

FIGURES | PUGET SOUND INDUSTRIAL | Q1 2025

Trade Uncertainty: a slowdown in the Puget Sound

▲ 9.2%

Vacancy Rate

▲ (637)M

SF Net Absorption

▲ 1.3M

SF Construction Completed

▲ 6.1M

SF Under Construction

▲ \$1.24

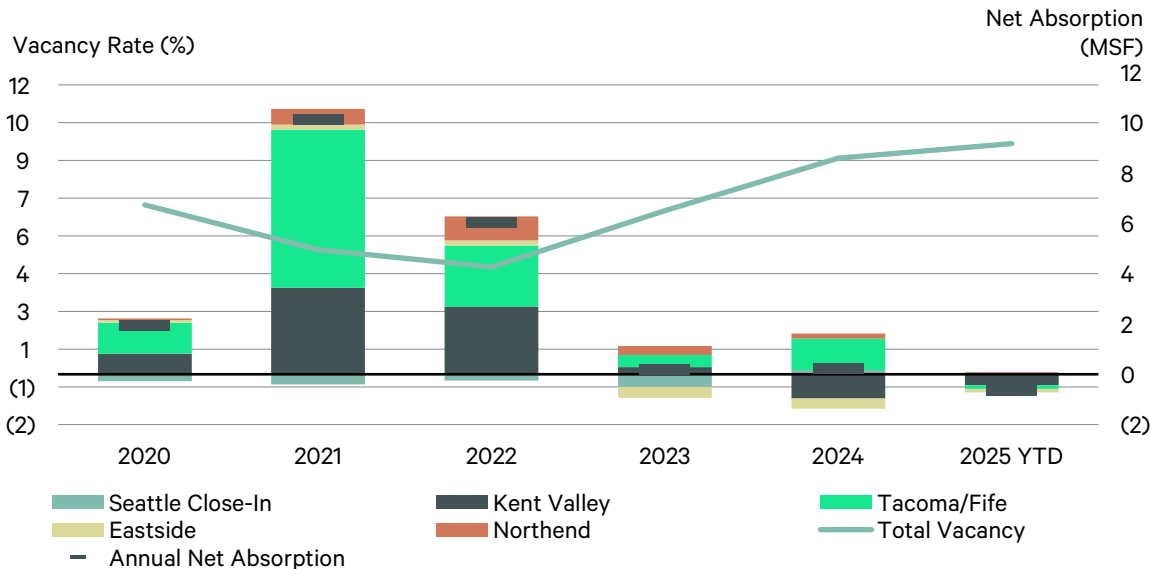
Asking Blended Rent
Sq. Ft./Month, NNN

Note: Arrows indicate change from previous quarter.

Overview

The Puget Sound industrial market is poised for a rebound, with a 9.2% vacancy rate, a blended asking rate of \$1.24 per sq. ft., per month, NNN, and 636,691 sq. ft. of negative net absorption for the three-county region in Q1 2025. Economic uncertainty has temporarily slowed growth in the market, but tenants and investors remain optimistic about future expansion and the region has continued to add new, high quality space. There was 1.3 million sq. ft. of construction completed this quarter, with 6.1 million sq. ft. under way. As tenant rightsizing and uncertainty surrounding tariffs have created a temporary slowdown, the market's underlying fundamentals - a skilled workforce, diverse economy and a robust transportation infrastructure - remain strong. Activity from institutional investors has begun to pick up, as many are taking note of the region's potential for steady growth. Consequently, both users and investors continue to find opportunities for long-term success in the industrial real estate sector.

FIGURE 1: Vacancy vs. Net Absorption (3-County Region)



Source: CBRE Research, Q1 2025

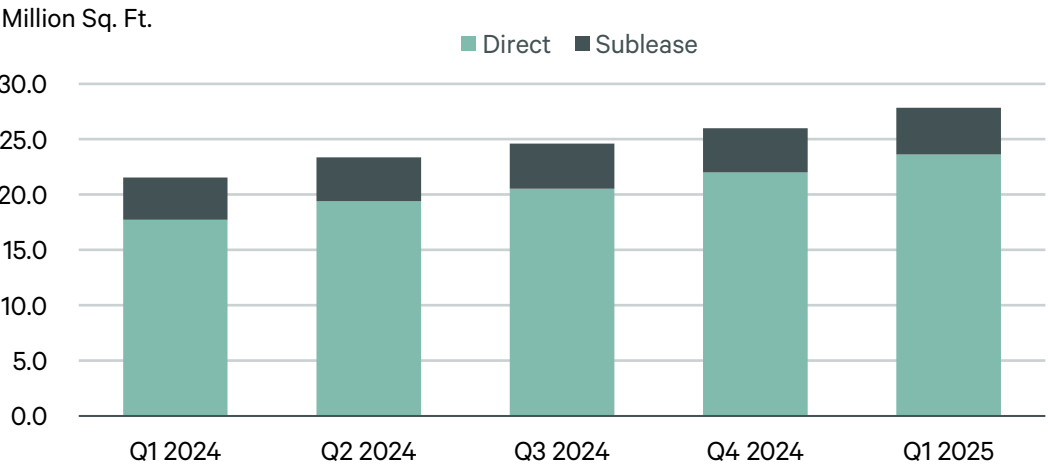
Kent Valley

Third-party logistics companies (3PLs) continued their trend of rightsizing in Q1 2025, resulting in negative net absorption of 435,568 sq. ft. The vacancy rate rose to 7.2%, up 30 basis points (bps) from the previous quarter. Notable activity in the Kent Valley included Crane Worldwide Logistics moving into a new 262,899 square foot space at Sumner West Logistics, and Ryder moving back into 116,104 sq. ft. of space at Kent North Corporate Park – Building A. Also, PNW Warehousing occupied 206,463 sq. ft. of sublease space at The Steele Building in Sumner. Conversely, Expeditors downsized their footprint by vacating 170,300 sq. ft. at Aldarra Corporate Park, but subsequently absorbed 74,280 sq. ft. at Lift Logistics 76th. The average asking rent in the Kent Valley increased slightly to \$1.18 per sq. ft., per month, NNN.

Tacoma/Fife

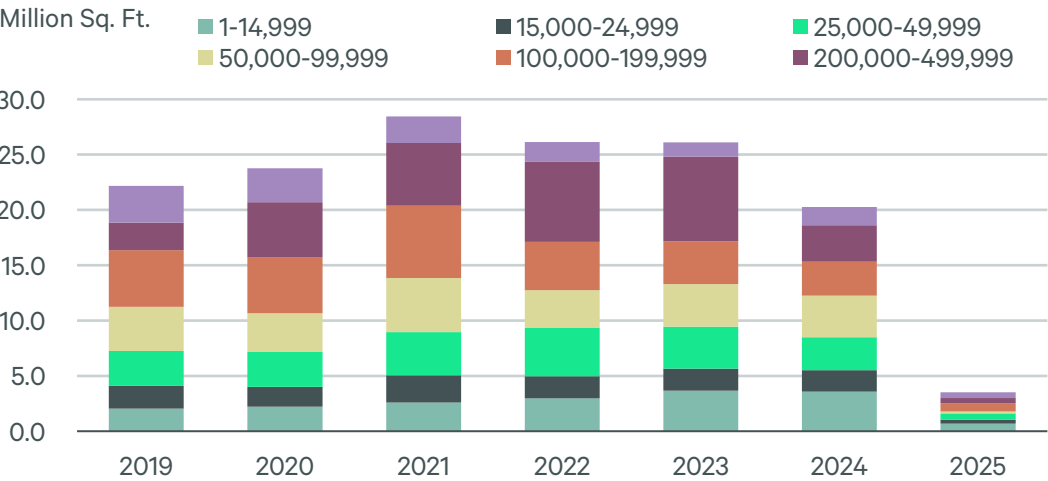
At the start of 2025, the Tacoma submarket reported negative net absorption of 144,753 sq. ft. and a vacancy rate of 11.6% for the quarter. This was largely driven by tenant rightsizing as some large distributors contracted their footprint. Absorption for the quarter for Tacoma was swayed by the long-awaited move in of Floor & Décor who occupied 1.1 million sq. ft. at Fred310 - Building C. Niagara Bottling vacated 200,000 sq. ft. at the Whirlpool Distribution Center, then contracted and relocated to 101,656 sq. ft. at Canyon East Logistics – Columbia Building, also in Frederickson. Meanwhile, Ashley Furniture Industries vacated 565,000 sq. ft. at their Frederickson building, consolidating their footprint to just 150,000 sq. ft. Associated Materials also vacated 250,490 sq. ft. at the Fife I-5 Commerce Center. The average asking rent in the Tacoma submarket was up modestly to \$0.91 per sq. ft., per month, NNN.

FIGURE 2: Vacancy (3-County Region)



Source: CBRE Research, Q1 2025

FIGURE 3: Leasing Activity by Size Range (5-County Region)

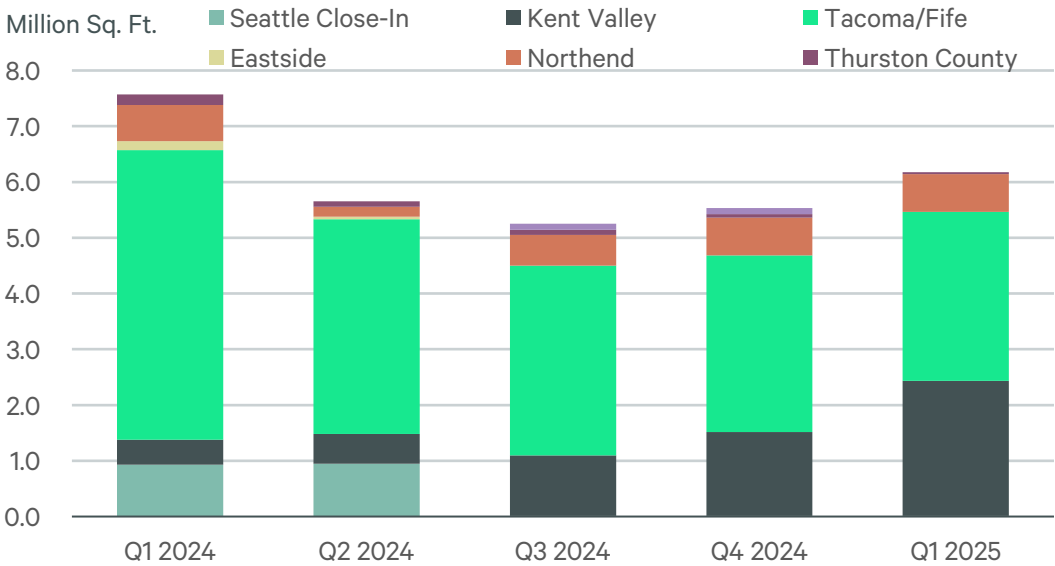


Source: CBRE Research, Q1 2025

Thurston County

In Q1 2025, the Thurston County market experienced a positive 173,666 sq. ft. of net absorption, resulting in a 60 bps decrease in the vacancy rate to 5.6%. Notable move-ins included Daedong-USA taking 149,340 sq. ft. at Tumwater Corporate Center - Building 1. Additionally, Simpson Door occupied 40,025 sq. ft. at Deschutes Landing - Building 400. Conversely, WestRock vacated 74,525 sq. ft. at Hogum Bay Logistics Center - Building 4, and did not absorb elsewhere in the market. The average asking rent in the Thurston County market remained flat at \$0.76 per sq. ft., per month, NNN.

FIGURE 4: Square Feet Under Construction (5-County Region)



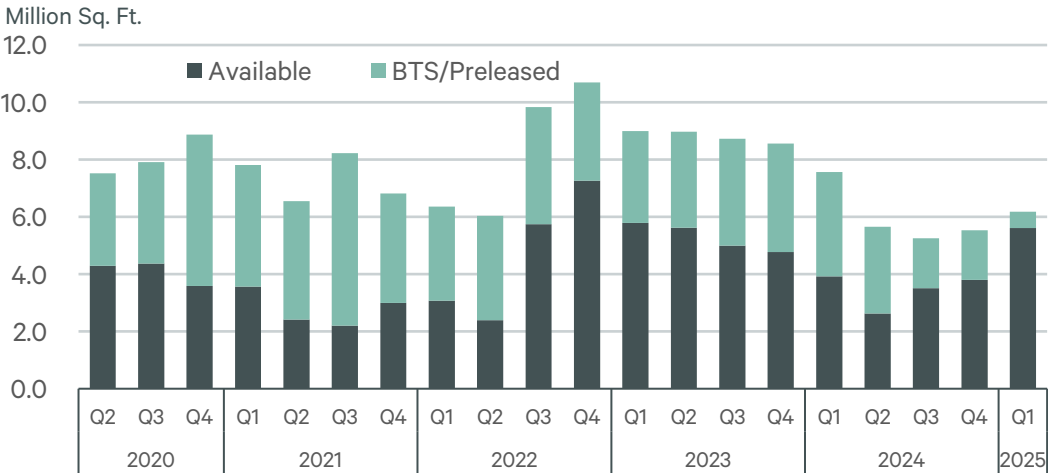
Source: CBRE Research, Q1 2025

FIGURE 5: Key Transactions (5-County Region)

Tenant	Transaction Type	Sq. Ft.	Building	Submarket	Business Sector
Recreational Equipment, Inc.	Sale/Leaseback	521,674	REI Phase I	Sumner	Retailer
Mill Rock Packaging	Renewal	181,725	Mill Rock Packaging Building	Renton	Manufacturer
Bogdan Delivery	New Lease	128,050	Auburn North Distribution Center	Auburn	Transportation
Comprehensive Logistics	Renewal	124,653	Kent II Distribution Center	Kent	3PL
NIC Global Manufacturing Solutions	Renewal	105,038	Woodinville Business Center	Woodinville	Manufacturer
GXO Logistics, Inc.	New Lease	104,414	Des Moines Creek Business Park IV-Bldg. B	SeaTac	3PL
Niagara Bottling	New Lease	101,656	Canyon East Logistics-Columbia Building	Frederickson	Wholesaler
AccuDuct Manufacturing	Renewal	63,118	AccuDuct Manufacturing Building	Auburn	Construction Materials
Wyse Logistics	New Lease	50,000	1905 E Marc Ave	Port of Tacoma	Transportation
Seattle Stone	New Lease	45,320	Northwest Corporate Park Seattle-Bldg X	South/West Seattle	Construction Materials

Source: CBRE Research, Q1 2025

FIGURE 6: Available or BTS/Preleased in Properties Under Construction (5-County Region)



Source: CBRE Research, Q1 2025

Seattle Close-In

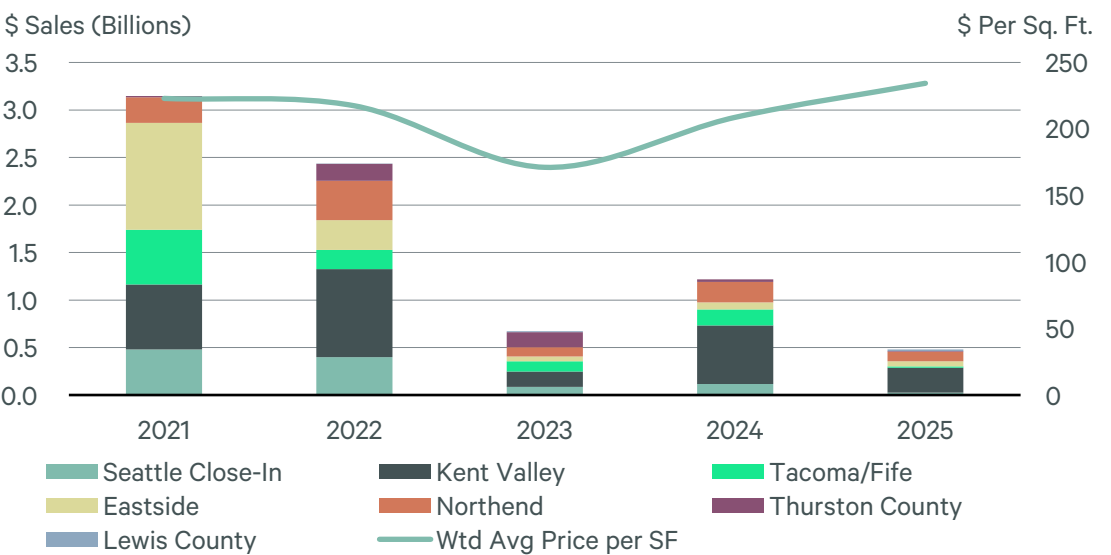
In Q1 2025, the Seattle Close-In submarket experienced 3,383 sq. ft. of positive net absorption, resulting in a stable vacancy rate of 9.7%. Notable market activity included Carsoe US relocating from two spaces in the heart of the North Seattle-Interbay submarket to Commodore Interbay Industrial Center - Building 1, absorbing 65,654 sq. ft. 4th Ave Beach moved into Northwest Corporate Park Seattle – Building G, taking 37,440 sq. ft. off the market. Of note, Flying Food Group put 49,330 sq. ft. at Prologis Emerald Gateway - Building 2 up for sublease, shortly after leasing the space. The average asking rent in the Seattle Close-In market remained relatively unchanged, decreasing \$0.02 to \$1.55 per sq. ft., per month, NNN.

Eastside

The Eastside industrial market reported 141,983 sq. ft. of negative absorption, pushing vacancy up 50 bps to 8.2% by the end of Q1. Atypically, the majority of the downsizing occurred in Flex or R&D product. Tenants in this category usually appreciate highly improved space with extra power and

parking and do not relocate often. This quarter, Applied Control vacated 75,000 sq. ft. at Canyon Park East - Building A, Pfizer relinquished 60,000 sq. ft. at Highlands Campus - Building 2 and Pivotal Commware left 21,000 sq. ft. at Canyon Park East - Building D, all in the Bothell submarket. Additionally, IWS (Interior Woodworking Specialists) departed 31,800 sq. ft. of traditional warehouse space in Cedar Business Park. The addition of popular flex space for lease pushed asking rents higher, to \$1.88 per sq. ft., per month, NNN, from \$1.81 per sq. ft. six months ago. The Eastside is still the market of choice for high-value manufacturing, though building size constraints often put limits on tenant growth.

FIGURE 7: Sales Volume and Weighted Average Price per Sq. Ft. (5-County Region)



Source: CBRE Research, Q1 2025

Northend

The diverse tenant mix in the Northend market fostered robust absorption in Q1 2025. The market experienced 82,230 sq. ft. of additional tenant occupancy, and vacancy dropped by 40 bps to 12.8%. Recent move-ins included a Fortune 10 Life Science company absorbing 56,400 sq. ft. at Seaway Technology Center in the Everett submarket; Sportsworks moving into 47,000 sq. ft. at the Lakeview Building in Monroe; and The State of Washington occupying 28,600 sq. ft. at the former Process Solutions Building in the North Snohomish County submarket.

The Northend market has 675,889 sq. ft. under construction, or 2.7% of the existing inventory. Only the fast-growing Tacoma market has more under construction on a percentage basis. The new inventory is spread across the market - 243,000 sq. ft. at North Creek Commerce Center in the Lynnwood/Edmonds/Mountlake Terrace submarket; Scannell Supersonic Industrial Center adding a 125,048 sq. ft. building to Everett; and Cascade Business Park - Building 3 which is 308,000 sq. ft. and entirely preleased to Pepsi Frito Lay. Available space in new construction may cause vacancy to rise in the middle of 2025, but the market appears to have growing tenants in need of space.

FIGURE 8A: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q1 2025 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Downtown/Lake Union	1,717,241	278,063	16.2	9.7	649	13,144	0	
North Seattle/Interbay	6,825,147	702,133	10.3	12.2	7,640	116,736	12,454	
East Seattle/Capitol Hill/Rainier Valley	1,801,563	242,814	13.5	7.6	(2,260)	(9,736)	0	
South/West Seattle	39,528,135	3,624,653	9.1	9.9	(2,646)	(72,277)	0	
Seattle Close-In	49,872,086	4,847,663	9.7	10.1	3,383	47,867	12,454	1.55
SeaTac	6,360,510	456,013	7.2	8.3	148,213	121,154	0	
Tukwila	12,161,553	1,355,472	11.1	12.4	(89,911)	(294,015)	0	
Renton	16,164,753	503,486	3.1	5.3	(173,724)	(203,949)	0	
Kent	48,878,073	4,020,682	8.2	11.2	(86,130)	(1,274,168)	435,594	
Auburn	28,486,593	1,466,573	5.1	6.0	(325,335)	(312,519)	0	
Federal Way	3,172,500	560,291	17.7	10.7	8,935	1,131,104	802,248	
Sumner	19,411,608	1,347,964	6.9	14.4	82,384	(12,058)	1,182,042	
Kent Valley	134,635,590	9,710,481	7.2	9.8	(435,568)	(844,451)	2,419,884	1.18
Port of Tacoma	12,544,453	1,153,469	9.2	18.8	(527,230)	(526,258)	26,000	
Tacoma West	5,845,188	324,478	5.6	7.2	(44,947)	(33,524)	2,145,952	
Fife	13,456,909	1,192,192	8.9	9.4	(91,729)	(134,446)	14,000	
Puyallup	8,537,909	798,900	9.4	11.7	7,064	17,999	847,205	
Frederickson	16,409,095	2,913,110	17.8	18.4	437,566	2,518,399	0	
Lakewood	7,386,464	1,098,985	14.9	17.1	69,164	(221,526)	0	
DuPont	4,635,287	491,448	10.6	10.3	5,359	(6,281)	0	
Gig Harbor	757,586	99,512	13.1	13.1	0	13,000	0	
Tacoma/Fife	69,572,891	8,072,094	11.6	14.2	(144,753)	1,627,363	3,033,157	0.91

CBRE made a methodology change in Q3 2024 to report blended industrial rents instead of shell rents as previous

Source: CBRE Research, Q1 2025

Investment Sales

Industrial sales volume in the five-county Puget Sound region increased by 11% compared to Q4 2024, reaching \$427.5 million. The total square footage sold during the quarter totaled 1.88 million sq. ft., marking a notable increase in buyer activity. However, sellers remained cautious in pricing their assets, given the rising vacancy rates in the region. The largest transaction of the quarter was the acquisition of a 586,000 sq. ft. REI distribution center in Sumner by Madison Capital for \$101.3 million, or \$172.85 per sq. ft. As part of the transaction, REI entered into a long-term sale-leaseback agreement, ensuring they will continue to occupy and operate the property. Another notable sale was the acquisition of the 204,458 sq. ft. Auburn Park 44 industrial building by Kennedy Wilson for \$43.75 million, or \$213 per sq. ft. The property is 83% occupied by two captive tenants, providing a variety of value-add strategies to increase near-term operating cash flow. A third notable sale was the acquisition of the 204,314 sq. ft. Glacier Peak building in Everett, fully leased by Amazon and two smaller tenants, for \$51 million or approximately \$250 per sq. ft. by Pine Forest Properties. According to Real Capital Analytics, the average cap rate for Seattle industrial properties in Q4 2024 was 6.2%, comparable to the national average of 6.3% for the same period. This suggests that investors in the Puget Sound region are achieving modestly higher returns, driving up prices and yields in the local area.

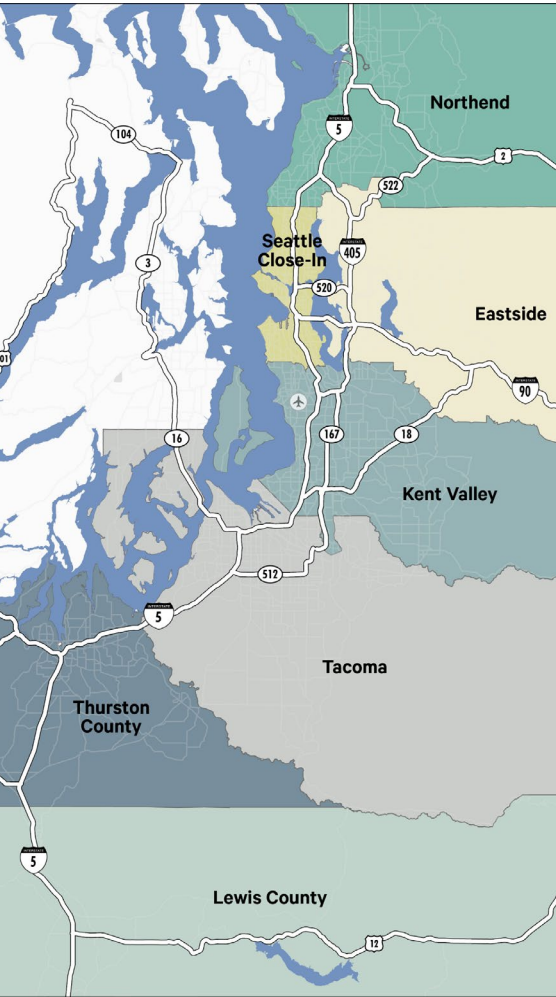
FIGURE 8B: Statistics by Submarket

SUBMARKET	Inventory	Total Vacant (SF)	Total Vacancy Rate (%)	Total Availability Rate (%)	Q1 2025 Net Absorption (SF)	Last Four Qtrs Net Absorption (SF)	Under Construction (SF)	Direct Asking Blended Rent (NNN/SF/Mo)
Bellevue	2,030,527	61,873	3.0	3.0	14,100	13,066	0	
I-90 Corridor	2,652,400	408,088	15.4	15.6	(17,300)	(18,339)	0	
Kirkland/Totem Lake	2,318,166	26,764	1.2	3.9	6,882	45,483	0	
Overlake	704,781	196,666	27.9	27.6	14,286	(9,883)	0	
Marymoor	3,484,130	175,819	5.0	7.4	26,756	(71,442)	0	
Willows	3,846,437	253,254	6.6	8.3	(28,971)	(61,059)	0	
Bothell	2,985,818	415,687	13.9	16.9	(176,741)	(205,204)	0	
Woodinville/Maltby	6,909,081	516,366	7.5	10.1	19,005	(248,908)	0	
Eastside	24,931,340	2,054,517	8.2	10.2	(141,983)	(556,286)	0	1.88
Lynnwood/Edmonds/Mtlk Terrace	2,579,822	42,848	1.7	4.5	(12,069)	48,071	242,981	
Monroe	2,041,027	127,689	6.3	6.9	64,167	17,196	0	
Mukilteo	2,980,121	310,139	10.4	11.2	(17,232)	(3,232)	0	
Everett	11,165,253	1,424,862	12.8	11.0	32,620	483,573	125,048	
No. Snohomish	5,932,940	1,263,035	21.3	29.5	14,744	(37,157)	307,860	
Northend	24,699,163	3,168,573	12.8	14.5	82,230	508,451	675,889	1.16
Puget Sound (3-county)	303,711,070	27,853,328	9.2	11.3	(636,691)	782,944	6,141,384	1.25
Whse/Bus Pk/Manuf	294,686,850	26,329,103	8.9	11.1	(471,216)	1,156,493	6,141,384	1.21
Flex	9,184,307	1,524,225	16.6	18.5	(165,475)	(373,549)	0	1.75
Lacey	12,476,673	740,081	5.9	7.5	(36,525)	(245,558)	0	
Olympia Core	822,123	0	0.0	0.0	0	0	0	
Tumwater	4,731,338	288,875	6.1	6.5	210,191	193,566	36,000	
Outlying Thurston	395,220	0	0.0	0.0	0	0	0	
Thurston County	18,425,354	1,028,956	5.6	6.7	173,666	(51,992)	36,000	0.76
Lewis County	5,745,292	107,125	1.9	1.9	0	10,080	0	N/A
Five-County Total	327,881,716	28,989,409	8.8	10.9	(463,025)	741,032	6,177,384	1.24

CBRE made a methodology change in Q3 2024 to report blended industrial rents instead of shell rents as previous

Source: CBRE Research, Q1 2025

Market Area Overview



Definitions

Net Absorption: The change in occupied square footage from one period to the next, recognized at the move-in date or delivery of new construction, not lease signing date.

Vacancy: Space that is physically vacant, but may be available or newly leased.

Available: Space that is marketed, but may or may not be vacant.

Average Asking Lease Rate: A calculated average that includes full service and triple net + operating expense lease rates, weighted by their corresponding available square footage. Full Service Lease Rate: Rent typically includes real property taxes, building insurance, common area and major maintenance. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and maintenance) typically included in a full service lease rate.

Survey Criteria

Seattle Close-In, Kent Valley, Tacoma/Fife, Thurston County and Lewis County markets include owner occupied and investor-owned industrial buildings over 10,000 sq. ft. The Eastside and Northend markets include investor-owned industrial buildings over 10,000 sq. ft.

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