

Office Leases

Slalom reaffirmed their long-term commitment to Seattle renewing their HQ lease at Hawk Tower. Owned by Steinhauer Properties, Hawk Tower is located at 255 S. King St. in the Pioneer Square submarket. The consulting firm occupies the top four floors of the 18-story tower and has extended its presence through 2034, occupying 76,000 square feet. While lease terms were not disclosed, ownership described the deal as one of the market’s most significant commitments in recent years. The agreement underscores continued confidence in the district despite broader downtown vacancy challenges.



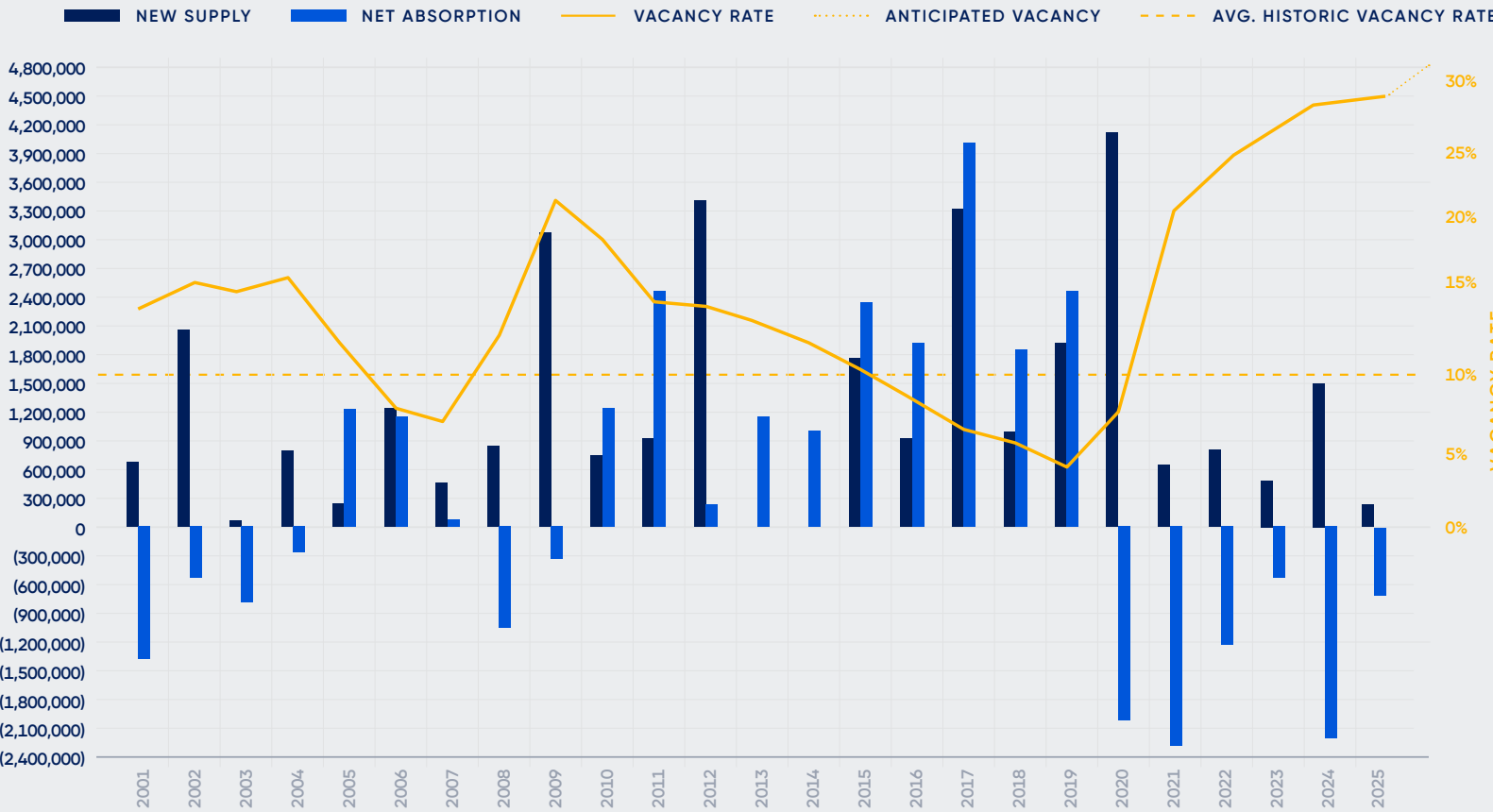
HAWK TOWER

Office Building Sales | Repositionings

A largely vacant office building at 425 Pontius Ave. N., near Republican Street in South Lake Union, traded in December. The buyer, 425 Pontius Owner LLC, an affiliate of Ryan Companies, purchased the 69,504 square foot property for \$13 million, roughly \$187 per square foot. The seller was the court-ordered receiver for Swift Real Estate Partners, which acquired the property in 2020 for \$39.5 million, approximately \$568 per square foot. Ryan plans to demolish the structure, retain the underground parking, and replace it with a 199-unit midrise apartment building, designed by Weber Thompson.

Office Developments

There were no reports of office developments in December 2025.



Economy

The U.S. economy grew at a strong 4.3% annual rate in the third quarter of 2025 according to the Commerce Department in late December. Growth was fueled largely by continued consumer spending, which rose at a 3.5% annual rate. While the growth highlights economic resilience, economists warn it may be short-lived as inflation remains elevated. Inflation accelerated during the quarter, with the Fed’s preferred measure rising to 2.8%. This potentially complicates future rate cuts, even as job growth has slowed and unemployment has climbed to 4.6%.

The Federal Reserve cut its benchmark interest rate in December 2025, lowering it by a quarter point to about 3.6%. The move marked the Fed’s third consecutive rate cut, though officials signaled a likely pause in further reductions. Chair Jerome Powell said the Fed is now near a “neutral” rate and will wait to see how inflation and the labor market evolve. Officials project just one additional cut next year. Powell cited concerns that the labor market may be softer than headline data suggests.



Downtown Recovery

While downtown Seattle has faced real challenges since the pandemic, including the loss of major retailers and a hollowing out of areas like Third Avenue, the data tells a more hopeful story. According to the Downtown Seattle Association, nearly 3 million visitors came downtown in November 2025, violent crime has fallen to its lowest level since 2017, and activity continues to rebound. In addition, the downtown population has grown to more than 109,000 residents, marking an 80% increase since 2010. Cultural institutions, sports teams, waterfront investments, and new pedestrian connections continue to draw activity downtown. At the same time, business taxes, office vacancies, and job shifts to the Eastside remain real challenges. Still, the data suggests that with constructive leadership and continued investment in street-level activity, Seattle’s urban core has the ingredients to thrive if it is shaped collectively.

Seattle traffic worsened in 2025 as ongoing highway construction and a pullback from remote work pushed more commuters back onto the roads. The typical driver in the metro area lost 68 hours to congestion (about three extra days) an 8% increase from 2024, though still below pre-pandemic levels. According to the INRIX Global Traffic Scorecard, Seattle now ranks 22nd worldwide and 10th nationally for traffic delays. Driven largely by major projects such as the I-405 expansion between Renton and Bellevue and work on I-5 corridors. Congestion costs the average driver \$1,252 in lost time and productivity, totaling roughly \$2 billion regionwide. Some global cities have stabilized traffic through congestion pricing, transit expansion, or alternative transportation. In Seattle, the growing light-rail system mainly helps commuters avoid congestion rather than reducing it outright.



Interest Rates

By the end of December 2025, the average rate on a 30-year U.S. mortgage ticked down modestly, remaining in the same narrow range of the past two months. Starting the month of December at 6.19%, the rate climbed to 6.22% in the second week, lowered to 6.21% in the third week, and finally dropped to 6.18% the final week. Easing mortgage rates and more homes on the market nationally helped drive sales higher in February from the previous month, though they were down year-over-year.



Housing

Sales of existing U.S. homes edged up 0.5% in November to an annual pace of 4.13 million but fell 1% from a year earlier according to the National Association of Realtors. This marks the first year-over-year decline since May despite mortgage rates hovering near their lowest levels of the year. Home prices continued to rise, with the national median hitting a record \$409,200 for November, extending a 29-month streak of annual price increases. Affordability challenges, weaker condo demand, economic uncertainty, and limited inventory continue to weigh particularly on first-time purchasers, who made up just 30% of sales. While inventory has improved slightly from last year, it remains well below pre-pandemic levels.



Jobs

U.S. hiring remained uneven late in 2025 with employers adding 64,000 jobs in November after losing 105,000 in October, which was largely the result of a loss of government workers. The unemployment rate rose to 4.6%, its highest level since 2021, as job growth continued to slow and wage gains softened. This is marked by cautious employers who are reluctant to hire but also hesitant to lay off workers, resulting in a “low-hire, low-fire” environment. Ongoing uncertainty tied to tariffs, high interest rates, and the growing use of automation and AI is weighing on hiring decisions.

U.S. construction job openings fell to 213,000 at the end of October, down 18,000 from September and 36,000 from a year earlier, according to an Associated Builders and Contractors analysis of Labor Department data. The decline reflects a broader contraction in the construction industry through much of 2025, with hiring dropping sharply amid weak demand and economic uncertainty. Despite the slowdown, contractors remain cautiously optimistic. ABC’s Construction Confidence Index showing firms still expect to increase hiring over the next six months.

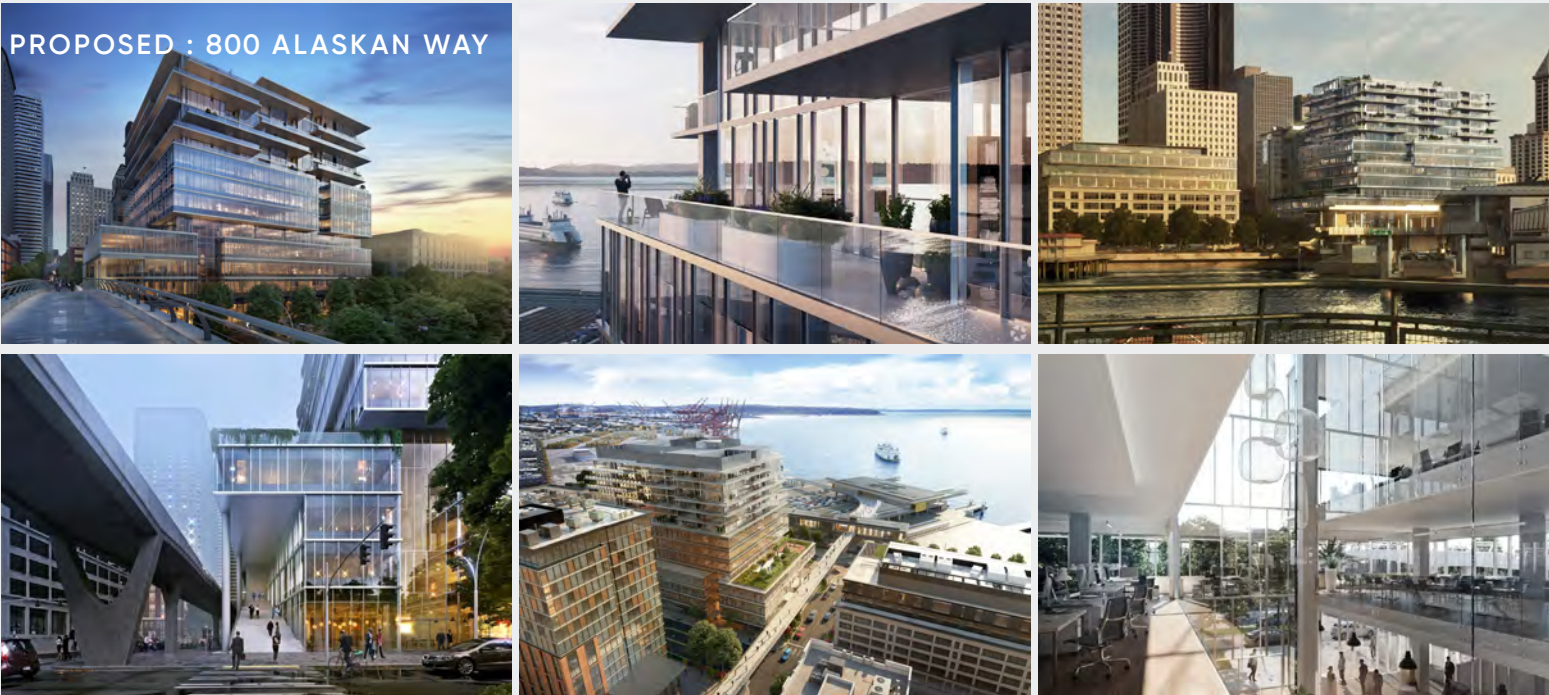
U.S. applications for unemployment benefits fell to 199,000 in the week ending Dec. 27. Down 16,000 from the prior week, signaling that layoffs remain low despite broader signs of labor-market weakness. While holiday timing may have delayed some filings, recent data show hiring has slowed sharply amid tariff uncertainty and the lingering effects of high interest rates. Job growth has been averaging just 35,000 per month since March and unemployment rising to 4.6%, the highest since 2021. These trends prompted the Federal Reserve to deliver its third consecutive rate cut.



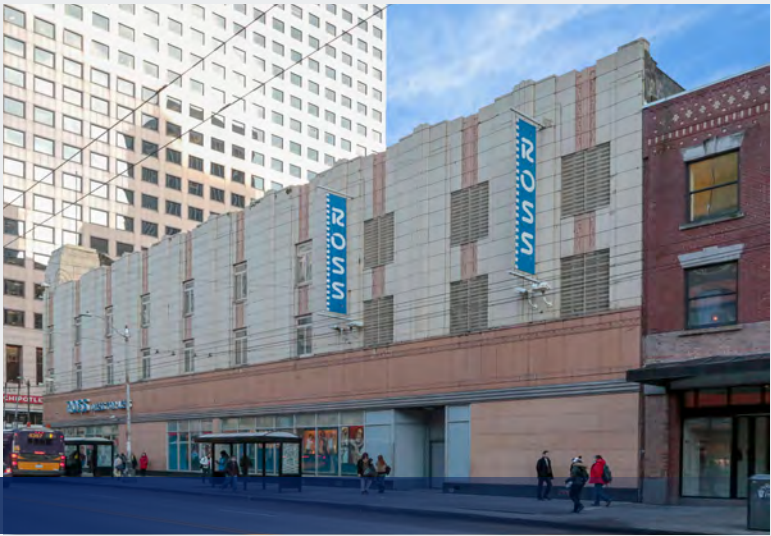
Other News

Downtown Seattle’s Ross Dress for Less at Third Avenue and Pike Street will close on January 16. Adding to a series of high-profile retail exits as the downtown core continues its post-pandemic recovery. The 43,200-square-foot space has been listed for lease, following earlier departures by major chains such as Nike, Saks, Vans, and The North Face. Retail momentum remains mixed: Nordstrom Rack is relocating to a prominent street-level space at 601 Pine St., while Barnes & Noble is making a notable return to downtown with a 17,538-square-foot, 10-year lease at 520 Pike St., the largest retail lease signed downtown since 2020. Although street-level retail has shown improvement, downtown retail vacancy remains elevated at around 19%.

A prominent 120-year-old building complex at 800 Alaskan Way, is being demolished after plans for a mixed-use tower were shelved. Originally slated years ago for a 14-story office and apartment development, the site’s near-term future has shifted to a more modest use: a surface parking lot with just over 100 stalls for the current owner, Acore Capital. Demolition work began after permits were issued in October, with Urban Renaissance Group overseeing the project amid Seattle’s broader waterfront redevelopment and ahead of increased foot traffic expected from next summer’s FIFA World Cup. The long-used parking and office buildings are being dismantled this winter, with work continuing through spring as the site transitions to interim parking use.



301 PIKE STREET | ROSS BUILDING



601 PINE STREET



520 PIKE STREET

