

**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>20.6%</b> Vacancy Rate	▲	▲
<b>-676K</b> YTD Net Absorption, SF	▼	▲
<b>\$44.82</b> Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>2.2M</b> Seattle Employment	▲	▲
<b>4.4%</b> Seattle Unemployment Rate	▲	▲
<b>4.2%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

**ECONOMY: Seattle Metro Area Employment Improves**

The Seattle metro area economy recorded some progress in the past twelve months. Employment improved by 16,600 jobs year-over-year (YOY), bringing the midyear total to nearly 2.2 million. The unemployment rate, however, also rose, up 10 basis points (bps) YOY to 4.4%, 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 1.7% YOY, driven by higher food and energy costs, especially food away from home. Minus food and energy, the index also rose 1.7% YOY, driven by increases to shelter and medical care.

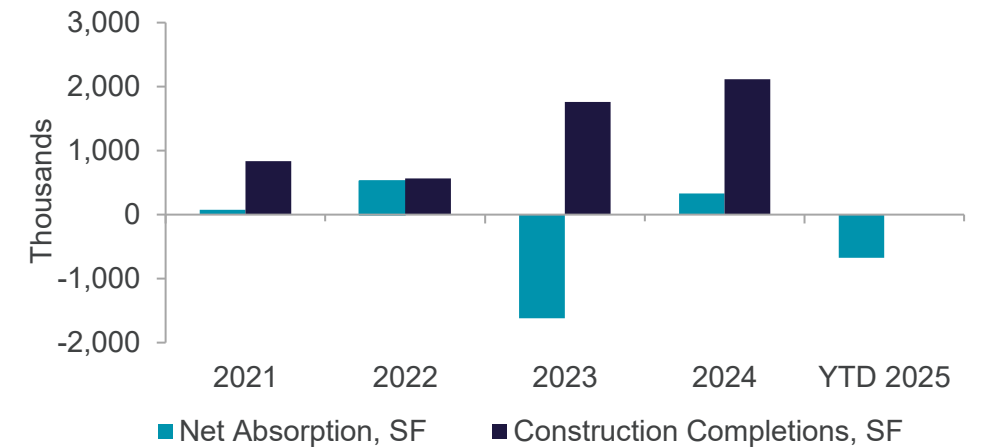
**SUPPLY AND DEMAND: Vacancy Up, Absorption Down YOY**

The Eastside office market reported an overall vacancy rate of 20.6% in the second quarter of 2025, up 280 bps from the 17.8% rate reported one year ago. Direct vacancy rose 25.8% YOY to 6.7 million square feet (msf), while sublease vacancy fell 10.4% YOY to 1.8 msf. Overall vacancy in the Bellevue Central Business District (CBD) submarket increased 490 bps YOY to 15.5%; this was mainly due to large move-outs, including Microsoft moving out of nearly 350,000 sf at City Center Plaza. Year-to-date (YTD) overall absorption reached negative 676,000 sf, a substantial regression from the positive 830,000 sf reported in the first half of 2024. Absorption should level off in the second half, with anticipated large move-ins at Lincoln Square, likely offset by the delivery of Four106, which has no preleases in place.

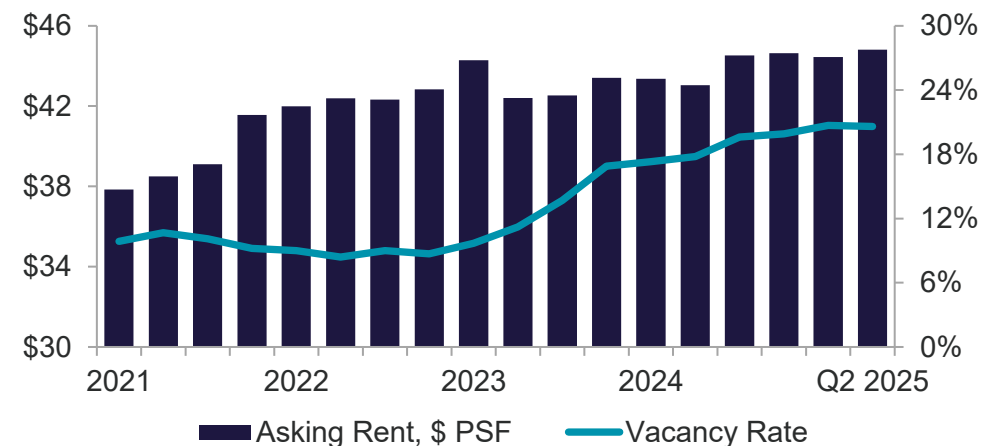
**PRICING: Rents Still Highest in the Metro Area**

The Eastside office market reported average annual gross rental rates of \$44.82 per square foot (psf) in the second quarter, a 4.1% YOY increase. Class A rents in the Bellevue CBD submarket grew 3.2% YOY to \$62.40 psf. Class A rents in the non-CBD submarkets averaged \$41.54 psf, up 0.9% YOY. Eastside rents are expected to stabilize in the second half of 2025, though they will remain among the highest in the metro area.

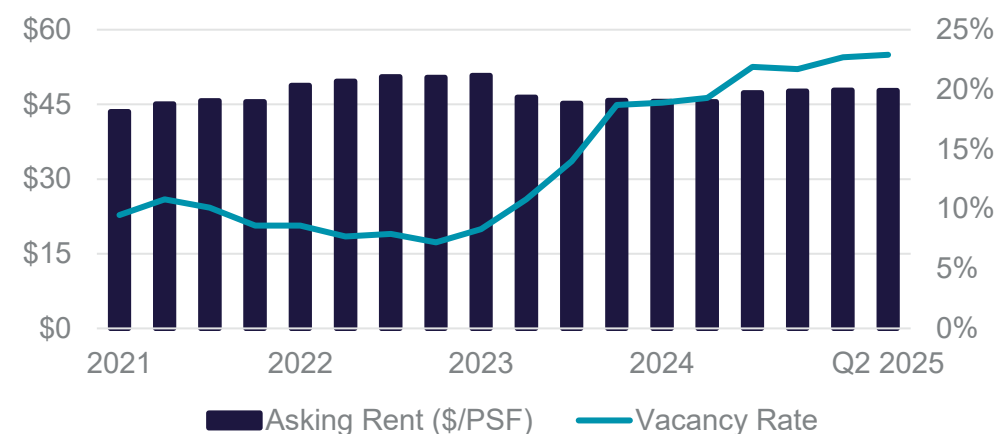
**SPACE DEMAND / DELIVERIES**



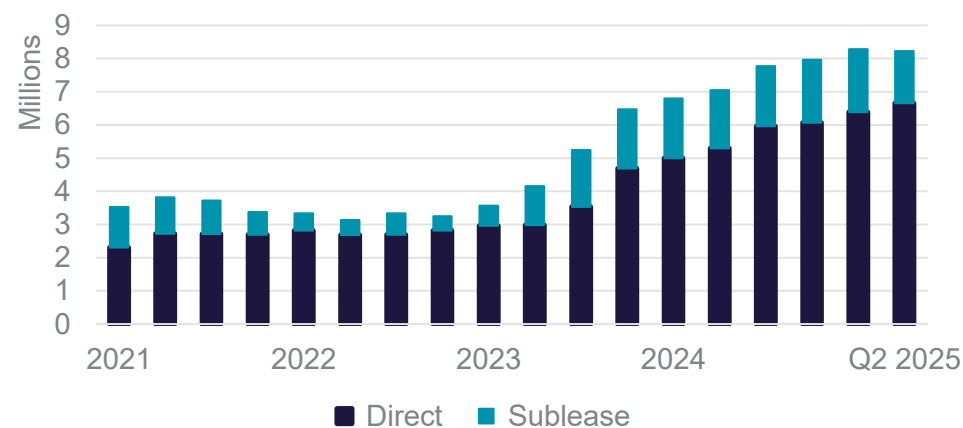
**OVERALL VACANCY & ASKING RENT**



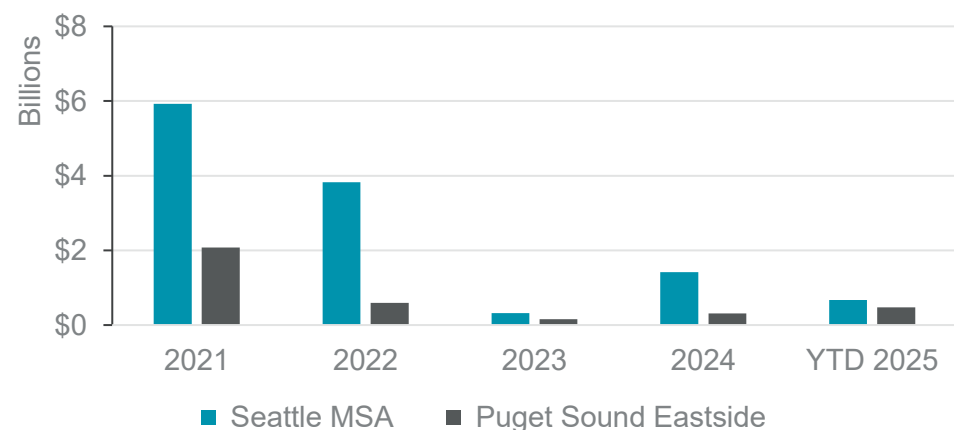
**CLASS A VACANCY & ASKING RENT**



**DIRECT VS. SUBLEASE VACANCY COMPARISON**



**OFFICE SALES**



**CONSTRUCTION: Over 482,000 SF Under Construction**

Following a year that reported 2.1 msf of new inventory, there were no deliveries in the first half of 2025. The 482,000 sf currently under construction is expected to deliver during the third quarter, all of which is fully available for prelease. Approximately 10.4 msf of proposed space is in the pipeline, with 8.6 msf (82.8%) located in the Bellevue CBD.

**LEASING ACTIVITY: Strong Activity to Start 2025**

Nearly 1.0 msf in new deals was signed in the Eastside in the first half of 2025, down 48.3% at this point one year ago. The Bellevue CBD, 405 Corridor, and I-90 Corridor submarkets reported the most activity, combining for nearly 600,000 sf. Just over 12.0% of all new deals signed in the first half were at or above 10,000 sf, slightly lower than the 14.7% figure signed at this point a year ago. Nearly 172,000 sf of space was renewed during the second quarter, 68.0% of which was in the Bellevue CBD. Considering the strong demand for space in the market, more five-figure deals are expected to be signed in the second half of this year.

**SALES: Eastside Sales Increase YOY**

Office sales in the Eastside reached \$472.6 million in the first half of 2025, a substantial increase from the \$134.4 million in sales reported one year ago. In the most significant transaction of the quarter, Wright Runstad and Shorenstein Properties sold Blocks 5 & 6 at The Spring District to Blackstone for \$218.0 million (\$810.24 psf). The 670,000-sf two-building portfolio was fully leased to two tenants at the time of sale.

The Seattle MSA reported \$672.1 million in office sales in the first half of 2025, a notable increase from the \$563.7 million that traded a year ago.

**OUTLOOK**

- Tenant demand, especially from mid-size tech companies, has increased substantially over the past year, with additional large leases expected to be signed in the second half of 2025.
- New construction with preleases in place has kept absorption positive, and while no groundbreaking is expected in 2025, absorption will likely remain stable beyond mid-year due to large move-ins offset by the delivery of Four106, which is fully available.
- 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 expected to flatten in the second half of 2025 due to the rise in lower-priced sublease vacancy; however, pricing will remain the highest 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	1,811,903	211,723	15.5%	-26,579	-251,880	271,170	482,300	\$61.80	\$62.40
405 Corridor	3,813,070	362,101	297,719	17.3%	144,666	132,016	119,953	0	\$43.09	\$54.18
520 Corridor	2,744,294	446,857	61,359	18.5%	-37,681	-18,067	81,952	0	\$40.29	\$49.17
I-90 Corridor	6,879,147	2,439,470	243,650	39.0%	-86,633	-104,527	197,925	0	\$43.37	\$43.12
Bel-Red	1,146,576	92,723	0	8.1%	-5,091	-27,380	39,922	0	\$32.99	\$40.00
Redmond	2,928,024	206,744	595,222	27.4%	-28,408	-103,196	76,546	0	\$35.82	\$35.41
Kirkland	2,704,646	203,679	47,531	9.3%	-44,037	-47,311	56,849	0	\$43.96	\$45.91
Bothell / Woodinville	2,289,236	469,012	0	20.5%	-51,970	-66,339	35,733	0	\$35.42	\$38.37
<b>SUBURBAN TOTALS</b>	<b>22,504,993</b>	<b>4,220,586</b>	<b>1,245,481</b>	<b>24.3%</b>	<b>-135,733</b>	<b>-234,804</b>	<b>608,880</b>	<b>0</b>	<b>\$41.28</b>	<b>\$41.92</b>
Lynnwood	2,241,201	270,683	113,408	17.1%	4,127	-11,061	79,418	0	\$33.69	\$38.38
Everett	2,136,810	351,767	4,719	16.7%	-23,969	-178,664	13,445	0	\$27.78	\$29.56
<b>NORTHEND TOTALS</b>	<b>4,378,011</b>	<b>622,450</b>	<b>118,127</b>	<b>16.9%</b>	<b>-19,842</b>	<b>-189,725</b>	<b>92,863</b>	<b>0</b>	<b>\$30.43</b>	<b>\$36.28</b>
<b>NON-CBD TOTALS</b>	<b>26,883,004</b>	<b>4,843,036</b>	<b>1,363,608</b>	<b>23.1%</b>	<b>-128,996</b>	<b>-424,529</b>	<b>701,743</b>	<b>0</b>	<b>\$39.99</b>	<b>\$41.54</b>
<b>EASTSIDE TOTALS</b>	<b>39,952,026</b>	<b>6,654,939</b>	<b>1,575,331</b>	<b>20.6%</b>	<b>-155,575</b>	<b>-676,409</b>	<b>972,913</b>	<b>482,300</b>	<b>\$44.82</b>	<b>\$47.81</b>

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
929 Office Tower	Bellevue CBD	Salesforce	98,000	Renewal**
Canyon Pointe – Bldg A	Bothell/Woodinville	SystImmune	87,273	New Lease
City Center Plaza	Bellevue CBD	OpenAI	69,000	New Lease
Plaza Center	Bellevue CBD	Legacy Group Capital	39,807	Sublease
Skyline Tower	Bellevue CBD	Anduril Industries	39,581	Sublease

\*\*Renewals are not included in leasing statistics

KEY SALE TRANSACTIONS Q2 2025

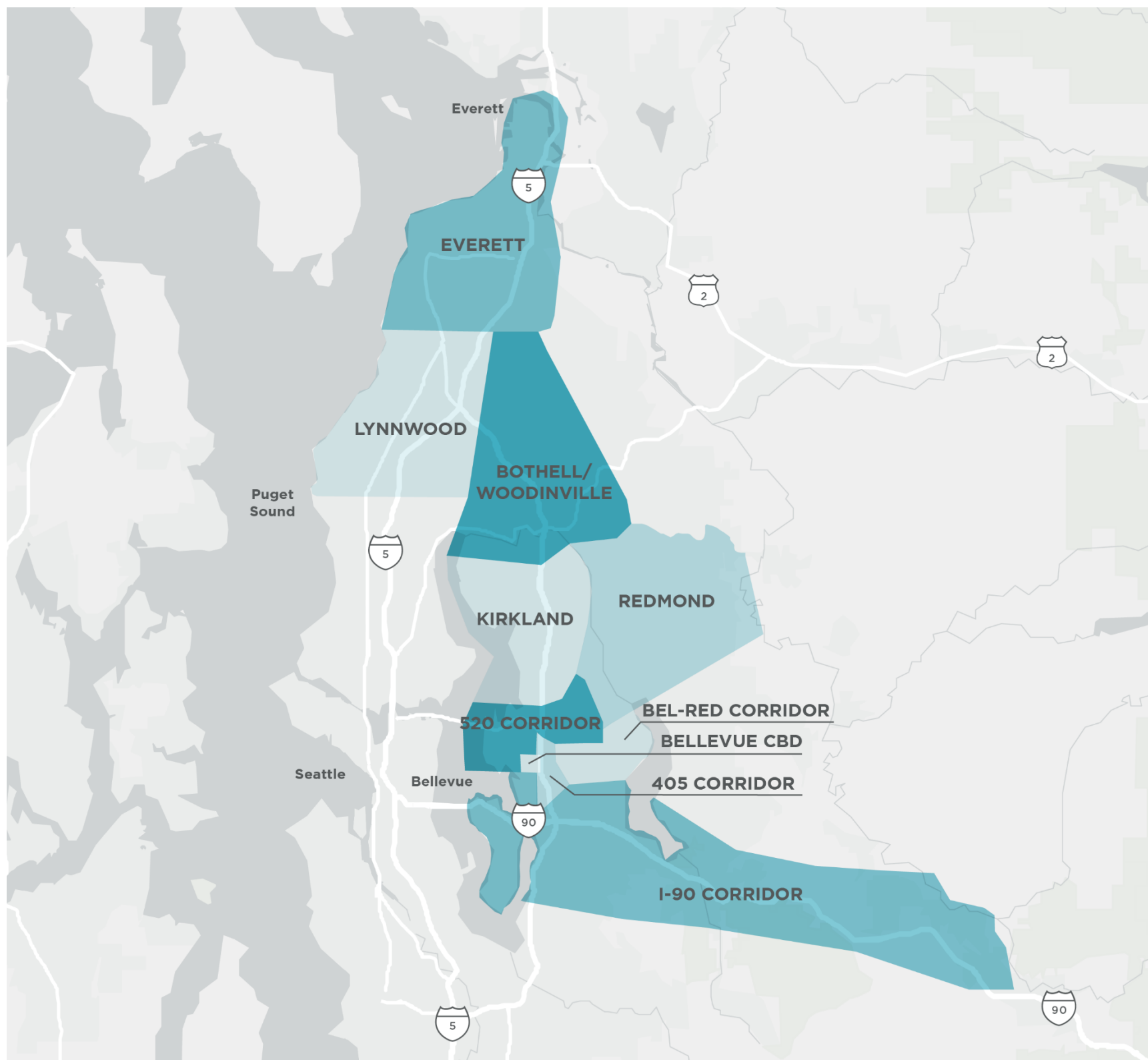
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
The Spring District – Blocks 5 & 6	405 Corridor	Wright Runstad & Shorenstein / Blackstone	672,642	\$218.0M / \$810
The Spring District – Block 13	405 Corridor	Wright Runstad & Shorenstein / KKR & Co LP & Drawbridge Realty	212,128	\$192.1M / \$908

KEY PROPERTIES UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Bellevue 600†	Bellevue CBD	Amazon (owner/user)	1,649,368	Amazon
Four106	Bellevue CBD	n/a	482,300	Dune RE Partners, Patrinely Group

†Owner/user properties are not tracked in statistics

OFFICE SUBMARKETS



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