

South Seattle Business Park

Investment Summary

The 
SMARTCAP GROUP



A high quality office and warehouse property in core Seattle with value-add through leasing vacant units, stabilizing existing leases, increasing parking ratios and adding high-speed internet service.

The South Seattle Business Park is located in Seattle's fast growing and revitalized SODO District just south of the Central Business District. The property is a mix use investment consisting of five office / light industrial buildings and a covered parking area totaling 97,653 sq. ft. of leasable space. The center is currently 85% occupied with diverse and well performing tenants. The in place cash flow is spread among 14 tenants with staggered lease renewals giving time to implement the value add strategy over 3-5 years.

Tenants are specifically drawn to the property for its strategic location and quick access to downtown Seattle without the high rents and congestion.

ASSET PROFILE

Address:	4634 East Marginal Way, Seattle, WA
Submarket:	SODO / Georgetown District
Property Class:	Class B Office / Lite Industrial
Total Acreage:	2.74 Acres
Year Built:	1947 - 1983
Total Square Footage:	97,653 square feet
Office Square Footage:	51,554 square feet
Lite Industrial:	46,109 square feet
Major Tenants:	Arena Spots, Alaska Airlines, Grand Central Bakery, Pioneer Human Services, Seattle Therapy Network

By increasing parking ratios, and bringing high-speed internet to the property, this diamond in the rough will become a premiere office complex for the many technology businesses making South Seattle their new home.

The Business Plan

The plan is to increase rents at the property from the well below market rents currently being charged by the seller.

Management's research with the Seattle Brokerage Community found the seller was not able to increase rental rates to market because the building currently suffers from a lack of parking, and slow internet speeds. Management will increase the parking ratio by converting a vacant 7,800 SF industrial warehouse space currently in the back of one building on the property into covered parking for office tenants. After the parking conversion, the parking ratio is expected to reach up to 3 stalls per 1,000 SF for office from an existing 1.6 stalls. In addition Comcast High Speed Internet will be brought to the building, providing much needed high-speed access for tenants.

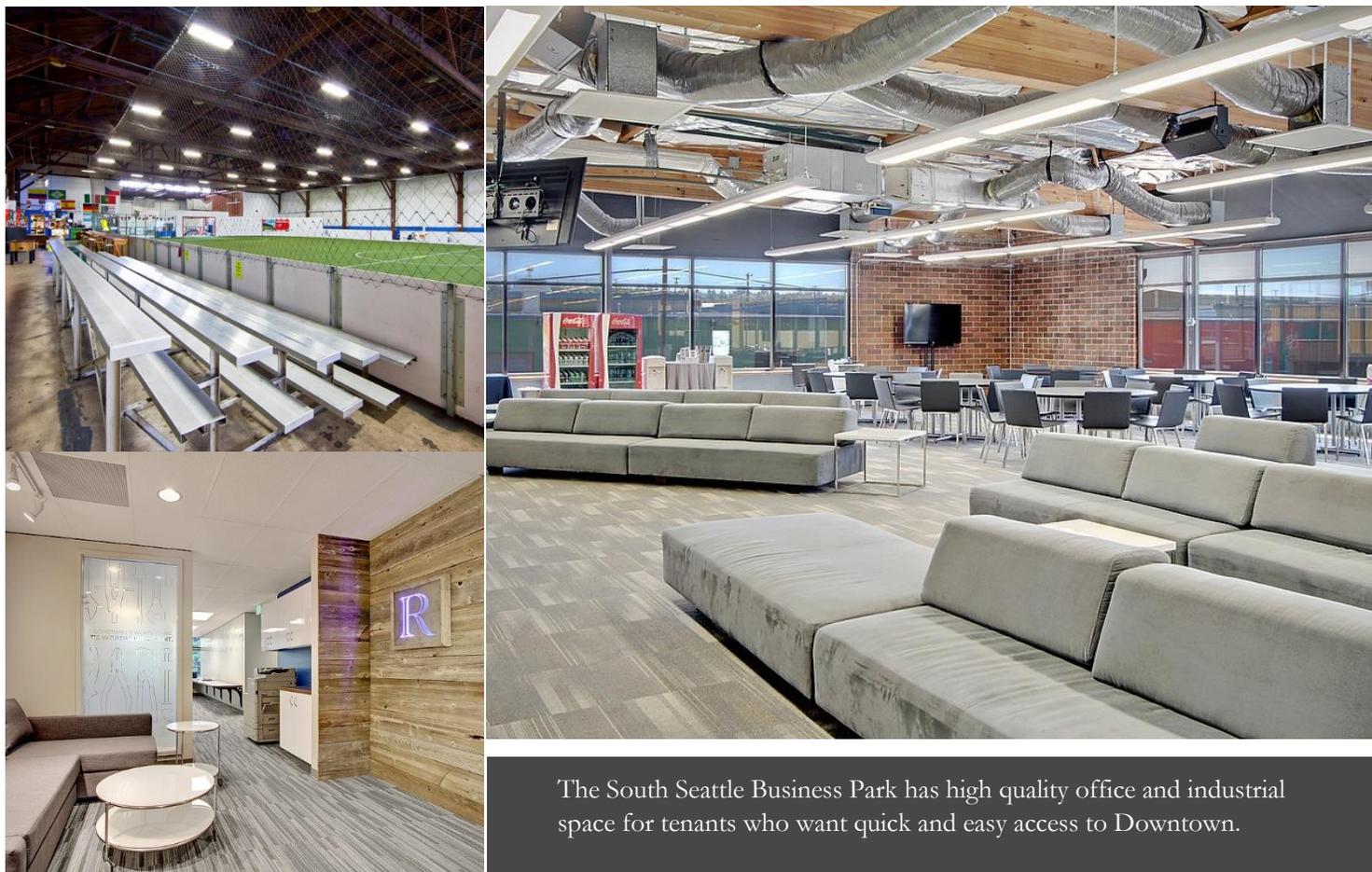
The existing average rent charged by the seller is \$13.09 for office space and the average market rents for comparable buildings with 2.5 parking stalls per 1,000 SF and high speed internet is \$18 - \$22. An increased rent will increase the NOI and value of the property.

Stabilizing Key Tenant Spaces

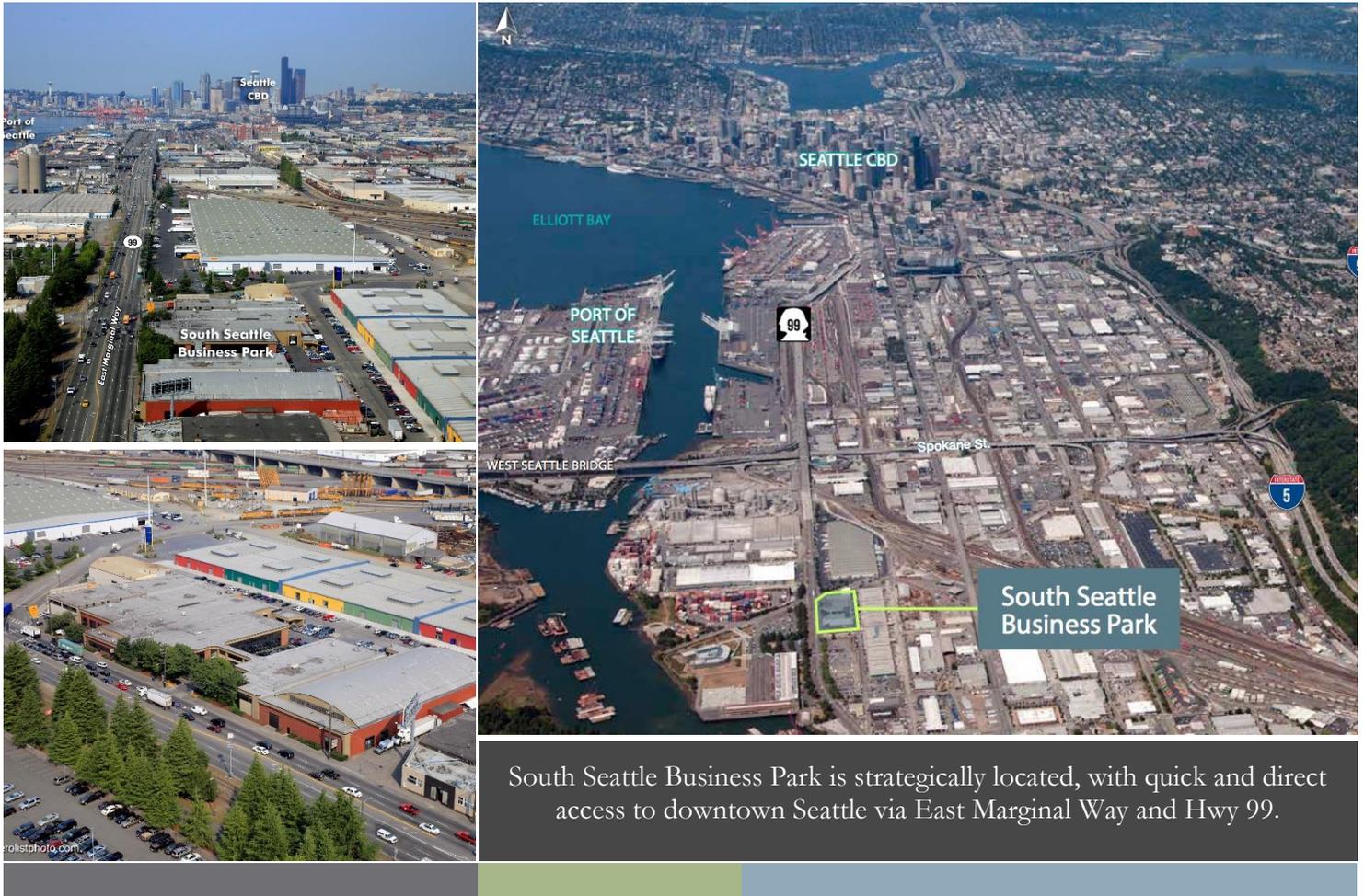
Alaska Airlines occupies 12,500 SF of the most desirable office space in the building. Their lease expires in 2017, and they have one option to renew. If possible, management will retain Alaska Airlines at their existing rate for three additional years, which will stabilize the property while increasing rental rates through the remainder of the center. In the case Alaska Airlines does not renew, management expects to renew the space at a rate higher than Alaska Airlines is currently paying which will further increase returns for the property.

Arena Sports occupies 26,000 SF of industrial space and currently has three years remaining on their lease. Management is engaged in discussions with the CEO to extend their lease for an additional 10 years at market rates.

Grand Central Bakery occupies 12,000 SF of industrial space and is known to vacate at the end of their lease in Dec, 2018. Management will place a new tenant in the space after they vacate, stabilizing the center with strong tenants in long term leases.



SOUTH SEATTLE & SODO OFFICE MARKET



SODO OFFICE MARKET

South Seattle & SODO Office Market begins just South of Pioneer Square and North of Tukwila and bordered by I-5 to the East and water to the West, the South Seattle office market is easily accessed and located just minutes away from Seattle, Bellevue, Tacoma and Seattle-Tacoma International Airport. The South Seattle office submarket's 50-yard line location within the south edge of Downtown Seattle has allowed it to change from an industrial area to an up and coming office area with numerous office projects. High profile companies include: Sur La Table, Alaska Airlines, Boeing Commercial Airplanes, Real Networks, King5, Oculus VR, Facebook and many other technology and industrial users.

The South Seattle office market has broad appeal to tenants looking for financial savings, with the average cost of office space priced 20% below Bellevue and Seattle full service rents in addition to free parking. Additionally, housing costs in the Southend are substantially lower than Bellevue and much of Seattle, thereby allowing employers access to a large, nearby and relatively inexpensive labor pool. For workers living in Seattle and Bellevue, South Seattle is effectively a reverse

commute allowing businesses to enjoy lower space costs without the challenges and lost efficiencies due to traffic congestion. The South Seattle market also provides immediate access to the Seattle - Tacoma International Airport, both Ports of Seattle and Tacoma and is adjacent to the Kent Valley industrial market.

SODO OFFICE MARKET VACANCY

The market vacancy for the SODO office market hovers near 12%, with expected net absorption to increase with no new office deliveries

over the next two years, and then increase inline with office deliveries

