



TO: T.C. Broadnax, City Manager
FROM: Ricardo Noguera, Community and Economic Development Department
COPY: Economic Development Committee
SUBJECT: Office and Industrial Real Estate Market Strengths and Opportunities in Tacoma/Pierce County
DATE: August 9, 2016

SUMMARY:

Bruce Kendall, President and CEO of the Tacoma-Pierce County Economic Development Board will focus on Downtown Tacoma office drivers, including supply, demand, talent, connectivity and risk. John Bauder, Vice President of Brokerage Services for CBRE, and Joel Jones, Industrial/Office Specialist of the Neil Walter Company, will provide information regarding Tacoma's office and industrial real estate market strengths and opportunities as well as market trends.

BACKGROUND:

Tacoma's downtown office market occupies a unique niche. It has 2.8 million square feet of Class A, B and C space compared with downtown Seattle at 45.8 million square feet and downtown Bellevue at 8.3 million square feet. Between 2010-2016, there has been nearly no change in the Tacoma Central Business District's (CBD) absorption of office space. Alternatively, downtown Seattle has absorbed 7.6 million square feet and Bellevue's CBD 85,000 square feet. No office space is under construction in downtown Tacoma, while 5.7 million square feet is being constructed in Seattle's CBD and 1.1 million square feet in Bellevue's CBD. Although Tacoma's downtown office market is considerably smaller than downtown Seattle's or Bellevue's office markets, it offers more affordable lease rates and lower parking costs for cost-sensitive businesses that need and want to operate in an urban center.

Tacoma's industrial market is the largest in Pierce County with nearly 21 million square feet, followed by Sumner at 15.2 million square feet, Fife at 11.3 million square feet, Puyallup at 6.3 million square feet and Lakewood at 3.5 million square feet. Industrial buildings in Tacoma average approximately 38,000 square feet and are about 51 years old compared with those in Sumner which average 115,850 square feet and are 19 years old. No industrial product is under construction in Tacoma, while Sumner has 518,650 square feet, Fife has 397,600 square feet and Lakewood has 210,700 square feet under construction. Tacoma's industrial market is strong. Approximately 1.5 million square feet of industrial product is proposed for development on the 80-acre Prologis Park site at SR-509 and 12th Street East.

The presentation will focus on office and industrial metrics, market trends and opportunities to attract investment and strengthen employment within the community.

ISSUE:

Issues to be addressed include identifying office and industrial market opportunities to support business growth, expansion and attraction that will result in an expanded tax base and new jobs in Tacoma.

ALTERNATIVES:

This is an information briefing only. There are no alternatives presented.

FISCAL IMPACT:

This is an information briefing only. There is no fiscal impact.

RECOMMENDATION:

This is an information briefing only. There is no recommendation.