

MARKETBEAT INDUSTRIAL SNAPSHOT



SEATTLE (KENT VALLEY), WA
A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

Despite a few speed bumps, 2011 set the pace for what economists forecast to be a steady year of growth in 2012. The region saw a 1.5% jump in employment year-over-year, and retail sales surpassed pre-recession levels, increasing an estimated 5.4% for the year. Employment in

the tech industry reached its pre-recession peak and many companies have announced further growth plans over the next year. Boeing, which added 7,000 jobs to the region this year, now employs more than 75,000 in the region with its impact reaching upward of 200,000 jobs. The firm's footprint in the economy was further solidified earlier in the year after winning the fuel tanker contract and more recently when the company signed a multi-year labor contract with the Machinists union, guaranteeing generous annual pay hikes and a commitment to build the new 737 MAX in Renton.

INDUSTRIAL MARKET OVERVIEW

An increased demand for warehouse space improved the Kent Valley's industrial market in 2011. Port activity, a direct driver for warehouse demand, is seeing some improvements in container flow. Port of Tacoma is up 3.2% in the twelve months ending in November to 1.4 million TEU's. Port of Seattle is still trailing in total container traffic, down 5.5% for the year with 1.9 million TEU's, but a surge in export sales boosted outbound traffic by 11.6%.

At 9.1%, the overall vacancy rate for the entire market dipped 170 basis points over the year, with the largest improvements focused on the North Pierce County market. The overall vacancy rate here declined from 14.8% at year-end 2010 to 10.0%. This market had strong levels of leasing, both from expanding companies and tenants relocating from the close-in submarkets in King County. Amazon.com opened up a 492,124-square foot (sf) distribution center in Sumner. Puget Sound International consolidated from Kent and Tacoma into 276,106 sf in Fife and PrimeSource moved from Auburn into 168,435 sf in Sumner. Despite some tenant relocations, there was still a sizeable amount of demand to cover new space being added in the South King County market and its vacancy declined from 9.7% at year-end 2010 to 8.9%.

Absorption reflected the overall improvements in warehouse demand. The entire market captured 1.7 million square feet (msf) of positive overall absorption for the year, its highest level since 2007. South King County recorded 617,678 square feet of positive absorption, compared to negative 1.6 msf in 2010. North Pierce County had 1.1 msf of positive absorption, compared to negative 405,829 sf twelve months ago.

Leasing activity was up 36.3% for the year with 6.9 msf of new deals tracked. Demand for big box warehouse space is improving. In 2010, there were just nine deals over 100,000 sf, compared to 2011 when 16 new deals were recorded.

Kent Valley continues to be one of the strongest investment markets in the region with buyers continuing to focus on stable, high-occupancy properties. Just over 2.9 msf totaling \$200 million (\$69 psf average) traded hands in 2011. Slightly lower than 2010, where 3.4 msf traded for \$248 million for an average of \$71.49 psf, but on par with pre-recession levels.

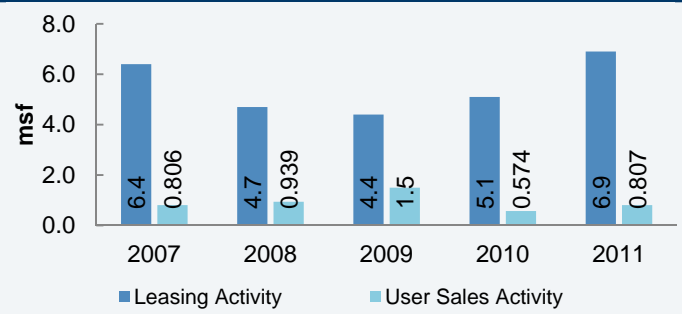
OUTLOOK

The *Puget Sound Economic Forecaster* estimates that GDP will expand at 2.1% in 2012 and 2.8% in 2013, which should continue to boost exports out of Seattle and Tacoma. With vacancy rates on the decline and positive absorption gaining solid ground, the market is poised for further growth over the next 24-48 months.

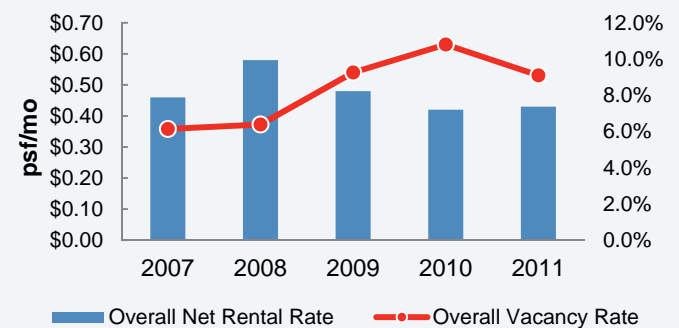
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.8%	9.1%	-1.7pp	▼
Direct Asking Rents (psf/mo)	\$0.43	\$0.44	2.3%	◀▶
YTD Leasing Activity (sf)	5,109,932	6,965,850	36.3%	◀▶

OVERALL OCCUPIER ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



SEATTLE (KENT VALLEY), WA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL NET ABSORPTION			DIRECT WEIGHTED AVERAGE NET RENTAL RATE*	
							HT	MF	OS	W/D	
SeaTac	3,538,897	7.9%	82,317	0	0	0	67,778	\$0.00	\$0.00	\$0.79	\$0.62
Tukwila	12,348,313	9.0%	359,116	97,075	0	0	161,075	\$1.86	\$0.00	\$0.61	\$0.50
Renton	15,561,913	7.6%	302,317	61,440	0	0	(99,470)	\$0.00	\$0.00	\$0.77	\$0.40
Kent	43,387,157	12.1%	2,611,091	187,218	0	0	(251,246)	\$0.00	\$0.52	\$0.63	\$0.38
Auburn	25,940,298	4.6%	1,065,785	0	0	0	739,541	\$0.00	\$0.30	\$0.47	\$0.44
S. KING COUNTY	100,776,578	8.9%	4,420,626	345,733	0	0	617,678	\$1.86	\$0.39	\$0.64	\$0.40
Sumner	10,943,782	11.8%	1,758,412	45,565	0	0	1,004,531	\$0.00	\$0.36	\$0.43	\$0.35
Puyallup	8,388,422	10.9%	159,612	349,894	0	0	42,409	\$0.00	\$0.42	\$0.85	\$0.36
Fife/Milton	9,736,226	7.0%	627,200	66,000	0	0	55,552	\$0.00	\$0.38	\$0.77	\$0.40
N. PIERCE COUNTY	29,068,430	10.0%	2,545,224	461,459	0	0	1,102,492	\$0.00	\$0.39	\$0.67	\$0.37
TOTAL	129,845,008	9.1%	6,965,850	807,192	0	0	1,720,170	\$1.86	\$0.39	\$0.64	\$0.40

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

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

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
Sumner Corporate Park	Sumner	Amazon.com	Warehouse/Distribution	492,124
Sumner Central Building C	Sumner	Brooks Sports	Warehouse/Distribution	427,253
Rainier Park of Industry	Sumner	Norvanco International	Warehouse/Distribution	257,775
Pacific Coast Corporate Park	Fife/Milton	Puget Sound International	Warehouse/Distribution	248,350
Northwest Corporate Park	Kent	Kent Warehouse & Labeling	Warehouse/Distribution	240,000
Renton Logistics Center	Renton	Sealed Air	Warehouse/Distribution	186,918
Olympic Steamship Building	Kent	Columbia Distributing	Warehouse/Distribution	178,500
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Auburn Logistics Center	Auburn	PPF Industrial C Street NW, LLC	\$43,000,000	945,356
Valley Avenue Business Park	Puyallup	IAC VABP LLC	\$41,545,937	442,936
Rainier Park of Industry Building 6	Sumner	LBA Realty	\$17,814,950	253,149
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				