MARKET TRENDS | SEATTLE

INDUSTRIAL

2Q 2026

The Puget Sound industrial market remains soft amid global trade and geopolitical uncertainty, including shipping-route disruptions pressuring energy, transportation, insurance, and supply chain costs. These developments, along with some shifting business activity between Seattle and the Eastside, add to regional economic uncertainty. Industrial market fundamentals remain tenant-favorable. Vacancy rose to 9.5% in Q2 2026, above 7.0% since year-end 2023, as new supply outpaces demand and leasing moderates. Cargo volumes recovered in 2024 but softened in 2025 as import demand normalized after tariff-related frontloading. Long-term fundamentals remain supported by the region's position as a major Pacific Rim gateway and distribution hub.

ECONOMIC OVERVIEW

The Puget Sound region's CPI accelerated further in 2026. The Seattle-Tacoma-Bellevue index rose 4.9% year-over-year through April, led by a 23.7% increase in energy costs. Food prices rose 3.8%, while core inflation, excluding food and energy, also increased 3.8%. Shelter and services contributed to inflation, but energy remained the dominant driver. Seattle-area gasoline prices remain among the highest nationally, averaging approximately $5.30 per gallon. Statewide gasoline prices averaged approximately $5.00 per gallon, while diesel averaged $5.88 per gallon. The Seattle Office of Economic and Revenue Forecasts expects inflation to moderate, although the outlook remains sensitive to energy markets, federal policy, and geopolitical developments.

MARKET FUNDAMENTALS

Industrial activity region-wide (Thurston to Whatcom County) remains subdued and uneven. Total inventory is 410.9M SF across 10,319 properties. A total of 1,201 properties with 1,805 available spaces are being marketed, totaling 34.5M SF. This represents more available spaces than in Q1 but 9.9% less square footage than Q1's 38.3M SF. Vacancy rose from 8.9% at year-end 2025 to 9.5% in Q2 2026. Inventory grew 1,544,548 SF, with most 2026 deliveries in Pierce County (1.81M SF YTD, six projects). Construction underway has declined from year-end 2025 to 1.96M SF (54% in Pierce County), with no preleasing on any speculative space.

Sale transactions rose to 102 in Q2 (from 85 in Q1), totaling $799.7M at an average of $208.53 PSF and 6.3% cap rate. Investment activity improved modestly, and owner-users remain active.

Washington State employment stood at 3,655,000 in preliminary May 2026 data, down 0.21% (7,700 jobs) year-over-year. The six-county Puget Sound region, 66.0% of state employment (2,412,500 jobs), lost 10,400 jobs (0.4%). Information and construction were hit hardest, down 2.9% and 2.8% (6,300 jobs combined); Retail Trade lost 3,800 jobs (-1.9%) and government 3,200 jobs (-0.9%).

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Market Summary

	Under Construction (SF)	Vacant Space (SF)
Seattle Close-In	100,000	5,049,918
Southend	483,740	12,717,911
Eastside	0	1,316,146
Northend	271,873	4,923,861
Pierce County	1,061,740	13,259,213
Thurston County	0	1,295,875
Whatcom/Skagit	7,250	380,267

↓ *1.2M SF*
NET ABSORPTION

↑ *9.5%*
VACANCY RATE

↓ *$1.06*
ASKING RENT (AVG BLENDED)

↓ *1.9M SF*
UNDER CONSTRUCTION

Year-Over-Year Trend

Market Highlights

MARKET INVENTORY
ended at 410.9M SF for Q2

PIERCE COUNTY
delivered 1.8M SF YTD

AVERAGE CAP RATE
fell to 6.3% in Q2

SEATTLE CLOSE-IN REVIEW

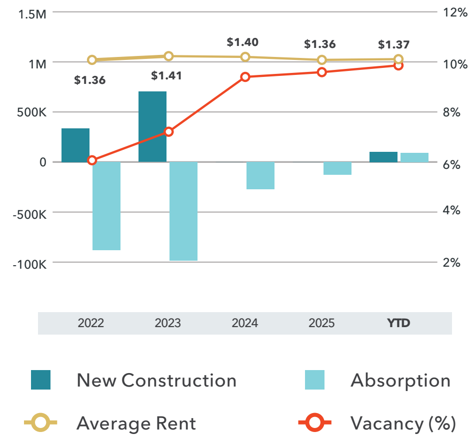
Seattle vacancy stabilized at 9.9%, up slightly from 9.6% at year-end 2025. Spaces under 10,000 SF continue to be most active, with 269 available for lease. Another 73 spaces are available between 10,000 and 25,000 SF. Inventory remained stable, at 51.22M SF. The largest vacancy remains Seattle Metro Logistics, a 702,429 SF facility on Port of Seattle land. The property has generated interest, but no lease has been signed. Quarterly absorption totaled 90,132 SF.

New construction was limited to Building 3 at Prologis' Emerald Gateway. The 144,352 SF building, located at the south end of Boeing Field, was completed in Q2. In SoDo, Amtrak continues construction of its 100,000 SF maintenance facility on S Holden St, scheduled for completion by year-end.

Near Interbay, a seven-story, 434,811 SF project is proposed on the west side of Queen Anne, but no schedule has been published. No other major projects are proposed.

Q2 sales totaled $35.52M in eight transactions. Buildings averaged 14,808 SF with an average price of $334 PSF. The sales were predominantly smaller, owner-user transactions but Georgetown Brewing did purchase the 36,544 SF Bldg. D in NW Corporate Park for its own occupancy. Gingerbread Homes LLC acquired the Washington Forklift property in South Park, comprising three buildings totaling 34,848 SF, for $254 PSF at a 6.5% cap rate. Three investment sales averaged a 6.23% cap rate.

Blended office/warehouse asking rates declined from $1.40 PSF at year-end 2024 to $1.37 PSF, hovering near this level for the past six quarters.



SOUTHEND REVIEW

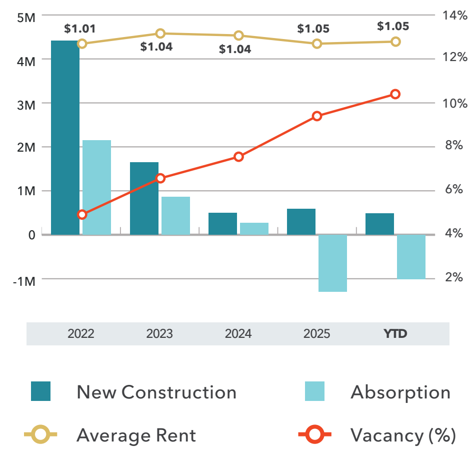
The Southend saw no deliveries in Q2, holding steady at 122.31M SF. Construction has slowed due to softer market conditions and limited developable land, with three projects underway totaling 483,740 SF. The Port of Seattle's 405,680 SF Des Moines Creek West is expected to deliver by year-end 2026 with no preleasing. Vacancy increased to 10.4%, up from 9.4% in year-end 2025, and 285 bps above year-end 2024. Q1 absorption was negative, at -50,008 SF, with Q2 posting negative absorption of -1,010,197 SF.

Leasing continued at a reduced pace. A total of 68 leases were signed in Q2, totaling 1,151,046 SF, with a median size of 6,450 SF. Two leases exceeded 100,000 SF, and two exceeded 50,000 SF. Most activity occurred in spaces of 20,000 SF or less.

The development pipeline includes 16 projects totaling 4.32M SF, including Auburn 18 with an option for a 1.1M SF building.

Sales activity was elevated, with 26 sales in Q2, totaling $359.94M, averaging $184 PSF. King County purchased the 45,715 SF TrimLite Building in Renton for $267 PSF. Pietromonaco Jackson Properties acquired the three-building, 113,465 SF Lind Square property for $183/SF, while LBA Logistics sold the 97,548 SF Kent Industrial Distribution building for $201 PSF.

Average blended rents remained in the $1.05 PSF range, as they have for the past 14 quarters. Owners continue to favor occupancy over rent growth, with shell rates ranging from $0.80 to $1.00 PSF and office components from $1.00 to $1.35 PSF. Yard supply remains high, with rates near $0.20 PSF and limited IOS activity.



EASTSIDE REVIEW

Eastside industrial inventory is stable at 22.04M SF. Vacant space declined to 1,316,146 SF, reducing vacancy from 6.3% in Q1 to 6.0% in Q2. Vacancy had remained below 4.0% before 2025 and hovered around 3.0% between 2016 and 2023. Absorption was positive 70,119 SF. Covington 18, totaling 247,409 SF, and Alpental Logistics in North Bend, totaling 115,575 SF, remain available and account for 363,166 SF.

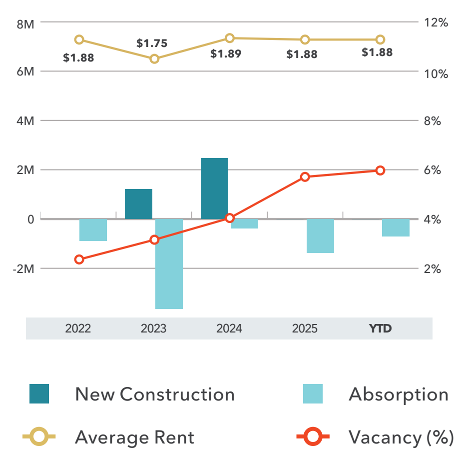
Thirty-four leases were signed in Q2, totaling 130,341 SF. The median lease size was 2,537 SF, the average was 3,834 SF, and the largest was 12,000 SF. All remaining leases were under 10,000 SF.

Rental rates ranged from $1.87 to $1.90 PSF during 2025 and remained at $1.88 PSF through Q2.

Annual rent growth declined from a peak of 8.2% in Q1 2022 to 0.5%, compared to a 10-year average of 5.2%.

Eleven transactions totaled $100.5M at an average price of $415 PSF. Investment sales occurred, although capitalization rates were not disclosed. The 48,900 SF Corner Crest Building sold vacant to a local family group for $389/SF and may be redeveloped for garden-style apartments, although no formal plans have been announced.

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

Northend inventory remained steady at 67.9M SF. Vacant space decreased 2.6% to 4.9M SF, lowering vacancy from 7.4% to 7.3%. Absorption totaled 129,261 SF, rebounding from -311,628 SF in Q1.

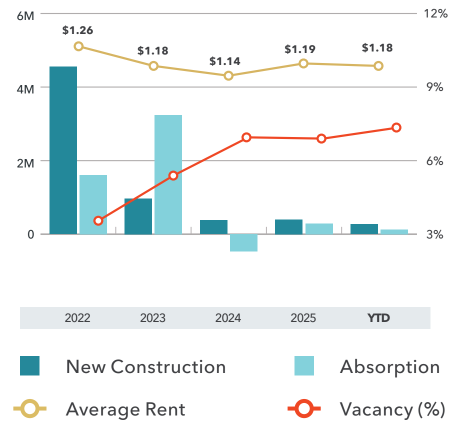
Two projects totaling 271,873 SF are under construction: Saia's 85,000 SF owner-occupied cross-dock facility in Marysville and Rockefeller Group's 186,873 SF speculative building in Arlington. The proposed pipeline includes 22 buildings totaling 6.6M SF.

Q2 leasing activity totaled 421,184 SF across 45 deals. The largest lease was 53,351 SF, the median was 5,428 SF, and 32 leases were under 10,000 SF.

The warehouse rates are generally in the $1.40 to $1.55 PSF range, with office rates at $2.40 to $2.50 PSF for first generation space and $2.00 to $2.20 PSF for second generation space.

A total of 24 sales closed, totaling $230.16M at an average price of $236/SF and average transaction size of 40,959 SF. CRICO Business Center, a 66,017 SF property in Monroe, traded between Corner Crest, LLC (buyer) and CRICO, LLC (seller) for $15.7 M, or $238 PSF, at an estimated 5.0% cap rate. EQT Real Estate also purchased 1515 75th St. SW and Intracorp Seaway II, Building A, from Elion Partners for $251 PSF and $261 PSF, respectively, at an overall capitalization rate of 5.75%.

A significant land sale in Q2 was Heidelberg Material selling a nine-acre site to the City of Redmond for $38.5 M, or $97 PSF.



PIERCE COUNTY REVIEW

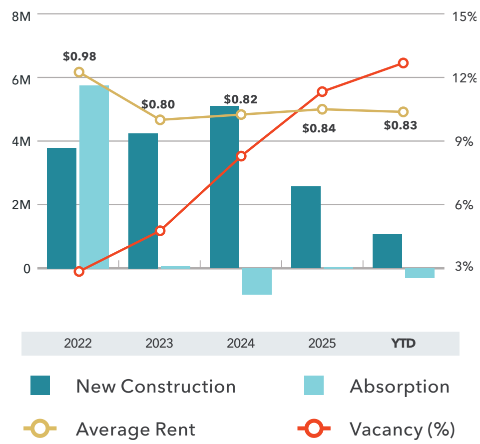
Pierce County remained the most active development submarket, with six buildings totaling 1.8M SF delivered year-to-date, increasing inventory to 104.56M SF. Absorption was -302,006 SF, and vacancy rose to 12.7%, the highest in Puget Sound. Vacancy was 2.9% at year-end 2022, a 980 basis-point increase over 14 quarters. During that period, inventory grew by 10.5M SF, nearly equal to the 10.6M SF increase in vacant space.

Construction remains active, with 1.06M SF underway. At Bridge Point Tacoma 2M (2.5M SF) , Buildings A, B, and D are complete and available, while the 662,044 SF Building C is expected to deliver in Q3. Twenty-three proposed projects could add 4.3M SF, though many depend on preleasing.

Q2 recorded 36 leases totaling 309,526 SF, with an average size of 10,097 SF and median of 4,753 SF.

Landlords pushed shell rents into the high-$0.80 to mid-$0.90 PSF range during 2023, but shifted focus to occupancy, stalling rent growth in late 2023. Rent compression has continued for four quarters, in second-generation space but also affecting new construction. CoStar reports average rents fell from $0.84 PSF in Q1 to $0.83 PSF in Q2. Shell rates range from $0.85 $1.25 PSF NNN, with office add-ons from $1.00 to $1.70 PSF while leasing timelines have lengthened.

12 sales totaled $249.5M across 1.44M SF (80.3 ac), averaging $187 PSF. Trammell Crow sold the vacant 275,492 SF Canyon Rd Commerce Center to Lincoln Prop Co. for $138 PSF, while Amazon acquired the 1.11M SF Ashley Furniture property in Spanaway for $198.3M ($178 PSF) and, separately, 20 acres of excess land for $25 PSF. A 7.1-acre contractor yard sold for $12.92 PSF. Two ±100,000 SF industrial development sites are expected to close in Q3.



THURSTON COUNTY REVIEW

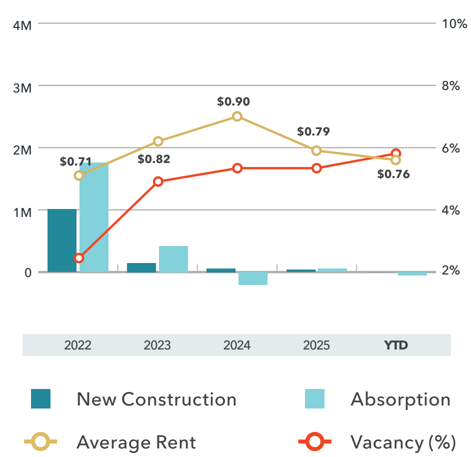
Thurston County inventory held steady at 22.2M SF. Vacancy increased 47 basis points, from 5.3% at year-end 2025 to 5.8% in Q2. This represents a 10-year high, although the current rate remains indicative of market equilibrium.

One 36,000 SF building was delivered in Tumwater during 2026, with no leases reported. The proposed pipeline includes eight projects that could add 2.0M SF. Parsons South Sound Logistics, previously tracked at up to 1.37M SF, has been removed from the pipeline. The site remains vacant and could reemerge as a proposed project.

Leasing activity increased in Q2, with 11 leases totaling 66,185 SF. The median size was 3,750 SF and the largest was 20,084 SF. Absorption was negative -49,045 SF, following negative absorption of -22,317 SF in Q1.

Blended rents fell from $0.97/SF in Q1 2025 to $0.76 PSF in Q2 2026. Annual rent growth dropped from 8.6% in Q4 2022 to 2.2% in Q2 2026, consistent with broker reports of fewer transactions and longer completion timelines.

Mottman Industrial Park, a repositioned 64,260 SF storage property, sold for $18.7M, or $219 PSF. Four Q2 transactions totaled $24.1M, with the remaining sales being owner-user transactions.



The Federal Reserve has held its target rate at 3.50%–3.75% through four 2026 meetings, balancing above-target inflation against a stable but slowing labor market; markets expect a hold at the July 29–30 meeting, though high energy prices raise the odds of tightening later this year.

The 10-year Treasury yield, volatile in H1 2026 (high-3% to mid-4%), has since climbed to about 4.55% on inflation concerns, strong data, and energy/geopolitical uncertainty. CRE lending spreads remain stable: life insurers quote 135–220 bps over Treasuries (all-in mid-5% to upper-6%), banks/credit unions 6%–7%, and CMBS remains costliest at 250–350 bps over Treasury/SOFR (mid-6% to upper-7%). Debt capital remains available, though underwriting still emphasizes cash flow durability, debt service coverage, and sponsor strength.

The Northwest Seaport Alliance continues to experience below-trend cargo activity amid ongoing challenges in global trade and supply chain flows. Q1 2026 container volumes were down approximately 14% year-over-year, with import activity particularly affected by shifting trade patterns, tariff-related uncertainty, and changes in shipping routes. This followed a relatively weak 2025, when annual container volumes also trailed prior-year levels. The resulting decline in cargo throughput has reduced demand growth for warehouse and distribution space across the Puget Sound region, contributing to softer industrial market fundamentals. The region's strategic port infrastructure and long-term trade advantages continue to support the market, although near-term leasing activity and absorption are expected to remain influenced by trade policy developments and broader economic conditions.

SKAGIT / WHATCOM COUNTIES

The Skagit and Whatcom County markets added 613,231 SF in 2025, bringing inventory to 20.6M SF in 800 buildings. The market includes a wide range of property quality and is generally characterized by smaller buildings and tenant suites.

Vacancy rose 50 basis points in Q2, from 1.3% in Q1 to 1.8%. Absorption totaled 198,416 SF in 2023 before turning negative at -35,016 SF in 2024 and -40,095 SF in 2025. Absorption rebounded to positive 86,021 SF in Q1 2026 before declining to -106,106 SF in Q2. Rental rates softened to $0.78/SF, matching the year-end 2022 average.

One 7,250 SF project is under construction and expected to deliver in Q3, with no preleasing reported. The proposed pipeline includes ten projects totaling 1.5 M SF. The largest are Can-Am Border Logistics, with three buildings totaling up to 600,000 SF, and Blaine Industrial Park, with three buildings totaling 299,400 SF. The remaining projects are under 32,000 SF. While these larger developments may proceed over time, construction is unlikely to begin without significant preleasing.

LEASE ACTIVITY

Leasing activity declined this quarter, with only two leases over 100,000 SF (both Southend) and three over 50,000 SF (two Pierce County, one Northend). Notable signings included United Natural Foods' 135,975 SF at Valley Centre Building (after 19 months on market) and a 104,221 SF lease at the Clarion-owned Lind Distribution Center (tenant undisclosed). Remaining activity was in smaller spaces, with overall volume down.

NOTABLE SALE TRANSACTIONS

Corner Crest, LLC purchased the CRICO Business Center (66,017 SF) in Monroe from CRICO, LLC for $15.7M ($238/SF), approximately a 5.0% cap rate.

EQT Real Estate purchased 1515 75th St. SW (150,154 SF, $251/SF) and Intracorp Seaway II, Building A (110,400 SF, $261/SF) in Everett from Elion Partners at a 5.75% cap rate.

Georgetown Brewing Company purchased NW Building Corporate Park, Bldg. D (36,544 SF) from Principal Real Estate Investors in Seattle for $10.2M ($279/SF) for owner occupancy.

New Mountain Capital purchased Stockpot Soups (299,700 SF) in Everett from the Joshua Green Corporation for $65.0M ($217/SF).

BKM Capital Partners purchased a 285-property portfolio from LINK Logistics Real Estate that included ten buildings in the Puget Sound Region, totaling 824,687 SF.

Amazon purchased the Ashley Furniture Industries property (1,110,154 SF) from Ashley Furniture for $179/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, 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.

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COMMERCIAL BROKERAGE	$9B AVERAGE ANNUAL TRANSACTION VOLUME	32.4M ANNUAL SALES SF	32.5M ANNUAL LEASING SF
ASSET SERVICES	54M 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