

## Seattle Office Space News – August 2022

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

### OFFICE DEVELOPMENTS

The only [news](#) of office development in Seattle was that of a final design review for Gemdale USA's potential project in South Lake Union located at 618 John St. The building will have approximately 221,250 square feet of offices, 550 square feet of retail and 205 underground parking stalls. LEED certification is planned, and green features include rooftop solar panels, many open-air terraces and 200 bike stalls. The site extends along Seventh Avenue North to the corner of Thomas Street and each floor plate varies in size from 21,000-27,000 square feet.

### OFFICE LEASES

It was [reported](#) in August that Sonoma Biotherapeutics leased a 83,000 square-foot research and development space at 501 Elliott Ave W in the Unison Elliott Bay complex, which is a redevelopment of F5's former Interbay headquarters. The company plans to occupy the space towards the end of 2023 and will relocate from their current space at 410 W Harrison in Queen Anne.

Also, Alexandria Real Estate Equities' project at 1150 Eastlake Ave E that broke ground in January of 2021 is [reportedly](#) 90% leased. The 12-story, 300,000 square foot lab and office building was designed by Gensler and built by DPR Construction. The news suggests that Umoja Biopharma, Variant Bio, Notch, Altpep, Evoka, and Outpace have leased space in the building.

While the lease took place months ago, it was [reported](#) in August that Deloitte moved its Seattle office to Martin Selig's Federal Reserve project located at 1015 Second Avenue in the central business district. The new Seattle office provides a collaborative feel and is around 40,000 square feet between two floors. There are no set assignments for which office employees must work from and the company hopes employees will use to office to collaborate, get to know one another, and build teams.

### OFFICE BUILDING SALES

There were no reports about office building sales in August 2022.

### RETURNING TO THE OFFICE

[This article](#) highlights statistics from Stanford University economics professor Nick Bloom who has been researching remote work for 18 years. Bloom's preferred measure of the impact of remote work is the share of full paid days worked from home. Based on data from regular surveys of 5,000 US working age adults and 1,000 domestic companies, Bloom says the rate of paid days worked from home before the pandemic was 5%, the rate rose to 60% during the pandemic, and is now flattening out at 30%.

This very thorough [piece](#) highlights work from home trends and challenges some large companies like Apple, Microsoft, Goldman Sachs, Capital One, Comcast and The New York Times are having in trying to bring their employees back to the office after Labor Day. According to surveys by Stanford and other institutions, people were working remotely about 35% of the time in the Spring of 2022 and companies are planning for employees to be remote just 30% of the time by 2023.

In downtown Seattle, offices are 42% as full as they were before the pandemic [according](#) to statistics provided by the Downtown Seattle Association, up from an average of 35% the previous four months. There are varying reactions from workers who have returned to office full or part time recently.

### DOWNTOWN SAFETY

[This article](#) illuminates additional data tracked by the Downtown Seattle Association analyzing activity in downtown Seattle. According to the data, the number of visitors to downtown Seattle in both June and July of 2022 was at more than 90% of 2019 levels. Hotel occupancy was at 94% of its 2019 levels in July 2022. Reports of violent and property crime dropped nearly 20% from winter to spring in 2022. However, worker foot traffic is at just 39% of 2019 levels.

Unfortunately, an Amazon Go store that opened less than 2 years ago near Fourth Avenue and Pike Street in the central business district has now [closed](#) due to safety concerns for employees, customers, and third-party vendors. Nearby is an open-air drug market that deals with drug-related casualties, narcotics, and behavior/emotional crisis daily. The police have been trying to crack down the area, but the zone, known to the police as "Mary Three," runs from Pine to Seneca and Second Avenue to Eighth.

However, retail recovery varies by block and if you are near lots of foot traffic there is a chance revenue is surpassing pre-Covid numbers. Near Pike Place Market and Capitol Hill many tenants are [opening](#) new locations.

### ECONOMY

At the close of August, it was [reported](#) that employment in the U.S. is officially back up to its pre-pandemic level and that the steady recovery of the U.S. job market will continue in the near future, even if a recession occurs. Job openings also ticked up to 11.2 million in July 2022, indicating demand for workers remains strong.

The unemployment rate recently dropped from 3.6% to 3.5% [according](#) to the Labor Department. Employers added 528,000 jobs in July 2022, easing fears of a recession. The Labor Department also reported that hourly earnings had a 0.5% gain last month and are up 5.2% over the past year.

At the end of July 2022, the Federal Reserve [raised its benchmark](#) interest rate by a sizable 0.75 percentage point. The central bank has been aggressively raising borrowing costs to try to slow spending, cool the economy and defeat the worst outbreak of inflation in two generations.

During the month of August, mortgage rates [first](#) dipped below 5% for the first time in months. However rates [finished the month](#) at 5.55%. The 15-year fixed rate rose to 4.85% from 4.55%. Rapidly rising interest rates cools the housing market and existing home sales fell for the sixth consecutive month in July. The U.S. economy shrank at a 0.6% annual rate from April through June marking an economic contraction.

In further housing [news](#), the market came down from its all-time highs and sales fell 20.2% from July last year. The slowdown favors buyers who can afford to stay in the market. Homes are still selling fast, and multiple offers are present, but sellers are more flexible on their asking price. It will take a sharp increase in number of homes on the market for it to become a buyers' market.

The Northwest Multiple Listing Services [show](#) that the number of properties for sale in Washington is up and pending sales are down. However, it remains a sellers' market. King's median single-family median home price rose 2.2% to \$890,000, while Kitsap saw a 5.5% increase to \$538,000. The Snohomish price rose 10% to \$770,000, and Pierce saw the largest year-over-year bump, 12.8%, to \$575,000. Before the market started to cool, median sale prices in the four counties increased between around 11% and 17%.

At the end of August, the stock market [tumbled](#) after Fed chief Jerome Powell indicated that the central bank will continue raising rates into 2023. Volatility is expected to continue.

Finally, inflation [fell](#) for the first time in months to 6.3% in July from 6.8% in June. The cooldown is partly a result of falling gas prices and economist caution that gas prices are volatile and may jump again.

## **OTHER NEWS**

The Seattle waterfront has several projects [underway](#) including a \$70 million Overlook Walk, a \$113 million Ocean Pavilion and a new piece of Elliott Way which is part of the \$189 million Alaskan Way rebuild. The Ocean Pavilion will feature a 325,000-gallon tank with sharks and stingrays and is expected to open in spring 2024. The new waterfront projects, estimated to cost \$756 million, is from Pioneer Square to Belltown will include 20 acres of new public spaces, including bike paths, walkways and parks.

Bumbershoot is [reportedly](#) eyeing a short-term lease on retail space located in Securities Building block located at 301 Virginia St. The space is located on two levels and would be a space to curate art events. The new plan, not yet approved, says "it is designed to activate the downtown core and offer programming 360 days a year, with the balance being held at Seattle Center."