INVESTMENT FORECAST

Office

Seattle-Tacoma Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2025

Seattle-Tacoma Balances New Supply, Conversion Incentives and Evolving Workplace Trends

Tenants in Seattle-Tacoma are projected to stay cautious this year. Vacancy will edge up 40 basis points to over 19 percent in 2025 as some tenants continue to evaluate space needs in a less hybrid environment; even so, a few bright spots exist. Apple's lease at Arbor Blocks West capped off an active end to 2024, demonstrating that large users are still willing to commit. Nevertheless, a robust 5.1 million square feet set to deliver in 2025 — well above the historical average — will test market fundamentals. Legislative incentives spurring office-to-housing and office-to-lab conversions could shape future supply dynamics. Despite right-sizing among major tech firms, Seattle's cluster of Fortune 500 headquarters and budding AI and satellite sectors remain long-term demand drivers. These trends, coupled with Amazon's five-day in-office mandate, set the stage for a measured recovery, albeit one constrained by rent pressures and heightened competition from modern, amenity-rich properties on both sides of Lake Washington.

Activity picks up in 2024 as transactions rise from a low base. Owner-users led the momentum, capitalizing on an 18 percent drop in average pricing over the past two years. This boost was especially apparent in suburban Bellevue and Tacoma, where cost advantages and a strong tenant base provide long-term appeal. Leasing reached 6.8 million square feet in 2024, as Apple, Snowflake and TikTok backfilled space vacated by Meta and Microsoft, indicating a tilt toward extended commitments. Amazon's in-office mandate has introduced greater clarity for near-term occupancy, yet with tech tenants continuing to refine workplace strategies, broader return-to-office trends are still mixed. As 2025 begins, ongoing right-sizing among major firms is expected to free up older, lower-tier stock, creating opportunities for investors willing to modernize or repurpose.

2025 MARKET FORECAST

+0.5% — **EMPLOYMENT:** Hiring slows considerably from last year's pace due to macroeconomic headwinds. Traditionally office-using employers in Seattle will lose roughly 2,000 new positions in 2025.

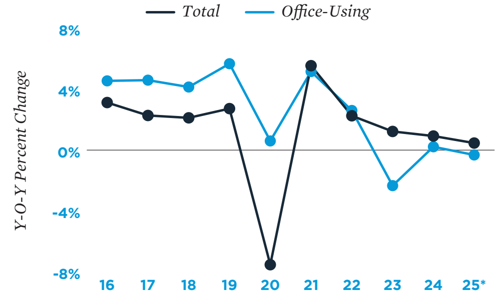
5,100,000 *sq. ft.* — **CONSTRUCTION:** Seattle-Tacoma will post the third-fastest rate of inventory growth among major U.S. markets this year at 2.3 percent, led by Microsoft's expansion of its campus in Redmond.

+40 bps — **VACANCY:** Tightening vacancy in Northend and Tacoma is offset by increases in downtown Seattle and the Southend, lifting the metrowide rate up to 19.2 percent in 2025.

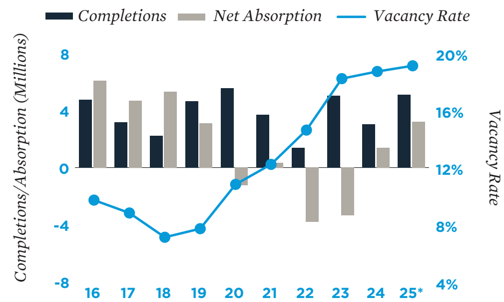
-2.8% — **RENT:** The average asking rent falls for the fourth time in the last five years. A sizable decline in the Class A sector will pull the overall mean marketed rate down to $31.15 per square foot in 2025.

INVESTMENT: *A subsector vacancy rate in the 4 percent range and expectations for a steady rate of in-migration over the next 10 years should facilitate investor demand for medical office listings throughout the metro.*

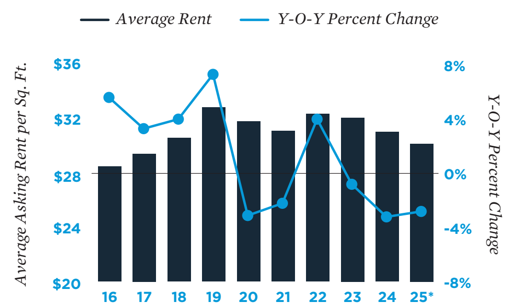
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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