

Seattle Office Space News – January 2023

Below are comments and links to news articles and other topics relevant to the Seattle office space market from the month of January 2023.

OFFICE DEVELOPMENTS

In January, BioMed Realty's [proposed](#) Denny Park two-tower 600,000sf lab and office project cleared a hurdle. The project received approval from the city's design review board and is now moving forward with the development process. The architect will be Perkins & Will and the general contractor will be Turner Construction.

Also in January, EQ Office [completed](#) a \$17.5 million redevelopment of 800 Fifth Ave in the central business district. The investment includes updates to building systems and common areas, as well as the addition of amenities such as a fitness center and rooftop terrace. The goal of these investments is to make the buildings more attractive to prospective tenants and increase their value.

An Historic Auto Row garage on Capitol Hill was [converted](#) to boutique office space and finished in January. Architect Graham Baba designed the renovations and developer Asana Partners purchased the property located at 1617 Boylston Ave back in 2019. The renovated office space is comprised of 15,000 square feet across three stories.

OFFICE LEASES

The only quasi leasing news from January was that of Parse Biosciences [moving](#) into their 34,000 square foot laboratory and office space in Dexter Yard in South Lake Union. The new space will provide the company with additional room for research and development, as well as administrative offices. The company specializes in developing and manufacturing tools for the life sciences industry and has raised about \$50 million in funding.

As the lab space market softens, BioMed Realty who owns Dexter Yard, is [planning](#) to build tenant improvements on certain floors without a tenant. Four floors in the building are being built as speculative 'plug-and-play' lab space with moveable workbenches that can be easily reconfigured. This helps solve a need for tenants looking for 10,000-20,000 square feet and eliminate the costly build outs. Today lab space costs around \$300-\$450 a square foot to build out. The 15-story Dexter Yard has lab and office space and includes unique amenities including a sports court. 45% of the 528,000 square foot building has been leased.

OFFICE BUILDING SALES

There were no office building sales reported in January.

RETURNING TO THE OFFICE

In January CEO Howard Schultz [announced](#) a return to office policy for Starbucks employees to return to starting January 30th. Most of the 3,750 workers are required to be back in office three days a week. Schultz stated the change in policy is meant to restore the company's culture, provide fairness to baristas who have worked in person throughout the pandemic, and boost collaboration.

DOWNTOWN RECOVERY

Seattle Mayor Bruce Harrell [discussed](#) on the need to reimagine the city's downtown in January, as the "good old days" are gone. The Mayor highlighted the effects of the pandemic and the shift towards remote work, leading to changes in the city's economy and the way people use downtown spaces. The city faces challenges such as high commercial vacancy rates, declining property values and a shift in consumer behavior. More workers are returning to the office nationally for example in Austin, Texas 77% of employees back in the office compared with occupancy prior to the pandemic. In Seattle workers returning at a slower pace. The Downtown Seattle Association estimated 44% had returned as of December compared with less than 30% in January 2022.

Seattle is [facing](#) a crucial moment in saving its downtown, as the effects of the COVID-19 pandemic and the shift towards remote work have changed the city's economy and reduced the use of downtown spaces. Since 2019 it is estimated that 500 street level businesses have closed and a big blow to downtown Seattle was the recent announcements of the shutdown of the Nike store and Regal Meridian.

ECONOMY

The US economy likely [posted](#) solid growth in the 4th quarter of 2022, although it may have slowed down from the previous quarter. Analysts expect to see a 4% annual growth rate for the last quarter, driven by consumer spending and business investment. The growth could further fuel concerns about inflation and prompt the Federal Reserve to act.

Inflation in the US continues to ease and in December it [fell](#) to 6.5% which is the sixth straight decline. In Europe and the United Kingdom inflation is also falling. Many Americans are struggling to make ends meet when necessities including food, energy, and rents have increased dramatically over the past year and a half. Prices fell in oil, gas, copper, lumber, wheat and other commodities and supply chains are starting to sort themselves out. [According](#) to the Seattle Times, "more frugal consumers would threaten to send the economy into a recession. But they can also help reduce inflation. Companies can't keep raising prices if Americans won't pay the higher costs."

In the first week of January the average long-term US mortgage rate [increased](#) to 6.48%. This represents a rise from the previous week when the rate was 6.42%. In the second week of January average long-term US mortgage rates [came down](#) after two straight weeks of increases. The 30-year rate fell to 6.33% from 6.48% last week. The 15-year rate fell to 5.52% from 5.73% last week. According to Freddie Mac, the average rate for a 30-year fixed-rate mortgage [fell](#) to 6.15% from 6.33% in the third week of January.

The rate for a 15-year mortgage declined to 5.28% from 5.52% at the end of the month. It was 2.79% one year ago. At the end of January, the average long-term US mortgage rate hit the lowest point in 4 months. The [decline](#) is seen as an incentive for homebuyers in the US, particularly amid a shortage of housing inventory.

The Federal Reserve is expected to take a less aggressive [approach](#) towards raising interest rates and may slowdown the pace of rate hikes in 2023. The shift towards a gentler Fed is reportedly due to concerns over inflation and the need to support the economy. In January the Fed raised its key overnight rate to a range of 4.25% to 4.50%, a year ago the rate was nearly zero.

The number of Americans filing for jobless claims [declined](#) at the beginning of January and according to a report from ADP the U.S. economy gained 235,000 jobs. The decline in jobless claims suggests that the labor market is continuing to recover. Meanwhile, Wall Street is analyzing corporate earnings to get a sense of how companies are handling hot inflation and weakening consumer demand.

[According](#) to the Seattle Business Journal, cities in the US saw significant job growth in 2022, with the largest increases occurring in the technology and healthcare sectors. Seattle's job growth was behind much of the country, and this was like other west coast cities. Overall, Seattle ranked fifth-worst nationwide year over year job gains. Gusto's economist stated, "We are seeing this huge spread of economic activity since the pandemic. We have typically kind of seen this concentration of economic growth in these large clusters, and if we wanted these high paying jobs and to move up the professional ladder, you would move to these large cities and be tied to these cities," Pardue said. "But since the pandemic and remote work, those ties have been severed."

The number of job openings in the US [fell](#) slightly in November. Despite the slight decrease, the number of job openings remained high, indicating that the job market remains strong. There are nearly 1.8 jobs for every unemployed person and the number of people quitting their jobs rose to 4.2 million, up slightly from 4 million in October.

In December 2022, home sales in the US [fell](#), resulting in a nearly 18% drop for the entire year. The decrease in sales has been attributed to several factors including the increase in mortgage rates, high home prices, and lack of inventory. Despite the decrease in sales, the housing market remains relatively strong compared to pre-pandemic levels. Traditionally, inventory picks up in the spring, but for now the number of homes on the market continues to decline.

The Seattle housing market continues to soften with a slowdown in sales and a rise in inventory levels. The Seattle Times [reports](#) that this shift has resulted in a more balanced market, where homebuyers no longer must rush to make quick decisions and can take their time to find the right property.

OTHER NEWS

Amazon is [letting](#) its lease expire at its Port 99 building located on Eighth Avenue, which is near its headquarters, in downtown Seattle. The 2,000 employees will be moved to other offices and the decision to let the lease expire was not related to layoffs but instead related to the ongoing shift to remote and hybrid work. Other companies rethinking their office space include Meta and Microsoft.

Amazon is [planning](#) to lay off at least 2,300 employees in the Seattle region, according to a regulatory filing. The layoffs are part of a larger restructuring effort by Amazon, which is cutting jobs globally as it seeks to boost its profits. The affected employees are expected to receive 60 days' notice and severance pay, according to the filing.

Microsoft is [cutting](#) 10,000 jobs globally, with 878 of those cuts expected to impact employees in the Seattle area. The job cuts are part of a larger effort by the company to streamline operations, align their cost structure and see where customer demand is.

Meta [plans](#) to sublease an office building in Seattle and has decided not to fill up more office space in Bellevue. The sublease in Seattle will include the six-story Arbor Block 333 in South Lake Union and an 11-story Block 6 building in Bellevue's Spring District. Meta's spokesperson stated, "The future of work is here and we're embracing it at Meta. The past few years have brought new possibilities around the role of the office, and we are prioritizing making focused, balanced investments to support our most strategic long-term priorities and lead the way in creating the workplace of the future." Meta also laid off 726 employees in the Seattle region late last year.

Seattle's \$2 billion convention center finally [opened](#) after years of delays. The new convention center, known as Summit, is the largest in the Pacific Northwest. The building is located at 900 Pine St and officially opened in January. The expansion includes additional exhibition halls, meeting rooms, a ballroom, 700 parking stalls, and a rooftop terrace with views of the city and Elliott Bay. Future retail tenants [include](#) Pike Brewing, Bomba, a pizza place and Wild Rye, a bakery. LMN was the architect, and the project is targeting LEED Gold certification. The project was mostly funded by King County's lodging tax which is 7% tax on hotel room in the city and 2.8% tax on hotel room in King County outside of Seattle. Photos of Summit can be found [here](#).