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For Seattle landlords, '08 looks sweet

By Eric Pryne

Seattle Times business reporter

Next year is shaping up as a good year to be a landlord.

That was the message Thursday from a panel of regional commercial real-estate experts at the annual forecast breakfast of the Institute of Real Estate Management's Western Washington chapter.



Martin Selig

Seattle developer Martin Selig predicted lease rates for top-end downtown Seattle office space would climb to \$65 a square foot by late 2008 — nearly double what it was renting for a year or two ago.

Apartment vacancies have hit their lowest level since 2000, and will only get lower in 2008, said Mike Scott of Dupre + Scott Apartment Advisors.

Experts in the regional industrial and retail real-estate markets also delivered generally upbeat forecasts at the Bellevue gathering.

The Seattle-area market is in better shape than much of the rest of the nation, all said, in large part because of a booming local economy.

In the office market, "companies that were never here are here," said Bill Pollard, co-founder of Pacific Real Estate Partners, a brokerage firm.

Demand is strong, he said, but supply isn't keeping up, so rents are rising. Big new buildings are under construction, but none will open until 2009.

Selig said his company's existing Seattle buildings, which total about 2.5 million square feet, are about 99 percent leased: "What we worry about is, when these people grow, where are we going to be able to put them?"

Some premium downtown space already is leasing for more than \$50 a square foot, Selig said.

On the apartment front, researcher Scott said the number of rental units in the market will actually decline this year, because new construction isn't keeping pace with condominium conversions. Again, the imbalance between supply and demand will keep vacancy rates low and help drive up rents in 2008, he said.

Companies looking for industrial real estate are being forced farther north and south, said Patricia Loveall of GVA Kidder Matthews, in part because space on the Eastside is being converted to other uses.

As an example, she pointed to Wright Runstad's plan for a mixed-used "urban village" on the old Safeway warehouse property in Bellevue.

Some industrial clients are locating as far away as Centralia and Chehalis, once considered too far from Puget Sound ports, Loveall said.