

MARKETBEAT OFFICE SNAPSHOT



SEATTLE, WA – SUBURBAN (SOUTHEND)

A Cushman & Wakefield Alliance Research Publication

Q3 2013



ECONOMIC OVERVIEW

Even with second quarter GDP raised to 2.5% from the previous estimate of 1.7%, the second part of 2013 is expected to come in below earlier estimates and economists surveyed by the Federal Reserve Bank of Philadelphia decreased their forecasted rate of 2.0% for the year to 1.5%. U.S.

unemployment continued to fall to the current rate of 7.3%, but concerns abound as many of these jobs are lower paying and there is still a large number of people working part-time that would prefer full-time employment.

Despite these concerns with the overall U.S. economy, the Seattle-Tacoma-Bellevue Metropolitan Statistical Area continued to perform well with unemployment dropping 1.6 percentage points (pps) on a year-over-year basis to 5.8%. This decrease in the unemployment rate was a result of year-over-year job growth of 2.6%. The largest percentage increases occurred in Construction; Trade, Transportation and Utilities; Leisure and Hospitality. The overall health of the local economy was visible in all segments, with the exception of Financial Activities, which decreased by only 0.1%.

OFFICE MARKET OVERVIEW

The Southend office market remained static over the past several quarters with little movement in any direction. Overall vacancy rates decreased a 0.3 percentage point (pp) to 19.8% while average asking lease rates increased by 1.7%. The one bright spot in the market was the SeaTac submarket. Despite the continued high vacancy rate of 27.7%, this was a 13.6 pps improvement, with a 6.2% increase in average asking lease rates, compared with last year.

Though Renton's overall vacancy rate remained the lowest in the market at 12.8%, it remained largely unchanged over the last year. Kent/Auburn continued to struggle with the vacancy rate increasing by a 0.9 pp to a staggering 35.0%. Lease rates remained unchanged over this period, which may indicate that current pricing is placing demand out of reach of existing supply.

OUTLOOK

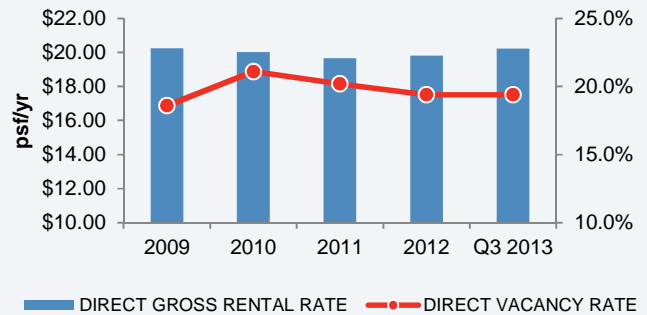
Seattle continues to perform very well with respect to the overall U.S. market but the Southend area continues to struggle. As Seattle CBD and other areas recover with vacancies declining and rental

rates starting to tick up, tenants priced out of those areas will need to find alternative areas to find affordable rents. The Southend will likely remain relatively flat over the next couple of quarters but will begin to see a more meaningful recovery in 2014.

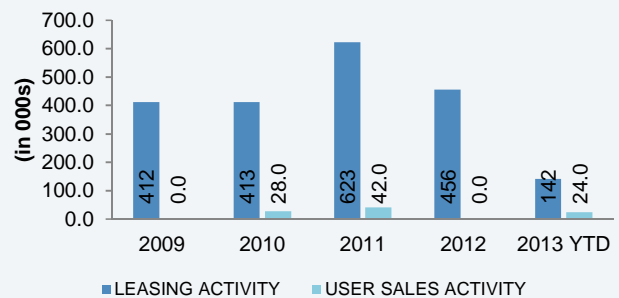
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.1%	19.8%	-0.3 pp	◀▶
Direct Asking Rents (psf/yr)	\$19.86	\$20.23	1.7%	◀▶
YTD Leasing Activity (sf)	280,482	141,598	-49.5	◀▶

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	16.8%	15.0%	907,375	0	0	\$33.31	\$35.46
Denny Regrade	8,129,209	13.3%	12.8%	754,308	300,000	0	\$26.80	\$29.90
Pioneer Square/Int'l Dist.	4,213,051	12.5%	11.9%	246,340	0	0	\$27.17	\$32.27
Lower Queen Anne/Lake Union	7,741,674	13.4%	13.2%	764,890	835,900	301,899	\$28.85	\$34.38
CBD	41,489,053	15.1%	13.9%	2,672,913	1,135,900	301,899	\$30.81	\$34.28
North Seattle/Northgate	2,476,089	7.5%	7.2%	101,086	129,000	0	\$24.74	\$25.64
Close-in South Seattle	1,347,403	15.8%	15.8%	88,145	170,000	0	\$23.76	\$25.04
East Seattle/Capitol Hill	937,326	28.6%	27.7%	25,344	0	50,000	\$19.64	\$25.76
Seattle In-City	4,760,818	14.0%	13.7%	214,575	301,899	50,000	\$22.38	\$25.33
Tukwila	2,228,868	17.4%	17.0%	42,697	0	0	\$18.50	\$20.56
SeaTac	861,514	27.7%	27.4%	12,736	0	0	\$21.88	\$23.82
Renton	3,191,377	12.8%	12.7%	70,708	0	0	\$21.68	\$24.18
Kent/Auburn	1,360,673	35.0%	33.8%	15,457	0	0	\$19.52	\$22.07
Southend Suburban	7,642,432	19.8%	19.4%	141,598	0	0	\$20.23	\$22.86
Federal Way	2,169,627	31.6%	31.3%	12,539	0	0	\$19.79	\$20.38
TOTALS**	56,061,930	16.2%	15.3%	3,041,625	1,434,900	351,899	\$27.49	\$31.07

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Southcenter Corp Center Bldg 2	Tukwila	CompuPay	B	10,319
The Creeksides at Centerpoint II	Kent/Auburn	Not Disclosed	A	8,596
Time Square	Renton	Schillaci Computer Services	A	7,010
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
32129 Weyerhaeuser Way	Kent/Auburn	Langley Commercial	\$5,400,000 / \$177	30,240
Talon Court Building	Kent/Auburn	Lukas Van Ginneken	\$3,400,000 / \$61	55,200
Significant Q3 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
N/A				