NEWMARK

Seattle

Industrial Market Overview

4Q25

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Market Observations

Economy

- Labor market conditions softened in the Seattle–Tacoma–Bellevue MSA, with unemployment rising to 4.8% as the pace of job growth slowed amid broader economic headwinds.
- Industrial employment weakened overall, reflecting uneven demand across sectors.
  - Manufacturing employment declined by 1.8%, driven by softer durable-goods production and reduced aerospace activity.
  - Construction employment contracted by 2.9%, pressured by high interest rates and fewer project starts.
  - Trade, Transportation & Utilities grew slightly (+0.1%), supported by resilient logistics operations despite weaker regional port volumes.

Leasing Market Fundamentals

- Demand has stabilized at a steady state, with 2025 leasing volume at 15.55M sq. ft., nearly matching 2024 and indicating equilibrium between tenant requirements and available space.
- Vacancy growth remains supply-driven, as speculative deliveries in Pierce County and the Southend—mostly unpreleased—continue to elevate direct availability despite steady tenant activity.
- Sublease activity remains limited, with a 2.1% sublease availability rate and only minimal quarter-over-quarter movement, as most new availabilities are direct listings. Tenants moving into Class A space often sublease older facilities rather than fully vacate.

Major Transactions

- Renewals outnumbered new leases in Q4, concentrated primarily in the Southend and Pierce County. Notable deals included Maersk's 350,000 sq. ft. renewal in Sumner and Republic National Distributing Company's 287,832 sq. ft. extension in Auburn through 2034.
- In the capital markets, warehouse sales nearly doubled 2024 levels in both total square footage and pricing, with 3.76M sq. ft. trading for $608,278,045 at an average of $343 Psq. ft.. During the 2023–2024 slowdown, pricing held in the low $240s psq. ft..
- The largest warehouse sale of 2025 occurred in Q3: LogistiCenter at Woodinville traded from Blackstone to Ares Real Estate Income Trust for $115.25 million (previously sold in 2019 for $68.35 million).

Outlook

- Tenant-favorable conditions are expected to persist into 2026, as new deliveries continue to outpace demand and vacancy remains elevated across the region.
- Class A assets will continue to capture disproportionate leasing activity, while older inventory experiences longer downtime and higher concession requirements.
- Absorption should remain positive but modest, improving gradually as tenants re-engage and begin to backfill recently delivered speculative product. Modern facilities in peripheral markets around the Kent Valley core are likely to see more demand.
- Average cap rates compressed slightly, with Q4 2025 averaging 5.5%, down from 5.9% in Q4 2024 according to Real Capital Analytics.

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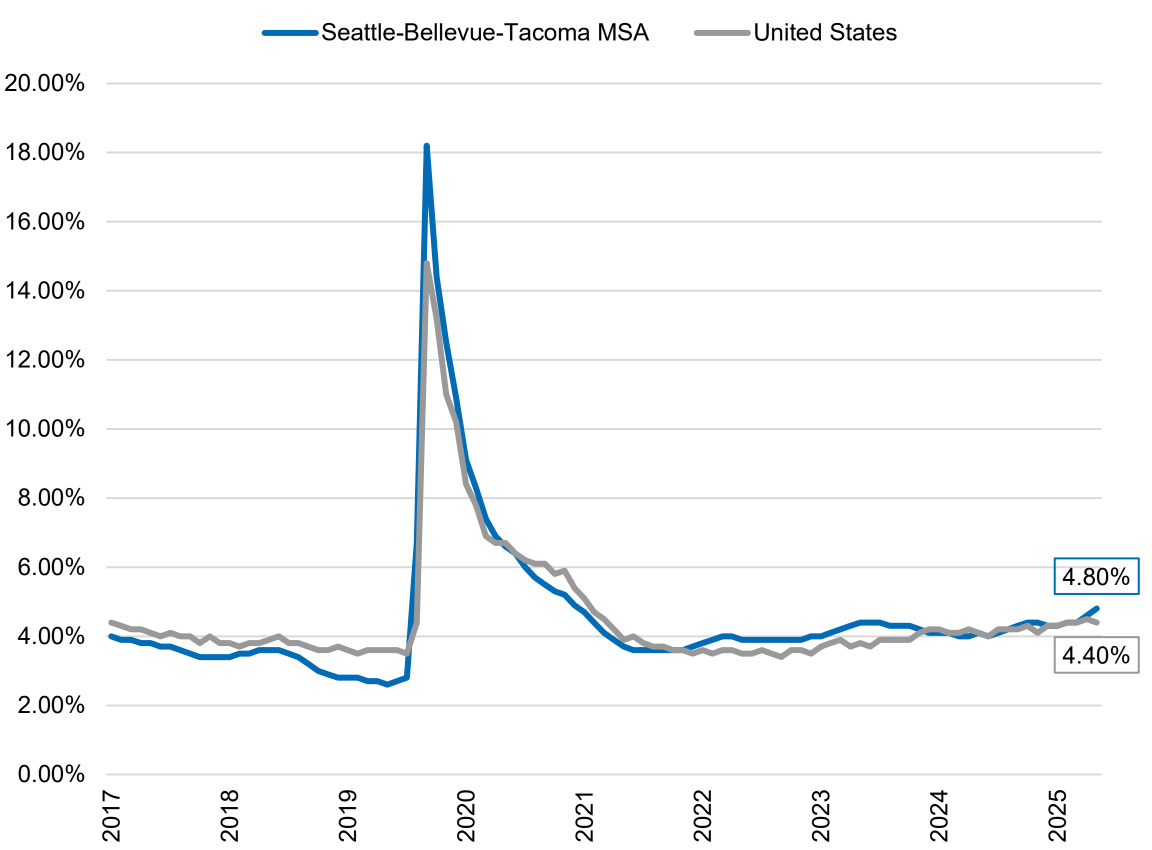
Economy

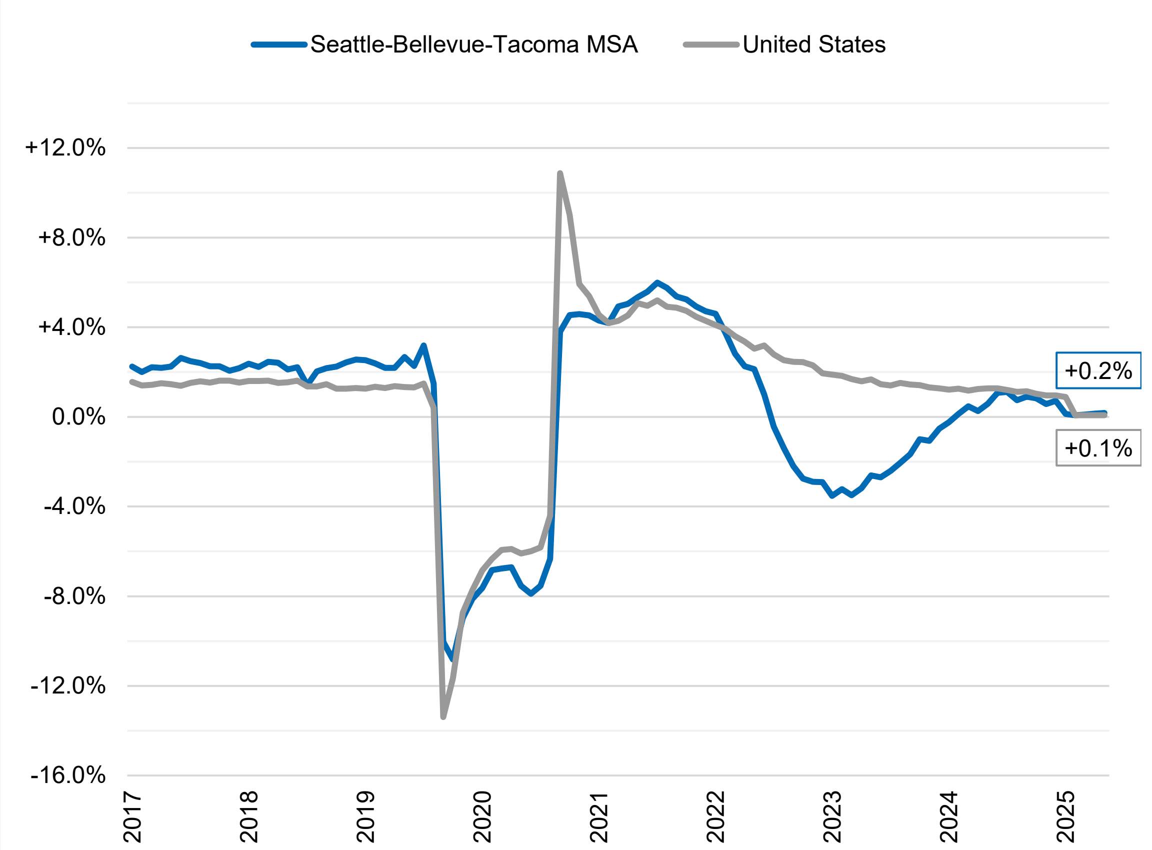
Rising Unemployment Reflects Broad-Based Job Reductions

A series of late-year layoffs added pressure to the labor market across the office, retail, and industrial sectors. Construction employment was hit hardest, driven by higher interest rates and slower speculative development. These reductions contributed to the metro area's unemployment rate rising from 4.3% to 4.8% quarter over quarter.

Unemployment Rate, Seasonally Adjusted



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

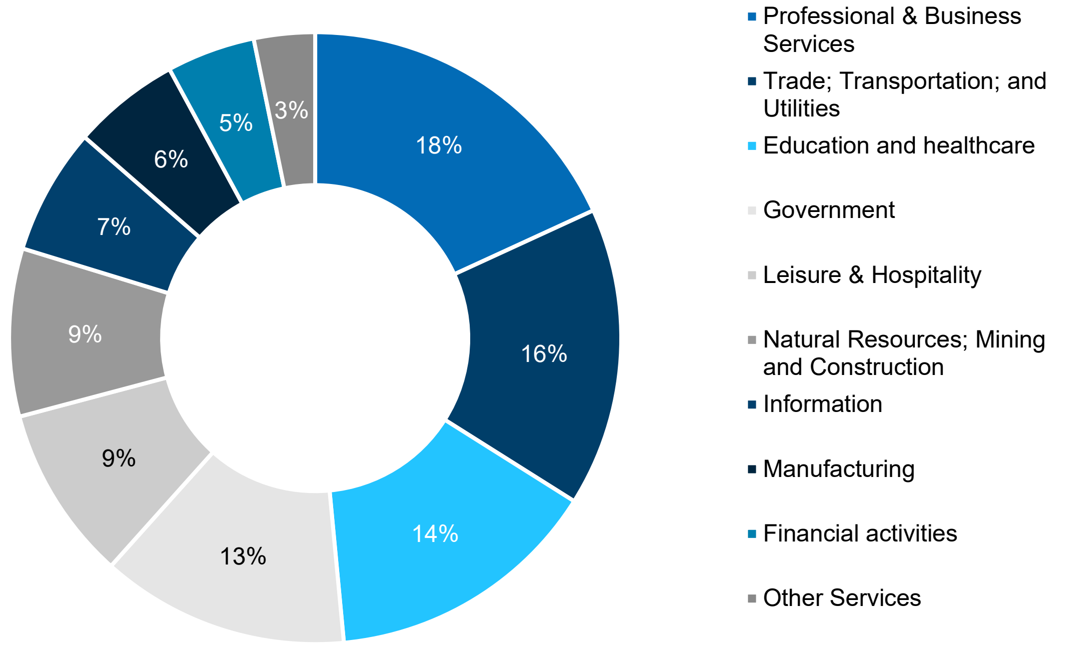


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

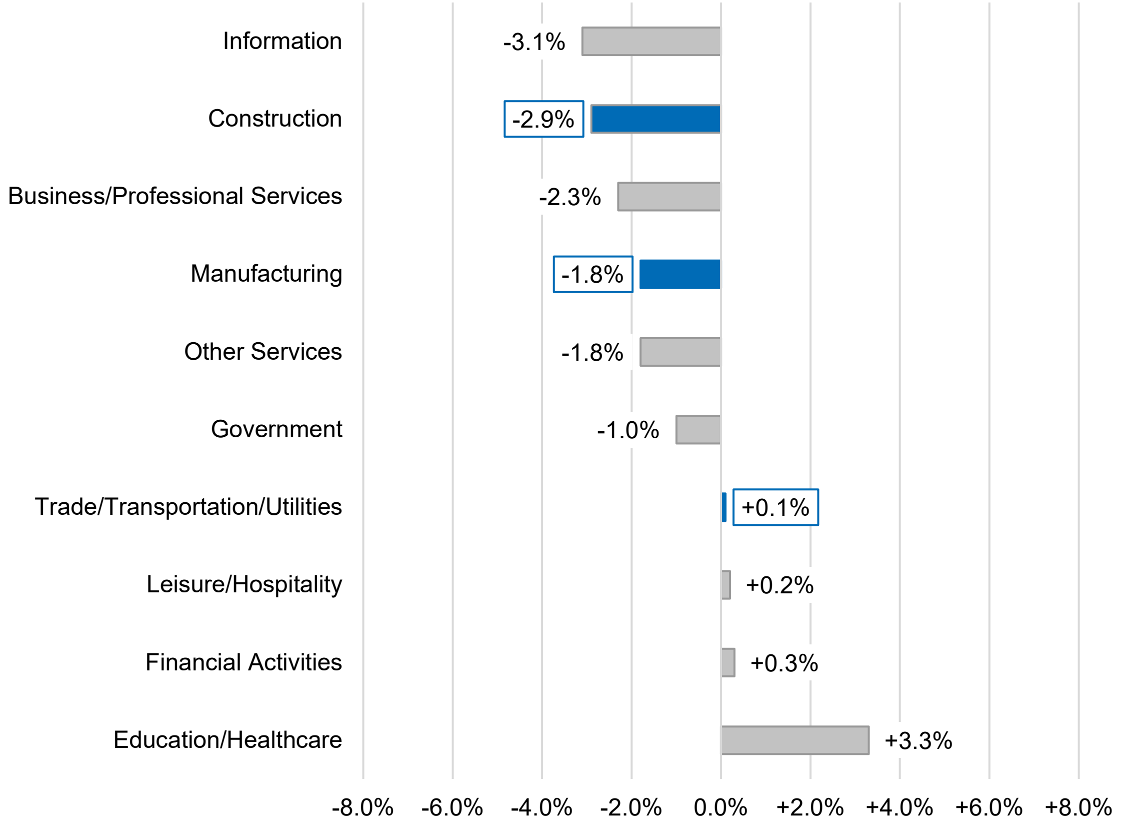
Mixed Labor Trends Define Industrial Employment in 2025

Manufacturing continued to contract through 2025 as durable goods and aerospace demand weakened. The trade, transportation, and utilities sector posted modest gains, supported by resilient logistics employment despite softer port volumes. Construction recorded one of the steepest declines, pressured by high financing costs, fewer project starts, and a pullback in speculative development.

Employment by Industry, November 2025



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

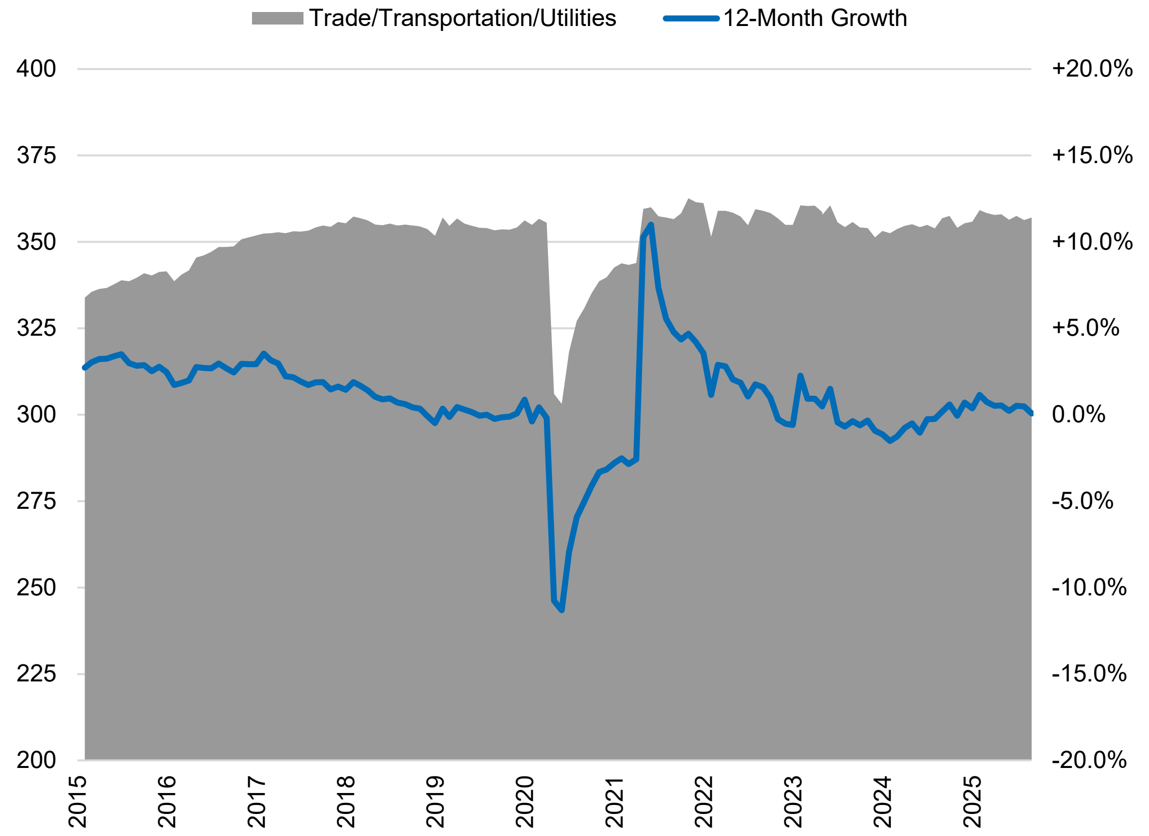


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

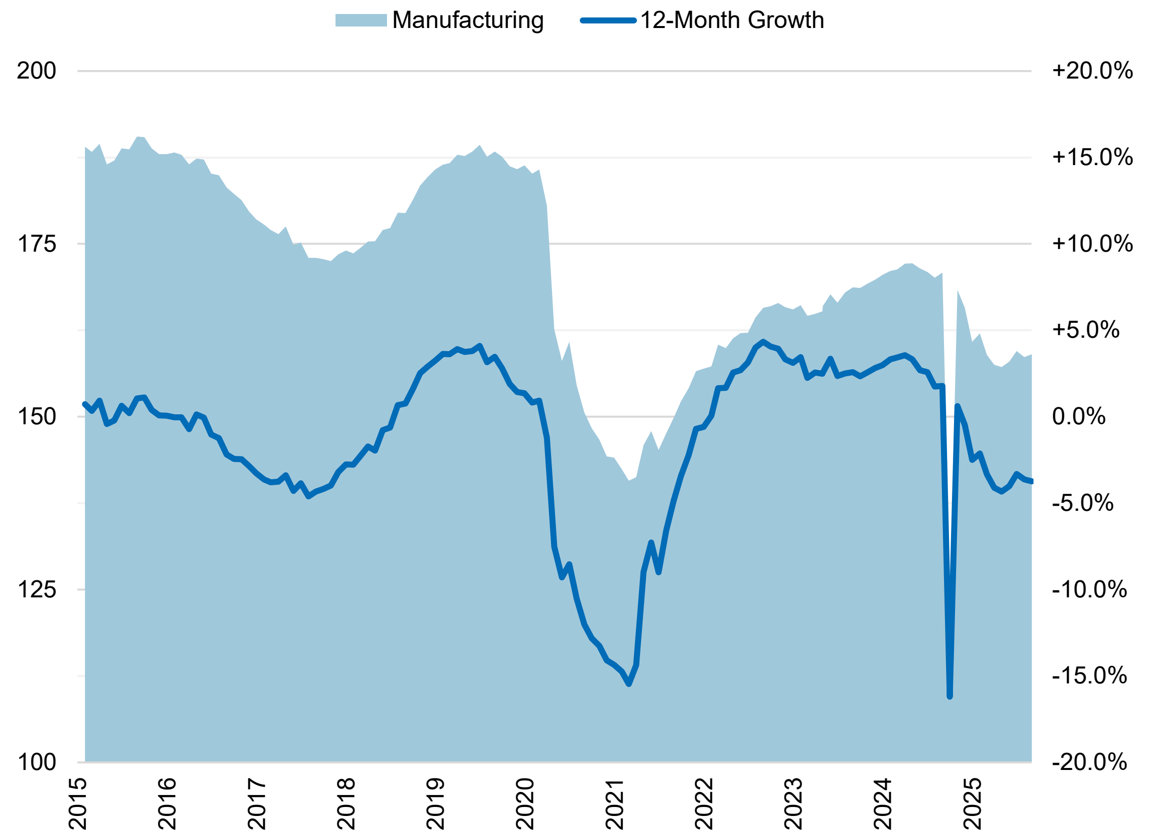
Demand Downturn Drives Significant Losses in Manufacturing Jobs

Throughout 2025, the manufacturing sector recorded a net loss of 6,400 jobs, while the trade, transportation, and utilities sector added 1,200 jobs. The contraction in manufacturing is likely tied to national trade-policy shifts, cooling demand for durable goods, and post-pandemic restructuring in high-value industries.

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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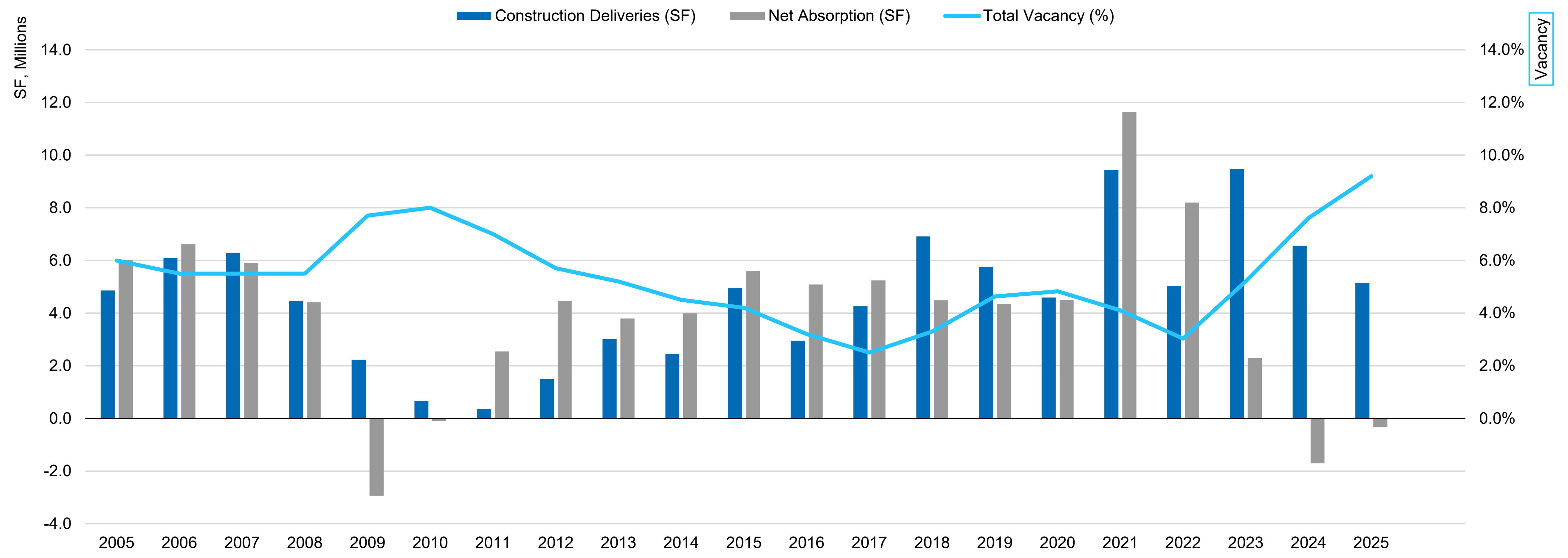
Leasing Market Fundamentals

4Q25

New Supply Floods Core Submarkets, Driving Vacancy Higher

The Puget Sound region added 2.19 million sq. ft. of new industrial product in Q4, primarily warehouse/distribution projects concentrated in Pierce County and the Southend. The largest delivery was half of the Bridge Point Tacoma campus, with Buildings A and B totaling 1.47 million sq. ft. Although projects delivered without preleasing, steady tenant demand suggests rising vacancy reflects oversupply rather than weakening demand.

Historical Construction Deliveries, Net Absorption, and Vacancy

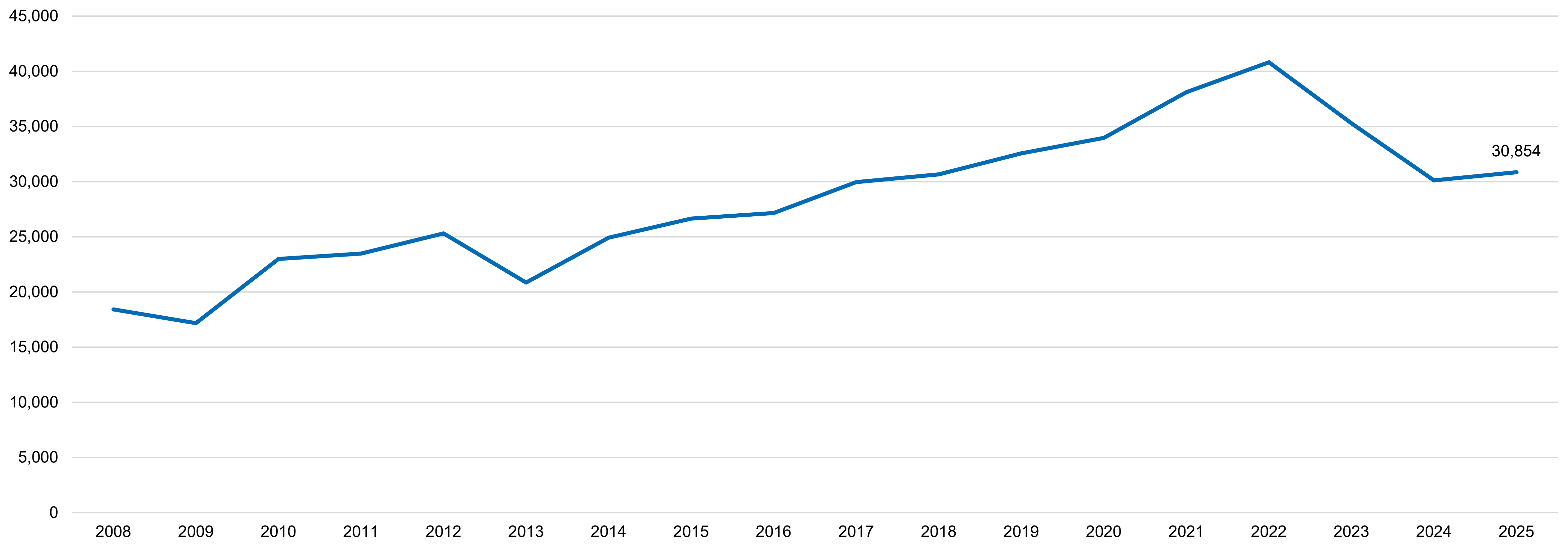


Source: Newmark Research, CoStar

Steady Leasing Velocity Points to Market Equilibrium

Total leasing volume in 2025 reached 15.55 million sq. ft., nearly identical to 2024, with only a 147-basis-point decline. The consistency in annual leasing activity indicates that tenant demand has reached a near-term equilibrium with current inventory levels.

Average Lease Size (sq. ft.)

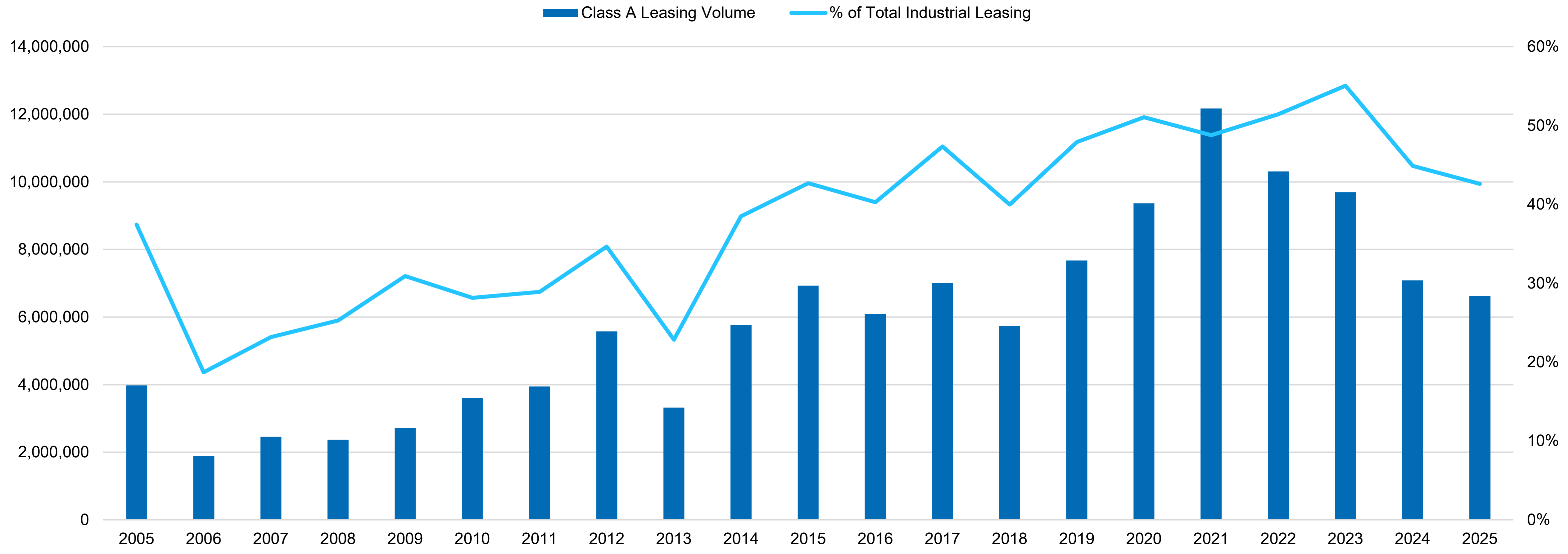


Source: Newmark Research, CoStar

High-Quality Space Leads Leasing Activity Despite Market Softness

Class A properties account for 33% of the region's industrial inventory but contributed 43% of all leasing volume in 2025. Despite muted overall activity, tenant preference for high-quality space remains strong across product types.

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

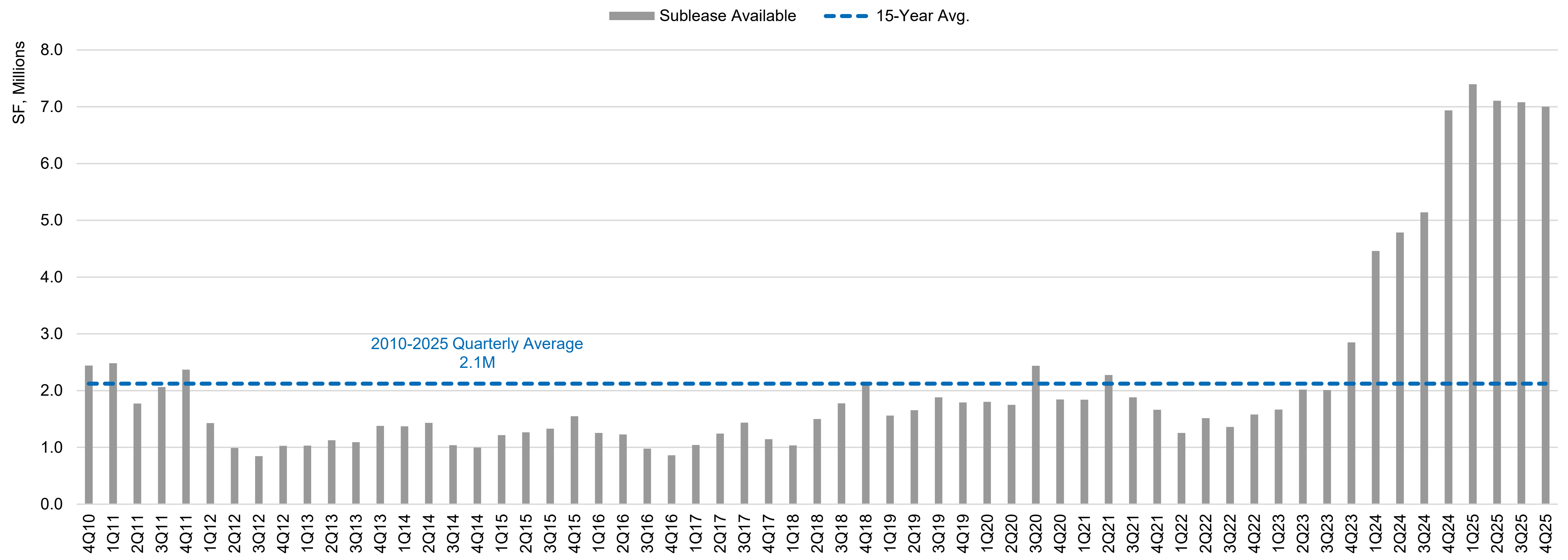


Source: Newmark Research, CoStar

Limited Sublease Impact as Tenants Upgrade into Higher-Quality Space

The sublease availability rate in Q4 held at 2.1%, changing only one percentage point quarter over quarter. New sublease supply remains minimal relative to direct availability, limiting its statistical impact. With more Class A options on the market, some tenants are upgrading, subleasing older facilities instead of fully vacating them.

Available Industrial Sublease Volume

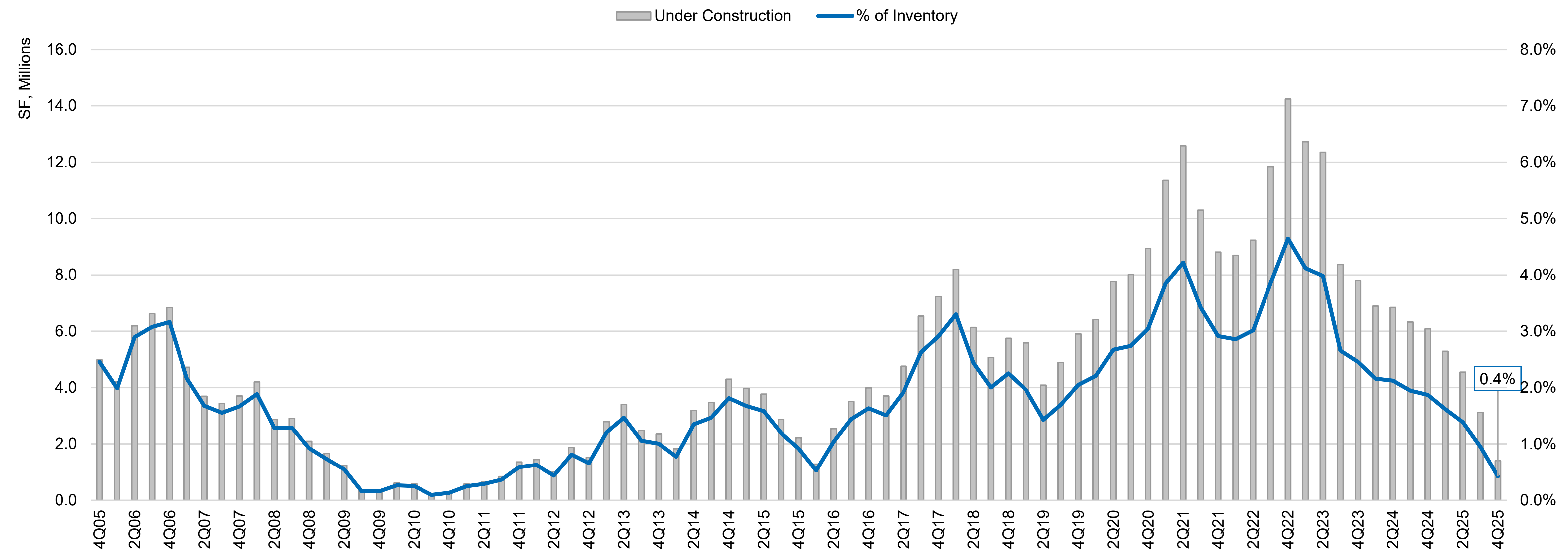


Source: Newmark Research, CoStar

Developers Scale Back Starts as Market Resets

In Q4, 1.4 million sq. ft. of industrial space remained under construction. With deliveries continuing to outpace demand, new project starts have slowed accordingly, signaling ongoing market recalibration.

Office Under Construction and Percentage of Inventory

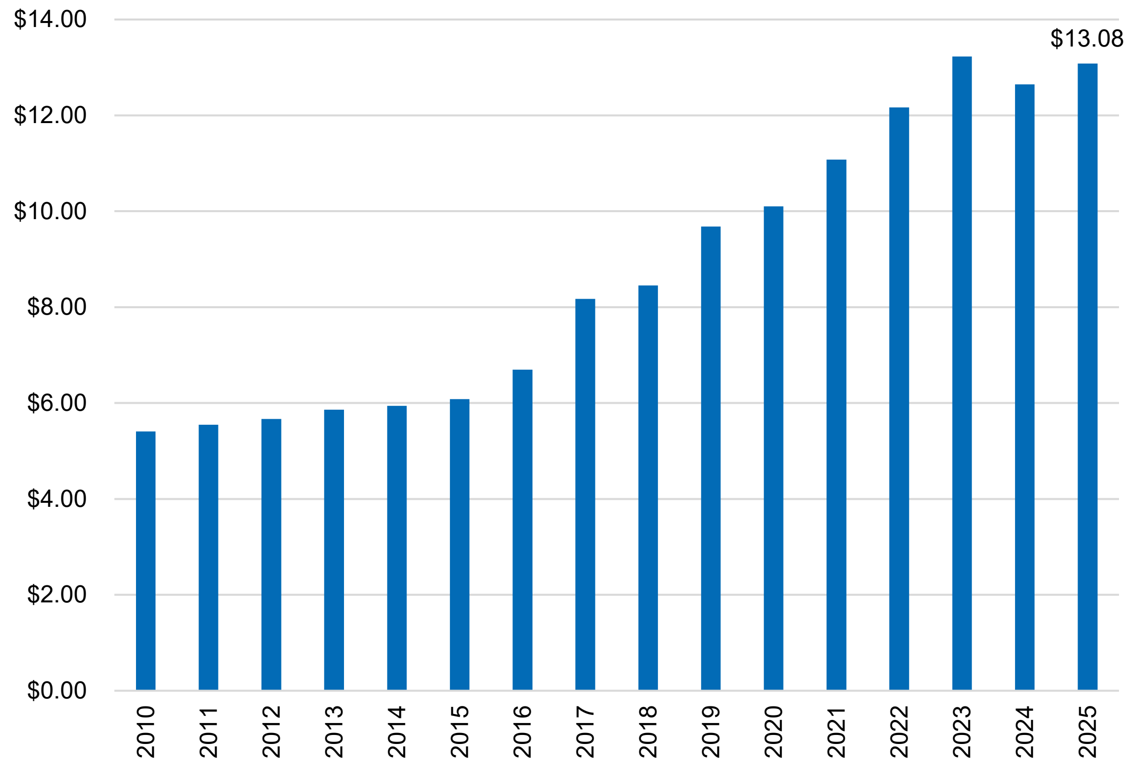


Source: Newmark Research, CoStar

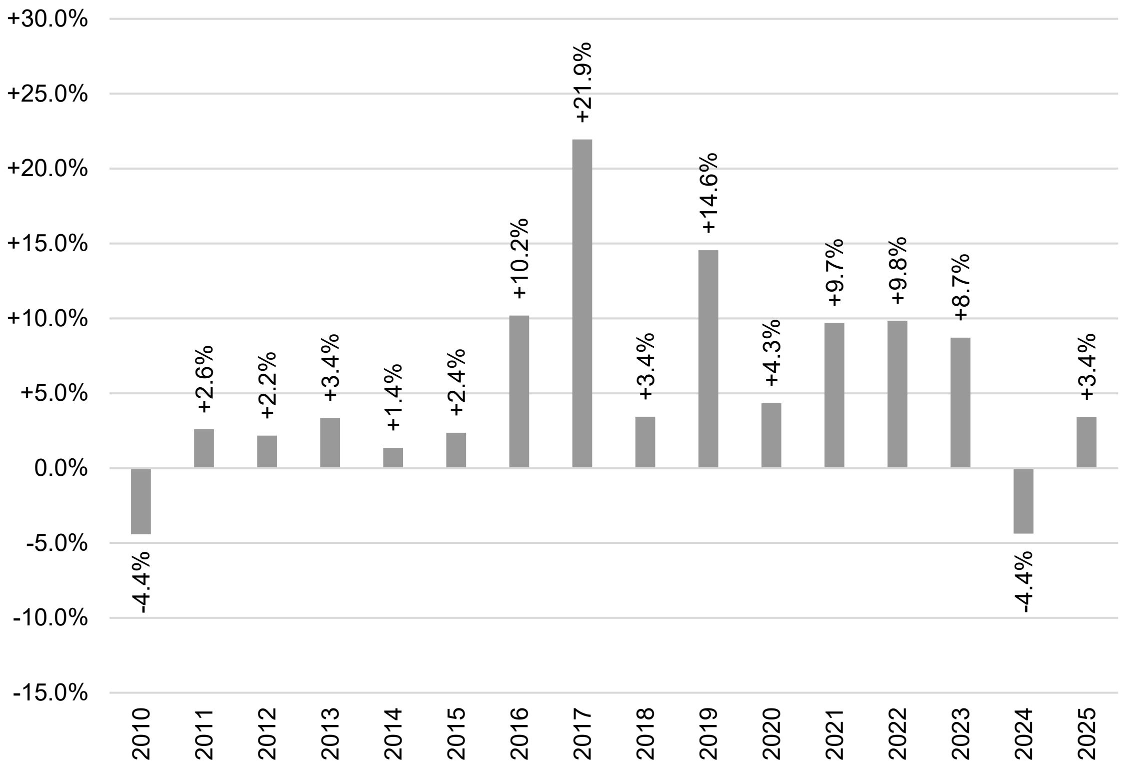
Availability Climbs, but Class A Demand Supports Pricing

By the end of Q4, the region's availability rate rose 2,284 basis points to 12.3% year over year, driven almost entirely by direct space—largely new speculative supply. Even as the market adjusts to a new equilibrium, flight-to-quality persists, and Class A space remains in highest demand. The direct asking rate increased just $0.43 year over year.

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



Year-over-Year Asking Rent Growth Rate



Source: Newmark Research, CoStar

Notable Lease Transactions

Tenant	Property	Submarket	Lease Type	Square Feet
Maersk	Prologis Park Sumner - Bldg 4	Sumner/Puyallup	Renewal	350,000
Republic National Distributing Company	6408 S 287th St Auburn, WA	Federal Way/Auburn	Renewal	287,832
STG Logistics	Prologis Park Sumner - Bldg 1	Sumner/Puyallup	Direct New	147,289
S.P. Richards Co.	Lincoln Center South	Tukwila/Renton	Renewal	133,750
thyssenkrupp	Sumner Corporate Park - Baker Bldg	Sumner/Puyallup	Renewal	129,837

Source: Newmark Research, CoStar

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