

1Q25

Seattle Office Market Overview

NEWMARK



Market Observations

Economy

- The unemployment rate in the Seattle-Tacoma-Bellevue MSA remained steady at 4.1%, matching the national average.
- Employment growth occurred across most sectors, with the information sector recovering by 2.9% over the past 12 months, while traditional office-using employment, such as financial services, slowed.
- Although quarter-over-quarter changes appear minor, there is incremental year-over-year growth in office-using employment. The first quarter of 2025 continued the positive trend, increasing by 32 basis points compared to the previous quarter.

Major Transactions

- Leasing activity for the first quarter reached 1.7 million square feet, aligning with the 2020-2024 average, with only a 34 basis point difference.
- The average lease size in the first quarter fell to 6,045 square feet but remains elevated compared to the declining trend from 2020-2023.
- While Northend and Southend tenants closed their books at the end of 2024, other markets, including Seattle, Eastside, and Tacoma, made their decisions in the first quarter. Renewals and short-term sublease deals were notably more numerous than direct deals.

Leasing Market Fundamentals

- The Puget Sound office market experienced a 70-basis-point increase in vacancy rates in Q1 2025, reaching 21.9%, with a net negative absorption of 360,847 square feet.
- Following a slowdown at the end of 2024, more direct space entered the market in Q1 2025. Steady sublease availability suggests that sublease expirations were not the main driver of increased direct space.
- Rents in the Puget Sound market rebounded in Q1 2025, with average asking rates rising to \$44.50 per square foot, a year-over-year increase of 2.0%.

Outlook

- The market is increasingly favoring high-quality properties, especially prestigious buildings with low debt levels. Despite a general decline in rental prices, rates for A+ assets have remained stable.
- Amazon's return-to-office mandate, effective January 1, 2025, showed high employee compliance and highlighted a new challenge for companies: insufficient office space.
- Downtown Seattle office worker traffic continued to rise, reaching a monthly total of 3,268,302 workers in March 2025. This represents an 11% year-over-year increase from March 2024.

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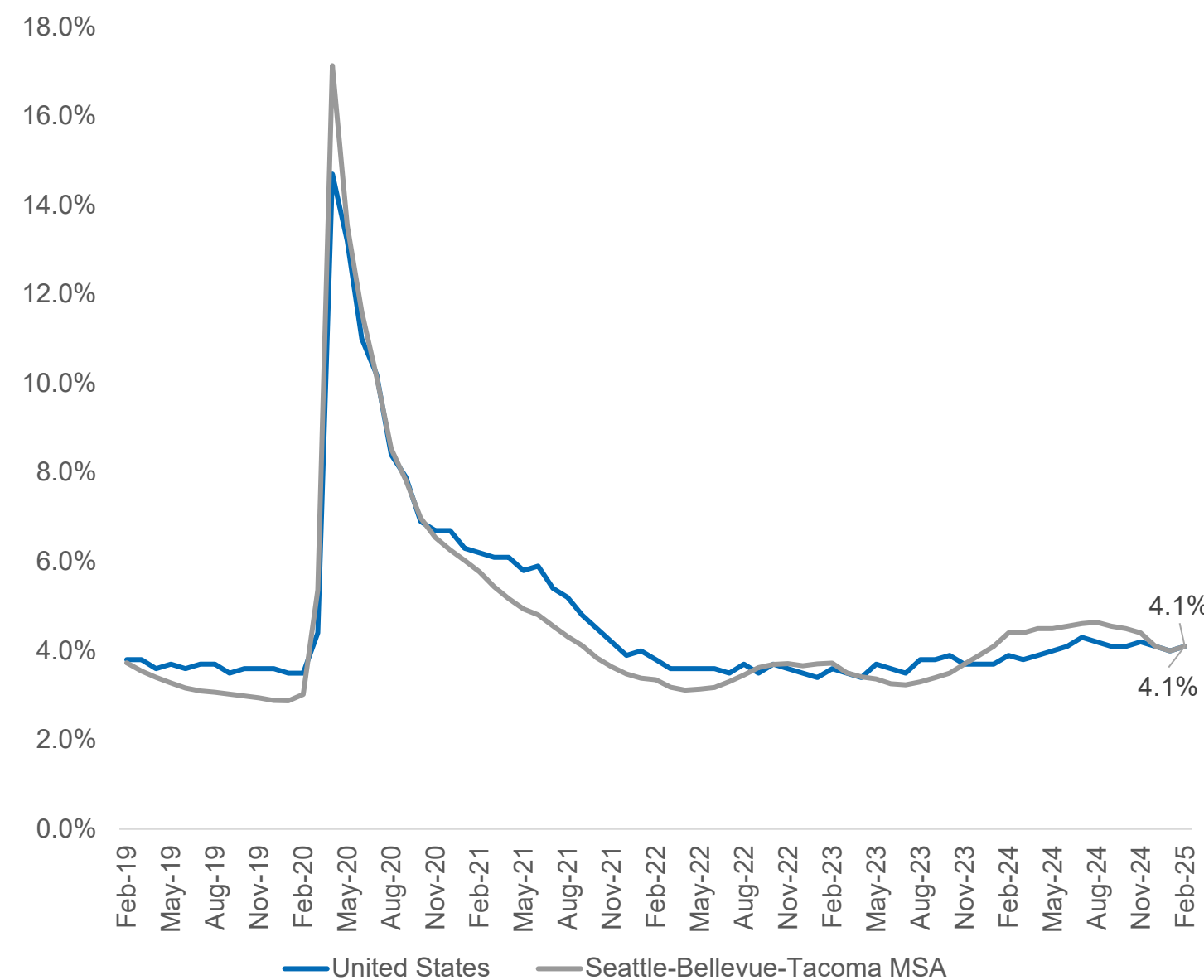
Economy



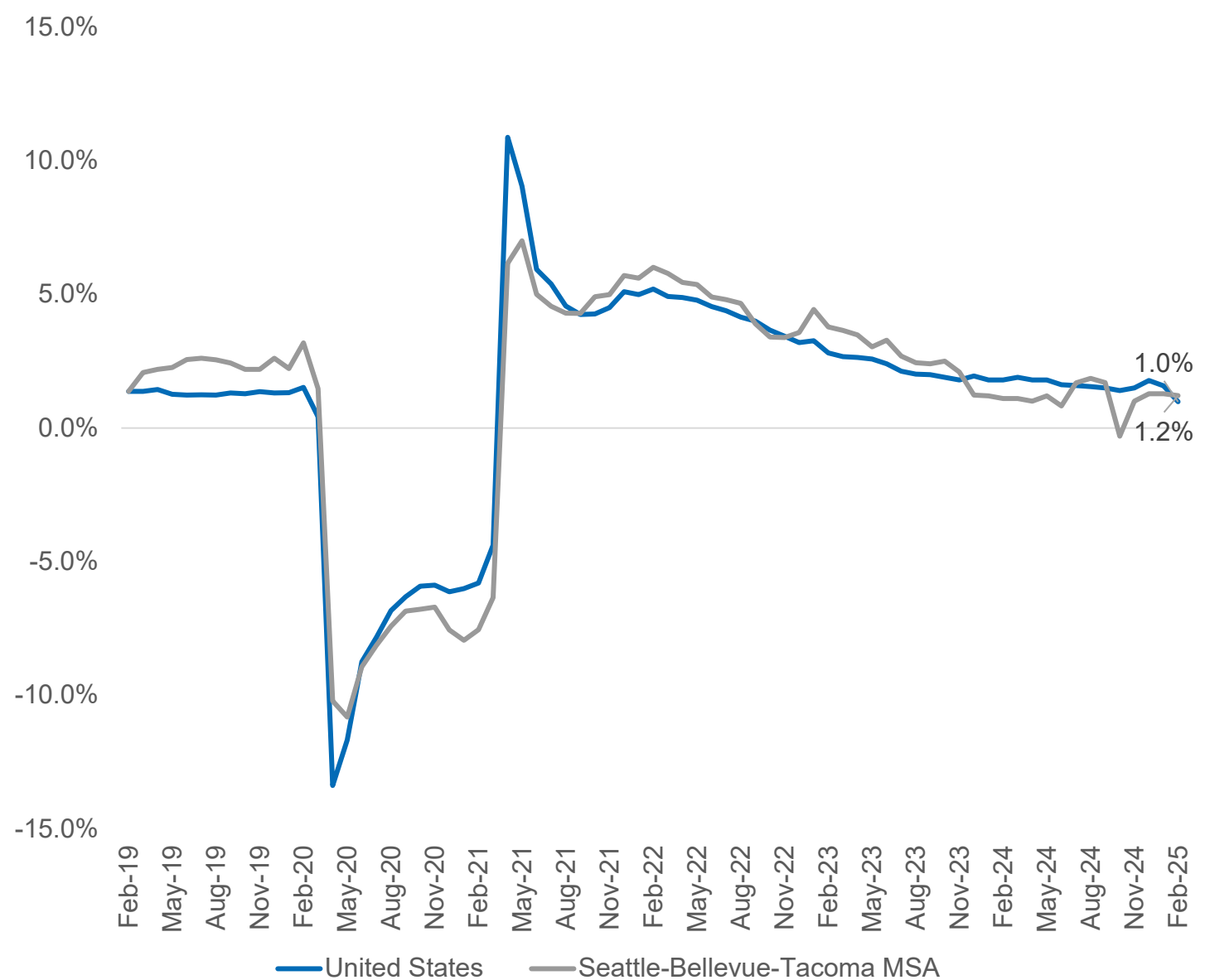
Regional Unemployment Levels Matched the National Average in the First Quarter

The unemployment rate in the Seattle-Tacoma-Bellevue MSA remained at 4.1%, matching the national average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

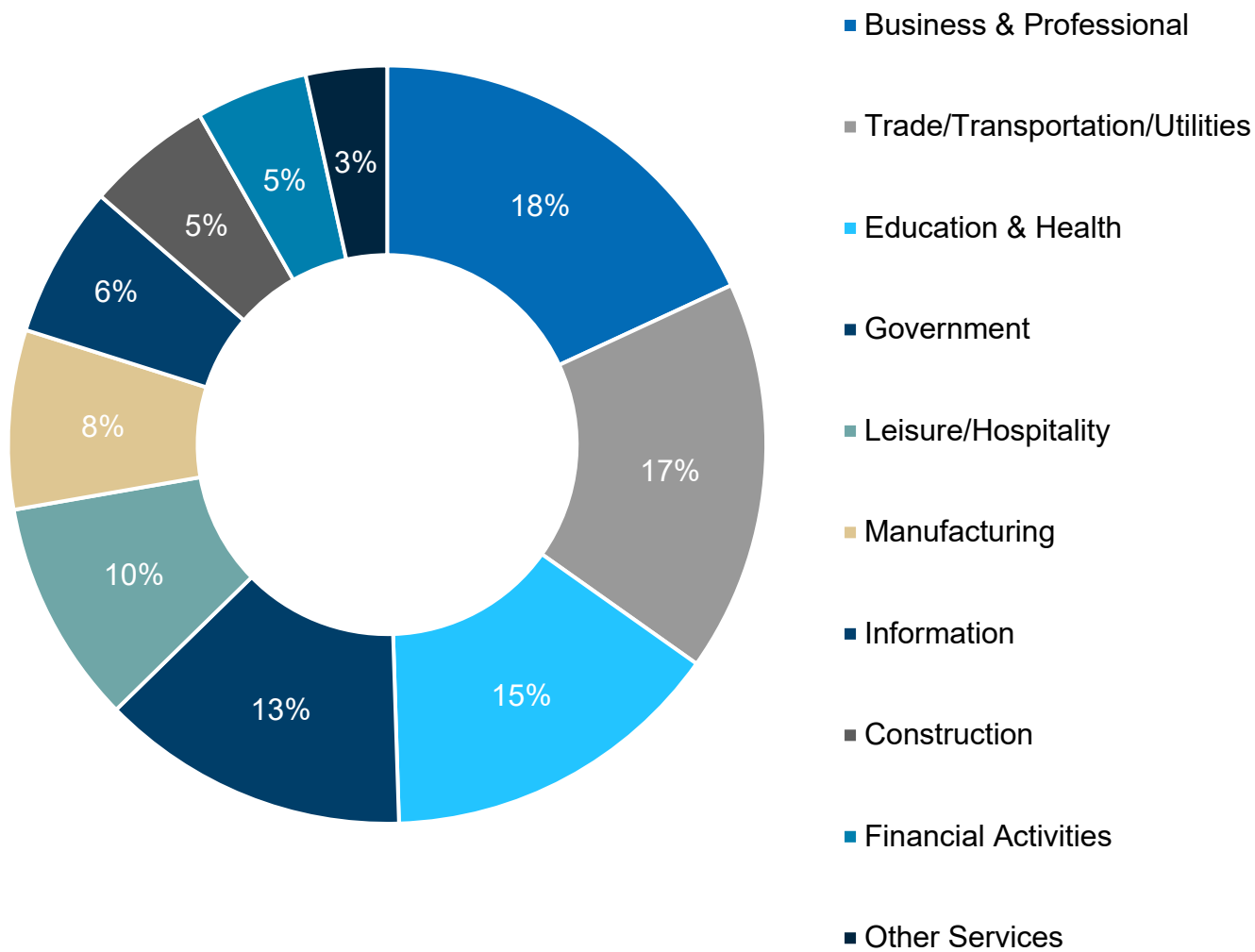


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

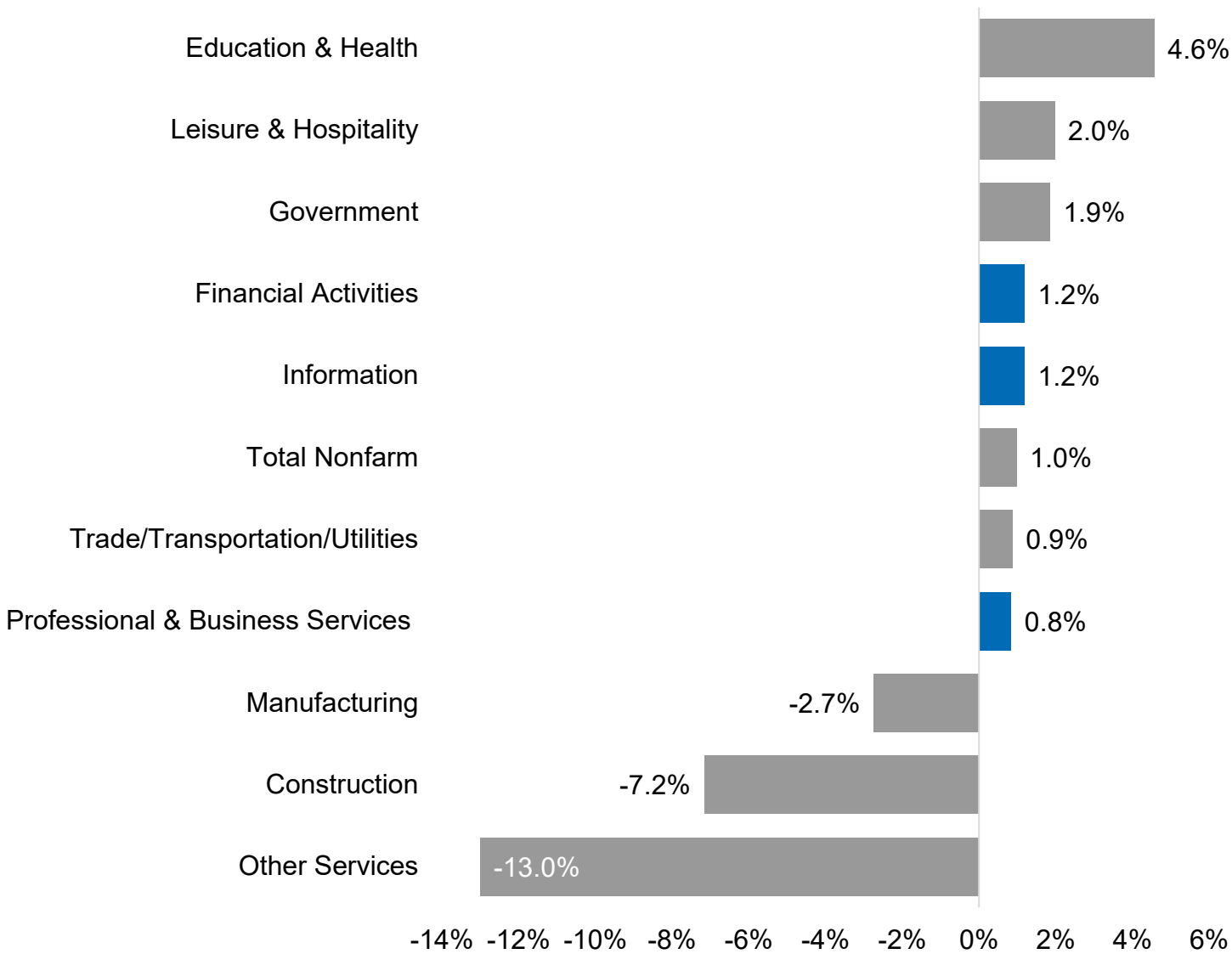
Office-Using Industries Return to Positive Growth

While the Seattle-Tacoma-Bellevue MSA saw employment growth in most sectors, all three office-using sectors saw increases over the past 12 months.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

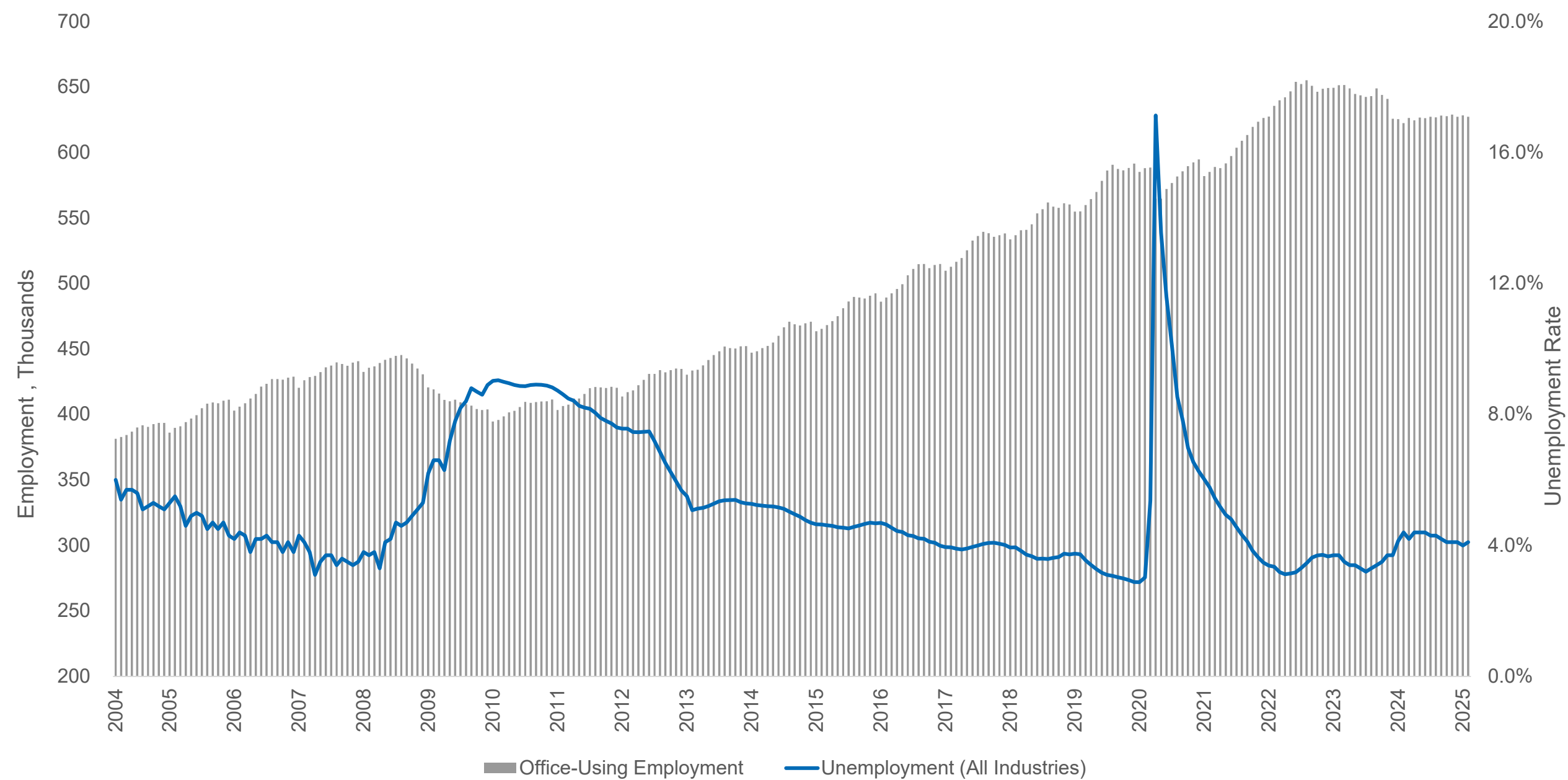


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

Employment Levels Show Incremental Growth

Although changes appear minor, office-using employment showed incremental year-over-year growth, increasing by 77 basis points in February. After falling in late 2023/early 2024, office-using employment appears to have leveled out.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics Seattle-Bellevue-Tacoma MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.



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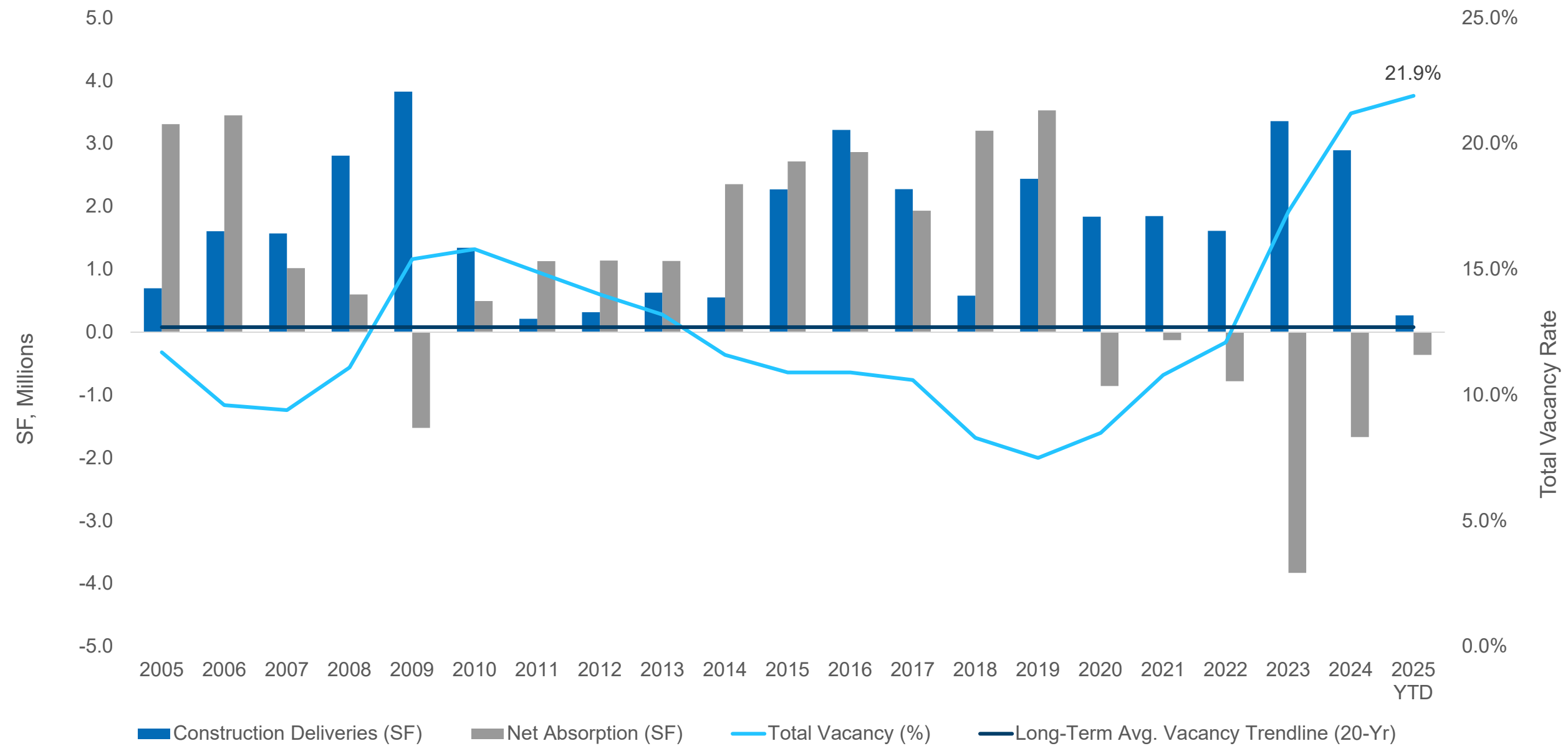
Leasing Market Fundamentals



Mass Large-Scale Move Outs Are Becoming Less Severe

The Puget Sound office market experienced a 70-basis-point increase in vacancy rates in the first quarter of 2025, reaching 21.9%. Net negative absorption totaled 360,847 square feet, highlighting ongoing challenges in tenant demand and declining occupancy levels. Although absorption remains negative, it is less severe compared to the early pandemic period marked by numerous early terminations.

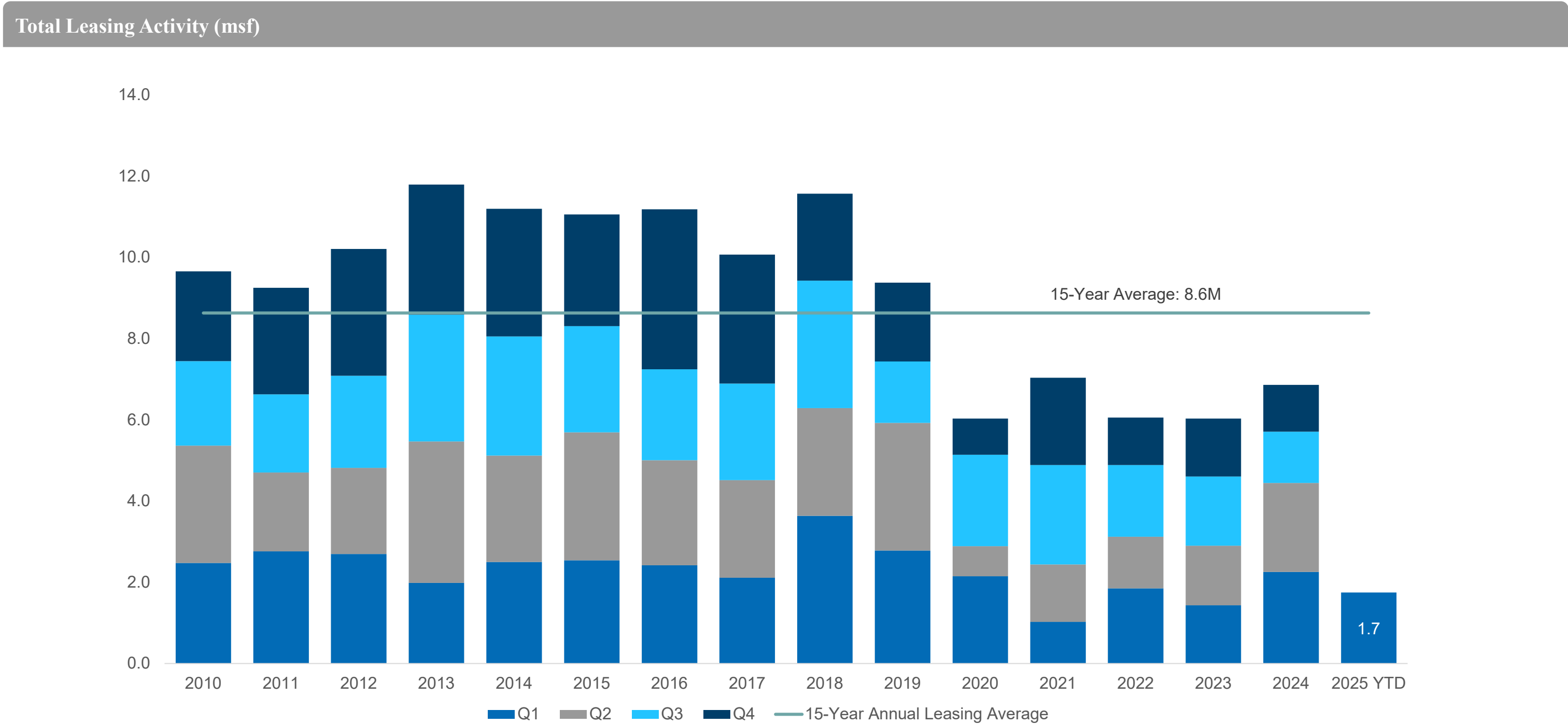
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

A Warm Start for First Quarter Leasing

Leasing activity in the first quarter reached 1.7 million square feet, aligning perfectly with the 2020-2024 first-quarter average of 1.7 million square feet.



Source: Newmark Research, CoStar



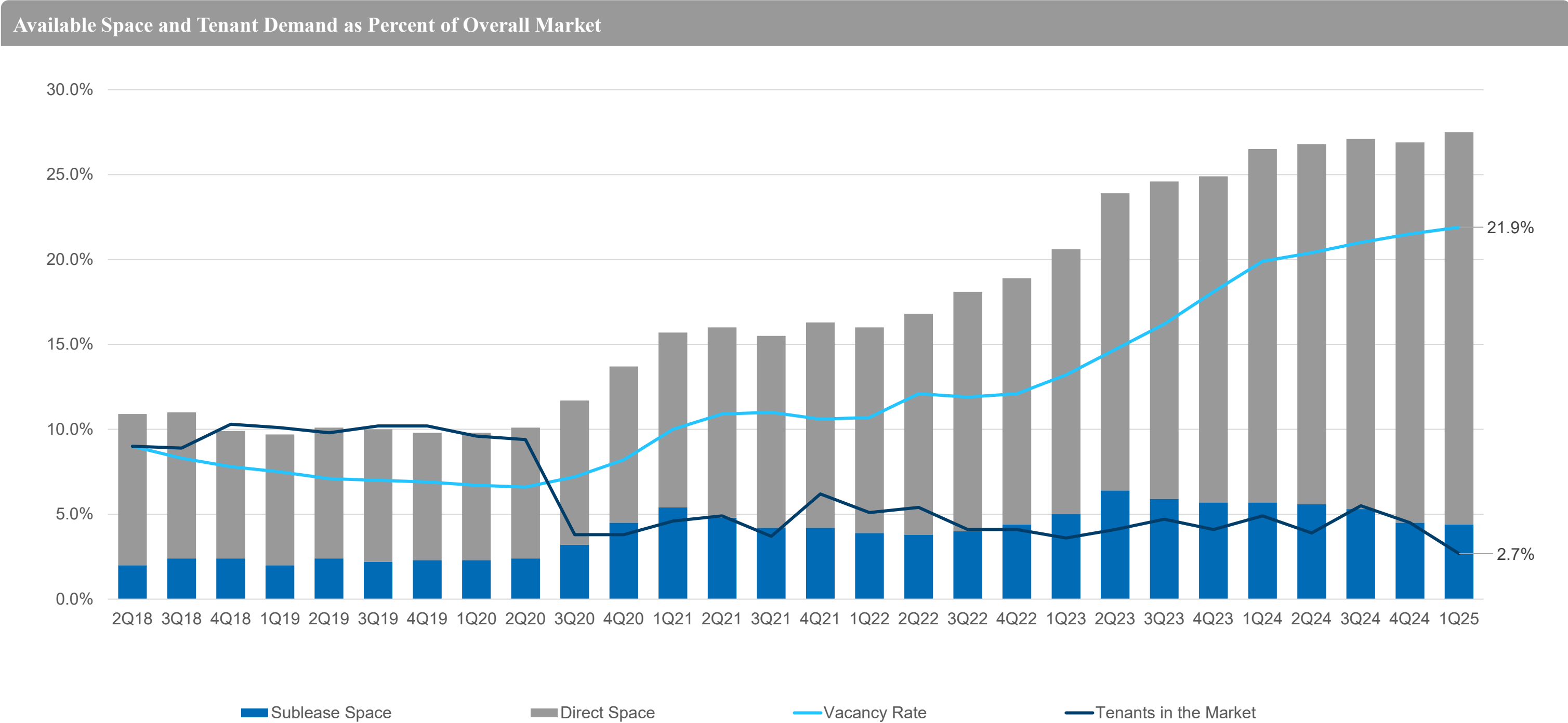
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Uptick in Availability Driven by New Direct Space on the Market

Following a slowdown at the end of 2024, more direct space was listed in the first quarter of 2025. With sublease availability remaining steady, it indicates that sublease expirations were not the main factor for the increase in direct space.



Source: Newmark Research, CoStar

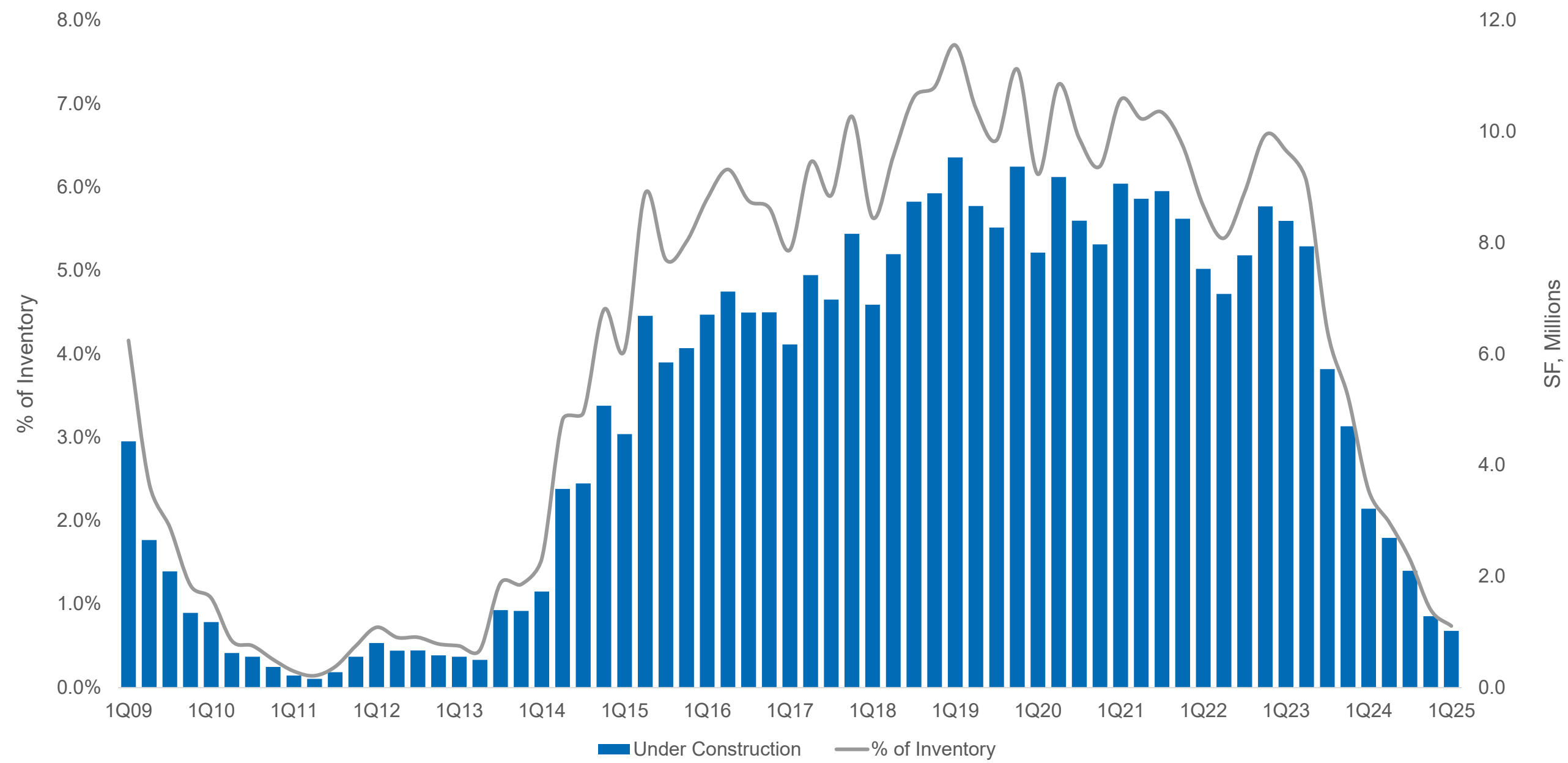


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Slowdown in Construction May Rebalance Office Supply

New starts have significantly slowed due to rising vacancy and market uncertainty, with only 1.0 million square feet under construction. The slowdown in deliveries over the next two years provides an opportunity to rebalance supply and demand and reduce vacancy rates.

Office Under Construction and % of Inventory

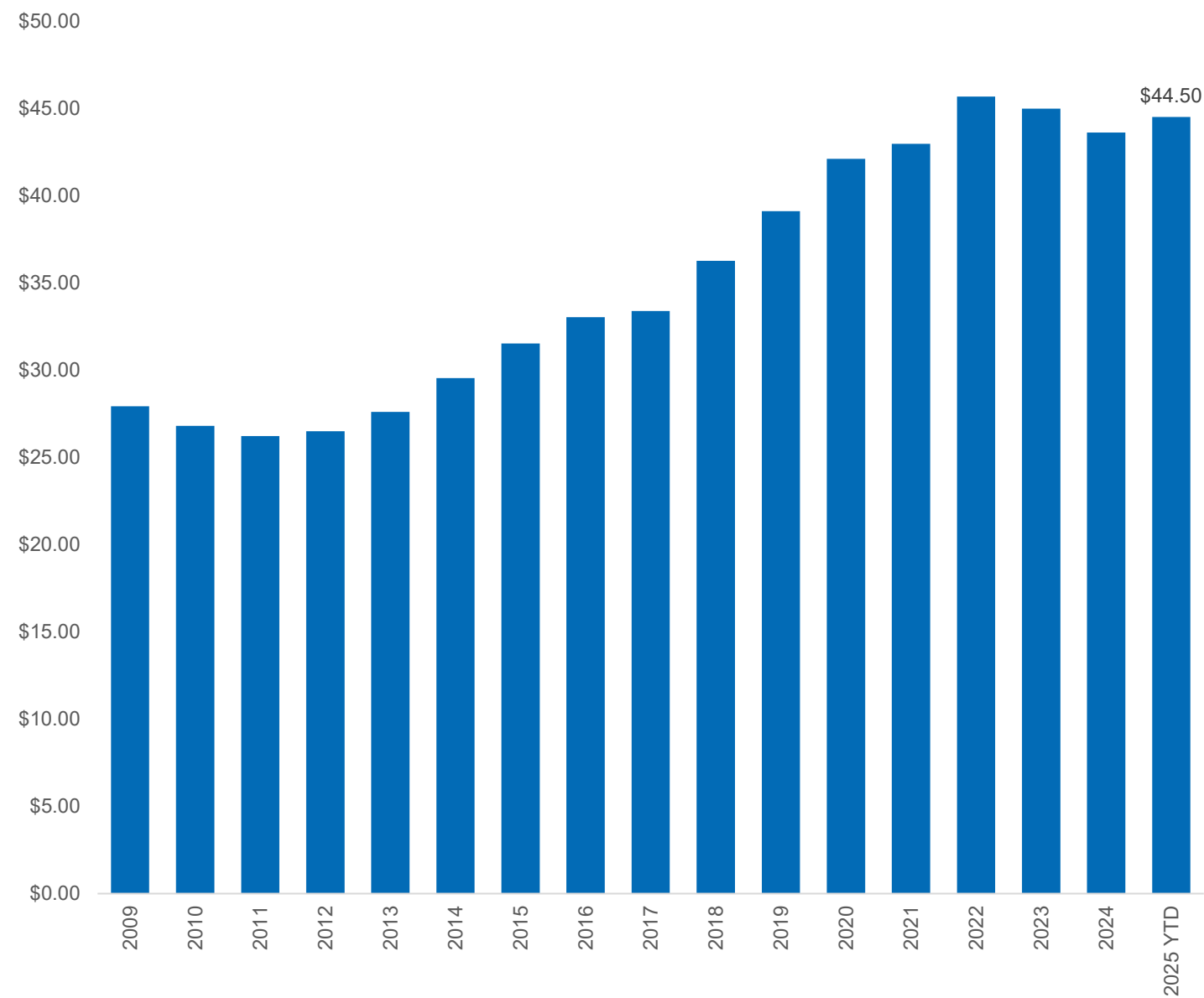


Source: Newmark Research, CoStar

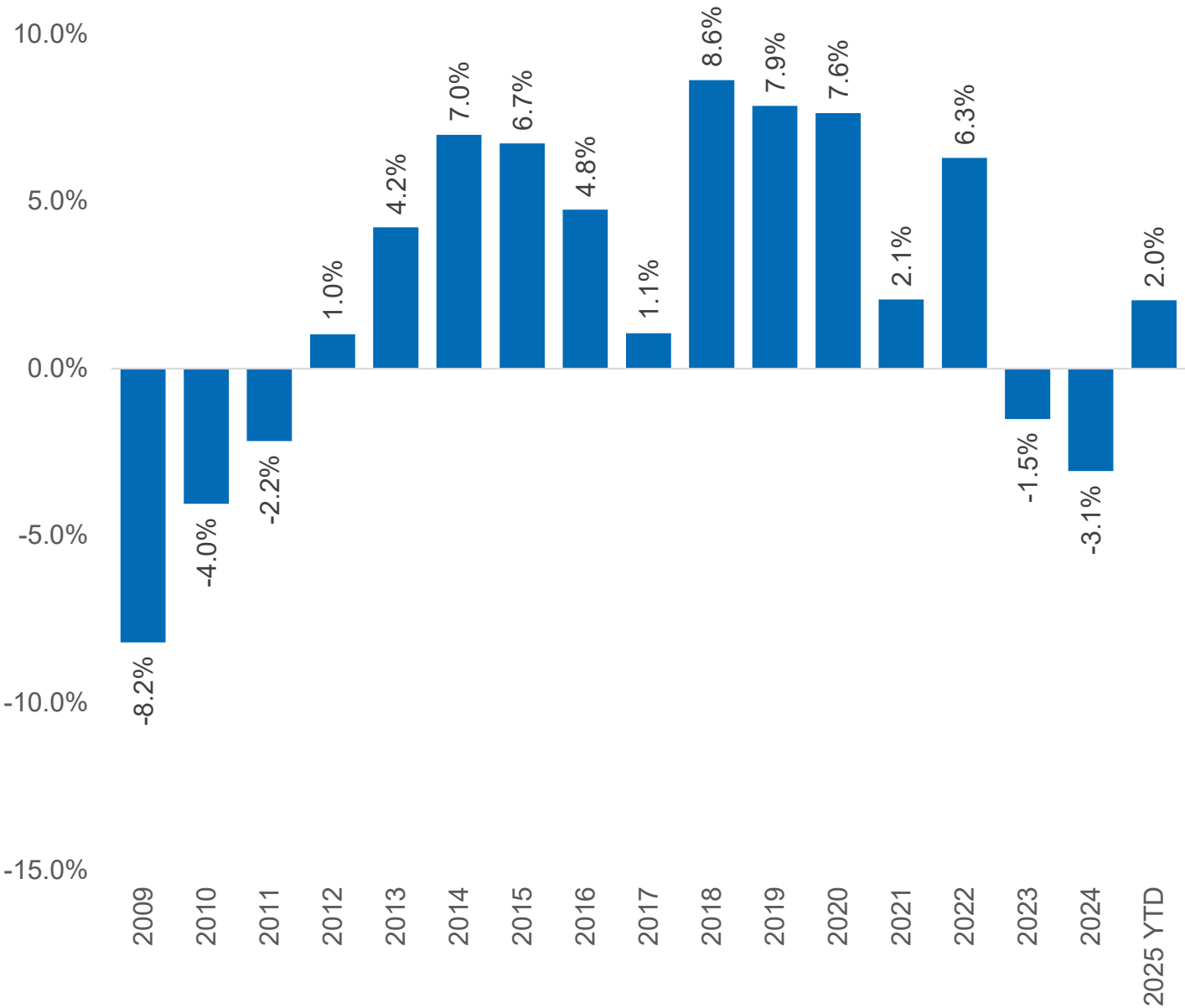
Asking Rents Rebound Year-over-Year

Rents in the Puget Sound market rebounded in the first quarter of 2025, with average asking rates rising to \$44.50 per square foot, a year-over-year increase of 2.0%.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

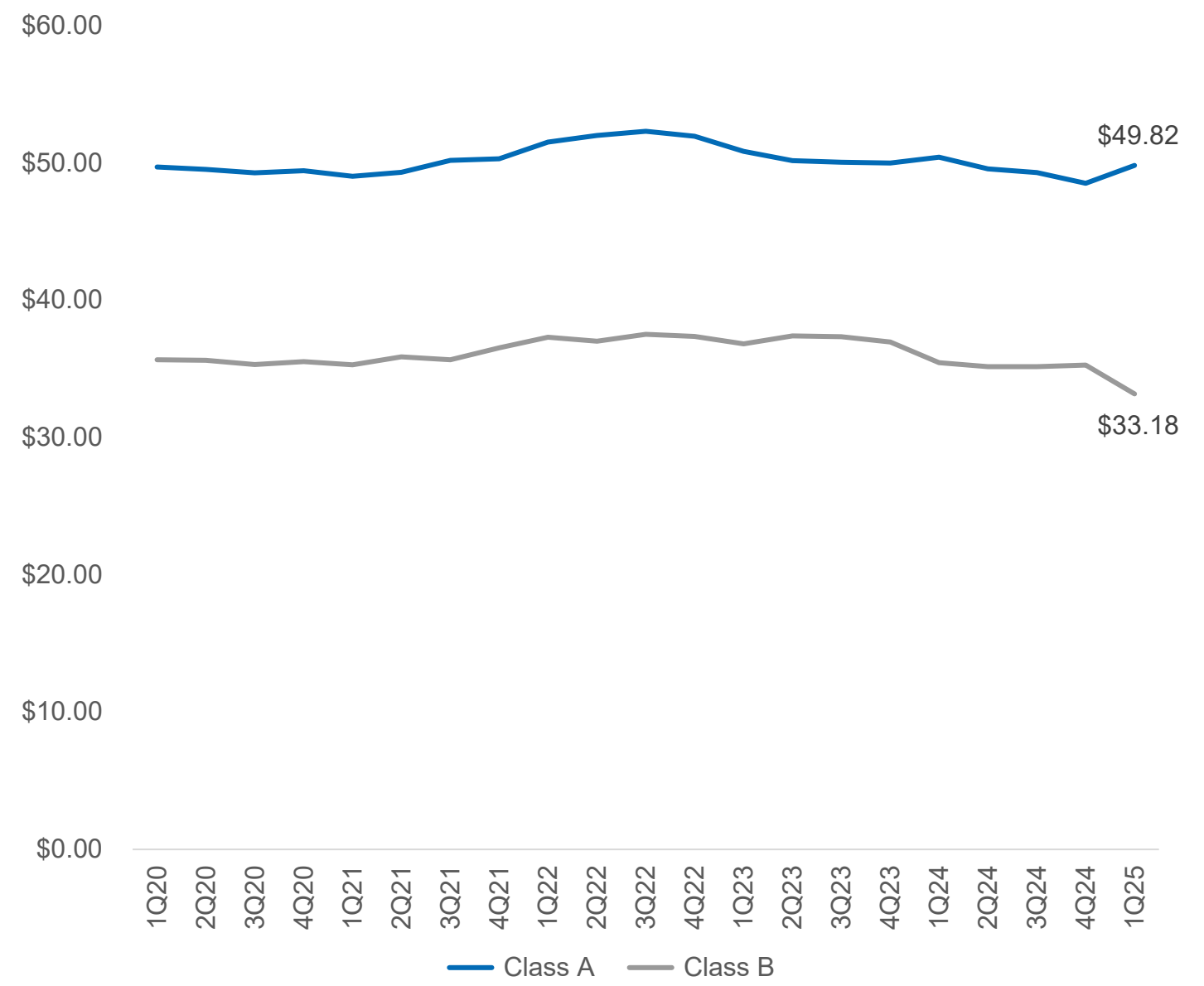


Source: Newmark Research, CoStar

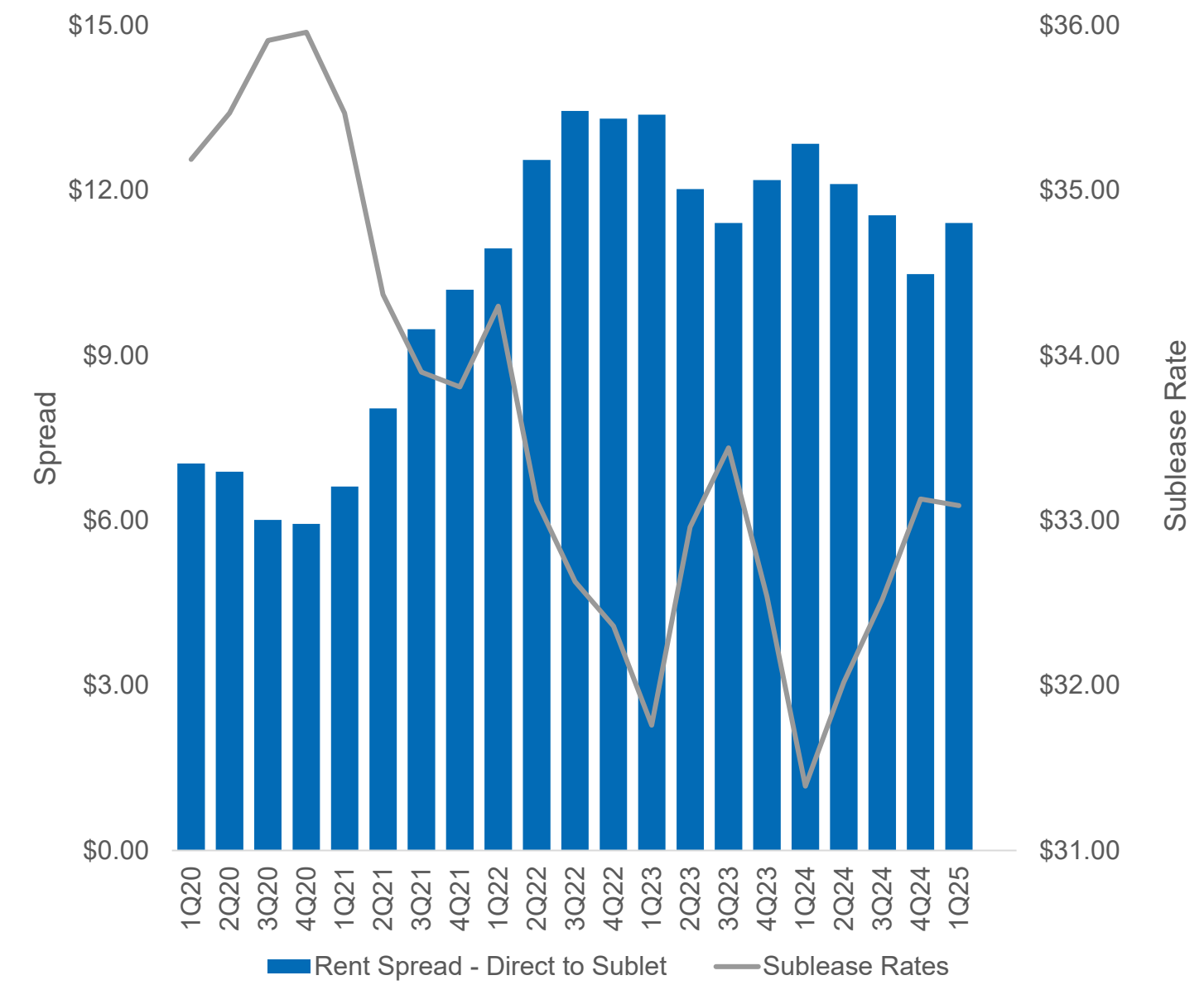
Diverging Rates Between Classes Suggest Flight to Quality

In the first quarter of 2025, class A asking rates increased by \$1.30 quarter-over-quarter, while class B rates decreased by \$2.10. This rate inversion suggests a response to increased competition for high-quality space.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable transactions in the first quarter

The first quarter of 2025 saw tenants engaging in safer options, with numerous renewals and sublease deals.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	Blanchard Plaza	Belltown/Denny Regrade	Renewal	255,828
Tommy Bahama	400 Fairview	Lake Union	Renewal/Contraction	125,000
eBay	One Bellevue	Bellevue CBD	Renewal	73,500
Lululemon	Second & Seneca	Seattle CD	Expansion	40,000
Snap	Midstation Bellevue	Bellevue CBD	Expansion	38,730

Source: Newmark Research

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Appendix





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