

SEATTLE INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18*	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,025k	2,094k	▲
Seattle-Tacoma-Bellevue Unemployment	4.2%	3.7%	▼
U.S. Unemployment	4.1%	3.7%	▼

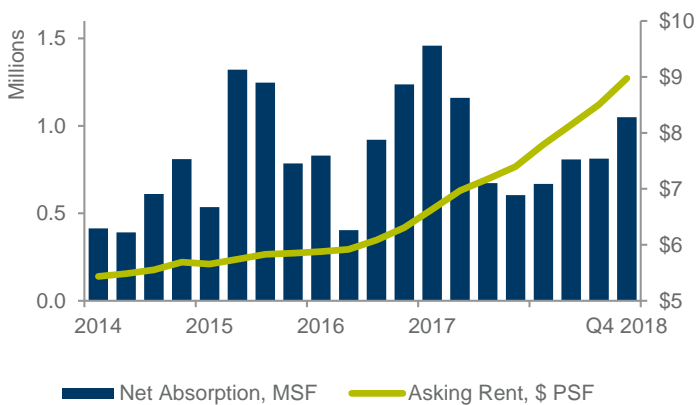
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.1%	4.2%	■
YTD Net Absorption (sf)	2.4M	4.2M	▲
Under Construction (sf)	4.0M	2.5M	▲
Average Asking Rent**	\$7.61	\$9.48	▲

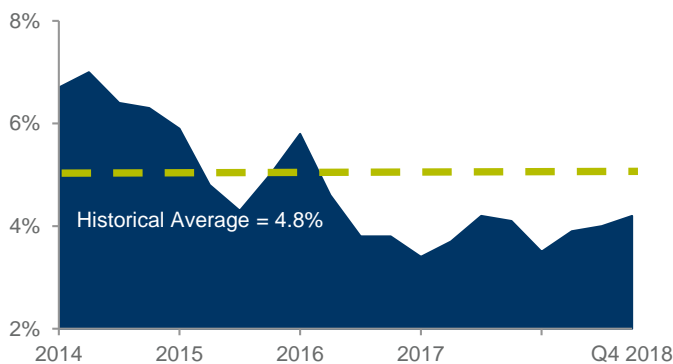
*October-November 2018 data used to represent Economic Indicators for Q4 18
 **Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. economy ended the year on a positive note, with solid growth, low inflation, and a strong labor market. The partial government shutdown that began in December is unlikely to make an immediate impact. GDP growth is expected to remain in the 2%-3% range, reflecting a softening but still healthy pace of economic activity. The Fed raised the fed funds rate to the 2.25%-2.5% range, the fourth hike of 2018. The unemployment rate dropped 40 basis points (bps) year-over-year to 3.7%, a near-50-year low.

In the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, the unemployment rate fell 50 bps year-over-year to 3.7%, with nearly 69,000 new jobs added. The top employers were in the trade, transportation, and utilities, professional and business services, and government sectors.

Market Overview

The Seattle / Kent Valley overall vacancy rate was reported at 4.2%, an increase of 10 bps on a year-over-year basis. The gross average asking rent rose to \$9.48 per square foot (psf), a \$1.87 psf increase from fourth quarter 2017. Overall net absorption for the year totaled +4.2 million square feet (msf).

Leasing activity for 2018 finished strong at 9.3 msf. The most significant lease transaction was signed by SBS Transportation, leasing about 445,000 square feet (sf) at Tacoma Logistics Center- Building B, located in the Fife/Milton submarket.

The largest 2018 investment sale transaction occurred in the Kent submarket. Mapletree Investments Ltd purchased Northwest Corporate Park – Buildings A-G & Prologis Park Kent, totaling 1.66-msf, from Prologis for just over \$185 million (\$112 psf).

Outlook

Six buildings totaling 1.9 msf were completed during the fourth quarter, bringing the total completions for 2018 to about 4.9 msf compared to 2.9 msf in 2017. At the end of the year, just over 2.5 msf is under construction, 66% of which is actively marketed as available. This is providing a steady balance between supply and demand.

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

MARKETBEAT

Seattle / Kent Valley

Industrial Q4 2018



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 (W/D)*
SEATTLE IN-CITY	591	44,212,414	158,615	4.2%	-89,671	71,460	\$21.31	\$11.40	\$9.99	\$12.77
South Seattle	419	36,199,365	137,442	4.0%	-92,055	0	\$22.00	\$10.48	\$11.74	\$12.93
Queen Anne to SODO	99	5,330,978	6,720	6.9%	-23,205	0	\$21.04	\$11.94	\$11.08	\$11.88
N of Ship Canal to 205 th	73	2,682,071	14,453	1.0%	25,589	71,460	\$0.00	\$13.80	\$0.00	\$11.28
SOUTH KING COUNTY	1,451	107,549,214	551,117	3.8%	2,429,426	1,110,160	\$9.54	\$9.84	\$11.80	\$8.27
SeaTac	74	6,113,858	0	7.3%	665,090	457,211	\$0.00	\$0.00	\$9.00	\$7.90
Tukwila	212	13,276,590	0	3.9%	336,546	0	\$9.00	\$13.20	\$15.28	\$9.11
Renton	129	12,932,996	273,375	3.6%	44,871	0	\$14.00	\$7.80	\$10.35	\$13.20
Kent	649	45,893,755	133,870	4.5%	1,075,523	225,899	\$0.00	\$11.88	\$10.21	\$7.21
Auburn/Federal Way	387	29,332,015	143,872	1.9%	307,396	427,050	\$0.00	\$6.60	\$9.47	\$7.43
NORTH PIERCE COUNTY	397	42,715,131	155,616	5.2%	1,859,586	1,348,295	\$15.75	\$6.01	\$11.48	\$7.59
Sumner	132	16,397,291	75,000	3.7%	540,857	358,907	\$0.00	\$0.00	\$9.48	\$7.26
Puyallup	120	10,718,071	58,476	1.9%	233,823	989,388	\$15.75	\$6.12	\$0.00	\$8.88
Fife/Milton	145	15,599,769	22,140	9.0%	1,084,906	0	\$0.00	\$6.00	\$13.52	\$7.74
KENT VALLEY TOTALS (So. King & No. Pierce)	1,848	150,264,345	706,733	4.2%	4,289,012	2,458,455	\$14.25	\$7.82	\$11.75	\$8.04
IN-CITY AND KENT VALLEY	2,439	194,476,759	865,348	4.2%	4,199,341	2,529,915	\$15.75	\$9.19	\$11.63	\$9.12

*Rental rates reflect asking \$psf/year

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

Key Lease Transactions 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Tacoma Logistics Center – Building B	444,428	SBS Transportation	New	Fife/Milton
Sumner Landing – Building A	428,056	Expeditors International	Renewal**	Sumner
Frederickson Pacific Industrial Park – Bldg. A	405,000	Best Buy	New	Puyallup
Pacific Coast Corporate Park II	402,342	CMI Transportation	Renewal**	Fife/Milton
Van Doren's West – Building A	342,484	Ace Hardware	Renewal**	Kent
DCT Blair Distribution Center – Building A	340,000	Samsung	New	Fife/Milton
Park 277 – Building A	322,465	TMX Aerospace	Renewal**	Auburn
DCT Hudson Distribution Center	287,832	Youngs Distributing	New	Auburn
Pacific Gateway – Building 041	264,679	HD Supply	Renewal**	Kent
Toysmith Building	264,282	The Toysmith Group	Renewal**	Sumner

**Renewal- not included in Leasing Activity Statistics

Key Sale Transactions 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Northwest Corporate Park: Buildings A-G & Prologis Park Kent	1,660,055	Prologis / Mapletree Investments Ltd	\$185,306,529 / \$112	Kent
Des Moines Creek – Phase IV – Bldgs. A & B	512,141	Panattoni Development Company / Duke Realty Corporation	\$111,000,000 / \$217	SeaTac
Prologis Park SeaTac – Buildings A-F	490,175	Prologis / LBA Realty	\$98,500,000 / \$201	SeaTac

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