

## EASTSIDE MARKET OVERVIEW

Total vacancy in the Eastside office market fluctuated modestly during Third Quarter 2015. The overall vacancy rate reported an incremental total increase of 1.3 percentage points over mid-year, ending at 11.01%.

On a submarket level, vacancy figures varied across the board, with 520/Overlake and Redmond Willows the only two submarkets reporting vacancy decreases. Due to three significant new spaces that came on the market, the Bothell/Woodinville submarket reported the most significant vacancy change, increasing from 9.36% at mid-year to 16.0% currently.

The pace of new development continued strong throughout the market, but particularly in the Bellevue CBD. The largest lease to be announced actually occurred after the end of the quarter but is significant. In October, it was reported that Salesforce.com would lease three floors totaling approximately 85,000 square feet in the still under construction 929 Office Tower. This is the first major lease to be announced. Despite the large amount of space taken, the impact of it will not be reflected in the CBD vacancy rate until the building is completed.

The Eastside is a growing market and all of the new development that is occurring has made getting around more than a little challenging. As a result, we continue to see companies take into consideration where their employees live when evaluating a location for their businesses. Increased demand for people to live within closer proximity of their jobs has also resulted in a surge of residential development around downtown Bellevue, in particular.

With vacancy rates hovering at equilibrium in nearly every submarket, investor interest also remained strong throughout the quarter. Several Eastside properties, including multiple buildings in office parks in the suburban submarkets, all traded ownership during the past three months.

## Currently Active Segments



Low vacancy and rising rental rates continue to make the Eastside a landlord's market. Additionally, those same factors place the market squarely on the radar of investors, as evidenced by a number of recent sales.

## SMARTER SOLUTIONS

At Washington Partners, you don't get just one broker working for you – you get the entire team. Client projects are presented to the group for collaboration, leading to some of our most creative solutions.

Every solution begins with a thorough understanding of each client's needs, from space requirements and financial objectives to the image a company hopes to project. Washington Partners' collaborative approach results in a broader range of unbiased options tailored to each client's unique situation.

By delivering Smarter Solutions, Washington Partners' clients benefit from a proven process of diligence, market intelligence and team collaboration. This results in a lease with the right terms, in the right location, designed to match our client's short and long-term goals.

## SIGNIFICANT LEASE TRANSACTIONS

Tenant	Size (SF)	Submarket
REI	71,000	I-90 Corridor
Pushpay	35,000	Redmond
Axia	23,500	Bellevue CBD
N3	22,000	Bellevue CBD

## SIGNIFICANT SALE TRANSACTIONS

Property	Sale Price
Blackstone Acquisition (20 bldg portfolio)	\$208.4m
SteelWave Acquisition (17 bldg portfolio)	N/A
Gateway One (Talon)	\$38.75m
Crowne Pointe (TA Realty)	\$37m

## AVERAGE RENTAL RATES (SF/YR)

	Q1 2015	Q2 2015	Q3 2015
Bellevue CBD	\$37.78	\$38.29	\$38.28
I-90 Corridor	\$32.24	\$28.87	\$30.90
520/Overlake	\$25.02	\$25.94	\$27.85
Bellevue Suburban	\$27.70	\$28.51	\$28.82
Kirkland/Totem Lake	\$28.87	\$29.21	\$31.24
Redmond/Willows	\$24.24	\$24.26	\$24.28
Bothell/Woodinville	\$23.09	\$23.13	\$23.16

\*full service/gross

### Leasing Activity on the Eastside

Sublease space represents just 1.5% of the total vacancy on the Eastside, with the Bellevue CBD offering the largest percentage on a submarket basis, with approximately 267,000 square feet of sublease space.

### Trends & Opportunities

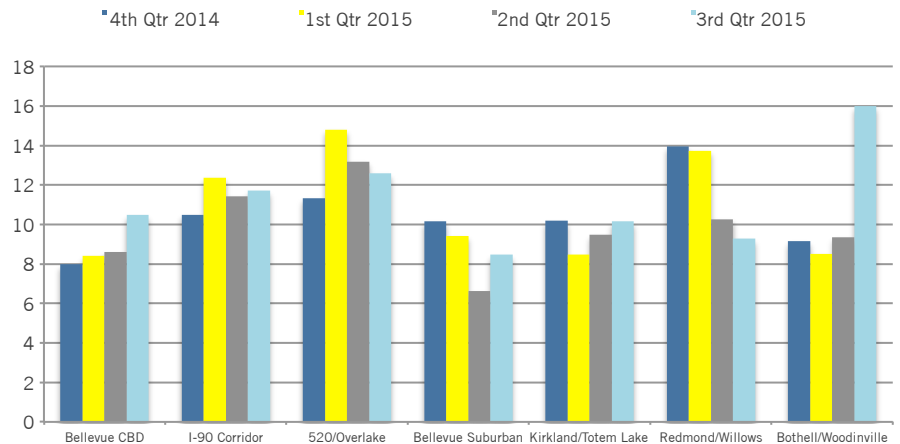
As is the case in Seattle, new construction in the Bellevue CBD offers the best opportunities for larger tenants, such as Salesforce.com, that are seeking to make a presence in the market with marquee tenant status.

### We Are Tenant Focused

Washington Partners advises companies on all matters related to real estate and facilities. Our collaborative culture pools resources and approaches every assignment with long-term client satisfaction in mind. As a result, you get more creative solutions and a partnership approach that is focused on helping your business.

## VACANCY RATES BY

Submarket	Vacancy %
Bellevue CBD	10.48%
I-90 Corridor	11.72%
520/Overlake	12.60%
Bellevue Suburban	8.47%
Kirkland/Totem Lake	10.15%
Redmond/Willows	9.28%
Bothell/Woodinville	16.00%



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