

Industrial Market Report

Q1 2021

Puget Sound Industrial Market

Summary

Seattle's industrial market has been one of the most active in the country over the past several years, thanks to a bustling economy and its position as one of the largest ports on the West Coast.

Subsequently, the most active submarkets for development are in proximity to the ports, especially the Port of Tacoma. A slowdown in exports at the ports and financial woes at Boeing are concerning though, especially for landlords of manufacturing-oriented properties.

Despite a busy delivery schedule recently and an onslaught of move-outs in recent quarters, vacancies are still around the market's historical average thanks to high demand for logistics space.

The coronavirus is taking its toll on rent growth, but logistics properties with an e-commerce focus have outperformed. Amazon and other e-commerce companies have been on a leasing tear in the Puget Sound region since the beginning of 2020 and this momentum should continue in the near term.

Investment activity continues to be strong in the Seattle area, as buyers see the market as a sound place to invest. Average pricing has gone up slightly over the past year, but market cap rates remain steady.

Several deals in the first part of 2021 involved well-known institutional investors targeting well-capitalized flex assets in biotech hubs and logistics properties in last-mile locations.

AVAILABILITY	MARKET	NATIONAL INDEX
Market Rent/SF	\$0.94 ↑	\$0.76 ↑
Vacancy Rate	5.7% ↑	5.4% ↓
Vacant SF	19.1M ↑	931 M ↑
Availability Rate	8.0% ↑	7.7% ↑
Available SF	27.5 M ↑	1.4 B ↑
Sublet SF	2.2 M ↑	85.6 M ↓
Months on Market	6.6	8.5

DEMAND	MARKET	NATIONAL INDEX
12 Mo Net Absorption SF	746 K ↓	272 M ↑
6 Mo Leasing Probability	41.1%	42.7%

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	8,642 ↑	461,872 ↑
Inventory SF	335 M ↑	17.3 B ↑
Average Building SF	38.8 K ↑	37.4 K ↑
Under Construction SF	7.4 M ↑	383 M ↑
12 Mo Delivered SF	5.1 M ↓	309 M ↑

SALES	MARKET	NATIONAL INDEX
12 Mo Transactions	376 ↓	20,384 ↓
Market Sale Price/SF	\$188 ↑	\$115 ↑
Average Market Sale Price	\$7.5 M ↑	\$4.4 M ↑
12 Mo Sales Volume	\$2.6 B ↓	\$68.4 B ↓
Market Cap Rate	5.1% ↓	6.6% ↓