



MARKET ADVANTAGE

From the Tenant's Perspective

FIRST QUARTER 2017

MARKET OVERVIEW

Driven by supply and demand, commercial real estate markets move through cycles and are always in flux. Finding balance, or equilibrium, is what the market strives to achieve.

Typically, vacancy rates in the 10% range are considered to be indicative of a healthy, balanced market. In a balanced market, economic growth is strong, developers are active and demand keeps pace with supply. Neither landlords nor tenants have the upper hand in lease negotiations. If the vacancy rate rises above 10% the tenant gains the advantage, but if the vacancy rate falls below that, it's generally considered to be a landlord's market. Also, when vacancy drops below 10%, the quality of the options tends to decline, as the "final 5%" of the market is often space that is very difficult to lease.

As of First Quarter 2017, total vacancy (which includes sublease space) in Seattle registered 14.61%, while total vacancy on the Eastside registered 9.90%. Statistically speaking, with new product coming online and a healthy supply of sublease inventory, this makes Seattle a tenant's market while the Eastside reflects a balanced market, although high quality options are becoming more scarce.

Given this, what steps should tenants take to when negotiating leases in the current cycle?

1. PLAN AHEAD

While it is generally wise to begin the process of evaluating your options at least 6 months ahead of time, in today's market many tenants should start the process at least a year before their current lease expires. Should you relocate? Should you renew? Either way, the more time you have to plan, the more options you'll have to consider.

2. CAST A WIDER NET

In the current cycle, strategically speaking, tenants are wise to evaluate options outside of what they might initially consider to be their preferred location. Although on the periphery, softer submarkets in Seattle such as Queen Anne (with total vacancy of 20.46%) and Bothell/Woodinville on the Eastside (20.01% total vacancy) are currently able to support larger requirements at lower rental costs than close-in locations.

3. ENLIST AN EXPERIENCED TENANT ADVISOR

At Washington Partners, we focus solely on the interests of tenants. By not representing landlords or developers, we are able to help tenants evaluate all options in a completely objective and unbiased fashion without conflict of interest. In lease negotiations, we advocate for our client's best interests, we have the leverage to create concessions and strive to achieve the most favorable terms possible.

Whether it's a landlord's market, a tenant's market or a balanced market, several factors can influence the demand for space and each phase of the real estate cycle presents unique challenges and opportunities.

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Corporate Real Estate

FIRST QUARTER 2017

SIGNIFICANT LEASE TRANSACTIONS

Tenant	Size (SF)	Submarket
Amazon	306,000	Seattle CBD
Facebook	150,621	South Lake Union
Delta Dental	61,000	South Lake Union
Snap Inc.	50,000	Belltown/Denny
Sound Transit Service	49,724	Pioneer Square
HDR	42,555	Bellevue CBD
Capital One	39,489	Lake Union
Zillow	38,723	Seattle CBD
Sony / SuckerPunch	36,200	Bellevue CBD
K2	31,062	Suburban Bellevue
Blink Interactive	27,192	Pioneer Square

NEW CONSTRUCTION

Development	Completion	RSF	Submarket
The Mark	Q2 2017	528,000	Seattle CBD
450 Alaskan	Q3 2017	166,772	Pioneer Square
Madison Centre	Q3 2017	764,000	Seattle CBD
Hawk Tower	Q1 2018	208,840	Pioneer Square
9th & Thomas	Q1 2018	168,094	Lake Union
Kirkland Urban N	Q3 2018	220,000	Kirkland
2&U	Q3 2019	685,000	Seattle CBD
TOTAL:		2,740,706	

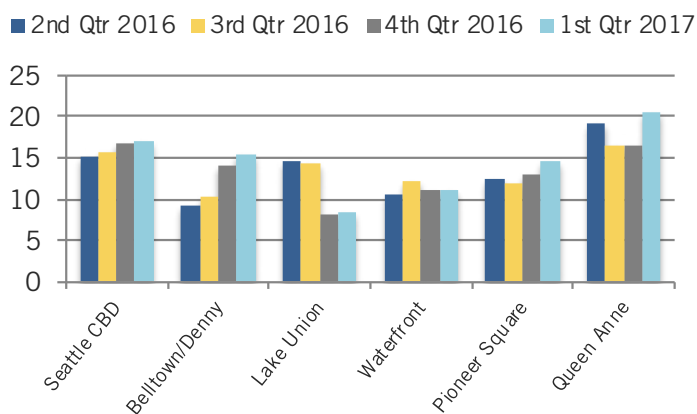
SEATTLE STATISTICS

Submarket	Inventory (SF)	Total Vacancy	Avg Rent (FS PSF)
Seattle CBD	21,803,539	17.10%	\$35-\$55
Belltown/Denny	9,016,826	15.42%	\$33-\$45
Lake Union	6,400,322	8.43%	\$36-\$55
Waterfront	4,227,881	11.15%	\$38-\$45
Pioneer Square	5,289,856	14.55%	\$28-\$37
Queen Anne/Magnolia	2,833,328	20.46%	\$32-\$36
Capitol Hill/First Hill	2,774,172	7.21%	\$32-\$50

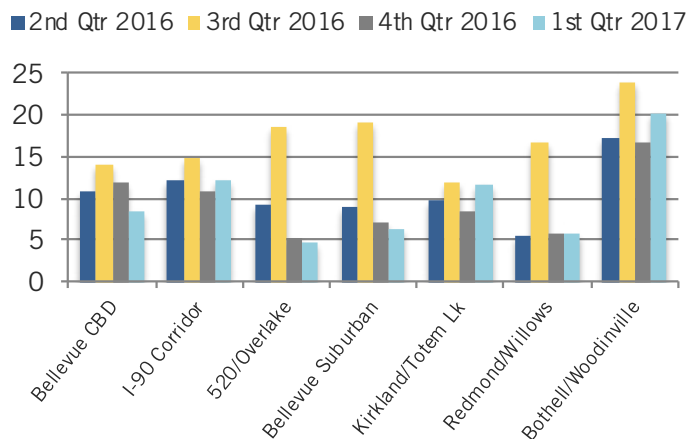
EASTSIDE STATISTICS

Submarket	Inventory (SF)	Total Vacancy	Avg Rent (FS PSF)
Bellevue CBD	9,756,802	8.48%	\$35-\$50
I-90 Corridor	6,955,178	12.19%	\$31-\$36
520/Overlake	1,876,368	4.79%	\$30-\$37
Bellevue Suburban	3,121,290	6.38%	\$29-\$38
Kirkland/Totem Lake	3,343,101	11.62%	\$32-\$45
Redmond/Willows	3,375,842	5.72%	\$27-\$36
Bothell/Woodinville	2,656,326	20.01%	\$23-\$31

SEATTLE VACANCY (%)



EASTSIDE VACANCY (%)



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FOR ADDITIONAL MARKET INSIGHTS:

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