

Market Report
2Q 2017

Office, Industrial & Retail

Puget Sound Region, Washington

Office Report

Puget Sound Region | Second Quarter 2017

7.8%

VACANCY RATE



The Seattle/Puget Sound Office market ended the second quarter 2017 with a vacancy rate of 7.8%.

The vacancy rate was unchanged over the previous quarter.

282,653

NET ABSORPTION



Net absorption for the overall Seattle/Puget Sound office market was positive 282,653 square feet.

That compares to positive 51,051 square feet in the first quarter 2017.

\$31.10

ASKING RATES



The average quoted asking rental rate for available office space, all classes, was \$31.10 per square foot per year at the end of the second quarter 2017.

This represented a 0.6% increase in quoted rental rates from the end of the previous quarter.

5

DELIVERED CONSTRUCTION



Five buildings totaling 316,217 square feet were completed in the Seattle/Puget Sound market area.

This compares to five buildings totaling 212,258 square feet that were completed in the previous quarter.

Source: CoStar

Noted Lease Transactions

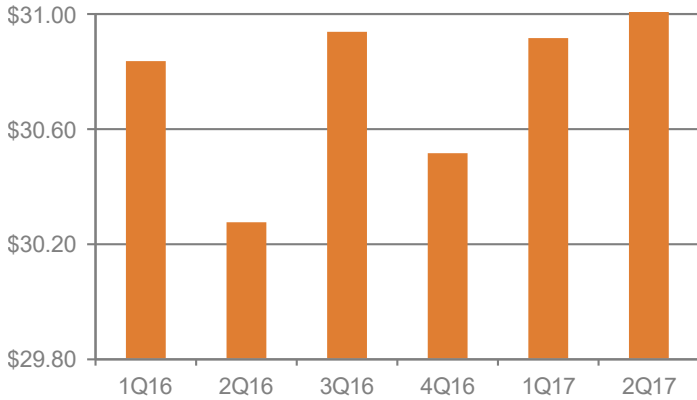
Tenant	Building	Size (SF)	Market Submarket
F5 Networks, Inc.	f5 Tower	515,000 SF	Seattle Seattle CBD
N/A	Lincoln Square South Tower	76,740 SF	Eastside Bellevue CBD
Aduro Inc	Bear Creek Corporate Center - Bldg B	46,568 SF	Eastside Redmond
Air BNB	8th & Olive	42,772 SF	Seattle Seattle CBD

Noted Sale Transactions

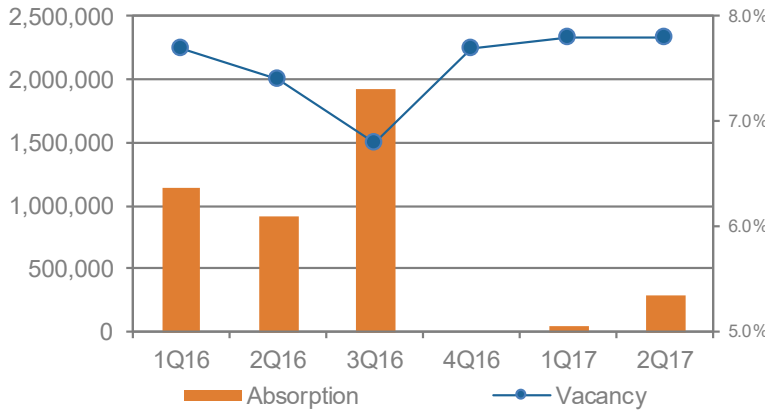
Buyer	Building	Sale Price	Market Submarket
Union Investment Real Estate GmbH	Midtown21	\$330,200,000	Seattle Seattle CBD
Tristar Capital	Dexter Station	\$286,000,000	Seattle South Lake Union
Kennedy-Wilson Properties, Ltd.	90 East	\$153,000,000	Eastside Issaquah

Source: CoStar

AVERAGE ASKING RATES



VACANCY VS. ABSORPTION



Featured Office Transaction

Fremont Village Square 3601 Fremont Ave N, Seattle, WA

GEM Real Estate Partners purchased the 42,840 square foot property in May 2017 for \$16,508,000. Located in the heart of Fremont, this office-retail complex has plans for a major upgrade.

NAI Puget Sound Properties represented the seller in this sale transaction.

Office Market Statistics

MARKET	# BLDGS	TOTAL RBA (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANT %	QUOTED RATES (PSF/YR, FS)
Seattle	1,738	81,631,254	5,488,184	5,982,213	7.3%	\$38.00
Eastside	1,434	49,817,231	3,325,675	3,725,334	7.5%	\$34.09
Northend	1,595	21,868,670	1,620,461	1,668,439	7.6%	\$24.23
Southend	1,089	20,782,395	2,077,202	2,219,396	10.7%	\$26.36
Tacoma	1,940	21,385,220	1,478,396	1,560,184	7.3%	\$21.78
Totals	7,796	195,484,770	13,989,918	15,155,566	7.8%	\$31.10

Source: CoStar

Industrial Report

Puget Sound Region | Second Quarter 2017

3.1%

VACANCY RATE



The Seattle/Puget Sound Industrial market ended the second quarter 2017 with a vacancy rate of 3.1%.

Flex projects reported a vacancy rate of 5.2%; Warehouse rates reported a vacancy rate of 2.9%.

1,173,479

NET ABSORPTION



Net absorption for the overall Seattle/Puget Sound Industrial market was positive 1,173,479 square feet.

Flex building market net absorption was negative 38,430 square feet; warehouse net absorption was 1,211,909 square feet.

\$8.82

ASKING RATES



The average quoted asking rental rate for available Industrial space was \$8.82 per square foot per year at the end of the quarter.

Flex rates were \$16.12 per square foot, and warehouse rates were \$7.61 per square foot.

7 Bldgs

DELIVERED CONSTRUCTION



Seven buildings totaling 953,017 square feet were completed in the Seattle/Puget Sound market area.

This compares to five buildings totaling 898,870 square feet that were completed in the previous quarter.

Source: CoStar

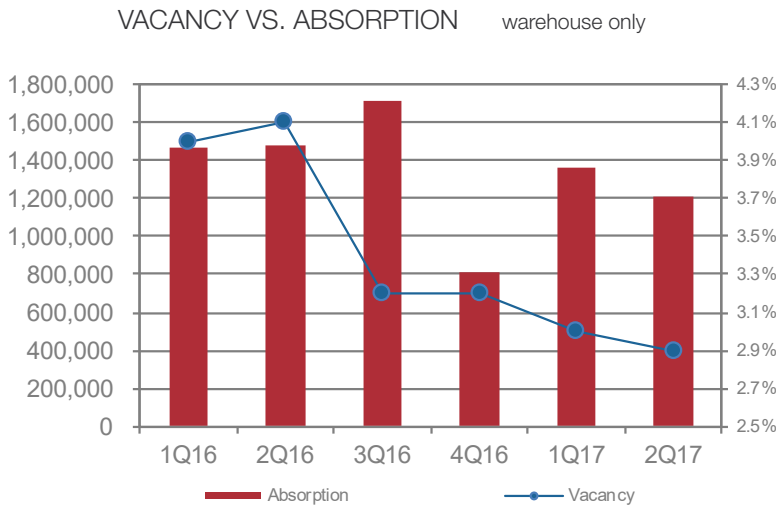
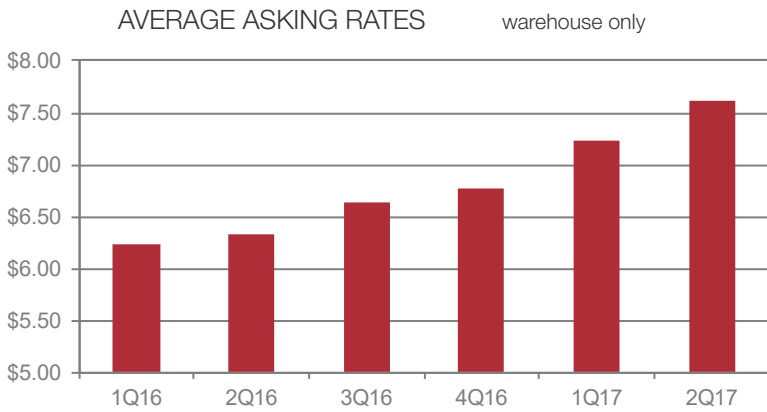
Noted Lease Transactions

Tenant	Building	Size (SF)	Market Submarket
Bartell Drug	Des Moines Creek BP Phase IV Bldg A	268,013 SF	Seattle Seatac/Burien Ind
Associated Materials, Inc.	Fife I-5 Commerce Center	250,490 SF	Pierce Puyallup/S Hill Ind
3PL Cold Storage	Bridge Pointe Burien	241,140 SF	Southend Tukwila Ind
Classic Accessories	CenterPoint Kent Warehouse	220,800 SF	Southend Kent Valley S Ind

Noted Sale Transactions

Buyer	Building	Sale Price	Market Submarket
Northwest Building LLC	Totem Lake Commerce Center	\$28,011,769	Eastside Kirkland
Compact Information Systems	North Creek Center	\$26,750,000	Eastside Bothell
Food Lifeline	Riverton Distribution Center A & B	\$25,640,000	Seattle South Seattle

Source: CoStar



Featured Industrial Transaction

CenterPoint Kent 167 26600 72nd Ave S, Kent, WA 98032

CenterPoint Properties, represented by Arie Salomon, SIOR, CCIM, Jeff Forsberg, CCIM and Taylor Hoff, SIOR, inked a 220,800 square foot lease at their CenterPoint Kent 167 project. Construction has commenced with a targeted completion date of February 2018.

The tenant, Classic Accessories, was also represented by NAI Puget Sound Properties.

Flex Market Statistics

MARKET	# BLDGS	TOTAL RBA (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANT %	QUOTED RATES (PSF/YR)
Seattle	159	6,965,431	112,509	119,675	1.7%	\$18.07
Eastside	308	8,151,194	353,472	359,864	4.4%	\$16.83
Northend	239	7,954,901	608,042	677,556	8.5%	\$17.00
Southend	213	6,156,686	397,144	402,573	6.5%	\$13.50
Tacoma	106	1,642,332	51,201	51,201	3.1%	\$12.98
Totals	1,025	30,870,544	1,522,368	1,610,869	5.2%	\$16.12

Warehouse Market Statistics

MARKET	# BLDGS	TOTAL RBA (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANT %	QUOTED RATES (PSF/YR)
Seattle	1,837	50,987,845	753,578	810,848	1.6%	\$11.60
Eastside	464	13,262,735	271,427	282,905	2.1%	\$11.56
Northend	1,426	44,207,222	1,258,882	1,380,335	3.1%	\$ 9.05
Southend	1,751	104,602,153	2,492,543	2,687,165	2.6%	\$ 6.97
Tacoma	1,833	72,295,594	2,926,959	3,044,149	4.2%	\$ 5.72
Totals	7,303	284,614,321	8,183,487	8,426,590	3.0%	\$ 7.23

Source: CoStar

Retail Report

Puget Sound Region | Second Quarter 2017

3.6%

VACANCY RATE



Seattle/Puget Sound's retail vacancy rate decreased in the second quarter 2017, ending the quarter at 3.6%.

The vacancy rate was 3.9% at the end of the previous quarter.

244,040

NET ABSORPTION



Retail net absorption was slightly positive in Seattle/Puget Sound second quarter 2017, with positive 244,040 square feet absorbed in the quarter.

In first quarter 2017, net absorption was positive 284,241 square feet.

\$19.40

ASKING RATES



Quoted rents ended the second quarter 2017 at \$19.40 per square foot per year.

That compares to \$18.99 per square foot in the previous quarter.

1

DELIVERED CONSTRUCTION



One building totaling 3,400 square feet was completed in the Seattle/Puget Sound retail market.

Seven buildings with 754,909 square feet were completed in first quarter 2017.

Source: CoStar

Noted Lease Transactions

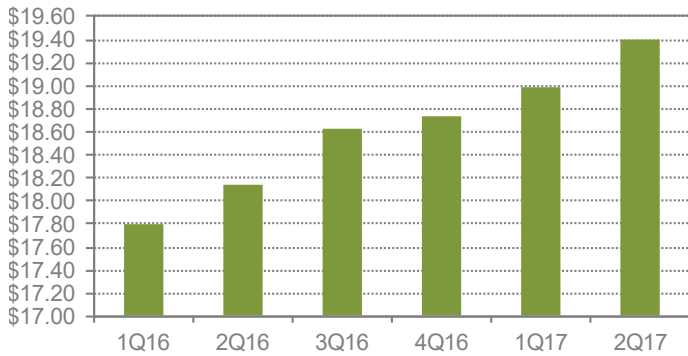
Tenant	Building	Size (SF)	Market Submarket
Saar's Market Place Foods	1702 Auburn Way N	66,158 SF	Southend Federal Way/Auburn
N/A	Safeco Plaza	43,283 SF	Seattle S Seattle
Seattle Goodwill Industries	15291 NE 24th St	39,337 SF	Eastside 520 Corridor
Sellen Construction	First Hill Plaza	13,868 SF	Seattle Capitol Hill/Central Dist

Noted Sale Transactions

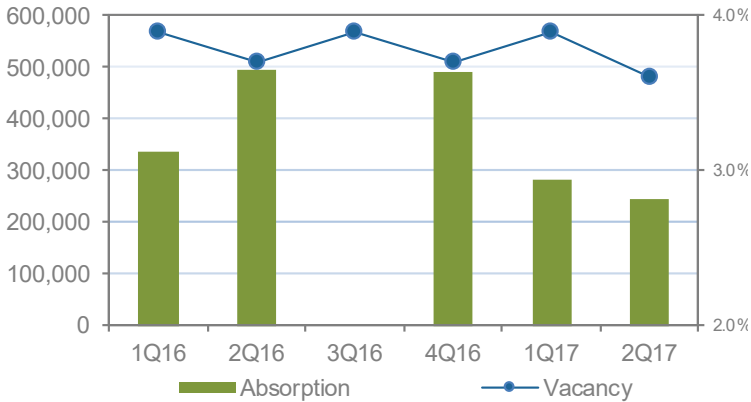
Buyer	Building	Sale Price	Market Submarket
Regency Centers Corporation	Klahanie Shopping Center	\$35,988,900	Eastside Issaquah
Vulcan R/E - Paul Allen	306 Dexter Avenue N	\$15,350,000	Seattle Seattle
CE Enterprise Partners LLC	Haggen	\$ 8,795,000	Pierce Milton

Source: CoStar

AVERAGE ASKING RATES



VACANCY VS. ABSORPTION



Featured Retail Transaction

Triangle Tavern Building
553 1st Ave S, Seattle, WA 98104

Triangle Building LLC purchased the 2,600 square foot property from Flatiron Associates in June 2017 for \$1,875,000. This historic piece of Seattle real estate was built in 1910 and is located across the street from CenturyLink Field and Seattle’s iconic waterfront.

NAI Puget Sound Properties represented the seller in this sale transaction.

Retail Market Statistics

MARKET	# BLDGS	TOTAL GLA (SF)	DIRECT VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANT %	QUOTED RATES (PSF/YR, FS)
Seattle	3,125	26,576,425	484,194	515,414	1.9%	\$27.32
Eastside	1,736	28,370,995	791,142	796,684	2.8%	\$26.69
Northend	3,779	47,440,612	1,824,650	1,899,505	4.0%	\$18.50
Southend	2,304	31,232,868	1,183,078	1,183,078	3.8%	\$17.61
Tacoma	4,141	41,464,801	1,741,929	1,859,212	4.5%	\$16.49
Totals	15,085	175,085,701	6,024,993	6,253,893	3.6%	\$19.40

Source: CoStar



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