

# MARKET TRENDS | SEATTLE

# INDUSTRIAL

2ND QUARTER  
2021

▲ ABSORPTION | ▼ VACANCY | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES  
Year-over-year change

The region's industrial market has continued to be very robust with record high construction volume and absorption keeping up with the new deliveries.

Here are the numbers for the region for the past three months.

- About 4.4 million s.f. was added to the total supply. The region now totals almost 355 million s.f.
- Projects under construction is nearly 11.5 million s.f. led by Pierce County (5.2 million s.f.) and the Northend (3.7 million s.f.). 42% of this space is pre-leased.
- Positive net absorption of 4.4 million s.f., led by Thurston County (3.2 million s.f.) and Pierce County (982,000 s.f.)
- Vacancy rate for the region modestly went down from 5.42% to 5.36%.
- Average asking rental rate increased \$0.04/s.f./month to \$0.91/s.f./month.
- Sales volume at mid-year is at \$654 million, on pace to surpass the record \$1.2 billion in 2019

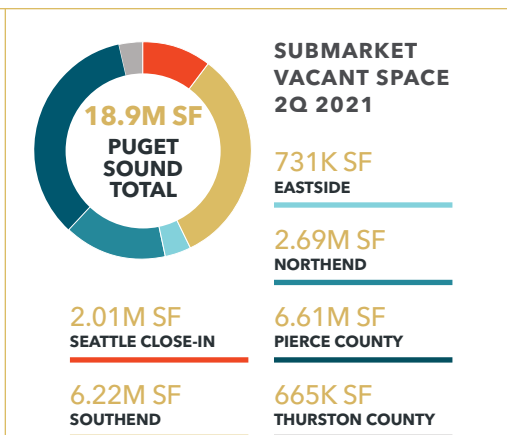
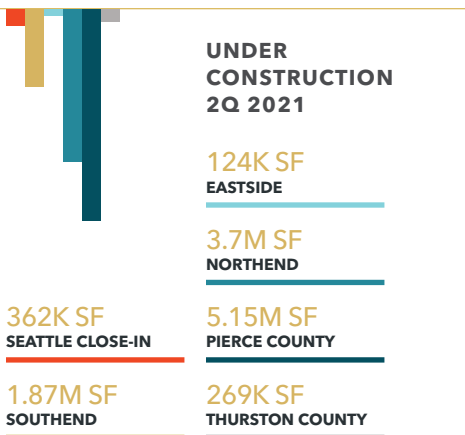
The continued growth in the industrial market continues from strong on-line shopping which has resulted in a higher demand for fulfillment/distribution facilities. Employment growth has been good. In May 2020 when our region bottomed out at 1,976,300 employed due to the pandemic, we have since seen an increase or 142,700 new jobs added (7.2% increase).

Total employment now stands at 2,119,000 as of May 2021, still about 97,000 jobs below the pre-Covid level. The employment sectors impacting the industrial market include manufacturing, construction, wholesale trade and transportation & warehousing. Construction has gained 14,500 jobs over the past 12 months, followed by Wholesale Trade at 4,100 jobs. On the negative side, the aerospace and transportation equipment portion of the manufacturing sector has lost nearly 24,000 jobs over the past year, due to Boeing's decision to close down the Dreamliner production in Everett. The positive side is other components of the manufacturing sector have added over 12,000 jobs, offsetting some of the hit from the aerospace side.

Looking ahead for the remainder of 2021, there is cautious optimism.

- The Puget Sound Economic Forecaster's June 2021 report forecast employment growth in 2021 at 2.5%, an increase of 80 basis points from their prior estimate. They also expect 2022 to be much higher at 5.8%. They expect the growth to be strongest in construction, wholesale and retail trade, and professional and business services
- The Northwest Seaport Alliance reports that Seattle

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**2Q 2021 MARKET HIGHLIGHTS**

- 11.5M SF under construction
- NET ABSORPTION was 4.4M s.f.
- AVG ASKING RENTS rose nearly 4.6% from the first quarter
- VACANCY decreased from 5.42% to 5.36% during the second quarter of 2021

## SEATTLE CLOSE-IN REVIEW

**VACANCY DECREASED** from 4.0% to 3.6% with positive net absorption of 407,286 s.f.

**TWO PROJECTS**, Prologis Emerald Gateway Building 1 (151,091 s.f.) & Track Six Sodo Business Park (210,775 s.f.) are under construction.

**NICOLA WEALTH MANAGEMENT** acquired Sodo Urbanworks for \$53.45M (\$301/s.f.)

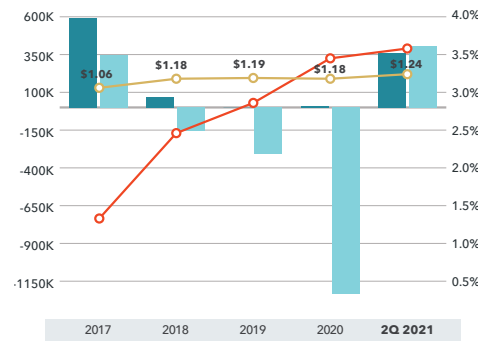
**OTHER NOTABLE SALES INCLUDE:** The Carlyle Group acquired Rainier Cold Storage (3625 1st Ave S) from Rainier Cold Storage Inc. 67,173 s.f. | \$22.0M or \$328/s.f. - Bridge Industrial acquired 6901 Fox Avenue S from William P. Guimont

129,040 s.f. | \$21.18M or \$164/s.f. - 1st Ave S Seattle owner LLC purchased Cascade Designs (4000 1st Ave S & 130 S. Dakota Street) from Cascade Designs, Inc. 92,608 s.f. | \$17.63M or \$190/s.f. - Terreno Realty Co. acquired the south Lander Business Park from Jerry Ivy Separate Property Revocable Trust 51,664 s.f. | \$16.45M or \$318/s.f. - Fortress Investment Group LLC acquired Encompass Building and another property from MacDonald-Miller Facility Solutions 50,034 s.f. | \$14.33M or \$286/s.f.

**AVERAGE** asking rental rates on a blended basis (office/warehouse combined) increased by \$0.04/s.f. to \$1.24/s.f.

**LEASE RATES** to range from \$1.00 to \$2.00/s.f./month, NNN for medium & high-grade buildings in the next six months.

## SEATTLE CBD / SURROUNDING AREA



■ New Construction ■ Absorption  
 ○ Vacancy (%) ○ Average Rent (Median)

**YARD RATES** will vary from \$0.30 to \$0.50/s.f. going south to north depending on size and whether it is paved, graveled, and fenced.

## SOUTHEND REVIEW

**VACANCY INCREASED** from 5.0% to 5.4% from the prior quarter as the increase in supply (494,678 s.f.) outpaced absorption of 36,949 s.f.

**SLIGHTLY** over 2.0 million s.f. of signed leases with expected occupancy over the next nine months should help reduce vacancy over the next couple of quarters.

**1,866,177 S.F.** is currently under construction. Notable projects include Pacific Gateway (760,281 s.f.-5 buildings); Highway 18 Corporate Center, Maple Valley (390,820 s.f.), Bridge Point Kent 300 (308,528 s.f.-2 buildings) and Bridge Point Auburn 200 (206,155 s.f.)

**NOTABLE SALES** in the 2nd quarter - Elion

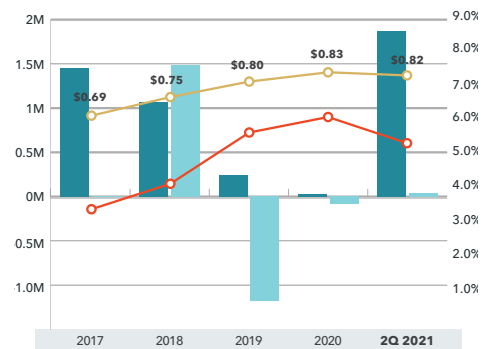
Partners purchased 555-589 Monster Rd SW in Renton from Simvest Properties LLC-223,656 s.f. | \$47.5 million or \$212/s.f. - Fortress Investment Group LLC acquired Coastal Millworks in Algona from Accu Duct Manufacturing Inc-56,430 s.f. | \$10,02M or \$177/s.f. - There were also multiple properties in the Southend that was part of the TPG Global purchase from Lift Partners.

**AVERAGE** asking rents (blended) is unchanged at \$0.82/s.f.

**SHELL RATES** on new construction are in the mid \$0.60s/s.f. with office add-on now \$1.00/s.f.

**OLDER** existing buildings are achieving shell rents in the low to mid \$0.60s and \$0.80 to \$1.00/s.f. for office add-on

## SOUTHEND COUNTY



■ New Construction ■ Absorption  
 ○ Vacancy (%) ○ Average Rent (Median)

**SALE PRICES** are expected to range from \$150 to the mid \$200/s.f.; land values will range between \$25 to \$35/s.f. for fully improved sites.

## EASTSIDE REVIEW

**VACANCY HELD** steady at 3.4% with a modest negative net absorption of -66,295 s.f. This market remains very tight as several tenants unable to find space have relocated to other markets where rents are lower and supply more plentiful.

**MAJORITY** of leases signed are under 10,000 s.f. Leases signed with move-in expected over the next nine months totals 214,522 s.f.

**ONE PROJECT** is under construction -Redmond Ridge, Buildings 4 & 5 (124,907 s.f.) It is 100% pre-leased.

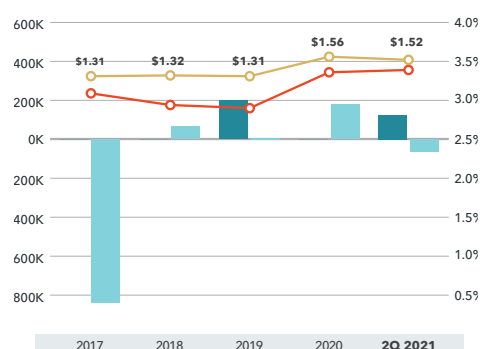
**ASKING** rental rates decreased by \$0.01/s.f. to \$1.52/s.f. NNN warehouse

lease rates with high-bay warehouse manufacturing space should range between \$0.80 to over \$1.15/s.f./mo., with most in the \$0.95-\$1.15/s.f. range. Office rates are between \$1.50/s.f. to \$2.10/s.f.

**NOTABLE SALES THIS QUARTER INCLUDE:** G3 Partners LLC purchased Cascade Business Park in Issaquah from Sterling Realty Organization 95,943 s.f. | \$36.01M (\$376/s.f.) - Par5 Investments acquired Quadrant Center (Kirkland) from Caprice Magoon - 48,270 s.f. | \$20M or \$414/s.f.

**SALE PRICES** are between \$180-\$250/s.f. (owner/users at the high end), and over \$300/s.f. for flex properties.

## EASTSIDE COUNTY



■ New Construction ■ Absorption  
 ○ Vacancy (%) ○ Average Rent (Median)

**LAND PRICES** run from \$20-\$50/s.f. for a premium site, although there is a limited amount of land ready for development.

## NORTHEND REVIEW

**VACANCY INCREASED** from 4.5% to 5.0% due to negative net absorption (131,059 s.f.)

**LEASES** signed and expected to move in over the next nine months totals about 399,000 s.f.

**SEVEN** buildings (3,700,398 s.f.) are under construction including the Amazon Fulfillment Center in Arlington (2,660,000 s.f.), Smartcap DC North Buildings A & B (299,900 s.f.) and Gayteway Business Park, Buildings D and G in Arlington (236,000 s.f.)

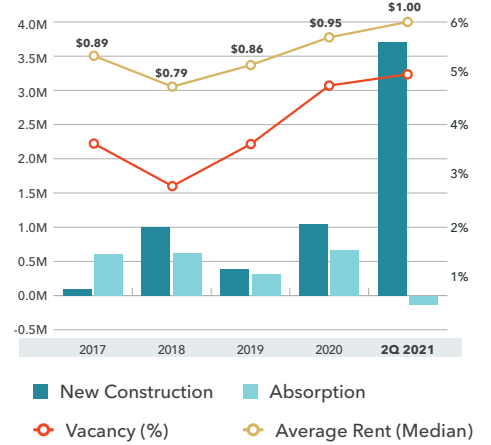
**BLENDED RENTS** increased \$0.03 to \$1.00/s.f. Warehouse lease rates should range \$0.65-\$0.80/s.f./mo., NNN in the

closer-in submarkets and lower (\$0.50-\$0.55/s.f.) in the outlying markets. Office rents are \$1.30-\$1.50/s.f. for second generation space and \$1.65-\$1.75/s.f. for new space.

**AS NOTED PREVIOUSLY**, SteelWave, Inc. purchased Highlands Campus Tech Centre (Bothell) from Equus Capital Partners, Ltd - 204,852 s.f. | \$53.22M or \$260/s.f. Rialto Capital Management purchased Nexus Research Center, Bothell (\$22.05M - 152,050 s.f. or \$145/s.f.) from Nexus Properties, Inc.

**SALE PRICES** should range \$150-\$225/s.f. for buildings in the 5K to 20K s.f. range; \$110-\$170/s.f. for buildings in the 20K to 60K s.f. range. Flex space will be higher (between \$200-\$310/s.f.)

## NORTHEND COUNTY



**LAND VALUES** should range \$5-\$19/s.f. with ample supply of industrial-zoned sites.

## PIERCE COUNTY REVIEW

**VACANCY DECREASED** from 8.0% to 7.6% as net absorption of 981,696 s.f. outpaced deliveries of 639,761 s.f. Largest deliveries were Duke Sumner Logistics (190,042 s.f.) and 1905 E. Marc Avenue (106,764 s.f.)

**NOTABLE LEASES THIS QUARTER:** Amazon, 3230 International Place, DuPont 628,640 s.f. - Costco, 4175 Pioneer Ave, DuPont 451,151 s.f. - General Services Administration, 302 33rd St SE, Puyallup 438,065 s.f.

**LEASES** signed but not yet moved in total about 4.22 million s.f.

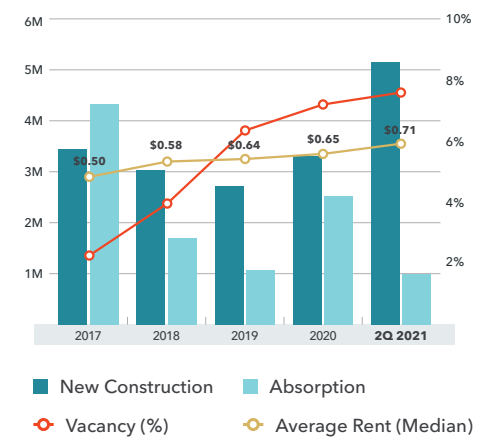
**CONSTRUCTION** activity remains solid with 5.2 million s.f. underway.

**LARGEST** projects include PC Frederickson ONE Building 5 (862,167 s.f.), 4408 78th Avenue (823,060 s.f.) in Fife, and Lakewood Logistics Center, Building A (470,587 s.f.)

**BLENDED** average rents increased \$0.01/s.f. to \$0.71/s.f. Shell rates ranged \$0.55-\$0.65/s.f./mo., NNN, plus add-on office rates of \$0.90-\$1.00/s.f./mo.

**SALE PRICES** will range from \$140-\$185/s.f. for new or smaller buildings. Second generation buildings will be lower in the \$50-\$100/s.f. range.

## PIERCE COUNTY



**LAND VALUES** typically range between \$16-\$20/s.f. for premium sites.

## THURSTON COUNTY REVIEW

**VACANCY DECREASED** from 4.8% to 3.5% as net absorption of 3,194,129 s.f. outpaced deliveries of 2,474,582 s.f. Three largest deliveries include Hawks Prairie Logistics Industrial Park (1,917,610 s.f.), which includes a Home Depot Distribution Center (1,287,110 s.f.) and Snow Joe (575,918 s.f.)

**THREE NOTABLE LEASES INCLUDE** Home Depot (1,287,110 s.f.) and Snow Joe (575,918 s.f.) at Hawks Prairie Logistics Center; and Amazon 510,040 s.f. at 3301 Hogum Bay Rd NE, Lacey.

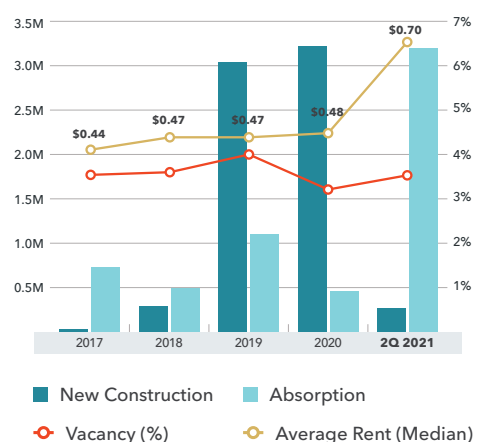
**THERE ARE** about 283,000 s.f. in leases signed but not yet moved in.

**CHALLENGE** for some of the developments continues to be the ongoing endangered Mazama Pocket Gopher habitat issue.

**AVERAGE ASKING** blended rents were up \$0.06 to \$0.66/s.f. Shell rents range between \$0.40-\$0.45/s.f. on larger spaces and office add-on rates were \$0.80-\$1.00/s.f. Smaller spaces are \$0.45-\$0.55/s.f. on the shell with office add on at \$0.90-\$1.00/s.f.

**BUILDING** sales are expected to range from \$80-\$150/s.f.

## THURSTON COUNTY



**LAND VALUES** range between \$5.00-\$10.00/s.f.

and Tacoma handled record-breaking volumes in May, growing 38.4% compared to May 2020. Full imports also set a record for the month, increasing by 54.1%, while full exports increased 4.9%. Year-to-date volumes improved 18.7% with full imports growing 31.7% and full exports declining 9.6%

- Leasing continues to be strong with 7.2 million s.f. leased and scheduled to move in over the next 9 months.

There are some concerns that we continue to monitor. These include

- During the second quarter of 2021, our region is approaching the 70% mark of people who are fully vaccinated. More businesses have opened to greater capacity with 100% capacity expected by July 1, although we are seeing a rise in positive cases of COVID-19. As a result, there has been some pressure to delay the 100% capacity.
- The continued reduction of aerospace/transportation jobs.

## Notable Sale Transactions

**TPG GLOBAL LLC** acquired 12 properties in Seattle, Tukwila, and Kent for \$133,775,000 (\$356/s.f.) from Lift Partners. The seller will continue as the asset manager for this portfolio.

**NICOLA WEALTH MANAGEMENT** acquired Sodo Urbanworks in Seattle for \$53,453,000 (\$301/s.f.) from Grousemont Foundation.

**STEELWAVE, INC.** purchased Highlands Campus Tech Centre from Equus Capital Partners, Ltd for \$53,218,163 or \$260/s.f.

**ELION PARTNERS** acquired 555-589 Monster Road SW in Renton from Simvest Properties LLC for \$47.5 million (\$212/s.f.)

## Notable Lease Transactions

**HOME DEPOT** | Hawks Prairie Logistics Industrial Park, Lacey - 1,287,110 s.f.

**AMAZON** | 3230 International Place, DuPont - 628,640 s.f.

**SNOW JOE** | 7816 Hawks Prairie Rd NE, Lacey, - 575,918 s.f.

**AMAZON** | 3301 Hogum Bay Road NE, Lacey - 510,040 s.f.

**COSTCO** | 4175 Pioneer Avenue, DuPont - 451,151 s.f.

**GENERAL SERVICE ADMINISTRATION** | 302 33rd St SE, Puyallup - 438,065 s.f.

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