

# 9805 WILLOWS

 JLL SEE A BRIGHTER WAY



Mission Critical Lab and R&D Facility | 100% Leased to Meta's Reality Lab's Division

## 9805 WILLOWS

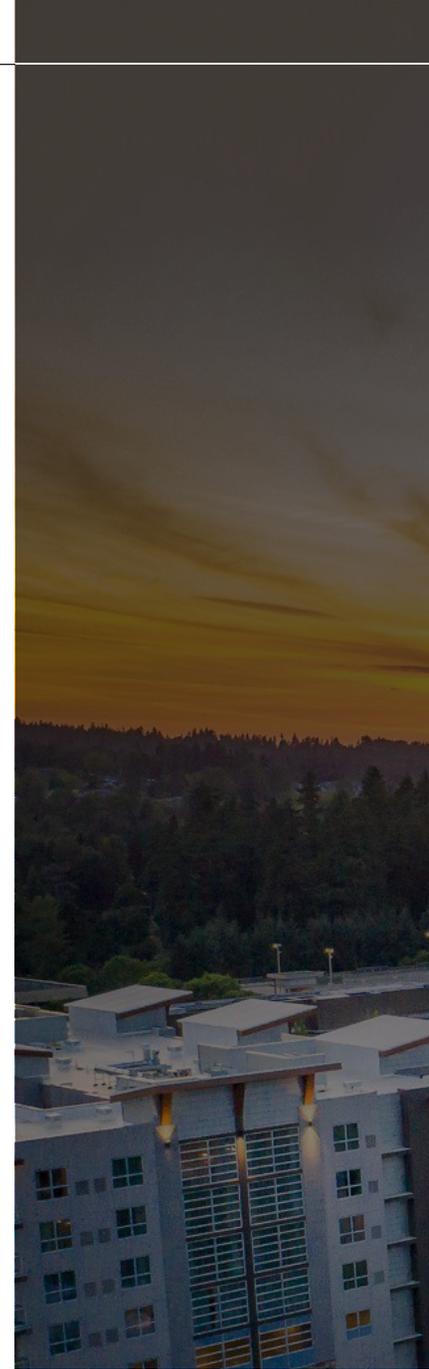
## THE OFFERING

Jones Lang LaSalle America's, Inc. ("JLL"), as exclusive advisor, is pleased to present the opportunity to acquire the fee simple interest in 9805 Willows (the "Property"), a three-story, 80,980 square foot, mission critical lab/R&D asset located in Redmond, WA. Situated on an 11.36-acre site, the Property is 100% leased to Meta Platforms Technologies for 5.6 years (LXD 3/31/2029). The lease is fully guaranteed by Meta Platforms, Inc. ("Meta") which is rated AA- by S&P. Formerly known as Facebook, Meta (NASDAQ: META) is the world's largest social media platform with a wide range of products that empower more than three billion users around the world to exchange ideas and revolutionize the way people interact. Since first occupying the Property in 2020, Meta has fully renovated and utilized the Property as its **foremost research and development facility for its Reality Labs business division**. This segment is charged with the specialized innovation and experimentation of Meta's digitally immersive technologies, such as virtual ("VR") and augmented reality ("AR") headsets, advancing the next generation of gaming and creating new worlds within the Metaverse.

Strategically positioned along Willows Road in Redmond, the Property lies directly in the heart of Meta's Reality Labs campus which **consists of 19 lab/R&D facilities** and one culinary building. In addition, Reality Labs is under construction on their new, state-of-the-art headquarters designed by Frank Gehry. This 350,000 square foot, Meta-owned office building is set to deliver in July of 2023. None of the unique functions and operations at 9805 Willows are being incorporated into Building X.

The future of Meta resides within the lab and research space of 9805 Willows. **Reality Labs is fully occupying the building** and has invested **\$40+ million (\$500 PSF)** over and above its tenant improvement allowance adding leading-edge labs, state-of-the-art collaboration and research space, power and HVAC upgrades, a new roof, outdoor amenity space, and much more. In addition, the building has a full-service café with black iron that serves breakfast, lunch, and dinner for employees and their families. **Reality Labs' most vital operations are being conducted within the irreplaceable and one-of-a-kind spaces at the Property.** This quality coupled with Meta announcing they will be doubling down in the world of immersive gaming and the Metaverse, has **distinguished the Property as one of Meta's most pivotal assets across the globe.**

**9805 WILLOWS IS AN INCREDIBLE ACQUISITION OPPORTUNITY, OFFERING INVESTORS A STATE-OF-THE-ART, MISSION CRITICAL, AND CREDIT LEASED LAB AND R&D FACILITY WITH THE COMBINATION OF BELOW MARKET RENTS, SIGNIFICANT DISCOUNT TO REPLACEMENT COST, AND EXTENSIVE CAPITAL INVESTMENT BY THE TENANT – ALL ADJACENT TO THE NEW STATE-OF-THE-ART HEADQUARTERS OF REALITY LABS.**



Property Address

9805 Willows Road NE  
Redmond, WA 98052

Tenant

Meta Platforms  
Technologies, LLC

Guarantor

Meta Platforms, Inc.

Remaining Lease Term

5.6 Years

Year Constructed

1998

# INVESTMENT HIGHLIGHTS



## DIFFERENTIATED TENANT

Strong in-place cash flow from committed, investment-grade tenant with 2.75% increases and over 5.6 Years of remaining term.

Meta continues to invest heavily into Reality Labs (Meta Quest VR) and immersive technologies; looking to capitalize on one of the fastest growing market segments in the world.

Despite national office downsizing, Meta's mission critical facilities are protected from disposition.



## DIFFERENTIATED BUILDING

Mission critical facility in supply-constrained market, offered well below replacement cost.

The future of Meta's virtual and augmented reality hardware is being researched and developed at 9805 Willows.

The combination of the tenant's capital investment into the space and the market's lack of competitive product has cemented 9805 Willows as a long-term home for Meta.



## DIFFERENTIATED MARKET

Substantial discount in rent to surrounding office and R&D product, providing mark-to-market opportunity and protected downside.

Meta's history and long-term commitment to Redmond.

Continued resiliency in Redmond, with minimal vacancy of 3.2% and anchored by committed tenants such as Amazon, Microsoft, and Meta.

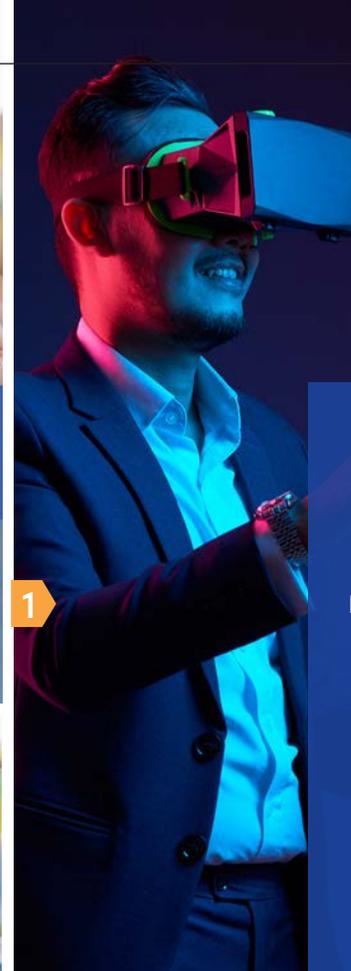
| Year Renovated   | Meta's Capital Investment | Stories | Land Area | Rentable Square Feet | Parking Ratio | Occupancy |
|--|---------------------------|---------|-----------|----------------------|---------------|-----------|
| 2020-2023 (Inclusive of Meta's TIs & Ongoing Improvements Such as the Added Patio) | \$40+ M (~\$500 PSF)      | 3       | 11.36 AC  | 80,980 SF            | 2.9/1,000 SF  | 100%      |

## STRONG IN-PLACE CASH FLOW FROM COMMITTED, INVESTMENT-GRADE TENANT WITH 2.75% INCREASES AND OVER 5.6 YEARS OF REMAINING TERM

100% leased to Meta through March 2029, allowing investors to benefit from nearly six years of lease term from a highly committed, investment-grade credit tenant. Meta is the world's largest social media platform, boasting nearly four billion monthly users among its family of apps. Widely recognized as one of the Big Five technology companies, Meta has played a pivotal role in advancing the way people interact. The company is now advancing beyond 2D screens toward immersive experiences such as augmented and virtual reality to help build the next evolution of social technology through its Reality Labs segment.

### NOTABLE TECHNOLOGY SUBSIDIARIES:

- 1 Reality Labs
- 2 Facebook
- 3 Instagram
- 4 WhatsApp
- 5 Messenger



**77,114**  
Total Employees

**3.81B**  
Monthly Active Users

**\$28.65B**  
Q1 2023 Revenue

**\$5.71B**  
Q1 2023 Net Income

**\$608.11B**  
Market Cap

**\$184.49B**  
Total Assets

**\$37.44B**  
Cash & Short-Term Investments

**14 Years**  
Historical Net Profitability

**A1 / AA-**  
(Moody's / S&P  
Credit Ratings)



# META CONTINUES TO INVEST HEAVILY IN DIGITALLY IMMERSIVE TECHNOLOGIES, INCLUDING VR GAMING AND THE METAVERSE; LOOKING TO CAPITALIZE ON ONE OF THE FASTEST GROWING MARKET SEGMENTS IN THE WORLD

## THE META QUEST VR HARDWARE:

Meta's VR headsets have redefined the world of digital gaming and entertainment. Since acquiring Oculus VR in 2014, Meta has remained at the forefront of the technological advancements behind virtual and augmented reality-based experiences. In 2020, Meta introduced the world to Reality Labs, its division exclusively dedicated to developing VR and AR software and hardware. Recently, the gaming segments within the Reality Labs division have garnered more attention and resources as immersive gaming experiences have emerged as a key component of Meta's future business strategy. Meta has announced hardware elements of the Meta Quest headsets, such as the Meta Quest 2, are being "retooled" to specifically improve performance and usage among the gaming community. The product's wireless design and relatively affordable price point, allows gamers to move freely and fully immerse themselves in virtual gaming environments, untethered by cables and the need for a high-end PC. Meta's Quest headset line continues to cement its position as the most popular VR gaming headset while competitors like Sony are facing much slower adoption with the PSVR 2. With this level of product dominance, 9805 Willows offers an incredibly unique opportunity given it is the research and development epicenter of Reality Labs' hardware.

## OCULUS STUDIOS & PUBLISHING:

Meta's latest investments in its Oculus Studios and Publishing division – charged with the development and publication of VR games and experiences – has opened a direct avenue for the product's future success. Historically, this subdivision of Reality Labs provided support and funding for gaming developers. However, Meta has recently begun acquiring best-in-class VR gaming developers to create exclusive games for the Meta Quest Store in-house. Through the apps and programs offered on the Meta Quest Store, the company has built a refined ecosystem that is seemingly showing no signs of slowing down. Meta has indicated that it is actively working to land a major game franchise such as Grand Theft Auto and Call of Duty.

Meta announced in Q1 2023 increased funding for **over 150 new gaming projects over the next several years.**

Meta is anticipating **41 new apps and games** from Meta's first-party studios along with the **release of the new Meta Quest 3 headset in Q4 2023.**

Approximately **20 million Meta Quest headsets sold since 2016.**

Roughly **35%-40% monthly average usage rate for the Meta Quest 2** compared to 30% for the PlayStation 5.

Global console gaming market performance remains **18% ahead of pre-pandemic levels.**

Virtual Reality gaming market is anticipated to reach a **value of \$37 billion by 2028 – a 30.5% CAGR from 2022-2028.**

Meta Quest Store has generated **\$1.5 billion in revenue from 2019-2022.**

*Since last year, the number of titles in the Quest store  with at least \$25 million in revenue has doubled. And more than half of Quest daily actives now spend more than an hour using their device.*

– Mark Zuckerberg Q1 2023 earnings call

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## IMMERSIVE TECHNOLOGY & THE METAVERSE:

The broad definition of the Metaverse is an extended reality (“XR”) – which includes technologies rooted in augmented reality, mixed reality, and virtual reality – that enables interactions to take place in human and automated entities. While the digitally immersive technology is not a relatively new concept, it only began to seep into the mainstream after Facebook rebranded itself to Meta in 2021 to indicate its investment and commitment to the Metaverse future. Despite uncertainty from the public regarding where the Metaverse and VR sits today, there is a growing consensus the digital and social environments of tomorrow will be built around immersion and persistence.

**“Building the metaverse is a long-term project, but the rationale for it remains the same and we remain committed to it.**

- Mark Zuckerberg Q1 2023 earnings call

**54% of experts agreed that by 2040, the Metaverse will be much more refined and a truly immersive, well-functioning aspect of daily life** for upwards of half a billion people worldwide.

In 2022, **\$120+ billion was invested in building out Metaverse technology and infrastructure, which is double the investment from 2021.**

Virtual Reality and the prospect of the **Metaverse is still in its early stages** and consumers are just now learning to adopt the technological and interpersonal paradigm shift.

The global Metaverse market was valued at **\$22.70 billion in 2021, with McKinsey forecasting its growth to \$5 trillion by 2030.**



# VR GAMING & THE METAVERSE: THE FUTURE OF META

Since acquiring Oculus VR in 2014, Meta's VR headsets have redefined the world of digital gaming and have acted as the vessel for users to explore and experiment within the Metaverse. Since 2016, a remarkable 20 million Quest headsets have been sold, surpassing the combined sales of the Xbox Series X and S. Through its Reality Labs division, the long-term goal has always been the refinement of the overarching Metaverse while in the meantime the division has begun to "retool" the Meta Quest headsets with an emphasis on gaming performance. This development initiative comes in the wake of the gaming segments within Reality Labs beginning to gain additional funding and momentum. Via the Meta Quest Store, the company has provided users seamless access to an extensive library of content. Interestingly, Meta has begun acquiring major developers to create exclusive games for the Meta Quest Store, further cementing Meta's supremacy in the VR gaming landscape. The Metaverse and virtual reality (VR) gaming are intricately interconnected, each enhancing the other as they evolve together. At the core of this evolution lies the groundbreaking research in artificial intelligence (AI) and 3D-mapping as discussed in the Q1 2023 earnings call. AI research plays a critical role in the development of the Metaverse and VR gaming, as it enables more realistic, dynamic, and responsive environments. By incorporating advanced AI algorithms, developers can create virtual characters and objects that behave and interact with users in a more lifelike manner. With more than a billion Meta avatars created, it is expected that these enhancements will only increase that number.

**“What I would say is that the scope of our Reality Labs ambitions, especially over the long term, has not changed...the magnitude of the long run vision and opportunity and ambition for Reality Labs remains the same.”**

– Susan Li Q1 2023 earnings call

**“Reality Labs work is still great, and we're early in the process of putting together our long-range plan, which helps us benchmark what some of that product roadmap can look like.”**

– Susan Li Q1 2023 earnings call

**“Since last year, the number of titles in the Quest store with at least \$25 million in revenue has doubled. And more than half of Quest daily actives now spend more than an hour using their device.”**

– Susan Li Q1 2023 earnings call

**“Building the Metaverse is a long-term project, but the rationale for it remains the same and we remain committed to it.”**

– Mark Zuckerberg Q1 2023 earnings call

**“A narrative has developed that we're somehow moving away from focusing on the Metaverse vision, so I just want to say upfront that that's not accurate. We've been focusing on both AI and the Metaverse for years now, and we will continue to focus on both.”**

– Mark Zuckerberg Q1 2023 earnings call



## DESPITE NATIONAL OFFICE DOWNSIZING, META'S MISSION CRITICAL FACILITIES ARE PROTECTED FROM DISPOSITION

While big tech tenants – including Meta – continue to give back leased space across the country, the inventory is limited to office product, demonstrating how mission critical facilities, like 9805 Willows, are not targets for disposition.

Out of Meta's entire Seattle and Bay Area sublease inventory of nearly three million square feet, none of the space on the market were formally occupied by Reality Labs. This trend further demonstrates Meta's strong commitment to the future of its immersive technology vertical and the prioritization of its mission critical, R&D/lab facilities over traditional office spaces.







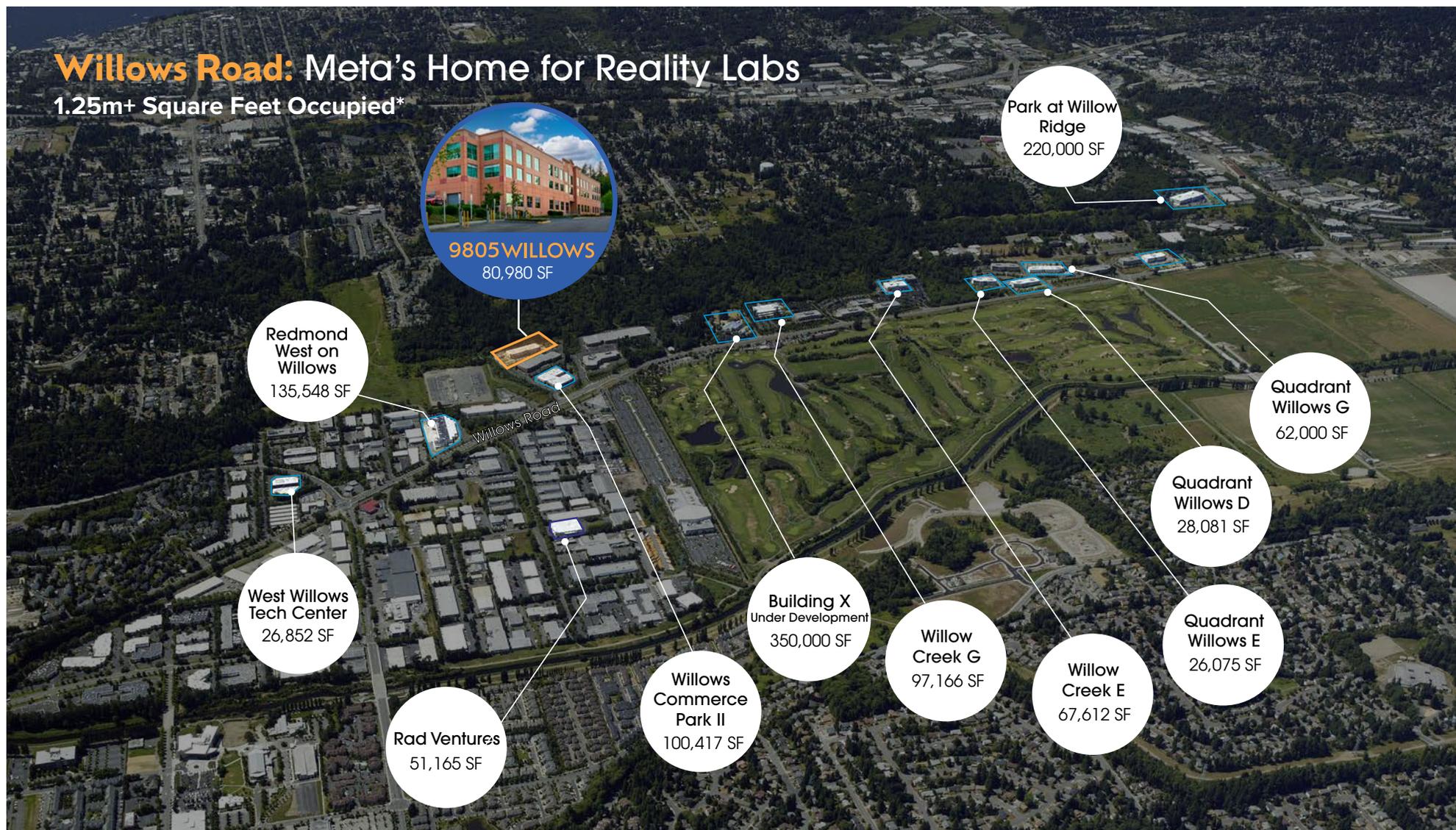
## MISSION CRITICAL FACILITY IN SUPPLY-CONSTRAINED MARKET, OFFERED WELL BELOW REPLACEMENT COST

The Eastside office and lab market consists of approximately 50 million square feet of product, with Redmond accounting for just over 20% the total inventory. With the large majority of office product currently under development residing in Bellevue's downtown core and on Microsoft's Redmond campus, Meta's tenured occupancy along Willows Road will remain robust, especially considering Reality Labs' need for specialized lab/R&D space that simply cannot be replicated or found in the traditional office space coming online in the Eastside. Furthermore, all-in, 9805 Willows remains well below today's Redmond replacement costs of approximately \$628/ft; offering investors a 34% discount or 64% discount when taking into account Meta's incredible capital investment to the Property.

# META'S HISTORY AND LONG-TERM COMMITMENT TO REDMOND

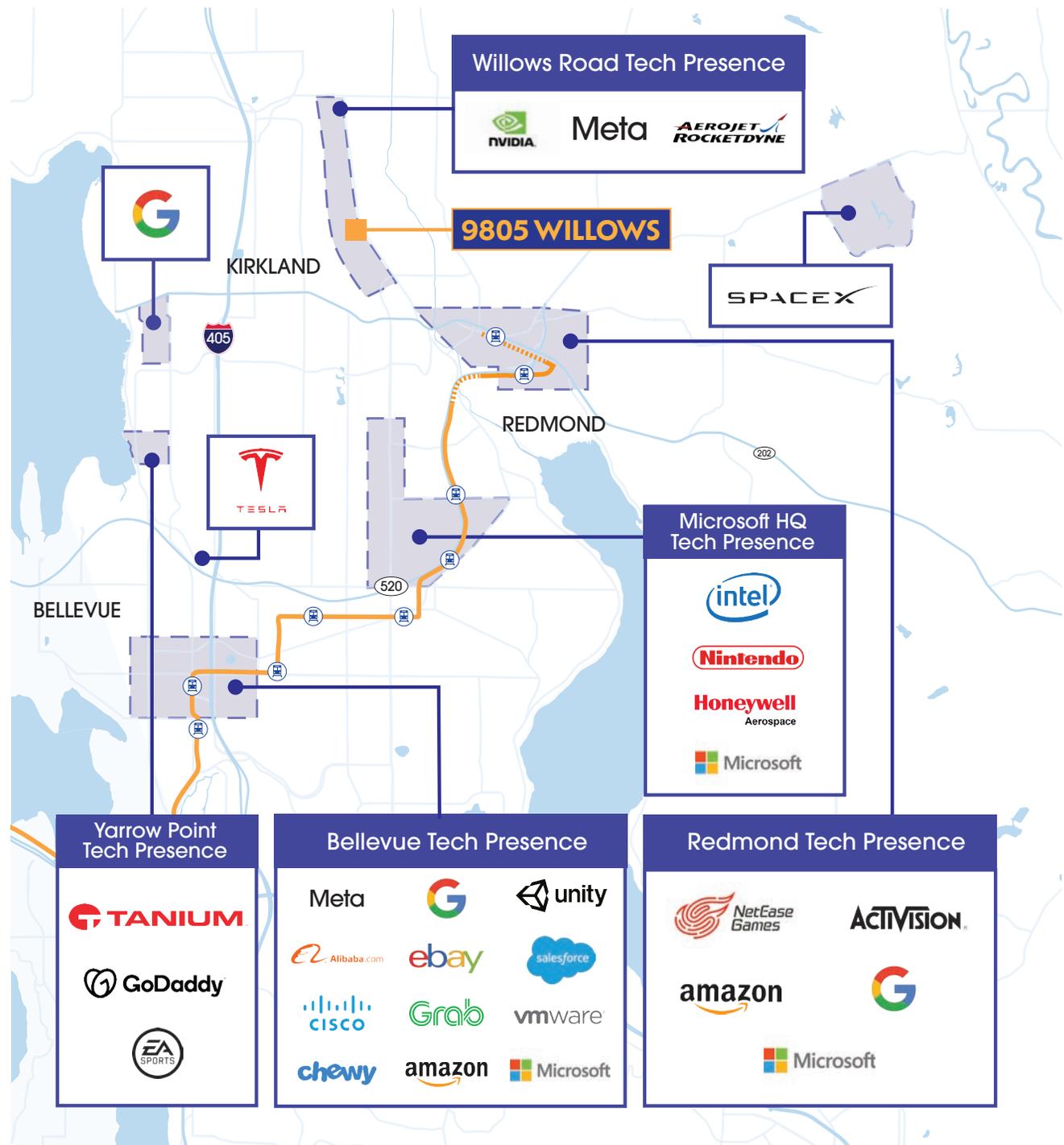
Meta currently has concentrated its mission critical research facilities for Reality Labs along Willows Road. The tech giant initially took occupancy in the Redmond submarket when it leased approximately 25,000 square feet of space at West Willows Tech Center in 2015 and since then the company has expanded into more than 1.25 million square feet\*, including Building X, Reality Labs' 350,000 square foot, state-of-the-art headquarters set to deliver in July 2023.

\*Meta has confirmed Reality Labs occupancy in 19 properties along the Willows Road corridor. Public records indicate 12 properties.



# CONTINUED RESILIENCY IN REDMOND, WITH MINIMAL VACANCY OF 3.2% AND ANCHORED BY COMMITTED TENANTS SUCH AS AMAZON, MICROSOFT, AND META

While Eastside availability has steadily increased post-pandemic, Redmond Class A office and lab vacancy rates have remained healthy at just 3.2% with submarket leasing continuing to see robust activity. In fact, Meta recently executed a 220,000 square foot lease at the end of 2022 at Park at Willows Ridge and permit filings over the past 10 months indicate Reality Labs will fully occupy approximately 62,000 square feet of lab and R&D space at Quadrant Willows Corporate Center via a lease executed in early 2022. Outside of Meta's growth along Willows Road, Microsoft has announced a complete modernization of its Redmond headquarters which will include the renovation of 6.7 million square feet of existing workspace while investing in significant transportation infrastructure improvements over the next several years as the light rail expansion continues to make its way Eastward.



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