

MARKETBEAT INDUSTRIAL SNAPSHOT

SEATTLE, WA (KENT VALLEY)

A Cushman & Wakefield Alliance Research Publication

Q3 2012



ECONOMIC OVERVIEW

Despite national and international economic concerns like a potential breakup of the Eurozone, the slowdown in China and the fiscal cliff, the Puget Sound's economy has been outperforming the nation. Global investments in aircraft, electronics and software, coupled with an expanding housing market is keeping the region shielded from some of the worries impacting the rest of the nation. Seasonally adjusted employment in the Puget Sound expanded by 36,900 in the twelve months ending in August, with the largest gains related to trade & transportation (+7,100), professional & business services such as administrative support, legal and accounting (+7,700), leisure & hospitality (+6,100) and construction (+4,500).

INDUSTRIAL MARKET OVERVIEW

On the heels of Grand Alliance's move to Tacoma, container volumes at the port of Seattle continued to weaken through the third quarter. By August, year-to-date traffic was down 3.1% with exports down 9.4%. After slowing a bit during the first half of the year, port of Tacoma traffic jumped 7.5% by August, with exports improving 10.6%.

Tenant demand continues to build steam for the Kent Valley, with users in all size ranges vying for warehouse space. Although the overall vacancy rate for the entire market remained flat for the quarter at 7.8%, it is down 150 bps from 9.3% during third quarter 2011. South King County saw a moderate amount of activity; however, North Pierce County had a few notable space givebacks that offset any positive momentum. The largest space to come online during the quarter was 177,777 square feet (sf) that was put on the market at Sumner Landing. Although there was an active lease out, the space remained vacant by the end of the quarter. The Kent Valley logged 61,401 sf of negative overall absorption for the quarter, bringing the annual figure to positive 1.5 million square feet (msf).

Strong leasing activity year-to-date of nearly 5.3 msf is up 5.3% over the first three quarters of 2011. The ongoing momentum and increased need for larger spaces over 200,000 sf has spurred the first wave of speculative construction in nearly four years. Several projects broke ground this quarter in the Sumner and Fife/Milton submarkets.

The Kent Valley continues to be one of the most active investment markets in the region. With 4.3 msf that traded hands through the third quarter, investment sales are up 150% over the 2.8 msf that sold in all of 2011. On a pricing perspective, the \$316 million so far in the year, for an average sale price of \$73 per square foot (psf), compares to \$206 million in 2011, with an average sale price of \$68 psf (a 7.3% increase in psf-value).

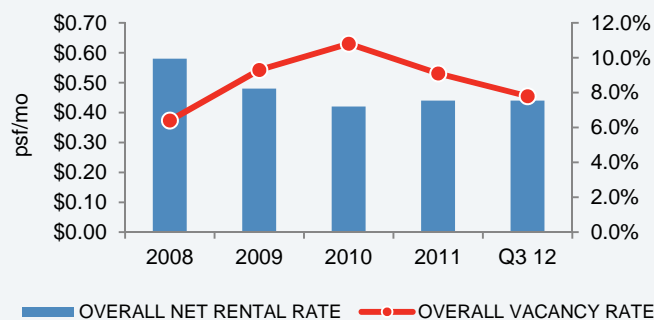
OUTLOOK

The elevated level of tenant activity in the Kent Valley should carry into 2013. Despite continued uncertainty in the national economy, personal consumption expenditures is up 2.0% while retail sales are up 4.4%. This will help to keep container traffic at the ports of Seattle and Tacoma flowing, while creating an increased demand for warehouse/distribution space. Although speculative construction has taken off, we do not expect a surplus of product to hit the market in the near future, given the relatively low number of projects in the pipeline.

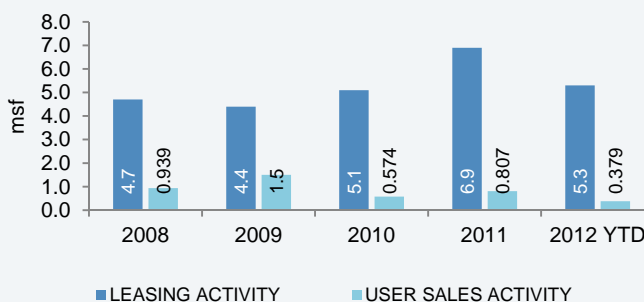
STATS ON THE GO

	Q3 2011	Q3 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.3%	7.8%	-1.5pp	▼
Direct Asking Rents (psf/mo)	\$.44	\$0.45	2.3%	◀▶
YTD Leasing Activity (sf)	5,010,964	5,274,411	5.3%	◀▶

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



SEATTLE, WA (KENT VALLEY)

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
									HT	MF	OS	W/D
SeaTac	3,443,453	8.8%	88,852	0	0	0	(22,118)	(22,118)	\$0.00	\$0.00	\$0.79	\$0.64
Tukwila	12,376,112	8.6%	416,785	55,829	0	0	31,362	19,394	\$1.69	\$0.00	\$0.63	\$0.56
Renton	14,804,901	5.5%	543,744	132,762	0	0	212,984	363,434	\$0.00	\$0.30	\$0.77	\$0.42
Kent	43,312,182	11.0%	2,840,014	145,156	69,600	0	574,632	384,552	\$0.00	\$0.52	\$0.64	\$0.38
Auburn	25,898,856	3.3%	413,079	10,560	144,000	0	255,900	270,838	\$0.00	\$0.29	\$0.42	\$0.48
S. King Co. Total	99,835,504	7.8%	4,302,474	344,307	213,600	0	1,052,760	1,016,100	\$1.69	\$0.38	\$0.65	\$0.41
Sumner	10,967,538	9.2%	461,383	9,360	826,340	0	13,135	253,578	\$0.00	\$0.37	\$0.50	\$0.36
Puyallup	8,379,483	6.2%	30,845	25,366	375,000	0	306,689	312,979	\$0.00	\$0.37	\$0.50	\$0.44
Fife/Milton	9,869,624	7.4%	479,709	0	240,900	0	(50,565)	(50,565)	\$0.00	\$0.38	\$0.81	\$0.43
N. Pierce Co. Total	29,216,645	7.8%	971,937	34,726	1,442,240	0	269,259	515,992	\$0.00	\$0.37	\$0.73	\$0.40
TOTALS	129,052,149	7.8%	5,274,411	379,033	1,655,840	0	1,322,019	1,532,092	\$1.69	\$0.38	\$0.65	\$0.41

* RENTAL RATES REFLECT ASKING \$PSF/MONTH

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

MARKET HIGHLIGHTS

Significant Q3 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Mowich Building*	Sumner	JC Penney's	Warehouse/Distribution	350,000
Kent North Corporate Park	Kent	Jacobson Companies	Warehouse/Distribution	171,634
Kent East Corporate Park	Kent	Kuehne + Nagel	Warehouse/Distribution	102,612
Kent East Corporate Park	Kent	Sears	Warehouse/Distribution	98,130
Significant Q3 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
212 th Business Park	Kent	PS Business Parks	\$37,600,000 / \$41	914,322
Pacific Coast Corporate Park Phase I	Fife/Milton	TIAA-CREFF	\$34,250,000 / \$89	384,320
Progressive International Building	Kent	Industrial Income Trust, Inc.	\$17,750,000 / \$78	228,356
Auburn Park 277	Auburn	MIREF Auburn 277 LLC	\$12,000,000 / \$84	141,970
Significant Q3 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Benaroya Business Park – Sumner	Sumner	N/A	Q1 2013	441,250
Carlisle Construction Materials	Puyallup	Carlisle Construction Materials	Q2 2013	375,000
4408 70 th Avenue East	Fife/Milton	N/A	Q1 2013	240,900
1600 M Street Northwest	Auburn	N/A	Q1 2013	144,000
Alsco Laundry Facility	Kent	Alsco Laundry	Q2 2013	69,600
14720 Puyallup Street	Sumner	N/A	Q4 2012	15,890

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS