

FIGURES | PUGET SOUND INDUSTRIAL | Q3 2024

Positive absorption amid uptick in vacancy

▲ 8.1%

Vacancy Rate

▲ 1.8M

SF Net Absorption

▲ 3.2M

SF Construction Completed

▼ 5.0M

SF Under Construction

▶ \$1.28

Asking Blended Rent
Sq. Ft./Month, NNN

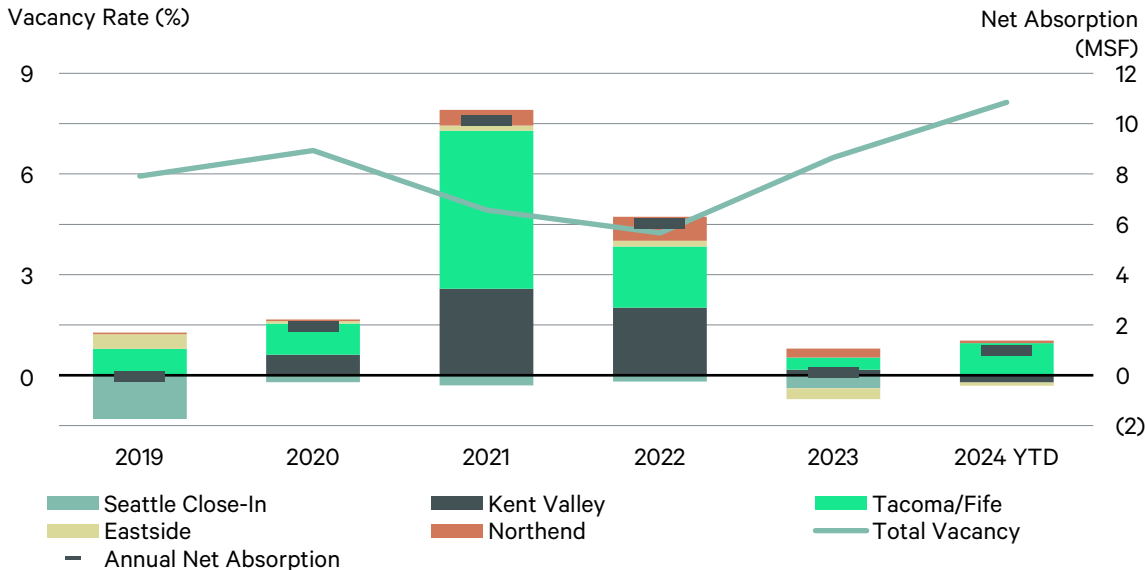
Note: Arrows indicate change from previous quarter.

Overview

The Puget Sound industrial market experienced positive absorption in Q3 2024, largely due to Boeing occupying one million square feet at Bridge Point Seattle I-5 in Federal Way. However, lower than normal leasing velocity, along with tenants continuing to right-size in the wake of the pandemic boom, are proving to be obstacles. Although leasing in the over 500,000-square-foot range has been consistent since 2021, spaces in the 100,000 to 499,999 square foot range continue to underperform. Overcoming this setback will require new interest from tenants.

Population growth is expected to propel the industrial market in the coming years, with the local *Puget Sound Economic Forecaster* predicting growth rates of 1.3 percent in 2025, 1.5 percent in 2026, and 1.7 percent in 2027, significantly exceeding the 0.8 percent growth experienced between 2019 and 2024. In comparison, the U.S. Census Bureau projects national population growth of 0.4 percent year-over-year from 2025 to 2027, highlighting the Puget Sound region’s much higher growth rate. Despite high industrial vacancy, the Seattle area’s economic strength remains robust, with Oxford Economics forecasting a GDP growth of 2.8 percent in 2025 for the region, compared to the U.S. average of 1.8 percent. This above-average growth is attributed to the region’s large technology sector, making the Seattle market an attractive option with ample employment opportunities for new residents with in-demand college degrees.

FIGURE 1: Vacancy vs. Net Absorption



Source: CBRE Research, Q3 2024

Kent Valley

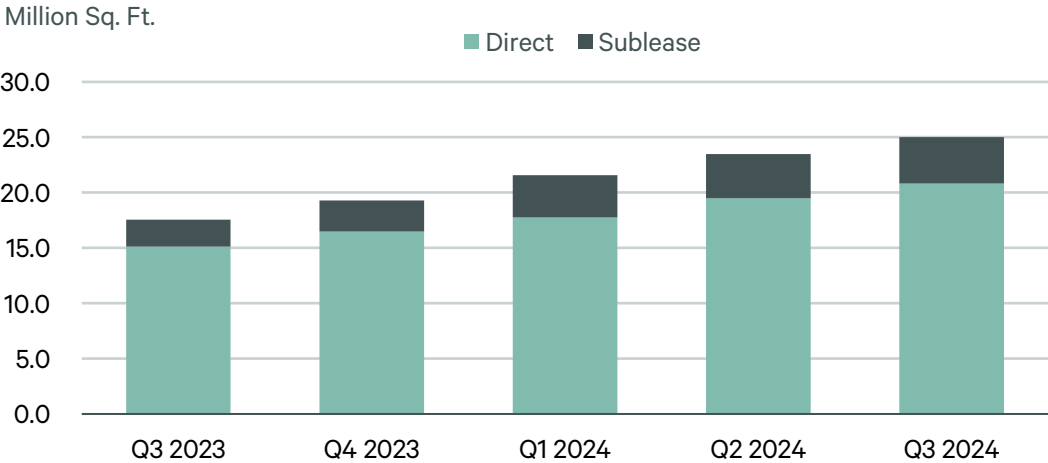
The Kent Valley market reached 700,936 sq. ft. of positive net absorption in Q3. This led to a decrease in the vacancy rate to 6.2%, a 50 basis point (bps) drop from the prior quarter. Notable moves included Boeing's lease and occupancy of their spacious one million square foot location at Bridge Point I-5 in Milton, consolidating out of several spaces in the Kent Valley. Ace Relocation also made a significant move, purchasing the 82,800 sq. ft. Pike Distribution Center, leaving 56,336 sq. ft. behind in Sumner. All Season Transport moved into a 63,265 sq. ft. area at Lift Logistics 76th, upgrading from their former 27,500 sq. ft. space at Valley Distribution Center in Sumner. Finally, Columbia Distributing relocated to 110,110 sq. ft. within Kent West, a net gain of 62,289 sq. ft. for the beverage distributor.

Despite these positive changes, there were some notable departures. Ryder ended its 76,557 sq. ft. lease at Kent North Corporate Park, and WCP Solutions vacated 75,264 sq. ft. at Kent Valley Distribution Center. The blended average rental rate for the Kent Valley in Q3 was \$1.15 per sq. ft., per month, triple net.

Tacoma/Fife

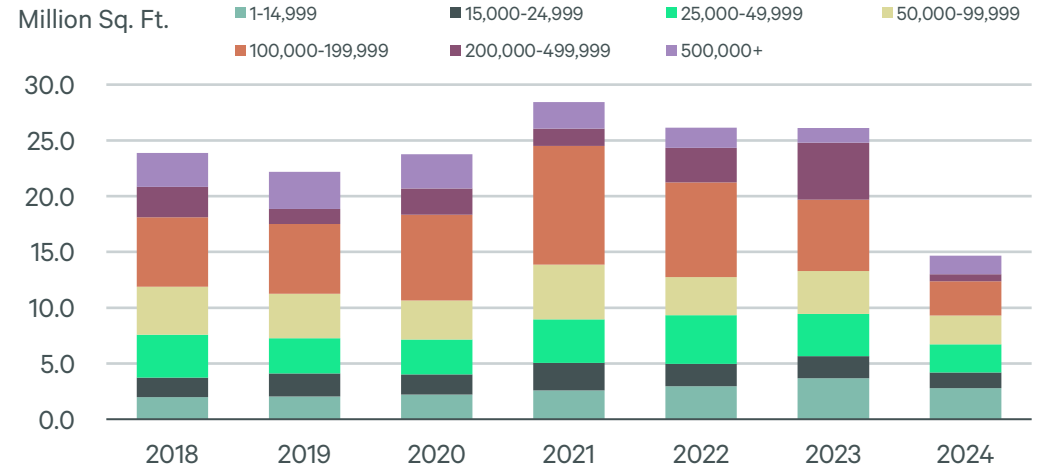
This quarter, the Tacoma market reported positive net absorption of 1,421,123 sq. ft., despite a rise in the vacancy rate to 9.4%. The average asking rents in the Tacoma submarket settled at a blended rate of \$0.89 per sq. ft. Notable move-ins included Harbor Freight's long-awaited move to a massive 782,875 sq. ft. space at FRED310, 18 months after signing. Colman Worldwide Moving also contributed to the positive turn by expanding their footprint in Lakewood by an additional 50,218 sq. ft. Substantial move-outs from Maersk, who vacated 245,973 sq. ft. at Starlite Distribution, and Visible Supply Chain Management, who left behind 195,070 sq. ft. at Fife Commerce Center, played a role in the vacancy rate uptick for the Tacoma market.

FIGURE 2: Vacancy



Source: CBRE Research, Q3 2024

FIGURE 3: Leasing Activity by Size Range

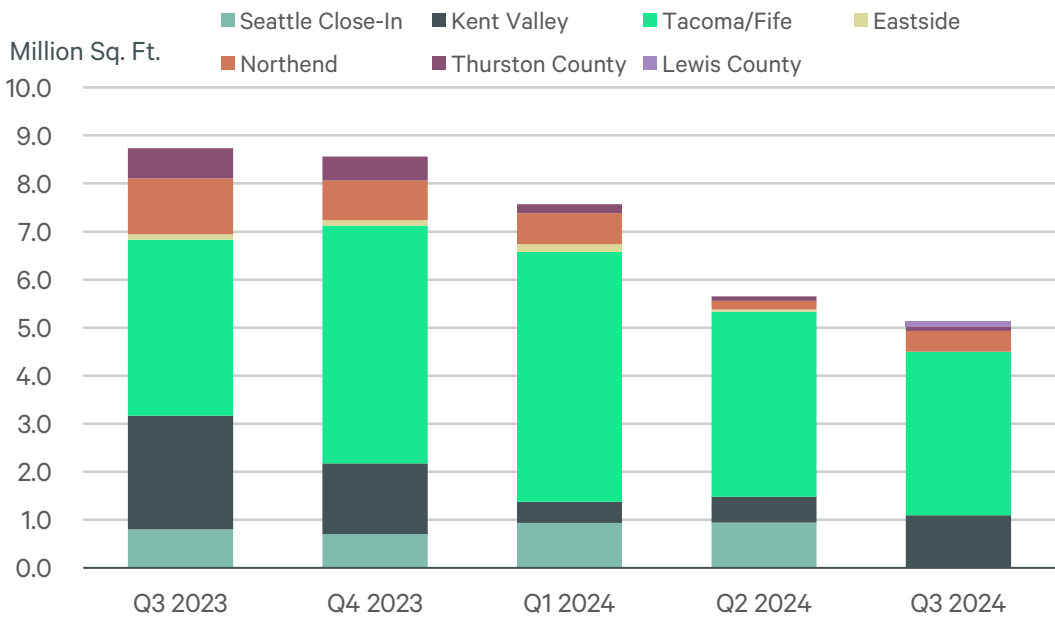


Source: CBRE Research, Q3 2024

Thurston County

The Olympia market reported 338,286 sq. ft. of negative net absorption, which lifted the vacancy rate 185 bps to 6.1% this quarter. While no significant move-ins were reported during Q3, Snow Joe vacated 300,000 sq. ft. of sublease space at Hawks Prairie Logistics Center in Lacey, contributing to the increased vacancy rate and negative absorption for the quarter. Average asking rent was \$0.78 blended, per sq. ft. for Q3 2024.

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



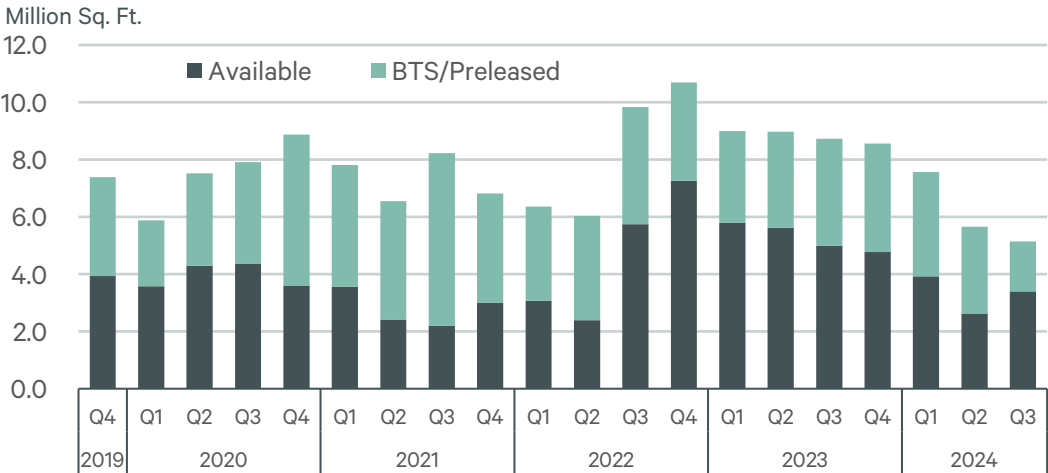
Source: CBRE Research, Q3 2024

FIGURE 5: Key Transactions (5-County Region)

Tenant	Transaction Type	Sq. Ft.	Building	Submarket	Business Sector
Boeing	New Lease	1,023,692	Bridge Point Seattle I-5	Federal Way	Aerospace
PNW Warehousing	New Lease	206,463	Steele Building	Sumner	Warehousing
Columbia Distributing	Renewal/Expansion	110,110	Kent West Corporate Park Building D	Kent	Food & Beverage
A-1 Pallets	Purchase	109,501	Former Dart Container	Tumwater	Packaging
Cellmark	New Lease	75,000	Lakewood Industrial Park-Building 09	Lakewood	Packaging
Expeditors	New Lease	74,820	Lift Logistics 76th - 22408 Building	Kent	Transportation
ProgainUSA	New Lease	58,534	Prologis Park Kent 8-Building A	Kent	Warehousing
Pacific Heating & Cooling	Purchase	58,438	Durango Street Distribution Center	Lakewood	Construction
Viking SupplyNet	New Lease	58,217	Prologis Park Kent 7	Kent	Construction Materials
Sound Transit	New Lease	54,579	Redmond East Business Campus	Marymoor	Government

Source: CBRE Research, Q3 2024

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



Source: CBRE Research, Q3 2024

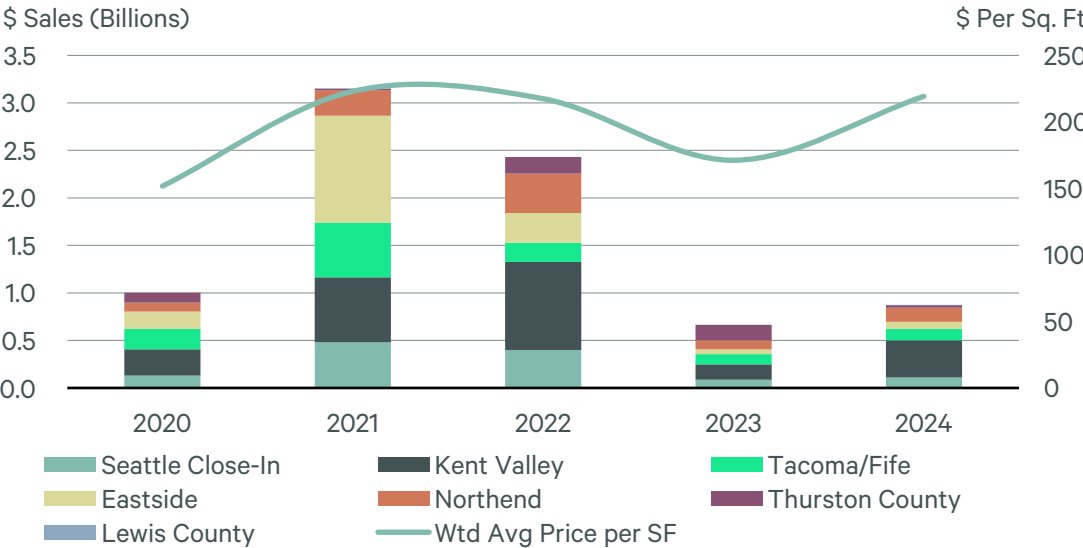
Seattle Close-In

This quarter, the Seattle Close-In market experienced 229,583 sq. ft of negative net absorption, increasing the vacancy rate to 10.1%. Notable additions to the market included Rivian’s occupancy at Prologis’ Emerald Gateway; the electric truck manufacturer moved into a substantial 97,791 sq. ft. Also this quarter, Seattle Aviation Solutions took up 30,959 sq. ft. at Emerald Gateway, vacating 12,189 sq. ft. at Park East - Building C, in Redmond. The market also welcomed Electric Era Technologies and Stone Trend, occupying 18,386 sq. ft. and 26,500 sq. ft., respectively, at Track Six Sodo Business Park. Significant departures this quarter included Dawn Foods vacating 128,800 sq. ft. at Bridge Point Seattle 130. Finally, the closure of the Living Computers Museum at the Stacy Street Warehouse added another 60,384 sq. ft. of negative absorption to the market. Average asking rent for Q3 in the Seattle Close-In submarket settled at a blended \$1.79 per sq. ft.

Eastside

The Eastside industrial market posted a net loss in tenant occupancy with 117,934 sq. ft. of negative absorption. The market remains robust, although users are relocating further north if they need to expand. This quarter, Helion Energy consolidated, giving up 31,372 sq. ft. at Westpark Building A in Redmond. The fusion research company already has a large footprint in the Northend. Also in Redmond, Mindtree, a technology consulting company, left 20,907 sq. ft. of sublease space. Major new deals include Sound Transit leasing 54,579 sq. ft. at the former CIS Building at Redmond East in the Marymoor submarket, and Intermedia signing for 13,450 sq. ft. at Willows Business Center Building 14 in the Willows submarket. Two speculative metal buildings, totaling 45,000 sq. ft. on 216th St SE in Woodinville, were the only construction deliveries for the quarter, as fewer sites remain on the Eastside for industrial development.

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



Source: CBRE Research, Q3 2024

Northend

The Northend industrial market experienced an increase in occupancy, resulting in 52,243 sq. ft. of positive absorption this quarter. The largest tenant to make a move was Image Mill, who downsized by 20,704 sq. ft. at Monroe Corporate Park to 31,000 sq. ft. at the Lakeview Building in Monroe. Fastsigns and Arjo began moving into 46,125 sq. ft. and 39,509 sq. ft., respectively, at Bridge Point Everett 500 – Building B. Large leases signed this quarter included a confidential tenant who leased 65,000 sq. ft. at Seaway Technology Center; SportWorks Northwest leasing 47,000 sq. ft. at the above mentioned Lakeview Building; and Parts Authority signing for 34,000 sq. ft. at 6404 216th St SW, Mountlake Terrace. A new tenant, Swedish company Echandia Marine AB, opened its first US-based location, a 20,000 sq. ft. facility at Marysville Corporate Center Phase I, that they plan to use to begin production of their advanced maritime battery systems. Construction deliveries were limited to the 176,402-sq. ft. Seaway Technology Center. Several new projects, however, have started construction, including Scannell Properties’ Supersonic Industrial Center, which will have 125,048 sq. ft. for lease; and Cascade Business Park, Building 3, a 307,860 sq. ft. development by North Point Development fully leased to Frito-Lay. Vacancy ticked up 40 bps to 13.4% as a result of delayed occupancies and slight tenant contractions.

FIGURE 8A: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q3 2024 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Downtown/Lake Union	1,818,418	278,647	15.3	10.7	(870)	(15,771)	0	
North Seattle/Interbay	6,854,147	709,424	10.4	11.4	48,537	71,600	12,454	
East Seattle/Capitol Hill/Rainier Valley	1,801,563	239,546	13.3	12.9	(6,468)	(10,078)	0	
South/West Seattle	39,568,144	3,814,570	9.6	9.9	(270,782)	(158,677)	0	
Seattle Close-In	50,042,272	5,042,187	10.1	10.3	(229,583)	(112,926)	12,454	1.79
SeaTac	6,057,078	321,767	5.3	8.5	(47,403)	(206,505)	388,453	
Tukwila	12,161,553	1,072,539	8.8	10.9	(172,997)	(207,603)	0	
Renton	16,164,753	317,396	2.0	5.2	(3,419)	(92,004)	0	
Kent	48,878,073	3,316,689	6.8	9.4	(344,701)	(348,706)	223,517	
Auburn	28,091,325	1,229,186	4.4	5.4	110,501	65,431	0	
Federal Way	3,099,567	603,842	19.5	11.3	1,027,101	994,156	474,424	
Sumner	19,411,608	1,433,456	7.4	10.6	131,854	(853,886)	0	
Kent Valley	133,863,957	8,294,875	6.2	8.4	700,936	(649,117)	1,086,394	1.15
Port of Tacoma	12,544,453	653,152	5.2	9.7	(25,941)	(281,091)	26,000	
Tacoma West	5,845,188	294,135	5.0	6.0	20,895	(148,720)	1,481,295	
Fife	13,201,921	1,001,525	7.6	8.8	(117,918)	(732,983)	251,500	
Puyallup	8,537,909	760,282	8.9	10.7	17,200	101,064	389,303	
Frederickson	15,290,615	2,232,196	14.6	16.3	1,645,042	2,791,630	1,118,480	
Lakewood	7,250,968	866,723	12.0	14.7	(131,155)	(310,887)	135,496	
DuPont	4,635,287	489,607	10.6	10.9	0	(4,440)	0	
Gig Harbor	757,586	100,127	13.2	13.2	13,000	71,262	0	
Tacoma/Fife	68,063,927	6,397,747	9.4	11.5	1,421,123	1,485,835	3,402,074	0.89

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

Source: CBRE Research, Q3 2024

Investment Sales

As of Q3 2024, industrial sales surpassed the total volume for 2023, with a significant increase in the weighted average price per square foot from \$171 to \$219 compared to last year. Notable sales this period included Auburn Park 167 - Buildings A & B, which was sold by Nuveen (TIAA) to Cabot Properties for \$83.1 million, or an average price of \$215.29 per sq. ft. Additionally, Prologis Park Kent 36 was sold by Prologis to Exeter for \$10.2 million, or \$245.57 per sq. ft. Lastly, Pacific West Business Park was sold by TA Realty to Nuveen for \$14.8 million, or \$244.51 per sq. ft.

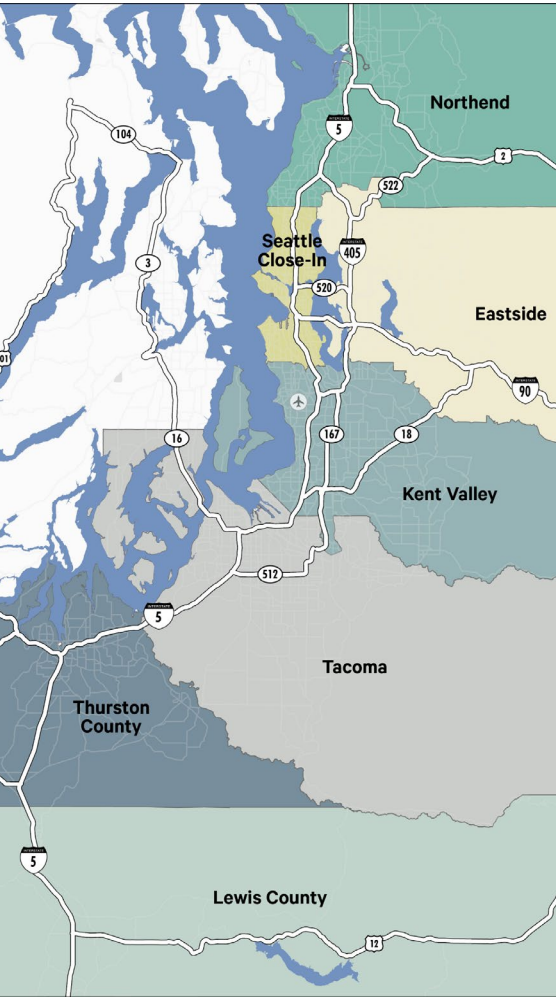
FIGURE 8B: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q3 2024 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Bellevue	2,030,527	74,425	3.7	3.9	19,180	17,003	0	
I-90 Corridor	2,652,400	394,251	14.9	15.1	(319)	4,564	0	
Kirkland/Totem Lake	2,318,166	31,711	1.4	2.7	7,498	36,452	0	
Overlake	704,781	202,211	28.7	30.9	(35,305)	(29,811)	0	
Marymoor	3,484,130	108,896	3.1	6.4	11,632	(62,376)	0	
Willows	3,846,437	252,926	6.3	6.9	(32,758)	26,599	0	
Bothell	3,052,718	248,938	8.2	15.8	(13,663)	(23,897)	0	
Woodinville/Maltby	6,960,081	350,753	5.0	10.6	(74,199)	(46,792)	0	
Eastside	25,049,240	1,664,111	6.6	9.8	(117,934)	(78,258)	0	1.81
Lynnwood/Edmonds/ Mtlk Terrace	2,579,822	59,431	2.3	3.3	5,036	20,280	115,400	
Monroe	2,041,027	162,615	8.0	6.6	(23,730)	51,150	0	
Mukilteo	2,980,771	333,545	11.2	11.4	3,746	(67,178)	0	
Everett	11,135,645	1,519,607	13.6	13.8	54,995	179,253	125,048	
No. Snohomish	5,932,940	1,225,760	20.7	27.6	12,069	137,830	307,860	
Northend	24,670,205	3,300,958	13.4	15.1	52,116	321,335	548,308	1.17
Puget Sound (3-county)	301,689,601	24,699,878	8.1	10.1	1,826,658	966,869	5,049,230	1.28
Whse/Bus Pk/Manuf	294,095,871	23,478,115	8.0	9.8	1,923,424	1,030,141	5,049,230	1.26
Flex	9,354,432	1,209,521	12.9	17.3	(96,766)	(63,272)	0	1.62
Lacey	12,438,673	674,713	5.4	6.0	(323,286)	136,231	38,000	
Olympia Core	822,123	0	0.0	0.0	0	0	0	
Tumwater	4,673,438	439,541	9.4	9.0	(15,000)	68,881	57,900	
Outlying Thurston	395,220	0	0.0	0.0	0	297,970	0	
Thurston County	18,329,454	1,114,254	6.1	6.4	(338,286)	503,082	95,900	0.78
Lewis County	5,638,167	0	0.0	0.0	0	0	107,125	N/A
Five-County Total	325,657,222	25,814,132	7.9	9.7	1,488,372	1,469,951	5,252,255	1.27

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

Source: CBRE Research, Q3 2024

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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