

MARKET TRENDS

SEATTLE *OFFICE*

MARKET OVERVIEW

The Puget Sound office market continued to stabilize in 3Q 2026, although fundamentals remain uneven across the region. Market-wide, the vacancy rate ended the quarter at 23.3%, while net absorption totaled 113K SF. Sublease space as a percent of available space remained well below the cyclical highs recorded in 2020, while asking rent declines have moderated. New development remains subdued, with construction activity down sharply from prior cycle peaks. Collectively, these trends suggest the market is laying the foundation for a more sustained and balanced recovery in the near term.

Much of the recent leasing momentum and demand activity has come from AI firms expanding across the region to access the deep pool of technology-focused talent in Puget Sound. This activity reinforces Seattle's position as a leading innovation market and highlights the continued importance of talent in office location decisions. Many tenants appear to have completed their post-pandemic footprint adjustments and are beginning to take a longer-term view of their real estate needs. While companies remain disciplined in how they use space, decision-making has shifted from downsizing toward supporting collaboration, productivity, and future growth. This reflects improving business confidence and a greater willingness to make strategic commitments.

Both flight-to-quality and flight-to-value trends continue to shape tenant and investor behavior. Companies and investors continue to favor newer, well-located buildings that offer strong amenities, convenient transportation access, and environments that help attract and retain employees. Buildings that cannot meet evolving tenant expectations may require renovations, repositioning, or alternative uses to remain competitive. Demand is also becoming more diverse. Technology firms remain an important source of activity, but recent demand also comes from more traditional industries as a broader tenant base helps create a more balanced market.

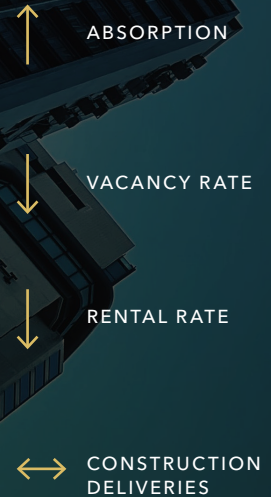
Looking ahead, the limited amount of new office construction should support recovery by directing future demand toward existing inventory. At the same time, some older office properties are being repositioned through conversion and adaptive reuse projects, helping create more active and mixed-use urban neighborhoods. Together, these trends suggest Seattle's office market is moving beyond a period of correction and toward one centered on reinvestment, modernization, and long-term growth.

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Market Summary

	Avg Asking Rent/SF	Vacant Space (SF)
Seattle Close-In	\$35.02	23,835,385
East King County	\$41.90	9,558,589
South King County	\$27.80	2,564,258
Pierce County	\$29.82	1,682,273
Snohomish County	\$30.61	1,461,302
Puget Sound Total	\$32.71	39,101,807

3Q 2026



Quarter-Over-Quarter Trend

Market Highlights

REGIONAL OFFICE VACANCY ended the quarter at 23.3%, a 10 bps decrease compared to last quarter

NET ABSORPTION totaled -46,836 SF during the quarter

DEVELOPMENT ACTIVITY totaled 138,667 SF across 5 projects under construction

INVESTMENT VOLUME collectively totaled \$590 million during the quarter across 46 transactions

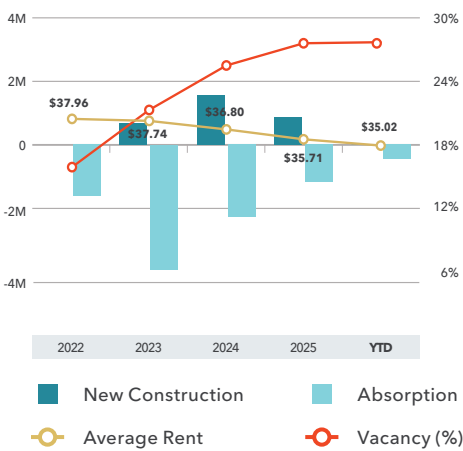
SEATTLE CLOSE-IN

Vacancy remained high in Seattle, ending 3Q 2026 at 27.7%. This was a slight decrease compared to last quarter when the rate was 28.2%. Seattle continued to record the highest vacancy rate in the region. However, vacancy growth has moderated compared to the rapid increases experienced between 2020 and 2023, suggesting the market may be approaching an inflection point and a period of stabilization.

Quarterly net absorption was positive this quarter with 150,670 SF in 3Q 2026. However, the year-to-date total is -459,019 SF (averaging -153K SF per quarter). For comparison, the quarterly average was -300K SF in 2025, -585K SF in 2024, -800K SF in 2023 and -365K 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 rents are expected to remain soft in the near term.

The Seattle CBD overall vacancy rate remains elevated but steady at 35.0%, while the average Class A rent quote remained stable at \$40.29 PSF compared to \$43.67 PSF at the same time last year.



EASTSIDE REVIEW

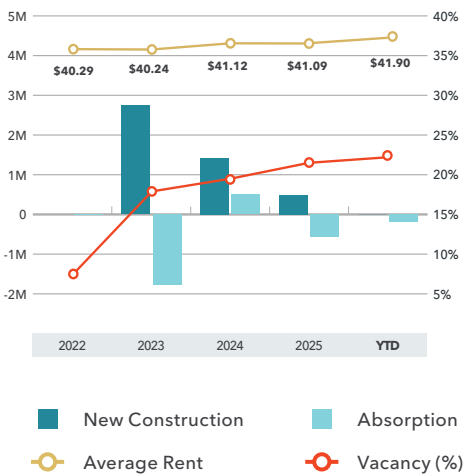
The Eastside vacancy rate increased to 22.2% during the quarter.

Overall net absorption totaled -338,453 SF in 3Q 2026, bringing the year-to-date total to -187,943 SF and averaging -63K SF per quarter in 2026. For comparison, the quarterly average net absorption total was -140K SF in 2025, 125K SF in 2024, and -460K SF in 2023.

Meanwhile, quarterly leasing activity (including renewals) in 3Q 2026 was 420,197 SF, bringing the year-to-date total to 1.8M SF and averaging 584K SF per quarter.

Average asking rents for the Eastside market (including the Bellevue CBD and surrounding submarkets) increased from \$41.85 PSF to \$41.90 PSF (0.1%), with an annual increase of approximately 5%.

Bellevue's CBD direct vacancy rate was 19.5% at the end of 3Q 2026 while the overall vacancy rate was 23.7%. The overall average Class A rent quote (including direct and sublease space) rose to \$57.15 during the quarter while the direct average Class A rent quote was \$69.35, both slight increases compared to last quarter.



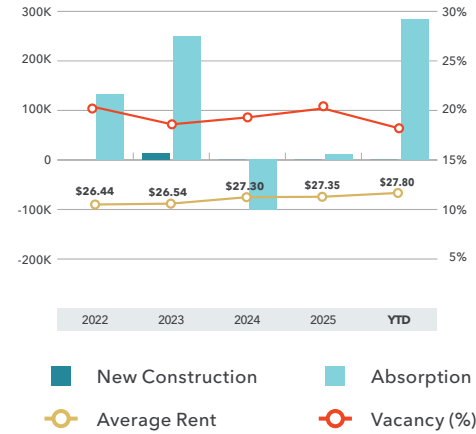
SOUTH KING COUNTY REVIEW

South King County vacancy declined to 18.2%, down 350 basis points from 21.7% last quarter.

Net absorption posted strong activity in 3Q 2026 at 283,685 SF, bringing the year-to-date total to 257,726 SF and averaging 86K SF per quarter in 2026.

Leasing activity totaled 596,934 SF over the first three quarters of 2026, averaging nearly 200K SF per quarter.

Average asking rents remained relatively stable in South King County, ending the quarter at \$27.80 PSF.



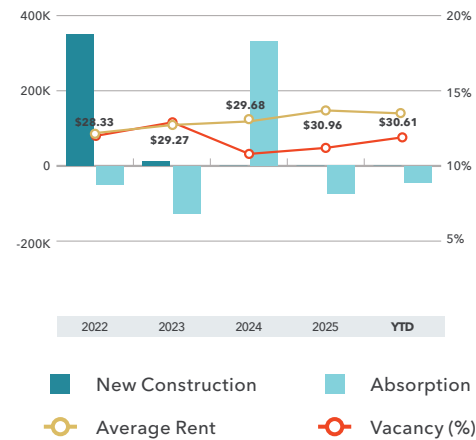
SNOHOMISH COUNTY/NORTHEND REVIEW

The overall vacancy rate in Snohomish County ended the quarter at 11.9%, a modest increase compared to last quarter's rate of 11.3%.

Net absorption was negative in 3Q 2026, posting -65,990 SF for the quarter, bringing the year-to-date total to -44,416 SF.

After averaging 215K SF per quarter in 2024 and 165K SF in 2025, total leasing activity (including renewals) totaled 323,059 SF of activity during the first three quarters of 2026 (averaging 108K SF per quarter).

Average asking rents ended the quarter at \$30.61 PSF, a -0.8% decline compared to last quarter's rate of \$30.86 PSF.



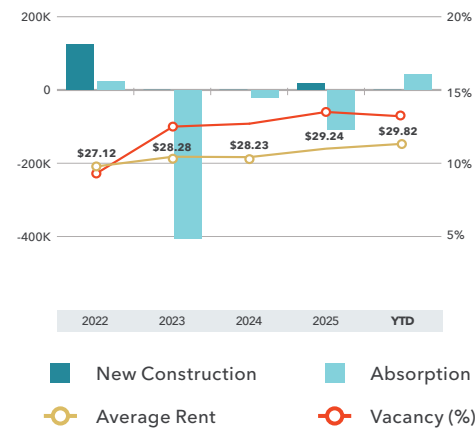
PIERCE COUNTY REVIEW

The total vacancy rate at the end of 3Q 2026 was 13.2%, a 60 bps decrease compared to last quarter, and a 50 bps decrease compared to the same time last year when the rate was 13.7% in 3Q 2025.

Net absorption totaled 83,259 SF this quarter, bringing the year-to-date total to 42,945 SF (averaging 14K SF per quarter). This compares positively to the -27K SF quarterly average in 2025, and -5K SF in 2024.

Leasing activity has been relatively steady over the past couple of years, averaging approximately 90K SF per quarter for the past three years. However, activity has slowed a bit in 2026, averaging a little more than 60K SF per quarter over the first three quarters of 2026.

Average asking rents ended the quarter at \$29.82 PSF, an increase of 2.1% compared to last quarter.



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q 2026 Total Net Absorption	2026 YTD Total Net Absorption	3Q 2026 Leasing Activity	2026 YTD Leasing Activity	Asking Rental Rate
Ballard/U Dist	5,291,130	23.0%	23.7%	-44,102	-167,023	90,485	158,132	\$34.00
Belltown/Denny Regrade	7,077,064	29.6%	30.7%	91,365	69,568	37,207	76,567	\$31.24
Capitol Hill/Central Dist	4,837,746	9.8%	10.5%	10,888	-25,346	20,771	55,993	\$41.01
Lake Union	14,410,904	18.1%	22.2%	-9,295	-53,305	174,138	359,125	\$40.64
Northgate/N Seattle	1,352,314	8.3%	8.3%	3,342	44,724	13,387	64,061	\$27.42
Pioneer Square/Waterfront	7,528,753	30.3%	30.9%	66	-57,211	40,800	254,430	\$30.02
Queen Anne/Magnolia	5,339,696	28.9%	30.0%	27,754	-115,789	23,602	55,427	\$32.27
S Seattle	5,949,251	8.9%	11.2%	8,123	5,500	9,861	19,258	\$26.20
Seattle CBD	34,304,173	32.5%	35.0%	62,529	-160,137	336,514	1,414,998	\$35.80
Seattle Total	86,091,031	25.6%	27.7%	150,670	-459,019	746,765	2,457,991	\$35.02
520 Corridor	3,413,862	16.6%	18.1%	-17,401	6,286	18,851	108,178	\$35.33
Bellevue CBD	15,339,166	19.5%	23.7%	-163,522	154,856	288,885	1,140,140	\$53.98
Coal Creek/Issaquah	2,110,987	25.1%	25.1%	10,632	16,100	11,438	22,575	\$35.67
E King County	966,354	10.0%	10.4%	-1,906	-13,160	2,437	6,197	\$29.41
I-90 Corridor	5,768,372	39.7%	42.1%	-32,439	-75,481	8,110	71,787	\$37.18
Kirkland	4,300,500	7.8%	8.7%	27,927	-44,776	11,306	89,742	\$44.81
Mercer Island	392,174	3.2%	3.9%	-1,716	10,336	2,133	8,655	\$43.13
Redmond	4,325,754	14.3%	14.4%	-23,345	20,197	27,509	115,901	\$35.17
Suburban Bellevue	6,369,530	10.3%	19.4%	-136,683	-262,301	49,528	187,643	\$38.97
East King County Total	42,986,699	18.9%	22.2%	-338,453	-187,943	420,197	1,750,818	\$41.90
Federal Way/Auburn	4,013,145	18.3%	19.2%	-19,824	-81,557	24,356	63,780	\$26.72
Kent Valley	1,855,572	11.4%	12.0%	20,396	39,870	19,426	61,214	\$30.69
Renton/Tukwila	6,503,777	22.0%	22.9%	299,137	281,971	21,104	471,940	\$28.15
SeaTac/Burien	1,703,123	4.7%	4.7%	-16,024	17,442	0	0	\$27.68
South King County Total	14,075,617	17.4%	18.2%	283,685	257,726	64,886	596,934	\$27.80
Bothell/Kenmore	3,332,331	17.9%	19.3%	-4,035	12,082	83,920	135,392	\$34.64
Edmonds/Lynnwood	3,025,299	7.6%	7.9%	14,749	41,305	26,292	95,944	\$31.73
Everett CBD	2,699,808	13.7%	13.7%	-46,988	-68,199	9,505	30,447	\$23.36
Mill Creek/Woodinville	822,538	2.8%	3.3%	-3,037	7,055	5,677	22,558	\$33.37
N Snohomish County	771,400	3.7%	3.7%	-2,000	2,670	2,000	2,820	\$29.03
S Everett/Harbor Point	1,364,229	9.8%	11.4%	-24,679	-39,329	17,897	35,898	\$28.45
S Snohomish County	226,961	0.0%	0.0%	0	0	0	0	---
Snohomish Total	12,242,566	11.3%	11.9%	-65,990	-44,416	145,291	323,059	\$30.61
Dupont	430,681	82.0%	82.0%	0	-4,687	0	0	\$27.41
E Pierce County	374,287	12.8%	12.8%	-4,208	-6,950	0	3,246	\$33.34
Gig Harbor/W Pierce Co	1,085,834	4.9%	5.5%	-2,121	-5,489	3,141	9,927	\$32.72
Puyallup	1,274,115	17.0%	17.0%	5,829	9,493	0	11,131	\$34.08
Spanaway	524,673	6.3%	6.3%	-7,209	-17,488	2,611	6,218	\$32.28
Tacoma CBD	4,994,149	14.1%	14.3%	88,854	118,848	44,131	94,051	\$27.90
Tacoma Suburban	2,864,632	7.4%	7.4%	-25,750	-65,696	8,324	31,671	\$32.30
Univ. Place/Lakewood	1,192,116	3.9%	3.9%	27,864	14,914	5,013	25,646	\$24.17
Pierce County Total	12,740,487	13.1%	13.2%	83,259	42,945	63,220	181,890	\$29.82
Puget Sound Total	168,136,400	21.2%	23.3%	113,171	-390,707	1,440,359	5,310,692	\$32.71

* 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

Office vacancy across the Puget Sound region remains elevated, ending 3Q 2026 at 23.3% for multi-tenant office buildings larger than 10,000 SF (excluding owner-user buildings). Conditions continue to vary widely by submarket, with Seattle recording the highest vacancy rate at 27.7%, followed by Eastside at 22.2% and South King County at 18.2%. While vacancy remains historically high, the pace of deterioration has slowed compared to the rapid increases seen earlier in the cycle.

A more encouraging trend has been the continued reduction in sublease space. As large tenants work through excess space and fewer large blocks return to the market, sublease availability now accounts for a much smaller share of overall availability than it did during the peak of the downturn. Sublease inventory totaled 5.5M SF at quarter-end, representing 13.4% of available space, down significantly from roughly 25% in 2020. While a full recovery will likely take time, the stabilization of sublease inventory is an early sign that the market is gradually working through some of its biggest post-pandemic challenges.

RENT TRENDS

Average asking rents continued to edge lower in 3Q 2026, declining to \$32.71 PSF, down 0.2% from last quarter and 1.0% from a year ago. While rents are still adjusting, the pace of decline has slowed considerably from the sharper corrections seen in 2023 and early 2024. As market conditions gradually rebalance, pricing appears to be stabilizing and is likely to remain relatively flat in the near term. The Eastside continues to lead the region in rent levels at \$41.90 PSF, supported by newer building inventory and stronger tenant demand. Seattle ranks second at \$35.02 PSF but has experienced the greatest pricing compression among major submarkets, with average asking rents roughly 15% below their 2021 peak levels.

NEW CONSTRUCTION

New construction activity remains extremely limited as developers continue to wait for market fundamentals to improve. At the end of 3Q 2026, only 138,667 SF was under construction across five non-owner-user projects, representing a 95% year-over-year decline and a 99% reduction from the development cycle peak in 2023. The sharp pullback in construction reflects diminished market fundamentals and a lack of opportunities for new office development. This development slowdown is expected to support gradual market rebalancing as leasing demand improves. Amazon's Bellevue 600 project, totaling approximately 1.0M SF and scheduled for completion in 4Q 2026, remains the region's largest active office development but is excluded from our statistics because it is an owner-user project.

INVESTMENT MARKET

Investment activity remained healthy in 3Q 2026, with 46 transactions totaling \$590M and an average sale price of \$310 PSF. Notable deals included the sale of 85 106th Ave NE - West Main in the Bellevue CBD for \$340M (\$317 PSF). The buyer was Preylock and the seller was Vulcan Real Estate. Additionally, 11800 NE 128th St - Evergreen Plaza (a medical office building), was acquired by King County for \$69.8M (\$700 PSF).

Investors continue to target value-add opportunities where repriced assets offer potential upside through leasing, renovations, or repositioning strategies. While overall sales volume remains below historical averages, the gap between buyer and seller expectations has narrowed. As pricing becomes more transparent and confidence improves, investment activity is expected to gradually build momentum through the remainder of 2026.



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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

55M+ 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