Development Guide
December 2014 Update

Overview:
The Downtown Seattle Association (DSA) publishes two development guides each year to quantify development activity taking place within Downtown Seattle. The first, published in February, is an annual summary of all development activity for the previous calendar year. This is followed by a mid-year update each June. An explanation of criteria used in this analysis and a glossary of terms is included at the end of this document.

Key Findings:
In 2014, Downtown Seattle saw:

- More active* projects than any year since tracking began in 2005
- 42 projects break ground
- 31 projects completed

As of December 31, 2013, Downtown had:

- 56 projects currently under construction
- 32 apartment and 2 condominium projects under construction
- Nearly triple the number of apartment units under construction compared to the height of the previous development cycle (in 2007) and more total residential units under construction (including condominiums units.

* An “Active” project refers to those under construction, permitted and ready to begin, or those completed in the most recent calendar year. Mid-year updates include completions year-to-date as well as from the previous calendar year.
Summary of Development Activity

In 2014, Downtown Seattle saw record levels of development. After dipping to just over $1 billion in projects underway toward the end of “The Great Recession” (2010), total construction cost for those under construction as of the end of 2014 hit $3.3 billion. That was ten percent higher than the previous peak in 2007.

Over the past four years, Downtown has experienced a remarkable resurgence in construction activity. In 2014, 31 projects were completed. This is the highest number since our tracking began in 2005. The 56 projects still under construction at the end of the year also topped all previous years. Again, 2010 was a low point with only 12 projects under construction, leading up to a low of only six delivered in 2011.

The chart below shows the total number of projects by status and the total cost for those under construction. A table below the chart shows a summary of projects by status for each year.

Figure 1. The line shows construction costs for projects under construction, 2005-2014 (year-end figures). The bars show the total number of projects by project status for each year.

Table 1. Number of projects by status and year

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<tr>
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<tbody>
<tr>
<td>Recently Completed</td>
<td>26</td>
<td>21</td>
<td>25</td>
<td>27</td>
<td>22</td>
<td>22</td>
<td>6</td>
<td>23</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Under Construction</td>
<td>32</td>
<td>42</td>
<td>51</td>
<td>44</td>
<td>32</td>
<td>12</td>
<td>29</td>
<td>44</td>
<td>45</td>
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<td>Permitted</td>
<td>4</td>
<td>10</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>
Project Mix

The mix of project types has changed over time. While residential projects have typically been a large portion of the projects under development, toward the end of the recession a larger share of active development was in other project types. About a third were in office, a third residential and a third in other types such as retail and medical/biotechnology projects. Currently, about two thirds (65 percent) of building projects have residential components while about 1 in 5 have an office component.

Table 2. Percentage of projects with various components

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>6%</td>
<td>11%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>n/a</td>
<td>3%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Office</td>
<td>19%</td>
<td>12%</td>
<td>18%</td>
<td>21%</td>
<td>33%</td>
<td>31%</td>
<td>19%</td>
<td>14%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Residential</td>
<td>56%</td>
<td>67%</td>
<td>58%</td>
<td>49%</td>
<td>43%</td>
<td>34%</td>
<td>52%</td>
<td>66%</td>
<td>68%</td>
<td>65%</td>
</tr>
<tr>
<td>Other</td>
<td>26%</td>
<td>22%</td>
<td>22%</td>
<td>29%</td>
<td>26%</td>
<td>34%</td>
<td>31%</td>
<td>21%</td>
<td>17%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: Due to overlap in project types (for example, a project containing both hotel and residential components), totals may add up to more than 100 percent.

The table above shows the percentage of projects containing various types of space. The portion of projects with each type has changed over time, in particular with regard to residential space. Office space was a larger component in the development mix in 2009 and 2010. While number of projects is an interesting metric, the amount of space devoted to a specific type is also important. When looking at square feet under construction, office space construction appears to have previously peaked in 2008 (see page 8 for information on office development).

The chart below shows a different view of the project mix. The bars show the total for each year with colors indicating project type. During the down cycle, some types decreased in activity much more than others. This led to less diversity among project types under development. Most notably, there were no hotels permitted, under construction or delivered in 2011. However, as construction activity grows, so does its diversification.

Figure 2. Number of active construction projects by category and year (year-end statistics)
Residential vs. Nonresidential

The chart below shows the number of non-residential compared to total residential projects permitted, under construction or completed that year. The stippled portion of the green shaded area indicates the portion of residential projects that were mixed use (residential with major office or hotel components). From 2008 through 2010 more than half of projects were without a residential component. Residential projects once again assumed a majority position in 2011.

Figure 3. Number of Active residential versus non-residential projects (year-end statistics)
Residential

Apartment construction is leading the current wave of development. At the end of 2010, only three apartment buildings were under construction, representing 409 units. By 2014, that number had risen to 32 buildings and 5,253 units (see figure 5 on page 6).

In 2011, there were no condominium buildings under way Downtown. In 2012, Bosa Development broke ground on the largest condominium project currently under way in the Pacific Northwest, the 707-unit Insignia. That project is no longer alone in the immediate condominium pipeline. In 2014, Alteca broke ground on the 169-unit Luma condominiums.

The following chart shows total unit deliveries (both apartments and condominiums) per year. The average number of deliveries over the past ten years (1,655) is represented by the horizontal green line across the chart. Each of the past three years saw above average unit completions in Downtown Seattle. In fact, deliveries in 2014 were more than twice the average. The next two years are projected to see above average residential units completed. If projects waiting on permits are built, 2017 will see more than average deliveries as well.

Figure 4. Historic and projected residential deliveries per year (green line shows average for 2005-2014)

These numbers do not include projects that are proposed but waiting on construction permits. Since developers sometimes cancel or delay these projects, often for several years, DSA does not consider these “active” for the purpose of the Development Guide. More than 13,000 residential units are presently in this “planned, unpermitted” status. This does not include an undetermined number of units in the Yesler-Terrace projects beyond initial phases of development (the overall project may ultimately add as many as 5,000 units).
Apartment and Condominium Mix
The mix of condominium and apartment units under construction has changed drastically over the past ten years.

The charts below shows the mix of condominium and apartment units Downtown completed and under construction each year. In 2006 and 2007, about two thirds of those under construction were in condominium projects. In contrast, from 2008 through 2014, a large majority of units under construction were in apartment projects. The bar charts below that show unit completions by year. When the first phase of the Insignia project opens, they will be the first units in a major Downtown condominium project to be completed since 2009.

Figure 5. Apartment and condominium units under construction (year-end statistics)

![Bar chart showing apartment and condominium units under construction](image_url)

Table 3. Five largest active residential projects in 2014

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Status</th>
<th>Open Year</th>
<th>Units</th>
<th>Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insignia Towers</td>
<td>Under Construction</td>
<td>2015</td>
<td>707</td>
<td>$ 450,000,000</td>
</tr>
<tr>
<td>NoLo and The Wave (at Stadium Place)</td>
<td>Completed</td>
<td>2014</td>
<td>492</td>
<td>$ 255,000,000</td>
</tr>
<tr>
<td>Cornish Student Housing</td>
<td>Under Construction</td>
<td>2015</td>
<td>422</td>
<td>$ 48,000,000</td>
</tr>
<tr>
<td>2nd and Pine</td>
<td>Under Construction</td>
<td>2017</td>
<td>398</td>
<td>$ 78,000,000</td>
</tr>
<tr>
<td>Premiere on Pine</td>
<td>Completed</td>
<td>2014</td>
<td>386</td>
<td>$ 72,000,000</td>
</tr>
</tbody>
</table>
Hotel

In 2014, Downtown saw a major surge in hotel development. With more than 14,000 rooms, Downtown already has the highest concentration of hotel rooms in the region. With a growing tourist industry and a proposed convention center expansion, the Downtown Seattle hotel market is strong. Overnight visitors to Downtown Seattle filled 3.6 million room nights in the past year. With occupancy at nearly 100 percent during the peak months of July and August, the Downtown hotel market has plenty of room to grow.

Currently, four hotel buildings are under construction representing 776 rooms:

- American Life is constructing a 278-room Embassy Suites hotel as part of the first phase of the eastern portion of the Stadium Place projects (opening in 2016).
- Kauri Investments is about to complete a Hyatt house project with 116 hotel rooms.
- Touchstone is currently constructing two hotel projects:
  - Hill7, with 222 rooms; opening in 2016
  - 1st and Stewart Hotel and Apartments, with 160 rooms; opening 2015.

Figure 6. Hotel units delivered by year and current status (as of December 31, 2014)

While no hotels were completed from 2011 through 2013, activity began to increase over the past year. By the middle of 2014, four hotel projects broke ground and a renovation was completed for the Red Lion Hotel (now a Motif hotel). This renovation included the addition of 22 new hotel rooms. By the end of 2014, the Palladian had also completed renovation, adding another 97 rooms to the Downtown inventory.

The chart above does not include over 3,000 rooms in projects that are propose but not formally permitted.
Office

Between 2005 and 2010, Downtown Seattle saw 5.4 million square feet of office space come online. Office construction peaked in the second half of 2008 with 4.8 million square feet of office space under construction. Space under construction hit a low point in 2012, with only 337,000 square feet under construction. Activity has increased since then. At the end of 2013, 2.3 million square feet of office space was under construction. By the end of 2014 that had nearly doubled to 4.4 million.

At the peak in 2008, many office projects nearing completion came online without signed leases. Around the same time, the start of a recession and collapse of Washington Mutual left a considerable amount of Downtown Seattle office space vacant. According to data from CBRE, the Downtown office market is improving. Downtown experienced positive absorption each of the past five years with more than 5.5 million square feet of newly occupied space, treble what was lost during the recession.

Figure 6. Office space currently under construction (year-end statistics)

The growth of Amazon is driving much of this increase in office development and occupancy. Before beginning their current expansion in 2010, Amazon occupied just over a million square feet of space in Seattle, including its former headquarters on Beacon Hill. They currently occupy 4.1 million square feet and have plans for 5.9 million more, including 3.5 million currently under construction.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Status</th>
<th>Open Year</th>
<th>Developer</th>
<th>Office Sq Ft</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Park (Amazon.com Complex)</td>
<td>Under Construction</td>
<td>2016</td>
<td>Amazon.com</td>
<td>1,152,000</td>
</tr>
<tr>
<td>The Gallery (Amazon.com Complex)</td>
<td>Under Construction</td>
<td>2015</td>
<td>Amazon.com</td>
<td>1,074,000</td>
</tr>
<tr>
<td>Troy Laundry Block</td>
<td>Permitted</td>
<td>2017</td>
<td>Touchstone Corporation</td>
<td>800,000</td>
</tr>
<tr>
<td>Fifth + Columbia</td>
<td>Permitted</td>
<td>2017</td>
<td>Daniels Real Estate</td>
<td>528,000</td>
</tr>
<tr>
<td>Amazon.com Phase VI</td>
<td>Under Construction</td>
<td>2015</td>
<td>Vulcan Inc.</td>
<td>365,000</td>
</tr>
</tbody>
</table>
Conclusion
The development story in Downtown Seattle for 2014 is one of continued growth across several sectors. Apartments led the way in this development cycle and continue to dominate the residential development landscape. Soon condominium completions will bring the first new units for sale in Downtown Seattle in years. Hotel development is also heating up, fueled by strong demand in that sector and a potential convention center expansion in the works. The office sector also remains strong. While initially the current office development cycle has been led by demand from Amazon, other projects are taking shape as well.

There are developments in smaller sectors that are also thriving. A million square feet of biotech space is under way across four projects. Three active retail developments are under construction, including new space for Honda and Toyota of Seattle in SoDo. Another retail milestone was renovation and opening of a new Starbucks Roastery on Capitol Hill. This represents a diverse portfolio of investment pointing toward a growing Downtown Seattle economy.

A full list including those who have applied for permits or otherwise indicated plans for Downtown development is available at www.downtownseattle.com/developmentlist.
Notes on Criteria
Included are Downtown Seattle projects with structural components that have construction costs of $1 million or more (occasional exceptions to this criteria are made for some high profile projects). Transportation projects are only included if they involve a building structure (infrastructure such as rail and roads are not included). Projects must have building construction permits issued to be placed on the “active” list (permitted, currently under construction or recently completed). Active projects are the only projects that appear in DSA publications. The geography used for this analysis is the area within Downtown Seattle. This area is defined as the area around South Lake Union in the north to South Lander Street in the south and Elliott Bay in the west to Broadway in the east.

Definitions for Development Project Status
*Project status is determined by level of completion:*

**Active project** – an active project is one that is formally permitted, currently under construction or recently completed.

**Completed** – project completed since January 1st of the most recent full calendar year. Please note that when comparing mid-year updates to year end updates, this category represents a different span of time (16 months versus 12 months). Therefore, completed projects are only used in year-over year comparisons.

**Currently Under Construction** – used when project construction is underway, but before project is completed.

**Permitted** – used when there are *building* construction permits issued by the Seattle Department of Planning and Development but the project has yet to begin construction. If there are only land use, excavation or demolition permits, project is not included.

*The Downtown Seattle Association Development Guide, including a web based map and project listings, is available at [www.downtownseattle.com](http://www.downtownseattle.com)*