

# MARKETBEAT INDUSTRIAL SNAPSHOT



## BELLEVUE, WA

A Cushman & Wakefield Alliance Research Publication

Q1 2012



### ECONOMIC OVERVIEW

The Puget Sound region continues its path toward economic recovery, largely in the form of job creation. According to Washington State Employment Security Department, 46,300 jobs were created in the Seattle MSA in the twelve months ending in February. At 7.4%, the unemployment rate was at its lowest level since January 2009, and sits well below the national average of 8.3%. Some of the strongest growing industries over the past twelve months included manufacturing (+12,000), professional & business services (+8,800), leisure & hospitality (+8,800) and health services (+7,000). Even construction is showing modest gains, adding 2,700 jobs over the year.

### INDUSTRIAL MARKET OVERVIEW

Despite improvements to the local economy, the Eastside industrial market continues its struggle to regain footing. At 13.9%, the overall vacancy continued to climb in the first quarter of 2012, up from 13.5% at year-end and 12.7% one year ago. SanMar vacated about 50,000 square feet (sf) of office space at its distribution center in Preston and relocated to an office building it purchased in Issaquah last year. Tradewins vacated 68,957 sf at Woodinville Corporate Center after filing for bankruptcy; 53,750 sf of space opened up at the former Georgia Pacific Building upon its sale to an investor late last year; and Loud Technologies gave back 30,000 sf after renewing at its facility at the former Mackie Designs Building. In total, the Eastside recorded 205,784 sf of negative absorption for the quarter.

The overall vacancy rate in the Northend dropped into single-digit territory at 9.1%, its lowest level since 2009, when vacancies were on the incline. The largest space to come off the market was 326,447 sf at Centre 41 @ Harbour Pointe in Mukilteo. Boeing signed a lease for the space when it sold the project to Travis Industries in November of last year, and moved in shortly after. Despite the fact that Boeing took occupancy in 2011, the market still managed to record 31,667 sf of positive absorption during the first quarter, mainly from smaller leases that occurred in previous quarters.

After several strong quarters of leasing, the 275,966 sf of new deals on the Eastside was at its lowest level since fourth quarter 2010. The largest lease was a 25,360-sf renewal/expansion by Micronics at WestPark in Redmond. Leasing in the Northend was down about 46.5% for the quarter with just 69,296 sf of new deals signed.

Investment activity remained strong on the Eastside with a total of 370,314 sf trading hands over the quarter for a total of \$61.6 million, up 420% from fourth quarter and 105% year-over-year. The

Northend, where sales are generally driven by users, did not report any investments transactions for the quarter.

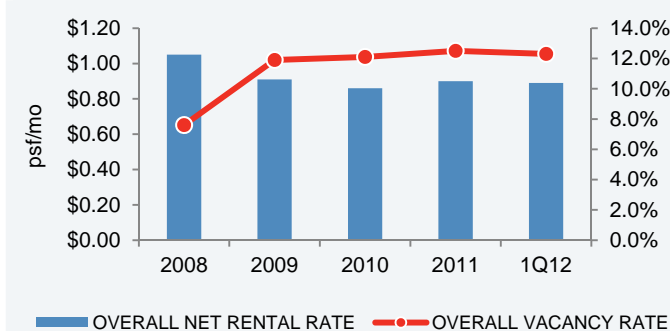
### OUTLOOK

With technology and manufacturing employment reaching pre-recession levels, market fundamentals should improve on the Eastside, though we expect these improvements to be gradual. Development activity is essentially non-existent, which should keep demand focused on existing product. The Northend is recovering faster than the Eastside, thanks to its location advantages to Boeing. The first speculative construction project in several years was completed this quarter, and more ground breaks, both on a speculative and build-to-suit basis, are in the foreseeable future.

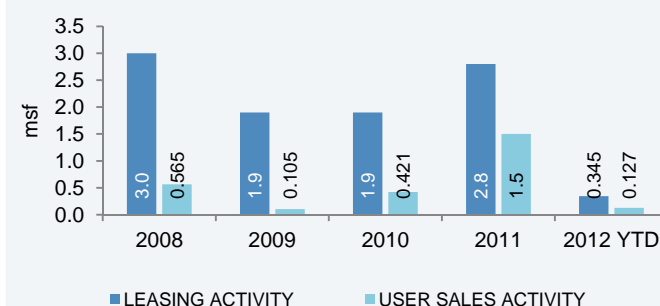
### STATS ON THE GO

	1Q11	1Q12	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.3%	12.3%	0.0pp	▼
Direct Asking Rents (psf/mo)	\$0.86	\$0.89	3.4%	◄►
YTD Leasing Activity (sf)	600,734	345,262	-42.5%	◄►

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



## BELLEVUE, WA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	CONSTRUCTION COMPLETIONS	YTD	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
										HT	MF	OS	W/D
Bellevue	4,882,714	10.1%	11,866	0	0	0	(29,779)	(29,779)	\$2.08	\$0.43	\$0.89	\$0.83	
Issaquah/East I-90	3,094,609	14.5%	28,148	0	125,000	0	(56,238)	(56,238)	\$1.24	\$0.80	\$2.07	N/A	
Redmond (Overlake)	2,199,575	3.0%	8,804	21,320	0	0	19,199	13,082	\$1.67	N/A	N/A	N/A	
Redmond (Willows)	6,232,279	18.6%	98,944	34,900	0	0	26,601	35,201	\$1.26	\$0.65	\$0.94	\$0.82	
Redmond (East)	4,178,147	9.8%	22,854	0	0	0	(12,418)	(12,418)	\$1.31	\$0.66	\$0.97	\$0.65	
Kirkland	2,943,726	16.1%	20,486	0	0	0	7,551	7,551	\$1.07	\$0.73	\$0.87	\$0.56	
Woodinville/522 Corridor	8,044,442	15.7%	50,732	15,370	0	0	(180,433)	(173,318)	\$0.64	\$0.61	\$0.80	\$0.66	
Bothell	7,444,471	15.1%	34,132	37,978	0	0	14,957	10,135	\$1.26	\$0.91	\$1.01	\$1.13	
<b>Eastside Subtotal</b>	<b>39,019,963</b>	<b>13.9%</b>	<b>275,966</b>	<b>109,568</b>	<b>125,000</b>	<b>0</b>	<b>(210,560)</b>	<b>(205,784)</b>	<b>\$1.25</b>	<b>\$0.64</b>	<b>\$0.92</b>	<b>\$0.73</b>	
Edmonds/Mntlk Terr/Lynnwood	2,541,724	12.7%	4,021	18,400	0	0	(11,741)	(11,741)	\$1.23	\$0.54	\$0.69	\$0.63	
Mukilteo	3,909,511	4.4%	8,151	0	0	0	24,304	24,304	\$1.12	\$0.68	\$1.04	\$0.70	
Everett	10,288,761	10.0%	57,124	0	0	79,600	35,807	35,807	\$1.25	\$0.81	\$0.78	\$0.45	
North Snohomish	3,559,294	8.9%	0	0	0	0	(16,703)	(16,703)	N/A	\$0.44	N/A	\$0.47	
<b>Northend Subtotal</b>	<b>20,299,290</b>	<b>9.1%</b>	<b>69,296</b>	<b>18,400</b>	<b>0</b>	<b>79,600</b>	<b>31,667</b>	<b>31,667</b>	<b>\$1.22</b>	<b>\$0.61</b>	<b>\$0.87</b>	<b>\$0.49</b>	
<b>TOTALS</b>	<b>59,319,253</b>	<b>12.3%</b>	<b>345,262</b>	<b>127,968</b>	<b>125,000</b>	<b>79,600</b>	<b>(178,893)</b>	<b>(174,117)</b>	<b>\$1.25</b>	<b>\$0.63</b>	<b>\$0.91</b>	<b>\$0.61</b>	

\* RENTAL RATES REFLECT ASKING \$PSF/MONTH

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

## MARKET HIGHLIGHTS

Significant IQ12 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Delta Business Park*	Everett	Randy's Ring & Pinion	Warehouse/Distribution	58,824
Everett Commerce Center	Everett	BE Aerospace	Warehouse/Distribution	39,675
WestPark	Redmond (East)	Micronics	High Technology	25,360
Significant IQ12 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Willows Tech Campus	Redmond (Willows)	The CG Net Lease (Redmond) Investors, LLC	\$40,000,000 / \$252 PSF	158,522
Canyon Park 228	Bothell	MIG Real Estate, LLC	\$16,000,000 / \$144 PSF	110,622
WDS Global Building	Kirkland	PBES Enterprises LLC	\$5,100,000 / \$63 PSF	61,170
Significant IQ12 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
JERD Industrial Building	Everett	N/A	IQ12	45,500
Norpro Expansion	Everett	Norpro	IQ12	34,100
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Motion Water Sports BTS	Issaquah/East I-90	Motion Water Sports	4Q12	125,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS