

Office and Industrial Real Estate Market Strengths and Opportunities in Tacoma/ Pierce County

Presented By:

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Economic Development Committee

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Office Market

Tacoma's office market continues to improve and has room to grow!



Potential to build in Town Center
S. 21st and Jefferson

Office Market Size

Including Class A, B and C

Community	Total Size	Q2 2016 Class A %	Q2 2015 Class A %
Seattle Downtown	45,790,904 SF	73%	72%
Bellevue CBD	8,337,371 SF	87%	86%
Bellevue/Eastside	30,741,157 SF	74%	73%
Tacoma CBD	2,809,142 SF	42%	41%
Tacoma Suburban	1,307,321 SF	13%	14%
Federal Way	2,350,285 SF	45%	46%
Puyallup	456,997 SF	33%	33%

Source: CBRE

Office Market Vacancy

Community	Total Size	Q2 2016 Vacancy	Q2 2015 Vacancy	Absorption (2010-Q2 2016)	Absorption (2009-Q2 2015)
Seattle Downtown	45,790,904 SF	9.5%	10.3%	7,638,801 SF	5,745,773 SF
Bellevue CBD	8,337,371 SF	12.0%	9.5%	85,662 SF	1,301,909 SF
Bellevue/Eastside	30,741,157 SF	10.7%	10.4%	3,042,984 SF	2,266,366 SF
Tacoma CBD	2,809,142 SF	13.1%	15.3%	(327 SF)	(33,053 SF)
Tacoma Suburban	1,307,321 SF	16.1%	14.5%	(61,640 SF)	(60,090 SF)
Federal Way	2,350,285 SF	22.1%	27.8%	500,199 SF	127,868 SF
Puyallup	456,997 SF	6.6%	7.7%	163,367 SF	137,334 SF

Tacoma CBD Office

Class – Size	Q2 2016 Vacancy	Q2 2015 Vacancy	Q2 2016 Lease Rate
A 1,179,838 SF	53,729 SF (4.6%)	87,308 SF (7.4%)	\$26 - \$28 PSF
B 1,459,493 SF	303,421 SF (20.8%)	346,627 SF (22.5%)	\$17 - \$21 PSF
C 169,811 SF	10,162 SF (5.98%)	68,500 SF (40%)	\$13 - \$16 PSF

Class A Lease/Parking Rates

Community	Q2 2016 Class A Lease Rate	Q2 2015 Class A Lease Rate	Parking Rate
Seattle Downtown	\$41.76 PSF	\$37.81 PSF	\$300-\$350/month
Bellevue CBD	\$44.25 PSF	\$39.58 PSF	\$250-\$275/month
Bellevue/ Eastside	\$35.32 PSF	\$32.02 PSF	Free Parking
Tacoma CBD	\$26.11 PSF	\$26.23 PSF	\$125-\$150/month
Tacoma Suburban	\$22.24 PSF	\$24.80 PSF	Free Parking
Federal Way	\$20.90 PSF	\$21.00 PSF	Free Parking
Puyallup	\$22.00 PSF	\$22.00 PSF	Free Parking

Office Currently Under Construction & Planned Future Development

Community	Q2 2016 Under Construction	Q2 2015 Under Construction	Q2 2016 Planned Future Development	Q2 2015 Planned Future Development
Seattle Downtown	5,714,448 SF	4,643,192 SF	13,198,373 SF	8,692,727 SF
Bellevue CBD	1,060,000 SF	1,522,000 SF	3,410,000 SF	2,602,800 SF
Bellevue/ Eastside	1,060,000 SF	1,702,000 SF	9,915,131 SF	8,179,400 SF
Tacoma CBD	None currently*	None currently*	None	None
Tacoma Suburban	None	None	330,000 SF	None
Federal Way	None	None	50,000 SF	50,000 SF
Puyallup	None	None	24,600 SF	None

Office Market Strengths

- Desirability of Downtown and local area
- Affordability of space
- Relatively low cost of living
- Reduced commute times
- Tacoma/Pierce County population growth

Office Market Trends

- Nationally, tech's share of major leasing activity¹ increased from 11% in 2011 to 18% in 2015
- Jobs now follow people, instead of people following the jobs
- Co-working space – collaboration & networking
- Move toward historic buildings
- Nationally and locally, tenants are showing a preference for Downtown office

Note 1: Includes top 25 largest transactions by SF each quarter for the 54 markets tracked by CBRE Research.

Office Market Opportunities

- Transit Oriented Development (TOD) near the 2.4 mile Link Light Rail expansion
- Availability of sites that can accommodate new buildings and projects
- Redevelopment of Class B & C buildings
- Option for more co-working space
- Ability to attract new people (employees) to the area – with employers that follow to take advantage of the talent pool

Industrial Market

Tacoma's and Pierce County's industrial markets are growing.



Prologis Park
SR-509 and 12th Street East

Industrial Market Size

Buildings over 10,000 SF*

Community	Total Size as of 9/2015	Total Size as of 7/2016	SF Change	% Change
Tacoma	20,878,154 SF	20,975,679 SF	97,525 SF	0.5%
Fife	10,046,412 SF	11,250,468 SF	1,204,056 SF	10.7%
Sumner	13,909,712 SF	15,159,362 SF	1,249,650 SF	8.2%
Puyallup	5,678,157 SF	6,298,862 SF	620,705 SF	9.9%
Lakewood	*	3,507,816 SF	*	*

Source: Co-Star

*Data not available

Industrial Market Vacancy

Buildings over 10,000 SF*

Community	Amount/ Percent Vacant as of 9/2015	Amount/ Percent Vacant as of 7/2016
Tacoma	1,186,279 SF (5.7%)	723,412 SF (3.4%)
Fife	490,001 SF (4.9%)	735,257 SF (6.5%)
Sumner	2,278,296 SF (16.4%)	1,668,175 SF (11.0%)
Puyallup	394,294 SF (6.9%)	417,054 SF (6.6%)
Lakewood	*	582,128 SF (16.6%)

Source: Co-Star

*Data not available

Average Industrial Building Size/Age

Buildings over 10,000 SF*

Community	Average Building Size		Average Age
	as of 9/2015	as of 7/2016	
Tacoma	37,686 SF	38,068 SF	51
Fife	92,169 SF	96,158 SF	24
Sumner	113,087 SF	115,850 SF	19
Puyallup	59,147 SF	70,774 SF	29
Lakewood	*	66,708 SF	32

Source: Co-Star

*Data not available

New Construction Post 2014

Community	Total SF	Available SF
Tacoma	0 SF	---
Fife	1,259,019 SF	220,058 SF (17%)
Sumner	3,654,521 SF	273,850 SF (7%)
Puyallup	774,748 SF	284,592 SF (37%)
Lakewood	268,000 SF	0 SF (0%)

Industrial Currently Under Construction

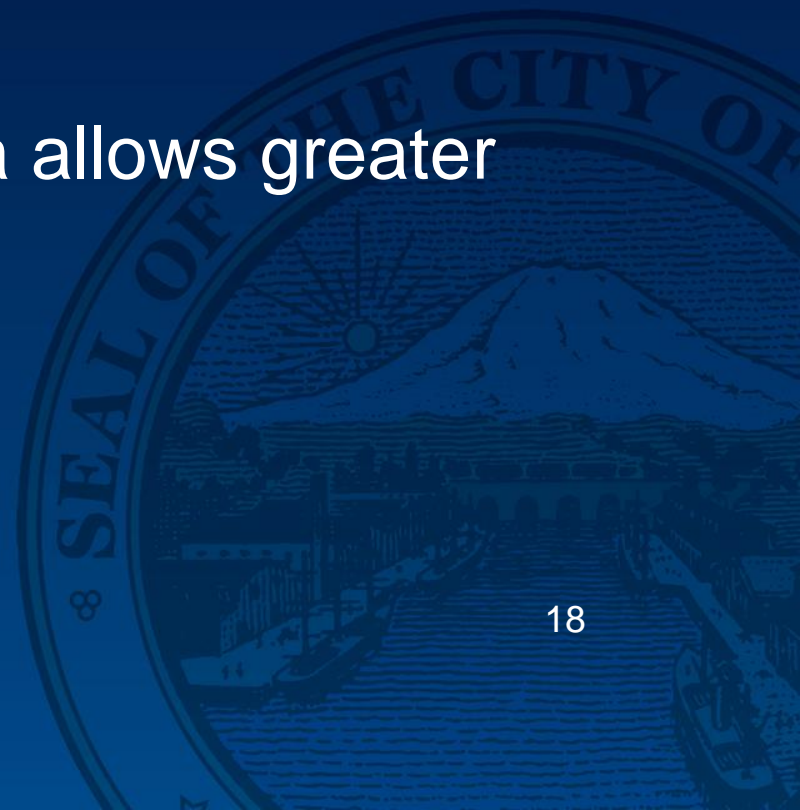
Community	Total SF	Available SF
Tacoma	0 SF	- - -
Fife	397,592 SF	397,592 SF (100%)
Sumner	518,650 SF	518,650 SF (100%)
Puyallup	0 SF	- - -
Lakewood	210,700 SF	210,700 SF (100%)

Proposed/Future Industrial Development

Community	Total SF	Available SF
Tacoma	3,413,614 SF	3,413,614 SF (100%)
Fife	0 SF	- - -
Sumner	672,616 SF	612,616 SF (91%)
Puyallup	0 SF	- - -
Lakewood	450,000 SF	450,000 SF (100%)

Tacoma's Industrial Market Strengths

- Port of Tacoma proximity
- Adjacent to I-5
- Zoning in Port of Tacoma allows greater range of use
- Heavy Hall Corridor
- Rail access



Tacoma's Industrial Market Opportunities

- Additional land development
- Port of Tacoma land
- Capitalize on location to Tacoma CBD via 11th Street bridge
- Streamlined SEPA
- Redevelopment tax incentives
- Rezoning of areas

Tacoma's Office and Industrial Market Challenges

- Office buildings don't meet needs of companies requiring modern technology
- Antiquated industrial buildings
- Old infrastructure with upgrades required
- Few infill industrial sites

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