

Seattle Office Space News – June 2022

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

OFFICE DEVELOPMENTS

In June Kilroy Realty presented their SIXO mixed-use project to Seattle’s Landmarks Preservation Board. The [project](#), located in Seattle’s Denny Triangle at 6th & Olive, will include a 30-story office tower along with the landmarked 10-story Lloyd Building, which will be partly gutted and then added onto an 18-story office tower. No schedule has been announced for the project.

OFFICE BUILDING SALES

June also brought [news](#) that Pemco Mutual Insurance will be selling their headquarters office building located at 1300 Dexter Ave N in South Lake Union. Cushman & Wakefield is listing the building, unpriced. The company plans to stay in the area and CEO Stan McNaughton stated, “we’re leaning into the future, evolving as a company by focusing on ‘how’ we do business, not ‘where.’ For us, that means continuing to embrace cloud-based technology and supporting our hybrid work.”

OFFICE LEASES

There were no office leases reported in Seattle in June 2022.

ECONOMY

As June concluded many experts are predicting a looming recession. However, it was also [reported](#) that the US economy shrank by only 1.6% in the first three months of the year. According to World Bank, the economy is still expected to grow by 2.5% for the full year. Some [contend](#) that a recession is less likely than a moderation of growth for the future.

Another positive indicator is that the job market [remained](#) resilient with a national unemployment rate reported at 3.6% by the Labor Department and hiring well spread across all sectors with the exception of retail. King County’s non-adjusted unemployment rate recently [hit the lowest rate ever](#)—1.9%.

Despite the strong labor market, rising inflation continues to motivate the Federal Reserve to [increase](#) the cost of borrowing cash. In June, the average long term mortgage rates [ended the month](#) at 5.70% after peaking at 5.81% mid-month. The average rate one year ago was 2.98%. These increases have been bad news for financial markets and have further tightened financial conditions.

Finally, due to rising rates and uncertainty in the economy, the housing market in the Seattle area is [cooling off](#). Homes are spending more time on the market, the number of pending sales are declining, and prices are dropping or staying flat.

RETURNING TO THE OFFICE

[This article](#) from June highlights statistics provided by the Downtown Seattle Association reporting more workers returning to downtown Seattle offices. Specifically, the DSA indicated that in May 2022 downtown Seattle’s office population recovered to 40% of pre-pandemic levels and office worker recovery topped 30%. The DSA has an economic recovery dashboard that tracks five metrics including: hotel room demand, Pike Place Market visitors, foot traffic, domestic visitors, and office workers.

With the uncertainty of how many people will actually return to the office, a [trend](#) of shorter term leases has emerged. The average lease length in the Puget Sound dropped from around 70 months in Q3 and Q4 of 2021 to 58 months in Q1 2022. Office-vacancy rates remain high at around 20%, and the tight labor market is pushing employers to allow remote and hybrid positions to attract new workers and avoid losing existing employees. Landlords are not expecting a quick recovery and nationally actual office occupancy rates have stalled at around 43% since March according to Kastle Systems.

As COVID-19 cases surged over the last month, many companies continue to [revise their stances](#) on in-office working. According to data a survey performed by Robin of more than 10,000 offices globally, nearly 20% of American workers are back one day a week and only 5% of workers are back three days a week. More than 50% do not use the office consistently.

While many company leaders are waffling in uncertainty, Tesla’s Elon Musk emailed employees in June that they are expected to be in the office at least 40 hours per week saying: “...If you don’t show up, we will assume you have resigned.” Other tech CEO’s weigh [in in this article](#), and the sentiment seems to be that every company and every person are different and that remote work is here to stay in some capacity.