State of Commercial Real Estate & Construction in Seattle, WA
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Record development has transformed Seattle's skyline over the past decade. In 2019 alone, we saw the completion of 4.5 million square feet of office space downtown. With grumblings of a market correction and continued development, we are exploring key questions for the commercial real estate (CRE) and construction industry. What's spurring confidence? What's keeping these industry leaders up at night? What are our area's future growth opportunities?

Overview of Survey

From June to July 2019, The American Business Journals surveyed leaders across the CRE and construction industry in Washington and Oregon to explore attitudes and behaviors and to uncover industry trends and insights. Over 700 participants responded to the survey, with over 400 in the Seattle market.

This addendum to the survey, commissioned by Schwabe, Williamson & Wyatt, highlights the data pulled from the Seattle market and most relevant for Downtown Seattle Association members.
Two-thirds are currently very/extremely confident in the outlook for their company.

![Business Outlook Diagram]

- **Your company**: 2% Not confident, 30% Somewhat confident, 68% Very confident/extremely confident
- **Your industry**: 3% Not confident, 32% Somewhat confident, 65% Very confident/extremely confident
- **Regional economy**: 1% Not confident, 29% Somewhat confident, 70% Very confident/extremely confident

[Schwabe Williamson & Wyatt logo]

[Downtown Seattle Association logo]
Over half cite the strength of their local economy as the reason they are confident about their company’s growth.

**Primary Reason for Confidence in Company Growth**

- **Strength of the local economy**: 55%
- **Projected increase in number of projects**: 18%
- **General industry expansion**: 17%
- **Increase in investor appetite**: 5%
- **Abundance of capital**: 4%
- **Foreign investment in our market**: 1%
Political uncertainty and potential market corrections were the main reasons why some don’t have confidence in their company’s growth.
Nearly one-quarter believe their industry is heading towards a downturn next year.

Industry Status Now and Impression for Next Year

<table>
<thead>
<tr>
<th>Status</th>
<th>This Year</th>
<th>Next Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growing</td>
<td>71%</td>
<td>57%</td>
</tr>
<tr>
<td>Stagnant</td>
<td>24%</td>
<td>22%</td>
</tr>
<tr>
<td>Heading Towards Downturn</td>
<td>5%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Watching their expenses and diversifying their clients/offerings are two ways companies are preparing for a downturn.

**How Company Has Prepared for a Downturn**
(Base = Those Who Believe They Are Heading for a Downturn)

- Expense control: 23%
- Diversify our clients/offerings: 19%
- Project selection: 16%
- Hiring freeze/layoffs: 15%
- Watching cash/capital reserves: 12%
- Getting new funding now: 4%
- Adjusting our expectations for 2020: 4%
- Strengthening our client relationships: 4%
- Increasing our marketing: 3%
The biggest advantages to being located in the Pacific Northwest are the strong economy and growing population.

Biggest Advantage to Being in Pacific Northwest

- Growing/strong economy: 26%
- Growing market/population: 23%
- Quality of life/lifestyle: 12%
- Access to talent: 8%
- Location/natural beauty: 7%
- Climate: 6%
- Desirable place to live: 5%
- Growth in technology companies: 5%
- Business growth: 3%
- Close to our clients: 3%
- Diversity: 1%
- Lower costs: 1%
The biggest disadvantages to being located in the Pacific Northwest are local politics, regulations, and the cost of living.

**Biggest Disadvantage to Being in Pacific Northwest**

- Local politics/regulations/taxes: 31%
- Cost of living: 13%
- Cost of doing business: 9%
- Traffic: 9%
- Distance from other major markets: 7%
- Labor shortage: 6%
- Climate: 5%
- Anti-business climate: 3%
- Competition: 3%
- Population density: 3%
- Limited growth opportunities: 3%
- Infrastructure: 2%
- Financing hard to come by: 2%
- Homelessness: 2%
- Transportation: 1%
The rising cost of doing business, recession proofing, and finding good employees are the top business concerns.

**Business Concerns**
(% Somewhat/Very Concerned)

- Rising cost of doing business: 86%
- Recession proofing the business for the next downturn: 81%
- Ability to attract & retain good employees: 79%
- Cost of healthcare & other employee benefits: 71%
- Rising interest rates: 59%
- Aging workforce & operational know-how training: 57%
- Ability to attract new customers: 53%
- Increased competition: 48%
- Changing technologies: 40%
- Access to capital, business loans, or credit: 37%
The top regulatory/legislative issues facing the Construction & CRE industry are the environment, affordable housing, and taxes.

Top Regulatory/Legislative Issues Facing Industry

- Environmental: 60%
- Affordable housing/rent control: 56%
- Tax: 38%
- Healthcare reform: 31%
- Immigration: 29%
- Minimum wage: 25%
- Paid sick leave: 17%
- Overtime pay: 14%
- General Data Protection Regulation: 13%
- Retirement saving: 11%
- Workplace sexual harassment: 4%
Over half (57%) believe the biggest challenges facing their business are finding qualified employees and economic uncertainty.

**Biggest Challenge Facing Your Business**

- Finding qualified employees: 32%
- Economic uncertainty: 25%
- Cost of doing business: 12%
- Local government/regulations/taxes/tariffs: 8%
- Competition: 6%
- National political climate: 6%
- Finding the right project: 5%
- Financing: 4%
- Market uncertainty: 1%