

MARKETBEAT INDUSTRIAL SNAPSHOT

SEATTLE, WA (KENT VALLEY)

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 outperform the nation as unemployment dropped 1.6 percentage points (pps) on a year-over-year basis to 5.8%. This decrease in the unemployment rate was the result of year-over-year job growth of 2.6%; the largest percentage increases occurred in Construction; Trade, Transportation and Utilities; and Leisure and Hospitality. The ISM Manufacturing Index, has been above 50 for 9 of the last 12 months. Scores above 50 are associated with an expanding manufacturing sector and healthy GDP growth overall.

INDUSTRIAL MARKET OVERVIEW

With no new construction completions during Q3 13, the market was able to continue to absorb some of the new space that came online over the first half of the year. Vacancy rates continued to tick lower with a 0.3 pp-decrease on a year-over-year basis. Asking rents increased dramatically by 17.8% to \$0.53 per square foot per month (psf/mo) driven by rent increases in High Tech and Office Services space.

Washington Capital Management has 369,200 square feet (sf) under construction in Sumner while ProLogis has 240,900 sf under construction in Fife/Milton. Other projects in the pipeline include an 838,015-sf project with DCT Industrial Trust, Panattoni's 300,000-sf project and IDS' and Clarions' 450,000-sf project .

Port activity remained mixed for the Puget Sound area; this indicator has a significant impact for the overall market. As of the end of August, total port activity for the Port of Seattle decreased by 19.1% on a year-to-date comparison while the Port of Tacoma increased 19.3% over the same period.

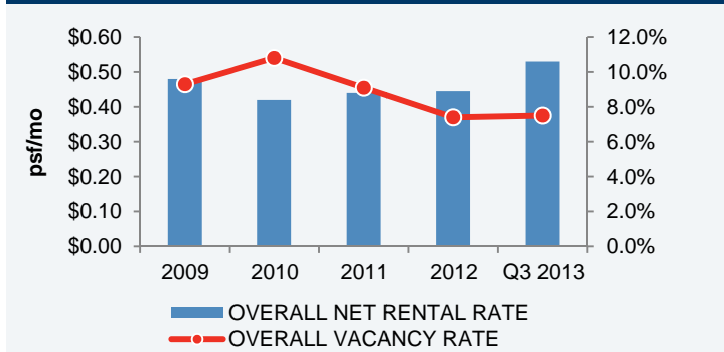
OUTLOOK

Vacancy rates are holding up well given the amount of new construction completed but year-to-date absorption of only 344,602 sf will not be able to keep pace with the projects under construction and proposed. While average asking rates will remain flat, a slight uptick in vacancy is expected over the next two years. 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.

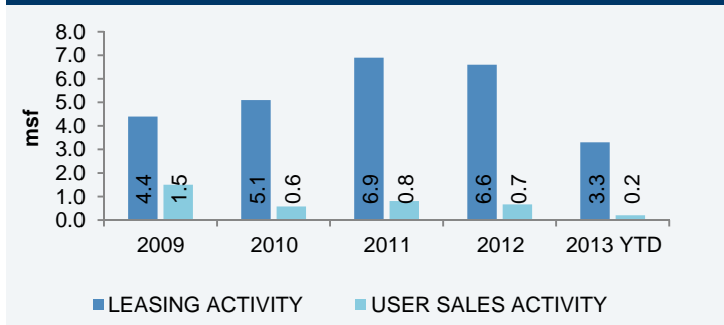
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.8%	7.5%	-0.3pp	▲
Overall Asking Rents (psf/mo)	\$0.45	\$0.53	17.8%	◄►
YTD Leasing Activity (sf)	5,274,411	3,276,218	-37.6%	◄►

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
SeaTac	3,333,577	10.3%	25,978	0	0	0	(38,148)	\$0.00	\$0.00	\$0.79	\$0.53
Tukwila	12,279,119	8.6%	306,013	62,500	0	0	(65,470)	\$1.92	\$0.00	\$0.63	\$0.53
Renton	14,792,890	1.9%	381,568	13,183	0	0	480,901	\$0.00	\$0.30	\$0.66	\$0.44
Kent	42,740,023	10.7%	1,467,069	164,411	69,600	0	(107,112)	\$0.00	\$0.56	\$0.61	\$0.38
Auburn	25,972,742	3.8%	599,863	333,908	0	144,000	(101,191)	\$0.00	\$0.35	\$0.45	\$0.41
S. King Co. Total	99,119,116	7.3%	2,780,491	574,002	69,600	144,000	168,980	\$1.92	\$0.44	\$0.63	\$0.39
Sumner	11,796,843	12.7%	227,468	0	369,200	441,250	148,110	\$0.00	\$0.00	\$0.48	\$0.39
Puyallup	8,595,847	5.8%	71,609	0	0	375,000	65,859	\$0.00	\$0.37	\$0.00	\$0.46
Fife/Milton	10,223,820	10.2%	196,650	15,360	240,880	0	(38,347)	\$0.00	\$0.36	\$0.70	\$0.38
N. Pierce Co. Total	30,616,510	9.9%	495,727	15,360	610,080	816,250	175,622	\$0.00	\$0.37	\$0.63	\$0.38
TOTALS	129,735,626	7.9%	3,276,218	589,362	679,680	960,250	344,602	\$1.92	\$0.40	\$0.63	\$0.40

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Renton Logistics Center	Renton	Coca-Cola	Warehouse/Distribution	137,520
Creekside Distribution Center	Kent	Coast Aluminum	Warehouse/Distribution	135,300
Auburn Park 44	Auburn	Goodyear	Warehouse/Distribution	50,500
Oakesdale Business Campus	Renton	Saddle Creek Logistics	Warehouse/Distribution	46,906
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
NW Corporate Park Kent	Kent	KTR Capital Partners	\$170,000,000 / \$65	2,615,546
Sumner Distribution Center	Sumner	Dividend Capital Total Realty	\$31,300,000 / \$73	420,000
Cumberland Industrial Center	Kent	Davis Property Group	\$11,000,000 / \$94	117,520
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Sumner Distribution Center	Sumner	N/A	Q2 2013	441,250
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
White River Corporate Center – Coho	Sumner	N/A	Q2 2014	648,679
IAC Port 167 – A	Puyallup	N/A	Q1 2014	398,753
Sumner Corporate Park – Wenatchee	Sumner	N/A	Q4 2013	369,200
Stryker Business Center – 1B	Kent	N/A	Q1 2014	318,195
Titan Building	Sumner	N/A	Q1 2014	306,457
IAC Port 167 – B	Puyallup	N/A	Q1 2014	254,176
Prologis Fife Distribution Center	Fife/Milton	N/A	Q4 2013	240,880
Apollo Building	Sumner	N/A	Q2 2014	121,652
Stryker Business Center – 1A	Kent	N/A	Q1 2014	120,599

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS