

A panoramic view of the Seattle skyline at sunset. The Space Needle is the central focus, surrounded by various skyscrapers. In the background, Mount Rainier is visible with snow on its peak. The foreground is filled with green trees.

Quarterly Market Report

Q1 – 2022

Quarterly Highlights

General Overview

At the finish of Q1 2022, the overall vacancy rate for the Downtown Seattle Office Market was 15.7%, comprised of 12.8% of direct vacancy and 2.9% of sublease vacancy. The overall vacancy rate continues the steady quarterly uptick we experienced in 2021. The trailing 12-month net absorption for the Downtown Seattle Office Market at the end of Q1 2022 was (1,188,094) RSF. There is now approximately 1,024,940 RSF under construction in Downtown Seattle, which is up from 824,117 RSF in Q4 2021.

Demand from technology companies for additional space had been the driving force for growth in our market over the past decade. However, demand from these companies for additional space in Seattle remains virtually non-existent since the start of the pandemic. The lack of demand, coupled with high construction costs and supply chain challenges, are causing many landlords and sublandlords to adjust expectations and offer more aggressive leasing terms.

The sublease market, Class B & C buildings in the Central Business District, and most of the peripheral geographical submarkets in the city remain soft. Realizing the effects from the pandemic may not be short term in nature, we are starting to see a shift from long term owners with an emphasis on cash flow, actively pursuing potential tenants with more concessions.

In Q1 2022 many companies began encouraging workers to return to the office in some hybrid capacity as fears and restrictions related to COVID-19 seem to be subsiding. There are many reasons to be optimistic that office space use will continue to increase as 2022 unfolds. However, given the constraints in the labor market and worker's demands for flexibility, uncertainty surrounding true office occupancy and use in the future remains.

Economy

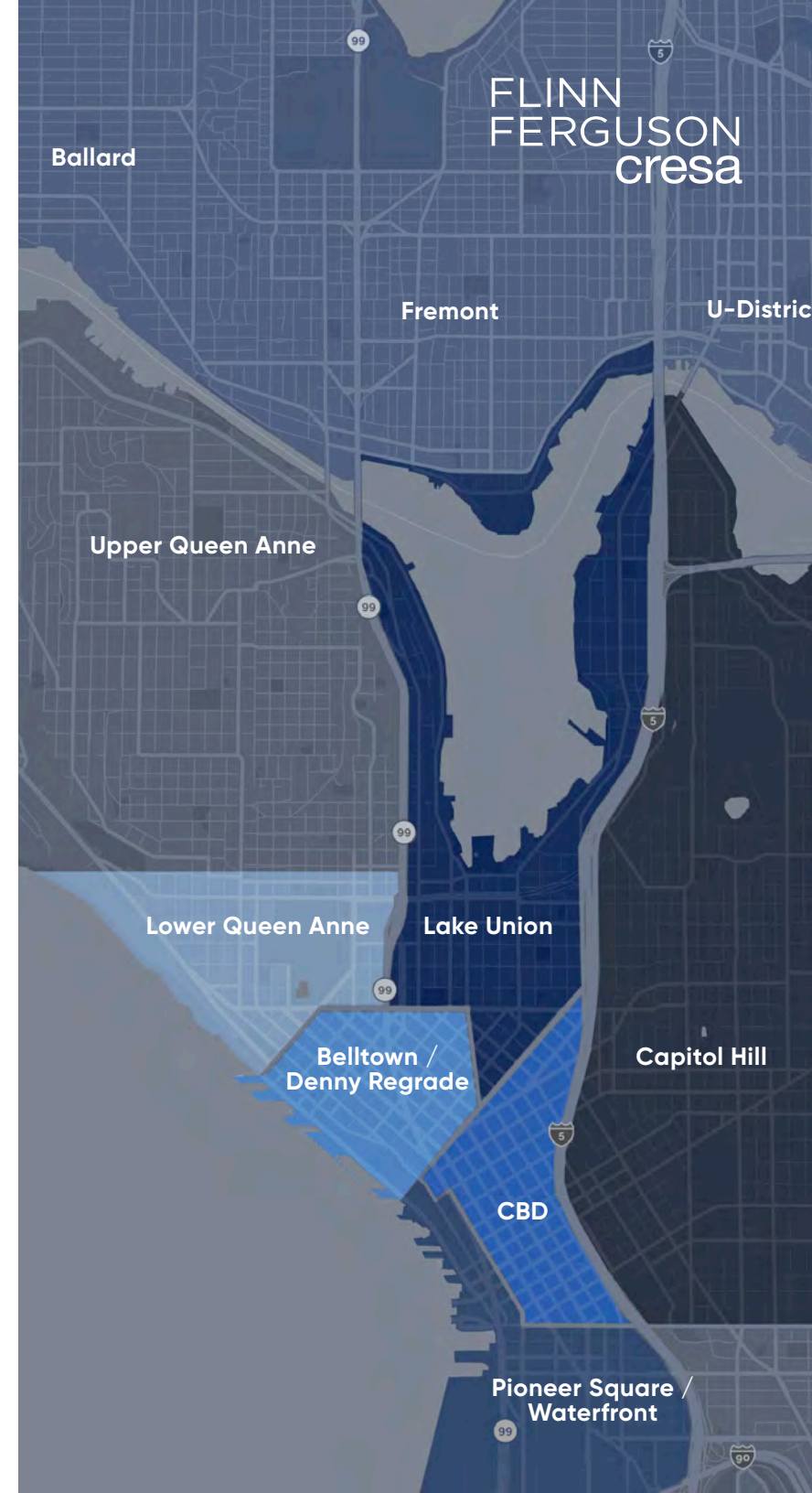
According to the U.S. Bureau of Labor Statistics the seasonally adjusted monthly unemployment rate for Washington State is 4.3% slightly above the nationwide rate of 3.6%. In Seattle/Tacoma/Bellevue, unemployment rate for Feb 2022 was 3.7% up from 3.5% in December 2021.

Submarket Data

To summarize, below is a table providing information for the major submarkets of Seattle:

Market	Vacancy Rate	YTD Absorption (SF)	FS Class A Rental Range
Ballard / U-District	7.8%	87,829	\$30.00 – \$50.00
Belltown / Denny Regrade	18.5%	(156,635)	\$30.00 – \$50.00
Capitol Hill / Central District	3.0%	(261)	\$35.00 – \$55.00
Lake Union	6.5%	182,736	\$50.00 – \$70.00
Pioneer Square / Waterfront	18.5%	(306,718)	\$30.00 – \$65.00
Queen Anne	30.3%	(201,855)	\$28.00 – \$40.00
Central Business District	18.2%	(788,662)	\$40.00 – \$65.00

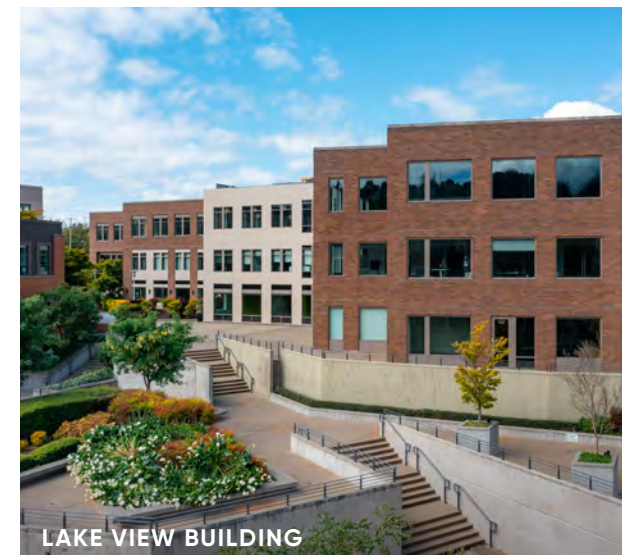
15.7% TOTAL VACANCY RATE FOR SEATTLE (APPX.)









Q1 2022 Leases

Office leasing in the first quarter of 2022 remained slow.

Tenant	Building	Address	Square Feet
CBRE	U.S. Bank Center	1420 5th Avenue	41,000 RSF
Fenwick & West	Rainier Square	401 Union Street	33,000 RSF
Brooks	Lake View Building	837 North 34th Street	32,000 RSF
Newmark	U.S. Bank Center	1420 5th Avenue	13,650 RSF



Top Q1 2022 Office Sales

Building & Address	Buyer / Seller	Building Size	Sale Price / Price PSF
 <p>Second & Seneca 1191 2nd Avenue Seattle, WA</p>	Northwood Investors / Rockwood Capital	439,016 RSF	\$320.0 M / \$729.00
 <p>Block 25 609 Fairview Avenue N Seattle, WA</p>	Deka Immobilien / Vulcan	178,721 RSF	\$227.0 M / \$1,271.00
 <p>Block 31 1021 Valley Street Seattle, WA</p>	Deka Immobilien / Vulcan	167,267 RSF	\$211.0 M / \$1,262.00
 <p>Block 25 620 Boren Avenue N Seattle, WA</p>	Deka Immobilien / Vulcan	144,172 RSF	\$182.0 M / \$1,250.00
 <p>Block 31 1000 Mercer Street Seattle, WA</p>	Deka Immobilien / Vulcan	144,837 RSF	\$181.0 M / \$1,250.00
 <p>1101 2nd Ave Bldg 1101 2nd Avenue Seattle, WA</p>	Northwood Investors / Rockwood Capital	84,799 RSF	\$61.0 M / \$728.00
 <p>425 Pontius Avenue N Seattle, WA</p>	Swift Real Estate Partners / Stephen C Grey & Associates	75,266 RSF	\$39.5 M / \$524.00

Office Construction



The Jack
74 S Jackson St
Developer: Urban Visions
Comments: 135,300 square feet of office space



Washington 1000
1000 Olive Way
Developer: Hudson Pacific Properties
Comments: 526,000 square foot office tower



7th & Battery
2301 7th Ave
Developer: Onni Development
Comments: 310,000 square feet of office, 600 residential units



Firestone Tire Center
400 Westlake Ave N
Developer: Martin Selig Real Estate
Comments: 190,000 square feet of office and biotech space



520 Westlake
520 Westlake Ave N
Developer: Vulcan, Inc.
Comments: 372,000 square feet of office space



Dexter Yard
700 Dexter Ave N
Developer: BioMed Realty
Comments: 515,000 square foot 2-tower office and laboratory project with 14 stories, ground retail and 520 parking stalls



701 Dexter
701 Dexter Ave N
Developer: Alexandria Real Estate Equities
Comments: 10-story, 242,460 square foot building



Northlake Commons
3800 Latona Ave NE
Developer: Spear Street Capital, Hess Callahan Grey Group & Weber Thompson Architects
Comments: 167,000 square feet of office and life science space. First mass timber commercial building of its size in Seattle.



Chapter Buildings
4536 Brooklyn Ave NE /4530 12th Ave NE
Developer: Touchstone
Comments: 394,500 square feet of office space, 21,000 square feet of outdoor space.

Proposed Development



Fourth and Columbia

701 4h Ave

Developer: Crescent Heights
Comments: 151,650 square feet of office, 1,200 residences, 150 hotel rooms, 15,500 square feet retail, 101 stories



SLU Streetcar Barn

318 Fairview Ave N

Developer: Skanska
Comments: 11 story office tower built over a new streetcar barn. Size unknown



401 Queen Anne Ave N

Developer: Martin Selig
Comments: 240,000 square feet of office space



Block 18

2205 7th Ave

Developer: Graphite Design Group
Comments: 388,000 square feet of office. 100% leased to Amazon



Former Seattle Times HQ

1120 John St

Developer: Onni Group
Comments: 940,160 square feet of office with 54,000 square feet of retail



760 Aloha Street

Developer: Nitze-Stagen
Comments: 44,481 square feet of office



The Net

801 3rd Ave

Developer: Urban Visions
Comments: 807,580 square feet of office with two floors of "open market" retail



Windermere Building

815-825 Wetern Ave

Developer: Martin Selig
Comments: 300,000 square feet of office, 10 floors of apartments



Northgate Mall Redevelopment

Developer: Simon Property Group
Comments: 978,500 square foot redevelopment project



5 Parcels

5th & 7th & Stewart St & Olive Way

Developer: Kilroy Realty
Comments: Plans not immediately known



Block 48

111 Westlake Ave N

Developer: Vulcan
Comments: Project will feature 0.5 acres of open spaces, and 420,000 square feet of office space



601 Dexter

601 Dexter Ave N

Developer: Alexandria Real Estate
Comments: Removal of old warehouse, and 11-story office tower, 186,264 square feet, 187 vehicles



1916 Boren Avenue

Developer: Trammel Crow
Comments: 115,000 square foot office project

Proposed Development



University District Station Building
4300 Brooklyn Ave N
Developer: Lincoln Property Co.
Comments: Size of building yet to be determined. University of Washington has agreed to lease 175,000 SF



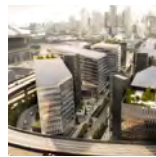
570 Mercer Street
Developer: Schnitzer West
Comments: 100,000 square foot office building



Block 37
Developer: Vulcan
Comments: ±300,000 square feet of office space, 6 stories.



SCCA Expansion
I-5 & Valley Street
Developer: SCCA
Comments: 240,000 square feet of lab and office space



"S"
1001 6th Ave S
Developer: Urban Visions
Comments: 1,620,000 square feet of office



312 9th Ave N
Developer: Vulcan
Comments: ±224,000 square feet of office space, 11 stories.



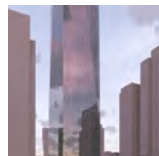
222 5th Ave N
Developer: Da Li Properties
Comments: 200,000 square foot office building, ground floor retail



Metropole Building
423 2nd Ave Ext. S
Developer: Satterberg Foundation
Comments: 27,645 square foot office renovation



Block 57W
Developer: Vulcan
Comments: ±199,000 square feet of office space, 11 stories.



800 Stewart St
Developer: Per Day LLC
Comments: 53 stories, 37,240 square feet of office, 568 residences, ground-floor retail



219 Terry Ave
Developer: Alexandria Real Estate, Hess Callahan Partners, Stephen C Grey & Assoc.
Comments: 612-story building project, size and use unknown



Block 77N
Developer: Vulcan
Comments: ±170,000 rentable square feet.



75 Marion St
Developer: Martin Selig Real Estate
Comments: 209,000 square feet of office space, plus retail, 106 residential units, 278 underground parking stalls



Block 55N
Developer: Vulcan
Comments: ±190,000 rentable square feet



Block 79E
Developer: Vulcan
Comments: ±370,000 rentable square feet

Proposed Development



4536 Brooklyn Ave

Developer: Touchstone

Comments: 345,000 square feet of office



Fremont North Shore 1326 North Northlake Way

Developer: Kevin Conroy & Jim Neuberger

Comments: 30,000 square foot office project. Set to break ground this quarter, but unlikely.



816 Mercer Street

Developer: Alexandria Real Estate

Comments: Two 13-story office buildings with recreation center and conference center; parking for 600 vehicles. Early design guidance; temporary change from full design review to administrative design review due to the COVID-19 pandemic



Washington Park Building Redevelopment

Developer: Unico Properties

Comments: 48,000 square feet of office and 6,000 square feet of restaurant and retail space



Mercer Mega-Block

Developer: Alexandria Real Estate

Comments: 800,000 square foot life science campus

An aerial photograph of Seattle, Washington, showing the city skyline, the waterfront, and the surrounding urban area. The image is overlaid with a semi-transparent blue filter. The text "Thank you." is centered in the middle of the image.

Thank you.

FLINN
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