

EASTSIDE OFFICE MARKET OVERVIEW

TENANT DEMAND RESURFACING?

Renewals vs. New Deals

The second quarter was a mixed bag for the Eastside. Fundamentals continued their downward spiral since the market peak of 2020. Eastside availability reached a new high of 23.3% with every submarket, other than Kirkland, pushing availability higher.

Recently, some tenant demand has resurfaced. Most tenants with 2024 lease expirations are actively negotiating renewals and considering relocation opportunities. Thus far, Eastside landlords have loosened the strings on free rent and increased tenant improvement allowances, but are attempting to hold rental rates steady.



Entire Eastside Market

SNAPSHOT

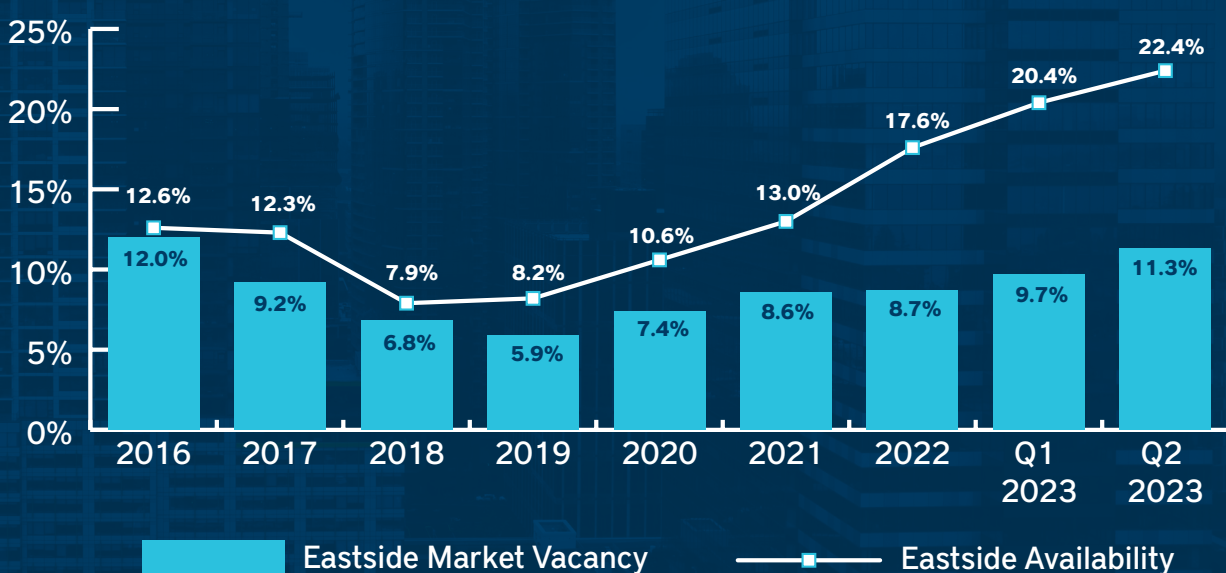
11.81% Vacancy

Total SF: 39,004,853

Vacant SF: 4,606,682

Asking Rates: \$41.62, Gross

YTD Absorption: (857,119)



Microsoft

Microsoft has vacated most of their leased buildings with leases expiring in the next two years, which includes an astounding 2.7M SF in the Bellevue CBD and I-90 Corridor.

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

VACANCY & RENTAL RATES

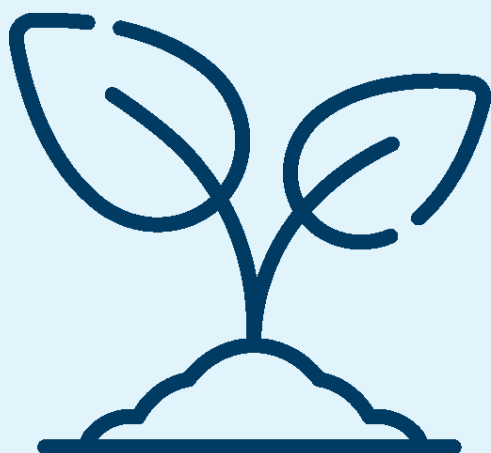
11.8%

Q2 2023 Market Vacancy

\$41.62

Average Gross Rental Rate

EASTSIDE OFFICE MARKET FORECAST



Relative to a recovery, the Eastside office market is still in the downward cycle with increasing vacancies, and rental rates yet to adjust until new significant tenant demand enters the market. *Despite the current challenges, the Eastside Office Market remains one of the most desirable places to be.*

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