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# Eastside Office Market Overview

OCTOBER 2010



**BRODERICK**  
• GROUP •

*Commercial Real Estate Services*

**BELLEVUE OFFICE**

10500 NE 8<sup>TH</sup> STREET | SUITE 900  
BELLEVUE, WASHINGTON 98004  
425.646.3444

**SEATTLE OFFICE**

600 UNIVERSITY STREET | SUITE 2220  
SEATTLE, WASHINGTON 98101  
206.838.5775

[WWW.BRODERICKGROUP.COM](http://WWW.BRODERICKGROUP.COM)

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# Eastside Office Market Overview

## Historical Summary 2000 – Q3 2010

### Forecast 2010 (Year End) – 2014

Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$31.84	26,039,080	3,442,294	1,301,689	509,210	5.0%	2.0%
2001	\$27.02	27,730,731	1,691,651	4,309,950	(1,316,610)	15.5%	-4.7%
2002	\$22.57	28,524,283	793,552	5,116,246	(12,744)	17.9%	0.0%
2003	\$22.95	28,621,060	96,777	4,883,801	331,222	17.1%	1.2%
2004	\$26.13	28,650,860	29,800	4,411,507	502,094	15.4%	1.8%
2005	\$23.70	28,681,904	31,044	2,785,250	1,657,301	9.7%	5.8%
2006	\$28.11	28,730,703	48,798	2,466,121	367,927	8.6%	1.3%
2007	\$32.32	29,764,191	1,033,489	2,653,739	845,871	8.9%	2.8%
2008	\$32.63	31,499,492	1,735,301	4,003,677	385,363	12.7%	1.2%
2009	\$28.26	33,098,162	1,598,670	5,265,448	336,899	15.9%	1.0%
Q3 2010 YTD	\$27.61	33,188,207	90,045	5,315,249	40,244	16.0%	0.1%
<b>Projected - End of Year</b>							
2010	\$27.00	33,188,207	90,045	5,315,493	40,000	16.0%	0.1%
2011	\$27.00	33,318,207	130,000	5,170,493	275,000	15.5%	0.8%
2012	\$28.62	33,318,207	0	4,820,493	350,000	14.5%	1.1%
2013	\$30.90	33,318,207	0	4,420,493	400,000	13.3%	1.2%
2014	\$34.00	33,974,007	655,800	4,426,293	650,000	13.0%	1.9%
<b>Summary 2010-2014</b>			<b>Total</b>	<b>Average</b>	<b>Total</b>	<b>Average</b>	<b>Average</b>
			875,845	4,830,653	1,715,000	14.5%	1.0%

Notes:

- 1 Quarter end inventory, Eastside (including Bothell/Issaquah), Class A&B office, 10,000 SF and greater buildings (CoStar). Excludes owner/user buildings
- 2 Vacant square feet and total absorption statistics provided by CoStar. Includes direct and sublease space.
- 3 New supply 2010-2014 is product of known projects and estimated probability of completion/financing based on average vacancy of 2 years (BGI)
- 4 All data are from end of the quarter specified.
- 5 Annual growth is net absorption divided by inventory.
- 6 Data from October 7, 2010 (3<sup>rd</sup> Quarter Report).



# Eastside Submarket Historical Overview

## 2000 - Present

BELLEVUE CBD							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$36.69	4,652,311	477,899	315,398	352,457	6.8%	7.6%
2001	\$29.33	5,437,529	785,218	1,285,192	(184,576)	23.6%	-3.4%
2002	\$23.07	5,970,927	533,398	1,346,350	472,240	22.5%	7.9%
2003	\$26.88	5,970,927	0	1,244,015	102,335	20.8%	1.7%
2004	\$34.52	5,970,927	0	977,203	266,812	16.4%	4.5%
2005	\$28.35	6,001,971	31,044	570,599	437,648	9.5%	7.3%
2006	\$32.53	6,001,971	0	323,068	247,531	5.4%	4.1%
2007	\$38.08	6,541,971	540,000	443,867	415,761	6.8%	6.4%
2008	\$39.28	6,956,935	414,964	737,839	120,992	10.6%	1.7%
2009	\$35.23	8,228,114	1,331,179	1,131,627	937,391	13.8%	11.4%
Q3 2010	\$32.60	8,288,114	0	1,257,535	(125,908)	15.2%	-1.5%
BELLEVUE SUBURBAN							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$31.04	3,642,248	451,942	230,724	77,592	6.3%	2.1%
2001	\$24.92	3,642,248	68,419	533,944	(234,801)	14.7%	-6.4%
2002	\$21.56	3,642,248	0	627,957	(94,413)	17.2%	-2.6%
2003	\$20.78	3,642,248	0	535,323	92,634	14.7%	2.5%
2004	\$20.10	3,642,248	0	445,669	89,654	12.2%	2.5%
2005	\$21.59	3,642,248	0	279,345	166,374	7.7%	4.6%
2006	\$25.55	3,676,046	33,798	407,757	(94,614)	11.1%	-2.6%
2007	\$30.34	3,676,046	0	331,371	76,386	9.0%	2.1%
2008	\$30.82	3,709,202	33,156	422,574	(47,047)	11.4%	-1.3%
2009	\$26.99	3,726,944	17,742	468,010	(38,694)	12.6%	-1.0%
Q3 2010	\$25.72	3,770,944	44,000	505,453	6,557	13.4%	0.2%
SR-520 CORRIDOR							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$32.02	2,614,022	54,252	72,103	913	2.8%	0.0%
2001	\$24.18	2,648,934	34,912	268,019	(161,004)	10.1%	-6.1%
2002	\$19.70	2,648,934	0	293,453	(25,434)	11.1%	-1.0%
2003	\$18.63	2,648,934	0	256,147	37,306	9.7%	1.4%
2004	\$18.94	2,648,934	0	208,245	(24,098)	7.9%	-0.9%
2005	\$20.08	2,648,934	0	300,913	(20,668)	11.4%	-0.8%
2006	\$22.62	2,648,934	0	179,691	121,222	6.8%	4.6%
2007	\$28.68	2,715,670	66,736	71,819	174,608	2.6%	6.4%
2008	\$28.57	2,715,670	0	161,362	(92,271)	5.9%	-3.4%
2009	\$26.75	2,715,670	0	335,124	(173,762)	12.3%	-6.4%
Q3 2010	\$24.95	2,715,670	0	398,915	(63,791)	14.7%	-2.3%
I-90 CORRIDOR							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$33.65	3,700,211	424,983	99,564	205,171	2.7%	5.5%
2001	\$25.74	3,873,864	173,653	687,288	(414,071)	17.7%	-10.7%
2002	\$20.79	3,873,864	0	583,297	147,809	15.1%	3.8%
2003	\$21.60	3,873,864	0	668,844	(85,544)	17.3%	-2.2%
2004	\$21.82	3,873,864	0	552,322	116,522	14.3%	3.0%
2005	\$23.22	3,873,864	0	354,484	197,838	9.2%	5.1%
2006	\$30.01	3,873,864	0	228,291	126,193	5.9%	3.3%
2007	\$34.61	3,922,387	48,523	265,017	11,797	6.8%	0.3%
2008	\$35.50	4,585,959	663,572	696,702	232,531	15.2%	5.1%
2009	\$31.04	4,585,959	0	791,151	(85,122)	17.3%	-1.9%
Q3 2010	\$30.15	4,585,959	0	725,238	56,586	15.8%	1.2%

# Eastside Submarket Historical Overview

## 2000 – Present (continued)

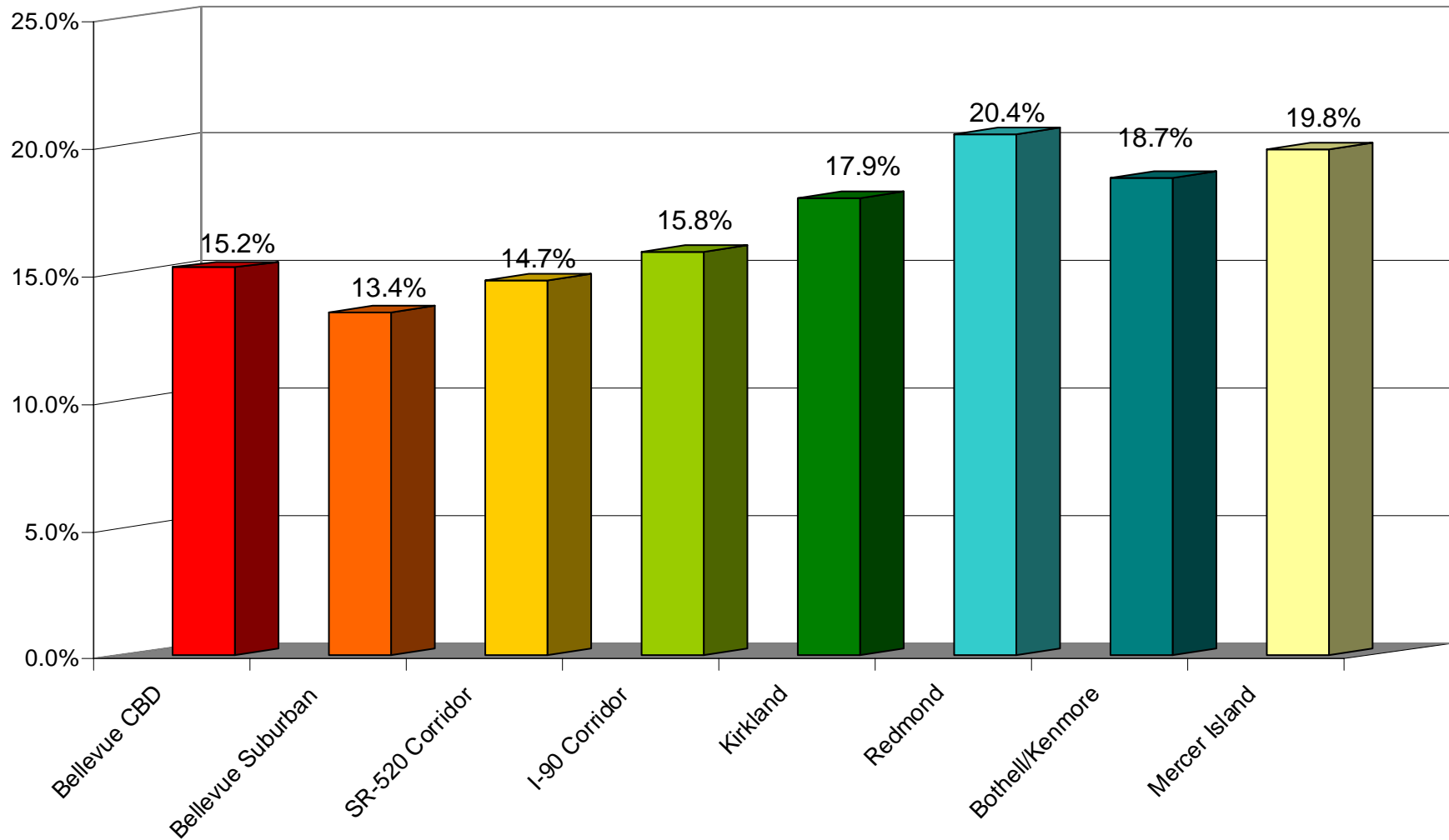
KIRKLAND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$34.87	3,275,651	242,506	42,866	69,978	1.3%	2.1%
2001	\$27.74	3,316,004	40,353	405,143	(321,824)	12.2%	-9.7%
2002	\$23.84	3,449,013	133,009	655,930	(117,178)	19.0%	-3.4%
2003	\$21.19	3,506,358	57,345	653,025	60,450	18.6%	1.7%
2004	\$22.16	3,506,358	0	508,901	144,024	14.5%	4.1%
2005	\$24.24	3,506,358	0	269,389	239,412	7.7%	6.8%
2006	\$28.55	3,506,358	0	390,674	(121,285)	11.1%	-3.5%
2007	\$31.25	3,506,358	0	249,081	141,593	7.1%	4.0%
2008	\$33.00	3,775,058	268,700	498,960	18,821	13.2%	0.5%
2009	\$27.63	3,838,024	62,966	760,639	(198,713)	19.8%	-5.2%
Q3 2010	\$27.23	3,838,024	0	687,802	72,837	17.9%	1.9%
REDMOND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$26.58	3,258,263	830,262	85,727	881,568	2.6%	27.1%
2001	\$26.67	3,282,263	24,000	237,734	(128,007)	7.2%	-3.9%
2002	\$22.05	3,331,537	49,274	434,708	(147,700)	13.0%	-4.4%
2003	\$20.45	3,331,537	0	510,566	(75,858)	15.3%	-2.3%
2004	\$19.09	3,331,537	0	788,163	(277,597)	23.7%	-8.3%
2005	\$19.91	3,331,537	0	445,316	342,847	13.4%	10.3%
2006	\$21.50	3,331,537	0	238,307	117,009	7.2%	3.5%
2007	\$28.81	3,331,537	0	263,879	64,428	7.9%	1.9%
2008	\$28.95	3,540,994	209,457	427,252	46,084	12.1%	1.3%
2009	\$25.06	3,610,418	69,424	797,661	(300,985)	22.1%	-8.3%
Q3 2010	\$24.82	3,610,418	0	737,563	60,098	20.4%	1.7%
BOTHELL / KENMORE							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$23.85	2,937,795	387,350	209,354	337,465	7.1%	11.5%
2001	\$22.31	3,155,658	217,863	513,997	(86,780)	16.3%	-2.7%
2002	\$22.93	3,178,011	22,353	577,298	(40,948)	18.2%	-1.3%
2003	\$20.30	3,178,011	0	763,023	(185,725)	24.0%	-5.8%
2004	\$21.79	3,178,011	0	673,423	89,600	21.2%	2.8%
2005	\$21.22	3,178,011	0	507,977	165,446	16.0%	5.2%
2006	\$24.74	3,178,011	0	541,806	(33,829)	17.0%	-1.1%
2007	\$26.19	3,486,841	308,830	881,020	(30,384)	25.3%	-0.9%
2008	\$26.25	3,535,366	48,525	908,323	21,222	25.7%	0.6%
2009	\$23.14	3,640,725	105,359	749,431	264,251	20.6%	7.3%
Q3 2010	\$23.86	3,640,725	0	681,730	67,701	18.7%	1.9%
MERCER ISLAND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption (Year to Date)	Vacancy Rate	Annual Growth
2000	\$27.00	331,312	0	6,156	(1,134)	1.9%	-0.3%
2001	\$27.98	331,312	0	9,248	(3,092)	2.8%	-0.9%
2002	\$30.02	347,524	16,212	30,329	(4,869)	8.7%	-1.4%
2003	\$23.25	347,524	0	32,281	(1,952)	9.3%	-0.6%
2004	\$25.89	347,524	0	15,098	17,183	4.3%	4.9%
2005	\$27.57	347,524	0	5,018	10,080	1.4%	2.9%
2006	\$27.98	347,524	15,000	3,241	16,777	0.9%	4.8%
2007	\$31.53	347,524	0	21,465	(18,224)	6.2%	-5.2%
2008	\$34.20	347,524	0	28,377	(6,912)	8.2%	-2.0%
2009	\$28.29	347,524	0	49,020	(20,643)	14.1%	-5.9%
Q3 2010	\$27.46	347,524	0	68,904	(19,884)	19.8%	-5.7%

Notes:

- 1 Quarter end inventory Class A&B office, 10,000 SF and greater buildings
- 2 Excludes Owner/User buildings
- 3 Annual growth is net absorption divided by inventory
- 4 Data current as of end of 3<sup>rd</sup> Quarter – October 7, 2010



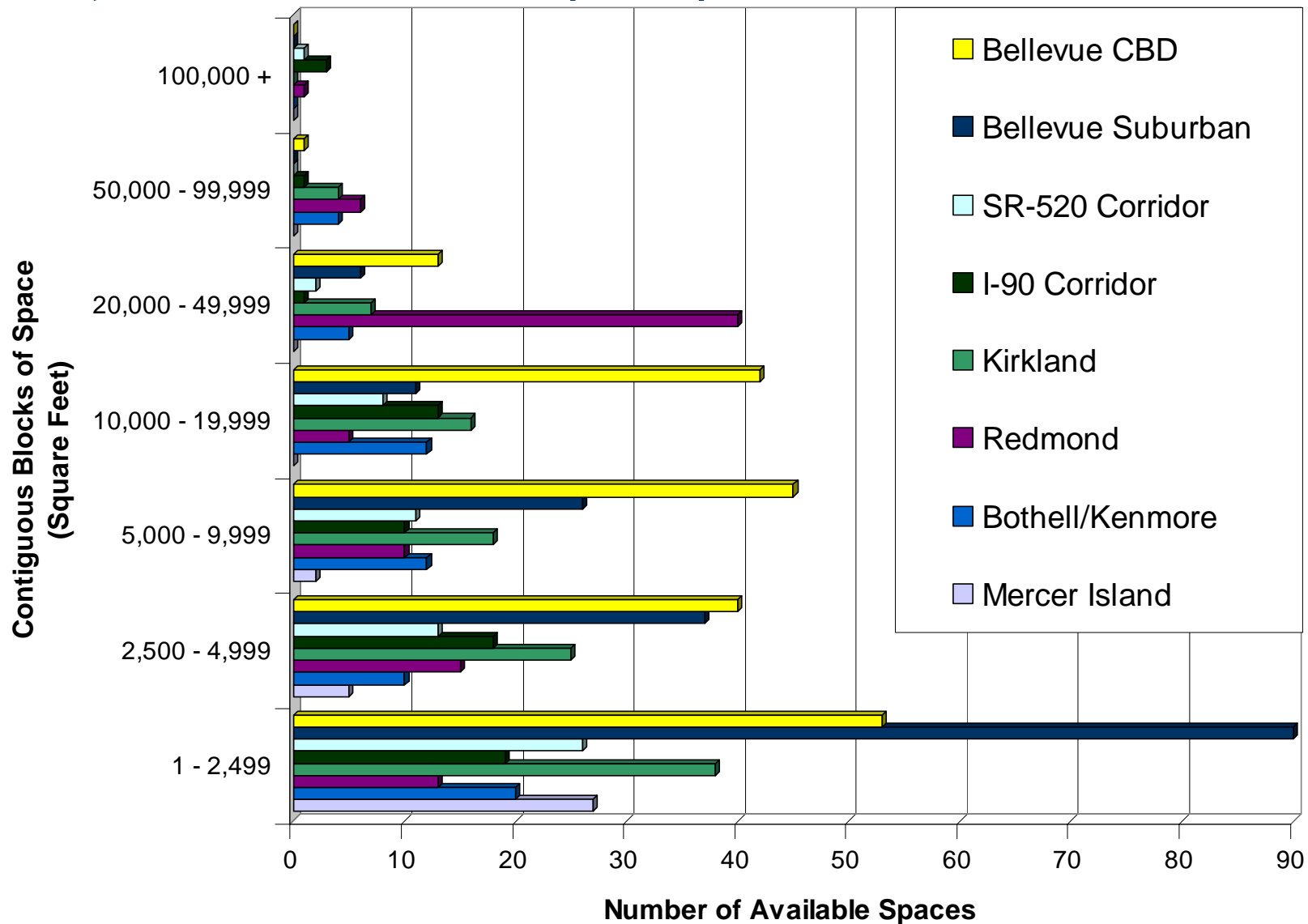
# Eastside Office Market Vacancy by Submarket – 3<sup>rd</sup> Quarter 2010



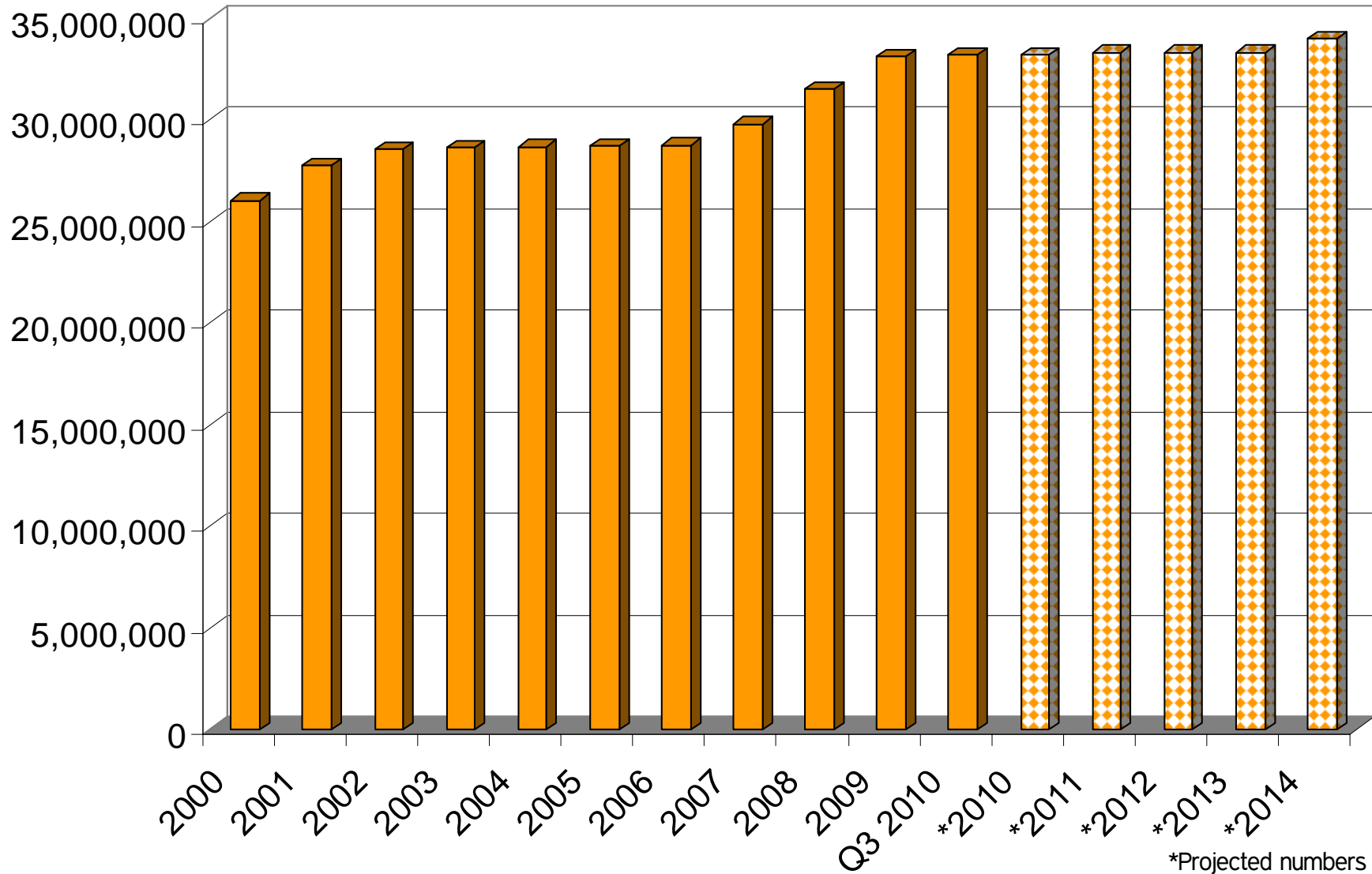
\*Includes sublease space

# Eastside Office Market

## Contiguous Block Size Analysis by Submarket – 3<sup>rd</sup> Quarter 2010

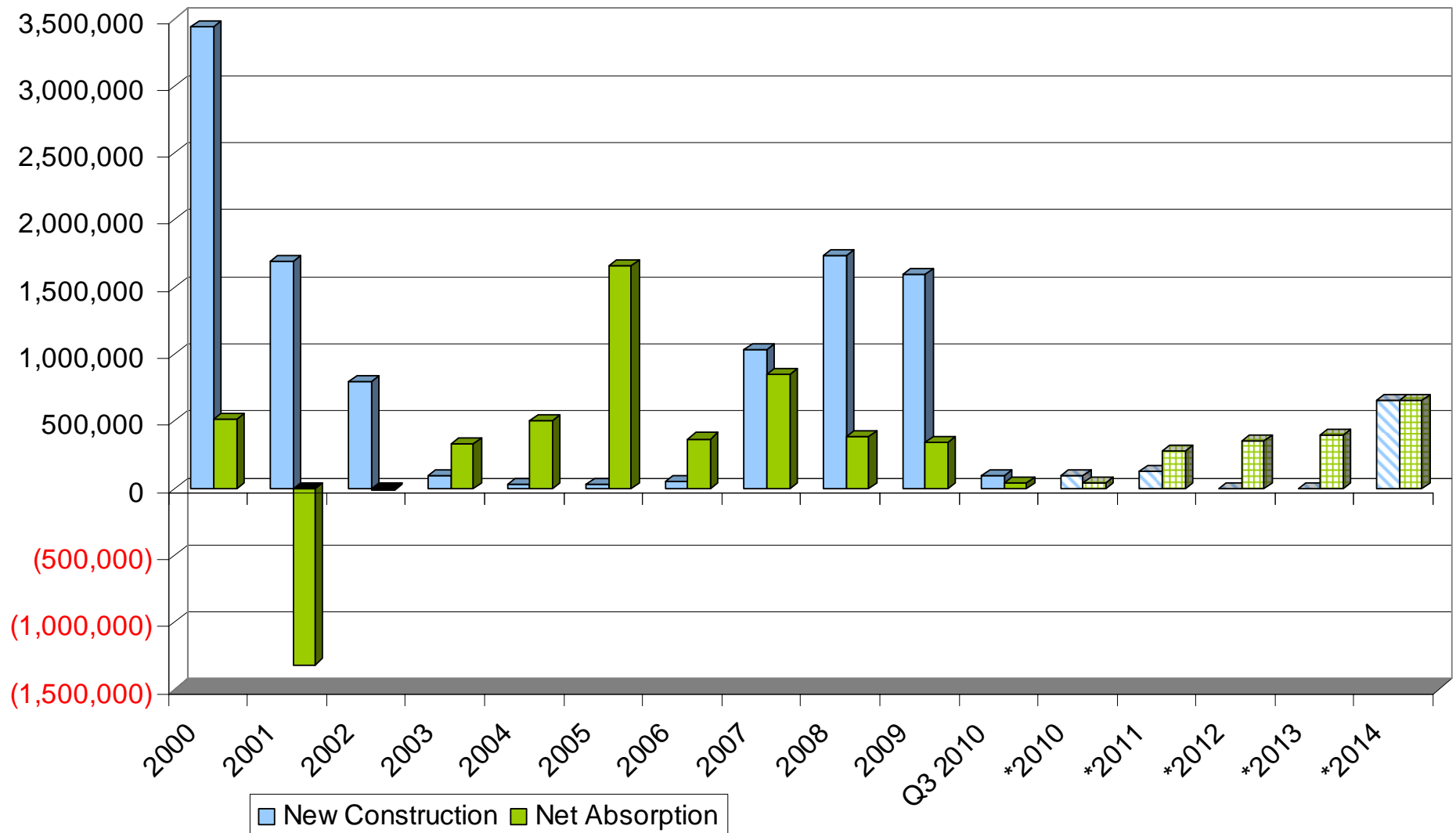


# Eastside Office Market Inventory, 2000 – 3<sup>rd</sup> Quarter 2010



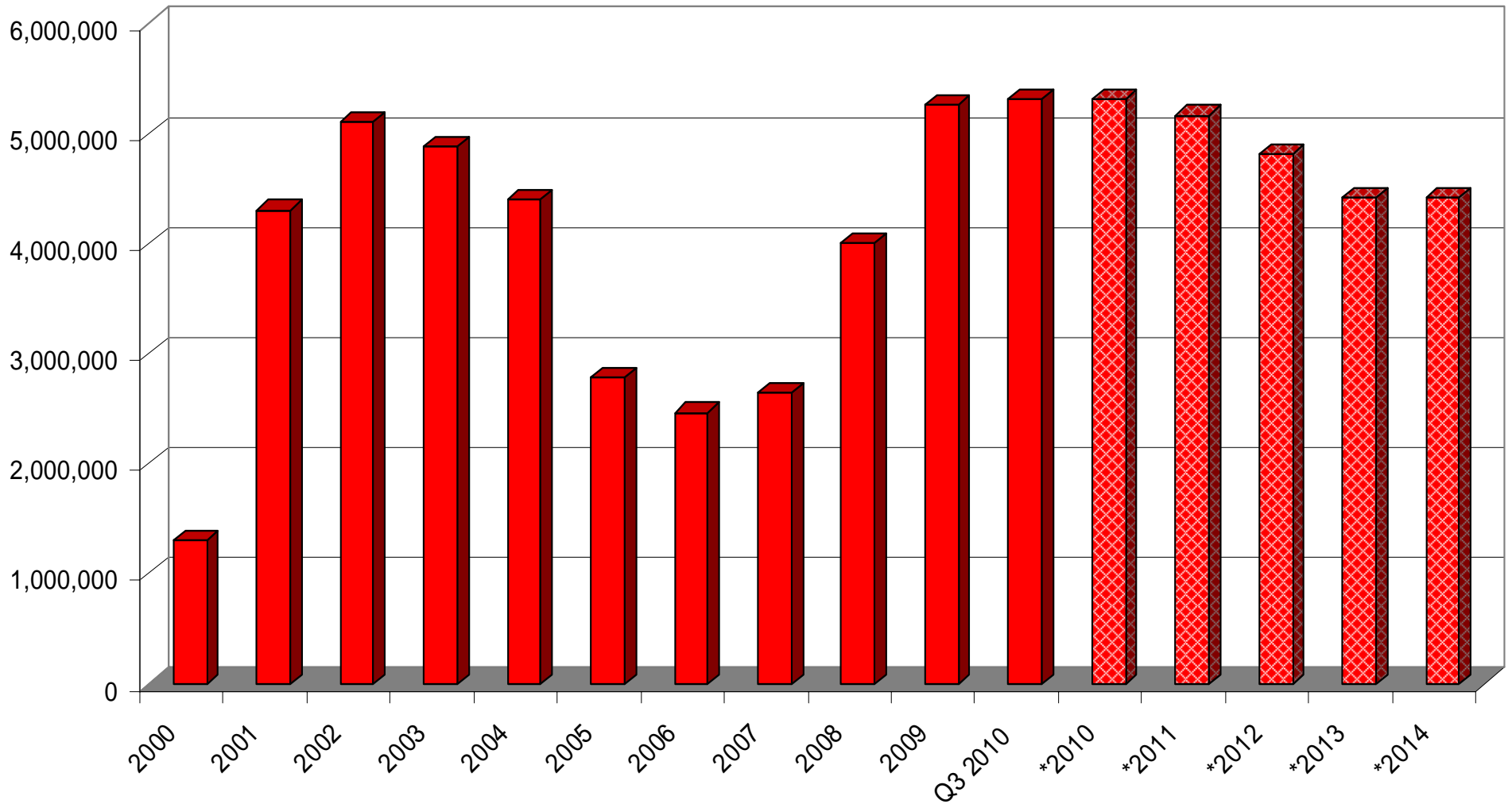
# Eastside Office Market: Class A & B

## New Construction vs. Net Absorption, 2000 – 3<sup>rd</sup> Quarter 2010



\*Projected numbers

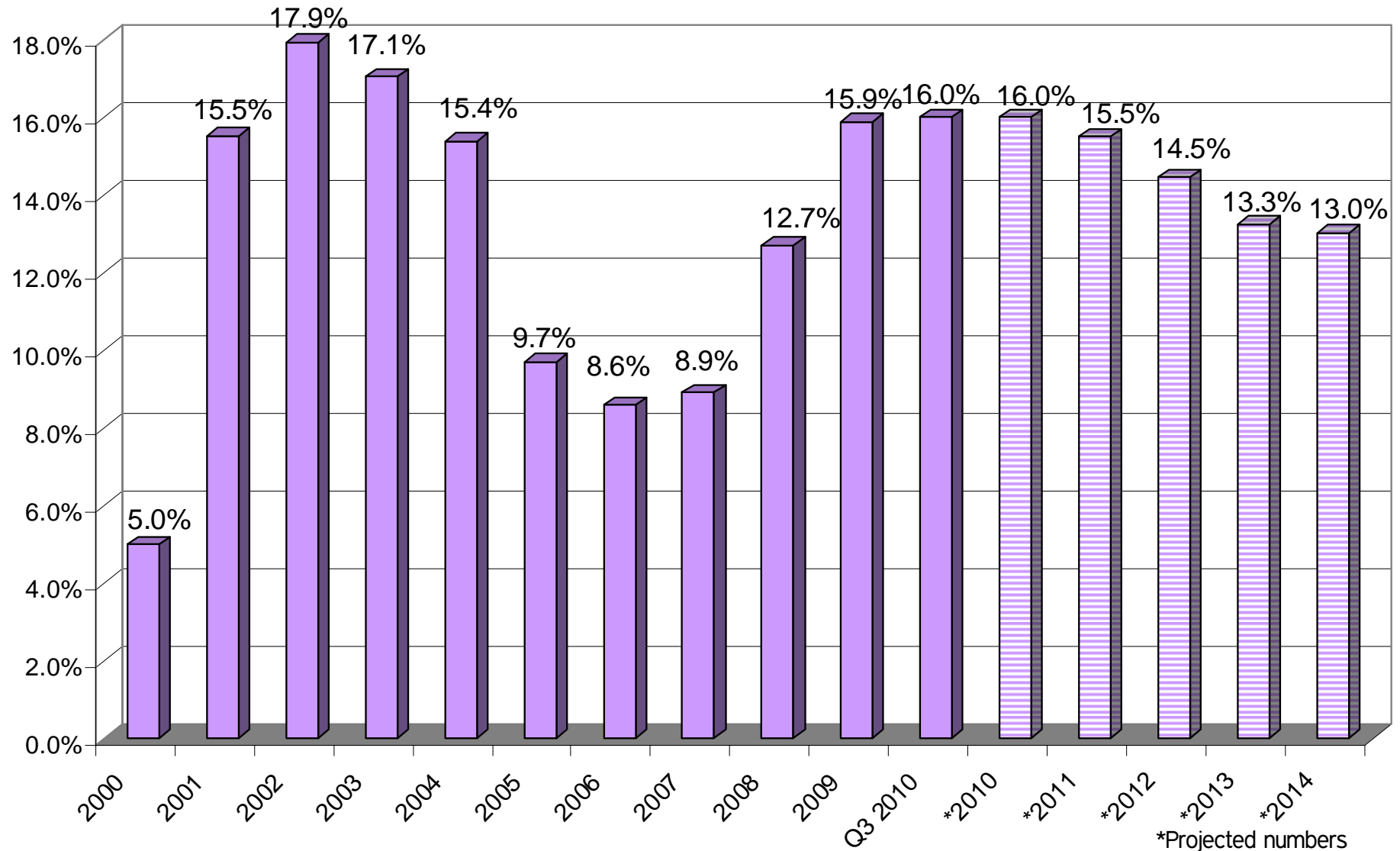
# Eastside Office Market Vacant Square Footage, 2000 – 3<sup>rd</sup> Quarter 2010



\*Projected numbers

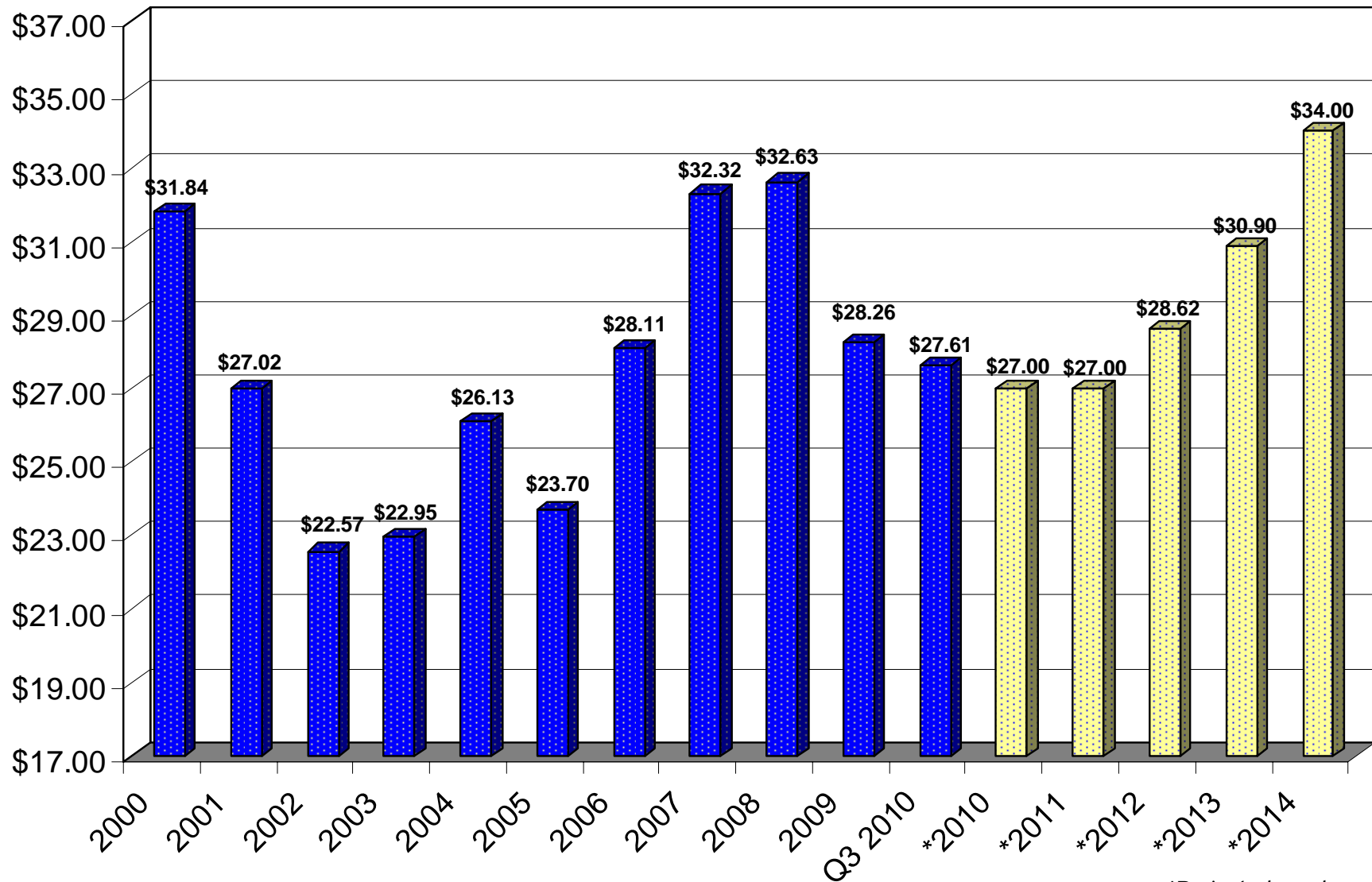


# Eastside Office Market Vacancy Percentage, 2000 – 3<sup>rd</sup> Quarter 2010



# Eastside Office Market

## Average Gross Rental Rates, 2000 – 3<sup>rd</sup> Quarter 2010



\*Projected numbers