

Puget Sound Industrial Market Overview

Market Observations

Economy

- Trade volumes through the Northwest Seaport Alliance continued to support industrial demand across the Puget Sound region. While import activity dipped temporarily in May, total TEU volumes were 10.2%, as imports rose 12% year-over-year.
- Despite more tenant-favorable lease terms, economic uncertainty caused many occupiers to delay long-term leasing decisions, opting instead for short-term flexibility or renewals.
- Growth in the trade, transportation, and utilities sector continued into Q2, however, economic shifts since late 2024 have led to a 3.4% quarter-over-quarter contraction in the manufacturing sector, reflecting broader caution in capital investment and production.

Major Transactions

- In the capital markets, industrial sales volume in the Puget Sound region increased by 81% in the first half of 2025 compared to the same period in 2024, signaling renewed investor confidence. Pricing remained stable at an average of \$255 per sq. ft., indicating consistent valuation levels and sustained interest in well-located assets.
- Institutional investors were returning selectively, focusing on stabilized or strategically located properties. Meanwhile, private investors and owner-users continued to dominate smaller transactions, particularly in submarkets like Kent Valley South, where older, mid-sized buildings remain attractive.

Leasing Market Fundamentals

- Through the first half of 2025, the Puget Sound industrial market has demonstrated continued resilience, supported by stable rents and sustained construction activity. Average asking rents reached \$12.59 per sq. ft. NNN, remaining above the \$12.00 threshold since Q2 2022.
- Sublease availability continued to rise. Following a sharp increase of 3,712 basis points (bps) between Q3 and Q4 2024, sublease availability climbed another 345 basis points in Q2 2025 compared to Q1. This was largely driven by four large blocks of 100,000 sq. ft. or more entering the Tacoma/Fife submarket, contributing to elevated availability across the region.

Outlook

- The Puget Sound industrial market is increasingly shifting toward tenant-favorable conditions, as rising availability and sublease space continue to drive more concessions and flexible lease structures.
- Vacancy has risen to 7.3% across the region, largely due to speculative deliveries in the Southend submarket rather than a decline in tenant demand. Demand remains consistent in core submarkets with limited land availability, such as Seattle and Kent Valley, where competition for quality space is expected to intensify as new supply slows.

Economy
Leasing Market Fundamentals
Appendix / Tables

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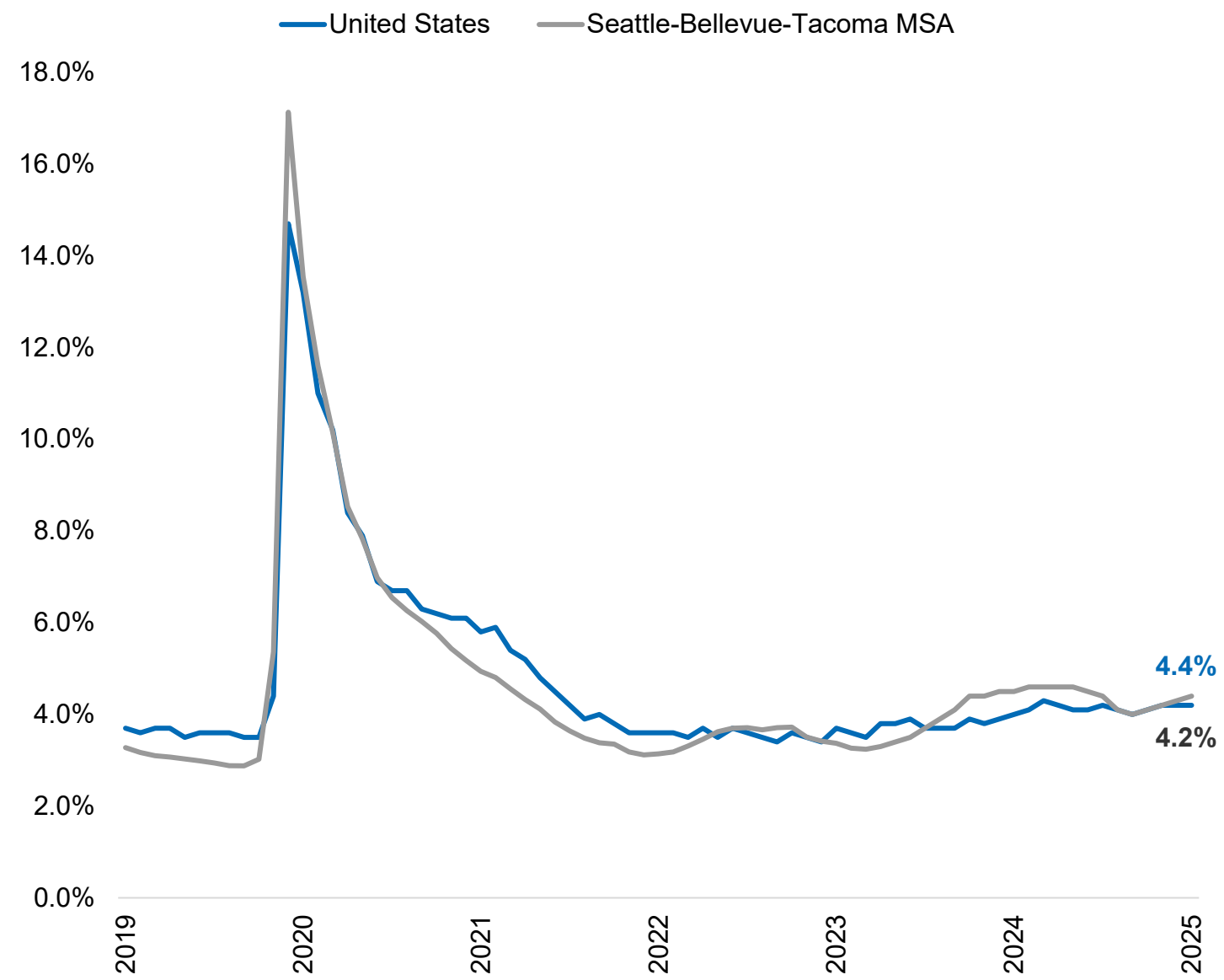
Economy



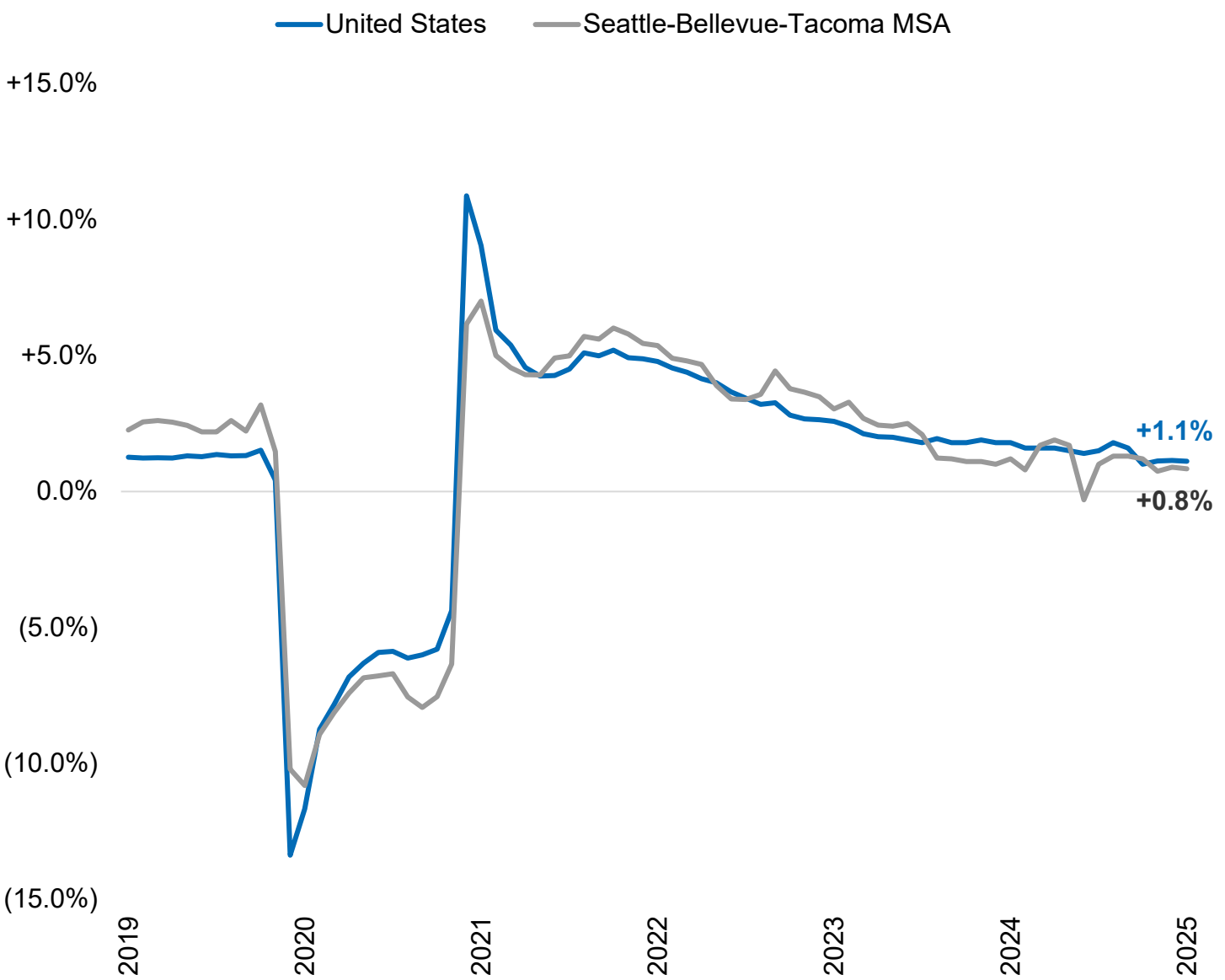
Unemployment Rose Amid Labor Market Rebalancing

The unemployment rate in the Seattle-Tacoma-Bellevue MSA rose by 300 bps to 4.4% near the end of Q2, outpacing the national average of 4.2%. The increase reflects a combination of tech sector layoffs, a slowdown in construction and manufacturing, and a shrinking labor force

Unemployment Rate, Seasonally Adjusted



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

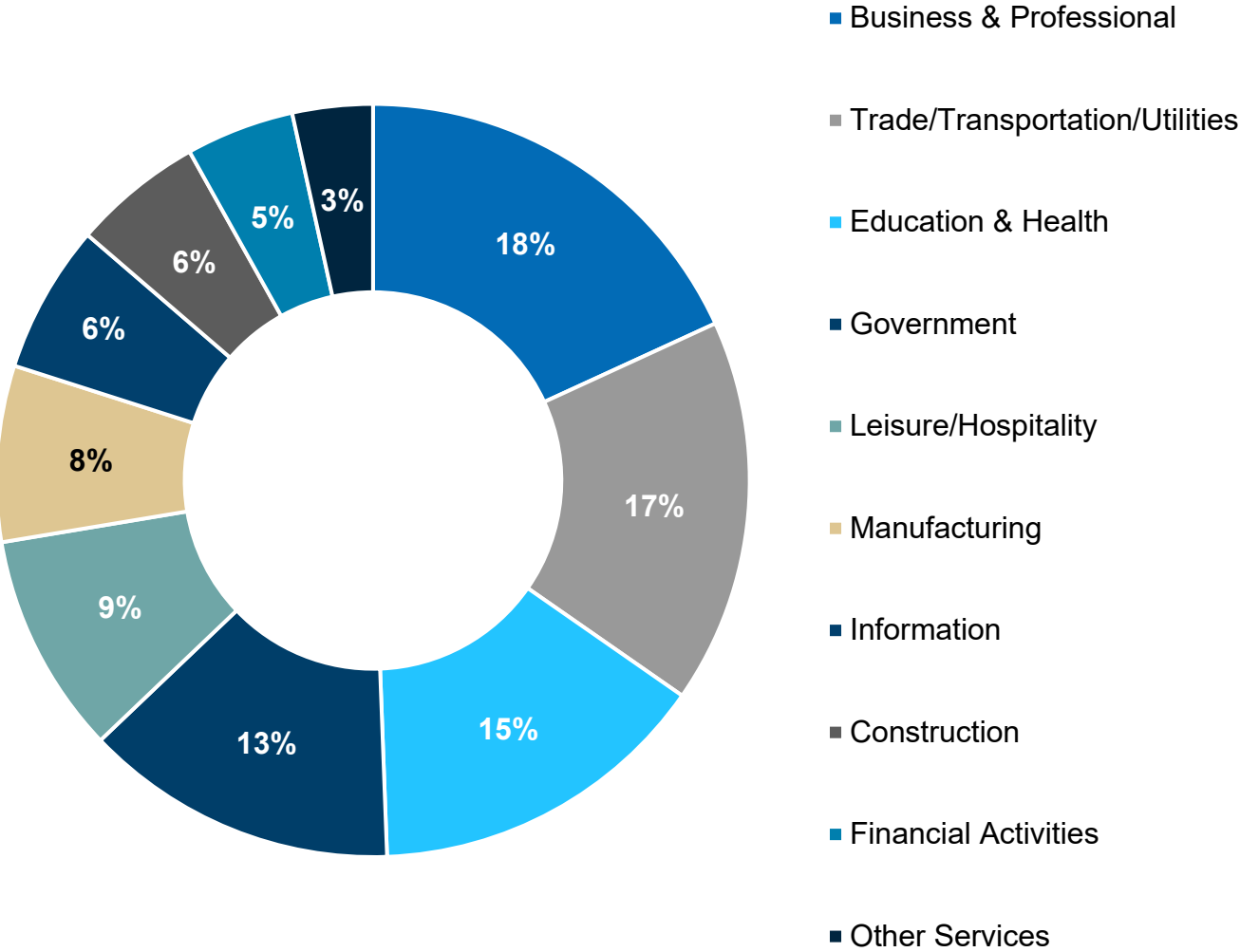


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

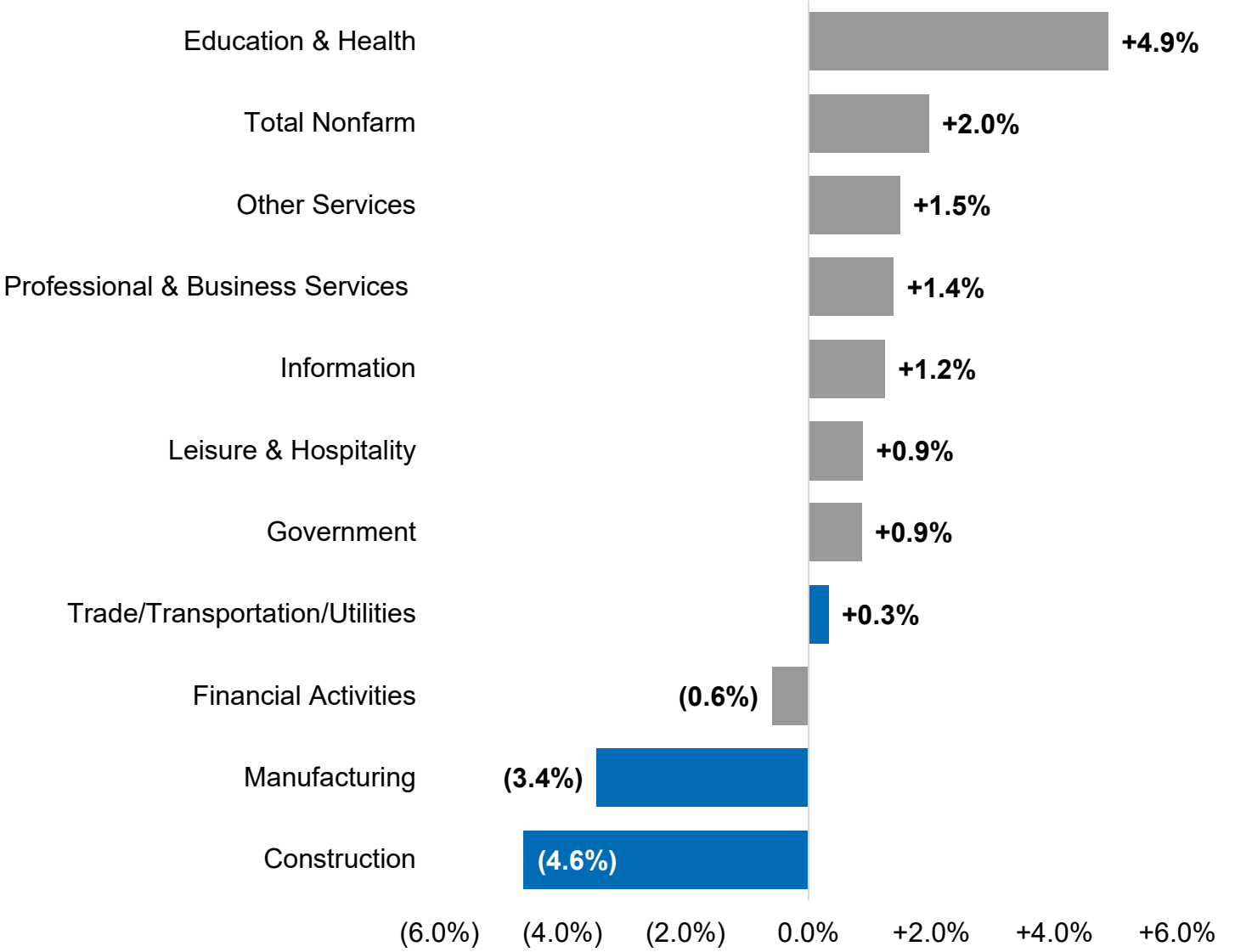
Industrial Employment Still Expanded, Despite Slowing Growth

Despite a slowdown in year-over-year growth, the industrial sector continued to expand. In Q2, the construction industry was the second leading industry with the most job growth, ending with a net gain of 6,300 workers. Manufacturing expanded by 1,200 jobs while trade/transportation/utilities contracted by 1,200.

Employment by Industry, May 2025



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

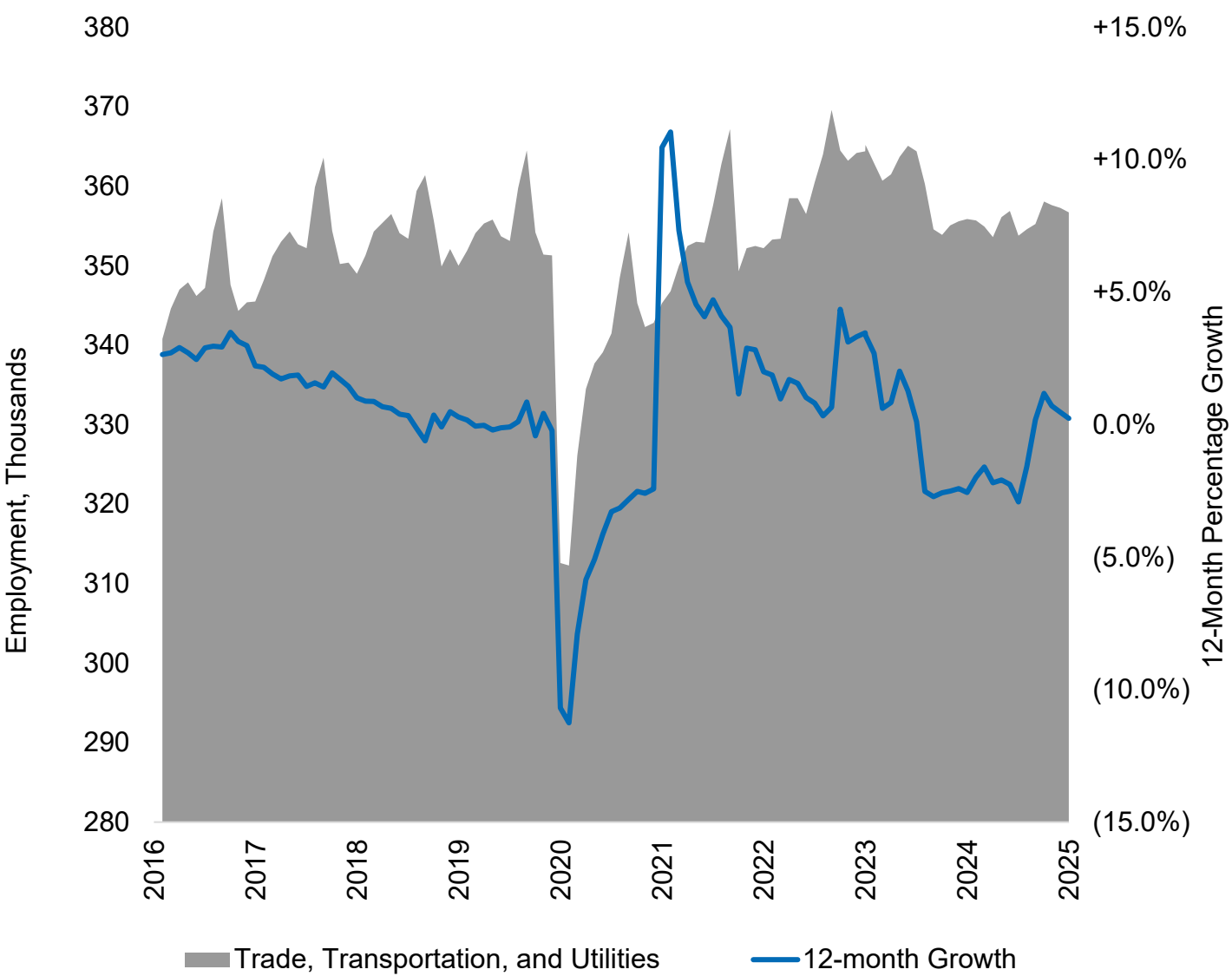


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

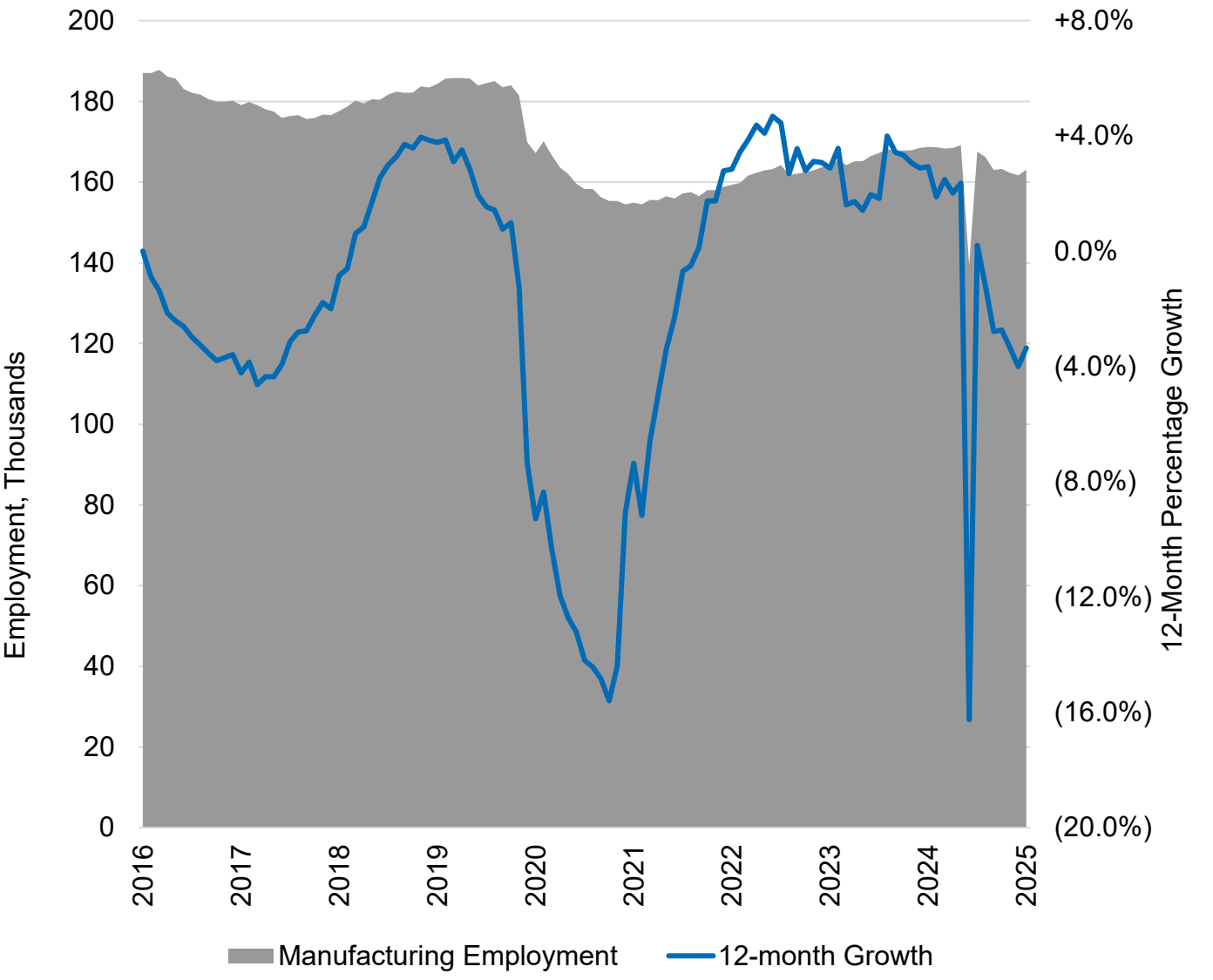
Trade Rebounded Annually, Construction Slipped Year-Over-Year

Although trade/transportation/utilities experienced a net loss of 1,200 in jobs in Q2, the industry gained 7,000 jobs between June 2024 and June 2025. On the other hand, while construction experienced a healthy expansion quarter-over-quarter in Q2, in the same year-period, the industry contracted by 9,800 jobs.

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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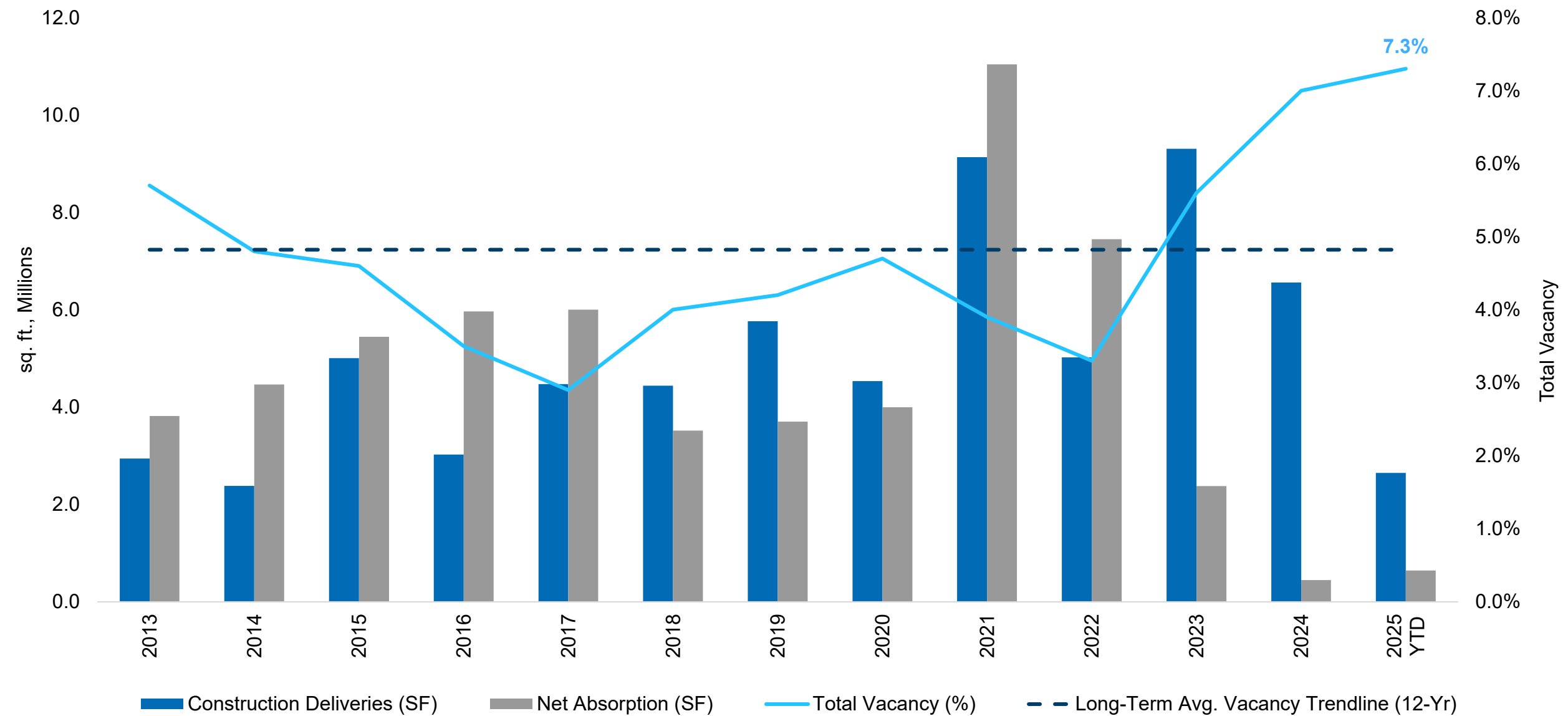
Leasing Market Fundamentals



Market Confidence Held as Speculative Builds Delivered

In Q2, 17% of the supply under construction delivered, and the additional supply increased vacancy by 30 bps because they delivered speculative, impacting the Southend market greatly. Construction had outpaced tenant demand for large box assets.

Historical Construction Deliveries, Net Absorption, and Vacancy

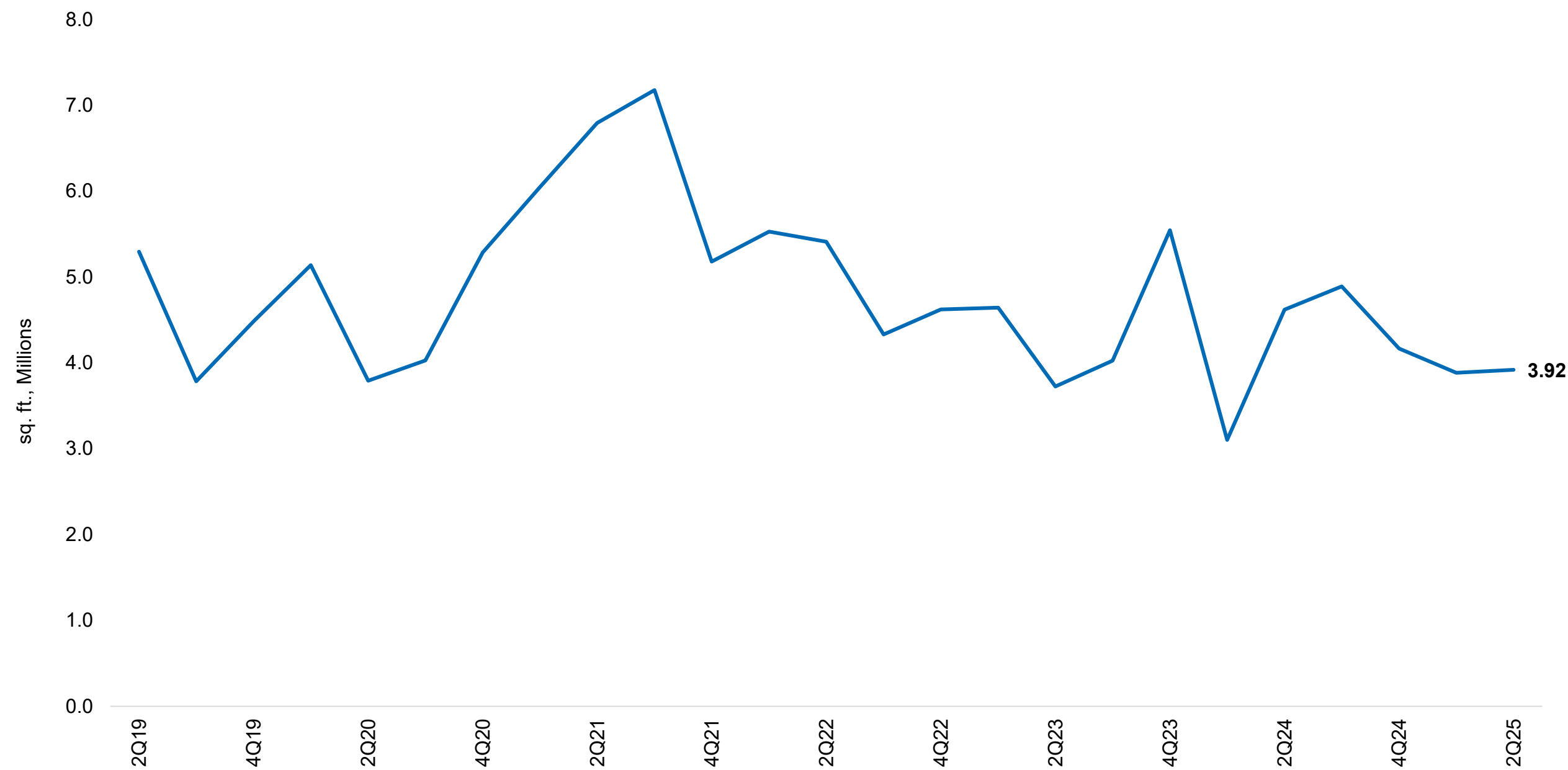


Source: Newmark Research, CoStar

Leasing Activity Stalled Due to Economic Uncertainty

While demand held steady, so did lease executions. Leasing volume sat at 3,919,389 sq. ft. at the end of Q2.

Total Leasing Activity (sq. ft.)

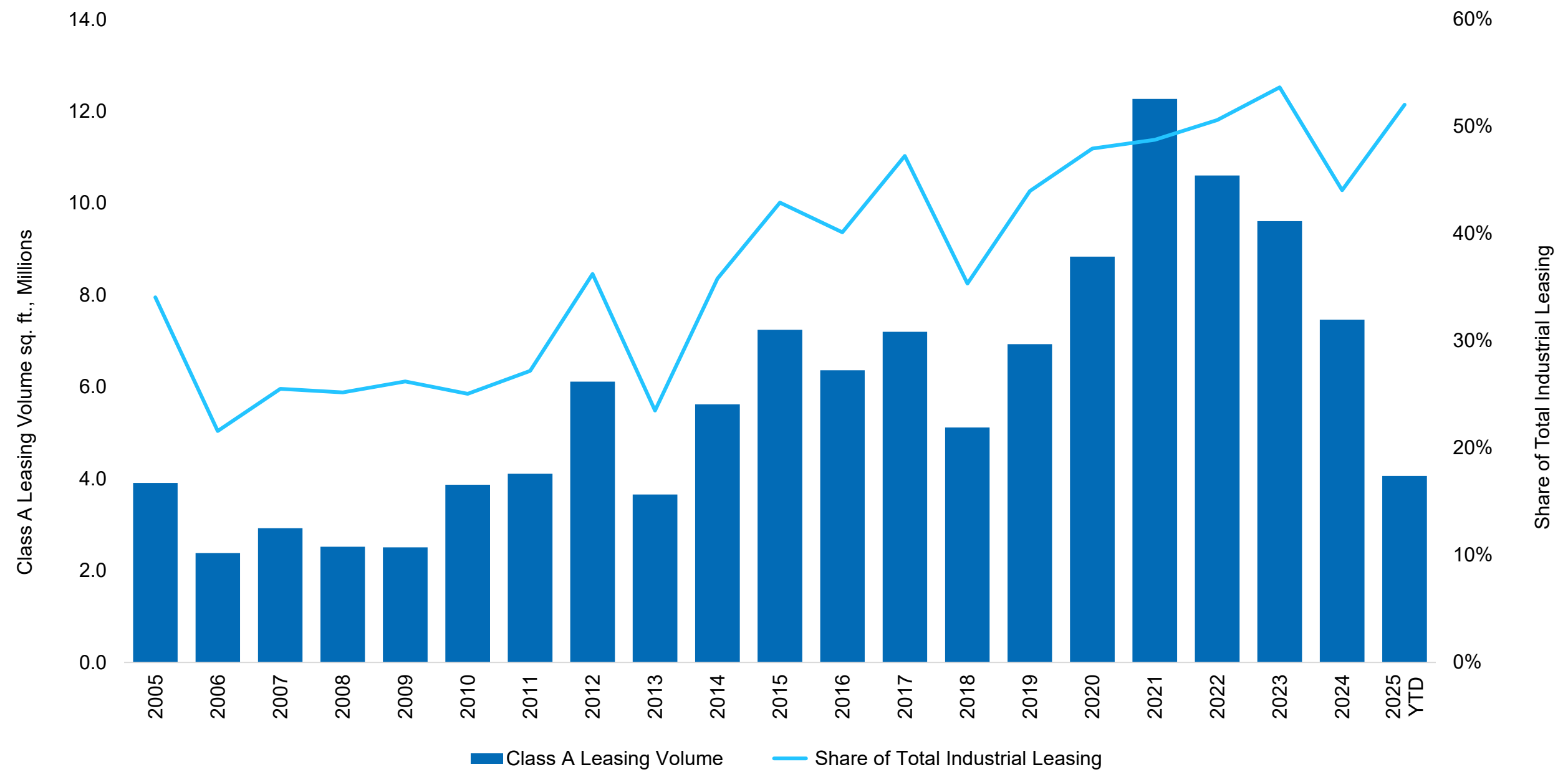


Source: Newmark Research, CoStar

Premium Office Spaces Led Leasing Activity Amid Market Slump

Tenant hesitations and rightsizing have slowed overall leasing activity, but demand for premium Class A industrial space remains strong. In Q2, 52% of all leases were for Class A properties.

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

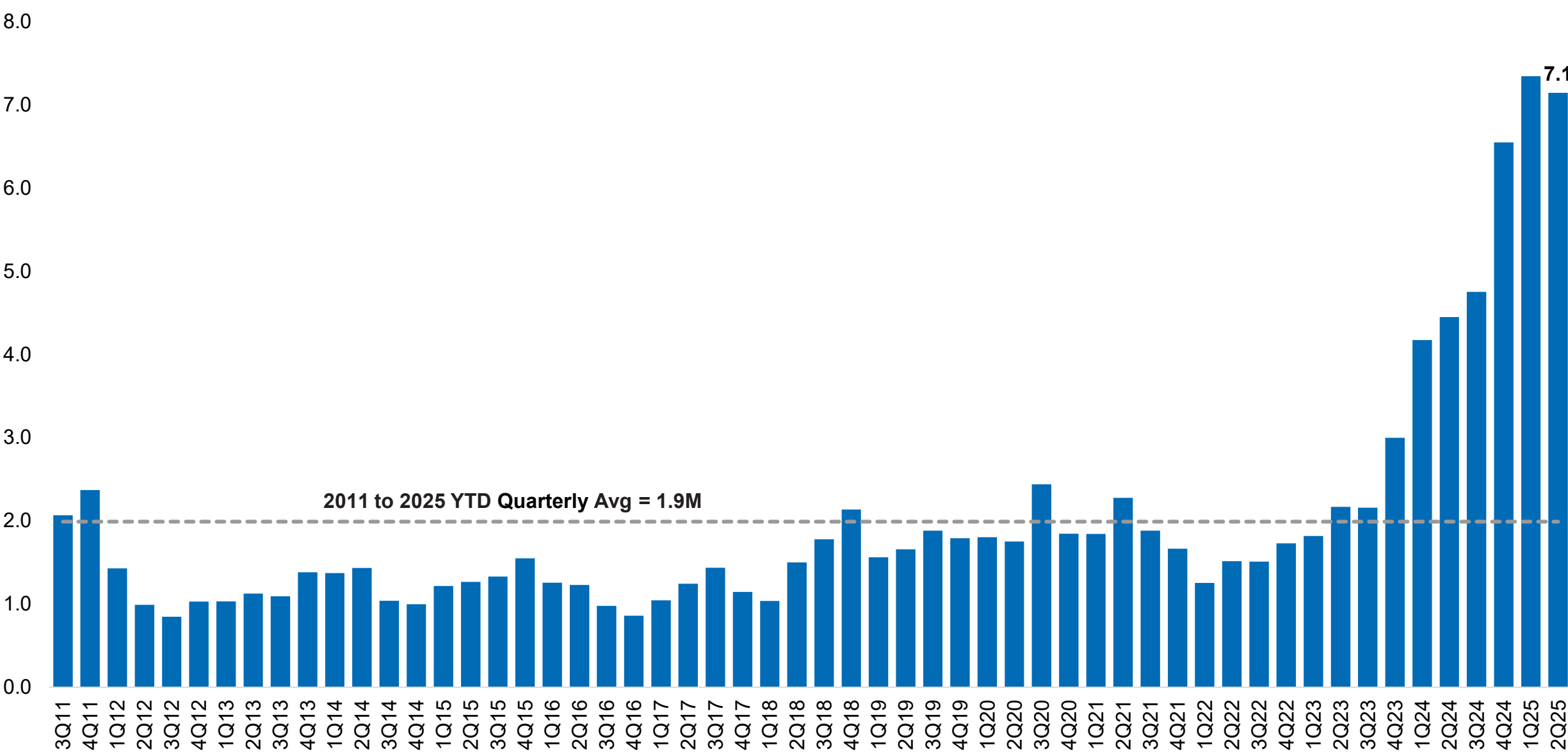


Source: Newmark Research, CoStar

Large-Build Logistics Buildings Added More Subleases

Following a 3,712-bps surge between Q3 and Q4 2024, sublease availability rose another 345 bps in Q2, driven primarily by four large blocks—each over 100,000 sq. ft.—entering the Tacoma/Fife submarket. Sublease listings added outpaced deals executed.

Available Industrial Sublease Volume (msq. ft.)

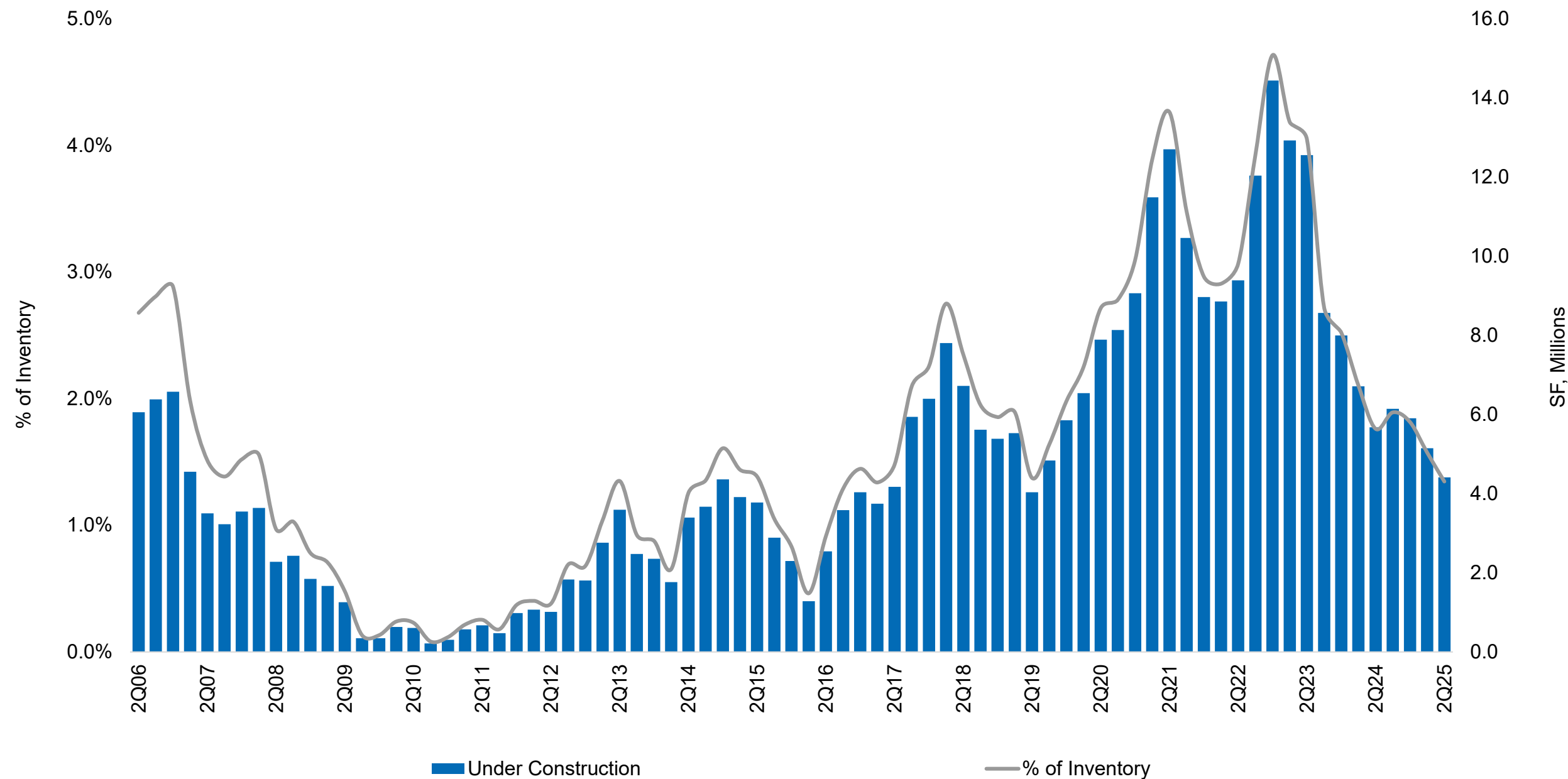


Source: Newmark Research, CoStar

New Supply Slowed as Market Continued to Recalibrate

In Q2, 4.4 million sq. ft. was under construction. More and more new large boxes delivered speculative, causing developers to slow production due to less tenants preleasing. The market continued to recalibrate from the boom a couple years ago.

Industrial Under Construction and % of Inventory

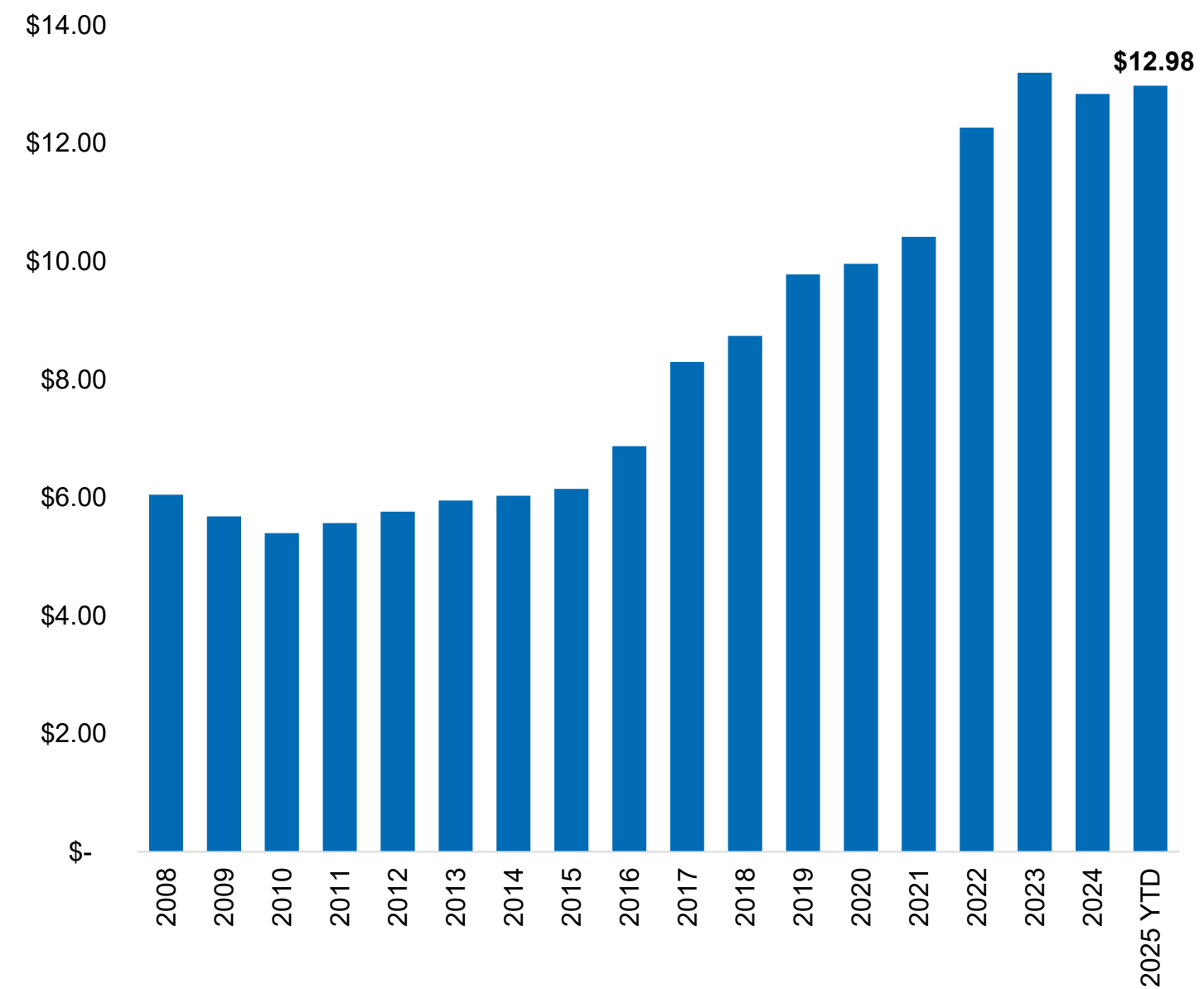


Source: Newmark Research, CoStar

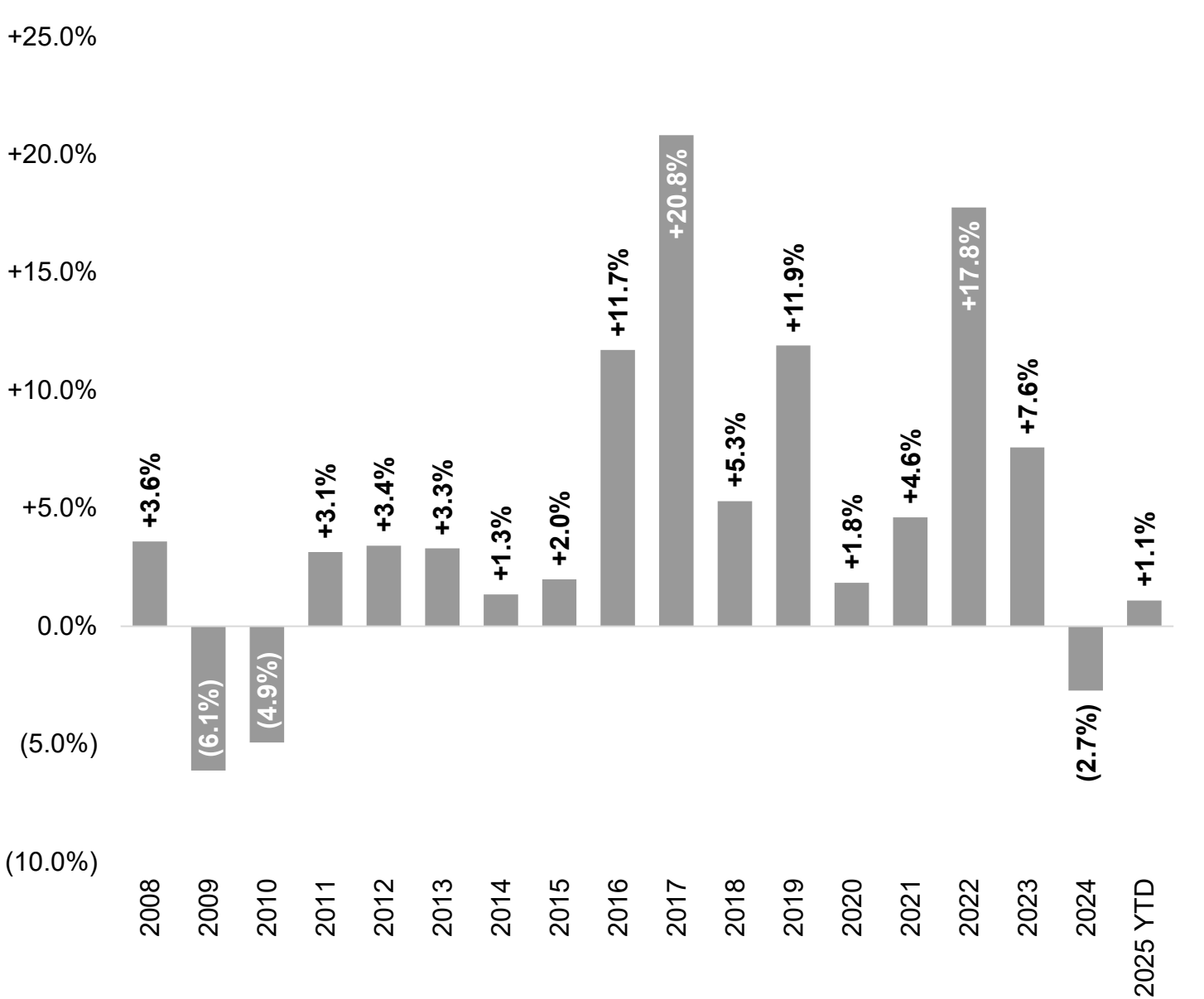
Landlords Held, Tenants Waited

Landlords maintained steady rental rates in response to a slowdown in leasing activity and increased availability of larger first- and second-generation properties. While rents and concessions became more favorable to tenants, many remained hesitant to make long-term commitments amid uncertain economic conditions.

Industrial Average Asking Rent, \$/sq. ft., NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

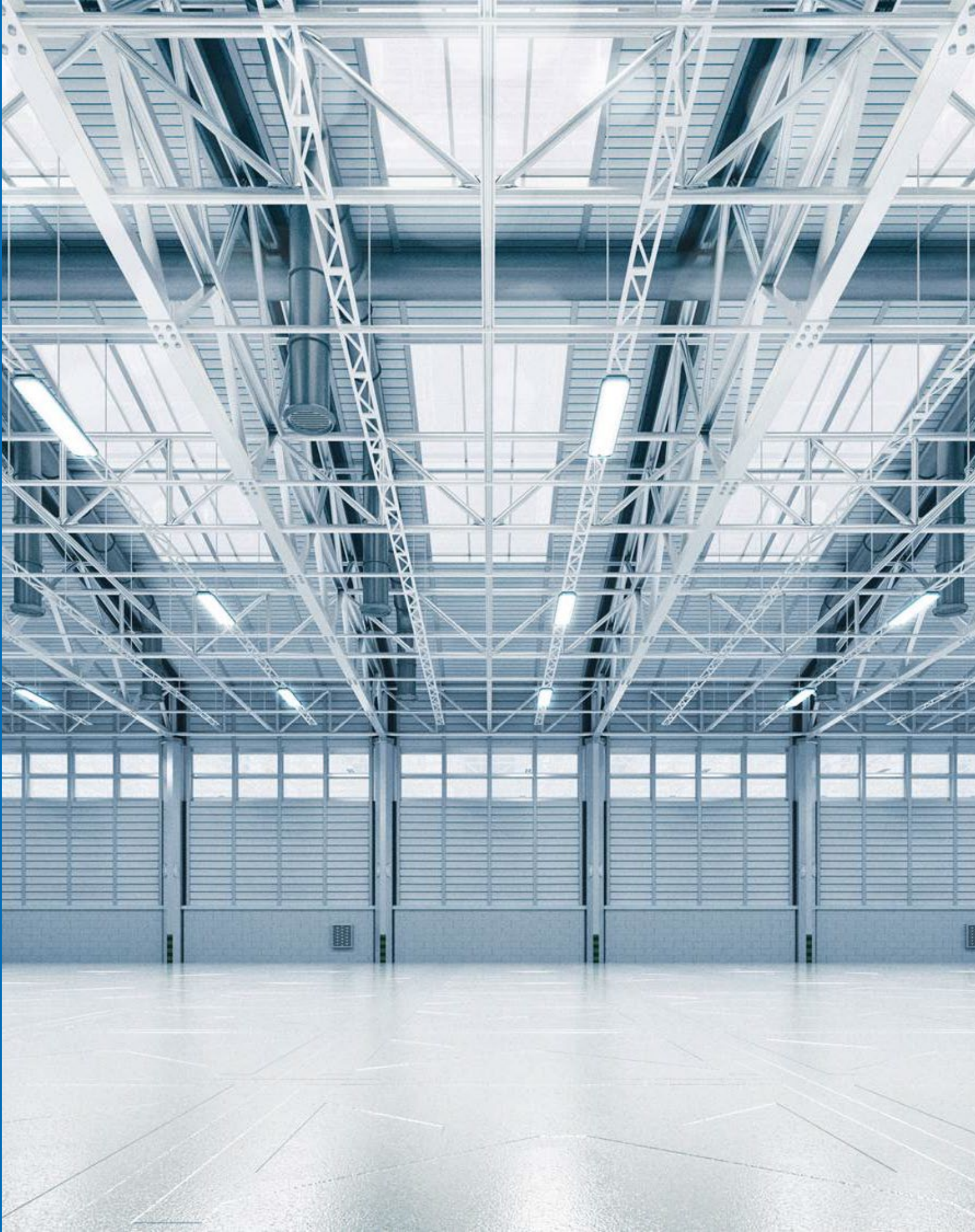
Notable Transactions

The second quarter of 2025 saw more tenants engaging in direct deals.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	sq. ft.
Estes Forwarding Worldwide	Tacoma Logistics Center – Bldg B	Fife/Tacoma	Renewal/Expansion	612,612
Odom Corporation	SeaPORT Logistics Center – Bldg 6	Sumner Puyallup/Frederickson	Direct New	250,000
Pacorini	Prologis Park Auburn 12	Federal Way/Auburn/Algona/Pacific	Direct New	200,393
Trimlite	Prologis Park Puyallup 1	Sumner Puyallup/Frederickson	Direct New	182,500

Source: Newmark Research

Appendix/Tables





Please reach out to your
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