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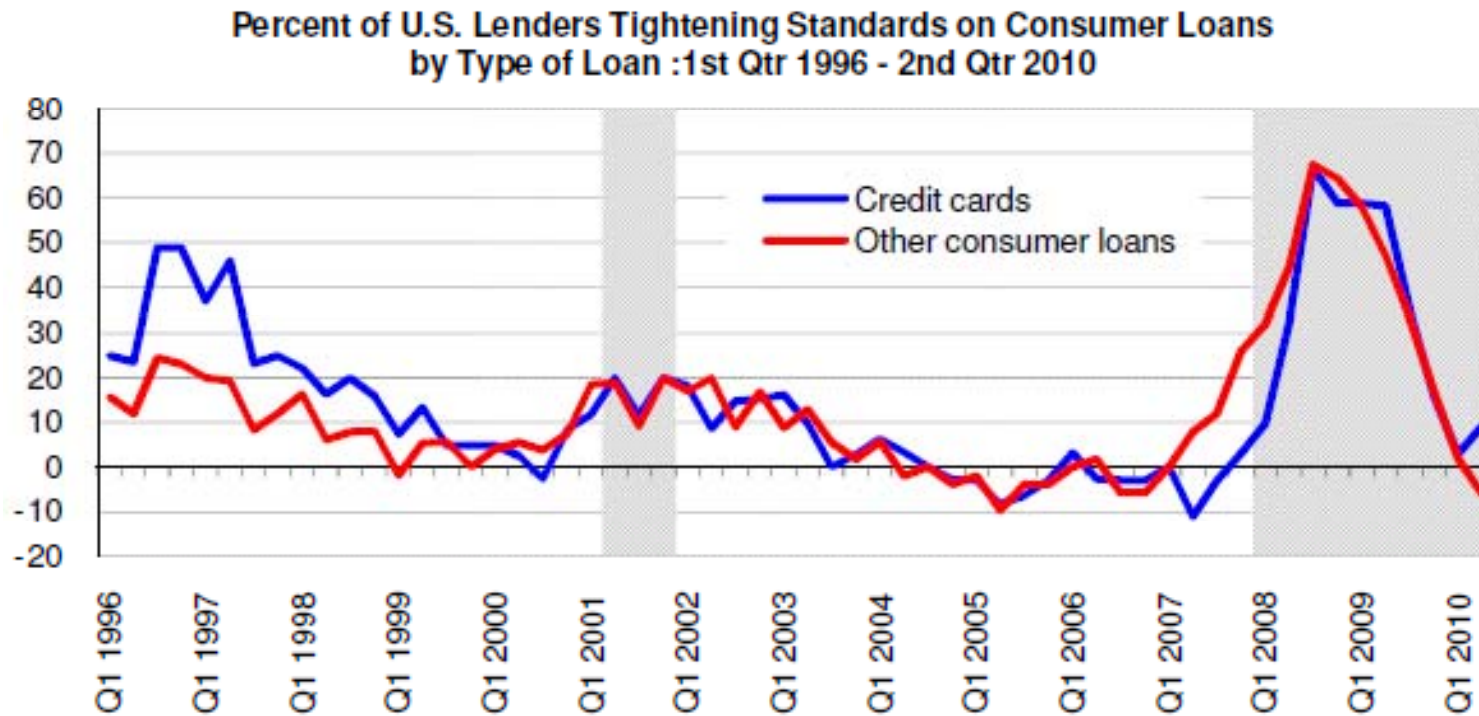
# Kirkland Business Roundtable

Prepared by Hebert Research

July 14, 2010

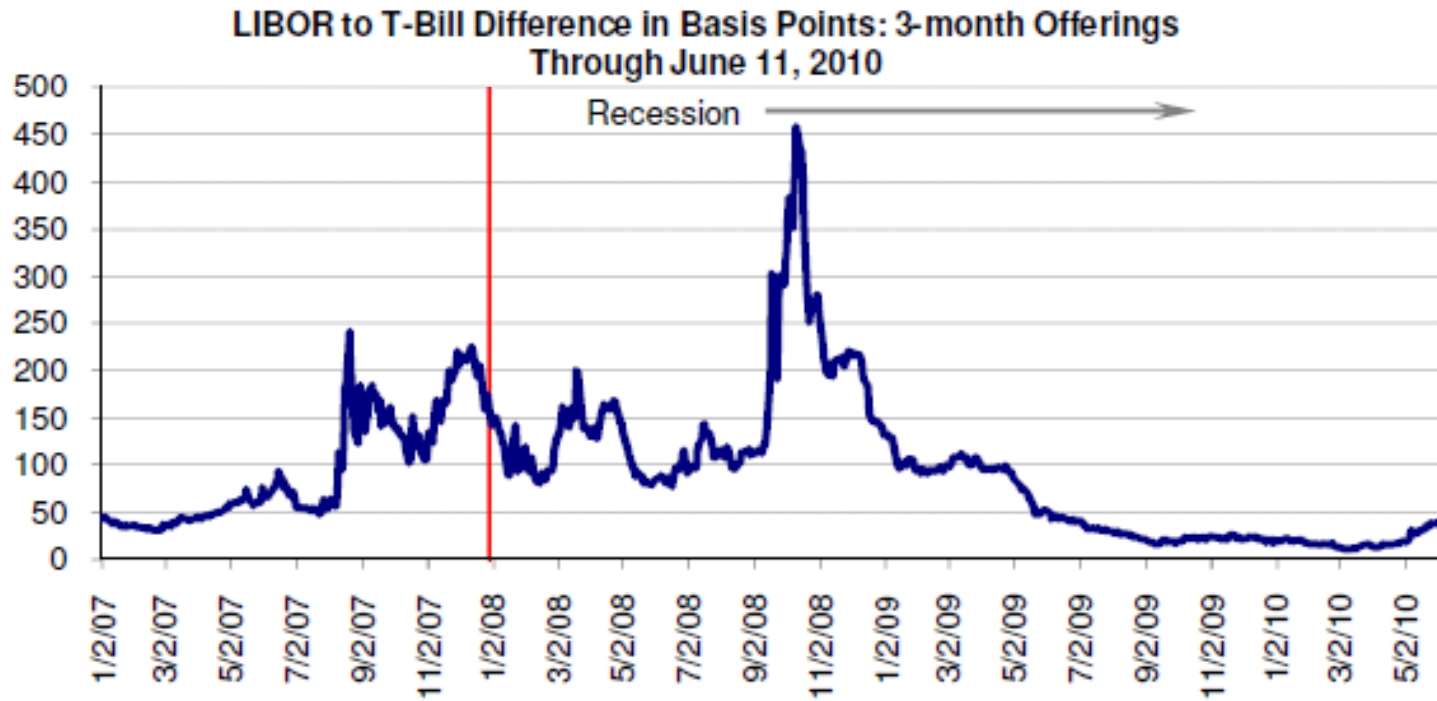


# National Credit Markets



Source: OFM.WA.GOV

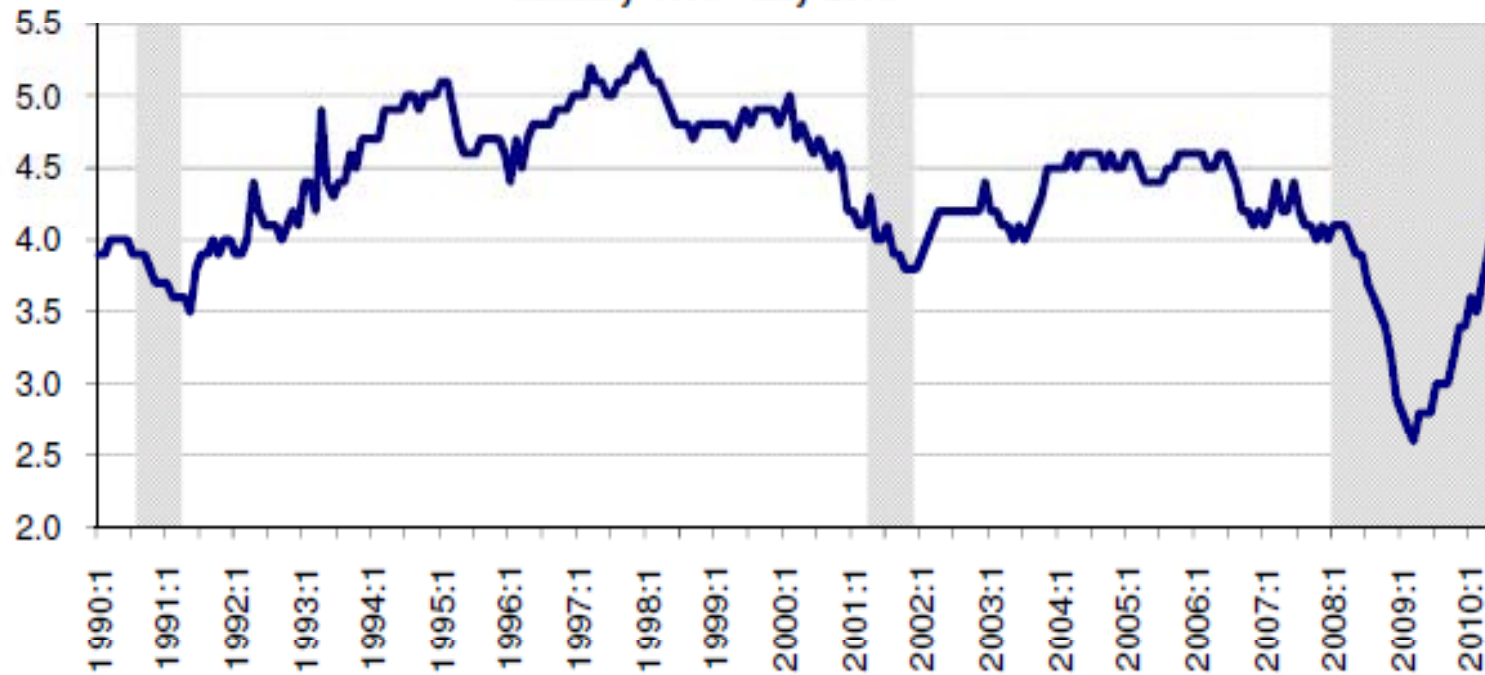
# National Credit Markets



Source: OFM.WA.GOV

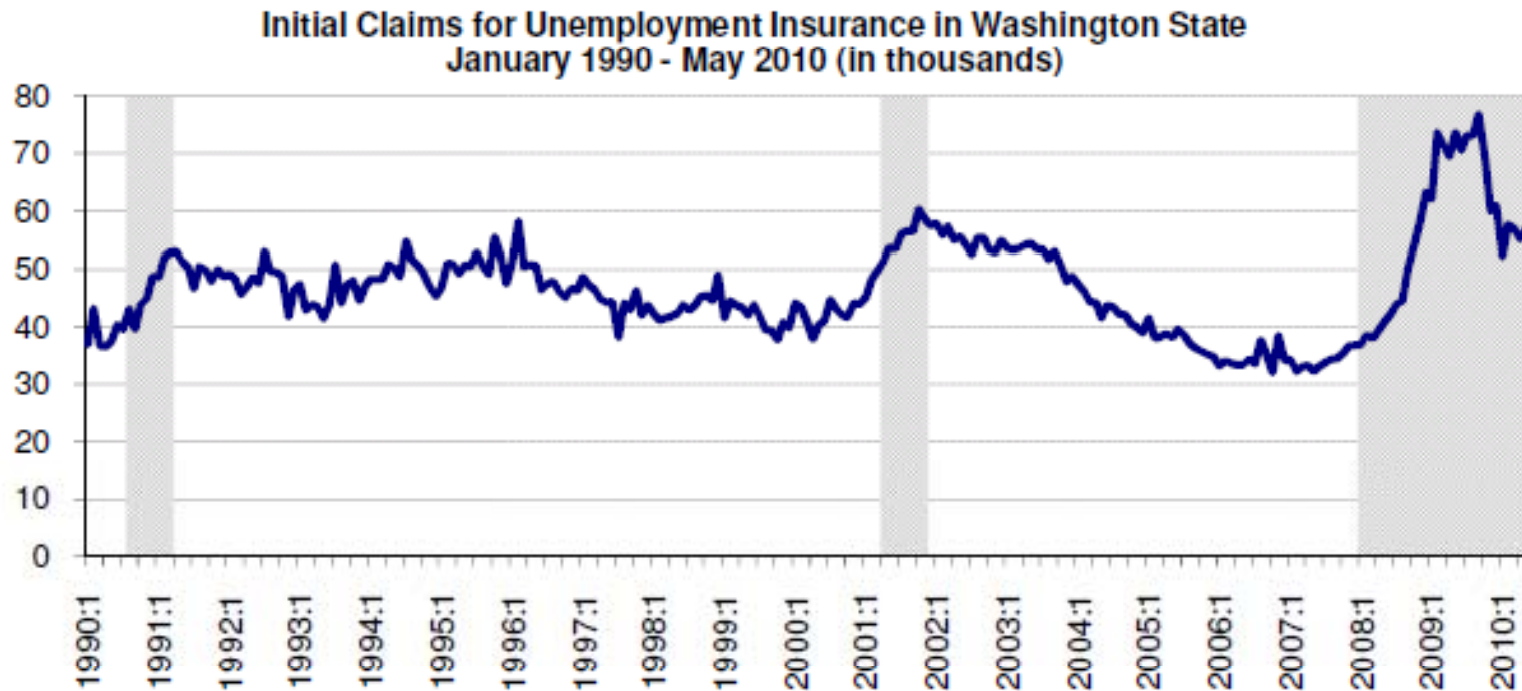
# National Manufacturing

Average Manufacturing Overtime Hours Per Week in the U.S.  
January 1990 - May 2010



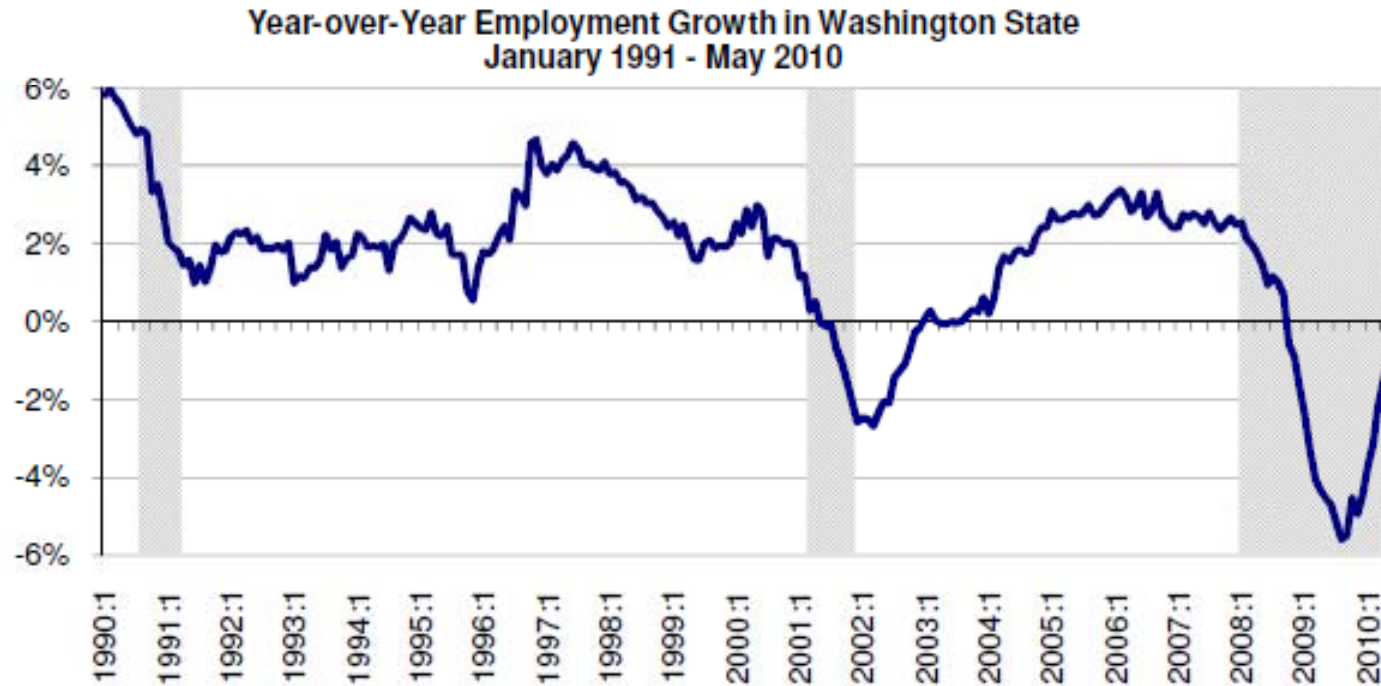
Source: OFM.WA.GOV

# Washington State UI Claims



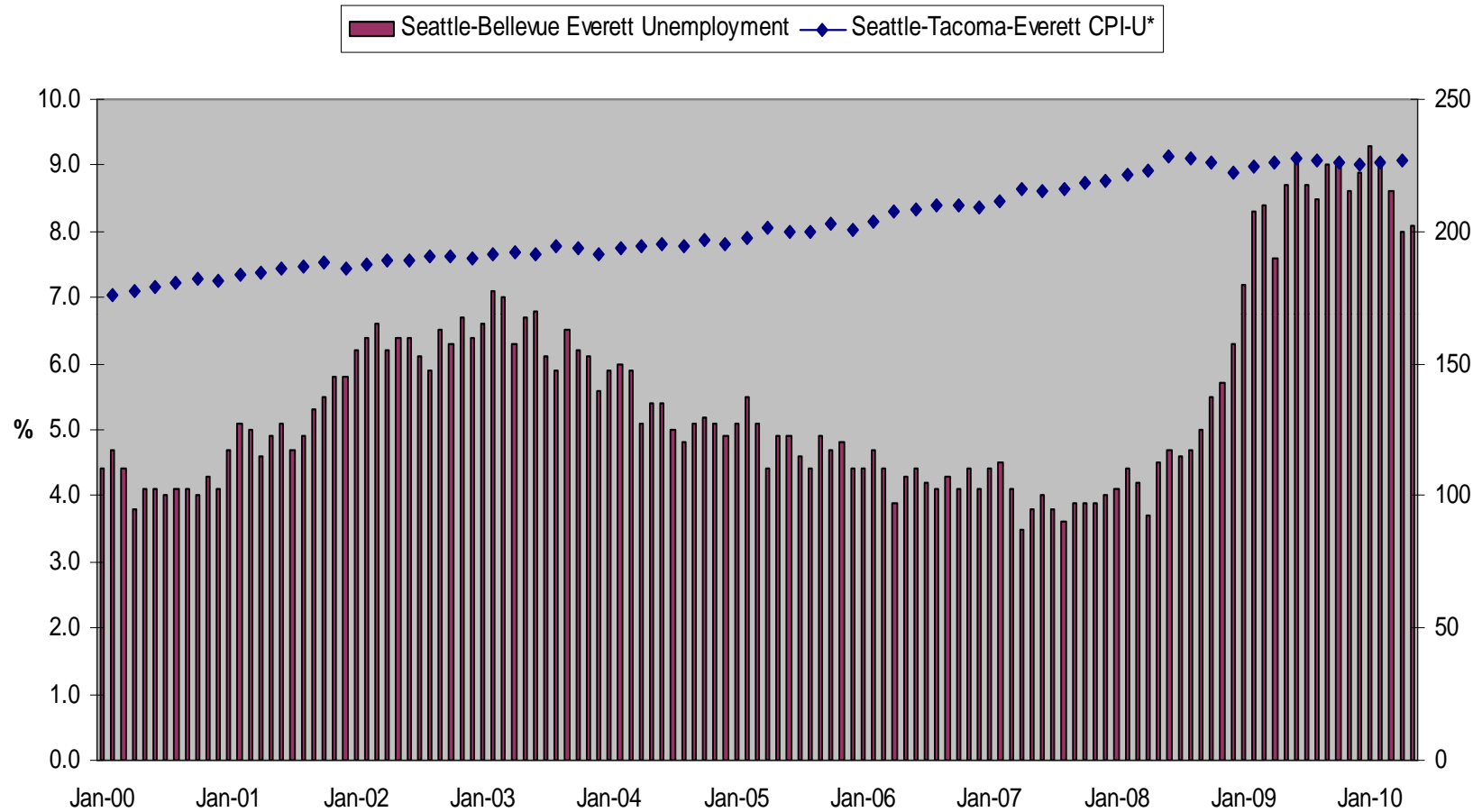
Source: OFM.WA.GOV

# Washington State Employment



Source: OFM.WA.GOV

# Washington State Employment



\*All Urban Consumers, base: 1982-84=100, not seasonally adjusted.

Source: BLS.gov

# Washington State Employment Outlook

## Washington Forecast Comparison

	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2009	2010	2011	2012	2013
<b>Real Personal Income (2005 USD billions)</b>											
June Forecast, Final	255.8	259.0	263.1	264.2	267.3	269.4	254.3	260.5	271.2	282.2	292.7
Percent Change	2.5%	5.1%	6.6%	1.7%	4.8%	3.1%	-1.2%	2.4%	4.1%	4.1%	3.7%
June Forecast, Preliminary	255.9	258.9	263.1	264.3	267.7	269.9	254.3	260.6	271.8	282.9	293.8
Percent Change	2.7%	4.9%	6.6%	1.8%	5.2%	3.4%	-1.2%	2.5%	4.3%	4.1%	3.8%
<b>Personal Income (USD billions)</b>											
June Forecast, Final	282.9	286.9	292.3	294.9	299.9	303.5	277.8	289.3	306.1	324.2	342.9
Percent Change	4.1%	5.7%	7.8%	3.6%	6.9%	4.9%	-1.0%	4.1%	5.8%	5.9%	5.8%
June Forecast, Preliminary	283.0	287.0	292.7	295.2	300.4	304.3	277.8	289.5	307.0	325.2	344.4
Percent Change	4.3%	5.7%	8.2%	3.5%	7.2%	5.3%	-1.0%	4.2%	6.0%	5.9%	5.9%
<b>Nonfarm Payroll Employment (Thousands)</b>											
June Forecast, Final	2791	2805	2812	2828	2847	2870	2827	2809	2884	2976	3056
Percent Change	0.2%	2.0%	0.9%	2.4%	2.8%	3.3%	-4.5%	-0.7%	2.7%	3.2%	2.7%
June Forecast, Preliminary	2792	2807	2814	2832	2853	2877	2827	2811	2892	2983	3058
Percent Change	0.2%	2.1%	1.1%	2.6%	2.9%	3.5%	-4.5%	-0.6%	2.9%	3.2%	2.5%
<b>Unemployment Rate (Percent of Labor Force)</b>											
June Forecast, Final	9.4	9.2	9.3	9.2	9.1	8.8	8.9	9.3	8.7	7.6	6.6
June Forecast, Preliminary	9.4	9.2	9.3	9.1	9.0	8.7	8.9	9.3	8.6	7.6	6.6
<b>Manufacturing Employment (Thousands)</b>											
June Forecast, Final	257.9	259.0	260.5	262.8	264.2	267.3	265.9	260.1	269.1	283.0	293.9
Percent Change	0.0%	1.7%	2.4%	3.6%	2.0%	4.8%	-8.7%	-2.2%	3.5%	5.2%	3.9%
June Forecast, Preliminary	257.9	259.5	260.5	262.3	263.7	266.5	265.9	260.0	268.4	281.9	293.2
Percent Change	0.0%	2.4%	1.5%	2.8%	2.2%	4.4%	-8.7%	-2.2%	3.2%	5.0%	4.0%
<b>Construction Employment (Thousands)</b>											
June Forecast, Final	148.6	148.4	147.3	147.6	146.8	146.5	160.9	148.0	148.1	158.6	170.6
Percent Change	-4.6%	-0.6%	-3.0%	1.0%	-2.2%	-0.7%	-19.8%	-8.0%	0.1%	7.1%	7.5%
June Forecast, Preliminary	148.6	147.3	146.4	147.1	146.5	146.5	160.9	147.4	148.2	159.4	171.7
Percent Change	-4.6%	-3.6%	-2.2%	1.8%	-1.5%	-0.2%	-19.8%	-8.4%	0.5%	7.6%	7.7%
<b>Housing Permits (Thousands)</b>											
June Forecast, Final	21.1	19.9	19.8	21.5	25.8	30.8	17.0	20.6	32.5	43.5	47.7
Percent Change	52.8%	-20.4%	-3.4%	40.7%	107.3%	103.7%	-41.2%	20.9%	58.1%	33.7%	9.7%
June Forecast, Preliminary	21.1	21.4	21.1	22.8	27.1	32.2	17.0	21.6	33.9	44.5	48.2
Percent Change	52.8%	5.8%	-6.0%	37.7%	100.3%	98.7%	-41.2%	26.9%	56.8%	31.3%	8.4%

Source: [www.erfc.wa.gov](http://www.erfc.wa.gov)

# King County Single Family Residential

<i>Active Listings:</i>	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	% Change vs yr ago
King County	8,869	8,218	6,918	7,523	8,115	8,794	9,206	11,780	16,035	66%

<i>Closed Sales:</i>	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	% Change vs yr ago
King County	1758	1574	1462	956	997	1,596	1,642	1,696	2438	47%

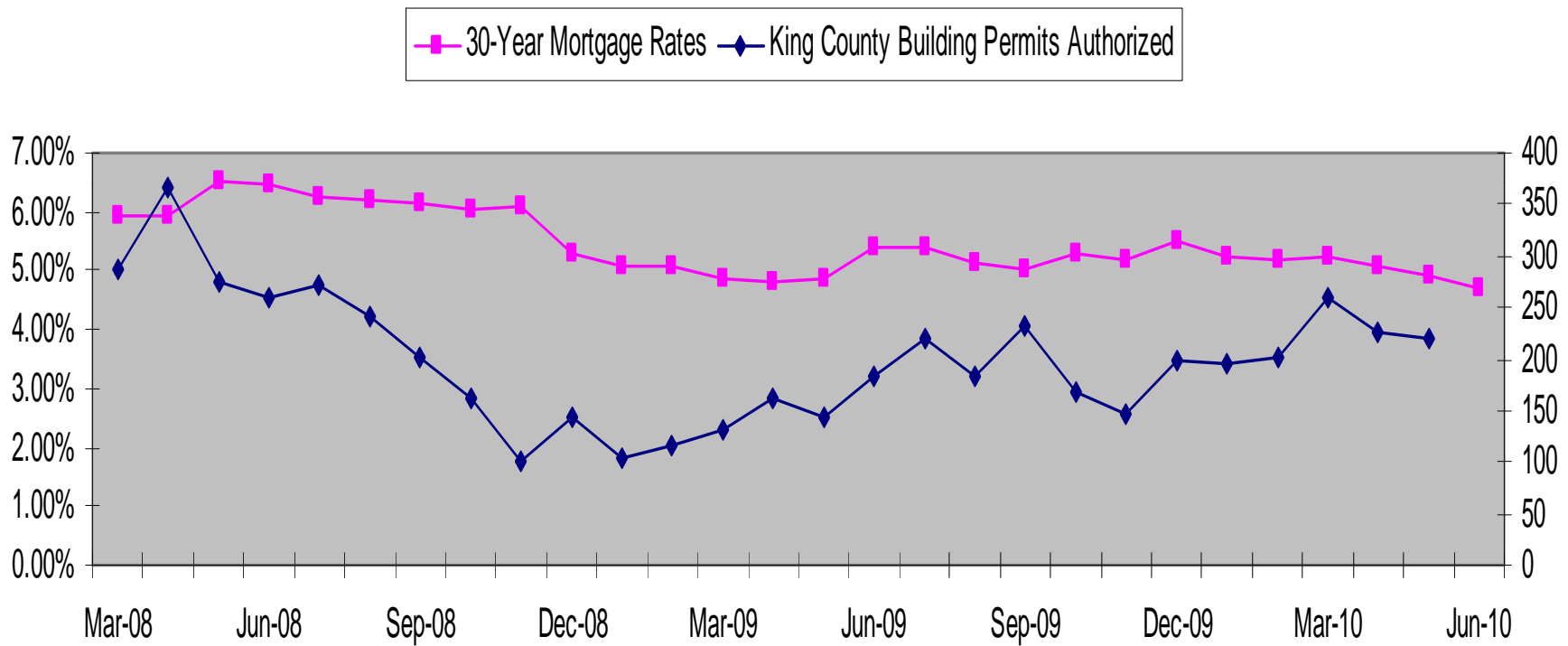
<i>Months Supply:</i>	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	% Change vs yr ago
King County	5.04	5.22	4.73	7.87	8.14	5.51	5.61	6.95	6.6	13%

<i>Median Sale Price:</i>	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Avg. 12mont hs	% Change vs yr ago
King County	\$377,500	\$370,000	\$380,000	\$375,000	\$373,010	\$367,250	\$375,000	\$372,250	344,500	\$374,667	-13%

Source: Multiple Listing Service

# King County Single Family Residential

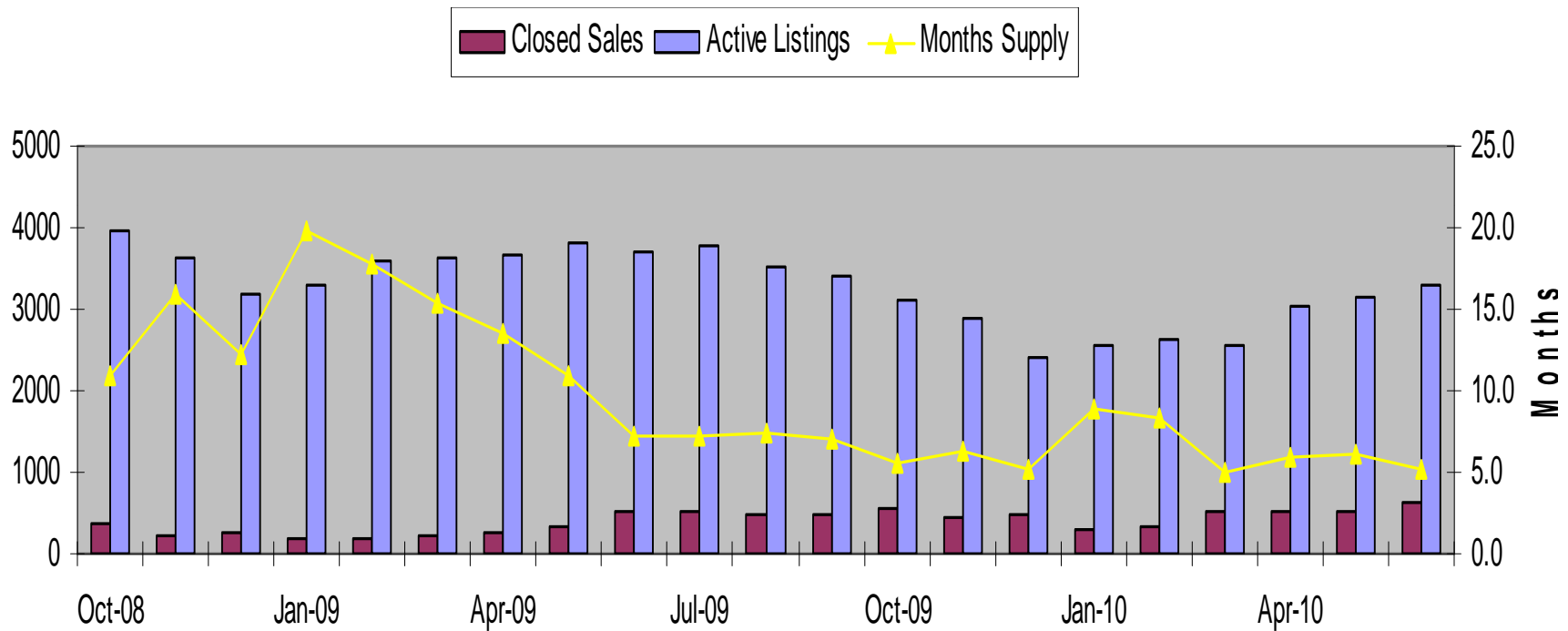
## Building Permits & Mortgage Rates



Source: Multiple Listing Service

# Eastside Single Family Residential

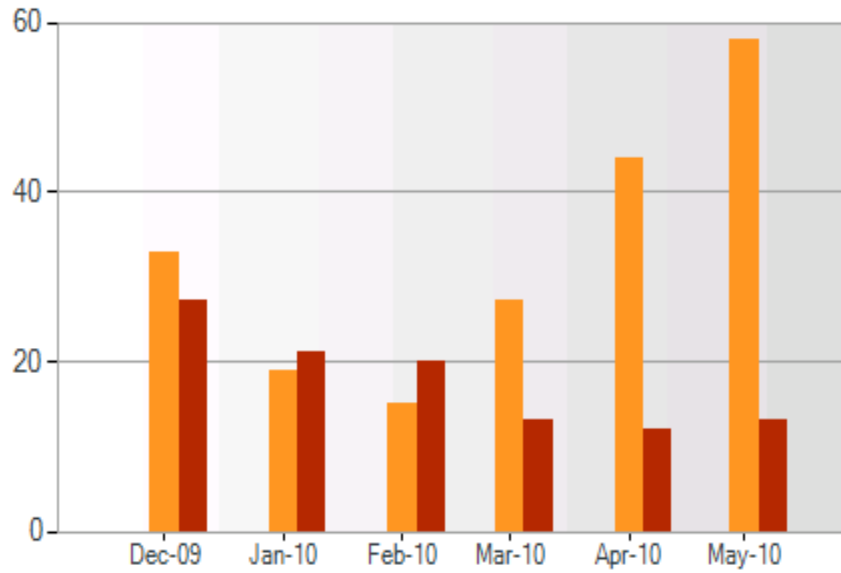
## Eastside Residential Real Estate



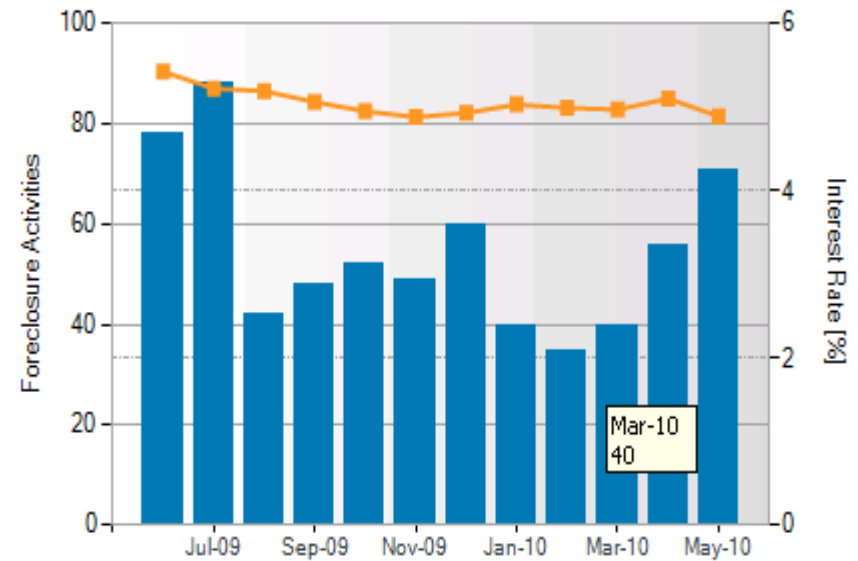
Source: Multiple Listing Service

# Kirkland Foreclosure Trends (Single Family and Condo)

Pre-Foreclosure ■ Auction ■ REO ■



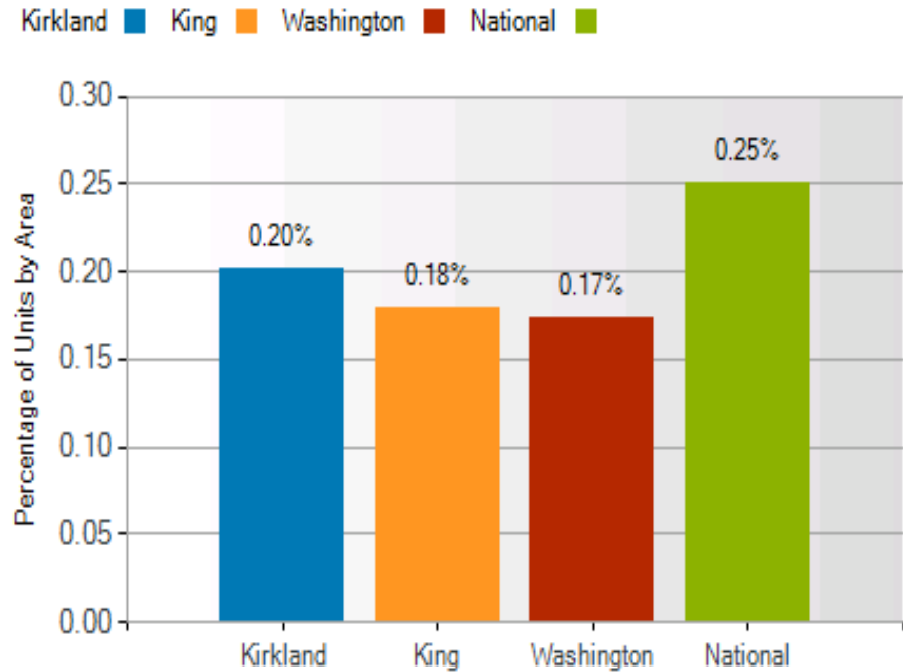
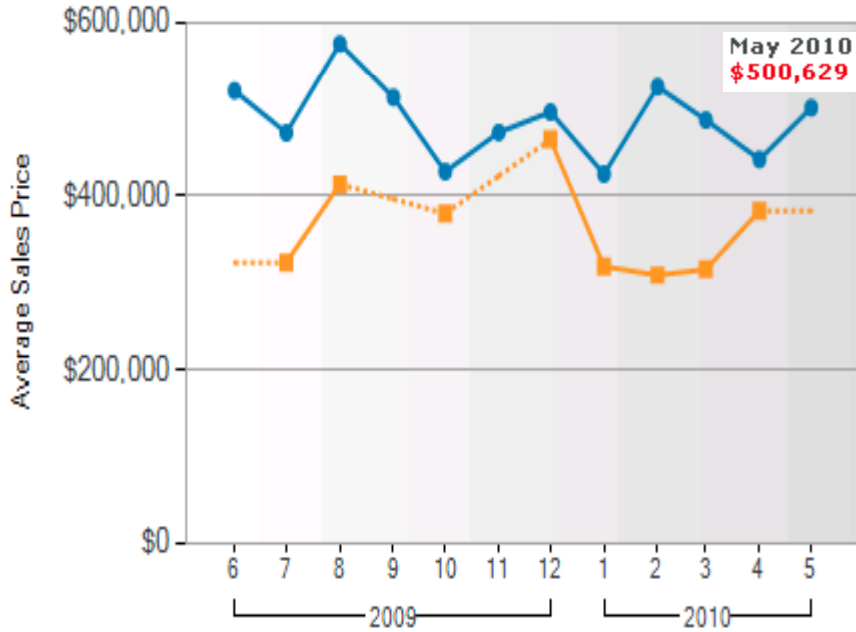
Total Foreclosures ■ Interest Rate ■



Source: RealtyTrac

# King County REO Properties - (Single Family and Condo)

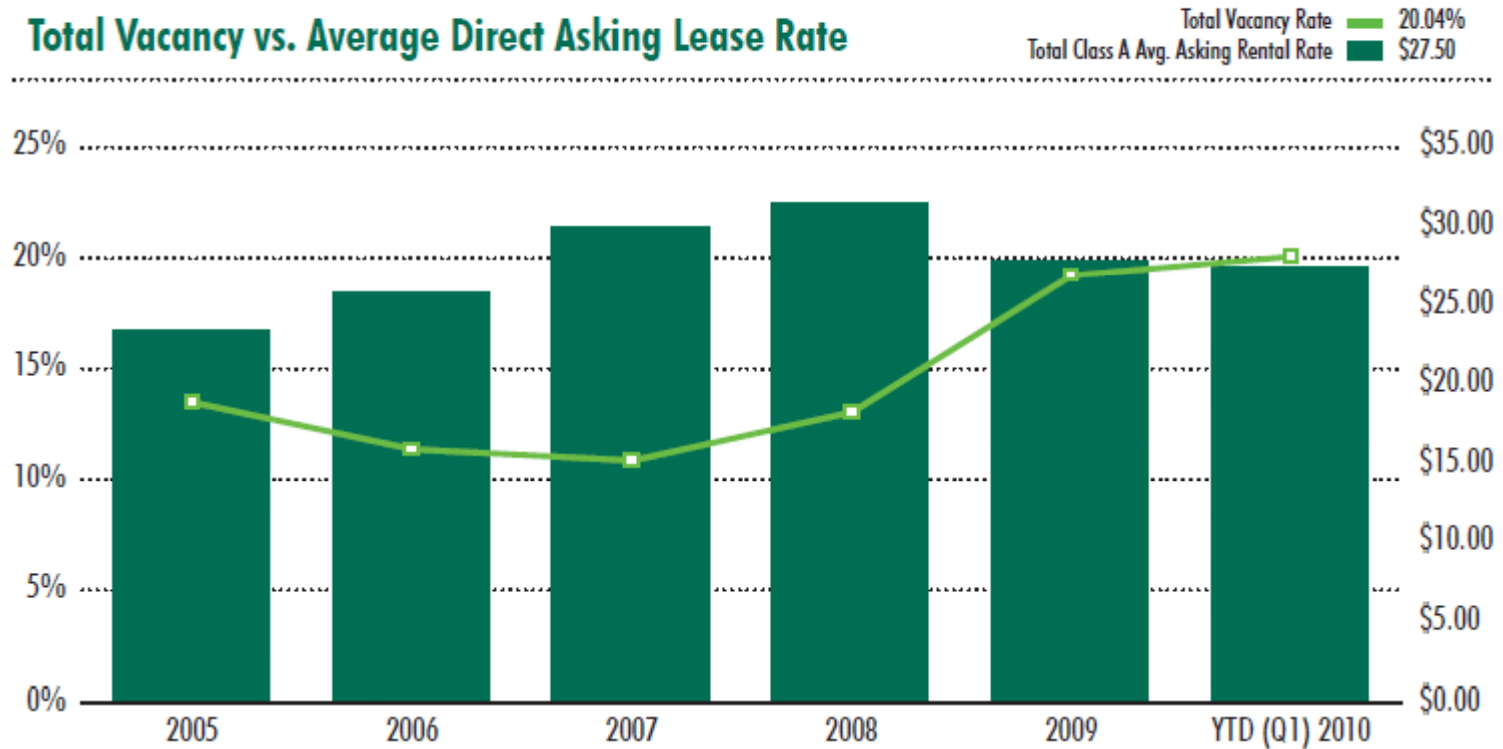
Average Sales Price ■ Average Foreclosure Sales Price ■



Source: RealtyTrac

# Puget Sound Office Market

Total Vacancy vs. Average Direct Asking Lease Rate



Source: CB Richard Ellis

# Puget Sound Office Market

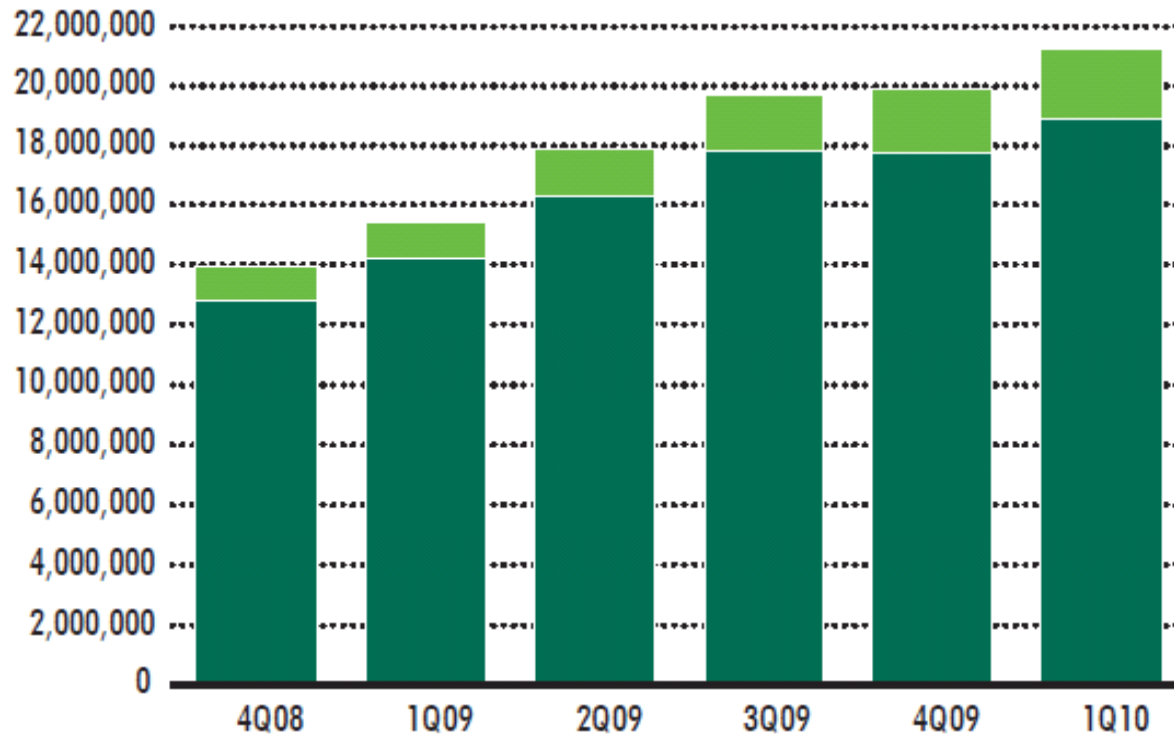
Submarket	Building SF	Total Vacancy %	Class A Avg. Asking Direct Lease Rate (Full Service PSF/Yr)	Class A Avg. Asking Total Lease Rate (Full Service PSF/Yr)	Q1 Net Absorption	Last 4 Qtrs Net Absorption	Under Construction
Seattle CBD	20,300,126	20.8%	\$30.73	\$30.36	(34,674)	(840,160)	—
Waterfront	2,323,473	11.8%	\$22.71	\$22.52	36,020	(45,405)	—
Pioneer Square	3,661,977	14.6%	\$24.68	\$24.42	16,859	(34,594)	288,000
Denny Regrade	6,906,199	28.7%	\$29.13	\$28.90	(69,760)	(190,408)	—
Lower Queen Anne	3,062,877	16.7%	\$32.50	\$32.16	(16,469)	7,713	—
Lake Union	3,943,654	18.3%	\$27.55	\$27.17	20,741	(102,457)	1,320,238
Canal	1,311,020	11.5%	\$27.42	\$27.42	(2,427)	29,640	—
<b>Downtown Seattle</b>	<b>41,509,326</b>	<b>20.2%</b>	<b>\$29.76</b>	<b>\$29.38</b>	<b>(49,710)</b>	<b>(1,175,671)</b>	<b>1,608,238</b>
North Seattle/Interbay	2,301,490	22.9%	\$25.00	\$23.80	(94,163)	(137,179)	—
Capitol Hill/E Seattle/Rainier	995,001	26.4%	\$27.86	\$27.68	(7,939)	(11,879)	—
South Seattle	1,424,037	13.7%	\$22.76	\$22.71	(6,297)	(1,771)	162,866
<b>Seattle Close-In</b>	<b>4,720,528</b>	<b>20.8%</b>	<b>\$25.69</b>	<b>\$24.90</b>	<b>(108,399)</b>	<b>(150,829)</b>	<b>162,866</b>
Sea-Tac	862,332	18.7%	\$22.93	\$22.73	(995)	(4,627)	—
Tukwila	2,208,168	16.0%	\$20.32	\$19.74	28,607	65,163	—
Renton	3,122,922	14.0%	\$22.52	\$22.30	(57,289)	(56,050)	—
Kent	1,208,646	29.1%	\$21.79	\$21.61	13,069	(59,762)	—
Auburn	289,025	6.3%	\$20.50	\$20.50	—	(16,888)	—
Federal Way	2,250,369	39.5%	\$19.96	\$20.08	(7,970)	(150,959)	—
<b>Southend</b>	<b>9,941,462</b>	<b>22.2%</b>	<b>\$21.35</b>	<b>\$20.99</b>	<b>(24,578)</b>	<b>(223,123)</b>	<b>—</b>
Bellevue CBD	7,925,601	17.0%	\$33.47	\$31.74	(152,471)	535,983	—
I-405	2,909,251	16.9%	\$25.73	\$24.78	(34,591)	(97,134)	—
SR-520	2,571,507	21.9%	\$27.45	\$25.90	(37,497)	(206,288)	—
I-90	6,561,305	17.8%	\$30.53	\$28.35	(104,300)	(314,317)	165,320
Bel-Red Road	1,384,897	11.1%	\$30.61	\$27.46	(1,177)	(64,497)	—
Kirkland	1,560,047	30.6%	\$30.98	\$28.42	(2,133)	(62,390)	—
Redmond	4,153,653	25.7%	\$25.05	\$24.58	(129,673)	(473,209)	—
Bothell	3,076,863	21.4%	\$21.65	\$22.59	27,021	52,801	—
Eastside	30,143,124	19.7%	\$28.74	\$27.62	(434,821)	(629,051)	165,320

Source: CB Richard Ellis

# Puget Sound Industrial Space

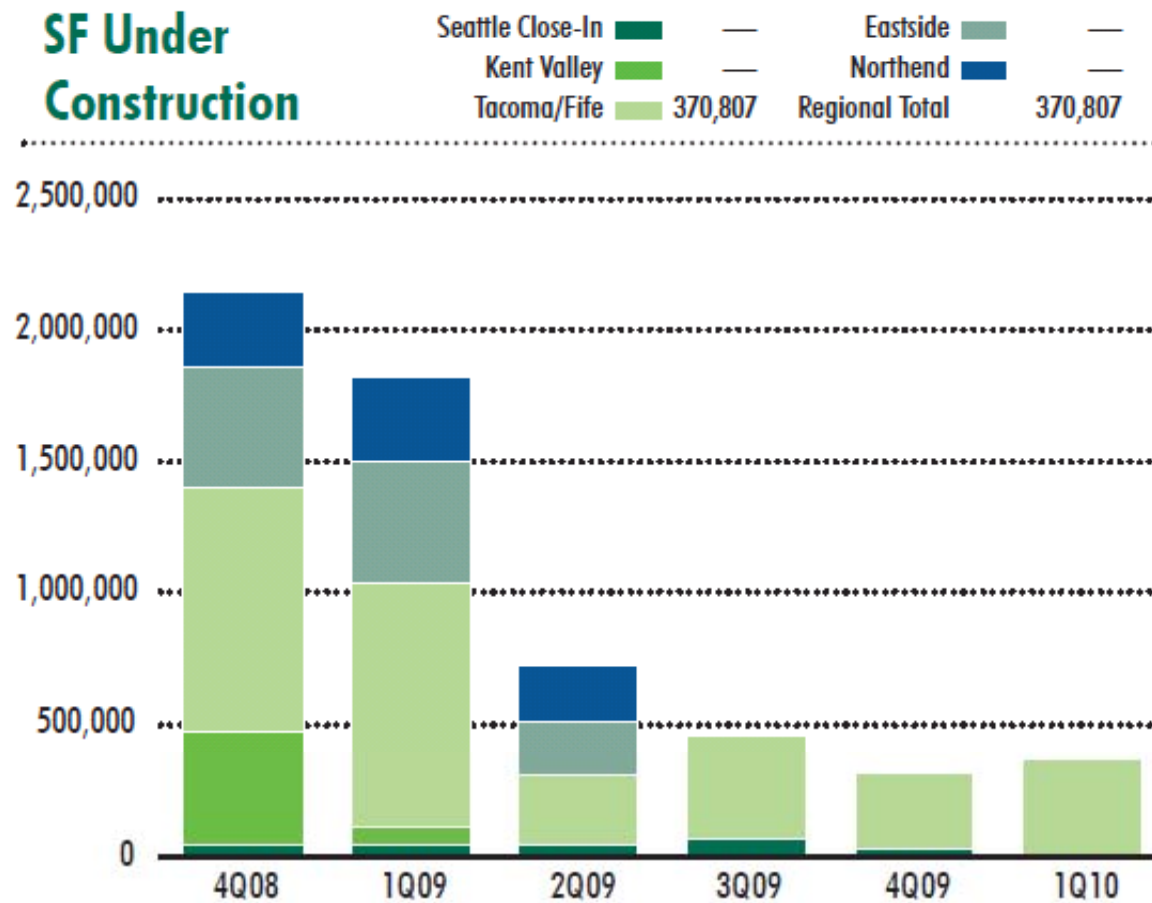
## Vacancy

Direct Vacant 18,886,626  
Sublease Vacant 2,367,996  
Total Vacant 21,254,622



Source: CB Richard Ellis

# Puget Sound Industrial Space

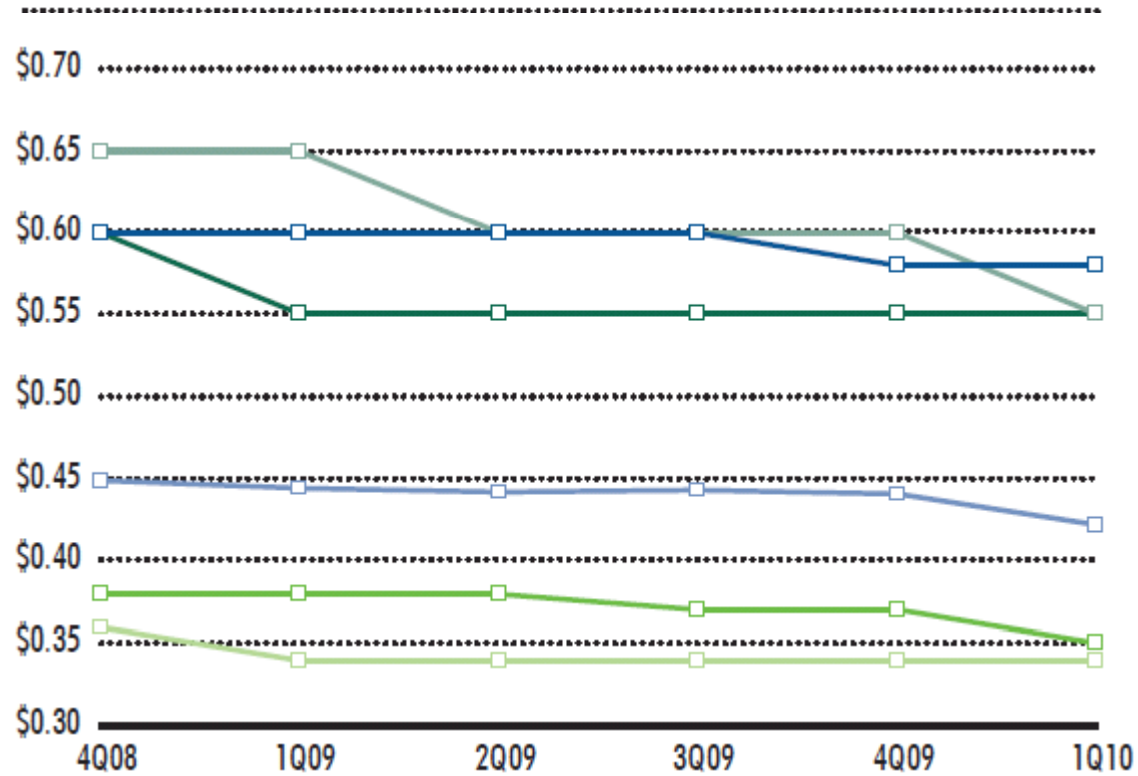


Source: CB Richard Ellis

# Puget Sound Industrial Space

## Typical Warehouse Asking Rental Rates

Seattle Close-In \$0.55      Eastside \$0.55  
 Kent Valley \$0.35      Northend \$0.58  
 Tacoma/Fife \$0.34      Regional Avg. \$0.42



Source: CB Richard Ellis

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# Kirkland Business Survey 2010

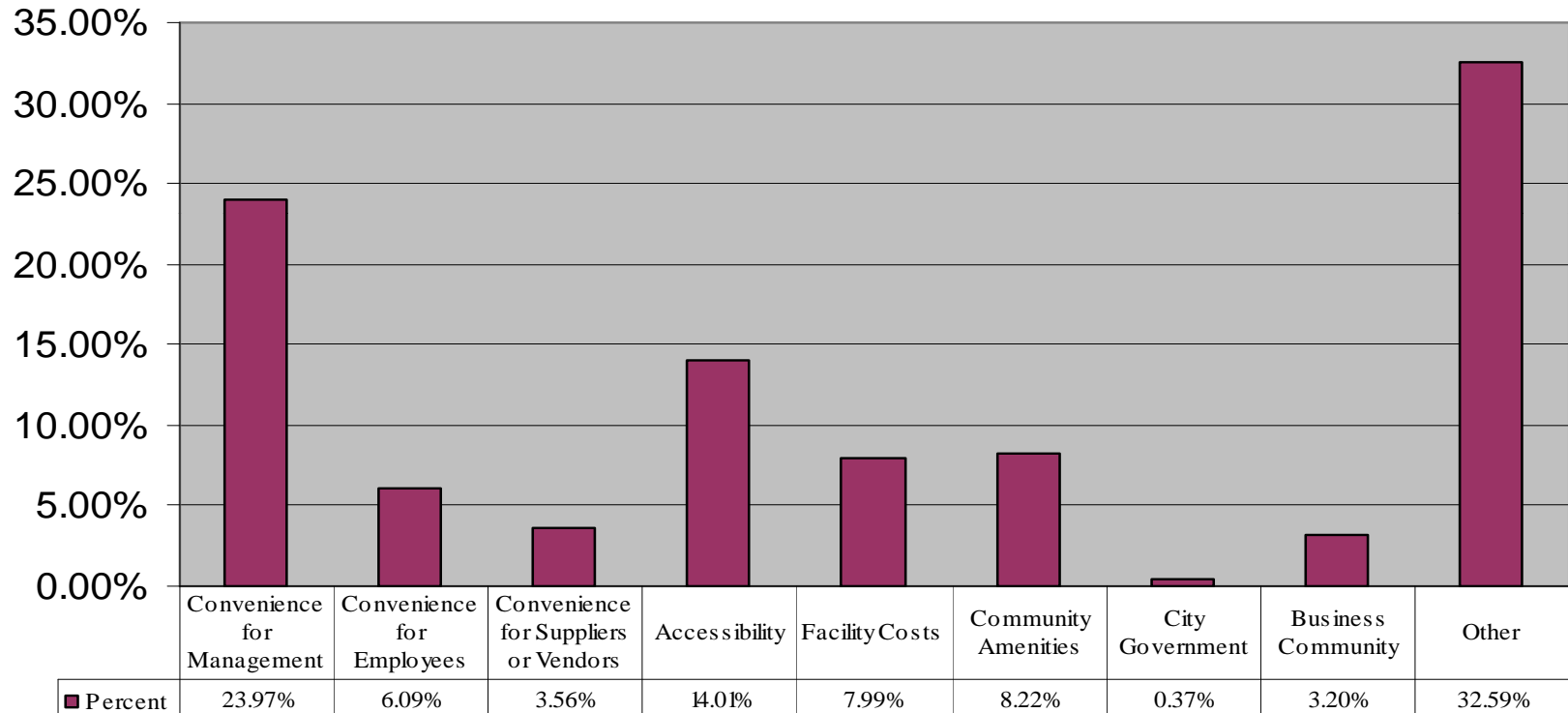
## **Project Objectives**

The following research objectives were addressed during the Business Community Research Study:

1. To identify key variables of influence that affect the location decision for businesses in Kirkland
2. To project the likelihood that a business may grow in its existing location or decide to relocate in the next 12 months, and categorize the variables that might influence that decision
3. To determine the level of satisfaction with the current business services and communication provided by the City of Kirkland
4. To understand how the City of Kirkland can improve the operating environment for its local businesses

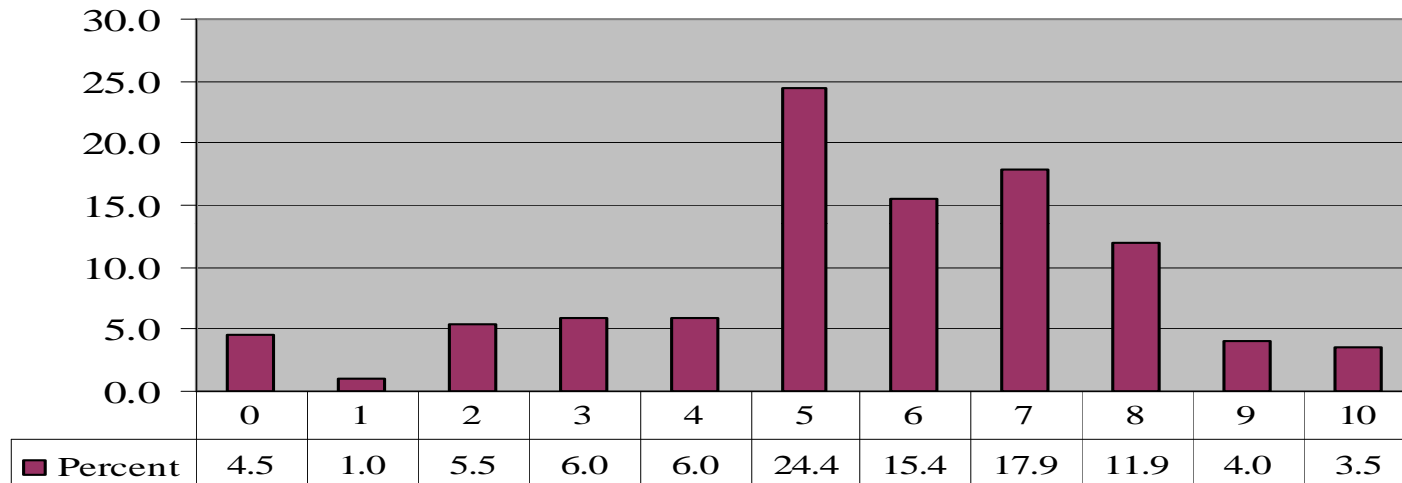
# Kirkland Business Survey 2010

## Criteria for Locating in Kirkland



# Kirkland Business Survey 2010

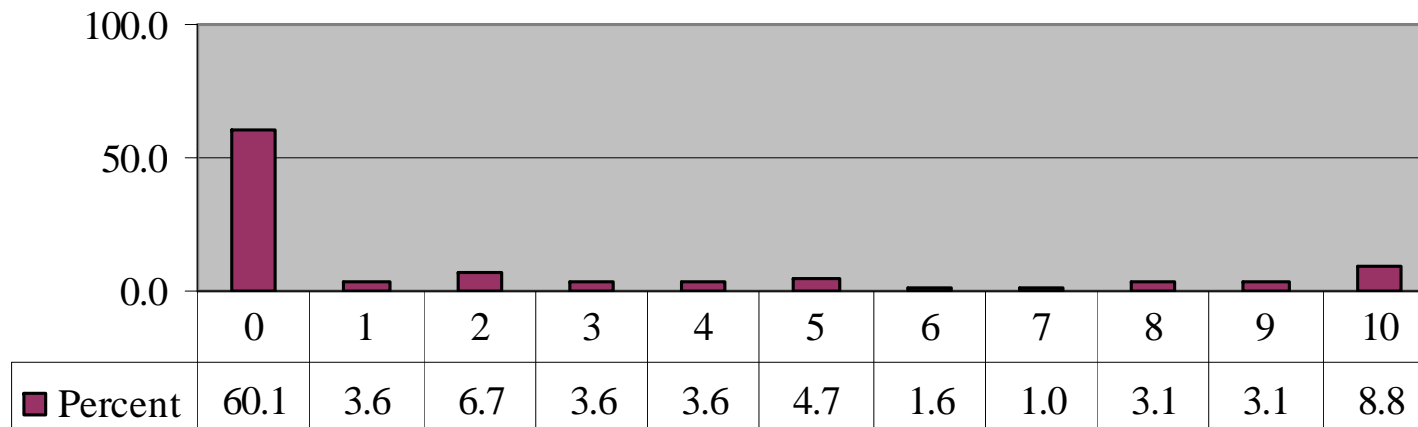
## 12-Month Business Confidence (0 Not Confident - 10 Very Confident)



Mean	5.60
Median	6.00
Std. Deviation	2.279
Skewness	-0.515
Std. Error of Skewness	0.172
Kurtosis	0.174
Std. Error of Kurtosis	0.341

# Kirkland Business Survey 2010

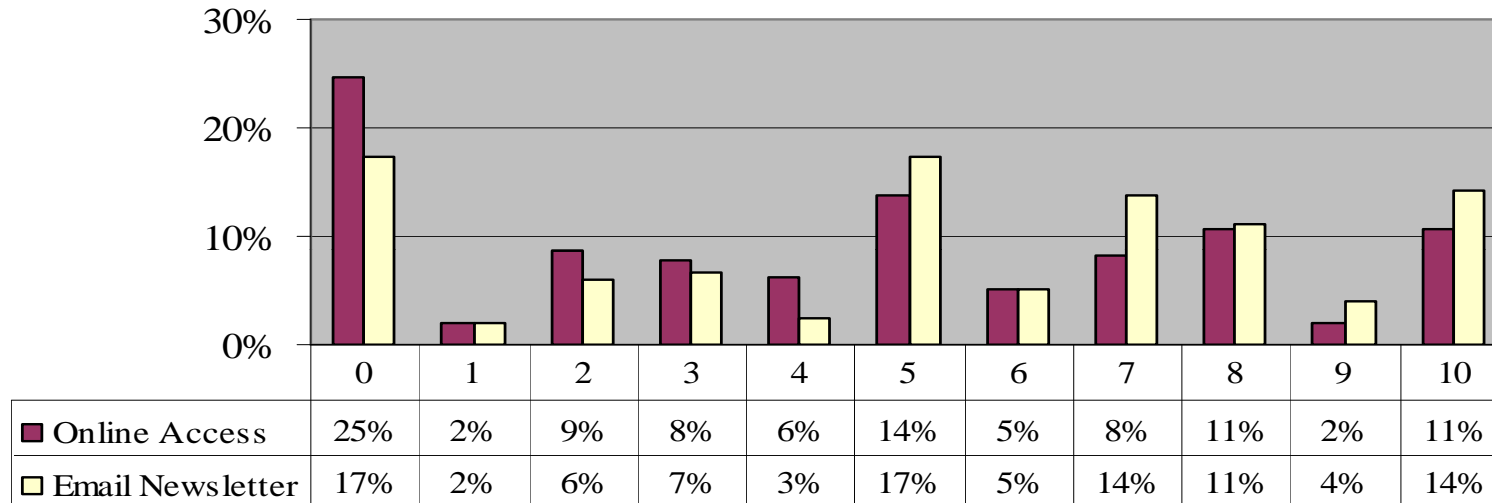
## Likelihood of Expanding Outside of Kirkland in the Next 12 Months (0 Very Unlikely - 10 Very Likely)



Mean	2.23
Median	0.00
Std. Deviation	3.440
Skewness	1.329
Std. Error of Skewness	0.175
Kurtosis	0.260
Std. Error of Kurtosis	0.348

# Kirkland Business Survey 2010

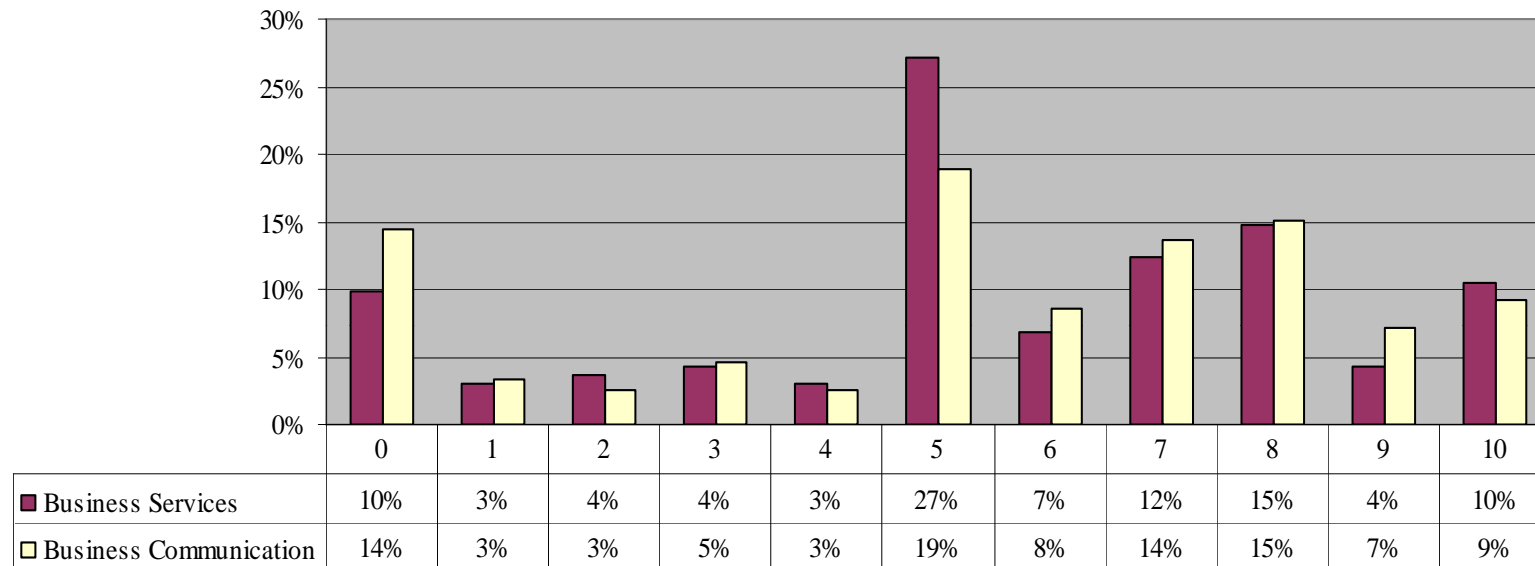
## Importance of Communication Channels (0 Not Important -10 Very Important)



	Email	Online
Mean	5.25	4.37
Median	5.00	5.00
Std. Deviation	3.359	3.416
Skewness	-0.239	0.140
Std. Error of Skewness	0.173	0.174
Kurtosis	-1.138	-1.249
Std. Error of Kurtosis	0.345	0.346

# Kirkland Business Survey 2010

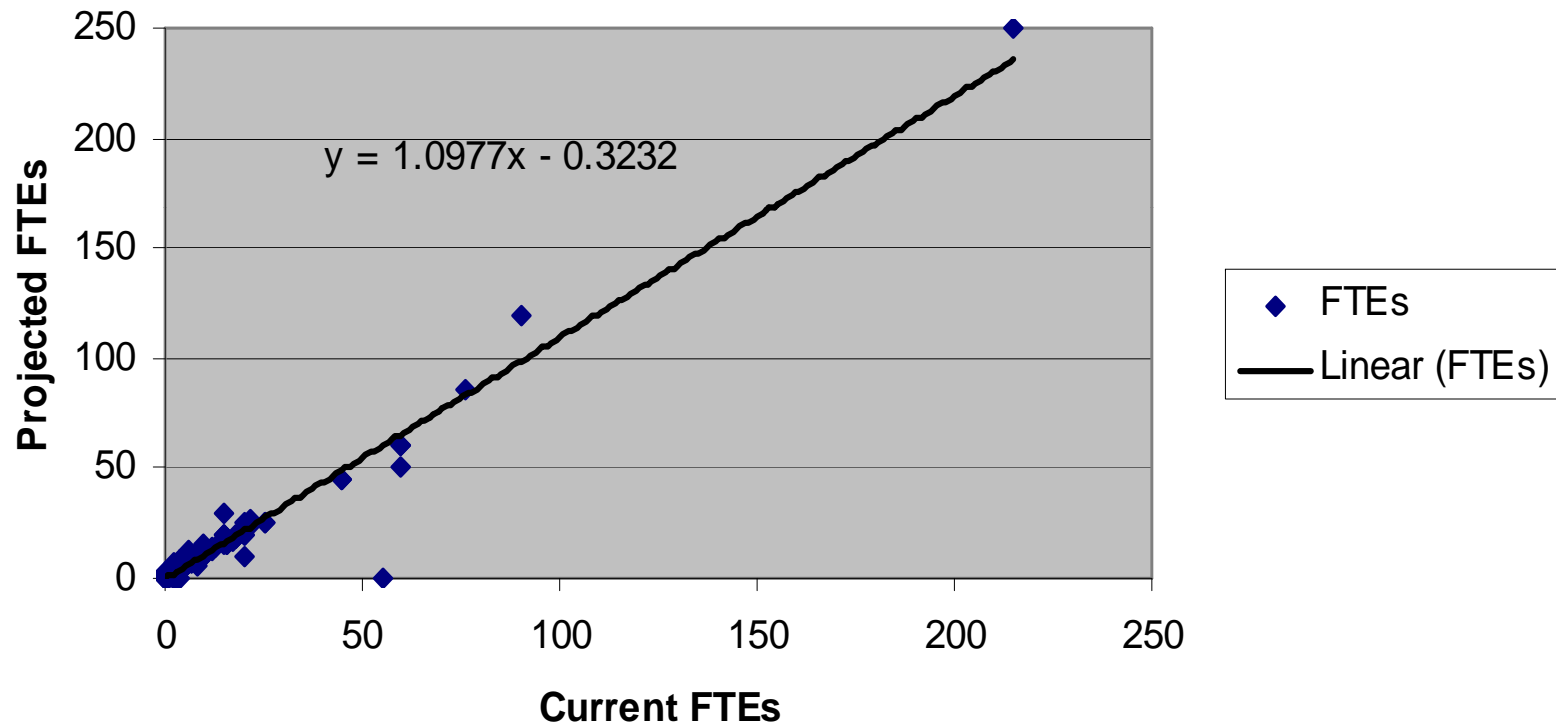
## Satisfaction with Business Services and Communication



	Communication	Services
Mean	5.51	5.61
Median	6.00	5.00
Std. Deviation	3.129	2.896
Skewness	-0.496	-0.431
Std. Error of Skewness	0.196	0.191
Kurtosis	-0.807	-0.528
Std. Error of Kurtosis	0.390	0.379

# Kirkland Business Survey 2010

## Full Time Equivalencies (FTEs)



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# Kirkland Business Survey 2010 – Key Findings

1. Among all the respondents surveyed, 66.1% reported that the business owner had the largest influence on location decision.
2. When considering location decisions, the most frequently considered alternative was the Bellevue Central Business District. This location was followed closely by the city of Redmond. However, almost half of the respondents had considered no other alternative to Kirkland.
3. The top three variables considered when establishing a business in Kirkland are convenience for management, accessibility and facility costs.
4. An average response of 5.6 out of 10 was given as an indicator of confidence in the local economy in the next twelve months. While this rating is a slight improvement over the 2009 regional rating, it shows that most business owners are still cautious about the economic future.
5. On average, businesses were not likely to relocate out of outside of Kirkland in the next twelve months. Those that indicated that they were leaving cited a bad economy and lack of customers as the main reason.
6. Business that reported a high likelihood of expanding outside of Kirkland also employed the largest number of FTEs compared to those that were less likely to expand outside the city's borders.
7. Business respondents reported using the internet to access business information over three times as often as contacting a city official. In the realm of electronic communication, the preference was for an email newsletter over having only online access. In general, business citizens were moderately satisfied with the current communication efforts.
8. Business services also received a moderate satisfaction rating. A majority of respondents cited taxes, parking, signage and networking opportunities as issues in which the city could make measured improvements.

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# Conclusion....