

REDSTONE 2

Unique Medical Office Conversion Opportunity
In Seattle's Mountlake Terrace Submarket



THE OFFERING

Jones Lang LaSalle Americas, Inc. (“JLL”) is pleased to offer Redstone 2 for acquisition (the “Property”), a 119,706 square foot (“SF”) Class A, Medical and Office building located just 13 miles north of Seattle in Mountlake Terrace, WA. Redstone 2 is currently 89% leased and has steady anchor tenants in Regus (12% of RSF) and 1st Security Bank of Washington (18% of RSF). The Property benefits from three levels of executive and patient parking and is centrally located in the Northend submarket, directly off the I-5 Highway (one of Seattle’s key arterials) and within 1.5 miles of the city’s newest Link Light Rail stations, set to deliver in Q4 2024. Redstone 2 has proved to be a destination for medical users with approximately 24% of the in-place tenancy accounted for by healthcare-related tenants. Recently, the Property has experienced significant healthcare leasing activity with nearly 20,000 SF of medical-related leases signed in last 12 months alone, consisting of both new leases and extensions of existing healthcare-related tenants. Regus has also seen consistent demand from medical users for this location, and as a result has several healthcare-related tenants as clients at Redstone 2. Furthermore, the Property sits 1 mile from the Swedish Edmonds Medical Campus, a 560,000 SF facility that offers the full scope of medical and surgical services and boasts a 1,400 person staff with 450 affiliated physicians. Swedish Edmonds established itself in 2010 as the premier full-service medical campus in the Northend and continues to bolster the medical office tenancy in the submarket.

At Redstone 2, new ownership would be able to enact a medical conversion business plan that would bring the Property’s minimum healthcare-related tenancy to 69% as soon as 2028. This plan would consist of maintaining the Property’s medical-related tenancy, leasing the existing vacancy to healthcare users, and strategically converting traditional office spaces with near term rollover in the next 5 years. Medical office rents are generating an approximate 21% premium to the Property’s current office market rents, providing the next owner considerable upside on their investment. The Property also offers a one-of-a-kind ability to dedicate underground patient parking for all healthcare-related tenants, providing the unique opportunity to rapidly increase the Property’s revenue.

Regus’ location at Redstone 2 is their only location within 7-miles and the only nationally recognized coworking center in the submarket. Regus’ physical occupancy of 85% is 10% greater than IWG’s (Regus parent company) 2022 national average and has been trending upwards. Additionally, Regus as a tenant at Redstone 2 offers a substantial mark-to-market opportunity provided its current rents are 35% below the Property’s office market rents of \$29.00 NNN. Redstone 2 has also served as 1st Security Bank of Washington’s headquarters as well as its only commercial lending branch since 2016. Since then, 1st Security has expanded twice within Redstone 2, taking an additional 3,389 SF on the 4th Floor in 2018 and 8,679 SF on the 2nd Floor in 2022, bringing the tenant’s total footprint to 22,028 SF. At the time 1st Security executed its most recent expansion, the annual base rent payable on the tenant’s entire premises increased by nearly 9%.

In 2022, Ownership invested substantial capital in the Property’s first floor lobby and completely renovated the second-floor corridor, conference room, and bathrooms. In addition, a state-of-the-art lounge was added to the second floor as an amenity for all tenants as well as incoming and outgoing medical patients. These significant improvements create a sound blueprint for investors as new ownership could look to replicate the corridor and bathroom improvements on the remaining floors, elevating the Property’s common areas to the top-tier of the competitive set.

Uniquely, there is the ability to completely rebrand Redstone 2. A new investor has the optionality to rename the Property in accordance with a medical office identity. Additionally, in 2025, there will be the opportunity to pursue a significant, full-floor medical user, and the ability to offer signage which is clearly visible from the I-5 Highway, providing the Investor with the opportunity to demand rents commensurate with this unique offering.



INVESTMENT HIGHLIGHTS



69% minimum MOB occupancy potential by 2028



Class A office with medical office attributes



Recent medical leasing at the Property provides proof of concept



Superb demographics for medical tenancy



Unmatched accessibility to the region's medical systems and proximity to Swedish Edmonds Medical Campus attracts MOB users



One-of-a-kind ability to provide dedicated underground patient parking directly adjacent to elevators for ease of patient access



Opportunity to continue common area renovations with ability to increase traditional office rents



Only Regus in the surrounding submarket with upward trending occupancy of 85% and significant mark-to-market opportunity



Ability to completely rebrand/rename Redstone 2

Asset Summary

Property Address 6100 219th Street SW
Mountlake Terrace
WA 98043

Year Built / Reno 1999 / 2022

Total SF 119,706 SF

% Leased 89%

Healthcare Occupancy 24%

of Floors 5

Site Size 2.03 Acres

Parking Spaces 332 Spaces

Parcel Number 747600000100

Zoning GC - General Commercial

69% MINIMUM MOB OCCUPANCY POTENTIAL BY 2028

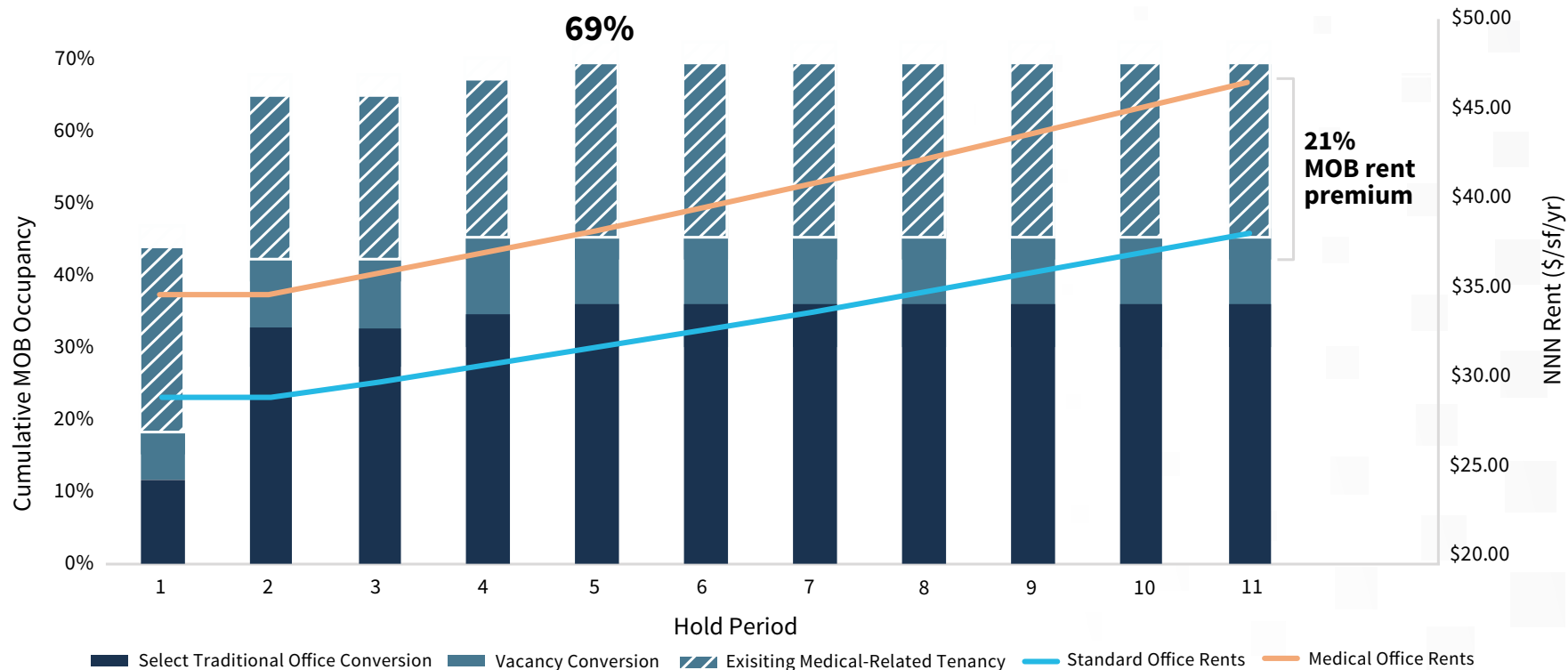


At Redstone 2, new ownership would be able to enact a medical conversion business plan that would bring the Property's healthcare-related tenancy to a minimum of 69% as soon as 2028. This plan would consist of maintaining the Property's medical related tenancy, leasing the existing vacancy to healthcare users, and strategically converting traditional office spaces with near term rollover in the next 5 years. Redstone 2 features recently white boxed vacancies that account for 11% of the rentable square footage in addition to 24% in-place medical related tenancy. These attributes combined with the selective conversion of traditional office suites located on the 3rd and 5th Floors of the Property will allow an incoming investor to realize a minimum of 69% medical occupancy within 5 years of ownership. Medical office rents are generating an approximate 21% premium to the Property's current office market rents, providing the next owner considerable upside on their investment.

Current medical tenants include the following: pain management, dentistry, plastic surgery, eye and nerve treatment, and general medical.

+ 69%
Minimum MOB
Occupancy Potential
by yr. 5

Cumulative MOB Occupancy Potential



CLASS A OFFICE WITH MEDICAL OFFICE ATTRIBUTES



Completed in 1999 and renovated in 2022, the Property checks all the boxes when it comes to the physical attributes medical tenants are seeking. The Property boasts outdoor balconies on floors 2 and 5, controlled access, flexible floor plates, ideal underground patient parking adjacent to elevator bays, signage optionality, extensively renovated common areas, and window lines that allow for ample natural light.



Window Lines and Outdoor Balconies

Great window lines allow for abundant natural light while floors 2 and 5 offer outdoor balconies for medical tenants and patients to step away and enjoy some fresh air.

Ideal Bay Depths

Common core and corridors run through the center of the building providing ideal suite-entrance visibility and corridor navigation.

Signage Optionality

The Property offers the opportunity to provide a significant medical user's branding along the exterior of the Property via signage that is clearly visible from the I-5 Highway.

Recently Renovated Common Areas

Investor can continue existing common area renovations with ability to increase rents.

Efficient Floor Plates

Floor plate orientation is key to attracting medical tenants such as orthopedics, physical therapists, etc.

Advantageous Ground Level and Underground Parking

The Property benefits greatly from 3 levels of parking, offering a one-of-a-kind ability to provide dedicated underground patient parking directly adjacent to elevators for ease of patient access. Additionally, the Property's zoning allows for the installation of EV charging stations.

Controlled Access

Controlled access key card system for the building is ideal for medical users.

RECENT MEDICAL LEASING AT THE PROPERTY PROVIDES PROOF OF CONCEPT



Current ownership has proven the Property's ability to attract medical tenants with 5 healthcare leases signed recently. 20,000 SF of medical leasing over the past 12 months has brought Redstone 2 to 24% medical-related tenancy, creating leasing momentum moving forward and providing proof of demand from medical users.



Pacific New Retina

Suite: 280
SF: 2,914
Current Rent: \$23.50
Term Remaining: 62 months
Lease Type: Renew
Lease Commencement Date: 2/1/2023
TI: \$0 PSF



Infusion Management

Suite: 370
SF: 4,249
Current Rent: \$28.50
Term Remaining: 85 months
Lease Type: New
Lease Commencement Date: 10/21/2022
TI: \$60 PSF



Dr. Nejad

Suite: 530
SF: 2,575
Current Rent: \$24.21
Term Remaining: 62 months
Lease Type: Renew
Lease Commencement Date: 1/1/2022
TI: \$0 PSF



Ericson Hand and Nerve

Suite: 540
SF: 2,631
Current Rent: \$24.00
Term Remaining: 56 months
Lease Type: Renew
Lease Commencement Date: 5/1/2022
TI: \$0 PSF

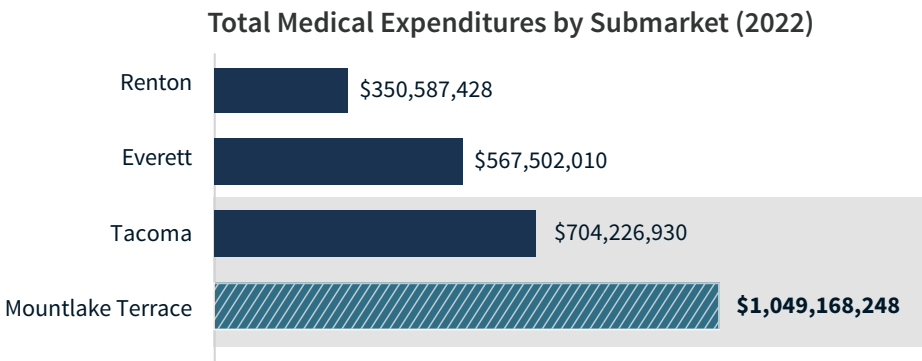
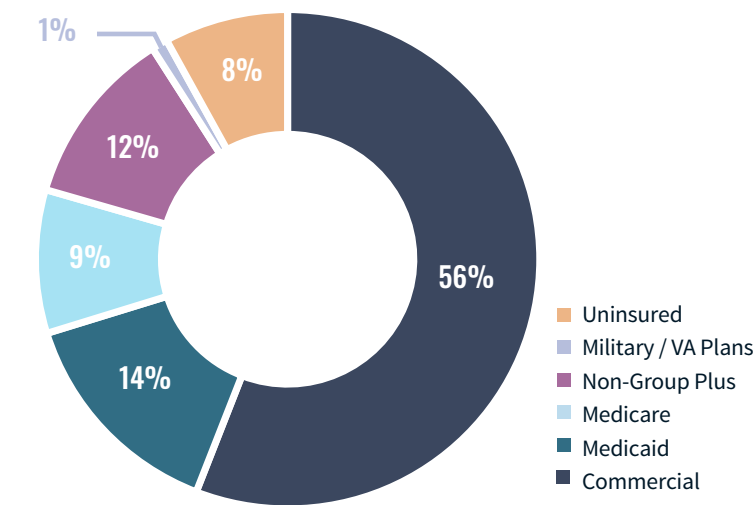


Maxim Healthcare

Suite: 500
SF: 6,873
Current Rent: \$25.00
Term Remaining: 88 months
Lease Type: New
Lease Commencement Date: 4/15/2023
TI: \$60 PSF

SUPERB DEMOGRAPHICS FOR MEDICAL TENANCY

The Mountlake Terrace submarket outperforms when it comes to key metrics that medical tenants look for when selecting a location. The area's residents spend an average of **\$8,373 per year** on medical expenses, which, on average, is **28% greater than** other comparable Puget Sound submarkets such as Tacoma, Everett, and Renton.



92%
of Mountlake Terrace residents have healthcare coverage

200,000 ←
Doctor visits in 2022 within 5 mile radius of Redstone 2

+ 50%
Annual medical expenditures



Within a 5-mile radius of Redstone 2, total consumer medical expenditures in 2022 amounted to **over \$1 billion** which is nearly **50% greater** than annual spending in the comparable Tacoma submarket, despite Mountlake Terrace having nearly 200,000 less residents. In addition to consumer medical spending, insurance companies also spent nearly **\$700 million** in 2022.



UNMATCHED ACCESSIBILITY TO THE REGION'S MEDICAL SYSTEMS



Redstone 2 is located less than 1,000 feet from the nearest I-5 Highway on-ramp and approximately 1.5 miles from both the future Mountlake Terrace and Lynwood Link Light Rail stations. The Property's accessibility is hard to replicate across the Northend submarket and the proximity to one of Seattle's major interstates makes the Property's signage options that much more impactful to the building's medical identity. Additionally, major healthcare companies and systems such as Virginia Mason, Swedish Medical, and Kaiser Permanente are all within a 2-mile radius of the Property.



1 MILE FROM SWEDISH EDMONDS MEDICAL CAMPUS - THE NORTHEAST'S LARGEST MEDICAL SYSTEM



Redstone 2 conveniently sits 1 mile from the Swedish Edmonds Medical Campus, a 560,000 SF facility that offers the full scope of medical and surgical services and boasts a 1,400 person staff with 450 affiliated physicians. Swedish Edmonds established itself in 2010 as the premier full-service medical campus in the Northeast and continues to bolster the medical office tenancy in the submarket.

1mi
from Redstone 2



560,000

SF Facility

450

Affiliated Physicians

1,400+

Total Staff

217

Licensed In-Patient Beds

32

Medical Services offered

85%

Licensed In-Patient Beds

2010

Year Opened

8,134

of 2022 Admissions

\$996,413,713

Total Patient Services Revenue



ONLY REGUS IN THE SURROUNDING SUBMARKET WITH UPWARD TRENDING OCCUPANCY OF 85% AND SIGNIFICANT MARK-TO-MARKET OPPORTUNITY



1 No immediate competition in the surrounding submarket:

The Redstone 2 Regus is the only of its kind within 7-miles of the Property and the only nationally recognized co-working center in the immediate submarket, making it the most sought-after flexible space in the Northend.

2 10% greater physical occupancy compared to IWG's (Regus parent company) 2022 national average:

This particular Regus is 85% occupied which is 10% higher than IWG's 2022 national average of 75%, thus continuing to demonstrate how Redstone 2's Regus location is truly one-of-a-kind.

3 Co-working is a positive post-Covid:

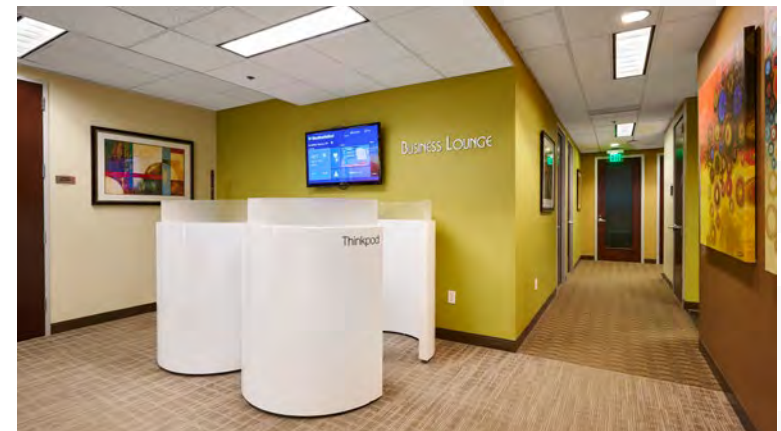
Pandemic-related uncertainty, hybrid work, changes in employee preferences, and tenants' increased need for agility are driving an uptick in interest for short term options. In fact, IWG reported an 8% increase in physical occupancy from 2021 to 2022 and 20% annual revenue growth.

4 Below market rents:

Redstone 2's current Regus rents are 35% below Redstone 2 office market rates, offering new ownership the ability to mark the space to market upon Regus likely renewal in 2024.

5 Parking options and proximity to public transportation is essential for co-working tenants:

Given the suburban nature of the Property, Redstone 2's co-working tenants are more likely to commute via car which emphasizes the importance of the Property's underground parking. Regus' tenants do not have to worry about reserving a stall ahead of time and the on-site parking offers flexibility to tenants in terms of their desired length of stay.



REDSTONE 2 IS A **ONE-OF-A-KIND CLASS A MEDICAL
OFFICE REPOSITIONING OPPORTUNITY** LOCATED
JUST 1 MILE FROM SWEDISH EDMONDS MEDICAL CAMPUS,
ONE OF SEATTLE'S PREMIER MEDICAL CAMPUSES



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