

MARKETBEAT INDUSTRIAL SNAPSHOT



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

Q2 2012



ECONOMIC OVERVIEW

The Puget Sound economy continued to gain steam through the first half of 2012. According to Washington State's Employment Security Department, the unemployment rate declined 150 basis points (bps) in the twelve months ending in May, its lowest level since January 2009. The region created 41,500 jobs over the same period of time. Port activity, a significant driver of demand for the Kent Valley, hit a slight speed bump in the first half of the year. By the end of May, year-to-date container traffic was down 0.6% in Tacoma with 585,937 TEU's passing through the port. This was mainly due to a significant drop in February traffic, and the port has otherwise seen modest gains in recent months. This momentum should build as Grand Alliance continues its transition from Seattle. The move resulted in a 1.2% drop in traffic for Seattle with 827,278 TEU's logged through May. Port officials are actively pursuing other carriers and are confident this vacancy will be filled.

INDUSTRIAL MARKET OVERVIEW

Despite weak traffic volumes so far in the year, Kent Valley continued on its path toward recovery. Overall vacancy declined from 8.4% last quarter to 7.8%, and is down 130 bps from year-end 2011. Bucking the trend in recent years, activity was primarily focused in South King County. On the heels of the recent change to privatize liquor sales, Safeway took occupancy of 105,084 square feet (sf) of space at Kent East Corporate Park. Carlisle Interconnect Technologies began moving into 100,920 sf at Springbrook 188 in Kent, nearly twice the size of its Tukwila facility. Sealed Air, a new tenant to the market, moved into 186,918 sf at Renton Logistics Center and Southwire moved into 67,761 sf at Auburn Park 167.

With 580,018 sf logged, South King County had its strongest quarter of positive overall absorption in almost four years. Add the 123,106 sf of positive absorption in the North Pierce County market (mainly due to Norvanco's move from 161,000 sf in the Emmons Building in Sumner to 257,775 sf at nearby Rainier Park of Industry), and the entire Kent Valley logged 703,124 sf of absorption during second quarter, improving year-to-date figures to more than 1.5 million square feet (msf).

Leasing activity remained strong with 3.4 msf recorded so far in the year, compared to 3.3 msf over the previous six-month period and 3.6 msf year-over-year. This strong level of leasing continues to attract investors to the Kent Valley, which has been one of the most active investment markets in the region. The nearly 2.1 msf in transactions nearly reached the 2.8 msf in all of 2011 and the average sale price of \$83 per square foot (psf) is up 43% over the \$58-psf average last year.

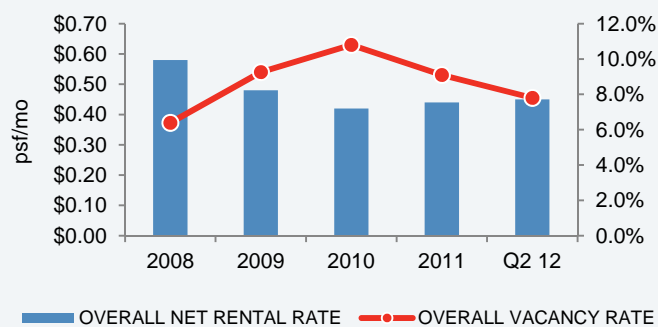
OUTLOOK

Activity at the ports should resume a level of expansion, particularly as we head into the holiday season. Furthermore, the shift to privatize liquor is having a positive effect on demand for warehouse space. Existing liquor distribution companies are expanding, and new requirements are popping up. All of these factors, coupled with strong employment gains and continued strength in leasing will result in additional absorption and further declines to vacancy rates through the balance of the year.

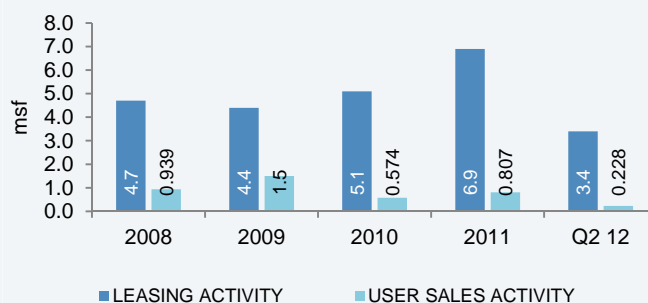
STATS ON THE GO

	Q2 2011	Q2 2011	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.8%	7.8%	-2.0pp	▼
Direct Asking Rents (psf/mo)	\$0.44	\$0.45	2.2%	↕
YTD Leasing Activity (sf)	3,599,367	3,414,214	-5.1%	↕

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	7.4%	69,548	0	0	0	17,788	17,788	\$0.00	\$0.00	\$0.79	\$0.68
Tukwila	12,410,563	9.8%	313,534	10,480	0	0	(120,064)	(132,032)	\$1.69	\$0.00	\$0.61	\$0.50
Renton	15,561,025	5.6%	281,676	132,762	0	0	305,436	305,436	\$0.00	\$0.30	\$0.75	\$0.42
Kent	43,410,374	11.1%	1,603,913	75,031	0	0	505,673	350,393	\$0.00	\$0.52	\$0.62	\$0.39
Auburn	25,939,380	3.4%	318,216	10,560	0	0	210,921	228,807	\$0.00	\$0.29	\$0.42	\$0.46
S. King Co Subtotal	100,860,239	8.0%	2,586,887	228,833	0	0	919,754	770,392	\$1.69	\$0.37	\$0.63	\$0.41
Sumner	10,967,538	7.2%	452,770	0	0	0	224,859	475,302	\$0.00	\$0.37	\$0.50	\$0.36
Puyallup	8,388,422	6.5%	18,495	0	0	0	300,139	306,429	\$0.00	\$0.37	\$0.85	\$0.44
Fife/Milton	9,738,595	7.4%	356,062	0	0	0	(33,212)	(33,212)	\$0.00	\$0.38	\$0.83	\$0.41
N. Pierce Co Subtotal	29,094,555	7.0%	827,327	0	0	0	491,786	748,516	\$0.00	\$0.37	\$0.74	\$0.39
TOTALS	129,954,794	7.8%	3,414,214	228,833	0	0	1,411,540	1,518,911	\$1.69	\$0.37	\$0.64	\$0.41

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

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

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
800 Milwaukee Avenue N*	Auburn	Electrolux	Warehouse/Distribution	189,000
Oakdale Business Campus	Renton	Bunzl Distribution (Renewal/Expansion)	Warehouse/Distribution	164,469
Kent East Corporate Park	Kent	Safeway	Warehouse/Distribution	105,084
Springbrook 188 Distribution Center	Kent	Carlisle Interconnect Technologies	Warehouse/Distribution	100,921
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Southcenter South Industrial Park	Tukwila	Cornerstone Real Estate Advisors	\$67,277,550 / \$98	686,417
Green River Corporate Park	Kent	Cornerstone Real Estate Advisors	\$20,137,450 / \$84	238,456
234 Distribution Center	Kent	Orchard Partners/Morgan Stanley	\$10,500,000/ \$59	178,400
Significant Q2 2012 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