

FIRST SOUTH BUILDING

\$4,300,000

111 South Lander Street, Seattle, WA , 98134



OFFERING MEMORANDUM

- ▶ Central Location
- ▶ Great Value Add or O/U Rehab With Income
- ▶ Significant Upside
- ▶ Boutique Suites Appealing to Area Creative Uses

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DISCLAIMER STATEMENT

Lee & Associates (the “Agent”) has been engaged as the exclusive sales representative for the sale of the 111 South Lander Street, Seattle, WA (the “Property”) by ‘Ownership’ (the “Seller”).

This Memorandum does not constitute a representation that the business or affairs of the Property or Seller since the date of preparation (August 2020) of this Memorandum have remained the same. Analysis and verification of the information contained in this Memorandum are solely the responsibility of the prospective purchaser.

Additional information and an opportunity to inspect the Property will be made available upon written request of interested and qualified prospective purchasers. Seller and Agent each expressly reserve the right, at their sole discretion, to reject any or all expressions of interest or offers regarding the Property, and/or terminate discussions with any party at any time with or without notice. Seller reserves the right to change the timing and procedures for the Offering process at any time in Seller’s sole discretion. Seller shall have no legal commitment or obligations to any party reviewing this Memorandum, or making an offer to purchase the Property, unless and until such offer is approved by Seller, and a written agreement for the purchase of the Property has been fully executed and delivered by Seller and the Purchaser thereunder.

This Memorandum and the contents, except such information which is a matter of public record or is provided in sources available to the public, are of a confidential nature. By accepting this Memorandum, you agree that you will hold and treat it in the strictest confidence, that you will not forward, photocopy or duplicate it, that you will not disclose this Memorandum or any of the contents to any other entity (except to outside advisors retained by you, if necessary, for your determination of whether or not to make a proposal and from whom you have obtained an agreement of confidentiality) without the prior written authorization of Seller or Agent, and that you will not use this Memorandum or any of the contents in any fashion or manner detrimental to the interest of Seller or Agent.



EXECUTIVE SUMMARY



THE OFFERING

Lee & Associates is pleased to present the First South Building, a three-story mixed-use building located on First Avenue South across from Starbucks and adjacent to the new Lander Street overpass.

Built in 1905, this asset was constructed using substantial old growth wood beams and thick tongue and groove flooring. Today, with significantly below-market rents and 6,000 square foot floor plates, 111 South Lander presents a rare opportunity for an investor or owner/user seeking a hands-on adaptive reuse, open concept office, or craft-makers space.

A proactive buyer has the opportunity to rehab the retail presence on both First Avenue South and next to the soon-to-be-completed Lander Street overpass, transform the second and third floor spaces into modern boutique offices or craft 'makers' spaces, and realize additional value from the basement storage units (which are currently being used by the seller and provide no income). These modifications offer the chance to secure strong upside cash flow for an investor, create an impressive headquarters for an owner/user, or act as a hybrid (owner occupant building with income) for an owner-occupant. A BOMA remeasurement to add footage coupled with bringing tenants to market or re-tenanting as needed brings significant upside and, should a buyer choose to opt into them, opportunity zone tax advantages with long-term site upside for a future redevelopment play.

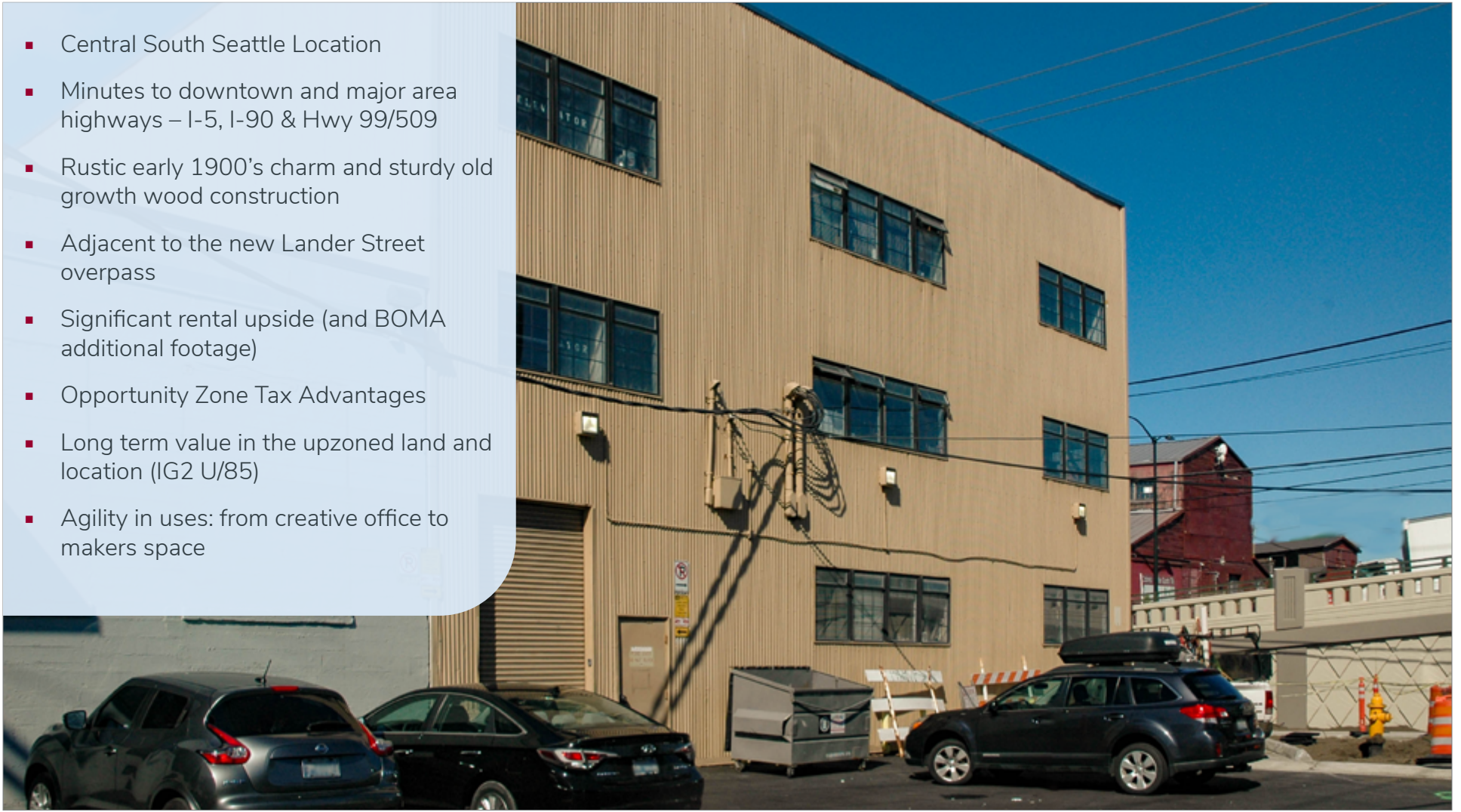


ADDRESS	111 South Lander Street Seattle, Washington 98134
SQUARE FOOTAGE	23,380 SF
LAND FOOTAGE	9,000 SF
OCCUPANCY	80%
YEAR BUILT	1905
CLEAR HEIGHT	10' - 14'
YEAR 1 NOI:	\$144,100
PROFORMA NOI:	\$247,000



PROPERTY HIGHLIGHTS

- Central South Seattle Location
- Minutes to downtown and major area highways – I-5, I-90 & Hwy 99/509
- Rustic early 1900's charm and sturdy old growth wood construction
- Adjacent to the new Lander Street overpass
- Significant rental upside (and BOMA additional footage)
- Opportunity Zone Tax Advantages
- Long term value in the upzoned land and location (IG2 U/85)
- Agility in uses: from creative office to makers space



SODO HIGHLIGHTS

The SoDo neighborhood was once a heavy industrial manufacturing and distribution area. Now, similar to New York City's SoHo transformation, the neighborhood is transforming into a haven for hybrid retail, craft manufacturing, breweries, art galleries, and artist lofts.

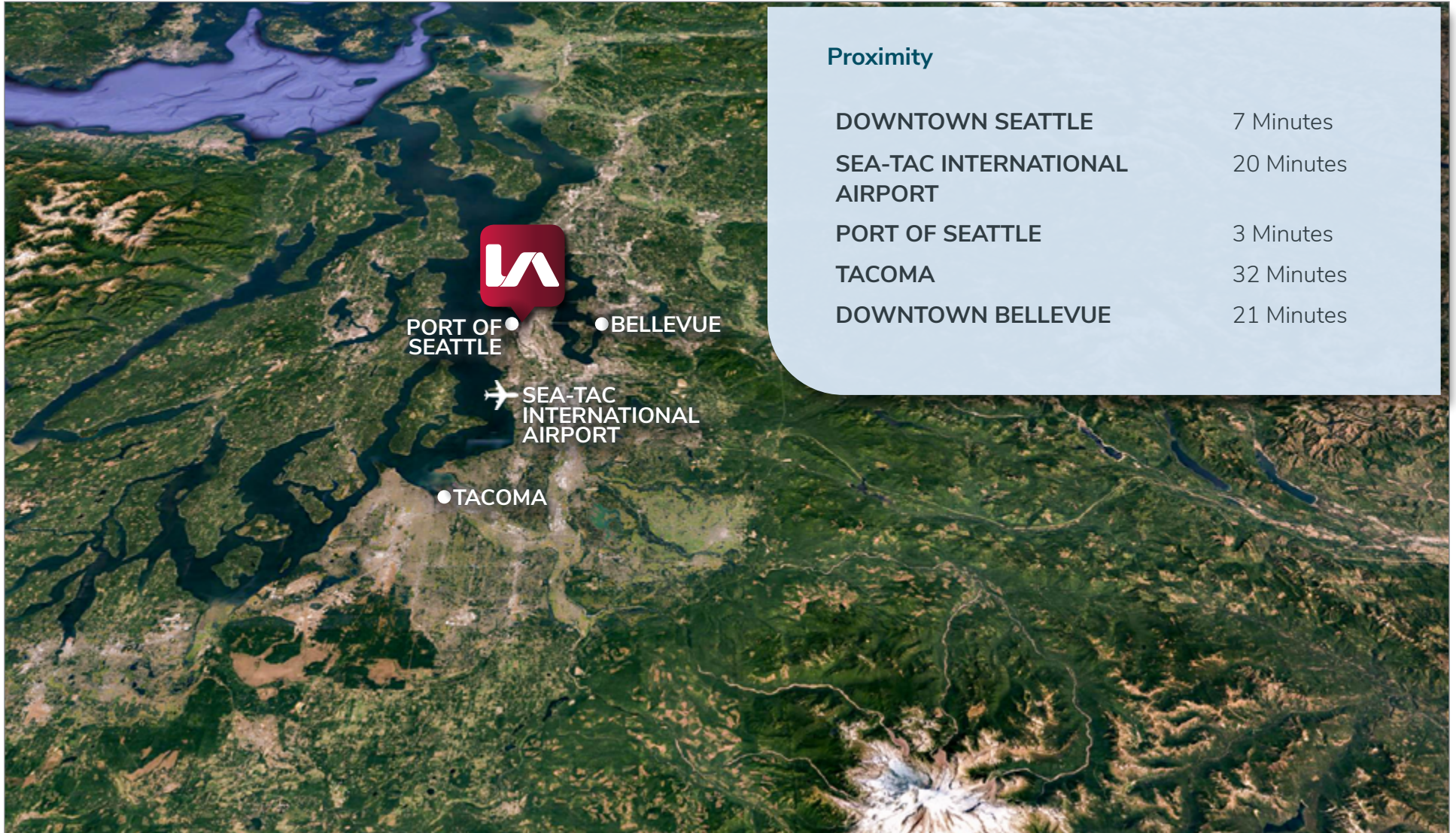
Companies such as Starbucks and Outdoor Research take advantage of the close-in location, easy freeway access, and the convenience offered by the new light rail transit for business owners and employees commuting from the greater Seattle Region.

The neighborhood is home to the SoDoTrack - a public transit corridor recognized informally as the world's longest contiguous corridor of street art. As described by Crosscut, the Track features "...50 vibrant murals by 62 artists hailing from Seattle to far-flung locations (including Brazil, Germany, the Netherlands, Japan, Israel, Argentina, Australia, Mexico, Romania and France), the SODO Track stretches for two miles along both sides of the busway and light rail track, from just north of Holgate Street to Spokane Street." Each mural speaks to the SoDo Track's theme of Motion, Speed and Progress, entertaining with high visibility the corridor's audience of public transit commuters.

With the significant regional growth, upzoned land, soon-to-be completed Lander Street overpass and area gentrification, this location offers potentially significant upside for a rehab investor or owner/user.



REGIONAL MAP



NEIGHBORHOOD MAP



AREA & MARKET OVERVIEW



PUGET SOUND MARKET

OVERVIEW

The Seattle/Puget Sound region is the “darling” of institutional real estate investors and developers. The area is home to a plethora of major employment-generating companies diversified across a variety of industries, including technology, aerospace, manufacturing, retail, biotechnology, healthcare, resources, and global trade. Thriving businesses have resulted in a population and employment boom, making the Seattle area one of the fastest-growing large cities in the United States over the last decade. At the end of 2019, the Seattle-Tacoma-Bellevue MSA had a population of 3.9 million people, a labor force of well-over 2 million people, and a low unemployment rate of 3.4%. The economic outlook for the greater Seattle area is consistently extremely positive, even in the face of the COVID-19 pandemic.



SOUTH SEATTLE MARKET

OFFICE MARKET

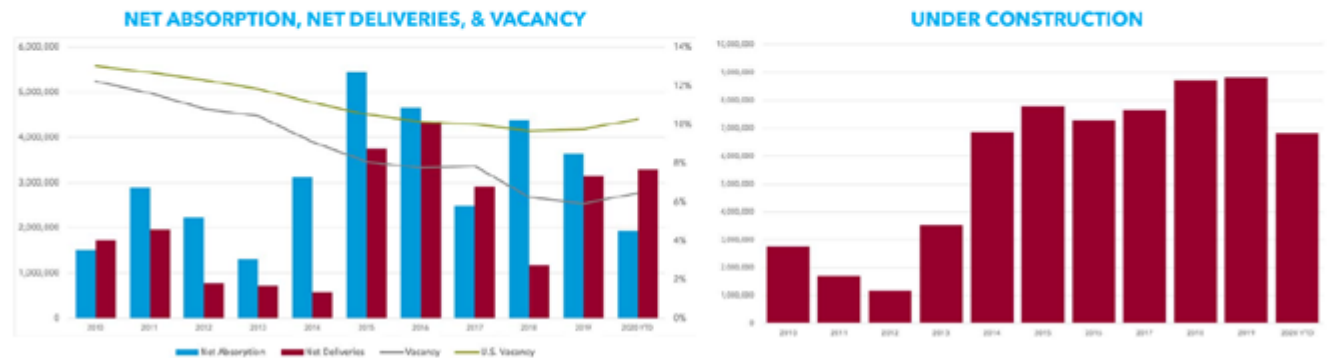
Despite representing one of the tightest office markets in the country, Seattle maintains lower rents than other gateway markets like San Francisco and New York making it attractive to high-end tenants, particularly those in tech. Furthermore, Washington State has no state income tax unlike many of our State rivals, a lower cost of living, and a high quality of life with access to outdoor spaces including saltwater, freshwater and mountain recreational opportunities.

The office market in South Pioneer Square (on the Seattle waterfront) is vastly different from that of neighboring Seattle CBD and has emerged as a popular destination for companies of all sorts. Existing office product is older and smaller, and there is a limited selection of buildings with more than 100,000 SF of space, most of which are scattered along First and Second avenues and around the Stadium District. However, with a \$700 million redevelopment plan that aims to bring more high-end office space in the works, the waterfront stands to benefit from a massive overhaul/facelift/upgrade in the coming years. The COVID-19 pandemic may impact development timelines, but the waterfront is set to be completed by 2024.

Creative office space is plentiful and tenants receive a considerable discount compared with other downtown submarkets. Strong absorption has resulted in overall tight vacancy, but supply-driven vacancy increases have been present over the past several years and the COVID-19 pandemic has resulted in several move-outs. Despite this, developers are not taking their feet off the gas quite yet, and there are multiple projects in the planning stage.

Rent growth has been strong for most of the past decade, with this submarket emerging as an acquisition target for institutional investors. Prior to the past few years, investment was focused on ground-up development and renovations rather than property acquisitions, but sales activity was dynamic prior to the COVID-19 pandemic. Sales volume in 2020 is on pace to be well below the historical average due to the economic effects of the pandemic, but also due to the Washington State graduated Real Estate Excise Tax (REET), which was introduced in January and imposes a higher effective tax rate on transactions greater than \$1.5 million. **

MARKET INDICATORS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
▼ Net Absorption	4,310,104 SF	5,716,596 SF	3,642,256 SF	4,089,033 SF	3,250,059 SF
▲ Vacancy Rate	6.3%	6.1%	5.9%	5.8%	6.2%
▼ Avg NNN Asking Rate	\$38.41 PSF	\$38.55 PSF	\$38.30 PSF	\$38.00 PSF	\$37.40 PSF
▼ Under Construction	6,837,210 SF	6,923,194 SF	8,824,462 SF	8,178,339 SF	7,752,084 SF
▲ Inventory	212,796,714 SF	212,132,007 SF	209,512,424 SF	208,546,783 SF	208,003,892 SF




SOUTH SEATTLE MARKET

FLEX / MANUFACTURING MARKET

The South Seattle market has continued to undergo a transformation from heavy industrial and manufacturing to corporate office users, retail, and craft 'makery' type uses. This extensive redevelopment and adaptive reuse has spawned a new neighborhood with heavier daytime populations, retail, and easy transit access. Multi-story warehouse and manufacturing buildings have proven so successful developers have begun constructing speculative new multi-story warehouse facilities with freight elevators.

Within 2 miles of the subject property, vacancy rates currently sit at 9% for under 5,000 square foot spaces, with rates hovering around \$1.25/sf/month plus NNN.

An aerial photograph of the South Seattle waterfront, showing a large body of water with many sailboats and a bridge in the distance. The city skyline is visible in the background. A table is overlaid on the left side of the image.

	Availability
Vacant SF	21.1K ↑
Sublet SF	13K ↑
Availability Rate	9.3% ↑
Available SF	21.1K ↑
Available Asking Rent / SF	\$1.22 ↓
Occupancy Rate	90.7% ↓
Percent Leased Rate	96.4% ↑



COMPETING PRODUCT



COMPETING PROPERTIES

RETAIL				
MAP NO.	PROPERTY ADDRESS	OFFICE SF	RATE	NOTES
1	Pyramid Alehouse Building 1201 1st Ave S Seattle, WA	2,266 SF	\$36.00 / MG	Office/ Retail
2	Pyramid Alehouse Building 1201 1st Ave S Seattle, WA	1,718 SF	\$29.64 / MG	Office/ Retail
3	Pyramid Alehouse Building 1201 1st Ave S Seattle, WA	697 SF	\$30.48 / MG	Office/ Retail
4	3228 1st Ave S Seattle, WA	\$988 SF	\$21.60 / Gross	
5	3300 Building 3000 1st Ave S Seattle, WA	2,858 SF	\$29.30 / Gross	

INDUSTRIAL			
MAP NO.	PROPERTY ADDRESS	SHELL SF (OFFICE SF)	RATE
1	1943 Building 1943 1st Ave S Seattle, WA	1,873 SF (1,873 SF)	\$22.00
2	1943 Building 1943 1st Ave S Seattle, WA	1,873 SF (1,873 SF)	\$22.00
3	Pacific Galleries 241 S Lander St. Seattle, WA	300 SF (300 SF)	\$19.80
4	Pacific Galleries 241 S Lander St. Seattle, WA	355 SF (355 SF)	\$15.00
5	1729 Building 1729 1st Ave S Seattle, WA	4,552 SF (0 SF)	\$19.20
6	Zandt Building 2720 6th Pl S Seattle, WA	4,400 SF (0 SF)	\$17.73

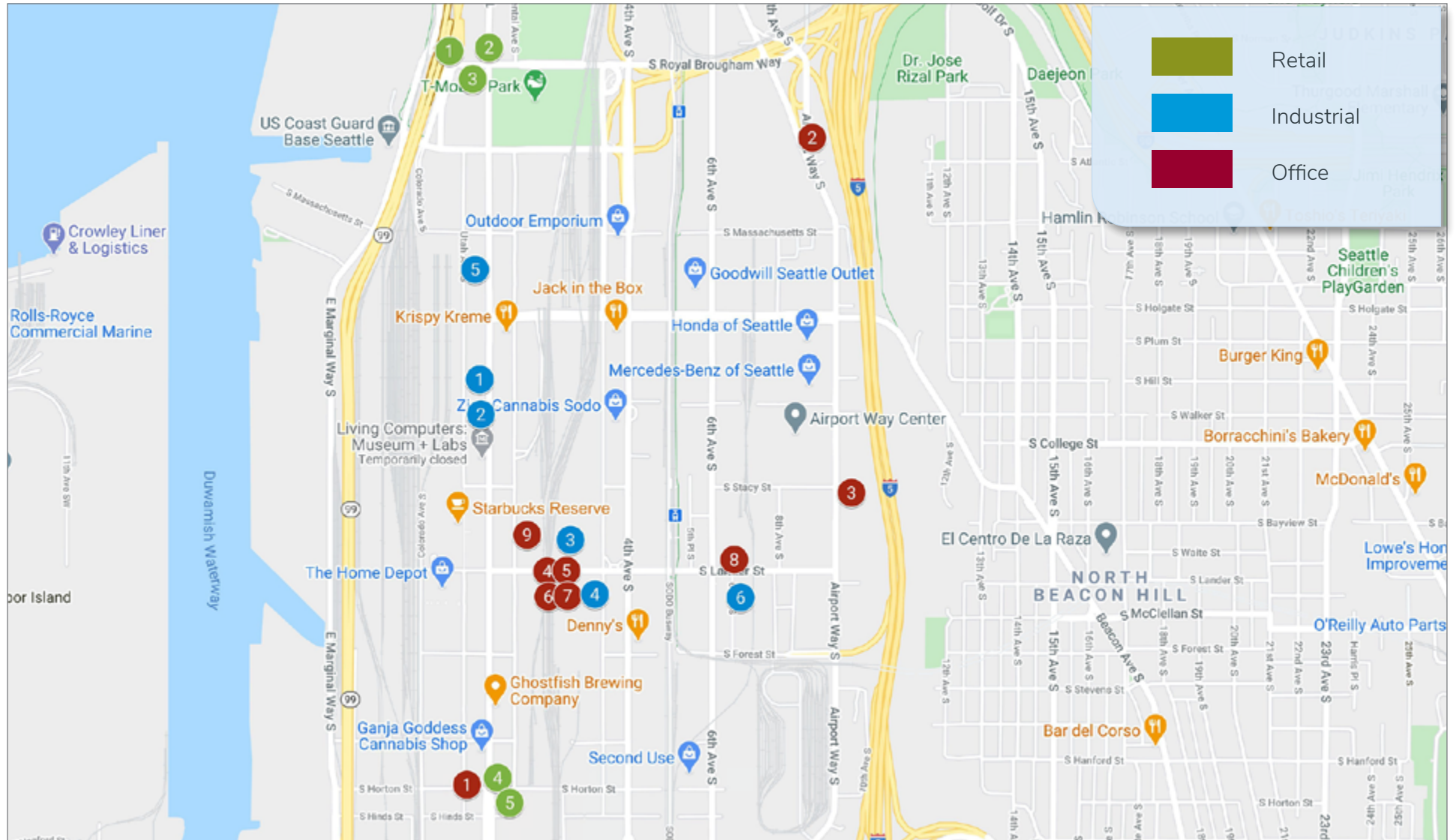


COMPETING PROPERTIES

OFFICE				
MAP NO.	PROPERTY ADDRESS	OFFICE SF	RATE (NNN)	EFFECTIVE GROSS
1	3230 1st Ave S Seattle, WA	1,649 SF	\$24.00 (\$0.00)	\$24.00
2	1400 Building 1400 Airport Way S Seattle, WA	1,123 SF	\$23.00 (\$6.75)	\$29.75
3	MFS Office Building 2400 Airport Way S Seattle, WA	2,800 SF	\$22.00 (\$6.75)	\$28.75
4	Pacific Galleries 241 S Lander St. Seattle, WA	2,640 SF	\$21.00 (\$0.00)	\$21.00
5	Pacific Galleries 241 S Lander St. Seattle, WA	360 SF	\$23.16 (\$0.00)	\$23.16
6	Pacific Galleries 241 S Lander St. Seattle, WA	300 SF	\$18.00 (\$0.00)	\$18.00
7	Pacific Galleries 241 S Lander St. Seattle, WA	850 SF	\$21.00 (\$0.00)	\$21.00
8	Sith @ Lander 624 S Lander St. Seattle, WA	1,994 SF	\$19.05 (\$0.00)	\$19.05
9	S Lander Business Park 2454 Occidental Ave S Seattle, WA	2,145 SF	\$17.39 (\$6.75)	\$24.14



COMPETING PROPERTIES

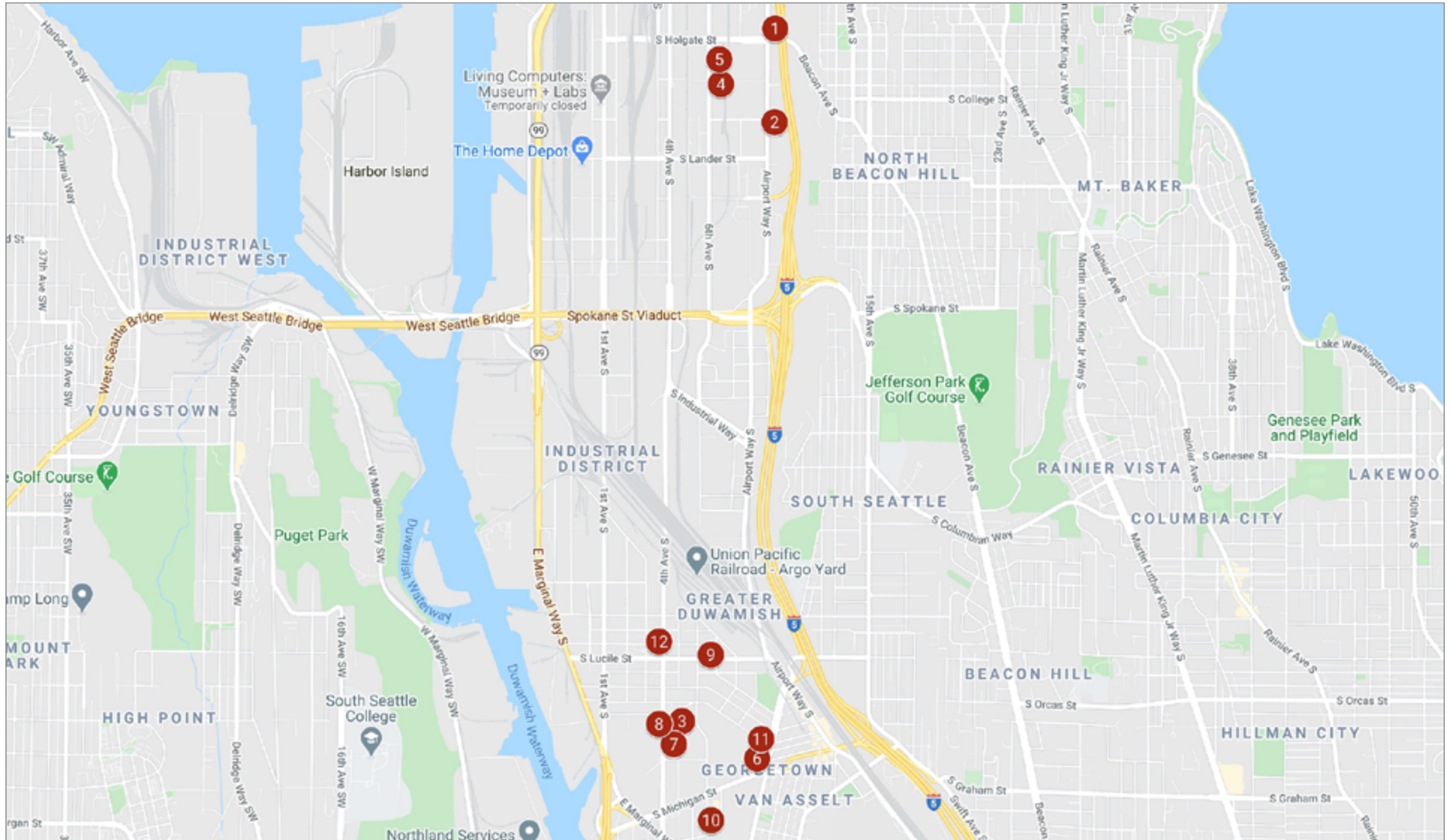


LEASE COMPARABLES

MAP NO.	PROPERTY ADDRESS	TENANT	TYPE	COMM. DATE	TERM	RENT / SF (NNN)	EFF. GROSS / MO. (EFF. GROSS / YR.)	ESCALATION FREE MO.	SQUARE FEET	NOTES
1	1762 Airport Way S	Abodian	NNN	01/01/2020	36 Mo.	\$1.58 / SF (\$0.45 / SF)	\$2.03 / Mo. (\$24.36 / Yr.)	3% 0 Months	2,650 SF	
2	2400 Airport Way S	Pacific Auto Body	NNN	03/01/2020	60 Mo.	\$1.79 / SF (\$0.45 / SF)	\$2.24 / Mo. (\$26.88 / Yr.)	3% 0 Months	2,800 SF	
3	5900 4th Ave S	EMSL Analytical, Inc.	Gross	04/01/2019	36 Mo.	\$1.62 / SF (\$0.00 / SF)	\$1.62 / Mo. (\$19.46 / Yr.)	3% 1 Month	1,648 SF	
4	1930 6th Ave S	Pavilion Construction NW	NNN	04/01/2020	36 Mo.	\$1.50 / SF (\$0.45 / SF)	\$1.95 / Mo. (\$23.40 / Yr.)	3% 0 Months	1,775 SF	
5	1930 6th Ave S	True North Land Surveying	NNN	07/01/2020	61 Mo.	\$1.50 / SF (\$0.45 / SF)	\$1.95 / Mo. (\$23.40 / Yr.)	3% 0 Months	1,900 SF	
6	5963 Corson Ave S	Georgetown License Agency, Inc.	Gross	10/01/2019	57 Mo.	\$2.67 / SF (\$0.00 / SF)	\$2.67 / Mo. (\$32.04 / Yr.)	3% 0 Months	847 SF	
7	5900 4th Ave S	Puget Sound Transport, LLC	Gross	02/01/2019	12 Mo.	\$1.50 / SF (\$0.00 / SF)	\$1.50 / Mo. (\$18.00 / Yr.)	None	532 SF	
8	5900 4th Ave S	Mack Trucking, LLC	Gross	05/01/2019	36 Mo.	\$1.30 / SF (\$0.00 / SF)	\$1.30 / Mo. (\$15.63 / Yr.)	3% 0 Months	960 SF	
Industrial / Flex										
9	5419 Maynard Ave S	Tolo Events, LLC	NNN	10/1/2020	65 Mo.	\$1.20 / SF (\$0.28 / SF)	\$1.48 / Mo. (\$17.76 / Yr.)	3% 5 Months	5,880 SF	Includes 1,252 SF office
10	6348 6th Ave S	Milfoil King	NNN	09/01/2019	37 Mo.	\$1.00 / SF (\$0.45 / SF)	\$1.45 / Mo. (\$17.40 / Yr.)	3% 1 Month	1,830 SF	
11	5959 Corson Ave S	Hydromax	NNN	02/01/2020	84 Mo.	\$1.65 / SF (\$0.28 / SF)	\$1.93 / Mo. (\$23.16 / Yr.)	3% 0 Months	2,953 SF	Includes 250 SF office
12	5319 4th Ave S	Pirtek Seattle	Gross	01/01/2020	92	\$1.77 / SF (\$0.00 / SF)	\$1.77 / Mo. (\$21.24 / Yr.)	3% 3 Months	2,500 SF	



LEASE COMPARABLES



PROPERTY OVERVIEW



OFFERING DETAILS

Overview

Address	111 South Lander Street, Seattle, WA 98134
Occupancy	91.1% (Excludes basement of 3,150 SF occupied by owner)
Market	Seattle / Puget Sound
Submarket	Pioneer Square / Waterfront bordering SoDo
Parcel Number	766620-6020

Building Size

Square Footage	23,380 SF
Lot Square Footage	9,000 SF

Building Details

Year Built	1905
Clear Height	8' - 14'
Zoning	IG2 / U85
Floors	3 + Basement

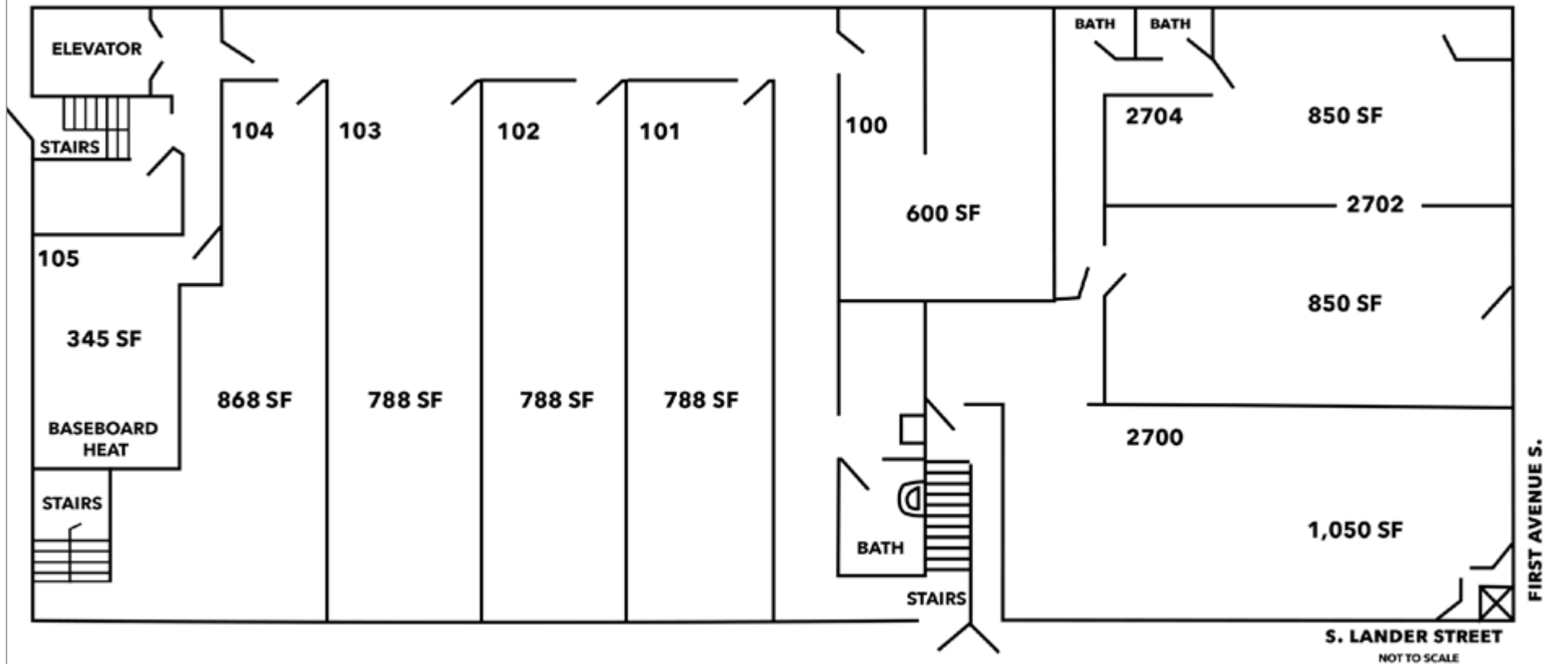
Offering Price: \$4,300,000

Proforma NOI: \$246,000



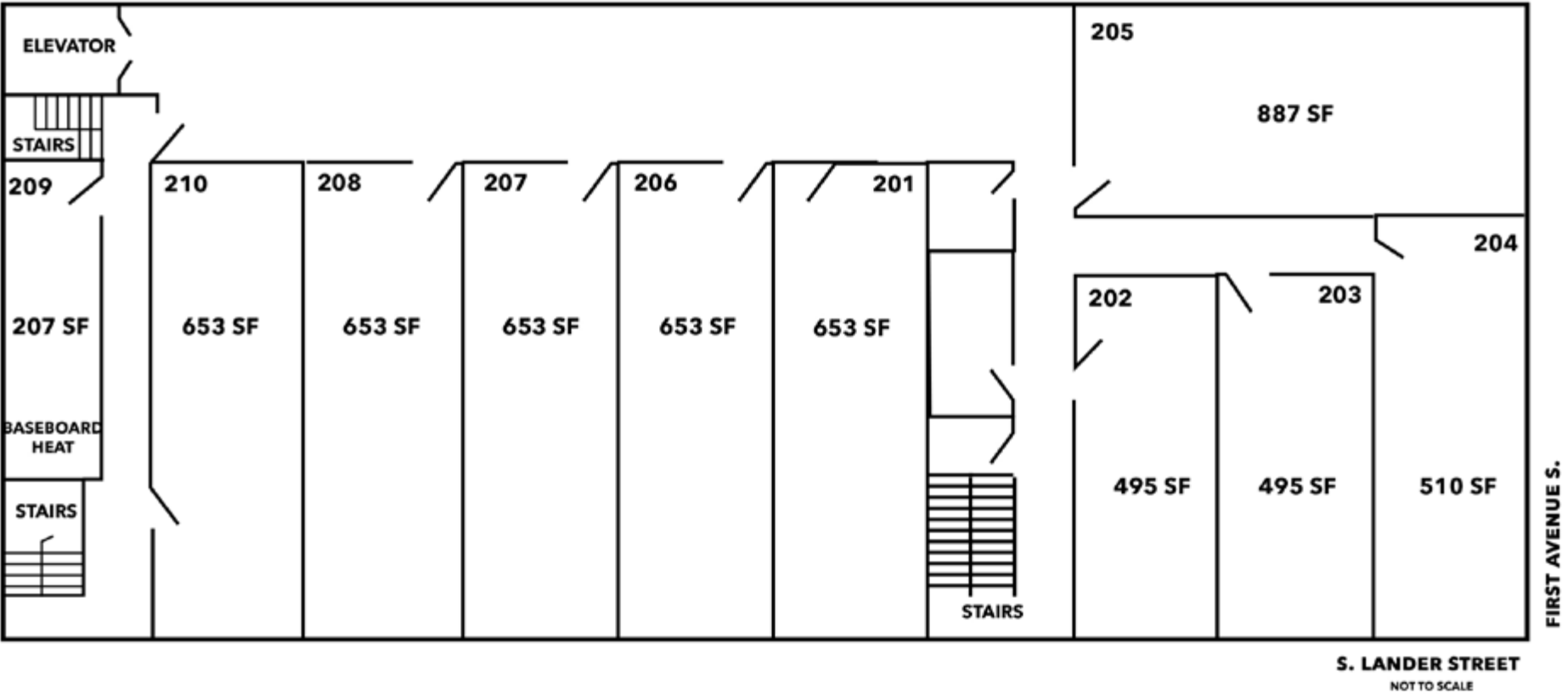
FLOOR PLANS

FIRST SOUTH BUILDING - FIRST FLOOR

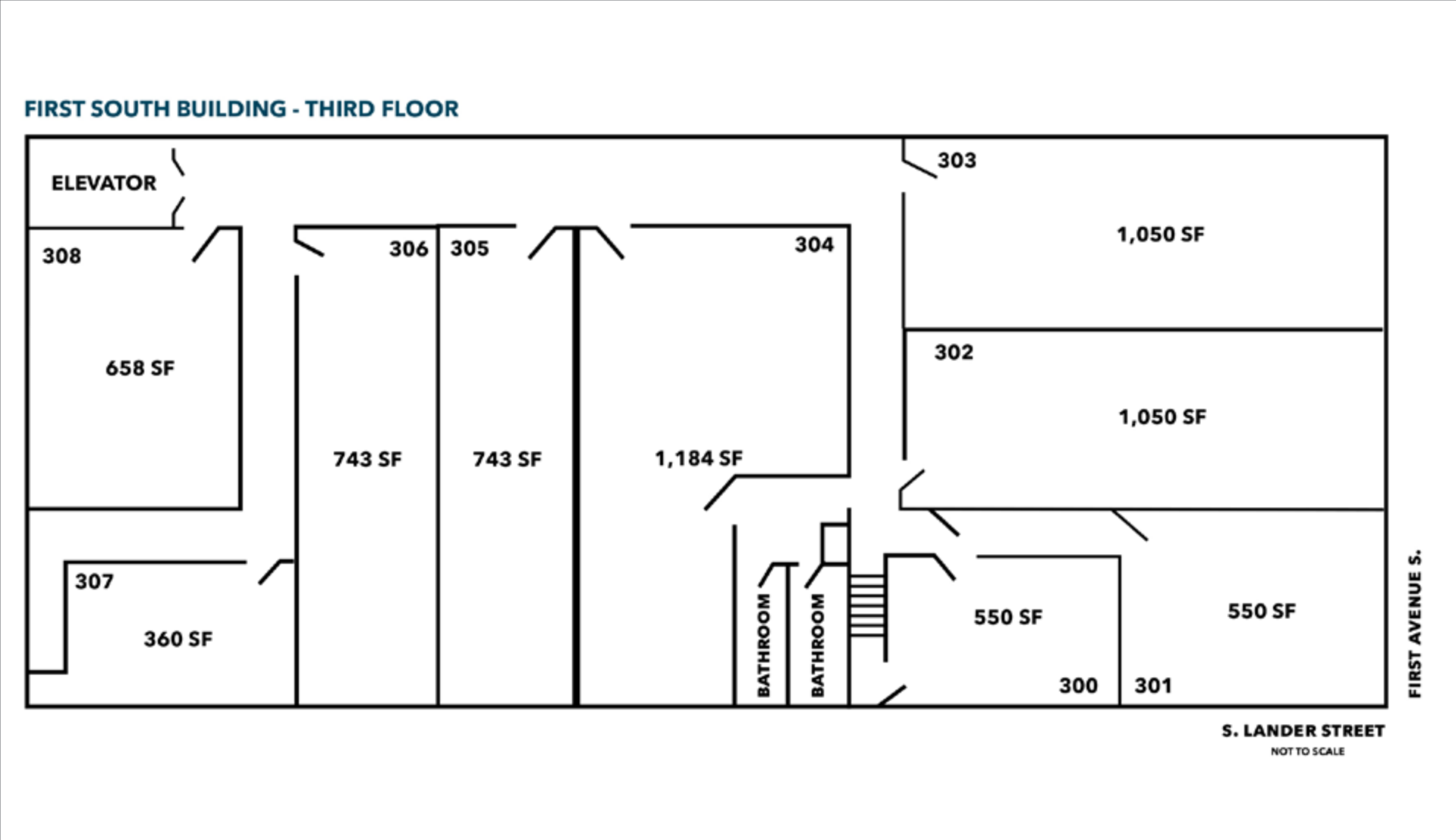


FLOOR PLANS

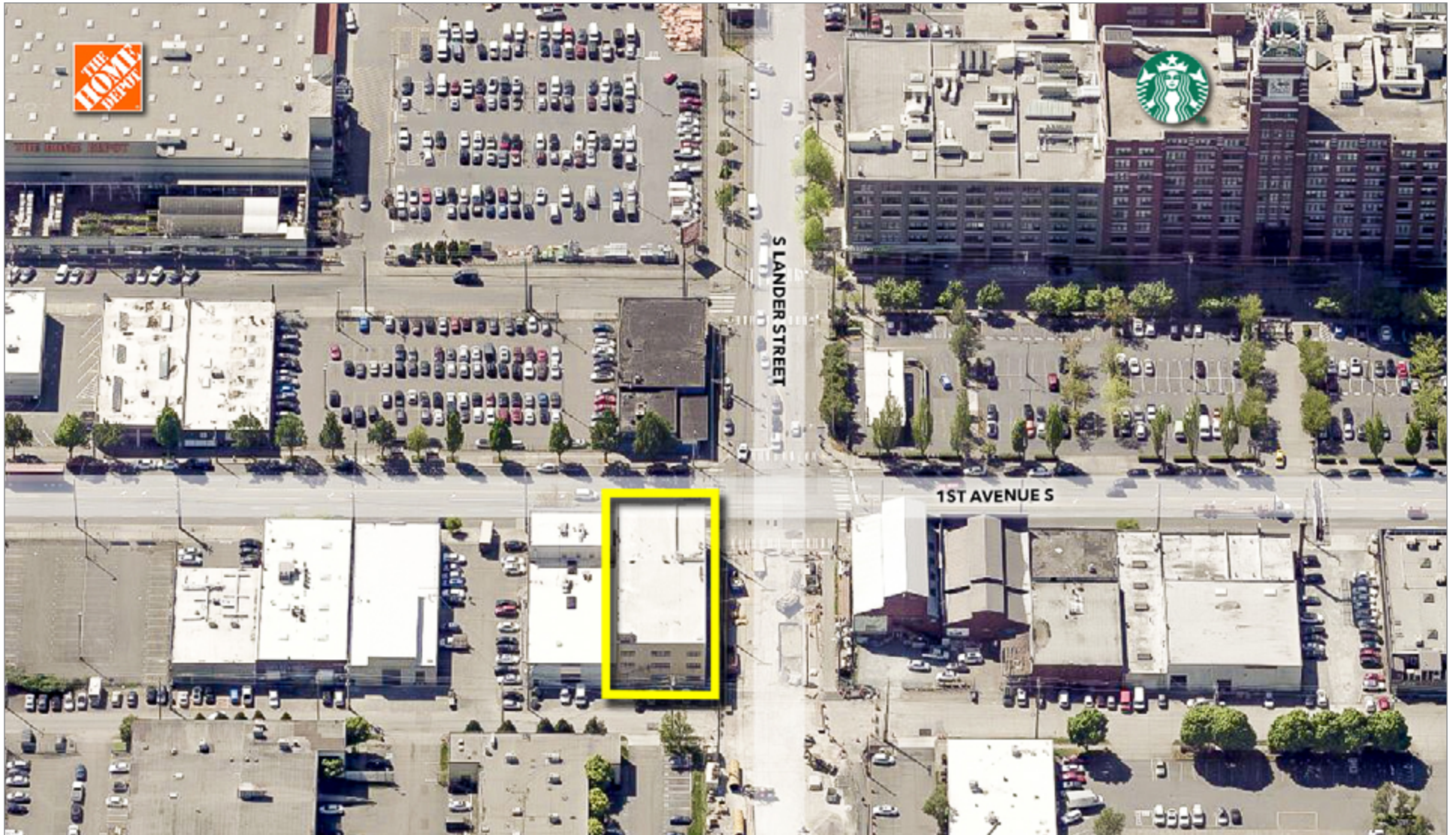
FIRST SOUTH BUILDING - SECOND FLOOR



FLOOR PLANS



PROPERTY AERIAL



TENANT PROFILES

JC Marble & Granite

2,800 SF | Month-to-Month Occupancy | [website link](#)

Specializing in kitchen and bath granite, tile and cabinetry, JC Marble & Granite offers a contractors discount supply store as well as installation.

Sewn Product Services

4,009 SF | Month-to-Month Occupancy | [sewn.tech](#)

With 10 years of industry experience, this woman owned & operated clothing manufacturing company specializes in the design and oversight of clothing line manufacturing. With industry relationships both domestically and internationally, they are a one-stop shop for designers looking to start or scale their clothing manufacturing under experienced manufacturing overseers.



Victoria Simons Design

2,176 SF | Month-to-Month Occupancy | [website link](#)

Specializing in custom clothing and jewelry design, Victoria Simons design opens to the public only for special sales and has their space built out as a large sewing studio.

Playfish Media

788 SF | Month-to-Month Occupancy | [playfishmedia.com](#)

Playfish Media LLC was founded in 2011 by producer/director Jillian Suleski and editor Nick Nelson. Suleski and Nelson were film school classmates and both had extensive experience working freelance in the production industry. They are committed to the creative process and devoted to achieving excellence in video production. Playfish Media was founded with the aim to provide simple, honest-to-goodness superior client care, incredible creativity, and a no-holds barred attitude about getting it done right.



INVESTMENT OVERVIEW



PROFORMA RENTS

UNIT NO.	NAME	PROFORMA RENTAL	SINK	SQUARE FOOTAGE	COST / SF / MONTH	COST / SF / YEAR
2700, 2702, 2704	Current JC Marble	\$70,000.00		2,800 SF	\$2.08 / SF / Mo.	\$25.00 / SF / Yr.
001	Basement / Storage	\$47,250.00		3,150 SF	\$1.25 / SF / Mo.	\$15.00 / SF / Yr.
5	Maintenance Storage Room					
First Floor						
100	Current VS	\$10,800.00		600 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
101	Current VS	\$15,760.00	Y	788 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
102	Current VS	\$15,760.00	Y	788 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
103	Current ML	\$15,760.00	Y	788 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
104	Current Playfish	\$15,760.00	Y	788 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
105	Current PH	\$17,360.00	Y	868 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
Second Floor						
201	Current JC	\$11,754.00		653 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
202	Current LC	\$8,910.00		495 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
203	Current PP	\$8,910.00		495 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
204	Current Sewn Products	\$9,180.00		510 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
205	Current Sewn Products	\$15,966.00		887 SF	\$15.50 / SF / Mo.	\$18.00 / SF / Yr.
206	Current Sewn Products	\$13,060.00	Y	653 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
207	Current Sewn Products	\$11,754.00		653 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
208	Current Sewn Products	\$11,754.00		653 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
209	Current DZ	\$5,400.00	Y	270 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
210	Current Sewn Products	\$11,754.00		653 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.



PROFORMA RENTS

UNIT NO.	NAME	PROFORMA RENTAL	SINK	SQUARE FOOTAGE	COST / SF / MONTH	COST / SF / YEAR
Third Floor						
300	Current LK	\$11,000.00	Y	550 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
301	Current RA	\$9,900.00		550 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
302	Current EV	\$21,000.00	Y	1,050 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
303	Current Rogan Homes	\$21,000.00	Y	1,050 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
304	Current VS	\$23,680.00	Y	1,184 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
305	Vacant	\$13,374.00		743 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
306	Current MM	\$13,374.00		743 SF	\$1.50 / SF / Mo.	\$18.00 / SF / Yr.
307	Current MG	\$7,200.00	Y	360 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
308	Current PD / KK	\$13,160.00	Y	658 SF	\$1.67 / SF / Mo.	\$20.00 / SF / Yr.
TOTAL GROSS INCOME		\$450,580.00		23,380 SF		
OPEX	Current \$3.42 per annum	(\$158,984.00)			\$0.57 / SF / Mo.	\$6.80 / SF / Yr.
VCL	10%	(\$45,058.00)				
Stabilized NOI		\$246,538.00			\$0.88 / SF / Mo.	\$10.54 / SF / Yr.
Purchase Price		\$4,300,000.00				
Stabilized Cap Rate		5.73%				



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