

Seattle's overall rents decline after three years of consecutive growth

In the fourth quarter of 2020, Seattle's overall average office rent was \$38.01 per square foot (psf), reflecting a decrease of 1.2% over the last year but a marginal increase of 0.2% over the quarter. Rents ranged from a low of \$25.23 psf in Tacoma to a high of \$42.36 psf in Downtown Seattle. Class A rents decreased by 4.6% year over year and by 0.7% over the quarter, now standing at \$45.38 psf. In 2020, Central Business District (CBD) rents decreased by 7.2%, to \$42.27 psf, while suburban rents increased 4.8%, to \$31.41 psf. The only submarkets that registered positive year-over-year rent growth were Southend (+6.0%) and Bellevue/Eastside (+3.1%), while the Downtown (-10.4%), Tacoma (-2.5%), and Northend (-1.7%) submarkets all experienced year-over-year rent declines.

Availability increases for the fifth consecutive quarter

The overall availability rate of 16.3% in Q4 2020 reflects annual and quarterly increases of 450 basis points (bps) and 190 bps, respectively. Similarly, Class A availability rates increased by 520 bps year over year and 190 bps in the fourth quarter. The CBD and suburban availability rates were 15.9% and 18.1%, respectively, reflecting an increase of 260 bps and a decrease of 70 bps over the fourth quarter. Submarket availability rates ranged from 8.9% in Tacoma and 11.3% in Bellevue/Eastside, to a high of 28.5% in Southend.

Fourth-quarter leasing volume dropped to 68% of the market's 10-year quarterly average

The COVID-19 pandemic and subsequent lockdown have caused most occupiers to implement work-from-home (WFH) policies and delay long-term real estate decisions. The 6.1 million square feet (msf) leased this year marked the lowest annual total on record for Seattle. Quarterly leasing dropped to just 735,665 square feet of activity. This is down 66.2% versus the previous quarter and 61.5% year over year. Fourth-quarter leasing activity was significantly below both the five-year average of 2.1 (msf) per quarter and the Q4 2016 peak of 4.1 msf. The largest leases of the quarter were signed by real estate development and construction firm Skanska (60,947 sf) at 1201 2nd Avenue in Downtown Seattle, The Seattle Times (47,424 sf) at 1000 Denny Way in Downtown Seattle, and marketing service agency Ansira (22,735 sf) at 1420 5th Avenue also in Downtown Seattle.

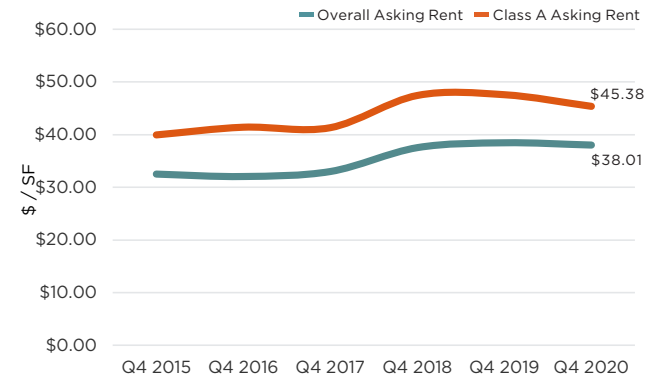
Outlook

- The pandemic has reversed a fundamentally strong office market in Seattle; as widespread vaccination is achieved, Seattle is positioned for a strong recovery with its established and growing technology and biotechnology presence
- Over 2.4 msf are currently under construction, accounting for 2.1% of total office inventory in the region
- Employment in the Seattle MSA is projected to grow by 2.9% per year over the next five years, resulting in an aggregate of 236,000 new jobs through 2025

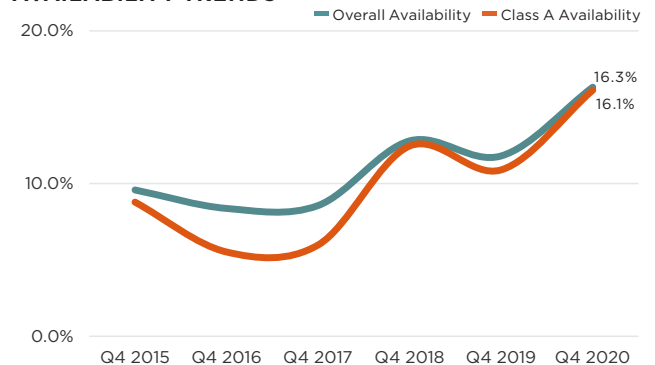
KEY STATISTICS

	Q4 2019	Q4 2020	y-o-y Change
Inventory	112.9 MSF	112.9 MSF	◀▶
Availability Rate	11.8%	16.3%	▲
Asking Rental Rate	\$38.45	\$38.01	▼
Class A Asking Rental Rate	\$47.56	\$45.38	▼
Quarterly Leasing Activity	1.9 MSF	0.7 MSF	▼

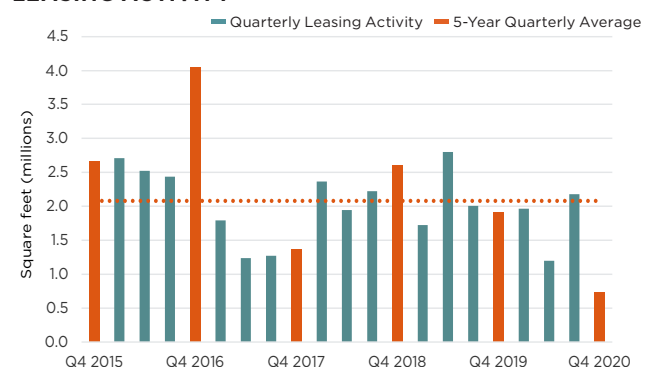
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

74.1%

major transactions were **new locations** by square footage

71.6%

of large transactions occurred in the **Downtown** submarket by square footage

38.3%

TAMI sector tenants represented 38.3% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Skanska	60,947	1201 2nd Avenue	New Location	Downtown	Construction
The Seattle Times	47,424	1000 Denny Way	Renewal	Downtown	TAMI
Ansira	22,735	1420 5th Avenue	New Location	Downtown	TAMI
Radiant Logistics Inc.	20,025	700 S Renton Village Place	New Location	Southend	Transportation
Athira Pharma	19,326	18912 North Creek Parkway	New Location	Northend	Pharmaceuticals
Lakefield Veterinary Group	12,570	6565 Kimball Drive	New Location	Tacoma	Professional Services

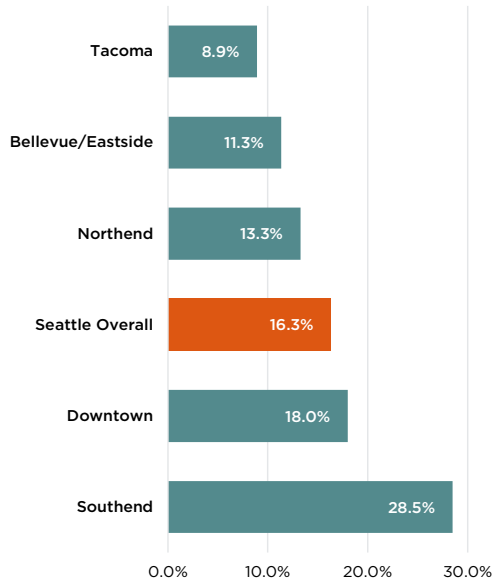
Source Savills Research

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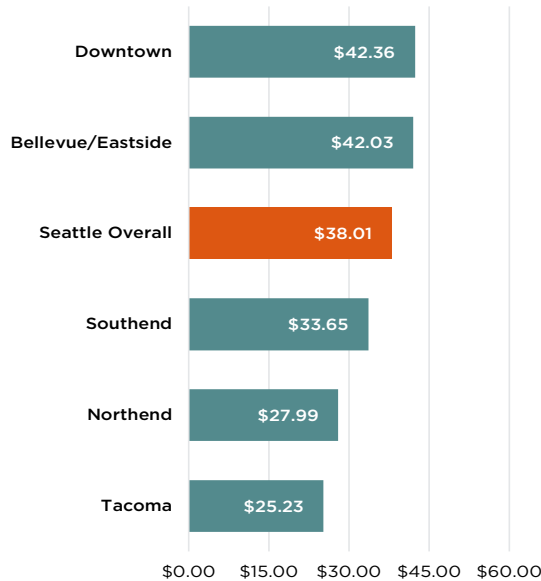
AVAILABILITY RATE COMPARISON

Seattle Submarkets



RENTAL RATE COMPARISON (\$/SF)

Seattle Submarkets



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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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