

Industrial Market Report

Q4 2023

Puget Sound Industrial Market

Summary

Since the end of 2022, the Seattle/Puget Sound industrial market has seen absorption at -3.1 million SF, one of its worst performances in more than a decade. Tenants are giving space back and more construction projects are being delivered without signed leases. Availability rate is at 8.8%, a high since 2013, and up from 5.5% since the start of 2022.

Due to lower tenant demand, rent growth has slowed from a 10% peak in 2022 to a current 6.9% which is more along the lines of the historic average. Concessions are on the rise to incentivize tenants, with some noticeable differences throughout size ranges. Demand for smaller industrial space remains strong as always, but above the 30,000 SF range, landlords are becoming very aggressive to get their spaces leased.

The southern Puget Sound areas are still experiencing the most demand for large-scale leases. Boeing took down 2 million square feet of space in 2023, along with GE Appliance, Harbor Freight Tools, and Floor & Décor who signed 400,000+ SF leases.

While sales volume is still down, there has been an increase in owner-user properties for sale in the Puget Sound market. Because interest rates are still high, investment sales are hard to come by. Owner-user sales will most likely always result in a higher sales price than an investment sale anyways, since they are not bound by financial returns. Even though sales prices are high, it still might make sense to purchase after you're forced to look at leasing rates that sometimes don't seem to make feasible sense these days.

AVAILABILITY	QUARTER 4 - 2023		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.23 ↑	\$0.99 ↑	\$1.13	\$0.92
Vacancy Rate	6.7% ↑	5.8% ↑	4.2%	4.1%
Month on Market	7 ↑	6 ↑	6.5	5.7

INVENTORY	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	355 M ↑	18.8 B ↑	346 M	18.1 B

SALES	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$246 ↑	\$151 ↑	\$249	\$157

Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
Logistics	240,571,628 ↑	7.9% ↑	\$1.16/SF ↑	10.3%
Specialized Industrial	85,930,044 ↑	4.1% ↑	\$1.17/SF ↓	4.2% ↓
Flex	29,214,408 ↓	7.1% ↓	\$1.95/SF ↓	9.6% ↓
Market	355,716,080 ↑	6.9% ↑	\$1.23/SF ↓	8.8%

Puget Sound Office Market

Summary

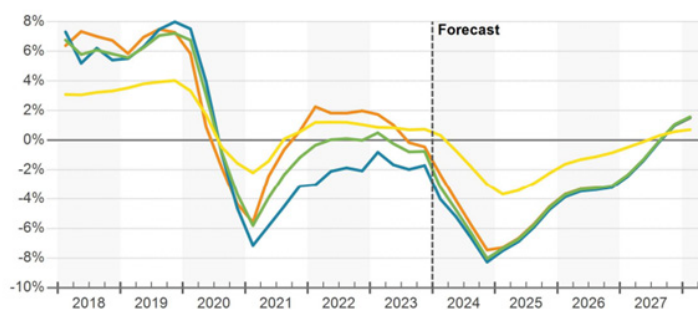
The Seattle office market is currently in its largest downturn in more than 40 years. In the previous 12 months, occupancy has dropped by over 4 million SF which is the largest one-year drop ever. Seattle also has a higher vulnerability to vacating offices because of how tech-heavy the market is. Large layoffs and space reductions have largely impacted Seattle and are now creeping into Bellevue.

With Microsoft, T-Mobile, and Boeing relocating out of Bellevue, more than 40% of that market is now vacant. Due to the continued decrease in tenant demand and increasing vacancy rates, the office sector continues to lend itself to a tenant's market. There is an opportunity to negotiate steep declines in rental rates, along with an unusually large number of concessions. A large opportunity lies within sublease space in the downtown cores. With large companies attempting to shed space, tenants have the opportunity to get better deals here than in the smaller suburban markets.

Office sales have been almost non-existent, unless you count the couple of complexes that have been reclaimed by lenders. Prices continue to plummet each quarter and there is currently no clear opinion of value for most product. As rates begin to stabilize throughout 2024, more trades will likely take place and normalize the sector.

	QUARTER 4 - 2023		12 MONTHS AGO	
AVAILABILITY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$37.66 ↓	\$35.22 ↑	\$38.61	\$35.17
Vacancy Rate	14.4% ↑	13.7% ↑	10.8%	12.7%
Month on Market	13.3 ↓	13.9 ↑	11.5	13.9
INVENTORY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	232 M ↑	8.4 B	227 M	8.3 B
SALES	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$432 ↓	\$290 ↓	\$514	\$338

MARKET ASKING RENT GROWTH (YOY)



Office Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
4 & 5 Star	102,100,160 ↑	18.1% ↑	\$42.77/SF ↑	23.0% ↓
3 Star	81,023,390 ↑	14.2% ↑	\$34.36/SF ↓	16.3% ↑
1 & 2 Star	49,393,541 ↓	6.9% ↑	\$30.01/SF ↓	8.0% ↑
Market	232,517,091 ↑	14.3% ↑	\$37.35/SF ↓	17.70% ↑