

Seattle Office Space News – September 2022

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

OFFICE DEVELOPMENTS

After exploring expensive plans to convert a portion of Seattle's Pacific Place shopping center to office, Hudson Pacific Properties appears to have [punted](#) on the deal. The estimated project value was \$260 million, and the pre-application plans filed with the city included converting floors 2-5 to office space. Madison Marquette currently owns the property and reportedly has listed the mall for sale with Eastdil Secured.

Also in September it was [reported](#) that Perkiins and Will is to be the architect of Trammell Crow's proposed 11-story life-science building located at 901 Lenora St. The plans for project, which are yet to enter design review, estimate 190,000 square feet above grade with some retail and underground parking.

OFFICE LEASES

The only lease [reported](#) in September was that of coworking provider Pioneer Collective, who took down a 14,000 square foot office and meeting space in Ballard's Tommer Building located at 5101 14th Ave NW. The company was forced to move out of its Pioneer Square space to make way for the development of a hotel. The Pioneer Collective offers private one person offices to nine-person offices, memberships, meeting and offsite rentals, event space rentals and mail processing services.

OFFICE BUILDING SALES

There were no office building sales reported in September 2022.

RETURNING TO THE OFFICE

In September Amazon CEO Andy Jassy [revealed](#) in an interview that the company has no current plan to require workers to return to in person work. The company has left work policy to directors to decide for their teams and Jassy was quoted as saying "I do think there's some things that are harder to do remotely" and "I think it is a little harder to invent remotely." The article also indicates Jassy: "...also stressed the perceived lack of culture and connection between employees who work remotely." It remains to be seen when Amazon will join other large tech companies like Apple and Microsoft who have already established in person work mandates on certain days of the week.

This article from Geekwire [highlights](#) how some tech companies are reducing their footprints and redesigning space in the new era of work. Companies are rethinking existing space to create more gathering spaces and a more collaborate work environment. Employees feel they are more productive at home, but value face-to-face connection with their colleagues according to internal company surveys. Data from facilities company Kastle showed office occupancy rising to 47.5% earlier this month, the highest level since before the pandemic.

Hybrid and remote work can be a legal minefield as multiple states, cities, and numerous jurisdictions are at play. The PSBJ, [interviewed](#) three Seattle law firms to discuss the risks and offer advice to employers. The key takeaways include implement a system to know where employees are, reevaluate everything you do, and ensure handbooks and policies are updated to reflect expectations and current landscapes.

ECONOMY

According to a [report](#) from the Commerce Department, the U.S. economy shrank at a 0.6% annual rate from April through June marking the second consecutive quarter of economic contraction. The U.S. economy has been sending out mixed signals this year with the job market remaining resilient while other indicators such as inflation, a struggling stock market and rising interest rates raising concern.

This article on inflation [indicates](#) consumer prices rose 8.3% year over year as of July. While gas prices have lowered recently, other "core" prices such as rents, medical care, cars, furniture, and sports gear continue to get costlier suggesting businesses are still raising prices in response to [consumer demand](#).

In late September the Labor Department [reported](#) that applications for unemployment were at 193,000 for the week, down from 376,000 during the same week a year ago. There are currently roughly two open positions for every unemployed worker and employers are also offering higher pay and benefits to attract and keep employees.

Interest rates during the month of September remained volatile and in the third week of the month the Federal Reserve [employed](#) a third straight rate increase, this time by a sizeable three quarters of a point.

Mortgage buyer Freddie Mac [reported](#) average 30-year rates jumped to 6.29% following the Fed hike, the highest they have been since October of 2008 when the housing market crashed. At the end of September, Lael Brainard, Federal Reserve Vice Chair Lael Brainard [said](#): "We expect to raise the (Fed's key interest) rate further in coming meetings, in the course of early next year as well, because the economy needs more bridling in order to bring demand back in line with supply," she said.

[According](#) to a Wells Fargo Senior Economist the nation's housing market is fairing even worse than headlines suggest and the hot housing market is cooling fast as mortgage rates increase. Several markets, all in the West, posted price declines during the month with Seattle down 1.89%, and San Francisco down 1.32%.

Seattle-area home market continues to cool and annual median Eastside single-family homes sale prices rose less than 4%, Seattle rose 6%, and Pierce and Snohomish counties rose less than 4%, Seattle rose 6%, and Pierce and Snohomish [counties](#) rose less than 8% in August. According to Windermere Chief Economist, "prices will drop further as we move into the fall, but reports that we are entering a 'bear market' are highly exaggerated," he said. "The market is simply reverting to its long-term average as it moves away from the artificial conditions caused by the pandemic."

OTHER NEWS

Commercial real estate tech platform VTS [released](#) new data in September indicating demand for office space has declined 25% year over year. The data tracked includes: the total square footage of unique tenant requirements by in-city touring activity and uses the 2018-2019 average level as a baseline. Based on cellphone location data provided by Pacer.ai, the Downtown Seattle Association reported office workers returned to downtown in July at nearly 40% of 2019 levels.