

# Industrial Market Report

Q4 2022

## 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 historically low and mirroring the national trends of steadily decreasing vacancy rates. Rents hit a record high at the end of 2021, despite taking a dip the previous year. With high demand, especially in logistics space, vacancies should remain tight and rents will most likely continue increasing. 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	\$1.02 ↑	\$0.81 ↑
Vacancy Rate	4.4% ↓	4.3% ↓
Vacant SF	15 M ↓	750 M ↓
Availability Rate	5.9% ↓	6.8% ↓
Available SF	20.5 M ↓	1.2 B ↓
Sublet SF	1.6 M ↓	62 M ↓
Months on Market	6. ↓	8.4 ↓

DEMAND	MARKET	NATIONAL INDEX
12 Mo Net Absorption SF	7 M ↑	488 M ↑
6 Mo Leasing Probability	41.6% ↑	43.1% ↑

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	8,686 ↑	465,332 ↑
Inventory SF	339 M ↑	17.5 B ↑
Average Building SF	39.1 K ↑	37.7 K ↑
Under Construction SF	8.7 M ↓	504 M ↑
12 Mo Delivered SF	6 M ↑	307 M ↓

SALES	MARKET	NATIONAL INDEX
12 Mo Transactions	467 ↓	25,377 ↑
Market Sale Price/SF	\$217 ↑	\$130 ↑
Average Market Sale Price	\$8.6 M ↑	\$5 M ↑
12 Mo Sales Volume	\$3.2 B ↓	\$102 B ↓
Market Cap Rate	4.9% ↓	6.4% ↓

# Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	221,084,332	5.2%	\$11.29	6.9%	(336,539)	0	8,236,507
Specialized Industrial	87,077,898	2.2%	\$11.86	2.9%	(48,402)	0	242,707
Flex	31,027,791	5.4%	\$20.77	7.0%	(30,159)	0	171,000
<b>Market</b>	<b>339,190,021</b>	<b>4.4%</b>	<b>\$12.28</b>	<b>5.9%</b>	<b>(415,100)</b>	<b>0</b>	<b>8,650,214</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.7%	6.0%	4.3%	9.4%	2003 Q2	2.8%	2017 Q4
Net Absorption SF	7 M	2,544,789	6,492,203	8,198,161	2007 Q1	(6,418,728)	2009 Q4
Deliveries SF	6 M	3,782,022	7,783,042	7,221,219	2007 Q1	137,296	2012 Q1
Rent Growth	7.8%	3.4%	5.4%	8.7%	2017 Q1	(-2.5%)	2002 Q3
Sales Volume	\$3.2 B	\$1.2 B	N/A	\$3.3 B	2021 Q3	\$211.8 M	2010 Q2

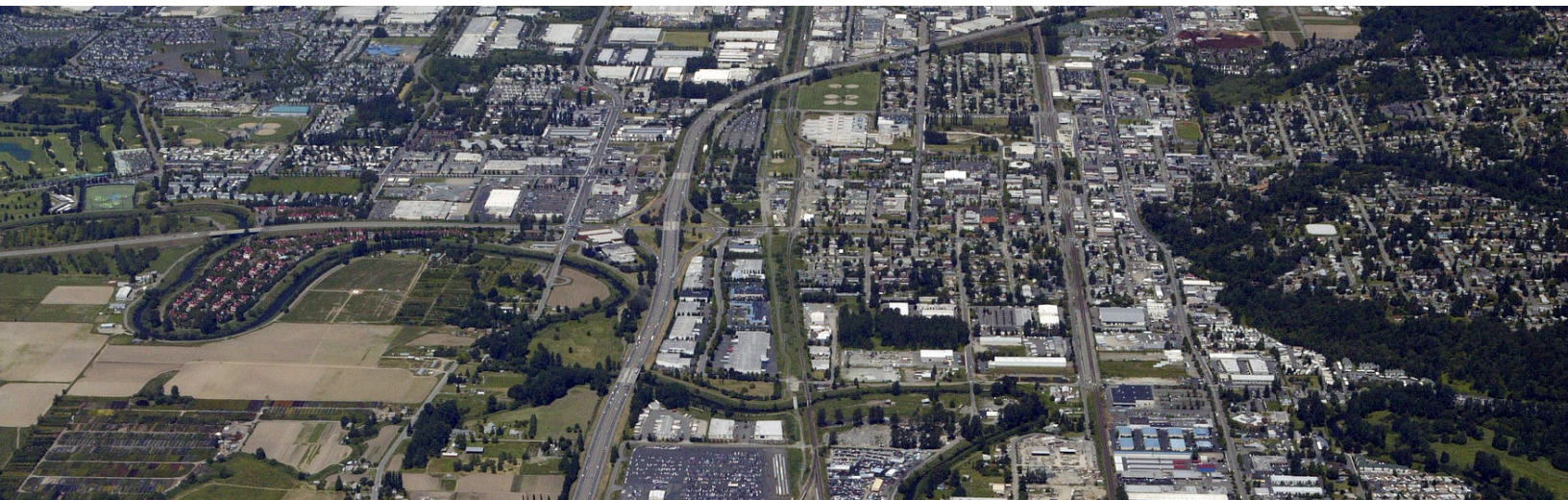
Strong local consumption and regional trade with Asia have helped keep industrial demand strong in the Seattle area over the past decade. Average annual net absorption over the past 10 years is 3.7 million SF, which was trumped by the trailing year net absorption of 7 M SF.

Demand for non-logistics properties has shifted due to the pandemic: Flex properties had net absorption of 140,000 SF over the past year, while specialized properties had net absorption of 1.1 Million 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/Renton. 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 5.8 million SF over the past year, thanks to e-commerce and logistics players taking large blocks of space. The logistics vacancy rate stands at 4.4%, in line with the national benchmark.

The readily available land in southern Puget Sound has drawn developers and logistics tenants to set up shop down there. Cheaper land/rates around Tacoma, Fife, Dupont, Spanaway, etc. offer access to the necessary ports for a better price. Net absorption has been the highest here in the recent quarters, involving many large warehouse leases.



# Andover Top Deals

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

Tenant	Total SF	Office SF	Building	City	Deal Date
UPS	120,094	-	Roffe Building	Tukwila	
Pacific Aero Tech, LLC	38,631	-	ACI Qwest Building	Kent	
DBA First Mode	18,579	-	Occidental Business Park	Seattle	
Galaxy WA LLC, DBA	16,809	-	North Valley Business Park	Tukwila	
Seattle Gummy	14,074	-	South Lind Square	Renton	
Topcon Solutions	13,401	-	Centerpointe Business Park	Kent	
IDS Online Corp.	12,029	-	Sea King Industrial Park	Seattle	
Senske inc.	12,000	-	Jenco Industrial Park	Lakewood	
Imagenet, LLC	11,154	-	Landing Center, Bldg B	Kent	
Nippon Dynawave Packing Co.	5,934	-	East Campus Corp. Park	Federal Way	

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

Buyer	Seller	SF	Address	City	Price
Kraken Rink Link	Trismegistus Investments	7,168	700 M St NE	Auburn	\$

# Andover Top Availabilities

Property	Address	City	Total SF	Office SF	Loading	Broker(s)
3001 Bennet Rd	3001 Bennet Rd	Centralia	226,076 SF	-	-	Jeff Crane Jack Crane
Kent West Corporate Park - Ste 6531	6531 S 219th St	Kent	47,025	3,170	1 GL, 21 DH	Brian Bruininks, CCIM Shane Mahvi
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



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