



The State of Seattle

Garvey Schubert Barer Hospitality Presentation

February 29, 2012

Presented by:
Matthew Gardner
Managing Principal

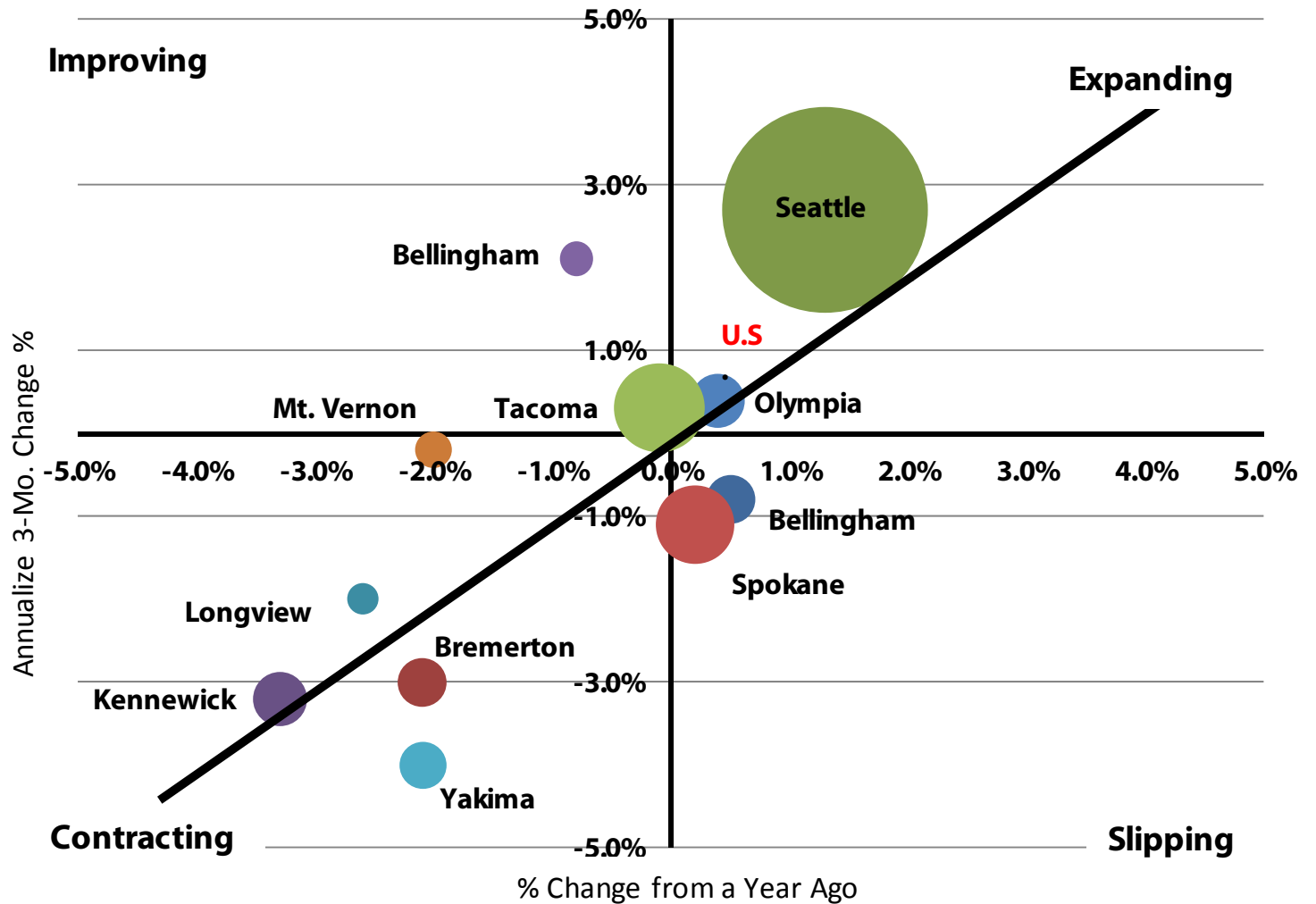
524 Second Ave, Suite 500
Seattle, WA 98104
206.442.9200



The Seattle Economy

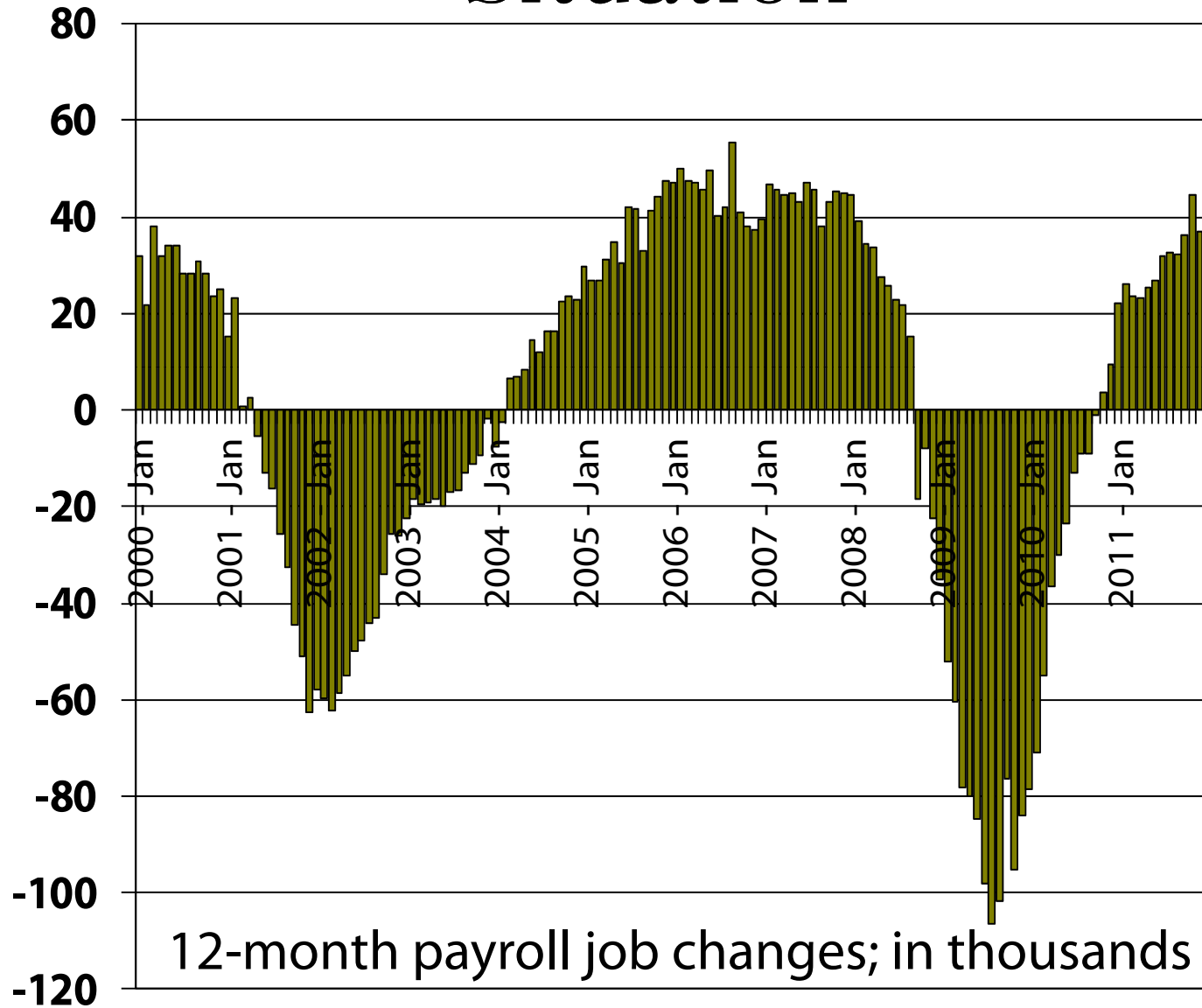
Employment Growth is Unequal

Seattle Looks in Much Better Shape than the Rest of the State.



Seattle's Employment Situation

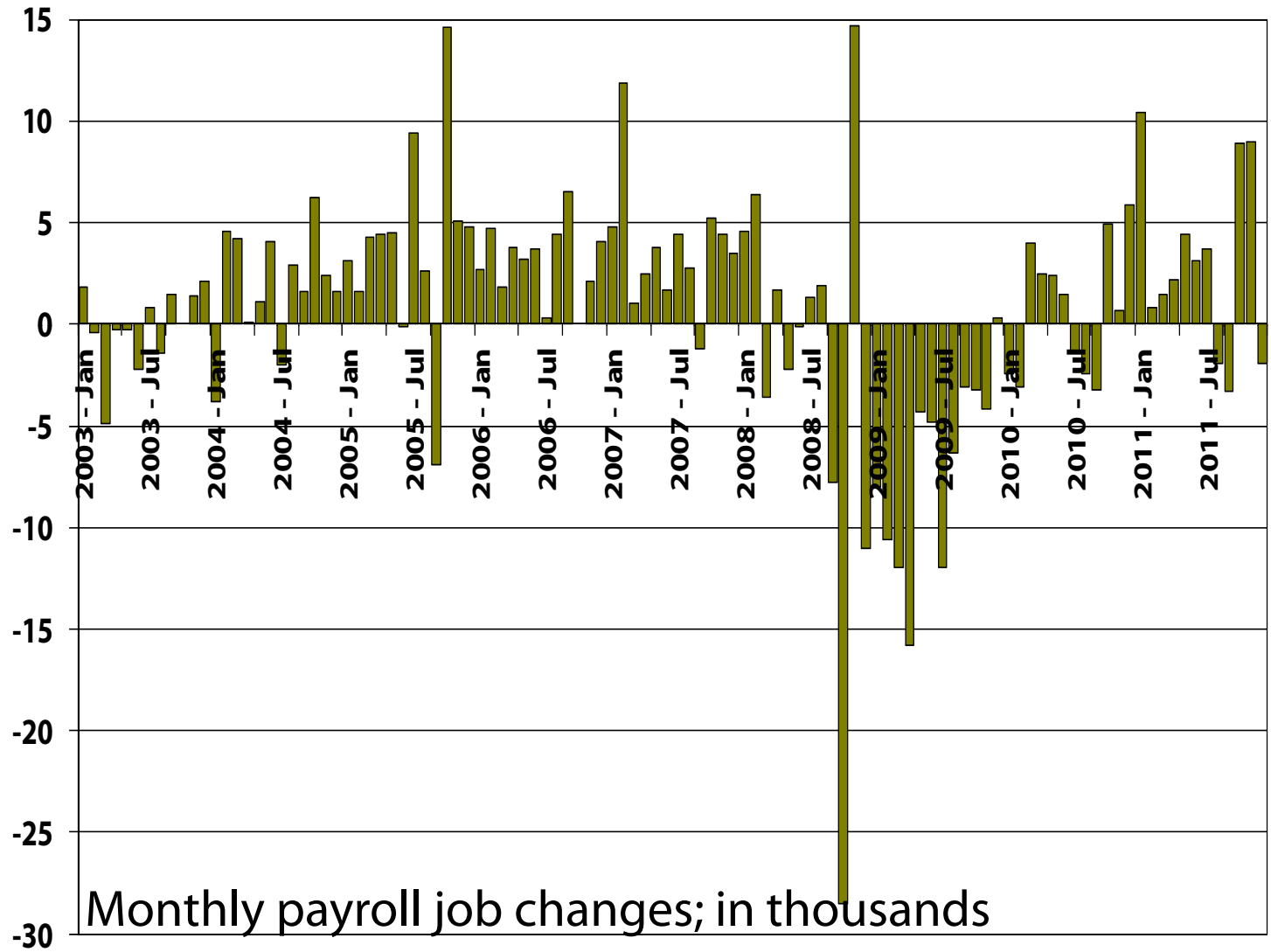
Year-Over-Year, the Recovery Appears Impressive.



12-month payroll job changes; in thousands

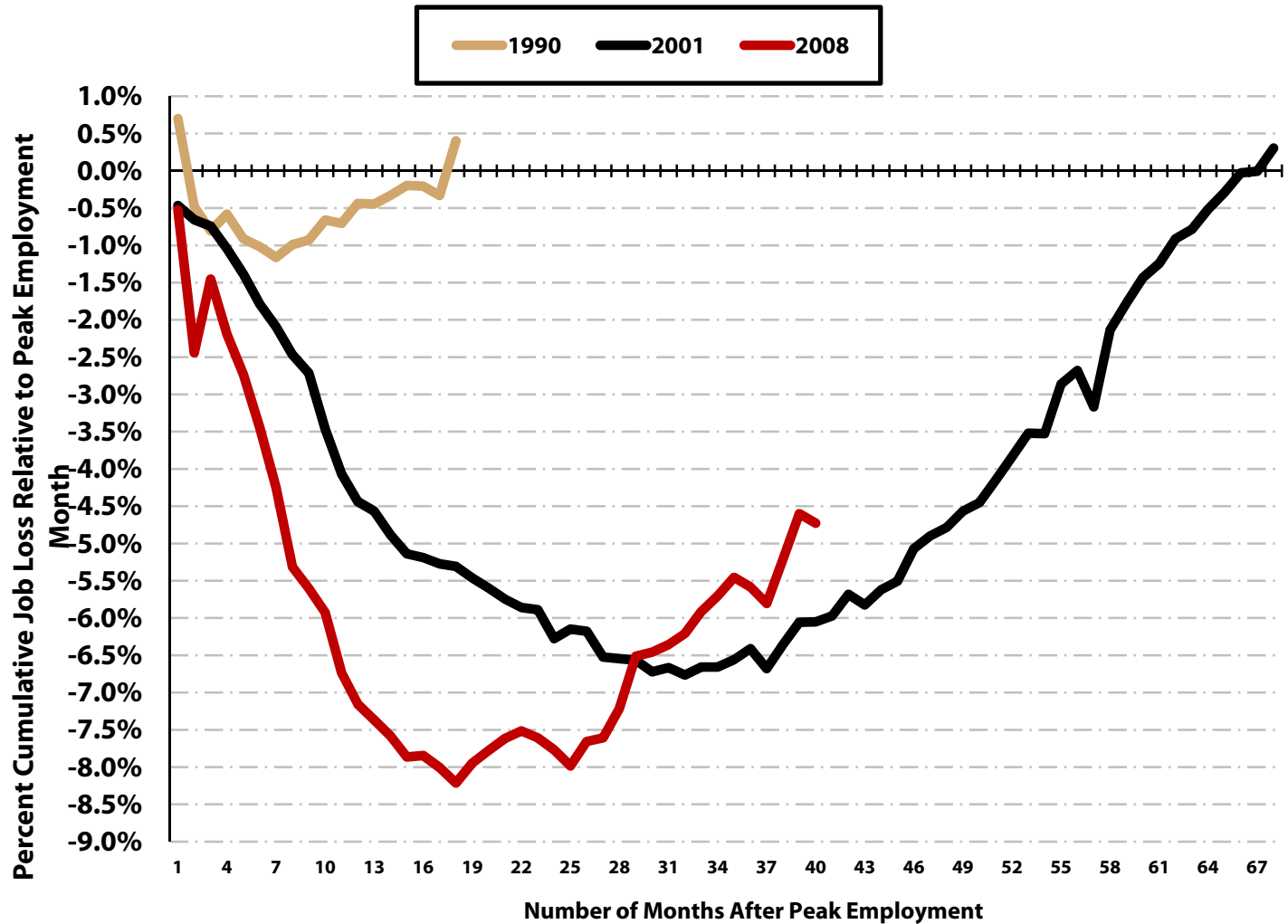
I am Not Holding Too Much By the Fall Declines.

Layoffs in Government Hurt the Fall Figures.



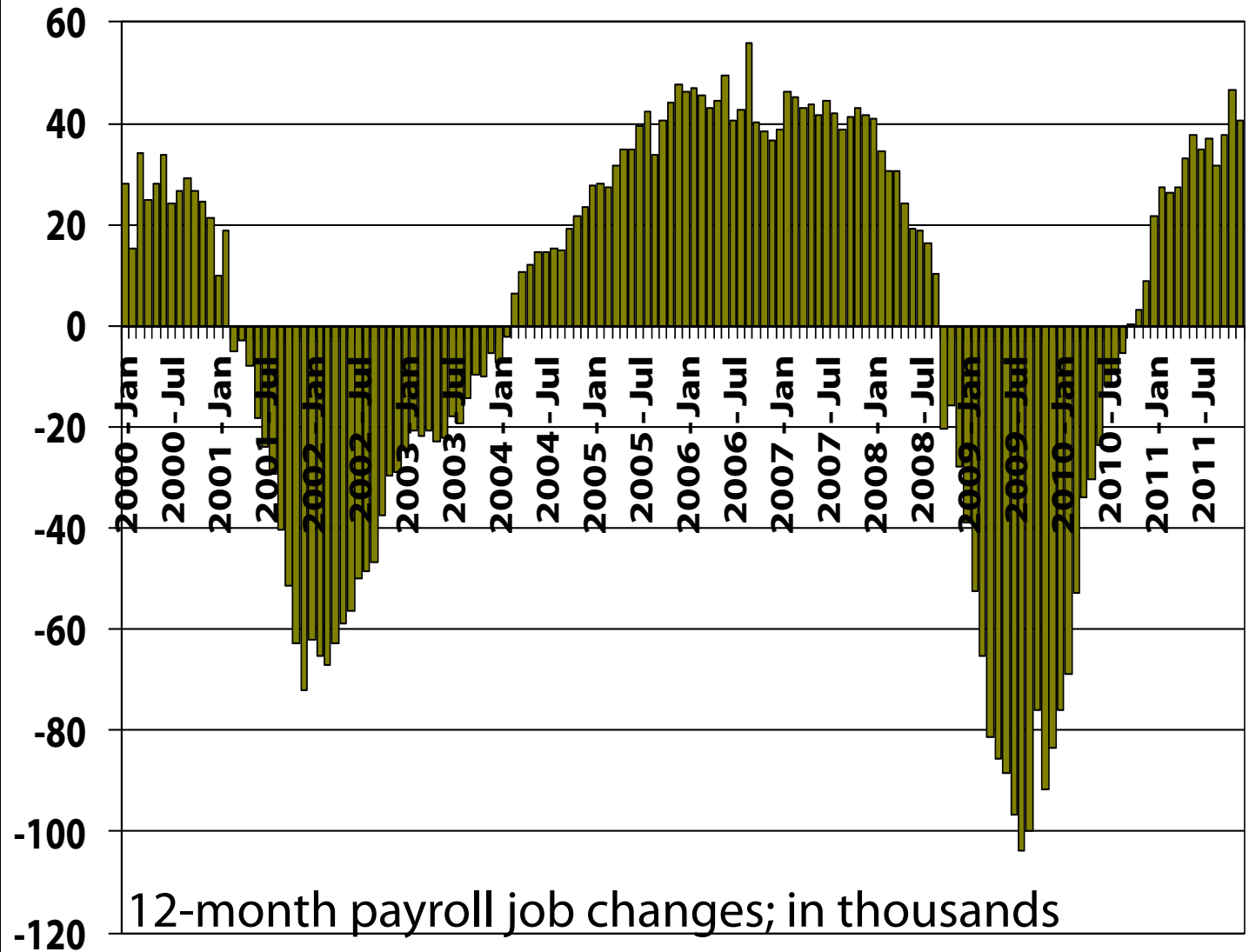
Seattle's Recovery Still Has a Way to Go.

The Market is Recovering Modestly Faster than the Last Recession.



Private Sector Employment

Again, the Private Sector is Driving Our Growth.

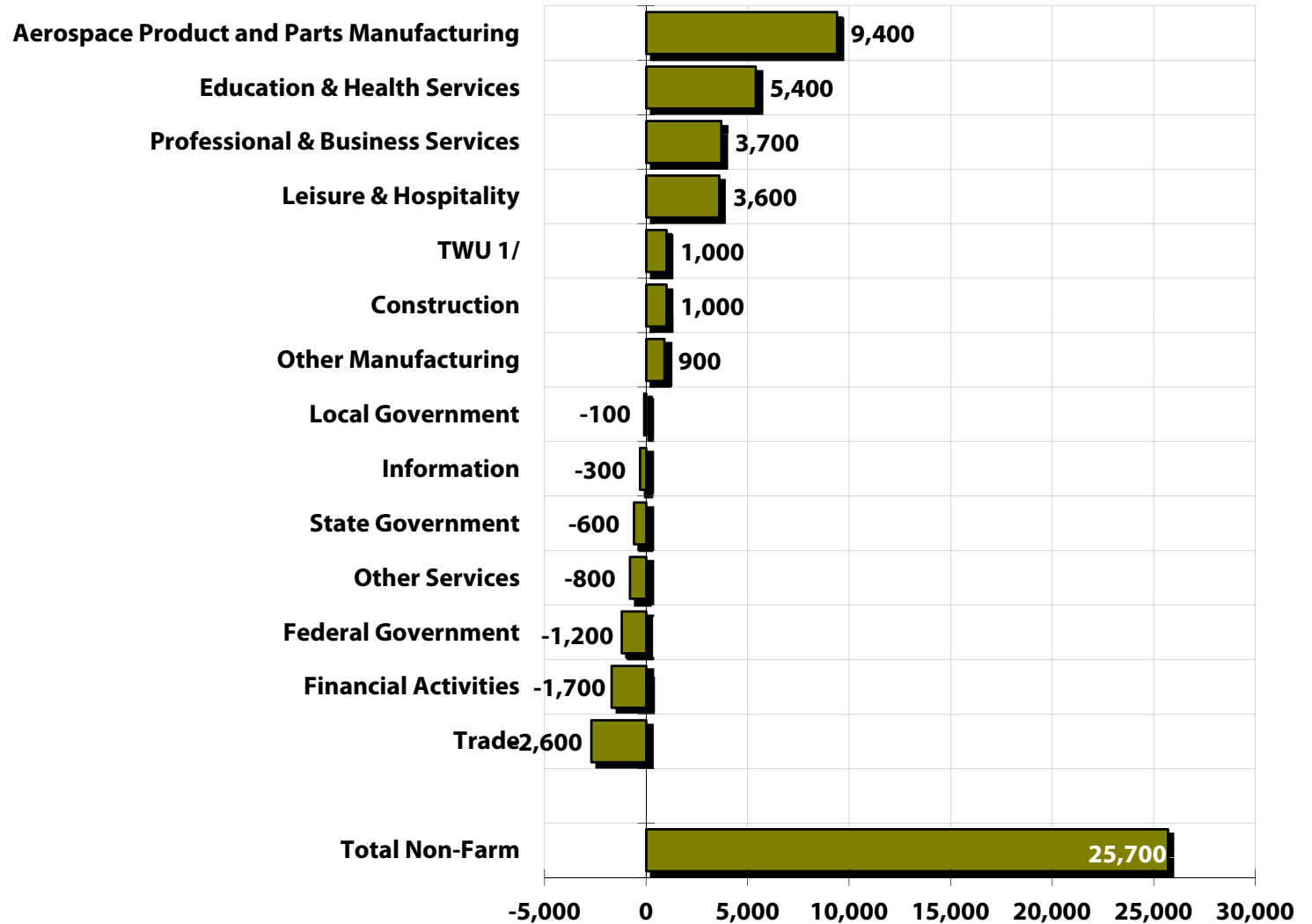


Local Employment Situation

A Very Different Picture From a Year Ago.

Government Layoffs Remains a Drag.

NET EMPLOYMENT CHANGE BY NAICS CLASSIFICATION

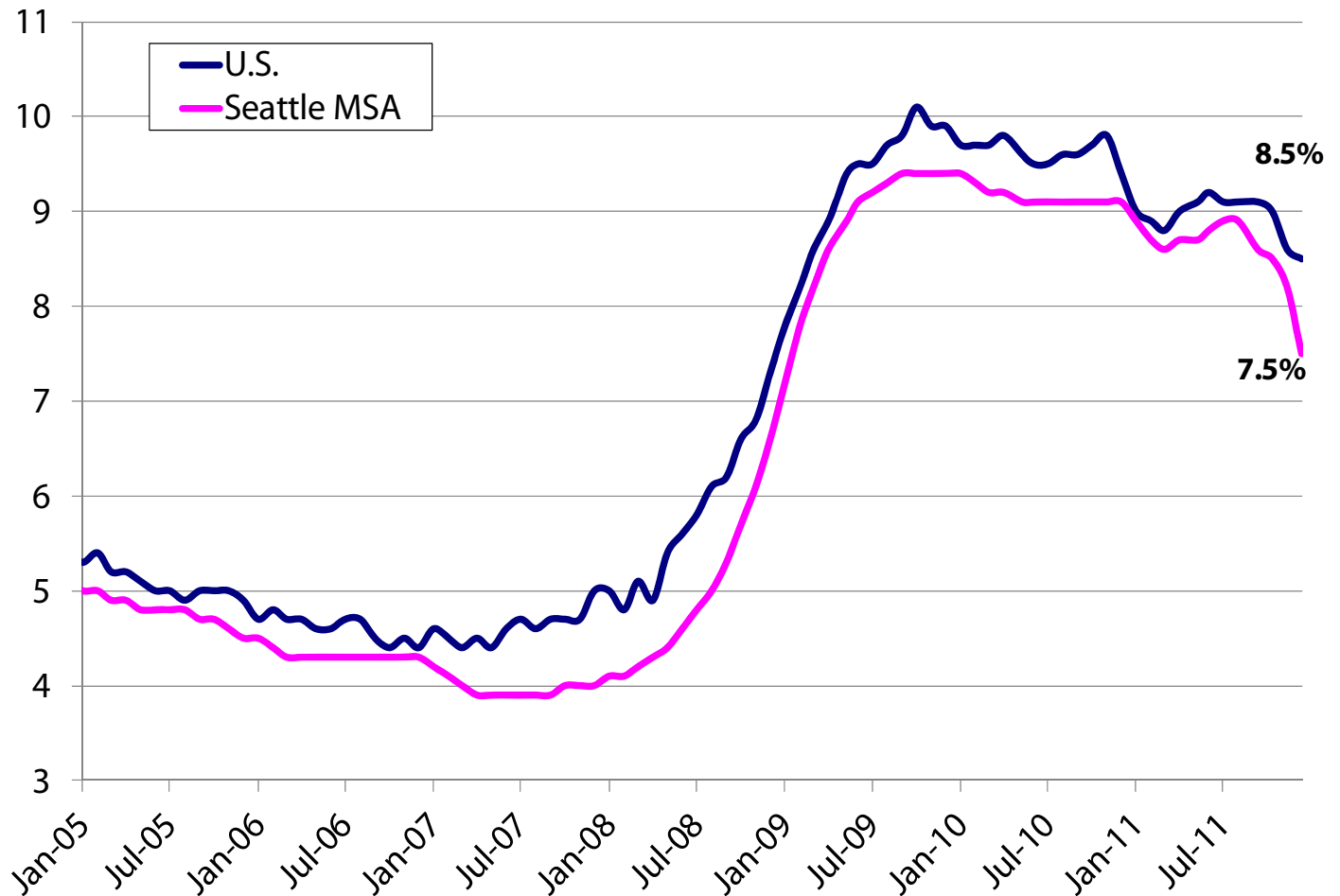


Source: WA State – Seasonally Adjusted YoY Growth
Dec. 2010 – Dec. 2011

The Drop Has Been Mainly Due To People Quitting Their Search for Work but that Has Changed.

Economic & Real Estate Forecast
February 29, 2012

Unemployment Rate Still Below the National Average



SOURCE: BLS & Gardner Economics – Seasonally Adjusted Data

Seattle's Employment Situation

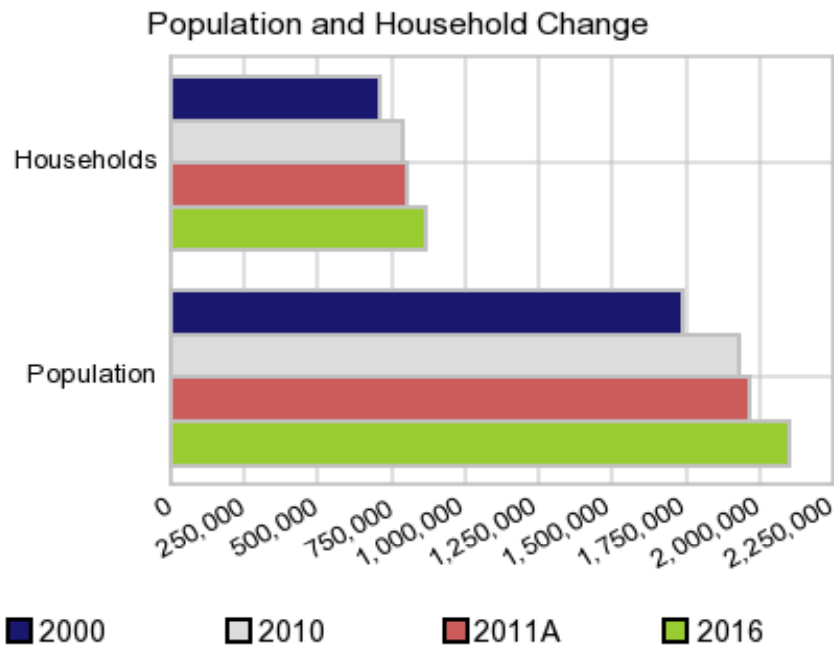
- Seattle Remains the Best West Coast Location Relative to Potential Growth;
- The 5 B's Will Still Drive Us;
- We are a Top Location for I.T. Startups;
- Still 222,000 Employees Downtown (20% of County Total).

Seattle's Major Employers

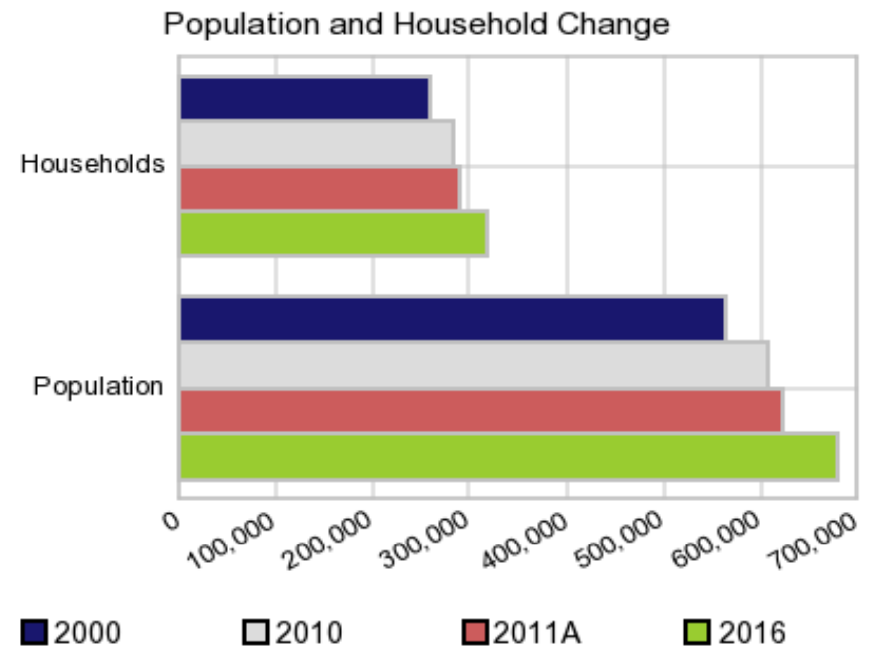
Currently Headquartered In Seattle	Recently Located, or Proposing Moving to Downtown
<ul style="list-style-type: none">• Amazon.com; (Revenue \$34.2B)• Starbucks; (Revenue \$10.7B)• Nordstrom; (Revenue \$9.7B)• Expeditors. (Revenue \$5.9B)• Plum Creek Timber (Revenue \$1.2B)	<ul style="list-style-type: none">• Gates Foundation;• Boeing;• Dendreon;• Facebook;• Getty Images; and• Zillow.

Demographic Makeup

King County



Seattle

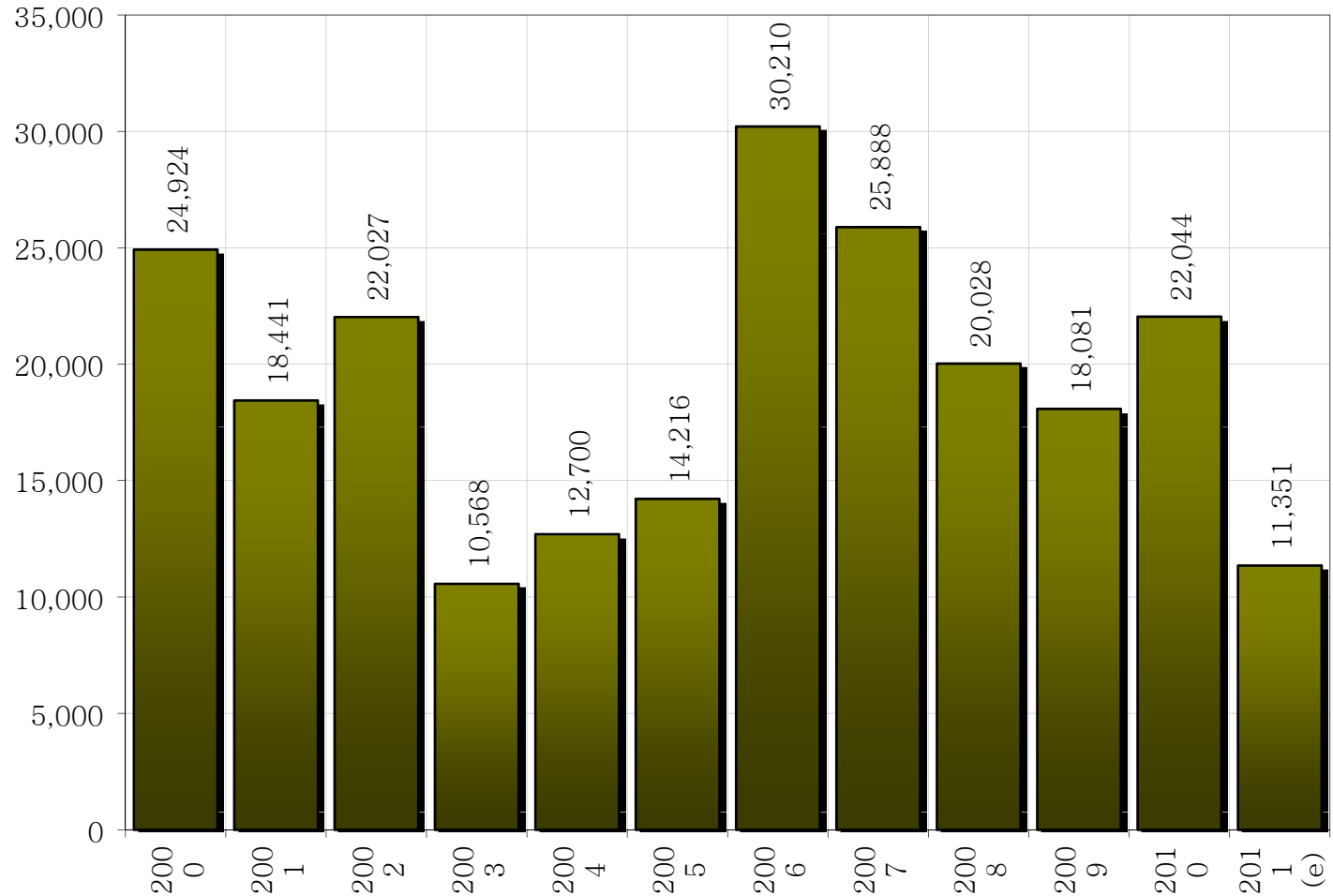


SOURCE: BLS & Gardner Economics – Seasonally Adjusted Data

Population Growth King County

Growth Through April Indicates that we will Likely Exceed 2010 Relative to Population Growth.

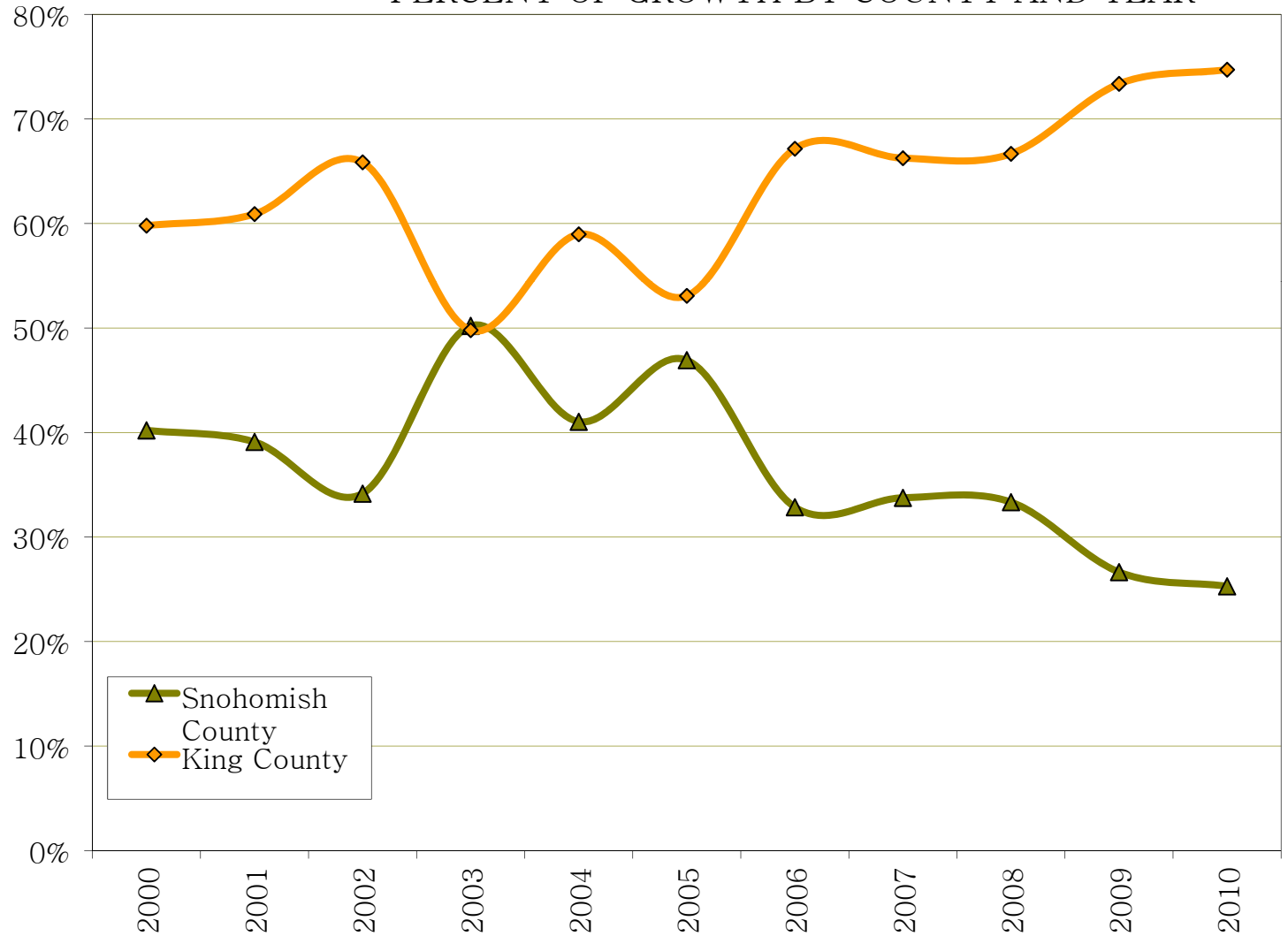
Economic & Real Estate Forecast
February 29, 2012



SOURCE: Gardner Economics

Population Growth

PERCENT OF GROWTH BY COUNTY AND YEAR



Growth
Increasingly
Centered on
King County.



The Residential Market

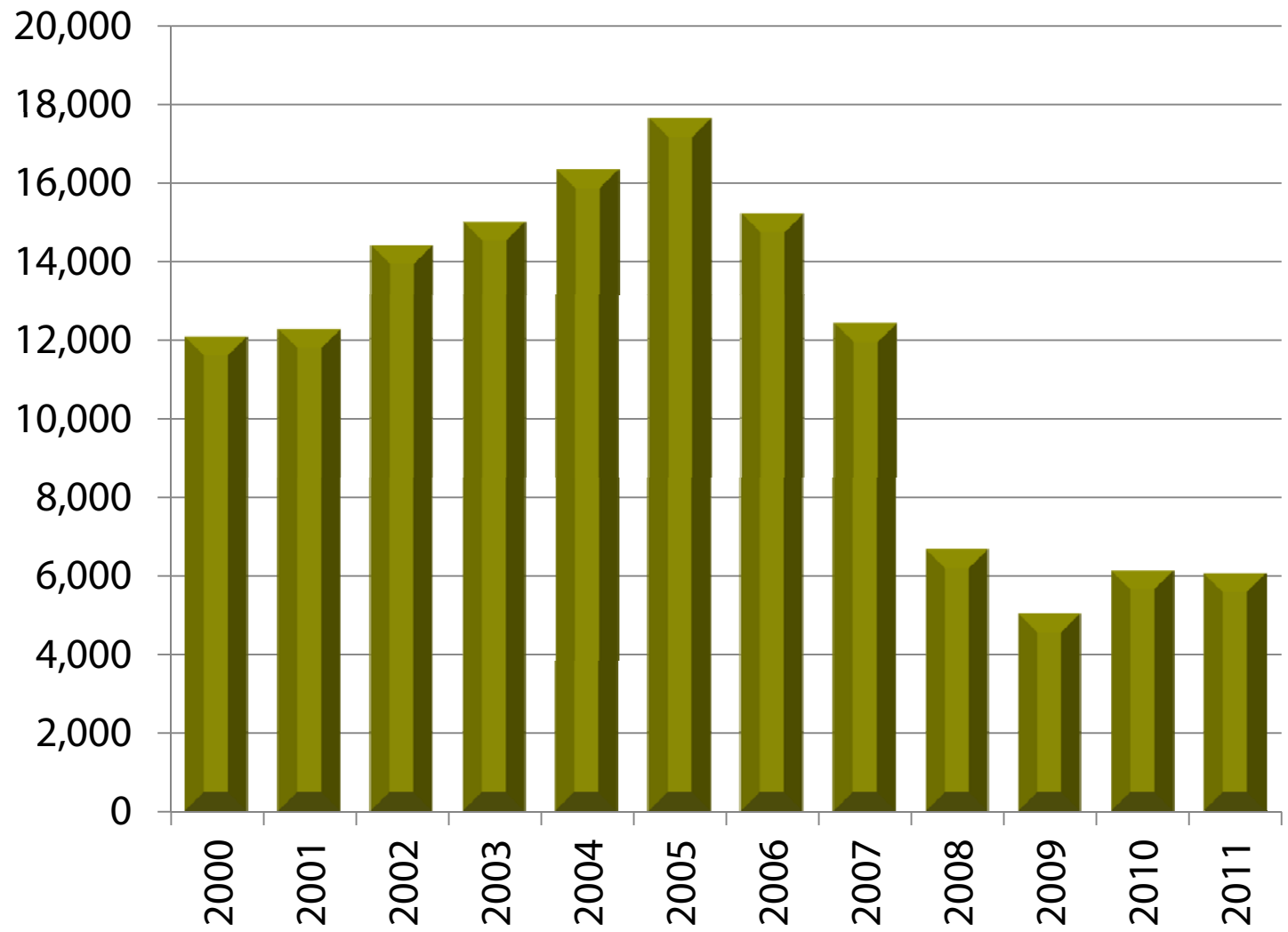
SF Permits Over Time

Tri-County Area

When Demand Returns Will Builders Be Ready for It?

Need 20% Annualized Growth for 5-years to get back to Historic Averages.

Economic & Real Estate Forecast
February 29, 2012



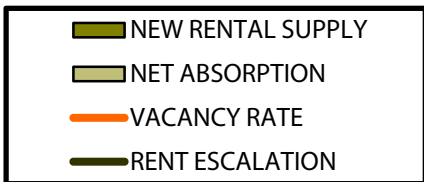
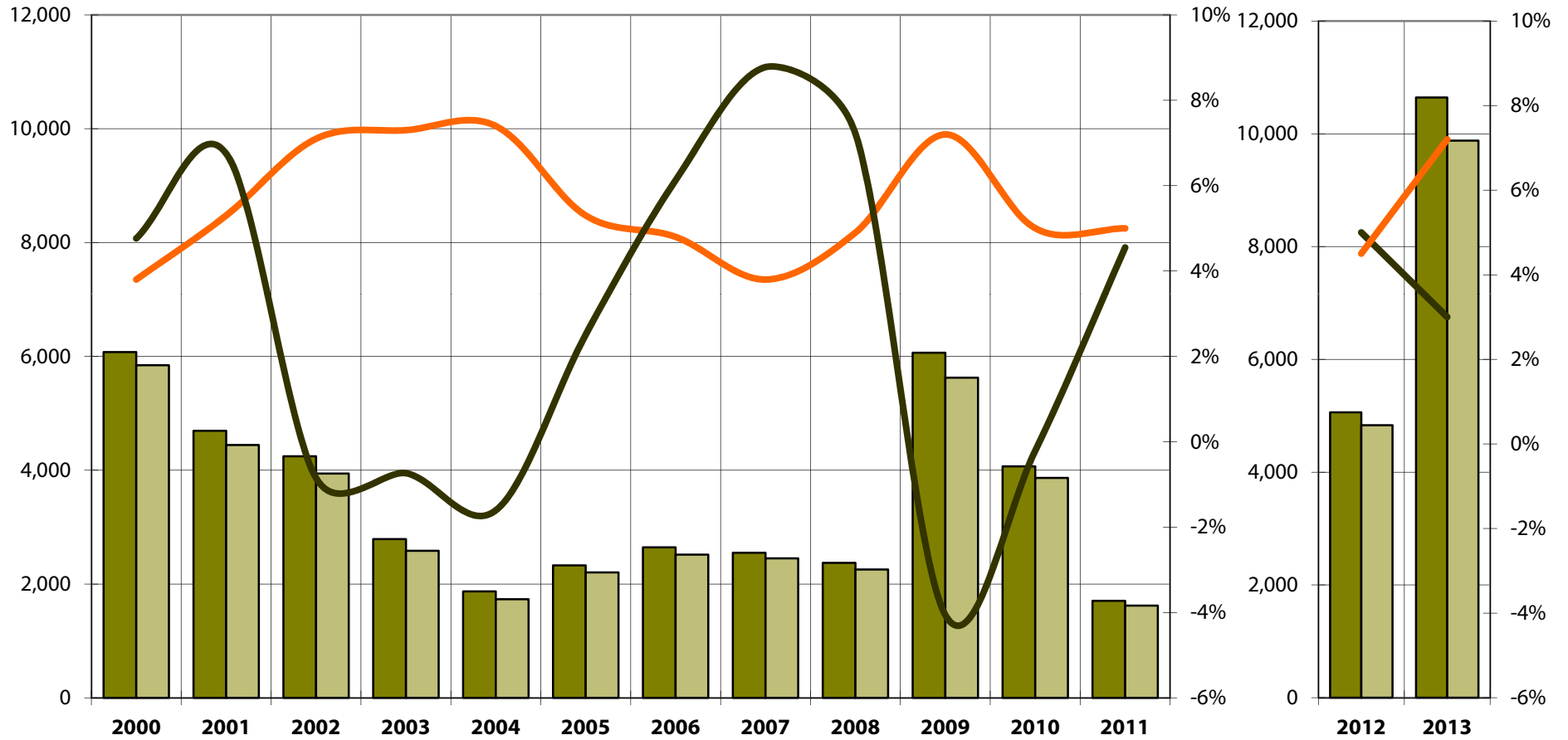
SOURCE: Gardner Economics

Conclusions

- More Foreclosures Can Be Expected in 2012 but Will Decline in 2013;
- Substantial Interest from Out of State Builders; and
- Market Will Return to Stability in Areas More Proximate to Job Centers First.

The Apartment Market

Apartment Trends



SOURCE: Gardner Economics

Conclusions

- The Apartment Market Appears to be the Best Asset Class... For Now;
- There is the Possibility of a Localized Bubble; but
- Suburbs Likely to Fare a Little Better.

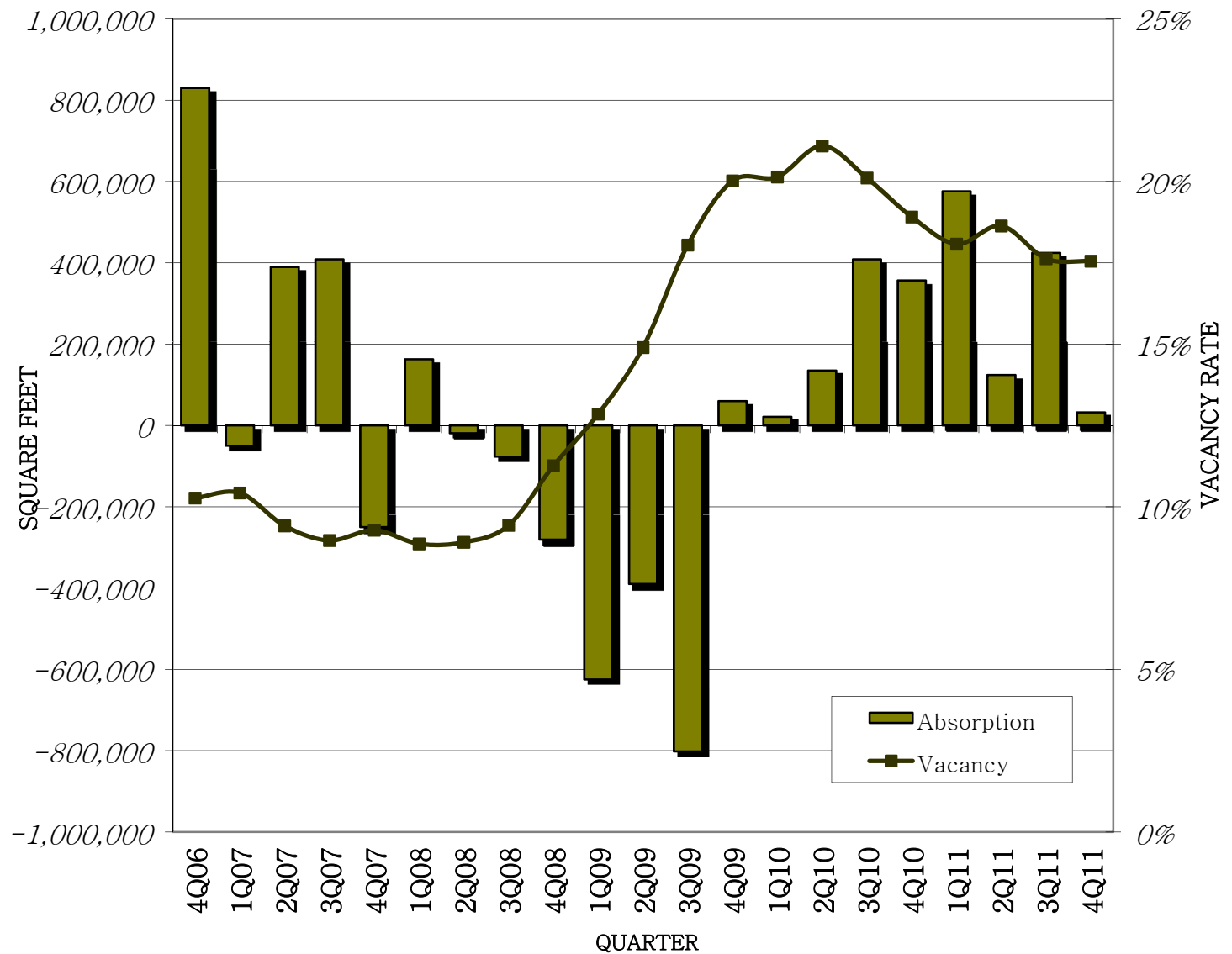
The Seattle Office Market

Downtown Office Trends

Quality
Space
Being
Absorbed!

Year End
2012
Vacancy
Rates
Likely to Be
around
14%.

Economic & Real
Estate Forecast
February 29, 2012

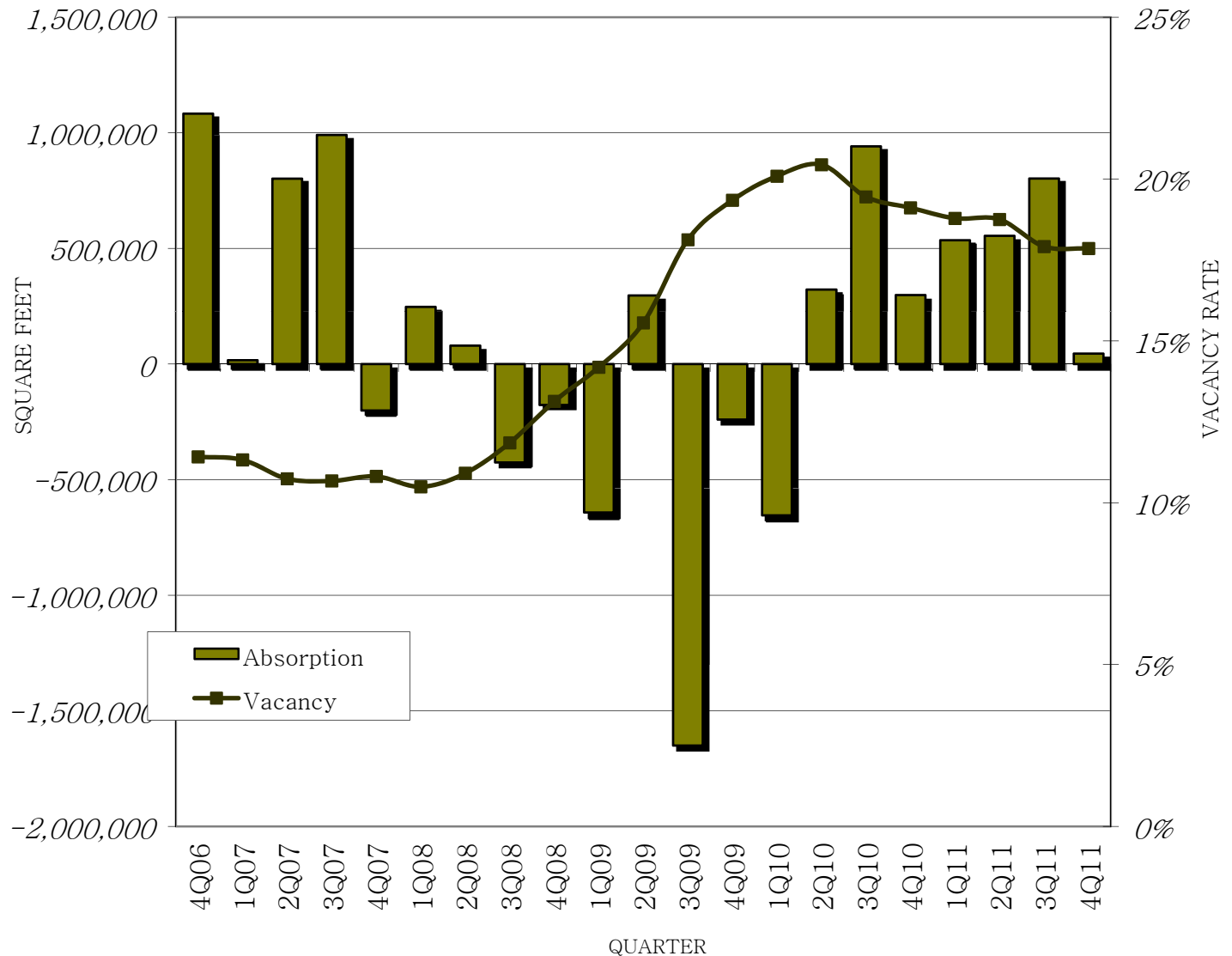


SOURCE: Gardner Economics

Puget Sound Office Trends

Be Thankful
for Microsoft
& Amazon!

Transactions
Demonstrate
Investors
Search for
Yield.



SOURCE: Gardner Economics

Office Conclusions

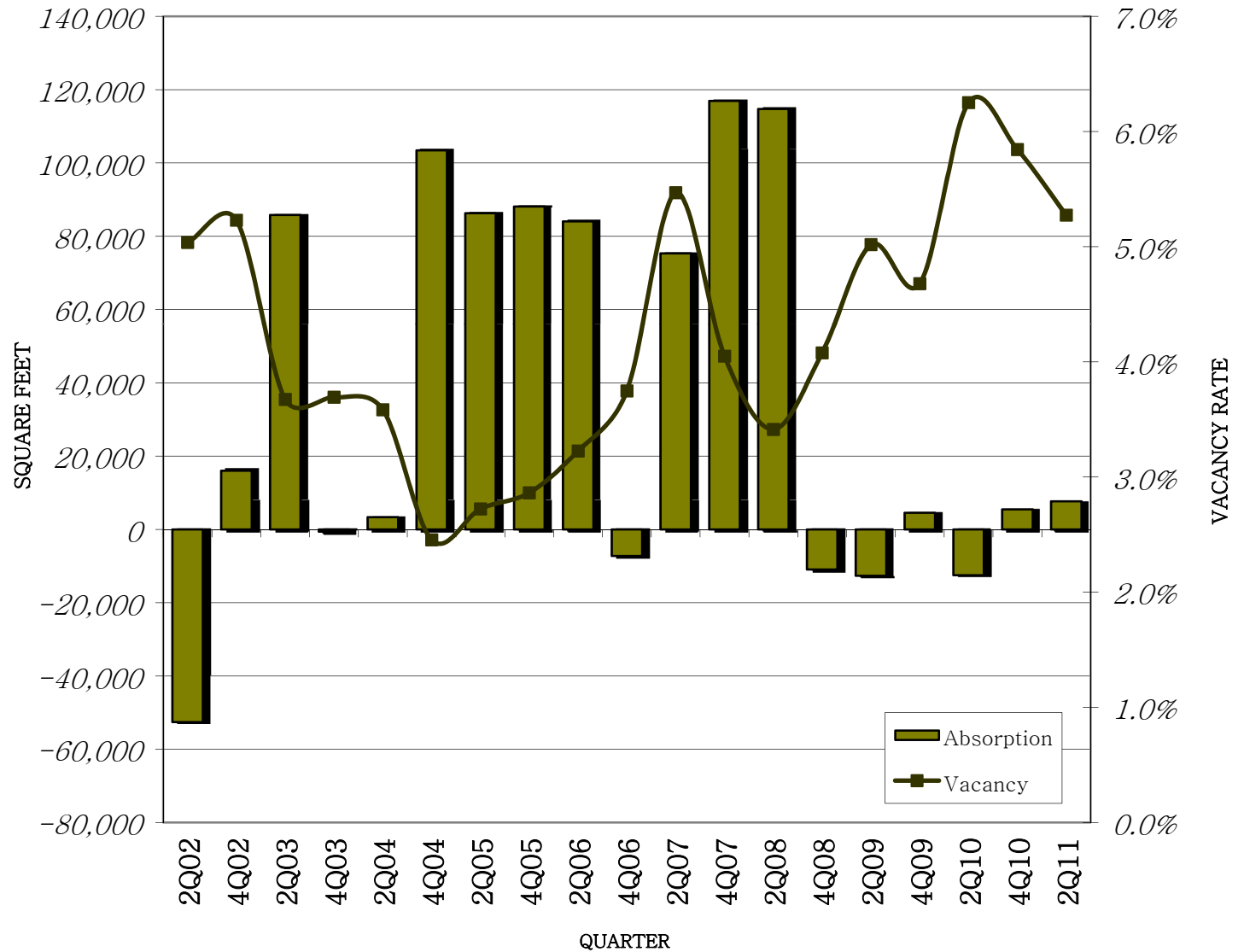
- Limited Fallout in the CMBS Market;
- Investors Chase Yield (7 Straight Quarters of Positive Absorption);
- Job Growth Expected to Drive Demand;
- Zero Spec Development Limiting Companies Ability to Grow; and
- Amazon/Stadium Announcements.

The Seattle Retail Market

Downtown Retail Trends

Retail has
Been
Treading
Water.

No
Construction
Planned.

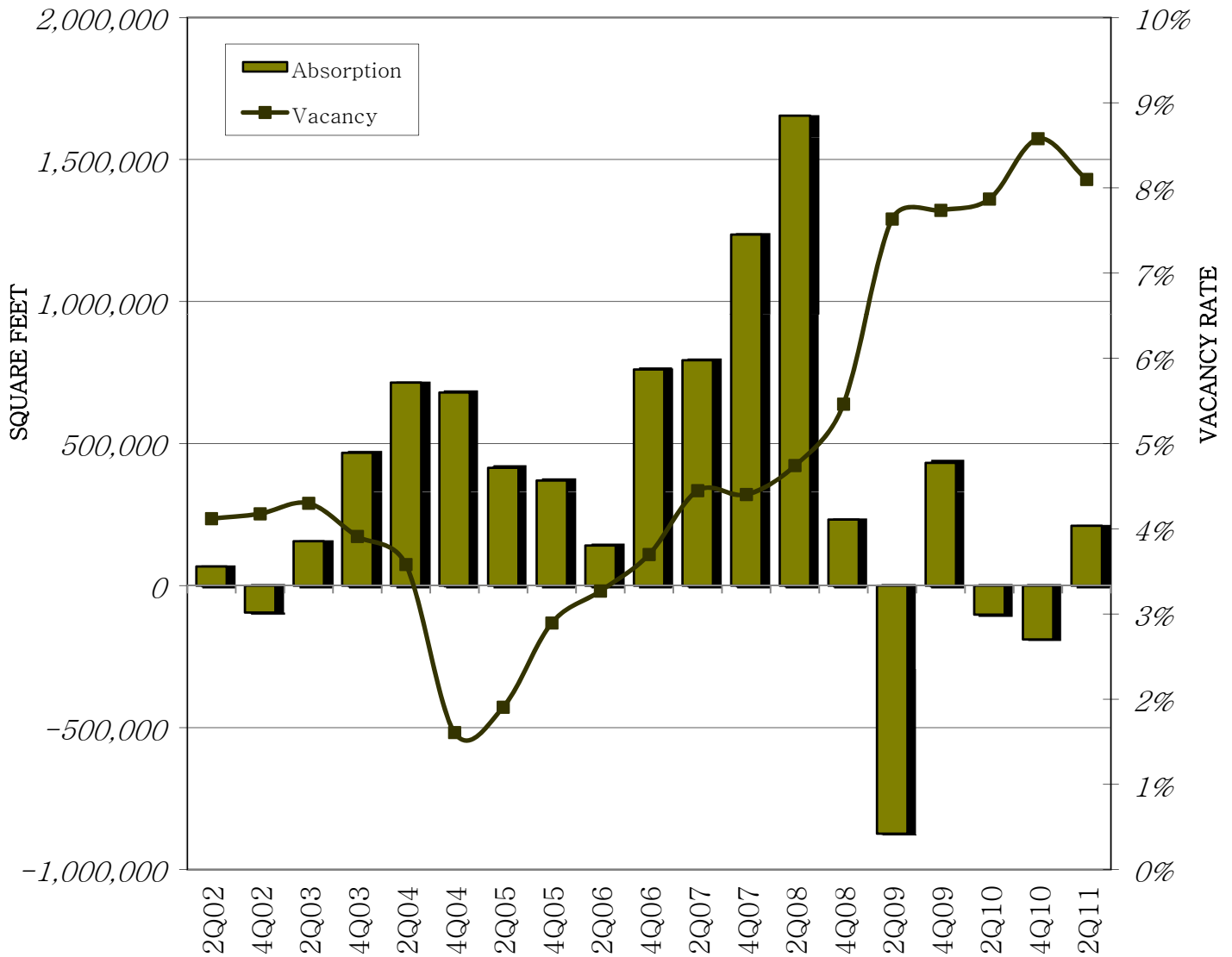


SOURCE: Gardner Economics

Puget Sound Retail Trends

Similar Picture for the Region.

56K Under Construction but 4.79M SqFt in Planning.



SOURCE: Gardner Economics

Retail Conclusions

- Treading Water at Present;
- Liquor Distributors Demand offset by Contraction Elsewhere;
- Job Growth Will Enhance Sales;
- Investor Demand for Single Tenant Buildings Occupied by Investment Grade Tenants.

Closing Thoughts

- Prepared for Recovery.
- Focus on a Culture of Excellence.
- Seattle Has a Bright Future Ahead of It.

The State of Seattle

Questions?



© Gardner Economics LLC 2012
The Preceding Presentation may not
be Copied
or Distributed without Prior Written
Permission of
Gardner Economics LLC

© 2012 Gardner Economics, LLC. and/or its licensors and affiliates (collectively, "GARDNER ECONOMICS"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT GARDNER ECONOMICS' PRIOR WRITTEN CONSENT. All information contained herein is obtained by GARDNER ECONOMICS from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall GARDNER ECONOMICS have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of GARDNER ECONOMICS or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if GARDNER ECONOMICS is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell, hold or develop any asset. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY GARDNER ECONOMICS IN ANY FORM OR MANNER WHATSOEVER. Each opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security that it may consider purchasing, holding, developing or selling any asset.