

## Seattle Office Space News – May 2022

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

### OFFICE DEVELOPMENTS

In May Hudson Pacific Properties, the owner of Pacific Place mall located at 600 Pine Street in Seattle, [filed](#) preliminary plans with the city of Seattle to convert the 5 story building from retail to an office use. The plans also include adding 1 to 3 towers above the existing structure to include retail, multifamily, or additional office.

Four years after purchasing the land in Seattle's Denny Triangle submarket, developer Onni Group is still [tinkering](#) with plans to build a mixed-use project including roughly 320,000sf of office space at 2301 7<sup>th</sup> Ave. Onni currently has other developments underway on 2 blocks in the neighborhood that include apartments, a hotel and office space.

Expedia Group's new 40-acre Seattle headquarters opened in April and photos of the campus can be found [here](#). The price to develop the campus was around \$900 million and includes around 1 million square feet of office space.

Lastly, the next design review for Vulcan's third Lakefront Block in South Lake Union located at 630 Westlake Ave N will happen on June 15<sup>th</sup>. Vulcan has [planned](#) for the building to have six stories with 289,000 square feet of office space. The retail component is expected to total around 9,950 square feet and they have planned 320 underground parking stalls.

### OFFICE BUILDING SALES

Madison Centre, located at 920 Fifth Avenue in the central business district, [sold](#) in May for \$730 million or around \$959 per square foot. The 37-story office building was sold to Boston Properties. The sellers, Schnitzer West and Baring, developed the property which is currently 93% leased.

### OFFICE LEASES

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

### ECONOMY

Well, some stuff happened in the economy in May 2022 as historically [high inflation](#), [turbulence](#) in the stock market, the war in Ukraine, and Covid outbreaks in China perpetuate concerns.

At the end of the month global stocks and U.S. futures [rose](#) after Wall Street rebounded from a seven-week string of declines. The Commerce Department released data showing inflation decelerated to 6.4% over a year earlier in April, its first decline in 17 months.

In order to continue tamping inflation, the Federal Reserve [hiked](#) interest rates by a half a percentage point in early May and continues to [affirm plans](#) to keep raising rates until inflation is under better control.

With rising interest rates, the [average home mortgage rates](#) for a 30 year loan rose to [5.3%](#) in May, reaching the highest point since 2009, and then [slipped](#) and finish the month at [5.1%](#). A year ago, the average rate stood at 2.95%.

Despite increased borrowing costs, it was [reported](#) in May that King County median home values have increased at an unprecedented rate over the past year, 19%-52% depending on the submarket. However, the market [appears](#) to be cooling off as new data shows homes taking slightly longer to sell.

About 4% more Americans applied for [jobless benefits](#) in May than April, but the total number of Americans collecting unemployment benefits is at a 53-year low. The unemployment rate is hovering around 3.6%.

U.S. retail sales [rose](#) 0.9% in April, showing Americans' resilience in continued expenditure even as the economy [shrank in Q1 2022](#). Analysts suggest that the economy as a whole remains healthy with positives in consumer spending and the unemployment rate still at a half century low. However, caution about growth in the future remains.

According to a [report](#) from the Technology Councils of North America (TECNA) Washington had the third-highest percentage increase in tech jobs from December 2019 to December 2021. The study also noted remote work is complicating which areas benefit from the job growth.

Despite this, startup leaders are [worried](#) about fundraising. In a survey of more than 250 startup founders and CEOs some key takeaways were 1 in 4 startups plan to hire remotely in less expensive markets, 2 in 3 startup founders say their businesses declined or stalled due to the pandemic, 1 in 3 is planning to grow its employee base by 10% or more this year, and 79% plan to raise the prices of their product or service in the next three months to combat inflation and rising costs.

It was also [reported](#) in May that venture capital firms are advising their portfolio companies to extend cash runway, do more with less, and get ready for the most prosperous times to be over.

## RETURNING TO THE OFFICE

Apple [announced](#) in May that they will delay the final phase of their return-to-office plan indefinitely. The delayed phase was the expectation that employees be in the office 3 days per week. Instead, the expectation for Apple employees will remain at 2 days per week. Apple has repeatedly adjusted their return-to-office plans based on employee resistance to return-to office policies.

[This article](#) highlights many of the challenges and considerations companies are facing by making return-to-office policies. Results from a survey performed by Robin workplace management of more than 10,000 offices globally show only 20% of office workers are back one day per week, 10% two days per week and 5% three days per week.

## DOWNTOWN SAFETY

One of Seattle Mayor Bruce Harrell's main campaigning objectives was to clean up crime downtown. He seems to be [making progress](#) on those promises as many homeless encampments in the city's core have been permanently removed while shelter and supportive housing options have increased.

## TRANSIT

Commuters are returning to downtown Seattle, albeit slowly, according to traffic analytics firm INRIX. [This article](#) suggests commuter trips are up to 70% of what they were prior to the pandemic, which is a significant increase up from 41% a year prior. Also the nature of trips has changed with more recreational transit as opposed to in-office commuting.

Washington State Ferries [announced](#) the reopening of the Marion Street exit this month which is expected to improve loading and offloading times. The new passenger building at the dock is expected to open this summer. The terminal will have more room, seating, and natural light.

## OTHER NEWS

The Seattle waterfront park opening is delayed due to the concrete strike. The project was expected to be completed in 2024, but it has now been pushed back to 2025. The project covers twenty acres, a promenade, and a pedestrian connection to Pike Place Market. The project timelines will continue to be updated and photos of the construction that can be seen [here](#).

Pier 58 is [scheduled](#) to be rebuilt and Pacific Pile & Marine was awarded the \$34.5M contract. The contract includes the removal of Pier 63 to the north. Construction is expected to start this fall and will take approximately two years to complete.

Pike Place Market's iconic sign is under [renovation](#). The renovation is expected to take five weeks and the general contractor will be cleaning and repainting the metal sign with enamel to help it withstand sun, rain, and snow in the future. The unveiling of the sign is set for June 14.

Finally, cruise passengers and tourists are back in the city, but Seattle is missing office workers. Visit Seattle shows hotel occupancy rates were 68% in downtown Seattle in April after being in the single digits during parts of the pandemic. The Downtown Seattle Association [posted](#) a graph that depicts downtown activities from March 2020 to May 16, 2022. The chart illustrates hotel occupancy, Pike Place Market visitors, and office workers.