

Industrial Market Report

Q2 2025

Puget Sound Industrial Market

Summary

Leasing volumes have somewhat returned to pre-pandemic levels with the contraction of industrial demand over the last couple of years. Speculative construction and subleases have put a significant amount of space on the market. Developers have added around 5.2 million SF over the past year. With the disconnect of supply and demand, the region's vacancy rate has rose from 4% to 8.9% over the last three years. To continue this trend, developers have about 5.5 million SF underway now which is still lower than the historical average, but will likely add to the vacancy issue due to the lack of tenant demand.

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. Annual rent growth has been negative after accounting for inflation. With the current lack of demand, rent growth could remain low for at least another 12 months. The record almost 40 million SF of space listed available currently should keep annual rent growth low while tenants work on absorbing that space. With factors like tariff risks, a pullback from Boeing, and a continued decrease in consumer confidence, the forecast calls for rents to continue their downward trajectory in the near term.

Sale velocity has continued to ramp up in Seattle's industrial market. 2025 is currently on track to be one of the strongest years on record, with sales surging over \$1.1 billion in August. Despite private buyers and owner users currently dominating recent sales, capital markets are starting to get more active, with institutions like Terreno purchasing a 720,000 SF industrial park in Woodinville for \$232.6 million and Madison Capital purchasing REI's 586,000 SF distribution center in Sumner. Owner-users accounted for about one third of sales volume in the first half of 2025 which is more than double their historical share (15%).

AVAILABILITY	QUARTER 2 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.19 ↓	\$1.02 ↑	\$1.23 ↓	\$1.00
Vacancy Rate	8.9% ↑	7.4% ↑	7.5% ↑	6.6% ↑
Month on Market	9.0 ↑	6.6 ↓	7.6 ↓	6.0 ↑

INVENTORY	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	366 M ↑	19.4 B ↑	361 M ↑	19.1 B ↑

SALES	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$236 ↑	\$157 ↑	\$245 ↑	\$151 ↑

Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
Logistics	250,606,220 ↑	10.2% ↑	\$1.10/SF ↓	14.2% ↑
Specialized Industrial	85,666,992 ↓	4.8% ↑	\$1.21/SF ↑	4.8% ↓
Flex	29,469,613 ↑	9.7% ↑	\$1.85/SF ↑	11.3% ↑
Market	365,742,825 ↑	8.9% ↑	\$1.19/SF ↓	11.7% ↑

Puget Sound Office Market

Summary

The Puget Sound office market has continued to see improvement in the beginning of 2025. Despite leasing velocity down in Q1 2025 compared to the same 12 months ago, the office availability rate has leveled out around 18% which is still a record high. A lack of speculative development has allowed for some stability within the office market. Net absorption continues to be negative, with the market being on track to lose around 3.6 million SF of occupants in 2025.

Developers have focused their attention on the Eastside markets, which have seen the strongest tenant demand over the last 5 years. Recent mass layoffs in the tech market have created growing concern among tenants. Expansions in cloud computing and AI have helped push tech job growth positive in the first half of 2025 and this sector should continue to see additional demand. With the drive to get employees back into the office, the reduction in inventory should help the market start to recover over the next couple of years.

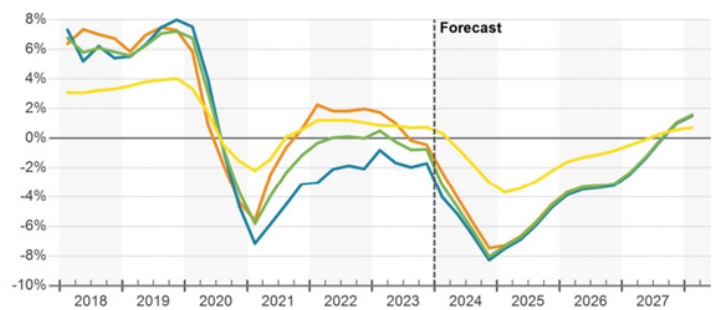
The average lease size so far in 2025 has been about 25% smaller than the 2024 average. Finalized leases for over 50,000 SF accounted for less than 3% of deals getting done. The drop in Seattle's office rents have brought them to a level more in line with the national average. These lower rents provide unique opportunities for some tenants now that Seattle is becoming more affordable in comparison with peer markets.

AVAILABILITY	QUARTER 2 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$36.09 ↓	\$35.77 ↓	\$37.16	\$35.13
Vacancy Rate	17.0% ↑	14.1% ↑	15.3%	13.2%
Month on Market	15.8 ↑	14.3 ↑	14.2	13.4

INVENTORY	QUARTER 2 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	236 M ↓	8.5 B	230 M	8.4 B

SALES	QUARTER 2 - 2025		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$377 ↑	\$264 ↑	\$455	\$301

MARKET ASKING RENT GROWTH (YOY)



Office Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
4 & 5 Star	88,572,339 ↓	24.5% ↑	\$41.72/SF ↓	26.2% ↓
3 Star	99,418,273 ↑	15.0% ↑	\$33.64/SF ↓	15.3% ↑
1 & 2 Star	47,963,485 ↓	7.2% ↑	\$30.21/SF ↑	7.7% ↓
Market	235,954,097 ↓	17.0% ↑	\$36.89/SF ↓	18.0% ↑