

Office Snapshot Q1 2016

Puget Sound
Eastside, WA



EASTSIDE OFFICE

Economic Indicators

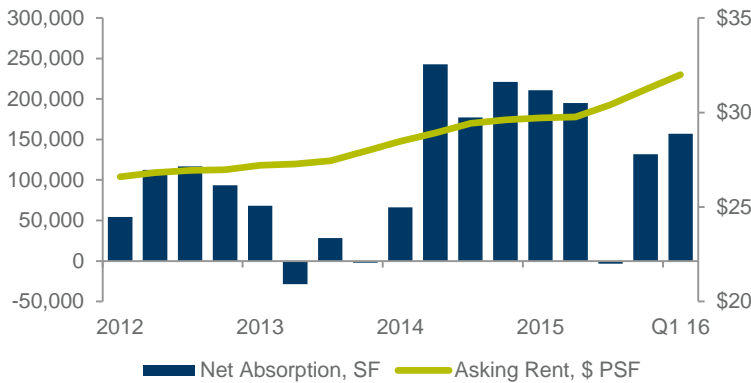
	Q1 15	Q1 16	12-Month Forecast
Seattle-Bellevue-Tacoma Employment	1,872k	1,920k	▲
Seattle-Bellevue-Tacoma Unemployment	4.7%	4.8%	■
U.S. Unemployment	5.6%	4.9%	▼

Market Indicators (All Classes, Overall)

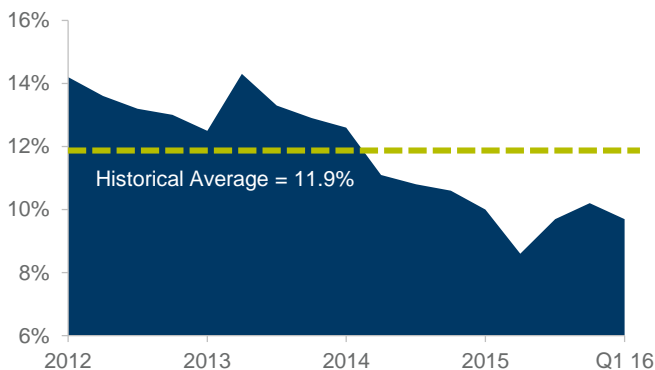
	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	10.0%	9.7%	▲
Net Absorption (sf)	186k	439k	▼
Under Construction (sf)	1,352k	1,148k	▲
Overall Average Asking Rent	\$30.06	\$33.20	■

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 Eastside office market opened 2016 with an overall vacancy rate of 9.7%, a decrease of 1.1 percentage points (pps) on a year-over-year basis. Overall asking rent was reported at \$33.20 per square foot (psf), an increase of 10.5% from Q1 2015.

The Eastside reported 469,780 square feet (sf) of leasing activity during the first quarter, a decrease of nearly 102,000 sf from a year ago. VoiceBox Technologies, Inc., signed the largest lease, taking 67,383 sf at One Twelfth at Twelfth – West Bldg in the Bellevue CBD submarket.

In the Eastside's most noteworthy sale transaction of the quarter, JMA Ventures LLC sold The Offices at Riverpark in Redmond to Colony Realty Partners. The 106,281-sf fully occupied Class A building sold for \$36.9 million (or \$347 psf) in March.

Outlook

With the overall vacancy rate dropping 0.5 pps and leasing activity rising 6.3% on a quarter-over-quarter basis, the outlook for the Eastside remains positive, especially considering REI's recent announcement of a possible relocation to Bellevue by 2020. The outdoor gear cooperative is planning to vacate its headquarters in Kent and develop eight acres of land in the Spring District.

Centre 425 and 400 Lincoln Square's year-end delivery will add 1 million square feet (msf) that should attract tenants seeking prime Class A office space in the Eastside. Expedia's planned relocation to the former Amgen Helix campus on Elliott Bay in the Seattle CBD in 2019 will add even more space to the market. Asking rents should decrease once all this additional inventory is made available.

MARKETBEAT

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Eastside, WA



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Commerce

SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION	UNDER CNSTR	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
BELLEVUE CBD	37	8,831,188	46,952	879,214	10.5%	94,353	94,353	1,078,700	\$41.41	\$41.66
405 Corridor	80	2,312,178	24,574	170,687	8.4%	(18,083)	(18,083)	0	\$31.79	\$36.37
520 Corridor	121	3,320,007	95,571	249,399	10.4%	(10,791)	(10,791)	69,300	\$30.94	\$37.21
I-90 Corridor	88	6,528,502	110,650	539,267	10.0%	(3,790)	(3,790)	0	\$32.40	\$32.64
Bel-Red	80	1,433,699	43,965	110,358	10.8%	(19,572)	(19,572)	0	\$26.89	N/A
Redmond	43	2,575,428	13,987	149,314	6.3%	48,159	48,159	0	\$31.14	\$33.97
Kirkland	56	2,490,013	88,173	108,547	7.9%	186,382	186,382	0	\$28.22	\$33.88
Bothell/Woodinville	48	2,594,550	13,637	214,735	8.8%	(1,964)	(1,964)	0	\$28.47	\$29.80
EASTSIDE SUBURBAN	516	21,254,377	390,557	1,542,307	7.3%	180,341	180,341	69,300	\$30.64	\$32.71
Lynnwood	53	2,255,863	12,005	290,582	12.9%	69,622	69,622	0	\$26.24	\$28.86
Everett	48	2,079,590	0	183,107	8.8%	94,270	94,270	0	\$23.43	N/A
NORTHEND SUBURBAN	101	4,335,453	12,005	473,689	10.9%	163,892	163,892	0	\$25.18	\$28.37
SUBURBAN TOTALS	617	25,589,830	402,562	2,015,996	9.5%	344,233	344,233	69,300	\$30.05	\$31.99
BELLEVUE/SUBURBAN TOTALS	654	34,421,018	449,514	2,895,210	9.7%	438,586	438,586	1,148,000	\$33.20	\$36.83

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
One Twelfth at Twelfth – West Bldg	67,383	Voicebox Technologies, Inc.	Lease	Bellevue CBD
Commons on 90 – Bldg B	25,115	Quadrant Corp	Lease	I-90 Corridor
Eastgate Office Park – Bldg 1	23,773	Seagull Scientific	Lease	I-90 Corridor
Plaza Center	22,771	Futurewei Technologies, Inc.	Lease	Bellevue CBD

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
Quadrant Willows – Bldgs C & E	129,972	Steelwave / Equus Capital Ptrs Ltd.	\$25,650,000 / \$197	Redmond
The Offices at Riverpark	106,281	JMA Ventures LLC / Colony Realty Ptrs	\$36,900,000 / \$347	Redmond
One Newport	89,850	Ivanhoe Cambridge / AAA Washington	\$29,075,000 / \$324	I-90 Corridor
Swift Gateway	68,776	Walton Street Capital / Swift RE Ptrs	\$18,280,000 / \$266	405 Corridor

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