

Fourth Quarter 2019

General Overview

Seattle's office market slightly cooled in the fourth quarter of 2019 with vacancy in the Seattle Central Business district increasing to 5.3% from 5.0% in the third quarter. Total year to date net absorption for the Downtown Seattle Office Market stands at 2,832,425 RSF. Another 5,495,313 RSF is currently under construction; with the majority of supply under construction pre-leased. Seattle remains one of the tightest markets in the country as rent growth remains well above the national average. Furthermore, sales activity was high in the fourth quarter as investors worked to complete deals before the state wide real estate excise tax (REET) took effect in 2020.

Economy

The Seattle/Bellevue/Everett area saw a decrease in unemployment with preliminary seasonally adjusted unemployment for October decreasing to 3.6% from 3.7% in August according to The Washington State Employment Security Department. The Bureau of Labor Statistics is reporting a slightly lower rate of 3.3% for the Seattle/Bellevue/Tacoma area.

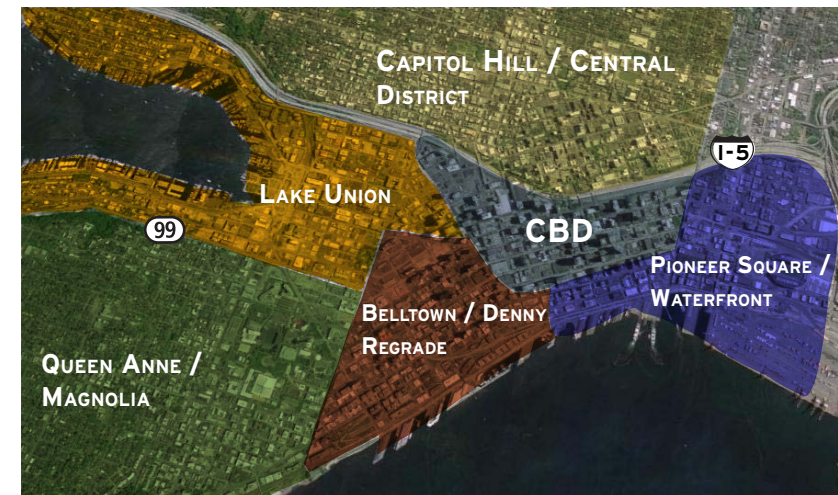
Market Data

To summarize, below is a table providing information for the major submarkets of Seattle:

MARKET	Vacancy Rate	YTD Aborption (SF)	Average FS Rental Rates (Class A)
Ballard/U Dist	4.9%	65,786	\$45.60
Belltown/Denny Regrade	3.4%	152,035	\$44.17
Capitol Hill/Central District	3.0%	(11,708)	\$46.00
Lake Union	2.6%	1,410,959	\$54.00
Pioneer Square/Waterfront	6.5%	(85,752)	\$45.00
Queen Anne	10.5%	(110,539)	\$46.50
Seattle CBD	7.2%	1,258,078	\$52.00

The total vacancy rate for Seattle is approximately 5.3%.

Submarket Snapshot



Office Market Trends

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Proposed Development

This quarter, several new developments have been proposed in Seattle:



FOURTH AND COLUMBIA - 701 4TH AVENUE

DEVELOPER: Crescent Heights
COMMENTS: 151,650 square feet of office, 1,200 residences, 150 hotel rooms, 15,500 square feet retail, 101 stories



701 DEXTER AVENUE NORTH

DEVELOPER: Alexandria Real Estate
COMMENTS: 217,000 square feet of office or lab space



FREMONT NORTH SHORE - 1326 NORTH NORTHLAKE WAY

DEVELOPER: Kevin Conroy & Jim Neuberger
COMMENTS: 30,000 square foot office project



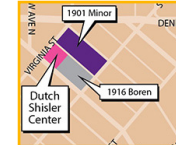
BLOCK 18 - 2205 7TH AVENUE

DEVELOPER: Graphite Design Group
COMMENTS: 388,000 square feet of office. 100% leased to Amazon



SLU STREETCAR BARN - 318 FAIRVIEW AVENUE NORTH

DEVELOPER: Skanska
COMMENTS: 11 story office tower built over a new streetcar barn. Size unknown.



1916 BOREN AVENUE

DEVELOPER: Trammel Crow
COMMENTS: 115,000 square foot office project



THE NET - 801 THIRD AVENUE

DEVELOPER: Urban Visions
COMMENTS: 807,580 square feet of office with two floors of "open market" retail



FORMER SEATTLE TIMES HQ - 1120 JOHN STREET

DEVELOPER: Onni Group
COMMENTS: 940,160 square feet of office with 54,000 square feet of retail



THE JACK - 74 SOUTH JACKSON STREET

DEVELOPER: Urban Visions
COMMENTS: 135,300 square feet of office space



7TH & BATTERY - 2301 7TH AVENUE

DEVELOPER: Onni Development
COMMENTS: 310,000 square feet of office, 600 residential units



WINDERMERE BUILDING - 815-825 WESTERN AVENUE

DEVELOPER: Martin Selig
COMMENTS: 300,000 square feet of office, 10 floors of apartments



401 QUEEN ANNE AVENUE NORTH

DEVELOPER: Martin Selig
COMMENTS: 240,000 square feet of office space



601 DEXTER AVENUE NORTH

DEVELOPER: Alexandria Real Estate
COMMENTS: 200,000 square feet of office space



NORTHGATE MALL REDEVELOPMENT

DEVELOPER: Simon Property Group
COMMENTS: 978,500 square foot redevelopment project



760 ALOHA STREET

DEVELOPER: Nitze-Stagen
COMMENTS: 44,481 square feet of office

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This quarter, several new developments have been proposed in Seattle:



SCCA EXPANSION - I-5 & VALLEY STREET

DEVELOPER: SCCA
COMMENTS: 240,000 square feet of lab and office space



"S" - 1001 6TH AVENUE SOUTH

DEVELOPER: Urban Visions
COMMENTS: 1,620,000 square feet of office



4536 BROOKLYN AVENUE

DEVELOPER: Touchstone
COMMENTS: 345,000 square feet of office



222 FIFTH AVENUE NORTH

DEVELOPER: Da Li Properties
COMMENTS: 200,000 square foot office building, ground floor retail



METROPOLE BUILDING - 423 2ND AVENUE EXT. S

DEVELOPER: Satterberg Foundation
COMMENTS: 27,645 square foot office renovation



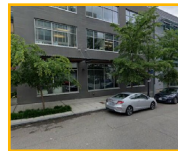
MERCER MEGA-BLOCK

DEVELOPER: Alexandria Real Estate
COMMENTS: 800,000 square foot life science campus



800 STEWART STREET

DEVELOPER: Per Day LLC
COMMENTS: 53 stories, 37,240 square feet of office, 568 residences, ground-floor retail



219 TERRY AVENUE

DEVELOPER: Alexandria Real Estate, Hess Callahan Partners, Stephen C Grey & Assoc.
COMMENTS: 12-story building project, size and use unknown



601 DEXTER AVENUE NORTH

DEVELOPER: Alexandria Real Estate
COMMENTS: Removal of old warehouse, and 11-story office tower, 186,264 square feet, 187 vehicles



75 MARION STREET

DEVELOPER: Martin Selig Real Estate
COMMENTS: 209,000 square feet of office space, plus retail, 106 residential units, 278 underground parking stalls



WASHINGTON PARK BUILDING REDEVELOPMENT -

DEVELOPER: Unico Properties
COMMENTS: 48,000 square feet of office and 6,000 square feet of restaurant and retail space



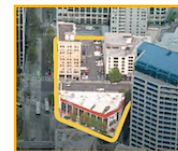
400 UNIVERSITY @ RAINIER SQUARE

DEVELOPER: Wright Runstad & Co
COMMENTS: 110,000 square feet office space, restaurant and lounge



4530 12TH AVENUE/4536 BROOKLYN AVENUE NE

DEVELOPER: Touchstone-Portman JV
COMMENTS: Building A- 11-story 240,000 square feet of office. Building B- 9-story 152,000 square feet of office



5 PARCELS - FIFTH & SEVENTH & STEWART STREET & OLIVE WAY

DEVELOPER: Kilroy Realty
COMMENTS: Plans not immediately known



570 MERCER STREET

DEVELOPER: Schnitzer West
COMMENTS: 100,000 square foot office building

Fourth Quarter 2019

Office Construction

Seattle continues to be at an all-time high construction boom with the following developments all currently under construction:


AMAZON II & AMAZON PHASE VI, VII & VIII

DEVELOPER: Vulcan
COMMENTS: 2,094,000 square foot project
100% leased to Amazon


AMAZON FOURTH HQ BLOCK - 8TH AVENUE & BELL/SEVENTH AVENUE & BLANCHARD

DEVELOPER: Graphite Design Group
COMMENTS: 835,000 total square foot project with two towers (24 story & 7 story).
100% leased to Amazon


RAINIER SQUARE REDEVELOPMENT

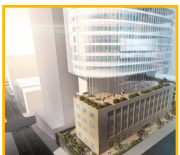
DEVELOPER: Wright Runstad & Co.
COMMENTS: 762,800 square feet of office, 216 residences. 100% leased to Amazon


BLOCK 20 - 1234 WESTLAKE AVENUE

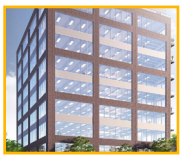
DEVELOPER: Seneca Real Estate Group
COMMENTS: 1,100,000 square foot project
100% preleased to Amazon


RAILSPUR - 419 OCCIDENTAL AVENUE SOUTH

DEVELOPER: Urban Villages & Manchester Capital
COMMENTS: 98,000 square foot office project


FORMER FEDERAL RESERVE BUILDING - 1015 2ND AVENUE

DEVELOPER: Martin Selig
COMMENTS: 195,000 square feet of office, 223,000 square feet total


BOREN OFFICE LOFTS - 1930 BOREN AVENUE

DEVELOPER: Trammell Crow
COMMENTS: 115,000 square feet of office space


333 DEXTER- 333 DEXTER AVENUE NORTH

DEVELOPER: Kilroy Realty Corporation
COMMENTS: 650,000 square foot project,
100% leased to Apple


ARBOR BLOCKS EAST & WEST-300-333 8TH AVENUE NORTH

DEVELOPER: Vulcan
COMMENTS: 196,208 & 192,703 square foot projects, 100% leased to Facebook


FIRESTONE TIRE CENTER - 400 WESTLAKE AVENUE NORTH

DEVELOPER: Martin Selig Real Estate
COMMENTS: 190,000 square feet of office and biotech space


1818 FAIRVIEW - 1818 FAIRVIEW AVENUE EAST

DEVELOPER: Alexandria Real Estate
COMMENTS: 205,000 square foot office project, 31% leased to Bluebird Bio and SCCA


DEXTER YARD - 700 DEXTER AVENUE NORTH

DEVELOPER: BioMed Realty
COMMENTS: 515,000 square foot 2-tower office and laboratory project with 14 stories, ground retail and 520 parking stalls


CEDAR SPEEDSTER - 401 NORTH 36TH STREET

DEVELOPER: Evolution Projects
COMMENTS: 39,831 square feet of office space


2301 7TH AVENUE

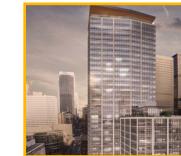
DEVELOPER: Onni Group
COMMENTS: 1,510 residential units, 310,000 square feet of office


LAKE FRONT BLOCKS

DEVELOPER: Vulcan
COMMENTS: Several blocks set to be developed. Google has already leased Blocks 25 & 31 totalling 600,000+ square feet


THIRD & LENORA BUILDING - 2031 3RD AVENUE

DEVELOPER: Martin Selig
COMMENTS: 552,753 square foot 36 story tower with 365 residential units and 176,500 square feet of office space.


2 & U - 1201 2ND AVENUE

DEVELOPER: Skanska Commercial Development
COMMENTS: 650,000 square feet of office, 100% leased to Indeed, Dropbox, SPACES and SAP Qualtrics


CASCADIAN - 330 YALE AVENUE NORTH

DEVELOPER: Unico
COMMENTS: 200,000 square foot office project


WATERSHED BUILDING - 900 NORTH 34TH STREET

DEVELOPER: Hess Callahan Partners
COMMENTS: 60,000 square feet of office space


FREMONT CROSSING - 316 FLORENTIA STREET

DEVELOPER: Pacific Capital Investments & Pastakia + Associates
COMMENTS: 58,000 square feet of office

Office Market Trends

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Top Q4 2019 Office Sales

In general, the sales volume in 2019 was dynamic, with a new annual sales record established by the middle of the fourth quarter. Due to the REET taking effect in 2020, several investors worked to close deals before the New Year.





Building Name / Address	Seller / Buyer	Building Size	Sale Price / Price PSF
Arbor Blocks 300 & 333 8th Avenue N Seattle, WA	Ponte Gadea Seattle LLC / Vulcan Real Estate	388,911 SF	\$415 Million / \$1,069 PSF
F5 Tower 801 5th Avenue Seattle, WA	KKR / Stockbridge Capital Group	515,518 SF	\$440 Million / \$880 PSF
Amazon Phase VIII 325 9th Avenue N Seattle, WA	Tristar Capital LLC & RFR Holdings / Mirae Asset Global Investments	317,804 SF	\$270 Million / \$849 PSF
Roosevelt Commons 4300 Roosevelt Way NE/ 4311 11th Ave NE	Intercontinental Real Estate Corp / DWS Group	229,299 SF	\$157 Million / \$684 PSF
1800 Ninth 1800 9th Avenue Seattle, WA	JP Morgan Investment Management Inc / Heitman America	315,837 SF	\$206 Million / \$653 PSF
Westlake Tower 1601 5th Avenue Seattle, WA	Unico Properties / Nuveen	365,674 SF	\$236 Million / \$645 PSF
Park Place 1200 6th Avenue Seattle, WA	URG / Washington Holdings	316,799 SF	\$177 Million / \$570 PSF
101 Stewart 101 Stewart Street Seattle, WA	DWS Group / L&B CIP First & Stewart LLC	94,333 SF	\$52.9 Million / \$561 PSF
Plaza 600 600 Stewart Street Seattle, WA	Bentall Green Oak (URG) / URG	213,979 SF	\$97 Million / \$453 PSF (Recapitalized)
Colonial Grand Pacific Building 1113-1123 1st Avenue Seattle, WA	Rubicon Point Partners / Urban Visions	50,000 SF	\$10 Million / \$278 PSF

Office Market Trends

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Notable Q4 2019 Leases

Office leasing in the fourth quarter saw a significant increase from the third quarter with technology and biotechnology companies fueling growth:

Tenant	Building Name	Address	Square Feet
 Seattle Children's <small>HOSPITAL • RESEARCH • FOUNDATION</small>	Seattle Children's Research Institute	1920 Terry Avenue	540,000
BANK OF AMERICA 	Rainier Square Development	1301-1333 5th Avenue	116,000
DocuSign®	999 Third	999 3rd Avenue	65,406
wework	15th & Market	1448 NW Market Street	53,797
 PitchBook	901 Fifth	901 5th Avenue	49,012
 neoleukin™ <small>THERAPEUTICS</small>	188 Blaine	188 E Blaine Street	25,000