

Industrial Q4 2019

YoY
Chg 12-Mo.
Forecast**3.6%**

Vacancy Rate

**581K**

Net Absorption, SF

**\$0.71**

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2019YoY
Chg 12-Mo.
Forecast**2.1M**Seattle
Employment**3.5%**Seattle
Unemployment Rate**3.6%**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

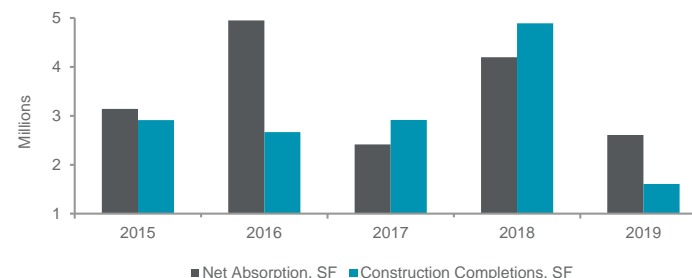
The Seattle/Kent Valley industrial market reported 1.6 million square feet (msf) of new inventory in 2019. This was a regression from previous years, with 4.9 msf added a year ago and 2.5+ msf each year between 2015 and 2017. Approximately 2.6 msf was under construction at the end of the year, all of which will deliver throughout 2020. Nearly 1.7 msf (66%) of the space under construction is available for prelease, with another 7.3 msf in the pipeline, the majority of which is situated in North Pierce County. Tenant demand has continued to stabilize the region, with vacancy on the decline (below 5% since mid-2016) and focus concentrated on the South Sound. New development projects have been popping up south along the I-5, especially in DuPont and Lakewood. Between 2015 and 2019, nearly 2.8 msf was added south of Kent Valley, with a minimum of 1.3 msf expected to deliver between 2020 and 2024.

Nearly 1.3 msf of new space leased in the quarter, bringing the year-end total to 9 msf leased. The most notable Q4 deals include an undisclosed tenant taking 176,000 sf at Sumner Corporate Park – Wenatchee Bldg and Graybar Electric Company renewing their 138,000-sf space at Renton Logistics Center. Overall absorption for the quarter was reported at 581,000 sf, a year-over-year decrease of 620,000 sf. Absorption for the year totaled 2.6 msf, a decline of 1.6 msf from the 4.2 msf reported at the end of 2018.

PRICING

The Seattle/Kent Valley industrial market reported a year-end average asking rent of \$0.71 per square foot (psf) NNN, down \$0.08 psf from a year ago. During the current cycle, rent reported steady growth, gaining \$0.10 psf every year between 2015 and 2018. In 2019, rent saw a slight reduction due to higher-rent space coming off the market. Due to limited supply, coupled with the high demand for space, the market should see an uptick in rent in 2020, especially once new construction is delivered.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





Industrial Q4 2019

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)* |
|--------------------------------------|--------------------|---------------------|----------------------|---|---------------------------------|------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| South Seattle | 36,284,221 | 924,411 | 2.5% | 281,385 | 623,134 | 0 | \$1.83 | \$1.75 | \$0.99 | \$1.04 |
| Queen Anne to SODO | 5,310,334 | 112,052 | 2.1% | -23,261 | 232,486 | 0 | \$0.00 | \$0.83 | \$0.00 | \$0.00 |
| N of Ship Canal to 205 th | 2,754,381 | 50,683 | 1.8% | 61,911 | 12,856 | 0 | \$0.00 | \$1.18 | \$0.00 | \$0.84 |
| SEATTLE IN-CITY TOTALS | 44,348,936 | 1,087,146 | 2.5% | 320,035 | 868,476 | 0 | \$1.83 | \$1.26 | \$0.99 | \$0.92 |
| SeaTac | 6,562,543 | 624,096 | 9.5% | 28,710 | 268,311 | 0 | \$0.00 | \$0.00 | \$0.00 | \$0.71 |
| Tukwila | 12,979,477 | 567,234 | 4.4% | -49,488 | -346,638 | 0 | \$0.00 | \$0.87 | \$1.41 | \$0.69 |
| Renton | 12,779,455 | 461,067 | 3.6% | -85,627 | -146,053 | 164,480 | \$0.00 | \$0.00 | \$1.09 | \$0.66 |
| Kent | 46,185,481 | 1,564,019 | 3.4% | 92,855 | 916,492 | 219,910 | \$0.00 | \$0.00 | \$0.73 | \$0.63 |
| Auburn/Federal Way | 29,629,401 | 839,321 | 2.8% | 54,021 | 3,130 | 77,233 | \$0.00 | \$0.00 | \$0.82 | \$0.55 |
| S. KING CO. TOTALS | 108,136,357 | 4,055,737 | 3.8% | 40,471 | 695,242 | 461,623 | \$0.00 | \$0.24 | \$1.04 | \$0.64 |
| Sumner | 16,591,948 | 509,178 | 3.1% | 122,460 | 288,405 | 1,210,788 | \$0.00 | \$0.00 | \$0.75 | \$0.66 |
| Puyallup | 10,716,251 | 408,025 | 3.8% | 1,563 | -204,865 | 843,065 | \$1.50 | \$0.67 | \$0.00 | \$0.84 |
| Fife/Milton | 16,102,652 | 947,333 | 5.9% | 96,732 | 960,007 | 55,000 | \$0.00 | \$0.00 | \$0.71 | \$0.56 |
| N. PIERCE CO. TOTALS | 43,410,851 | 1,864,536 | 4.3% | 220,755 | 1,043,547 | 2,108,853 | \$1.50 | \$0.67 | \$0.72 | \$0.62 |
| KENT VALLEY TOTALS | 195,896,144 | 7,007,419 | 3.6% | 581,261 | 2,607,265 | 2,570,476 | \$1.16 | \$0.64 | \$1.01 | \$0.68 |

*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 |
|----------------------------|-----------|--------------------------|---------|----------|
| Sumner CP – Wenatchee Bldg | Sumner | N/A | 175,723 | New |
| Renton Logistics Center | Renton | Graybar Electric Company | 173,520 | Renewal* |
| IAC Commerce Center SeaTac | SeaTac | Alaska Air Group | 115,273 | New |

*Renewals not tracked in leasing statistics

KEY SALE TRANSACTIONS Q4 2019

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|------------------------------|--------------------|---|---------|---------------|
| North Auburn Logistics | Auburn/Federal Way | LaSalle & Panattoni / Black Creek Group | 261,553 | \$53.1M/\$203 |
| Food Service of America Bldg | Kent | US Foods / Harbor Wholesale Foods | 248,391 | \$15.9M/\$64 |
| Gateway Corporate Center | Tukwila | BECU / Nicola Wealth Management | 177,127 | \$40M/\$226 |

KEY CONSTRUCTION COMPLETIONS YTD 2019

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|----------------------------|-------------|--------------------|---------|---------------------------|
| IAC Commerce Center SeaTac | SeaTac | Alaska Air Group | 457,211 | Prologis |
| Prologis Blair DC – Bldg B | Fife/Milton | Ashley HomeStore | 428,228 | Prologis / DCT Industrial |
| DCT Hudson DC | Auburn | Young's Market Co. | 287,832 | Prologis / DCT Industrial |

BRIAN CAGAYAT

Associate Market Director

+1 206 521 0296 / brian.cagayat@cushwake.com

DANIEL OCHS

Research Analyst

+1 206 521 0235 / daniel.ochs@cushwake.com

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