

MARKET TRENDS | SEATTLE

INDUSTRIAL

Economic uncertainty remains elevated amid ongoing tariffs and workforce reduction efforts of the new administration. Inflation in the region in 2024 was 2.7%, below the national rate of 3.0% (The Puget Sound Economic Forecaster, Vol. 33, Is. 1, March 2025). Core prices show Seattle at 2.8% compared to the U.S. city average of 3.2%. Washington personal income increased 0.7% in 2024, while the national increase was 3.2%.

Activity in the industrial markets has stabilized over the past nine months, though at a slower rate than in 2022 and 2023. Market segmentation persists, with the 30,000 SF to 150,000 SF spaces overrepresented in the available inventory and not seeing strong activity. In the regional market, Thurston County through Whatcom County, there are 250 buildings with 311 suites available in this size range. Of those, 243 spaces are located in King and Pierce counties.

The office market continues to be sluggish region wide, with availability at 17.3% across 249 million SF of inventory. The CBD has been hit particularly hard, with 34.9% of the 38.7 million SF available and 29.7% vacant.

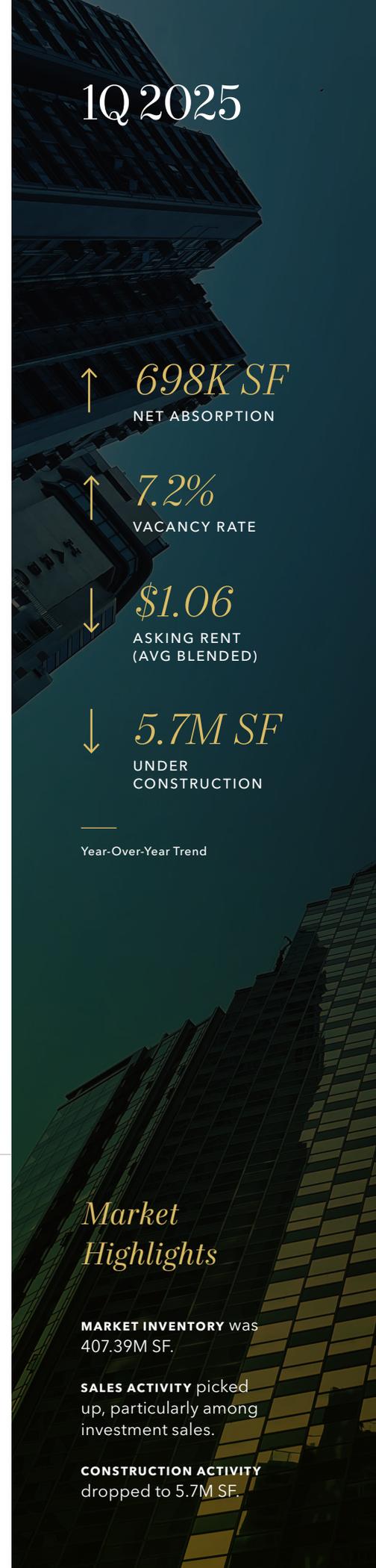
The regional retail sector, Thruston County north through Whatcom County, totals 214.7 million SF of inventory with 3.6% a vacancy.

As of Q1 2025, the industrial market's regional vacancy is 7.2%, up slightly from 7.1% at year-end 2024 and the recent low of 2.9% at year-end 2017. Availability currently stands at 9.1%, with 1.8% available for sublease. Below are a few notable points:

- New product added to the inventory totaled 1.28 million SF, bringing the regional inventory to 407.39 million SF, including Thurston, Pierce, King, Snohomish, Skagit and Whatcom counties.
- Construction activity is in decline, dropping from 6.3 million SF in Q4 to 5.7 million SF in 26 projects, showing that the smaller projects are still active. Preleasing is low, at 10.0%, with 89.9% of preleased space located in Pierce County.
- Sales activity has picked up, particularly among investment sales. The average transaction size increased, along with the average capitalization rate, which rose to 7.68% in Q1 from 6.31% in Q4 2024. A total of 3.02 million SF of buildings changed hands.

Washington State employment stands at 3,651,800 as of March 2025 (preliminary, Employment Security Department, WA), representing 0.7% year-over-year growth. The four-county region

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↑ **698K SF**
NET ABSORPTION

↑ **7.2%**
VACANCY RATE

↓ **\$1.06**
ASKING RENT
(AVG BLENDED)

↓ **5.7M SF**
UNDER CONSTRUCTION

Year-Over-Year Trend

Under Construction

0K SF
SEATTLE CLOSE-IN

847K SF
SOUTHEND

247K SF
EASTSIDE

336K SF
NORTHEND

4.2M SF
PIERCE COUNTY

93K SF
THURSTON COUNTY

36K SF
WHATCOM/SKAGIT

Submarket Vacant Space

4.6M SF
SEATTLE CLOSE-IN

9.3M SF
SOUTHEND

920K SF
EASTSIDE

4.6M SF
NORTHEND

8.0M SF
PIERCE COUNTY

1.0M SF
THURSTON COUNTY

401K SF
WHATCOM/SKAGIT



Market Highlights

MARKET INVENTORY was 407.39M SF.

SALES ACTIVITY picked up, particularly among investment sales.

CONSTRUCTION ACTIVITY dropped to 5.7M SF.

SEATTLE CLOSE-IN REVIEW

SMALLER SPACES in the Seattle Close-In remain active, but spaces over 10,000 sq ft are seeing low levels of activity. Vacancy has inched up 21 basis points from YE 2024 of 9.4%, to Q1 2025 9.6% and absorption for the quarter at (-108,149) SF. Inventory as remained flat and the latest addition, Seattle Metro Logistics, a 702,429 SF distribution facility on Terminal 106 remains vacant.

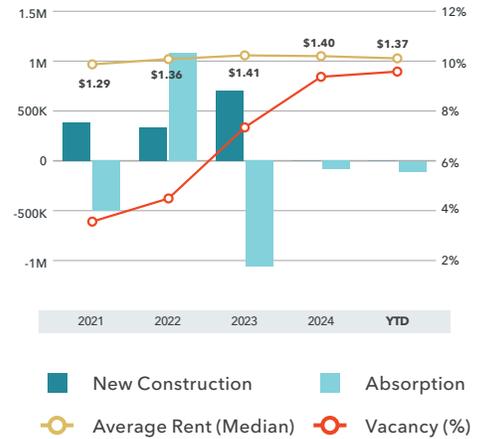
BUILDING 3 OF PROLOGIS EMERALD GATEWAY, a 144,352 SF distribution building has begun construction with completion anticipated in 2026.

SALES VOLUME was \$21.3M on ten transactions, averaging \$262/SF (median of \$373/SF). The sales included two condominium units in Holgate

Square, selling for \$459/SF. Lawless Alpha, LLC purchased the Shamrock Manufacturing building for \$179/SF from Irish Five LLC, a trade between local investment groups.

MACDONALD MILLER renewed its 79,940 SF lease in 3701 Norfolk for a ten-year term and MH Elevate Sports, a pickleball recreation tenant, leased 37,440 SF in Building G of Northwest Corporate Park Seattle.

AVERAGE ASKING RENTAL RATES on a blended basis (office/warehouse combined) have slipped to \$1.37/SF from YE 2024 of \$1.40/SF, the 2024 average. \$1.37 PSF Over 2024, the rate averaged \$1.40 PSF.



SOUTHEND REVIEW

THE SOUTHEND INVENTORY is 122.7M SF increased by 1.65M SF in 2024, with 847,465 SF under construction in five projects. Bridge Point 15 is constructing Buildings 2 and 3, totaling 811,990 SF. Vacancy increased 11 basis points from YE 2024 to 7.59% and continuing the climb from the YE 2021 low of 4.75. Absorption for 2024 was (-1.04)M SF, and Q1 2025 add another (-125,355) SF.

69 LEASE COMMENCEMENTS in Q1, totaling 2.37 M SF. Lease transactions have slowed from quarterly volumes of 80 plus, but the average lease size has increased to 25,251 SF, up from 22,083 SF of the 90 transactions per quarter for the last five quarters. Looking forward, 67 leases are expected to commence in the next nine months, occupying 1.98M SF.

13 PROJECTS proposed, totaling 3.7M SF. This includes two, 1M SF projects. Segale Properteis has a 1M SF project in Tukwila proposed, that is anticipated to break

ground in Q3 2025. Auburn 18 is a proposed distribution facility that shows one option for a 1,081,780 SF building

SALES ACTIVITY totaled 11 transactions for the quarter, with Auburn Park 44 trading from BlackRock to Kennedy Wilson for \$43.75 M, \$214/SF with below rent and 17% vacancy. Seatac Industrial Park also sold with below market rents, selling for \$224/SF and a 5.8% capitalization rate on the contract rent.

AVERAGE BLENDED RENTS have increased slightly from YE 2024 of \$1.04/SF to \$1.05/SF. There is a shift in priorities from some of the larger institutional owners. For example, Prologis has historically pushed rates but in Q3 has shifted focus to occupancy and this shift continues. Rates are calculated by a shell rent between \$1.05 to \$1.25/SF for the footprint of the space and the office rate of \$1.20 to \$1.50/SF over the office footprint added.



EASTSIDE REVIEW

INVENTORY is stable t 21.8M SF and vacancy is at 4.2%. Vacancy is climbing from a low of 2.4% YE 2022, reflecting the Region's general trend. Alpental Logistics in North Bend was the largest submarket addition in 2024, and remains vacant. Absorption in Q1 2025 was (-75,748) SF. The amount of space available is 1,499,132 SF, with the 920,318 SF vacant. Availability stands at 6.8%.

ONE PROJECT remains under construction, Covington 18. This 247,409 SF project is anticipated to deliver Q2 2025. There is no preleasing reported in this project.

7 TENANTS took occupancy in Q1, totaling a meager 26,643 SF. There are nine tenants that

will be taking occupancy in the next nine months. Brokers report that leasing activity is quiet on the Eastside.

RENTAL RATES have nudged upward from \$1.84/SF in Q2 to \$1.89/SF in Q4, holding at \$1.88/SF in Q1. Blended rates reflect each component, with a warehouse rate between \$1.30 to \$1.75/SF/mo. added to office rates are between \$1.75/SF/mo. to \$2.50/SF.

SALES ACTIVITY in Q1 saw four transactions totaling \$35,545,000 at a \$368/SF average price. These were owner user transactions with no capitalization rate information.



NORTHEND REVIEW

NORTHEND inventory totals 67.27M SF, with the Q1 addition of the Supersonic project, adding 125,048 SF. Vacant space totals 4.7M SF, 6.95% with an additional 1.07M SF marketed as available, bringing the space on the market to 8.5%. Absorption was (-88,570) SF for Q1, following 2024 absorption of (-472,704) SF.

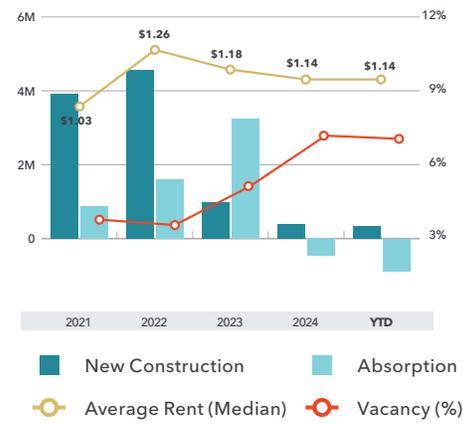
Q1 LEASE COMMENCEMENTS were down, with 23 tenants leasing 480,060 SF including a 197,552 SF lease in LogistiCenter at Woodinville, a Blackstone owned building in Woodinville. Looking forward, 27 leases are scheduled to commence in the next nine months, totaling 763,328 SF. Boeing will commence a 278,937 SF lease in Bridge Point Everett 500 - Building A in May.

THE BLENDED RENTAL RATE has maintained its YE 2024 position, at \$1.14/SF. Warehouse rates

remain stable, ranging from \$0.90-\$1.35/SF/mo. depending on age and location. Office rents are \$1.80-\$2.00/SF for second generation space and \$2.00-\$2.50/SF for first generation. These rates are calculated for the specific area and are not additive.

12 SALES closed this quarter with two more under contract. The dollar volume for the closed sales was \$145.3M, for 531,503 SF of buildings, averaging \$273/SF. This included the Glacier Peak Building (204,598 SF), anchored by Amazon that traded for \$249/SF with a 5.44% capitalization rate.

LAND REMAINS available in Marysville/Arlington but there were no land sales in Q3 or Q4. Two land sales closed in 2024, with each being sold for the resources onsite.



PIERCE COUNTY REVIEW

PIERCE COUNTY inventory is at 101.57M SF, with 1.23 M SF added in Q1 2025. This is the fastest growing submarket in the Region, growing by 27.52M SF in the last nine years. Vacancy is 7.89, up six basis points from Q4 2024. Absorption was strong, at 1,061,217 SF after a weak year in 2024 that saw (-1,604,596) SF.

CONSTRUCTION continues unabated with Bridge Development breaking ground on Bride Point Tacoma 2MM, a four-building project with 2.5M SF. Currently, there is 4.23M SF under construction with only 12.3% preleased. There are 33 proposed projects totaling 5.98M SF. The commencement of construction of these projects will depend on leasing and many will undoubtedly be postponed.

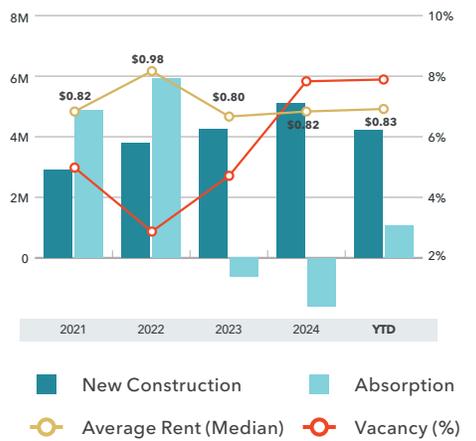
33 LEASES commenced in Q1, totaling 2.62M SF and including the 1.12M SF Floor

and Décor lease in FRED 310 Building C. The following nine months show 37 leases scheduled to commence, totaling 2.06M SF.

12 SALES closed in Q1, totaling \$208,925,000, averaging \$125/SF. Pearson Metal Salvage purchased 2218 Marine View Dr. for \$7.8M. This waterfront property included docks, and the buyer will salvage marine vessels onsite.

RENTAL RATES have been stable, up from YE 2024 at \$0.82/SF to Q1 \$0.83/SF. Rents have ranged between \$0.80 and \$0.84/SF since YE 2021 with YE 2022 being at \$0.98/SF, before settling back to the low \$0.80s/SF. Shell rates range \$0.90-\$1.30/SF/mo., NNN, plus add-on office rates of \$1.00-\$1.70/SF/mo.

ONE LAND SALE closed in Pierce County in Q1, a 1.7-acre site in Spanaway for \$39/SF.



THURSTON COUNTY REVIEW

INVENTORY in Thurston County remains stable at 21,959,235 with 1,033,419 SF vacant, 4.7%. YE 2022, vacancy was 2.2% but has hovered between 4.3% and 4.9% for the last seven quarters. This submarket added 3.5 million sq ft in 2023, dropping to 153,200 SF in seven projects in Q1 2024. These were 100% leased at completion and helped push vacancy down. Absorption for Q1 was 143,408 SF.

3 PROJECTS totaling 93,900 SF are under construction with 9,066 SF, 9.7% pre-leased. 17 projects, totaling 4.43M SF are proposed with one, two-building project called Parsons South Sound Logistics adding 1,371,040 SF. Groundbreaking has not been announced

5 LEASES commenced in Q1, totaling 22,441 SF with Daedong, a farm machinery company leasing 149,340 SF in Tumwater Corporate Center Building 2.

Looking forward, there are no leases reported to commence in the next nine months.

AVERAGE BLENDED RENTS rose from \$0.90/SF in Q3/Q4 2024 to \$0.97/SF in Q1.

SEVEN SALE closed in Q4 2024, totaling \$4.2M with an average building area of 12,928 s.f. with an average \$113 PSF price. These were owner user transactions.

2 SALES closed in Q1 2025, totaling \$5.5M with an average building area of 17,272 SF with an average \$159/SF price.



reported 2,276,300 (preliminary March/February 2025), or 62.3% of the state's total. Preliminary March numbers show a decline of 6,400 jobs, or -0.3%. Construction saw the largest decrease, at -2.0% with the Q1 numbers showing 124,400 jobs. This is down 6.4% from the March 2024 numbers. Small gains were made in Transportation/Warehousing (0.3%), Information (0.7%) and Professional Business Services (0.2%).

The Federal Reserve cut interest rates by 25 basis points in November and December 2024, bringing the target rate to 4.25% to 4.50%. The March 2025 meeting led to no change in the Fed's rate. The ten-year treasury has been hovering in the low to mid-4.0% range for Q1, 2025 (ycharts.com). In terms of

lending, Life Companies are moving upward in the spreads required, teasing lower spreads of 135 to 220 basis points over the ten-year treasury but rates have declined somewhat to the 5.7% to 6.5% range. CMBS spreads have declined modestly as well, moving to 250 to 350 basis points over the ten-year rate and Banks/Credit Unions are lending in the 6.5% to 7.5% range.

The Northwest Seaport Alliance reports YTD (through March 2025) container volume as 832,568 TEUs (Twenty Foot Equivalent), a 19.0% increase from the same period in 2024. Q1 2025 volumes exceed Q1 2024 volumes in each month. Vessel calls are up 8.0% but auto imports are down 18.1%.

SKAGIT / WHATCOM COUNTIES

A growing industrial market is the Skagit / Whatcom counties, the north end of the I-5 corridor through Western Washington. This market totals 20.5 million SF in 777 buildings. This inventory represents a wide range of quality and generally smaller buildings and tenant suites. Vacancy is 1.96% with one, 20,000 SF building added to the inventory in 2024. Absorption was 220,902 SF in 2023, but 2024 saw negative absorption of (-53,016) SF continuing into Q1 2025 with (-108,739) SF. Rent has softened from \$1.02/SF to \$0.99/SF, blended.

NOTABLE SALE TRANSACTIONS

PINE FOREST PROPERTIES purchased the Glacier Peak Building in Everett from Kohlberg Kravis Roberts & Co. for \$51,000,000 (\$249/SF), primarily occupied by Amazon.

BLACKROCK, INC. sold Auburn Park 44 to Kennedy Wilson, Inc. for \$43,750,000, or \$214/SF for the 83% occupied building. Rents reportedly below market.

MADISON CAPITAL purchased four REI distribution centers including the Sumner facility from REI that then leased back the facilities. The Sumner DC sold for \$101,300,000, or \$173/SF(586,060 SF).

BKM INDUSTRIAL purchased the Seatac Industrial Park, a three-building small bay park from LIT Industrial for \$29,000,000, \$224/SF and a 5.8% capitalization rate.

NOTABLE LEASE TRANSACTIONS

REI(SALE LEASE-BACK) | Sumner Distribution Center, Sumner | 586,060 SF

FLOOR AND DECOR | FRED310 - Building C, Frederickson | 1,118,480 SF

CRANE | Sumner West Logistics, Sumner | 262,899 SF

SOUTHERN GLAZER'S WINE & SPIRITS | Wenatchee Building, Sumner | 175,723 SF

EXPEDITORS | Lift Logistics 76th Building, Kent | 207,744 SF



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	58M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS

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