



	YoY Chg	12-Mo. Forecast
22.6% Vacancy Rate	▲	▲
-10K Net Absorption, SF	▲	▲
\$33.21 Asking Rent, PSF	▼	—

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2021

	YoY Chg	12-Mo. Forecast
2.03M Seattle MSA Employment	▲	▲
5.1% Seattle MSA Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Major Firms Postpone Return to Office; Labor Force Strong

As of the third quarter of 2021, approximately 40% of the global workforce has returned to the office. Given the uncertainty of Covid-19 and its Delta variant, many companies have continued remote or hybrid remote/in-person work for their employees. Most of the major firms in the Puget Sound, including Amazon, Facebook, Google, and Apple, have postponed a full return until early 2022. Microsoft, meanwhile, has indefinitely delayed the reopening of its Redmond headquarters. Employment figures in the greater Seattle area grew to over two million jobs during the quarter, an increase of nearly 91,500 jobs year-over-year (YOY). The unemployment rate dropped 370 basis points (bps) YOY to 5.1%, just below the US unemployment rate of 5.2%. With the labor market seemingly back to pre-pandemic levels, it appears that the Puget Sound region will be an employees' market for the foreseeable future.

SUPPLY AND DEMAND: Vacancy and Absorption Stable

Overall vacancy in the Seattle Suburban office market was 22.6% at the end of the second quarter, down 20 bps from the 22.8% rate reported in the second quarter and up 70 bps from the 21.9% rate reported a year ago. Sublease vacancy totaled 135,000 square feet (sf), accounting for 0.9% of the suburban office inventory. This was a drop of 102,000 sf from a year ago, when vacant sublease space totaled just over 237,000 sf. Vacancy is expected to rise slightly within the next twelve months as tenants either relocate within the Puget Sound region or move out altogether.

Overall absorption for the second quarter was reported at negative 10,000 sf in the Seattle Suburban market, a major improvement from the negative 278,000 sf reported a year ago. This market has seen less of an effect of the pandemic than the Seattle CBD and Eastside markets due to more downtown tenants retreating to the suburbs for more affordable space.

PRICING: Rents Hold Steady

The Seattle Suburban office market finished the third quarter at \$33.21 per square foot (psf), a YOY decrease of 0.1% (-\$0.27). Class A rents finished the quarter at \$37.53 psf, a YOY decrease of 1.6% (-\$0.60). Prices should be stable for the rest of the year considering the low activity in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Seattle Suburban

Office Q3 2021



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CONSTRUCTION: No Projects Delivering in 2021

The Seattle Suburban office market has had no new deliveries in 2021 and no projects are currently under construction. Approximately 707,000 sf of proposed projects are in the pipeline. The long-awaited opening of the Northgate link light rail station in October may spur office development in the area north of the city, especially in the U District and the Northgate neighborhood.

LEASING ACTIVITY: Small Deals Still Rule the Suburbs

New leasing activity in the third quarter was double that of the previous quarter, with over 260,000 sf signed. This brought the year-to-date (YTD) total to nearly 513,000 sf. Blue Origin's 73,000-sf deal at the Landmark East in the Renton submarket was the largest of the quarter. Only three new leases were over 10,000 sf (4% of all new suburban leases signed), and of the eight suburban submarkets, only North Seattle/Northgate, Tukwila, and Renton surpassed 20,000 sf of total leased space during the quarter.

INVESTMENT: Suburbs Exceed 2020 Figures

Office investment in the Seattle Suburban market was up during the third quarter, ending at \$370 million traded. With YTD figures at over \$454 million, the suburbs have topped 2020's \$88 million in sales. This was due primarily to the largest deal of the quarter: Jamestown LP's purchase of Home Plate Center from American Life for \$251 million (347,874 sf; \$722 psf) in the South Seattle Close-In submarket. Other significant deals that closed during the quarter include GLL's purchase of the Watershed Building from Spear Street Capital for \$65 million (66,554 sf; \$977 psf) in the North Seattle/Northgate submarket and Skylight Capital's purchase of 4020 Auburn Way N from Teutsch Partners for \$9.6 million (31,270 sf; \$307 psf) in the Kent/Auburn submarket.

Seattle MSA office investment reported \$2.4 billion in sales during the third quarter, outdoing the second quarter's \$1.3 billion and matching 2020's figure of \$4.3 billion.

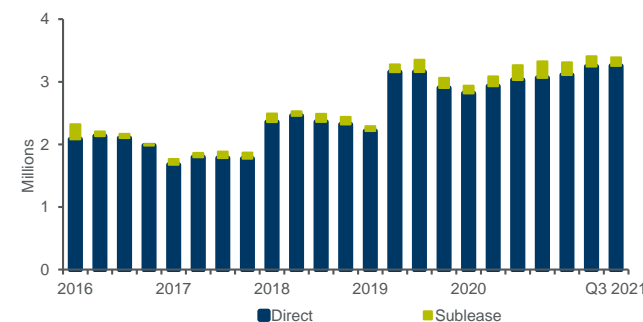
OUTLOOK

- The Puget Sound region is slowly but surely ramping 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 on the Eastside.
- 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 vacant since its Q3 2019 delivery.
- Rents are forecasted to remain flat for the rest of 2021 in part due to the low activity in the market.

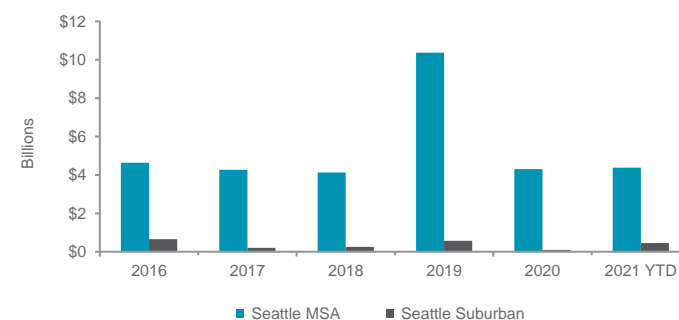
CLASS A VACANCY AND ASKING RENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



OFFICE INVESTMENT



Seattle Suburban

Office Q3 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	20,520	369,784	14.6%	-26,967	-67,835	95,981	0	\$38.63	\$41.96
South Seattle Close-In	1,914,835	22,539	174,834	10.3%	-5,272	-46,901	28,983	0	\$30.61	\$30.21
East Seattle / Capitol Hill	980,674	14,197	104,671	12.1%	22,837	10,242	29,408	0	\$34.42	\$40.00
IN-CITY TOTALS	5,567,592	57,256	649,289	12.7%	-9,402	-104,494	154,372	0	\$35.73	\$38.11
Tukwila	1,876,113	18,335	367,554	20.6%	17,077	-4,819	62,460	0	\$25.39	\$30.98
SeaTac	810,400	0	122,745	15.1%	-1,077	-6,700	26,164	0	\$28.12	\$29.82
Renton	3,030,808	9,455	1,273,530	42.3%	3,993	-27,534	149,113	0	\$39.69	\$41.57
Kent / Auburn	1,431,176	31,270	194,307	15.8%	-21,126	-38,696	39,738	0	\$25.69	\$28.25
SOUTHEND TOTALS	7,148,497	59,060	1,958,136	28.2%	-1,133	-77,749	277,475	0	\$34.81	\$39.24
FEDERAL WAY TOTALS	2,254,388	18,577	647,214	29.5%	183	21,634	81,106	0	\$26.63	\$27.06
SUBURBAN TOTALS	14,970,477	134,893	3,254,639	22.6%	-10,352	-160,609	512,953	0	\$33.21	\$37.53

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
The Landmark East	Renton	Blue Origin	73,340	New
Blackriver Corporate Park	Renton	Undisclosed	18,643	New
Salmon Bay Landing	North Seattle/Northgate	Undisclosed	10,889	New

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Home Plate Center	South Seattle Close-In	American Life / Jamestown LP	347,874	\$251M/\$722
Watershed Bldg	North Seattle/Northgate	Spear Street Capital et al. / GLL Real Estate	66,554	\$65M/\$977
4020 Auburn Way N	Kent/Auburn	Teutsch Partners / Skylight Capital	31,270	\$9.6M/\$307

Seattle Suburban

Office Q3 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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