

Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
5.3% Vacancy Rate	▲	▲
413k Net Absorption, SF	▼	▲
\$0.77 Asking Rent, PSF	▲	▲

Overall, Monthly Net Asking Rent

ECONOMIC INDICATORS
Q3 2020

	YoY Chg	12-Mo. Forecast
1.94M Seattle Employment	▼	▲
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

The Seattle industrial market had its inventory continue to increase in the third quarter of 2020, with over 965,000 square feet (sf) added. 3PLs and e-commerce remain the main drivers, for the warehouse and distribution deliveries. The Seattle market has now had 3.0 million square feet (msf) of inventory delivered year-to-date (YTD). Of the 7.2 msf under construction, over 5.6 msf (78%) is in the South Sound market with the remaining 1.6 msf (22%) under construction in the Kent Valley. On top of these deliveries and construction projects, there is another 17.5 msf of proposed projects in the pipeline, 12.8 msf (73%) in the rapidly growing South Sound where land is cheaper for development and rental rates are lower than Seattle In-City and Kent Valley.

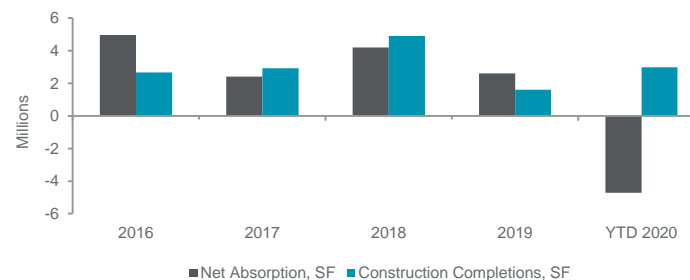
Overall absorption for the third quarter was reported at over 413,000 sf with the YTD figure at 1.1 msf. This absorption is a slight decrease from the 2.0 msf reported over the same period in 2019.

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.

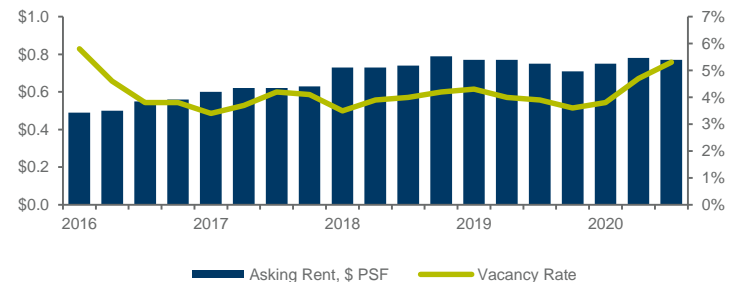
PRICING

The Seattle industrial market asking rents, after a slight decline during 2019, have reversed course and started to climb again, ending the third quarter with an average asking rent of \$0.77 per square foot (psf) on a monthly triple net basis, a YOY increase of 2.6% (+\$0.02). Prices are expected to continue to rise through 2021, due to the expansion of e-commerce and 3PL companies throughout the region, low vacancy rates, and new premier space expected to deliver.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & 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)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)
South Seattle	36,288,350	1,438,709	3.7%	-126,792	-202,954	0	0	\$1.33	\$1.46	\$1.09
Queen Anne to SODO	5,431,382	175,162	3.2%	-87,987	-123,910	0	0	\$1.31	\$1.04	\$1.13
N of Ship Canal to 205 th	2,776,759	223,676	8.1%	-94,390	-188,704	0	0	\$2.00	\$1.37	\$1.05
SEATTLE IN-CITY	44,496,501	1,755,547	3.9%	-309,169	-515,568	0	0	\$1.50	\$1.39	\$1.10
SeaTac	6,562,273	149,894	2.3%	-31,789	311,058	0	0	\$0.00	\$0.00	\$0.84
Tukwila	12,965,847	537,226	4.1%	-37,059	-96,529	0	0	\$1.07	\$0.89	\$0.86
Renton	12,942,212	702,664	5.4%	158,065	293,082	0	164,480	\$1.03	\$0.00	\$0.69
Kent	46,922,445	2,470,725	5.3%	321,082	530,999	0	317,432	\$1.24	\$0.71	\$0.67
Auburn	29,180,955	1,303,357	4.5%	-9,964	-86,190	206,155	183,894	\$0.80	\$0.00	\$0.56
Federal Way	1,314,293	60,104	4.6%	-27,910	105,031	0	77,233	\$0.00	\$0.00	\$0.85
Sumner	16,656,404	1,169,680	7.0%	-210,613	126,954	545,114	697,414	\$0.00	\$0.00	\$0.65
Puyallup	6,657,798	209,868	3.2%	-6,387	102,006	637,249	0	\$0.00	\$0.69	\$0.83
Fife / Milton	12,658,653	403,351	3.2%	-21,373	151,882	55,000	0	\$0.71	\$0.58	\$0.64
Tacoma	23,385,067	1,698,289	7.3%	-27,910	-62,083	106,765	0	\$0.00	\$0.78	\$0.60
KENT VALLEY	169,245,947	8,705,158	5.1%	312,677	1,376,210	1,550,283	1,440,453	\$1.08	\$0.69	\$0.65
Parkland / Spanaway	647,725	1,000	0.2%	0	-1,000	273,816	0	\$0.00	\$0.00	\$0.00
Frederickson	4,016,106	0	0.0%	478,235	478,235	1,524,612	478,235	\$0.00	\$0.00	\$0.00
University Place	165,992	2,000	1.2%	0	0	0	0	\$0.00	\$0.00	\$0.00
Lakewood	5,509,354	334,045	6.1%	-33,359	-127,932	221,219	451,003	\$0.00	\$0.00	\$0.68
Dupont	4,622,657	1,123,540	24.3%	0	-314,320	0	494,900	\$0.00	\$0.00	\$0.50
Lacey	4,802,155	351,793	7.3%	-35,026	214,207	3,594,913	114,345	\$0.00	\$0.00	\$0.57
SOUTH SOUND	19,763,989	1,812,378	9.2%	409,850	249,190	5,614,569	1,538,483	\$0.00	\$0.00	\$0.54
SEATTLE TOTALS	233,506,437	12,273,083	5.3%	413,358	1,109,832	7,164,852	2,978,936	\$1.24	\$0.79	\$0.69

*Rental rates reflect weighted net asking \$psf/month **Statistics are not reflective of the U.S. MarketBeat Table

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Iron Mountain Building	Kent	Iron Mountain	248,500	Sale-Leaseback
Kent 192 Distribution Center	Kent	Costco-Innovel	219,910	New
Meridian Campus Corporate Park- Bldg F	Lacey	Washington State PPP	198,501	New
North Sumner Industrial Park- Aps	Sumner	Yusen Logistics	120,000	Renewal*

*Renewals not included in statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Iron Mountain Building	Kent	Iron Mountain, Inc. / CenterPoint Properties	248,500	\$44.5M/\$185
Econo Box Building	Renton	Alliance Packaging, Inc / EverWest Real Estate Investors LLC	164,332	\$29.5M/\$180
LA-Z-Boy Distribution Center	Kent	LA-Z-Boy Furniture Galleries / Duke Realty Corporation	63,546	\$13.5M/\$212

Daniel Ochs

Research Analyst

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

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