

Seattle, Washington

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

Overview

The second quarter of 2010 showed some promising signs for the commercial real estate market, with the vacancy rate decreasing for the first time in over a year, ending at an overall rate of 17.7%. A variety of factors contributed to this, including the improved economy and the halt of large new blocks of space coming online. With no new construction in the foreseeable future, vacancy and rental rates are expected to stay relatively flat for the remainder of the year, with tenants, while staying relatively positive, still remain somewhat cautious in the market.

Market Trends

- Direct vacancy rates decreased from 17.85% in Q1 2010 to 15.2% in Q2 2010.
- Rental rates have stayed relatively flat, with an average of \$25.90 in Q2 2010 up slightly from the average of \$25.55 during Q1 2010.
- The influx of new construction has ended, resulting in a decrease in vacancy as the new space begins to fill up, with no new large availabilities coming online.

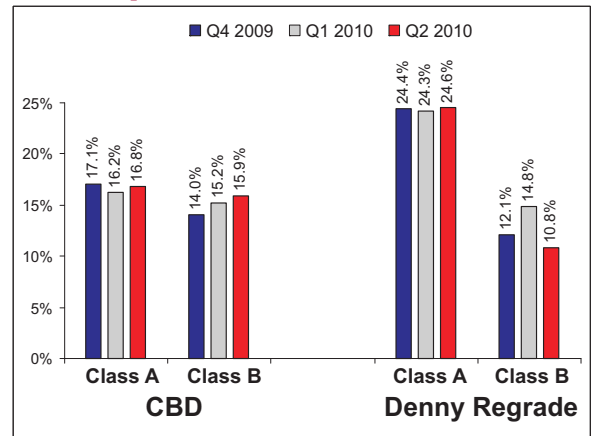
Tenant's Perspective

The Seattle commercial real estate market has officially begun its climb up from the bottom, with vacancy rates taking a promising downward turn. In 2010, tenants should continue to take advantage of opportunities while vacancy rates remain relatively high and rental rates stay on their current plateau. With some landlords struggling with the state of their loans as a result of the recent economic downturn and with the economy improving, look to landlords to decrease their concessions to tenants. Overall, however, the state of the market is improving, with conditions continuing to favor the tenant for the foreseeable future.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Washington Federal Savings	17,000	Office	New
Nordstrom	180,000	Office	New
Parametric Portfolio Assoc.	41,000	Office	New
UW Medicine	16,000	Office	New
Screenlife	15,000	Office	New
Betts Patterson Mines	20,000	Office	Renewal
Heckler Associates	10,000	Office	Renewal

Vacancy Rate



Average Rental Rates

	Q4 2009	Q1 2010	Q2 2010
CBD			
Class A Office	\$29.72	\$28.34	\$28.31
Class B Office	\$25.86	\$24.64	\$24.23
Denny Regrade			
Class A Office	\$27.04	\$29.22	\$28.81
Class B Office	\$22.13	\$21.63	\$21.46

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