

MARKETBEAT

OFFICE SNAPSHOT

SEATTLE, WA – CBD

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

The U.S. economy continued to add jobs at a high rate as job growth expanded by 2.4% over the last year, pushing the unemployment rate to just 5.5%. Even with stronger employment numbers, wage pressure remained moderate, mainly occurring in specialized jobs.

The Seattle-Tacoma-Bellevue Metropolitan Statistical Area continued to expand at a pace above the overall U.S., adding jobs at a rate of 3.1%, with employment gains occurring in every category. The unemployment rate remained in line with the U.S. rate at 5.5%. Construction led all job sectors with 12.6% growth followed by Professional and Business Services at 4.2%.

OFFICE MARKET OVERVIEW

The Seattle CBD showed improvement as the overall vacancy rate declined by 2.8 percentage points (pps) on a year-over-year basis. Asking rents continued to climb in all submarkets with an overall increase of 4.0%, while class A rents increased by 5.6%.

The largest lease of the quarter was Facebook's 274,000-square-foot (sf) deal at Dexter Station. With a planned delivery of May 2015, Dexter Station will be a 10-story, 345,992-sf office building located in the flourishing Lower Queen Anne/Lake Union submarket. Facebook will occupy floors 3-10, leaving one lone floor of office space remaining in the building.

Facebook was inadvertently involved in the quarter's other major deal, which was the sale of Metropolitan Park West and East, where the social media giant is a tenant. The two buildings were purchased by CBRE Global Investors for almost \$238 million. The buildings have a combined size of 699,766 sf. Less than a mile away stands Blanchard Plaza, which was also sold this quarter for \$122.7 million. In January the AFL-CIO Building Investment Trust purchased the 255,818-sf property, which is fully occupied by Amazon.

OUTLOOK

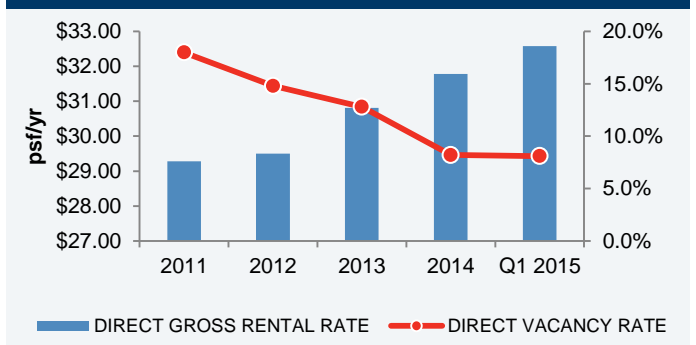
Due to tight supply, especially in large blocks of space, asking rental rates are expected to continue rising. There is a healthy level of new construction throughout the CBD, and nearly 2.6 million sf of new product is being built on a speculative basis. Expedia recently announced their plans for a 2016 move into the former Amgen building in South Lake Union, which demonstrates the area's sustained appeal as a hub for innovation. Despite all of the attention

the Lower Queen Anne/Lake Union submarket receives, the other Seattle CBD markets are also doing tremendously well, and the supply throughout the downtown area continues to shrink. Tenants with big requirements await the delivery of unclaimed new construction, the majority of which will be built in the Financial District with the completion of Madison Centre and Fifth & Columbia.

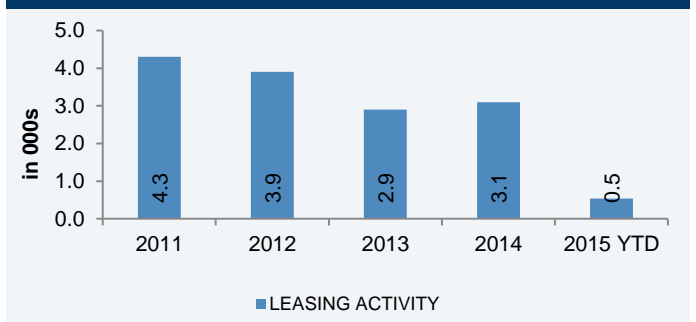
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.7%	9.9%	-2.8 pp	▼
Direct Asking Rents (psf/yr)	\$31.32	\$32.58	4.0 %	◄►
YTD Leasing Activity (sf)	467,000	536,545	14.9%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL LEASING ACTIVITY



SEATTLE CBD, WASHINGTON

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Financial District	21,413,343	12.4%	10.0%	367,279	1,278,000	0	131,888	252,193	\$34.36	\$36.91
Denny Regrade	8,129,209	7.4%	6.5%	82,113	300,000	0	16,360	7,996	\$31.03	\$35.01
Pioneer Square/Intl Dist.	4,213,051	8.0%	7.3%	50,827	0	0	-8,147	-19,248	\$28.30	\$31.13
Lower Queen Anne/Lake Union	8,129,703	6.7%	5.0%	36,326	2,507,105	0	-53,434	-18,819	\$25.77	\$30.81
CBD	41,885,306	9.9%	8.1%	536,545	4,085,105	0	86,667	222,122	\$32.24	\$36.08
North Seattle/Northgate	2,582,512	5.3%	4.0%	14,500	210,000	0	14,500	14,500	\$25.40	\$24.66
Close-in South Seattle	1,539,841	31.1%	31.1%	0	0	0	0	0	\$31.75	\$37.48
East Seattle/Capitol Hill	937,806	3.8%	3.3%	0	19,644	0	0	0	\$29.51	\$31.92
SEATTLE IN-CITY	5,060,159	12.9%	12.1%	14,500	229,644	0	14,500	14,500	\$30.30	\$35.29
Tukwila	2,228,868	13.4%	11.7%	12,965	0	0	6,364	6,364	\$20.84	\$23.95
SeaTac	861,514	28.3%	27.4%	0	0	0	0	0	\$22.83	\$23.80
Renton	3,191,377	12.3%	11.7%	58,898	0	0	-3,740	4,359	\$21.43	\$23.71
Kent/Auburn	1,360,223	33.6%	33.0%	91,610	0	0	25,114	25,114	\$20.18	\$22.45
SOUTHEND SUBURBAN	7,642,432	18.2%	17.2%	163,473	0	0	27,738	35,837	\$21.14	\$23.18
FEDERAL WAY	2,169,627	28.8%	25.0%	62,144	0	0	151,628	163,142	\$20.84	\$22.66
TOTALS**	56,757,524	12.0%	10.3%	776,662	4,314,749	0	280,533	435,601	\$28.74	\$32.40

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Dexter Station	Lower QA/Lk Union	Facebook	A	274,000
Two Union Square	Financial District	HomeStreet Bank	A	141,784
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Metropolitan Park West/East	Lower QA/Lk Union	CBRE Global Investors	\$272,796,777 / \$390	699,766
2601 Elliott	Denny Regrade	JP Morgan Chase	\$172,989,104 / \$512	331,950
Blanchard Plaza	Lower QA/Lk Union	AFL-CIO Building Investment Trust	\$122,659,615 / \$480	255,818
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Madison Centre	Financial District	Speculative	Q3 2016	750,000 (5.9%)
Fifth & Columbia	Financial District	Speculative	Q2 2017	528,000 (4.5%)
Troy Block – South Tower	Lower QA/Lk Union	Speculative	Q2 2016	395,680 (8.5%)