

The regional economy has shown impressive growth during the past twelve months. Both Boeing and Microsoft have been steadily adding to their local workforces and overall, the state has added more than 60,000 jobs during 2005. The region's population has grown by over 20% during the past decade, and the average personal income continues to rank as one of the highest in the nation. As a result, many national retailers have targeted the Seattle area for expansion.

### VACANT SPACE/VACANCY RATE

In general, well-located retail centers are experiencing very low vacancy levels. The vacancy rate for the region has remained very stable over the last two years at just under 4%.

### NEW CONSTRUCTION ACTIVITY

Retail development activity has picked up in the three-county Seattle market, as 557,891 s.f. of new retail space was completed during 2006. In addition, 2,812,390 s.f. of new retail space is currently under construction and several significant projects are poised to break ground in early 2007.

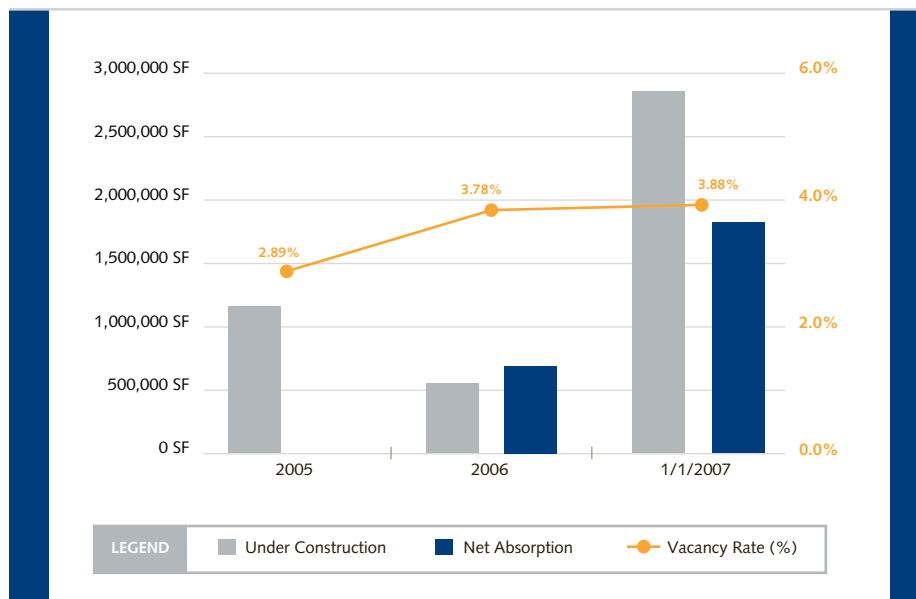
### RENT FORECAST

Retail rents are expected to trend upward for the next six months. Retail rents in the Seattle CBD range between \$35 and \$75/s.f./year, NNN and rents in suburban grocery anchored centers range between \$20 and \$40/s.f./year, NNN depending on property location and condition.

### MARKET DEMAND/NET ABSORPTION

The three-county Seattle market has a core population of 3,225,464, an increase of 23,452 people during 2006. King County's current population is 1,797,155, an increase of 20,267 people during 2006, with an

### 3-COUNTY OVERALL STATISTICS



## Market Forecast

OVERALL MARKET	CURRENT	PROJECTION
Vacancy	3.88%	↓
Construction	2,812,390 s.f.	↑
Rental Rate	Varies by Submarket	↑
Absorption	1,823,882 s.f.	=

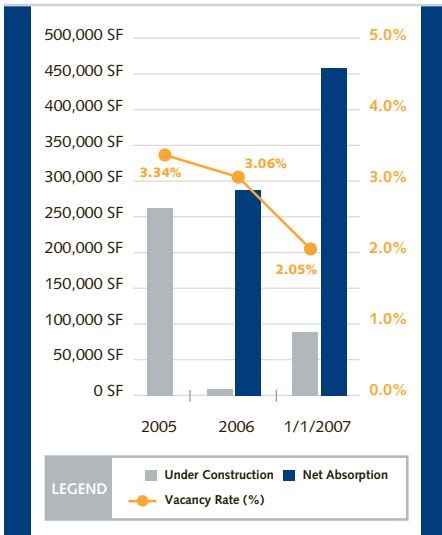
## Market Close

- Seattle's regional economy continues to demonstrate strong growth and is expected to continue to outpace the national economy over the next few years.
- New retail development is following residential growth in outlying suburbs. In urban core areas, new retail development is being focused on higher density projects, often mixed-use with residential components, due to high cost of urban land.
- Retail sales growth in the Puget Sound region was nearly 8% during 2005 and is expected to top 6% during 2006 and 2007.
- Due to a statewide employment growth rate that is double the national average, the State of Washington Office of Financial Management is forecasting that the State population will increase by over 100,000 people each year through 2010.

## SALES COMPARABLES

Property	City	Year Built	Sq. Ft.	Sale Price	Cap Rate
South Hill Center	Puyallup	2003	134,042	\$32,370,943	6.32%
Meridian Town Center	Puyallup	2004	77,666	\$22,240,556	6.04%
Speedway Center	Lynnwood	1992	90,242	\$21,231,709	6.33%
Rainier Square Plaza	Seattle	1994	107,423	\$24,983,668	6.60%
Meridian Place	Puyallup	1979/1999	122,422	\$33,000,000	6.29%
Greentree Plaza	Everett	1988	78,123	\$22,637,750	6.42%
Stanwood Towne Center	Stanwood	2003	91,146	\$15,100,000	6.84%
Puget Park	Everett	1983	41,578	\$8,148,125	6.43%
Midway Crossing	Kent	1993	75,645	\$14,580,000	7.66%
Lake Forest Park Town Center	Lake Forest Park	1964/1980s	247,619	\$27,000,000	6.33%
Lakewood Colonial	Lakewood	1955/2003	127,818	\$22,000,000	7.07%

## SEATTLE CBD/SEATTLE URBAN CENTERS STATISTICS



average household income of \$81,300 (\$61,392 median household income). The region's net absorption of retail space for 2006 was 1,823,882 s.f., as the amount of vacant space remained relatively stable despite the addition of 557,891 s.f. of new retail building area to the market over the last two years.

### Seattle CBD/Seattle Urban Centers

The Seattle CBD retail core has been enhanced by a growing downtown residential population. The neighborhood areas surrounding the Seattle CBD (720,370 population/\$71,360 average household income) include West Seattle, Magnolia, Queen Anne, South Lake Union, Capitol Hill, University District, South Seattle, Shoreline, Lake Forest, Northgate, Ballard, Greenwood, Fremont, View Ridge, and Wallingford. The Seattle CBD remains anchored by the Nordstrom flagship store, Macy's, Pacific Place, and Westlake Center.

- At Northgate Mall, Simon Property Group has demolished the existing hospital and theater building to construct 116,000 s.f. of new retail and seven pad sites facing Interstate 5. Tenants include Barnes & Noble, Stanford's, Romano's Macaroni Grill. Regal Cinemas will be the theater operator in Lorig's development south of Northgate.

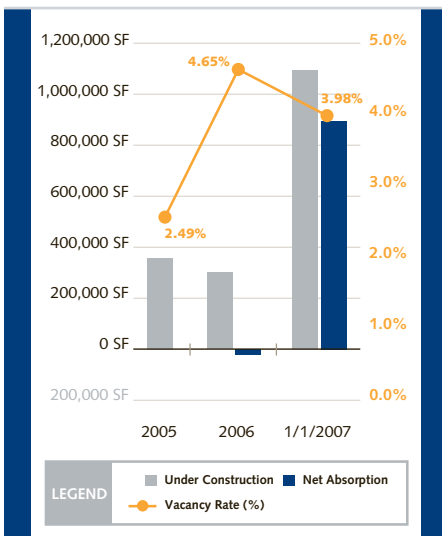
condominium project nearing completion at 500 Mercer Street.

- Whole Foods opened their new 44,000 s.f. store in Vulcan's 2200 project in the South Lake Union neighborhood. 2200 Westlake has 90,000 s.f. of retail total, topped by residential condos and a Pan Pacific hotel.
- TRF Pacific broke ground on their Interbay site, which will feature a new 64,700 s.f. Whole Foods grocery store and shops, totalling 80,024 s.f.
- Northwest Research Management is working to break ground on a mixed-use project in West Seattle. Known as Fauntleroy Place, the 70,000 s.f. ground floor retail component will be anchored by a 50,000 s.f. Whole Foods Market. 185 apartments will be on the upper floors.
- Increased density is the theme throughout the urban area. Existing food stores with surface parking in Capitol Hill, Queen Anne, Wallingford, Ravenna, Green Lake and Ballard are scheduled to be replaced by mixed-use projects with ground floor commercial and upper floor residential.

### South King County Review

South King County (549,859 population/\$70,238 average household income) includes the cities of Kent, Renton, Tukwila, SeaTac, Burien, Covington, Des Moines, Auburn, and Federal Way. Westfield's Southcenter Mall has started construction on

## SOUTH KING COUNTY STATISTICS



- QFC will open a 40,000 s.f. store on the ground floor of the 100-unit Lumen

an additional 400,000 s.f. of retail which will total 1.7 million s.f., making it the largest mall in the region. AMC Theaters will anchor the third level. New restaurants and Borders Books will be added.

WIG Properties purchased the former J.C. Penney's distribution warehouse, in the heart of the Southcenter retail market in Tukwila, and is developing a 300,000 s.f. retail center on the site, anchored by a 100,000 s.f. Kohl's and Nordstrom Rack.

- Lakeshore Landing is an 800,000 s.f. retail project expected to commence construction in early 2007 on former Boeing property in Renton. The property is being developed by a partnership of Transwestern Investment Company and Harvest Partners. The retail portion is expected to include Target, Regal Cinemas, Lowe's, LA Fitness and Staples. The developer is also seeking a grocery store and some additional junior anchors.

- Opus Northwest completed the 225,000 s.f. Federal Way Crossings retail center, which is anchored by Sportsman's Warehouse and LA Fitness. They presold the project prior to completion to a local investor for \$70 million.

- JLO Enterprises and Wal-Mart are co-developing Federal Way Marketplace. Wal-Mart will open their superstore in early 2007, with JLO developing eight frontage pads with complementary convenience retail.

- The 150,000 s.f. first two phases of Tarragon Development's Kent Station project are open in downtown Kent, with a 14-screen AMC Theater, multiple restaurants (including Ram International, Duke's Chowder House and Restaurants Unlimited's first Pizzeria Fondi), a fashion component, including Coldwater Creek, Chico's and White House/Black Market.

- Covington's new town center continues to rapidly develop. In 2006 Kohl's opened their new store. Ashton Development is working on three additional projects that

will include LA Fitness and Home Depot. Costco has also tied up a site adjacent to Fred Meyer. The Ashton and Costco projects will break ground once road improvement funding can be finalized.

- In Maple Valley, Fred Meyer is looking to redevelop a lumber yard at Four Corners with a new store.
- At Auburn's Supermall, Wal-Mart has acquired acreage north of Regal Cinemas and plans to relocate from their existing old format store to a new superstore in 2007/2008.
- In the midway area of Kent, Robertson Properties completed the first phase of a new center anchored by Lowes Home Improvement. Just south of this, Fred Meyer has removed their existing building and will replace it with a new store and shop space on outparcels to be developed by White Leaseure.

### East King County Review

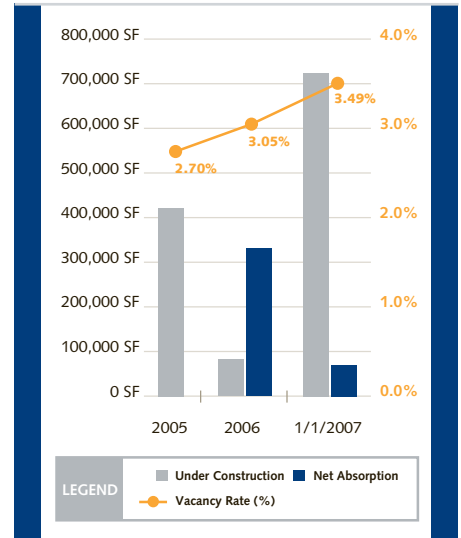
East King County (513,265 population/\$108,165 average household income) includes the cities of Bellevue, Redmond, Kirkland, Issaquah, Woodinville, Mercer Island, and Bothell. This area has the highest income level in the State of Washington.

- Schnitzer Northwest announced Neiman Marcus to The Bravern at NE 8th and 112th in downtown Bellevue. Neiman's only store in the Northwest will be 125,000 s.f. and an additional 175,000 s.f. of luxury retail and featured restaurants will be added. Construction is underway with a 2009 opening. The Bravern will also include 750,000 s.f. of office and 2 residential towers.
- TRF Pacific completed their 60,000 s.f. Whole Foods store with additional retail in Redmond.

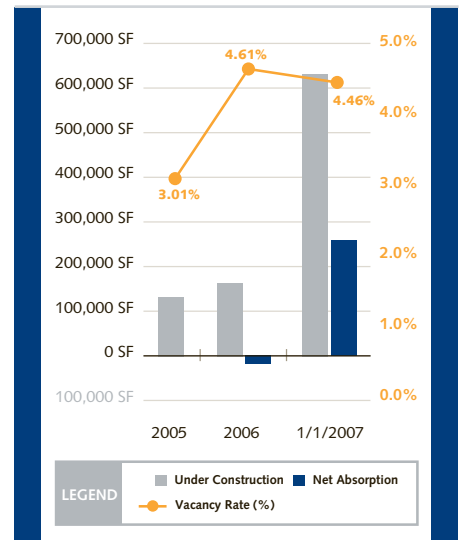
### Snohomish County Review

The Snohomish County (661,667 population/\$71,255 average household income) retail market includes the cities

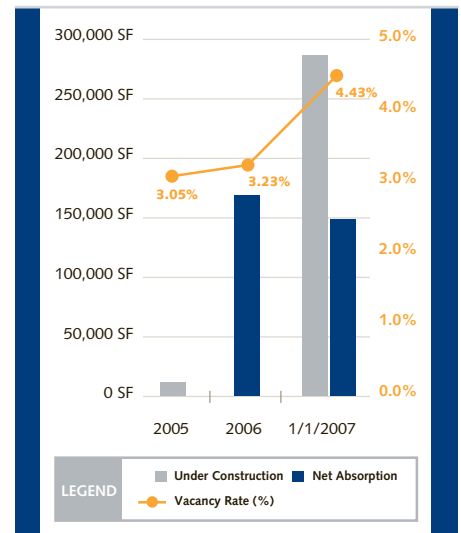
### EAST KING COUNTY STATISTICS



### SNOHOMISH COUNTY STATISTICS



### PIERCE COUNTY STATISTICS



of Everett, Lynnwood, Edmonds, Monroe, Snohomish, Mountlake Terrace, Mill Creek, and Marysville/Arlington.

- Cypress Equities has signed a ground lease for the Lynnwood High School property to develop a large mixed use project, which will likely feature expansion of the lifestyle center across the street north of Alderwood Mall.
- Powell Development is developing a 463,000 s.f. retail center anchored by Costco and Target (both opened in 2006) at the Smokey Point intersection on Interstate 5 in Arlington.
- Safeway and TRF are co-developing a new neighborhood center between Mill Creek and Snohomish, situated at Puget Drive and 132nd. This will contain 82,600 s.f. total, including a 65,000 s.f. Safeway, 17,000 s.f. of shops, a restaurant and gas pad.
- Wal-Mart opened a new store in South Everett on Evergreen Way, just north of Airport Way.

## Pierce County Review

Pierce County (766,642 population/\$62,705 average household income) includes the cities of Tacoma, Puyallup, Lakewood, Sumner, DuPont, Fife, and Gig Harbor.

- A new Wal-Mart Supercenter is nearing

completion on Meridian East in South Puyallup. Several outparcels are being developed with convenience retail.

- Also in South Puyallup, construction is pending on Tarragon's Sunrise Village, a new 550,000 s.f. development to include a Target and home improvement store.
- The Uptown Gig Harbor Lifestyle center, which will contain 175,000 s.f. of new retail to be anchored by an 11-screen Galaxy Theater, is proposed with ground breaking scheduled for 2007.

## EXTENDED MARKETS

Retail activity remains strong along the I-5 corridor due to steady population growth between Portland, Seattle, and Vancouver, B.C., as well as in Kitsap County (241,196 population/\$68,626 average household income), directly west of Seattle, across Puget Sound. The I-5 corridor includes Whatcom County (182,534 population/\$58,305 average household income), Skagit County (113,129 population/\$62,604 average household income), and Thurston County (229,500 population/\$68,594 average household income).

- In 2006, First Western Development completed the 600,000 s.f. Lacey Marketplace, which is anchored by Costco and Home Depot.
- Across I-5 to the north, Cabela's has announced a new 185,000 s.f store to be

built in 2007.

- In Olympia, the Westfield Shoppingtown Capital Mall is adding a 16-movie theater and a 140,000 s.f. addition known as "The Promenade".
- In Silverdale Barnes & Noble acquired the Gottschalk's building at Kitsap Mall, for expansion and relocation and added Cost Plus World Market.
- In Poulsbo, First Western Development completed a decade long process of entitlement for their College Marketplace. Wal-Mart, Home Depot and some additional shops are open. Office Max is getting ready to add a store there.

## INVESTMENT ACTIVITY

Investment activity remained strong. Kimco completed their acquisition of Pan Pacific, which included 16 centers in Washington. Kimco plans to retain 10 to 12 of these centers and resell the balance. Washington retained centers valued at \$316 million at 6% cap rate.

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