

MARKET FUNDAMENTALS

	YOY Chg	Outlook
19.9% Vacancy Rate	▲	▲
331K YTD Net Absorption, SF	▲	▲
\$44.63 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1M Seattle Employment	▲	▲
4.5% Seattle Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Seattle Metro Still Mixed

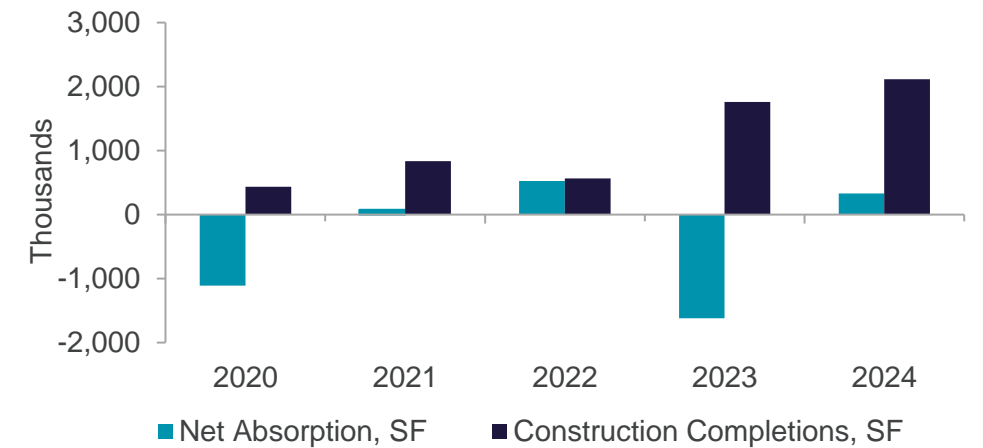
The Seattle metro area economy evened out at the end of 2024, though layoffs continued and expansion in the tech sector slowed. Employment increased by 5,500 jobs year-over-year (YOY), bringing the year-to-date (YTD) total to 2.1 million. The unemployment rate rose 50 basis points (bps) to 4.5%, just above the U.S. rate of 4.2%. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices increased 3.0% YOY, driven by higher food costs and lower energy costs, especially gasoline. Minus food and energy, the index rose 3.8% YOY, driven by increases to shelter and medical care.

SUPPLY AND DEMAND: Vacancy Up, Absorption Improved

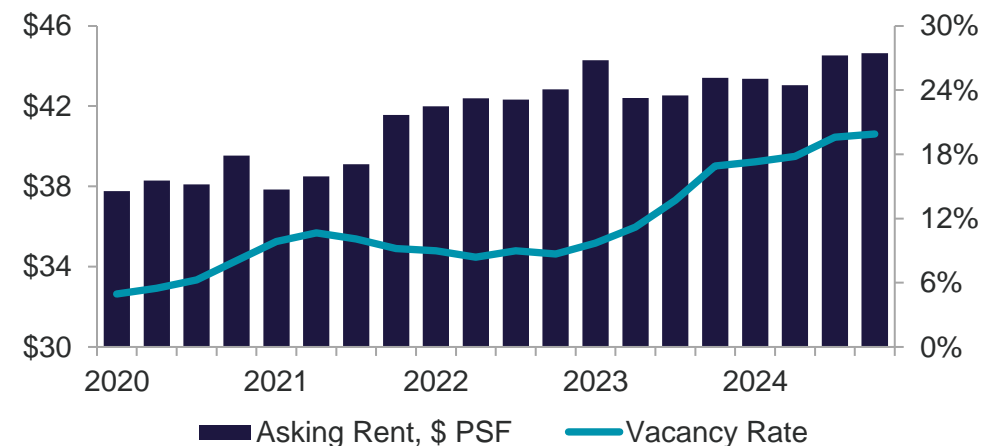
The Eastside office market reported an overall vacancy rate of 19.9% in the fourth quarter of 2024, up 300 bps from the 16.9% rate reported one year ago. Overall vacancy in the Bellevue Central Business District (CBD) submarket climbed 530 bps YOY to 14.9%. Sublease vacancy in the Eastside totaled 1.9 million square feet (msf), accounting for 4.8% of the inventory. Nearly 4.3% of the subleases were in the suburbs, notably the 405 Corridor, I-90 Corridor, and Redmond submarkets. Overall vacancy is projected to continue rising steadily as more occupiers reduce office space, especially Big Tech. Microsoft has been letting leases expire over the past two years as its headquarters renovation nears completion. Since the end of 2021, the tech giant has not renewed leases on nearly 3.1 msf.

Overall absorption tallied negative 216,000 square feet (sf) in the fourth quarter, an improvement from the negative 956,000 sf reported in the fourth quarter of 2023. YTD absorption reached positive 331,000 sf. Absorption is projected to stay positive in early 2025, as there is still considerable demand for space despite the rise in vacancy.

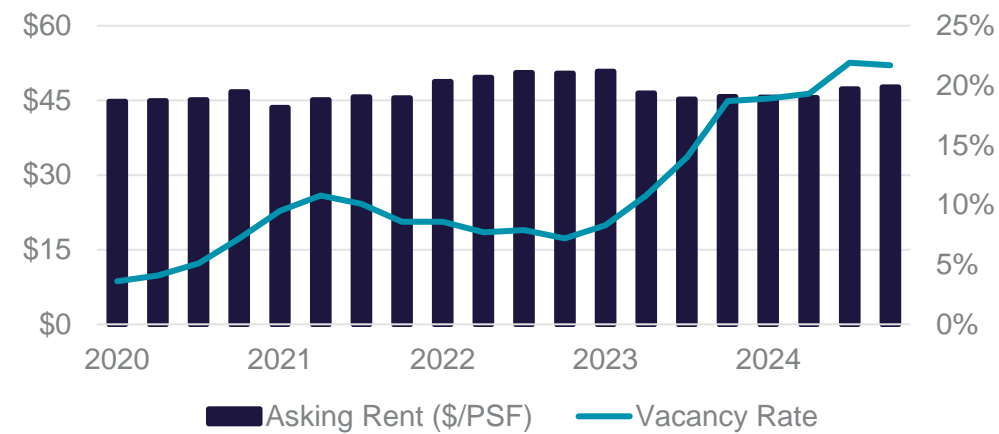
SPACE DEMAND / DELIVERIES



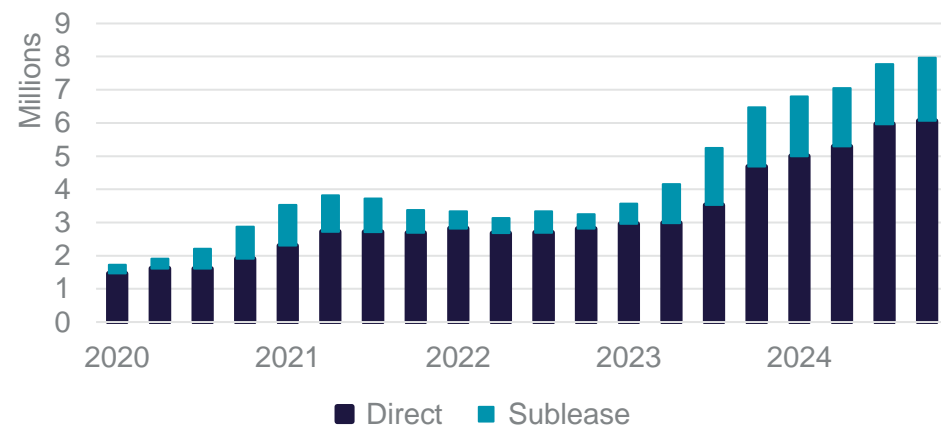
OVERALL VACANCY & ASKING RENT



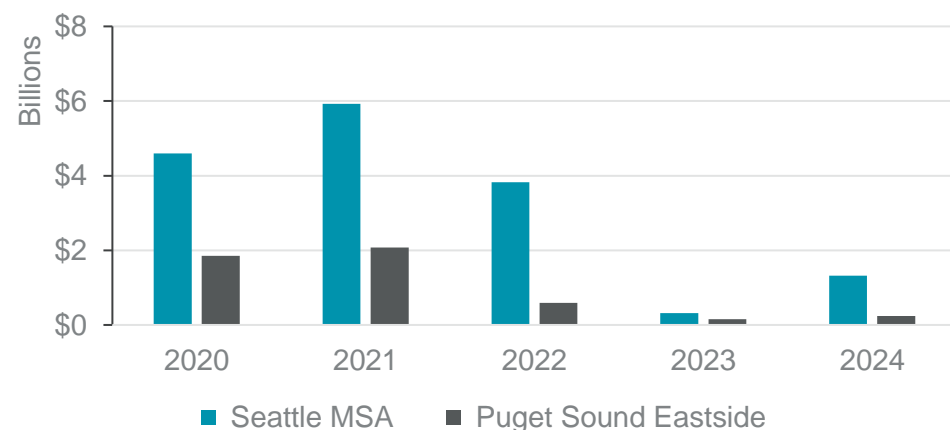
CLASS A VACANCY & ASKING RENT



DIRECT VS. SUBLEASE VACANCY COMPARISON



OFFICE SALES



PRICING: Rents Up Slightly YOY

The Eastside office market reported average annual gross rental rates of \$44.63 per square foot (psf) in the fourth quarter, a 2.8% YOY increase. Class A rents in the Bellevue CBD submarket increased 3.6% YOY to \$61.69 psf. Class A rents in the non-CBD submarkets averaged \$41.05 psf, thanks primarily to the higher asking rents in the 405 Corridor, 520 Corridor, and Kirkland submarkets. Pricing is expected to stabilize during the first half of 2025, due to increases in vacancy; however, rents in the Eastside will remain among the highest in the metro area.

CONSTRUCTION: 2.1 MSF Added to Inventory in 2024

The Eastside added 2.1 msf of new inventory to the office market in 2024, with 1.3 msf preleased to Amazon. Just over 482,000 sf is under construction and fully available for prelease. Approximately 10.3 msf of proposed space is in the pipeline, with 8.5 msf (82.7%) located in the CBD.

LEASING ACTIVITY: Strong Activity in 2024

The Eastside had an incredible year for leasing activity, with just over 2.8 msf of new deals signed, up 86.4% YOY. Nearly 341,000 sf was leased in the fourth quarter, a 61.6% increase YOY. The Bellevue CBD and 405 Corridor submarkets reported the most activity, combining for nearly 2.0 msf. Nearly 13.6% of all new deals signed during the year were at or above 10,000 sf, with more five figure lease signings expected in 2025.

SALES: Eastside Sales Up YOY

Office sales in the Eastside reached \$244.9 million in 2024, bettering the \$159.0 million in sales last year. In the most significant transaction of the year, Kennedy Wilson sold Bldg E at The ParQ in the I-90 Corridor submarket to Costco for \$61.9 million (\$349.98 psf). Costco occupied the 177,000-sf Class A office building at the time of the sale.

The Seattle MSA reported \$1.3 billion in office sales in 2024, a significant increase from the \$323.0 million that traded a year ago.

OUTLOOK

- Tenant demand, especially from mid-size tech companies, increased substantially at the beginning of the year and it's expected more leases over 40,000 sf will be signed in 2025.
- New construction with preleases in place has kept absorption positive, and while no new construction is expected in 2025, absorption will likely remain in the black throughout the year due to the availability of – and demand for – high-quality Class A space.
- Despite plans to shed unused office space around the country, Amazon will continue relocating thousands of its employees into 2.3 msf of recently delivered projects in downtown Bellevue.
- Rents are forecasted to flatten heading in 2025 with the rise in lower-priced sublease vacancy, though the Eastside will remain tops in rents in the region.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
BELLEVUE CBD TOTALS	13,069,022	1,744,747	197,140	14.9%	7,952	915,056	1,488,108	482,300	\$61.41	\$61.69
405 Corridor	3,812,616	343,349	459,732	21.1%	-124,442	-5,661	469,941	0	\$43.23	\$54.18
520 Corridor	2,890,392	418,968	189,033	21.0%	-19,044	-38,399	208,778	0	\$37.82	\$49.26
I-90 Corridor	6,885,469	2,317,716	331,156	38.5%	-15,758	-154,611	263,294	0	\$42.71	\$42.57
Bel-Red	1,192,244	67,952	6,488	6.2%	-311	-29,117	53,883	0	\$33.86	\$40.00
Redmond	2,926,962	130,876	591,346	24.7%	0	-41,759	20,831	0	\$35.79	\$35.30
Kirkland	2,704,646	189,337	15,443	7.6%	-17,763	-41,882	69,699	0	\$44.10	\$52.30
Bothell / Woodinville	2,289,236	399,813	3,159	17.6%	-41,045	-203,153	71,257	0	\$32.23	\$19.24
SUBURBAN TOTALS	22,701,565	3,868,011	1,596,357	24.1%	-218,363	-514,582	1,157,683	0	\$40.47	\$41.30
Lynnwood	2,241,201	273,205	108,146	17.0%	18,506	-34,984	136,899	0	\$33.70	\$38.91
Everett	2,136,810	176,168	6,463	8.5%	-24,252	-34,577	54,912	0	\$29.09	\$31.22
NORTHEND TOTALS	4,378,011	449,373	114,609	12.9%	-5,746	-69,561	191,811	0	\$32.05	\$37.65
NON-CBD TOTALS	27,079,576	4,317,384	1,710,966	22.3%	-224,109	-584,143	1,349,494	0	\$39.71	\$41.05
EASTSIDE TOTALS	40,148,598	6,062,131	1,908,106	19.9%	-216,157	330,913	2,837,602	482,300	\$44.63	\$47.68

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Eight	Bellevue CBD	Pokémon	374,286	New Lease
The Spring District – Block 6	405 Corridor	Snowflake	326,731	Sublease
Lincoln Square – North	Bellevue CBD	TikTok	286,231	New Lease/Expansion*
Plaza Center	Bellevue CBD	UiPath	39,120	Renewal**

*TikTok signed two leases in the first half of 2024; **Renewals not included in leasing statistics

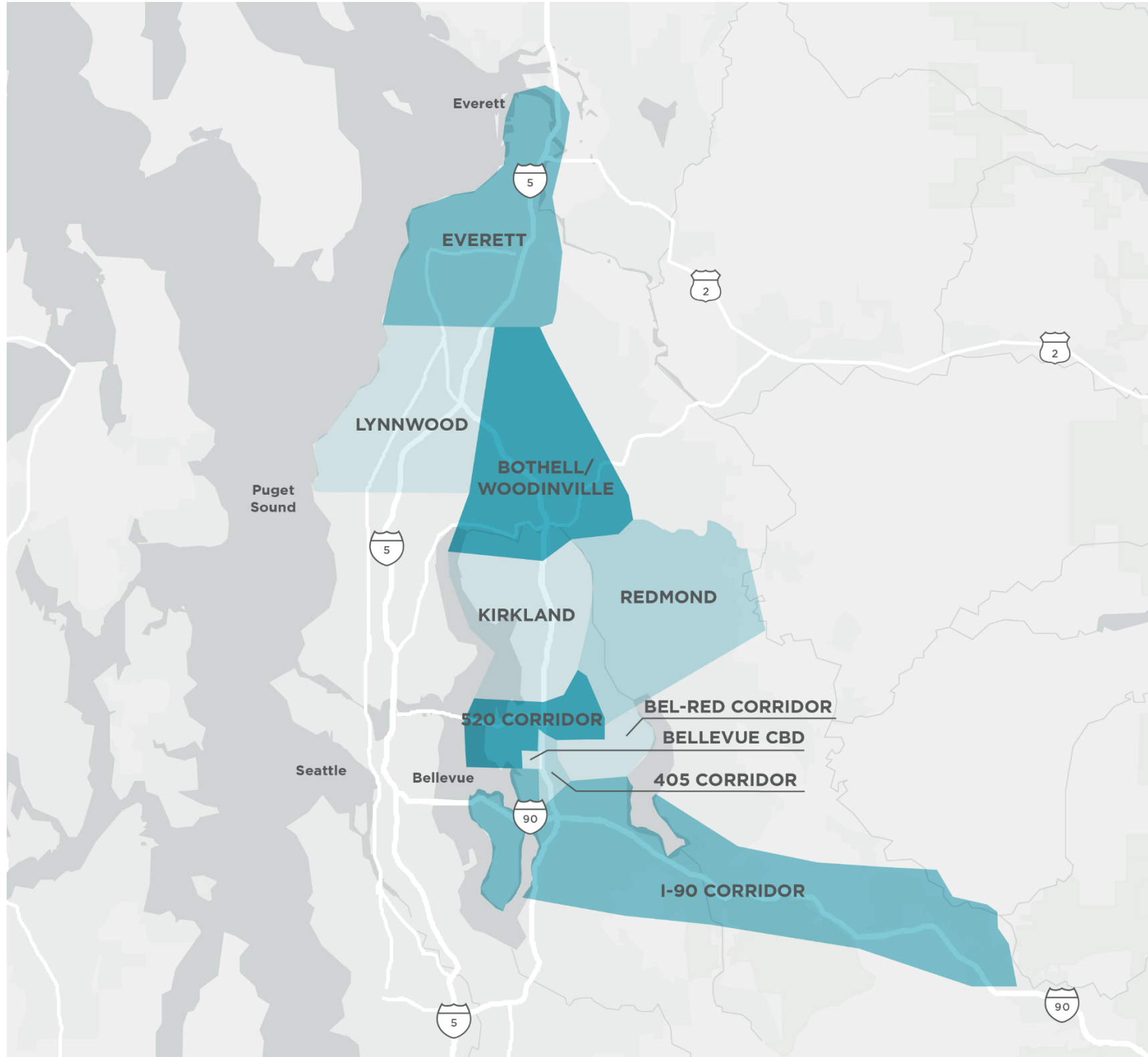
KEY SALE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
The ParQ – Bldg E	I-90 Corridor	Kennedy Wilson / Costco	176,656	\$61.9M / \$350
Plaza Yarrow Bay – Bldg 4	Kirkland	Clarion Partners / DCL Management	46,884	\$16.3M / \$348
Terrace Business Center	Lynnwood	Steven & Janet Caruso / Wilson Dean	39,600	\$7.8M / \$197

KEY CONSTRUCTION COMPLETIONS YE 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
West Main	Bellevue CBD	Amazon	799,633	Vulcan
The Artise	Bellevue CBD	Amazon	509,400	Schnitzer West
The Spring District – Block 13	405 Corridor	Meta	213,000	Wright Runstad, Shorestein

OFFICE SUBMARKETS



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