

Seattle Office Space News – April 2024

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

OFFICE DEVELOPMENTS

As of April 2024, the [701 Dexter Project](#) being developed by Alexandria Real Estate is being resuming construction following a temporary pause last year. The 11 story 227,000 square foot building is set to be complete in July of 2025. The building is a part of Alexandria's Center for Life Sciences, which includes 601 Dexter and 800 Mercer.

OFFICE LEASES

The former Bed Bath & Beyond store on Virginia Street between Third and Fourth Avenue in Belltown is now home to the organizers behind Seattle's Bumbershoot Arts & Music Festival: [Cannonball Arts](#). The 66,000 square foot building is set to resemble the music festival while offering year-round art exhibits, concerts, fashion shows, art markets and a variety of pop-up events. In addition to reviving the city's downtown atmosphere, the Cannonball Arts initiative will offer more job opportunities to local artists, creatives and aspiring art workers. A five-year lease was signed with Clise Properties and the team immediately went to work gutting the space so that local design firm SHED could start the remodel. The facility is set to open in 2025.

Clise Properties welcomed several more tenants into their office project at 1700 7th Ave in the Denny Triangle. It was [reported](#) in April that DCI Engineers leased a full floor totaling 22,000 square feet, while the accounting firm Hagen Kurth Perman & Co. and West Coast Commercial Realty signed deals for 6,000 square feet and 3,500 square feet, respectively. Nordstrom, a joint developer in this property, had vacated 360,000 square feet in 2021 due to employee preference and their interest was acquired by Clise Properties.

OFFICE BUILDING SALES

Pioneer Square's historic [Globe Building](#), at 310 First Ave. S., sold in April for \$8.125 million, or \$147 per square foot. The 55,268 square foot building was sold by the estate of landscape architect Grant Jones, who died three years ago. Principals at Jones & Jones had owned the building for decades.

Los Angeles based [BH Properties](#) announced April 11th that it acquired Olympic Block, a 75,000 square foot, two-building property at the corner of 1st and Yesler in Pioneer Square. The properties include the six-story, circa-1902, Lippy Building and the nine-story Olympic Block building (1986). EverWest Real Estate Investors and Chile-based fund manager Frontal Trust bought the property nearly five years ago for \$34.25 million with a 90% occupancy rate. Today it is 50% occupied.

RETURNING TO THE OFFICE

A new study by Coworking Mag, utilizing Census data from 2022, found that 25.4% of Seattle's labor force works [remotely](#), outpacing trends nationwide. The generational divide among remote workers is worth noting, as millennials make up 46.4% of remote workers while only 14.1% of baby boomers work from home. Since 2022 many employers have adopted return-to-office mandates, however, as Seattle is one of the largest tech hubs in the U.S., the percentage of remote workers will likely continue to be higher than the national average.

DOWNTOWN RECOVERY

According to Visit Seattle, 37.8 million visitors spent \$8.2 billion [in Seattle this past year](#) — up 12.8% from 2022. Tourism supported more than 64,000 jobs in 2023, up nearly 8% from 2022, and visitors paid \$787 million in local and state taxes. Elevated tourism revenue in 2023 can be attributed to August's Asia-Pacific Economic Conference, Major League Baseball's All-Star Game, a summer weekend with Taylor Swift concerts, a Mariners homestand against the Toronto Blue Jays, and the Bite of Seattle food festival.

Third avenue in Downtown Seattle is expected to receive a makeover before the [2026 FIFA World Cup](#) citing needed improvements in lighting, public safety measures, and more aesthetically pleasing surroundings for visitors and locals. Third Avenue serves as Seattle's main corridor for public transit and has historically been challenged with crime and vagrancy.

ECONOMY

[Federal Reserve](#) policymakers argued in March that inflation was worsening, as for a third straight month consumer inflation rose at a pace faster than is consistent with the Fed's target level. "Core" (non-volatile) prices jumped 0.4% from February to March and were 3.8% higher than the previous year. The leveling-off of inflation makes it less likely that the Fed will implement the three quarter-point rate cuts that officials projected after their March meeting. The persistence of inflation is uncertain, and some suggest the Fed may not cut rates at all this year.

INFLATION | RETAIL SALES

Shoppers continue to be [resilient](#) despite high inflation pressures. Retail sales rose 0.7% in March — almost double what economists had forecasted — after rising 0.9% in February, according to Commerce Department data. The national average gas price Monday was \$3.63 per gallon, per AAA, up 6 cents from a week ago, and up 19 cents from last month. Sales at general merchandise stores rose 1.1%, while online sales were up 2.7%. Department stores had a 1.1% decline. Furniture stores, electronics and appliance stores also posted sales declines.

HOUSING

The limited number of [single-family](#) homes available for purchase has resulted in an increase of competition in the buyers' market, even with the continuation of high mortgage rates. Median single-family home prices in the central Puget Sound region saw year-over-year increases of 5% or less. King County, an outlier, with the median price up 12.6% to \$945,000, was largely driven by an over 19% hike on the Eastside to nearly \$1.7 million. Snohomish County's median price went up 5% to \$760,000, while Kitsap's rose around 3.5% to \$535,350. In between was Pierce's 4.6% increase to \$550,000.

The United States housing market is currently experiencing what is called a ["lock-in effect"](#) as mortgage rates rise to almost 7%. Those who locked in rates in the 4% range during the pandemic are less inclined to buy a new home. There has not been an instance in which more than 40% of American mortgage holders had locked-in rates more than 1 percentage point below market conditions for the last 20 years.

According to a [survey](#) by the US Census Bureau of over 1 million Seattle area adults, 64% (or ± 658,000) reported their rent had gone up over the past 12 months. Nearly 545,000, or 53%, said their rents jumped by at least \$100 a month. On the other hand, 320,000 renters were lucky enough to have no increase in rent over the past year. Less than 1%, said their rent decreased. Seattle had the second-highest share of renters who reported increases of \$100 or more among the 15 largest metro areas included in the Household Pulse Survey from which this data was gathered. According to census data, the median rent paid for a one-bedroom apartment in Seattle was \$1,881.

INTEREST RATES

In April the average long-term [U.S. mortgage](#) rate moved above 7% to its highest level in nearly five months. The average rate on a 30-year mortgage rose from 6.79% to 6.82% the [first](#) week of April, then rose from 6.82% to 6.88% in the [second](#) week. The changes seen in the [third](#) to last week of April saw an increase of 6.88% to 7.17%. Lisa Sturtevant, chief economist at Bright MLS said it's likely the average rate on a 30-year mortgage will hold close to 7% throughout the spring before easing to the mid-to-high 6% range into the summer. These increases pose a setback for home shoppers this spring homebuying season, traditionally the housing market's busiest time of the year.

JOBS

The [Labor Department](#) reported in the first week of April that filings for unemployment claims ending March 30 climbed by 9,000 to 221,000, which is still historically low. This report marks the 25th straight month in which joblessness is below 4%.

OTHER NEWS

National nonresidential [construction](#) spending dropped 1.0% in February on the heels of shedding nearly 0.5% in January, according to new data from the U.S. Census Bureau. "Virtually every nonresidential construction segment experienced a decline in spending in February," says Associated Builders and Contractors Chief Economist Anirban Basu.

The aftermath of the pandemic is testing [Martin Selig's](#) resilience, but he stays positive despite this current challenges in the debt market. On March 20, a \$239 million loan backed by seven of Selig's roughly 30 downtown office buildings were transferred to a special servicer and flagged for "imminent maturity default." The move to a special servicer suggests Selig may face challenges in repaying or refinancing the loan principal, which comes due May 6. Throughout his career, Selig has ebbed and flowed with various financial cycles.

According to Moody's commercial real estate economists, [seventy buildings](#) in Seattle have been identified as suitable for conversion to residential buildings. Number 1 on the list is Olympic Tower at 217 Pine St. near Pike Place Market, as well as the Mutual Life Building at 605 First Ave. in Pioneer Square.