



# Lakewood Developer's Forum

## Key Commercial Markets Overview

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## Market Fundamentals

### Population Trends:

- **The five counties that comprise the Central Puget Sound Region account for 59% of Washington's 2014 population (6,968,170)**
- **Population increased 13.7% during the previous decade**
- **The region's growth rate spiked at 1.7% in 2007, gradually slowing to 0.95% between 2012 and 2013**
- **The 2013 to 2014 growth was stronger at 1.25%**
- **Preliminary estimates for 2015 are for 1.3% growth**



## Market Fundamentals

### Employment Trends:

- Regional employment grew by 2.9% in 2014 vs. national at 1.9%
- Forecast for 2015 is for 2.6% growth regionally vs. 2.0% nationally
- 2016 forecast is for 1.9% growth regionally and 1.7% nationally
- Region has added 205,600 jobs since the trough of the recession
- 36% of new jobs added (73,900) in industrial market sectors – trade, construction, aerospace, and manufacturing
- Employment growth was 65% higher than the national average in 2013 and 58% higher in 2014



## Industrial Market Sector

### Inventory

<b>Total Regional :</b>	<b>YE2010</b>	<b>311.9 million SF</b>
	<b>1Q 2015</b>	<b>314.1 million SF</b>
	<b>Net Change</b>	<b>2.13 million SF</b>
	<b>Net Change</b>	<b>+0.7%</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>63.9 million SF (20%)</b>
	<b>1Q2015</b>	<b>66.6 million SF (21%)</b>
	<b>Net Change</b>	<b>2.67 million SF</b>
	<b>Net Change</b>	<b>+4.23%</b>
<b>Lakewood:</b>	<b>3.55 million SF (5.3% of total PC market)</b>	



## Industrial Market Sector

### Vacancy

<b>Total Regional :</b>	<b>YE 2010</b>	<b>27.1 million SF (8.68%)</b>
	<b>1Q 2015</b>	<b>15.7 million SF (5.00%)</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>6.14 million SF (9.60%)</b>
	<b>1Q2015</b>	<b>4.56 million SF (6.85%)</b>
<b>Lakewood:</b>	<b>594 thousand SF (15.6% of inventory)</b>	



## Industrial Market Sector

### Under Construction

<b>Total Regional :</b>	<b>YE 2010</b>	<b>414 thousand SF</b>
	<b>1Q 2015</b>	<b>3.97 million SF</b>

**(21 projects – 40% pre-leased)**

<b>Pierce County:</b>	<b>YE2010</b>	<b>135.7 thousand SF</b>
	<b>1Q2015</b>	<b>1.57 million SF</b>

**(9 projects – 25% pre-leased)**

**Lakewood: 268.3 thousand SF (17% of PC projects)**



## Industrial Market Sector

km Kidder  
Mathews

### Space Absorption

Total Regional :	2010	-1.7 million SF
	2014	4.04 million SF
Pierce County:	2010	166.6 thousand SF
	2014	1.04 million SF
Lakewood:	101 thousand SF in past 12 months	



## Industrial Market Sector Overview

- **4 Straight years of positive absorption since end of 2010**
- **Several leases signed but tenants not yet taken occupancy**
- **Job growth in key employment sectors for 2015 is expected to help maintain demand**
- **Absorption should remain relatively strong**



# Retail Market Sector

## Per Capita Retail Sales Year over Year Percentage Change



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
STATE	3.09%	5.06%	6.59%	5.53%	2.35%	-7.55%	-8.31%	2.66%	2.58%	4.49%	6.30%
PUGET SOUND	3.03%	4.81%	6.62%	6.29%	1.94%	-8.60%	-9.22%	3.19%	2.51%	4.73%	6.37%
KING COUNTY	3.18%	4.94%	5.69%	6.67%	2.40%	-8.13%	-10.39%	2.75%	3.23%	4.56%	5.50%
SEATTLE	0.00%	5.02%	8.55%	7.28%	4.37%	-4.90%	-9.60%	3.01%	6.40%	2.77%	5.74%



## Retail Market Sector

### Inventory

<b>Total Regional :</b>	<b>YE2010</b>	<b>195.4 million SF</b>
	<b>1Q 2015</b>	<b>198.7 million SF</b>
	<b>Net Change</b>	<b>3.3 million SF</b>
	<b>Net Change</b>	<b>+1.7%</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>39.8 million SF (20.4%)</b>
	<b>1Q2015</b>	<b>40.7 million SF (20.5%)</b>
	<b>Net Change</b>	<b>0.9 million SF</b>
	<b>Net Change</b>	<b>+2.3%</b>
<b>Lakewood:</b>	<b>7.4 million SF of space (18.2% of PC market)</b>	



## Retail Market Sector

### Vacancy

<b>Total Regional :</b>	<b>YE2010</b>	<b>12.98 million SF (6.64%)</b>
	<b>1Q 2015</b>	<b>10.15 million SF (5.11%)</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>2.8 million SF (7.0%)</b>
	<b>1Q2015</b>	<b>2.7 million SF (6.6%)</b>
<b>Lakewood:</b>	<b>Around 7.9% of inventory, or about 585 thousand SF</b>	



## Retail Market Sector

### Under Construction

<b>Total Regional :</b>	<b>YE 2010</b>	<b>267 thousand SF</b>
	<b>1Q 2015</b>	<b>275 thousand SF</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>0 SF</b>
	<b>1Q2015</b>	<b>13.34 thousand SF</b>
<b>Lakewood:</b>		<b>0 SF</b>



## Retail Market Sector

### Space Absorption

<b>Total Regional :</b>	<b>2010</b>	<b>55.2 thousand SF</b>
	<b>2014</b>	<b>1.89 million SF</b>
<b>Pierce County:</b>	<b>2010</b>	<b>16.7 thousand SF</b>
	<b>2014</b>	<b>523.6 thousand SF</b>
<b>Lakewood:</b>	<b>130.6 thousand SF in past 12 months</b>	



## Retail Market Sector Overview

- **Over the last 10 years, region has experienced generally strong growth in retail sales**
- **Per capita rate of growth exceeding inflation – real growth in expenditures**
- **All segments are stabilized, except for Shopping Center segment due to weakness in small shops and anchor turnover**
- **Recession eliminated many weak chains, but many still operate but with weak future prospects**
- **New development remains mostly built-to-suit or owner/user-oriented; typical retail “strip” model dead**
- **Capitalization rates have trended down since 2010; PNW outperforms national average**



## Office Market Sector

### Inventory

<b>Total Regional :</b>	<b>YE2010</b>	<b>171.2 million SF</b>
	<b>1Q 2015</b>	<b>184.5 million SF</b>
	<b>Net Change</b>	<b>13.3 million SF</b>
	<b>Net Change</b>	<b>+7.8%</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>17.3 million SF (10.1%)</b>
	<b>1Q2015</b>	<b>20.1million SF (10.9%)</b>
	<b>Net Change</b>	<b>2.8 million SF</b>
	<b>Net Change</b>	<b>+16.2%</b>
<b>Lakewood:</b>	<b>982.3 thousand SF (4.9% of PC market)</b>	



## Office Market Sector

### Vacancy

Total Regional :	YE 2010	22.1 million SF (12.9%)
	YE 2014	16.6 million SF (9.0%)

Pierce County:	YE2010	2.27 million SF (13.1%)
	YE2014	1.94 million SF (9.7%)

Lakewood: 130.9 thousand SF or about 13.3% of inventory



## Office Market Sector

### Under Construction

<b>Total Regional :</b>	<b>YE 2010</b>	<b>1.93 million SF</b>
	<b>YE 2014</b>	<b>5.99 million SF</b>
<b>Pierce County:</b>	<b>YE2010</b>	<b>65.5 thousand SF</b>
	<b>YE2014</b>	<b>0 SF</b>
<b>Lakewood:</b>		<b>0 SF</b>



## Office Market Sector

### Space Absorption

<b>Total Regional :</b>	<b>2010</b>	<b>1.93 million SF</b>
	<b>2014</b>	<b>2.67 million SF</b>
<b>Pierce County:</b>	<b>2010</b>	<b>-166.7 thousand SF</b>
	<b>2014</b>	<b>19 thousand SF</b>
<b>Lakewood:</b>	<b>32.9 thousand SF in past 12 months</b>	



## Office Market Sector Overview

- **Most new construction and absorption occurring in downtown Seattle, along with Bellevue; Seattle is among Top 5 national office markets**
- **Several long-awaited moves by tenants with large space requirements, including: Facebook, Amazon, HBO, Apple, Dropbox, and the U of W**
- **Expedia moving from Bellevue CBD to former Amgen HQ in Seattle**
- **In Pierce County, significant Tacoma CBD space is non-functional for most users**
- **Sales in Pierce County predominantly remain limited to smaller, primarily owner/user properties**



## Key Investment Factors

### **Industrial Market:**

**227 sales in 2014, volume of \$895.6 million  
6.99% average capitalization rate**

**49 sales YTD 2015, volume of \$233.2 million  
6.60% average capitalization rate YTD 2015**

**Rents have increased, up about 7% since trough of the  
recession**



## Key Investment Factors

### **Retail Market:**

**Sales volume under \$200 million in 2010  
7.9% average capitalization rate**

**Sales volume has steadily increased since, with last  
two years exceeding the prior pre-recession peak (\$)  
5.30% average capitalization rate during 2014**



## Key Investment Factors

### **Office Market:**

**Office investment market very strong in Seattle/Bellevue CBDs for Class A projects; not much interest by investors elsewhere**

**66 sale transactions with volume of \$1.29 billion in 2010 versus 60 sale transactions with volume of 1.16 billion in 1Q2015 alone**

**Rents increasing in Seattle/Bellevue, but expected to remain flat (for several years?) in Pierce County**