

## Seattle Office Space News – September 2024

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

### OFFICE DEVELOPMENTS

Trammell Crow is close to [receiving](#) a Master Use Permit for a life science project at 900 Virginia street on Ninth Avenue. The 17-story tower would have 324,000 square feet and will be located in the Denny Triangle submarket. Although Seattle life science asking rents have dipped year-over-year, it is expected that the life science sector is to remain one of the strongest sub-use types over the long run.

### OFFICE LEASES

There were no Seattle office leases reported in the month of September 2024.

### OFFICE BUILDING SALES

Earlier this year, the office and retail portions of Belltown's Bay Vista tower went into foreclosure. The roughly 110,000 square feet on the building's lower five floors sold in 2016, via an LLC, to Madison Marquette for \$33.6 million. Three years later, not long before the pandemic, it took out a \$36 million loan from Varde. It was [reported](#) in September that the commercial component of the building at 2815 Second Ave has been forfeited with the keys going back to the lender. King County recorded the assignment of the 2019 loan (via an LLC) from Varde Partners back to Varde.

A decade ago, Brickman bought the Pacific Building at 720 Third Ave in the Central Business District for \$50.3 Million. Now valued at \$28.6 million, or \$206 per square foot, there's a new owner for the 138,545 square foot office tower; the lender, Rialto Capital Management. The county recently [recorded](#) zero-dollar conveyance to new entity FS Rialto Pacific Building LLC.

JP Morgan recently [signed over](#) the deed for the 1800 Ninth Ave building, to an LLC associated with Lake Washington Partners. The family-owned Bellevue company acquired the 312,700 square foot asset in the Denny Triangle through a deed in lieu of foreclosure, according to a September 10<sup>th</sup> real estate excise tax affidavit. The affidavit did not list a price.

1165 Eastlake Ave E near South Lake Union is in the process of [trading](#) hands from Alexandria Real Estate Equities and Clairon to Fred Hutch Cancer Center. Along the same strip, Fred Hutch already leases space at 1201 Eastlake (the landmarked former steam plant) and 1208 Eastlake (aka the Earl Davie Building). In the new deal, which hasn't yet closed, Fred Hutch will buy Clarion's 70% stake in that duo. All three buildings in the newly announced Fred Hutch deal total about 300,000 square feet. Fred Hutch estimates the entire deal will save it more than \$300 million in new construction costs.

### RETURNING TO THE OFFICE

In September, Amazon [announced](#) its plans to revert to its pre-pandemic in-office mandate of 5 days per week. CEO Andy Jassy said the company's leadership had been considering ways to improve collaboration and customer outcomes. The policy, which takes effect on January 2, 2025, will address the advantages of being together in the office.

### DOWNTOWN RECOVERY

Seattle City Council is set to [establish](#) six "stay out" zones for drug crimes and sexual exploitation, with judges allowing people to be barred from the zones once they have been charged or convicted of certain offenses. The Public Safety Committee voted 5-0 to advance two bills, one aimed at drug activity in downtown areas, and the other aimed at creating a no prostitution zone along Aurora Avenue North. The bills reflect a more aggressive approach toward law enforcement.

PCC Community Markets plans to [reopen](#) a grocery store at the Rainier Square tower in downtown Seattle. The community-owned cooperative first opened a full-service store in January 2022, which was closed due to operational losses. The new store will be its first small format store, occupying about 6,500 square feet of the former 20,000 square feet. The store will cater to office workers and downtown residents seeking hot, fresh, and prepared foods. The co-op also announced Friday that it will relocate its current office operations to Rainier Square to fill the remaining space, leaving their current office at 3131 Elliott when their lease expires in 2025.

### ECONOMY

Wells Fargo's economists [predict](#) that commercial real estate may have begun stabilizing nationally, with most major property classes performing relatively well during the second quarter. The second quarter saw net absorption for most major property types, crediting resilient consumer spending for giving some sectors a lift. The economic cycle remains intact, and the strong rate of consumer spending looks to be one factor fueling a pickup in CRE demand; However, new construction could push vacancy rates even higher in many types of commercial real estate, especially office, industrial, and multifamily.

Seattle office demand has [shifted](#) from negative to positive territory, according to the VTS Office Demand Index. With Seattle being one of the main cities with new growth in the office sector, demand trended up by 1 million square feet with 84 tenants that entered the market over a three-month period ending in August.

## INFLATION | CONSUMER SPENDING

According to the Labor Department, consumer prices [rose](#) 2.5% in August from a year earlier, down from 2.9% in July. Core prices (excluding volatile food and energy costs) rose 3.2% in August from a year ago. A key reason for last month's drop in overall inflation was the third drop in gas prices in the past four months. Average gas prices fell 0.6% from July to August and are down 10.6% from a year ago.

## HOUSING

The median single-family home price [jumped](#) last month with homes in Seattle selling for \$930,000 and \$1.55 million on the Eastside, up 4% and 7% respectively. In North King County, the median home price jumped 12% to \$941,500, and Southwest King County, to \$665,000, up 11%. Median single-family homes sold for \$780,000 in Snohomish County, up 7% from a year earlier; \$580,000 in Pierce County, up 5.5%; and \$563,000 in Kitsap County, roughly in line with a year earlier.

## INTEREST RATES

By the last week of September the average 30-year mortgage slipped to its lowest level in two years from 6.35% the [first week](#), to 6.20% the [second week](#), 6.09% the [third week](#), and now 6.08%. 15-year fixed-rate mortgages' borrowing costs increased slightly, rising by .01%. Economists generally expect mortgage rates to remain near their current levels this year.

## JOBS

By the end of September the number of Americans applying for unemployment benefits [fell](#) to their lowest level in four months. There were 218,000 jobless claims at the end of the month. In response to weakening employment data and receding consumer prices, the Federal Reserve last week cut its benchmark interest rate by a half of a percentage point as the central bank shifts its focus from taming inflation toward supporting the job market. It was the Fed's first rate cut in four years after a series of rate hikes in 2022 and 2023 pushed the federal funds rate to a two-decade high of 5.3%. U.S. employers added a modest 142,000 jobs in August, up from a paltry 89,000 in July, but well below the January-June monthly average of nearly 218,000.

## OTHER NEWS

Overlook Walk, the lynchpin of Seattle's new central waterfront, is [set to open](#) on October 4th. Bridging the nearly 100 vertical foot gap between Pike Place Market and the new park promenade on Elliott Bay, Overlook Walk is an elevated, 1-plus-acre public space with 360-degree views of the downtown skyline, the stadiums, Olympic Mountains and Mount Rainier. The \$70 million project was designed by James Corner Field Operations and the Miller Hull Partnership and built by Turner Construction.