

# Bellevue, Washington

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

As the second quarter drew to a close, the Eastside Office Market continued to feel more normal than it has in quite some time. Normal is a refreshing upgrade from the indecision and inactivity that characterized 2009.

The most notable deal for the first part of 2010 was Microsoft's lease of two floors (63,500 SF) at Lincoln Square that were vacated by Eddie Bauer as part of the clothing company's major lease restructure. Among other reasons, this deal has strong relevance to the marketplace because most had assumed that Microsoft, which owns or leases over 14 million SF on the Eastside, was satiated for space and if anything would be reducing its space footprint.

Other notable deals included MulvannyG2 Architecture's renewal of its headquarters lease at One Twelfth @ Twelfth (67,383 SF) and ChemPoint's renewal at One Bellevue Center (40,000 SF). The one notable relocation was American Family Insurance, which is relocating from Sunset North in Bellevue to Eastpointe Corporate Center in Issaquah (20,676 SF).

Most of the larger tenants that are currently exploring options in the market are those with lease expirations on the distant horizon (2012-2013) that are testing the waters early. With very few large lease expirations scheduled to occur in 2011, landlords with large blocks of available space will try to compete for these 2012-2013 tenants early even if it means significant free rent or a lease assumption, as few tenants in this market would ever be willing to tolerate double rent.

## Market Trends

- Activity in the market has picked up some, but is by no means brisk.
- Tenants are willing to make long-term commitments, recognizing good value in the marketplace.

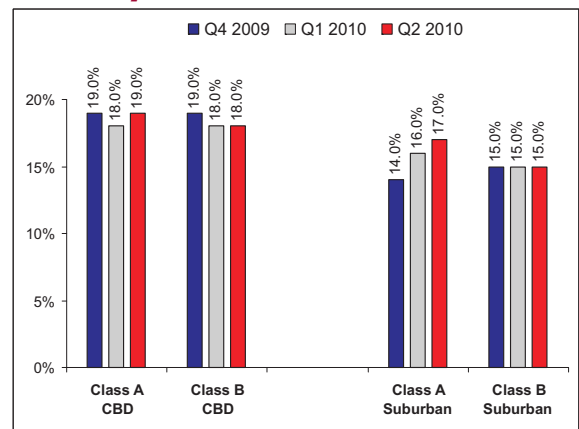
## Tenant's Perspective

Vacancy rates should stay high for the foreseeable future, but the very best spaces will get leased sooner than later. As the quality of available inventory changes, leasing concessions (which are very favorable right now), will diminish before rental rates increase. The next 12 months will be a very favorable market for tenants with lots of good choices and excellent financial terms.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
ChemPoint	38,991	Office	Lease
Apptio	22,502	Office	Lease
American Family	20,676	Office	Lease
Clearwire	35,000	Office	Lease
Voldal Wartelle	12,728	Flex	Lease
Intelius	26,733	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$35.11	\$34.91	\$34.42
Class B Office	\$34.50	\$33.86	\$33.79

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$29.89	\$29.04	\$29.32
Class B Office	\$24.93	\$24.79	\$24.65

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