

MARKETBEAT INDUSTRIAL SNAPSHOT

SEATTLE, WA (KENT VALLEY)

A Cushman & Wakefield Alliance Research Publication

Q4 2012



ECONOMIC OVERVIEW

The Puget Sound was one of the fastest growing regions in the country in 2012, expanding at twice the national rate (2.7% compared to 1.4%).

Unemployment fell to 6.9% in November, compared to 7.9% one year ago and the region gained 44,200 jobs over the same period. Housing

starts climbed to a four-year high and the apartment market is booming with 3,472 units completed through September with an additional 14,000 units underway. This is producing steady improvements to construction employment for the first time since its peak in January 2008. Boeing regained the lead against Airbus for aircraft orders and while the tech industry slowed some in 2012, this sector is once again ramping up.

INDUSTRIAL MARKET OVERVIEW

Continued improvements in the overall economy fueled a rebound in warehouse demand for the Kent Valley in 2012. At 7.4%, the overall vacancy rate for the entire market dropped 170 basis points over the year, its largest annual decrease since 2005. The 2.2 million square feet (msf) of positive overall absorption was up 30% over the year and was the strongest the market has seen since 2006. The only difference being that space was absorbed through existing facilities, not in new construction projects like the market saw six years ago.

After posting strong year-over-year gains through the first three quarters, leasing activity trailed a bit in the fourth quarter. As a result, the 6.6 msf of new deals signed in all of 2012 was down slightly from the 6.9 msf in 2011, but deal volume remains brisk. In fact, the number of new leases signed in 2012 was up about 10.7% over the year.

With rising levels of tenant demand and a relative lack of large available product - just four properties can accommodate a user greater than 200,000 square feet - the market is seeing speculative construction for the first time in more than three years. Benaroya and Industrial Income Trust are developing a 441,250-sf warehouse in Sumner. Michelson Commercial and Knapp Development broke ground on the 369,200-sf Wenatchee building in the Sumner Corporate Park and ProLogis is underway on a 240,900-sf project in Fife. In addition, several new projects entered the pipeline, including a 1.0-msf project that DCT Industrial Trust is planning on the Ota Farms site in Sumner.

Capital markets posted one of its strongest years on record, surpassing the investment frenzy experienced back in 2007. The Kent Valley recorded 6.7 msf of investment sales totaling \$493 million in 2012, compared to just 3.0 msf which traded for \$206 msf in 2011 (the Kent Valley posted 4.2 msf in 2007). In addition, values continue to rise, with the average price of \$73 per square foot (psf) up 6.3% over year.

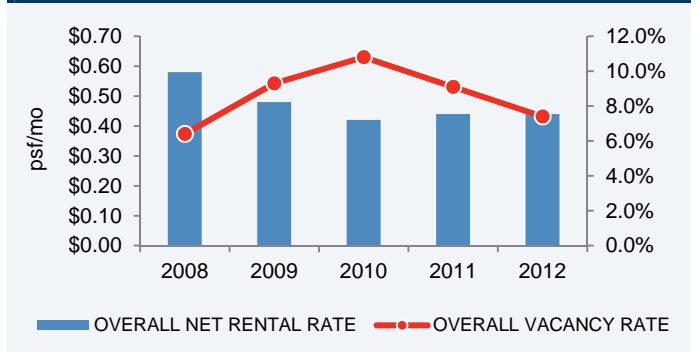
OUTLOOK

Barring existing national and international uncertainties like fiscal problems and the European financial crisis, positive momentum in the Kent Valley should continue into 2013. The *Puget Sound Economic Forecaster* projects the GDP will grow at a rate of 2.0% in 2013 and 2.8% in 2014, which should boost demand at the ports of Seattle and Tacoma, thus fueling the additional need for warehouse space. With extremely low interest rates and high occupancy volumes, investment sales should continue into next year, though it is unlikely the market will see a repeat of 2012. Speculative construction will gain further traction, but we do not anticipate the same level of development the market produced in 2004 through 2007.

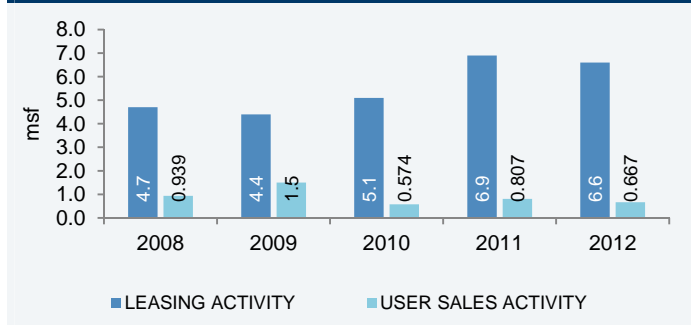
STATS ON THE GO

	Q4 2011	Q4 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.1%	7.4%	-1.7pp	▼
Direct Asking Rents (psf/mo)	\$0.44	\$0.45	2.3%	◀▶
YTD Leasing Activity (sf)	6,965,850	6,648,674	-4.6%	◀▶

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



SEATTLE, WA (KENT VALLEY)

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
SeaTac	3,443,453	8.1%	141,434	0	0	0	1,160	1,160	\$0.00	\$0.00	\$0.79	\$0.64
Tukwila	12,376,112	8.0%	479,103	55,829	0	0	64,183	68,075	\$1.69	\$0.00	\$0.64	\$0.56
Renton	14,804,901	4.2%	584,917	132,762	0	0	409,209	559,659	\$0.00	\$0.30	\$0.77	\$0.44
Kent	43,315,704	10.6%	3,503,548	145,156	69,600	0	646,614	576,834	\$0.00	\$0.65	\$0.65	\$0.38
Auburn	25,898,856	3.0%	564,029	10,560	144,000	0	325,875	340,813	\$0.00	\$0.27	\$0.42	\$0.48
S. King Co. Total	99,839,026	7.3%	5,273,031	344,307	213,600	0	1,447,041	1,546,541	\$1.69	\$0.39	\$0.66	\$0.41
Sumner	10,983,428	9.6%	785,067	9,360	810,450	15,890	163,819	404,262	\$0.00	\$0.37	\$0.50	\$0.36
Puyallup	8,379,483	6.8%	100,003	25,366	375,000	0	353,217	269,007	\$0.00	\$0.37	\$0.50	\$0.45
Fife/Milton	9,869,624	6.8%	490,573	0	240,900	0	10,593	10,593	\$0.00	\$0.38	\$0.81	\$0.43
N. Pierce Co. Total	29,232,535	7.8%	1,375,643	34,726	1,426,350	15,890	527,629	683,862	\$0.00	\$0.37	\$0.73	\$0.40
TOTALS	129,071,561	7.4%	6,648,675	379,033	1,639,950	15,890	1,974,670	2,230,403	\$1.69	\$0.38	\$0.66	\$0.41

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

Significant 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Auburn Logistics Center*	Auburn	UPS	Warehouse/Distribution	616,827
Mowich Building*	Sumner	JC Penney's	Warehouse/Distribution	350,000
Kent North Corporate Park*	Kent	Volvo Logistics North America (Renewal/Expansion)	Warehouse/Distribution	293,721
Portside Distribution Center	Fife/Milton	Solo Cup	Warehouse/Distribution	203,505
Kent North Corporate Park	Kent	Jacobson Companies	Warehouse/Distribution	171,634
Renton Logistics Center	Renton	Graybar Electric Company	Warehouse/Distribution	156,696
Sumner Corporate Park – Rainier	Sumner	Damco	Warehouse/Distribution	139,092
Significant 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Valley South Corporate park	Sumner	ProLogis	\$155,140,000 / \$72	2,144,730
Southcenter South Industrial Park	Tukwila	Cornerstone Real Estate Advisors	\$67,277,550 / \$98	686,417
O'Donnell Bus. Park/West Valley Commerce Ctr.	Kent	Prologis	\$26,650,000 / \$69	386,916
Pacific Coast Corporate Park Phase I	Fife/Milton	TIAA-CREFF	\$34,250,000 / \$89	384,320
Significant 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Sumner Distribution Center	Sumner	N/A	Q1 2013	441,250
Carlisle Construction Materials	Puyallup	Carlisle Construction Materials	Q1 2013	375,000
Sumner Corporate Park – Wenatchee	Sumner	N/A	Q4 2013	369,200
ProLogis Fife Distribution Center	Fife/Milton	N/A	Q1 2013	240,880
1600 M Street Northwest	Auburn	N/A	Q1 2013	144,000
Alsco Laundry Facility	Kent	Alsco Laundry	Q2 2013	69,600

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS