

Cascade Pacific Real Estate Report

A NEWSLETTER

VOLUME I, ISSUE 1 | JULY 17, 2008

The Puget Sound region office market ended the 1st Quarter of 2008 with an overall vacancy rate of 8.3%. Overall lease rates stood at \$29.30 per square foot, which was up slightly from the preceding quarter.

The Puget Sound region retail market ended the 1st Quarter of 2008 with an overall vacancy rate of 7.8%.

The retail and office markets, both sales and leasing, in the Seattle area are beginning to soften due in large part to the general slowdown in the national economy. Soaring energy costs, a prolonged housing crisis, reduced consumer spending, stagnant wages and a credit squeeze are the essential factors that are causing the malaise in the market.

Thus, with the head-winds of a faltering and uncertain economy, it is more important than ever to be extra diligent and forward thinking as it relates to scrutinizing both the operating and capital expense items for commercial properties.

The following are a few strategies that we are employing on behalf of our clients to increase, or stabilize net operating income.

- 1) Review existing vendors' contracts and re-bid as necessary, especially garbage, landscape, insurance and janitorial.
- 2) Look for government tax credits for creating energy efficient buildings, and seek out the use of energy efficient materials.
- 3) Now that the economy has slowed, it is time to re-examine deferred capital projects. Since work for many third-party vendors has slowed, even with wholesale price increases, a slowed labor force may lead to a reduction in the over-all costs of specific capital improvement projects (i.e. roofs, HVAC, facade, etc.)
- 4) Look to decrease maintenance and on-going operating costs by re-examining property lighting, water usage, HVAC analysis, etc.
- 5) Cap Rates for office and retail properties are inching higher, which often translates to lower property values. Now may be an ideal time to challenge tax assessments.

Conclusion

Retail property owners may be negatively affected by percentage lease agreements. Higher energy and health care costs, coupled with wage stagnation, have caused a chilling effect on consumer spending, which in turn can ultimately lead to diminished net income for property owners. The government stimulus checks helped out the consumer a bit in the 2nd Quarter of 2008, but that effect is now largely gone. Office property owners must be very cautious and not agree to cap CAM charges that they cannot control. Due to inflationary pressures brought about by higher energy costs, the costs for many services may continue to spiral upward, which will ultimately affect net income.



CASCADE PACIFIC REAL ESTATE SERVICES, LLC

At Cascade Pacific, we work harder than other companies to provide excellent, personal service. Every one of our clients enjoys a strong relationship with a principal who is committed to respond quickly with sound decisions in their best interests. We are seasoned experts in analyzing and controlling operating and capital expense data. Because of our market experience we are able to apply this knowledge to create efficiencies and thereby decreasing operating expenses and enhancing Net Income.

**Explore our website
to see how we can
better manage your
property. Please
visit www.cascade-pacific.com today.**