

# MARKETBEAT SEATTLE



## CBD Office Q4 2019

YoY Chg      12-Mo. Forecast

**4.9%**  
Vacancy Rate



**448K**  
Net Absorption, SF



**\$46.29**  
Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q4 2019

YoY Chg      12-Mo. Forecast

**2.1M**  
Seattle Employment



**3.5%**  
Seattle Unemployment Rate



**3.6%**  
U.S. Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW

The Puget Sound region closed out 2019 on a high note, bolstered by its healthy economy, job growth, and active investment. The wide pool of industries, from tech to manufacturing, will sustain the local economy heading into 2020. The region added 57,000 new jobs year-over-year, with the unemployment rate dipping 20 basis points (bps) to 3.5%. Investment in the region has been exceptional. The statewide increase of the real estate excise tax on major sales (effective January 2020) drove sellers to unload their assets by the end of the year. Over \$10.3 billion traded in 2019, a 110% increase from a year ago.

### SUPPLY AND DEMAND

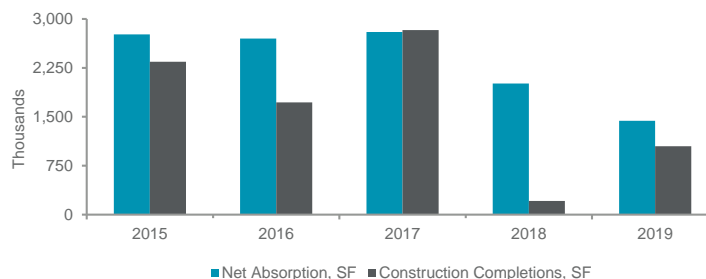
The Seattle CBD office market saw its inventory increase substantially in 2019, with 1 million square feet (msf) added. Tech remains the main driver, with all of the completed projects preleased to tech firms: Lakefront Blocks, to Google; Arbor Blocks, to Facebook; and The Atrium, to several biotech tenants. Of the 4.5 msf under construction, over 1.7 msf (39%) is available. It is expected that all of this space will be preleased, considering the high need for Class A space in the CBD. Several projects are slated for Q1 2020 deliveries, including the 687,000-square-foot (sf) 2+U project in the Financial District submarket (fully preleased to Qualtrics, Dropbox, et al), and the 185,000-sf Lakefront Blocks – East Bldg (another Google prelease) and the 617,000-sf 333 Dexter project (fully preleased to Apple), both in the Lower Queen Anne/Lake Union submarket. An additional 3.5 msf is in the pipeline.

Nearly 540,000 sf of new space leased in the quarter, bringing the year-end total to 3.7 msf leased. The most notable Q4 deals include Bank of America taking 150,000 sf of the Amazon sublease at the Rainier Square project (scheduled for a Q3 2020 delivery) and DocuSign leasing 66,000 sf at 999 Third. Overall absorption for the quarter was reported at 448,000 sf, a year-over-year increase of 200,000 sf. Absorption for the year totaled 1.4 msf, a slight decline from the 2 msf reported at the end of 2018.

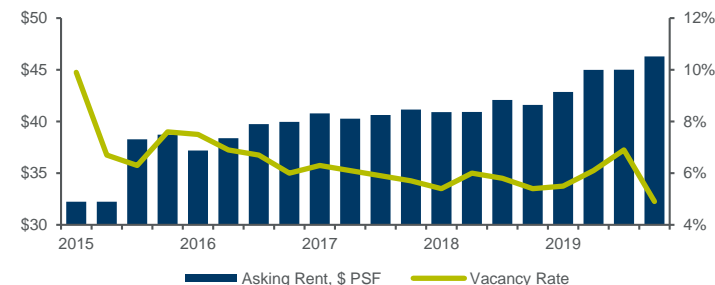
### PRICING

The Seattle CBD office market continues to thrive, with gross asking rent ending the year at \$46 per square foot (psf), a year-over-year increase of 1,100 bps (+\$4.69). Rent has averaged above \$40 psf since 2017, with Class A rent reaching \$50 psf in the second quarter of 2019 and ending the year at just over \$53 psf, a year-over-year increase of 1,200 bps. The perpetual expansion of the region's major tech firms (Amazon, Apple, Facebook, and Google) will continue to boost rents. Prices should remain on the rise throughout 2020 due to the limited inventory in the downtown core, coupled with the high demand for Class A space.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial District	22,564,222	239,755	1,172,325	6.3%	187,252	-10,653	1,720,853	1,682,744	\$48.89	\$52.69
Denny Regrade	9,312,889	35,138	302,894	3.6%	57,714	12,494	407,481	689,068	\$46.47	\$52.62
Pioneer Square/Intl District	4,560,982	29,540	204,496	5.1%	32,452	16,999	255,915	0	\$36.41	\$40.04
LQA/Lake Union	12,982,835	59,656	370,139	3.3%	170,449	1,419,898	1,304,824	2,080,818	\$42.95	\$56.87
<b>SEATTLE CBD TOTALS</b>	<b>49,420,928</b>	<b>364,089</b>	<b>2,049,854</b>	<b>4.9%</b>	<b>447,867</b>	<b>1,438,738</b>	<b>3,689,073</b>	<b>4,452,630</b>	<b>\$46.29</b>	<b>\$53.13</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Rainier Square	Financial District	Bank of America	150,000	Prelease
999 Third (Wells Fargo Center)	Financial District	DocuSign	65,406	New
1000 Dexter	LQA/Lake Union	Celgene	34,104	New
Interurban Bldg	PSQ/Intl District	QuoteWizard	33,455	Renewal*

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
F5 Tower	Financial District	Stockbridge Capital / KKR	515,518	\$458M/\$888
Arbor Blocks	LQA/Lake Union	Vulcan / Ponte Gadea	383,907	\$415M/\$1,080
Westlake Tower	Financial District	TIAA / Unico Properties	355,107	\$257M/\$1,567
Park Place	Financial District	Washington Holdings / Urban Renaissance Group	310,633	\$222.5M/\$802
Amazon - Apollo Bldg	LQA/Lake Union	Mirae USA / Tristar Capital & RFR Holdings LLC	307,106	\$270M/\$880

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Lakefront Blocks	LQA/Lake Union	Google	460,827	Vulcan
Arbor Blocks	LQA/Lake Union	Facebook	383,907	Ponte Gadea / Vulcan

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