
2Q24

Puget Sound Industrial Market Overview

NEWMARK

Market Observations

Economy

- The unemployment rate in the Seattle-Tacoma-Bellevue MSA increased over the second quarter and currently sits higher than the national average. As of May 2024, the unemployment rate stood at 4.5%.
- Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs. The trade/transportation/utilities sector is right-sizing in response to a consumer shift in favor of services over goods; however, manufacturing job growth remains strong at 3.3%. The construction sector has contracted, posting a 2.2% decline over the past 12 months.

Major Transactions

- Waning demand over the past two quarters has resulted in a slowdown in leasing activity. Year-to-date leasing volume totaled 5.3 million SF; a 33.4% decrease compared to the same period in 2023. Ongoing inflation and a slowdown in consumer spending growth have prompted a market recalibration, as major e-commerce companies adjust their footprints.
- In the largest transaction of the quarter, Amazon leased approximately 226,000 SF at the recently delivered Woodbridge Corporate Park Building A.

Leasing Market Fundamentals

- In the second quarter of 2024, the Puget Sound industrial market experienced modest net positive absorption, totaling 68,774 SF. The overall vacancy rate stood at 6.5%, with direct vacancy at 5.8%.
- Supply has started to outpace demand, as 2.3M SF of new product was delivered during the quarter. Only 19.2% of these new deliveries were preleased.
- The average asking rate for the second quarter of 2024 was \$12.97/SF NNN, reflecting a marginal increase of 0.3% over the quarter.
- Although Class A leasing activity improved marginally since the first quarter, Class A warehouse leasing has struggled year-to-date, falling short of the historic volumes seen during the pandemic. In the second quarter, Class A leasing accounted for only 21.7% of total leasing activity.

Outlook

- Sublease space continues to be added to the market, though the pace of givebacks slowed over the quarter. Availability is expected to rise as tenants continue to right-size.
- While the region has experienced explosive growth in rates over the last decade, it is expected that rents may cool and stabilize in the coming quarters until leasing activity recovers.
- Less than 20% of the newly delivered product this quarter was preleased, leading to an increase in vacancy as new vacant space entered the market. Construction is expected to remain subdued as the market works to absorb the excess supply.

Economy

Leasing Market Fundamentals

Appendix / Tables

2Q24

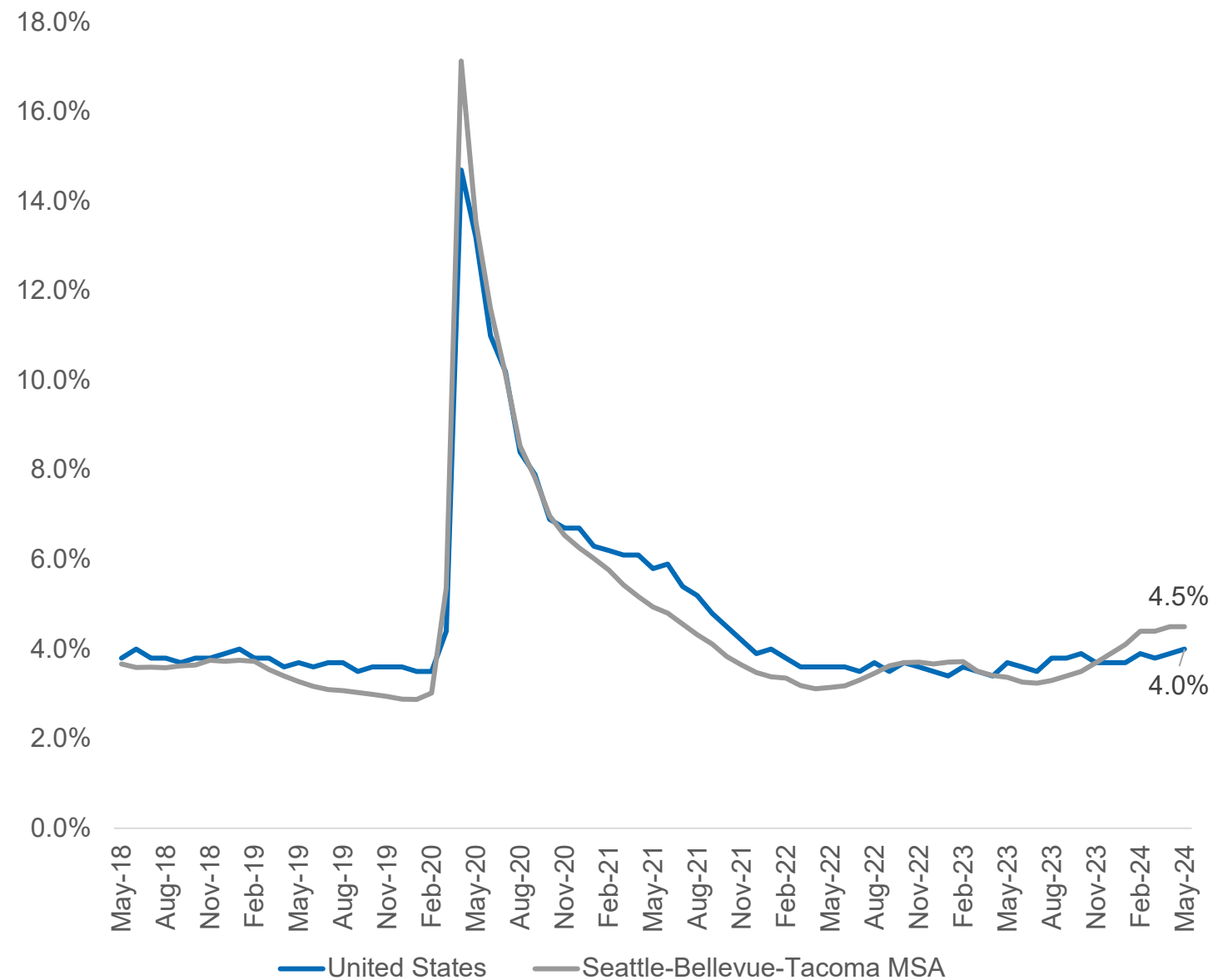
Economy



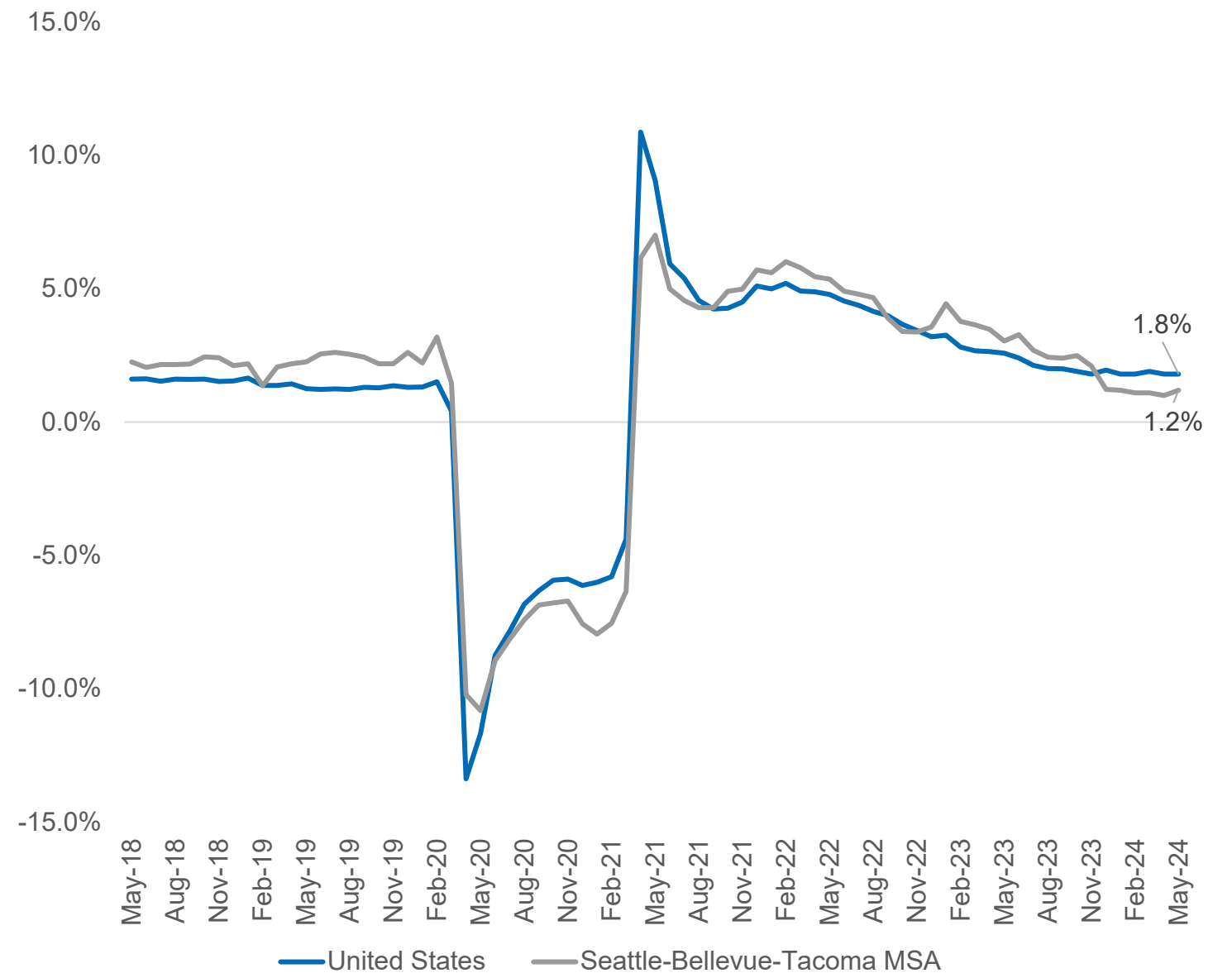
Regional Unemployment Above National Average

The unemployment rate in the Seattle-Tacoma-Bellevue MSA increased over the second quarter and currently sits higher than the national average. As of May 2024, the unemployment rate stood at 4.5%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

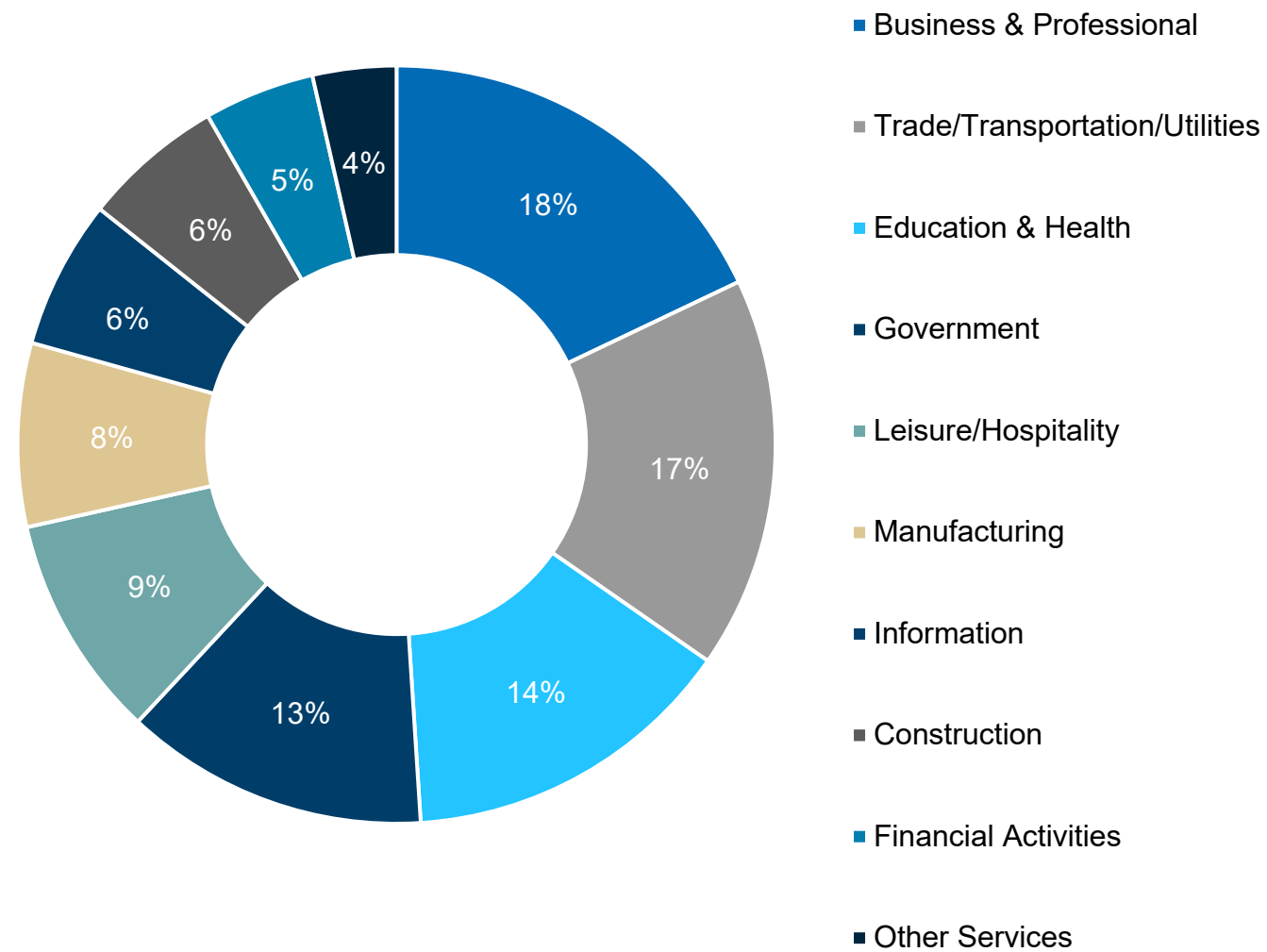


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

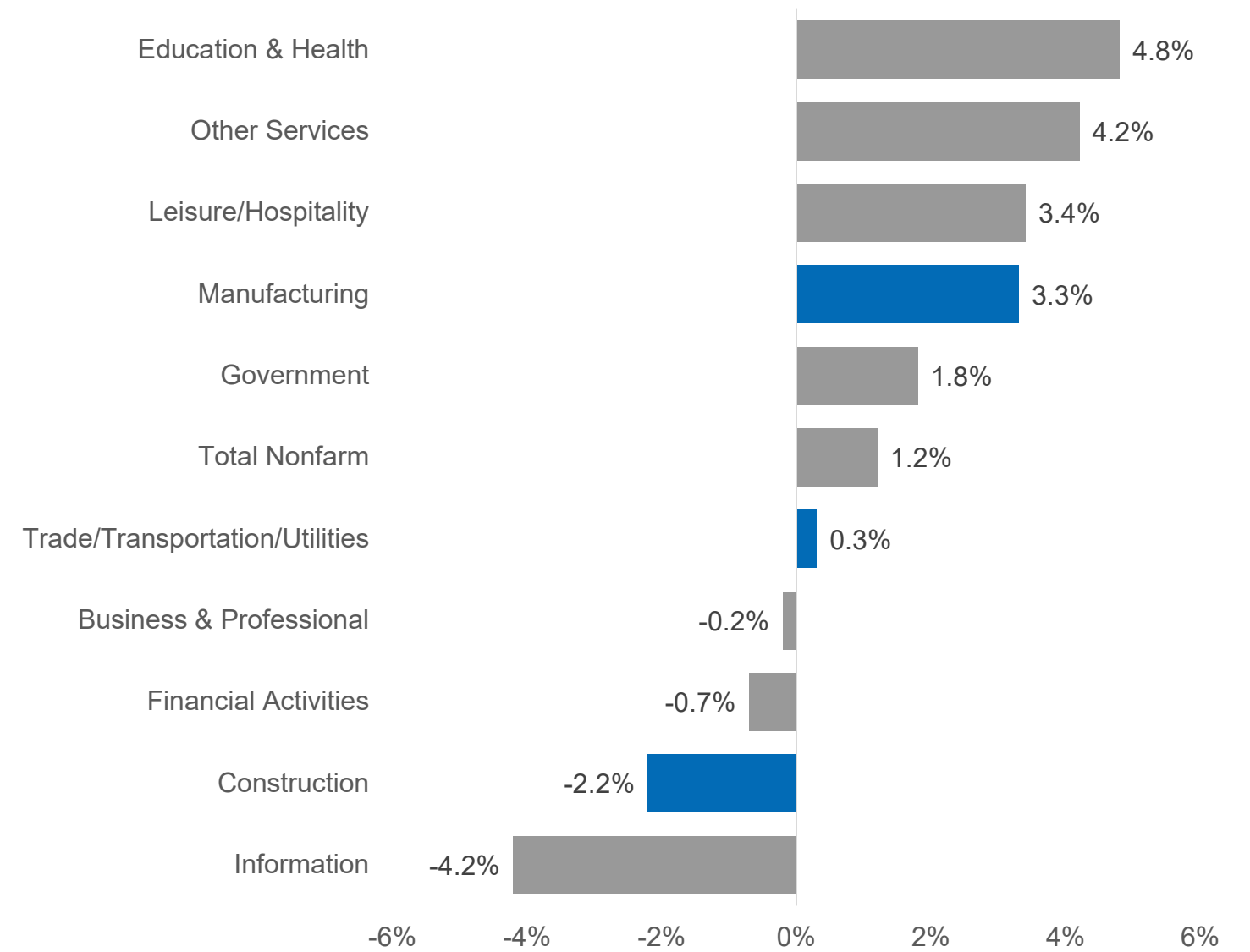
Construction Employment Declined Amid Softening Conditions

Although the manufacturing sector continued to grow, its rate of growth has slowed in recent months. In contrast, the construction sector has contracted, posting a 2.2% decline over the past 12 months.

Employment by Industry, June 2024



Employment Growth by Industry, 12-Month % Change, June 2024

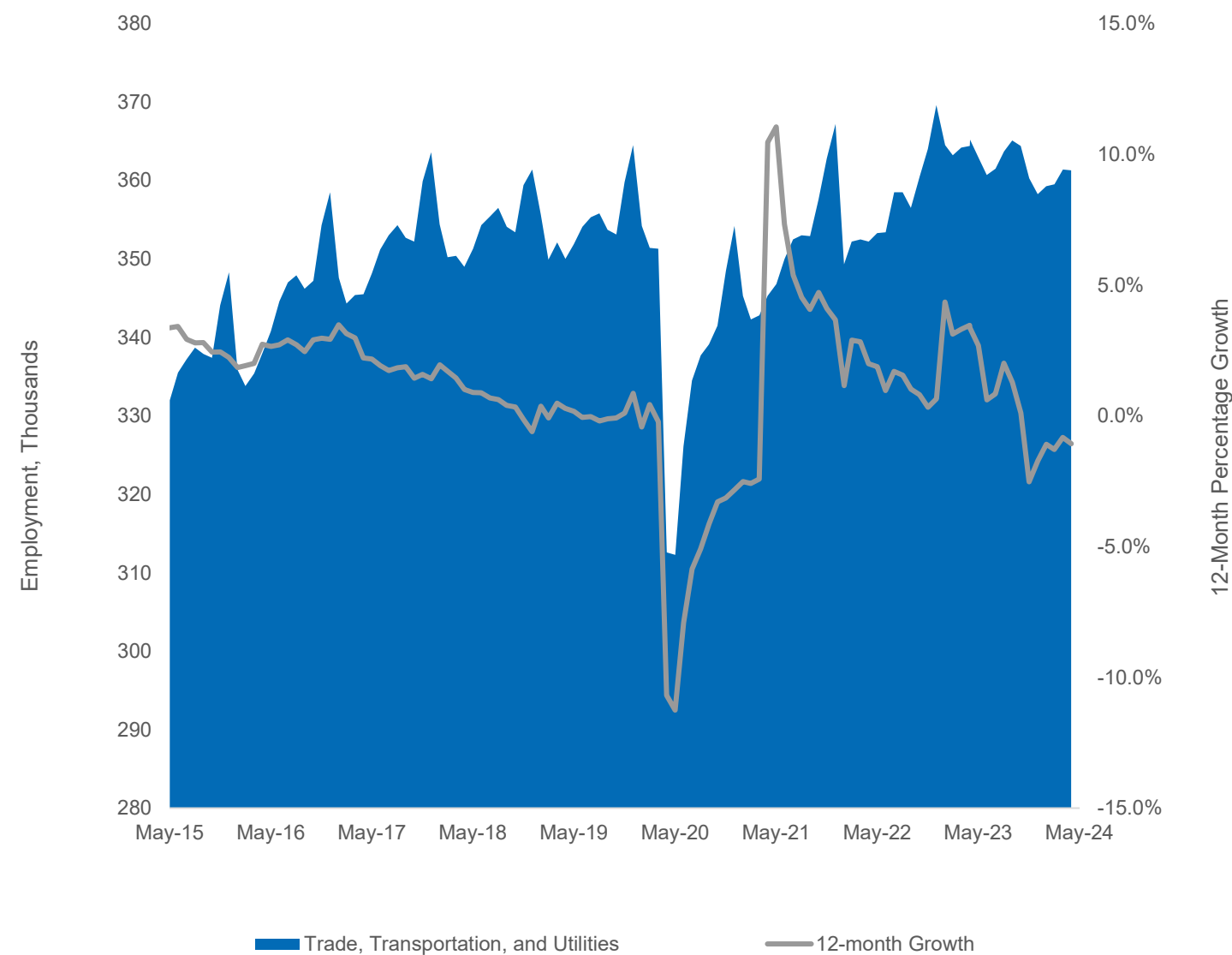


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

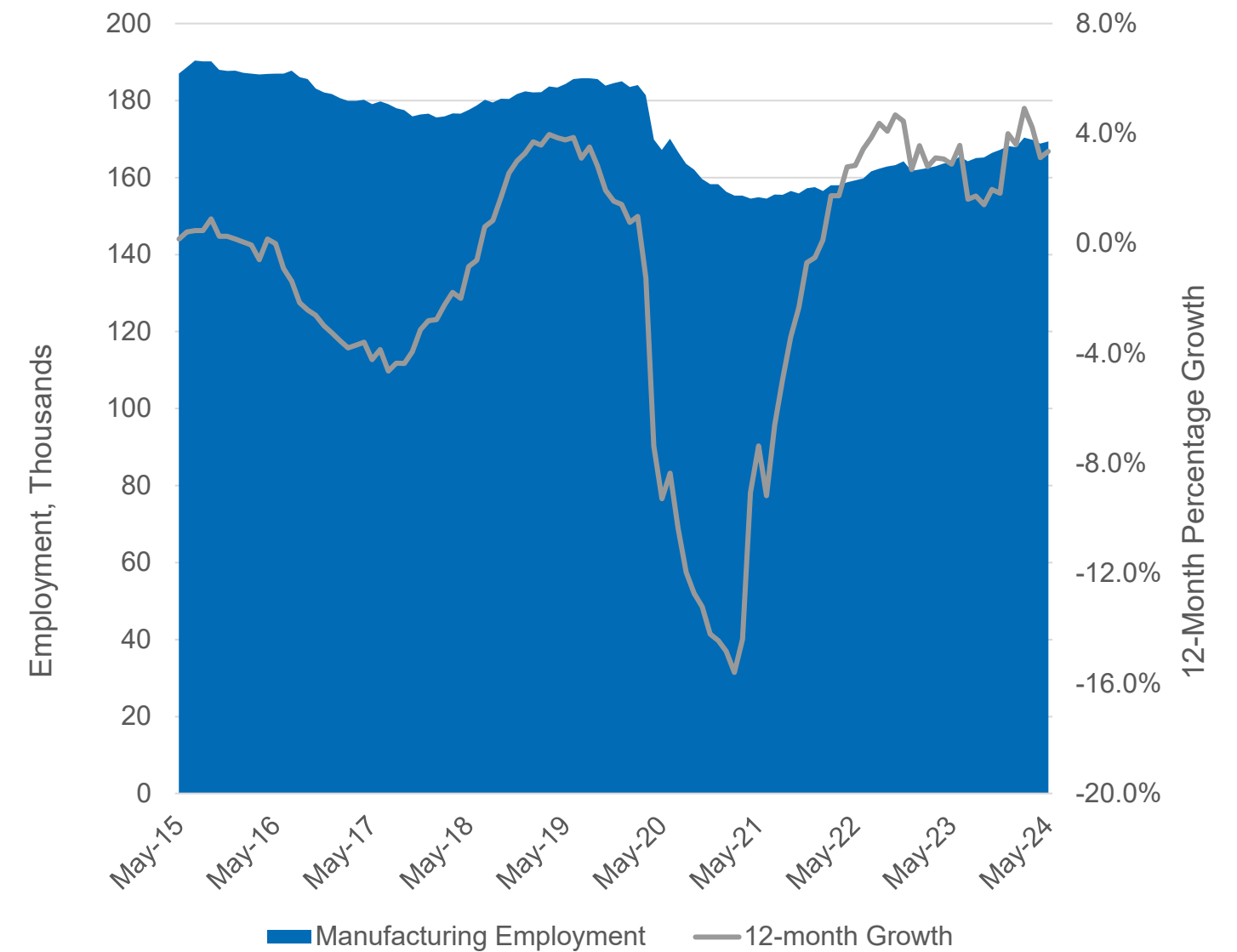
Manufacturing Employment Strong Despite Headwinds

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs. The trade/transportation/utilities sector is right-sizing in response to a consumer shift in favor of services over goods; however, manufacturing job growth remains strong at 3.3%.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

2Q24

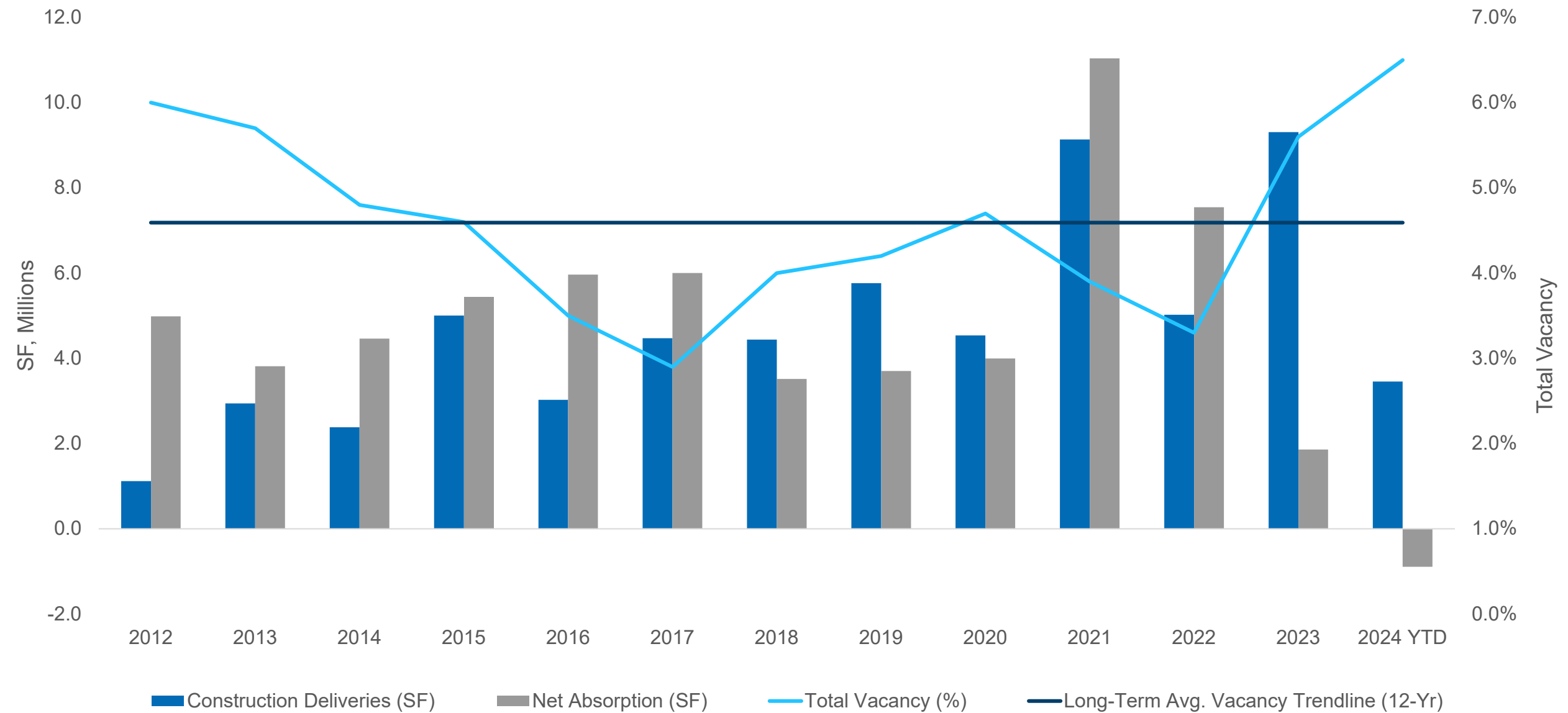
Leasing Market Fundamentals



Occupancy Losses Stabilized in Second Quarter

In the second quarter of 2024, the Puget Sound industrial market experienced modest net positive absorption, totaling 68,774 SF. The overall vacancy rate stood at 6.5%, with direct vacancy at 5.8%. Supply has started to outpace demand, as 2.3M SF of new product was delivered during the quarter. Only 19.2% of these new deliveries were released.

Historical Construction Deliveries, Net Absorption, and Vacancy

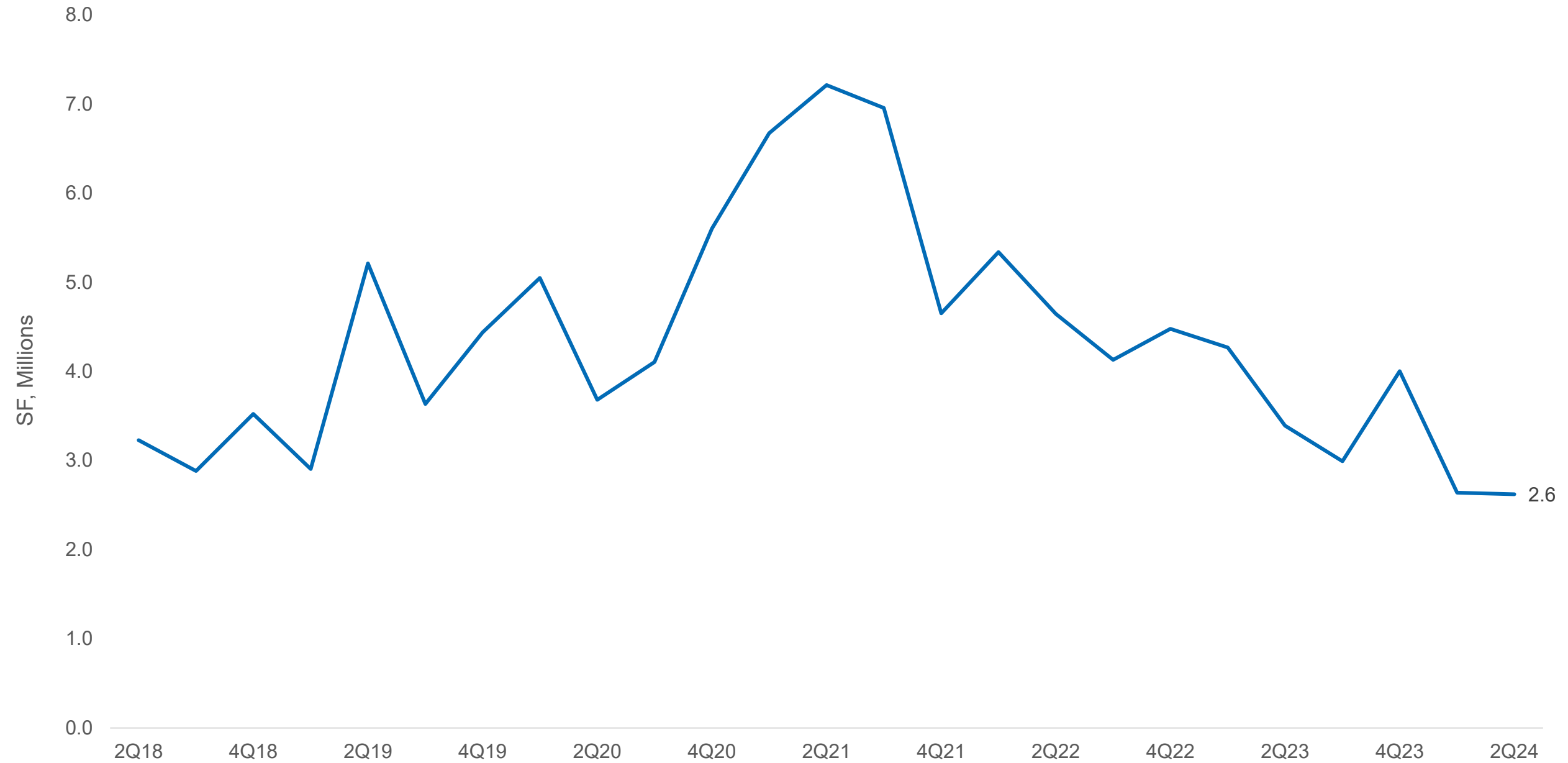


Source: Newmark Research

Leasing Activity Remained Muted in the Second Quarter

Waning demand over the past two quarters has resulted in a slowdown in leasing activity. Year-to-date leasing volume totaled 5.3 million SF, a 33.4% decrease compared to the same period in 2023. Ongoing inflation and a slowdown in consumer spending growth have prompted a market recalibration, as major e-commerce companies adjust their footprints.

Total Leasing Activity (SF)

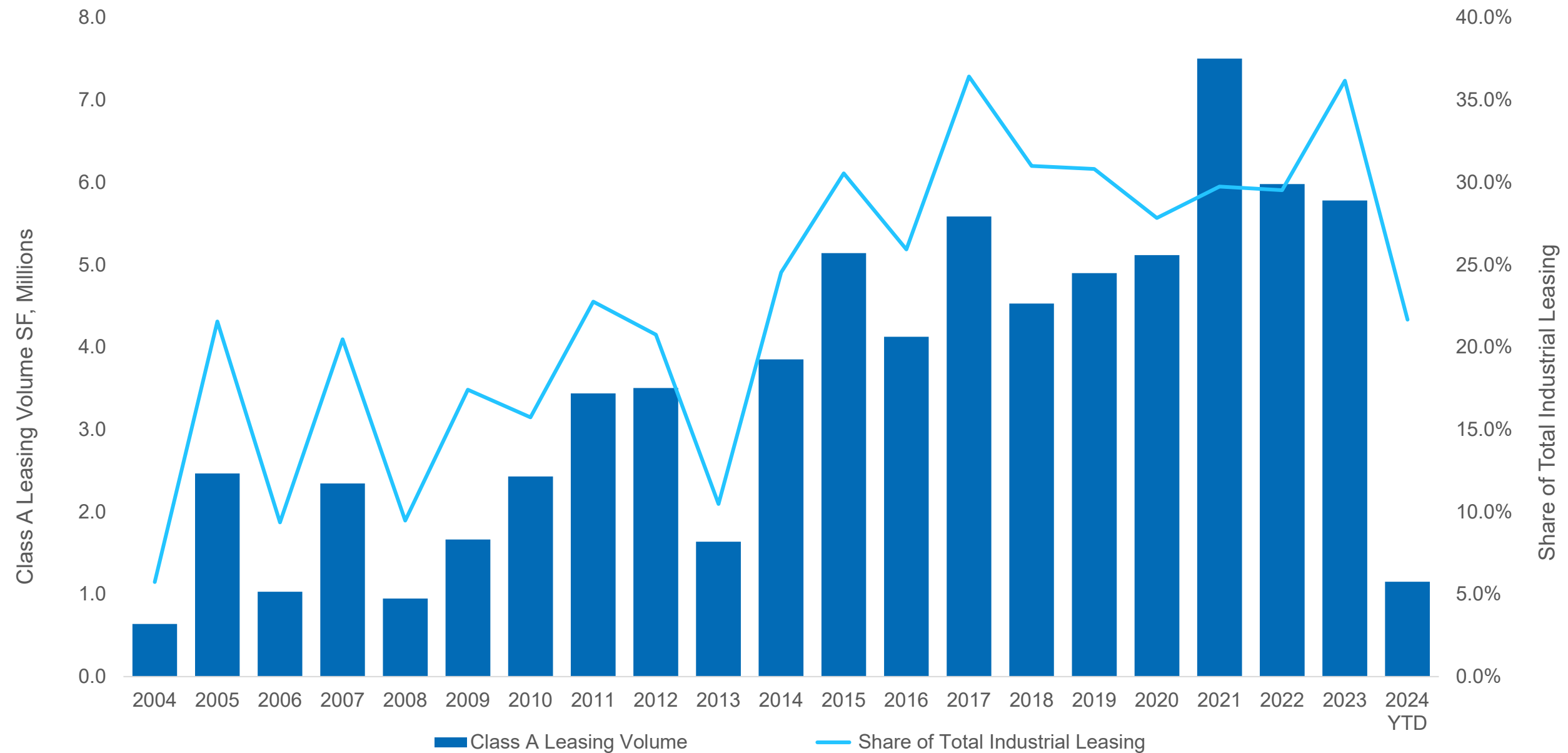


Source: Newmark Research, CoStar

Class A Warehouse Share of Leasing Declined for Second Consecutive Quarter

Although Class A leasing activity improved marginally since the first quarter, Class A warehouse leasing has struggled year-to-date, falling short of the historic volumes seen during the pandemic. In the second quarter, Class A leasing accounted for only 21.7% of total leasing activity.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

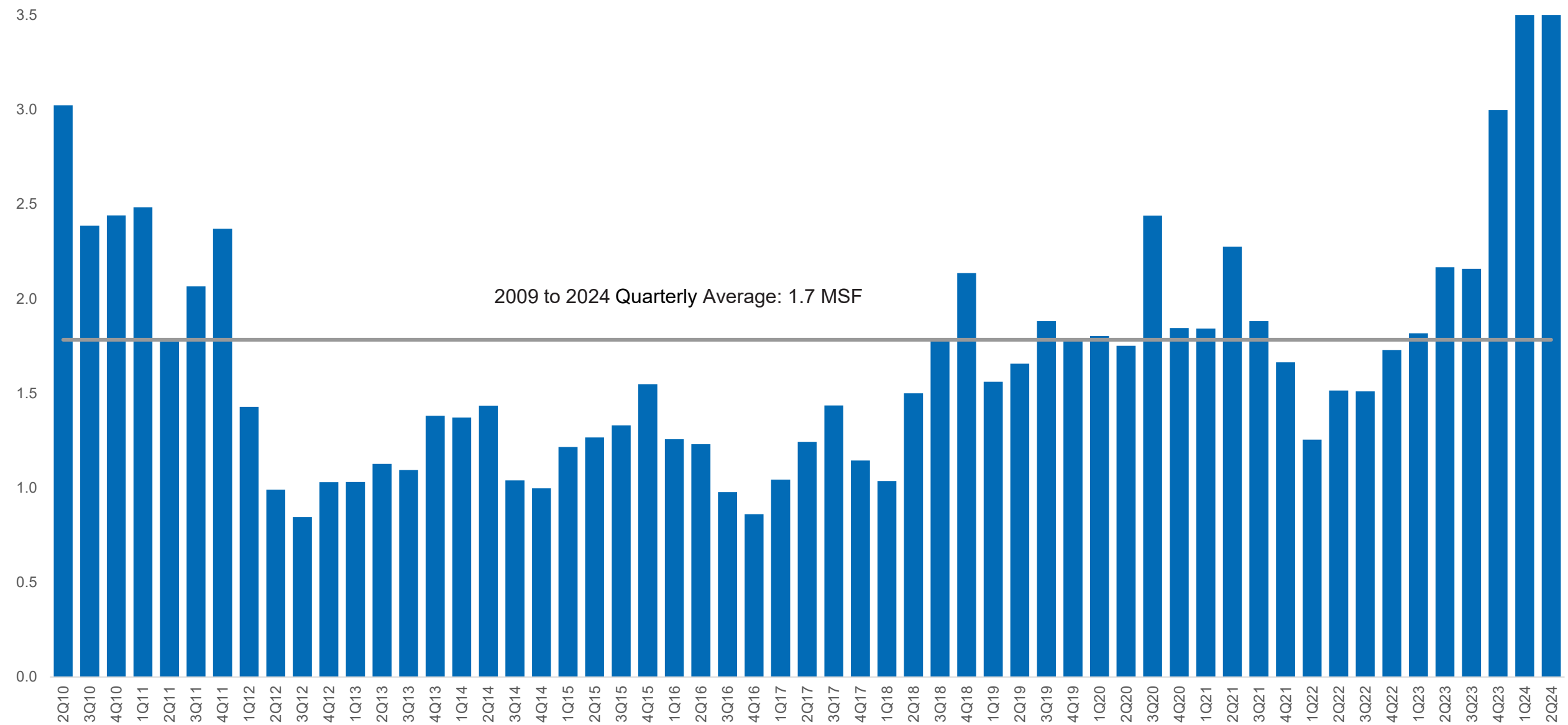


Source: Newmark Research, CoStar

Industrial Sublease Availability Remained Elevated

The availability of sublease space has risen dramatically over the past three quarters as tenants grappled with an inflationary environment and declining consumer demand, leading to a mass giveback of underutilized space. In the first quarter of 2024, available sublease space reached an all-time high of 4.2 million SF. This trend continued in the second quarter, increasing by another 6.6% to 4.4 million SF.

Available Industrial Sublease Volume (msf)

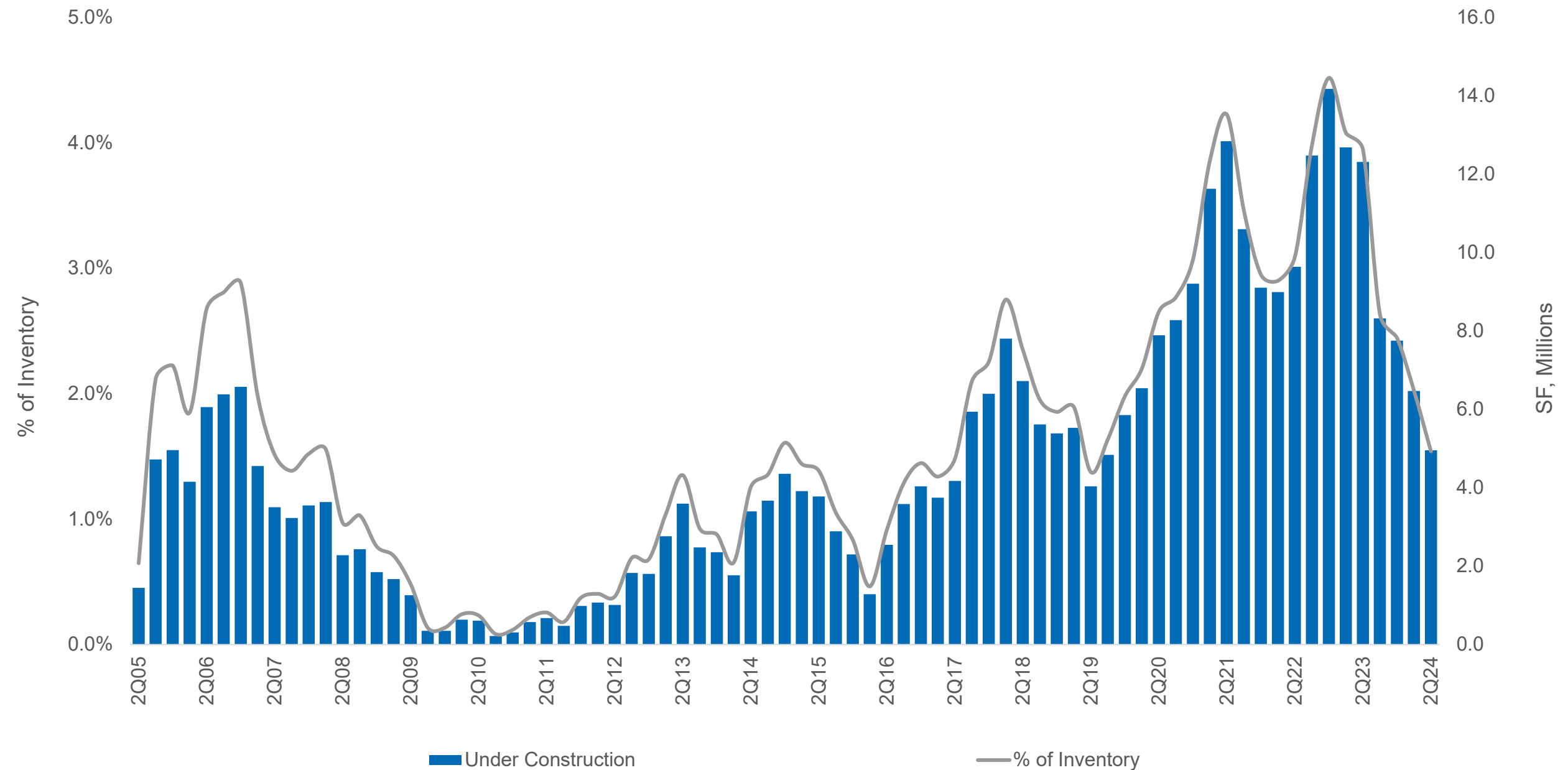


Source: Newmark Research, CoStar

New Deliveries Widen Supply and Demand Imbalance

In the second quarter, 2.3 million SF of new product was delivered, with an additional 5.0 million SF still under construction. The development pipeline has trended downward since its peak in the fourth quarter of 2022 due to economic headwinds faced by developers and investors. Less than 20% of the newly delivered product this quarter was preleased, leading to an increase in vacancy as new vacant space entered the market. Construction is expected to remain subdued as the market works to absorb the excess supply.

Industrial Under Construction and % of Inventory

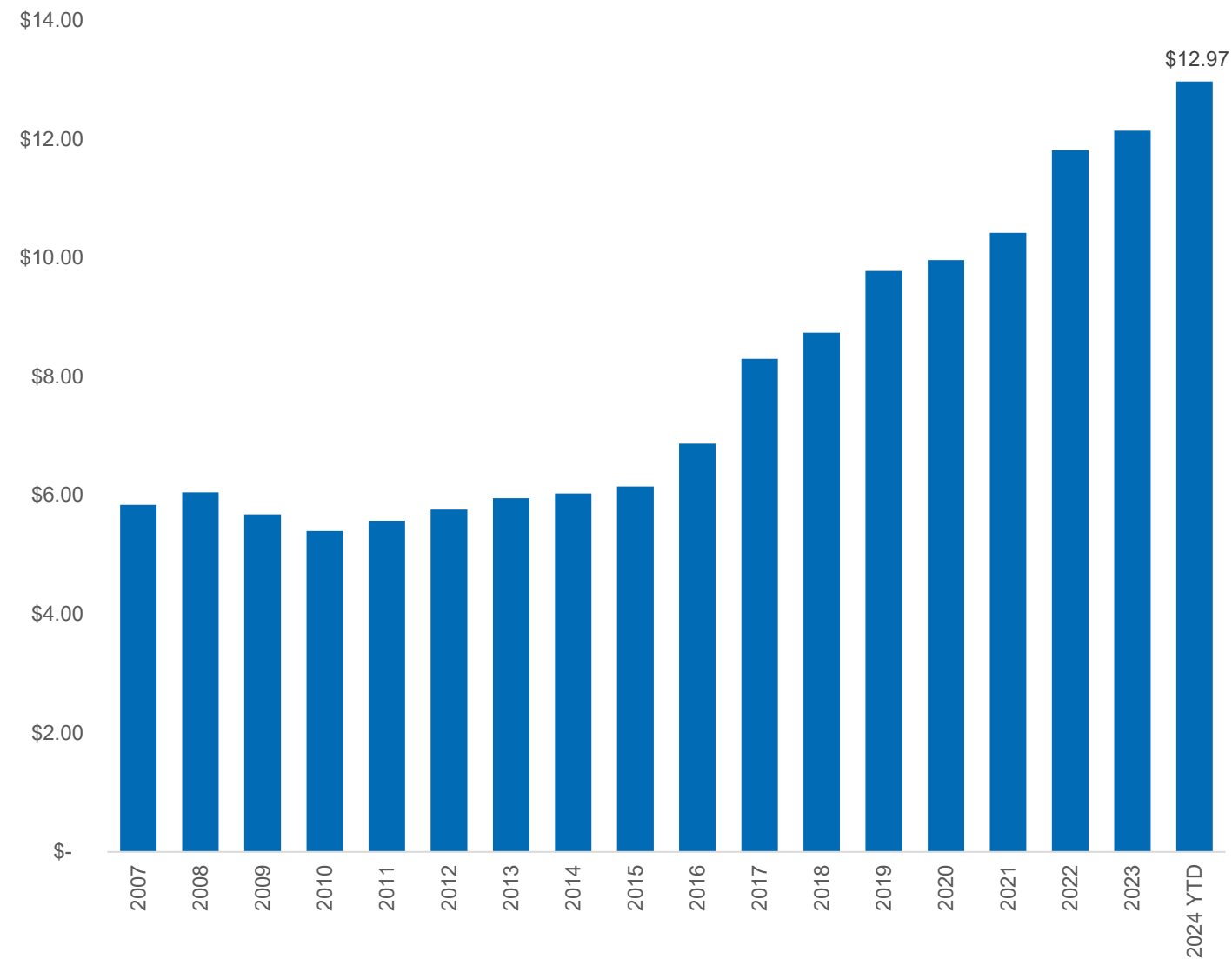


Source: Newmark Research, CoStar

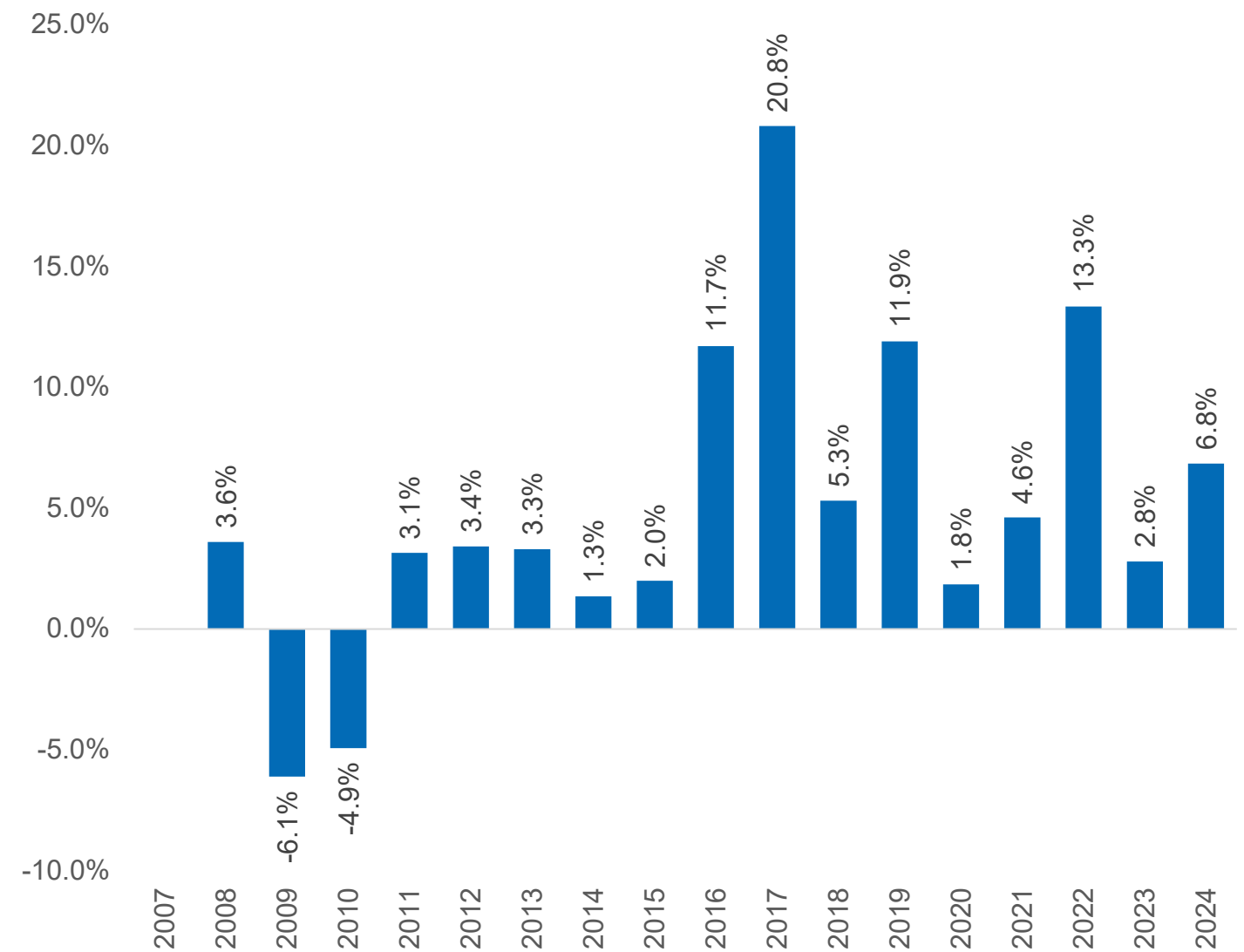
Industrial Asking Rents Continued to Rise

The average asking rate for the second quarter of 2024 was \$12.97/SF NNN, reflecting a marginal increase of 0.3% over the quarter. While the region has experienced explosive growth in rates over the last decade, the pace of growth is now slowing. It is expected that rents may cool and stabilize in the coming quarters until leasing activity rebounds.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Second Quarter Notable Transactions

Notable 2Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Amazon	Woodbridge Corporate Park Building A	Federal Way/Auburn	Direct Lease	226,195
Swire Coca-Cola	Renton Logistics Center	Tukwila/Renton	Renewal	137,520
Oberto Specialty Meats	Van Doren's North	Kent	Renewal	129,005
Ricardo Beverly Hills	Prologis Park Algona 4	Federal Way/Auburn	Direct Lease	109,452

2Q24

Appendix/Tables



Submarket Overview (page 1 of 3)

2Q24

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Northend	37,882,407	549,611	7.1%	177,496	-2,641	471,258	471,258	\$12.71
Eastside	27,845,770	45,500	4.5%	-81,033	-5,919	282,165	282,165	\$19.39
Seattle	45,411,269	702,429	6.8%	42,933	-219,907	-	-	\$16.62
Southend	111,828,657	835,632	6.8%	-341,477	-346,159	145,208	1,341,253	\$11.97
Pierce County	84,387,024	2,824,151	7.0%	351,455	-121,364	1,360,140	1,360,140	\$10.69
Thurston County	14,620,917	-	3.4%	-155,714	-115,490	-	-	\$8.15
Puget Sound Market	321,976,044	4,957,323	6.5%	68,744	-892,513	2,258,771	3,454,816	\$12.97

Submarket Statistics By Subtype

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
General Industrial	89,518,260	315,094	3.4%	106,951	62,435	-	-	\$12.14
R&D/Flex	25,369,472	186,024	6.7%	40,163	-173,451	-	-	\$19.92
Warehouse/Distribution	207,088,312	4,456,205	7.9%	-78,340	-781,497	2,258,771	3,454,816	\$12.05
Puget Sound Market	321,976,044	4,957,323	6.5%	68,744	-892,513	2,258,771	3,454,816	\$12.97

Source: Newmark Research

Submarket Overview (page 2 of 3)

2Q24

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Northend	37,882,407	549,611	7.1%	177,496	-2,641	471,258	471,258	\$12.71
Lynnwood/Shoreline	3,744,937	-	0.1 %	-1,747	10,410	-	-	\$16.87
Marysville/Everett	34,137,470	549,611	7.9%	179,243	-13,051	471,258	471,258	\$12.51
Eastside	27,845,770	45,500	4.5%	-81,033	-5,919	282,165	282,165	\$19.39
Issaquah/North Bend	4,650,203	-	3.4%	2,079	-40,677	115,575	115,575	\$16.87
Redmond/Kirkland/Bellevue	12,372,541	-	4.5%	-15,628	15,231	166,590	166,590	\$21.68
Woodinville/Bothell	10,823,026	45,500	4.9%	7,630	-61,506	-	-	\$16.98
Seattle	45,411,269	702,429	6.8%	42,933	-219,907	-	-	\$16.62
Fremont/Ballard/DT	6,616,831	-	7.3%	49,336	7,627	-	-	\$20.58
South Seattle	38,794,438	702,429	6.7%	-6,403	-227,534	-	-	\$15.99
Southend	111,828,657	835,632	6.8%	-341,477	-346,159	145,208	1,341,253	\$11.97
Federal Way/Auburn	28,829,014	219,673	9.5%	-67,903	-190,980	105,208	1,126,999	\$12.08
Kent	51,512,589	-	6.9%	-292,793	-156,241	40,000	40,000	\$11.12
Seatac/Burien	5,492,101	138,419	7.4%	-292,203	-280,203	-	174,254	\$13.39
Tukwila/Renton	25,994,953	230,131	3.8%	311,422	281,112	-	-	\$14.32

Source: Newmark Research

Submarket Overview (page 3 of 3)

2Q24

Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr. Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Price/SF)
Pierce County	84,387,024	2,824,151	7.0%	351,455	-121,364	1,360,140	1,360,140	\$10.69
Fife/Tacoma	26,038,913	227,452	4.7%	-197,812	-393,805	-	-	\$8.66
Lakewood/Dupont	14,925,256	135,496	7.8%	-53,939	-284,338	-	-	\$9.90
Sumner/Puyallup	43,422,855	2,461,203	8.1%	603,206	556,206	1,360,140	1,360,140	\$11.98
Thurston County	14,620,917	-	3.4%	-155,714	-115,490	-	-	\$8.15
Puget Sound Market	321,976,044	4,957,323	6.5%	68,744	-892,513	2,258,771	3,454,816	\$12.97

Northend Submarket Overview

Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	37.9M	37.5M	33.7M
Availability Rate	7.8%	7.1%	3.7%
Quarterly Net Absorption (SF)	177K	-373K	60K
Average Asking Rent/SF	\$12.71	\$12.61	\$10.49
Under Construction (SF)	550K	914K	4.5M
Deliveries (SF)	471K	-	-

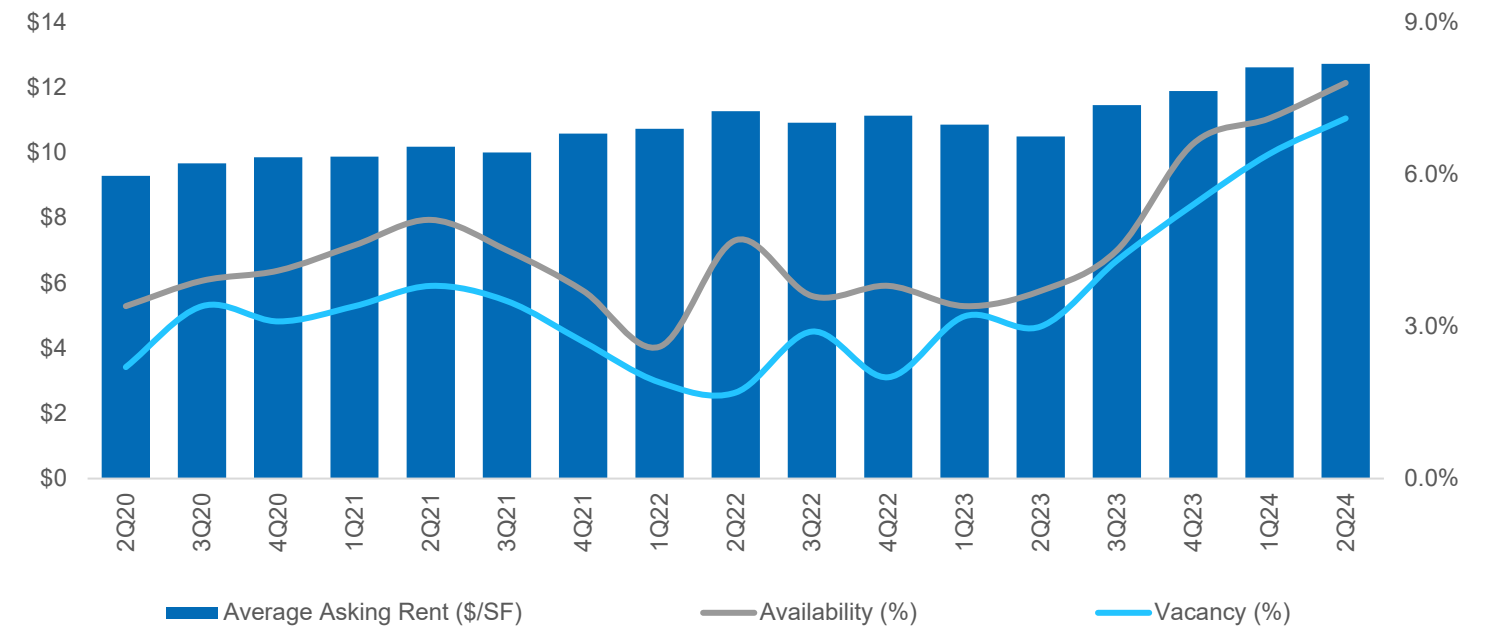
Current Market Trends

- The vacancy rate increased 70 basis points quarter over quarter to 7.1%.
- Asking rents rose to \$12.71/SF, up 0.8% quarter over quarter.
- The Northend saw a second quarter net positive absorption of 177,496 SF.
- Twin Lakes Logistics and the four-building Marysville Corporate Center delivered this quarter for a total of 471,258 SF.

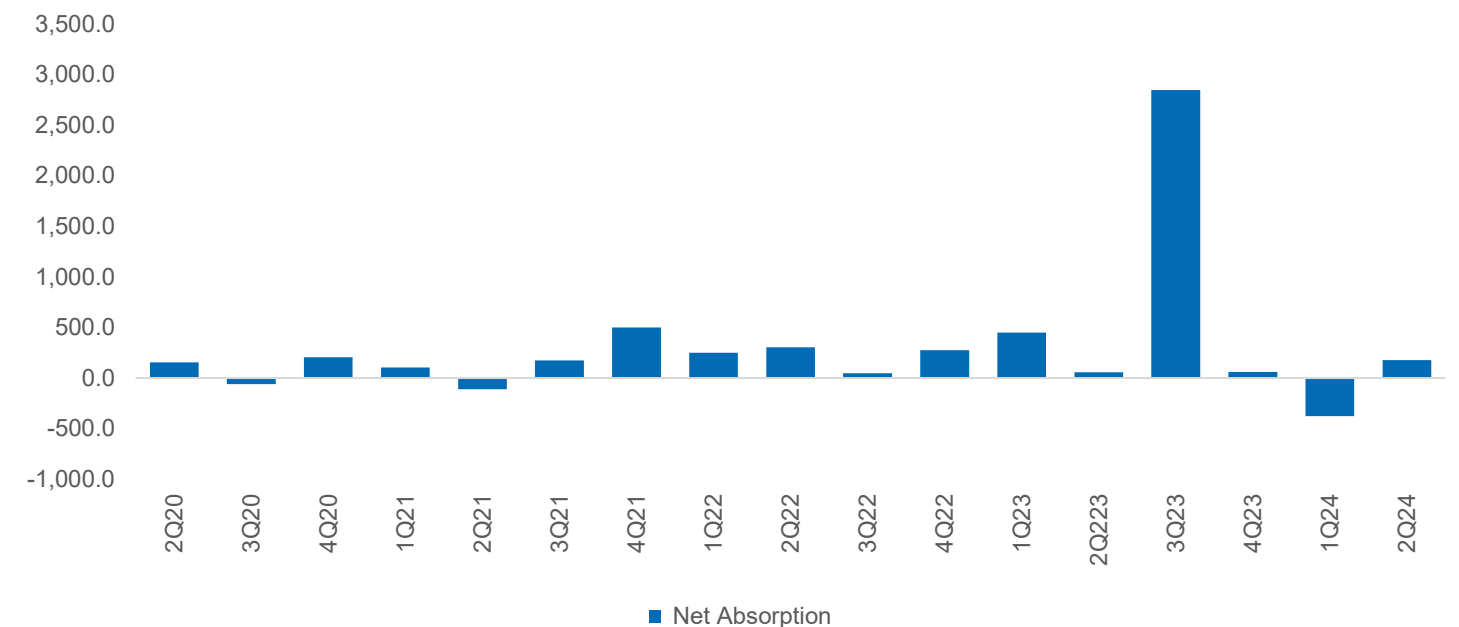
Top Transactions

Tenant	Building	Type	SF
TW Metals	LogistiCenter at Woodinville	Renewal	101,396
Menasco Aerosystems	2615 94 th St SW	Direct New	42,000
SportsArt	Bridge Point Everett 500	Direct New	44,311

Weighted Average Asking Rent, Availability and Vacancy



Net Absorption (Square Feet, Thousands)



Eastside Submarket Overview

Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	27.8M	27.5M	27.5M
Availability Rate	8.6%	6.9%	3.9%
Quarterly Net Absorption (SF)	-6K	-81K	-27K
Average Asking Rent/SF	\$19.39	\$19.36	\$18.73
Under Construction (SF)	45K	328K	243K
Deliveries (SF)	282K	-	-

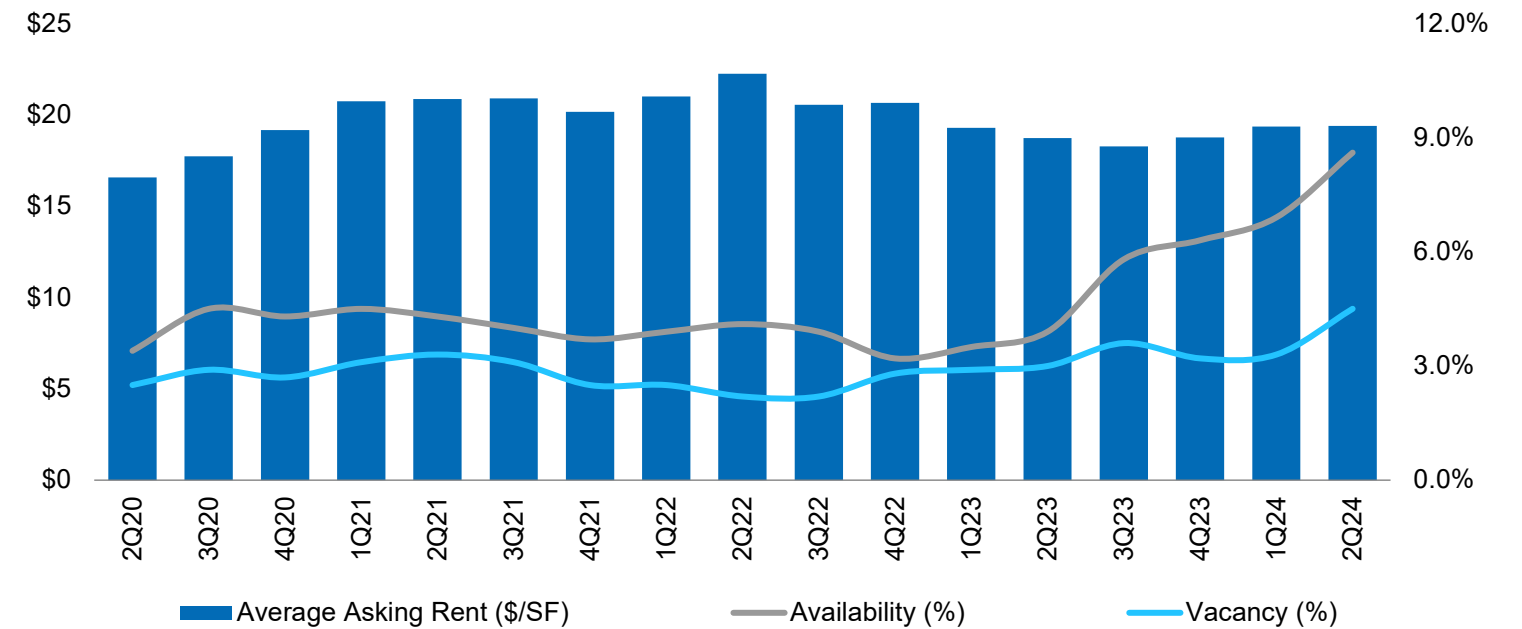
Current Market Trends

- The vacancy rate increased 120 basis points quarter over quarter to 4.5%.
- Asking rents rose to \$19.39/SF, up 0.2% quarter over quarter.
- The Eastside saw a second quarter absorption of net negative 5,919 SF.
- Eastside second quarter deliveries included Alpentel Logistics, built by Vector Development, which delivered for 115,575 SF.

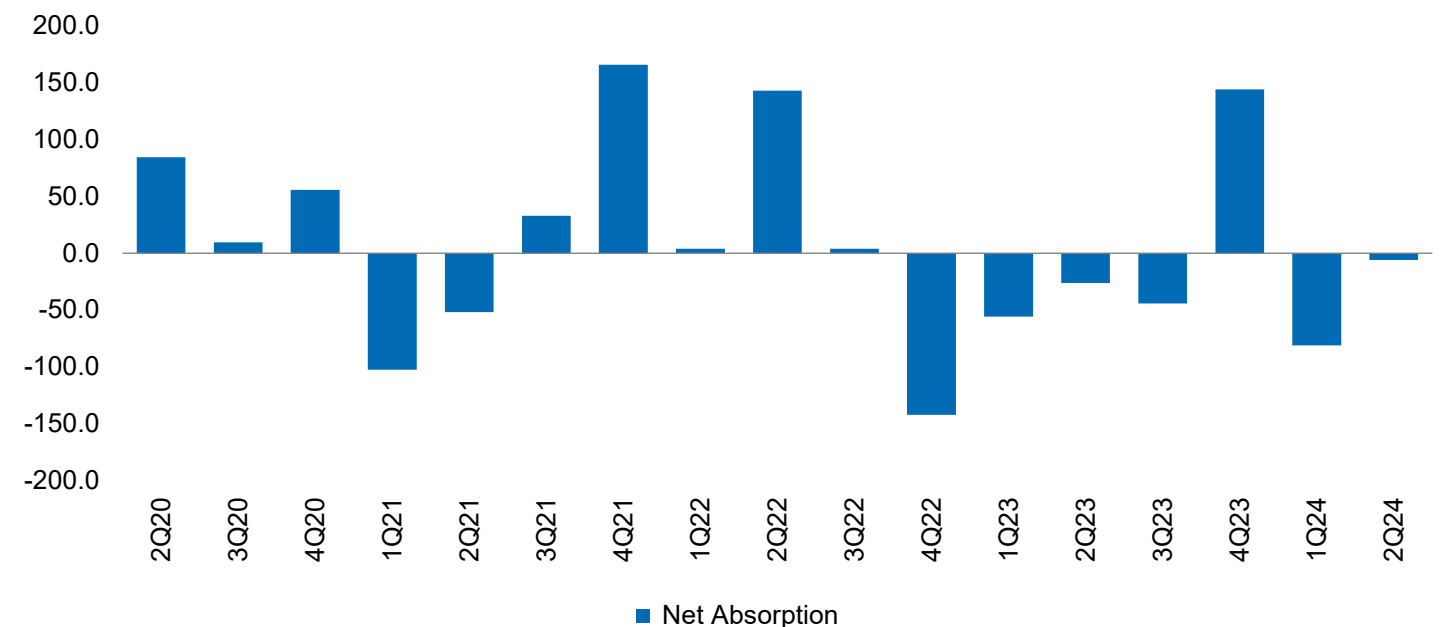
Top Transactions

Tenant	Building	Type	SF
Undisclosed	I-90/Preston Industrial Park	Direct New	36,298
Auto Rebuild	Willows Industrial Park	Direct New	25,624

Weighted Average Asking Rent, Availability and Vacancy



Net Absorption (Square Feet, Thousands)



Seattle Submarket Overview

Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	45.5M	45.5M	45.5M
Availability Rate	8.0%	7.9%	6.9%
Quarterly Net Absorption (SF)	43K	-263K	-179K
Average Asking Rent/SF	\$16.62	\$16.57	\$16.22
Under Construction (SF)	702K	702K	702K
Deliveries (SF)	-	-	126K

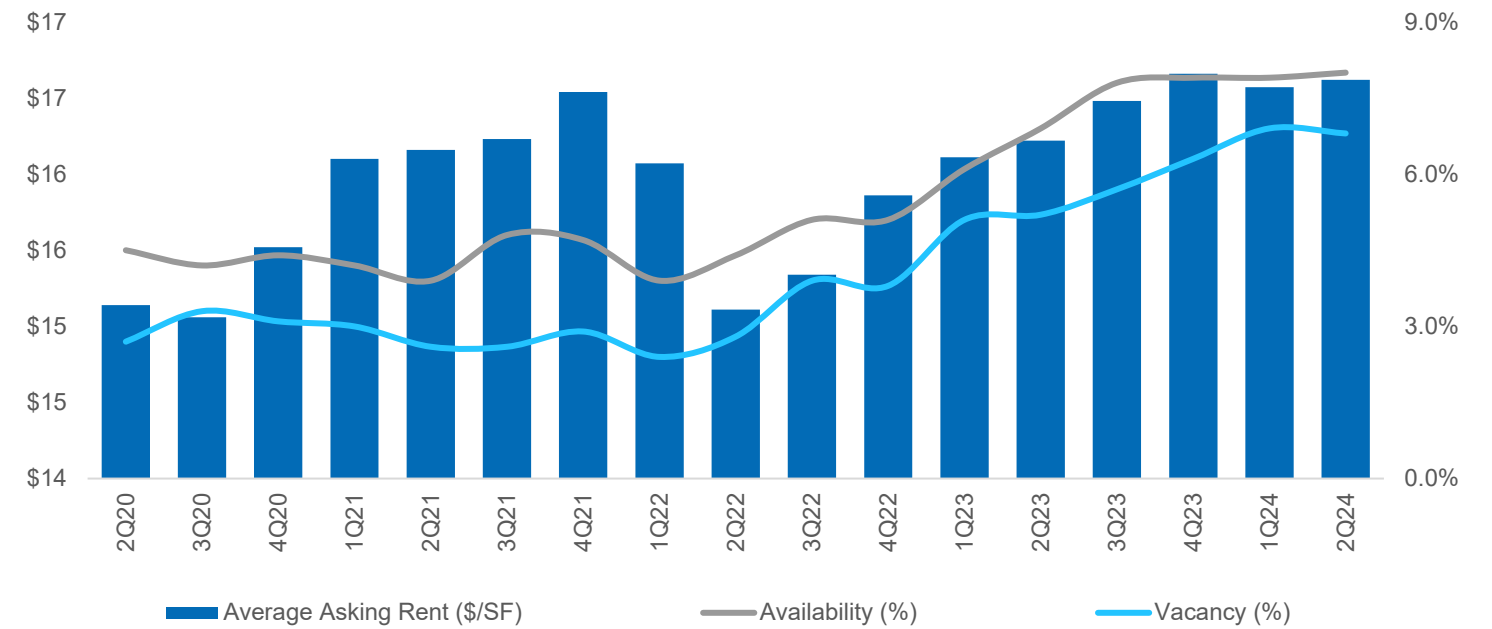
Current Market Trends

- The vacancy rate decreased 10 basis points quarter over quarter to 6.8%.
- Asking rents rose to \$16.62/SF, up 0.3% quarter over quarter.
- The Seattle submarket saw a second quarter absorption of net positive 42,933 SF.
- There were no new deliveries in the Seattle submarket during the second quarter, but 702,429 SF of new product is underway.

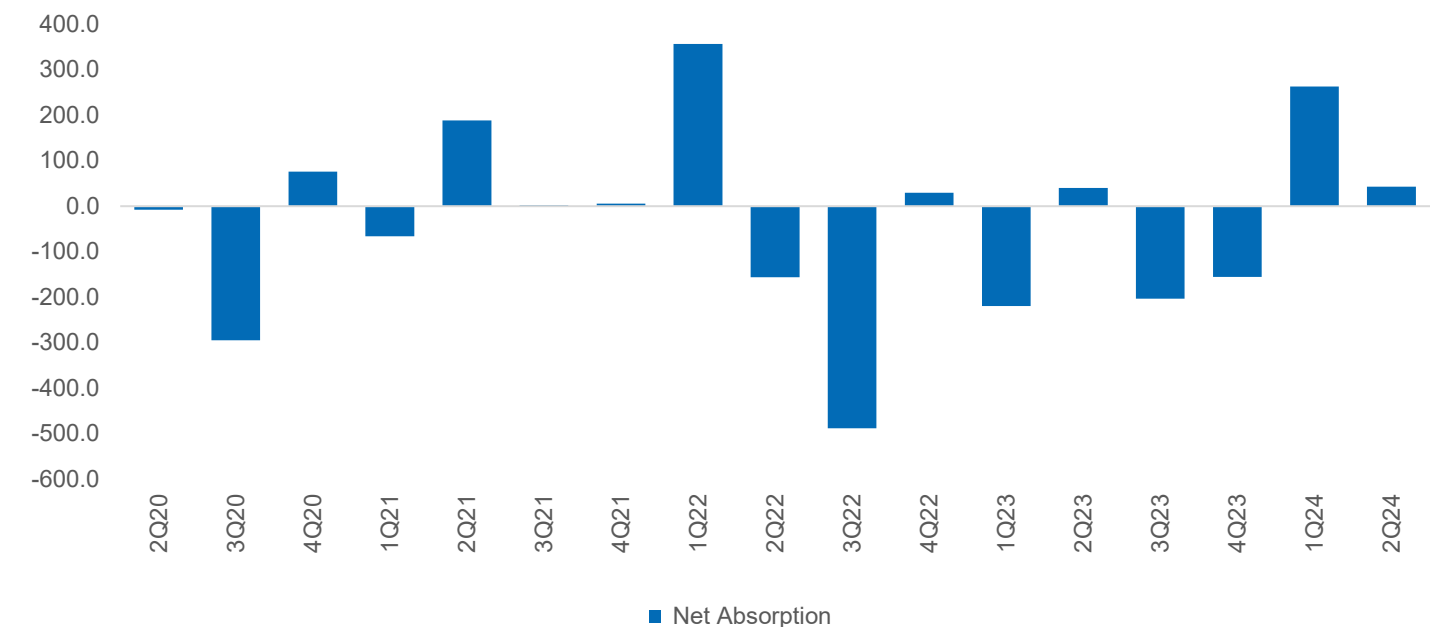
Top Transactions

Tenant	Building	Type	SF
Carsoe	Commodore Interbay Industry Center	Direct New	65,654

Weighted Average Asking Rent, Availability and Vacancy



Net Absorption (Square Feet, Thousands)



Southend Submarket Overview

Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	111.8M	110.4M	107.5M
Availability Rate	8.9%	8.6%	6.6%
Quarterly Net Absorption (SF)	-341K	-5K	34K
Average Asking Rent/SF	\$11.97	\$11.98	\$10.80
Under Construction (SF)	836K	714K	3.6M
Deliveries (SF)	145K	1.2M	586K

Current Market Trends

- The vacancy rate increased 20 basis points quarter over quarter to 6.8%.
- Asking rents remained relatively flat over the quarter at \$11.97/SF.
- The Southend submarket saw a second quarter absorption of net negative 341,477 SF.
- The Southend submarket saw 145,208 SF of deliveries during the second quarter.

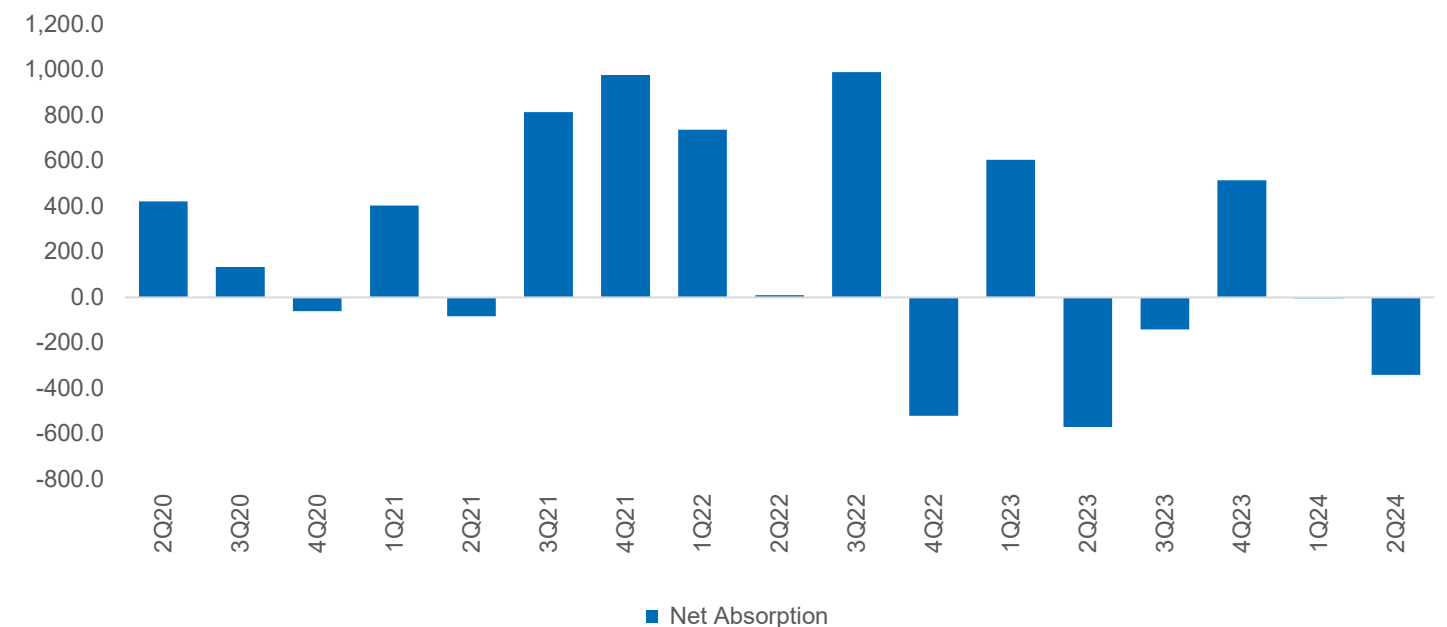
Top Transactions

Tenant	Building	Type	SF
Amazon	Woodbridge Corporate Park	Direct New	226,195
Ricardo Beverly Hills	Prologis Park Algona 4	Direct New	109,452
Fluid Motion	Tri-Way Industries	Direct New	84,420

Weighted Average Asking Rent, Availability and Vacancy



Net Absorption (Square Feet, Thousands)



Pierce County Submarket Overview

Statistical Summary

	Current Quarter	Prior Quarter	Prior Year
Total Inventory (SF)	84.4M	83.0M	82.0M
Availability Rate	9.5%	8.0%	5.8%
Quarterly Net Absorption (SF)	351K	-472K	404K
Average Asking Rent/SF	\$10.69	\$9.65	\$8.12
Under Construction (SF)	2.8M	3.8M	3.2M
Deliveries (SF)	1.4M	-	451K

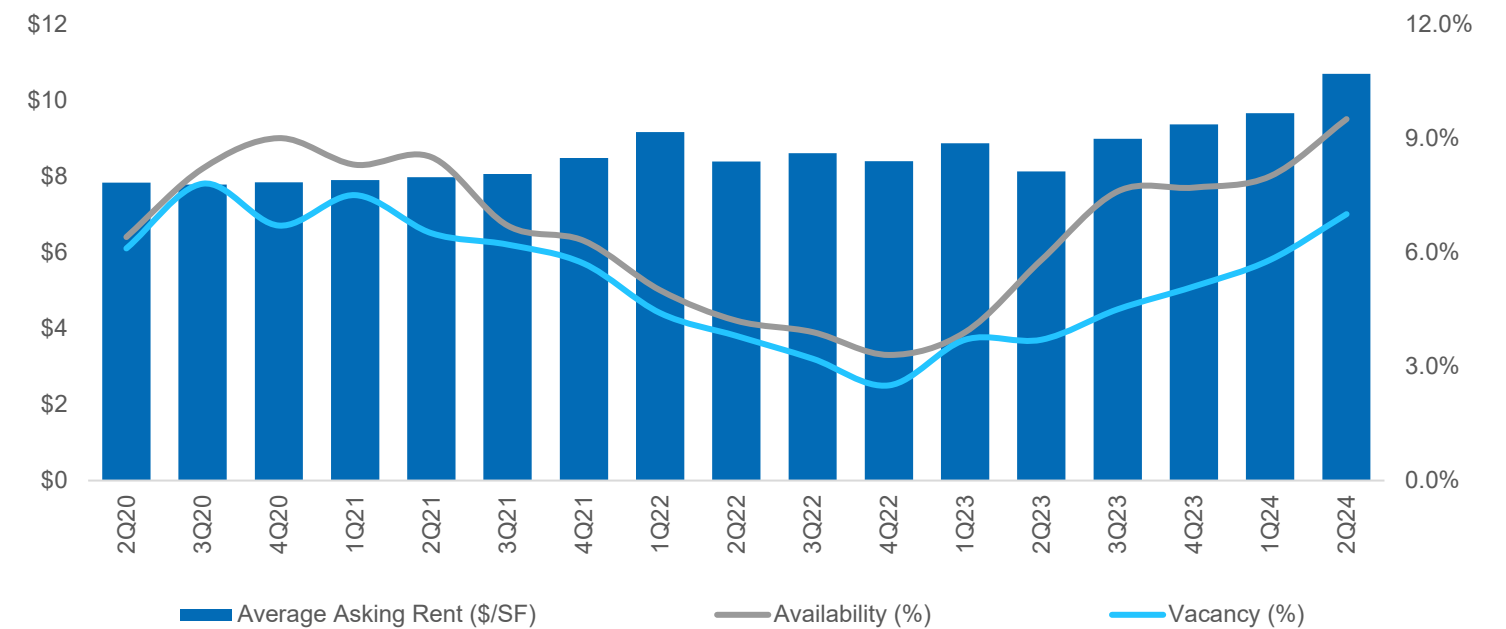
Current Market Trends

- The vacancy rate increased 120 basis points quarter over quarter to 7.0%.
- Asking rents rose to \$10.69/SF, up 10.7% quarter over quarter.
- Pierce County saw a second quarter absorption of net positive 351,455 SF.
- Two buildings delivered at the FRED310 Campus in Puyallup, totaling 1.4M SF.

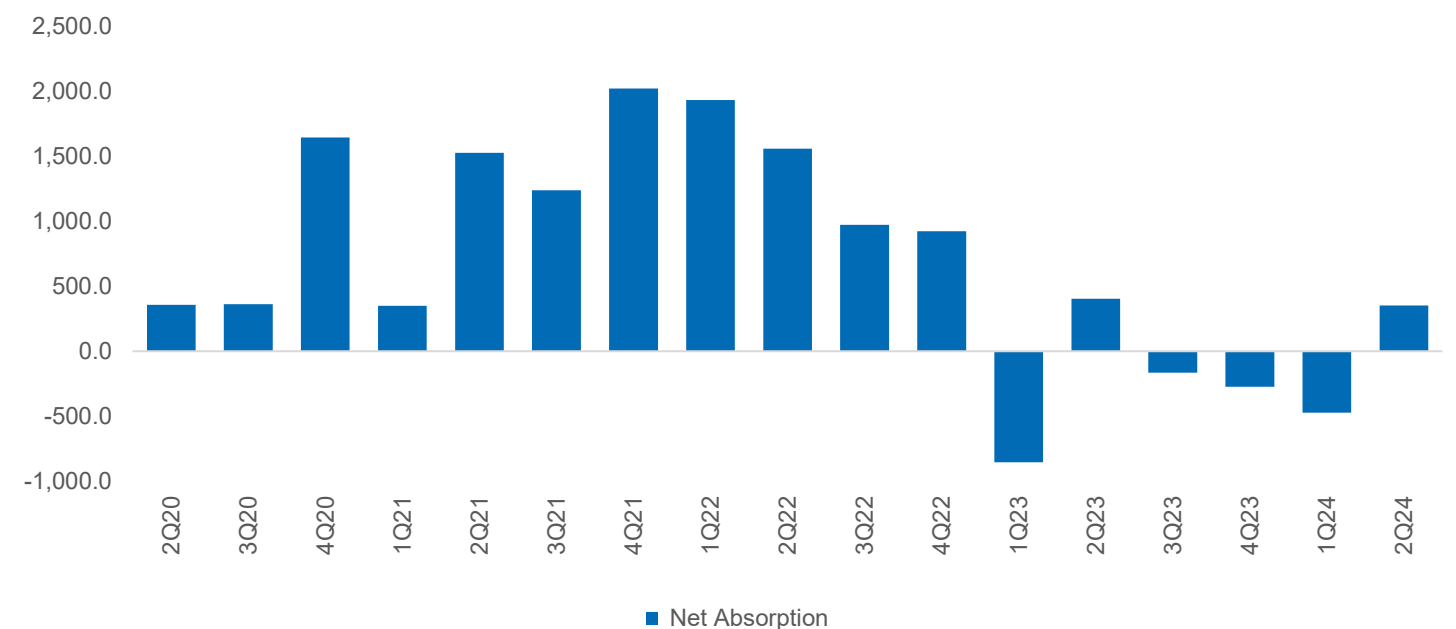
Top Transactions

Tenant	Building	Type	SF
Givens Distribution	Titan Building	Expansion	66,346
Navistar	First Steele	Direct New	64,341
Rivian	1328 24 th Ave E	Direct New	54,000

Weighted Average Asking Rent, Availability and Vacancy



Net Absorption (Square Feet, Thousands)



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