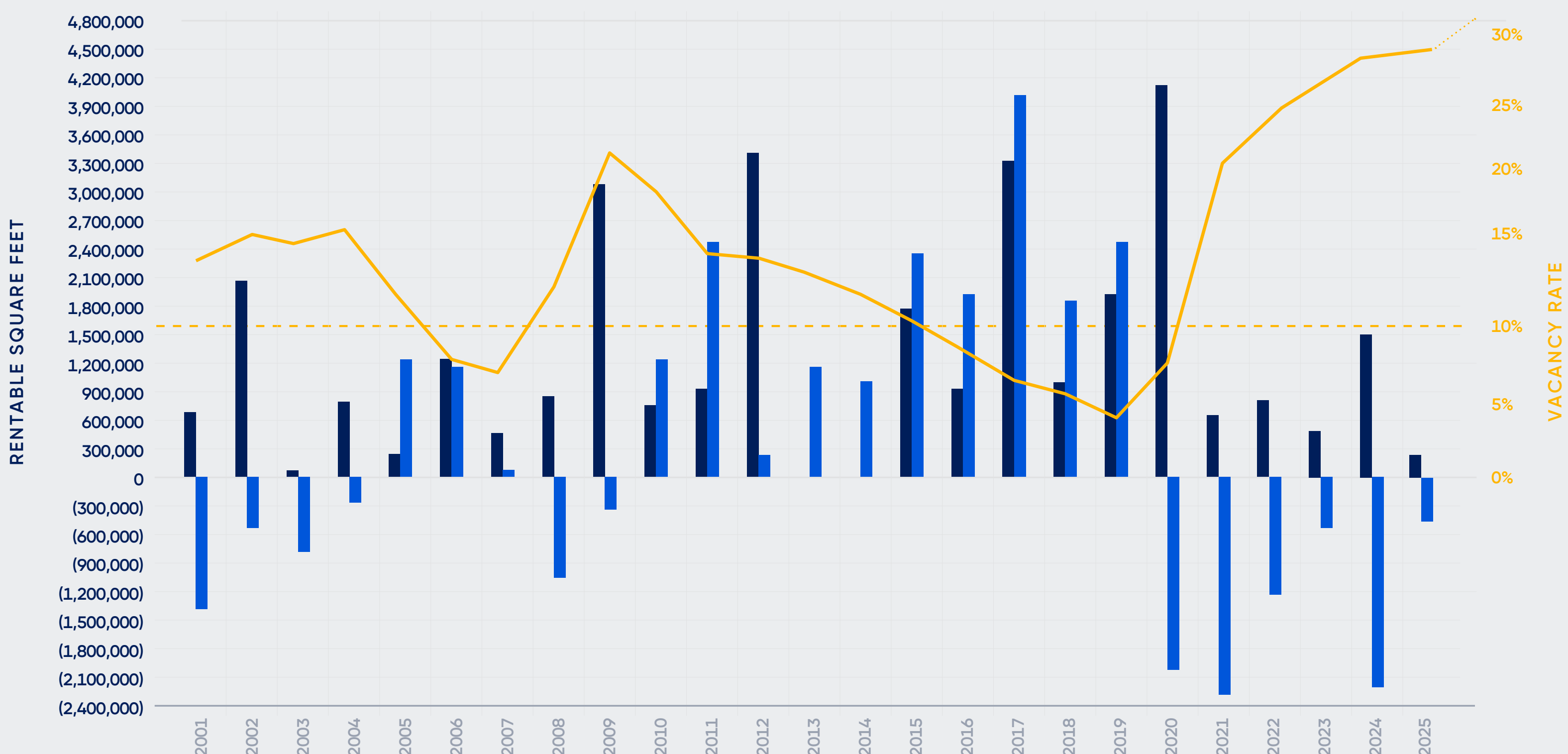
Office Leases

The only report of a lease in August was that of The Pioneer Collective opening its 5,500 square feet space at 1100 W. Ewing St. in West Canal Yards. The space is expected to open this fall and will serve as the company's fourth coworking location, joining existing sites in Ballard, Belltown, and Tacoma. West Canal Yards is a waterfront redevelopment of a former fish cannery on the South side of the Lake Washington Ship Canal. The project offers amenities such as phone rooms, bike storage, showers, and a mother's room, positioning it as a modern workplace option in Seattle's Ballard/Interbay submarket.

Seattle Overall Office Availability, Supply & Absorption Rates



Returning to Office

According to The Verge, Microsoft is considering a stricter return-to-office (RTO) policy that would require most employees within 50 miles of its Redmond headquarters to work on-site at least three days per week starting in January 2026. The company confirmed it is reviewing its flexible work guidelines but emphasized that no final decision has been made. A potential announcement is expected in September. Meanwhile, Microsoft continues its multiyear Redmond campus expansion, which includes seven newly opened East Campus buildings and a 17-building redevelopment designed to encourage in-person collaboration.

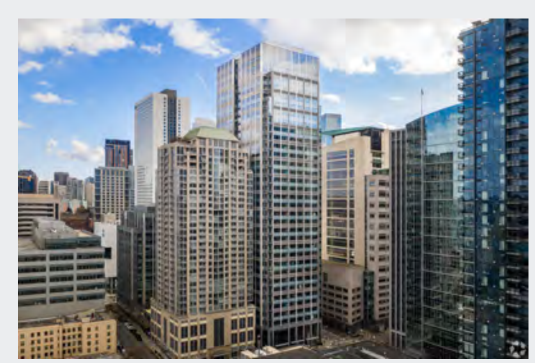
Office Developments

There were no reports of office developments in August 2025.

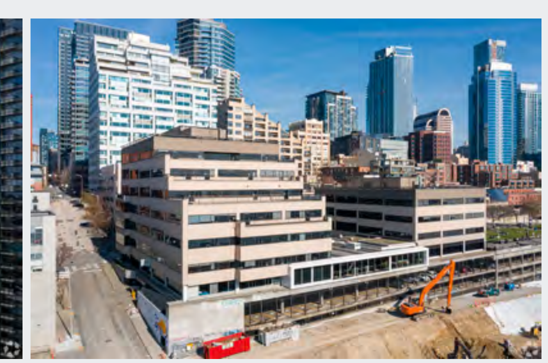
Office Building Sales | Repositionings

Hudson Pacific Properties obtained a $285 million refinancing from Wells Fargo as reported in August, replacing the previous $314 million loan tied to the 36-story office tower at 1918 Eighth Ave. Located in Seattle's Denny Triangle, the 668,000 square foot building was bought from developer Schnitzer West for $589 million in late 2020, or about $882 per square foot. The tower is known to Amazon as Blackfoot and remains about 99% occupied, with Amazon's lease extending through 2030. Hudson Pacific's Harout Diramerian said in a statement, "This transaction, addressing the last of our 2025 debt maturities, once again highlights the quality of our portfolio and our team's ability to execute in today's selective credit environment."

The Market Place office complex at 2001–2003 Western Ave in Seattle's Pike Place Market sold in August to San Francisco–based Spear Street Capital for $60.1 million, or about $456 per square foot, according to King County records. Morgan Stanley's Prime Property Fund had acquired the 131,000 square foot property in 2013 for $71.2 million. Despite current office vacancies hovering near 42%, tenants include Studio Meng Strazzara, Timberlane Partners, and Teutsch Partners, with nearly 19,600 square feet of ground-floor restaurant space anchored by longtime tenant Cutters Crabhouse, Aerlume, Sugo, and Locust Cider. The sale represents a loss of more than 15% for the seller but reflects the property's prime location and marks a notable investment by Spear Street, which has recently been more of a seller than a buyer in the Seattle market.



1918 EIGHTH AVENUE



MARKET PLACE I

MARKET PLACE II

Jobs

Jobless claims ticked up to 226,000 for the week ending Aug. 2 followed by a slight dip to 224,000 for the week ending Aug. 9 then rising again to 235,000 for the week ending Aug. 16, before easing to 229,000 for the week ending Aug. 23. Across all four weeks, claims remained within the historically healthy 200,000–250,000 range, though other labor market indicators pointed to growing weakness. July jobs report showed just 73,000 new jobs added, with 258,000 downward revisions to May and June, and the unemployment rate holding at 4.2%. Continuing claims fluctuated, climbing to 1.97 million by mid-August and easing slightly to 1.95 million by Aug. 28, reflecting difficulty for displaced workers to secure new jobs. Meanwhile, broader conditions worsened as job openings fell to 7.4 million in June, quits sank to their lowest since December, GDP growth slowed to 1.3% in the first half of 2025, and expectations rose that the Federal Reserve might cut interest rates at its Sept. 16–17 meeting to offset the slowdown.

Interest Rates

By the end of August the average rate on a 30-year mortgage in the U.S slipped to its lowest level in 10 months. Rates dropped to 6.63% in the first week of August and continued to dip, edging down to 6.58% in the second week and remaining unchanged into the third week of the month until dropping once more to 6.56% in the final week of August. New data on contract signings suggest home sales could remain sluggish in the near term.

Federal Reserve Chair Jerome Powell signaled in August that the Fed may cut interest rates in the coming months but stressed any move will be cautious and data-driven as officials weigh the risks of rising unemployment against tariff-driven inflation. Speaking at the Fed's annual Jackson Hole symposium, Powell said tariffs are clearly lifting consumer prices and could push them higher, but emphasized the Fed will not allow a one-time price increase to become lasting inflation. With hiring slowing and unemployment still low, Powell noted the risk of a sharper downturn is growing. His remarks lifted markets, with the S&P 500 rising 1.5%, and analysts at Goldman Sachs predicting a quarter-point cut at the Fed's September meeting. Powell also announced revisions to the Fed's 2020 policy framework, acknowledging it was too tied to the pre-pandemic economy, as the Fed seeks to adapt its strategy for managing inflation and employment in today's environment.

Downtown Recovery

Downtown Seattle worker activity is rebounding, with the Downtown Seattle Association (DSA) reporting 154,000 daily worker visits in July 2025, up 7% year-over-year and the highest since the pandemic. The uptick follows Amazon's five-day office mandate, while Microsoft may soon tighten its RTO policy. Despite progress, DSA President Jon Scholes cautioned that downtown remains "fragile," citing high office and retail vacancies, exacerbated by large tenants like global health non-profit, PATH, vacating 111,000 SF downtown. Seattle's vacancy rate is among the nation's highest, though foot traffic was buoyed by 3.2 million unique visitors in July (97% of 2019 levels), boosted by major events such as the Morgan Wallen concert and Seafair Torchlight Parade.

Economy

The U.S. economy rebounded this spring after a first-quarter downturn. Revised data from the Commerce Department show GDP grew at a 3.3% annual pace in Q2 2025, up from the initial 3% estimate. This is after a 0.5% contraction in Q1, which was the first drop in three years. The first-quarter slump was driven by a surge in imports as businesses rushed to beat tariffs. That reversed in Q2, with imports plunging nearly 30%, adding more than five percentage points to growth. Consumer spending, about 70% of GDP, rose at a 1.6% rate, stronger than earlier estimates but still modest. Private investment, however, fell sharply at a 13.8% pace, the largest drop since mid-2020, with shrinking inventories dragging growth by over three points. Federal spending also declined for a second straight quarter. A core measure of economic strength, consumer spending plus private investment excluding trade, inventories, and government, rose 1.9%, matching Q1. Analysts expect growth to slow toward 1.5% as tariffs hit household budgets more directly.

Housing

U.S. home sales rose in July as buyers responded to slightly lower mortgage rates, slower price growth, and the largest inventory of properties in more than five years. The National Association of Realtors reported that existing home sales increased 2% from June to an annual pace of 4.01 million units, beating economists' expectations, and were up 0.8% from a year earlier. The median sales price edged up just 0.2% year-over-year to $422,400, the smallest gain since June 2023 but still the highest July price on record. Inventory reached 1.55 million homes, up 15.7% from last year, though still below pre-pandemic norms, translating to a 4.6-month supply. Properties averaged 28 days on the market, longer than last year, while about one in five listings saw price cuts. First-time buyers made up only 28% of sales, below the historic 40% share, as affordability remains a challenge despite easing mortgage rates, which recently dipped to a 10-month low of 6.58%. With sellers increasingly offering concessions, experts say conditions are gradually becoming a bit more favorable for buyers compared with recent years.

Seattle is experiencing a rise in vacancies within its publicly subsidized affordable housing as homelessness has increased to record levels. At buildings such as the Thai Binh Apartments in Little Saigon, where studio rents are set at $1,546 a month, some tenants have opted for nearby market-rate housing that is often less expensive. As a result, up to 20% of units remain unoccupied despite more than $40 million in public subsidies. Citywide, vacancy in income-restricted housing has increased from about 2% in 2017 to 11% in 2024. Because these rents are tied to area median income, they have in some cases become less competitive relative to slowing private-market rents. Operators report that raising revenue is necessary to cover costs and loan obligations, while nonprofit organizations argue that deeper subsidies are needed to reach the lowest-income households. Since 2023, Seattle has invested more than $140 million to stabilize housing providers and is now requiring new projects to include more units for extremely low-income households or larger families.

Inflation | Consumer Spending

The Federal Reserve's preferred inflation gauge held steady in July, though underlying inflation ticked higher. Prices rose 2.6% from a year earlier, unchanged from June, while core prices rose 2.9%, the highest since February. Inflation remains above the Fed's 2% target; one reason officials have been cautious about cutting interest rates. Consumer spending jumped 0.5% in July, the largest increase since March, driven by purchases of cars, appliances, and furniture. Incomes rose 0.4%, lifted by wage and salary gains. On a monthly basis, overall prices rose 0.2%, while core prices rose 0.3% for the second straight month.

Shoppers spent steadily in July, even as tariffs began to affect jobs and prices. Retail sales rose 0.5%, matching forecasts, after June was revised up to 0.9%. This followed declines in April and May. Auto sales gained 1.6%, while clothing, online, and home furnishings also increased. Electronics and restaurant sales declined. Core sales (excluding gas, cars, and restaurants) rose 0.5%. Job growth slowed, with just 73,000 jobs added in July versus 115,000 expected. Inflation remained steady at 2.7% year-over-year and monthly prices rose 0.2%, while producer prices surged 0.9%, the biggest jump in three years. Retailers such as Walmart, Procter & Gamble, Ralph Lauren, Black & Decker, and e.l.f. Cosmetics have announced recent price increases as a way to offset the higher costs from tariffs.

Construction input prices rose 0.4% in July, with nonresidential inputs also up 0.4%, according to the Associated Builders and Contractors' analysis of federal data. Overall, construction materials are 2.2% higher than a year ago, and nonresidential inputs are up 2.6%, driven by steep tariff hikes on steel, aluminum, and copper. Copper wire and cable prices jumped 5% in July and 12.2% year-over-year, while aluminum mill shapes rose 13.7% and steel products 8.8%. ABC's Anirban Basu warned that rising input costs are squeezing contractor margins and, alongside the 0.9% surge in producer prices overall, may influence the Fed's rate decisions in September.

Other News

Along Seattle's new waterfront, nearly a third of office space spanning from Alaskan Way to First Avenue sits vacant. Condo sales are slow, and projects like Urban Visions' The Jack remain empty, reflecting broader issues tied to remote work, high interest rates, and public safety. Yet boosters believe momentum from swelling tourist visits, which could grow from 7.4 million in 2024 to 15 million annually, will eventually lift values, particularly for retail, where piers like 55 and 56 remain 95% leased. Downtown is already seeing improvements, with cleaner parks, restored public spaces, and attractions like the Ocean Pavilion and Overlook Walk drawing more locals. According to the Downtown Seattle Association, storefront vacancies near the waterfront have dropped by half since late 2023, while street-level retail has grown by 20%, signaling that the city's recovery, though uneven, is gaining momentum.

The Seattle Department of Transportation completed its Third Avenue South and South Main Street project in Pioneer Square, which began in January and stretches along Third from Yesler Way to South Main Street. The work included widened sidewalks, reconstructed pavement, repainted crosswalks, new pedestrian lighting, and added trees. The bus stop at Third and South Main was also upgraded with new seating, a shelter, real-time arrival information, and an ORCA card reader. SDOT engineers designed the improvements, with MidMountain Contractors as general contractor and King County Metro as a project partner. Funding came from multiple sources, including the Federal Transit Authority, Seattle Transit Measure, Move Seattle Levy, Metro, Seattle City Light, and Seattle Public Utilities. A community event during last week's Pioneer Square Art Walk marked the project's substantial completion, with crews now finishing final details.