NEWMARK

Seattle

Industrial Market Overview

1Q26

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Market Observations

Economy

- Labor market conditions softened in the Seattle-Tacoma-Bellevue MSA, with unemployment rising to 5.4% in February 2026, up from 4.3% a year ago, as nonfarm payroll growth slowed to +0.2% YOY, per BLS.
- Industrial-linked employment diverged in Q1 2026: trade, transportation, and utilities posted the only positive growth among industrial sectors at +0.5% YOY, while construction contracted -3.4% and manufacturing declined -2.1%, reflecting aerospace-driven headcount reductions and fewer project starts.
- Port volumes declined 14.2% YTD through Q1 2026, as combined Seattle/Tacoma container volumes fell from 832,568 to 714,719 TEUs, reflecting both softening demand and inflated year-prior comparisons from tariff-driven frontloading in early 2025, per the Northwest Seaport Alliance.

Leasing Market Fundamentals

- Demand softened in Q1 2026, with net absorption turning negative at -542,107 sf; total availability rose to 12.8%, up from 10.4% at the start of 2025, as deliveries continued to outpace tenant demand across the region.
- Vacancy grew primarily from the supply side in Q1 2026, as speculative deliveries pushed the Puget Sound total vacancy rate to 9.7%, up from 7.9% during Q1 2025, with 32.3 million sf of space now vacant across 3,798 buildings.
- Sublease activity continued to ease in Q1 2026, with the sublease availability rate falling from 2.1% to 1.9% QOQ; however, 6.3 million sf of sublease space remains on the market, representing 1.9% of total inventory.

Major Transactions

- Renewals dominated leasing activity in Q1 2026, with notable deals including Cooper Tire's 264,000 sf renewal at Prologis Park Sumner and Pacific Plumbing Company's 123,820 sf renewal at 2601 W Valley Hwy N in Federal Way/Auburn.
- New leasing gained traction in Q1 2026, led by Griffin Fluid Management's 130,680 sf direct new lease at the Dodge Property in Sumner/Puyallup/Frederickson and Goodwill's 107,999 sf direct new lease at Casino Road Corporate Park in Marysville/Everett.
- Investment activity in Q1 totaled $241.1M across 21 deals, down -36.7% YOY. Private buyers accounted for 71.5% of acquisitions, the highest share in recent years, as investors returned selectively at a rolling four-quarter average cap rate of 5.7%. The largest deal was Gateway North in Tukwila at $76.5M ($287/sf), while institutional sellers continued to exit, reinforcing a trend of equity funds rotating out as private capital steps in, per Real Capital Analytics.

Outlook

- Tenant-favorable conditions are expected to persist into mid-2026, as new deliveries continue to outpace demand and vacancy remains elevated; however, increased touring activity and renewed interest from large-format users, with 11 leases over 100,000 sf completed in Q1 2026, suggest the market is approaching stabilization.
- Construction starts have slowed sharply in Q1 2026, with the under-construction pipeline representing just 0.8% of total inventory, near the lowest level in nearly two decades, setting up a tighter supply-demand balance as existing speculative product is absorbed.
- Average asking rents reached $13.12/sf NNN in Q1 2026, essentially flat at -0.3% YOY, but effective rents are declining as landlord concessions, including free rent periods and tenant improvement allowances, widen the gap between published and achieved rates.

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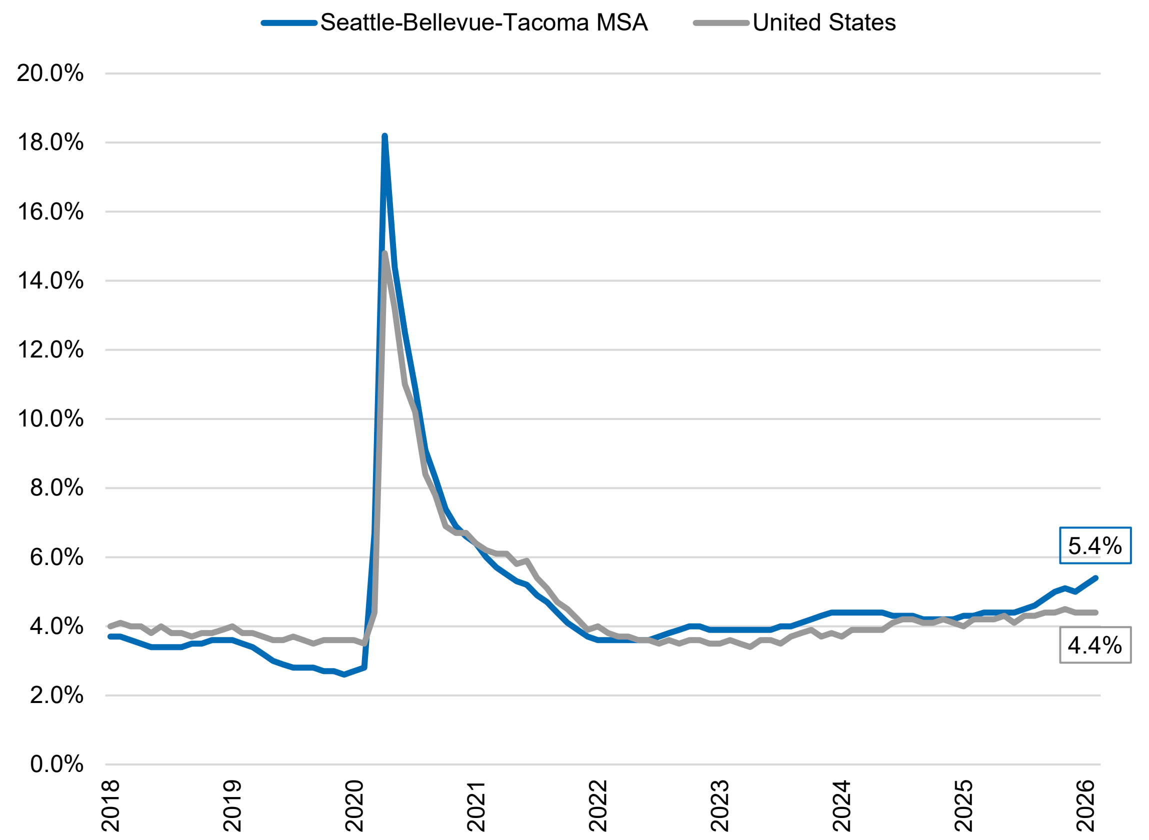
Economy

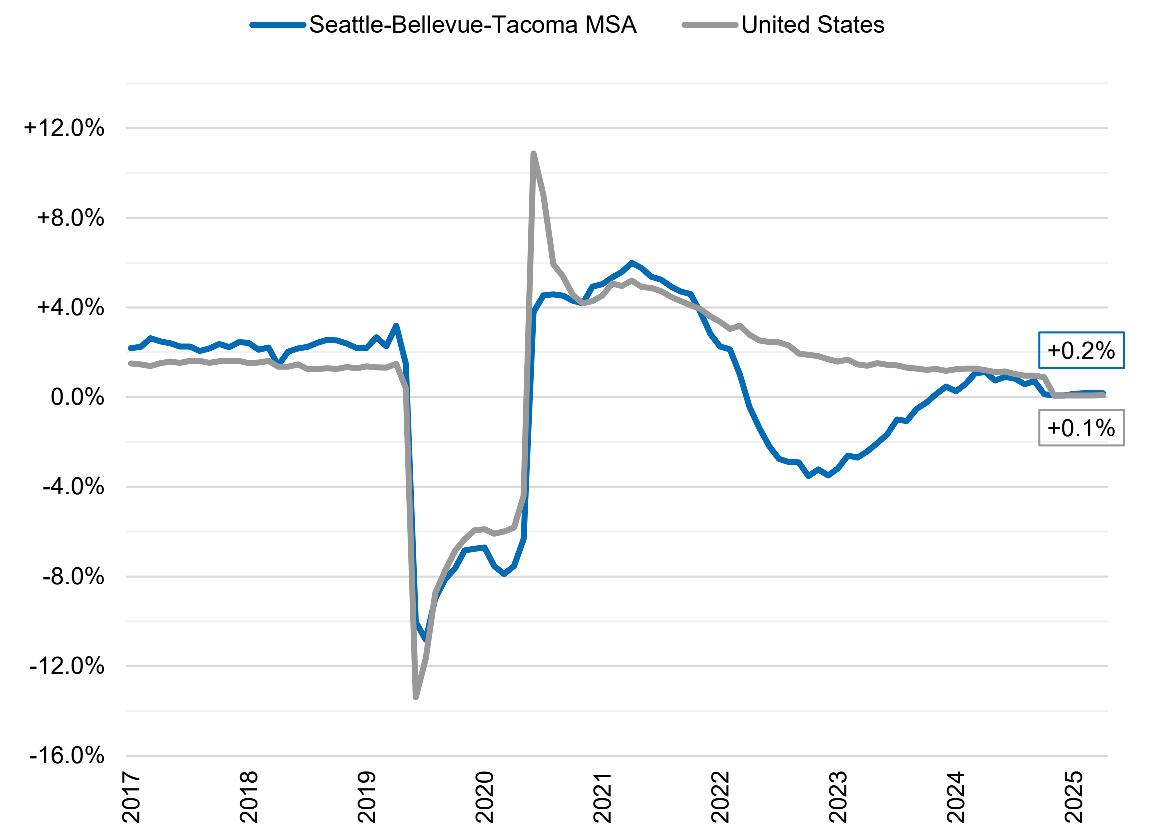
Logistics Employment Holds Firm as Seattle Metro Labor Market Cools

The Seattle-Tacoma-Bellevue metro unemployment rate climbed to 5.4% in February 2026, up from 4.3% a year ago. Nonfarm payroll growth held at +0.2% YOY in Q1 2026, above the U.S. rate of +0.1%. Against that backdrop, trade, transportation, and utilities was one of three sectors posting positive YOY growth in Q1 2026, improving from +0.1% in Q4 2025 to sustained positive territory, underscoring the sector's resilience relative to the broader labor market.

Unemployment Rate, Seasonally Adjusted



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

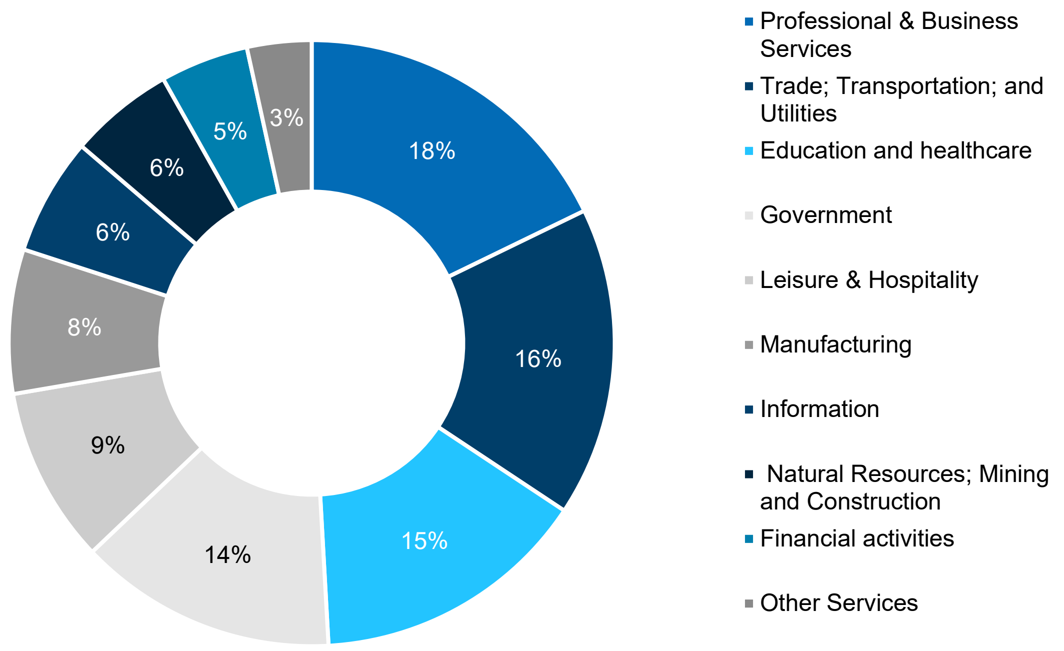


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

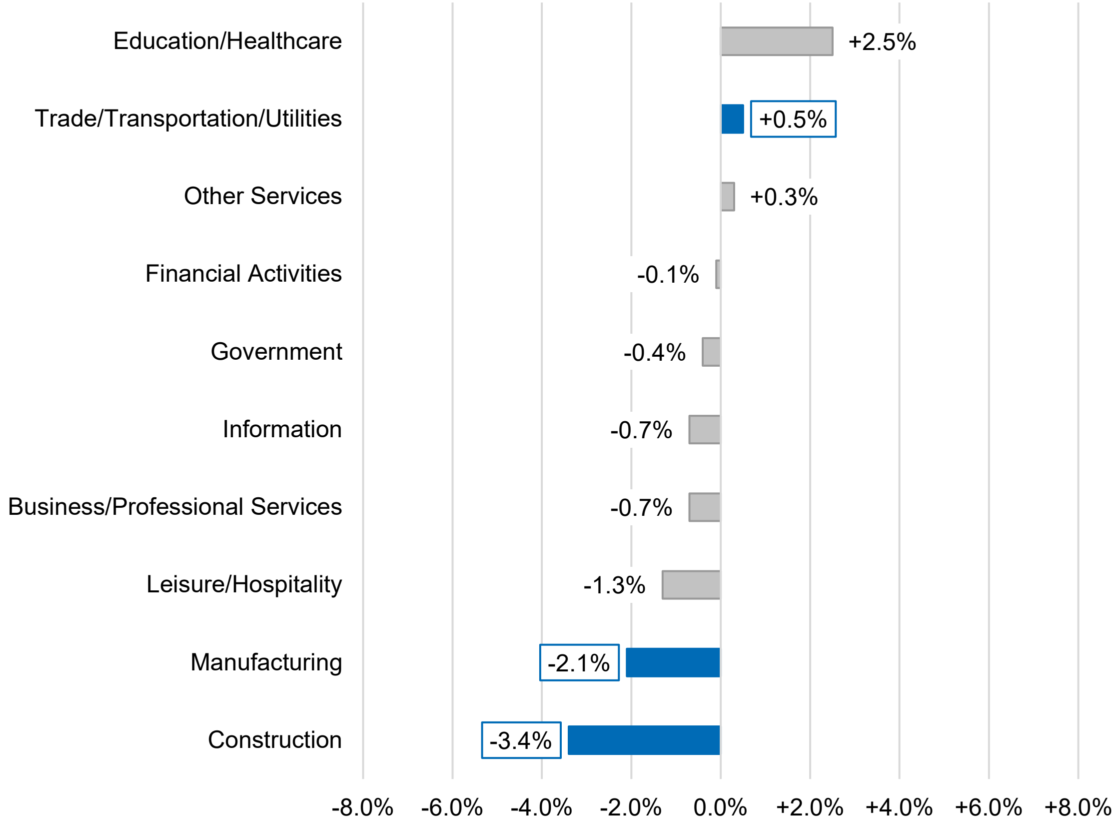
Industrial-Linked Sectors Diverge as Construction Contraction Deepens

Trade, transportation, and utilities posted a +0.5% YOY gain in Q1 2026, making it one of three industries in positive territory. Construction recorded the steepest YOY decline of any sector at -3.4% in Q1 2026, compared to -2.9% in Q4 2025. Manufacturing contracted -2.1% YOY in Q1 2026, moderating from -1.8% in Q4 2025.

Employment by Industry, February 2026



Employment Growth by Industry, 12-Month % Change, February 2026

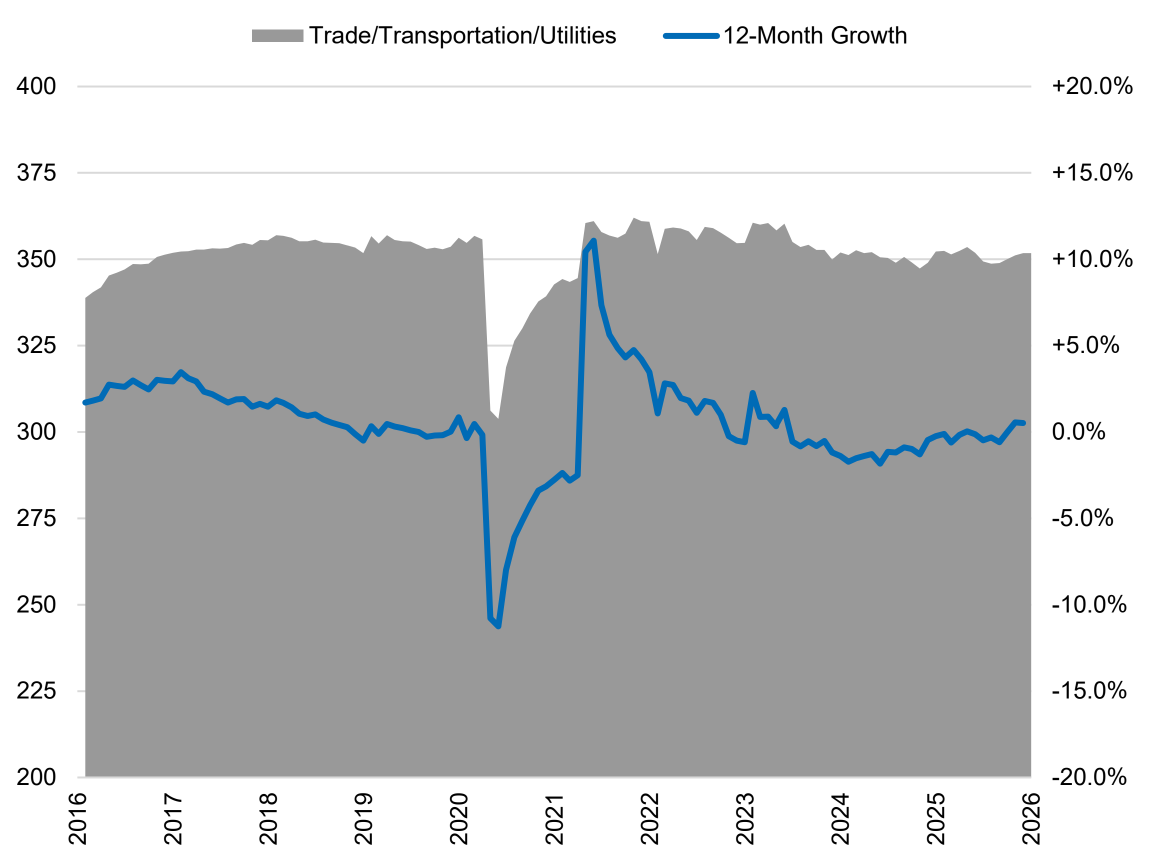


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

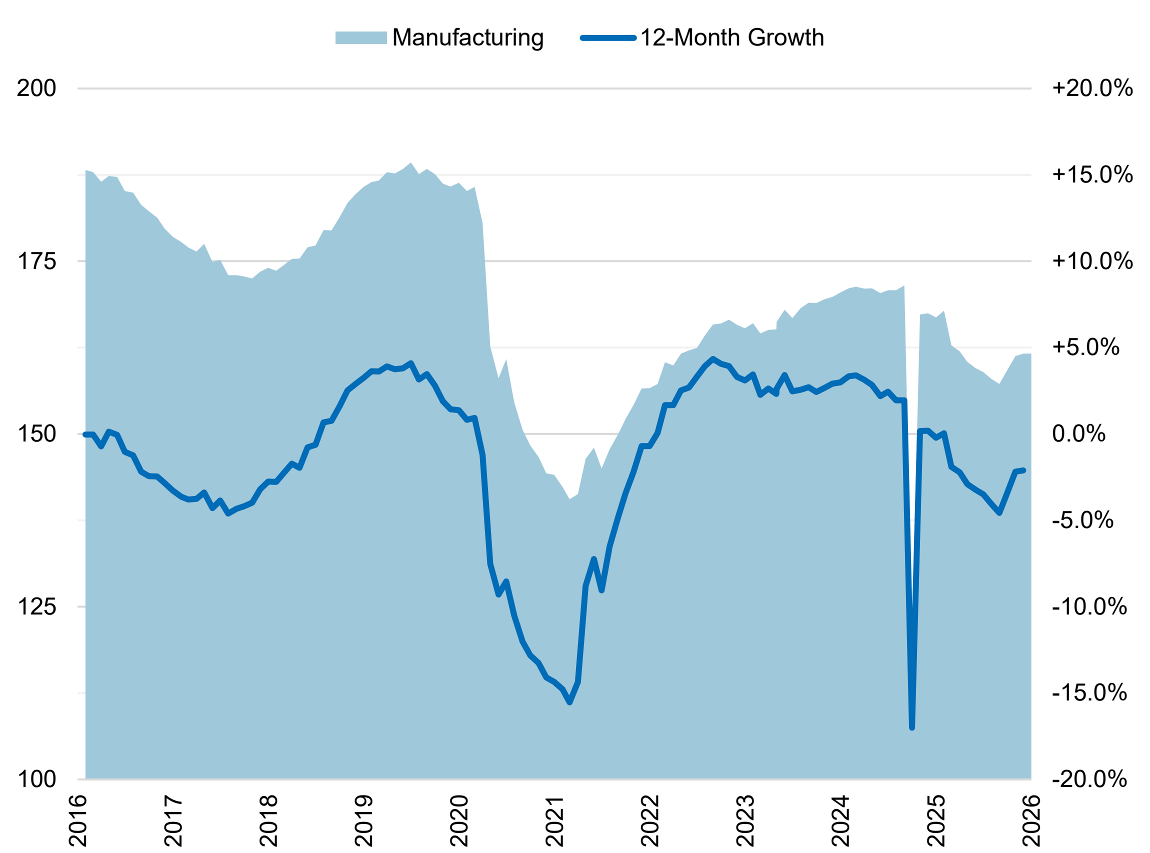
Trade and Logistics Resilience Offsets Manufacturing Contraction

As of Q1 2026, the Seattle MSA trade, transportation, and utilities sector reached +0.5% YOY growth, consistent with +0.1% recorded in Q4 2025, making it one of three sectors in positive territory. Manufacturing contracted -2.1% YOY in Q1 2026, reflecting aerospace-driven headcount reductions and softening durable goods demand, moderating from -1.8% in Q4 2025.

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

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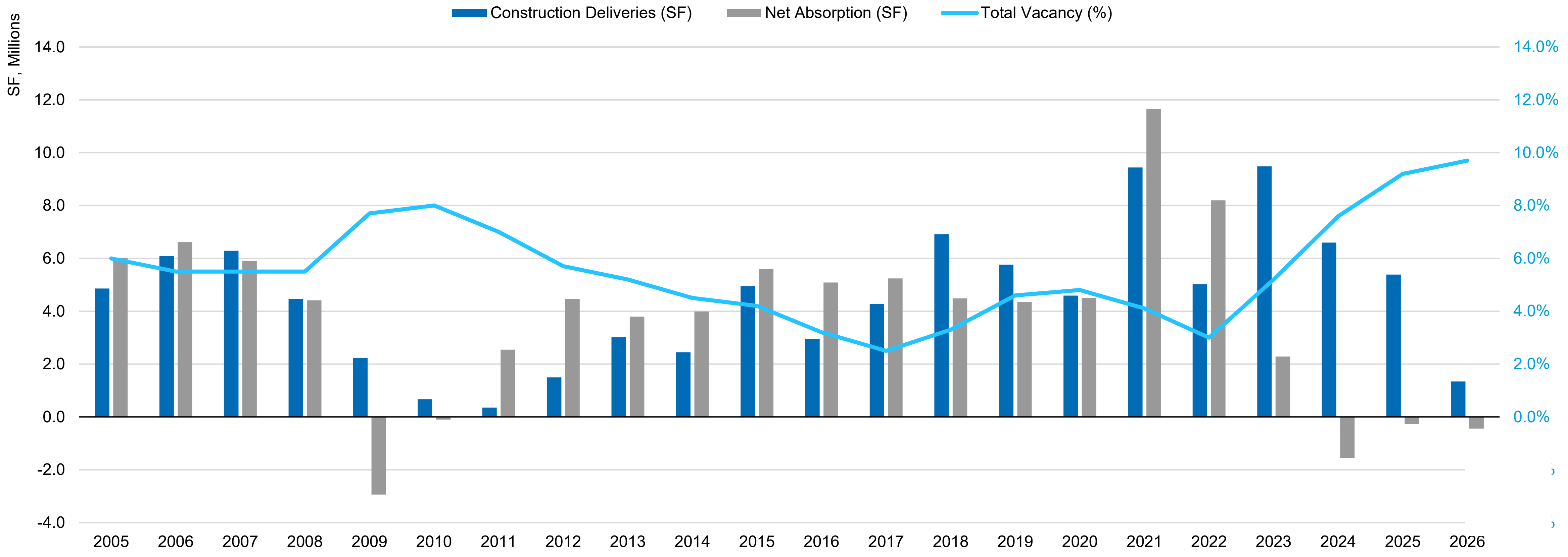
Speculative Deliveries Push Vacancy to Decade High

The Puget Sound region added 1.34 million sf of new industrial product in Q1 2026, concentrated in the Sumner/Puyallup/Frederickson submarket. The largest delivery was Pacific Northwest Logistics Phase 1 Bldg B at 705,680 sf, delivered speculative. SeaPORT Logistics Center Bldg 6 also delivered, fully preleased by Odom Corporation. With deliveries outpacing absorption since 2023, total vacancy reached 9.7% in Q1 2026, the highest level in over a decade.

Historical Construction Deliveries, Net Absorption, and Vacancy

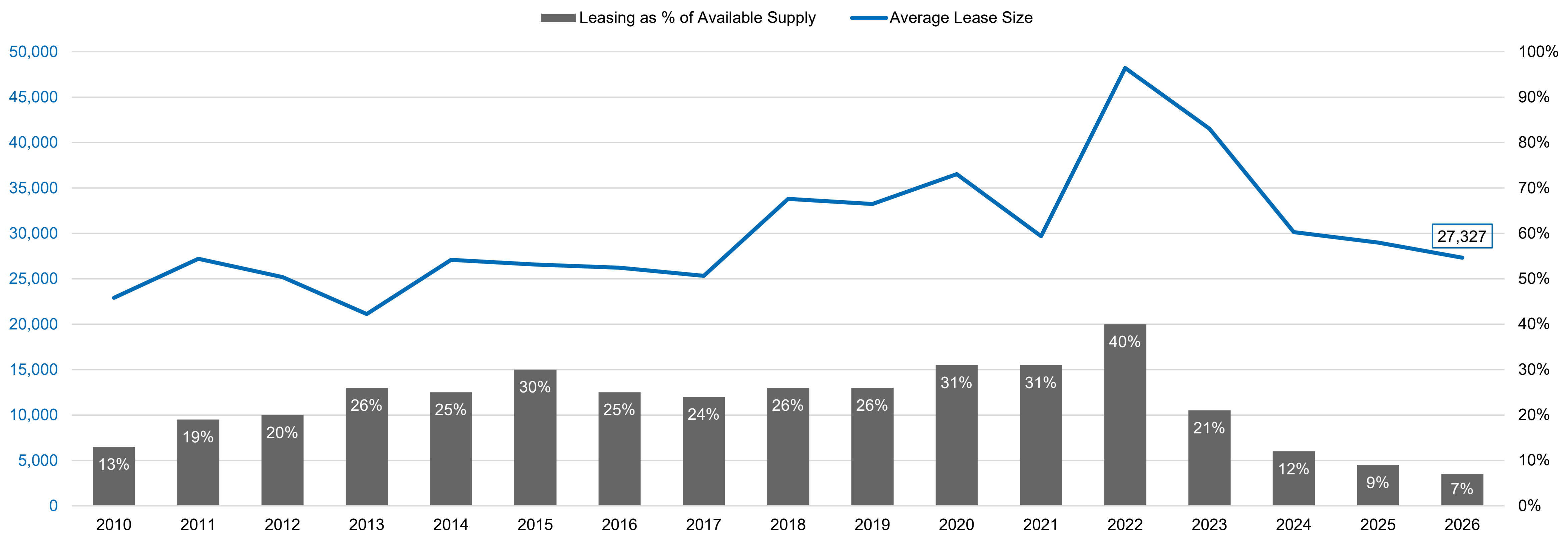


Source: Newmark Research, CoStar

Leasing Velocity Hits Cyclical Low Amid Elevated Supply

Total leasing volume in Q1 2026 reached 2.84 million sf, with leasing as a share of available supply falling to 7%, the lowest reading in the dataset dating to 2010. Average lease size held at 27,327 sf. The sustained decline in leasing velocity relative to available supply reflects a market where new inventory continues to outpace tenant demand, maintaining tenant-favorable conditions across the region.

Leasing Activity (sf)

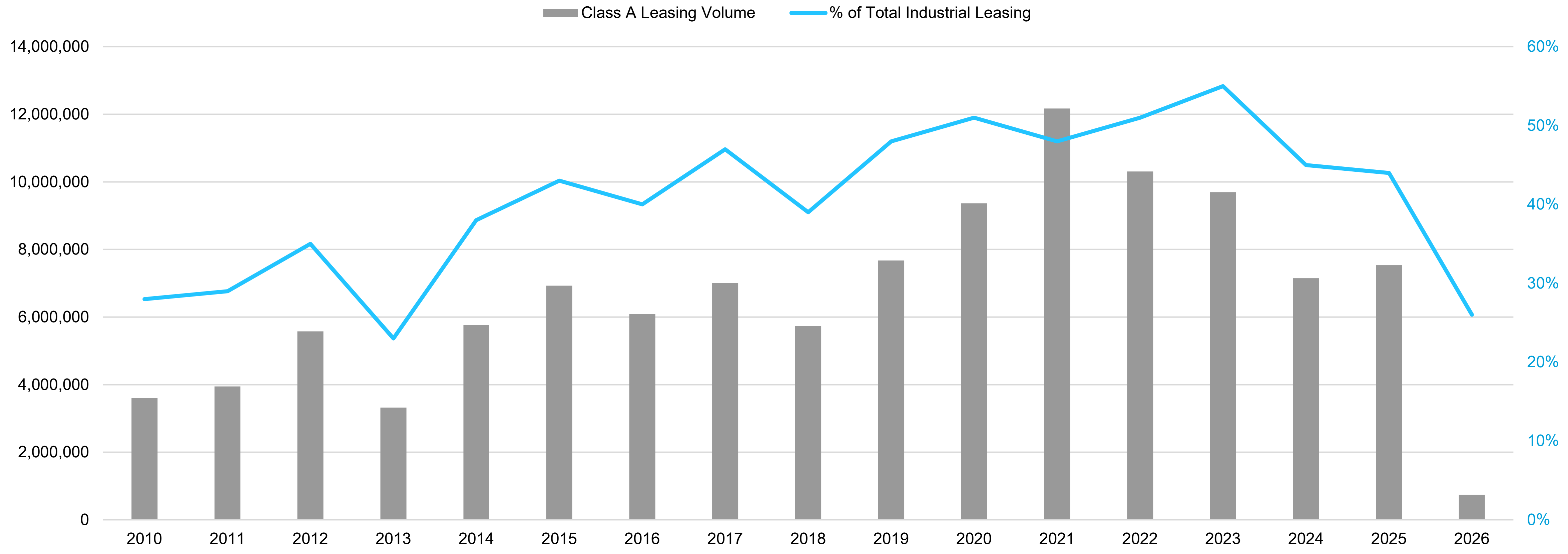


Source: Newmark Research, CoStar

Class A Leasing Tracks Closely to Inventory Share

Class A properties account for 30% of the region's industrial inventory and contributed 26% of total leasing volume in Q1 2026. While Class A leasing share peaked at 55% in 2023 during the post-pandemic surge, its current pace remains broadly in line with inventory weight, suggesting demand for modern space has normalized rather than collapsed.

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

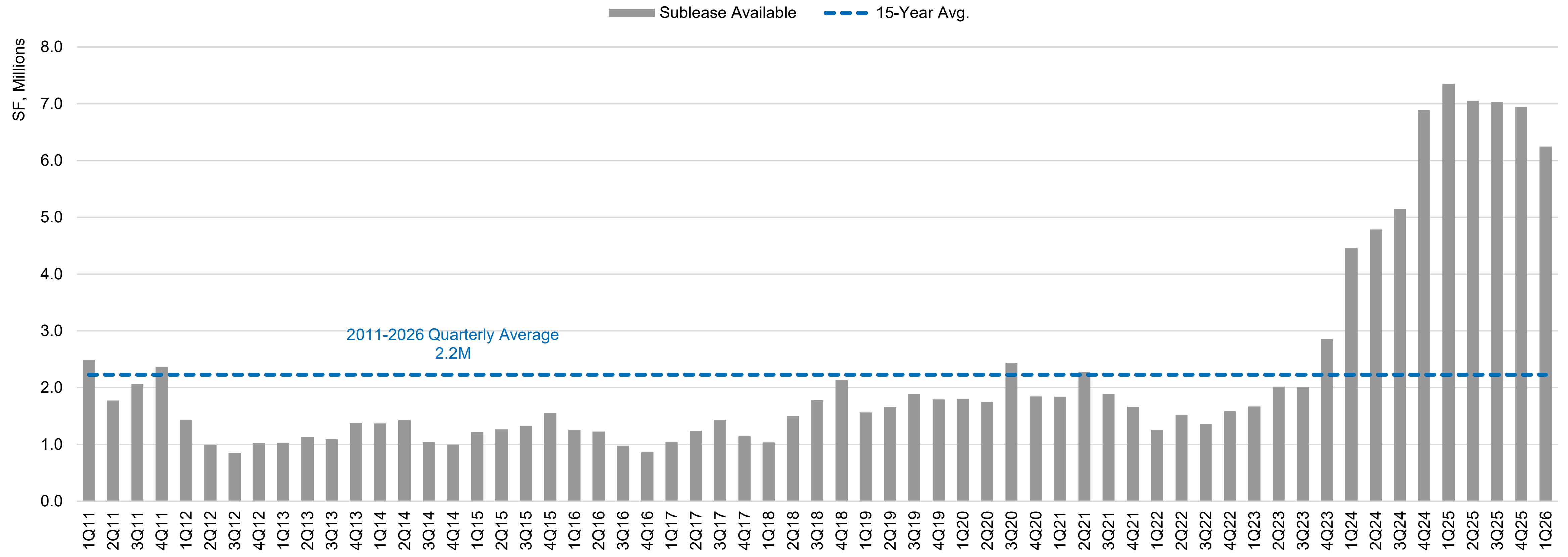


Source: Newmark Research, CoStar

Limited Sublease Impact as Tenants Upgrade into Higher-Quality Space

The sublease availability rate in Q1 2026 fell modestly to 1.9%, down 0.2 percentage points quarter over quarter.

Available Industrial Sublease Volume

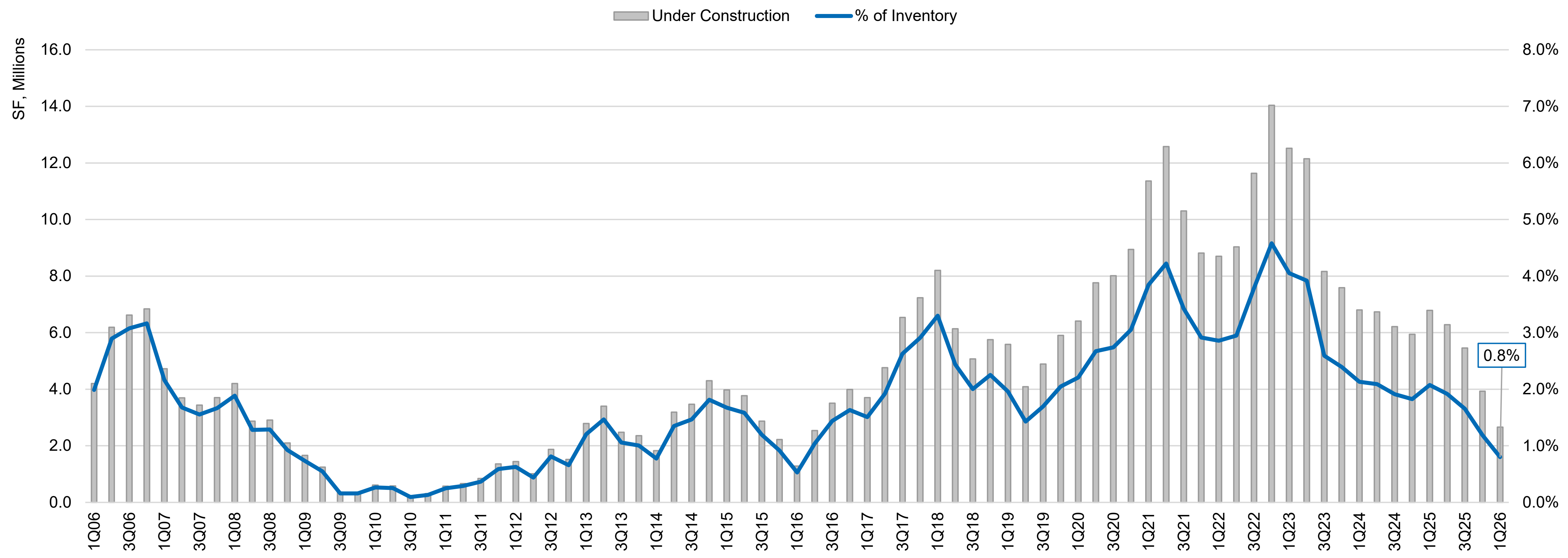


Source: Newmark Research, CoStar

Developers Scale Back Starts as Market Resets

In Q1 2026, 2.7 million sf of industrial space across 13 buildings remained under construction, representing just 0.8% of total inventory, among the lowest levels in nearly two decades. With deliveries continuing to outpace demand, new project starts have slowed sharply as developers wait for existing speculative supply to be absorbed before committing new capital.

Industrial Under Construction and Percentage of Inventory

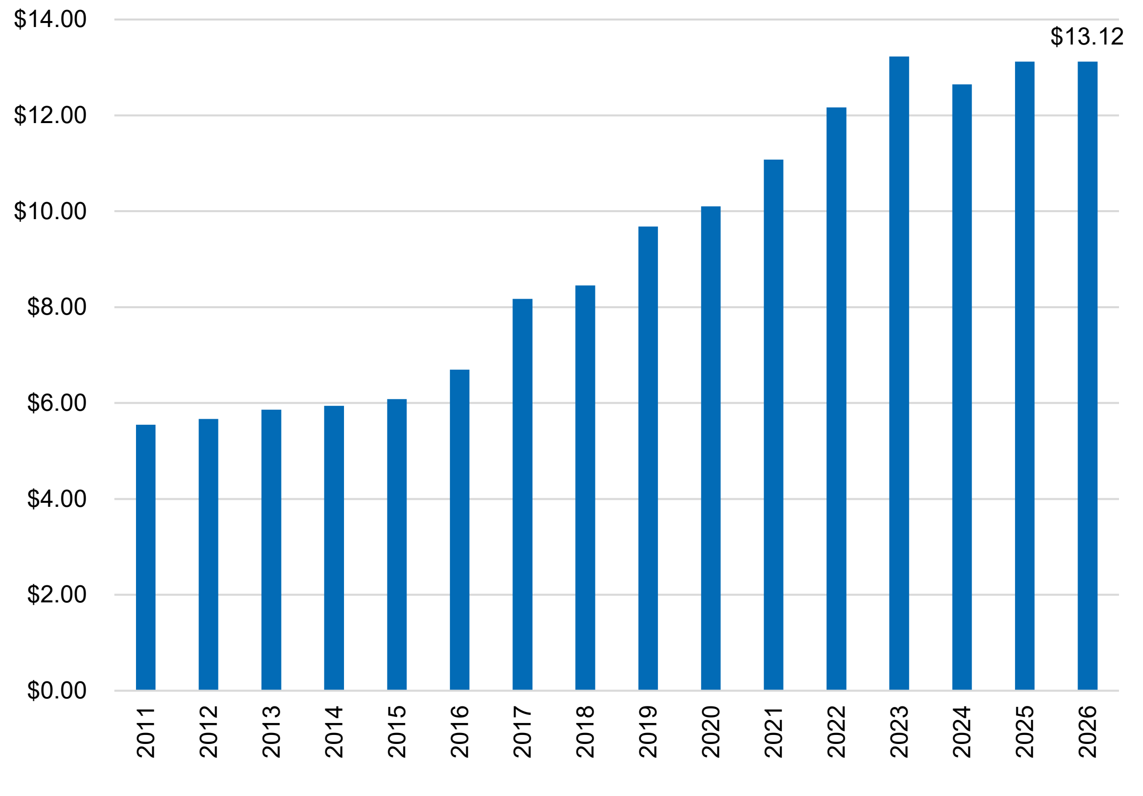


Source: Newmark Research, CoStar

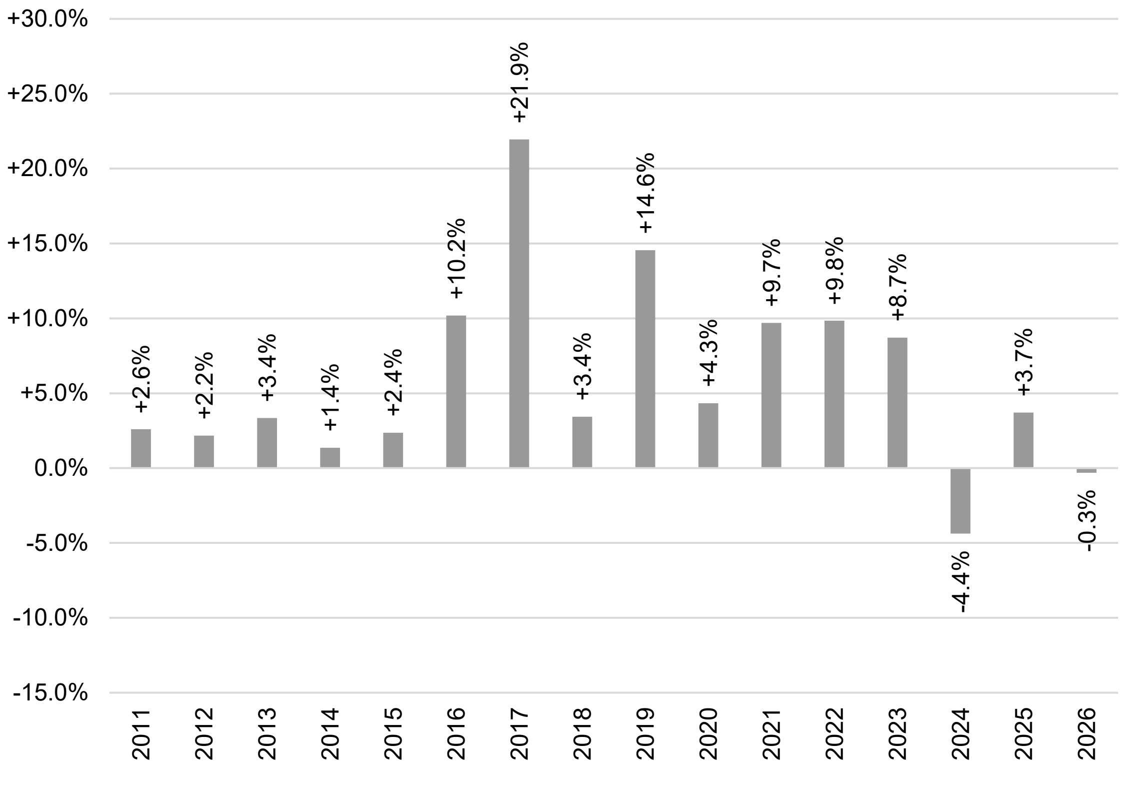
Asking Rents Flatten as Supply-Demand Balance Shifts

Average industrial asking rents in the Puget Sound region reached $13.12/sf NNN in Q1 2026, essentially flat at -0.3% YOY after a +3.7% gain in 2025. Total availability rose from 10.4% to 12.8% year over year, while sublease availability declined from 2.2% to 1.9% over the same period, with 6.3 million sf still on the market. With supply continuing to outpace demand, upward rent pressure is expected to remain muted as landlords compete for tenants in a well-supplied market.

Industrial Average Asking Rent, $/sf/YR, NNN



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
Cooper Tire	Prologis Park Sumner White River Bldg	Kent Valley	Renewal	264,000
Griffin Fluid Management	Dodge Property	Sumner/Puyallup/Frederickson	Direct New	130,680
Pacific Plumbing Company	2601 W Valley Hwy N	Federal Way/Auburn	Renewal	123,820
Pacific Pride	Starlite Distribution Center	Lakewood	Sublease New	122,993
Goodwill	Casino Road Corporate Park	Marysville/Everett	Direct New	107,999

Source: Newmark Research, CoStar

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Appendix / Tables

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Access the Extended 1Q26 Seattle/Puget Sound Industrial Report

The extended version of this report includes:

- **Data on leasing trends**
- **Further insight into tenant demand**
- **Availability and rent data by submarket**
- **Market statistics for the overall market and Class A**

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rates, absorption and effective rates. Newmark Research Reports are available at nmrk.com/insights.