

**22.3%**

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast**-172K**

Net Absorption, SF

**\$33.98**

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**

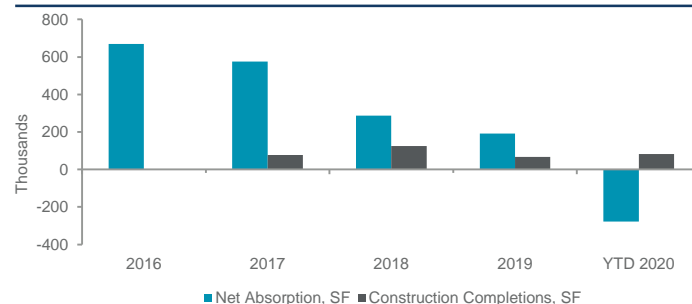
The Seattle Suburban office market had only two buildings deliver in 2020: the 61,000-square-foot (sf) Watershed Building and the 22,000-sf Tommer Building both in the North Seattle submarket. Renton also had a 150,000-sf medical building (60% preleased) delivered in the fourth quarter of 2020. A 128,000-sf Alaska Airlines owner-occupied project is slated for first quarter 2021 delivery in SeaTac. Slightly less than 475,000 sf is in the proposed pipeline.

Overall absorption for the fourth quarter was reported at negative 172,000 sf in the Seattle market with the figure decreasing for a second straight quarter to negative 490,000 sf in 2020. This is a significant decline from the negative 3,000 sf reported in 2019. Comparatively, overall absorption in the Seattle CBD was reported at negative 1.2 msf in the fourth quarter with the 2020 overall absorption decreasing for a second straight quarter to negative 1.7 msf. A significant decline from the positive 1.4 msf reported in 2019.

The Seattle market overall vacancy increased 640 bps YOY to 13.9% in the fourth quarter of 2020. The overall vacancy rate in the Seattle CBD increased 650 bps YOY to 11.4%. Class A direct vacancy rate increased 260 bps YOY to 5.5%, while Class A overall vacancy rate increased 450 bps YOY to 9.0%.

**PRICING**

The Seattle Suburban office market had a slight increase in rental rate since the third quarter, with the gross asking rent ending the fourth quarter at \$33.98 per square foot (psf), a YOY increase of 1.6% (+\$0.54). The Class A rent decreased from the third quarter to \$39.43 psf from, a YOY increase of 4.3% (+\$1.62). Prices are expected to drop slightly through 2021 due to the increased sublease space in an already high vacancy market.

**SPACE DEMAND / DELIVERIES****OVERALL VACANCY & ASKING RENT**

# Seattle Suburban

Office Q4 2020



CUSHMAN &amp; WAKEFIELD

## SUBLEASE SPACE

COVID-19 was primarily responsible for flooding the Seattle market with new sublease space. Vacant sublease space increased to over 2.1 msf in the Seattle market, a 291% increase from the first quarter. Available sublease space increased by over 145% to just over 3.5 msf. Available sublease space in the Seattle market accounts for 5.3% of the market inventory.

In the fourth quarter, 632,000 sf of vacant sublease space was added to the CBD, a 443% increase from the first quarter, increasing the total to 1.87 msf vacant. Seattle CBD sublease space surpassed 3.1 msf available, a 160% increase from the first quarter. Available sublease space accounts for 6.1% of the CBD Inventory.

## INVESTMENT

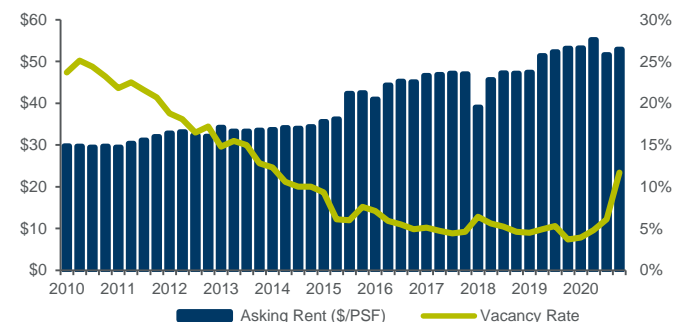
Seattle MSA office investment decreased significantly in 2020 with only \$4.6 billion traded, less than half of the over \$10.9 billion traded in 2019. Investment in 2021 should increase following the year high of \$2.7 billion trading in the fourth quarter.

Seattle CBD office investment accounted for half of the overall investment at \$2.3 billion traded in 2020. This is less than half of the \$5.9 billion traded in the Seattle CBD in 2019.

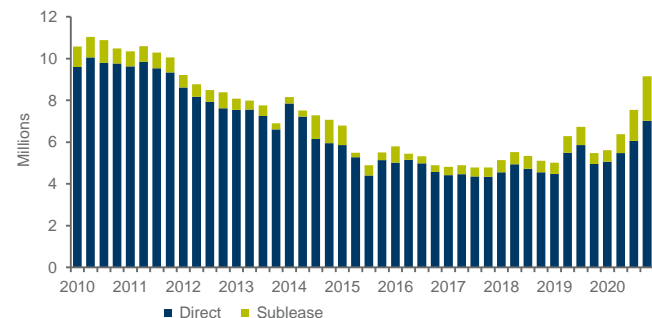
## Outlook

- Seattle was better positioned to withstand an economic shock before the COVID-19 recession than the Great Financial Crisis. However, continued lockdowns throughout Washington are expected to continue negatively effecting the length of economic recovery.
- As vaccine distribution picks up, Seattle is poised for a strong revitalization with its established and growing technology and biotech presences.
- Sublease space is expected to continue increasing in the Seattle CBD and overall market as long as the lockdowns continue, and companies opt for WFH or remote work policies.
- Rents should decrease throughout 2021 as vacancy rises and occupiers have more options for space in the Seattle CBD or Puget Sound region.

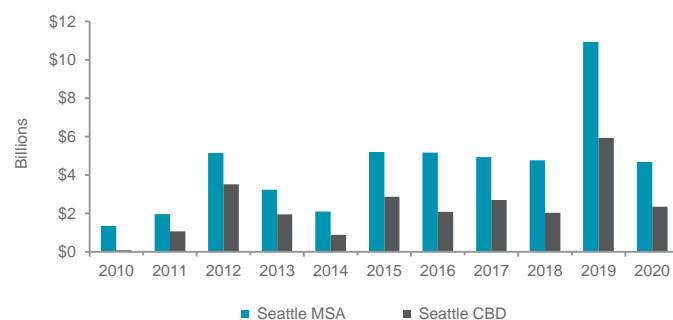
## CBD CLASS A VACANCY AND ASKING RENT



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



## OFFICE INVESTMENT



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## 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)*
North Seattle / Northgate	2,672,083	45,902	304,303	13.1%	-56,844	-110,295	140,220	0	\$36.72	\$42.61
South Seattle Close-In	1,914,835	64,191	122,175	9.7%	-43,147	1,486	156,830	0	\$35.67	\$38.51
East Seattle / Capitol Hill	952,378	29,980	116,255	15.4%	-13,873	-80,773	19,924	0	\$34.37	\$49.00
IN-CITY TOTALS	5,539,296	140,073	542,733	12.3%	-113,864	-189,582	316,974	0	\$35.80	\$41.65
Tukwila	1,851,644	18,335	371,225	21.0%	-16,954	-62,763	125,981	0	\$25.47	\$29.98
SeaTac	810,400	0	120,045	14.8%	-49,122	-71,724	39,646	0	\$28.31	\$29.82
Renton	3,037,003	47,176	1,211,100	41.4%	2,844	2,015	108,879	0	\$41.41	\$43.28
Kent / Auburn	1,431,176	37,511	147,951	13.0%	-57,446	-138,415	63,410	0	\$24.81	\$28.26
SOUTHEND TOTALS	7,130,223	103,022	1,850,321	27.4%	-120,678	-270,887	337,916	0	\$36.09	\$41.04
FEDERAL WAY TOTALS	2,254,388	21,727	668,884	30.6%	62,629	-30,393	185,054	0	\$25.58	\$24.23
SUBURBAN TOTALS	14,923,907	264,822	3,061,938	22.3%	-171,913	--490,862	839,944	0	\$33.98	\$39.43

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Nordstrom Medical Tower	East Seattle / Capitol Hill	Confidential	34,344	New*
Triton Tower Two	Renton	Radiant Logistics	20,025	New
SeaTac Office Center – North Tower	SeaTac	Confidential	19,432	New
Fountain Plaza I	Federal Way	Institute For Functional Medicine	16,993	New
SeaTac Office Center – North Tower	SeaTac	Confidential	12,980	New

\*Medical Office Lease not in Statistics

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
REI Headquarters Redevelopment	Kent	REI / Bridge Development Partners	166,641	\$24.6M/\$148
The K.R. Trigger Building	South Seattle Close-In	Jeffrey Jordan / Joe Sievers	27,164	\$7.2M/\$265
906-910 Boylston Ave Medical Office	East Seattle / Capitol Hill	First Hill Partners LLC / Swedish Health Services	7,960	\$5.0M/\$628
Russak Building	South Seattle Close-In	Russak Companies / BBJ Property Investment LLC	7,029	\$2.4M/\$341

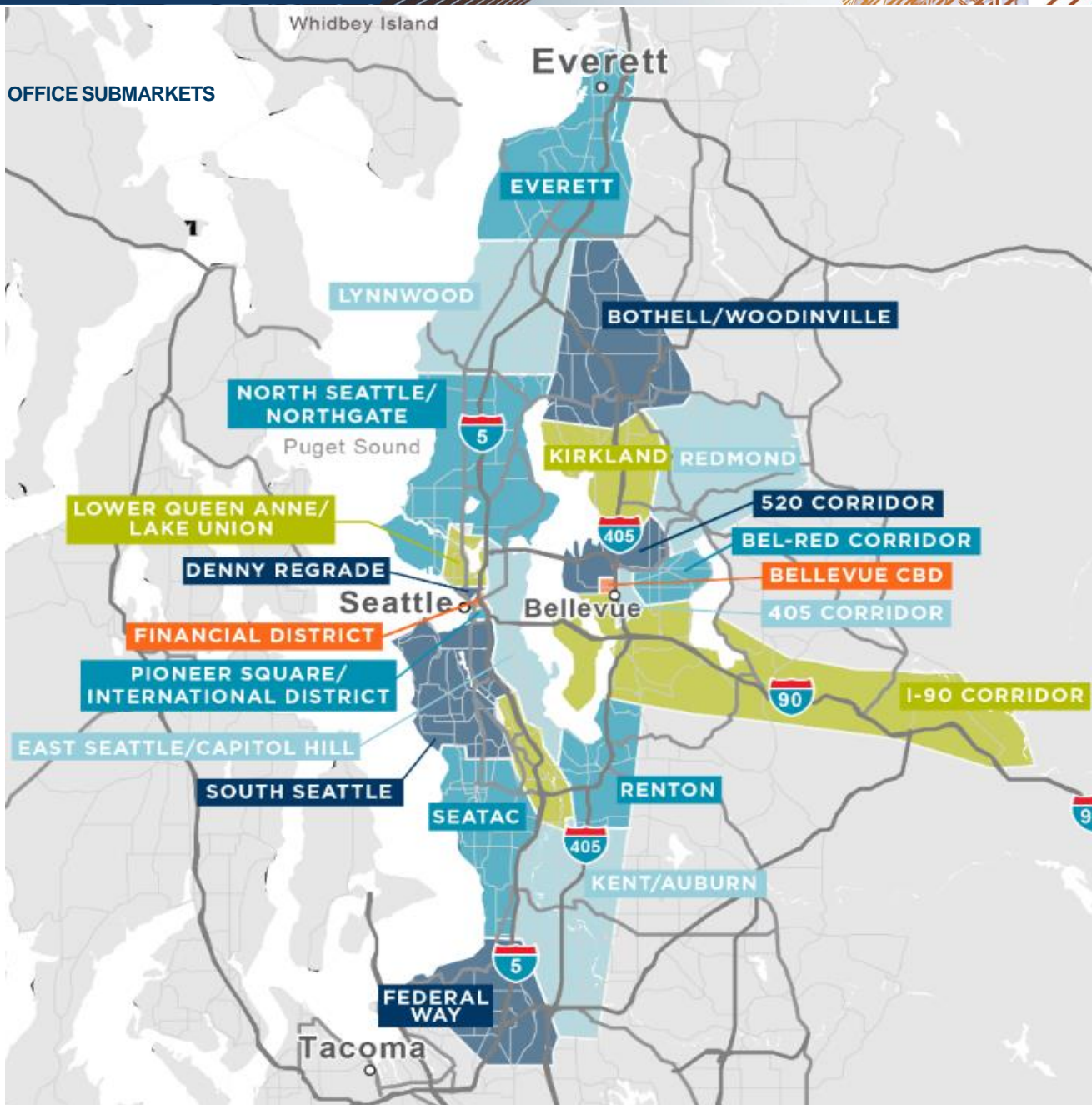
## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Watershed Building	North Seattle / Northgate	Take Two Interactive & Rowhouse	60,765	Fremont Dock Company
Tommer Building	North Seattle / Northgate	Great Notion	21,958	Kamin Properties LLC



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