

Asking rents continue to climb as availability tightens throughout the market

In the second quarter of 2019, Seattle's overall average office asking rent reached \$38.88 per square foot (psf), a 4.9% increase year over year. Rents in the Central Business District (CBD) submarkets followed a similar upward trend with overall CBD rents increasing 5.0% to \$44.28 psf and Class A CBD rents rising 2.6% to \$49.91 psf. Rates vary substantially by submarket, ranging from a low of \$25.49 psf in the Tacoma submarket, to a high of \$45.33 psf in the Downtown Seattle submarket.

CBD sees options shrink, leasing picks up from Q1

Overall availability declined 110 basis points over the year, now at 12.2%. There is a striking disparity between CBD and suburban market fundamentals, with CBD and Non-CBD availability rates currently at 10.1% and 19.7%, respectively. Class A availability in the CBD is even tighter, now at 8.7% - a 190 basis point drop over the year. Total second-quarter 2019 leasing activity stood at 2.8 million square feet (msf), up 63.0% from the first quarter of 2019 and 43.8% year-over-year. This healthy improvement in activity marks a 12.0% increase above the five-year average of 2.5 msf.

Still, tech drives the market with significant expansions; new buildings going fast

Tech demand continues to dominate market activity – particularly in new and to-be-built space. In the second quarter of 2019, Amazon committed to occupying two planned buildings totaling 715,000 square feet (sf) in Bellevue, the Binary Towers. The news came shortly after the announcement that Amazon had abandoned plans for roughly the same amount of space at Rainier Square. In Downtown Seattle, Dropbox preleased 121,000 sf at the 2 + U tower, tripling its footprint in the market. Also downtown, texting tech startup Zipwhip committed to 75,000 sf at the Elliott Bay Office Park. Coworking providers continue rapid expansion across the market, as well, with WeWork signing for two new locations this quarter. WeWork will be opening 78,303 sf at 3120 139th Avenue SE in Bellevue and 31,311 sf at 2401 Elliott Avenue, Downtown.

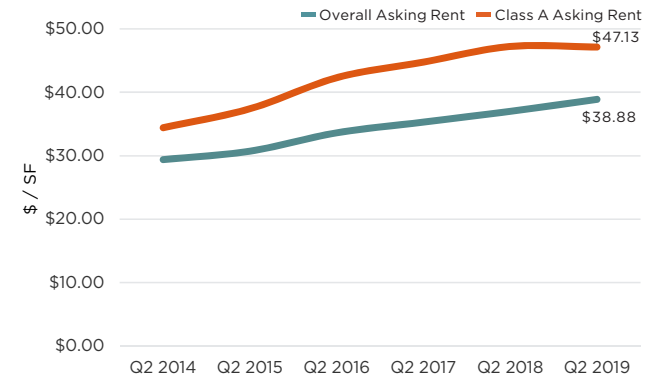
Outlook

- Despite having the highest rents in the region, the Downtown Seattle submarket continues to attract tenants, in large part, from the technology and co-working sectors
- With strong demand, CBD availability continues to contract, and new options are limited
- Seattle MSA employment is projected to grow by 3.3% per year over the next five years, resulting in an estimated 295,000 new jobs through the first quarter of 2024

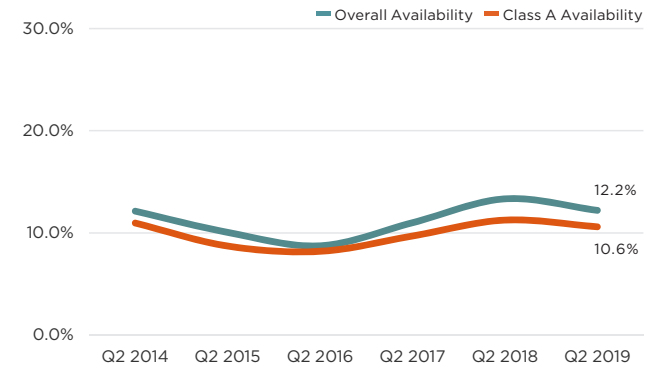
KEY STATISTICS

| | Q2 2018 | Q2 2019 | y-o-y Change |
|----------------------------|-----------|------------------|--------------|
| Inventory | 111.5 MSF | 112.1 MSF | ▲ |
| Availability Rate | 13.1% | 12.2% | ▼ |
| Asking Rental Rate | \$37.05 | \$38.88 | ▲ |
| Class A Asking Rental Rate | \$47.22 | \$47.13 | ▼ |
| Quarterly Leasing Activity | 1.9 MSF | 2.8 MSF | ▲ |

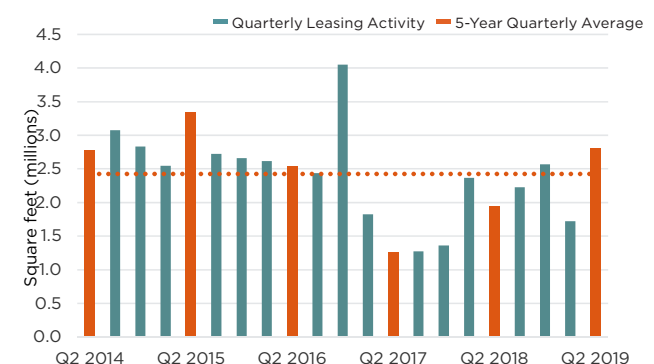
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

ALL

major transactions were **new locations or expansions**

69.4%

of large transactions occurred in the **Bellevue/Eastside** submarket

83.5%

Technology represented 83.5% of major transactions

| Tenant | Square feet | Address | Transaction type | Submarket | Industry |
|--------------------------|-------------|----------------------|------------------|-------------------|----------------------------------|
| Amazon | 715,000 | 1001 106th Avenue NE | New Location | Bellevue/Eastside | Technology |
| Dropbox | 120,886 | 1201 2nd Avenue | New Location | Downtown | Technology |
| WeWork | 78,303 | 3120 139th Avenue SE | New Location | Bellevue/Eastside | Coworking |
| Zipwhip | 75,000 | 300 Elliott Avenue W | New Location | Downtown | Technology |
| Hulu | 66,783 | 505 5th Avenue | New Location | Downtown | Technology |
| Highspot | 54,961 | 2211 Elliott Avenue | New Location | Downtown | Technology |
| Jacobs Engineering Group | 43,509 | 1110 112th Avenue NE | New Location | Bellevue/Eastside | Business & Professional Services |
| WeWork | 31,311 | 2401 Elliott Avenue | New Location | Downtown | Coworking |
| Sound Transit | 29,676 | 605 5th Avenue S | Expansion | Downtown | Transportation |
| Morgan Stanley | 21,022 | 4400 Carillon Point | New Location | Bellevue/Eastside | Financial Services |

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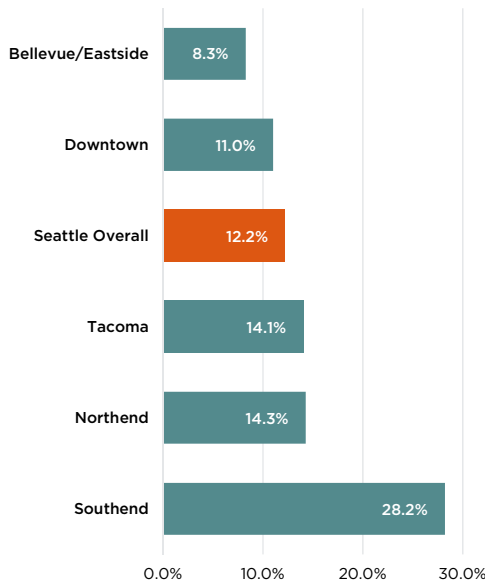
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AVAILABILITY RATE COMPARISON

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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