

Commercial Real Estate Guide

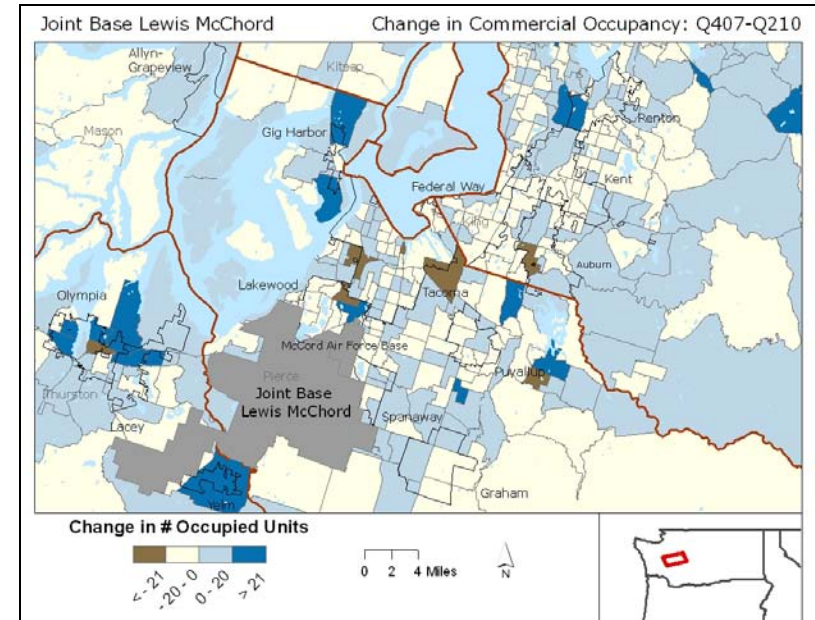
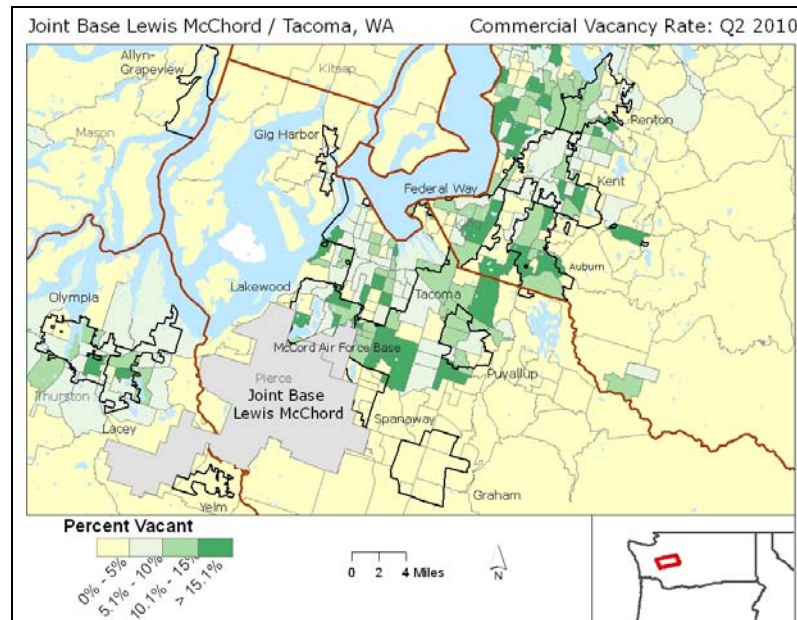
Joint Base Lewis-McChord: Tacoma, WA Area

At a Glance: Business Location

This issue guide tracks changes to the commercial vacancy rate and number of occupied commercial units, and assesses underlying trends in commercial real estate development. A commercial unit may be a retail, industrial or office use. Each commercial establishment address is counted as one unit, regardless of the physical and business size. Areas with a high vacancy rate are experiencing a lack of demand, whereas areas with an increasing number of occupied units are experiencing an increase in demand.

At a Glance: 2007-2010

- Commercial vacancy rates in many census tracts around Joint Base Lewis-McChord topped 15% in Q2 2010.
- At the same time, census tracts in cities surrounding the base experienced growth in occupancy.
- Demand for commercial real estate remained stagnant overall, with the vacancy rate increasing by 1.9% and the number of occupied units growing by 0.1%.



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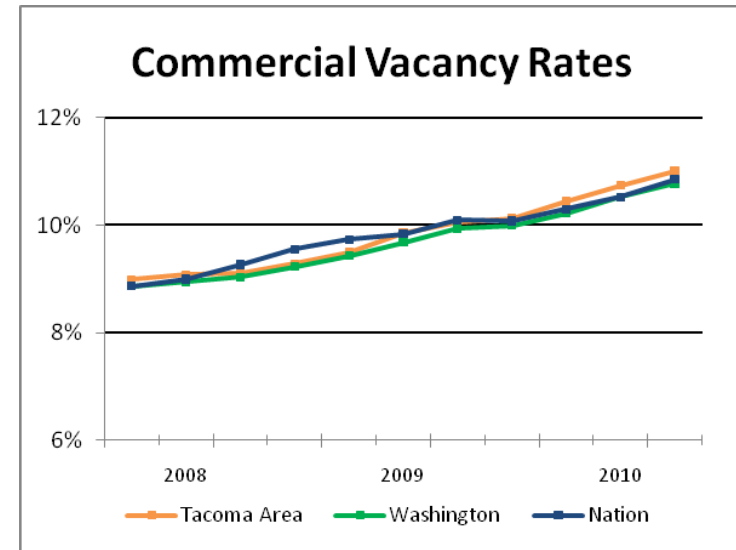
Issues & Analysis

Vacancy Rate: 2007-2010

From the fourth quarter of 2007 to the second quarter of 2010, commercial vacancy rates in the Tacoma area have risen in tandem with Washington and U.S. trends. The total inventory of commercial units grew during the period, even as the total number of occupied units remained constant. Vacancy rates will continue to increase until growth in commercial demand outstrips the production of new units.

Vacancies in the Tacoma area are in line with the national average. The commercial vacancy rate in the Tacoma area increased by 1.9%, to 10.9%, while the U.S. vacancy rate increased by 1.8%, to 10.7%, during the same period.

- Many areas to the North of Joint Base Lewis McChord experienced “high” commercial vacancy rates of more than 10%.
- Cities to the southwest of the base, such as Yelm and Olympia, typically experienced “low” vacancy rates of less than 10%.
- In Q2 2010, vacancy rates were the highest in King County (11.2%) and Snohomish County (11.8%).



Commercial Vacancy Rate – Quarterly Average per Year					
	2007 (Q4)	2008	2009	2010 (Q1 & Q2)	% Change, 2007-2010
Nation	8.9%	9.4%	10.1%	10.7%	1.8%
Washington	8.9%	9.2%	10.0%	10.6%	1.8%
Tacoma Area	9.0%	9.2%	10.1%	10.9%	1.9%
Pierce County	7.3%	7.6%	8.1%	9.0%	1.7%
King County	9.4%	9.7%	10.6%	11.2%	1.8%
Snohomish County	9.4%	9.6%	10.6%	11.8%	2.4%

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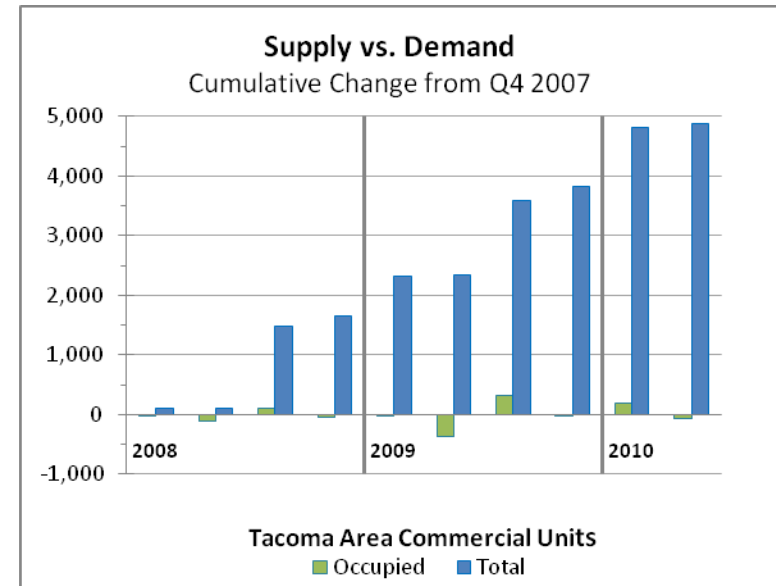
Absorption Rate: 2007-2010

The underlying dynamics of the Tacoma-area commercial real estate market have been consistent since 2007. New units have been added to the market at the pace of more than 1,000 per year, even though overall demand has not changed significantly.

From the fourth quarter of 2007 to the second quarter of 2010, supply increased by nearly 5,000 total units. At the same time, total demand (measured by occupancies) rose by just 60. As a result, the absorption rate – the number of vacant units occupied by new tenants each month – was negative over the past year.

- In Q3 2008, the total number of commercial units began to rise above Q4 2007 levels, while the number of units occupied hovered around pre-recession levels.
- Portions of Olympia, Yelm, and Lakewood experienced growth, with the number of occupied units increasing by more than 20.

Overall, demand for commercial real estate in the Tacoma area remains steady at pre-recession levels. However, development of new units continues, and the local market has more units to absorb than at any time in recent years. Vacancy rates will not decline significantly until these underlying dynamics change.



Commercial Units – Quarterly Average per Year						
Area	2007 (Q4)	2008	2009	2010 (Q1 & Q2)	Change	% Change, 2007-2010
Nation						
Total	10,439,246	10,531,731	10,790,108	10,976,547	537,301	5.1%
Occupied	8,033,553	7,969,561	7,979,696	7,981,971	-51,582	-0.6%
Vacant	925,837	988,667	1,087,418	1,173,115	247,278	26.7%
Washington						
Total	193,810	195,402	199,577	203,012	56,887	6.9%
Occupied	151,309	151,083	151,657	152,008	5,418	0.8%
Vacant	17,186	17,907	19,884	21,618	18,953	21.2%
Tacoma Area						
Total	106,151	106,988	109,176	110,997	4,846	4.6%
Occupied	83,415	83,400	83,392	83,475	60	0.1%
Vacant	9,543	9,886	11,053	12,072	2,529	26.5%

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Frequently Asked Questions

Q: What do the maps show?

A: The vacancy map shows the proportion of commercial units (retail, industrial and other non-residential uses) that were vacant for more than 90 days. The occupancy map shows the change in number of occupied units over the time period. These data are displayed on the map by Census tract.

Q: What time period does this information cover?

A: This information represents the time period from the fourth quarter of 2007 (October, 2007) to the second quarter of 2010 (June, 2010).

Q: Where is this information from?

A: This information comes from the United States Postal Service (USPS) via the U.S. Department of Housing and Urban Development (HUD).

Q: What is a Census tract?

A: A Census tract is a geographic unit designated by the U.S. Census Bureau for reporting demographic information. Each Census tract is designed to contain an area representing around 1,500 households or 4,000 individuals. Census tracts help to identify "small area" trends that are not visible in data sources collected at the County or State level.

Q: How reliable is this information?

A: This information is collected nationwide by the U.S. Postal Service. The information provides a good picture of the number of commercial units that have been vacant for a long period of time. However, the reliability of this

information is dependent upon the accuracy of postal carriers' determination. Users of the data have reported favorably on the results.

Q: What does the data tell about the businesses in these units?

A: These data do not provide additional information about the physical size of the commercial units or the size, operation, or number of businesses. Each commercial establishment address is counted as one unit, whether it is an automotive assembly plant, a corner store, or an office building. Multiple business tenants within an address are counted as one unit. On-the-ground knowledge about the area is essential for analyzing the maps provided here.

Q: Does the USPS track on-post mailings in the same way that they track standard commercial mailings?

A: For the most part, the U.S. Postal Service tracks on-post mailings in the same way that they track standard commercial mailings. But security issues and the uneven coverage of bases by the USPS mean that on-post Census tracts are often absent or of unreliable quality. We exclude on-post Census tracts from the maps for this reason.

Q: Other information I have read says our vacancy rate is higher than this information shows. Why?

A: The U.S. Postal Service's method for collecting information has the effect of excluding recently vacated units from the data sample. As a result, the reported vacancy rate is generally lower than in other data sets. First, units must be continuously vacant for more than 90 days to be reported as vacant. Second, the USPS does not count units currently under construction but which have not yet been occupied. However, because these data are uniformly collected and reported nationwide, they provide a valuable tool for comparing vacancies within and across communities.