

Puget Sound- Eastside

Industrial Q3 2020

3.2%

Vacancy Rate

YoY
Chg12-Mo.
Forecast**94K**

Net Absorption, SF

**\$1.33**

Asking Rent, PSF



Overall, Monthly Net Asking Rent

ECONOMIC INDICATORS Q3 2020

1.94MSeattle
EmploymentYoY
Chg12-Mo.
Forecast**8.5%**Seattle
Unemployment Rate**8.8%**U.S.
Unemployment Rate

Source: BLS

ECONOMIC OVERVIEW

For the Seattle metropolitan statistical area, at the close of the third quarter of 2020, 165,200 jobs had been shed year-over-year (YOY), with the unemployment rate rising 530 basis points (bps) to 8.5%. That said, these metrics have been improving over the third quarter. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

SUPPLY AND DEMAND

Puget Sound- Eastside inventory increased in the third quarter of 2020, with three buildings delivering. Over 300,000 square feet (sf) of product was added exclusively in the North Snohomish submarket. The market has now had 510,000 sf of inventory delivered year-to-date (YTD). The Northend is seeing the growth in construction as companies seek less expensive buildings on the outskirts of the Seattle MSA. Of the 514,000 sf under construction, over 428,000 sf (83%) is in the Northend market with 352,000 sf (68%) under construction in the North Snohomish submarket. On top of these deliveries and construction projects, there is another 5.4 million square feet (msf) of proposed projects in the pipeline, 4.7 msf (87%) in the expanding Northend.

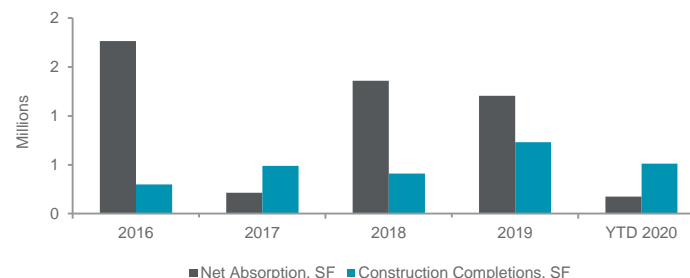
Overall absorption for the third quarter was reported at 94,000 sf with the YTD figure at 175,000 sf, a drastic decline from the 1.3 msf reported over the same period in 2019.

Industrial investment in the Seattle region has slowed considerably. Only \$365 million traded in the third quarter of 2020, less than half of the over \$1 billion traded in the third quarter of 2019.

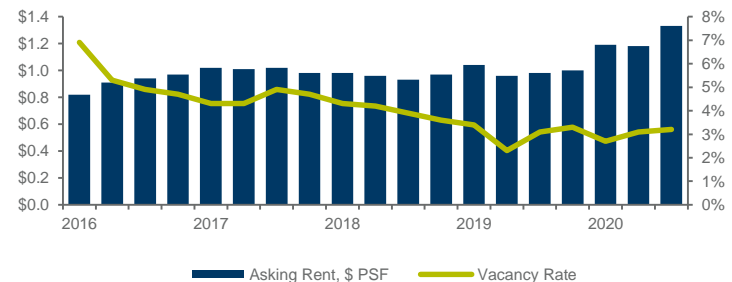
PRICING

The Puget Sound- Eastside industrial market asking rents have continued to rise, ending the third quarter at \$1.33 per square foot (psf) on a monthly triple net basis, a YOY increase of 36% (+\$0.35). After a slight decline in asking rates during 2019, rents have risen drastically during the first three quarters of 2020. Prices are expected to begin decreasing slightly through 2021, due to Boeing's decision to leave their Everett manufacturing buildings. This decision will have a severe impact on the aerospace market, which is one of the main drivers for the Northend and Eastside but e-commerce growth could help to combat this major change.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Puget Sound- Eastside

Industrial Q3 2020

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)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)
Bellevue	3,821,197	65,727	1.7%	-10,497	-20,848	0	0	\$1.76	\$0.00	\$1.20
Issaquah / East I-90	3,296,134	19,361	0.6%	38,196	40,824	0	60,185	\$1.83	\$0.00	\$1.00
Redmond (Overlake)	1,016,744	17,417	1.7%	-9,561	-5,158	0	0	\$1.54	\$0.00	\$0.00
Redmond (Willows)	5,647,226	181,081	3.2%	-41,224	-133,886	0	0	\$1.52	\$1.13	\$0.00
Redmond (East)	4,167,787	94,996	2.3%	-43,793	352,485	0	140,000	\$1.40	\$0.00	\$0.00
Kirkland	2,700,791	86,739	3.2%	-25,907	-50,641	0	0	\$1.55	\$0.95	\$1.15
Woodinville / 522 Corridor	10,224,774	284,062	2.8%	-1,784	31,138	86,000	0	\$1.04	\$2.48	\$1.05
Bothell	6,110,023	491,016	8.0%	-19,896	-75,400	0	0	\$0.94	\$0.00	\$0.00
EASTSIDE TOTALS	36,984,676	1,240,399	3.4%	-114,466	138,514	86,000	200,185	\$1.41	\$1.86	\$1.07
Edmonds / MT / Lynnwood	3,056,621	34,464	1.1%	-18,151	-27,545	0	0	\$1.00	\$1.17	\$1.03
Mukilteo	3,938,917	43,466	1.1%	-8,386	-28,305	0	0	\$1.25	\$1.18	\$0.65
Everett	13,882,302	442,177	3.2%	34,154	-59,365	76,339	0	\$0.94	\$0.00	\$0.99
North Snohomish	4,839,137	215,739	4.5%	200,965	151,776	352,047	310,310	\$0.00	\$0.74	\$0.66
NORTHEND TOTALS	25,716,977	735,846	2.9%	208,582	36,561	428,386	310,310	\$1.02	\$0.84	\$0.87
EASTSIDE / NORTHEND	62,701,653	1,976,245	3.2%	94,116	175,075	514,386	510,495	\$1.36	\$1.11	\$0.95

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

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Everett Technical Park II	Everett	Premier Fixtures	153,385	New
Wesmar Building	Woodinville / 522 Corridor	Unknown	82,300	New
Gayteway Business Park – Building D	North Snohomish	Clearwater Spas	66,590	New
Gayteway Business Park – Building G	North Snohomish	Unknown	57,216	New

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Woodinville West – Building A, B, C & D	Woodinville	Marie E Toikka / Crosby & Co. Real Estate	172,449	\$28M/\$162
7 Property Portfolio	Bellevue	Robertson Development Co LP / Bel Red South LLC	84,438	\$46.35M/\$549
19606 144 th Ave NE	Woodinville	Virginia & Sidney Cook / One Way Plumbing LLC	8,312	\$2.8M/\$331

KEY CONSTRUCTION COMPLETIONS Q3 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Marysville I-5 Industrial Center – Building B	North Snohomish	Fully Vacant	137,275	Marysville Investment Partners
Marysville I-5 Industrial Center – Building A	North Snohomish	Miir	109,345	Marysville Investment Partners
Gateway Business Park – Building B	North Snohomish	Unknown	63,690	GS Venture Partners

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