



# Puget Sound Industrial Market

## Favorable Market Conditions Continue

The Puget Sound industrial market continued to surge in the first quarter of 2022, building upon a momentous 2021. The region has benefitted over the past two years from pandemic-related supply chain disruptions and growing consumer demand, which have increased the need for distribution facilities in coastal markets.

Industrial product in the Puget Sound region remains in high demand, and lease rates and land prices are soaring due to a constrained inventory. The construction boom that began in 2017 remains in full effect with 10.1 million square feet under construction, representing 3.3% of the region's total inventory. Most of the new development is being constructed on a speculative basis, but due to lack of available inventory, many of the projects are being preleased prior to completion. There was 686,986 square feet of product delivered in the first quarter of 2022, bringing the market's total inventory to over 309 million square feet.

Properties continue to trade with regularity, consistent with the high level of activity over the past year. Sales volume for the first quarter totaled \$803 million, a year-over-year increase of 4.5%.

### Current Conditions

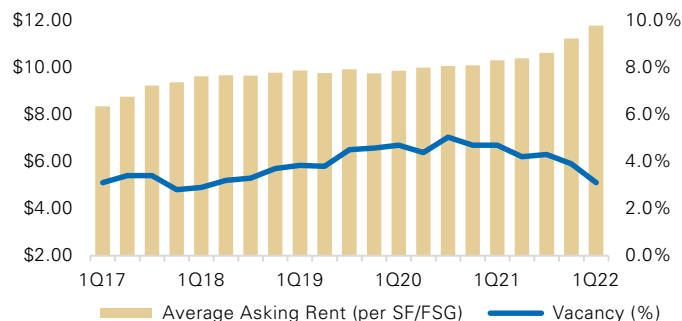
- Average asking rents reached \$11.77/SF NNN, breaking previous records for an all-time high.
- 686,986 square feet of new product delivered; 10.1 million square feet remain under construction.
- The Northend submarket leads new construction with 4.2 million square feet of development underway.
- Total net absorption for the first quarter was 3.1 million square feet.

### Market Summary

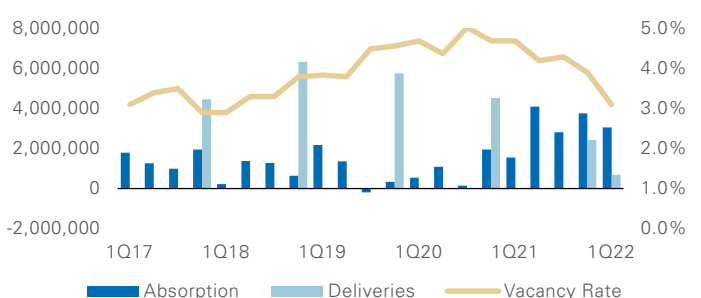
	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	309M	309M	301M	↑
Vacancy Rate	3.1%	3.9%	4.7%	↓
Quarterly Net Absorption (SF)	3.1M	3.8M	1.5M	↓
Average Asking Rent/SF	\$11.77	\$11.23	\$10.30	↑
Under Construction (SF)	10.1M	10.2M	12.8M	↓

### Market Analysis

#### Asking Rent and Vacancy Rate



#### Net Absorption v. Construction Deliveries & Vacancy Rate (SF)



## RESEARCH Q1 2022

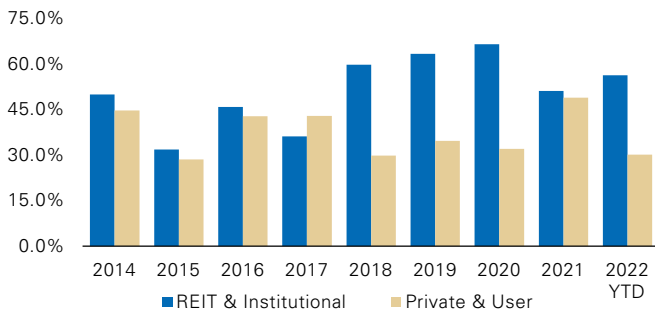
Vacancy rates are at an all-time low, hitting 3.1% for the first quarter of 2022, down 80 basis points for the quarter. In response to the tight market, rents have continued to swiftly climb. Average asking rents for the Puget Sound region were \$11.77/SF NNN, up 6.1% for the quarter and 14.2% year-over-year. Total net absorption for the first quarter of 2022 was 3.1 million square feet, a solid start to the year after 2021's record-breaking total absorption of 11.1 million square feet. Leasing activity is sky-rocketing; more than 6.1 million square feet of new leases were inked during the first quarter of 2022.

### Pierce County

Pierce County continued to outperform other submarkets in the first quarter of 2021. Supply constraints in other submarkets and rising rents have pushed tenants south, causing explosive growth in Pierce County in recent years. Tenant demand has led to significant rent growth over the past year, with average asking rates rising to \$8.78/SF NNN in the first quarter of 2022, up 6.5% from the previous quarter. Overall vacancy dropped to 3.9%, down 180 basis points for the quarter and 480 basis points from its peak in the fourth quarter of 2020. The submarket saw 1.6 million square feet of net absorption this quarter, approximately 52.2% of the Puget Sound total net absorption.

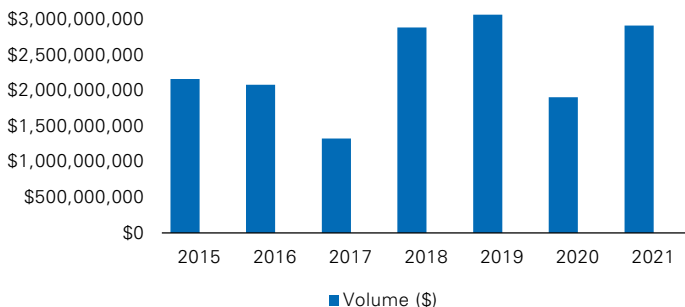
### Investment Activity

#### Buyer Composition (%)



### Sales Volume

#### Annual Sales Volume (\$)



The Lakewood/Dupont cluster was especially bustling this quarter and has emerged as one of the hottest locations for industrial activity, 1.2 million square feet of the submarket's absorption occurred in this area. Notable occupancies include the commencement of Tempur Sealy's 494,900-square-foot lease at The Cubes in Dupont, as well as Amazon's 470,587 square-foot-lease move-in at Lakewood Logistics Center II. In the largest new lease transaction of the quarter, Floor & Décor signed for 1,765,800 square feet at the FRED310 development. The eight-building, 310-acre project, developed by Pannatoni, is expected to deliver in 2024.

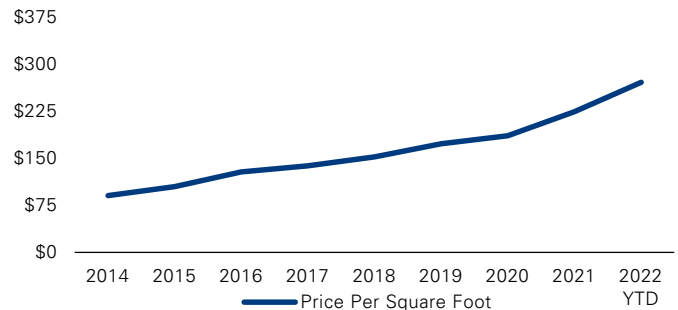
In the Sumner/Puyallup cluster, IDI Logistics purchased the Puyallup Logistics Center for \$34.0 million, or \$172/SF. The 199,744-square-foot property, which is still under construction, was then pre-leased to Red Dot Corporation, a producer of mobile HVAC units.

### Southend

The Southend submarket, which includes Kent Valley, posted positive fundamentals for the first quarter of 2022, with average asking rents rising to \$9.74/SF NNN, up 2.7% from the previous quarter.

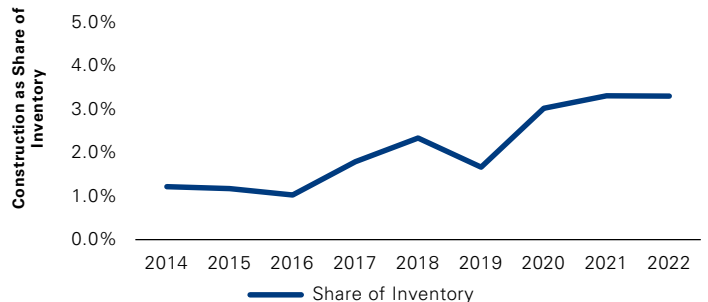
### Pricing Analysis

#### Average Sale Price Per Square Foot (\$/SF)



### Rate of Development

#### Construction as % of Building Inventory



## RESEARCH Q1 2022

The submarket has historically performed well with mid-sized logistics and manufacturing companies, as it is strategically situated with excellent access and has a more modern inventory of industrial space. It boasts the largest existing inventory of any submarket at 107 million square feet, yet still is experiencing a health amount of construction activity. There are currently 1.9 million square feet of new product underway.

Quarterly absorption of 735,596 square feet lowered overall vacancy by 50 basis points to 3.2%, a new record low for the submarket. Leasing activity in the Southend in the first quarter of 2022 totaled nearly 2.3 million square feet. Notable transactions in the fourth quarter of 2021 include the renewal of a 268,844-square-foot lease in Auburn North Distribution Center by Salmon Terminals. Also in the Federal Way/Auburn cluster, Dermody Properties sold Logisticcenter Building B to AXA Group for \$51.0 million, or \$323/SF. The property totals 158,100 square feet and boasts excellent access to I-5, State Route-18 and State Route-167.

### Northend

The Northend currently leads development in the region, with a staggering 4.2 million square feet under construction. Asking rents averaged \$10.72/SF NNN, up 1.3% from the previous quarter and 8.6% year-over-year. Quarterly net absorption was a

modest 251,183 square feet, mainly due to lack of available space rather than lack of interest. Vacancy now sits at a mere 1.9%, down 80 basis points from the fourth quarter of 2021.

Bridge Industrial announced at quarter's end that it would expand Everett's inventory by nearly 500,000 square feet with its latest development. Bridgepoint Soundview will be located on a 40-acre site at 5900 36<sup>th</sup> Avenue West and will consist of three-buildings that range in size from 85,700 to 278,500 square feet. Construction is expected to commence immediately.

### Future Outlook

The Puget Sound industrial market is growing in prominence as an important coastal hub. Expansion is expected to continue as demand shows no signs of slowing down. The port markets along the West Coast are constrained by extremely low vacancy, and the Puget Sound region is no exception.

2021 was an unprecedented year of value growth and change across the market, and 2022 appears to be following the same trajectory. The runway for rent growth is clear and tenant demand is accelerating. Construction costs, though they have not hindered development to date, are expected to stabilize throughout 2022 as inflation begins to ease.

### Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Vigor Industrial Shipyard	South Seattle	\$180,561,905	\$356	507,770
Maple Valley Logistics Business Park	Maple Valley	\$95,006,209	\$847	112,138
Logisticcenter Building B	Federal Way/Auburn	\$51,076,606	\$323	158,100
Sterling Business Park	Mukilteo	\$25,000,000	\$231	108,300
Kent Business Campus	Kent	\$21,264,140	\$196	108,676

### Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Floor & Décor	FRED310 Building C	Lakewood/Dupont	Direct/New	1,765,800
Samsung	Prologis Blair Distribution Center	Fife/Tacoma	Renewal/Expansion	554,514
Tempur Sealy Mattress	The Cubes at Dupont	Lakewood/Dupont	Direct/New	494,900
Unis	Prologis Tacoma 6	Fife/Tacoma	Direct/New	416,492
Salmon Terminals	Auburn North Distribution Center	Federal Way/Auburn	Renewal	268,844
Red Dot Corporation	Puyallup Logistics Center	Sumner/Puyallup	Direct/New	199,744

Submarket Statistics						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)
<b>Northend</b>	<b>32,528,434</b>	<b>4,204,318</b>	<b>1.9%</b>	<b>251,183</b>	<b>251,183</b>	<b>\$10.72</b>
Lynnwood/Shoreline	4,074,547	0	1.4%	25,218	25,218	\$12.24
Marysville/Everett	28,453,887	4,204,318	1.9%	225,965	225,965	\$10.69
<b>Eastside</b>	<b>28,880,913</b>	<b>124,907</b>	<b>2.8%</b>	<b>3,946</b>	<b>3,946</b>	<b>\$21.30</b>
Issaquah/North Bend	4,534,628	0	0.5%	55,566	55,566	\$19.86
Redmond/Kirkland/Bellevue	13,071,788	124,907	2.6%	-41,845	-41,845	\$19.82
Woodinville/Bothell	11,274,497	0	3.8%	-9,775	-9,775	\$22.47
<b>Seattle</b>	<b>46,728,995</b>	<b>338,516</b>	<b>2.2%</b>	<b>356,415</b>	<b>356,415</b>	<b>\$16.07</b>
Fremont/Ballard/DT	6,905,198	126,000	1.3%	28,769	28,769	\$16.73
South Seattle	39,823,797	212,516	2.3%	327,646	327,646	\$15.91
<b>Southend</b>	<b>107,863,965</b>	<b>1,902,981</b>	<b>3.2%</b>	<b>735,596</b>	<b>735,596</b>	<b>\$9.74</b>
Federal Way/Auburn	26,519,947	368,253	1.6%	98,916	98,916	\$9.98
Kent	49,622,412	1,120,200	4.5%	465,044	465,044	\$9.01
Seatac/Burien	5,620,943	0	1.7%	-39,325	-39,325	\$14.00
Tukwila/Renton	26,100,563	414,528	2.8%	210,961	210,961	\$12.28
<b>Pierce County</b>	<b>78,680,915</b>	<b>3,385,721</b>	<b>3.9%</b>	<b>1,593,840</b>	<b>1,593,840</b>	<b>\$8.78</b>
Fife/Tacoma	26,003,396	1,199,921	2.5%	364,830	364,830	\$9.16
Lakewood/Dupont	14,696,194	155,380	5.0%	1,210,828	1,210,828	\$7.93
Sumner/Puyallup	37,945,325	2,030,420	4.5%	18,182	18,182	\$8.18
<b>Thurston County</b>	<b>14,693,472</b>	<b>125,250</b>	<b>3.3%</b>	<b>110,671</b>	<b>110,671</b>	<b>\$6.80</b>
<b>Puget Sound Market</b>	<b>309,376,594</b>	<b>10,081,693</b>	<b>3.1%</b>	<b>3,051,651</b>	<b>3,051,651</b>	<b>\$11.77</b>

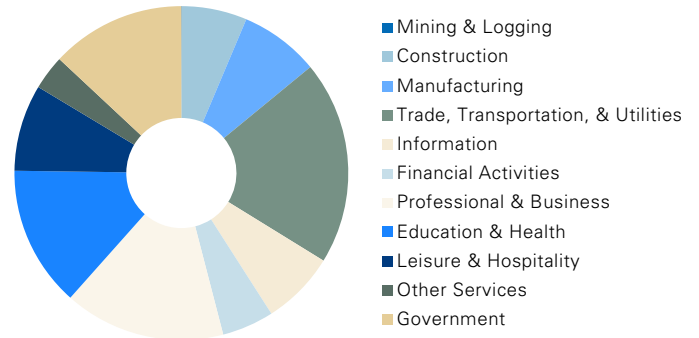
### Economic Conditions

The unemployment rate for the Seattle-Bellevue-Tacoma MSA declined to 3.7% in February 2022, down from a record high of 16.6% in April 2020. Employment growth occurred across all sectors, particularly in the leisure and hospitality sector, which grew by 29.5% over a 12-month period. The tech sector has continued to grow throughout the pandemic, adding 16,000 jobs over the last two years. In total, the Seattle region added 123,000 new jobs in 2021, representing a 6.0% increase that brings the job total only 1.0% lower the pre-pandemic baseline in February of 2020.

King County was one of many large U.S. counties that saw a shrinkage in population in the past year, in total a loss of 20,000 from the area. Most of the migration went to neighboring Pierce and Snohomish Counties, who both saw modest gains during the period.

### Employment by Industry

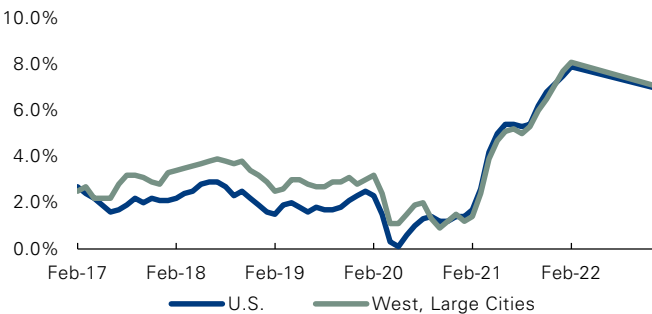
Seattle-Tacoma-Bellevue



\*Source: U.S. Bureau of Labor Statistics, February 2022

### Consumer Price Index (CPI)

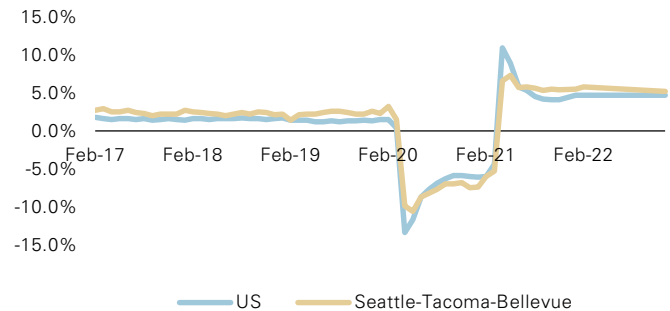
All Items, 12-month % Change, Not Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics, February 2022

### Payroll Employment

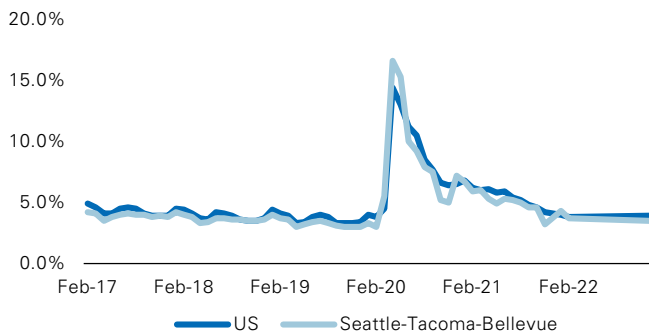
Total Nonfarm, Not Seasonally Adjusted, 12-month % Change



\*Source: U.S. Bureau of Labor Statistics, February 2022

### Unemployment Rate

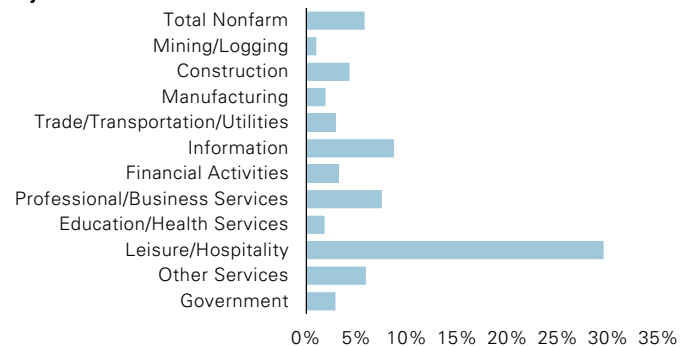
Not Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics, February 2022

### Employment Growth by Industry

Seattle-Tacoma-Bellevue, 12-month % Change, Not Seasonally Adjusted



\*Source: U.S. Bureau of Labor Statistics, February 2022

---

## RESEARCH Q1 2022

*For more information:*

### **New York Headquarters**

125 Park Ave.  
New York, NY 10017  
t 212-372-2000

### **Seattle**

1420 Fifth Avenue  
Suite 2150  
Seattle, WA 98101  
t 206-388-3000

### **Bellevue**

10900 NE 4<sup>th</sup> Street  
Suite 1430  
Bellevue, WA 98004  
t 425-362-1400

### **Southend**

18300 Cascade Avenue S  
Tukwila, WA 98188  
t 206-388-3000

### **Nora Leahy**

*Research Analyst*  
206-453-1469  
nora.leahy@nmrk.com

[nmrk.com](http://nmrk.com)

### **Alabama**

Birmingham

### **Arizona**

Phoenix

### **Arkansas**

Fayetteville  
Little Rock

### **California**

El Segundo  
Irvine  
Los Angeles  
Newport Beach  
Oakland  
Palo Alto  
Pasadena  
Sacramento  
San Francisco  
San Jose  
San Mateo  
San Rafael  
Walnut Creek

### **Colorado**

Denver

### **Connecticut**

Stamford

### **Delaware**

Wilmington

### **District of Columbia**

### **Florida**

Boca Raton  
Jupiter  
Miami  
Palm Beach  
Tampa

### **Georgia**

Atlanta

### **Illinois**

Chicago

### **Indiana**

Indianapolis

### **Kentucky**

Louisville

### **Louisiana**

New Orleans

### **Maryland**

Baltimore  
Salisbury

### **Massachusetts**

Boston

### **Michigan**

Detroit

### **Minnesota**

Minneapolis

### **Missouri**

St. Louis

### **Nevada**

Las Vegas  
Reno

### **New Jersey**

Rutherford  
East Brunswick  
Morristown

### **New York**

Buffalo/Amherst  
New York

### **North Carolina**

Charlotte

### **Ohio**

Cincinnati  
Cleveland  
Columbus

### **Oklahoma**

Oklahoma City

### **Oregon**

Portland/Lake  
Oswego

### **Pennsylvania**

Allentown  
Philadelphia  
Pittsburgh

### **Texas**

Austin  
Dallas  
Houston

### **Utah**

Salt Lake City

### **Virginia**

Tysons Corner

### **Washington**

Seattle

### **Wisconsin**

Milwaukee

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/research](http://nmrk.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof and not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.