

Industrial Q3 2021

	YoY Chg	12-Mo. Forecast
5.7% Vacancy Rate	▲	▼
3.1M Net Absorption, SF	▼	▲
\$0.83 Asking Rent, PSF	▲	▲

Overall, Monthly Net Asking Rent

ECONOMIC INDICATORS
Q3 2021

	YoY Chg	12-Mo. Forecast
2.03M Seattle Employment	▲	▲
5.1% Seattle Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Labor Force Strong; Remote Workers Return

As of the third quarter of 2021, approximately 40% of the global workforce has returned to the office. Despite the uncertainty of Covid-19 and its Delta variant, many employees in the industrial sector – considered essential workers – continued to work onsite. With the state of Washington reopening at the end of July, some companies, like Boeing, began the process of shifting remote workers back into the office, while others, like Amazon, adjusted its return-to-work policies for its employees. Employment figures in the greater Seattle area grew to over two million jobs during the quarter, an increase of nearly 91,500 jobs year-over-year (YOY). The unemployment rate dropped 370 basis points (bps) YOY to 5.1%, just below the US unemployment rate of 5.2%. With the labor market seemingly back to pre-pandemic levels, it appears that the Puget Sound region will be an employees' market for the foreseeable future.

SUPPLY AND DEMAND: Vacancy Low, Absorption High

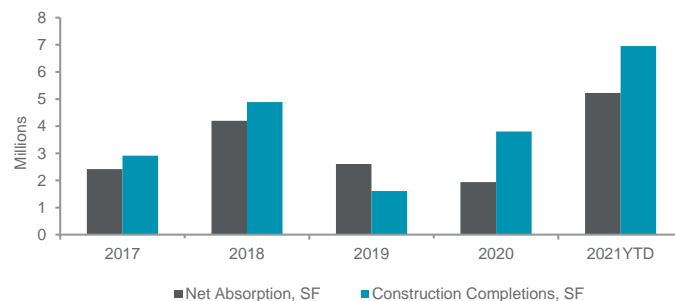
The Seattle industrial market reported a vacancy of 5.7% in the third quarter of 2021, down 20 bps YOY. The vacancy rate was highest in South Sound at 15.7% (up 1,040 bps YOY) and lowest in Seattle In-City at 3.8% (down 50 bps YOY). The vacancy rate for the entire market is forecasted to drop further over the next twelve months as demand for premium product continues to grow.

Overall absorption for the third quarter was reported at positive 3.1 million square feet (msf), a massive improvement from the negative 2.0 msf reported a year ago. The year-to-date total rose to positive 5.2 msf. Absorption is expected to close out the year well above this number as nearly 1.0 msf of preleased space is expected to deliver in the fourth quarter.

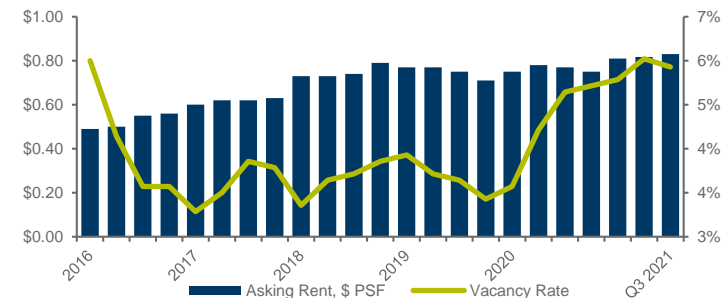
PRICING: Rents Continue Climbing

The Seattle industrial market asking rents increased to an average of \$0.83 per square foot (psf) on a monthly triple net basis, a YOY increase of 7.4% (+\$0.06). The rents were highest in the Seattle In-City market (\$1.29 psf) and the submarkets of Parkland/Spanaway (\$2.07 psf), University Place (\$1.97 psf), Puyallup (\$1.07 psf), and Tukwila (\$1.00 psf). Prices are expected to continue to rise heading into 2022, 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: 8 MSF Expected to Deliver in 2021

The Seattle industrial market inventory welcomed over 2.5 msf of new space in the third quarter, bringing the YTD total to 6.9 msf. Notable deliveries include Frederickson Pacific Industrial Park – Bldg B (715,060 sf and owned by Ashley HomeStore) and LPC Frederickson One – Bldg 2 (512,432 sf and preleased to Ace Hardware), both in the Frederickson submarket; and Hawks Prairie Logistics Center – Bldg 2 (575,918 sf and preleased to Snow Joe) in the Lacey submarket.

Over 5.2 msf of under construction projects were available as of the end of the quarter, with 2.7 msf in the rapidly growing South Sound market. Nearly 1.5 msf of the space under construction is due to deliver by the end of the year. On top of these deliveries and construction projects, there is another 22.2 msf of proposed projects in the pipeline. Over 7.8 msf of the proposed projects are in the South Sound market, where developable land is less expensive and rental rates are lower than the submarkets located closer to or within Seattle and the Kent Valley.

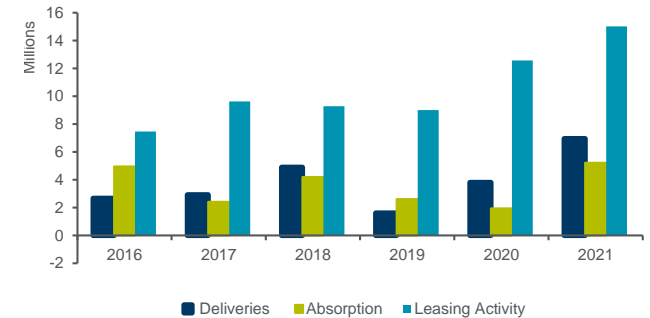
LEASING ACTIVITY: YTD SF Surpasses 2020 Total

Leasing activity tapered off in the third quarter but still posted 4.6 msf worth of deals, about 1.0 msf less than the second quarter. With a YTD total of 15.0 msf, leasing activity has already surpassed the 12.6-msf figure for all of 2020. Notable deals include Nordstrom preleasing 492,000 sf at SeaPORT Logistics Center – Phase II, Bldg 3 and Helly Hansen preleasing 274,000 sf at SeaPORT Logistics Center – Phase II, Bldg 4, both in the Sumner submarket; Spreetail preleasing 281,181 sf at Frederickson West 281 in the Frederickson submarket; and UNIS preleasing 274,000 sf at Tacoma Gateway II – Bldg A in the Parkland/Spanaway submarket. Activity is expected to continue rising as companies bring the workforce to full capacity and deals are signed for large blocks of space.

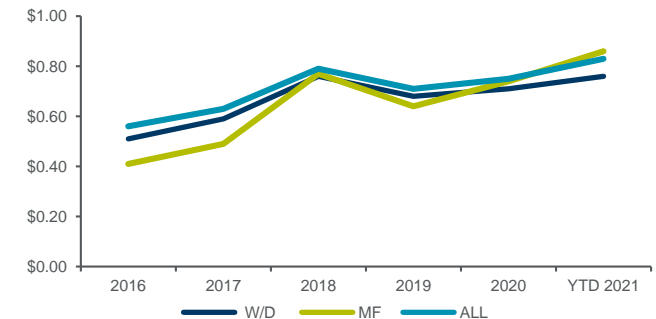
OUTLOOK

- 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 will continue to improve 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.

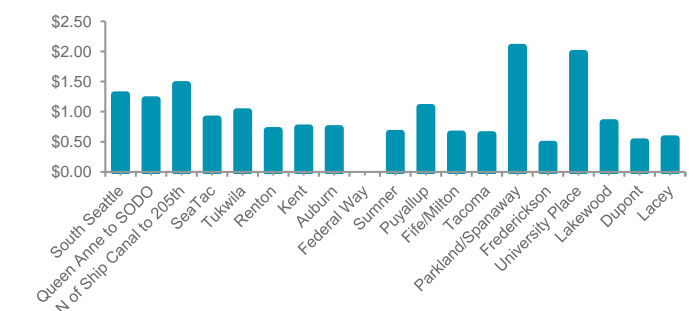
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



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	36,402,915	1,153,356	3.2%	-1,804	-107,972	339,156	0	\$1.62	\$1.08	\$1.28	\$1.28
Queen Anne to SODO	5,425,107	283,533	5.2%	31,410	-90,605	0	0	\$1.50	\$1.21	\$1.19	\$1.20
N of Ship Canal to 205 th	2,886,089	248,824	8.6%	22,718	-3,119	0	0	\$2.00	\$1.15	\$1.35	\$1.45
SEATTLE IN-CITY	44,714,111	1,685,713	3.8%	52,324	-201,696	339,156	0	\$1.74	\$1.12	\$1.27	\$1.29
SeaTac	6,566,542	99,079	1.5%	18,180	121,881	0	0	\$0.00	\$0.00	\$0.88	\$0.88
Tukwila	13,238,472	567,129	4.3%	140,480	261,472	151,091	202,500	\$1.13	\$0.00	\$0.86	\$1.00
Renton	15,354,063	484,389	3.2%	277,650	413,184	0	0	\$1.07	\$0.72	\$0.67	\$0.69
Kent	46,506,287	2,766,889	5.9%	318,035	248,171	1,132,454	0	\$1.29	\$0.92	\$0.69	\$0.73
Auburn	29,412,747	726,270	2.5%	128,998	770,049	281,193	206,155	\$0.99	\$1.35	\$0.71	\$0.72
Federal Way	1,314,293	27,457	2.1%	10,313	2,911	0	0	\$0.00	\$0.00	\$0.00	\$0.00
SO. KING COUNTY	112,392,404	4,671,213	4.2%	893,656	1,817,668	1,564,738	408,655	\$1.18	\$0.81	\$0.71	\$0.76
Sumner	17,197,612	1,035,308	6.0%	401,055	140,978	441,514	541,208	\$0.00	\$0.00	\$0.64	\$0.64
Puyallup	7,118,517	506,427	7.1%	-105,136	-233,418	197,026	44,090	\$0.00	\$0.60	\$0.86	\$1.07
Fife/Milton	12,719,341	410,452	3.2%	142,230	79,863	0	55,000	\$0.00	\$0.00	\$0.63	\$0.63
Tacoma	23,143,283	1,221,058	5.3%	35,750	-95,511	0	106,765	\$0.00	\$0.61	\$0.65	\$0.62
NO. PIERCE COUNTY	60,178,753	3,173,245	5.3%	473,899	-108,088	638,540	747,063	\$0.00	\$0.61	\$0.67	\$0.81
Parkland/Spanaway	921,541	1,204	0.1%	273,312	273,612	0	273,816	\$0.00	\$0.00	\$2.07	\$2.07
Frederickson	8,594,644	1,626,017	18.9%	448,440	448,985	1,818,237	1,672,664	\$0.00	\$0.00	\$0.46	\$0.46
University Place	222,992	1,494	0.7%	506	506	0	0	\$0.00	\$0.00	\$1.97	\$1.97
Lakewood	5,772,332	649,449	11.3%	42,968	103,818	840,642	158,579	\$0.00	\$0.00	\$0.82	\$0.82
Dupont	4,663,054	1,123,540	24.1%	225,300	0	0	0	\$0.00	\$0.00	\$0.50	\$0.50
Lacey	8,982,692	1,178,013	13.1%	687,028	2,888,123	0	3,691,714	\$0.00	\$0.00	\$0.55	\$0.55
SOUTH SOUND	29,157,255	4,579,717	15.7%	1,677,554	3,715,044	2,658,879	5,796,773	\$0.00	\$0.00	\$0.60	\$0.60
SEATTLE TOTALS	246,442,523	14,109,888	5.7%	3,097,433	5,222,928	5,201,313	6,952,491	\$1.40	\$0.86	\$0.76	\$0.83

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

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

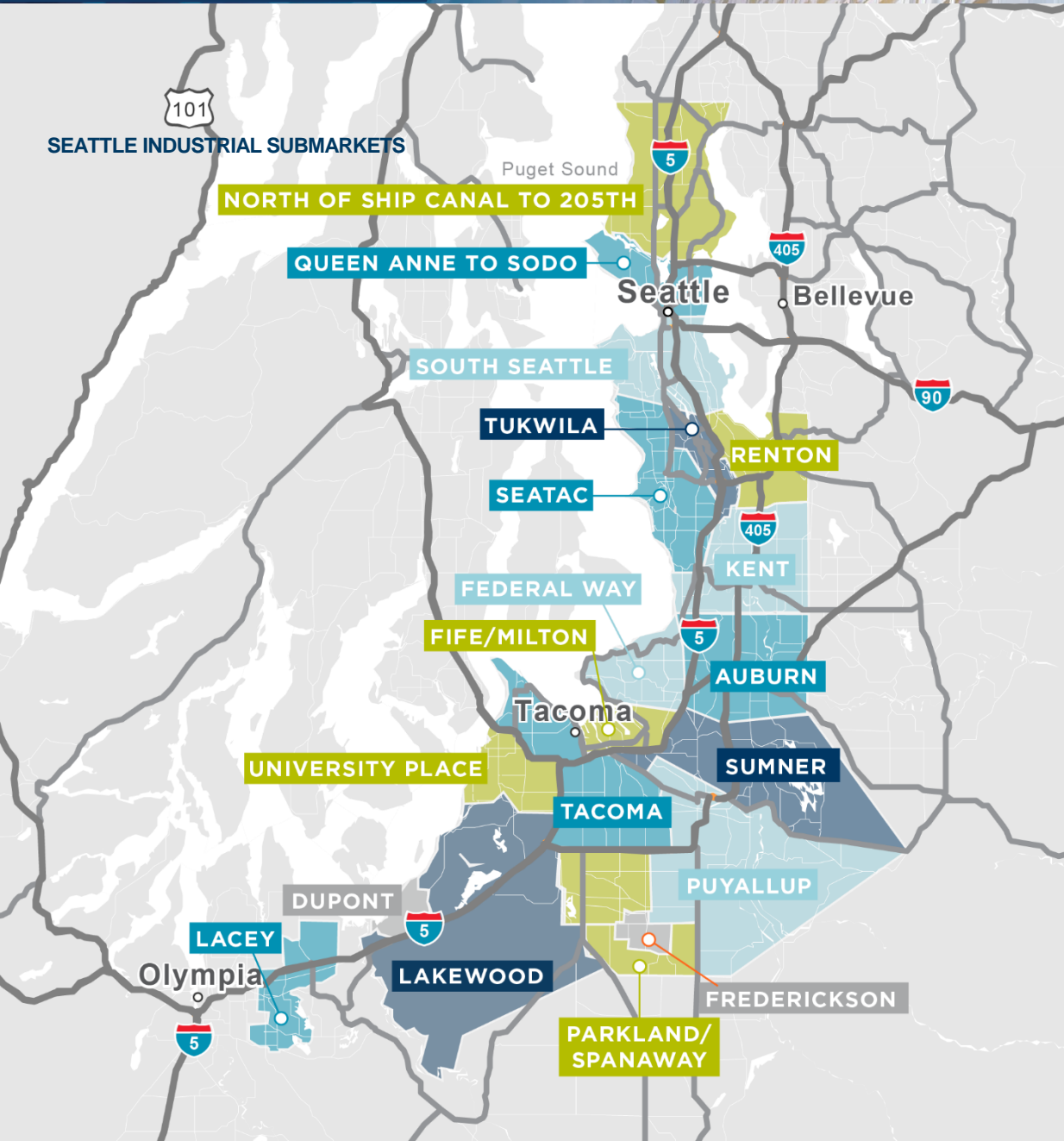
KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
SeaPORT Logistics Center – Ph II, Bldg 3	Sumner	Nordstrom	491,655	Prelease
Frederickson West 281	Frederickson	Spreetail	281,181	Prelease
SeaPORT Logistics Center – Ph II, Bldg 4	Sumner	Helly Hansen	273,683	Prelease

KEY SALES TRANSACTIONS Q3 2021

*Renewals not included in statistics

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Tacoma Supply Chain Center [Portfolio]	Frederickson	Panattoni / Dalfen Industrial	711,855	\$114M/\$161
Former Tacoma News Tribune Bldg	Tacoma	McClatchy Company / DPI	586,753	\$15.5M/\$64
West Valley 29 [Portfolio]	Auburn	Teutsch Partners / Fortress Investment	338,770	\$67.8M/\$200

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