

# MARKETBEAT OFFICE SNAPSHOT

## BELLEVUE, WA

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

Overall vacancy rates remained flat on a year-over-year basis as direct asking rents began to tick upward, increasing by 3.1% on a year-over-year basis. Leasing activity decreased 29.1% compared with this same period last year but that gap narrowed during Q3 2013.

Within the Bel-Red corridor, the \$2.3-billion Spring District broke ground at the close of Q3 13 with the demolishing of the Coca-Cola warehouse and the commencement of infrastructure work. The 36-acre project will include over 5.3 million square feet (msf) office and retail space with over 1,000 multi-family units. Also within Bel-Red, Pine Forest is planning on building 715,000 square feet (sf) of commercial space in conjunction with 420 residential units, retail and underground parking.

Google is adding 180,000 sf to its 747 Sixth St. South Campus in Kirkland, nearly doubling its size, and is expected to be completed by the end of 2015. Within the Bothell submarket, construction began for the new \$62-million Science and Academic building at the University of Washington, Bothell campus. The new building is expected to produce 1,500 construction related jobs and will accommodate over 1,000 science, technology, engineering and math students.

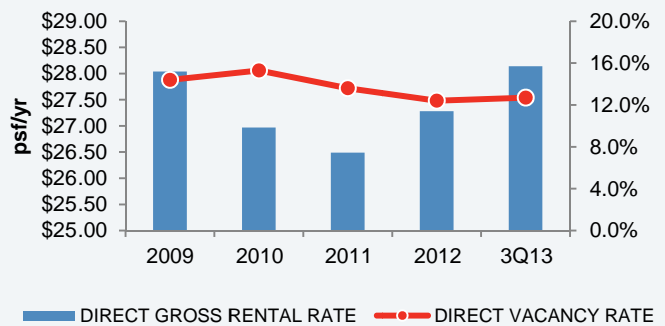
### OUTLOOK

The Bellevue CBD and Eastside Suburban markets are expected to continue to improve upon the recent trends. The economic conditions in this area will continue to bring jobs into the market putting greater constraint on the limited supply already existing in some of the stronger submarkets. Bellevue CBD, in particular, continues to attract new development which will put some pressure on vacancy as new supply comes online. This new space, however, will be in demand by the time it comes online in 2015 after current vacant space is absorbed.

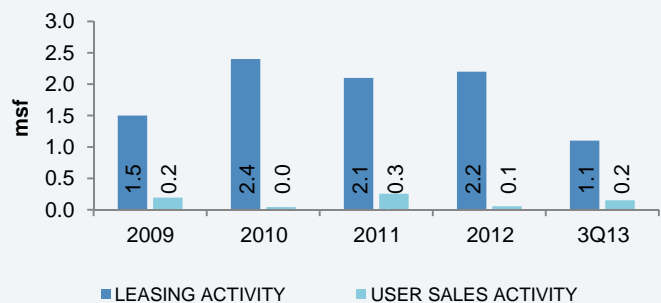
### STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.2%	13.3%	0.1pps	↕
Direct Asking Rents (psf/yr)	\$27.30	\$28.14	3.1%	▲
YTD Leasing Activity (sf)	1,572,547	1,114,885	-29.1%	▼

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



## BELLEVUE, WA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	DIRECT WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Bellevue CBD	8,075,904	10.4%	9.3%	338,672	0	0	\$35.97	\$37.44
405 Corridor	2,544,073	17.5%	17.4%	253,441	0	0	\$27.44	\$32.39
520 Corridor	3,161,773	11.5%	10.9%	157,537	0	0	\$27.38	\$32.99
I-90 Corridor	6,481,731	15.5%	14.6%	150,880	0	0	\$30.02	\$31.42
Bel-Red	1,500,992	10.9%	10.1%	68,524	0	19,000	\$22.83	\$32.25
Redmond	1,880,008	8.9%	8.9%	146,514	0	0	\$27.81	\$28.52
Kirkland	2,245,532	6.5%	6.2%	353,116	0	0	\$27.50	\$32.74
Bothell/ Woodinville	1,458,592	12.6%	12.5%	17,412	0	0	\$25.97	\$26.77
Eastside Suburban	19,272,701	12.8%	12.3%	1,147,424	0	19,000	\$28.08	\$30.63
Lynnwood	2,234,501	21.2%	21.1%	135,379	0	0	\$22.82	\$24.98
Everett	1,568,246	22.6%	22.6%	15,277	0	0	\$18.92	N/A
Northend Suburban	3,802,747	21.8%	21.7%	150,656	0	0	\$21.15	\$24.98
Suburban Total	23,075,448	15.1%	13.9%	1,298,080	0	19,000	\$25.56	\$29.21
<b>TOTALS</b>	<b>31,151,352</b>	<b>13.3%</b>	<b>12.7%</b>	<b>1,636,752</b>	<b>0</b>	<b>19,000</b>	<b>\$26.29</b>	<b>\$32.02</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

<b>Significant Q3 2013 Lease Transactions</b>	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Google Kirkland Expansion	Kirkland	Google	A	180,000
Millennium Corp Park Bldg C	Redmond	Microsoft	A	99,945
Carillon Point	Kirkland	Service Now	A	42,078
<b>Significant Q3 2013 Sale Transactions</b>	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Northview Corporate Center	Lynnwood	Hudson Pacific Properties	\$48,500,000 / \$275	176,664
Continental Plaza	Kirkland	Unico Properties	\$24,500,000 / \$323	75,753
Yarrow Bay Plaza	Kirkland	Emachu Real Estate Co	\$17,300,000 / \$363	47,633
<b>Significant Q3 2013 Construction Completions</b>	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
<b>Significant Projects Under Construction</b>	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS