

# MARKETBEAT OFFICE SNAPSHOT

## SEATTLE, WA - CBD

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 continued 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

The Central Business District (CBD) area of Seattle continued to improve, ending first quarter with an overall vacancy rate of 16.0%, representing a 2.1-percentage point (pp) decrease on a year-over-year basis. Amazon has been very active in the market over the past year and took an additional 150,000 square feet (sf) in the Lower Queen Anne/Lake Union submarket in Q1 13.

The 528,353 sf of leasing activity was down 31.2% from the same period last year, but leasing activity remains strong. Declining vacancy rates put upward pressure on direct asking rents, which increased by 5.5% to end the quarter at \$31.82 per square foot per year (psf/yr).

Capstone Partners broke ground in February on a 345,000-sf office/life science building in the Lower Queen Anne/Lake Union submarket and the project is expected to be completed in the first quarter of 2015. Additionally, Vulcan Real Estate began construction of the sixth phase of Amazon.com's corporate campus. This expansion will include an additional 365,000 sf of office space and a 15,000-sf retail component.

### OUTLOOK

As vacancy rates continue to decline, lease rates should continue to climb albeit at a modest pace. With GDP growth projected to expand by 2.0% in 2013 and 2.8% in 2014, companies will be expanding and hiring which will require additional office space. The CBD should capture the lion's share of these expansions.

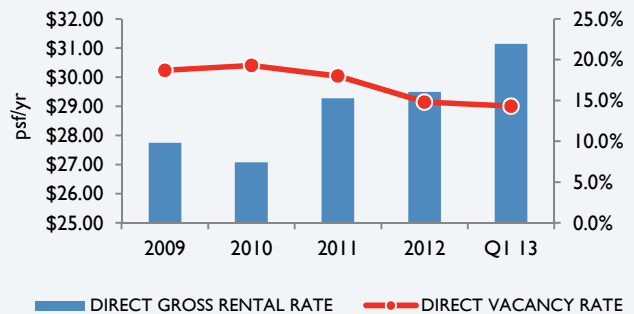
The expansion by Amazon in the Lower Queen Anne/Lake Union submarket has sparked some speculative construction and more is likely

to occur in that area. Amazon.com's expansion will continue throughout 2013 and it is expected that it will have a positive effect on new construction elsewhere. Amazon is currently in the planning stages to build upward of 3.3 msf on land it purchased from the Clise family during 2012 in the Denny Regrade.

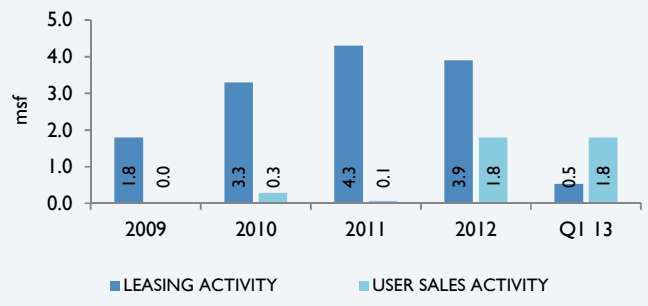
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.1%	16.0%	-2.1pp	▼
Direct Asking Rents (psf/yr)	\$30.16	\$31.82	5.5%	▲
YTD Leasing Activity (sf)	768,011	528,353	-31.2%	▼

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Financial District	21,374,745	17.1%	14.5%	225,158	0	0	\$35.12	\$38.02
Denny Regrade	8,126,525	15.9%	15.1%	100,340	0	0	\$28.17	\$32.00
Pioneer Square/Int'l Dist.	4,198,620	15.8%	15.2%	93,032	0	0	\$26.95	\$27.08
Lower Queen Anne/Lake Union	7,431,416	12.9%	12.6%	63,025	827,900	0	\$28.99	\$34.38
<b>CBD</b>	<b>41,131,306</b>	<b>15.6%</b>	<b>14.3%</b>	<b>481,555</b>	<b>827,900</b>	<b>0</b>	<b>\$31.82</b>	<b>\$35.58</b>
North Seattle/ Northgate	2,405,658	10.2%	9.9%	3,520	0	0	\$23.78	\$24.59
Close-in South Seattle	1,328,403	25.6%	25.6%	2,709	170,000	0	\$23.72	\$24.00
East Seattle/ Capitol Hill	898,964	29.5%	29.5%	5,603	0	0	\$26.55	\$24.90
<b>Seattle In-City</b>	<b>4,633,025</b>	<b>17.2%</b>	<b>17.0%</b>	<b>11,832</b>	<b>170,000</b>	<b>0</b>	<b>\$24.67</b>	<b>\$24.25</b>
Tukwila	2,228,868	18.6%	17.3%	8,497	0	0	\$17.11	\$20.16
SeaTac	861,514	27.8%	26.9%	17,762	0	0	\$21.81	\$22.96
Renton	3,189,922	11.8%	11.5%	5,930	0	0	\$20.28	\$22.27
Kent/Auburn	1,360,673	35.3%	34.0%	2,957	0	0	\$19.51	\$22.07
Southend Suburban	7,640,977	19.7%	19.0%	35,146	0	0	\$19.18	21.74
Federal Way	2,115,858	28.9%	28.9%	7,831	0	0	\$19.50	\$20.41
<b>TOTALS**</b>	<b>55,521,166</b>	<b>16.6%</b>	<b>15.5%</b>	<b>528,533</b>	<b>997,900</b>	<b>0</b>	<b>\$28.47</b>	<b>\$31.71</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

\*\*TOTAL INCLUDES MARKETS NOT REPORTED IN NATIONAL STATISTICS (SEATTLE IN-CITY AND FEDERAL WAY)

## MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Two Union Square*	Financial District	Morgan Stanley Smith Barney	A	58,047
Union Station South Building	Pioneer Square	Intel	A	47,724
51 University	Financial District	Synapse	A	32,000
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Westlake Terry Building	Lower QA/Lk Union	Kilroy Realty	\$170,000,000 / \$530	320,399
605 Union Station	Pioneer Square/Intl District	LACERA	\$96,900,000 / \$291	333,500
Dexter Horton Building	Financial District	Gerding Edlen	\$76,600,000 / \$228	336,371
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
202 Westlake	Lower QA/Lk Union	Amazon.com	Q3 2013	117,900
Amazon.com Headquarters Phase VI	Lower QA/Lk Union	Amazon.com	Q1 2015	365,000
Dexter Station	Lower QA/Lk Union	Speculative	Q1 2015	345,000

\*Renewals not included in Leasing Activity