

## Seattle Office Space News – April 2023

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

### OFFICE DEVELOPMENTS

April 2023 brought mostly news of life science developments as the office market continues to be quiet. The T6 Innovation Center, a life science project being [developed](#) by BioMed Realty, will consist of two eight story buildings, with roughly 504,700 square feet of offices and lab space. Construction has not yet begun despite the demo of the former buildings on the site; however the project is projected to be completed by 2027-2028. Located at 200 Taylor Ave N, the T6 Innovation Center will lie between South Lake Union and Seattle Center.

BioMed is also [planning](#) another two building project they are calling Innov8 located in the Denny Triangle neighborhood. Innov8 will be comprised of two life-science towers: Phase I located at 2300 Seventh Ave will be 17 stories and Phase II located at 2301 Eighth Ave will be 10 stories. The combined buildings will have 14 feet ceiling which is typical for life science projects and will be approximately 621,248 square feet and BioMed is pursuing LEED Gold certifications.

While LPC West builds one life science tower they are planning another in Seattle's Uptown neighborhood. The second proposed [project](#), called 5th & John, will total 197,000 square feet within nine stories and is being designed by HKS Architects of Los Angeles.

Shorenstein Properties is planning for a potential [conversion](#) of 2601 Elliott Ave from office space to life science space. The 340,000 square foot building at the intersection of the Waterfront and Belltown is currently mostly occupied by Seattle-based online retailer Zulily. However, in April SAB Architects filed a plan to open the possibility for around 40,000 square feet to be repurposed as a lab. With ceiling heights at 2601 Elliot Ave as high as 14 feet tall, SABA thinks its plans will make this complex a great candidate for life science tenants.

A partnership between Hess Callahan Partners, Mark Grey, and the Dunn Family is currently [under construction](#) on a speculative life science and office project in Fremont known as Northlake Commons at 3800 Latona Ave NE. The four-story building will be approximately 196,000 square feet and will include a mix of life science space on floors one and two and tech office space on floors three and four. The building will also have retail and restaurant space. At this time no tenants have been confirmed. Due to the building's mass timber frame construction time on site has been drastically reduced. The mass timber components are fabricated off-site and then assembled in place in Seattle.

### OFFICE LEASES

There were no office leases reported in April of 2023, but there was plenty of news of subleases and companies laying off employees. Salesforce, the owner of Tableau, is [subleasing](#) nearly 120,000 square feet of office space in Seattle's Fremont neighborhood and an additional 92,000 square feet at Kirkland Urban. The subleases are part of a cost-cutting plan that includes reducing office space following a drop in sales, as well as 8,000 layoffs. The move is expected to significantly increase office vacancies in Fremont and Kirkland, amid a recent tech slowdown that has led some employers to cut office footprints and for workers to work remotely or hybrid models.

Seattle-based tech company F5 [announced](#) layoffs of 623 jobs in April, 9% of its workforce, to cut costs amid "macroeconomic uncertainty" and rising interest rates. CEO, François Locoh-Donou, assures laid-off employees will receive severance and job placement assistance. Locoh-Donou also aims to consolidate their office spaces with more specifics on this reduction in the coming quarter. With employee bonus funding also reducing by 50%, F5 expects the company reductions will result in saving of about \$130 million per year.

Meta Platforms Inc, the parent company of Facebook, Instagram, and WhatsApp, has laid off thousands of employees as part of its "Year of Efficiency" campaign, which aims to restructure and downsize the company. Earlier this month, it was [announced](#) that after an initial purge of 11,000 employees last fall, the company would let go of an additional 10,000 workers. CEO Mark Zuckerberg said in a statement, "The goals of this work are: (1) to make us a better technology company and (2) to improve our financial performance in a difficult environment so we can execute our long-term vision." After losing more than \$80 billion in value from the global economic downturn last year, Meta's stock has rebounded and raised 73% since the start of the year. Meta is currently marketing space for sublease in Seattle and on the Eastside.

### OFFICE BUILDING SALES

There were no office building sales reported in April 2023.

### RETURNING TO THE OFFICE

According to VTS, a real estate tech company that tracks office occupancy across the nation, office space demand [increased](#) in several U.S. core markets in both the mid and large space categories. However, in Seattle demand saw a slight decline. Overall demand is only 49% the pre-pandemic level in Seattle. Another interesting factor is the East and West Coast demand average remained similar from January 2021 to September 2022, however since October 2022 the West Coast demand has been consistently and substantially lower than the East Coast.

Amazon [announced](#) a May 1 deadline for workers to return to the office three days a week and since then Seattle businesses have remained optimistic. The presence of around 55,000 workers should boost hundreds of restaurants, retailers and other businesses that have been trying to survive on an office population of 40% of its pre-pandemic size. The fact is that the return to office is one of

the biggest economic events in Seattle since the pandemic emptied office towers in 2020. However, many remain skeptical about the return and we will have to wait and see how the return impacts downtown

Redfin will require employees to return to the office two days a week starting July 11. [according](#) to an April email from CEO Glenn Kelman to employees. Employees within a 20-mile radius of Redfin's offices in Seattle, San Francisco, and Frisco will have to come in full time on Tuesday and Wednesday and those outside of the 20-mile radius will be required to vcome in at least quarterly. Kelman said: "As teams have changed, we haven't been able to draw as much from our pre-pandemic relationships; it has been harder to form new relationships with people we see only in virtual meetings"

## DOWNTOWN RECOVERY

San Francisco has become one of the worst US metropolitan areas to work and live in due to Covid-19, a high cost of living, crime, and tech company pullbacks, [according](#) to a report from the Bay Area Council Economic Institute. It scored 25.8 out of 100, finishing just above Baltimore, Maryland. Meanwhile, Seattle placed seventh out of the peer metros with a score of 62.5.

In April, Seattle Mayor Bruce Harrell [announced](#) plans to increase policing and treatment around public drug use as part of a wider effort to revamp Seattle's struggling downtown. In an executive order, Harrell directed the Seattle Police Department to collaborate with federal law enforcement to crack down on the distribution of drugs, such as Fentanyl, which has become the city's most urgent public health crisis. With over 589 Seattle citizens dead from the use of Fentanyl just last year, Seattle officials believe we have an obligation to address this public safety issue. The order also partners with Seattle Fire Department's Health One program to include an overdose response unit and research-based drug abatement program which uses gift cards to consider joining a 12-week treatment program for those struggling with addiction. It's an opportunity to receive comprehensive support and resources to overcome your challenges and achieve long-term recovery. With these changes in mind, Harrell's plan is to increase safe housing and foot traffic for an even safer return to in-person work for Seattle citizens.

This article [highlights](#) an initiative being called The Third Avenue Project, which is aimed at tackling homelessness and public safety issues in downtown Seattle. The project puts emphasis on addressing the drug use, sale stolen goods, mental illness, and violence that take place on Third Avenue.

## ECONOMY

The International Monetary Fund (IMF) [predicts](#) the world economy is expected to grow less than 3% in 2023, which is down from 3.4% last year. IMF chief, Kristalina Georgieva, warns that the period of slower economic activity will be prolonged, with the next five years of growth remaining around 3%, calling it "our lowest medium-term growth forecast since 1990, and well below the average of 3.8% from the past two decades." The slower growth would be a "severe blow," making it even harder for low-income nations to catch up, causing increased risk of hunger and poverty globally.

The Commerce Department [released](#) estimates in April that the U.S. economy will decelerate to a 1.1% annual pace of growth, which is a sharp decrease from the previous quarter. However, consumer spending which accounts for 70% of U.S. economic activity remains strong and grew at an annual pace of 3.7% the fastest pace in nearly two years. Economists noted spending has held up after nine Fed rate hikes that have led to higher loans for mortgages, auto purchases, credit cards, and corporate borrowing. The job market has decelerated in the first quarter of 2023, yet employers added around 185,000 jobs in April.

## INFLATION | RETAIL SALES

As the US economy [rebounds](#) from COVID-19, a wage-price spiral has emerged. Inflation has outstripped wage growth for 22 consecutive months, leading economists debating the extent to which pay has driven inflation. The annual rate of inflation measured by the consumer price index is hovering near 6%, far above the Federal Reserve's goal of around 2%. Some share of inflation is indirectly caused by the labor market, since higher income helps people afford necessities and spend on desires, but economists are divided over whether wage gains are the primary cause of inflation. The Fed has been raising interest rates to discourage spending, reduce employers' inclination to hire or give raises, and cut off the threat of a wage-price feedback loop. However, there is a chance that inflation is on a path to fall below 4% by June.

US wholesale prices [fell](#) in March due to a drop in energy prices, indicating that inflationary pressures in the economy are easing. The Labor Department's producer price index was down 0.5% from February to March, and compared with a year ago, wholesale prices were up 2.7% in March, down from a 4.7% annual rise in February. Even excluding volatile food and energy prices, core wholesale inflation fell 0.1% in March, the first such drop in nearly three years. Core prices are considered by the Federal Reserve and numerous private economists as a more accurate indicator of underlying inflation.

## HOUSING

Existing U.S. home sales [fell](#) 2.4% year-over-year according to the National Association of Realtors. The annual drop was steepest in Western parts of the country, where sales sank more than 30% from a year ago. Home prices slipped 0.9% from March last year to \$375,700, the biggest annual median home price drop since January 2012. Meanwhile, 28% of homes purchased last month sold for more than their list price, suggesting more supply is needed to fully satisfy demand.

According to data [released](#) by the Northwest Multiple Listing Service, median home prices in the Puget Sound region in March continued to "slide year over year". Seattle and the Eastside home median price have dropped by nearly \$100,000. The decline is attributed to homebuyers' sensitivity to mortgage interest rates, which have spiked in the past year. However, in a positive development, interest rates have moderated in the past month, drawing more buyers off the sidelines. Brokers added 7,904 new listings during March, an increase of 51% from February, which is a positive sign for the market.

In March 2023 King County home prices [dropped](#) with the median single-family home on the market for \$840,000. This is roughly 10% lower than last year's median. This price drop reflects the market shift since the Federal Reserve began increasing interest rates last summer.

## INTEREST RATES

The Federal Reserve is [on track](#) to raise interest rates for the 10th time in May as key measures of prices and wages remained high in March. The “core” inflation index which excludes food and energy costs rose 0.3% from February to March and 4.6% from a year prior. The Labor Department released a separate data point that shows workers’ pay and benefits rose 1.2% at the beginning of this year. While this may be good for employees, the Fed is concerned that companies will plan to offset higher labor costs by continuing to raise prices leading to higher inflation.

At the end of April US mortgage rates [rose](#) to 6.43% up from 6.39% the previous week. A year ago the average was 5.10%. Before last week, the 30-year mortgage rate fell for five straight weeks.

## JOBS

The US economy added 236,000 jobs in March, according to a [report](#) from the Labor Department. This suggests that the economy is still stable, even though the Federal unemployment rate fell to 3.5%, just above January's 53-year low of 3.4%. The report raised the possibility that the Federal Reserve might soon pause its interest rate hikes, as some details suggested inflationary pressures were easing. Average hourly wages increased 4.2% from the previous year, compared to a 4.6% increase in February. In addition, wages grew 0.3% from February to March, signaling a slowdown from recent months.

US job openings fell to 9.9 million in February, the lowest since May 2021, indicating a cooling in the job market, [according](#) to the Labor Department. The number of vacancies declined from 10.6 million in January, causing a notable drop in healthcare and professional services jobs. However, openings increased for construction workers. Nonetheless, more Americans have quit their jobs in February, indicating confidence in finding better pay or working conditions elsewhere. Many economists expect a US recession later this year.

Washington state saw its weakest employment growth since September 2022 in March 2023, as employers added just 1,500 jobs, [according](#) to the state Employment Security Department. This provokes weakness in the market for office spaces due to the lingering popularity of remote and hybrid work.

## TRANSIT

Seattle's new Elliott Way, which will provide a connection between the waterfront and Belltown for vehicles, bicycles and pedestrians, is set to [open](#) soon. Once Elliott Way is open, vehicles will be able to travel from the southern end of the stadium district at King Street to the northern end of Bell Street.

## OTHER NEWS

The Seattle Convention Center’s newly [opened](#) Summit addition has doubled the available event space at the venue to more than a million square feet of exhibit space. This puts SCC as one of about a dozen convention centers in the US to exceed over a million square feet of exhibit space. SCC hosted 32 total events in the first quarter of 2023 since opening in January. Despite SCC having 59 events booked for the rest of 2023, according to Jeff Blosser, CEO and president of SCC, recovering from the pandemic-forced deficits of the last three years will be “really hard”. Although he anticipates the Summit will host more than 200 events in 2026.

The [conversion](#) of office buildings into housing can solve the problem of an office glut and a housing shortage. However, the idea is more of an intricate puzzle that must be solved for each building. Older buildings, particularly those from the early 20th century, are simpler to convert because they share a rule of thumb that no interior space should be more than 25 to 30 feet from an operable window. According to developers and architects with years of experience in this niche, very few conversions are physically impossible as long as you're innovative enough. However, the economic and regulatory factors are not as flexible. This is where cities can play a role in making these challenges easier to solve through subsidies.

Five companies have been [named](#) as finalists for Workplace of the Year at the GeekWire Awards: Adaptive Biotechnologies, Blink, Helion, Impinj, and Treasury4. Each company has implemented policies such as flexible hybrid policies and parental paid leave to support their employees. The winner will be announced on May 18th, chosen through a combination of community voting and input from judges.