

MARKET FUNDAMENTALS

	YOY Chg	Outlook
35.8% Vacancy Rate	▲	▲
-631K YTD Net Absorption, SF	▲	▲
\$47.29 Asking Rent, PSF (Overall, All Property Classes)	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1M Seattle Employment*	▲	▲
5.0% Seattle Unemployment Rate*	▲	▲
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS
*Q3 2026 figures are based on latest available data

ECONOMY: Job Count and Unemployment Both Rise

The Seattle metro area added 14,600 jobs year-over-year (YOY), with the latest total figure at over 2.1 million. The unemployment rate, however, also rose, up 40 basis points (bps) YOY to 5.0%, above the U.S. rate of 4.2%. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices advanced 4.4% YOY, driven by higher energy (+15.9%) and food (+5.3%) costs. Minus food and energy, the index rose 3.3% YOY, mainly due to cost increases to recreation (+7.0%) and shelter (+2.6%).

SUPPLY AND DEMAND: Vacancy Nearing 36%

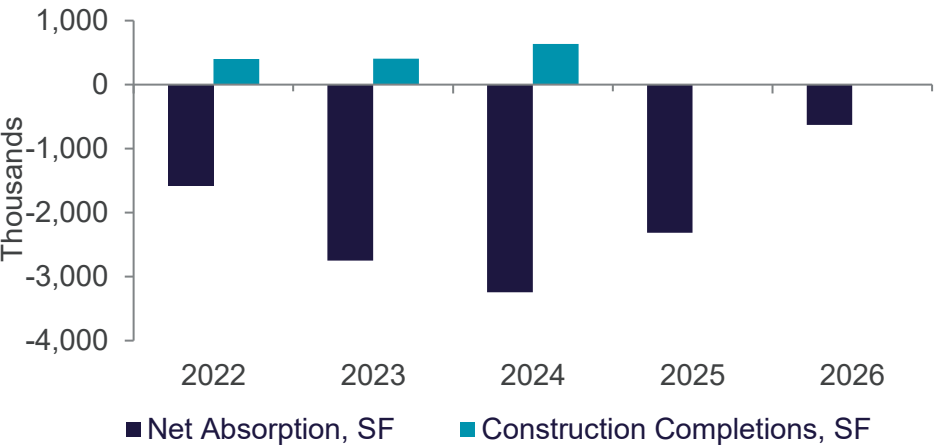
Overall vacancy in the Downtown Seattle office market reached 35.8% in the third quarter of 2026, up 70 bps from the 35.1% reported one year ago. Notable move-outs in recent months include Amazon vacating 81,000 square feet (sf) at 428 Westlake, F5 moving out of 77,000 sf at its namesake tower, and Stoel Rives exiting 39,000 sf at One Union. Class A vacancy rose 60 bps YOY to 35.2%, with vacancy in trophy class buildings at 36.5%. Direct vacancy climbed 3.9% YOY to 16.6 million square feet (msf), while sublease vacancy declined 19.8% YOY to 1.7 msf. Vacancy is expected to remain high in the near term; however, declining sublease availability and the lack of new supply should moderate vacancy growth in the longer term.

Overall absorption for the third quarter was reported at negative 116,000 sf, an improvement of 72.7% YOY. The year-to-date (YTD) total reached negative 631,000 sf, up 68.9% YOY.

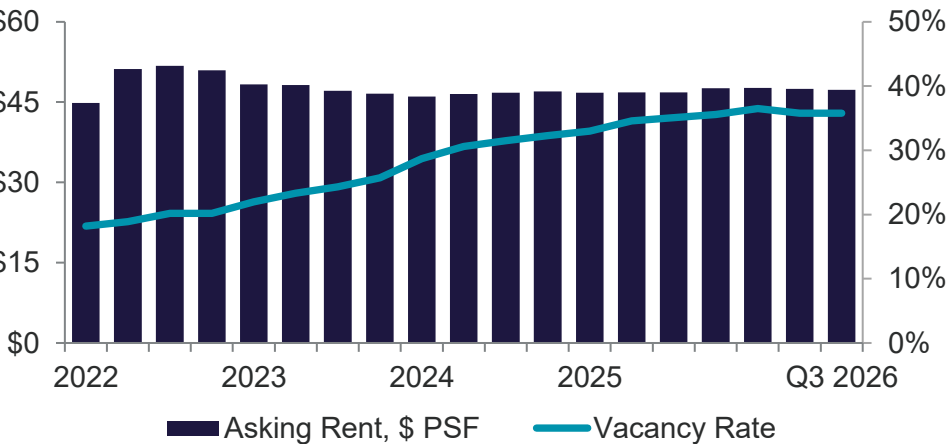
PRICING: Minimal Rental Increase YOY

Downtown Seattle’s average asking rent closed the third quarter at \$47.29 per square foot (psf) on an annual gross basis; this was a YOY increase of 1.0%. The Class A figure reached \$51.93 psf, rising 1.8% YOY. Despite the continued rise in vacancy, rates for trophy space remained near pre-Covid levels, averaging \$53.76 psf. Rents are projected to stabilize heading into the final quarter, as subleases, which generally have lower rents in place, continue to decline and new supply continues to dwindle.

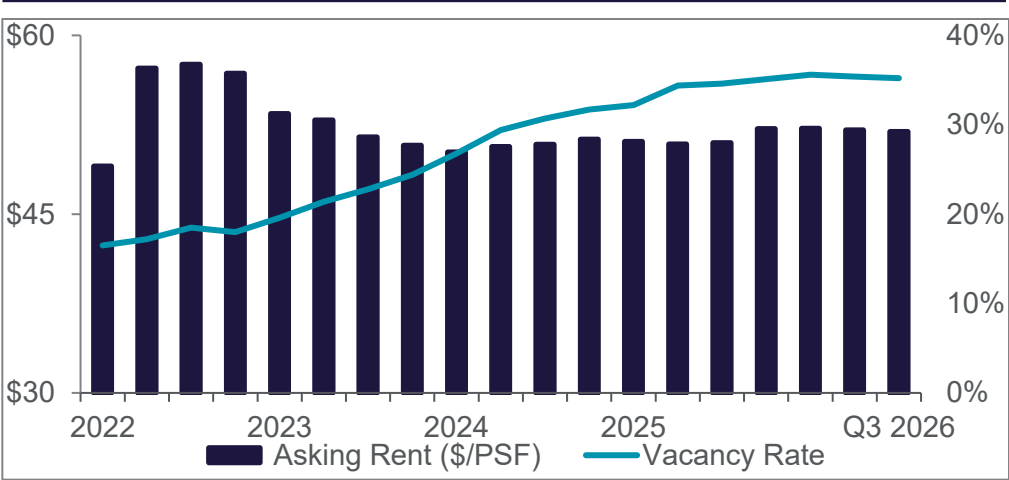
SPACE DEMAND / DELIVERIES



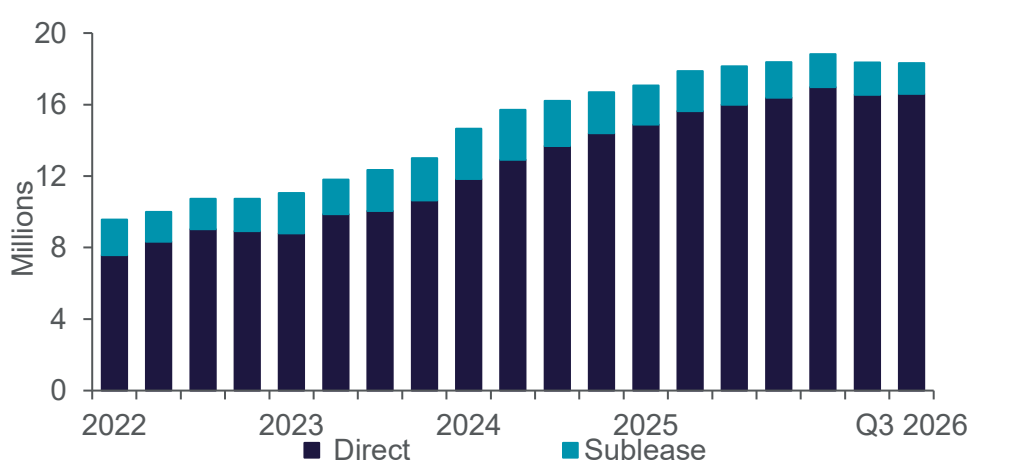
OVERALL VACANCY & ASKING RENT



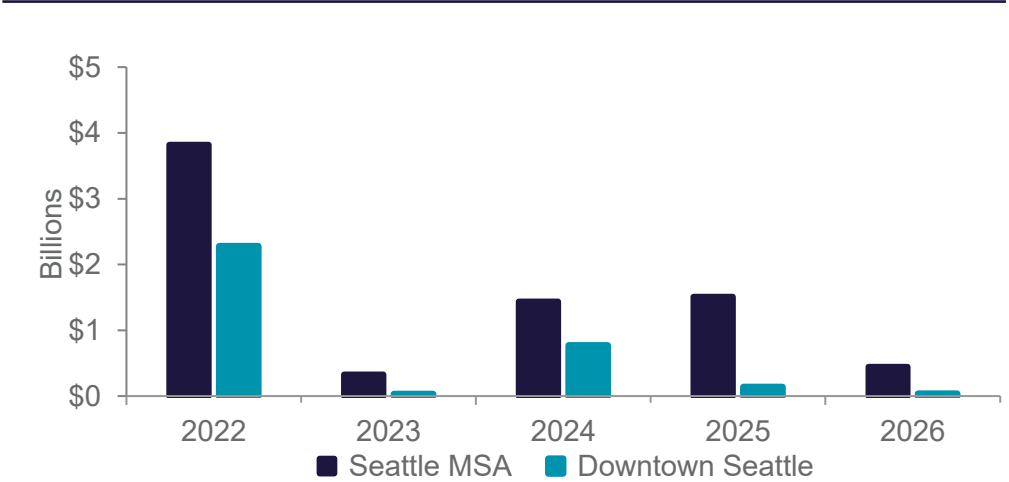
CLASS A VACANCY & ASKING RENT



DIRECT VS. SUBLEASE VACANCY COMPARISON



OFFICE SALES



CONSTRUCTION: Pipeline Remains Static

The construction landscape for the Downtown Seattle office market was unchanged from a year ago, with no new deliveries and none scheduled. The most recent completion in the market was First Light, which added 108,000 sf to the Denny Regrade submarket in 2024. There is approximately 5.0 msf in the proposed construction pipeline, though with vacancy at 35.8% in the downtown area, it is unlikely that significant speculative office developments will break ground in the near term.

LEASING ACTIVITY: Activity Up Significantly YOY

Downtown Seattle reported nearly 1.9 msf of new deals signed through the first three quarters of 2026, a 30.1% YOY increase. Nearly 472,000 sf was signed in the third quarter, matching the figure reported a year ago. Approximately 37.1% of the square footage leased was in downtown’s largest submarket, Seattle CBD. Nearly 15.8% of all new leases signed during the quarter were at or above 10,000 sf, though tenants taking at least 25,000 sf have continued to be a small part of total leasing activity, with 4.4% of all new downtown deals signed since the start of 2020 at or above that number.

Renewals signed in the third quarter were four times the figure from a year ago, at just over 428,000 sf. The YTD total was nearly 1.1 msf. Nearly 15.5% of all renewals signed since the start of 2020 were at or above 25,000 sf, including seven deals signed in 2026.

SALES: Office Sales Down Substantially YOY

Nearly \$34.0 million (M) transacted in the Downtown Seattle market through the first three quarters of 2026, down 67.6% from the \$105.0M that sold at this point last year. In the most noteworthy sale of the quarter, Plaza 600, located in the Seattle CBD submarket, sold for \$12.5M (\$57.56 psf). The 217,000-sf property, which Orton Development purchased from a joint venture of Urban Renaissance Group and BentallGreekOak, traded for 87.1% below its December 2019 sale price.

The Seattle MSA reported \$443.0M in office sales through three quarters of 2026, down 56.8% from the \$1.0 billion that traded at this point a year ago. Capital markets activity is likely to remain challenged in the near term, as office sales volume has waned substantially and pricing continues to adjust. However, distressed and repriced assets may create selective investment opportunities as buyers seek attractive basis levels in fundamentally well-located properties.

OUTLOOK

- Despite continued layoffs in portions of the tech sector, employment in the Seattle metro area grew considerably YOY. Long-term employment growth should provide a foundation for occupier demand and a steady balance of office fundamentals.
- Vacancy is expected to stay elevated in the near term, though declining subleases, increasing deal activity, and the absence of new supply should help moderate vacancy growth and support a gradual improvement in occupancy over time.
- Asking rents are somewhat robust despite elevated vacancy. It is expected they remain static heading into the final quarter, as no new inventory is added and sublease inventory continues to contract.
- Improving leasing activity and growing tenant interest in high-quality Class A space should reinforce further absorption gains and help lay the foundation for a more stable market over the medium term.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Seattle CBD	24,100,630	8,028,509	1,010,337	37.5%	-28,273	-302,337	1,036,200	0	\$48.00	\$51.90
Denny Regrade	10,037,526	4,253,831	119,264	43.6%	-58,047	-175,450	403,840	0	\$48.66	\$53.14
Pioneer Square/International District	4,875,163	1,765,683	60,027	37.4%	-40,082	-82,878	218,800	0	\$45.73	\$54.86
Lower Queen Anne/Lake Union	12,225,525	2,555,569	532,439	25.3%	10,106	-70,126	192,370	0	\$44.23	\$48.79
SEATTLE TOTALS	51,238,844	16,603,592	1,722,067	35.8%	-116,296	-630,791	1,851,210	0	\$47.29	\$51.93

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
The Tower at Fourth & Madison	Seattle CBD	K&L Gates LLP	98,544	Renewal**
Dexter Yard – North	Seattle CBD	Anthropic***	47,227	Expansion
Tower 1201	Seattle CBD	Dorsey & Whitney	46,457	New Lease
Fremont Lake Union Center – The Plaza Bldg	Lower Queen Anne/Lake Union	OutReach	31,409	New Lease
West8	Denny Regrade	Morrison Foerster	28,498	New Lease
West Lake Union Office Center	Lower Queen Anne/Lake Union	ElastixAI	24,827	New Lease
Madison Centre	Seattle CBD	GXO	22,829	New Lease

**Renewals are not tracked in statistics

***This was an office lease signed in a complex we track as Life Sciences; this transaction was not included in office statistics

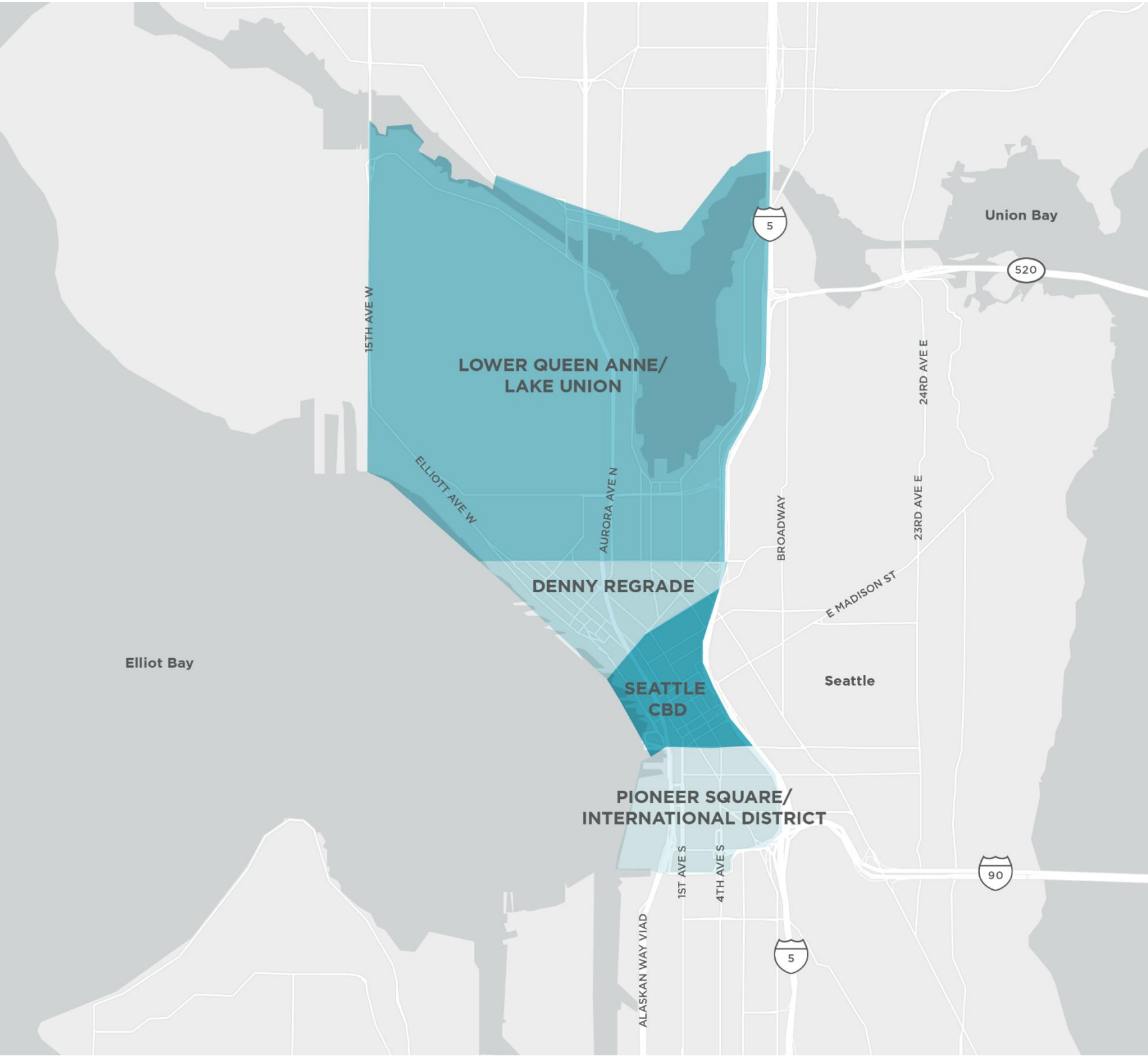
KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Plaza 600	Seattle CBD	Urban Renaissance Group, BentallGreekOak / Orton Development	217,180	\$12.5M / \$58
The Fisheries Bldg at Salmon Bay	Lower Queen Anne/Lake Union	KWMCT Real Estate LLC / Landmark Properties Investments LLC	20,778	\$1.9M / \$89

KEY PROPERTIES IN PIPELINE

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
The Net	Seattle CBD	N/A	797,580	Urban Visions
SIXO – West	Denny Regrade	N/A	565,000	Kilroy
Interval on Mercer	Lower Queen Anne/Lake Union	N/A	448,602	Schnitzer West

OFFICE SUBMARKETS



BRIAN CAGAYAT
Research Manager – Pacific Northwest
Tel: +1 206 521 0296
brian.cagayat@cushwake.com

MCKINLEY FOX-COWART
Research Analyst
Tel: +1 206 215 9899
mckinley.foxcowart@cushwake.com

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