



InSight Report

CBRE Healthcare Properties Seattle

RECENT ACTIVITY

- Overlake leases 10,863 sq. ft. at Overlake Medical Pavilion
- Bellingham Medical Center trades for \$7.16 million
- VMC to anchor Eastway Center in Renton Highlands
- Seattle Medical Associates leases 6,045 sq. ft. in FHMP
- VA Hospital breaking ground on \$152 million expansion

MEDICAL OFFICE AVERAGE ASKING RATES

Submarket	On-Campus \$/SF/Yr NNN	Off-Campus \$/SF/Yr NNN	Direct Vacancy %	Vacancy Change
First Hill	\$31.14	\$22.08	5.77%	↓
Ballard	\$29.75	\$17.00*	7.00%	↓
University	N/A	\$30.00	2.25%	↔
Northgate	\$29.00*	\$13.05	3.68%	↓
Bellevue	\$37.65	\$25.38	18.90%	↔
Kirkland	\$31.00*	\$23.53	3.99%	↓
Issaquah	\$32.00*	\$25.83	33.94%	↑
Edmonds	\$22.31	\$22.62	5.52%	↑
Renton	\$30.00*	\$19.28	4.93%	↓
Auburn	\$29.50	\$22.16	11.99%	↓
Federal Way	\$29.00*	\$14.75	16.34%	↑
Tacoma	\$21.22	\$19.38	4.06%	↑
Puyallup	\$31.00	\$22.24	12.39%	↓
Gig Harbor	\$27.40	\$18.30	16.63%	↓
Olympia	\$28.00*	\$17.32	2.13%	↓
Puget Sound	\$31.97	\$21.72	8.80%	↓

*Estimated; no vacancy in tracked properties

MARKET OVERVIEW

Expanding health systems and aggressive investor demand for medical office buildings (MOB) drove another active quarter in Puget Sound healthcare real estate. Tenant demand for high quality on-campus medical office space continued to drive vacancy down. In Bellevue, Overlake Hospital expanded its presence in the Overlake Medical Pavilion, leasing 10,863 sq. ft. on the fourth floor for the hospital's primary care clinics. Across the lake, First Hill's second generation space is being quickly absorbed with on-campus vacancy dropping to 2.71%. Seattle Medical Associates leased 6,045 sq. ft. in the new 1st Hill Medical Pavilion, currently under construction with delivery on track for July 2015. As previously reported, the owners of the 62,000 sq. ft. 1001 Broadway will demolish the MOB to make way for a 16-story multi-family tower, anchored by a 40,000 sq. ft. Whole Foods. Tenants displaced by this redevelopment combined with tenants new to the First Hill market are adding demand for all available medical office space in the First Hill area.

Off campus, health systems are continuing to seek quality retail locations with high exposure, access and good parking. In the Renton Highlands, Valley Medical Center leased 10,600 sq. ft. at the Eastway Center, anchoring the repositioning of the property into a medical office center to be renamed Valley Medical Plaza.

MOB investment sales continued to sizzle with a number of assets trading. Valley Medical Center purchased the 14,000 sq. ft. Valley View Professional Center on Talbot Road in Renton for \$2.4 million. In Tacoma, Murnen Realty Advisors purchased the 19,643 sq. ft. Union Avenue Medical Building for \$3.7 million. In Bellevue, the group of physicians who owned the 21,398 sq. ft. 1800 Professional Plaza sold the property for \$8.87 million, or \$414 per sq. ft. In Issaquah, the 20,944 sq. ft. Lakeside Building II traded for \$9.2 million to a private buyer at a 7.1% cap rate. Physicians Realty Trust came to an agreement to acquire the 160,000 sq. ft. Trios Health Medical Office Building in Kennewick for \$64 million. The building is 100% pre-leased to Trios Health and is currently under construction, with a scheduled delivery of June 2015. The same group also purchased the 31,074 sq. ft. 7308 Bridgeport Way Building in Lakewood for \$13.75 million. In Bellingham, PeaceHealth St. Joseph Medical Center expanded their campus footprint to the south with the purchase of the 28,949 sq. ft. Bellingham Medical Center for \$7.16 million. PeaceHealth plans to occupy the vacant space in the building, which was 48% vacant at the time of sale.

In development, Seattle's Veterans Affairs (VA) Hospital campus is breaking ground on a \$152 million expansion on Seattle's Beacon Hill. The expansion will be home to a new mental-health and research center and shall consist of a six-story, 219,000 sq. ft. tower expected to be finished in late 2017.

HOT TOPICS

- Strong MOB leasing pushing vacancy down throughout region
- Quality retail locations in high demand by health systems
- Vacancy on First Hill disappearing with relentless demand
- Physician owned MOB's trading throughout the region



**OPPORTUNITY OF THE QUARTER:
601 BROADWAY MEDICAL OFFICE CONDOMINIUM**

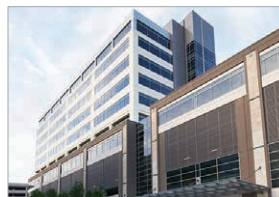
Description: For Sale - Top Two Floors of the Swedish Orthopedic Institute at 601 Broadway

Characteristics: 42,846 sq. ft. Class A+ medical office condo on two floors

- 100 % leased to Proliance Surgeons Through 2023, with Swedish Medical Center Credit Backstop
- Flagship Location Within the First Hill Medical District
- Award Winning Swedish Orthopedic Institute
- High Likelihood of Tenant Renewal in 2023
- Highly Efficient Design Facilitating Better Patient Outcomes
- Offers Due: Thursday, May 7, 2015; 5:00 PDT

CURRENT LISTINGS (For complete list, please see website below)

Overlake Medical Pavilion
Bellevue, WA



1st Hill Medical Pavilion
Seattle, WA



IDC Medical Plaza
Renton, WA



**CBRE HEALTHCARE
PROPERTIES TEAM**

Our team specializes in the healthcare segment of commercial real estate, assisting tenants and owners in the leasing, acquisition and disposition of healthcare real estate.



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COMPREHENSIVE SERVICE OFFERING

- 100% healthcare focus guides clients around industry specific pitfalls.
- Referrals to specialized healthcare-specific lenders, attorneys and architects.
- Property appraisal and valuation services.
- Comprehensive market knowledge through both landlord and tenant representation.
- Disposition, acquisition and capital market services.

RELATIONSHIPS

- EvergreenHealth
- Group Health
- MultiCare Health System
- Overlake Medical Center
- Providence Health & Services
- Swedish Health Services
- The Polyclinic
- Valley Medical Center

FOR MORE INFORMATION

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