Seattle Office Market Builds Momentum as Fundamentals Improve

▼28.3%
Vacancy Rate

▲355,505
SF Net Absorption

▼0
SF Construction Delivered

▶0
SF Under Construction

▲$47.10
FSG/YR Direct Lease Rate

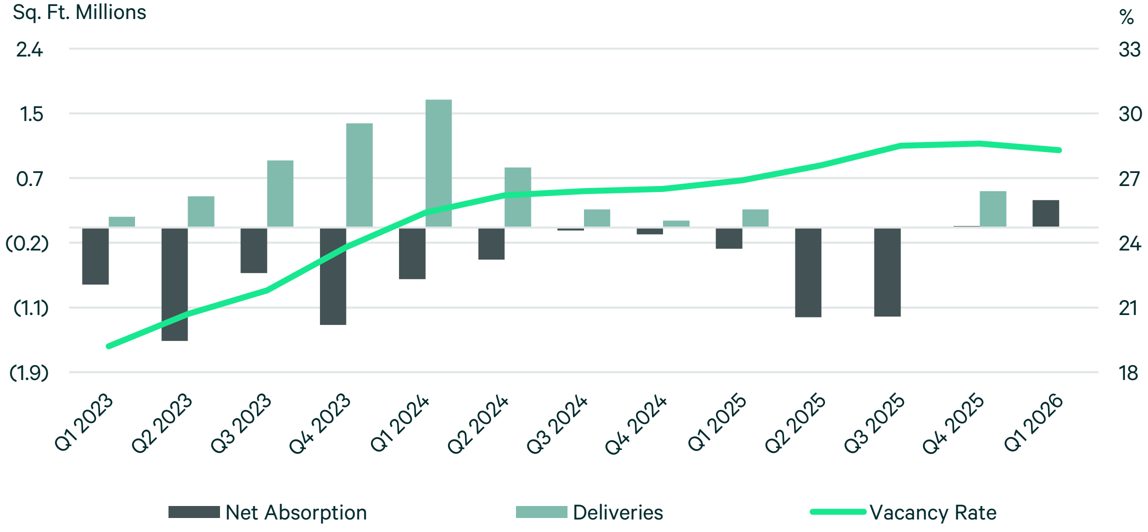
Note: Arrows indicate change from previous quarter.

Market Overview

The Puget Sound office market posted 356,000 sq. ft. of positive net absorption in Q1 2026, an improvement of 334,000 sq. ft. quarter-over-quarter. Vacancy edged down to 28.3% in Q1 2026 from 28.6% in Q4 2025. Similarly, the total market availability rate edged down from 29.4% to 29.0%, reflecting a steady quarter-over-quarter improvement in market fundamentals. After a prolonged stretch of negative net absorption, two consecutive quarters of positive net absorption in Q4 2025 and Q1 2026 marked a decisive shift toward market stability. The overall average direct asking lease rate in Q1 2026 ended the quarter at $47.10 per sq. ft. per year, full-service gross (FSG), up 0.3% from Q4 2025.

Market performance continued to vary across the region's core submarkets. The Eastside continued to lead key metrics, supported by improving vacancy, tightening availability, and sustained demand from large-block tenants and Artificial Intelligence (AI)-related tech companies. As regional conditions improve, these changing market fundamentals continue to support a positive outlook for both Seattle and the Eastside as they lead the broader market recovery.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

Total vacancy in Class A buildings declined 70 basis points (bps) quarter-over-quarter to 30.1%, while total Class B vacancy increased 30 bps quarter-over-quarter to 25.0%. The vacancy spread between Class A and Class B assets now measures 510 bps, versus 320 bps a year ago. Notably, Redmond recorded a significant decline in vacancy, falling from 20.8% to 6.4%, reflecting renewed confidence from major technology tenants. While overall vacancy remained elevated, strengthening performance on the Eastside contributed to early signs of stabilization at the regional level.

The region's two largest submarkets, Downtown Seattle and the Eastside submarket, posted elevated overall vacancy of 35.1% and 24.3%, respectively. The total Puget Sound office market posted 28.3% vacancy in Q1 2026, a drop of 30 bps quarter-over-quarter. The total Puget Sound office market availability rate also dropped from 29.4% to 29.0% quarter-over-quarter. Both direct and sublease availability declined quarter-over-quarter—direct availability edged down from 25.2% to 25.1%, while sublease availability fell more notably from 4.2% to 3.9%—signaling a modest contraction in overall office supply.

Figure 2: Vacancy Rates by Class

Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking lease rate in Q1 2026 ended the quarter at $47.10 per sq. ft. per year, FSG, up 0.3% from Q4 2025. Class A asking rents edged up from $51.30 to $51.31 per sq. ft. quarter-over-quarter and are 0.7% higher year-over-year. Class B rates climbed to $36.36 per sq. ft. FSG, a 0.7% gain quarter-over-quarter. Class C asking rates averaged $31.97 per sq. ft. FSG and were 0.5% higher than Q4 2025.

The Eastside submarket recorded the highest average direct asking rate in the region at $44.85 per sq. ft. FSG. The Eastside Class A asking rate ended the quarter at $58.89 per sq. ft. FSG, while Downtown Seattle's Class A asking rate end the quarter at $50.98 per sq. ft. FSG. Tacoma posted the lowest total average at $27.63 per sq. ft. FSG, while the Northend averaged approximately $27.93 per sq. ft FSG.

Figure 3: Average Direct Asking Rate by Class

Source: CBRE Research, Q1 2026

Net Absorption

Total net absorption remained positive in Q1 2026, reaching approximately 356,000 sq. ft. This volume exceeded the roughly 21,000 sq. ft. recorded in Q4 2025 and showed vast improvement from the negative 281,000 sq. ft. recorded in Q1 2025. Class A drove the quarter with 547,000 sq. ft. of positive net absorption, the first positive reading in Class A net absorption since Q3 2023.

Net absorption activity was concentrated in the Eastside Class A submarket, with 675,000 sq. ft. of positive net absorption in Q1 2026, highlighting early stabilization and reinforcing the Eastside's role as a bellwether for broader market recovery. Strengthening return-to-office policies supported this activity, while continued demand from the market's technology and AI companies reinforced positive momentum.

Figure 4: Net Absorption Trend

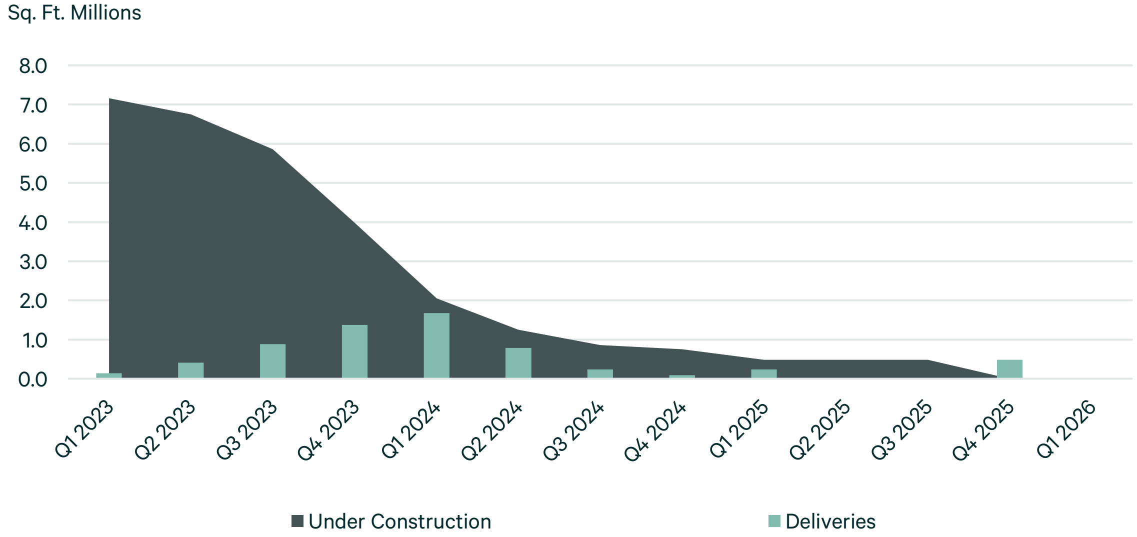
Source: CBRE Research, Q1 2026

Construction Activity

By Q1 2026, there was no office space under construction and no new deliveries across any property class. This marks a notable pullback from Q4 2025, when 480,000 sq. ft. was delivered at Four106 in Bellevue. Despite the slowdown, developers are beginning to advance future projects through permitting, demolition, and early entitlement activity. An uptick in predevelopment work signals rising interest in the next wave of demand. As tenant preferences continue shifting toward high quality space, these early-stage signals suggest growing potential for new construction once market conditions improve.

With no active projects in Q1 2026, construction activity is effectively paused across all submarkets, leaving some space for the broader market fundamentals to recover as supply slows.

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Leasing Activity

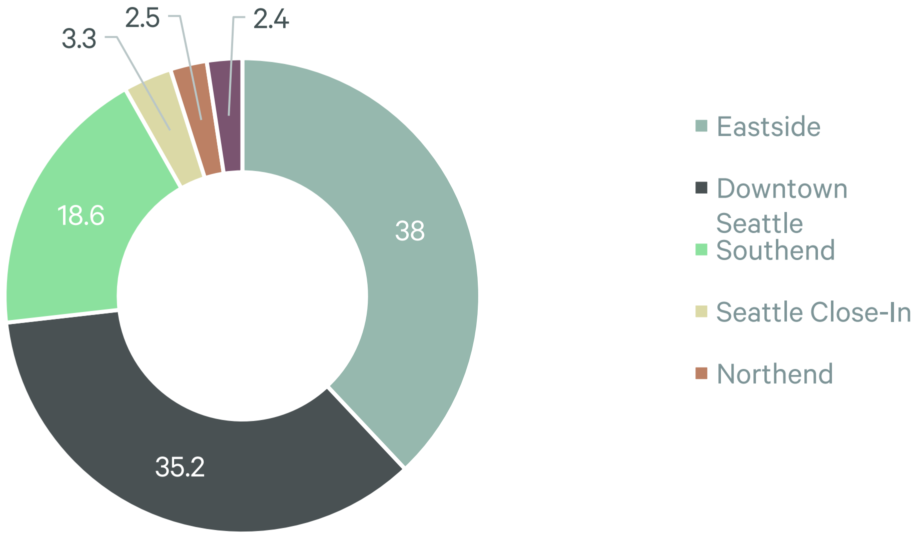
By submarket, Eastside and Downtown Seattle posted the highest positive leasing activity in Q1 2026, with 790,000 sq. ft. and 720,000 sq. ft., respectively. Together, they captured the bulk of the quarterly leasing volume in the market. The Puget Sound office market, in total, recorded 2.0 million sq. ft. of leasing activity in Q1 2026. On a rolling four-quarter basis, leasing totaled 8.9 million sq. ft., up roughly 100,000 sq. ft. or 1.1% year-over-year, reflecting a modest uptick in aggregate demand.

The Southend recorded positive leasing activity totaling 388,000 sq. ft.—driven primarily by 293,000 sq. ft. of Class B leasing. The Seattle Close-In submarket posted 67,000 sq. ft. of positive leasing activity, concentrated primarily in Class A space. New lease transactions were driven by relocations from healthcare and legal service occupiers, while new growth was tied to AI tenants. Artificial Intelligence accounted for approximately 65,000 sq. ft. of leasing activity in Q1 2026, as adoption continues to gain momentum.

Figure 6: Leasing Activity Trend – Includes leases 1,000 sq. ft. and above

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Providence	259,570	New Lease	Glacier & Baker at Longacres	Southend
Undisclosed	146,456	Renewal	Willow Creek Corporate Center Bldgs. A & G	Eastside
Foster Garvey	51,666	New Lease	West 8th	Downtown Seattle
PWC	46,648	Renewal	US Bank Center	Downtown Seattle
Dell EMC	46,472	Renewal	King Street Crossing-505 First	Downtown Seattle
General Motors	42,973	New Lease	West 8th	Downtown Seattle
Snap	40,000	New Lease	Mid Station Bellevue	Eastside

Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	YTD Net Absorption (SF)
Class A	43.29	26.1	26.4	22.5	3.9	51.74	744,000	-	-	744,000
Class B	22.75	18.8	18.6	17.2	1.4	33.11	(100,000)	-	-	(100,000)
Class C	2.83	7.9	8.4	8.3	0.1	31.87	(58,000)	-	-	(58,000)
Total	**68.88**	**22.9**	**23.1**	**20.2**	**2.9**	**46.38**	**587,000**	**-**	**-**	**587,000**

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	YTD Net Absorption (SF)
Class A	41.29	34.4	35.2	29.5	5.7	50.98	(198,000)	-	-	(198,000)
Class B	11.31	37.6	42.2	37.8	4.4	39.43	(36,000)	-	-	(36,000)
Class C	2.21	34.9	28.9	28.1	0.9	32.00	2,000	-	-	2,000
Total	**54.81**	**35.1**	**36.4**	**31.2**	**5.2**	**47.67**	**(231,000)**	**-**	**-**	**(231,000)**

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	YTD Net Absorption (SF)
Class A	84.58	30.1	30.7	25.9	4.8	51.31	547,000	-	-	547,000
Class B	34.06	25.0	26.4	24.0	2.4	36.36	(136,000)	-	-	(136,000)
Class C	5.04	19.7	17.4	17.0	0.4	31.97	(55,000)	-	-	(55,000)
Total	**123.68**	**28.3**	**29.0**	**25.1**	**3.9**	**47.10**	**356,000**	**-**	**-**	**356,000**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

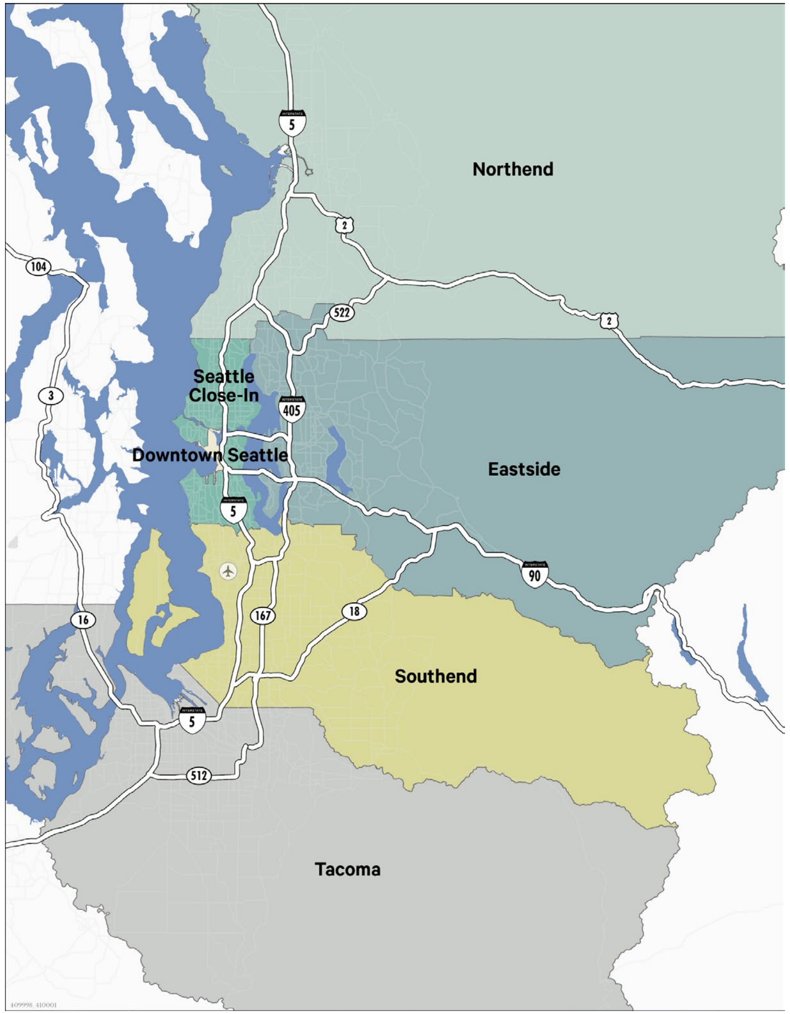
Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	YTD Net Absorption (SF)
Downtown Seattle	54.81	35.1	36.4	31.2	5.2	47.67	(231,000)	-	-	(231,000)
Eastside	38.69	24.3	24.1	20.1	4.0	55.99	646,000	-	-	646,000
Northend	4.57	15.6	17.2	16.5	0.7	29.23	14,000	-	-	14,000
Seattle Close-In	7.77	22.1	24.9	21.8	3.1	41.93	(91,000)	-	-	(91,000)
Southend	12.41	20.8	19.9	18.8	1.1	34.55	28,000	-	-	28,000
Tacoma	5.44	25.4	25.5	24.6	0.8	27.24	(11,000)	-	-	(11,000)
Total	**123.68**	**28.3**	**29.0**	**25.1**	**3.9**	**47.10**	**356,000**	**-**	**-**	**356,000**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The effect on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely negatively impact the commercial real estate market.

Market Area Overview



Definitions

Net Absorption: The change in occupied square feet from one period to the next recognized at the move-in date or delivery of new construction, not lease signing date.

Vacancy: Space that is physically vacant but may be available or newly leased but still vacant.

Available: Space that is marketed that may or may not be vacant.

Average Asking Lease Rate: A calculated average that includes full service and triple net + operating expense lease rates, weighted by their corresponding available square footage.

Full-Service Lease Rate: Rent typically includes real property taxes, building insurance, common area and major maintenance.

Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and maintenance) typically included in a full-service lease rate.

Survey Criteria

Survey includes competitive (typically investor-owned) office buildings over 10,000 sq. ft. It does not include medical office or biotech space.

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