

Puget Sound Industrial Market Overview

Market Observations

Economy

- The unemployment rate in the Seattle-Tacoma-Bellevue MSA remained at 4.1%, matching the national average.
- Year-over-year growth in sectors that use industrial space, like manufacturing and construction, has been declining due to economic cycles, tighter capital markets, reduced demand, and competitive pressures, leading to fewer new projects.
- Growth in the trade, transportation, and utilities sector continued into Q1, while economic shifts since late last year caused the manufacturing sector to contract by 2.6% quarter over quarter.

Major Transactions

- Tenants navigated the challenges stemming from the recent tariffs set in place in addition to volatile employment levels. Leasing volume sat at 3,455,284 square feet at the end of Q1.
- Despite a slowdown in leasing activity due to tenants' rightsizing or hesitations, those committing to space are opting for high-quality Class A industrial properties. In Q1, 54% of leasing was for Class A space, reflecting a 134% year-over-year growth.

Leasing Market Fundamentals

- The year started with 21% of the supply under construction delivering, but much of it was built to suit. Fred310 – Bldg C delivered 1.2 million square feet with Floor & Décor ready to move in.
- Following a 38% surge between Q3-Q4 2024, in Q1 sublease availability increased by 12%, mainly due to four large blocks of at least 100,000 square feet entering the Tacoma/Fife submarket.
- Landlords have maintained steady rates in response to the recent slowdown in leasing activity. Tenants may need time to feel confident making long-term decisions given the current economic conditions.

Outlook

- The Puget Sound industrial market remains robust despite economic challenges and reduced consumer spending. Leasing activity is increasingly focused on Class A space, a trend likely to persist amid reduced market activity.
- Cap rates are stable around 5.1% to 5.2%, and the four-quarter rolling averages for sale transactions show improved volume since Q4 2023.
- The moving average for price per square foot has remained between \$220-\$227 since Q3 2023. Future values may increase alongside sale activity.

Economy

Leasing Market Fundamentals

Appendix / Tables

1Q25

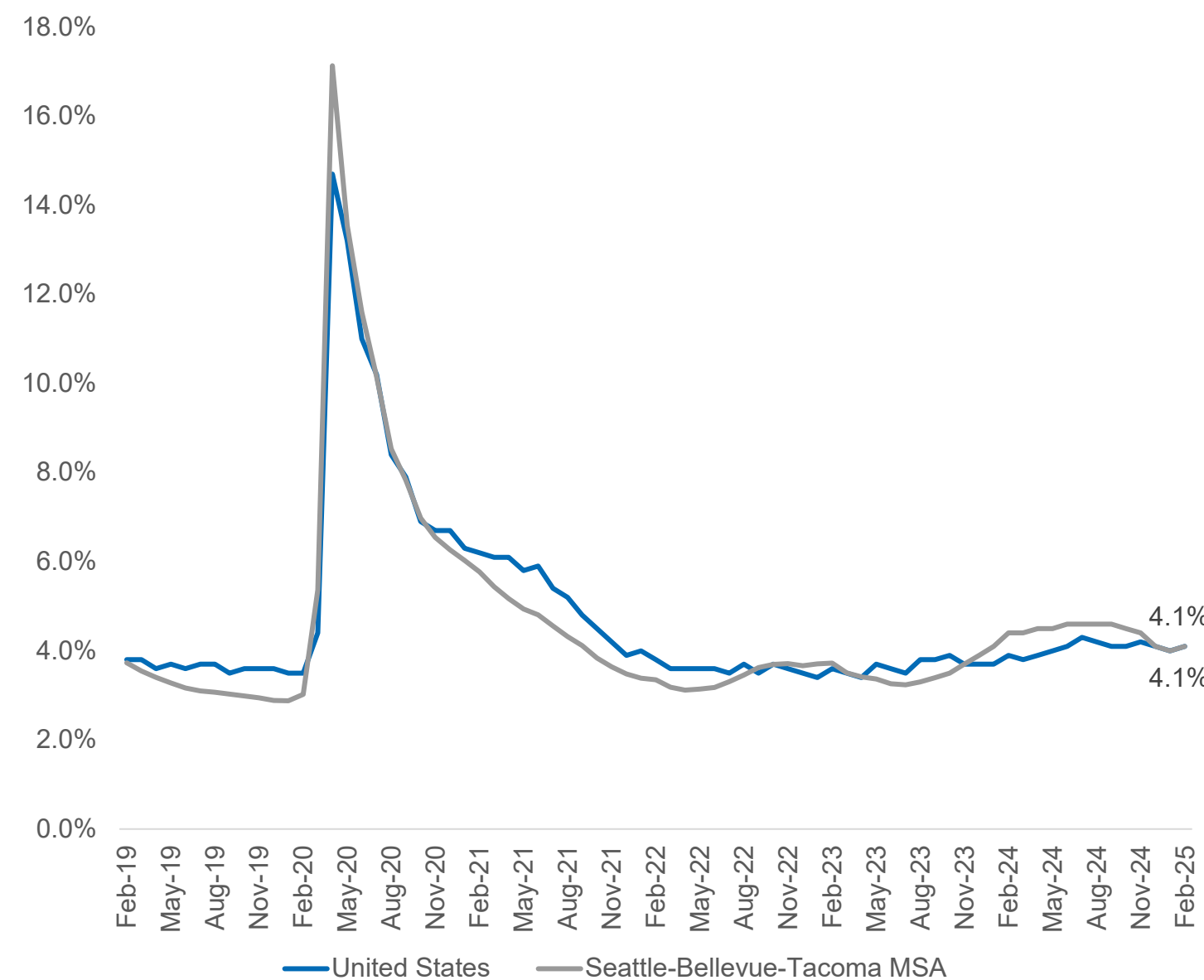
Economy



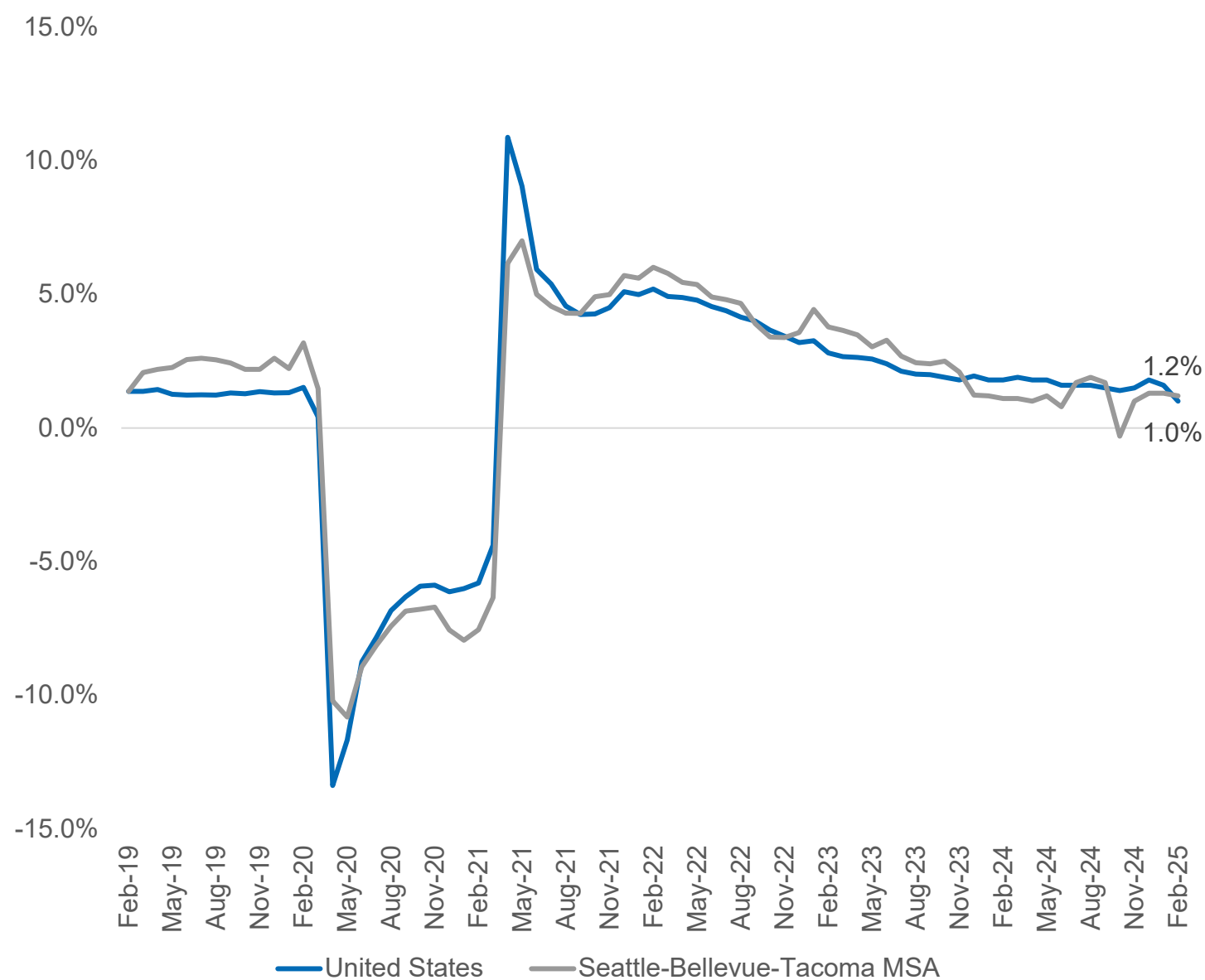
Regional Unemployment Levels Matched the National Average in the First Quarter

The unemployment rate in the Seattle-Tacoma-Bellevue MSA remained at 4.1%, matching the national average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



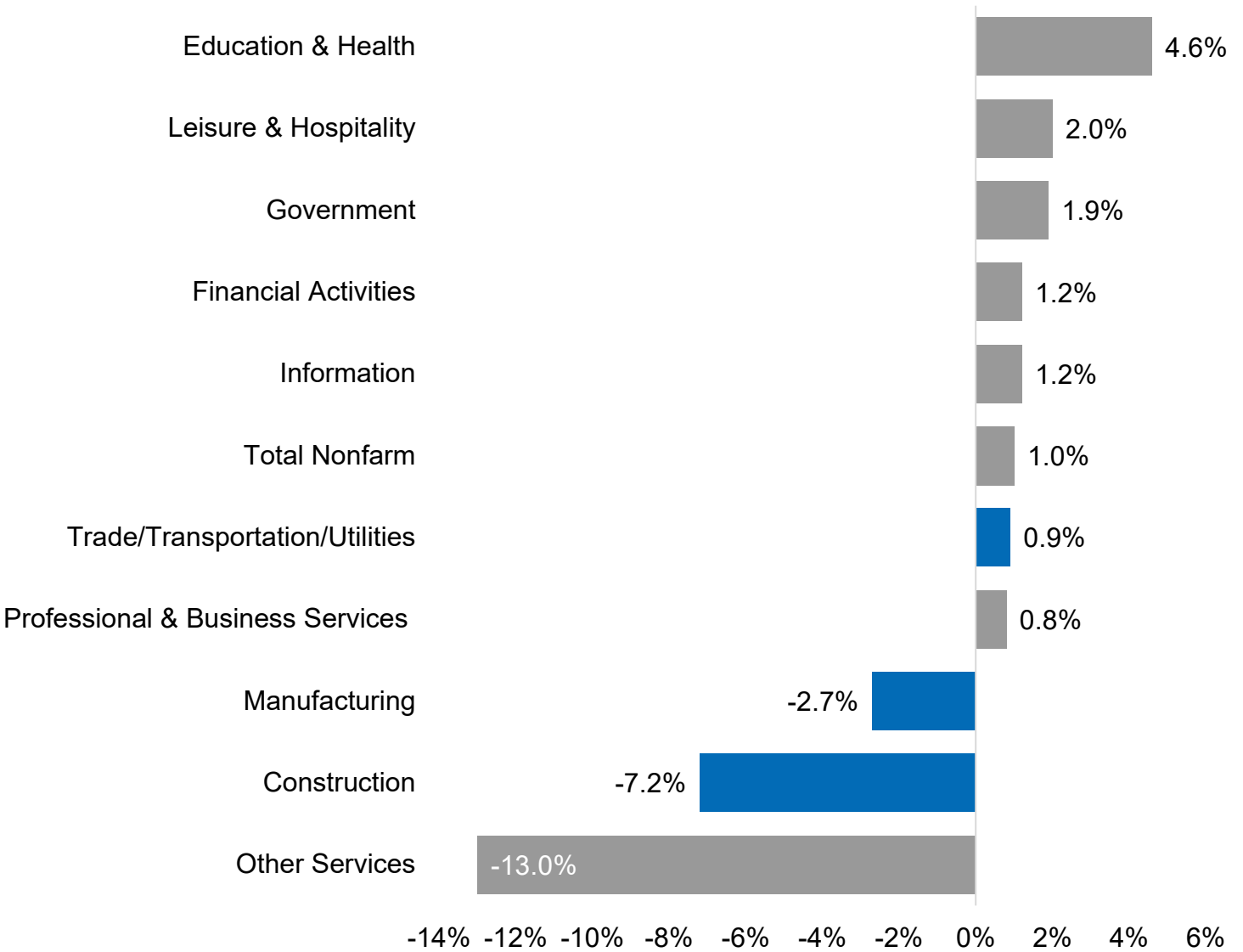
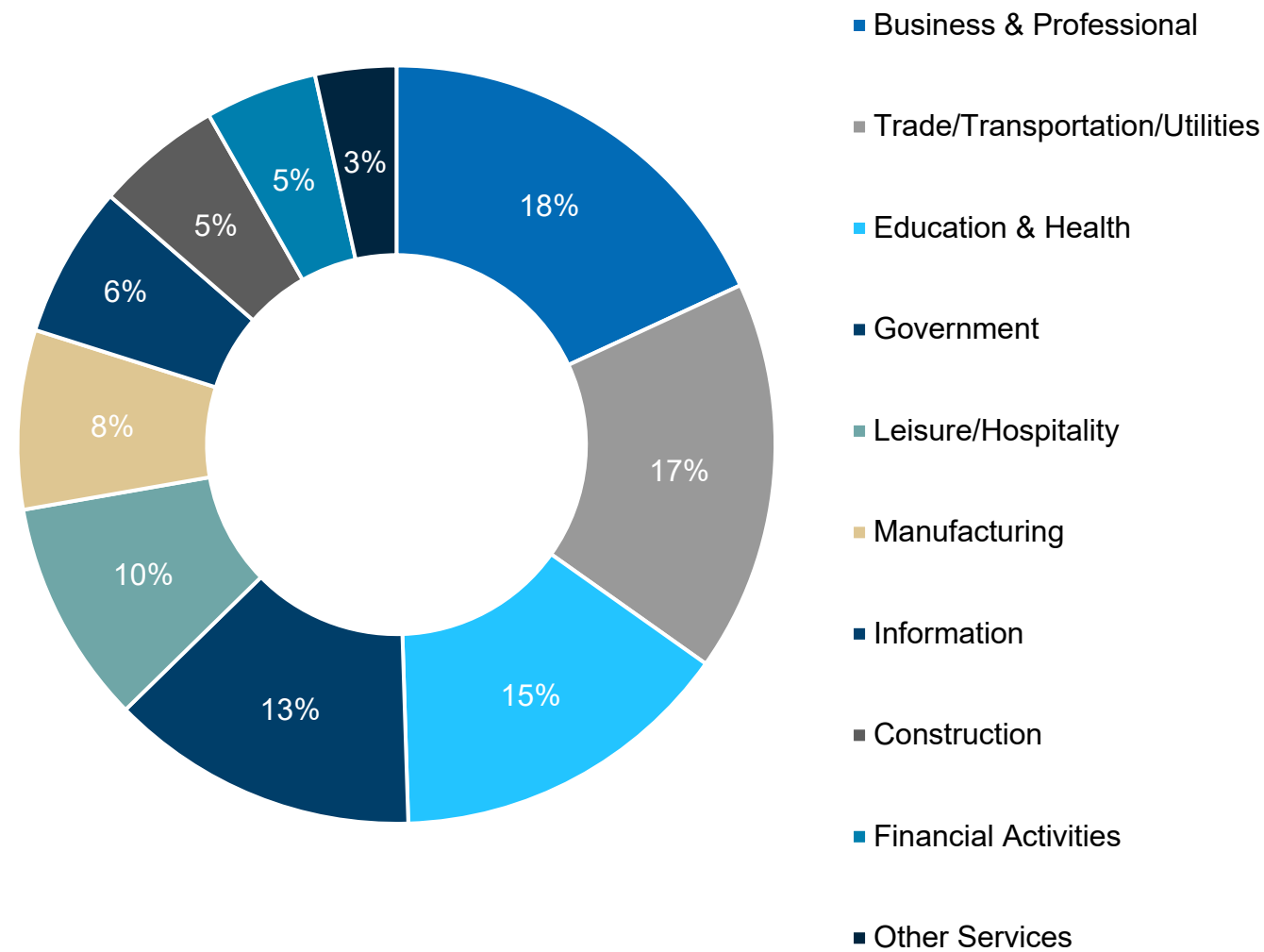
Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

Skilled Trade Sector is Facing Economic Headwinds

Year-over-year growth in manual labor sectors, like manufacturing and construction, is declining due to economic cycles, tighter capital markets, reduced demand, and competitive pressures, leading to fewer new projects.

Employment by Industry, February 2025

Employment Growth by Industry, 12-Month % Change, February 2025

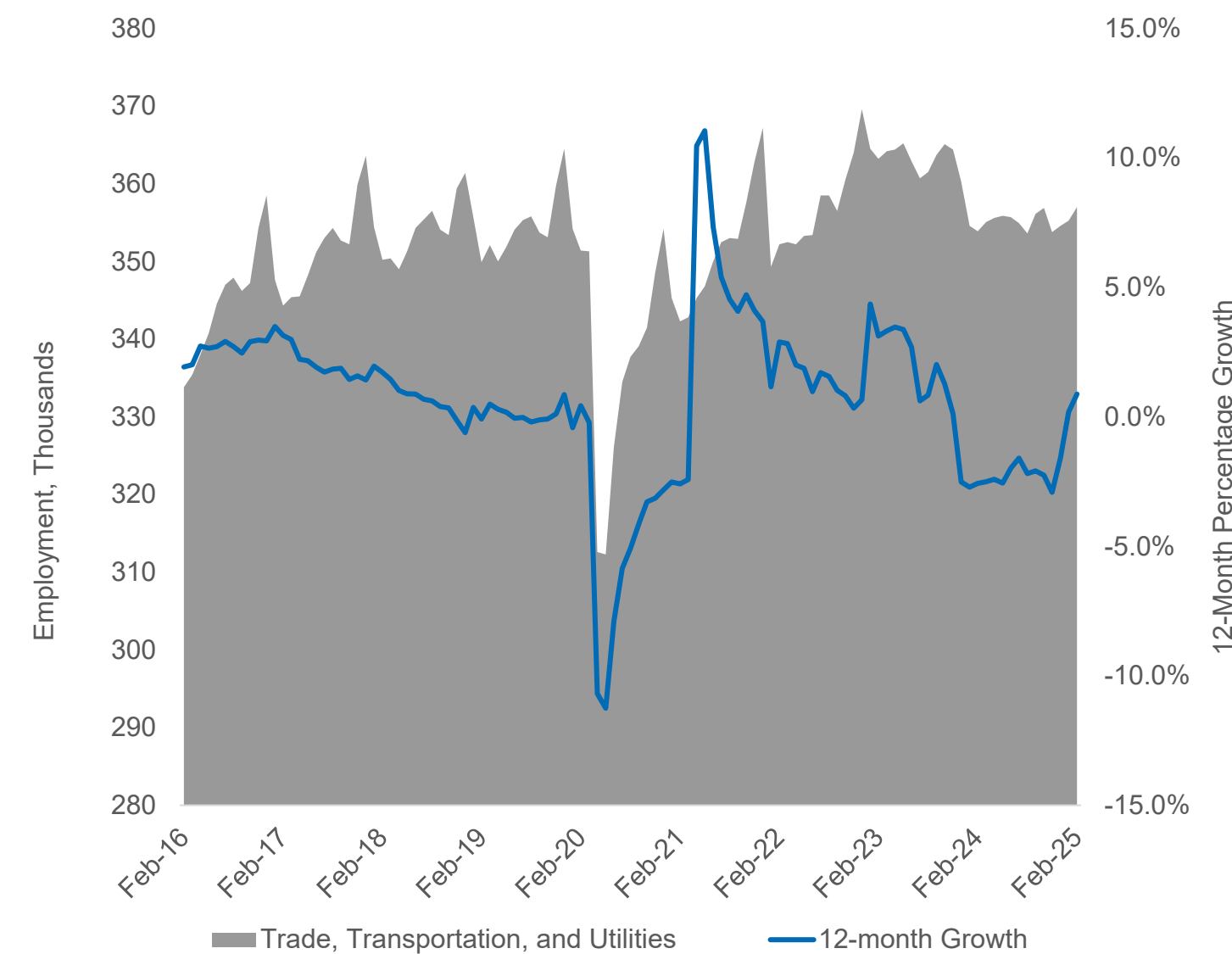


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

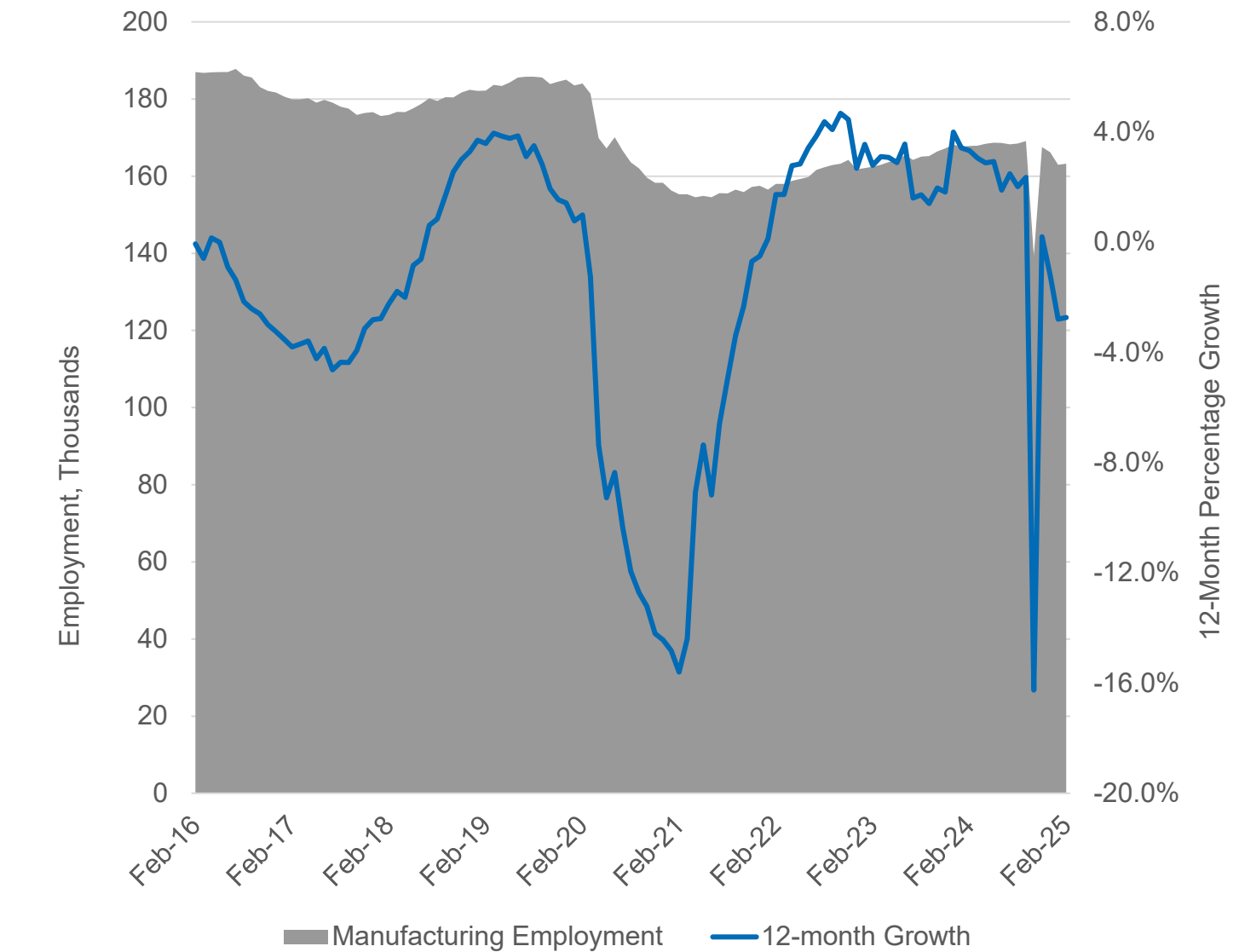
Demand in Logistics and Infrastructure Helps Rebound in Employment

Growth in the trade, transportation, and utilities sector continued into Q1, while economic shifts since late last year caused the manufacturing sector to contract by 2.6% quarter over quarter.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

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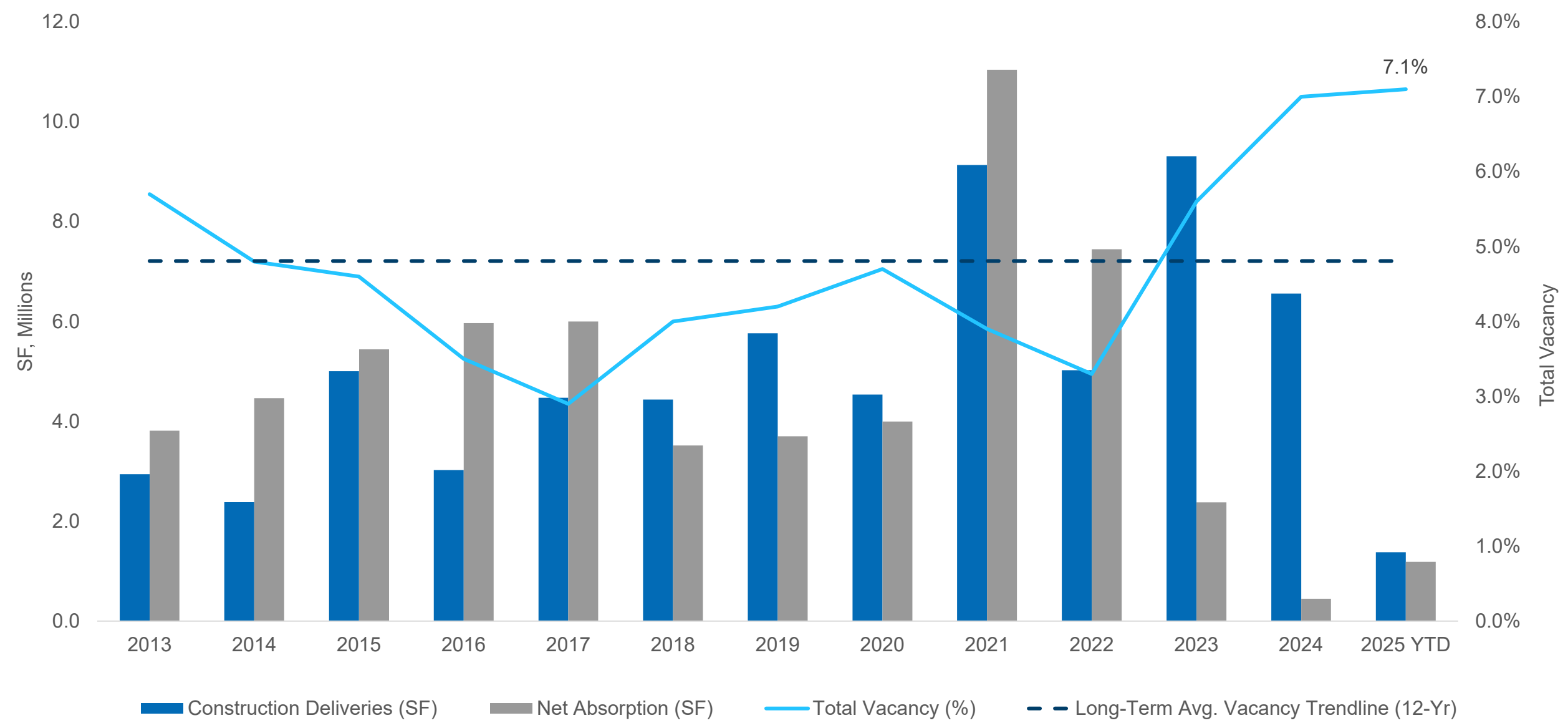
Leasing Market Fundamentals



Pre-leased New Construction Delivered in the First Quarter

The year started with 21% of the supply under construction delivering, but much of it was built to suit. Fred310 – Bldg C delivered 1.2 million square feet with Floor & Décor ready to move in.

Historical Construction Deliveries, Net Absorption, and Vacancy

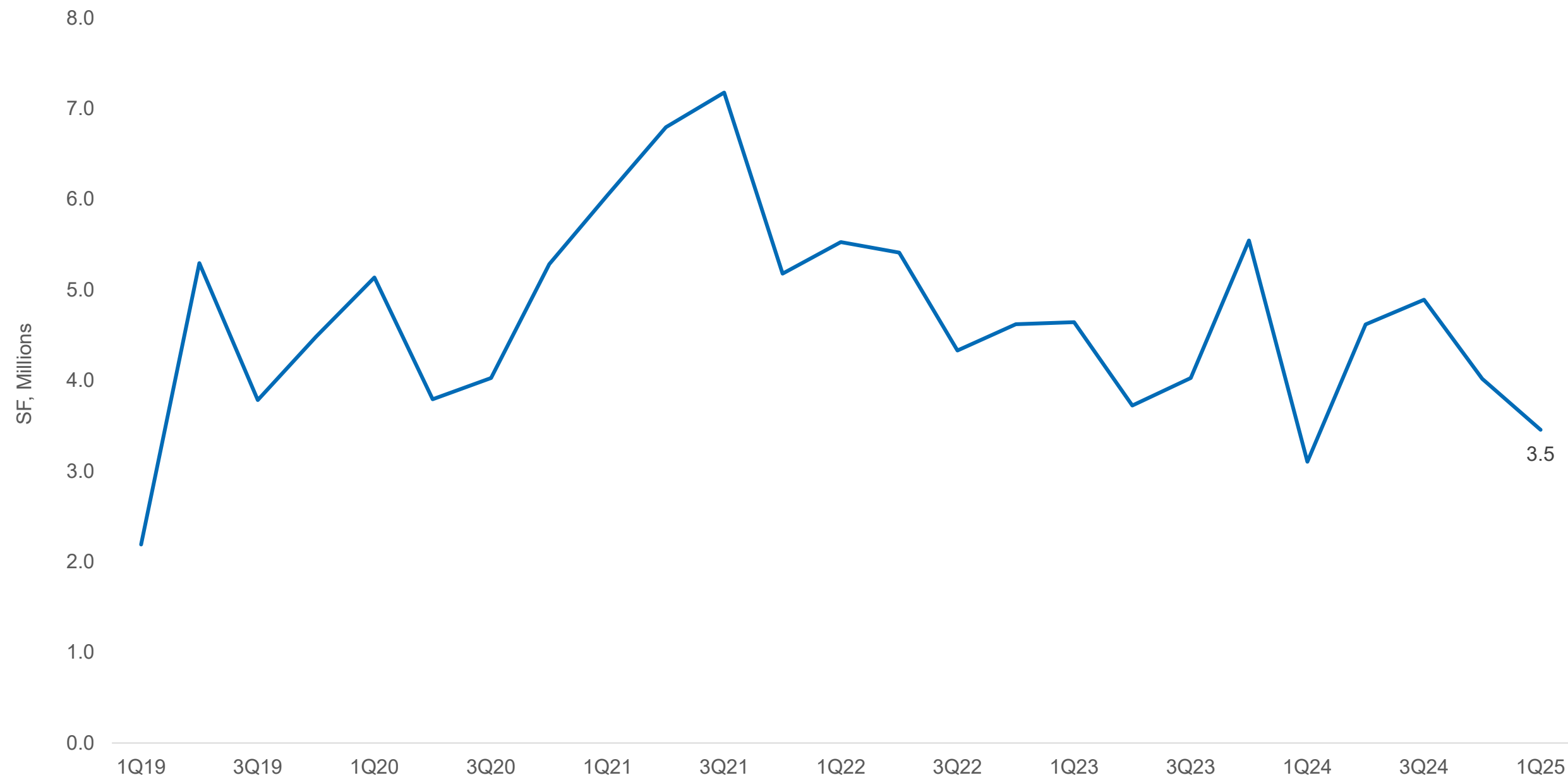


Source: Newmark Research, CoStar

Leasing Activity Stalled Due to Economic Uncertainty

Tenants navigated the challenges stemming from the recent tariffs set in place in addition to volatile employment levels. Leasing volume sat at 3,455,284 square feet at the end of Q1.

Total Leasing Activity (SF)

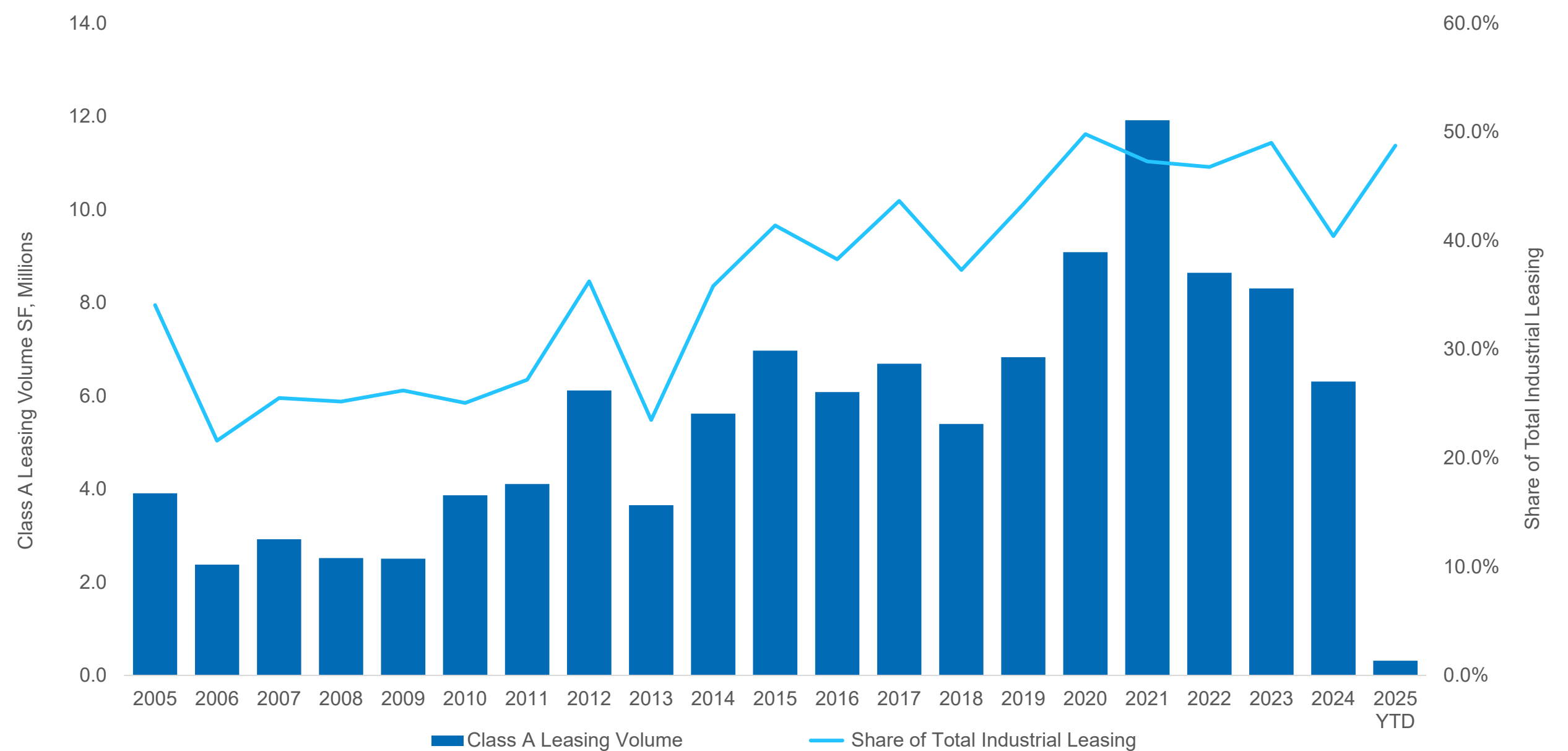


Source: Newmark Research, CoStar

High-Quality Space Dominates Leasing Despite Market Slowdown

Despite a slowdown in leasing activity due to tenants' rightsizing or hesitations, those committing to space are opting for high-quality Class A industrial properties. In Q1, 54% of leasing was for Class A space, reflecting a 134% year-over-year growth.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

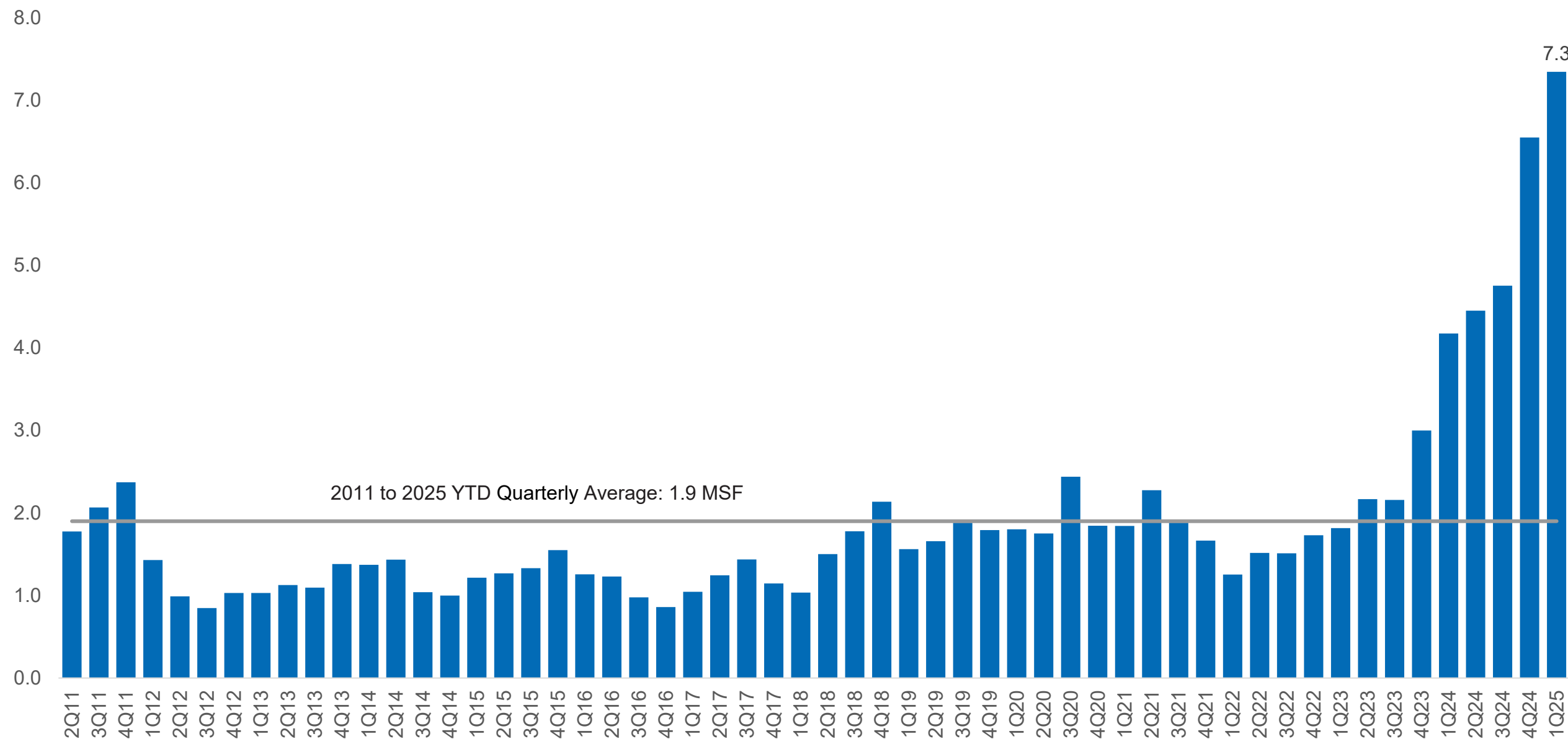


Source: Newmark Research, CoStar

Sublease Availability Returned to Increasing at a Moderate Pace

Following a 38% surge between Q3-Q4 2024, in Q1 sublease availability increased by 12%, mainly due to four large blocks of at least 100,000 square feet entering the Tacoma/Fife submarket.

Available Industrial Sublease Volume (msf)

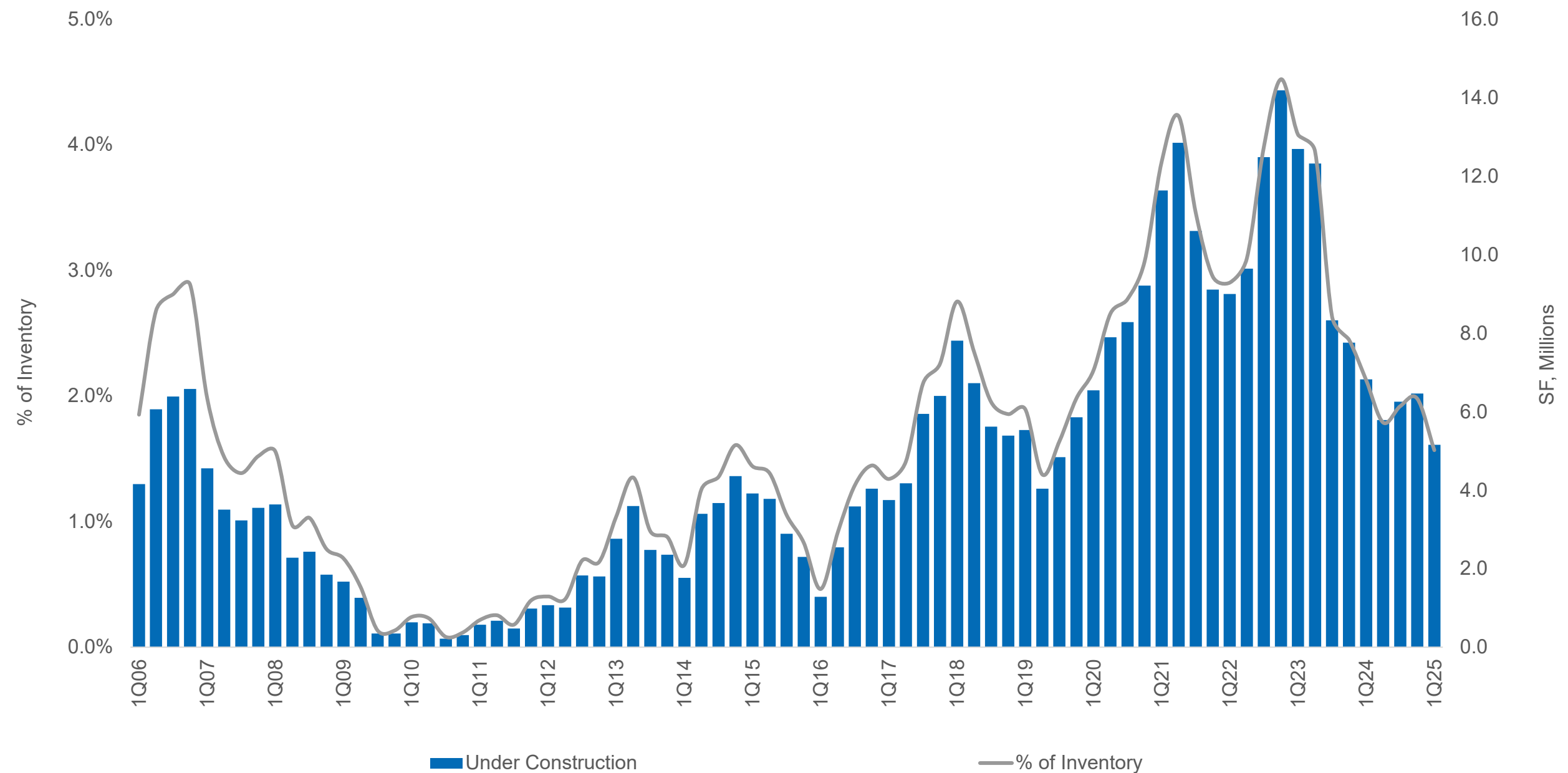


Source: Newmark Research, CoStar

First Generation Supply Has Slowed, but Still Incoming

Currently, 5.2 million square feet is under construction. Despite a slowdown in development, new projects continue to break ground while others are completed. In Q1, 726,084 square feet began construction, adding more high-quality space to the supply.

Industrial Under Construction and % of Inventory

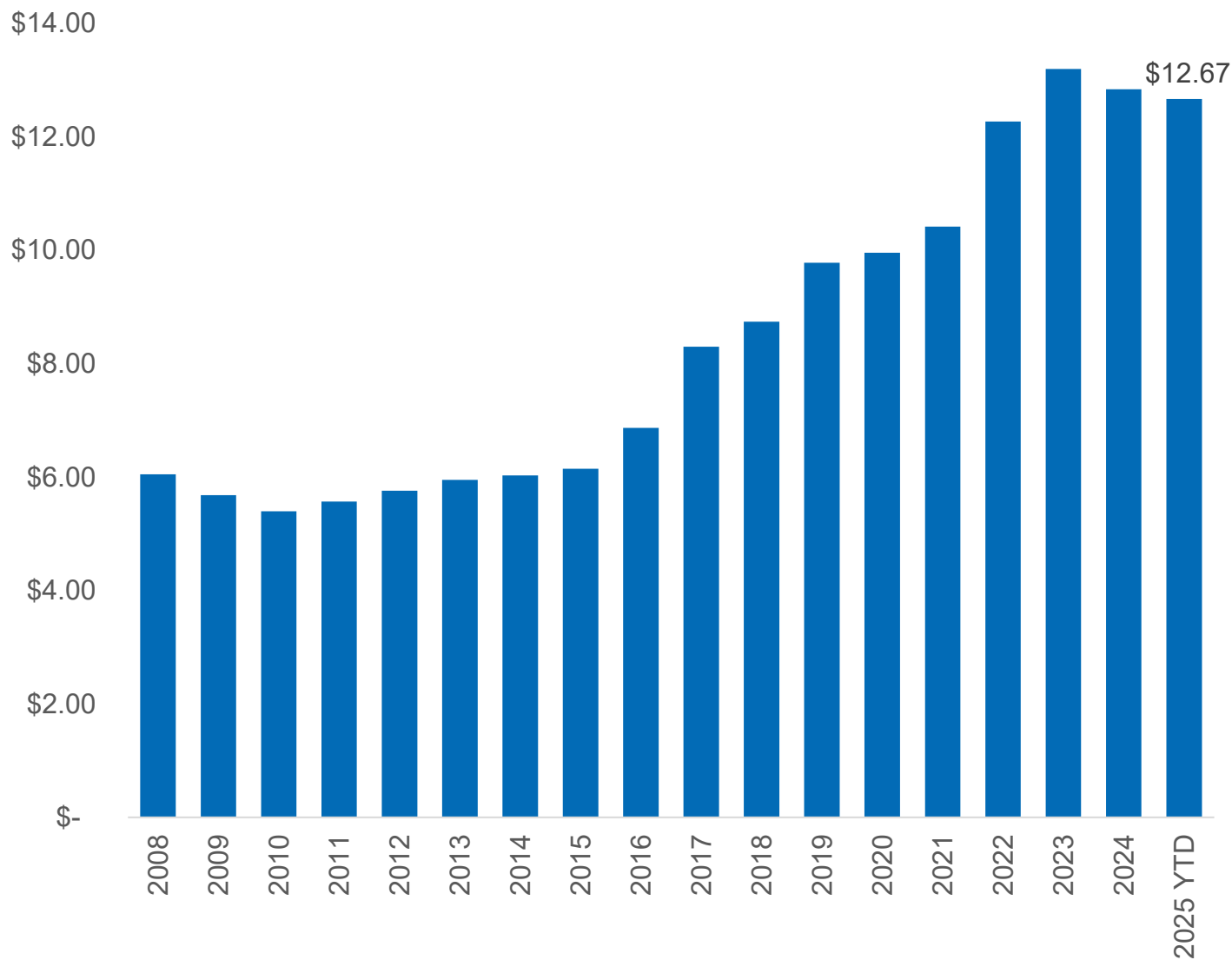


Source: Newmark Research, CoStar

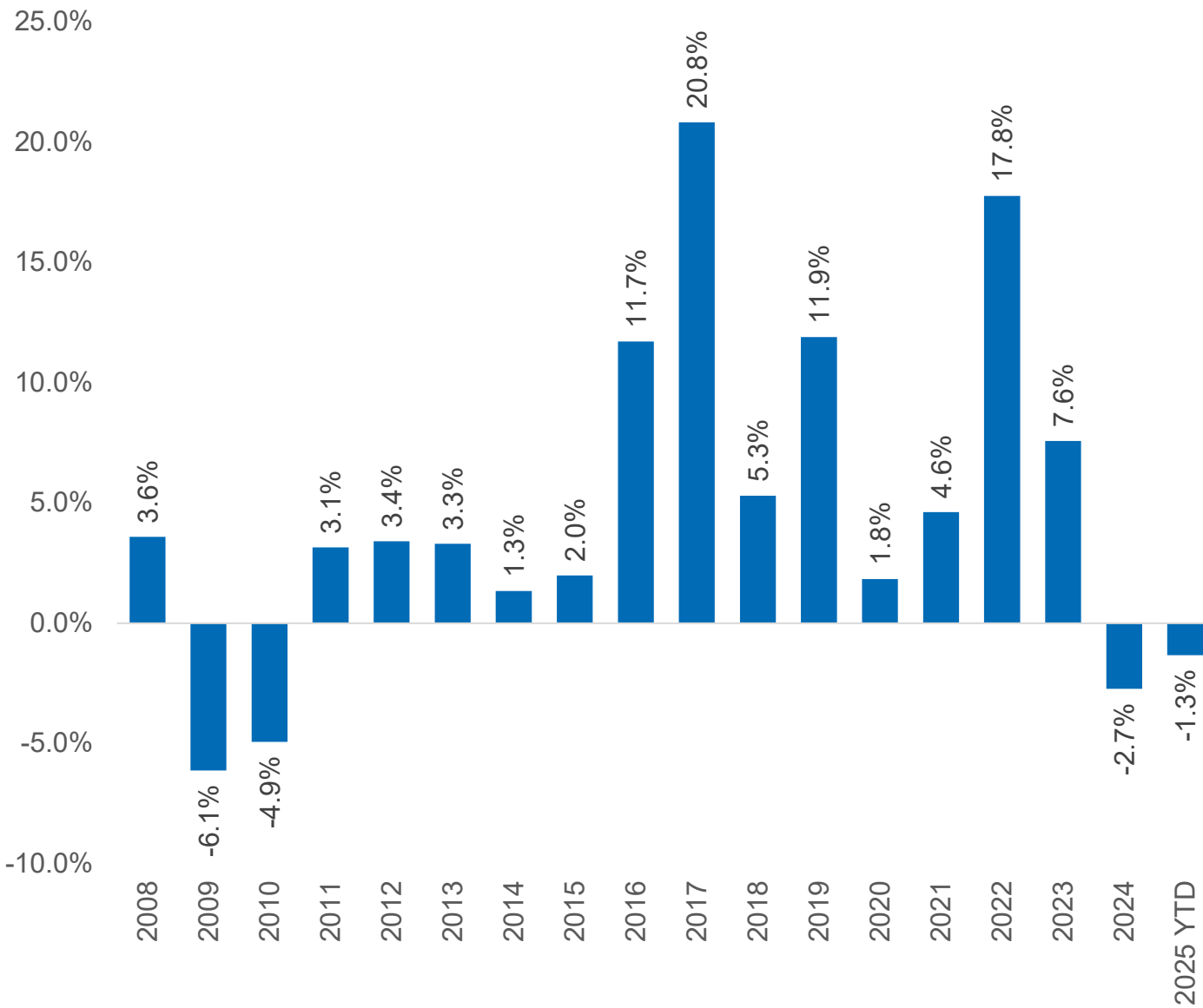
Rents Held Steady Quarter-over-Quarter

Landlords have maintained steady rates in response to the recent slowdown in leasing activity. Tenants may need time to feel confident making long-term decisions given the current economic conditions.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable First Quarter Transactions

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Alaska Airlines	IAC Commerce Center	Seatac/Burien	Direct New	450,000
Bogdan Delivery	Auburn North Distribution Center	Federal Way/Auburn	Direct New	128,000
GXO Logistics	Des Moines Creek BP Phase IV - Bldg B	Seatac/Burien	Direct New	104,000
Niagara Bottling	Canyon East Logistics - Columbia Bldg	Sumner/Puyallup	Direct New	101,000

Source: Newmark Research

1Q25

Appendix/Tables





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