MARKETBEAT

SEATTLE SUBURBAN

OFFICE Q1 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.6% Vacancy Rate	▲	▲
-79.3K YTD Net Absorption, SF	▼	▼
$36.13 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.2M Seattle Employment	▲	▲
4.1% Seattle Unemployment Rate	▼	▲
4.1% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: Seattle Metro Area Improving

The Seattle metro area economy recorded some improvement in the first quarter of 2025, with Amazon's return to a five-day workweek a major influence. Employment increased by 24,300 jobs year-over-year (YOY), bringing the year-to-date (YTD) total to nearly 2.2 million. The unemployment rate dropped 30 basis points (bps) to 4.1%, matching the U.S. rate. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices increased 2.5% YOY, driven by higher food and energy costs, especially gasoline. Minus food and energy, the index rose 2.3% YOY, driven by increases to shelter and other goods and services.

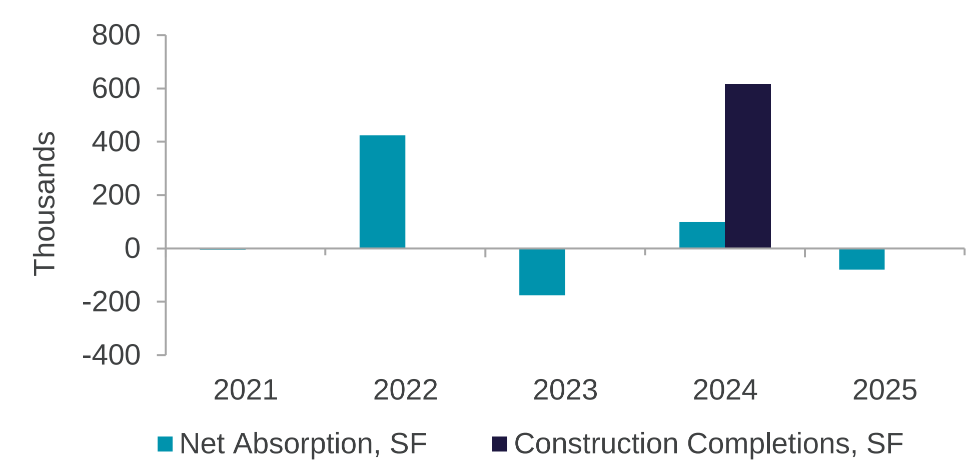
SUPPLY AND DEMAND: Vacancy and Absorption Both Rise

Overall vacancy in the Seattle Suburban office market reached 22.6% in the first quarter of 2025, up 300 bps from the 19.6% rate reported one year ago. Direct vacancy rose 19.3% YOY to 3.5 million square feet (msf); meanwhile, sublet vacancy dropped 1.0% to nearly 222,000 square feet (sf). Class A overall vacancy increased 360 bps YOY to 25.2%, while overall vacancy for Classes B & C combined increased 190 bps YOY to 18.2%. Overall absorption for the quarter was recorded at negative 79,000 sf, a reversal from the positive 74,000 sf posted in the first quarter of 2024. Absorption is expected to remain in the red, with additional space coming to market, along with decreasing tenant demand.

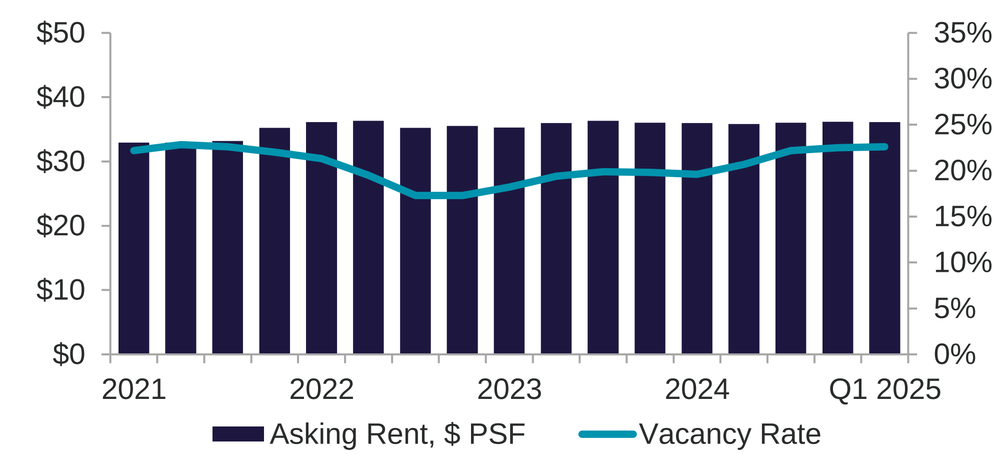
PRICING: Rents Up Slightly YOY

The Seattle Suburban office market reported average asking rents of $36.13 per square foot (psf) on an annual gross basis in the first quarter, a rise of 0.5% YOY. Class A rents averaged $40.89 psf, down 0.3% YOY. The North Seattle/Northgate and Renton submarkets yielded the highest rents among the suburban submarkets, each averaging close to the mid-$40s psf; the remaining submarkets kept the average asking rents closer to $30.00 psf. These lower rents, which have historically been influential in luring tenants from the rest of the Seattle metro area, are likely to remain flat heading into mid-year.

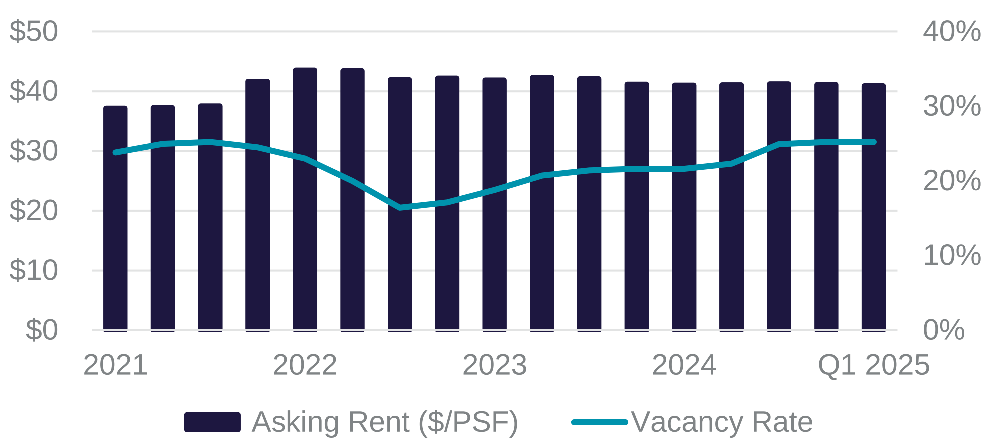
SPACE DEMAND / DELIVERIES



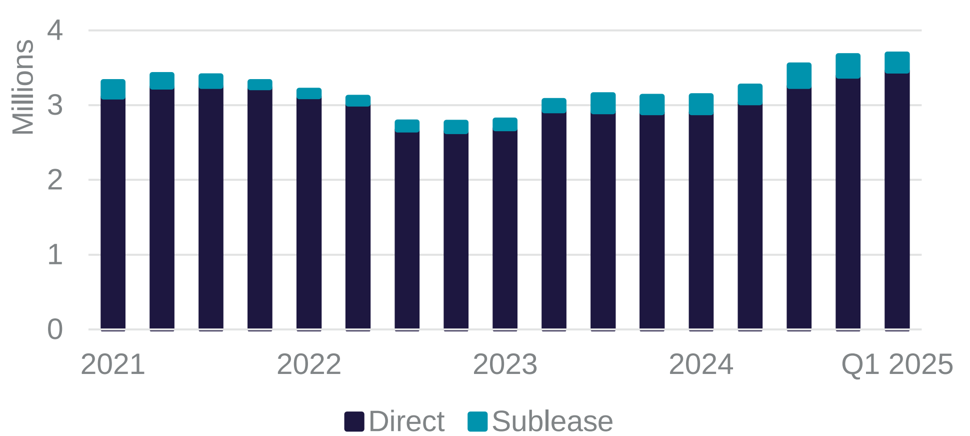
OVERALL VACANCY & ASKING RENT



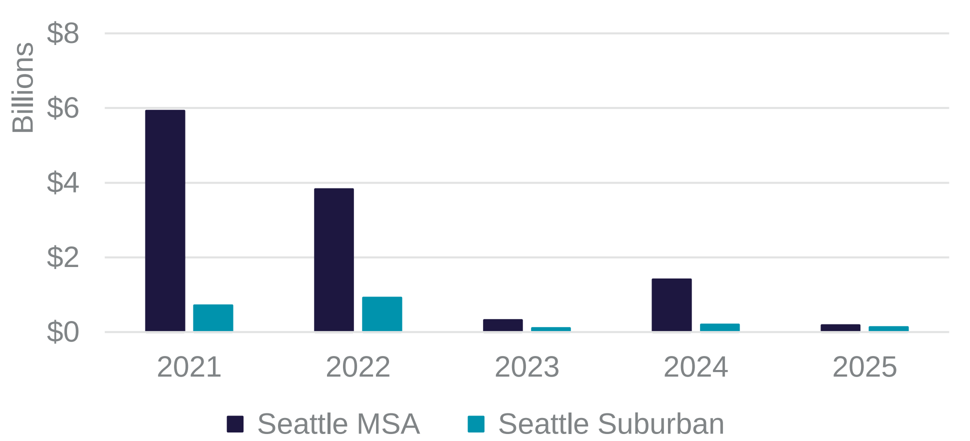
CLASS A VACANCY & ASKING RENT



DIRECT-SUBLEASE VACANT SPACE COMPARISON



OFFICE SALES



CONSTRUCTION: Office Inventory Likely Stagnant in 2025

Just over 615,000 sf delivered in the suburban office market in 2024, the first addition of inventory to the suburbs since 2020. While there is approximately 1.1 million square feet (msf) of proposed space is in the pipeline, none of it is expected to break ground in 2025.

LEASING ACTIVITY: Deals Down YOY

Nearly 130,000 sf was leased in the suburban office market in the first quarter, down 16.7% from one year ago and down 38.2% from pre-pandemic levels (the fourth quarter of 2019). The North Seattle/Northgate submarket reported the most activity, with just over 48,000 sf leased. Few deals in the suburban market were above 10,000 sf, with only 9.7% of all new leases exceeding that figure.

SALES: Large Ground Lease Purchase

Office sales in the suburban market reached $131.0 million in the first quarter of 2025. This was a significant rise from a year ago, when $32.1 million sold. In the most noteworthy transaction of the year, the Port of Seattle acquired the ground lease (leasehold interest) in SeaTac Office Center from a joint venture of PCCP, Urban Renaissance Group, and Iron Point Partners for $110.9 million, or $202.15 psf. The Port will receive the entire 549,000-sf trio of buildings, including air rights, as well as all 15.0 acres of land.

The Seattle MSA reported $180.6 million in office sales in the first quarter of 2025, a significant decrease from the $316.4 million that traded a year ago.

OUTLOOK

- With only a slight rise YOY, rents are forecast to remain competitive in 2025 with this market's affordability vital in attracting tenants seeking to relocate or consolidate/downsize.
- The suburban market is not expected to add inventory in 2025 after three new buildings delivered in the North Seattle/Northgate submarket in 2024.
- Absorption is forecast to remain negative through mid-year 2025 due to the combination of new blocks of space being added while demand wanes.

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	3,218,187	729,532	32,075	23.7%	-54,376	-54,376	48,180	0	$42.65	$46.20
South Seattle Close-In	2,090,113	422,401	140,246	26.9%	-39,858	-39,858	0	0	$34.29	$34.70
East Seattle / Capitol Hill	975,049	95,249	0	9.8%	-7,100	-7,100	24,770	0	$31.99	$33.17
IN-CITY TOTALS	6,283,349	1,247,182	172,321	22.6%	-101,334	-101,334	72,950	0	$37.95	$39.75
Tukwila	1,856,414	190,786	33,388	12.1%	14,213	14,213	0	0	$26.53	$32.73
SeaTac	810,400	106,401	0	13.1%	-6,459	-6,459	0	0	$28.79	$29.88
Renton	3,618,614	1,179,587	0	32.6%	-4,624	-4,624	30,781	0	$44.64	$50.20
Kent / Auburn	1,391,524	211,924	16,225	16.4%	2,269	2,269	17,258	0	$29.09	$28.99
SOUTHEND TOTALS	7,676,952	1,688,698	49,613	22.6%	5,399	5,399	48,039	0	$37.91	$44.12
FEDERAL WAY TOTALS	2,337,375	524,310	0	22.4%	16,617	16,617	8,798	0	$28.26	$27.77
SUBURBAN TOTALS	**16,297,676**	**3,460,190**	**221,934**	**22.6%**	**-79,318**	**-79,318**	**129,787**	**0**	**$36.13**	**$40.89**

Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Blackriver Corporate Park	Renton	Convergint Technologies	19,769	Sublease
Watershed Bldg	North Seattle / Northgate	Take-Two Interactive	17,964	Sublease, Expansion
West Seattle Corporate Center	South Seattle Close-In	Northwest Investment Consulting	10,359	Renewal**

***Renewals not included in leasing statistics*

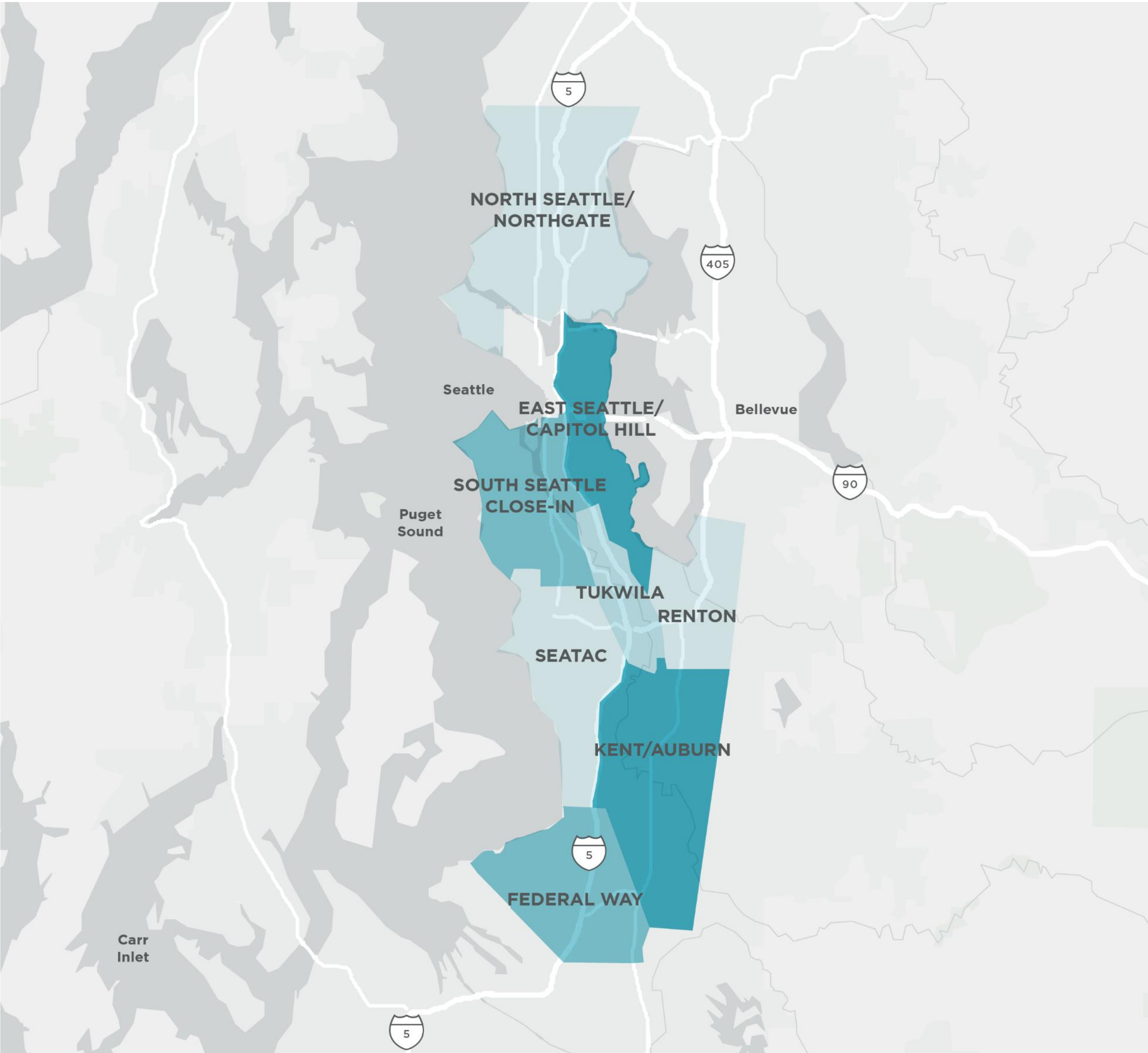
KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
SeaTac Office Center	SeaTac	PCCP, URG, Iron Pt Ptrs / Port of Seattle	548,704	$110.9M / $202
6100 Southcenter	Tukwila	Sound / WR Management Co of CA	18,287	$3.5M / $191

KEY PROPERTIES IN PIPELINE

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Northgate Station	North Seattle / Northgate	N/A	950,000	Simon Property Group
Campus Seattle – 35 Interlake	North Seattle / Northgate	N/A	107,000	evolution Projects
Fremont Northshore	North Seattle / Northgate	N/A	34,179	Blue Rooster Development

OFFICE SUBMARKETS



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