

SEPTEMBER

08

## Puget Sound Commercial Real Estate

As the commercial real estate market is slowing nationally, the Puget Sound market is continuing to show signs of life. Lenders and investors are still clamoring to get into this market. Below are the outlooks for each property type in the Puget Sound market (all vacancies taken from GVA 2nd quarter 2008 reports).

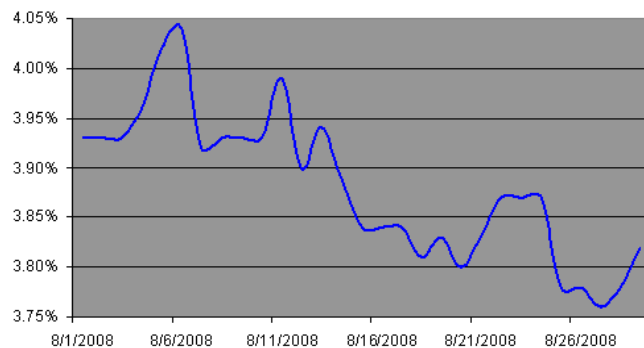
**Office Market** – Seattle was ranked the number one office market in a recent ULI study. According to Chris Moe, a senior VP at GVA, “In the past 3 years, average office rents have climbed by nearly 50%.” The vacancy rate is currently 6.4%. Lenders are still lending on this property type as seen by the many current wave of office developments in the area.

**Retail Market** – Overall vacancy rates in the Seattle area average 4.5%. Well located retail developments with partial preleasing are moving forward while several others have been put on hold. Unless there are credit tenants, lenders are hesitant to lend on retail properties until the economy is stronger.

**Multifamily** – With a 4% vacancy, the Puget Sound apartment market has seen steady rent increases and more development in the area. According to Eric Davis at GVA, “Cap rates are averaging 4.1% in 2008.” Lenders are more competitive for multifamily loans than any other property type.

**Industrial** – As land prices continue to increase, a lack of industrial zoned land is driving new industrial developments south of the traditional industrial areas of Kent Valley, as well as north of Everett. Vacancy rates vary by submarket, from 3.25% in Kent Valley to 7.14% in Pierce County. According to Jim Kidder of GVA, “Big tenants will continue to look further south to keep their warehouse rates low. Vacancy should be low through the end of 2008.” Lenders will continue to lend on industrial properties.

10 Year US Treasury Rate - August 2008



### August Treasury Highlights:

- 10 Year Treasury High (month): 4.04%
- 10 Year Treasury Low (month): 3.78%

### Issues Affecting Commercial Mortgage Rates:

- Lender's begin to run out of 2008 allocation
- Freddie Mac & Fannie Mae troubles
- Recent spread increase generally offset by decrease in treasury yield
- Debt Service Coverage continues to restrict loan dollars



### Recent Transaction

3 Properties – Financed for the College Club of Seattle  
 \$2,200,000 Total Loan Amount  
 Retail Building, Apartment Building, Office Building  
 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 \$440 million in loan origination in 2007, 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.