

Seattle Office Space News – January 2024

Below are comments and links to news articles and other topics relevant to the Seattle office space market from the month of January 2024.

OFFICE DEVELOPMENT

The University of Washington plans to break ground on a [69-acre](#) multipurpose project called “Portage Bay Crossing” at the beginning of this year. The university is partnering with Wexford Science + Technology to develop a “knowledge community”. There are 19 building sites within Portage Bay Crossing (which is roughly bordered by Lake Union, 15th Ave. N.E., N.E. 41st St., and Eastlake Ave. N.E.) and the project is said to include approximately 3 million square feet of building space. This new building development, with the addition of an 11 story, 345,000 square foot structure referred to as “Brightwork”, will bring more attention and utilization to an area that has been underutilized historically. The project hopes to intersect many disciplines of work and education, growing the community in Seattle by fostering in person collaboration and events.

[Northlake Commons](#) at 3800 Latona Ave. N.E. has nearly been completed and is looking for tenants to fill the 158,000 square feet of office and lab space, with an additional 6,200 square feet dedicated to retail and restaurant businesses. The developer is Hess Callahan Grey Group, who has landed a restaurant for the project. They signed a lease for 1,828 square feet with Yasuaki Saito who plans to open “Wayland Mill” a new restaurant.

This first news of actual office to residential [conversions](#) were reported in January. Developer Stream Real Estate has filed plans with the city to renovate a vacant building, known as the “Uptown Building”, located at 201 Queen Anne Ave. N. for 68 one- and two-bedroom apartments, with plans to add a fifth floor to the building. 201 Queen Anne is currently a 52,270 square foot building over 3 stories that was built in 1985.

Also, developers Martin and Jordan Selig have set in motion an [office-residential](#) conversion for their Third & Lenora project at 2031 Third Ave in Belltown. Originally divided into office and living space occupied by WeWork and WeLive tenants, dissolved lease agreements led to a rebranded living space in the building now known as “The Modern”. As a plan to convert the former WeWork space into an addition of The Modern, 12 office floors of about 151,254 square feet will likely be undertaken by Chinn Construction to create an additional 160 units.

OFFICE LEASES

400 Fairview in South Lake Union will experience positive absorption as Woodinville-based tech company, [Group14 Technologies](#), expands their current Seattle office space. Group14 is upsizing nearly 3-times their current space to approximately 26,300 square feet and will occupy a full floor. Growing fast, Group14 plans to keep its headquarters in Woodinville, but may continue expanding its space in Seattle in the future.

[ABC Legal](#) sold their building at 633 Yesler in the International district and signed a sublease to relocate their business to South Lake Union, with the goal of providing a safer environment and more efficient and modern workspace. ABC’s new space is 27,979 square feet in the Hill7 building, which is also the headquarters location for Redfin and Moderna.

It was also reported in January that [KPMG](#) expanded their offices in Rainier Square at 401 Union Street in the Central Business district. Originally located at 1918 8th Ave in the Denny Triangle, KPMG moved to Rainier Square to downsize in May 2022 to 21,044 square feet. Now with the addition of a third floor, they will occupy a total space of 57,163 square feet in the building. KPMG currently resides on floors 27 and 28 of Rainier Square and will soon add the 20th floor to their directory.

After a round of layoffs in early 2023, [Salesforce](#) is revising the amount of office space they will occupy. In December 2023 they renewed their lease for 21,255 square feet at 701 N. 34th St in Fremont. Originally planning to sublease its 120,000 square feet at Data1 due to company downsizing, Salesforce has since decided to keep this space as well as their 929 Tower in Bellevue but instead began to market its 200,000 NorthEdge Building near Gas Works Park.

OFFICE BUILDING SALES

In January 2024 the [Gibraltar Tower](#), located at 1518 3rd Ave in the Central Business District, went on the market for sale. The listing is on RI Marketplace, which is a national auction site, and the starting bid is \$2 Million for the 44,243 square foot office and retail project. Gibraltar Tower, which is located in a tough area of 3rd Avenue, is on a site that was upzoned last summer and has the potential to be developed up to 440 feet tall.

INFLATION | RETAIL SALES

Discount and marketing strategies have brought in a 12% increase in vehicle sales as 2023 consumers strategize when and where they may find the best deals. Electric [vehicle sales](#) grew 47% to a record 1.19 million for the full year but EV sales growth slowed toward the end of 2023. Gas-electric hybrid sales grew 54% to 1.2 million last year and among manufacturers, General Motors, the top seller in the U.S., posted a strong 14% sales increase for the year.

Wholesale figures and prices of goods have decreased due to a decrease in inflation while core prices, excluding [volatile](#) food and energy costs, which remain steady. The Fed had raised its benchmark rate in 2022 and 2023 and is now expected to lower this rate sometime between March and June of 2024. Inflation has [tumbled](#) from 9% to 3.4% and we are near the Federal Reserve's 2% year over year rate target, but economists fear that this next 1.4% downslide will be much harder to achieve.

Positively, unemployment rates have been consecutively low for a longer streak than has been seen since the 1960's. If a balance is found within the inverse relationship between employment rates and inflation the Fed can expect to avoid a recession.

Although inflation prices have begun to steady and unemployment rates are low, inflation remains high and the [Federal Reserve's](#) goal to maintain a 2% year over year rate may possess a challenge. Families and small businesses still suffer the effects of high interest rates and the majority of Americans report being unhappy with the current economy.

Even with higher interest rates and inflation, retail [sales](#) are steady. Holiday sales rose to 3.8% at \$964.4 billion, which is lower than rates in more recent years due to COVID driving up consumption. However, the holiday rate is 0.2% higher than that of sales pre-COVID at 3.6%.

HOUSING

[High](#) interest rates in the housing market have created a decrease in work for those in the field and other associated industries such as renovations, moving companies and many more. Home sales are at an [18.7%](#) decrease from 2022, while many people who had originally hoped to purchase a home are now searching to purchase a condo or opt to rent as the cheaper option instead. Not only have home sales decreased due to cost, but availability has decreased as well. There are less homes up for sale due to current home buyers choosing to preserve their ["locked in"](#) mortgage rates. [Median](#) home prices in December 2023 hit about \$850,000 in King County, up 3% from December 2022; \$536,000 in Pierce County, up 6%; \$545,000 in Kitsap County, up 9.5%, and \$685,000 in Snohomish County, down 2%. These median prices are still not low enough for a median income earning family to afford with current interest rates hovering around 8%. This year, economists predict that mortgage rates will decrease while homes on the market increase, not yet enough to shift the current economic [offset](#) to those of the pre-pandemic sales.

INTEREST RATES

In the last week of December 2023 the average [rate](#) on a 30 year mortgage rose from 6.61% to 6.62%, while the borrowing costs for a 15 year fixed-rate mortgage (popular in refinancing) lowered from 5.93% to 5.89% in this same time period. A drastic decrease from October 2023's 7.79% rate. With the Federal Reserve planning to cut rates toward the end of 2024, mortgage rates are expected to see a decrease.

The Federal Reserve indicated in January that it's nearing a long-awaited shift toward cutting interest rates, a [sign](#) that its officials have grown confident that they're close to fully taming inflation.

JOBS

As inflation grew, unemployment levels dropped. In The Bureau of Labor Statistics reports, [jobless](#) claim applications fell to 187,000 after the second week in January. A decrease of 16,000 from the previous week, [however](#) they have begun to pick up the last week of January as technology and media corporations started to make job cuts. It is normal to see an inverse correlation between unemployment and inflation, so in attempts to curb inflation rates the Fed raised their benchmark rate – which they have done eleven times since March of 2022. While inflation has continued to lower in the past few months, prices are still 17% higher than they were before the surge. After adjusting to inflation, wages have remained steady with much less pay increase now than seen during the pandemic. This slow growth in [wages](#), although not favorable for most, could make the Federal Reserve more comfortable with [cutting](#) rates. As long as policy makers are [cautious](#) going forward, economists hope for a 'soft landing' - raising rates just enough to bring down prices without causing a recession.

Seattle had been [ranked](#) one of the best U.S cities for finding a job in 2024, ranking No. 7 out of 182, ranking 8th and 21st for job market and socioeconomics, respectively.

OTHER NEWS

As the city council re-evaluates its priorities, the Seattle [Streetcar's](#) future looks dim. The cost, which includes more than \$160 million in utility and structural work, is a 43% jump from the previous \$286 million estimate (published in 2018) and nearly triple what officials said at the outset. Currently focusing more on the basics (bridge maintenance, road repairs, potholes, and expanding sidewalks) it seems the city would prefer to use its resources to target current transportation issues rather than focus on a potential new one. In addition, the underperformance of the city's two existing lines makes it less likely that this project will be carried out anytime soon if at all.

The cost of building construction in Seattle is rising at the fastest rate in the nation at 7.76% between October 2022 and October 2023. With having ±45 construction cranes and 36 new developments in the Puget Sound region, this increasing cost has [impacted](#) or paused many of the projects.

Commercial properties around the nation are finding buyers. As prices are coming down and borrowing [costs](#) extend, the average number of bids per deal climbed 16% in November 2023 from the end of 2022. Investors feel that it is a good time to start making investments, as demand estimates that property owners (with loans that mature through the end of 2025) will need as much as \$570 billion in new equity with how sharply values have fallen. While current owners may struggle with debt, potential buyers and investors are ready to deploy capital.

WeWork recently filed for [bankruptcy](#) and is now forced to let a signature Seattle location go in Capitols Hill's- Springfield development at 1525 11th Ave. They have amended 38 leases and achieved \$1.5 billion in savings through rent reduction, downsizing and altered lease durations and terminations.