



YoY
Chg

12-Mo.
Forecast

17.3%

Vacancy Rate



-100k

Net Absorption, SF



\$35.53

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

YoY
Chg

12-Mo.
Forecast

2.1M

Seattle MSA
Employment

3.2%

Seattle MSA
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Seattle Metro Area Strengthens Labor Force, Pricing

The Seattle metro area continued to improve in jobs at the close of 2022. Employment in the greater Seattle area reached 2.1 million in the fourth quarter, up 83,800 jobs year-over-year (YOY). The unemployment rate dropped 80 basis points (bps) YOY to 3.2%, just below the US unemployment rate of 3.7%. Prices in the Seattle area, per the Consumer Price Index for All Urban Consumers (CPI-U), increased 8.9% YOY, driven in part by higher prices for shelter and gasoline. Housing prices cooled in the second half of the year and are predicted to flatten or fall in the market (and nationwide) in 2023; however, prices will remain less affordable for the masses.

SUPPLY AND DEMAND: Absorption Improved Exponentially YOY

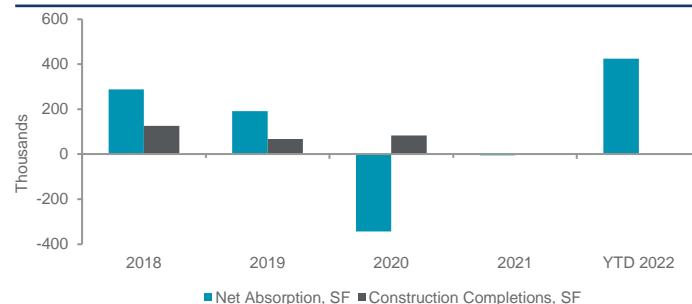
Overall vacancy in the Seattle Suburban office market was 17.3% in the fourth quarter of 2022, a drop of 470 bps from the 22.0% rate reported a year ago. Sublease vacancy totaled nearly 122,000 square feet (sf), accounting for 0.8% of the suburban office inventory. This was an increase of 43,000 sf from a year ago. Vacancy is projected to remain on the decline heading into 2023 as tenants continue to lease up space in the market.

Overall absorption for the fourth quarter was reported at -100,000 sf, increasing from the -57,000-sf figure reported a year ago. The market ended the year with 425,000 sf of positive net absorption, an exponential increase YOY (-5,500 sf in 2021). Absorption will continue to increase as tenants relocate to the suburbs.

PRICING: Suburban Rents Stable

The Seattle Suburban office market reported average asking rents of \$35.53 per square foot (psf) gross in the fourth quarter, a YOY increase of 0.9% (+\$0.30). Class A rents averaged \$42.15 psf, a YOY increase of 1.2% (+\$0.51). The Renton submarket reported the highest rents among the suburban submarkets, with an average of \$46.15 psf (all classes) and \$50.63 psf (Class A); this was due mainly to the above-average asking rents at the Southport Office Campus. The North Seattle/Northgate and South Seattle Close-In submarkets reported rents above \$30.00 psf, while the remaining submarkets averaged in the mid-\$20s. Prices should remain stable heading into 2023 as the lower rents in the suburbs continue to attract tenants from the rest of the Seattle MSA.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Seattle Suburban

Office Q4 2022



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CONSTRUCTION: Inventory Remained Stagnant in 2022

The suburban office market has not had a delivery since 2020. This will change in 2023, as the 353,000 sf of space currently under construction is expected to deliver within the next few months. The 2021 opening of the Northgate link light rail station has spurred interest in office development north of downtown Seattle, notable considering all the space under construction is in the North Seattle/Northgate submarket. In the Southend, recent activity at Southport may push development of Southport West, a proposed life science project that will add 1.4 million square feet (msf) to the Renton submarket. Nearly 2.7 msf of proposed space is in the pipeline.

LEASING ACTIVITY: Tenants Continue to Flock to the Suburbs

Leasing activity in the suburbs improved due to the pandemic, as tenants relocated from downtown Seattle and the Eastside to the less expensive suburban submarkets. Activity increased 42.2% from YE 2019 figures. Over 212,000 sf leased in the suburban market in the fourth quarter of 2022, bringing the YE total to nearly 1.2 msf. The most activity for the quarter occurred in the North Seattle/Northgate and Tukwila submarkets, which combined for over 155,000 sf. For the year, the Renton and North Seattle/Northgate submarkets both reported activity above 300,000 sf, with Renton leading the way at nearly 365,000 sf and North Seattle/Northgate not far behind at nearly 347,000 sf.

INVESTMENT: Suburbs Improve Slightly From 2021 Figures

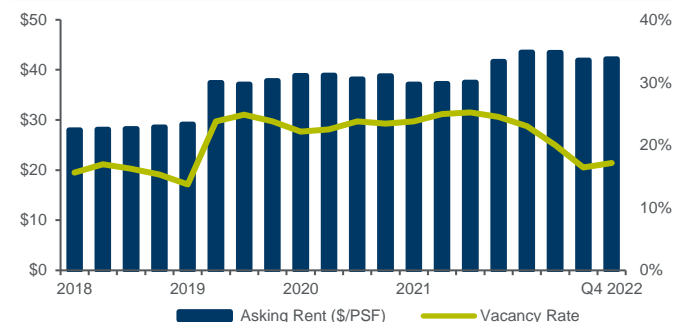
Office investment in the suburban market ended the year with \$793.2 million traded, a slight improvement on the \$751.1 million that traded a year ago. In one of the most notable sales transactions of the year, DaVita sold their 160,500-sf headquarters in the Federal Way submarket to Truist Securities for \$93.5 million, or \$583 psf. The property sold in the second quarter in a sale leaseback transaction, with a cap rate of 3.95%.

Seattle MSA office investment reported \$7.0 billion in YE sales, down from the \$9.0 billion traded in 2021.

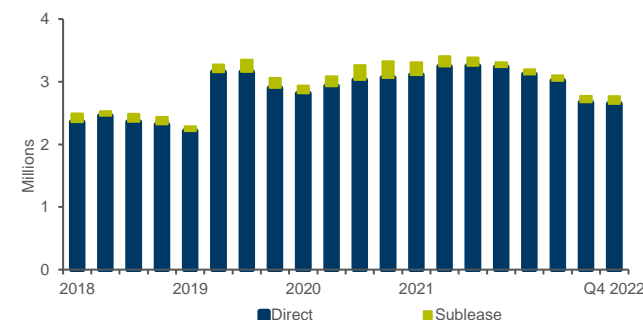
OUTLOOK

- The suburban market will continue to appeal to tenants looking for inexpensive options than those in downtown Seattle and on the Eastside.
- Recent activity at the Southport Office Campus in the Renton submarket is positively affecting vacancy and absorption. The 716,000-sf three-building campus, vacant since its fourth quarter 2019 delivery, signed its first two tenants in 2022.
- Rents are forecasted to stay flat heading into 2023 in large part due to the market's affordability attracting tenants looking to consolidate/downsize or relocate.

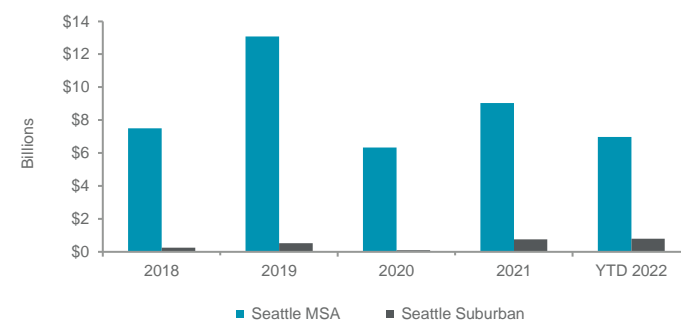
CLASS A VACANCY AND ASKING RENT



DIRECT VS. SUBLEASE VACANT SPACE COMPARISON



OFFICE INVESTMENT



Seattle Suburban

Office Q4 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 CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
North Seattle / Northgate	2,662,997	316,978	28,831	13.0%	-36,364	24,797	346,546	363,475	\$37.36	\$40.11
South Seattle Close-In	2,023,244	261,503	34,489	14.6%	-58,227	-90,950	86,027	0	\$31.55	\$32.35
East Seattle / Capitol Hill	937,156	56,293	5,179	6.6%	991	-6,806	18,902	0	\$24.14	N/A
IN-CITY TOTALS	5,623,397	634,774	68,499	12.5%	-93,600	-72,959	451,475	363,475	\$33.78	\$36.44
Tukwila	1,856,414	309,261	2,880	16.8%	46,147	46,986	105,673	0	\$26.84	\$31.71
SeaTac	810,400	65,330	0	8.1%	2,275	49,048	53,345	0	\$26.49	\$29.63
Renton	3,941,351	932,275	19,598	24.2%	6,408	344,681	364,596	0	\$46.75	\$50.63
Kent / Auburn	1,383,377	204,257	11,947	15.6%	-45,738	-42,494	123,529	0	\$28.21	\$28.78
SOUTHEND TOTALS	7,991,542	1,511,123	34,425	19.3%	9,092	398,221	647,143	0	\$39.15	\$45.96
FEDERAL WAY TOTALS	2,394,248	502,177	18,577	21.8%	-16,089	99,440	61,730	0	\$27.77	\$27.71
SUBURBAN TOTALS	16,009,187	2,648,074	121,501	17.3%	-100,597	424,702	1,160,348	363,475	\$35.53	\$42.15

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YE 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1601 Lind	Renton	UW	119,499	Expansion
Campus Seattle – 35 Stone	North Seattle / Northgate	Brooks Sports	112,700	Prelease
Southport on Lake Washington – Bldg 2	Renton	Wizards of the Coast	111,004	New
2200 First	South Seattle Close-In	Eddie Bauer	53,592	New

KEY SALES TRANSACTIONS YE 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Triton Towers portfolio (leasehold)	Renton	LPC & Cerbuerus JV / Innovatus Capital Ptrs	404,884	n/a
DaVita HQ	Federal Way	DaVita / Truist Securities	160,493	\$93.5M/\$583
Kent Business Campus portfolio	Kent / Auburn	Rosen-Harbottle / Fast Lane Investments	108,726	\$21.3M/\$196

KEY UNDER CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
The Chapter Bldgs – Bldg I	North Seattle / Northgate	n/a	240,000	Touchstone / Portman
Campus Seattle – 35 Stone	North Seattle / Northgate	n/a	112,700	evolution Projects

Seattle Suburban

Office Q4 2022

**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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