



NEWMARK

Seattle

Industrial Market Overview

3Q25

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Market Observations



Economy

- Labor market conditions are stabilizing in the Seattle-Tacoma-Bellevue MSA, with unemployment falling to 4.3%. However, the pace of job growth is slowing, indicating a crest in the post-pandemic recovery cycle.
- Transportation and warehousing employment showed notable strength, adding 5,200 jobs in Q3 and ranking second in regional job gains, signaling continued demand for logistics and distribution labor.
- Construction and manufacturing employment remained flat, constrained by high interest rates, reduced spending, and a major aerospace labor strike — all of which are dampening industrial development momentum.



Leasing Market Fundamentals

- Leasing volume declined to 3.58M SF in Q3, down 930 basis points quarter over quarter, reflecting tenant hesitation amid economic uncertainty and recalibrated space needs.
- Vacancy increased by 227 bps, driven by speculative deliveries, particularly in Pierce County and the Northend, contributing to a more tenant-favorable environment.
- Class A availability rose to 21.4%, compared to 6.9% for Class B/C, with first-generation speculative space pushing rents upward — highlighting a bifurcation in demand by asset quality.



Major Transactions

- The Home Depot executed the largest new lease in Q3, preleasing a 609,368-square-foot distribution center in Auburn, scheduled to open in summer 2027.
- Amazon committed to newer space in Q3, becoming the first tenant at Prologis Emerald Gateway – Bldg 4, with occupancy expected in early 2026.
- Sales volume remained steady, ranging between 1.1–1.8 million square feet for five consecutive quarters. Average price per square foot rose from \$247 in Q3 2024 to \$435 in Q3 2025, while the average cap rate declined from 5.8% to 3.6%, per Real Capital Analytics.
- The largest sale to date occurred in Q3, with Woodinville Corporate Center selling for \$232.6 million at \$323 per square foot.



Outlook

- New construction starts are slowing, with only 3.6M SF under construction and deliveries outpacing new development — signaling a shift toward absorption and recalibration.
- Tenant demand is expected to remain selective, favoring newer, high-quality space while older assets may face longer lease-up periods or repositioning needs.
- Rent growth may persist in premium segments, driven by the influx of Class A availabilities and limited new supply, especially if economic conditions stabilize in early 2026.

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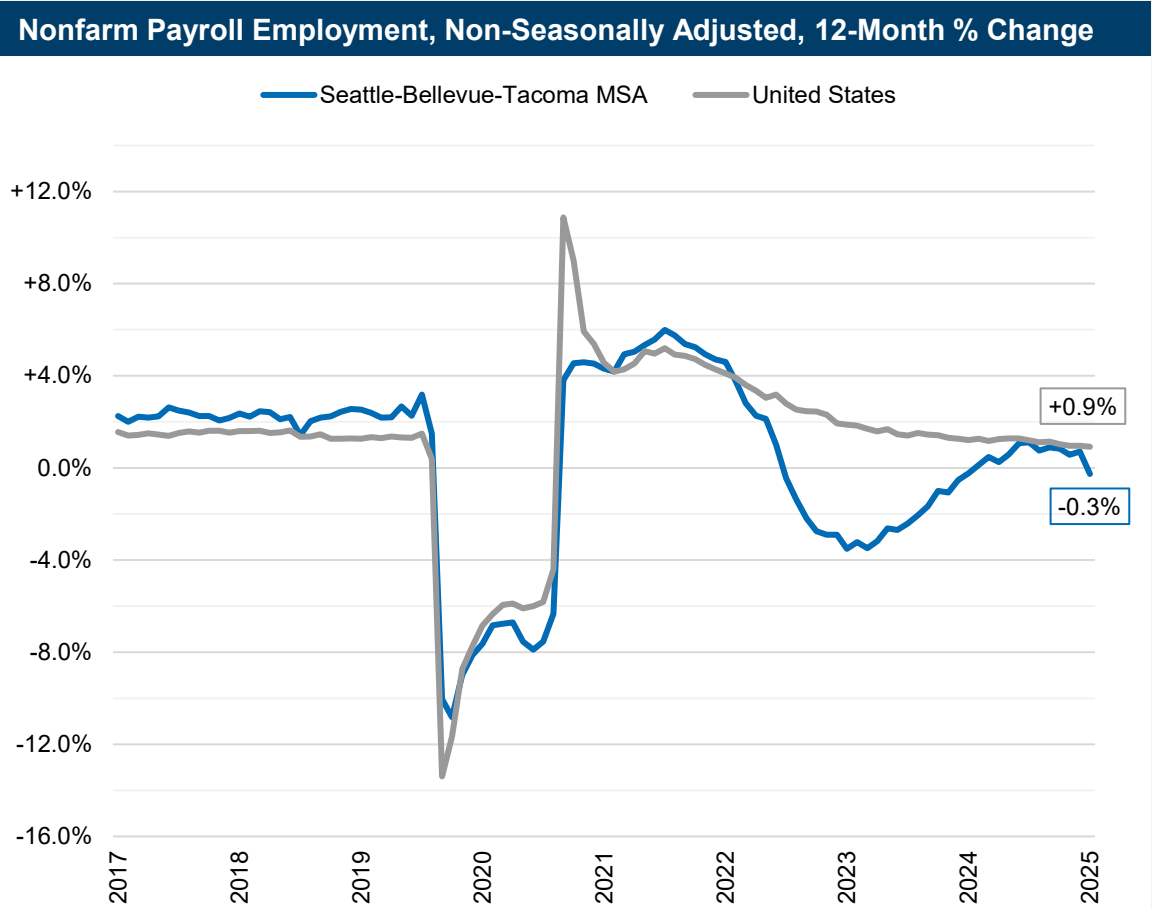
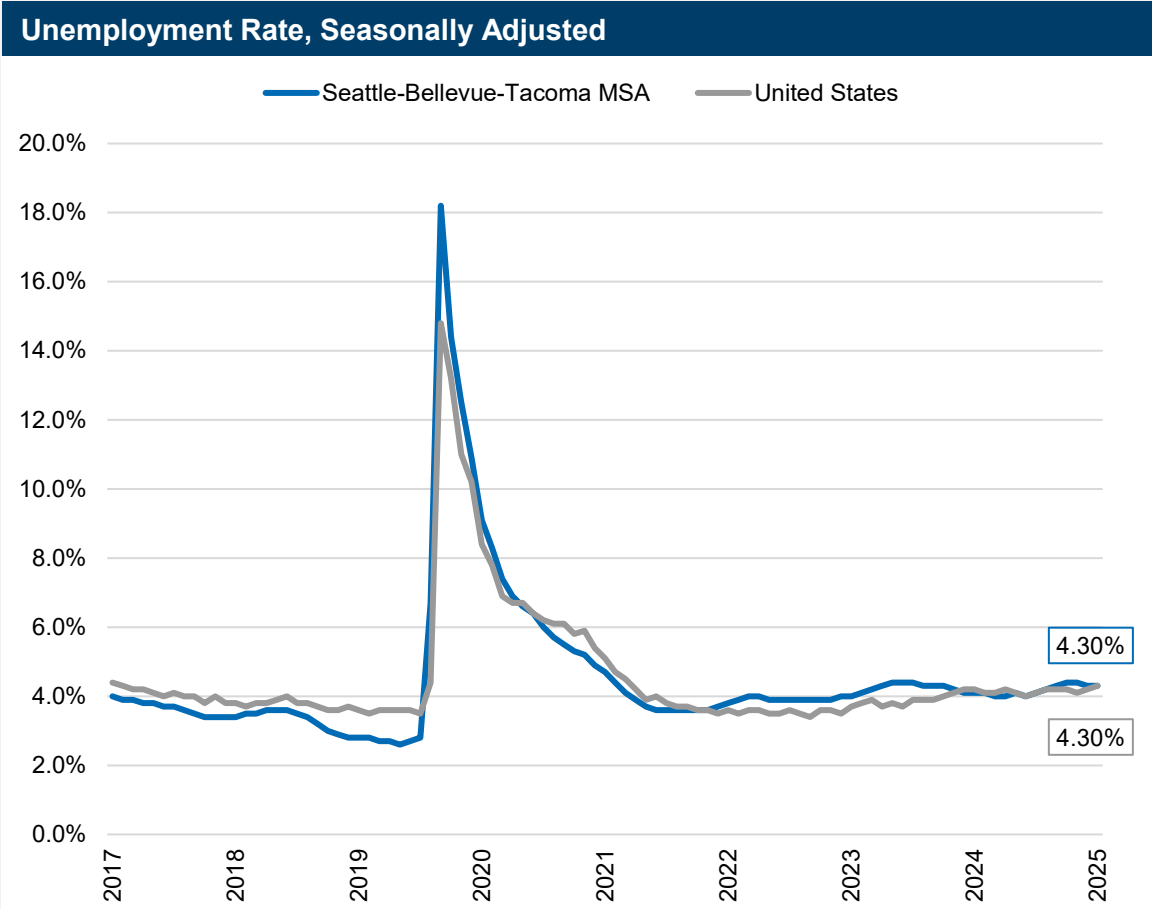
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Economy



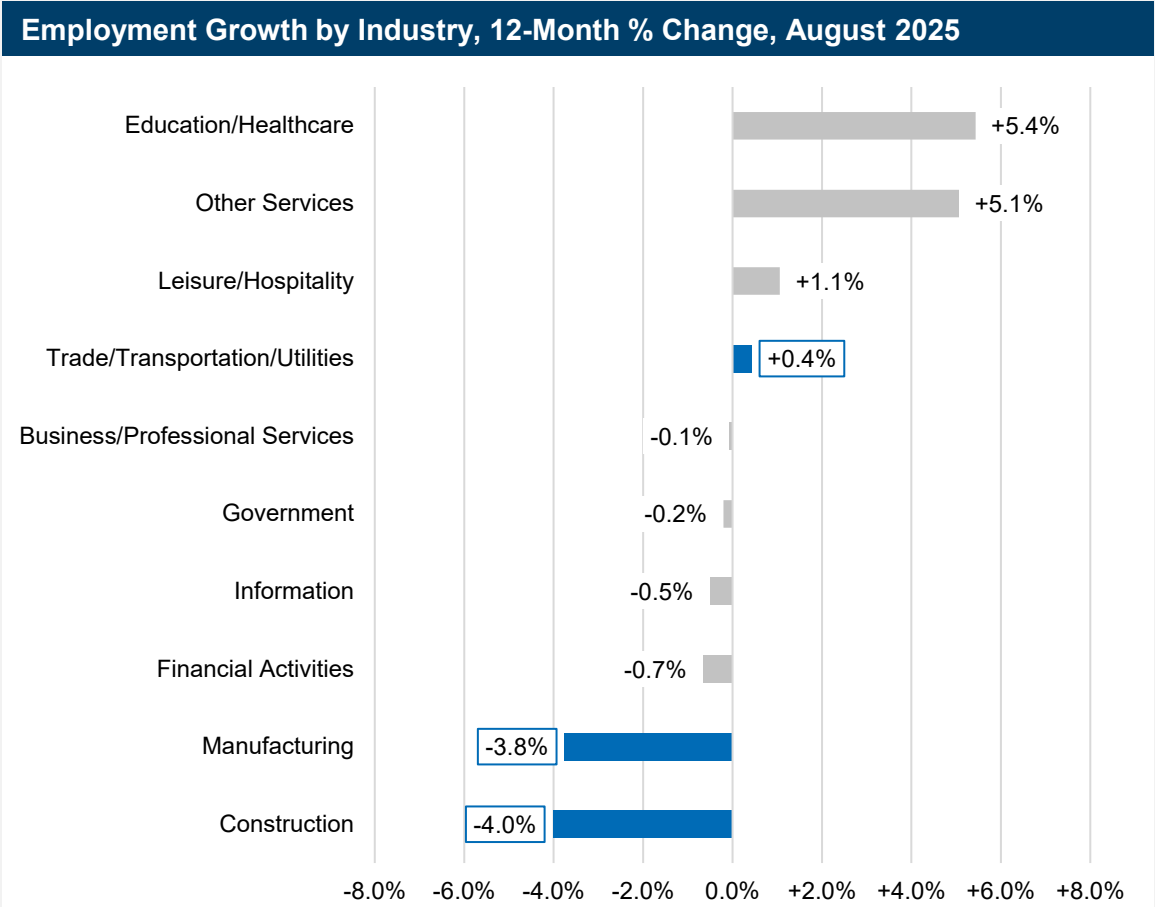
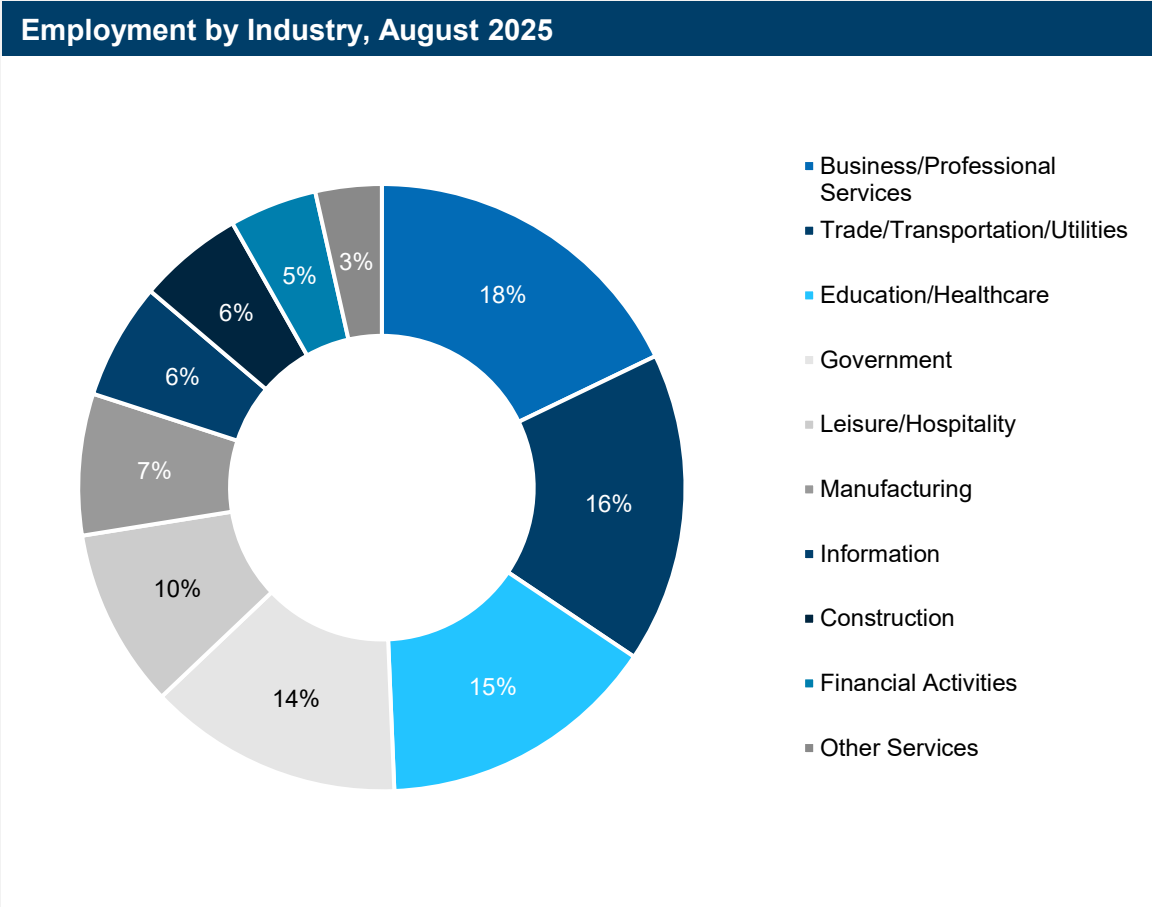
Unemployment Rate Improves Across Puget Sound

The unemployment rate in the Seattle-Tacoma-Bellevue MSA declined by 100 bps to 4.3% near the end of Q3, aligning with the national average. The post-pandemic period of job growth appears to be cresting, as more months in 2025 have seen job losses than gains.



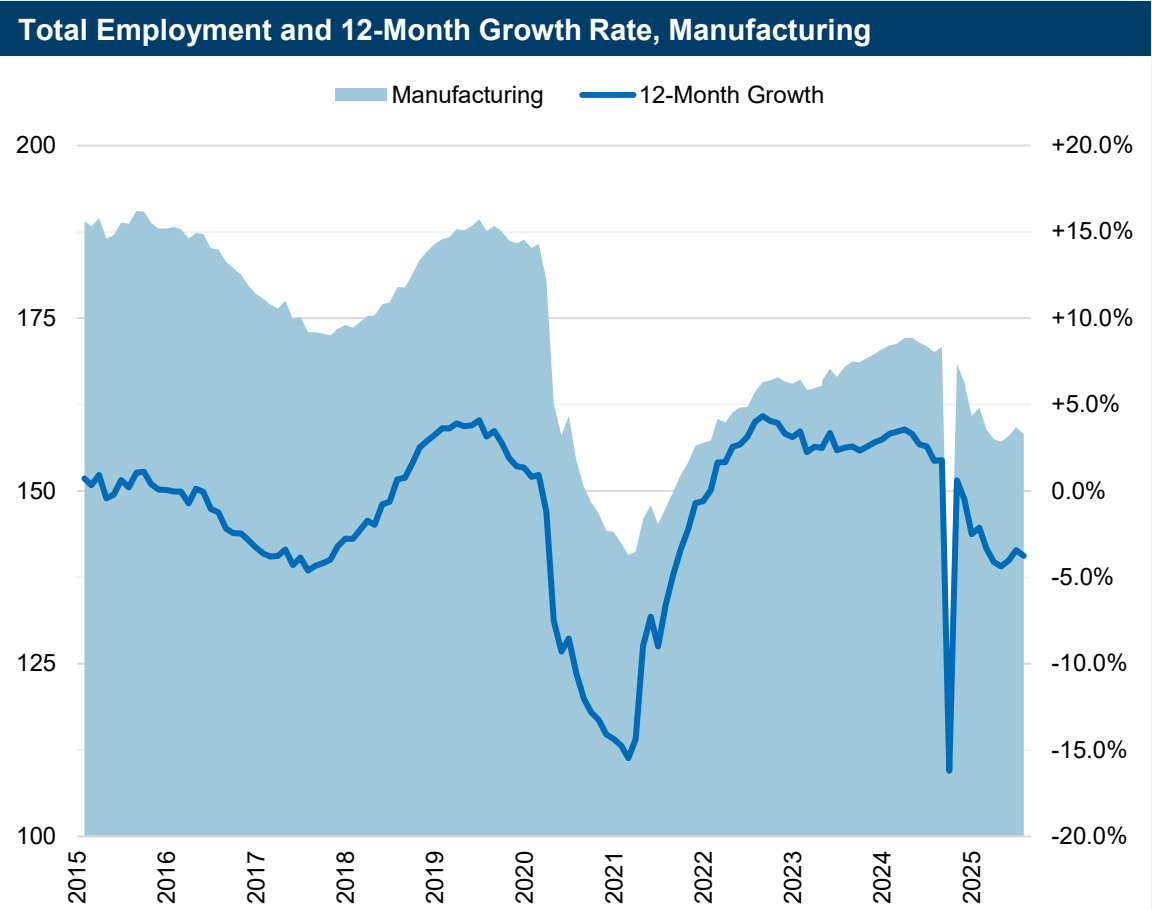
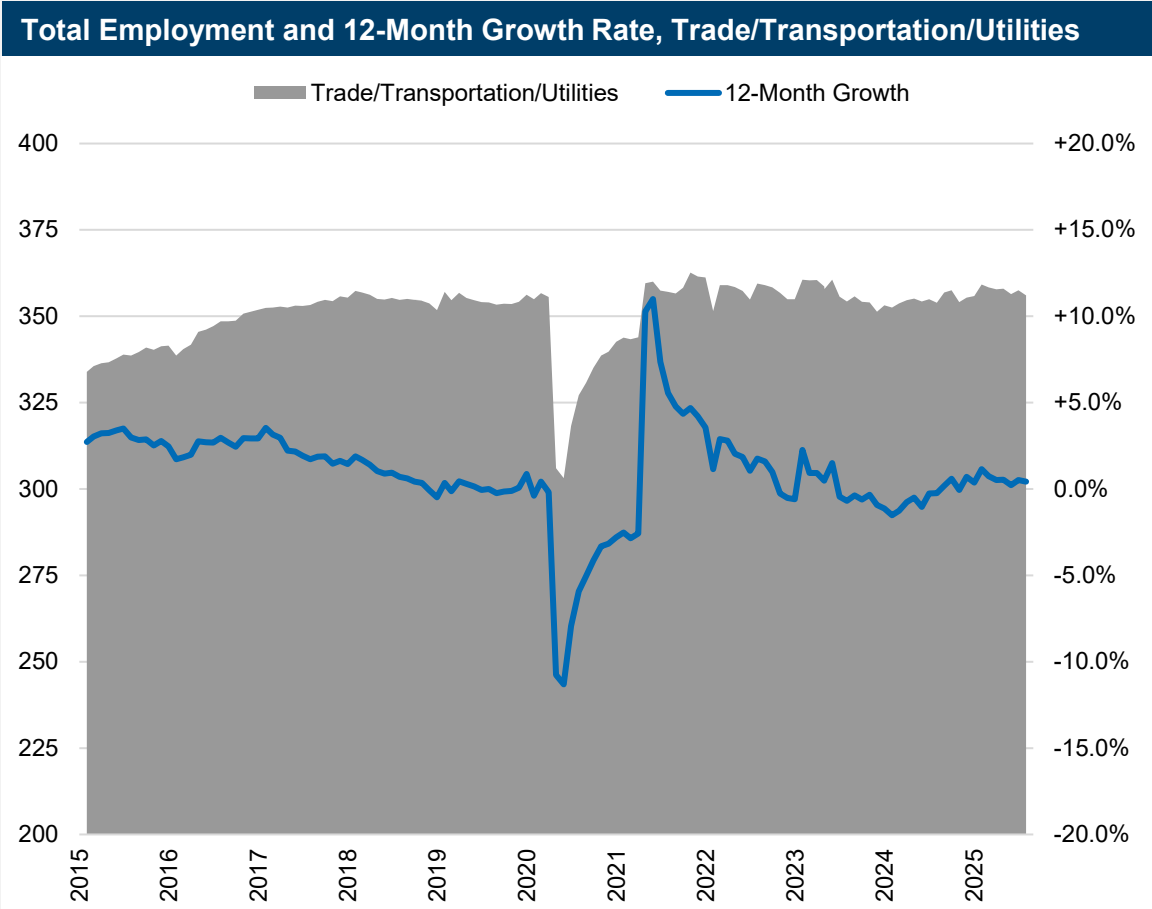
Transportation and Warehousing Sector Ranks Second in Job Gains

In Q3, unemployment claims declined among workers in transportation, warehousing, and utilities, supported by an expansion of 5,200 jobs. This improvement ranked the sector second in job gains for August 2025—behind education and health services (+19,300 jobs) and ahead of leisure and hospitality (+4,700 jobs).



Construction and Manufacturing Employment Holds Steady

The construction and manufacturing labor force in the Seattle MSA remained stable, with no significant growth in Q3. This stagnation is likely driven by a combination of high interest rates, a weakened commercial real estate market, reduced consumer and corporate spending, and a major labor strike in the aerospace industry.



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Leasing Market Fundamentals

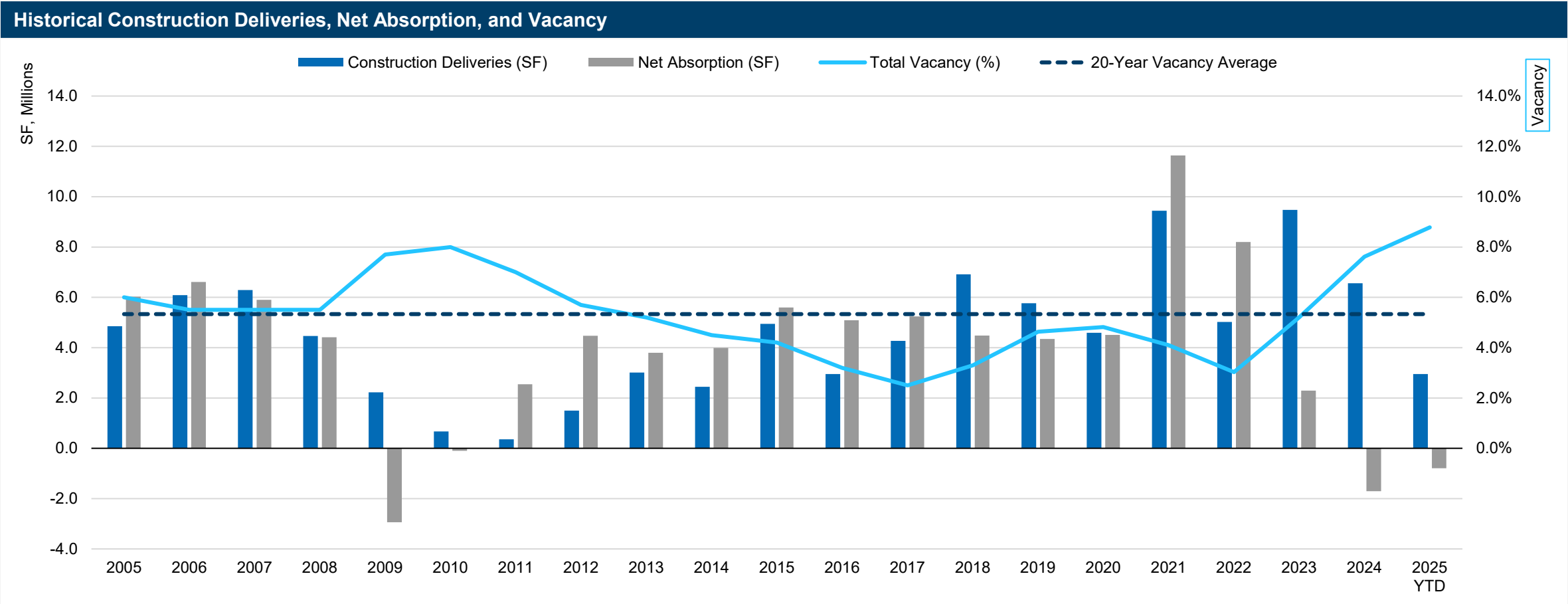
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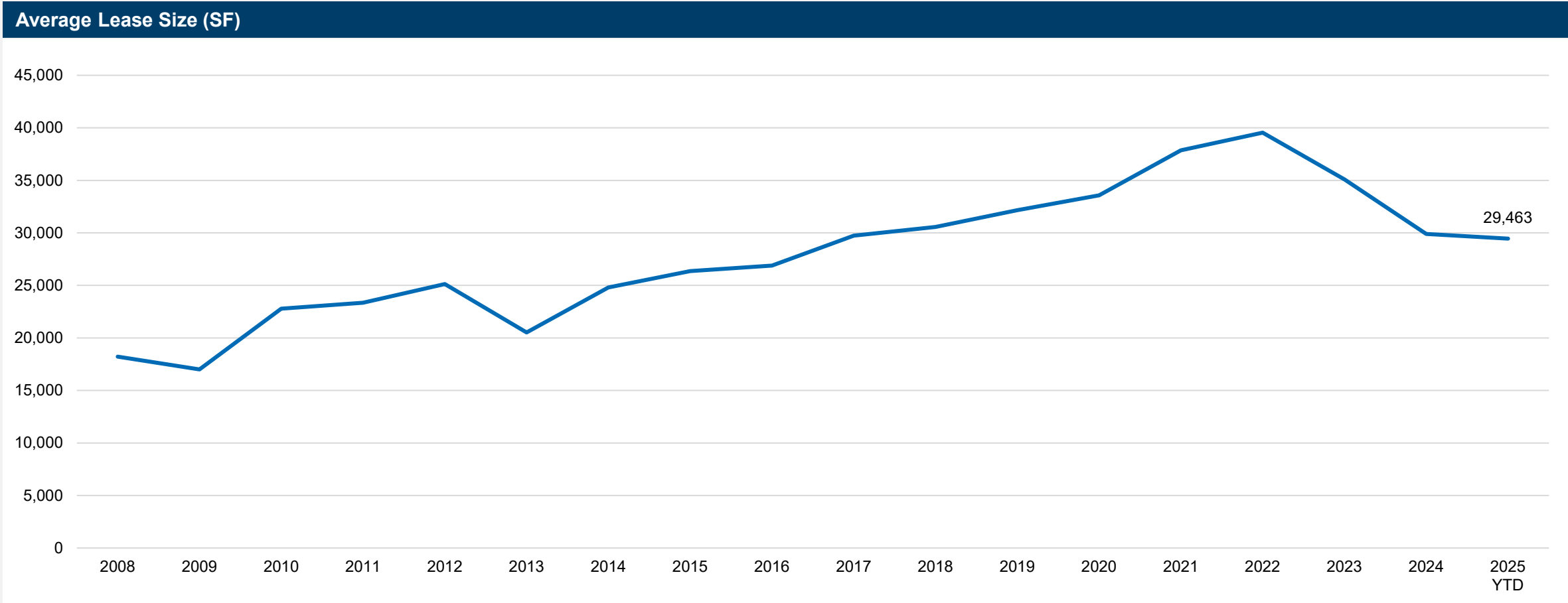
Industrial Supply Expands as Speculative Projects Deliver

In Q3, 20% of the industrial space under construction was delivered, contributing to a 227-bps increase in vacancy due to the speculative nature of the deliveries. Most of the newly completed projects were located in the Pierce County and Northend markets.



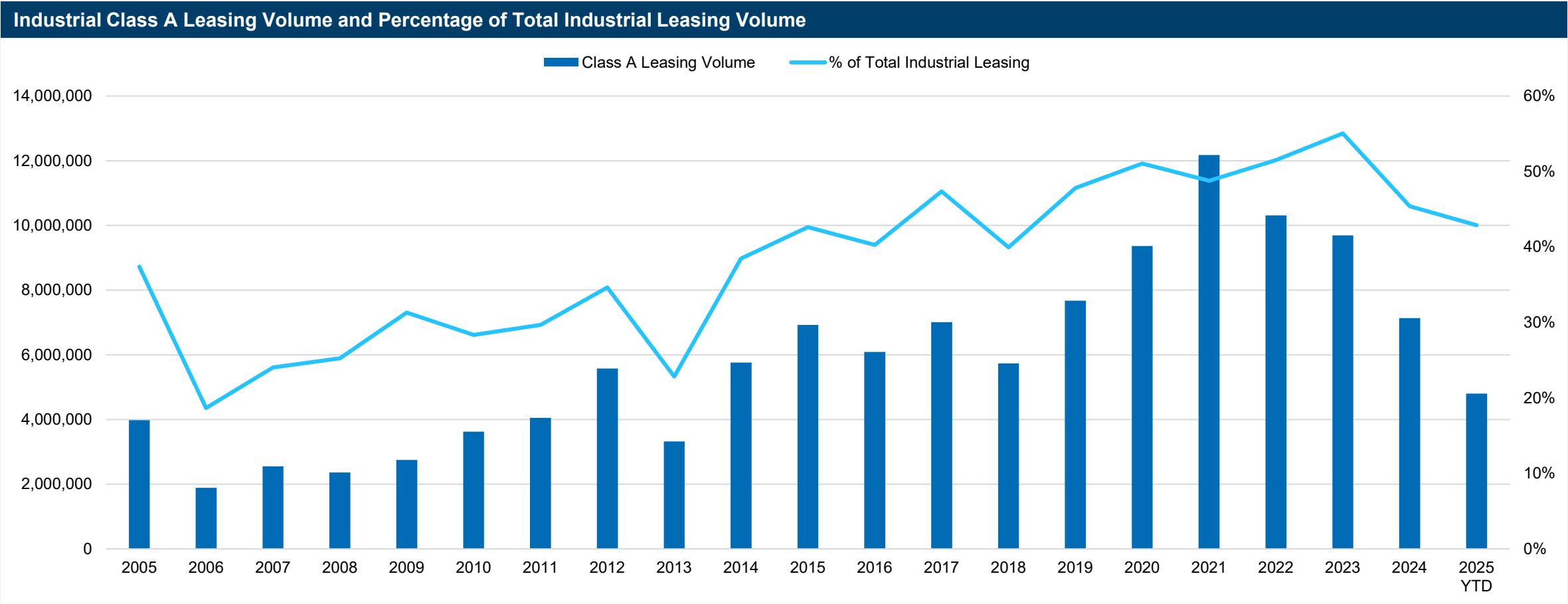
Demand Stalls Amid Economic Headwinds

Leasing volume totaled 3,578,311 square feet at the end of Q3, reflecting a quarter-over-quarter decline of 930 bps. The slowdown is largely attributed to ongoing economic uncertainty.



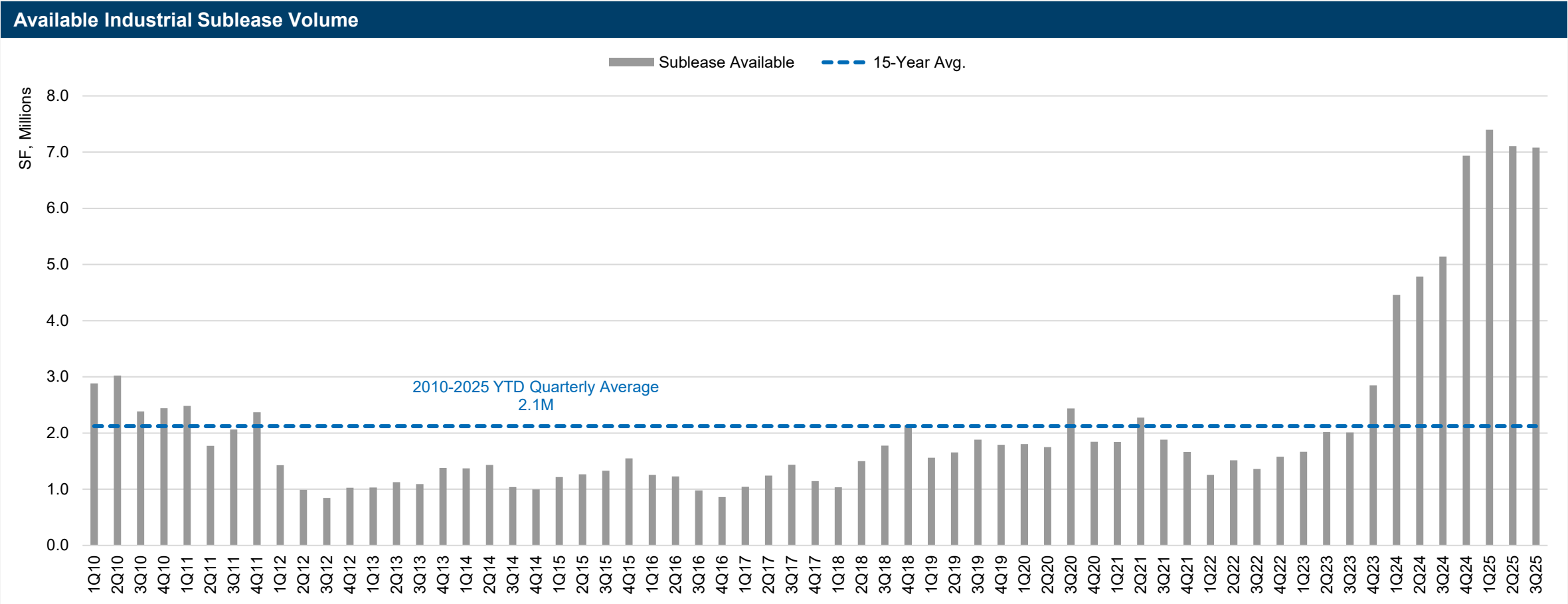
Stagnant Leasing Affects All Asset Classes

Class A properties account for 33% of general industrial and warehouse assets in the Puget Sound region, yet they contributed to 43% of leasing volume year-to-date in 2025. Despite overall stagnant leasing activity, demand for high-quality space remains relatively strong across asset classes.



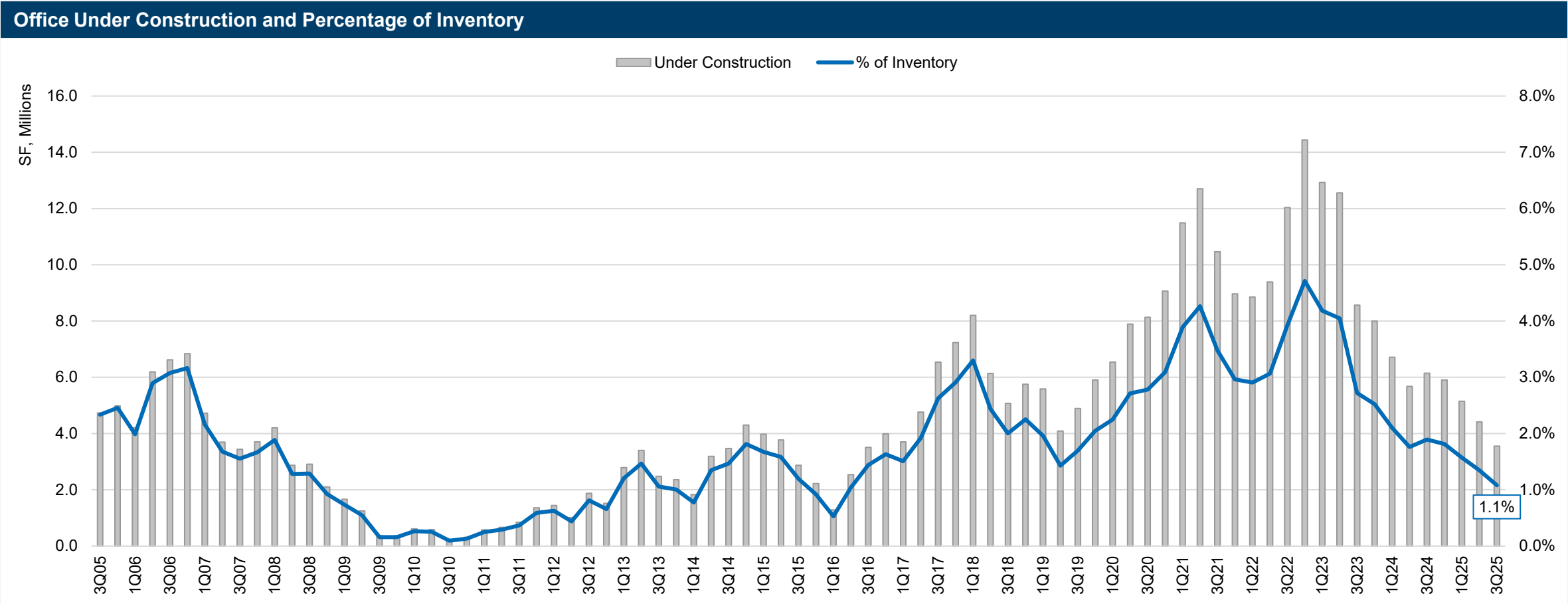
Sublease Market Shows Signs of Stabilization

The sublease availability rate in Q3 stood at 2.2%, reflecting only a modest quarter-over-quarter change of 36 bps. The slowdown in new sublease supply entering the market suggests a more stable leasing environment despite broader economic uncertainty.



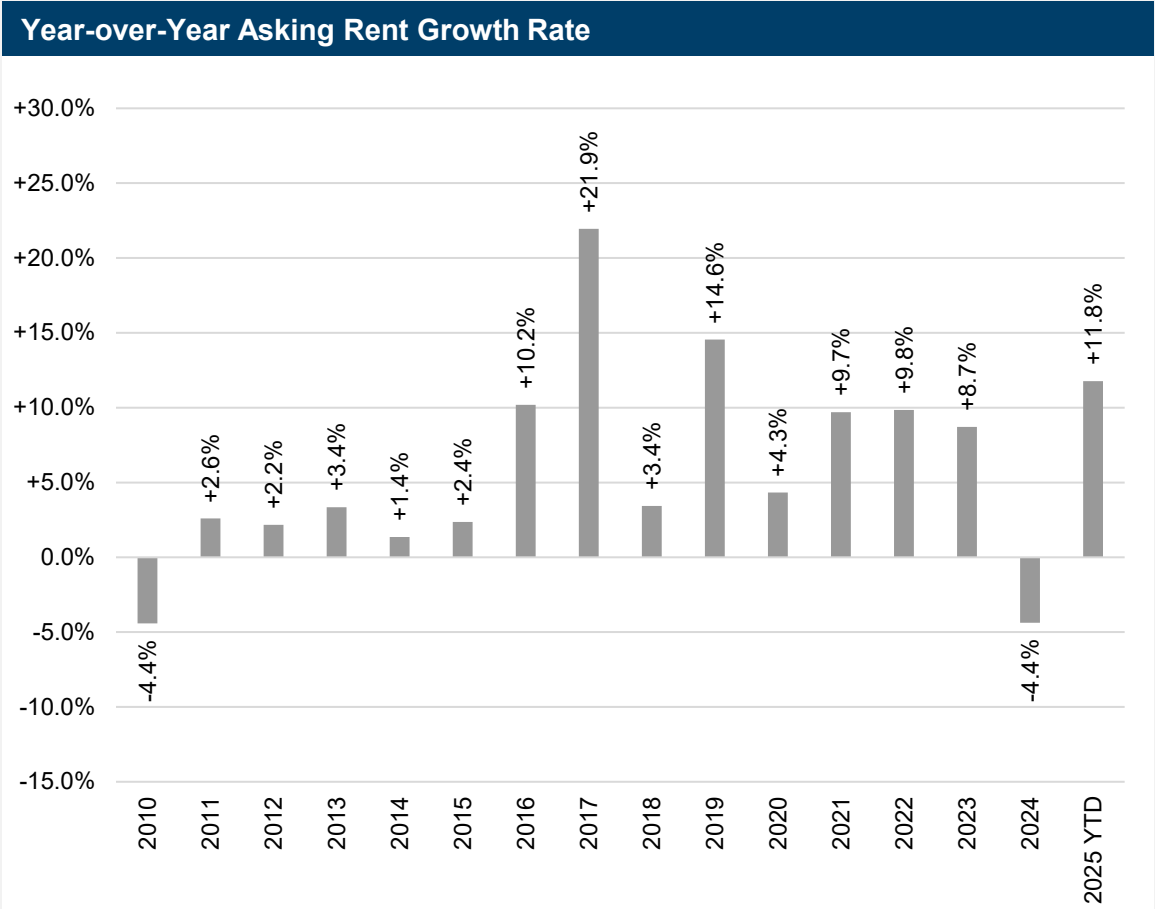
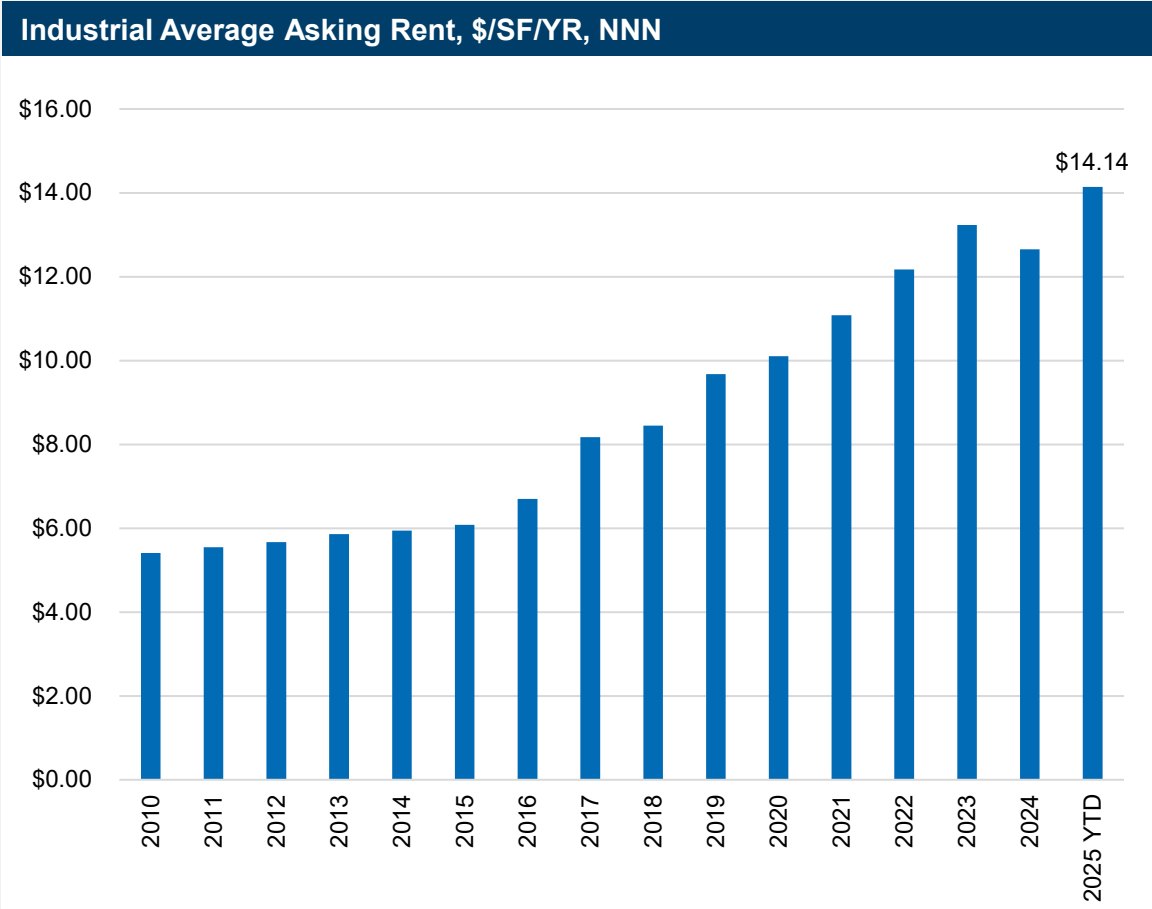
Construction Starts Lag Behind Deliveries

In Q3, 3.6 million square feet of industrial space remained under construction. However, deliveries outpaced new project starts, signaling a continued market recalibration.



Influx of Premium Availabilities Drives Up Rents

The total availability rate for Class A general industrial and warehouse properties stood at 21.4% in Q3, compared to 6.9% for Class B/C assets. Of the new availabilities added quarter over quarter, 26% were Class A properties. The influx of first-generation speculative space is contributing to upward pressure on asking rents.



Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
The Home Depot	Auburn 18 Business Park	Federal Way/Auburn	Direct New	609,368
GXO Logistics	BOMARC Business Park	Marysville/Everett	Renewal	467,280
McLane	Lakewood Industrial Park - Bldgs 1, 4, 24	Lakewood/Dupont	Renewal	447,492
Amazon	Prologis Emerald Gateway - Bldg 4	Tukwila/Renton	Direct New	230,131
Helion Energy	Baker View Logistics Center	Marysville/Everett	Direct New	166,590

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