

INDUSTRIAL

The Puget Sound industrial market entered the third quarter of 2025 with cautious optimism. Growth is expected to continue modestly, though the period of rapid growth, escalating rents, and rising valuations is not anticipated in the near to mid-term. Developers, investors, owner-users, and tenants believe conditions may be nearing the bottom, yet remain conservative in decision-making.

Smaller, well-positioned spaces continue to outperform mid-size facilities (25K-200K SF). Although development has slowed, projects already underway are likely to keep vacancy elevated in some submarkets.

Inflation in the Puget Sound region for the 12 months ending June 2025, was 2.7%, relatively unchanged from Q1 2025, while August 2025 was about 2.8 %, a 1.6 % quarterly increase. Washington and the U.S. City Average Index are roughly equal, though the underlying components differ. In Washington:

- The food index declined slightly in July and August but remained up 3.5% year-over-year.
- Energy prices have risen 7.3% in the past year, with gasoline at 4.2%, and Seattle fuel prices averaging 49.7% above the national average.

Industrial market activity continues to be tepid and segmented, with the 20K-175K SF spaces overrepresented in the available inventory. Regional vacancy is 8.2%, up from 7.1% at YE 2024 and the recent low of 2.9% at YE 2017. Notable points:

- New inventory in Q1-Q3 2025 total 2.5M SF bringing the regional inventory to 408.6M SF, including Thurston, Pierce, King, Snohomish, Skagit and Whatcom counties.
- Construction activity remains below past levels, declining from 14.1M SF at year end 2022 to 6.6M SF in 23 projects as of Q3 2025. Smaller projects are still active, and preleasing remains sluggish, at 13.7% with 88.8% of this pre-leasing in Pierce County projects.
- Investment sales are slowly improving, though owner-user transactions remain the dominant product trading.

As of August 2025, Washington State had 3,641,600 jobs (preliminary), down 4.7% year-over-year. The Puget Sound region held 2,406,800 jobs (66.1% of the state), down 0.8% or 20,000 jobs. Losses were led by Manufacturing (-11,100), Information (-3,300), and Professional/Business Services (-20,000), while Private Education and Health Services added 11,400 jobs.

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3Q 2025

↑ **-391K SF**
NET ABSORPTION

↑ **8.2%**
VACANCY RATE

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

↓ **6.6M SF**
UNDER
CONSTRUCTION

Year-Over-Year Trend

Under Construction

244K SF
SEATTLE CLOSE-IN

441K SF
SOUTHEND

0K SF
EASTSIDE

217K SF
NORTHEND

5.7M SF
PIERCE COUNTY

36K SF
THURSTON COUNTY

13K SF
WHATCOM/SKAGIT

Submarket Vacant Space

4.9M SF
SEATTLE CLOSE-IN

11.8M SF
SOUTHEND

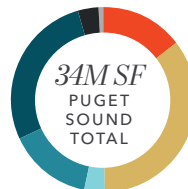
1.2M SF
EASTSIDE

4.9M SF
NORTHEND

9.3M SF
PIERCE COUNTY

1.2M SF
THURSTON COUNTY

266K SF
WHATCOM/SKAGIT



Market Highlights

MARKET INVENTORY
was 408.6M SF

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

CONSTRUCTION ACTIVITY
dropped to 6.6M SF

SEATTLE CLOSE-IN REVIEW

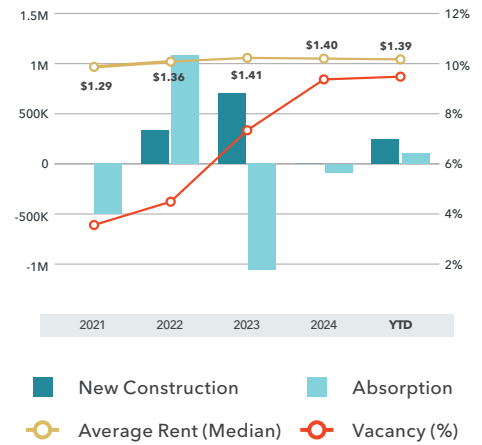
Smaller spaces in Seattle Close-In remain steady, while activity for spaces over 10,000 SF is low. Vacancy is relatively flat at 9.5%, up 21 bps from Q2 and the highest in a decade. Inventory declined by 238,811 SF, but absorption was positive at 107,959 SF. The largest vacancy is Seattle Metro Logistics, a 702,429 SF facility on Port of Seattle land. A new trend in the past 6-12 months is recreational users, with several pickleball companies seeking space with food and beverage amenities.

Sales totaled \$53.9M across ten transactions, averaging \$218 PSF (median \$128 PSF). Unico Properties sold 2600 W Commodore Way (58,281 SF) to a local investor for \$168 PSF.

The Muckleshoot Tribe bought the former Ed Wyse building in SoDo for \$7M, or \$300 PSF, for the office-heavy property.

Fortress Investment Group leased 53,578 SF in the former MacDonald Miller property in West Seattle. Nicola Wealth leased 25,000 SF to Picklewood in SODO Urbanworks.

Average asking rental rates on a blended basis (office/warehouse combined) bumped up to \$1.39 PSF from the YE 2024 \$1.40 PSF average. Yard leases are few, with asking rates down from \$0.60 PSF to mid-\$0.30 PSF and little activity. Prologis has begun Building 3 at Emerald Gateway, with Building 4 being fully leased to Amazon for the 230,131 SF.



SOUTHEND REVIEW

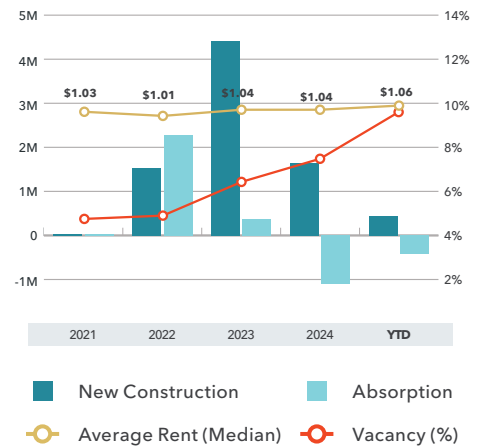
The Southend inventory totals 123.3M SF, up 578,709 SF in 2025. Four projects are underway, totaling 440,605 SF. The Port of Seattle's 405,680 SF Des Moines Creek West is set to deliver mid-2026 with no pre-leasing. Bridge Industrial completed Buildings 2, 3, and 4 at Bridge Point I-5, totaling 939,788 SF, also without pre-leasing. Vacancy rose to 9.6%, up 34 bps from Q2 and 212 bps over YE 2024. Q3 absorption was positive at 136,112 SF after four quarters of negative absorption totaling -620,322 SF.

Q3 saw 46 lease commencements, a 36.1% decrease in number from Q2. This totaled 1.16M SF Leasing continues to be slow in the 20K SF to 175K SF segment, with spaces under 10,000 SF active. Looking forward, 36 leases are expected to commence in the next nine months, occupying 1.3M SF.

The development pipeline remains at 13 projects proposed, totaling 3.7M SF. This includes the two, 1M SF projects; Segale Properties in Tukwila and Auburn 18 that includes an option for a 1,081,780 SF building.

Sales activity picked up in Q3 with \$1.44M in transactions. King County bought a 47,321 SF building in Kent for \$243 PSF to convert into an animal shelter. BKM purchased Olympic Industrial Park in SeaTac for \$17.7M, or \$237 PSF. Six deals are under contract, totaling an estimated \$25.8M.

Average blended rents dipped slightly from \$1.07 PSF in Q2 to \$1.06 PSF, still above the YE 2024 rate of \$1.04 PSF. Institutional owners are now focused on maintaining occupancy rather than pushing rents. Shell rents range from \$1.05-\$1.30 PSF, with office space priced at \$1.20-\$1.50 PSF.



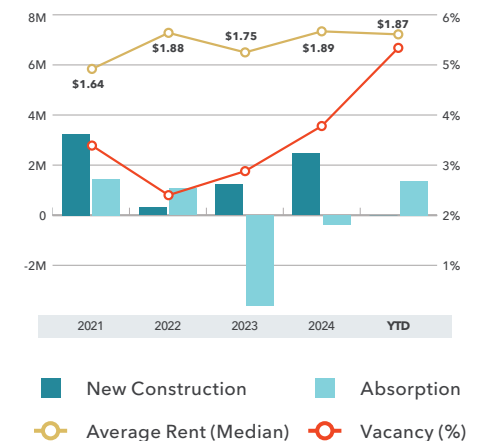
EASTSIDE REVIEW

Eastside inventory grew by 269,409 SF in 2025, with no new additions since and no projects under construction. Vacancy fell to 5.3%, down 62 bps from Q2. Absorption was positive at 136,112 SF—the first gain in two and a half years. Alpentel Logistics in North Bend, completed by Vector Development, was the largest 2024 addition and remains vacant. It's currently being marketed for sale at an undisclosed price.

Leasing activity rose to 13 transactions in Q3, matching Q2's total of 90,103 SF, showing a preference for smaller, competitive spaces. Ten leases totaling 84,352 SF are expected to start in the next nine months.

Rental rates have slipped somewhat, from \$1.90 PSF in Q2 to \$1.87 PSF, virtually flat on average. 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 Q3 saw a single transaction of \$1.76M for a 12,073 SF building on a 1.3-acres site. No industrial land traded, and the Eastside market is generally captured by the repositioning of the Bel-Red corridor from modest industrial uses to residential, mixed-use development.



NORTHEND REVIEW

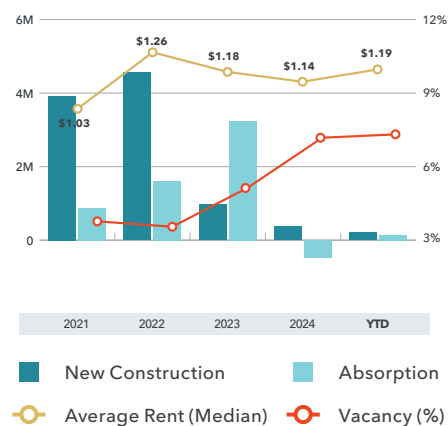
The Northend inventory totals 67.8M SF with vacancy at 7.2%, down 21 bps from Q2. North Creek Commerce Center completed three buildings in Q2. In Q3, Cascade Business Park added 307,860 SF and Supersonic 125,048 SF. In 2025, 681,468 SF have been added, with 216,918 SF under construction in three projects, two in Maltby. Absorption was 459,131 SF in Q2 and 144,672 SF in Q3, following a 2024 loss of 472,704 SF.

There were 32 lease commencements, covering a total of 894,281 SF. Three leases were over 100,000 SF, with another three between 50K-99.9K SF. For the next nine months, there are 19 leases totaling 375,829 SF, averaging just under 20,000 SF per transaction.

The blended rental rate rose to \$1.19 PSF after three quarters at \$1.14. Warehouse rents hold steady at \$0.90-\$1.35 PSF/Mo. Office rents range \$1.80-\$2.00 PSF for second-gen and \$2.00-\$2.50 for first-gen, priced separately.

Sales rose modestly with 19 closings and six under contract, totaling \$409M for 1.4M SF at \$295 PSF. This included Terreno's \$232.6M purchase of Woodinville Corporate Park (707,718 SF) at \$329 PSF. The average Q3 cap rate was 5.6%.

Land is available in Marysville/Arlington; one 8.8-acre site sold for \$11.63 PSF. A 186,873 SF distribution building is under construction, expected to finish Q4 2026.



PIERCE COUNTY REVIEW

Pierce County inventory has grown to 100.9M SF, with 1.6M SF added in 2025. This is the fastest growing submarket in the Region, growing by 27.52M SF in the last nine years. Vacancy continues to trend upward, from 7.8% YE 2024 to 9.3% in Q3 2025. Absorption was good in Q1, at 670,992 SF but lost ground in each of the following quarters, with Q3 absorbing -329,088 SF.

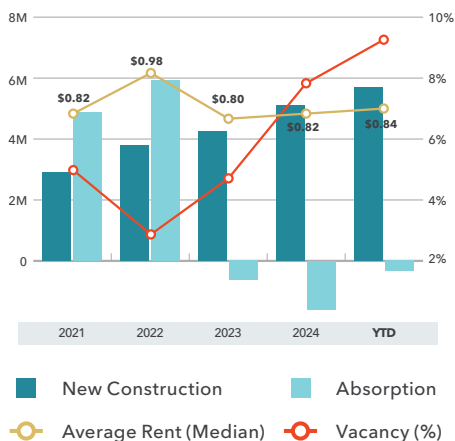
Bridge Development breaks ground on Bridge Point Tacoma 2MM, a four-building, 2.5M SF project. Currently, 5.7M SF is under construction with 14.2% preleased. Thirty-three proposed projects total 5.98M SF, but their starts depend on leasing and many may be postponed.

24 leases commenced in Q3, totaling a low 894,281 SF with one lease larger than 100,000 SF. The following nine months are expected to have 15 leases commencing in 1,599,483 SF.

In Q3, 24 sales closed totaling \$1.6B, averaging \$224 PSF with a 7.0% cap rate. Two pending transactions total \$9.4M, averaging \$161 PSF, involving older urban buildings. The largest sale was BGO's purchase of FRED310-Bldg. D, a fully leased 753,069 SF building, for \$234 PSF at a 5.19% cap rate. S.J. Distributors bought its 92,740 SF building in Lakewood from Bridge Industrial for \$227 PSF.

Rental rates have been stable, up from YE 2024 at \$0.82 PSF to Q2 \$0.84 PSF and where it remains. 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 PSF. Shell rates range \$0.90-\$1.30 PSF/Mo, NNN, plus add-on office rates of \$1.00-\$1.70 PSF/Mo.

Lemay Investments sold a one-acre IOS site in Tacoma for \$20 PSF. The site was fenced and had a gravel surface.



THURSTON COUNTY REVIEW

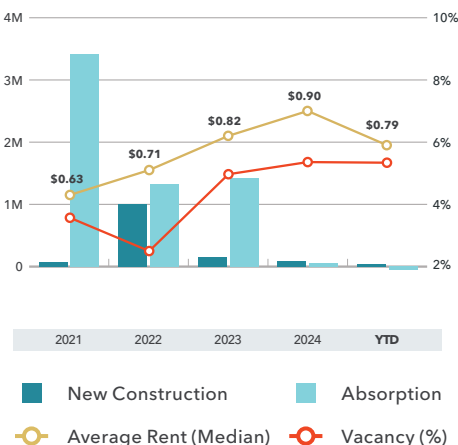
Inventory in Thurston County increased by 422,021 SF in 2025, bringing the total to 22.4M SF. Vacant space totals 1.2M SF, bumping the vacancy rate from 4.6% in Q1 to 5.3% in Q3 2025. YE 2022, vacancy was 2.2% but has hovered between 4.3% and 5.3% for the last nine quarters. This submarket added 3.5M SF in 2023.

One 36,000 SF project is under construction with no pre-leasing. Seventeen proposed projects total 4.4M SF, including Parsons South Sound Logistics, a two-building project adding 1,371,040 SF. No groundbreaking has been announced.

Five leases commenced in Q3, totaling 89,953 SF. There was one lease that totaled 43,830 SF, with the second largest totaling 25,475 SF. Looking forward, there are six leases expected to commence in the next nine months. The area totals 217,640 SF with Crown Holdings renewing in 93,586 SF.

Average blended rents slipped from \$0.97 PSF in Q1 to \$0.84 PSF, a function of lower quality buildings becoming available.

There were six sales in Q3, totaling \$29.8M. The 1,210,506 SF indicated an average of \$159 PSF and an average capitalization rate of 8.0%. There were no land sales in Q3.



The Federal Reserve maintained its target funds rate between 4.25–4.50% through July, then reduced it by 25 basis points in September to 4.00–4.25%. Markets anticipate another similar cut in November if inflation remains near the 2.0% target. The Effective Federal Funds Rate (EFFR) is a volume-weighted median of overnight federal funds transactions and as of September 2025, the EFFR was about 4.09 %. Over the past six months, the EFFR has remained in a relatively narrow band consistent with the Fed’s target range (4.25 % – 4.50 %) until the recent Fed cut.

The 10-year Treasury yield is 4.26% (9/2/2025), up 35 bps from 3.91% a year prior. In terms of lending, Life Companies have increased spreads, yielding 135–220 bps over the 10-year Treasury, with rates at 5.6–6.5%. CMBS spreads remained in the 250 to 350 basis points range. Bank/credit union lending rates slipped modestly from the 6–7% in Q1 to current levels.

The Northwest Seaport Alliance reported 2,142,097 TEUs year-to-date through August 2025, a 0.2% annual increase. Earlier 16% growth was reversed due to tariffs. Reduced container volumes contribute to softer industrial demand, particularly in logistics-heavy submarkets.

SKAGIT / WHATCOM COUNTIES

The Skagit and Whatcom counties of north Puget Sound now total 20.9M SF across 798 buildings, after adding 323,216 SF. The inventory includes a mix of building quality, mostly smaller buildings and tenant suites. Vacancy is low at 1.3%, with two projects delivering 12,972 SF in 2025. Absorption was 220,902 SF in 2023, but turned negative in 2024 at (-53,016) SF, continuing into Q1 2025 with (-108,739) SF. Q2 rebounded with 135,076 SF absorbed, followed by a positive Q3 at 13,969 SF. Rents have begun a modest recovery, rising to \$0.96 PSF from the YE 2024 peak of \$1.02 PSF.

NOTABLE SALE TRANSACTIONS

- BGO** purchased FRED310 Building D (753,069 SF) from Panattoni (and Crow Holdings Capital) for \$176,000,000 (\$234 PSF), a 5.19% cap rate.
- S.J. DISTRIBUTORS** purchased Bridge Point Lakewood 90 (92,740 SF) from Bridge Industrial for \$227 PSF as an owner occupied transaction.
- TERRENO** purchased the nine-building Woodinville Corp. Park (707,718 SF) from Link Logistics for \$323 PSF, at 5.0% cap rate.
- BKM CAPITAL PARTNERS** purchased the Olympic Industrial Park (74,783 SF) in Seatac from a local family trust for \$237 PSF., with 23% vacancy.

NOTABLE LEASE TRANSACTIONS

- GXO LOGISTICS** | Bomarc I, Everett | 468,273 SF (Renewal)
- HELION ENERGY** | SmartCap Baker View Logistics, Everett | 166,590 SF
- AMAZON** | Prologis Emerald Gateway - Bldg. 4, Tukwila | 230,131 SF
- JAS USA** | Prologis Park Tacoma - Bldg. D, Tacoma | 160,000 SF
- ODOM CORPORATION** | Red Dot Bldg., Tukwila | 159,586 SF



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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	26.2M ANNUAL SALES SF	36.7M ANNUAL LEASING SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ANNUAL ASSIGNMENTS	39 TOTAL APPRAISERS	24 WITH MAI DESIGNATIONS