MARKET IN MINUTES
Savills Research

Q1 2022 - Industrial

Seattle/Puget Sound

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Seattle vacancy tightens further as absorption and rents continue positive trends

The Seattle industrial market constricted further to begin the year as vacancy fell by 30 basis points (bps) to 4.5%. Rents grew by 13.5% from a year ago, slightly outpacing last quarter's annual growth. Net absorption ended the quarter at nearly the same level as a year ago, remaining above the five-year average. Over 1 million square feet (msf) consisting of five properties delivered this quarter, only one of which is available for lease. The biggest reduction in vacancy occurred in the Tacoma submarket, where the vacancy rate fell 560 bps.

Outlying submarkets dominate overall positive leasing activity

Approximately 5.0 msf was leased across the region in Q1. The biggest deals were inked in southern submarkets, where vacancy is considerably higher than close-in submarkets. Floor & Décor leased nearly 1.2 msf in E Pierce County, marking the largest deal of the quarter. Seagen expanded its footprint with a 307,000 square foot (sf) lease in the Everett submarket. Most new leases were signed in new distribution centers and warehouses. Logistics firms once again ruled leasing, as both local and new tenants are active in the market.

Lack of land availability and rising costs pushing new developments out of close-in submarkets

Increasing rents and lack of space have pushed new developments across the Puget Sound into submarkets to the north and south of the core metro area. Snohomish County houses 3.6 msf under construction, more than any other submarket. Five of the six properties under construction in the submarket are warehouse/distribution buildings, fulfilling the demands of logistics tenants in the market. The rural E Pierce County submarket has the second most square feet under construction at 1.4 msf. Of the 27 properties under construction across the region, 10 are fully leased, limiting options for aspiring tenants.

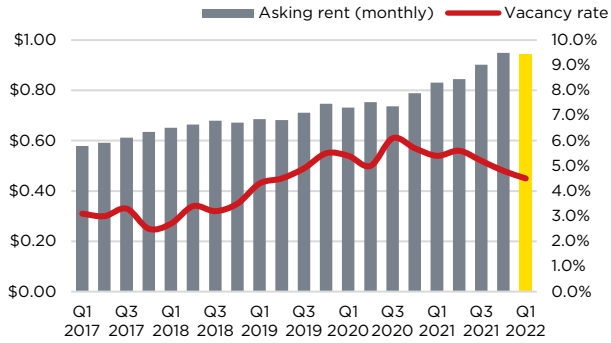
Outlook

- To mitigate rising labor costs across the region, companies are optimizing their supply chains using technology and this automation could affect industry job growth this year
- While still strong, demand for logistics space could temper in 2022 as rising interest rates and waning federal stimulus pose threats to consumer confidence and spending
- As companies shift to airfreight to alleviate supply chain holdups, Seattle is expected to see increased demand in the Snohomish County and Seatac submarkets, which are adjacent to the Sea-Tac and Paine Field airports

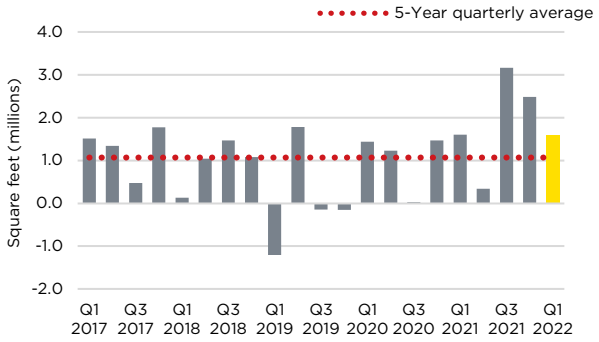
KEY STATISTICS

	Q1 2021	Q1 2022	y-o-y Change
Inventory	207.8 MSF	213.8 MSF	▲
Vacancy Rate	5.4%	4.5%	▼
Quarterly Net Absorption	1.6 MSF	1.6 MSF	◀▶
Under Construction	6.2 MSF	8.2 MSF	▲
Deliveries	1.0 MSF	1.0 MSF	◀▶
Asking Rental Rate (Monthly)	$0.83	$0.94	▲

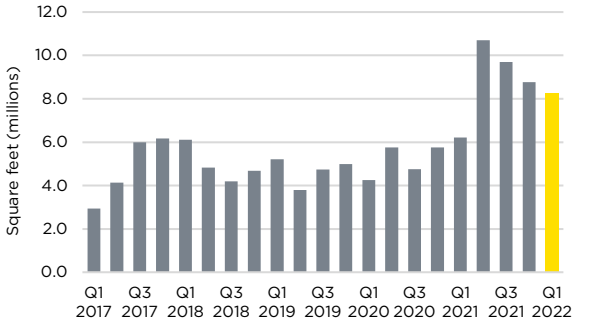
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

8.2M
square feet under construction, which has doubled in 2 years

13.5%
asking rent growth over the past 12 months

$0.81
average asking rent in the **Kent** submarket

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
Floor & Décor	1,118,480	17819 Canyon Road East	New	E Pierce County	DRK LLC
Samsung	544,514	2340 Taylor Way	Renewal	Port of Tacoma/Fife	DCT Blair Logistics Center, LLC
Tempur Sealy International	494,900	2800 Center Drive	New	Lakewood/Dupont	Duke Realty Corporation
Seagen	307.200	NW Sievers Duecy Road	New	Everett	Dermody Properties, Inc.
Biagi Brothers, Inc.	254.932	4503 D Street Northwest	Renewal	Federal Way/Auburn	DWS

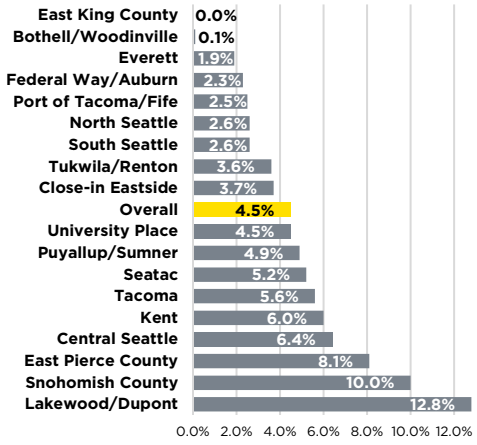
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Oak Street Real Estate Capital	303,000	1801 16th Avenue Southwest	$116,647,256	Central Seattle	Vigor Industrial
IDI Logistics	199,744	2450 East Main Avenue	$34,273,128	Puyallup/Sumner	Panattoni Development Company, Inc.
Oak Street Real Estate Capital	123,000	2400 13th Avenue Southwest	$63,914,649	Central Seattle	Vigor Industrial
ElmTree Funds	112,138	23226 Witte Road Southeast	$95,006,209	East King County	Panattoni Development Company, Inc.
Pine Forest Properties, Inc.	106,833	4201 156th Street Northeast	$14,500,000	Snohomish County	Web Industries Inc

Source: Savills Research

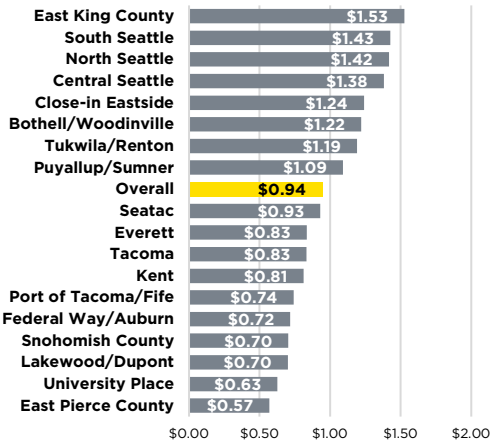
VACANCY RATE COMPARISON

Seattle/Puget Sound Industrial Submarkets



RENTAL RATE COMPARISON ($/SF)

Seattle/Puget Sound Industrial Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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