



**Trusted by Institutions, Raved about by Families.**  
**Summer 2018 Newsletter**

2018 began with robust market opportunities for our clients despite rising costs for construction and a competitive buying environment. We continue to be positive on the benefits of direct real estate investments and provide some insight below on what fuels our optimism.

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## **Market Commentary**

As summer ends and we reflect on the first half of 2018, we note the following trends developing within our Pacific Northwest real estate region:

### **SEATTLE REGION CONTINUES ITS STRENGTH**

The Seattle region continues to be one of the most attractive real estate investment markets in the country highlighted by its large array of world class companies headquartered in the region, its highly educated workforce and the high quality of life. Furthermore, job growth continues to be robust, led by the technology industry, fueling demand across all real estate sectors. Due to the high costs of land and construction, supply has generally been limited, although there are some short-term concerns in the multifamily (apartments) sector as the market experiences record deliveries. For long-term investors, Seattle's fundamentals remain strong and the region is expected to be one of the top performers nationally over multiple cycles, as evidenced by consistent institutional interest in the region.

### **INDUSTRIAL AND OFFICE SPACE DEMAND IS HIGH**

Office demand continues to be led by large technology firms such as Amazon, Facebook, and Google. The fundamentals are excellent for this sector, especially in close-in locations with access to transit and amenities. However, strong pricing and high cost of capital improvements underscore the need to be careful in selecting investments. The current strong economy and change in delivery logistics to more "last mile" demand has led to a significant increase in industrial demand, rent, and values. Supply has been modest due to the areas lack of zoned land and high cost of delivery.

### **MULTIFAMILY PROPERTIES REQUIRE ATTRACTIVE AMENITIES**

While multifamily demand remains high as people continue to move into the area, a record amount of new supply is tempering rental growth. As a result, we expect some planned apartment projects to convert to condominiums and, in turn, level the supply. Overall, we continue to believe multifamily is a great long-term investment option and are particularly bullish on well-located vintage assets and properties with access to transit and amenities, which help to drive renting decisions now and into the future.

### **CAUTION WITH RETAIL PROPERTIES**

Well located urban retail properties continue to outperform with rent growth occurring in areas with strong employment and demographics. However, fundamentals in secondary markets are weak as online shopping continues to have a negative impact on brick-and-mortar retail, especially large format stores and non-anchored strip centers in less populated areas. We recommend caution in acquiring retail properties unless anchored by a strong tenant or in a difficult to build location with strong demographics.

#### **INVESTMENT RECOMMENDATIONS IN A STRONG MARKET**

While asset pricing continues to be strong, we believe a well-disciplined program that stresses investing in quality properties in sub-markets with strong demographics, access to transit and a variety of amenities will produce strong risk-adjusted returns. We believe in performing annual “hold-sell” analysis to identify assets that no longer fit within the defined investment plan and should therefore be redeployed.

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## **Featured Property**



We are excited to have recently acquired, in partnership with one of our family office clients, the [Seaboard Building](#) - a 58,180 square foot office building that was 84% leased at the time of acquisition.

There are a multitude of reasons why we are enthusiastic about this property. Most importantly, this property fits nicely into our client's investment thesis of a patient long-term hold with a focus on asset preservation and “core-plus” returns. Other reasons include:

#### **PRIME LOCATION**

The Seaboard Building enjoys an excellent location in the heart of Seattle's central business district on the corner of 4th Avenue and Pike Street with unparalleled access to transit and retail amenities. The building fronts Westlake Park, which offers a vibrant and lively venue for both its tenants and pedestrians.

#### **ATTRACTIVE TENANT OWNERSHIP**

The Seaboard Building was originally built in 1907, and in 1910 was expanded to a 10-story building. In 2001, the property was completely renovated and now includes 6 levels of commercial office and retail space, plus 24 residential condominiums, including the addition of an 11<sup>th</sup> floor penthouse level. Since the asset had a unique ownership (condominium) structure and size, it was too small for institutional interest and too large for most individual private investors. As a result, we were able to acquire a superbly located commercial property for an attractive price that was well below replacement costs.

#### **UNIQUE PROPERTY CHARACTERISTICS**

The property retains much of its historic charm, however, we believe there is an opportunity to upgrade the office space and uncover more original details such as board form concrete walls and columns currently hidden under the 2001 renovation. Additionally, we will be installing modern HVAC units, lighting and upgrading restrooms. We are also considering select improvements to common areas and amenities to further attract tenant interest.

#### **CURRENT STATUS**

Since acquisition, we have re-branded the building, completely retrofitted the vacant space and executed a lease representing over a 20% rent increase from leases completed prior to our acquisition. The building is currently 100% leased.

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## Firm Developments

Trinity continues to grow! We are excited to introduce you to our two new team members and new summer intern.

**EMILY WELCH** - Emily joined Trinity's Asset Management team in May as an Associate. Emily is tasked with providing day-to-day oversight for several portfolios and adding value on behalf of our clients. Previously, Emily was a Development Associate at Avenue 55 where she handled the asset management and development of industrial, office, and mixed-use projects. Emily began her career at Bentall Kennedy in 2010 as a Lead Analyst sourcing and underwriting development, acquisition, and disposition opportunities in the Western United States. Emily earned her degree in Accounting from Washington State University. She is an active member of Urban Land Institute (ULI) and the Washington State chapter of NAIOP. In addition, Emily is an advocate and volunteer at S.A.F.E (Save a Forgotten Equine) and enjoys skiing, hiking, and golfing.

**JOHN WALKER** - John joined Trinity's investment team in May as an Analyst, where he is assisting with both acquisitions and asset management functions. John previously worked as an analyst at Teutsch Partners, a real estate development firm in Seattle, and as an intern at the property management firms of Coast Property Management and Indigo Real Estate. He is a recent graduate of Loyola University (Chicago) with a BA in Corporate Finance. He is currently pursuing his LEED AP Certification and plans to achieve his M.A. in Architecture in the coming years. John is an avid scuba diver, hiker, and marathon runner.

**BEAU KRUEGER** - Beau joined us in June as our summer intern. Beau will be completing his BS degree in finance and a BA degree in Economics from Chapman University in the Spring of 2019. He will continue to assist us remotely throughout his final year of college. Prior to Trinity, Beau had worked at Altitude Aerial Services as Vice President in Development and oversaw the surveying of over 100 acres of land. Beau is an avid golfer and skier.

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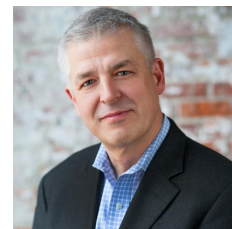
Trinity Real Estate (TRE) provides comprehensive, personalized real estate services and investment strategy to West Coast family offices and institutional investors. TRE's hands-on, high touch, and full-service approach has led to the management, development, and repositioning of more than \$3 billion in assets since its founding in 2001. These assets span all sectors of the real estate market including office, industrial, multifamily, hospitality, and mixed-use. TRE's objective is to create, enhance, and preserve real estate assets that produce strong long-term returns for its clients.

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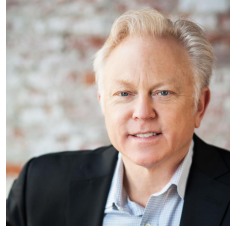
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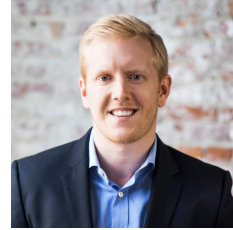
**RICHARD LEIDER**  
Managing Partner  
[rleider@trinityre.com](mailto:rleider@trinityre.com)



**PETE STONE**  
Managing Partner  
[pstone@trinityre.com](mailto:pstone@trinityre.com)



**ROB LARSEN**  
Managing Partner  
[rlarsen@trinityre.com](mailto:rlarsen@trinityre.com)



**LEX WIENEKE**  
Partner  
[lweinke@trinityre.com](mailto:lweinke@trinityre.com)

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