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Downtown office market shaken up

2nd law firm may leave 555 Capitol Mall

Sacramento Business Journal - by [Kathy Robertson](#) Staff Writer

Sacramento's second-largest law firm is looking for a new home.

McDonough Holland & Allen may end up staying put at 555 Capitol Mall, but the fact that it's looking at all has sent ripples across the local office market.

The firm's lease in the heart of downtown isn't up until 2009, but its leaders sent out a request for proposals two weeks ago to explore other options in Natomas or Roseville along with midtown and downtown Sacramento.

A stable, longtime local law firm with more than 100 lawyers and dozens of support staffers, McDonough would be a plum anchor tenant for any office building.

The fact that its lawyers are looking around has got local developers itching to strut their stuff. McDonough wants 70,000 square feet of offices.

"Yes, they are talking to us," said Anthony Giannoni, development partner with Angelo K. Tsakopoulos on the Meridian Plaza project on L Street across from Capitol Park. A second building behind the first tower is in the works. "McDonough is one of the premier law firms in the region, and having them in our building would be a significant asset."

If the firm does pack up and move, more than one-third of the office space at 555 Capitol Mall could be vacated by early 2009. **Downey Brand LLP**, Sacramento's largest law firm, plans to move next door to the U.S. Bank Tower at 621 Capitol Mall in late 2008.

McDonough is talking to folks at **David S. Taylor Interests Inc.**, too, a company spokesman confirmed Wednesday. Downey Brand signed on in September as the anchor tenant for the 25-story tower.

"With Downey leaving as well, it would leave a very big hole in 555," said Bill Swettenham, a broker at **CB Richard Ellis Inc.** who is helping McDonough with the search. "But that's life. Some tenants move and landlords have to cope."



Dennis McCoy | Sacramento Business Journal

555 Capitol Mall could have a whole lot of space to fill by 2009.

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Both law firms are longtime tenants that have stuck with the building during major renovations in recent years to upgrade the restaurant and other services at 555 Capitol. The departure of both firms would leave big portions of the building vacant at a time when other high-rise offices are expected to be under development, sources say.

Some fear the move could leave the Capitol Mall tower facing the conditions that have struck other downtown sites such as the Renaissance Building at 801 K St. -- older, still well-located, but filled with public-sector tenants that drive down rent.

Gerry Holt, executive director at McDonough, confirmed that the firm sent out a request for proposals two weeks ago and will consider options in Sacramento and suburban markets. "It will be thorough and comprehensive," he said of the search. "We'll definitely look at Natomas and the Roseville corridor, in addition to downtown and midtown."

McDonough has already done a study of the market and decided which areas to search, Swettenham said. "Some have been eliminated, some haven't," he said.

The results are confidential.

The firm is looking at downtown first because several new office buildings are in the development stage there.

"The construction process alone means twice the time frame" so McDonough is allowing plenty of lead time, Swettenham said.

There's been plenty of interest. A big tenant like a law firm can help a developer nail down financing or help persuade other businesses to relocate.

Besides Meridian Plaza and the U.S. Bank Tower as possible new homes, corporate real estate broker Chris Strain pointed to 980 9th Street, which will lose anchor tenant U.S. Bank to David Taylor's proposed high rise at 621 Capitol Mall, and a 24-story high-rise proposed by George and Angelo Tsakopoulos at 500 Capitol Mall.

"They're probably talking -- but it won't happen -- about a redevelopment project at 7th and J streets proposed by **Vanir Construction** (Management Inc.), and they are surely in discussions with **Panattoni Development** about the Raley's Landing development (in West Sacramento)," Strain said. "If I was a betting man, I'd place suburban attention as a straw dog on the Twin Towers in South Natomas by John Kelly and Tony Giannoni's Farm Bureau site."

McDonough is a significant enough tenant to affect the market, said Al Gianini, a former executive director of the **Sacramento Area Trade and Commerce Organization** who is now senior managing director at CB Richard Ellis.

Downey Brand was the anchor tenant that developer David Taylor needed to wrap up financing for his Tower at 621 Capitol Mall. The deal, signed in September, gave him the go-ahead to start construction within weeks.

"They are going to expose themselves to all the options," Gianini said of McDonough, "so other

opportunities may appear that aren't apparent right now. They are truly going to go out and expose themselves to the market and see how it responds."

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