Small-Bay Demand Provides Stability Amid Rising Vacancy

▲ 11.7%	▲ (377,000)	▲ 1.8M	▼ 1.7M	▶ $1.15
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	Direct Asking Lease Rate (NNN/MTH)

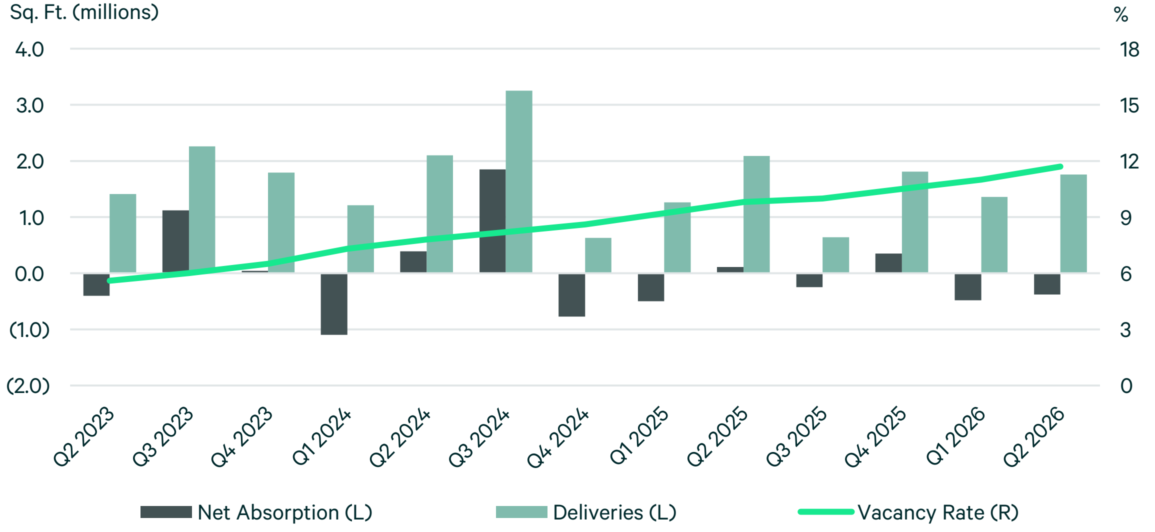
Note: Arrows indicate change from previous quarter.

Market Overview

The Q2 2026 Puget Sound industrial market continued to show soft demand and rising vacancy. New deliveries outpaced absorption, and slower lease-up, combined with increased direct availability, pushed vacancy to 11.7%. Five speculative projects totaling 1.8 million sq. ft. delivered during the quarter, with no preleasing completed. Net absorption measured negative 377,000 sq. ft., an improvement from negative 476,000 sq. ft. in Q1 2026, but still indicative of demand lagging recent supply additions. The average asking rate in Q2 2026 was $1.15 per sq. ft. per month NNN, essentially unchanged from Q1 2026, but down 3.4% year-over-year. Construction activity continued to slow, with 1.7 million sq. ft. underway, down 61.9% year-over-year.

Performance varied across product types and submarkets. Small-bay space (under 50,000 sq. ft.) in Kent Valley and Tacoma outperformed larger formats, supported by steadier tenant demand. In contrast, vacancy rose with building size—particularly in Tacoma, where mid-bay vacancy (100,000–499,999 sq. ft.) rose to 20.4% and big-box vacancy (500,000+ sq. ft.) remained elevated at 21.7%. Activity was comparatively stable across larger formats in Kent Valley, reflecting more balanced supply-demand dynamics.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



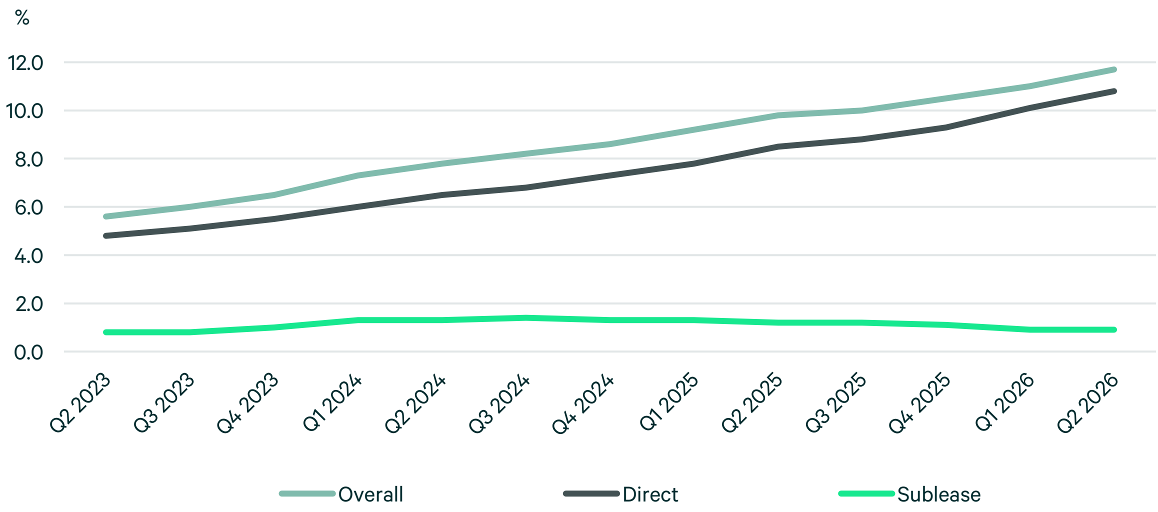
Source: CBRE Research, Q2 2026

Vacancy

The Q2 2026 Puget Sound vacancy rate rose to 11.7%, up 70 basis points from Q1. The Eastside continued to post the lowest vacancy rate at 8.6%, down 40 basis points from 9.0% in Q1. Tacoma recorded the highest vacancy rate at 16.3%, a 180-basis-point increase from 14.5% in the prior quarter. Vacancy also increased in the Northend, rising from 12.6% to 13.5%, and in Kent Valley, climbing from 10.0% to 10.4% Q2 2026.

Overall availability increased to 13.4%, as new supply continued to outpace tenant demand.

Figure 2: Vacancy Rate

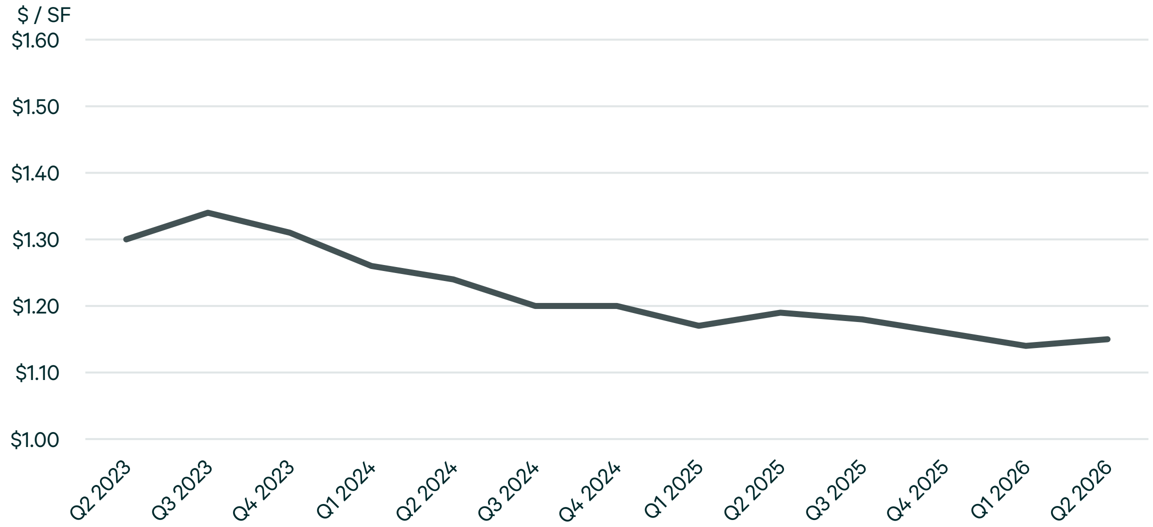


Source: CBRE Research, Q2 2026

Asking Rent

In Q2 2026, the market-wide average asking rent was $1.15 per sq. ft. per month NNN, essentially flat quarter-over-quarter (up less than 1%) and down 3.4% year-over-year. Rates varied significantly by submarket: the Eastside posted the highest average at $2.06 per sq. ft., followed by Seattle Close-In at $1.60, Northend at $1.22, Kent Valley at $1.08, and Tacoma at $0.99. All asking rents are tracked as blended, NNN.

Figure 3: Average Direct Asking Rate (NNN/MTH)



Source: CBRE Research, Q2 2026

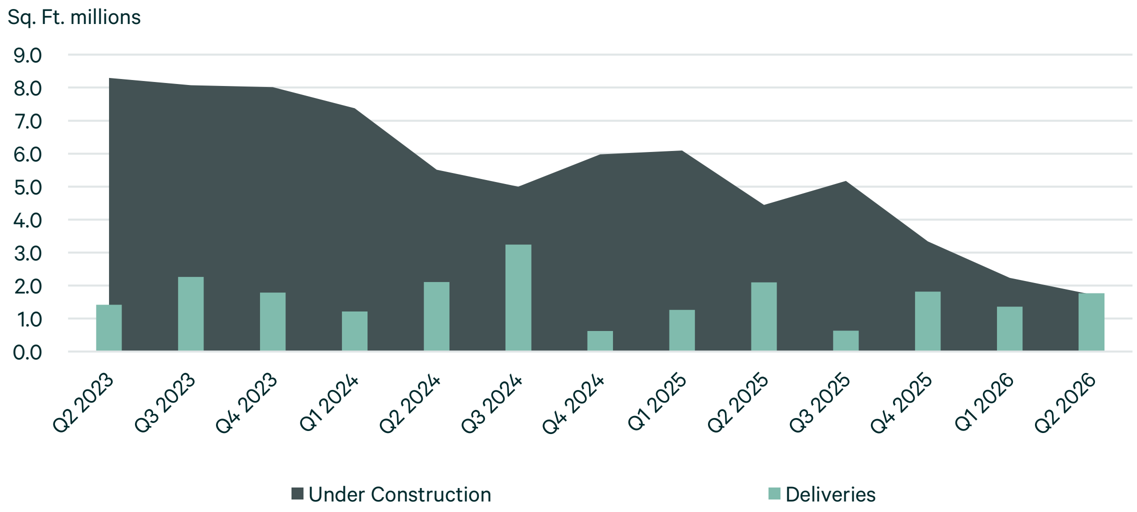
Construction Activity

In Q2 2026, the market recorded 1.7 million sq. ft. under construction and 1.8 million sq. ft. delivered. Quarter-over-quarter, the construction pipeline declined 22.8%, while deliveries increased 29.9%. Year-over-year, space under construction has fallen 61.9%, and deliveries have decreased 15.8%.

Deliveries this quarter were heavily concentrated in the Southend, driven by major completions in the Tacoma submarket, including Kurv Tacoma (previously known as Bridge Point Tacoma 2MM) – Building C (666,000 sq. ft.), Kurv Tacoma – Building D (323,000 sq. ft.), and Canyon Point Industrial Center – Building A (443,000 sq. ft.) in Frederickson. Arlington recorded the next-largest delivery with Northsound Logistics Center totaling 187,000 sq. ft. All speculative projects delivered this quarter were completed vacant, adding directly to available inventory.

Under-construction activity in Q2 2026 was concentrated in Kent Valley, with 1.1 million sq. ft. underway, followed by the Eastside with 357,000 sq. ft. in progress. The remaining 283,500 sq. ft. of product under construction was spread across other submarkets.

Figure 4: Construction Activity



Source: CBRE Research, Q2 2026

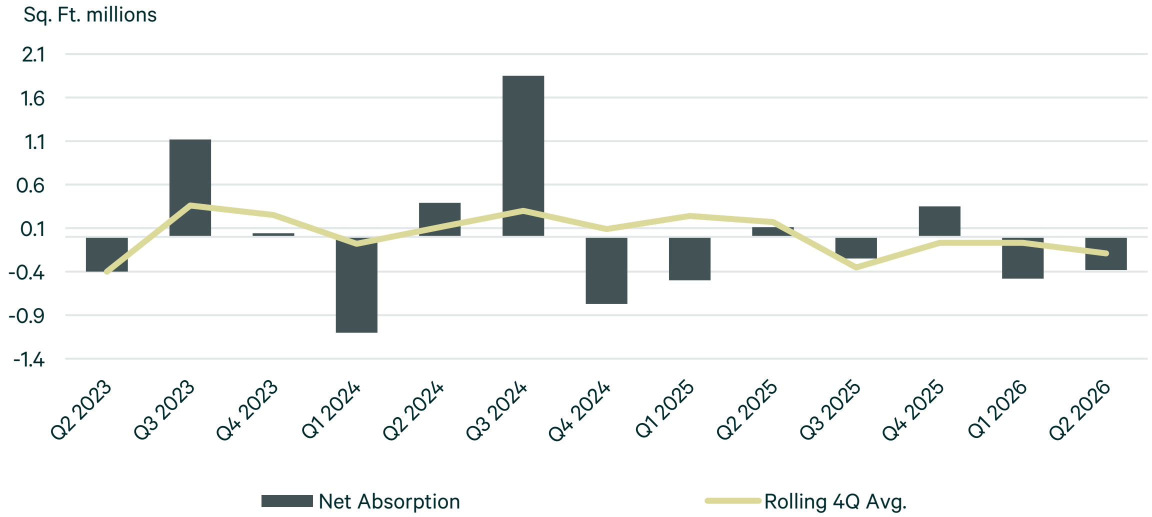
Net Absorption

Net absorption totaled negative 377,000 sq. ft. in Q2 2026, an improvement from negative 476,000 sq. ft. in Q1 2026. The Eastside was the only submarket to post positive net absorption, at 41,000 sq. ft. Kent Valley (-224,000 sq. ft.), Tacoma (-102,000 sq. ft.) and Northend (-52,000 sq. ft.) accounted for the largest negative impact on absorption.

A new-to-market tenant, WareSpace, contributed positively to quarterly absorption by occupying the previously-vacant Renton Distribution Center, following an owner-user acquisition. In contrast, a national coffee company vacated 178,000 sq. ft. in Kent Valley, adding significant negative absorption and further applying pressure on market fundamentals.

Occupier activity continued to center on consolidations and cost-saving strategies, while expansion-driven demand remained limited.

Figure 5: Net Absorption Trend



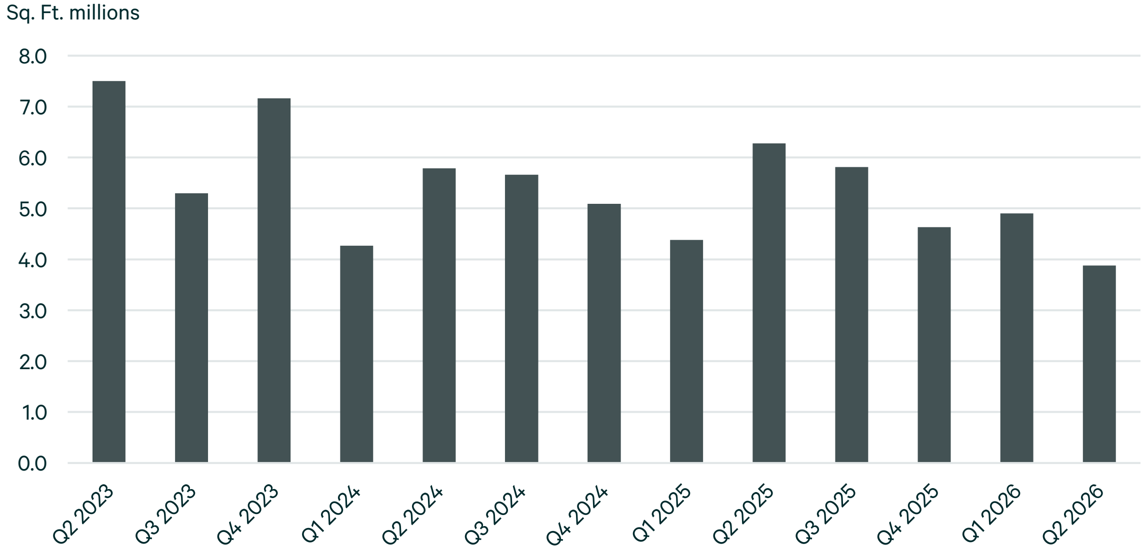
Source: CBRE Research, Q2 2026

Leasing Activity

Puget Sound leasing volume reached 3.9 million sq. ft. in Q2 2026, down 20.3% quarter-over-quarter and 38.1% year-over-year. Activity was primarily renewal-driven, led by equipment manufacturing, general warehousing & storage, and 3PL users, which together accounted for 2.1 million sq. ft. New leasing totaled 1.8 million sq. ft., underscoring the continued imbalance between abundant supply and cautious tenant demand.

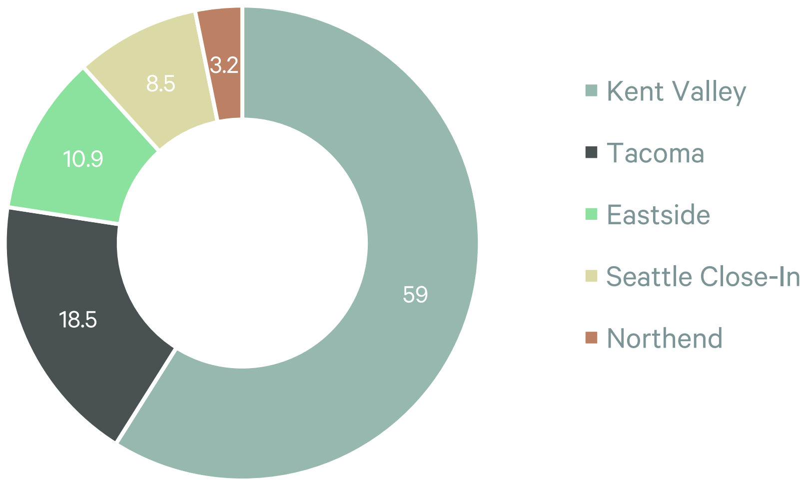
Among submarkets, Kent Valley posted the highest level of new leasing at 943,500 sq. ft., followed by Tacoma at 195,000 sq. ft., indicating that demand is mostly concentrated in the heart of the bulk distribution market. The Eastside recorded 257,000 sq. ft., Seattle Close-In logged 165,000 sq. ft., and the Northend totaled 119,000 sq. ft. Much of this activity stemmed from smaller-space requirements, as larger occupiers remained selective and restrained in their expansion decisions.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

Figure 7: Q2 2026 Leasing Activity by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	273,000	Renewal	1414 Valley Ave NW	Tacoma
American Tire Distributors	126,000	Renewal	521 8th St SW	Kent Valley
Tiger Mountain Services	125,000	Renewal	7030-7050 S 216th St	Kent Valley
Metropolitan Hardwoods	107,000	Renewal	8030-8106 S 216th St	Kent Valley
Hermanson Company	106,000	New Lease	22441 76th Ave S	Kent Valley
Future Foam	105,000	Renewal	19635 78th Ave S	Kent Valley
KL (Krafter's Land Cabinetry)	101,000	New Lease	3324 Lind Ave SW	Kent Valley
Mercer Distribution Services	100,370	Renewal	4179 70th Ave E	Tacoma

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/MTH)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	264.11M	12.9	14.7	13.1	1.6	1.11	(401,000)	(843,000)	1.76M	1.73M
Manufacturing - General	38.21M	2.4	3.2	2.5	0.7	1.49	14,000	27,000	-	-
R&D/Flex	8.11M	17.9	20.6	18.3	2.3	1.91	10,000	(36,000)	-	-
Other Industrial	853,000	-	-	-	-	-	-	-	-	-
Total	**311.28M**	**11.7**	**13.4**	**11.9**	**1.5**	**1.15**	**(377,000)**	**(853,000)**	**1.76M**	**1.73M**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/MTH)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	83.08M	5.7	7.3	6.1	1.1	1.46	(259,000)	(272,000)	-	-
50K-99,999 SF	49.88M	10.1	11.4	10.2	1.2	1.20	130,000	(240,000)	-	355,000
100K-249,999 SF	80.29M	16.3	17.9	16.6	1.3	1.14	(249,000)	(766,000)	331,000	357,000
250K-499,999 SF	51.37M	16.2	20.0	17.7	2.3	1.00	1,000	425,000	767,000	402,000
500K-749,999 SF	19.27M	20.2	21.3	17.2	4.0	1.30	-	-	665,000	612,000
750,000 SF +	27.40M	5.6	4.8	4.5	0.4	1.11	-	-	-	-
Total	**311.28M**	**11.7**	**13.4**	**11.9**	**1.5**	**1.15**	**(377,000)**	**(853,000)**	**1.76M**	**1.73M**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket and District

Figure 11

Submarket/District	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/MTH)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Eastside Total	**24.53M**	**8.6**	**10.7**	**9.3**	**1.4**	**2.06**	**41,000**	**(2,000)**	**-**	**357,000**
Bellevue	2.02M	4.2	4.0	3.2	0.8	2.08	(6,000)	(19,000)	-	-
Bothell	2.66M	13.0	15.1	14.4	0.8	1.89	28,000	101,000	-	-
I-90/Issaquah	2.69M	15.2	21.7	20.2	1.5	2.53	(21,000)	(33,000)	-	357,000
Kirkland	2.32M	3.9	8.4	6.3	2.0	1.95	11,000	18,000	-	-
Marymoor	3.39M	2.4	4.5	2.4	2.1	1.98	34,000	59,000	-	-
Overlake	600,000	16.4	14.7	10.5	4.2	2.40	13,000	16,000	-	-
Willows	3.89M	10.9	13.3	11.0	2.4	1.96	8,000	(123,000)	-	-
Woodinville	6.95M	8.2	8.7	8.2	0.5	1.58	(26,000)	(20,000)	-	-
Kent Valley Total	**138.40M**	**10.4**	**12.6**	**11.1**	**1.5**	**1.08**	**(224,000)**	**(572,000)**	**-**	**1.09M**
Auburn	28.48M	6.4	8.1	7.8	0.4	1.10	(51,000)	(163,000)	-	612,000
Federal Way	4.10M	32.2	32.3	31.3	1.0	1.23	(4,000)	(8,000)	-	-
Kent	49.05M	11.2	13.2	12.1	1.1	1.00	(163,000)	(764,000)	-	72,000
Renton	17.06M	4.1	5.1	3.7	1.3	1.20	123,000	76,000	-	-
Seatac	6.17M	6.9	13.7	12.9	0.8	1.15	4,000	(13,000)	-	402,000
Sumner	21.30M	15.6	19.1	15.5	3.6	1.04	(85,000)	265,000	-	-
Tukwila	12.24M	10.9	12.1	9.9	2.2	1.30	(47,000)	35,000	-	-
Northend Total	**25.71M**	**13.5**	**15.1**	**13.9**	**1.2**	**1.22**	**(52,000)**	**88,000**	**187,000**	**59,000**
Everett	11.37M	10.4	13.4	11.1	2.3	1.23	(28,000)	152,000	-	-

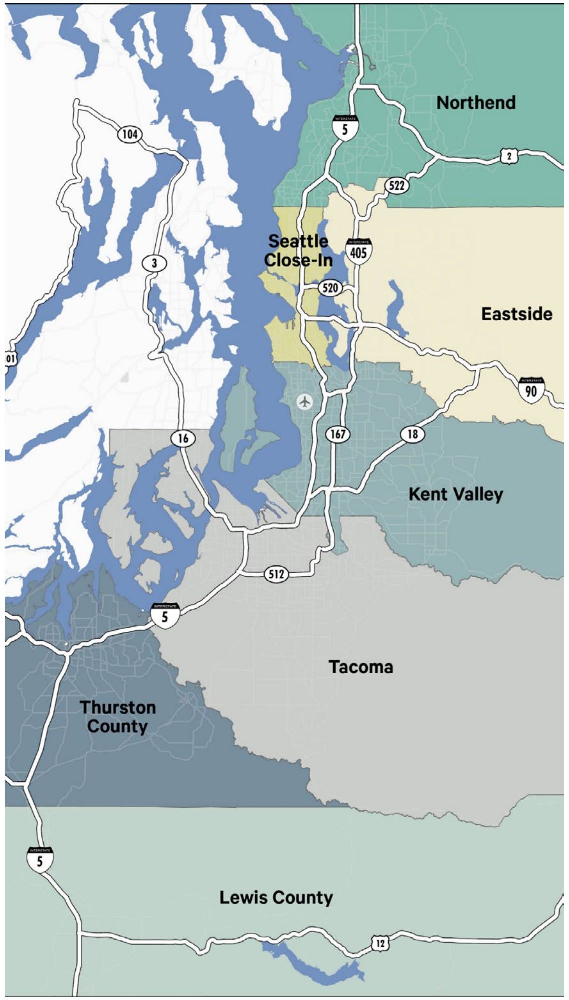
Market Statistics by Submarket and District - Continued

Figure 11

Submarket/District	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/MYH)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Lynn/Ed/Mtlkterr	2.82M	9.8	12.7	12.7	-	1.56	(18,000)	(36,000)	-	-
Monroe	2.04M	6.2	5.2	5.2	-	1.10	(5,000)	(57,000)	-	-
Mukilteo	2.98M	10.3	9.7	8.7	1.0	1.19	(17,000)	10,000	-	-
NO Snohomish CO	6.51M	24.1	24.8	24.6	0.3	1.10	15,000	17,000	187,000	59,000
Seattle Close-In Total	**49.49M**	**9.4**	**11.2**	**10.1**	**1.1**	**1.60**	**(39,000)**	**54,000**	**144,000**	**-**
Capitol Hill/ E Seattle/Rainier	1.68M	7.1	7.7	7.7	-	1.20	(12,000)	(14,000)	-	-
Downtown/Lake Union	2.31M	12.4	8.0	7.9	0.1	1.77	3,000	12,000	-	-
North Seattle/Interbay	7.05M	11.0	12.4	11.4	0.9	1.67	(37,000)	(76,000)	-	-
South/West Seattle	38.45M	9.0	11.4	10.1	1.2	1.58	6,000	133,000	144,000	-
Tacoma Total	**73.15M**	**16.3**	**16.9**	**15.0**	**2.0**	**0.99**	**(102,000)**	**(421,000)**	**1.43M**	**225,000**
DuPont	4.64M	14.8	14.8	14.8	-	0.74	5,000	(212,000)	-	-
Fife	13.45M	12.5	17.4	11.4	6.0	0.92	(42,000)	(97,000)	-	-
Frederickson	16.94M	19.5	12.6	12.0	0.6	0.97	-	-	443,000	-
Gig Harbor	758,000	8.8	8.8	8.8	-	1.10	-	-	-	-
Lakewood	7.39M	12.5	15.0	13.4	1.7	0.91	(38,000)	(78,000)	-	-
Port of Tacoma	12.39M	9.7	13.5	10.9	2.6	0.85	(63,000)	(227,000)	-	-
Puyallup	9.25M	14.5	17.2	16.2	1.0	1.02	45,000	137,000	-	225,000
Tacoma West	8.34M	32.9	33.4	33.4	-	1.16	(9,000)	55,000	988,000	-
Total	**311.28M**	**11.7**	**13.4**	**11.9**	**1.5**	**1.15**	**(377,000)**	**(853,000)**	**1.76M**	**1.73M**

Source: CBRE Research, Q2 2026

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 for built-to-suit buildings, 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 Triple Net Lease Rate: A calculated average weighted by their corresponding available square footage.

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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