MARKET TRENDS

SEATTLE *OFFICE*

2Q 2026

MARKET OVERVIEW

The Puget Sound office market continues to show gradual signs of stabilization after several years of disruption. While vacancy remains elevated across the region, the pace of deterioration has slowed considerably, suggesting that the sharp occupancy losses experienced earlier in the cycle may be easing. Leasing activity has improved steadily over the past two years, though demand remains measured as occupiers continue to evaluate long-term workplace strategies and align real estate decisions with evolving office utilization patterns.

Leasing momentum has strengthened with 3.8M SF of office lease transactions completed during the first half of the year, bringing the latest 4-quarter total to 8.1M SF. Downtown Seattle generated the highest overall leasing volume at 1.6M SF. Bellevue CBD, however, emerged as one of the region's standout performers by recording 851K SF, year-to-date, leasing 6% of its inventory base compared with 2% in Downtown Seattle, highlighting the strength of tenant demand relative to market size.

Bellevue's continued success reflects a combination of modern office product, proximity to major employers, and a business environment that many occupiers view as both efficient and cost-effective. Significant commitments from OpenAI, Uber, and Databricks further reinforced the submarket's growing appeal and underscored the Eastside's position as a preferred destination for expansion-oriented companies.

At the same time, the broader market remains heavily influenced by large technology occupiers. While companies such as Microsoft and Amazon continue to maintain substantial regional employment bases, recent real estate decisions have been centered on portfolio optimization rather than expansion. Across the sector, occupiers are increasingly focused on efficiency, workplace utilization, and flexibility, resulting in footprint reductions, lease consolidations, and the selective disposition of surplus space. These actions reflect a broader shift toward right-sizing office portfolios rather than a retreat from the market.

Demand continues to concentrate in high-quality, amenity-rich buildings that support collaboration, employee engagement, and talent retention. As employers place greater emphasis on office attendance and workplace experience, building quality, location, transit access, and operational flexibility have become increasingly important decision factors. This ongoing flight to quality continues to benefit premier assets while creating challenges for older and less competitive properties.

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Market Summary

	Avg Asking Rent/SF	Vacant Space (SF)
Seattle Close-In	$35.02	24,235,085
Eastside	$41.85	8,929,688
South King County	$27.86	3,140,795
Snohomish County	$30.86	1,391,112
Pierce County	$29.20	1,761,176

↑ ABSORPTION

↑ VACANCY RATE

↓ RENTAL RATE

↓ CONSTRUCTION DELIVERIES

Quarter-Over-Quarter Trend

Market Highlights

REGIONAL OFFICE VACANCY ended the quarter at 23.4%, a 30 bps increase compared to last quarter

NET ABSORPTION totaled -46,836 SF during the quarter

DEVELOPMENT ACTIVITY totaled 123,667 SF across 4 projects under construction

INVESTMENT VOLUME collectively totaled $184M during the quarter across 32 transactions

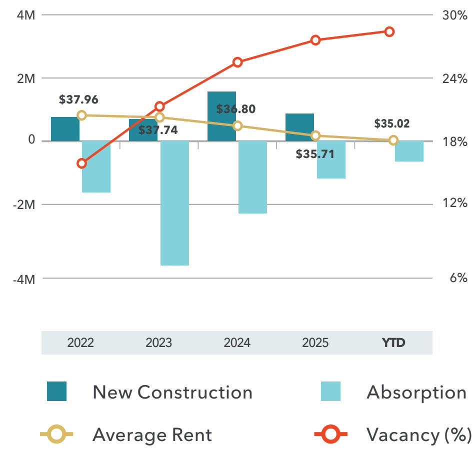
SEATTLE CLOSE-IN

Vacancy continued to rise in Seattle, ending 2Q 2026 at 28.2%, an increase from 28.0% last quarter. This was the highest vacancy rate in the region. However, there has been a recent deceleration in vacancy rate increases compared to the sharp rate of increase 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 -247,471 SF in 2Q 2026. For comparison, the quarterly average was -300,000 SF in 2025, -585,000 SF in 2024, -800,000 SF in 2023 and -365,000 SF in 2022, illustrating the slow but steady improvement experienced over the past few years.

Average asking rents for all classes of office buildings decreased to $35.00 PSF, a modest quarterly decline of -0.5% and an annual decline of -6.8%. 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 34.9%, while the average Class A rent quote decreased slightly to $40.29 PSF from $40.60 PSF last quarter and $43.34 PSF at the same time last year.



EASTSIDE REVIEW

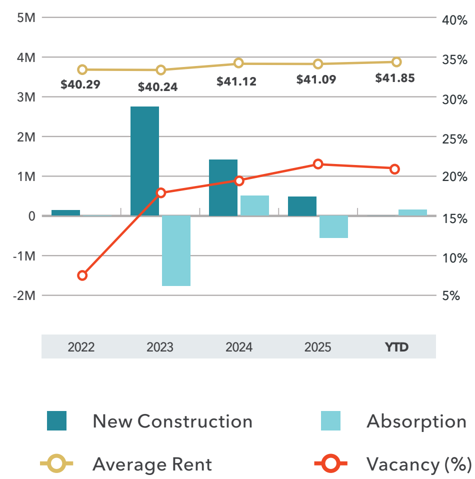
The Eastside vacancy rate experienced a slight decrease during the quarter to 21.0%.

Overall net absorption totaled 248,731 SF in 2Q 2026, bringing the year-to-date total to 150,510 SF. For comparison, the quarterly average net absorption total was -140,000 SF in 2025, 125,000 in 2024, -460,000 SF in 2023 and -20,000 SF in 2022.

Meanwhile, quarterly leasing activity in 2Q 2026 was 604,186 SF, bringing the year-to-date total to 1.3M SF and averaging 665K SF per quarter.

Asking rent for the Eastside market (including the Bellevue CBD and surrounding submarkets) increased from $41.38 PSF to $41.85 PSF (1.1%), with an annual increase of approximately 6.7%.

Bellevue's CBD direct vacancy rate was 20.3% at the end of 2Q 2026 while the overall vacancy rate was 23.2%. The overall average Class A rent quote (including direct and sublease space) rose to $56.32 during the quarter while the direct average Class A rent quote was $69.27, both slight increases compared to last quarter.



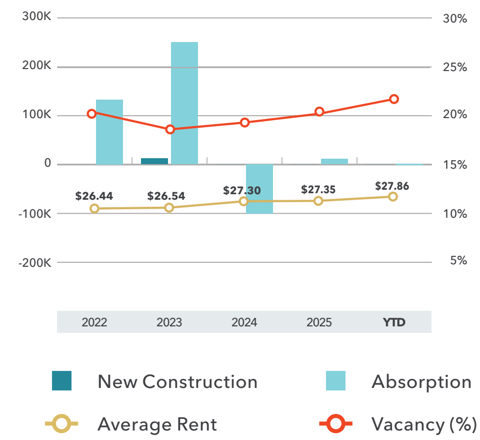
SOUTH KING COUNTY REVIEW

South King County saw vacancy rise to 21.7%, an increase of 150 basis points compared to last quarter when the rate was 20.2%.

Net absorption totaled -25,959 SF for the first half of 2026. The market has averaged -15,000 SF per quarter for the past two years.

Leasing activity totaled 532,048 SF over the first two quarters, averaging 266,024 SF per quarter.

Asking rents remained relatively stable in South King County, increasing to $27.86 PSF.



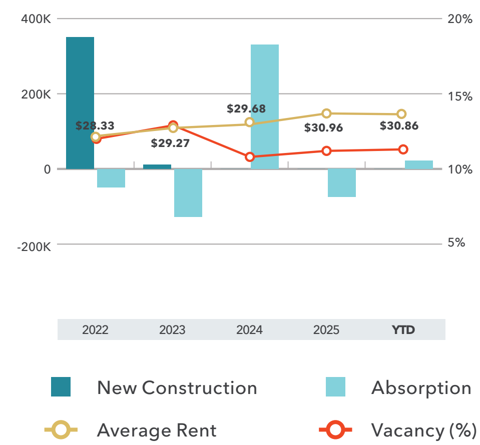
SNOHOMISH COUNTY/NORTHEND REVIEW

The overall vacancy rate in Snohomish County ended the quarter at 11.3%, a modest increase compared to last quarter.

Net absorption was negative in 2Q 2026, posting -16,357 for the quarter, bringing the year-to-date total to 21,574.

After averaging 215,000 SF per quarter in 2024 and 165,000 in 2025, total leasing activity (including renewals) slowed to 177,768 SF of activity during the first half of 2026 (averaging 88,884 SF per quarter).

Asking rents ended the quarter at $30.86 PSF, a 1.1% decline compared to last quarter's rate of $31.20 PSF.



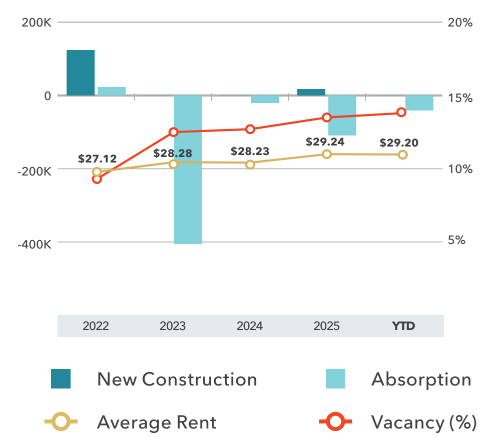
PIERCE COUNTY REVIEW

The total vacancy rate in 2Q 2026 was 13.8%, a 30-bps increase compared to last quarter, and a 40-bps increase compared to the same time last year when the rate was 13.4% in 2Q 2025.

Net absorption totaled -33,866 SF this quarter, bringing the year-to-date total to -40,314 (averaging -20,157 SF per quarter). This compares similarly to the -20,000 SF quarterly average posted in 2025, -6,000 SF 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 has slowed a bit in 2026, averaging 59,335 SF per quarter for the past two quarters.

Asking rents ended the quarter at $29.20 PSF, a slight 0.3% decline compared to last quarter.



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q 2026 Total Net Absorption	2026 YTD Total Net Absorption	2Q 2026 Leasing Activity	2026 YTD Leasing Activity	Asking Rental Rate
Ballard/U Dist	5,420,509	23.6%	24.7%	-23,897	-122,921	49,129	67,647	$34.05
Belltown/Denny Regrade	7,072,938	30.6%	32.0%	-31,743	-21,797	15,093	39,360	$30.72
Capitol Hill/Central Dist	4,552,344	12.4%	13.1%	-25,393	-36,234	10,346	35,222	$40.68
Lake Union	14,341,630	18.5%	22.5%	-122,490	-44,010	149,753	184,987	$40.69
Northgate/N Seattle	1,359,851	8.5%	8.5%	11,716	41,382	23,075	50,674	$32.64
Pioneer Square/Waterfront	7,534,646	30.5%	30.9%	-10,360	-57,277	166,903	213,630	$29.52
Queen Anne/Magnolia	5,372,660	29.7%	31.3%	6,317	-143,543	18,480	31,825	$32.32
S Seattle	5,941,706	9.0%	11.3%	-16,920	-2,623	1,172	9,397	$26.28
Seattle CBD	34,430,209	32.3%	34.9%	-34,701	-222,666	642,704	1,078,484	$35.85
Seattle Total	**86,026,493**	**25.9%**	**28.2%**	**-247,471**	**-609,689**	**1,076,655**	**1,711,226**	**$35.00**
520 Corridor	3,347,583	15.0%	16.8%	-7,045	23,687	28,332	89,327	$35.64
Bellevue CBD	14,703,774	20.3%	23.2%	366,168	318,378	365,428	851,255	$53.93
Coal Creek/Issaquah	2,148,771	25.1%	25.1%	3,002	5,468	2,199	11,137	$35.40
E King County	1,002,049	9.4%	9.8%	-11,100	-11,254	3,760	3,760	$30.00
I-90 Corridor	5,770,631	38.8%	41.2%	-17,077	-43,042	21,329	63,677	$37.13
Kirkland	4,289,715	8.2%	10.4%	-38,060	-72,703	36,791	78,436	$44.76
Mercer Island	392,174	3.0%	3.4%	5,310	12,052	1,881	6,522	$42.72
Redmond	4,326,875	13.6%	13.9%	20,820	43,542	61,604	88,392	$35.12
Suburban Bellevue	6,635,199	12.9%	13.4%	-73,287	-125,618	82,862	138,115	$38.16
East King County Total	**42,616,771**	**19.2%**	**21.0%**	**248,731**	**150,510**	**604,186**	**1,330,621**	**$41.85**
Federal Way/Auburn	4,012,299	17.9%	18.7%	-17,209	-61,733	17,575	39,424	$26.76
Kent Valley	1,859,045	14.2%	14.8%	-8,917	19,474	12,373	41,788	$30.12
Renton/Tukwila	6,885,961	28.9%	29.8%	9,696	-17,166	147,135	450,836	$28.20
Seatac/Burien	1,700,412	3.8%	3.8%	18,557	33,466	0	0	$27.73
South King County Total	**14,457,717**	**21.0%**	**21.7%**	**2,127**	**-25,959**	**177,083**	**532,048**	**$27.86**
Bothell/Kenmore	3,399,481	17.4%	18.8%	26,701	16,117	43,747	51,472	$33.74
Edmonds/Lynnwood	3,010,887	8.0%	8.4%	-23,899	26,556	45,231	69,652	$31.92
Everett CBD	2,696,835	11.9%	11.9%	-7,594	-21,211	16,248	20,942	$23.96
Mill Creek/Woodinville	820,655	2.5%	2.9%	4,075	10,092	12,327	16,881	$33.32
N Snohomish County	774,059	2.9%	2.9%	7,620	4,670	820	820	$27.37
S Everett/Harbor Point	1,359,804	8.0%	9.6%	-23,260	-14,650	0	18,001	$28.42
S Snohomish County	207,459	0.0%	0.0%	0	0	0	0	---
Snohomish Total	**12,269,180**	**10.7%**	**11.3%**	**-16,357**	**21,574**	**118,373**	**177,768**	**$30.86**
Dupont	430,681	82.0%	82.0%	-4,687	-4,687	0	0	$27.46
E Pierce County	374,287	11.6%	11.6%	0	-2,742	1,886	3,246	$33.39
Gig Harbor/W Pierce Co	1,085,834	4.7%	5.3%	-1,780	-3,368	2,000	6,786	$32.67
Puyallup	1,289,663	17.2%	17.2%	-4,215	3,664	9,265	11,131	$34.08
Spanaway	522,723	5.0%	5.0%	-2,723	-10,279	2,791	3,607	$31.68
Tacoma CBD	5,042,461	15.6%	15.9%	-13,801	29,994	26,324	49,920	$27.36
Tacoma Suburban	2,858,313	6.5%	6.6%	-17,268	-39,946	11,018	23,347	$32.35
Univ. Place/Lakewood	1,192,116	6.2%	6.2%	10,608	-12,950	14,418	20,633	$23.28
Pierce County Total	**12,796,078**	**13.6%**	**13.8%**	**-33,866**	**-40,314**	**67,702**	**118,670**	**$29.20**
Puget Sound Total	**168,166,239**	**21.7%**	**23.4%**	**-46,836**	**-503,878**	**2,043,999**	**3,870,333**	**$32.76**

* 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 2Q 2026, office vacancy for multi-tenant office buildings larger than 10,000 SF (excluding owner-user buildings) continued to trend higher across the Puget Sound region, closing the quarter at 23.4%. Market conditions remain highly uneven by geography, with Seattle posting the highest rate at 28.2%, followed by South King County at 21.7% and East King County at 21.0%.

One of the more encouraging developments has been the continued reduction in sublease availability. As large occupiers work through excess space and fewer blocks of secondary inventory return to the market, sublease space now represents a significantly smaller share of total availability than in recent years. Sublease availability totaled 4.72M SF in 2Q, representing 11.7% of the total available space. This was the lowest share of sublease space since 2018 and provides an early indication that market conditions are beginning to stabilize, even as broader recovery remains slow and uneven.

RENT TRENDS

Average asking rents continued to adjust modestly, slipping to $32.76 PSF in 2Q 2026, representing a 0.5% decrease quarter-over-quarter and 1.0% below last year. While the pace of decline has moderated compared to early 2024 and 2023, pricing is expected to remain largely flat during the near term as market slowly moves closer to equilibrium. Eastside continues to command the region's highest asking rents, averaging $41.85 PSF, driven largely by recent development activity and comparatively stronger tenant demand. Seattle follows at $35.00 PSF; however, it has experienced the most pronounced rent compression over the past five years, with average asking rates approximately 15% lower than 2021.

NEW CONSTRUCTION

Development activity continues to contract as only 123,667 SF across four projects were 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. No significant completions or ground breakings occurred during the quarter. Major owner-user projects under construction not included in our statistics include Amazon's 1.0M SF Bellevue 600 development, scheduled for delivery in 4Q 2026.

INVESTMENT MARKET

Investment activity for transactions exceeding $1M continued to be active during 2Q 2026, with 32 transactions totaling $184.5M and an average price of $358 PSF. Key transactions during the quarter include 4530 12th Ave NE in Ballard/University District, acquired by Bank OZK for $78.4M ($311 PSF); and King County purchased Kirkland 405 Corporate Center in Kirkland for $32.6M ($509 PSF).

Buyers continue to focus on value-add opportunities where pricing adjustments create potential upside through leasing and repositioning strategies. While transaction volume remains below historical norms, improving alignment between buyers and sellers is supporting increased market activity. Investment momentum is expected to strengthen gradually through the remainder of 2026 as market conditions stabilize and capital becomes more comfortable with current pricing levels.

Kidder Mathews

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

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS