

# REAL REPORT

EASTSIDE | FOURTH QUARTER 2010



Commercial Real Estate Services

## Eastside Office Market Quarterly Change

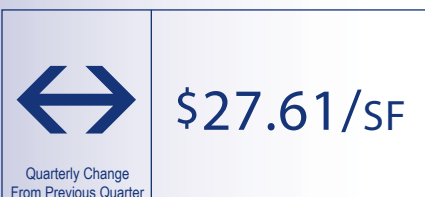
### Office Vacancy Rate (with sublet)



### Year to Date Net Absorption



### Average Office Full Service Asking Rate per SF



## Eastside Office Market Update

### CURRENT STATE OF THE MARKET:

After several consecutive quarters of rising vacancy rates and negative absorption, the Eastside Office Market has finally changed course. The demand for office space remains mild, with most of the leasing activity involving mid-sized spaces (including sublease availabilities) in the 5,000 to 20,000 square foot range.

- The Eastside Office Market **vacancy rate remained relatively stagnant at 16.8%**, up 0.8% from the previous quarter, but slightly higher than the 16.1% vacancy at this time last year.
- **Net absorption** in the fourth quarter amounted to **62,674 square feet**, continuing the **positive absorption** from last quarter.
- **Average asking rates stayed at \$27.61/SF Full Service**, roughly \$0.68/SF less than the same time last year.

### FORECAST:

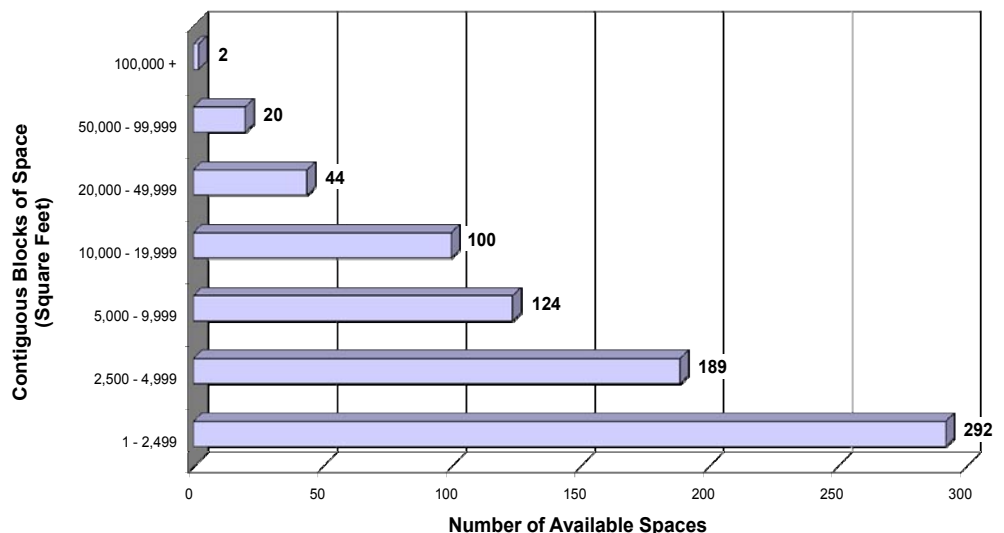
Until we see an increase in demand for space, the Eastside Office Market will remain relatively stagnant. Rental rates appear to have bottomed out and should remain flat for the next year. With several large technology companies rooted on the Eastside and continuing to grow here locally, there is plenty of reason to be optimistic going forward. Because there will be minimal new construction in the immediate future, even a minor increase in demand will cause vacancy rates to fall. As the vacant space on the Eastside is slowly absorbed, we expect to see rental rates gradually climb back up.

### Recent Major Eastside Lease Transactions

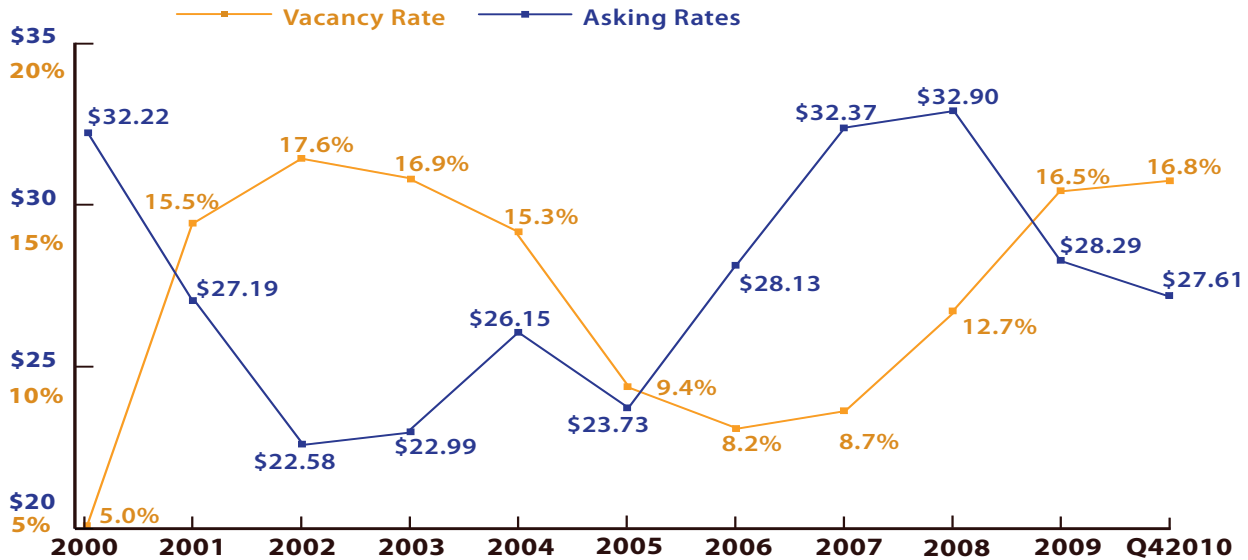
Tenant	Square Footage	Project / Location	Submarket
Arena Net	64,407	Sunset North	I-90
The Board of Regents of the U. of Washington	29,908	Bothell Professional Building	Bothell
Moxie Software	17,731	15 Lake Bellevue	Bellevue Suburban
FEI, LLC	15,282	Sterling Plaza I	I-90
University of Phoenix	14,306	Lincoln Executive Center	I-90
UW Medicine Neighborhood Clinics	10,888	Newport Heights	I-90
Met Life Home Loans	10,506	Waterfront Place on Yarrow Bay	Kirkland

### Contiguous Space Analysis - Eastside Office

While there are only a few options for large tenants on the Eastside, there is an abundance of smaller spaces available, making competition fierce amongst Landlords.



### Eastside Office Market Historical Vacancy and Asking Rates



### Eastside Office Market Inventory

Submarket/Market	Total Square Feet	Total Vacant SF	Vacancy Rate (including Subleases)	New Construction (SF) (YTD)	Average Asking Rate (Full Service)
520/Overlake	2,819,949	380,997	13.5%	0	\$25.17
Bellevue CBD	8,286,454	1,274,401	15.4%	0	\$32.80
Bellevue Suburban	3,643,095	480,304	13.2%	44,000	\$25.59
Bothell/Woodinville	3,708,524	775,520	20.9%	0	\$23.54
I-90 Corridor	4,748,684	830,227	17.5%	165,000	\$30.37
Kirkland/Totem Lake	3,851,087	763,088	19.8%	46,000	\$27.25
Mercer Island	364,003	52,308	14.4%	0	\$27.59
Redmond/Willows	3,693,767	744,143	20.1%	86,000	\$24.41
<b>Eastside Totals</b>	<b>33,425,234</b>	<b>5,619,933</b>	<b>16.8%</b>	<b>341,000</b>	<b>\$27.61</b>

\* Please note: Numbers are based off of Class A and B buildings, 10,000 SF and larger.

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