MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Seattle/Puget Sound

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Seattle office market faces an uncertain outlook as economic storm clouds threaten recovery

With the U.S. economy exhibiting signs of a possible recession, as well as a sense of gloom spreading over the tech industry with job cuts beginning to mount, the Seattle office market finds itself at a precarious point in time. For now, the area economy is a picture of relative health, with the region witnessing 8.2% annual growth in May in office-using employment, while unemployment fell to 2.8%. While the latter statistic is often a lagging indicator, Seattle companies have propelled decent leasing activity throughout most of the pandemic. That said, the market witnessed a slight pullback in leasing activity this quarter, with approximately 900,000 sf leased, a decline of 17.8% from the same period last year.

Overall market fundamentals mostly unchanged, but soft conditions persist

Overall availability in the Seattle market was unchanged in the second quarter, holding at 19.3%, and the rate is nearly unchanged from a year ago when it stood at 19.4%. Class A availability across the region has tightened somewhat over the past year, falling 70 basis points (bps) to 18.9%. However, the Seattle Central Business District (CBD) witnessed the opposite trend, rising 170 bps to 21.4%. The supply of available sublease space has been on the decline for each of the four past quarters, but with 5.1 million square feet (msf) available, sublease options remain well above the long-term average. A handful of larger subleases came to market this period, including a pair of Qualtrics floors at its namesake tower in Downtown Seattle, and a full floor newly offered by Pushpay at Redmond Technology Center.

Tenants retain the upper hand as market recovery sputters

In nearly all respects the Seattle market has fully reopened from closures and restrictions resulting from the pandemic. However, the region's low unemployment and tight labor market have not translated to a full recovery in the office markets. Leasing volumes remain below the long-term average and availability remains elevated. Many firms remain introspective about their future occupancy needs, playing wait-and-see and, when necessary, signing short-term renewals. Given this dynamic, along with elevated sublease availability and the recent economic volatility, tenant-favorable market conditions are expected to endure in the near term. Landlords seeking to retain and attract tenants will continue to be aggressive, offering flexible terms and generous concessions.

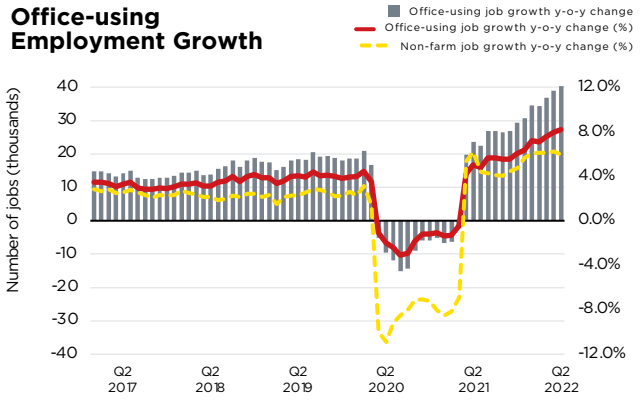
Outlook

- As economic growth slows and companies begin to consider new austerity measures, the office market may find itself affected adversely, further softening the market's office fundamentals
- A phenomenon being witnessed across the country, tenant flight to quality is expected to continue in Seattle as companies seek out modern, amenitized buildings as part of a broader strategy to lure workers back to the office
- Above average levels of sublease space on the market are providing tenants with leverage over landlords, leading to more compelling direct deals

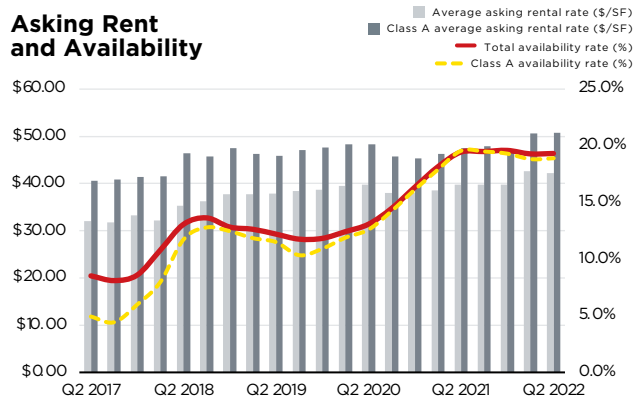
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	114.3 MSF	119.7 MSF	▲
Availability Rate	19.4%	19.3%	▼
Asking Rental Rate	$39.72	$42.24	▲
Class A Asking Rental Rate	$47.55	$50.71	▲
Quarterly Leasing Activity	1.1 MSF	0.9 MSF	▼
Available Sublease Space	6.3 MSF	5.1 MSF	▼

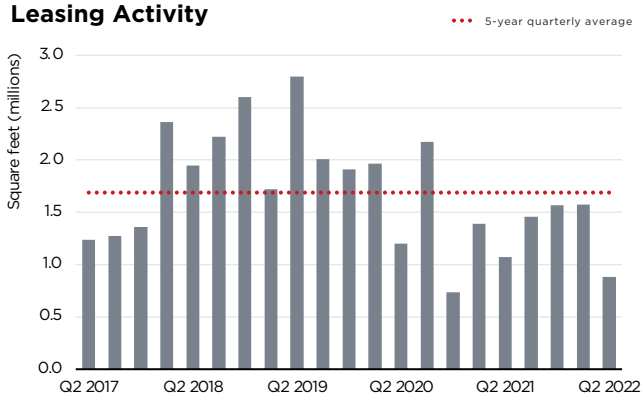
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

2.8%
Seattle-Tacoma-Bellevue unemployment rate (as of May 2022)

8.2%
Office-using employment growth year over year (as of May 2022)

2.6 msf
Office space currently under construction

Top Transactions

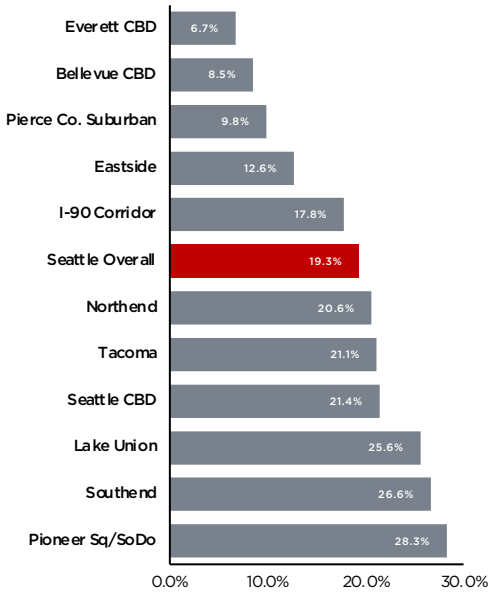
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Seattle Housing Authority	88,000	101 Elliott Avenue W	New Location	Lake Union	Government
Sana Biotechnology Inc.	78,000	3555 Monte Villa Parkway	New Location	Eastside	Pharmaceuticals & Life Sciences
Egencia	46,448	110 110th Avenue NE	New Location	Bellevue CBD	TAMI
Remitly	37,703	1111 3rd Avenue	New Location	Seattle CBD	TAMI
Nokia	32,173	1100 112th Avenue NE	Renewal	Bellevue CBD	TAMI
DoorDash	30,386	1201 2nd Avenue	New Location	Seattle CBD	TAMI
Tegria *	23,993	205 108th Avenue NE	New Location	Bellevue CBD	TAMI
Orbis	19,161	20700 44th Avenue W	New Location	Eastside	Associations & Non-Profits
Cara Veterinary Support Services LLC	13,113	221 1st Avenue W	New Location	Lake Union	Personal Services
NorthwestSCS	11,487	10900 NE 8th Street	New Location	Bellevue CBD	Financial Services

*Sublease

Source: Savills Research

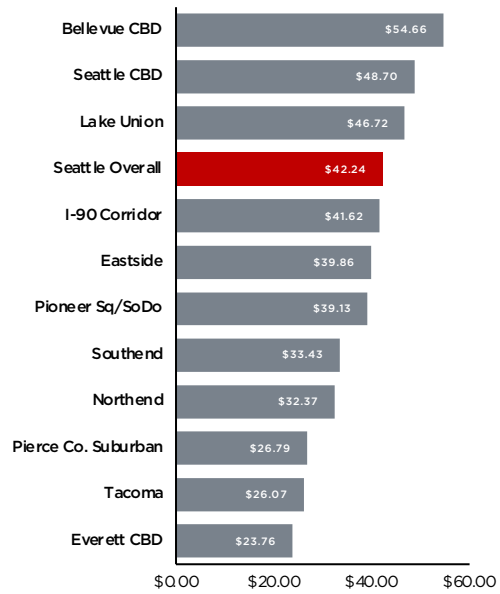
Availability Rate Comparison (%)

Seattle/Puget Sound Submarkets



Rental Rate Comparison ($/SF)

Seattle/Puget Sound Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. 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.

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