

MARKETBEAT OFFICE SNAPSHOT

SEATTLE, WA - CBD

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

Increasing employment drove the U.S. economy forward and produced a stronger office market as a result. The current U.S. unemployment rate of 7.6% resulted 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 dramatic 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 lift median prices to \$417,500 up over 15.0% 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.

OFFICE MARKET OVERVIEW

Overall vacancy rates continued to decline in the Central Business District (CBD) area of Seattle by 1.3 pps on a year-over-year basis to 15.6%. This is the lowest level for vacancy rates since the middle of 2009 but remains well in excess of the pre-recession era.

Although year-to-date leasing activity remained 28.5% lower from the same period in 2012, leasing activity did begin to pick up more heavily in 2Q13 compared with 2Q12's 12.8% decrease. Activity was strengthened by Amazon signing two leases totaling 300,000 square feet (sf) and Zulilly, which took 256,000 sf. The Amazon and Zulilly deals leave just three class A properties with over 80,000 sf of contiguous space in Seattle's two hottest submarkets, Lower Queen Anne/Lake Union and Denny Regrade.

Average asking lease rate remained largely unchanged; however, concessions by landlords dwindled, which actually increased effective rental rates. Direct average asking rental rates for all property classes ended second quarter at \$30.44 per square foot per year (psf/yr) while class A spaces averaged \$34.16 psf/yr.

Vulcan announced two new buildings for Amazon.com in the Lower Queen Anne/Lake Union submarket. These two buildings, called phases seven and eight of Amazon's headquarters, will add 614,000 sf and will be in addition to the 362,000 sf for phase five already under construction by Vulcan.

OUTLOOK

Rental rates have not yet started to climb but as concessions continue to disappear, rental rates will likely start to increase with decreasing vacancy

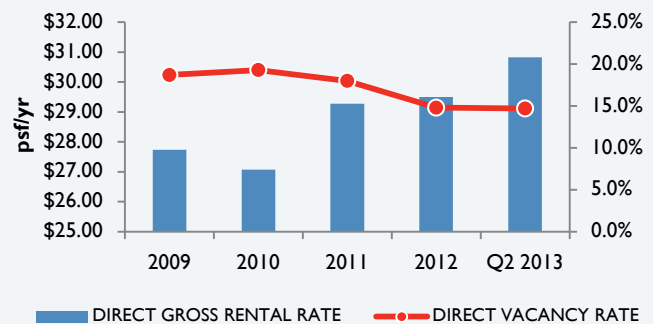
rates. GDP growth is projected to reach 2.0% in 2013 and 2.8% in 2014 across the country. This growth should continue to push job growth and corporate expansion, which will help the CBD outperform other markets.

Between phases six, seven and eight, and the 3.3 msf of development downtown near Seventh Avenue and Virginia Street, Amazon has approximately 4.3 msf of space in planning or under construction. Daniels Real Estate announced plans to break ground on a 750,000-sf project at Fifth Avenue and Columbia on a speculative basis. This expansion is fueling and will likely continue to drive speculative construction in the CBD.

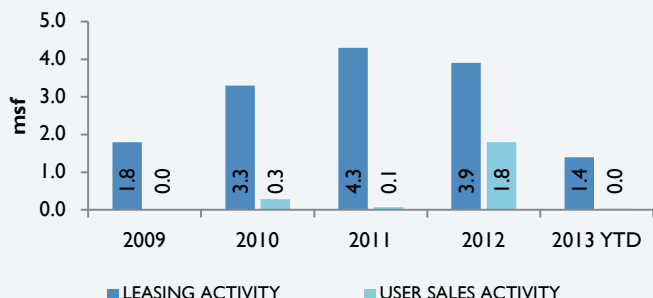
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	16.9%	15.6%	-1.3 pp	▼
Direct Asking Rents (psf/yr)	\$30.70	\$30.83	0.1%	▲
YTD Leasing Activity (sf)	2,022,937	1,450,203	-28.3%	▼

DIRECT RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Financial District	21,405,119	17.2%	15.7%	431,269	0	0	\$33.23	\$35.46
Denny Regrade	8,129,209	14.1%	13.7%	692,961	0	0	\$27.34	\$29.90
Pioneer Square/Int'l Dist.	4,213,051	13.5%	13.5%	221,694	0	0	\$27.16	\$32.27
Lower Queen Anne/Lake Union	7,613,674	13.9%	13.7%	104,279	835,900	0	\$28.81	\$34.38
CBD	41,361,053	15.6%	14.7%	1,450,203	835,900	0	\$30.83	\$34.15
North Seattle/Northgate	2,476,089	8.4%	8.1%	40,729	0	0	\$24.13	\$24.56
Close-in South Seattle	1,347,403	20.2%	20.2%	86,335	299,000	50,000	\$23.81	\$25.04
East Seattle/Capitol Hill	887,326	28.4%	28.4%	9,560	0	0	\$19.34	\$23.96
Seattle In-City	4,710,818	15.6%	15.4%	136,624	299,000	50,000	\$22.35	\$24.82
Tukwila	2,228,868	18.7%	18.4%	23,060	0	0	\$18.75	\$21.05
SeaTac	861,514	26.8%	26.0%	8,163	0	0	\$21.57	\$23.40
Renton	3,189,922	12.6%	12.4%	34,859	0	0	\$20.18	\$22.26
Kent/Auburn	1,360,673	35.5%	34.3%	1,820	0	0	\$19.53	\$22.07
Southend Suburban	7,640,977	20.1%	19.5%	67,902	0	0	\$19.79	\$22.32
Federal Way	2,169,627	31.9%	31.7%	4,326	0	0	\$19.79	\$20.53
TOTALS**	55,882,475	16.8%	16.1%	1,657,640	1,134,000	50,000	\$27.48	\$30.89

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

**TOTAL INCLUDES MARKETS NOT REPORTED IN NATIONAL STATISTICS (SEATTLE IN-CITY AND FEDERAL WAY)

MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Two Union Square*	Financial District	Morgan Stanley Smith Barney	A	58,047
Union Station South Building	Pioneer Square	Intel	A	47,724
51 University	Financial District	Synapse	A	32,000
Significant 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Dexter Horton Building	Financial District	Gerding Edlen	\$76,600,000 / \$228	336,371
605 Union Station	Pioneer Square/Int'l District	LACERA	\$96,900,000 / \$291	333,500
Westlake Terry Building	Lower QA/Lk Union	Kilroy Realty	\$170,000,000 / \$530	320,399
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Amazon.com Headquarters Phase VI	Lower QA/Lk Union	Amazon.com	Q1 2015	365,000
Dexter Station	Lower QA/Lk Union	Speculative	Q1 2015	345,000
202 Westlake	Lower QA/Lk Union	Amazon.com	Q3 2013	117,900

*Renewals not included in Leasing Activity