

2Q25

Seattle Office Market Overview

NEWMARK



Market Observations

Economy

- The unemployment rate in the Seattle MSA rose steadily throughout Q2 2025, reaching 4.4%, largely due to layoffs from major employers like Microsoft, Starbucks, and Fred Hutch.
- Job growth was concentrated in education and health (+4.9%), while traditional office-using sectors like professional services grew modestly (+1.4%)
- The information sector, which includes many tech and AI firms, posted modest growth of 1.2%, suggesting stabilization after prior rounds of downsizing.

Major Transactions

- Leasing activity for the second quarter reached 1.5 million sq. ft. While there was less office space leased compared to Q1, there were more large-scale deals.
- Deals in Class A buildings comprised 61% of gross leasing.
- Shorenstein sold three properties at The Spring District in Bellevue. It sold its stake in Blocks 5 and 6 to Blackstone, and with Wright Runstad, sold Block 13 to Drawbridge Realty. This suggests renewed investor confidence in Eastside assets.

Leasing Market Fundamentals

- Net absorption in Q2 was negative 331,523 sq. ft., an improvement over the deeper quarterly losses seen in 2024, suggesting the market may be past its worst contraction.
- Sublease vacancy held steady at 27.8%, with approximately 6 million sq. ft. available, showing early signs of market stabilization.
- Class A asking rents in the Puget Sound region rose from \$50.66 to \$51.97 per sq. ft. per year, full service, driven by demand for high-quality, well-located space.

Outlook

- Tenants continued to prioritize quality over quantity, relocating to trophy assets even as they reduced overall square footage.
- The Eastside remained a magnet for tech and AI firms, with strong leasing activity despite negative net absorption.
- Return-to-office momentum was building, with both Class A and B buildings seeing increased interest, particularly in Southend and Tacoma where absorption was positive.

1. Economy
2. Leasing Market Fundamentals
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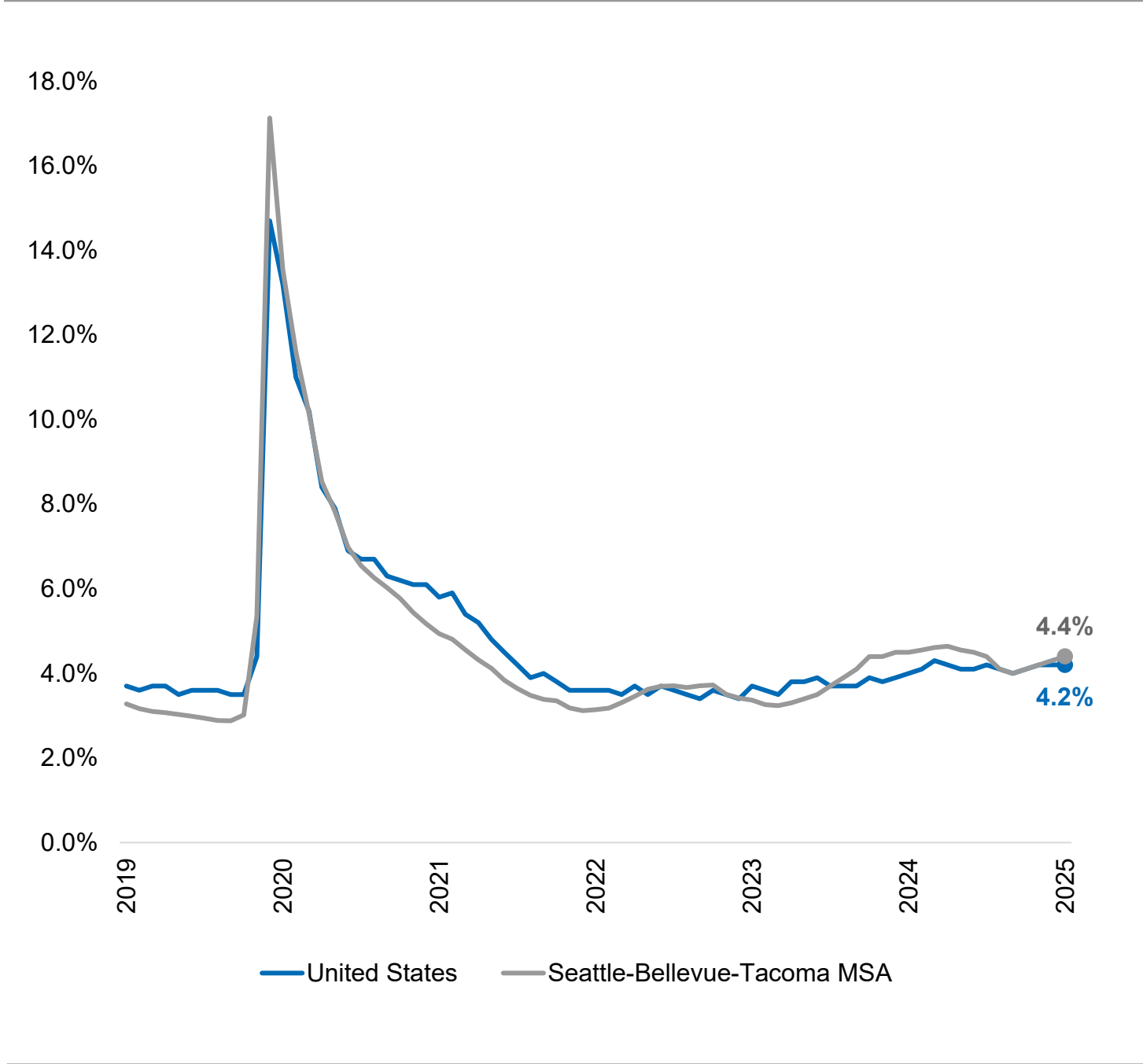
Economy



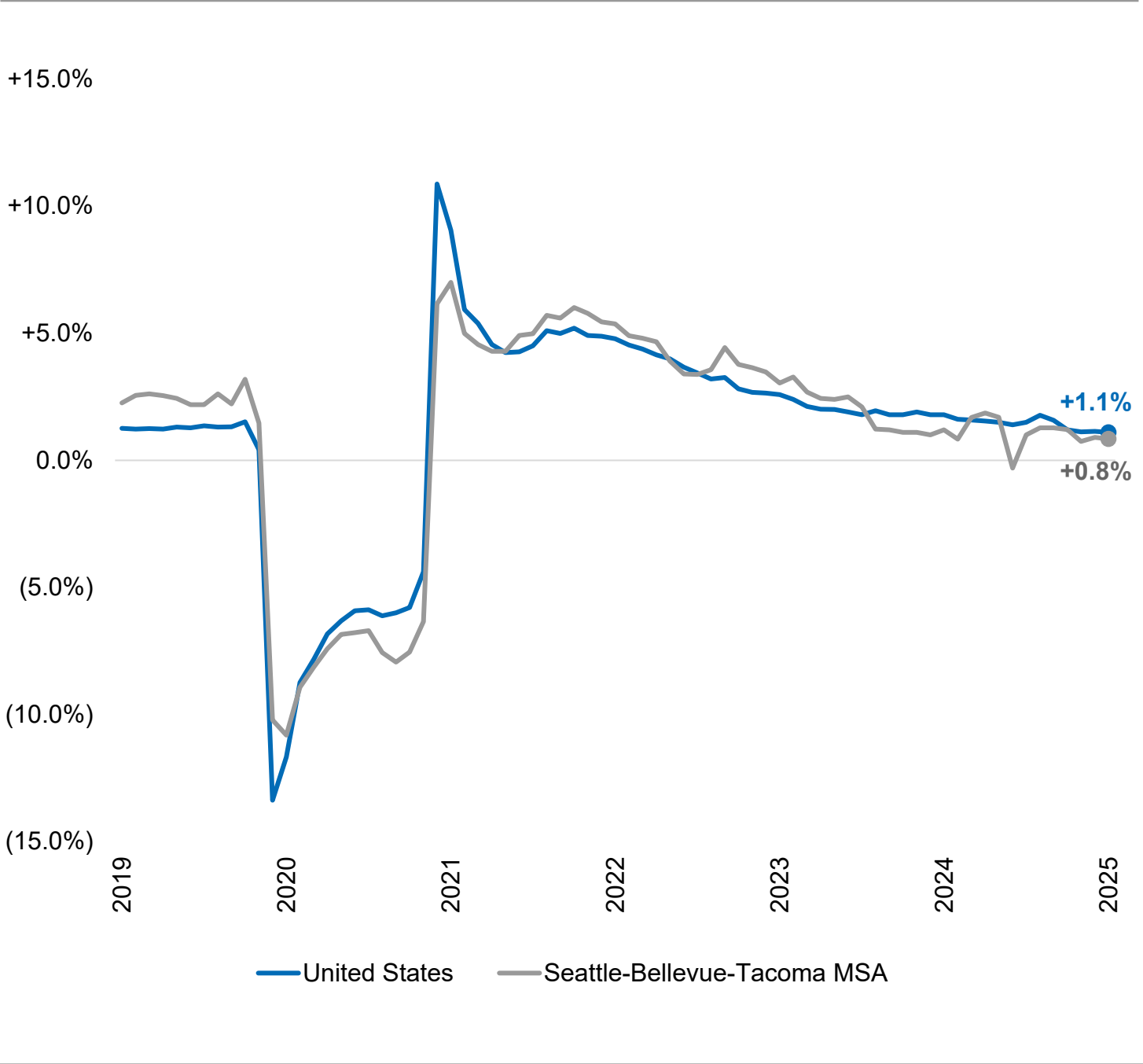
Unemployment Rose Amid Labor Market Rebalancing

The unemployment rate in the Seattle-Tacoma-Bellevue MSA rose by 300 basis points (bps) to 4.4% near the end of Q2, outpacing the national average of 4.2%. The increase reflects a combination of layoffs, a slowdown in construction and manufacturing, and a shrinking labor force.

Unemployment Rate, Seasonally Adjusted



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

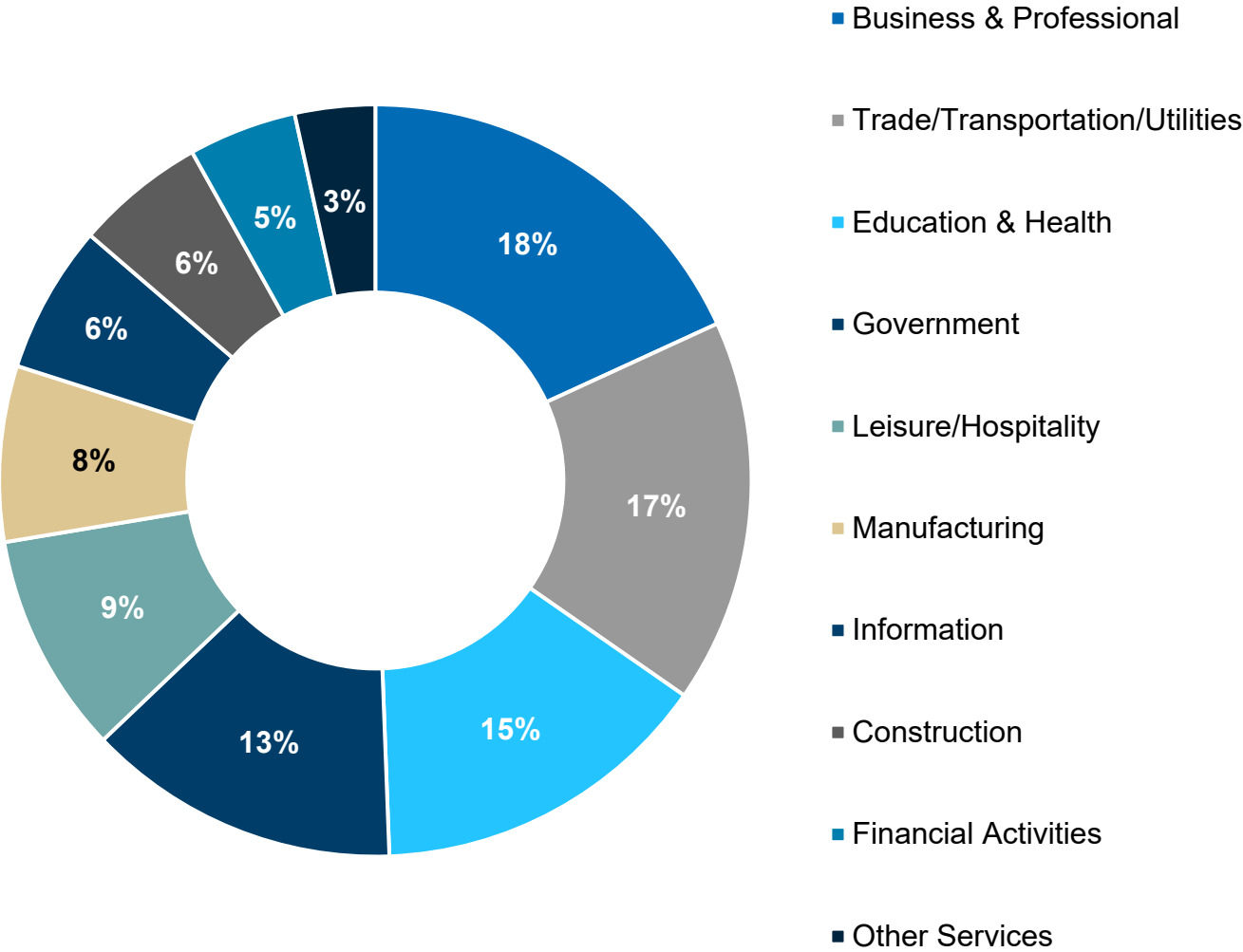


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

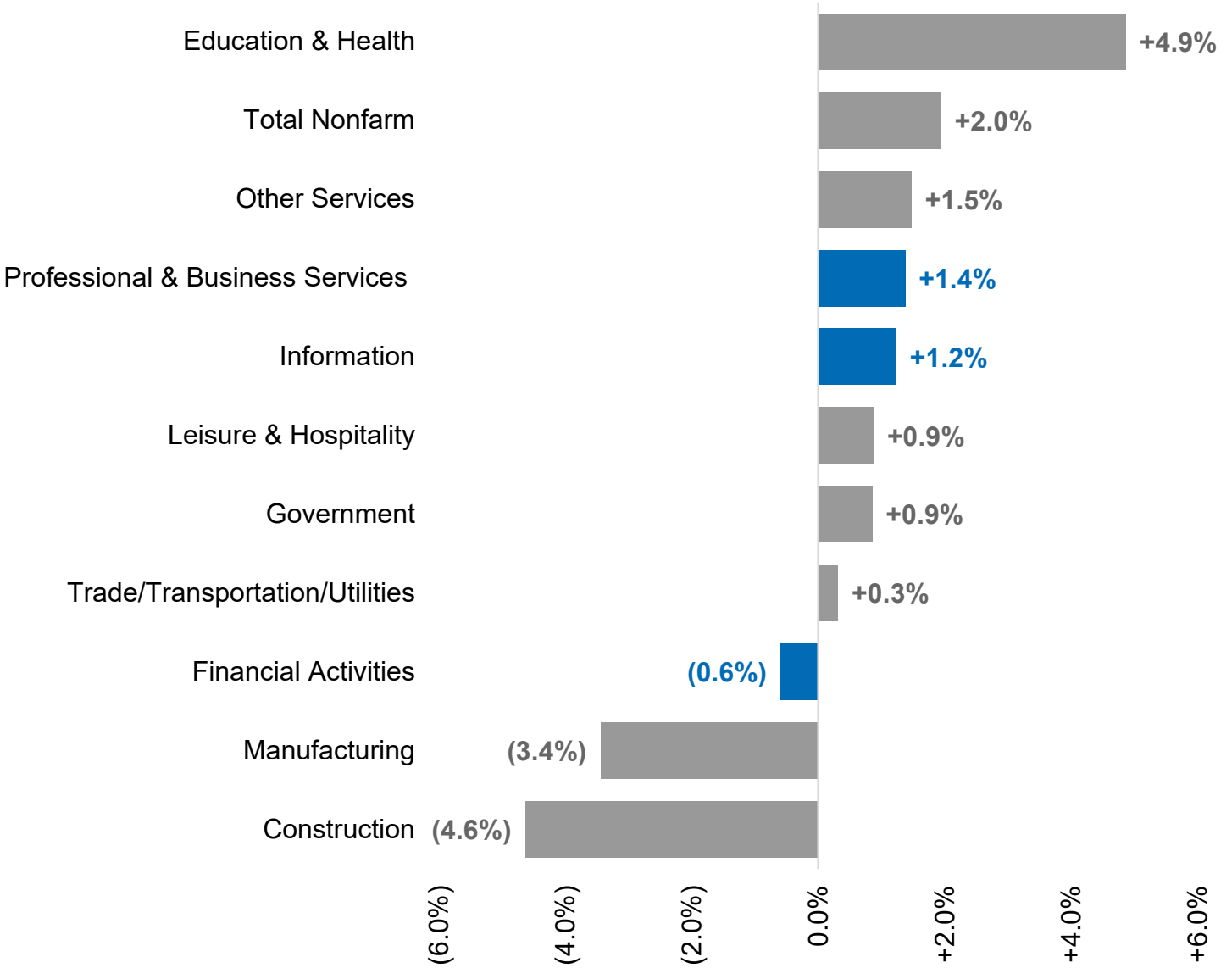
Office Employment Had Modest Growth Amid Layoffs

The market’s traditional office-using sectors—particularly professional and business services—saw only modest job growth (+140 bps) over the past year, reflecting ongoing space reductions by major tech firms, such as Microsoft and ByteDance, and a broader shift toward hybrid work.

Employment by Industry, May 2025



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

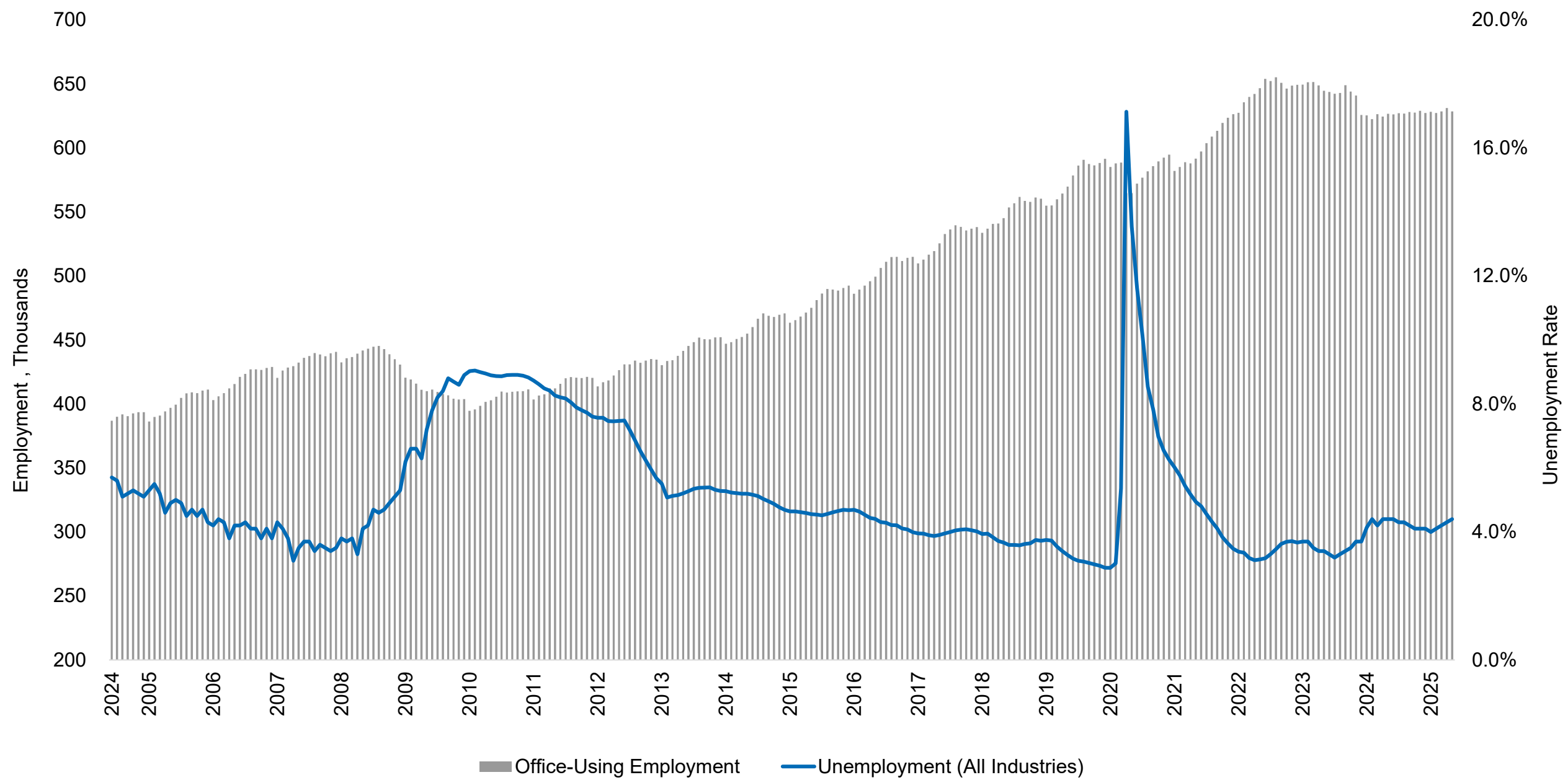


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

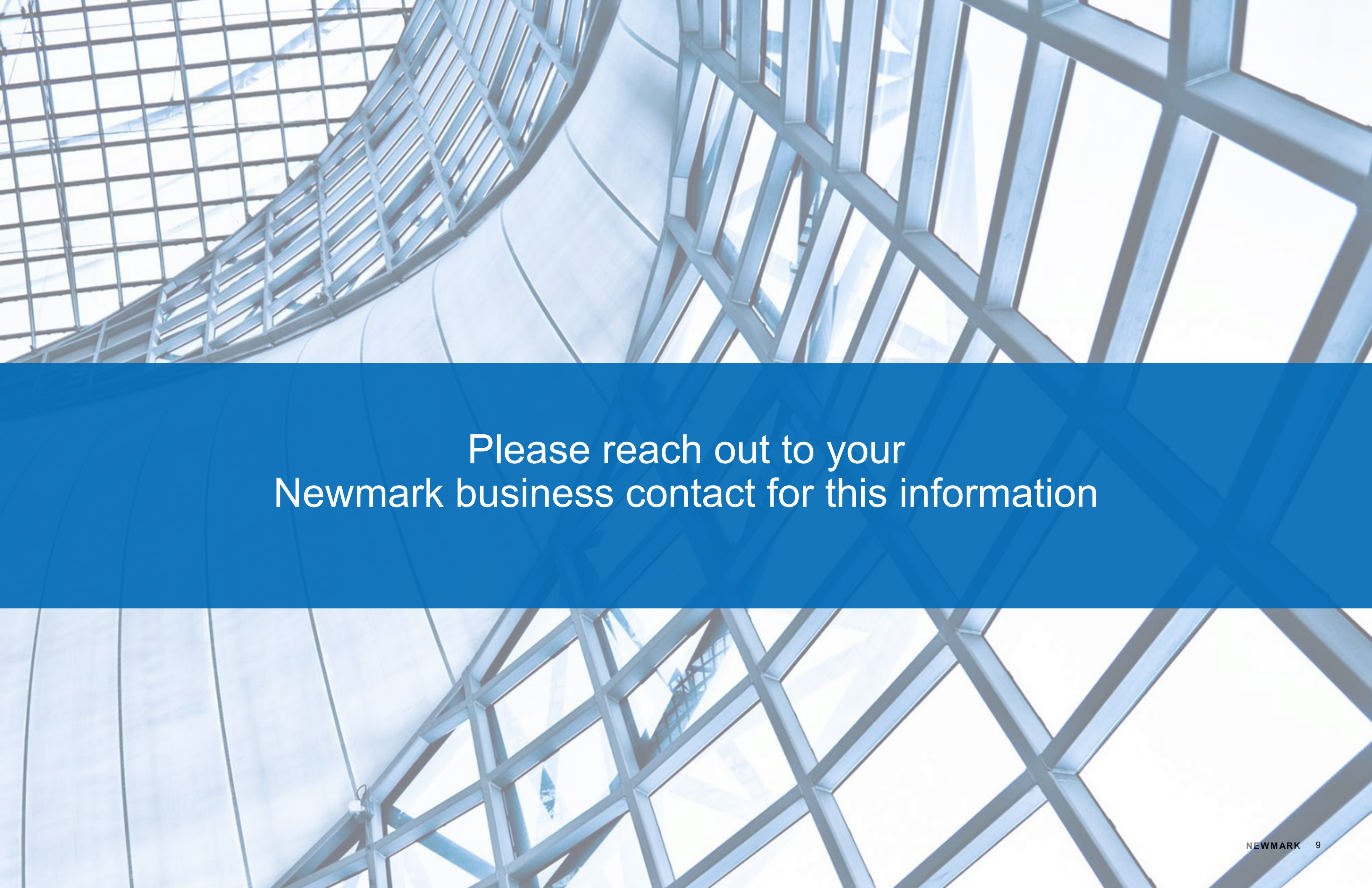
Corporate Firms Recalibrated Through Layoffs

The unemployment rate in the Seattle area rose steadily in Q2 2025, climbing by 100 bps each month, driven by layoffs from major employers. Microsoft led with 3,120 job cuts, followed by Starbucks (620), Indeed (92), and ByteDance (65). Fred Hutch also announced an undisclosed amount of workforce reductions due to funding uncertainty.

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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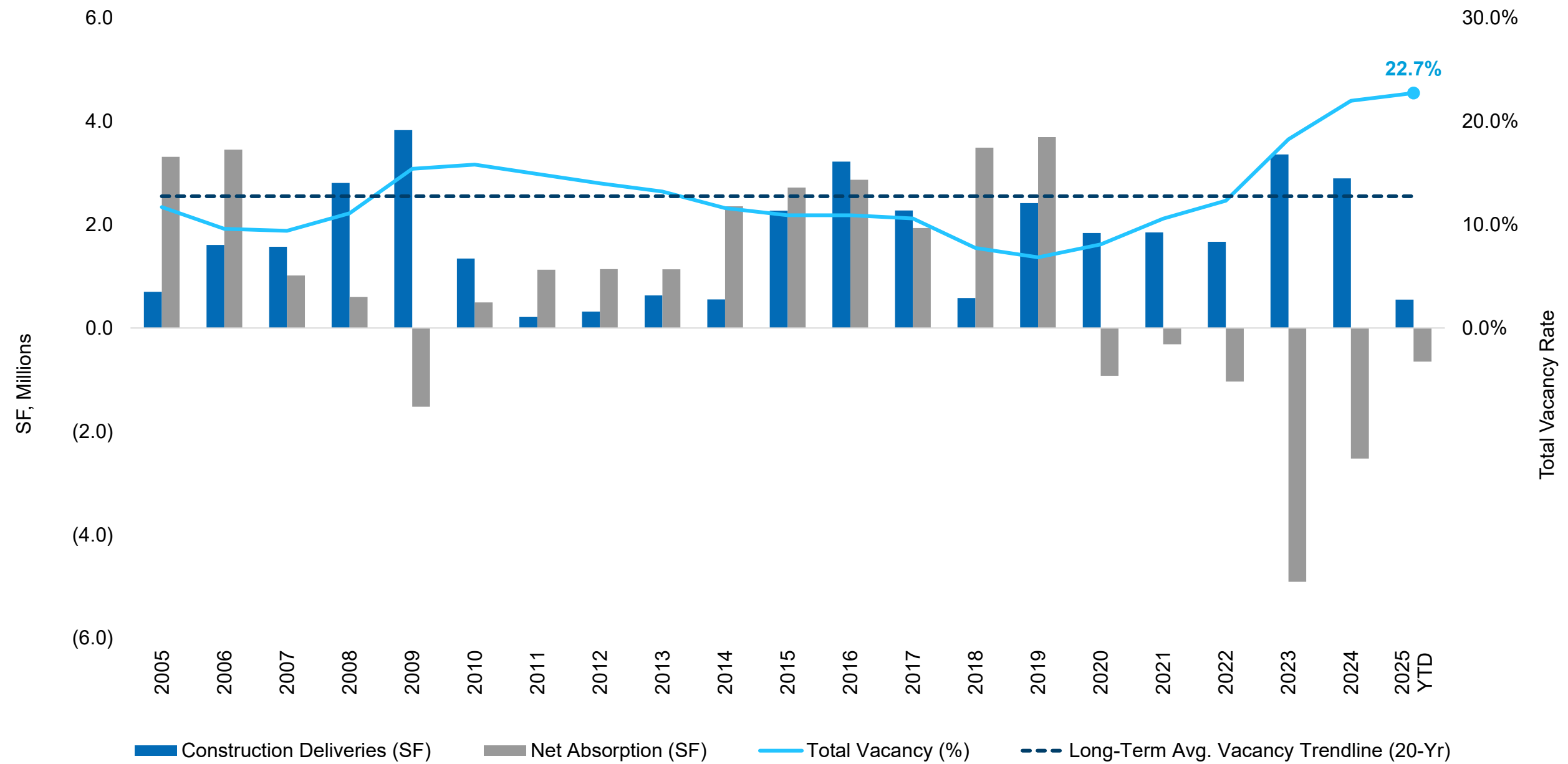
Leasing Market Fundamentals



Legal Sector Drives Modest Momentum in Downtown Seattle

While leasing velocity remained dampened, Q2 saw more momentum than in previous quarters. Major moves by legal firms Perkins Coie and Ballard Spahr dominated absorption in the Downtown Seattle market, with Perkins Coie leading the trend by downsizing 43%. Both major tenants relocated laterally in terms of quality, moving from one trophy building to another.

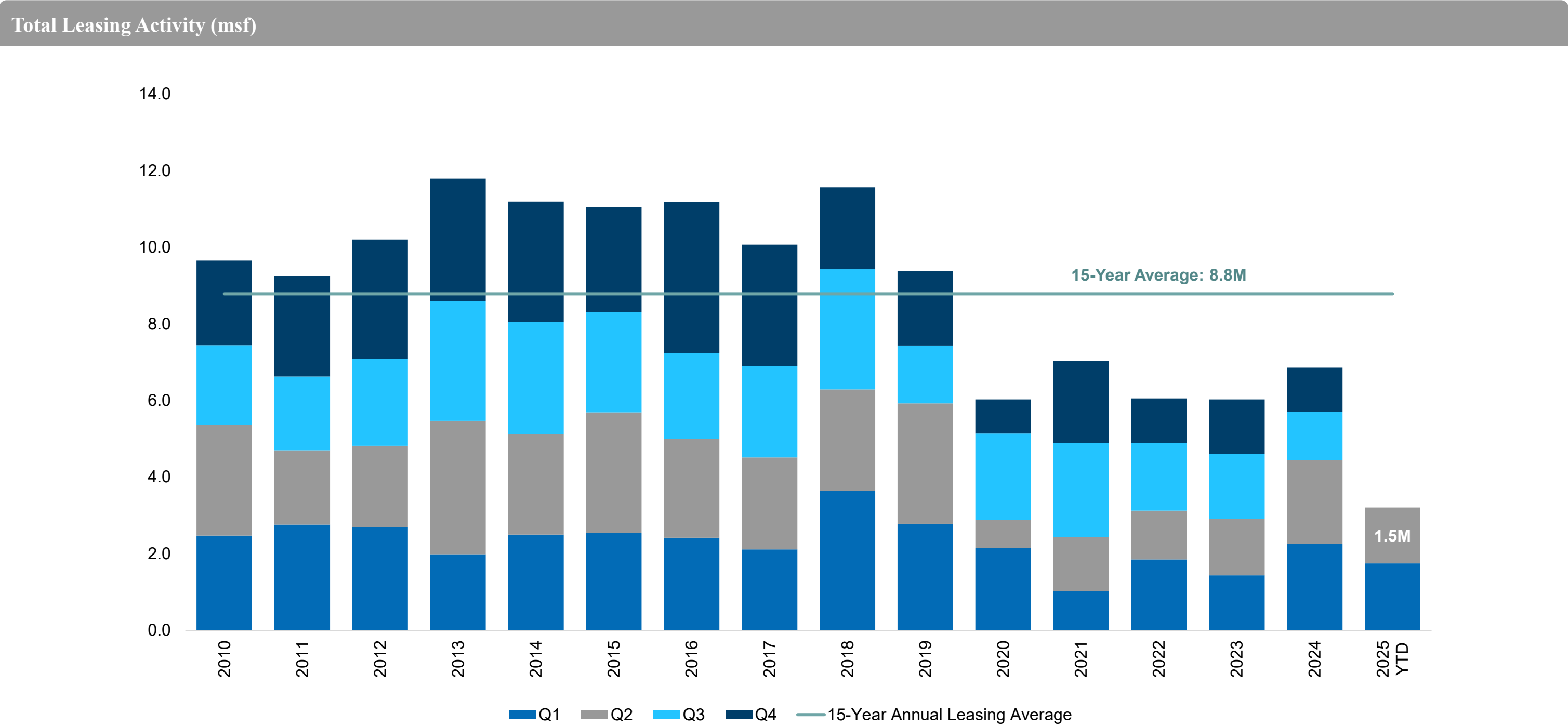
Historical Construction Deliveries, Net Absorption, and Vacancy



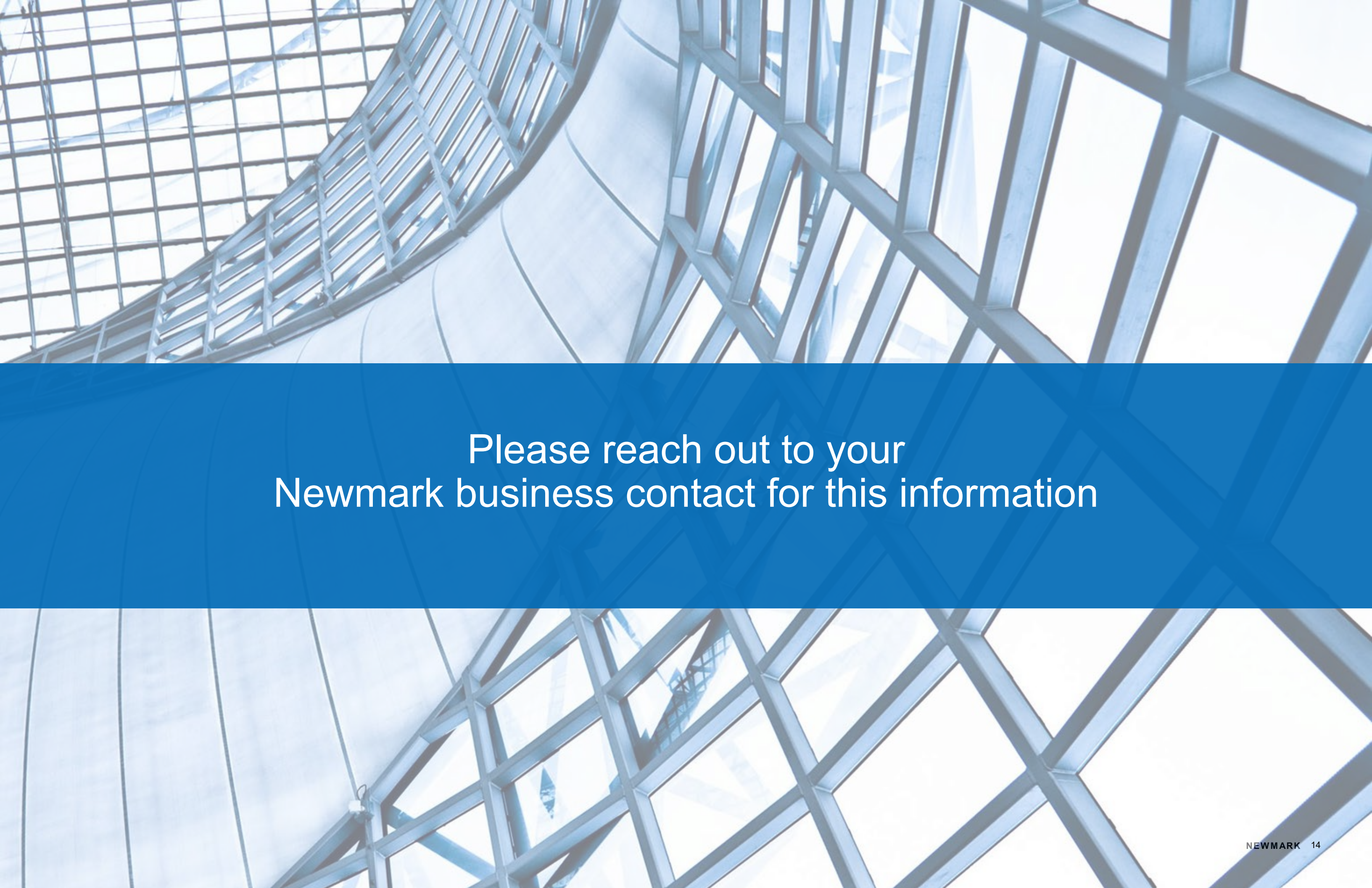
Source: Newmark Research, CoStar

Tech and AI Companies Led Leasing Velocity

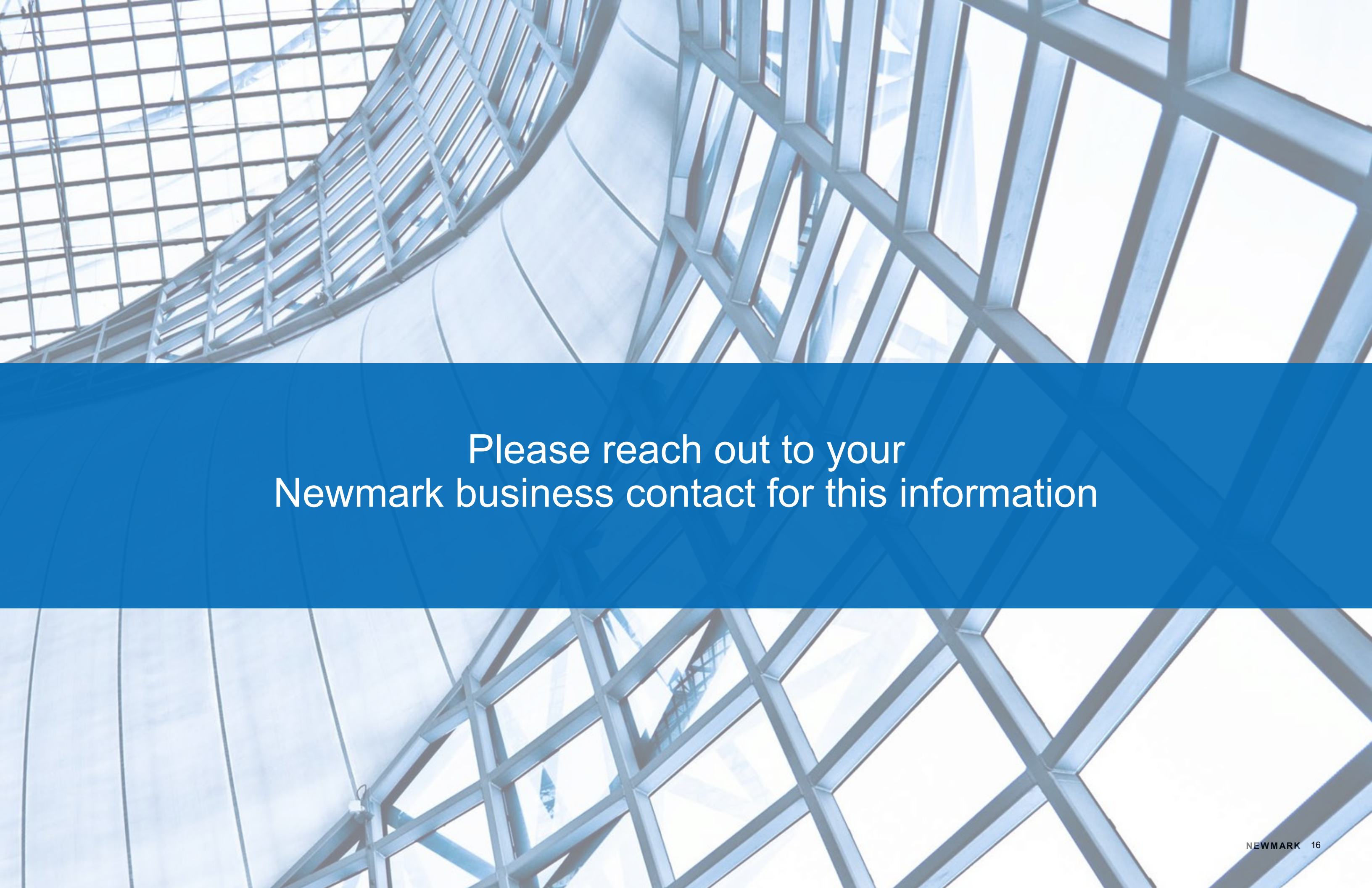
There were more new leases signed in Q2 compared to Q1, which was dominated by renewals among notable deals. In Q2, Stackline, Statsig, Crowdstrike, Databricks, Carbon Robotics, and Anduril each committed to spaces larger than 30,000 sq. ft.



Source: Newmark Research, CoStar



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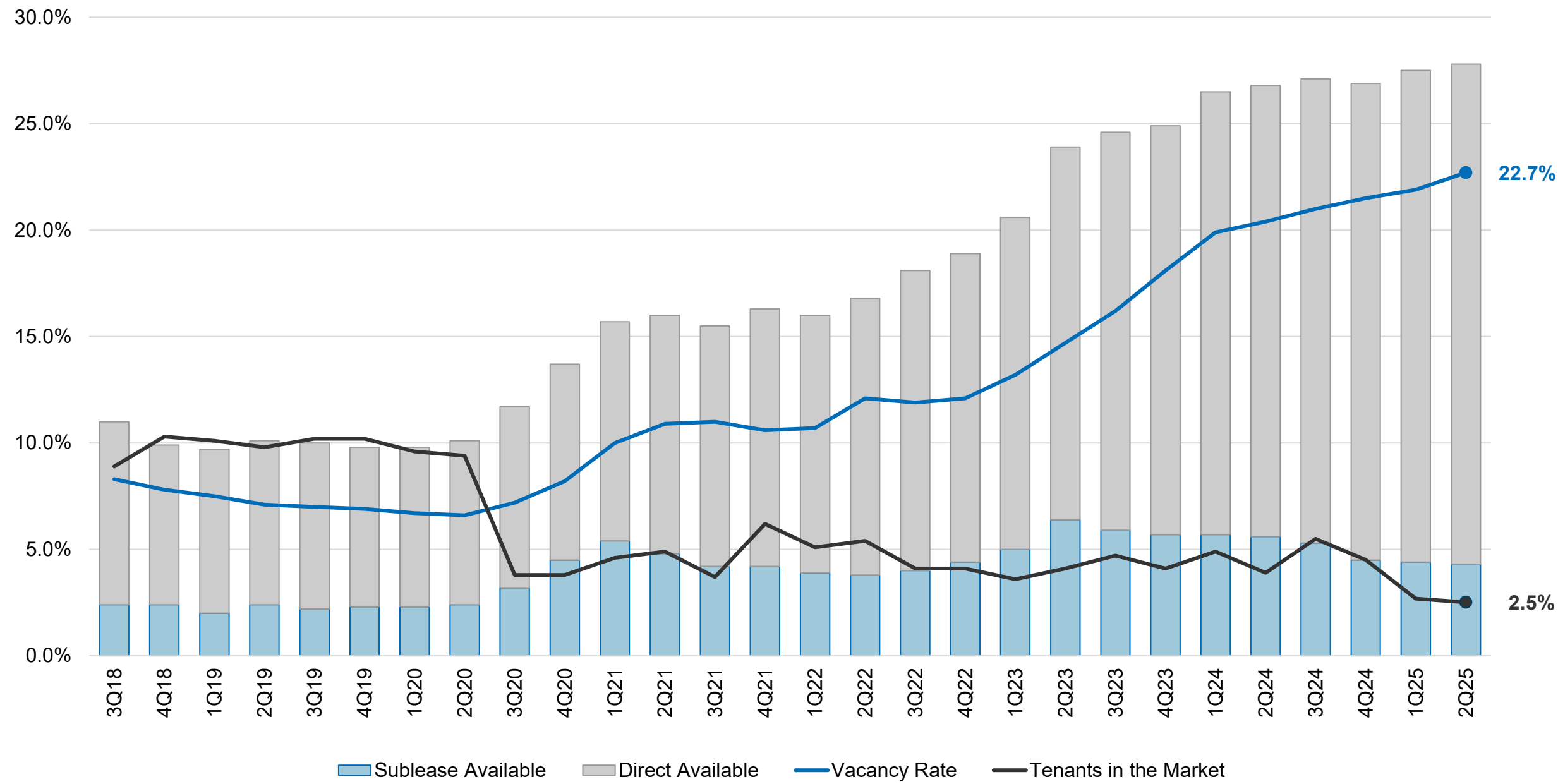


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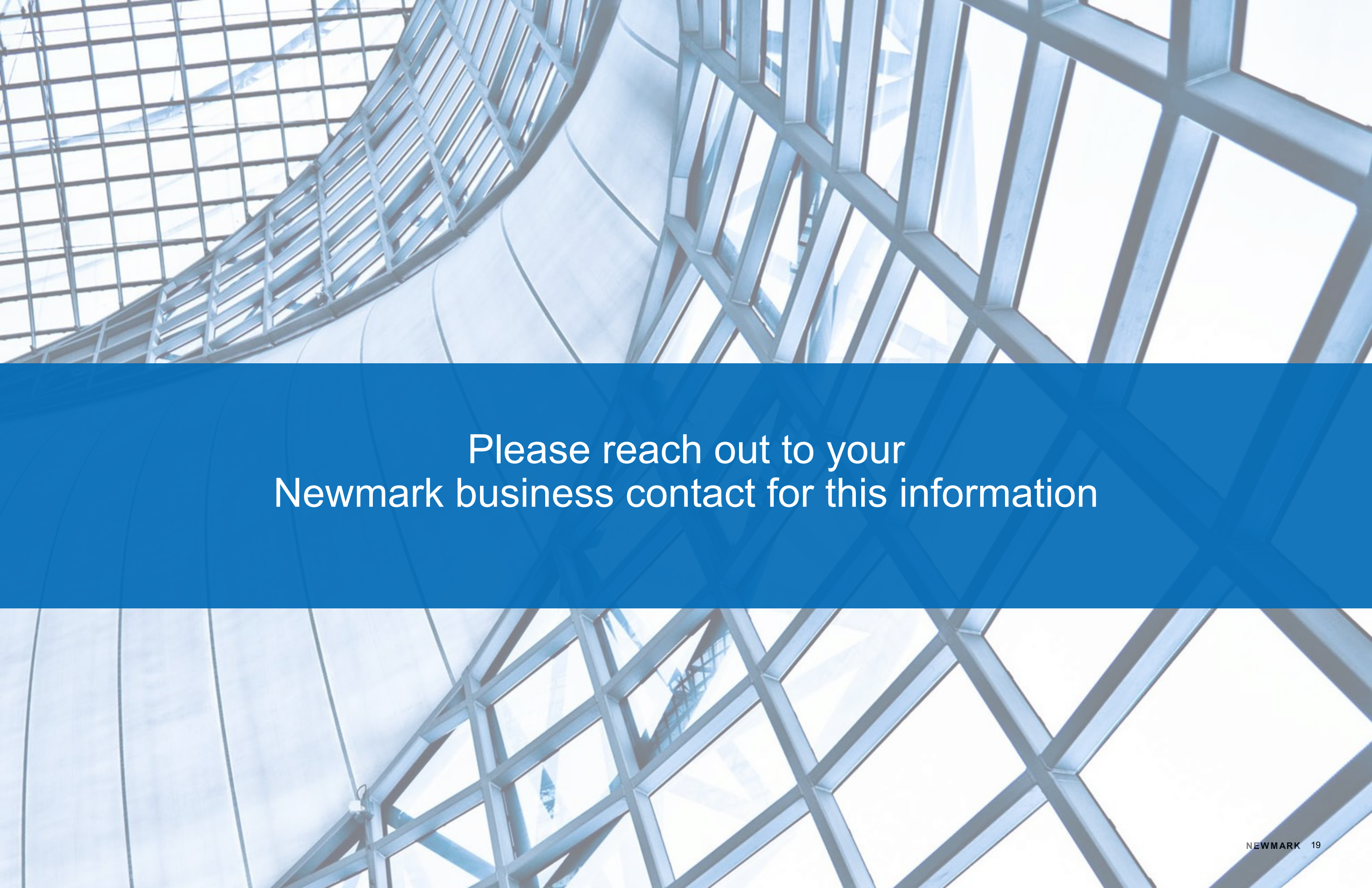
Meta Sublease Added to Availability Amid Slower Supply Growth

New additions to available space on the market appeared to slow in recent quarters, and the vacancy rate began to rise at a more modest pace. The recent uptick in availability was primarily driven by the addition of Meta’s 196,208-sq. ft. sublease at Arbor Blocks East in Lake Union, which has a lease expiration in 2031.

Available Space and Tenant Demand as Percent of Overall Market



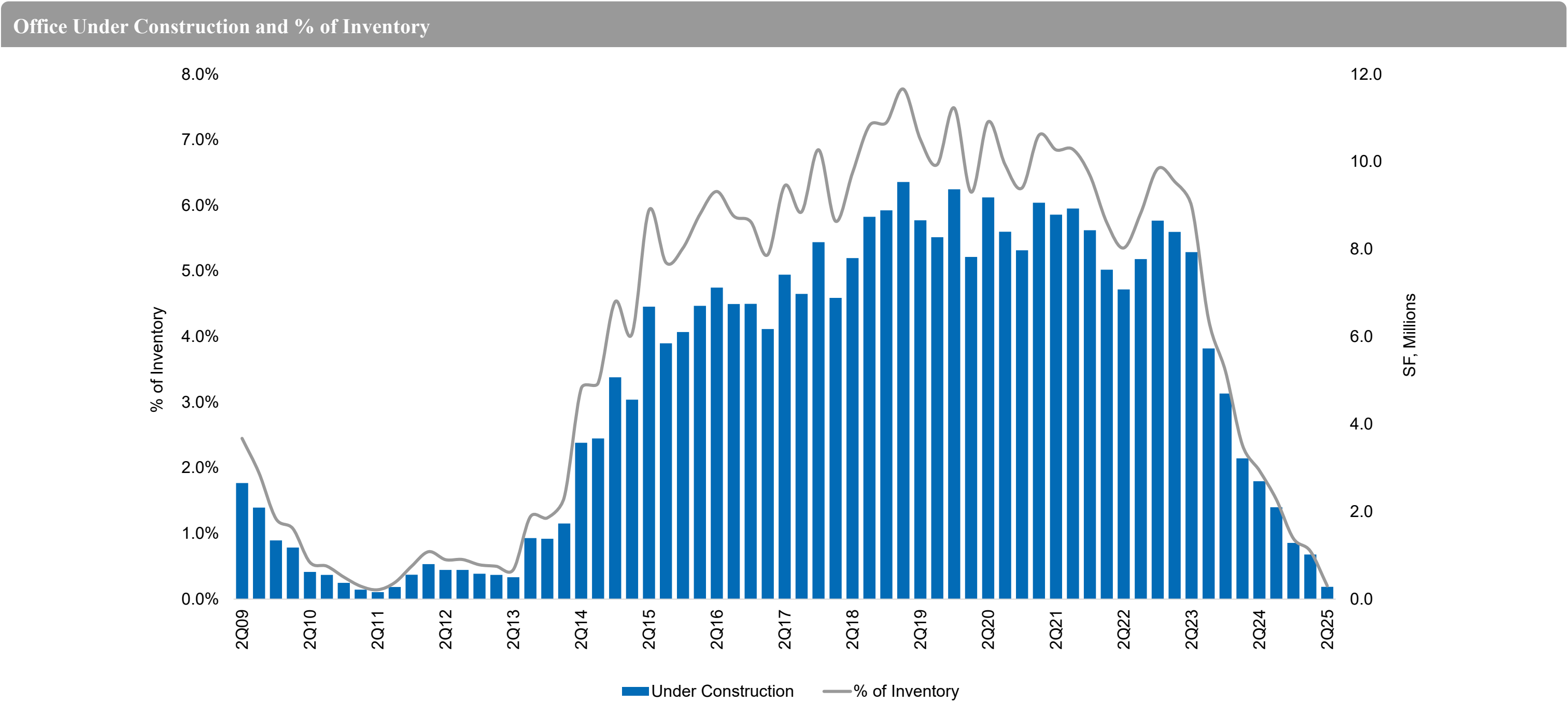
Source: Newmark Research, CoStar



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Office Pipeline Narrowed with Another Delivery

Seattle’s first-generation pipeline contracted in Q2 2025 as 1916 Boren delivered, with Seattle Children’s Research Institute pre-leasing nearly half the space—an expansion from its CIDR Center location. Only two projects remain under construction: 701 Dexter in Lake Union and Four 106 in Bellevue CBD. This shift reflects a tightening supply environment and a cautious development approach amid evolving demand dynamics.

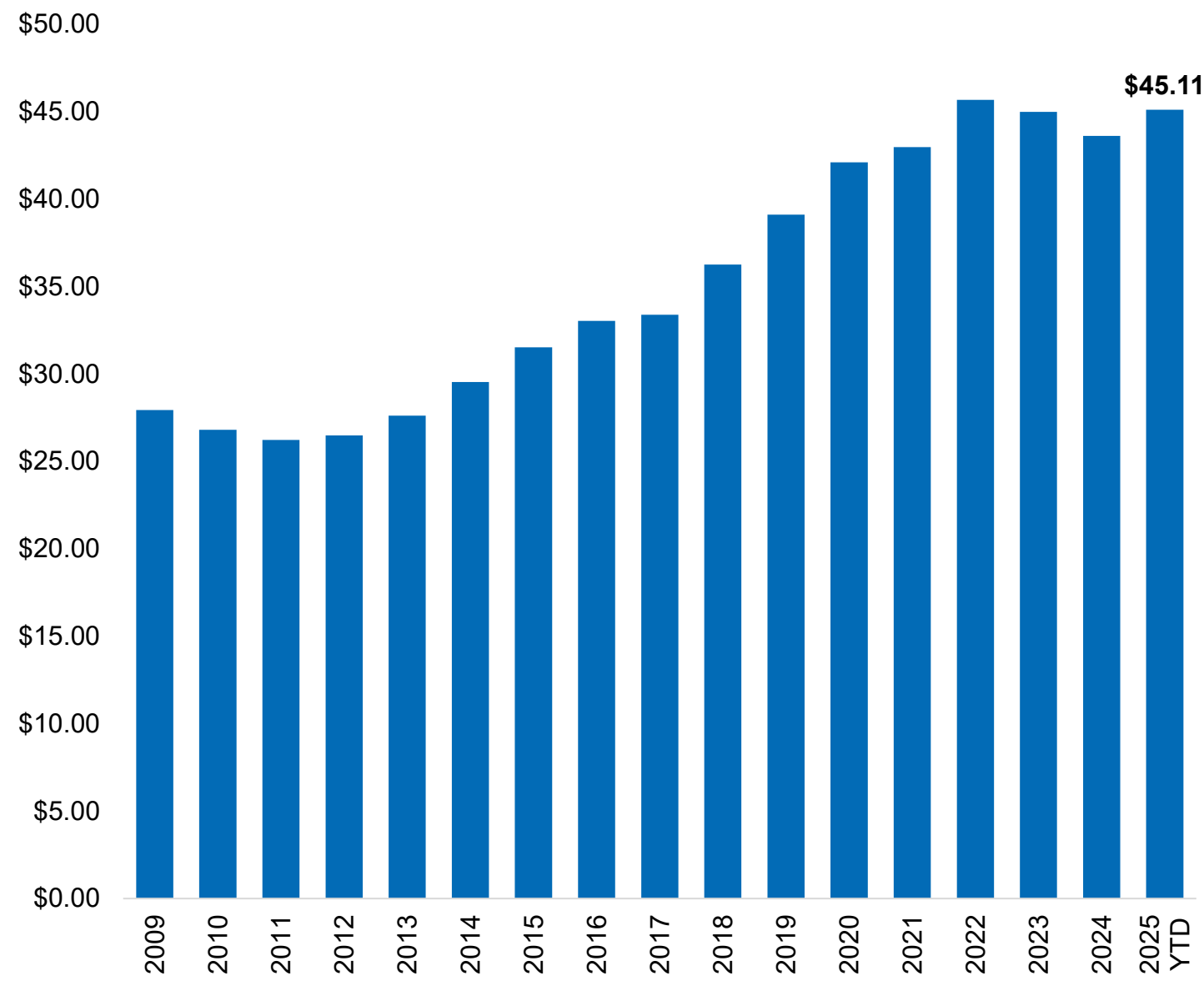


Source: Newmark Research, CoStar

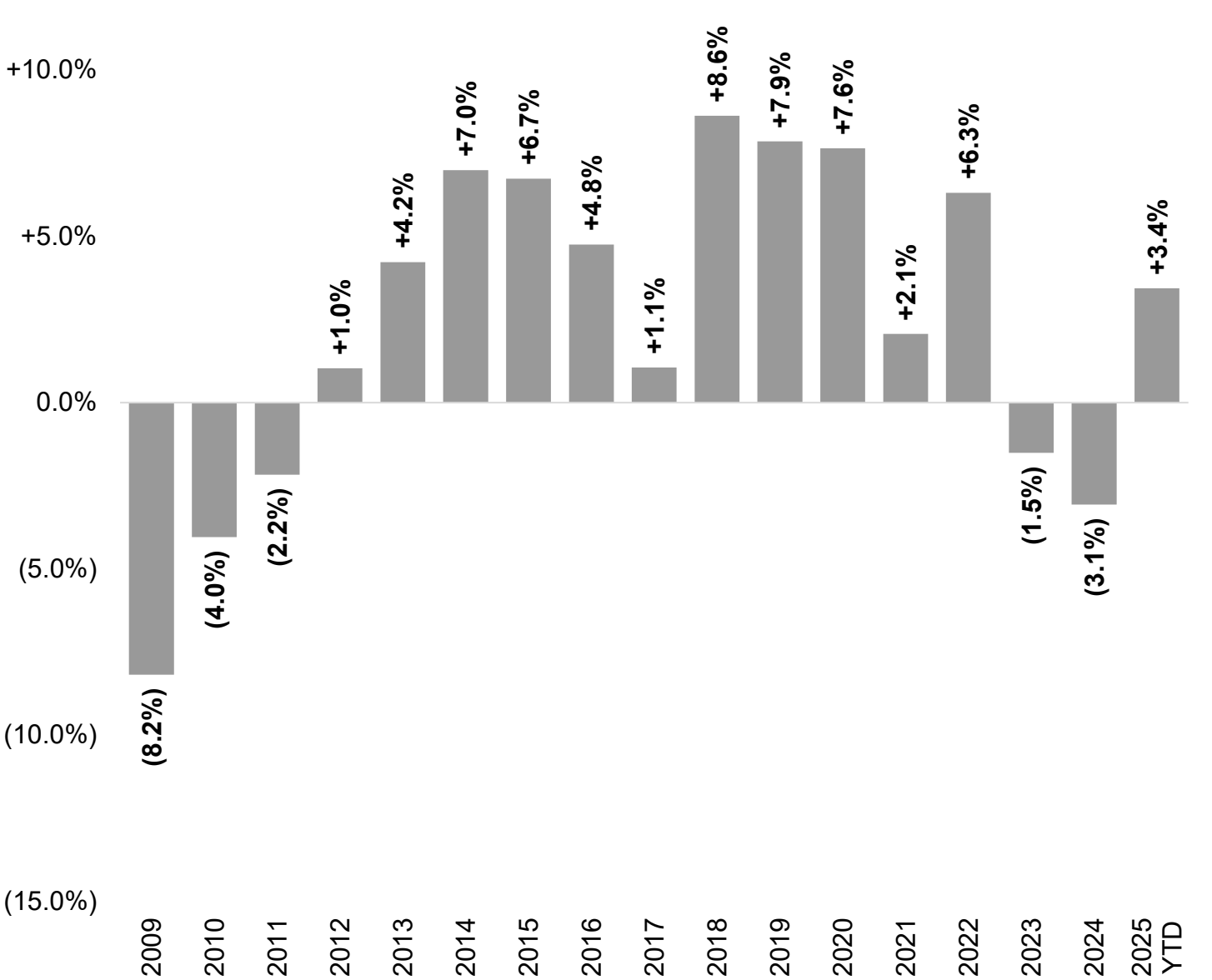
Class A and B Rates Rose Amid Return-to-Office Momentum

There was increased publicity around return-to-office initiatives and company restructuring. With an uptick in touring activity, rates for Class A and Class B buildings improved. The rise in asking rents across both classes indicated that, despite the ongoing flight to quality, there remained demand for more affordable options in Class B assets.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

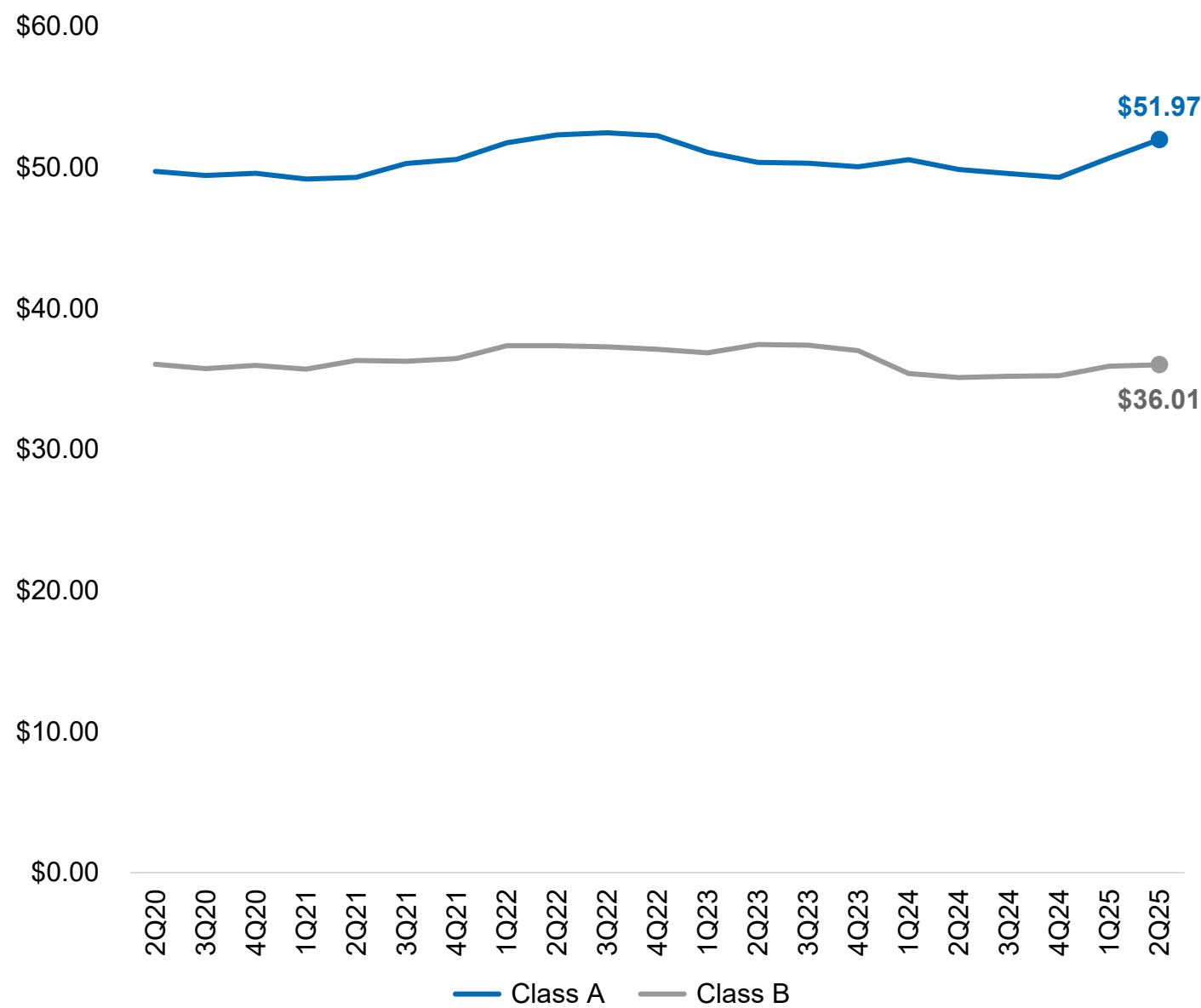


Source: Newmark Research, CoStar

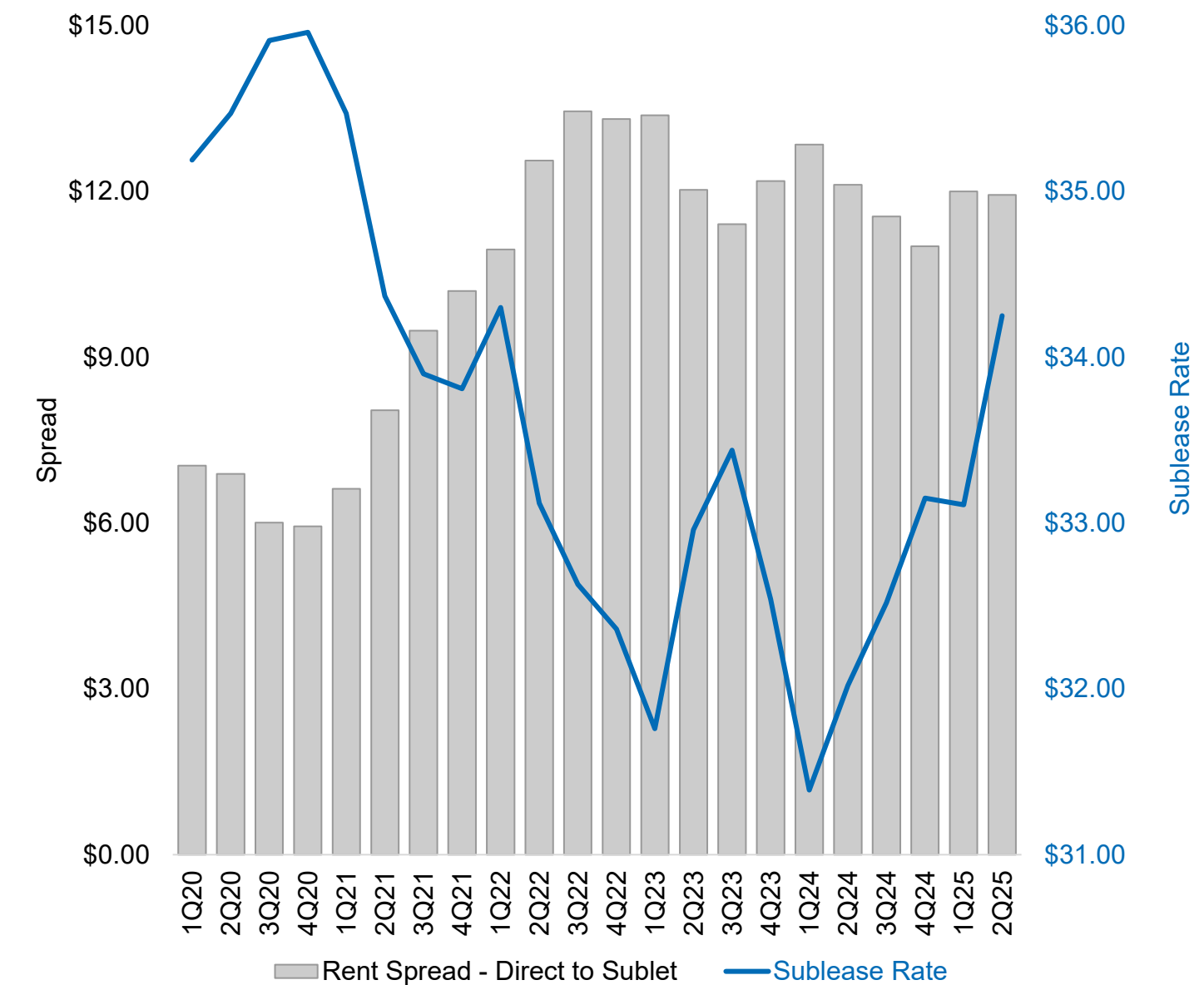
Sublease Market Levelled Off, but Demand Held for Turnkey Spaces

Sublease rates increased by \$1.14 quarter over quarter and \$2.23 year over year. Sublease space entering the market had stalled since late 2023 and had been slowly leveling off since then. As more subleases expired or were leased, demand for these built-out spaces remained solid. High-quality subleases continued to be an attractive option for early-stage tech companies.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Notable Transactions

The second quarter of 2025 saw more tech tenants engaging in direct and sublease deals.

Notable 2Q25 Lease Transactions

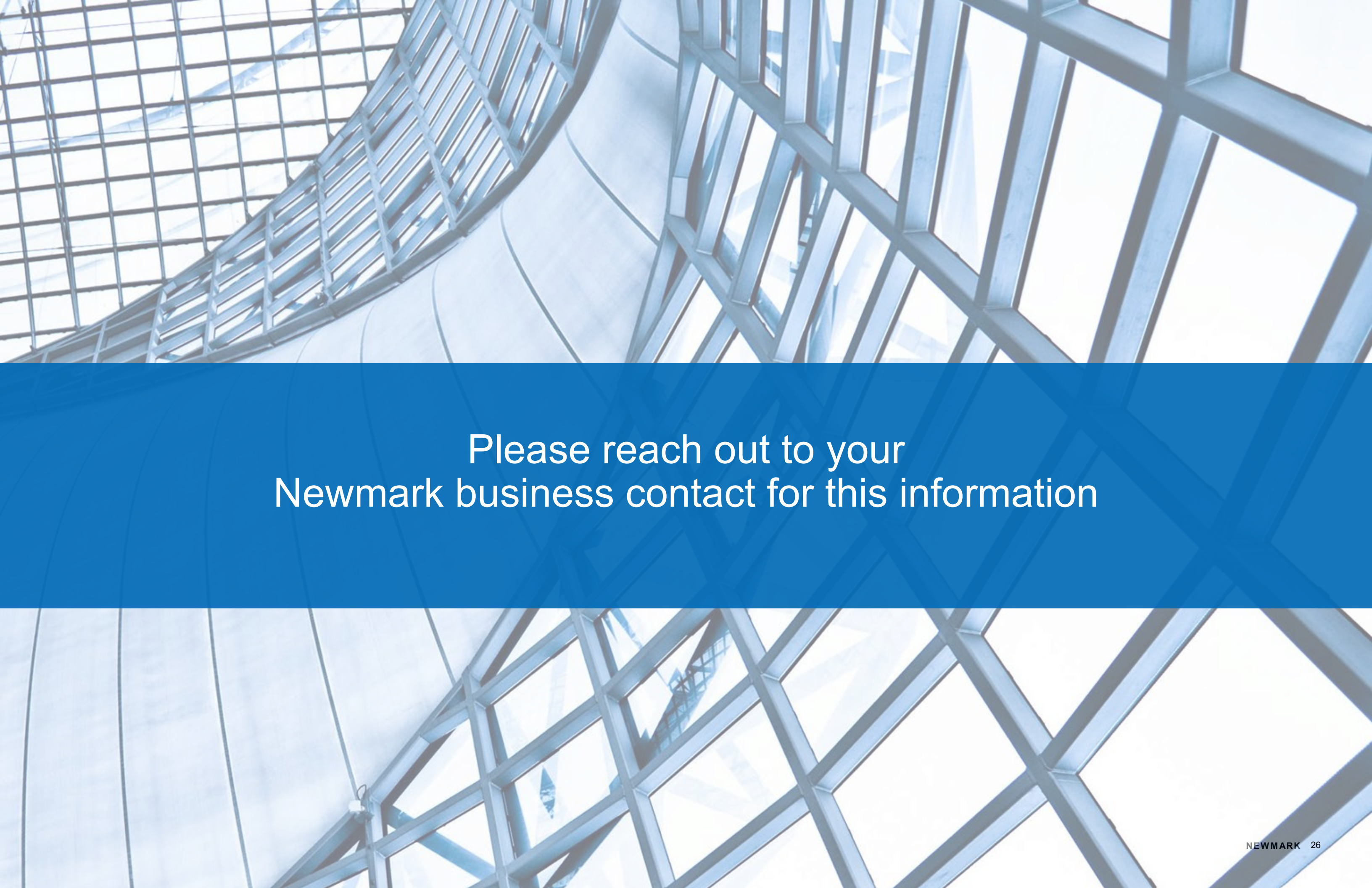
Tenant	Building(s)	Submarket	Type	Sq. ft.
Casey Family Programs	800 Fifth	Seattle CBD	Direct New	79,000
A national nonprofit focused on child welfare that signed the largest non-renewal lease year-to-date in Downtown Seattle at 800 Fifth.				
ServiceNow	4000 Carillon Point	Kirkland	Renewal	77,716
An enterprise software company integrating AI into digital workflows, renewing its lease at Carillon Point.				
Statsig	90 North	I-90 Corridor	Sublease	75,000
A tech company specializing in AI and product experimentation, subleasing a two-building campus from T-Mobile to support its in-person growth.				
Stackline	Madison Centre	Seattle CBD	Direct New	44,792
A retail analytics platform powered by AI, relocating its headquarters to Madison Centre to accommodate expansion and innovation.				
Anduril	Skyline Tower	Bellevue CBD	Sublease	39,581
A defense tech firm developing AI-driven systems, expanding into a space subleased from Meta at Skyline Tower.				

Source: Newmark Research

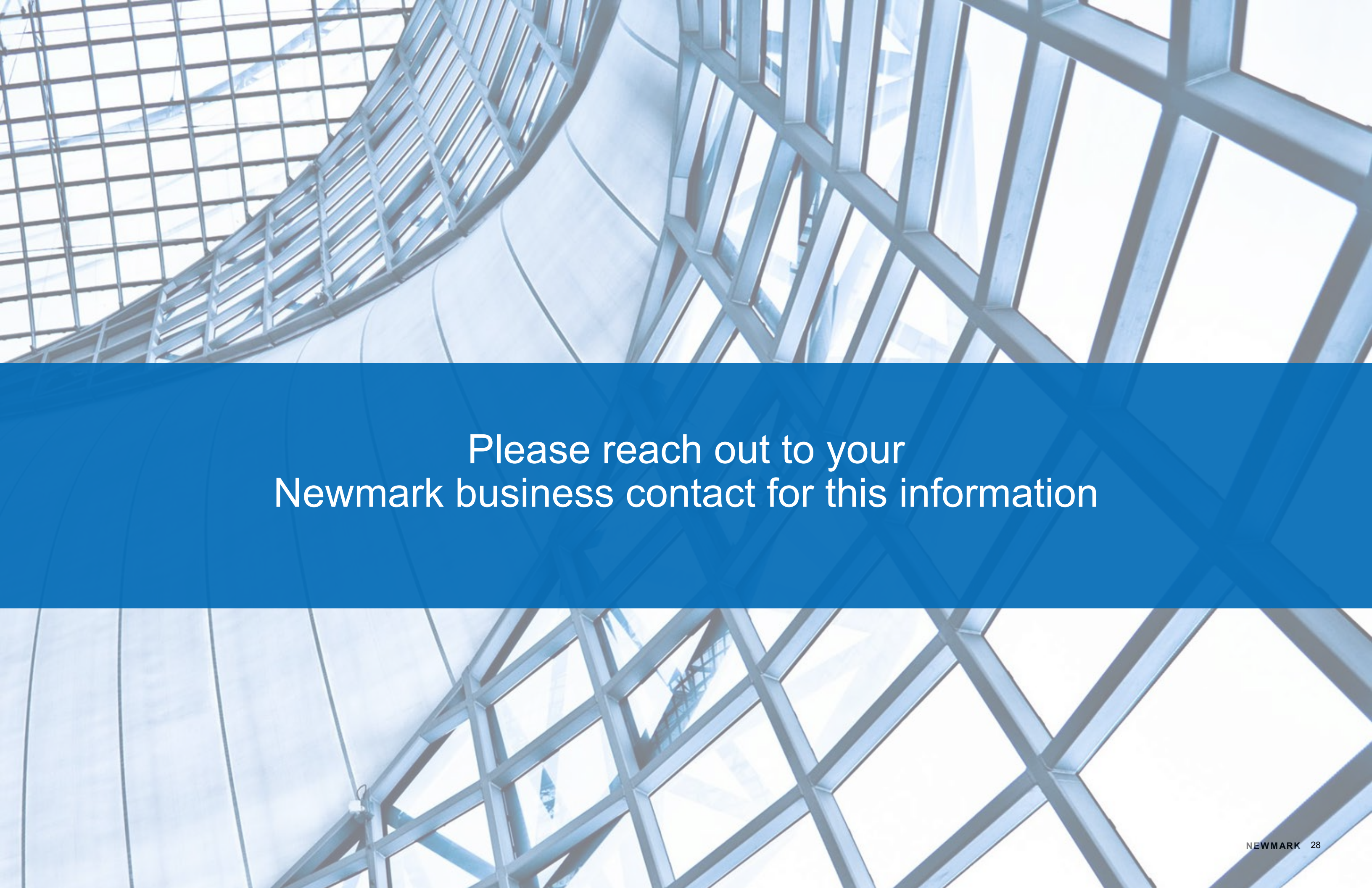
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Appendix





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