

Seattle Office Space News – August 2024

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

OFFICE DEVELOPMENTS

One of the few office developments in Seattle, the Chapter Buildings in the University District, [reportedly](#) received their temporary certificates of occupancy last month. Developed by Touchstone and Portman Holdings, the project is comprised of two buildings. Lease Crutcher Lewis built the 400,444 square foot, 12-story West building at 4530 12th Ave NE and BNBuilders constructed the 151,444 square foot 10-story East building at 4536 Brooklyn Ave North.

1916 Boren life-science building [reached](#) its final height as reported in August with an expected completion date of December 2024. Seattle Children's Hospital already leased half of the 282,700 square foot building in the Denny Triangle. The project is being developed by Trammell Crow and Lease Crutcher Lewis.

OFFICE LEASES

Hudson Pacific's 411 1st Ave Pioneer Square building reportedly went from 57% to 98% [leased](#) over the last 18 months. New tenants in the building include WPP ($\pm 19,000$ sf), Graham Construction ($\pm 14,000$ sf) and an architecture and engineering company WJE ($\pm 7,000$ sf). According to Hudson Pacific's COO Andy Wattula, leasing activity at 411 First, which measures 163,650 square feet, stemmed from Hudson Pacific bringing vacant spaces to nearly move-in ready condition.

Also in August, Sana Biotechnology [opened](#) their 80,000 square foot manufacturing facility at 3555 Monte Villa Parkway in Bothell. The site, owned by ARE, will be home to Sana's proprietary cancer drug program where Sana has four drugs in human testing: two for cancer, one for autoimmune disease, and another for type 1 diabetes. Sana has a lab for clinical research in Seattle and additional locations in South San Francisco and Cambridge, Mass., as well as a small research group in Rochester, N.Y.

Seattle-based biotech company, Curi Bio [plans](#) to double their space presence in Seattle's Interbay neighborhood in the first quarter of 2025. The company signed a 13,932 square foot lease with BioMed Realty, at 201 Elliott Ave along Seattle's waterfront, allowing for room to grow operations and expand research efforts.

OFFICE BUILDING SALES

The sale of Seattle's iconic Smith Tower, located at 502 2nd Ave in Pioneer Square, [closed](#) in August. The new ownership group reportedly assumed part of a prior loan from Morgan Stanley secured by the 304,346 square foot Smith Tower and the Butler (parking) Garage a block away. The new owner is a venture of GT Capital, Freestone Capital, and Evergreen Gavekal. The previous owner was an Goldman Sachs LLC, that acquired the properties for \$169 Million in 2019.

RETURNING TO THE OFFICE

In August Seattle Mayor Bruce Harrell [announced](#) requirements for many of the 14,000 City employees to work from the office three days a week (up from two), a move backed by King County and Sound Transit. Representatives from major employers like Amazon and Weyerhaeuser also praised the move.

DOWNTOWN RECOVERY

Downtown Seattle [experienced](#) a 14% year-over-year increase in weekday worker foot traffic in July, averaging more than 90,000 workers per day. This milestone is the first time downtown foot traffic surpassed 60% of the 2019 benchmark according to the Downtown Seattle Association.

Brazilian steakhouse chain Fogo de Chao is [set](#) to open its Rainier Square location on September 2, filling 9,000 square feet at the 400 University in the Central Business District. The restaurant, known for serving fire-roasted meats, will offer midday service from 11:30 a.m. to 3 p.m. Monday through Friday and will begin with an all-day happy hour every day of the week. The restaurant's rooftop lounge will open early next year.

ECONOMY

The US economy [grew](#) at a 3% annual pace in Q2, driven by strong consumer spending and business investment, according to the Commerce Department's latest assessment. Inflation remained just above the Federal Reserve's 2% target, with the personal consumption expenditures index rising at a 2.5% annual rate. Now, with inflation hovering only slightly above the Fed's 2% target level and likely slowing further, the Fed is poised to start cutting its benchmark interest rate when it next meets in mid-September.

INFLATION | CONSUMER SPENDING

The Commerce Department [reported](#) in August that retail sales jumped 1% from June to July, the biggest such increase since January 2023. Consumer prices rose by 2.9% in July, the smallest year-over-year inflation figure since March 2021. Despite initial economic concerns due to weaker hiring and a higher unemployment rate, layoffs remain low, and service industries remain solid.

HOUSING

Home sales in the US [rose](#) 1.3% in July, reaching 3.95 million, according to the National Association of Realtors. However, sales fell 2.5% compared to July last year. Home prices increased for the 13th consecutive month, with the national median sales price rising 4.2% to \$422,600. As of July, there were 1.33 million unsold homes, indicating a four-month supply.

INTEREST RATES

The average rate on a 30-year mortgage [fell](#) this week to its lowest level since early February, easing borrowing costs for prospective homebuyers facing record-high home prices. August [began](#) with interest rates at 6.73%, then 6.47% by the end of the first full week, 6.49% the [second](#) week, 6.46% the [third](#) week, and now a 0.11%. Decrease to 6.35% in the [final](#) week of this month.

JOBS

The US economy experienced a [slowing](#) job market from April 2023 to March of 2024, with 818,000 fewer jobs added than initially reported. In [August](#), 1.86 million Americans were jobless, and unemployment claims increased by 232,000. The Labor Department estimated job growth averaged 174,000 a month in the year that ended in March — a decline of 68,000 a month from the 242,000 that were initially reported. The revisions released at the end of August were preliminary, with final numbers to be issued in February 2025. Despite this, weekly filings for unemployment benefits [remain](#) low by historic standards.

Research from payroll giant ADP [ranked](#) the Seattle-Tacoma-Bellevue metro area as the fourth-hottest hiring market, where the average pay grew by 6.5% annually. The hiring rate, which represents the number of new hires as a share of monthly total employment, grew by 4% in the metro between July 2023 and June 2024. According to the ADP research, new hires could expect the biggest starting salaries in areas with high costs of living.

OTHER NEWS

The owners of the Joseph Vance Building, at 1402 Third Ave, in the Central Business District are [exploring](#) conversion to housing. Orton Development, a specialist company in repurposing old properties and adaptive reuse, purchased a portion of CIBC's \$35.5 million loan on the property earlier this year. Weinstein AU filed an early plan to convert the upper office floors to about 155 apartments. The new conversion plan carries a nominal value of \$25 million and does not include any new floors for the Vance Building. A construction commencement date has not been set.

The rise of remote work and reduced daytime populations in downtowns have led many to wonder about [conversion](#) of office into apartments. However, only certain office buildings are strong candidates for residential living conversion. The Yardi Conversion Feasibility Index, is a tool used to assess a building's potential for residential conversion based on various factors such as the age, size and location of the building, walkability and transit access, and architectural considerations. The best candidates for conversion score between 90 and 100 and are classified as Tier 1 buildings. In the Seattle market area, 15.1% of office buildings are considered strong candidates for conversion, and 2.4% of these candidates are Tier 1.

The Seattle Aquarium [recently](#) opened the Ocean Pavilion, a 50,000-square-foot building with over 3,500 tropical fish, invertebrates, and plants, including endangered species. The \$160 million expansion is located east of Piers 59 and 60 along Seattle's waterfront. The pavilion is designed to be experienced from both inside and outside and aims to promote sustainable aquarium design by achieving LEED Gold and Zero Carbon certification.