



## Availability continues to increase with tepid demand; Bellevue shows stability

Quarterly leasing volume remained above one million square feet (msf) for the second quarter in a row, with close to 1.1 msf leased in Q2. Still, this remains 48% below the pre-pandemic quarterly average of 2.3 msf. Very few large leases were signed in the quarter, with any sizeable activity concentrated in Bellevue Central Business District (CBD) and Seattle CBD. Pokémon expanded into 65,768 square feet (sf) at Lincoln Square North and some sublease blocks were chipped away at as RBC took 31,109 sf at Amazon-leased Rainier Square in the Seattle CBD. With demand still lagging, overall availability increased by another 130 basis points to 19.4%. This reflects a 630-basis-point increase from a year ago, and a 760-basis-point increase from pre-pandemic level. Bellevue CBD however has shown notable strength with availability declining by 20 basis points to 13.9% - and it is one of the tightest submarkets in the region.

## Despite rising availability, asking rents are holding firm or increasing in prime submarkets

Class A asking rents in Seattle's CBD submarkets saw increases in each of the past two quarters for the first time in a year, with a 3.2% in Q2 to \$49.00 per square foot (psf). Overall market asking rents held a little flatter, now averaging \$39.72 psf for all classes. Even as asking rents hold firm, tenants should generally expect owners that are facing significant pockets of availability in their portfolios to be generous with concessions and flexible with lease terms. Submarkets, like Bellevue CBD, that are remaining tight amidst pandemic challenges may present less opportunity for tenants to capitalize on current circumstances.

## Capital markets activity begins to rebound as investors have long-term confidence in the region

Seattle's commercial real estate market has become a primary target for foreign investment, seeing \$2.5 billion in volume in Q2, according to Real Capital Analytics (RCA). Seattle's attractiveness comes from its high number of stable tech tenants that increase office property values. This contrasts other key investment markets, such as Manhattan, that have a higher density of riskier sectors, including information, media and finance. Notable international sales included the Facebook-leased Block 24 of The Spring District, selling to Toronto-based Brookfield Asset Management for \$200 million. According to RCA, CRE price indices are rebounding; the main office index increased 3% year-over-year, mostly due to positive activity in the suburban office sector. This is reflected in Seattle based on increased activity seen.

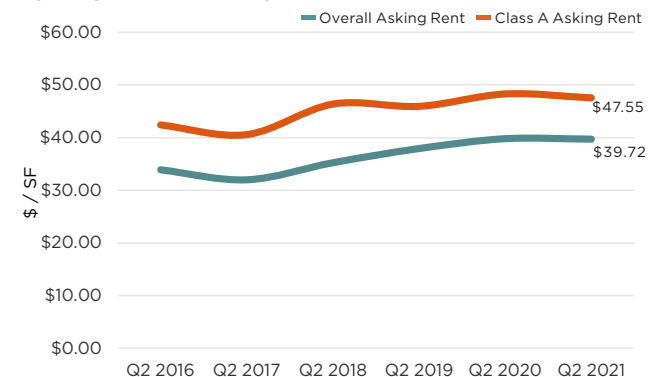
### Outlook

- Pent-up demand from postponed real estate decisions / expansion plans could help bolster activity in the coming quarters
- Inflation has been a real concern amongst economists, but the effects may be a function of geography, making Seattle well-positioned to withstand deflating CRE profits given its relative stability
- It is likely the market will see more triple net buildings going forward, allowing landlords to allocate expenses in the event of future shutdowns; tenants will also vie for additional health and safety standards in their office environments

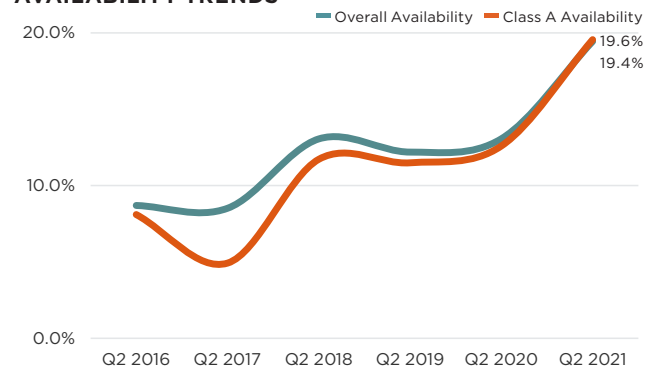
### KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	112.7 MSF	<b>114.2 MSF</b>	▲
Availability Rate	13.1%	<b>19.4%</b>	▲
Asking Rental Rate	\$39.79	<b>\$39.72</b>	▼
Class A Asking Rental Rate	\$48.29	<b>\$47.55</b>	▼
Quarterly Leasing Activity	1.2 MSF	<b>1.1 MSF</b>	▼

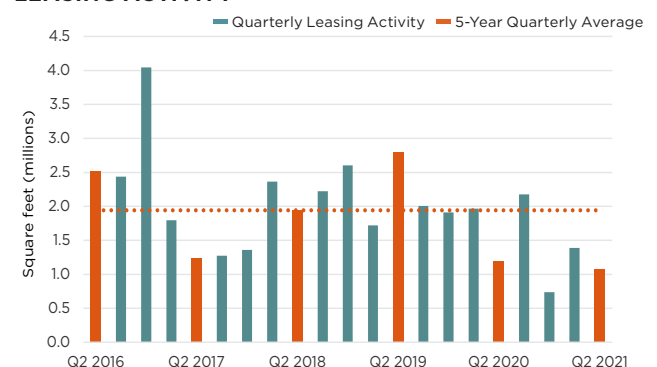
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

ALL

top 10 transactions were new locations

35.1%

of large transactions occurred in the Seattle CBD submarket by square footage

30.2%

Technology sector tenants represented 30.2% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Pokemon	65,768	700 Bellevue Way NE	New Location	Bellevue CBD	Technology
RBC	31,109	401 Union Street	New Location	Seattle CBD	Professional Services
Metropolitan Market	31,062	1500 114th Avenue SE	New Location	Eastside	Retail
LMN Architects	30,958	801 2nd Avenue	New Location	Seattle CBD	Architecture
First Mode	29,317	542 1st Avenue S	New Location	Pioneer Sq/SoDo	Professional Services
Pivotal Ventures	29,188	5400 Carillon Point	New Location	Eastside	Financial Services
Chinook Therapeutics	25,903	400 Fairview Avenue N	New Location	Seattle CBD	Technology
MN Custom Homes	20,942	3009 112th Avenue NE	New Location	Eastside	Construction
First Republic Bank	20,680	10885 NE 4th Street	New Location	Bellevue CBD	Financial Services
West Monroe Partners	18,636	801 5th Avenue	New Location	Seattle CBD	Professional Services

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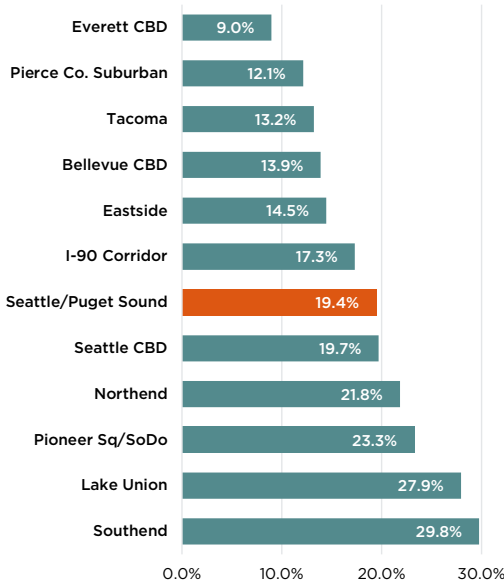
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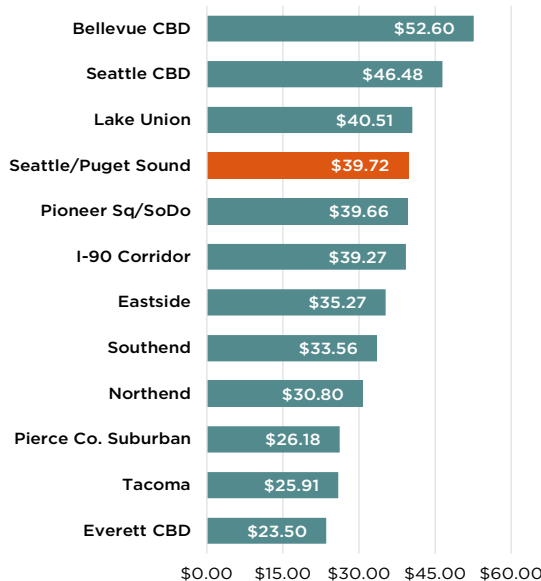
AVAILABILITY RATE COMPARISON

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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