

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.5% Vacancy Rate	▲	▲
99.9K YTD Net Absorption, SF	▼	▼
\$36.16 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

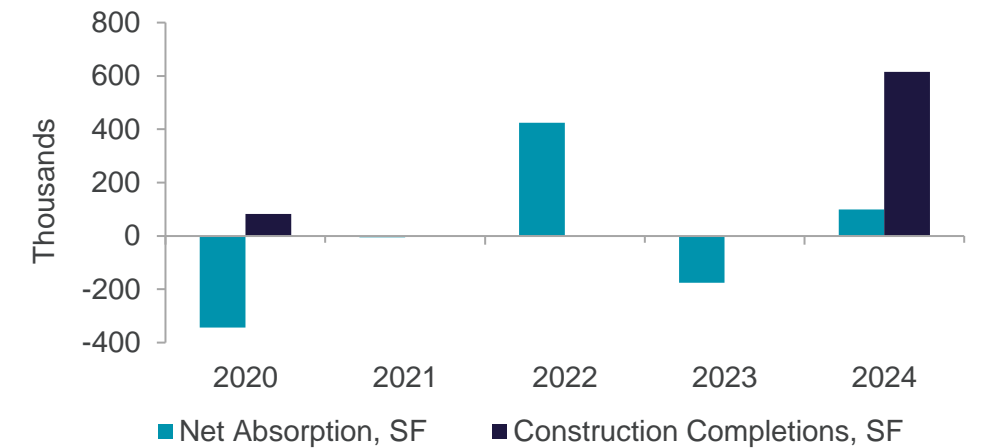
The Seattle metro area economy evened out at the end of 2024, though layoffs continued and expansion in the tech sector slowed. Employment increased by 5,500 jobs year-over-year (YOY), bringing the year-to-date (YTD) total to 2.1 million. The unemployment rate rose 50 basis points (bps) to 4.5%, just 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 and Absorption Both Rise

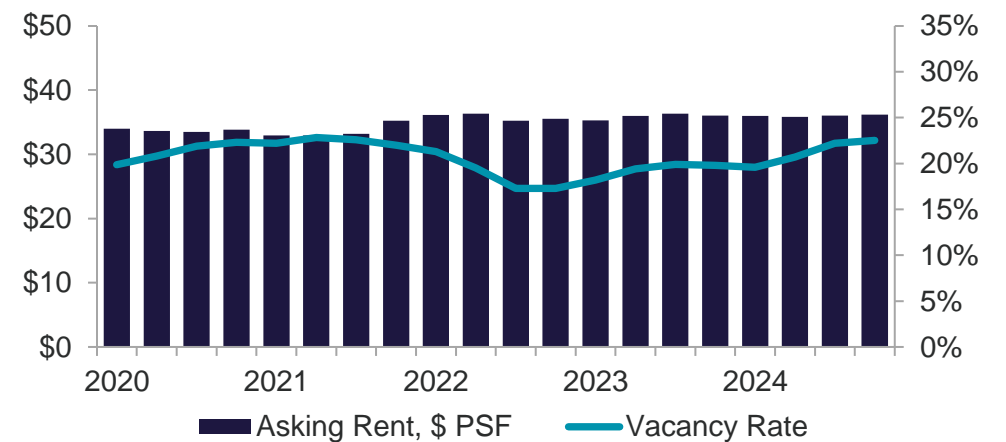
Overall vacancy in the Seattle Suburban office market reached 22.5% in the fourth quarter of 2024, up 270 bps from the 19.8% rate reported one year ago. Sublease vacancy totaled just over 269,000 square feet (sf), an increase of 24.4% YOY. Class A vacancy rose 360 bps YOY to 25.2%, while vacancy for Classes B & C combined rose 100 bps YOY to 18.2%. Vacancy is projected to continue rising heading into the new year as subleases rise in the market and leasing activity slows.

Overall absorption for the quarter was recorded at positive 258,000 sf, improving from the negative 7,000-sf figure posted in the fourth quarter of 2023. YTD absorption reached just below 100,000 sf. Absorption is expected to stabilize in the new year due to increasing vacancy and decreasing tenant demand.

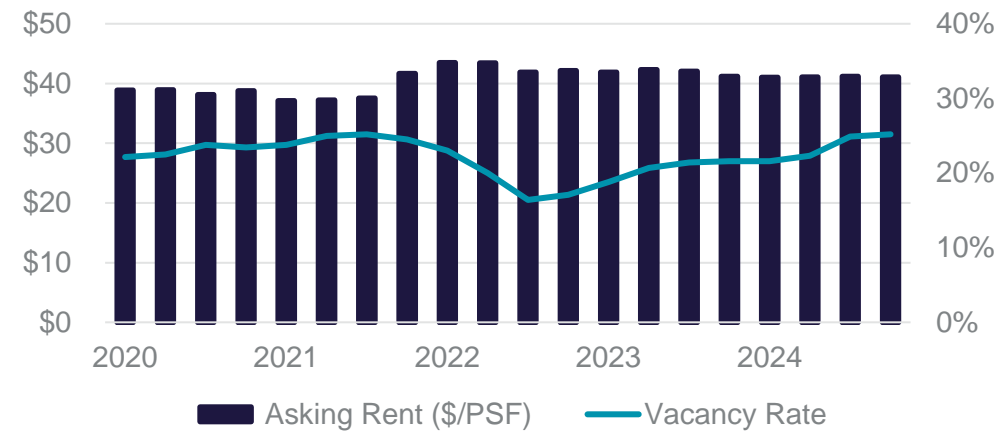
SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CLASS A VACANCY & ASKING RENT



PRICING: Rents Drop Slightly YOY

The Seattle Suburban office market reported average asking rents of \$36.16 per square foot (psf) on an annual gross basis in the fourth quarter, a rise of 0.4% YOY. Class A rents averaged \$41.08 psf, down 0.2% YOY. The Renton submarket yielded the highest rents among the suburban submarkets, averaging \$43.93 psf (all classes) and \$49.27 psf (Class A). The three Seattle In-City submarkets reported rents above \$30.00 psf, while the remaining submarkets averaged the mid- to high-\$20s. These lower rents, which have historically been influential in luring tenants from the rest of the Seattle metro area, are likely to stabilize further heading into the new year.

CONSTRUCTION: First Delivery in Four Years

Just over 615,000 sf delivered in the suburban office market in 2024, the first addition of inventory to the suburbs since 2020. Bldg 1 at The Chapter project, 35 Stone, and U-District Station, all in the North Seattle/Northgate submarket, delivered with 64.5% of preleasing in place. Approximately 1.1 million square feet (msf) of proposed space is in the pipeline.

LEASING ACTIVITY: Deals Down YOY

Nearly 121,000 sf was leased in the suburban office market in the fourth quarter, up 8.4% from one year ago, though down 42.6% from pre-pandemic levels (the fourth quarter of 2019). The Federal Way and Renton submarkets reported the most activity, combining for nearly 90,000 sf. Few deals in the suburban market were above 10,000 sf, with only 10.0% of all new leases exceeding that figure.

The YTD total reached 739,000 sf, down 19.4% YOY. Approximately 8.7% of all new deals signed throughout the year was for space of at least 10,000 sf. The Federal Way submarket led all suburban submarkets, with nearly 290,000 sf leased, or 39.2% of the total.

SALES: Sales Rise YOY

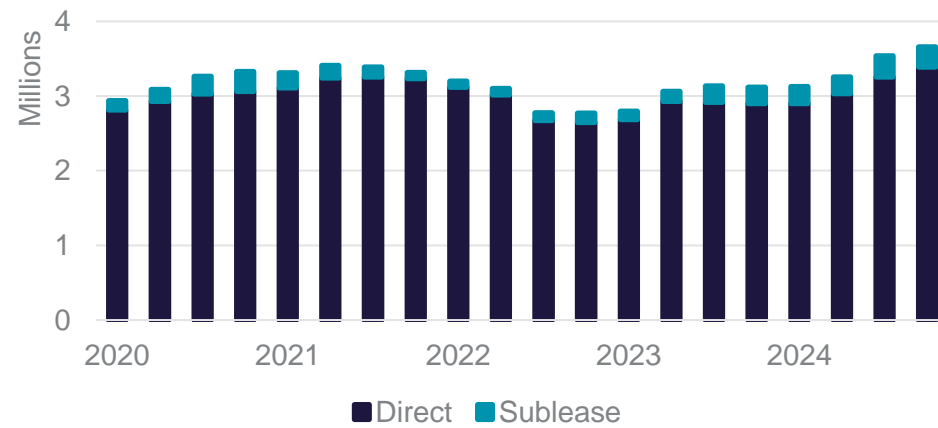
Office sales in the suburban market reached \$203.3 million in 2024. This was a significant increase from a year ago, when \$103.6 million changed hands. In the most notable transaction of the year, Alaska Airlines purchased the North Bldg at Boeing Longacres for \$85.8 million (\$138.93 psf) from Unico Properties. Alaska Airlines occupied the entire 617,000-sf building at the time of 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.

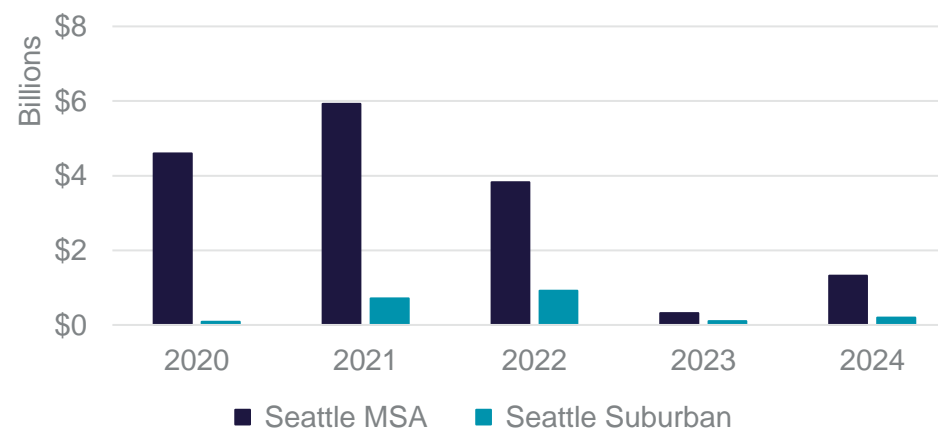
OUTLOOK

- With a slight rise YOY, rents are forecast to remain competitive heading into 2025 with this market’s affordability vital in attracting tenants looking to consolidate/downsize or relocate.
- The suburban market added inventory for the first time in four years with three new buildings delivering in the North Seattle/Northgate submarket. None of the 1.1 msf of proposed space is expected to break ground in 2025.
- Absorption will stabilize in the new year as vacancy increases and demand wanes.

DIRECT-SUBLEASE VACANT SPACE COMPARISON



OFFICE SALES



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)*
North Seattle / Northgate	3,199,019	693,116	44,309	23.1%	233,478	199,849	71,841	0	\$43.39	\$47.03
South Seattle Close-In	2,090,113	384,436	140,246	25.1%	18,409	-92,694	62,291	0	\$33.80	\$34.66
East Seattle / Capitol Hill	975,049	66,700	0	6.8%	1,391	-10,396	98,391	0	\$32.60	\$31.26
IN-CITY TOTALS	6,264,181	1,144,252	184,555	21.2%	253,278	96,759	232,523	0	\$38.54	\$40.59
Tukwila	1,856,414	211,005	30,166	13.0%	1,639	45,130	71,025	0	\$26.58	\$32.54
SeaTac	810,400	99,942	0	12.3%	-750	-26,481	16,727	0	\$28.73	\$29.91
Renton	3,618,614	1,174,963	19,811	33.0%	24,059	129,293	93,050	0	\$43.93	\$49.27
Kent / Auburn	1,391,524	219,127	17,278	17.0%	-19,007	-102,827	36,252	0	\$28.92	\$28.87
SOUTHEND TOTALS	7,676,952	1,705,037	67,255	23.1%	5,941	45,115	217,054	0	\$37.57	\$43.61
FEDERAL WAY TOTALS	2,337,375	540,071	17,611	23.9%	-788	-41,981	289,575	0	\$27.98	\$26.84
SUBURBAN TOTALS	16,278,508	3,389,360	269,421	22.5%	258,431	99,893	739,152	0	\$36.16	\$41.08

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
32275 32 nd Ave S	Federal Way	Family Life Christian Center	144,375	Sublease
Kelly Springfield Bldg	East Seattle/Capitol Hill	CENTRL Office	53,365	New Lease
Southport on Lake Washington – Bldg 3	Renton	Confidential	30,035	New Lease

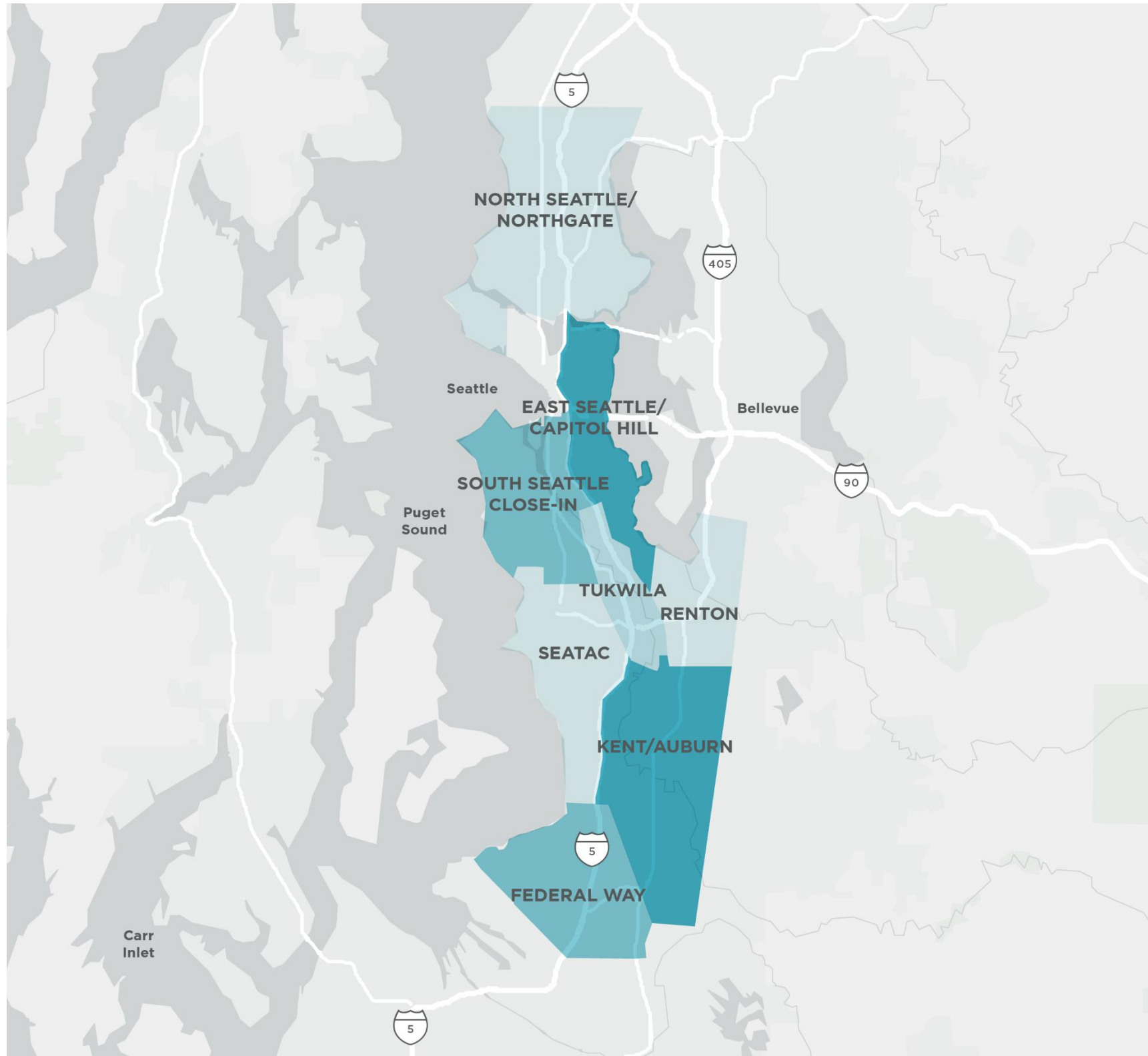
KEY SALES TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Boeing Longacres – North Bldg	Renton	Unico Properties / Alaska Airlines	617,238	\$85.6M / \$139
CenterPoint Tech Bldg	Kent	BECU / City of Kent	81,464	\$11.3M / \$138
East Campus Plaza	Federal Way	Langley Commercial / Infusion Solutions	28,836	\$4.9M / \$168

KEY CONSTRUCTION COMPLETIONS YE 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
U-District Station Bldg	North Seattle / Northgate	University of Washington	262,500	Intercontinental RE Corp, LPC
The Chapter Bldg 1	North Seattle / Northgate	N/A	240,000	Touchstone / Portman
35 Stone	North Seattle / Northgate	N/A	112,700	evolution Projects

OFFICE SUBMARKETS



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