



16.5%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

-676k

Net Absorption, SF



\$43.91

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 2021

2.00M

Seattle MSA
EmploymentYoY
Chg12-Mo.
Forecast

5.3%

Seattle MSA
Unemployment Rate

5.9%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Washington State Reopens

Washington officially reopened at the end of the second quarter of 2021, lifting most of the COVID-19 restrictions that have been in place for more than a year and bringing a mixture of relief and uncertainty to residents and businesses. Many employers now face an uphill battle to fully return to pre-pandemic conditions. The major tech firms in the Puget Sound – Amazon, Microsoft, Google, Facebook, et al – announced more flexible back-to-work guidelines in the face of employee backlash regarding remote work. Employment figures in the greater Seattle area grew to nearly two million jobs during the quarter, an increase of nearly 117,000 jobs year-over-year (YOY). The unemployment rate dropped 830 basis points (bps) YOY to 5.3%, just below the US unemployment rate of 5.9%. The labor market should continue to improve throughout the year now that Washington will again require workers collecting unemployment to look for work.

SUPPLY AND DEMAND: Sublease Vacancy Remains High

Overall vacancy in the Seattle CBD office market was reported at 16.5% at the end of the second quarter, up 70 bps from the 15.8% rate reported in the first quarter and up 1,000 bps from the 6.5% rate reported a year ago. Despite a slight regression, sublease vacancy remained at historic highs, totaling 2.7 million square feet (msf) and accounting for 5.2% of the downtown office inventory. Over 2.2 msf of vacant sublease space has been added to the CBD since mid-year 2020.

Overall absorption in the Seattle CBD was reported at negative 676,000 square feet (sf) in the second quarter. This is a significant decline from the negative 120,000 sf reported just one year ago. Absorption is expected to plunge even more into the negative considering the high amount of vacant sublease space still available and the new office construction coming to market without preleases in place.

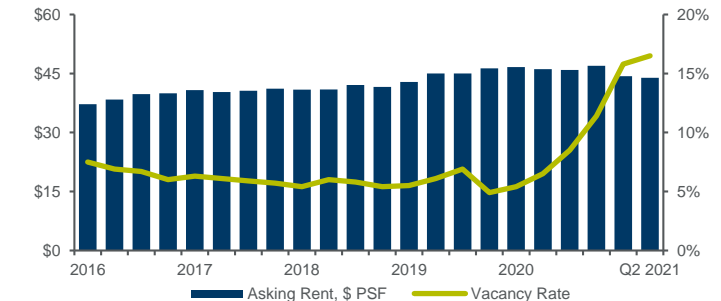
PRICING: Asking Rents Continue to Drop

Seattle CBD average asking rents have dropped for the second straight quarter, with the annual gross figure ending at \$43.91 per square foot (psf). This was a YOY decline of 4.8% (-\$2.21). Class A rent closed at \$49.31 psf, a YOY decline of 5.3% (-\$2.74). Prices are expected to continue decreasing in 2021 as sublease space comes online, paired with the small number of tenants looking for more affordable options in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Seattle CBD

Office Q2 2021



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CONSTRUCTION: New Inventory Slated For Delivery By Year's End

The Seattle CBD office market reported no new deliveries in the second quarter of 2021. Of the 1.7 msf under construction, nearly 1.3 msf (81%) is available for prelease. Several projects are slated for delivery in 2021, including the 500,000-sf Dexter Yard biotech project (100% available), the 322,000-sf Lakefront Blocks – Bldg V (100% preleased to Google), and the 200,000-sf Cascadian (100% available). An estimated 7.9 msf of proposed projects is in the pipeline.

LEASING ACTIVITY: Financial District Has Busy Quarter

Leasing activity in the CBD nearly doubled from the first quarter figures, with just over 450,000 sf leased, the majority of which was in the Financial District submarket. LMN Architects' deal at the Norton Bldg was the largest new lease of the quarter. Several renewals were also signed, including Casey Family Programs at West 8th, Dell at King Street Crossing – 505 First, and American Seafoods at Market Place Tower; a sign that some tenants are confident that downtown Seattle's economy will recover quickly from the recession.

INVESTMENT: CBD On Pace to Reach \$1 Billion in Sales

Office investment in the Seattle CBD market recovered during the second quarter, ending at \$699 million traded, compared to the \$6.5 million figure reported for the first quarter. With YTD figures at nearly \$706 million, the CBD is on pace to fall below 2020's \$2.3 billion in sales. The largest deals of the quarter (by size) included KKR's purchase of 300 Pine from Starwood Capital for \$580 million (770,000 sf; \$753 psf) in the Financial District submarket and Oxford Properties purchase of Boren Office Lofts from Trammell Crow for \$119.1 million (134,481 sf; \$886 psf) in the Denny Regrade submarket.

Seattle MSA office investment outdid the first quarter's \$415 million in trades, reporting \$1.1 billion in sales during the second quarter. Investment is expected to reach 2020's \$4.3 billion in sales by year's end.

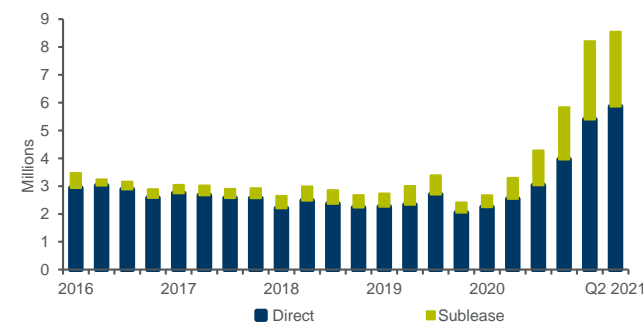
OUTLOOK

- Now that the state has officially reopened and businesses are free to return to full capacity, the Puget Sound should ramp up its recovery from the COVID-19 pandemic. With near record-high rents and record-low vacancy in early 2020, the region was better positioned to withstand an economic shock before this recession than during the Great Financial Crisis.
- Tech and biotech tenants will be instrumental in driving the rise in leasing activity.
- The continued addition of vacant sublease space and new construction without preleases in place may sink absorption further into the negative in the second half of this year.
- Rents are forecasted to decline further in the near-term in part due to pressure from lower-priced sublease space.

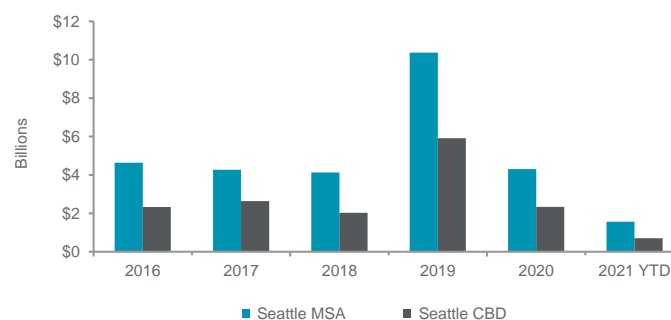
CLASS A VACANCY AND ASKING RENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



OFFICE INVESTMENT



Seattle CBD

Office Q2 2021



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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)*
Financial District	23,559,070	1,863,617	3,110,974	21.1%	-240,092	-1,154,935	348,352	110,000	\$45.92	\$49.53
Denny Regrade	9,613,251	349,857	1,193,352	16.1%	-313,363	-479,479	140,486	0	\$38.64	\$47.42
Pioneer Square / International District	4,733,277	133,840	769,169	19.1%	-101,944	-397,693	85,712	0	\$44.53	\$49.45
Lower Queen Anne / Lake Union	13,969,958	339,190	785,548	8.1%	-20,889	-197,280	106,135	1,544,677	\$39.88	\$48.86
SEATTLE CBD TOTALS	51,875,556	2,686,504	5,859,043	16.5%	-676,288	-2,229,387	680,685	1,654,677	\$43.91	\$49.31

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
West 8 th	Denny Regrade	Casey Family Programs	61,693	Renewal**
King Street Crossing - 505 First	Pioneer Square/International District	Dell	49,392	Renewal**
Market Place Tower	Denny Regrade	American Seafoods	32,800	Renewal**
Norton Bldg	Financial District	LMN Architects	30,958	New
Reedo Bldg	Pioneer Square/International District	First Mode	29,317	New

**Renewals are not included in statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
300 Pine	Financial District	Starwood Capital Group / KKR	770,000	\$580M/\$753
200 Taylor Ave N Portfolio	Lower Queen Anne/Lake Union	Clise Properties / BioMed Realty	155,404	\$63.5M/\$816
Boren Office Lofts	Denny Regrade	Trammell Crow / Oxford Properties Group	134,481	\$119.1M/\$886

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Rainier Square	Financial District	Bank of America & Goldman Sachs	722,416	Wright Runstad
Amazon – Block 18***	Denny Regrade	Amazon	388,000	Amazon
Boren Office Lofts	Denny Regrade	Vacant	134,481	Trammell Crow

***Owner/User Bldgs are not included in statistics

Seattle CBD

Office Q2 2021

**CUSHMAN &
WAKEFIELD****OFFICE SUBMARKETS****LOWER QUEEN ANNE/
LAKE UNION****DENNY REGRADE****FINANCIAL DISTRICT****PIONEER SQUARE/
INTERNATIONAL DISTRICT**

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