

# Industrial Market Report

## Q4 2024

# Puget Sound Industrial Market

## Summary

The Puget Sound market is currently in its worst recessionary contraction in demand since the Great Recession in 2007. Negative absorption, combined with around 5.8 million SF of new construction being delivered over the last 12 months, vacancy rates continue to rise, currently sitting at 8.0%. With move-outs slowing, peak vacancy and availability rate is potentially in sight as we've seen these levels remain somewhat similar and flat over the last 3 quarters.

Despite high construction costs and low tenant demand, developers are still trudging through projects, specifically within the Parkland/Spanaway submarkets with around 1.4 million SF currently under construction as of the end of 2024. These development projects remain consistent with building large-box buildings over 100,000 SF.

Pressure from added vacancy rates and reduced demand have put pressure on rental growth and we even saw a small rent reduction in the last half of 2024.

Rents will most likely continue to fall slightly throughout 2025 or until vacancy reaches a more historical average number of around 5%. While some landlords are dropping rents in hopes to attract tenants, other landlords are holding strong but offering heavy rental concessions as to offset moving costs and set up time. Regardless, it remains a tenant friendly market for lease negotiations. The demand for small-bay industrial product continues to remain steady, still dominating as one of the Puget Sound's strongest sectors of the industrial market. Demand and vacancy rates have remained similar over the last 12 months. The explanation for this could be that not many developers are making this kind of product anymore simply due to the cost of constructing sub 5,000 SF spaces.

AVAILABILITY	QUARTER 4 - 2023		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.21 ↑	\$1.01 ↑	\$1.23 ↑	\$0.99 ↑
Vacancy Rate	8%	7.0% ↑	6.7% ↑	5.8% ↑
Month on Market	8.3 ↑	6.9 ↑	7.0 ↑	6.0 ↑

INVENTORY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
	Inventory SF	363 M ↑	19.3 B ↑	355 M ↑

SALES	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
	Market Sale Price/SF	\$235 ↓	\$153 ↑	\$246 ↓

# Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
Logistics	247,828,714 ↑	9.2% ↑	\$1.14/SF ↑	13.1% ↑
Specialized Industrial	86,096,870 ↓	4.5% ↓	\$1.17/SF ↑	4.5% ↓
Flex	29,440,258 ↑	8.4% ↑	\$1.91/SF	10.6% ↓
<b>Market</b>	<b>363,365,842 ↑</b>	<b>8.0%</b>	<b>\$1.21/SF ↑</b>	<b>10.9% ↑</b>

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# Puget Sound Office Market

## Summary

Despite Seattle being in the middle of its worst downturn in more than 40 years, last year we saw the office market have its best performance since 2021. The volume of new leases was at its highest in three years, with tenants committing to around 8 million SF, an uptick of 15% from the year prior. Several tech firms committed to large amounts of space in downtown Bellevue, and Apple has signed a long-anticipated lease in the South Lake Union neighborhood.

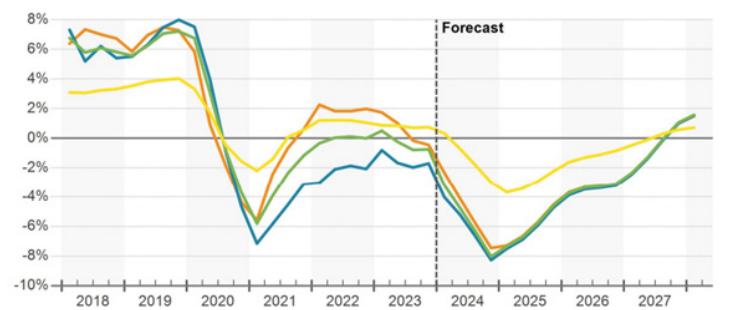
Vacancy rate should remain somewhat consistent throughout 2025, topping out somewhere around 17%. New construction hasn't had much of an impact on vacancy rates since most of these buildings have been released or is designed for an owner-user. Most new construction has been focused on Seattle's eastside markets rather than in the downtown core.

With Seattle being a very tech job heavy market, many people have the ability to work remote or on a hybrid level, leaving Seattle more vulnerable to office demand fluctuations than the rest of the national average.

Office sales increased dramatically in 2024 compared to where the market was a year prior, with a yearly total of about \$1.5 billion in trades. Without the ability to push rental rates and increase NOIs, institutions have taken a backseat on office trades, only accounting for about 10% of sales in 2024. Owner-users have become more dominant, with groups like King County purchasing the 389,000 SF Dexter Horton Building, or Alaska Airlines purchasing the 600,000 SF North Building at Longacres.

AVAILABILITY	QUARTER 4 - 2023		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$37.04 ↑	\$35.91 ↑	\$37.66	\$35.22
Vacancy Rate	16.3% ↑	14.0% ↑	14.4%	13.7%
Month on Market	14.6 ↑	14.4 ↑	13.3	13.9
INVENTORY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
	Inventory SF	237 M ↓	8.5 B	232 M
SALES	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
	Market Sale Price/SF	\$379 ↓	\$259 ↓	\$432

MARKET ASKING RENT GROWTH (YOY)



## Office Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
4 & 5 Star	8,592,137 ↑	23.8% ↑	\$42.86/SF ↑	26.5% ↑
3 Star	99,805,578 ↓	14.3% ↑	\$35.24/SF ↑	14.9% ↑
1 & 2 Star	48,836,793 ↓	7.0% ↑	\$29.53/SF ↓	7.8%
<b>Market</b>	<b>237,234,508 ↓</b>	<b>16.3% ↑</b>	<b>\$36.81/SF ↓</b>	<b>17.9% ↑</b>