

Snohomish County Office Market

The Puget Sound area had one of the nation's strongest office markets in the last two years, with developers adding millions of square feet to the inventory of office space. However, with the economic downturn of 2001, the amount of vacant space has increased considerably from Fall quarter 2000 to Fall quarter 2001, and the average lease rate has dropped in the Seattle, eastside, and Snohomish County markets.

As of Fall quarter 2001, Snohomish County had 2,967,561 square feet of net rentable office space and 676,590 square feet under construction. Snohomish County continues to have higher vacancy rates than Seattle or Bellevue markets, in spite of lower lease rates. In fall quarter 2001, Snohomish County had an office vacancy rate of 17.98% and an average class "A" lease rate of \$20.81 per square foot per year. This compares with the Puget Sound region's vacancy rate of 11.03% and average lease rate of \$27.10. In downtown Seattle the vacancy rate was 10.46% and 11.21% for King County's Eastside. The average lease rate was \$32.37 in downtown Seattle and \$25.50 for the Eastside.

Table 8. Office Market Trends*

Quarter	Inventory	Vacancy Rate	Avg. Class "A" Lease Rate (Full Service/Year)
Snohomish Co.			
Fall 1997	2.4 million SF	9.4%	\$18.00/SF
Fall 1999	2.8 million SF	14.7%	\$20.87/SF
Fall 2000	2.7 million SF	9.1%	\$22.77/SF
Fall 2001	3.0 million SF	18.0%	\$20.81/SF
Seattle, downtown			
Fall 1997	26.5 million SF	5.9%	\$23.75/SF
Fall 1999	28.3 million SF	2.6%	\$29.73/SF
Fall 2000	30.2 million SF	1.4%	\$38.68/SF
Fall 2001	32.7 million SF	10.5%	\$32.37/SF
Bellevue/Eastside			
Fall 1997	15.3 million SF	2.6%	\$24.00/SF
Fall 1999	19.7 million SF	5.2%	\$24.43/SF
Fall 2000	21.0 million SF	0.8%	\$28.53/SF
Fall 2001	24.6 million SF	11.2%	\$25.50/SF
Puget Sound Region**			
Fall 1997	53.8 million SF	5.8%	N/A
Fall 1999	61.0 million SF	5.0%	\$24.15/SF
Fall 2000	67.2 million SF	3.2%	\$24.25/SF
Fall 2001	74.3 million SF	11.0%	\$27.10/SF

* Source: CB Richard Ellis, *Central Puget Sound Real Estate Research Report*

**Includes Snohomish, King and Pierce counties.

In November 2000, Boeing's material services division vacated 235,000 square feet of office space in the three-building Quadrant I-5 center. Brokers who handle office leasing feel this space and more than 1 million square feet of new space could be added within the next couple years to the "Lynnwood Technology Corridor" because of the lack of comparable space in Seattle and on the Eastside.