

MARKETBEAT OFFICE SNAPSHOT



SEATTLE, WA – SUBURBAN (SOUTHEND)

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 as 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 of new projects. This development, combined with new multi-family projects, will improve construction employment in the region.

OFFICE MARKET OVERVIEW

The Southend office market continued to lag other Puget Sound markets with vacancy rates ticking up slightly from Q4 12 but decreasing on a year-over-year basis. This inability to form a persistent trend indicates the market still has some distance to go before reaching stabilization but the variations are small enough to indicate that stabilization is likely near. The Renton submarket continued to outperform the overall market with a vacancy rate of just 11.8% while both the Kent/Auburn and Seatac submarkets struggled at 35.3% and 27.8%, respectively.

Leasing activity is up by 17.8% showing more interest by tenants to expand or move into the market, however, absorption is negative, indicating some tenants are downsizing or relocating to other submarkets.

OUTLOOK

Although the U.S. economic outlook still appears shaky, many of the uncertainties caused by the fiscal cliff and sequestration are now mostly behind us. The removal of this perceived uncertainty should allow businesses to focus and plan their futures. Seattle remains one of the hottest markets in the U.S. with strong job growth expected moving forward. As other, more established markets flourish, expect to see the Southend submarkets pick up some momentum.

Average asking lease rates will likely remain flat but vacancies should begin dipping with occupancy gains in the coming quarters.

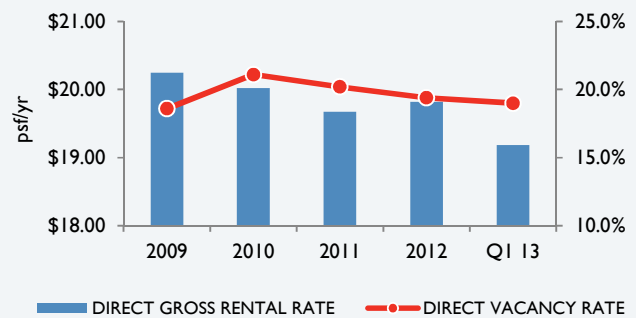
The only buildings currently proposed in the area are the Southport Buildings A through C. These are expected to include 840,000 sf but are

not expected to break ground in 2013. Until lease and vacancy rates improve, it is unlikely any new fully speculative buildings will begin construction.

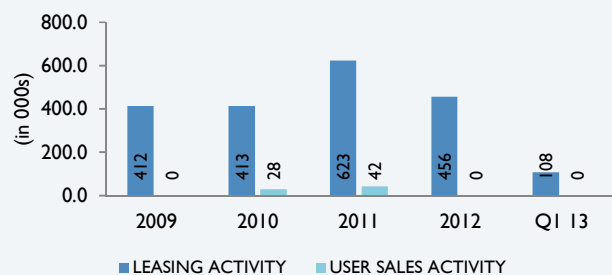
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.8%	19.7%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$19.82	\$19.18	-3.2%	◄
YTD Leasing Activity (sf)	91,494	35,146	-61.9%	◄

OVERALL 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
CBD	41,131,306	15.6%	14.3%	481,555	827,900	0	\$31.82	\$35.58
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
Seattle In-City	4,633,025	17.2%	17.0%	11,832	170,000	0	\$24.67	\$24.25
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
TOTALS**	55,521,166	16.6%	15.5%	528,533	997,900	0	\$28.47	\$31.71

* 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
SeaTac Office Center	SeaTac	Veterans Affairs	A	84,247
Oakesdale Center – Building D	Renton	Aronson Security Group	B	23,492
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
500 Naches Ave SW	Renton	GC Net Lease REIT	\$12,000,000 / \$164	320,399
401 Olympia Avenue	Renton	Creative Workspace	\$4,100,000 / \$164	333,500
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET