

Industrial Market Report

Q1 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 close proximity to the ports, especially the Port of Tacoma.

Driven by consumer demand and shifts in the supply chain, absorption reached record highs in the past year. Vacancies are historically low and mirroring the national trends. Rent and rent growth hit record highs into the early stages of 2022. 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 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. Sales volume peaked in 2021 and pricing has continued to rise.

Developers have been creeping away from city cores, chasing less expensive land in the Pierce County areas.

AVAILABILITY	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.07 ↑	\$0.85 ↑
Vacancy Rate	4.1% ↓	4.1% ↓
Vacant SF	14.1M ↓	725 M ↓
Availability Rate	5.7% ↓	6.6% ↓
Available SF	20 M ↓	1.2 B ↓
Sublet SF	1.9 M ↑	61.8 M ↓
Months on Market	5.1 ↓	6.9 ↓

DEMAND	MARKET	NATIONAL INDEX
12 Mo Net Absorption SF	7.7 M ↑	507 M ↑
6 Mo Leasing Probability	41.9% ↑	43.3% ↑

INVENTORY	MARKET	NATIONAL INDEX
Existing Buildings	8,707 ↑	466,871 ↑
Inventory SF	341 M ↑	17.7 B ↑
Average Building SF	39.2 K ↑	37.9 K ↑
Under Construction SF	8.5 M ↑	583 M ↑
12 Mo Delivered SF	6.2 M ↓	348 M ↑

SALES	MARKET	NATIONAL INDEX
12 Mo Transactions	433 ↑	27,989 ↑
Market Sale Price/SF	\$234 ↑	\$141 ↑
Average Market Sale Price	\$9.3 M ↑	\$5.5 M ↑
12 Mo Sales Volume	\$2.8 B ↑	\$124 B ↑
Market Cap Rate	4.7% ↓	6.1% ↓

Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	223,408,110	4.7%	\$11.87	6.4%	(118,511)	0	8,162,026
Specialized Industrial	86,525,915	2.0%	\$12.32	3.4%	(224,490)	57,207	185,500
Flex	30,959,171	5.8%	\$21.70	7.1%	(72,905)	0	126,000
Market	340,893,196	4.1%	\$12.85	5.7%	(415,906)	57,207	8,473,526

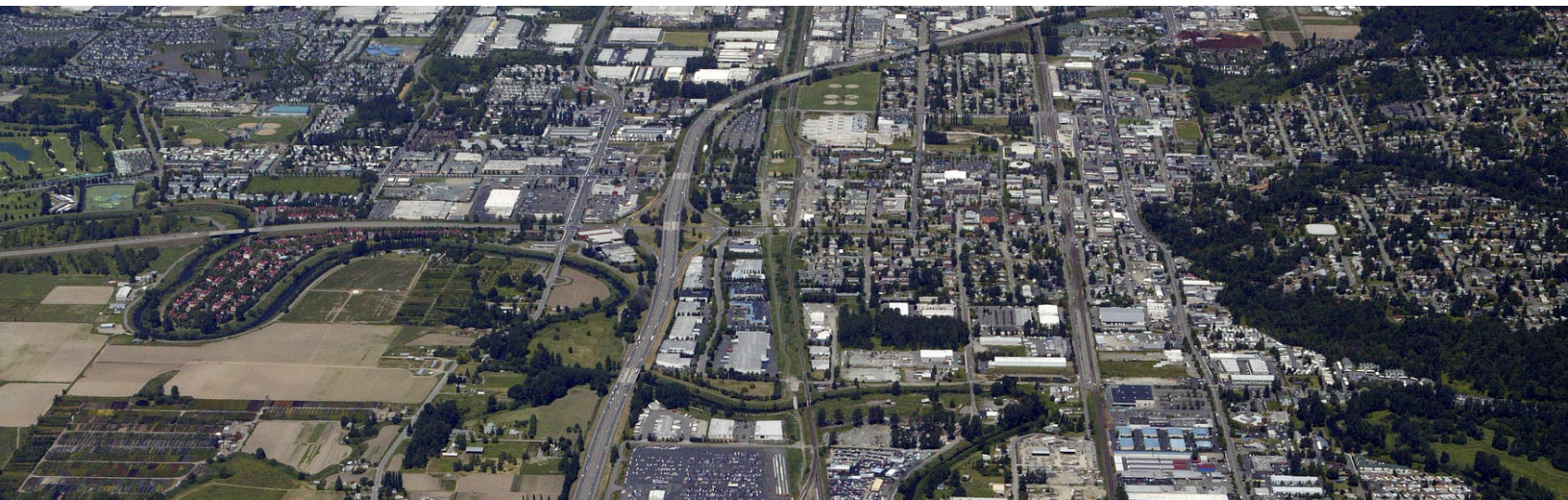
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.8%	5.9%	4.6%	9.4%	2003 Q2	2.8%	2017 Q4
Net Absorption SF	7.7 M	2,645,550	5,647,517	8,276,654	2007 Q1	(6,430,179)	2009 Q4
Deliveries SF	6.2 M	3,840,099	7,261,771	7,326,314	2007 Q1	137,296	2012 Q1
Rent Growth	10.4%	3.6%	5.3%	10.6%	2022 Q1	(-2.5%)	2002 Q3
Sales Volume	\$2.8 B	\$1.2 B	N/A	\$3.4 B	2021 Q3	\$211.8 M	2010 Q2

Demand for industrial space remains strong in 2022, as demonstrated by a record setting 23M SF of leases being signed in 2021. Trailin year net absorption figure over the past 10 years of 3.9M SF.

Logistics space has driven much of the recent surge in demand. During the past year, logistics space has seen 7.1M SF of absorption, while flex properties had net absorptions of - 91,000 SF, and specialized properties saw 690,000 SF of absorption.

There are potential headwinds in the future. Rising interest rates and unwinding of the federal stimulus could cause consumer demand to flow down. The vacancy rate sits at 4.1% 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
Football Northwest	36,123	1,251	Kent West Corporate Park	Kent	04/01/2022
Synergy Contractors Group	26,821	2,750	8825 & 8835 S 228th St	Kent	04/01/2021
Unique Motors Seattle, LLC	14,100	-	Ross Commercial Building	Kent	03/01/2022
Air Sea America	13,506	2,770	West Park Corporate Campus	Auburn	04/01/2022
Leaf Guard Northwest, Inc.	13,305	4,000	Development Park, Bldg 6	Kent	01/01/2022
Speed Trans, LLC	13,280	-	Former Peterbilt Site	Fife	05/01/2022
IDS Online Corp.	12,029	1,859	Sea King Industrial Park	Seattle	12/01/2021
EIS Intermediate Holdings, LLC	12,100	1,599	Riverbend Commerce Center	Kent	03/01/2022
Vertex Companies, Inc.	12,000	849	Upland Distribution Center	Tukwila	02/01/2022
Level 52 Studios, LLC	8,337	6,131	Cedar River Corporate Park	Renton	04/01/2022

Major New Sale Transactions Signed in the Last 12 Months

Buyer	Seller	SF	Address	City	Price
RB Investments, LLC	-	157,251	2600 Commercial Blvd	Centralia	\$1,150,000.00
Hudesman Tigard, LLC	GCB Nevada St Properties, LLC	39,000	21 S Nevada St	Seattle	\$10,475,000.00
Sunrise Development	Kent Development Co	35,705	22638/22620 85th PI S	Kent	\$4,340,000.00

Andover Top Availabilities

Property	Address	City	Total SF	Office SF	Loading	Broker(s)
1501 W Rose St	1501 W Rose St	Union Gap	31,500	1,500	CH: 21'-24'	Jeff Crane Jack Crane
NorPlex North Bldg	111 3rd St NW	Auburn	19,280	1,920	DH:3, CH: 18'	Bruce Clarkson
Van Doren's Landing Center Bldg D	22627 68th Ave S	Kent	11,896	8,521	DH: 1, GL:1, CH: 18'	Brian Bruininks, CCIM Shane Mahvi
Federal Way Corporate Center	34210 9th Ave S	Federal Way	8,224	1,873	DH: 1, GL: 2 CH: 24'	Jeff Crane, Jack Crane, Brian Bruininks, CCIM

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