

Office

# Seattle

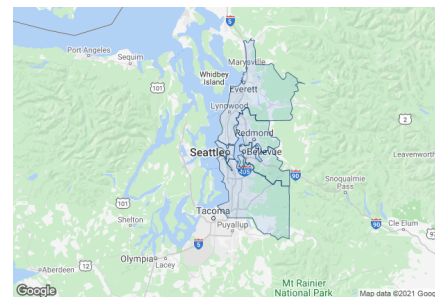


Office

Western Region United States

## Seattle

A summary of key real estate supply and demand market indicators shows that during the first quarter the Seattle office market recorded negative net absorption, declining effective rents, and upward movement in the market's vacancy rate. It is useful to examine each of these critical measures of market equilibrium in more detail and from both a historical and forecast perspective.



### CRE Fundamentals: REIS Rank, Asking Rent, Vacancy, Inventory

Submarket Name	REIS Rank*	Asking Rent SF	Vacancy	Inventory SF
Bellevue/Issaquah	159	\$45.31	10.2%	22,036,000
Central Seattle	734	\$44.24	13.0%	46,296,000
Kirkland/Redmond/Bothell	141	\$32.95	11.9%	9,013,000
Northend/Snohomish County	663	\$30.39	15.0%	8,258,000
Renton/Kent/Southend	768	\$26.20	24.9%	8,216,000

### Concessions: Effective Rent, CRD, Lease Term, Free Rent, Expenses

Submarket Name	Effective Rent SF	Effective Rent % Change SF	CRD	Lease Term Years	Free Rent Mos	Expenses
Bellevue/Issaquah	\$37.09	0.4%	-5.8%	3.9	1.3	\$17.09
Central Seattle	\$35.90	-3.4%	-3.4%	4	0.9	\$12.59
Kirkland/Redmond/Bothell	\$27.09	0.9%	-1.3%	3.1	1.8	\$15.69
Northend/Snohomish County	\$23.53	-2.7%	-3.8%	3.3	1.8	\$9.25
Renton/Kent/Southend	\$20.36	-0.8%	-3.5%	3.5	1.9	\$11.45

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## Concessions: Leasing Commission, Tenant Improvements

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Submarket Name	Leasing Commission	Leasing Commission	Tenant Improvements	Tenant Improvements
	New	Renewal	New	Renewal
Bellevue/Issaquah	9.4%	5.1%	\$47.11	\$30.25
Central Seattle	7.8%	4.8%	\$58.22	\$39.05
Kirkland/Redmond/Bothell	6.3%	1.7%	\$48.65	\$30.25
Northend/Snohomish County	8.8%	5.0%	\$53.99	\$37.97
Renton/Kent/Southend	9.2%	3.9%	\$44.07	\$27.95

*\*There are 851 submarkets in the Office sector nationally.*

## Key Performance Indicators

### Q1 2021 Effective Rent Per SF

Seattle

**\$33**

↓ 0.8% from Q4 2020

### Q1 2021 Vacancy Rate

Seattle

**13.5%**

↑ 120 bps from Q4 2020

### Q1 2021 Household Income Growth

Seattle

**5.3%**

↓ vs 7.2% nationwide

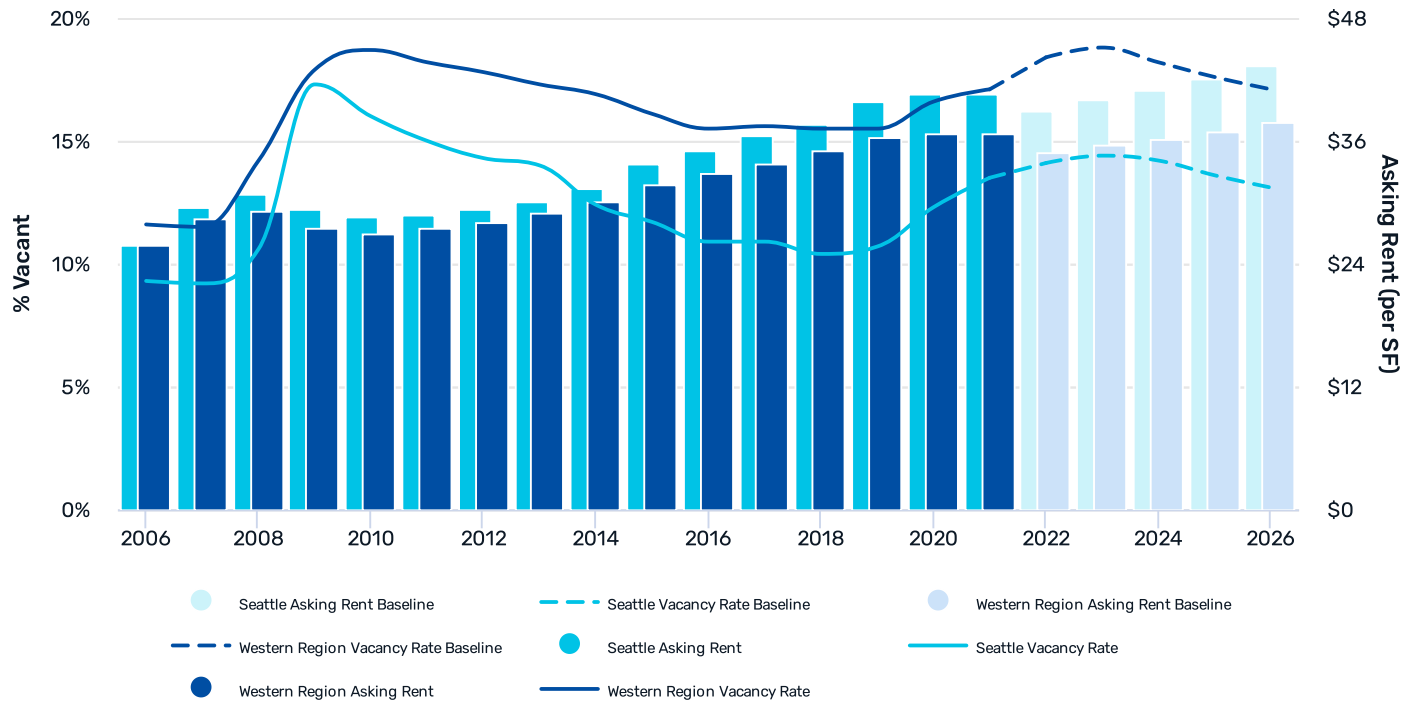
### Q1 2021 Job Growth

Seattle

**1.1%**

↑ vs 0.6% nationwide

## Asking Rent and Vacancy Trends: By Year per SF



Year	Seattle Asking Rent per SF	Seattle % Vacant	Western Region Asking Rent per SF	Western Region % Vacant
2006	\$25.79	9.3%	\$25.89	11.6%
2007	\$29.49	9.2%	\$28.45	11.5%
2008	\$30.86	10.6%	\$29.17	14.2%
2009	\$29.43	17.3%	\$27.50	17.9%
2010	\$28.64	16.0%	\$26.93	18.7%
2011	\$28.83	15.0%	\$27.45	18.2%
2012	\$29.34	14.3%	\$28.11	17.8%
2013	\$30.18	14.0%	\$28.92	17.3%
2014	\$31.32	12.4%	\$30.13	16.9%
2015	\$33.76	11.7%	\$31.69	16.1%
2016	\$35.15	10.9%	\$32.85	15.5%
2017	\$36.61	10.9%	\$33.82	15.6%
2018	\$37.74	10.4%	\$35.08	15.5%
2019	\$39.90	10.7%	\$36.42	15.5%
2020	\$40.60	12.3%	\$36.66	16.6%
Q1 2021	\$40.61	13.5%	\$36.65	17.1%
2022	\$38.95	14.1%	\$34.93	18.4%
2023	\$39.98	14.4%	\$35.56	18.8%

Year	Seattle Asking Rent per SF	Seattle % Vacant	Western Region Asking Rent per SF	Western Region % Vacant
2024	\$41.01	14.2%	\$36.24	18.2%
2025	\$42.16	13.6%	\$37.00	17.6%
2026	\$43.43	13.1%	\$37.82	17.1%

## Market Performance

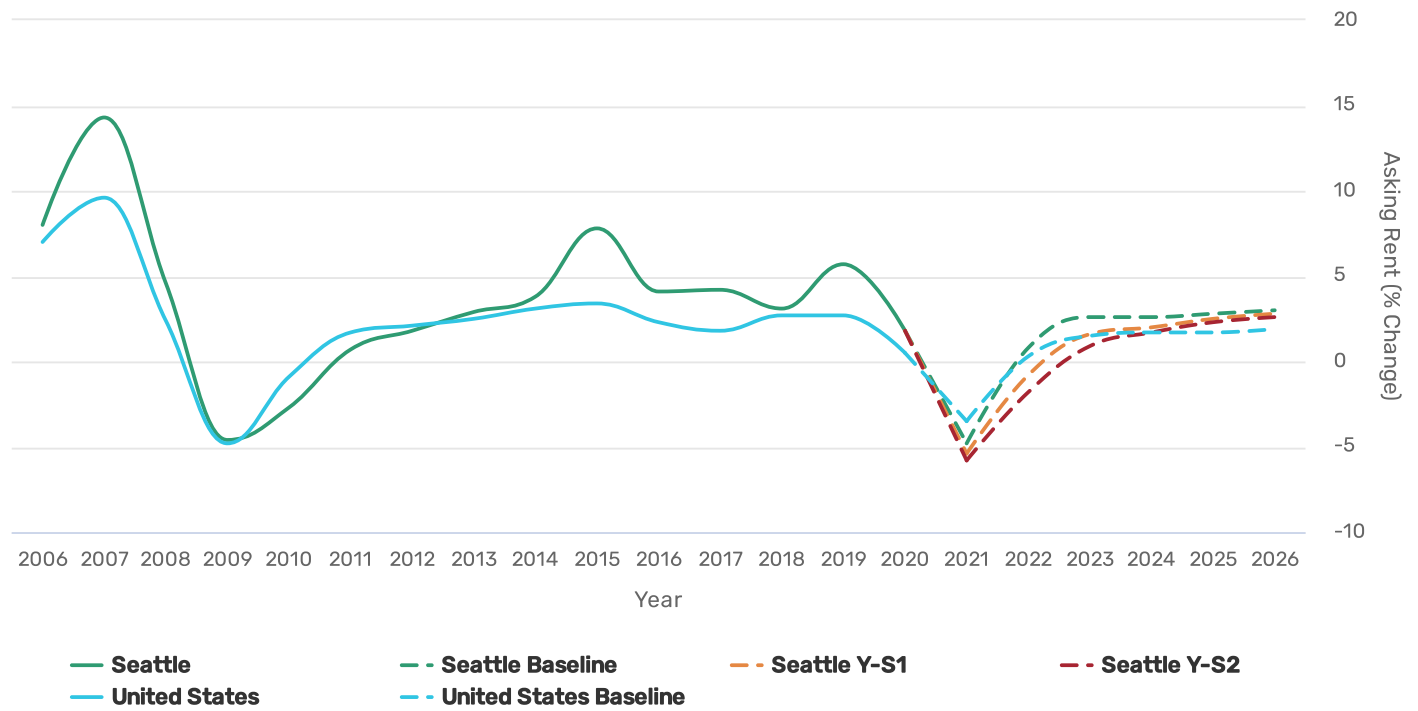
Year	Quarter	Asking Rent (per SF)	Asking Rent % Change	Effective Rent (per SF)	Effective Rent % Change	Vacancy Rate	Vacancy Change (BPS)
2018	Q1	\$36.82	0.6%	\$30.37	0.7%	10.6%	-30
2018	Q2	\$37.20	1.0%	\$30.69	1.1%	10.8%	20
2018	Q3	\$37.54	0.9%	\$30.99	1.0%	10.7%	-10
2018	Q4	\$37.74	0.5%	\$31.17	0.6%	10.4%	-30
2018	Y	\$37.74	3.1%	\$31.17	3.3%	10.4%	-50
2019	Q1	\$38.02	0.7%	\$31.46	0.9%	10.3%	-10
2019	Q2	\$38.64	1.6%	\$31.96	1.6%	10.4%	10
2019	Q3	\$39.25	1.6%	\$32.48	1.6%	10.4%	0
2019	Q4	\$39.90	1.7%	\$33.10	1.9%	10.7%	30
2019	Y	\$39.90	5.7%	\$33.10	6.2%	10.7%	30
2020	Q1	\$40.31	1.0%	\$33.47	1.1%	10.8%	10
2020	Q2	\$40.67	0.9%	\$33.64	0.5%	11.0%	20
2020	Q3	\$40.56	-0.3%	\$33.39	-0.7%	11.5%	50
2020	Q4	\$40.60	0.1%	\$33.15	-0.7%	12.3%	80
2020	Y	\$40.60	1.8%	\$33.15	0.2%	12.3%	160
2021	Q1	\$40.61	0.0%	\$32.88	-0.8%	13.5%	120

## Market Inventory

Year	Quarter	Inventory (per SF)	Completions (per SF)	Inventory Growth %	Vacant Stock (per SF)	Occupied Stock (per SF)	Net Absorption (per SF)
2018	Q1	89,007,000	209,000	0.2%	9,460,000	79,547,000	438,000
2018	Q2	89,054,000	47,000	0.1%	9,631,000	79,423,000	-124,000
2018	Q3	89,349,000	295,000	0.3%	9,578,000	79,771,000	348,000
2018	Q4	89,542,000	193,000	0.2%	9,330,000	80,212,000	441,000
2018	Y	89,542,000	744,000	0.8%	9,330,000	80,212,000	1,103,000
2019	Q1	90,047,000	505,000	0.6%	9,237,000	80,810,000	598,000
2019	Q2	90,523,000	476,000	0.5%	9,414,000	81,109,000	299,000
2019	Q3	91,054,000	531,000	0.6%	9,489,000	81,565,000	456,000
2019	Q4	92,402,000	1,348,000	1.5%	9,853,000	82,549,000	984,000
2019	Y	92,402,000	2,860,000	3.2%	9,853,000	82,549,000	2,337,000
2020	Q1	92,414,000	12,000	0.0%	9,961,000	82,453,000	-96,000
2020	Q2	93,100,000	686,000	0.7%	10,278,000	82,822,000	369,000
2020	Q3	93,611,000	511,000	0.5%	10,763,000	82,848,000	26,000
2020	Q4	93,630,000	19,000	0.0%	11,495,000	82,135,000	-713,000
2020	Y	93,630,000	1,228,000	1.3%	11,495,000	82,135,000	-414,000
2021	Q1	93,819,000	189,000	0.2%	12,639,000	81,180,000	-955,000



## Scenarios - Asking Rent



Year <sup>1</sup>	Seattle (% Change)	Seattle Y-S1 (% Change) <sup>2</sup>	Seattle Y-S2 (% Change) <sup>3</sup>	United States (% Change)
2006	8.0%	-	-	7.0%
2007	14.3%	-	-	9.6%
2008	4.6%	-	-	2.4%
2009	-4.6%	-	-	-4.8%
2010	-2.7%	-	-	-0.9%
2011	0.7%	-	-	1.7%
2012	1.8%	-	-	2.1%
2013	2.9%	-	-	2.5%
2014	3.8%	-	-	3.1%
2015	7.8%	-	-	3.4%
2016	4.1%	-	-	2.3%
2017	4.2%	-	-	1.8%
2018	3.1%	-	-	2.7%
2019	5.7%	-	-	2.7%
2020	1.8%	-	-	0.5%
2021	-4.8%	-5.4%	-5.8%	-3.5%

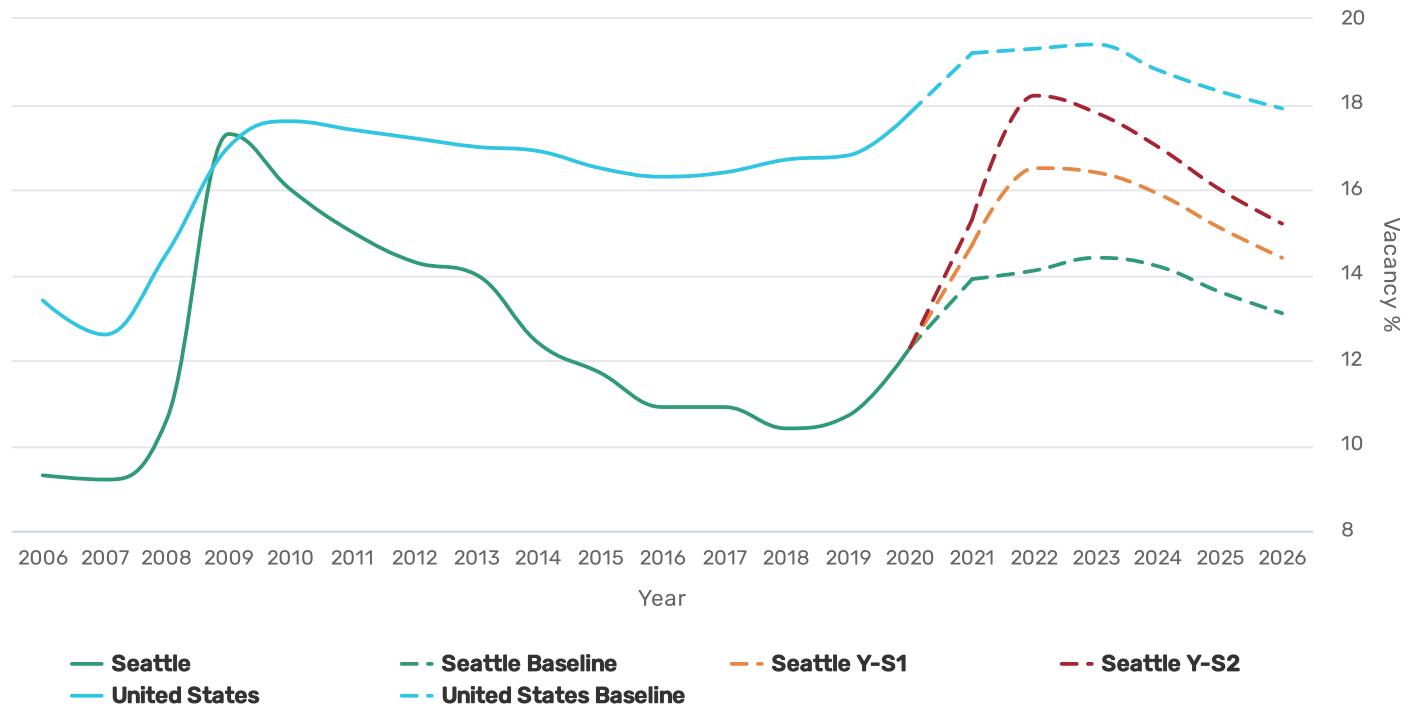
Year <sup>1</sup>	Seattle (% Change)	Seattle Y-S1 (% Change) <sup>2</sup>	Seattle Y-S2 (% Change) <sup>3</sup>	United States (% Change)
2022	0.8%	-0.8%	-1.8%	0.3%
2023	2.6%	1.6%	0.9%	1.5%
2024	2.6%	2.0%	1.7%	1.7%
2025	2.8%	2.5%	2.3%	1.7%
2026	3.0%	2.8%	2.6%	1.9%

**1:** To view historical quarterly data, please download the XLS report.

**2:** Y-S1 is REIS's "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

**3:** Y-S2 is REIS's "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

## Scenarios - Vacancy



Year <sup>1</sup>	Seattle (% Vacant)	Seattle Y-S1 (% Vacant) <sup>2</sup>	Seattle Y-S2 (% Vacant) <sup>3</sup>	United States (% Vacant)
2006	9.3%	-	-	13.4%
2007	9.2%	-	-	12.6%
2008	10.6%	-	-	14.5%
2009	17.3%	-	-	17.0%
2010	16.0%	-	-	17.6%
2011	15.0%	-	-	17.4%
2012	14.3%	-	-	17.2%
2013	14.0%	-	-	17.0%
2014	12.4%	-	-	16.9%
2015	11.7%	-	-	16.5%
2016	10.9%	-	-	16.3%
2017	10.9%	-	-	16.4%
2018	10.4%	-	-	16.7%
2019	10.7%	-	-	16.8%
2020	12.3%	-	-	17.8%
2021	13.9%	14.7%	15.3%	19.2%
2022	14.1%	16.5%	18.2%	19.3%

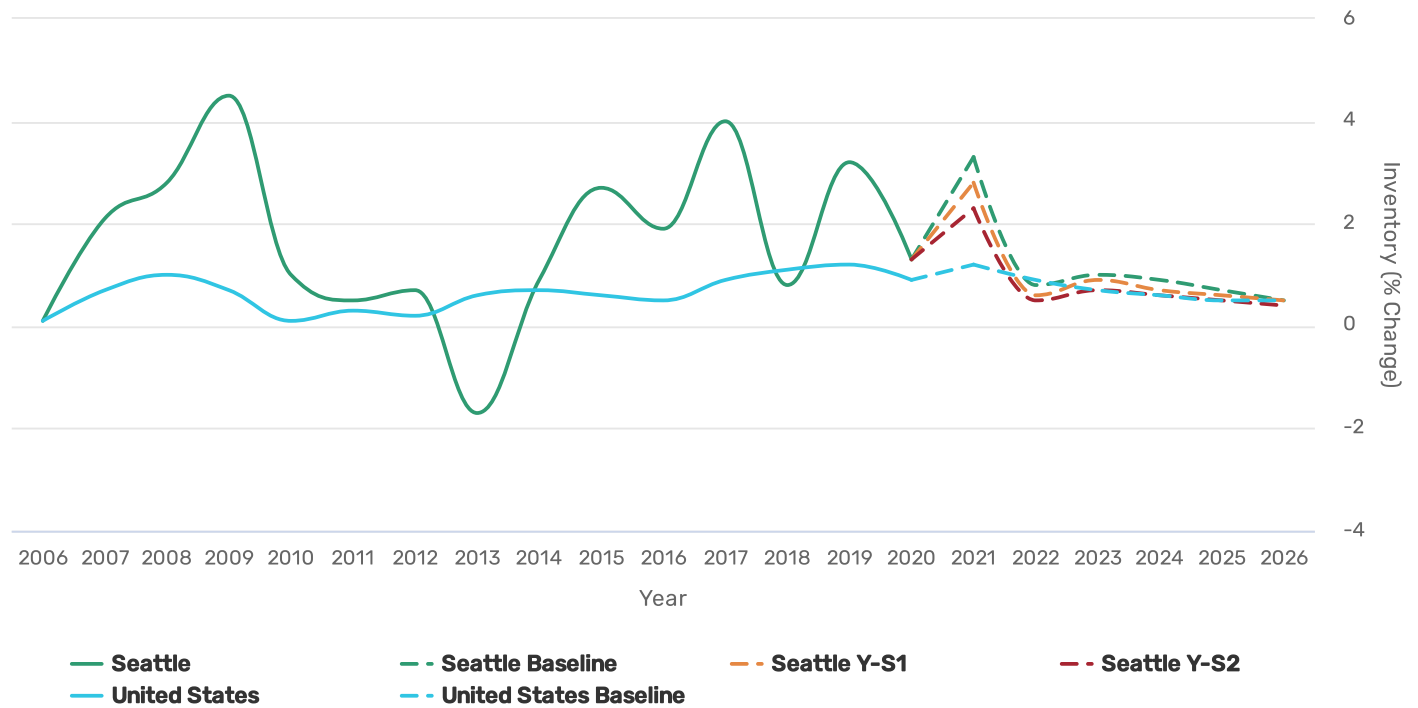
Year <sup>1</sup>	Seattle (% Vacant)	Seattle Y-S1 (% Vacant) <sup>2</sup>	Seattle Y-S2 (% Vacant) <sup>3</sup>	United States (% Vacant)
2023	14.4%	16.4%	17.8%	19.4%
2024	14.2%	15.9%	17.0%	18.8%
2025	13.6%	15.1%	16.0%	18.3%
2026	13.1%	14.4%	15.2%	17.9%

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**2:** Y-S1 is REIS's "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

**3:** Y-S2 is REIS's "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

## Scenarios - Inventory



Year <sup>1</sup>	Seattle (% Change)	Seattle Y-S1 (% Change) <sup>2</sup>	Seattle Y-S2 (% Change) <sup>3</sup>	United States (% Change)
2006	0.1%	-	-	0.1%
2007	2.1%	-	-	0.7%
2008	2.8%	-	-	1.0%
2009	4.5%	-	-	0.7%
2010	1.0%	-	-	0.1%
2011	0.5%	-	-	0.3%
2012	0.7%	-	-	0.2%
2013	-1.7%	-	-	0.6%
2014	0.9%	-	-	0.7%
2015	2.7%	-	-	0.6%
2016	1.9%	-	-	0.5%
2017	4.0%	-	-	0.9%
2018	0.8%	-	-	1.1%
2019	3.2%	-	-	1.2%
2020	1.3%	-	-	0.9%
2021	3.3%	2.8%	2.3%	1.2%
2022	0.8%	0.6%	0.5%	0.9%

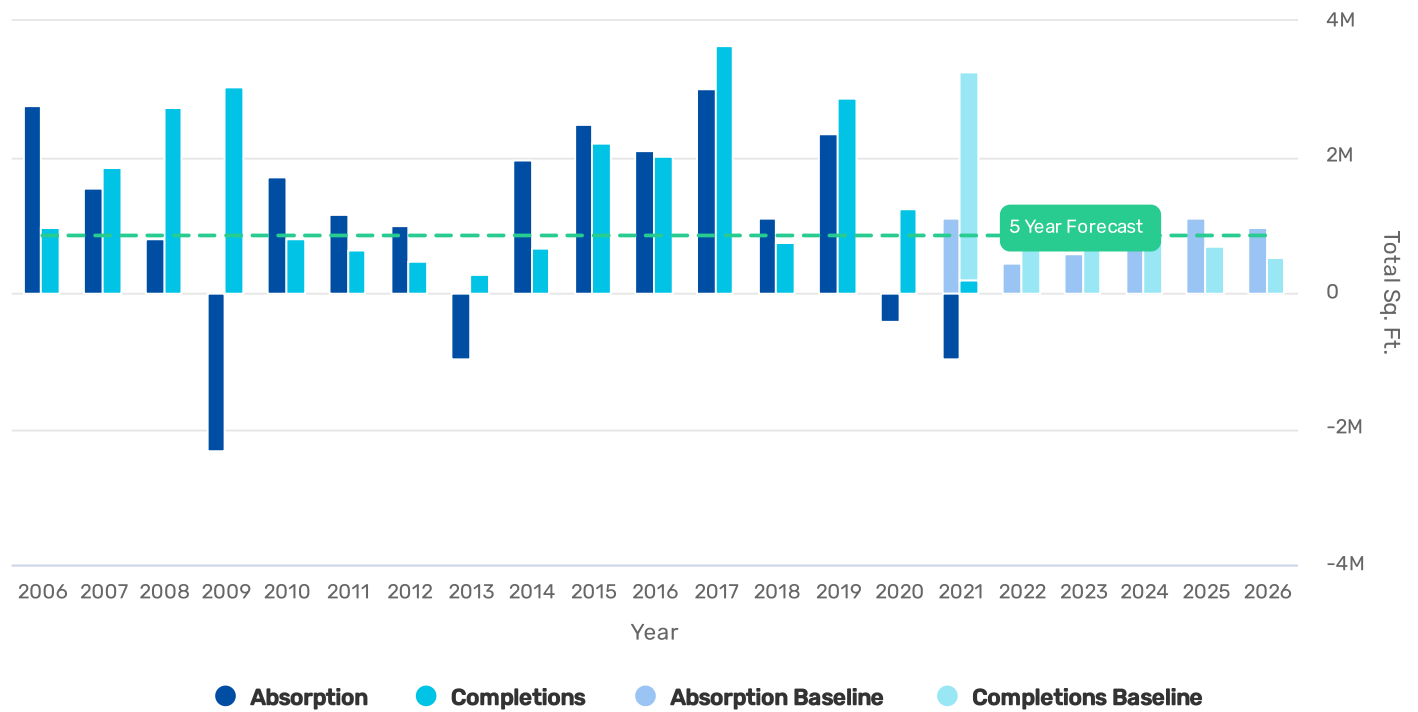
Year <sup>1</sup>	Seattle (% Change)	Seattle Y-S1 (% Change) <sup>2</sup>	Seattle Y-S2 (% Change) <sup>3</sup>	United States (% Change)
2023	1.0%	0.9%	0.7%	0.7%
2024	0.9%	0.7%	0.6%	0.6%
2025	0.7%	0.6%	0.5%	0.5%
2026	0.5%	0.5%	0.4%	0.5%

**1:** To view historical quarterly data, please download the XLS report.

**2:** Y-S1 is REIS's "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

**3:** Y-S2 is REIS's "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

## Absorption Trends

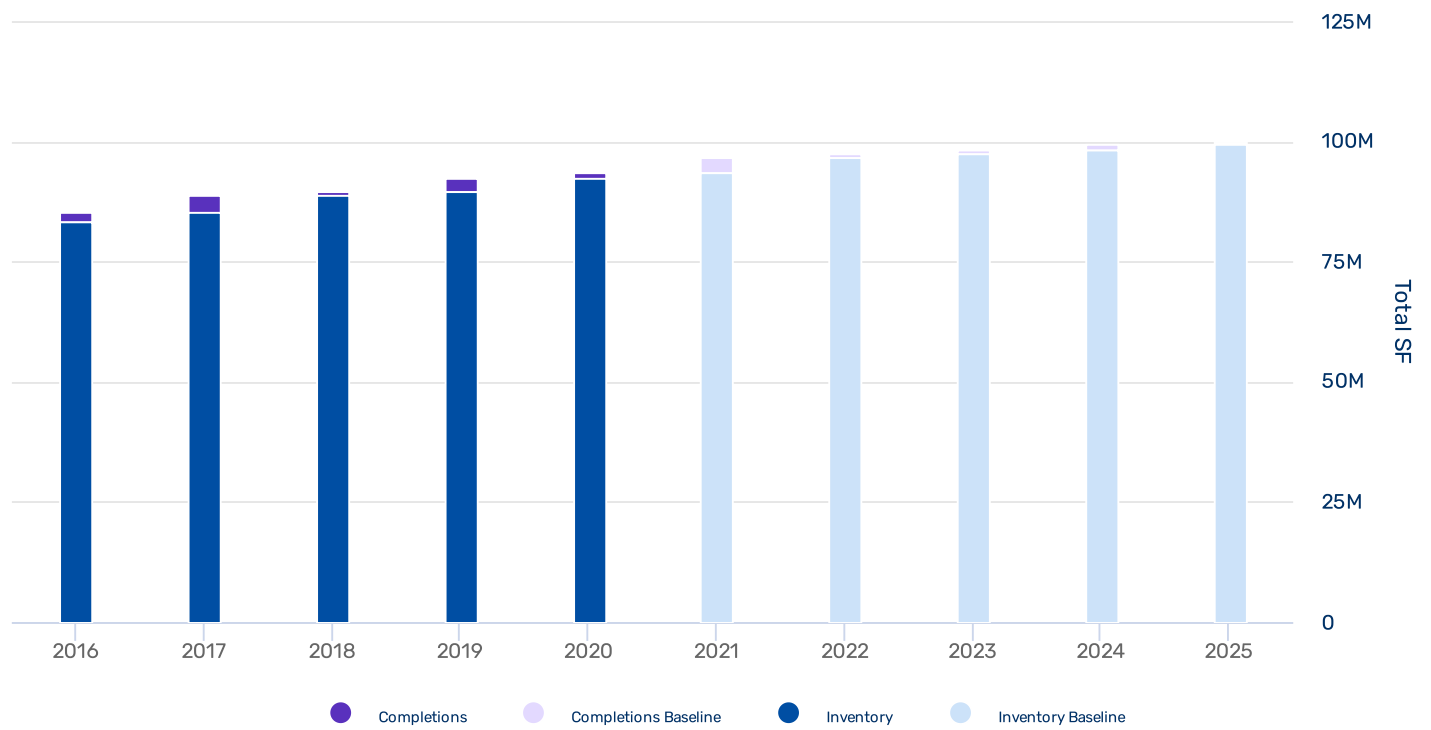


Year	Absorption (Sq.Ft)	Completions (Sq.Ft)
2006	2,769,000	954,000
2007	1,540,000	1,849,000
2008	790,000	2,718,000
2009	-2,309,000	3,036,000
2010	1,721,000	796,000
2011	1,163,000	640,000
2012	990,000	479,000
2013	-966,000	288,000
2014	1,965,000	666,000
2015	2,484,000	2,212,000
2016	2,094,000	2,004,000
2017	3,001,000	3,651,000
2018	1,103,000	744,000
2019	2,337,000	2,860,000
2020	-414,000	1,228,000
2021 YTD	-955,000	189,000
2021	1,114,000	3,076,000

Year	Absorption (Sq.Ft)	Completions (Sq.Ft)
2022	455,000	736,000
2023	569,000	1,015,000
2024	961,000	853,000
2025	1,115,000	685,000
2026	961,000	528,000

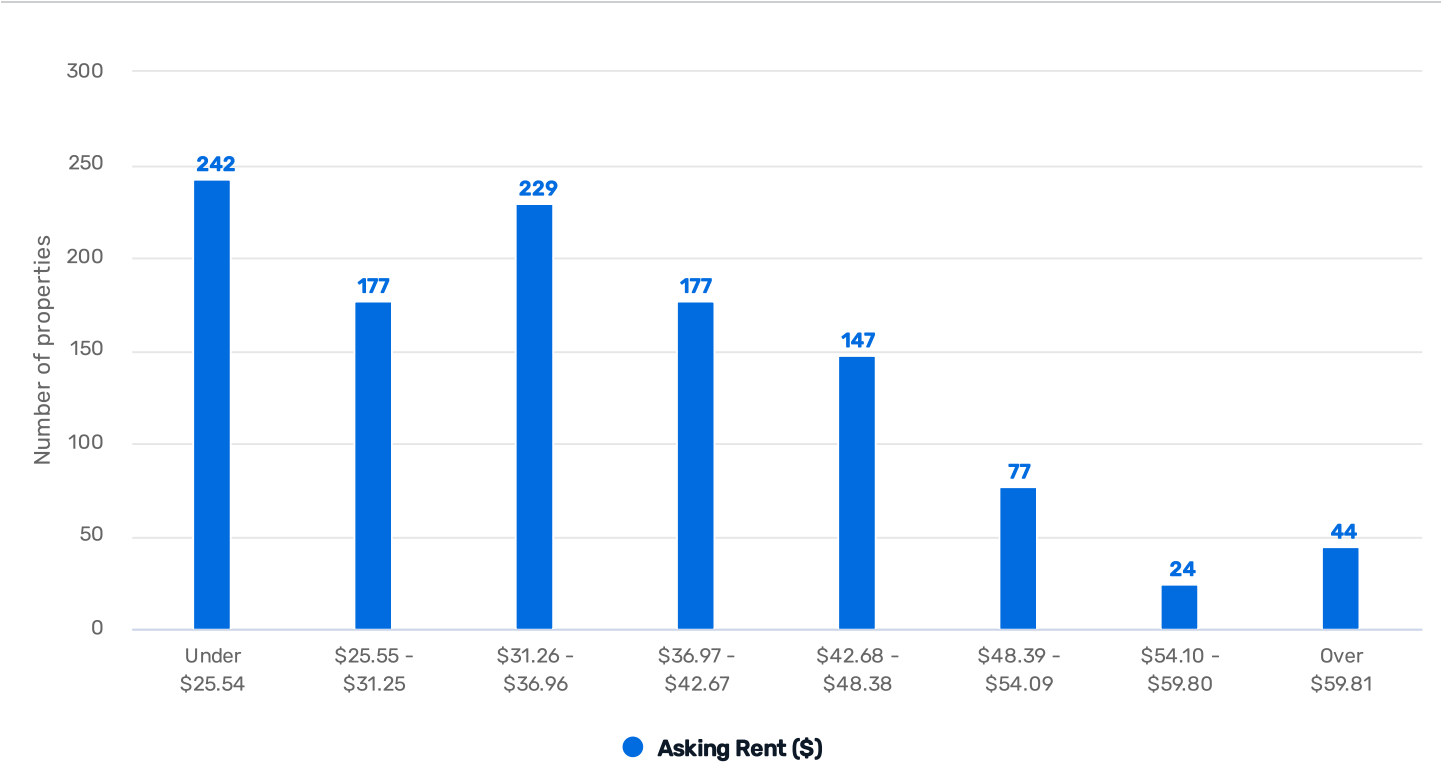


## New Construction Trends By Year



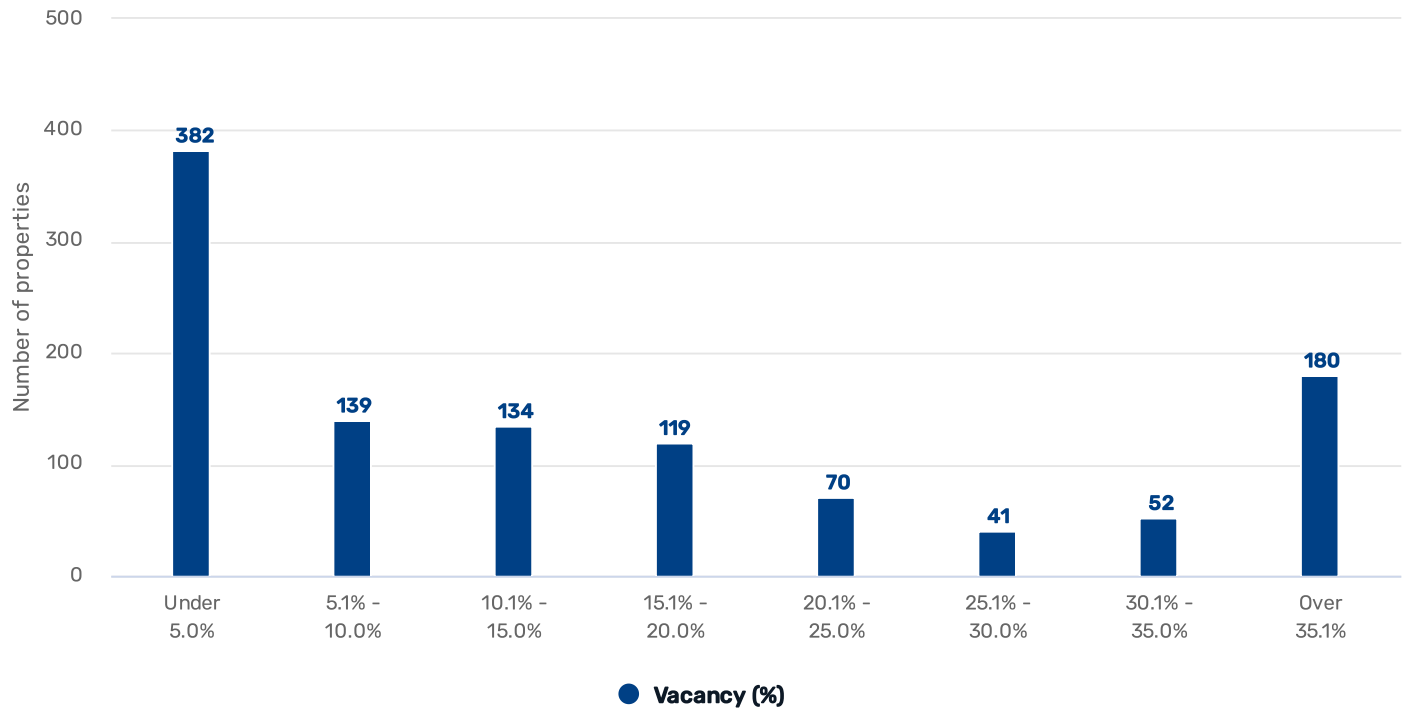
Year	Inventory	Completions
2016	83,377,000	2,004,000
2017	85,147,000	3,651,000
2018	88,798,000	744,000
2019	89,542,000	2,860,000
2020	92,402,000	1,228,000
2021	93,630,000	3,076,000
2022	96,706,000	736,000
2023	97,442,000	1,015,000
2024	98,457,000	853,000
2025	99,310,000	685,000

Asking Rent Distribution



	Low	25%	Mean	Median	75%	High
Asking Rent Distribution	\$19.83	\$32.55	\$40.61	\$42.72	\$51.24	\$65.49

## Vacancy Distribution



	Low	25%	Mean	Median	75%	High
Vacancy Distribution	0.0%	0.4%	13.5%	9.0%	19.9%	88.7%

## Annualized Construction/Absorption (Historical 1 Yr and 3 Yr)

	1 YEAR HISTORY			3 YEAR HISTORY		
	Sq Ft Built Ending 12/31/2020	Sq Ft Absorbed Ending 12/31/2020	Con/Abs Ratio Ending 12/31/2020	Sq Ft Built Ending 12/31/2020	Sq Ft Absorbed Ending 12/31/2020	Con/Abs Ratio Ending 12/31/2020
Seattle	1,228,000	-414,000	-3.0	1,611,000	1,009,000	1.6
Western Regi...	9,486,000	-3,739,000	-2.5	14,549,000	8,017,000	1.8

## Annualized Construction/Absorption (Historical 5 Yr and Forecast)

	5 YEAR HISTORY			5 YEAR FORECAST		
	Sq Ft Built Ending 12/31/2020	Sq Ft Absorbed Ending 12/31/2020	Con/Abs Ratio Ending 12/31/2020	Sq Ft Built Ending 12/31/2025	Sq Ft Absorbed Ending 12/31/2025	Con/Abs Ratio Ending 12/31/2025
Seattle	2,097,000	1,624,000	1.3	1,273,000	842,800	1.5
Western Regi...	13,864,000	9,082,000	1.5	7,476,200	4,054,000	1.8

## Quarterly Construction/Absorption (Current and Previous Quarter)

	Q1 2021			Q4 2020		
	Sq Ft Built Ending 03/30/2021	Sq Ft Absorbed Ending 03/30/2021	Con/Abs Ratio Ending 03/30/2021	Sq Ft Built Ending 12/31/2020	Sq Ft Absorbed Ending 12/31/2020	Con/Abs Ratio Ending 12/31/2020
Seattle	189,000	-955,000	-0.2	19,000	-713,000	0.0
Western Regi...	407,000	-4,422,000	-0.1	1,499,000	-3,849,000	-0.4

## Quarterly Construction/Absorption (YTD)

	YTD AVG		
	Sq Ft Built Ending 03/30/2021	Sq Ft Absorbed Ending 03/30/2021	Con/Abs Ratio Ending 03/30/2021
Seattle	189,000	-955,000	-0.2
Western Regi...	407,000	-4,422,000	-0.1

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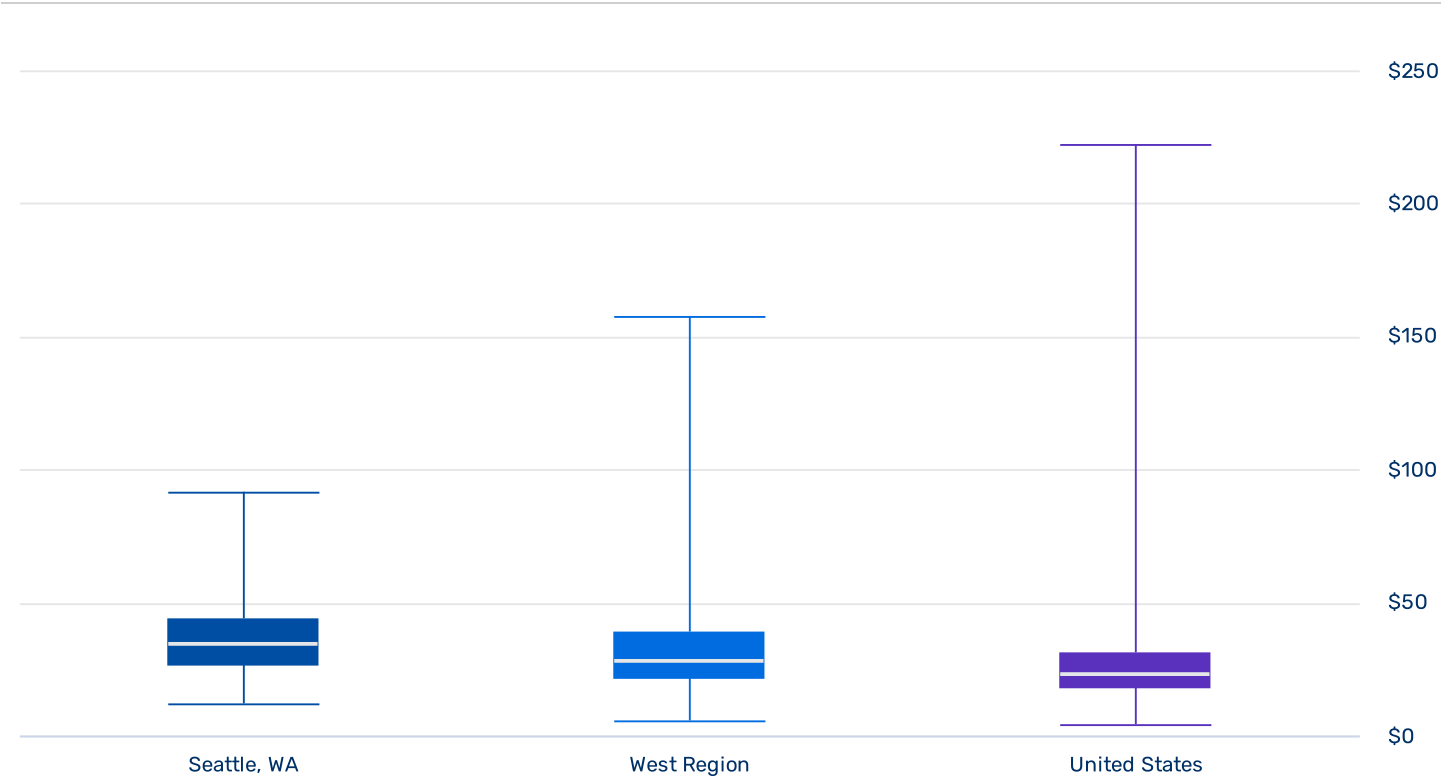
**Performance by Vintage (as of 3/2021)**

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Year Built	Asking Rent (per Sq. Ft.)	Vacancy Rate	Inventory %
Before 1970	\$37.32	19.8%	14.0%
1970-1979	\$36.34	19.4%	8.0%
1980-1989	\$43.14	16.3%	31.0%
1990-1999	\$38.54	13.4%	12.0%
2000-2009	\$46.88	13.1%	20.0%
2010-2019	\$46.40	8.7%	13.0%
After 2019	\$69.97	16.0%	1.0%
All Years	\$40.61	13.5%	100.0%

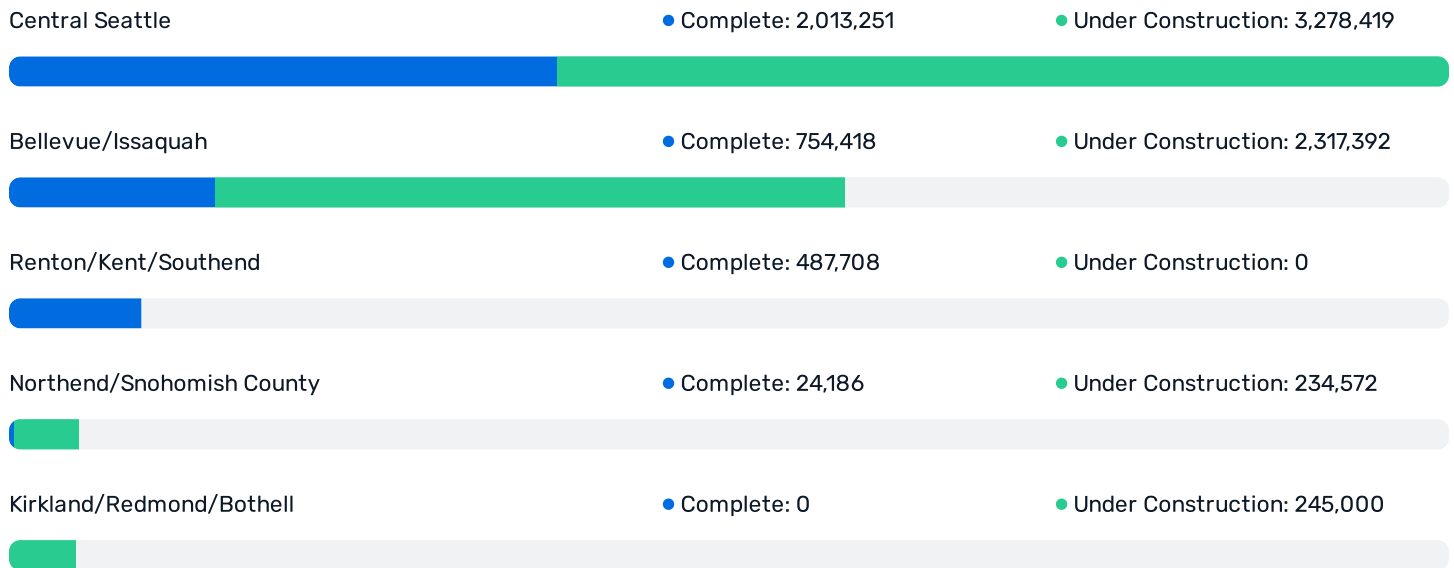
Rent Distribution Benchmark (per SF)



## Top New Construction Projects By Size

Property Name	Property Type	Address	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
Amazon Denny Triangle Campus Ph 3 Block 20	Office-- Owner Occ.	2100 7th Ave, Seattle, WA, 98121	1,143,000	Complete	06/01/2019	11/2016	Seneca Real Estate Group INC	(206) 628-3150
555 108th Ave Northeast	Office	555 108th Ave Northeast, Bellevue, WA, 98004	800,000	Under Construction	06/01/2023	-	Vulcan Real Estate	(206) 342 - 2000
Rainier Square Tower Office	Office	1301 5th Ave, Seattle, WA, 98101	722,000	Under Construction	06/01/2021	10/2018	Wright Runstad AND Co	(206) 447 - 9000
2 and U Tower	Multi-Tenant	1201 2nd Ave, Seattle, WA, 98101	703,000	Complete	06/01/2020	7/2017	Skanska	(206) 494 - 5404
333 Dexter Ave North	Single Tenant Rental	333 Dexter Ave N , Seattle, WA, 98109	650,000	Complete	12/01/2019	-	Kilroy Realty Group	(425) 990-7100
Costco Wholesale Corporate Expansion	Office-- Owner Occ.	999 Lake Dr, Issaquah, WA, 98027	620,000	Under Construction	-	1/2020	-	-
Amazon Block 21 Tower 1	Office-- Owner Occ.	2200 7th Ave, Seattle, WA, 98121	607,150	Complete	03/01/2020	-	Seneca Group	(206) 808-7862
Expedia HQ Expansion	Office-- Owner Occ.	1201 Amgen Ct W , Seattle, WA, 98119	600,000	Under Construction	-	2/2019	-	-
Washington State Convention Center Expansion Office	Office	1711 Boren Ave, Seattle, WA, 98101	570,000	Under Construction	02/01/2022	8/2018	Pine Street Group	(206) 340 - 9897
Expedia HQ Bldg D	Office-- Owner Occ.	1201 Amgen Ct W , Seattle, WA, 98119	500,000	Complete	10/01/2019	-	-	-

NC listings will include all New Construction projects in a market as well as relevant projects outside of submarket bounds

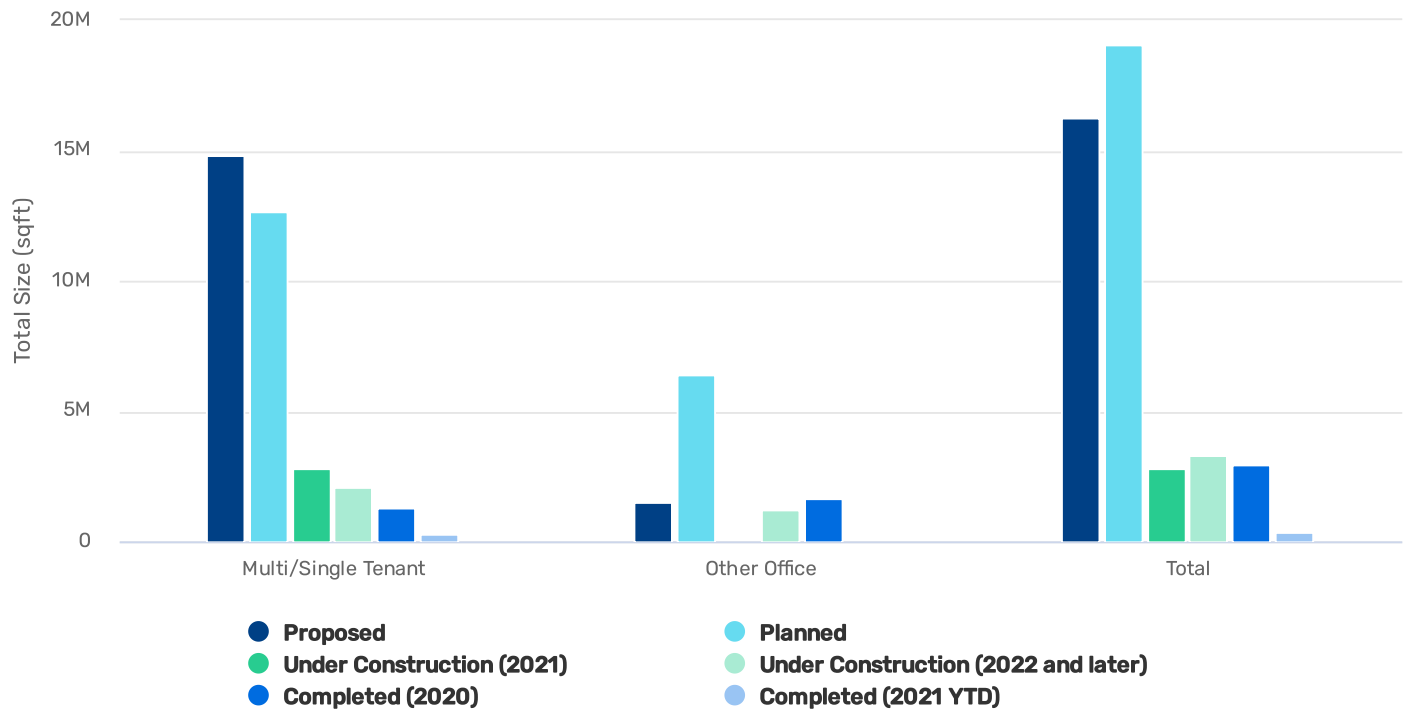
**Submarket Project Tally<sup>1</sup>** (as of 05/04/2021)



	PROPOSED & PLANNED		UNDER CONSTRUCTION		COMPLETE	
	Multi/Single Tenant	Other Office	Multi/Single Tenant	Other Office	Multi/Single Tenant	Other Office
Bellevue/Issaquah	12,720,610	1,711,080	1,697,392	620,000	352,271	402,147
Central Seattle	10,652,477	2,191,896	2,678,419	600,000	1,226,251	787,000
Kirkland/Redmond/Bothell	1,299,936	3,233,000	245,000	-	-	-
Northend/Snohomish County	2,594,454	250,000	234,572	-	24,186	-
Renton/Kent/Southend	188,300	454,640	-	-	12,000	475,708

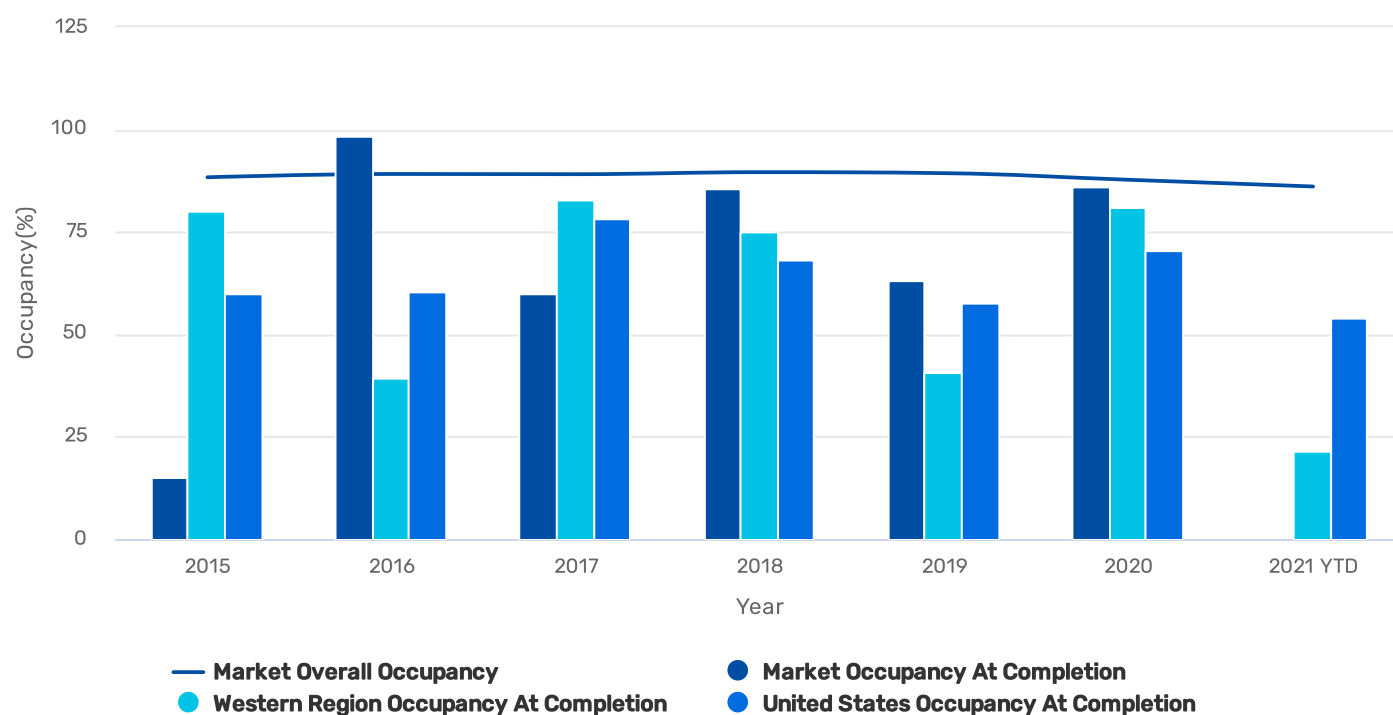
1: Size of Projects is in sqft.

## Construction Deliveries - All Construction (in SF)



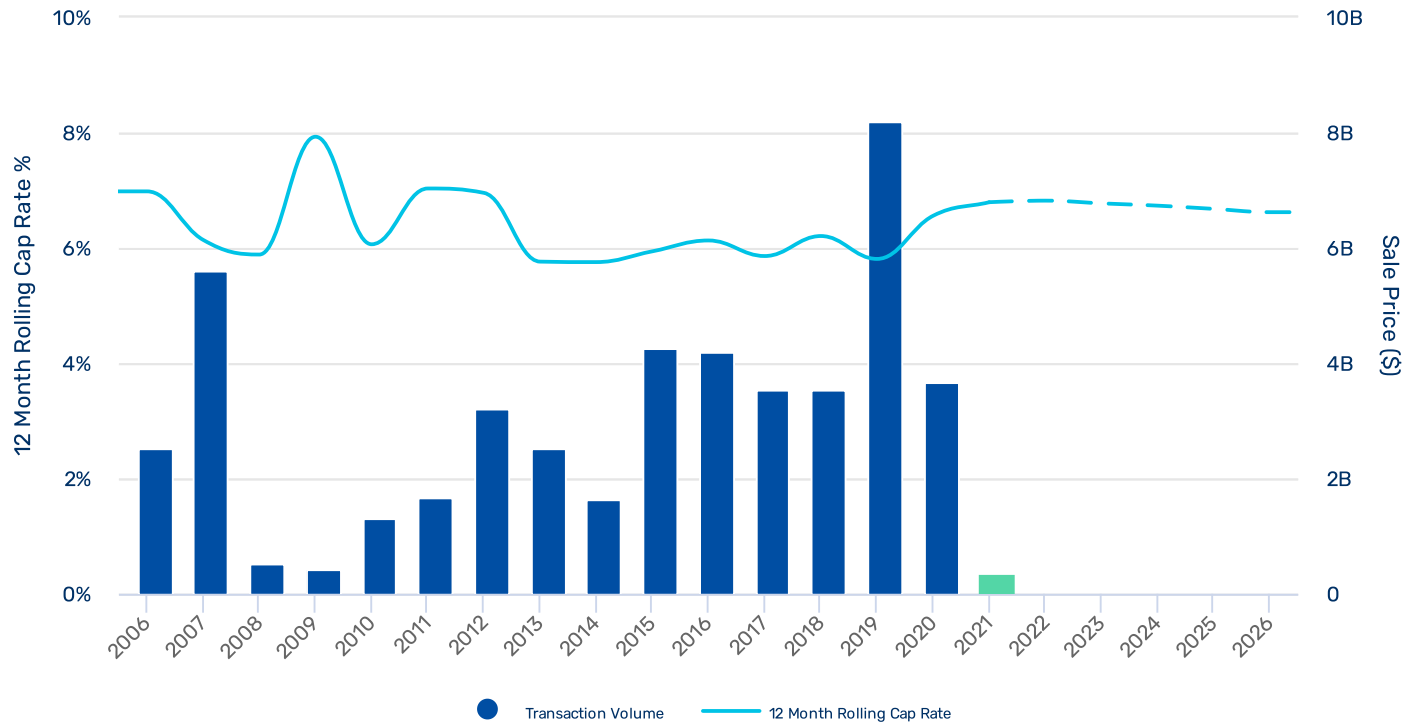
	Proposed	Planned	Under Construction 2021	Under Construction 2022 and later	Completed 2020	Completed 2021 YTD
Multi/Single Tenant	14,797,670	12,658,107	2,796,796	2,058,587	1,291,457	323,251
Other Office	1,481,485	6,370,989	-	1,220,000	1,651,147	13,708
<b>Total</b>	<b>16,279,155</b>	<b>19,029,096</b>	<b>2,796,796</b>	<b>3,278,587</b>	<b>2,942,604</b>	<b>336,959</b>

## Occupancy At Completion



	2015	2016	2017	2018	2019	2020	2021 YTD
Market Overall Occupancy	88.3%	89.1%	89.1%	89.6%	89.3%	87.7%	86.1%
Market Occupancy At Completion	15.2%	98.3%	60.0%	85.6%	63.2%	86.2%	0.0%
Western Region Occupancy At Completion	80.1%	39.5%	83.1%	75.1%	40.8%	81.2%	21.6%
United States Occupancy At Completion	60.0%	60.6%	78.4%	68.0%	57.5%	70.7%	53.9%

## Sales Trends



Year	Transaction Volume (\$)	Number of Transactions	12 Month Rolling Cap Rate	Mean Sale Price per SF	Median Sale Price per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2006	\$2,536,770,315	116	7.0%	\$241	\$215	6.8%	7.2%
2007	\$5,617,557,873	133	6.1%	\$342	\$281	5.4%	5.8%
2008	\$537,236,014	60	5.9%	\$212	\$251	5.9%	6.1%
2009	\$414,639,606	19	7.9%	\$211	\$164	7.1%	8.2%
2010	\$1,304,467,624	29	6.1%	\$353	\$172	5.5%	6.1%
2011	\$1,669,655,279	42	7.0%	\$314	\$225	6.3%	6.8%
2012	\$3,223,344,284	58	7.0%	\$372	\$253	6.1%	6.7%
2013	\$2,527,573,324	101	5.8%	\$300	\$231	5.6%	5.5%
2014	\$1,647,359,474	69	5.8%	\$313	\$288	6.2%	5.0%
2015	\$4,276,247,224	113	5.9%	\$375	\$278	5.9%	5.7%
2016	\$4,208,876,940	108	6.1%	\$406	\$325	5.8%	5.8%
2017	\$3,536,051,528	97	5.9%	\$475	\$330	6.0%	5.3%
2018	\$3,553,366,342	112	6.2%	\$389	\$329	5.9%	5.5%
2019	\$8,206,669,335	120	5.8%	\$532	\$389	5.9%	5.7%
2020	\$3,679,577,629	82	6.6%	\$603	\$429	5.6%	5.2%
2021	\$322,302,081	21	6.8%	\$457	\$424	5.0%	5.0%
2022	-	-	6.8%	-	-	-	-

Year	Transaction Volume (\$)	Number of Transactions	12 Month Rolling Cap Rate	Mean Sale Price per SF	Median Sale Price per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2023	-	-	6.8%	-	-	-	-
2024	-	-	6.7%	-	-	-	-
2025	-	-	6.7%	-	-	-	-
2026	-	-	6.6%	-	-	-	-

Includes sales of \$2M and greater only

## Sales Trends - Quarterly

Year	Quarter	Transaction Volume (\$)	Number of Transactions	12 Month Rolling Cap Rate	Mean Sale Price per SF	Median Sale Price per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2018	Q1	\$598,580,704	30	5.43%	\$270	\$299	6.24%	5.80%
2018	Q2	\$710,082,097	26	5.60%	\$444	\$393	5.29%	5.46%
2018	Q3	\$1,624,885,709	37	5.85%	\$453	\$323	5.83%	5.48%
2018	Q4	\$619,817,832	19	6.21%	\$358	\$370	6.62%	5.37%
2019	Q1	\$1,942,309,244	20	5.94%	\$611	\$436	4.88%	4.95%
2019	Q2	\$1,708,295,806	26	5.92%	\$535	\$387	5.70%	5.16%
2019	Q3	\$906,768,802	23	6.02%	\$405	\$326	6.76%	6.43%
2019	Q4	\$3,649,295,483	51	5.81%	\$535	\$382	6.07%	5.71%
2020	Q1	\$827,084,788	17	6.18%	\$656	\$383	5.77%	5.38%
2020	Q2	\$132,884,480	7	6.62%	\$312	\$300	9.76%	9.15%
2020	Q3	\$534,591,631	22	6.77%	\$486	\$521	6.71%	5.46%
2020	Q4	\$2,185,016,730	36	6.56%	\$660	\$427	4.97%	5.18%
2021	Q1	\$189,832,765	18	6.27%	\$380	\$395	4.79%	4.81%
2021	Q2	-	-		-	-		
2021	Q3	-	-		-	-		
2021	Q4	-	-		-	-		

## 10 LARGEST TRANSACTIONS: 2021 YTD

Address	City	State	Sale Price <sup>1,2</sup>	Sale Price Per sqft	Sale Date	Size sqft
21520 30th Ave SE	Bothell	WA	\$53,218,162	\$424	03/31/2021	125,441
1741 1st Ave S	Seattle	WA	\$21,000,000	\$366	01/21/2021	57,416
18660 NE 67th Ct	Redmond	WA	\$19,501,308	\$279	01/20/2021	69,861
1300 SW 7th St	Renton	WA	\$17,700,000	\$288	03/03/2021	61,508
6565 185th Ave	Redmond	WA	\$15,592,170	\$284	01/20/2021	54,896
5030 1st Ave S	Seattle	WA	\$12,300,000	\$306	03/30/2021	40,238
6645 185th Ave	Redmond	WA	\$9,966,852	\$284	01/20/2021	35,091
12226 134th Ct	Redmond	WA	\$9,900,000	\$312	02/06/2021	31,765
1721 8th Ave	Seattle	WA	\$6,300,000	\$728	01/13/2021	8,651
1610 Perimeter Rd	Auburn	WA	\$5,950,000	\$210	01/14/2021	28,295

**1:** Only includes transactions that are REIS verified

**2:** Any transactions missing a sale price did not have their sale price disclosed at time of sale

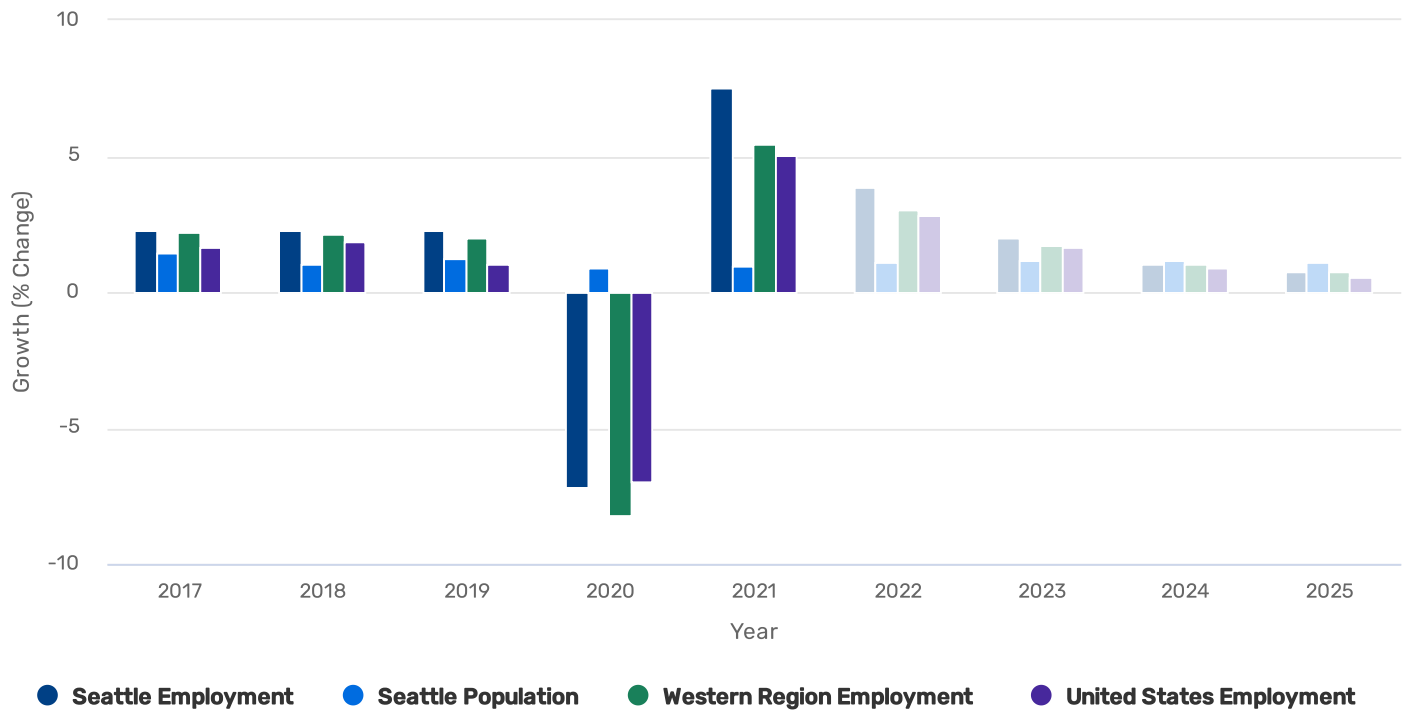
## 10 MOST RECENT TRANSACTIONS

Address	City	State	Sale Price <sup>1</sup>	Sale Price Per sqft	Sale Date	Size sqft
7614 195th St	Edmonds	WA	\$2,300,000	\$320	04/15/2021	7,189
21414 68th Ave	Kent	WA	\$10,000,000	\$149	04/13/2021	67,120
1930 Boren Ave	Seattle	WA	\$119,019,316	\$885	04/07/2021	134,481
975 NE Ellis Dr	Issaquah	WA	\$890,000	-	04/05/2021	-
18610 NE 67th Ct	Redmond	WA	\$3,450,000	\$996	04/01/2021	3,464
2115-2133 152nd Ave	Redmond	WA	\$5,880,000	\$453	03/31/2021	12,978
21520 30th Ave SE	Bothell	WA	\$53,218,162	\$424	03/31/2021	125,441
5030 1st Ave S	Seattle	WA	\$12,300,000	\$306	03/30/2021	40,238
11100 Main St	Bellevue	WA	\$17,679,603	\$541	03/26/2021	32,709
8786 State Route 525	Clinton	WA	\$415,000	-	03/24/2021	-

<sup>1</sup>: Any transactions missing a sale price did not have their sale price disclosed at time of sale

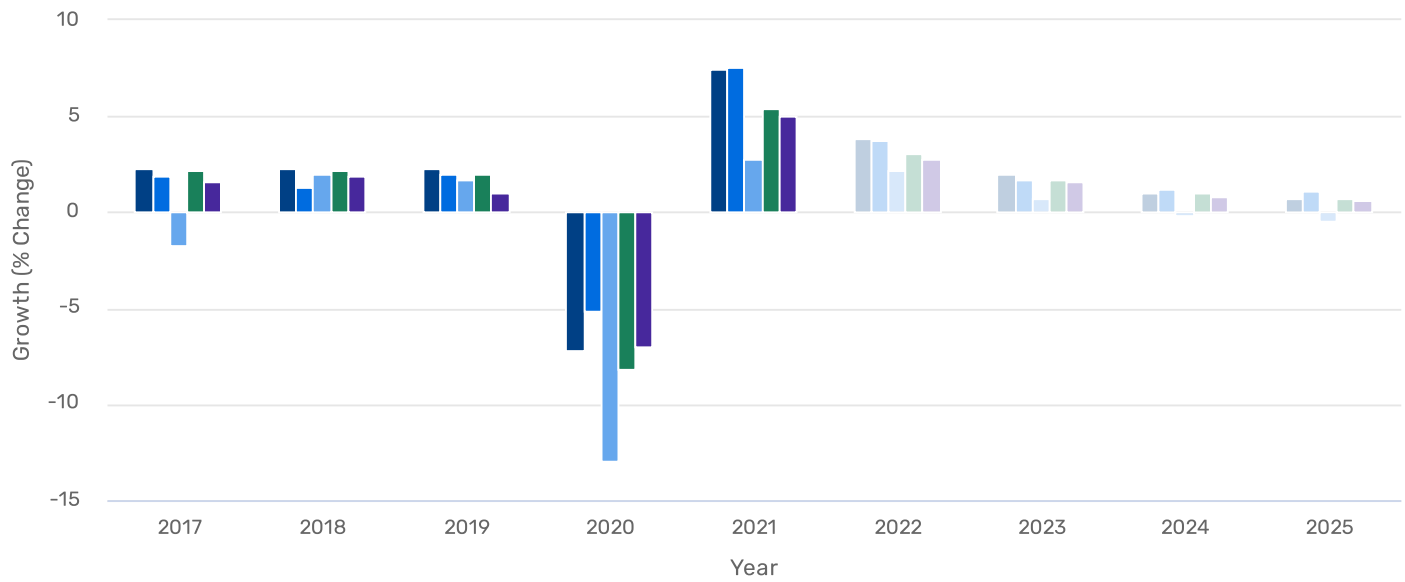


## Employment and Population



Year	Seattle Employment	Western Region Employment	United States Employment	Seattle Population	Western Region Population	United States Population
2017	2.28%	2.22%	1.62%	1.47%	0.78%	0.71%
2018	2.27%	2.17%	1.87%	1.05%	0.64%	0.58%
2019	2.27%	2.03%	1.05%	1.22%	0.63%	0.56%
2020	-7.16%	-8.19%	-6.99%	0.93%	0.58%	0.46%
2021	7.48%	5.46%	5.04%	0.99%	0.64%	0.53%
2022	3.85%	3.02%	2.80%	1.12%	0.74%	0.64%
2023	1.99%	1.73%	1.64%	1.17%	0.78%	0.67%
2024	1.02%	1.03%	0.86%	1.15%	0.73%	0.63%
2025	0.75%	0.75%	0.58%	1.12%	0.71%	0.61%

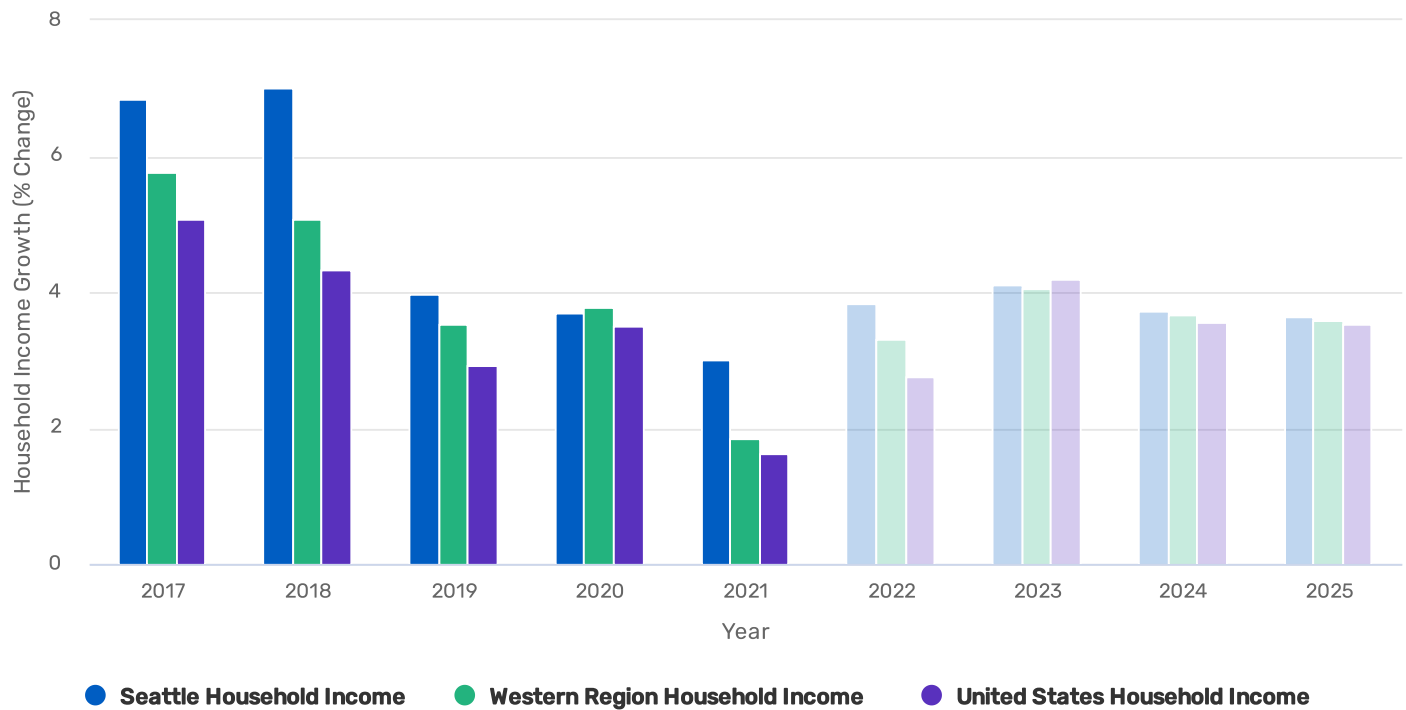
## Employment



- Seattle Total Employment
- Seattle Office Employment
- Seattle Industrial Employment
- Western Region Total Employment
- United States Total Employment

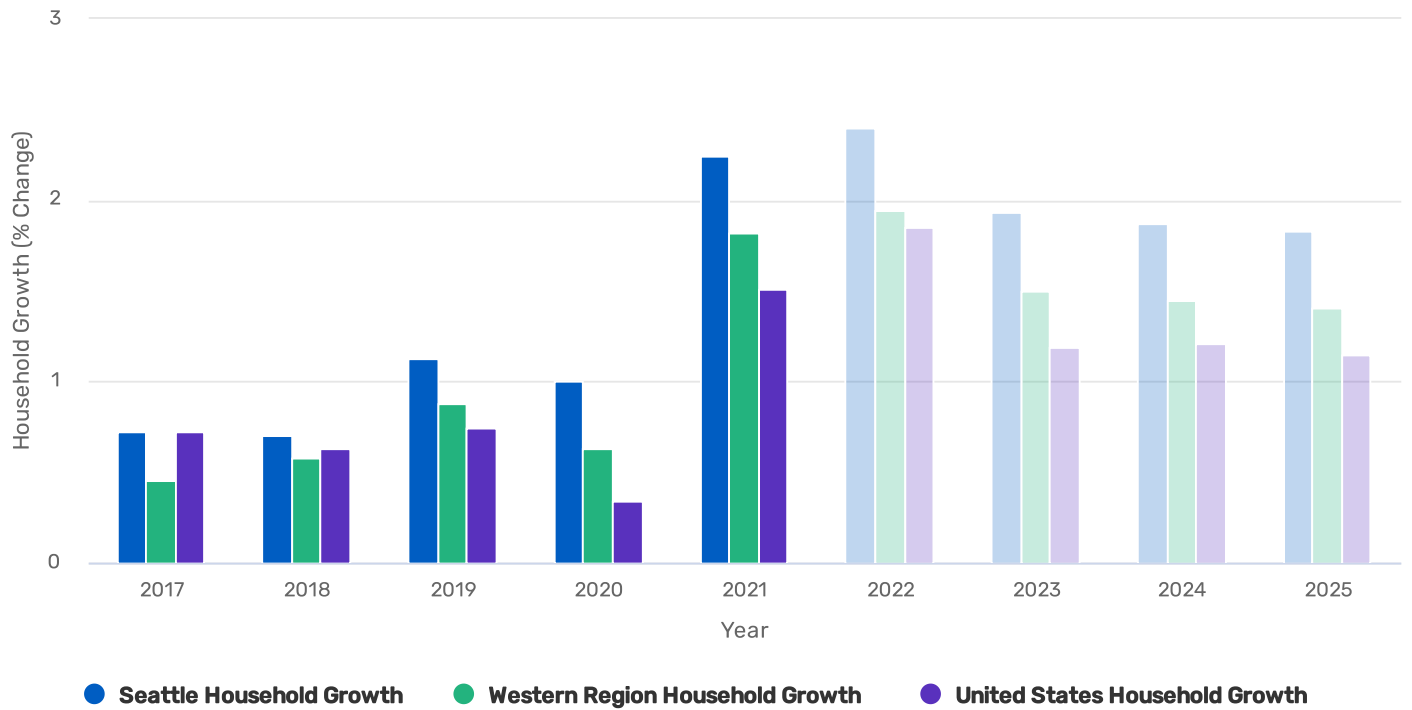
Year	Seattle Total Employment	Western Region Total Employment	United States Total Employment	Seattle Office Employment	Western Region Office Employment	United States Office Employment	Seattle Industrial Employment	Western Region Industrial Employment	United States Industrial Employment
2017	2.28%	2.22%	1.62%	1.90%	1.83%	1.44%	-1.74%	0.66%	0.87%
2018	2.27%	2.17%	1.87%	1.28%	2.07%	1.71%	2.04%	1.53%	1.76%
2019	2.27%	2.03%	1.05%	1.98%	1.95%	1.16%	1.67%	0.55%	0.17%
2020	-7.16%	-8.19%	-6.99%	-5.12%	-6.65%	-5.12%	-12.92%	-8.11%	-6.90%
2021	7.48%	5.46%	5.04%	7.52%	5.24%	4.60%	2.79%	4.11%	3.90%
2022	3.85%	3.02%	2.80%	3.71%	2.54%	2.36%	2.16%	1.55%	1.60%
2023	1.99%	1.73%	1.64%	1.67%	1.27%	1.20%	0.75%	0.28%	0.42%
2024	1.02%	1.03%	0.86%	1.23%	1.03%	0.89%	-0.18%	-0.39%	-0.34%
2025	0.75%	0.75%	0.58%	1.16%	0.96%	0.78%	-0.46%	-0.62%	-0.57%

## Households - Household Income



Year	Seattle Household Income	Western Region Household Income	United States Household Income	Seattle Household Growth	Western Region Household Growth	United States Household Growth
2017	6.83%	5.75%	5.09%	0.72%	0.46%	0.72%
2018	7.00%	5.08%	4.34%	0.70%	0.58%	0.63%
2019	3.98%	3.53%	2.93%	1.12%	0.88%	0.74%
2020	3.69%	3.77%	3.52%	1.00%	0.63%	0.34%
2021	3.02%	1.84%	1.62%	2.25%	1.82%	1.51%
2022	3.84%	3.31%	2.76%	2.40%	1.95%	1.85%
2023	4.12%	4.06%	4.18%	1.93%	1.50%	1.19%
2024	3.71%	3.67%	3.57%	1.87%	1.45%	1.21%
2025	3.64%	3.59%	3.53%	1.84%	1.41%	1.15%

## Households - Household Growth



Year	Seattle Household Income	Western Region Household Income	United States Household Income	Seattle Household Growth	Western Region Household Growth	United States Household Growth
2017	6.83%	5.75%	5.09%	0.72%	0.46%	0.72%
2018	7.00%	5.08%	4.34%	0.70%	0.58%	0.63%
2019	3.98%	3.53%	2.93%	1.12%	0.88%	0.74%
2020	3.69%	3.77%	3.52%	1.00%	0.63%	0.34%
2021	3.02%	1.84%	1.62%	2.25%	1.82%	1.51%
2022	3.84%	3.31%	2.76%	2.40%	1.95%	1.85%
2023	4.12%	4.06%	4.18%	1.93%	1.50%	1.19%
2024	3.71%	3.67%	3.57%	1.87%	1.45%	1.21%
2025	3.64%	3.59%	3.53%	1.84%	1.41%	1.15%

# The Insight

Last Updated: 05/07/2021

## Key Performance Indicators

### Q1 2021 Effective Rent Per SF

Seattle

**\$33**

↓ 0.8% from Q4 2020

### Q1 2021 Vacancy Rate

Seattle

**13.5%**

↑ 120 bps from Q4 2020

### Q1 2021 Household Income Growth

Seattle

**5.3%**

↓ vs 7.2% nationwide

### Q1 2021 Job Growth

Seattle

**1.1%**

↑ vs 0.6% nationwide

## Economic Overview

For the majority of the pandemic, the Seattle metro was struggling but things might finally start turning around based on the job figures seen during the first quarter. 18,580 jobs were added from the fourth quarter of 2020 to the first quarter of 2021, an incline of 1.1%. This figure was ranked tied for 6th of 82 metros that Moody's Analytics REIS tracks. Even with the positive first quarter included, the metro has now seen a loss of 114,000 jobs over the past 12 months, a decline of 6.4% (ranked 45<sup>th</sup> out of 82), but in part of the positive trend, Seattle is projected to nearly recover all of them by the end of 2021.

Seattle's **apartment** market saw positive net absorption of 605 units in the quarter while inventory growth remained flat. The apartment vacancy rate decreased from 6.3% from 6.1% in the first quarter. At \$1,664 per unit, the average *effective* rent declined 1.0% in the quarter. This ranked 77<sup>th</sup> highest of 82 metros, or in the bottom 10. While the road to recovery for Seattle market rentals has been longer than most, that isn't the only issue plaguing the market. A new development in the sector is that of the newly passed "Just Cause" eviction policy. The intended purpose of this policy was to provide tenants protection by preventing them from facing unjust retaliation by a landlord, but critics argue that this policy will have unintended consequences. If landlords don't have the ability to easily remove tenants who are not paying rent on time or being disruptive it can potentially lead to less people taking on the responsibility of becoming a landlord and instead occupying the unit themselves or even just selling the property. The fear is that rental properties that are removed from the suburbs will directly affect low income households by limiting their suburban rental options and therefore force them to remain in urban areas.

Seattle's office sector added 5,200 **jobs** over the first quarter of 2021, an increase of 1.1%. This ranked 15<sup>th</sup> of 82 metros. The **sector** saw negative net absorption of 955,000 square feet, while inventory growth added 189,000 square feet. Average office *asking* rent remained flat in the quarter and at \$32.88 per square foot, Seattle's *effective* rent declined by 0.8%. The vacancy rate of 13.5% increased from 12.3% in the fourth quarter. The first quarter vacancy increase might make it seem like

Seattle is still a ways from getting back to the path of recovery there are reasons to believe otherwise. Office market tours and request for leasing information has skyrocketed throughout the first quarter of 2021. This development, combined with the very positive office employment growth, hints at Seattle being closer to recovery than initially thought. Another reason for Seattle's lackluster recovery efforts from the pandemic so far, could also be explained by the fact that they have been hit harder with protests and violence than other cities. Since downtown was directly affected by this uncertainty, potential companies might have waited longer than usual before making a decision upon returning. Now that the situation has calmed down, they might now be more comfortable making a decision

Seattle's **warehouse/distribution sector** saw positive net absorption of 1,044,000 square feet, while inventory growth was flat. The vacancy rate was 7.1% in the first quarter down from last quarter's rate of 7.9%. The average *asking* rent decreased 0.1% in the quarter, and the average *effective* rent increased 0.1%.

Seattle's **neighborhood and community shopping center** sector saw positive net absorption of 41,000 square feet, while inventory growth was flat. Over the past 12 months, net absorption for retail was positive 81,000 square feet, while inventory growth was 104,000 square feet. The first quarter vacancy rate decreased to 6.5% from 6.4% from the fourth quarter to the first quarter and up from 6.3% at the start of 2020. The average retail *asking* and effective rents both increased by 0.1% in the quarter.

## Outlook

Seattle has finally started to pick up momentum during the first quarter of 2021, which is now showing the first signs of revitalization since before the pandemic. A lot of the credit for reaching the stage of recovery can be attributed to the tech and online commerce industries. The current **Moody's Analytics forecast** for Seattle shows total job increase of 7.5% in 2021 and increase 3.9% in 2022. Total jobs are expected to recover to their 2019 high by the end of 2021. Following positive absorption in the first quarter of 2021, Seattle's apartment market is expected to see net absorption of 6,729 units in 2021 and 10,338 units in 2022. The effective apartment rent is expected to increase 2.2% in 2021 and increase 5.3% in 2022. Seattle's average effective rent is expected to surpass the peak 2019 rent in 2022. Office jobs are expected to increase 7.5% in 2021 and increase 3.7% in 2022. Office jobs are expected to surpass their 2019 level by the end of 2021. The average office effective rent is expected to decline 7.3% in 2021 and increase 1.10% in 2022 and the average office effective rent is expected to surpass the 2019 high in 2025.

# Executive Briefing

MARCH 2021

## Market Overview

A summary of key real estate supply and demand market indicators shows that during the first quarter the Seattle office market recorded negative net absorption, declining effective rents, and upward movement in the market's vacancy rate. It is useful to examine each of these critical measures of market equilibrium in more detail and from both a historical and forecast perspective.

## Asking and Effective Rent

Monthly movement in asking rent during the first quarter was varied, with March's rent remaining flat resulting in no quarterly change. Since the same reporting period last year, asking rents have advanced by 0.7%, up from \$40.31. Since the beginning of Q2 2011, the metro as a whole has recorded an annual average increase of 3.6%. Effective rents, which exclude the value of concessions offered to prospective tenants, fell by 0.2% during March to an average of \$32.88. The widening gap between asking and effective rents suggests that landlords are increasing the values of concessions--usually a period of free rent--used to attract prospective tenants. Although all of the Seattle metropolitan area's five office submarkets contributed to the metro's recent rent growth, it is helpful to observe that the 0.7% asking rent growth rate of the past 12 months compares unfavorably to the metro's long term performance.

## Competitive Inventory, Employment, Absorption

Total employment in the Seattle metropolitan area grew by 18,600 jobs during the first quarter, amounting to a growth rate of 1.1%, while in the dominant office-using industries, employment expanded by 5,200. Absorption rates of competitive office space may not immediately reflect quarterly total job gains or losses, but it is prudent to consider longer-term economic and demographic performance as influential upon current occupancy levels. Since the beginning of Q2 2011, the average growth rate for office-using employment in Seattle has been 1.5% per year, representing the average annual addition of 6,600 jobs. The metro experienced negative absorption of 86,000 square feet during March. Over the last 12 months, market absorption totaled negative 1.3 million square feet; by comparison, the average annual absorption rate recorded since the beginning of Q2 2011 is 1.3 million square feet. This absorption figure, in combination with the introduction of 189,000 square feet of inventory during the first quarter, placed upward pressure on the vacancy rate, which drifted upward 30 basis points to 13.5%. In a long-term context, March vacancy rate is 1.2 percentage points higher than the 12.3% average recorded since the beginning of Q2 2011.

## Outlook

Between now and year's end, 2.9 million square feet of competitive office stock will be introduced to the metro, and Reis estimates that net total absorption will be positive 2.1 million square feet. In response, the vacancy rate will continue to drift upward to finish the year at 13.9%. Construction activity is projected to continue during each of the following two years, during which a total of 1.8 million square feet is expected to be introduced to the market. Office employment growth at the metro level during 2022 and 2023 is anticipated to average 2.7% annually, enough to facilitate an absorption rate averaging 512,000 square feet per year. Because this amount does not exceed the forecasted new construction, the market vacancy rate will increase by 50 basis points to finish 2023 at 14.4%. Between now and year-end 2021 asking rents are expected to decline -4.8% to a level of \$38.66, while effective rents will fall by -6.6% to \$30.72. Thereafter, Reis anticipates that asking rent growth will accelerate to an annualized average of 1.7% during 2022 and 2023 to reach a level of \$39.98 per square foot. Effective rents will climb by a more rapid annualized

**\$41** ↓

Average Asking Rent (Per Square Foot)

**12.3%** ↓

Average Vacancy Rate

average rate of 2.1%, as landlords begin to limit the relative value of their concessions packages.