

Seattle Office Space News – March 2023

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

OFFICE DEVELOPMENTS

In March construction [began](#) on a 260,000 square foot 12 story office building in the University District being developed by LPC West. The site is located above the U District light rail station and is two-thirds leased to the University of Washington. The university agreed to pay \$46 per square foot plus NNN costs.

1150 Eastlake, a life science tower being developed by Alexandria Real Estate Equities, [topped out](#) in March. The 12-story project, which is directly adjacent to and visible from I5, is due for completion this year. The tower has 300,000 square feet plus a roof deck. Signed tenants include Umoja Biopharma, Variant Bio, Notch, Altpep, Evoka, and Outpace. There is one vacant floor remaining that offers 31,270 square feet.

Alexandria also [revised](#) plans for their planned 10-story lab research building at 601 Dexter Ave N in South Lake Union. The tower will be nearly 340,000 square feet. Alexandria, the largest owner of life science property in North America, owns 46 properties in the Puget Sound region totaling 2.8 million square feet. Alexandria also has over \$800 million in developments under way in the Puget Sound.

Schnitzer West [announced](#) in March that their latest project located at 570 Mercer will proceed in two phases. The project will consist of 191,683 square feet of offices and 10,409 square feet of commercial space. Pre-pandemic the building was planning to go on a speculative basis, but things have changed. Office floorplate will average around 28,000 square feet, there will be 169 parking stalls, bike parking, a roof deck, and 2,300 square feet of indoor amenities. The building is participating in the city's Living Building Program and will include solar panels, water conservation, energy-saving features, and public art.

The Jack located at 74 S Jackson St near the Seattle waterfront will be [finished](#) this summer. The eight-story building is 145,500 square feet, 9,500 square feet of retail space, a 16,000 square foot rooftop terrace, 42 parking stalls, and secure bike storage.

OFFICE LEASES

In March it was [reported](#) that Moderna plans on hiring 220 workers for a new South Lake Union office. Moderna said the Seattle office will focus on tech solutions like artificial intelligence and cloud-based tools. Moderna is hiring a variety of roles in Seattle, including product managers and engineers.

Design & architecture firm GGLO [opened](#) their new 18,500 square foot office at Seattle's Rainier Tower at 1301 5th Ave in the Central Business District. The space includes a lobby area, conference rooms, communal lounge, kitchen space, open desk area and private office space. The company felt moving to a new space gave them the opportunity to consolidate and de-clutter. The kitchen and lounge space are oriented towards views of the waterfront and the conference rooms are placed towards the center so that more light is brought into the space.

Gensler's Seattle office located at 1200 6th Ave underwent a [renovation](#) recently. Managing Director Kristin Jensen stated: "We envisioned the office as a center of activity to collaborate and shape the culture while fulfilling the critical human need of socializing and developing meaningful relationships." The office features meeting rooms designed like living rooms, shared desks, low-light areas, private rooms for yoga, meditation, or just alone time, and new features that employees cannot access at home including a model shop that has a 3-D printer and laser cutter.

Remitly, a tech company located on the 24th floor at 1111 Third Avenue in Seattle, [unveiled](#) a newly designed space for a new era of work in March. The space is free of dedicated desks and includes couches, counters, desks, and other spaces that allow employees to sit, stand, gather, and communicate at work. A survey completed by Microsoft last fall stated connecting with colleagues is a key motivation for working in person — 84% of employees would be motivated to come in by the promise of socializing with co-workers, while 85% would be motivated by rebuilding team bonds.

OFFICE BUILDING SALES

There were no office building sales reported in March.

RETURNING TO THE OFFICE

Amazon is not backing down on the in-person work mandate that was [announced](#) in February 2023. Despite push back from employees, Amazon leaders have indicated there will be few exceptions to the expectation of being in the office most days starting in May. Amazon is the largest private employer in Washington state with over 85,000 employees, notwithstanding a recent local layoff of 2,300.

Meta, another tech company with a large presence in the Seattle region, is also now [encouraging](#) employees to come back to the office. Mark Zuckerberg stated, "early analysis shows that engineers who joined Meta in person then transferred remote or remained in person performed on average better than people who joined remotely."

Zillow's CEO Rich Barton is supporting an [opposite argument](#) that remote work benefits employees, teams, and company culture. Zillow still offers office space at Russell Investments Center in downtown Seattle, but there is no requirement that workers show up.

DOWNTOWN RECOVERY

As companies debate over returning to the office, Seattle still has a [long way to go](#) to make downtown a safer place to be. There were a recorded 49,882 criminal offenses in 2022 in the city of Seattle—an all-time high. The rise in crime goes hand in hand with a vacant downtown and a reduction of police force. 525 police officers have resigned or retired in the last three years and the Seattle Police Department is trying to hire 125 new officers in 2023.

In March over 1,200 business and civic leaders [came together](#) for the Downtown Seattle Association's annual "State of Downtown" event. There was a call to action on what it will take to get workers to return downtown. Less than half of downtown Seattle workers have returned to the office since the onset of the pandemic. Jon Scholes president of the DSA shared fentanyl has killed more people in the city than COVID-19. Scholes said: "We can have a revitalized, thriving downtown with retail and restaurants and arts and culture, or we can have a fentanyl market. We can't have both. We must act on this crisis, and we must act with urgency."

In a letter from the Downtown Seattle Association, Seattle Metropolitan Chamber of Commerce and the National Association of Industrial and Office Properties, Seattle's Mayor was [urged](#) to hire more cops and halt certain taxes. Seattle's police department is offering hiring bonuses of \$30,000 to already trained officers and \$7,500 to new officers. During the pandemic the city lost 500 ground floor businesses.

Mayor Bruce Harrell [shared](#) teasers of his activation plan for downtown Seattle, but the official plan will be released in four to six weeks. His teasers included that significant laws will be changed and his administration is examining some of the zoning laws downtown.

Seattle voters will [consider](#) the largest-ever property tax levy for affordable housing this fall. The Mayor proposes tripling the housing levy to \$970M and said this increase is necessary to meet the region's housing crisis. The seven-year levy would charge 45 cents per \$1,000 of assessed value. Therefore, a home valued at \$866,000 would have a levy of about \$390—an increase from the current rate of \$260.

ECONOMY

Silicon Valley Bank, the nation's 16th largest bank, failed in March 2023. Signature Bank also failed in March. Silicon Valley Bank [worked with](#) approximately 80% of venture-backed startups in Seattle. Many founders were able to rest easy once it was [announced](#) by the Federal Government that their deposits were safe. A few key [take aways](#) from the meltdown were that startup founders are now spreading their cash across multiple bank accounts and fundraising might become even more difficult for startups as SVB was one of the top providers of venture debt and other credit facilities.

Average long-term US mortgage rates hit a [3-month high](#) at the beginning of March. Freddie Mac reported the 30-year rate rose to 6.65% from 6.5% at the end of February. The 15-year mortgage rose to 5.89% from 5.76%. While the Fed's rate hikes do impact borrowing rates for businesses and families, rates on mortgages usually track the moves in the 10-year Treasury yield.

At the beginning of March average US mortgage rates [rose](#) to 6.73% from 6.65% the week prior. The rate for a 15-year mortgage rose to 5.95% from 5.89% last week. The rise in mortgage rates in the past year has hit the housing market the hardest with existing home prices falling for 12 months.

As March progressed average long-term U.S. mortgage rates [went down](#) to 6.6% from 6.73% the previous week. The average rate a year ago stood at 4.16%. The Fed also raised the benchmark lending rate by another 25 basis points – its highest level in 15 years. Many economists believe there will be a few more increases before the year ends. However, due to the recent banking crisis some economists have changed their expectations.

Towards the end of March average long-term U.S. mortgage rates [fell](#) for the second week in a row. Freddie Mac reported that the 30-year rate fell to 6.42% from 6.6% last week. The 15-year mortgage came down to 5.68% from 5.9% last week.

At the end of March average long-term mortgage rates hit the [lowest level](#) in six weeks. The 30-year rate fell to 6.32% from 6.42% the week before. The 15-year rate fell to 5.56% from 5.68% last week. The decline in mortgage rates is good news for homebuyers. In addition to the decline in rates home prices are starting to level out. However, the supply of homes remains low.

Inflation remains stubborn with the latest data leading the Fed to call for [higher rates](#). The price index climbed 0.5% in the last month, the fastest increase since September once food and fuel prices were removed, which shows underlying price pressures. This increase is not ideal for central bankers who have been working to combat inflation for a year now.

US jobless claims fell in mid-March by 1,000. The four-week moving average of claims fell to 196,250, remaining below the 200,000 threshold for the ninth week in a row. The Fed [predicts](#) that the unemployment rate will rise from 3.6% to 4.5% by the end of the year. The U.S. labor market remains strong despite [layoffs](#) from the tech sector including layoffs from Amazon, Meta, IBM, Microsoft, Salesforce, Twitter, and DoorDash.

The national and local housing market [continues to cool](#) with prices softening amidst the interest rate and banking turmoil. Seattle's home prices are down 5.1% since January of 2022, which is the second largest price drop for any market in the country behind San Francisco.

Rent growth in the US is [slowing down](#) with median rent rising only 2.4% in January, the lowest annual increase since June 2021. The trajectory of rent growth becomes far less uniform when looking at specific metropolitan areas. In many metros in the Southeast and Midwest, rents have kept rising sharply amid a surge in people moving there from the West and Northeast, where housing tends to be more expensive.

TRANSIT

In March the Sound Transit board identified preferred alternatives for the light rail extension and noted neighborhoods including Ballard. The total project cost is estimated at \$14.6 billion and totals nearly 12 miles. To read about preferred alternatives and potential locations of new stations [click here](#).

A survey conducted by the University of Washington's Mobility Innovation Center and Commute Seattle shows new travel trends have [emerged](#) since the start of the pandemic. The findings suggested workers are more likely to commute to their work places on Tuesday, Wednesday, and Thursday. Also, commuters used public transit 22% of the time in 2022.

OTHER NEWS

The Seattle Aquarium [topped out](#) its new Ocean Pavilion at the beginning of March and will cost around \$160 million. The two-story structure is located on Pier 59. They are targeting January 2024 for a certificate of occupancy.