

# MARKETBEAT

## Seattle / Kent Valley

Industrial Q1 2019



### SEATTLE INDUSTRIAL

#### Economic Indicators

	Q1 18	Q1 19*	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,031k	2,071k	▲
Seattle-Tacoma-Bellevue Unemployment	4.2%	3.8%	▼
U.S. Unemployment	4.1%	3.8%	▼

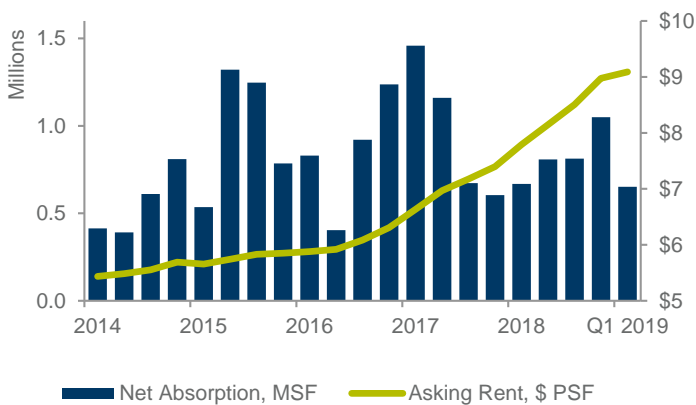
#### Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	3.5%	4.3%	■
YTD Net Absorption (sf)	1.8M	171k	▲
Under Construction (sf)	4.3M	2.5M	■
Average Asking Rent**	\$8.73	\$9.19	▲

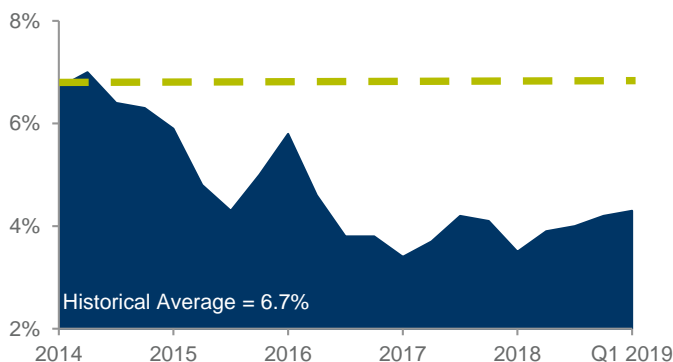
\*January-February 2019 data used to represent Economic Indicators for Q1 19  
 \*\*Rental rates reflect gross asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The Puget Sound region experienced record-high rates of job activity, investment, and construction heading into 2019. Nearly 40,000 new jobs were added year-over-year, with unemployment falling 40 basis points (bps) to 3.8% (matching the national rate). Investment in the region has been going strong, with \$1.7 billion worth of transactions recorded in the first quarter. Over 5.1 million square feet (msf) of office space was under construction in the region at the end of the quarter, with an additional 13.6 msf in the pipeline.

### Market Overview

The Seattle/Kent Valley industrial market reported an overall vacancy rate of 4.3% and an overall gross average asking rate of \$9.19 in the first quarter of 2019. On a year-over-year basis, vacancy rose 80 bps and rent rose \$0.46 (+5.3%). Net absorption was reported at +171,000 square feet (sf). Nearly 1.4 msf leased during the quarter.

The most significant lease transaction of the first quarter was Ashley Furniture preleasing the remainder of the PLD Blair project in the Fife/Milton submarket. The deal totals just over 428,000 sf. The project is due for completion by mid-2019.

The largest investment sale transaction was the purchase of 4800 E Valley Hwy in Sumner. Duke Realty acquired the 227,964-sf warehouse/distribution building from Exeter Property Group for \$36,100,000, or \$158 per square foot (psf). The property was 100% occupied at the time of sale.

### Outlook

Two buildings totaling nearly 203,000 sf were completed during the first quarter of the year. Just over 2.7 msf was under construction at the end of the quarter, 74% of which was actively marketed as available. This is providing a steady balance between supply and demand.

The trends are still on an upward trajectory, but both tenant demand and rental growth are slowly starting to stabilize. New developments are taking longer to be fully absorbed into the market relative to aggressive pre-leasing trends. New development projects are also moving south along I-5 into South Pierce and Thurston Counties.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)*	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (WD)*
<b>SEATTLE IN-CITY</b>	<b>592</b>	<b>44,283,874</b>	<b>71,527</b>	<b>4.5%</b>	<b>-118,114</b>	<b>0</b>	<b>\$20.45</b>	<b>\$9.93</b>	<b>\$10.93</b>	<b>\$13.07</b>
South Seattle	419	36,199,365	46,900	4.5%	-156,613	0	\$22.00	\$7.51	\$11.79	\$12.79
Queen Anne to SODO	99	5,330,978	20,000	6.3%	29,417	0	\$19.80	\$11.94	\$11.08	\$15.76
N of Ship Canal to 205 <sup>th</sup>	74	2,753,531	4,627	1.9%	9,082	0	\$0.00	\$12.00	\$0.00	\$11.34
<b>SOUTH KING COUNTY</b>	<b>1,453</b>	<b>107,751,887</b>	<b>51,870</b>	<b>3.9%</b>	<b>144,798</b>	<b>964,953</b>	<b>\$9.54</b>	<b>\$8.57</b>	<b>\$11.22</b>	<b>\$7.69</b>
SeaTac	74	6,113,858	0	7.5%	-12,413	457,211	\$0.00	\$0.00	\$9.00	\$7.96
Tukwila	212	13,276,590	17,505	3.4%	60,773	0	\$9.00	\$13.20	\$14.56	\$9.26
Renton	129	12,932,996	0	3.8%	-16,632	0	\$14.00	\$7.80	\$12.54	\$8.16
Kent	650	46,019,195	27,815	5.0%	6,653	219,910	\$0.00	\$9.82	\$10.20	\$7.34
Auburn/Federal Way	388	29,409,248	6,550	1.8%	106,417	287,832	\$0.00	\$6.60	\$9.47	\$7.37
<b>NORTH PIERCE COUNTY</b>	<b>397</b>	<b>42,715,131</b>	<b>6,237</b>	<b>4.8%</b>	<b>144,235</b>	<b>2,739,389</b>	<b>\$15.75</b>	<b>\$6.05</b>	<b>\$11.20</b>	<b>\$7.32</b>
Sumner	132	16,397,291	0	3.8%	-27,728	358,907	\$0.00	\$0.00	\$9.48	\$6.59
Puyallup	120	10,718,071	6,237	2.5%	-68,177	944,388	\$15.75	\$6.12	\$0.00	\$12.00
Fife/Milton	145	15,599,769	0	7.5%	240,140	428,228	\$0.00	\$6.00	\$13.52	\$7.74
<b>KENT VALLEY TOTALS (So. King &amp; No. Pierce)</b>	<b>1,850</b>	<b>150,467,018</b>	<b>58,107</b>	<b>4.2%</b>	<b>289,033</b>	<b>2,739,389</b>	<b>\$14.25</b>	<b>\$7.13</b>	<b>\$11.22</b>	<b>\$7.58</b>
<b>IN-CITY AND KENT VALLEY</b>	<b>2,442</b>	<b>194,750,892</b>	<b>129,634</b>	<b>4.3%</b>	<b>170,919</b>	<b>2,739,389</b>	<b>\$15.70</b>	<b>\$8.20</b>	<b>\$11.18</b>	<b>\$8.88</b>

\*Rental rates reflect gross asking \$psf/year

HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

### Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
PLD Blair – Bldg B	428,228	Ashley Furniture	Prelease	Fife/Milton
Pacific Gateway Business Park – P-152	245,670	Wilmar Corporation	New	Kent
Kent Valley I Distribution Center	145,871	Ricardo Beverly Hills	Renewal**	Kent
2601 W Valley Hwy N	123,360	Pacific Plumbing Supply	New	Auburn/Federal Way
Prologis Park Puyallup – Bldg 4	114,000	XPOLogistics	Renewal**	Puyallup
Tacoma Logistics Center – Bldg A	100,432	Stryder Motorfreight USA	New	Fife/Milton
Kent East Corporate Park – Bldg F	99,196	Plush Pippin	Renewal**	Kent
Van Doren's West – Bldg C	89,900	Interline Brands	New	Kent
Kent 216 Distribution Center	62,147	Metropolitan Hardwood Floors	Renewal**	Kent
4800 E Valley Hwy	62,000	Pacific Cascade	Sublease	Sumner
Fife Landing East – Bldg A	53,880	Affordable Luxury Group	New	Fife/Milton
Fife Landing East – Bldg A	52,573	Pacific Office Automation	New	Fife/Milton

\*\*Renewals are not included in Leasing Activity statistics

### Key Sale Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4800 E Valley Hwy	227,964	Exeter Property Group / Duke Realty	\$36,100,000 / \$158	Sumner
1208-1230 Andover Park E	87,195	Gray Cat Collective LLC / Lift Partners	\$11,300,000 / \$130	Tukwila

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