MARKET DEMAND ANALYSIS

Prepared for

The City of Tacoma

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INTRODUCTION

Located along the shores of the Puget Sound between Seattle and Olympia, Tacoma is a growing city of over 200,000 residents. Dubbed the "City of Destiny," its thriving international port has been a consistent source of jobs and economic vibrancy since Tacoma was selected as the western terminus of the Northern Pacific Railroad over 100 years ago. The unsurpassed local geography combined with a rapid expansion of amenities and economic drivers positions Tacoma for success.

Today, Tacoma serves as a local hub for finance and insurance, business and professional services, logistics, government, education, and culture. Served by every major mode of transportation, the city is home to state-of-the-art health care facilities, recreation opportunities, schools and universities, shopping, a picturesque waterfront, and a broad array of housing from luxury to workforce. It is easy to see why Tacoma was recently named one of the Top 100 Best Places to Live by Livability.com.

As Tacoma continues to develop, the importance of a strong Downtown becomes ever more important. Suburbanization and divestment have had a major impact on Downtown over the past 50+ years, but local citizens, groups, and officials are continuing to reinvest in the future of the City. The local economy continues to grow and with low Class A office vacancy rates, the question becomes: **what will it take to build a new Class A office building downtown?** As office development takes focus, it is important to identify what factors and trends will influence its success.

This document was drafted to provide an overview of the factors which will influence office development in downtown Tacoma. It outlines the landscape of the office market, noting current and historic trends, and provides recommendations for steps which can be taken to encourage future development.

EXECUTIVE SUMMARY

- Demand drives new development.
- Office demand is impacted by recruiting, retaining, and growing businesses.
- Companies tend to locate near substantial talent pools.
- Fostering a 24-hour live-work-play environment Downtown will result in more people living in or near downtown, increasing the talent pool.
- A new office building in downtown Tacoma requires a commitment from a tenant or an owner/user to occupy the majority of the building at a rate or price which supports the cost of new construction.
- There is a gap between current Class A market rents and the rents necessary to support new construction, but that will not necessarily prevent new construction.
- A public-private partnership designed to fast-track development would be beneficial.
- Incremental wins will continue to build scalable momentum.
- The cost and availability of parking, as well as the available transportation options, has a significant impact on office users.

Development Objectives

Foster Demand by Recruiting and Retaining Businesses

- Continue to reinvest in and market the amenities Tacoma has to offer
- Seek creative parking and transportation solutions
- Consider the effects the current tax structure (B&O tax) has on demand
- Incentivize the development of new buildings and the restoration of older buildings

Organically Grow Tacoma's Talent Pool by Reinvesting in the City's Future Through:

- Workforce development programs, organizations, and educational institutions
- Entertainment and amenities downtown – creating walkability and connectivity
- Encouraging residential development in and around the Core

Enable Public-Private Partnerships with the Authority to Fast-Track the Development Process

Identify, Prepare, and Market a Catalyst Development Site

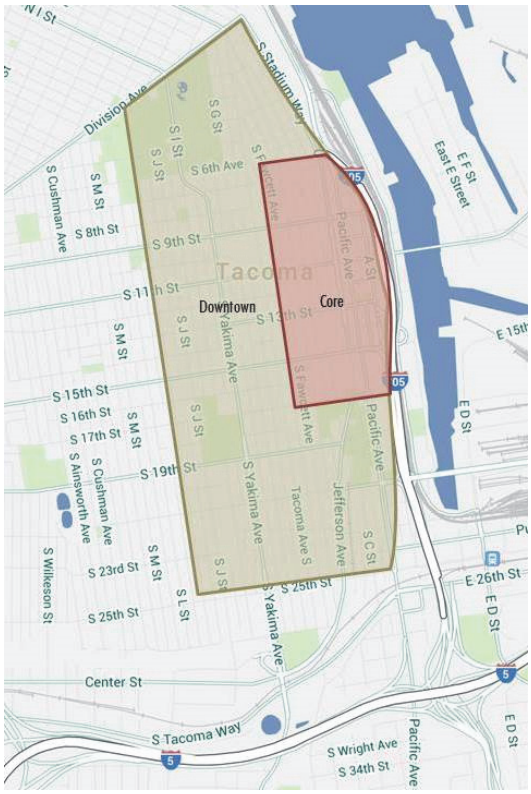
Section 1

Office Market Overview

OFFICE MARKET OVERVIEW

Downtown Tacoma Office Market Overview

The description of "Downtown" varies based on who you ask. The parameters of this report define Downtown to the area bounded by Division Avenue to S. 25th Street and from the Foss Waterway to Martin Luther King Jr. Way, though the primary focus is on the Downtown Core. For the use of this report the "Downtown Core" will be used interchangeably with "the Core" or the "Financial District."



Tacoma's downtown skyline has seen slow growth over the past few decades. The largest office building, Wells Fargo Plaza, is an example of a rare instance where an iconic, 21-story office building built over 40 years ago is classified as a Class 'A' building. In the mid-1980's, the 17-story Tacoma Financial Center (1450 Broadway) and the 12-story State Farm Building (909 A Street) were added to the mix. Most recently, Columbia Bank Center (2001), the Umpqua Bank Building (2004), and Pacific Plaza (2009) were developed.

Tacoma CBD

Currently downtown Tacoma has just over one million square feet of Class A office space with 8% vacancy. Including all Class B & C office, the total CBD office market (6.2 million square feet) has an estimated 10% vacancy rate. The vacancy rate for all non-owner-occupied office buildings in the CBD (2.85 million square feet) is 15%. With low Class A vacancy, there has recently been demand for additional Class A space downtown, preferably with parking.

The Tacoma CBD has had roughly 350,000 square feet of Class A office development since 2001, all of which was absorbed by the time construction was finished. Absorption for Class A office space downtown has been fairly consistent over the past decade, with several spikes primarily reflecting the Russell Investments exodus in 2010, MorphoTrack moving to Federal Way in 2011 and DaVita's partial move to Federal Way in 2013. Additionally, in 2013 State Farm absorbed nearly 300,000 square feet in Tacoma, filling a large Class A office void left by Russell Investments' 2010 departure. Since then, these Class A buildings have enjoyed very low vacancy rates, commanding rents ranging from $25-$34 Full Service.

Downtown Tacoma's Assets and Challenges "At-A-Glance"

While Tacoma remains a vibrant center of museums, natural and built amenities, and more, it is important to consider how Tacoma fits into the Puget Sound region. Tacoma has become the hub for a number of large companies and by focusing on the major assets the city has to offer, these companies should continue to grow and multiply.

CBD Assets

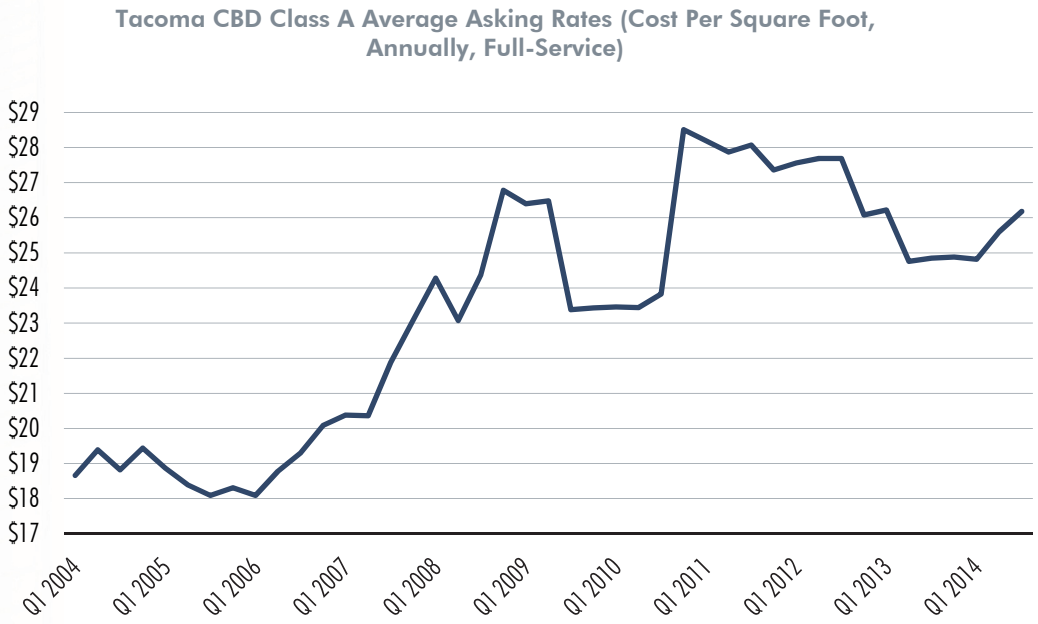
Downtown Tacoma has a draw for many companies. It is an attractive place to live, work, and play.

- Views of the Foss Waterway and Commencement Bay
- Walkability and proximity to the waterfront
- Refreshed streetscape
- Historic character of buildings
- Proximity to mass transit (LINK, Sounder, AMTRAK, local and regional bus service) and other transportation modes including I-705 and I-5
- Proximity to existing cultural district and museums
- Neighborhood and institutional investment through the University of Washington, Tacoma Campus

CBD Challenges

In spite of the draw downtown Tacoma has, there have been several challenges- limited supply, erratic demand, cost, and parking.

- Limited higher quality space –many companies who want to be in Downtown cannot afford to wait for a new building to be built
- Limited retail amenities in the Core
- Lack of connectivity between retail centers
- Large vacancies in Class B and C buildings
- Limited demand discourages investment
- Parking is limited and adds cost



Building Classifications

Building classifications will be referenced throughout this report. Below are the current Building Owners and Managers Association (BOMA) definitions of the three building classes:

Class A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

Class B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price.

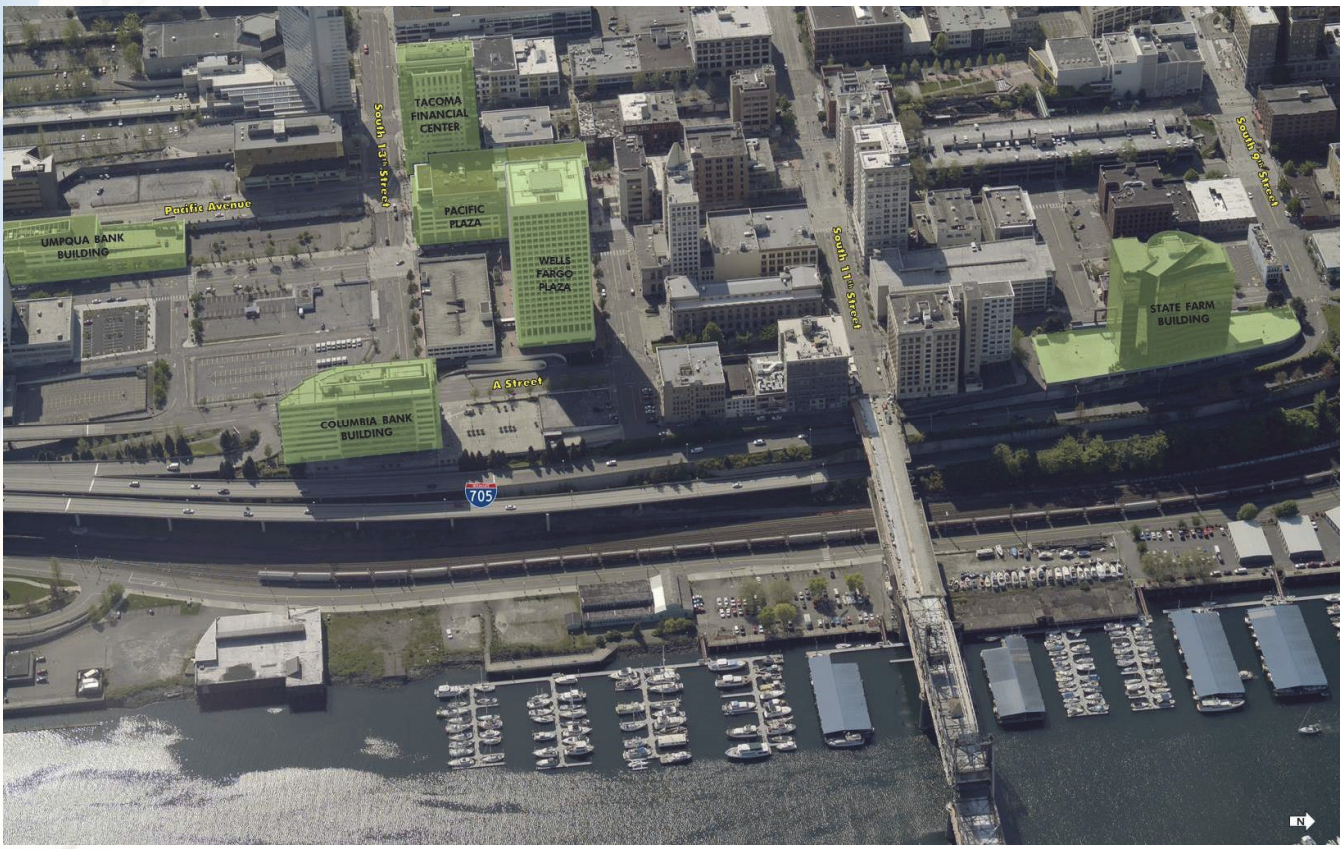
Class C

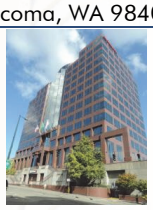
Buildings competing for tenants requiring functional space at rents below the average for the area.

Class A Buildings

Downtown Tacoma's Class A office market is comprised of six buildings with a total size of 1.1 million square feet. Although the definition of a Class A building is subjective, for the sake of this report, the following six buildings were selected as downtown Tacoma's Class A buildings:

Wells Fargo Plaza
State Farm Building
Tacoma Financial Center
Columbia Bank Center
Pacific Plaza
Umpqua Bank Building



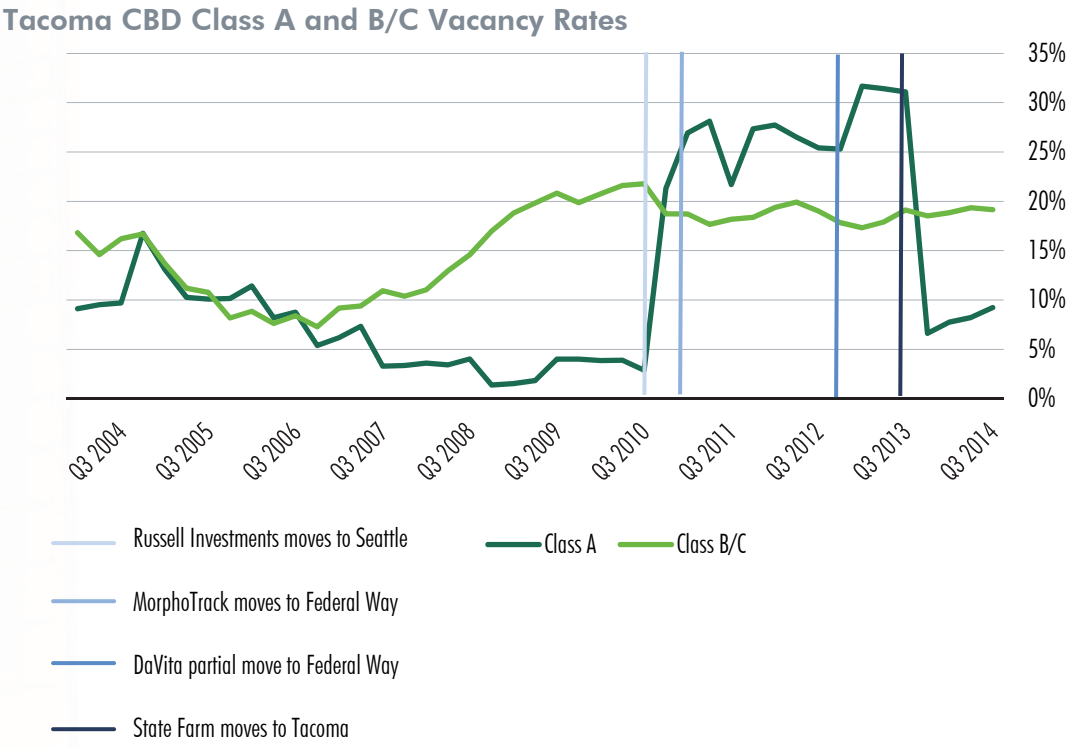
BUILDING ADDRESS	RSF / FLOORS / TYPICAL FLOOR PLATE	YEAR BUILT	ASKING RATE / % LEASED	OWNER / MAJOR TENANT (S)	PARKING RATIO
Wells Fargo Plaza 1201 Pacific Avenue Tacoma, WA 98402	308,000 SF 21 Floors 14,600 SF	1970	$27.50/SF, Full Service 96.3%	**University Street Properties I (Unico)** Wells Fargo Bank; Propel; Gordon, Thomas, Honeywell; Merrill Lynch	1.5/1,000
 **State Farm Building** 909 A Street Tacoma, WA 98402	224,000 SF 12 Floors 19,000 SF	1988	Currently no vacancy, asking rate is estimated at $26.00-$28.00/SF, Full Service 100%	**909 A Street, LLC (Ilahie Holdings, Inc.)** State Farm	1/1,000
Tacoma Financial Center 1145 Broadway Tacoma, WA 98402	208,404 SF 17 Floors 12,000 SF	1984	$26.50/SF, Full Service 81%	**Tacoma Financial Center Partners, LLC** Centene; FBI; UBS; Brown & Brown; McGladrey; Fiduciary Counseling, Inc.	0.25/1,000
Columbia Bank Center 1301 A Street Tacoma, WA 98402	186,000 SF 9 Floors 22,000 SF	2001	$27.00/SF, Full Service 100%	**Haub Brothers Enterprises Trust** Columbia Bank; State Farm; Moss Adams; Morgan Stanley	1/1,000
Pacific Plaza 1250 Pacific Avenue Tacoma, WA 98402	102,187 SF 8 Floors 30,000 SF	2009	$34.25/SF, Full Service 92.6%	**Pacific Plaza Development LLC** Attorney General; BLRB Architects; PCS; DEA	2/1,000 (Owned by the City)
Umpqua Bank Building 1498 Pacific Avenue Tacoma, WA 98402	68,500 SF 5 Floors 18,770 SF	2004	$25.00/SF, Full Service 82.3%	**Umpqua Bank** Umpqua Bank	3/1,000

Major Class B Buildings

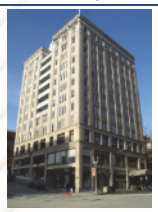
The Class A office market is influenced by a myriad of factors. In order to get an accurate picture of the office market in the Tacoma CBD, one must consider the Class B and C office markets as well.

There have been a number of companies taking advantage of the competitive rates offered by the major Class B buildings in the market. For a complete list of all office buildings in the Tacoma CBD, refer to the Appendix. The following pages provide an overview of the major Class B office buildings in the market which directly influence the overall office market.

Below is a graph depicting downtown vacancy trends over the past 10 years.



BUILDING ADDRESS	RSF / FLOORS / TYPICAL FLOOR PLATE (SF)	YEAR BUILT	ASKING RATE / % LEASED	OWNER / MAJOR TENANT (S)	PARKING RATIO
TrueBlue Building 1015 A Street Tacoma, WA	159,280 SF 12 Floors 13,273 SF	1910	$20.00/SF, Full Service 100%	**Labor Ready, Inc.** TrueBlue	2/1,000
Regence Building 1501 Market Street Tacoma, WA	141,475 SF 5 Floors 28,295 SF	1992	$22.00/SF, Full Service 83.1%	**Regence Blue Shield** Regence Blue Shield	2/1,000
1313 Broadway 1313 Broadway Tacoma, WA	104,516 SF 6 Floors 16,262 SF	1977	$25.00/SF, Full Service 95.4%	**1313 Broadway LLC** The Bank of New York Mellon Franciscan Health System American Cancer Society	.75/1,000
Key Bank Plaza 1101 Pacific Avenue Tacoma, WA	105,000 SF 4 Floors 25,000 SF	1918	NA 100%	**Key Bank** Key Bank	NA
DaVita Building 1411-1427 Pacific Avenue Tacoma, WA	99,698 SF 10 Floors 8,166 SF	1927	NA 100%	**1423 Pacific Partners LLC** DaVita	1/1,000
Rhodes Center 944-956 Broadway Tacoma, WA	98,358 SF 5 Floors 19,671 SF	1919	NA 100%	**State of Washington** State of Washington Agencies	3/1,000

BUILDING ADDRESS	RSF / FLOORS / TYPICAL FLOOR PLATE (SF)	YEAR BUILT	ASKING RATE / % LEASED	OWNER / MAJOR TENANT (S)	PARKING RATIO
Horizon Pacific Center 2106-2108 Pacific Avenue Tacoma, WA	98,046 SF 6 Floors 16,667 SF	1910	$22.00/SF, Full Service 76.3%	Horizon Partners Inc. Everest College MultiCare	4/1,000
Cornerstone Building 1148-1160 Broadway Tacoma, WA	95,170 SF 4 Floors 24,000 SF	1918	$19.00/SF, Full Service 81%	Regence Blue Shield Franciscan Health System	NA
1102 Broadway 1102 Broadway Tacoma, WA	88,470 SF 5 Floors 15,589 SF	1906	$23.00/SF, Full Service 55.0%	Tacoma Broadway LLC McGavick Graves	2.5/1,000
 **Commerce Building** 950 Pacific Avenue Tacoma, WA	86,610 SF 12 Floors 7,200 SF	1910	$18.00/SF, Full Service 84.1%	Rust Building-Tacoma LLC Group Health	NA
Bank of America Plaza 820 A Street Tacoma, WA	64,152 SF 7 Floors 9,035 SF	1980	$20.00/SF, Full Service 87.0%	Prium Tacoma Buildings LLC Bank of America Morton McGoldrick	.7/1,000

COMPETING MARKETS OVERVIEW

Overview

Downtown Tacoma appeals to many companies because of its vibrancy, infrastructure, workforce and amenities. Over the past 15 years, Tacoma has truly become a city where employees can live, work and play.

One of the major challenges experienced by CBDs across the nation is parking. Parking in an urban environment can add costs for employees and employers which can impact the effective cost of being located in a bustling downtown. The city has made huge strides in recent years to increase transportation options and works with companies to ensure their employees have a place to park. This has helped to bring in and retain a number of large companies such as State Farm, TrueBlue, Columbia Bank, MultiCare Health System, and Franciscan Health System, to name a few.

Low Class A vacancy has also been a challenge for the downtown market. There are a number of companies who would be willing to relocate, but cannot due to a current lack of large, contiguous Class A spaces. Office buildings in the surrounding areas such as Federal Way and Puyallup have recently become home to companies unable to find the appropriate Class A space in Tacoma.

The graph below provides a snapshot (Q3 2014) of statistics for non-owner-occupied office buildings, including all building classifications (A, B, and C).

SUBMARKET	BUILDING SF	TOTAL VACANT SF	TOTAL VACANCY	CLASS A AVG ASKING LEASE RATE (FULL SERVICE/SF/YR)	LAST 4 QUARTERS NET ABSORPTION
Tacoma CBD	2,856,552	429,967	15.1%	$26.18	257,483
Tacoma Suburban	1,186,039	95,660	8.1%	$25.00	16,054
Fife	213,994	31,270	14.6%	$24.00	(1,950)
Puyallup	456,997	61,922	13.5%	$20.58	63,240
Federal Way	2,289,565	612,478	26.8%	$20.89	25,359

Please refer to the appendix for detailed Puget Sound office market trends including specific submarket statistics such as total building square footage, vacancy rates, asking lease rates, absorption, and amount of office under construction. National market trends are also available in the appendix.

Absorption

Net absorption is the difference in total occupied office space between two measurement periods (generally a particular month, quarter, or year). Historic absorption trends are an important gauge of the office market because it takes into consideration deliveries (the addition of new office space to the market). As an example, a vacancy rate could remain constant in a market that has had several new office buildings built. In that situation, the market's absorption statistics would indicate the total amount of growth while the vacancy trends would not directly reflect the new deliveries.

For downtown Tacoma, absorption is an important statistic. For prospective developers, strong absorption trends help to show the ability of the market to absorb new space. With sporadic deliveries of large office buildings throughout Tacoma's history, absorption trends can often indicate limited growth. To get clear picture of the major absorption activity downtown, it is helpful to focus on the time periods surrounding recent deliveries).

In downtown Tacoma, there have been three new Class A office buildings constructed since 2001. When each new Class A office building was constructed, it was quickly absorbed. As an example, in 2001 by the time Columbia Bank Center was completed, the building was 100% occupied. That building was constructed with 6 floors preleased to Columbia Bank and Russell Investments, but the remaining three floors were built speculatively, with no leases in place prior to commencing construction. More recently, Pacific Plaza was constructed with only one floor preleased (about 30,000 SF). By the time the building was completed, the entire 102K square foot building was fully leased.

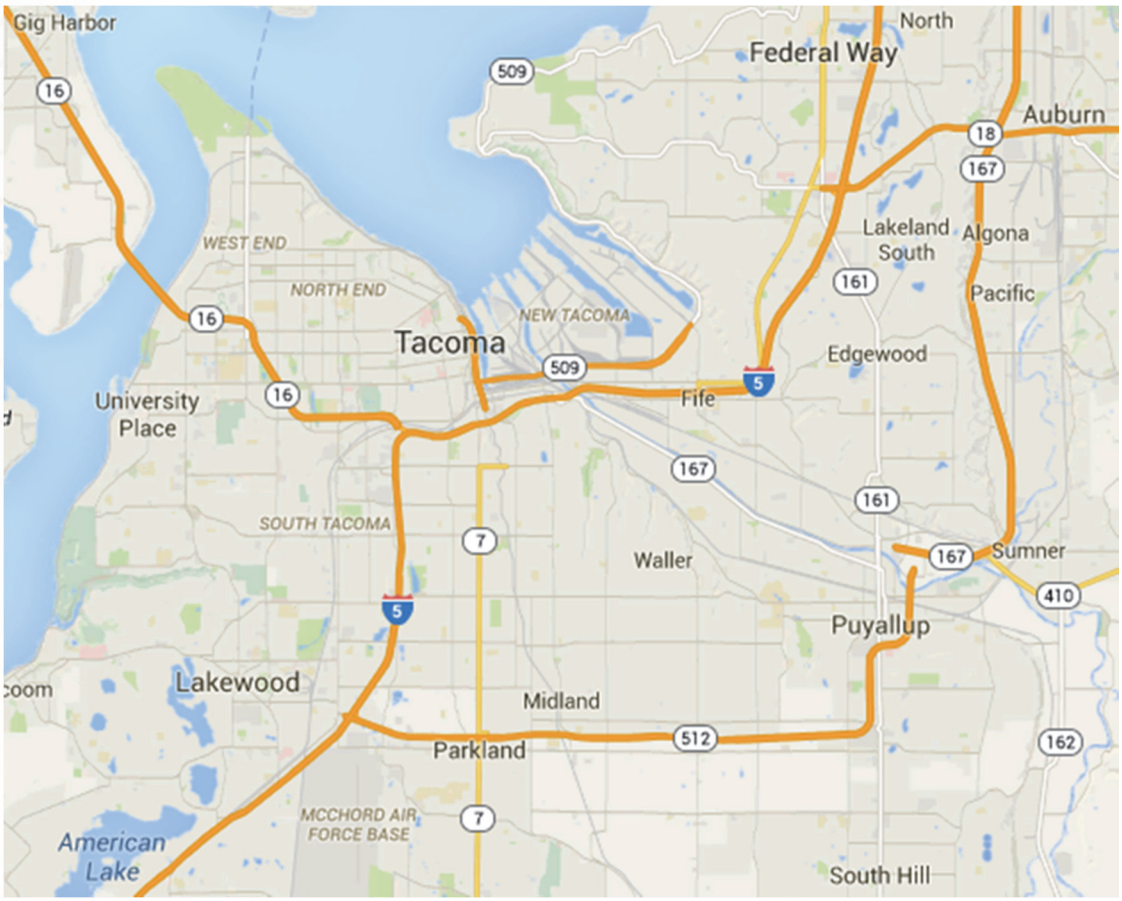
Tacoma CBD Class A and Competing Submarkets Absorption

Suburban Tacoma (Including Fife, Lakewood, University Place, Puyallup)

Suburban Tacoma has a distinct appeal for two primary reasons- parking and cost. With lower land cost, surface parking can be constructed on-site to provide the necessary ratio needed by most companies – 4-5 stalls per 1,000 square feet of office space. These buildings can also be built with efficient floor plates and designs due to the larger dimensions of many suburban sites. Combined with lower land costs, developers can construct low and mid-rise office buildings at competitive lease rates which can be absorbed relatively quickly.

While there are no major competing Class A buildings in Suburban Tacoma, it is arguably a major competitor of Downtown for Class B and C offices. Notable suburban competitors include the Trans Pacific Trade Center in Fife, the South Hill Business and Technology Center in South Hill and several newer buildings in the Allenmore and Tacoma Mall areas.

Total vacancy (Class A, B and C, non-owner-occupied) for suburban Tacoma hovers around 8%, with fairly steady absorption trends. Fife and Puyallup have slightly higher vacancy at 14.6% and 13.5% respectively. Lease rates for the Class A and upper end of the Class B suburban buildings range from $23-$25 Full Service including free parking. Further details are available in the appendix.



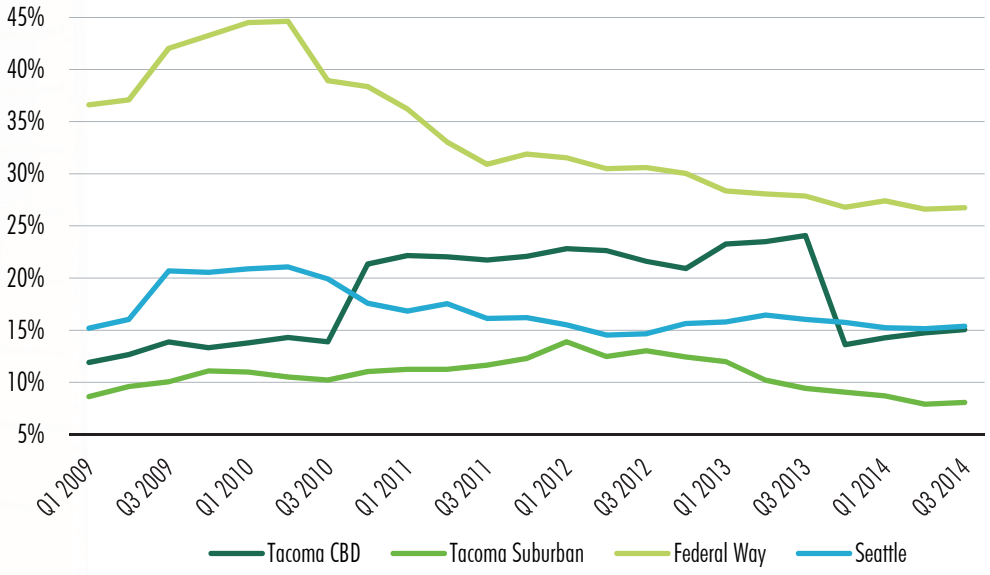
Federal Way

Vacancy in Federal Way reached its peak following Weyerhaeuser's decision to sell portions of its business. Many buildings which were once valued at a premium during the height of the market have since traded for 30%-40% of that value. Because of the new ownerships' low basis in the buildings, they are able to offer very aggressive rates to prospective tenants. Since Weyerhaeuser's downsizing, aggressive rates, large availabilities and plentiful free parking have led to decreasing vacancy rates. According to CoStar, since Q3 2010 Federal Way has experienced over 450,000 square feet of positive absorption, decreasing the vacancy from roughly 45% in Q2 2010 to 27% in Q3 of 2014.

In August, 2014, Weyerhaeuser announced its plans to move its headquarters to Seattle in mid-to-late 2016. According to Weyerhaeuser President and CEO Doyle Simons, one of the major reasons for the move was the proximity to a larger talent pool. The News Tribune noted that Weyerhaeuser intends to sell its property in Federal Way, a 430-acre campus which includes approximately 750,000 square feet of office, research, and industrial space (with a total of 350,000 square feet of that being office). While this is a huge loss to an already soft market, it also creates opportunity to attract a multitude of new tenants to the area.

The Federal Way office market is primarily comprised of 50,000 – 100,000 square foot suburban office buildings spread across East Campus and West Campus. Several of the major buildings are fully leased, primarily by large tenants, yet many remain substantially vacant. These buildings with low occupancy levels are often very aggressive with their rates and concessions in an attempt to secure the limited market demand. Lease rates in Federal Way currently range from $19-$21 per square foot, Full Service, including free parking.

Competing Submarket Vacancy Rates



PARKING

The Challenge

Parking is an important issue for businesses considering downtown Tacoma and it is one of the drivers of suburbanization. While the parking ratio downtown is roughly 9,000 parking stalls for 5 million square feet of office (according to a recent parking study and CoStar Analytics) or approximately 1.8 stalls per 1,000 SF of office; other competing markets such as Federal Way or Puyallup have 4-5 stalls per 1,000 SF of office.

Most companies utilize approximately 175-225 square feet of office space per person, which equates to needing as many as 5 parking stalls per 1,000 square feet of leased space. Having a scarcity of parking spaces in the Core can be a hurdle for companies. Throughout Downtown, the effects of parking can be seen. Buildings with good parking are generally the first to fill, while those with limited or no parking are often left with significant vacancies. Even in a very tight Class A market, the Tacoma Financial Center which has only 0.25 parking stalls per 1,000 square feet currently has large amounts of office space available.

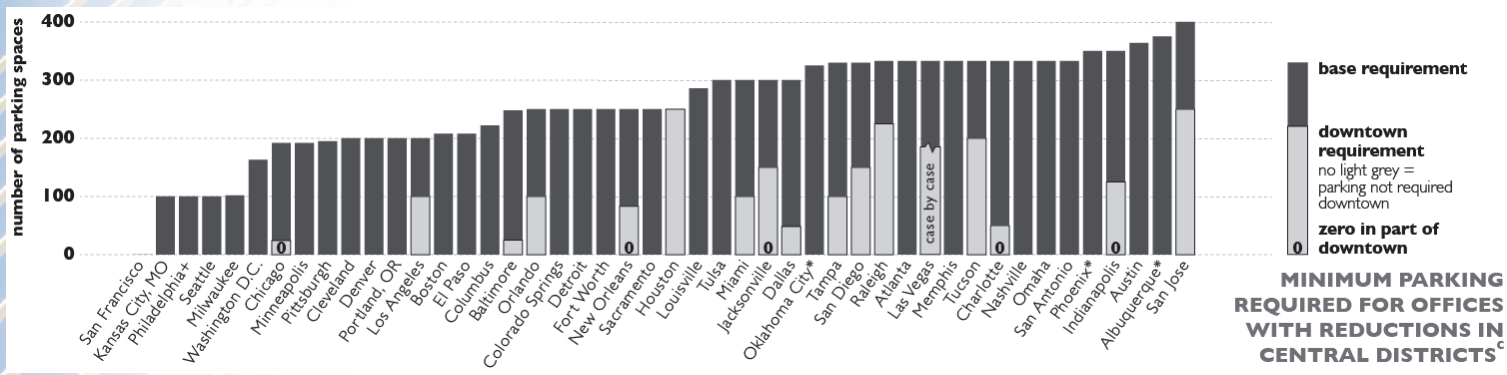
The Implications

For a business, parking can be a major expense. When a suburban market is offering free parking, it can equate to a major savings for a business. Let us consider an example: If a company pays for their employees to park downtown at the going rate of approximately $145 per stall, per month, and assuming that they have 5 employees per 1,000 square feet of space, that equates to an additional $8.70 per square foot on top of their lease rate. Suddenly, a downtown building offering lease rates of $18 Gross has an effective rate of $26.70 Gross (a 48% increase). Consequently, when parking is factored in, suburban buildings often have lower effective lease rates. While there is a draw- a sort of gravitational pull to a thriving downtown- parking is still a significant factor in many businesses decisions to stay in or leave the Core.

In downtown Tacoma there are currently no parking minimums for new development. This can help a developer significantly lower the cost of a new development, but it also sets the expectation that the public is the purveyor of parking. While this could be fine, the long term effects of that strategy should

be reviewed. Additionally, if the public is willing to be the purveyor of parking, this could be a great opportunity to pave the way for increased demand and development.

The graph below from Graphing Parking gives an overview of what other cities around the United States require as parking minimums for a new 100,000 square foot downtown office building.



Unfortunately, current parking rates in the Core do not justify parking garage development. Rates average $145 per stall, per month, about half of what a developer would need to build a new parking structure (approximately $30,000 per stall based on recent developments). Finding a creative way to provide parking for new developments is one of the major factors which made the Pacific Plaza development work and will continue to be an important factor for future developments.

Moving forward, parking rates will need to increase before the development of parking structures can be substantiated by private developers. Increasing parking rates can be a byproduct of increasing demand for office space.

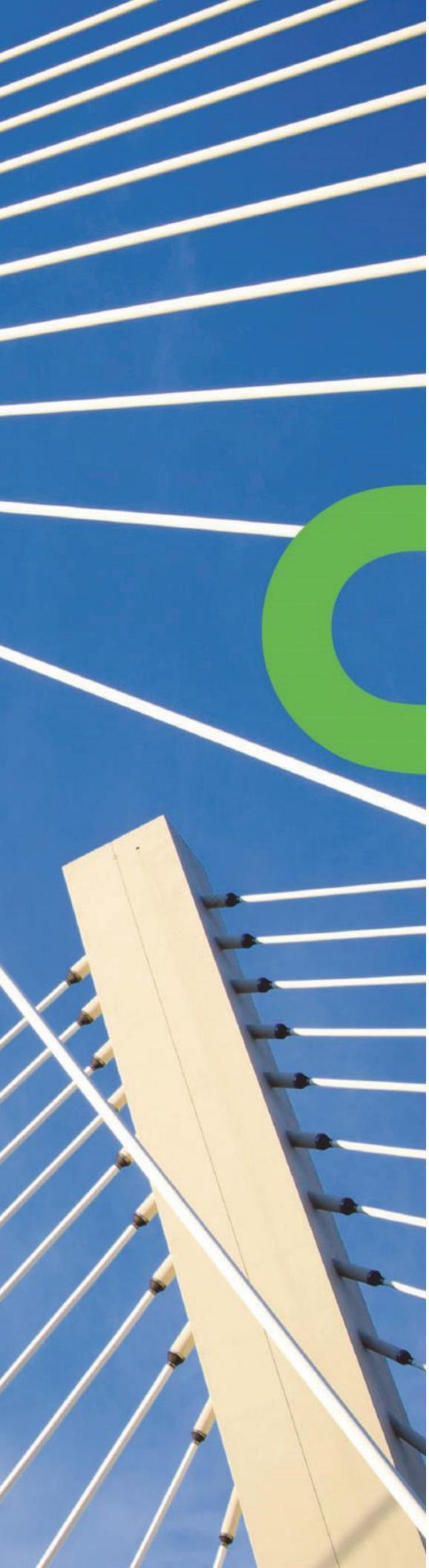
Downtown Parking Lifecycle

The Solution

It will be necessary for the public to continue to engage in a concerted effort to increase the available parking downtown. This will require a collaborative effort between the City's Economic Development Department, Parking Services, and an empowered group such as the newly forming Parking Technical Advisory Group. Together, vision, policy decisions, and perspective can be jettisoned forward.

The goals of the aforementioned partnership could include facilitating access to parking as well as creating partnerships to add parking in the Core or in areas with direct access to public transportation which serves the Core. The Dome District and other rail-served areas should be considered for new parking structures. Increased parking availability will influence the office demand downtown by attracting and retaining office users.

Transit also provides alternatives for many commuters. Downtown Tacoma is currently accessible by car, bus, light rail, and rideshare options, making it the most well-connected CBD in the South Sound. Furthermore, organizations like Downtown On the Go help to facilitate and encourage the utilization and expansion of many driving alternatives. Biking, walking, and car share are a few of the additional modes which they promote. While these are not viable options for all commuters, they can help to alleviate the parking challenges downtown.



Section 2

Downtown Tacoma's Development Opportunities

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DOWNTOWN TACOMA'S DEVELOPMENT OPPORTUNITIES

> The pieces are in place for Tacoma to be an office space powerhouse, but a high-stakes commercial real estate chess game is giving developers pause.
>
> -Todd Matthews, "Tacoma's Waiting Game"

A New Class A Building- What Does it Take?

A new office building in downtown Tacoma requires a commitment from a tenant or an owner/user to occupy the majority of the building at a rate which justifies the cost of construction.

Overview of Recent Office Developments

Pacific Plaza, Columbia Bank Center and the Umpqua Bank Building are examples of successful new office construction since 2001. They combined tenancy and market demand with a collaborative approach.

Development Sites in Downtown Tacoma

There are several sites in the Downtown Core which could be ideal candidates for new development or redevelopment.

Class B and C Office Opportunities

Downtown Tacoma is home to a number of historic buildings in all shapes and sizes which have varying levels of restoration, use, and vacancy rates. Encouraging investment in these buildings could induce incremental wins in the overall office markets.

A NEW CLASS A BUILDING- WHAT DOES IT TAKE?

The discussion surrounding what it would take to build a new Class A office building in downtown Tacoma has been going on since construction of Pacific Plaza was finalized in 2009. In 2013 State Farm moved to the region, absorbing close to 300,000 SF of Class A office space in downtown Tacoma. This reinvigorated the discussion as the Class A vacancy plummeted to one of the nation's lowest rates, far surpassing those found in neighboring cities. As of November 2014, the Class A vacancy in downtown Tacoma hovers around 8%. Tacoma should theoretically be primed for new development; so why are there no cranes on the skyline?

Philosophies on how to spur development differ greatly. One school of thought insists that retail is the core of a great city; others focus on bringing jobs to the area; and still others hold that sound infrastructure is at the heart of a great city. When it comes to office space, some insist that a new building could be built on spec and it would be absorbed, while others say that you need a tenant in place to get a project off of the ground. No matter the philosophy, the numbers need to make sense for a developer or an owner/user (an owner who would occupy the building) to take on a new project.

The Rental Rate Gap

One of the potential challenges being faced by would-be developers or owner-users is the gap between current market rents and the cost of developing a new building. Class A rents are currently between $25 and $27.50 per square foot, Full Service. One notable exception is Pacific Plaza, Tacoma's newest development, which has an equivalent asking rent of $34.25 per square foot, Full Service. With asking rates between $25 and $35, it is generally less expensive for a company to lease space than build. The cost to develop a new building on the Super Block (a land site in the Core) has been estimated at around $350-$450 per square foot. That includes the development costs, land cost, tenant improvements, structured parking and all soft costs. With that in mind, in order to achieve a reasonable investment return on the project, a rate of approximately $35-$40 per square foot, Full Service would need to be the rental rate; a bit higher than the going Class A rate in Tacoma. There are steps which can be taken to mitigate this gap, however.

Some ways to diminish the rental rate disparity include utilizing tax incentives and existing parking and helping to minimize the soft costs for the developer. Many of these would be easiest to do on a site currently controlled by the City, such as the 6.4 acres west of the University of Washington's Tacoma "UWT" campus or the North Plaza Parking garage. Focusing on sites which allow for efficient buildings will be another key component to reducing development costs. For instance, a site which is at least 120' deep allows for certain parking efficiencies which reduces the space needed per stall, enabling 4 rows of parking per floor. The height and dimensions of a building also affect the construction cost. Sites such as the 1102 Broadway parking lots and the Super Block have the depth required for a more efficient footprint (further detail provided in the "Development Sites in Downtown Tacoma" section). Finally, momentum from smaller-scale development can also help to build on the momentum which State Farm brought to the area. Sites which would be more conducive to the less-expensive 5 over 2 construction such as the City's site would be a great way to build scalable

momentum and spur other activity prior to a large building being constructed on the Super Block.

The rental rate gap is not prohibitive, however. If a company wants to be in a vibrant CBD and is willing to pay the rates necessary to justify new construction, a new building is feasible. With a commitment from a tenant to occupy the majority of a building on a long-term lease, there are plenty of developers who would happily build it.

Size Matters

There are many factors which influence the cost of new construction, including the geographic area, the site, the state of the economy, and the type of construction being used. The type of construction used for an office building can significantly impact the cost per square foot of a new building. When an office building reaches a certain threshold of floors, construction costs can increase. For instance, high-rise construction requires different building materials and additional design elements, as compared to mid-rise construction.

To achieve economies of scale for a building in the Core, a new Class A building would need to be approximately 200,000 to 250,000 SF. Because of the necessary size, another challenge emerges. One challenge of erecting a 200,000+ SF office building in downtown Tacoma is the impact it would have on the total market. The current size of downtown Tacoma's Class A market is comparatively small and because of that, speculative Class A construction can be challenging relative to larger markets. Below is an illustration of the impact of a new 250,000 SF building in Tacoma:

250,000 SF Building as a Percentage of Non-Owner-Occupied Office Buildings:

Bellevue CBD (7.91 Million SF): 3.16%
Seattle CBD (20.56 Million SF): 1.22%
Tacoma CBD (2.86 Million SF): 8.75%

As shown above, adding a 250,000 square foot office building to downtown would have a significant impact on the overall office market. Another staggering statistic is the impact of a new office building on downtown Tacoma's Class A office market. A new 250,000 square foot Class A office building in downtown would represent a 23% spike in space. One way of diminishing this hurdle is by enabling and focusing on incremental wins. Examples of some incremental wins would be renovations of existing buildings or the construction of smaller office buildings surrounding the Core.

Funneling Demand into Development

If you build it, will they come? With buildings in the Core needing to be a certain size to achieve economies of scale and the average demand from tenants not equaling enough to kick off a building of that magnitude, there are a couple of ways to spur development.

One option would be an immediate focus on incremental wins. This could include the redevelopment of existing buildings or a new development of smaller buildings in or near the Core. Each new project will help build momentum Downtown.

Another option would be greasing the skids of a larger development- that is, marketing and preparing a potential development site. This would give Tacoma the opportunity to land new companies or grow existing companies. On select sites Downtown, there could be an advertised development; it would also be helpful if steps were taken to shorten the development timeline. A new company looking to relocate its headquarters to the Pacific Northwest should see Tacoma as an option. This collaboration could include representatives from the City, a developer, a financial backer, and a leasing company.

There are steps which can be taken to make a development on City-owned sites easier. This could include conducting necessary site surveys, addressing environmental and soil issues, examining current civil engineering concerns, and creating a plan to execute a development. Any steps which can be taken to shorten the development timeline and advertise the opportunity could help to increase the probability of landing a new tenant. Tacoma cannot predict where the next State Farm will hail from, but it can prepare its existing sites for a development and advertise the opportunities.

Summary

In short, there have been several developments which have worked since 2001. Those developments worked because a tenant or owner/user committed to a large portion of the building and steps were taken to make very cost-effective developments.

Public-private partnerships and collaboration were a major aspect of recent office developments. They help to offset the cost and availability of parking and many of the other costs and challenges associated with new development. Other cost saving measures include careful site selection, cost-effective development scales, and capitalizing on any available incentives.

Moving forward, demand can be funneled into new developments by marketing and preparing opportunities, both big and small.

OVERVIEW OF RECENT OFFICE DEVELOPMENTS

There have been several successful new office developments which have occurred over the past 15 years. They are prime examples of the combination of demand, collaboration, and incentives. With sufficient demand in place, each of the buildings below were able to break ground:

Pacific Plaza
Columbia Bank Center
Umpqua Bank Building

Pacific Plaza

In 2009 the construction of Pacific Plaza was completed. The building was transformed from an aging cement parking structure to the city's newest office building.

This was an excellent example of a strong public-private partnership which teamed architects, engineers, financial backing, and tenancy with the appropriate city resources needed for a successful project. The City paid to renovate the existing parking structure and add additional parking as a part of the agreement. BLRB and PCS (both partial owners and tenants) agreed to occupy the entire top floor at a rate which made the project feasible. Prior to the project being completed, two government agencies agreed to occupy nearly the entirety of the remaining office space.

Columbia Bank Center

Columbia Bank Center was one of the Haub Brothers Enterprises Trust's contributions to Tacoma. Built in 2001, the building was made possible by preleasing. Columbia Bank and Russell Investments both committed to a significant portion of building, and by the time it was completed, the building was 100% leased. Although these were not new companies to the area, they were rapidly growing and generating significant additional demand.

This is a great example of how a large-scale development in the Core can succeed if there is enough demand and a strong development team.

Umpqua Bank Building

The Umpqua Bank Building was originally built for Rainier Pacific Bank. According to several accounts, the design of the building and the number of parking stalls associated with the building were largely dictated by the intricate zoning code at the time, much to the chagrin of the owner and developer. Ironically, the building's parking ratio keeps it very competitive in the Class A office market.

This is an example of a building which was made possible by owner/user demand, although only enough to justify several floors. The narrow footprint increased the construction costs for the building and the adjoining parking structure.

DEVELOPMENT SITES IN DOWNTOWN TACOMA

There are several sites in downtown Tacoma which could be ideal candidates for new development or redevelopment. Though many sites were considered for this report, the following list was tailored based on factors including, but not limited to: size, dimensions, location, zoning, and ownership.

The major land sites that will be considered are:

- Haub's Super Block
- The Pacific Block Site
- 15th and Fawcett
- 1102 Broadway's Parking Lots
- City of Tacoma's 6.4 Acres

The major sites with existing structures that will be considered are:

- Park Plaza North
- Wells Fargo Building Parking Garage

Major Land Sites

Haub's Super Block (13th to 14th Streets between Pacific Avenue and A Street)

The "Super Block" is an assemblage of properties in the Downtown Core owned by the Haub Brothers Enterprises Trust (Haub). Up to 1.7 million square feet of office space could be developed on the assemblage according to the Puget Sound Business Journal. The city has helped to facilitate development here by working with Haub on a variety of issues when the Super Block was being considered for Russell.

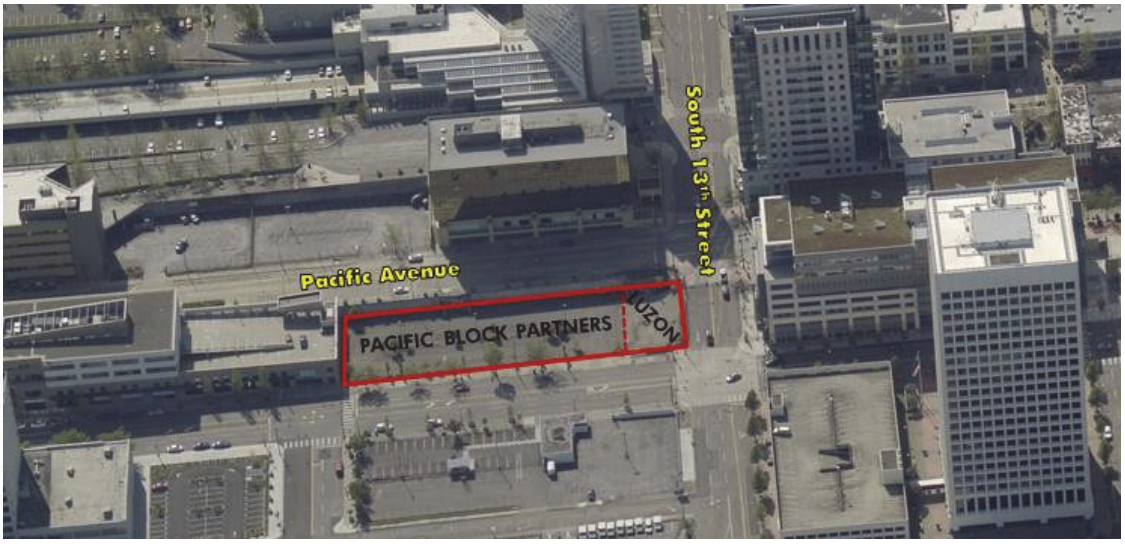
The dimensions of the site (roughly 300' x 275' including Court A) and its location within the Core make this an obvious location for a 200,000+ SF office building or a combination of several office towers. Haub also owns a parcel to the south of the Super Block and to the northeast of the Super Block which could be ideal locations for future developments or buildings which do not require a footprint as large as that of the Super Block.

A key driver for this development would be one or more tenants willing to commit to occupying a majority of the building at a rate which justifies the development.

To the left is a rendering of a 250,000 SF office building which could be built on the Super Block. With a total cost of about $450 per square foot to construct, the 12-story office tower has 4 levels of underground parking.

To the right is a rendering of a 240,000 square foot Class A building on the Oliver Taxi site (southeast of the Super Block).

Pacific Block – DaVita Parking Area Including the Former Luzon Site

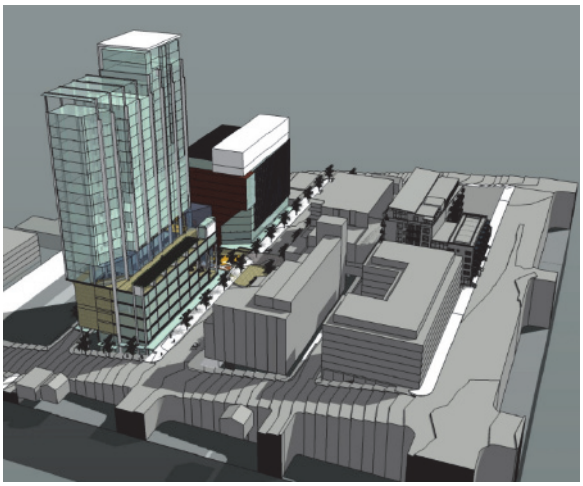


North of the Umpqua Bank Building in the Downtown Core is a surface lot which extends to South 13th Street. The lot is presently owned by Pacific Block Partners, LLC and is well-positioned for a new office building. At roughly 100 feet deep, with 315 feet along Pacific Avenue, this site would have some challenges with parking and floor plate efficiencies on the narrow footprint. Several other office developments surrounding this site give testament to the feasibility of development utilizing the topography, restrictive depth, and proximity to mass transit.

This would be a likely site for a mid-rise office building as seen on the adjacent blocks to the south and west.

15th and Fawcett

The 15th and Fawcett site is a 3.22 acre assemblage of land currently owned by Vision Deuce, LLC. This site would be conducive to a variety of uses including residential and office.

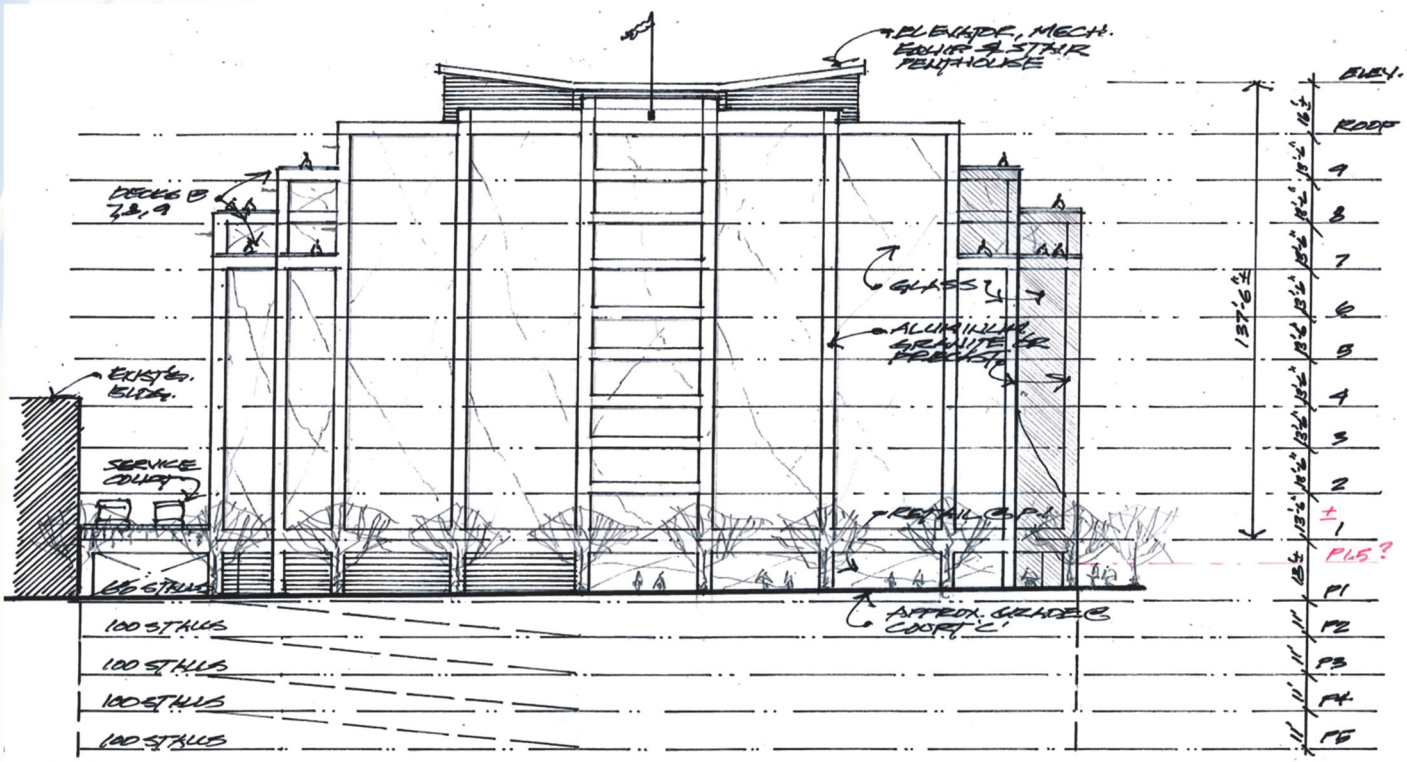


Parking lot behind 1102 Broadway

In 2013, a regional developer purchased 1102 Broadway along with the surface lot to the west and a second lot further west across Market Street. At roughly 265' x 120' the lower lot is a prime candidate for a mid-rise office building. There are also opportunities for parking surrounding the parcel on three sides. Additionally, due to the 120 foot depth of the parcel, beneficial economies of scale can be reached for structured parking underneath an office development (four rows of parking). The upper surface lot has dimensions of approximately 215' x 120' for a total of 1.2 acres of surface lots.

The potential to capitalize on a highly efficient development scale and create a creative parking solution make this a good option for new development.

Below is a rendering of a potential building on the site. It is roughly 227,000 rentable square feet with 26,000 square foot floor plates.



City of Tacoma – 6.4 acres (21st to 23rd Streets between Tacoma and Jefferson Avenues)

This site could be one of the most important properties in the discussion of downtown development. Although there are a slew of available land sites lining the hill above downtown, the City of Tacoma's 6.4 acre site deserves special attention. It is currently the largest assembled parcel in downtown Tacoma. It is also adjacent to residential, retail amenities, and the University of Washington, Tacoma. This residential, mixed-use or office campus site is divisible but it is ideally suited for large-scale, master-planned development. It could be a catalyst for new development, new tenants, and a great way to capitalize on the momentum from State Farm.

In addition to the size and flexibility which the site offers, it is controlled by the City. This could be an excellent opportunity to create a public-private partnership, plan the development, market the opportunity, and bring a new tenant or owner/user to the market. Because the City currently owns it, they have control over what gets planned and built.

Additionally, the site could be developed as an office campus with any combination of small, medium, and large office buildings. If the development of the site were approached with a master plan, each building could be marketed to 20,000 SF – 50,000+ SF tenants who could be the anchor tenant for each of the individual buildings. Doing so would mitigate the risk which might otherwise turn away developers of the entire property, reducing the upfront investment in the site until those anchor tenants or owner/users are ready to commit.

This site would be attractive to tenants and owner/users as well:

- Parking could be convenient for customers and there could be more parking for employees than in the Core.
- It is close to Downtown, the UWT, amenities, and more.
- It could provide significant flexibility for a company's current and future needs.
- With much of the upfront work already completed by the City, the development timeline would be reduced, allowing for the site to be a viable option to those tenants looking 12-18 months out.

There are several additional reasons why this site could attain certain efficiencies which could close the rental rate/construction cost delta.

- The hillside's slope combined with the depth of the site allows for considerable parking efficiencies.
- It could capitalize on the efficiency of lower density construction which would make sense due to the proximity to the Core; a 5 over 2 design would allow for lower cost per square foot.
- There is room for larger buildings on this site.
- Many aspects of planning, zoning, and infrastructure could be minimized due to the City owning the site.

A key component of this project would be a cohesive development strategy put together by a public-private partnership. Upfront investment and work on the site could be done by the City to bolster the value of the land and increase the probability of securing a tenant.

Major Sites with Existing Structures

Unico - Above Wells Fargo garage (13th Street & Pacific Avenue)

Built in 1988, Wells Fargo Plaza's parking structure is roughly 85,000 SF. Its dimensions are approximately 245' x 120' which makes it ideal for parking and creates relatively efficient floor plates. The reinforced concrete was designed to accept extra parking or office floors, making it a candidate for additional downtown parking or office development.

City of Tacoma - Park Plaza North (9th Street and Pacific Avenue)

Park Plaza North is a City-owned parking structure with privately owned parking and retail/office condos below. There are also small city-owned parks to the north and south.

At over 470' long and over 100' wide, the site/building could be the host of numerous development options. While benefitting from similar economies of scale as Pacific Plaza, there is room for creativity. In general, the most efficient use of this asset would be similar to what was done at Pacific Plaza- several floors of office and a makeover of the garage/retail. Several options have been proposed over the years, but it will take the alignment of a number of different factors to get this development off of the ground.

A key component of the Park Plaza North project will be a creative public-private partnership. Any necessary upgrades of the existing parking structure and the addition of more parking could be publicly funded while the addition of new office would be completed by a private developer.

CLASS B AND C OFFICE OPPORTUNITIES

Downtown Tacoma is home to a number of historic buildings with varying levels of restoration, use, and vacancy rates. Encouraging investment in these buildings could induce incremental wins in the overall office markets. Some of the benefits of restoring these historic structures include:

- Improving the overall image of Downtown
- Increasing lease rates
- Appealing to a broader spectrum of tenants
- Increasing property values
- Heritage tourism

The efforts underway to promote the reuse, rehab, and resurrection of these historic buildings should continue to be supported. A pivotal driver of this historic renovation has been UWT. One major challenge with many of these historic buildings is the cost of a change of use, however. It could necessitate expensive seismic and life safety upgrades.

There are many buildings in downtown and the surrounding areas which could benefit from an influx of capital. Below are a few of the buildings which are likely candidates for a redevelopment effort:

Historic Buildings

Provident Building

The Provident Building (left) is a partially occupied, 66,000 square foot building in the Core ready for further upgrades. It is currently for sale at a price which could allow a buyer to make further improvements in the building.

Old City Hall

Old City Hall (right) is a vacant, 80,000+ square foot historic building. The character of this building, both inside and out, is unrivaled in Tacoma. Significant upgrades are needed for occupancy- it would require an adaptive reuse or a large office tenant which valued the historic charm. While it is on the periphery of the Core, it is within walking distance to major transportation and numerous amenities.

The Washington Building

The Washington Building is a 120,000+ square foot office tower currently owned by the Stratford Company. The 17-story building offers sweeping 360° views of Tacoma, Mt. Rainier, and the water.

The ownership currently offers very competitive lease rates and in 2014 the building was put on the market at a price of $7,950,000, about $55 per square foot. This building, like Old City Hall, is a candidate for a residential conversion or a significant office rehab.

1102 Broadway

1102 Broadway (88,000+ square feet) is an example of a building which was recently purchased at a (relatively) low cost which has given the Landlord the ability to invest significant money into complete interior renovations. Attractive Landlord incentives combined with aggressive marketing will help to turn around this building.

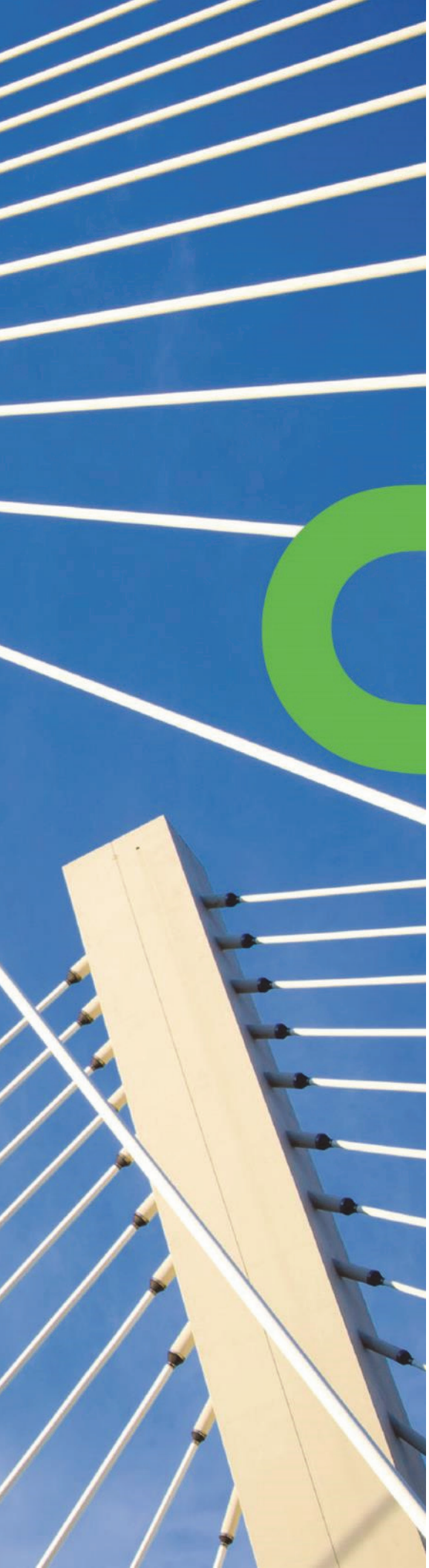
Catalyst Areas

Brewery District

The Brewery District of Tacoma, just south of Downtown has several redevelopment sites. It is a catalyst area in the effort to create retail connectivity throughout the Core. Although this report will not go into detail on the particular opportunities, it should be noted that there are opportunities for redevelopment which will influence Downtown. For a full overview of sites, ideas, and inspiration, take a look at the April 2010 Brewery District Development Concept Study produced by VIA Architecture.

University of Washington – Tacoma (UWT)/Union Station Vicinity

UWT and the surrounding area continue to build momentum with retail, amenities, restaurants, attractions, residential development, and more. The University continues to be a major win for Tacoma. While this report will not go into detail regarding all of the UWT happenings, it should be noted that this area continues to show examples of redevelopment momentum and how that can influence larger, sustainable, organic development.



Section 3

Spurring the Action

SPURRING THE ACTION

> "Above all, we need leadership to encourage and put together a consortium of people who care enough about Tacoma's future to work to revitalize our Downtown… Leadership is needed to direct staff and to involve investors, planners, idea people, and property owners – people like us – to come forward and work together. It is a call for urban pioneering to hack away the underbrush and prove that Tacoma is still young enough and energetic enough to fight for its future – our future."
>
> -"A Window on Downtown" City Club of Tacoma, 1998.

Demand

A concerted and empowered effort is needed to retain, attract, and grow businesses in the Downtown Core. Increasing demand will be the cornerstone of new development.

Collaboration

Successful development will be achieved through a public-private partnership. This will combine public resources, private investments, and an empowered consortium of individuals.

Reinvesting

Companies will locate themselves where a substantial talent pool is available. Reinvesting in aspects of Tacoma which will improve the quality of life and create a 24-hour live-work-play environment will result in more people living in Tacoma, increasing the talent pool.

Incentives

Properly utilized incentives will be a key tool in the effort increase demand as well as develop/redevelop office space.

DEMAND

One of the most important components of a new office development in Downtown will be a tenant or owner/user who is willing to commit to a majority of the new building. Fostering that demand for office space will require a concerted effort from public and private entities. The goal of those efforts should be recruiting, retaining, and growing businesses.

An important element of retaining businesses is going on the offense. That means continuing to meet with local businesses and determining what it will take to keep them in Tacoma. It involves answering their questions and concerns and helping to facilitate the necessary changes.

Industry sectors which are major users of office space such as technology, healthcare, and financial services depend on a sustainable talent pool. Developing and marketing that talent pool will have a significant impact on the demand for office space (further detail of this concept will be explored in the section titled "Reinvesting").

Challenges:

Suburbanization and Divestment

Over the past century, Tacoma has acted as a business incubator. Tacoma has had a number of start-up companies that "grew up" in Tacoma and then left i.e., Weyerhaeuser, Russell Investments, MorphoTrak, and a portion of DaVita's operations. This has a detrimental effect on the local economy which goes beyond that of lost jobs. Aside from those companies which moved to another city, other companies have also relocated from the Downtown Core to suburban Tacoma, further reducing demand and slowing growth.

When companies leave Downtown, they reduce the pull- the draw of a bustling downtown. Each aspect of the economic environment which supports those companies takes a hit. Additionally when those companies leave, those who support Tacoma with their time and money may leave as well. The large scale projects that are made possible by the "big-money benefactors" are less likely to happen when they move away.

While retaining companies in the Core is important, there are a number of companies who want to be downtown, companies who may be eager to fill the voids created by suburbanization. Across the nation, there is a resurgence of companies who are moving back to CBDs. Tacoma's ongoing reinvestment and growing talent pool make it a great option for businesses seeking a new downtown location.

Commercial Islands

Retaining companies in the Core is an important aspect of increasing demand. Pierce County is a recent example of an entity choosing a new location outside of Downtown. When their project south of Downtown on Pacific Avenue is completed, a new island of employees will be created. All of the employees spread across Tacoma will be pulled out of their current buildings and relocated. This resulting increase in CBD vacancy will have a negative impact on growth and development.

This is not a new phenomenon for Tacoma, however. Islands of commercial activity are continuously being erected, from the Tacoma Mall in the late 1960's to more recent examples of companies moving to suburban Tacoma. These areas are easier to build in, zoned appropriately, and are simply cheaper. The detrimental effects of these islands are multifaceted. Decreasing demand downtown is a significant detriment, but it also reduces space for residential uses in the surrounding areas, creates new clusters of retail (which eliminate those needed Downtown), and reduces the overall vibrancy which a bustling Downtown provides. It will take a concerted effort to keep companies in the Core.

Solutions

Keeping businesses Downtown is an important aspect of fostering demand. It will also involve creating an environment for businesses to thrive in and employees to live. Tacoma has identified the importance of a vibrant downtown; below are a few of the steps which can be taken to further enhance the appeal of Downtown.

- Seek creative parking solutions and invest in the transportation infrastructure
- Incentivize the development of new buildings and the restoration of older buildings
- Continue to reinvest in, incentivize and market the amenities Tacoma has to offer. This should include a focus on creating walkability and connectivity within the Core.
- Continue to promote housing options in and around the Core.

Retaining and attracting businesses to Tacoma's Downtown requires the concerted efforts of multiple players. A few of the parties which are a part of this effort include local entrepreneurs, developers, community advocates, the Tacoma Chamber, Community and Economic Development, and the Economic Development Board for Tacoma-Pierce County.

COLLABORATION

"There must be an entity that can act and take responsibility, act as a facilitator for development, and serve an essential public purpose."

–Su Dowie, Executive Director, Foss Waterway Development Authority

In Bill Virgins's article in The News Tribune, New kind of leadership needed when big-money benefactors leave town, he posed the question "Who runs Tacoma?" Throughout Tacoma's history there have been a number of great wins- the question now is- how do we replicate those wins for the office market? It will likely be done through private-public partnerships which are created to influence real change. Virgin went on to say,

> "If you believe in the textbook explanation of civic affairs, then your answer to the first question is: "This city, like all others, is run by its elected representatives and public officials, with decisions made after careful deliberation and the weighing of thoughtful input from citizens, business, labor and community leaders and others offering viewpoints and suggestions for the betterment of the municipality and the benefit of its residents.
>
> But of course no city, not Tacoma or Seattle, operates like that. City government may want to run things. It may think it runs things. It may even have a plan for how things ought to be run. Even if it does, though, it may not have the financial resources or organizational clout to accomplish what it wants.
>
> For that you need the sort of civic establishment — a melding of public and private entities, people and resources — making plans and decisions in a way the textbooks rarely acknowledge…"

When it comes to new development and redevelopment, there have been a number of great partnerships throughout Tacoma's history. Many of the major revitalization projects which have occurred Downtown involved a coalition of stakeholders. With many of the complicated development and redevelopment sites, it would be beneficial to embrace a co-development team, combining public and private resources to further the overarching economic development vision of the City. By embracing this Community Initiated Development (CID) model, many of the important economic development objectives for downtown Tacoma can be realized.

Examples of successful recent CID projects include the Greater Tacoma Convention and Trade Center, Pacific Plaza, and the much of the activity happening along the Thea Foss Waterway. Each of these examples started with a publicly generated idea and combined public and private resources.

In addition to those great wins for Tacoma, there are several other apartment/condo complexes underway or planned which will help bring more talent and density Downtown. One example is all of the development activity happening along the Foss Waterway, including The Henry which is projected to be finished in the summer of 2015- a 161-unit, 7-story mixed use project on the Thea Foss Waterway. These projects were made possible by great public/private partnerships.

For the Henry, Thea's Landing, and the rest of the development along the Waterway, the Foss Waterway Development Authority (FWDA) was chartered by the city. The FWDA was created to ensure the responsible redevelopment of the Waterway. It was granted the authority to market, sell, lease, and manage the public properties associated with the Waterway. Nearly 20 years later, the vision of the Foss Waterway is easy to see.

Tacoma has already started this process of creating a dynamic public/private partnership. Groups and government entities have rallied together to start a necessary visioning process. In Tacoma's recent visioning exercise, "Tacoma 2025" there is a focus on 7 core areas:

- Public Health and Safety
- Quality of Life and Livability
- Economic Vibrancy (and Employment)
- Culture, Arts and Recreation
- Educational Opportunity and Attainment
- Government Performance (Effective, Efficient and Economical)
- Infrastructure, Mobility and Environmental Sustainability

Establishing this vision for Tacoma will be the starting place for a dynamic strategic plan for revitalizing Downtown. It can be created by an eclectic group of local entrepreneurs, developers, investors, public officials, non-profit sector representatives, and more. Once this vision and strategic plan are established, a private sector coalition with public support can be realized.

Most downtown revitalization efforts start with a strategic plan. Chattanooga, Tennessee is an example of a city which was turned around, in-part, by a strategic plan. The plan was put together similar to the way Tacoma 2025 has been put together and it propelled the economic vibrancy of the city. Further information is available in the Case Studies section.

REINVESTING

One of the keys to successful economic development is "investing in ourselves" so that our assets continue to attract companies and talent. State Farm's investment and creation of 1,300 jobs in downtown Tacoma is one recent example of what investment in ourselves can mean.

Now we must all move forward and keep on investing in the right assets-such as growing UWT (including starting the UW Law program); growing UPS, PLU and the five community and technical colleges in Pierce County; completing SR167; building the methanol and LNG plants on the Tideflats; fixing local streets; embracing JBLM; and retaining and recruiting companies to the clusters of aerospace, clean water technology, health services, logistics and trade, and cyber security.

These are things we control - let's get after it!

-Bruce Kendall, President & CEO at Economic Development Board for Tacoma-Pierce County

There is a growing trend in the United States; in the past, people would move to areas for a particular job. Today, people choose where they want to live and then seek work, forcing major employers to move to locations which have the talent they seek. Tacoma is in a great position to attract that talent with its built and natural amenities, cultural wealth, public infrastructure, education opportunities, and more. As Tacoma continues to reinvest in itself, it will continue to grow and thrive.

The importance of having (and marketing) a strong talent pool/workforce in the industry sectors which a city is looking to attract is more important than ever. Historically, the economic development model focused on recruiting major employers; the workforce would follow. Economic development groups have focused on recruiting businesses, knowing that the jobs would follow and inevitably lead to increased economic prosperity. In the model on the following page, “Economic Development 1.0” the classic model is outlined. A growing trend is inverting that model however.

ECONOMIC DEVELOPMENT 1.0

State Farm moving to the area in 2013, occupying roughly 25% of the Class A space in downtown Tacoma was an example of a company which was looking for a particular workforce. Tacoma had the talent State Farm needed and a live-work-play CBD environment conducive to recruiting the talent they were looking for.

Millennials across the nation are leading the charge to live in CBDs. For many vibrant cities, this means a consolidated talent pool which draws companies from across the nation. With the increased population density, housing and retail environments thrive, creating an upward spiral of momentum. This makes office space a hot commodity as demand from businesses seeking that talent climbs, and before you know it, demand has spurred new development.

Below is a graphic depicting a more viable and contemporary economic development model. The model focuses on the importance of reinvesting in the urban environment, inevitably attracting talent, which attracts businesses, again creating an upward spiral of demand for office space.

ECONOMIC DEVELOPMENT 2.0

In 2013 at the Tacoma-Pierce County Chamber's annual conference, keynote speaker Mark Lautman discussed this paradigm shift in the economic development model. In a recent post titled Talent Attraction is the Linchpin to Economic Development he noted, "Economic development now is as much about attracting, growing and retaining qualified workers as it is about attracting, growing and retaining employers."

One of the ways to invoke economic development is to reinvest in the urban environment. This includes creating a walkable downtown; one with retail, housing, entertainment and more. Ultimately, when the necessary infrastructure is in place, people will start to live in these urban environments, creating both a large talent pool for companies and a wealth of entrepreneurs who will bring their business to downtown.

Attracting a quality talent pool to the CBD will require focusing the city's resources and efforts on growing the vibrancy of downtown. Some of the most important elements which influence office demand downtown are connecting and growing the existing retail centers into a true live-work-play environment while balancing safety, preservation and infrastructure. Denver, Colorado is an example of a city which made a vibrant, accessible downtown a top priority. A case study on the revitalization of Denver can be found in the Case Studies section.

Tacoma has already taken a number of steps to make downtown more appealing. The lively UWT campus, waterfront, Pacific Avenue streetscape improvements, museums, parks, retail, cultural sites, and events are just a few of the attractions downtown Tacoma has to offer. New housing has started to spring up in the wake of these reinvestments. Eventually, local-serving retail will be sustainable which will help to bring even more people downtown. All of this is the groundwork for new office jobs and development in Tacoma.

Above: Greater Tacoma Convention and Trade Center | Chihuly Bridge of Glass

INCENTIVES

Incentives are an important tool which can be leveraged to further a region's economic growth. They can play an important role in a company's decision of whether or not to relocate to that region. There is a broad spectrum of incentives which a city has access to, including tax-related benefits, finance and lending, workforce training/development and product/sector funding or assistance.

For the purposes of this report, the focus on incentives revolves around what Tacoma can do to stimulate economic growth, though the discussion of incentives at the state and national level is important for businesses as well.

All of the incentives discussed were carefully selected due to their potential to influence economic growth, increase demand and inevitably impact the potential for new development. The economic feasibility of these incentives was not a consideration.

The three categories of incentives this section will cover include:

- Job-creation/Retention incentives
- Development incentives
- Redevelopment incentives

Job-Creation/Retention Incentives

Job creation and retention is arguably the region's most important economic driver. Currently, Tacoma's primary job-creation incentive is the B&O tax credit for new job creation. Designed to stimulate business and increase livable wage jobs, a business is eligible to receive a B&O tax credit of $500 for creating a new job with a minimum wage of $18.11 per hour (for 2014) plus benefits (there are several other stipulations as well). There is an addition $250 credit if the job is in an empowerment zone or distressed area and provides an international service.

Tax-related benefits

While the political and economic implications of a sweeping elimination of the B&O tax is not something which this report will explore, the B&O tax is a reasonably significant factor for many businesses considering remaining in or relocating to Tacoma.

Other tax-related incentives which could be considered by the city which would influence job-creation and retention include:

- Tax credits for job training programs and education.
- Tax incentives for specific types of businesses which are deemed beneficial for the economic growth of the city.

Finance and lending incentives

The Economic Development Board of Pierce County has an industrial bond financing program for employment-generating activities. Similar programs which focus on potentially beneficial industry sectors could be instituted by the city.

Currently, the City of Tacoma provides a number of resources for local businesses who wish to learn more about growing their business by borrowing money.

Workforce training/development

While there are a number of ways to structure workforce training and development incentives, Fort Worth, Texas has a program which provides a great example. While accommodating a rapid expansion of population and business, Fort Worth has continued to focus on workforce development and education; business recruitment and retention; and incentives. Their workforce training incentive programs include a skills development fund, recruiting and staffing assistance, and a focus on education.

- The Skills Development Fund provides grants to colleges which provide job training programs tailored to the needs of local business. In this program, private sector businesses or groups identify training needs for current or future employees, partner with an education institution to create a program, and the Skills Development Fund pays for the training. They also have a Skills for Small Business program which offers the same incentives for companies with less than 100 employees.

- Fort Worth's Recruiting and Staffing Assistance is a custom tailored program which helps companies recruit, retain, and train employees. From job posting and matching services to interviews and training, each solution is uniquely designed to every business.

- The final component of workforce development is education and marketing. By fostering a quality education program and marketing the talent pool which comes from that investment, Fort Worth is able to boast of a robust talent pool to existing and prospective businesses.

In Washington, public entities are not allowed to pool and disperse funds the way other states can. These Tax Increment Financing (TIF) tools which can significantly impact economic development are not legal in the state of Washington. Tacoma has done a great job of fostering collaborative efforts to further the economic development goals of the public. As it relates to workforce development for Tacoma, Workforce Central is a powerful resource. Below is a sampling of the services they provide, as noted on their website:

- Train and refresh employee skills and aid in retention
- Recruit, screen and assess the skills of job candidates and employees
- Develop new strategies for attracting, retaining and managing a more diverse workforce
- Develop strategies for businesses to address specific employee populations (i.e. baby boomers who continue to work out of economic necessity)
- Analyze wages
- Develop job descriptions
- Provide comprehensive background checks
- Consult and find resources for a wide range of human resources

Workforce Central and other similar organizations can be a huge benefit to companies and can act as an incentive.

Development Incentives

Incentives can play a role in the feasibility of a development in downtown Tacoma. Parking, taxes, land costs, access to capital, challenges with site work and infrastructure challenges are all factors which the City of Tacoma can help to mitigate.

While the efforts to retain Russell Investments inevitably were unsuccessful, they serve as an example of a combination of development incentives and job creation/retention incentives. The Tacoma Partnership proposed a package of incentives to try to keep Russell in Tacoma. Below is a selection of the incentives which were proposed. It is important to note that some of these incentives are no longer available.

- Creating special zoning which phased out the city B&O tax for companies of a specific type (which at the time only affected Russell). Pierce County also proposed legislation which provided credit against the state B&O tax.
- A $700,000 contribution from the Governor to offset the cost of public infrastructure improvements.
- A $15 million contribution towards an underground public parking facility.
- Tax credits from the HUD Renewal Communities Employment Credit.
- Numerous promised local infrastructure investments.
- Numerous other business and development incentives.

This is an example of how public-private collaboration can work in concert.

There are a few other notable areas of incentives which could influence new development downtown. Those include:

- Parking: Consider what parking solutions could be offered to potential developers. It could be publicly-funded parking, a promise of additional parking along a public transportation route, or a collaborative effort like the Pacific Plaza development.
- Consider real estate tax abatements for new construction (new legislation may be required).
- Utilize tracts of land presently owned by the City for planned developments:
  The City could consider partnering on the costs associated with adding infrastructure, creating parking, going through the entitlement process and other soft costs which would be otherwise incurred by the developer. This would increase the chances of new office developments and it would increase the value of the land presently owned by the City.

Rehabilitation Incentives

There are a number of potential redevelopment opportunities in Tacoma. Older buildings with large vacancies or in need of upgrades could be prime candidates for redevelopment. Examples of this can be seen throughout the Tacoma CBD. These redevelopment options can have significant upside for investors and the market as a whole. According to CBRE's Global Research and Consulting group,

> "An interesting trend is materializing in many North American office markets. Thriving technology and new media companies are shifting traditional office demand from the Central Business District to fringe locations, often immediately adjacent to the Financial Core.
>
> Many North American cities are exhibiting adaptive reuse of buildings in secondary and tertiary submarkets. These renovated and converted buildings frequently compete directly with traditional Class A towers in financial cores. The success of these submarkets is often attributed to the historic character of their buildings, their geographic location, and their traditionally competitive rents.
>
> Toronto is a prime example of this phenomenon in locations locally known as the Downtown West and Liberty Village submarkets. These submarkets were largely non-existent ten years ago but are now two of the most dynamic markets in Canada."

In addition to working to attract large Class A office users to Downtown, the Class B and C office buildings in Tacoma also come into play as a significant portion of the overall office market. Capitalizing on these unique, historic spaces will create a draw for businesses and talent. Rehabilitation of older buildings can result in an increase of the overall appeal of the area.

There are several incentives available in Tacoma which can help to encourage the restoration of existing buildings. Tax credits, assistance with parking and expedited permitting processes have been some of the biggest aids provided by the City.

Currently, the City of Tacoma offers a program called the Historic Rehabilitation Property Tax Exemption Program. Designed to encourage the restoration and reuse of historic structures, property owners who invest in qualifying historic buildings can receive up to 100% property tax exemption for qualified improvements for up to 10 years. Other similar programs are available at the national level such as the Federal Historic Rehabilitation Tax Credit Program.

Other incentives which can be leveraged by the city include City-assisted financing and Tacoma Public Utilities rebates/incentives. An example of a financing incentive provided by the City is the Façade Improvement and Beautification Loan Program.

The City of Tacoma Community & Economic Development Department's Façade Improvement and Beautification Loan Program is designed to remove blight, beautify storefronts and improve older neighborhood business districts. This program provides gap financing, which is used in combination with the borrower's equity. In all cases, borrowers must demonstrate the ability to repay the loan and provide sufficient security.

There have been a number of great redevelopment success stories throughout Tacoma's History. Most of those successes were made possible by collaboration and incentives with civic entities.

Rehabilitation Incentives Case Study: The Sandberg/Schoenfeld's Building

In 1999, Total Renal Care (TRC) (now DaVita) was re-evaluating their Tacoma location. With the combination of a tenant, an effective public/private partnership and the following incentives, the Schoenfeld's Building at the corner of 15th and Pacific received a much needed renovation and the city retained the 400 employees of TRC. According to "A Building Reborn" by the City Club of Tacoma, the following incentives were made available:

- Real estate tax abatement- listing the building on the Tacoma Register of Historic Places.
- Gap financing services- enabling the developer to carry the project financially.
- Federal income tax credit- listing on the National Register of Historic Places.
- Parking- making available 225 spaces in a City parking lot under the I-705 freeway

Below is a photo of the current DaVita building (formerly Schoenfeld's Building)

CASE STUDIES

Denver, Colorado

(2013 Population Estimate: 649,495)

As of Q3 2014, Downtown Denver has an office market of roughly 26 million square feet. Vacancy rates continue to drop- currently the vacancy rate is just under 13% with average asking lease rates of $31 per SF, Full Service. Comparatively, downtown Tacoma's Class A office market is just over 1 million square feet with vacancy rates around 8% and asking lease rates averaging $27 per SF, Full Service.

One major difference between the two markets is the number of buildings under construction. While Tacoma currently does not have any new office towers being constructed, the Denver CBD has roughly 675,000 SF under construction. Even in other markets throughout the Denver Metro Area which have average Class A lease rates ranging from $20-$22 per SF, Full Service, there is significant construction underway.

Denver has produced a strategic plan, formed the necessary public-private partnerships, and made a vibrant, accessible downtown a top priority.

> Denver prides itself on attracting the workforce of the future and according to a Brookings Institution report; Denver is the number one city when it comes to attracting young professionals. Placing a high priority on civic investments, access to quality transit, numerous institutions of higher education, and a supportive entrepreneurial ecosystem have been key to successfully attracting young professionals to the region. While it doesn't hurt that Denver's geography and climate is favorable to active young people, Denver's civic and business leaders have made conscious decisions to support innovation that attracts young professionals to Denver
>
> One example where the business community took a leadership role in these necessary investments was FasTracks, a $4.5 billion transit project that will connect the urban core with Denver International Airport and commercial and residential centers across the Denver metropolitan area. Multi-modal connections to community assets across the region continue to be cited as a primary reason young professionals are attracted to the Denver region.
>
> -- Downtown Sacramento Partnership, "Three Takeaways from Denver"

Chattanooga, Tennessee

(2013 Population Estimate: 167,674)

By the 1980s Chattanooga, TN had terrible air and water pollution, a declining economy and population base, and few prospects. At that time the downtown was in the typical condition of many across America: employment in the financial service, government, and professional services sectors—along with one major insurance company headquarters and the headquarters of TVA—dominated downtown., There was little entertainment, only one department store, and virtually no housing. Downtown was a 9-to-5, weekday place.

All this began to change in the mid-1980s, as Chattanooga Vision set out to determine if there was any intention by the citizens to see their sadly neglected downtown revive. Over several years, this non-profit organization—funded by the Lyndhurst Foundation, the city, and the county—polled residents, held countless meetings, and did research on what made downtown Chattanooga special. The major finding was that the downtown turned its back on its major asset, the Tennessee River. From here a tremendous effort was started to turn downtown around.

Engendering great citizen, business, and political support backed by a strong vision of what citizens wanted the downtown to be, Chattanooga's civic leaders initiated a strategic planning process for downtown in 1987. The strategy's primary goal was to make a walkable connection to the Tennessee River, and there were 14 task forces set up to make it happen. These task forces focused on building the world's largest fresh water aquarium, improving the streetscape, obtaining specialty retail, putting in place a "clean" circulator bus system, building parking garages, introducing housing, building a children's museum and, most importantly, creating a river walk to integrate the downtown with the Tennessee River.

Much of the success of this strategy was the result of the River Valley Company, a nonprofit "catalytic" development firm that took above market-rate risks to get initial projects underway, showing the private sector that there was demand for new developments. Within four years, nearly everything laid out in the original strategy had been accomplished. Since then, Chattanooga has continued with ever more ambitious strategic plans, and implementation success, including new baseball and football stadiums, an ambitious and successful affordable housing program, a new neighborhood in an abandoned industrial area, two new public schools, another phase of the aquarium, hotels, more retail, a multiplex movie theater, and many other improvements.

Through strategic planning, a catalytic development company, appropriate government involvement, philanthropic and private sector investment, downtown Chattanooga has become a "poster child" for how to undertake a winning revitalization process.

--Christopher Leinberger, "Turning Around Downtown: Twelve Steps to Revitalization"

Mountain View, California

(2013 Population Estimate: 74,447)

The Case Study below offers an example of a city which invested in transportation and a vibrant downtown. As with many cities, the result was an increase in residential demand and inevitably a talent pool which is in high demand. The resulting influx of office tenants is enough to revitalize any ailing downtown.

Description: Situated between the Santa Cruz Mountains and the San Francisco Bay, just 10 miles north of San Jose and 35 miles south of San Francisco, Mountain View, California is in the heart of the Silicon Valley and home to some of the country's most notable high-tech companies. The city of 72,000 has an active and vibrant downtown with a diverse and young population of around 11,000 residents that enjoy the downtown's thriving restaurant scene, nightlife and reasonably affordable housing. The downtown is well connected to the region via rail, light rail and bus service conveniently and it continues to become revitalized as the city intensifies land use around its transit systems.

A Diverse Population Experiences Downtown Successes: Mountain View's resident population is both young and diverse. According to census data, more than half of the population is between the ages of 20 and 54, with nearly 25% in the 25 to 34 year age bracket. 45% of this population is non-white. About 15% of Mountain View's population - or 11,000 people – resides in the city's downtown. Drawn by the employment opportunities and convenient transit connections, this young and diverse population enjoys the opportunities offered by downtown living that include dense, affordable housing, an active nightlife and a walkable and bikeable community with connections to parks. As a major regional employment center, the population of Mountain View swells 40% with a daytime population increase of nearly 30,000 people. The seven-block Castro Street downtown accommodates this population with an internationally diverse selection of restaurants and unique downtown shopping experiences. Mountain View is exceptionally well-served by transit and its downtown is home to Centennial Plaza, the city's transit plaza which offers access to light rail, bus and regional rail that connects to both San Francisco and San Jose.

--Long Island Index 2008, "Five Case Studies of Downtown Development"

Albuquerque, New Mexico

(2013 Population Estimate: 545,852)

During the early 2000's, Downtown Albuquerque experienced significant growth. The growth was the result of a comprehensive strategy established by a public-private partnership.

As of Q3 2014, Downtown Albuquerque has an office market of roughly 3 million square feet. Vacancy rates are currently 29% with average Class A office asking lease rates of $21 per SF, Full Service. Comparatively, downtown Tacoma's Class A office market is just over 1 million square feet with vacancy rates around 8% and asking lease rates averaging $27 per SF, Full Service.

Albuquerque's turnaround started in 1998 with a bullish new public-private collaborative effort. The coalitions developed a strategy, contributed financially, and formed a joint venture called the Historic District Improvement Co. (HDIC). The primary goals of the group were centered around increasing the vibrancy and amenities downtown, developing new parking structures, and bringing new housing options to the area.

HDIC, a limited liability company, was established to spur new development in Albuquerque. It combined capital resources of the McCune Foundation (a non-profit company), vision from the Downtown Action Team (a non-profit company), and the development expertise of the Arcadia Land Co. The catalytic development company was able to invest in the long-term projects which helped spur activity by private developers.

HDIC was able to propel downtown Albuquerque into one of the fastest growing areas in the nation. They have invested over $50 million in projects including a theatre, parking structures, retail, housing and office buildings. The key components of this turnaround were collaborative public-private partnerships, a strategic plan, a catalytic development company and capital investments which did not require an immediate return.

SUMMARY

Why Tacoma?

Downtown Tacoma is an amazing place to live, work and play. The revitalization of downtown has been an ongoing effort by public and private entities. It has included a number of recent wins such as the growth of the University of Washington Tacoma, numerous world-class museums, the Greater Tacoma Convention and Trade Center, significant investments in the local transportation infrastructure, and the Thea Foss Esplanade. All of these wins help to attract businesses and the next generation of talent to downtown Tacoma.

Tacoma continues to serve as a premier location for business in the South Sound. The city is home to a broad array of local, national, and international companies who have capitalized on the wealth of talent-capital. As the number of people and businesses downtown continues to grow, Tacoma will continue to see more amenities, local-serving retail, housing options, and office development.

Tacoma Office Market Overview

Tacoma's Class A office market has just over 1 million square feet of office space with a current vacancy rate of 8%. Since 2001, three new Class A buildings were erected, Columbia Bank Center (2001), the Umpqua Bank Building (2004), and Pacific Plaza (2009). Each of these buildings was made possible by tenants or owner/users committing to a majority of the building.

Demand

One of the most important components of a new development in downtown will be a tenant or owner/user who is willing to commit to a majority of a new building. Fostering demand for office space will require a concerted effort from public and private entities. The goal of those efforts should be recruiting, retaining, and growing businesses.

An essential element of continuing the momentum in downtown Tacoma involves meeting with local businesses and determining what it will take to keep them downtown. It involves answering their questions and concerns and helping to facilitate the necessary changes. Some of the major concerns of businesses who are evaluating their location include existing workforce skills; parking; the local tax environment; transportation, infrastructure, and amenities; and space availability.

Growing the Talent Pool

Industry sectors which are major users of office space such as technology, healthcare, and financial services depend on a sustainable talent pool. Developing and marketing that talent pool will have a significant impact on the demand for office space.

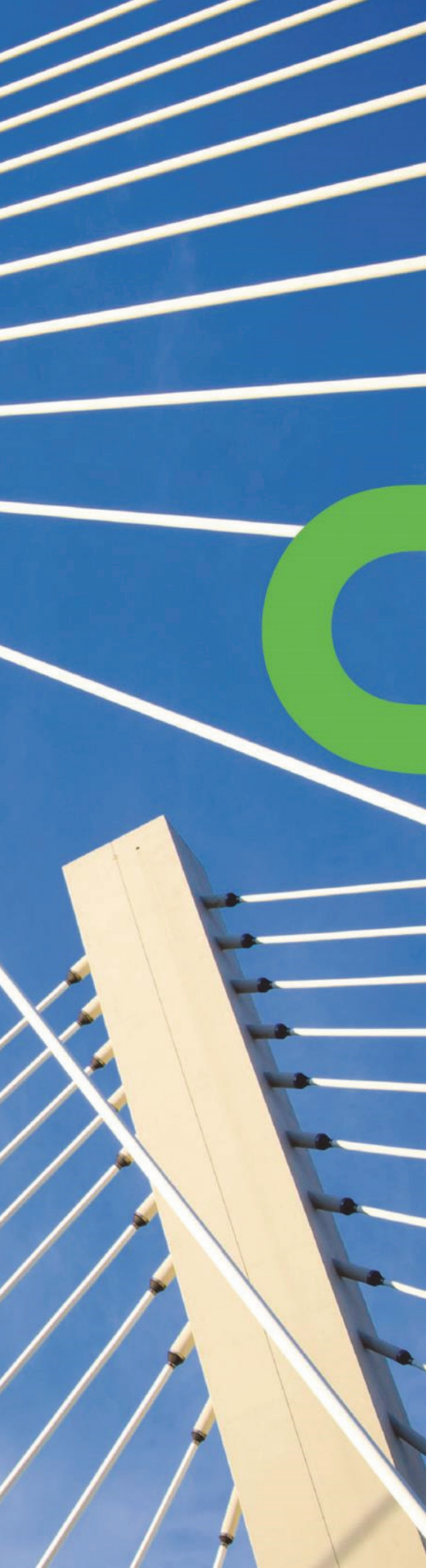
In order to attract talent, downtown Tacoma needs to be a hub for education, entertainment, housing, and amenities. There should be connectivity between the Brewery District and the north end of downtown where people could walk with uninterrupted shopping, food, parks, museums and cultural attractions.

Parking

Parking is an important issue for businesses considering downtown and can equate to a major expense. Given that there are no parking minimums for new office developments in the Core, the City will need to facilitate additional parking in order to make downtown competitive with the suburban markets.

Preparation

Tacoma's development opportunities, both big and small, should be advertised. A company looking to relocate or expand should see the opportunities Tacoma has to offer. Sites which are currently owned by the city could also be prepared for a new development, shortening the development timeline.



Appendix

Puget Sound Area Office MarketView

Q3 2014 | CBRE Global Research and Consulting

GROSS METRO PRODUCT*	UNEMPLOYMENT	OFFICE–USING EMPLOYMENT**	YTD OFFICE SALES VOLUME
2.0%	5.0% Y-o-Y Aug	2.9% Y-o-Y Aug	$1.1 Billion

Arrows indicate change from previous quarter.

INCREASING RENTS A SIGN OF STRONG TENANT DEMAND

Quick Stats

Q3 2014		Change from Last Yr.	Change from Last Qtr.
Total Vacancy	13.7%	↓	↓
Direct Lease Rate	$31.10	↑	↑
Net Absorption	614,939 sq. ft.	↑	↑
Completions	136,977 sq. ft.	↓	↑

Hot Topics

- Only one project broke ground in the third quarter though several more have site work underway, ready to join the 3.7 million square feet of new office development currently under construction.
- Dupre + Scott Apartment Advisors forecast the delivery of 8,800 new apartment units in 2014 and over 12,000 in each of the next two years, providing much needed rental housing.
- Multifamily and office developers continue to vie for land sites in popular areas such as the Bellevue CBD and Lake Union submarkets.

** Moody's Analytics*

***Office using employment consists of the Information, Financial Activities and Professional and Business Services sectors in King, Snohomish and Pierce Counties, seasonally adjusted.*

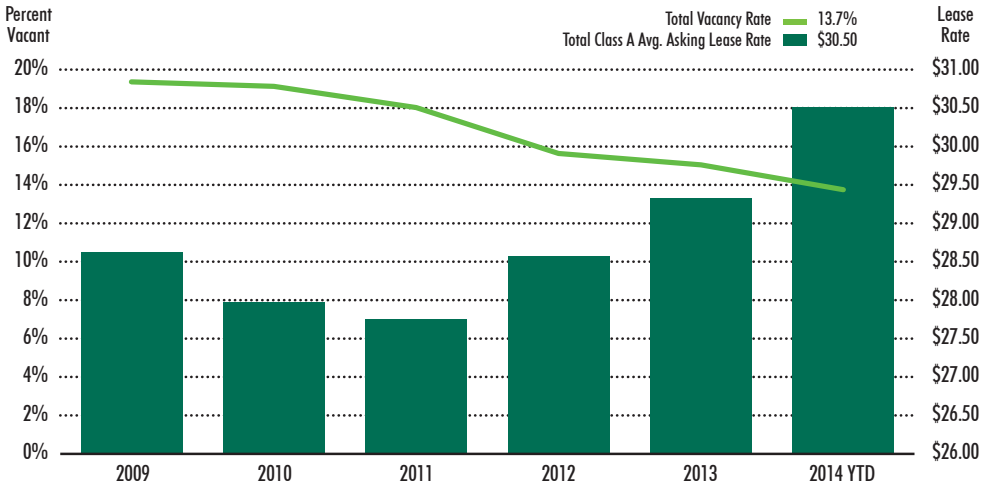
The Puget Sound office market saw considerable tenant movement in the third quarter of 2014. Weyerhaeuser made a splash by announcing that they would relocate from Federal Way to a new 174,000-sq. ft. office building in Pioneer Square. The development will break ground in January 2015 and will be occupied by mid-2016. Additionally, Costco announced it would expand into 175,000 sq. ft. of vacant space near its Issaquah headquarters in the I-90 submarket, and Nuance Communications leased over 80,000 sq. ft. in the Seattle CBD, relocating from a smaller space they will offer for sublease in the Pioneer Square submarket.

The technology industry has been setting the pace for office leasing in the Seattle market. Over 2 million square feet of new leases to software, telecommunications, internet retail and other technology firms were signed in the first three quarters of 2014; 36% of the new leasing activity so far this year. For comparison, 40% of all new leasing activity in 2013 was attributed to technology firms. Looking forward, 42% of the tenant requirements in the market are technology firms. Total tenants in the market have grown 29% during 2014, from 5 million sq. ft. at the end of 2013 to 7 million sq. ft. today.

The Seattle market continues to rank favorably with real estate investors. Though Downtown Seattle property sales account for 48% of the $1.05 billion in office property trades so far this year, the three largest assets to trade hands in the third quarter were suburban. LBA Realty sold Highland Campus Tech Center, a three-building flex/office project in Bothell, to Investcorp for $33.7 million; BlackRock sold the Class A Canyon Park Heights Office Center to Nicola Crosby of Vancouver, Canada for $32.85 million; and Talon Private Capital traded the Waterfront Place on Yarrow Bay building for $31.5 million to American Realty Advisors.

CBRE-EA's rent growth forecast averages 2.5% annually for the next three years, though rents in popular submarkets are expected to far outpace the average. Increased rent levels will likely stimulate more development, hopefully keeping up with the high level of tenant demand.

Figure 1: Total Vacancy vs. Average Total Asking Lease Rate



Source: CBRE Research, Q3 2014.

CBRE

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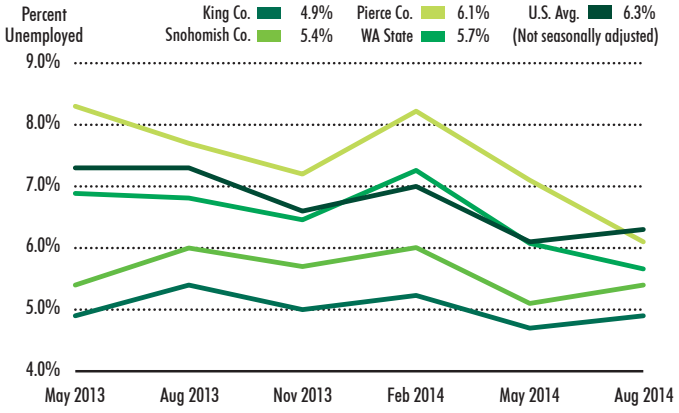
Figure 2: Market Statistics

Submarket	Building SF	Total Vacancy %	Class A Avg. Asking Direct Lease Rate (Full Service PSF/Yr)	Class A Avg. Asking Total Lease Rate (Full Service PSF/Yr)	Q3 Net Absorption	Last 4 Qtrs Net Absorption	Under Construction
Seattle CBD	20,561,510	15.4%	$36.65	$35.91	(52,446)	130,071	—
Waterfront	2,309,058	11.4%	$31.55	$29.92	22,117	309,751	—
Pioneer Square	4,032,141	11.0%	$30.96	$30.96	3,659	101,716	—
Denny Triangle/Regrade	6,722,423	12.8%	$31.53	$30.55	(82,178)	(11,399)	300,000
Lower Queen Anne	3,105,837	17.6%	$29.66	$28.48	12,799	52,255	—
Lake Union	5,465,041	6.6%	$35.34	$35.34	(49,937)	28,518	2,022,094
Canal	1,555,336	3.3%	$29.68	$27.25	156,036	238,923	—
Downtown Seattle	**43,751,346**	**13.0%**	**$35.49**	**$34.47**	**10,050**	**849,835**	**2,322,094**
North Seattle/Interbay	2,405,343	9.5%	$24.41	$24.39	(64,891)	(28,861)	—
Capitol Hill/E Seattle/Rainier	1,123,254	12.3%	$28.30	$28.30	53,374	123,207	25,000
South/West Seattle	1,782,751	33.8%	$30.97	$30.97	3,073	(143,321)	—
Seattle Close-In	**5,311,348**	**18.2%**	**$29.10**	**$28.96**	**(8,444)**	**(48,975)**	**25,000**
Sea-Tac	957,876	29.1%	$21.91	$21.91	9,842	7,982	—
Tukwila	2,132,576	12.7%	$22.12	$22.08	10,057	33,670	—
Renton	3,189,774	12.9%	$23.35	$23.28	(16,427)	(2,750)	—
Kent	1,223,908	35.1%	$23.09	$22.64	35,196	(43,092)	—
Auburn	289,025	15.4%	$21.35	$19.87	—	1,670	—
Federal Way	2,289,565	26.8%	$20.89	$20.89	(3,281)	25,359	—
Southend	**10,082,724**	**20.3%**	**$22.04**	**$21.82**	**35,387**	**22,839**	—
Bellevue CBD	7,911,531	10.4%	$40.05	$37.51	(26,911)	(61,715)	1,162,000
I-405	2,879,969	10.5%	$29.13	$28.97	88,915	167,574	—
SR-520	2,579,812	9.8%	$28.52	$27.94	14,894	37,802	—
I-90	6,698,025	14.6%	$29.89	$29.38	392,073	277,409	—
Bel-Red Road	1,501,719	7.7%	$31.04	$31.04	9,697	(15,811)	—
Kirkland	1,465,805	4.6%	$34.74	$34.20	(433)	18,549	180,000
Redmond	4,159,595	12.0%	$25.72	$24.96	(14,940)	275,089	—
Bothell	2,787,948	11.3%	$25.19	$24.84	137,377	217,196	—
Eastside	**29,984,404**	**11.2%**	**$31.41**	**$30.69**	**600,672**	**916,093**	**1,342,000**
Lynn/Edm/Mtlk Terr	2,502,650	22.3%	$25.07	$24.76	(8,678)	(7,798)	—
Everett	1,966,996	16.8%	$22.91	$22.91	8,352	51,305	—
Northend	**4,469,646**	**19.9%**	**$24.41**	**$24.23**	**(326)**	**43,507**	—
Tacoma CBD	2,856,552	15.1%	$25.80	$26.18	(8,585)	257,483	—
Tacoma Suburban	1,186,039	8.1%	$25.00	$25.00	(2,106)	16,054	—
Fife	213,994	14.6%	$24.00	$24.00	(6,000)	(1,950)	—
Puyallup	456,997	13.5%	$20.58	$20.58	(5,709)	63,240	—
DuPont	364,020	0.0%	N/A	N/A	—	—	—
Tacoma/Fife	**5,077,602**	**12.2%**	**$24.64**	**$25.09**	**(22,400)**	**334,827**	—
Market Total	**98,677,070**	**13.7%**	**$31.10**	**$30.50**	**614,939**	**2,118,126**	**3,689,094**

Source: CBRE Research, Q3 2014.

Figure 3: Unemployment Rate



Source: CBRE Research, Q3 2014.

ECONOMY/UNEMPLOYMENT RATE

According to *Economy.com*, the Seattle economy is growing faster than its western peers in the second half of 2014. The long-term forecast is equally as bright; the high rate of educational attainment and trade connections should enable the region to outperform the rest of the U.S. The State of Washington reports employment in the Seattle-Tacoma region is up 44,600 jobs over the previous twelve months, a 250 basis point increase. As visualized by the increasing number of cranes dotting the Seattle and Bellevue skylines, the largest percentage increase was in construction jobs, up 770 basis points annually. Also significant are the 490 basis point increases in retail employment, 420 basis point gain in leisure and hospitality jobs and a 400 basis point or 3,700 job increase in the information segment of the economy.

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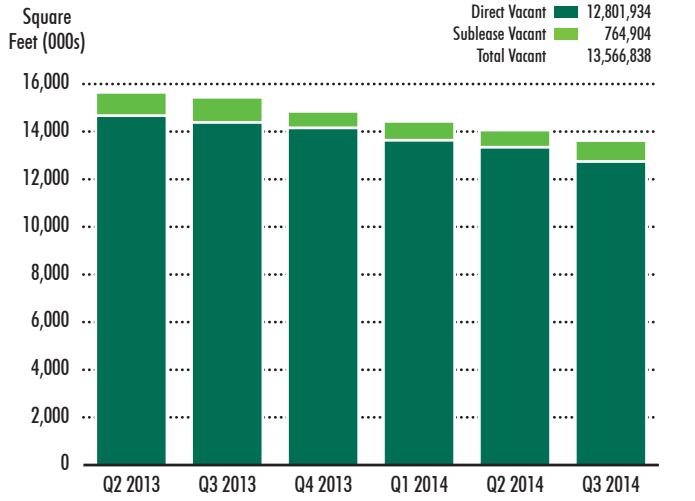
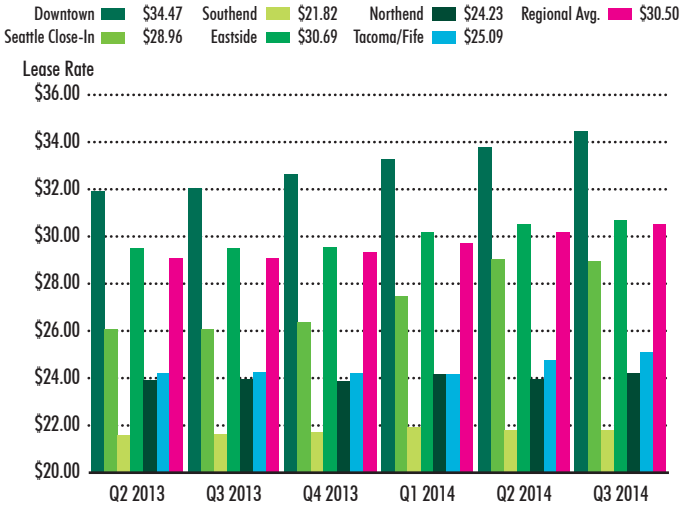
Figure 4: Vacancy



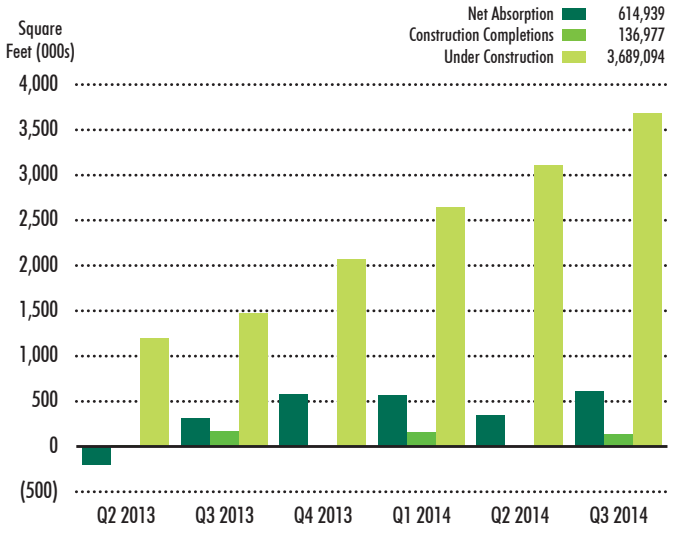
Source: CBRE Research, Q3 2014.

Figure 5: Total Asking Lease Rates



Source: CBRE Research, Q3 2014.

Figure 6: Under Construction, Absorption and Construction Completions



Source: CBRE Research, Q3 2014.

VACANCY

Total vacancy in the Puget Sound Region declined for the fifth straight quarter, moving from 14.2% at the end of the second quarter to 13.7% at the end of the third quarter of 2014. The I-90 submarket was the most active, moving from 20.4% to 14.6% vacant. This can be attributed to Costco moving into 176,677 sq. ft. at Sammamish Park Place, another user moving out of owner occupied space in Everett and Intermedia absorbing 23,368 sq. ft. at Lincoln Executive Center. In the Bellevue CBD submarket, CenturyLink absorbed 31,023 sq. ft. at 112th @ 12th and Point Inside moved into 18,536 sq. ft. at City Center Bellevue.

TOTAL ASKING LEASE RATES

For the 12th consecutive quarter, total (direct and sublease combined) Class A average asking lease rates for the Puget Sound region increased, finishing the third quarter at $30.50 per sq. ft., per year, full service. This is up $0.51 from last quarter. Of the major markets, Downtown Seattle remains the highest for Class A asking rates at $34.47 per sq. ft., a $1.03 increase from last quarter. The submarket with the highest asking rate remains Bellevue CBD with a rate of $37.51 per sq. ft., an increase of $0.37 since last quarter. Rates in Downtown Seattle and the Bellevue CBD appear to be nearing replacement cost, an indicator the market will see more construction in the near future.

UNDER CONSTRUCTION

There is currently 4.15 million sq. ft. of office space under construction or renovation in 15 projects. Additionally, Amazon.com has 2.2 million square feet underway in two towers, an owner-occupied project not included in CBRE's statistics. The latest to break ground is Kemper Development Company's Lincoln Square expansion, 700,000 sq. ft. of new office space in the Bellevue CBD. Of the investor-owned projects under construction, 38% of the space is pre-leased to tenants such as Amazon.com, Tommy Bahama and Google. Sites that could begin construction in the coming months include NorthEdge in the Canal submarket, 1101 Westlake and Urban Union in the Lake Union submarket, Madison Centre located in Seattle CBD and Centre 425 in Bellevue CBD.

ABSORPTION & CONSTRUCTION COMPLETIONS

The Puget Sound absorbed 614,939 sq. ft. during the third quarter of 2014, a mix of expanding tenants and those contracting into a more efficient footprint with the same number of employees. Brooks Running absorbed 120,000 sq. ft. in Skanska's new Stone 34 building, and Tableau Software moved into 50,000 sq. ft. of office in the converted Sound Mind & Body building in the Canal submarket. In the Seattle CBD, Guy Carpenter vacated 40,000 sq. ft. in One Convention Place and consolidated employees into space leased elsewhere in the submarket, an example of a contracting tenant. Looking ahead, the fourth quarter will see several move-ins from Amazon.com, in both vacant space and a build-to-suit, bringing another strong quarter of absorption to finalize the year.

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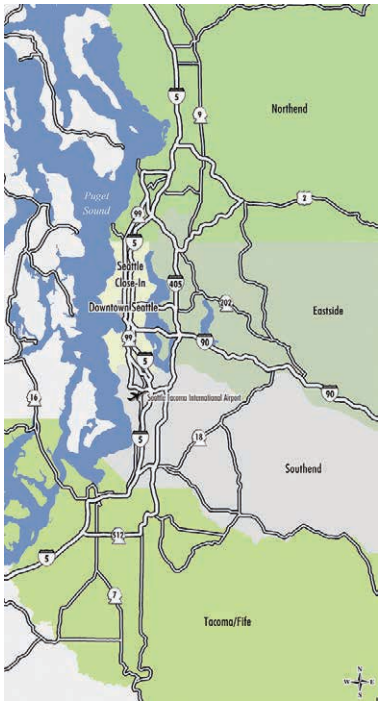

MARKET AREA DESCRIPTIONS

Downtown Seattle
Downtown Seattle consists of 43,751,346 sq. ft. (44%) of the office market gross leasable area (GLA). It includes office buildings west of I-5 from the Ship Canal in Fremont to Royal Brougham near the stadiums.

Seattle Close-In
The Seattle Close-In market consists of 5,311,348 sq. ft. (5%) of the office market GLA. It includes office buildings within the city limits of Seattle, Shoreline and Lake Forest Park, not included in the downtown submarket.

Southend
The Southend consists of 10,082,724 sq. ft. (10%) of the office market GLA. It comprises all of King County south of Lake Washington.

Tacoma/Fife
Tacoma/Fife consists of 5,077,602 sq. ft. (5%) of the office market GLA. It comprises Pierce County.

Eastside
The Eastside consists of 29,984,404 sq. ft. (30%) of the office market GLA. It comprises all King County markets directly east of Lake Washington, plus that portion of Bothell extending into Snohomish County.

Northend
The Northend consists of 4,469,646 sq. ft. (5%) of the office market GLA. It consists of Snohomish County except that portion of Bothell extending into Snohomish County.

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GLOBAL RESEARCH AND CONSULTING

This report was prepared by the CBRE U.S. Research Team which forms part of CBRE Global Research and Consulting—a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

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CBRE

Americas Office Trends Report

SUMMARY

As we move forward in 2014, we continue to witness additional signs of an improving office market fundamentals across the Americas. Activity through the 2nd quarter remained strong with the majority of markets reporting positive absorption, upticks in rental growth, and declines in vacancy rates. New construction projects have been widely recognized throughout most major markets as the healthcare and tech sectors continue to spur growth. Tenants continue to hover towards areas where one can live, work, and play. While we enter the second half of the year, optimism remains high as positive growth is expected in most markets.

This report reflects current observations and sentiments from more than 1,500 CBRE Office brokerage and Investment professionals in the Americas.

NATIONAL TENANT/USER PERSPECTIVES

- Tenants still focused on downtown, but venturing into more suburban markets.
- Tightening of Class A space has tenants exploring well located Class B properties and creative space.
- Tenants exploring work place strategies to do more in less space.
- Most active industries are technology, energy and healthcare.
- Flight to creative as tech companies occupy bricks and beam, trendy space.

NATIONAL LANDLORD/OWNER PERSPECTIVES

- Witnessing renovation of Class B buildings due to shortage of Class A space.
- Lack of new supply causing shortage of larger available spaces in increasing number of markets.
- Landlords beginning to push rental increases and tighten on concessions.
- An upward momentum of new spec construction projects showing signs of pre-leasing.
- Witnessing positive absorption in most markets.

CAPITAL MARKETS PERSPECTIVES

- Transaction volume is holding steady in Q2 2014 and remains in line with longer-term historical trends.
- Pricing is stable for core assets in gateway locations despite a moderately higher interest rate environment.
- Investors continue to pay up for core assets, but compressed yields are gradually pushing investment targets to second tier office markets.
- Increased capital flows will continue to exert moderate downward pressure on yields.
- The Fed is likely to increase short term rates over the next 12 to 18 months, which we anticipate will force cap rates to retrace.

REGIONAL PERSPECTIVES

Northeastern United States

- Consolidations and downsizing continue to drive activity in Northern Virginia.
- Landlords in Midtown Manhattan are becoming more bullish as law firms and financial services remain active.
- With very little product left on the market, Midtown South has begun to witness bidding wars amongst tenants.
- Due to major corporate downsizing in New Jersey, large campuses are being converted into mixed use residential and retail space.
- Steady growth continues in downtown Philadelphia, while the suburbs witnessed negative absorption in the second quarter after five quarters of improving fundamentals.
- In Boston, Tech and communication companies are occupying refurbished Class B space.
- Activity in Delaware is increasing slightly, driven by a trend of company spinoffs.
- Hartford CBD continues to see a trend towards urbanization for the fourth consecutive year.

Southeastern United States

- Atlanta is seeing an uptick in job creation with several big deals in the market.
- Charleston market continues to strengthen as leasing activity remains strong from both existing and new tenants.
- Columbia is seeing a trend of older office buildings being converted into residential space.
- Overall activity in Charlotte is positive with an increase in absorption and rental rates.
- Tampa is leading the state in employment growth, while witnessing tenant expansions within the market.
- Q2 activity in Raleigh remains positive, after very strong absorption in Q1.
- Lack of new construction in Memphis has led to a scarcity of Class A Product with increasing rental rates.
- Activity in Miami remains strong as the equilibrium begins to shift towards a landlord's market.

Midwestern United States

- In Pittsburgh, rental concessions continue to decline as the market remains strong.
- Landlords in Chicago becoming bullish with aggressive rental rate increases. Tech sector quite active.
- New construction in Cincinnati set to bring more jobs into the downtown area.
- In Dallas, the overall market remains hot with its 15th consecutive quarter of positive absorption and lowering of vacancy rate.
- Houston continues to perform extremely well, driven by the oil and gas industry firms hiring at a record pace.
- Overall trends in Detroit are positive with vacancy rates down and absorption up for the fifth straight quarter.
- In St. Louis, Class A buildings witnessing strong absorption with less free rent being offered.
- Indianapolis had negative absorption in Q1, but increased activity in Q2; rental rates remain flat.

Western United States

- The Seattle market continues to remain strong, witnessing their 17th straight quarter of positive absorption.
- Sacramento witnessed a slight increase in rental rates for the second quarter as educational and healthcare companies continue to be attracted to the market.
- Booming tech industry in Palo Alto has vacancy rates at 3% with climbing rental rates.
- San Francisco witnessed a million sq. ft. of positive absorption through midyear, half of it driven by the tech sector.
- Stockton is witnessing an increase in government user activity.
- Rising rents in other LA markets are beginning to drive tenants towards Inland Empire.
- Activity in West LA remains strong with tenants seeking creative spaces that include ample parking.
- Downtown LA activity increased in Q2 as the tech, healthcare, construction, and architecture industries remain active.

Canada

- National Class A vacancy increased slightly from 9.4% to 9.6%, driven by Halifax, Montreal, and Calgary.
- Toronto and Vancouver posted the lowest downtown vacancy rates, at 6.1% and 6.2%, respectively.
- On a metro level, only Ottawa, Toronto and Vancouver posted vacancy rates below 10.0%, at 8.9%, 9.6% and 9.9%, respectively.
- Calgary posted strongest net absorption in Q2, with 855,930 sq. ft. of positive net absorption, followed by Vancouver and Toronto with 190,187 sq. ft. and 128,398 sq. ft., respectively.
- The Edmonton office market remains slow, with net absorption for the first half of 2014 at only 7,318 sq. ft.
- The downtown Halifax market witnessing less demand for space than in the suburbs.

Mexico

- Mexico City office market reported 366,000 sq. ft. of new supply in Q2 with 12.9 million sq. ft. of buildings under construction.
- Mexico City witnessed a decline in vacancy rate from 10.74% to 9.86% during Q2.

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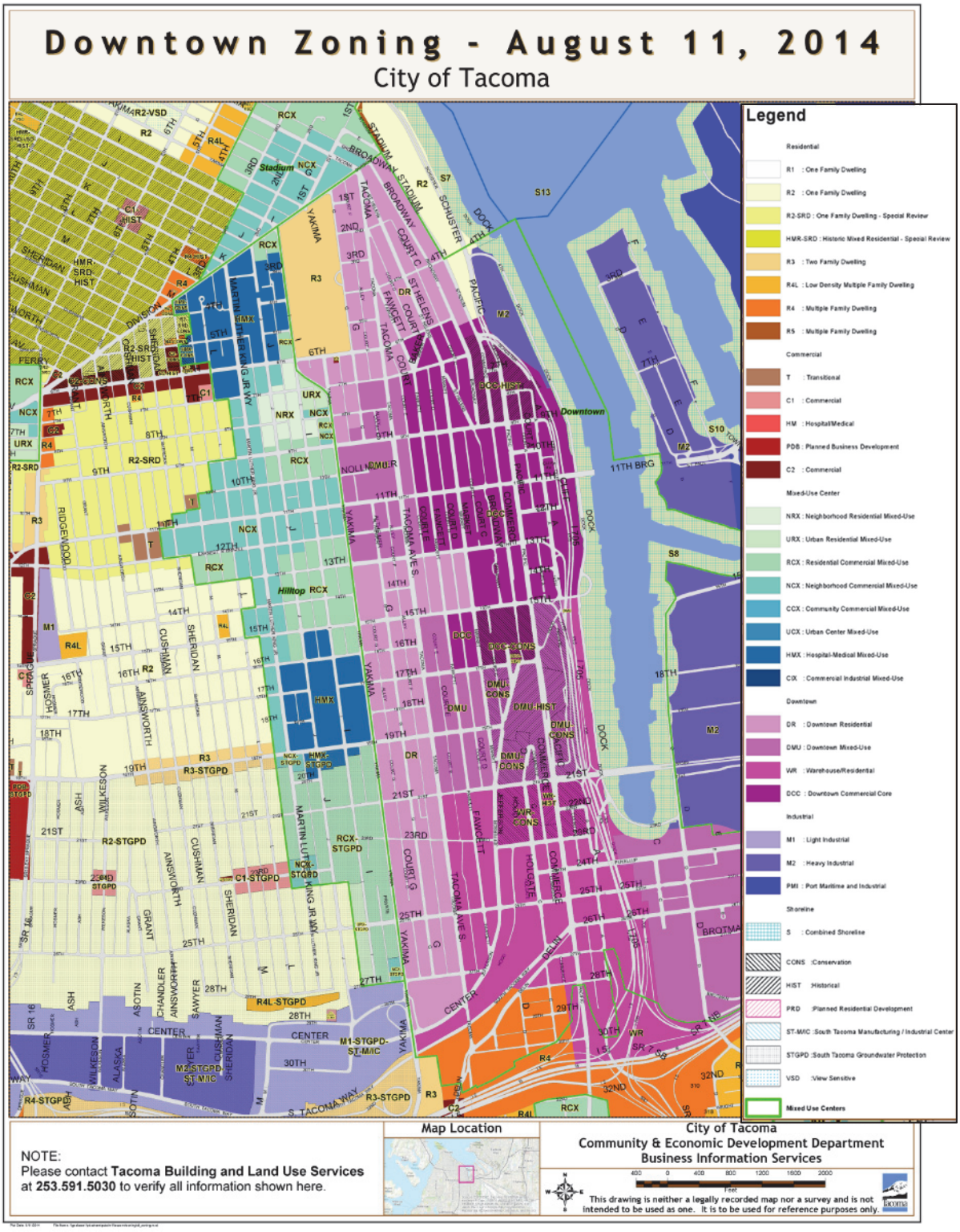
ZONING


Downtown Zoning - August 11, 2014
City of Tacoma
Legend
Residential
R1 : One Family Dwelling
R2 : One Family Dwelling
R2-SRD : One Family Dwelling - Special Review
HMR-SRD : Historic Mixed Residential - Special Review
R3 : Two Family Dwelling
R4L : Low Density Multiple Family Dwelling
R4 : Multiple Family Dwelling
R5 : Multiple Family Dwelling
Commercial
T : Transitional
C1 : Commercial
HM : Hospital/Medical
PDB : Planned Business Development
C2 : Commercial
Mixed-Use Center
NRX : Neighborhood Residential Mixed-Use
URX : Urban Residential Mixed-Use
RCX : Residential Commercial Mixed-Use
NCX : Neighborhood Commercial Mixed-Use
CCX : Community Commercial Mixed-Use
UCX : Urban Center Mixed-Use
HMX : Hospital-Medical Mixed-Use
CIX : Commercial Industrial Mixed-Use
Downtown
DR : Downtown Residential
DMU : Downtown Mixed-Use
WR : Warehouse/Residential
DCC : Downtown Commercial Core
Industrial
M1 : Light Industrial
M2 : Heavy Industrial
PMI : Port Maritime and Industrial
Shoreline
S : Combined Shoreline
CONS :Conservation
HIST :Historical
PRD :Planned Residential Development
ST-MIC :South Tacoma Manufacturing / Industrial Center
STGPD :South Tacoma Groundwater Protection
VSD :View Sensitive
Mixed Use Centers
NOTE:
Please contact Tacoma Building and Land Use Services at 253.591.5030 to verify all information shown here.
Map Location
City of Tacoma
Community & Economic Development Department
Business Information Services
This drawing is neither a legally recorded map nor a survey and is not intended to be used as one. It is to be used for reference purposes only.

Downtown Tacoma Zoning Districts

The downtown districts are the highest density areas in the City and include a mix of residential and commercial uses. Downtown is a pedestrian-oriented area and has a concentration of various transit options such as the LINK light rail and bus service. The specific purposes of the downtown districts can be found in the Tacoma Municipal Code Chapter 13.06A. The following is an excerpt from the City of Tacoma Zoning Reference Guide 2014:

- DCC: Downtown Commercial Core
  The DCC District is intended to focus high rise office buildings and hotels, street level shops, theaters, and various public services into a compact, walkable area, with a high level of transit service. The preferred use of this district is for retail, office, hotel, cultural, and governmental uses. Residential, educational, and some industrial are allowed. Industrial uses not located entirely within a building and automobile service stations/gasoline dispensing facilities are prohibited. The maximum building height in this district is 400 feet.

- DMU: Downtown Mixed-Use District
  The DMU District is intended to contain a high concentration of educational, cultural, and governmental services together with commercial services and uses. The preferred uses of this district are governmental, educational, office, residential, and cultural. Retail and industrial located entirely within a building are allowed. The same uses prohibited in the DCC District are also prohibited in the DMU District. The maximum building height in this district is 100 feet.

- DR: Downtown Residential
  The DR District contains a predominance of mid-rise, higher density, urban residential development, together with places of employment and retail services. The preferred use of the DR District is residential. Retail, office, and educational uses are also allowed. Industrial uses are prohibited. The maximum building height in this district is 90 feet.

- WR: Warehouse Residential District
  The WR District is intended to consist principally of a mixture of industrial activities and residential buildings in which occupants maintain a business involving industrial activities. The preferred uses of the WR District are industrial located entirely in a building and residential. Retail, educational, office, and governmental uses are allowed. The maximum building height in this district is 100 feet.

TACOMA CBD | OFFICE INVENTORY

(Over 10,000 Square Feet)

Building Name	Building Address	Class	Rentable Building Area	Year Built	Owner Name	Parking Ratio	Typical Floor Size	Percent Leased
Wells Fargo Plaza	1201 Pacific Ave	A	308,000	1970	Unico Properties LLC	1.5	14,600	96.31
Tacoma Financial Center	1145 Broadway	A	208,404	1984	R.K. Getty Corp.	0.25	12,000	80.97
The Russell Bldg	909 A St	A	224,000	1988	Ilahie Holdings-Woodinvile LLC	1.02	19,000	100
Columbia Bank Center	1301 A St	A	186,000	2001	Haub Brothers Enterprises Trust	1	22,000	100
1717 Pacific Ave	1717 Pacific Ave	B	185,462	1918	GSA, Acquisition Solutions Br / Region 10		92,731	100
True Blue Building	1015 A St	B	159,280	1910	Labor Ready, Inc.	2	13,273	100
Regence Blue Shield	1501 Market St	B	141,475	1992	Regence Blue Shield	2	28,295	83.06
Washington Building	1019 Pacific Ave	C	124,400	1919	The Stratford Company	1	7,059	61.85
Franciscan Medical Building	1608 S J St	A	120,000	2013	Franciscan Health System		24,000	100
	1305 Tacoma Ave S	B	120,000	1963	Comprehensive Mental Health Center	3.5	40,000	100
Key Bank Plaza	1101 Pacific Ave	B	105,000	1918	KeyCorp		25,000	100
Pacific Plaza	1250 Pacific Ave	A	102,187	2009	Pacific Plaza Development LLC	2	30,000	92.6
Tacoma Technology Center	1411-1427 Pacific Ave	B	99,698	1927	Horizon Partners, Inc.	1	8,166	100
	939 Market St	C	98,873	1919	Washington State Governor's Office	6.19	14,125	100
Rhodes Center	944-956 Broadway	B	98,358	1919	Washington Department of Enterprise Services	3	19,671	100
Horizon Pacific Center	2106-2108 Pacific Ave	B	98,046	1910	Horizon Partners, Inc.	4	16,667	76.26
Cornerstone Building	1148-1160 Broadway	B	97,578	1918	George McElroy & Associates, Inc.	1.25	19,515	88.66
The Bank of New York Mellon	1313 Broadway	B	97,528	1977	The Bank of New York Mellon Corporation	1	16,262	95.4
Columbia Bank Bldg	1102 Broadway	B	88,470	1906	Kemper Development Co.	2.5	15,589	61.95
Historic Post Office/Court & Custom House	1102 A St	C	87,500	1919	Power Property Consultants		21,870	54.81
Heritage Bank Building	1119 Pacific Ave	B	86,739	1912	Simon Johnson LLC	2.18	4,600	82.25
Commerce Bldg	950 Pacific Ave	B	86,610	1910	Rust Building - Tacoma LLC	1.5	7,200	84.1
Old City Hall	625 S Commerce St	B	81,072	1918	The Stratford Company	0.08	12,000	100
Provident Bldg	913-921 Pacific Ave	B	74,360	1903	LinMar Management, Inc.	1.8	9,000	59.76
Umpqua Bank Bldg	1498 Pacific Ave	A	68,500	2004	Umpqua Holdings Corporation	3	18,770	82.29
Bank of America Plaza Bldg	820 A St	B	64,152	1980	Prium Companies	0.68	9,035	100
	1015 A St	C	61,459	1956	Labor Ready, Inc.		5,121	100
Kress Bldg	930-936 Broadway	B	58,111	1920	Cederstrand Rentals LLC		16,537	77.91
Hilltop Regional Health Center	1202 Martin Luther King Jr	A	57,350	2013	Community Health Care		19,300	100
	1701 Pacific Ave	B	55,003	2002	Tacoma Art Museum	2.55	13,750	100
Russel T. Joy Building	1704-1728 Pacific Ave	C	46,238	1918	University of Washington Real Estate		15,687	100
F.W. Woolworth Building	955 Broadway	C	46,000	1950	AT&T Wireless Services Inc		11,500	100
Jackson Hall Medical Center	314 Martin Luther King Jr W	C	44,741	1945	Jackson Hall Medical Center		8,000	100
Sound Credit Union Building	1331 Broadway	B	44,000	1979	Sound Credit Union	1	10,000	100
Franciscan Health Care	1149 Market St	C	43,800	1951	Franciscan Health System		43,800	100
The Dock	535 Dock St	B	43,627	1985	Dock Street Tacoma Associates	5	21,813	90.35
	757 Fawcett Ave	C	43,166	1931	AT&T		12,263	100
Carlton Center Bldg	1551 Broadway	B	42,804	1950	Roberson Building Company	0.89	7,134	100
United Way/Sprague Bldg	1501 Pacific Ave	C	41,525	1950	United Way of Pierce County	1	10,380	77.94
	1624 S I St	B	40,320	1977	Franciscan Health System	5.03	10,080	100
	1708 S Yakima Ave	B	39,126	1991	St Joseph Development Co Inc	3.83	14,820	100
	1802 S Yakima Ave	B	37,911	1990	Franciscan Health System	5.28	15,479	91.84
First Tower	621 Tacoma Ave S	B	36,169	1960	First United Methodist Church		12,056	100
The Passages Bldg	708 Broadway	B	36,000	1889	J B Printing and Promotions	3	8,500	100
Ledger Square	711 St. Helens Ave	C	35,644	1930	711 Saint Helens LLC	0.36	17,822	100
	737 S Fawcett Ave	C	35,445	1967	Doctors Hospital Of Tacoma		20,139	100
MLKHDA Building	1143-1147 Tacoma Ave S	C	34,563	1990	M L King Housing Dev Assoc		11,521	100
1102 Commerce Building	1102 Commerce St	B	34,110	1980	Horizon Partners, Inc.	0.9	4,000	78.7
Pacific First Federal Bldg	1126 Pacific Ave	B	33,495	1980	Cohen & Company		5,067	66.96
Former Ford Bldg	1304-1310 S Fawcett Ave	B	32,400	1919	TRA Medical Imaging	0.6	10,800	88.66
On Broadway Bldg	1142 Broadway	B	32,000	1984	The Wattles Company		8,000	100
Tacoma Family Medicine	521 S K St	C	31,845	1964	Multicare Medical Center	4.65	7,961	100
Vincent Gadbow Bldg	920 S Fawcett Ave	B	31,720	1980	Davis Pearson Associates	1.2	10,300	100
	124 Tacoma Ave S	C	31,680	1980	Multicare Health System	1.53	18,000	100
Ted Brown Music Company	1117 Broadway Plz	C	30,890	1922	Broadway Center Investors, LLC	1.2	16,831	100
Atrium Court	705 S 9th St	C	30,204	1960		1.2	10,068	88.35
Watermark Bldg	1113-1115 A St	B	30,000	1923	Cliff Street Lofts	1	6,000	100
On Broadway Two	1127 Broadway Plz	C	30,000	1918	Simon-Marten LLC		6,208	95
955 Tacoma Ave Bldg	955 Tacoma Ave S	B	30,000	1968	WM Riley & Company	0.75	10,000	100

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TACOMA CBD | OFFICE INVENTORY

(Over 10,000 Square Feet)

Building Name	Building Address	Class	Rentable Building Area	Year Built	Owner Name	Parking Ratio	Typical Floor Size	Percent Leased
	1102 Pacific Ave	C	29,800	1925	Alvah B. Howe Sr.	1	10,500	83.22
	1812 S J St	B	28,746	1981	St Joseph Development Co Inc	4.17	14,373	100
Center Plaza	733 Market St	C	27,972	1953	City of Tacoma General Services		6,993	100
Broadway Place	1122-1132 Broadway Plz	C	26,758	1913	Shaub Properties Inc		13,379	46.26
IBM Bldg	615 S 9th St	B	26,500	1975	Merrit Company	4.46	9,000	100
Foremost Building	2413-2415 Pacific Ave	C	26,500	1928	American Life Inc.		13,250	83.18
	1321 Martin Luther King Jr	B	26,402	1996	Allan AME Church	1.38	13,201	92.42
One Pacific Bldg	621 Pacific Ave	B	25,694	1918	Barbi Podemski	1.2	6,416	97.28
Metropolitan Development Center	721 S Fawcett Ave	B	25,000	1975	Metropolitan Development Council	3.6	13,000	100
	1123 Pacific Ave	B	25,000	1919	Howe Investments		8,333	100
Carpenters Bldg.	1322 S Fawcett Ave	C	24,570	1954	Pacific Northwest Regional Carpenters Council	3.46	12,285	3.95
Master Builders Association Building	1120 Pacific Ave	C	24,500	1970	DCL Management, LLC	1	8,166	71.63
Granville Condominums	207 Broadway	B	24,360	2006		1.23	3,480	87.68
	736-738 Broadway	C	24,000	1925	WM Riley & Company	1	5,085	90.83
	1908 Pacific Ave	C	24,000	1919	University of Washington		6,000	94.79
Sussman Bldg	2156 Pacific Ave	B	23,000	1919	Cederstrand Rentals LLC	1.48	7,666	100
901 Bldg/Pierce Co. Credit Union	901 Tacoma St S	C	22,550	1930	Pierce County Facilities Management Division	1.25	7,520	100
	717 Tacoma Ave S	B	21,993	1919	O'Connor & Associates	0.7	10,000	68.56
	2134 Tacoma Ave S	B	21,991	1986	Johnstone Supply		10,995	100
Tacoma School of the Arts	1950-1954 Pacific Ave	C	21,600	1904	The Tacoma Public Schools		10,000	100
Jet-Tioga Bldg	1901 S Jefferson Ave	C	21,368	1934	University of Washington	0.55	7,122	100
	1007 S J St	B	19,500	1919	Photo Booth Properties LLC	2.46	19,500	100
	732 Broadway	B	18,000	1919			6,000	100
	1908-1910 Pacific Ave	C	18,000	1919			18,000	100
	720 6th Ave	B	17,340	1925	Emily Smith		5,779	100
Fawcett Plaza One	950 S Fawcett Ave	B	17,192	1972	Pierce County	2.8	7,390	100
1101 Fawcett Bldg	1101 S Fawcett Ave	B	16,800	1919	Wallis Law Firm, PLLC	2.62	5,600	100
Mecca Bldg -Office/Retail	755 Broadway	B	16,220	1908			6,886	79.04
	728 Pacific Ave	C	16,000	1955	Margaret A. Richards	1	5,333	79.71
	710-718 S Fawcett Ave	C	15,982	1946	John L Scott Tacoma Commercial Network	2.75	7,991	0
	1 Tacoma Ave N	B	15,636	2002	EL Properties LLC	1.53	5,212	79.47
911 Bldg	911 Tacoma Ave S	C	15,500	1923	Daryl L. Graves, PLLP	2.58	3,875	100
	748-750 Market St	B	15,000	1927		0.8	5,000	100
1111 Fawcett Bldg.	1111 S Fawcett Ave	B	14,600	1984	Rick Hultz	4	7,300	100
	1710 Market St	C	14,224	1919	U Of W	1.76	7,112	100
Schwartz Bldg	1902 Tacoma Ave S	B	14,116	1992	Donald Adler	1.84	7,058	100
Lutheran Memorial Church	905 S 5th St	C	13,603	1910	Multicare Health System		15,458	100
Tux Shop Bldg	1151-1153 Tacoma Ave S	C	12,600	1918	Edwin Honeycutt	2.48	3,900	100
PINKERTON BUILDING	1702-1706 Broadway	C	12,375	1918	University of Washington	1.78	7,000	100
	220 S I St	C	12,346	1969	Tac-Pierce Cty Blood Bank	2.83	7,015	100
Tac/Pc Bldg	624 Martin Luther King Jr W	C	12,077	1967	Sixth Ave Med Center Associates	1	4,500	0
Pythias Lodge	924-926 Broadway	C	12,000	1906	Cornerstone Columbia Dev.	1.25	3,000	100
Hunt Mottet Lofts	2112 Pacific Ave	C	12,000	1905	Gilbert & Peggy Gray	0.5	1,500	90
Financier Building	1517 S Fawcett Ave	C	11,712	1935	Vision Deuce Llc	2.7	3,904	53.93
	915 6th Ave	C	11,256	2002	Multicare Health System	1.95	5,628	100
	702-704 Broadway	C	11,150	1919	WM. Riley & Company	0.7	6,191	100
	1727-1733 S Fawcett Ave	C	11,011	1919	University Of Washington		5,505	100
911 bldg.	911 Tacoma Ave S	C	10,535	1905	Pierce County	5.7	5,267	100
Bowes Bldg	100-110 S 9th St	C	10,500	1919	Shaub Ellison & Co	4.76	3,500	42.86
	1008 S Yakima Ave	B	10,462		Hester Fricke & Purtzer	2.39	3,487	100
Matador Bldg	711-717 Pacific Ave	B	10,352	1918	Cosmopolitan Engineering Group, Inc.		4,798	100
	1109-1111 A St	B	10,000	1910	Arneson Properties Llc		5,000	90.21
Park Place	711 Court A	B	10,000	1918	Fireman Park LLC		5,000	91
	710 Pacific Ave	B	10,000	1975	James E & Charlene Gaston		3,800	30.77

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RESUMES

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Harrison is a broker in the Tacoma office specializing in both tenant and landlord representation. He strives to build client relationships and embraces CBRE's RISE core values of Respect, Integrity, Service and Excellence. Every assignment begins by listening to a client's needs and desires and having a firm understanding of each individual client's objectives. Working with other service lines and professionals within the firm, Harrison advises clients on how to formulate a sound strategy tailored to deliver maximum results.

Working both with landlords and tenants gives Harrison a unique ability to track the market, predict trends and maximize savings while finding leveraged opportunities for his clients. His ability to understand the implications of a transaction for all parties involved enables him to develop effective negotiating strategies and value-added opportunities on behalf of his clients and their real estate portfolios.

Prior to joining CBRE, Harrison was a Boy Scout camp director and professional ski instructor. As an avid outdoor enthusiast he has organized and led numerous Mount Rainier climbs and a Mount McKinley climb, as well as many other Cascade and Olympic peaks. He also enjoys backpacking, kayaking, biking, climbing, and skiing in his off time.

As a licensed broker, Harrison is able to advise clients on a number of different areas including:

Leasing	Sales	Other Service Offerings
Landlord or Tenant representation	Buyer or Seller representation	Broker Opinion of Value of existing buildings or land sites

CURRENT ASSIGNMENTS INCLUDE

Property	Square Feet	Transaction Type
1102 Broadway, Tacoma	88,470	Office Leasing
1142 Broadway, Tacoma	32,000	Office Leasing
1501 Market St, Tacoma	141,475	Office Leasing
1001 Pacific Ave, Tacoma	33,658	Office Sale/Leasing

PROFESSIONAL AFFILIATIONS

- Commercial Brokers Association
- Real Estate Broker- Washington State Licensee

EDUCATION

- Washington State University; Bachelor of Arts Degree; Major– Pre-law

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CLIENTS REPRESENTED

- MultiCare Health System
- Northwest Building LLC
- Principal Real Estate Investors
- Panattoni Development Company
- City of Poulsbo
- Tacoma Urban League
- McGavick Graves, P.S.
- Passages Partnership
- Swensen Enterprises
- DaVita
- Puget Western, Inc.
- Sound Inpatient Physicians

John joined CBRE in 2007. He has been a Commercial Real Estate broker for over 13 years and in the real estate industry for 25 years. He has been involved in numerous sale and lease transactions including industrial, office and land. John was part of a leasing team that represented DaVita on a 10 year lease for 200,000 square feet in Tacoma. He recently represented MultiCare on a 25,195 square foot office lease as well as McGavick Graves, P.S. on a 12,176 square foot lease.

John is proficient at providing investment analysis, lease negotiations, site selection and market analysis. He is able to use his experience to provide clients with the highest level of support and service. Prior to joining CBRE, John was with Neil Walter.

He has recently represented the following additional clients:

Client	Square Feet	Transaction Type
DaVita	200,000 SF	Office Lease
Tacoma Financial Center	12,000 SF	Office Lease
Passages Building	30,000 SF	Office Lease
Tacoma Mall Plaza Building	60,000 SF	Office Lease
Westgate Center	28,000 SF	Office Lease
McGavick Graves, P.S.	12,176 SF	Office Space
MultiCare Health System	25,195 SF	Office Space
Northwest Hardwoods, Inc.	11,053 SF	Office Space

Client	Sale Price	Transaction Type
Bruce Titus	$1,135,000	Office Sale
1111 Fawcett	$1,465,600	Office Sale
Ninth & Broadway Building	$5,132,000	Office Sale
One Pacific Building	$3,100,000	Office Sale
Old City Hall	$2,700,000	Office Sale
Tacoma Urban League	$1,850,000	Office Sale
Haub to Port of Tacoma	$2,860,000	Land Sale
Puget Western, Inc. (Tumwater)	$3,350,000	Land Sale
Puget Western, Inc. (Tumwater)	$7,200,000	Land Sale

PROFESSIONAL AFFILIATIONS / ACCREDITATIONS

- Member, Commercial Brokers Association (CBA)
- Certified Commercial Investment (CCIM) Candidate

EDUCATION

- Pierce College – Tacoma, WA

For more information:

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John Bauder

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