

Seattle Office Space News – October 2022

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

OFFICE DEVELOPMENTS

The Norton Building was [purchased](#) last fall for over \$147 million by Hines who has developed plans for renovations. The plans for the 269,000-square-foot building were drawn by LMN Architects (who reside in the building) and include a refreshed lobby, a new conference center, updates to the entry courtyard and wraparound terraces, and new bike storage.

A [proposed](#) 15-story life science tower located at 1305 Stewart St will have its third design review on November 16th. The architect is Perkins Will. The project began as an office development under Canadian developer Arbutus Properties and last summer switched to life sciences with Pacific Medical Buildings as the developer. The plans now include the parcel currently occupied by Funhouse/El Corazon. The project has plans to include a gym, lounge, terrace, 300 underground parking stalls, and a large bike room.

Developer Trammel Crow has a life-science building [planned](#) at 901 Lenora St and on November 22nd the first design review will take place. The architect is Perkins Will. The 11-story building's total project size is expected to be around 305,000 square feet with 178,000 square feet of office and lab space and 5,600 square feet for retail/ commercial use.

OFFICE LEASES

News about office leases picked up in October. Coworking provider Industrious is the first tenant at 400 University @ Rainier Square. The company [leased](#) 34,500 square feet and is scheduled to open in April. This will be Industrious' fourth location in the Puget Sound region. A driving factor for Industrious decision to lease space at 400 University was the outdoor terrace.

Stackline, a retail intelligence and software company, [subleased](#) around 58,000 square feet across three floors from F5 at 801 5th Ave and is scheduled to occupy in January. This deal was one of the largest lease expansions since the beginning of the pandemic. The company is moving from Met Park East at 1730 Minor Ave.

Orchard Workspace by JLL [opened](#) its second location last month in the Westlake Tower located at 1601 5th Ave. The space is 35,000 square feet and is in a former WeWork space. The number of coworking spaces in the world is expected to double by 2024.

It was also reported in October that Miller Nash Graham & Dunn LLP [signed](#) a lease at 605 Union Station for 29,601 square feet and will relocate from Pier 70 to the International District. The law firm has 142 attorneys companywide with 51 attorneys based in Seattle.

OFFICE BUILDING SALES

Two office projects, 1600 Seventh Ave and One Convention Place at 701 Pike St, are [on the block](#) for sale. 1600 Seventh Ave was acquired by Clarion Partners in 2012 for \$137 million and Nordstrom became a major tenant in the 609,645-square-foot tower. One Convention Place was purchased in 2003 for \$89.5M by the City and County of San Francisco Employees' Retirement System (SFERS) and has 322,894 square feet of office space. The uncertainty in debt markets and rising interest rates have made it more difficult to secure financing that makes sense for buyers.

RETURNING TO THE OFFICE

Bruce Harrell [spoke](#) to the GeekWire Summit last month and expressed concerns about the impact of people working from home on the city's retail business and lack of potential revenue. Seattle's actual office workforce occupancy is about 40% of its pre-pandemic levels, and a return to the office five days a week seems very unlikely. A long-term concern from the city is the possibility of landlords appealing their tax assessments as buildings see lower occupancy and as a result lower rental income.

DOWNTOWN SAFETY

Challenge Seattle CEO and former Washington Governor Chris Gregoire [expressed](#) concern about safety in downtown Seattle in October and called for actions to help the city recover. The state of the city has improved over the past several months but the public faces concerns as open drug use and crime continue, especially on third avenue. The currently flawed legal system restricts law enforcement and allows an arrest to occur, a person to be booked, and then released an hour later.

Seattle mayor Bruce Harrell's engagement at the Geekwire Summit in October was also an [effort](#) to build a relationship between the city's leadership and local companies. Harrell's budget proposal depicts the tech sector as driving the growth of the regional economy and he is working to change the negative views tech leaders have of Seattle's politics as they relate to businesses.

ECONOMY

It was reported in October that the US economy [grew](#) by 2.6% in Q3 2022. The gross domestic product (GDP) the widest gauge of economic output grew after contracting for the first half of 2022. The Fed continues to raise interest rates and plans to continue to do this to combat inflation. The third-quarter gain in GDP can be traced entirely to a surge in exports. Economists believe export growth will be difficult to sustain as the global economy weakens and a strong U.S. dollar makes American products pricier in foreign markets.

Employers in the U.S. [slowed](#) their hiring in recent months but still added 263,000 jobs. As a result, the Federal Reserve will most likely continue to raise interest rates to fight high inflation. The thought process is that a slower pace of hiring means less pressure on employers to raise pay and pass those costs on to their customers through price increases.

The four-week average for unemployment claims [rose](#) to 219,000 from 212,250 in October. The unemployment rate fell from 3.7% to 3.5% in September. The Seattle Times stated, "Four-decade high inflation has prompted the Federal Reserve to keep raising its key interest rate, which is currently in a range of 3% to 3.25%."

The inflation gauge [rose](#) to 6.2% in September which signals prices for most goods and services in the United States are still rising. The Fed will continue to aggressively raise rates to try and get prices under control. The savings rate is at the lowest level in 14 years leading experts to believe that Americans are tapping into their savings to keep up with inflation.

[Employers](#) are slowing hiring but retaining talent by limiting layoffs. According to the U.S. Bureau of Labor Statistics, the United States added 263,000 jobs last month. Tech job postings have dwindled, but the tech workforce size has stayed relatively the same.

Throughout October long-term US mortgage rates [continued](#) to rise with the 30-year rate ticking up to 6.94% in the third week of October and rounding out the month at 7.08%--the highest rate since 2002. The 15-year rate hit above 6% for the first time since 2008.

As borrowing costs have [doubled](#) in recent months, home-price growth has slowed at a record-breaking pace. From July to August Seattle saw the largest price drops at 3.9% and the only other metro to see a steeper decline was San Francisco at 4.3%. The high home prices in the Seattle region coupled with higher interest rates are forcing buyers to the sidelines. Homebuilders have also been canceling projects as demand decreases and inflation continues.

As October 2022 continued, the market began to [balance](#) with the combination of lower prices, more supply, and less demand. The number of homes for sale in the Seattle metro has doubled year over year.

Rate [increases](#) have been steady, but economists are now discussing a downshift to lower point increases in December. There are early signs that inflation may decline in 2023. Consumers are starting to spend less, and wage growth has slowed. Most of the signs of easing inflation have emerged in the private sector whereas the government's consumer price index shows rising housing costs. The real question is whether the Fed will use private sector sources to make an informed decision or wait until the slowdown of housing costs appears in their data.

According to the PSBJ, wage growth has [stalled](#) in the Seattle metro and fallen behind several other metros across the nation. Elevated inflation is outweighing the gains. The largest increases in average weekly earnings were felt in Virginia Beach-Norfolk-Newport and Detroit. Other major metros to post drops in wage growth were New York City, San Francisco, Washington D.C., and Chicago. Employers are finding it difficult to address pay as they cannot afford to lose talent, but also must establish a sustainable pay model moving forward.

OTHER NEWS

The Puget Sound Business Journal [noted](#) some of the best lunch spots that are now open in downtown Seattle. The best lunch spots listed were: The Capital Grille, Goldfinch Tavern, Purple Café and Wine Bar, Il Terrazzo Carmine, Din Tai Fung, and The George.