

# MARKETBEAT INDUSTRIAL SNAPSHOT

## BELLEVUE, WA

A Cushman & Wakefield Alliance Research Publication

Q2 2013



### ECONOMIC OVERVIEW

Increasing employment drove the U.S. economy forward to the current unemployment rate of 7.6% resulting from an added average of approximately 170,000 jobs per month each month throughout 2013. The job market for the Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA)

continued to shine as the unemployment rate dramatically declined 1.9 percentage points (pps) during 2013 to the current rate of just 5.2%.

In another dramatic shift, the biggest problem in residential real estate seems to be a lack of supply, which has helped raise median prices to \$417,500 up over 15% from a year ago. King and Snohomish counties were also able to absorb over 2,000 new apartment units while vacancy rates fell to 4.4% from 4.8% even amid rising rents, according to Apartment Insights.

### INDUSTRIAL MARKET OVERVIEW

Overall vacancy rates continued to decline albeit at a slower yet steady pace. The current vacancy rate of 12.2% is a 0.4 pp lower on a year-over-year basis. The greatest improvements occurred in the Eastside market where year-over-year rates declined by a 0.9 pp to 12.8% while the Northend vacancy increased a 0.7 pp to 11.2%.

Leasing activity remained strong and increased by 13.3% over the prior year. As indicated by the change in vacancy rates, the majority of this leasing activity occurred in the Eastside market. Despite the increased level of leasing activity, the Eastside remained challenged with occupancy losses totaling 63,917 square feet (sf).

Boeing continued to make headlines within the market but with some uncertainty. In several plants, Boeing trimmed its workforce but is actually expanding at the Renton plant where Boeing assembles its 737 airplane, which is largely due to the acceleration of orders for this model. The Washington markets remained vulnerable to the loss of aerospace jobs, in particular from the south. Despite these potential job losses, the area continues to be a strong market for aerospace jobs as evidenced by Pacifica Engineering's announcement to open a new assembly facility in Everett during Q313.

Port activity is mixed for the Puget Sound area; this indicator has a significant impact for the overall market. As of the end of May, total port activity for the Port of Seattle decreased by 22.5% on a year-over-year basis. Despite this drop, the Port of Tacoma activity increased by 30.8% in a year-over-year comparison.

### OUTLOOK

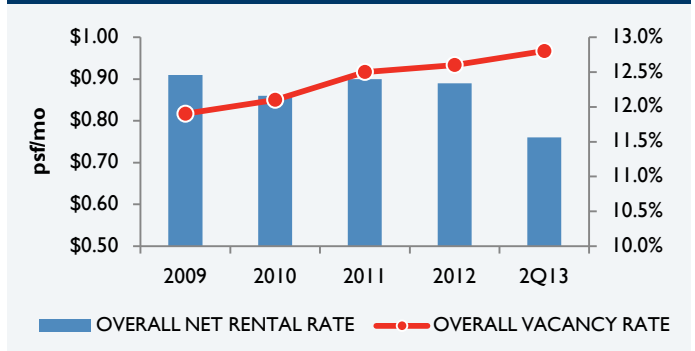
Expect the Eastside and Northend to continue their stable growth. With no new construction currently underway, positive absorption through the end of the year will push vacancy rates down. Demolition is planned during Q313 for a portion of the Safeway industrial site where the mixed-use Spring District is planned on Bel-Red Road.

The *Puget Sound Economic Forecaster* projects the GDP will grow at a rate of 2.0% in 2013 and 2.8% in 2014, which should boost demand at the Ports of Seattle and Tacoma. Some slowing may be expected for investment and user-sale activity as interest rates begin to tick upward.

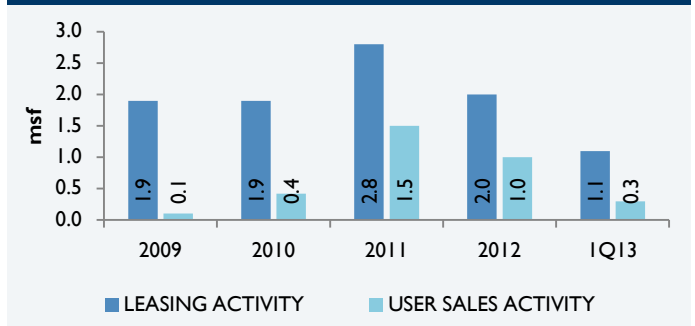
### STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.6%	12.2%	-0.4pp	▼
Direct Asking Rents (psf/mo)	\$0.88	\$0.76	-13.6%	◄
YTD Leasing Activity (sf)	977,402	1,107,159	13.3%	▲

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



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
Bellevue	4,616,025	10.5%	41,592	0	0	0	(14,883)	\$1.66	\$0.49	\$0.82	\$0.92
Issaquah/ East I-90	3,098,869	5.7%	60,291	0	0	135,000	42,833	\$1.42	\$0.65	\$1.73	\$0.75
Redmond (Overlake)	1,369,048	5.6%	31,700	0	0	0	(102)	\$1.50	NA	\$1.43	NA
Redmond (Willows)	6,265,312	15.4%	146,953	49,765	0	0	15,244	\$1.03	\$0.77	\$0.74	\$0.65
Redmond (East)	3,696,986	11.7%	110,027	25,120	0	0	(71,932)	\$1.13	NA	\$1.07	\$0.51
Kirkland	2,974,956	16.2%	80,334	22,050	0	0	(47,432)	\$0.97	\$0.53	\$0.87	\$0.55
Woodinville/ 522 Corridor	8,398,749	13.1%	215,411	20,440	0	0	127,830	\$0.87	\$0.54	\$0.54	\$0.57
Bothell	7,444,345	15.0%	258,981	149,505	0	0	(54,687)	\$1.19	\$1.13	\$0.81	\$0.55
<b>Eastside Subtotal</b>	<b>37,864,290</b>	<b>12.8%</b>	<b>945,289</b>	<b>266,880</b>	<b>0</b>	<b>135,000</b>	<b>(63,917)</b>	<b>\$1.14</b>	<b>\$0.58</b>	<b>\$0.82</b>	<b>\$0.63</b>
Edmonds/ Lynnwood	2,578,019	10.7%	38,934	17,889	0	0	4,036	\$1.19	\$0.70	\$0.68	\$0.60
Mukilteo	4,187,792	5.1%	15,180	0	0	270,500	192,692	\$1.04	\$0.45	\$0.67	\$0.73
Everett	10,366,176	12.8%	89,756	25,457	0	0	67,290	\$0.60	\$0.80	\$0.65	\$0.44
North Snohomish	3,307,220	14.5%	18,000	0	0	0	(93,220)	NA	\$0.41	NA	\$0.46
<b>Northend Subtotal</b>	<b>20,439,207</b>	<b>11.2%</b>	<b>161,870</b>	<b>43,346</b>	<b>0</b>	<b>270,500</b>	<b>170,798</b>	<b>\$0.65</b>	<b>\$0.55</b>	<b>\$0.67</b>	<b>\$0.48</b>
<b>TOTALS</b>	<b>58,303,497</b>	<b>12.2%</b>	<b>1,107,159</b>	<b>310,226</b>	<b>0</b>	<b>405,500</b>	<b>106,881</b>	<b>\$1.06</b>	<b>\$0.56</b>	<b>\$0.80</b>	<b>\$0.55</b>

## MARKET HIGHLIGHTS

<b>Significant 2013 Lease Transactions</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
Canyon Park East Bldg A	Bothell	PCE Pacific	Office Services	75,298
Marymoor Industrial Bldg	Redmond (East)		Office Services	67,009
Woodinville Corporate Center IV	Woodinville/522 Corridor	Conifer Specialties	Manufacturing	53,300
<b>Significant 2013 Sale Transactions</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
Canyon Park Highlands II & III	Bothell	Senior Housing Properties Trust	\$38,000,000 / \$262	144,900
Schnitzer North Creek Business Park	Bothell	Rosen-Harbottle CRE	\$25,800,000 / \$110	294,793
Colony Park	Edmonds/MLT/Lynnwood	Spacelabs Healthcare, Inc.	\$13,875,000 / \$78	176,609
<b>Significant 2013 Construction Completions</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
BE Aerospace BTS	Mukilteo	BE Aerospace	Q2 2013	240,500
Motion Water Sports @ Snoqualmie Ridge	Issaquah/East I-90	Motion Water Sports	Q1 2013	135,000
<b>Significant Projects Under Construction</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS