



	YoY Chg	12-Mo. Forecast
22.8% Vacancy Rate	▲	▼
-110K Net Absorption, SF	▲	▲
\$32.95 Asking Rent, PSF	▼	—

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 2021

	YoY Chg	12-Mo. Forecast
2.00M Seattle MSA Employment	▼	▲
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: Vacancy & Absorption Stable

Overall vacancy in the Seattle Suburban office market was 22.8% at the end of the second quarter, up 60 bps from the 22.2% rate reported in the first quarter and up 200 bps from the 20.8% rate reported a year ago. Sublease vacancy totaled 164,000 square feet (sf), accounting for 1.1% of the suburban office inventory. This was a minor decline of only 6,500 sf from a year ago.

Overall absorption for the second quarter was reported at negative 110,000 sf in the Seattle Suburban market, a slight uptick from the negative 145,000 sf reported a year ago. This market has seen less of an effect of the pandemic than the CBD market due to more downtown tenants retreating to the suburbs for space.

PRICING: Rents Hold Steady

The Seattle Suburban office market finished the second quarter at \$32.95 per square foot (psf), a YOY decrease of 2.0% (-\$0.67). Class A rents finished the second quarter at \$37.22 psf, a YOY decrease of 4.4% (-\$1.71). Prices should hold steady for the rest of the year due to the expected low activity in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Seattle Suburban

Office Q2 2021



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CONSTRUCTION: No Projects in Sight

The Seattle Suburban office market had no new deliveries in the second quarter of 2021, with no projects currently under construction. Approximately 477,000 sf is in the proposed pipeline. While there is little office development in the Seattle Suburban market, activity is picking up as interest from major occupiers grows.

LEASING ACTIVITY: Small Deals Prevalent in Suburbs

New leasing activity in the second quarter topped that of the previous quarter, with over 130,000 sf signed. This brought the YTD total to just over 240,000 sf. Most of the deals signed during the quarter were below 5,000 sf, with only one deal over 10,000 sf. Only three submarkets – Tukwila, Renton, and East Seattle/Capitol Hill – surpassed 20,000 sf of total leased space during the quarter.

INVESTMENT: Suburbs On Track to Exceed 2020 Figures

Office investment in the Seattle Suburban market was down during the second quarter, ending at \$32.8 million traded. With YTD figures already at nearly \$81 million, the suburbs are on pace to exceed 2020's \$88 million in sales. The largest deals of the quarter (by size) include Terreno's portfolio purchase of 63,000 sf for \$10 million in the Kent/Auburn submarket and Alpha Pacific LLC's \$5.8 million purchase of the 51,000-sf ABAM Building in the Federal Way submarket.

Seattle MSA office investment outperformed 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.

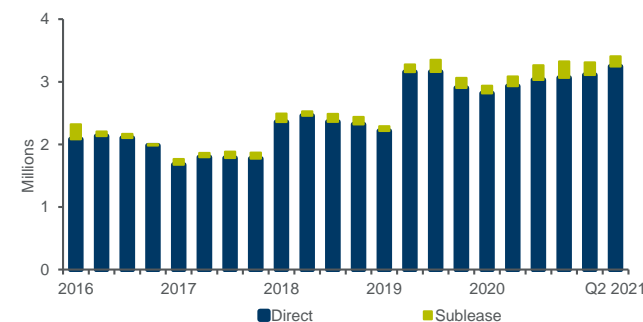
OUTLOOK

- 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.
- The suburban market will continue to attract tenants looking for more affordable options than those being marketed in downtown Seattle and Bellevue.
- Vacancy will drop substantially with any leases signed at Southport Office Campus in the Renton submarket. The 716,000-sf three-building campus has been sitting vacant since its Q2 2019 delivery.
- Rents are forecasted to remain flat for much of 2021 in part due to the low activity in the market.

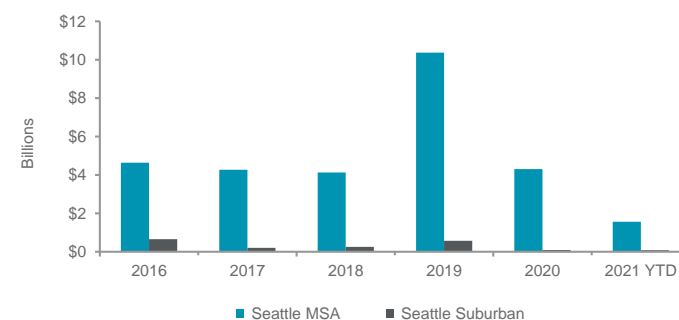
CLASS A VACANCY AND ASKING RENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



OFFICE INVESTMENT



Seattle Suburban

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)*
North Seattle / Northgate	2,672,083	31,437	342,787	14.0%	-50,363	-40,868	31,580	0	\$37.38	\$42.01
South Seattle Close-In	1,914,835	22,594	171,472	10.1%	-40,497	-41,629	16,986	0	\$30.27	\$28.71
East Seattle / Capitol Hill	952,378	28,442	122,509	15.8%	-12,595	-12,595	24,409	0	\$33.54	\$40.00
IN-CITY TOTALS	5,539,296	82,473	636,768	13.0%	-103,455	-95,092	72,975	0	\$34.75	\$38.18
Tukwila	1,851,644	18,335	385,079	21.8%	-11,347	-21,896	42,335	0	\$25.45	\$30.72
SeaTac	810,400	0	121,668	15.0%	-767	-5,623	8,004	0	\$28.24	\$29.78
Renton	3,037,083	12,893	1,277,523	42.5%	-21,238	-34,965	32,419	0	\$39.11	\$40.75
Kent / Auburn	1,431,176	31,270	174,272	14.4%	-401	-20,857	27,824	0	\$25.30	\$28.35
SOUTHEND TOTALS	7,130,303	62,498	1,958,542	28.3%	-33,753	-83,341	110,582	0	\$34.63	\$38.76
FEDERAL WAY TOTALS	2,254,388	18,577	648,749	29.6%	27,747	20,099	59,597	0	\$26.57	\$27.12
SUBURBAN TOTALS	14,923,987	163,548	3,244,059	22.8%	-109,461	-158,334	243,154	0	\$32.95	\$37.22

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Fort Dent I	Tukwila	Abogada Alexandra Law	15,396	New
Pike Bldg	East Seattle/Capitol Hill	Undisclosed	7,470	New
Triton Tower One	Renton	Undisclosed	6,786	New
Seattle South Business Square – Bldg 1	Tukwila	Undisclosed	5,252	New

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
21414-21426 68 th Ave S [Portfolio]	Kent/Auburn	Long Painting Company / Terreno Realty	63,138	\$10M/\$158
ABAM Bldg	Federal Way	Shelby Company LLC / Alpha Pacific LLC	51,124	\$5.8M/\$115
1700 Airport Way S	South Seattle Close-In	Cedar Grove Composting / Evergreen Treatment Svcs	50,315	\$9.5M/\$189
5030 1 st Ave S	South Seattle Close-In	UFCW Local 21 / Seattle Labor Temple Association	43,473	\$12.3M/\$283
33530 1 st Way S	Federal Way	Acrobat Financial Svcs LLC / Kumar Investments LLC	22,052	\$5.4M/\$245

Seattle Suburban

Office Q2 2021

**CUSHMAN &
WAKEFIELD****SEATTLE SUBURBAN
OFFICE SUBMARKETS****NORTH SEATTLE/
NORTHGATE**

Puget Sound

Seattle

Bellevue

EAST SEATTLE/CAPITOL HILL**SOUTH SEATTLE CLOSE-IN****SEATAC****RENTON****KENT/AUBURN****FEDERAL WAY**

Tacoma

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