

Office Snapshot Q3 2015

Bellevue, WA



BELLEVUE OFFICE

Economic Indicators

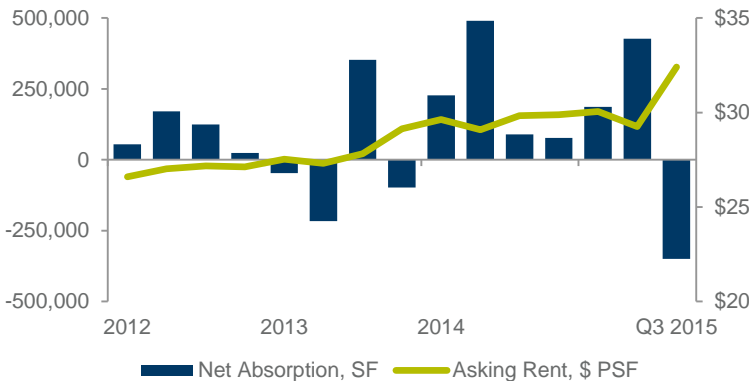
	Q3 14	Q3 15	12-Month Forecast
Seattle-Bellevue-Tacoma Employment	1,848K	1,910K	▲
Seattle-Bellevue-Tacoma Unemployment	5.2%	4.5%	■
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

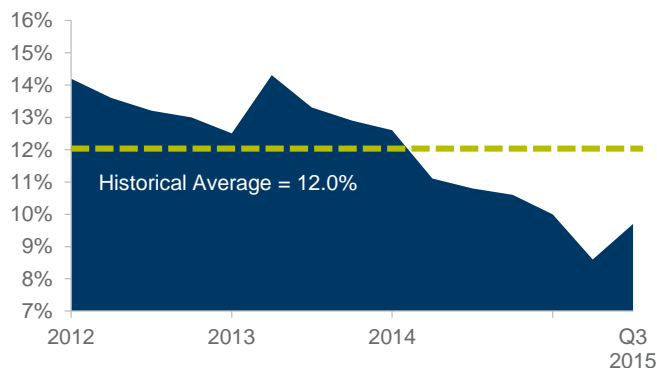
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	10.8%	9.7%	▲
Net Absorption	90k	-350k	▼
Under Construction	642k	1,706k	▲
Overall Average Asking Rent	\$29.84	\$32.40	■

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. economy bounced back in good form from a sluggish Q1 2015 by posting GDP growth of 3.7% for Q2 2015. Job growth remained robust as nearly 2.9 million new jobs were added over the past 12 months. This job growth of 2.1% has pushed the overall unemployment rate to just 5.1%. This is just 0.5 percentage point (pps) above pre-recession levels. Despite some turmoil in international markets, most notably China and Greece, Consumer Confidence rebounded to the second highest level of 2015.

The Seattle-Bellevue-Tacoma Metropolitan Statistical Area (MSA) continued to outperform the over U.S. economy as the unemployment rate declined to 4.5%.

Market Overview

The Eastside reported overall absorption of 263,407 square feet (sf) at the end of the third quarter. Overall vacancy dropped by 1.1 pps on a year-over-year basis to 9.7%, while asking rents rose 8.6% to \$32.40 per square foot (psf).

The largest office investment transaction in the Eastside was the sale of Gateway One in Bellevue in August. Walton Street Capital sold the four-story, 110,250-sf office building to Talon Private Capital for \$38.75 million (\$351 psf).

The Eastside reported nearly 2.8 million square feet (msf) of leasing activity since the beginning of the year, an increase of 6.5% compared to the sf reported at this time last year.

Outlook

Following Microsoft's September move-out of 166,873 sf at The Bravern 1 office tower, which increased overall vacancy in the Bellevue CBD to 7.5% (compared to Q2's 6.2%), the outlook of the Eastside is fairly positive. Leasing activity doubled last quarter's 1.3 msf number, with 1.4 msf of activity scattered throughout the market. More deals are expected to close by year-end.

The completion of several projects in 2016 – and Expedia's planned move to Seattle in 2019 – will add close to 2.2 msf of prime office space to the Eastside. Major tenants will likely flock to the larger available spaces. While asking rents have reported increases throughout the year, they expect to slow by the time the excess office inventory is delivered to the market.

MARKETBEAT

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Bellevue, WA



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
BELLEVUE CBD	53	8,075,904	17,822	584,604	7.5%	(97,777)	76,125	1,526,000	\$37.00	\$37.08
405 Corridor	96	2,544,073	41,354	250,396	11.5%	(28,917)	18,917	0	\$31.06	\$29.68
520 Corridor	86	3,134,430	30,959	334,899	11.7%	(52,463)	(92,492)	0	\$32.12	\$37.24
I-90 Corridor	109	6,481,708	56,017	525,278	9.0%	(96,607)	162,517	0	\$32.20	\$32.96
Bel-Red	96	1,481,992	3,369	100,740	7.0%	82,203	112,176	0	\$29.21	N/A
Redmond	43	1,880,008	22,260	111,726	7.1%	954	45,330	0	\$29.60	\$29.73
Kirkland	71	2,251,454	59,498	143,132	9.0%	(94,348)	(75,136)	180,000	\$32.60	\$36.01
Bothell/Woodinville	31	1,458,312	9,570	119,941	8.9%	(34,817)	(12,961)	0	\$29.71	\$29.94
EASTSIDE SUBURBAN	532	19,231,977	223,027	1,586,112	9.4%	(223,995)	158,351	180,000	\$31.50	\$32.86
Lynnwood	63	2,234,501	18,954	323,506	15.3%	1,077	49,451	0	\$25.03	\$28.14
Everett	44	1,568,246	0	274,340	17.5%	(29,567)	(20,520)	0	\$23.26	\$37.00
NORTHEND SUBURBAN	107	3,802,747	18,954	616,800	16.2%	(28,490)	28,931	0	\$24.24	\$28.29
SUBURBAN TOTALS	639	23,034,724	241,981	2,183,958	10.5%	(252,485)	187,282	180,000	\$30.47	\$31.93
BELLEVUE/SUBURBAN TOTALS	692	31,110,628	259,803	2,768,562	9.7%	(350,262)	263,407	1,706,000	\$32.40	\$34.37

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Newport Corporate Center	89,850	Undisclosed	Lease	I-90 Corridor
Redmond Technology Center	34,350	Undisclosed	Lease	Redmond
One Twelfth at Twelfth – East Bldg	29,803	Yahoo, Inc.	Renewal	Bellevue CBD

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
Legacy Crown Pointe	129,219	Walton St. Capital/TA Realty	\$37,000,000	520 Corridor
Gateway One	110,250	Walton St. Capital/Talon Private Capital	\$38,750,000	405 Corridor

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