idea until after the upzones are approved, she said.

Critics of Herbold's proposal say it would discourage development on certain sites and say the rents in old buildings are bound to increase anyway, but she says Seattle should sacrifice some density to save buildings like The Chateau from the wrecking ball.

Meanwhile, the city will soon start encouraging nonprofit developers to prioritize neighborhood residents when filling new affordable buildings, Mayor Jenny Durkan said [last week](#).

Councilmember Kshama Sawant is taking a more direct approach at The Chateau. She hosted a rally Thursday, calling on owners Cadence Real Estate to find other housing for the tenants before demolition.

“Cadence has the responsibility to make sure they have affordable and accessible homes to go to in the neighborhood,” Sawant said. “Because Cadence is going to make large profits out of this project.”

In a statement, Cadence defended its actions and sought to dampen the eviction concerns while describing The Chateau, constructed in 1963, as a building “nearing the end of its life span.”

“The permit process is lengthy and redevelopment is not imminent,” the company said. “At the earliest, redevelopment would begin in three to five years.”

A project timeline shared by the company at a meeting last month said construction would begin in 2021.

Cadence will help households set to lose The Chateau’s project-based Section 8 vouchers try to obtain new, tenant-based vouchers, the company said. Tenant-based vouchers can be used at any building, while project-based vouchers can be used at various buildings.

If The Chateau is razed, the company will comply with [Seattle’s tenant-relocation assistance law](#), the statement said. Low-income households are owed about \$3,850 each when displaced, with the developer and the city each paying half.

Holmes is determined to keep her aunt in the Central Area, one way or another. Though gentrification and other factors [have transformed](#) Seattle’s historically black neighborhood, it remains home for Gordon, who still worships at the same church she attended as a teenager.

“It’s all about the money, but what about the people?” Holmes said. “I don’t want to move her out of her environment that she’s really used to.”

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