

## SEATTLE SUBURBAN OFFICE

## Economic Indicators

	Q2 18	Q2 19*	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,040k	2,094k	▲
Seattle-Tacoma-Bellevue Unemployment	3.8%	3.9%	▼
U.S. Unemployment	3.9%	3.6%	▼

## Market Indicators (Overall, All Classes)

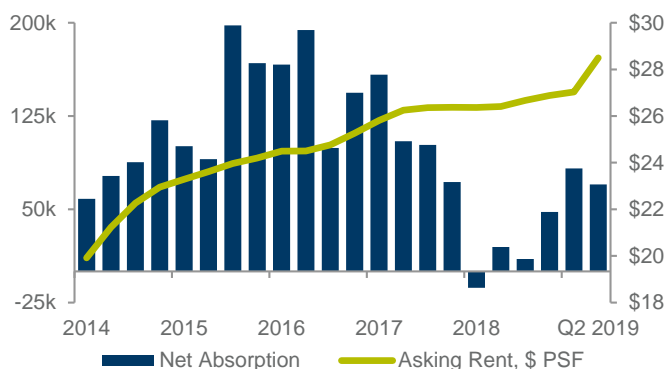
	Q2 18	Q2 19	12-Month Forecast
Vacancy	17.8%	22.2%	▲
Net Absorption (sf)	-74k	-19k	▼
Under Construction (sf)	1.1M	81k	▲
Average Asking Rent**	\$26.70	\$32.55	▲

\*April-May 2019 data used to represent Economic Indicators for Q2 19

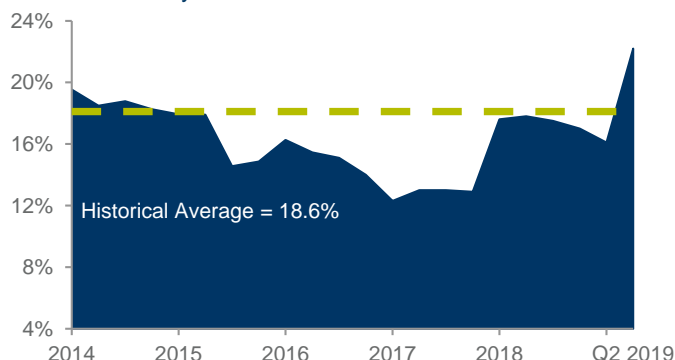
\*\*Rental rates reflect gross asking \$psf/year

## Overall Net Absorption/Overall Asking Rent

## 4-QTR TRAILING AVERAGE



## Overall Vacancy



## Economy

The Puget Sound region experienced high rates of job activity, investment, and construction through the second quarter of 2019. Over 53,000 new jobs were added year-over-year, though unemployment rose 10 basis points (bps) to 3.9% (30 bps above the national rate). Investment in the region has been strong, with \$1.2 billion trading in the second quarter. Over 3.8 million square feet (msf) of office space was under construction in the region at the end of the quarter, with an additional 13.6 msf in the pipeline.

## Market Overview

The Seattle Suburban office market reported an overall vacancy rate of 22.2% and an overall gross asking rental rate of \$32.55 per square foot (psf) in the second quarter of 2019. Vacancy rose 440 bps and rent rose \$5.85 year-over-year; this upsurge was due to the completion of the Southport office campus in the Renton submarket, which delivered fully vacant with high rent. Net absorption was -19,000 square feet (sf). Over 205,000 sf leased during the quarter.

Northgate Meridian, in the North Seattle/Northgate submarket, was the site of both the largest sale and the largest new lease of the quarter. The 47,000-sf Class A property traded hands between Stephen C. Grey & Associates and Healthcare Realty Trust for \$19 million (\$402 psf); it was 96% occupied at the time of the sale and sold at a 5.4% cap rate. Prior to the sale, an unknown tenant leased nearly 18,000 sf on the top floor of the three-story building.

## Outlook

With downtown rents continuing to increase, many of the region's office tenants have stayed in or moved to the suburban office market to satisfy their real estate requirements. Notable tenants expanding into or relocating to the suburbs in 2019 include WeWork, Virtuoso, and AECOM.

Nearly 1 msf delivered in the suburban market in the second quarter. The majority of this square footage was Southport, which added nearly 702,000 sf of Class A space to the Renton submarket.

In Seattle In-City, two properties, totaling nearly 274,000 sf, delivered fully preleased. Both buildings were preleased to WeWork (a portion of 15<sup>th</sup> + Market and all of the Kelly Springfield Bldg). Over 81,000 sf remains under construction, with nearly 75% available for prelease.

## MARKETBEAT

## Seattle Suburban

Office Q2 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
North Seattle/Northgate	2,556,346	52,448	205,281	10.1%	113,297	107,761	58,806	81,245	\$37.92	\$42.23
Close-in South Seattle	1,973,316	51,590	141,640	9.8%	-25,354	-35,653	18,769	0	\$31.00	\$33.56
East Seattle/Capitol Hill	908,678	0	55,326	6.1%	83,995	87,973	22,252	0	\$29.48	\$0.00
<b>SEATTLE IN-CITY TOTAL</b>	<b>5,438,340</b>	<b>104,038</b>	<b>402,247</b>	<b>9.3%</b>	<b>171,938</b>	<b>160,081</b>	<b>99,827</b>	<b>81,245</b>	<b>\$34.35</b>	<b>\$39.49</b>
Tukwila	1,844,873	0	353,991	19.2%	566	19,108	71,297	0	\$24.70	\$26.63
SeaTac	810,400	0	89,542	11.0%	26,450	27,012	42,372	0	\$27.83	\$29.52
Renton	3,005,436	4,005	1,377,645	46.0%	-209,734	-192,273	74,362	0	\$39.39	\$42.15
Kent/Auburn	1,415,690	6,686	145,750	10.8%	-25,745	392	50,039	0	\$23.44	\$26.38
<b>SOUTHEND TOTAL</b>	<b>7,076,399</b>	<b>10,691</b>	<b>1,966,928</b>	<b>27.9%</b>	<b>-208,463</b>	<b>-145,761</b>	<b>238,070</b>	<b>0</b>	<b>\$35.01</b>	<b>\$40.48</b>
<b>FEDERAL WAY</b>	<b>2,218,297</b>	<b>7,491</b>	<b>786,553</b>	<b>35.8%</b>	<b>17,299</b>	<b>32,839</b>	<b>49,642</b>	<b>0</b>	<b>\$25.26</b>	<b>\$24.96</b>
<b>SEATTLE SUBURBAN TOTALS</b>	<b>14,733,036</b>	<b>122,220</b>	<b>3,155,728</b>	<b>22.2%</b>	<b>-19,226</b>	<b>47,159</b>	<b>387,539</b>	<b>81,245</b>	<b>\$32.55</b>	<b>\$37.45</b>

BLDG CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT**	OVERALL AVERAGE ASKING RENT**
Class A	8,129,709	42,625	1,888,112	23.7%	45,869	94,469	256,491	60,765	\$37.63	\$37.45
Class B	5,628,794	79,595	1,110,128	21.1%	-78,553	-61,788	112,656	20,480	\$25.70	\$25.76
Class C	974,533	0	157,488	16.2%	13,458	14,478	18,392	0	\$23.70	\$23.70

\*Leasing Activity does not include Renewals

\*\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Northgate Meridian	17,746	N/A	New	North Seattle/Northgate
Rivertech Corporate Center	12,603	N/A	New	Renton
Fort Dent III	11,673	Tabor 100	New	Tukwila

## Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Northgate Meridian	47,255	Stephen C. Grey & Associates / Healthcare Realty Trust	\$19,005,000 / \$402	North Seattle/Northgate
Dempsey Columbia City	27,905	Lake Union Partners / Wood Partners	\$16,693,000 / \$598	South Seattle Close-In
Kent Professional Plaza – Bldg A	22,714	KPP Properties LLC / T&J Property Seattle LLC	\$6,400,000 / \$282	Kent/Auburn

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