

MARKET TRENDS | SEATTLE

INDUSTRIAL

The Puget Sound industrial market remains soft, with global geopolitical developments and evolving trade policies contributing to elevated uncertainty. These conditions have led to shipping disruptions, higher fuel costs, and increased insurance expenses, placing continued pressure on global supply chains. At the regional level, recent tax policy changes have introduced additional uncertainty for businesses, though long-term implications remain subject to legal and economic review.

Over the past decade, the region has experienced significant expansion in port capacity and transportation corridors to support freight growth. More recently, the focus has shifted toward optimizing existing systems, including improving connectivity, completing key corridor links, and modernizing major hubs such as Sea-Tac International Airport and regional transit networks. Cargo volumes rebounded in 2024 from lows in 2023; however, 2025 saw a reduction and early 2026 volumes are tracking approximately 17% below prior-year levels.

ECONOMIC OVERVIEW

The Puget Sound's Consumer Price Index (CPI) rose 3.1% year-over-year for the 12 months ending December 2025. For January and February 2026, inflation averaged 1.8% with the year-over-year rate rising to 3.9%. Energy costs increased 9.1%, outpacing food inflation at 4.8%, while core inflation remained moderate at 3.4%.

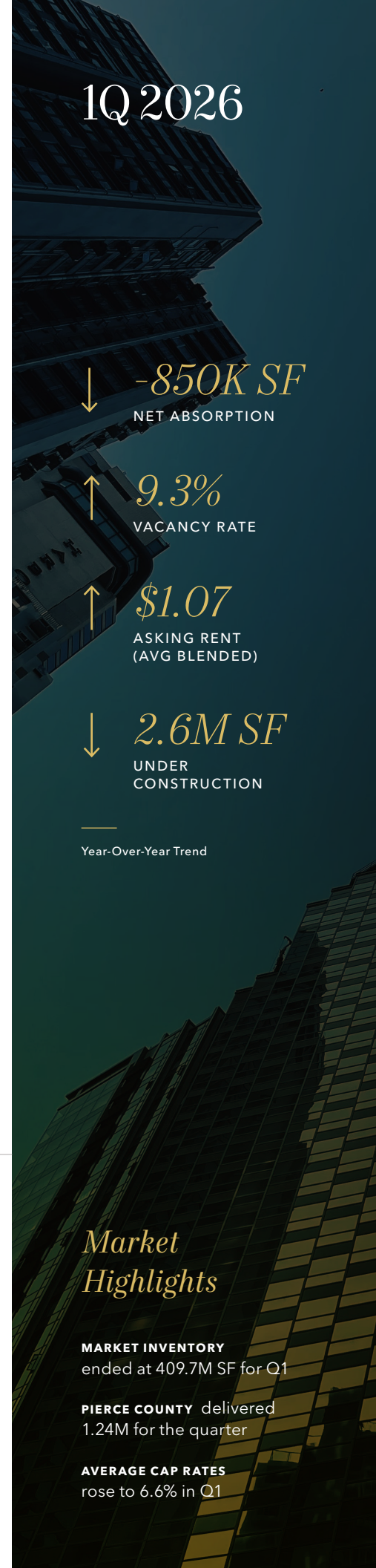
Regional fuel prices remain elevated. As of April 1, 2026, unleaded gasoline averaged \$5.36 per gallon, up 23.3% from \$4.35 per gallon in January 2026. Diesel prices averaged \$6.67 per gallon, among the highest nationally.

The Puget Sound Economic Forecaster projects inflation for the Seattle MSA at 2.9% in 2026, easing to 2.7% in 2027, though forecasts remain subject to change based on global conditions.

MARKET FUNDAMENTALS

Industrial market activity across the region, from Thurston County to Whatcom County, remains subdued and uneven. Total inventory was 410M SF across 11,333 properties. A total of 897 properties with 1,163 available spaces are currently on the market, totaling 38.3M SF. There are 595 spaces under 10,000 SF, 444 between 10,000-50,000 SF, 127 between 100,000 and 400,000 SF, and 13 spaces over 400,000 SF. Industrial vacancy increased from 8.9% at year-end 2025 to 9.3% at Q1 2026.

continued on page 4



↓ -850K SF
NET ABSORPTION

↑ 9.3%
VACANCY RATE

↑ \$1.07
ASKING RENT
(AVG BLENDED)

↓ 2.6M SF
UNDER
CONSTRUCTION

Year-Over-Year Trend

Under Construction

244K SF
SEATTLE CLOSE-IN

478K SF
SOUTHEND

0K SF
EASTSIDE

271K SF
NORTHEND

1.5M SF
PIERCE COUNTY

36K SF
THURSTON COUNTY

0K SF
WHATCOM/SKAGIT

Submarket Vacant Space

5.0M SF
SEATTLE CLOSE-IN

12.7M SF
SOUTHEND

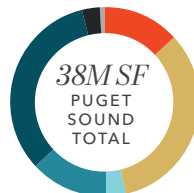
1.3M SF
EASTSIDE

5.0M SF
NORTHEND

12.6M SF
PIERCE COUNTY

1.2M SF
THURSTON COUNTY

257K SF
WHATCOM/SKAGIT



Market Highlights

MARKET INVENTORY
ended at 409.7M SF for Q1

PIERCE COUNTY delivered
1.24M for the quarter

AVERAGE CAP RATES
rose to 6.6% in Q1

SEATTLE CLOSE-IN REVIEW

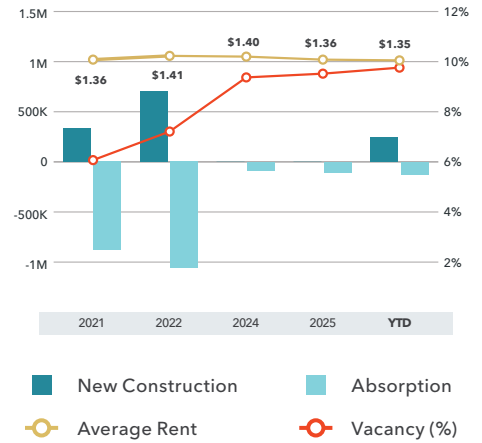
Vacancy increased slightly from 9.52% at year-end 2025 to 9.76% in Q1 2026. Smaller spaces under 10,000 SF continue to be most active, with 217 spaces being marketed for lease. In the 20,000 to 50,000 SF range, there are 84 spaces available, ranging from older, inefficient product to newer, functional spaces. Inventory remained stable, at 51.44M SF. The largest vacancy remains Seattle Metro Logistics, a 702,429 SF facility on Port of Seattle land, delivered at the end of 2024. Absorption for the quarter was -122,843 SF.

Construction is limited. Prologis is underway on the 144,352 SF Emerald Gateway Building 3 at the south end of Boeing Field. In SoDo, Amtrak is building a 100,000 SF maintenance

facility on S Holden St which will be completed by yearend. Near Interbay on the west side of Queen Anne, there is a proposed project of seven stories, totaling 434,811 SF but no schedule has been published.

Sales activity totaled \$24.57M across 11 transactions, averaging 17,902 SF and \$146 PSF. Sales were predominantly small, owner-user transactions with one investment sale, a 6,500 SF building fronting 4th Ave. S that sold for \$308 PSF and a 6.5% capitalization rate.

Yard leasing activity is slow, with rates between \$0.30 and \$0.42 PSF, which is a reduction from the peak of the market that was \$0.65 PSF. Blended office/warehouse asking rates declined slightly to \$1.35 PSF.



SOUTHEND REVIEW

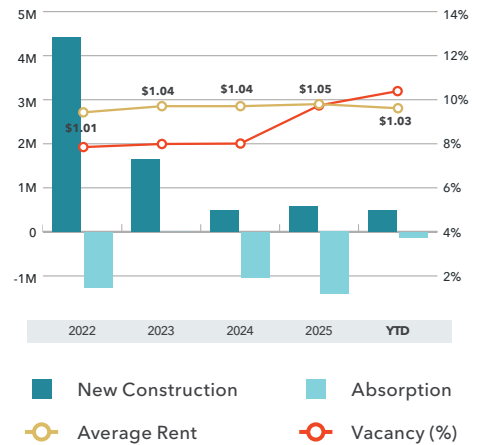
Inventory increased to 122.3M SF following the completion of Bridge Point Kent 180, a 182,283 SF project in Kent. Construction has slowed, with only two projects totaling 478,740 SF underway. The Port of Seattle's 405,680 SF Des Moines Creek West is expected to deliver mid 2026 with no pre leasing. Vacancy is 10.39%, up from 9.74% at year-end 2025, and 259 bps above year-end 2024. Q1 2026 absorption was negative, at -130,751 SF.

Leasing activity in Q1 2026 totaled 66 leases for 888,766 SF, with a median size of 5,800 SF. Two leases were larger than 100,000 SF, and two were larger than 50,000 SF. The majority of activity remains concentrated in spaces under 20,000 SF.

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

Ten sales transacted in Q1, totaling \$91.37M, averaging \$242 PSF. RREEF sold Gateway North, a six-building project totaling 252,037 SF to the Matthew G. Norton Co. The pricing was \$304 PSF, for the good quality flex project. Larion Partners purchased Springbrook I & II from the L.A. County Employees Retirement Assoc. for \$16.22M, or \$202 PSF.

Average blended rents dipped further to \$1.03 PSF from \$1.07 PSF in Q2 2025 and dipped below year-end 2024's \$1.04 PSF. Institutional owners have shifted to occupancy over rent growth. Shell rates have dipped to \$0.90-\$1.20 PSF and office components from \$1.00-\$1.35 PSF. Yard supply remains high, with rates dropping to the \$0.20 PSF range and limited IOS activity.



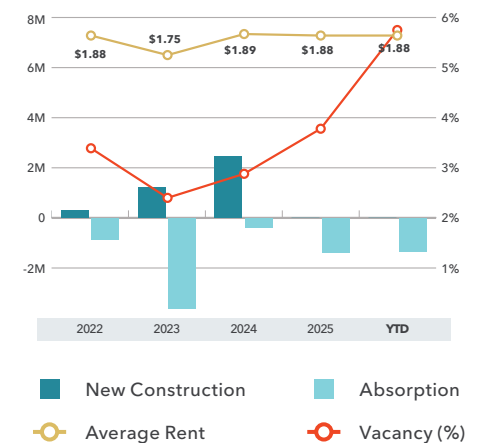
EASTSIDE REVIEW

The Eastside industrial inventory base remains at 21.92M SF while the vacant space increased to 1,392,020 SF. This pushed the vacancy rate up 61 basis points to 6.34%. Correspondingly, absorption was negative at -133,147 SF, nearly matching the negative absorption of the entire previous year, -137,360 SF.

Signed leases in Q1 2026 total 40, and 167,462 SF. The median is 2,912 SF, with the average being 4,187 SF. Five leases signed were greater than 10,000 SF, with the largest being 15,307 SF.

Rental rates ranged from \$1.87-\$1.90 PSF during 2025, ending the year at \$1.89, remaining there through Q1 2026. 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%.

Google purchased the Marymoor Technology Building for \$35.25M (\$445 PSF). Three additional sales closed this quarter, totaling \$42.45M across 94,624 SF, with an average price of \$449 PSF. No industrial land transactions occurred.



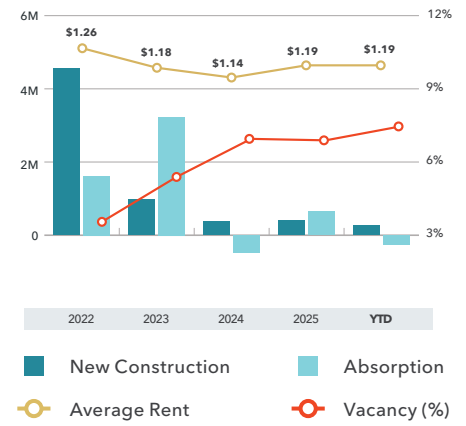
NORTHEND REVIEW

The Northend submarket saw the addition of two projects totaling 131,918 SF, bringing the inventory to 68.01M SF. Vacancy rose to 7.36%, up 57 basis points from year-end 2025. Absorption was a negative -264,461 SF after the 648,387 SF absorbed for all of 2025. Two projects are under construction. Saia, Inc. is building an owner occupied 85,000 SF cross dock facility in Marysville. In Arlington, Rockefeller Group is building a speculative 186,873 SF project as an entry into the Puget Sound market. Proposed projects are numerous, with 22 buildings being tracked that will total 5.4M SF if completed.

Q1 saw 543 lease signings, totaling 494,931 SF, including two deals over 100,000 SF. The median size was 3,619 SF, with 34 smaller than 10,000 SF.

The blended rent remains at \$1.19 PSF. Warehouse rents range from \$0.90-\$1.35 PSF Mo, while office rents run \$1.80-\$2.00 PSF/Mo for second generation space and \$2.00-\$2.50 PSF/Mo for first generation.

14 sales closed for \$66.1M across 384,205 SF, averaging \$259 PSF, predominantly owner user transactions. Three land sales closed in Q1 2026, two were smaller sites with no plans and one larger site. An approximately 388,000 SF site sold for \$40 PSF with plans for a 140,000 SF building.



PIERCE COUNTY REVIEW

Pierce County inventory reached 103.7M SF, with the addition of three buildings totaling 1.24M SF in Q1 2026. Absorption was positive at 625,284 SF; however, with the addition of new product, the vacancy rate increased to 12.16%, 54 basis points over the year-end 2025 rate of 11.71%.

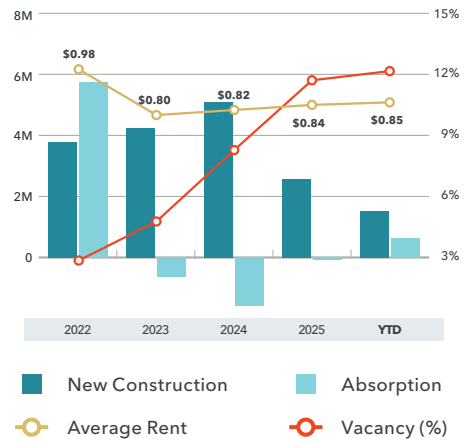
Construction remains active. Bridge Development is progressing on Bridge Point Tacoma 2M, a four building, 2.5M SF project: Buildings A (517,042 SF) and B (957,726 SF) are complete and available, while Buildings C (662,044 SF) and D (332,295 SF) are underway. Total construction stands at 1.53M SF, 64.8% preleased. Twenty three proposed projects will add 4.2M SF, though many depend on pre leasing and may be delayed.

Q1 2026 saw 37 lease signings, totaling 1.27M SF. The average size was 38,767 SF with a median size of 21,382 SF.

There were 14 sale transactions in Q1 2026, totaling \$74.33M. This was for 572,523 SF of buildings on 41.5-acres of land, averaging \$164 PSF of building.

Rental rates remain stable at \$0.85 PSF, up slightly from \$0.84 PSF at year-end 2025 and ranging from \$0.80-\$0.84 PSF since 2021 (with a year-end 2022 peak of \$0.98 PSF). Shell rates were \$0.90-\$1.30 PSF, NNN, with office add ons at \$1.00-\$1.70 PSF. Rates are reportedly softening, but landlords are striving to keep face rates up with more rent abatement.

Land is available in Pierce County; a 0.8-acre site sold for \$32 PSF, and two larger sites—each planned for 100,000 SF of industrial—are expected to close in Q2 2026.



THURSTON COUNTY REVIEW

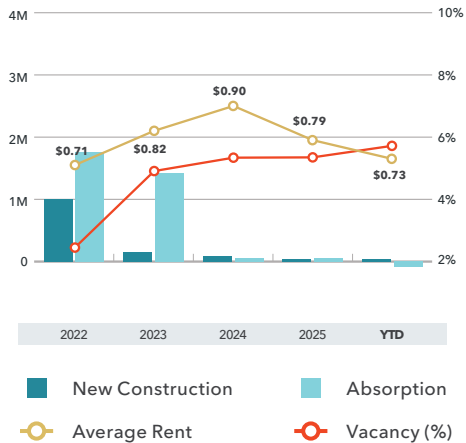
Thurston County inventory held steady at 22.23M SF. Vacancy rose from 5.35% year-end 2025 to 5.72% in Q1 2026, a 37-basis point increase. This is a high point in the past ten years, but this level of vacancy indicates a market in equilibrium.

One 36,000 SF project is under construction with no pre leasing, with completion anticipated in Q2 2026. Six proposed projects would add 1.6M SF. Noteworthy is the Parsons South Sound Logistics development, previously tracked at up to 1.37M SF, but dropped from the proposed tracking. The site remains vacant and will likely reappear as a proposed project in the future.

Three leases were signed in Q1 2026, totaling 42,709 SF. The largest was for 37,629 SF in Lacey Logistics - Bldg. A to GVH, a logistics company.

Blended rents fell from \$0.97 PSF in Q1 2025 to \$0.73 PSF in Q1 2026. Annual rent growth has dropped from 8.6% in Q4 2022 to 0.8% in Q1 2026, reflecting broker comments that lease transactions are fewer and more difficult to complete.

There were no sale transactions for either buildings or land in Q1 2026. There is one improved property under contract, with an asking price of \$1.45M and appears to be an owner-user transaction.



Regional inventory grew by 1,544,548 SF in Q1 2026, with most new deliveries occurring in Pierce County (1.24M SF in three buildings). Construction activity remains stable from year-end 2025, with 2.57M SF underway and 60% in Pierce County. Preleasing stands at 46.0% region wide, with 84.3% of this in Pierce County. Thirteen projects are currently under construction.

A total of 85 buildings sold in Q1 2026, totaling \$368.4M. The average sales price was \$207.99/SF, with an average capitalization rate of 6.6%. Within these sales, public entities accounted for \$37.4M in acquisitions, while institutional investors deployed approximately \$152.8M. The remaining activity was primarily driven by owner-user transactions, with some participation from regional private investors.

Washington State employment totaled 3,636,300 jobs as of preliminary December 2025 data, reflecting a slight year-over-year decline of 800 jobs (0.02%)

The six-county Puget Sound region accounted for 2,412,600 jobs (66.3% of the state total), with employment declining by 6,800 jobs (0.3%) year-over-year. Notable declines occurred in the information sector (3,800 jobs, or -2.8%) and wholesale trade (-2,000 jobs, or -2.3%). Manufacturing and construction employment declined by a combined 5,200 jobs (3.0%).

The Federal Reserve held its target rate steady at 3.50%-3.75% over the past two meetings, reflecting a cautious approach amid mixed economic signals. Market expectations suggest a high probability of no rate change in the near term.

The 10-year Treasury yield ranged between 3.98% and 4.44% during Q1 2026, with recent moderation from peak levels. Life company

lending spreads range from 135 to 220 basis points over the 10-year Treasury, equating to rates between 5.56% and 6.51%. Banks and credit unions are typically quoting rates in the 6.0%-7.0% range. CMBS spreads remain elevated at 250 to 350 basis points, with all-in rates ranging from 6.35% to 7.35%.

The Northwest Seaport Alliance reported container volumes of 435,890 TEUs for January and February, representing a 16.6% decline compared to the same period in 2025. This follows a weaker performance in 2025, with container volumes falling below 2024 levels. Continued softness in port activity is contributing to broader industrial market conditions.

SKAGIT / WHATCOM COUNTIES

The Skagit / Whatcom counties of the north Puget Sound added 613,231 SF in 2025, bringing total inventory to 20.1M SF across 800 buildings, largely consisting of smaller, varied-quality buildings and tenant suites. Vacancy declined 50 basis points in Q1, from 1.78% in Q4 2025 to 1.28% currently. Absorption totaled 198,416 SF in 2023, turned negative in 2024 at -35,016 SF, and declined further to -40,095 SF by year-end 2025 before rebounding in Q1 2026 with positive absorption of 101,273 SF. Rent has fallen to \$0.80 PSF, its lowest level since year-end 2021 and 21.6% below the year-end 2024 peak of \$1.02 PSF. Looking ahead, nine proposed projects could add 992,320 SF, led by Can-Am Border Logistics (three buildings totaling up to 600,000 SF) and Blaine Industrial Park (three buildings totaling 299,400 SF), with the remaining projects under 32,000 SF. While these larger developments may proceed, construction is unlikely without significant pre-leasing.

LEASING ACTIVITY

Nine significant leases were signed this quarter, ranging from 102,368 SF to 136,724 SF. Pacific Pride subleased 122,993 SF from Maersk on a 21-month term at \$0.55 PSF. Argents Express signed a lease for 136,724 SF in Tacoma Logistics Center, owned by Ares Industrial Real Estate Income Trust, set to commence September 2026. No leases exceeded 136,724 SF during the quarter.

NOTABLE SALE TRANSACTIONS

Matthew G. Norton Co. purchased Gateway North (252,037 SF) in Tukwila from RREEF for \$76.5M (\$304 PSF), reflecting a 5.7% capitalization rate on actuals, 92.7% occupied.

Atlantic IIP purchased the West Valley Distribution Center (72,062 SF) in Kent from Clarion Partners for \$16.5M (\$229 PSF). The capitalization rate was 5.8% on actuals.

Snohomish County Public Transportation Benefit Area purchased the Casino Road Corporate Park (107,999 SF) in Everett from the owner user, Goodwill for \$25.35M (\$235 PSF). There was a two-year lease-back as part of the sale.

Ares Management purchased LogistiCenter@167 (225,972 SF) in Fife from Link Logistics for \$40.2 M (\$178 PSF) as part of a four-building transaction.



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.

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COMMERCIAL BROKERAGE	\$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	55M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,700+ AVERAGE ANNUAL ASSIGNMENTS	42 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS