

Puget Sound Industrial Market Overview

Market Observations

Economy

- The unemployment rate increased over the first quarter and currently sits higher than the national average. As of February 2024, the unemployment rate stood at 4.4%.
- The manufacturing sector is leading employment growth in the Puget Sound region, with a 12-month percent change of 4.9%. Not all industrial-adjacent services performed as well, however, the construction industry contracted by 4.1% over the same period.
- Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs. The trade/transportation/utilities sector is right-sizing in response to a consumer shift in favor of services over goods; however, manufacturing job growth remains strong.

Major Transactions

- The Puget Sound industrial market experienced a slowdown in leasing over the first quarter. Deal volume totaled just 2.6 million SF, a decrease of 32.1% quarter over quarter.
- In the largest transaction of the quarter, Frito-Lay signed for 308,000 SF in Cascade Business Park in Snohomish County.

Leasing Market Fundamentals

- The Puget Sound industrial market saw a net negative absorption in the first quarter of 2024, totaling 1,214,923 SF. Consequently, the vacancy rate increased 90 basis points over the quarter to 6.0%.
- Following a decade of explosive growth, overall asking rents declined slightly for the first quarter. The average asking rate for the first quarter of 2024 was \$12.86/SF NNN, a decrease of -1.8% year over year.
- A total of 1.0 million SF of new product delivered in the first quarter, and 6.5 million SF remains under construction.

Outlook

- Sublease space continues to be added to the market at a rapid pace. During the first quarter, available sublease space reached an all-time high of 4.3 million SF. This trend is expected to continue as tenants give back underutilized space to control costs.
- Low demand and unfavorable financing conditions will likely curb new construction starts in the short term, and the development pipeline is expected to continue to decelerate.
- Rent growth has decelerated and is expected to cool as availability rises.

Economy

Leasing Market Fundamentals

Appendix / Tables

1Q24

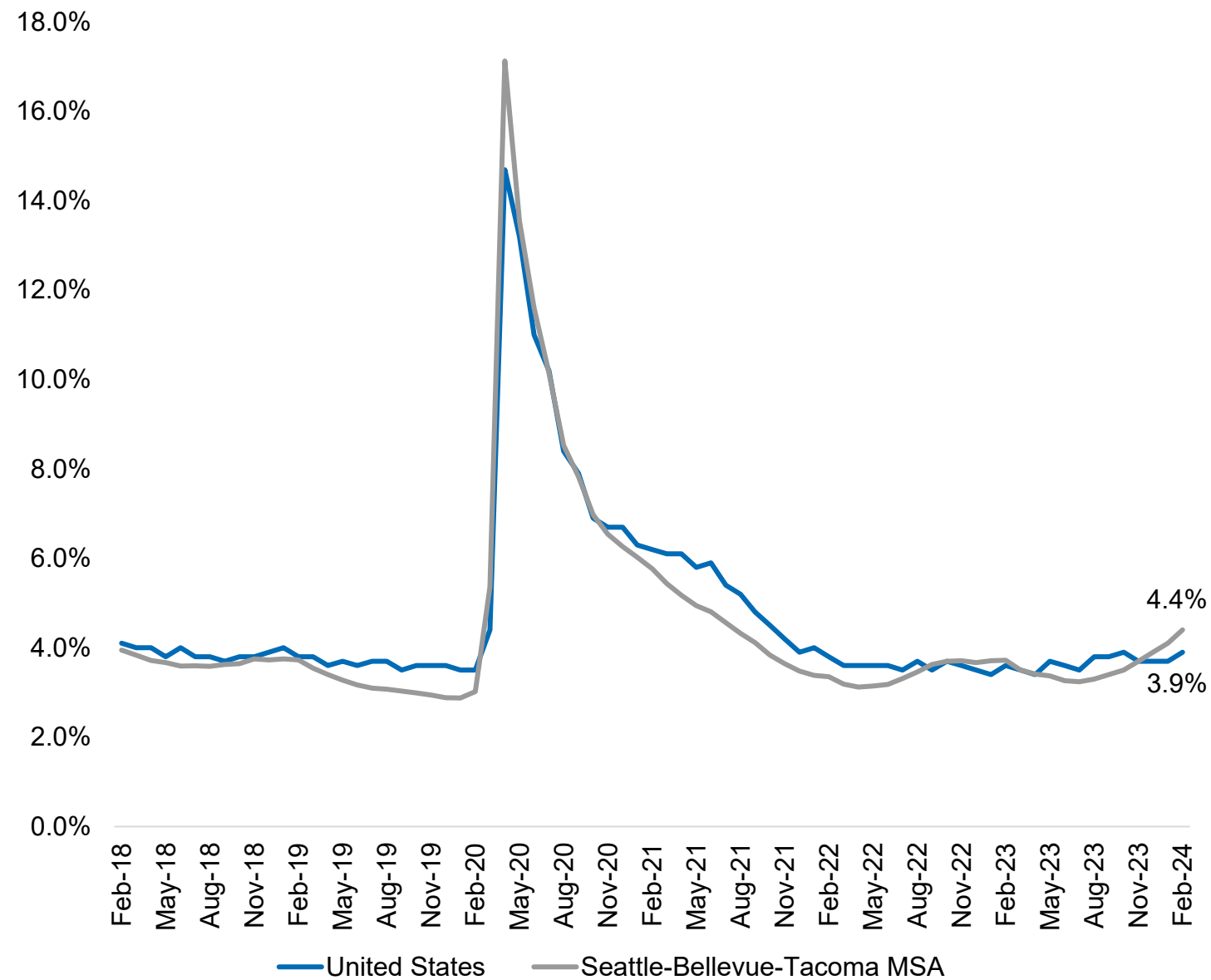
Economy



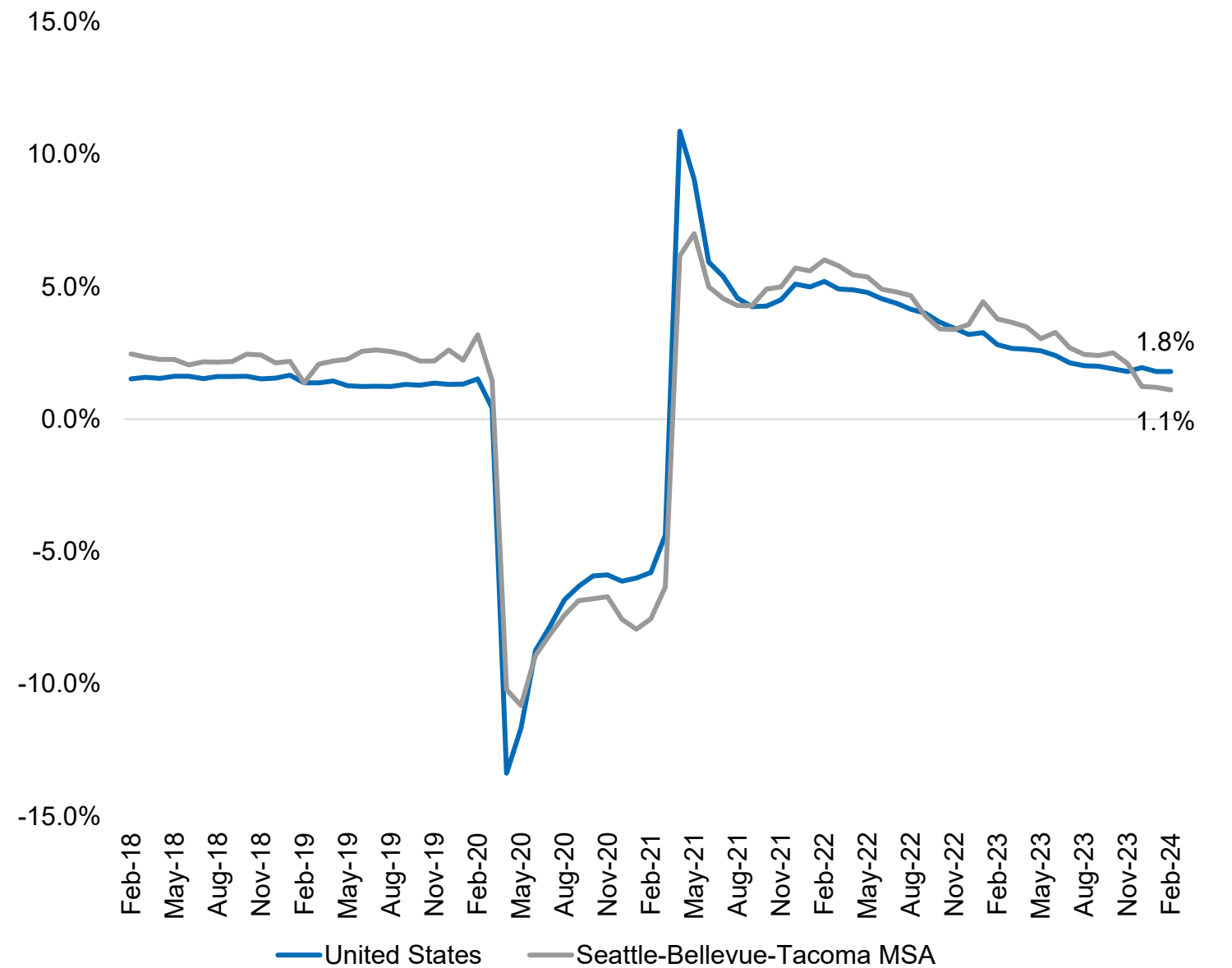
Regional Unemployment Surpasses National Average

The unemployment rate increased over the first quarter and currently sits higher than the national average. As of February 2024, the unemployment rate stood at 4.4%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

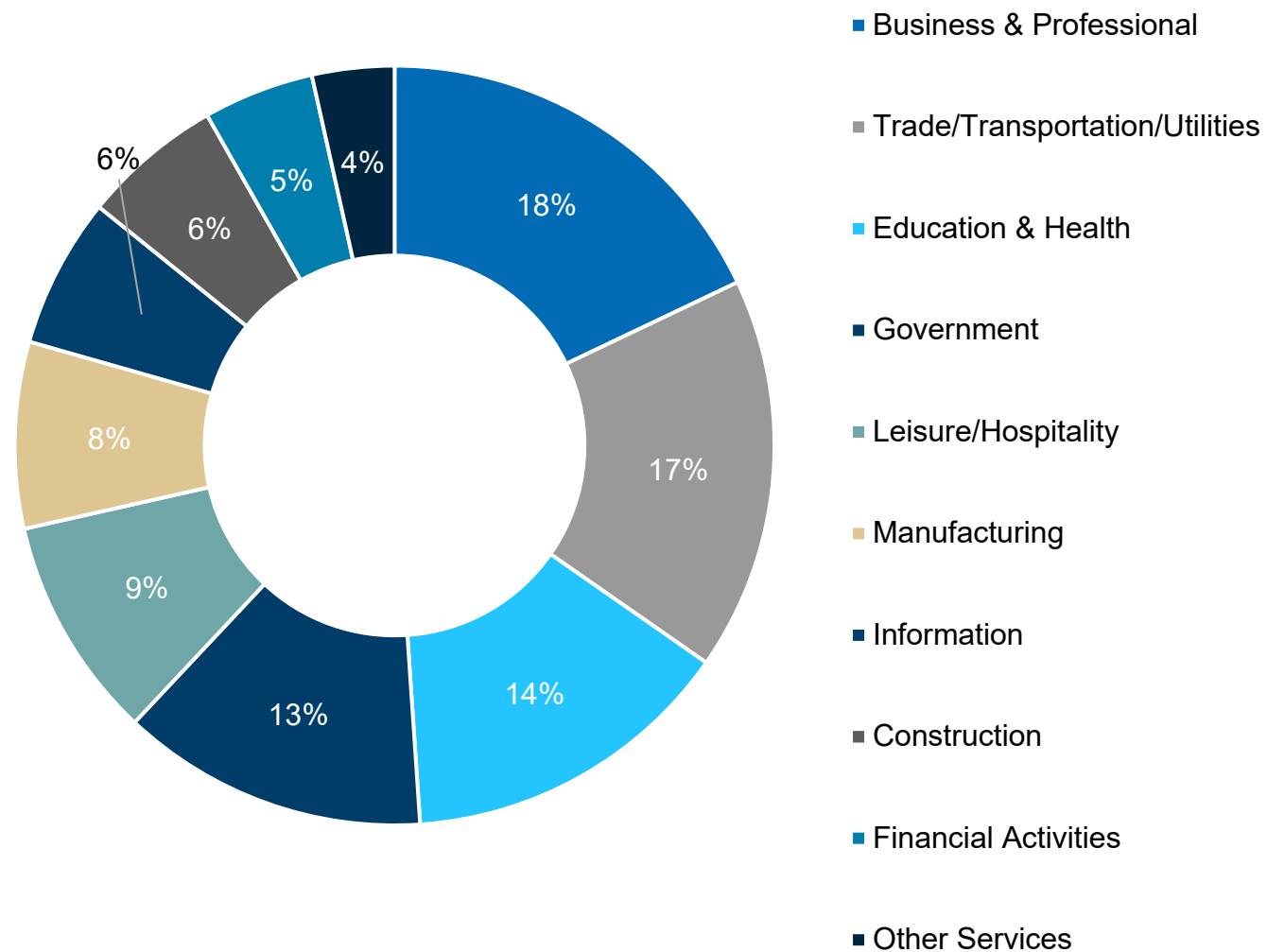


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

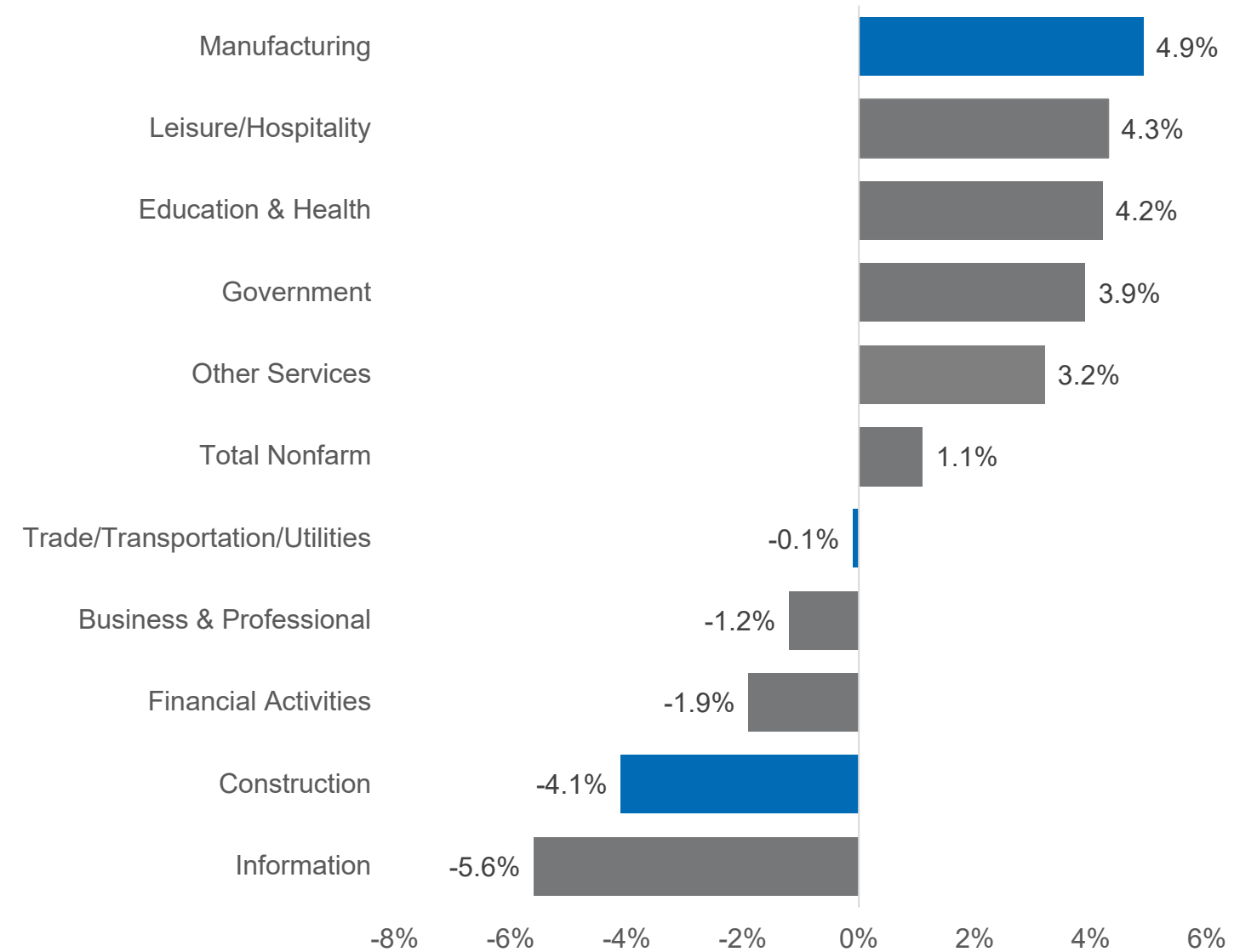
Manufacturing Leads Job Growth

The manufacturing sector is leading employment growth in the Puget Sound region, with a 12-month percent change of 4.9%. Not all industrial-adjacent services performed as well, however, the construction industry contracted by 4.1% over the same period.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

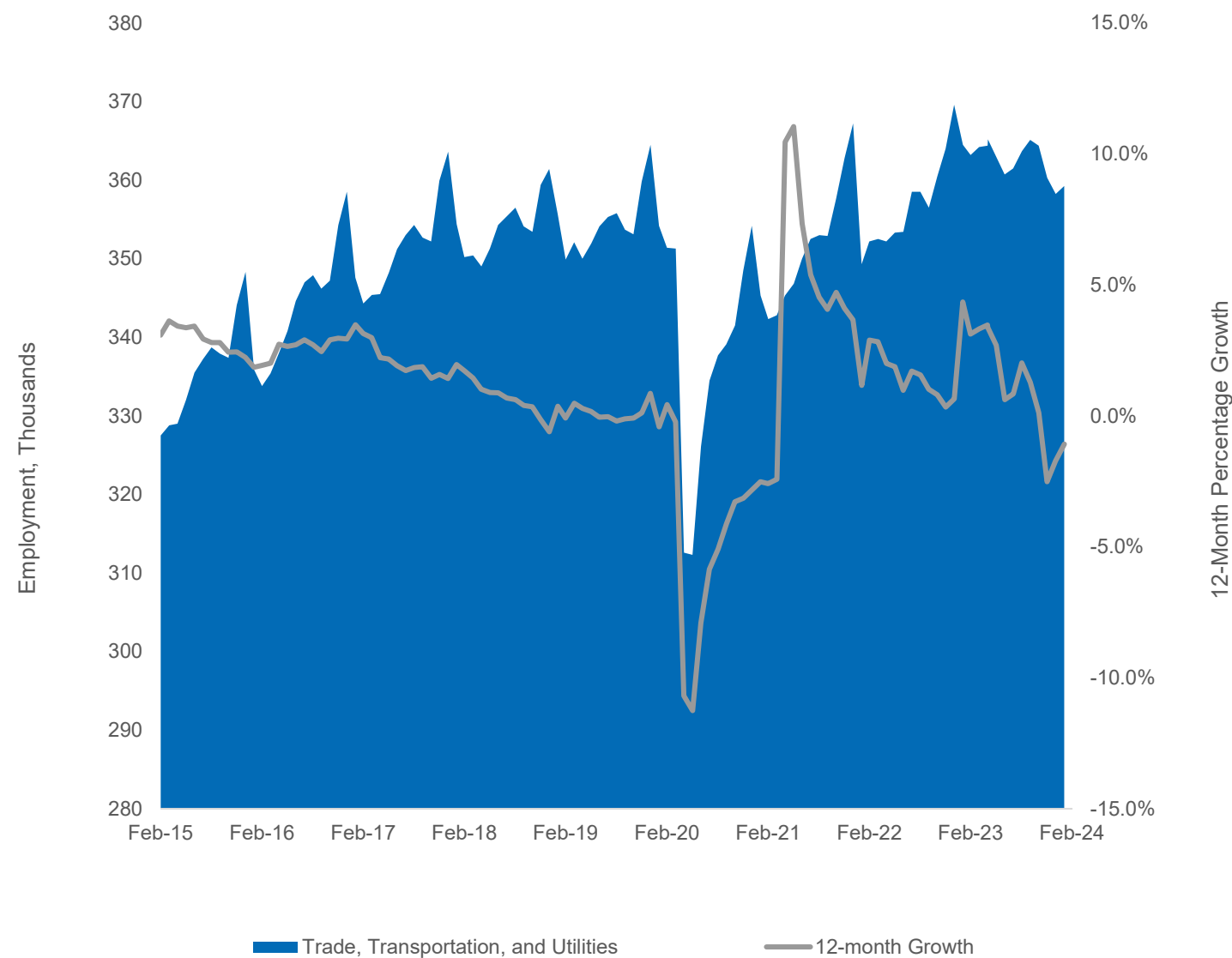


Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

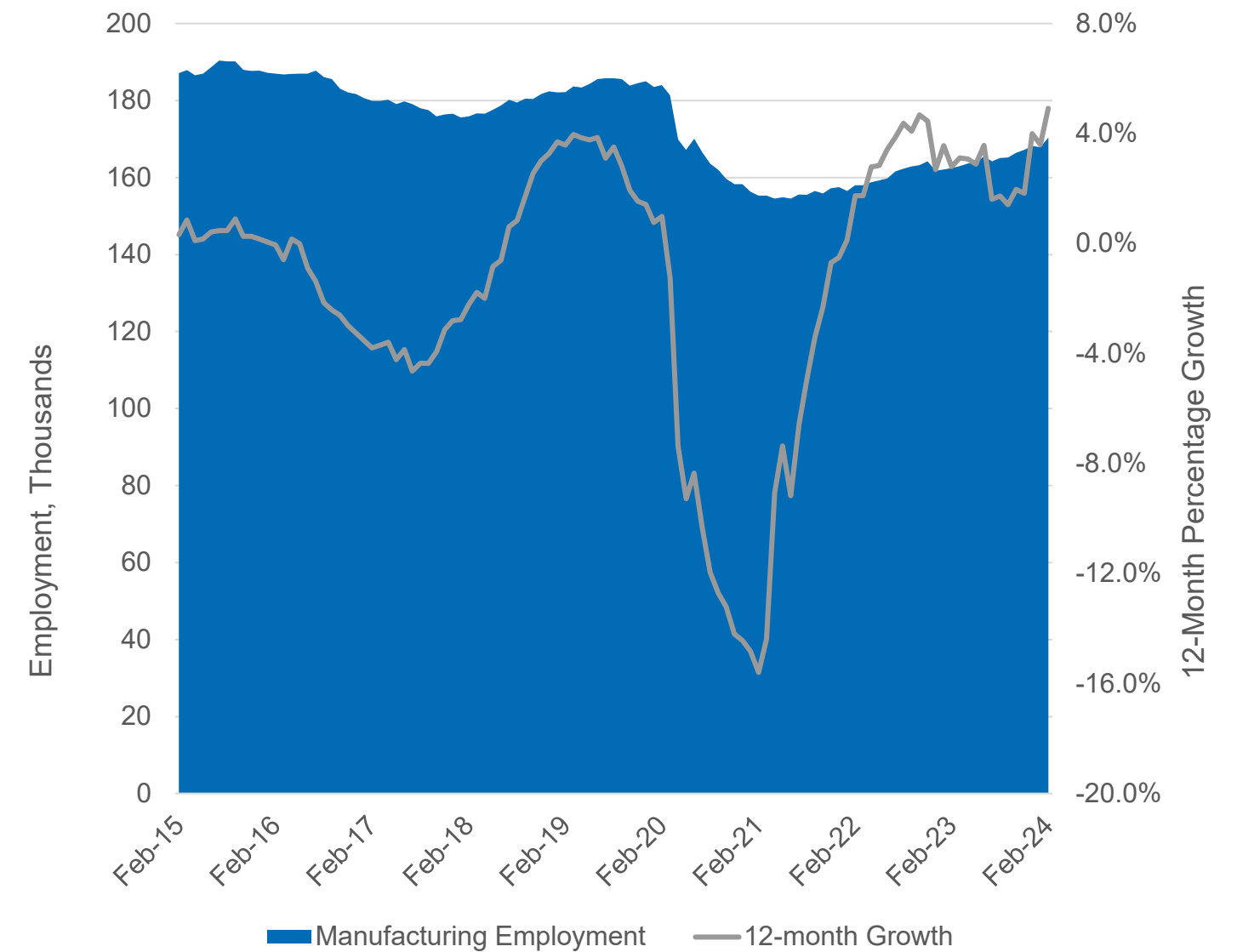
Manufacturing Employment Strong Despite Softening Conditions

Trade/transportation/utilities and manufacturing firms are reacting to the economic climate and a shift in consumer demand by adjusting labor needs. The trade/transportation/utilities sector is right-sizing in response to a consumer shift in favor of services over goods; however, manufacturing job growth remains strong at 4.9%.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Seattle-Bellevue-Tacoma MSA

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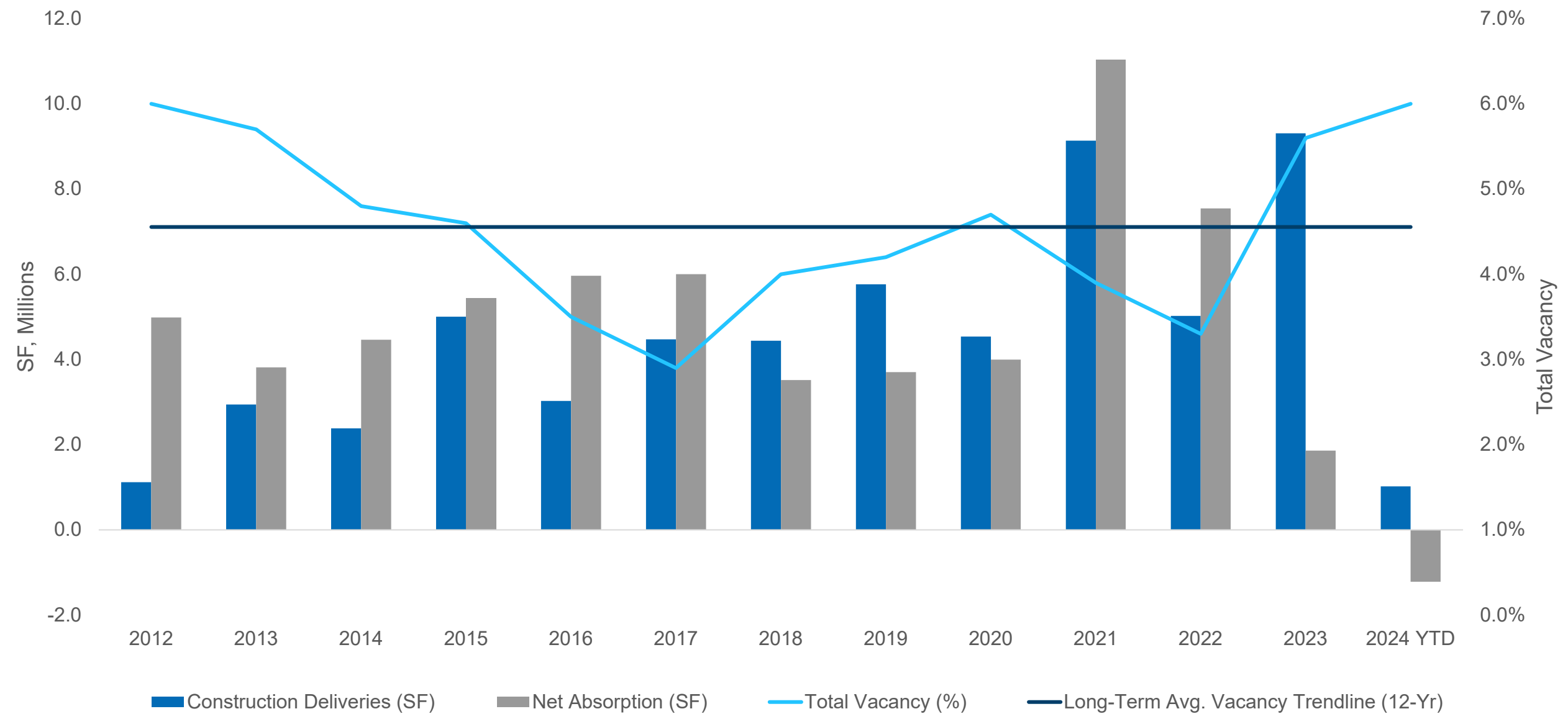
Leasing Market Fundamentals



First Quarter Sees Occupancy Losses Amid Waning Demand

The Puget Sound industrial market saw a net negative absorption in the first quarter of 2024, totaling 1,214,923 SF. Consequently, the vacancy rate increased 90 basis points over the quarter to 6.0%.

Historical Construction Deliveries, Net Absorption, and Vacancy

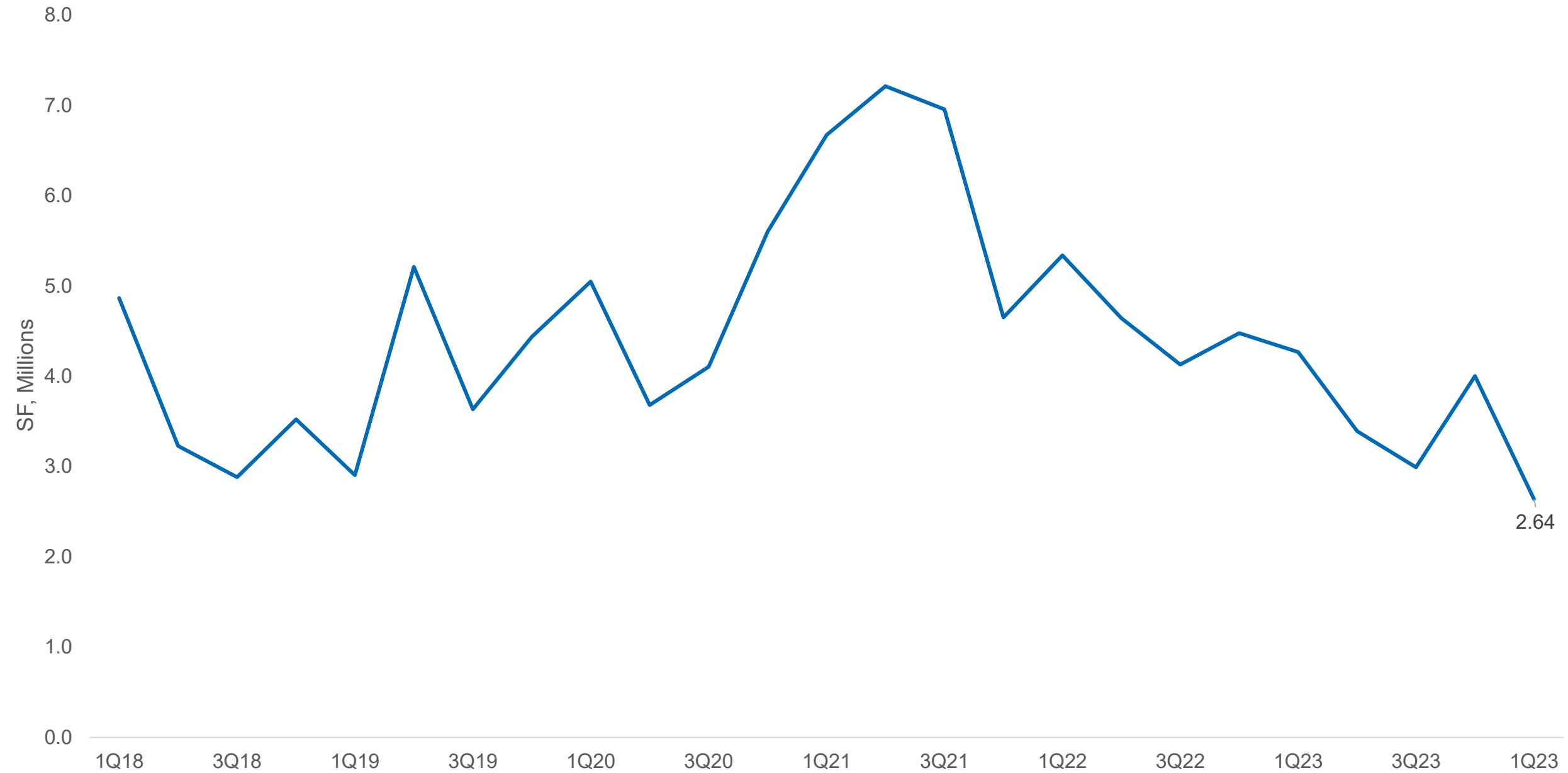


Source: Newmark Research

Industrial Leasing Activity Shows Signs of Stabilization

Demand for industrial space slowed significantly in the first quarter. There were 160 deals transacted during the period, totaling 2.6 million SF.

Total Leasing Activity (SF)

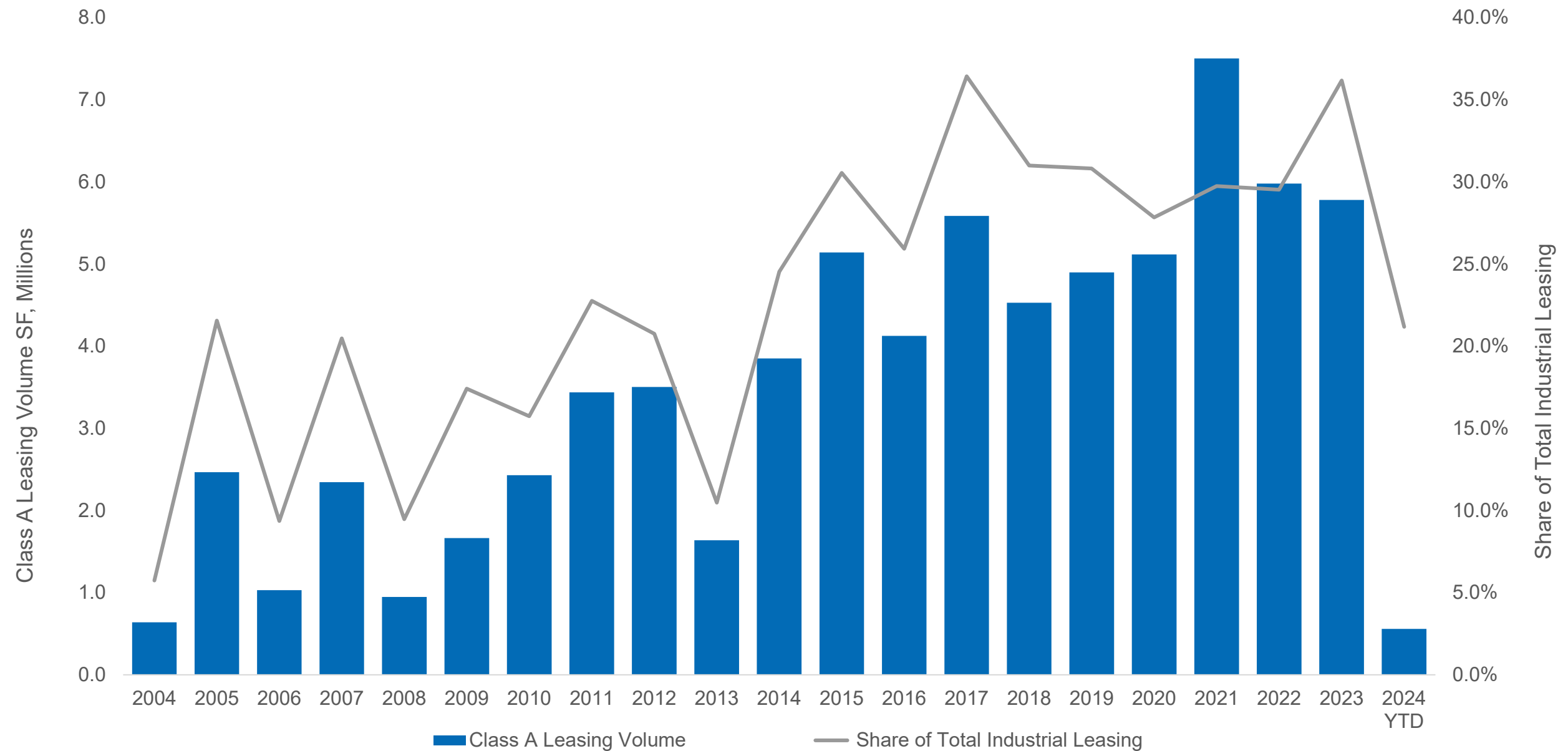


Source: Newmark Research, CoStar

Class A Warehouse Share of Leasing Hits 5-Year High

Class A warehouse leasing was muted over the first quarter of 2024. Class A volume as a percentage of total leasing declined sharply over the quarter, and represented just 21.2% of overall leasing.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

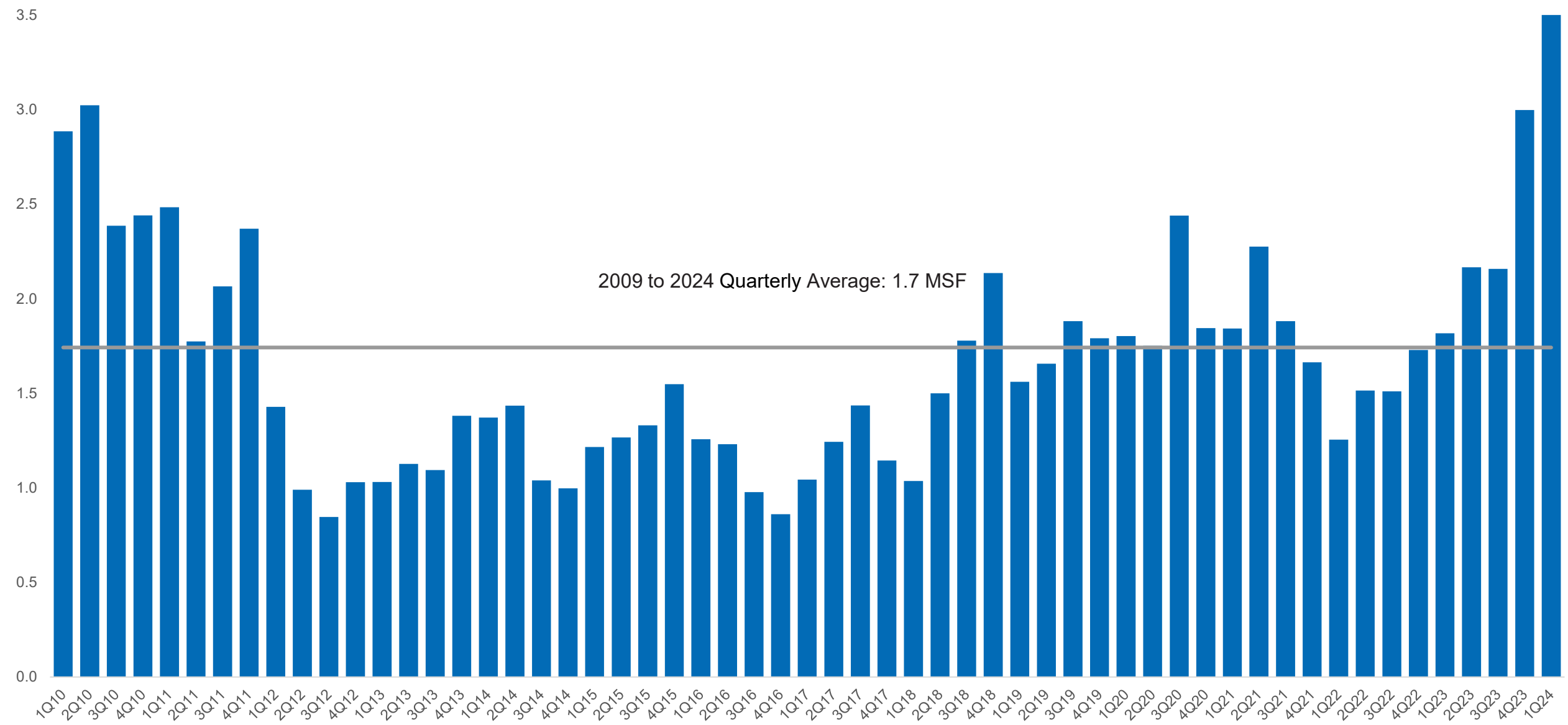


Source: Newmark Research, CoStar

Industrial Sublease Availability Rises Dramatically in Fourth Quarter

Sublease space continues to be added to the market at a rapid pace. During the first quarter, available sublease space reached an all-time high of 4.3 million SF. During the peak of the pandemic, disruptions to the supply chain and low available inventory led to many tenants leasing an excess of space. Now, amid an inflationary environment and declining consumer demand, they are putting underutilized space up for sublease to control costs.

Available Industrial Sublease Volume (msf)

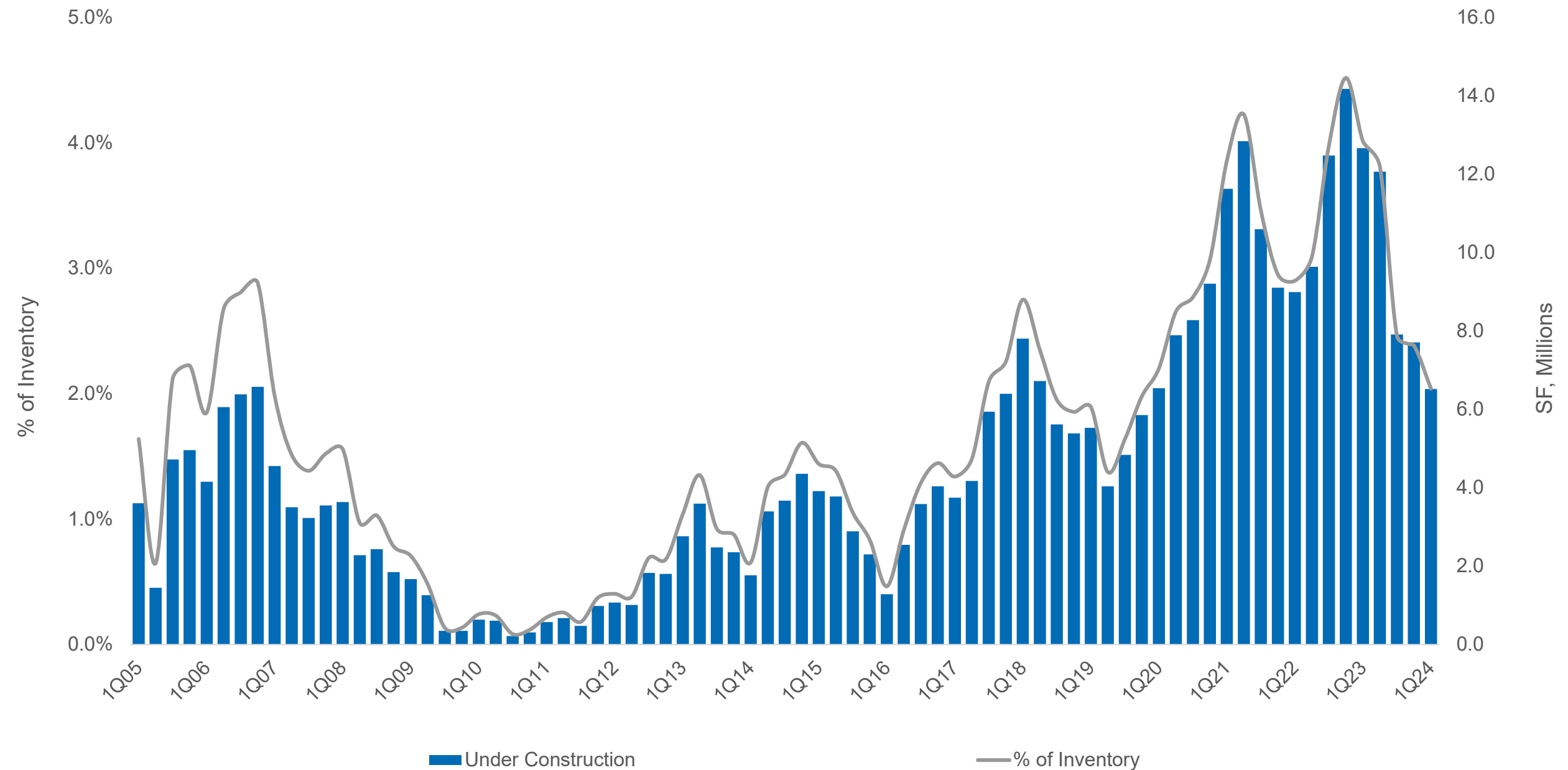


Source: Newmark Research, CoStar

New Development Faces Headwinds

A total of 1.0 million SF of new product delivered in the first quarter, and 6.5 million SF remains under construction. Low demand and unfavorable financing conditions will likely curb new projects in the short term, and the construction pipeline is expected to decelerate.

Industrial Under Construction and % of Inventory

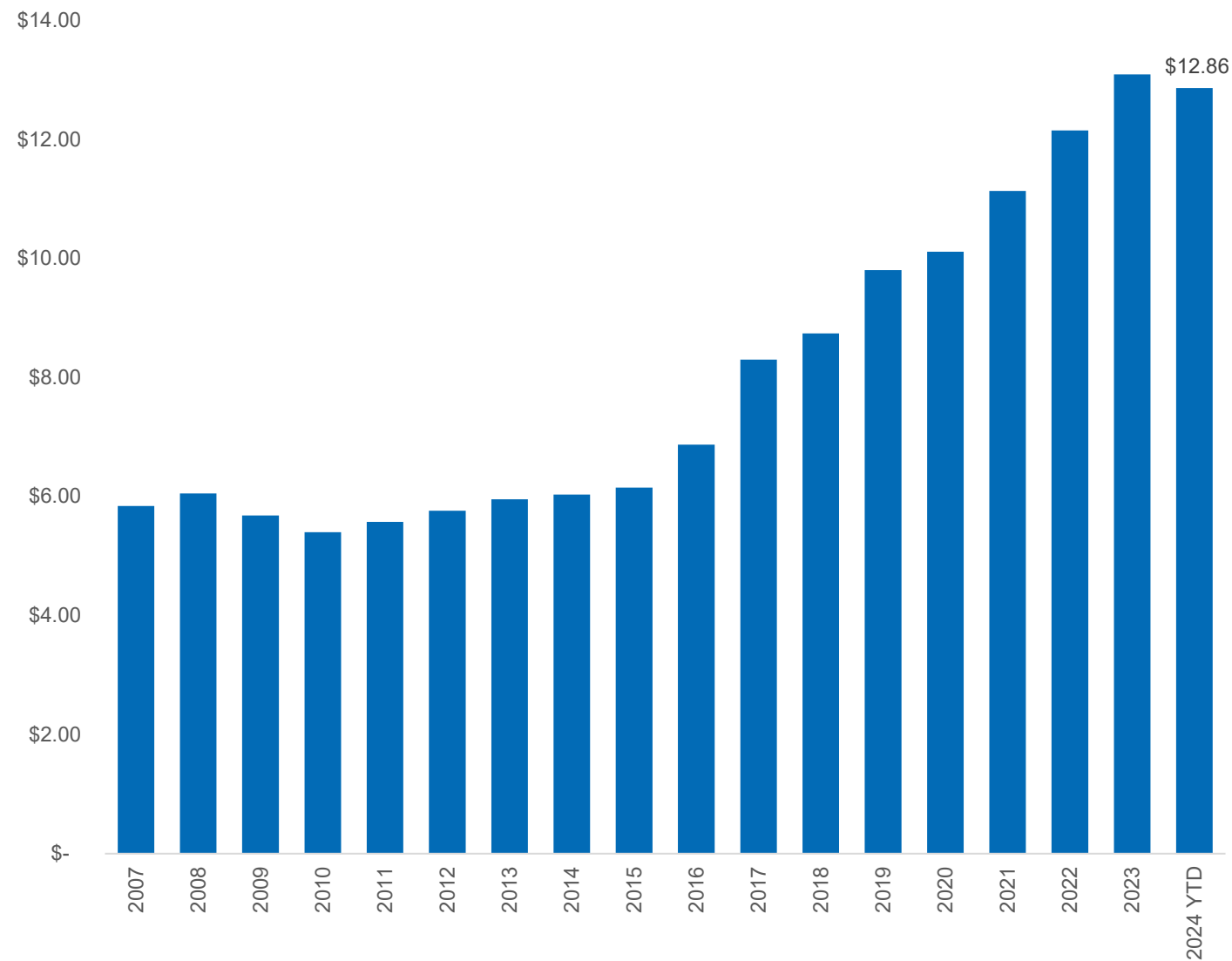


Source: Newmark Research, CoStar

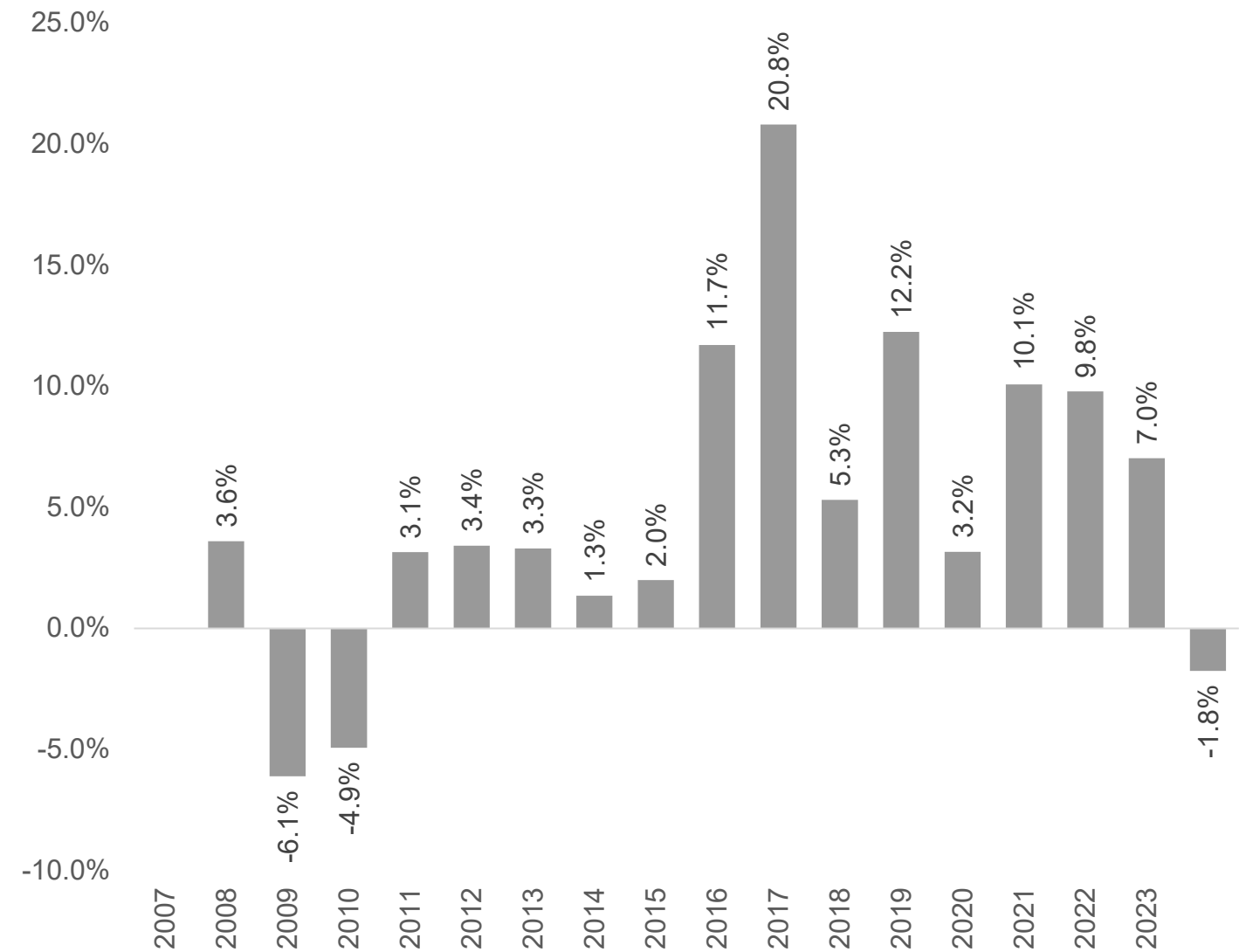
Industrial Asking Rent on the Rise

Following a decade of explosive growth, overall asking rents declined slightly for the first quarter. The average asking rate for the first quarter of 2024 was \$12.86/SF NNN, a decrease of 1.8% year over year.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

First Quarter Notable Transactions

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Frito-Lay	Cascade Business Park	Marysville/ Mill Creek/ Everett	Direct Lease	308,000
<i>3Q24 commencement</i>				
East Bay Logistics	Valley Distribution Center	Sumner/Puyallup/Frederickson	Renewal	228,256
ZeroAvia	2615 94 th Street SW	Marysville/ Mill Creek/ Everett	Direct Lease	136,026
<i>1Q24 commencement</i>				
Eagle Beverage	Stryker Business Center	Kent	Sublease	120,599
<i>3Q24 commencement</i>				

1Q24

Appendix/Tables





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