

MARKET FUNDAMENTALS

	YOY Chg	Outlook
34.6% Vacancy Rate	▲	▲
-1.6M YTD Net Absorption, SF	▲	▼
\$46.85 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▼

ECONOMIC INDICATORS

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

Source: BLS

ECONOMY: Seattle Metro Area Employment Improves

The Seattle metro area economy recorded some progress over the past twelve months, with Amazon’s return to a five-day workweek a major influence. Per Placer.ai data, downtown Seattle averaged nearly 101,000 workers per weekday in March, the highest figure since March 2020. Worker foot traffic near the Amazon campus reached nearly 76% of March 2019 numbers and is expected to improve further during the rest of this year. 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.

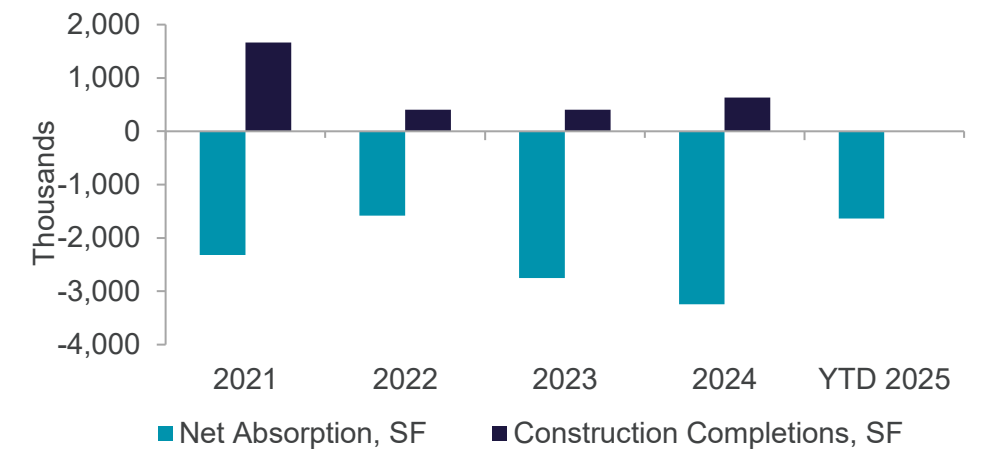
SUPPLY AND DEMAND: Vacancy Nearing 35%

Overall vacancy in the Downtown Seattle office market reached 34.6% in the second quarter of 2025, up 400 bps from the 30.6% rate reported one year ago. Class A vacancy jumped 500 bps YOY to 34.4%, while vacancy in trophy class buildings nearly matched this, hitting 34.5% due to big tech move-outs. Direct vacancy rose 21.1% YOY to 15.6 million square feet (msf), while sublease vacancy fell 20.2% YOY to 2.2 msf. Overall absorption in the downtown area dropped further into the red, plummeting 264.2% YOY to negative 941,000 square feet (sf). This brought the year-to-date (YTD) total to negative 1.6 msf. Absorption will remain negative heading into the second half, in line with the increase in vacancy.

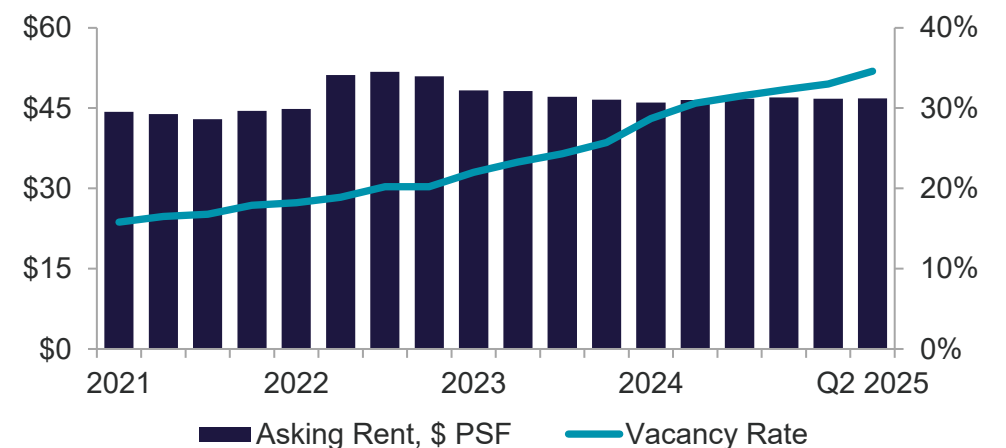
PRICING: Rents Trend Higher

Downtown Seattle average asking rents closed the quarter at \$46.85 per square foot (psf) on an annual gross basis; this was a YOY rise of 0.6%. The Class A figure reached \$50.87 psf, up 0.4% YOY. With trophy space in the low- to mid-\$50s range in three of the four submarkets, rates remain near pre-Covid levels. Pricing is projected to rise slightly in the second half due to the decrease in subleases with lower rents in place.

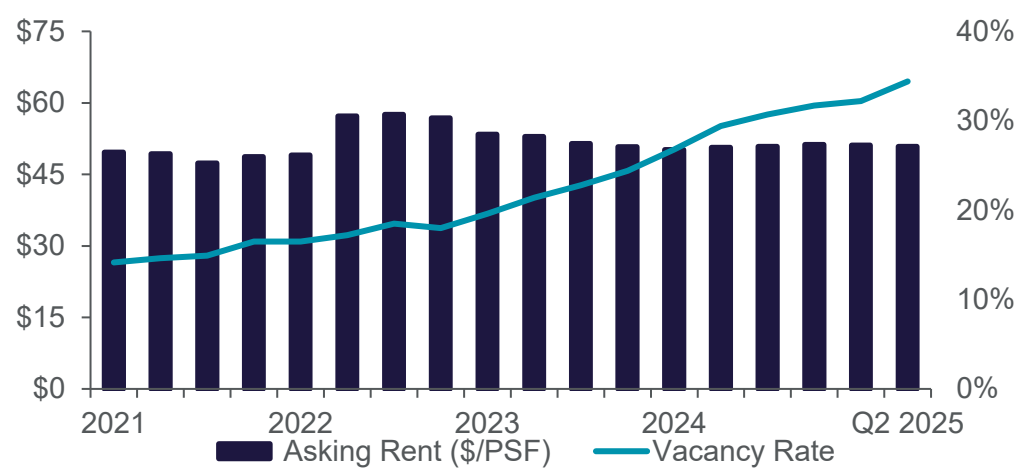
SPACE DEMAND / DELIVERIES



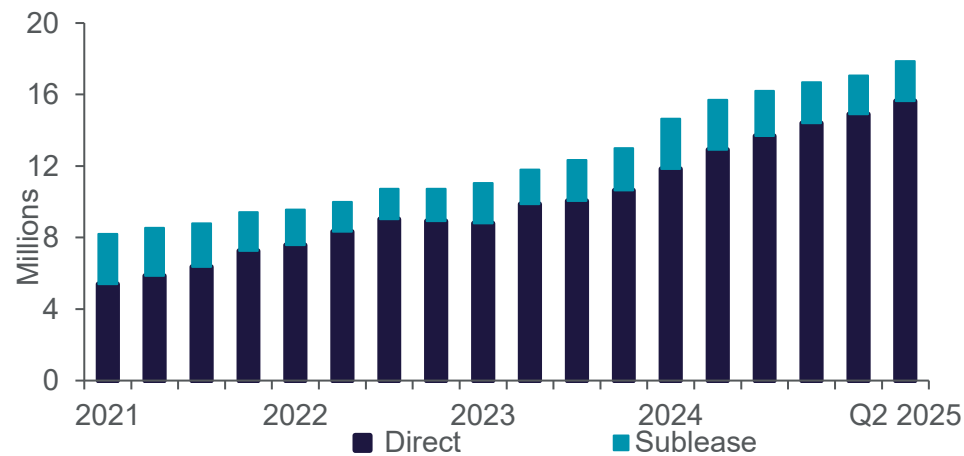
OVERALL VACANCY & ASKING RENT



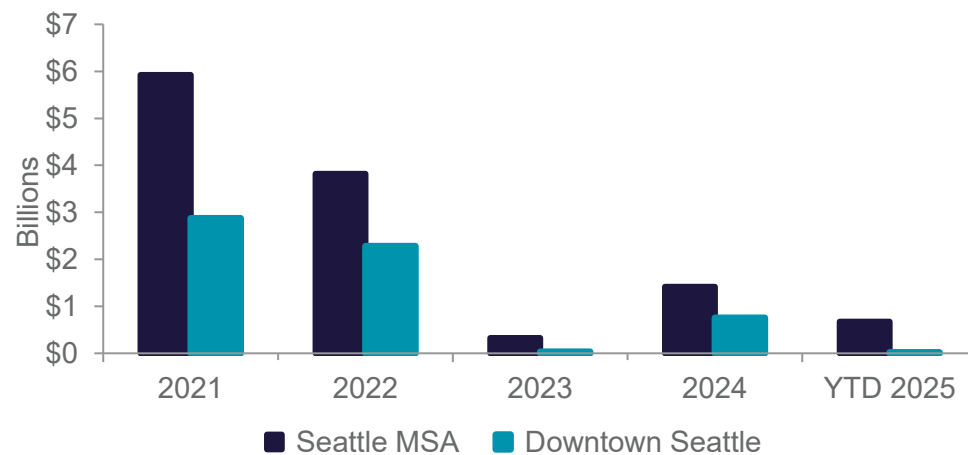
CLASS A VACANCY & ASKING RENT



DIRECT VS. SUBLEASE VACANCY COMPARISON



OFFICE SALES



CONSTRUCTION: Downtown Pipeline Stagnant

The last of the office projects under construction were delivered in 2024 with First Light in the Denny Regrade submarket added to the inventory in the fourth quarter. With nearly 5.3 msf in the proposed construction pipeline and vacancy reaching 34.6% in the downtown area, it is doubtful that any new developments will break ground in the near future.

LEASING ACTIVITY: Leasing Up YOY

Nearly 512,000 sf of new deals were signed downtown in the second quarter, up 9.9% from the nearly 466,000-sf figure reported one year ago. Approximately 67.7% of the square footage leased was in downtown's largest submarket, Seattle CBD. The YTD total reached nearly 880,000 sf, down 3.0% YOY. Nearly 19.8% of all new leases signed in the first half of 2025 were at 10,000 sf or above, a slight improvement from the 16.6% signed at this point a year ago. Larger tenants of 25,000 sf or greater remained on the sidelines, with only 3.9% of all new downtown deals, signed since the start of 2020, at or above that number.

SALES: Office Conversion Sale Marks Slow Second Quarter

Approximately \$19.7 million worth of office inventory traded in the Downtown Seattle market in the first half of 2025, down significantly from the \$131.8 million that sold at this point one year ago. The lone notable transaction was that of the RDA Building (800 Maynard Ave S) in the Pioneer Square/International District submarket. Fu Quan LLC sold the 72,000-sf waterfront property to Tourbineau Real Estate Partners for \$8.8 million (\$121.53 psf). The buyer plans to convert the office portion of the Class C building to self-storage, with the first-floor retail tenant staying put. The conversion is set for a mid-2026 completion.

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

- Despite increases in vacancy, there will continue to be tenant demand for top tier though lower-priced large contiguous blocks of space, especially in and around the downtown area.
- Recent hybrid work policy updates from several firms, including Amazon, Google, and Meta, increased downtown office occupancy, with foot traffic expected to improve further going forward.
- Amazon will continue to reduce office space in downtown Seattle in favor of new construction across the water in downtown Bellevue.
- Absorption will remain in the red through the second half of 2025, primarily due to the rise in direct vacancy.

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)*
Seattle CBD	24,156,590	7,249,747	1,355,931	35.6%	-493,708	-684,698	525,665	0	\$47.91	\$50.60
Denny Regrade	10,439,240	4,253,551	144,786	42.1%	-202,088	-353,567	221,696	0	\$46.75	\$51.43
Pioneer Square/International District	4,847,896	1,737,748	116,557	38.2%	18,129	-65,830	75,206	0	\$45.21	\$54.72
Lower Queen Anne/Lake Union	12,232,789	2,394,377	614,597	24.6%	-262,921	-530,788	53,156	0	\$45.04	\$49.08
SEATTLE TOTALS	51,676,515	15,635,423	2,231,871	34.6%	-940,588	-1,634,883	875,723	0	\$46.85	\$50.87

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
800 5 th Avenue	Seattle CBD	Casey Family Programs	79,189	New Lease
Madison Centre	Seattle CBD	Stackline	44,792	Sublease
World Trade Center – East Bldg	Denny Regrade	Undisclosed	34,225	Sublease
Rainier Square	Seattle CBD	Remitly	31,458	Expansion/Sublease
Metropolitan Park East	Denny Regrade	ARM	21,499	New Lease

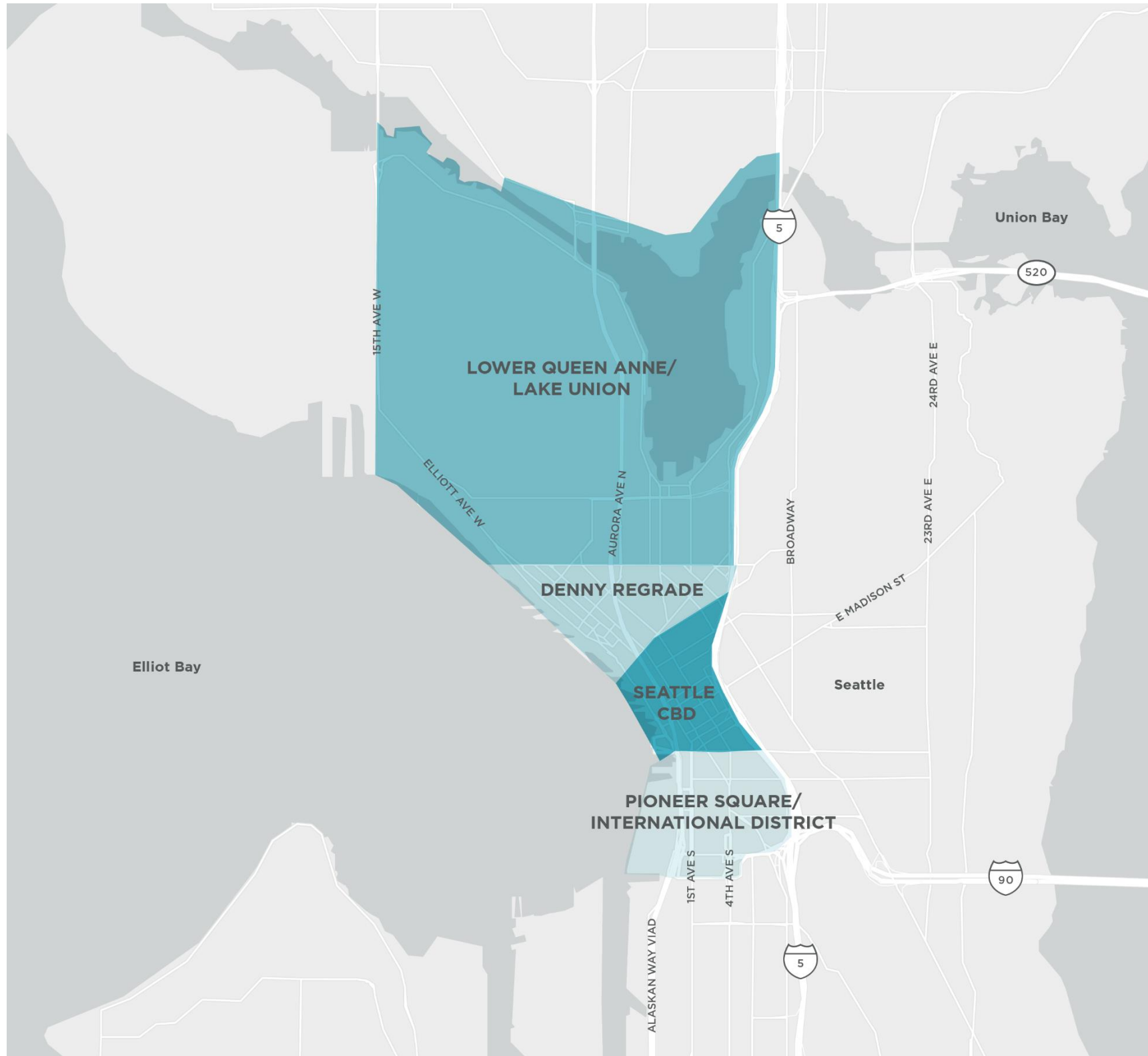
KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
RDA Bldg	Pioneer Square/International District	Fu Quan LLC / Tourbineau RE Partners	72,000	\$8.8M / \$122

KEY PROPERTIES IN PIPELINE

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
The Net	Seattle CBD	N/A	797,580	Urban Visions
SIXO – West	Denny Regrade	N/A	565,000	Kilroy
Interval on Mercer	Lower Queen Anne/Lake Union	N/A	448,602	Schnitzer West

OFFICE SUBMARKETS



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