

Puget Sound-Eastside

Industrial Q2 2022

	YoY Chg	12-Mo. Forecast
2.8% Vacancy Rate	▼	▼
306K Net Absorption, SF	▲	▲
\$1.47 Asking Rent, PSF	▲	▲

Overall, Monthly Net Asking Rent

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
2.09M Seattle Employment	▲	▲
3.2% Seattle Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Labor Force Nearing Full Recovery In 2022

The industrial sector has been largely unaffected by the pandemic and the recent economic turmoil. Employment in the greater Seattle area reached nearly 2.1 million jobs during the second quarter of 2022, a rise of 103,200 jobs year-over-year (YOY). The unemployment rate dropped 190 basis points (bps) YOY to 3.2%, just below the US unemployment rate of 3.6%. With all this in mind, the labor market in the Puget Sound region has seemingly returned to pre-pandemic levels.

SUPPLY AND DEMAND: Vacancy Below 3%; YTD Absorption Remains Positive

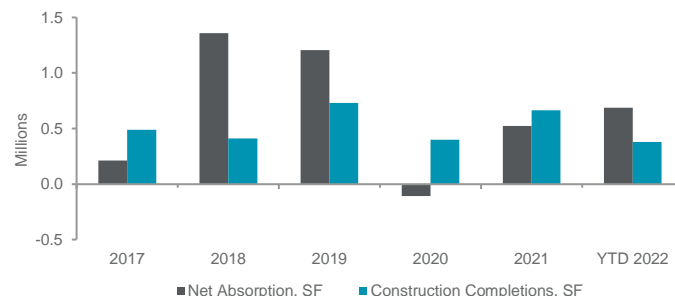
The Puget Sound-Eastside industrial market reported a vacancy of 2.8% in the second quarter of 2022, a YOY decrease of 130 bps. The Bothell, Mukilteo, and North Snohomish submarkets had the highest vacancy rates, at 7.4%, 5.6%, and 5.3%, respectively. The rate, traditionally lower than that of Seattle, is forecasted to remain low as Amazon and other tech firms continue to expand throughout the market. Biotech lab space, already with a low vacancy rate in the entire region and found primarily in Bothell, is highly sought-after, so expect availability to drop significantly in that sector and that submarket throughout 2022 and beyond.

Overall absorption for the quarter was reported at positive 306,000 square feet (sf), well above the positive 15,000 sf reported a year ago. Year-to-date (YTD) absorption, now at 686,000 sf, should continue in the positive heading into the second half as more tenants occupy large blocks of space.

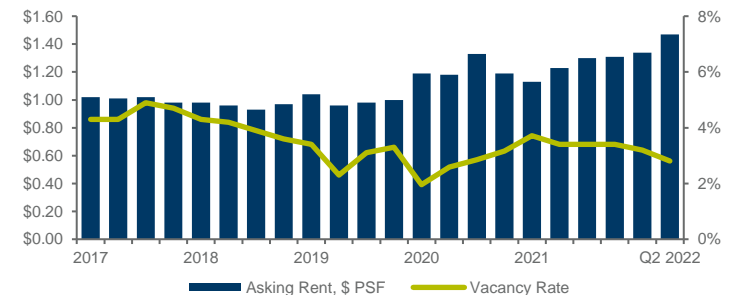
PRICING: E-Commerce & Aerospace Continue Driving Up Rental Rates

The average asking rent for the quarter was reported at \$1.47 per square foot (psf) on a monthly NNN basis. This was a YOY rise of 19.7% (+\$0.24). Asking rents in many of the submarkets are above \$2.00 psf, especially those near Microsoft's HQ and Meta's Oculus locations in Redmond. Prices are expected to continue to grow heading into the second half, due to increased supply and changes in the aerospace industry. E-commerce is easily one of the major driving forces in the Eastside.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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CONSTRUCTION: Deliveries Reach 378,000 SF at Mid-Year

The Puget Sound-Eastside industrial market inventory reported 378,000 sf of new space delivered in the first half of 2022. Notable deliveries include The LogistiCenter at Mountainview – Bldg B (145,125 sf; leased to Amazon) in the Everett submarket, Redmond Ridge Business Park – Bldgs 4 & 5 (124,907 sf; leased to SpaceX) in the Redmond (East) submarket, and Gayteway Business Park – Bldg G (108,316 sf; preleased to Himalayan) in the North Snohomish submarket.

Nearly 3.4 million square feet (msf) is under construction, mainly in the Northend. Most of the space has been preleased, with only 246,000 sf (7.2%) still available. Nearly 1.1 msf is expected to deliver by the end of the year. An estimated 9.3 msf of proposed projects is in the pipeline, 8.6 msf of which is in the Northend.

LEASING ACTIVITY: Over 1.4 MSF Leased in the First Half

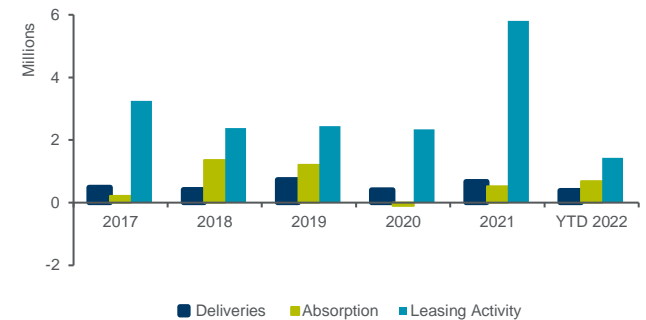
The Eastside reported over 1.4 msf of new space leased in the first half of the year. The most significant deals included OnTrac preleasing the entire 235,000-sf Baywood Park project and Bunzl renewing its 105,000-sf space at 2510 W Casino Rd, both in the Everett submarket. The Everett and Woodinville/522 Corridor submarkets saw the most activity of the second quarter, with a combined 542,000 sf of new space leased.

Leasing is expected to continue rising as we head into the second half, considering the growing number of tenants seeking space and two notable projects coming online with no preleases in place.

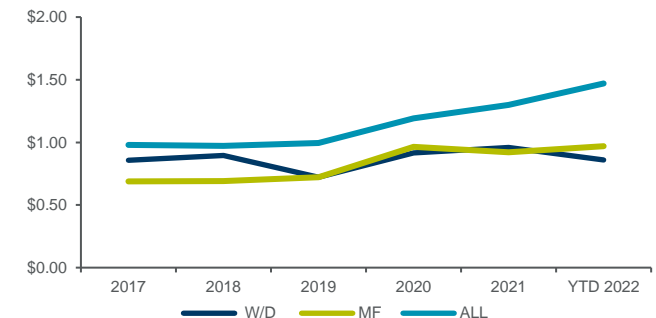
OUTLOOK

- The Puget Sound industrial market seems to have fully recovered from the pandemic, as rents and vacancy are at its pre-pandemic levels. The region will ride this momentum throughout 2022 and beyond.
- 3PL & e-commerce occupiers have been instrumental in driving the rise in leasing activity and will continue to do so. Many logistics firms have focused on renewals.
- Absorption has risen out of the red due to occupiers signing deals for large blocks of space, especially preleases.
- Rents are forecasted to rise due to low vacancy, new construction, and tenant demand.

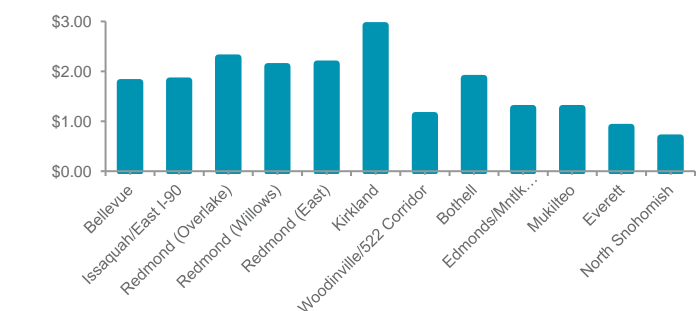
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
Bellevue	4,013,396	58,226	1.5%	-8,273	1,737	0	\$0.00	\$1.78	\$1.67	\$2.00	\$1.78
Issaquah / East I-90	2,796,134	16,308	0.6%	1,218	19,714	0	\$1.92	\$1.81	\$0.00	\$1.41	\$1.81
Redmond (Overlake)	1,016,744	10,177	1.0%	7,317	4,769	0	\$0.00	\$2.27	\$0.00	\$0.00	\$2.27
Redmond (Willows)	5,568,448	196,089	3.5%	19,367	3,956	339,010	\$2.09	\$2.21	\$0.00	\$0.00	\$2.10
Redmond (East)	4,208,292	44,166	1.0%	69,173	129,257	0	\$2.71	\$2.00	\$0.00	\$0.00	\$2.15
Kirkland	2,633,056	103,864	3.9%	83,676	79,938	0	\$3.66	\$1.92	\$1.91	\$1.69	\$2.92
Woodinville/522 Corridor	10,283,966	205,193	2.0%	3,987	24,761	0	\$1.67	\$1.24	\$1.09	\$0.95	\$1.12
Bothell	5,772,779	428,126	7.4%	-32,919	-34,179	0	\$1.88	\$1.84	\$0.00	\$1.31	\$1.86
EASTSIDE TOTALS	36,292,815	1,062,149	2.9%	143,546	229,953	339,010	\$2.33	\$1.62	\$1.16	\$1.10	\$1.86
Edmonds/MT/Lynnwood	3,059,910	6,500	0.2%	4,000	19,540	0	\$0.00	\$0.00	\$0.00	\$1.26	\$1.26
Mukilteo	3,934,831	219,039	5.6%	-9,389	-16,570	0	\$1.25	\$1.14	\$1.33	\$1.25	\$1.26
Everett	14,451,347	226,215	1.6%	31,032	202,971	492,228	\$0.95	\$1.08	\$1.50	\$0.52	\$0.88
North Snohomish	5,290,397	277,747	5.3%	137,275	250,511	2,905,619	\$0.00	\$0.00	\$0.68	\$0.66	\$0.67
NORTHEND TOTALS	26,736,485	729,501	2.7%	162,918	456,452	3,397,847	\$1.17	\$1.11	\$0.96	\$0.65	\$0.99
EASTSIDE / NORTHEND	63,029,300	1,791,650	2.8%	306,464	686,405	3,736,857	\$1.80	\$1.58	\$0.97	\$0.86	\$1.47

*Rental rates reflect weighted net asking \$psf/month HT = High-Tech OS = Office Service/Flex MF = Manufacturing W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Baywood Park	Everett	OnTrac	234,458	Prelease
WesMar Bldg	Woodinville/522 Corridor	Kymeta	82,300	New
Monte Villa Parkway Campus – 3555 Bldg	Bothell	Sana Biotechnology	79,565	New
13929 NE 190 th St	Woodinville/522 Corridor	Stoneway Electric	70,226	New

KEY SALES TRANSACTIONS Q2 2022

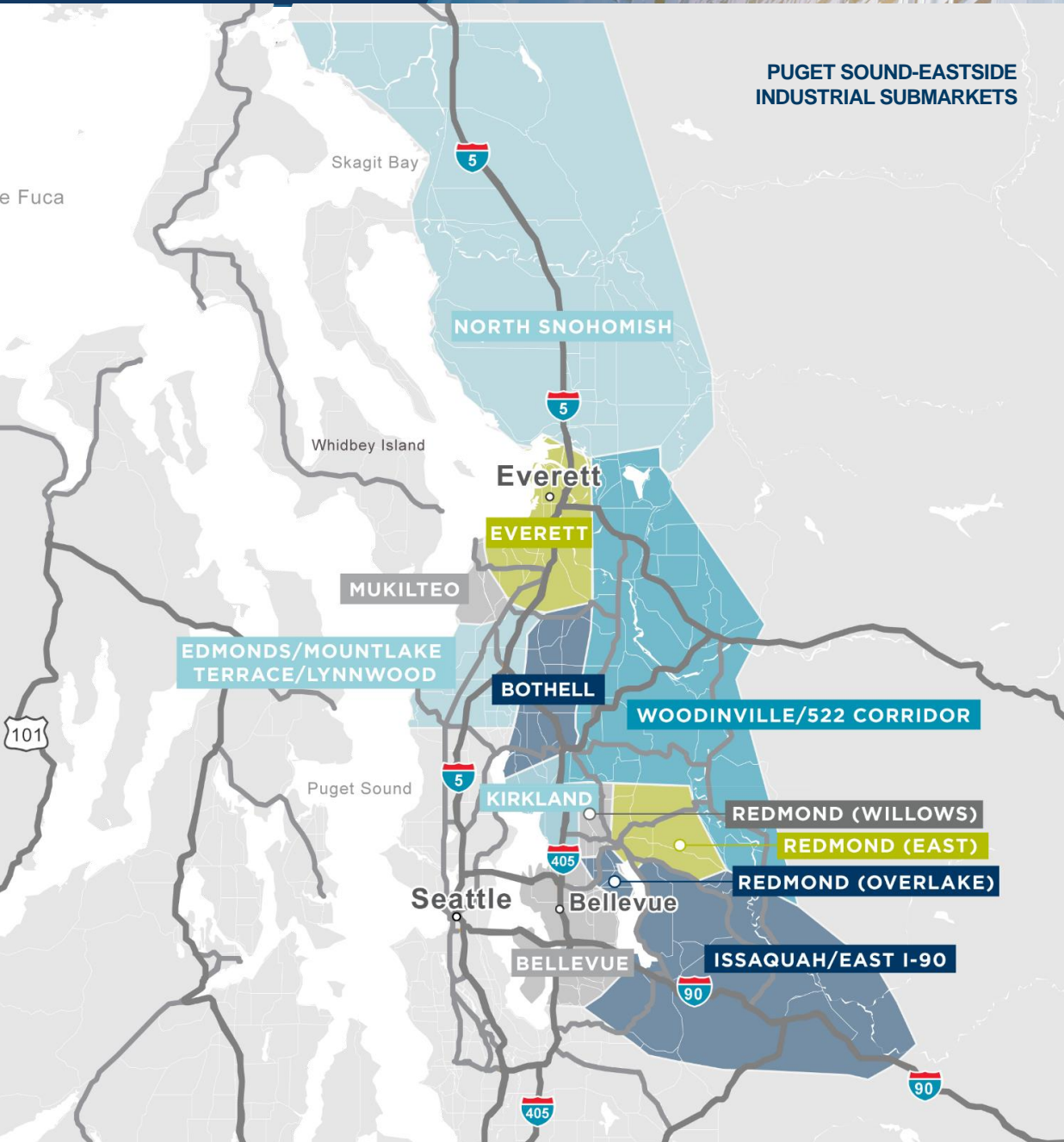
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Totem Valley Business Center	Kirkland	Entera Mgmt / Matthew G. Norton Company	119,949	\$40M/\$333
Lynnwood Industrial	Lynnwood	SMR LLC / EverWest & Oxford	105,155	\$19.8M/\$188
Broadway Business Park – Bldg B	North Snohomish	My Gift / Nicholson Machine	50,000	\$16.2M/\$324

KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
LogistiCenter at Mountainview – Bldg B	Everett	Amazon	145,125	Dermody Properties
Redmond Ridge Business Park – Bldgs 4-5	Redmond (East)	SpaceX	124,907	M&T Partners
Gayteway Business Park – Bldg G	North Snohomish	Himalayan	108,316	GS Venture Partners

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**CUSHMAN &
WAKEFIELD****PUGET SOUND-EASTSIDE
INDUSTRIAL SUBMARKETS****BRIAN CAGAYAT***Research Manager – Pacific Northwest*

+1 206 521 0296

brian.cagayat@cushwake.com**CUSHMAN & WAKEFIELD**11253 SE 6th St, Suite 200

Bellevue, WA 98004

+1 425 455 4500

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