

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 a snow-capped peak. The foreground is filled with green trees, partially obscuring the lower part of the city.

Quarterly Market Report

Q4 – 2021

Quarterly Highlights

General Overview

At the close of 2021, the overall vacancy rate for the Downtown Seattle Office Market increased to 15.4%, comprised of 12% of direct vacancy and 3.4% of sublease vacancy. The overall vacancy rate increased significantly throughout 2021 rising from 10.3% at the end of 2020, to 13.7% in Q1 2021, 14.4% in Q2 2021, and 14.9% in Q3 2021. The 12-month net absorption for the Downtown Seattle Office Market finished at (2,169,266) RSF.

Demand for office space in the Seattle region continues to fluctuate like other major markets in the United States as COVID-19 variants keep us off balance. Companies continue to adjust their return to office plans and guidelines regarding remote work, testing and vaccinations. 2021, with the exception of the life science sector, did not experience any major office absorption from technology companies, which had been the driving growth force in our market for over a decade. However, institutional investment interest for commercial real estate product and a positive long term outlook for Seattle continues to support many landlords in their efforts to hold firm on established rents and concession packages.

With that said, there are many interesting opportunities for tenants in segmented areas. To provide some examples, there is noticeable softness in: the sublease market, Class B & C buildings in the Central Business District, and most of the peripheral geographical submarkets in the city. Also, landlords with longer term investment strategies have been willing to be much more flexible in their negotiations as of late.

Economy

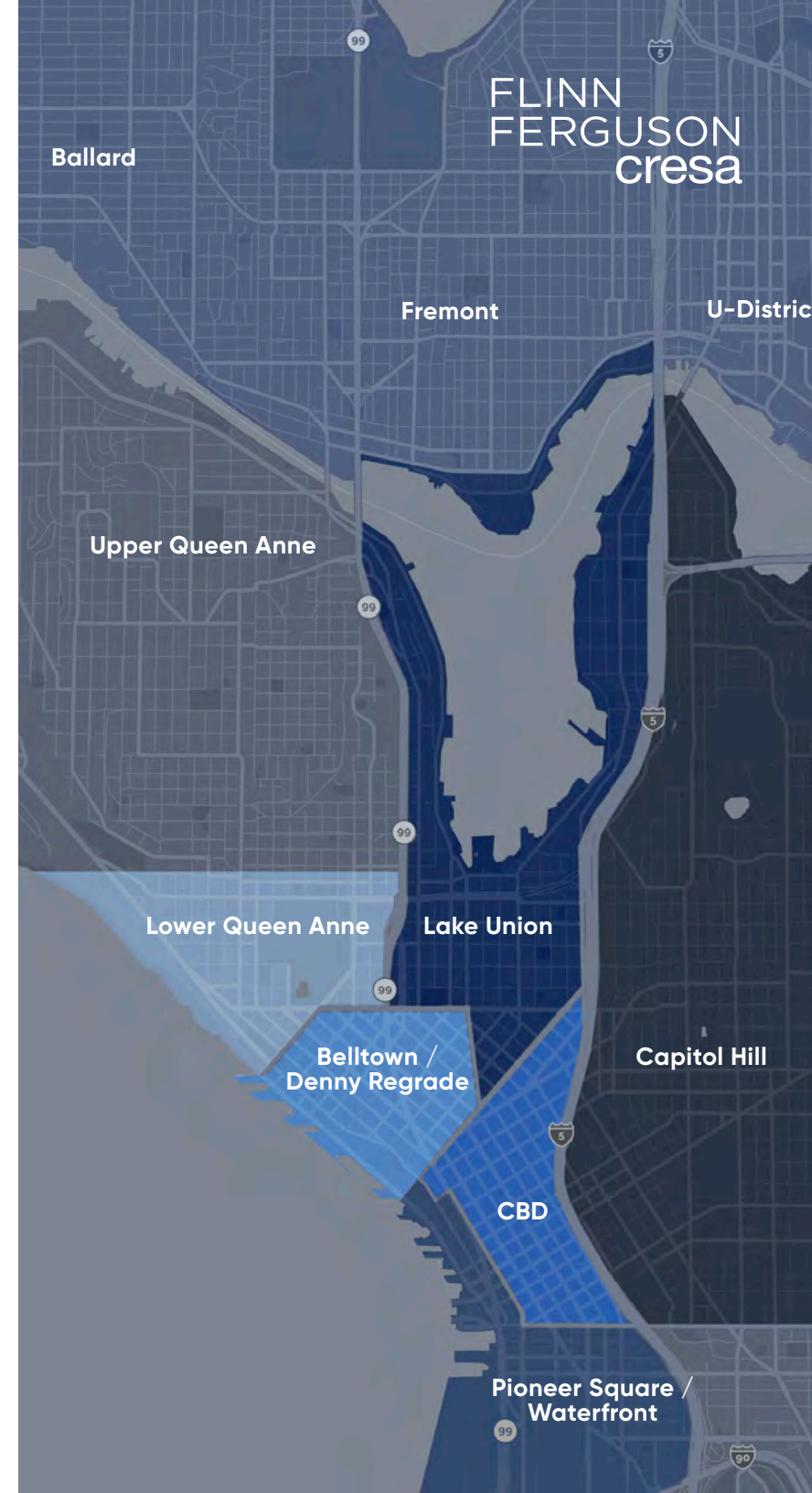
According to the Washington State Employment Security Department the seasonally adjusted monthly unemployment rate for Washington State is 3.2% below the nationwide rate of 3.9%. In Seattle/Tacoma/Bellevue, unemployment rate for Nov 2021 was 3.2% down from 4.6% in September 2021.

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	12.9%	(63,101)	\$30.00 – \$50.00
Belltown / Denny Regrade	19.84%	(300,810)	\$30.00 – \$50.00
Capitol Hill / Central District	2.85%	21,755	\$35.00 – \$55.00
Lake Union	4.46%	57,442	\$50.00 – \$70.00
Pioneer Square / Waterfront	19.02%	(472,138)	\$30.00 – \$65.00
Queen Anne	27.98%	(217,320)	\$28.00 – \$40.00
Central Business District	17.52%	(1,173,993)	\$40.00 – \$65.00

15.4% TOTAL VACANCY RATE FOR SEATTLE (APPX.)



Sublease Inventory by Submarket

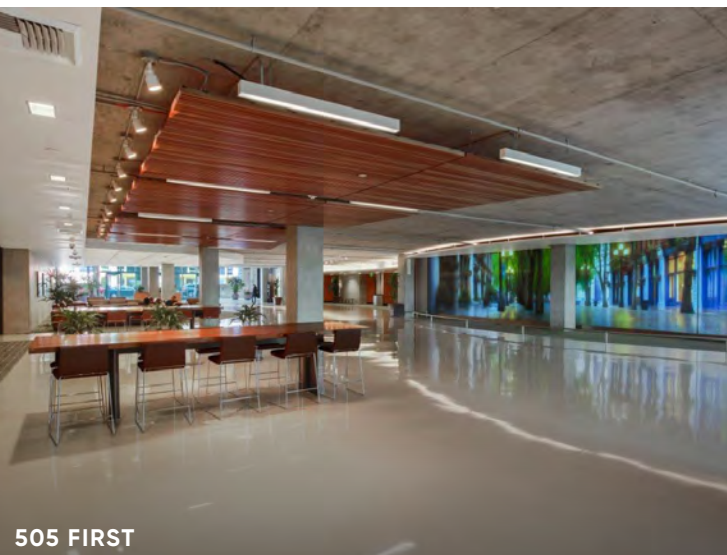
Submarket	Total Sublease Square Feet	Largest Company Subleasing Space	Building
Ballard / U-District	120,000 RSF	Tableau	Lake View Building & Plaza Bldg
Belltown / Denny Regrade	155,000 RSF	City University	521 Wall Street
Central Business District	1,800,000 RSF	Amazon	Rainier Square
Queen Anne / Magnolia	360,000 RSF	F5	Elliott West Building
Lake Union	143,000 RSF	Essence	Alley24
Capitol Hill / Central District	25,600 RSF	CellNetix	1124 Columbia Street
Pioneer Square / Waterfront	421,000 RSF	Big Fish Games	Maritime Building

*Information is taken from Costar: Class A-C Office Space, submarkets include: Ballard/U District, Belltown/ Denny Regrade, Capitol Hill/ Central District, Lake Union, Pioneer Square/ Waterfront, Queen Anne/Magnolia, and Seattle CBD

Q4 2021 Leases

Office leasing in the fourth quarter of 2021 remained slow, but activity began to pick up. There were more space tours and proposals submitted than the previous quarters.

Tenant	Building	Address	Square Feet
Snap	505 First	505 1st Avenue	46,106 SF
Zillow	Russell Investment Center	1301 2nd Avenue	40,213 SF
Undisclosed Bio Tech Companies	Boren Labs	1930 Boren Avenue	15,000 SF



Top Q4 2021 Office Sales

Building & Address	Buyer / Seller	Building Size	Sale Price / Price PSF
 <p>NorthEdge 3301 Densmore Ave N Seattle, WA</p>	BioMed Realty / Clarion Partners	210,905 RSF	\$220.0 M / \$1,043.00
 <p>Cascadian 330 Yale Ave N Seattle, WA</p>	Invesco Ltd, Lincoln Properties / Unico Properties	211,066 SF	\$164.0 M / \$779.00
 <p>Norton Bldg 801 2nd Ave Seattle, WA</p>	Hines / Matthew G Norton Company	246,602 SF	\$147.0 M / \$597.00
 <p>5th & Bell Building 2301 5th Ave Seattle, WA</p>	Hudson Pacific Properties / Alexandria Real Estate Equities	197,000 SF	\$119.0 M / \$604.00
 <p>Seattle Business Center 557 Roy St Seattle, WA</p>	Schnitzer West / Seattle Business Center	32,284 SF	\$29.0 M / \$697.00
 <p>1341 N Northlake Way Seattle, WA</p>	ScanlanKemperBard Companies / Talon Private Capital	52,098 SF	\$21.9 M / \$495.00

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

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



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

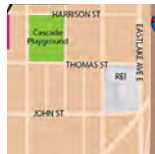
Developer: Trammel Crow
Comments: 115,000 square foot office project



Block 18

2205 7th Ave

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



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



The Net

801 3rd Ave

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



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



5 Parcels

5th & 7th & Stewart St & Olive Way

Developer: Kilroy Realty
Comments: Plans not immediately known



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



601 Dexter

601 Dexter Ave N

Developer: Alexandria Real Estate
Comments: 200,000 square feet of office space



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



4530 12th Ave / 4536 Brooklyn Ave N

Developer: Touchstone-Portman JV
Comments: Building A- 11-story 240,000 square feet of office. Building B- 9-story 152,000 square feet of office

Proposed Development



University District Station Building 4300 Brooklyn Ave N

Developer: Lincoln Property Co.
Comments: Size of building yet to be determined, construction must start no later than June 2021. University of Washington has agreed to lease 175,000 SF



570 Mercer Street

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



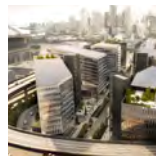
Block 37

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



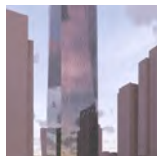
Metropole Building 423 2nd Ave Ext. S

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 surrounding areas. The image is overlaid with a semi-transparent blue filter. The text "Thank you." is centered in the middle of the image in a large, white, sans-serif font.

Thank you.

FLINN
FERGUSON
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