

Puget Sound Industrial Market Overview

Market Observations

Economy

- The unemployment rate in the Seattle-Tacoma-Bellevue MSA decreased over the fourth quarter but remains 20 basis points over the national average at 4.4%.
- While the Seattle-Tacoma-Bellevue MSA experienced employment growth across most sectors, growth in the transportation sector slowed to a halt over the last 12 months. Construction employment, however, experienced modest growth at 1.3% year-over-year.
- In response to the evolving economic climate and shifting consumer demand, firms in the trade, transportation, utilities, and manufacturing sectors have adjusted their labor needs. Growth in the trade, transportation, and utilities sector has stagnated, while the manufacturing sector saw minimal change over the year, with an increase of just 0.2%

Major Transactions

- Though fourth quarter leasing slowed, annual leasing volume culminated in 15.6 million square feet for 2024. Class A leasing accounted for 40% of the total leasing activity in 2024.
- In the fourth quarter, significant leases over 250,000 square feet were executed by Regalo International, Boeing, Crane Worldwide, and MyDepot. These transactions highlight the ongoing commitment of major occupiers to the Puget Sound region.

Leasing Market Fundamentals

- During the fourth quarter of 2024, the Puget Sound industrial market experienced a net negative absorption of 72,397 square feet. This adjustment brought the total annual absorption for 2024 to 446,495 square feet. Vacancy rates increased by a modest 10 basis points over the quarter, settling at 7.0%.
- Available sublease space reached a record high of nearly 6.6 million square feet, marking a 37.7% increase from the previous quarter.
- 6.5 million square feet of new product is under construction, with development activity expected to remain subdued as the current oversupply is absorbed.
- In the fourth quarter of 2024, the average asking rent was \$12.84/SF NNN, showing little change from the previous quarter.

Outlook

- The Puget Sound industrial market continues to demonstrate strong fundamentals, even amidst economic challenges and reduced consumer spending.
- Following a slight decline early in the year, rents have stabilized and are anticipated to remain steady, driven by robust demand for premium Class A space.
- High construction loan rates have tempered development activity, leading to a significant contraction in the current pipeline from its peak. This decrease in new supply is expected to help balance vacancy levels and stabilize rents in the market..

Economy

Leasing Market Fundamentals

Appendix / Tables

4Q24

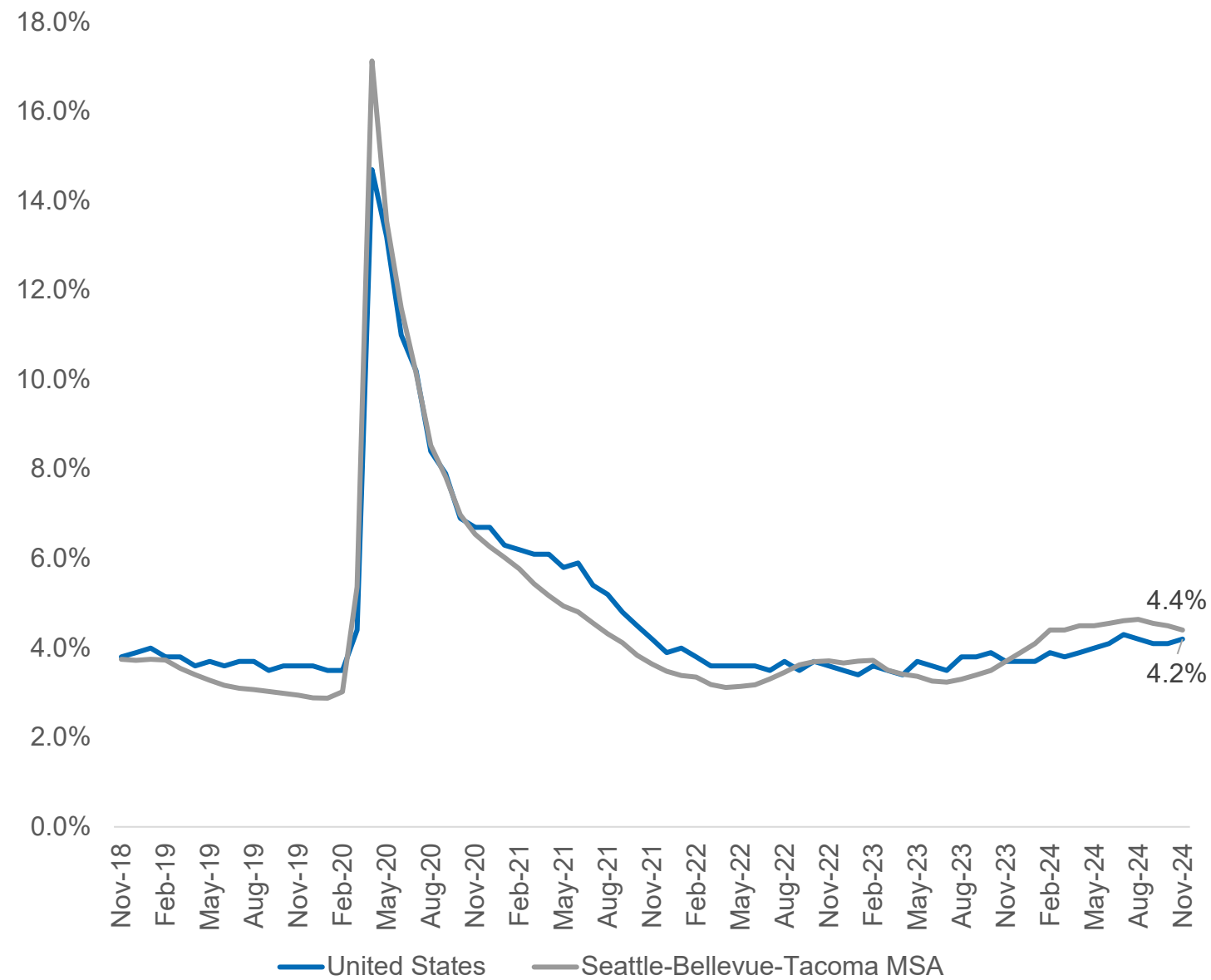
Economy



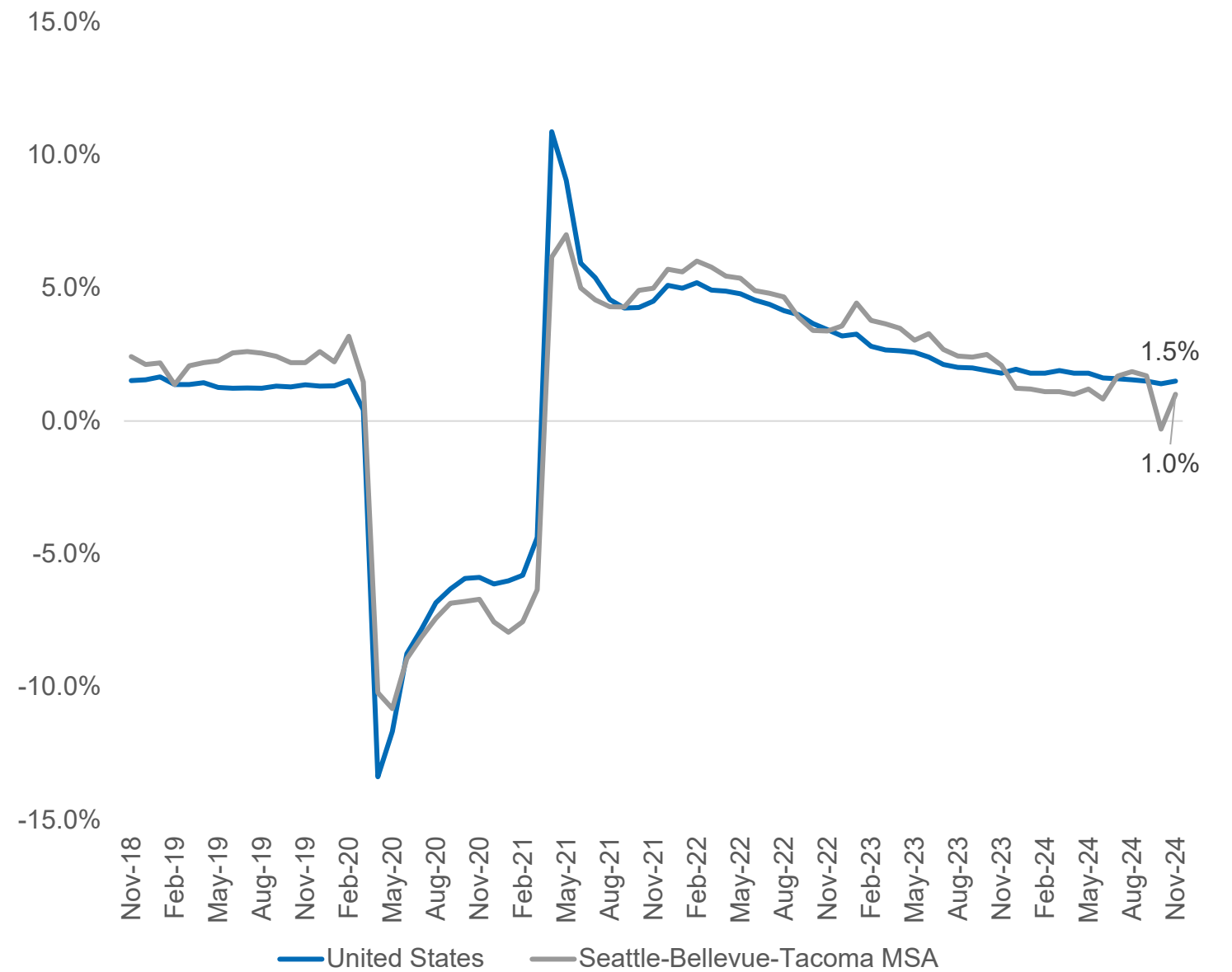
Regional Unemployment Decreases in Fourth Quarter

The unemployment rate in the Seattle-Tacoma-Bellevue MSA decreased over the fourth quarter but remains 20 basis points over the national average at 4.4%.

Unemployment Rate, Seasonally Adjusted



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

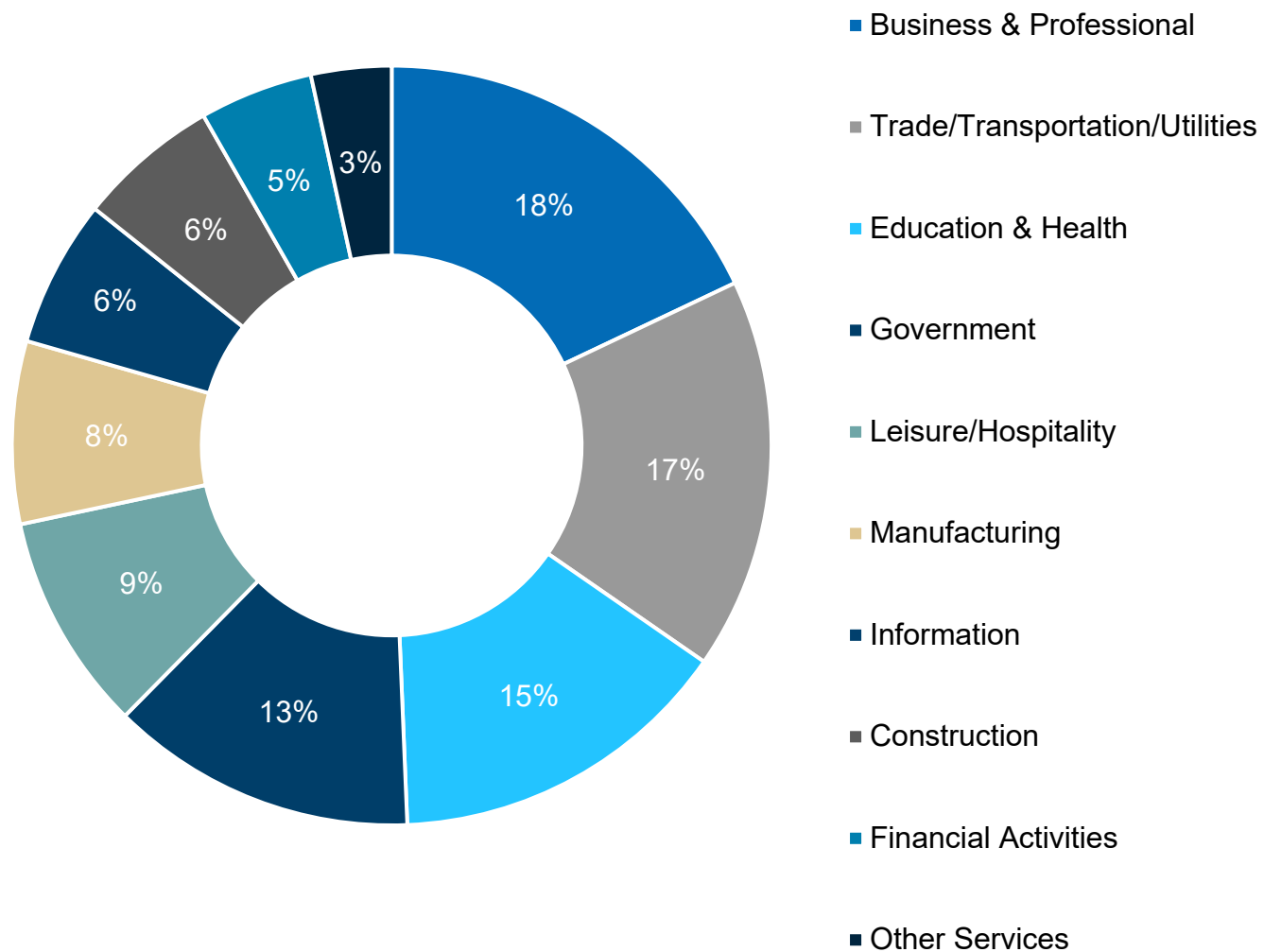


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

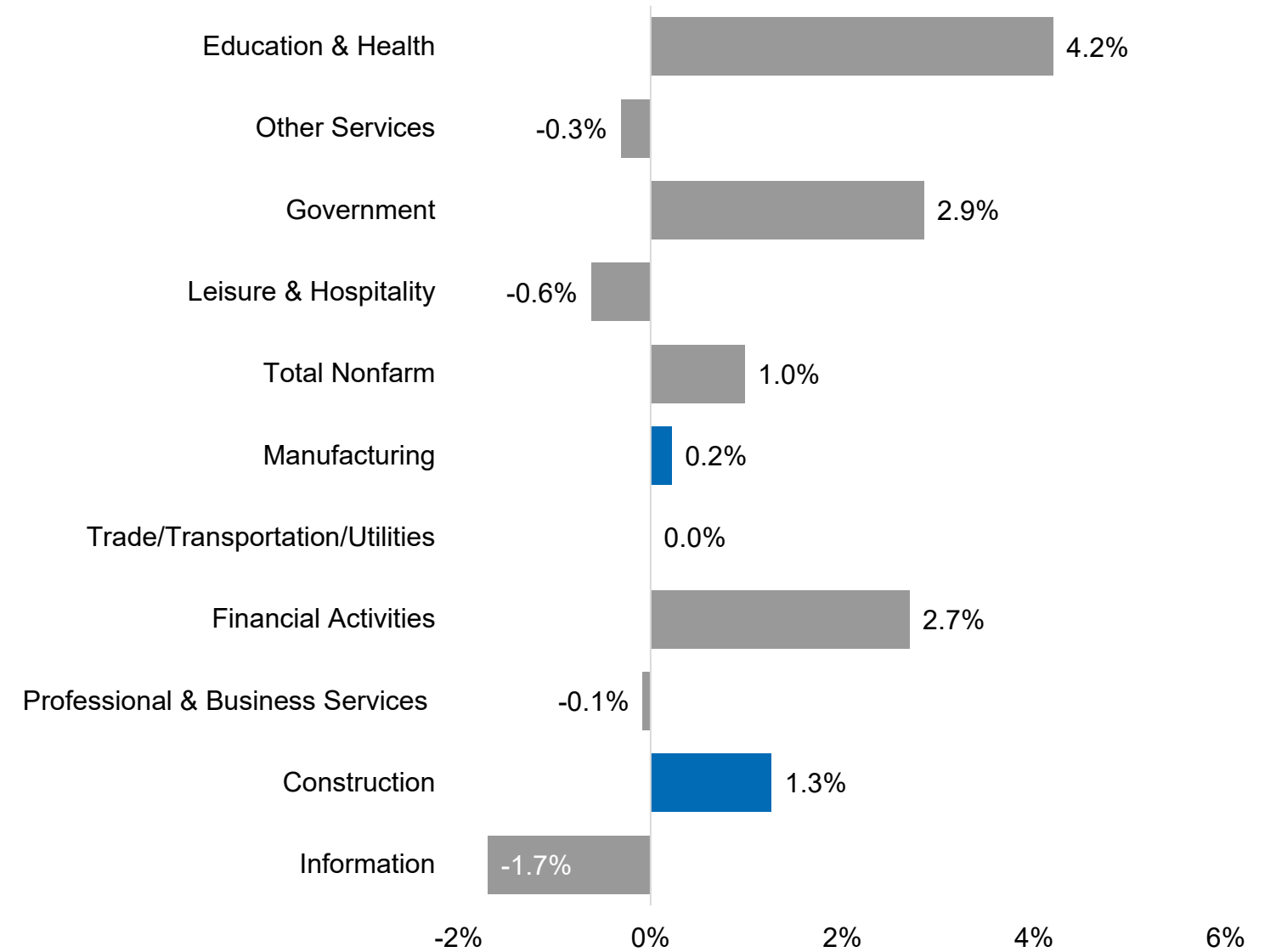
Construction Sector Sees Year-Over-Year Growth

While the Seattle-Tacoma-Bellevue MSA experienced employment growth across most sectors, growth in the transportation sector slowed to a halt over the last 12 months. Construction employment, however, experienced modest growth at 1.3% year-over-year.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

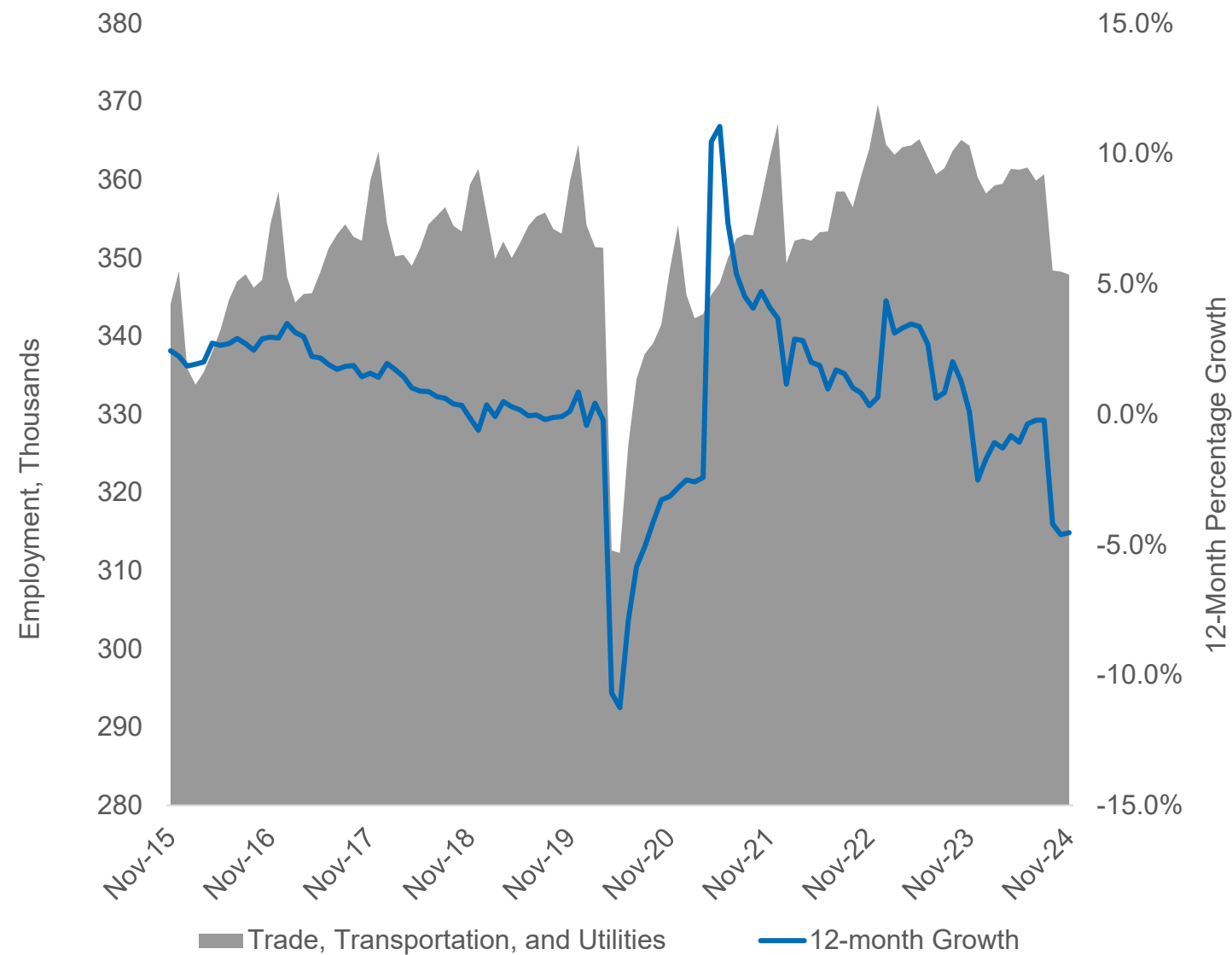


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

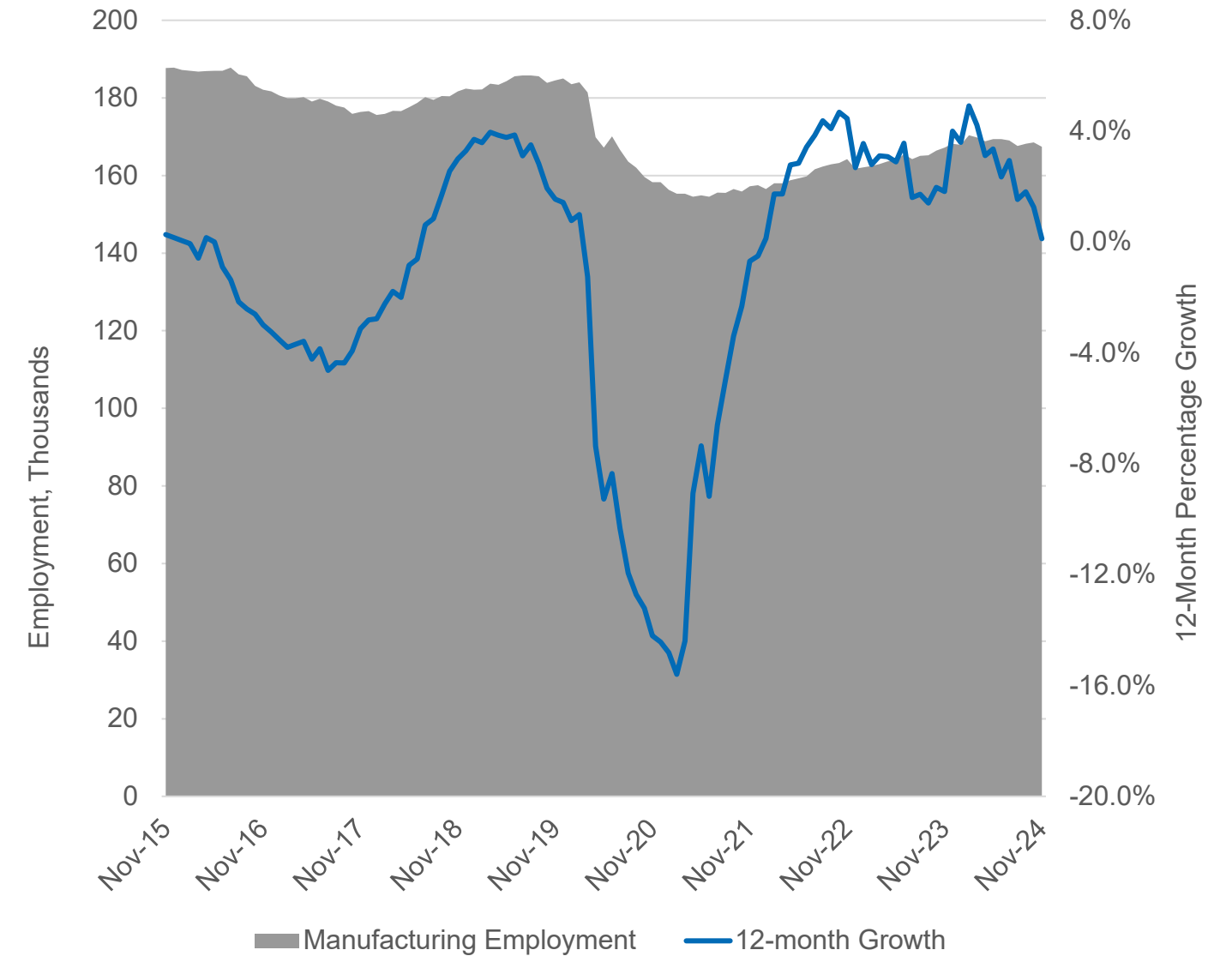
Shifts in Labor Requirements Decelerate Industrial Employment Growth

In response to the evolving economic climate and shifting consumer demand, firms in the trade, transportation, utilities, and manufacturing sectors have adjusted their labor needs. Growth in the trade, transportation, and utilities sector has stagnated, while the manufacturing sector saw minimal change over the year, with an increase of just 0.2%.

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

4Q24

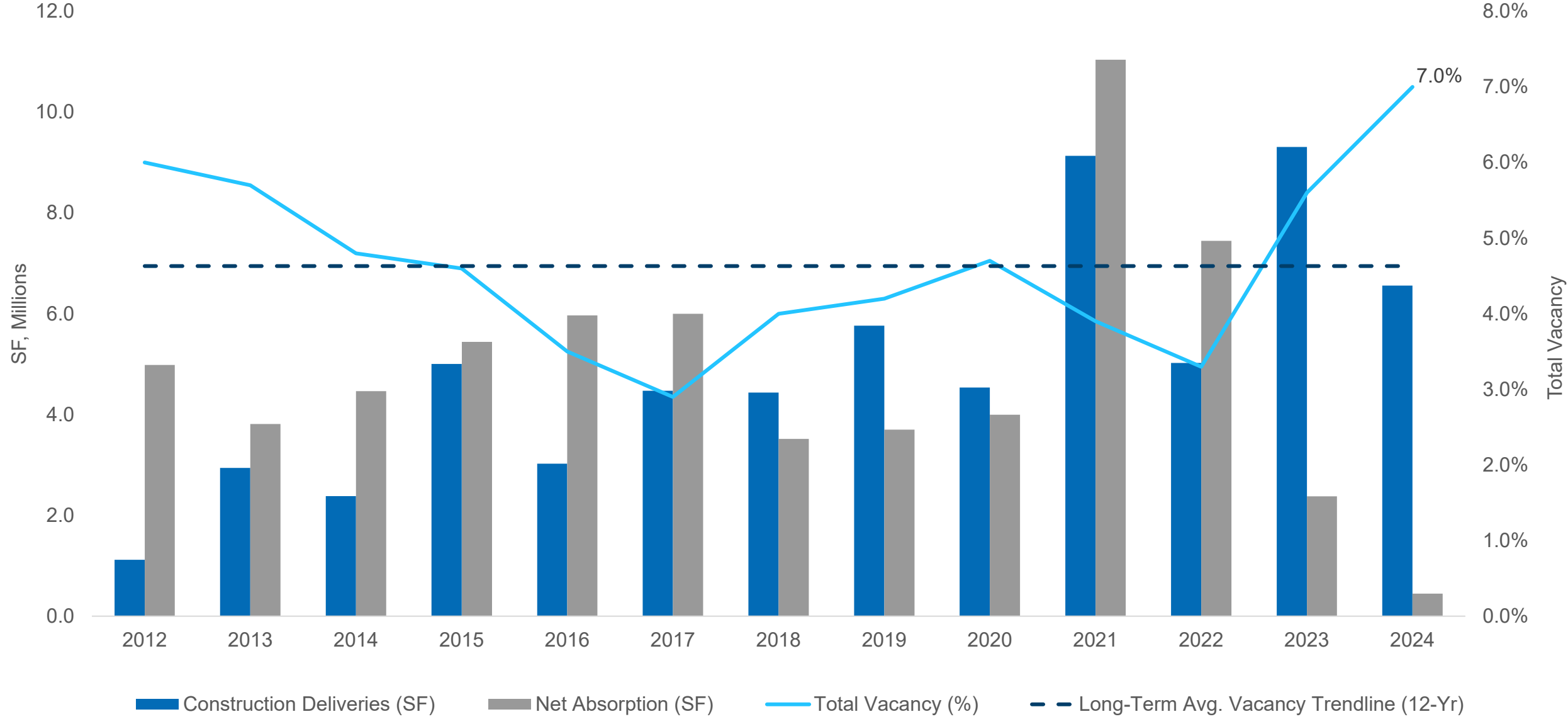
Leasing Market Fundamentals



Slight Rise in Vacancy Rate in Q4

During the fourth quarter of 2024, the Puget Sound industrial market experienced a net negative absorption of 72,397 square feet. This adjustment brought the total annual absorption for 2024 to 446,495 square feet. Vacancy rates increased by a modest 10 basis points over the quarter, settling at 7.0%.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Momentum Decreased in Q4

In the fourth quarter, leasing activity decelerated, culminating in 15.6 million square feet of transactions for the year. While this figure does not match the heightened levels observed during the pandemic period, it aligns with the average transaction volumes recorded in the decade preceding the pandemic.

Total Leasing Activity (SF)

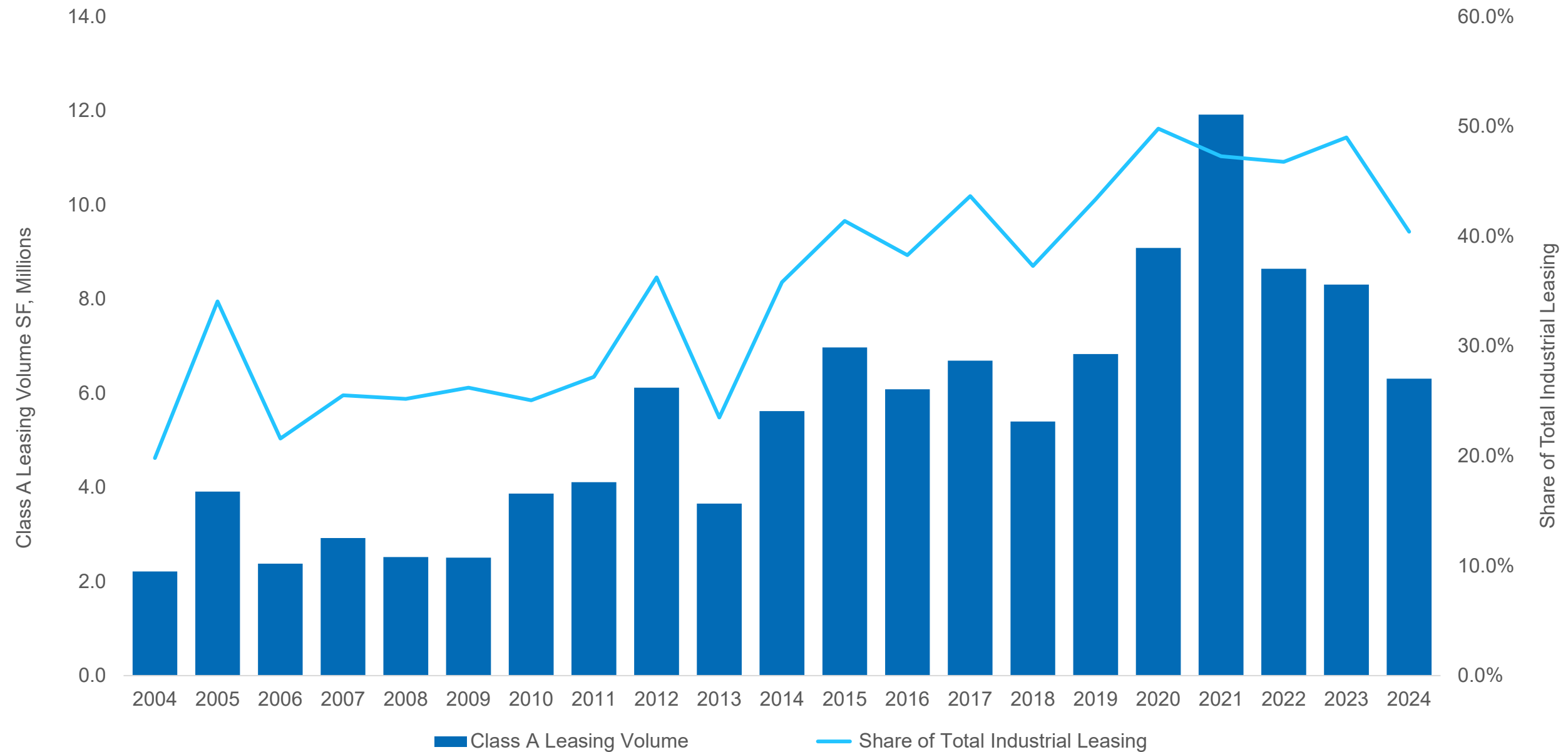


Source: Newmark Research, CoStar

Class A Leasing Declined Year-Over-Year

Class A warehouse leasing fell short of the record volumes achieved during the pandemic but continues to exceed the long-term average. For the year, Class A leasing accounted for 40% of the total leasing activity.

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

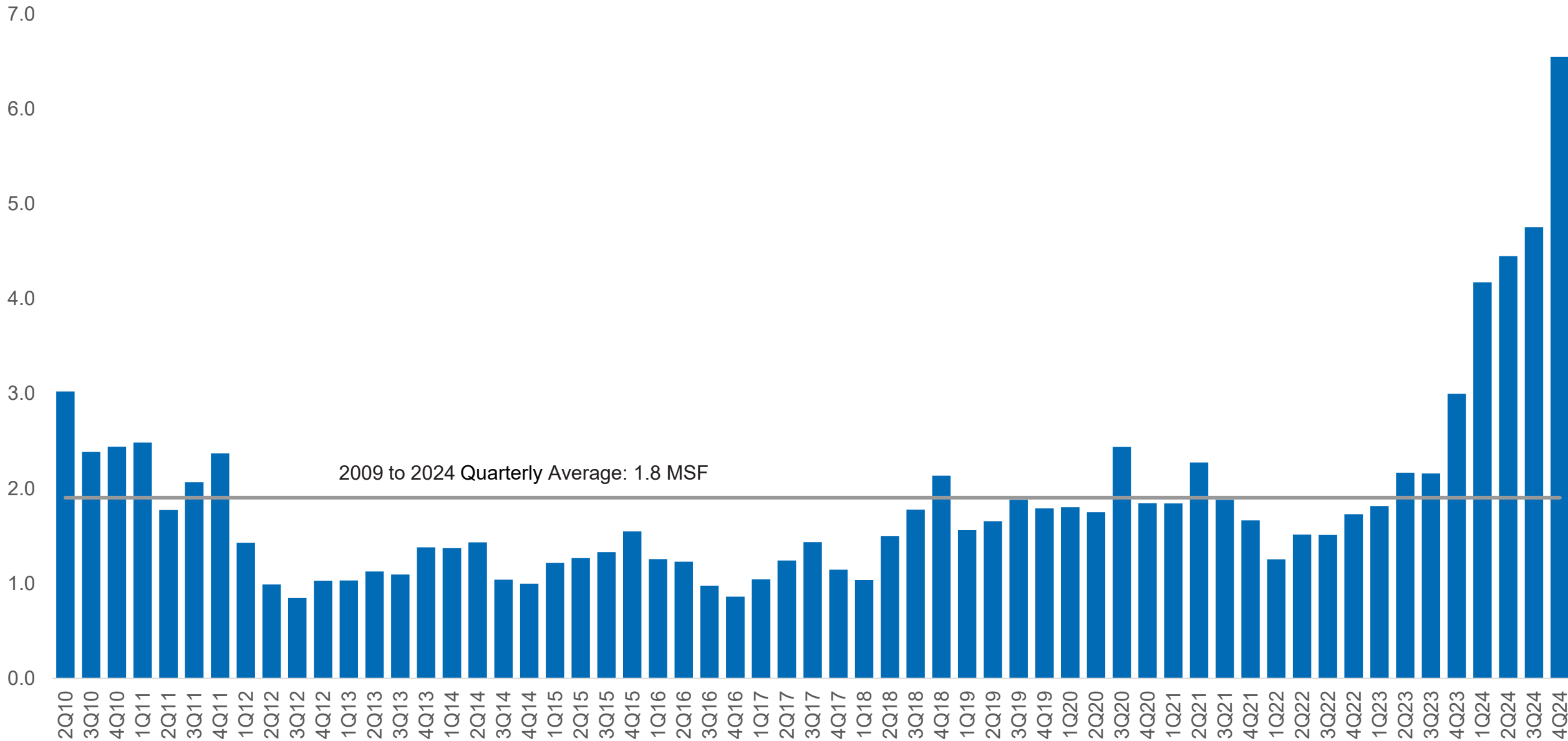


Source: Newmark Research, CoStar

Sublease Availability Spiked as Tenants Reduced Surplus Space

Sublease availability rose sharply in the fourth quarter as tenants continued to grapple with economic uncertainty and waning consumer demand. The available sublease space reached a record high of nearly 6.6 million square feet, marking a 37.7% increase from the previous quarter.

Available Industrial Sublease Volume (msf)

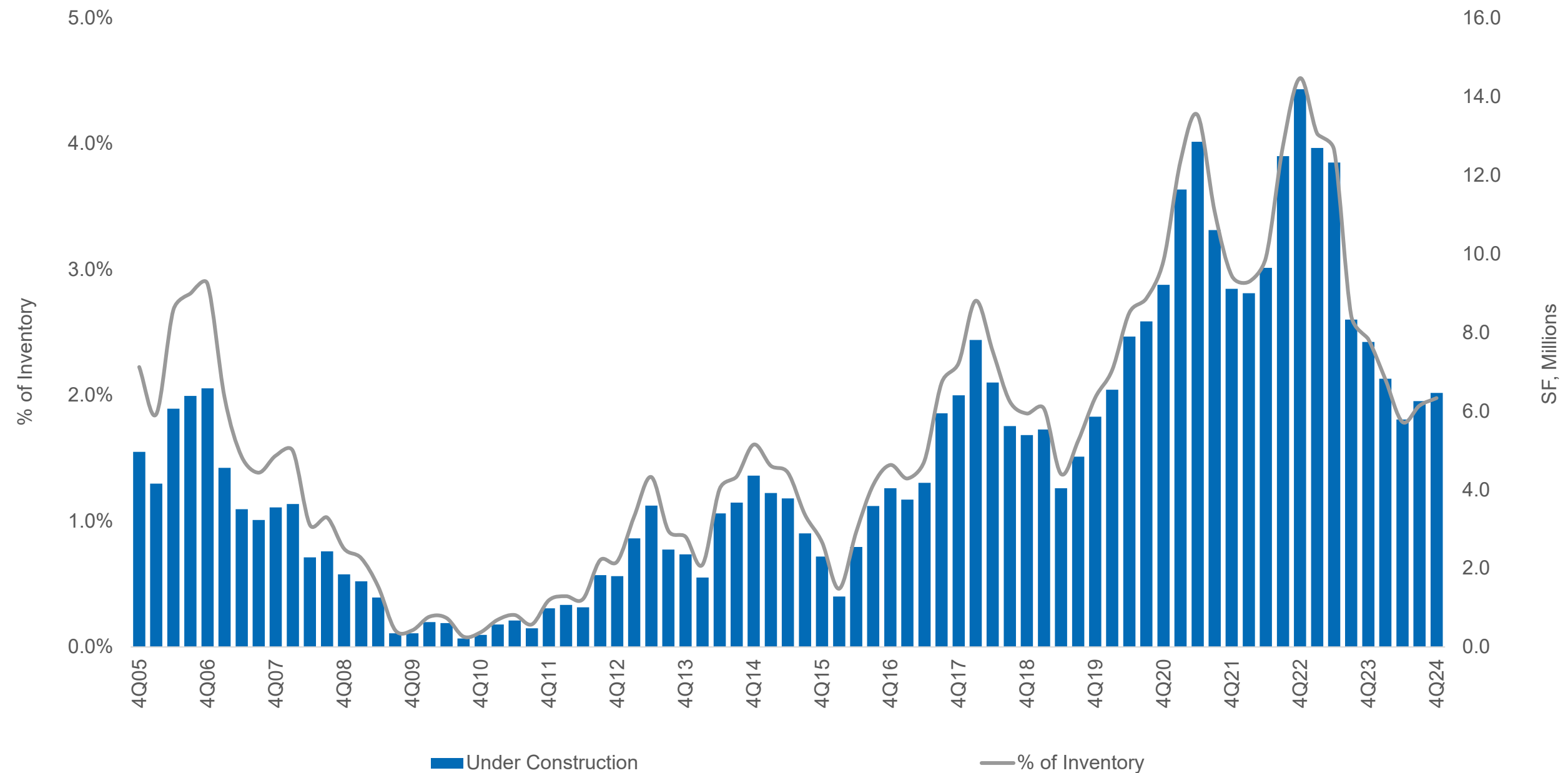


Source: Newmark Research, CoStar

Development Activity Slowed in 2024

Since reaching its peak in Q4 2022, the development pipeline has decreased, influenced by high construction loan rates. Presently, 6.5 million square feet of new product is under construction, with development activity expected to remain subdued as the current oversupply is absorbed.

Industrial Under Construction and % of Inventory

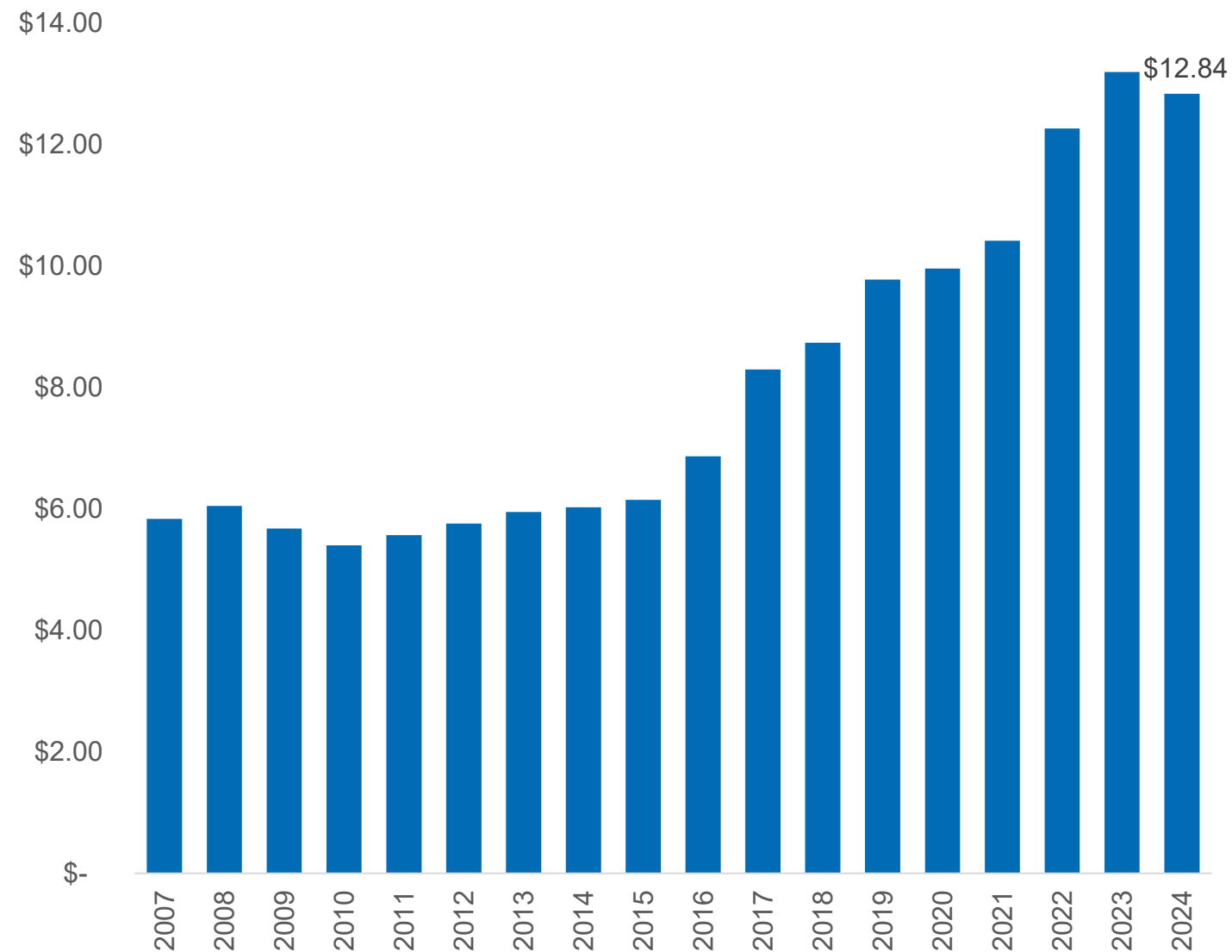


Source: Newmark Research, CoStar

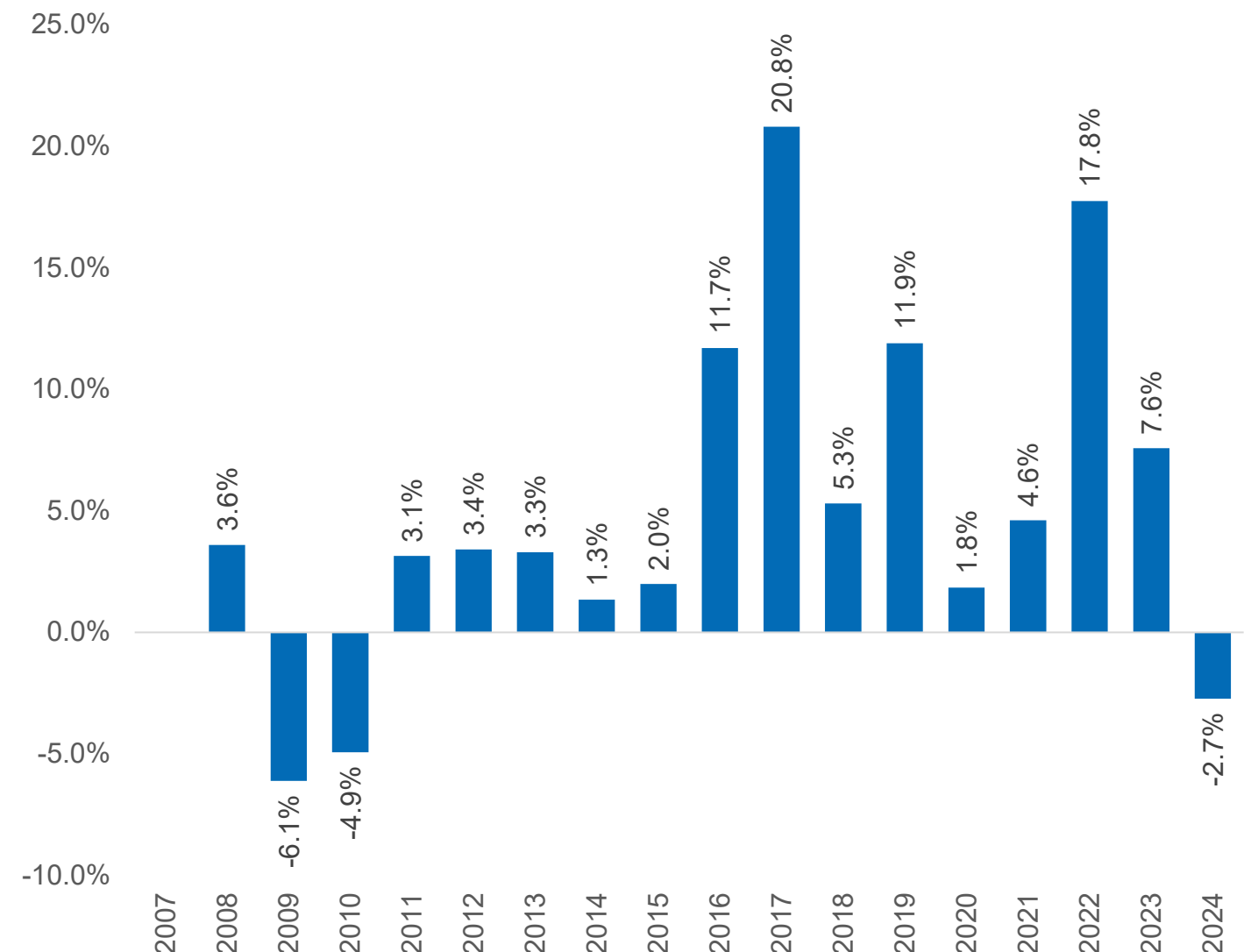
Rents Remained Stable Over the Quarter

In the fourth quarter of 2024, the average asking rent was \$12.84/SF NNN, showing little change from the previous quarter. Following a decade of rapid rent increases, the growth rate decelerated in 2024. As leasing activity picks up, rents are anticipated to stabilize in the upcoming quarters.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Fourth Quarter Notable Transactions

Notable 4Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Regalo International	DuPont Corporate Center I	Lakewood/DuPont	Renewal/Expansion	337,500
Boeing	Bridge Point Everett 500 – Bldg A	Marysville/Everett	Direct New	278,937
Crane Worldwide	Sumner West Logistics	Sumner/Puyallup/Frederickson	Direct New	262,899
MyDepot	Portside Industrial Center – Bldg A	Fife/Tacoma	Direct New	251,500

4Q24

Appendix/Tables





Please reach out to your
Newmark business contact for this information

For more information:

Nora Leahy

*Senior Research Analyst
Seattle Research*

nora.leahy@nmrk.com

Seattle

1420 Fifth Avenue
Suite 2600
t 206-388-3000

Bellevue

10900 NE 4th Street
Suite 1430
t 425-362-1400

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

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 rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK

NEWMARK