

Seattle, Washington

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

The nationwide recession continues to weigh on the Seattle real estate market. A significant amount of space has recently come on the market, as a total of five buildings, approximately 1,124,078 SF, were delivered to the market this quarter. In addition, several new construction projects are pending completion, totaling 3,092,627 SF. With approximately 4.2 million SF of new office space expected to become available, vacancy rates are pushed even higher, possibly reaching as high as 22% by 2011. Direct vacancy rates have risen into the double digits, and total sublease vacancy has also increased.

Market Trends

- Direct vacancy rates have increased from 12.4% in third quarter 2009 to 13.1% in fourth quarter 2009. Vacant sublease space has increased over the quarter, ending the quarter at 2,000,405 SF.
- Rental rates have dropped from an average of \$26.31 to \$25.55 during the fourth quarter 2009.
- New construction will push vacancy rates even higher through 2010.

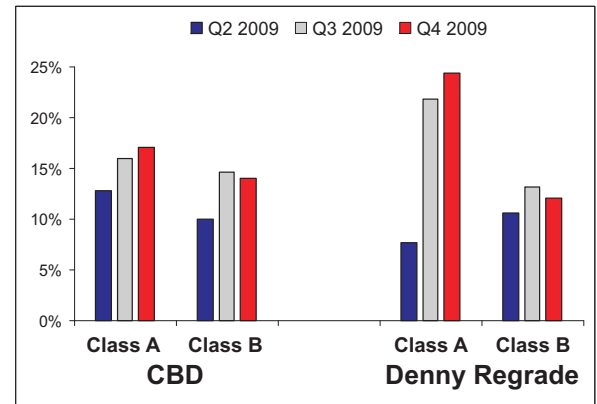
Tenant's Perspective

All Seattle and Bellevue tenants continue to look at the real estate market with a cautionary approach due to the continuing recession throughout the world's economy. As a result, the volume of office lease deals has decreased, and the time required to close deals has increased. Building sales remain at almost a standstill. Recently, there have been some positive signs related to tenants becoming amenable to three- or five-year lease terms.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Perkins Coie, LLP	259,000	Office	New
Dorsey & Whitney LLP	67,500	Office	New
EMC Corporation	20,145	Office	New
Parallels, Inc.	18,578	Office	Renewal/Expansion
Crawford & Company	18,531	Office	Renewal/Expansion
Corinthian College	11,929	Office	New

Vacancy Rate



Average Rental Rates

	Q2 2009	Q3 2009	Q4 2009
CBD			
Class A Office	\$30.91	\$29.81	\$29.72
Class B Office	\$25.09	\$24.65	\$25.86
Denny Regrade			
Class A Office	\$29.06	\$26.97	\$27.04
Class B Office	\$21.78	\$21.66	\$22.13

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