



RESEARCH Q2 2021

Puget Sound Industrial Market

Industrial Development Continues Record-Breaking Streak

The Puget Sound industrial market continued to trend positively over the second quarter of 2021, securing the region's position as one of the fastest growing and highest performing markets in the country. Average asking rents increased to \$10.39/SF NNN, up 0.9% for the quarter and 3.8% year over year. There was 4.1 million square feet of net absorption for the quarter, which brought the total over the last four quarters to 7.9 million square feet. Development is surging throughout the area, with 2.7 million square feet of new product delivered in the second quarter and 7.4 million square feet delivered over the last four quarters. In addition to record high rents, the amount of square footage under construction continues to break records each quarter, with 14.6 million feet in development for the second quarter.

Demand for industrial real estate in the Puget Sound region continues to outpace supply, driven by the growth of ecommerce and the strength of the area's economy. Development has spread south of Seattle along the I-5 Corridor due to the availability of land, proximity to a major population center and port access.

Current Conditions

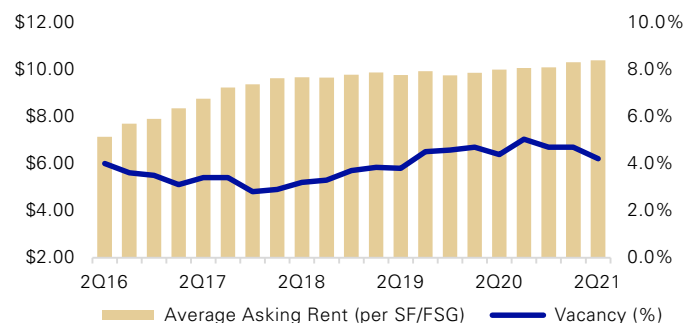
- 14.61 million square feet under construction during the second quarter.
- Average asking rents reached a new record high of \$10.39/SF NNN.
- Amazon broke ground on a 2.8 million square foot distribution facility in Arlington.
- The Sumner/Puyallup submarket leads new construction with 14 active developments underway.

Market Summary

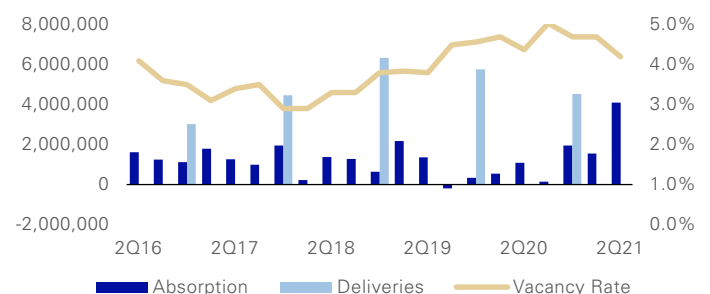
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	304M	301M	297M	↑
Vacancy Rate	4.2%	4.7%	4.4%	→
Quarterly Net Absorption (SF)	4.1M	1.5M	1.1M	→
Average Asking Rent/SF (NNN)	\$10.39	\$10.30	\$9.99	↑
Under Construction (SF)	14.6M	13.1M	7.9M	→

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION v. CONSTRUCTION DELIVERIES & VACANCY RATE (SF)



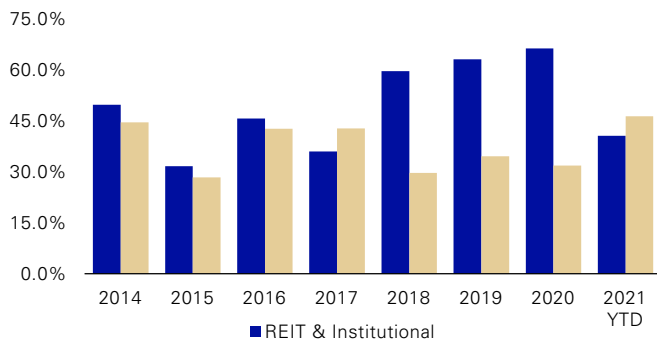
Southend

Over the last quarter, industrial expansion has continued in the Southend market, with high demand for industrial space driven by its reputation as a logistics hub and its access to SeaTac International Airport. Square feet under construction increased to 2.6 million, an increase of nearly 800,000 square feet since the first quarter. Though no projects were delivered in the second quarter, there are 15 active developments underway, and there has been 1.2 million square feet of new construction delivered over the last eight quarters. Much of the new development is in the Kent submarket, including the 397,224-square-foot Maple Valley Logistics and the 342,206-square-foot Building 1 of the Pacific Gateway Industrial Park, which are both being developed by Panattoni.

Average asking rents in the Southend market were \$9.45/SF NNN, up 0.3% year over year. The vacancy rate in the second quarter was 4.6%, down 20 basis points from the first quarter. There was 226,028 square feet of net absorption in the second quarter, and the Southend has experienced 701,254 square feet of net absorption over the past year.

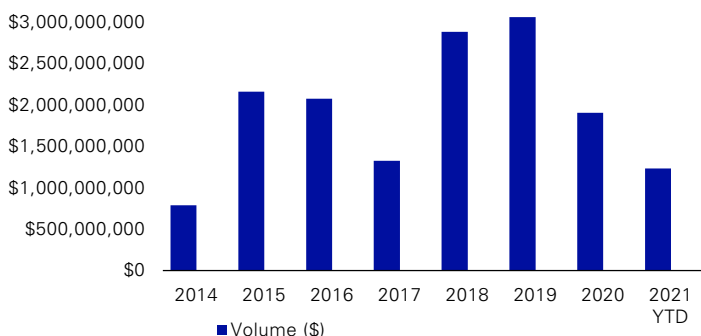
Investment Activity

BUYER COMPOSITION (%)



Sales Volume

ANNUAL SALES VOLUME (\$)



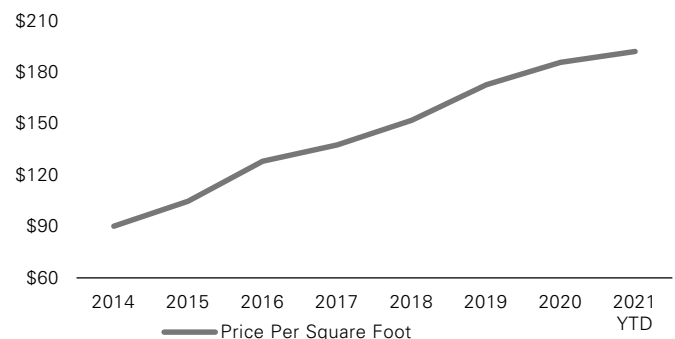
In addition to ongoing development, Southend had several major property sales in the second quarter. Large transactions of note include the sale of a warehouse complex at 555-589 Monster Road Southwest in Renton, which sold for \$47.5 million, or \$212/SF. The 223,656-square-foot building was sold by Monster Road Building Corp to Elion Partners. Global investment firm TPG has invested heavily in the region, purchasing three properties in Kent and Tukwila during the second quarter. In Kent, the firm purchased a 100,337-square-foot property at 2241 76th Avenue South for \$22.3 million, or \$222/SF, as well as a 48,480-square foot complex at 7835-7845 South 212th Street for \$12.0 million, or \$248/SF. In Tukwila, TPG purchased a 79,453-square-foot building at 1230 Andover Park East for \$17.6 million, or \$221/SF.

Pierce County

Pierce County is leading the expansion of the industrial market in the Puget Sound region, with much of the growth occurring in the Fife/Tacoma submarket due to the availability of large parcels of land, strong port activity and access to the I-5 Corridor.

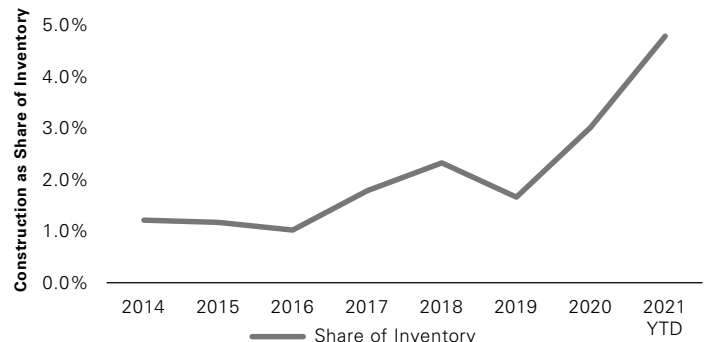
Pricing Analysis

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



Rate of Development

CONSTRUCTION AS % OF BUILDING INVENTORY



RESEARCH Q2 2021

Six projects delivered during the second quarter, which raised the inventory by just over 850,000 square feet. Over the last eight quarters, a total of 6.8 million square feet of new construction has been delivered. In Fife, a major project of note is the construction of the 1.9-million-square-foot Puyallup Nations Logistic Centers I and II, 526,635 square feet of which have been leased by Amazon. Additionally, Vector Development Company continues to move forward with five new industrial projects in the region, including construction of the 322,088-square-foot Canyon East Corporate Park and the 197,062-square-foot Puyallup Logistics building, both of which are expected to deliver in third-quarter 2021. The projects are both located in the Sumner/Puyallup submarket, which has attracted development due to its supportive infrastructure and amenities, as well as flexible zoning.

Average asking rents in Pierce County increased to \$7.80/SF NNN, up 3.6% year over year. As expected, the Fife/Tacoma submarket had the highest asking rents over the quarter, at \$8.46/SF NNN. The vacancy rate for all of Pierce County dropped to 5.8%, down 150 basis points on the quarter. There was 2.0 million square feet of net absorption in the first quarter, and Pierce County has experienced 4.8 million square feet of net absorption since the beginning of 2020.

Thurston County

Thurston County is performing well amidst the industrial real estate boom in the region, with nearly 800,000 square feet of

construction during the second quarter, most of which will be dedicated to warehousing and distribution centers. Two projects delivered during the second quarter, which raised the inventory by 1.8 million square feet. The total inventory of industrial space, now just over 14 million square feet, has increased by 22.0% over the last eight quarters. Building 1 of Hawks Prairie Logistics, the largest project completed this quarter at 1.3 million square feet, is located at 3800 Marvin Road Northeast in Lacey. Building 2 of the complex, which delivered in first-quarter 2021, was leased by Snow Joe, as part of a planned expansion of its logistics network. The transaction for the 576,000-square-foot distribution center was the third largest industrial lease signed in Washington State in 2020.

Average asking rents in Thurston County increased to \$6.77/SF NNN, up 1.0% from the first quarter. The county has an extremely low vacancy rate of 0.8%, down from 1.6% from the previous quarter. There was 1.9 million square feet of net absorption in the second quarter; historically, the submarket has experienced 4.2 million square feet of net absorption since the beginning of 2020. In the largest lease transaction of the second quarter, Amazon signed an agreement for a 510,000-square-foot building at 3301 Hogum Bay Road Northeast in Lacey.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Amazon	Puyallup Nation Logistics Center	Fife/Tacoma	Direct	530,000
Undisclosed Distributor	Pier 1 Imports	Lakewood/Dupont	Direct	451,151
Article	Portside Industrial Center	Fife/Tacoma	Direct	251,100
Maersk	Lakewood Logistics Center	Lakewood/Dupont	Direct	205,030
Bellmont Cabinet Co.	13605 52 nd St E	Sumner/Puyallup	Direct	150,000
Dansens	Norwesco Building	Sumner/Puyallup	Direct	136,574

Select Sales Transaction

Building	Submarket	Sale Price	Price/SF	Square Feet
The Cubes	Lakewood/Dupont	\$221,000,000	\$138	1,600,000
Portside 55	Fife/Tacoma	\$61,300,000	\$163	427,360
Sodo Urban Works	South Seattle	\$53,453,000	\$298	179,413
555 Monster Road SW	Southend	\$47,500,000	\$212	223,656
Cascade Business Park	Coal Creek/Issaquah	\$36,050,000	\$376	96,000
Bormac Industrial Park	Everett	\$35,000,000	\$76	459,663

Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)
Northend	32,087,529	4,443,548	3.8%	-107,761	-498	\$10.17
Lynnwood/Shoreline	4,074,547	0	3.0%	-17,679	-68,156	\$13.12
Marysville/Everett	28,012,982	4,443,548	3.9%	-90,082	67,658	\$9.82
Eastside	28,704,304	124,907	3.5%	-52,287	-219,144	\$20.85
Issaquah/North Bend	4,358,019	0	2.4%	8,508	-18,512	\$20.13
Redmond/Kirkland/Bellevue	13,071,788	124,907	3.0%	-22,430	-79,111	\$19.15
Woodinville/Bothell	11,274,497	0	4.4%	-38,365	-121,491	\$22.06
Seattle	46,597,160	363,607	2.7%	188,500	120,272	\$16.44
Fremont/Ballard/DT	7,060,961	0	2.3%	43,849	19,204	\$18.18
South Seattle	39,536,199	363,607	2.7%	144,651	101,068	\$16.12
Southend	106,526,544	2,576,438	4.6%	226,028	629,468	\$9.45
Federal Way/Auburn	26,313,792	574,408	2.7%	183,456	524,323	\$9.70
Kent	48,712,171	1,799,530	6.3%	-29,626	-120,974	\$8.84
Seatac/Burien	5,620,943	0	1.9%	2,435	82,281	\$13.11
Tukwila/Renton	25,879,638	0	3.8%	69,763	143,838	\$10.52
Pierce County	75,619,916	6,311,082	5.8%	1,951,446	2,352,166	\$7.80
Fife/Tacoma	25,679,176	1,235,921	4.2%	239,422	300,577	\$8.46
Lakewood/Dupont	13,897,571	871,363	9.6%	874,640	726,005	\$6.99
Sumner/Puyallup	36,043,169	4,203,798	5.4%	837,384	1,325,584	\$8.02
Thurston County	14,028,485	793,119	0.8%	1,893,351	2,762,184	\$6.77
Puget Sound Market	303,865,019	14,612,701	4.2%	4,099,057	5,644,478	\$10.39

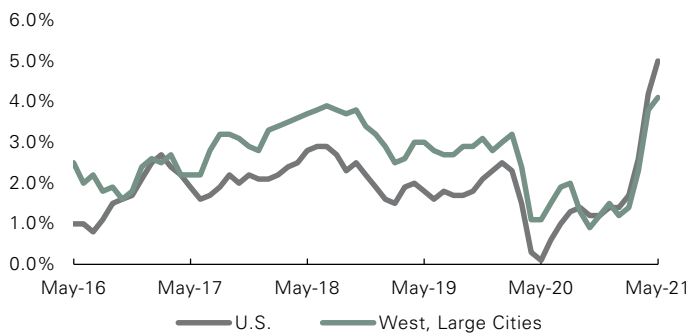
Economic Conditions

The domestic economy continued to recover in the second quarter; as optimism grows, growth forecasts are undergoing upward revisions. As of the June meeting, the FOMC projects that GDP will grow to 7.0% in 2021, an increase from the 6.5% forecasted in March. Labor market conditions steadily improved over the second quarter, with the unemployment rate dropping to 5.8% in May, the lowest it has been since March of 2020.

Locally, the Puget Sound economy continues to hum along and shows no indication of slowing down. The regional unemployment rate dropped to 5.1%, 70 basis points lower than the national rate. Seattle metro area employment improved in most sectors. As of April 2021, the leisure and hospitality sector, which was hit hard by pandemic conditions, led all employment categories with an increase of 29.2% year over year.

Consumer Price Index (CPI)

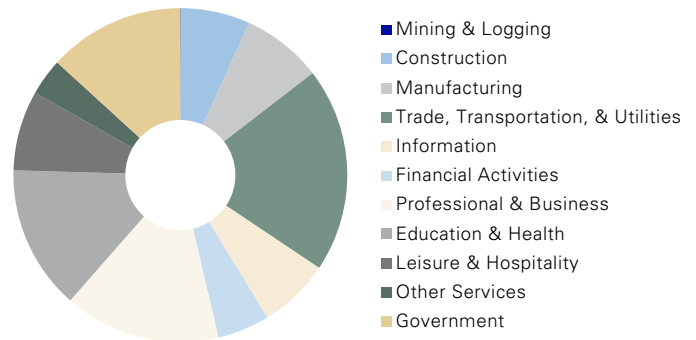
All Items, 12-Month % Change, Not Seasonally Adjusted



*Source: U.S. Bureau of Labor Statistics

Employment By Industry

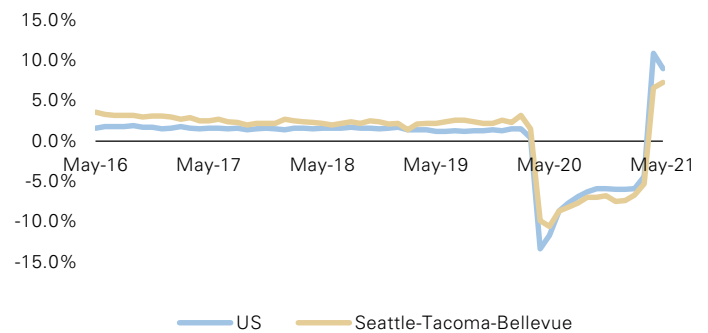
Seattle-Tacoma-Bellevue



Source: U.S. Bureau of Labor Statistics

Payroll Employment

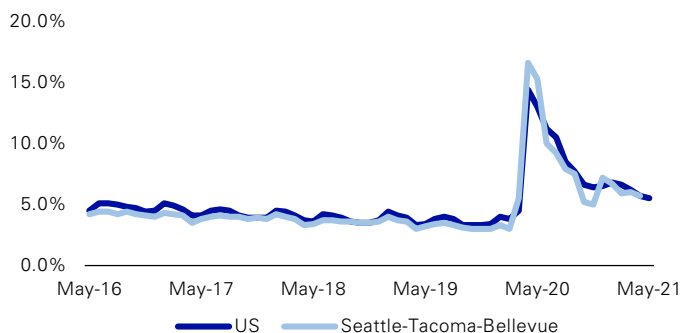
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



*Source: U.S. Bureau of Labor Statistics

Unemployment Rate

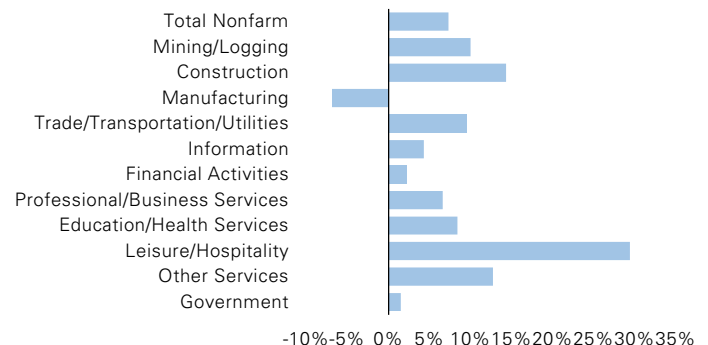
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



*Source: U.S. Bureau of Labor Statistics

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 4th Street
Suite 1430
Bellevue, WA 98004
t 425-362-1400

Southend

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

Joseph Morris

Research Analyst
206-453-1812
joseph.morris@nrmk.com

Nora Leahy

Research Analyst
206-962-1812
nora.leahy@nrmk.com

nrmk.com

ALABAMA

Birmingham

ARIZONA

Phoenix

ARKANSAS

Fayetteville
Little Rock

CALIFORNIA

El Segundo
Irvine
Los Angeles
Newport Beach
Pasadena
Sacramento
San Francisco
San Jose
San Mateo
Santa Rosa

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 ngkf.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 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.