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Downtown Office Space

Last updated: 1/10/2012

Note: Office market data in this report provided courtesy of [CB Richard Ellis](#).

Downtown's Office Marketⁱ

Downtown Seattle makes up 44 percent of the office space in the Puget Sound region, the largest share of space among local office marketsⁱⁱ.

The overall Puget Sound market experienced a 1.3 percentage point decrease in vacancy rates, largely due to increased absorptionⁱⁱⁱ in the Downtown Seattle and Eastside markets.

The fourth quarter of 2011 represented the ninth quarter in a row that Downtown Seattle experience positive office space absorption. Downtown office space accounted for more than half (1,157,004 square feet) of the total annual absorption in the Puget Sound region (1,938,432 square feet). Much of this improvement was driven by Amazon's 460,000 square foot lease at 1918 Eight Avenue and 320,000 square foot lease at West 8th.

The Downtown vacancy rate decreased from 18.9 percent at the end of 2010 to 17.6 percent at the end of 2011. Regionally, vacancy rates fell from 19.1 percent at the end of 2010 to 17.9 percent at the end of 2011.

The average Class A lease rate for Downtown Seattle was \$29.91 at the end of 2011, up from \$29.70 at the end of 2010. The average Class A lease rate for the Puget Sound region was \$27.63 at the end of 2011, down from \$27.80 at the end of 2010.

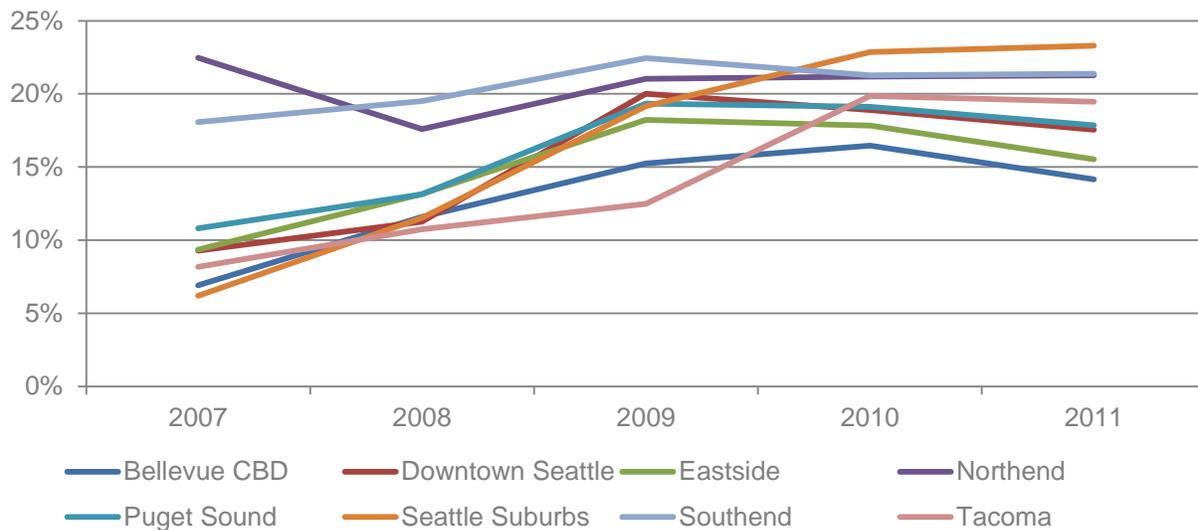
For comparison, Downtown Bellevue saw a decrease in vacancy from 16.5 percent at the end of 2010 to 14.2 percent at the end of 2011. Downtown Bellevue also showed a decrease in Class A lease rates from \$30.93 at the end of 2010 to \$30.46 at the end of 2011.

Quick Facts about Downtown Seattle Office Space (year-end)

	2011	2010
Total Inventory (sq. ft.)	42.7 million	42.0 million
Total Vacant (sq. ft.)	7.5 million	7.9 million
Annual Total Absorption	1.2 million	0.9 million
Total Vacancy Rate	17.6%	18.9%
Class A Total Rent	\$29.91	\$29.70

Unless noted, research presented in this document was generated by the Metropolitan Improvement District's Business Development & Market Research team, in cooperation with the Downtown Seattle Association. Please credit MID/DSA when using this information for external purposes. For more information, please email info@downtownseattle.org or call (206) 623-0340.

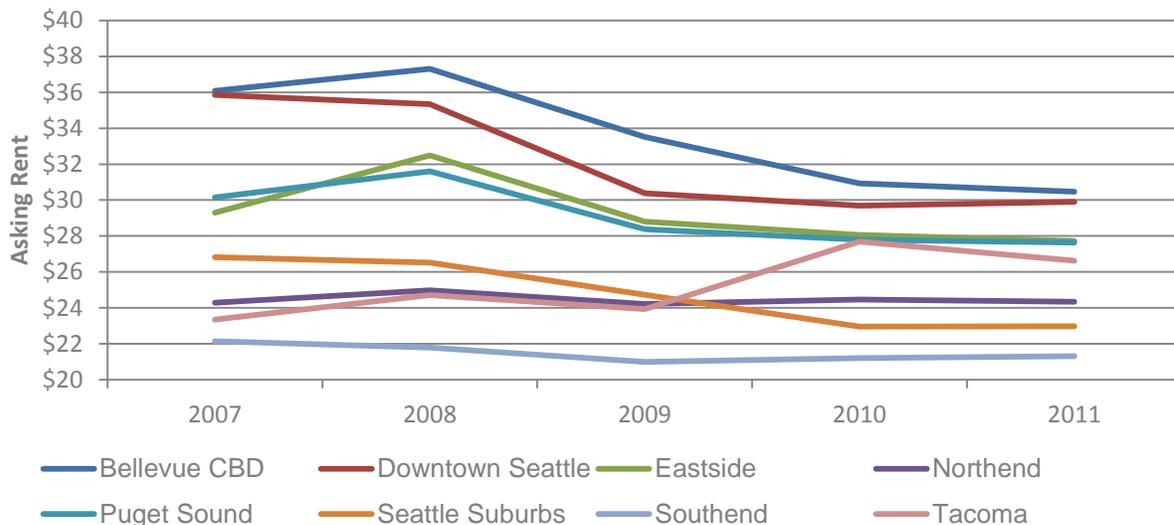
Office Vacancy - 5 year trend



Source: CB Richard Ellis

While vacancy rates are up over the past five years in the eight local markets listed in the chart above, they are improving. The greatest improvements, year-over-year, were in the Eastside and Bellevue CBD (both with a 2.3 percentage point decrease in vacancy), followed by Downtown Seattle (1.4 percentage point decrease). Since 2009, Downtown has seen the most consistent improvement in vacancy rates among Puget Sound submarkets.

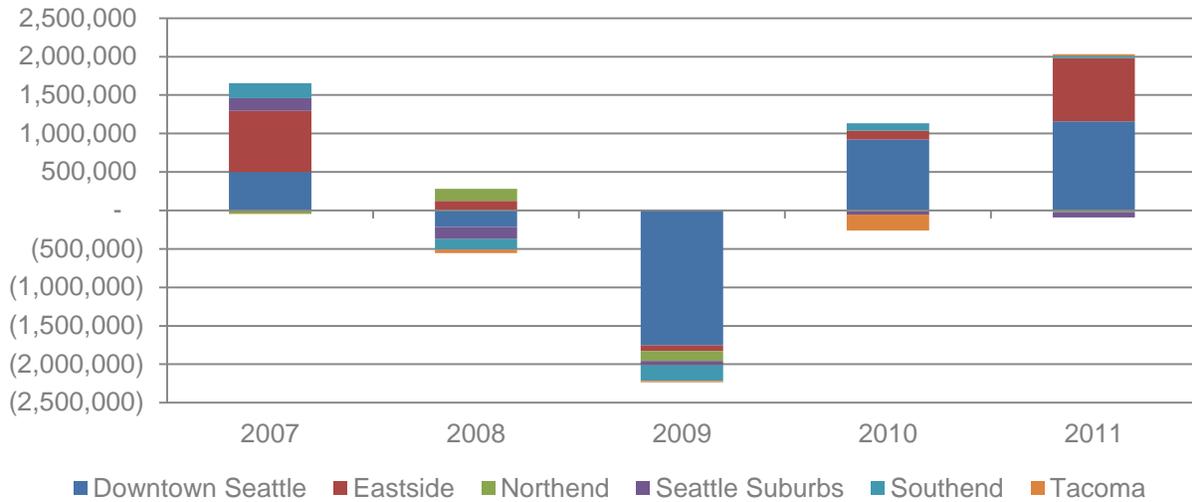
Average Office Rent (Class A)



Source: CB Richard Ellis

Asking rental rates in Tacoma bucked the trend for the region in recent years despite increased vacancies there. This is due to a large amount of prime space coming on the market when Russell investments moved from Tacoma to Seattle. Over the five year period starting in 2007, all other Puget Sound markets saw decreasing rental rates except for the Northend, where rents were flat. The largest decreases were Downtown Seattle (16.6 percent drop from 2007-2011), Bellevue CBD (15.6 percent) and the Seattle Suburbs (14.3 percent drop). However, in 2011, year-over-year rents have stabilized or are rising slightly in Downtown Seattle (0.7 percent increase), the Southend (0.6 percent), and Seattle Suburbs (0.1 percent).

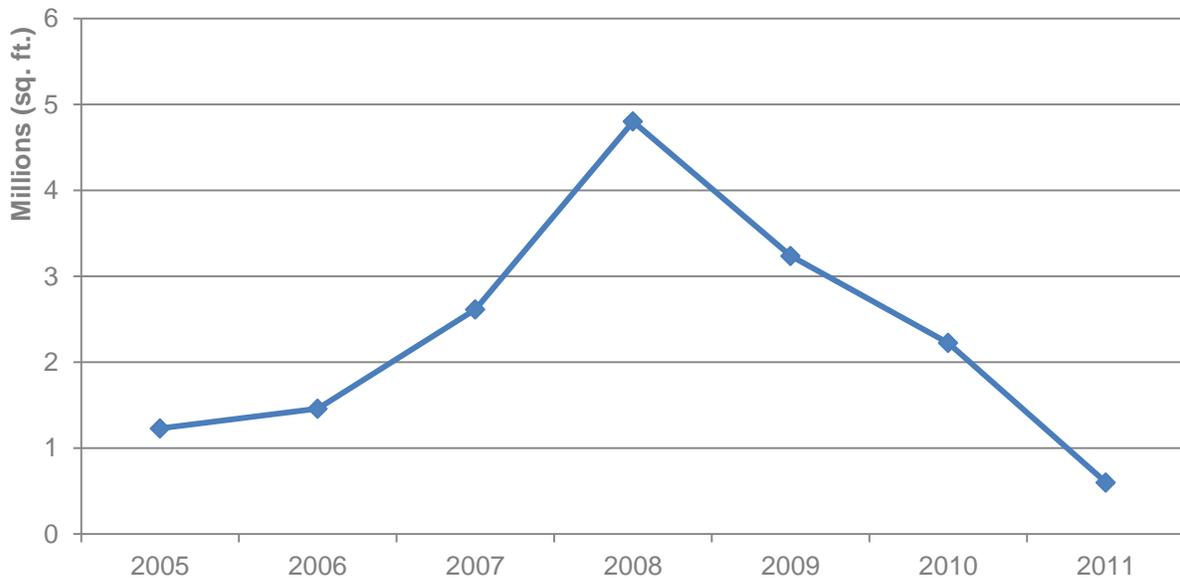
Annual Absorption - Puget Sound Markets



Source: CB Richard Ellis. Bellevue CBD is included in Eastside Market. "Puget Sound" is the total of Downtown Seattle, Eastside, Northend, Seattle Suburbs, Southend and Tacoma markets.

After the global financial crisis and the failure of Washington Mutual in 2008, the region saw its worst office absorption levels in recent history (available records go back to 1995). In 2009, the Puget Sound region had negative absorption of over 2.2 million square feet of office space, with Downtown Seattle accounting for 1.8 million square feet of negative absorption in 2008. However, Downtown Seattle experienced nearly 2.1 million square feet of positive absorption in 2010 and 2011, bringing the regional total to 2.8 million square feet of absorption during the same period.

Downtown Office Space Under Construction



Source: 2011 Downtown Seattle Development Guide (Downtown Seattle Association/Metropolitan Improvement District)

In 2009, Downtown vacancy rates rose not only due to companies leaving previously occupied space, but also due to a While much of that space has filled, the office construction market continues on a downward trend with the least amount of space under construction since tracking began in 2005. There are indications of a positive outlook for future office development, however. According to the 2012 Grubb & Ellis Investment Opportunity Monitor, The growth of high-tech and bio-tech companies put Seattle second only to San Francisco among the U.S. markets predicted to be best for investment in office buildings.

Downtown Companies

Some of the world's most well-known companies are based in Downtown Seattle and several are among Downtown's largest employers.

Largest Public Companies Headquartered Downtown	Revenue (in Millions)
Amazon.com	\$34,204
Starbucks Corp.	\$10,707
Nordstrom Inc.	\$9,700
Expeditors International Washington Inc.	\$5,968
Plum Creek Timber Co. Inc.	\$1,190

Source: Puget Sound Business Journal Book of Lists, December 2012. Ranking based on 2010 revenues.

Largest Sales/Lease Transactions in 2011			
Name	Industry	Square Feet	Building
Amazon.com	Internet Retail	460,000	1918 Eighth Ave
Amazon.com	Internet Retail	320,000	West 8th
Polyclinic	Medical	204,000	Seventh & Madison
Dendreon (office portion)	Biotech/Life Science	179,656	Russell Investments Center
RealNetworks	Tech	133,177	Seattle Trade Center
Amazon.com	Internet Retail	106,000	Mercer/Yale Building
Dendreon (lab portion)	Biotech/Life Science	100,000	Earl Davie Building

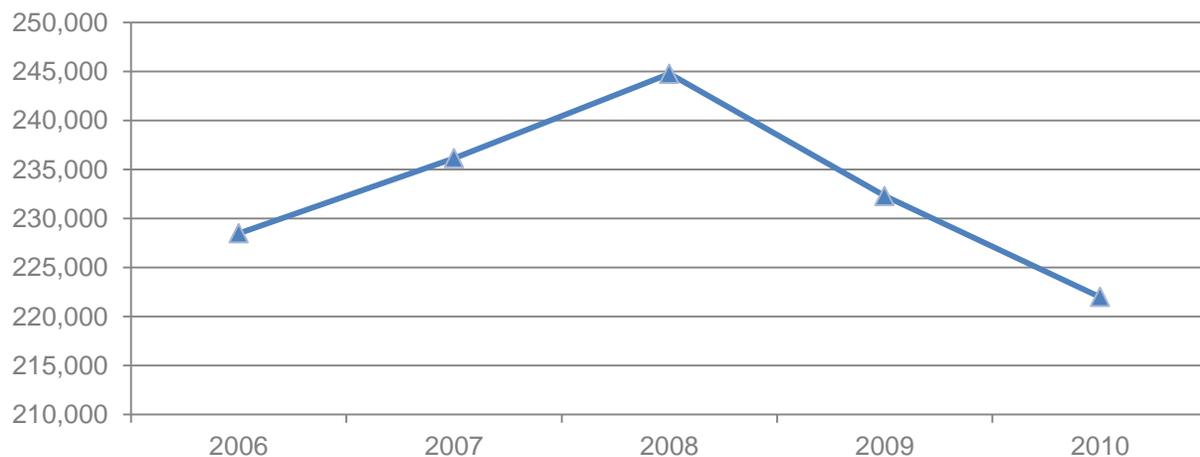
Source: CB Richard Ellis

Who's Downtown Daily?

Downtown's workforce continues to make up a large proportion of Downtown's daily population:

Resident population: 59,884
 Worker population: 221,989
 Total daytime population^{iv}: 244,625

Downtown Employment - 5 year trend



Source: Puget Sound Regional Council. Downtown data are not yet available for 2011. However, according to [county-level data](#), employment increased in King County in 2011. Downtown Seattle tends to account for about 1/5 of employment in King County.

A Snapshot of Downtown Seattle Business Sectors

Downtown Seattle thrives on a diverse base of business and employment opportunities. Some of the largest employment contributors to the Downtown business sector are global health and life sciences, finance, interactive media and healthcare.

Global Health & Life Sciences

As a major hub of innovation and discovery, Downtown Seattle has long been at the forefront of the global health and life sciences sector, both within the region and worldwide.

- In Washington, 2,979 people work in global health. Outside the state, these 59 organizations support an additional 17,275 employees;
- Washington global health organizations surveyed collaborate with 1,574 partners, located in 111 countries across the world.
- The Bill & Melinda Gates Foundation, a leader in global health, completed 900,000 square feet of its 12-acre campus across from Seattle Center and consolidated operations there in spring 2011.

Finance

Home to 12 of the state's largest investment firms and with a lower cost of living than other centers of financial services, this sector is poised for growth in Downtown.

- The finance sector calls Downtown Seattle home. Top employers include JPMorgan Chase, Liberty Mutual, Plum Creek Timber Co., Russell Investments, Washington Federal, Inc. and UBS Financial Services.
- There are a total of 781 financial firms located in Downtown Seattle, supporting nearly 20,000 jobs.
- Finance, insurance and real estate companies generated more than \$222 million in taxable retail sales in Downtown Seattle.
- At street level in Downtown Seattle, there are 123 financial service, 213 real estate and 148 insurance business storefronts.
- In 2010, Russell Investments moved from Tacoma to Seattle, bringing 900 new Downtown employees.

Information Technology and Interactive Media

Long known as a high-tech mecca, Seattle ranks second nationally for relative concentration of computer programmers and engineers. Increasingly, the city is specializing in interactive media, which includes the burgeoning field of online and casual games.

Some top interactive media employers: Disney Interactive Media Group, Big Fish Games, Cranium, PopCap Games, Real Networks and Zynga.

- In 2011, enterpriseSeattle announced it was awarded a \$1.2 million federal grant to support Washington's interactive media industry.
- The Seattle region is home to 15,000 interactive media jobs among 150 companies. Many of those companies are clustering Downtown, especially in the Pioneer Square and South Lake Union neighborhoods.
- Washington state has the second highest concentration of "science, technology, engineering and math" related jobs in the nation. Approximately 70 percent of these jobs in Washington are located in Seattle.
- Isilon Systems, acquired by EMC Corp. in December 2010, announced plans to add 200 more workers locally and grow the footprint of its current Pioneer Square location.

Healthcare

The healthcare sector is crucial to Downtown's economic vitality and has grown in recent years despite the economic downturn.

- Downtown is home to 25,253 jobs in the healthcare sector – compared to 56,657 jobs citywide – making up 45 percent of the total healthcare employment in Seattle.
- Within Downtown, 68 percent of healthcare jobs are located on First Hill, 15 percent are in South Lake Union and Denny Triangle, and 10 percent are in the Central Business District (Retail Core, Waterfront and West Edge neighborhoods).
- Downtown healthcare jobs have grown by 15 percent from 2004 –2010.
- Retail sales in Downtown Seattle's healthcare sector for 2010 were approximately \$90 million. That is nearly half the total for the city of Seattle.
- At street-level alone, there are 114 medical service businesses in Downtown Seattle.
- The nationally recognized Virginia Mason Medical Center recently opened the Floyd & Delores Jones Pavilion, adding 250,000 square feet to its campus on First Hill.
- UW Medicine began construction on the first building of Phase III of their South Lake Union Campus in early 2011.
- In 2011, Swedish Medical Center announced plans for the addition of another one million square feet of space on First Hill.

ⁱ Office market statistics in this report were provided by CB Richard Ellis.

ⁱⁱ CB Richard Ellis' local submarkets include Downtown Seattle, Seattle Close-in (here referred to as "Seattle Suburbs"), Southend, Eastside, Northend and Tacoma. Bellevue CBD is a component of the Eastside Submarket. Seattle suburbs include all of Seattle outside Downtown plus Shoreline.

ⁱⁱⁱ Absorption refers to the total change in occupied square feet

^{iv} Daytime population estimated based on employee and resident populations and resident commute modes using U.S. Census Bureau methodology.