

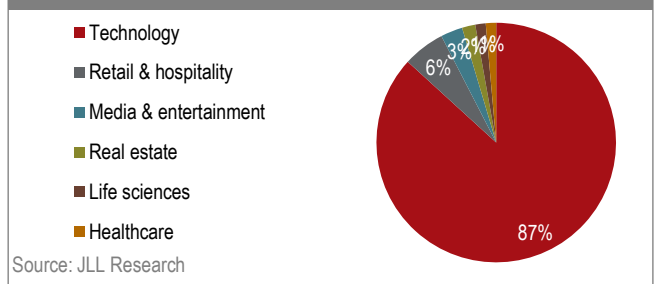


Seattle sees a surge in sales and leasing activity

Technology tenants continue to drive leasing activity

Palantir and Uber became the latest in a growing list of major tech companies to establish a beachhead in Seattle, Facebook signed a lease that will allow it to grow its local headcount to as many as 2,000 employees, and Amazon agreed to lease more than 800,000 square feet in a two-building project currently under construction. With all of this recent activity, it is no surprise that King County broke a 24-year-old record for area migration in 2014. Approximately 64,000 people from out of state were issued driver's licenses in the county last year, and if the pace from January and February 2015 continues, that record will not last long.

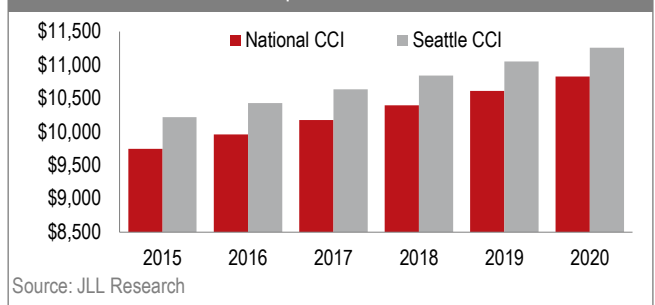
Technology tenants dominated first quarter leasing activity



Seattle is one of the most active markets in the nation for development

There are more than 6.9 million square feet of office product under construction in the Seattle metro area, placing Seattle behind only Houston, New York and Dallas as the primary markets driving inventory growth nationally. With local market fundamentals continuing to tighten – vacancy dropping, rents escalating and demand far exceeding annual averages – much of the development underway is speculative. Prior to this quarter, just 26.2 percent of the space under construction was released. However, that number increased to 38.3 percent in the first quarter of 2015. The remainder of the year should be very telling as to whether concerns about over-building were/are founded or not.

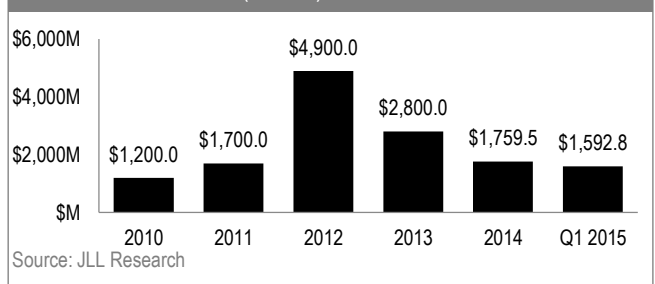
Construction cost index comparison



Rampant investment sales activity to begin the year

It took just one quarter for 2015 to become the sixth consecutive year with more than \$1 billion in office investment transactions in Puget Sound. Following a year in which sales activity declined nearly 38.0 percent to \$1.8 billion, the first quarter saw nearly \$1.6 billion in office assets trade hands. This represents the largest quarter in terms of volume since the fourth quarter of 2012, when Amazon purchased its headquarters from Vulcan. Further, for the fifth consecutive year, the market record for per-square-foot pricing was eclipsed. This occurred in February when BioMed Realty Trust purchased the SBRI Building from Vulcan and Seattle BioMed for \$89.7 million, or \$772 per square foot.

Historical sales volume (\$10M+)



11.0%

Total vacancy

-227,802

Q1 2015 net absorption (s.f.)

4.4%

12-month rent growth

6,901,827

Total under construction (s.f.)

38.3%

Total released

Market Overview

Economy

Seattle's economy continues to strengthen and currently boasts one of the lowest unemployment rates of any major metro area, with the local rate 80 basis points below the national average. The most recent employment forecast from the Puget Sound Economic Forecaster calls for impressive job growth of 2.6 percent in 2015. Current figures show that unemployment in February 2015 stood at 6.3 percent statewide and 4.7 percent in the Seattle-Bellevue-Everett area. Over the past 12 months, a total of 94,700 jobs have been added in Washington, mostly in the construction, professional and business services (this sector includes many jobs related to high-tech), retail trade, government, and education and health services industries.

Market Conditions

More than 2.1 million square feet were leased in the Seattle metro area in the first quarter. While net absorption was negative, this should not be seen as reflective of declining interest in the market, but rather as evidence of the flight to quality. Approximately half of all leasing activity was accounted for by technology tenants preleasing space in Class A projects that are currently under construction. As these buildings deliver in the next 12-18 months, the market should experience a significant spike in absorption.

Seattle CBD Class A rents currently stand at \$37.92 per square foot, up 7.5 percent year-over-year. Average Class A asking rents in the Bellevue CBD stand at \$38.96 per square foot, which represents an increase of 1.1 percent from last year. While developers had been hesitant to break ground on speculative construction in the CBDs in recent years, that trend has changed in the last few quarters, as there are currently 3.7 million square feet under construction in the two submarkets.

Outlook

Major technology tenants will continue migrating to, and growing in, the market. Several major projects will deliver by the end of the year and based on development permit activity, the pipeline for construction may lighten up slightly. Investor interest in the market has reached a fever pitch, and several local owners appear ready to capture the demand. Several premier properties are currently on the market, including Columbia Center, the largest building in downtown Seattle and second tallest on the West Coast.

Submarket leverage					
Submarket	2015	2016	2017	2018	2019
Seattle CBD	Landlord-favorable	Landlord-favorable	Landlord-favorable	Tenant-favorable	Balanced
Bellevue CBD	Landlord-favorable	Landlord-favorable	Tenant-favorable	Tenant-favorable	Balanced
Suburban	Balanced	Balanced	Landlord-favorable	Landlord-favorable	Landlord-favorable

■ Landlord-favorable conditions
 ■ Balanced conditions
 ■ Tenant-favorable conditions

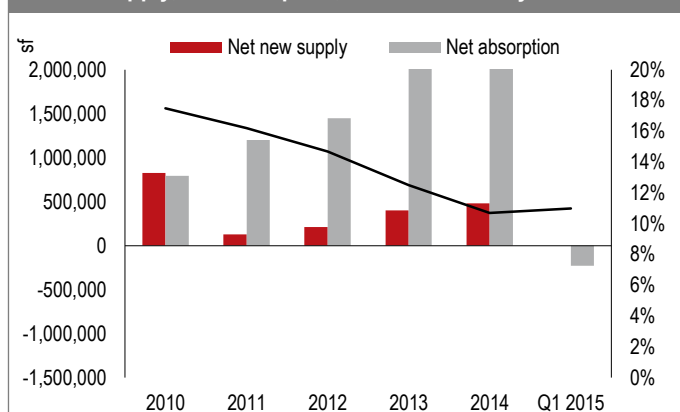
Source: JLL Research

Statistics – current market conditions

Supply	Supply	89,578,326 sf
	Total vacancy rate	11.0%
	Under construction (% preleased)	6,901,827 sf (38.3%)
Demand	YTD net absorption	-227,802 sf
Pricing	12-month overall rent % change	4.4%
	Class A overall asking rent	\$36.41 sf

Source: JLL Research

Net new supply, net absorption, and total vacancy



Source: JLL Research

Leverage Perspectives

Tenant Perspective

Strong demand continues to be driven by the high-tech industry, which accounted for nearly 87.0 percent of all major leases in Puget Sound in the first quarter. Despite strong rent growth in the last three years, Puget Sound remains a much more affordable place to open an office than many other major markets, such as San Francisco and New York. Similarly, the cost of living in Seattle is much lower than San Francisco and New York. With recruitment at the top of the priority list for high-tech companies, Seattle's high quality of living and flourishing tech atmosphere make it an ideal location. With more than 6.9 million square feet of office space currently under construction, tenants have ample opportunity to acquire premier space.

Landlord Perspective

Owners are in the enviable position of having the option to hold properties and collect increasing rents, or take advantage of investor appetite by selling their assets for top dollar. However, as market fundamentals continue to strengthen, the competition for tenants is intensifying. Landlords need to position their buildings with amenities and features that tenants desire. Tenants need a rich amenity set, including an updated lobby, athletic facility, conference center, bike storage, deck or other outdoor spaces, and diverse retail mix.

Source: JLL Research

Transactions & Development Activity

Completed lease transactions – Q1 2015

Tenant	Building/Address	Submarket	SF	Type
Amazon	Troy Block	Lake Union	817,000	New
Facebook	Dexter Station	Lake Union	273,460	New
HBO	Hill7	Seattle CBD	112,000	New
Porch.com	2200 First	South Seattle	75,313	New
Cray	901 Fifth Avenue	Seattle CBD	51,643	Renewal
King 5 News	Home Plate Center – North Building	South Seattle	45,456	New
Nokia	One Convention Place	Seattle CBD	41,750	New
PayScale	Palmer Court	Pioneer Square/Waterfront	38,554	New
T-Mobile	Newport Tower	I-90 Corridor	34,830	New
Best Buy	Denny Way Building	Lake Union	32,504	New
The Everett Clinic	1800 Forty First	Everett CBD	31,332	New
Southern Wine & Spirits	One Bellevue Center	Bellevue CBD	29,661	New
Eagle Home Mortgage	I-405 Corporate Center	Suburban Bellevue	27,615	Renewal
Hart Crowser	3131 Elliott Avenue	Queen Anne	26,386	Sublease

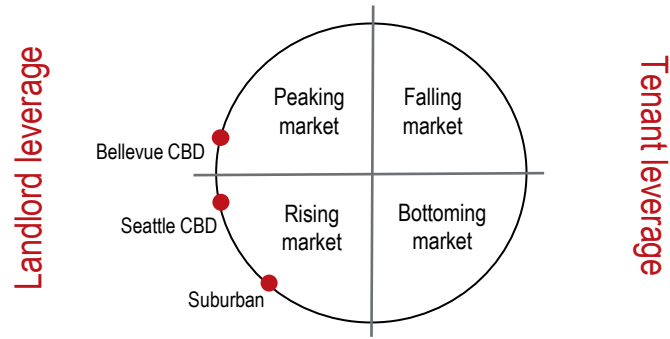
Completed sale transactions (top 5) – Q1 2015

Building/Address	Submarket	Buyer / Seller	SF	Price	\$ psf
The Summit I & II	Bellevue CBD	Hines / Ivanhoe Cambridge	524,130	\$319,800,000	\$610
Met Park East & West	Seattle CBD	CBRE Global Investors / Brookfield	708,283	\$272,800,000	\$385
Civica Office Commons	Bellevue CBD	Hines / Brickman	305,835	\$205,100,000	\$671
2601 Elliott	Belltown/Denny Regrade	JP Morgan Chase / Shorenstein & Wright Runstad & Co.	336,234	\$170,000,000	\$506
Sammamish Park Place	Coal Creek/Issaquah	Talon & Cerberus / Vulcan	586,823	\$128,250,000	\$219

Construction pipeline

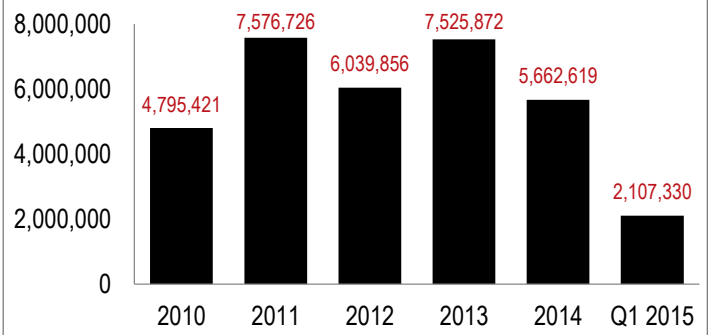
Building/Address	Submarket	Status	Delivery	SF	Major Tenant
Fifth & Columbia Tower	Seattle CBD	Under Construction	Q3 2017	766,779	SLS Hotel
Madison Centre	Seattle CBD	Under Construction	Q3 2016	746,000	
400 Lincoln Square	Bellevue CBD	Under Construction	Q4 2016	724,693	Steve Ballmer
929 Office Tower	Bellevue CBD	Under Construction	Q4 2015	462,000	
Troy Block – North Tower	Lake Union	Under Construction	Q2 2017	440,000	Amazon
Midtown21	Seattle CBD	Under Construction	Q4 2016	389,800	
400 Fairview	Lake Union	Under Construction	Q3 2015	367,898	Tommy Bahama, Impinj, Car Toys
Troy Block – South Tower	Lake Union	Under Construction	Q2 2016	362,108	Amazon
Centre 425	Bellevue CBD	Under Construction	Q3 2016	354,000	
Dexter Station	Lake Union	Under Construction	Q2 2015	345,992	Facebook
Amazon Phase VII	Lake Union	Under Construction	Q3 2015	317,000	Amazon
Amazon Phase VIII	Lake Union	Under Construction	Q3 2015	317,000	Amazon
Hill7	Seattle CBD	Under Construction	Q2 2015	295,936	HBO
Urban Union	Lake Union	Under Construction	Q2 2016	291,000	

Current conditions – market and submarket



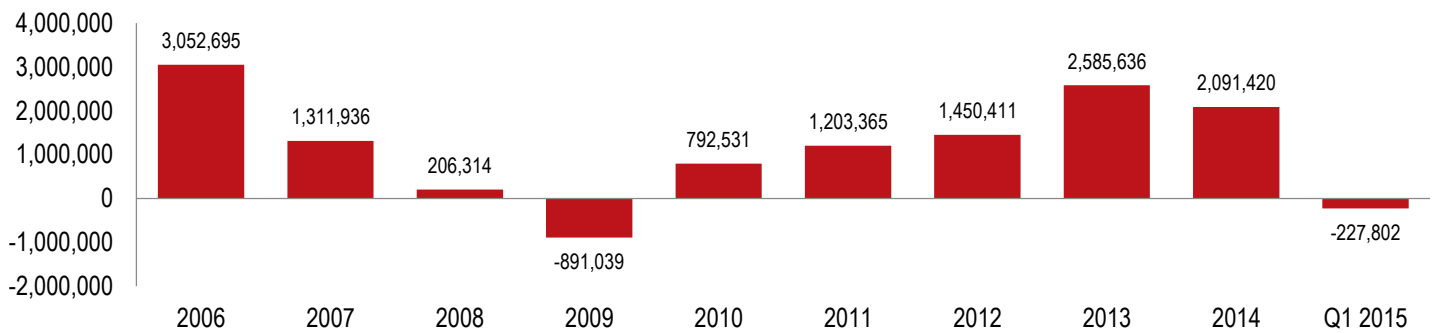
Source: JLL Research

Historical leasing activity



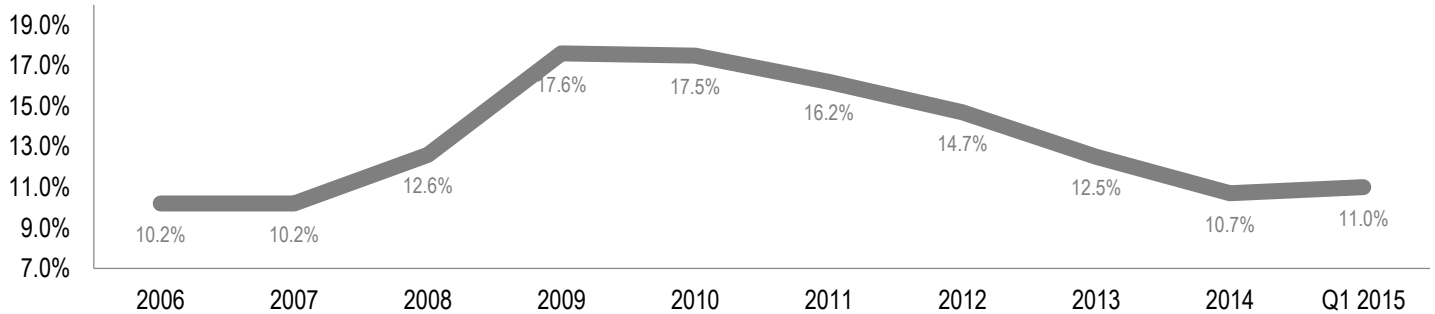
Source: JLL Research

Total net absorption (s.f.)



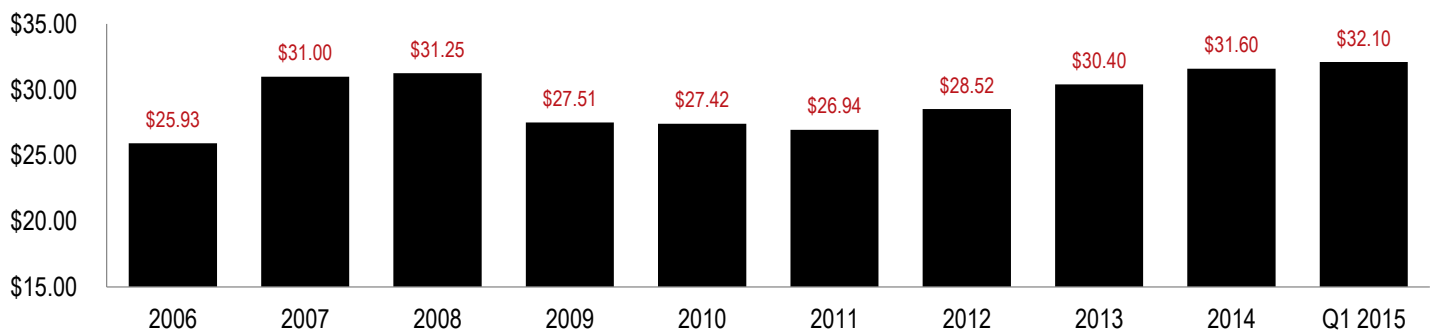
Source: JLL Research

Total vacancy rate



Source: JLL Research

Direct average asking rent (\$ p.s.f.)



Source: JLL Research