

# Office Snapshot Q1 2016

Seattle Suburban



## SEATTLE SUBURBAN OFFICE

### Economic Indicators

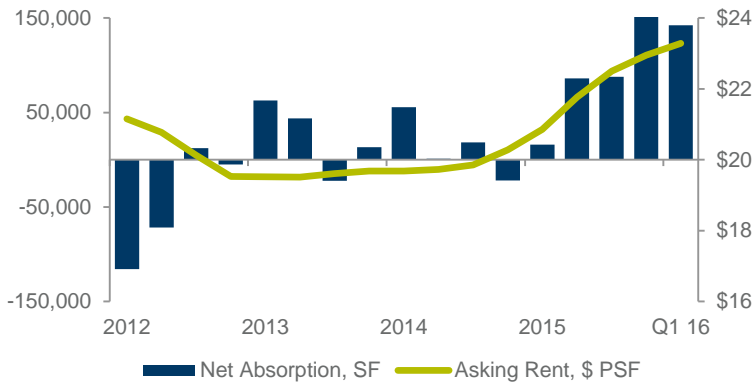
	Q1 15	Q1 16	12-Month Forecast
Seattle-Bellevue-Tacoma Employment	1,872k	1,920k	▲
Seattle-Bellevue-Tacoma Unemployment	4.7%	4.8%	■
U.S. Unemployment	5.6%	4.9%	▼

### Market Indicators (Overall, All Classes)

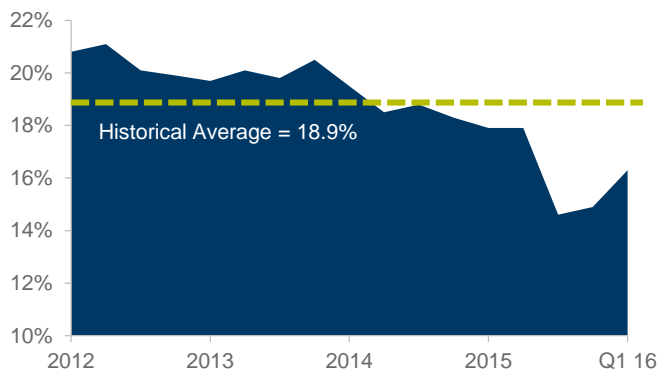
	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	17.9%	16.3%	▼
Net Absorption (sf)	213k	209k	▲
Under Construction (sf)	230k	77k	■
Overall Average Asking Rent	\$23.30	\$24.47	▲

### Net Absorption/Asking Rent

4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Economic growth remained modest across most of the U.S. as job growth continued. Despite strong job growth, wages and inflation remained flat to moderate. With the expansion of jobs across the country, the overall unemployment rate dropped to just 4.9%.

The Seattle-Tacoma-Bellevue unemployment rates ticked upward for the fourth consecutive quarter to 4.8%. Although the unemployment rate has increased, so has the labor participation rate, indicating that more people have inserted themselves back into the workforce. To put this change into perspective, although the unemployment rate rose from 3.9% in April 2015 to 4.8% in the most recent reading, the number of employed persons has declined by only 21,771.

## Market Overview

The Seattle Suburban office market began the year with an overall vacancy rate decrease of 1.6 percentage points (pps) to 16.3% and an asking rent increase of 5.0% to \$24.47 per square foot (psf) on a year-over-year basis.

Leasing activity totaled 137,964 square feet (sf) during the first quarter; Tukwila, in the Southend, and Close-In South Seattle, in Seattle In-City, were the strongest submarkets in this category.

The most notable sale transaction in the suburban office market during the quarter was the sale of The Creeksides at Centerpoint in Kent. Unico Properties sold the three-building, 218,585-sf office campus to Menashe Properties for \$26.5 million (\$121 psf) in January. The campus was 90% occupied at the time of sale.

## Outlook

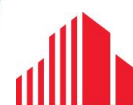
The suburban market, especially the Southend, continues to benefit from the rising rent and limited availability in the CBD and the Eastside. Overall rental rates were stable for all submarkets, while overall vacancy rose slightly. Although leasing activity dropped 54% from the previous quarter, companies should remain looking towards the suburban market for their expansion needs. The recent announcement of REI's plans to vacate its Kent headquarters for the Eastside by 2020 will add more than 170,000 sf of availability to the suburban market.

On the construction end, the Southport Office Campus in Renton broke ground in January. Offering 728,769 sf of class A office space in three nine-story office towers, the campus is scheduled for a May 2018 completion.

## MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Financial District	91	23,360,606	323,554	1,680,121	8.6%	303,029	303,029	1,986,587	\$40.23	\$44.55
Denny Regrade	54	8,637,232	63,203	483,373	6.3%	195,294	195,294	0	\$36.48	\$40.21
Pioneer Square/Intl District	58	4,044,486	54,785	111,437	4.1%	(65,057)	(65,057)	556,612	\$29.97	\$32.47
Lower Queen Anne/Lake Union	113	10,464,703	91,769	659,028	7.2%	(30,443)	(30,443)	1,995,850	\$31.19	\$32.94
<b>CBD TOTAL</b>	<b>316</b>	<b>46,507,027</b>	<b>533,311</b>	<b>2,933,959</b>	<b>7.5%</b>	<b>402,823</b>	<b>402,823</b>	<b>4,539,049</b>	<b>\$37.19</b>	<b>\$40.97</b>
North Seattle/Northgate	50	2,265,486	18,293	81,198	3.6%	71,366	71,366	76,561	\$26.94	\$26.64
Close-In South Seattle	25	2,252,467	51,437	450,000	20.0%	132,644	132,644	0	\$32.47	\$40.72
East Seattle/Capitol Hill	18	923,219	0	17,866	1.9%	(11,968)	(11,968)	0	\$25.33	\$31.14
<b>SEATTLE IN-CITY TOTAL</b>	<b>93</b>	<b>5,441,172</b>	<b>69,730</b>	<b>549,064</b>	<b>10.1%</b>	<b>192,042</b>	<b>192,042</b>	<b>76,561</b>	<b>\$31.38</b>	<b>\$37.15</b>
Tukwila	43	1,986,679	15,710	220,921	11.1%	22,657	22,657	0	\$22.44	\$26.44
SeaTac	14	867,608	0	284,418	32.8%	22,102	22,102	0	\$19.58	\$20.01
Renton	54	2,432,973	46,957	228,690	9.4%	(20,437)	(20,437)	728,769	\$22.70	\$27.03
Kent/Auburn	32	1,561,434	32,652	306,369	19.6%	12,630	12,630	0	\$22.67	\$24.81
<b>SOUTHEND TOTAL</b>	<b>143</b>	<b>6,848,694</b>	<b>95,319</b>	<b>1,040,398</b>	<b>15.2%</b>	<b>36,952</b>	<b>36,952</b>	<b>728,769</b>	<b>\$21.86</b>	<b>\$23.10</b>
FEDERAL WAY	47	1,991,528	75,600	492,331	24.7%	(20,056)	(20,056)	0	\$22.16	\$23.06
<b>SEATTLE SUBURBAN TOTAL</b>	<b>283</b>	<b>14,281,394</b>	<b>240,649</b>	<b>2,081,793</b>	<b>16.3%</b>	<b>208,938</b>	<b>209,938</b>	<b>805,330</b>	<b>\$24.47</b>	<b>\$26.30</b>
<b>SEATTLE TOTAL</b>	<b>599</b>	<b>60,788,421</b>	<b>773,960</b>	<b>5,015,752</b>	<b>9.5%</b>	<b>611,761</b>	<b>611,761</b>	<b>5,344,379</b>	<b>\$32.08</b>	<b>\$36.13</b>

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Heritage Plaza	5,721	Undisclosed	Lease	SeaTac
The Creeksides at Centerpoint – Bldg 3	5,465	Harmon	Lease	Kent/Auburn
Riverview Plaza I	5,275	iFloor	Lease	Tukwila
One Main Street Professional Plaza	5,152	Undisclosed	Lease	Kent/Auburn

## Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
Weyerhaeuser Office Bldg	343,535	Weyerhaeuser Company / Industrial Realty Group LLC	\$22,762,185 / \$472	Federal Way
The Creeksides at Centerpoint	218,585	Unico Properties / Menashe Properties	\$26,500,000 / \$121	Kent/Auburn

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