



Rents see some decline after two years of consecutive growth

In the third quarter of 2020, the overall average office rent was \$37.91 per square foot (psf) in the Seattle market, reflecting decreases of 1.3% over the last year and 4.6% over the quarter. Rents ranged from a low of \$25.35 psf in Tacoma to a high of \$43.72 psf in Downtown Seattle. Class A rents decreased by 3.0% year over year and by 5.3% over the quarter, now standing at \$45.71 psf. Similar declines were seen in the Central Business District (CBD) as rents decreased by 3.8%, to \$42.99 psf year over year, while suburban rents increased 7.6%, to \$31.20 psf. Significant sublease additions likely contributed to the overall decline and rents will face additional downward pressure over the coming quarters as tenant options, particularly those in lower-priced space, grow.

Availability continues to increase amid pandemic challenges

The current overall availability rate of 14.5% in Q3 2020 reflects annual and quarterly increases of 270 basis points and 140 basis points, respectively. Similarly, Class A availability rates increased by 390 basis points year over year and 160 basis points in the third quarter. The CBD and suburban availability rates were 13.3% and 18.8%, respectively, reflecting increases of 150 basis points and 100 basis points over the third quarter. Submarket availability rates ranged from 8.8% in Bellevue/Eastside and 10.5% in Tacoma, to a high of 28.5% in Southend. Availability is likely to increase as occupiers focus on cost reduction (including real estate costs) and space returns to market.

Leasing activity up in Q3, mostly driven by Amazon's increasing footprint in Bellevue/Eastside

Third-quarter leasing activity totaled 2.2 million square feet (msf), reflecting a steep quarterly recovery of 81.6% and is up 8.5% over the last year. Amazon gave the market a substantial boost, leasing close to 2.0 msf from Vulcan Real Estate in to-be-constructed space in Bellevue. This will bring more than 10,000 new jobs to the submarket. Big tech has been a bright spot not only in the Seattle market during the pandemic, but also across cities like New York, Atlanta, and the Washington, D.C. region where Amazon and peers (Facebook, Google, Netflix, Microsoft) have signed for significant commitments despite overall dwindling demand. Outside of the Amazon leases, demand was limited, reflecting a more accurate picture of the ongoing "pandemic pause".

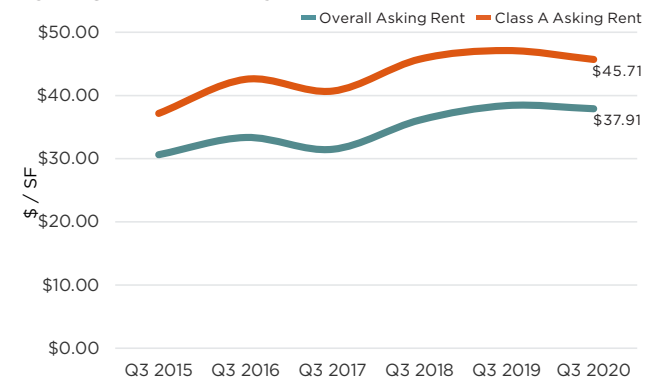
Outlook

- While major tech companies and other employers have extended WFH policies, professional workers are projected to return to the workplace, but we expect it a bumpy next two years for the office sector
- As with other markets, the pandemic has reversed a fundamentally strong office market in Seattle; getting pandemic and economic uncertainties under control will be crucial to recovery
- Over 2.1 msf are currently under construction, accounting for 1.9% of total office inventory in Seattle, of which 46% is pre-leased; In the short term, layoffs and furloughs will impact demand, however, employment is projected to grow by 3.6% per year over the next five years, resulting in an aggregate of 279,000 new jobs through the third quarter of 2025

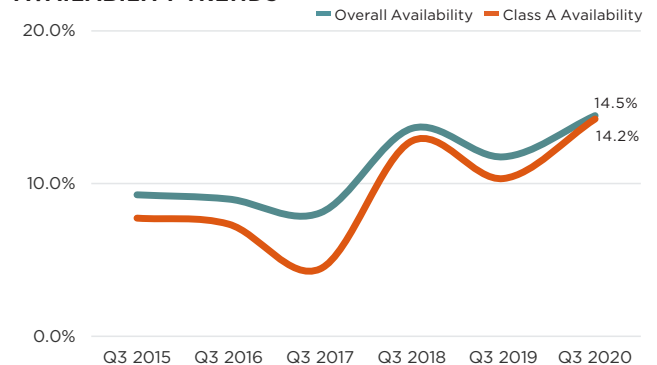
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	112.7 MSF	112.9 MSF	▲
Availability Rate	11.8%	14.5%	▲
Asking Rental Rate	\$38.40	\$37.91	▼
Class A Asking Rental Rate	\$47.12	\$45.71	▼
Quarterly Leasing Activity	2.0 MSF	2.2 MSF	▲

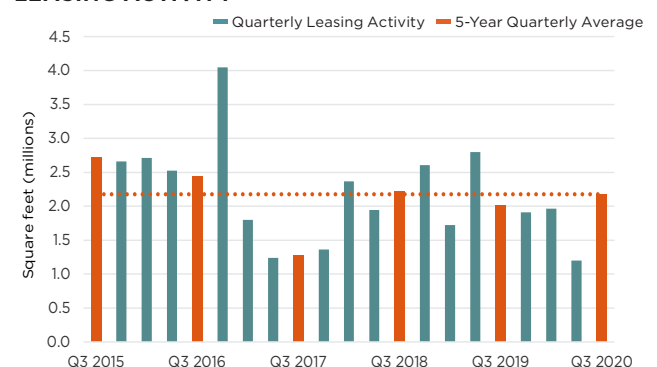
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

major transactions were new locations

95.1%

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

93.9%

Technology sector tenants represented 93.9% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Amazon	941,168	117 106th Avenue	Expansion	Bellevue/Eastside	Technology
Amazon	671,580	555 108th Avenue NE	Expansion	Bellevue/Eastside	Technology
Keywords Studios	26,073	3830 Monte Villa Parkway	New Location	Northend	Technology
Ankhor	22,771	10900 NE 8th Street	New Location	Bellevue/Eastside	Professional Services
Ansira	22,735	1420 5th Avenue	New Location	Downtown	Professional Services
Bluebird Bio	22,188	188 E Blaine Street	Renewal	Downtown	Pharmaceuticals
Goldman Sachs	14,960	1301-1333 5th Avenue	New Location	Downtown	Financial Services
First Republic Bank	11,896	225 108th Avenue NE	New Location	Bellevue/Eastside	Financial Services
Caliber Home Loans	11,050	777 108th Avenue NE	New Location	Bellevue/Eastside	Financial Services

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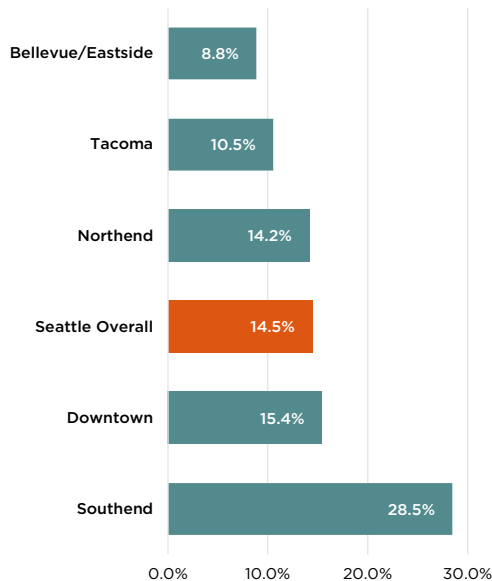
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AVAILABILITY RATE COMPARISON

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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