

Q4 2024

SOUTH PUGET SOUND HEALTHCARE INSIGHTS

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BRIDGING THE GAP

Since 2022, a gap in expectations between landlords and tenants—as well as sellers and buyers—has emerged due to rising interest rates and a more conservative tenant approach.

Over the past year, this gap has steadily narrowed, and with strong momentum heading into 2025, the market is poised for further alignment. Here’s what we anticipate in the coming year:

SOUTH PUGET SOUND Q4 INSIGHTS

TOTAL SF	8,753,858
VACANCY	3.17%
VACANT SF	277,750
AVERAGE CLASS A ASKING RENT PSF NNN	\$32.00
AVERAGE CLASS B ASKING RENT PSF NNN	\$25.00
AVERAGE MONTHS TO LEASE	6-9 Months
AVERAGE MARKET SALE PRICE PSF	\$290.00 PSF
AVERAGE MARKET CAP RATE	6.75%
AVERAGE MONTHS TO SALE	3 - 6 Months

TURNKEY ADVANTAGE

Many tenants have been hesitant to invest in tenant improvements, however, this has resulted in a benefit to well-capitalized institutional landlords. Those offering spec suites or turnkey solutions will likely capture over 80% of lease transactions in 2025.

INCREASED MEDICAL OUTPATIENT BUILDING (MOB) TRANSACTIONS

Transaction volume for MOB has been minimal over the past two years, but that is set to change. From 2018 to 2021, sellers had the upper hand, with CAP rates ranging from 4.75% to 5.25%. CAP rates spiked to 6.75%-7.50% in 2022 but showed improvement in 2024, settling between 6.00% and 6.75%. In 2025, we expect CAP rates to further compress to 5.75%-6.25%, driving increased deal flow and further closing the gap between buyers and sellers.

With these shifts, 2025 is shaping up to be a year of renewed transaction activity and improved market dynamics.

FEATURED LISTINGS



2420 MEDICAL OFFICE BLDG

2420 S Union
Tacoma, WA

LEASE



ALLENMORE MEDICAL PLAZA I&II

2202 S Cedar, 3209 S 23rd St
Tacoma, WA

LEASE

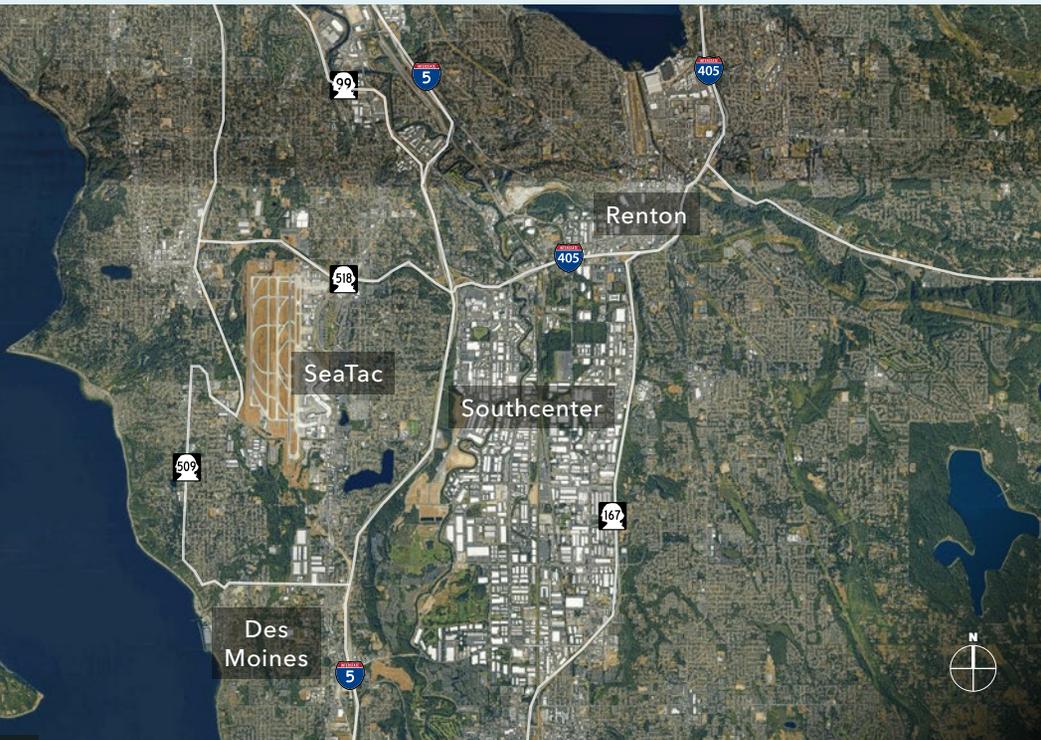


SOUTH KITSAP MEDICAL CENTER

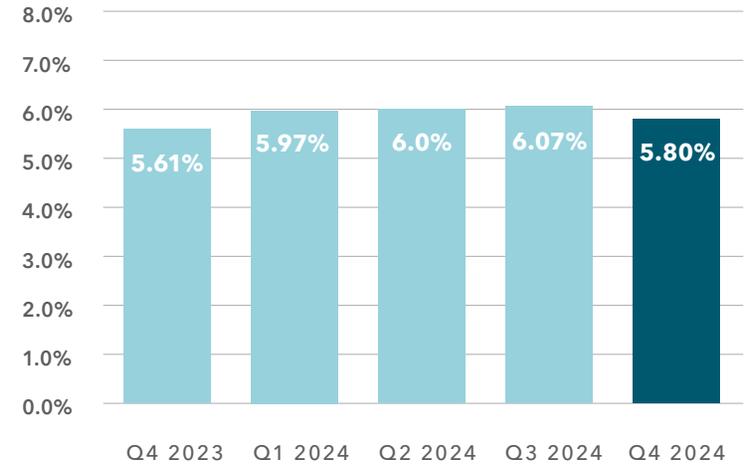
450 S Kitsap Blvd
Port Orchard, WA

LEASE

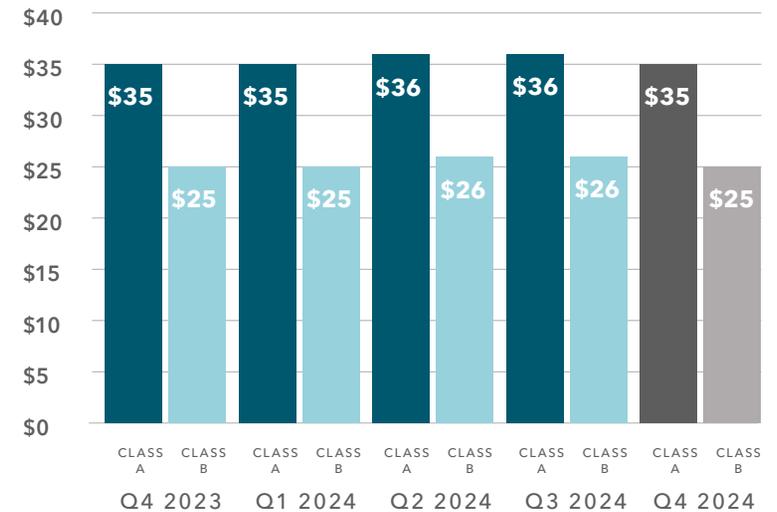
1.9M INVENTORY SF	108,566 VACANT SF	0.00% ANNUAL RENT GROWTH
5.76% VACANCY RATE	6.75% MARKET CAP RATE	\$321 MARKET SALE PSF



Vacancy Rate



Average Asking Rent PSF NNN



840K
INVENTORY SF

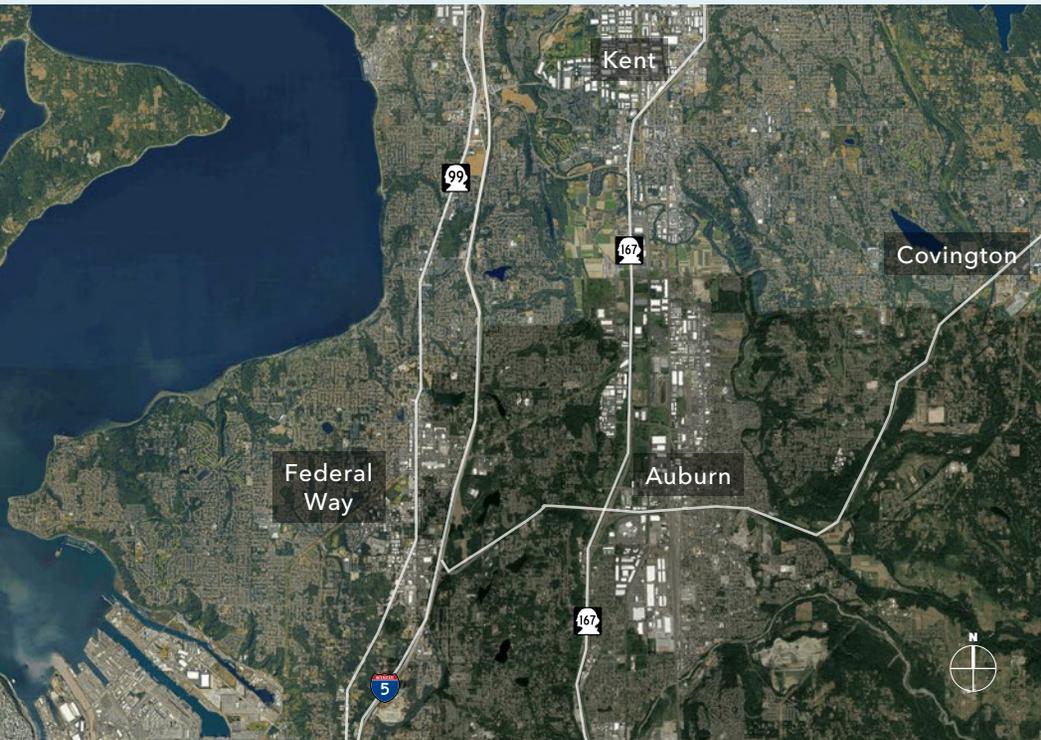
31,896
VACANT SF

3.23%
ANNUAL RENT
GROWTH

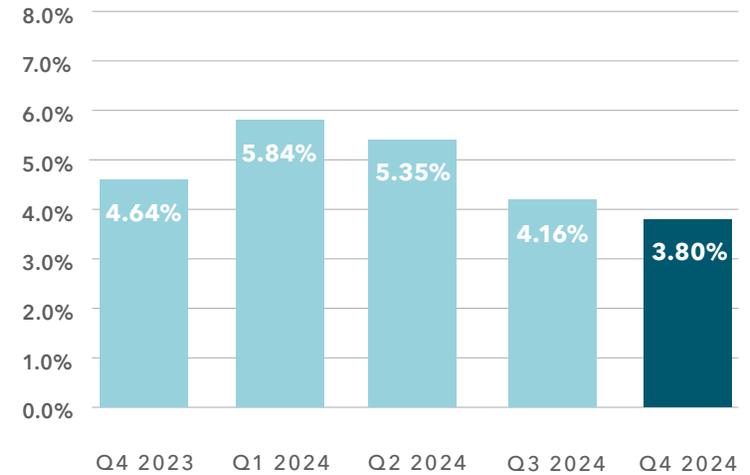
3.80%
VACANCY RATE

6.75%
MARKET CAP RATE

\$220
MARKET SALE PSF



Vacancy Rate



Average Asking Rent PSF NNN



3.6M
INVENTORY SF

63,738
VACANT SF

6.25%
ANNUAL RENT
GROWTH

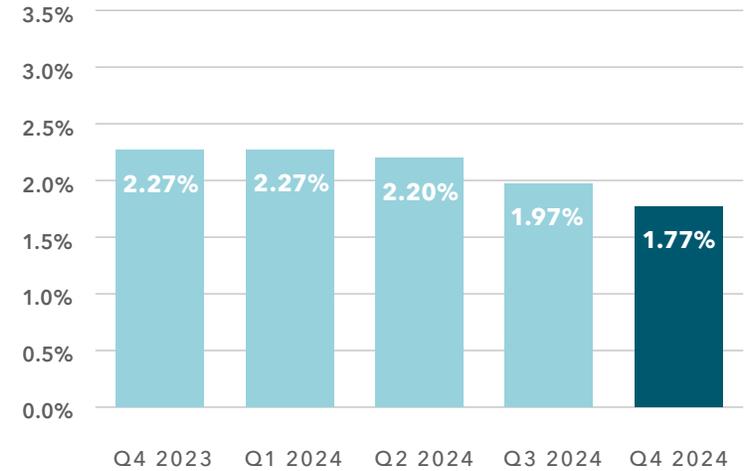
1.77%
VACANCY RATE

6.50%
MARKET CAP RATE

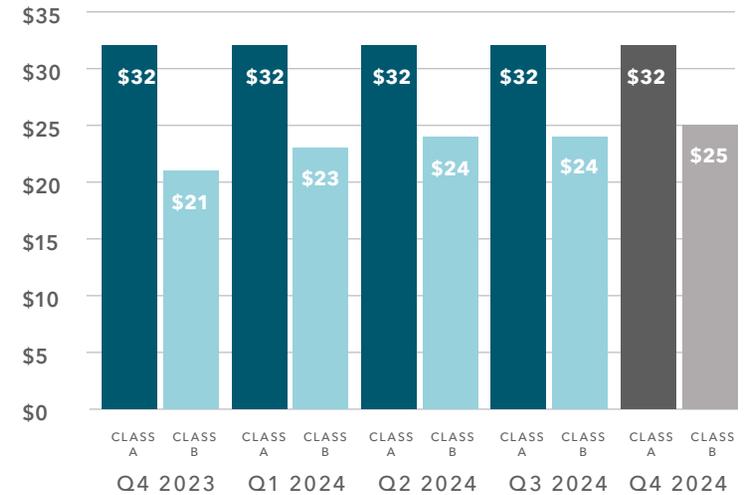
\$315
MARKET SALE PSF



Vacancy Rate



Average Asking Rent PSF NNN



1.3M
INVENTORY SF

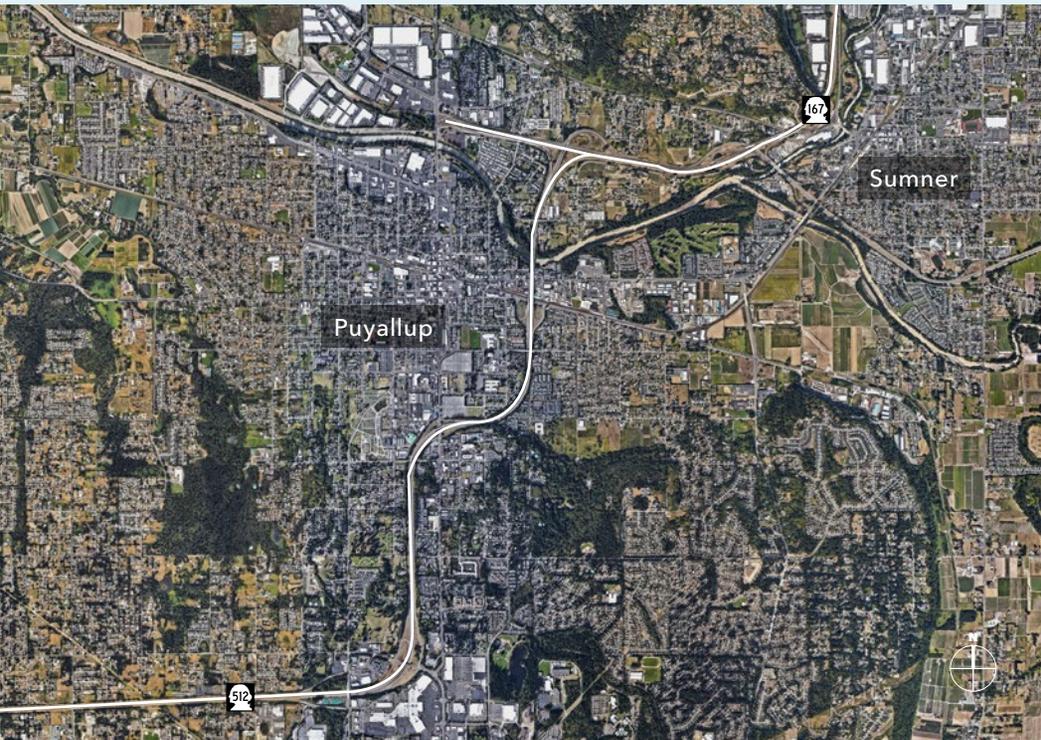
57,008
VACANT SF

9.30%
ANNUAL RENT
GROWTH

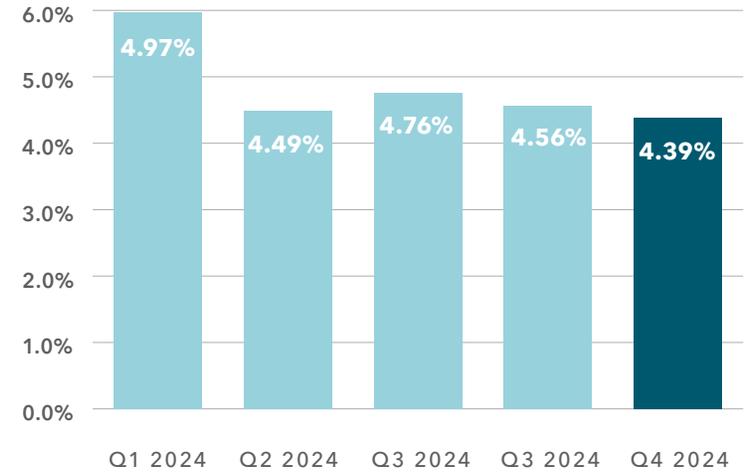
4.39%
VACANCY RATE

6.50%
MARKET CAP RATE

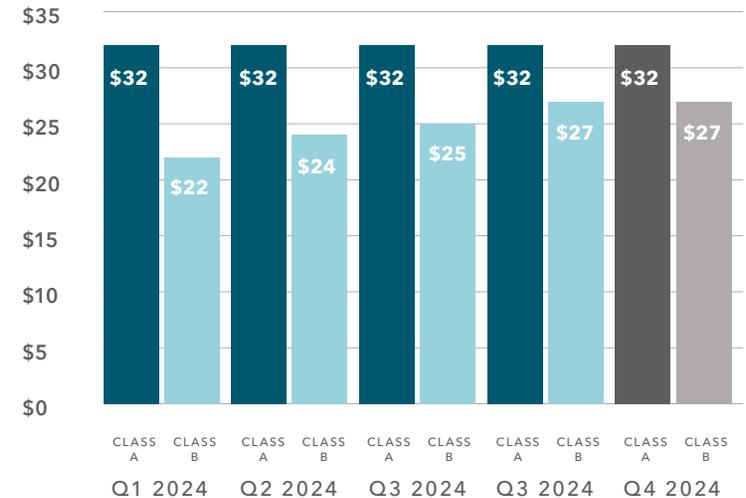
\$320
MARKET SALE PSF



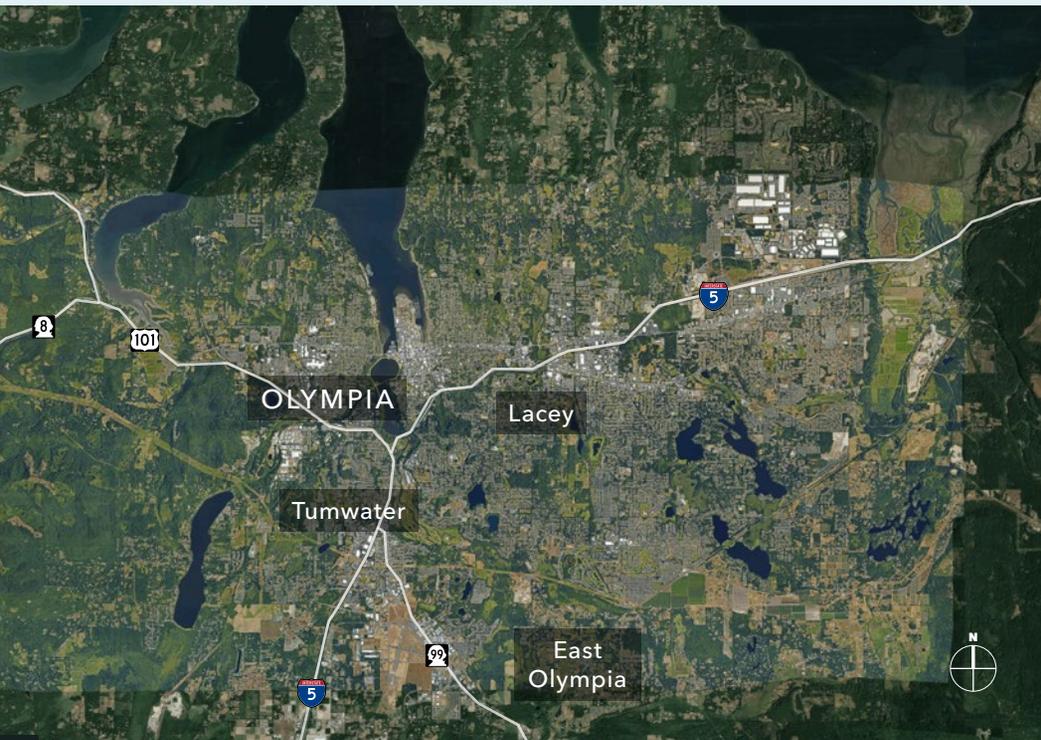
Vacancy Rate



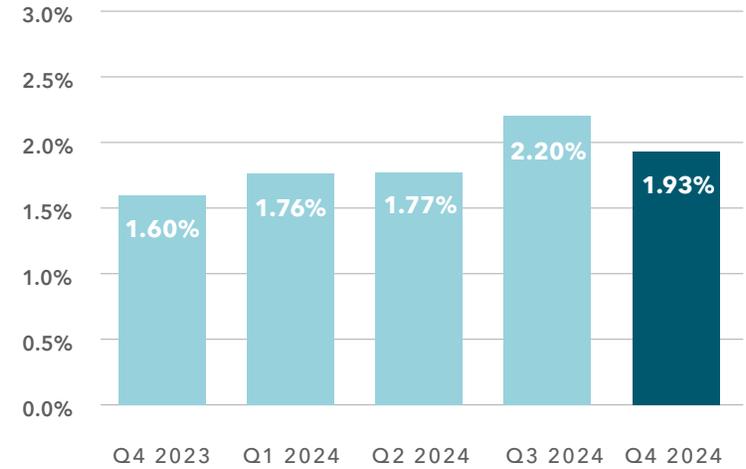
Average Asking Rent PSF NNN



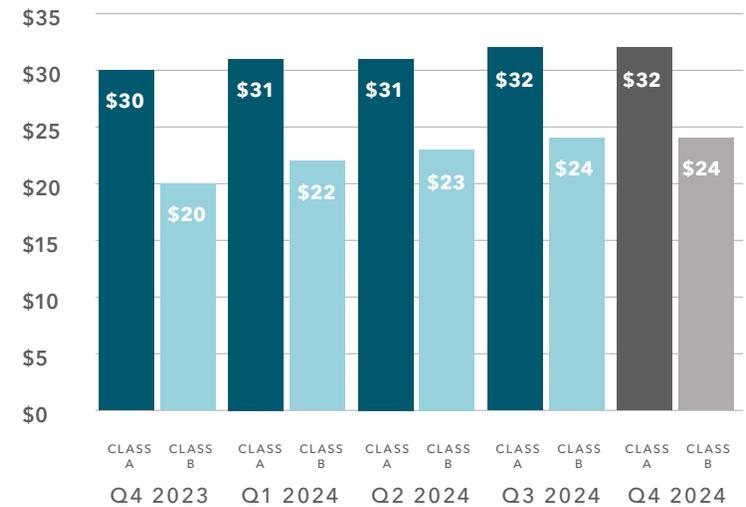
1.1M INVENTORY SF	22,508 VACANT SF	6.50% ANNUAL RENT GROWTH
1.93% VACANCY RATE	7.00% MARKET CAP RATE	\$245 MARKET SALE PSF



Vacancy Rate



Average Asking Rent PSF NNN



MEET THE *TEAM*

Office & healthcare experts specializing in landlord and tenant representation, as well as sales, including investment and owner/user.

As members of the Kidder Mathews Healthcare and Office groups, we have completed over \$243,000,000 in sales in the last 24 months and actively represent more than 7 million square feet of property that we pride ourselves on keeping leased. We care deeply about our clients and always strive to go above and beyond to create successful long-term partnerships.

Kidder Mathews is the largest independent commercial real estate firm in the Western U.S., with 900 real estate professionals and staff in 19 offices in Washington, Oregon, Idaho, California, Arizona, and Nevada

482

TRANSACTIONS

\$800M

TOTAL VOLUME

7M+

TOTAL SF

\$243M transactions within the last 24 months

WILL FRAME

Executive Vice President,
Shareholder

2018-2019 & 2021-2022
KM "Big Hitter" award winner
and Top Producer



DREW FRAME, SIOR

Senior Vice President,
Shareholder

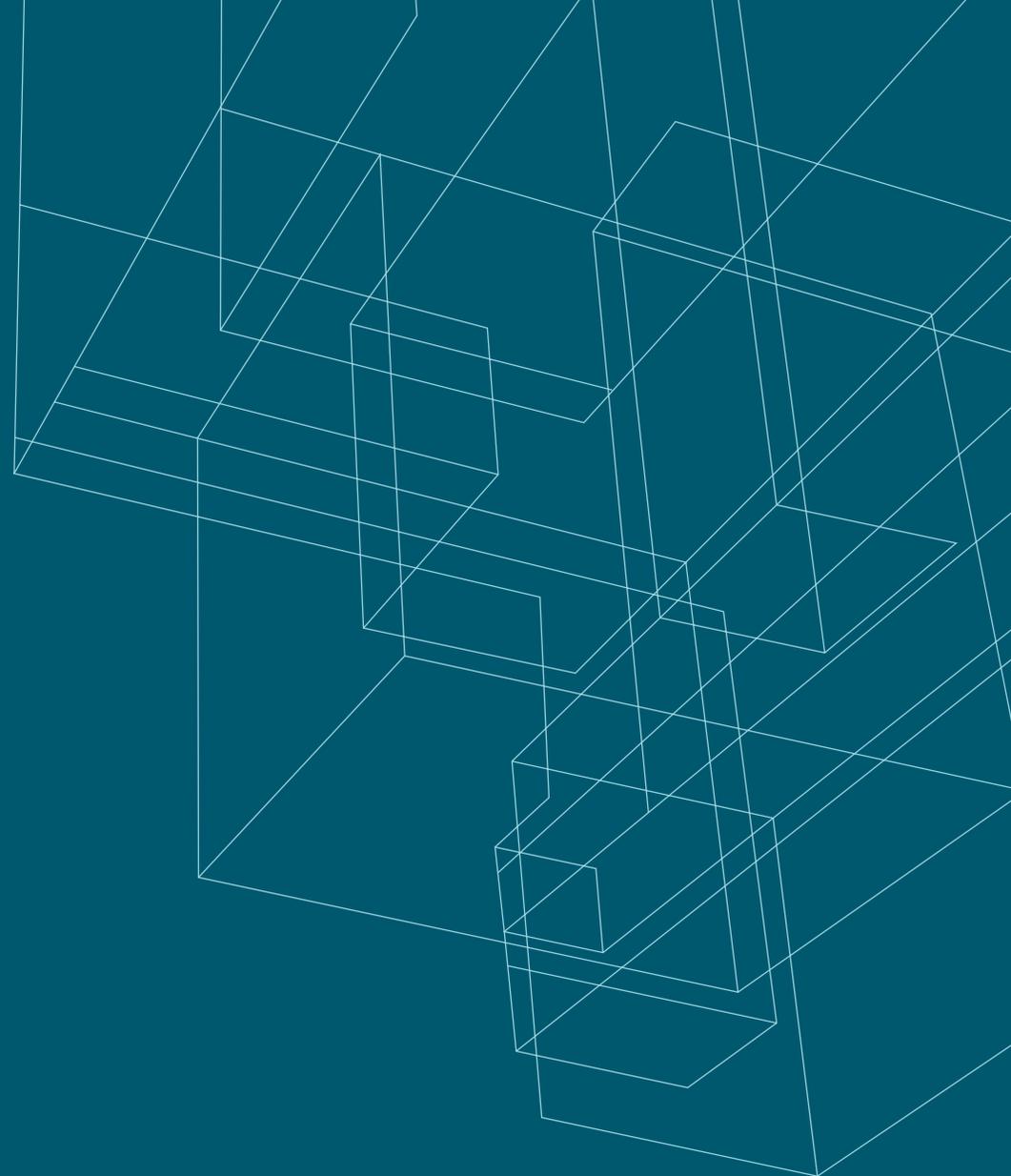
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