

**MARKET TRENDS**

# SEATTLE *OFFICE*

*The Puget Sound office market finished 2025 with signs of stabilization following several years of volatility.*

## MARKET OVERVIEW

Vacancy rates remain elevated but have begun to level off as the rate of increase has slowed during the past couple of quarters, indicating that the sharp increases seen earlier in the cycle may be behind us. Leasing activity has improved steadily over the past two years, supported by a gradual return-to-office trend and selective expansion among tenants. While annual totals have been negative for the past five years across the entire region, 4Q 2025 produced its first positive net absorption quarter since 2021 (+190,727 SF), suggesting fundamentals may be beginning to firm.

Tenant demand continues to be driven by sectors such as artificial intelligence and advanced technology, while many traditional tech firms are consolidating space but remain active in the market. Renewals account for a significant share of leasing volume, which helps sustain activity but does not translate into occupancy gains. This dynamic has contributed to persistently high vacancy levels, though the rate of increase has moderated, ending the year at 22.8%. Asking rents have softened slightly ending the quarter at \$32.88 PSF, reflecting landlord flexibility in a competitive environment, yet premium assets continue to command strong interest.

A clear flight to quality remains evident, with tenants prioritizing Class A and amenity-rich buildings in prime locations. At the same time, a flight to value is emerging as properties with lower cost basis offer pricing not seen in decades. These trends underscore a bifurcated market where top-tier assets are typically outperforming the overall market while older or less differentiated properties are facing ongoing challenges.

Looking ahead, the market is expected to begin its recovery cycle in 2026. New development has slowed significantly, limiting future supply and creating conditions for vacancy to gradually decline as demand improves. Many tenants have relied on short-term renewals over the past several years, and there are indications of pent-up demand that could translate into longer-term commitments as confidence builds. For tenants, current conditions remain highly favorable, offering an opportunity to secure quality space at competitive terms.

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Average Asking  
Annual Rent/SF  
4Q 2025

**\$35.71**  
SEATTLE CLOSE-IN



Submarket Vacant  
Space 4Q 2025

**23.7M SF**  
SEATTLE CLOSE-IN

**9.2M SF**

EASTSIDE

**2.9M SF**

SOUTH KING COUNTY



**1.7M SF**

PIERCE COUNTY

**1.4M SF**

SNOHOMISH COUNTY

↔ CONSTRUCTION  
DELIVERIES

Quarter-Over-Quarter Trend

## Market Highlights

### REGIONAL OFFICE VACANCY

ended the quarter at 22.8%, a 10 bps increase compared to last quarter

### NET ABSORPTION

totaled 190,727 SF during the fourth quarter

### DEVELOPMENT ACTIVITY

totaled 63,527 SF across 3 projects under construction

### INVESTMENT VOLUME

collectively totaled \$1.63B across 164 transactions



Quarter-Over-Quarter Trend

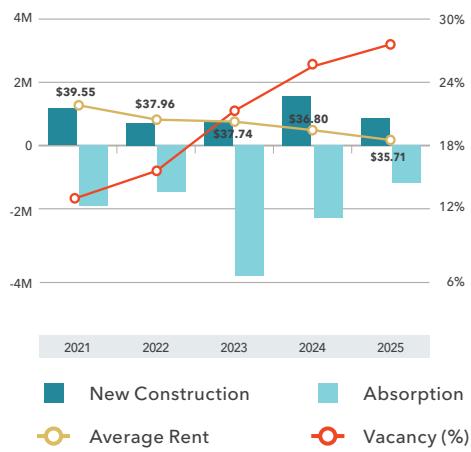
## SEATTLE CLOSE-IN

Vacancy continued to rise in Seattle, ending 2025 at 27.6%, an increase from 27.3% last quarter. This was the highest vacancy rate in the region, up 180 bps compared to the end of 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 rebound in the near term.

Quarterly net absorption was negative once again with -20,142 SF in 4Q 2025, bringing the year-end total to -1.2M SF (a quarterly average of -295,000 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 \$35.71 PSF, a modest quarterly decline of -1.0% and an annual decline of -4.4%. With vacancy rates remaining elevated in Seattle, asking rates are expected to remain soft for the near-term.

The Seattle CBD vacancy rate remains elevated but relatively steady at 34.0%, while the average Class A rent quote decreased slightly to \$42.80 PSF from \$44.39 PSF last quarter and \$47.64 PSF at the same time last year.



## EASTSIDE REVIEW

The Eastside vacancy rate increased during the quarter to 21.5%.

Overall net absorption totaled 217,018 SF in 4Q 2025, bringing the year-end total to -564,181 SF (a quarterly average of -141,000 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 4Q 2025 was 374,465 SF, bringing the year-end total to 2.4M SF.

Asking rent for the Eastside market (including the Bellevue CBD and surrounding submarkets) decreased slightly from \$41.25 PSF to \$41.09 PSF, with an annual increase of roughly 2.5%.

One speculative multi-tenant office project, Four106, delivered during the quarter in the Bellevue CBD. The project is 485,000 SF and was 0% pre-leased at completion.

Bellevue's CBD direct vacancy rate posted 23.4% at the end of 4Q 2025 while the overall vacancy rate was 25.2%. The overall average Class A rent quote (including direct and sublease space) rose to \$55.80 PSF during the quarter while the direct average Class A rent quote was \$67.12, both slight increases compared to last quarter.



## SOUTH KING COUNTY REVIEW

South King County posted a quarterly decrease in the vacancy rate during 4Q 2025, dropping from 21.0% last quarter to 20.2%. However, this is a slight increase compared to 4Q 2024 when the rate was 19.3%.

Net absorption was positive during 4Q 2025 at 11,089 SF, bringing the year-end total to -120,514 SF and averaging -30,000 SF per quarter, marginally healthier than last year's quarterly average of -35,000 SF.

In 4Q 2025, leasing activity totaled 69,719 SF, bringing the year-end total to 424,699 SF.

Asking rents remained relatively stable in South King County, decreasing slightly to \$27.35 PSF.



## SNOHOMISH COUNTY/NORTHEND REVIEW

The overall vacancy rate in Snohomish County ended the quarter at 11.2%, no notable change from last quarter, but a slight increase compared to last year's rate of 10.8 in 4Q 2024.

After three straight quarters of negative activity, net absorption produced its second straight positive quarter with 13,433 SF in 4Q, bringing the year-end total to -74,623 SF.

After averaging 215,000 SF per quarter in 2024, total leasing activity (including renewals) slowed by more than 40% with 489,941 SF of activity in 2025 (122,000 SF quarterly average).

Asking rents ended the year at \$30.96, a slight improvement compared to last quarter and was 3.7% higher than 4Q 2024.



## PIERCE COUNTY REVIEW

The total vacancy rate in 4Q 2025 was 13.5%, a 50-bps decline compared to last quarter, but an 80-bps increase compared to the same time last year when the rate was 12.7% in 4Q 2024.

Net absorption totaled -30,671 SF this quarter, bringing the year-end figure to -108,621 SF, compared to the -6,000 SF quarterly average posted in 2024 and -385,000 in 2023.

Leasing activity has been relatively steady over the past couple of years, averaging approximately 90,000 SF per quarter for the past three years. However, activity was below last year's average, with 291,845 SF in 2025 (73K SF per quarter average).

Asking rents ended the year at \$29.24 PSF, representing -0.6% rent growth quarter-over-quarter and 9.3% cumulatively since 1Q 2020.



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q 2025 Total Net Absorption	2025 Total Net Absorption	4Q 2025 Leasing Activity	2025 Leasing Activity	Asking Rental Rate
Ballard/U Dist	5,444,086	21.2%	24.9%	-30,499	-175,297	10,240	131,333	\$34.77
Belltown/Denny Regrade	7,247,643	28.1%	29.7%	35,454	-272,522	19,922	192,744	\$32.71
Capitol Hill/Central Dist	4,759,791	9.5%	10.2%	15,164	-58,718	15,814	106,022	\$40.48
Lake Union	14,403,107	17.7%	21.8%	35,813	-355,918	168,410	567,332	\$41.21
Pioneer Square/Waterfront	7,615,044	29.3%	29.6%	54,245	-91,316	122,494	320,769	\$31.31
Queen Anne/Magnolia	5,393,376	27.8%	29.2%	10,236	-37,853	792	73,461	\$32.93
S Seattle	5,934,845	8.6%	10.9%	-13,418	-53,213	16,144	878,373	\$25.57
Seattle CBD	34,972,069	31.6%	34.6%	-127,137	-131,670	333,634	1,601,349	\$36.32
<b>Seattle Total</b>	<b>85,769,961</b>	<b>25.1%</b>	<b>27.6%</b>	<b>-20,142</b>	<b>-1,176,507</b>	<b>687,450</b>	<b>3,871,383</b>	<b>\$35.71</b>
520 Corridor	3,343,584	11.4%	15.8%	44,705	72,254	25,300	237,198	\$34.58
Bellevue CBD	14,777,771	23.6%	25.4%	19,003	-823,723	100,089	1,031,650	\$51.96
Coal Creek/Issaquah	2,159,753	25.1%	26.2%	2,602	-6,206	8,243	36,739	\$35.40
E King County	1,002,049	6.0%	6.3%	6,910	1,387	308	7,664	\$28.80
I-90 Corridor	5,770,399	38.6%	41.9%	14,879	-23,720	72,360	266,805	\$36.24
Kirkland	4,354,400	7.8%	9.0%	24,383	-44,612	36,085	210,429	\$44.28
Mercer Island	392,174	4.8%	6.7%	506	15,383	6,132	23,174	\$43.08
Redmond	4,350,537	16.2%	17.1%	67,917	-108,242	35,176	226,683	\$34.92
Suburban Bellevue	7,003,758	10.7%	11.0%	36,113	353,298	90,772	392,511	\$39.96
<b>East King County Total</b>	<b>43,154,425</b>	<b>19.7%</b>	<b>21.5%</b>	<b>217,018</b>	<b>-564,181</b>	<b>374,465</b>	<b>2,432,853</b>	<b>\$41.09</b>
Federal Way/Auburn	3,993,368	18.0%	18.5%	-992	-37,860	18,187	125,134	\$26.40
Kent Valley	1,859,045	15.3%	15.8%	-784	-59,513	16,868	66,619	\$29.28
Renton/Tukwila	6,856,962	25.0%	25.9%	7,072	-23,069	27,864	203,067	\$27.48
Seatac/Burien	1,700,412	5.7%	5.7%	5,793	-72	6,800	29,879	\$27.91
<b>South King County Total</b>	<b>14,409,787</b>	<b>19.5%</b>	<b>20.2%</b>	<b>11,089</b>	<b>-120,514</b>	<b>69,719</b>	<b>424,699</b>	<b>\$27.35</b>
Bothell/Kenmore	3,492,863	17.6%	18.7%	17,379	67,496	3,211	238,360	\$33.95
Edmonds/Lynnwood	3,232,944	8.2%	8.8%	-20,236	-59,501	29,147	97,474	\$30.96
Everett CBD	2,959,042	10.1%	10.2%	-6,357	-99,423	8,277	40,396	\$24.12
Mill Creek/Woodinville	809,024	3.4%	4.2%	-6,904	7,705	11,278	21,250	\$32.92
N Snohomish County	770,917	3.5%	3.5%	3,280	12,066	2,005	6,894	\$27.02
S Everett/Harbor Point	1,341,690	9.0%	10.0%	24,746	-9,466	24,096	82,739	\$28.68
S Snohomish County	207,459	0.0%	0.0%	1,525	6,500	1,525	2,828	\$32.88
<b>Snohomish Total</b>	<b>12,813,939</b>	<b>10.6%</b>	<b>11.2%</b>	<b>13,433</b>	<b>-74,623</b>	<b>79,539</b>	<b>489,941</b>	<b>\$30.96</b>
Dupont	430,681	80.9%	80.9%	0	2,430	0	2,430	\$27.60
E Pierce County	374,287	10.9%	10.9%	2,294	32,895	3,580	11,313	\$33.60
Gig Harbor/W Pierce Co	1,085,834	4.4%	4.9%	-6,846	-7,871	5,011	30,407	\$32.28
Puyallup	1,289,663	17.4%	17.4%	1,118	4,607	10,894	32,465	\$34.08
Spanaway	524,033	3.0%	3.0%	2,695	42	4,456	17,268	\$32.28
Tacoma CBD	4,961,769	15.6%	16.2%	4,416	-70,220	25,958	120,929	\$27.72
Tacoma Suburban	2,789,830	4.9%	4.9%	-24,993	-46,794	6,441	44,940	\$32.55
Univ. Place/Lakewood	1,192,116	7.0%	7.0%	-9,355	-23,710	7,966	32,093	\$24.18
<b>Pierce County Total</b>	<b>12,648,213</b>	<b>13.2%</b>	<b>13.5%</b>	<b>-30,671</b>	<b>-108,621</b>	<b>64,306</b>	<b>291,845</b>	<b>\$29.24</b>
<b>Puget Sound Total</b>	<b>168,796,325</b>	<b>21.2%</b>	<b>22.8%</b>	<b>190,727</b>	<b>-2,044,446</b>	<b>1,275,479</b>	<b>7,510,721</b>	<b>\$32.88</b>

\* 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**

By year-end, the vacancy rate for multi-tenant office properties over 10,000 SF (excluding owner-user buildings) reached 22.8%, marking the sixteenth consecutive quarterly increase since 4Q 2021, when the vacancy rate stood at 12.1%. Among submarkets, Seattle posted the highest vacancy at 27.6%, followed by East King County at 21.5% and South King County at 20.2%.

Total sublease availability continued its downward trajectory for the second consecutive year, closing at 5.2M SF, or 12.7% of total available inventory, the lowest proportion since 2018. The continued decline signals a positive trend that underscores the trend of a slow but moderate improvement beginning to emerge in the Puget Sound office market.

**RENT TRENDS**

The average asking lease rate ended 2025 at \$32.88 PSF, reflecting a 0.7% decline from the prior quarter and a 5.1% decrease year-over-year. While the pace of decline has moderated compared to early 2024 and 2023, downward pressure is expected to persist until market conditions stabilize.

Over the past five years, Seattle has experienced the most significant rental compression, with rates down 15% since 2020, followed by East King County at 5%. Despite these adjustments, East King County remains the region's most expensive submarket, averaging \$41.09 PSF, followed by Seattle at \$35.71 PSF.

**NEW CONSTRUCTION**

Development activity contracted sharply by year-end 2025 as only 63,527 SF across three projects remained under construction (excluding owner-user developments). This represents a 95% decline year-over-year and a 99% reduction from 2023, when construction peaked near 7.5M SF.

The only notable multi-tenant completion in 4Q 2025 was Four106 (485,000 SF, Bellevue CBD, 0% pre-leased). Major owner-user projects under construction not included in our statistics include Microsoft's 3.0M SF Redmond campus expansion and Amazon's 1.0M SF Bellevue 600 development. No significant new office projects broke ground during the quarter.

**INVESTMENT MARKET**

Investment activity for transactions exceeding \$1M continued to surge in 2025, with 164 transactions totaling \$1.58B and an average price of \$364 PSF. This compares to \$1.63B across 150 transactions in 2024 (average \$368 PSF).

Key transactions in 4Q 2025 include Building 22 at Microsoft's Redmond Campus, acquired by American Capital Group for \$39 million (\$343 PSF); King County purchased a medical office building in Capitol Hill for \$27M (\$238 PSF); and Peakstone Realty Trust sold West Willows Technology Center to Lincoln Property Company for \$40M (\$257 PSF).

Despite ongoing challenges, tight lending conditions, asset distress, looming loan maturities, and pricing volatility, buyers remain active, particularly targeting value-add opportunities. Investment volume is expected to gain further momentum in 2026.



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>26.2M</b> ANNUAL SALES SF	<b>36.7M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>53M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,400+</b> AVERAGE ANNUAL ASSIGNMENTS	<b>41</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS