

FIGURES | PUGET SOUND OFFICE | Q3 2025

Puget Sound office market shows early signs of recovery as availability drops

▲ 28.5%

Vacancy Rate

▼ 29.7%

Availability Rate

▼ (1.27)M

SF Net Absorption

▶ 480K

SF Under Construction

▼ \$50.81

Class A Direct Asking Lease Rate
SF/Year, Full Service

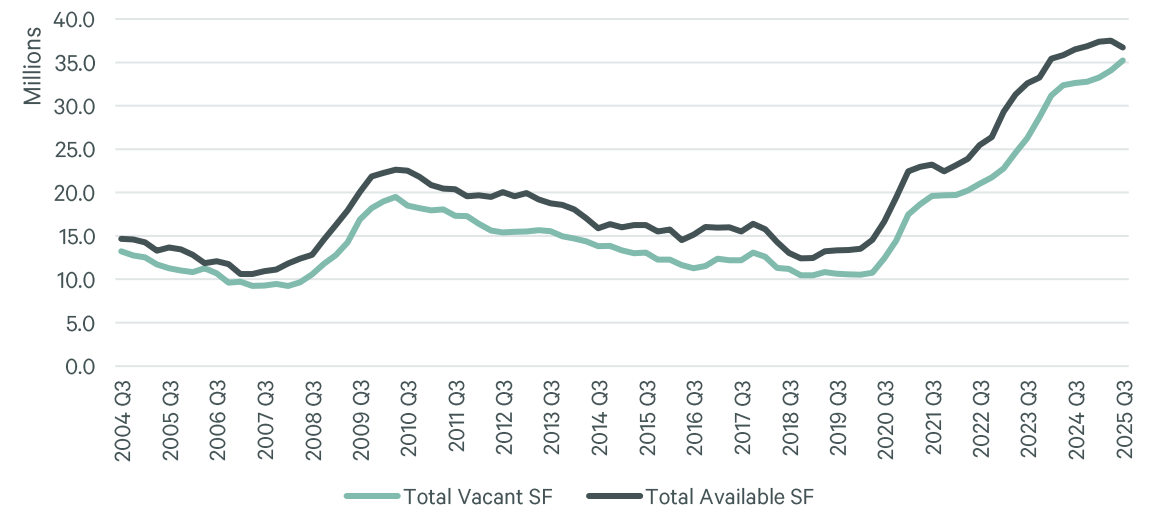
Note: Arrows indicate change from previous quarter.

Market Overview

The Puget Sound office market showed initial signs of recovery in Q3 2025, though challenges remain. Availability decreased for the first time in nearly four years, dropping 60 basis points (bps) to 29.7%. However, the vacancy rate increased by 1.0% quarter-over-quarter (QoQ), reaching 28.5%. The average Class A office asking rate decreased slightly, ending the quarter at \$50.81 per sq. ft. per year full-service gross (FSG). Negative net absorption experienced a modest increase quarter-over-quarter, primarily attributed to ongoing tenant rightsizing. Small to mid-sized deals, those under 50,000 sq. ft., accounted for three quarters of the total leased square footage.

Artificial Intelligence (AI) trends in the tech sector drove leasing demand for the quarter, while return-to-office (RTO) policies continued to drive the integration of employees back into the workplace. Increased venture capital activity bolstered the growing AI market in the region, attracting a staggering \$1.54 billion of funding YTD in 2025. Daily downtown foot traffic continued to endure at pre-pandemic levels and average weekday worker foot traffic remained consistent at nearly 150,000 visits per day.

FIGURE 1: Historic Vacancy and Availability



Vacant space is vacant and marketed or newly leased but not yet occupied.
Available space is marketed but may or may not be vacant. Both measures include sublease space.
Source: CBRE Research, Q3 2025

Downtown Seattle

In Q3 2025, the Downtown Seattle submarket saw a reduction in negative net absorption, ending the quarter down 238,325 sq. ft. Despite this, the vacancy rate rose by 40 bps to 34.2%. Leasing activity was driven by insurance and professional services firms. Notably, Milliman renewed 66,141 sq. ft. at Rainier Tower. Stoel Rives leased 52,966 sq. ft. at 1201 Third Avenue, taking over space previously occupied by Perkins Coie. Kiln, a new coworking tenant in the market, also signed a 32,276 sq. ft. lease at Fremont Lake Union Center.

Tech continued to drive future leasing demand, representing approximately 30% of office leasing requirements from active tenants in the market. This trend was largely driven by AI tenants seeking to enter or expand in the Downtown Seattle submarket.

The average asking rate for Class A office space in the Downtown Seattle submarket decreased from \$52.17 per sq. ft. per year FSG in Q2 2025 to \$51.81 per sq. ft. per year FSG in Q3 2025.

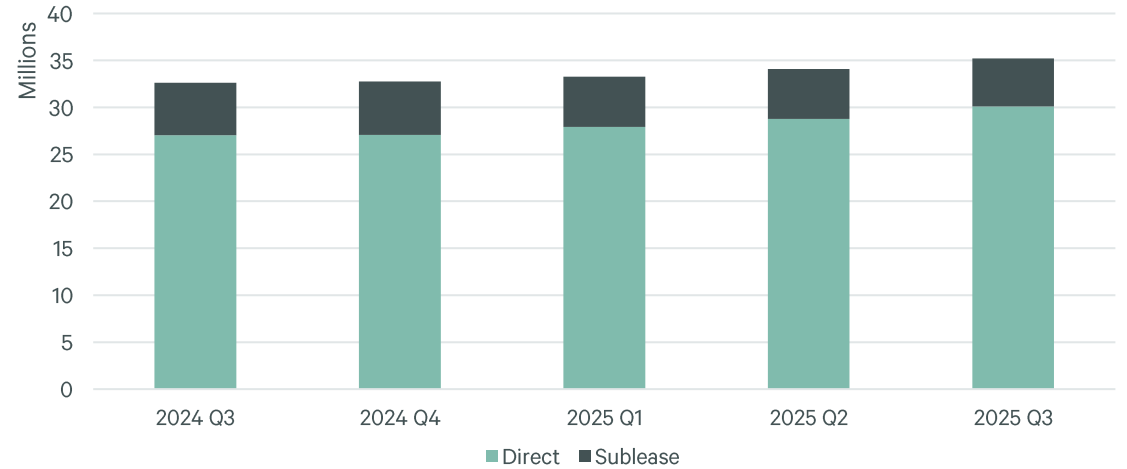
Eastside

The Eastside office market experienced negative net absorption of 856,408 sq. ft. in Q3 2025, while the vacancy rate climbed to 25.7%, up 220 bps from Q2 2025. The decline was primarily driven by Microsoft vacating their lease at the Bravern. On a brighter note, an undisclosed tech company occupied Spring District Block 6 and plans to expand following ongoing tenant improvements. The Eastside submarket continued to see steady demand from tech companies, as another undisclosed tech tenant signed a lease for more than 75,000 sq. ft. at Redmond Town Center Building 2.

While office development remained subdued, The Fana Group and Skanska received approval for a two-tower project comprising 400 residential units and a 12-story office building, signaling renewed confidence in the market’s long-term outlook.

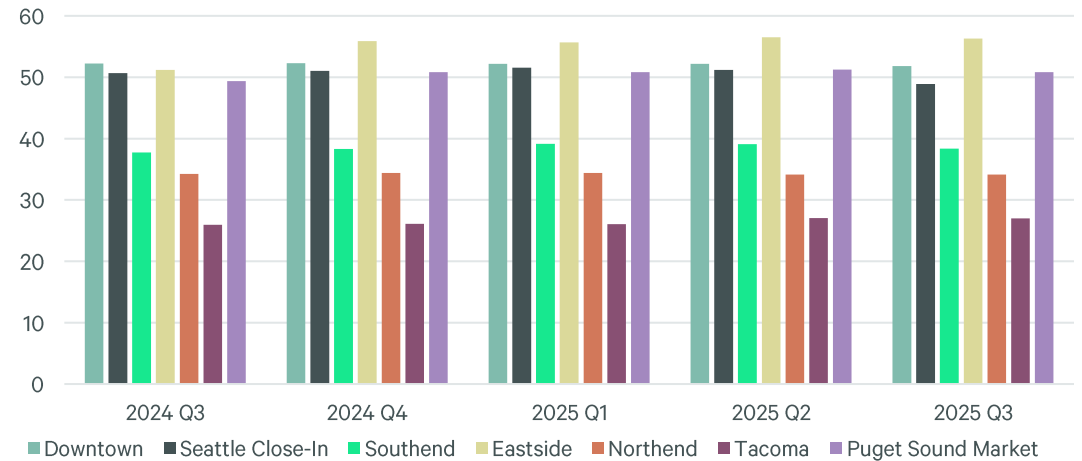
The average asking rate for Class A office space in the Eastside submarket decreased slightly from \$56.53 per sq. ft. per year FSG in Q2 2025 to \$56.29 per sq. ft. per year FSG in Q3 2025.

FIGURE 3: Puget Sound Vacancy



Source: CBRE Research, Q3 2025

FIGURE 4: Asking Lease Rate, Class A, Full Service per Year



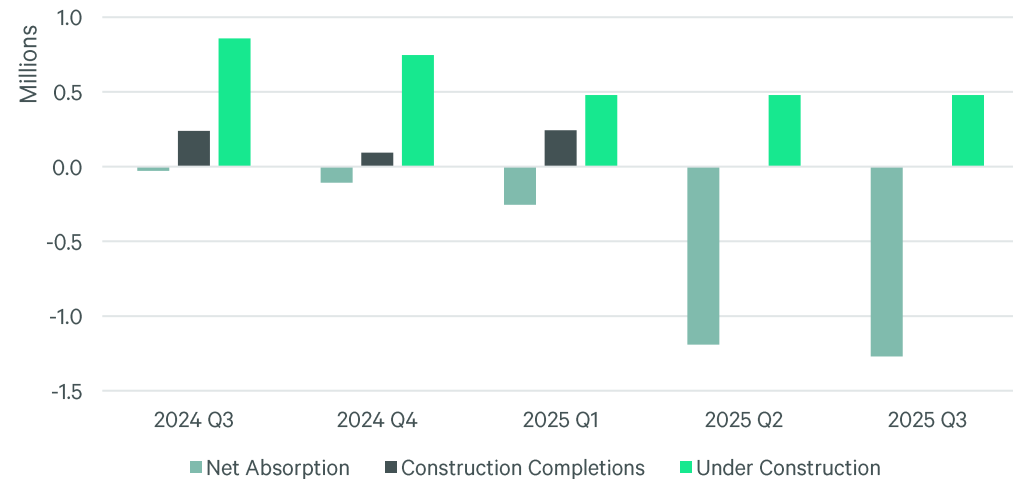
Source: CBRE Research, Q3 2025

Northend

In Q3 2025, the Northend office submarket reported negative net absorption of 15,051 sq. ft. This was largely due to the Economic Alliance of Snohomish County vacating 10,165 sq. ft. at the Quad I-5 Corporate Park in Everett. The vacancy rate for the submarket decreased, however, falling from 18.2% in Q2 2025 to 17.0% in Q3 2025. This simultaneous decrease in the absorption and the vacancy rate was driven by the sale and conversion of the 87,385 sq. ft. Northpoint Corporate Center I, which transitioned into an owner-occupied gymnastics center.

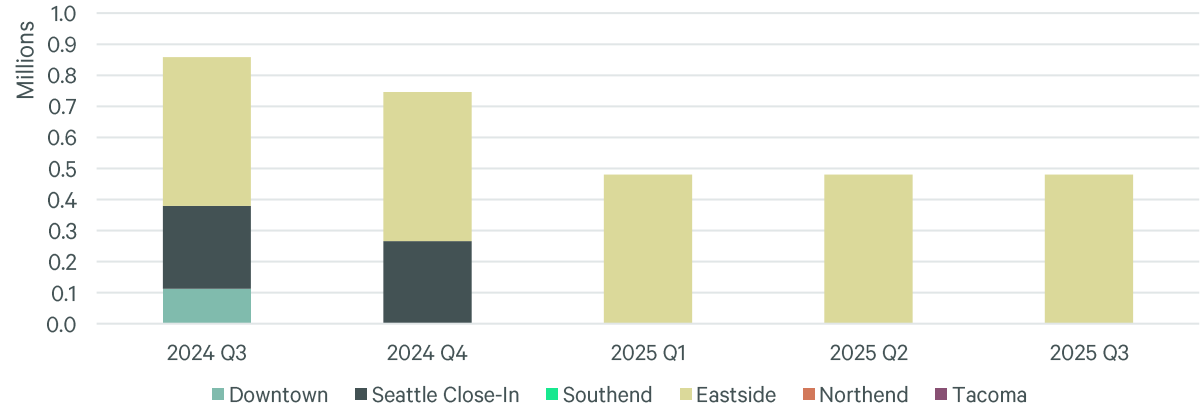
The average asking rate for Class A office space in the Northend remained stable at \$34.14 per sq. ft. per year FSG.

FIGURE 5: Puget Sound Absorption and Construction



Source: CBRE Research, Q3 2025

FIGURE 6: Square Feet Under Construction by Market



Source: CBRE Research, Q3 2025

FIGURE 7: Key Transactions

Tenant	Transaction Type	Sq. Ft.	Building	Market	Business Sector	Occupancy Change
SystImmune	New Lease	90,460	Canyon Pointe Building A	Eastside	Life Science	Positive
Undisclosed	New Lease	76,899	Redmond Town Center- Building 2	Eastside	Technology	Positive
Milliman	Renewal/Contraction	66,141	Rainier Tower	Downtown Seattle	Consulting	Negative
Stoel Rives	New Lease	52,966	1201 Third	Downtown Seattle	Legal	Negative
Databricks	Expansion	37,497	City Center Bellevue	Eastside	Technology	Positive
Seattle Times	New Lease	35,567	Alley24	Downtown Seattle	Media	Negative
Kiln	New Lease	32,276	Fremont Lake Union Center	Downtown Seattle	Coworking	Positive

Source: CBRE Research, Q3 2025

Southend

In Q3 2025, the Southend submarket posted 61,935 sq. ft. of negative net absorption, leading to a vacancy rate of 21.2%, an increase of 50 bps from Q2 2025. Notable departures included Zones, LLC downsizing by 27,858 sq. ft. at Auburn Corporate Center, and Highline College vacating its 16,900 sq. ft. space at the Highline Office Building.

The average asking rate for Class A office space in the Southend submarket decreased slightly to \$38.37 per sq. ft. per year FSG.

Tacoma

The Tacoma office market trends remained static, with limited net absorption. The submarket saw negative net absorption of 27,214 sq. ft., and a 25.9% vacancy rate. GeoEngineers secured the largest lease of the quarter, signing for 13,713 sq. ft. at Tacoma Centre.

Looking ahead, downtown Tacoma may undergo notable changes. Horizon Partners Northwest has secured a \$26.5 million loan to complete the conversion of the Sandberg Building (1423 Pacific Ave.) into 75 residential units. This office-to-residential project reflects a growing trend in the city, driven by strong rental demand for apartments and the adaptable floor plates in older office buildings.

The average Class A asking rate remained effectively unchanged at \$26.97 per sq. ft. per year FSG.

FIGURE 8A: Statistics by Submarket

Submarket	Net Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q3 2025 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Class A Avg. Asking Rent, Gross (\$/SF/Yr)	Sublease Class A Avg. Asking Rent, Gross (\$/SF/Yr)
Downtown Seattle	55,247,712	29.9%	34.2%	36.7%	(238,325)	(1,498,067)	0	\$51.81	\$36.50
Seattle CBD	24,235,615	32.0%	37.0%	41.0%	(262,744)	(620,062)	0	\$51.89	\$35.60
Waterfront	2,290,171	30.8%	36.1%	38.8%	10,297	(62,835)	0	\$49.51	\$51.48
Pioneer Square	4,714,721	39.0%	40.8%	40.3%	7,555	(75,423)	0	\$52.29	-
Denny Regrade	8,639,351	39.3%	41.1%	44.9%	13,397	(347,595)	0	\$52.55	\$47.38
Lower Queen Anne	2,916,325	34.9%	38.7%	39.6%	(37,384)	(15,744)	0	\$41.18	\$41.20
Lake Union	10,363,526	15.2%	19.4%	18.6%	(7,537)	(421,811)	0	\$55.05	\$45.98
Canal	2,088,003	11.8%	24.4%	28.3%	38,091	45,403	0	\$57.10	\$32.14
Seattle Close-In	7,765,691	18.2%	21.4%	25.8%	(71,219)	(34,719)	0	\$48.91	\$47.66
North Seattle/Interbay	3,221,420	27.5%	30.4%	34.9%	(53,618)	(45,191)	0	\$51.48	\$37.35
Capitol Hill/E Seattle/Rainier	1,161,403	11.5%	11.5%	15.4%	(19,013)	12,946	0	\$32.84	
South/West Seattle	3,382,868	11.6%	16.2%	20.8%	1,412	(5,586)	0	\$44.54	\$57.35
Southend	12,315,380	20.6%	21.2%	21.8%	(61,935)	142,170	0	\$38.37	\$25.53
Seatac	1,302,060	3.4%	3.4%	5.7%	(14,208)	62,129	0	\$28.00	-
Tukwila	2,080,989	9.2%	10.6%	12.0%	5,358	107,462	0	\$26.72	\$20.00
Renton	4,749,044	28.9%	29.0%	28.1%	(11,691)	43,857	0	\$45.86	\$30.00
Kent	1,161,442	17.0%	17.8%	24.0%	(10,984)	(46,722)	0	\$32.89	\$31.69
Auburn	289,025	21.4%	21.4%	21.4%	(27,858)	(27,858)	0	\$26.85	-
Federal Way	2,732,820	24.7%	25.7%	24.9%	(2,552)	3,302	0	\$27.21	\$25.87

Source: CBRE Research, Q3 2025

Investment Sales

In Q3 2025, 12 office properties totaling 672,238 sq. ft. traded in the Puget Sound area. The total sales volume reached approximately \$375 million, averaging \$556.70 per sq. ft. Sales volume for the quarter was up 25.2% year-over-year.

The largest sale was of One Esterra Park in Redmond, a 246,638 sq. ft. property. Preylock, an institutional owner developer, acquired the property from Capstone Partners and PGIM Real Estate for \$225,000,000, or \$912.27 per sq. ft. Additionally, Market Place I and II, totaling 131,691 sq. ft. in Seattle’s waterfront district, were acquired by Spear Street Capital from Unico Properties and Morgan Stanley for \$60,100,000, or \$456.37 per sq. ft.

The Federal Reserve cut rates to a target range of 4.0-4.25% in September, the first rate cut in nine months.

Economic Outlook

CBRE revised its U.S. growth outlook upward in Q3 2025, a shift from the more pessimistic view held in Q2 2025. Greater clarity around trade policy and private sector resilience should equate to 1.6% GDP growth this year. Despite the modest growth outlook and expectations for further rate cuts, 10-year Treasury yields are still holding steady in the low 4% range. A combination of higher inflation and excessive U.S. debt levels should keep yields in this range through 2027.

The Q3 2025 fiscal environment is fostering some recovery in commercial real estate (CRE) capital markets. U.S. investment volumes are on track to exceed 2023 and 2024 levels.

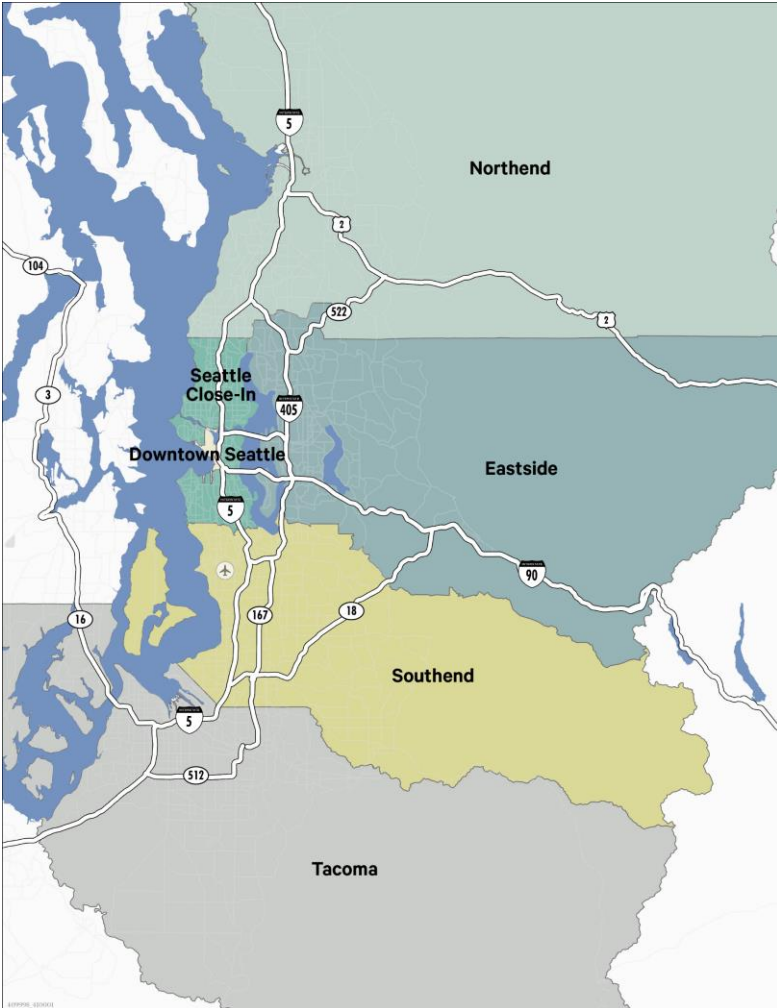
The national labor market flashed important signals, including falling job openings and weak hiring. Seattle’s regional unemployment rate climbed 10 to 20 bps quarter-over-quarter to 4.6%. Aerospace and manufacturing employment remains resilient, while tech employment softened. AI-driven roles are emerging to support long-term market stability.

FIGURE 8B: Statistics by Submarket

Submarket	Net Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q3 2025 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Class A Avg. Asking Rent, Gross (\$/SF/Yr)	Sublease Class A Avg. Asking Rent, Gross (\$/SF/Yr)
Eastside	38,220,675	19.7%	25.7%	24.7%	(856,408)	(1,325,563)	480,000	\$56.29	\$46.78
Bellevue CBD	13,425,055	22.1%	26.2%	25.7%	(972,976)	(924,833)	480,000	\$69.21	\$55.03
I-405 Corridor	2,864,581	15.5%	16.1%	16.3%	(30,723)	(50,764)	0	\$48.04	\$33.00
Sr-520 Corridor	2,393,943	18.8%	22.2%	25.8%	(31,286)	(32,520)	0	\$45.06	\$38.33
I-90/Issaquah	7,594,526	33.7%	37.5%	39.3%	36,523	(195,487)	0	\$45.02	\$43.58
Bel-red Rd Corridor	2,912,463	2.5%	25.9%	22.1%	212,346	215,113	0	\$46.75	-
Kirkland	2,149,885	5.6%	7.8%	12.1%	3,399	(12,646)	0	\$57.68	\$40.00
Redmond	4,446,332	6.8%	21.0%	11.9%	(69,311)	(210,846)	0	\$44.77	\$34.26
Bothell	2,433,890	25.1%	25.4%	19.9%	(4,380)	(113,580)	0	\$34.98	-
Northend	4,578,546	16.1%	17.0%	17.6%	(15,051)	(71,719)	0	\$34.14	\$29.46
Lynn/Ed/Mtlkterr	2,484,342	12.9%	13.7%	14.7%	26	(2,545)	0	\$34.67	\$29.00
Everett/Mukilteo	2,094,204	19.9%	20.9%	21.1%	(15,077)	(69,174)	0	\$31.09	\$29.62
Tacoma	5,552,288	24.6%	25.9%	27.0%	(27,214)	(36,675)	0	\$26.97	\$35.00
Tacoma CBD	3,025,037	25.2%	25.9%	28.0%	(37,217)	(78,751)	0	\$31.88	\$35.00
Tacoma Suburban	1,289,895	4.9%	5.3%	8.8%	1,058	13,818	0	\$36.90	-
Fife	159,994	0.0%	0.0%	0.0%	0	0	0	-	-
Puyallup	655,687	28.8%	36.2%	29.1%	8,945	28,258	0	\$31.15	-
DuPont	348,505	100.0%	100.0%	100.0%	0	0	0	\$20.00	-
Gig Harbor	73,170	0.0%	0.0%	0.0%	0	0	0	\$0.00	-
Puget Sound Total	123,680,292	24.3%	28.5%	29.7%	(1,270,152)	(2,824,573)	480,000	\$50.81	\$39.51

Source: CBRE Research, Q3 2025

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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