

Q4 2017

Industrial Insight

The Seattle-Bellevue industrial market ends the year looking forward to 2018 deliveries

- Overall vacancy dropped to 2.4 percent, representing a decline of 20 basis points quarter over quarter.
- The supply and demand imbalance continues: There is a strong demand and a lack of quality industrial space, especially for spaces over 100,000 square feet.
- Construction activity is focused in the Southend market, where there is notable high demand and shortage of supply.

The Seattle MSA's current economic conditions remains strong, prompted by a growing population and businesses expanding in the region. The unemployment rate remains low at 3.8 percent, coupled with 3.5 percent of job growth over 2016. The Ports of Seattle and Tacoma both reported strong growth in their container shipping business. Year-to-date exports were up 10.0 percent, with international shipping volumes increasing to 6.0 percent.

After a somewhat slow third quarter, fourth quarter brought momentum back to the industrial market as vacancy rates dropped to 2.4 percent. Market conditions remain tight throughout as tenant demand continues to outpace new industrial development. Year-end net absorption surpassed 4.3 million square feet, while delivering 3.3 million square feet of new product. More than 75.0 percent of new speculative development has been leased before completion (or shortly after delivery). The majority of activity is predominantly in Pierce County, which recorded 3.4 million square feet of absorption in the past year.

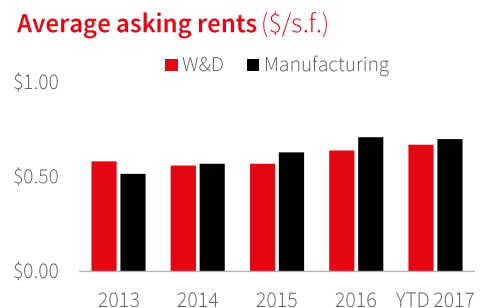
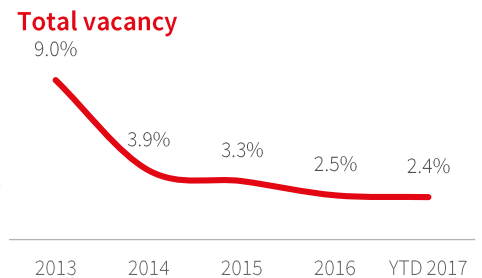
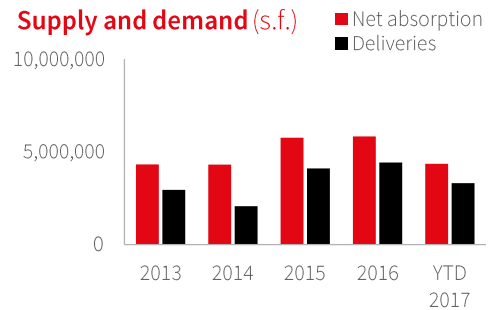
Significant construction activity and strong demand are expected to continue into Q1 2018. There are 21 projects totaling 6.3 million square feet currently under construction, 18 of which are focused in the Southend. We are tracking more than 18 million square feet of requirements across the region.

Outlook

Despite rising rents and a lack of supply, prospective tenants continue to look for quality industrial space. The majority of under construction industrial space will deliver in the next six to nine months and will provide options for over 100,000 square feet users. However, these new deliveries have some high-end qualities including higher kilowatt capabilities, prime locations, and high ceilings. These pricey building amenities will likely contribute to a trend of increasing rental rates. Moving into 2018, there is no reason to think that the momentum of Seattle-Bellevue's industrial market will be slowing down any time soon.

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Fundamentals	Forecast
YTD net absorption	4,350,627 s.f. ▲
QTD net absorption	1,416,720 s.f. ►
Under construction	6,258,294 s.f. ►
Total vacancy	2.4% ►
Average asking rent (NNN)	\$8.16 p.s.f. ▲
Tenant improvements	Falling ▼





Seattle-Bellevue

Q4 2017

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Seattle-Bellevue Totals										
Warehouse & Distribution	189,633,571	1,271,961	4,631,098	2.4%	2.5%	4.6%	\$0.67	244,407	3,239,883	6,258,294
Manufacturing	68,439,881	144,759	-280,471	-0.4%	2.3%	4.0%	\$0.70	0	70,000	0
Totals	258,073,452	1,416,720	4,350,627	1.7%	2.4%	4.4%	\$0.68	244,407	3,309,883	6,258,294
Flex	27,521,014	-74,937	-210,219	-0.8%	5.7%	8.2%	\$1.13	0	103,915	0
Submarkets										
North Seattle Ind										
Warehouse/Distribution	2,761,907	-19,242	1,766	0.1%	2.7%	3.1%	\$1.25	0	0	0
Manufacturing	1,211,836	0	-67,411	-5.6%	1.1%	2.0%	\$1.25	0	0	0
Totals	3,973,743	-19,242	-65,645	-1.7%	2.2%	2.8%	\$1.25	0	0	0
Flex	485,816	1,635	5,001	1.0%	0.3%	0.3%	\$0.00	0	0	0
Downtown Seattle Ind										
Warehouse/Distribution	6,400,991	-16,455	58,839	1.1%	1.1%	3.2%	\$0.95	0	27,700	0
Manufacturing	2,359,920	75,244	68,244	2.6%	0.7%	7.2%	\$1.07	0	0	0
Totals	8,760,911	58,789	127,083	1.5%	1.0%	4.3%	\$1.01	0	27,700	0
Flex	2,123,670	4,362	-17,026	-0.6%	1.4%	2.0%	\$1.03	0	0	0
Sodo Ind										
Warehouse/Distribution	4,864,051	-5,085	-13,476	-0.1%	2.1%	3.1%	\$1.01	0	0	0
Manufacturing	2,791,130	9,511	-121,931	-4.4%	4.7%	6.8%	\$1.00	0	0	0
Totals	7,655,181	4,426	-135,407	-1.6%	3.0%	4.4%	\$1.01	0	0	0
Flex	2,956,633	-20,634	8,484	0.3%	1.1%	1.2%	\$1.32	0	0	0
Gtown/Duwamish N Ind										
Warehouse/Distribution	9,513,394	-49,123	-48,040	-0.7%	2.1%	7.3%	\$1.04	0	0	589,615
Manufacturing	2,934,246	10,850	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	12,447,640	-38,273	-48,040	-0.5%	1.6%	5.6%	\$1.04	0	0	589,615
Flex	650,299	0	5,541	0.9%	1.7%	2.4%	\$1.50	0	0	0
Gtown/Duwamish S Ind										
Warehouse/Distribution	2,146,070	-8,876	58,994	2.7%	1.4%	2.3%	\$1.14	0	0	0
Manufacturing	1,474,438	0	25,000	0.0%	1.7%	3.6%	\$0.00	0	0	0
Totals	3,620,508	-8,876	83,994	1.6%	1.5%	2.8%	\$1.14	0	0	0
Flex	571,777	3,981	2,181	0.4%	0.0%	0.0%	-	0	0	0
W Seattle Ind										
Warehouse/Distribution	2,172,406	0	-18,005	-3.1%	3.1%	3.3%	\$0.95	0	0	0
Manufacturing	1,630,626	3,200	0	0.0%	0.3%	0.3%	\$0.66	0	0	0
Totals	3,803,032	3,200	-18,005	-1.8%	1.9%	2.0%	\$0.90	0	0	0
Flex	62,939	0	1,620	2.6%	0.0%	0.0%	-	0	0	0
Auburn Ind										
Warehouse/Distribution	16,699,809	209,498	177,977	1.0%	1.7%	3.3%	\$0.58	0	14,924	528,205
Manufacturing	7,533,663	21,000	21,000	0.3%	0.0%	0.9%	-	0	0	0
Totals	24,233,472	230,498	198,977	0.8%	1.2%	2.5%	\$0.58	0	14,924	528,205
Flex	537,829	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Federal Way Ind										
Warehouse/Distribution	700,380	73,147	-3,443	-0.5%	5.1%	5.4%	\$0.53	0	0	0
Manufacturing	153,231	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	853,611	73,147	-3,443	-0.4%	4.2%	4.4%	\$0.53	0	0	0
Flex	390,062	421	9,811	2.5%	2.4%	37.0%	\$1.05	0	0	0

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly completions (s.f.)	YTD completions (s.f.)	Under construction (s.f.)
Kent Ind										
Warehouse/Distribution	40,898,376	33,370	-462,627	-1.3%	5.1%	8.1%	\$0.58	42,982	432,652	436,346
Manufacturing	7,351,828	9,295	115,793	1.4%	2.9%	4.9%	\$0.63	0	0	0
Totals	48,250,204	42,665	-346,834	-0.9%	4.8%	7.6%	\$0.58	42,982	432,652	436,346
Flex	1,368,943	-11,806	5,303	0.4%	3.3%	8.4%	\$1.15	0	0	0
Renton Ind										
Warehouse/Distribution	7,399,876	-8,339	40,917	0.6%	1.1%	4.3%	\$0.66	0	0	0
Manufacturing	5,096,661	-40,235	-16,292	-0.3%	0.8%	1.5%	\$0.74	0	0	0
Totals	12,496,537	-48,574	24,625	0.2%	0.9%	3.1%	\$0.68	0	0	0
Flex	484,384	-21,684	108,037	22.3%	6.1%	7.5%	\$1.19	0	103,915	0
SeaTac/Burien Ind										
Warehouse/Distribution	3,835,722	3,981	576,093	14.9%	0.6%	3.2%	\$0.64	0	241,140	970,631
Manufacturing	126,282	0	0	0.0%	0.0%	0.0%	-	0	0	0
Totals	3,962,004	3,981	576,093	14.4%	0.6%	3.1%	\$0.64	0	241,140	970,631
Flex	176,608	-27,000	-24,000	-13.6%	15.9%	20.9%	\$1.00	0	0	0
Tukwila Ind										
Warehouse/Distribution	7,741,787	-28,235	-126,910	-2.1%	2.0%	3.2%	\$0.69	0	0	0
Manufacturing	8,534,643	69,719	34,621	0.4%	0.3%	0.9%	\$0.70	0	0	0
Totals	16,276,430	41,484	-92,289	-0.8%	1.1%	2.0%	\$0.69	0	0	0
Flex	2,939,437	19,814	5,113	0.2%	10.9%	12.0%	\$1.17	0	0	0
Port of Tacoma/Fife Ind										
Warehouse/Distribution	15,704,220	754,195	980,209	6.2%	2.9%	4.0%	\$0.63	0	1,244,085	2,414,929
Manufacturing	2,763,338	0	-16,000	-0.6%	1.2%	1.2%	\$0.56	0	0	0
Totals	18,467,558	754,195	964,209	5.2%	2.6%	3.6%	\$0.63	0	1,244,085	2,414,929
Flex	249,733	-14,175	-29,034	-11.6%	13.2%	13.2%	\$0.85	0	0	0
Lakewood Ind										
Warehouse/Distribution	3,842,769	219,791	365,104	9.5%	1.1%	1.6%	\$0.56	0	210,700	467,526
Manufacturing	748,444	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	4,591,213	219,791	365,104	8.0%	0.9%	1.3%	\$0.56	0	210,700	467,526
Flex	105,779	0	7,047	0.7%	6.0%	6.0%	-	0	0	0
North End Tacoma Ind										
Warehouse/Distribution	3,401,143	4,165	-18,200	-0.5%	2.8%	5.4%	\$0.58	0	0	0
Manufacturing	2,201,028	0	-298	0.0%	3.3%	5.4%	\$0.48	0	0	0
Totals	5,602,171	4,165	-18,498	-0.3%	3.0%	5.4%	\$0.54	0	0	0
Flex	547,535	0	0	0.0%	1.0%	1.0%	-	0	0	0
Parkland/Spanaway Ind										
Warehouse/Distribution	2,526,162	0	209,896	8.2%	0.1%	6.3%	-	0	200,000	0
Manufacturing	870,387	0	40,000	4.6%	0.0%	7.5%	-	0	0	0
Totals	3,396,549	0	249,896	7.3%	0.1%	6.6%	-	0	200,000	0
Flex	95,983	2,524	164	0.2%	7.4%	7.4%	-	0	0	0

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Puyallup/S Hill Ind										
Warehouse/Distribution	22,685,498	49,340	1,940,055	8.4%	1.1%	3.2%	\$0.52	0	323,310	561,565
Manufacturing	2,705,629	0	-221,276	-10.0%	11.3%	14.2%	\$0.52	0	0	0
Totals	25,391,127	49,340	1,718,779	6.5%	2.2%	4.4%	\$0.52	0	323,310	561,565
Flex	158,256	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
South Tacoma Ind										
Warehouse/Distribution	2,697,818	35,800	112,928	4.2%	0.7%	0.9%	\$0.61	0	0	0
Manufacturing	816,883	31,364	41,973	5.1%	9.9%	11.7%	-	0	0	0
Totals	3,514,701	67,164	154,901	4.4%	2.8%	3.4%	\$0.61	0	0	0
Flex	129,666	-9,734	-7,334	-3.3%	18.9%	18.9%	\$0.23	0	0	0
South Pierce County Ind										
Warehouse/Distribution	2,341,865	0	0	0.0%	0.0%	0.0%	-	0	0	0
Manufacturing	0	0	0	-	-	-	-	0	0	0
Totals	2,341,865	0	0	0.0%	0.0%	0.0%	-	0	0	0
Flex	401,200	12,072	2,400	0.6%	0.6%	46.3%	\$0.68	0	0	0
East Pierce County Ind										
Warehouse/Distribution	148,501	0	0	0.0%	0.0%	0.0%	-	0	0	0
Manufacturing	71,800	0	0	0.0%	0.0%	0.0%	-	0	0	0
Totals	220,301	0	0	0.0%	0.0%	0.0%	-	0	0	0
Flex	0	0	0	-	-	-	\$0.00	0	0	0
Woodinville Ind										
Warehouse/Distribution	4,553,236	70,055	144,089	3.1%	3.8%	4.0%	\$0.79	201,425	201,425	0
Manufacturing	1,872,413	0	-10,075	-0.5%	3.6%	17.4%	\$0.81	0	0	0
Totals	6,425,649	70,055	134,014	2.0%	3.7%	7.9%	\$0.80	201,425	201,425	0
Flex	409,292	0	1,931	-0.1%	2.9%	5.6%	\$1.11	0	0	0
Bothell Ind										
Warehouse/Distribution	1,262,075	0	4,838	0.4%	12.7%	14.7%	\$0.75	0	0	0
Manufacturing	760,133	0	-34,415	-4.5%	4.5%	4.5%	-	0	0	0
Totals	2,022,208	0	-29,577	-1.5%	9.7%	10.9%	\$0.75	0	0	0
Flex	3,080,918	2,285	29,030	-1.1%	11.2%	13.6%	\$1.48	0	0	0
Monroe Ind										
Warehouse/Distribution	1,714,178	13,837	119,369	7.3%	0.8%	1.2%	\$0.78	0	24,375	0
Manufacturing	237,031	0	0	0.0%	0.0%	0.0%	-	0	0	0
Totals	1,951,209	13,837	119,369	6.4%	0.7%	1.1%	\$0.78	0	24,375	0
Flex	48,000	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Kirkland Ind										
Warehouse/Distribution	1,109,883	16,655	6,574	0.6%	0.8%	0.8%	\$0.65	0	0	0
Manufacturing	375,255	-952	-952	-0.3%	0.4%	0.4%	\$1.21	0	0	0
Totals	1,485,138	15,703	5,622	0.4%	0.7%	0.7%	\$0.73	0	0	0
Flex	1,277,036	27,463	12,782	0.7%	3.2%	4.4%	\$1.20	0	0	0

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Redmond Ind										
Warehouse/Distribution	3,666,390	-4,467	113,234	3.1%	2.0%	2.3%	\$0.79	0	112,072	0
Manufacturing	1,191,359	0	-36,881	-3.1%	3.1%	10.7%	-	0	0	0
Totals	4,857,749	-4,467	76,353	1.6%	2.2%	4.3%	\$0.99	0	112,072	0
Flex	3,989,601	-38,626	-42,442	-1.2%	6.2%	8.7%	\$1.46	0	0	0
Bellevue Ind										
Warehouse/Distribution	2,693,703	0	0	-0.2%	0.2%	1.0%	-	0	0	0
Manufacturing	524,563	0	0	0.0%	33.2%	33.7%	-	0	0	0
Totals	3,218,266	0	0	-0.2%	5.6%	6.4%	-	0	0	0
Flex	1,265,274	-11,028	-27,519	-2.2%	3.0%	3.0%	\$1.60	0	0	0
Issaquah Ind										
Warehouse/Distribution	1,459,015	0	-19,751	-1.4%	1.6%	1.6%	-	0	0	0
Manufacturing	480,596	0	-17,626	-3.7%	3.7%	3.7%	-	0	0	0
Totals	1,939,611	0	-37,377	-1.9%	2.1%	2.1%	\$0.75	0	0	0
Flex	569,098	0	-671	-0.1%	1.7%	1.7%	-	0	0	0
Edmonds/Lynnwood Ind										
Warehouse/Distribution	2,258,305	28,043	42,362	1.9%	0.0%	0.1%	-	0	0	0
Manufacturing	447,461	0	0	0.0%	0.0%	0.0%	-	0	0	0
Totals	2,705,766	28,043	42,362	1.6%	0.0%	0.1%	-	0	0	0
Flex	520,604	0	-4,568	-0.9%	2.2%	2.2%	\$1.46	0	0	0
Everett Ind										
Warehouse/Distribution	8,778,994	42,756	446,094	5.1%	1.4%	2.9%	\$0.75	0	207,500	289,477
Manufacturing	10,076,793	-37,737	-11,230	-0.1%	0.8%	1.4%	\$0.75	0	70,000	0
Totals	18,855,787	5,019	434,864	2.3%	1.1%	2.1%	\$0.75	0	277,500	289,477
Flex	1,875,438	-5,007	-190,254	-10.1%	14.6%	17.3%	\$0.86	0	0	0
S Snohomish County Ind										
Warehouse/Distribution	439,610	0	0	0.0%	0.0%	9.7%	\$0.00	0	0	0
Manufacturing	48,941	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	488,551	0	0	0.0%	0.0%	8.7%	\$0.00	0	0	0
Flex	37,033	0	3,996	10.8%	0.0%	0.0%	\$0.00	0	0	0
N Snohomish County Ind										
Warehouse/Distribution	3,215,437	700	131,490	4.1%	2.1%	6.8%	\$0.63	0	0	0
Manufacturing	1,049,323	0	19,830	1.9%	20.8%	21.8%	\$0.49	0	0	0
Totals	4,264,760	700	151,320	3.5%	6.7%	10.5%	\$0.52	0	0	0
Flex	12,171	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0