



INDUSTRIAL MULTI-TENANT INVESTMENT OPPORTUNITY

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Q4 2022 Seattle Industrial Market

KIDDER.COM





01

PROPERTY OVERVIEW

THE OFFERING

PROPERTY HIGHLIGHTS

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INVESTMENT SUMMARY

PROPERTY OVERVIEW



THE OFFERING

Kidder Mathews is pleased to present to market, The Sound Holdings Building, located in the vibrant industrial submarket of Kent, Washington. This well maintained two tenant, concrete-tilt building has a footprint of 18,432 square feet.

The Sound Holdings Building recently was re-roofed and a new HVAC unit has been installed in the northern suite.

The building is conveniently located in the heart of Kent with excellent access to the major transportation hubs of I-5, Hwy. 167 and I-405.

The Kent Industrial Market has seen record rent growth year after year and limited supply of similar product types suggest continued rent growth going forward. The seller is willing to lease back a majority of the building for up to 2 years. Approximately 1/3 of the building is leased to a specialized contractor who has multiple locations throughout the Western United States

\$5,400,000

OFFERING PRICE

INTEREST OFFERED

TWO-TENANT INDUSTRIAL ASSET LOCATED AT 22645 76TH AVE S, KENT

TERMS OF SALE

BEING OFFERED WITH A STATORY WARRANTY DEED

PROPERTY HIGHLIGHTS

TWO-TENANT property

SIGNIFICANT rental upside

NEW roof

NEW HVAC unit

NEW asphalt in southern parking area

HIGH demand rental market

LOCATION HIGHLIGHTS

PRIME Kent location

NEARBY retail amenities

EXCELLENT freeway and highway access to Seattle, Bellevue, and Port of Tacoma



WALKING SCORE



TRANSIT SCORE



PROPERTY DETAILS

APN	383090-0040
Year Built	1981
No. of Tenants	2
Building Size	19,920 SF
Lot Size	1.01 acres (43,995 SF)
Zoning	I-1 - Industrial Business (City of Kent)
Construction	Concrete tilt, main office remodeled in 2008
Utilities	Separately metered
Parking	32 stalls



INVESTMENT SUMMARY

Asking Price	\$5,400,000
Price Per SF	\$234.38
Current CAP Rate	4.75%
Market CAP Rate	6.45%





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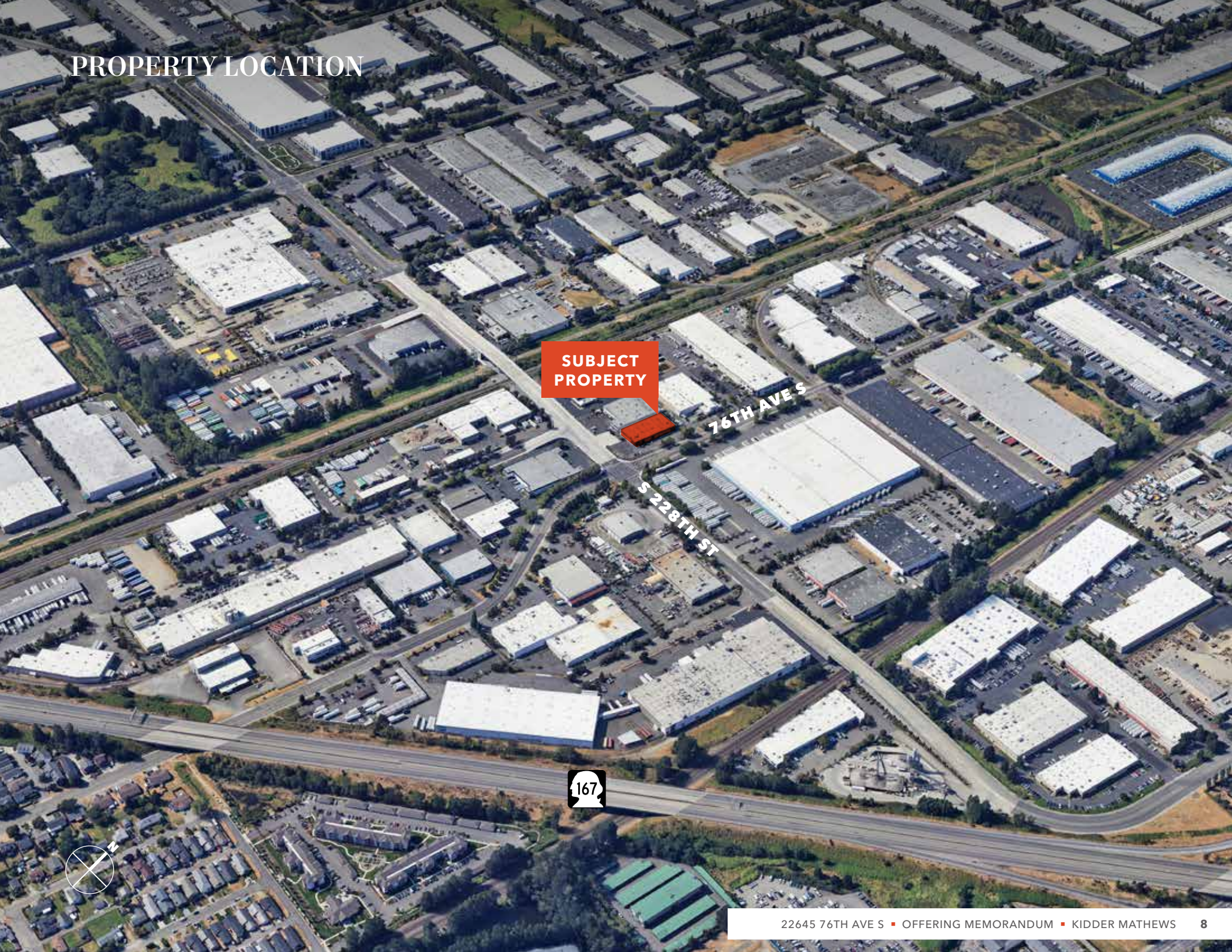
PROPERTY MAPS

PROPERTY LOCATION

AMENITIES MAP

PARCEL MAP

PROPERTY LOCATION



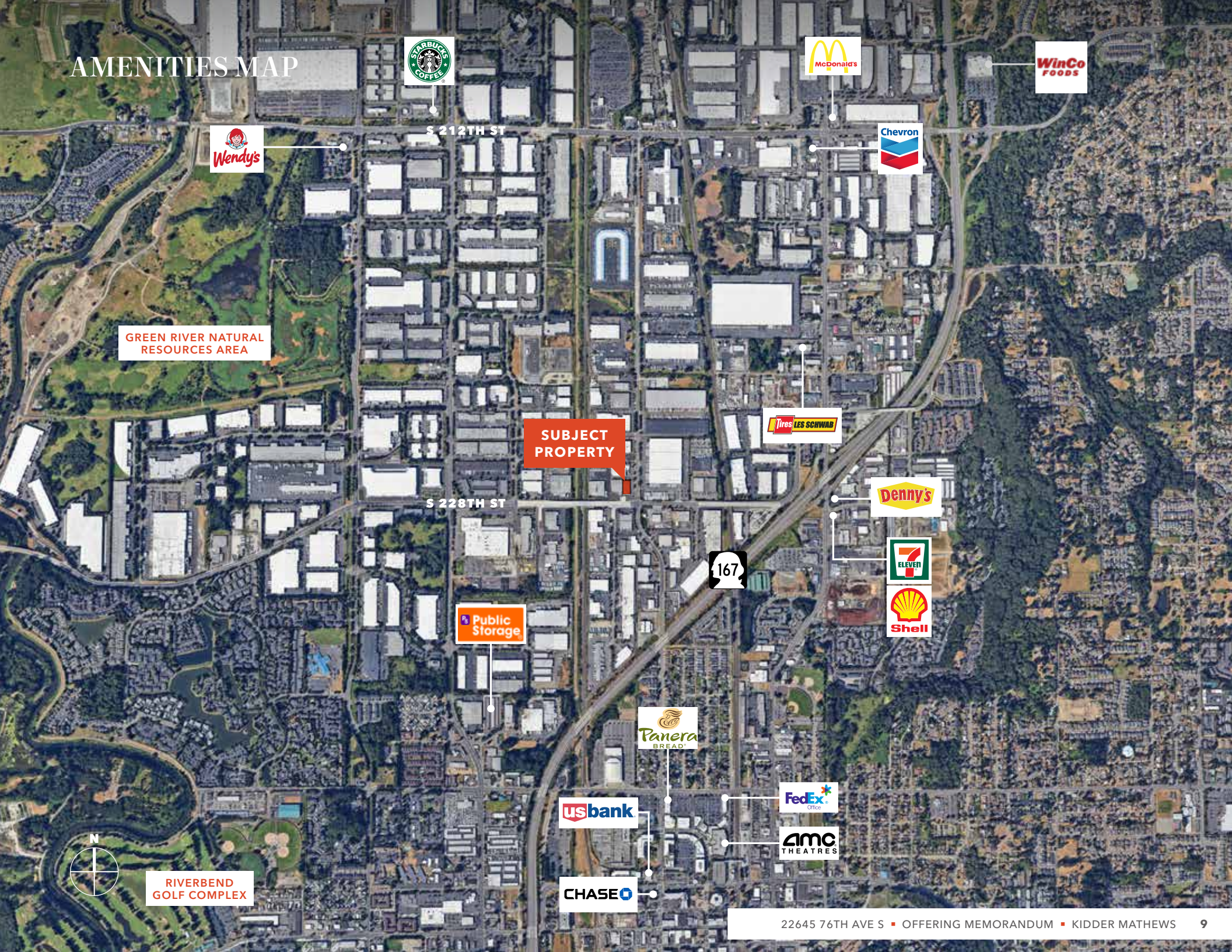
**SUBJECT
PROPERTY**

76TH AVE S

S 228TH ST



AMENITIES MAP



S 212TH ST



GREEN RIVER NATURAL RESOURCES AREA

SUBJECT PROPERTY



S 228TH ST



RIVERBEND GOLF COMPLEX



PARCEL MAP



**SUBJECT
PROPERTY**

**PARCEL #
383090-0040**

S 228TH ST

76TH AVE S



03

FINANCIAL OVERVIEW

RENT ROLL

FINANCIAL ANALYSIS

RENT ROLL

Tenant	RSF (Office)	Lease Expiration	Monthly Rent*	Market Rent Today**
Sound Machine	14,968 (2,560)	2 Years from Sale	\$15,546 + NNN	\$18,086 + NNN
West Coast Concrete	8,064 (1,404)	2/28/2026	\$5,807 + NNN	\$10,930 + NNN
Monthly Total			\$21,353 + NNN	\$29,016 + NNN
Annual Total			\$256,236 + NNN	\$348,192 + NNN

*Rents blend to \$0.72/RSF and \$1.20 office add-on

**Rents blend to \$1.05/RSF and \$1.25 office add-on

ESTIMATED ANNUAL OPERATING EXPENSE

	Current	Market
Taxes		\$39,144
Off-Site Management (3%)		\$16,040
Repairs + Maintenance		\$4,511
Insurance (Estimate)		\$5,229
Landscaping		\$5,184
Pest Control		\$1,140
Sewer / Water		\$6,198
Total Expenses		\$77,450
Per SF/mo		\$0.28
Per SF/yr		\$3.38



FINANCIAL ANALYSIS

Asking Price	\$5,400,000
Number of Units	2
Year Built	1981
Footprint	18,432
Mezzanine	4,608
Total RSF	23,040
Office RSF	3,792
Mezzanine Office (included in total office)	1,488
Lot Size	1.02 acres
Price PSF	\$234.37
Current CAP	4.75%
Market CAP	6.45%

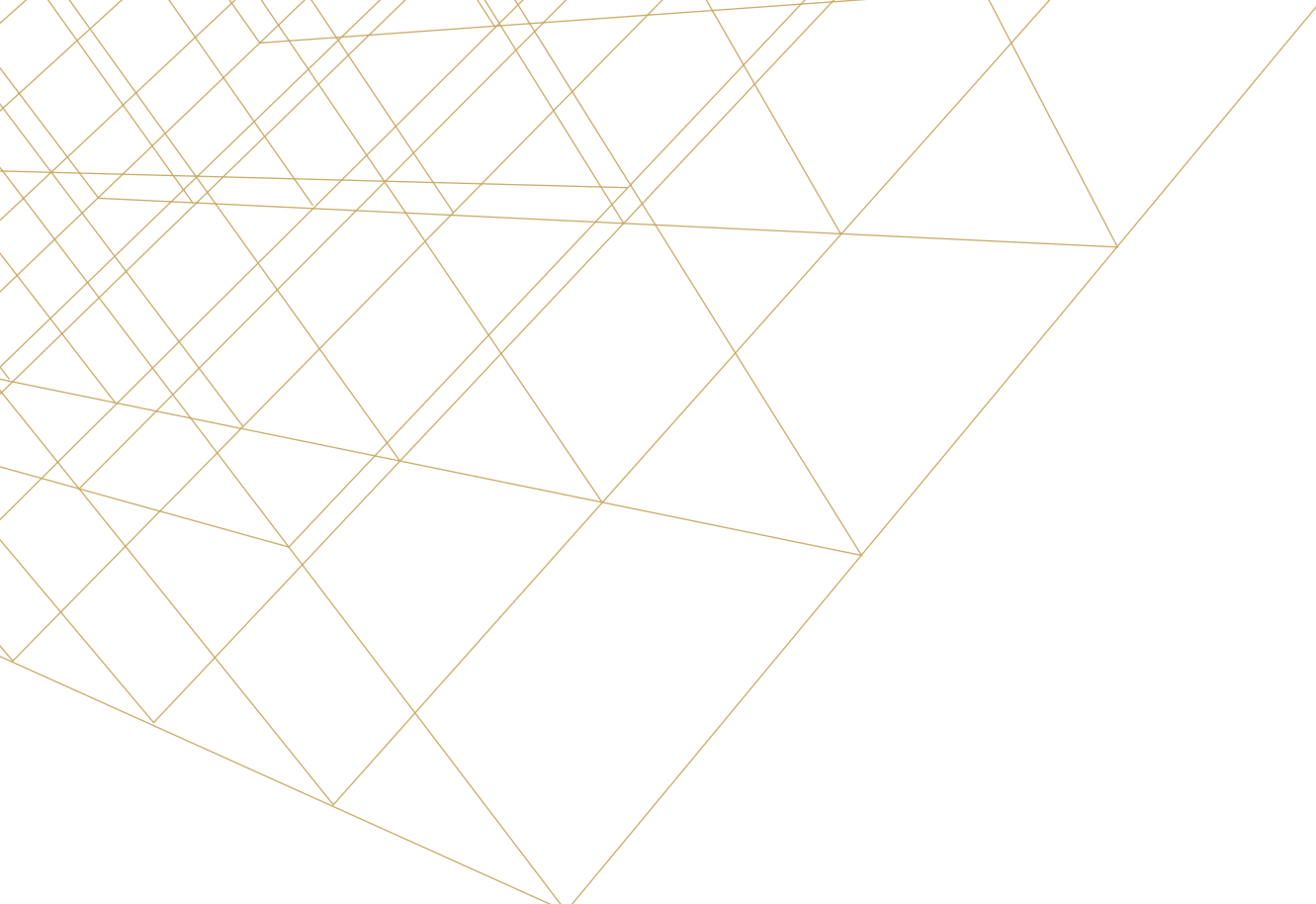
*Expenses, income, and other information must be verified and any interested party must complete its own investigation.

*RUBS income is estimated and includes sewer, trash, and water.

ANNUAL OPERATING SUMMARY

	%	Actual	%	Market
Scheduled Gross Income		\$333,686		\$425,378
Less Vacancy Reserve	0%		0%	
Gross Operating Income		\$336,686		\$425,378
Expenses	23%	(\$77,450)	18%	(\$77,450)
Net Operating Income		\$256,236		\$347,921





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MARKET OVERVIEW

Q4 2022 SEATTLE INDUSTRIAL MARKET REPORT

MARKET OVERVIEW

PUGET SOUND REVIEW

The Federal Reserve has raised the target rates by 125 basis points over Q4 2022, with target rates now at 4.25% to 4.50%, in an effort to tame inflation. At the fiscal yearend (October), Seattle CPI was 8.9% according to The Puget Sound Economic Forecaster. Looking forward, PSEF projects inflation for the Seattle-Tacoma-Bellevue area at 4.9% in 2023, dropping to the target 2.0% level by 2025. Q4 2022 has seen 2.97 million sf absorbed with the regional vacancy at 3.85% plus 10.7 million sf under construction. Brokers across the region report that transaction velocity has slowed, but demand remains for modern product that is well-located. Rental rates have not seen rollback, continuing an upward trend, albeit at a slower pace. Shell rents continue an upward trend,

partially due to rising construction costs and the higher clear heights and larger yard areas of the new construction. Office add-on rates also continue rising.

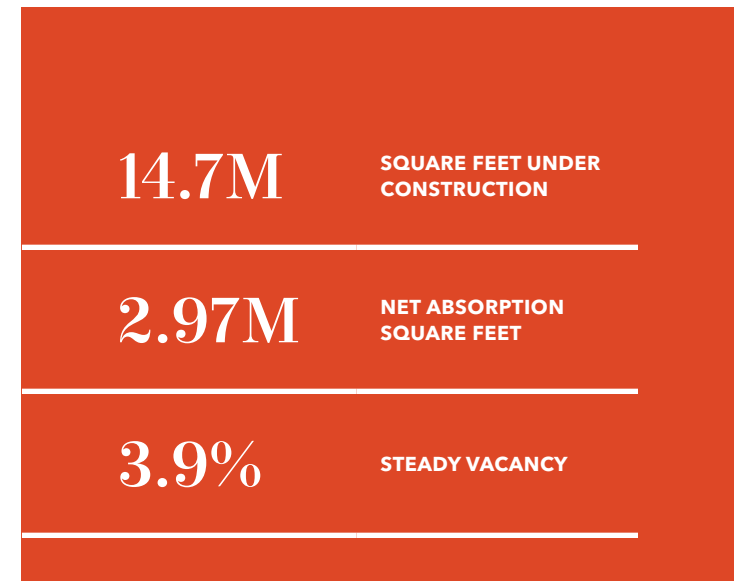
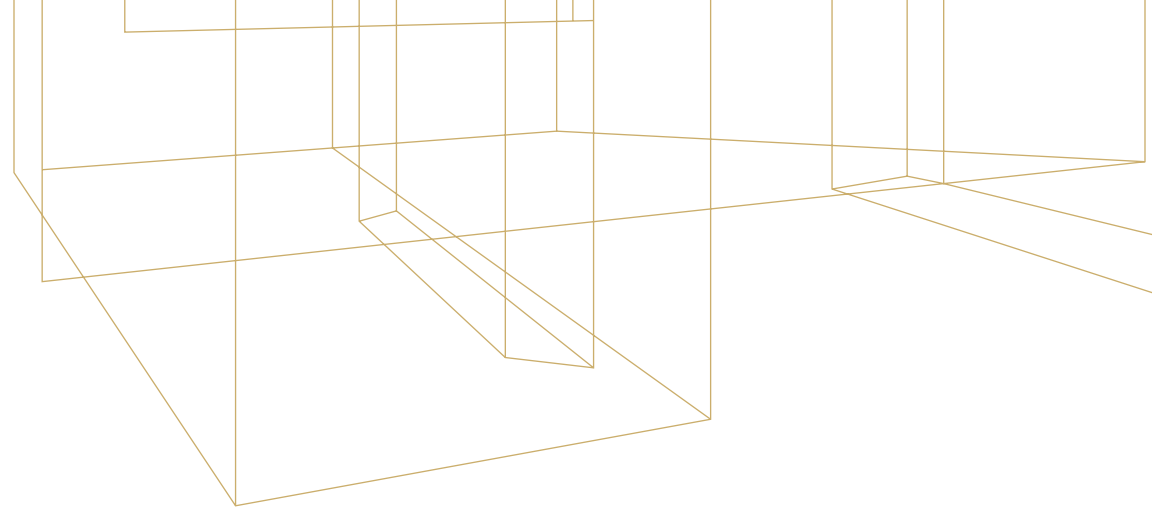
Below are a few notable points:

- 1.81 million sf was added to the regional supply in Q4 2022, with the total for 2022 being 5.74 million sf. The region now totals 364.1 million sf.
- 53 projects under construction total 10.7 million sf with 36.4% preleased. The Northend has 11 projects with 1.52 million sf (45% preleased) and Pierce County has 13 projects, 3.88 million sf and 50% preleased.
- Positive net absorption of 2.97 million sf, led by Pierce County (2.09 million sf) followed by the Northend at 0.49 million

sf and then the Southend with 0.25 million sf.

- Regional vacancy dipped slightly to 3.9%.
- Average asking rental rate moved up 2.5% to \$1.11/sf/mo.

Employment in the four county region has continued to grow, adding 88,900 jobs in the past year (November 2021 revised to November 2022 preliminary numbers). King and Snohomish Counties saw the most growth, adding 77,800 jobs while Pierce and Thurston added 11,100 jobs. Notably, the percent change in King and Snohomish Counties was 4.5% while Pierce added 2.7% and Thurston added 2.0%. The labor force participation rate has not reached the prepandemic levels of 65% plus, currently estimated at 64.5%. Total regional employment now stands at 2,265,300, a 4.1% growth over the preceding year. Manufacturing added 10,100 jobs





PUGET SOUND REVIEW (CONT.)

over the last year and construction 11,000, with these two categories making up 23.7% of the job growth in the past year. Information jobs increased by 6.4% over the past year but recently there have been hiring freezes, layoffs and office closures from companies like Amazon, Google and Twitter.

There are some concerns that we continue to monitor. These include:

- Inflation continues to be at the forefront, with fuel costs particularly high.
- Potential layoffs in the tech sector and Boeing engineers.
- Construction costs continue to rise, leading to higher shell rents. Office buildout is not being fully reimbursed through office rents.
- Developers have pulled back from tertiary markets, and many planned projects are available as entitled (to varying degrees) sites.

- Cost of capital is well above levels of 18 to 24 months ago, resetting the feasibility analysis on many projects.

SOUTHEND REVIEW

VACANCY inched up to 5.2%, from Q3 of 5.0%. Absorption was 252,441 sf for Q4, with 2022 totaling 2.68M sf, with 84% in Q1. One 83,152 sf building was delivered with no pre-leasing.

OVER 1.36M sf of signed leases with expected occupancy over the next nine months should reduce vacancy but there are 13 projects expected to deliver 3.39M sf in the same nine-month timeframe. Preleasing is at 14.0% for this pending product.

3.97M SF is under construction with 18.6% preleased.

LASALLE INVESTMENT MANAGEMENT purchased the 459,349 sf Renton Logistics Center from Clarion for \$261/sf, a 4.0% cap on current rents

but with escalations in Year 1, the cap moves to 4.4%

PANATTONI DEVELOPMENT COMPANY, INC. sold the six building, Pacific Gateway Buildings 1 through 6 to The Church of Latter Day Saints. The 823,606 sf traded for \$316/sf and 4.22% cap for the fully occupied project.

AVERAGE ASKING RENTS (blended) were \$1.07/sf in Q2 but have stabilized at \$1.01/sf in Q3 and Q4

SHELL RATES on new construction are in the upper \$0.95 to \$1.10/sf for new generation, typically 30' to 36' clear heights with office add-on now \$1.35/sf. Office construction costs are maintaining in the \$200 to \$225/sf range for first generation buildout.

17 BUILDINGS under construction, 3.97M sf with six anticipated to deliver 973,175 sf in Q1 2023. These are 33.9% preleased.

DEMOGRAPHIC HIGHLIGHTS



3-MILE DEMOGRAPHICS

100,308

2022 POPULATION

1.50%

2010-2020 POPULATION GROWTH

\$85,793

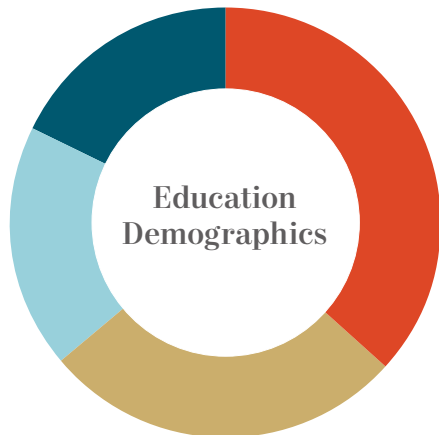
2022 MEDIAN INCOME

28.3

SQUARE MILES

34.6

2022 MEDIAN AGE

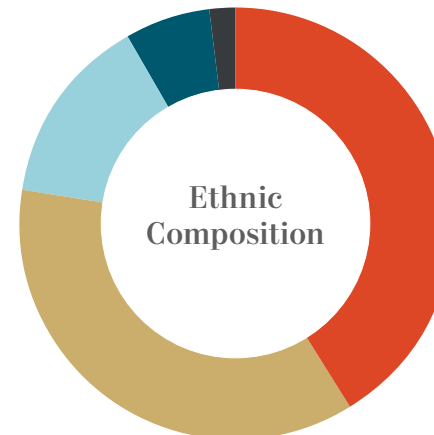


62.8% College Degree+

5.8% Some High School

24.4% High School Grad

31.0% Bachelor+



39.2% White

24.6% Hispanic/Latino

22.9% Asian

16.7% Black

9.0% Other

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