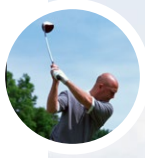


CALENDAR

► **2014 JUNE BREAKFAST MEETING**
Wed June 18, 7:00 AM
Sheraton, Seattle



► **2014 JUNE - THE BIG DRIVING RANGE NIGHT FUNDRAISER**
Wed June 18, 4:00 PM
Tacoma Firs Golf Center



► **2014 JUNE SOUTH SOUND BREAKFAST MEETING**
Fri June 27, 7:30 AM
Pacific Grill Events Center



NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
WASHINGTON STATE CHAPTER

The Deal

MONTHLY NEWSLETTER

May Breakfast Meeting – Capital Markets – Are We Nearing the Next Bubble?

Ed Scherer, Avidex Industries, LLC

Seattle has got it going on -- but we've been here before, haven't we?. The annual broker's forecast sought to pinpoint where we're at in the recovery and, to the best of the panel's ability, shed light on where we're headed over the next several months and beyond. Norris Beggs & Simpson graciously sponsored the breakfast.

President A-P Hurd made several announcements, including:

- The NAIOP Seattle Chapter is the 5th largest in the U.S.
- Dana Murphy Love is our new interim executive director

A moment of silence was observed for the passing of Jim Potter.

Mike Wood, principal at NBS Financial Services, was the event moderator, and panelists included:

- Stuart Williams, managing director of Jones Lang LaSalle
- Justin Dennett, senior vice president Morrison Street Capital
- Eric Bridges, senior investment officer and head of West Coast production at State Farm Life Insurance.

Mike began the program by stating that the 10-year Treasury Bond is trading at 2.55%, and that the largest deals being executed were at approximately 4% for a 10-year note. So, money is inexpensive, which has

CONTINUED ON PAGE 3



NAIOP PROFILE

As told to Dail Bodziony, Columbia Bank

Name: Jamie Randal
Title & Company: Tax Manager,
 Clark Nuber P.S.

Brief description, size and scope of Company:

Headquartered in Bellevue, Clark Nuber is a nationally recognized, award-winning accounting firm that has been in business more than six decades. One of the driving forces at Clark Nuber is to provide our clients with a level of personal attention that only a locally owned, single-office firm could offer. The firm employs nearly 180 people with the expertise to provide business owners, leaders in not-for-profit organizations, as well as high net worth individuals with a variety of services for their specific needs.

How long have you been with your Company? Since August 2013. I have been in the industry 7-plus years.

Previous companies and/or previous career fields: I previously worked at Clothier & Head, P.S., which merged with another firm.

How did you get into your field?

My mom was an accountant, so in high school I took an accounting class to understand what she did for a living. I loved it, and I followed in her footsteps.

CONTINUED ON PAGE 4

Developing Leaders Mentor Program Closing Event

Ted Caloger, MulvannyG2 Architecture



Seasoned veterans and young professionals alike gathered at Haggerty's in the Washington Athletic Club on May 11 to celebrate yet another successful year of the Developing Leaders Mentorship Program. Over the past 7 months, 45 mentors met with more than 50 mentees to share their wisdom, lessons learned and insights, as well as to answer questions about the real estate industry. In addition to gaining invaluable knowledge to help navigate their professional journeys, several mentees were also offered employment opportunities from, or through, their mentors.

We would like to thank all those who volunteered time on this program, and to give a special shout out to our sponsors: LBA Realty, Howard S. Wright, Touchstone Corp. and HomeStreet Bank. Please consider participating in next year's program. Having been a mentor myself over the past 2 years, I can personally attest that it's an extremely rewarding experience. The Developing Leaders Mentorship Program presents a great opportunity to contribute to the professional growth of younger members and to ensure the continued success of our chapter, not to mention the local real estate industry.



SPONSORS



MAY BREAKFAST MEETING - CONTINUED FROM PAGE 1

fueled a vibrant commercial real estate market in Seattle.

Stuart led off with some statistics for the marketplace. Office vacancies are hovering around 12.5%, with an average rent for Class A space at approximately \$30.40 per square foot.

Seattle office sales & statistics



Office market statistics

Submarket	Size (RSF)	Vacancy	Avg. Rental Rate	Net Absorption RSF
Downtown Seattle	47,607,281	11.4%	\$32.21	2,017,744
Eastside	24,888,462	11.5%	\$31.84	169,956
Northend	7,557,060	15.8%	\$27.60	40,358
Southend	8,407,564	18.0%	\$23.21	357,578
2013 Total Market	88,460,367	12.5%	\$30.40	2,585,636
2012 Total Market	88,135,765	14.7%	\$28.52	2,190,824

Sales matrix (over \$10 Million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Sales	48	55	131	7	5	10	23	38	39
Price/SF Highest	\$438	\$575	\$531	\$342	\$405	\$548	\$557	\$642	\$745
CAP Rate Average	6.82%	6.07%	5.20%	6.20%	9.50%	7.20%	6.80%	5.50%	6.10%
Sales Volume	\$1.7B	\$2.7B	\$9.6B	\$0.4B	\$0.37B	\$1.2B	\$1.7B	\$4.9B	\$2.8B

Office market statistics include Class A a

Seattle industrial sales & statistics



Industrial market statistics

Submarket	Size (RSF)	Vacancy	Average Rental Rate	Net Absorption RSF
Seattle	48,212,874	3.9%	\$0.63	-110,091
Eastside	27,516,239	8.9%	\$0.71	506,123
Northend	13,194,092	9.7%	\$0.62	338,313
Kent Valley	108,278,861	4.7%	\$0.39	1,534,485
Pierce County	59,506,401	5.7%	\$0.40	2,049,972
2013 Total Market	256,708,467	5.5%	\$0.59	4,318,802
2012 Total Market	253,656,754	6.1%	\$0.57	3,566,291

Industrial market statistics include industrial and flex inventory over 10,000 s.f., single-tenant, multi-tenant and owner-occupied.

Sales matrix (over \$10 million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Sales	22	14	35	19	9	11	14	20	25
Price/SF Highest (ind)	\$126	\$140	\$164	\$151	\$100	\$115	\$187	\$125	\$287
CAP Rate Average	6.8%	6.8%	5.9%	6.6%	9.2%	7.4%	7.2%	6.5%	6.3%
Price/SF Highest (flex)	\$212	\$206	\$237	\$199	\$207	\$156	\$257	\$180	\$190

Industrial property has a vacancy rate of 5.5%, with an average rent of \$.59 per square foot.

MAY BREAKFAST MEETING - CONTINUED FROM PAGE 3

Retail vacancy rates are at 5.6%, with an average rent of \$17.18 per square foot.

Seattle retail sales & statistics



Retail market statistics

Submarket	Size (RSF)	Vacancy	Average Rental Rate	Net Absorption RSF
Downtown Seattle	26,955,343	2.8%	\$22.11	87,824
Eastside	27,289,816	4.4%	\$22.83	354,105
Northend	45,338,540	5.4%	\$16.73	298,476
Southend	31,671,803	6.7%	\$15.62	19,626
Tacoma	40,237,474	7.5%	\$14.77	-26,526
2013 Total Market	171,492,976	5.6%	\$17.18	733,505
2012 Total Market	170,791,473	5.6%	\$17.33	2,148,395

Sales matrix (over \$10 million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Sales	22	28	19	4	8	7	15	16	18
Price/SF Highest	\$368	\$518	\$467	\$380	\$404	\$305	\$387	\$512	\$509
CAP Rate Average	6.3%	6.4%	5.9%	7.2%	8.8%	N/A	7.0%	6.4%	6.4%

Seattle multifamily sales & statistics



Sales matrix (over \$10 million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Sales	153	121	93	57	15	36	45	17	49
Highest Price/Unit	\$373,145	\$285,965	\$407,083	\$417,391	\$211,957	\$321,078	\$350,000	\$509,800	\$690,583
CAP Rate Average	5.8%	5.4%	5.1%	5.8%	6.4%	6.4%	5.8%	5.5%	5.1%
Sales Volume	\$2.4B	\$2.0B	\$2.9B	\$1.6B	\$0.39B	\$0.89B	\$1.5B	\$2.7B	\$2.0B

Multifamily properties have shown a marked upturn in price per unit and price per square foot.

MAY BREAKFAST MEETING - CONTINUED FROM PAGE 4

For more information on these statistics, please go to http://naiopwa.memberclicks.net/assets/docs/stuart_williams_slides.pdf

These figures all point to a real turnaround in the local marketplace.

Eric addressed how State Farm Life Insurance has a \$1.3 billion program this year, while other divisions of State Farm are actively seeking to place more money into this program. He pointed out that the multifamily market is strong, with approximately 50% of State Farm's money going into this sector. Because of low interest rates, State Farm adopts a fairly cautious approach, and the company has become more efficient in its Insurance line of business.

Justin is a Portland-based fund manager for Morrison Street Capital. He's witnessing a trend where owners are pulling equity out of their properties to use as leverage, given today's low interest rates. Justin stated he and his firm have noticed less refinancing activity too.

Mike asked how important LEED certification is to the value of properties today. Stuart said LEED Silver designation is akin to the "price of admission" – a property needs to have this minimum level of certification to compete in the Seattle marketplace.

Stuart also offered that he didn't think a bubble is on the horizon. To that end, he pointed out that lease rates are strong and interest rates are low. Eric added that demand continues to grow for multifamily properties, and that the changing demographics of the workforce are driving that growth.

Stuart sees an increase in the number of International investors in 2014, as opposed to 2013 when the more traditional Institutional Investors held sway.

Mike asked about the best values in various segments, to which Stuart responded:

- Multifamily – in particular, Capital Hill and Queen Anne
- Office – Bothell, Kent and Renton
- Industrial – properties with easy access to the Port of Tacoma and Spokane St.

Most panelists indicated that external factors could force an uptick in rates, with Justin saying he could see some incremental increases driven by housing-market demand. Eric stated that the government (and its debt) could be a significant damper on rate increases. When asked, the approximately 25% of attendees felt rates would stay the same, 30% believed they would increase, and 45% had no idea.

In summary, panelists gave a generally upbeat forecast, indicating that we're not nearing a bubble, at least not in the Seattle market. The numbers of cranes dotting the skyline seem to affirm that opinion.

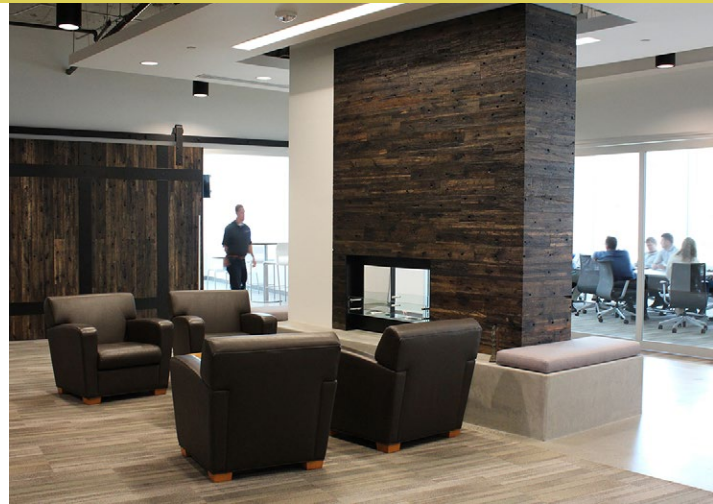
NEW OFFICE FOR LYDIG CONSTRUCTION'S BELLEVUE LOCATION

The Western Region office of Lydig Construction has moved to a larger space in the Sunset North campus in Bellevue.

Due to unprecedented growth, including a number of successful projects in the Puget Sound area -- the LEED Platinum Bow Lake Recycling and Transfer Station; and the conversion of a 1970s Seattle parking garage into a state-of-the-art LEED Gold data center -- Lydig has hired more than 30 new employees over the past year.

The new office was designed with open work environments to foster collaboration and teamwork, and to provide the highest-quality customer service to clients. Features include recycled and reclaimed materials and energy efficient appliances. The project is targeting LEED Silver certification.

“Our new space is fantastic. Our partners JPC and Opensquare helped us create a vibrant and flexible workspace that really promotes collaboration and teamwork,” said Lydig director of



special projects group and NAIOP member Craig Green. “We have incorporated new technologies, and it’s a healthy environment with great light, warm and inviting. We look forward to sharing our new home with the construction community and our clients.”

Lydig Construction, which also has offices in Spokane and Kennewick, provides premier preconstruction and construction services on a wide range of commercial-building types. The firm provides expertise in Building Information Modeling (BIM), lean protocols and sustainable buildings, including the largest LEED Gold-certified design-build prison campus expansion in the U.S., as well as the first industrial building in the nation to achieve LEED Platinum certification. www.lydig.com

The world is round, and the place which may seem like the end, may also be the beginning.

- Ivy Baker Priest

Although my time at NAIOP was not as long as I and others would have liked, it was most certainly some of the best times in my career. I’ve said it before, and I’ll say it again: The members and volunteers at NAIOP Washington are some of the best I’ve ever worked with at the more than seven associations during my career. You all have accomplished things that full-paid staffs haven’t even begun to comprehend; and for that you should be proud. Proud of what you have and continue to accomplish as an organization, a volunteer, a member and a real estate professional. You all play an important role in this well-oiled machine.

I’d like to thank the NAIOP committee chairs who made my job easier by being incredible leaders, and the many volunteers and members who welcomed me with open arms, right way. I also want to express my gratitude to the NAIOP Board of Directors which made incredible strides and was always supportive of any ideas, strategies or initiatives I brought to the table. It has truly been an honor. I want to thank Jillanne, who was incredible to work with! I miss her every day and know you all will, too, once she moves on to another exciting phase in her life as a mom.

The commercial real estate industry was new to me when I arrived in Seattle. For the many members who took time out of your day to have coffee (or a glass of wine) to explain the industry and make me aware of common trends – I’m forever grateful. Now that I’m with the Commer-

cial Brokers Association, my learning industry curve isn’t as steep, and for that I have NAIOP to thank. I hope to join you all in a long career in commercial real estate, and I look forward to interacting with many of you again on a regular basis.

It’s been an absolute blast! Please do stay in touch and don’t hesitate to reach out. And, of course, know I’m always wearing a nice pair of shoes in your honor!



All the best,

Michelle Mills, CAE
Executive Director
Commercial Brokers
Association
[michellem@
commercialmls.com](mailto:michellem@commercialmls.com)

Property Tour 2014 Spotlight

By Ben Swenson, Emerald City Moving & Storage

On July 17, NAIOP's Property Tour committee will host a walking tour of Capitol Hill's newest real estate developments. The focus of this year's tour will be on multi-family and office/mixed use developments in the Pike and Pine neighborhood. The properties you can look forward to touring include:

- **REO Flats**
- **Chop House Row**
- **Sunset Electric**
- **The Bullitt Center**
- **The Northwest School**
- **Beryl Apartments**
- **Viva**
- **The Garage (reception venue)**

The tour will start with a panel discussion during a hosted lunch at the Northwest School's newly constructed multi-use center, boasting a fully enclosed rooftop soccer field and other award winning amenities. Panelists include local business owners, developers and people active in community boards. They'll talk about the challenges increased development presents, and what most excites them about these new neighborhood projects. Panelists will also discuss why Capitol Hill is more attractive, what's spurring development, and how the neighborhood is balancing new development with existing character and feel. From there, small groups will tour each of the selected destinations.

Interest points will be discussed at each site to give attendees a better understanding of the Capitol Hill real estate market. From price per square foot to available amenities, all major aspects of the project will be shared with the groups. The mission statement of the committee is: "The Property Tour Committee of the Washington State Chapter of NAIOP is comprised of members who are dedicated to the vibrancy and growth of the real estate industry in the greater Puget Sound Region. The purpose of the Property Tour Committee is to create on an annual basis a tour showcasing a neighborhood or community in the greater Puget Sound region, and to provide a platform to promote the four cornerstones of NAIOP: Networking, Influence, Community, and Education (NICE) within the organization."

Our breakdown of goals relating to NICE are:

- **Community – Responsible for identifying and bringing in an organization that is a facet of the community (i.e., non-**



profits, youth groups, etc.) to provide awareness among tour attendees of the needs of the community

- **Influence – Incorporate a stop or speaker on the tour who can inform the attendees of the jurisdictional issues or political agenda that is relevant to the community and/or could have an impact on future development**
- **Education – Add more emphasis on speakers to provide educational content rather than promotional content when presenting**
- **Networking – Continue to provide networking opportunities during the event**

The Property Tour committee is thrilled to have many of Seattle's finest companies represented at the tour this year, and to highlight the people and products in our area that are raising the bar for the commercial real estate industry.

Please join the NAIOP Washington's [Property Tour](#) on July 17 and experience all the sights and sounds of Capitol Hill. We look forward to seeing you at the reception at The Garage's upper loft with free food, drinks and great networking opportunities.

NAIOP PROFILE - CONTINUED FROM PAGE 2

What would you be doing if you weren't at your firm? Spending time with family and making memories.

What do you like best about your industry? The ability to save people tax dollars, and the collaborative relationships that are formed to assist clients in all areas of business.

What is the most memorable experience of your career (good or bad)? The summer of 2013 was a memorable (aka difficult) time in my career. The firm I worked for sold to another local firm, and after much deliberation I chose to join Clark Nuber. Change can be difficult and scary. But the experience taught me that change, even if initially unwanted, can lead to even greater opportunities.

Which NAIOP committee do you serve on and why did you choose that committee?

I serve on the Summer Social Committee. It was one of my first experiences with NAIOP, and I was blown away by how much fun it was, and by all the effort that the companies put into decorating the putting green and the sponsored holes. When I started evaluating committees, it was just the natural choice.

What do you see as the biggest benefit of becoming involved in a NAIOP committee? The chance to be able to meet so many different types of

professionals in the same industry; this kind of interaction can help form a more well-rounded perspective of commercial real estate.

What do you do for relaxation/recreation (e.g., hobbies, sports, exercise, travel, etc....)?

Camping with my family has been a long tradition. I also enjoy Crossfit and playing softball.

What is the number one item on your bucket list? Vacation to Europe. I have always wanted to see the castles there. I'm fascinated by these immense, beautiful structures that have endured for centuries.

What book did you read most recently (that you want to admit to):

"Divergent," by Veronica Roth. It was highly recommended to me by my daughter, so I couldn't say no. For business reading, I am reading "The 7 Habits of Highly Effective People," by Stephen Covey.

What advice would you give to someone just starting out in our industry? Build your network now; you never know where people will end up.

What's an interesting or unusual fact that most of your fellow NAIOP colleagues probably don't know about you? My first job in high school was as a dental assistant.

Sean Durkin Awarded CCIM

The Andover Company, Inc. / CORFAC International is proud to announce that its youngest broker, Sean Durkin, has recently earned his CCIM designation at the semi-annual conference in Nashville, TN. Sean joined Andover in 2010 after graduating from Seattle University. He focuses on serving tenants and landlords in the leasing and sales of industrial and office properties in King and Pierce counties. Sean started working on his CCIM designation in 2011 to better serve his clients. He's been involved in some 700,000 square feet of leasing and sales at Andover – representing more than \$20 million in gross transaction volume – and currently co-chairs the NAIOP South Sound Committee. "Andover prides itself on its personalized client services and industry involvement, and we are pleased to have another CCIM under our banner," says managing partner Brian Bruininks, CCIM.

NEW MEMBERS

Jack Beaudoin

Venture GC

Darin Chestnut

PCL Construction Services Inc.

Kelly Molitor

Fidelity National Title Insurance Company

Aleksandr Yeremeyev

University of Washington Real Estate