

	YoY Chg	12-Mo. Forecast
5.8% Vacancy Rate	▲	▼
436K Net Absorption, SF	▼	▲
\$0.82 Asking Rent, PSF	▲	▲

Overall, Monthly Net Asking Rent

ECONOMIC INDICATORS
Q2 2021

	YoY Chg	12-Mo. Forecast
1.99M Seattle Employment	▼	▲
5.3% Seattle Unemployment Rate	▲	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Washington State Reopens

Washington officially reopened at the end of the second quarter of 2021, lifting most of the COVID-19 restrictions that have been in place for more than a year and bringing a mixture of relief and uncertainty to residents and businesses. Many employers now face an uphill battle to fully return to pre-pandemic conditions. Workers in the industrial sector were mostly considered essential, so many continued to work onsite through the pandemic. Those who were able to work remotely will slowly trickle back into the office. Boeing will begin the process of shifting thousands of remote workers back to the office in mid-July. Amazon, whose turnover rate was already high pre-pandemic, has adjusted its return-to-work policies for its employees. Employment in the greater Seattle area grew to nearly two million jobs at mid-year 2021, an increase of nearly 117,000 jobs year-over-year (YOY). The unemployment rate dropped 830 basis points (bps) YOY to 5.3%, just below the national rate of 5.9%. The labor market should continue to improve throughout the year now that Washington will again require workers collecting unemployment to look for work.

SUPPLY AND DEMAND: Vacancy Remains Low, Absorption On the Rise

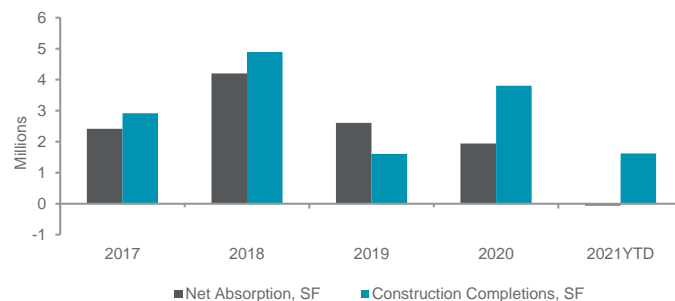
The Seattle industrial market reported a vacancy of 5.8% in the second quarter of 2021, up 110 bps YOY. The vacancy rate was highest in South Sound at 12.9%, up 770 bps YOY. The vacancy rate is forecasted to drop even more over the next twelve months as demand for premium product is expected to grow considerably.

Overall absorption for the second quarter was reported at positive 436,000 square feet (sf), bringing the YTD total to negative 63,000 sf. This was a massive improvement from the negative 2.9 million square feet (msf) of absorption reported at midyear 2020. Absorption is expected to increase even more as companies that have been signing deals for large blocks begin their occupancy of that space.

PRICING: Rents Expected to Continue Climbing

The Seattle industrial market asking rents increased to an average of \$0.82 per square foot (psf) on a monthly triple net basis, a YOY increase of 5.1% (+\$0.04). The highest rents (surpassing \$1.00 psf) were in the Seattle In-City market (\$1.28 psf) and the submarkets of Tukwila (\$1.00 psf), Sumner (\$1.18 psf), and Parkland/Spanaway (\$2.04 psf). Prices are expected to continue to rise through the rest of 2021, due to the region's low vacancy rates, new premier space expected to deliver, and the expansion of e-commerce and 3PL companies throughout the region.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



CONSTRUCTION: 7 MSF Expected to Deliver for the Full Year

The Seattle industrial market inventory welcomed nearly 760,500 sf of new space in the second quarter. Notable deliveries included a new Amazon warehouse (202,500 sf) in Tukwila, Bridge Point Auburn 200 (206,155 sf) in Auburn, Duke Sumner Logistics (190,000 sf) in Sumner, and 1905 E Marc Ave (107,000 sf) in Tacoma. Like 2020, new supply continues to outpace demand as buildings deliver without preleasing in place. Only two of the market's 1H 2021 deliveries had preleasing in place upon completion: the Amazon warehouse in Tukwila and Davis 70 in Fife (100% preleased to Dawn Foods). Nearly 5.0 msf (60%) of under construction projects are available as of the end of the quarter. Of the 7.0 msf in total that is under construction, over 3.9 msf (55%) is in the South Sound market; Kent Valley has the second-most at 2.9 msf (42%) under construction while the remaining 3% is in the Seattle In-City market. Nearly 5.5 msf of the space under construction is due to deliver during the remainder of this year, which will take new deliveries for all of 2021 to 7.1 msf.

On top of these deliveries and construction projects, there is another 17.2 msf of proposed projects in the pipeline, 14.3 msf (83%) in the rapidly growing South Sound, where developable land is less expensive and rental rates are lower than Seattle In-City and Kent Valley.

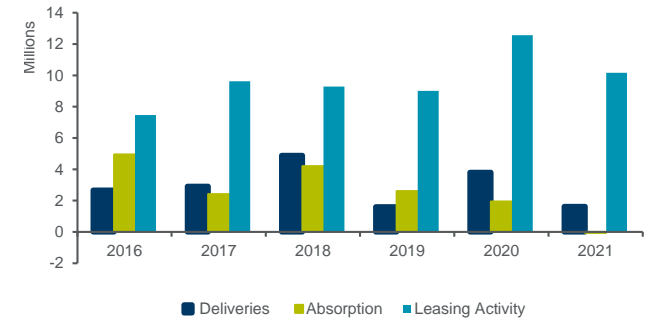
LEASING ACTIVITY: YTD SF Already Closing in on 2020 Total

Leasing activity has been busy the first two quarters of 2021. Over 10.1 msf has already been leased in the Seattle market, just 2.5 msf away from matching 2020's 12.6 msf of activity. Amazon was the most active occupier in the market, leasing just over 850,000 sf and potentially in the market for more. Costco leased over 451,000 sf in Dupont and Curt Manufacturing leased 251,000 sf in Fife/Milton. In the largest renewal of the quarter, Hollinsworth Logistics renewed their 162,400-sf space in Auburn. Cooper Tire also renewed 139,000 sf in Sumner. Eagle Beverage leased over 55,000 sf at Kent 192. Activity is expected to accelerate as companies bring the workforce to full capacity and deals are signed at recently completed buildings.

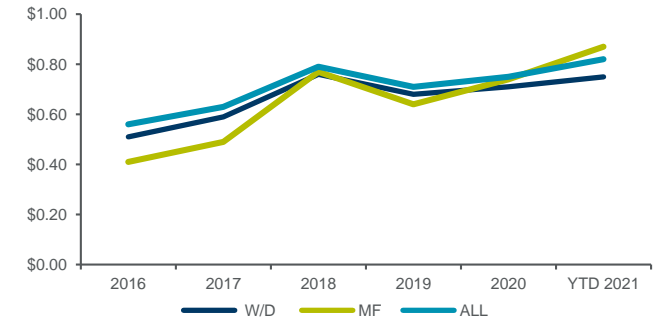
OUTLOOK

- Now that the state has officially reopened and businesses are free to return to full capacity, the Puget Sound should ramp up its recovery from the COVID-19 pandemic. With near record-high rents and record-low vacancy in early 2020, the region was better positioned to withstand an economic shock before this recession than during the Great Financial Crisis.
- 3PL & e-commerce occupiers have been instrumental in driving the rise in leasing activity and will continue to do so.
- Absorption may rise out of the red as occupiers have been signing deals for large blocks of space, especially preleases due for 2H 2021 delivery.
- Rents are forecasted to rise due to low vacancy, new construction, and tenant demand.

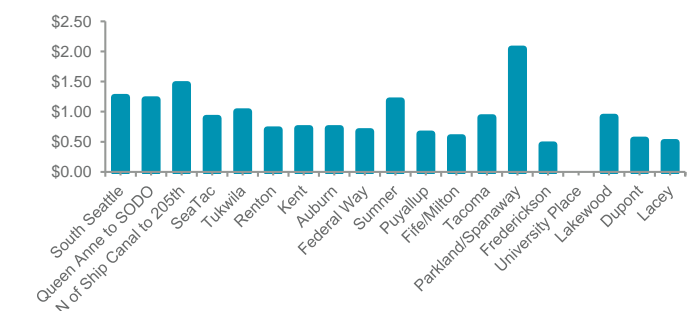
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



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 CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
South Seattle	36,493,901	1,137,117	3.1%	55,722	-91,711	218,913	0	\$1.56	\$1.11	\$1.22	\$1.24
Queen Anne to SODO	5,423,573	317,373	5.9%	5,344	-122,015	0	0	\$1.58	\$1.21	\$1.19	\$1.20
N of Ship Canal to 205 th	2,886,089	271,542	9.4%	3,796	-25,837	0	0	\$2.00	\$1.15	\$1.36	\$1.45
SEATTLE IN-CITY	44,803,563	1,726,032	3.9%	64,862	-239,563	218,913	0	\$1.71	\$1.14	\$1.25	\$1.28
SeaTac	6,562,273	122,382	1.9%	77,175	103,701	0	0	\$0.00	\$0.00	\$0.89	\$0.89
Tukwila	13,199,776	710,309	5.4%	63,385	143,801	753,751	202,500	\$1.10	\$0.00	\$0.90	\$1.00
Renton	12,928,693	850,515	6.6%	-9,276	47,757	0	0	\$1.08	\$0.76	\$0.67	\$0.70
Kent	46,494,713	3,301,024	7.1%	60,572	-379,864	1,132,454	0	\$1.13	\$0.76	\$0.68	\$0.72
Auburn	29,406,237	899,590	3.1%	20,432	633,731	0	206,155	\$0.99	\$1.35	\$0.71	\$0.72
Federal Way	1,314,293	29,526	2.2%	170,757	842	0	0	\$0.00	\$0.00	\$0.67	\$0.67
Sumner	17,197,612	1,220,898	7.1%	33,322	-44,612	0	541,208	\$0.00	\$0.60	\$1.03	\$1.18
Puyallup	7,103,869	231,282	3.3%	-85,572	-128,282	199,780	0	\$0.00	\$0.00	\$0.63	\$0.63
Fife/Milton	12,719,341	621,678	4.9%	-43,104	-131,363	823,060	55,000	\$0.00	\$0.51	\$0.65	\$0.57
Tacoma	23,219,631	1,256,808	5.4%	-2,069	-131,261	0	106,765	\$0.00	\$0.00	\$0.90	\$0.90
KENT VALLEY	170,146,438	9,244,012	5.4%	285,622	114,450	2,909,045	1,111,628	\$1.11	\$0.67	\$0.70	\$0.76
Parkland/Spanaway	647,725	700	0.1%	0	300	273,816	0	\$0.00	\$0.00	\$2.04	\$2.04
Frederickson	4,317,048	300,942	7.0%	0	0	1,576,480	0	\$0.00	\$0.00	\$0.45	\$0.45
University Place	165,992	2,000	1.2%	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Lakewood	5,611,089	533,838	9.5%	49,034	60,850	777,843	0	\$0.00	\$0.00	\$0.91	\$0.91
Dupont	4,622,657	1,348,840	29.2%	0	-225,300	0	0	\$0.00	\$0.00	\$0.53	\$0.53
Lacey	6,647,505	657,662	9.9%	36,011	226,800	1,249,051	510,040	\$0.00	\$0.00	\$0.49	\$0.49
SOUTH SOUND	22,012,016	2,843,982	12.9%	85,045	62,650	3,877,190	510,040	\$0.00	\$0.00	\$0.57	\$0.57
SEATTLE TOTALS	236,962,017	13,814,026	5.8%	435,529	-62,463	8,507,383	1,621,668	\$1.32	\$0.87	\$0.75	\$0.82

KEY LEASE TRANSACTIONS Q2 2021

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

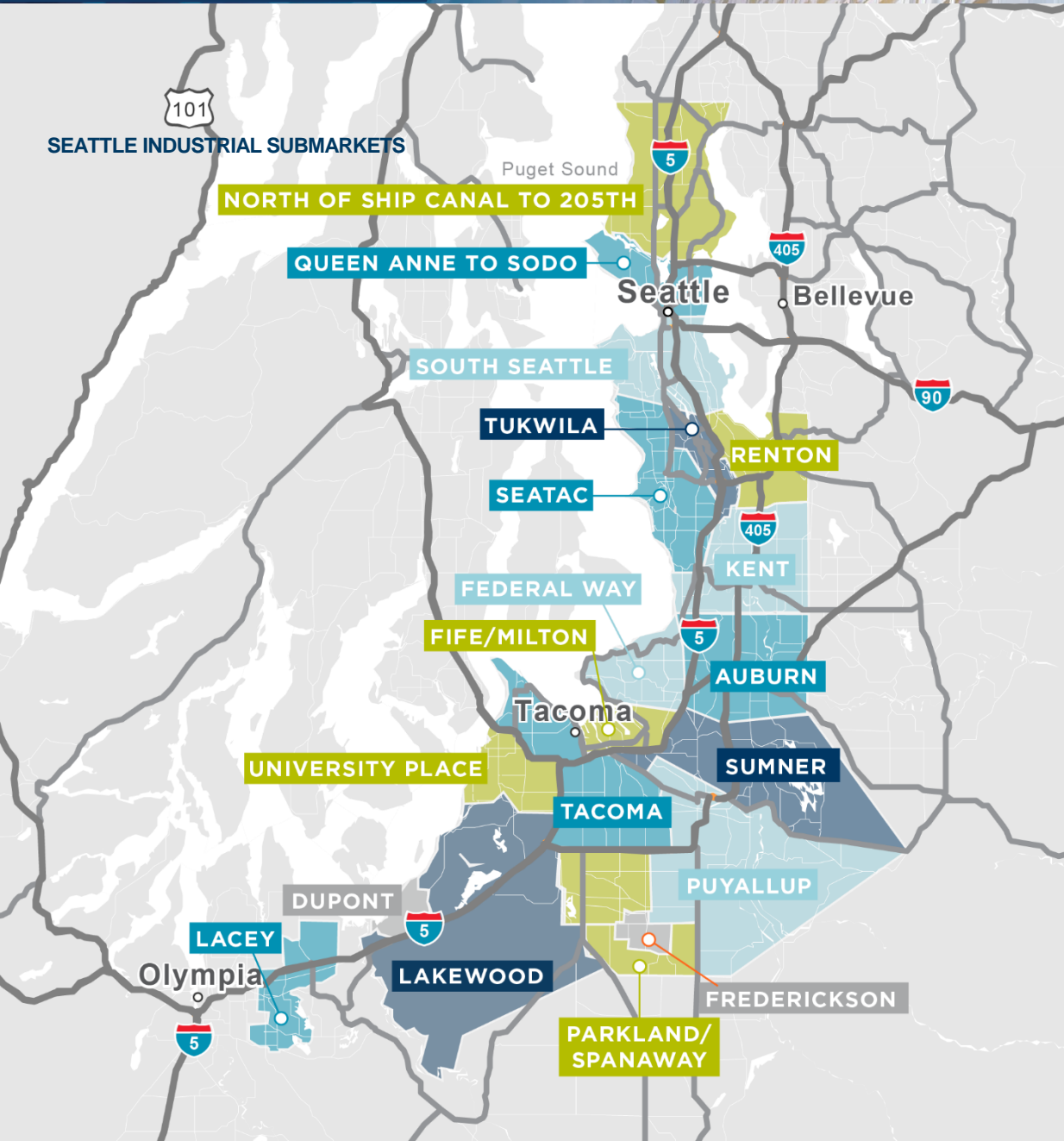
OS = Office Service/Flex MF = Manufacturing W/D = Warehouse/Distribution

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Puyallup Nation Logistics Center	Fife/Milton	Undisclosed	823,060	New
Bridge Point Lacey – Bldg A	Lacey	Amazon	510,040	New
Pier 1 Distribution Center – Dupont	Dupont	Costco	451,151	New
Portside Industrial Center – Bldg A	Fife/Milton	Curt Manufacturing	251,100	New

KEY SALES TRANSACTIONS Q2 2021

*Renewals not included in statistics

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
555-589 Monster Rd SW	Renton	Simvest Properties LLC / Elion Partners	223,656	\$47.5M/\$212
SoDo Urbanworks	Queen Anne to SODO	Grousemont Foundation / Nicola Wealth Mgmt	177,827	\$53.5M/\$301
6901 Fox Ave S	South Seattle	Guimont Fox Avenue LLC / Bridge Point Partners	129,040	\$21.2M/\$164

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