



SUMMER 2011

PUGET SOUND

Industrial Market Watch

INSIDE THIS ISSUE

RECENT TRANSACTIONS

Select top industrial leases year-to-date throughout the Puget Sound region
Page 2

TOP SALES

Select top industrial sales year-to-date throughout the Puget Sound region
Page 2

INDUSTRIAL MARKET STATISTICS

Comprehensive yearly market statistics covering the Puget Sound region
Page 3

SELECT AVAILABLE PROPERTIES

Select industrial properties available exclusively through The Andover Company
Page 3

Ten Things You Might Not Know About The Puget Sound Economy

With the recent somewhat encouraging news about unemployment in Washington state, here are 10 things you should know about the local, state and national economies:

1. The recovery is real, but the pace of growth will remain subdued. There are too many potential shocks to the economy for a sustained, strong, job-producing recovery to take hold. Housing as a personal asset and as an industry, for example, will likely continue to suffer for years.

According to the Zillow Home Value Index, housing prices in the Greater Seattle area have declined about 27 percent from their peak in the summer of 2007. With a high level of foreclosures still in the market, those home values will be very slow to rise.

2. Washington's economy may have picked up a little more steam than first thought toward the end of last year. Washington Employment Security Department economists "benchmark" their unemployment figures. That means they check their estimates of job growth against actual employment records.

So last October, economists were still reporting the state was losing jobs. When economists went back to double-check their numbers, they found

some 16,000 jobs more than they expected.

3. The Seattle area has an unusual mix of employment and unemployment. Boeing announced Tuesday (May 17) that it was adding 1,200 jobs on the 737 assembly line in Renton. On Wednesday (May 18), the Employment Security Department reported that Seattle-area unemployment went up to 8.7 percent in April from 8.6 percent in March, a figure that translates into 128,000 people. The difference likely lies in the kinds of jobs being added: mostly high-tech or skilled manufacturing positions.

4. Inflation seems under control, but the factors that lead to rapidly rising prices at some point in the future are emerging.

Why worry about inflation? The Federal Reserve has been pumping money into the economy for two years, helping to keep the economy afloat. But all that money has to go someplace, and eventually it will result in rising prices. Money is a commodity. The price of money right now is near zero since the Fed has kept interest rates at that level since the recession began.

5. The debt-ceiling debate will get very nasty. Lots of rhetoric. Lots of confusion. Lots of name calling. Congress should just raise the

Continued on Page 2

Select Top Industrial Leases for Deals Signed in 2011

| Building | Submarket | SF | Tenant Name |
|---|------------------------|---------|-------------------------------------|
| Overlake Ind. Park - Honeywell Buildings* | 520 Corridor Ind | 233,035 | Honeywell International Inc. |
| Carbon Building* | Puyallup/S Hill Ind | 138,386 | Cooper Tire & Rubber Company |
| Van Doren's West - Building C* | Kent Valley S Ind | 102,400 | United States Postal Service |
| Earl Davie Building | Lake Union Ind | 97,365 | Dendreon Corporation |
| Pacific Gateway Business Park - Building 041* | Kent Valley N Ind | 85,000 | Ozburn-Hessey Logistics LLC |
| Portside Distribution Center | Gtown/Duwamish S Ind | 83,683 | Smurfit-Stone Container Corporation |
| Former Helly Hansen Building | Redmond Ind | 78,676 | Clarisonic |
| Frye Distribution* | Gtown/Duwamish S Ind | 69,296 | Seattle Transload |
| Algona II Distribution Center* | Auburn Ind | 64,500 | Pioneer Human Services |
| Kent West Corporate Park* | Kent Valley S Ind | 57,990 | Graybar Electric |
| 455 Andover Park East Building | Tukwila Ind | 49,428 | Group Health Cooperative |
| Kent West Corporate Park* | Kent Valley S Ind | 47,000 | Forward Air |
| 76th Avenue Distribution Center | Kent Valley S Ind | 40,020 | Again Co. |
| Lund Industrial Park* | Auburn Ind | 32,735 | WORLD PAC |
| Woodinville Corporate Center - Phase II - Bldg. A | Woodinville Ind | 26,795 | LeMond Fitness Inc. |
| MGI Building | Bellevue Ind | 22,835 | T-Mobile Bellevue Lab |
| Seattle Cabinets Building | S Snohomish County Ind | 22,433 | N/A |
| 420 8th Avenue N Building | Lake Union Ind | 21,197 | ICD |

* Renewal

Information provided by CoStar Group

Continued from Page 1

limit and be done with it. With all the jabbering in Washington, one fact will remain: U.S. Treasuries — the bonds we sell to ourselves and the world to finance our debt — really have no competition. Investors, from foreign governments to my own IRA, have few options. Japan? Its debt is approaching 200 percent of its GDP. The Euro? Sure, but what about Spain and Greece? Swiss francs? Great, but a limited market with little liquidity.

6. Both parties are right about the nation's debt, so the country needs a bipartisan approach. The Republicans are correct about the debt and the need to do something about it. The Democrats are correct about the need to make spending cuts in a thoughtful way.

7. The day-to-day movement of the stock market isn't worth watching closely unless, of course, you are an active investor. There are many factors that make the stock market move, from rumors to world events to comments

by stock analysts to decisions by the Federal Reserve Board.

In a broader economic sense, though, the stock market is a fairly good leading economic indicator. The general rule is that it is a view of what the economy will be like in six months. The market has increased nicely over the past year, so the general sense of the market is that the economy is getting better. For the past six weeks, however, the market has been relatively stagnant, perhaps an indication that the recovery may be slower than expected.

8. We live in strange times. Student loan debt, at about \$800 billion now, is greater than credit-card debt in the country. Quite a commentary on our education system and how money is used. Some students are also saddled with high interest rates on the loans (8 percent), when almost all of us are getting practically free money from the Fed — 30-year mortgages at 5 percent, for example. Couldn't the government

offer some sort of refinancing option for students?

9. China's economy is worth watching closely. It is changing dramatically as it moves from being the "factory of the world" to its own self-sustaining domestic economy. It is like the U.S. economy at the end of World War II. A sudden surge of an educated, well-paid, willing-to-spend middle class will remake the Chinese economy.

10. And finally an optimistic note: Manufacturing — the business of making things — seems to be coming back across the country. We in Western Washington have been spared the "rust belt" problems with such solid companies here as Boeing and Paccar. These jobs are key because of the multiplier effect.

Growing our manufacturing base provides those family-wage jobs that propelled the economy in past decades.

Article from *Crosscut.com*, May 2011

Total Southend Industrial Market Statistics by Year

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|-------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2011 1q | 1,888 | 111,030,516 | 8,952,888 | 8.1% | 715,542 | 0 | 0 | 0 | 0 | \$5.64 |
| 2010 4q | 1,888 | 111,030,516 | 9,668,430 | 8.7% | (397,348) | 0 | 0 | 0 | 0 | \$5.30 |
| 2010 3q | 1,888 | 111,030,516 | 9,271,082 | 8.4% | 64,429 | 0 | 0 | 0 | 0 | \$5.41 |
| 2010 2q | 1,888 | 111,030,516 | 9,335,511 | 8.4% | (580,862) | 0 | 0 | 0 | 0 | \$5.60 |
| 2010 1q | 1,889 | 111,033,716 | 8,757,849 | 7.9% | (502,430) | 0 | 0 | 0 | 0 | \$5.74 |
| 2009 4q | 1,889 | 111,033,716 | 8,255,419 | 7.4% | (1,076,858) | 1 | 6,700 | 0 | 0 | \$5.88 |
| 2009 3q | 1,888 | 111,027,016 | 7,171,861 | 6.5% | (815,433) | 1 | 29,640 | 1 | 6,700 | \$6.01 |
| 2009 2q | 1,887 | 110,997,376 | 6,326,788 | 5.7% | (1,311,198) | 1 | 53,704 | 2 | 36,340 | \$6.02 |
| 2009 1q | 1,886 | 110,943,672 | 4,961,886 | 4.5% | (604,987) | 1 | 1,618 | 1 | 53,704 | \$5.99 |
| 2008 4q | 1,888 | 110,996,758 | 4,409,985 | 4.0% | (192,118) | 0 | 0 | 2 | 55,322 | \$6.08 |
| 2008 3q | 1,888 | 110,996,758 | 4,217,867 | 3.8% | 269,855 | 2 | 244,800 | 2 | 55,322 | \$6.00 |

Total Industrial Market Statistics by Submarket

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Avg. Quoted Rates |
|---------------|--------------------|--------------------|-------------------|-------------------|-------------|--------------------|----------------|----------------|-------------------|
| | # Bldgs | Total RBA | Direct SF | Total SF | Vac % | | | | |
| Downtown Ind | 2,064 | 54,200,949 | 3,135,597 | 3,206,140 | 5.9% | (67,782) | 0 | 0 | \$9.49 |
| Eastside Ind | 719 | 20,766,092 | 1,927,517 | 2,005,452 | 9.7% | (63,151) | 0 | 0 | \$11.37 |
| Northend Ind | 1,448 | 53,588,742 | 4,214,719 | 4,507,144 | 8.4% | (13,166) | 0 | 8,820 | \$8.14 |
| Southend Ind | 1,888 | 111,030,516 | 7,514,102 | 8,952,888 | 8.1% | 715,542 | 0 | 0 | \$5.64 |
| Tacoma Ind | 1,766 | 62,008,156 | 5,779,040 | 5,848,440 | 9.4% | 277,341 | 137,028 | 0 | \$5.27 |
| Totals | 7,885 | 301,594,455 | 22,570,975 | 24,520,064 | 8.1% | 848,784 | 137,028 | 8,820 | \$7.01 |

Information provided by CoStar Group

1st Quarter 2011

Select Available Properties

| Algona II | O'Donnell Business Park | Chatham Building | South Park Building |
|---|--|--|---|
|  |  |  |  |
| Address: 701-851 Milwaukee Ave. Algona, WA SF: 58,407 Loading: 9 DH doors, 1 GL Shell Rate: \$0.31/SF Office Rate: \$0.70/SF Agents: Brian Bruininks, CCIM Jeff Crane Comments: Centrally located at crossroads of Hwy 18/Hwy 167. Fenced/secured yard area. Special lease rate for first year. | Address: S. 212th & W. Valley Hwy. Kent, WA SF: 10,570 to 53,317 SF spaces Loading: DH and GL, 24' CH Rates: \$0.31/\$0.70, NNN Agents: Jeff Crane, Joel Conner Mike Hemphill Comments: Flexible space layouts. Heavy parking can be accommodated. Located in 50-yard line in Kent Valley - easy access to I-5 and Highway 167. | Address: 11621 E Marginal Way S Tukwila, WA SF: 29,500 SF available, multiple divisions from 5,587+ SF Loading: DH and GL, 24' CH Agents: Brian Bruininks, CCIM Shane Crook Comments: Industrial flex, office or data center space. Immediate access to I-5, Hwy 99, and Hwy 599; minutes to I-405. Approx. 5,000 SF of raised computer floor area existing. | Address: 9411 8th Avenue S. Seattle, WA SF: 42,720 SF, with 5,000 SF office Loading: DH/GL Lease Rate: Negotiable Sale Price: \$4,955,000 Agents: Dave Baumer Comments: Excellent access to Port of Seattle and major freeways. Excellent truck maneuvering. New TPO roof in 2008. Existing cooler freezer in south portion of building. |

OUR SERVICES

- Tenant and Buyer Representation
- Industrial Leasing and Sales
- Site Selection and Acquisition
- Build-To-Suit Analysis
- Consulting and Research
- Design & Construction Coordination
- Market Surveys and Submarket Analysis
- Marketing Program & Brochure Development
- Landlord and Seller Representation
- Office Leasing and Sales
- Retail Leasing and Sales
- Investment Sales
- Team Project Marketing and Leasing
- Land Sales and Acquisitions
- Asset Management / Property Management

Every Office a **Headquarters.**

The Andover Company is associated with CORFAC International, a select group of national and international corporate real estate firms. Additional information can be found on the CORFAC Website: www.corfac.com.

There are no branch offices at CORFAC. Our alliance of more than 2,500 commercial real estate professionals includes the top performing firms in major markets worldwide. Each firm is lead by principals with proven business credentials and an in-depth understanding of their marketplace. This is the caliber of professional you'll encounter at CORFAC. No weak links in the chain, just highly qualified, highly motivated people with one goal:

exceeding your expectations.



® For the eighth year in a row, The Andover Company has been recognized by the CoStar Group as a corporate real estate powerhouse in the Puget Sound area. This distinction is a testament to our knowledge of the market and dedication to our clients.

OUR AGENTS

Dave Baumer, Principal
Direct Line: 206-336-5327
E-mail: dbaumer@andoverco.com

Jim Bisset, Principal
Direct Line: 206-336-5334
E-mail: jbisset@andoverco.com

Brian Bruininks, CCIM, Principal
Direct Line: 206-336-5324
E-mail: bbruininks@andoverco.com

Jeff Crane, Principal
Direct Line: 206-336-5336
E-mail: jcrane@andoverco.com

Mike Hemphill, Principal
Direct Line: 206-550-4176
E-mail: mhemphill@andoverco.com

George Rockwell, SIOR, Principal
Direct Line: 206-336-5328
E-mail: grockwell@andoverco.com

Connie Boyle, CCIM
Direct Line: 206-357-5482
E-mail: cboyle@andoverco.com

Bruce Clarkson
Direct Line: 206-336-5332
E-mail: bclarkson@andoverco.com

Joel Conner
Direct Line: 206-336-5339
E-mail: jconner@andoverco.com

Shane Crook
Direct Line: 206-336-5330
E-mail: scrook@andoverco.com

Brian Dennehy
Direct Line: 206-336-5333
E-mail: bdennehy@andoverco.com

Dave Dunn, CCIM
Direct Line: 206-336-5326
E-mail: ddunn@andoverco.com

Sean Durkin
Direct Line: 206-336-5338
E-mail: sdurkin@andoverco.com

Mike Ewing
Direct Line: 206-357-5483
E-mail: mewing@andoverco.com

ASSET MANAGEMENT

Linda Moesch, Asset Management
Direct Line: 206-244-4200
E-mail: lmoesch@andoverco.com



415 Baker Boulevard, Suite 200 • Tukwila, WA 98188
(P) 206-244-0770 • (F) 206-246-9229
www.andoverco.com