

# Puget Sound- Eastside

Office Q4 2020



CUSHMAN &amp; WAKEFIELD

**8.1%**

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast**-639K**

Net Absorption, SF

**\$39.54**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2020

**1.96M**Seattle MSA  
EmploymentYoY  
Chg12-Mo.  
Forecast**5.2%**Seattle MSA  
Unemployment Rate**6.7%**U.S.  
Unemployment Rate

Source: BLS

## ECONOMIC OVERVIEW

For the Seattle metropolitan statistical area, at the close of the fourth quarter of 2020, 147,000 jobs had been shed year-over-year (YOY), with the unemployment rate rising 210 basis points (bps) to 5.2%. That said, these metrics have been improving over the third and fourth quarters. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in the second quarter of 2020. With vaccine availability increasing, the Seattle MSA is poised for a quick return to normal once lockdowns conclude.

## SUPPLY AND DEMAND

The Puget Sound- Eastside office market had five buildings deliver in 2020. Three of these were in the Spring District on the border of the 405 Corridor submarket including the 361,000-square-foot (sf) REI headquarters, which was sold to Facebook, the 316,000-sf Block 16 (fully preleased to Facebook) and the 19,000-sf Brewpub (completely vacant). The other two buildings delivering were the 55,000-sf 2005 NW Polar Way (completely available) and the 46,000-sf Issaquah Work Lofts, both in the I-90 Corridor. Of the 3.0 million square feet (msf) under construction in the Puget Sound- Eastside, only 45,000-sf (1.5%) is still available. Several projects are slated for 2021 deliveries, including the 374,000-sf Summit III project (preleased to Amazon), the 246,000-sf One Esterra Park in Redmond (preleased to Microsoft), the 160,000-sf Spring District- Block 24 (preleased to Facebook) in the 405 Corridor, and the 50,000-sf 5501 Lakeview Building in Kirkland (45,000 sf available). There are another 9.2 msf of proposed projects in the pipeline.

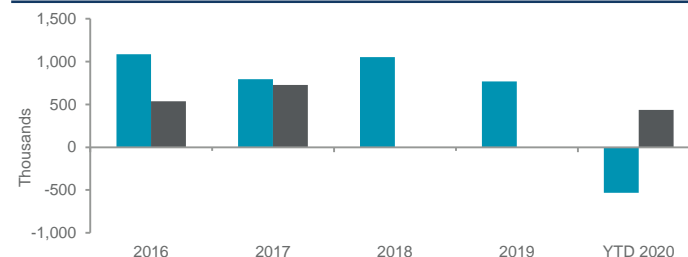
Puget Sound- Eastside overall absorption for the fourth quarter was reported at negative 639,000 sf, decreasing for a second straight quarter to negative 1.1 msf in 2020. This is a significant decline from the positive 768,000-sf reported in 2019. Overall absorption in the Bellevue CBD was reported at just under negative 300,000 sf in the fourth quarter with the 2020 overall absorption decreasing to negative 535,000 sf. This is a sharp decline from the positive 50,000 sf reported in 2019.

The Puget Sound- Eastside market overall vacancy increased 260 bps YOY to 8.1% in the fourth quarter of 2020. The overall vacancy rate in the Bellevue CBD increased 340 bps YOY to 7.4%.

## PRICING

The Puget Sound- Eastside asking rent recorded a slight increase YOY, with the gross figure 2020 at \$39.54 per square foot (psf), an increase of 0.7% (+\$0.27). Class A direct rent in the Bellevue CBD decreased to \$54.59 psf, a YOY decrease of 0.2% (-\$0.13). Prices should decrease slightly in 2021 due to additional sublease space and diminishing tenants in the market.

## SPACE DEMAND / DELIVERIES



■ Net Absorption, SF ■ Construction Completions, SF

## OVERALL VACANCY & ASKING RENT



■ Asking Rent, \$ PSF — Vacancy Rate

# Puget Sound- Eastside

Office Q4 2020



CUSHMAN &amp; WAKEFIELD

## SUBLEASE SPACE

COVID-19 was primarily responsible for flooding the Bellevue CBD with new sublease space. In the fourth quarter, over 210,000 sf of vacant sublease space was added to the market, a 380% increase from the first quarter, to over 415,000 sf vacant. Bellevue CBD sublease space surpassed 640,000 sf available, a 162% increase from the first quarter. Available sublease space accounts for 6.7% of the Bellevue CBD Inventory.

Vacant sublease space increased to over 960,000 sf in the Puget Sound- Eastside market, a 263% increase from the first quarter. Available sublease space increased by over 125% to just under 1.6 msf. Available sublease space in the Puget Sound- Eastside market accounts for 4.5% of the market inventory.

## INVESTMENT

Seattle MSA office investment decreased significantly in 2020 with only \$4.6 billion traded, less than half of the over \$10.9 billion traded in 2019. Investment in 2021 should increase following the year high of \$2.7 billion trading in the fourth quarter.

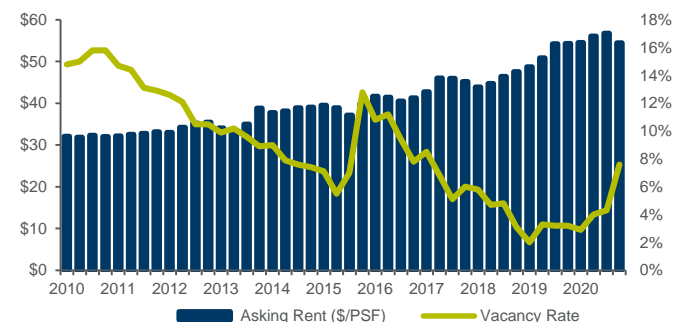
Seattle CBD office investment accounted for half of the overall investment at \$2.3 billion traded in 2020. This number was down significantly from the \$5.9 billion traded in the Seattle CBD in 2019.

Bellevue CBD office investment was also down drastically barely surpassing \$500 million traded in 2020. This was less than a third of the more than \$1.9 million traded in 2019.

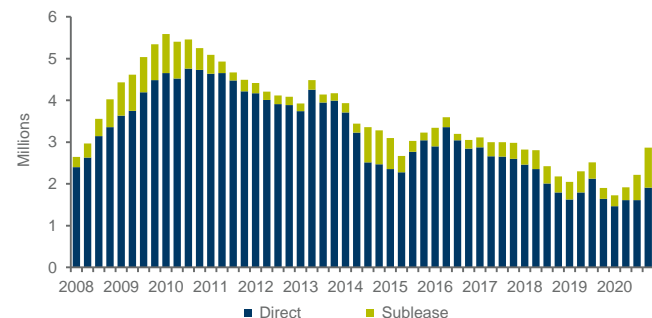
## Outlook

- The Puget Sound- Eastside has continued to record tech investment and leasing interest in both the Bellevue CBD and Eastside Suburban markets as Seattle's established tech companies search for cheaper alternatives with strong tech talent outside of the Seattle CBD.
- As vaccine distribution picks up, the Puget Sound is poised for a modest revitalization with its established technology and biotech presences.
- Sublease space is expected to increase further throughout the Puget Sound- Eastside market while the lockdowns continue, and companies opt for WFH policies.
- Rents should decrease throughout 2021 as vacancies rise and occupiers have more options for space in the Puget Sound region.

## CLASS A VACANCY AND ASKING RENT



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



## OFFICE INVESTMENT



# Puget Sound- Eastside

Office Q4 2020



CUSHMAN &amp; WAKEFIELD

## 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)*
BELLEVUE CBD TOTALS	9,556,133	416,434	289,919	7.4%	-298,669	-535,533	2,077,562	2,576,291	\$53.29	\$54.44
405 Corridor	2,766,794	79,000	204,977	10.3%	-58,329	209,351	136,293	160,734	\$40.50	\$38.00
520 Corridor	3,193,117	48,936	303,287	11.0%	-19,968	-180,264	188,329	0	\$40.89	\$44.79
I-90 Corridor	6,718,469	27,604	332,658	5.4%	-96,416	-122,413	221,036	0	\$39.67	\$42.52
Bel-Red	1,161,127	33,314	76,694	9.5%	-49,661	-99,869	71,736	0	\$32.46	\$0.00
Redmond	2,683,753	174,987	56,600	8.6%	3,561	-163,846	507,782	246,638	\$36.49	\$36.91
Kirkland	2,377,839	35,770	67,251	4.3%	-29,603	-8,547	291,074	50,420	\$36.43	\$48.00
Bothell / Woodinville	2,527,314	64,362	147,241	8.4%	-47,948	-20,758	54,608	0	\$31.06	\$31.87
SUBURBAN TOTALS	21,428,413	463,973	1,188,708	7.7%	-298,364	-386,346	1,470,858	457,792	\$38.31	\$42.01
Lynnwood	2,279,132	52,804	228,898	12.4%	-9,202	-149,465	75,841	0	\$31.03	\$33.27
Everett	2,311,690	29,614	201,646	10.0%	-32,267	-39,939	37,412	0	\$24.77	\$0.00
NORTHEND TOTALS	4,590,822	82,418	430,544	11.2%	-41,469	-189,404	113,253	0	\$28.03	\$33.27
NON-CBD TOTALS	26,019,235	546,391	1,619,252	8.3%	-339,833	-575,750	1,584,111	457,792	\$35.88	\$39.42
EASTSIDE TOTALS	35,575,368	962,825	1,908,171	8.1%	-638,502	-1,111,283	3,661,673	3,034,083	\$39.54	\$46.75

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Eastgate Office Park – Building 4	I-90 Corridor	Hasbro, Inc.	32,344	New
Parklands North Creek – Building A	Bothell / Woodinville	Viome	23,812	New
Kirkland 405 Corporate Center	Kirkland	Regus	10,354	New

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Millennium Corporate Park (6 Properties)	Redmond	TPG Global LLC / Vanborton Group	538,733	\$217.0M/\$403
Spring District – Block 16	405 Corridor	Wright Runstad & Co. / Brookfield Asset Management, Inc.	343,528	\$365.0M/\$1,063
Quadrant Monte Villa Center (2 Properties)	Bothell / Woodinville	Wesmar Investments / Alexandria Real Estate Equities	180,591	\$56.9M/\$315
Overlake 520 (2 Properties)	520 Corridor	Swift Real Estate Partners / Innovatus Capital Partners LLC	145,914	\$63.0M/\$432

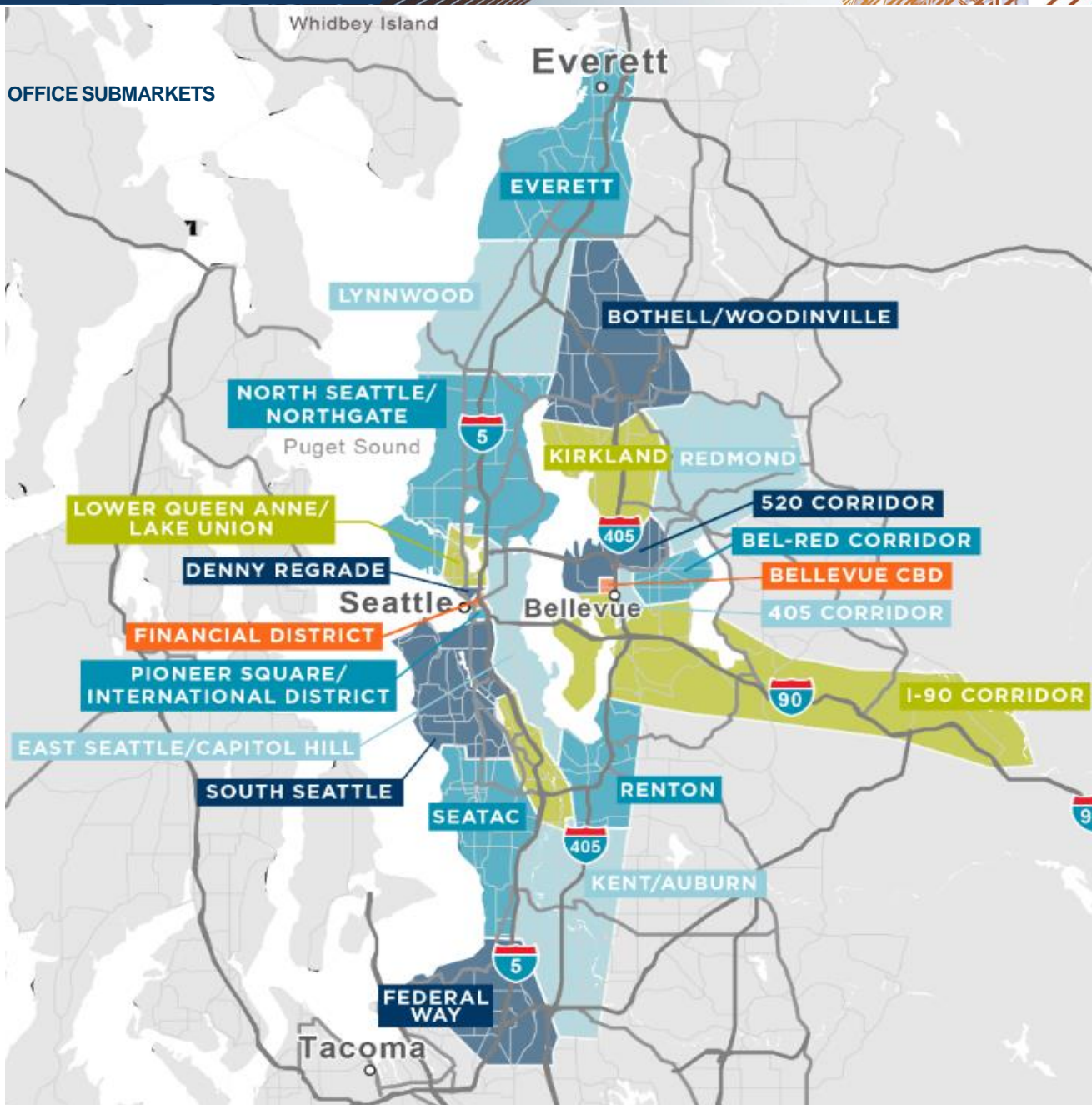
## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Facebook at Spring District	405 Corridor	Facebook	361,221	Facebook / Shorenstein Properties
Spring District – Block 16	405 Corridor	Facebook	316,009	Wright Runstad / Shorenstein Properties
2005 NW Poplar Way	I-90 Corridor	Vacant	55,137	Rowley Properties / GLY Construction
Issaquah Work Lofts	I-90 Corridor	CTS International & Farmers Insurance	46,000	Sea Con LLC



# Puget Sound- Eastside

Office Q4 2020

**CUSHMAN &  
WAKEFIELD****DANIEL OCHS***Research Analyst*

+1 206 521 0235

[daniel.ochs@cushwake.com](mailto:daniel.ochs@cushwake.com)**A CUSHMAN & WAKEFIELD  
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

[cushmanwakefield.com](http://cushmanwakefield.com)