

Seattle office market rents remained flat in Q1 but projected to trend upwards

Class A asking rents were relatively flat to start 2021, only increasing by 100 basis points (bps) from last quarter. Overall rents also remained unchanged. All submarkets experienced rate fluctuations smaller than 1%, aside from the Bellevue Central Business District (CBD) where rates increased by 2.1%. This is a sign the market is picking up again after rates fell 5% year-over-year. Rates will undoubtedly continue increasing, prompting tenants to secure long term leases to lock in today's lower pricing. Landlords continue to be accommodating as concessions steadily increased, rising 29% from a year ago. This trend isn't likely to last as nearing economic recovery will bring increased competition and higher premiums for office space.

Overall availability increased slightly across the region, with Eastside submarkets experiencing greatest shifts

The market's overall availability rate increased by 180 bps to 18.1%. This reflects a 5.7% year-over-year increase, the largest since 2016. Availability in the Seattle CBD followed the trend, increasing by 160 bps to 19.6%. On the opposite side of the lake, the Bellevue CBD saw the greatest shift among submarkets, as availability ticked up 290 bps to 14.2%. Class A availability fluctuated most in the Bellevue CBD and Northend submarkets on the Eastside, increasing 380 bps and 450 bps, respectively. The Southend and Tacoma submarkets saw little changes to round out the region.

Following a COVID-stricken fourth quarter in 2020, pivoting firms begin to revitalize leasing activity

Leasing rebounded to start 2021 as the total amount of space leased exceeded 1.3 million square feet (msf), an 84% increase from last quarter. The makeup of these new leases offers much insight into the differing strategies of tenants in the face of a post-pandemic world. Amazon has voiced moving to a hybrid office model and continues to be active in the market, leasing 600,000 square feet (sf) at The Artise building in the Bellevue CBD. Conversely, other local firms such as REI are cutting back on large blocks and moving to smaller satellite offices. The outdoor retailer leased 69,000 sf at 2005 Poplar on the Eastside, signaling a shift to a satellite office-centric model. Other tenants, such as law firms, are more likely to return to the office due to specific remote working challenges such as onboarding and antiquated technologies.

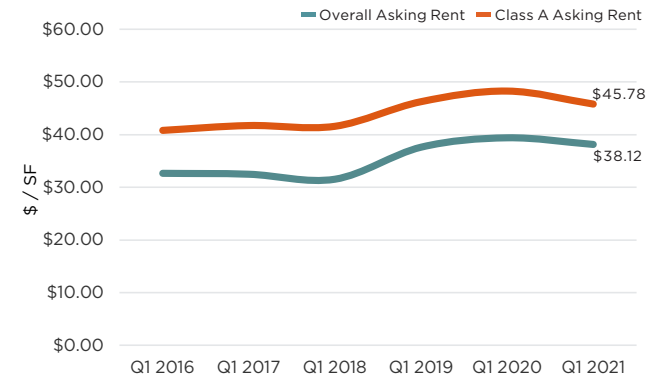
Outlook

- Seattle's most prominent tech employers are planning a return to the office later this year, moving to a hybrid model likely to be mimicked by other firms
- Increasing private investment activity shows investors are regaining confidence in the hospitality and travel industries as vaccine rollouts are in full swing
- Employment is projected to further improve as more than 23,000 jobs were gained in February, when unemployment also 0.9% from the previous month

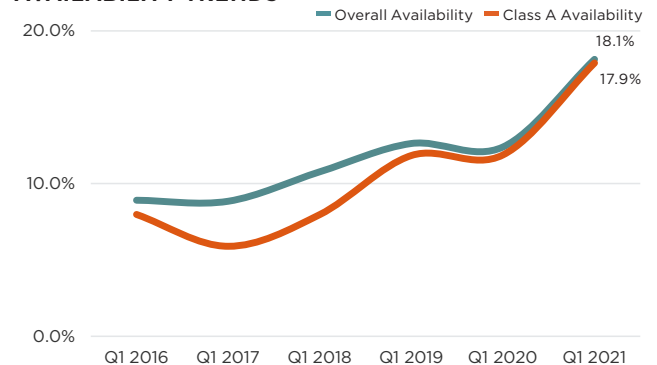
KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	112.8 MSF	114.4 MSF	▲
Availability Rate	12.4%	18.1%	▲
Asking Rental Rate	\$39.41	\$38.12	▼
Class A Asking Rental Rate	\$48.28	\$45.78	▼
Quarterly Leasing Activity	2.0 MSF	1.4 MSF	▼

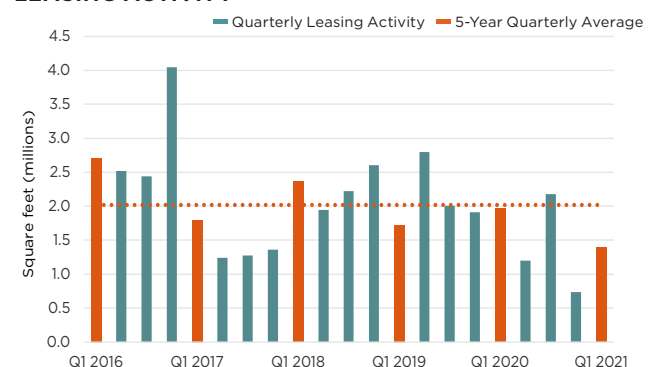
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

8 of 10

major transactions were new locations

88.8%

of large transactions occurred in the Bellevue/Eastside submarket by square footage

78.1%

TAMI sector tenants represented 78.1% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Amazon	600,000	10627 NE 8th Street	New Location	Bellevue/Eastside	TAMI
REI	68,765	2005 NW Poplar Way	New Location	Bellevue/Eastside	Retail
RoundGlass	48,622	1800 114th Avenue SE	New Location	Bellevue/Eastside	Professional Services
Twitter	44,760	1501 4th Avenue	Renewal	Downtown	TAMI
Bardy Diagnostics, Inc.	20,801	220 120th Avenue NE	New Location	Bellevue/Eastside	Manufacturing
JetClosing	18,118	1001 4th Avenue	New Location	Downtown	TAMI
WPP	18,116	1001 4th Avenue	New Location	Downtown	TAMI
Ednetics	17,925	1055 NW Maple Street	Relocation	Bellevue/Eastside	Professional Services
PNC Bank	17,647	10500 NE 8th Street	New Location	Bellevue/Eastside	Financial Services
World Vision	16,900	23835 Pacific Highway S	New Location	Southend	Associations and Non-profits

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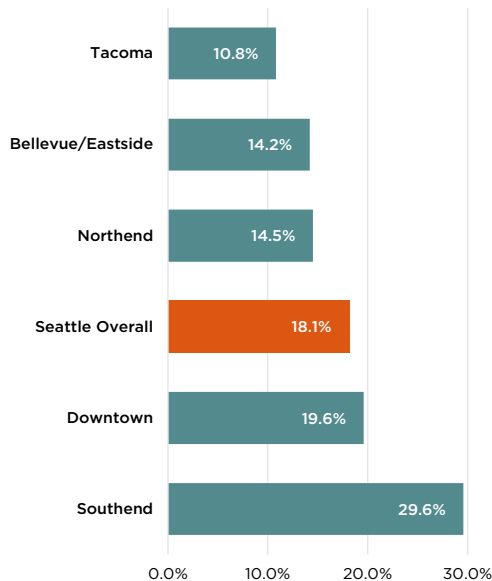
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AVAILABILITY RATE COMPARISON

Seattle Submarkets



RENTAL RATE COMPARISON (\$/SF)

Seattle Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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