1Q 2025
CASE STUDY

BKM Capital Partners

Unlocking Potential and Driving Innovation in Industrial Investments

Value-Add Case Study

WEST VALLEY BUSINESS PARK | KENT, WA

►► bkmcp.com

INTRODUCTION

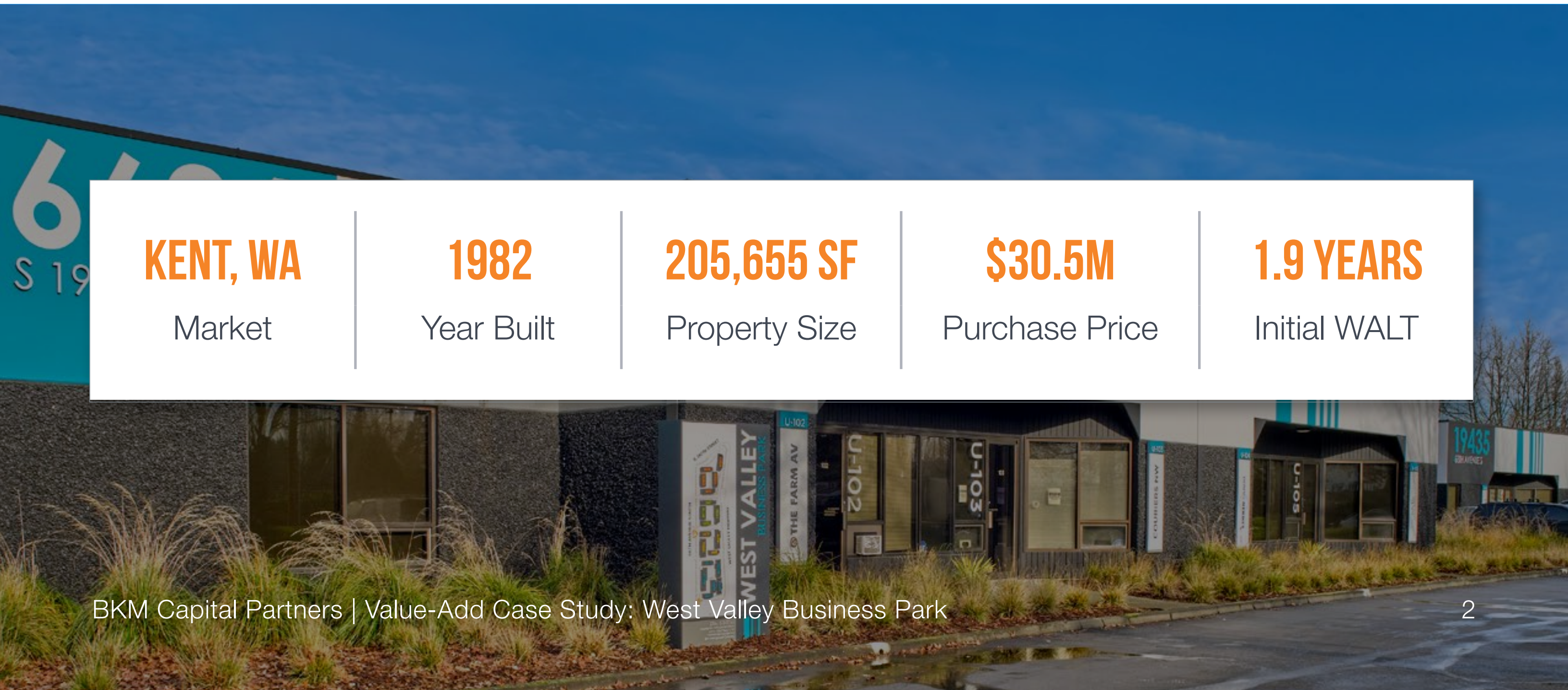
West Valley Business Park spans nearly 17 acres of prime industrial-zoned land in Kent, Washington, serving as a cornerstone of the thriving Seattle industrial market. Strategically positioned in one of the Pacific Northwest's most established industrial hubs, this property showcases modern industrial innovation.

Seattle's industrial market is known best for its deep rooted maritime, manufacturing, aerospace, and technology sectors. Its population of just over 4 million people has experienced significant growth in the last decade, rising by 8% and boasting a highly educated workforce. As a key global trade gateway, this four-county region supports over 60% of the state's total employment, amounting to approximately 2.27 million jobs. Meanwhile, Seattle has emerged as a major technology hub, with companies like Amazon and Microsoft driving demand for industrial space, particularly in logistics and data centers. This diverse industrial base continues to strengthen the region's economic resilience and overall development, factors that make investment in the region attractive for long term growth.

PROPERTY OVERVIEW

Acquired in October 2019 for $30,450,000, BKM purchased West Valley Business Park as a unique value-add opportunity. Situated less than five miles from Seattle-Tacoma International Airport and 16 miles from downtown Seattle, the 205,655-square-foot property featured 19 buildings and 180 units. Originally built with a 74% office buildout, the asset presented a prime opportunity to reduce office configuration by nearly half, enhancing flexibility for local tenants who were searching for functional warehouse space. Rents were 12% below market at time of purchase and the property was secured at a 45% discount to replacement cost, underscoring its strong upside potential.

15 years prior to BKM's ownership, West Valley Business Park was owned and operated by a private family whose core business focused primarily on the medical industry. However, the park was passively managed, as ownership underestimated the operational demands of a multi-tenant industrial asset. Mismanagement, under-allocated resources, and an ineffective leasing strategy prevented West Valley from capitalizing on market momentum. Upon acquisition, BKM aimed to execute a comprehensive capital improvement plan while establishing an in-house management presence, transforming the asset into a market-leading multi-tenant park.



KENT, WA	1982	205,655 SF	$30.5M	1.9 YEARS
Market	Year Built	Property Size	Purchase Price	Initial WALT

OPPORTUNITY

Aesthetic Vision

- Originally lacking a modern design concept, BKM set out to develop a comprehensive capital improvement plan to completely transform the property's interior and exterior.
- Exterior repositioning plans involved an eye-catching paint scheme, bold signage across the property, and a large landscape renovation to establish a refreshed brand concept and improve property visibility.
- Dysfunctional office units and overbuilt industrial warehouses would be converted into versatile suite spaces, capturing a larger portion of the local tenant base.

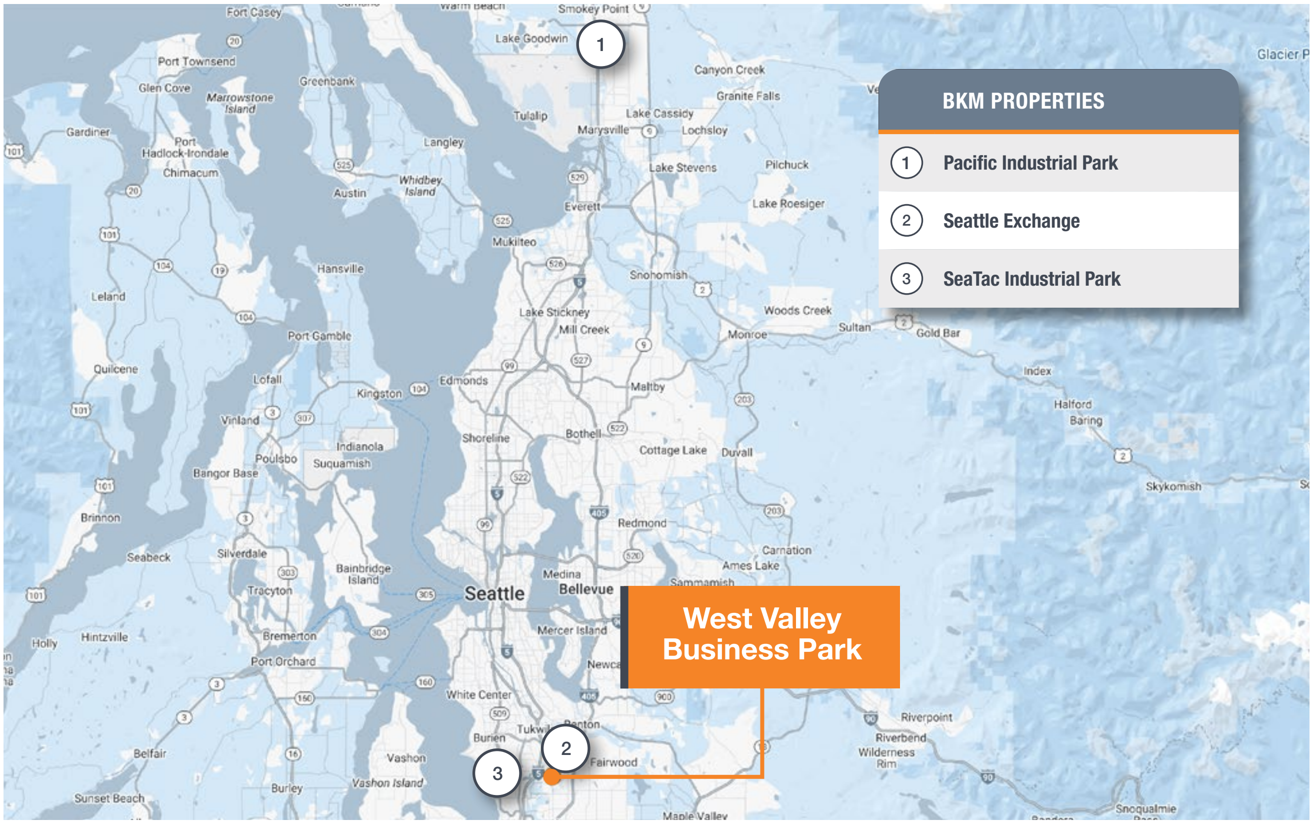
Financial Vision

- With an initial average unit size of only 1,150 SF, the property naturally limited exposure to large tenants, reducing cash flow volatility in the event of secular downturns.
- Acquired at a 7% cap rate, the property initially offered a strong in-place cash flow, with further opportunities to leverage the 12% under-market rents to boost rent growth.
- Leases at the asset averaged only 1.9 years, allowing the opportunity to mark-to-market over 80% of NRA during the hold period and sequentially boosting NOI.

BKM's Washington portfolio encompasses over 1.1 million square feet across four projects. Leveraging its deep regional expertise and strong property management infrastructure, the team effectively maximizes operational efficiencies to drive the execution of high-velocity lease-up plans.

NEARBY BKM PROPERTIES

KNOWLEDGEABLE MARKET OWNER

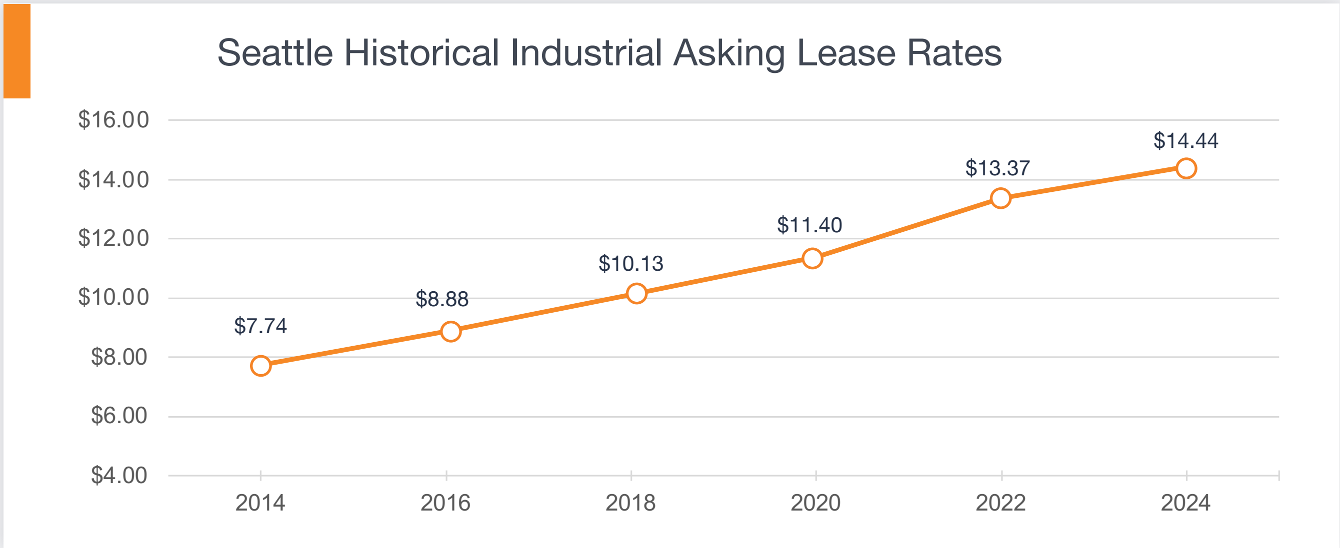


WHY WE LOVED THIS DEAL

- The property was acquired at 88% occupancy, proving an underlying demand for the product type despite the lack of cosmetic enhancements and functional upgrades. This would ensure the future financial and operational success following the completion of capital improvements.
- The initial rent roll was extremely diverse, with no tenant accounting for over 16% of NRA.
- The park was deemed to be a competitor to BKM's nearby asset Seattle Exchange, eliminating any direct competition and enhancing BKM's local market presence.
- The park has excellent visibility off of SR-181, a key arterial highway that connects the Kent Valley to other major Seattle submarkets.

MARKET DYNAMICS

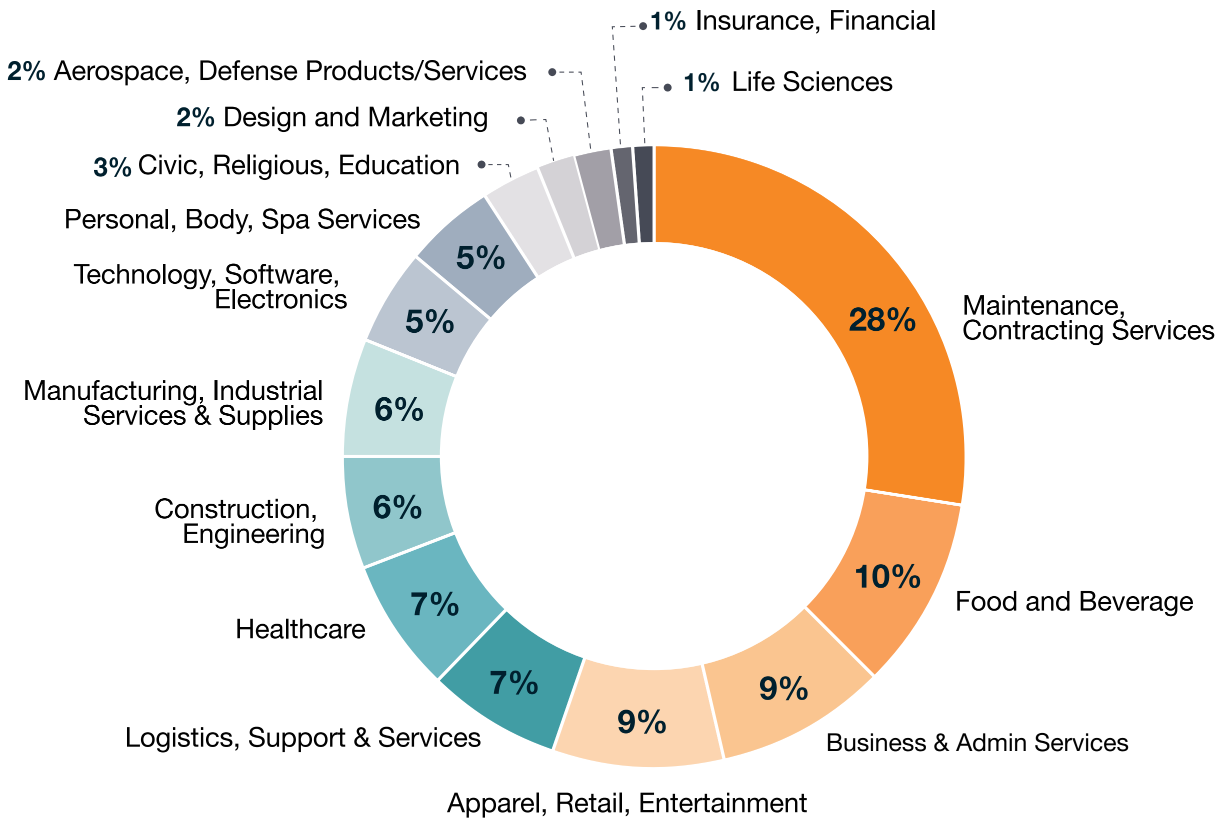
- The broader Seattle industrial market has **4.04M residents, 364M SF of industrial space, and 5.8M SF of space under construction.**
- Current vacancy of 8%, with **market rents at $14.44/SF** despite -1.8M SF net absorption in the past year. Rates continue to rise steadily, **having grown 86% over the past decade.**
- The Kent submarket faces **no new construction as of Q1 2025,** creating supply constraints that support stabilization. This, coupled with the sustained demand from key economic drivers, positions the Kent Valley for improved absorption and higher occupancy in the future.
- Industrial sales remain robust, **with an average sale price of $235/SF and $1.5B in total sales in 2024.** As the market adjusts to the influx of recent deliveries, we should expect to see continued strength in industrial pricing.



Source: CoStar.

FOCUS ON GROWTH - SIC CODES

The BKM team seeks to continuously diversify its tenant mix, aligning with its growth strategy to mitigate risk and hedge against industry-specific volatility.

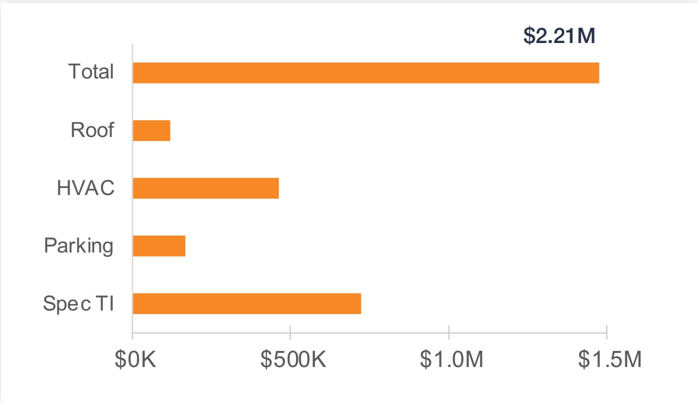


Data as of Q1 2025.

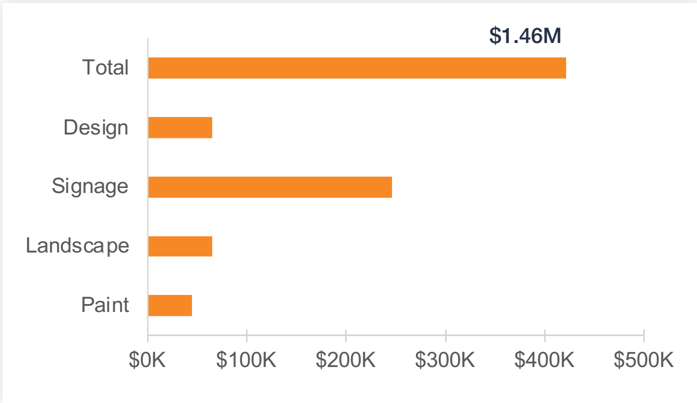
EXECUTION PLAN

BKM implemented a $7.7M CapEx plan to achieve stabilized occupancy while addressing evolving tenant needs, allocating $1.46M for cosmetic upgrades, $2.21M for structural improvements, and $4.05M for additional expenses. The team aimed to roll under-market leases to unlock the asset's rent growth potential, with the original strategy targeting 144 leases—or 81% of NRA—over the hold period. This approach required a comprehensive value-add plan and a boots-on-the-ground property management presence, positioning the asset for enhanced marketability and justified rental rate premiums.

Structural Improvements



Cosmetic Improvements



EXTERIOR IMPROVEMENTS

Paint: A fully re-imagined paint scheme was designed to transform the property into a highly visible industrial park. The outdated, muted color palette was replaced with bold, vibrant hues, complemented by black and white color blocking for a more modern aesthetic. Additionally, the integration of multiple accent colors and color-coded wayfinding signage improved navigation within the park, enabling tenants and customers to locate their destinations more efficiently.

Signage: Improvements included updated monument, tenant, and building signage, with oversized stenciling on each building for clear numbering—essential for a park with nearly 20 buildings. Standardized tenant plaques created a cohesive look, while enlarged suite numbers improved visibility. Monument signs were also upgraded with color coding and a refreshed design to match the property's modern aesthetic.

Landscape: A complete overhaul of the existing landscape took place, replacing the outdated and inefficient design with a cohesive, high-impact architecture plan. This transformation greatly enhanced street frontage and improved key sight lines across the asset, providing increased marketability. The new landscape design incorporated sustainable elements including three-way topsoil, low-density plant materials, cobble rock, boulders, and red bark.

EXTERIOR PROPERTY TRANSFORMATION

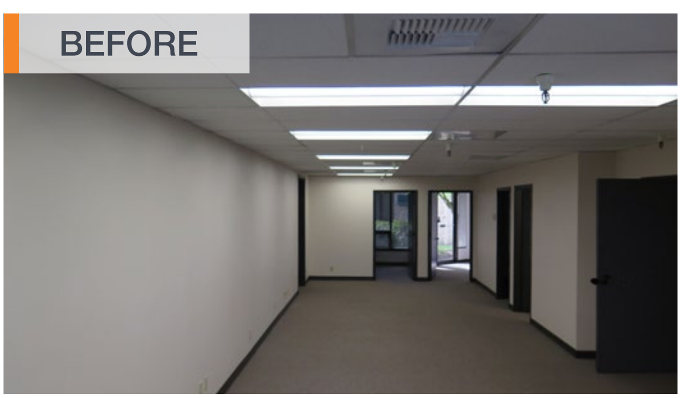
INTERIOR IMPROVEMENTS

REDUCE OFFICE %	DIVIDE UNITS	ACCENT WALLS/ CARPET TILES	POLISHED CONCRETE	IMPROVED LIGHTING	NEW/UPDATED RESTROOMS

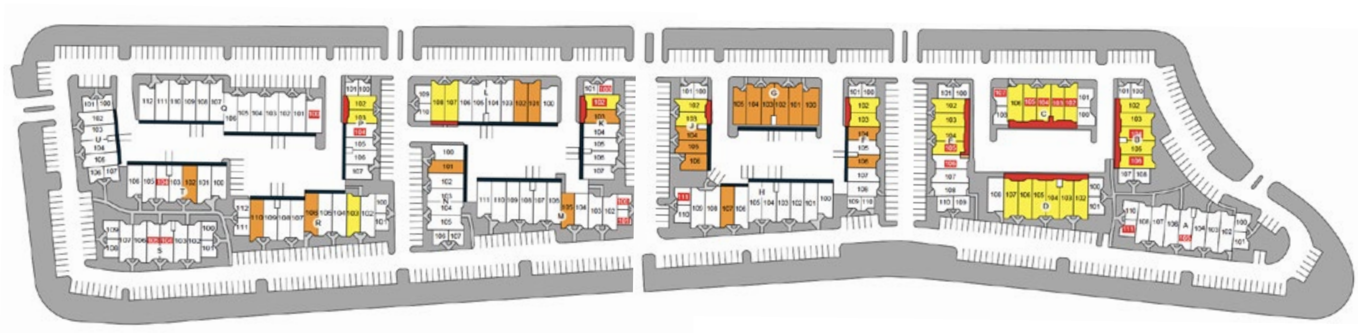
BKM invested over $700,000 to subdivide select units into smaller, small-bay configurations, catering to local tenant demand and accelerating lease absorption. By converting larger spaces into more versatile units, the property would attract a wider range of tenants, boosting overall occupancy. Because the property was initially acquired with a 74% office build-out, these conversions presented an opportunity to optimize the office-to-industrial ratio by eliminating any underutilized space.

The interior renovation was executed in two phases. The first phase focused on vacant units, along with hardscape and landscape improvements. The second phase addressed the conversion of previously occupied units as existing leases expired, ensuring stable cash flow.

INTERIOR PROPERTY TRANSFORMATION



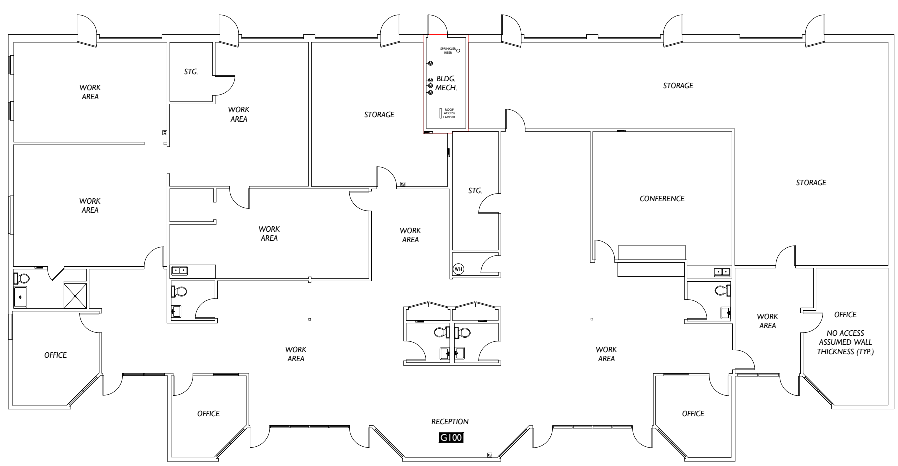
UNIT CONVERSIONS AND OFFICE DEMOLITION



Conversion (30) Vacant (22) Demo/Reduce (21) Current GL Loading Area Add Overhead Door and Ramp

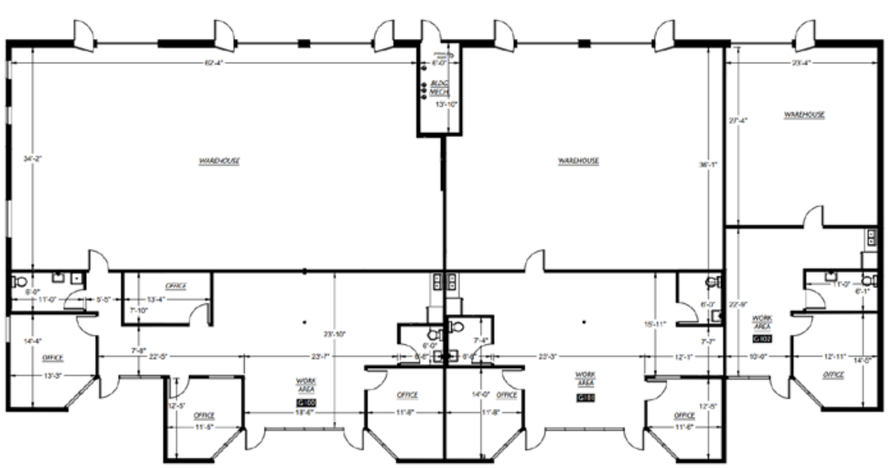
EXAMPLE: BLDG G

AT ACQUISITION



BLDG G Original Plan	
Number of Units	1
Average Unit Size	8,386 SF
Average Office %	75%

POST RENOVATION

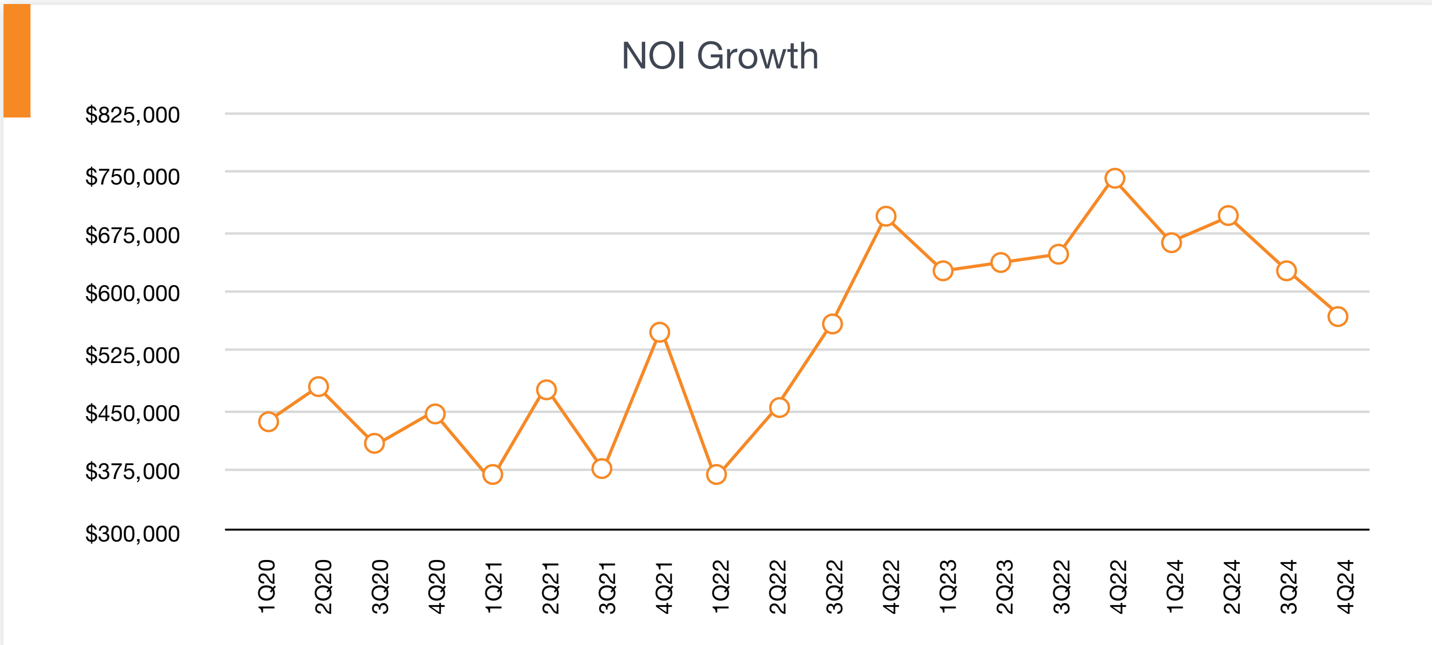


BLDG G Proposed Plan	
Number of Units	3
Average Unit Size	2,800 SF
Average Office %	46%

RESULTS

BKM's strategic value-add approach has delivered exceptional operating and leasing outcomes at West Valley Business Park, showcasing the successful execution of its business plan and its proven ability to generate strong returns for investors.

45% increase in NOI between 2020 and 2024.



34.7% average leasing spreads between 2020 and 2024.

OPERATIONAL HIGHLIGHTS

- **Executed 123 unit rollovers to-date,** which is approximately 80% of NRA.
- **Raised occupancy from a low of 63% to 90%**. The asset stabilization process followed a phased, methodical approach, allowing for a seamless transition as the large number of unit conversions were successfully completed.
- **17% average mark-to-market increase** on lease expirations.
- **78% of all transactions** were signed at or above MLA.
- Average lease rate at the property is **4.4% above MLA.**
- **87% increase in overall lease rates** at the property, with average in-place rents of $1.12/SF in 2019 and $2.10/SF in 2024.
- **3-6 months average downtime** for warehouse units at the asset, with MLA's closer to nine months.
- **158 total leases executed** by the BKM team at this project since 2019.

35%
Average Leasing Spreads
between 2020-2024

45% Increase
In **Net Operating Income**
since acquisition

87% Increase
In **Average Lease Rates**
since acquisition

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