

MARKETBEAT

Seattle / Kent Valley

Industrial Q2 2017



SEATTLE INDUSTRIAL

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	1,947k	1,997k	▲
Seattle-Tacoma-Bellevue Unemployment	4.6%	3.7%	▼
U.S. Unemployment	4.9%	4.4%	■

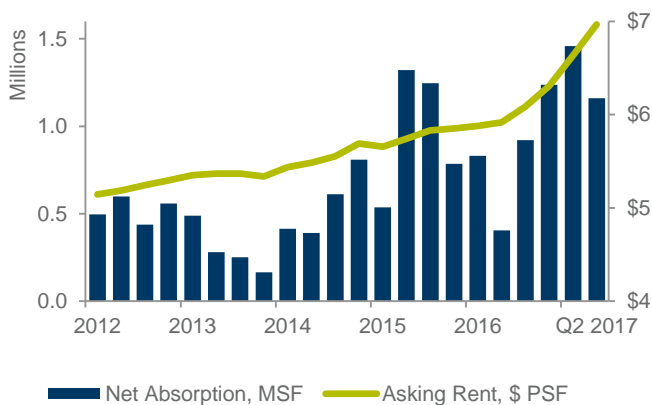
Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	5.4%	3.7%	▼
YTD Net Absorption (sf)	1.9M	1.6M	▲
Under Construction (sf)	1.1M	2.7M	▲
Average Asking Rent*	\$6.04	\$7.38	▲

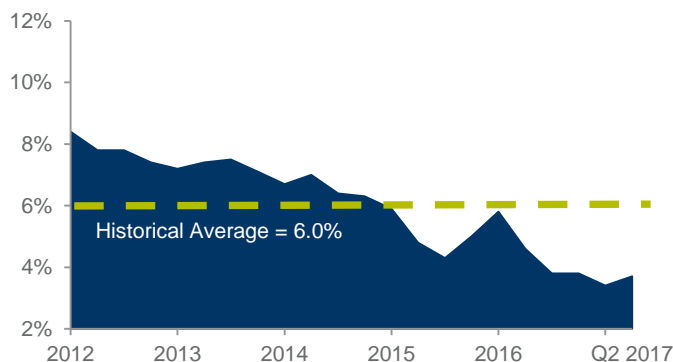
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. economy reported modest growth in the second quarter of 2017. The Federal Reserve raised its target interest rate for the third time in six months, up 25 basis points (bps) to a range of 1.00% to 1.25%. The unemployment rate was below 5.0% for the sixth straight quarter.

In the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, unemployment fell 0.9% year-over-year as 50,000 jobs were added. The tech industry remains a key driver on employment. Seattle was ranked sixth on the list of Top Tech Cities in Cushman & Wakefield's Tech Cities 1.0 report, published in June. This ranking was based on several factors, including venture capital funding, talent, and growth entrepreneurship.

Market Overview

Kent Valley submarkets overall vacancy rate is 3.7%, decreasing by 170 bps on a year-over-year basis. The overall average asking rent reported \$7.38 per square foot (psf), a \$1.34 psf increase from first quarter 2016.

Overall net absorption totaled positive 1.6 million square feet (msf). Leasing activity for second quarter 2017 is just over 2.2 msf. The largest new lease transaction was signed in the SeaTac submarket, with Bartell Drug Company leasing 268,000 square feet (sf) at Des Moines Creek Business Park – Phase IV – Building A, set to start construction in August 2017.

The largest investment sale transaction in Seattle / Kent Valley was in the Tukwila submarket. RREEF Management LLC, managed by Deutsche Bank, purchased four buildings in Tukwila Commerce Park for \$33 million (\$203 psf) from LACERA, also managed by Deutsche Bank. This was part of a nineteen-building portfolio with an overall purchase price of \$112 million.

Outlook

Just over 500,000 sf was delivered in Kent Valley during second quarter 2017. Over 3 msf of industrial product is set to be delivered in Kent Valley in 2017, 57% of which is actively marketed as available. The majority of this speculative development is primarily along the I-5 corridor and SR-167 between Tacoma and Seattle.

There is a shortage of supply of industrial space relative to demand in Kent Valley. The greatest issue is available land for development, giving an advantage to developers currently active in the market. Moving forward we are expecting a good portion of projects to be located in Pierce County as King County sites are increasingly rare.

MARKETBEAT

Seattle / Kent Valley

Industrial Q2 2017



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)
SOUTH KING COUNTY	1,443	105,495,333	918,238	3.1%	25,151	1,037,476	\$7.84	\$6.90	\$12.85	\$7.14
SeaTac	70	5,141,247	40,755	2.8%	811,693	512,141	\$0.00	\$0.00	\$0.00	\$7.89
Tukwila	212	13,176,887	549,629	6.1%	-290,864	0	\$7.80	\$0.00	\$14.17	\$7.10
Renton	129	12,902,685	96,252	1.1%	64,344	0	\$10.80	\$5.88	\$11.26	\$11.37
Kent	646	45,208,917	143,216	3.5%	-355,860	263,782	\$0.00	\$7.06	\$10.53	\$6.81
Auburn	386	29,065,597	88,386	2.0%	-204,162	261,553	\$0.00	\$9.00	\$8.88	\$6.77
NORTH PIERCE COUNTY	384	38,600,856	0	5.3%	1,576,852	1,610,345	\$14.75	\$4.03	\$10.10	\$5.91
Sumner	130	15,866,059	0	6.4%	844,098	55,660	\$0.00	\$0.00	\$0.00	\$5.40
Puyallup	117	10,149,849	0	5.3%	55,263	561,565	\$14.75	\$6.12	\$0.00	\$6.41
Fife/Milton	137	12,584,948	0	3.9%	677,491	993,120	\$0.00	\$0.00	\$10.10	\$6.77
KENT VALLEY TOTALS	1,827	144,096,189	918,238	3.7%	1,602,003	2,647,821	\$11.50	\$5.95	\$12.51	\$6.65

*Rental rates reflect asking \$psf/year

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

PROPERTY TYPE	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 Q3-2016	OVERALL WEIGHTED AVG. NET RENT Q4-2016	OVERALL WEIGHTED AVG. NET RENT Q1-2017	OVERALL WEIGHTED AVG. NET RENT Q2-2017
Warehouse/Distribution	1,355	110,779,069	562,194	3.8%	1,497,868	2,647,821	\$6.11	\$6.12	\$6.31	\$6.65
Manufacturing	271	25,607,723	0	1.2%	106,992	0	\$4.10	\$4.90	\$5.46	\$5.95
Office Service/Flex	182	5,500,757	356,044	5.5%	8,748	0	\$9.83	\$10.72	\$12.39	\$12.51
High Tech/Flex	19	2,208,640	0	21.1%	-11,605	0	\$11.76	\$11.52	\$11.54	\$11.50

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Des Moines Creek BP Phase IV – Building A	268,013	Bartell Drug Company	New	SeaTac
Bridge Point Burien – 1010 S 146 th Street	241,140	WDS	New	SeaTac
CenterPoint Kent Warehouse – 26600 72 nd Ave	220,800	Classic Accessories	New	Kent
North Country Business Park – Building A	142,278	Pacific Cascade Distribution, Inc.	New	Sumner
Chinook Building – 4095 142 nd Ave E	118,912	Alliance Door Products	New	Sumner
Enterprise Center Fife	111,785	Lennox Industries	New	Fife/Milton
Emerald Corporate Park – Building C	110,693	Gist World USA	New	Auburn
Kent East Corporate Park – Building F	102,612	Summit NW Corporation	New	Kent

*Renewal- not included in Leasing Activity Statistics

Key Sale Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Tukwila Commerce Park – 4 Buildings	162,509	LACERA (LA County Employers Retirement Association) / RREEF	\$33,000,000 / \$203	Tukwila

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Cushman & Wakefield
1420 Fifth Ave, Suite 2600
Seattle, WA 98101
cushmanwakefield.com

For more information, contact:
Rebecca Lloyd
Senior Research Specialist
Tel: +1 206 521 0297
rebecca.lloyd@comre.com

Copyright © 2017 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. Alliance firms are independently owned and operated.