



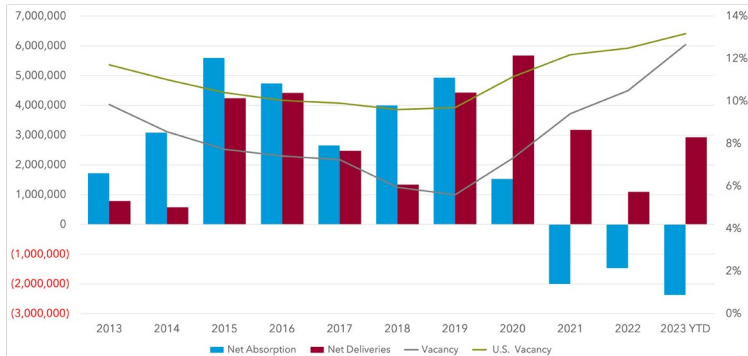
OFFICE MARKET OVERVIEW

JOHN BAUDER, *Principal*

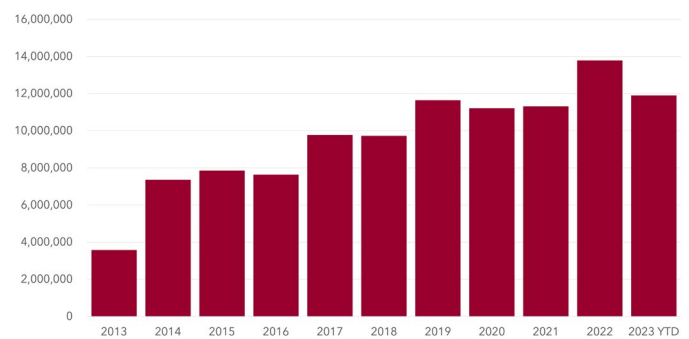
Continued negative absorption tells the story in the office market. Despite return to office mandates and an actual increase in people returning to the office, the vacancy rate increased for the 3rd straight quarter and is now at just over 12%. The pace of new construction is softening, and companies are reducing the overall size of their portfolios. The forecast calls for continued negative absorption and increasing vacancy rates. The flight to quality, amenity rich buildings that is playing out nationally, is also evident in the Puget Sound Region, and we expect this trend to continue. Sales continue to slow as the gap between what sellers want and what buyers are willing to pay remains. The three largest sales of the quarter all occurred outside Seattle with two in Snohomish County and one in Bellevue.

MARKET INDICATORS	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
▲ 12 Mo. Net Absorption SF	(1,421,372)	(1,915,081)	(1,468,337)	(455,019)	(183,374)
▲ Vacancy Rate	12.0%	11.0%	10.0%	10.0%	10.0%
▲ Avg NNN Asking Rate PSF	\$38.11	\$38.10	\$37.98	\$38.00	\$37.89
▼ SF Under Construction	11,902,984	13,645,743	13,789,715	12,445,018	11,576,920
▲ Inventory SF	229,915,944	227,831,695	226,984,249	226,867,623	226,909,406

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
4011 172nd Street NE Arlington, WA	68,424 SF	\$32,500,000 \$474.98 PSF	Fred Kunik Market Street Healthcare Properties	Class B
3020 Rucker Avenue Everett, WA	67,042 SF	\$10,964,000 \$163.54 PSF	Snohomish Health District Snohomish County	Class B
3190 160th Avenue SE Bellevue, WA	60,423 SF	\$18,000,000 \$297.90 PSF	Intracorp Homes HAL Real Estate, Inc. WangResults	Class C

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
10900 NE 4th Street Bellevue, WA	55,500 SF	Kilroy Realty Corporation	Flexport	Transportation and Warehousing
12277 134th Court NE Redmond, WA	34,875 SF	PAR5 Investments	Kymeta Corporation	Manufacturing
1150 Eastlake Avenue E Seattle, WA	31,270 SF	Alexandria Real Estate Equities	Undisclosed	Biotech

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