

MARKETBEAT INDUSTRIAL SNAPSHOT



SEATTLE (KENT VALLEY), 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

Port activity continues to stabilize on the heels of economic recovery. Port of Tacoma traffic was up 2.3% for the year in 2011 with 1.5 million TEUs logged. Port of Seattle was down 4.6% for the year with just over 2.0 million TEUs, but total exports continues to improve, increasing nearly 10.0% over the year.

Momentum that was building in 2011 continued through the first quarter of the year in Kent Valley's industrial market. At 759,748 square feet (sf) of positive absorption, first quarter had the strongest three-month gain since third quarter 2008. In South King County, Columbia Distributing expanded into 119,850 sf at the Olympic Steamship Building and West Coast Paper moved into 41,133 sf of space it leased last year at Van Doren's Landing. Pierce County, where much of the activity was focused, saw ODOM Corp move into the 348,894-sf distribution center it purchased in Puyallup in July of last year. The 220,443 sf of Pacific Distribution sublease space at the Nisqually Building in Sumner was backfilled and Brooks Sports vacated 140,000 sf at the Carbon Building and into the 427,253 sf that it leased last year at Sumner Central. Total activity drove the overall vacancy rate down to 8.4% in the first quarter, compared to 9.1% at year-end and 10.2% year-over-year.

Leasing activity moved along at a steady clip with 1.6 million square feet of new deals signed this quarter, a 44.4% improvement over first quarter 2011. Four of the top ten leases this quarter involved renewals (which are not counted in leasing activity), including UPS which renewed for 616,827 sf at Auburn Logistics Center, making it the largest transaction so far this year.

Industrial investment in the Kent Valley remains strong. Sales totaled 900,501 sf during the quarter, on par with the 779,089 sf in

transactions during the fourth quarter and 1.2 msf one year ago. The \$65.7 million in total sales averaged \$73 per square foot.

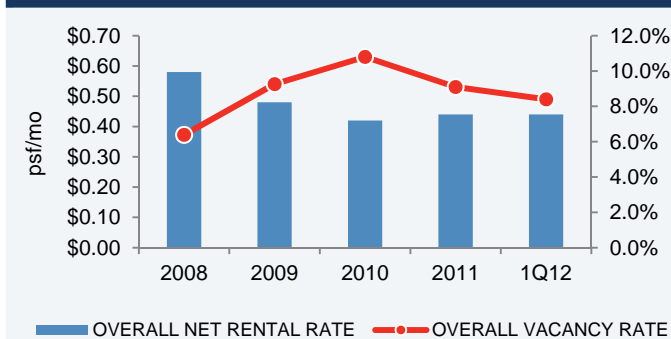
OUTLOOK

The announcement earlier in the year that Grand Alliance will be moving its terminal operations from the Port of Seattle down to Tacoma could push additional tenant requirements to the south end of the market, where just six available properties can accommodate a distribution user over 100,000 sf. As the number of "big box" industrial product continues to dwindle, speculative development could once again be on the horizon.

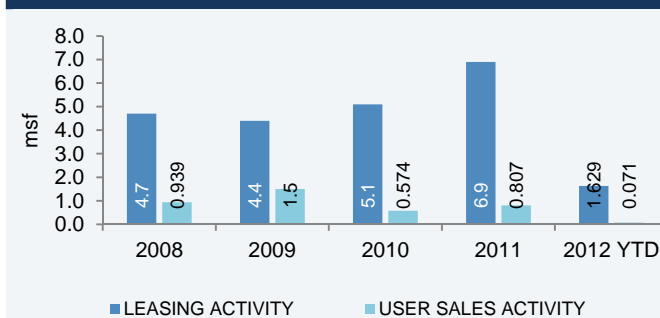
STATS ON THE GO

	1Q11	1Q12	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.2%	8.4%	-1.8pp	▼
Direct Asking Rents (psf/mo)	\$0.44	\$0.44	0.0%	◄►
YTD Leasing Activity (sf)	1,128,106	1,629,178	44.4%	◄►

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



SEATTLE (KENT VALLEY), WA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
SeaTac	3,538,897	7.8%	19,264	0	0	0	4,363	4,363	N/A	N/A	\$0.79	\$0.66
Tukwila	12,348,313	9.5%	71,597	10,480	0	0	(84,139)	(80,247)	\$1.86	N/A	\$0.59	\$0.50
Renton	15,561,913	7.6%	8,490	0	0	0	(7,653)	(7,653)	N/A	\$0.30	\$0.75	\$0.41
Kent	43,387,157	11.7%	793,593	50,635	0	0	66,921	92,005	N/A	\$0.52	\$0.63	\$0.39
Auburn	25,940,298	3.8%	208,944	10,560	0	0	122,231	140,117	N/A	\$0.29	\$0.43	\$0.45
S. King Co Subtotal	100,776,578	8.7%	1,101,888	71,675	0	0	101,723	148,585	\$1.86	\$0.37	\$0.64	\$0.41
Sumner	10,965,058	8.4%	401,076	0	0	0	118,000	368,443	N/A	\$0.36	\$0.43	\$0.35
Puyallup	8,388,422	6.9%	2,585	0	0	0	308,019	308,019	N/A	\$0.37	\$0.85	\$0.43
Fife/Milton	9,736,226	7.7%	123,629	0	0	0	(65,299)	(65,299)	N/A	\$0.38	\$0.80	\$0.41
N. Pierce Co Subtotal	29,089,706	7.7%	527,290	0	0	0	360,720	611,163	N/A	\$0.37	\$0.67	\$0.38
TOTALS	129,866,284	8.4%	1,629,178	71,675	0	0	462,443	759,748	\$1.86	\$0.37	\$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 IQ12 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Auburn Logistics Center*	Auburn	UPS	Warehouse/Distribution	616,827
Sumner Corporate Park – Rainier	Sumner	Pacer International	Warehouse/Distribution	401,076
Kent North Corporate Park*	Kent	Volvo Logistics North America (Renewal/Expansion)	Warehouse/Distribution	293,721
XPEDX Building*	Kent	International Paper	Warehouse/Distribution	137,872
Olympic Steamship Building	Kent	Columbia Distributing	Warehouse/Distribution	119,850
Supreme Corq	Kent	Frontier Door & Cabinet	Warehouse/Distribution	70,496
Significant IQ12 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
O'Donnell Business Park/West Valley Commerce Ctr.	Kent	Prologis Targeted U.S. Logistics Holdings L.P.	\$26,650,000 / \$69 PSF	386,916
Emerald Corporate Park Building C	Auburn	LBA/PPF Industrial -Emerald LLC	\$13,035,000 / \$65 PSF	201,402
Creekside Distribution Center	Kent	PPF Industrial 18805 80th Place South, LLC	\$10,476,000 / \$77 PSF	135,300
Significant IQ12 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS