

INDUSTRIAL

The Puget Sound industrial market is recalibrating as economic uncertainty and tariff pressures have contributed to declining occupancy and pushed availabilities toward peak levels. Even so, cautious optimism remains for the first half of 2026, supported by anticipated large scale deals from tenants like Amazon. Regional trade fundamentals continue to underpin the sector, aided by multibillion dollar infrastructure programs from the Port of Seattle and the Northwest Seaport Alliance. Manufacturing sectors, particularly aerospace and clean energy, are accelerating and are expected to drive demand for specialized industrial space through 2026. The market remains a tale of two cities, with newer developments in peripheral markets outperforming the historic Kent Valley core. Overall sentiment remains cautiously optimistic as developers and tenants navigate high construction costs and shifting global trade policies.

The Puget Sound region's CPI U rose 3.1% year over year for the 12 months ending December 2025. Energy costs rose 7.2%, outpacing food inflation at 4.4%, while core inflation increased a more moderate 2.7%, as pressures in shelter, services, and other categories remained relatively contained. Regional fuel prices averaged \$4.35 per gallon, driven by Washington State's \$0.55 fuel tax and emissions allowance costs adding roughly another \$0.50 per gallon, resulting in some of the highest fuel prices nationally. Overall, the region's fourth quarter CPI reflects a slightly elevated inflation environment compared with the national average.

Industrial market activity remains tepid and segmented, with 868 properties marketing vacancies, including 322 spaces under 10,000 SF, 423 between 10,000-50,000 SF, and six over 500,000 SF. Industrial vacancy held at 8.2% in Q4 2025, flat for two quarters but up from 7.1% at year end 2024. Below are a few notable points:

- Regional inventory grew by 1,685,921 SF in Q4 2025, bringing total to 409.6M SF, covering Thurston through Whatcom Counties. The majority of new deliveries occurred in Pierce County. Total new inventory for 2025 reached 3.53M SF.
- Construction activity totals 3.67M SF, with 2.57M SF underway in Pierce County. Preleasing stands at 48.6% in Pierce County and 36.8% region wide. Sixteen projects are underway, including two in Pierce County over 650,000 SF.
- Investment sales are rebounding, with Q4 recording 76 transactions totaling \$590M and 2025 ending with 286 transactions totaling \$2.16B, at an average cap rate of 5.83%.

continued on page 4

Under Construction

244K SF
SEATTLE CLOSE-IN

587K SF
SOUTHEND

OK SF
EASTSIDE

403K SF
NORTHEND

2.6M SF
PIERCE COUNTY



Submarket Vacant Space

4.8M SF
SEATTLE CLOSE-IN

9.6M SF
SOUTHEND

1.2M SF
EASTSIDE

4.7M SF
NORTHEND

11.7M SF
PIERCE COUNTY



1.2M SF
THURSTON COUNTY

354K SF
WHATCOM/SKAGIT

4Q 2025

↑ **-1.0M SF**
NET ABSORPTION

↑ **8.2%**
VACANCY RATE

↓ **\$1.05**
ASKING RENT
(AVG BLENDED)

↓ **3.9M SF**
UNDER
CONSTRUCTION

Year-Over-Year Trend

Market Highlights

MARKET INVENTORY
was 409.6M SF

PROPOSED PROJECTS totaled
16.1M SF for the quarter

INSTITUTIONAL INVESTORS
were active in Q4, spending
\$567M on 2.9M SF

SEATTLE CLOSE-IN REVIEW

Smaller spaces under 10,000 SF remain the most active in Seattle Close-In. Vacancy is flat at 9.4%, matching YE 2024 and marking a ten year high (2.4% in YE 2016). Inventory contracted by 30,200 SF in 2025, and absorption was 100,081 SF. The largest vacancy is Seattle Metro Logistics, a 702,429 SF facility on Port of Seattle land, delivered at the end of 2025 with no leases yet and multiple demising options now being marketed.

Q4 sales totaled \$106.5M across 13 deals, averaging \$211 PSF (median \$359 PSF). Morgan Stanley purchased the Commodore Interbay Industrial Center for \$399 PSF from ScanlanKemperBard Co. Smurfit Westrock sold

the Longview Fibre Building to NGK Marginal Way, LLC for \$54 PSF. Rosen and Harbottle acquired Commodore Building 1 for \$219 PSF.

Only one lease over 20,000 SF commenced in Q4. Blended office/warehouse asking rates slipped from \$1.40 PSF at YE 2024 to \$1.36 PSF. Yard space activity remains limited, with rates down from \$0.60 PSF to the mid \$0.30s. Prologis is underway on the 144,352 SF Emerald Gateway Building 3, and Amtrak is building a 100,000 SF maintenance facility on S Holden St.



SOUTHEND REVIEW

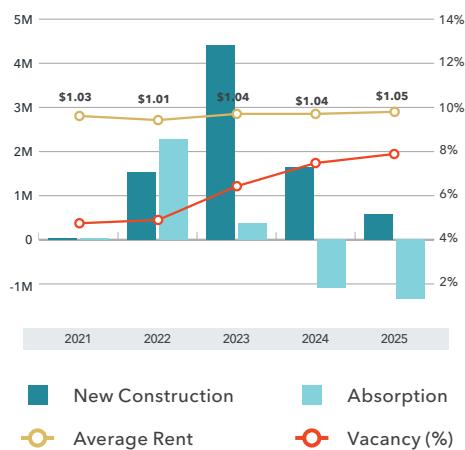
The Southend totals 122.1M SF of inventory, adding 1.04M SF in 2025. Construction has slowed, with only two projects underway totaling 587,382 SF. The Port of Seattle's 405,680 SF Des Moines Creek West is expected to deliver mid-2026 with no pre-leasing. Vacancy is 7.9%, up slightly from 7.8% in Q3 and 42 bps above YE 2024. Q4 absorption was positive at 157,984 SF, but 2025 overall posted -1,341,861 SF.

Q4 recorded 63 lease commencements—a 37% jump from Q3—totaling 1.5M SF. Another 36 leases (1.28M SF) are projected to commence within nine months.

The development pipeline remains seven projects totaling 2.58M SF, including Auburn 18 with an option for a 1.1M SF building.

Q4 saw 13 sales totaling \$323.5M, averaging \$211 PSF. Terreno acquired the Roffe Building for \$226 PSF at a 3.9% cap. Cabot sold a four-building, 558,783 SF portfolio for \$146 PSF. MetLife sold Seattle Gateway I & II (458,911 SF) to LaSalle for \$192 PSF.

Average blended rents dipped slightly to \$1.05 PSF from \$1.06 PSF, still above YE 2024's \$1.04 PSF. Institutional owners are prioritizing occupancy over rent growth. Shell rates range from \$1.00-\$1.30 PSF and office components from \$1.20-\$1.50 PSF. Yard supply remains high, with rates dropping to the \$0.20 PSF range and limited IOS activity.



EASTSIDE REVIEW

The Eastside industrial inventory base was 21.98M SF at the end of 2025, while the overall vacancy rate increased from 5.3% in Q3 2025 to 5.8%, a 50 basis point quarterly increase. Correspondingly, absorption was negative at -89,851 SF. For the year as a whole, absorption was a negative -137,360 SF. A significant addition in 2024, Alpental Logistics in North Bend, that increased the inventory by 115,575 SF and remains available for lease or sale.

Leasing activity improved in Q4 with 18 deals totaling 106,013 SF., averaging 5,890 SF, including two over 26,000 SF. Nine signed leases are slated to commence within nine months, totaling 60,457 SF.

Rental rates ranged from \$1.87-\$1.90 PSF during 2025, ending the year at \$1.89. Annual rent growth has declined from a peak of 8.2% in Q1 2022 to 0.6%, compared to a 10-year average of 5.6%.

Sales were led by Link Logistics' sale of the 412,444 SF Woodinville Distribution Center to Ares Real Estate Income Trust for \$279 PSF.

No industrial land traded. The Eastside market continues to be shaped by the Bel-Red corridor's shift from industrial to residential and mixed-use development, limiting speculative industrial activity.



NORTHEND REVIEW

The Northend vacancy was 7.0%, down 15 basis points from Q3 2025. Multiple projects were completed in 2025, led by Cascade Business Park (307,860 SF), with an additional 403,791 SF under construction. Absorption in Q4 was 123,998 SF and ended at 648,387 SF for all of 2025. Proposed projects are numerous, with 22 buildings being tracked that will total 5.4M SF if and when completed.

Q4 saw 36 lease commencements totaling 521,569 SF, including three deals over 40,000 SF. Over the next nine months, 15 leases totaling 331,555 SF. are scheduled to begin, with a median size of 17,594 SF.

The blended rent held at \$1.19 PSF. in Q3 and Q4, up 4.4% from year-end 2024. Warehouse rents range from \$0.90-\$1.35 PSF/Mo, while office rents run \$1.80-\$2.00 for second-generation space and \$2.00-\$2.50 for first-generation.

In total, 12 sales closed for \$164.2M across 591,568 SF, averaging \$280 PSF with a 5.0% cap rate.



PIERCE COUNTY REVIEW

Pierce County inventory has reached 102.7M SF, adding 2.4M SF in 2025 and growing 28.6M SF over the past decade, the fastest pace in the region. Vacancy continues to rise—from 7.8% at YE 2024 to 11.4% in Q4 2025. Absorption was strong in Q1 at 670,992 SF but weakened through the year, with Q4 at -121,023 SF and full-year absorption ending at -72,930 SF.

Construction remains active. Bridge Dev. is progressing on Bridge Point Tacoma 2M, a four-building, 2.5M SF project: Buildings A (517,042 SF) and B (957,726 SF) are complete and available, while Buildings C (664,657 SF) and D (332,295 SF) are underway. Total construction stands at 2.7M SF, 48.6% preleased. Twenty-five additional projects totaling 4.4M SF are proposed, though many depend on pre-leasing and may be delayed.

Q4 saw 29 lease commencements totaling 781,451 SF, including two over 130,000 SF. Over the next nine months, 13 leases are expected to commence across 1,568,869 SF.

There were ten sales in Q4 totaling \$149.2M, averaging \$184 PSF with a 5.9% cap rate, primarily older urban assets. The largest was Nuveen's purchase of Frederickson West 281, a fully leased four-building, 558,783 SF project, at \$146 PSF and a 5.19% cap.

Rental rates remain stable at \$0.84 PSF, up from \$0.82 PSF at YE 2024 and generally ranging from \$0.80-\$0.84 PSF since 2021 (with a YE 2022 peak at \$0.98 PSF). Shell rates run \$0.90-\$1.30 PSF NNN, with office add-ons at \$1.00-\$1.70 PSF.

Land is available in Pierce County's tertiary submarkets, though no sites sold in Q4.



Five parcels are under contract, including a 7.9-acre Puyallup site priced at \$19 PSF and zoned for industrial use.

THURSTON COUNTY REVIEW

Thurston County inventory increased by 229,518 SF in 2025 to 22.2M SF. Vacancy rose from 4.6% in Q1 to 5.4% in Q3, compared to 2.5% at YE 2022, and has stayed between 4.3% and 5.4% for ten quarters. The market saw a major 3.5M SF addition in 2023.

One 36,000 SF project is under construction with no pre-leasing. Two projects delivered in 2025 totaling 57,900 SF and are 77.9% leased.

Nine proposed projects would add 3.6M SF, including the up-to-1.37M SF Parsons South Sound Logistics development.

Five leases commenced in Q4 totaling 30,649 SF, led by a 20,700 SF deal. Only one 3,000 SF lease is expected to start in the next nine months, highlighting very limited demand.

Blended rents fell from \$0.97 PSF in Q1 to \$0.79 PSF in Q3-Q4. Annual rent growth has dropped from 8.6% in Q4 2022 to -0.6% in Q4 2025.

One property sold in Q4 for \$2.1M at \$149 PSF. In 2025, there were 11 sales totaling \$132.2M across 878,307 SF with an average 8.0% cap rate, including an LBA purchase of a Link Logistics portfolio.



Washington State employment totaled 3,624,500 as of preliminary November 2025 data, up 0.1% year-over-year. The six county Puget Sound region accounted for 2,399,500 jobs, or 66.2% of the state total, but preliminary November figures show a decline of 25,000 jobs (1.0%) over the past year. Manufacturing lost 13,600 jobs, Information 4,200, and Professional and Business Services 12,300, while Private Education and Health Services added 6,200—the largest gain.

Over the past six months, the Fed cut the federal funds rate twice by 25 bps each in October and December, bringing the range to 3.50%-3.75% amid a weakening job market and inflation above the 2% target.

The ten year Treasury stayed steady in Q4, at 4.16% on September 30 and 4.08% on December 31. Life Companies are lending at 125-220 bps spreads over the ten year, with rates of 5.4%-6.4%, while banks and credit unions are in the 6%-7% range. CMBS spreads are higher at 250-350 bps over the ten year or SOFR, with rates from 6.14% to 7.14%.

The Northwest Seaport Alliance reports YTD container volume of 2,918,676 TEUs through November 2025, down 3.9% from the same period in 2024. While volumes were up 15.9% year over year through May, those gains were erased by later declines likely driven by tariffs. This downturn is concerning and is contributing to industrial market softness.

SKAGIT / WHATCOM COUNTIES

The Skagit / Whatcom counties of the north Puget Sound have added 613,231 SF in 2025 to total 21.1M SF in 800 buildings. This inventory represents a wide range of quality and generally smaller buildings and tenant suites. Vacancy is 1.7% with two projects adding 12,972 SF in 2025. Absorption was 220,902 SF in 2023, but 2024 saw negative absorption of (-53,016) SF. This negative absorption trend continued into 2025, with Q4 giving back -91,973 SF for a YE 2025 total of -48,485 SF. Rent has dropped to its lowest point since YE 2022, currently at \$0.82 PSF, a 14.6% decline in Q4. The recent high point was YE 2024, at \$1.02 SF.

NOTABLE SALE TRANSACTIONS

GREEN DOCK PARTNERS the Ardagh Glass Property (435,863 SF) from Ardagh Glass, Inc. for \$23.0M (\$53 PSF), as a repositioning/redevelopment play.

LASALLE INVESTMENT purchased Seattle Gateway I and II (458,707 SF) in Burien from MetLife, for \$88.1M (\$192 PSF) with both buildings on ground leased from the Port of Seattle.

ARES REAL ESTATE INCOME TRUST purchased the two building Woodinville Distribution Center (412,444 SF) in Woodinville from B9 Sapphire Woodinville Owner for \$115.3M (\$279 PSF).

INFILL INDUSTRIAL PARTNERS purchased the vacant United Warehouse Building (132,567 SF) in Kent from the owner user, United Warehouses for \$22.5M (\$170 PSF).

NOTABLE LEASE TRANSACTIONS

AMAZON | Prologis Emerald Gateway, Bldg. 4, Tukwila | 230,131 SF

IRON MOUNTAIN | Valley Centre Bldg. 2, Auburn | 154,128 SF

VOLVO | Valley Avenue Logistix Center, Fife | 114,988 SF

W. WA SURF SOCCER CLUB | Former Red Dot Bldg. - Bldg. D, Tukwila | 159,586 SF



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

WILL FRAME
Regional President, Brokerage
Pacific Northwest
208.296.9600
will.frame@kidder.com

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, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

41

TOTAL APPRAISERS

23

WITH MAI DESIGNATIONS