

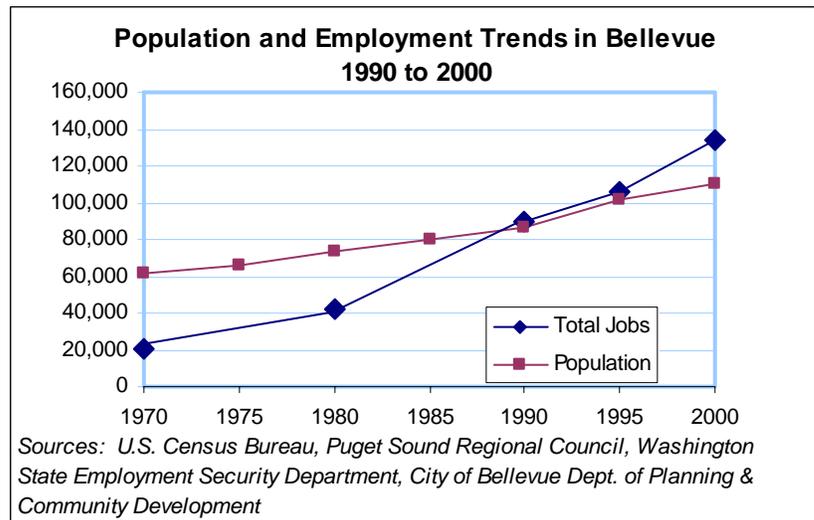
Bellevue Economic Profile

Executive Summary

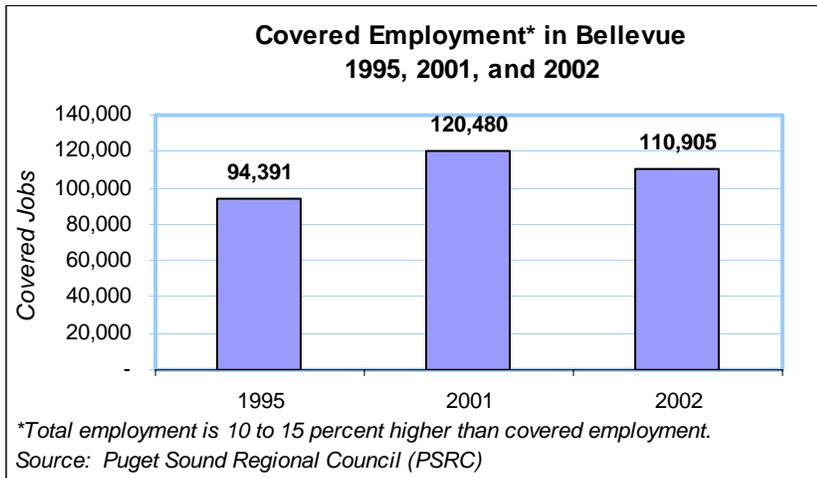
Employment

Overall Employment Trends

In the last few decades, Bellevue has been transformed from a community with only about 20,000 jobs to a major regional economic and employment center with approximately 125,000 total jobs, a figure which exceeds the number of residents in the city. The large number of jobs here, along with the fact that many residents in other locations within the Puget Sound region come to work in Bellevue, indicates the importance of Bellevue's economy not only to the Bellevue itself but also to the region as a whole.



During the period between 1995 and 2001, the number of covered jobs in Bellevue increased by 28 percent. "Covered" employment refers to jobs covered by unemployment insurance, the jobs for which the most information is available. *Total employment is estimated to be 10 to 15 percent higher than covered employment.* The rapid increase in the number of jobs in Bellevue between 1995 and 2001 was part of a



trend during that period in which employment in cities in the Eastside of King County grew particularly rapidly relative to the Puget Sound region generally and to the state as a whole. As an employment and business hub within the Eastside, Bellevue will continue to contribute to and benefit from expanded business linkages and economic synergies created with the growth on the Eastside.

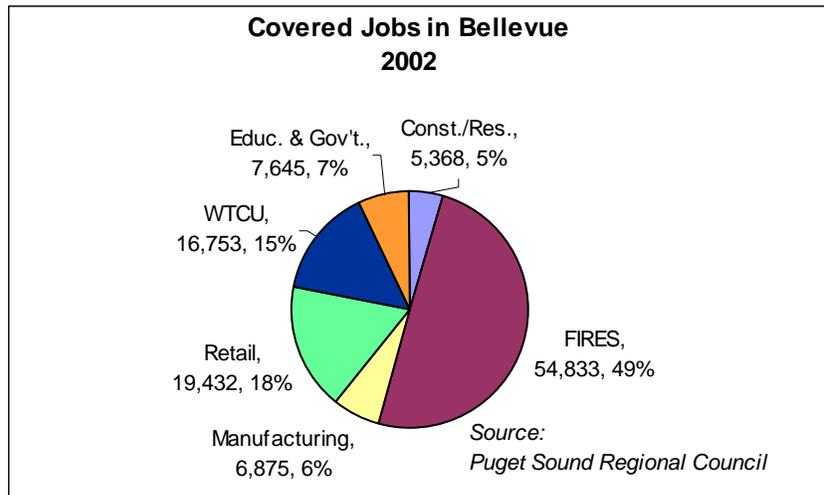
Job losses occurred in Bellevue between 2001 and 2002 due to the national and regional recession. However, the number of covered jobs in Bellevue in 2002 was still 17 percent higher than in 1995. In 2002, Bellevue had about 111,000 covered jobs or about 125,000 total jobs. (The employment trend analysis in the profile focuses primarily on 1995 to 2002 because these are the years for which the most detailed and internally consistent data were available.) The overall number of covered jobs in Bellevue changed by less than one-tenth of one percent between 2002 and 2003.

Bellevue’s jobs-to-population ratio has been increasing in recent decades as employment growth has outpaced population growth. The extent to which Bellevue is importing workers from the balance of the region is anticipated to continue increasing given that job growth is expected to continue to exceed population growth in the city. This trend is identified in the local allocation of regional employment and housing growth targets for Bellevue. In apportioning King County’s future growth targets for comprehensive planning to subregions within the county, jobs and housing growth targets were coordinated to allocate roughly the same share of the county’s jobs growth target and housing growth target to the Eastside.

Employment by Industry Sector

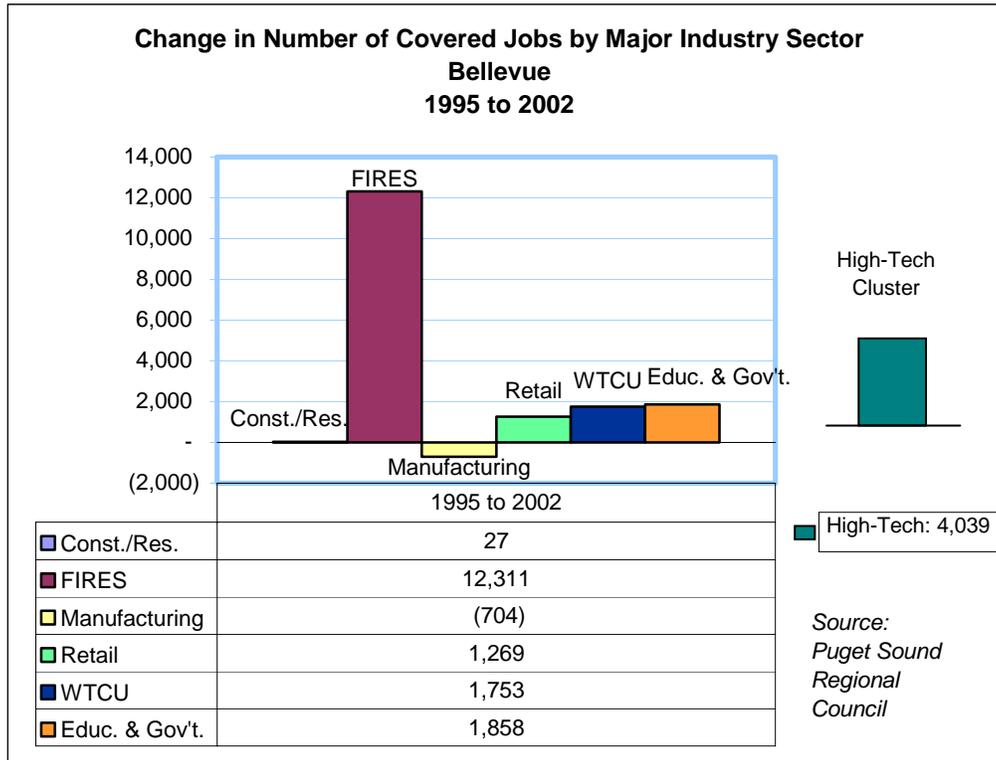
Bellevue has a diversified mix of businesses within the FIRES, Retail, and WTCU sectors, which together make up the three largest sectors of the city’s economy.

- The FIRES sector (which encompasses jobs in Finance, Insurance, Real Estate, and other Services) is an especially important and growing part of the employment base in the Puget Sound region, particularly in Bellevue.
- As of 2002, just under half of covered jobs in Bellevue were in the FIRES sector. This is substantially higher than the share of jobs that the FIRES sector contributed in the region and in King County as a whole.
- Between 1995 and 2002, FIRES jobs represented *three out of every four jobs added to Bellevue’s employment base*.
- Within the FIRES sector, Bellevue has large concentrations of jobs in Business Services (a subsector that includes firms providing a variety of services to businesses on a contract or fee basis). In 2002 almost three-quarters of Bellevue’s Business Services jobs were in the Computer and Data Processing Services industry group. (This industry group includes many, though not all, computer related sectors of the economy; for example, computer programming services and the development of prepackaged software.) Of all industry subsectors, Business Services added the greatest number of jobs to Bellevue’s economy between 1995 and 2002.
- Also within the FIRES sector, Bellevue has significant concentrations of engineering firms, health services, real estate firms, financial institutions, and accounting firms.



Between 1995 and 2002 both the Retail sector (which made up 18 percent of Bellevue jobs in 2002) and the WTCU sector (which comprised 15 percent) added jobs to Bellevue’s employment base. The WTCU sector is comprised of Wholesale Trade, Communications, and Utilities subsectors.

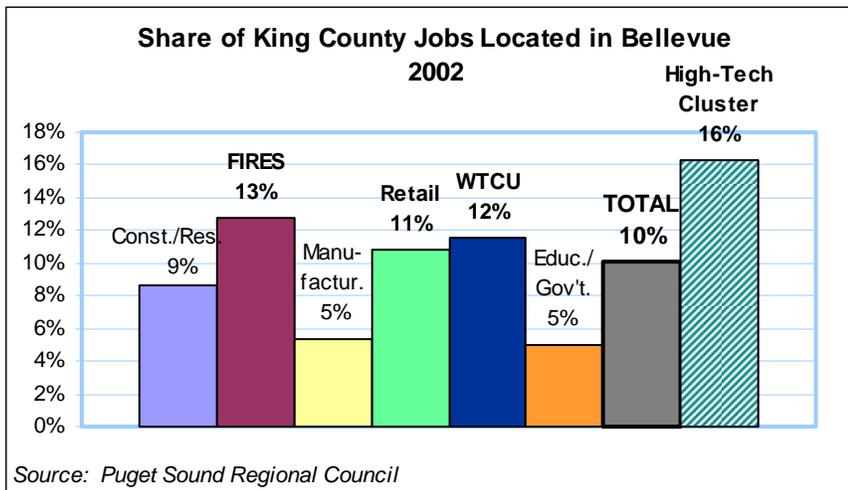
- Large proportions of the WTCU jobs in Bellevue are in Communications and Wholesale Trade.
- WTCU employment growth was stronger in Bellevue than in King County as a whole.



Jobs in the High-Technology cluster of industries are a critical and growing part of the employment base in the Puget Sound region, particularly in Bellevue and the balance of the Eastside.

- Almost two-thirds (64 percent) of all High-Tech cluster jobs in King County (which is the high-tech center of the region) were located on the Eastside in 2002. That year Bellevue contained about one in four of the Eastside's jobs in High-Technology as well as the majority of the Eastside's jobs in the "computer related" subcategory of High-Technology employment.
- In 2002, High-Technology jobs made up about 16 percent of Bellevue's employment base.

While employment in Bellevue's High-Tech firms grew rapidly between 1995 and 2001, nearly half of the jobs lost in Bellevue between 2001 and 2002 were High-Tech jobs.



Jobs located in Bellevue constituted about one-tenth (10 percent) of overall jobs in King County. However, Bellevue contributed proportionally larger shares of the county's jobs in some sectors, particularly in FIRES (13 percent) and WTCU (12 percent), and also in the High-Tech cluster (16%).

Bellevue's Jobs Centers

More than 90 percent of Bellevue's jobs are located in four major local employment centers, which have developed based on factors such as proximity to an attractive customer base, business linkages, appropriate zoning, transportation access, and available land.

- **Downtown** – Downtown is home to tall office buildings in which tens of thousands of employees work, as well as extensive restaurant and shopping opportunities, including those in the major regional Bellevue Square mall. Downtown is the most dense employment center in the city, with about a quarter of Bellevue's jobs. Downtown employment is forecast to grow by 77 percent between 2000 and 2020. This is the highest forecast growth rate of the jobs centers in Bellevue and in any substantial urban employment center in King County.
- **SR-520/Bel-Red** – While employment densities in the SR-520/Bel-Red employment center are not as concentrated as in Downtown, SR-520/Bel-Red contains about one-third of the city's jobs. Compared with growth rates in Downtown, growth rates in this and the other employment centers in Bellevue are currently forecast to be modest. Overlake Hospital anchors the western part of the SR-520/Bel-Red employment center. Parts of the Bel-Red area have served as the city's warehouse and manufacturing district, although the area is in transition.
- **116th/Bellefield** – This area, located along the I-405 corridor, has a heavy concentration of offices and hotels and also includes a significant number of auto dealers and retail stores. While there are fewer jobs in 116th/Bellefield than in the other three major Bellevue job centers, employment in this area is forecast to grow somewhat more quickly than in the other major Bellevue job centers outside of Downtown.
- **Factoria/Eastgate** – Located along the I-90 corridor, this area includes a large number of offices, a few hotels, and several retail shopping centers, particularly along Factoria Boulevard where Factoria Mall is located and at the intersection of 148th Avenue NE and I-90. New-economy jobs, including those in High-Tech, are among the main types of employment held by workers in the office complexes along the I-90 corridor.

Other centers include Crossroads, a commercial center containing the Crossroads Bellevue shopping center, additional retail stores and services, and offices. While Crossroads does not function as one of the city's *major* employment centers, its businesses serve both the larger community as well as nearby neighborhoods. Bellevue also has smaller, neighborhood-oriented retail centers in many areas of the city that provide goods, services, and gathering spaces for nearby residents.

Economic Recovery and Growth Prospects for the Near Future

At a *national* level the recent recession officially began in March of 2001 and ended eight months later, according to the National Bureau of Economic Research. However, the number of jobs in King County continued to decline before starting to increase appreciably in 2004. While employment in King County has begun to regain strength, as of the publication of this profile it has quite a bit further to go to recover fully from the recession.

Local indicators of economic trends in Bellevue—such as taxable retail sales and Downtown office space vacancy rates, which are available for more recent periods than are employment figures—provide strong evidence that Bellevue's economy is once again growing. As in the larger county, employment in Bellevue will, however, likely take some additional time to recover and surpass levels reached before the recession.

Leading economists are forecasting that the Puget Sound region’s economy will continue adding jobs for at least the next two years in the current economic cycle. Given that general employment trends in Bellevue have tended to reflect those of the larger labor market, job growth in Bellevue will also likely continue in the near term.

An analysis of future trends that Berk & Associates conducted for the *Bellevue Economic Profile* found that Bellevue’s strengths match well with the strengths in the Puget Sound region’s industry-specific employment forecasts. Overall, the Berk analysis concluded that Bellevue is in strong position, with a large, diverse economy and industries forecast to grow rapidly in the regional economy.

- The Bellevue economy has concentrations of jobs in the Professional and Business Services sector and the Information sector. These sectors are major economic drivers in the regional economy and are projected to grow rapidly in regional forecasts.
- The Health Care and Social Assistance subsector is strong in the city, with Overlake Hospital growing and expecting to add jobs in two years with additional expansions to follow.
- There are many retail jobs in the city and regional forecasts suggest continued growth in regional retail sales. As a regional draw of consumer spending, Bellevue will benefit from increased retail spending. Bellevue’s ability to draw regional spending will also be enhanced with major retail components in new mixed use developments such as Lincoln Square.

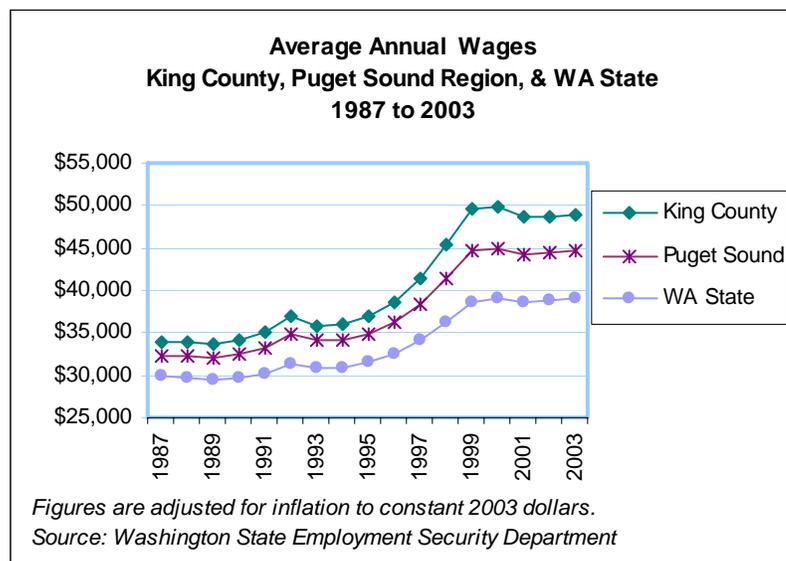
Wages and Income

Average Wages Overall and by Industry Sector

Average wages in King County have historically been and continue to be higher than average wages in the Puget Sound region as a whole. Average wages (adjusted for inflation) also increased more steeply in King County than in the region during the period of rapid economic growth in the late 1990s.

Of all major sectors, the FIRES sector (the sector containing Finance, Insurance, Real Estate, and other Services) posted the largest gains in average wages between 1995 and 2001 in the county and region. This growth propelled the FIRES sector to its place in King County as the sector with the overall highest average wages.

- Wage growth in the FIRES sector was largely due to wage and employment increases in the Business Services subsector. The Business Services subsector includes several key information technology industries such as computer programming services and prepackaged software development. These industry groups have been among both the fastest growing *and* best paying FIRES industries.



- Given Bellevue’s high concentration of jobs in the FIRES sector and in computer related industries in particular, average wages paid by employers in Bellevue are likely higher than average wages paid in King County as a whole.

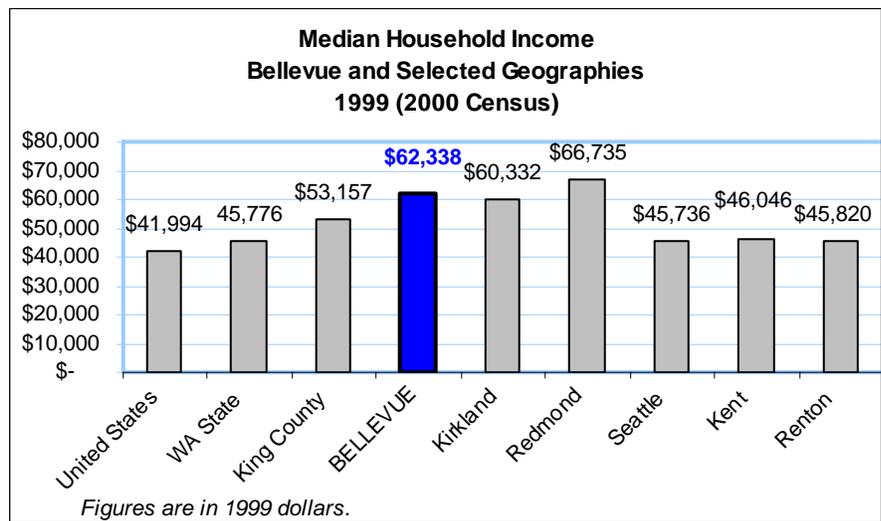
Among the large industry subsectors in Bellevue that also experienced rapid growth between 1995 and 2002, there were more jobs in high-wage and moderate-wage subsectors than in low-wage ones. The high-wage Business Services subsector added the most jobs in Bellevue during this period and was the best-paying of all Bellevue’s large industry subsectors.

Distribution of Wages

Between 1990 and 2002 in King County there was a decrease in the number of covered jobs in the lowest ranges of the wage scale and an increase in the higher ranges, consistent with the overall increase in the county’s average wage. While jobs across the wage spectrum saw at least some real increases in wages after inflation, higher-wage jobs, especially those in the top ten percent, had the highest percentage wage increases.

Earnings and Income in Bellevue

Within King County in 1999, cities on the Eastside—including Bellevue—generally had higher earnings and incomes along with lower poverty rates. According to the decennial census conducted by the national Census Bureau in the year 2000, overall median earnings per worker in 1999 were almost \$35,000 for workers residing in Bellevue compared to about \$30,000 for workers residing in King County. Bellevue’s 1999 median household income as measured in the 2000 census was also significantly higher than that in King County as a whole. Incomes in King County were, in turn, higher than in the state generally and were much higher than in the nation as a whole.



In 1999, 5.7 percent of individuals and 3.8 percent of families in Bellevue had incomes below the federal poverty level. However, in cities like Bellevue and Seattle that have a relatively high cost of living, poverty rates underestimate proportions of individuals and families facing economic and associated hardships.

Major Employers and Business Patterns

Corporate Headquarters, Sector Concentrations, and Major Employers

Several of the largest companies (based on revenue) that are headquartered in Washington state have their corporate headquarters in Bellevue. These companies include Paccar Inc., Puget Sound Energy, Esterline Corp., and drugstore.com, inc.

Bellevue-Based Companies Among Largest in Washington State*	
Among Largest 100 Public Companies Headquartered in WA State	
Company	Product or Service
Bsquare Corp.	Software products, services
Captaris Inc.	Software development
Cellular One-Western Wireless	Wireless communication
Coinstar, Inc.	Coin counting and electronic services
drugstore.com, inc.	Internet retailer
Esterline Corp.	Aerospace and electronic equip. manufacturing
First Mutual Bancshares	Financial services
InfoSpace, Inc.	Internet content provider
Onyx Software	Software development
PACCAR Inc.	Truck manufacturing, leasing, and financing
Puget Sound Energy	Electric power and natural gas utility
Saflink Corp.	Software development
Scolr, Inc.	Health supplement supplier
Western Wireless Corp.	Wireless telecommunications
Among Largest 100 Private Companies Headquartered in WA State	
Company	Product or Service
Attachmate Corp.	Computer software
The Burnsteads	Custom home builder
Conner Homes Co.	Home builder
GLY Construction Inc.	General contractor
Leisure Care	Manage retirement communities
Lydig Construction Inc.	General contractor
North Coast Electric Company	Wholesale distribution of electric products
Savers, Inc./Value Village Stores	Retail thrift and discount stores
*Largest based on revenue. Companies are listed alphabetically. Source: <i>Puget Sound Business Journal, Book of Lists, 2005</i>	

Several business sectors also have concentrations of headquarters or regional offices in Bellevue, including but not limited to real estate brokerages, commercial property managers, home builders, software developers, environmental and engineering consultants, and accounting firms. Having corporate headquarters in Bellevue is not only a sign of the city's economic strength. It is also an important measure of community health, given that quality of life is a key criterion companies use when deciding where to locate head offices.

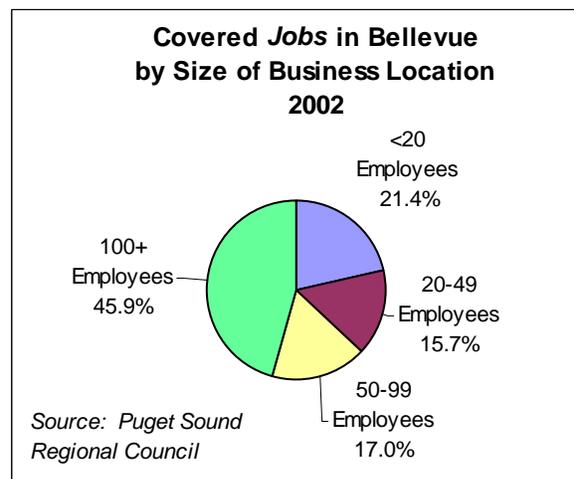
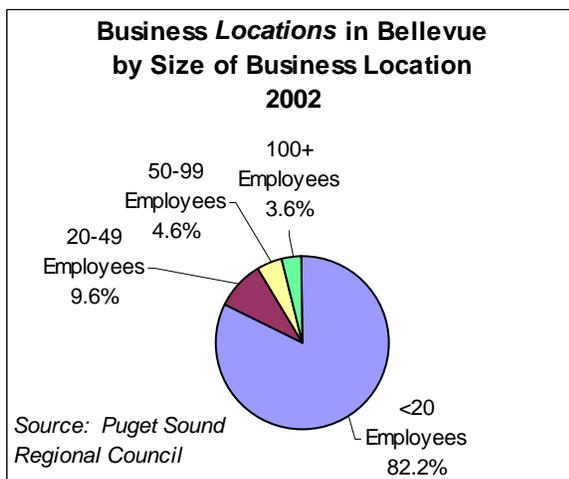
There are also several major regional employers located in Bellevue that employ at least 1,000 people. These include:

- Bellevue Community College
- Bellevue School District
- City of Bellevue
- Boeing Shared Services Group
- Expedia Inc.
- Overlake Hospital Medical Center
- T-Mobile USA
- Verizon Wireless

Symetra Financial will join this list once it has completed moving its headquarters to Downtown Bellevue in 2005.

Business Patterns and Trends

Bellevue has a range of large and small employers, and both are very important to the local economy. Based on data for 2002, 46 percent of covered jobs in Bellevue were in business locations with 100 or more employees, but approximately 82 percent of all business locations in Bellevue with covered employees had fewer than 20 employees. Between 2001 and 2002 the number of small business locations in Bellevue and the Puget Sound grew despite employment losses associated with the recent recession.



During the last six years the City of Bellevue processed between 2,200 and 2,800 new business registrations annually. While the number of new business registrations dipped in 2001 (the first year of the recent recession), the number quickly bounced back even as the recession continued. This suggests that business creation continued to contribute to business activity in Bellevue in the wake of the larger economic downturn that occurred in the region.

While sole proprietors comprise a relatively small fraction of workers in Bellevue, state registrations for businesses located in Bellevue show that sole proprietors are actually the most common type of business entity in the city. Of approximately 13,000 businesses in Bellevue registered with the Washington State Department of Revenue in the year 2004, over 6,000 were sole proprietors.

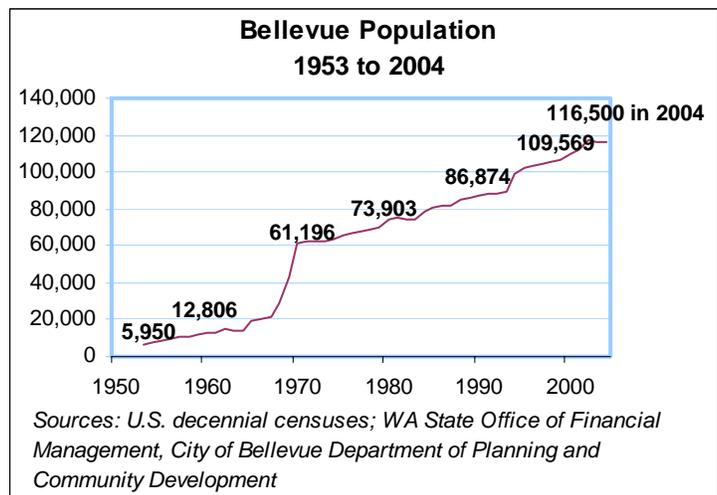
Local sales tax revenues and Business and Occupation (B&O) tax revenues, which are two indicators of local economic activity, both rose between 2003 and 2004 after declining for a period during the regional recession. These recent increases in revenues reflect the resumption of growth in local retail sales and business receipts. Along with other positive signs, such as improving local office vacancy rates, increases in sales and B&O tax revenues are evidence of an improving local economy.

Population and Labor Force Demographics

Changing demographic and labor force characteristics can have a direct impact on economic trends. In addition economic growth also influences population growth, with migration increasing when job seekers see more favorable job prospects in an area relative to that in other areas.

Population Growth

The most recent national decennial census conducted in 2000 counted Bellevue's population at 109,569, making it the second largest city in King County after Seattle. Bellevue's population grew by 26.1 percent between 1990 and 2000, half of which was due to annexations. The last two decennial censuses show that King County's Eastside grew more quickly than Seattle did in the 1990s. Bellevue's population increased more quickly than Seattle's did, but less rapidly than the population in cities and towns on the eastern and southern fringes of King County.



Between 2000 and 2004, the Washington State Office of Financial Management (OFM) estimates that Bellevue's population grew by 6,673 persons (including annexations), placing Bellevue's 2004 population at an estimated 116,500.

Between 2003 and 2004, Puget Sound population growth rates, which had stalled during the recession, began to accelerate again as the economic recovery began. OFM forecasts project faster rates of growth for King County between 2005 and 2010, with migration into the state rebounding due to improvements in the state's job market. In a separate set of forecasts, the Puget Sound Regional Council also anticipates that population in the Bellevue area will increase more rapidly between 2010 and 2030 than between 2000 and 2010. The majority of the growth in population within the next two and a half decades is expected—and planned—to occur in Downtown. At the same time, increases in Bellevue's population related to annexation will be slowing in the near future because only a small fraction of the city's ultimate potential annexation area remains to be annexed.

Bellevue's growth targets for the planning period between 2001 and 2022 are 10,117 additional housing units and 40,000 additional jobs. Reaching these targets would mean that by 2022, Bellevue's population will exceed 137,000 and the number of jobs in Bellevue will be more than 170,000.

Demographic Characteristics

Households

In the year 2000, Bellevue's city limits contained 45,836 households—a figure that OFM estimates has increased to 49,119 as of 2004.

Based on data from the most recent decennial census, the most common categories of households in Bellevue in 2000 were married couples without children at home (which made up 31 percent of households) and one-person households (which made up 28 percent of households). The percentage of households with one or more children was slightly lower in Bellevue than in King County as a whole.

In Bellevue, as in the region and the nation, average household size continued to decline in the 1990s. A large part of this trend locally was due to one-person households increasing in number more quickly than households overall.

Age

The share of Bellevue's population comprised of seniors has increased, going from about 10 percent in 1990 to about 13 percent in 2000. By the year 2000 the percentage of the population made up of seniors in Bellevue had also eclipsed the corresponding percentage in the nation as well as in Washington state and King County.

In 2000, young working-age adults were a smaller part of the population in Bellevue than in the county as a whole. While about two-thirds of Bellevue residents were 19 to 64 years of age in 2000, Bellevue had a lower percentage of residents ages 19 to 44 than did King County as a whole, Seattle, and many other King County cities. Bellevue's relatively low supply of younger working-age residents contributes to the pattern in which Bellevue employers draw a large portion of their workers from areas surrounding Bellevue. While the supply of workers among Bellevue residents will likely grow as more people move into Bellevue, Bellevue's age demographics hint that labor force participation rates in Bellevue—which declined between 1990 and 2000—may fall more quickly than in some other parts of the region as the pace of baby-boom retirements accelerates.

Diversity

The Puget Sound region is becoming increasingly diverse, a trend that is especially notable in Bellevue. In the 1990s the number of residents in Bellevue who are Asian/Pacific Islander more than doubled to comprise over 17 percent of the city's population by the year 2000. Bellevue's Hispanic and Latino population also increased rapidly and in 2000 made up 5.3 percent of the city's population. In 2000, Bellevue was significantly more diverse than the balance of the Eastside and somewhat more diverse than King County and the nation as a whole. In the 2000 census, almost 26 percent of Bellevue residents identified themselves as a race other than White (or White in combination with another race).

Bellevue's foreign-born population has grown rapidly. The share of Bellevue residents born outside the U.S. went from 13.3 percent in 1990 to 24.5 percent in 2000—a share that is much higher than in King County as a whole. Over half of Bellevue's foreign-born residents were recent immigrants to the United States.

Minority and immigrant entrepreneurship is an important part of Bellevue’s economy. There are also strong market opportunities locally for retailers and other businesses in Bellevue serving ethnic and immigrant populations.

In the decades to come, the majority of new workers nationally—and also likely in Bellevue—will be minorities, immigrants, and women. Ensuring that these groups benefit from the educational, training, and small-business resources the region has to offer will be critical in enabling full participation in future economic gains.

Educational Attainment

Bellevue adults are highly educated, and increasingly so. In a continuation of long-term regional and national trends, rates of college education grew within Bellevue as well as in King County between 1990 and 2000. The percentage of Bellevue residents 25 and older with at least a bachelor’s degree rose from 46 percent in 1990 to 54 percent in 2000. While rates of college education increased in virtually all parts of King County, the 2000 census showed that the share of adults with a bachelor’s degree remained greater in Bellevue than in Seattle, King County as a whole, and the balance of the Eastside generally, which themselves all have high levels of educational attainment. The percentage of adults in Bellevue who had graduated from college was correspondingly much greater than in the nation as a whole.

Level of Educational Attainment* Bellevue and Selected Geographies 2000 Census						
	United States	King County	Seattle	BELLEVUE	Eastside Balance**	Redmond
Bachelor’s degree	15.5%	26.7%	29.9%	34.7%	31.5%	35.9%
Graduate or professional degree	8.9%	13.3%	17.3%	19.4%	14.8%	17.0%
Bachelor's degree or higher	24.4%	40.0%	47.2%	54.1%	46.3%	52.9%
*Population 25 years of age and older. **Eastside Balance is the Eastside without Bellevue.						

In today’s knowledge-based economy, education is an increasingly important economic resource. The supply of highly educated and skilled workers in the Seattle Metropolitan area, particularly within the Eastside, provides this area with a key competitive advantage relative to many other regions.

Labor Force Participation and Composition

Census responses indicate that in the year 2000 slightly over two-thirds (67.5 percent or 59,896 persons) of Bellevue’s residents age 16 and older were in the labor force. As was also the case nationally, in Bellevue females had a lower rate of labor force participation than males.

Bellevue’s labor force participation rate declined between 1990 and 2000 and in 2000 was lower than in many other jurisdictions in King County. This is likely due in part to the fact that the senior population rose more quickly in Bellevue and—at 13 percent of the population in Bellevue in 2000—made up a larger share of the population in Bellevue than in many other cities within the county.

Percentage of Employed Residents* by Occupation and Industry Bellevue and Selected Geographies 2000 Census					
Occupations					
	United States	King County	BELLEVUE	Redmond	Seattle
Management, professional, and related:	33.6%	43.4%	53.1%	56.7%	48.4%
Mgt, business, & financial operations subcategory	13.5%	17.4%	21.5%	20.7%	17.2%
Professional and related occupations subcategory	20.2%	26.0%	31.6%	36.0%	31.2%
Computer and mathematical (subcategory of prof. & related occupations)	2.4%	5.8%	11.4%	17.8%	5.5%

In 2000, over half (53.1 percent) of working residents in Bellevue were employed in management or professional jobs—a higher percentage than in King County as a whole. Bellevue also had a larger proportion of its working residents employed in computer and mathematical occupations. The proportion of Bellevue workers employed in knowledge-based industries was also higher than the county as a whole. The educational and occupational profile of Bellevue workers is reflected in earnings that tend to be higher than in many other locations. Median earnings for full-time, year-round workers living in Bellevue were about \$47,000 in 1999—almost \$7,000 more than in the county generally.

The 2000 census revealed that about 39 percent of employed Bellevue residents worked within Bellevue city limits, as shown in the left portion of the table below. As shown in the right portion of the table, 22 percent of overall employees with jobs located in Bellevue resided in Bellevue. These patterns are reflective of Bellevue’s role in the region as a key employment center which draws large shares of workers from both within and outside the city. The table also illustrates that Bellevue is part of the larger King County and Puget Sound region’s labor market and that important links between workplaces and residences exist across city boundaries.

Residence and Workplace Census 2000			
Share of Employed Bellevue Residents by Place of Work		Share of Employees Working at Locations in Bellevue by Place of Residence	
King County Total	95%	King County Total	80%
BELLEVUE	39%	BELLEVUE	22%
Seattle	23%	Seattle	14%
Redmond	14%	Kirkland	5%
Kirkland	4%	Redmond	5%
Renton	3%	Renton	4%
Remainder of King County	13%	Sammamish	3%
Snohomish County	2%	Remainder of King County	27%
Pierce County	<1%	Snohomish County	9%
Kitsap County	<1%	Pierce County	3%
Other	2%	Kitsap County	<1%
		Other	8%

Commercial Real Estate Vacancy Trends

Office Vacancy Rates

Downtown Bellevue has almost 5 million square feet of Class “A” office space concentrated in 24 buildings, representing almost a quarter of the Eastside’s square footage in this class of office space. Hundreds of thousands of square feet of office space exist in Bellevue along the SR 520, I-405, and I-90 corridors and are also scattered elsewhere in the city.

During the economic boom in the late 1990s and early 2000, office vacancy rates in both King County’s Eastside as a whole and in Bellevue reached unprecedented low levels. At the height of the boom, vacancy rates in the downtowns of Bellevue and Seattle were only about 2 percent, with rates just slightly higher in the Eastside as a whole and in the Puget Sound region as a whole.

As the economy entered recession in 2001, office vacancy rates regionwide jumped sharply. The recession affected Bellevue especially hard—due in part to the many technological and other companies that folded, downsized, or stopped growing, leaving large amounts of empty office space empty. In Downtown Bellevue, major office buildings were completed just as the economy weakened, causing office vacancy rates to climb particularly steeply. In the second quarter of 2002, office vacancy rates in Downtown Bellevue peaked at more than 25 percent.



The recently begun office market recovery in Downtown Bellevue picked up pace dramatically between the second and third quarter of 2004, with Symetra Financial’s decision to move its headquarters there. By the last quarter of 2004, real estate analysts estimate that Downtown Bellevue’s office vacancy rate had fallen to 10 or 11 percent.

Real estate analysts are projecting that vacancy rates in Bellevue will continue to decline in the near future as the economy continues to improve. Cushman and Wakefield projects that vacancy rates in Downtown Bellevue will fall to about 7 percent by 2006. Other indications that Downtown Bellevue’s commercial real estate market is emerging from the recession include developers’ renewed confidence in the market, which has prompted resumption of construction projects such as Lincoln Square and the second-phase of Summit “Building A” that had stalled during the economic downturn.

Industrial and Retail Vacancy Rates

The recession had less of a negative impact on the industrial and retail real estate markets than on the office real estate market. These markets have also been less subject to swings in vacancy rates because the amount of space needed for users of industrial and retail properties are not as sensitive to economic cycles. Annual growth in consumer spending remained positive during the most recent recession, which also helped to keep retail vacancy rates from climbing steeply in major retail markets such as Downtown Bellevue.

Industrial Vacancy

Overall, the Eastside's 10 percent share of the regional Puget Sound industrial space market is much smaller than that of Seattle or the Kent Valley. The Bellevue submarket and the I-90 corridor submarket (which includes parts of Bellevue but extends further east along that interstate) together make up less than 20 percent of the square footage in the Eastside industrial market.

During the recent recession, quarterly industrial vacancy rates within the Puget Sound region peaked at about 8 percent late in 2003, which was only half as high as the regional 16 percent peak that office vacancy rates reached earlier that year. The Eastside industrial real estate market, which had generally been weaker than that of the region during the recession, is beginning to respond to a strengthening economy. Bellevue's industrial vacancy rate has been above the region's but below that in the Eastside as a whole. In the third quarter of 2004, the industrial vacancy rate in Bellevue was about 11 percent, which was below the 15 percent overall industrial vacancy rate for the Eastside.

Retail Vacancy

Downtown Bellevue is one of the region's most concentrated retail hubs. With almost two million square feet of retail space, Bellevue's Downtown contains almost 60 percent as much retail space as Downtown Seattle. However, the Eastside retail submarket with the largest overall number of square feet is the I-90 Corridor, which includes areas within Bellevue as well as areas extending along I-90.

Retail remains the strongest of the commercial real estate markets with generally low vacancy rates throughout the region. In the fourth quarter of 2004, Downtown Bellevue had a retail vacancy rate of just 1.5 percent, which was below Downtown Seattle's also low rate as well as below the vacancy rates for the Eastside and region as a whole. Nationally, smaller and older neighborhood shopping centers were harder hit by the recent recession than were larger retail markets, and many are still struggling with relatively high vacancy rates. This is also true of several neighborhood shopping centers in Bellevue.

Bellevue’s Economy and the Regional Economic Strategy

Bellevue has a strong interest in the success of the Regional Economic Strategy (RES), which was recently launched by Puget Sound Regional Council (PSRC) and is being carried forward in conjunction with the Prosperity Partnership. Achievement of the strategy’s goal of producing an additional 100,000 jobs in the region beyond previous forecasts could mean roughly 7,000 more total jobs in the Bellevue area on top of the additional 19,000 jobs that PSRC forecasts for the Bellevue area between 2000 and 2010. (This estimate is based on the Bellevue area sharing in additional job growth from the RES in the same proportion that PSRC forecasts the Bellevue area will share job growth already forecast.)

In addition to the potential the Strategy has for energizing additional employment growth, the Strategy will likely help shape ongoing regional transportation and land use planning—including future updates of VISION 2020 and Destination 2030 and investments to support these plans.

Consultants to the Regional Economic Strategy identified 15 industry clusters with higher concentrations of employment in the Puget Sound region than in the nation, implying that this region has at least some degree of competitive advantage in these industries. The high number of clusters speaks well of the diversity of the region’s economy.

The following five clusters, identified as among the most promising for the region, were designated as “pilot clusters” which will receive the most intensive focus during the initial phase of the Strategy:

- Information Technology (IT)
- Aerospace Manufacturing
- Life Sciences
- Logistics and International Trade
- Environment and Alternative Energy (a small, but emerging cluster)

About 22 percent of Bellevue’s covered employment falls into the five pilot clusters. This is a somewhat larger share than the 19.5 percent of covered employment regionally in the five pilot clusters, due primarily to the stronger concentration of IT jobs in Bellevue. (Employment concentration estimates are based on covered employment, which are

Bellevue Covered Employment Regional Economic Strategy (RES) Clusters March 2001			
		Employment Concentration Ratios (1.0 = Parity)	
Five RES Pilot Clusters	Jobs in Bellevue	Bellevue to Region	Bellevue to Nation
Information Technology	18,106	2.4	4.0
Aerospace Manufacturing	2,815	0.4	4.7
Life Sciences	1,282	0.8	1.2
Environment & Alternative Energy	252	1.5	1.5
Logistics & International Trade	244	0.1	0.1
Subtotal Five RES Pilot Clusters:			
No. of Bellevue jobs	22,699		
% of Bellevue jobs	22.0%		
Additional RES Clusters			
Tourism	6,709	0.9	1.0
Business Services [^]	5,198	1.4	2.0
Long Term Care	531	0.6	0.7
Specialty Foods	485	0.4	0.4
Electronic Shopping	207	0.4	0.9
Wood Products	180	0.1	0.1
Head Offices	*	*	*
Sound Recording	*	*	*
Boat Building	0	0.0	0.0
Subtotal Fourteen RES Pilot Clusters:			
No. of Bellevue jobs	36,098		
% of Bellevue jobs	35.0%		
<i>*Data suppressed due to confidentiality requirements. Source: Puget Sound Regional Council; U.S. Bureau of Labor Statistics</i>			

the only employment figures available at the city as well as regional level. Regional employment concentration estimates vary somewhat from those the RES consultants derived.)

Information Technology is the pilot cluster with the largest number of jobs in Bellevue (about 18,000 jobs or 18 percent of Bellevue's covered workforce in private establishments), followed by Aerospace Manufacturing with almost 3,000 jobs in Bellevue. Bellevue has a strong competitive edge compared to the nation in both of these industry clusters. However, Aerospace Manufacturing jobs are much less concentrated in Bellevue than in the region, while IT jobs are somewhat more concentrated in Bellevue than in the region.

The additional nine clusters identified in the Strategy and analyzed for Bellevue comprise another 13 percent of Bellevue's jobs. (The Military was identified as a cluster in the region but was not included in the analysis for the profile.)

The large majority of Bellevue's jobs in these other nine clusters are in Tourism and Business Services. After Information Technology, these are the largest of the RES clusters in Bellevue.

Most of Bellevue's Tourism-related jobs are in restaurants, hotels, and travel agencies. The cluster also includes businesses and organizations providing arts and recreational services.

The Business Services cluster in the RES includes insurance carriers, architectural services, engineering services, marketing consulting services, advertising agencies, public relations agencies, and market research agencies. *The Business Services cluster is defined very differently in the Regional Economic Strategy analysis than is the Business Services sector discussed in other parts of the Profile.* One large difference is that computer related and software industries are not included in the Business Services cluster as defined by the RES consultants. (Part of the difference also relates to the fact that clusters in the RES are combinations of industry categories in the North American Industry Classification System, while the Business Services sector discussed elsewhere in the profile is based on the Standard Industrial Classification system.)

Bellevue's concentration of Business Services jobs relative to that of the region indicates that these industries constitute a particular specialty in Bellevue. Bellevue's firms in this cluster play an important role in supplying services to other firms within the Puget Sound region. Many of the larger business service firms that are headquartered and otherwise located in Bellevue also serve clients nationally and internationally. In Bellevue, engineering services are an especially substantial portion of the Business Services cluster.