

MARKETBEAT

Puget Sound / Eastside

Industrial Q2 2017



EASTSIDE INDUSTRIAL

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%	■

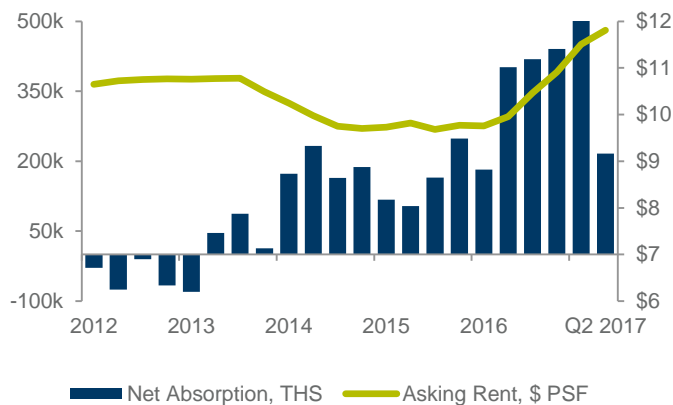
Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	5.3%	4.3%	▼
YTD Net Absorption (sf)	1.2M	306k	▲
Under Construction (sf)	386k	387k	■
Average Asking Rent*	\$10.89	\$12.12	▲

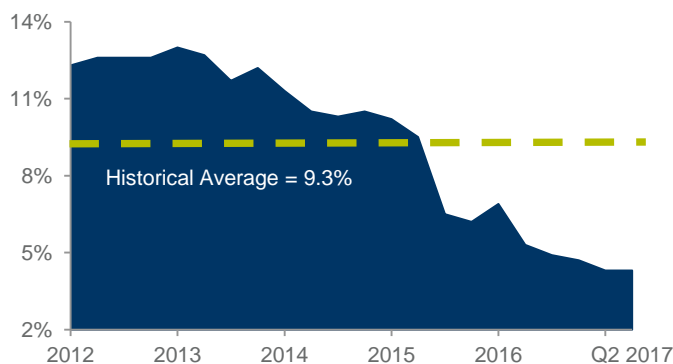
*Rental rates reflect net asking \$psf/year

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 submarkets overall vacancy is at 4.3%, down 100 bps on a year-over-year basis. The overall average asking rent increased \$1.23 per square foot (psf) to \$12.12 psf from first quarter 2016. Overall absorption reported positive at 305,000 square feet (sf). Leasing activity totaled 400,000 sf for second quarter 2017.

The most significant transaction was signed by Amazon. They leased 91,500 sf at Everett Commerce Center – Building A, in the Everett submarket.

The largest industrial sale transaction of the quarter occurred in the Bellevue submarket. Swire Pacific Coca-Cola purchased a Class C warehouse/distribution building located at 1150 124th Ave NE from BCI Coca-Cola Bottling Company, totaling just over 201,000 sf for \$31.4 million (\$156 psf). This was an owner/user sale purchased by the tenant.

Outlook

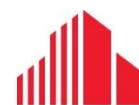
The rezoning of industrial land to the highest and best uses, such as office/multi-family projects, has pinched industrial inventory. Specifically, industrial service companies in the Bellevue submarket along the Bel-Red Corridor are suffering, with no space to expand, pushing them to move to other markets with higher rental rates.

Redevelopment of the Bel-Red Corridor, connecting downtown Bellevue to Redmond, will expand Bellevue's urban core. A new mixed-use urban neighborhood project is planned on 36 acres of largely industrial property on the old Safeway Distribution Center site. This development is centered on a future light rail station that will connect the Eastside to Seattle by 2023.

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CUSHMAN & WAKEFIELD
Commerce

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (WD)
EASTSIDE SUBURBAN	871	36,663,845	253,217	4.8%	-16,032	199,700	\$15.68	\$9.27	\$13.98	\$11.77
Bellevue	116	4,503,562	159,396	1.1%	-23,000	0	\$0.00	\$0.00	\$16.49	\$15.07
Issaquah/East I-90	47	3,247,149	1,218	0.9%	50,622	0	\$14.00	\$0.00	\$16.69	\$15.31
Redmond (Overlake)	34	1,017,712	0	1.9%	-14,221	0	\$0.00	\$0.00	\$15.64	\$0.00
Redmond (Willows)	145	5,637,207	0	5.7%	-21,908	0	\$15.53	\$0.00	\$11.91	\$12.24
Redmond (East)	103	3,931,091	0	5.3%	-8,802	0	\$15.14	\$16.00	\$17.69	\$8.75
Kirkland	82	2,775,132	0	3.4%	12,555	0	\$13.00	\$9.60	\$15.02	\$8.71
Woodinville/522 Corridor	235	9,439,588	92,603	4.2%	59,639	199,700	\$12.58	\$9.40	\$8.95	\$9.89
Bothell	109	6,112,404	0	10.8%	-70,917	0	\$16.04	\$0.00	\$16.89	\$16.74
NORTHEND	480	24,661,952	269,288	3.6%	321,868	186,977	\$12.37	\$7.08	\$12.22	\$8.83
Edmonds/Lynnwood	105	3,055,832	0	1.8%	2,868	0	\$0.00	\$13.08	\$0.00	\$9.43
Mukilteo	96	3,971,990	0	3.0%	63,333	0	\$17.16	\$12.99	\$12.69	\$7.08
Everett	192	13,224,358	25,130	3.1%	101,947	186,977	\$11.38	\$8.02	\$11.52	\$8.81
North Snohomish	87	4,409,772	244,158	6.9%	153,720	0	\$0.00	\$6.14	\$0.00	\$7.77
EASTSIDE/NORTHEND TOTALS	1,351	61,325,797	522,505	4.3%	305,836	386,677	\$15.32	\$7.78	\$13.45	\$10.69

*Rental rates reflect asking \$psf/year

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

PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT Q3-2016	OVERALL WEIGHTED AVG. NET RENT Q4-2016	OVERALL WEIGHTED AVG. NET RENT Q1-2017	OVERALL WEIGHTED AVG. NET RENT Q2-2017
Warehouse/Distribution	500	24,033,158	259,593	2.8%	216,707	386,677	\$9.64	\$10.21	\$10.72	\$10.69
Manufacturing	342	17,962,143	71,386	3.5%	7,792	0	\$6.54	\$7.19	\$7.21	\$7.78
Office Service/Flex	340	9,296,031	1,218	3.7%	-1,248	0	\$14.16	\$13.65	\$14.27	\$13.45
High Tech/Flex	169	10,034,465	190,308	10.1%	82,585	0	\$14.44	\$14.62	\$15.70	\$15.32

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Everett Commerce Center – Building A	91,544	Amazon	New	Everett
Woodinville Corporate Center – Building B	36,642	Encompass Logistics	New	Woodinville/522 Corridor
Casino Business Center	33,761	Access Laser Company	Sublease	Everett

*Renewal- not included in Leasing Activity Statistics

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1250 124 th Ave NE	201,120	BCI Coca-Cola Bottling Co. / Swire Pacific Coca-Cola	\$31,400,000 / \$156	Bellevue
19720 Bothell Everett Hwy – 3 Buildings	155,646	Cunningham Real Estate Service / AvalonBay Communities, Inc.	\$13,000,000 / \$84	Bothell

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