

EASTSIDE OFFICE MARKET OVERVIEW

THE DARKEST HOUR IS RIGHT BEFORE DAWN

- Bob Dylan

2023 kicked off with another rise in vacancy, and ominously the availability rate reached a recent historic high. Large tenant demand has been moribund since late 2021. Tech giants that drove the Eastside's growth to new heights are in retrenchment mode resulting from over-hiring, remote/hybrid work, widespread layoffs, and an acute focus on profitability. Barring an unexpected reversal of Big Tech's stance to remote work and growth, the Eastside is in the early stages of a substantial reset that may require years to recover.



Entire Eastside Market

SNAPSHOT

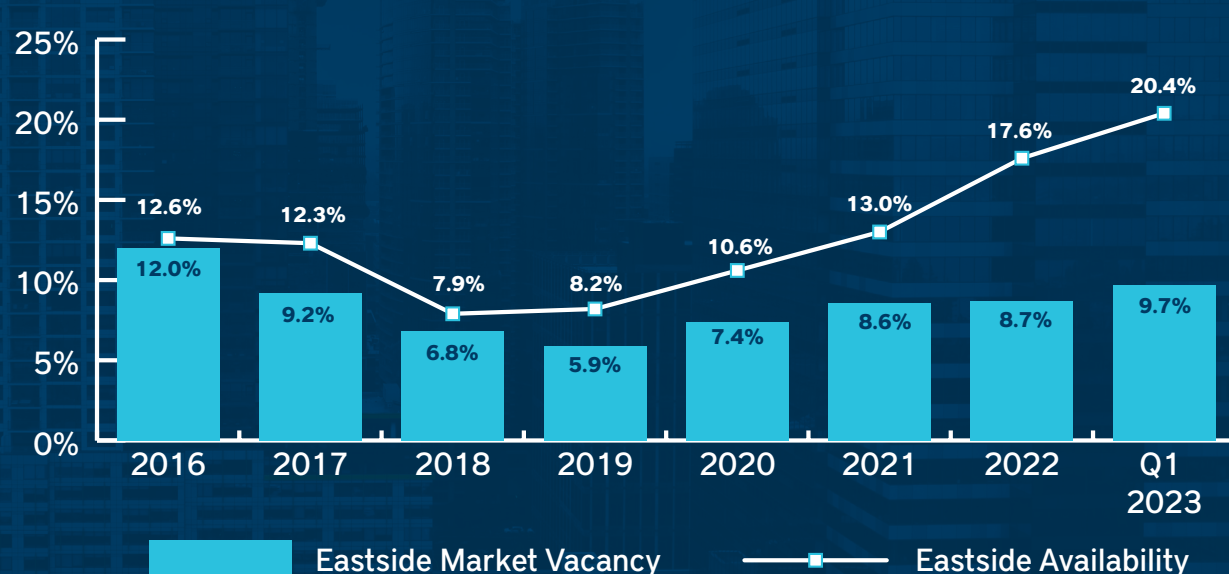
9.68% Vacancy

Total SF: 38,817,791

Vacant SF: 3,757,474

Asking Rates: \$41.72, Gross

YTD Absorption: (384,755)



Microsoft

Microsoft is expected to vacate their leased buildings with leases expiring in the next two years, which includes 2.7M SF in the Bellevue CBD and I-90 Corridor which represents 16% of the total square footage of those two submarkets.

Their focus is now on consolidating employees to its Redmond Campus to create an active sense of space.

VACANCY & RENTAL RATES

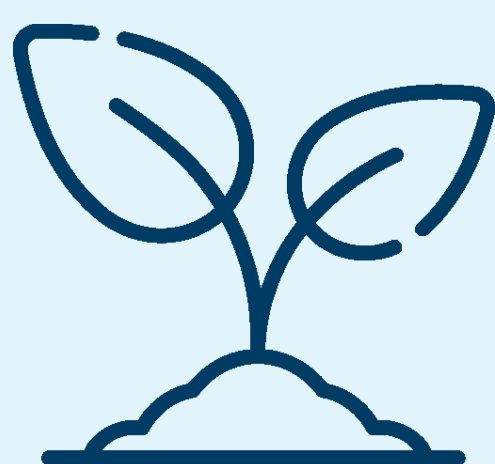
9.7%

Q1 2023 Market Vacancy

\$41.72

Average Gross Rental Rate

FORECAST – ROUGH SEAS WITH SEEDS OF OPTIMISM



The trajectory of the Eastside Office Market has shifted immensely in just twelve months. A much-needed shot of optimism will sweep across the Eastside if Amazon holds firm with its May 1st return to the office mandate and elects to build out its Bellevue CBD office portfolio. *Despite near term challenges, the Eastside Office Market remains one of the most desirable areas for long-term investment.*

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