Kidder Mathews

3Q 2025

MARKET TRENDS

SEATTLE *OFFICE*

The Puget Sound office market continues to show increasing signs of recovery, despite mixed performance across key indicators.

↓ ABSORPTION

↑ VACANCY RATE

↓ RENTAL RATE

↔ CONSTRUCTION DELIVERIES

Quarter-Over-Quarter Trend

MARKET OVERVIEW

The Puget Sound office market continues to show increasing signs of recovery, despite mixed performance across key indicators. Encouragingly, tenant demand and leasing activity have steadily improved, driven in large part by growth in AI (artificial intelligence), while traditional technology companies are generally downsizing, but transacting. However, challenges remain. The market recorded negative net absorption through the first three quarters of 2025, and elevated vacancy rates persist, though the pace of increase has moderated compared to the rapid escalation observed between 2020 and 2023. Overall sentiment surrounding the office sector is cautiously optimistic, with market conditions appearing more stable than a year ago, suggesting a potential inflection point as fundamentals begin to firm.

While total leasing activity remains below pre-pandemic historical averages, the volume has improved over the past two years. In 2024, the Puget Sound office market averaged 2.1M SF per quarter in leasing activity (including new leases and renewals), the highest level since 2021. Despite this, net absorption was negative for the quarter at -1.08M SF, bringing the year-to-date total to -2.23M SF. A key factor contributing to the gap between leasing activity and net absorption is the high volume of renewals, which accounted for approximately 33% of total square footage leased in 2025, but only 5% of the total transactions. While renewals are included in leasing activity metrics, they do not impact net absorption as they do not result in a change in occupancy. Consequently, the regional vacancy rate increased to 22.7%.

The flight to quality remains a consistent trend, with active tenants gravitating toward premier Class A+ assets. Several top-tier buildings in downtown Seattle have outperformed the broader market in recent quarters, underscoring this preference. There is also a flight to value as any building that has been re-capped at a low basis is able to transact at rates not seen in 25 years. Although momentum is growing, a full recovery of the office market is expected to take several more years, particularly when benchmarked against pre-COVID performance levels. Indicators point to gradually increasing tenant demand, and when combined with a slowdown in new development, downward pressure on vacancy rates is anticipated.

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Market Highlights

REGIONAL OFFICE VACANCY ended the quarter at 22.7%, a 20 bps increase compared to last quarter

NET ABSORPTION totaled -1,086,466 SF during the third quarter

DEVELOPMENT ACTIVITY totaled 621,735 SF across 4 projects under construction

INVESTMENT VOLUME collectively totaled $455M during the quarter across 46 transactions

Average Asking Annual Rent/SF 3Q 2025

$36.05 SEATTLE CLOSE-IN

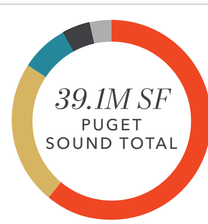
$41.25 EASTSIDE

$29.43 PIERCE COUNTY

$27.47 SOUTH KING COUNTY

$30.33 SNOHOMISH COUNTY

Submarket Vacant Space 3Q 2025



23.7M SF SEATTLE CLOSE-IN

9.0M SF EASTSIDE

1.8M SF PIERCE COUNTY

3.0M SF SOUTH KING COUNTY

1.5M SF SNOHOMISH COUNTY

SEATTLE CLOSE-IN

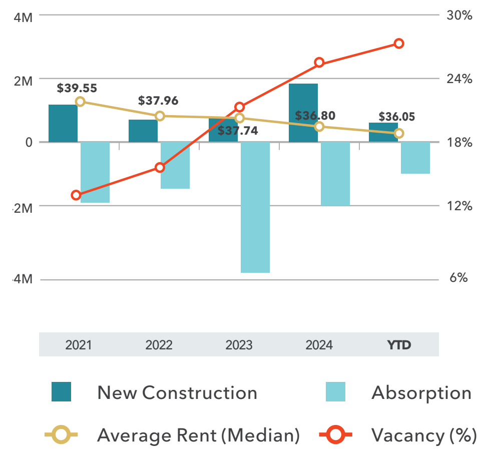
Vacancy continued to rise in Seattle, ending 3Q 2025 at 27.3%, an increase from 27.2% last quarter. This was the highest vacancy rate in the region, up 200bps compared to the same time last year. On a positive note, there has been a recent deceleration in vacancy rate increases compared to what the market saw between 2020 and 2023, suggesting that the market may begin to see a plateau and rebound in the near term.

Quarterly net absorption was negative once again with -273,329 SF in 3Q 2025, bringing the year-to-date total to -1.2M SF (a quarterly average of -385,000 SF). For comparison, the quarterly average was -585,000 SF in 2024, -800,000 SF in 2023 and -365,000 SF in 2022.

Average asking rents for all classes of office buildings decreased to $36.05 PSF, a modest quarterly decline of -0.9% and an annual decline of -3.4%. With vacancy rates remaining elevated in Seattle, asking rates are expected to remain soft for the near-term.

One life science project was delivered this quarter, 266,898 SF (701 Dexter).

The Seattle CBD vacancy rate remains elevated but relatively steady at 33.8%, while the average Class A rent quote decreased slightly to $44.39 PSF from $45.39 PSF last quarter and $48.64 PSF at the same time last year.



EASTSIDE REVIEW

The Eastside vacancy rate increased during the quarter to 21.2%.

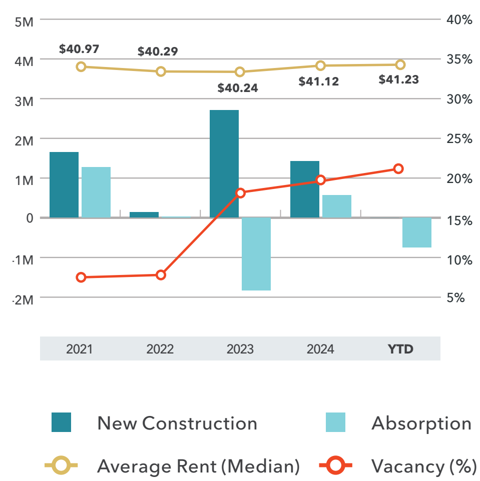
Overall net absorption totaled -752,188 SF in 3Q 2025, bringing the year-to-date total to -781,199 SF (a quarterly average of -260,000 SF). For comparison, the quarterly average net absorption total was -140,000 SF in 2024, -460,000 SF in 2023 and -20,000 SF in 2022.

Meanwhile, quarterly leasing activity in 3Q 2025 was 533,100 SF, bringing the year-to-date total to 2.1M SF.

Asking rent for the Eastside market (including the Bellevue CBD and surrounding submarkets) increased slightly from $41.23 PSF to $41.25 PSF, with an annual increase of just under 3%.

One speculative multi-tenant office project is under construction in the Bellevue CBD, Four106. The project is 485,000 SF, scheduled for delivery in 3Q 2025 and currently 0% pre-leased.

Bellevue's CBD direct vacancy rate posted 20.3% at the end of 3Q 2025 while the overall vacancy rate was 22.6%. The overall average Class A rent quote (including direct and sublease space) rose to $53.85 during the quarter while the direct average Class A rent quote was $66.94, both slight increases compared to last quarter.



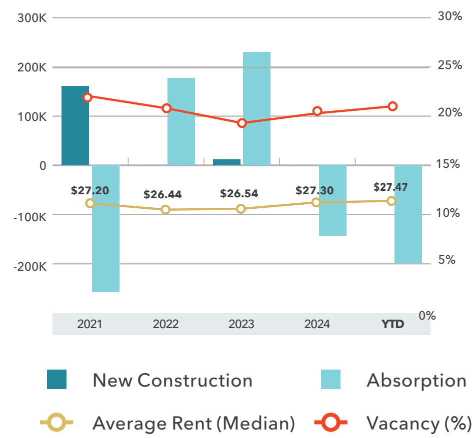
SOUTH KING COUNTY REVIEW

South King County posted a quarterly increase in vacancy rate during 3Q 2025, rising from 19.8% to 21.0%. This was also a slight increase compared to 3Q 2024 when the rate was 20.7%.

Net absorption was negative for the first time in a year with -198,886 SF in 3Q 2025, bringing the year-to-date total to -131,603 SF and below last year's quarterly average of -35,000 SF

In 3Q 2025, leasing activity totaled 86,496 SF, bringing the year-to-date total to 354, 980 SF.

Asking rents remained relatively stable in South King County, decreasing slightly to $27.47 PSF.



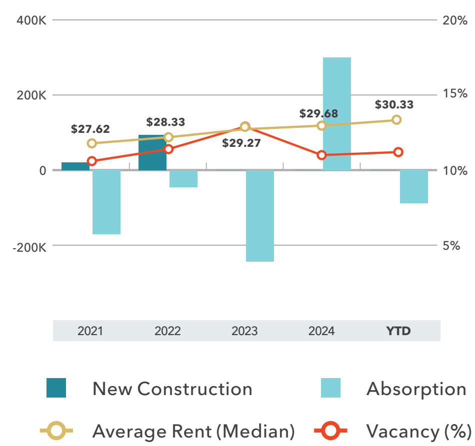
SNOHOMISH COUNTY/NORTHEND REVIEW

The overall vacancy rate in Snohomish County ended the quarter at 11.2%, a solid decrease compared to last quarter's rate of 13.5%, but a slight increase compared to last year's rate of 10.8 in 3Q 2024.

After three straight quarters of negative activity, net absorption produced a positive quarter with 150,656 SF, bringing the year-to-date total to -88,056 SF.

After averaging 215,000 SF per quarter in 2024, total leasing activity (including renewals) slowed by more than 35% with 410,402 SF of activity during the three quarters of 2025 (137,000 SF quarterly average).

Asking rents fell in 3Q 2025 from $30.62 to $30.33. This was a 0.9% dip from last quarter but is still a 1.7% increase compared to 3Q 2024.



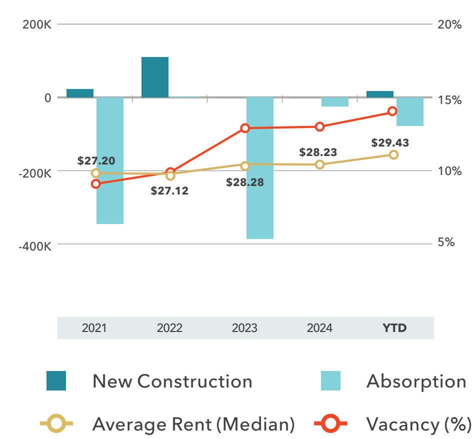
PIERCE COUNTY REVIEW

The overall vacancy rate in 3Q 2025 was 14.0%, a 20-bps increase compared to last quarter and a 80 bps increase compared to the same time last year when the rate was 13.2% in 3Q 2024.

Net absorption totaled –12,719 SF this quarter, bringing the year-to-date figure to -77,950 SF, compared to the -6,000 SF quarterly average posted in 2024 and -385,000 in 2023.

Leasing activity has been steady over the past couple of years, averaging approximately 90,000 SF per quarter for the past three years. However, activity was slightly below last year's average, with 227,539 SF year-to-date in 2025 (75K SF per quarter average).

Asking rents rose to $29.43 PSF, representing 0.6% rent growth quarter-over-quarter and 9,5% cumulatively since 1Q 2020.



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q 2025 Total Net Absorption	YTD Total Net Absorption	3Q 2025 Leasing Activity	YTD Leasing Activity	Asking Rental Rate
Ballard/U Dist	5,477,267	20.7%	22.5%	-131,217	-144,798	58,929	121,093	$35.13
Belltown/Denny Regrade	7,323,107	28.8%	30.8%	-29,535	-307,976	42,145	172,822	$33.04
Capitol Hill/Central Dist	4,899,819	11.4%	12.1%	-25,830	-73,882	16,853	90,208	$40.08
Lake Union	14,337,194	17.5%	22.3%	420	-391,731	159,574	398,922	$41.63
Pioneer Square/Waterfront	8,163,864	27.6%	27.8%	-22,733	-145,561	83,130	198,275	$31.63
Queen Anne/Magnolia	5,415,054	27.5%	29.1%	-34,385	-48,089	37,833	72,669	$33.26
S Seattle	5,956,598	8.4%	10.7%	-888	-39,795	809,628	862,229	$25.32
Seattle CBD	35,275,848	30.9%	33.8%	-29,161	-4,533	347,553	1,267,715	$36.69
Seattle Total	**86,848,751**	**24.7%**	**27.3%**	**-273,329**	**-1,156,365**	**1,555,645**	**3,183,933**	**$36.05**
520 Corridor	3,310,124	13.0%	17.5%	22,101	27,549	80,698	211,898	$34.23
Bellevue CBD	14,280,049	20.3%	22.6%	-846,604	-842,726	205,011	931,561	$51.37
Coal Creek/Issaquah	2,145,123	25.4%	26.5%	-786	-8,808	3,450	28,496	$35.55
E King County	1,001,062	6.3%	6.6%	-3,534	-5,523	0	7,356	$28.77
I-90 Corridor	5,769,938	38.6%	42.7%	28,875	-38,599	21,780	194,445	$37.69
Kirkland	4,357,890	7.6%	9.1%	5,780	-68,995	34,029	174,344	$43.84
Mercer Island	392,174	6.6%	6.6%	1,767	14,877	1,767	17,042	$43.15
Redmond	4,349,449	16.8%	20.2%	-25,297	-176,159	87,520	191,507	$34.57
Suburban Bellevue	6,990,132	11.2%	11.8%	65,510	317,185	98,845	301,739	$40.61
East King County Total	**42,595,941**	**18.9%**	**21.2%**	**-752,188**	**-781,199**	**533,100**	**2,058,388**	**$41.25**
Federal Way/Auburn	3,975,404	17.9%	18.4%	-38,788	-36,868	16,162	106,947	$26.65
Kent Valley	1,859,045	15.2%	15.8%	-41,914	-58,729	11,444	49,751	$29.35
Renton/Tukwila	7,202,068	26.6%	27.3%	-89,090	-30,141	50,053	175,203	$27.49
Seatac/Burien	1,700,412	6.1%	6.1%	-29,094	-5,865	8,837	23,079	$28.20
South King County Total	**14,736,929**	**20.4%**	**21.0%**	**-198,886**	**-131,603**	**86,496**	**354,980**	**$27.47**
Bothell/Kenmore	3,679,026	15.8%	16.9%	166,852	50,117	45,212	235,149	$34.12
Edmonds/Lynnwood	3,395,663	8.1%	8.9%	-10,014	-39,265	10,429	68,327	$30.56
Everett CBD	2,961,265	10.4%	10.5%	10,155	-93,066	12,111	32,119	$23.62
Mill Creek/Woodinville	793,674	2.9%	3.8%	-981	14,609	865	9,972	$33.09
N Snohomish County	774,059	3.9%	3.9%	-1,475	8,786	0	4,889	$27.16
S Everett/Harbor Point	1,353,490	12.0%	13.3%	-15,184	-34,212	3,646	58,643	$28.56
S Snohomish County	207,459	0.0%	0.7%	1,303	4,975	0	1,303	$32.86
Snohomish Total	**13,164,636**	**10.5%**	**11.2%**	**150,656**	**-88,056**	**72,263**	**410,402**	**$30.33**
Dupont	430,681	80.9%	80.9%	0	2,430	0	2,430	$27.56
E Pierce County	374,287	11.1%	11.1%	1,114	30,601	3,208	7,733	$33.46
Gig Harbor/W Pierce Co	1,085,834	4.3%	4.3%	5,723	-1,025	8,309	25,396	$32.93
Puyallup	1,289,663	17.7%	17.7%	-6,270	3,489	1,207	21,571	$34.03
Spanaway	524,033	3.3%	3.3%	1,676	-2,653	9,057	12,812	$32.34
Tacoma CBD	5,090,410	17.0%	17.5%	-14,458	-74,636	43,882	94,971	$28.07
Tacoma Suburban	2,789,830	4.8%	4.9%	7,157	-21,801	2,427	38,499	$32.88
Univ. Place/Lakewood	1,217,968	6.2%	6.2%	-7,661	-14,355	817	24,127	$24.30
Pierce County Total	**12,802,706**	**13.7%**	**14.0%**	**-12,719**	**-77,950**	**68,907**	**227,539**	**$29.43**
Puget Sound Total	**170,148,963**	**20.9%**	**22.7%**	**-1,086,466**	**-2,235,173**	**2,316,411**	**6,235,242**	**$33.12**

* Kidder Mathews redefined and recalculated its Puget Sound office market statistics and reporting criteria. Previously, our office statistics included all office properties, regardless of building size or occupancy category. As of Q1 2025 and going forward, our office statistics will now track office buildings over 10,000 SF and will exclude owner-user properties.

VACANCY TRENDS

As of the end of Q3 2025, the vacancy rate for multi-tenant office properties exceeding 10,000 SF—excluding owner-user buildings—rose by 20 bps to 22.7%. This marks the fifteenth consecutive quarterly increase since Q4 2021, when the rate stood at 12.1%. Among submarkets, Seattle recorded the highest overall vacancy rate in the region at 27.3%, followed by East King County at 21.2% and South King County at 21.0%. On a more positive note, total sublease availability across the region declined from 7.0M SF feet in 2024 to 5.3M SF in Q3 2025, a year-over-year reduction of 25%. Sublease space now accounts for 12.8% of total available inventory, down from 14.0% last quarter and 16.9% in the same period last year. Looking ahead, vacancy rates are expected to remain elevated in the near term, with cautious optimism for stabilization by 2026. While tenants continue to modestly reduce their footprints, the flight to quality and value remains a defining trend.

RENT TRENDS

The average asking lease rate concluded 3Q 2025 at $33.12 PSF, reflecting a modest decline from $34.31 PSF in the previous quarter and a 5.9% decrease from the recent peak in early 2023. Although the pace of decline appears to be slowing relative to the first half of 2024 and 2023, downward pressure on rates is expected to persist in the near term until market conditions stabilize. Over the past five years, the majority of the rate compression has been concentrated in Seattle, which experienced a 15% decrease since 2020, followed by East King County with a 5% decline. Despite these adjustments, the Eastside market remains the region's most expensive submarket, with an average asking rate of $41.25 PSF, followed by Seattle at $36.05 PSF.

NEW CONSTRUCTION

Following a surge in new deliveries over the past several years, the development pipeline has contracted significantly in 2025. At the end of Q3 2025, the total square footage under construction—excluding owner-user projects—stood at 621,735 SF, representing an 75% decline year-over-year and a 80% reduction compared to 2023, when construction activity peaked just below 7.5M SF. These figures do not include two major owner-user developments: Microsoft's nearly completed 3.0M SF campus expansion in Redmond and Amazon's 1.0M SF build-to-suit project in Downtown Bellevue (Bellevue 600). Among multi-tenant projects currently underway, the largest is Four106, a 485,000 SF development in the Bellevue Central Business District. No significant new office projects commenced construction during the quarter.

INVESTMENT MARKET

Investment activity has shown gradual improvement over the past two years. Year-to-date transaction volume for deals exceeding $1 million increased by 25% in 2025 compared to the first three quarters of 2024. A total of 124 transactions were recorded, representing more than $1.27B in aggregate sales volume, surpassing last year's year-to-date total of 101 transactions and $1.00B in volume. The largest transaction of the quarter occurred in Redmond, where One Esterra Park was acquired by Preylock for $225M ($912 PSF). Additionally, Spear Street Capital purchased a two-building portfolio, Market Place I and Market Place II, in the Belltown/Denny Regrade submarket for $60M ($333 PSF).

Kidder Mathews

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ANNUAL ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS