

# MARKETBEAT

## OFFICE SNAPSHOT

### SEATTLE, WA – SUBURBAN

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 Southend office market continued to steadily improve, experiencing 163,473 square feet (sf) of leasing activity this quarter, more than double last year's first quarter leasing activity. Asking rental rates were stable across the market.

On a year-over-year basis, the overall vacancy rate in the Southend declined by 1.5 percentage points (pps) to 18.2%. Tukwila and Renton stand out as the strongest submarkets, as both areas have direct vacancy rates of 12.0% or less. These submarkets saw the most improvement as they benefit from spill-over demand from Seattle and Bellevue.

Although the Tukwila and Renton submarkets were stronger than others in the Southend, it was the Kent/Auburn submarket that reported the largest lease deal of the quarter. MultiCare Auburn Medical announced that they would move into 36,000 sf at Auburn Corporate Center in October of this year. Nearby in Federal Way, Building 1 in the East Campus Corporate Park sold at the end of March for almost \$18 million. The building is part of the same park that houses Weyerhaeuser, who announced their intention to move out of Southend by 2016.

#### OUTLOOK

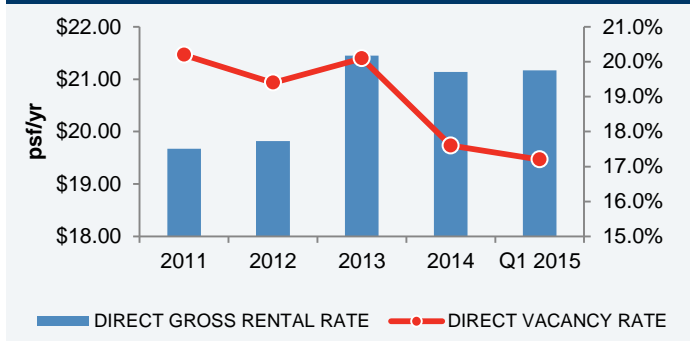
The Southend market will continue to benefit from the excess of tenants looking for space in the Seattle CBD and the Eastside markets. As space becomes more expensive in those markets, many companies

may decide to look at the Southend to meet their requirements. Expect vacancy rates to continue their decline with a slight increase in average asking rates, as no new construction is expected to come online in the next couple of years in this market.

#### STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	19.7%	18.2%	-1.5pp	▼
Direct Asking Rents (psf/yr)	\$21.12	\$21.17	0.1%	◄►
YTD Leasing Activity (sf)	60,749	163,473	169.1%	▲

#### DIRECT RENTAL VS. VACANCY RATES



#### OVERALL LEASING ACTIVITY



## SEATTLE NON-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
<b>CBD</b>	<b>41,885,306</b>	<b>9.9%</b>	<b>8.1%</b>	<b>536,545</b>	<b>4,085,105</b>	<b>0</b>	<b>86,667</b>	<b>222,122</b>	<b>\$32.24</b>	<b>\$36.08</b>
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
<b>SEATTLE IN-CITY</b>	<b>5,060,159</b>	<b>12.9%</b>	<b>12.1%</b>	<b>14,500</b>	<b>229,644</b>	<b>0</b>	<b>14,500</b>	<b>14,500</b>	<b>\$30.30</b>	<b>\$35.29</b>
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
<b>SOUTHEND SUBURBAN</b>	<b>7,642,432</b>	<b>18.2%</b>	<b>17.2%</b>	<b>163,473</b>	<b>0</b>	<b>0</b>	<b>27,738</b>	<b>35,837</b>	<b>\$21.14</b>	<b>\$23.18</b>
<b>FEDERAL WAY</b>	<b>2,169,627</b>	<b>28.8%</b>	<b>25.0%</b>	<b>62,144</b>	<b>0</b>	<b>0</b>	<b>151,628</b>	<b>163,142</b>	<b>\$20.84</b>	<b>\$22.66</b>
<b>TOTALS**</b>	<b>56,757,524</b>	<b>12.0%</b>	<b>10.3%</b>	<b>776,662</b>	<b>4,314,749</b>	<b>0</b>	<b>280,533</b>	<b>435,601</b>	<b>\$28.74</b>	<b>\$32.40</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

## MARKET HIGHLIGHTS

<b>SIGNIFICANT Q1 2015 LEASE TRANSACTIONS</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>BUILDING CLASS</b>	<b>SQUARE FEET</b>
Auburn Corporate Center	Kent/Auburn	MultiCare Medical Auburn	B	36,000
<b>SIGNIFICANT Q1 2015 SALE TRANSACTIONS</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
East Campus Corporate Park 1	Federal Way/Auburn	Sterling Realty	\$17,900,300 / \$163	110,000
<b>SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET (% LEASED)</b>
N/A				
<b>SIGNIFICANT PROJECTS UNDER CONSTRUCTION</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET (% LEASED)</b>
N/A				