



YoY
Chg

12-Mo.
Forecast

6.5%

Vacancy Rate

**-120K**

Net Absorption, SF

**\$46.12**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY
Chg

12-Mo.
Forecast

1.81MSeattle MSA
Employment**15.4%**Seattle MSA
Unemployment Rate**13.0%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

The Puget Sound region began 2020 on a high note, bolstered by its healthy economy, job growth, and active investment. The wide pool of industries, from tech to manufacturing, had the Seattle MSA better positioned for an economic shock. However, the COVID-19 lockdown created record high job losses in a market hovering near historic lows. By the end of the second quarter, 308,000 jobs had been shed year-over-year, with the unemployment rate rising 1200 basis points (bps) to 15.4%. Investment in the region has essentially paused. Only \$922 million traded in the first half of 2020, a dramatic drop-off from the over \$10.3 billion traded in 2019.

SUPPLY AND DEMAND

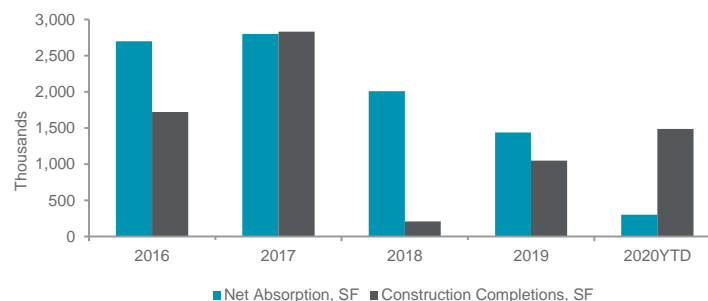
The Seattle CBD office market had its inventory increase substantially in the first half of 2020, with close to 1.5 million square feet (msf) added. Tech remains the main driver, with all the completed projects preleased to tech firms: 2+U to Qualtrics, Dropbox, Indeed, and Spaces; Lakefront Blocks to Google; and 333 Dexter to Apple. Of the 3.4 msf under construction, over 2.7 msf (79%) is preleased. Several projects are slated for third quarter 2020 deliveries, including the 722,000-square-foot (sf) Rainier Square project (fully leased to Amazon, and partially subleased to Bank of America), the 185,000-sf Lakefront Blocks – East Building (another Google prelease) and the 500,000-sf Dexter Yard (fully available biotechnology building). On top of these deliveries, there is another 7 msf of proposed projects in the pipeline.

COVID-19 flooded the Seattle CBD with new sublease space in the second quarter as 595,000 sf of sublease space was added to the market, a 141% increase from the first quarter, taking the total up to 750,000 sf now available. The most notable second quarter deals included UW Medicine leasing 57,000 sf at Safeco Plaza and an unknown tenant leasing 50,000 sf in the Harold Poll building. Overall absorption for the quarter was reported at negative 120,000 sf with the figure for the first half of 2020 remaining positive at 408,000 sf, a slight decline from the 432,000 sf reported in the first half of 2019.

PRICING

The Seattle CBD asking rents have continued to hold up, with the gross figure ending the second quarter at \$46.12 per square foot (psf), a year-over-year increase of 2.5% (+\$1.13). Class A direct rent reached \$51.37 psf in the second quarter of 2019 and finished the second quarter of 2020 at \$52.06 psf, a year-over-year increase of 1.3% (+\$0.69). Prices are expected to remain stagnant or see a slight decrease by the end of 2020 due to the increased sublease space coupled with a robust development pipeline.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial District	22,676,111	437,483	1,449,600	8.3%	-373,651	106,845	471,099	1,065,450	\$49.37	\$53.32
Denny Regrade	9,312,889	81,492	360,637	4.7%	-111,026	-145,518	97,339	287,569	\$46.68	\$49.08
Pioneer Square / International District	4,587,496	105,381	238,575	7.5%	-86,026	-138,668	134,861	214,038	\$39.25	\$46.13
Lower Queen Anne / Lake Union	13,780,047	125,249	495,912	4.5%	451,251	585,526	113,956	1,703,282	\$39.77	\$49.23
SEATTLE CBD TOTALS	50,356,543	749,605	2,544,724	6.5%	-119,899	408,185	817,255	3,270,339	\$46.12	\$52.06

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Safeco Plaza	Financial District	UW Medicine	56,677	Sublease
Harold Poll Building	Financial District		49,872	Sublease
One Union Square	Financial District	Towers Watson America LLC	25,985	Renewal*
Graybar Building	Pioneer Square / International District		22,000	New
1111 Third Avenue Building	Financial District		18,414	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
The Block	Lower Queen Anne / Lake Union	Robert Dent / Kuyler Marsh	10,000	\$1.55M/\$155
Queen Anne Building	Lower Queen Anne / Lake Union	Lenati / David Cornfield	3,800	\$4.1M/\$1,079

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2 + U	Financial District	Qualtrics, Indeed, Dropbox, Spaces	686,908	Skanska
333 Dexter	Lower Queen Anne / Lake Union	Apple	616,584	Kilroy Realty Corporation
Lakefront Blocks- East Building	Lower Queen Anne / Lake Union	Google	184,631	Vulcan

Research Analyst

+1 206 521 0235 / daniel.ochs@cushwake.com

cushmanwakefield.com

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