



# Puget Sound Industrial Market

## 2022 Ends on Subtle High Note

Though activity slowed somewhat in the final quarter of the year, the Puget Sound industrial market maintained healthy indicators over the course of 2022, despite lingering economic uncertainty in the region and across the country. Investment activity heated up after a slowdown in the third quarter of 2022 while the leasing market, where demand for logistics and warehouse product remains white hot, posted strong annual gains. As a result, the market captured 464,513 square feet of occupancy growth in the fourth quarter, with annual net absorption totaling nearly 7.5 million square feet. A healthy portion of this growth was realized in the preleasing of new construction, of which 4.4 million square feet was delivered in 2022. Construction and entitlement processes have lengthened over the last two years due to labor strikes and supply chain issues, which in turn has delayed some absorption, a trend that is expected to reverse as development constraints ease.

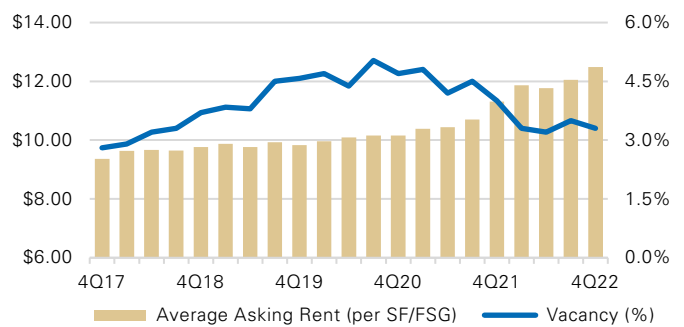
Despite these challenges, the Puget Sound construction pipeline continues to swell, as developers push ahead with planned speculative development. There is currently 13.6 million square feet under construction, a 415,000-square foot increase from the previous quarter and an increase of over 3.4 million square feet from this time last year. Warehouse and distribution properties exceeding 100,000 square feet make up the bulk of the pipeline, most of which are preleased. Most of this development is concentrated in areas that can accommodate these sizable footprints, most notably the Pierce County and Northend submarkets, which have 5.8 and 4.5 million square feet under construction, respectively.

Conditions in the Puget Sound industrial market continued to favor landlords at the end of 2022 due to exceptionally tight supply. The vacancy rate was 3.3% at the end of the quarter, down 20 basis points from the third quarter of 2022, and down a significant 170 bps from the third quarter of 2020, when vacancy peaked due to the pandemic. As expected, average asking rents appreciated considerably, closing the fourth quarter of 2022 at \$12.49/SF, representing an increase of \$0.45/SF from the previous quarter and an increase of \$1.18/SF from this time last year.

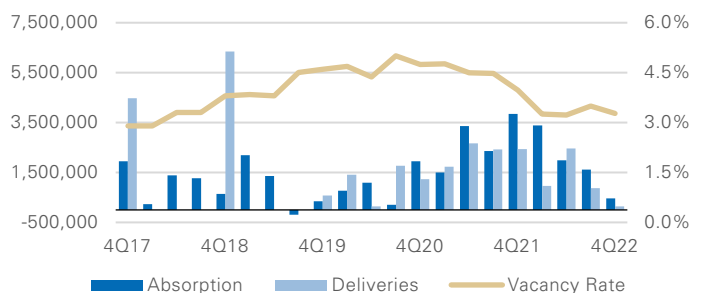
### Market Summary

	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (square feet)	314M	314M	309M	↑
Vacancy Rate	3.3%	3.5%	4.0%	↑
Quarterly Net Absorption (square feet)	465K	1.6M	3.8M	↑
Average Asking Rent/square feet	\$12.49	\$12.04	\$11.31	↑
Under Construction (square feet)	13.6M	13.2M	10.2M	↓

### Asking Rent and Vacancy Rate



### Net Absorption v New Construction & Vacancy



## RESEARCH Q4 2022

Despite a slight cooldown in the fourth quarter of 2022, the Puget Sound industrial market closed 2022 in a better position than it was in at the start of the year, having captured significant

occupancy growth, high-water mark rents, and a robust pipeline of construction. The next 12 to 18 months are critical, though the long-term outlook remains cautiously optimistic.

### Select Lease Transactions

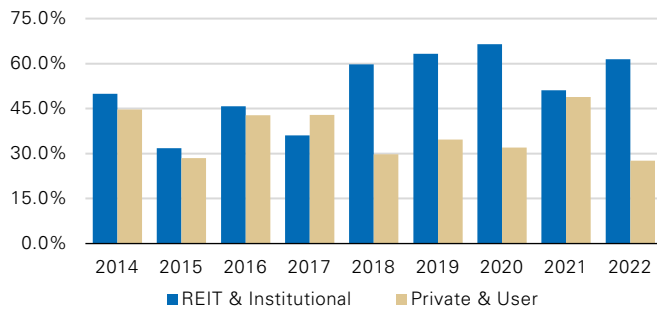
Tenant	Submarket	Building	Type	Square Feet
Electrolux	Thurston County	Exeter I-5 Logistics Hub	New Deal	298,782
Kaye Smith Business Graphics	Tukwila/Renton	Oakesdale Business Campus	Renewal	124,134
Richelieu	Federal Way/Auburn	Logisticcenter @ Auburn	New Deal	83,641
Alliance Packaging	Tukwila/Renton	2701 E Valley Rd	New Deal	53,000
Abatix	Sumner/Puyallup	410 Valley Ave	New Deal	43,042

### Select Sales Transactions

Building	Submarket	Sale Price	Price/square feet	Square Feet
Pacific Gateway	Kent Valley	\$260,100,000	\$316	823,544
Renton Logistics Center	Tukwila/Renton	\$120,000,000	\$250	479,100
3130 Hogum Bay Road Northeast	Lacey	\$23,833,333	\$166	144,000

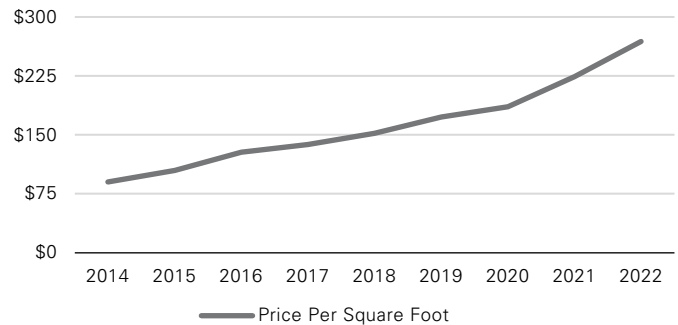
### Investment Activity

#### Buyer Composition (%)



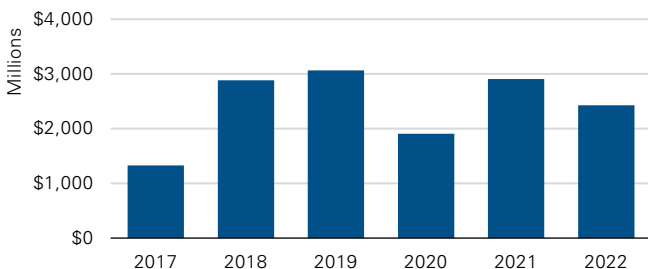
### Pricing Analysis

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



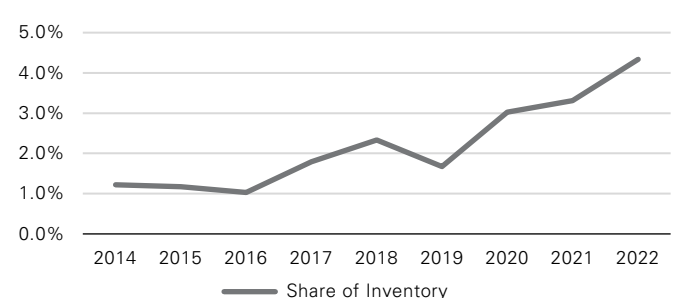
### Sales Volume

#### Annual Sales Volume (\$)



### Rate of Development

#### Construction as % of Building Inventory



Submarket Statistics						
	Total Inventory (square feet)	Under Construction (square feet)	Total Vacancy Rate	Quarter Absorption (square feet)	YTD Absorption (square feet)	Direct Asking Rent (Price/square feet)
<b>Northend</b>	<b>33,077,642</b>	<b>4,518,562</b>	<b>1.9%</b>	<b>304,729</b>	<b>791,941</b>	<b>\$11.12</b>
Lynnwood/Shoreline	4,074,547	-	0.2%	6,540	72,880	\$16.68
Marysville/Everett	29,003,095	4,518,562	2.1%	298,189	719,061	\$11.08
<b>Eastside</b>	<b>29,097,706</b>	<b>-</b>	<b>3.2%</b>	<b>-254,806</b>	<b>-58,064</b>	<b>\$21.60</b>
Issaquah/North Bend	4,534,628	-	0.3%	17,258	62,920	\$18.03
Redmond/Kirkland/Bellevue	13,196,695	-	2.9%	-90,117	-21,754	\$22.39
Woodinville/Bothell	11,366,383	-	4.7%	-181,947	-99,230	\$21.35
<b>Seattle</b>	<b>46,738,831</b>	<b>469,008</b>	<b>3.7%</b>	<b>-43,768</b>	<b>-342,198</b>	<b>\$15.69</b>
Fremont/Ballard/DT	6,905,198	126,000	4.7%	-54,158	-204,550	\$15.44
South Seattle	39,833,633	343,008	3.5%	10,390	-137,648	\$15.79
<b>Southend</b>	<b>108,672,629</b>	<b>2,726,026</b>	<b>4.4%</b>	<b>-255,550</b>	<b>1,589,501</b>	<b>\$9.96</b>
Federal Way/Auburn	26,477,485	1,658,622	6.2%	-55,001	-73,803	\$8.67
Kent	50,473,638	652,876	4.0%	-21,561	1,734,240	\$9.05
Seatac/Burien	5,620,943	-	0.4%	-15,333	34,622	\$13.45
Tukwila/Renton	26,100,563	414,528	4.0%	-163,655	-105,558	\$12.75
<b>Pierce County</b>	<b>81,378,379</b>	<b>5,775,129</b>	<b>2.4%</b>	<b>713,908</b>	<b>5,169,626</b>	<b>\$8.37</b>
Fife/Tacoma	25,843,409	1,701,559	2.2%	382,597	495,672	\$9.39
Lakewood/Dupont	14,917,616	-	4.7%	67,478	1,455,859	\$7.26
Sumner/Puyallup	40,617,354	4,073,570	1.7%	263,833	3,218,095	\$8.15
<b>Thurston County</b>	<b>14,693,472</b>	<b>125,250</b>	<b>2.0%</b>	<b>0</b>	<b>302,510</b>	<b>\$6.80</b>
<b>Puget Sound Market</b>	<b>313,658,659</b>	<b>13,613,975</b>	<b>4.3%</b>	<b>464,513</b>	<b>7,453,316</b>	<b>\$12.49</b>

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