

FIGURES | PUGET SOUND INDUSTRIAL | Q4 2023

# Steady Leasing Activity as Region Stabilizes

▲ 6.5%

Vacancy Rate

▼ 50K

SF Net Absorption

▼ 1.8M

SF Construction Completed

Note: Arrows indicate change from previous quarter.

## Overview

The Puget Sound Industrial market is in a cooling off period, after unprecedented market growth over the last three years. Aerospace has surged compared to previous years, but logistics and 3PLs are still the dominant tenant in the Puget Sound. Although leasing velocity only slowed modestly, expansions were curtailed, with less than 50,000 sq. ft. of absorption reported in the central Puget Sound region for the quarter. Asking rent still has momentum, having grown 1.5% in the last quarter and 5.7% annually.

Industrial inventory continued to expand with 15 buildings delivering this quarter. The bulk of the space—12 buildings totaling 1.8 million sq. ft.—was in Central Puget Sound, although three developments totaling 127,805 sq. ft. were also added to the South Sound. Looking ahead, Central Puget Sound has 8.1 million sq. ft. under construction and 31.9 million sq. ft. proposed, while the South Sound has 497,056 sq. ft. under construction and 21.2 million sq. ft. proposed. Development will likely slow in the near future due to pressure from rising interest rates and the tightened lending environment.

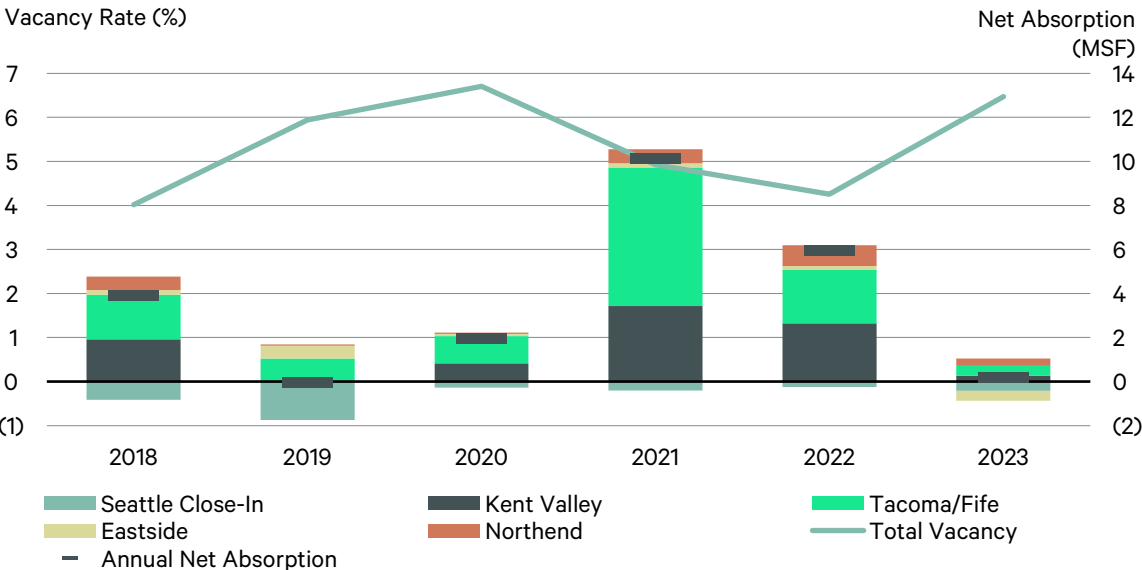
▼ 8.1M

SF Under Construction

▲ \$1.21

Asking Shell Rent  
Sq. Ft./Month, NNN

FIGURE 1: Vacancy vs. Net Absorption



Source: CBRE Research, Q4 2023

Through November 2023, the Northwest Seaport Alliance reported that year-to-date volume was 2.7 million TEUs shipped through the ports, a 14% decrease. This is part of a general softening of activity for the port, although one bright spot is that international exports are up 1.3% annually. Port activity has led to several 3PLs seeking market share to pursue new spaces.

Kent Valley

The Kent Valley market reported an 80 basis point (bps) rise in vacancy to 5.1%, bumping above the 10-year average of 4.9%. Leasing activity for 2023 however, was on par with the historic average, totaling 12 million sq. ft. per year. Rent growth remained relatively modest, with a 1% change over Q4.

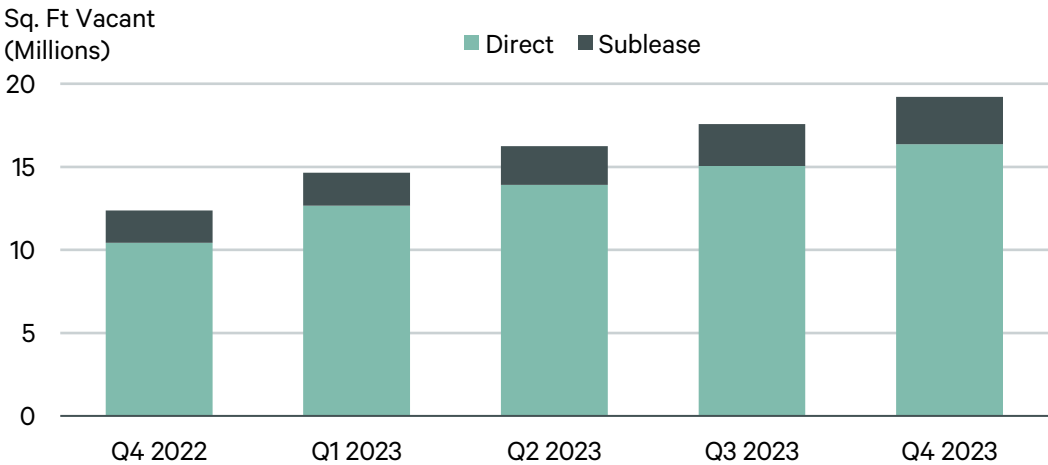
A few closures and fewer tenant expansions led to 233,966 sq. ft. of negative absorption this quarter. Discount Tire leased and absorbed 261,364 sq. ft at Prologis Park Kent 50, inking the largest lease in the Kent Valley for this past quarter. Toysmith downsized its footprint, moving from 262,899 sq. ft. at Sumner West Logistics to 159,055 sq. ft. at Pacific 167 Logistics in the Auburn sub-market. Additionally, Scotts, the lawn care company, vacated 245,185 sq. ft. at Sumner Central.

Five buildings, totaling 896,006 sq. ft., were delivered in the Kent Valley this quarter. A significant addition was a 156,825 sq. ft. build-to-suit for Stoke Space at Pacific Gateway Business Park in Kent. The area's development pipeline remained robust, with 1.7 million sq. ft. under construction and 9.06 million sq. ft. proposed.

Tacoma/Fife

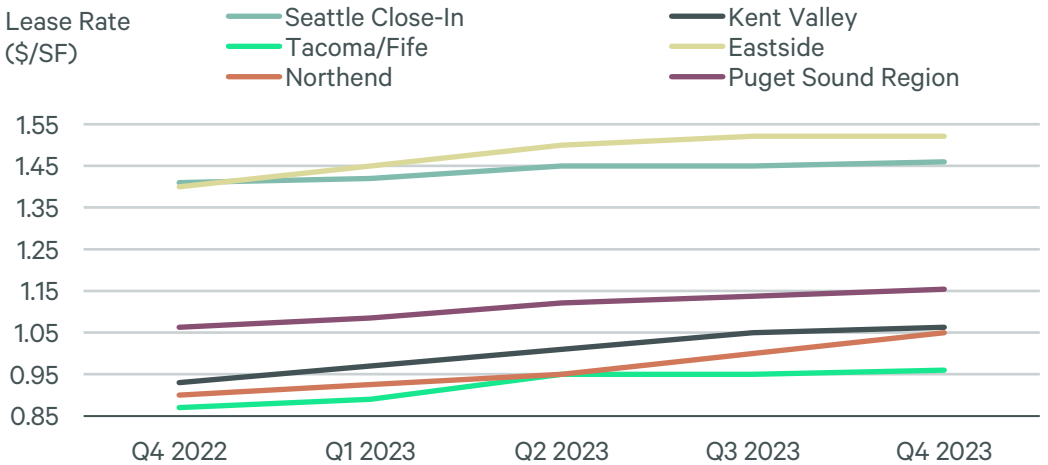
Tacoma continued to have a healthy industrial market, with 222,760 sq. ft. of positive net absorption, and a 1% uptick in rent for Q4 2023. Two buildings, totaling 274,690 sq. ft. and centrally located on Canyon Road, were delivered this quarter by Trammell Crow Company. Construction activity was on the upswing, totaling just under 5 million sq. ft. or 1.3 million sq. ft. more than the previous quarter. Tacoma's vacancy remained stable, with availability dropping 120 bps. Activity was led by Lollicup, who relocated from 46,434 sq. ft. at the Apollo Building in

FIGURE 2: Vacancy



Source: CBRE Research, Q4 2023

FIGURE 3: Asking Shell Rent, NNN per Month



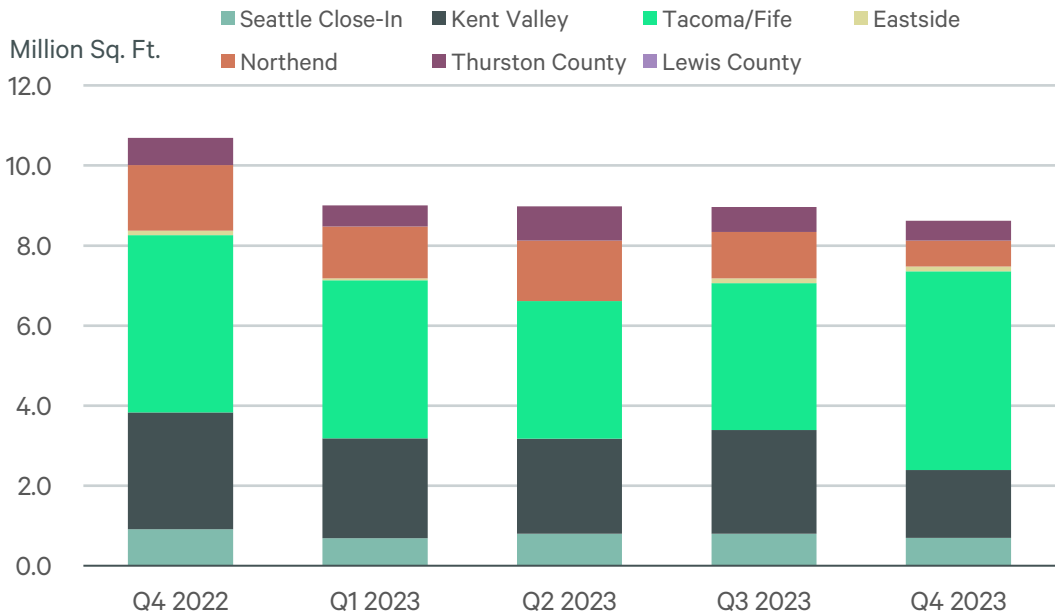
Source: CBRE Research, Q4 2023

Sumner to 98,070 sq. ft. at Canyon East Logistics. SeaTac Box, who had been marketing 50,000 sq. ft. of surplus space in a recently purchased facility, opted instead to expand into the space.

Thurston-Lewis Counties

Thurston County saw an increase in leasing activity with 170,978 sq. ft. of positive net absorption, which pushed vacancy down 20 bps this quarter to 5.4%. Thurston County continues to have a strong pipeline; three buildings totaling 127,805 sq. ft. were delivered this quarter, with 497,056 sq. ft. under construction and 8.4 million sq. ft. proposed. Alternatively, Lewis County remained static – ready to kick off buildings for build-to-suit tenants, but with little speculative availability. Lewis County has 12.6 million sq. ft. of planned projects. These markets continue to attract developers with low cost of land and easier access to the Portland market.

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



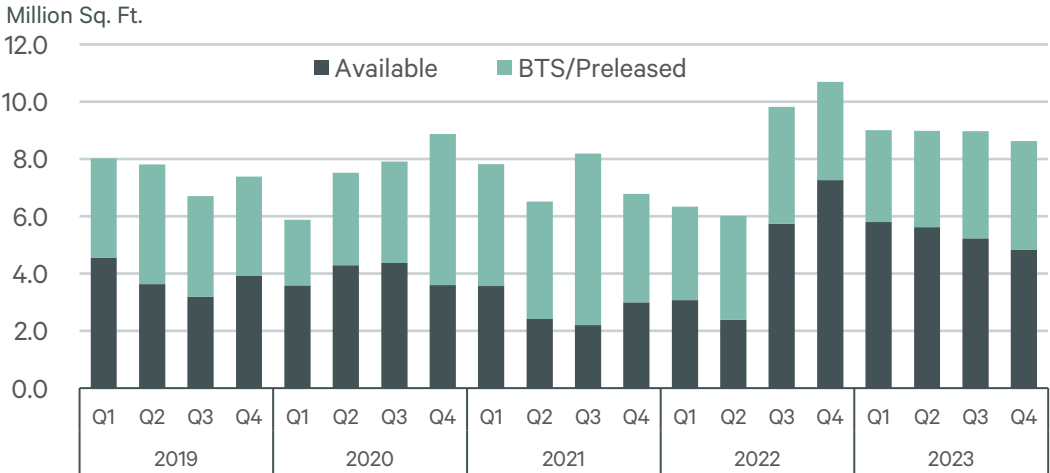
Source: CBRE Research, Q4 2023

FIGURE 5: Key Transactions (5-County Region)

Tenant	Transaction Type	Sq. Ft.	Building	Submarket	Business Sector
Boeing	New Lease	533,393	Frederickson One - Building 4	Frederickson	Aerospace
GE Appliances	New Lease	435,791	FRED310 - Building D	Frederickson	Home Appliances
Boeing	New Lease	414,528	CenterPoint Seattle	South/West Seattle	Aerospace
Boeing	New Lease	312,225	Frederickson One - Building 7	Frederickson	Aerospace
Discount Tire	New Lease	261,364	Prologis Park Kent 50	Kent	Automobile
U.S. AutoForce	New Lease	119,150	Bridge Point Tacoma 120	Lakewood	Automobile
Krafter's Land Cabinetry	New Lease	114,002	745 Andover	Tukwila	Construction
JW Logistics	New Lease	100,038	Springbrook 188	Kent	Logistics
Savanah Logistics	New Lease	83,683	Prologis Park Seattle - Portside	South/West Seattle	Logistics
Walter E Nelson Co.	New Lease	64,888	Peak 410 - Building 5	Puyallup	Janitorial Supply
Northwest Premier Delivery	New Lease	63,000	Valley Centre - Building 4	Auburn	Logistics

Source: CBRE Research, Q4 2023

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



Source: CBRE Research, Q4 2023

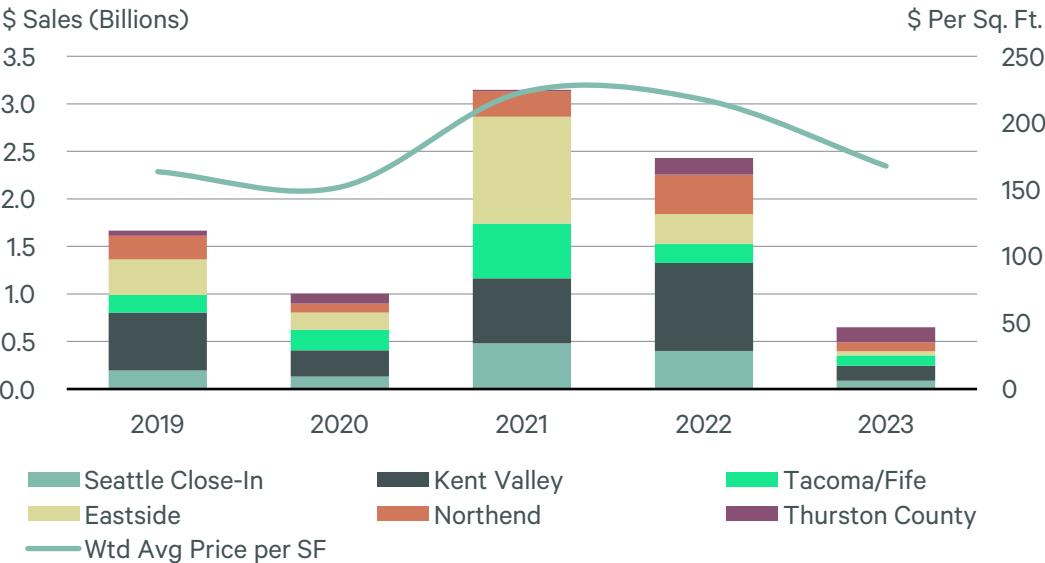
Seattle Close-In

Seattle Close-In finished the quarter with 100,694 sq. ft. of negative net absorption and minimal rent growth of 0.7% in Q4 2023. Vacancy increased 30 bps from 7.8% to 8.2%. The Seattle Close-In submarket remains a difficult area to develop due to the lack of land, but will likely remain stable despite zoning changes and building demolitions. One building, a UPS shipping facility at King County International Airport totaling 106,000 sq. ft., was delivered this quarter. The development pipeline in the Seattle Close-In market holds 702,429 sq. ft. under construction and 917,404 sq. ft. in proposed projects.

Eastside

The Eastside industrial market is evolving, and is now home to several tenants in the energy and aerospace industries. During Q4 2023, leasing on the Eastside was minimal, but net absorption was a positive 74,922 sq. ft. Vacancy decreased 50 bps quarter over quarter to 6.1% from 6.6%. The largest lease was to a boat storage company for 36,800 sq. ft. of traditional warehouse space in Woodinville. Tech company footprints are expected to grow as the Puget Sound economy expands and the educated labor force draws employers to the Eastside.

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



Source: CBRE Research, Q4 2023

Northend

Northend users took a pause this year, absorbing only 120,883 sq. ft. in Q4, just as builders pushed forward with new projects. After a decade of vacancy holding below 10%, deliveries far surpassed net absorption, resulting in a year-end vacancy rate of 10.6%. In 2023, 1.6 million sq. ft. of new industrial buildings were delivered, with net absorption unable to match the pace of development at 326,461 sq. ft. for the year. Tenant growth has been uneven over the last decade, but averaged 460,000 sq. ft. annually before 2023.

Smartcap’s Arlington Air - Building B snagged the largest tenants this quarter, with FEMA leasing 38,000 sq. ft. and National Carwash Solutions leasing 32,256 sq. ft. The largest deliveries were Bridge Point Soundview, a three building project totaling 485,000 sq. ft. overlooking Puget Sound; and Underwood Gartland 64, a 26,666 sq. ft. project in an in-fill area of the Everett submarket. Both were unleased as of publication.

FIGURE 8A: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2023 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Combined Whse & Flex Shell Rent (NNN/SF/Mo)
Downtown/Lake Union	1,812,431	264,500	14.6	9.8	1,309	(2,964)	0	
North Seattle/Interbay	6,854,147	818,778	11.9	12.5	(37,754)	(136,058)	0	
East Seattle/Capitol Hill/Rainier Valley	1,922,754	262,558	13.7	12.5	(23,040)	(38,292)	0	
South/West Seattle	40,494,359	2,829,703	7.0	7.8	(41,209)	(240,061)	702,429	
<b>Seattle Close-In</b>	<b>51,083,691</b>	<b>4,175,539</b>	<b>8.2</b>	<b>8.7</b>	<b>(100,694)</b>	<b>(417,375)</b>	<b>702,429</b>	<b>1.46</b>
SeaTac	6,021,671	169,928	2.8	4.8	(26,552)	(135,018)	315,520	
Tukwila	12,161,553	956,814	7.9	7.9	(89,413)	41,184	0	
Renton	16,164,753	304,032	1.9	1.7	(78,640)	100,657	0	
Kent	48,878,073	2,619,153	5.4	8.2	348,830	756,273	223,517	
Auburn	27,986,117	888,460	3.2	4.5	346,949	68,888	105,208	
Federal Way	2,075,875	594,587	28.6	28.9	(20,281)	5,834	1,023,692	
Sumner	19,386,608	1,269,429	6.5	7.8	(714,859)	(570,802)	25,000	
<b>Kent Valley</b>	<b>132,674,650</b>	<b>6,802,403</b>	<b>5.1</b>	<b>6.7</b>	<b>(233,966)</b>	<b>267,016</b>	<b>1,692,937</b>	<b>1.07</b>
Port of Tacoma	12,555,020	369,061	2.9	7.0	3,000	(251,784)	0	
Tacoma West	5,845,188	179,531	3.1	3.6	(2,916)	330,733	11,900	
Fife	13,201,921	314,947	2.4	5.3	(46,405)	(84,594)	111,500	
Puyallup	8,316,378	559,207	6.7	8.6	80,608	(221,723)	340,744	
Frederickson	12,088,375	1,652,541	13.7	6.7	169,045	579,921	4,353,557	
Lakewood	7,185,646	504,502	7.0	12.5	(13,988)	78,521	145,896	
DuPont	4,635,287	485,167	10.5	10.5	0	(2,976)	0	
Gig Harbor	757,586	137,973	18.2	18.2	33,416	21,143	0	
<b>Tacoma/Fife</b>	<b>64,585,401</b>	<b>4,202,929</b>	<b>6.5</b>	<b>7.5</b>	<b>222,760</b>	<b>449,241</b>	<b>4,963,597</b>	<b>0.96</b>

Source: CBRE Research, Q4 2023

Investment Sales

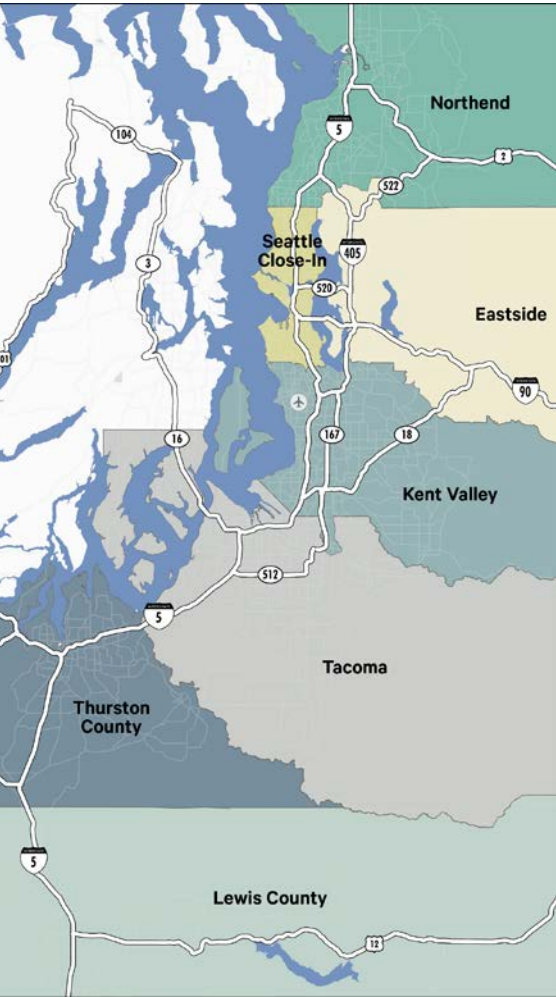
A decrease in buying power, caused by rising interest rates, continued to put sales on the sideline. A significant sale of the quarter was the NiteHawk Sweepers property, a 27,525 sq. ft. building built in 1990 and located in the Kent Valley. The property was bought and sold by users and total consideration was \$7.6 million or \$276 per sq. ft. The year concluded with 68 transactions totaling \$653 million, a 73% decrease in dollar volume compared to last year.

FIGURE 8B: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q4 2023 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Combined Whse & Flex Shell Rent (NNN/SF/Mo)
Bellevue	2,030,527	78,785	3.9	3.8	12,643	(28,788)	0	
I-90 Corridor	2,536,825	277,567	10.9	13.2	5,673	(261,545)	115,575	
Kirkland/Totem Lake	2,429,959	190,336	7.8	3.6	(10,380)	(69,312)	0	
Overlake	704,781	192,197	27.3	29.0	(19,797)	(150,203)	0	
Marymoor	3,484,130	60,590	1.7	7.7	0	68,554	0	
Willows	3,834,195	279,523	7.3	7.2	(12,240)	(77,825)	0	
Bothell	3,110,428	258,988	8.3	16.1	2,212	96,947	0	
Woodinville/Maltby	6,886,356	195,616	2.8	7.8	62,845	(27,007)	0	
<b>Eastside</b>	<b>25,017,201</b>	<b>1,533,602</b>	<b>6.1</b>	<b>9.1</b>	<b>40,956</b>	<b>(449,179)</b>	<b>115,575</b>	<b>1.90</b>
Lynnwood/Edmonds/Mtlk Terrace	2,579,822	89,162	3.5	5.2	(11,242)	(25,548)	0	
Monroe	2,041,027	216,243	10.6	11.0	(2,478)	(64,230)	0	
Mukilteo	2,980,771	259,007	8.7	8.8	(1,440)	21,312	0	
Everett	10,634,862	1,138,538	10.7	14.3	59,539	(57,753)	166,590	
No. Snohomish	5,343,550	803,828	15.0	16.9	76,504	452,680	483,258	
<b>Northend</b>	<b>23,580,032</b>	<b>2,506,778</b>	<b>10.6</b>	<b>12.9</b>	<b>120,883</b>	<b>326,461</b>	<b>649,848</b>	<b>1.09</b>
<b>Puget Sound (3-county)</b>	<b>296,940,975</b>	<b>19,221,251</b>	<b>6.5</b>	<b>7.9</b>	<b>49,939</b>	<b>176,164</b>	<b>8,124,386</b>	<b>1.21</b>
<b>Whse/Bus Pk/Manuf</b>	<b>287,353,382</b>	<b>17,915,225</b>	<b>6.2</b>	<b>7.7</b>	<b>43,380</b>	<b>383,801</b>	<b>8,124,386</b>	<b>1.15</b>
<b>Flex</b>	<b>9,587,593</b>	<b>1,306,026</b>	<b>13.6</b>	<b>15.6</b>	<b>6,559</b>	<b>(207,637)</b>	<b>0</b>	<b>2.03</b>
Lacey	12,250,673	474,766	3.9	4.0	162,678	160,705	188,000	
Olympia	822,123	0	0.0	0.0	0	0	0	
Tumwater	4,663,382	490,066	10.5	12.8	8,300	18,045	10,056	
Outlying Thurston	77,250	0	0.0	0.0	0	0	299,000	
<b>Thurston County</b>	<b>17,813,428</b>	<b>964,832</b>	<b>5.4</b>	<b>6.1</b>	<b>170,978</b>	<b>178,750</b>	<b>497,056</b>	<b>0.75</b>
<b>Lewis County</b>	<b>5,638,167</b>	<b>0</b>	<b>0.0</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.49</b>
<b>Five-County Total</b>	<b>320,392,570</b>	<b>20,186,083</b>	<b>6.3</b>	<b>7.7</b>	<b>220,917</b>	<b>354,914</b>	<b>8,621,442</b>	<b>1.16</b>

Source: CBRE Research, Q4 2023

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.

Contact

Carolyn Davis  
Research Manager  
+1 206 292 6098  
Carolyn.Davis@cbre.com

John R. Miller  
Executive Managing Director  
+1 206 292 6102  
John.Miller@cbre.com

Jay Volpenhein  
Research Analyst  
+1 206 292 6067  
Jay.Volpenhein@cbre.com

SEATTLE OFFICE

1420 5th Ave, Suite 3800  
Seattle, WA 98101  
+1 206 292 1600

BELLEVUE OFFICE

929 108th Ave NE, Suite 700  
Bellevue, WA 98004  
+1 425 455 8500

TACOMA OFFICE

1201 Pacific Ave, Suite 1502  
Tacoma, WA 98402  
+1 253 572 6355

