

## Seattle Office Space News – June 2024

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

### OFFICE DEVELOPMENTS

June 2024 brought [news](#) of an available adaptive reuse project at 760 Aloha building. Nitze-Stagen turned one and a half story warehouse building in South Lake Union into a mid-rise office building by adding 4 stories using various types of glass windows and steel braced frames. The building, originally built in 1940, was constructed by BuildingWork along with many other geotechnical, structural, civil, and landscaping engineers.

Construction [continues](#) at the Metropole Building at 423 Second Ave Ext S in Pioneer Square. The building is owned by the Satterberg Foundation and W.G. Clark began repairs in 2022 with designs from Architect Building Work. The 32,000 square foot building is estimated to be completed and ready for tenants at the end of 2024.

### OFFICE LEASES

After raising a \$100 Million Series B funding round, California based robotics startup Collaborative Robotics is [opening](#) an office in Seattle this month. The company will be located at 100 NE Northlake Way, in a 6,000 square foot space. Brad Porter founded the company in 2022 and makes robots designed to collaborate with humans in areas like health care, warehouses, offices and more. Michael Vogelsong, amazon deep learning tech team co-founder, will be leading the new Seattle team.

Pembroke's 400 Fairview office building is fully [leased](#). Completing the puzzle are two new tenants - Skanska and Group14 Technologies. Both companies leased full floors at a total of approximately 26,000 square feet each. The building owner, Pembroke, acquired 400 Fairview in 2018 from Skanska and TIAA.

### OFFICE BUILDING SALES

At the end of May 2024, the Dexter Horton building located at 710 2nd Avenue [sold](#) to King County for \$36.6 million. The \$111 per square foot price tag is less than a quarter of what the building traded for five years ago. The County Department of Public Defense occupies just over a quarter of the 329,000 square-foot building and it needs more space.

### RETURNING TO THE OFFICE

As of Monday June 24<sup>th</sup> Seattle City Council President Sara Nelson, requires all legislative staff to [return to the office](#) full time. Before late June, staff worked a hybrid schedule only coming into the office 2 days a week. The legislative department is the first in the city to bring employees back, and the outcome may influence other employers. Nelson believes public service work should be done in public and her office should be fully staffed.

### DOWNTOWN RECOVERY

Kelly Kinnison is set to [become](#) the new CEO of the King County Regional Homelessness Authority. The authority's governing committee voted nearly unanimously to offer the Washington, D.C.-based candidate the position to lead an organization that has mostly failed despite 5 years in operation. Kinnison has worked for a decade in the federal government on social policy and programs for low-income, homeless, and other marginalized people. Seattle Mayor Bruce Harrell believes having a CEO will stabilize the agency more than restructuring it without permanent leadership.

### ECONOMY

The US economy [expanded](#) at a 1.4% annual pace from January through March 2024, the slowest quarterly growth since spring 2022. Consumer spending grew at a 1.5% rate, down from an initial estimate of 2%, indicating that high interest rates may be taking a toll on the economy. Business investment rose at a 4.4% annual pace last quarter, up from its previous estimate of 3.2%. The economy remained resilient in the first quarter, but private-sector demand growth was cooling, leading to more consumer caution. The Fed predicts only one benchmark rate cut in 2024, down from three previous forecasts. The Commerce Department will issue its first estimate of the current quarter's economic performance on July 25.

### INFLATION | CONSUMER SPENDING

Consumer spending in May barely [increased](#) from April due to high prices on groceries and interest rates. Retail sales rose 0.1% in May and April sales were revised downward by 0.2%. Sales rose 0.6% in March and 0.9% in February, following a 1.1% decline in January. The report reflects an increasingly cautious consumer, but it increases the likelihood that the Federal Reserve will start to cut interest rates in a few months. Retail executives report that shoppers are still buying, but are being more selective about their spending.

US consumer sentiment [fell](#) for the third consecutive month in June, with the University of Michigan's index dropping to 65.6 from 69.1. This is 30% higher than the lowest in June 2022, when inflation reached a four-decade high. Consumers' outlook has been gloomy since the pandemic and inflation spiked in 2021. Inflation remained high in the first three months of this year but cooled down substantially in May.

### HOUSING

King County's median home price [reached](#) a record high last month, despite elevated mortgage rates keeping many potential homebuyers on the sidelines. The median single-family home price in King County is up 10% from the same month last year, driven by the Eastside, where the median house sold for \$1.7 million, up 17%. Median homes sold for \$828,000 in Snohomish County,

\$560,000 in Pierce County, and \$580,000 in Kitsap County, up 6% and 4% respectively. Condo prices also climbed to a median of \$595,000 in King County, up 6% and 4% respectively. Condo prices also climbed to a median of \$595,000 in King County, up 18% from a year ago.

Sales of previously occupied U.S. homes [fell](#) for the third consecutive month in May. Existing home sales fell 0.7% from April to a seasonally adjusted annual rate of 4.11 million, and sales also fell 2.8% compared to May last year. The average rate on a 30-year mortgage has mostly hovered around 7% this year, with the Federal Reserve keeping its short-term rate at the highest level in more than 20 years. First-time homebuyers struggled to enter the market, accounting for 31% of sales. Homebuyers who could pay all cash accounted for 28% of sales, while 16% were bought by individual investors or homeowners looking to buy a second home.

## INTEREST RATES

By the last week of June the average 30-year mortgage rate [fell](#) over .1% from 6.99% the first week, to 6.95% the second week, 6.85% the third week, and now 6.86%. 15-year fixed-rate mortgages' borrowing costs [eased](#) as well. Fed officials [said](#) inflation has moved closer to its target level of 2% in recent months and signaled that they expect to [cut](#) their benchmark interest rate once this year.

## JOBS

America's employers added 272,000 jobs in May, [indicating](#) confidence in the economy despite high interest rates. Economists believe the job market is normalizing after years of pandemic distortions. Employment growth is steady, but the labor market heat has been removed. The May jobs report should help alleviate concerns about economic weakness. The unemployment rate edged up for a second straight month to a low 4%, ending a 27-month streak of unemployment below 4%. Open jobs have fallen to a three-year low, and fewer workers are quitting. The US economy saw strong hiring growth last month, with healthcare adding 84,000 jobs and restaurants, hotels, and entertainment providers gaining 42,000. Governments added 43,000 positions, while professional and business services grew by 33,000.

Seattle has fallen 10 spots to No. 20 in Startup Genome's annual "[Global Startup Ecosystem Report](#)," ranking the city as a "top-tier hub for innovation." The report analyzed 4.5 million startups across 300 ecosystems and 55 countries. Seattle's fall was the largest among the top 40 ecosystems, with its 10 large exits in the 30 months leading to the end of 2023 ranking 26th globally. The ecosystem is on a down cycle overall, with funding to startups slowed and fewer early-stage companies reaching billion-dollar valuation milestones. Despite this, Startup Genome still calls Seattle a "top-tier hub for innovation" with an "incredible depth of talent" and an ideal breeding ground for future unicorns.

## OTHER NEWS

The [U-turn](#) is gone. If you haven't driven this week along the north end of Alaskan Way, you could be forgiven for not noticing. Unless you're dropping off family members for a cruise at Pier 66, that's been a section of the waterfront to avoid for the past year. For pedestrians and cyclists, however, it's been a nearly traffic-free paradise.

King County Executive [Dow Constantine](#) discussed his Civic Campus Initiative, which could become one of the nation's largest urban redevelopments. The initiative spans seven blocks of obsolete buildings and could create a mixed-income community in a low-emission, clean energy district. Constantine's proposal to buy the 100-year-old landmark Dexter Horton Building at a rock-bottom price has been approved by the County Council. The county campus and Dexter Horton are in the path of the Ballard Link light rail extension. Constantine also discussed the recent gun violence epidemic and proposed "100 days of action" to intensify and align efforts. He also highlighted the county's 24/7 mobile crisis teams, financing 630 units of affordable housing, and its decarbonization work.