

FOR SALE

7TH & PACIFIC OFFERING

TACOMA, WA

km Kidder
Mathews



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MARKET OVERVIEW

Pierce County Market
2021 1st Quarter Office Market Report

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01

EXECUTIVE SUMMARY

INVESTMENT SUMMARY

LOCATION AERIAL

LOCATION MAP

INTERIOR PHOTOS

EXECUTIVE SUMMARY

7th & Pacific is a value add or owner/user two-story office/retail building consisting of 10,343 rentable square feet on 6,098 square feet of land.

The property offers a rare ownership opportunity to own a office/retail building in the Heart of Downtown Tacoma market. 7th & Pacific has numerous services nearby with great access and exposure. This building is a well positioned and desirable asset. The building is located off 7th and Pacific Ave in Downtown, and has 6 parking stalls. The Metro Bus Line and Link Light Rail are one block from the building.



INVESTMENT SUMMARY

Address	711, 715, 717 Pacific Ave Tacoma, WA
Offering Price	\$1,875,000
Price / SF	\$181.28
Land Area	0.14 AC (6,098 SF)
Year Built	1918/2016
Net Rentable Area	±10,343 SF
Stories	2





STADIUM HS

STADIUM DISTRICT

PORT OF TACOMA

WRIGHT PARK

Rhein Haus



MudBay



DIVISION AVE

DOCK ST

E 11TH ST

7TH & PACIFIC OFFERING

LINCOLN AVE

PORT OF TACOMA RD



THE FISH PEDDLER

GREATER TACOMA CONVENTION CENTER

MUSEUM OF GLASS

TACOMA

UW TACOMA



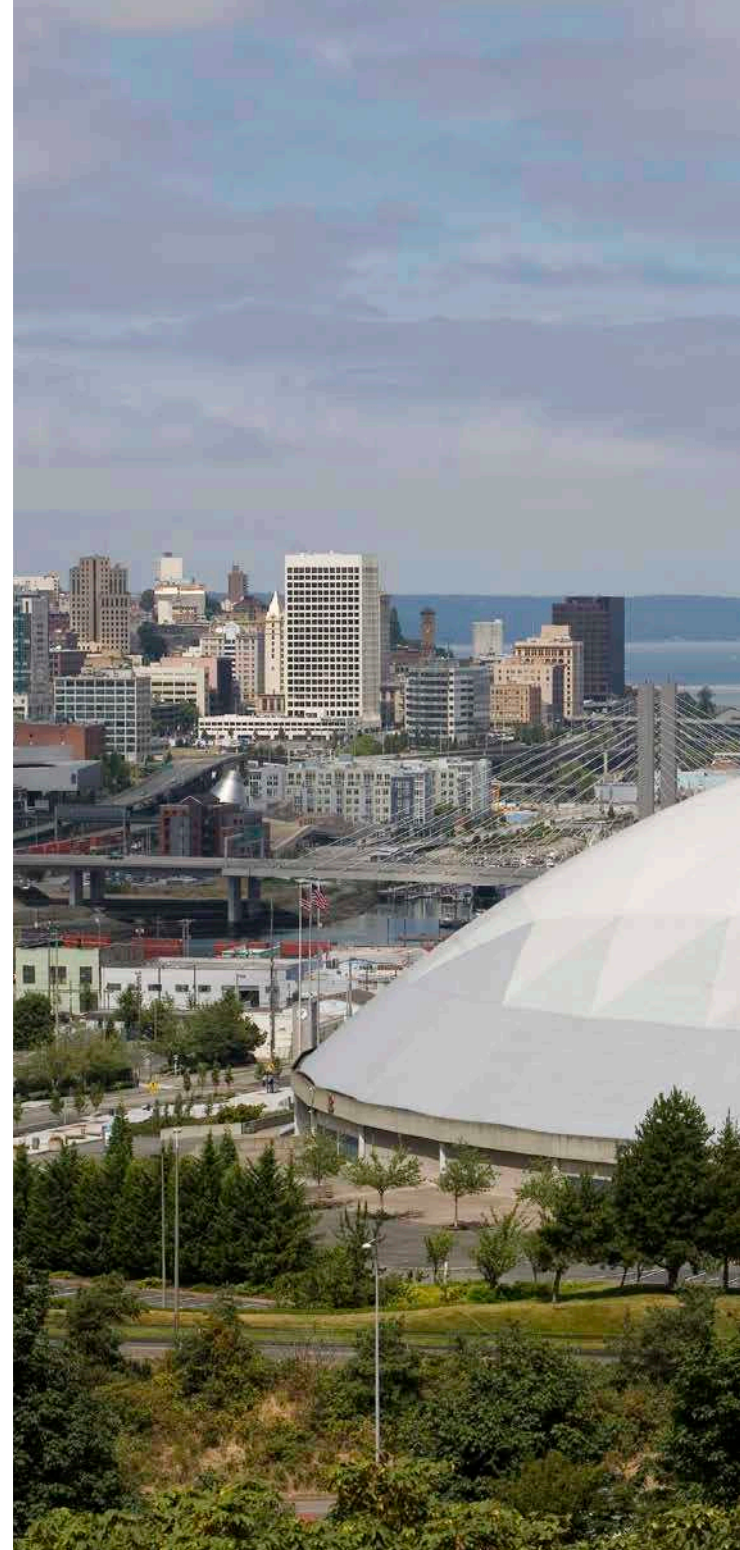
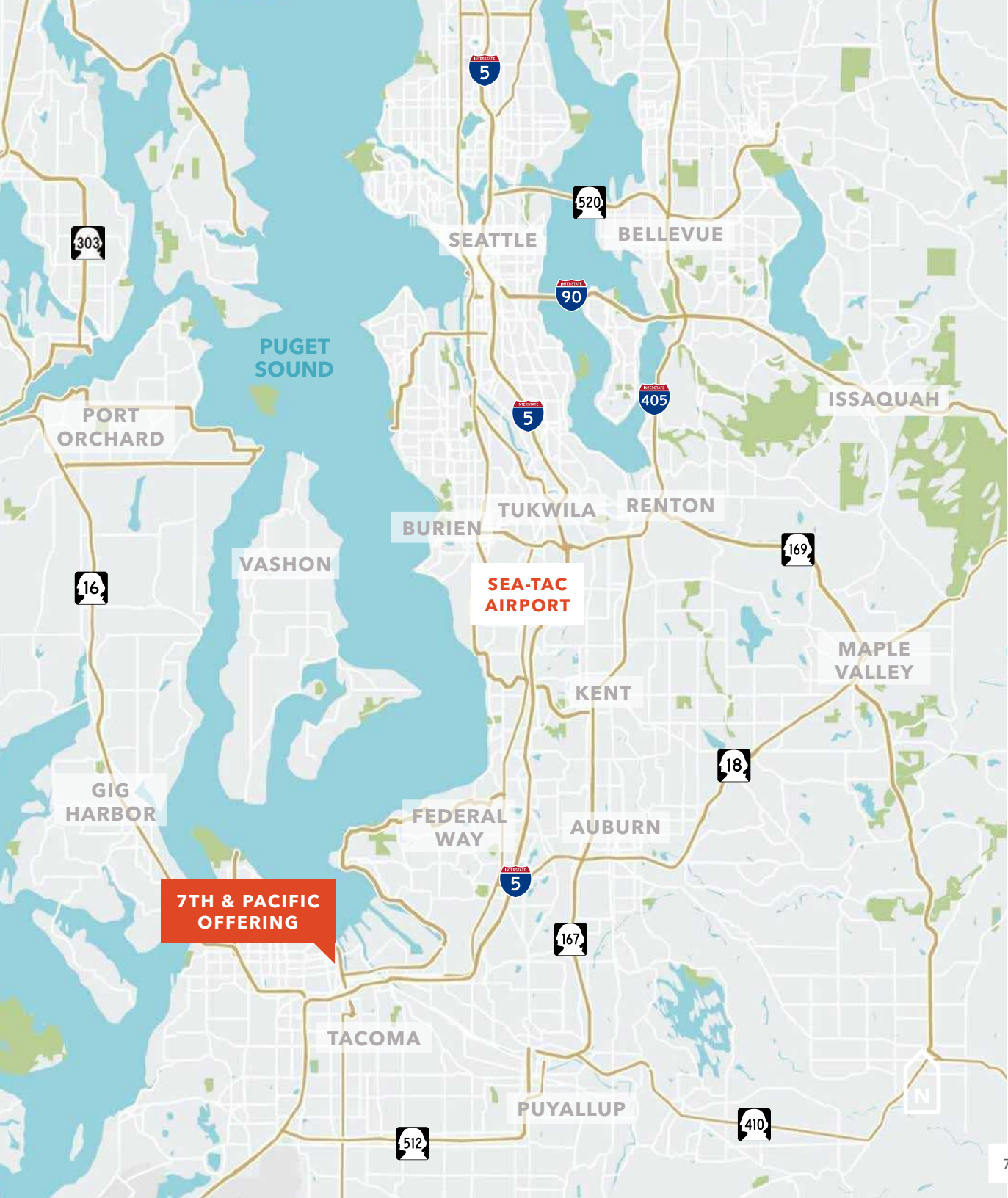
BREWERY DISTRICT



LEMAY MUSEUM

TACOMA DOME





INTERIOR PHOTOS





02

PROPERTY DESCRIPTION

PROPERTY SUMMARY

SITE AERIAL

FLOOR PLAN

PROPERTY DESCRIPTION

Located at 711, 715, 717 Pacific Ave, Tacoma, WA

Pierce County

Municipality is City of Tacoma

Building Size of 10,343 square feet

Land Area of 0.14 acres (6,098)

Built in 1918/2016

Two stories

Zoned DC - Downtown Commercial Core

Masonry construction

Located in opportunity zone

6 parking stalls

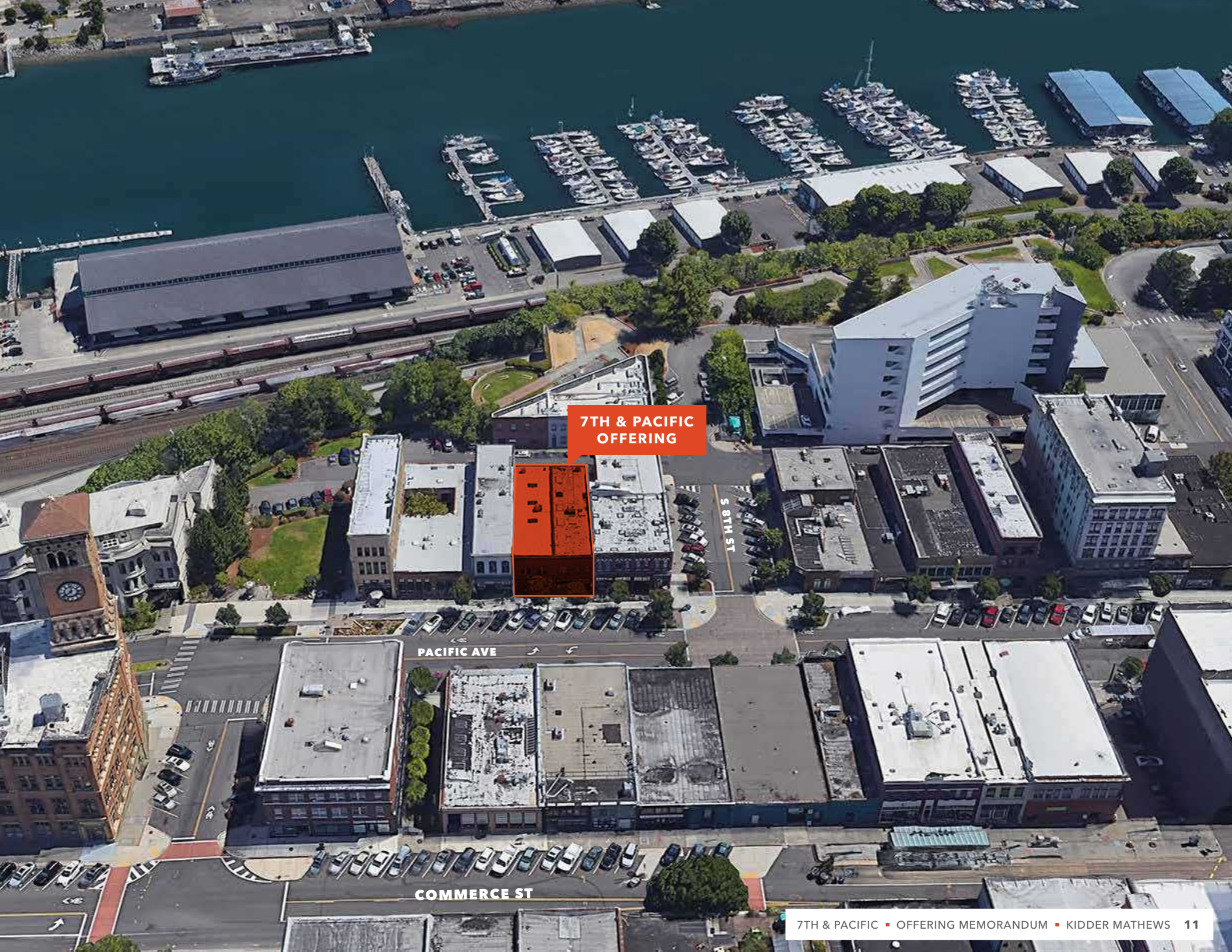
Building access on Pacific Ave and Court A





RENT ROLL - MARCH 2021

Tenant	STE	SF	Commencement	Expiration	PSF Rate	Lease Type	Monthly Base Rent	Annual Base Rent	Parking Stalls
Parametrix, Inc.	717	2,623		11.30.25	\$18.50	NNN	\$4,043.79	\$48,525.48	1 stall at \$100.00 per month
VACANT	715	2,500							
VACANT	711	5,220							



**7TH & PACIFIC
OFFERING**



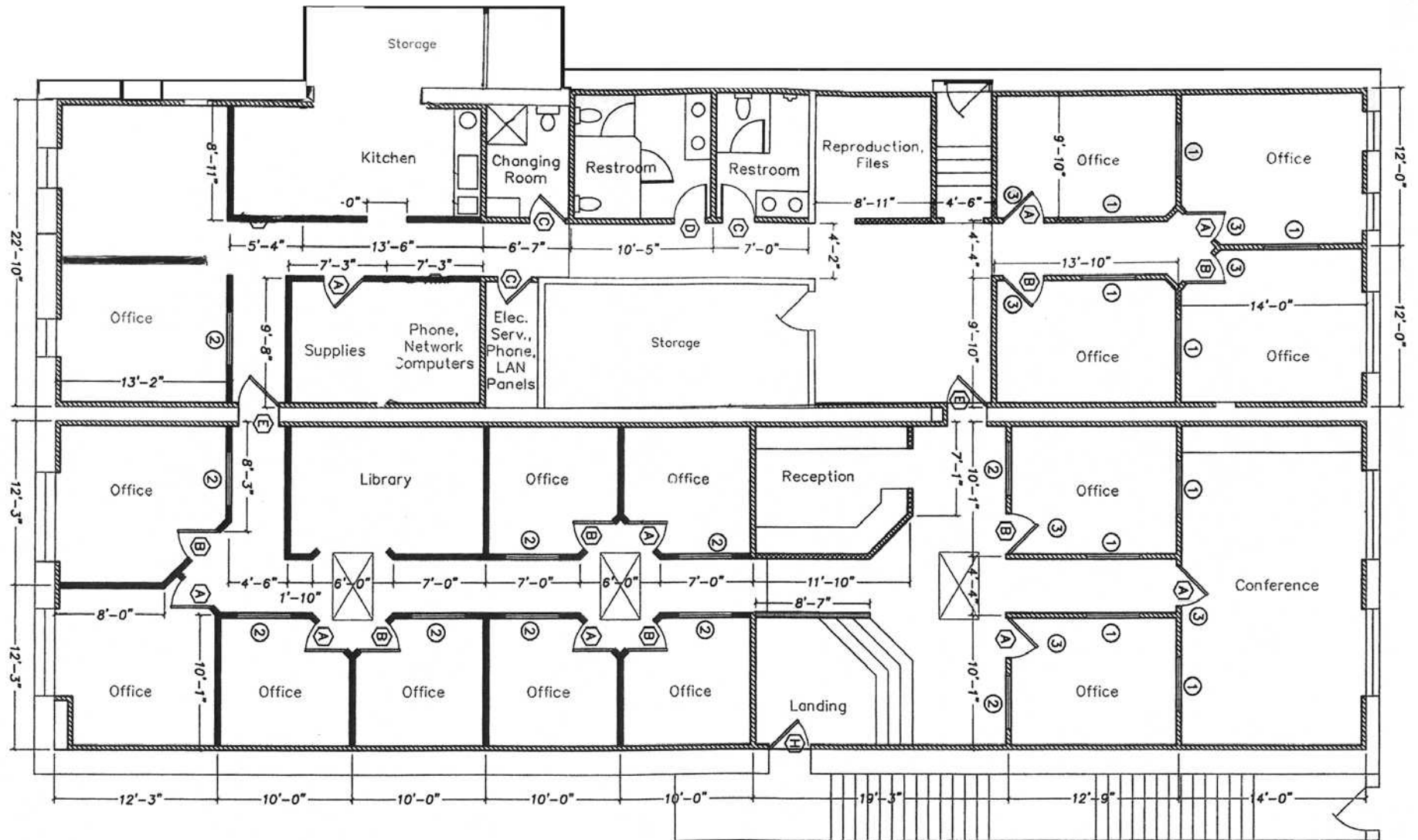
PACIFIC AVE

S 118 ST

COMMERCE ST

FLOOR PLANS

SECOND FLOOR





03

MARKET OVERVIEW

PIERCE COUNTY MARKET

2021 1ST QUARTER OFFICE MARKET REPORT



REGIONAL OVERVIEW

PIERCE COUNTY

Pierce County has been one of the fastest growing counties in the state of Washington since the 1960's and has consistently exceeded the state's overall rate of growth. Pierce County supports manufacturers such as Boeing, Milgard Manufacturing, James Hardie Building Products, Toray Composites (America), Inc., and Medallion Foods. Recreational Equipment, Inc. (REI), Whirlpool, and Costco also have major distribution centers here.

The majority of population increase has been due to the migration of people into the County. This continued migration is the result of Pierce County's relatively stable economy and exceptional quality of life. The more affordable cost of living, award-winning education, and lifestyle opportunities, combined with the area's competitive cost of doing business, create an outstanding environment for businesses and residents to work, play, and live.

TACOMA OVERVIEW

Tacoma is located 33 miles south of Seattle with a current population estimate of 216,279, making it the 3rd largest city in Washington State. Tacoma is in the midst of a significant expansion and redevelopment of its CBD, just half a mile away from 1119 Pacific Avenue site. The City has supported a number of public and private projects in the past three decades in an attempt to revitalize all elements of the CBD market, which is now starting to pay off. Among these are the establishment and expansion of a University of Washington satellite campus, the Tacoma Museum of Glass, the Greater Tacoma Convention Center, and just outside of the CBD, the LeMay Auto Museum.

Nearly 18,000 King County residents moved to Pierce County in 2017, 25% higher than two years earlier, according to census estimates (Seattle Times).

UNIVERSITY OF WASHINGTON - TACOMA

The University of Washington - Tacoma (UWT) branch campus anchors the southerly end of the Tacoma CBD. The University owns about 46 acres, including much of the land extending west to Tacoma Ave S. UWT became a four-year degree in 2007 and now has an annual enrollment over 5,100 students. The resulting urban campus has become a focal point in the Downtown CBD and the driving force behind present day revitalization efforts.

UWT plans for 2020 growth - Over the course of the next six years, UWT anticipates steady year-over-year growth.

LIGHT RAIL

LIGHT RAIL DEVELOPMENT / RELOCATION (OPEN 2022)

The Tacoma link extension project more than doubles the length of Tacoma Link, starting with a relocated Theater District station, and adding six new stations.

These connect to popular destinations such as the Stadium District, Wright Park and major medical facilities before reaching the new Hilltop neighborhood terminus (Sound Transit Expansion). This will be a tremendous beneficiary of the new expansion packet, providing seamless commutes times for jobs in Tacoma’s CBD, and brand-new infrastructure to support Tacoma’s rapidly growing population.

PORT OF TACOMA

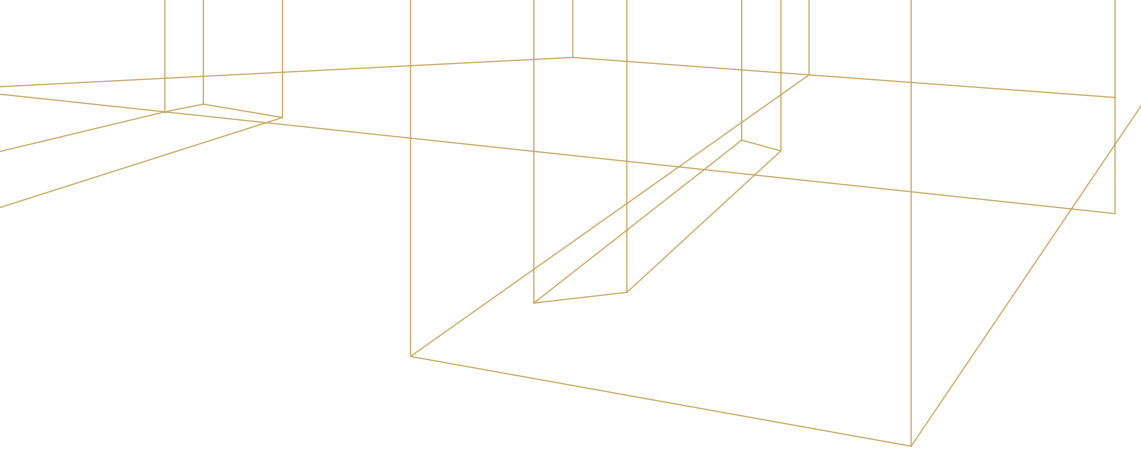
The Port of Tacoma is an independent seaport located on more than 2,400 acres of land that are used for shipping terminal activity, warehousing, distribution and manufacturing. The Port plays the largest international trade role in the Pacific Northwest, handling between nine and thirteen million tons of cargo and more than \$52 billion in commerce. Major imports include automobiles, electronics, and toys, while major exports include grain, forest products, and agricultural products. Based on tonnage, the Port’s largest export is grain (corn and soybeans) that come into the port by rail from the Midwest. **Port activities are related to more than 50,000 jobs in Pierce County, and 125,000 jobs in Washington.**



SOURCE: SOUNDTRANSIT

LIGHT RAIL DEVELOPMENT / RELOCATION

Open	2022
Length	2.4 Miles
Stations	6 new / 1 relocated
Service	Every 10 minutes
Project ridership	2,000 - 4,000 riders by 2026



PUGET SOUND BASED LARGE EMPLOYERS

WASHINGTON STATE VENTURE CAPITAL (VC)

	2017	2016	2015
Dollars Invested	\$1.57 Billion	\$1.50 Billion	\$1.21 Billion
Number of VC Deals	164	282	116

SEATTLE RANKINGS

#1	FASTEST-GROWING BIG CITY US CENSUS BUREAU
#1	MOST SOFTWARE JOB OPENINGS (U.S.) GLASSDOOR
#1	BEST CITY IN THE U.S. TO FIND A JOB WALLET HUB
#2	TOP CITY FOR TECH JOBS GEEKWIRE
#2	HIGHEST CONCENTRATION OF ADVANCED INDUSTRY JOBS CNN MONEY
#2	BEST CITY FOR RECENT COLLEGE GRADS NERDWALLET.COM
#5	BEST U.S. CITY FOR TECH STARTUPS ENTREPRENEUR.COM
#5	BEST CITY TO LIVE IN INSIGNIA
#6	BEST CITY FOR BUSINESS AND CAREERS INSIGNIA
#7	BEST INVESTMENT MARKET IN THE WORLD FOR COMMERCIAL REAL ESTATE ASSOCIATION OF FOREIGN INVESTORS

2022 3rd Quarter Report

Through the 3rd quarter of 2022, the regional office data shows another surge in vacancy going from 10.19% last quarter to 10.43% currently, an increase of 24 bps. The regional office market has now seen a rise in vacancy for 9 of the last 11 quarters.

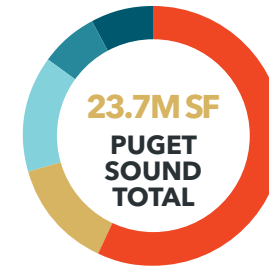
The change in vacancy since the 4th quarter 2019 vacancy mark of 5.87% indicates a 456 bp increase. The office market also continues to post negative net office absorption experiencing -1.340M+ s.f. in net absorption through the first three quarters of 2022 on the heels of -1.534M+ s.f. of negative net absorption for 2021. The percentage of sublet vacancy also continues to be high at 16% currently, but has declined from its peak over a year ago when it topped out at 22%. The Seattle office market continues to see high vacancy, but experienced a 15 bp decrease in vacancy over the 3rd quarter dropping to 12.79%. The Eastside market continues to post the lowest regional vacancy at a healthy 5.45%. Investment sales continued to be slow in the 3rd quarter and the amount of new construction totals 20 major regional office projects which are collectively 70% pre-committed.

While there has been improvement in the job market and unemployment remains extremely low, the regional office market is volatile. Looking ahead, all eyes will continue to be on job growth as well as the positioning of companies to repopulate their spaces which has been at lower density levels than pre-Covid with many employees continuing to work from home or adopt a hybrid model. Inflation also remains a significant concern with the 2022 seasonally adjusted annual Seattle CPI forecast of 8.9% and 4.5% modeled for 2023. The region has also recovered many of the lost jobs from the pandemic, but staffing shortages remain a significant challenge in the region. Puget Sound Economic Forecaster's September 2022 report forecasts total employment growth for 2022 at 5.5%, compared to 1.9% for 2023.

The regional office market clearly remains unsettled, particularly in Seattle. However, businesses are mostly well beyond mandated masking requirements and office spaces are slowing starting to see higher levels of employee density. That said, future office demand remains a big question. Vacancy continues to rise and net absorption is again negative for the region. Office market conditions remain volatile. The end of 2022 and early 2023 will be telling as to how the regional office market transitions out of the pandemic. Indices to monitor include vacancy (including percentage sublease vacancy), net office absorption, inflation and pre-commitment levels for new construction (currently at 70% region wide).

VACANT SPACE / VACANCY RATE

At the end of the 3rd quarter 2022, the Puget Sound region has a total office supply of 227.4M+ s.f. Once again, regional office vacancy has increased pushing up to 10.43% currently. This compares to 10.19% last quarter and 9.61% one year ago. Regional office vacancy hit a low point in the 2nd quarter 2019 at 5.79% and has generally been on the rise since then. Last quarter, regional vacancy exceeded the 10% mark for the first time since the end of 2013. Current vacancy is now 464 bps higher than the ten-year low vacancy mark of 5.79% from the 2nd quarter 2019. Of the current vacant inventory, 16% is from sublease space which is a slight increase from 15% last quarter, but below the 18% mark set at year-end 2021. Three of the five regional market areas actually saw a decline in vacancy over the 3rd quarter. Seattle vacancy decreased by 15 bps from 12.94% last quarter to 12.79% currently. The Southend posts the highest regional vacancy at 17.15%, a sharp increase from 14.47% last quarter. The Eastside remains the regional vacancy low mark decreasing slightly over the quarter to 5.45% from 5.47% last quarter. Tacoma vacancy



SUBMARKET VACANT SPACE 2Q 2022

3.04M SF
EASTSIDE

3.9M SF
SOUTH KING COUNTY

1.74M SF
SNOHOMISH COUNTY

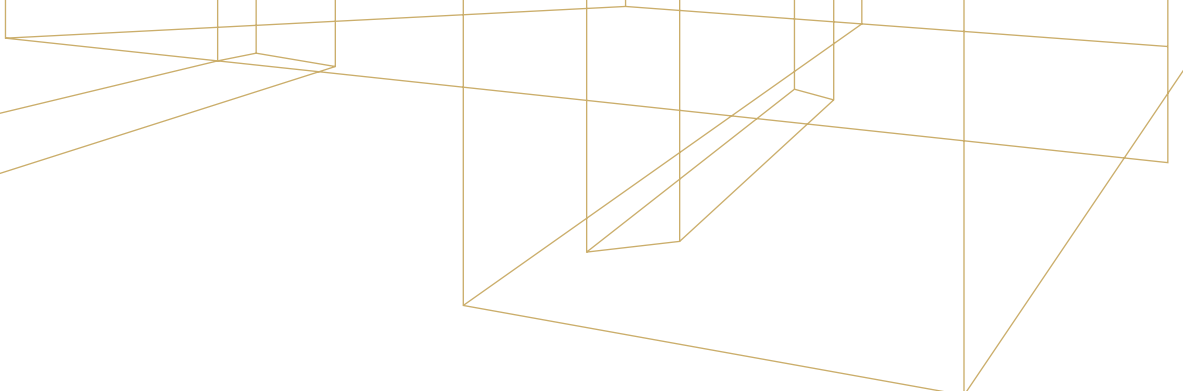
13.2M SF
SEATTLE CLOSE-IN

1.74M SF
PIERCE COUNTY

dropped to 8.16% from 8.31% last quarter while Northend vacancy is 7.39%, an increase from 7.11% last quarter. The spike in regional vacancy over the quarter is the result of continued negative net regional absorption of -1.34K+ s.f. YTD for 2022. This follows negative regional net absorption of -1.53M+ s.f. in 2021 and historically high sublet vacancy levels. Over the quarter, Seattle posted the largest negative net absorption of -274K+ s.f. followed by the Northend at -110K+ s.f. The regional availability rate ended the 3rd quarter at 13.83%, up from 13.24% last quarter and well above the 10.12% mark from two years ago.

NEW CONSTRUCTION ACTIVITY

At the end of the 3rd quarter 2022, the Puget Sound region has a total office supply of 227.4M+ s.f. Once again, regional office vacancy has increased pushing up to 10.43% currently. This compares to 10.19% last



quarter and 9.61% one year ago. Regional office vacancy hit a low point in the 2nd quarter 2019 at 5.79% and has generally been on the rise since then. Last quarter, regional vacancy exceeded the 10% mark for the first time since the end of 2013. Current vacancy is now 464 bps higher than the ten-year low vacancy mark of 5.79% from the 2nd quarter 2019. Of the current vacant inventory, 16% is from sublease space which is a slight increase from 15% last quarter, but below the 18% mark set at year-end 2021. Three of the five regional market areas actually saw a decline in vacancy over the 3rd quarter. Seattle vacancy decreased by 15 bps from 12.94% last quarter to 12.79% currently. The Southend posts the highest regional vacancy at 17.15%, a sharp increase from 14.47% last quarter. The Eastside remains the regional vacancy low mark decreasing slightly over the quarter to 5.45% from 5.47% last quarter. Tacoma vacancy dropped to 8.16% from 8.31% last quarter while Northend vacancy is 7.39%, an increase from 7.11% last quarter. The spike in regional vacancy over the quarter is the result of continued negative net regional absorption of -1.34K+ s.f. YTD for 2022. This follows negative regional net absorption of -1.53M+ s.f. in 2021 and historically high sublet vacancy levels. Over the quarter, Seattle posted the largest negative net absorption of -274K+ s.f. followed by the Northend

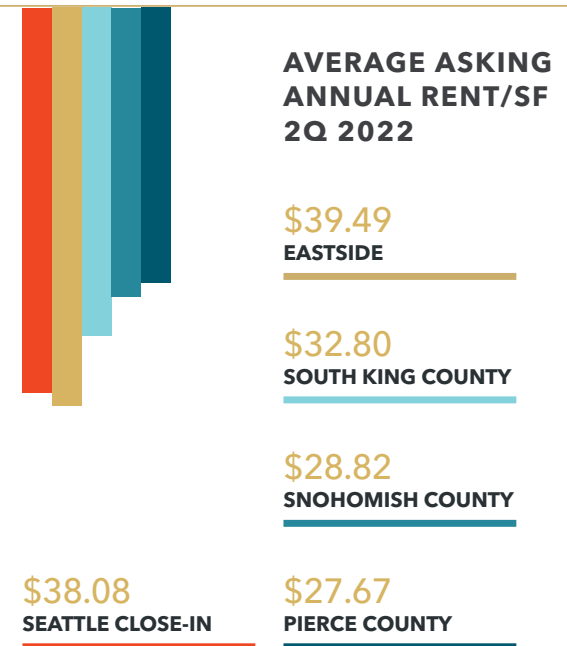
at -110K+ s.f. The regional availability rate ended the 3rd quarter at 13.83%, up from 13.24% last quarter and well above the 10.12% mark from two years ago.

RENT FORECAST

Three of the five market areas saw increases in average rent quotes for the 3rd quarter 2022. Southend, Northend and Tacoma all posted higher average rent quotes. Seattle dropped slightly from \$38.17/s.f./yr last quarter to \$38.08/s.f./yr currently, a 0.2% decline. The Eastside, which has the highest average rent in the region at \$39.49/s.f./yr, saw the average quote essentially stay the same as the \$39.50/s.f./yr mark from last quarter. The Northend increased to \$28.82/s.f./yr. Both the Southend and Tacoma also increased over the quarter. The Southend average rent quote went from \$32.54/s.f./yr last quarter to \$32.80/s.f./yr while Tacoma improved nominally from \$27.31/s.f./yr last quarter to \$27.67/s.f./yr. Rent quotes are reported on a gross expense basis. The rent floor is currently set by Pierce County (\$27.67/s.f./yr). At the end of the 3rd quarter 2022, the Bellevue CBD continues to have highest quoted average rent of any submarket at \$52.16/s.f./yr. Comparatively, the average rent quote for the Seattle CBD is \$44.16/s.f./yr. The Tacoma CBD is at \$27.24/s.f./yr, about half of the current Bellevue CBD rate.

INVESTMENT MARKET

2021 saw strong regional office investment sale activity which carried through the 1st quarter 2022 despite lasting impacts of the 2020 REET increase and lingering pandemic uncertainties among certain investors. Similar to last quarter, however, regional investment sale activity slowed in the 3rd quarter of 2022. Although trophy office assets remain in high demand, there is reluctance on the part of sellers and many buyers have taken a wait and see approach to evaluate the market over the next few quarters. That said, there remains a steady flow of smaller investment and owner-user office transactions. During the 3rd quarter, the region saw 5 office sales closing above the \$10 million mark. Of these, two were essentially owner-user transactions. Of the investment sales, they were spread out between the Seattle, Eastside and Northend markets. The Seattle sale was the transfer of the Fourth & Union Building for \$10.6M+ (\$486/s.f.). The Amazon leased Redmond Hilltop Office Park in Redmond traded for \$90.1M (\$503/s.f.) in August 2022.



In the Northend, the significant sale was the transfer of Northview Center in Lynnwood for \$46M+ (\$256/s.f.). Overall, cap rates remain fairly low but are expected to push upward with the rising interest rates. The total office sales volume for the quarter was low at \$406M+ (among 66 transactions) compared to \$1,309M+ last quarter and \$1,667M+ the previous quarter.

SOUTH KING COUNTY REVIEW

OFFICE VACANCY in South King County is the highest in the region at 17.15%, up from 14.47% last quarter and the market peak of 14.39% one year ago in the 3rd quarter 2021.

THE SOUTHEND posted positive net absorption of 266,520 s.f. during the 3rd quarter 2021. This brings the YTD 2022 net absorption total to 102.8K+ s.f., compared to year-end 2021 net absorption of 84.2K+ s.f.

CURRENT SUBMARKET VACANCIES for Federal Way/Auburn and Renton/Tukwila remain high at 13.1% and 26.0%.

THERE ARE NO major office projects currently under construction.

38 OFFICE lease transactions reported in the 3rd quarter 2022 totaling 242K+ s.f., averaging just over 6,300 s.f. per deal. The average rent quote increased slightly over the quarter to \$32.80/s.f./yr.

NO MAJOR office investment sales over the 3rd quarter.

WITH 13% availability, Southend vacancy is expected to stabilize through the end of 2022.

PIERCE COUNTY REVIEW

OFFICE VACANCY in Pierce County currently stands at 8.16%, down from 8.31% last quarter and essentially unchanged from the vacancy mark of 8.17% from one year ago.

THE OVERALL Pierce County availability rate decreased over the 3rd quarter from 9.2% to 8.8% currently.

ABOUT ONE THIRD of the Pierce County office supply is in the Tacoma CBD which has a current 3rd quarter 2022 vacancy rate of 9.8%, down from 10.8% last quarter. The CBD availability rate decreased to 10.9%, from 12.2% last quarter.

NET ABSORPTION for the 3rd quarter 2022 was positive at 31.1K+ s.f., bringing the YTD 2022 net absorption total to 64.4K+ s.f. This compares to year-end 2021 negative net absorption of -561K+s.f.

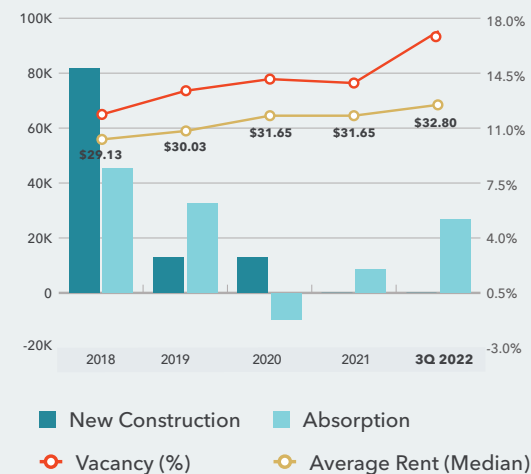
LEASING ACTIVITY over the quarter included 35 deals totaling 119.2K+ s.f. in total volume.

THE AVERAGE Pierce County rent quote increased to \$27.67/s.f./yr in the 3rd quarter from \$27.31/s.f./yr last quarter.

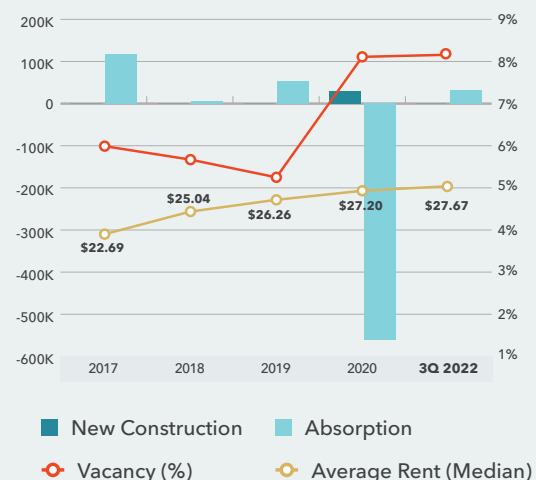
NO MAJOR office investment sales or construction starts in Tacoma over the quarter.

SUBMARKET VACANCY for Suburban Tacoma is low at 3.2% compared to 3.1% last quarter while vacancy in Gig Harbor decreased over the quarter to 5.7%, from 5.9% last quarter. 5.9% from 5.6% last quarter.

SOUTH KING COUNTY



PIERCE COUNTY



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