

# MARKETBEAT OFFICE SNAPSHOT



## BELLEVUE, WA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

The Seattle-Tacoma-Everett Metropolitan Statistical Area (MSA) registered an unemployment rate of just 7.1% compared with the U.S. rate of 7.7%. Job creation continued to abound ranking the region at number six in the nation for job growth with a year-over-year increase of 2.8% and 46,400 jobs.

Home prices continue to rise as inventory shrank across King and Snohomish Counties. On a year-over-year basis, home prices increased by over 18.0% giving homebuilders reason to begin planning new projects. This development, combined with new multi-family projects, will improve construction employment in the region.

### OFFICE MARKET OVERVIEW

Vacancy rates continued to decline throughout the market, decreasing 1.2 percentage points (pps) year-over-year. With the Bellevue Central Business District (CBD) vacancy at just 10.5%, developers are starting to take notice and plans are likely to commence for new office space. Although the market is strong, it is not as deep as Seattle's CBD, so developers are still hesitant to build on a speculative basis.

Furthermore, the Bellevue submarket is traditionally made up of smaller tech firms so finding a major tenant to sign a lease is difficult for developers. The Rockefeller Group and local developer/owner Sterling Realty Organization is, however, continuing with its plan for a 2.4-million-square-foot (msf) mega project on the site that currently houses Barnes & Noble and Mars Hill Church.

Strong leasing activity continued, which is translating into lower vacancy across the market and positive absorption continued for the tenth straight quarter. Although the CBD continued to gain tenant interest, residual contractions persisted in the suburban markets caused by the last recession.

The two largest sale transactions occurred in the Bothell/Woodinville submarkets. Parts of the Schnitzer North Creek Campus were sold to two separate buyers for a reported total of just over \$40.0 million.

Average asking rental rates remained fairly flat on a year-over-year basis ending the quarter at \$26.98 per square foot per year (psf/yr). The Bellevue CBD submarket commanded the highest rents at \$34.82 psf/yr and the Everett submarket the lowest at \$18.93 psf/yr.

### OUTLOOK

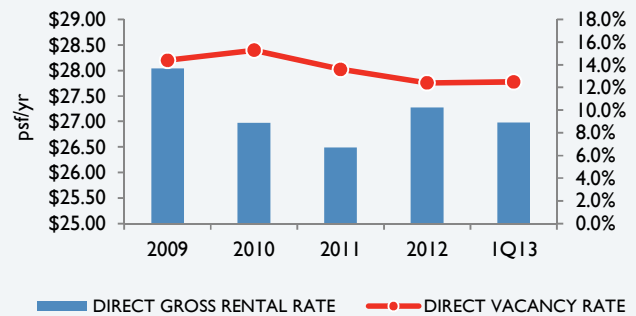
Leasing activity and stable growth continue to point toward a stronger office market for 2013. Lease rates will likely increase in the strongest submarkets such as Bellevue CBD and Kirkland while some of the weaker submarkets will continue to struggle and will need to wait for other submarkets to tighten before they see significant activity.

Regional employment is expected to grow at a rate of 2.7% in 2013 and 2.4% in 2014 and as such tenant expansion should continue through the year and into 2014.

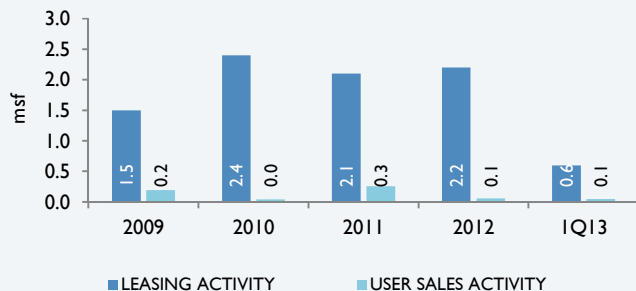
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	14.2%	13.0%	-1.2pp	▼
Direct Asking Rents (psf/yr)	\$26.78	\$26.98	0.7%	▲
YTD Leasing Activity (sf)	554,630	426,430	-23.1%	◄

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



## BELLEVUE, WA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	DIRECT WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Bellevue CBD	7,939,780	10.5%	10.5%	238,462	0	0	\$34.82	\$36.28
405 Corridor	2,665,767	17.1%	16.8%	55,107	0	0	\$27.66	\$31.14
520 Corridor	3,079,849	13.1%	12.3%	11,786	0	0	\$25.39	\$28.53
I-90 Corridor	6,472,220	12.3%	11.8%	30,182	0	0	\$28.07	\$30.47
Bel-Red	1,481,992	12.9%	12.4%	15,765	19,000	0	\$23.86	\$28.00
Redmond	1,902,624	10.1%	10.1%	4,313	0	0	\$27.53	\$28.52
Kirkland	2,235,256	8.6%	7.9%	11,757	0	0	\$27.08	\$32.74
Bothell/ Woodinville	1,458,592	12.4%	12.4%	5,821	0	0	\$22.95	\$23.02
Eastside Suburban	19,296,300	12.5%	12.0%	134,731	0	0	\$26.70	\$29.22
Lynnwood	2,189,241	23.4%	23.4%	29,171	0	0	\$21.64	\$24.98
Everett	1,518,906	14.1%	14.1%	24,066	0	0	\$18.93	N/A
Northend Suburban	5,772,622	18.2%	12.8%	53,237	0	0	\$20.84	\$24.98
Suburban Total	25,252,180	13.7%	12.1%	187,968	0	0	\$25.13	\$27.87
<b>TOTALS</b>	<b>33,191,960</b>	<b>13.0%</b>	<b>12.5%</b>	<b>426,430</b>	<b>0</b>	<b>0</b>	<b>\$26.98</b>	<b>\$30.52</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Redstone Corp Center I	Lynnwood	Pemco Financial Services	A	54,450
One Bellevue Center	Bellevue CBD	eBay	A	53,130
Plaza at Yarrow Bay	520 Corridor	INRIX, Inc	A	52,777
3100 Northup	520 Corridor	UW Medicine	A	33,492
Everett Mall Office Park	Everett	D3 Technologies	B	21,947
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Schnitzer North Creek Campus	Bothell/Woodinville	Rosen Props	\$25,800,000 / \$164	157,000
Schnitzer North Creek Campus	Bothell/Woodinville	Redstone Holdings	\$14,800,000 / \$191	77,595
Colony Park III	Lynnwood	Mammography Reporting Sys	\$4,000,000 / \$135	29,571
Belle View Office Park	Bellevue CBD	Sea-Mar Community Hlth Ctr	\$3,400,000 / \$201	16,950
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Forum West	Bel-Red	Speculative	Q2 2013	19,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS