

City of Bellevue East Main Street Station

Market Dynamics

March 2015

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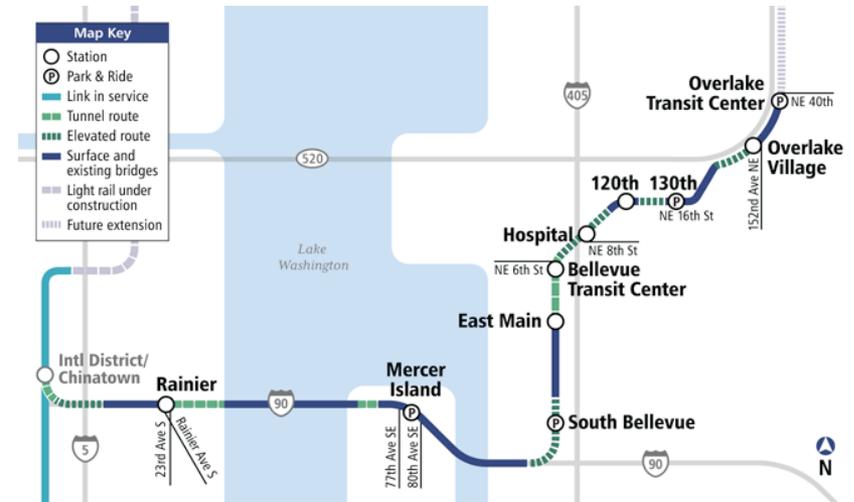
Overview of Scope

- Inform Development Scenarios

- Bellevue Market Context
- Review Development Scenarios
- Inputs for Feasibility Modeling

- Validate Development Scenarios

- Feasibility Modeling
- Timing Implications



Development Drivers

Key drivers for identification of attractive development opportunities include:

- Flexible **zoning** environment
- Importance of transit, **TOD** (Fixed vs Bus)
- Walkability** to urban amenities
- A dynamic **retail** experience
- Sense of Places**; open gathering spaces, public amenities, and “third places”
- Path of progress, **growth** trajectory

Development Drivers

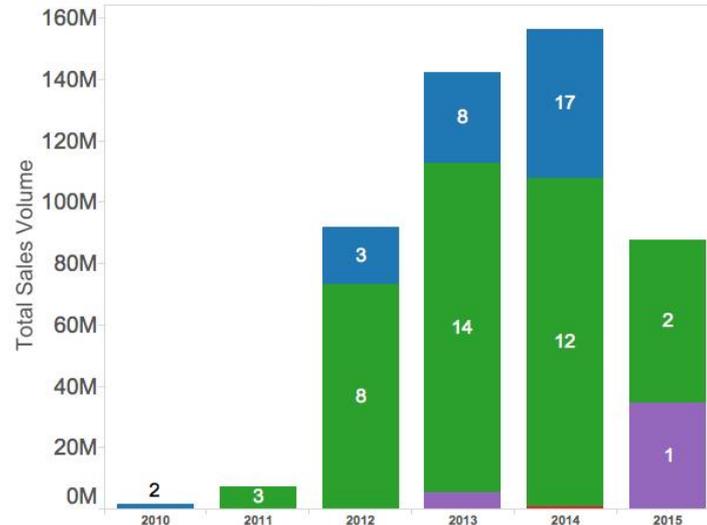
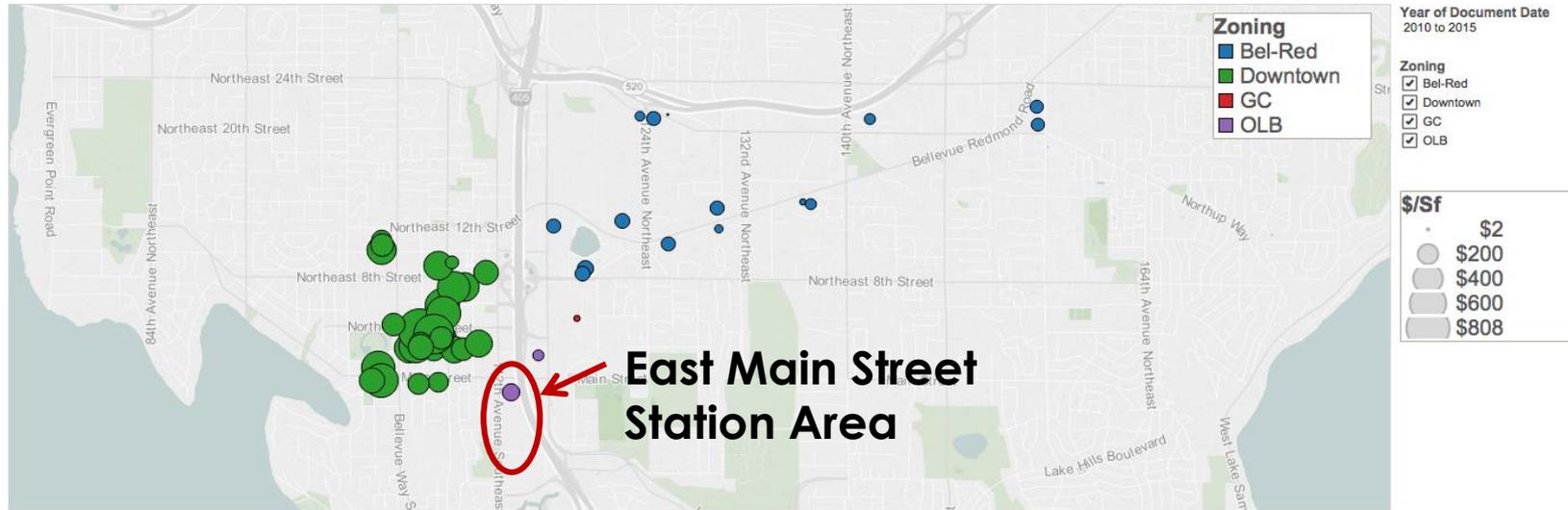
- **Why East Main?**

- Leverage light rail investment
 - Existing redevelopment opportunities and underutilized sites
 - Proximity to downtown and freeway access
 - Significant anticipated Link Light Rail ridership
- Activate City Gateway
 - Opportunity to redevelop a mixed use environment around a new transit
 - There is a potential catalyst site (Red Lion)

- **What's Missing?**

- The Light Rail
- Flexible zoning that responds to the market

Market Overview - Velocity

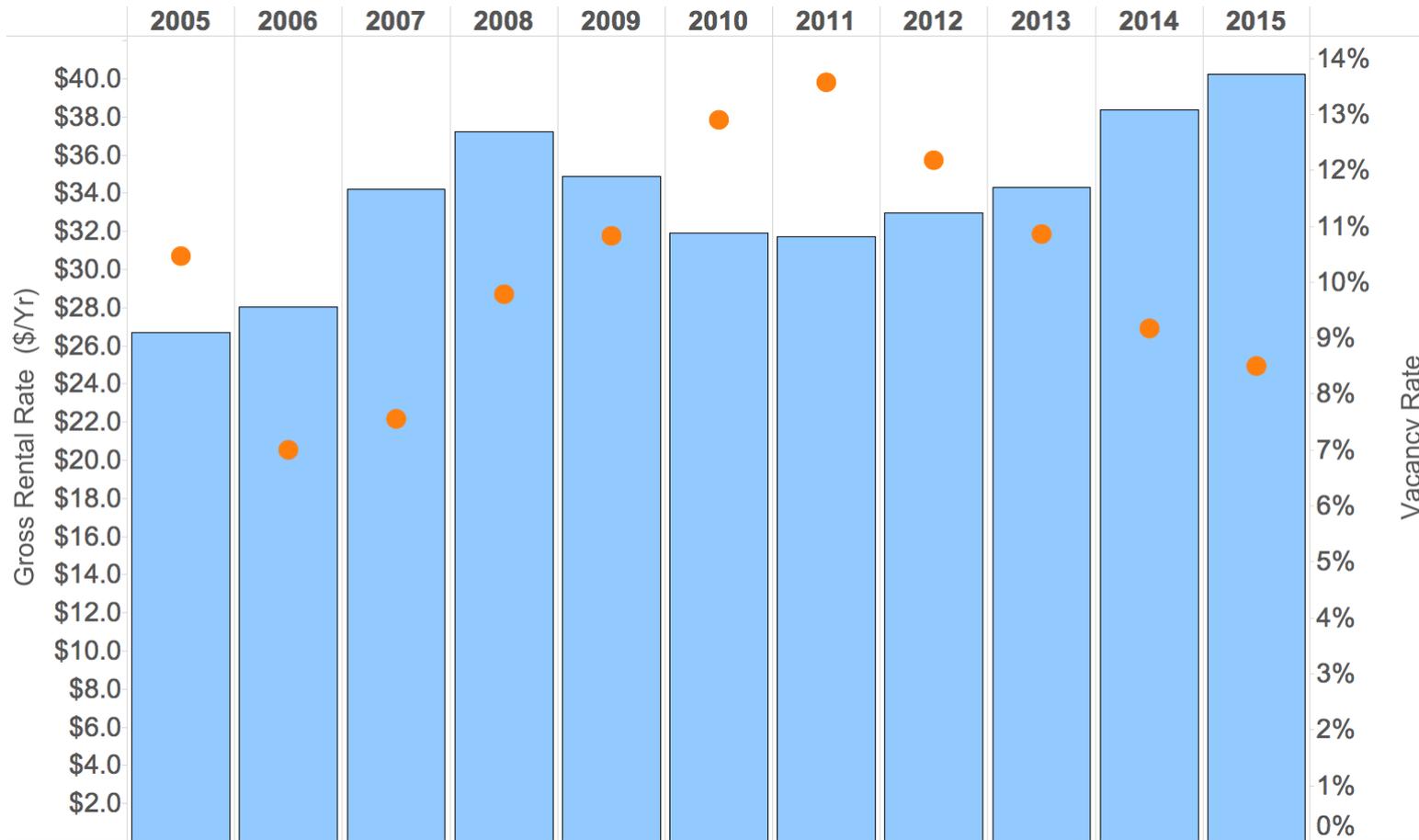


Zoning	2010	2011	2012	2013	2014	2015	Total
Bel-Red	\$2M 17 2		\$19M \$72 3	\$29M \$90 8	\$49M \$67 17		\$98M \$67 30
Downtown		\$7M \$282 3	\$73M \$341 8	\$107M \$343 14	\$107M \$371 12	\$53M \$379 2	\$348M \$352 39
GC					\$1M \$18 1		\$1M \$18 1
OLB				\$5M \$53 1		\$35M \$132 1	\$40M \$93 2
Total	\$2M \$17 2	\$7M \$282 3	\$92M \$302 11	\$142M \$262 23	\$156M \$217 30	\$88M \$297 3	\$486M \$243 72

Source: Data provided by King County

Market Overview - Office

Class A Market Fundamentals



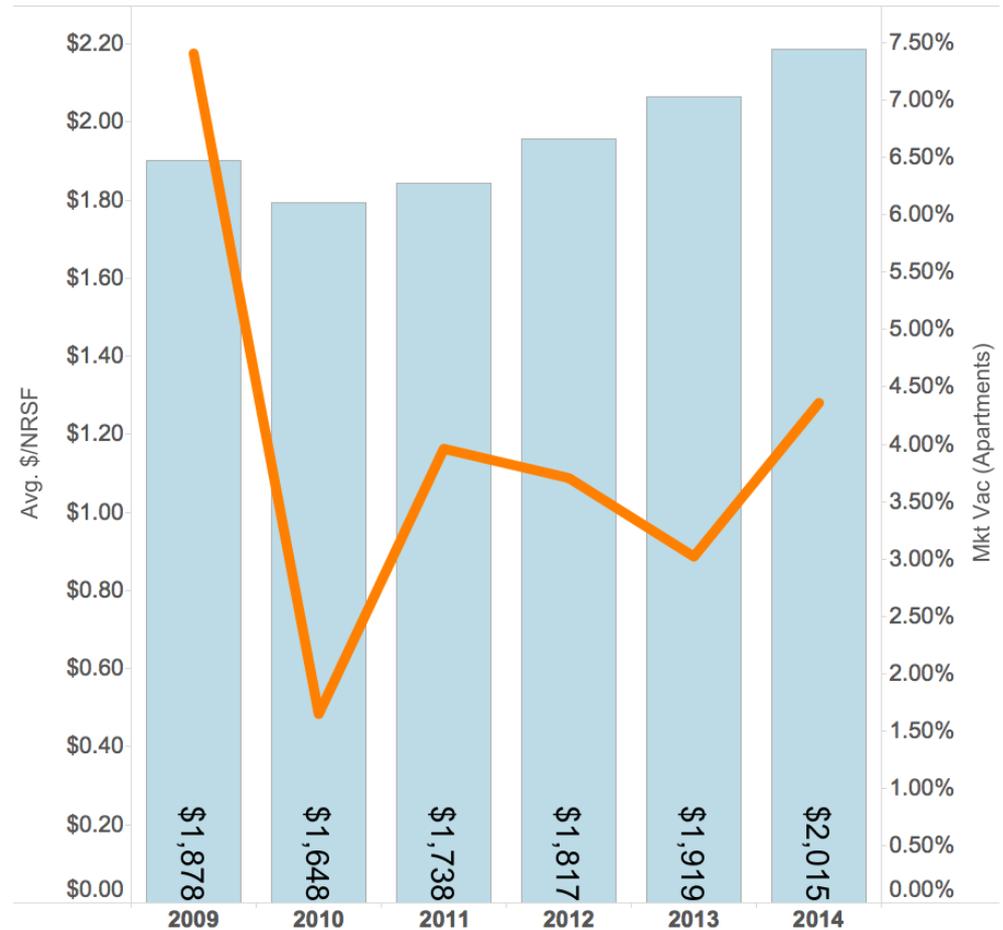
Source: Data provided by CoStar

Market Overview - Multifamily

Historical MF Rental and Vacancy Rate (2009+)

Strong Market Fundamentals

- Growing rental rates
- Stable vacancy below 5%



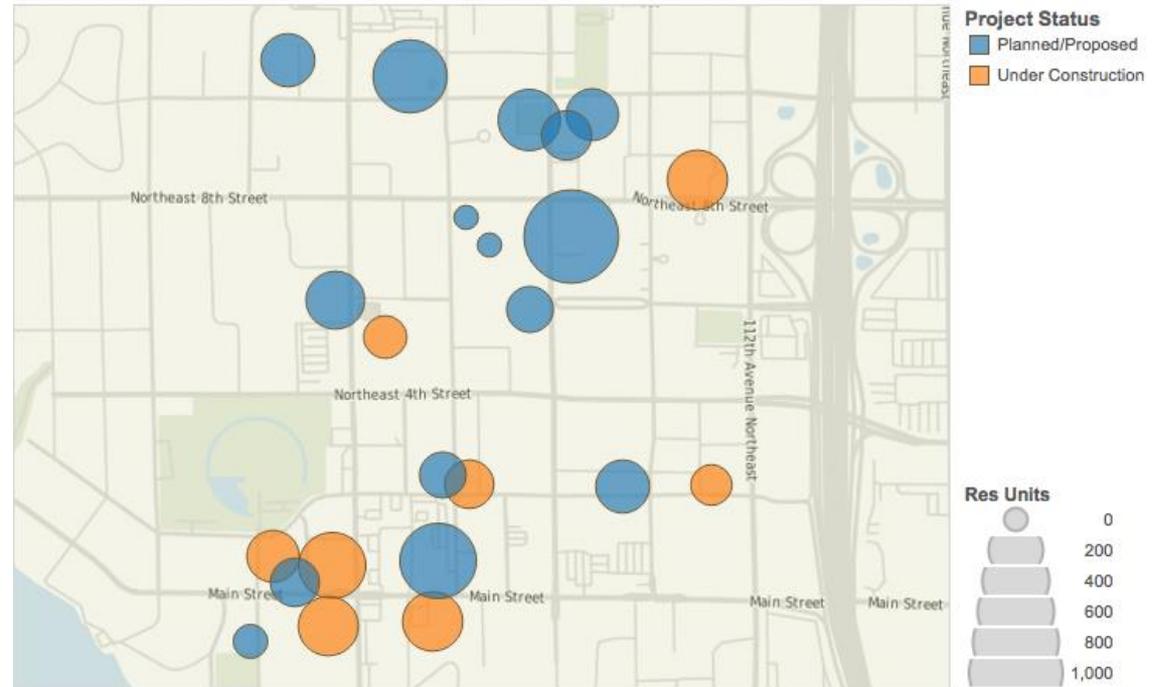
Source: Data provided by Dupre + Scott

Market Overview - Multifamily

A Target Market

- Over 600 units delivered since 2009
- 23 Project in the pipeline representing over 10,000 units

Heartland Development Pipeline



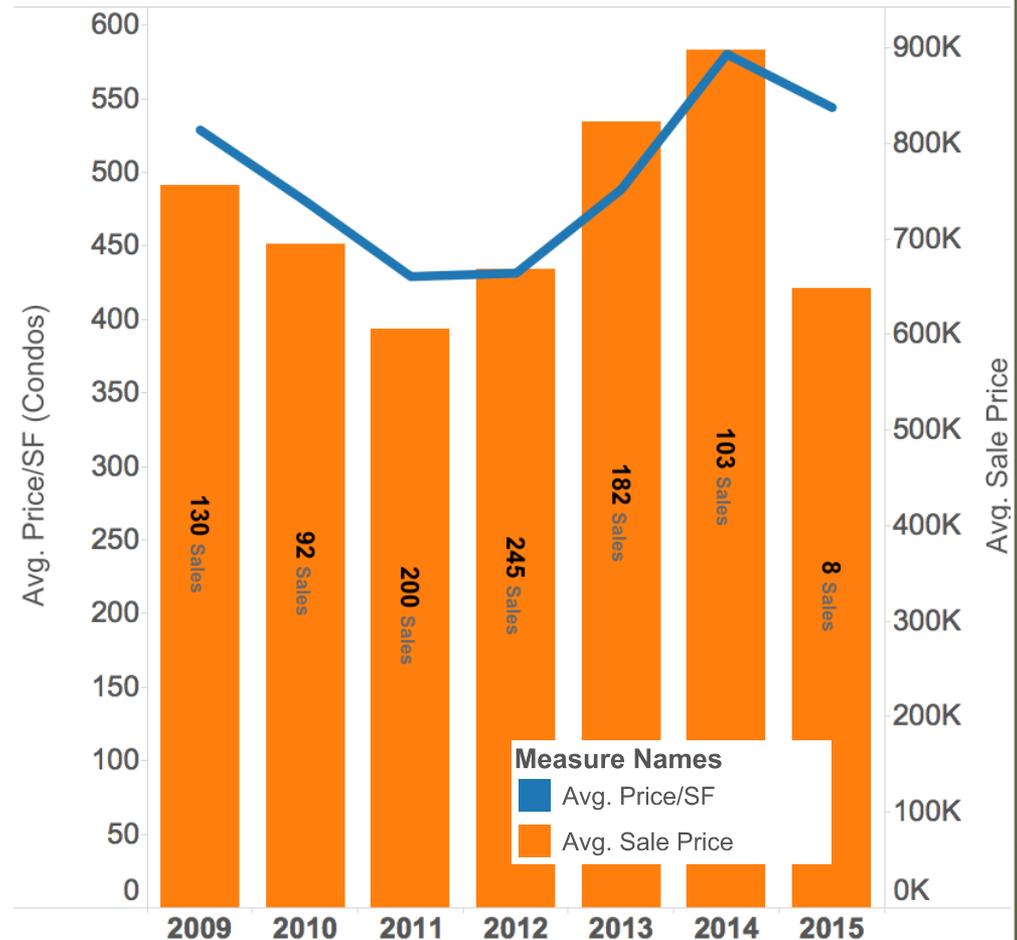
	Projects	Residential Units	Office Sq Ft	Retail Sq Ft	Hotel Rooms
2015	4	838	0	116,200	0
2016	4	3,217	0	196,725	0
2017	3	795	1,190,000	133,000	250
2020	9	3,344	0	23,440	0
2018	3	2,613	0	440,000	408
Total	23	10,807	1,190,000	909,365	658

Market Overview - Condominium

May See A Return of these Projects

- 2014 was a peak year (*post recession*)
 - \$847,000 per unit
 - \$562 per SF
- May offers a mix of housing types (*ownership*)

Downtown Bellevue Condo Sales



Source: Data provided by KingCo Assessor

Market Overview - Hospitality

Market Fundamentals (*Kidder Matthews 4Q14 Hotel Report*)

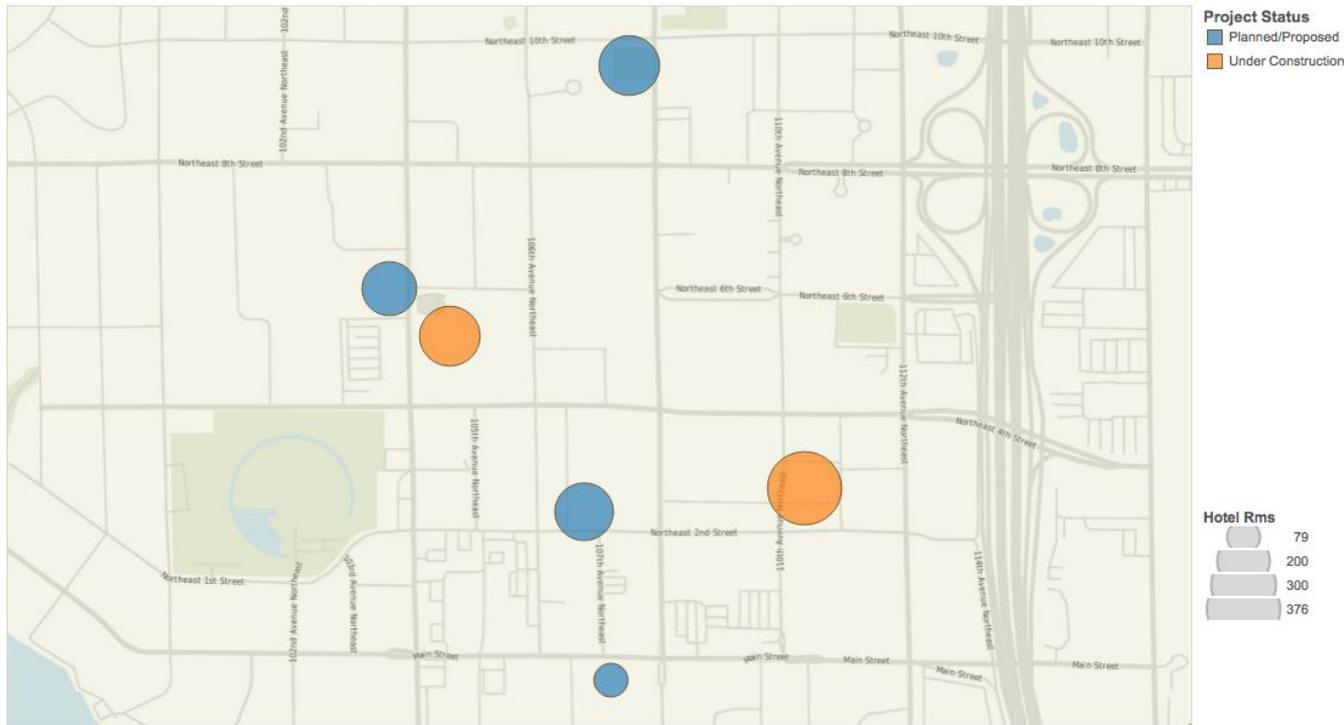
- Room Occupancy 2014 75%
 - Unchanged from 2013
- Average Room Rate \$176
 - 9.3% increase from 2013

Market Fundamentals (*PKF Hotel Horizons Nov 2014*)

- Upper-Priced Room Occupancy 74.5%
 - Unchanged from 2013
- Average Room Rate \$177
 - 8.2% increase from 2013

Market Overview - Hospitality

Heartland Development Pipeline



	Projects	Residential Units	Office Sq Ft	Retail Sq Ft	Hotel Rooms
2015	2	0	0	15,000	831
2016	2	0	0	0	488
2017	1	0	0	0	250
2018	1	478	0	440,000	408
Total	6	478	0	455,000	1,977

Economic Analysis

- **Residual Land Value Assessment**

- Value of the land if redeveloped compared to next best alternative
 - Ability to pay given VIA scenarios
 - How does that value compare to existing uses
 - How owners may be compelled to act on added value

- **Tipping Point Assessment**

- When it might happen (light rail and existing uses)
- Likely when redevelopment value exceeds existing uses

Next Steps

- **Refine market assumptions**
- **Populate redevelopment economics model**
- **Frame alternatives**

- **Questions**