

Industrial Snapshot Q3 2015

Bellevue, WA

BELLEVUE INDUSTRIAL

Economic Indicators

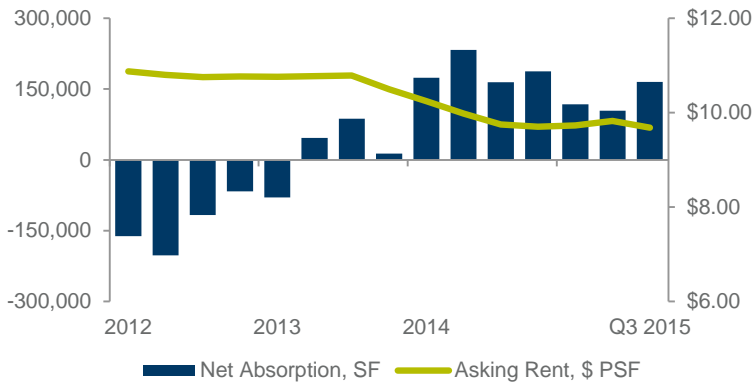
	Q3 14	Q3 15	12-Month Forecast
Seattle-Bellevue-Tacoma Employment	1,848K	1,910K	▲
Seattle-Bellevue-Tacoma Unemployment	5.2%	4.5%	■
U.S. Unemployment	6.1%	5.1%	▼

Market Indicators

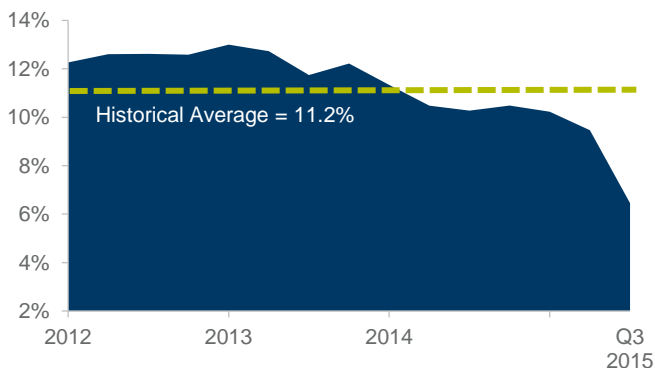
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	10.3%	6.5%	■
Net Absorption	-54k	190k	■
Under Construction	0	430k	▲
Overall Average Asking Rent	\$9.77	\$9.22	▲

Net Absorption/Asking Rent

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 points (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

Overall vacancy dropped to 6.5%, down 3.8 percentage points (pps) on a year-over-year basis, marking the lowest rate since the recession. The Eastside and Northend industrial markets reported a big drop in vacancy. Year-to-date (YTD) absorption totaled 781,678 square feet (sf), while YTD leasing activity increased 2.1% over last year to 1.6 million square feet (msf).

The largest industrial investment transaction of the quarter occurred in Mukilteo, when Boston-based TA Realty purchased Harbour Reach Business Park from James Otto & Co., Inc. The two-building, 100,160-sf park sold for \$12.9 million or \$129 per square feet (psf) on the first day of the quarter. On the leasing side, the greatest level of velocity was in spaces less than 10,000 sf, mostly in flex buildings.

Approximately 227,861 sf was delivered to the Eastside and Northend markets during the quarter, with 430,050 sf currently under construction. Land prices remain high due to the limited available land ready for development between \$10-\$25 psf.

Outlook

At 6.5%, the Eastside and Northend markets reported a decrease of 3.0 pps in its combined overall vacancy rate compared to last quarter. The Eastside and Northend attract tenants who have a demand for improved flex spaces, higher rates of occupancy, and a greater parking ratio than what Kent Valley can provide. Tech companies will continually be drawn to and/or expand in the area because of the culture that supports innovation throughout the community.

MARKETBEAT

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Bellevue, WA



SUBMARKET	TOTAL BLDGS	INVENTORY	VACANT SF	OVERALL VACANCY RATE	YTD OVERALL ABSORPTION	CONSTRUCTION COMPLETIONS	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (HT)	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (WD)
Bellevue	112	4,245,048	289,603	6.8%	57,539	0	0	\$24.00	\$0.00	\$12.96	\$7.68
Issaquah/East I-90	44	3,098,869	109,396	3.5%	111,465	0	0	\$0.00	\$11.16	\$13.68	\$8.28
Redmond (Overlake)	36	1,029,045	24,383	2.4%	(18,551)	0	0	\$0.00	\$0.00	\$13.80	\$0.00
Redmond (Willows)	157	6,500,521	279,454	4.3%	11,258	0	0	\$12.72	\$9.00	\$9.24	\$10.92
Redmond (East)	97	3,696,986	107,516	2.9%	61,655	0	85,625	\$13.32	\$0.00	\$14.52	\$9.48
Kirkland	85	2,914,964	286,540	9.8%	33,823	0	0	\$0.00	\$8.04	\$11.40	\$9.72
Woodinville/522 Corridor	211	8,342,902	605,653	7.3%	152,929	0	0	\$7.32	\$7.56	\$8.64	\$8.28
Bothell	132	7,462,741	488,398	6.5%	140,666	0	0	\$15.00	\$0.00	\$14.04	\$16.68
EASTSIDE SUBURBAN	874	37,291,076	2,190,943	5.9%	550,784	0	85,625	\$14.40	\$7.80	\$11.76	\$9.12
Edmonds/Lynnwood	95	2,595,789	121,681	4.7%	37,667	0	0	\$0.00	\$0.00	\$9.12	\$8.40
Mukilteo	97	4,161,642	32,819	0.8%	2,177	0	0	\$12.48	\$0.00	\$13.32	\$6.96
Everett	158	10,447,437	981,540	9.4%	186,261	227,861	344,425	\$9.12	\$7.56	\$8.28	\$6.48
North Snohomish	61	3,274,720	402,754	12.3%	4,789	0	0	\$0.00	\$5.40	\$0.00	\$6.12
NORTHEND	411	20,479,588	1,538,794	7.5%	230,894	227,861	344,425	\$9.24	\$5.88	\$9.96	\$6.60
EASTSIDE/NORTHEND TOTAL	1,285	57,770,664	3,729,737	6.5%	781,678	227,861	430,050	\$13.90	\$6.70	\$11.34	\$7.82

*Rental rates reflect asking \$psf/year

HT = High Tech MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
830 80 th Street SW	26,377	Renu Medical, Inc.	Office Service/Flex	Everett

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
4620 & 4640 Campus Pl	100,160	Otto Development, LP / TA Realty	Warehouse/Distribution	\$12,900,000	Mukilteo

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