

The Paine Field Effect on the Northend CRE Market

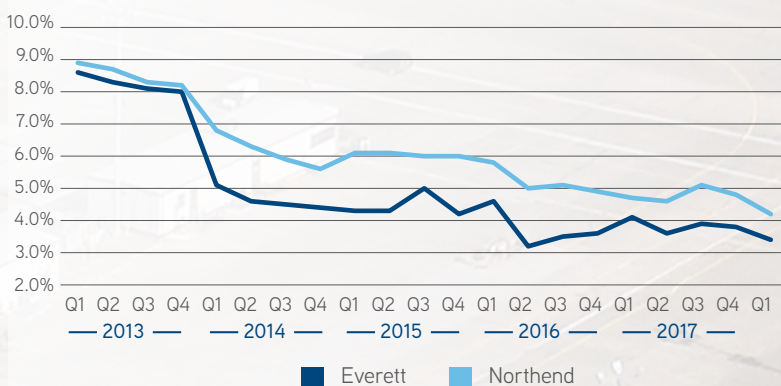
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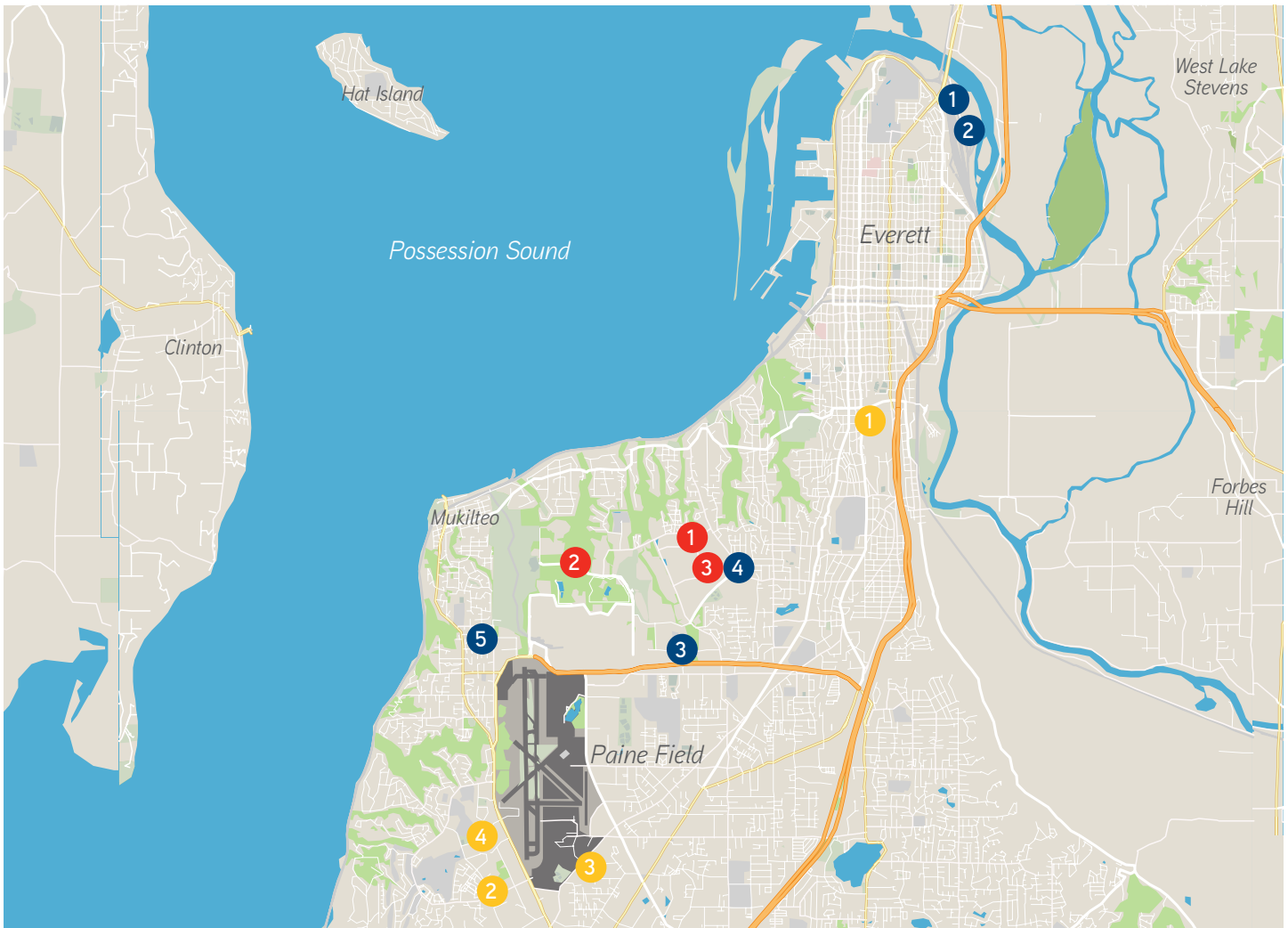
With 34,500 employees and a 6.85 million-SF industrial footprint, Boeing has historically been the primary contributor to the success of Everett, WA's industrial market. Snohomish County, home of the aerospace giant, recently created waves when it announced Paine Field Airport in Everett will begin hosting commercial flights in late 2018. The airport currently outputs more than \$68.7 million in sales and supports 905 jobs annually, 630 of which are direct. Major airlines Alaska, United, and Southwest have already announced planned service to and from the airport which will accommodate up to 2,350 daily passengers. Alaska will provide flights to Portland, Phoenix, Las Vegas, and California.

In addition to offering travelers an alternate to SeaTac Airport, Paine Field will likely have a significant impact on the surrounding commercial real estate market through increased traffic. Developers are already raving about the business opportunities sure to follow. The industrial market specifically is likely to expand as flights begin. Historically, Everett has seen lower industrial vacancies compared to the rest of the Northend market, reaching a current two-year low of 3.4 percent in the first quarter of 2018. Asking rent for specialized industrial properties increased 9.4 percent in 1Q18 and by 4.3 percent for flex properties year-over year.

Historical Industrial Vacancies

Q1 2013 to Q1 2018





EVERETT INDUSTRIAL PROPOSED PROJECTS

	PROJECT	DEVELOPER	TOTAL SF
1	Glacier Peak	Panattoni	201,534
2	Latitude Business Park	Latitude Development	82,215
3	Achilles Corporate Park	Achilles USA Inc.	137,700
4	Mountain View Business Centre	FedEx BTS	122,000
5	Everett Technical Park IV	Sabey Corp.	80,000

NORTHEAST LAND FOR SALE

	LAND TYPE	SIZE (ACRES)	PURCHASE PRICE
1	Industrial	4.3	\$3,200,000
2	Industrial	3.1	\$1,100,000
3	Industrial	67	N/A

EVERETT PROPERTIES ON THE MARKET









	TYPE	PROPERTY	SIZE	PURCHASE PRICE
1	Office	1800 Forty First	290,244	\$41,500,000
2	Industrial	North Campus Business Ctr, Bldg. C	38,950	\$7,200,000
3	Industrial	Canteen Vending Facility	52,225	\$8,125,000
4	Industrial	Hers Industrial Park	37,600	\$5,135,000

This increase in rent growth, paired with the county's announcement, likely factored heavily in several new developments in Everett. Seaway West came online in 1Q18, delivering 187,000 square feet of modern warehouse space to the market. Projects in the pipeline total 838,000 square feet as developers remain active and optimistic on the market's future. Glacier Peak (201,000 square feet), developed by Panattoni, is among the largest of these developments.

The office market is also expected to become more appealing with the introduction of the new passenger terminal. Everett is already attempting to accommodate requirements aggregating to 520,000 square feet of office space. More than half of these requirements are for space in the South Everett submarket, the home of Paine Field. Declining vacancies in the Bothell office market south of Everett have driven companies such as Juno Therapeutics further north and closer to the airport. This increased tenant demand will result in higher rental rates and sales prices in the future. Sales volume in the Northend has been historically lower than other Puget Sound markets, with pricing averaging \$186/square foot in recent years. This is projected to reach \$200/square foot by 2020.¹

In addition to the direct jobs to be created by the terminal, the surrounding community can expect job growth as well. In 2009, Oxford Economics found that for every 10 jobs directly supported by the U.K. aviation industry, another 26 are supported indirectly in the supply chain. Following the Manchester Airport expansion in 1988, the Centre for Local Economic Strategies (CLES) analyzed the airport's role in the region's economic development and found that it was the single most important factor in commercial and industrial investment. Research conducted by MIT in 2013 also found that over half of Fortune 500 headquarters are located within 10 miles of a hub airport. The population surrounding Paine Field is already booming, and could see notable additional growth as jobs increase. According to the Washington State Office Financial Management, the Lake Stickney census tracts surrounding the airport added 2,130 people since 2010, a 52.3 percent increase. Although on a much smaller scale compared to other airports, the economic benefits created by Paine Field will be substantial and facilitate future growth for the commercial real estate market.

NORTHEND PROJECTED DEMOGRAPHICS²

SUMMARY	2017	2022	% CHANGE
Median Household Income	\$59,681	\$66,146	10.8% 
Population	98,894	105,018	6.2% 
HOUSEHOLDS BY INCOME	2017	2022	% CHANGE
\$35,000 - \$49,999	5,546	5,118	-7.7% 
\$50,000 - \$74,000	7,727	7,277	-5.8% 
\$75,000 - \$99,999	5,884	6,832	16.1% 
\$100,000 - \$149,999	5,352	6,580	27.7% 
\$150,000 - \$199,999	2,073	2,544	22.7% 
\$200,000 +	2,259	2,736	21.1% 

¹ CoStar (2018, June). Retrieved from <http://www.costar.com>

² ESRI (2018, June 18) Retrieved from <http://www.esri.com>

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