

CALENDAR

- ▶ **GAVEL MEETING**
June 18
Mayflower Park Hotel
7:30 a.m. - 9:00 a.m.



- ▶ **JUNE BREAKFAST MEETING**
June 19
Four Seasons Hotel, Seattle
7:00 a.m. - 9:00 a.m.



- ▶ **JULY BREAKFAST MEETING**
July 17
Four Seasons Hotel, Seattle
7:00 a.m. - 9:00 a.m.



NAIOP

COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
WASHINGTON STATE CHAPTER

MONTHLY The Deal NEWSLETTER

A BROKER'S CRYSTAL BALL: WHAT THE NEW MARKET WILL LOOK LIKE

By Dave Baron, City of Mountlake Terrace

The May breakfast meeting featured an outstanding panel of real-estate professionals who discussed current trends in the retail, office, and industrial markets and their outlooks for the next year.

Susie Detmer, Senior Director at Cushman & Wakefield, spoke about the retail market, noting that in 2009 the vacancy rate of retail in the Seattle area was 8.8%. The forecast for 2013 looks much better with a projected vacancy rate of only 4%. Particularly strong sub-markets are the Seattle CBD and Bellevue.

For many retailers 2013 is off to a good start and a strong performance in May is projected. In addition, several new retailers and restaurants are in the pipeline for the Seattle CBD. Overall retail trends show that value-oriented retailers are doing well, as are the high-end and low-end merchants. The retailers caught 'in the middle' continue to



Casey Trees, Jones Lang LaSalle

struggle, e.g., JCPenney.

Another trend in the market is that many established retailers/chains are downsizing their new sites.

Online sales, however, are continuing to grow and despite the possible passage of the Market Fairness Act, e-commerce is definitely here to stay. Social media is

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NAIOP PROFILE

As told to Dail Bodziony, Columbia Bank

Name: Steele Johnson

Title & Company: Senior Project Engineer, Skanska USA

Brief description, size and scope of Company:

Skanska USA is one of the largest, most financially sound construction networks in the country consisting of four business units: Skanska USA Building, which specializes in building construction; Skanska USA Civil, which is focused on civil infrastructure; Skanska Infrastructure Development, which develops public-private partnerships; and, Skanska Commercial Development, which pursues commercial development initiatives in select U.S. markets. Headquartered in New York with 39 offices across the country, Skanska USA has approximately 8,300 employees and its 2012 revenues were \$5.8 billion, representing 30 percent of Skanska's global revenues.

How long have you been with your Company?

I started with Skanska in January 2007 as an intern on the Sheraton Hotel Expansion, and started working full time after graduating from the University of Washington in June of 2008.

Previous companies and/or previous career fields:

Before coming to Skanska, I worked for Hos Brothers Construction as a summer laborer, and as a project engineer intern with Foushee and Associates.

What do you like best about your industry?

Construction is always changing. Every job takes on a personality of its own and presents different challenges. I love the fact that we deliver a tangible product at the end of every project.

What is the most memorable experience of your career (good or bad)?

Planning the

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PAST EVENTS

RENEWABLE ENERGY SOURCE THAT ALSO OFFERS DRAMATIC ENERGY COST SAVINGS FOR BUILDINGS? WASTEWATER!

By Heather Krause, Coughlin, Porter Lundeen

King County is becoming one of the first counties in the nation to partner with the private sector to capitalize on a largely untapped renewable energy source – wastewater.

The energy source? Heat. Hot water from household appliances or showers and other commercial facilities such as laundries keep sewer line temperatures at a near-constant 65 degrees. With the right equipment and access to King County's pipes, this heat, in the form of thermal energy, can be recaptured and used to heat buildings.

Lynn Mueller, president of International Wastewater Systems, spoke to NAIOP members to describe the process, which involves the use of a system similar to a heat pump. The wastewater goes down the drain as it normally does, but instead of leaving the building entirely, it is then diverted into a device that extracts the thermal energy from the water. The water continues into the sewer system and the energy is then reclaimed for use in the building.

"The water leaves the building, but the energy doesn't," said Mueller. "It gets recaptured right away."

Based in Vancouver, BC, International Wastewater Systems has three buildings that have fully implemented their Sewage SHARC system. Implementation is in progress for approximately 30 other buildings around Canada and the US, including Seattle, Philadelphia, and Austin. There are similar technologies already in use in China, Japan, and parts of Northern Europe.

According to data collected from buildings with SHARC systems that are fully up and running to date, these new projects are poised to capitalize on the dramatic energy cost savings with up to a 75 percent reduction in energy usage.

After a technical presentation of the technology, Mueller took questions from the audience which ranged from opportunities to integrate his company's systems with geothermal technologies to maintenance performance and costs.

Click the link for more information on [International Wastewater Systems](#), including sample case studies.

Thank you to the Sustainable Development Committee for another great event.



Lynn Mueller of International Wastewater Systems

DEVELOPING LEADERS CINCO DE MAYO CELEBRATION

By Steele Johnson, Skanska



Another great event hosted by Developing Leaders

On May 2, the Developing Leaders committee celebrated Cinco de Mayo early. This was the group's second annual networking event planned around the Mexican celebration of the Battle of Puebla. Due to popular demand, and backed-up with over 100 tickets sold, the event moved to a larger venue than in years past. At Guaymas Cantina in Harbor Steps, food and drink tickets were in high demand while the bartenders provided plenty of refreshing Mexican themed beverages for all.

Live music kept the event full of life while NAIOP and non-NAIOP members of all ages mingled with Developing Leaders and other established members of the community. With two successful years of momentum, we recommend that everyone mark their calendar now for next year's Cinco de Mayo and any future Developing Leader events.

A special thanks to Microsoft, Lane Powell, Express Construction, Gibraltar Construction, and Lease Crutcher Lewis for sponsoring the successful event. See you all next year!



SPONSOR

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NAIOP MENTOR PROGRAM

By Davis Vaughn, Northwestern Mutual

On Wednesday, May 22 the Mentor Program had its closing event to recognize another successful run of the program. The event gathered the participants in the 51st floor conference room at Two Union Square for one last evening of networking, food and drinks. It was a fun atmosphere with a wide spectrum of people involved in the real estate industry, ranging from students all the way up to senior executives.



Two Mentor Program volunteers at the Closing Event. Dan Dahl, Colliers International (L); and Steve Cory, Old Republic Title (R)

The program has seen tremendous growth from 24 participants in 2010-2011 to 94 in the 2012-2013 cycle. This makes it the second largest mentor program in all of NAIOP, a testament to the strength of the Washington NAIOP Chapter considering the program only started three years ago.

The program is structured as a rotation with each mentee (young professional in the industry) meeting with a different mentor (seasoned real estate professional with 10+ years experience) every month from November through May. This year's program resulted in over 300 new connections being made with the mentors donating 300+ hours of their time.

The Developing Leaders Committee will be continuing the program next year and will be looking for participants starting in September. Thanks again to all of the mentors and we hope to see even more of you next year.

CHAPTER NEWSMAKERS

Lydig Construction Wins Excellence Award

By Kristy Alley, Sparling

Every year, The Washington Aggregates and Concrete Association formally recognizes construction accomplishments in the outstanding use of Ready Mix Concrete throughout Washington State. At the 45th Annual Awards for Excellence in Concrete Construction, Lydig Construction received a 2013 Excellence in Concrete Construction Award in the Architectural/decorative concrete category for the Lake Washington High School project.



Lake Washington High School

When you next see --- or create --- news, please let us know. Send us your news releases and article links, or just drop us a line when you want us to know about chapter newsmakers, at pr@naiopwa.org.

A BROKER'S CRYSTAL BALL - CONTINUED FROM PAGE 1

making an impact on retail marketing and vendor product development. As a result, Detmer expects that many online merchants could be opening brick and mortar operations in the future.

Greg Inglin, SVP of Colliers International, spoke about the office market, noting that the 'Trophy' segment continues to do very well. Rents are rising due to limited sites and a limited amount of new product in the pipeline.

Inglin pointed out that 'tech-tenants', those in the tech, architectural & design fields account for nearly 50% of the market in Seattle, and they look for the 'cool and creative' factor when site selecting. Yet, this sub-market has a 9.6% vacancy rate currently.

Commodity/traditional space vacancies are in the 14% range; however as the market for value improves it is expected this rate should decrease.

Similar to the retail markets, the office market is led by the Seattle and Bellevue CBDs. Of great importance, sales of office properties in the greater Seattle/Bellevue markets skyrocketed to \$4.6 billion in 2012. There is a large supply of institutional capital looking for good investment opportunities and Seattle and Bellevue are very active markets in that respect.

Inglin also noted that future office projects will target locations near transit facilities; Pioneer Square is a prime location. It is expected that the market will see some speculative development occurring by 2015 given that supply is somewhat limited, especially in Seattle. Another very promising area for office will be the Seattle waterfront.

Casey Trees of Jones Lang LaSalle spoke about the industrial property markets. Trees pointed out that an increasing number of tenants are looking for sites with more cubic space than before, i.e. clear heights in the 30 foot plus range rather than the traditional 24 feet, primarily as they extend storage space vertically. Currently, 4.3 million square feet in new and speculative space is in the pipeline and the industrial vacancy rate in the Seattle area is only 4.9%.

The market is seeing great activity as several well-known industrial/distribution clients are actively seeking sites. Land is still available to develop these types of sites and Trees noted that approximately 10 million square feet of land is currently being marketed.

The commentators all concur that Seattle continues to be an active real estate market with lots of positive momentum.

Thank you to the sponsor:

**NAIOP PROFILE - CONTINUED FROM PAGE 2**

installation of Virginia Mason's new sky bridge across Seneca. A majority of the bridge was prefabricated and set in place early on a Sunday morning.

What do you do for relaxation/recreation (e.g., hobbies, sports, exercise, travel, etc....)? Golfing in the summer and skiing in the winter, and spending time with family and friends.

What is the number one item on your bucket list? I would have to say backpacking around South America with my Argentinian fiancé.

What book did you read most recently (that you want to admit to): Playing for Pizza by John Grisham, although I did read How to Make Friends and Influence People by Dale Carnegie.

What advice would you give to someone just starting out in our industry? Always maintain your word and strive to be honest. Seattle is a small market and your name is all you have.

What's an interesting or unusual fact that most of your fellow NAIOP colleagues probably don't know about you? My middle name is Rip, which is my dad's name, and my siblings are Cutter and Quincy.

NEW MEMBERS

Caitlin Andrews	GB Systems Inc.
JoAnn Copperrud	RGA Environmental
David Goldberg	Mithun Inc.
Patrick Kassin	Bisnow
Aaron Kraft	Kidder Mathews
Nicholas Lynn	KeyBank Real Estate Capital
Natalie Peterson	Performance Contracting Inc.
Gregg Steeb	Prime Electric Inc
Steve Stone	Tecta America Seattle LLC
Chad Tonge	Swinerton Builders Inc.