

Lake Union Submarket

Big Tenants Dominate

Some of us remember when the big tenants in “sleepy” Lake Union were Washington Natural Gas were, PEMCO and the Seattle Times. Many of us were crushed when voters rejected the Seattle Commons project to bring a 61-acre park to the area and stimulate growth. Clearly, the growth has been substantial despite the lack of a major park. Lake Union’s office inventory has doubled since 2010 and vacancy has steadily declined in that period. There are 12 tenants in the submarket who are over 100,000 SF. These tenants collectively occupy 9.9M SF of space (63% of the market). Amazon occupies half of the space, which is 4.8M SF. Yes, Amazon does have over 13M SF of space in downtown Seattle, but most of it isn’t in Lake Union, even though we all think of this being their primary location. Of the 12 tenants, six are life science or medical companies, five are technology companies, and one is the aforementioned Seattle Times, although the long-time tenant occupies a much smaller footprint than it did 20 years ago. Five of the companies are over 500,000 SF, and with the exception of Fred Hutch, none of them had space in the Lake Union area 15 years ago.

Company	Occupied SF
Amazon	4,801,000
Fred Hutchinson	1,333,000
Facebook	871,000
Google	607,000
Apple	605,000
UW School of Medicine	677,000
Juno Therapeutics	267,000
Tableau Software	204,000
Adaptive Biotechnologies	166,000
The Seattle Times Company	123,000
Gilead Sciences	110,000
Dendreon Corporation	100,000
Total	9,864,000

Q1 2020 Owner / Non-Owner Occupied

Owner Occupied SF	3,848,000	24.4%
Non-Owner Occup. SF*	11,932,000	75.6%
	15,780,000	100.0%

* Includes unknown



Q1 2020 Tenants with over 100K SF

Tenants with over 100K SF*	9,864,000	62.5%
Remaining SF	5,916,000	37.5%
Total Market	15,780,000	100.0%

* Cumulative footprint; Includes sub-100K SF leases across multiple properties



HISTORICAL DATA

Period	Inventory SF	Vacancy SF	Under Construction SF	Direct Gross Rent	Y-o-Y Rent Growth	Average Sales \$/SF	Market Cap Rate	12-mo Net Absorption
Q1 2020	15,780,184	2.5%	1,052,629	\$42.03	3.7%	\$707	4.9%	1,197,287
Q1 2019	13,983,796	3.0%	1,802,951	\$39.08	6.9%	\$684	4.9%	638,683
Q1 2018	13,567,073	4.7%	2,219,674	\$39.53	6.7%	\$637	5.0%	890,603
Q1 2017	13,108,868	8.1%	2,439,364	\$38.17	7.3%	\$598	5.1%	1,642,628
Q1 2016	11,584,234	10.2%	1,814,745	\$35.44	10.2%	\$567	5.1%	1,051,760

15.8M



Total Inventory

1.1M



Under Construction

2.5%



Total Vacancy

12

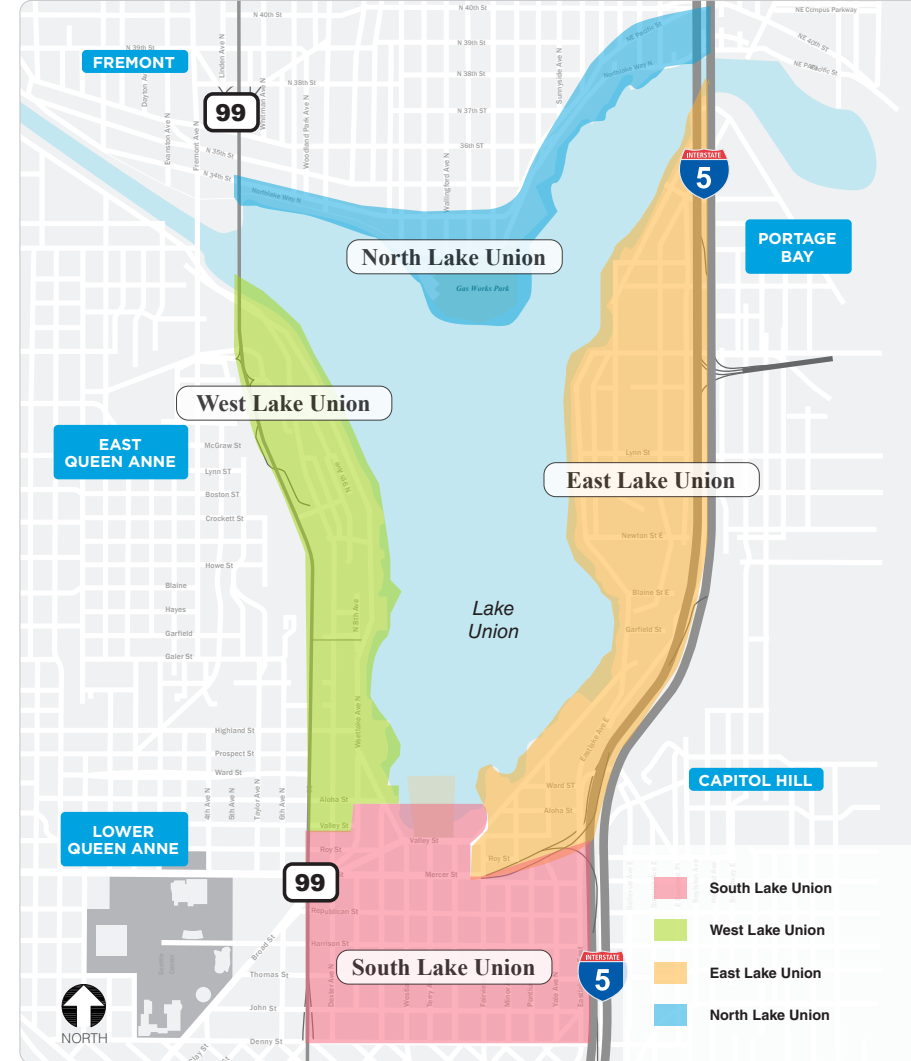
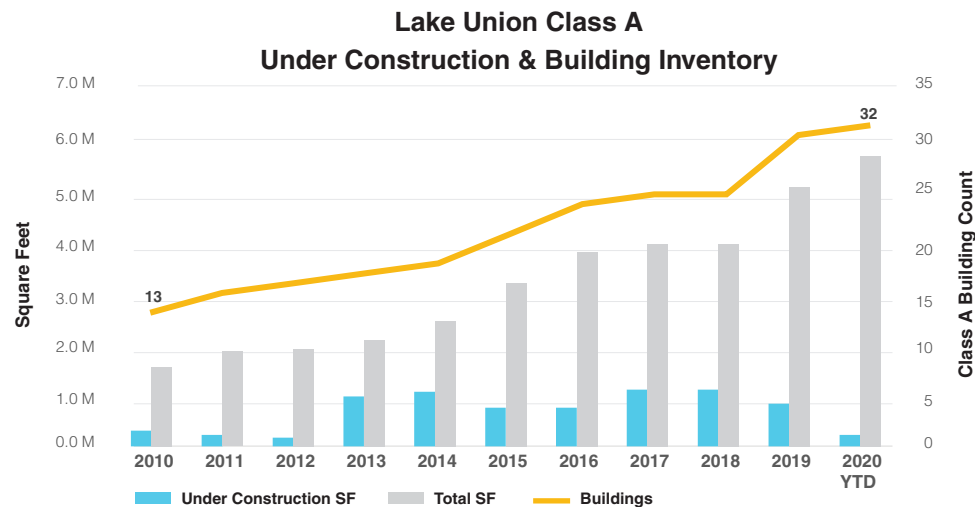


Tenants Occupy 100k+ space

Lake Union Submarket

Bright Future

We expect this submarket to continue to outperform the rest of downtown Seattle in terms of vacancy, rent growth and absorption. We also anticipate large tenants continuing to grow at a faster pace than the rest of the market. While no one really knows what the post-Covid-19 world is going to look like for commercial real estate, we do expect companies that are tied to online retail, the cloud, and life sciences, will be the growth leaders in the future. On the construction front, while only 10% of the 1.1M SF has been leased, none of the projects that haven't been leased come on line for a year and a half. The one major project that's under construction and hasn't been leased is Dexter Yard, but we would expect it will be leased by one of the large tenants in the submarket before its completion, which is anticipated to be 2021 (see matrix on following page).



GEOGRAPHIC AREAS OF LAKE UNION MARKET

Area	Inventory SF	Vacancy	Under Construction SF	Y-o-Y Rent Growth	Average Sales \$/SF	Market Cap Rate
South Lake Union	10,244,219	1.5%	946,629	3.8%	\$754	4.8%
East Lake Union	3,210,095	3.5%	106,000	3.3%	\$597	5.1%
West Lake Union	1,716,408	7.3%	0	3.8%	\$651	5.0%
North Lake Union	609,462	0.0%	0	3.6%	\$654	5.2%
Total - Lake Union	15,780,184	2.5%	1,052,629	3.7%	\$707	4.9%

Note: Includes **all** classes for existing, U/C, U/R

Lake Union Submarket

Projects Under Construction



1165 Eastlake

1165 Eastlake Ave E

106,000 RSF

100% Leased



Cascadian

330 Yale Ave N

211,066 RSF

0% Leased



Dexter Yard

700 Dexter Ave N

500,000 RSF

0% Leased



400 Westlake

400 Westlake Ave

229,000 RSF

0% Leased

2020

2021

CLASS A / UNDER CONSTRUCTION

Property	Address	RSF	Total Available Space (SF)	Tenant	Percent Leased	Anticipated Completion	Developer
1165 Eastlake Building	1165 Eastlake Ave E	106,000	N/A	Adaptive Biotechnologies	100%	Q4 2020	Alexandria Real Estate
Cascadian	330 Yale Ave N	211,066	211,066	N/A	0%	Q3 2021	Unico Properties
Dexter Yard	700 Dexter Ave N	500,000	500,000	N/A	0%	Q4 2021	Biomed Realty
400 Westlake	400 Westlake Ave	229,000	229,000	N/A	0%	Q4 2021	Martin Selig Real Estate
TOTAL		1,046,066	940,066		10%		