

The Newsletter

NOTES &

COMMENTS ON REAL ESTATE INVESTING

Kauri's Projects

Luminaire Condominiums

On sale now! Located at 12328-31st Avenue NE in Lake City, this project features 50 condominium homes and 3 live-work spaces with territorial views and a rooftop deck. Prices range from the mid \$120,000s to the mid \$300,000s. With convenient access to I-5, proximity to downtown, Northgate and the University, they are ideal for first-time buyers.

Designed by Runberg Architecture Group, this "built-green" project uses certified recycled steel stud framing and non-resource depleting bamboo floors. A few of the buildings features include "Rain Screen" exterior to withstand the Northwest's weather, CAT-5e, CATV and Smart Box wiring for high-speed Internet service and, the Built Smart™ certification ensures that the building minimizes energy consumption. The building is controlled access and has secured underground parking.

For more information, visit the Web site at www.liveatluminaire.com.

Fremont Condominiums

Slated to begin construction in the second quarter of 2005, this 50-unit project is located at 309 NW 41st Street in Fremont. Convenient to downtown, Fremont and Ballard, it features 47 condominium homes and 3 live-work spaces with mezzanines. The building, designed by Driscoll Architects, has an industrial loft feel in keeping with the neighborhood.

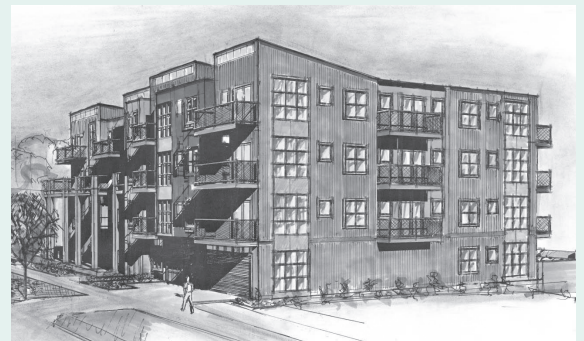
Redmond Court Townhomes

Kauri has site approval and is working on building permits for a 21 unit townhouse development featuring ground floor work spaces facing the streetscape and outdoor recreation areas, just blocks from downtown Redmond. The project earned praise from the City of Redmond design review board for its sensitivity to the surrounding neighborhood as well as its dedication to high quality design. It will provide several affordable housing units and is scheduled to begin in 2005.

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Luminaire Condominiums
12328 31st Avenue NE, Lake City



Fremont Condominiums
309 NW 41st Street, Fremont



Redmond Court Townhomes
Redmond

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Alaska Building

Kauri, partnered with Ariel Development, has this historic downtown building under contract from the City of Seattle with plans to close on the sale in April of 2005. Built in 1904, it is Seattle's first steel-framed skyscraper rising 15 stories and was the tallest building in Seattle until the Smith Tower was completed in 1914.

When the sale is completed, Kauri's renovation plans include seismic upgrades and conversion of floors six through 15 into 80 residential units. Additionally, Kauri has plans to upgrade and expand the ground floor retail as well as the office space on the second through the fifth floors. Kauri plans to take advantage of the federal tax credits that the building is eligible for due to the building's historic status and restore some of the historic character to the interior lost in previous renovations.

Located at the corner of 2nd Avenue and Cherry Street, The Alaska Building is situated in the heart of Seattle's financial and historic districts and is within walking distance of the two major sports stadiums as well as the Washington State Ferries and Pioneer Square. The upper floors feature sweeping views of the Olympic Mountains and Elliott Bay.

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Lake City Properties

Kauri currently has a Master Use Permit for a mixed-use building with ground floor retail and five floors of residential located at 3310 NE 125th Street. Both the residential and commercial entries are denoted through the use of glass and steel canopies. The project is scheduled to begin construction late in 2005.

Also in Lake City we are working on entitlements for a property at 130th and Lake City Way for a 22-unit town home project.

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Letter from the President

By Kent Angier

We have spent the last year and a half positioning the company to take advantage of a rebounding economy and all indications are that 2005 will bring both job and population growth to the Seattle area.

We are currently completing one project and are planning to start at least two others this year with at least two more to follow in 2006. In addition to the mixed-use residential buildings we have either planned or under construction, we purchased one office building at 2400 North 45th Street in the 3rd quarter of 2004 and are under contract to purchase two more; both the Ohio Avenue warehouse and the 15-story Alaska Building in the 1st and 2nd quarters of 2005 respectively.

In January we formed Laurel Partners LLC as a real estate marketing company that will market buildings Kauri develops as well as work on re-sale business. We will be hiring established residential real estate agents who are both dedicated to and knowledgeable about the product we build. They will begin selling homes at our newest property, Luminaire, this month. They will also be available to any of the residents in other properties we have developed to help them sell and buy new property. That way, residents will have dedicated agents who know both their building and the condominium they live in so that they can expedite their selling process and maximize the sales price they achieve.

As we head into this period of growth we will continue to pursue both opportunities to entitle and build new buildings as well as to purchase existing properties.

Kauri Offices Have Moved

On February 1st, Kauri moved to 2400 North 45th Street, Suite 100, Seattle WA 98103.

Phone 206-447-0303

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FOR MORE INFORMATION CALL KAURI L.L.C. AT 206-447-0303

W I N T E R 2 0 0 5

Letter from the Chairman

By Jim Potter



Creating Urban Centers That Work

Most people in our community have agreed that growth management is a good idea. No one wants to see the sea of single-story development and asphalt continue to flow ever outwards from our cities, devouring more and more of our beautiful countryside. Yet this is at odds with our needs for places to live, work and play. Since the Growth Management Act was passed by the Washington Legislature in 1990 the central Puget Sound has been successful in gradually restricting growth on the perimeter of our urban areas, but it has been ineffective in helping cities allow for the growth in the urban areas necessary to keep the costs of housing and commercial development at affordable levels.

Our leaders and our communities have largely come to recognize that in order to reconcile these disparate needs, we need to fully utilize our urban centers. We need more densely developed centers that are attractive to live in and vibrant to patronize.

The City of Seattle presently has five urban centers designated under its Comprehensive Plan (first adopted in 1994 and due for its 10-year update at the end of the year by the Seattle City Council). They are: Capitol Hill/First Hill, Uptown (Lower Queen Anne), Downtown, Northgate and the University District. A sixth urban center will most likely be designated this year with South Lake Union. While each of these neighborhoods has its own unique personality, most have fallen short of fully becoming a true "urban center". We now have more than half of our six urban centers that are struggling to overcome years of neglect from the city. Our goals for our communities have been thwarted by a cumbersome zoning code and other land use regulations which, at approximately 1500 pages long, are very complicated and difficult documents for neighborhoods, property owners, developers, and City staff to use and administer. Additionally, the Northgate Urban Center is the only neighborhood out of 38 in the City of Seattle that hasn't had its neighborhood plan updated since the Comprehensive Plan was first adopted.

Recently, our mayor announced zoning and Land Use Code changes intended to help revitalize both the Broadway area of Capitol Hill and the University District. In the last several years the mayor has also announced efforts to enhance Northgate and South Lake Union. While his intentions are worthy, these minor changes are not enough to turn these neighborhoods into what we need them to become. We need to look at all of our urban centers with new eyes, and differently than we do the other parts of our city. Presently the urban centers in the City of Seattle are subject to the same lengthy and complicated Land Use Code that the other Seattle neighborhoods are. The existing Seattle Land Use Code was created in various stages from 1979 through the 1980's and has been amended so many times since that it is confusing and difficult to understand. It is now time for a new Land Use Code specifically for the urban centers be created to free those Centers from the constraints of difficult regulations and allow them to prosper.

The new code should be short and simple, such as Tacoma's 12 page zoning code. It should describe what our City's vision is in each urban center. A new code will allow creative architects and developers in our City to seek new ways to accomplish the goals of growth management. Design review and design guidelines would still be available to help projects fit in with the context of each center and create dialog with our neighborhoods. Without this change to a new code the urban centers will continue to struggle with codes that were created during a different era and for historical reasons that no longer apply.

JAMES B. POTTER

Chairman, Kauri Investments Ltd., A mixed-use and multifamily developer of workforce housing in the Puget Sound region
Chair, Land Use Committee Greater Seattle Chamber of Commerce
Second Vice President, Master Builders of King and Snohomish Counties
Co-Chair, Oversight Committee, Lynnwood City Center Project

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W I N T E R 2 0 0 5

2400 North 45th Street
Suite 100
Seattle, WA 98103



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Commercial sites

Kauri, partnered with Ariel Development, is purchasing a 10-acre site with a 300,000 square foot warehouse building in the SODO area just south of Spokane Street. Scheduled to close in late March, the property is available for lease in total or in a number of configurations. The building has seven demised spaces ranging in size from 25,000 to 43,000 square feet with loading docks on all sides of the building, and is located only one half block off of East Marginal Way. It features 12-foot clear height and both dock-high and ramped drive in loading.

In September 2004 we purchased a 12,000 square foot office building at 2400 North 45th, (the intersection of 45th and

Sunnyside). The building was renovated in 2000 and is 100 percent leased.

This year we will begin the entitlement process on our 11,500 square foot site at 12th Avenue and Denny. It is currently operated as a surface parking lot and there are ongoing discussions with the two neighboring property owners that may be interested in either selling or forming a joint venture to build on the property.

Kauri and Ariel Development also have a commercial property under contract at 6th Avenue and Denny across from the Seattle Center. There are several users that have expressed interest in having the Kauri Ariel team build-to-suit on this highly desirable site.

Space Available:

Contact Kent Angier
at 206-447-0303
extension 290

Denny Center: A 5,000 square-foot office space is available on the second floor. The building fronts on both Denny and Fairview—a highly visible space, excellent location, freeway access and close to downtown.

SODO Warehouse: Up to 300,000 square feet with demised spaces ranging in size from 25,000 to 43,000 square feet only one half block off East Marginal Way. It features 12-foot clear height and both dock-high and ramped drive in loading.

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