

Seattle Office Space News – April 2022

Below are comments and links to news articles and other topics relevant to the Seattle office space market from the month of April 2022.

OFFICE DEVELOPMENTS

In April Hudson Pacific Properties [closed](#) on the purchase of the site for Washington 1000 a 16-story, 546,000 square foot office tower at 1000 Olive Way adjacent to the Washington State Convention Center. The [plan](#) is for construction to begin soon and for completion in early 2024. LMN Architects designed the tower, and the builder is Lease Crutcher Lewis. The total cost of the project is estimated at \$360 million. At this time none of the building has been preleased.

Life science developers continue to be bullish on Seattle as Alexandria [paid](#) \$138.5 million for the Mercer Blocks located at 800 Mercer St and related addresses in South Lake Union. The nearly 2.9-acre property was purchased from the city of Seattle. Alexandria plans to develop two life-science/office buildings and an apartment building on the site.

BioMed Realty also [purchased](#) a large block in South Lake Union at Denny and Dexter for \$127M from Clise Properties. The project has been named Denny Park South. The 1.6-acre property is across the street from Denny Park and will have two 10-story life science buildings with a total of about 616,000 square feet located at 2300 Seventh Ave and 2301 Eighth Ave.

Gemdale USA, based in Pasadena, is [planning](#) a nine-story, 213,678 square foot office building on the half-block at 618 John St in South Lake Union replacing the former Quality Inn. The report is unclear about Gemdale plans to plan to build speculatively, but does mention their ideal timeline would be to break ground in 2023 and be complete in 2025.

Also in April the Pioneer square Preservation District board [considered](#) a renovation of the century-old Nordic Cold Storage Building located at 548 First Ave S by Staley Point Capital of Los Angeles. Staley is planning an approximately 68,700 square foot office project, which includes a two story addition to the current building.

Finally, the long awaited renovation of the Metropole Building located at 423 Second Ave Ext S. in Pioneer Square looks to be [starting](#) soon. Construction fencing was erected around the site in April and the construction timeline is roughly 18 months. The owner, Satterberg Foundation, plans to add two stories and restore the building into 32,000 square feet of boutique offices and retail.

OFFICE BUILDING SALES

The largest office building sale in April was that of 1101 Westlake Ave N in South Lake Union. BioMed Realty [purchased](#) the 154,000 square foot building, which is 100% leased by Facebook (aka Meta), for \$151.5 Million or \$981 per square foot.

Madison Centre, a 37-story office tower located at 920 Fifth Ave in Seattle's Central Business District, is [back on the market](#). The 746,000 square-foot project was built in 2017 and the seller is Schnitzer West. When the building was on the market in 2020 the asking price was \$720 million.

Also, 425 Pontius, a 40-year-old office building in South Lake Union located at 425 Pontius Ave N, [sold](#) for \$39.9 M or \$530/SF in April. The seller was SP Real Estate Fund 2 LLC, and the buyer was Swift Real Estate Partners. The new owner has plans to renovate the building and feels the asset is positioned in a market that has demand. The building is currently 60% leased.

OFFICE LEASES

The only office lease [reported](#) in April was that of CBRE, who is relocating up to floors 28 and 39 within their existing building at 1420 5th Ave in Seattle's Central Business District. The company will now lease 42,000 square feet, down from their previous footprint of 60,000.

ECONOMY

Overall, the U.S. economy [ended](#) April with threats from high inflation, rising interest rates, supply chain disruptions in China & other major markets, and the war in Ukraine. Many tech companies reported low earnings and the result was [capped](#) off by a 14% drop in Amazon stock at the end of the month.

The U.S. economy shrank for the first three months of the new year.

Over the past couple of months, [mortgage rates increased](#) at the fastest pace in the US since 1994 and inflation is at a four-decade high. In April the mortgage rate rose from 4.72% at the start of the month to 5.11% at the end of the month. The typical homebuyer's payment [rose](#) 35% in a matter of weeks.

Despite this, home prices in the Seattle area remain [high](#). Of the 10 most competitive housing markets in the U.S. six are in Washington. However, the fever over housing locally is expected to cool in the coming months.

The population in King County saw a decrease for the first time in memory. The census [found](#) that nearly 33,000 more people left King County than arrived last year. King County ranked 39th out of 39th for population growth in Washington counties.

Economists have some [optimism](#) given the robust job market and continued consumer spending.

Americans' jobless claims continue to fall and hit record lows—the fewest [since February 1970](#). Employers added a record number of jobs over the past year and workers are experiencing remarkable job security. The total number of Americans collecting jobless benefits continues to decrease. The job market remains in favor of the employee and wages are steadily increasing across the nation. Small businesses are struggling to evolve as the [pay climate increases](#). Seattle ranked fourth on the list of highest average earnings with a 6.2% change in weekly average earnings from February 2021 to February 2022.

OFFICE USE UPDATES

Seattle-area is behind the national trend of workers returning to the office. Kastle, a Washington D.C. office security firm posts weekly occupancy rates from 10 U.S. metros using data from key card access systems in commercial office buildings. Seattle's occupancy rate is around 33% and remains at the bottom of the list which includes Austin, Houston, Washington D.C., San Jose, and San Francisco. To read about why cities such as Seattle and San Francisco remain behind click [here](#).

Google employees [returned](#) to the office in April for a hybrid work schedule and the company is requiring most employees to show up a few days a week. Companies are turning towards activities such as concerts, activity pop-ups and beer & wine tasting to promote a fun environment. Nick Bloom, an economics professor at Stanford University states companies must balance flexibility to maximize the use of office time.

Eric Miles, Moss Adams' new CEO [indicates](#) post-pandemic work includes creating same time, same place experiences for employees. It does not necessarily have to be in an office setting, but the office helps achieve an objective. The key is to get people together for a reason.

Textio CEO Kieran Snyder [believes](#) in the power of the office before the pandemic and while several companies navigated return-to-office plans, Textio stated there would be no centralized headquarters and instead the company would be fully distributed, stating "I don't think you can do hybrid. I am fully for collocated cultures or distributed cultures. The hybrid thing sets up this dynamic where you have some set of people who are always in the room and some people who are always remote." To learn more about Textio's distributed workforce click [here](#).

[Airbnb will allow](#) employees to live and work almost anywhere in the world. This will attract staff who want flexibility. CEO Brian Chesky stated that employees will have to meet in person for events and meetings and salaries will not be effective if employees move. Employees can stay in country for up to three months, but for tax and payroll reasons they will need a permanent address.

Tom Naratil, the president of UBS [feels](#) employees today do not need to make the same trade-offs as bankers on wall street made in the 1980s. Work-life balance did not exist then and today he notes that employees are producing more, feeling better, and having a better work-life balance. He states, "that's a win-win for everybody."

Understanding the employee experience is very important to employers, employees are stating they would stay at their companies longer if there was more flexibility in their schedule. Qualtrics is using its technology to understand how employees want to return to work. Companies and employees are reinventing the wheel and creating a new set of norms. According to [Serafin](#), "employees can work wherever they feel most productive and most safe."

Downtown Seattle has changed a lot throughout the years and with remote work here to stay [the future of downtown remains in question](#). The office occupancies remain sluggish, but downtown neighborhoods are growing. People want to be near sporting events, concerts, transportation, and amenities not just the office. Urbanist Richard Florida challenged civic leaders to think about the third place including coffee shopping to attract the young people who have a desire to be in a great urban environment.

Seattle Times posted [tips](#) for returning to an office setting as several employees face anxiety and excitement. The tips include treating yourself kindly, focusing on what could go right, creating predictability, setting boundaries, and advocating for your needs.

DOWNTOWN SAFETY

A study conducted by EMC Research and commissioned by the Seattle Metro Chamber of Commerce has several key takeaways. 81% of respondents indicated the quality of life is worse in the city than it was four years ago, 67% of respondents considered moving out of the city due to the cost of living, public safety/crime, homelessness, and public as main reasons. Seattle's mayor Bruce Harrell [stated](#), "the truth is the status quo is unacceptable." He is working on mitigating crime and homelessness and bringing back a feeling of safety to the city.

OTHER NEWS

Seattle welcomed 25% more visitors last year compared to 2020 and in 2021 a total of 27.6 million visitors stepped foot in the Puget Sound area. Visit Seattle is optimistic about Seattle's 2022 outlook and the region's new projects including [Climate Pledge Area](#), the convention center, [waterfront redevelopment](#) which is now expected to be complete in 2024.

The new Seattle Convention Center is taking longer than expected to complete due to the strike by concrete workers. According to Kelly Saling, senior vice president, and chief sales officer for Visit Seattle, said, "Seattle is probably going to lag behind that a bit." This is partly due to Washington lifting pandemic restrictions later than other states. "Just by virtue of that, we are farther behind that trend." To see photos of the project click [here](#).

The concrete strike in the Seattle area has come to an end, but no deal has been made. The drivers' union has asked for improvement to a current retiree healthcare plan and is stating the companies are refusing to bargain in good faith. A [spokesman](#) for several concrete companies stated it is "highly inappropriate for the Teamsters to attempt to mitigate the issues by sharing selective, distorted points of the negotiation with media in an attempt to sway public opinion." Teamsters [Local 174](#) had over 300 striking drivers from six companies and they have decided to return to work so people stop thinking they are "the bad guys" said [Brett Gallagher](#), a member of the union bargaining committee.

[Pike Place Market](#) is an iconic [9-acre historic district](#) in Seattle. A Request for Qualifications seeking consultants to craft a master plan has been issued. The market was established in 1907 and is home to hundreds of independently owned shops and restaurant owners, craftspeople, farmers, and social service programs. The master plan's objectives include preserving historic character, identifying new opportunities in commerce and community, and carrying on traditions.

[SDOT](#) shared findings on the pilot program for Seattle scooters. The report shows a high demand for transportation options in Seattle. There were more trips on scooters than bikes. The report noted that the most common reason people used the scooters or bike-share was for social and recreational purposes with trips including commuting, errands, restaurant or bar, shopping, socializing, and visiting friends. A permit application process is underway for up to four scooter share companies.

Finally, the much reported [payroll tax](#) in Seattle brought in a surplus, despite being unfriendly to large corporations and potentially dissuading them to continue growing here (cough.. Amazon). In the first year, the tax brought in \$248.1 million which was \$48.1 million more than projected. The elected officials behind the tax stated the tax was essential for surviving the COVID crisis and will fund affordable housing projects in the city.