INVESTMENT FORECAST

Office

Seattle-Tacoma Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026

Emergent Companies Seek Seattle Office Space; Tax Changes Unevenly Affect Service-Sector Firms

Recognizable names moving into Bellevue. Last fall brought notable Bellevue leases by AI firms such as OpenAI, Statsig, and Anduril. Metro move-ins in 2026 include several biotech companies like SystImmune, AGC Biologics, and Cytek. As tech campuses for Microsoft and Amazon account for most of this year's deliveries, minimal other new supply should reinforce fundamentals amid other headwinds. This will be the first full year since the state of Washington began applying sales tax rates to professional services. This may affect metro leasing choices in two ways. These taxes will be paid only on services rendered in the state, mattering most to firms with heavily local clients. Additionally, the sales tax rate paid is the sum of state and local rates, which could play a minor role in steering tenants toward submarkets with lower tax rates. At the market level, the new sales tax may contribute to softer leasing, keeping vacancy roughly unchanged in 2026.

Investors attracted to compressed vacancy in the south. Investors are warming to Seattle-Tacoma's office market, as transaction velocity rose about 40 percent year-over-year in 2025. For buyers looking to deploy under $10 million in capital, mid- and low-tier offices in the South End may capture attention, particularly around the state Route 167 interchange. Local Class B/C vacancy entered this year at around 10 percent, making the area one of the better-performing submarkets in this segment. A rate closer to 8 percent in Tacoma may also draw private buyers' attention. Reduced valuations may also keep owner-user purchases active here. Metrowide, while the average price per square foot remains below the 2022 high, the mean held flat last year. This dynamic, together with higher exchange activity, signals that buyers' and sellers' expectations are aligning more closely, supported in part by improving net absorption.

2026 MARKET FORECAST

+0.4% — **Employment:** Seattle-Tacoma gains 8,000 jobs on net in 2026 after posting net losses the previous year. Office-using industries shed roles again but cut fewer positions than in 2025.

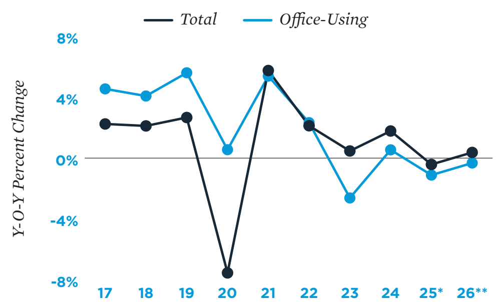
3,062,000 *sq. ft.* — **Construction:** The metro's office inventory expands by 1.4 percent year-over-year, the second-highest pace among major metros. Still, this measures below the market's annual mean since 2007.

+20 bps — **Vacancy:** The vacancy rate rises to 19.4 percent, tied for the eighth highest among 50 ranked metros. A largely built-to-suit delivery slate bolsters positive net absorption.

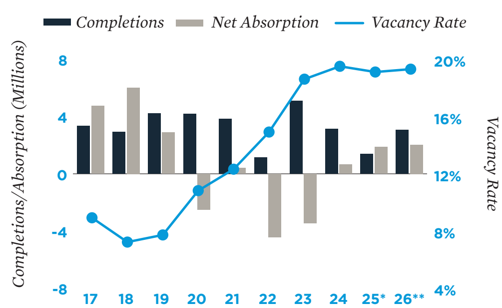
-1.5% — **Rent:** The market's average asking rent falls to $33.70 per square foot. Among major West Coast markets, Seattle-Tacoma rests in the middle by mean marketed rent.

INVESTMENT: *Growing renter populations in North Seattle and Shoreline may be supporting leasing at nearby Class B/C offices. A segment vacancy rate near 9 percent could draw investor attention if compression continues.*

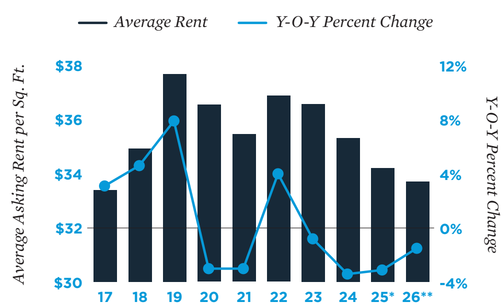
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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