

# Seattle

## Impact

Thousands of new high-tech industry jobs created in the Puget Sound region have boosted the office market over the past three quarters, most notably in the Seattle CBD. Struggling or once empty buildings at the start of the recession have experienced significant occupancy gains as a result of this rapid growth, avoiding serious financial hardships and default. Not only has this led to renewed optimism in the economy, but also within the office property market. As a result, landlords have begun raising rental rates and reducing concessions on the heels of large high-tech lease transactions.

## Overview

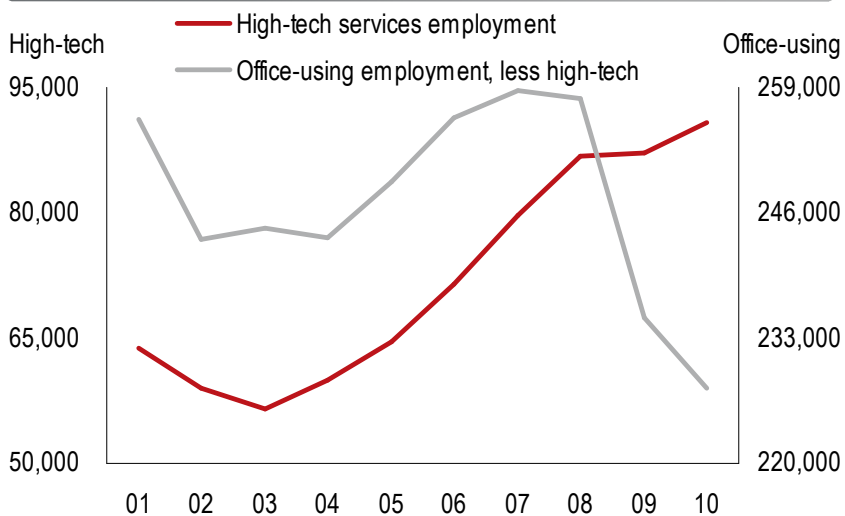
For many years, software development has been the major economic driver in Puget Sound thanks to Microsoft. Today, the software giant is still the largest real estate tenant in the area, occupying 15 million square feet of both owned and leased space. Exciting new advances and innovations in the industry have led to a surge among high-tech services, gaming, and retail companies like Amazon.com, Expedia, and Nintendo.

While the large tech companies historically set roots in suburban campus settings, the need and desire to be located in an urban market has taken precedence as companies vie for the best and brightest professionals in the industry. Coupled with lower rental rates as a result of the recession, many high-tech start-ups saw this as an opportunity to relocate to offices within the CBD, creating greater competition for traditional office users. Landlords have embraced this new demand and contributed to the growing competition among tenants by favoring high-tech companies that are cash rich, high credit, and rapidly expanding.

## Outlook

Expansion within the high-tech industry is expected to significantly outpace overall employment growth for years to come. In the past three quarters alone, over 2.5 million square feet have been newly occupied by high-tech firms. Their increased office space needs and new desire for downtown locations is likely to ramp-up competition and escalate occupancy costs to more noticeable levels by 2012.

## Seattle high-technology employment



High-Technology Industry • U.S. Office Outlook • Fall 2011

Players: top high-tech firms  
By real estate footprint



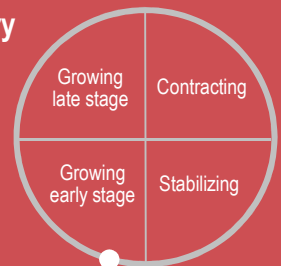
Microsoft  
Amazon.com  
Nintendo  
Expedia  
F5 Networks

## Position



### High-tech industry

Economic cycle clock



### Office property

Market cycle clock



## Scorecard



### Economic

		rank
High-tech jobs / annual growth	98,737 / 3.6%	4/6
Percent of total jobs	10.3%	3
Number of firms	3,927	8
Venture capital funding (past 4 quarters)	\$507.8 M	10
Share of U.S. total	2.1%	
College education	44.8%	5
Diversity (non-white / foreign born)	27.3% / 19.0%	12/9

### Office

Cost (average asking rent)	\$26.70	10
Annual growth	-1.3%	14
Supply (vacancy rate)	16.6%	9
Demand (net absorption sf / %)	2,250,861 sf / 2.2%	4 / 2
High-tech concentration (high-tech services vs. office jobs)	28.5%	2

Jones Lang LaSalle

# Seattle



## Recent lease activity



**Isilon Systems**  
505 1<sup>st</sup> Avenue South  
168,000 sf



**Zillow**  
1301 2<sup>nd</sup> Avenue  
66,000 sf

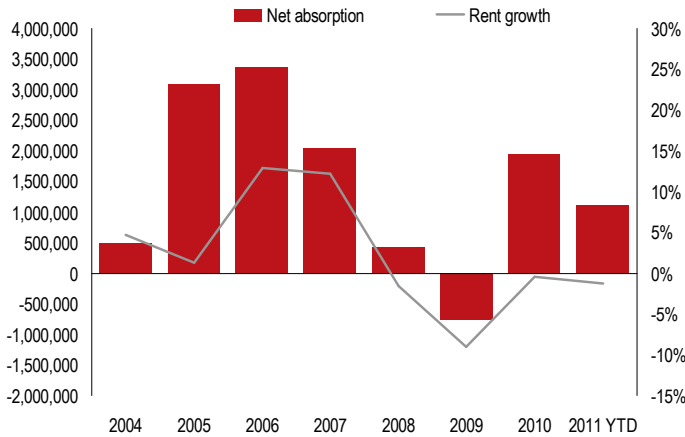


**Expedia**  
10900 NE 4<sup>th</sup> Street  
54,000 sf



**Whitepages.com**  
1301 Fifth Avenue  
21,000 sf

## Net absorption vs. rent growth



## Top headlines

### Seattle

Tech companies fill new downtown office towers

Flash-sale website Zulily to take over Sodo office building

Google opening office in Bothell

Amazon.com on a hiring spree, taking 460,000 square feet at 1918 8<sup>th</sup> Avenue



## Top Seattle high-technology firms by real estate footprint

Alphabetical order:

1. Adobe
2. Allied Telesis
3. Amazon.com
4. Big Fish Games
5. Bungle.com
6. Cisco
7. Classmates Online
8. Concur Technologies
9. Corbis
10. Expedia
11. F5 Networks
12. Google
13. Honeywell International
14. Impinj
15. Intellectual Ventures
16. Isilon Systems
17. Microsoft
18. Motricity
19. Nintendo
20. Razorfish
21. RealNetworks
22. Vertafore
23. WatchGuard Technologies
24. Zillow
25. Zones

