

Seattle Market Update

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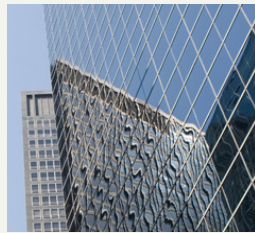
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OFFICE

Smith Tower was sold at a foreclosure auction for \$36,795,000, the minimum bid amount. Last fall, CBRE Capital Markets acquired the notes on the building, which is about 70% vacant, and an affiliated CBRE group was the sole bidder. Walton Street Capital bought the 42-story tower and the two-story Florence building next door for \$44 million six years ago at the height of the market. The Smith Tower opened in 1914 and was the tallest building on the West Coast until the Space Needle was completed in 1962.

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INDUSTRIAL

TMX Aerospace, subsidiary of manufacturer ThyssenKrupp, leased 55,000 s.f. in the Emerald Corporate Park in Auburn, at 4104 C St NE. The space will be used to store parts for the company. In December, Car Toys signed a lease to expand into approximately 39,000 s.f in the now fully-leased building.

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MULTI-FAMILY

Harbor Urban Limited Liability Company sold two West Seattle apartment properties soon after the formal merger between Harbor Properties and Urban Partners' Seattle office was completed. American Realty Advisors, based in Glendale, CA, acquired the 195-unit Link, located at 4550 38th Ave SW, for \$62.7 million. The complex was around 95% occupied at the time of sale. The Link also has 17,100 s.f. of retail space that is fully leased. American Realty Advisors also acquired the 136-unit Mural, located at 4727 42nd Ave SW, for \$42.3 million. The complex was about 96% occupied at the time of sale. The cap rates for both properties, excluding retail, were in the low 4% range.

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RETAIL

The Shops at the Bravern, in Bellevue, has been sold for \$79 million, or \$255.66 per s.f. The 309,000 s.f. luxury retail complex was sold to Askenazy Acquisition Corporation, a private real estate investment company based in New York. Askenazy's portfolio includes Faneuil Hall Marketplace in Boston and Union Station in Washington, D.C. There were 91 groups registered as buyers and Schnitzer West's Tom Woodworth said more than a dozen made offers.

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Office

The Second and Seneca office building, located at 1191 Second Ave, sold for \$185.97 million to Rockwood Capital. Tishman Speyer, the seller, purchased the property from Archon in April 2007 for \$230 million. The 22-story office building, which is known as the Safeco Center, was built in 1991, has 434,363 rentable s.f. and was 87% occupied at the time of sale. The property also includes a four-story 74,712 s.f. building.

Publicis Seattle and its local affiliates will be taking two more floors in Martin Selig's West Tower building, located at 424 2nd Ave W in Seattle. The company will be leasing an additional 51,000 s.f. in the building for a total of 122,000 s.f. The 11-year lease has an option for an additional 21,000 s.f. The move will put the approximately 700 employees of Publicis Seattle, Razorfish, Zenith/Optimedia, PBJs and other related entities in one building. The deal, however, will result in negative net absorption for the market.

Industrial

Norpatsu Company has sold Building C in the Emerald Corporate Park, located at 4104 C St NE in Auburn, for \$13.035 million, or \$64.05 per s.f. The cap rate was 7.3%. The building is one of five industrial buildings totaling more than 930,000 s.f. of industrial space that make up Emerald Corporate Park. Building C was finished in 2001 and fully-leased to several tenants on a triple net basis.

Underwood Gartland Development, a Bellevue-based, full-service commercial development company, purchased 25 acres in Everett from CEMEX, Inc. for \$8.5 million, or approximately \$335,000 per acre. The vacant land is at the corner of Industry Park and Associated Blvd. Both parcels are part of the Seaway Center in the South Everett/Harbor Point Submarket. The planned Underwood Gartland Industrial Park could have 450,000 s.f. of high-bay industrial space in a single building or multiple smaller ones.

Multi-Family

AREA Property Partners, a New York-based international real estate investor and fund manager, has the largest stake in the Harbor Urban Limited Liability Company. AREA will have two board seats with the other two seats belonging to Urban Partners. AREA is an international real estate fund investor and fund manager for pension funds, insurance companies and wealthy individuals. Since 1993, AREA has established funds totaling \$13 billion. Harbor Urban will be led by Managing Director Jim Atkins from Urban Partners and the

administrative functions will be handled by Urban Partners. Harbor Properties' Denny Onslow will oversee development activities and the development teams will remain intact. Harbor Urban has 1,500 units, or more than \$600 million, in planning or under construction in Seattle, including: the 184-unit Alto in Belltown, the 124-unit GreenHouse in Columbia City, the 63-unit Kavela in Roosevelt-Green Lake, the 62-unit Nova in West Seattle and the 249-unit Viktoria Apartments in Belltown.

Retail

Retail Opportunity Investments Corporation, ROIC, has acquired the Gateway Shopping Center in Marysville for \$29.4 million, or \$277 per s.f. The center, located at 3947 116th St NE, is approximately 106,100 s.f. and is anchored by Winco and Rite Aid. The property was 97% occupied at the time of sale. The cap rate was not disclosed. ROIC, a White Plains, NY based REIT, owns and operates 32 West Coast shopping centers.

Nordstrom opened its new Nordstrom Rack store at the four-story Westlake Center in downtown Seattle, across the street from the Nordstrom flagship store. The Rack will anchor the center and take the full 42,500 s.f. underground level. Nordstrom will move out of its old location at 1601 Second Ave.

Note: Nordstrom plans to open 11 new Rack stores by the end of the year and plans to open just one additional full-price store. As a result, by the end of the year, Nordstrom will operate more Rack stores than flagship ones for the first time in its history. ■