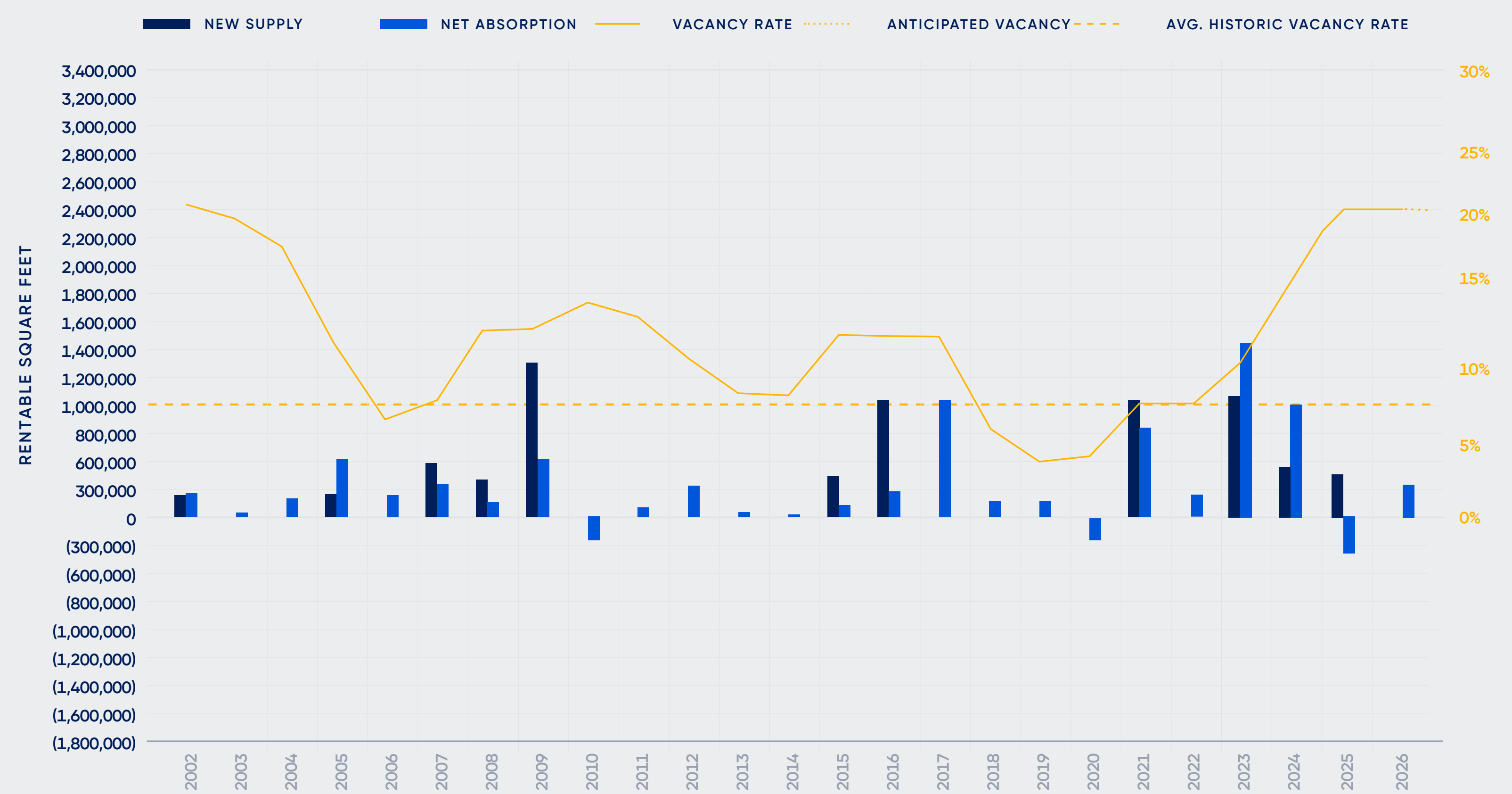
Office Developments

Microsoft has filed a pre-application permit with the City of Redmond to build a 95,000-square-foot engineering and R&D office, part of an 8-acre site at 19150 NE Union Hill Road it purchased for $37.6 million in 2022. Seattle firm DLR Group filed the application, titled "Union Hill Engineering Facility," though it offers few details on timing or cost, and Microsoft declined to comment.

The office joins previously announced plans for the site: an EV charging station for roughly 290 commute and shuttle vehicles, 225 surface bus stalls with overhead charging, and a 300-space employee garage — all tied to Microsoft's pledge to be carbon negative by 2030. The parcel sits 4.4 miles from headquarters, where Microsoft's separate 17-building HQ expansion continues, with 12 buildings open or nearing completion.

No new office projects are currently under construction in downtown Bellevue, but a few notable sites remain hopeful subject to adequate preleasing interest including Schnitzer West's "The Arcadian" (±435,000 SF), Beam Reach's "Kanon" (±780,000 SF) and Tishman Speyer's "Merge on Main" (up to 1.25m SF). Skanska continues to progress its 12-story, mass-timber downtown Bellevue office project "Bevel" (±200,000 SF) given their ongoing success leasing up The Eight next door. Despite certain ambitions, most office plans along 112th Avenue remain stalled as Amazon, Bellevue's largest office occupier, continues to fill surplus space within its existing portfolio and significant market vacancy remains.



Inflation | Consumer Spending

The U.S. economy ended August with persistent inflation, slowing headline economic growth and elevated borrowing costs. The Federal Reserve's preferred PCE inflation measure remained at 3.7% year over year in July, unchanged from June and well above the Fed's 2% target, while core PCE remained at 3.3%. Federal Reserve Chair Kevin Warsh indicated that inflation had not improved sufficiently and suggested additional interest rate increases could be necessary if price pressures persist. Consumer confidence fell to a seven-month low in August as households continued to face elevated prices, while the average 30-year fixed mortgage rate increased to 6.66%, further limiting housing affordability. Despite these pressures, the labor market remained relatively stable. Weekly unemployment claims were at historically low levels, presenting a mixed economic picture of resilient underlying demand alongside persistent inflation and high borrowing costs.

Economy

According to a late-August report from the U.S. Department of Commerce, the U.S. economy grew at a 1.5% annualized rate in the second quarter of 2026. This was a slowdown from the 2.1% growth in the first quarter, although underlying economic activity remained relatively strong. Consumer spending increased 3.4%, while business investment excluding housing rose 8.5%, largely driven by continued investment in AI infrastructure. A sharp 12.5% increase in imports weighed heavily on overall GDP growth, while housing investment increased for the first time since 2024. Meanwhile, inflation remained elevated at 3.7% in July, well above the Federal Reserve's 2% target. Higher energy prices, tariffs, and technology-related costs continued to put pressure on consumers.

Office Leases

Global consulting and technology management firm ZS is taking a full floor of 17,103 square feet at downtown Bellevue's Symetra Center, per permit applications filed this month. It's an expansion for ZS, which also renewed its 10,800-square-foot lease at City Center Bellevue earlier this year, and it lands on the tower's second-highest floor.

ZS joins a growing roster of firms expanding in Bellevue — including CoreWeave, Snowflake, Databricks, Uber, and OpenAI — that have helped drive tenant demand. The 445,000-square-foot Symetra Center, owned by Sterling Realty Organization, is now about 84% leased, with rents starting at $49 per square foot (triple-net). Recent deals in the tower also include Zoom's expansion to 30,000 SF and coworking operator Kiln's 26,143 SF.

Meta has put its nine-story, 212,128-square-foot Block 13 building in Bellevue's Spring District up for sublease, with CBRE marketing the property at 1325 123rd Ave. NE. Meta pre-leased the building in 2021 but left it unfinished after its early-2024 delivery; despite permit filings in January to prepare it for occupancy, the company now appears to have given up, offering the space as "brand-new Class A construction in shell condition." The building was acquired for $168.5 million in June 2025 by Drawbridge Realty, majority owned by KKR.

The listing continues Meta's footprint reduction in the 36-acre development, where it amassed roughly 1.8 million square feet during its pandemic-era metaverse push — including an unused building bought from REI in 2020 — before subleasing Block 6 to Snowflake, listing Block 5, and letting its expansion rights on five sites lapse. Block 13 is now the third of seven preleased buildings Meta has given up. The pullback tracks with a shrinking local workforce, down from a 2022 peak of about 8,800 to roughly 5,600 today, as the company pivots from the fading metaverse toward AI. Meta has laid off nearly 1,900 Seattle-area workers this year, including 845 in Bellevue. The added space enters a market where Q2 office vacancy stood at 28.2% regionally and 22.5% on the Eastside, though sublease availability remained comparatively healthy.

Bungie is marketing a 210,984-square-foot "turn-key" sublease at Bellevue Connection (550 106th Ave. NE) in the heart of the Bellevue CBD. The fully built-out space, delivered as expanded shell-and-core in 2022, spans four levels including a mezzanine and a ±3,458 SF private patio, with new building systems and ceiling heights up to ±36 feet. The master lease runs through September 30, 2035.

The space stands out for specialized, hard-to-replicate improvements — a fitness facility with gym, studio, and rock climbing wall; motion-capture, streaming, and audio studios; a theater; server rooms; and a central café. Other draws include a dedicated lobby, secured bike storage, prime CBD signage, parking at ±3.00 stalls per 1,000 SF, and high-capacity power and mechanical infrastructure, all steps from the Bellevue Transit Center and Downtown light rail.

Interest Rates

By the end of August 2026, the average long-term U.S. mortgage rate remained nearly the same as it was four weeks ago. The month began at 6.69%, dropped to 6.67% the second week, then fell again to 6.65% in week three, and then climbed to 6.66% to finish the month. Higher mortgage rates can add hundreds of dollars a month in costs for borrowers, limiting homebuyers' purchasing power. As rates rise, that can lead prospective home shoppers to delay buying a home, one reason U.S. home sales remain in a rut this year.

Returning to Office

King County will reopen its downtown Seattle Administration Building next month — upgrades still undone — to help absorb thousands of employees returning under County Executive Girmay Zahilay's in-person work push. Zahilay announced in January that county workers would return at least three days a week by spring 2026; by next month, about 12,800 executive-branch employees (roughly three-quarters) are expected to meet that threshold. The county has approved $5.4 million for return-to-office costs and anticipates requesting $16.7 million more this fall for rent, building improvements, and IT.

The mandate has created a space crunch: a 2025 consultant's report found that a three-day requirement with dedicated desks would need more than 2,500 additional workspaces, versus a deficit of just 200 at two days a week. The policy has drawn pushback, including a spring protest by about 75 workers in the Chinook Building lobby. The county's public health department will move onto the fifth floor of the Administration Building — the 1971 concrete landmark once dubbed both "the ugliest building in the world" and "a piece of public art" — which the county plans to use only temporarily rather than fund an estimated $80 million in upgrades.

Jobs

T-Mobile is laying off 77 Washington employees, closing a major office, and shuttering several retail stores statewide, per a WARN notice filed with the state. The separations run from Sept. 21 to Nov. 18 and affect a range of roles, including senior positions at the Bellevue headquarters. As part of the cuts, T-Mobile will vacate its remaining space at Canyon Pointe, Bothell, which was its second largest local office.

Retail closures span Seattle, Bellingham, Kennewick, Tacoma, and Yakima. T-Mobile, the fourth-largest tech employer in the Puget Sound area with 6,500 employees, previously laid off nearly 640 Washington workers in April.

Visa will lay off 70 employees in its Bellevue office (in the 929 Office Tower) as part of a 7% companywide cutback — roughly 2,600 jobs — fueled by advances in AI. CEO Ryan McInerney told investors Visa is restructuring product teams of 10 or more into “smaller and more nimble agentic squads of two to four,” and Bloomberg reported the cuts also reflect a strategy to invest more in consumer payments and value-added services. Visa is the latest Washington employer to trim jobs amid the AI boom, following Microsoft and Amazon, even as its shares hit a historic high of $366.13.

The U.S. labor market showed increasing signs of weakness in August, characterized by slowing hiring but persistently low layoffs. According to the U.S. Bureau of Labor Statistics’ Job Openings and Labor Turnover Survey (JOLTS), June job openings declined to approximately 7.2 million, while hiring remained around 5.3 million. Layoffs and discharges held near 1.8 million, indicating that employers were becoming more cautious about expanding their workforces. Weekly unemployment claims initially remained historically low at 199,000, reinforcing that widespread layoffs had not materialized despite slower hiring. The July employment report subsequently revealed a much weaker labor market than economists had anticipated, with employers cutting 23,000 jobs rather than adding the roughly 100,000 that had been forecast. May and June payroll figures were revised downward by a combined 103,000 jobs. The unemployment rate declined from 4.2% to 4.1%, but the improvement was largely attributed to people leaving the workforce, with 264,000 people exiting the labor market and labor-force participation falling to 61.4%. Wage growth also slowed to 3.2% year over year. Unemployment claims subsequently increased to 209,000, but remained at historically low levels, reinforcing an emerging “no hire, no fire” labor market in which employers were reluctant to add workers but were also generally retaining existing employees.

The latest update showed claims declining again to 206,000, with the four-week average at 204,000, confirming that layoffs remained limited despite weak hiring. Overall, the data suggest that workers who already have jobs continue to experience relatively strong job security, while unemployed workers and new entrants face a considerably more difficult hiring environment. Employers have added an average of approximately 61,000 jobs per month so far in 2026. Although this represents an improvement from 2025, the figure remains well below the average of roughly 166,000 jobs per month recorded in 2023 and 2024.

Office Building Sales | Repositionings

After eight decades of ownership, the Freeman family is exploring a sale of the Bellevue Collection, one of the region's marquee retail and office properties. Kemper Development will test the market for the roughly 5.5 million-square-foot mixed-use complex — encompassing Bellevue Square, Bellevue Place, and Lincoln Square North and South — and plans to select a broker shortly, though it disclosed no timeline or asking price. The family called the decision "multi-faceted" and influenced by Kemper Freeman Jr.'s retirement last year, and said it's seeking the "right buyer" who shares its regard for the community.

Freeman, who led the family business for more than five decades, defined Bellevue's transformation from suburb to upscale retail destination, redeveloping Bellevue Square in the 1980s into the enclosed regional mall that anchors today's four-development portfolio: Bellevue Square, Bellevue Place, and Lincoln Square North and South. In total it spans more than 200 shops, over 50 restaurants and entertainment venues, 1,100 hotel rooms, luxury residences at Two Lincoln Tower, and 12,500 parking spaces. A 1.8 million-square-foot expansion dubbed "The Bellevue," submitted in 2021, has not moved forward. Near-term operations won't change, and events will continue through year's end; the company remains privately held and family-operated.

Kirkland has put the 2.2-acre Houghton Village shopping center up for sale four years after acquiring it for $14 million, abandoning plans to redevelop it into a walkable "10-minute neighborhood" with affordable housing, retail, and community space. City Manager Kurt Triplett cited one of the toughest development climates in years — high interest rates and labor costs — and the inability to find a developer who could make primarily affordable housing pencil out.

The original purchase was driven by anticipated housing demand near a proposed third Google campus, but Google backed out of the nearby Lee Johnson dealership site in early 2023, and the region's tech sector has since weathered waves of layoffs. Kirkland has adopted a development plan allowing up to 160 housing units and 25,800 square feet of retail across two five-story buildings, with at least 10% of the units reserved for low-income households. The city hopes this preliminary work will expedite the development process for a future buyer. First proposal evaluations are expected in mid-to-late September, with closing anticipated in 2027.

A three-story office building in Bellevue's struggling Interstate 90 corridor has sold above its assessed value, a notable exception in a submarket that's been hit hard by corporate downsizing. Local investor MJMS Bellevue LLC paid $13.89 million for Eastside Office Center at 14205 SE 36th St., acquiring it from Trimark Property Group, which had bought the building for $13.25 million in 2016. The sale worked out to $342 per square foot, above the property's $12.21 million assessed value for 2026.

The 42,556-square-foot building is fully leased, with coworking operator Premier Workspaces in about a third and the balance in smaller medical and professional tenants. The I-90 corridor posted the region's highest office vacancy at 41.2% in Q2, well above the Eastside's 21%, after Microsoft, Boeing, and T-Mobile vacated large blocks, prompting several landlords to pursue office-to-housing conversions.

Housing

The Seattle-area housing market slowed significantly in July as rising inventory, high home prices, elevated mortgage rates and uncertainty in the technology sector kept many prospective buyers on the sidelines. According to the Northwest Multiple Listing Service (NWMLS), King County had more than three months of single-family home inventory, its highest level in at least a decade, while active listings increased approximately 24% from a year earlier. At the same time, Redfin reported that Seattle-area pending home sales fell 15.6% year over year, the steepest decline among major U.S. metropolitan areas, and closed sales declined 9.1%. The median Seattle-area sale price was approximately $809,479, roughly twice the national median, while the median King County single-family home sold for approximately $995,000. Despite increased supply, affordability remains a significant barrier as mortgage rates remain elevated. Layoffs and job-security concerns at major technology employers including Amazon and Microsoft have further weakened buyer confidence. The slowdown is giving buyers who remain active more choices, additional negotiating leverage and less pressure to compete for homes than in recent years.

The U.S. housing market remained sluggish in July as high home prices and mortgage rates continued to limit affordability and discourage both buyers and sellers. Existing home sales declined 1.7% from June to a seasonally adjusted annual rate of 4.06 million. Sales remained 0.7% higher than a year earlier. The national median existing home sale price increased 2% year over year to $434,100. This marked the 37th consecutive month of annual price growth, after reaching an all-time high of $442,800 in June. Meanwhile, the average 30-year fixed mortgage rate climbed to 6.69%, its highest level in more than a year, further increasing borrowing costs. Approximately 1.54 million homes remained for sale at the end of July, representing a 4.6-month supply, still below the five to six months traditionally associated with a balanced market. First-time buyers accounted for just 29% of sales, well below the historical level of approximately 40%. The market also remains constrained by existing homeowners who secured low mortgage rates during the pandemic and have little incentive to sell and take on substantially higher borrowing costs.

Other News

The Business Journal recognized Kemper Freeman Jr., third-generation owner of Kemper Development, with its 2023 CRE Leadership Lifetime Achievement award. Freeman built his career on a single question — "What does the community need and want that it doesn't have?" — and cites Bellevue Square's shift to an enclosed mall and Bellevue Place as the region's first mixed-use project as two of his defining projects. On downturns, he emphasized diversification into mixed-use and moving ahead of competitors as cycles turn, citing a lifelong focus on community building as what keeps him inspired.

Space startup Starcloud closed a $250 million Series A extension just weeks ahead of its move into a new 100,000-square-foot factory in Woodinville. The raise — coming only five months after a $170 million round — roughly doubles the two-year-old company's valuation from $1.1 billion to $2.3 billion. Manhattan West led the round, with participation from Nvidia, Cisco Investments, Benchmark, EQT, and others.

Starcloud's satellites function as data centers in space, using cold ambient temperatures to cool servers. CEO Philip Johnston pointed to the Eastside's concentration of satellite talent — noting 90% of satellites launched in recent years were built in Redmond and Kirkland — with roughly half of Starcloud's team coming from SpaceX. The company will occupy about 40,000 SF in September, expanding to the full 100,000 over the following three months as it grows toward 40 employees by year's end and builds its next-generation Starcloud-3 satellite. Its biggest obstacle is power, and it's working with grid operators to upgrade its connection.

Visit Bellevue launched a free shuttle pilot, the Bellevue Light Rail Shuttle, running Aug. 3 through December. Two Volkswagen ID Buzz electric minivans serve the Downtown light rail station, offering drop-offs within roughly a 4-mile radius via the Ride Circuit app. Amazon is covering the full $150,000 cost, with Sound Transit, the city, and operator Circuit as partners. The program extends the BellHop shuttle launched in 2023, and Amazon — with 15,000 corporate employees in Bellevue — has funded other local infrastructure including the EastRail trail and Grand Connection Crossing.