NEWMARK

Seattle

Office Market Overview

4Q25

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Market Observations

Economy

- Seattle's unemployment rate rose to 4.8%, surpassing the national average of 4.4%, while office-using sectors remained relatively stable despite widespread layoffs.
- Expansion in education/healthcare and other services continues to support urban vitality and reinforce long-term confidence in the region's recovery.
- Apartment occupancy in the Seattle urban core has leveled off but remains elevated, reaching nearly 60,800 units—a 3% increase from Q4 2024 and a 20% increase from Q4 2019.

Leasing Market Fundamentals

- Leasing activity held steady in Q4, totaling 1.85M sf, with tenant commitments remaining consistent but momentum cooling from Q3.
- Seattle generated more leases by count—mostly smaller requirements—while the Eastside dominated in overall deal size, led by tech and life science users. Average lease sizes flattened year-over-year, reinforcing a "new equilibrium" rather than ongoing growth.
- Sublease availability fell from 4.3% to 3.8%, suggesting stabilization as tenants reclaim space or opt for turnkey solutions.

Major Transactions

- Tenants favored renewals over new leases in the final quarter of 2025. In Seattle, Slalom extended its 76,284-square-foot lease at Hawk Tower through 2034, and Impinj expanded its headquarters at 400 Fairview by 7,000 sf, bringing its total footprint to 72,063 sf. In the Eastside, Microsoft renewed multiple buildings at Redmond Town Center for 352,439 sf and Puget Sound Energy renewed 238,898 sf at Summit I.
- In the capital markets, a few office assets in both Seattle and the Eastside traded at land value for redevelopment into multifamily projects. Microsoft Building 22, a Class B property in Redmond owned by Microsoft and vacant at the time of sale, was acquired by American Capital for $39.0 million. The site sits directly across from the Redmond Technology Center Link light-rail station. In Seattle's South Lake Union submarket, the vacant 425 Pontius property was sold by Swift Realty Partners to Ryan Companies for $13.0 million, with plans for mid-rise apartments.

Outlook

- Leading to the end of 2025, sublease availability continued to decline while direct availability barely changed—signs of a market that has plateaued into predictable stability.
- With zero office projects under construction—a first in the region—vacancy should gradually compress over the next year as demand stabilizes and new space additions slow to a trickle. Premium assets may face upward rent leverage in 2026.
- After several major early renewals throughout 2025, near-term leasing impacts will likely come from big-tech consolidations rather than mid-size users. The long-term wildcard remains Amazon's large block rollovers extending through 2039.

Access the Extended 4Q25 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**

To access, please reach out to your Newmark contact.

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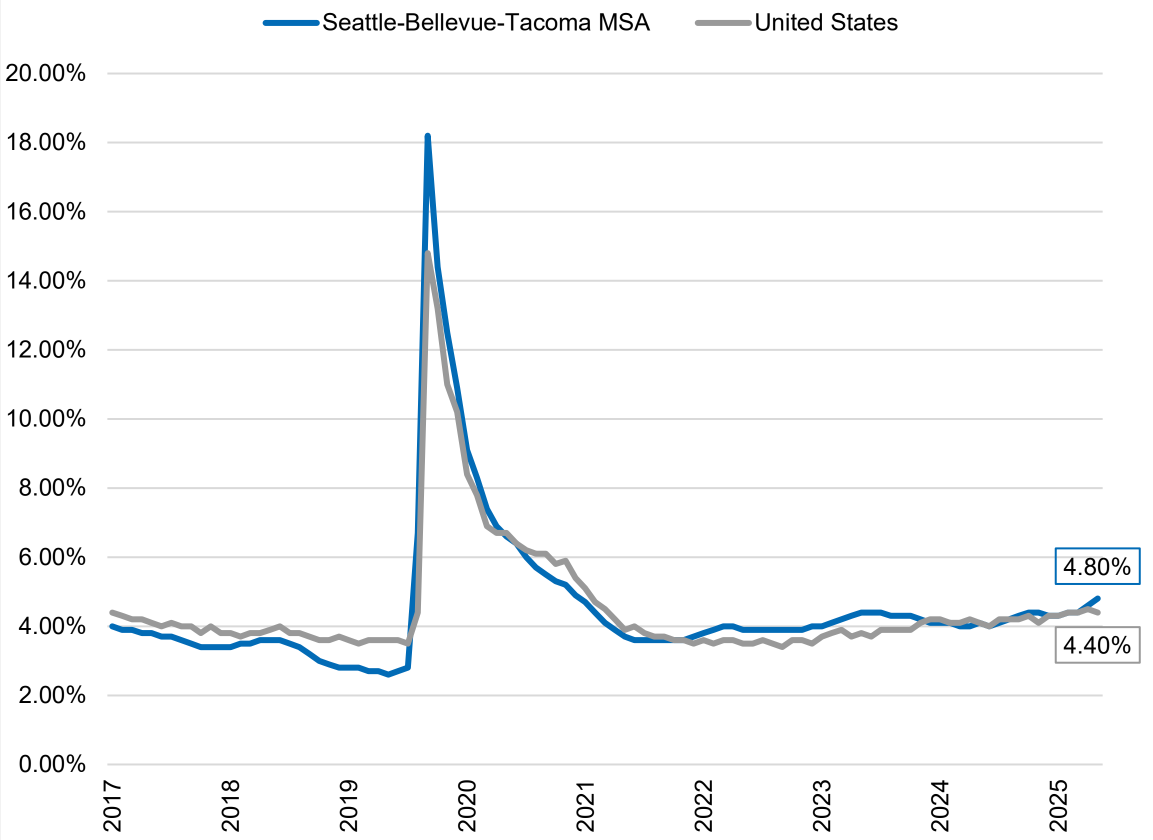
Economy

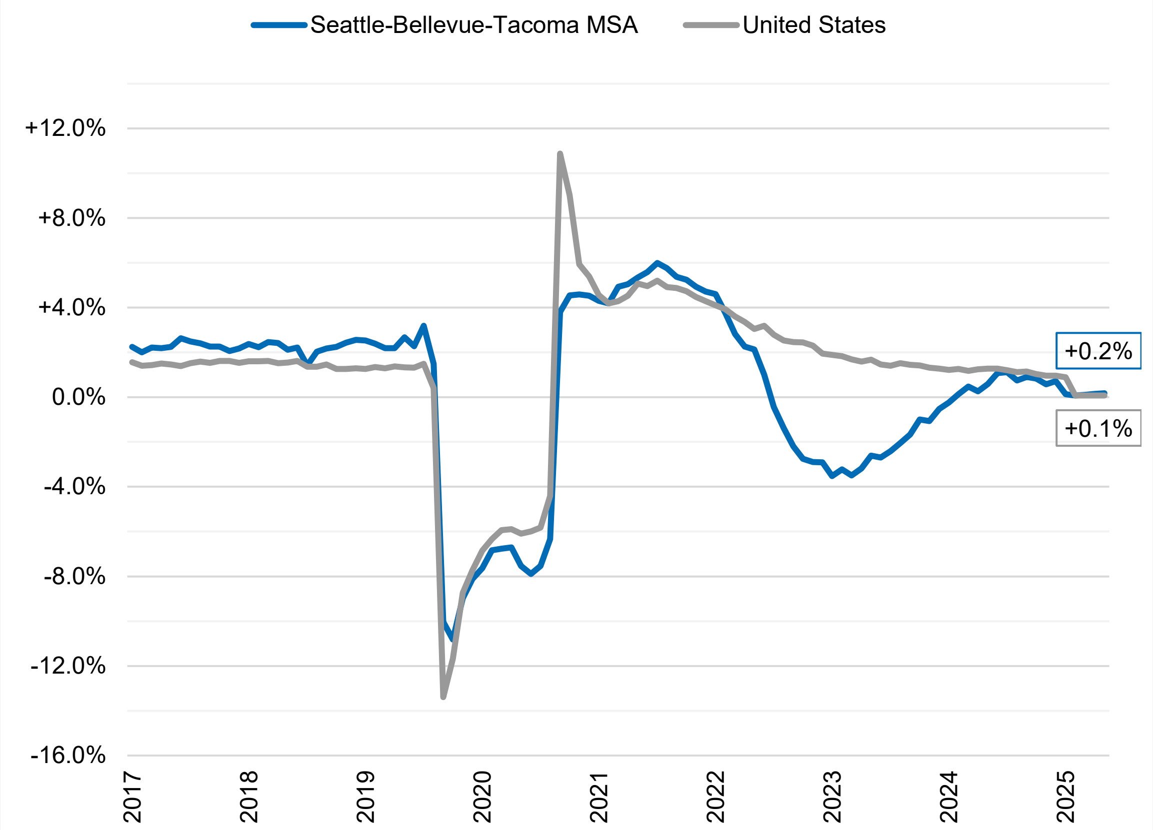
Layoffs Reshape Workforce Dynamics and Strengthen Employer Positioning

A series of late-year layoffs added pressure to the labor market and reinforced employers' leverage in return-to-office expectations. Both tech and healthcare organizations reduced headcount amid financial and operational constraints, as well as growing use of artificial intelligence to improve internal efficiency, according to anecdotal accounts. These reductions pushed the metro area's unemployment rate from 4.3% to 4.8% quarter over quarter.

Unemployment Rate, Seasonally Adjusted



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

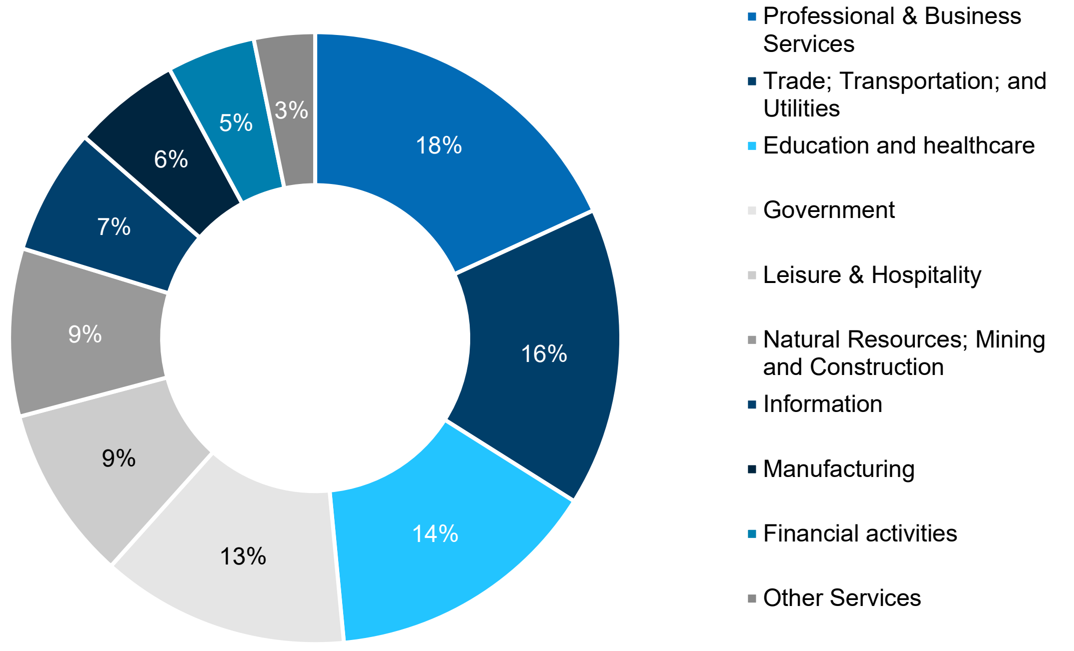


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

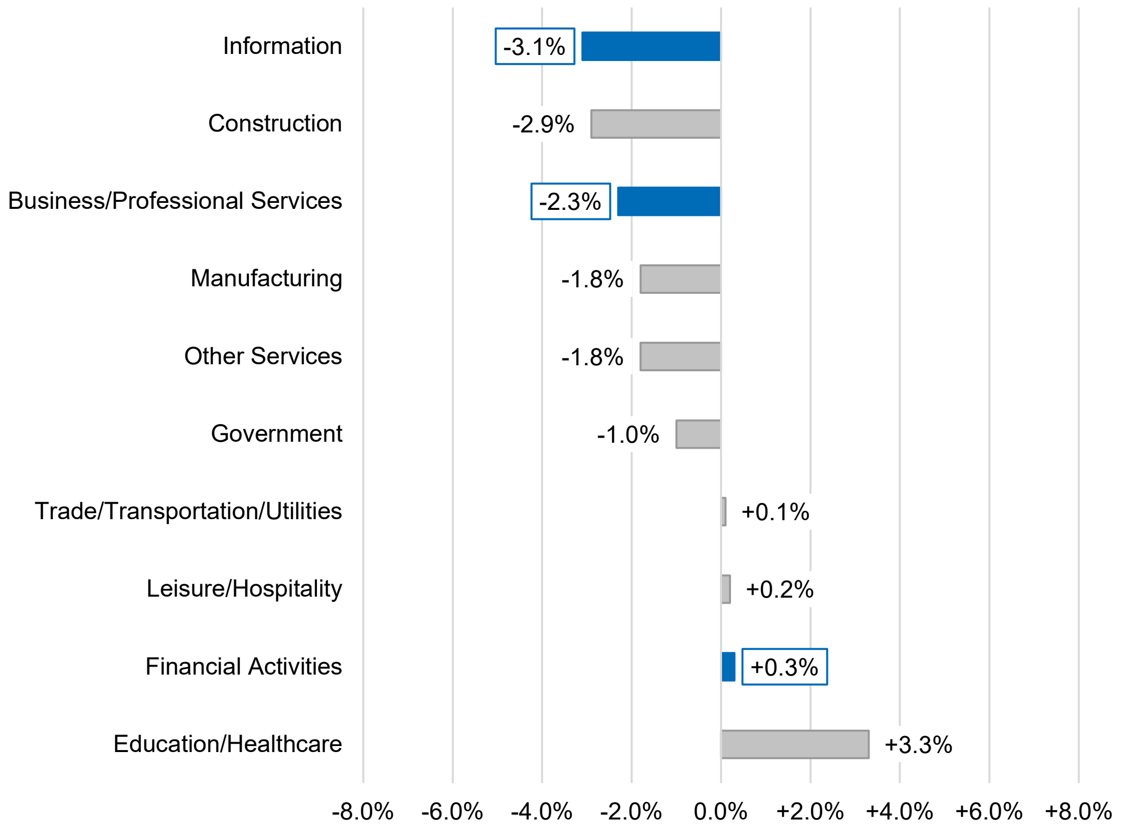
Office-Using Sectors Show Mixed Momentum to End 2025

Washington's labor market closed 2025 with modest growth, adding 9,000 jobs in December month over month, though total employment declined 0.2% year over year. Office-using sectors posted uneven results: information saw a solid December rebound with +2,200 jobs, while professional and business services recorded the sharpest annual loss at -7,800, driven by reductions in administrative and employment services roles. Financial activities remained largely unchanged over the year. Despite these shifts, the statewide unemployment rate moved only slightly, rising from 4.6% in November to 4.8% in December.

Employment by Industry, November 2025



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

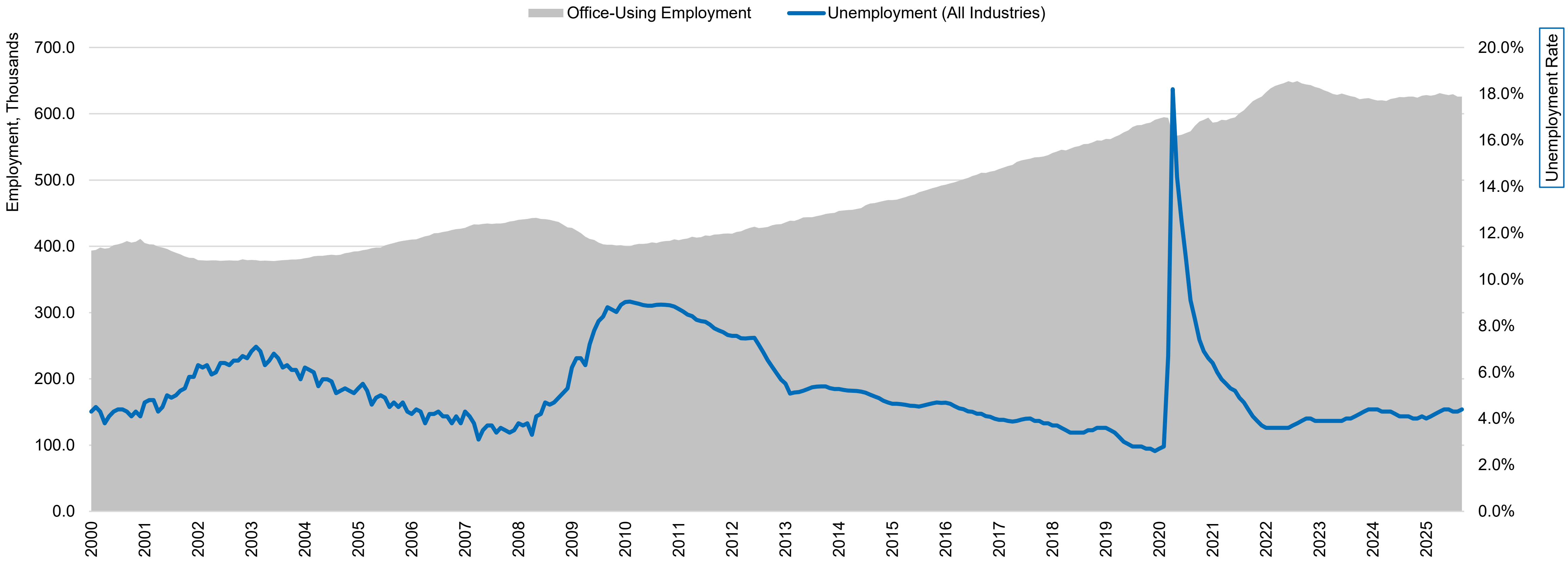


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

Layoff Wave Softens an Otherwise Stable Quarter

Seattle's unemployment rate rose to 4.8%, surpassing the national average of 4.4%, while office-using sectors remained relatively stable despite widespread layoffs. The quarter's progress was dampened by a series of late-year layoffs that created a noticeable headwind. Amazon reduced its workforce by 2,303 roles, Starbucks cut 1,512 mostly-retail positions, and Oracle and T-Mobile reported further reductions of 161 and 131 employees in Q4.

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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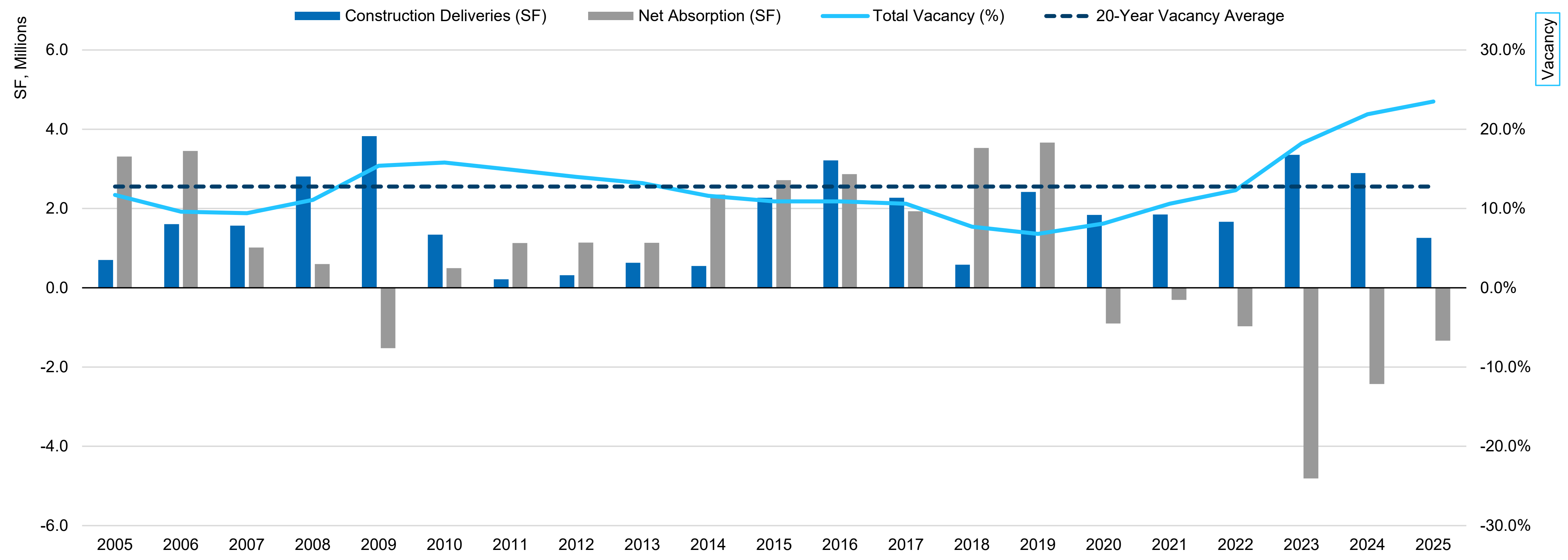
Leasing Market Fundamentals

4Q25

Office Market's to Have Less Growing Pains in 2026 as Rollovers Renew

Several major tenants with upcoming expirations in the next few years, whose future plans had created uncertainty around potential relocations or large givebacks, chose to renew early in 2025 while contracting their footprints. U.S. Bank reduced its space by 63% to 50,636 sf in the Seattle CBD, and Salesforce downsized by 78,000 sf to 98,000 sf in the Bellevue CBD. With these high-impact renewals now resolved, remaining large users without sizable portfolios are unlikely to create major absorption shocks in 2026. The larger long-term variable is Amazon, which occupies 12.2 million square feet across many single-tenant buildings and has multiple lease rollovers extending by 2030.

Historical Construction Deliveries, Net Absorption, and Vacancy

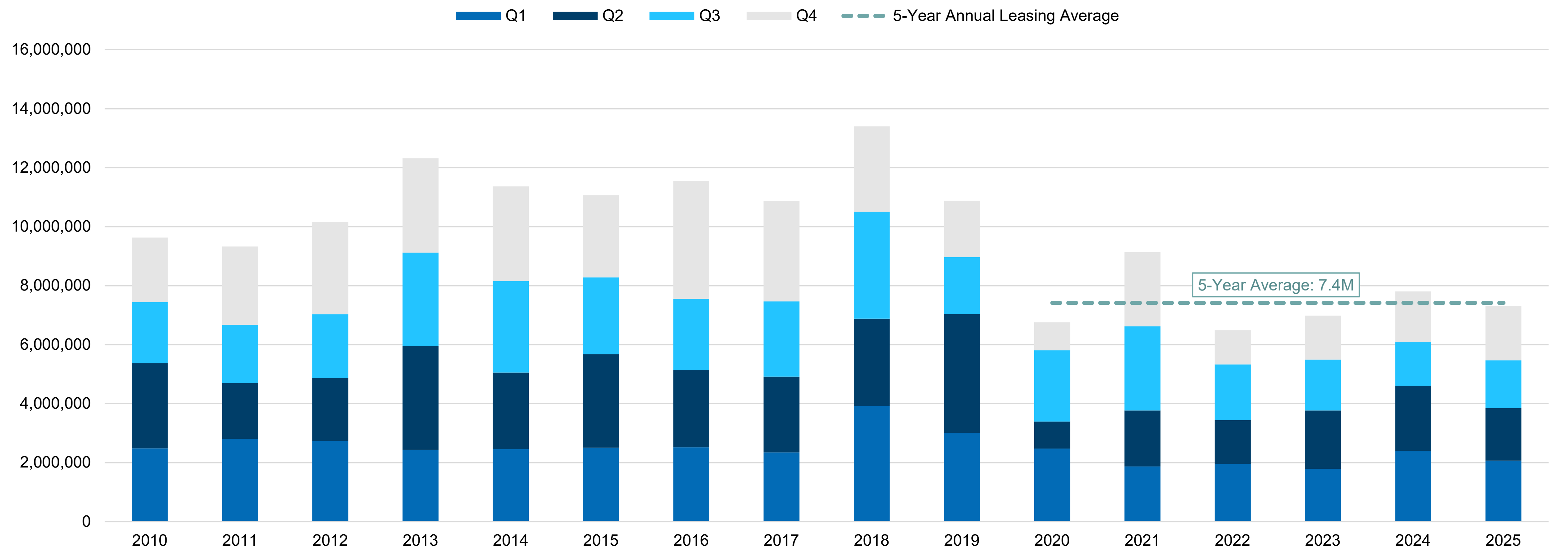


Source: Newmark Research, CoStar

2025 Leasing Continues 2024's Momentum

The Puget Sound office market continues to stabilize, though Q4 carried a quieter tone than the momentum seen in Q3. Conditions this quarter centered more on consolidation than acceleration—fundamentals held steady, and availability shifted only slightly. Sublease availability declined again, direct availability barely changed, and tenant activity remained consistent. Early renewals and sustained demand from long-established users helped support this stability. Looking ahead, any meaningful shift in market dynamics will likely depend on new-to-market entrants, with the AI and advanced-tech sectors emerging as the most probable drivers of future growth.

Total Leasing Activity (MSF)

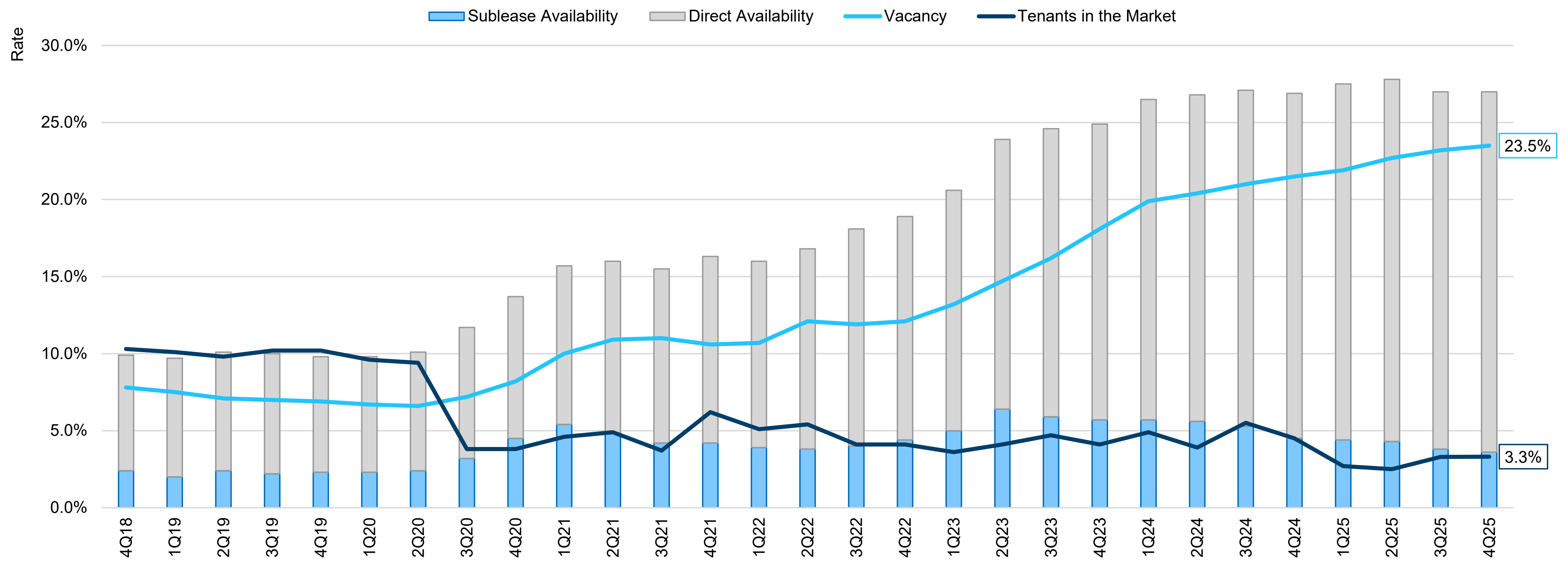


Source: Newmark Research, CoStar

Leasing Recovery Will Soon Place More Burden on Landlords

Q4 was quiet from a fundamentals standpoint, with minimal shifts in availability. Sublease availability decreased from 3.8% to 3.6%, while direct availability inched up from 23.1% to 23.4%. New space additions have been slowing for several quarters. The decline in sublease availability is driven by a combination of expiring master leases—particularly those marketed as early as the post-COVID reopening period—and continued sublease velocity. However, as more direct space comes online and employers regain confidence amid strengthening in-office mandates, tenants are increasingly comfortable committing to longer-term leases.

Available Space and Tenant Demand as Percent of Overall Market

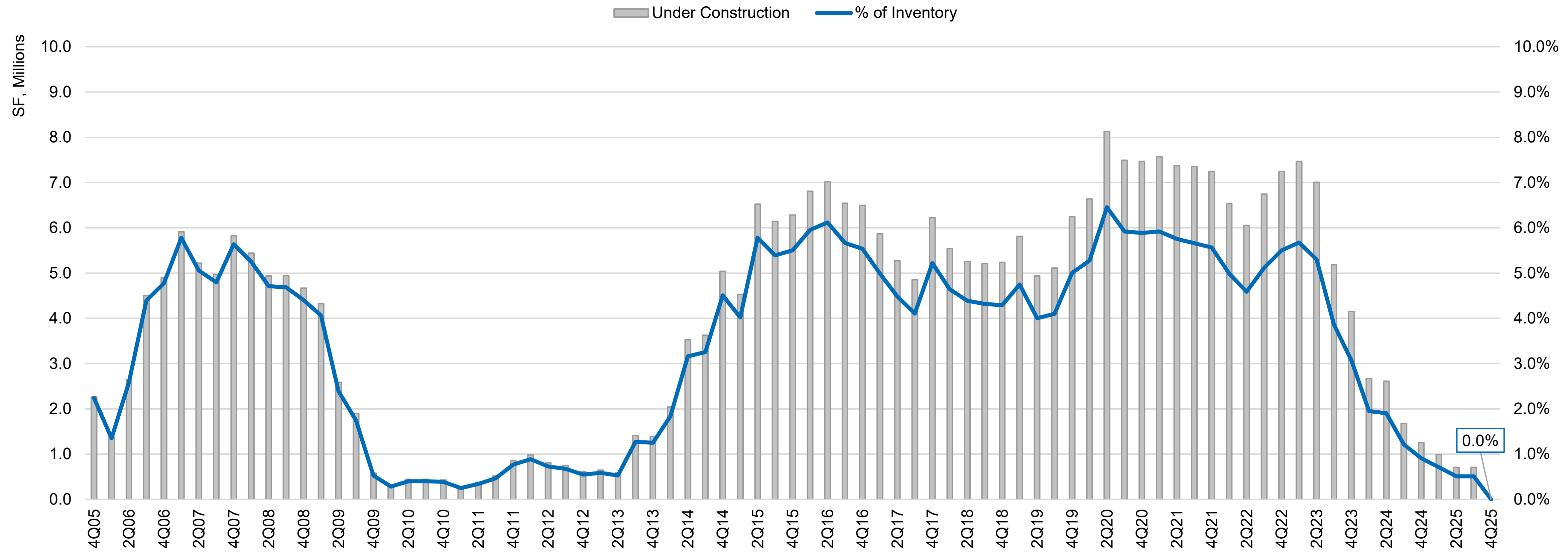


Source: Newmark Research, CoStar

Unprecedented: No Office Projects Under Construction

The mixed lab-and-office project 701 Dexter delivered in South Lake Union, with 22% of its 230,000 sf preleased to a life science user. Across the lake, Four106 delivered in the Bellevue CBD, adding 479,000 sf of premium speculative space. With subdued performance and a growing number of assets being returned to lenders, developers remain cautious about breaking ground on new office product. A queue of long-proposed office projects continues to delay construction starts, and some mid-planning developments are shifting toward alternative uses, such as multifamily.

Office Under Construction and Percentage of Inventory

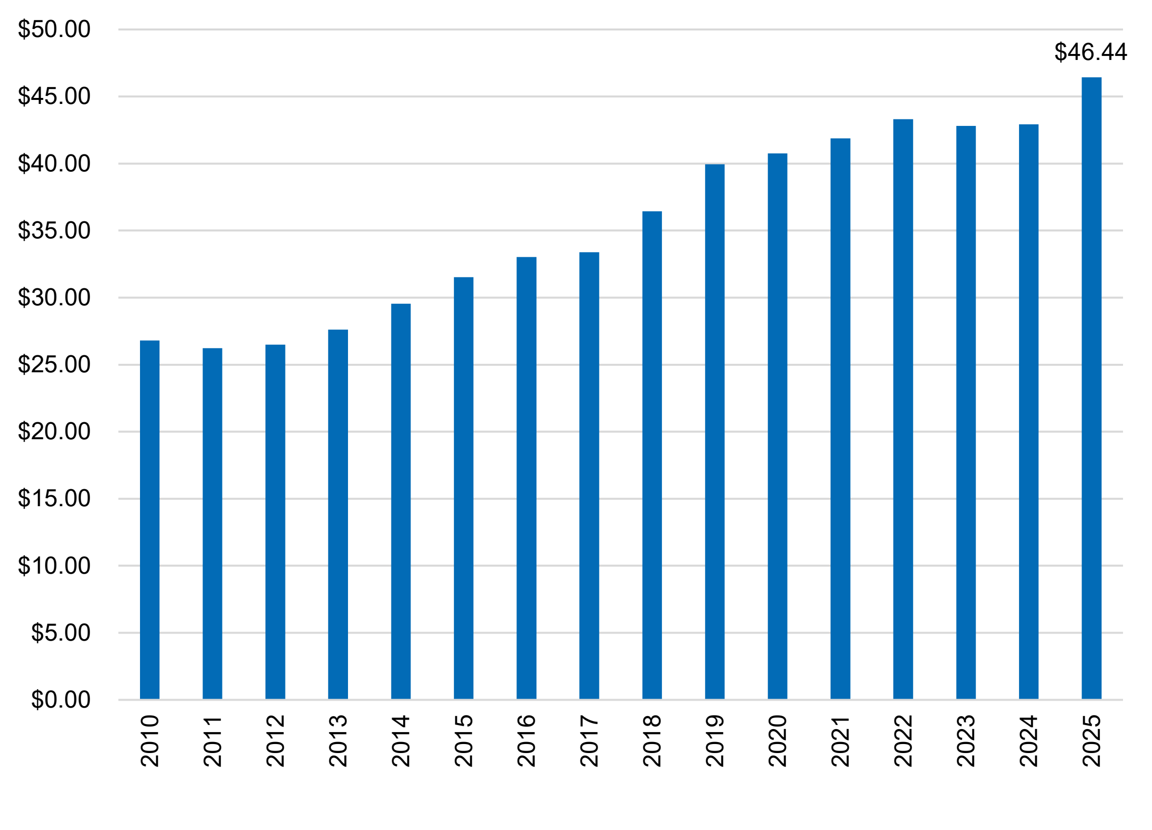


Source: Newmark Research, CoStar

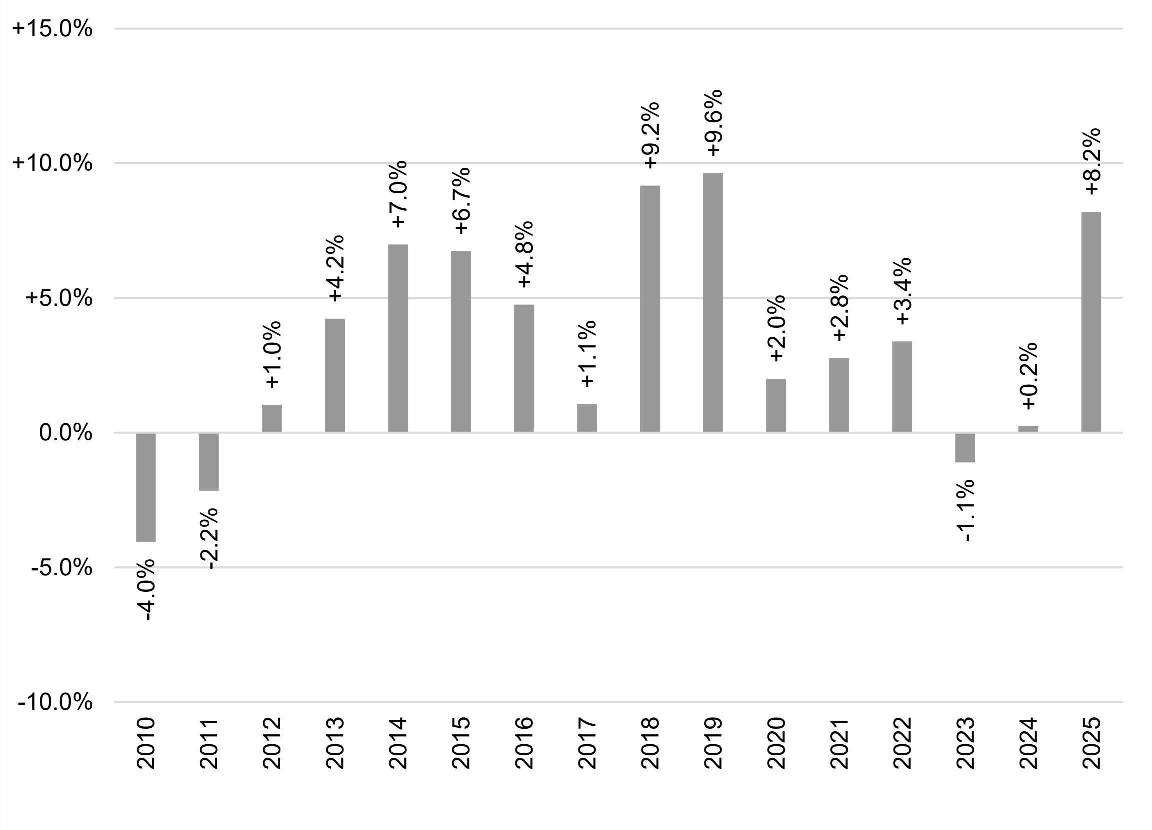
Trophy Face Rents May Become Bullish as Supply Bottlenecks

Class A asking rents in the Bellevue CBD increased to $66.62 per sf/year full-service, up $4.91 year-over-year, driven by strong competition for premium space and the introduction of high-quality first-generation inventory. Seattle's Class A average rose to $51.75 per sf/year, a $1.50 gain, reflecting softer demand in commodity assets and elevated vacancy. The widening rent gap reinforces the Eastside's appeal to growing tech users, while Seattle's recovery is being led by traditional industries and smaller tenants.

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



Year-over-Year Asking Rent Growth Rate

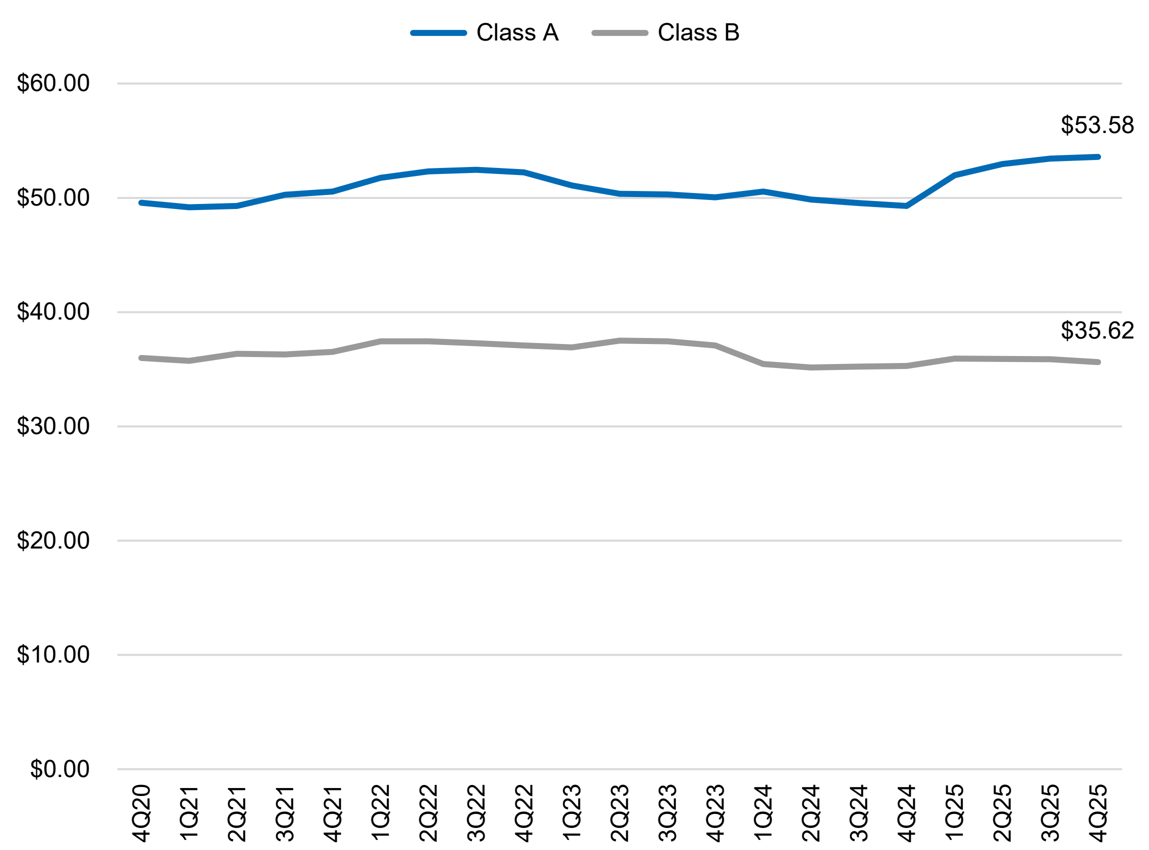


Source: Newmark Research, CoStar

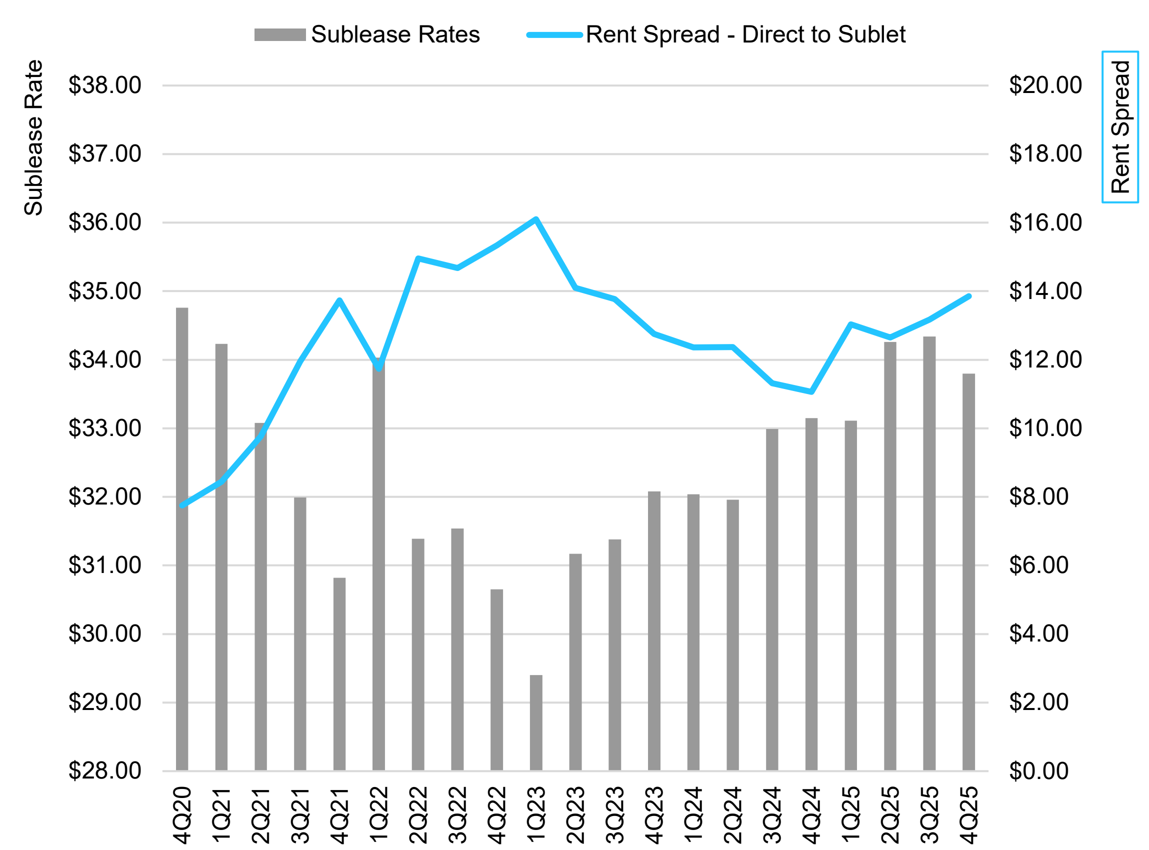
Sublease Rents Align With Shifting Demand

While demand for Class A sublease space remains stable, sublease velocity has slowed, contributing to lower sublease rents amid a renewed preference for direct space. On the Eastside, high-quality plug-and-play subleases remain attractive, particularly to tech tenants seeking fast occupancy. In Q4, sublease availability declined by 314,824 sf quarter-over-quarter, with most of the reduction occurring in the Seattle market. Across the Puget Sound region, average sublease rents ended 2025 at $0.65 per sf lower than year-end 2024.

Class A and Class B Direct Asking Rates



Sublease Rates



Source: Newmark Research, CoStar

Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
Microsoft	Redmond Town Center – Multiple Buildings	Redmond	Renewal	352,439
Puget Sound Energy	The Summit I	Bellevue CBD	Renewal	238,898
Slalom	Hawk Tower	Seattle CBD	Renewal	76,284
Impinj	400 Fairview	Lake Union	Renewal	72,063
Expeditors	Redstone Corporate Center I	Lynnwood (Northend)	Sublease	37,497

Source: Newmark Research, CoStar

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Appendix / Tables

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