
4Q24

Seattle Office Market Overview



NEWMARK

Market Observations

Economy

- The unemployment rate in the Seattle-Tacoma-Bellevue MSA decreased over the fourth quarter but remains 20 basis points over the national average at 4.4%.
- While the Seattle-Tacoma-Bellevue MSA experienced employment growth across most sectors, the information sector continues to lag with a contraction of 1.7% over the last 12 months.
- Office-using employment levels in 2024 were lower than those seen the year prior, as unemployment rose 40 basis points year-over-year.

Major Transactions

- Leasing activity for the fourth quarter reached 1.2 million square feet, bringing the total volume for 2024 to 6.8 million square feet. Although leasing remains below historical averages, 2024 marked the best year for leasing activity since 2021.
- Seattle saw its largest post-pandemic lease, with Apple signing to take over 193,000 square feet of space previously occupied by Meta at Arbor Blocks West.
- Throughout 2024, the Eastside has seen tech occupiers fill the void left by Microsoft's exit. The year brought several large deals, including major footprints for Snowflake, Pokemon, and TikTok.

Leasing Market Fundamentals

- The Puget Sound office market saw a 150-basis-point increase in vacancy rates during the fourth quarter of 2024, reaching 21.2%, accompanied by a net negative absorption of 276,927 square feet.
- Rents in the Puget Sound market remained under downward pressure in the fourth quarter of 2024, with average asking rates falling to \$43.61 per square foot, a year-over-year decrease of 3.1%.
- Tenant demand remained stable throughout 2024, with active requirements hovering around 5.0% of the overall market inventory. Available sublease space decreased over the quarter with 6.3 million square feet of available space remaining.

Outlook

- There is an ongoing shift toward superior properties, notably trophy structures with minimal debt obligations. Even though rents have dropped overall, A+ asset rates have shown resilience.
- The slowdown in construction over the next two years offers opportunity for the supply and demand levels in the market to restabilize, leading to lower vacancy rates in the long-term.
- Return-to-work efforts will continue to boost the region's recovery. Amazon's mandate requiring 5 days per week in-office is set to take effect in 2025.

1. Economy
2. Leasing Market Fundamentals
3. Appendix / Tables

4Q24

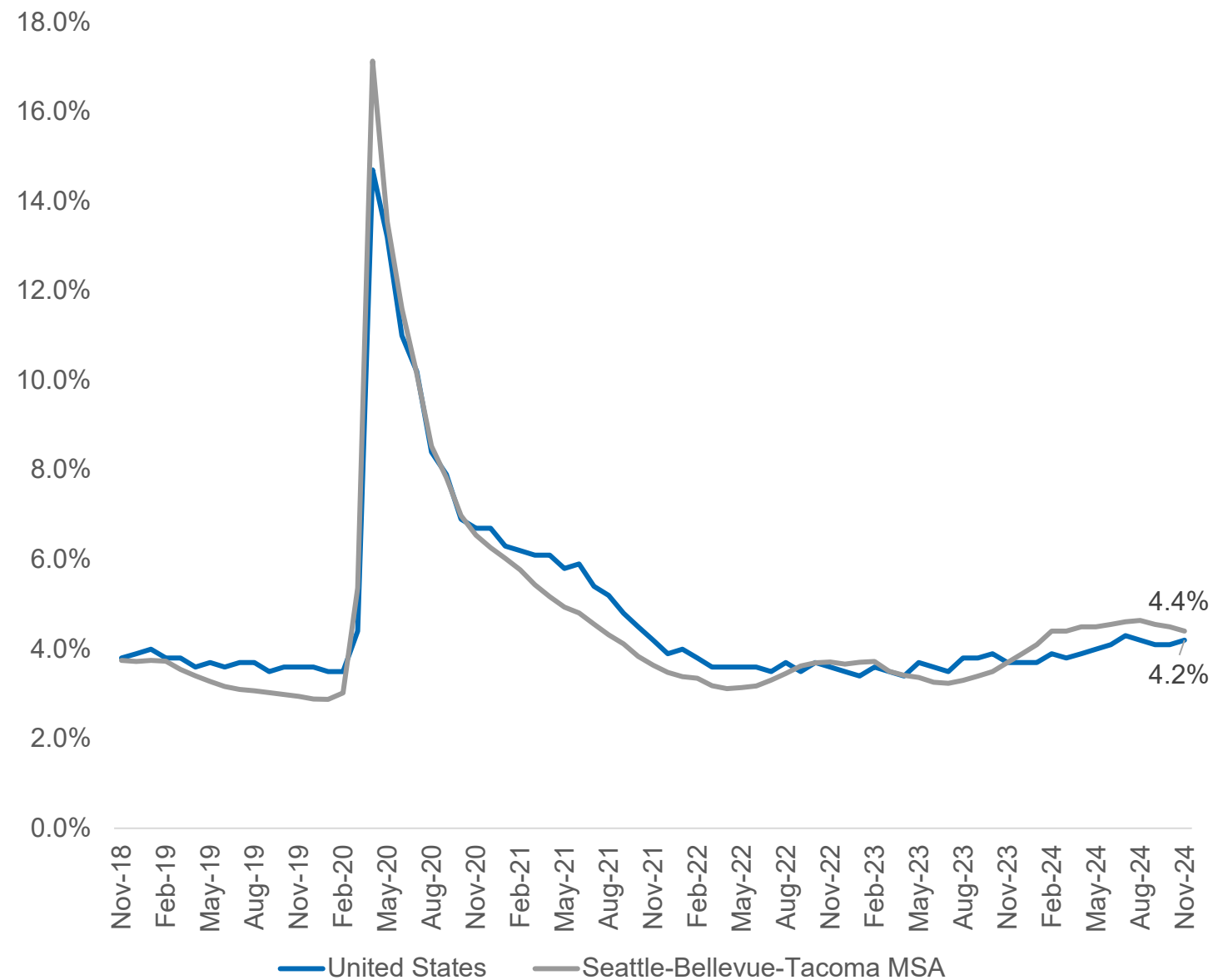
Economy



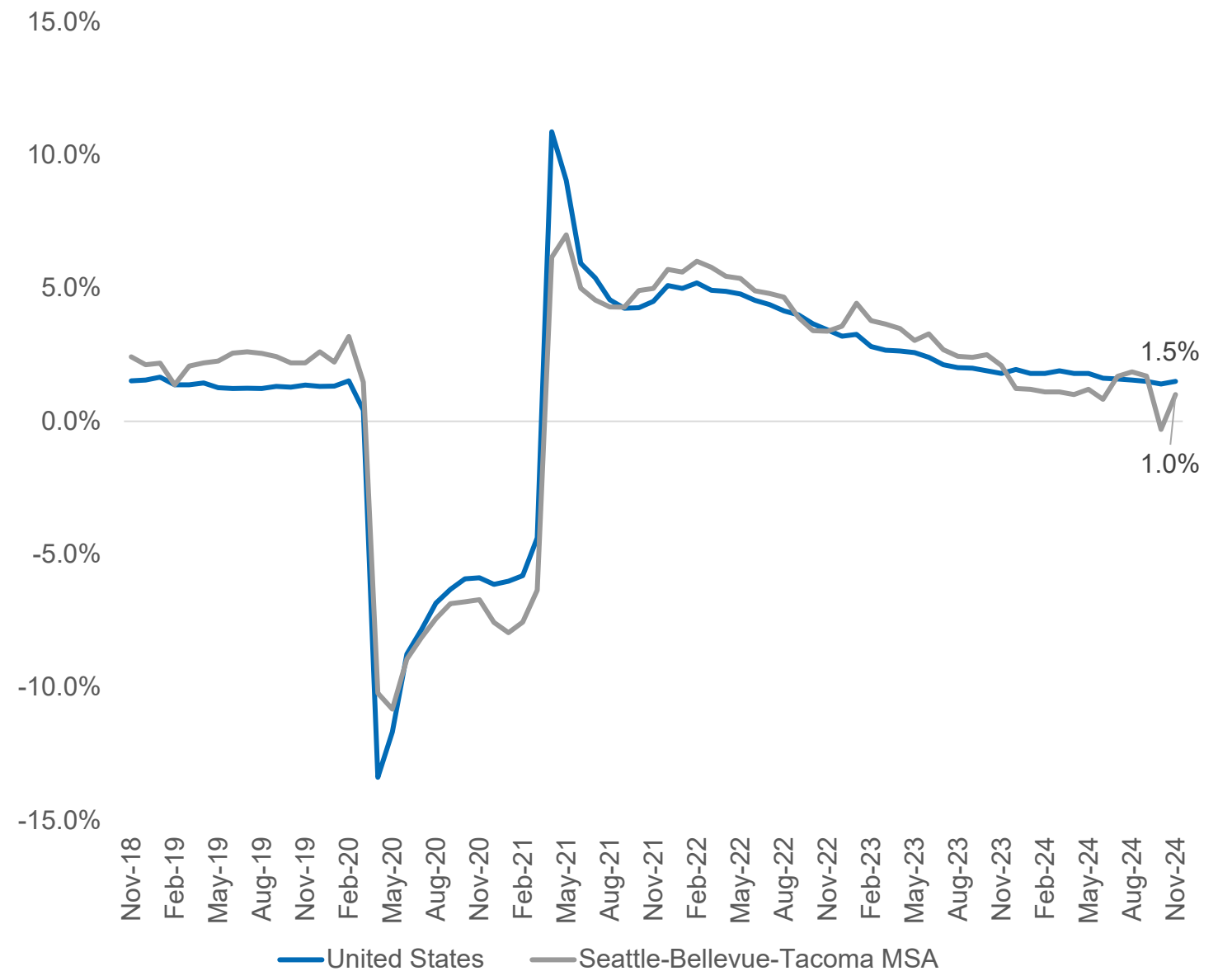
Regional Unemployment Decreases in Fourth Quarter

The unemployment rate in the Seattle-Tacoma-Bellevue MSA decreased over the fourth quarter but remains 20 basis points over the national average at 4.4%.

Unemployment Rate, Seasonally Adjusted



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

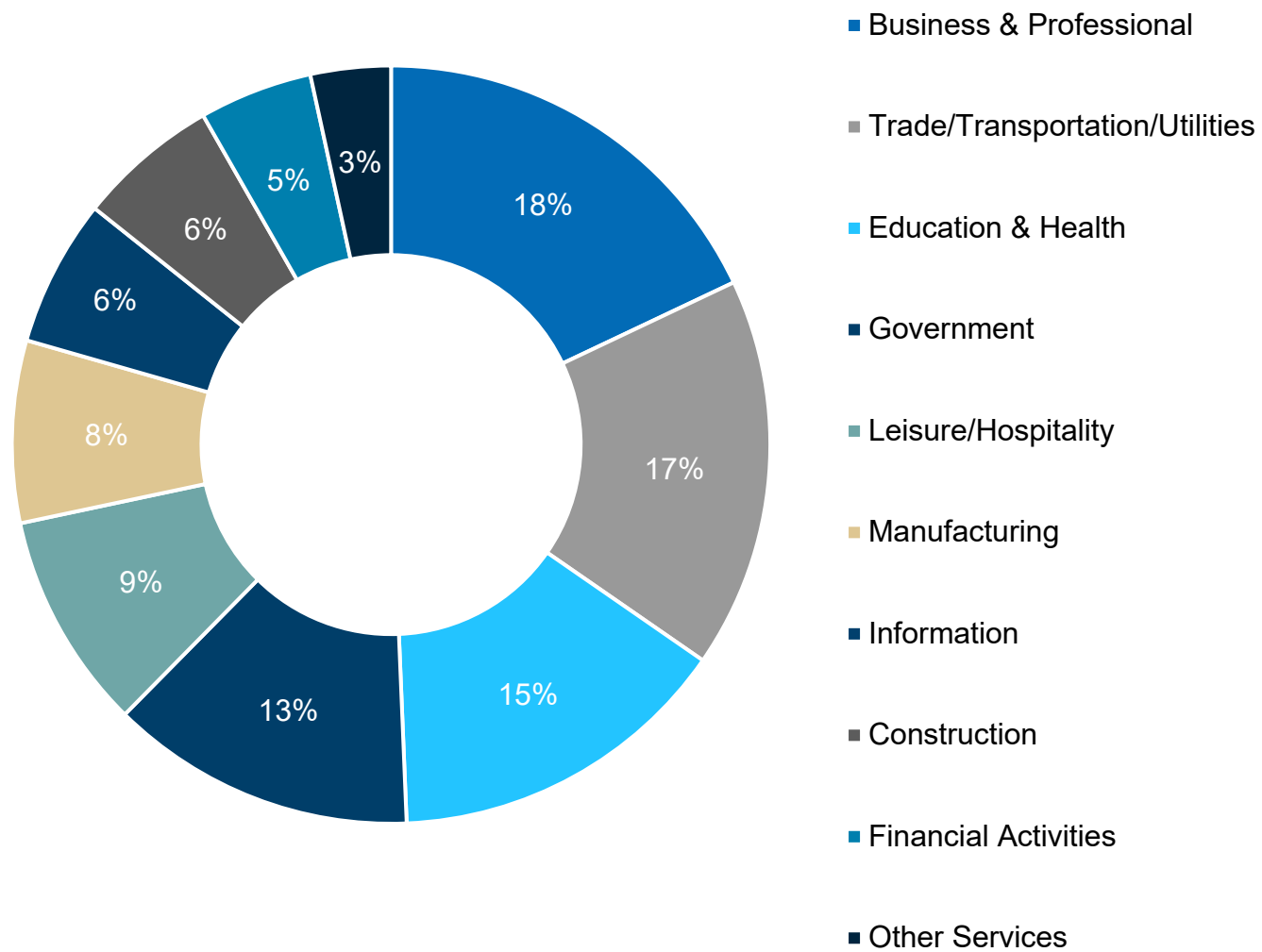


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

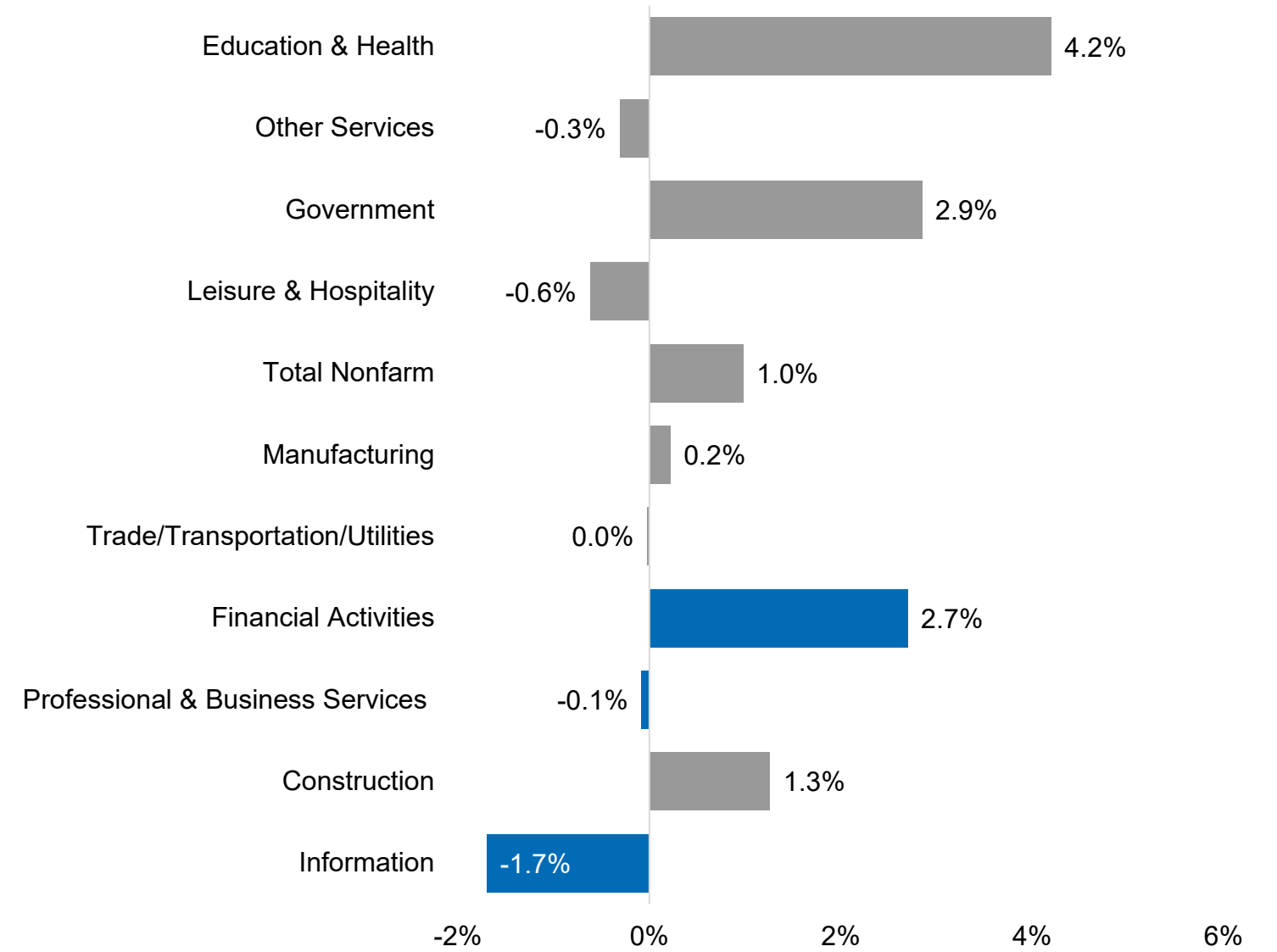
Information Sector Contracts Amid Regional Growth

While the Seattle-Tacoma-Bellevue MSA experienced employment growth across most sectors, the information sector continues to lag with a contraction of 1.7% over the last 12 months.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

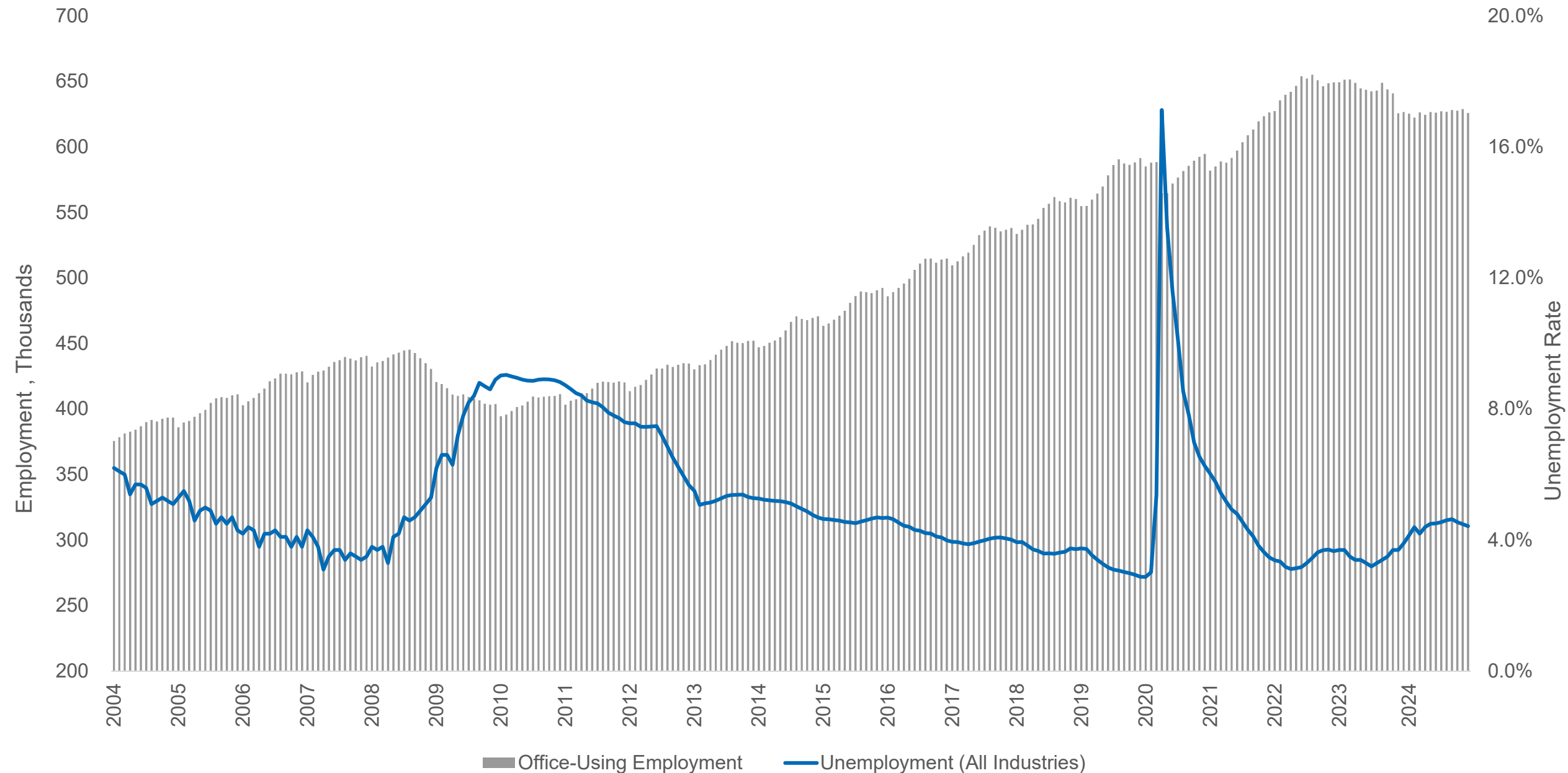


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

Overall Office-Using Employment Lower than 2023

Office-using employment levels in 2024 were lower than those seen the year prior, as unemployment rose 40 basis points year-over-year.

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.

4Q24

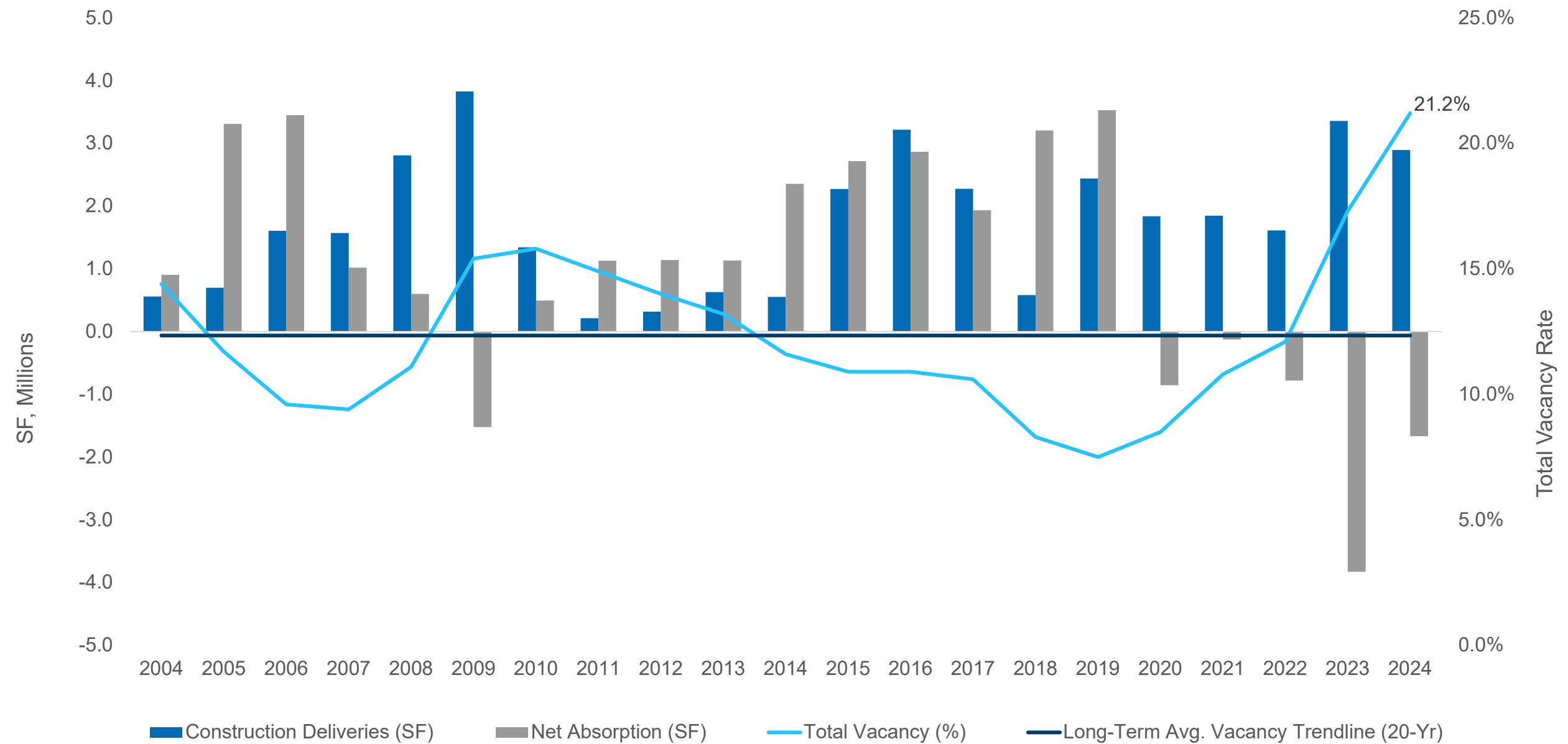
Leasing Market Fundamentals



Improved Annual Absorption Signals Progress

The Puget Sound office market saw a 150-basis-point increase in vacancy rates during the fourth quarter of 2024, reaching 21.2%, accompanied by a net negative absorption of 276,927 square feet. These figures underscore persistent challenges in tenant demand and falling occupancy levels throughout the region. However, annual absorption figures reveal notable progress compared to 2023, signaling early signs of stabilization or a potential recovery in the market.

Historical Construction Deliveries, Net Absorption, and Vacancy

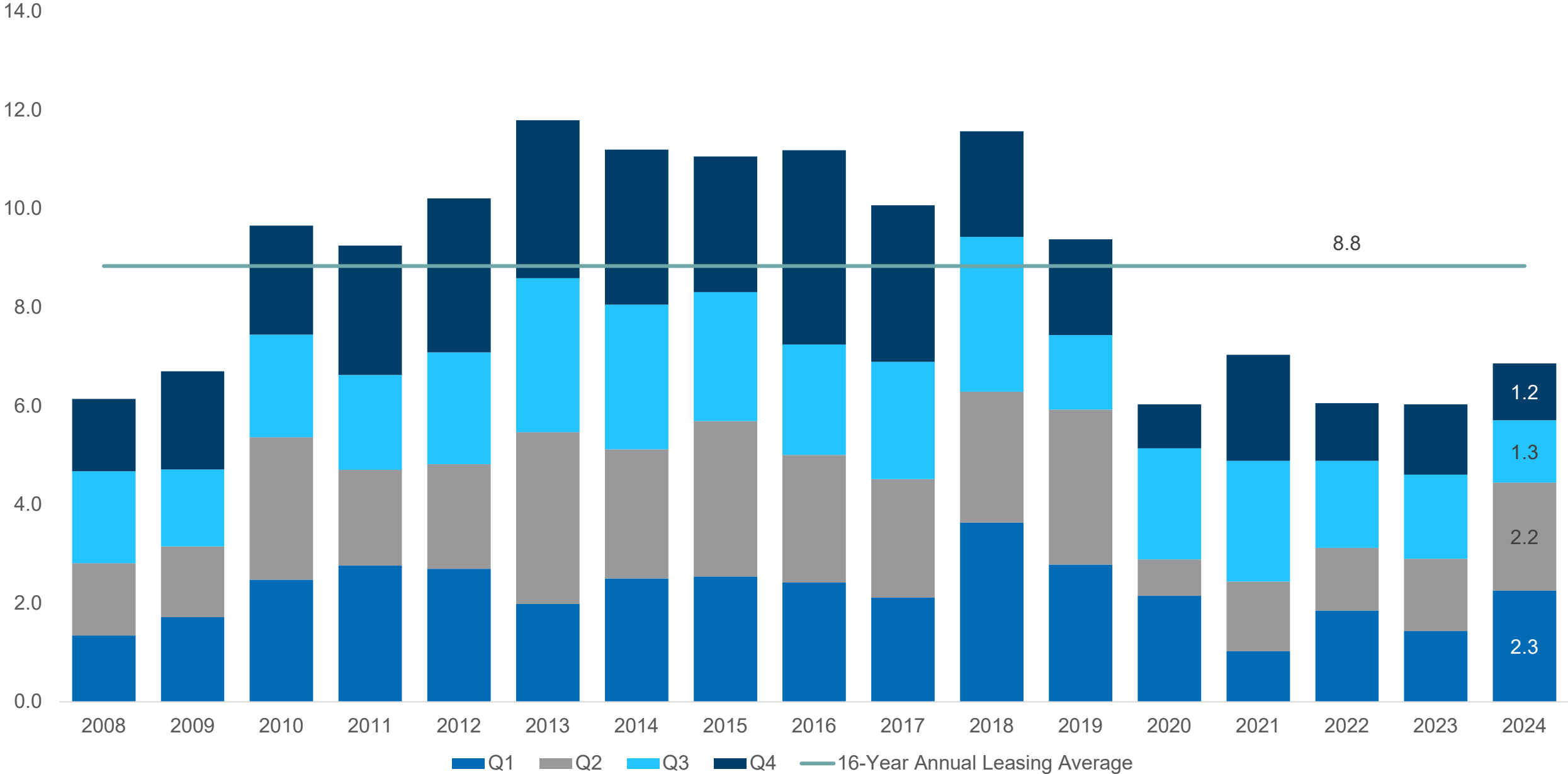


Source: Newmark Research, CoStar

Year-to-Date Leasing Highest Volume in Three Years

Leasing activity for the fourth quarter reached 1.2 million square feet, bringing the total volume for 2024 to 6.8 million square feet. Although leasing remains below historical averages, 2024 marked the best year for leasing activity since 2021, when the volume reached 7.0 million square feet.

Total Leasing Activity (msf)



Source: Newmark Research, CoStar

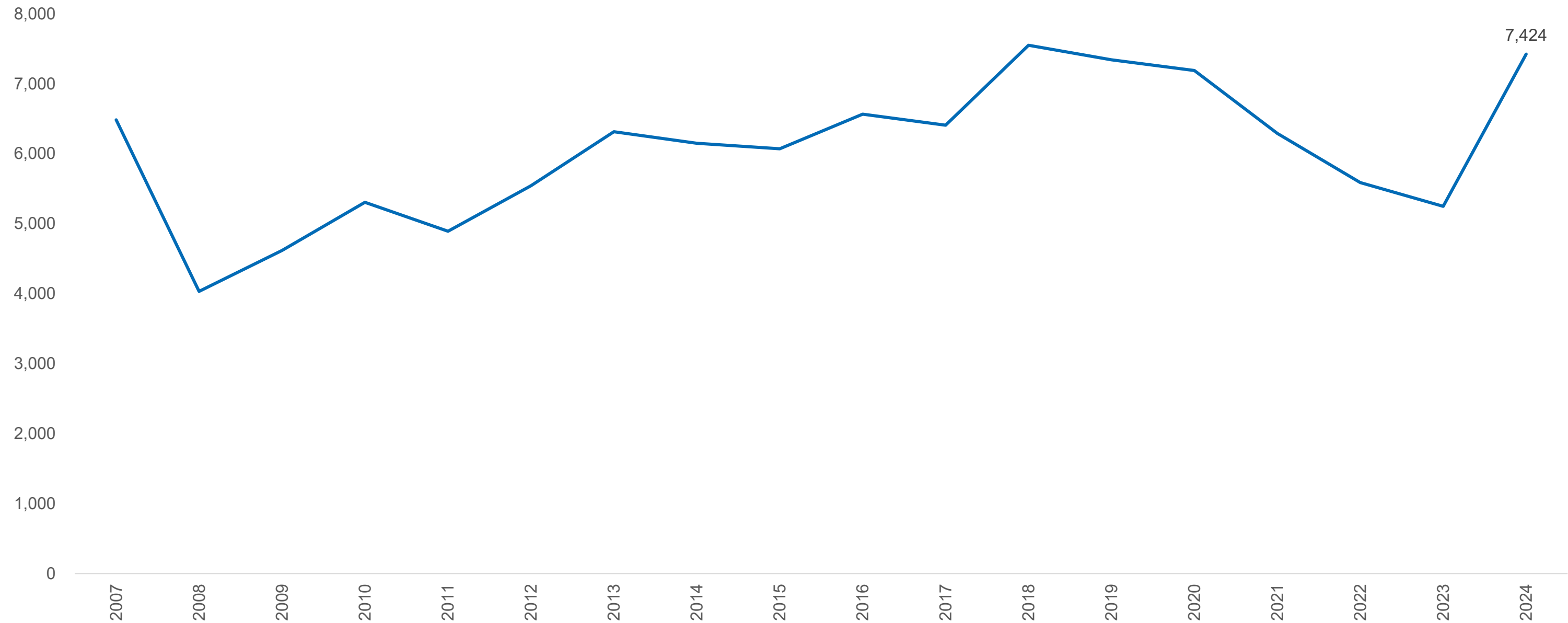


Please reach out to your
Newmark business contact for this information

Average Footprint Grows Year-Over-Year

The average lease size in the fourth quarter increased to 7,424 square feet, approaching the high seen in 2018. Although most deals in the region remain smaller, several large leases elevated the average. Notable tenants included major tech companies such as Pokémon, Snowflake, TikTok, and Apple.

Average Lease Size (sf)

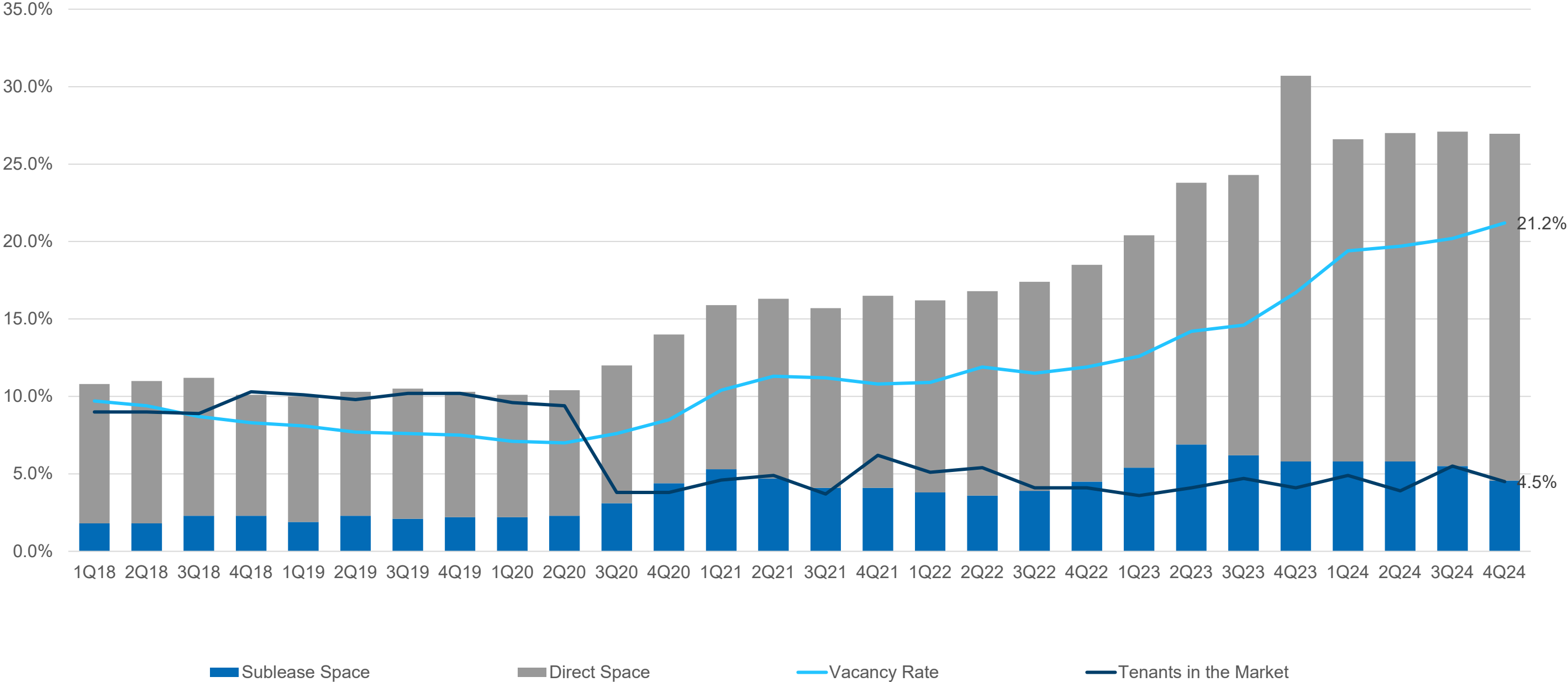


Source: Newmark Research, CoStar

Tenant Demand Remains Stable, Sublease Availability Declines

Tenant demand remained stable throughout 2024, hovering around 5.0% of the overall market. Available sublease space decreased over the quarter with 6.3 million square feet of available space remaining.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research, CoStar

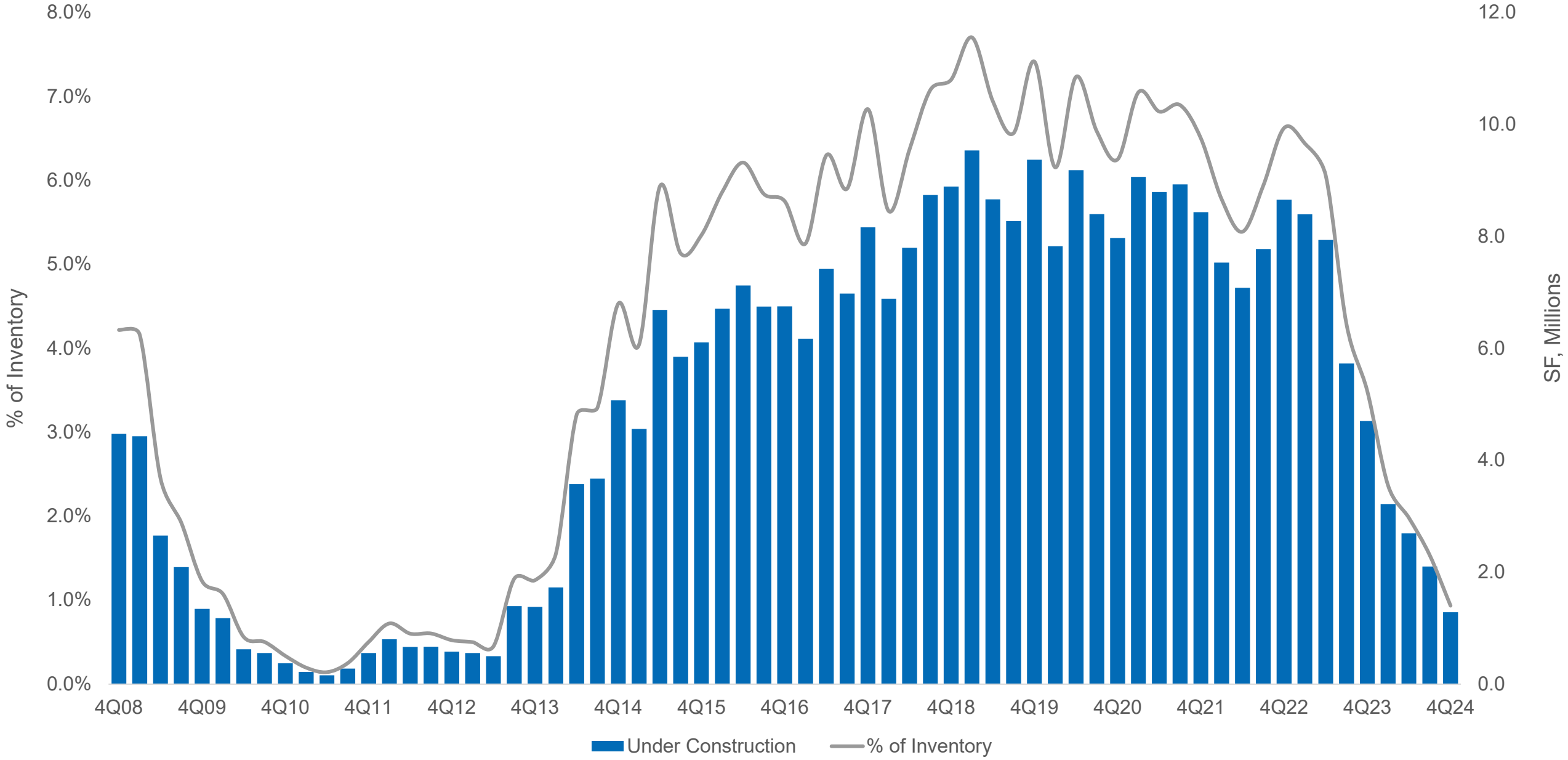


Please reach out to your
Newmark business contact for this information

Slowdown in Construction May Rebalance Supply

New starts have significantly slowed in response to rising vacancy and market uncertainty, with only 1.3 million square feet of space under construction. The slowdown in deliveries over the next two years offers an opportunity to rebalance supply and demand in the market and see vacancy rates decrease.

Office Under Construction and % of Inventory

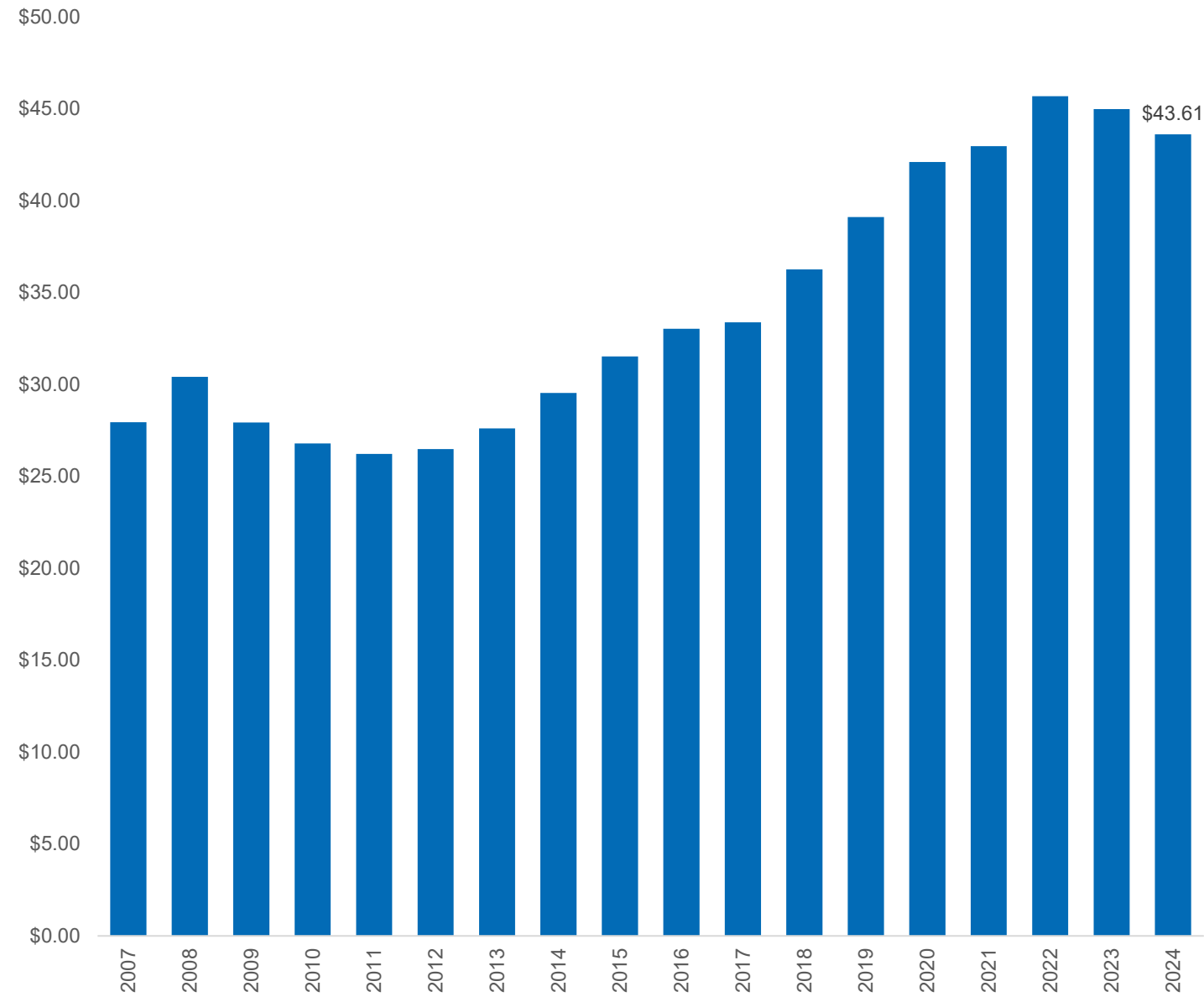


Source: Newmark Research, CoStar

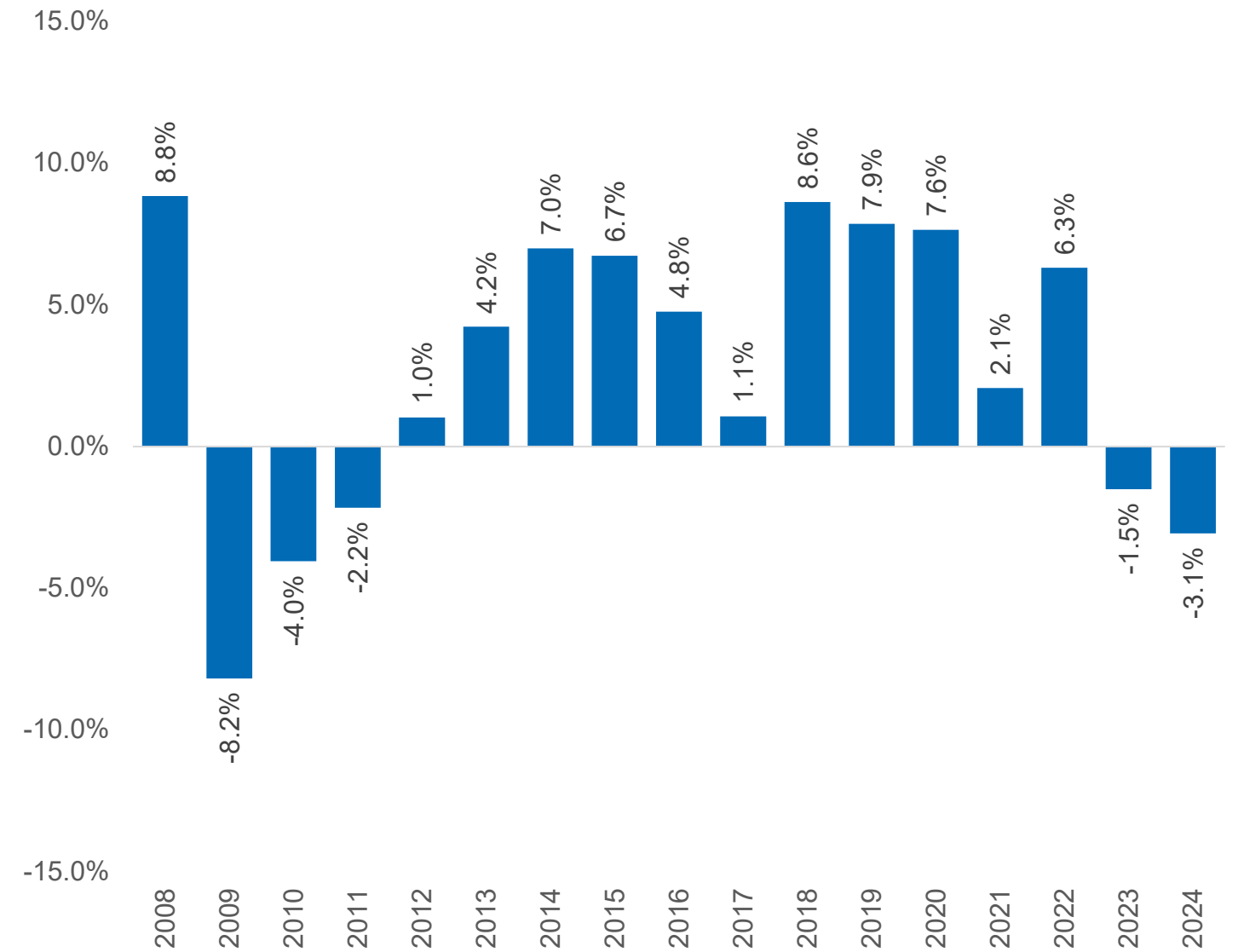
Asking Rents Down Year-Over-Year

Rents in the Puget Sound market remained under downward pressure in the fourth quarter of 2024, with average asking rates falling to \$43.61 per square foot, a year-over-year decrease of 3.1%.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

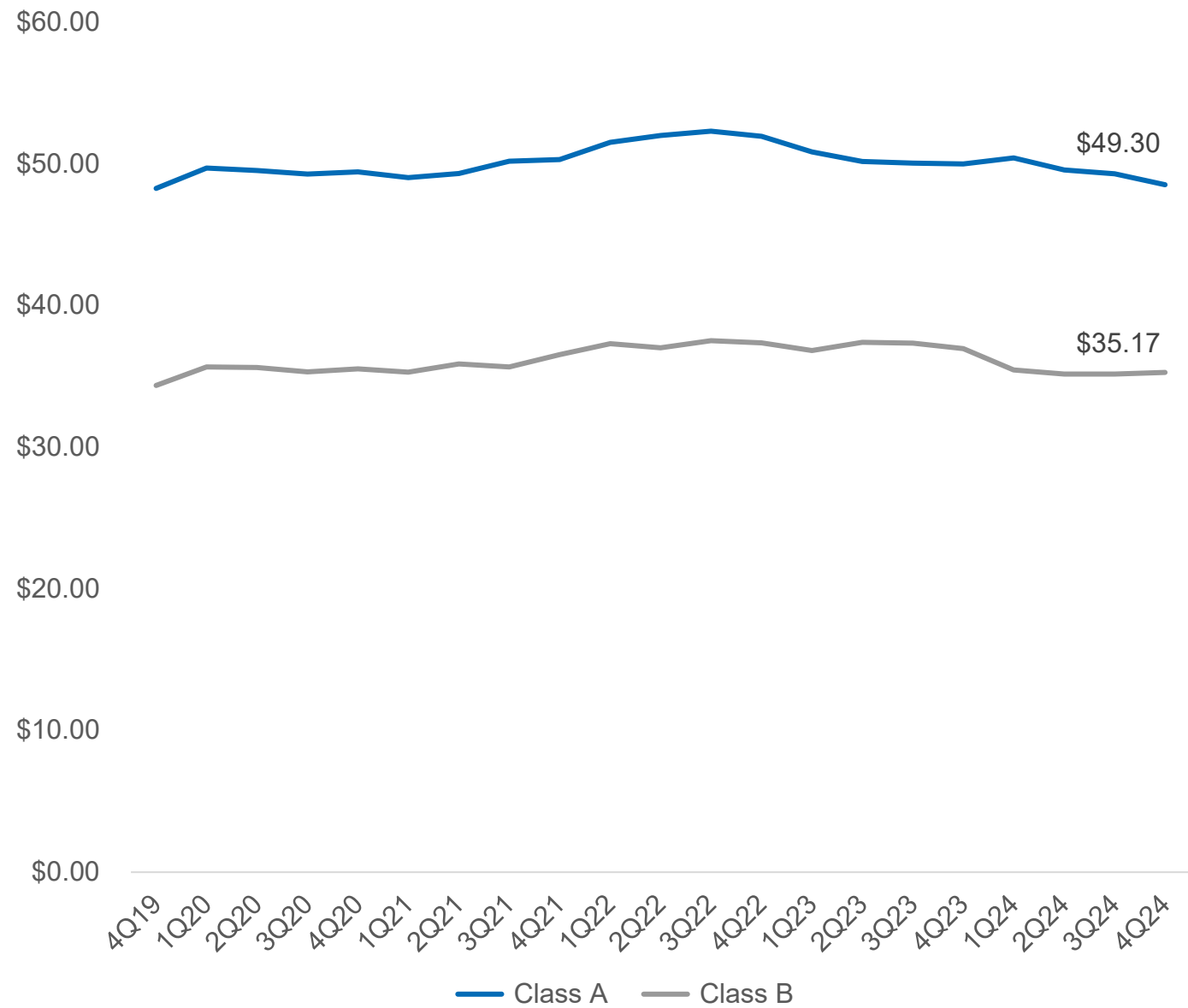


Source: Newmark Research, CoStar

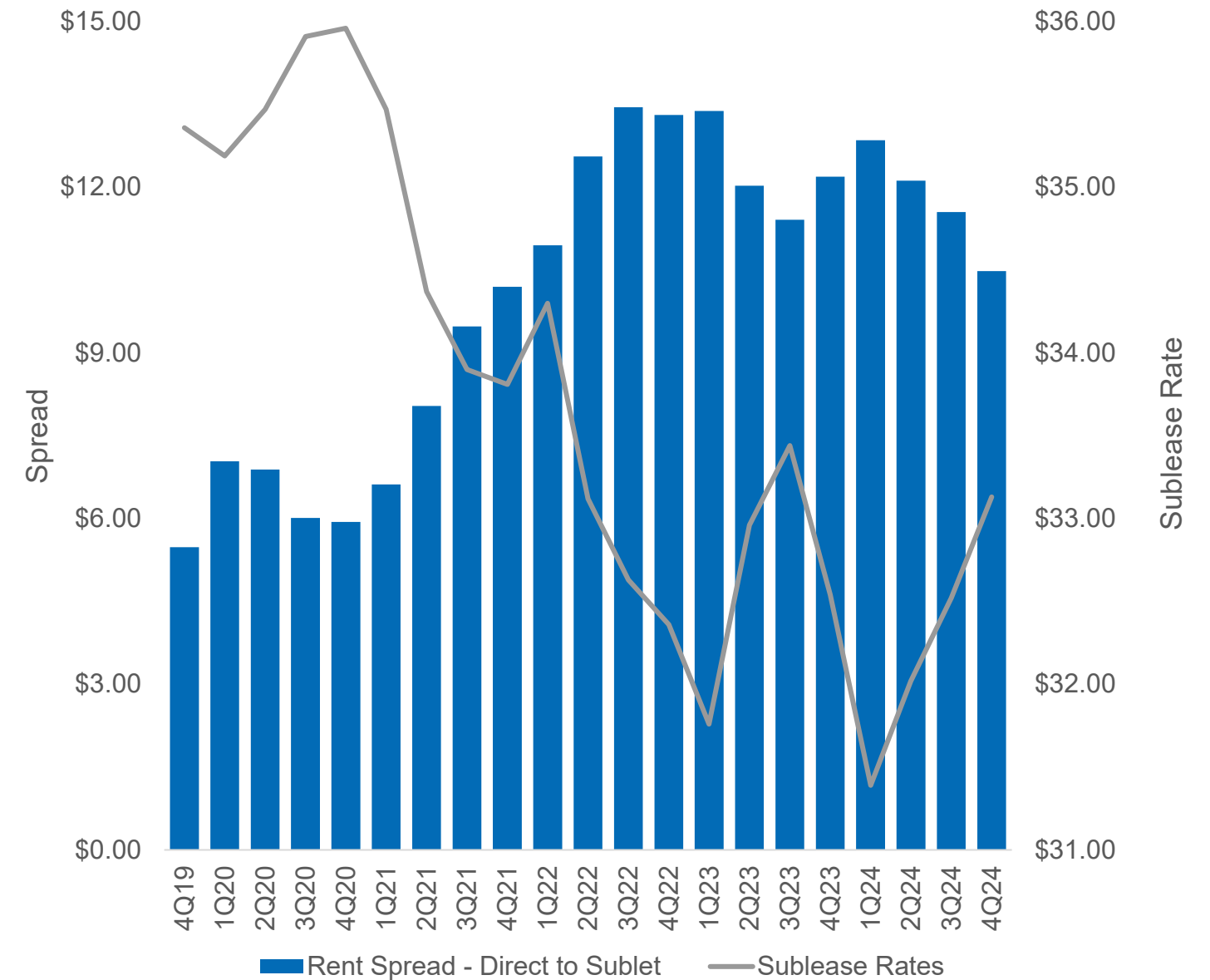
Gap Between Sublease and Direct Rates Narrow

In the fourth quarter of 2024, average asking rates for sublease space rose, further closing the gap between sublease and direct space pricing. This increase reflects the higher quality of available sublease options, especially premium spaces returned by tech companies.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Fourth Quarter Notable Transactions

The fourth quarter of 2024 saw positive leasing momentum, with three transactions over 100,000 square feet.

Notable 3Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Apple	Arbor Blocks West	Lake Union	Direct New	192,703
<i>In Seattle's largest post-pandemic lease, Apple committed to taking over the former Meta Space at Arbor Blocks West.</i>				
JP Morgan Chase	Russell Investments Center	Seattle CBD	Renewal/Expansion	128,093
Confidential Tenant	Skyline Tower	Bellevue CBD	Direct New	93,996
Department of Homeland Security	12500 Tukwila	Renton/Tukwila	Renewal	120,345
PAE Consulting Engineers	Waterfront Place	Pioneer Square/Waterfront	Direct New	30,602
Flexport	90 North	I-90 Corridor	Sublease New	31,398

Source: Newmark Research

4Q24

Appendix





Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

For more information:

Nora Leahy

*Research Analyst
Seattle Research*

nora.leahy@nmrk.com

Seattle

1420 Fifth Avenue
Suite 2600

t 206-388-3000

Bellevue

10900 NE 4th Street
Suite 1430

t 425-362-1400

New York Headquarters

125 Park Ave.
New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK