

## PUGET SOUND EASTSIDE 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%	■

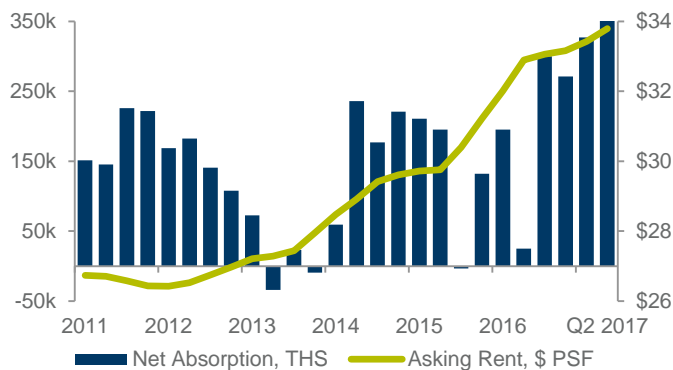
### Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	10.5%	8.4%	▼
Net Absorption (sf)	-253k	118k	▼
Under Construction (sf)	1.2M	729k	▲
Average Asking Rent*	\$32.81	\$34.27	▲

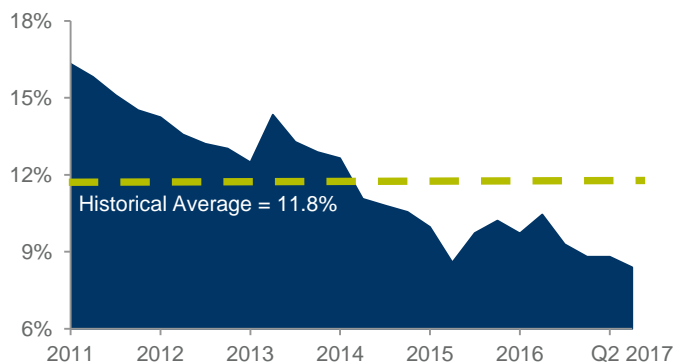
\*Rental rates reflect gross asking \$psf/year

### 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 Eastside office market saw overall vacancy drop and overall asking rent rise for the fourth straight quarter, ending the second quarter of 2017 at 8.4% and \$34.27 per square foot (psf), respectively. Leasing activity totaled 717,000 square feet (sf), upping the year-to-date total to over 1.3 million square feet (msf).

OfferUp signed the largest new lease, taking 71,000 sf at Mercer Pointe at Bellefield on the 405 Corridor. In the largest sale transaction, Cerberus Capital Management and Talon Private Capital sold 90 East, on the I-90 Corridor, to Kennedy Wilson for \$153 million (\$267 psf). The three-building, 573,000-sf Class A office park, fully leased to Microsoft and Costco at the time of sale, sold at an 8.5% cap rate.

## Outlook

The future continues to look bright for the Eastside, with new office buildings in the CBD filling up and a highly anticipated project scheduled to break ground in the suburban market.

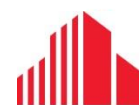
In the CBD, the newest office developments are all fully leased or close to it: Centre 425 (100% leased to Amazon), the Lincoln Square expansion (90% leased to WeWork, Valve, et al), and 929 Office Tower (71.5% leased to Salesforce, CyberSource, et al). No new construction is planned to break ground in 2017; the 17-story, 370,000-sf project known as Summit III is awaiting city approval and will likely break ground sometime in 2018.

In the suburban market, The Spring District (491,000 sf), on the 405 Corridor, is due to break ground in mid-2017, with the Global Innovation Exchange (GIX) and REI set to occupy in 2018 and 2020, respectively. Phase I of Kirkland Urban (660,000 sf) is set for completion in 2018.

# MARKETBEAT

## Puget Sound Eastside

Office Q2 2017



**CUSHMAN & WAKEFIELD**  
Commerce

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)*
<b>BELLEVUE CBD</b>	<b>9,909,888</b>	<b>36,022</b>	<b>631,749</b>	<b>6.7%</b>	<b>148,359</b>	<b>749,517</b>	<b>445,925</b>	<b>0</b>	<b>\$45.27</b>	<b>\$46.00</b>
405 Corridor	2,312,178	41,710	93,503	5.8%	18,163	63,867	155,449	0	\$31.66	\$36.50
520 Corridor	3,320,007	60,401	165,491	6.8%	-15,828	15,093	147,398	69,300	\$32.01	\$33.31
I-90 Corridor	6,528,502	40,691	564,306	9.3%	56,123	29,914	155,260	0	\$33.77	\$34.09
Bel-Red	1,433,699	0	46,796	3.3%	-26,929	-16,236	24,432	0	\$32.44	\$0.00
Redmond	2,575,428	12,156	191,805	7.9%	17,863	21,100	71,804	0	\$31.67	\$33.50
Kirkland	2,490,013	79,048	85,201	6.6%	-19,212	-37,421	127,534	660,000	\$29.36	\$34.51
Bothell/Woodinville	2,594,550	51,543	485,096	20.7%	-42,996	-61,243	63,121	0	\$28.90	\$30.68
<b>EASTSIDE SUBURBAN</b>	<b>21,254,377</b>	<b>285,549</b>	<b>1,632,198</b>	<b>9.0%</b>	<b>-12,816</b>	<b>15,074</b>	<b>744,998</b>	<b>729,300</b>	<b>\$31.42</b>	<b>\$33.64</b>
Lynnwood	2,255,863	0	180,330	8.0%	9,089	43,464	81,906	0	\$27.87	\$30.53
Everett	2,079,590	11,979	220,431	11.2%	-26,814	-29,647	34,344	0	\$22.20	\$0.00
<b>NORTHEND SUBURBAN</b>	<b>4,335,453</b>	<b>11,979</b>	<b>400,761</b>	<b>9.5%</b>	<b>-17,725</b>	<b>13,817</b>	<b>116,250</b>	<b>0</b>	<b>\$24.67</b>	<b>\$25.67</b>
<b>SUBURBAN TOTALS</b>	<b>25,589,830</b>	<b>297,528</b>	<b>2,032,959</b>	<b>9.1%</b>	<b>-30,541</b>	<b>28,891</b>	<b>861,248</b>	<b>729,300</b>	<b>\$31.11</b>	<b>\$33.21</b>
<b>PUGET SOUND EASTSIDE TOTALS</b>	<b>35,499,718</b>	<b>333,550</b>	<b>2,664,708</b>	<b>8.4%</b>	<b>117,818</b>	<b>778,408</b>	<b>1,307,173</b>	<b>729,300</b>	<b>\$34.27</b>	<b>\$38.74</b>

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	19,361,347	131,268	1,310,304	7.4%	159,993	766,281	561,399	660,000	\$39.69	\$38.74
Class B	13,967,602	197,832	1,245,203	10.3%	-36,946	-4,823	692,129	69,300	\$29.79	\$29.43
Class C	2,170,769	4,450	109,201	5.2%	-5,229	16,950	53,645	0	\$27.14	\$27.01

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

### Key Lease Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Mercer Pointe at Bellefield	71,329	OfferUp	Lease	405 Corridor
929 Office Tower	51,891	CyberSource	Lease	Bellevue CBD
Plaza Center	39,516	Xevo	Sublease	Bellevue CBD

### Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
90 East	573,000	Cerberus Capital Mgmt & Talon Private Capital / Kennedy Wilson	\$153,000,000 / \$267	I-90 Corridor
North Creek in Bothell	193,454	The Blackstone Group & EOP / MRM North Creek LLC	\$35,500,000 / \$184	Bothell/Woodinville
Commons 90 Office Park	142,156	Clarion Ptrs & TCRS / Lake Washington Ptrs	\$46,500,000 / \$327	I-90 Corridor

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