

# Puget Sound-Eastside

Industrial Q4 2022

YoY  
Chg 12-Mo.  
Forecast**2.8%**

Vacancy Rate

**-103K**

Net Absorption, SF

**\$1.37**

Asking Rent, PSF



Overall, Monthly Net Asking Rent

## ECONOMIC INDICATORS Q4 2022

YoY  
Chg 12-Mo.  
Forecast**2.1M**Seattle  
Employment**3.2%**Seattle  
Unemployment Rate**3.7%**U.S.  
Unemployment Rate

Source: BLS

## ECONOMY: Seattle Metro Area Strengthens Labor Force, Pricing

Job growth persisted in the Seattle metro area at the close of 2022. Employment in the greater Seattle area reached 2.1 million in the fourth quarter, up 83,800 jobs year-over-year (YOY). The unemployment rate dropped 80 basis points (bps) YOY to 3.2%, just below the US unemployment rate of 3.7%. Prices in the Seattle area, per the Consumer Price Index for All Urban Consumers (CPI-U), increased 8.9% YOY, driven in part by higher prices for shelter and gasoline. Housing prices cooled in the second half of the year and are predicted to flatten or fall in the market (and nationwide) in 2023; however, prices will remain less affordable for the masses.

## SUPPLY AND DEMAND: Vacancy Down YOY; YTD Absorption Remains Positive

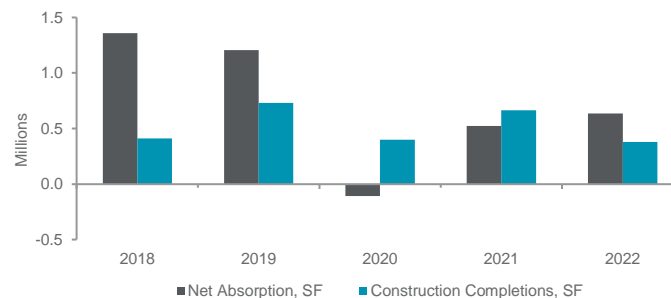
The Puget Sound-Eastside industrial market reported a vacancy of 2.8% in the fourth quarter of 2022, a YOY decline of 70 bps. The Kirkland, Woodinville/522 Corridor, and Bellevue submarkets had the lowest vacancy rates, at 0.5%, 1.7%, and 1.8%, respectively. Vacancy for the Eastside, traditionally lower than that of Seattle, is forecasted to remain low heading into the first half of 2023 as occupiers continue to expand throughout the market and supply is added to the inventory with health preleasing in place.

Overall absorption for the quarter was -103,000 square feet (sf), a major decline from the 244,000 sf reported one year ago. However, year-to-date (YTD) absorption was 635,000 sf, a slight improvement on the 522,000 sf recorded in 2021. The slowdown in deliveries YOY and leasing activity in the second half of the year negatively impacted YTD absorption, but the new year will bring the Eastside back to pre-Covid levels with the addition of 3.9 msf of new inventory slated to come online.

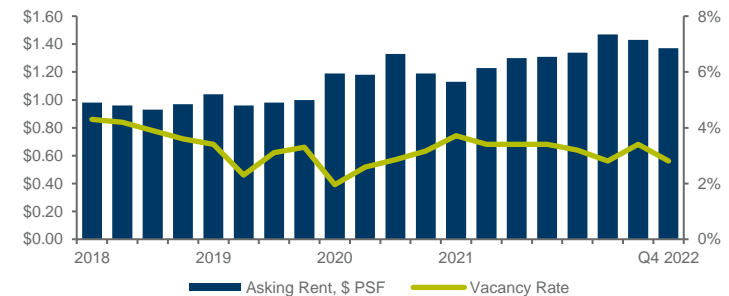
## PRICING: E-Commerce & Aerospace Continue Driving Up Rental Rates

The average asking rent for the quarter was reported at \$1.37 per square foot (psf) on a monthly NNN basis. This was a YOY rise of 4.4%. Asking rents in most of the submarkets are hovering around and exceeding the \$2.00 psf mark, especially those near Microsoft's HQ and Meta's Oculus locations in Redmond. The Kirkland and Redmond (East) submarkets topped the \$2.00 psf mark, with the Redmond (Overlake) submarket just below that, averaging \$1.99 psf. Occupiers should anticipate continued rent growth throughout 2023 considering the low vacancy that persists in the market.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# Puget Sound-Eastside

## Industrial Q4 2022

### CONSTRUCTION: Deliveries Reach 378,000 SF

The Puget Sound-Eastside industrial market reported 378,000 sf of new space delivered in 2022, down 43.1% from the 665,000 sf of space delivered in 2021. The four projects that delivered were fully preleased to tenants including SpaceX, Amazon, and Himalayan. Nearly 4.1 million square feet (msf) is under construction, 14.3% of which is available for lease. Nearly 3.9 msf of this space, with 84.8% preleased, is set to deliver in 2023, including the 2.7-msf Amazon fulfillment center in the North Snohomish submarket. An estimated 9.1 msf of proposed space is in the pipeline, 92.3% of which is concentrated in the Northend.

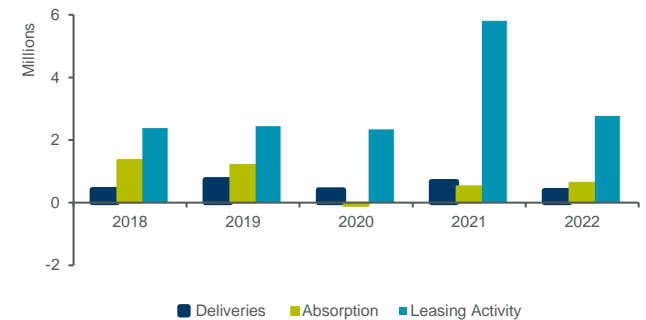
### LEASING ACTIVITY: Over 2.8 MSF Leased

The Eastside yielded just over 346,000 sf of new space leased in the fourth quarter, bringing the YTD total to 2.8 msf. Leasing activity fell by 57.4% quarter-over-quarter (QOQ) and 69.4% from mid-year figures. Much like the Seattle market, activity in the Eastside market occurred largely in the first half of the year (1.6 msf), and began to decelerate since. Only seven deals exceeded 100,000 sf for the whole year, led by the third-quarter renewal/expansion of GXO Logistics into 468,000 sf at BOMARC Business Park – Bldg 45-70 in the Everett submarket. Leasing is projected to slow heading into 2023, with renewals and smaller deals (below 100,000 sf) headlining the market.

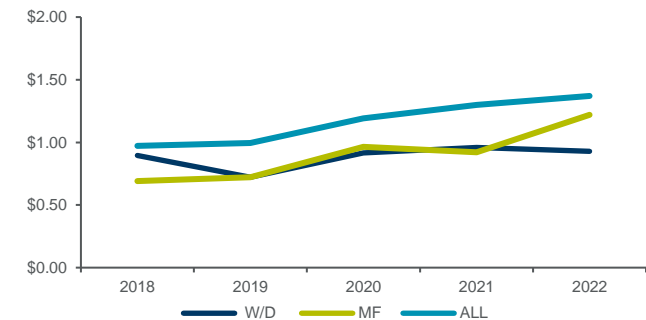
### OUTLOOK

- The Puget Sound industrial market is nearly fully recovered from the pandemic, as rents and vacancy have reached pre-pandemic levels. The region will likely ride this momentum into 2023 and beyond, although economic headwinds are evident.
- 3PL & e-commerce occupiers have been instrumental in driving the rise in leasing activity and will continue to do so.
- Absorption is forecasted to return to pre-pandemic levels in 2023 and will be propelled by the 3.9 msf of new inventory that will deliver with 84.8% of preleases in place.
- Rents are projected to continue rising in 2023, albeit on a slower pace, due to low vacancy, new construction, and tenant demand.

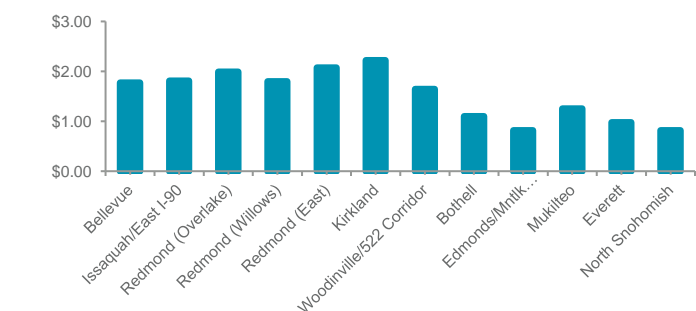
### NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



### AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



### RENT BY SUBMARKET (\$PSF NNN MONTHLY)



## Puget Sound-Eastside

Industrial Q4 2022

## 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	4,099,184	72,397	1.8%	-1,447	-12,434	0	\$0.00	\$1.77	\$1.67	\$0.00	\$1.77
Issaquah / East I-90	5,768,981	347,383	6.0%	-51,019	-3,522	0	\$1.81	\$1.92	\$0.00	\$1.31	\$1.81
Redmond (Overlake)	2,796,134	68,498	2.4%	-24,924	-33,410	0	\$2.50	\$1.91	\$0.00	\$0.00	\$1.99
Redmond (Willows)	1,016,744	36,520	3.6%	-3,327	-22,475	321,291	\$0.00	\$1.80	\$0.00	\$0.00	\$1.80
Redmond (East)	5,568,448	200,199	3.6%	-3,115	1,547	0	\$2.06	\$2.13	\$0.00	\$0.00	\$2.07
Kirkland	4,208,292	19,569	0.5%	-1,692	152,782	0	\$2.71	\$2.12	\$0.00	\$0.00	\$2.22
Woodinville/522 Corridor	2,633,056	43,549	1.7%	-27,811	142,103	0	\$0.00	\$1.68	\$1.91	\$1.10	\$1.64
Bothell	10,410,837	212,895	2.0%	-10,971	12,406	0	\$1.67	\$1.14	\$0.99	\$1.08	\$1.10
<b>EASTSIDE TOTALS</b>	<b>36,501,676</b>	<b>1,001,010</b>	<b>2.7%</b>	<b>-124,306</b>	<b>236,997</b>	<b>321,291</b>	<b>\$1.95</b>	<b>\$1.68</b>	<b>\$1.13</b>	<b>\$1.09</b>	<b>\$1.65</b>
Edmonds/MT/Lynnwood	3,078,167	62,495	2.0%	-26,445	-36,455	0	\$0.00	\$0.00	\$1.50	\$0.59	\$0.82
Mukilteo	3,934,096	198,949	5.1%	6,161	3,520	0	\$1.25	\$0.00	\$1.20	\$1.28	\$1.25
Everett	14,454,060	378,444	2.6%	-52,072	25,742	492,228	\$0.95	\$1.58	\$1.50	\$0.86	\$0.98
North Snohomish	5,414,118	102,493	1.9%	93,410	405,317	3,322,421	\$0.00	\$0.00	\$0.82	\$0.00	\$0.82
<b>NORTHEND TOTALS</b>	<b>26,880,441</b>	<b>742,381</b>	<b>2.8%</b>	<b>21,054</b>	<b>398,124</b>	<b>3,814,649</b>	<b>\$1.17</b>	<b>\$1.58</b>	<b>\$1.23</b>	<b>\$0.85</b>	<b>\$1.05</b>
<b>EASTSIDE / NORTHEND</b>	<b>63,382,117</b>	<b>1,743,391</b>	<b>2.8%</b>	<b>-103,252</b>	<b>635,121</b>	<b>4,135,940</b>	<b>\$1.55</b>	<b>\$1.67</b>	<b>\$1.22</b>	<b>\$0.93</b>	<b>\$1.37</b>

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

HT = High-Tech OS = Office Service/Flex MF = Manufacturing W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
BOMARC Business Park – Bldg 45-70	Everett	GXO Logistics	468,273	Renewal/Expansion
Baywood Park	Everett	OnTrac	234,458	Prelease
Park at Willow Ridge – Bldg D	Redmond (Willows)	Meta	208,221	New
Totem Lake Commerce Center	Kirkland	Amazon (Project Kuiper)	172,637	New

## KEY SALES TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
11404 Commando Rd	Everett	Capstone Ptrs / ElmTree Funds	246,640	\$58.7M/\$238
Lake Tye Business Campus	North Snohomish	Sterling Realty Org / Monroe Investment Properties	215,001	\$45M/\$209
2615 94 <sup>th</sup> St SW	Everett	Raytheon / Bosa Properties	136,065	\$13M/\$96

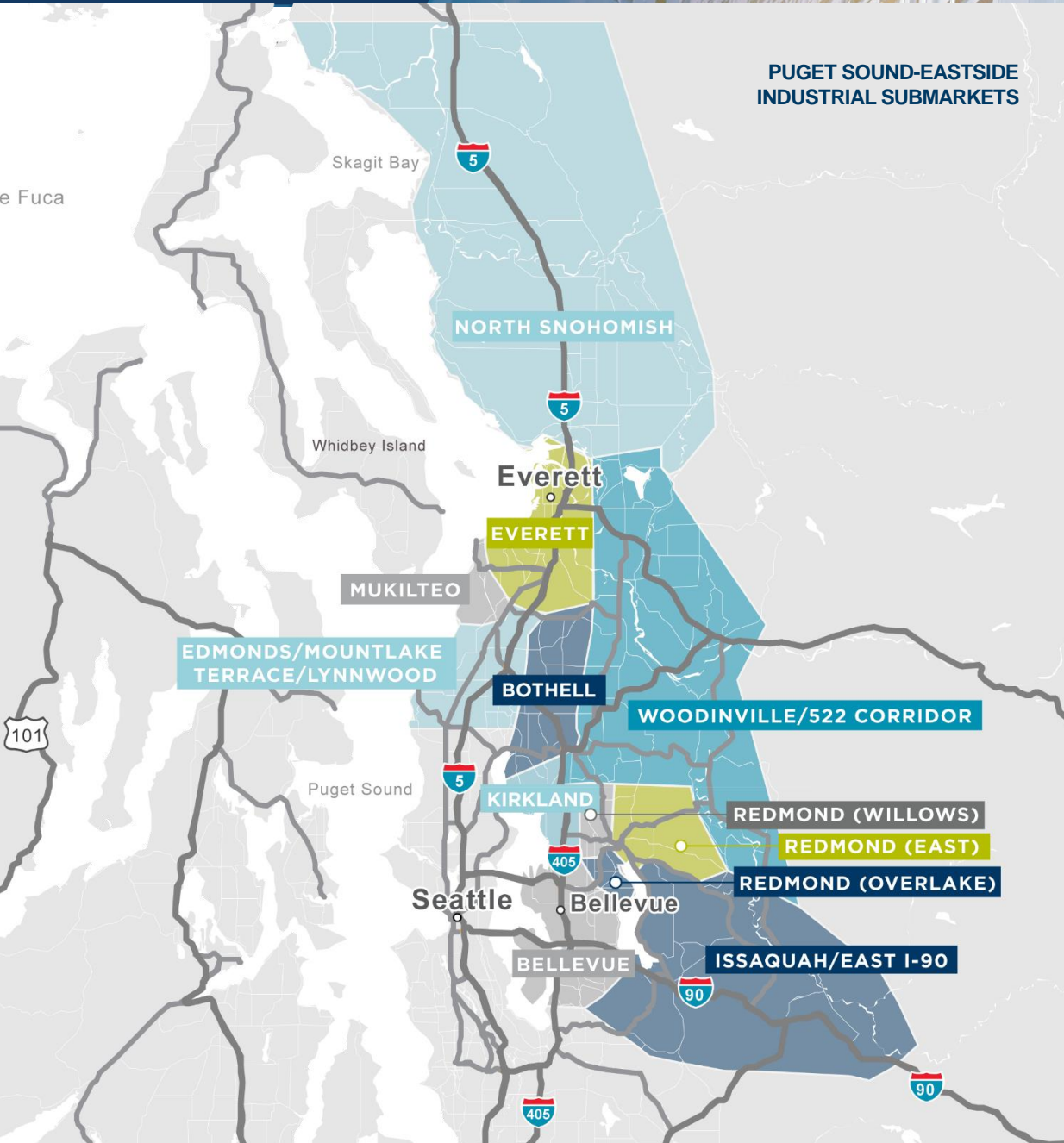
## KEY CONSTRUCTION COMPLETIONS YE 2022

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



# Puget Sound-Eastside

Industrial Q4 2022

**BRIAN CAGAYAT***Research Manager – Pacific Northwest*

+1 206 521 0296

[brian.cagayat@cushwake.com](mailto:brian.cagayat@cushwake.com)**MCKINLEY FOX-COWART***Research Analyst – Seattle*

+1 206 215 9899

[mckinley.foxcowart@cushwake.com](mailto:mckinley.foxcowart@cushwake.com)**CUSHMAN & WAKEFIELD**11253 SE 6<sup>th</sup> St, Suite 200

Bellevue, WA 98004

+1 425 455 4500

**A CUSHMAN & WAKEFIELD  
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.