

## 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.

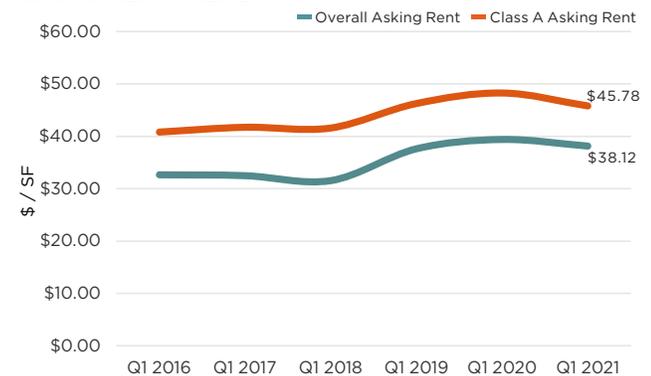
### Outlook

- 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

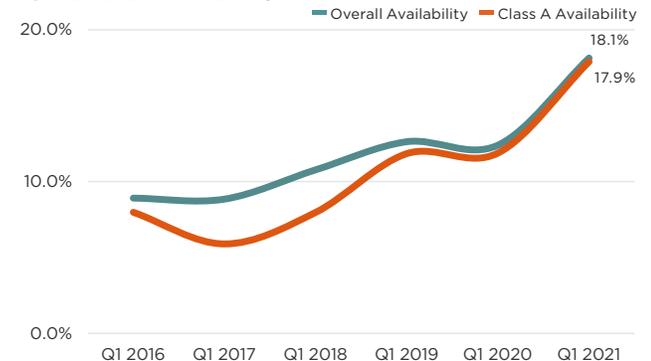
### KEY STATISTICS

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

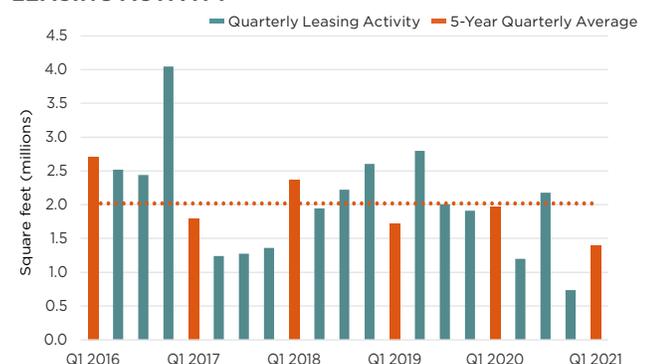
### ASKING RENT TRENDS



### 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 |

Source Savills Research

For more information, please contact us:

Savills

1301 2nd Avenue  
Suite 1950  
Seattle, WA 98101  
+1 206 773 2270

Sarah Dreyer

Vice President  
Head of Americas  
Research  
+1 202 540 5510  
sdreyer@savills.us

Denin Grcic

Research Associate  
dgrcic@savills.us

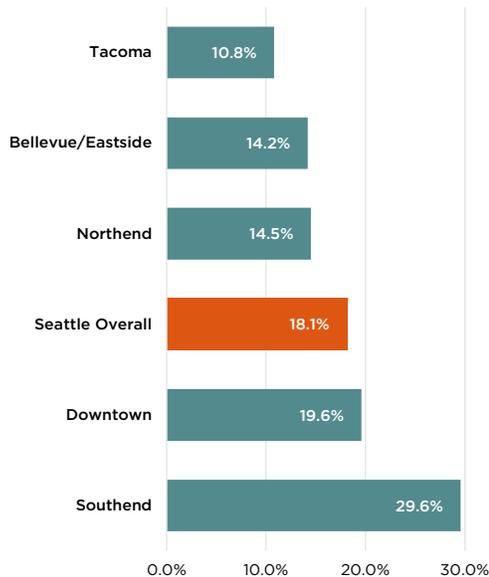
About Savills Inc.

Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

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.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

Copyright © 2021 Savills

