

## MARKETBEAT

# Seattle / Kent Valley

Industrial Q2 2019



### SEATTLE 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)

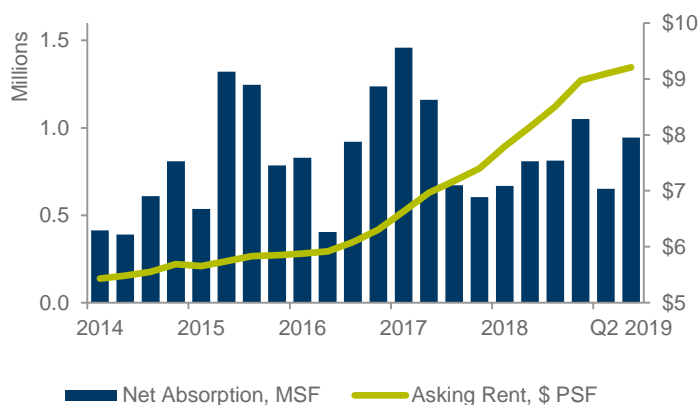
	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.9%	4.0%	■
YTD Net Absorption (sf)	1.8M	2.0M	▲
Under Construction (sf)	4.3M	1.3M	■
Average Asking Rent**	\$8.79	\$9.25	▲

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

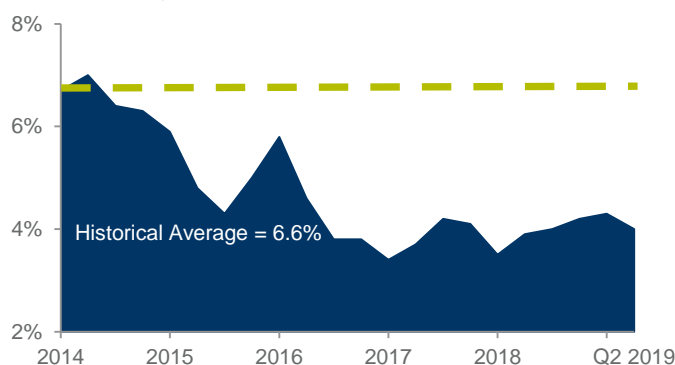
\*\*Rental rates reflect NNN asking \$psf/year

#### 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 Seattle/Kent Valley industrial market reported an overall vacancy rate of 4.0% and an overall NNN average asking rate of \$9.25 per square foot (psf) in the second quarter of 2019. Vacancy rose 10 bps and rent rose \$0.46 (+5.2%) from a year ago. Net absorption was reported at +1.8 msf during the quarter, bringing the year-to-date total to just over 2 msf. Nearly 2.9 msf leased during the quarter.

The most significant lease transaction of the second quarter was Ashley Furniture preleasing the remainder of the PLD Blair project in the Fife/Milton submarket. The deal totals just over 428,000 sf. The project is due for completion by mid-2019.

The largest investment sale transaction was the sale of Des Moines Creek Business Park in the SeaTac submarket. LaSalle Investment sold the three-building, 502,000-sf industrial park to Clarion Partners for \$81 million (\$162 psf). The property was 100% occupied at the time of sale and sold at a 4% cap rate.

Six buildings totaling nearly 1.4 msf were completed during the quarter, bringing the year-to-date total to nearly 1.7 msf. Just over 1.3 msf was under construction at the end of the quarter, 70% of which was actively marketed as available. This is providing a steady balance between supply and demand.

## Outlook

The trends for the Kent Valley industrial market are still on an upward trajectory, but both tenant demand and rental growth are slowly starting to stabilize. New developments are taking longer to be fully absorbed into the market relative to aggressive pre-leasing trends. New development projects are also moving south along I-5 into South Pierce and Thurston Counties.

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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)*
<b>SEATTLE IN-CITY</b>	<b>592</b>	<b>44,288,608</b>	<b>161,651</b>	<b>3.1%</b>	<b>532,181</b>	<b>0</b>	<b>\$22.00</b>	<b>\$9.23</b>	<b>\$19.67</b>	<b>\$13.86</b>
South Seattle	419	36,199,674	100,472	3.2%	313,222	0	\$22.00	\$5.28	\$14.00	\$14.21
Queen Anne to SODO	99	5,335,403	33,858	2.4%	243,814	0	\$0.00	\$12.72	\$13.50	\$0.00
N of Ship Canal to 205 <sup>th</sup>	74	2,753,531	27,321	3.2%	-24,855	0	\$0.00	\$12.89	\$25.00	\$12.40
<b>SOUTH KING COUNTY</b>	<b>1,456</b>	<b>108,555,611</b>	<b>148,033</b>	<b>4.3%</b>	<b>524,040</b>	<b>219,910</b>	<b>\$15.00</b>	<b>\$9.18</b>	<b>\$8.95</b>	<b>\$8.54</b>
SeaTac	75	6,573,711	10,080	12.9%	53,893	0	\$0.00	\$0.00	\$0.00	\$9.23
Tukwila	212	13,276,590	17,505	3.5%	48,704	0	\$0.00	\$0.00	\$9.81	\$9.52
Renton	129	12,939,835	0	3.9%	-25,018	0	\$15.00	\$0.00	\$14.29	\$8.11
Kent	651	46,068,395	78,978	4.4%	321,471	219,910	\$0.00	\$9.50	\$8.45	\$8.23
Auburn/Federal Way	389	29,697,080	41,470	2.6%	124,990	0	\$0.00	\$0.00	\$10.49	\$8.29
<b>NORTH PIERCE COUNTY</b>	<b>400</b>	<b>43,340,405</b>	<b>15,049</b>	<b>4.4%</b>	<b>946,773</b>	<b>1,108,282</b>	<b>\$0.00</b>	<b>\$7.23</b>	<b>\$0.00</b>	<b>\$7.85</b>
Sumner	134	16,594,290	0	4.3%	84,112	163,894	\$0.00	\$0.00	\$0.00	\$8.04
Puyallup	120	10,718,118	15,049	0.9%	111,503	944,388	\$0.00	\$9.00	\$0.00	\$7.20
Fife/Milton	146	16,027,997	0	6.7%	751,158	0	\$0.00	\$6.00	\$0.00	\$7.71
<b>KENT VALLEY TOTALS (So. King &amp; No. Pierce)</b>	<b>1,856</b>	<b>151,896,016</b>	<b>163,082</b>	<b>4.3%</b>	<b>1,470,813</b>	<b>1,328,192</b>	<b>\$15.00</b>	<b>\$7.93</b>	<b>\$8.40</b>	<b>\$8.35</b>
<b>IN-CITY AND KENT VALLEY</b>	<b>2,448</b>	<b>196,184,624</b>	<b>324,733</b>	<b>4.0%</b>	<b>2,002,994</b>	<b>1,328,192</b>	<b>\$17.50</b>	<b>\$8.51</b>	<b>\$11.09</b>	<b>\$9.16</b>

\*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
PLD Blair – Bldg B	428,228	Ashley Furniture	Prelease	Fife/Milton
Seattle Gateway Center 1	161,573	Mercer Distribution	New	SeaTac
234 Distribution Center, Phase II	125,440	EB Bradley	New	Kent
Kent II	102,002	N/A	New	Kent
Prologis Park Kent - Bldg 1	90,876	Undisclosed Tech Tenant	New	Kent
Kent East Corporate Park - Bldg A	70,925	Seko	New	Kent
IPT Sumner Distribution Center	64,749	EZ Access	New	Sumner

## Key Sale Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Des Moines Creek Business Park	501,659	LaSalle Investment / Clarion Ptrs	\$81,110,000 / \$162	SeaTac
White River Corporate Park	167,023	Stockbridge Capital / TA Realty	\$25,500,000 / \$153	Auburn/Federal Way
SeaTac Packaging (901-919 N Levee Rd)	154,900	SeaTac Packaging / TA Realty	\$27,100,000 / \$175	Puyallup
FloForm Bldg	113,591	R&M Investments LLC / Lift Ptrs	\$16,500,000 / \$145	Kent
Intracorp Industrial Ctr – Pexco	103,240	Ashton Capital / Bertch Capital Ptrs	\$16,000,000 / \$155	Fife/Milton

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