



## Industrial Q4 2019

	YoY Chg	12-Mo. Forecast
<b>3.3%</b> Vacancy Rate	▼	▼
<b>-93K</b> Net Absorption, SF	▼	▲
<b>\$1.00</b> Asking Rent, PSF	—	▲
Overall, Net Asking Rent		

ECONOMIC INDICATORS  
Q4 2019

	YoY Chg	12-Mo. Forecast
<b>2.1M</b> Seattle Employment	▲	▲
<b>3.5%</b> Seattle Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

## ECONOMIC OVERVIEW

The Puget Sound region closed out 2019 on a high note, bolstered by its healthy economy, job growth, and active investment. The wide pool of industries, from tech to manufacturing, will sustain the local economy heading into 2020. The region added 57,000 new jobs year-over-year, with the unemployment rate dipping 20 basis points (bps) to 3.5%. Investors have been committed to the region, with over \$2.1 billion traded in 2019, a slight drop of 250 bps from a year ago. The statewide increase of the real estate excise tax on major sales (effective January 2020) drove sellers to unload their assets by the end of the year.

## SUPPLY AND DEMAND

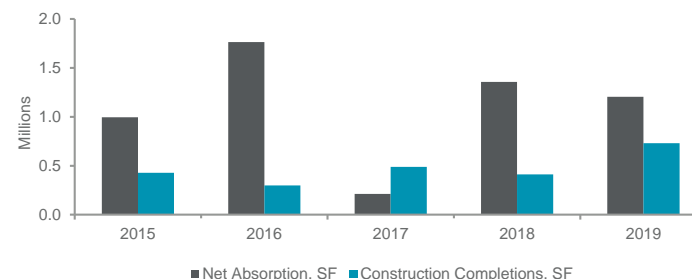
The Eastside industrial market reported an increase in inventory of over 700,000 square feet (sf) in 2019, up 78% from a year ago. Since 2015, over 2.3 million square feet (msf) of new space has entered the market, averaging nearly 470,000 sf per year. Approximately 577,000 sf was under construction at the end of the year, all of which is slated for completion by mid-2020; nearly 371,000 sf (64%) is available for prelease. An additional 4.7 msf is in the pipeline, the majority of which is situated in the Everett and North Snohomish submarkets.

Over 840,000 sf of new space leased in the fourth quarter, bringing the year-end total to 2.4 msf leased. The most notable Q4 deals include Amazon taking 220,000 sf at Redmond Commerce Center – Bldgs 1 & 3 in the Redmond (East) submarket and 168,000 sf at Everett Commerce Center – Bldg B in the Everett submarket, and Oculus VR leasing 81,000 sf at Willows Commerce Park II – Bldg C in the Redmond (Willows) submarket. Tenant demand in the region has been high: nearly 11.5 msf leased between 2015 and 2019, averaging 2.3 msf leased per year. In that same period, vacancy plummeted 690 bps, from 10.2% to 3.3%. Overall absorption for the quarter was reported at -93,000 sf, down 320,000 sf year-over-year. Absorption for the year totaled 1.2 msf, a slight drop from the 1.4 msf reported at the end of 2018.

## PRICING

The outlook for the Eastside industrial market remains high. Asking rent ended the year averaging \$1 per square foot (psf) NNN, up \$0.03 psf from a year ago. Rent has been above the \$0.90 psf mark since mid-2016, and there are no signs of the market slowing down. With supply limited in most submarkets (only four of the twelve in the Eastside have vacancy over 3%), and with tenants expanding into the outer submarkets, rent is expected to continue on an upward trajectory as tenants fill existing space and prelease available space.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY &amp; ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	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)*
Bellevue	3,812,126	62,510	1.6%	32,439	275,543	0	\$0.00	\$0.00	\$0.89	\$1.30
Issaquah/East I-90	3,235,949	0	0.0%	0	8,692	60,100	\$0.00	\$0.00	\$0.00	\$0.00
Redmond (Overlake)	1,016,744	13,699	1.3%	-3,512	-5,183	0	\$0.00	\$0.00	\$1.53	\$0.00
Redmond (Willows)	5,646,056	105,749	1.9%	46,485	23,008	0	\$1.84	\$0.00	\$2.00	\$0.00
Redmond (East)	4,026,927	330,481	8.2%	-16,997	21,812	140,000	\$1.25	\$0.00	\$1.50	\$0.74
Kirkland	2,700,791	38,695	1.4%	-7,612	27,359	0	\$0.00	\$0.00	\$1.56	\$0.00
Woodinville/522 Corridor	10,216,506	384,154	3.8%	-44,113	627,016	0	\$0.00	\$0.73	\$0.00	\$0.78
Bothell	6,110,775	471,088	7.7%	-239,879	-121,841	0	\$1.44	\$0.00	\$1.35	\$0.00
<b>EASTSIDE TOTALS</b>	<b>36,765,874</b>	<b>1,406,376</b>	<b>3.8%</b>	<b>-233,189</b>	<b>856,406</b>	<b>200,100</b>	<b>\$1.46</b>	<b>\$0.73</b>	<b>\$1.14</b>	<b>\$0.75</b>
Edmonds/MT/Lynnwood	3,067,101	6,919	0.2%	6,957	49,527	0	\$0.00	\$0.00	\$0.00	\$0.00
Mukilteo	3,939,483	21,723	0.6%	-13,409	-30,825	0	\$0.00	\$0.87	\$1.25	\$0.00
Everett	13,897,075	539,078	3.9%	118,447	91,870	0	\$0.95	\$0.75	\$1.04	\$0.69
North Snohomish	4,508,577	57,205	1.3%	28,511	238,031	376,935	\$0.00	\$0.60	\$0.00	\$0.00
<b>NORTHEND TOTALS</b>	<b>25,412,236</b>	<b>624,925</b>	<b>2.5%</b>	<b>140,506</b>	<b>348,603</b>	<b>376,935</b>	<b>\$0.95</b>	<b>\$0.72</b>	<b>\$1.09</b>	<b>\$0.68</b>
<b>EASTSIDE/NORTHEND</b>	<b>62,178,110</b>	<b>2,031,301</b>	<b>3.3%</b>	<b>-92,683</b>	<b>1,205,009</b>	<b>577,035</b>	<b>\$1.41</b>	<b>\$0.72</b>	<b>\$1.13</b>	<b>\$0.72</b>

\*Rental rates reflect weighted net asking \$psf/month

HT = High Tech/Flex; MF = Manufacturing; OS = Office Service/Flex; WD = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Redmond Comm Ctr	Redmond (East)	Amazon	219,548	New
Everett Comm Ctr – Bldg B	Everett	Amazon	167,600	New
Willows Comm Pk II – Bldg C	Redmond (Willows)	Oculus VR	80,980	New

## KEY SALE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Former Kimberly-Clark Bldg	Everett	Kimberly-Clark / Port of Everett	269,532	\$33M/\$122
Merrill Creek Center	Everett	Washington Holdings / Northwest Building LLC	215,552	\$61M/\$283
FedEx Distribution Center	Redmond (Willows)	PMF Investments LLC / RREEF	210,761	\$81.5M/\$387

## KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
LogistiCenter at Woodinville	Woodinville/522 Corridor	Precor, NeOasis Interiors	409,710	Colony Capital
Glacier Peak at Riverside	Everett	Amazon, Compass	204,498	Panattoni
180 <sup>th</sup> Street Business Park	North Snohomish	N/A	95,220	SMARTCAP Group

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