

MARKET ANALYSIS

REGIONAL MARKET CONDITIONS

Regional Market Overview

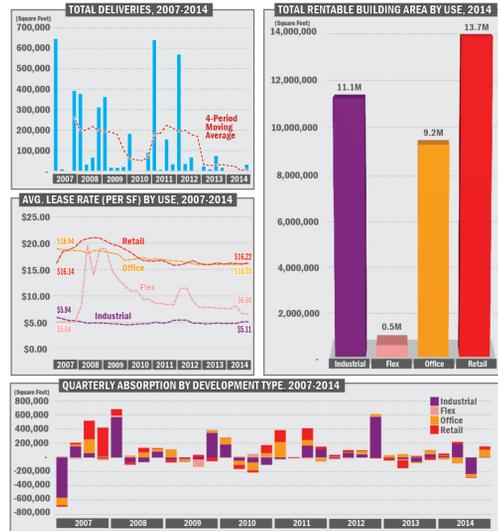
Thurston County Vitals

- Population (2014): 264,000
- Housing Units (2014): 113,283
- Employment (2013): 99,921
- Median HH Income (2013): \$62,229

Key Findings

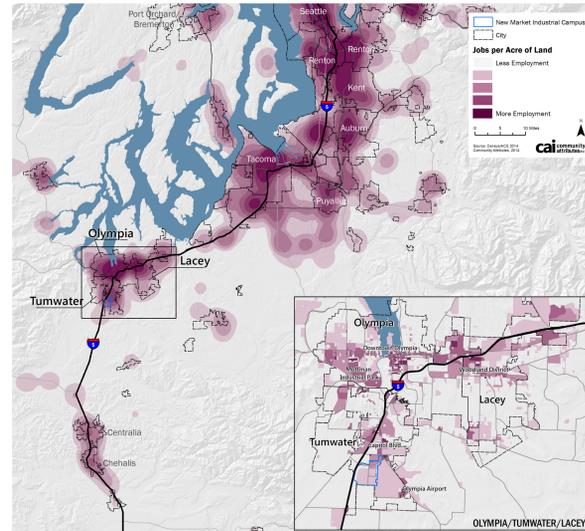
- High retail square footage per capita with strong retail lease rates.
- Large office segment propelled in part by State government.
- Development activity relatively slow to rebound from recession.

Real Estate Indicators



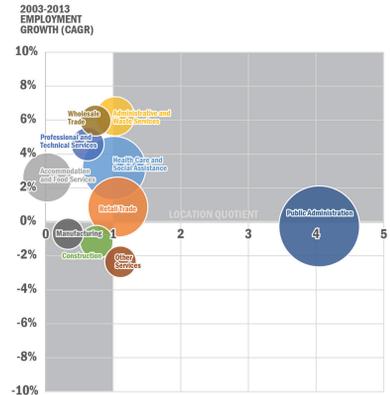
Key indicators for industrial, flex, office and retail development in Thurston County, illustrating regional demand for each development type.

Employment Density



NMIC/TTC is located at the end of the employment corridor of the Puget Sound region. Employment and population growth will influence the type and amount of development that occurs on the Port's property.

Location Quotient

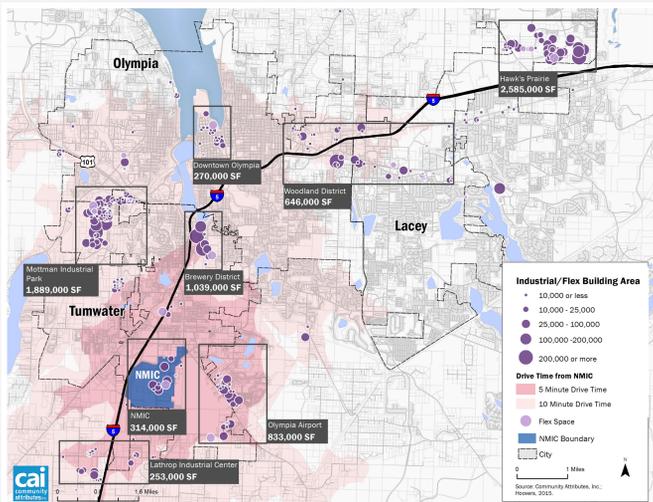


While a number of sectors have grown over the past decade, such as health care, public sector employment continues to dominate in Thurston County.

LOCAL MARKET CONDITIONS

Industrial

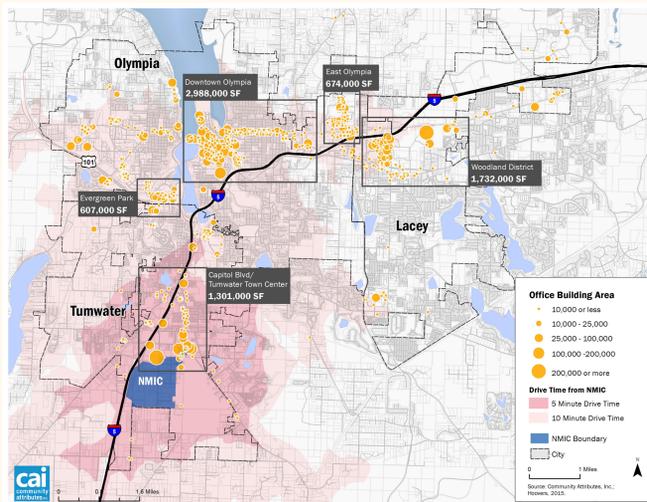
Much of the local industrial/flex development activity has occurred in Lacey recently, though all three cities in the local market have projects in the pipeline. Tumwater has the highest lease rates and lowest amount of rentable building area.



Industrial/flex development in the local market is concentrated in areas northwest and northeast of NMIC/TTC. Most new developments are master planned, featuring myriad amenities and excellent infrastructure.

Office

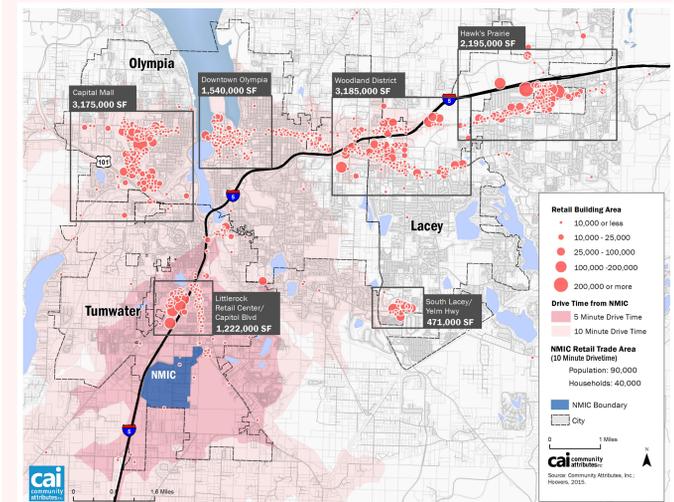
Office development in the local market has been generally stagnant in recent years. Employment projections show long-term growth in office-using jobs, both public and private, which will create opportunities for more office development throughout the market.



Olympia, with the greatest concentration of State offices, dominates the local office market, though both Lacey and Tumwater house a substantial inventory of State-occupied office space.

Retail

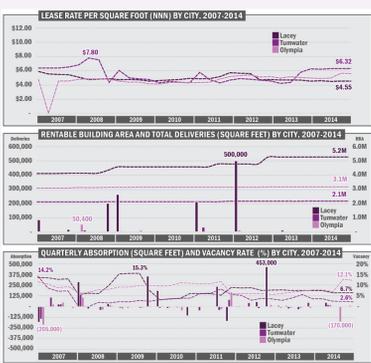
Retail uses represent the greatest share of commercial development in the local market and have shown the most activity recently, indicating a healthy retail sector. Tumwater has the lowest retail square footage per capita locally and the highest lease rates.



Retail uses are largely distributed north of NMIC/TTC, where there are greater concentrations of housing. Retailers along Littlerock Road will be direct competitors for future retail development in the study area.

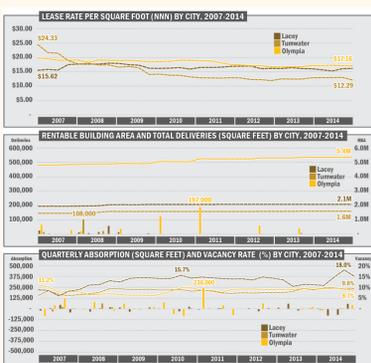
Real Estate Indicators

Local Comps



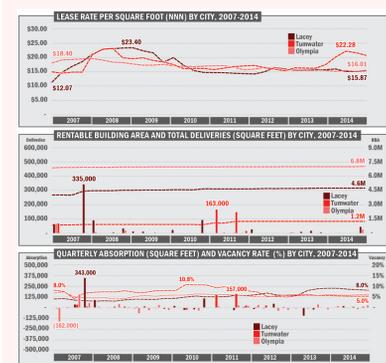
Real Estate Indicators

Local Comps



Real Estate Indicators

Local Comps



IMPLICATIONS FOR MASTER PLANNING

Industrial

- + Industrial employment is expected to grow as a share of total employment, driving future industrial development.
- + Tumwater's high lease rates and low vacancy rates for flex and industrial development suggest unmet demand.
- Development pipeline indicates substantial interest in NMIC/TTC's competitors, such as Mottman Industrial Park.
- NMIC/TTC currently lacks the amenities and infrastructure needed to command higher lease rates.

Office

- + Employment forecasts indicate strong long-term demand for office products in the local market.
- + Tumwater is well-positioned to capture growth in State employment, presenting opportunities for new high-quality space.
- Office development has been slow to recover from the Great Recession.
- Development in Tumwater must demonstrate added value to compete with Olympia, the predominant market for office uses.

Retail

- + Retail is robust in the local market, with more rentable building area than other use in the county.
- + Tumwater's market may be under-retailed compared to Olympia and Lacey.
- NMIC/TTC is located peripherally relative to concentrations of housing.
- New retail development near NMIC/TTC is struggling and future development will compete with retailers on Littlerock Road.