




2020
VISION

Forecasting the Future



A Long Term Look at
Green Building & Sustainability Practices
in the Seattle Market



COLLIERS
INTERNATIONAL

Our Knowledge is your Property

Message from the CEO



► **DOUG FRYE**
President & CEO
CMN Inc.

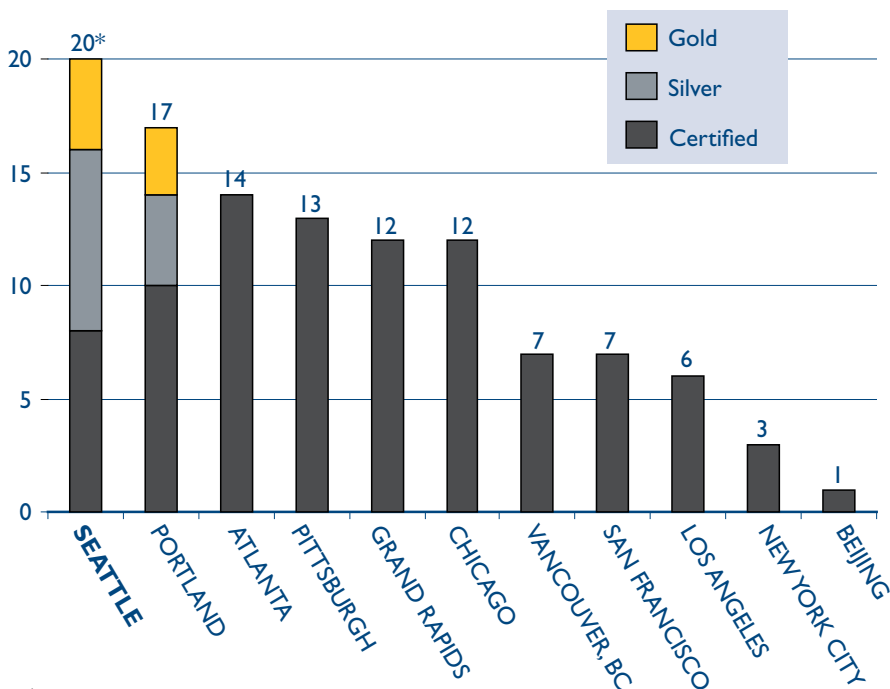
There is no doubt that sustainability is playing an increasingly important role in the commercial real estate industry. I would like to take it a step further and say that “going green” is not just good for the environment, it is good for business. The fact is, sustainability, or green building, makes economic sense. A recent survey by J.P. Morgan said that assets of funds that were designed to invest in socially responsible companies have gone from \$12 billion in 1995 to \$178 billion in 2005. CMN

is committed to being a change agent for green building and sustainable practices. Through knowledge and discipline, we can have both sustainability and economic prosperity. ■

“The Progressive Investor reports that nearly half of the 300 US REITs are actively pursuing energy efficiency and green building upgrades and another quarter plan to do so.”

*- Reynolds Haas, Senior Vice President, Investments
Colliers International*

GREEN CITIES Number of LEED-Certified Buildings (August 2006)



*As of July 2007, Seattle has 26 LEED certified buildings including one platinum, five gold, and 12 silver

FUTURE KNOWLEDGE



► **JOHN POWERS**
Sr. Managing Director
State of Washington
Colliers International

Colliers International—Puget Sound is pleased to introduce the first in a series of 2020 Vision Reports – *Forecasting the Future*. A full-service commercial real estate firm, Colliers is dedicated to accelerating our clients’ success.

One way we are achieving this goal is by looking beyond just today’s market data and statistics. These Vision Reports focus on a specific market segment: geographic, service, client or product type and then project into the future. The reports represent a specialized approach between Colliers, our clients, and the market that we characterize as Micro-Area-Partnerships (MAPS). MAPS bring together geographic, cartographic, demographic, cyclographic and product type analyses, resulting in a more holistic, comprehensive approach to serving the commercial real estate needs of our clients.

This—our inaugural 2020 Vision Report—looks to the future of the Seattle region’s leadership role in the global movement toward sustainability and the rapidly expanding LEED-certified green building market. For commercial real estate professionals to maximize their clients’ opportunities, we must be knowledgeable not only in the “art of the deal,” but also understand the sustainability factors and green performance attributes of the property in play. Colliers is committed to the “green” education of our professionals and offers a series of courses on sustainability practices through Colliers University.

With this innovative forecasting approach, Colliers is changing the rules and going in a new direction. Rather than merely compiling existing market data, we are delivering valuable mid to long range market forecast information aimed at helping our clients plan and execute their future.

The Future is here . . . and it’s Green. ■



FAST FACTS: SEATTLE SETS THE STANDARD FOR GREEN BUILDING

- ▶ First city in the US to formally adopt a Sustainable Building Policy (2000)
- ▶ Highest concentration of LEED Accredited Professionals in the nation—over 1,100
- ▶ Largest LEED-certified building portfolio in the world—26 buildings representing 8.1 million square feet and over \$3 billion in capital investments
- ▶ #1 sustainable community according to San Diego Economic Development Council's January 2005 Report
- ▶ Most desirable US market to own office property according to PricewaterhouseCoopers and the Urban Land Institute (November 2006)

CASE STUDY: 9TH & STEWART - A COMMERCIAL LIFE SCIENCES BUILDING

In 2001, Touchstone Corporation, a regional developer, was looking for opportunities to provide assurance that their properties would grow in value over time. Touchstone, in conjunction with MBT Architecture, realized that the 9th & Stewart property could be designed to benefit financially from utilizing LEED criteria. In 2003, Touchstone's President Douglas Howe noted that sustainable building practices would help "future-proof" the property. The investment paid off when the 215,000 square foot secured a large commercial biotech tenant. The space is now home to Children's Hospital Research Institute. Today, Touchstone is constructing a 500,000 square foot office tower at West 8th, seeking LEED Gold CS Certification.

BEYOND THE TIPPING POINT

That point at which the unexpected becomes common, and collective behavior dramatically accelerates the process of change, is a trend's "tipping point," according to Malcolm Gladwell, author of the national best seller by the same name.

One such tipping point has occurred in the Seattle real estate market: high performance "green buildings" used to be a catchphrase, **now the demand for sustainable design, development, maintenance, and operation is commanding.**

As a recognized global pioneer in the pursuit of sustainability practices via Leadership in Energy and Environmental Design (LEED) Certified buildings, the Pacific Northwest, with Seattle at its epicenter, is now home to the world's largest portfolio of green buildings: public, private, and NGO. Starting from scratch in 2000, and driven by the public sector, the Seattle area currently boasts over 8 million square feet of LEED-certified buildings. These represent all types of properties: educational, medical, research facilities, institutional, industrial, multifamily, and office, with office product comprising the fastest growing segment.



9th & Stewart Building (now home to Children's Hospital Research Institute)

As is often the case in pursuing proof of concept, the public sector initiated the region's sustainability movement, developing several LEED-certified facilities, including Seattle City Hall, Central Public Library, and King Street Center. All attained LEED Gold Certification. The private sector was close to follow with projects such as 9th & Stewart, Alley 24, Westlake Terry, Vance Building, 307 Westlake, and WAMU Tower.

Today, with ever-rising energy prices, increased focus on employee health and performance, and progressive corporate cultures examining strategies to reduce their carbon footprint, going "green" is no longer simply a trend, it makes clear economic sense. In fact, when the return on investment is measured in terms of months, not decades, when large corporate tenants demand green buildings, and when Fortune 500 companies appoint "Chief Sustainability Officers," you know **the market is clearly operating in the post tipping point period.**

The Seattle area will continue to lead the design of new technologies and systems for high performance green buildings. Colliers anticipates an additional 20 million square feet of office space coming onto the Seattle market by 2020, and that three quarters of that will be LEED-certified. As a result, green building stock will grow from 8 million to over 30 million square feet by 2020. We also see government leading the way in green redevelopment of our existing building stock, a strategy which holds great promise for re-positioning and adding value to existing buildings by generating huge energy savings and dramatically enhancing the work environment. ■

benefits of going green

“The benefits will make green ubiquitous over the next two years.” - George Caraghiaur, Vice President for Energy Services, Simon Property Group, owner of 300 shopping malls across the US (*Progressive Investor*, June 2007)

for tenants & users

- Lower CAM charges and utility costs
- Healthier work environment, proven increase in productivity, recruitment and retention of employees
- Promote company's corporate sustainable policies

for landlords & owners

- Lower utility rates and consumption - 40% plus savings
- Promote corporate responsibility
- Tenants attracted to proven increase in employee productivity, recruitment, and retention

for developers & investors

- Lower operating, maintenance, and utility costs
- Rapid and high yield returns on extra investment and increased NOI
- Positions building to attract clients with clear preference in sustainability practices and green buildings
- Enhance overall building performance and market value
- Tax incentives, streamlined permitting, density bonus

“For owners, landlords, and developers, making an initial investment of approximately 2 percent of construction costs provides savings of more than ten times that original investment over the life cycle of a building.”

- Brian Lennon, General Manager, Colliers Real Estate Management Services (REMS) Group

first cost savings

- Tax incentives
- Reduced infrastructure costs and decreased waste disposal
- Savings from downsizing mechanical equipment
- Streamlined approvals, permitting and density bonus
- Lower insurance costs, reduced energy rates and consumption

BIG BUSINESS BUY-IN

Fortune 500 and other multi-national companies committed to sustainability practices and clear preference for green facilities:

IBM
Toyota
Wal-Mart
Bank of America*
Ford Motor Company
General Electric
JP Morgan Chase
Simon Property Group
Tishman Speyer
Hearst Corporation
Citibank
Siemens
KPMG International
Colliers International (CMN Inc.)

* Recently announced \$1.5B commitment to green facilities

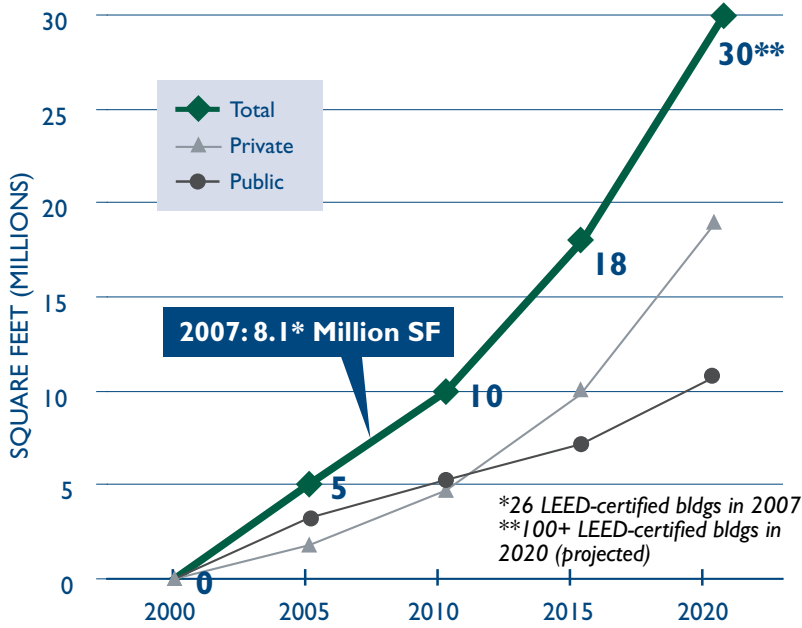
A VISIONARY COMPANY: VULCAN, INC.



Vulcan, Inc., a regional leader in sustainable development, has delivered eight new projects in the South Lake Union neighborhood worth nearly \$500 million and totaling approximately 1.4 million square feet. Ada Healy, the company's Vice President of Real Estate has said, “I see ‘green’ development or sustainable development as a significant trend, and in the Northwest, we are certainly a leader in this area.” (*Knowledge Leader*, Summer 2007)

LEED'S FUTURE IN SEATTLE

Number of LEED-Certified Square Feet by Year (2000-2020)

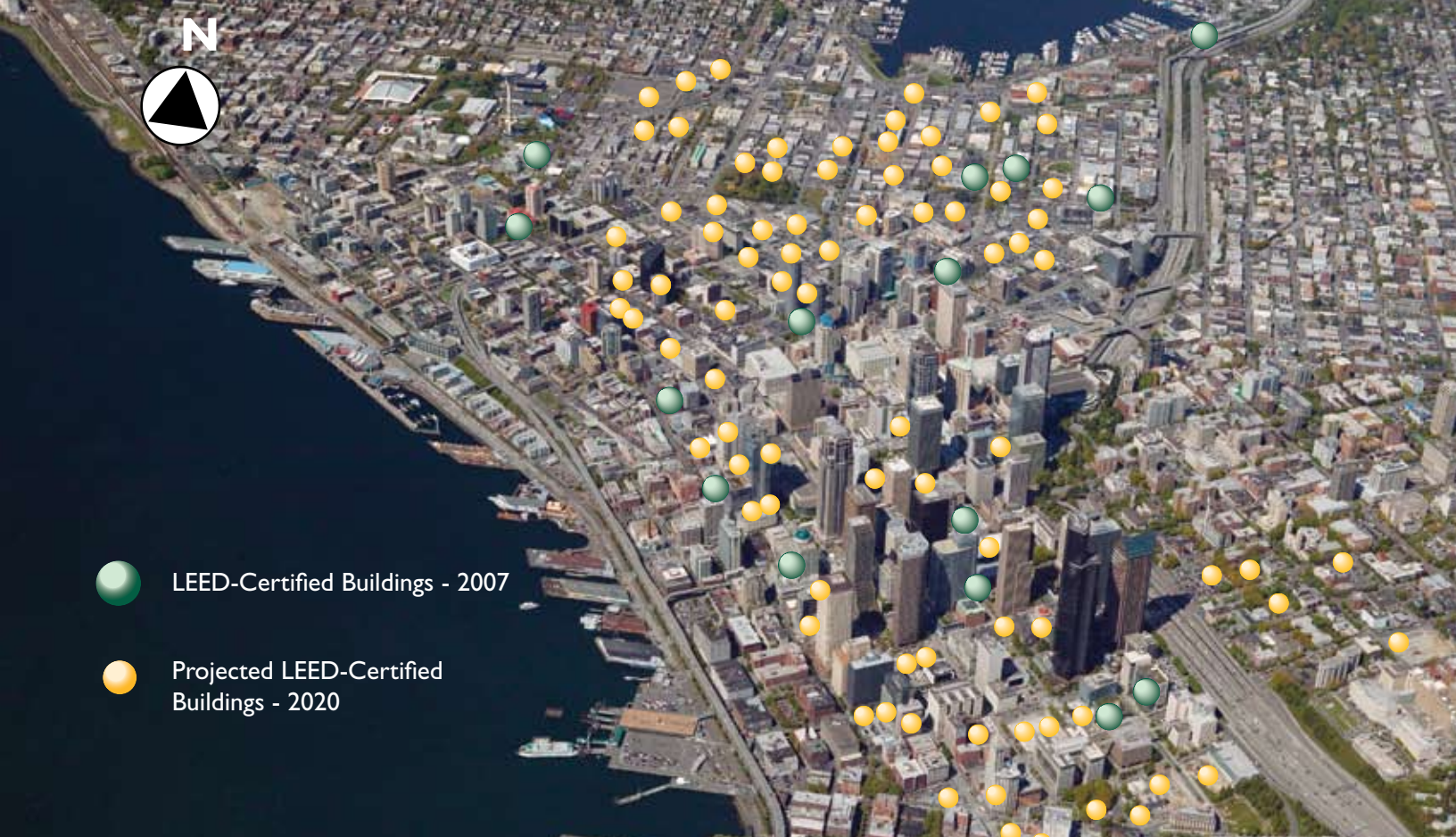


“Nationally, six percent of commercial developments are LEED-certified, projected to grow to ten percent by 2010. In the Seattle market today, we see over 30 percent of new developments seeking LEED certification and we project that by 2010 well over 50 percent of all new commercial development will be built green. We also predict rapid advancement in LEED registration of our existing building stock over the next five years.”

- David Allen, Executive Vice President, McKinstry Company
 Board Chairman, enterpriseSeattle

THE EXPANDING SEATTLE GREEN BUILDING PORTFOLIO

Map of Current & Projected LEED-Certified Office Buildings in the Seattle Business District



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CMN Inc. is a proud member of the US & Canadian Green Building Councils

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