SEATTLE YEAR-OVER-YEAR SUBLEASE AVAILABILITY FALLS 1.79 MSF

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YEAR OVER YEAR DECLINE IN SUBLEASE AVAILABILITY

22%

SUBLEASE MARKET SHARE OF TOTAL MARKET AVAILABILITIES

$32.31

SUBLEASE PSF FSG ASKING RENT VS $44.82 PSF FSG CBD AVERAGE & $49.03 PSF FSG CLASS A RENTS

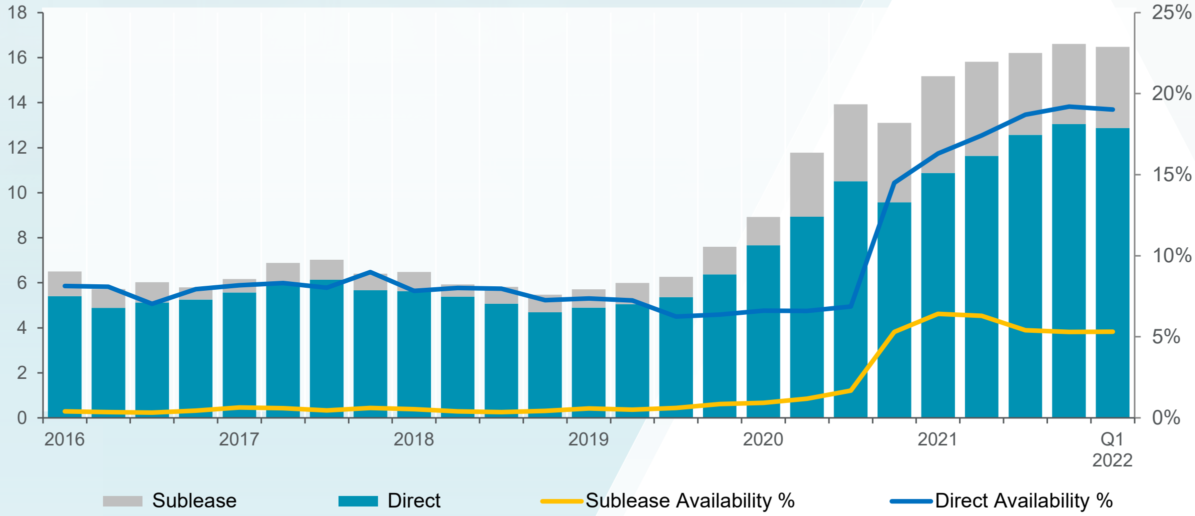
Greater Seattle sublease vacancy was reported at 2.0 million square feet (msf) in Q1 2022, a year-over-year decline of 1.79 msf, one of the largest declines in the U.S.

The total has steadily decreased since its peak of 4.3 msf, reached in Q1 2021. Additionally, sublease availability declined 347,000 sf from Q4 2021 to Q1 2022.

While some of that space was withdrawn from the market, half of it (169,716 sf) was subleased, accounting for 16.9% of the 1,005,066 sf of leasing activity. This follows the recurring trend of more sublease space disappearing than being added over the last several quarters.

Sublease availability accounts for nearly 22% of the total availability in the Seattle market. Nearly 88% of available sublease space is in the Seattle CBD, however nationally the share of sublease space has decreased in the CBD markets from 42% in Q1 2021 to 40% in Q2 2022, indicating a deceleration of vacant sublease space being added in the CBD markets.

Historical Availability Sublease to Direct Ratio (Square Feet)



Cushman & Wakefield Research & CoStar. Buildings >20,000 sf *Inventory: 65+ MSF*

Sublessors have been forced to lower asking rates to attract subtenants, with asking rents dropping 17.0% from a year ago to $32.31 per square foot (psf) Full Service Gross (FSG) in the first quarter. Comparatively, Seattle CBD average asking rents began the year at $44.82 psf FSG and Class A rents totaled $49.03 psf FSG, so sublease space remains an attractive option. While overall asking rents will not return to pre-COVID levels in the near term, the increase will continue considering the slowdown in sublease availability and high-end Class A space still asking in the low- to mid-$50s FSG range.

Due to the uncertainty regarding the COVID variants, it is possible that more sublease space may come online in the next few quarters, placing downward pressure on market-wide overall asking rents. A robust sublease pipeline will create near record high vacancies as companies continue looking for more lucrative options or remote work opportunities outside of the CBD. However, a further decline in available sublease space and tenants taking new construction will help push absorption out of negative territory in 2022.

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