



YoY  
Chg

12-Mo.  
Forecast

**20.2%**

Vacancy Rate

**-823k**

Net Absorption, SF

**\$51.77**

Asking Rent, PSF



(Overall, All Property Classes)

#### ECONOMIC INDICATORS Q3 2022

YoY  
Chg

12-Mo.  
Forecast

**2.11M**Seattle MSA  
Employment**3.0%**Seattle MSA  
Unemployment Rate**3.7%**U.S.  
Unemployment Rate

Source: BLS

#### ECONOMY: Seattle Metro Area Close to Full Recovery In 2022

Heading into the latter half of 2022, the Seattle metro area saw improvements in jobs, consumer pricing, and housing. Employment in the greater Seattle area reached 2.1 million in the third quarter, up 89,500 jobs year-over-year (YOY). The unemployment rate dropped 150 basis points (bps) YOY to 3.0%, well below the US unemployment rate of 3.7%. At 9.0%, inflation in the Seattle metro area is higher than the US average (8.3%); this increase was driven in part by rising housing costs. Seattle ranked #9 in PWC and ULI's Emerging Trends in Real Estate 2022 report, the only West Coast city in the Top 10. With jobs and prices (especially housing), on the rise, it's safe to say that the Puget Sound region has all but returned to pre-pandemic levels.

#### SUPPLY AND DEMAND: Vacancy Rising, Absorption Remains Negative

Overall vacancy in the Seattle CBD office market reached 20.2% in the third quarter of 2022, up 130 bps from the 18.9% rate reported in the second quarter and up 340 bps from the 16.8% rate reported a year ago. There is over 1.7 million square feet (msf) of vacant sublease space, accounting for 3.2% of the inventory, in the downtown market; it has dropped gradually from the 2.8-msf peak reached in Q1 2021, though there was a slight uptick between quarters. Vacancy is expected to continue rising due to the slowdown in leasing activity, new construction delivering fully vacant, and companies remaining cautious to lease up large blocks of available space in the downtown area.

Overall absorption in the Seattle CBD was reported at negative 823,000 square feet (sf) in the third quarter, a major downturn from the negative 57,000 sf reported a year ago. Absorption is expected to drop even further by the end of the year in line with the steady increase in vacancy and over 200,000 sf of space expected to deliver by the end of the year with no preleases in place.

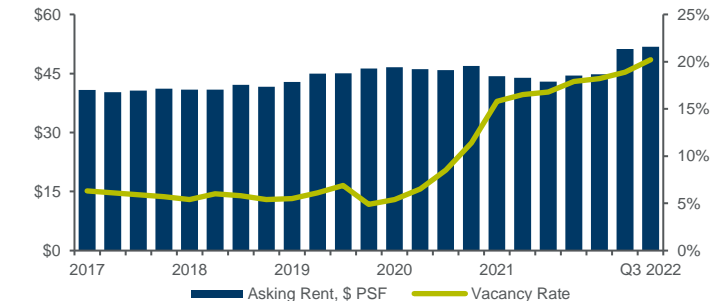
#### PRICING: Asking Rents Maintain Pre-Pandemic Levels

Seattle CBD average asking rents were \$51.77 per square foot (psf) gross at the end of the third quarter, a YOY rise of 20.5% (+\$8.82). Class A rents closed at \$57.56 psf, a YOY rise of 21.5% (+\$10.17). Asking rents remained above pre-Covid levels, with high-end Class A space asking in the mid-\$50s range in three of the four submarkets; the Lower Queen Anne/Lake Union submarket, home to the Amazon's main headquarters and most of the life science inventory, reported Class A asking rents averaging in the low-\$70s range.

#### SPACE DEMAND / DELIVERIES



#### OVERALL VACANCY & ASKING RENT



# Seattle CBD

Office Q3 2022



CUSHMAN &amp; WAKEFIELD

## CONSTRUCTION: Deliveries Reach 400,000 SF YTD

Two projects have delivered in the CBD through the first three quarters of 2022: the 347,000-sf 520 Westlake (100% preleased to Google) and the 56,000-sf 1075 Lenora (100% vacant). Just over 1.8 msf is under construction, with nearly 900,000 sf slated for life science use (not including Unison Elliott Bay, whose conversion to life science is set to complete by spring 2023). The year-end total is expected to reach just over 621,000 sf, below 1.0 msf for the first time since 2018. An estimated 8.9 msf is in the pipeline, with 2.9 msf set aside for life science use.

## LEASING ACTIVITY: YTD Leasing Activity Nearing 2 MSF

Third-quarter leasing activity dropped 168,000 sf from Q2 numbers to 509,000 sf, bringing the YTD total to 1.8 msf. The most noteworthy deals of the quarter included Sonoma Biotherapeutics preleasing nearly 84,000 sf at Unison Elliott Bay – Bldg 3 in the Lower Queen Anne/Lake Union submarket and Stackline subleasing 58,000 sf at F5 Tower in the Financial District submarket. Leasing activity is expected to continue its downward trajectory heading into the fourth quarter as tenants remain hesitant to take large blocks of space, including new Class A construction.

## INVESTMENT: CBD Reaches \$2.3 Billion in YTD Sales

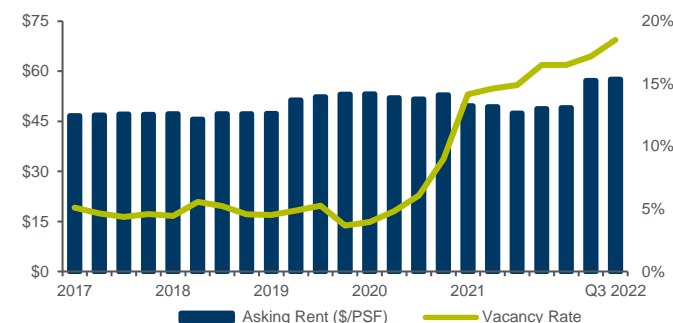
Office investment in the Seattle CBD market ended the third quarter at \$10.6 million traded, a major decline from the \$1.4 billion figure traded a year ago. This brought the YTD total to \$2.3 billion. In the only deal transacted during the quarter, private investors traded Fourth & Union in the Financial District for \$10.6 million (\$486 psf). The 22,000-sf property was 100% occupied at the time of the sale and was the downleg in a 1031 exchange (the upleg is unknown).

Seattle MSA office investment reported \$3.6 billion in YTD sales, down from the \$4.6 billion traded at this point in 2021.

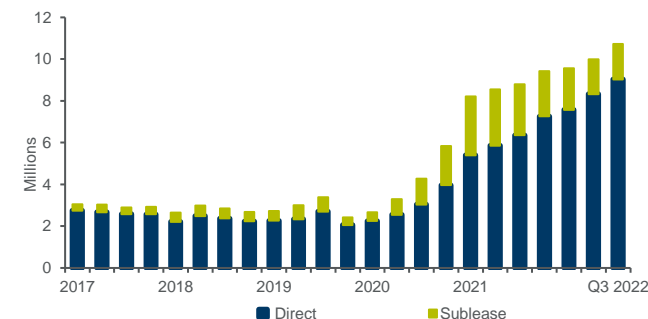
## OUTLOOK

- The Puget Sound region is close to a full recovery from the 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 continue to be instrumental in driving leasing activity.
- Absorption will finish the year in the red due to rising vacancy and a slowdown in leasing activity.
- Conversions to life science use will aid in lowering vacancy.
- Buyers remain invested in the Seattle CBD despite the drop in sales from 2021's figures.

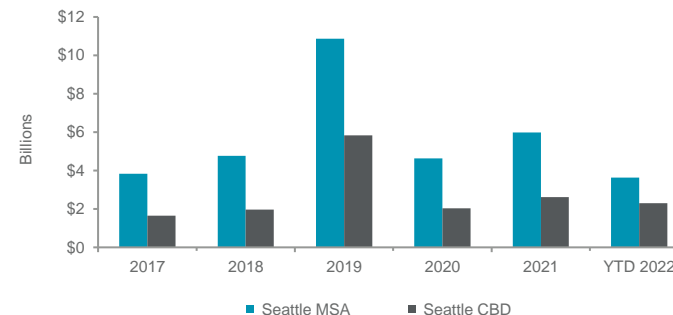
## CLASS A VACANCY AND ASKING RENT



## DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



## OFFICE INVESTMENT



## Seattle CBD

Office Q3 2022

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## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial District	23,821,980	4,458,169	977,365	22.8%	-371,623	-752,801	856,869	0	\$51.67	\$55.07
Denny Regrade	9,647,765	1,698,944	228,985	20.0%	-214,305	-499,787	182,067	526,254	\$49.96	\$55.34
Pioneer Square / International District	4,717,167	1,076,569	271,575	28.6%	-164,333	-188,182	112,689	136,157	\$46.04	\$55.20
Lower Queen Anne / Lake Union	14,837,612	1,798,017	222,673	13.6%	-72,307	54,345	677,237	1,446,030	\$58.35	\$71.68
<b>SEATTLE CBD TOTALS</b>	<b>53,024,524</b>	<b>9,031,699</b>	<b>1,700,598</b>	<b>20.2%</b>	<b>-822,568</b>	<b>-1,386,425</b>	<b>1,828,862</b>	<b>1,808,482</b>	<b>\$51.77</b>	<b>\$57.56</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Unison Elliott Bay – Bldg 3	Lower Queen Anne / Lake Union	Sonoma Biotherapeutics	83,773	Prelease
F5 Tower	Financial District	Stackline	58,024	Sublease
400 University at Rainier Square	Financial District	Industrious	35,600	New
Eastlake Life Science Campus – eleven50	Lower Queen Anne / Lake Union	AltPep	31,270	Prelease
605 Union Station	Pioneer Square / International District	Getty Images	30,506	Renewal**

\*\*Renewals are not included in statistics

## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Fourth & Union	Financial District	RCM & MBP LLC / 4&U Commercial LLC	21,802	\$10.6M/\$486

## KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
520 Westlake (Block 38)	Lower Queen Anne / Lake Union	Google	347,000	Vulcan
1075 Lenora	Denny Regrade	n/a	55,937	Holland Partner Group

## KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Eastlake Life Science Campus – eleven50	Lower Queen Anne / Lake Union	Umoja BioPharma, AltPep, Cajal Neuroscience	303,119	Alexandria Real Estate Equities
Unison Elliott Bay (conversion)***	Lower Queen Anne / Lake Union	Sonoma Biotherapeutics	299,959	Office Properties Income Trust
701 Dexter	Lower Queen Anne / Lake Union	n/a	229,900	Alexandria Real Estate Equities

\*\*\*Renovations/conversions are not included in statistics



# Seattle CBD

Office Q3 2022

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