

# MARKETBEAT INDUSTRIAL SNAPSHOT

## SEATTLE, WA (KENT VALLEY)

A Cushman & Wakefield Alliance Research Publication

Q1 2015



### ECONOMIC OVERVIEW

The U.S. economy continued to add jobs at a high rate as job growth expanded by 2.4% over the last year, pushing the unemployment rate to just 5.5%. Even with stronger employment numbers, wage pressure remained moderate, mainly occurring in

specialized jobs.

The Seattle-Tacoma-Bellevue Metropolitan Statistical Area continued to expand at a pace above the overall U.S., adding jobs at a rate of 3.1%, with employment gains occurring in every category. The unemployment rate remained in line with the U.S. rate at 5.5%. Construction led all job sectors with 12.6% growth followed by Professional and Business Services at 4.2%.

Nationally, the ISM MFG Index, a survey based on the general direction of production, new orders, employment, supplier deliveries and inventories fell to 51.5. A score in excess of 50 indicates growth in the manufacturing sector. Although this is the lowest score since May 2013, the primary cause of decline is a strong U.S. dollar which caused exports from the U.S. to be more expensive to other countries.

### INDUSTRIAL MARKET OVERVIEW

The Kent Valley had a strong first quarter, experiencing almost 526,000 square feet (sf) of direct absorption across all submarkets. Although down compared to an abnormally high Q1 2014, leasing activity was a respectable 910,144 sf, with the most activity occurring in the Kent, Auburn, and Sumner submarkets.

Sumner was the most active submarket during Q1 2015, partly due to Cooper Tire & Rubber's announcement of a 140,386-sf expansion at 3012 142<sup>nd</sup>. The company now fully occupies the nearly 279,000-sf building. Additionally, CTE Logistics signed a lease for 62,895 sf at the Sockeye Building, and will move into the space at the end of Q2.

New construction deliveries was limited to 263,272 sf during Q1; however, there is an additional 3.3 million square feet (msf) that is expected to be completed by the end of the year. The majority of available space currently under construction is in the Fife submarket, which will have around 743,000 sf of additional inventory by Q3 2015.

### OUTLOOK

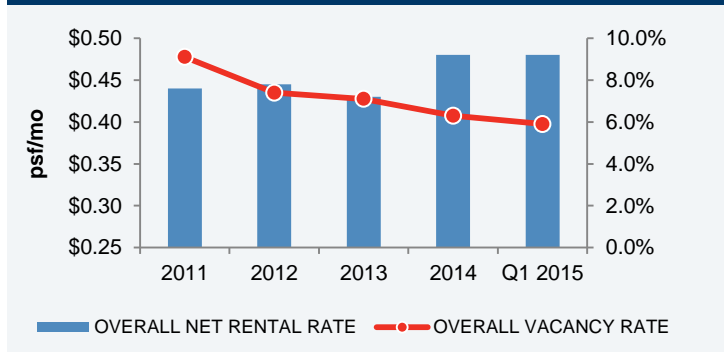
The estimated 3.3 msf that is currently under construction in 2015 is expected to test the depth of the market. Even with all this new

product, absorption is expected to continue to outpace this product and keep vacancy rates across the entire Kent Valley level and lease rates are expected to increase modestly. The unknown factor that could change it will be speculative development. Speculative development tends to outpace demand just enough that built-to-suit projects are rare outside of very unique user requirements. More developers will continue to bring product to the market as lease rates increase.

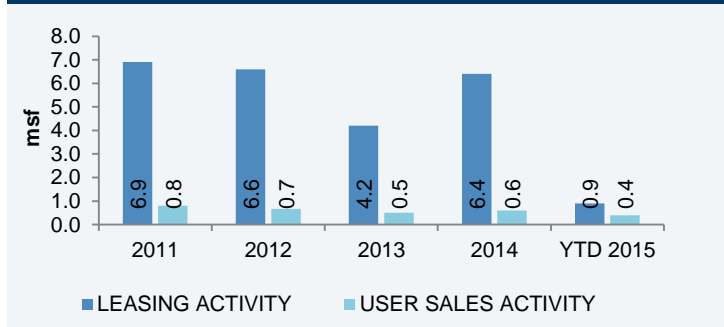
### STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.7%	5.9%	-0.8 pp	▲
Direct Asking Rents (psf/mo)	\$0.49	\$0.48	-2.0%	▲
YTD Leasing Activity (sf)	2,237,529	910,144	-59.3%	▲

### OVERALL RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								HT	MF	OS	W/D
SeaTac	3,333,577	6.9%	43,717	33,528	535,958	0	37,490	\$0.00	\$0.00	\$0.79	\$0.53
Tukwila	12,336,723	6.8%	48,878	18,648	75,000	0	20,000	\$0.60	\$0.55	\$0.75	\$0.52
Renton	14,792,890	1.7%	48,670	0	0	0	(42,555)	\$0.00	\$0.30	\$0.67	\$0.63
Kent	43,326,519	4.8%	423,042	11,200	811,000	0	284,088	\$0.00	\$0.59	\$0.65	\$0.42
Auburn	25,955,702	2.7%	142,298	263,291	246,761	34,432	140,419	\$0.00	\$0.39	\$0.42	\$0.42
<b>S. King Co. Total</b>	<b>99,745,411</b>	<b>4.1%</b>	<b>706,605</b>	<b>326,667</b>	<b>1,668,719</b>	<b>34,432</b>	<b>439,442</b>	<b>\$0.60</b>	<b>\$0.46</b>	<b>\$0.70</b>	<b>\$0.45</b>
Sumner	13,062,021	15.8%	620,909	0	510,434	0	0	\$0.00	\$0.00	\$0.46	\$0.38
Puyallup	8,769,298	8.6%	91,326	39,200	365,063	165,290	0	\$1.33	\$0.32	\$0.00	\$0.47
Fife/Milton	10,223,840	9.1%	590,340	0	742,784	63,550	0	\$0.00	\$0.42	\$0.73	\$0.48
<b>N. Pierce Co. Total</b>	<b>32,055,159</b>	<b>11.7%</b>	<b>1,302,575</b>	<b>39,200</b>	<b>1,618,281</b>	<b>228,840</b>	<b>0</b>	<b>\$1.33</b>	<b>\$0.33</b>	<b>\$0.64</b>	<b>\$0.41</b>
<b>TOTALS</b>	<b>131,800,570</b>	<b>5.9%</b>	<b>910,144</b>	<b>365,867</b>	<b>3,287,000</b>	<b>263,272</b>	<b>439,442</b>	<b>\$1.07</b>	<b>\$0.42</b>	<b>\$0.69</b>	<b>\$0.43</b>

\*Rents are per square foot per month

## MARKET HIGHLIGHTS

Significant Q1 2015 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3012 142 <sup>nd</sup> Ave E	Sumner	Cooper Tire & Rubber Co.	Warehouse/Distribution	140,386
500 Milwaukee Ave N	Auburn	Central Garden Pet Co.	Warehouse/Distribution	117,730
1150 Industry Dr. N	Auburn	Tim's Cascade Snacks	Warehouse/Distribution	97,690
410 Valley Ave NW	Puyallup	Comcast	Warehouse/Distribution	81,600
4267 142 <sup>nd</sup> Ave E	Sumner	CTE Logistics	Warehouse/Distribution	62,895
Significant Q1 2015 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Algona II Distribution Center	Auburn	Precision CastParts Corp.	\$28,253,716 / \$107	263,291
Livingston Building	Auburn	Service Hydraulics	\$3,000,000 / \$62	48,156
Significant Q1 2015 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Salmon Creek Corp. Park Building A	Puyallup	Speculative	Q1 2015	134,600 (0%)
DCT Fife 45 South	Fife/Milton	Speculative	Q1 2015	63,550 (0%)
1417 West Valley Hwy N-Building B	Auburn	Speculative	Q1 2015	34,432 (0%)
Riverside 5 Industrial Park Lot 3	Puyallup	Speculative	Q1 2015	30,690 (0%)
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Stryker Business Center – Building 1	Kent	Amazon.com	Q3 2015	811,000 (100%)
Portside Business Center	Fife/Milton	Speculative	Q2 2015	485,500 (0%)
Sumner Corporate Park-Cascade Building	Sumner	Speculative	Q3 2015	385,468 (0%)
North Auburn Logistics	Auburn	Speculative	Q3 2015	246,761 (0%)
The Steele Building	Puyallup	Speculative	Q2 2015	206,463 (0%)