

SEATTLE CBD OFFICE

Economic Indicators

| | Q2 16 | Q2 17 | 12-Month Forecast |
|--------------------------------------|--------|--------|-------------------|
| Seattle-Tacoma-Bellevue Employment | 1,947k | 1,997k | ▲ |
| Seattle-Tacoma-Bellevue Unemployment | 4.6% | 3.7% | ▼ |
| U.S. Unemployment | 4.9% | 4.4% | ■ |

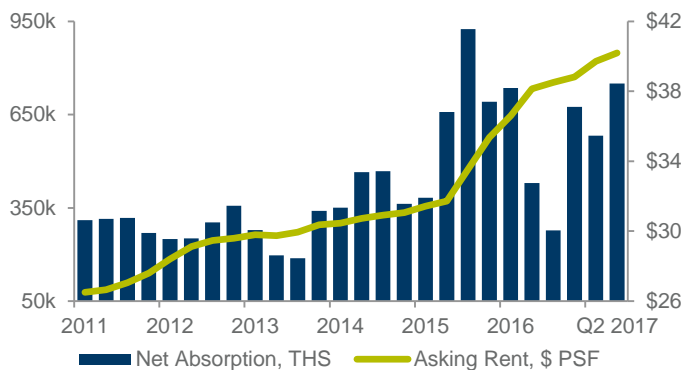
Market Indicators (Overall, All Classes)

| | Q2 16 | Q2 17 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 6.9% | 6.1% | ■ |
| Net Absorption (sf) | 369k | 1.0M | ▲ |
| Under Construction (sf) | 4.6M | 4.2M | ▲ |
| Average Asking Rent* | \$38.38 | \$40.28 | ▲ |

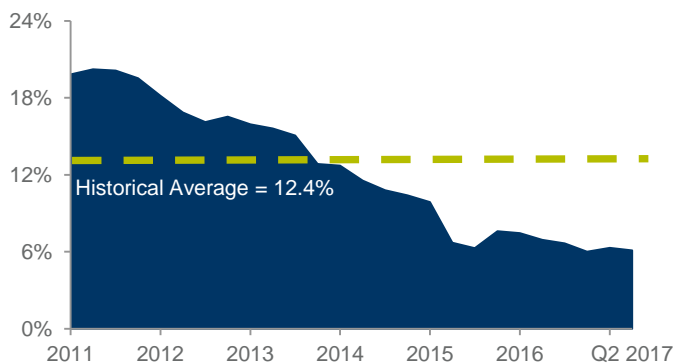
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. economy reported modest growth in the second quarter of 2017. The Federal Reserve raised its target interest rate for the third time in six months, up 25 basis points (bps) to a range of 1.00% to 1.25%. The unemployment rate was below 5.0% for the sixth straight quarter.

In the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, unemployment fell 0.9% year-over-year as 50,000 jobs were added. The tech industry remains a key driver on employment. Seattle was ranked sixth on the list of Top Tech Cities in Cushman & Wakefield's Tech Cities 1.0 report, published in June. This ranking was based on several factors, including venture capital funding, talent, and growth entrepreneurship.

Market Overview

The Seattle CBD office market was highlighted by declining vacancy, rising rent, positive absorption, and robust leasing activity in the second quarter of 2017. At 6.1%, overall vacancy was below 7% for the fifth straight quarter. Overall asking rent was reported at \$40.28 per square foot (psf), above the \$40 psf mark for the second straight quarter. Over 1.3 million square feet (msf) leased, bringing the year-to-date total to nearly 2.7 msf.

F5 Networks signed the largest lease, preleasing all 520,000 square feet (sf) of office space at F5 Tower in the Financial District. The 48-story Class A property, formerly known as The Mark, will deliver in late 2017. In the largest sale transaction, Union Investment paid \$330 million (\$884 psf) to MetLife and Trammell Crow for Midtown21 in Denny Regrade. The 21-story, 374,000-sf Class A office building, fully leased to Amazon at the time of sale, sold at a 4.4% cap rate.

Outlook

The Seattle CBD remains the ideal location for the region's major companies. Amazon occupies 7.4 msf in the CBD and is on track to occupy 12 msf by 2022. Facebook occupies 450,000 sf and will add another 384,000 sf when Arbor Blocks delivers in 2018. Google broke ground on its 600,000-sf Lakefront Blocks campus in South Lake Union; the project is due for completion in 2018. Expedia is redesigning its future 1.9-msf campus in the Interbay neighborhood; the company's relocation from Bellevue is still scheduled for 2019.

Nearly 4.2 msf is under construction in the CBD (not including Amazon-owned projects). The deliveries of 400 Dexter, Tilt49, and Troy Block – North Tower added 1 msf of Class A office to the market. Over 1.6 msf of Class A inventory is due for delivery by the end of the calendar year.

MARKETBEAT
Seattle CBD
Office Q2 2017



| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (ALL CLASSES)* | OVERALL AVERAGE ASKING RENT (CLASS A)* |
|------------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|--|--|
| Financial District | 23,747,897 | 203,708 | 1,536,686 | 7.3% | -9,578 | -78,545 | 1,474,492 | 1,977,000 | \$41.83 | \$47.56 |
| Denny Regrade | 9,012,957 | 23,972 | 621,920 | 7.2% | 340,039 | 69,523 | 589,964 | 0 | \$41.25 | \$48.39 |
| Pioneer Square/Intl District | 4,225,486 | 55,846 | 100,017 | 3.7% | -14,478 | 36,405 | 152,155 | 375,612 | \$32.25 | \$42.98 |
| Lower Queen Anne/Lake Union | 12,445,640 | 70,543 | 410,821 | 3.9% | 722,908 | 1,044,517 | 448,293 | 1,839,596 | \$36.01 | \$37.96 |
| SEATTLE CBD TOTALS | 49,431,980 | 354,069 | 2,669,444 | 6.1% | 1,038,891 | 1,071,900 | 2,664,904 | 4,192,208 | \$40.28 | \$46.83 |

| BLDG CLASS | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | DIRECT AVERAGE ASKING RENT* | OVERALL AVERAGE ASKING RENT* |
|------------|----------------|--------------------|--------------------|----------------------|---|---------------------------------|---------------------------|------------------|-----------------------------|------------------------------|
| Class A | 33,133,520 | 140,479 | 1,401,848 | 4.7% | 1,119,245 | 1,220,952 | 2,000,706 | 4,192,208 | \$48.82 | \$46.83 |
| Class B | 12,286,910 | 162,069 | 1,085,811 | 10.2% | -82,454 | -175,667 | 541,159 | 0 | \$34.73 | \$34.00 |
| Class C | 2,992,010 | 51,521 | 181,785 | 7.8% | 2,100 | 26,615 | 123,039 | 0 | \$30.91 | \$30.64 |

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2017

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|-------------------------|---------|-------------|------------------|--------------------|
| F5 Tower | 519,760 | F5 Networks | Lease | Financial District |
| 8 th + Olive | 42,772 | Airbnb | Lease | Denny Regrade |
| 1111 Third Ave Bldg | 26,987 | Remitly | Lease | Financial District |

Key Sales Transactions Q2 2017

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|----------------|---------|---|-----------------------|-----------------------------|
| Midtown21 | 373,458 | MetLife & Trammell Crow / Union Investment RE GmbH | \$330,200,000 / \$884 | Denny Regrade |
| Dexter Station | 345,992 | Capstone Ptrs & Stockbridge Capital / Tristar Capital, RFR, Commerz Real AG | \$286,000,000 / \$827 | Lower Queen Anne/Lake Union |

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