



	YoY Chg	12-Mo. Forecast
22.0% Vacancy Rate	▲	▲
-57K Net Absorption, SF	▲	▲
\$35.23 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2021

	YoY Chg	12-Mo. Forecast
2.07M Seattle MSA Employment	▲	▲
4.7% Seattle MSA Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Labor Force Continues Recovery in Face of Covid Variants

As 2021 comes to an end, remote or hybrid remote/in-person work has continued in the face of rising cases of Covid and its Delta and Omicron variants. Most of the major employers in the Puget Sound region, including Amazon, Meta, and Google, have delayed full returns beyond Q1 2022; Apple and Microsoft, meanwhile, have indefinitely delayed reopening their offices. Employment figures in the greater Seattle area grew to nearly 2.1 million jobs during the quarter, an increase of 106,000 jobs year-over-year (YOY). The unemployment rate dropped 180 basis points (bps) YOY to 4.7%, just above the US unemployment rate of 4.2%. Despite the threat of Covid and its variants, the labor market in the Puget Sound region is nearly back to pre-pandemic levels.

SUPPLY AND DEMAND: Vacancy Stable, Absorption Improves

Overall vacancy in the Seattle Suburban office market was 22.0% to close out 2021, down 60 bps from the 22.6% rate reported in the third quarter and down 30 bps from the 22.3% rate reported a year ago. Sublease vacancy totaled 78,500 square feet (sf), accounting for 0.5% of the suburban office inventory. This was a drop of 187,000 sf from a year ago, when vacant sublease space totaled nearly 265,000 sf. Vacancy is expected to rise slightly within the next twelve months as tenants either relocate within the region or leave the Puget Sound altogether.

Overall absorption for the fourth quarter was reported at negative 57,000 sf in the Seattle Suburban market, a marked improvement from the negative 172,000 sf reported a year ago. Year-to-date (YTD) absorption was negative 5,500 sf. This market has had 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. With that in mind, absorption should likely be at or above the same figure at this time next year.

PRICING: Rents Holding Steady

The Seattle Suburban office market finished the year at \$35.23 per square foot (psf), a YOY increase of 4.1% (+\$1.38). Class A rents finished the quarter at \$41.64 psf, a YOY decrease of 6.9% (-\$2.88). Prices should be stable heading into 2022 considering the relatively low activity in the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Seattle Suburban

Office Q4 2021



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CONSTRUCTION: Inventory Stagnant in 2021

The Seattle Suburban office market has had only one delivery in 2021: the 160,493-sf DaVita HQ. No projects are currently under construction. Approximately 2.3 msf 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: Nearly 1 MSF Leased in 2021

The fourth quarter saw over 383,000 sf of new space leased in the suburban market. This brought the YTD total to just over 908,000 sf. The University of Washington signed the largest deal of both the fourth quarter and in all of 2021, taking nearly 78,000 sf at the former FAA building in the Renton submarket. Four of the eight suburban submarkets – North Seattle/Northgate, South Seattle Close-In, Renton, and Federal Way – surpassed 50,000 sf of new space leased during the quarter.

INVESTMENT: Suburbs Exceed 2020 Figures

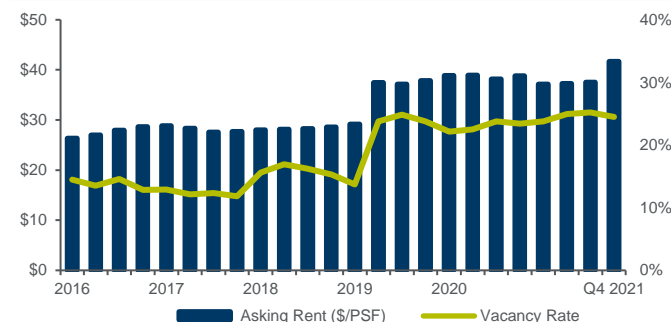
Office investment in the Seattle Suburban market was up during the fourth quarter, ending at \$324 million traded. With YTD figures at over \$720 million, the suburbs have substantially topped 2020's \$93 million in sales. In the most notable sale of the quarter, Nicola Wealth purchased Northgate Executive Center from LACERA for \$72.3 million (\$361 psf). The 200,558-sf three-building campus, located in the North Seattle/Northgate submarket, was 86% occupied at below-market rents at the time of the sale.

Seattle MSA office investment reported \$5.9 billion in sales in 2021, with \$1.6 billion traded during the fourth quarter. The region had already surpassed 2020's figure of \$4.3 billion at the end of the previous quarter.

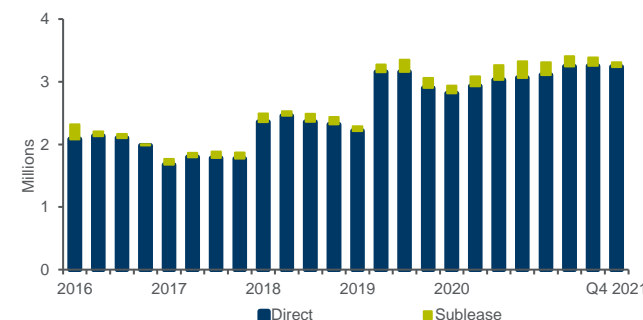
OUTLOOK

- 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 in downtown Seattle and on the Eastside.
- Vacancy would 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 Q4 2019 delivery.
- Rents are forecasted to remain flat heading into 2022 in part due to the low activity in the market.

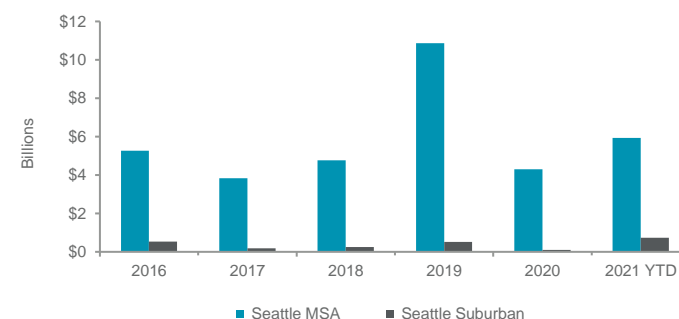
CLASS A VACANCY AND ASKING RENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



OFFICE INVESTMENT



Seattle Suburban

Office Q4 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	2,655,619	16,774	371,688	14.6%	-1,904	-69,739	156,622	0	\$37.36	\$40.82
South Seattle Close-In	1,914,835	18,799	187,329	10.8%	-8,755	-55,656	81,040	0	\$32.78	\$27.59
East Seattle / Capitol Hill	980,674	6,410	92,315	10.1%	2,485	30,385	41,764	0	\$34.20	\$40.00
IN-CITY TOTALS	5,551,128	41,983	651,332	12.5%	-8,174	-95,010	279,426	0	\$35.43	\$37.04
Tukwila	1,876,113	17,027	366,420	20.4%	2,442	-2,377	77,538	0	\$25.36	\$31.09
SeaTac	810,400	0	111,364	13.7%	11,381	4,681	27,662	0	\$27.84	\$29.83
Renton	3,045,484	0	1,293,879	42.5%	-6,507	-27,356	245,158	0	\$44.45	\$47.30
Kent / Auburn	1,383,377	0	199,640	14.4%	-22,253	-33,731	67,213	0	\$25.89	\$28.30
SOUTHEND TOTALS	7,115,374	17,027	1,971,303	27.9%	-14,937	-58,783	417,571	0	\$37.66	\$43.79
FEDERAL WAY TOTALS	2,394,248	19,471	612,886	26.4%	-33,860	148,266	211,006	0	\$26.17	\$25.29
SUBURBAN TOTALS	15,060,750	78,481	3,235,521	22.0%	-56,971	-5,527	908,003	0	\$35.23	\$41.64

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YTD 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1601 Lind Ave	Renton	University of Washington	77,947	New
The Landmark East	Renton	Blue Origin	73,340	New
The Sanctuary – Osprey Bldg	Federal Way	Undisclosed	69,450	New
Stadium Innovation Center	South Seattle Close-In	Undisclosed	37,650	New
Roosevelt Commons – Bldg B	North Seattle / Northgate	Undisclosed	32,206	New
The Sanctuary – Falcon Bldg	Federal Way	Kiewit	24,629	New

KEY SALES TRANSACTIONS YTD 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Home Plate Center	South Seattle Close-In	American Life / Jamestown LP	347,874	\$251M/\$722
Northgate Executive Center	North Seattle/Northgate	LACERA / Nicola Wealth	200,558	\$72.3M/\$361
Oakdale Center	Renton	Fortress Investment / Bridge33 Capital	126,758	\$17.7M/\$140
Watershed Bldg (Leasehold)	North Seattle/Northgate	Spear Street Capital et al. / GLL Real Estate	66,554	\$65M/\$977

Seattle Suburban

Office Q4 2021

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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****BRIAN CAGAYAT***Research Analyst*

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