Q3 2025

SOUTH PUGET SOUND OFFICE INSIGHTS

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km Kidder Mathews

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TENANT CONFIDENCE *CONTINUES TO GROW,* IMPROVING THE MARKET'S ATTITUDE

Tenant's continue to implement a RTO mandate along with executing long term leases, reflecting increased confidence

The South Puget Sound office market continues to find equilibrium through the third quarter of 2025. Vacancy now sits at **7.89%**, slightly improved from last quarter, reflecting strong tenant activity and growing confidence. Average asking rents remain steady at **$30.00 PSF Full Service**, with concessions finding their balance as positive absorption takes place.

Leasing strength remains the highest in **Tacoma and Federal Way**, driven by accessibility, parking, and suburban convenience. The trend for renovated and "amenitizied" assets continues, a response to an influx on national tenants entering the South Puget Sound.

Investment activity improved through Q3, with **average cap rates near 7.75%** and **sales pricing around $300 PSF** for quality owner-user assets. Private and institutional buyers are reengaging, targeting suburban opportunities with resilient tenant bases and opportunity to attract healthcare tenants.

Nationally recognized tenants, including financial, healthcare, and professional service users, are expanding into the South Puget Sound. These groups are drawn by lower occupancy costs, access to labor, and improved employee satisfaction. Most importantly, companies are listening to their employees and opening locations where the employees want to be. Their commitments reinforce the market's position as a strong alternative to core urban centers.

The South Puget Sound office market enters Q4 with cautious optimism. Steady demand, solid fundamentals, and a resilient tenant base point toward gradual and sustainable growth into 2026.

SOUTH PUGET SOUND Q3 INSIGHTS

VACANCY	8.19%
TOTAL SF	43,634,498
VACANT SF	3,773,788
AVERAGE ASKING RENT PSF FULL SERVICE	$30.00
AVERAGE MONTHS TO LEASE	4 - 8 months
AVERAGE SALE PRICE PSF	$225
AVERAGE MARKET CAP RATE	8.00%
MONTHS TO SALE - OWNER/USER	3-12 months
MONTHS TO SALE - STABILIZED	3-9 months

FEATURED LISTINGS

1313 BROADWAY
Tacoma, WA

LEASE

PETROVITSKY CAMPUS
10900 & 10904 SE
Petrovitsky Rd
Renton, WA

SALE

FOUNTAIN PLAZA
501 & 505 S 337TH ST
FEDERAL WAY, WA

LEASE

13.8M
INVENTORY SF

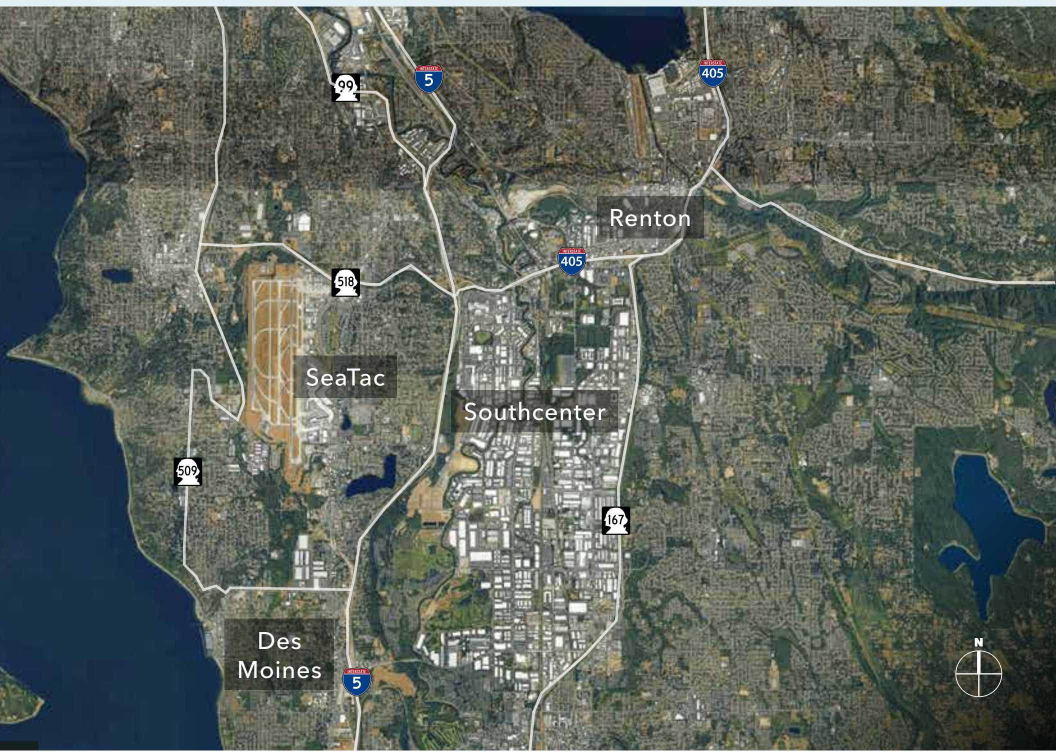
1.60M
VACANT SF

0.00%
ANNUAL RENT GROWTH

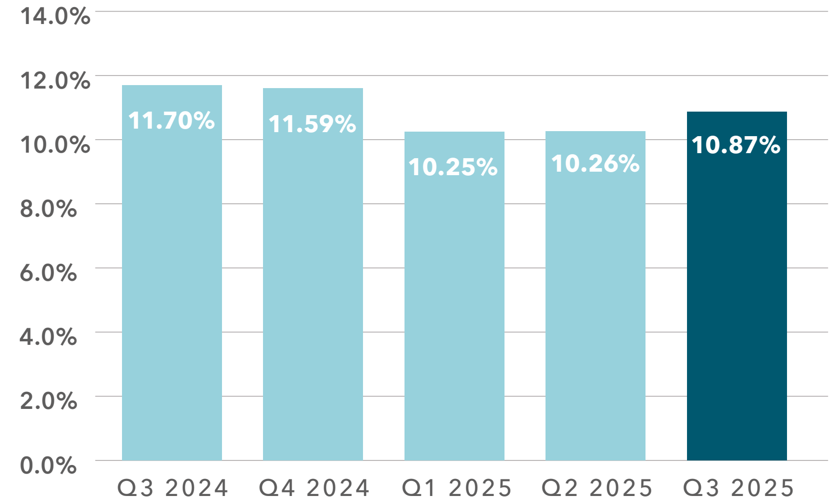
10.87%
VACANCY RATE

7.50%
MARKET CAP RATE

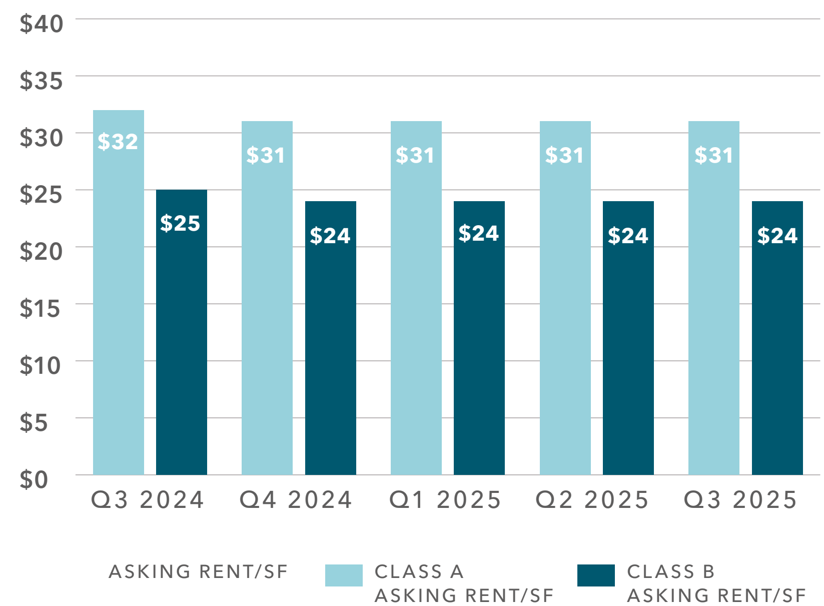
$306
MARKET SALE PSF



VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



4.4M
INVENTORY SF

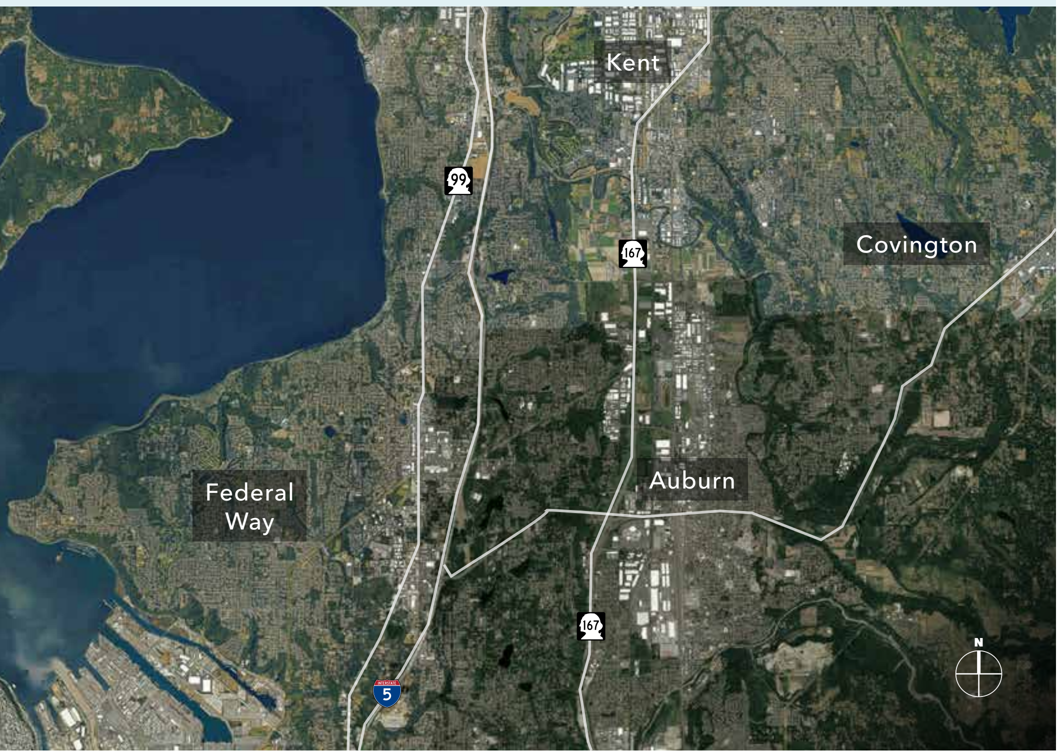
449,564
VACANT SF

3.16%
ANNUAL RENT GROWTH

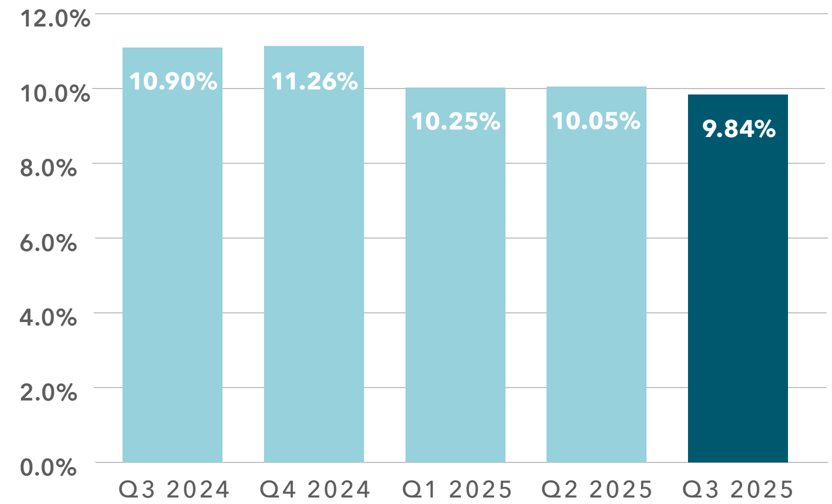
9.84%
VACANCY RATE

8.25%
MARKET CAP RATE

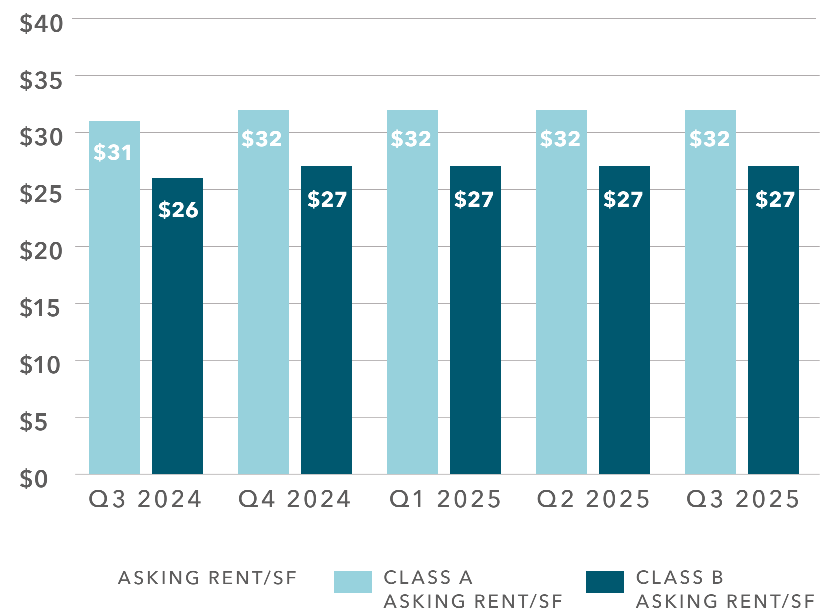
$230
MARKET SALE PSF



VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



5.0M
INVENTORY SF

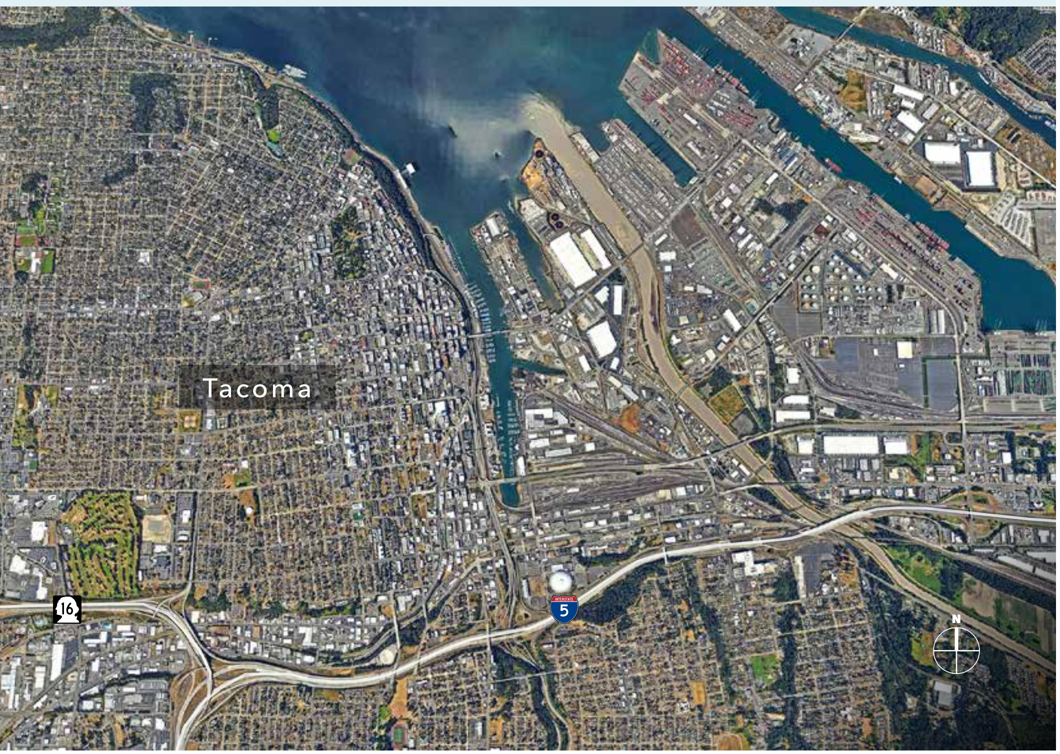
815,050
VACANT SF

0.00%
ANNUAL RENT GROWTH

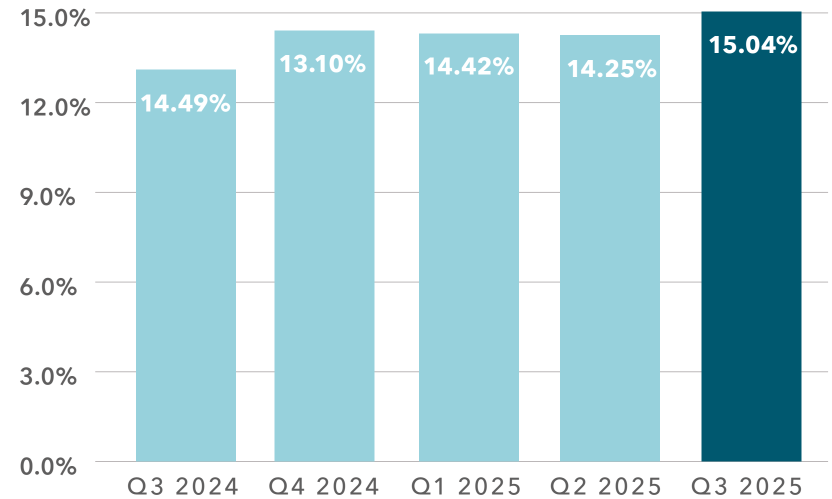
15.04%
VACANCY RATE

8.20%
MARKET CAP RATE

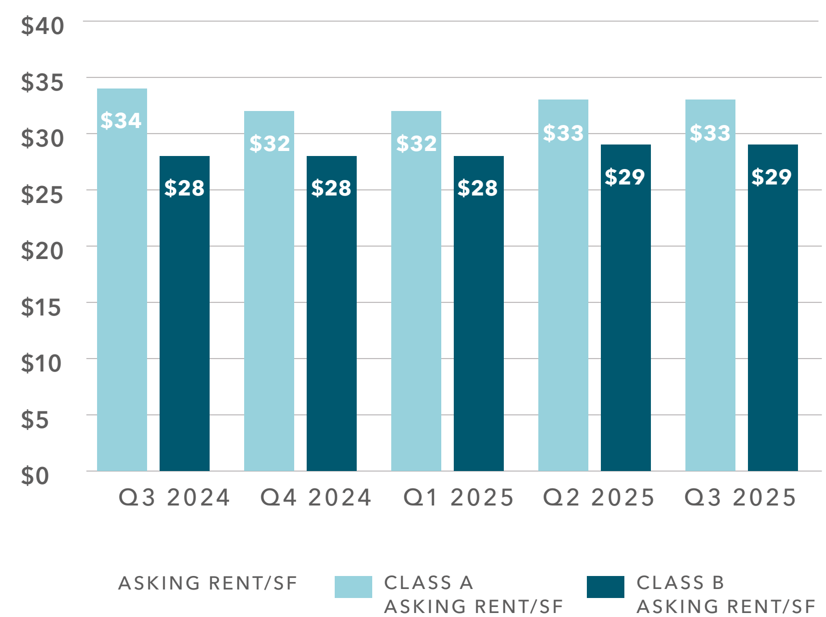
$186
MARKET SALE PSF



VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



7.4M
INVENTORY SF

275,563
VACANT SF

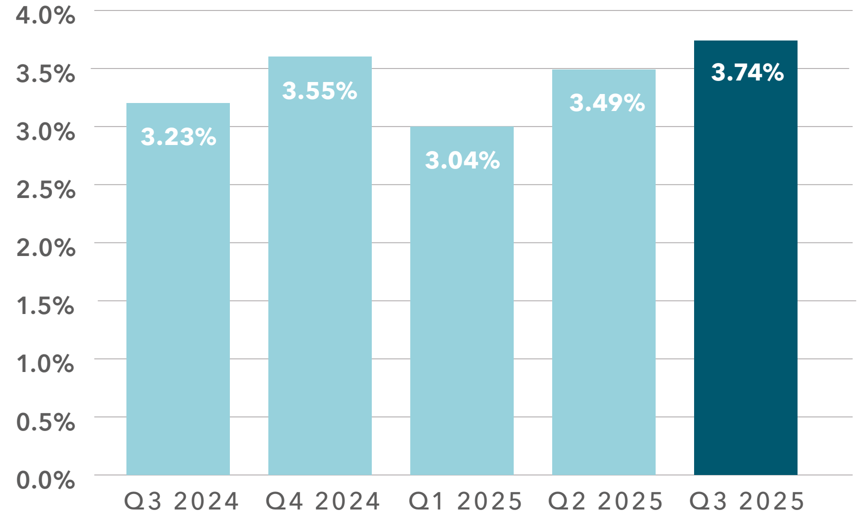
15.00%
ANNUAL RENT GROWTH

3.74%
VACANCY RATE

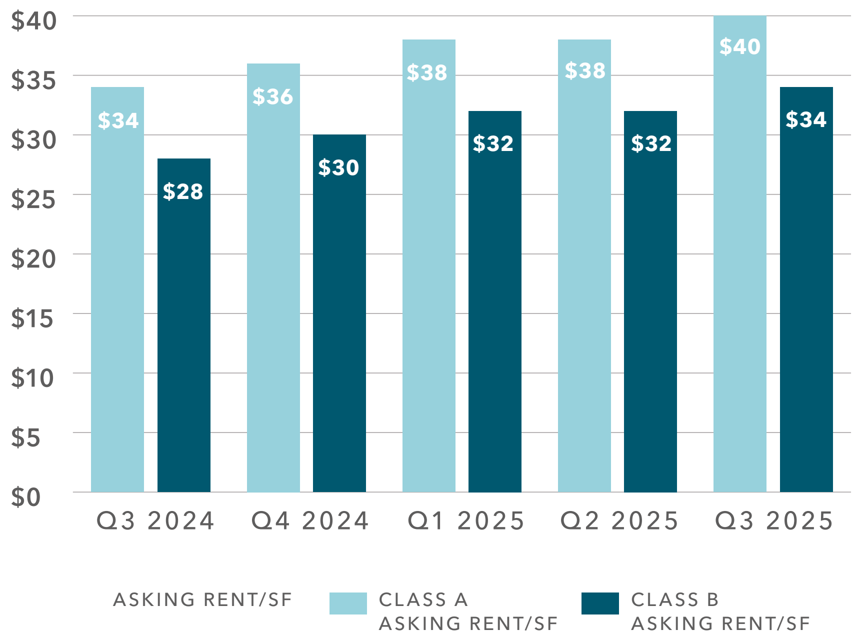
7.75%
MARKET CAP RATE

$275
MARKET SALE PSF

VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



10.1M
INVENTORY SF

344,273
VACANT SF

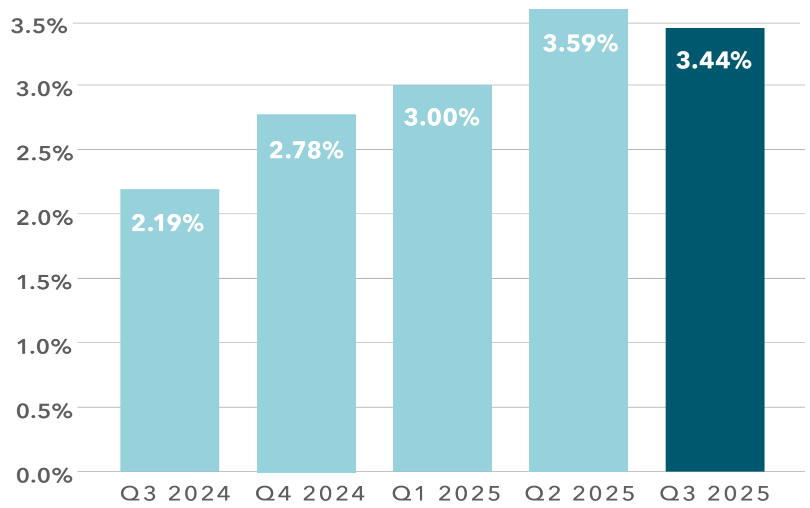
0.00%
ANNUAL RENT GROWTH

3.44%
VACANCY RATE

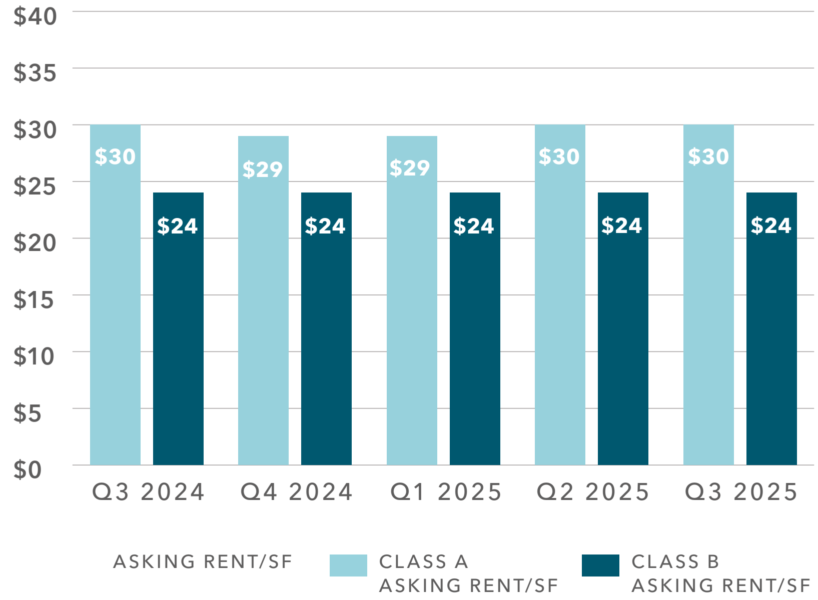
8.60%
MARKET CAP RATE

$209
MARKET SALE PSF

VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



3.8M
INVENTORY SF

138,200
VACANT SF

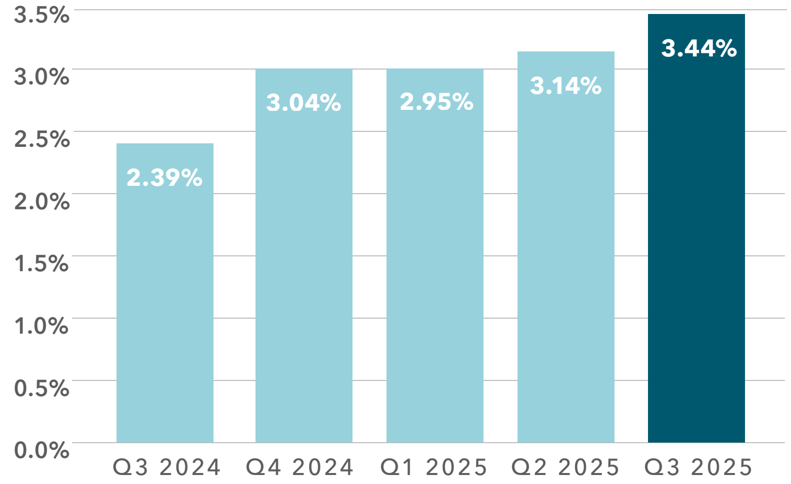
0.00%
ANNUAL RENT GROWTH

3.44%
VACANCY RATE

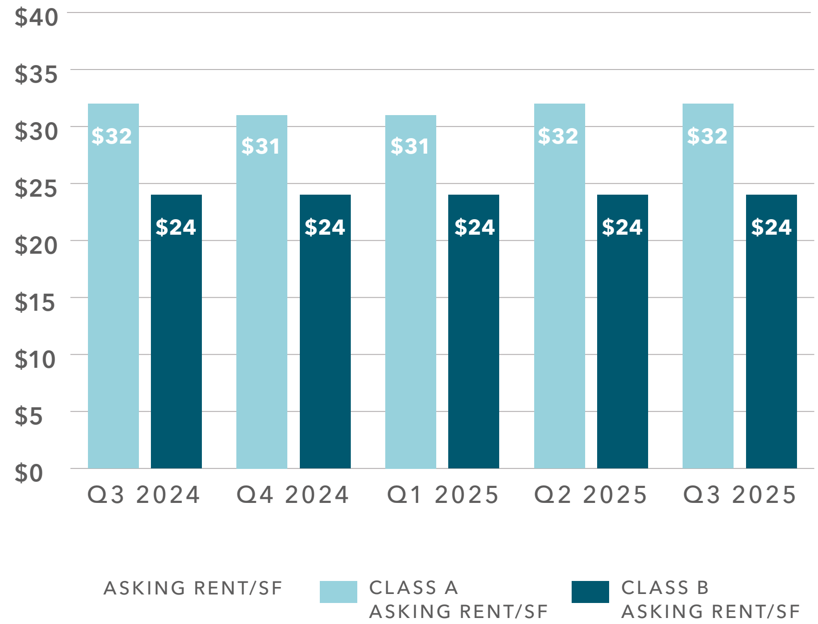
8.25%
MARKET CAP RATE

$198
MARKET SALE PSF

VACANCY RATE



AVERAGE ASKING RENT PSF FULL SERVICE



MEET THE *TEAM*

Office & healthcare experts specializing in landlord and tenant representation, as well as sales, including investment and owner/user.

As members of the Kidder Mathews Healthcare and Office groups, we have completed over $243,000,000 in sales in the last 24 months and actively represent more than 3 million square feet of property that we pride ourselves on keeping leased. We care deeply about our clients and always strive to go above and beyond to create successful long-term partnerships.

Kidder Mathews is the largest independent commercial real estate firm in the Western U.S., with 900 real estate professionals and staff in 20 offices in Washington, Oregon, Idaho, California, Arizona, and Nevada

500+
TRANSACTIONS

$800M
TOTAL VOLUME

7M+
TOTAL SF

$243M *transactions within the last 24 months*

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