

JANUARY
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Seattle Commercial Real Estate Market Poised for Strong 2012

The Puget Sound commercial real estate market closed out 2011 with a fourth solid quarter and is situated for a strong 2012.

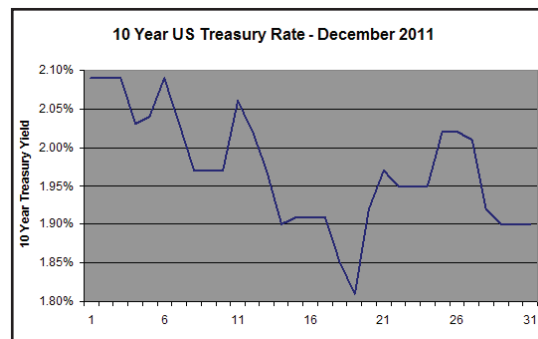
Overall apartment vacancy rose to 5.86% during Fourth Quarter, according to Apartment Insights, with average rents falling \$1 to \$1,076. This is a bit of a setback for the apartment market, which had been improving significantly the past two years. The slight weakening may be due to some improvement in the single-family housing market, and renters opting to buy homes. Still, developers are feeling bullish about apartments, with about 3,300 units slated for delivery in 2012.

Office vacancy fell to 11.8% during Fourth Quarter, with nearly 440,000 sf absorbed, according to CoStar. 650,000 sf was under construction in the market, including 332,082 sf in Amazon's Phase V. With four straight quarters of positive absorption, the Seattle/Puget Sound office market absorbed a total of 3 million square feet of office space in 2011. The Fourth Quarter saw a rise in activity for CBD office sales, including the \$160 million sale of Fisher Plaza and the \$76.5 million sale of 1800 Ninth Avenue. Investors are feeling optimistic about office, as a recent report from Grubb & Ellis ranked Seattle #2 in the nation for office investment over the next five years.

Industrial vacancy rose to 7.6% during Fourth Quarter with about 210,000 sf of negative absorption, according to CoStar. However, the first three quarters of 2011 had strong leasing activity with more than 2 million sf absorbed in all of 2011.

Retail vacancy rose slightly to 6.2% during Fourth Quarter, with nearly 150,000 sf of negative absorption, according to CoStar. As consumer confidence continues to rise during 2012, retailers will feel more confident expanding, and national chains like WalMart, Safeway and Trader Joe's will likely be active in the Puget Sound area.

2011 was a great year for NBS Financial; our Seattle office originated loans for 29 properties totaling \$120 million. Lenders are very interested in financing Seattle properties, due to the strength of the local market, and we expect that to continue into 2012. Call NBS Financial today to finance your next commercial real estate transaction.



2011 Treasury Highlights:

- 2011 10-Year Treasury High: 3.74% on February 9, 2011
- 2011 10-Year Treasury Low: 1.81% on September 22, 2011

Issues Affecting Commercial Mortgage Rates:

- Net positive employment gains in every month of 2011 resulting in modest new space requirements, creation of new rental households and more trips to retail centers - improving fundamentals locally and nationally.
- Volatility in the US Treasury market, the benchmark for commercial real estate mortgages, over the past six months resulting in near record low interest rates for well stabilized, moderately leveraged commercial real estate properties.
- Caution in 2012 due to the changing political environment and uncertainty as to how the election will shape the economic landscape.

Recent Transaction



Underwood Gartland 216 Industrial

\$4,200,000 Loan Amount

71,750 SF Multi-Tenant Industrial Building

10 Year Term/25 Year Amortization

NBS Correspondent Life Insurance Company Lender

Financed by Mike Wood in the Seattle Office

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NBS Financial Services is a regional leader in commercial mortgage banking. With \$348 million in loan origination in 2011, our finance team has access to billions of dollars for funding retail centers, multi-family complexes, office and industrial buildings and other select commercial properties. Our broker affiliate program and membership in the Strategic Alliance Mortgage (SAM) ensures all of your capital requirements are met. We finance the entire Capital Stack including first and second mortgages, mezzanine debt, etc.