

# Industrial Market Report

## Q1 2025

# Puget Sound Industrial Market

## Summary

The Puget Sound market is coming out of the worst recessionary contraction in demand since the Great Recession in 2007. As vacancy rates have been steadily rising since the end of 2023, peak vacancy may finally be in sight. Four quarters ago, vacancy was at 7.3% compared to sitting at 8.0% today, which won't be helped by the 5.5 million SF of industrial space that is currently under construction and expected to finish within the next 24 months.

Pressure from new construction, a downturn in demand and higher vacancy rates has created a pressure on rents, actually forcing the average rent/SF to decrease. Since it is going to take a while for things to change, rental growth could remain weak for the next 12-18 months. Landlords are getting creative on how they structure deals. Whether offering large amounts of free rent, moving allowances, or tenant improvement packages, landlords are doing everything possible to keep the rent/SF where it is. Because of this, the Puget Sound area remains a tenant-dominated market for leverage in lease negotiations.

Sale velocity has continued to ramp up in Seattle's industrial market. 2025 is currently on track to see one of the highest sales volumes of the past decade. The Kent Valley, Puyallup, and mostly Auburn saw the largest uptick in sales activity. However, economic uncertainty and caution from institutional investors has led to a different buyer pool. Private buyers and owner-users have represented the most recent sales volume. More properties are coming to market for sale and it's still a great opportunity for local owners and owner-users to purchase while most private equity and institutional players are on the sidelines.

AVAILABILITY	QUARTER 1 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.20 ↓	\$1.01	\$1.24 ↑	\$1.00 ↑
Vacancy Rate	8%	7.1% ↑	7.4%	6.2%
Month on Market	8.2 ↓	6.7 ↓	6.8	5.9

INVENTORY	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	365 M ↑	19.4 B ↑	355 M	19 B

SALES	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$234 ↓	\$154 ↑	\$228	\$141

# Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
Logistics	249,967,844 ↑	9.2%	\$1.13/SF ↓	13.5% ↑
Specialized Industrial	86,296,499 ↑	4.7% ↑	\$1.18/SF ↑	5.0% ↑
Flex	29,315,040 ↓	7.9% ↓	\$1.82/SF ↓	11.3% ↑
<b>Market</b>	<b>365,579,383 ↑</b>	<b>8.1% ↑</b>	<b>\$1.20/SF ↓</b>	<b>11.3% ↑</b>

# Puget Sound Office Market

## Summary

The Puget Sound office market has continued to see improvement in the beginning of 2025. With the consummation of some new leases, the region could see positive absorption for the first time since 2020. Despite leasing velocity down in Q1 2025 compared to the same 12 months ago, the office availability rate has leveled out around 17.9%.

Tech jobs have been a leading driver of office demand in Seattle, resulting in a more vulnerable market to downturns, as many tech jobs shifted to remote or hybrid work because of COVID. Seattle's volume of tech talent continues to strengthen the area's influence to employers and this sector should continue to drive additional demand for overall office space.

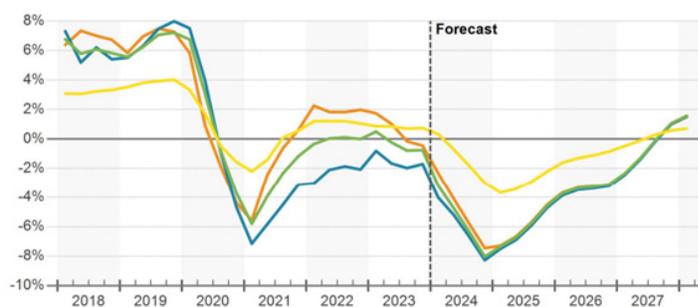
New office construction has not had much of an impact on space availability since most of it has either been pre-leased or built for an owner-user. Also, most office development has been focused on Seattle's Eastside submarkets, such as Bellevue and Redmond. Not to mention that the office market's reduction in inventory will help rest the market as a whole. The forecast calls for vacancy rates to start falling by 2026.

AVAILABILITY	QUARTER 1 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$37.37 ↑	\$36.06 ↑	\$37.03	\$35.36
Vacancy Rate	16.3%	14.0%	15.4%	13.8%
Month on Market	15.4 ↑	14.2 ↓	13.2	13.7

INVENTORY	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	237 M	8.5 B	234 M	8.5 B

SALES	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$373 ↓	\$256 ↓	\$397	\$275

MARKET ASKING RENT GROWTH (YOY)



# Office Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
4 & 5 Star	89,359,973 ↑	23.6% ↓	\$43.49/SF ↑	26.5% ↑
3 Star	99,005,146 ↓	14.2% ↓	\$35.07/SF ↓	15.0% ↑
1 & 2 Star	48,173,069 ↓	6.9% ↓	\$30.14/SF ↑	7.8%
<b>Market</b>	<b>236,538,188 ↓</b>	<b>16.3% ↑</b>	<b>\$37.37/SF ↑</b>	<b>18.0% ↑</b>