

Seattle Office Space News – July 2022

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

OFFICE DEVELOPMENTS

In July it was [reported](#) that Touchstone secured \$196M in financing for their 2-tower office project commonly known as the Chapter Buildings in the U District submarket. The mixed-use commercial project will be a joint venture with Houston-headquartered Lionstone Investments and plans to have a life science component. The fully capitalized asset is around 400,000 square feet and will be the largest private commercial project in the U District.

Trammell Crow [applied](#) for a master-use permit in July for an 11-story life science tower at 901 Lenora Street in the Denny Triangle submarket. The site, formerly occupied by the Social Security Administration and Morningside Academy, is 21,600 square feet with zoning allowing for a commercial project up to 290 feet in height. In April 2022 Trammell Crow sold the nearby 10 story 1930 Boren office and life science capable project to Oxford Properties Group for \$119.1M. Trammell Crow is also seeking a construction permit for a 235,000 square foot development at 1916 Boren Ave.

Also in July a city of Seattle board [recommended](#) approval of the design of Vulcan's 11 story project at 312 Ninth Ave N in South Lake Union. Should Vulcan obtain a master use permit, they are planning a "best in class" 240,000 square foot life science and office building.

After completing apartment and hotel projects in South Lake Union, Onni Group is now focused on a two-building office development at 1120 John Street. While Onni hasn't announced the groundbreaking, the developer received a master use permit in March and it was [reported](#) in July that work is happening on the site. The project is set to have an 18-story and a 16-story building, totaling 935,951 square feet of office, retail, and underground parking.

In more development news, Martin Selig secured a master use permit for a 144,000 square foot office project at 401 Queen Anne Ave N in Lower Queen Anne. This article [infers](#) that Selig will wait for pre-leasing before starting construction.

OFFICE BUILDING SALES

The only office sale in the [news](#) in July was that of 1404 Fourth Ave in the central business district, commonly known as the Men's Warehouse building. The 26,247 square foot building was purchased by Rosauer Real Estate and plans for renovation have already emerged for exterior and system upgrades. The sale price, at \$10.6M, equates to \$404 per square foot.

OFFICE LEASES

Eddie Bauer leased 50,000 square feet at 2200 First Ave S in SoDo as [reported](#) in July. City records indicate that renovations are underway and it appears the company will fill part of the first floor and the entirety of the second and third floors.

Seattle based logistics company Flexe [announced](#) in July that they are relocating their headquarters to 50,500 square feet of office and warehouse space at 4786 First Ave S, commonly known as SoDo Row. CEO Karl Siebrecht said the company adopted the hybrid work model and wanted a headquarters that was more thematically consistent with the company's business—which offers on-demand warehouse and fulfillment services.

ECONOMY

At the end of July Jerome Powell, the chair of the Federal Reserve, [reinforced](#) the message that in order to curb inflation they will continue raising interest rates, which they [did](#) by three quarters of a point during the last week of the month. According to Freddie Mack the 30 year mortgage rate fell to 5.3% from a high of 5.54% in mid July. Some notable other points came from the press conference including: 1. The U.S. is not in a recession due to the strong labor market, 2. The labor market should be used as the measurement of whether we are in recession rather than consistent contraction in gross domestic product, 3. Slower growth is good as that is the intent of the interest rate hikes, 4. Incremental interest rate hikes will likely continue into next year.

Shortly after Powell's press conference it was [reported](#) that the U.S. contracted by .9% annual pace from April through June. The decline in gross domestic product came on the heels of a drop of 1.6% from January through March.

Seattle's inflation hit a four-decade high at 10.1% according to the U.S. Bureau of Labor Statistics. The U.S consumer price is at 9.1%. To see the price change in some of Seattle's goods and services click [here](#):

Despite the job market being the indicator in favor of a healthy economy, this article [reports](#) that the number of Americans applying for unemployment, 251,000 as of July 16th, has reached the highest point in 8 months.

It was also [reported](#) that average hourly earnings increased by 5.1% this year through June, which was a slight decrease from a the 5.3% reported in May, signaling a weakening labor market.

Another signal of trouble for Seattle came when Amazon [announced](#) a decrease of 99,000 employees after overstaffing their fulfillment and distribution network. Amazon also indicated they will be more cautious in hiring at their headquarters and other offices.

Startups in the Seattle area and Pacific Northwest raised \$4 billion in the first half of 2022, down 20% from the \$5 billion raised in first half of 2021 according to GeekWire's startup funding list. Startups in the region have been told by advisors to extend their financial runways. There are several hardware companies—often more capital-intensive—near the top of the [funding list](#) in the Seattle region.

The local and national housing market [continues](#) to cool with more houses for sale, longer times on the market, fewer showings and open house visitors, and more price adjustments. In Seattle prices are still [climbing](#), but at a slower rate. Prices climbed 23.4% year over year as of May 2022, down from a 26.1% increase in the previous year.

While the housing market is cooling, the rental market in the Seattle area remains strong and rents have increased by an average of 14.5%. Factors driving the increases in rent include strong job market, increased wages, and a higher demand for new apartments. According to experts rent increases are expected to moderate in the months and years to come.

RETURNING TO THE OFFICE

According to this [article](#), hundreds of City of Seattle employees may be ready to quit rather than follow Mayor Bruce Harrell's proposed return-to-office plans. The Mayor's plan includes a long-term remote/hybrid work policy with an expectation that staff will come into the office two workdays every week. In July the number of workers in downtown offices averaged 32% according to Placer.ai as posted by the Downtown Seattle Association.

In Seattle, an anticipated return to the office has not arrived and [reports](#) suggest that the offices will remain empty until 2024. Many tech companies are faltering on their return to office plans as employees are comfortable with remote work and listing reasoning against going back to the office to include long commute times and high gas prices.

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OTHER NEWS

Construction on a troubled downtown Civic Square project at 4th & James across the street from Seattle City Hall hits [pause](#) once again. Bosa a Canadian developer said it is halting work because of rising construction costs and uncertainties in the broader construction market. Nationwide, the construction industry is facing rising material costs, supply chain problems, challenges hiring workers and other hang-ups, according to the Mortenson Cost Index, which tracks the industry.