

FIGURES | PUGET SOUND INDUSTRIAL | Q4 2024

# Tenant rightsizing results in rising vacancies



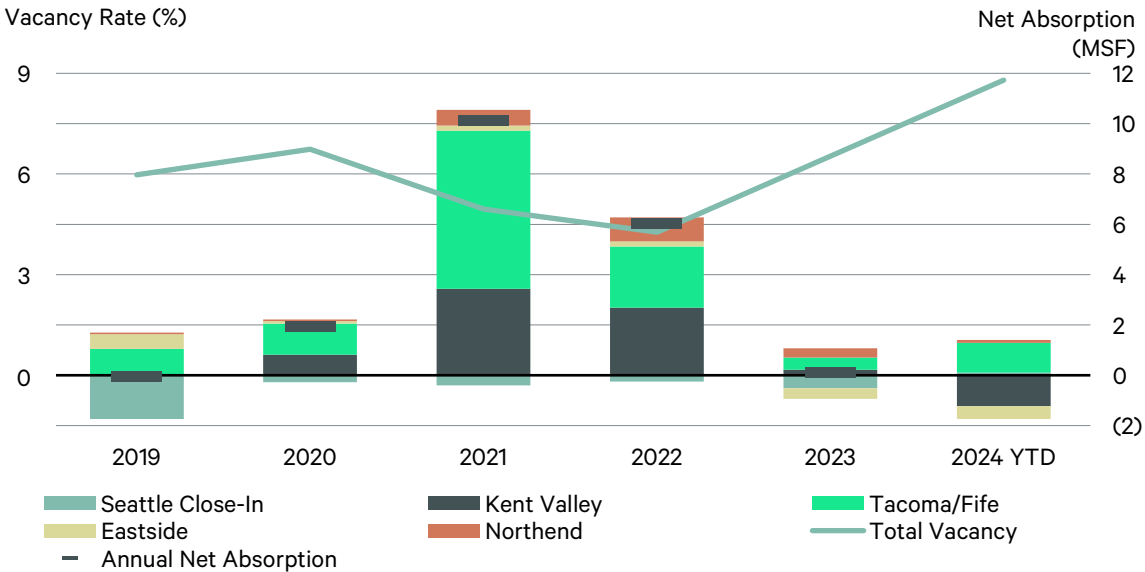
Note: Arrows indicate change from previous quarter.

## Overview

The Puget Sound industrial real estate market is experiencing converging trends, with an 8.8% vacancy rate and 1.4 million square feet of negative net absorption in Q4. The last 90 days saw 626,849 square feet of construction completed and 4.9 million square feet underway, a sharp decrease from last year, but not sufficient to slow the rise in vacancy. Seattle remains a highly desirable destination for industrial tenants, bolstered by increasing port volumes that enhance logistics capabilities and access to global markets. Additionally, the region benefits from a robust transportation infrastructure, a skilled workforce, and a diverse economy, including technology, e-commerce, and manufacturing sectors. While certain submarkets are witnessing shifts due to rightsizing and adjustments, especially to third-party logistics firms (3PL) in the post-pandemic environment, Seattle's strategic advantages continue to attract businesses and investors looking for sustainable growth opportunities in industrial real estate.



FIGURE 1: Vacancy vs. Net Absorption



Source: CBRE Research, Q4 2024

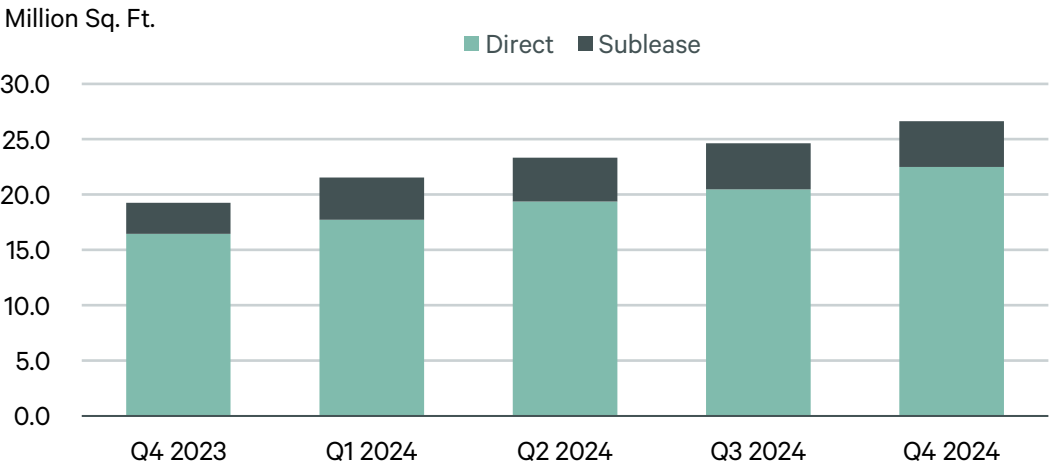
Kent Valley

In Q4 2024, the Kent Valley market faced negative net absorption of 948,171 sq. ft., resulting in an increase in the vacancy rate by 97 basis points (BPS) to 7.1%. This shift reflects a broader trend of 3PL companies rightsizing as the market adjusts to tempered consumer demand. The largest move-in this quarter came from Ricardo Beverly Hills, occupying 109,452 sq. ft. at Prologis Park Algona after vacating 145,871 sq. ft. at Kent Valley Distribution Center. Papé Kenworth also made headlines by expanding into a new building in Federal Way, absorbing 72,933 sq. ft. Additionally, HiPacking absorbed 59,015 sq. ft. at SeaPORT Logistics Center while retaining their existing space in the Kent Valley market. However, the Kent Valley experienced significant downsizing, with Costco Logistics vacating 294,912 sq. ft. at the Sears Warehouse Building and Lineage Logistics leaving 183,452 sq. ft. at Springbrook 188. The blended average rental rate for the Kent Valley in Q4 was \$1.16 per sq. ft., per month NNN.

Tacoma/Fife

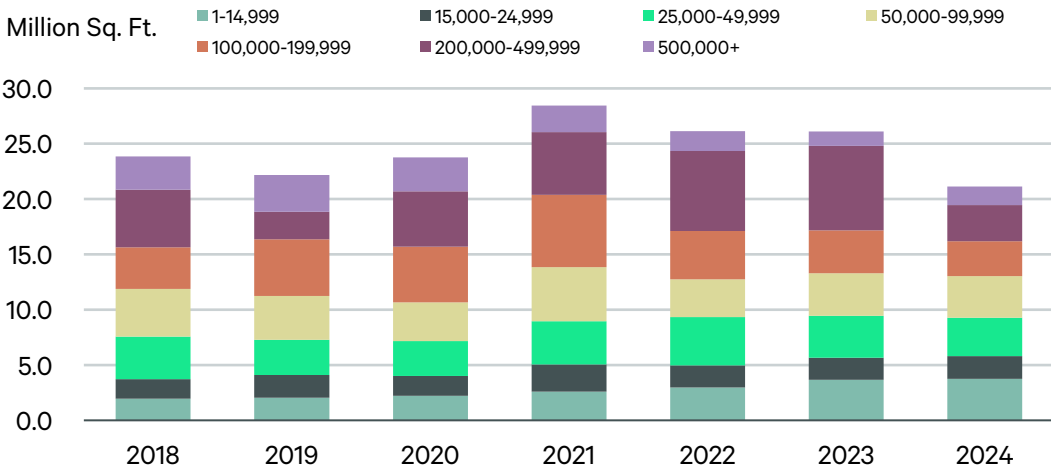
The Tacoma market reported negative net absorption of 80,790 sq. ft., while the vacancy rate increased 45 BPS to 9.8%. The average asking rent in Tacoma remained stable at \$0.89 per sq. ft., NNN. Notable move-ins included MyDepot, which occupied 122,000 sq. ft. at Portside Industrial Center, with plans to take over the other half of the building by the end of Q1 2025. Navistar also moved into 64,341 sq. ft. at the First Steele Building. Conversely, significant move-outs included Unis/Cubework, vacating 208,370 sq. ft. at Lakewood Tacoma Gateway, and Apple Moving, leaving behind 41,250 sq. ft. at Lakewood Industrial Park. These departures had a large impact on the overall trend of the Tacoma market.

FIGURE 2: Vacancy



Source: CBRE Research, Q4 2024

FIGURE 3: Leasing Activity by Size Range



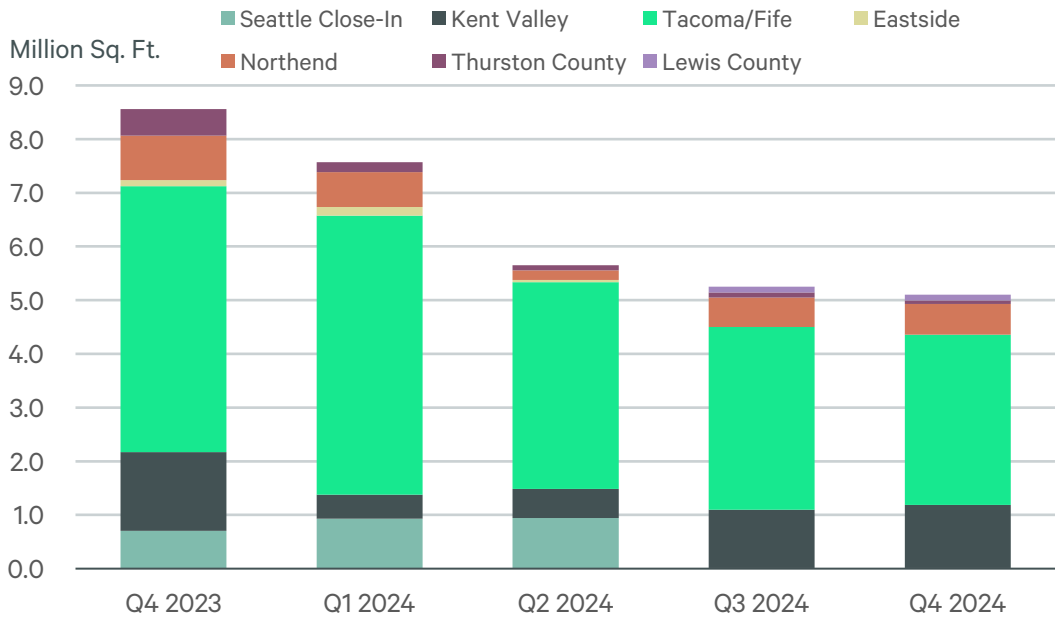
Source: CBRE Research, Q4 2024

Thurston County

Thurston County’s vacancy rate stabilized at 6.2% in Q4 2024, with no significant move-ins during this period. The market saw activity from Daedong, a leading Korean tractor manufacturer, who leased 149,340 sq. ft. at Tumwater Corporate Center - Building 1, with plans to occupy in early 2025. Additionally, the State of Washington leased 20,826 sq. ft at 818 79th Ave SE, also in Tumwater. The average asking rent for the Olympia submarket settled at \$0.76 per sq. ft., per month NNN.

Seventy percent of the proposed development inventory in the Olympia market is in Tumwater, which is likely to draw interest from tenants on the I-5 Corridor. No projects are currently underway, but national developers such as Crow Holdings and Panattoni continue to show interest in kicking off projects once a tenant is procured.

FIGURE 4: Square Feet Under Construction (5-County Region)



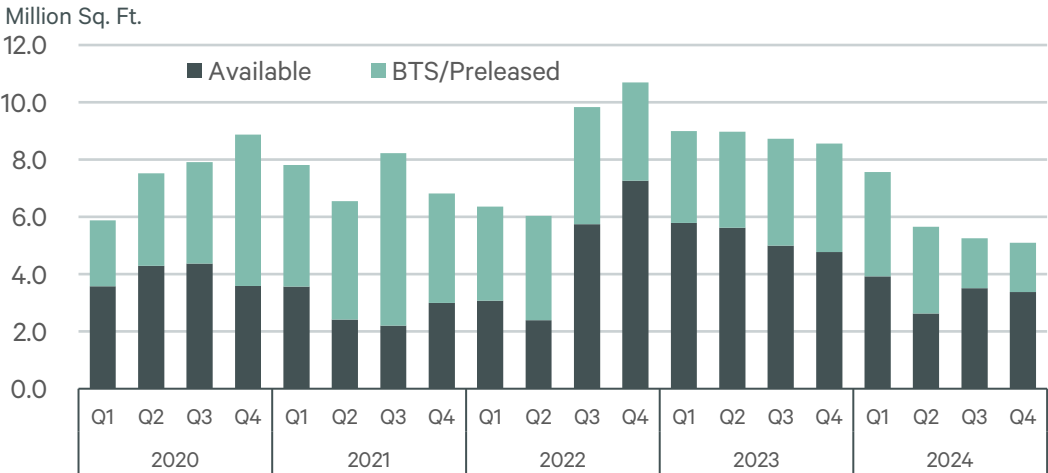
Source: CBRE Research, Q4 2024

FIGURE 5: Key Transactions (5-County Region)

Tenant	Transaction Type	Sq. Ft.	Building	Submarket	Business Sector
Regalo International	Renewal/Expansion	337,500	DuPont Corporate Center 1	DuPont	Wholesaler
Boeing	New Lease	278,462	Bridge Point Everett 500 Building A	Everett	Aerospace
Crane Worldwide	New Lease	262,899	Sumner West Logistics	Sumner	Transportation
MyDepot	New Lease	251,500	Portside Industrial Center Building A	Fife	Warehousing
Daedong USA	New Lease	149,340	Tumwater Corporate Center Building 1	Tumwater	Manufacturer
Westlake Pipe	New Lease	141,306	Tacoma Supply Chain Center Building 1	Frederickson	Construction Materials
Side Out Pickleball	New Lease	95,500	Prologis Park Seattle 15	South/West Seattle	Sports/Recreation
HiPacking	New Lease	90,328	SeaPort Logistics Center 1-A	Sumner	Transportation
Skookum Contract Services	New Lease	52,400	Pieratt Business Park Building 4	Auburn	Non-Profit
Rivian	New Lease	45,000	North Creek Commerce Center Building C	Lynnwood/Edmonds/Mukilteo	Manufacturer

Source: CBRE Research, Q4 2024

FIGURE 6: Available or BTS/Preleased in Properties Under Construction (5-County Region)



Source: CBRE Research, Q4 2024

Seattle Close-In

In Q4 2024, the Seattle Close-In market recorded positive net absorption of 55,662 sq. ft., resulting in a slight decrease in the vacancy rate to 9.9%. Key market activity included CloudKitchens purchasing the Messenger Sign building and absorbing 38,412 sq. ft., along with an undisclosed owner-user buying the Millwork Supply Company building in SODO, occupying 34,590 sq. ft. The market also saw ProgainUSA vacate 28,190 sq. ft. at Cloverdale Corporate Park. The largest lease of the quarter was Side Out Pickleball, which leased 95,500 sq. ft. at the former Pepsi Plant near Rainier Ave South in the Capitol Hill/East Seattle/Rainier Valley submarket, following the successful opening of a Mukilteo location for the sports organization. The average asking rent in the Seattle Close-In market decreased slightly to \$1.57 per sq. ft, per month, NNN.

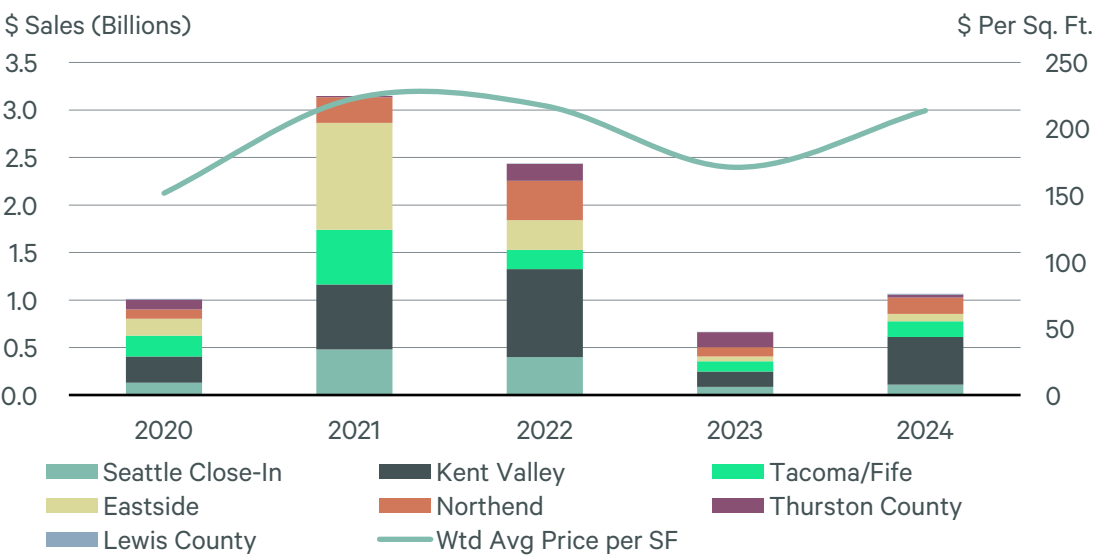
Eastside

The Eastside industrial market trended downward in Q4 2024, with 392,485 sq. ft. of negative absorption and vacancy rising 140 BPS to 8.0%. A large factor was Precor vacating 197,552 sq. ft. at

Woodinville Distribution Center – Building A, and consolidating their footprint into 26,320 sq. ft. at Underwood 200. Other impacts included BioRad Laboratories vacating 54,896 sq. ft. at Redmond East Business Campus – Building 16, and a Redmond-based software company vacating 46,535 sq. ft. at Willows Commerce Park – Building D. On a positive note, BioLife Solutions expanded into 33,385 sq. ft. at Monte Villa Farms Building I. Also this quarter, glassybaby signed a significant lease for 18,077 sq. ft. at Redmond East Business Campus – Building 2, with occupancy expected in Q1 2025.

The construction pipeline in the Eastside market remained in check, with no buildings underway. Proposed developments in North Bend, part of the I-90/Issaquah submarket, account for 52% of the 764,784 sq. ft. announced. Panattoni is planning to build Mount Si Industrial Center, three buildings totaling 356,941 sq. ft., near the Nintendo campus, and NBW Properties intends to add 41,000 sq. ft. on SE North Bend Way when activity warrants. The submarket is still looking for momentum as Vector Development’s new Alpentel Logistics, 115,575 sq. ft. delivered in Q2 2024, is still searching for a tenant.

FIGURE 7: Sales Volume and Weighted Average Price per Sq. Ft. (5-County Region)



Source: CBRE Research, Q4 2024

Northend

The Northend industrial market saw a modest 45,123 sq. ft. of negative net absorption in Q4 2024, while vacancy increased slightly to 13.5%. Vacancy has doubled from 6.7% in Q2 2023, due to 2.2 million sq. ft. of deliveries offset by only 435,277 sq. ft. of net absorption. Activity this past quarter included a new 47,826 sq. ft. vacancy at 19516 Arlington Valley Rd in the North Snohomish submarket, as well as the closure of Big Box Outlet in Monroe, leaving an additional 21,669 sq. ft of vacant space. Move-ins included Fastsigns absorbing 46,125 sq. ft. at Bridge Point Everett 500 Building B, and Gardico buying a 25,560 sq. ft. building at 11502 Cyrus Way in Mukilteo from Jumbo Foods.

Boeing signed the largest lease in the Northend this quarter, adding 278,000 sq. ft. at Bridge Point Everett 500 Building A. The aerospace giant is expected to occupy in Q2 2025. Teague, another aerospace supplier, renewed 60,000 sq. ft. at 6000 23rd Dr W in Everett, a building owned by the former user, Nicholson Manufacturing. Four investor-owned buildings are currently under construction, the largest being 307,860 sq. ft. at Building 3 at Cascade Business Park in the North Snohomish submarket, preleased to Frito-Lay. The remaining three, ranging in size from 23,000 sq. ft to 125,000 sq. ft., are unleased.

FIGURE 8A: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2024 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Downtown/Lake Union	1,717,241	278,712	16.2	11.3	(65)	(2,745)	0	
North Seattle/Interbay	6,825,147	712,966	10.4	11.3	(3,560)	105,794	12,454	
East Seattle/Capitol Hill/Rainier Valley	1,801,563	240,554	13.4	7.6	(1,008)	11,954	0	
South/West Seattle	39,579,135	3,709,949	9.3	10.0	60,295	(4,425)	0	
<b>Seattle Close-In</b>	<b>49,923,086</b>	<b>4,942,181</b>	<b>9.9</b>	<b>10.1</b>	<b>55,662</b>	<b>110,578</b>	<b>12,454</b>	<b>1.57</b>
SeaTac	6,360,510	604,226	9.5	10.7	8,073	(142,064)	0	
Tukwila	12,161,553	1,242,334	10.2	11.3	(164,061)	(268,051)	0	
Renton	16,164,753	329,762	2.0	5.4	(12,366)	(17,393)	0	
Kent	48,878,073	4,138,591	8.5	9.6	(822,067)	(1,519,438)	223,517	
Auburn	28,486,593	1,274,147	4.5	5.9	(51,649)	(270,167)	0	
Federal Way	3,172,500	581,226	18.3	11.0	95,549	1,109,986	474,424	
Sumner	19,411,608	1,435,106	7.4	10.6	(1,650)	(127,933)	476,362	
<b>Kent Valley</b>	<b>134,635,590</b>	<b>9,605,392</b>	<b>7.1</b>	<b>8.7</b>	<b>(948,171)</b>	<b>(1,235,060)</b>	<b>1,174,303</b>	<b>1.16</b>
Port of Tacoma	12,544,453	626,239	5.0	12.8	26,913	(257,178)	26,000	
Tacoma West	5,845,188	282,531	4.8	6.5	10,848	(134,956)	1,481,295	
Fife	13,316,909	960,463	7.2	7.2	156,050	(530,528)	154,000	
Puyallup	8,537,909	805,964	9.4	12.0	(45,682)	(25,226)	389,303	
Frederickson	15,290,615	2,232,196	14.6	16.0	0	2,622,585	1,118,480	
Lakewood	7,386,464	1,223,938	16.6	17.0	(221,719)	(518,618)	0	
DuPont	4,635,287	496,807	10.7	10.5	(7,200)	(11,640)	0	
Gig Harbor	757,586	100,127	13.2	13.2	0	37,846	0	
<b>Tacoma/Fife</b>	<b>68,314,411</b>	<b>6,728,265</b>	<b>9.8</b>	<b>12.1</b>	<b>(80,790)</b>	<b>1,182,285</b>	<b>3,169,078</b>	<b>0.89</b>

CBRE made a methodology change in Q3 2024 to report blended industrial rents instead of shell rents as previous

Source: CBRE Research, Q4 2024

Investment Sales

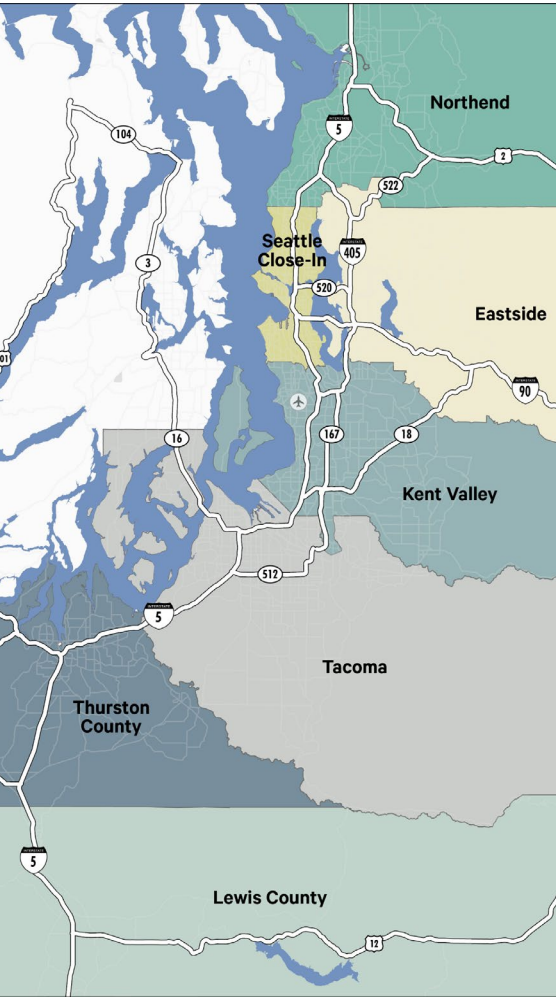
Sales volume rose slightly year-over-year to over \$1.0 billion in 2024, but remained below the 10-year average of \$1.6 billion annually for the 5-county Puget Sound region. Buyers are coming off the sidelines for attractive properties, but sellers are cautious when pricing properties in a market with rising vacancy. The largest Q4 2024 transaction was Dermody Properties selling an Amazon.com-leased facility at 2871 S 102nd St, Tukwila for \$402 per sq. ft. to Exeter Real Estate Income Trust. The building is on leased land, likely detracting from the sale price. In another large sale, The SMARTCAP Group acquired two buildings, built in 1991, on St Paul Avenue in the Port of Tacoma submarket for \$108 per sq. ft. Real Capital Analytics reported an average cap rate of 5.4% for the first three quarters of 2024, exceeding to the national average of 6.7% for the same time period.

FIGURE 8B: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2024 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Bellevue	2,030,527	78,900	3.9	3.1	(4,475)	(115)	0	
I-90 Corridor	2,652,400	394,067	14.9	15.0	(3,999)	(5,108)	0	
Kirkland/Totem Lake	2,318,166	38,042	1.6	2.0	(6,331)	40,501	0	
Overlake	704,781	214,643	30.5	29.5	(12,432)	(22,446)	0	
Marymoor	3,484,130	243,281	7.0	7.4	(134,385)	(196,761)	0	
Willows	3,846,437	277,123	7.2	7.7	(24,197)	14,642	0	
Bothell	2,985,818	220,362	7.4	15.7	(22,048)	(36,633)	0	
Woodinville/Maltby	6,909,081	535,371	7.7	11.6	(184,618)	(294,255)	0	
<b>Eastside</b>	<b>24,931,340</b>	<b>2,001,789</b>	<b>8.0</b>	<b>10.2</b>	<b>(392,485)</b>	<b>(500,175)</b>	<b>0</b>	<b>1.74</b>
Lynnwood/Edmonds/ Mtlk Terrace	2,579,822	48,214	1.9	3.5	11,217	42,739	138,371	
Monroe	2,041,027	196,873	9.6	8.0	(34,258)	19,370	0	
Mukilteo	2,980,771	321,310	10.8	10.4	12,235	(62,303)	0	
Everett	11,165,253	1,494,467	13.4	11.1	18,884	109,916	125,048	
No. Snohomish	5,932,940	1,283,485	21.6	30.9	(53,201)	3,601	307,860	
<b>Northend</b>	<b>24,699,813</b>	<b>3,344,349</b>	<b>13.5</b>	<b>14.7</b>	<b>(45,123)</b>	<b>113,323</b>	<b>571,279</b>	<b>1.13</b>
<b>Puget Sound (3-county)</b>	<b>302,504,240</b>	<b>26,621,976</b>	<b>8.8</b>	<b>10.3</b>	<b>(1,410,907)</b>	<b>(329,049)</b>	<b>4,927,114</b>	<b>1.23</b>
<b>Whse/Bus Pk/Manuf</b>	<b>293,456,020</b>	<b>25,315,101</b>	<b>8.6</b>	<b>10.1</b>	<b>(1,262,929)</b>	<b>(145,501)</b>	<b>4,927,114</b>	<b>1.21</b>
<b>Flex</b>	<b>9,184,307</b>	<b>1,306,875</b>	<b>14.2</b>	<b>17.8</b>	<b>(147,978)</b>	<b>(183,548)</b>	<b>0</b>	<b>1.73</b>
Lacey	12,438,673	665,556	5.4	6.3	6,681	(17,290)	38,000	
Olympia Core	822,123	0	0.0	0.0	0	0	0	
Tumwater	4,702,188	469,916	10.0	5.9	(1,625)	58,956	29,150	
Outlying Thurston	395,220	0	0.0	0.0	0	297,970	0	
<b>Thurston County</b>	<b>18,358,204</b>	<b>1,135,472</b>	<b>6.2</b>	<b>5.8</b>	<b>5,056</b>	<b>339,636</b>	<b>67,150</b>	<b>0.76</b>
<b>Lewis County</b>	<b>5,638,167</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>107,125</b>	<b>N/A</b>
<b>Five-County Total</b>	<b>326,500,611</b>	<b>27,757,448</b>	<b>8.5</b>	<b>9.9</b>	<b>(1,405,851)</b>	<b>10,587</b>	<b>5,101,389</b>	<b>1.23</b>

CBRE made a methodology change in Q3 2024 to report blended industrial rents instead of shell rents as previous

Market Area Overview



Definitions

Net Absorption: The change in occupied square footage from one period to the next, recognized at the move-in date or delivery of new construction, not lease signing date.

Vacancy: Space that is physically vacant, but may be available or newly leased.

Available: Space that is marketed, but may or may not be vacant.

Average Asking Lease Rate: A calculated average that includes full service and triple net + operating expense lease rates, weighted by their corresponding available square footage. Full Service Lease Rate: Rent typically includes real property taxes, building insurance, common area and major maintenance. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and maintenance) typically included in a full service lease rate.

Survey Criteria

Seattle Close-In, Kent Valley, Tacoma/Fife, Thurston County and Lewis County markets include owner occupied and investor-owned industrial buildings over 10,000 sq. ft. The Eastside and Northend markets include investor-owned industrial buildings over 10,000 sq. ft.

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