



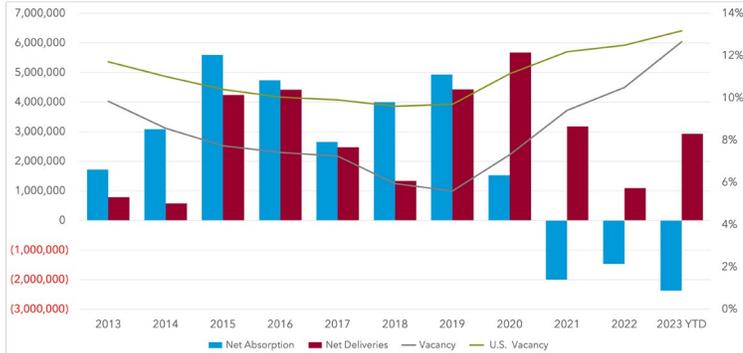
### OFFICE MARKET OVERVIEW

JOHN BAUDER, *Principal*

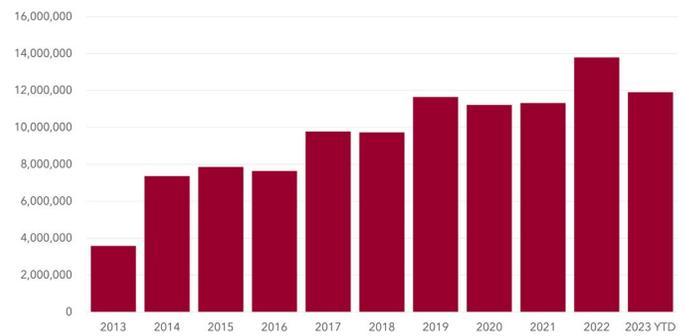
Continued negative absorption tells the story in the office market. Despite return to office mandates and an actual increase in people returning to the office, the vacancy rate increased for the 3rd straight quarter and is now at just over 12%. The pace of new construction is softening, and companies 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<br>Arlington, WA | 68,424 SF | \$32,500,000<br>\$474.98 PSF | Fred Kunik<br>Market Street Healthcare Properties      | Class B        |
| 3020 Rucker Avenue<br>Everett, WA     | 67,042 SF | \$10,964,000<br>\$163.54 PSF | Snohomish Health District<br>Snohomish County          | Class B        |
| 3190 160th Avenue SE<br>Bellevue, WA  | 60,423 SF | \$18,000,000<br>\$297.90 PSF | Intracorp Homes   HAL Real Estate, Inc.<br>WangResults | Class C        |

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

