

# Industrial Market Report

Q3 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 lively 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 previous quarters, vacancies are beginning to decrease dramatically 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 continues to increase as cap rates slowly creep down.

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	\$0.99 ↑	\$0.79 ↑
Vacancy Rate	4.6% ↓	4.6% ↓
Vacant SF	15.5M ↓	801 M ↓
Availability Rate	6.7% ↓	7.1% ↓
Available SF	23.2 M ↓	1.3 B ↓
Sublet SF	1.7 M ↓	70.2 M ↓
Months on Market	6.3 ↓	8.5

DEMAND	MARKET	NATIONAL INDEX
12 Mo Net Absorption SF	5.4 M ↑	452 M ↑
6 Mo Leasing Probability	41.4% ↑	42.9% ↑

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	8,671 ↑	464,338 ↑
Inventory SF	336 M ↑	17.5 B ↑
Average Building SF	38.8 K ↑	37.6 K ↑
Under Construction SF	10.2 M ↑	454 M ↑
12 Mo Delivered SF	3.9 M ↓	313 M ↑

SALES	MARKET	NATIONAL INDEX
12 Mo Transactions	507 ↑	24,509 ↑
Market Sale Price/SF	\$203 ↑	\$124 ↑
Average Market Sale Price	\$8.1 M ↑	\$4.8 M ↑
12 Mo Sales Volume	\$3.4 B ↑	\$491.1 B ↑
Market Cap Rate	5.0% ↓	6.5% ↓

# Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	218,351,391	5.4%	\$10.80	8.0%	(96,072)	0	9,434,852
Specialized Industrial	87,038,321	2.4%	\$12.01	3.1%	(11,424)	0	565,405
Flex	31,053,307	5.4%	\$20.12	7.2%	(13,340)	0	171,000
<b>Market</b>	<b>6,443,019</b>	<b>4.6%</b>	<b>\$11.95</b>	<b>6.7%</b>	<b>(97,988)</b>	<b>0</b>	<b>10,171,257</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.8%	6.0%	4.7%	9.5%	2003 Q2	2.8%	2017 Q4
Net Absorption SF	5.4 M	2,452,832	6,168,452	8,234,202	2007 Q1	(6,419,993)	2009 Q4
Deliveries SF	3.9 M	3,717,197	7,403,139	7,221,189	2007 Q1	137,296	2012 Q1
Rent Growth	6.7%	3.3%	4.9%	8.0%	2017 Q1	(-2.5%)	2002 Q3
Sales Volume	\$3.4 B	\$1.2 B	N/A	\$3.3 B	2021 Q3	\$211.8 M	2010 Q2

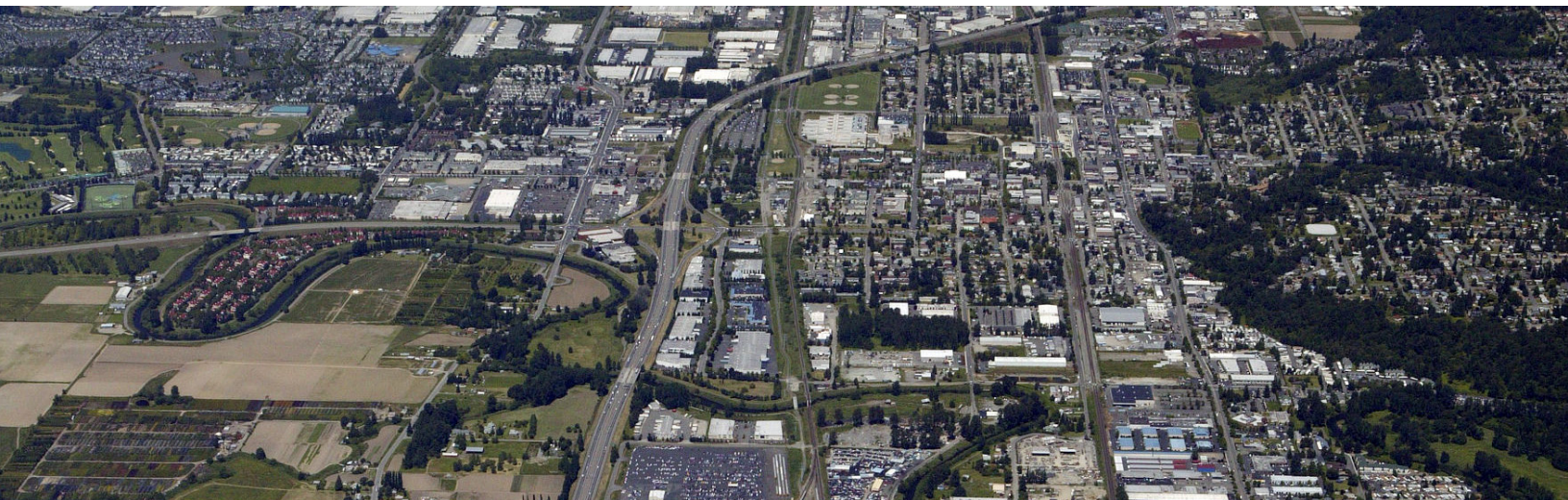
Strong local consumption and regional trade with Asia have helped keep industrial demand strong in the Seattle area over the past decade. Average annual net absorption over the past 10 years is 3.5 million SF, trumped by the trailing year net absorption of 5.4 M SF.

Much of the slowdown was due to move-outs at non-logistics properties: Flex properties had net absorption of 49,000 SF over the past year, while specialized properties had net absorption of 560,000 SF.

A slowdown in trade activity and a downturn caused by the coronavirus will add a layer of risk in non-logistics assets in the near term. Additionally, Boeing's financial woes and decision to consolidate 787 production in South Carolina will have an adverse impact on exports, and thus specialized and flex assets in and around Everett. The aerospace giant has stated it will be fully relocated to South Carolina by the end of 2022, along with minimizing their real estate footprint by 30%.

Net absorption in logistics properties was 4.8 million SF over the past year, thanks to e-commerce and logistics players taking large blocks of space. The logistics vacancy rate stands at 6%, but much of it is supply-driven as an onslaught of new properties has added pressure over the past two years.

A swollen pipeline of logistics properties will add supply pressure in the near term too. Nearly all of the space under construction is still available for lease as of 21Q3, and most of it is logistics space concentrated in last-mile distribution hubs throughout Snohomish, South King and Pierce counties.



# Andover Top Deals

## Major New Lease Transactions Signed in the Last 12 Months

Tenant	Total SF	Office SF	Building	City	Deal Date
SW Plumbing	36,123	-	South Lind Square	Renton	02/01/2021
Crescent Sheet Metal	9,000	-	Park 26	Auburn	05/01/2021
Indo Projects	8,445	1,000	Everett Warehouse	Everett	10/15/2021
Doordash Essentials, LLC	8,000	800	M-3 Business Park	Tukwila	07/01/2021
River Barrel Distributing, LLC	7,800	759	Northwest Corporate Park	Kent	11/01/2021
FlatIron West	7,070	-	Renton Plaza	Renton	03/01/2021
Central WA Eye Clinic	6,685	-	South Lind Square	Renton	04/01/2021
Pro Flooring, LLC	6,000	800	Upland Drive Building	Tukwila	10/01/2021
Phenom Fitness Dist., LLC	4,203	-	345 Andover Park E	Tukwila	09/01/2021
Cuckoo Rental America, LLC	2,529	600	Campus Park	Federal Way	09/15/2021

## Major New Sale Transactions Signed in the Last 12 Months

Buyer	Seller	SF	Address	City	Price
SGM, LLC	Oliver 37th St, LLC	44,295	49 37th St NW	Auburn	\$8,400,00
N & H Holdings, LLC	AKA Investments, LLC	9,800	327 Williams Ave S	Renton	\$1,600,000

# Andover Top Availabilities

Property	Address	City	Total SF	Office SF	Loading	Broker(s)
Kent West Corporate Park - Ste 6531	6531 S 219th St	Kent	47,025	3,170	1 GL, 21 DH	Brian Bruininks, CCIM Shane Mahvi
21 S Nevada St	21 S Nevada St	Seattle	39,900	3,507	3 GL, 6 DH	Bruce Clarkson
West Valley @ South 196th - Ste 100	6840 S 196th St	Kent	22,654	1,462	1 GL, 10 DH	George Rockwell, SIOR
South Lind Square - Bldg B	4150-4170 Lind Ave S	Renton	14,074	8,979	1 GL, -	Jim Bisset Mike Hemphill
West Park Corporate Campus - Bldg D	232 C St NW	Auburn	5,991	1,138	1 GL, 1 DH	Arne Svendsen
Occidental Business Park - Bldg 3	2454 Occidental Ave S	Seattle	3,951	3,201	-	George Rockwell, SIOR
327 Williams Ave S	327 Williams Ave S	Renton	3,610	1,720	-	Brian Bruininks, CCIM Shane Mahvi
Windermere Plaza - Ste 204	13106 SE 240th St	Kent	904	-	-	Mike Hemphill Jeff Crane

900 SW 16th St, Ste 100 | Renton, WA 98057 | (206) 244-0770 | [www.andoverco.com](http://www.andoverco.com)

The information contained herein has been obtained from reliable sources, but is not guaranteed. A prospective buyer/tenant should verify each item relating to this property and all information contained herein.





# Our Team

## BROKERS

**Dave Baumer**  
Principal  
(206) 948-8779  
dbaumer@andoverco.com

**Jim Bisset**  
Principal  
(206) 336-5334  
jbisset@andoverco.com

**Brian Bruininks, CCIM**  
Principal  
(206) 336-5324  
bbuininks@andoverco.com

**Bruce Clarkson**  
Principal  
(206) 336-5332  
bclarkson@andoverco.com

**Jeff Crane**  
Principal  
(206) 336-5336  
jcrane@andoverco.com

**Shane Crook**  
Vice President  
(206) 336-5330  
scrook@andoverco.com

**Dave Dunn, CCIM**  
Vice President  
(206) 336-5326  
dduun@andoverco.com

**Mike Ewing**  
Vice President  
(206) 595-2103  
mewing@andoverco.com

**Mike Hemphill**  
Principal  
(206) 550-4176  
mhempfill@andoverco.com

**Shane Mahvi**  
Senior Associate  
(206) 336-5338  
smahvi@andoverco.com

**Jake Monroe**  
Senior Associate  
(206) 357-5482  
jmonroe@andoverco.com

**Richard Raiford**  
Senior Associate  
(206) 357-5486  
rraiford@andoverco.com

**George Rockwell, SIOR**  
Principal  
(206) 679-7625  
grockwell@andoverco.com

**Arne Svendsen**  
Vice President  
(206) 947-2885  
asvendsen@andoverco.com

## SUPPORT

**Leslie Harper**  
Office Manager/Receptionist  
(206) 244-0770  
lharper@andoverco.com

**Lisa Whiting**  
Accountant  
(206) 244-0770  
lwhiting@andoverco.com

**Alitia Blakley**  
Marketing & Communications  
Manager  
(206) 336-5335  
ablakley@andoverco.com

## ASSET MANAGEMENT

**Corey Barr**  
Director of Asset Services  
(206) 244-4200  
cbarr@andoverco.com

**Christine Shaddy**  
Property Assistant  
(206) 244-4200  
cshaddy@andoverco.com

900 SW 16th St, Ste 100 | Renton, WA 98057 | (206) 244-0770  
[www.andoverco.com](http://www.andoverco.com)

*The information contained herein has been obtained from reliable sources, but is not guaranteed. A prospective buyer/tenant should verify each item relating to this property and all information contained herein.*

