



NEWMARK

Seattle
Office Market Overview

1Q26

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Market Observations



Economy

- The Seattle metro unemployment rate climbed to 5.4% in February 2026, up sharply from 4.3% a year ago and surpassing both the state (5.1%) and national (4.4%) rates, with unemployed residents increasing by nearly 24,500 year-over-year.
- WARN notices recorded 3,420 layoffs across the MSA in Q1 2026, a 56% increase from Q4 2025, led by Amazon's 2,387 cuts and further reductions from Meta, Verizon, and Atlassian.
- Despite labor market softening, foot traffic in downtown Seattle and Bellevue held firm in Q1, with Seattle CBD reaching 6.41 million visits and Bellevue CBD edging up to 2.75 million, suggesting return-to-office mandates are providing a durable floor for downtown vibrancy.



Leasing Market Fundamentals

- For the first time in the recovery cycle, both vacancy and availability declined concurrently, each falling by approximately 90 basis points quarter over quarter, with availability at 26.7% and vacancy at 23.2%. The region recorded 253,352 sf of positive net absorption in Q1 2026, the first positive reading since Q1 2022, marking a meaningful inflection point after four years of sustained contraction.
- Leasing activity was strongest in suburban submarkets, with the Southend reaching 3.1% of inventory and the Eastside at 1.8%, while Downtown Seattle remained below its 2019 quarterly average at 0.9%.
- Average lease size rose to 6,460 sf, with Eastside deals averaging 7,229 sf compared to 5,989 sf in Seattle, reinforcing continued tenant preference for larger footprints in suburban submarkets.



Major Transactions

- Q1 2026's largest new lease was Providence's 259,570-sf new lease across the Baker and Glacier Buildings at Longacres in Renton, spanning 6 floors in space formerly occupied by Kaiser Permanente.
- Renewals and expansions dominated large-block activity, with Meta renewing 146,456 sf at Willow Creek Corporate Center in Redmond and an undisclosed tech tenant expanding by 296,445 sf at City Center Plaza in Bellevue CBD.
- Office investment activity, for assets larger than 20,000 sf, gained traction in Q1, with \$245.6M in sales across 11 properties (+24.8% YOY) at a rolling four-quarter average cap rate of 7.1%, according to Real Capital Analytics. Private buyers dominated at 76% of volume as distressed and value-add opportunities drew selective capital back to the market.



Outlook

- Bellevue CBD Class A rents rose to \$67.58/sf, up \$6.54 year over year, while Seattle's slipped to \$51.01/sf amid elevated vacancy. Sublease availability fell 278,324 sf quarter over quarter, reducing the discount-space pool and supporting modest trophy rent recovery through year-end.
- Amazon's resumption of construction on Bellevue 600 Tower 1, paused since 2022, signals renewed confidence backed by moderating construction costs and more stable financing. Kanon and Merge on Main are also moving forward in Bellevue CBD, expanding the pipeline of future speculative inventory.
- AI and advanced technology users remain the most probable driver of new demand. As the sublease discount pool shrinks and vacancy begins to compress, tenants that have been waiting on the sidelines may find the window for favorable deal terms narrowing, accelerating leasing decisions among mid-sized users through the balance of 2026.

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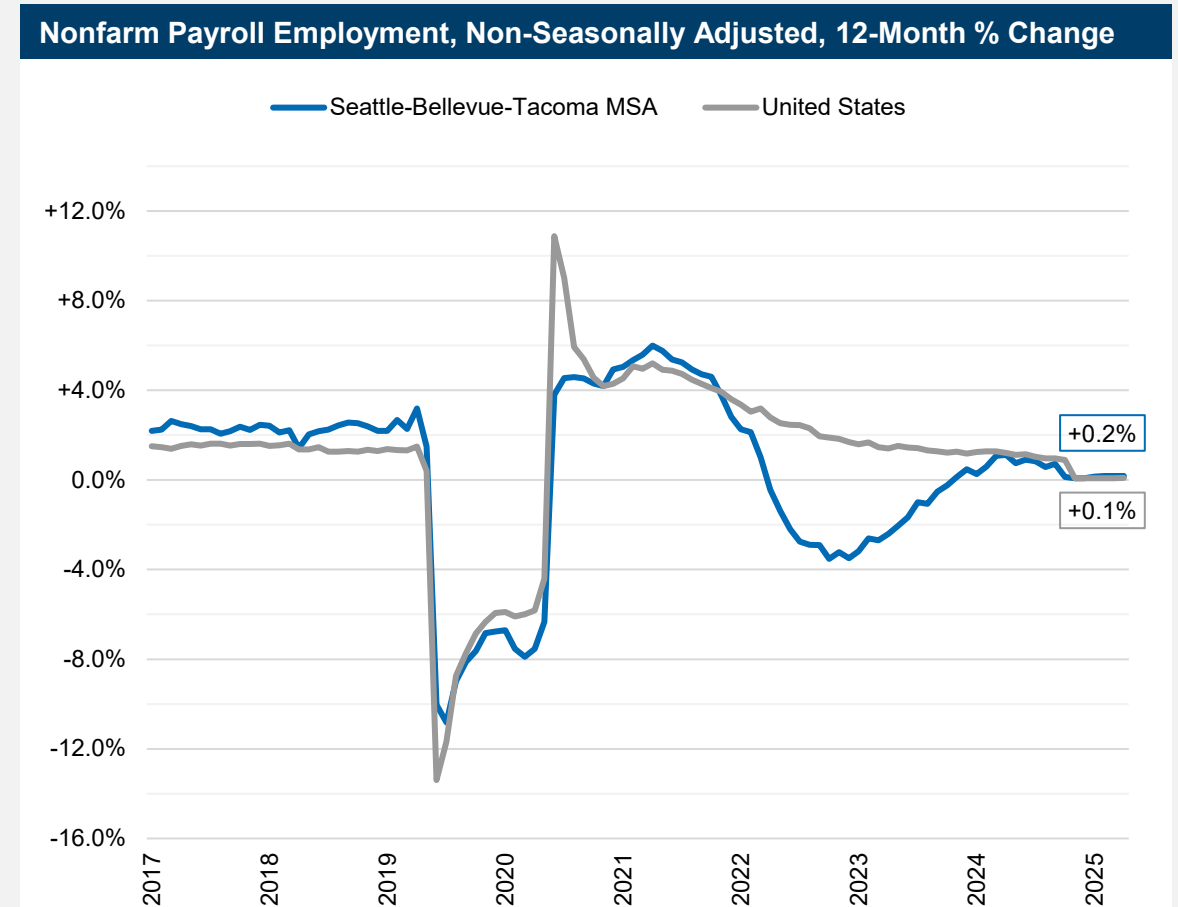
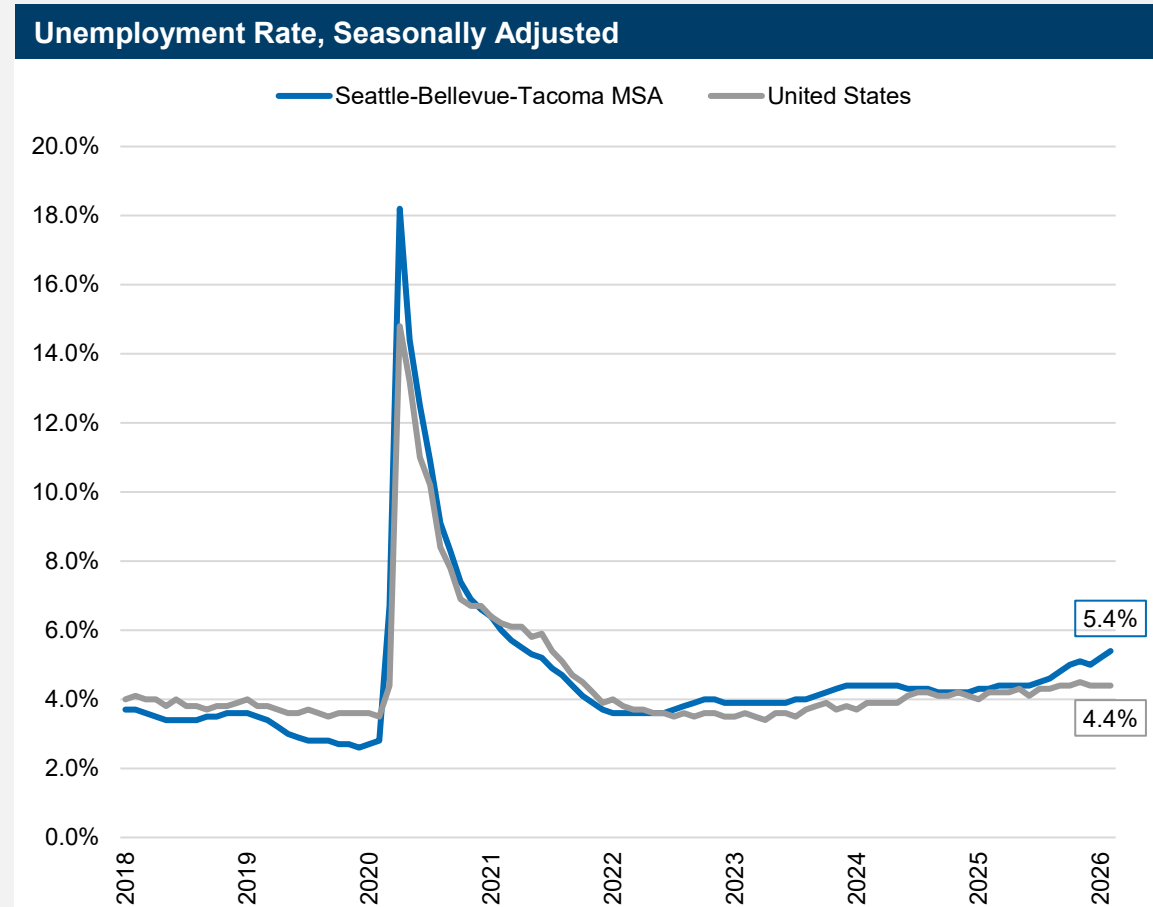
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Economy



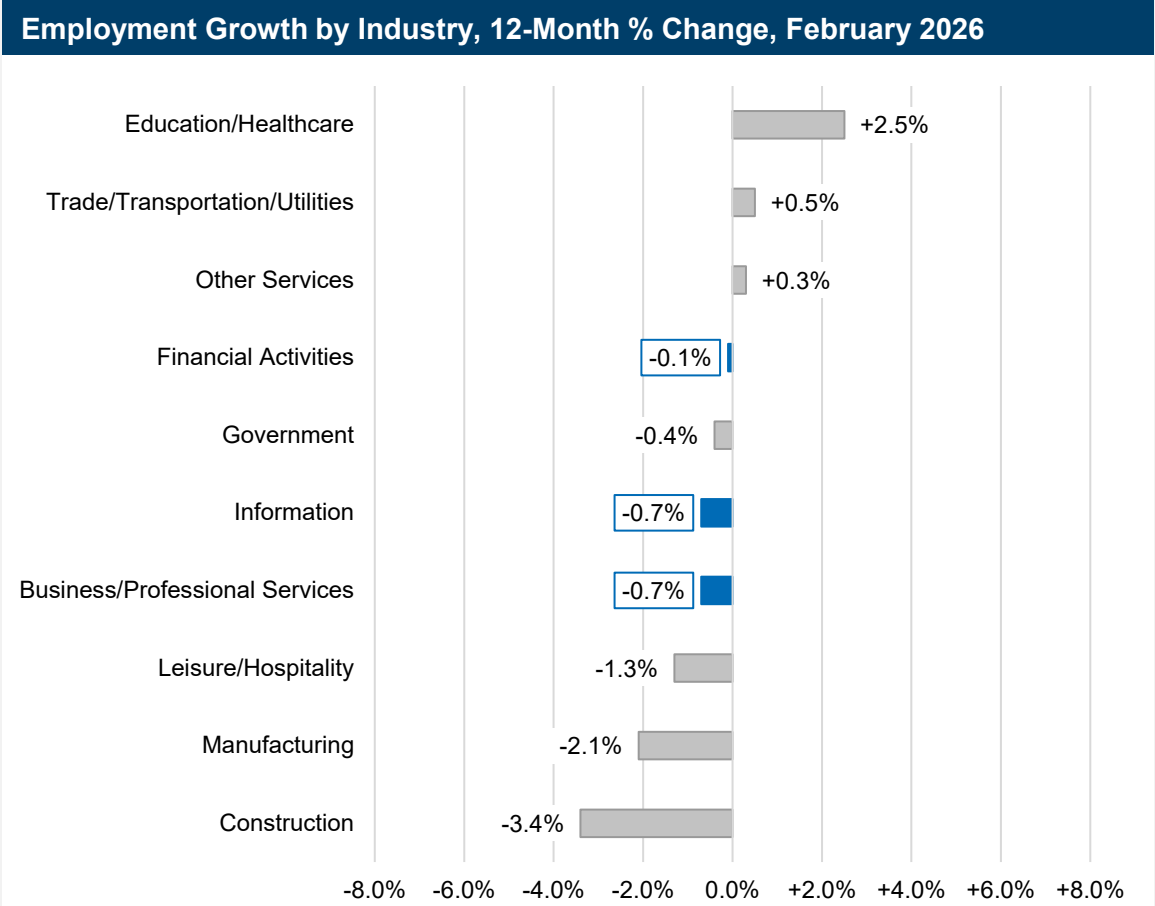
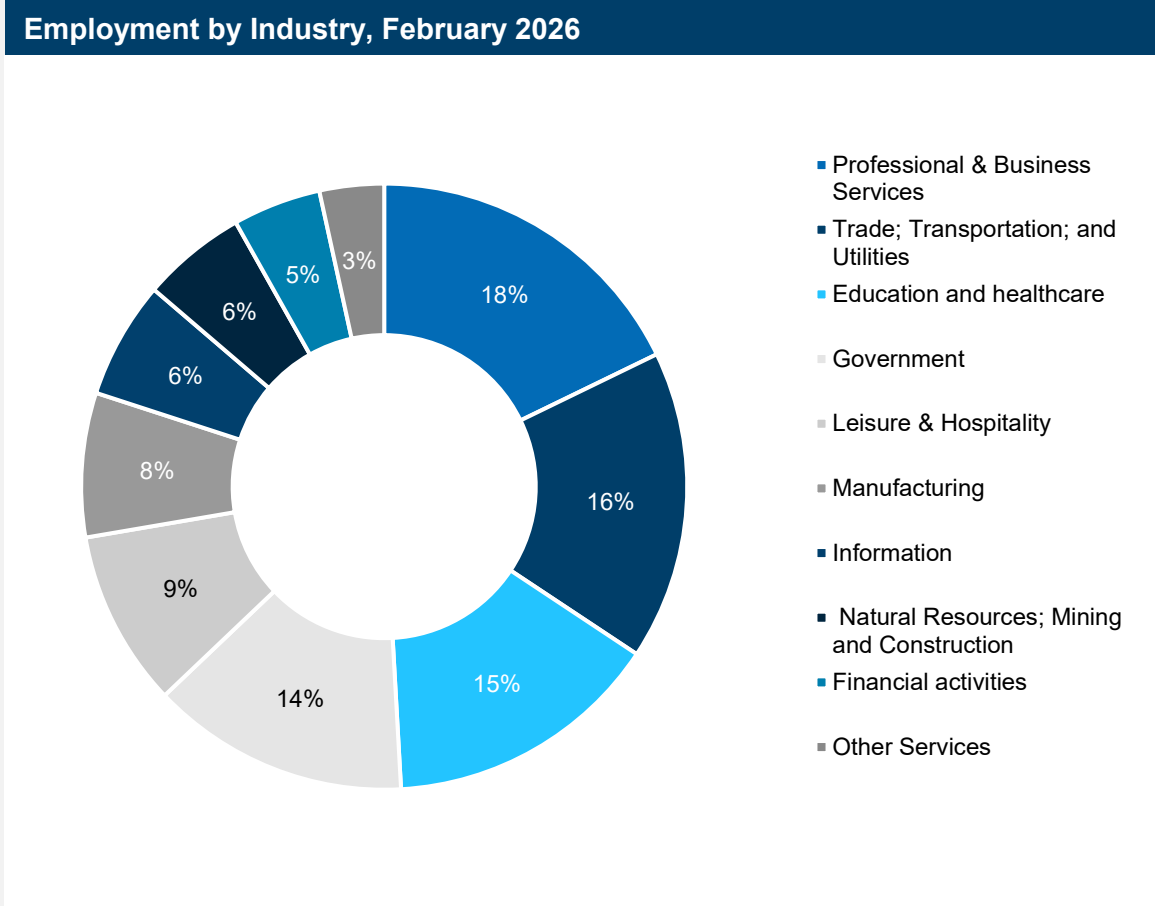
Seattle Metro Labor Market Loses Steam

The Seattle-Tacoma-Bellevue metro unemployment rate climbed to 5.4% in February 2026, up sharply from 4.3% a year ago and running above both the state (5.1%) and national (4.4%) rates. Unemployed metro residents reached 125,637, an increase of nearly 24,500 year-over-year. WARN notices confirm the pressure: 3,420 workers were laid off across the MSA in Q1 2026, up from 2,186 in Q4 2025. Amazon alone accounted for 2,387 of those Q1 cuts. Nonfarm payroll growth statewide decelerated to just 700 jobs in February, signaling the labor market is losing momentum heading into mid-2026.



Private Gains Masked by a Wave of Layoffs

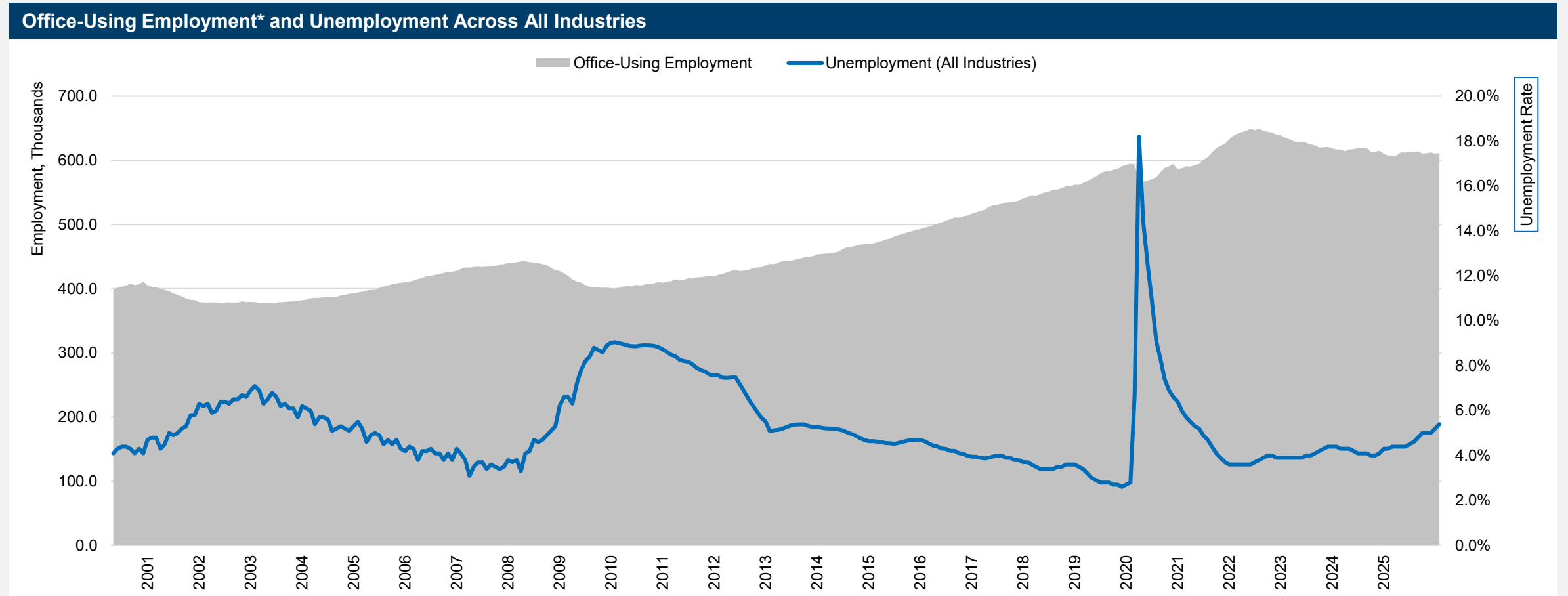
Washington's near-flat 0.4% year-over-year job growth masks significant displacement concentrated in the Seattle metro. WARN data recorded 3,420 layoffs in Q1 2026, a 56% increase from 2,186 in Q4 2025. The quarter was dominated by Amazon's 2,387 cuts, but losses were broad-based: Verizon shed 165 workers in January, Meta expanded its reductions from 101 workers in Q4 2025 to 331 in Q1 2026, and healthcare employers including Providence Health and Swedish Health Services added further displacement. Industries that drove earlier recovery gains are now generating layoff activity across the region.



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

Tech Layoffs Keep Office Demand Under Pressure

Office-using sector layoffs intensified in Q1 2026. Amazon filed notices for 2,387 workers during the quarter, with additional rounds totaling nearly 2,600 more scheduled through Q2 2026. Meta more than tripled its local reductions, from 101 workers in Q4 2025 to 331 in Q1 2026, while Atlassian (63 workers, Bellevue) and Epic Games (82 workers, Bellevue) added to Eastside displacement. With Oracle scheduled to cut 475 Seattle-area workers in June, near-term office absorption remains under pressure.



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

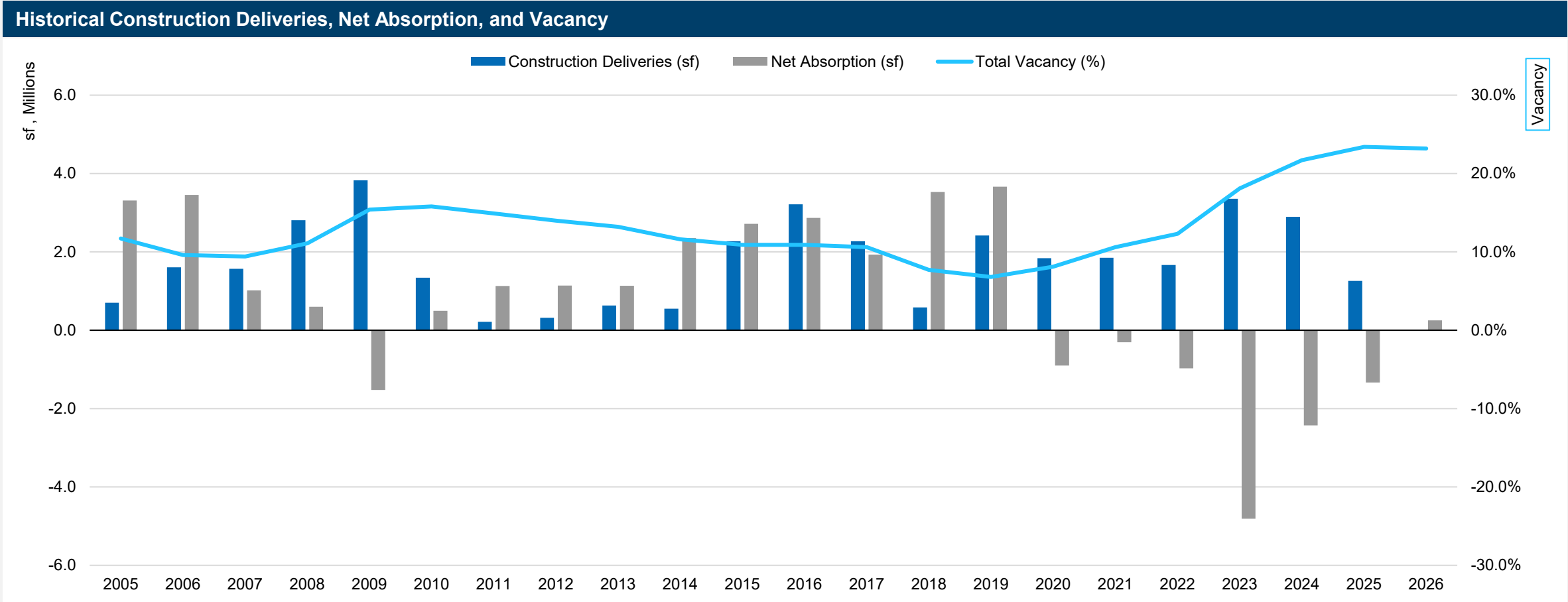
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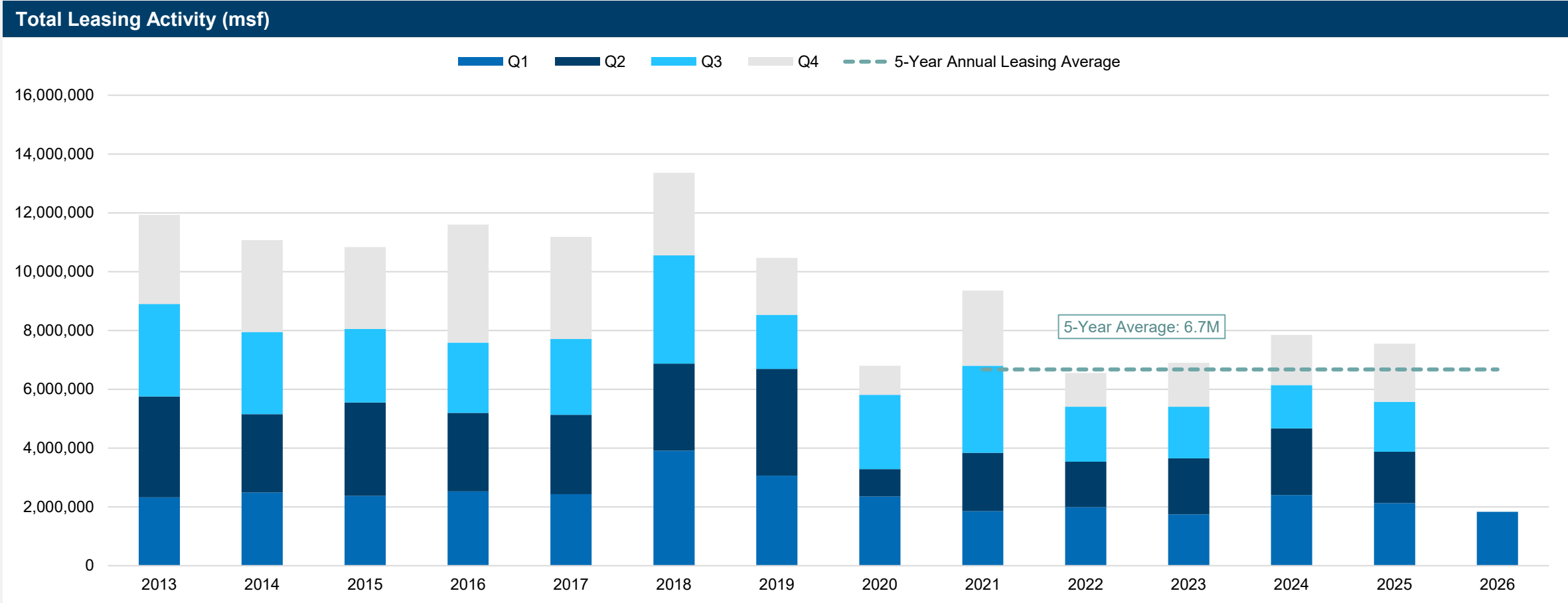
Office Market to Face Fewer Growing Pains in 2026

Several major tenants with upcoming lease expirations, previously a source of uncertainty due to potential relocations or large givebacks, chose to renew within the past 12 months, often while contracting their footprints. At the same time, early signs of expansion activity have emerged, with a growing number of tenants beginning to seek incremental growth.



2026 Leasing Builds on 2025's Momentum

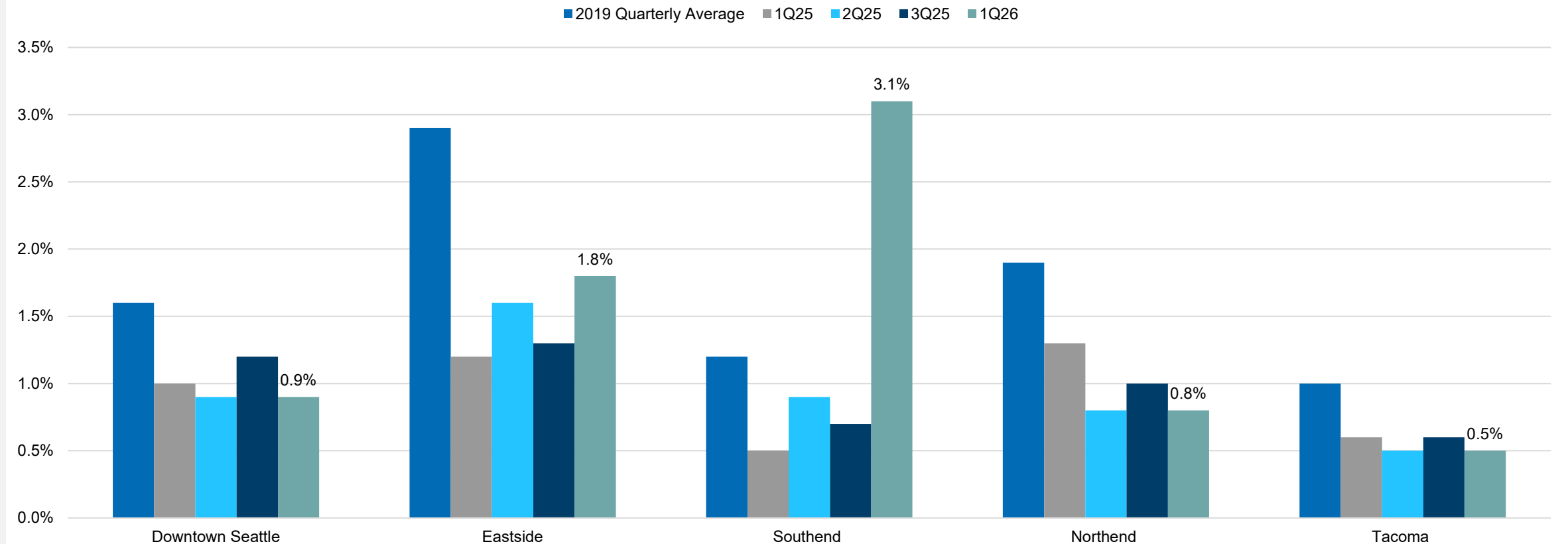
The Puget Sound office market continues to stabilize. Q1 activity carried a quieter tone and included a few absorption-impacting transactions. Early renewals and sustained demand from long-established users helped support overall stability. Looking ahead, any meaningful shift in market dynamics will likely hinge on new-to-market entrants, with AI and advanced technology sectors positioned as the most probable drivers of future growth.



Suburban Markets Take the Spotlight

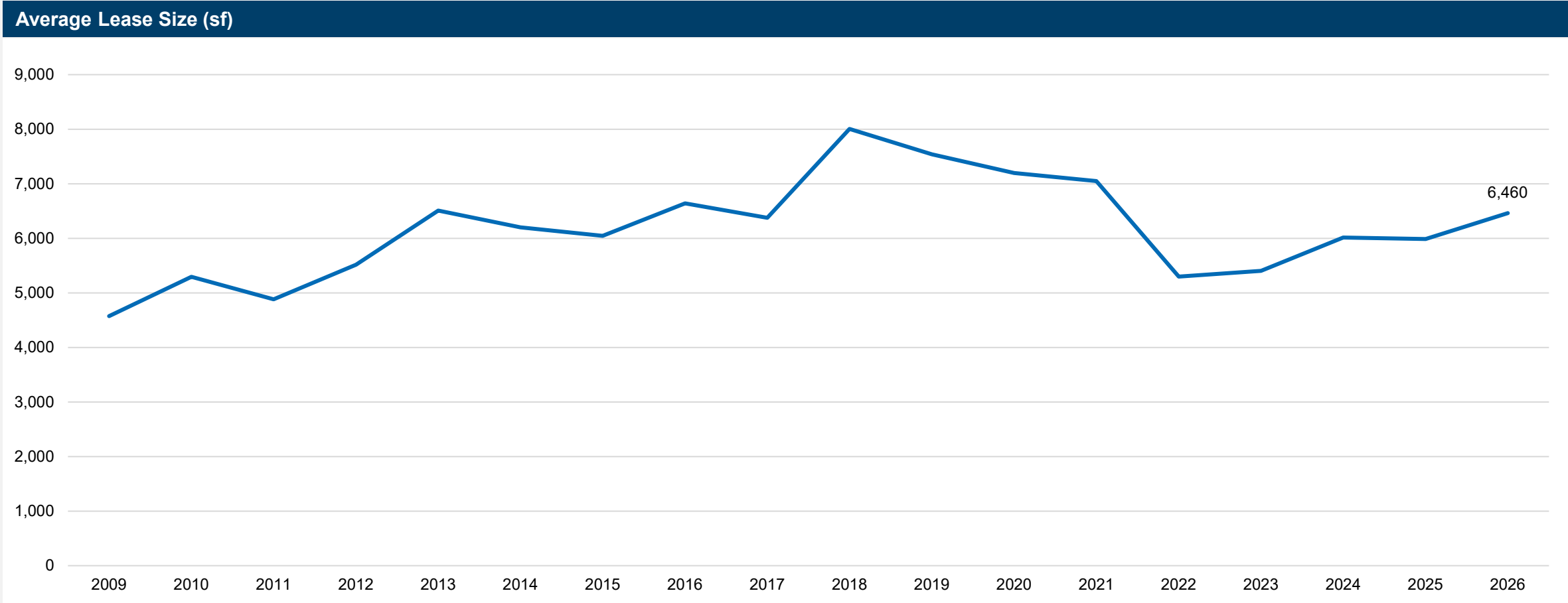
Leasing activity was more dynamic in the Eastside and Southend, as tenants increasingly favored suburban submarkets that offer newer product, better amenities, and greater flexibility compared with Seattle's urban core.

Leasing Activity as a Percentage of Inventory



Average Lease Size Signals a New Equilibrium

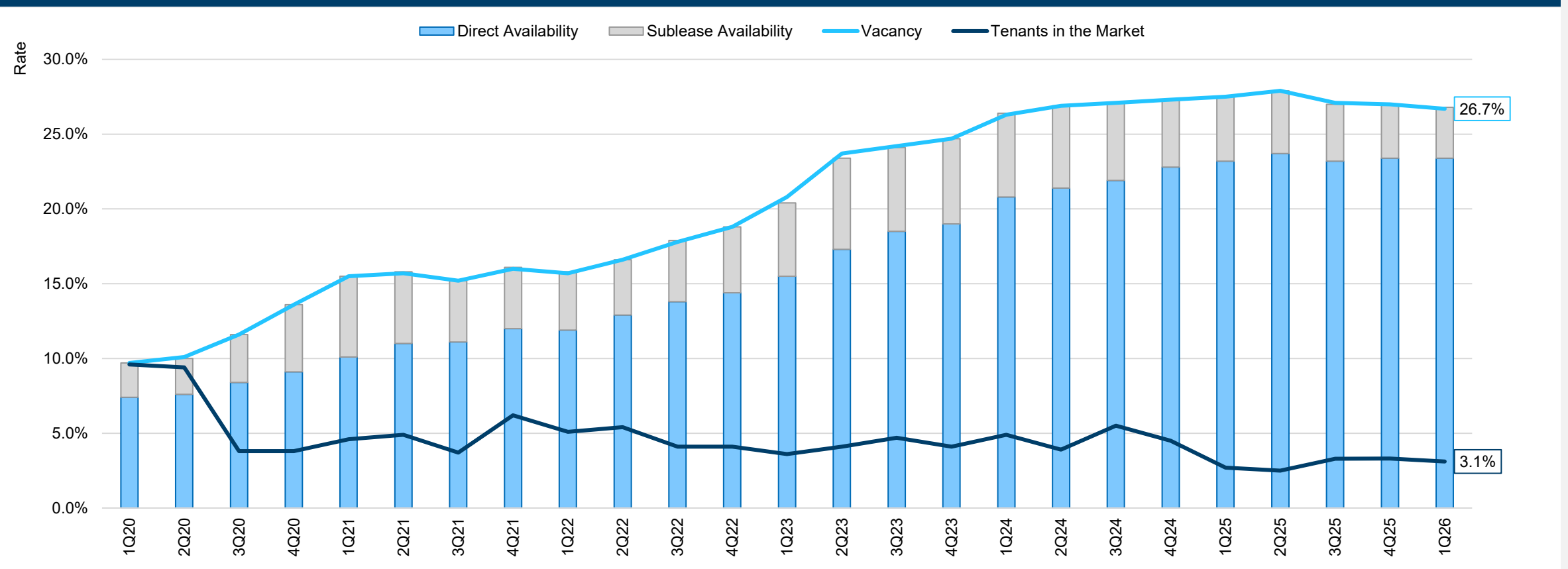
Average lease size in the Puget Sound market rose to 6,460 sf, a 7.9% year-over-year improvement, as tenants gradually commit to larger footprints after years of contraction-driven downsizing. Over the past 12 months, average deal size reached 5,989 sf in Seattle and 7,229 sf on the Eastside, a 20.7% gap that reflects the Eastside's stronger draw for growth-oriented tech tenants seeking modern, amenitized product, a trend reinforced by Q1's largest deals concentrating in Bellevue CBD and suburban submarkets.



Vacancy and Availability Reach an Inflection Point

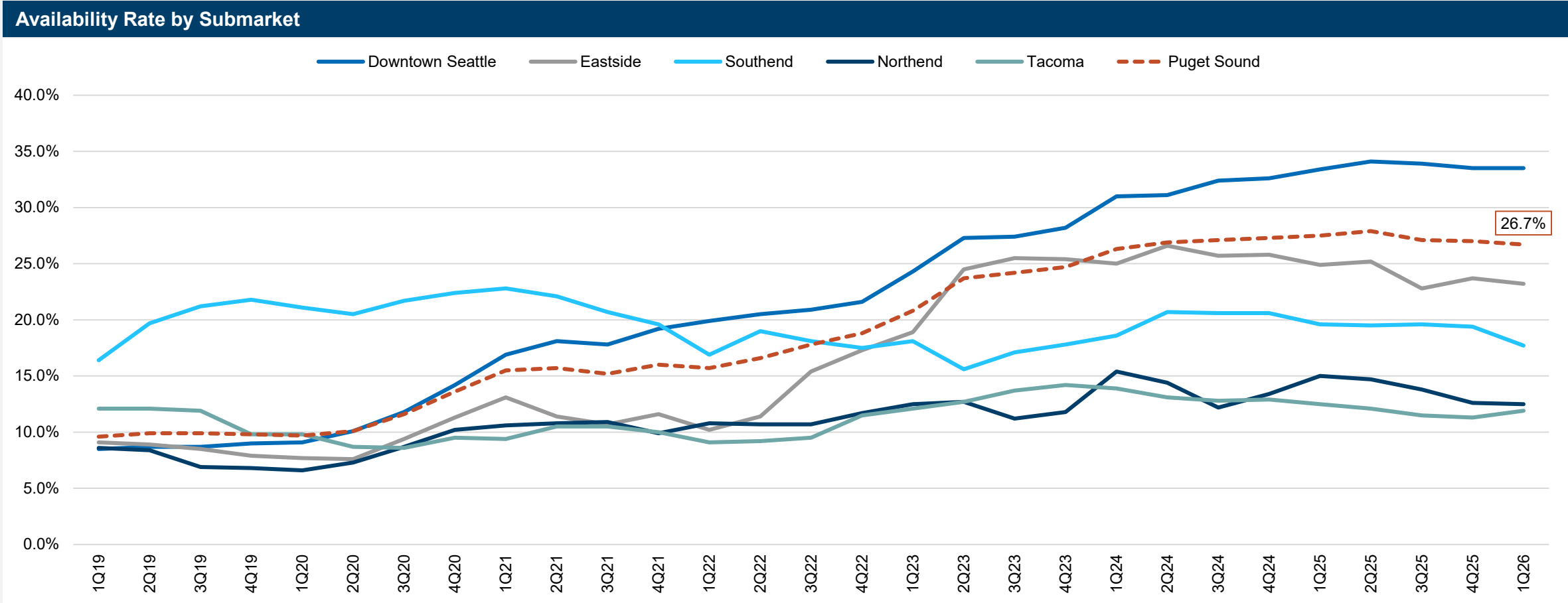
While the pace of new office space entering the market has moderated, vacancy historically rose at a steeper rate even as availability began to level off. For the first time in the recovery cycle, both vacancy and availability declined concurrently, each falling by approximately 90 basis points quarter over quarter. With increased leasing activity and more large-scale transactions, tenants are demonstrating greater confidence by committing to longer lease terms aligned with long-term business planning.

Available Space and Tenant Demand as Percent of Overall Market



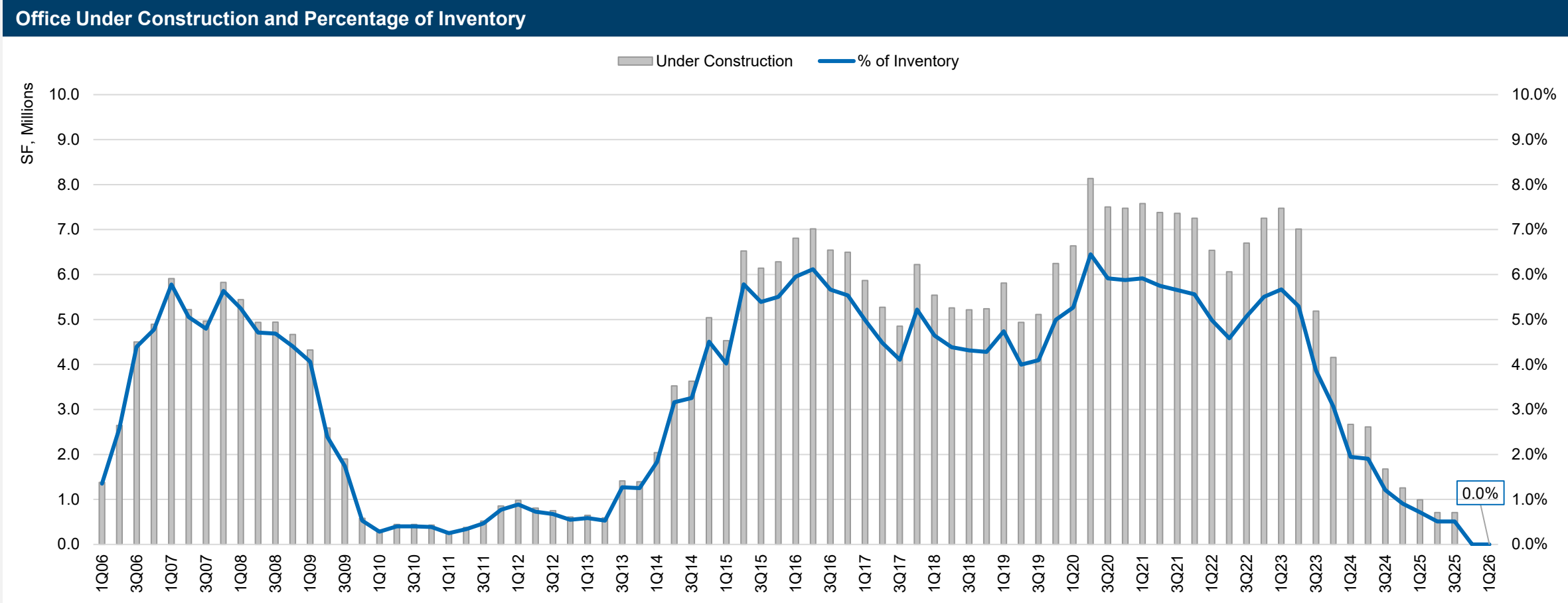
Market Activity Outpaces New Supply Additions

Availability declined across three of the five major Puget Sound regions—Downtown Seattle, the Eastside, and the Northend—resulting in a net regional reduction. Coupled with a continued decline in sublease inventory, direct availability increased only marginally, signaling a slowdown in new space deliveries after several quarters of elevated supply. Notable transactions included Providence leasing a combined 259,570 sf across two buildings at the Boeing Longacres campus.



New Office Projects Gain Momentum as Owner-User Assets Lead

At the end of 2025, Four106 delivered in Bellevue CBD, introducing 479,000 sf of premium speculative space, with approximately 150,000 sf already pending lease to Uber. As downtown Bellevue remains a focal point for tech and AI users, competition for the remaining space has intensified. Improving market sentiment and renewed urban vibrancy are giving owners greater confidence to reengage with development. Amazon has resumed construction on Bellevue 600 – Phase 1, while Microsoft continues its 1.3 million-sf headquarters campus expansion. On the speculative side, Merge on Main and Kanon are also moving forward in Bellevue CBD, adding to the pipeline of future inventory.

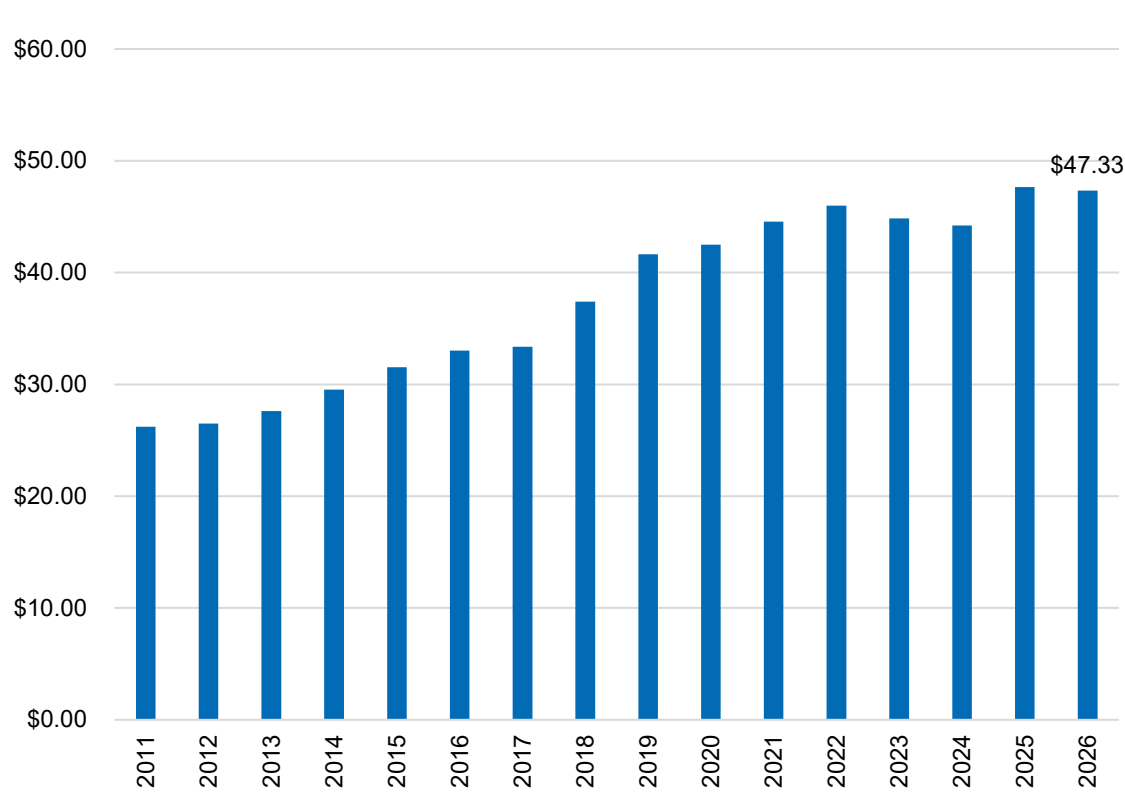


Source: Newmark Research, CoStar

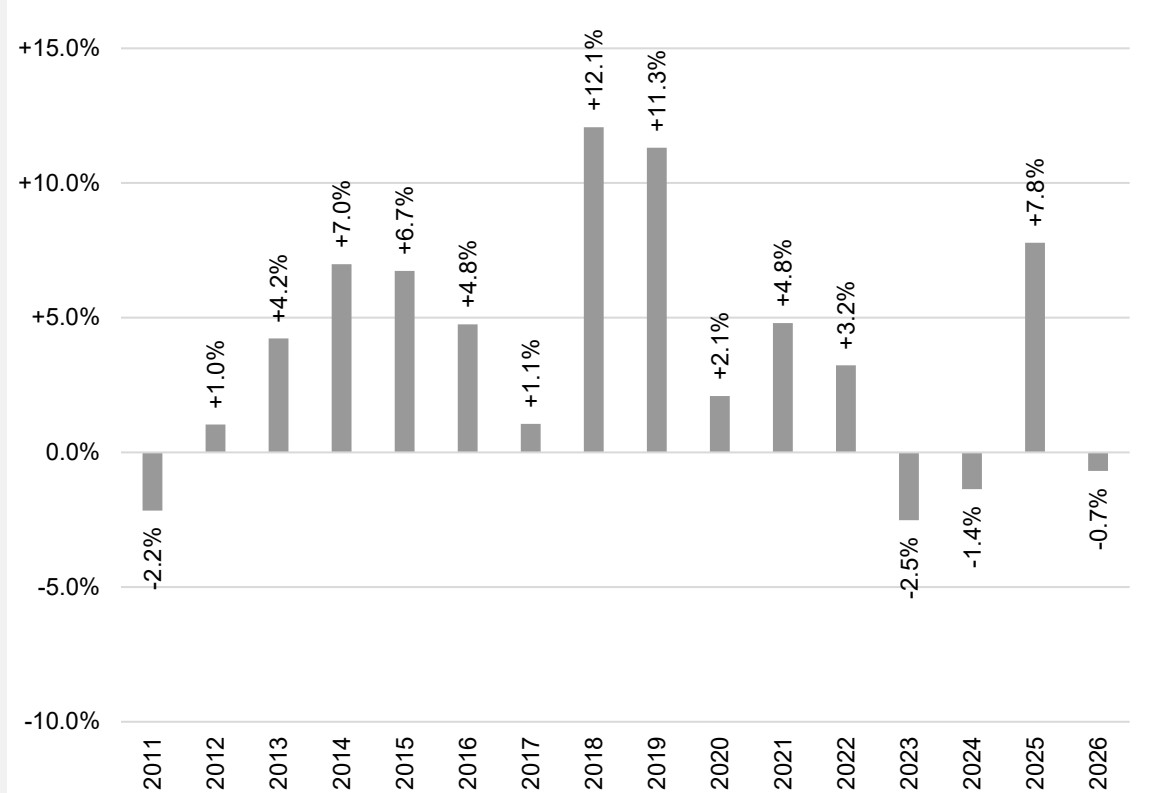
Trophy Office Rents May Turn Bullish Amid Supply Constraints

Class A asking rents in Bellevue CBD increased to \$67.58 per sf full service, up \$6.54 year over year, driven by heightened competition for premium space and the delivery of high-quality, first-generation product. In contrast, Seattle's Class A average fell to \$51.01 per sf, a \$1.34 decline, reflecting softer demand for commodity assets and persistently elevated vacancy. This widening rent gap reinforces the Eastside's appeal to growth-oriented tech users, while Seattle's recovery continues to be led by traditional industries and smaller tenants.

Office Average Asking Rent (\$/sf/Yr, FS)

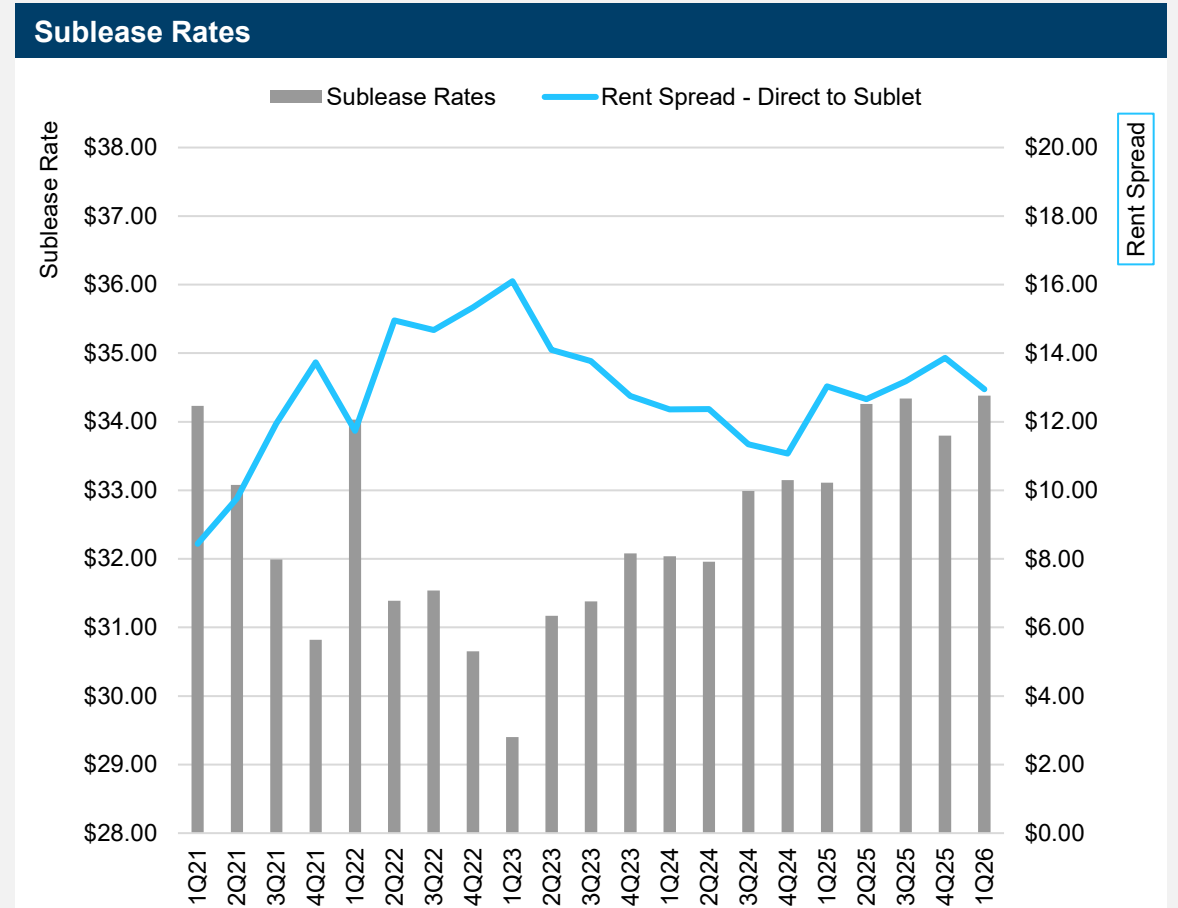
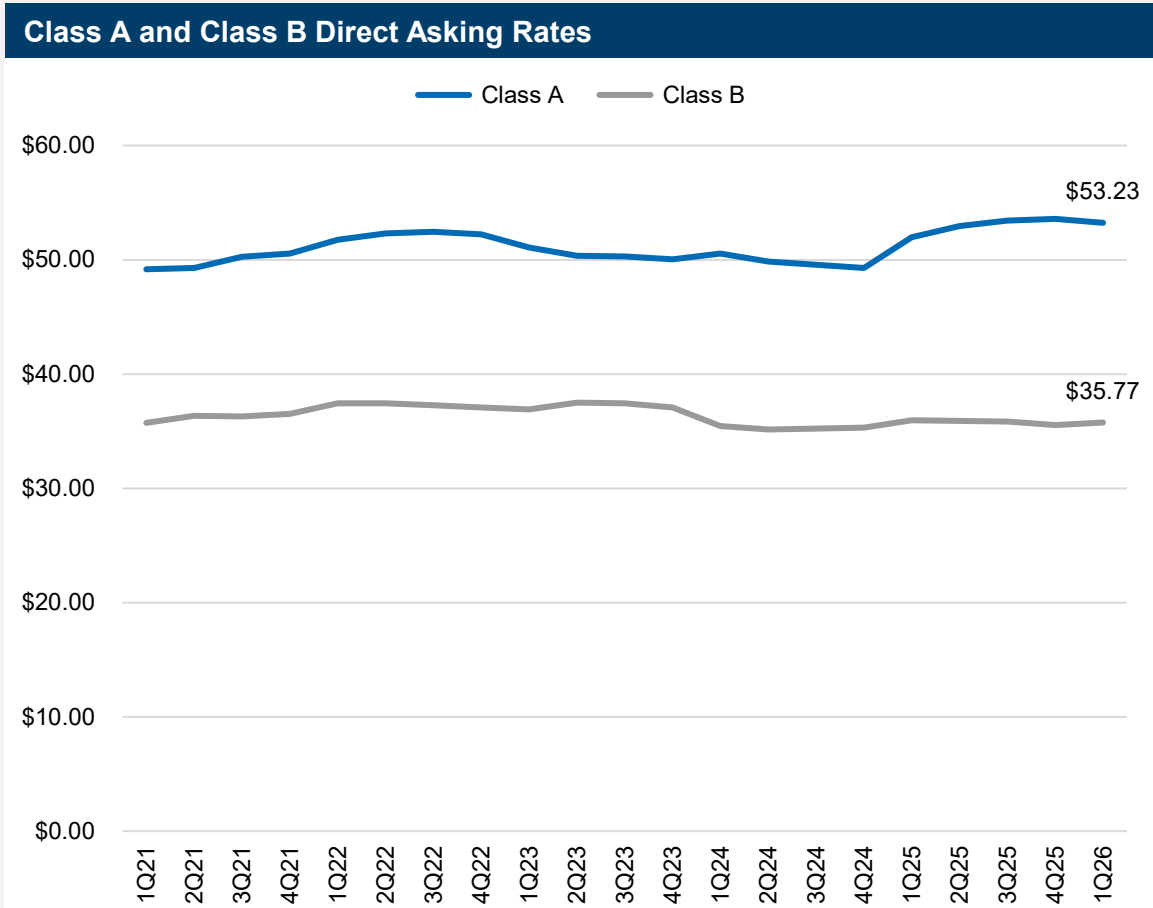


Year-over-Year Asking Rent Growth Rate



Sublease Rents Adjust to Changing Tenant Preferences

While demand for Class A sublease space remains steady, sublease velocity has slowed, contributing to softer pricing amid a renewed preference for direct leases. On the Eastside, high-quality, plug-and-play subleases remain particularly attractive to tech tenants seeking faster occupancy. In Q1, sublease availability declined by 278,324 sf quarter over quarter, with most of the reduction occurring in Seattle. Across the Puget Sound region, average sublease rents entered 2026 at \$0.58 per sf above the prior quarter.



Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
Undisclosed Tech Tenant	City Center Plaza	Bellevue CBD	Lease Expansion	296,445
Providence	Longacres Baker and Glacier Buildings	Renton/Tukwila	New Lease	259,570
<i>The new lease, spanning 6 floors across two buildings formerly occupied by Kaiser Permanente, was Q1 2026's largest Puget Sound office deal.</i>				
Meta	Willow Creek Corporate Center Buildings A and G	Redmond	Renewal	146,456
<i>The renewals came as Meta restructured its Reality Labs division, which accounted for most of the 168 Washington employees laid off in March, as the company shifts focus toward artificial intelligence.</i>				
Foster Garvey	West8	Seattle CBD	New Lease	54,450
<i>The law firm will relocate from 1111 Third to two and one-half floors at West8 in Q3 2027. They had originally leased 90,654 sf at 1111 Third in 2013.</i>				
Snap	Midstation Bellevue	Bellevue CBD	Lease Expansion	42,461
<i>The social media company now occupies more than 158,000 sf in the building.</i>				

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Appendix / Tables

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Access the Extended 1Q26 Seattle/Puget Sound Office Report

The extended version of this report includes:

- **Data on leasing trends**
- **Further insight into tenant demand**
- **Availability and rent data by submarket**
- **Market statistics for the overall market and Class A**

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