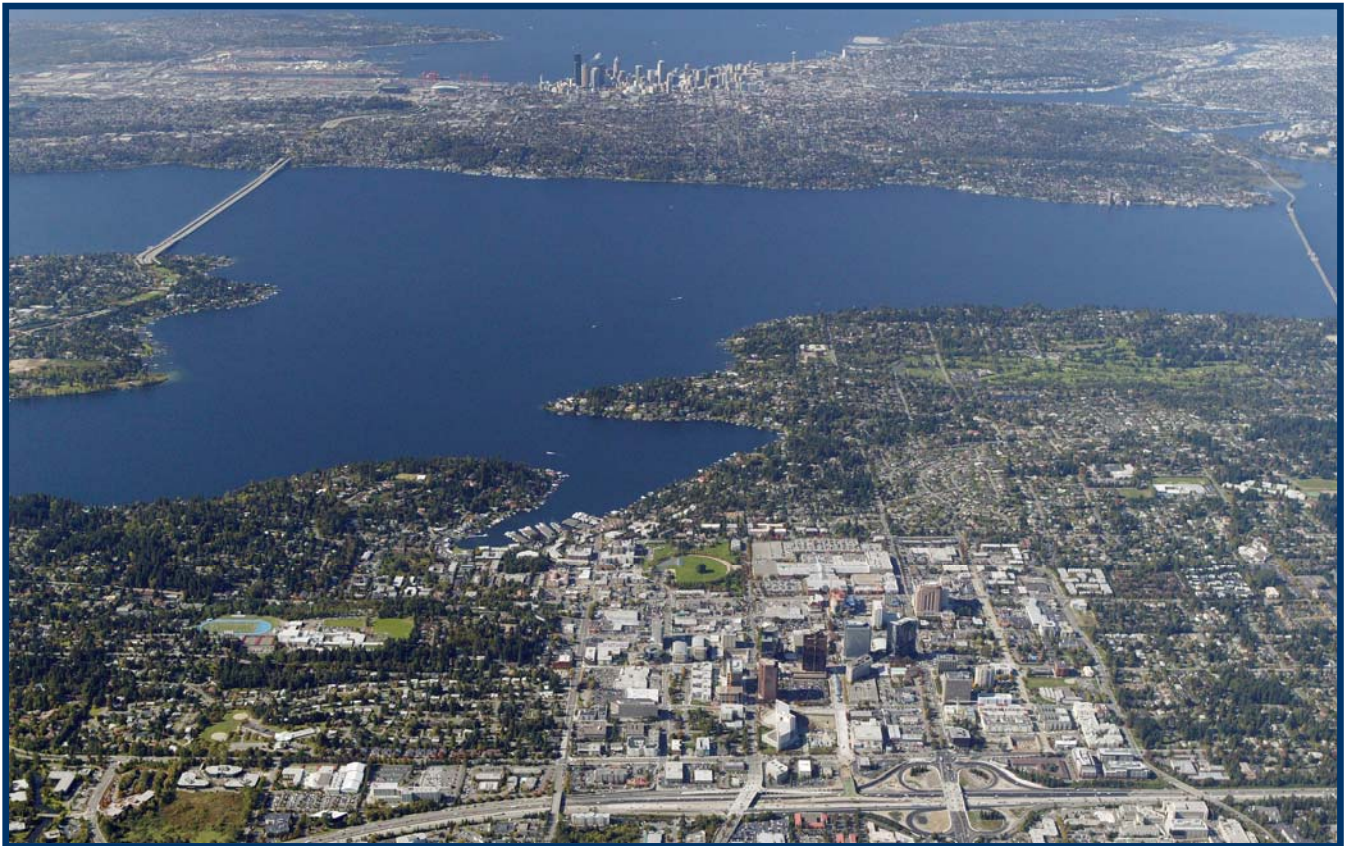




## Eastside Office Market Overview January 2009



### *Bellevue Office*

10500 NE 8<sup>th</sup> Street, Suite 900  
Bellevue, WA 98004  
425.646.3444

### *Seattle Office*

600 Stewart Street, Suite 1116  
Seattle, WA 98101  
206.838.5775

# Eastside Office Market Overview

## Historical Summary 1998 - 2008

### Forecast 2009 - 2013

Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
1998	\$25.11	19,215,623	1,898,248	786,823	1,647,494	4.1%	8.6%
1999	\$27.07	22,157,973	2,942,350	863,193	2,865,980	3.9%	12.9%
2000	\$32.26	26,935,769	3,311,028	1,291,996	1,916,317	4.8%	7.1%
2001	\$27.12	28,534,869	1,599,100	4,274,419	(1,383,323)	15.0%	-4.8%
2002	\$22.55	29,269,717	734,848	4,969,132	40,135	17.0%	0.1%
2003	\$22.94	29,369,888	100,171	4,764,544	304,759	16.2%	1.0%
2004	\$26.11	29,399,688	29,800	4,311,814	482,530	14.7%	1.6%
2005	\$23.76	29,430,732	31,044	2,573,018	1,769,840	8.7%	6.0%
2006	\$26.63	29,464,530	33,798	2,217,267	389,549	7.5%	1.3%
2007	\$31.68	30,495,018	1,030,488	2,463,768	783,987	8.1%	2.6%
2008	\$32.35	32,967,091	2,472,073	3,890,117	792,940	11.8%	2.4%
<b>Projected - End of Year</b>							
2009	\$25.88	33,704,091	737,000	4,977,117	(350,000)	14.8%	-1.0%
2010	\$23.29	33,736,091	32,000	5,159,117	(150,000)	15.3%	-0.4%
2011	\$25.32	33,866,091	130,000	4,864,117	425,000	14.4%	1.3%
2012	\$26.59	33,866,091	0	4,214,117	650,000	12.4%	1.9%
2013	\$31.90	34,190,091	324,000	3,438,117	1,100,000	10.1%	3.2%
<b>Summary 2009-2013</b>			<b>Total</b>	<b>Average</b>	<b>Total</b>	<b>Average</b>	<b>Average</b>
			1,223,000	4,530,517	1,675,000	13.4%	1.0%

**Notes:**

- 1 Year 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 2009-2013 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 January 13, 2009 (4<sup>th</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	Vacancy Rate	Annual Growth
2000	\$36.69	4,652,329	473,988	315,698	348,446	6.8%	7.5%
2001	\$29.33	5,437,547	785,218	1,285,992	(185,076)	23.7%	-3.4%
2002	\$23.07	5,970,945	533,398	1,347,350	472,040	22.6%	7.9%
2003	\$26.88	5,970,945	0	1,244,815	102,535	20.8%	1.7%
2004	\$28.49	5,970,945	0	977,903	266,912	16.4%	4.5%
2005	\$28.35	6,001,989	31,044	571,299	437,648	9.5%	7.3%
2006	\$27.67	6,001,989	0	325,468	245,831	5.4%	4.1%
2007	\$36.80	6,541,989	540,000	447,307	418,161	6.8%	6.4%
2008	\$38.77	7,453,953	911,964	722,658	174,452	9.7%	2.3%
BELLEVUE SUBURBAN							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$30.97	3,794,494	451,942	237,425	73,263	6.3%	1.9%
2001	\$24.83	3,862,913	68,419	566,605	(260,761)	14.7%	-6.8%
2002	\$21.60	3,862,913	0	654,082	(87,477)	16.9%	-2.3%
2003	\$20.52	3,862,913	0	573,552	80,530	14.8%	2.1%
2004	\$20.00	3,862,913	0	507,011	66,541	13.1%	1.7%
2005	\$21.48	3,862,913	0	335,360	169,651	8.7%	4.4%
2006	\$25.39	3,896,711	33,798	439,596	(70,438)	11.3%	-1.8%
2007	\$30.14	3,945,233	48,522	376,181	111,937	9.5%	2.8%
2008	\$30.69	3,976,801	31,568	378,850	28,899	9.5%	0.7%
SR-520 CORRIDOR							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$33.97	3,208,649	21,057	62,429	(22,608)	1.9%	-0.7%
2001	\$25.59	3,208,649	0	282,532	(220,103)	8.8%	-6.9%
2002	\$19.73	3,261,856	53,207	336,721	(982)	10.3%	0.0%
2003	\$18.50	3,261,856	0	288,675	48,046	8.9%	1.5%
2004	\$18.75	3,261,856	0	246,812	41,863	7.6%	1.3%
2005	\$19.65	3,261,856	0	280,601	(33,789)	8.6%	-1.0%
2006	\$21.93	3,261,856	0	139,791	140,810	4.3%	4.3%
2007	\$28.27	3,328,592	66,736	59,392	147,135	1.8%	4.4%
2008	\$28.53	3,328,592	0	116,878	(57,486)	3.5%	-1.7%
I-90 CORRIDOR							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$32.97	3,864,801	436,871	99,564	217,059	2.6%	5.6%
2001	\$25.74	4,038,454	173,653	710,215	(436,998)	17.6%	-10.8%
2002	\$20.79	4,038,454	0	570,809	139,406	14.1%	3.5%
2003	\$21.55	4,038,454	0	629,151	101,658	15.6%	2.5%
2004	\$21.82	4,038,454	0	510,305	118,846	12.6%	2.9%
2005	\$23.07	4,038,454	0	336,676	173,629	8.3%	4.3%
2006	\$29.56	4,038,454	0	137,566	199,110	3.4%	4.9%
2007	\$34.75	4,038,454	0	174,292	(36,726)	4.3%	-0.9%
2008	\$35.80	4,661,704	623,250	646,554	150,988	13.9%	3.2%

# Eastside Submarket Historical Overview

## 2000 – Present (continued)

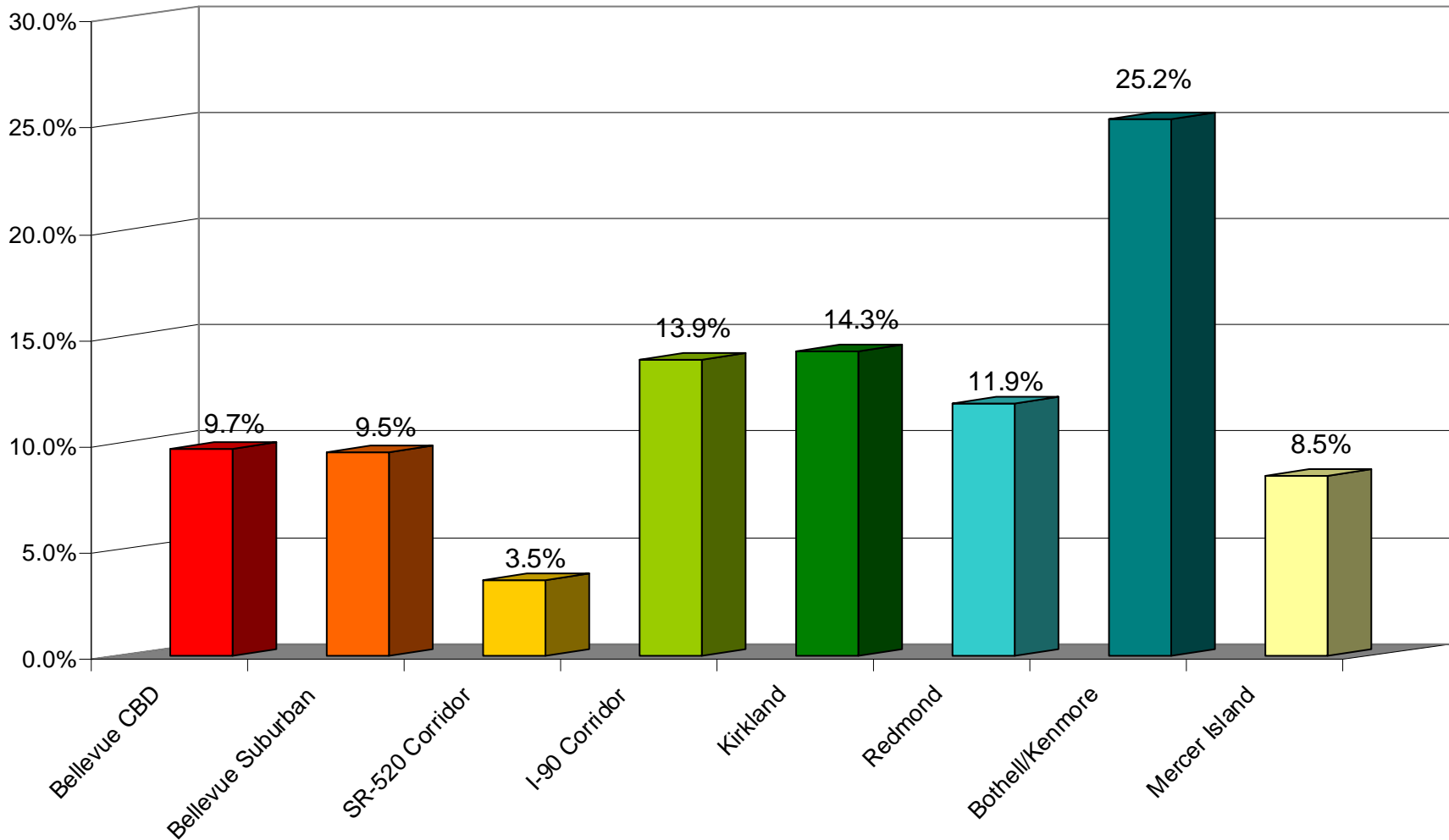
KIRKLAND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$35.50	3,263,647	241,461	52,040	73,869	1.6%	2.3%
2001	\$27.06	3,338,912	75,265	447,157	(319,852)	13.4%	-9.6%
2002	\$23.77	3,360,010	21,098	597,164	(128,909)	17.8%	-3.8%
2003	\$21.17	3,417,355	57,345	596,575	59,934	17.5%	1.8%
2004	\$22.16	3,417,355	0	527,814	68,761	15.4%	2.0%
2005	\$24.27	3,417,355	0	265,652	262,162	7.8%	7.7%
2006	\$28.17	3,417,355	0	357,461	(91,809)	10.5%	-2.7%
2007	\$31.92	3,417,355	0	197,964	159,497	5.8%	4.7%
2008	\$33.56	3,687,430	270,075	527,781	(59,742)	14.3%	-1.6%
REDMOND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$26.61	3,312,962	738,007	66,727	732,857	2.0%	22.1%
2001	\$26.74	3,312,962	0	158,446	(91,719)	4.8%	-2.8%
2002	\$22.04	3,362,236	49,274	331,515	(123,795)	9.9%	-3.7%
2003	\$20.44	3,362,236	0	441,257	(109,742)	13.1%	-3.3%
2004	\$19.09	3,362,236	0	661,415	(220,158)	19.7%	-6.5%
2005	\$19.61	3,362,236	0	228,189	433,226	6.8%	12.9%
2006	\$22.69	3,362,236	0	210,712	17,477	6.3%	0.5%
2007	\$28.86	3,362,236	0	205,095	5,617	6.1%	0.2%
2008	\$30.00	3,577,697	215,461	424,449	(13,893)	11.9%	-0.4%
BOTHELL / KENMORE							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$24.87	2,834,328	374,602	213,560	317,965	7.5%	11.2%
2001	\$23.15	2,984,033	149,705	444,839	(81,574)	14.9%	-2.7%
2002	\$23.17	3,006,386	22,353	502,507	(35,315)	16.7%	-1.2%
2003	\$20.42	3,006,386	0	709,294	(206,787)	23.6%	-6.9%
2004	\$21.86	3,006,386	0	665,606	43,488	22.1%	1.4%
2005	\$21.47	3,006,386	0	478,262	187,344	15.9%	6.2%
2006	\$25.28	3,006,386	0	521,146	(42,884)	17.3%	-1.4%
2007	\$26.44	3,315,216	308,830	846,352	(16,376)	25.5%	-0.5%
2008	\$26.48	3,363,741	48,525	846,828	48,049	25.2%	1.4%
MERCER ISLAND							
Year	Avg. Gross Rental Rate	Year-End Inventory	New Construction	Vacant Square Feet	Net Absorption	Vacancy Rate	Annual Growth
2000	\$27.00	319,221	0	6,156	(1,134)	1.9%	-0.4%
2001	\$27.98	319,221	0	9,248	(3,092)	2.9%	-1.0%
2002	\$30.02	335,433	16,212	30,329	(4,869)	9.0%	-1.5%
2003	\$23.25	335,433	0	32,281	(1,952)	9.6%	-0.6%
2004	\$25.89	335,433	0	15,098	17,183	4.5%	5.1%
2005	\$27.57	335,433	0	5,018	10,080	1.5%	3.0%
2006	\$27.98	335,433	0	3,241	1,777	1.0%	0.5%
2007	\$31.53	335,433	0	21,465	(18,224)	6.4%	-5.4%
2008	\$34.20	335,433	0	28,377	(6,912)	8.5%	-2.1%

Notes:

- 1 Year end inventory Class A&B office, 10,000 SF and greater buildings
- 2 Excludes Owner/User buildings
- 3 All data are from end of the quarter specified
- 4 Annual growth is net absorption divided by inventory
- 5 Data current as of end of 4<sup>th</sup> Quarter – January 13, 2009

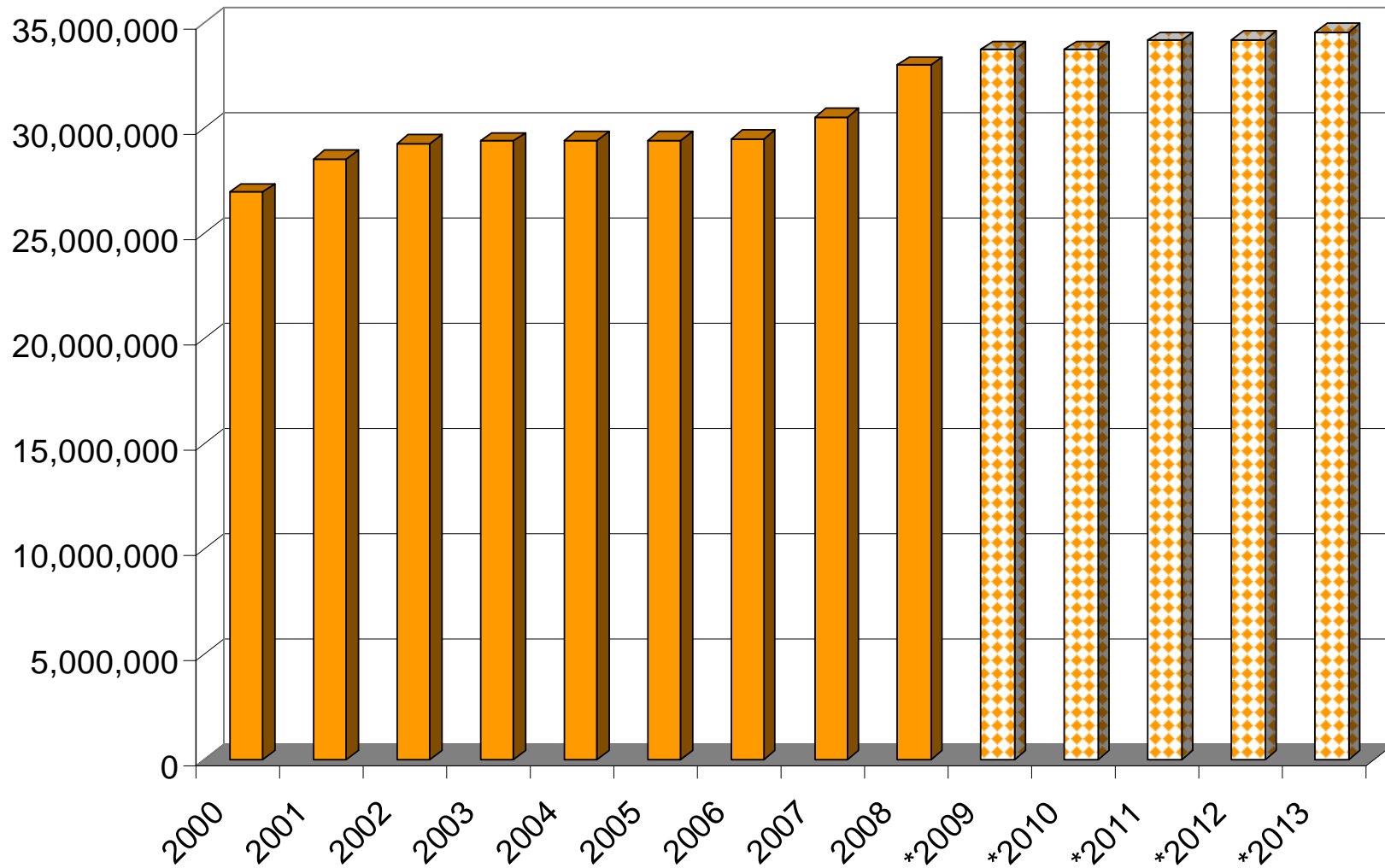


# Eastside Office Market Vacancy by Submarket - Fourth Quarter 2008



\*Includes sublease space

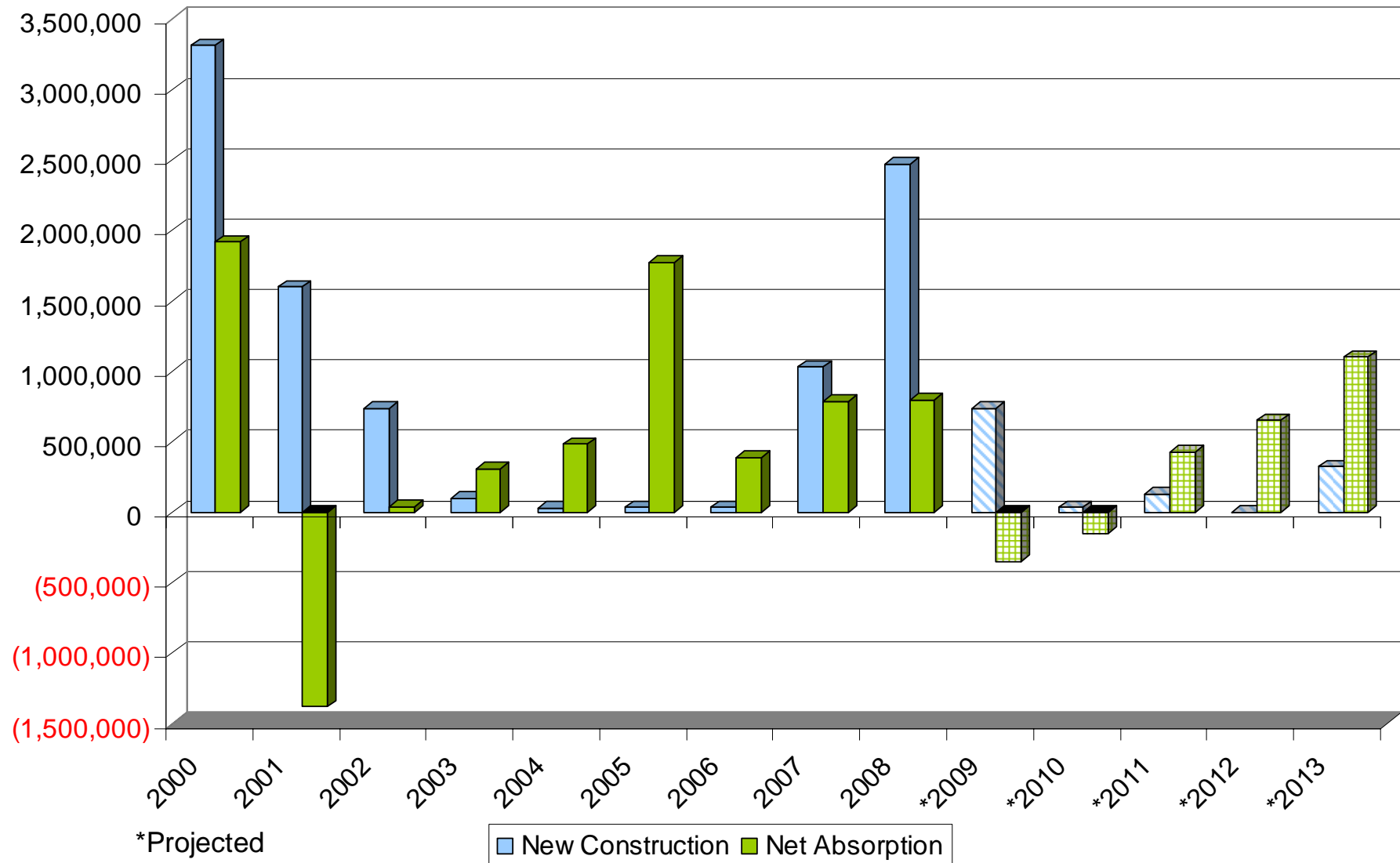
# Eastside Office Market Inventory, 2000 - 2013\*



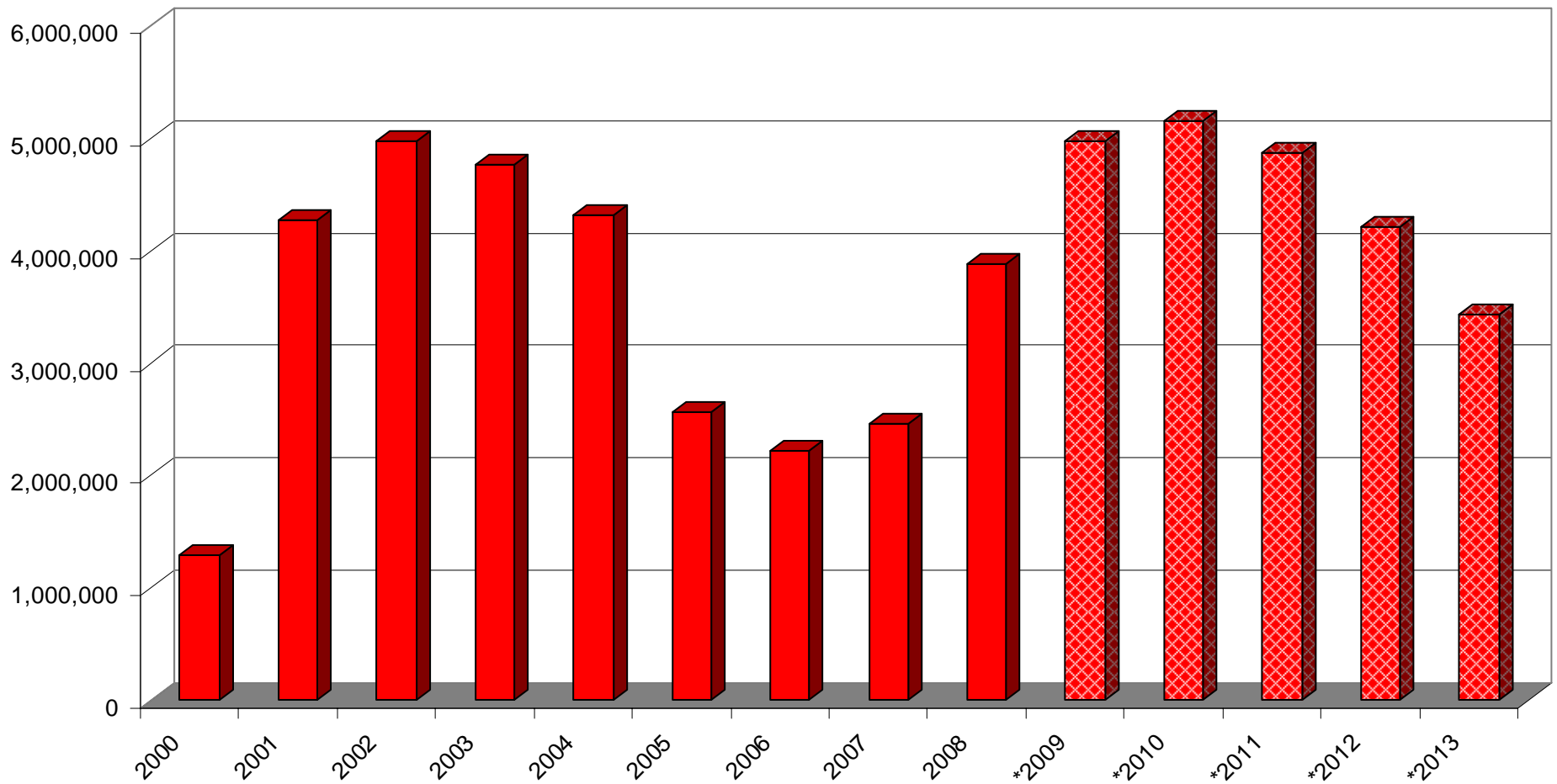
\*Projected

# Eastside Office Market: Class A & B

## New Construction vs. Net Absorption, 2000 - 2013\*

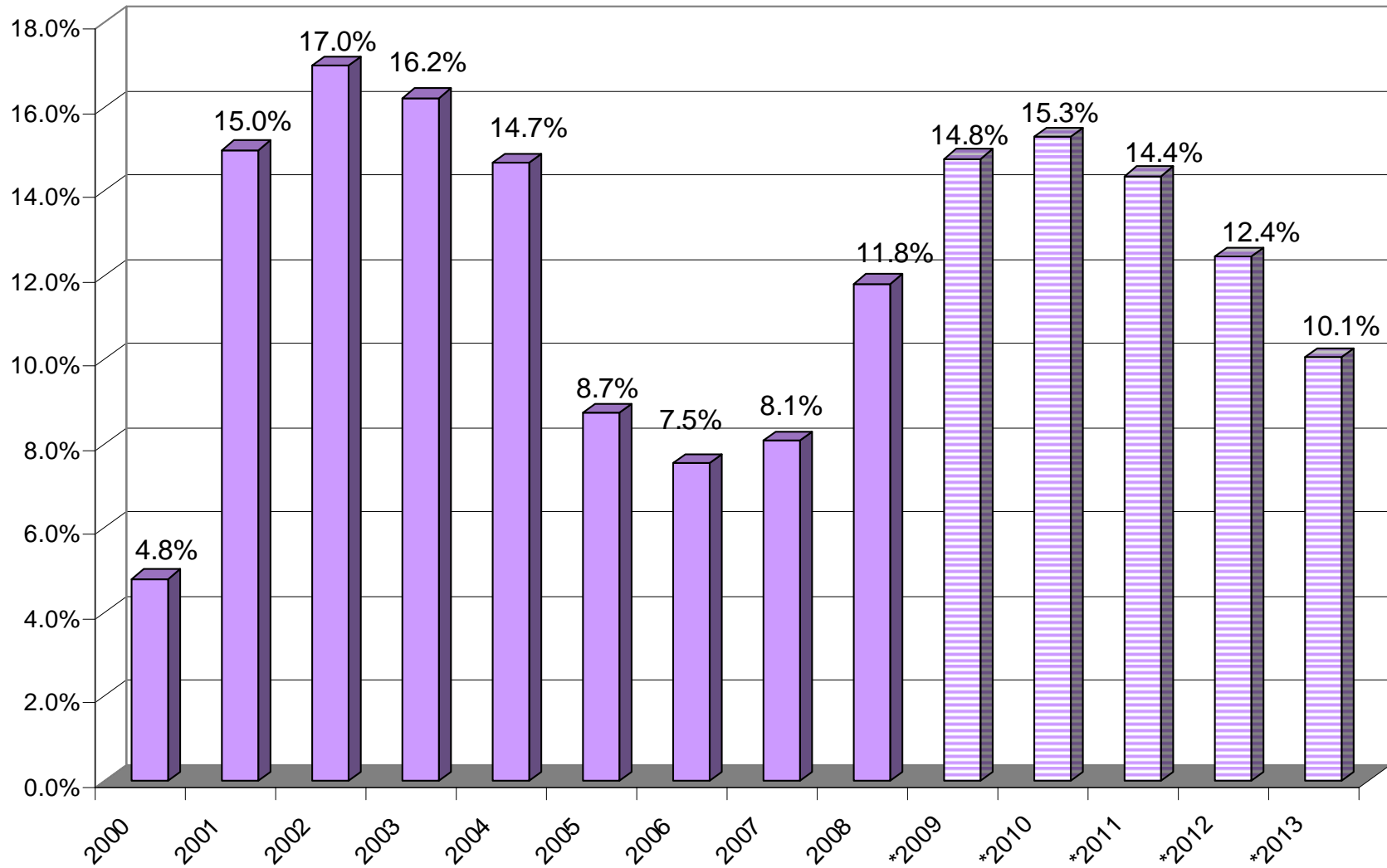


# Eastside Office Market Vacant Square Footage, 2000 - 2013\*



\*Projected (includes sublease space)

# Eastside Office Market Vacancy Percentage, 2000 - 2013\*



\*Projected (includes sublease space)

# Eastside Office Market

## Average Gross Rental Rates, 2000 - 2013\*

