MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Seattle/Puget Sound

savills

Seattle/Puget Sound leasing activity up with market fundamentals relatively steady as economic clouds gather

While the national economy trended toward more economic uncertainty as the third quarter came to a close, Seattle/Puget Sound economic fundamentals exhibited a picture of relative stability. August unemployment held at 3.5% across the Seattle MSA, below the 3.7% national average. Office-using employment growth was healthy, rising 9.8% year over year. Occupier demand increased in the third quarter as evidenced by the region's highest quarterly leasing volume in two years. The 1.9 million square feet (msf) leased this period marked a 30.3% increase over the same period in 2021. Higher demand in the third quarter was led by the Eastside as Meta Platforms leased more than 200,000 square feet (sf) at the former Zetron headquarters in Redmond. In addition, strong life sciences demand has resulted in developers looking at lab space conversions or new ground-up development as a response.

Availability ticks upward despite solid occupier demand

Overall availability in the Seattle/Puget Sound office market ticked up in the third quarter, rising 100 basis points (bps) from last quarter to 20.3%, and is up 80 bps from a year ago. Class A availability increased more sharply, by 160 bps over last quarter to 20.5%. Among the largest Class A blocks of space to come to market this quarter was a 172,000-sf block at 800 5th Avenue in Seattle's Central Business District (CBD) being vacated next year by Providence-Swedish Health Alliance. In addition, several large subleases became available in the third quarter, including more than 107,000 sf of Puget Energy space at 355 110th Avenue NE in the Bellevue CBD. While the volume of sublease opportunities had been recently declining, they ballooned to 5.7 msf this period, well above the long-term average.

Tenants have a leg up as market remains fundamentally altered by pandemic and changing work habits

Office occupancy remained stubbornly slow to recover in Seattle as work-from-home policies endured at many Seattle/Puget Sound firms. The resulting uncertainty from this, combined with effect of organizations requiring less space as they codify their hybrid work policies, has significantly shifted the dynamic in favor of occupiers seeking to transact space. It is unclear when the market will again witness a sub-10% availability rate that was observed as recently as 2017. For now, tenants seeking to transact space should expect to hold the upper hand in negotiations and can expect aggressive landlord concessions including generous improvement allowances, abatement, and lease flexibility.

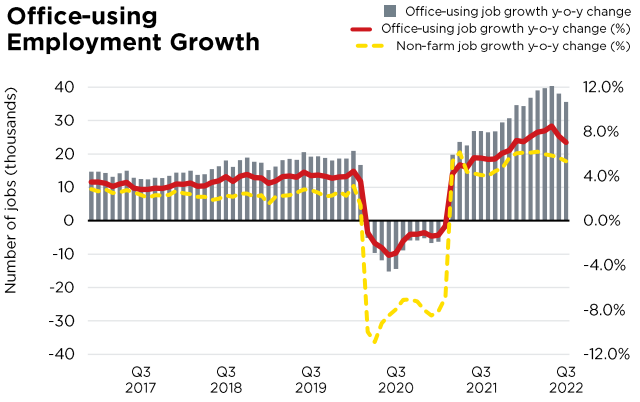
Outlook

- Leasing activity may track downward in the near term as economic uncertainty, supply chain issues and elevated buildout costs may cause organizations to put leasing plans on hold
- While asking rents are observed to be increasing, tenants should expect lower net effective rents in the current environment as landlords provide more generous concessions including rental abatement, buildout allowances, and beneficial occupancy
- Landlords are forced to compete with quality sublease options that are increasing in number, and tenants can therefore expect to secure more advantageous direct deals

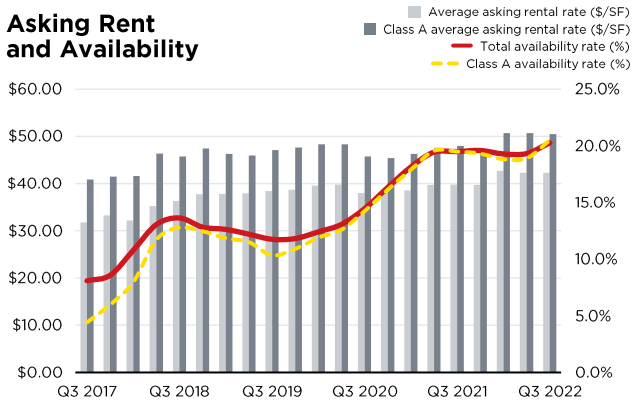
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	114.5 MSF	119.7 MSF	▲
Availability Rate	19.5%	20.3%	▲
Asking Rental Rate	$39.79	$42.29	▲
Class A Asking Rental Rate	$47.96	$50.47	▲
Quarterly Leasing Activity	1.5 MSF	1.9 MSF	▲
Available Sublease Space	5.5 MSF	5.7 MSF	▲

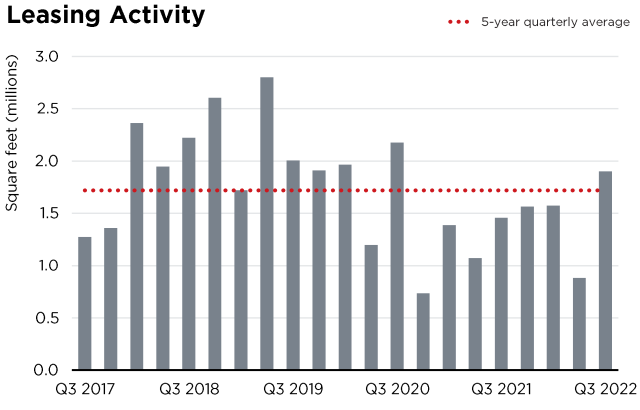
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.5%
Seattle-Tacoma-Bellevue unemployment rate (as of August 2022)

9.8%
Office-using employment growth year-over-year (as of August 2022)

3.1 msf
Office space currently under construction

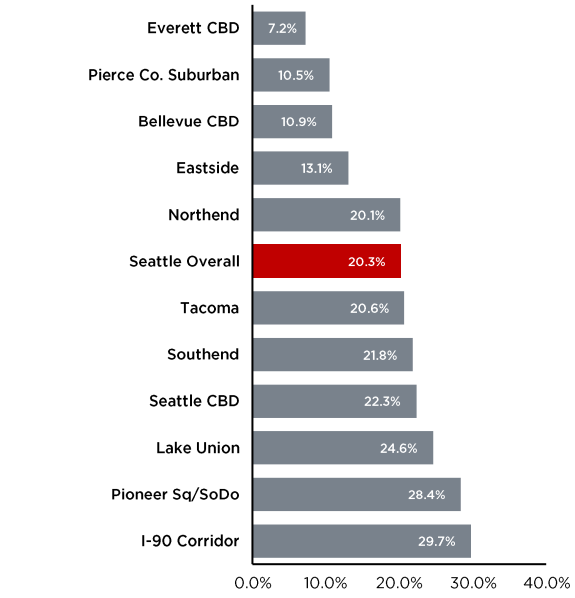
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Meta Platforms	208,221	12034 134th Court NE	New Location	Eastside	TAMI
Wizards of the Coast (Hasbro)	112,947	1101 Lake Washington Boulevard N	New Location	Southend	TAMI
Sonoma Biotherapeutics	82,938	501 Elliott Avenue W	New Location	Lake Union	Biotechnology
VMware	74,602	500 108th Avenue NE	Restructure	Bellevue CBD	TAMI
Apptio	61,141	11100 NE 8th Street	Renewal	Bellevue CBD	TAMI
Publicis	42,685	1448 NW Market Street	New Location	Lake Union	TAMI
Infosys	30,327	3326 160th Avenue SE	Renewal	I-90 Corridor	TAMI
TRI Pointe Homes	25,115	15900 SE Eastgate Way	Renewal	I-90 Corridor	Real Estate
NanoString Technologies	23,000	3350 Monte Villa Parkway	New Location	Eastside	Biotechnology
RUN Studios	16,573	501 Eastlake Avenue E	New Location	Lake Union	TAMI

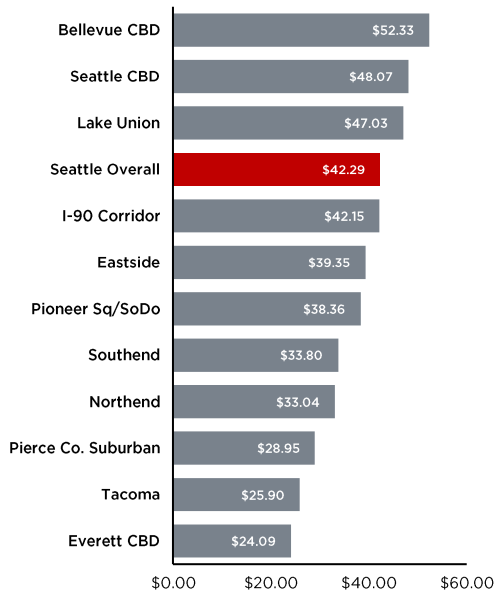
*Sublease

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.

Copyright © 2022 Savills

For more information, please contact us:

Savills
1301 2nd Avenue
Suite 1950
Seattle, WA 98101
+1 206 773 2270

Eric Lonergan
Executive Vice President,
Co-Market Leader
elonergan@savills.us

Brian Kelly
Executive Vice President,
Co-Market Leader
bkelly@savills.us

Anders Klein
Regional Research Director,
Midwest and Southwest
aklein@savills.us

About Savills Inc.
Savills helps organizations find the right solutions that ensure employee success. Sharply skilled and fiercely dedicated, the firm's integrated teams of consultants and brokers are experts in better real estate. With services in tenant representation, workforce and incentives strategy, workplace strategy and occupant experience, project management, and capital markets, Savills has elevated the potential of workplaces around the corner, and around the world, for 160 years and counting.

For more information, please visit Savills.us and follow us on LinkedIn, Twitter, Instagram and Facebook.

savills.us

savills