

MARKETBEAT INDUSTRIAL SNAPSHOT

SEATTLE, WA (KENT VALLEY)

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 by 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 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

At first glance the slight drop of a 0.4 pp over the prior year on overall vacancy rates seems uninteresting; however, given the amount of new space completed during Q213, the occupancy gains and declining vacancy rate indicates a healthy market. Average asking rental rates remained essentially unchanged over the last year. Leasing activity decreased on a year-to-date basis by 33.9% but that is largely attributable to a slow first quarter. Leasing activity during Q213 was much stronger than Q113.

In the Sumner submarket, Benaroya and DCT Industrial Trust Completed 441,250 square feet (sf) of distribution/warehouse space. Washington Capital Management has 369,200 sf under construction in Sumner while ProLogis has 240,900 sf under construction in Fife/Milton. Both projects are expected to be completed in Q313. 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 all located in Sumner. Additionally, Panattoni was recently selected by the Port of Seattle to develop an 87-acre business park in the SeaTac submarket, which is expected to start in Q314 and take approximately seven years to complete. This site will include up to 2 million sf of manufacturing, distribution and office buildings.

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 with a year-over-year increase of 30.8%.

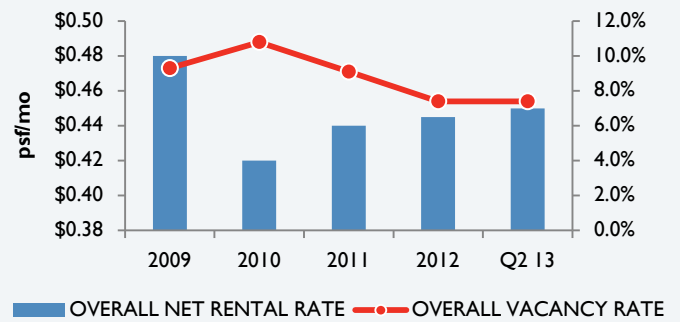
OUTLOOK

With 1,760,718 sf currently under construction, it is unlikely vacancy rates will continue trending down. In the short term, rates should increase and then fall back as this space is absorbed. 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.

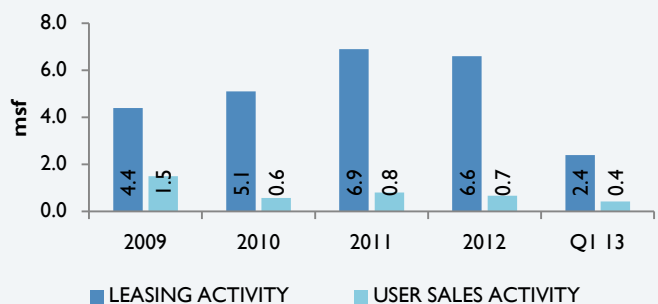
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.8%	7.6%	-0.4pp	▲
Overall Asking Rents (psf/mo)	\$0.45	\$0.45	0%	◀▶
YTD Leasing Activity (sf)	3,414,214	2,256,966	-33.9%	◀▶

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	10.4%	18,497	0	0	0	(96,900)	\$0.00	\$0.00	\$0.79	\$0.51
Tukwila	12,228,724	8.2%	226,250	62,250	0	0	(15,964)	\$1.92	\$0.00	\$0.62	\$0.55
Renton	15,174,556	4.8%	361,750	13,183	0	0	(140,364)	\$0.00	\$0.30	\$0.66	\$0.40
Kent	42,740,023	9.5%	873,148	115,782	69,600	0	249,435	\$0.00	\$0.51	\$0.62	\$0.37
Auburn	25,811,353	4.5%	379,160	229,052	0	144,000	(202,227)	\$0.00	\$0.30	\$0.45	\$0.40
S. King Co. Total	99,288,233	7.1%	1,858,805	420,267	69,600	144,000	(206,020)	\$1.92	\$0.41	\$0.69	\$0.40
Sumner	11,431,453	10.4%	173,698	0	797,309	441,250	50,890	\$0.00	\$0.00	\$0.46	\$0.37
Puyallup	8,220,847	5.8%	27,813	0	652,929	375,000	71,236	\$0.00	\$0.25	\$0.00	\$0.41
Fife/Milton	9,991,382	7.9%	196,650	15,360	240,880	0	(109,050)	\$0.00	\$0.34	\$0.72	\$0.38
N. Pierce Co. Total	29,643,682	8.3%	398,161	15,360	1,691,138	816,250	13,076	\$0.00	\$0.33	\$0.63	\$0.38
TOTALS	128,931,915	7.6%	2,256,966	435,627	1,760,718	960,250	(192,944)	\$1.92	\$0.37	\$0.68	\$0.39

MARKET HIGHLIGHTS

Significant 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Auburn 18 Distribution Center	Auburn	Uline	Warehouse/Distribution	157,414
Emmons Building	Sumner	Progressive International	Warehouse/Distribution	131,000
Holmes/Auburn West I	Auburn	Evo Gear	Warehouse/Distribution	123,360
Oakesdale Business Campus	Renton	Saddle Creek Logistics	Warehouse/Distribution	117,563
Lind Distribution Center	Renton	United Warehouses	Warehouse/Distribution	100,520
Significant 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
Former Seattle Cold Storage Facilities	Auburn/Tacoma	Lineage Logistics	\$23,250,000/\$55	420,000
Pacific Business Park	Kent	Northwest Building	\$18,500,000/\$108	171,425
Andover Distribution Center	Tukwila	Industrial Income Trust	\$12,050,000/\$74	162,885
Significant 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Sumner Distribution Center	Sumner	N/A	Q2 2013	441,250
Carlisle Construction Materials	Puyallup	Carlisle Construction Materials	Q2 2013	375,000
1600 M Street Northwest	Auburn	N/A	Q2 2013	144,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Sumner Corporate Park – Wenatchee	Sumner	N/A	Q4 2013	369,200
Apollo Building	Sumner	N/A	Q1 2014	121,652
Titan Building	Sumner	N/A	Q1 2014	306,457
IAC Port 167	Puyallup	N/A	Q1 2014	652,929
ProLogis Fife Distribution Center	Fife/Milton	N/A	Q3 2013	240,880
Alsco Laundry Facility	Kent	Alsco Laundry	Q3 2013	69,600

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS