Seattle

Office Market Overview

3Q25

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Market Observations

Economy

- Seattle’s unemployment rate held steady at 4.3%, matching the national average, with office-using sectors remaining stable despite widespread layoffs.
- Growth in Education/Healthcare and Other Services is supporting urban vitality and reinforcing long-term confidence in the region’s recovery.
- Apartment occupancy in the Seattle urban core reached an all-time high, signaling densification that supports office demand and return-to-office strategies.

Leasing Market Fundamentals

- Through Q3, 2025 leasing volume reached 4.7 million square feet, trailing long-term averages but outperforming several recent post-pandemic years.
- Availability declined in four of five major submarkets, indicating that leasing is outpacing new space listings and demand is broad-based.
- Sublease availability fell from 4.3% to 3.8%, suggesting stabilization as tenants reclaim space or opt for turnkey solutions.

Major Transactions

- Amazon leased a full building at Redmond Town Center to support 1,400 employees, marking its third lease at the site.
- Databricks expanded in Bellevue, bringing its total Puget Sound office footprint to over 150,000 SF, while Milliman renewed a smaller footprint after a multi-year sublease effort.
- Several notable office buildings traded hands in the third quarter, including Esterra Park in Redmond, sold for $225M to Preylock RE Holdings. All eight highlighted transactions involved fully leased or stabilized assets, reflecting investor appetite for income-producing properties.

Outlook

- Leasing momentum is building, and Q4 performance will be key to determining whether 2025 surpasses recent annual totals.
- Employers are regaining leverage amid layoffs, leading to stronger return-to-office mandates and longer lease commitments.
- With no new general office projects underway beyond Four106 in Bellevue, future supply constraints could pressure rents and limit tenant options.

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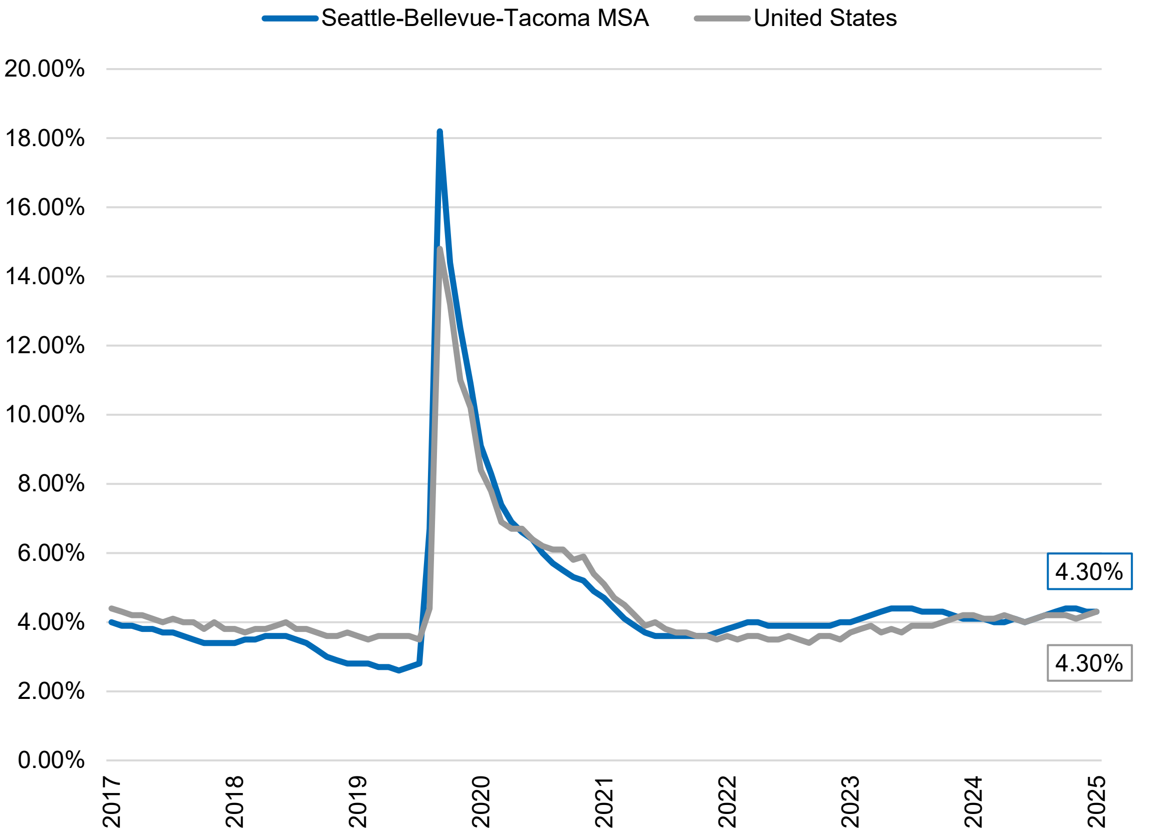
Economy

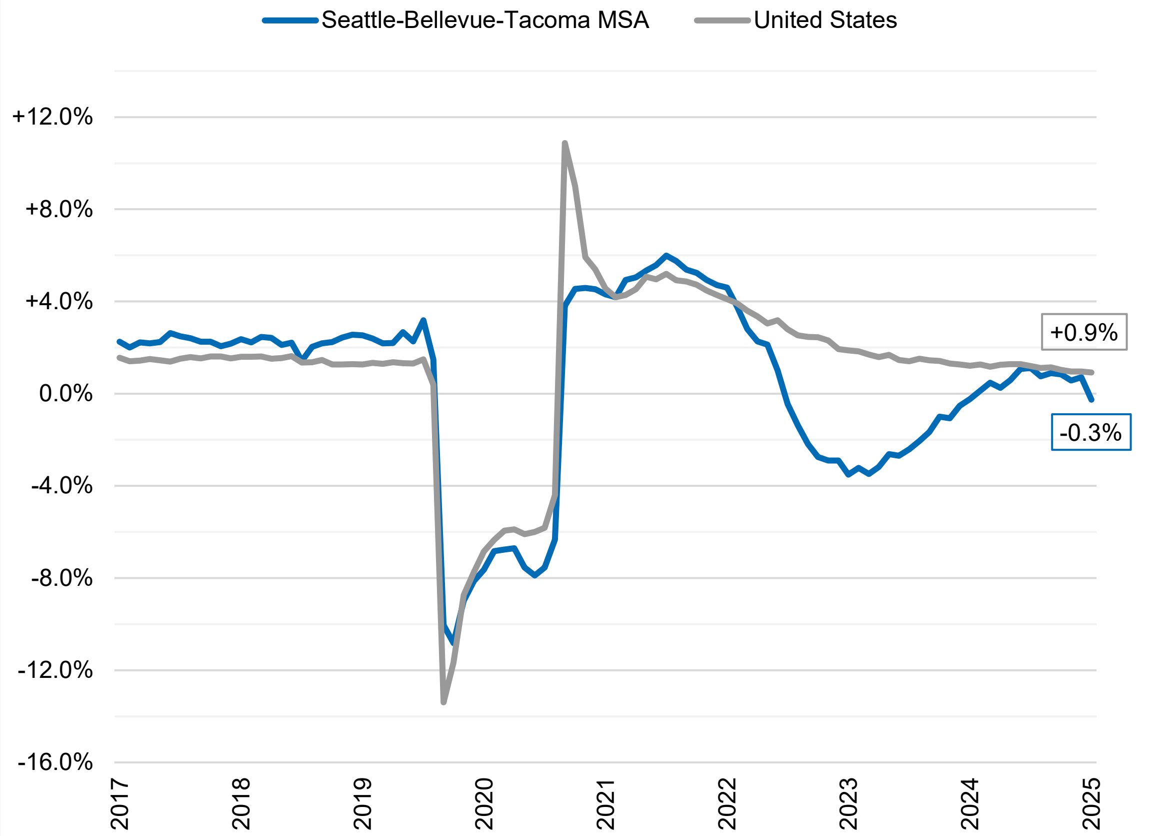
Seattle's Labor Market Holds Steady Amid Layoffs, Office-Using Employment Softens

Despite layoffs from major employers such as Microsoft, Oracle, and Salesforce, the labor force participation rate in Seattle remained stable. Apartment occupancy in the urban core reached an all-time high, supporting office demand as employers increasingly seek vibrant, talent-rich locations to anchor operations.

Unemployment Rate, Seasonally Adjusted



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

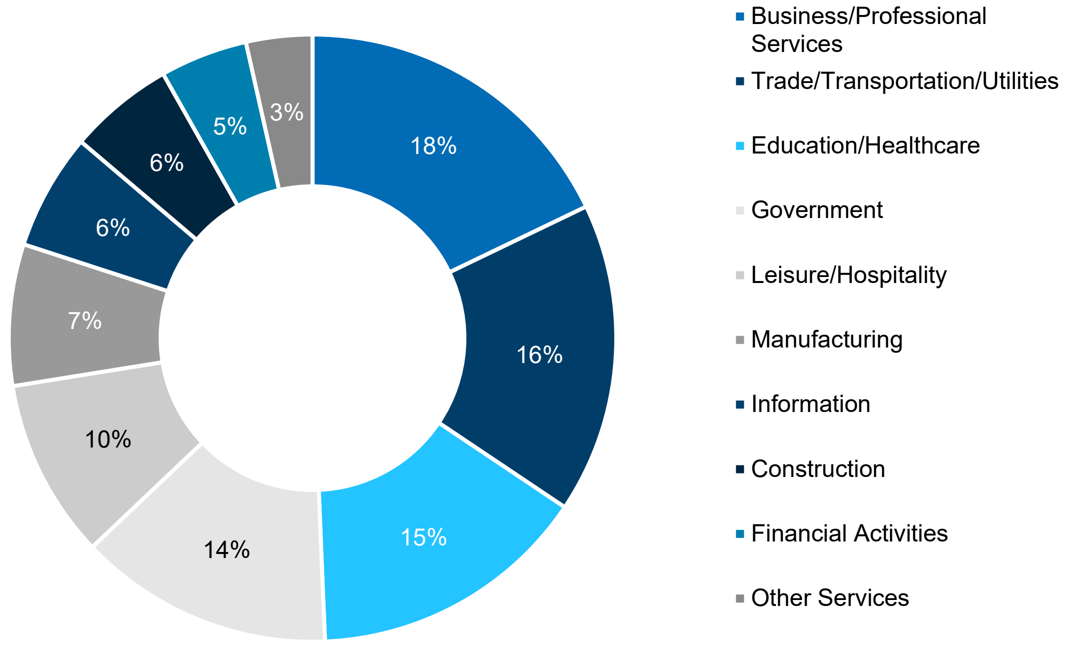


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

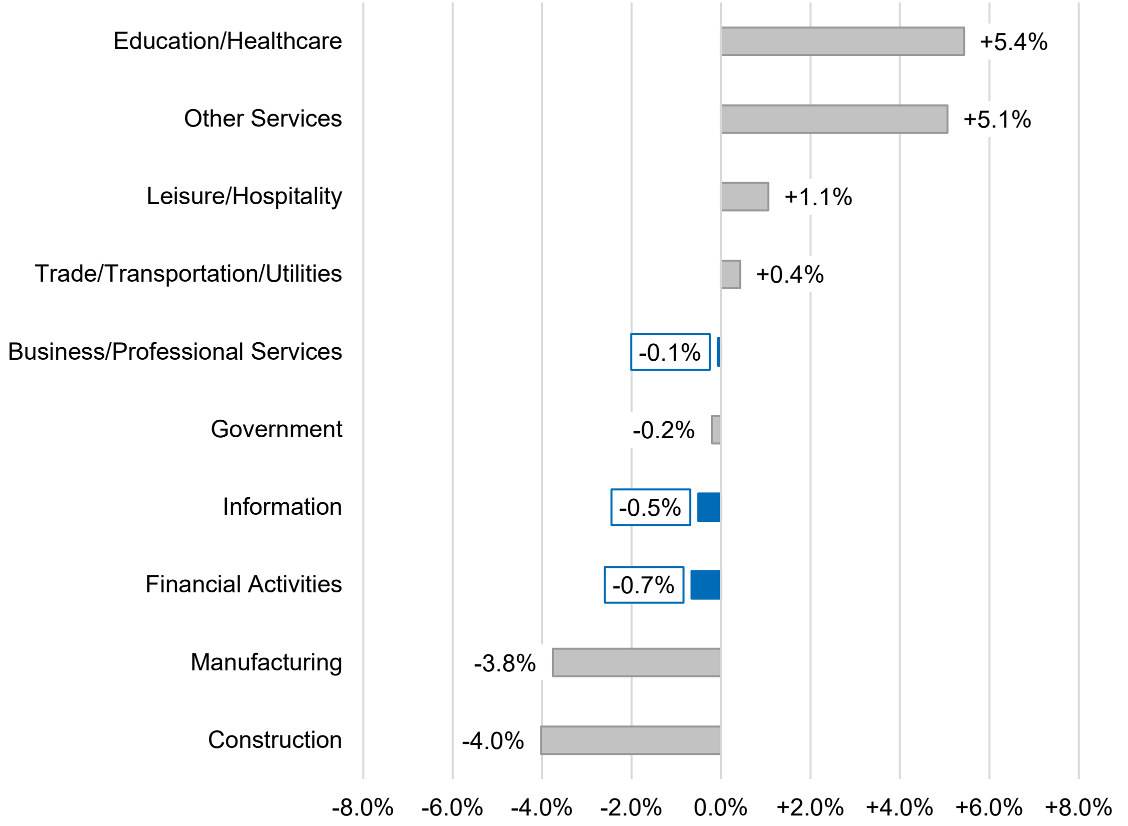
Layoffs Shift Power Dynamics and Reinforce Return-to-Office

Traditional office-using sectors—particularly professional and business services—held steady, with less than a 100-basis-point change year-over-year. Microsoft, Oracle, T-Mobile, Salesforce, and Pfizer announced cuts, while healthcare institutions like Virginia Mason and Seattle Children's also reduced headcount, potentially due to funding constraints. Despite these reductions, the unemployment rate in the Seattle-Tacoma-Bellevue area held at 4.3%, indicating continued labor force engagement.

Employment by Industry, August 2025



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

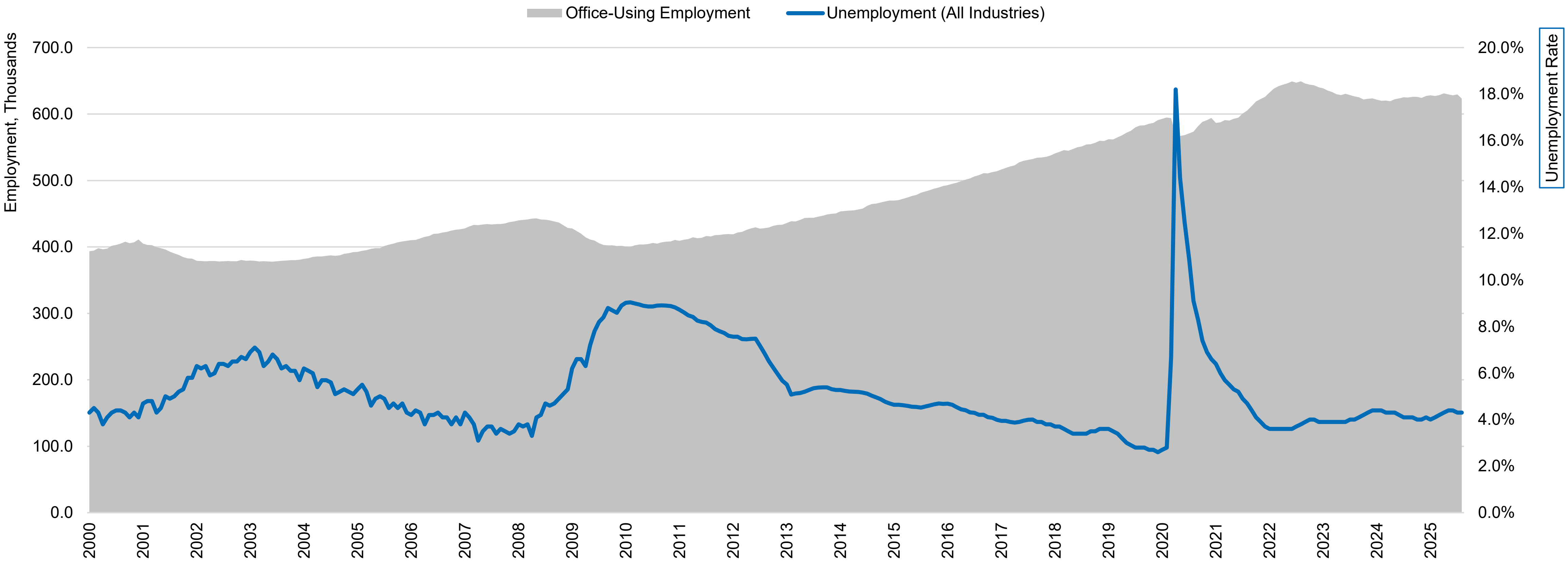


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

Growth in Other Industries Sets a Stable Foundation for Office Recovery

Seattle's unemployment rate held steady at 4.3%, matching the national average. Office-using sectors such as Business/Professional Services, Financial Activities, and Information remained stable, while growth in Education/Healthcare and Other Services is boosting urban activity. This expansion supports leasing in vibrant submarkets and reinforces long-term confidence in the region's recovery.

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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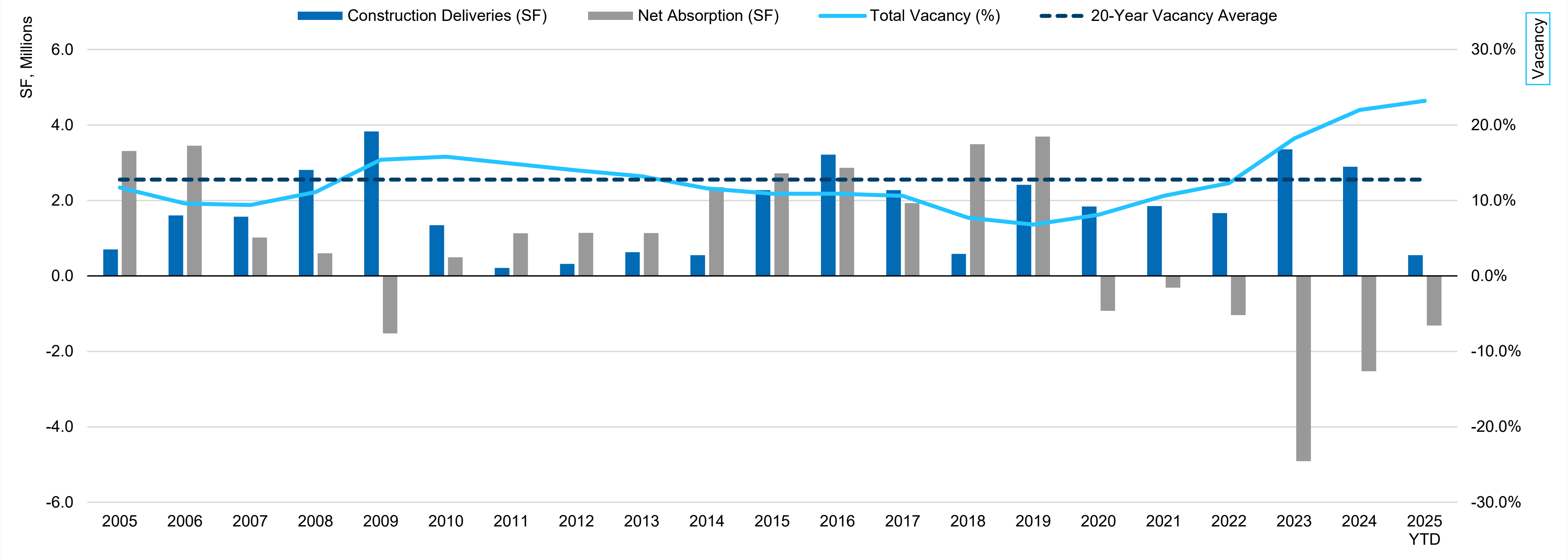
Leasing Market Fundamentals

3Q25

Large Move-Outs Are Becoming Less Frequent, Net Absorption Improving

Layoffs across sectors, especially in tech and healthcare, have shifted leverage back to employers. Many are firming up return-to-office mandates, reclaiming space previously considered excess, and signing longer-term leases. This reflects a broader economic recalibration, where companies are refining space needs rather than relinquishing them. However, there is growing concern about whether large tech firms will renew upcoming expirations, even as smaller tech companies continue to expand their presence.

Historical Construction Deliveries, Net Absorption, and Vacancy

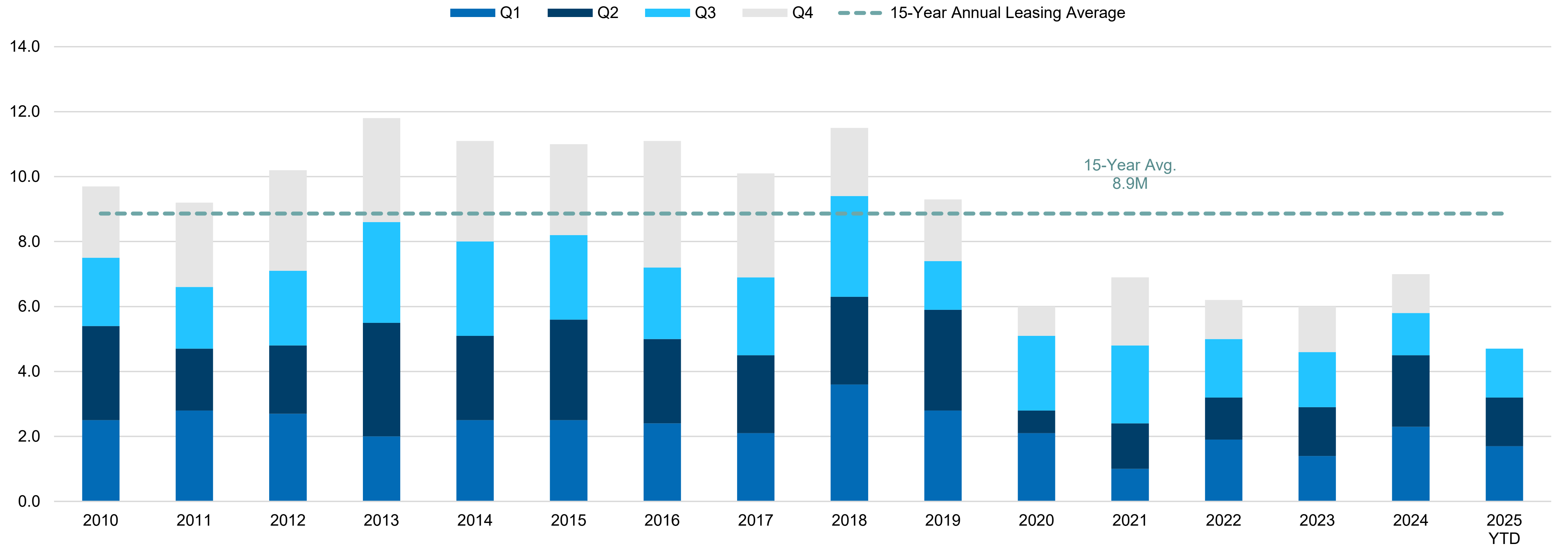


Source: Newmark Research, CoStar

Leasing Trails Recent Averages, But Momentum Is Building

Through Q3, the Puget Sound region recorded 4.7 million SF of leasing activity. While this is an improvement over the lowest-performing years, it still trails the 5-year average of 6.4 million SF and the 10-year average of 8.5 million SF. The data suggests that while leasing is not yet back to historical norms, momentum is building. If Q4 activity remains strong, 2025 could outperform recent post-pandemic years.

Total Leasing Activity (MSF)

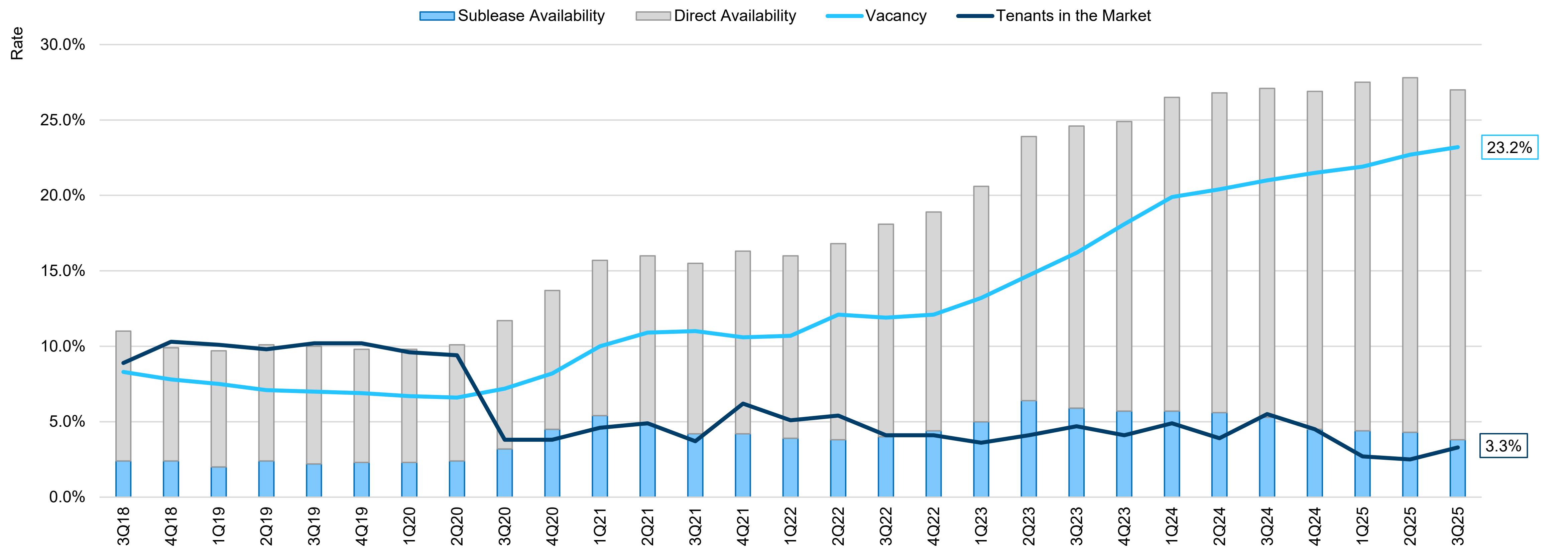


Source: Newmark Research, CoStar

Sublease Market Shows Signs of Stabilization

Sublease availability fell from 4.3% to 3.8% quarter-over-quarter, suggesting the wave of space relinquishment may be cresting. With fewer new sublease listings, the market appears to be stabilizing. Demand remains strong for turnkey, move-in-ready space, particularly among smaller tech firms and cost-conscious tenants. Many are choosing to renew or reconfigure space rather than offload it, especially in amenity-rich buildings.

Available Space and Tenant Demand as Percent of Overall Market

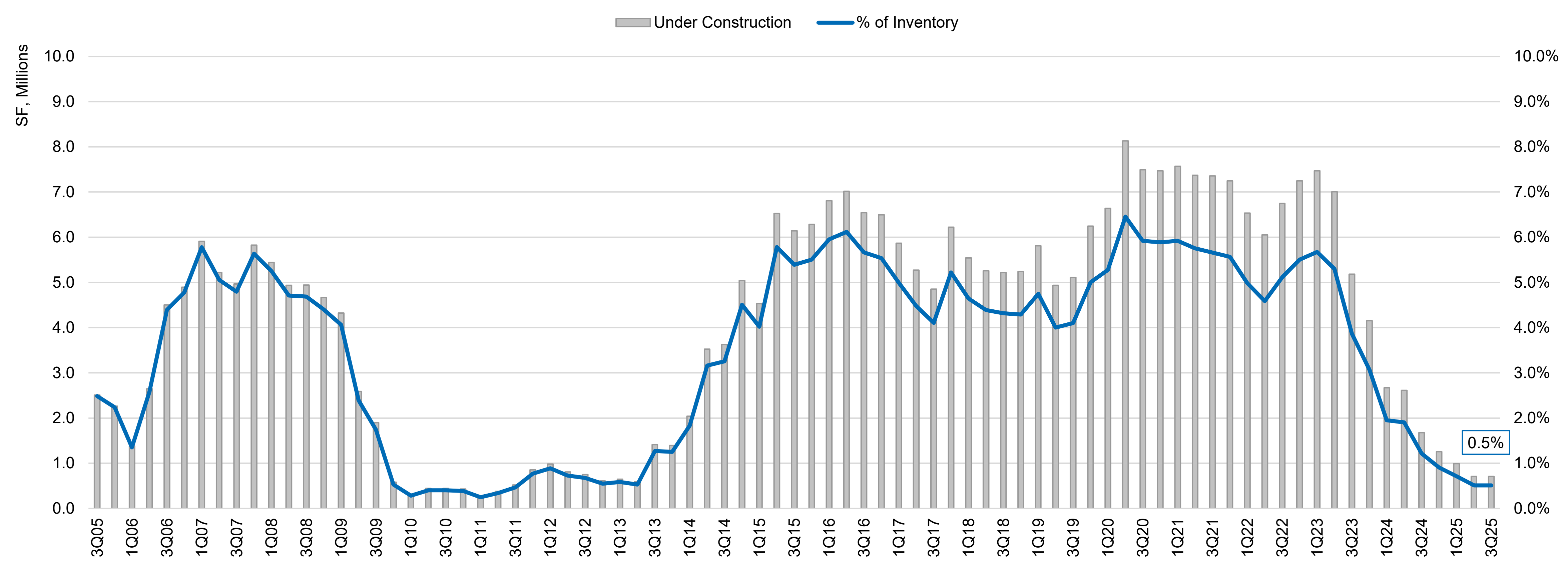


Source: Newmark Research, CoStar

Future Supply Constraints Could Pressure Rates

The Puget Sound office market has no new general office projects under construction, except for Four106 in Bellevue, which will deliver 479,000 SF in Q4 2025. This construction freeze reflects elevated interest rates and a cautious investment climate. As demand for premium space rises, limited new supply could lead to rent pressure and fewer options for tenants.

Office Under Construction and Percentage of Inventory

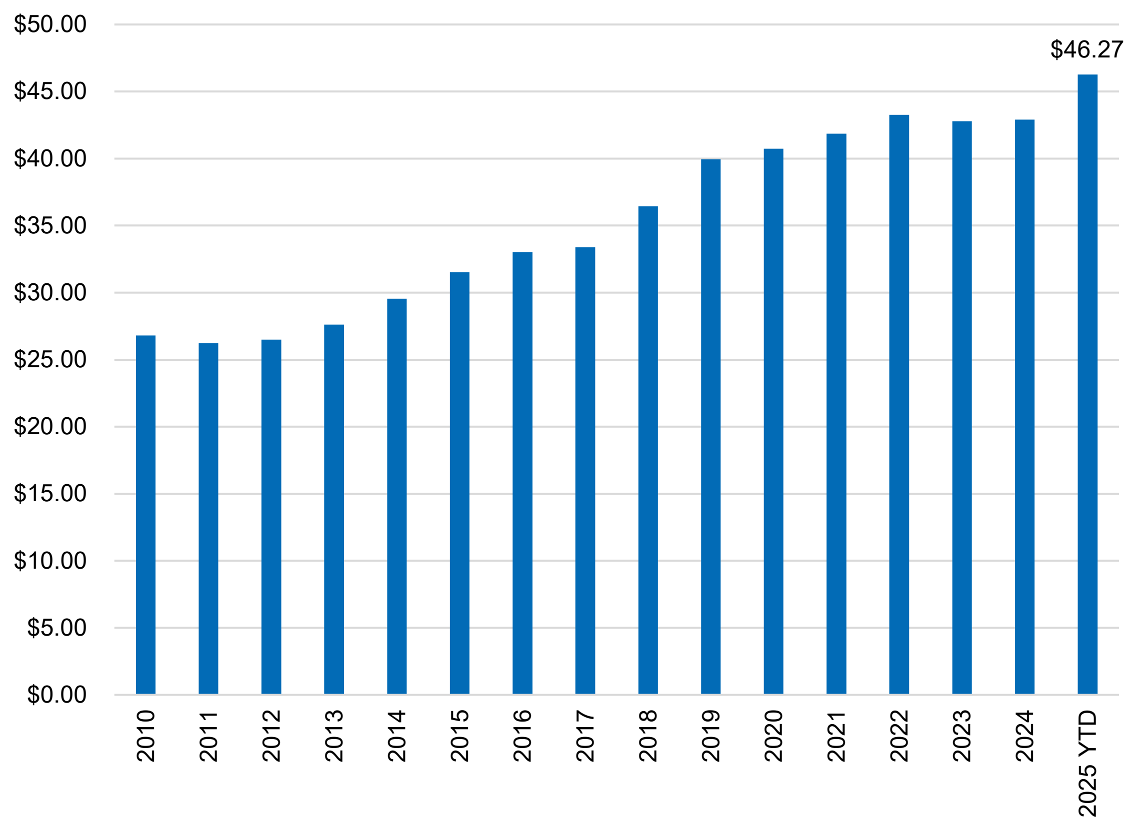


Source: Newmark Research, CoStar

Rent Gap Highlights Diverging Market Strengths

Class A asking rates in Bellevue CBD rose to $66.53 PSF/year full-service, up 8.5% year-over-year, driven by sustained demand for premium space. Seattle's Class A average rose modestly to $51.62 PSF/year, a 3.1% increase, reflecting softer demand in commodity assets and elevated vacancy. The widening rent gap underscores Eastside's continued appeal to growing tech users, while Seattle's recovery is led by traditional users and smaller firms.

Office Average Asking Rent ($/SF/Yr, FS)



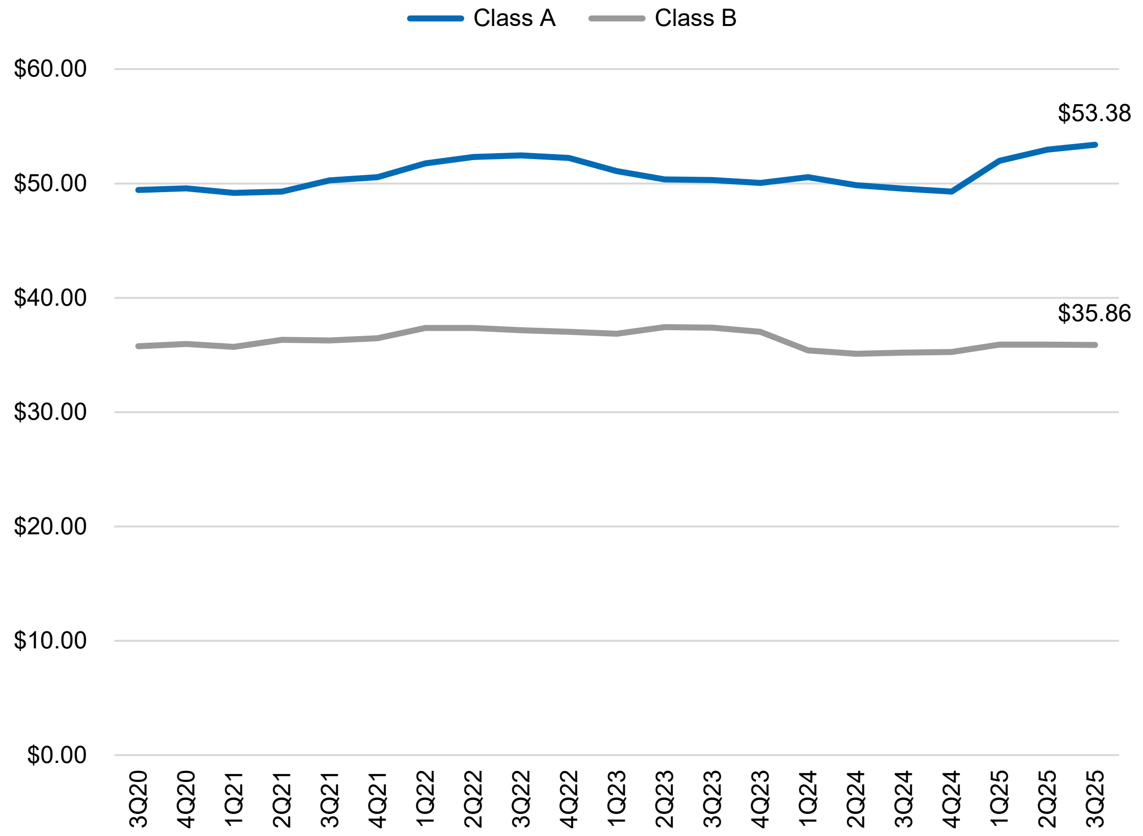
Year-over-Year Asking Rent Growth Rate

Source: Newmark Research, CoStar

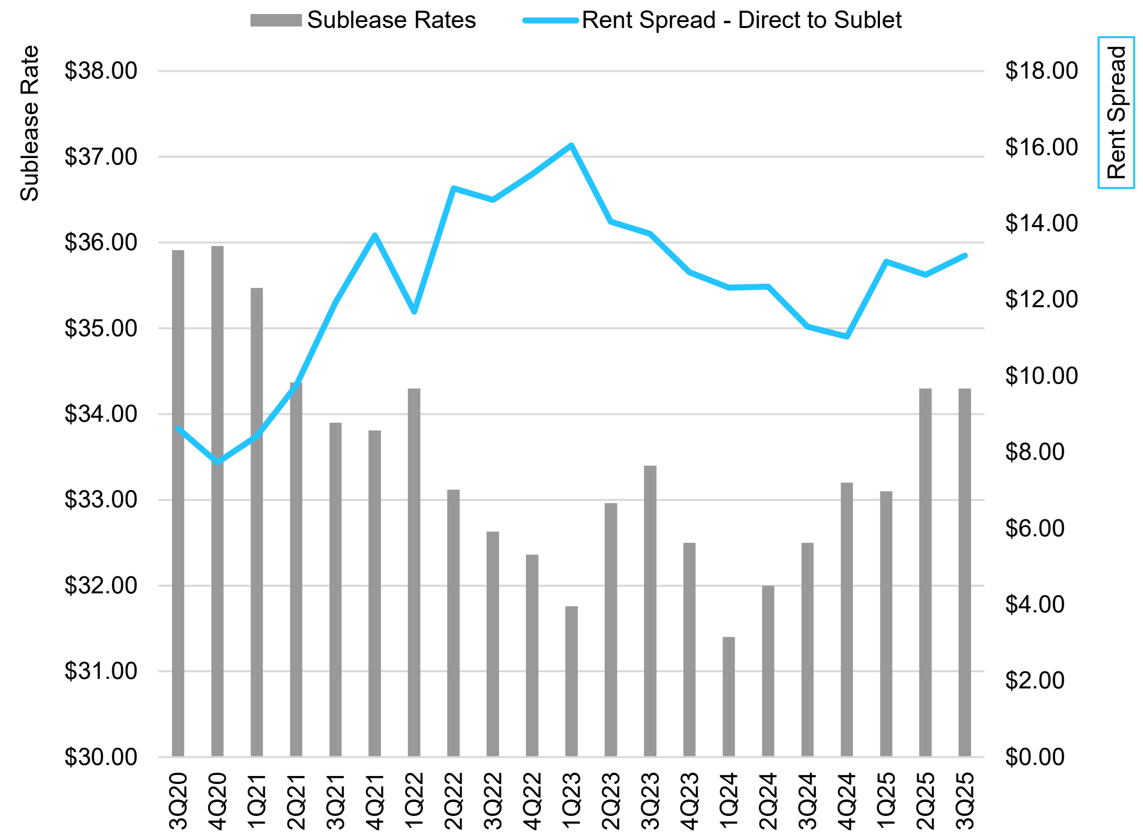
Quality Within Class A Defines Market Performance

Class A+ buildings are thriving, supported by strong demand and stable rates due to superior location, amenities, and tenant experience. In contrast, commodity Class A and Class A-assets—often older or less centrally located—are weighing down overall performance. Surprisingly, Class B buildings show lower vacancy and availability, benefiting from affordability and flexibility. The market is increasingly segmented by quality, not just class.

Class A and Class B Direct Asking Rates



Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
Amazon	Redmond Town Center – Bldg 2	Redmond	Direct New	76,899
Amazon leased its third building at Redmond Town Center, formerly occupied by AT&T, to support 1,400 employees at its growing hub.				
Milliman	Rainier Tower	Seattle CBD	Renewal/Contraction	65,499
Milliman downsized by 51% after marketing its 134,490 SF space for sublease for over two years, renewing a smaller footprint at Rainier Tower.				
Stoel Rives	Tower 1201	Seattle CBD	Direct New	55,000
Stoel Rives will relocate to Tower 1201 in summer 2026, downsizing from its previous 77,773 SF across four floors at One Union Square.				
Portal Space Systems	Monte Villa Farms – 3301 Bldg	Bothell/Kenmore	Direct New	51,792
Portal Space Systems leased a mixed-use office/lab space in Bothell to support facility and workforce expansion beyond its existing 8,000 SF testing site.				
Databricks	City Center Bellevue	Bellevue CBD	Direct New/Expansion	37,497
Databricks expanded its Bellevue footprint, bringing its total Puget Sound office presence to over 150,000 SF.				

Source: Newmark Research, CoStar

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Appendix / Tables

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