

EASTSIDE INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19*	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,040k	2,094k	▲
Seattle-Tacoma-Bellevue Unemployment	3.8%	3.9%	▼
U.S. Unemployment	3.9%	3.6%	▼

Market Indicators (Overall, All Property Types)

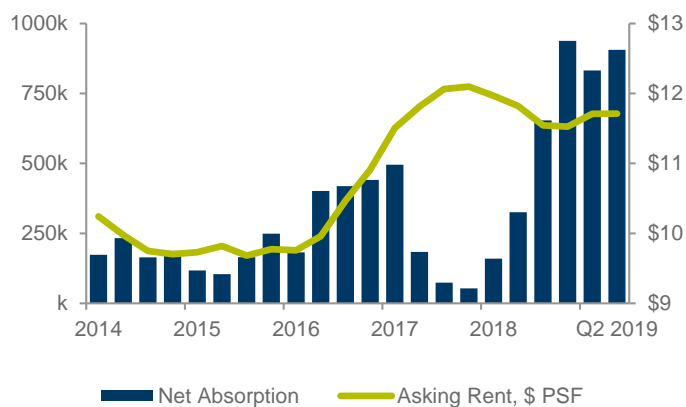
	Q2 18	Q2 19	12-Month Forecast
Vacancy	4.2%	2.3%	▼
YTD Net Absorption (sf)	739k	1.1M	▲
Under Construction (sf)	726k	526k	▲
Average Asking Rent**	\$11.53	\$11.53	■

*April-May 2019 data used to represent Economic Indicators for Q2 19

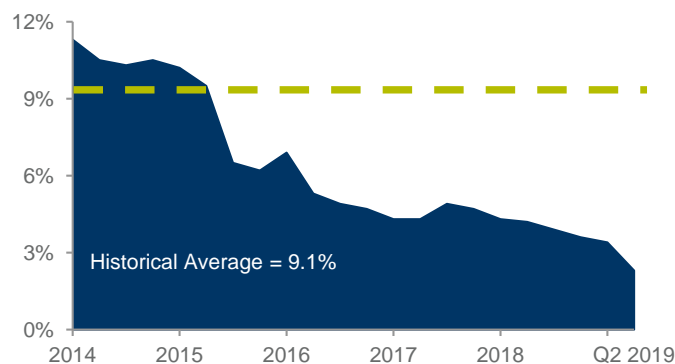
**Rental rates reflect NNN asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Puget Sound region experienced high rates of job activity, investment, and construction through the second quarter of 2019. Over 53,000 new jobs were added year-over-year, though unemployment rose 10 basis points (bps) to 3.9% (30 bps above the national rate). Investment in the region has been strong, with \$455 million trading in the second quarter. Nearly 1.9 million square feet (msf) of industrial space was under construction in the region at the end of the quarter, with an additional 14.6 msf in the pipeline.

Market Overview

The Eastside industrial market reported an overall vacancy rate of 2.3% and an overall NNN asking rate of \$11.53 per square foot (psf) in the second quarter of 2019. Vacancy decreased 190 bps from a year ago, during which time rent remained steady. Net absorption was +1 msf for the quarter, bringing the year-to-date total to 1.1 msf. Approximately 377,000 square feet (sf) leased.

In the largest lease transaction of the quarter, Amazon preleased 103,000 sf at Glacier Peak, in the Everett submarket, prior to its second-quarter completion. The lease leaves half of the building available for lease. In the largest sale transaction, the Seattle Life Sciences Facility, in the Bothell submarket, traded hands between Taylor Development and AGC Biologics for \$22.5 million (\$149 psf). AGC occupied the 151,000-sf R&D property at the time of the sale and exercised its option to purchase the property as an owner/user.

Outlook

The rezoning of industrial land to the highest and best uses, such as office/multi-family projects, has pinched industrial inventory. Since 2014, over 800,000 sf has been demolished, with only 1.8 msf of new inventory added. At the end of the second quarter, just over 526,000 sf was under construction, 22% of which was actively marketed as available. Nearly 431,000 sf of this new product is located in the Woodinville/522 Corridor submarket, which will appeal to tenants looking for big-box spaces that are rare on the Eastside.

The Spring District in Bellevue, planned on 16 city blocks, is expected to add 3.3 msf of mixed-use development in the Bel-Red Corridor by January 2020. The future East Link rail station, scheduled to open in 2023, will help with downtown accessibility.

MARKETBEAT

Puget Sound / Eastside

Industrial Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)*	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (WD)*
EASTSIDE SUBURBAN	870	36,223,383	308,150	2.3%	899,394	430,806	\$19.71	\$8.40	\$17.08	\$12.08
Bellevue	114	3,820,134	1,710	2.4%	254,414	0	\$0.00	\$0.00	\$16.99	\$15.58
Issaquah/East I-90	46	3,235,949	0	0.1%	4,331	0	\$0.00	\$0.00	\$14.16	\$0.00
Redmond (Overlake)	34	1,017,712	0	1.0%	-906	0	\$0.00	\$0.00	\$16.86	\$0.00
Redmond (Willows)	145	5,637,207	0	0.0%	119,908	0	\$0.00	\$0.00	\$0.00	\$0.00
Redmond (East)	104	4,026,550	45,625	7.9%	32,461	0	\$17.50	\$0.00	\$16.37	\$8.76
Kirkland	81	2,712,196	17,051	0.7%	57,710	0	\$0.00	\$0.00	\$15.00	\$10.80
Woodinville/522 Corridor	237	9,661,231	92,764	2.2%	246,797	430,806	\$0.00	\$8.40	\$0.00	\$17.91
Bothell	109	6,112,404	151,000	2.7%	184,679	0	\$22.50	\$0.00	\$17.49	\$0.00
NORTHEND	487	25,291,677	34,520	2.4%	235,991	95,220	\$11.06	\$6.28	\$11.05	\$8.39
Edmonds/Lynnwood	105	3,055,832	4,826	0.3%	34,769	0	\$0.00	\$0.00	\$0.00	\$9.00
Mukilteo	96	3,971,990	0	0.5%	2,012	0	\$0.00	\$10.92	\$9.00	\$9.00
Everett	198	13,854,083	0	3.0%	167,175	0	\$11.06	\$0.00	\$11.77	\$8.36
North Snohomish	88	4,409,772	29,694	3.7%	32,035	95,220	\$0.00	\$6.03	\$0.00	\$0.00
EASTSIDE/NORTHEND TOTALS	1,357	61,515,060	342,670	2.3%	1,135,385	526,026	\$16.21	\$6.76	\$16.71	\$10.47

*Rental rates reflect NNN asking \$psf/year

HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Glacier Peak	102,607	Amazon	Prelease	Everett
Highlands Campus Tech Centre - Bldg A	61,094	Seattle Genetics	Renewal**	Bothell
The Reserve at Woodinville – Bldg A	59,079	N/A	New	Woodinville/522 Corridor

**Renewals are not counted toward leasing activity statistics

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Seattle Life Sciences Facility	151,000	Taylor Development / AGC Biologics	\$22,500,000 / \$149	Bothell
NAT Bldg	104,292	Latitude Development / Pine Forest Properties	\$22,170,000 / \$213	Everett
Marymoor Technology Bldg	79,197	Keeler Investments Group / Unico Properties	\$23,500,000 / \$297	Redmond (East)
North Creek Tech Ctr IV	61,175	CCD Enterprises / Hill Investment	\$17,382,058 / \$284	Bothell
Redmond Ridge Corporate Ctr – Bldg 20	45,625	PacTrust / Microsoft	\$6,182,187 / \$136	Redmond (East)

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