Kidder Mathews

MARKET TRENDS | SEATTLE

INDUSTRIAL

4Q 2024

Industrial activity in the Puget Sound region has picked up modestly over the past nine months, though not across all suite sizes.

While brokers report increased activity since the start of 2024, completed leases remain elusive. Inflation peaked at 10.1% in June 2022 and declined to 3.0% in October 2024, remaining slightly above the U.S. City Average of 2.6%. Core prices remain elevated at 3.8%, exceeding the national index by 50 basis points. Regional employment has increased 3.4% between November 2023 and November 2024 with manufacturing up 2.0% and significant gains in education and health services (6.1%) and government (6.8%). However, the technology sector shed 6,500 jobs, a decline of 4.6%. The labor participation rate continues to slip, from 63.7% in May 2024 to 63.2% in October, down from 64.3% from a year earlier.

For the industrial markets at Q4 2024, regional vacancy is 7.9%, up from 7.4% in Q2 and the recent low of 3.6% in Q4 2022. Availability currently stands at 10.3%, with 1.8% available for sublease.

Below are a few notable points:

- New product added to the inventory totaled 1.3M SF, up from 600,000 SF in Q3. The regional inventory is currently 385.4M SF.
- Construction activity remains steady, with 6.3M SF underway in Q4, contained in 19 projects. 81.2% of the construction activity is in Pierce County, with the start of Bridge Point Tacoma 2M and the continuation of the FRED310 project in Frederickson. Preleasing is at 19.7% with 90.7% of these leases located in Pierce County projects.
- Sales activity continues to move to more investment sales in Q4, with 65 properties closing and an average capitalization rate of 6.3%, down from the Q3 level of 7.0%. 2.7M SF of buildings traded, on 847-acres.

As of November 2024, Washington State employment reached 3,631,400, reflecting a 1.3% year-over-year increase (preliminary data from the Employment Security Department). Employment in the four-county region accounts for 62.7% of the state's total, with 2,275,700 jobs. The Boeing strike distorted trends, particularly in the manufacturing segment, but gains in Q4 were evident in government and health and education services, each adding

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↑ *4.3M SF* LEASING ACTIVITY

↑ *-60K SF* NET ABSORPTION

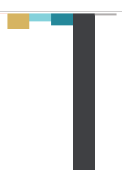
↑ *7.9%* VACANCY RATE

↔ *$1.17* ASKING RENT (AVG)

↓ *6.3M SF* UNDER CONSTRUCTION

Year-Over-Year Trend

Under Construction



0K SF SEATTLE CLOSE-IN

498K SF SOUTHEND

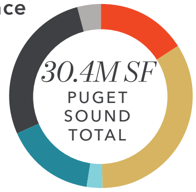
247K SF EASTSIDE

379K SF NORTHEND

5.1M SF PIERCE COUNTY

58K SF THURSTON COUNTY

Submarket Vacant Space



4.8M SF SEATTLE CLOSE-IN

10.4M SF SOUTHEND

821K SF EASTSIDE

4.8M SF NORTHEND

8.4M SF PIERCE COUNTY

1.2M SF THURSTON COUNTY

Market Highlights

MARKET INVENTORY was 385.4M SF

SALES VOLUME was to $432.3M

CONSTRUCTION ACTIVITY dropped to 6.3M SF in Q4 2024.

SEATTLE CLOSE-IN REVIEW

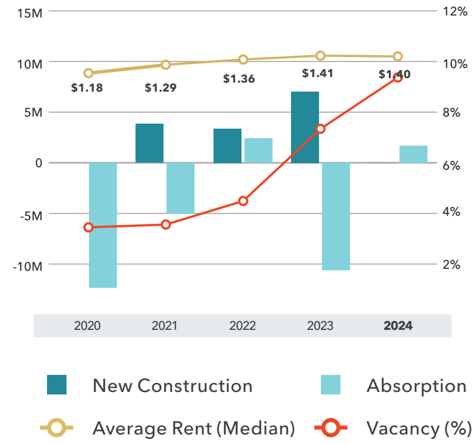
SMALL SPACES in the Seattle Close-In remain active, but spaces over 10,000 s.f. are seeing low levels of activity. Vacancy stands at 9.4%, up 203 basis points from YE 2023. Inventory increased by 702,429 SF with the completion of Seattle Metro Logistics, Trammel Crow's two story, 702,429 SF distribution facility on Terminal 106.

NO BUILDINGS ARE UNDER CONSTRUCTION, but Prologis is planning Building 3 of Prologis Emerald Gateway, a 144,352 SF distribution building anticipated to begin construction in Q1 2025.

SALE VOLUME was $27.0M on nine transactions, averaging $197 PSF (median of $330 PSF). KBD Holdings purchased 37 S Hudson St (36,912 PSF owner user. Airport Way Partners purchased 2548 Airport Wy S building (11,092 SF) for $330 PSF from a local investment group.

THE BOEING COMPANY renewed its lease in Skyline Distribution Center for 114,521 SF and Recology leased 17,184 SF in 4 S Idaho St for a ten-year term.

AVERAGE ASKIGN RENTAL RATES on a blended basis (office/warehouse combined) have bumped up to $1.40 PSF from Q3 level of $1.37 PSF Over 2024, the rate averaged $1.40 PSF.



SOUTHEND REVIEW

THE SOUTHEND INVENTORY increased by 1.65M SF in 2024, with deliveries of Bridge Point Seatac 330, Buildings A and B, Bridge Point i5 Building, combined adding 1.34M SF Prologis added 29,447 SF with the delivery of North Country 287, bringing the submarket inventory to 122.74M SF Vacancy increased to 8.4%, 11 basis points above Q3 and 223 basis points over YE 2023. Absorption was an anemic 6,459 SF for the quarter, with 2024 ending at (-1.04) M SF

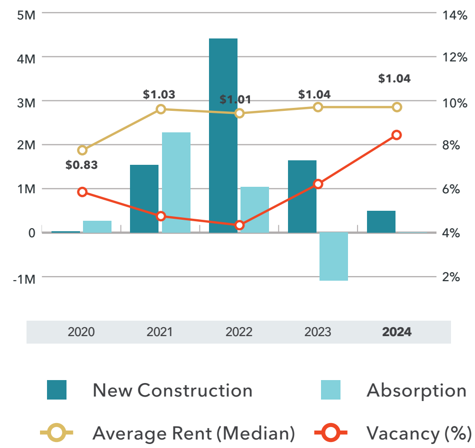
LEASE TRANSACTIONS softened from Q3, with 64 leases commencing in 2.68M SF. The volume of leases declined but the area leased increased by 62.4%. Looking forward, 41 leases are anticipated to commence in the next nine months, occupying 2.41M SF.

TWO BUILDINGS under construction and will deliver before mid-year 2025: a 19,280 SF owner user expansion in Auburn and Bridge's Bridge Point i5 Building 2, a 478,542 SF addition currently without any preleasing.

SALES ACTIVITY was 14 transactions this quarter, with Bridge Industrial purchasing Kent Valley DC II / IV (343,059 SF) from Link Logistics R.E. for $187 PSF. Schnitzer Properties purchased White River Corporate Park, a 230,575 four building park from TA Realty for $209 PSF with a cap rate of 6.18%.

AVERAGE BLENDED RENTS dropped further, from $1.19 PSF in Q2 to $1.04 PSF. This reflects more leases executed in older product, with fewer new, Class A warehouses being leased.

THERE HAS BEEN A SHIFT in priorities from some of the larger institutional owners. For example, Prologis has historically pushed rates but in Q3 has shifted focus to occupancy and this shift continues. Rates are calculated by a shell rent between $1.10 to $1.30 PSF for the footprint of the space and the office rate of $1.20 to $1.50 PSF over the office footprint added.



LAND SALES in the Southend have been few and far between, due to the lack of vacant land. One pad is under contract, estimated to support up to 40,000 s.f. of building but included as a part of a larger sale with building improvements.

EASTSIDE REVIEW

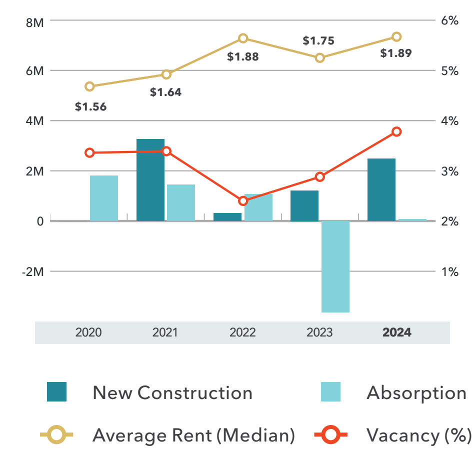
INVENTORY is stable at 21.7M SF, with vacancy standing at 3.8%, the lowest in the submarkets. Three projects were added in 2024, with Alpental Logistics in North Bend the largest, adding 115,575 SF to the total of 161,719 s.f. of new inventory. Absorption was virtually nil, with 6,459 SF absorbed in Q4 with 2024 being (-36,797) SF

ONE PROJECT is under construction on the Eastside, Covington 18. This 247,409 SF project is anticipated to deliver Q2 2025. There is no preleasing reported in this project.

17 TENANTS took occupancy in Q4, totaling 135,204 SF, with only two tenants to take occupancy in the next nine months, totaling 8,700 SF.

RENTAL RATES have nudged upward from $1.84 PSF in Q2 to $1.89 PSF in Q3. Blended rates reflect each component, with a warehouse rate between $1.30 to $1.80 PSF/Mo. added to office rates are between $1.75 PSF/Mo. to $2.50 PSF.

SALES ACTIVITY was low, with three transactions closing and totaling $26,500,000, averaging $288 PSF These were owner user transactions with no capitalization rate information.



NORTHEND REVIEW

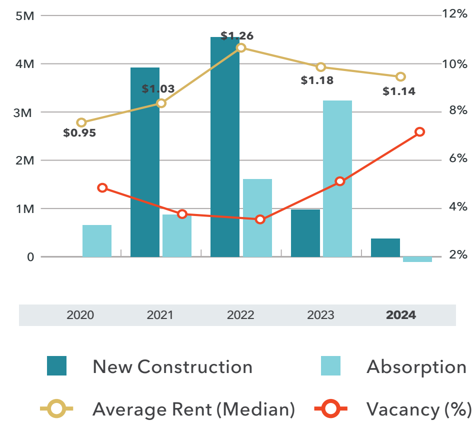
NORTHEND delivered eleven projects in 2024, totaling 1.04M SF and bringing the inventory to 67.3M SF Vacancy moved up 42 basis points over Q4, at 7.1% at year-end.

THIRTY-SEVEN TENANTS took up occupancy in Q4, totaling 365,064 SF Only four tenants were over 20,000 s.f. with the largest being 56,192 SF Looking forward, nine leases are schedule to commence in the next nine months, totaling 391,589 SF Bridge Point Soundview has signed a full building, 278,506 SF user for Building A of the new development.

THE BLENDED RENTAL RATE has regained a little of the decrease that occurred in Q2/Q3, moving to $1.14 PSF Warehouse rates remain stable, ranging $0.90-$1.35 PSF/Mo. depending on age and location. Office rents are $1.80-$2.00 PSF. for second generation space and $2.00-$2.50 PSF for first generation. These rates are calculated for the specific area and are not additive.

SEVEN SALES closed this quarter with two more currently under contract. The dollar volume for the closed sales was $44.7M , for 209,723 SF of buildings, averaging $219/s.f. These sales were predominantly owner users, and no income information was tracked.

LAND REMAINS available in Marysville / Arlington but there were no land sales in Q3 or Q4. Two land sales closed in 2024, with each being sold for the resources on-site.



PIERCE COUNTY REVIEW

PIERCE COUNTY inventory is 100.25M SF, with 2.9M SF added in 2024. This is the second largest market in Puget Sound, behind the Southend market. Vacancy is 8.4%, unchanged from Q3. Absorption negative in Q4, (-103,832 SF) with 2024 (-472,704 SF).

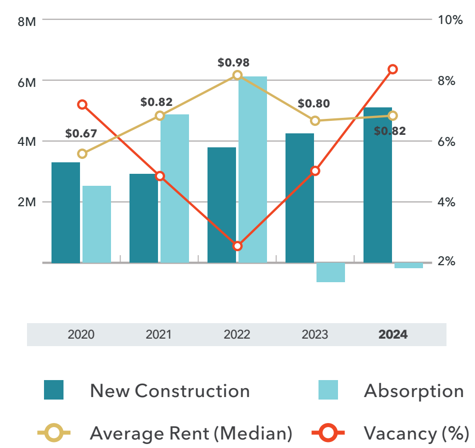
CONSTRUCTION continues unabated with Bridge Development breaking ground on Bride Point Tacoma 2M, a four-building project with 2.5M SF. Currently, there is 5.4M SF under construction with FRED 310 Building C, 1,118,480 SF preleased.

THIRTY-FIVE LEASES commenced in Q4, totaling 745,880 SF Portside Industrial Center, Building A was subleased to MyDepot, Inc. and totaled 251,100 SF. The following nine months show 17 leases scheduled to commence, totaling 2.1 M SF with Floor and Décor taking 1,118,480 SF in FRED 310, Building C upon completion.

TEN SALES closed in Q4, totaling $36.4M. The average price was $169 PSF with an average capitalization rate of 4.7%.

RENTAL RATES have been stable, at $0.82 PSF. having ranged between $0.80 and $0.84 PSF since YE 2023. Shell rates range $0.90-$1.30 PSF/Mo., NNN, plus add-on office rates of $1.00-$1.70 PSF/Mo.

ONE LAND SALE closed in Pierce County in Q4, a 4.7-acre site in Puyallup for $7.28 PSF.



THURSTON COUNTY REVIEW

INVENTORY has been stable at 21,800,330 for the last three quarters. Vacancy is 1.18M SF., or 5.4%, down slightly from Q2/Q3 at 5.6%. This submarket added 3.5M SF in 2023, dropping to 153,200 SF in seven projects in Q1 2024. These were 100% leased at completion and helped push vacancy down. Absorption for Q4 was 34,142 SF with 2024 totaling 62,658 SF absorbed and a (-102,603) SF for Q2.

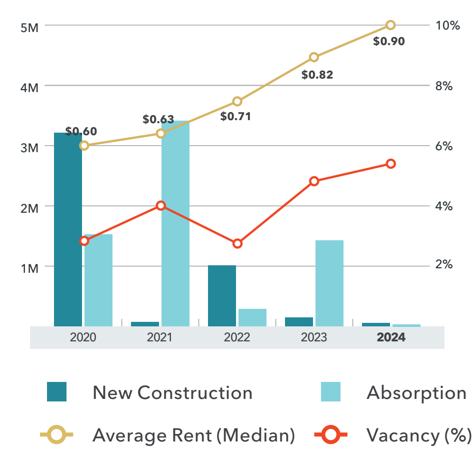
TWO PROJECTS totaling 58K SF are under construction with no pre-leasing. 11 projects, totaling 3.38 million s.f. are proposed with one, two-building project called Parsons South Sound Logistics adding 1,371,040 SF Groundbreaking has not been announced.

FOUR LEASES commenced in Q4, totaling 15,483 SF Looking forward, there are four leases totaling 218,841 SF to commence in the next nine months.

AVERAGE BLENDED RENTS rose to $0.9 PSF blended in Q3 and remain there in Q4.

SEVEN SALE closed in Q4 2024, totaling $4.2M with an average building area of 12,928 s.f. with an average $113 PSF price. These were owner user transactions.

ONE THREE-ACRE LAND SALE recorded in Q4, for $6.33 PSF in a tertiary location.



1,600 jobs. Year-over-year, information jobs declined by 6,500, a 4.5% decrease, while the construction sector saw a reduction of 5,100 jobs, a 3.7% decrease.

The Federal Reserve cut interest rates by 25 basis points in December, on top of the 25-basis point cut in November, bringing the target rate to 4.25% to 4.50%. The ten-year treasury has been trending up through 2024, ending Q4 at 4.6% (tradingeconomics.com). In terms of lending, Life Companies are moving upward in the spreads required, teasing lower spreads of 135 to 220 basis points over the ten-year treasury but rates being in the 6.0% to 6.9% range. CMBS lenders are still looking for 300 to 400 basis points over the ten-year rate and Banks/Credit Unions are lending in the 6.3% to 7.5% range.

The Northwest Seaport Alliance reports YTD (through November 2024) container volume as 3,035,986 TEUs (Twenty Foot Equivalent), a 12.0% increase from the same period in 2023. 2024 volumes are over 2023 each month except for January.

SKAGIT / WHATCOM COUNTIES

A growing industrial market is the Skagit / Whatcom counties, the north end of the I-5 corridor through Western Washington. This market totals 20.25 million s.f. in 763 buildings. This inventory represents a wide range of quality and generally smaller buildings and tenant suites. Vacancy is 1.45% with one, 20,000 s.f. building added to the inventory in 2024. Absorption was 220,902 s.f. in 2023, but 2024 saw negative absorption of (-53,016) s.f. Rent averages $1.02/s.f. blended.

NOTABLE SALE TRANSACTIONS

EQT EXETER purchased an Amazon occupied leasehold in South Seattle from Dermody Properties, a 202,464 SF building for $403 PSF

BRIDGE INDUSTRIAL purchased Kent Valley DC II / IV (343,059 SF) from Link Logistics R.E. for $187 PSF

COLUMBIA CORRUGATED BOX sold Building C of the Harbour Pointe Business Center (120,808 SF) to TA Realty for $219 PSF at 5.6% capitalization rate with a ten-year lease in place.

MARK SCALZO INVESTMENT GROUP purchased 2985 Naches Ave SW (36,184 SF) from a local investor for $287 PSF and a 5.85% capitalization rate.

NOTABLE LEASE TRANSACTIONS

MY DEPOT, INC. | Portside Industrial Center-Bldg. A, Fife | 251,000 SF

STOKE SPACE TECHNOLOGIES | Pacific Gateway- Bldg. 201, Kent | 156,825 SF

BOEING | Skyline Distribution Center, Seattle | 4114,521 SF

SWIRE COCA-COLA | Renton Logistics Center, Renton | 137,520 SF

RICARDO BEVERLY HILLS, INC | Prologis Park Algona 4, Auburn | 109,452 SF

Kidder Mathews

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by Kidder Mathews Valuation Advisory Services.

TROY STARK
Associate Appraiser
Valuation Advisory Services
206.205.0206
troy.stark@kidder.com

BRIAN HATCHER
President & COO
208.296.9600
brian.hatcher@kidder.com

COMMERCIAL BROKERAGE	$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	57M SF MANAGEMENT PORTFOLIO SIZE	850+ ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS