

# INDUSTRIAL

Economic uncertainty continues to weigh on the Puget Sound region, with inflation and softening fundamentals impacting the industrial market. Inflation for the 12 months ending in June 2025 was 2.7%, relatively unchanged from last quarter. Washington's index closely mirrors the U.S. City Average, but the underlying drivers differ. In Washington, core inflation (excluding food and energy) was 2.4%, compared to 2.9% nationally. Washington experienced steeper increases in food (+4.8%) and energy (+5.0%) prices, while the national rates were +3.0% and +0.8%, respectively. Notably, fuel prices in Seattle were 28.8% above the national average in 2024.

Market activity remains suppressed in 2025. The markets remain segmented, with the 30,000 SF to 150,000 SF spaces overrepresented in the available inventory and not seeing strong activity. Regional industrial vacancy rose to 8.1% in Q2 2025, up from 7.1% at year-end 2024 and well above the cycle low of 2.9% at year-end 2017. Availability currently sits at 10.8%, with 1.9% available for sublease. Below are a few notable points:

- New product added to the inventory totaled 2.18M SF bringing the regional inventory to 409.6M SF, across Thurston, Pierce, King, Snohomish, Skagit and Whatcom counties.
- Construction activity continues to decline—from 14.1M SF at year-end 2022 to 6.04M SF in 21 active projects today. Preleasing remains sluggish at 15.1%, with 88.8% of preleased space concentrated in Pierce County.
- Investment sales are slowly making a comeback, but owner-user transactions remain the dominant product trading.

Washington State employment stands at 3,643,300 (June 2025, preliminary, Employment Security Department, WA), a -5.7% decrease year over year. The four-county region contained 2,267,500 (preliminary June/May 2025), or 62.2% of the State's total. The preliminary June figures show an increase of 2,900 jobs, or 0.1% with Wholesale Trade growing by 2.6% while Construction shed 6,500 jobs, -4.9% of the total that includes mining and logging jobs. Education and Health Services rose 2.7% and Leisure and Hospitality rose 1.7%, predominantly on the seasonal hiring.

The Federal Reserve cut interest rates by 25 basis points in November and December 2024, bringing the target rate to 4.25% to 4.50%. The March 2025 meeting led to no change in the Fed's rate and the upcoming July meeting is anticipated to hold as well.

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2Q 2025

↓ **-1.4M SF**  
NET ABSORPTION

↑ **8.1%**  
VACANCY RATE

↔ **\$1.06**  
ASKING RENT  
(AVG BLENDED)

↓ **6.0M SF**  
UNDER  
CONSTRUCTION

Year-Over-Year Trend

## Under Construction

**244K SF**  
SEATTLE CLOSE-IN

**774K SF**  
SOUTHEAST

**0K SF**  
EASTSIDE

**85K SF**  
NORTHEAST

**4.8M SF**  
PIERCE COUNTY

**36K SF**  
THURSTON COUNTY

**36K SF**  
WHATCOM/SKAGIT

## Submarket Vacant Space

**5.0M SF**  
SEATTLE CLOSE-IN

**11.5M SF**  
SOUTHEAST

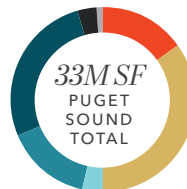
**1.3M SF**  
EASTSIDE

**5.0M SF**  
NORTHEAST

**9.0M SF**  
PIERCE COUNTY

**1.1M SF**  
THURSTON COUNTY

**288K SF**  
WHATCOM/SKAGIT



## Market Highlights

**MARKET INVENTORY** was 409.6M SF.

**SALES ACTIVITY** picked up and owner users remain the most active segment.

**CONSTRUCTION ACTIVITY** dropped to 6.0M SF.

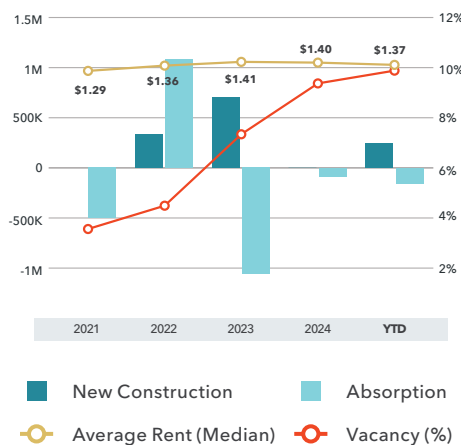
## SEATTLE CLOSE-IN REVIEW

**SMALLER SPACES** in Seattle Close-In remain steady, but spaces over 10,000 SF continue to see low activity. Vacancy rose 30 basis points from Q1 to 9.9%, the highest in a decade. The market posted -157,707 SF of net absorption and a net inventory reduction of 86,159 SF, yet vacancy still climbed. The submarket's newest addition, Seattle Metro Logistics—a 702,429 SF distribution facility on leased land at Terminal 106—remains vacant. A recent trend is recreational conversions, with several pickleball operators seeking space for courts with food and beverage amenities.

**Q2 SALES VOLUME** totaled \$49.9M across 11 transactions, averaging \$240 PSF. (median: \$258 PSF). The smallest sale was a 3,140 SF condo unit in Holgate Square at \$584 PSF. The Seattle School District purchased the PSPS

Building from Fortress for \$258 PSF Markey Machine completed a sale-leaseback to Lago Vista Investments, LLC, for \$255 PSF at a 6.0% cap rate. Fortress Investment Group leased 53,578 SF in the former MacDonald-Miller property in West Seattle. Nicola Wealth leased 25,000 SF to Picklewood at SODO Urbanworks.

**AVERAGE BLENDED ASKING RENTS** (office/warehouse) held steady at \$1.37 PSF, slightly down from \$1.40 PSF. in 2024. Yard lease activity remains limited, with asking rates down from \$0.60 PSF to the mid-\$0.30 PSF range. Prologis has one remaining pad at Emerald Gateway, with construction on Building 3 expected next quarter. Building 4 received its occupancy permit, and Amazon has reportedly signed a 230,131 SF lease.



## SOUTHEAST REVIEW

**THE SOUTHEAST INVENTORY** is 123.5M SF, with 816,572 SF delivered in Q2. Five projects totaling 774,053 SF are currently under construction. At Bridge Point I-5, Building 2 (478,542 SF) was completed, and construction has begun on Buildings 3, totaling 333,448 SF. Vacancy rose to 9.3%, up 17 basis points from Q1. The market recorded -1,233,945 SF of net absorption in the first half of 2025. Over the past 10 quarters, cumulative absorption has reached -3.4M SF.

**72 LEASE COMMENCEMENTS** in Q2, totaling 1.16 M SF. While the average deal size was 16,091 SF, the median size was just 4,513 SF, highlighting the strength of smaller tenant activity. The 25,000-150,000 SF segment continues to see sluggish demand, while spaces under 10,000 SF remain active. Looking ahead, 41 leases totaling 1.38M SF are scheduled to commence over the next nine months. There are 13 proposed projects totaling 3.7M SF, including two,

1M SF developments. Segale Properties has a 1M SF project in Tukwila anticipated to break ground in Q3 2025. Auburn 18 is a proposed distribution facility that shows one option for a 1,081,780 SF building.

**SALES ACTIVITY** slowed in Q2, with only four transactions that totaled \$18.5M. Two sales in Auburn were noteworthy, one was a 51,176 SF building that sold to a local buyer for \$223 PSF and the other, the GMS Metals Building sold for \$245 PSF. The seller of the GMS Metals building traded into the larger building in the same neighborhood.

**AVERAGE BLENDED RENTS** have increased slightly from YE 2024 of \$1.04 PSF to \$1.07 PSF. Institutional owners continue to focus on occupancy rather than pushing rates. Rates are calculated by a shell rent between \$1.05 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.



## EASTSIDE REVIEW

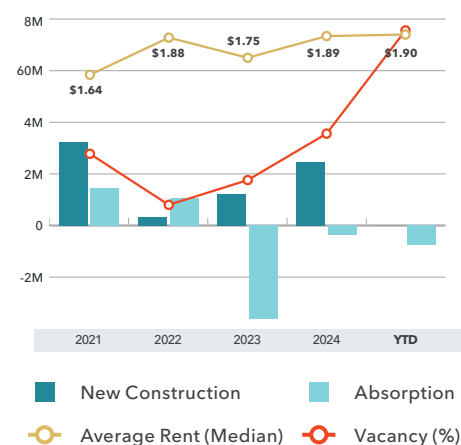
**THE EASTSIDE INVENTORY** increased by 294,167 SF, with the largest contributor being the completion of Covington 18. This 247,409 SF project delivered in Q2 with no preleasing. Vacancy increased to 5.8%, moving up 156 basis points. Absorption was -76,805 SF, marking the eighth quarter of negative absorption in the past 11 quarters. Alpentel Logistics in North Bend was the largest addition in 2024 and remains vacant. Vector Development completed this project and it is now being marketed for sale at an undisclosed price.

**Q2 TENANCY** totaled 14 new leases, totaling 91,422 SF. Looking forward, there are nine tenants that will be taking occupancy in the next nine months. This leased area will total

94,470 SF. Brokers report that leasing activity is quiet on the Eastside.

**RENTAL RATES** continue to creep upward to \$1.90 PSF. Blended rates reflect each component, with a warehouse rate between \$1.30 to \$1.75 PSF/mo. added to office rates are between \$1.75 PSF/mo. to \$2.50 PSF.

**SALES ACTIVITY** in Q2 saw four transactions totaling \$30,200,000 at a \$176 PSF average price. Additional sales were recorded in Enumclaw and North Bend. Terreno sold a vacant 38,883 SF building in Bellevue to a user, buying the Penny Arcade Building in Redmond. This building totaled 33,225 SF and sold at a pro-form capitalization rate of 5.5%.



## NORTHEND REVIEW

**NORTHEND** inventory totals 67.6M SF, with the Q2 addition of the three-building, North Creek Commerce Center. Building C signed a lease with Rivan for 46,880 SF. Vacant space totals 5.0 M SF, 7.34%. Absorption was 150,653 SF for Q2, following 2024 absorption of 378,819 SF.

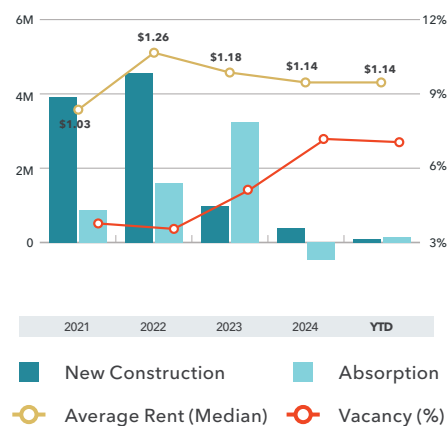
**Q1 LEASE COMMENCEMENTS** totaled 27, taking down 451,469 SF and only two leases over 50,000 SF. For the next nine months, there are 27 leases totaling 398,253 SF.

**THE BLENDED RENTAL RATE** has remained flat since YE 2024, at \$1.14 PSF. Warehouse rates are 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.

**13 SALES** closed this quarter. The dollar volume for the closed sales was \$56.0M, for 260,673 SF of buildings, averaging \$215 PSF. This included First Group America selling a school bus yard and barn for \$14.4M and Iron Mountain selling a north Seattle building for \$8.7M, \$155 PSF (55,972 PSF). This building was constructed in 1948.

**LAND REMAINS** available in Marysville / Arlington but there were no land sales in Q3 or Q4. Two land sales closed in 20024, with each being sold for the resources on-site.



## PIERCE COUNTY REVIEW

**PIERCE COUNTY** remains the Puget Sound region's fastest-growing industrial submarket, though vacancy is rising and momentum has slowed in both leasing and absorption. Total inventory now stands at 101.8M SF, with 1.5 M SF delivered in the first half of 2025. Over the past nine years, the market has grown by 27.52M SF. Vacancy increased from 7.8% YE 2024 to 8.8% in Q2 2025. Absorption was a strong 1.1M SF in Q1 but softened to -267,145 SF in Q2.

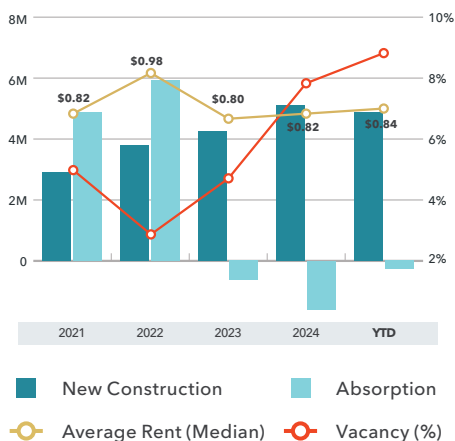
**CONSTRUCTION CONTINUES** unabated with Bridge Development breaking ground on Bridge Point Tacoma 2M, a four-building project with 2.5M SF. Currently, there is 4.9M SF under construction with only 16.6% pre-leased. There are 33 projects totaling 5.98M SF are proposed, though many may be delayed due to pre-leasing challenges.

**38 LEASES COMMENCED** in Q1, totaling 2.2M SF. The following nine months show 17 leases scheduled to commence, totaling

641,931 SF. This is well below the pace of the last nine quarters that each saw over 1.4M SF or more.

**Q2 SAW 18 SALES CLOSE**, totaling \$98,251,560, averaging \$199 PSF. Goodwill purchased its 194,857 SF distribution facility in the Nalley Valley from Centerpoint for \$41M (\$210 PSF). NU-RAY Metals purchased the Park of Puyallup from Link Logistics in an owner-user transaction. The 110,089 SF building closed for \$167 PSF. The EUSF Reddaway Trucking site also sold, closing for \$6,690,000 (\$690 PSF) for the 9,700 PSF building on a 2.4-acres site.

**RENTAL RATES** have been stable, up from YE 2024 at \$0.82 PSF to Q2 \$0.84 PSF. Rents have ranged between \$0.80 and \$0.84 PSF since YE 2021 with YE 2022 being at \$0.98 PSF, before settling back to the low \$0.80s/s.f. Shell rates range \$0.90-\$1.30 PSF/mo., NNN, plus add-on office rates of \$1.00-\$1.70 PSF/mo.



## THURSTON COUNTY REVIEW

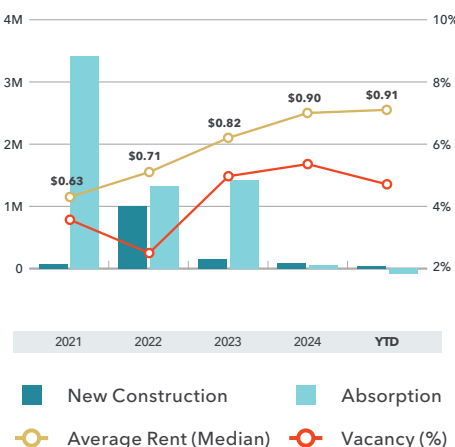
**INVENTORY** in Thurston County increased by 254,742 SF in Q2 to total 22.2M SF. Vacant space totals 1.1M SF, bumping the vacancy rate from 4.7% in Q1 to 5.2% in Q2 2025. YE 2022, vacancy was 2.2% but has hovered between 4.3% and 5.2% for the last eight quarters. This submarket added 3.5m SF in 2023.

**ONE PROJECT** totaling 36,000 SF project under construction with no pre-leasing. 17 projects, totaling 4.4M SF are proposed with one, two-building project called Parsons South Sound Logistics adding 1,371,040 SF. Groundbreaking has not been announced.

**ONE LEASE** commenced in Q2, totaling 1,440 SF. Looking forward, there are four leases reported to commence in the next nine months. The area totals 193,659 SF, with Crown Holdings, a metal can manufacturing renewing in 93,586 SF.

**AVERAGE BLENDED RENTS** slipped from \$0.99 PSF in Q1 to \$0.92 PSF, a function of lower quality buildings becoming available.

**LOOKING FORWARD**, there are no leases reported to commence in the next nine months. There were no reported sales in Q2 2025.



The ten-year treasury continues to hover in the low to mid-4.0% range through Q2, 2025. 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 have declined somewhat to the 5.7% to 6.6% range. CMBS spreads declined in Q1 and have remained in the 250 to 350 basis points range. Banks/ Credit Unions have seen a modest decrease in lending rates, slipping from the 6.5% to 7.5% range of Q1 to 6.0% to 7.0%.

The Northwest Seaport Alliance reports YTD (through March 2025) container volume as 1,635,784 TEUs (Twenty Foot Equivalent), a

5.1% increase from the same period in 2024. However, volumes dropped sharply in May (-9.4%) and June (-14.7%) due to new tariffs. If this trend persists, it could significantly affect regional industrial markets.

**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 20.9M SF in 798 buildings. This inventory represents a wide range of quality and generally smaller buildings and tenant suites. Vacancy is 1.38% with one, 4,000 SF building added to the inventory

in Q2 2025. Absorption was 220,902 SF in 2023, but 2024 saw negative absorption of (-53,016) SF continuing into Q1 2025 with (-108,739) SF Q2 has offset some of the negative absorption, absorbing 126,726 SF. Rent continues to soften even in this tight market, moving from \$1.02 PSF at YE 2024 to \$0.92 PSF in Q2 2025.

NOTABLE SALE TRANSACTIONS

**GOODWILL 3102 S PINE ST IN TACOMA** purchased CenterPoint Properties for \$41,000,000 (\$210 PSF), as an owner user.

**DAHLSTEDT FAMILY PROPERTIES** sold 87 acres with four buildings totaling 170,526 SF in Mount Vernon to Ness Management for \$21,371,000 (\$125 PSF).

**THE SEATTLE SCHOOL DISTRICT** purchased the 48,405 SF former PSPS building from Fortress Investment Group in Seattle for \$12,500,000 (\$258 PSF).

**NU -RAY METALS** purchased the 110,089 SF Park in Puyallup building from Link Logistics for \$18,250,000 (\$166 PSF).

NOTABLE LEASE TRANSACTIONS

**ESTES FORWARDING WORLDWIDE** | Tacoma Logistics Ctr, Tacoma | 444,428 SF

**KOWA** | FRED310 - Building D, Frederickson | 320,294 SF

**ALASKA AIR GROUP** | IAC Commerce Ctr, Des Moines | 341,938 SF

**US ELOGISTICS SERV. CORP.** | Lakewood-Tac Logistics Ctr, Lakewood | 208,370 SF

**ODOM CORP.** | SeaPORT Logistics Ctr 76th Bldg, Sumner | 250,000 SF



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COMMERCIAL  
BROKERAGE

**\$9B**  
AVERAGE ANNUAL  
TRANSACTION VOLUME

**26.2M**  
ANNUAL  
SALES SF

**36.7M**  
ANNUAL  
LEASING SF

ASSET  
SERVICES

**58M SF**  
MANAGEMENT  
PORTFOLIO SIZE

**850+**  
ASSETS UNDER  
MANAGEMENT

**250+**  
CLIENTS  
SERVED

VALUATION  
ADVISORY

**2,400+**  
AVERAGE ANNUAL  
ASSIGNMENTS

**39**  
TOTAL  
APPRAISERS

**24**  
WITH MAI  
DESIGNATIONS

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