



MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.2% Vacancy Rate	▲	▲
-659K YTD Net Absorption, SF	▲	▲
\$1.04 Asking Rent, PSF (Overall, Net Asking Rent)	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1M Seattle Employment*	▲	▲
5.0% Seattle Unemployment Rate*	▲	▲
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS
*Q3 2026 figures are based on latest available data

ECONOMY: Job Count and Unemployment Both Rise

The Seattle metro area added 14,600 jobs year-over-year (YOY), with the latest total figure at over 2.1 million. The unemployment rate, however, also rose, up 40 basis points (bps) YOY to 5.0%, above the U.S. rate of 4.2%. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices advanced 4.4% YOY, driven by higher energy (+15.9%) and food (+5.3%) costs. Minus food and energy, the index rose 3.3% YOY, mainly due to cost increases to recreation (+7.0%) and shelter (+2.6%).

SUPPLY AND DEMAND: Momentum Builds as Market Nears Bottom

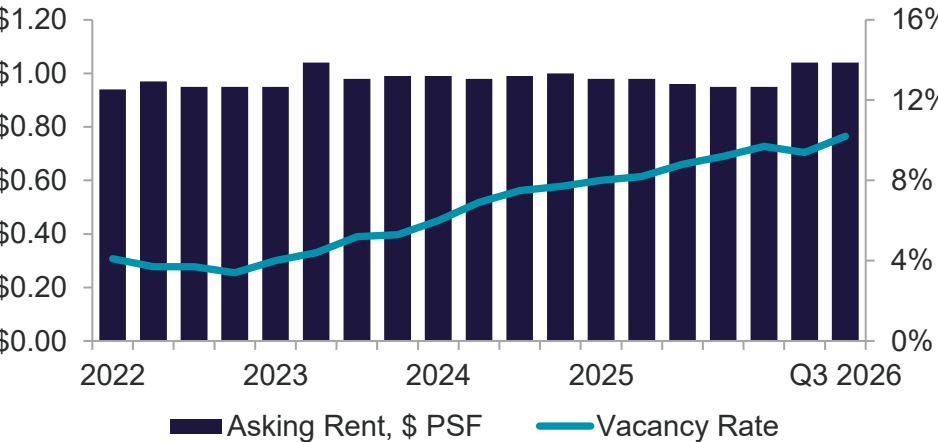
The Seattle industrial market has edged above the 10.0% vacancy threshold in 2026, ending the third quarter at 10.2%, up 140 bps YOY. Vacancy growth was driven by a combination of recent speculative deliveries, tenant consolidations, and several large spaces vacated.

Overall absorption in the third quarter turned heavily red to the tune of negative 1.2 million square feet (msf), pushing the year-to-date (YTD) total into the red as well, reaching negative 659,000 square feet (sf). Despite the rise in availability, brokers are beginning to report noticeably healthier leasing fundamentals than the statistics alone suggest, something that is expected to become evident over the next few quarters. The environment is becoming increasingly transactional, lease proposals have expanded, and occupiers are actively re-entering the market. In particular, demand for large-block industrial space in the 300,000 to 700,000-sf range has improved significantly, while advanced manufacturing and aerospace-related users continue to lead all other sectors with the most active requirements.

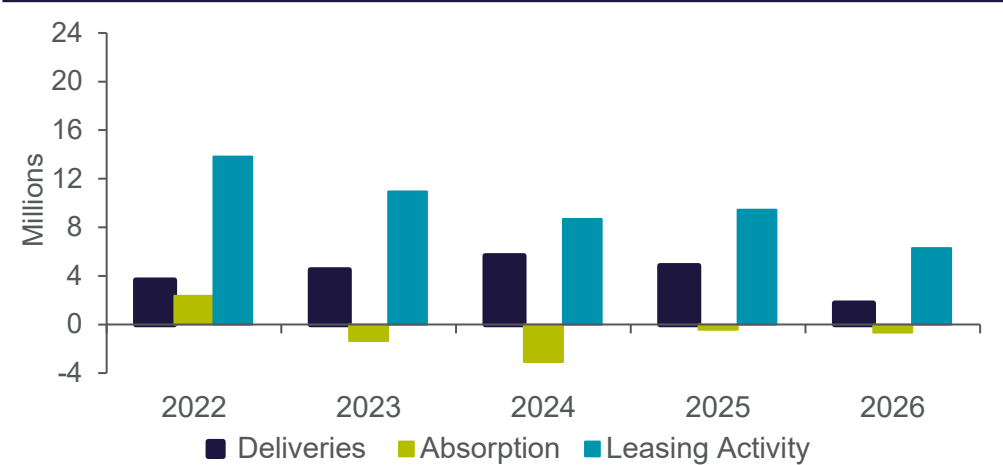
SPACE DEMAND / DELIVERIES



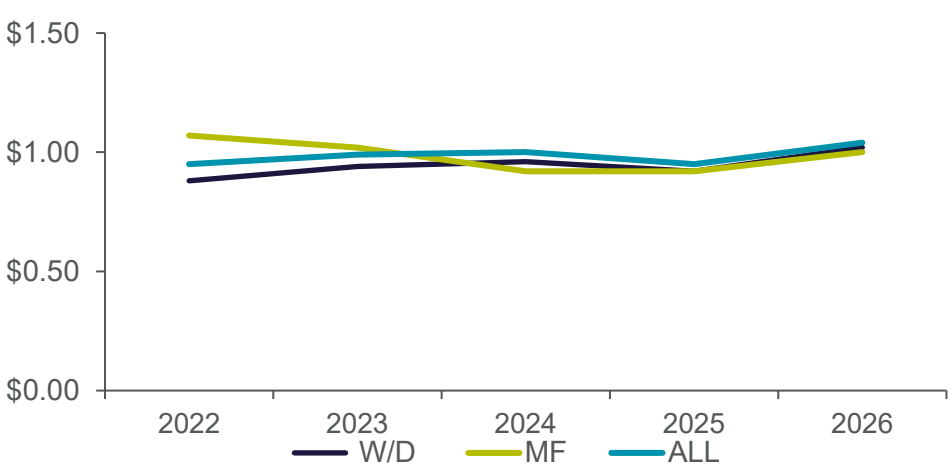
OVERALL VACANCY & ASKING RENT



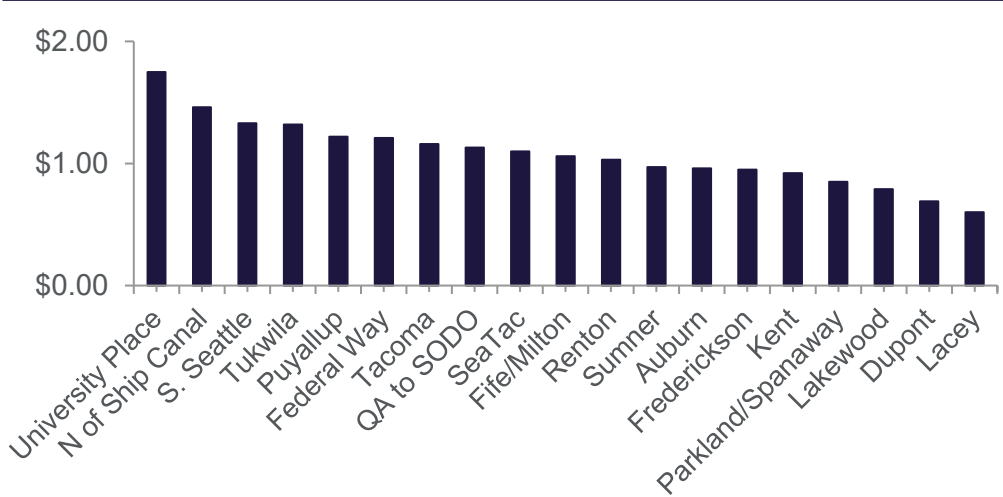
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



PRICING: Emerging Competitive Conditions Still Favor Occupiers

While occupancy fundamentals softened during the year, rents continued moving in the opposite direction. Average asking rents in Seattle increased 8.3% YOY to \$1.04 per square foot (psf) on a monthly triple-net (NNN) basis. Much of this resilience has been driven by landlords' focus on preserving face rates while instead utilizing concessions and creative lease structures to secure tenancy. Industry discussions also note another tactic called "space pocketing", where tenants commit to large blocks of space but phase occupancy over time. This creates additional negotiation points and adds options for tenants, although NNN expenses, insurance costs, and net taxes continue to pose challenges. Diligent landlords remain aggressive in protecting occupancy and maintaining competitiveness, which may allow rental rates to creep down in the coming quarters.

CONSTRUCTION: Shrinking Pipeline to Support Future Recovery

A more significant shift within the Seattle industrial market continues to be on the supply side. A total of over 1.1 msf (100% vacant) across three projects was added to the market in the third quarter, bringing the YTD total to just under 2.9 msf. What appeared to be a positive quarter for new development gave way to pipeline contraction that were still very much present. Just four projects remain under construction, totaling just under 1.3 msf, with another 14.4 msf of proposed projects in the pipeline. New projects struggle to break ground amid leasing risk, financing costs, and higher vacancy levels. This slowdown is, however, increasingly being viewed as a positive long-term catalyst which should allow organic growth to absorb existing inventory. The reduction in future supply is expected to help stabilize vacancy and improve landlord pricing power over the coming years.

LEASING ACTIVITY: Better Second Half in Store

While leasing volume in the third quarter of 2026 rose 31.8% YOY, surpassing 2.2 msf, the overall market activity remains behind last year's pace, with 6.3 msf leased YTD compared to 7.1 msf through the third quarter of 2025. Equally notable, market sentiment surrounding leasing activity has improved substantially compared to the first half of the year. Brokers consistently describe the environment as far more active, with increased competition among tenants and landlords alike. The South King County submarkets have been a driving force, accounting for 56.6% of all deals YTD. Renewals remain a large component of market activity and often extend transaction timelines, creating a "hurry up and wait" environment in which deals remain active but require extended periods to reach execution. Nevertheless, active proposals across most client requirements, increased institutional interest, and stronger engagement in larger box spaces are trending higher, even if completed deal statistics have not yet fully reflected the improved sentiment.

OUTLOOK

- Seattle vacancy is expected to remain elevated heading into 2027, though improving tenant demand should support gradual market stabilization.
- Rent growth is likely to remain limited in the near term as pricing power remains with occupiers.
- The thinned construction pipeline is propping up the Seattle market for stronger organic absorption heading into 2027.
- Leasing activity is expected to gain momentum as proposal volume increases and larger occupiers become more active.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (W/D)	OVERALL WEIGHTED AVG NET RENT
South Seattle	35,436,907	3,249,391	9.2%	23,617	-355,996	\$1.72	\$1.60	\$1.52	\$1.28	\$1.33
Queen Anne to SODO	4,071,704	398,752	9.8%	-9,187	-24,887	\$2.25	\$1.15	\$1.13	\$1.05	\$1.13
North of Ship Canal to 205 th	2,963,876	293,073	9.9%	8,192	-28,878	\$0.00	\$1.64	\$1.75	\$1.34	\$1.46
SEATTLE IN-CITY TOTALS	42,472,487	3,941,216	9.3%	22,622	-409,761	\$1.84	\$1.40	\$1.43	\$1.26	\$1.31
SeaTac	6,777,438	361,925	5.3%	-10,094	87,758	\$0.00	\$1.50	\$0.00	\$1.09	\$1.10
Tukwila	14,569,620	1,441,887	9.9%	23,995	239,487	\$0.00	\$1.66	\$0.00	\$1.19	\$1.32
Renton	15,450,454	520,064	3.4%	106,021	162,841	\$0.00	\$0.00	\$1.32	\$1.02	\$1.03
Kent	48,897,496	5,371,807	11.0%	-426,199	-1,213,056	\$0.00	\$1.12	\$0.81	\$0.92	\$0.92
Auburn	29,435,094	1,219,252	4.1%	-150,292	-39,007	\$0.00	\$1.46	\$0.90	\$0.95	\$0.96
Federal Way	1,971,091	286,505	14.5%	-11,762	-23,584	\$0.00	\$1.31	\$0.00	\$1.20	\$1.21
SO. KING CO. TOTALS	117,101,193	9,201,440	7.9%	-468,331	-785,561	\$0.00	\$1.49	\$0.85	\$1.00	\$1.03
Sumner	20,442,517	2,597,551	12.7%	-56,305	280,651	\$0.00	\$1.25	\$0.00	\$0.97	\$0.97
Puyallup	7,131,664	723,273	10.1%	-9,186	67,779	\$2.00	\$0.00	\$0.94	\$0.97	\$1.22
Fife/Milton	16,231,527	2,433,535	15.0%	-171,429	-278,684	\$0.00	\$0.64	\$0.00	\$1.06	\$1.06
Tacoma	24,671,122	3,771,956	15.3%	-298,698	-309,362	\$0.00	\$1.00	\$0.65	\$1.20	\$1.16
NO. PIERCE CO. TOTALS	68,476,830	9,526,315	13.9%	-535,618	-239,616	\$2.00	\$0.94	\$0.72	\$1.09	\$1.09
Parkland/Spanaway	1,921,646	546,370	28.4%	0	-400	\$0.00	\$0.00	\$0.00	\$0.85	\$0.85
Frederickson	16,872,703	2,041,289	12.1%	-257,400	852,754	\$0.00	\$0.00	\$0.00	\$0.95	\$0.95
University Place	220,477	9,678	4.4%	0	0	\$0.00	\$2.37	\$0.00	\$1.50	\$1.75
Lakewood	6,818,482	795,303	11.7%	26,702	142,784	\$0.00	\$1.10	\$0.00	\$0.77	\$0.79
Dupont	4,693,470	693,827	14.8%	0	-189,136	\$0.00	\$0.00	\$0.00	\$0.69	\$0.69
Lacey	12,235,455	876,155	7.2%	1,274	-29,648	\$0.00	\$0.00	\$0.00	\$0.60	\$0.60
SOUTH SOUND TOTALS	42,762,233	4,962,622	11.6%	-229,424	776,354	\$0.00	\$1.24	\$0.00	\$0.80	\$0.81
SEATTLE TOTALS	270,812,743	27,631,593	10.2%	-1,210,751	-658,584	\$1.96	\$1.43	\$1.00	\$1.02	\$1.04

*Rental rates reflect weighted net asking \$psf/month

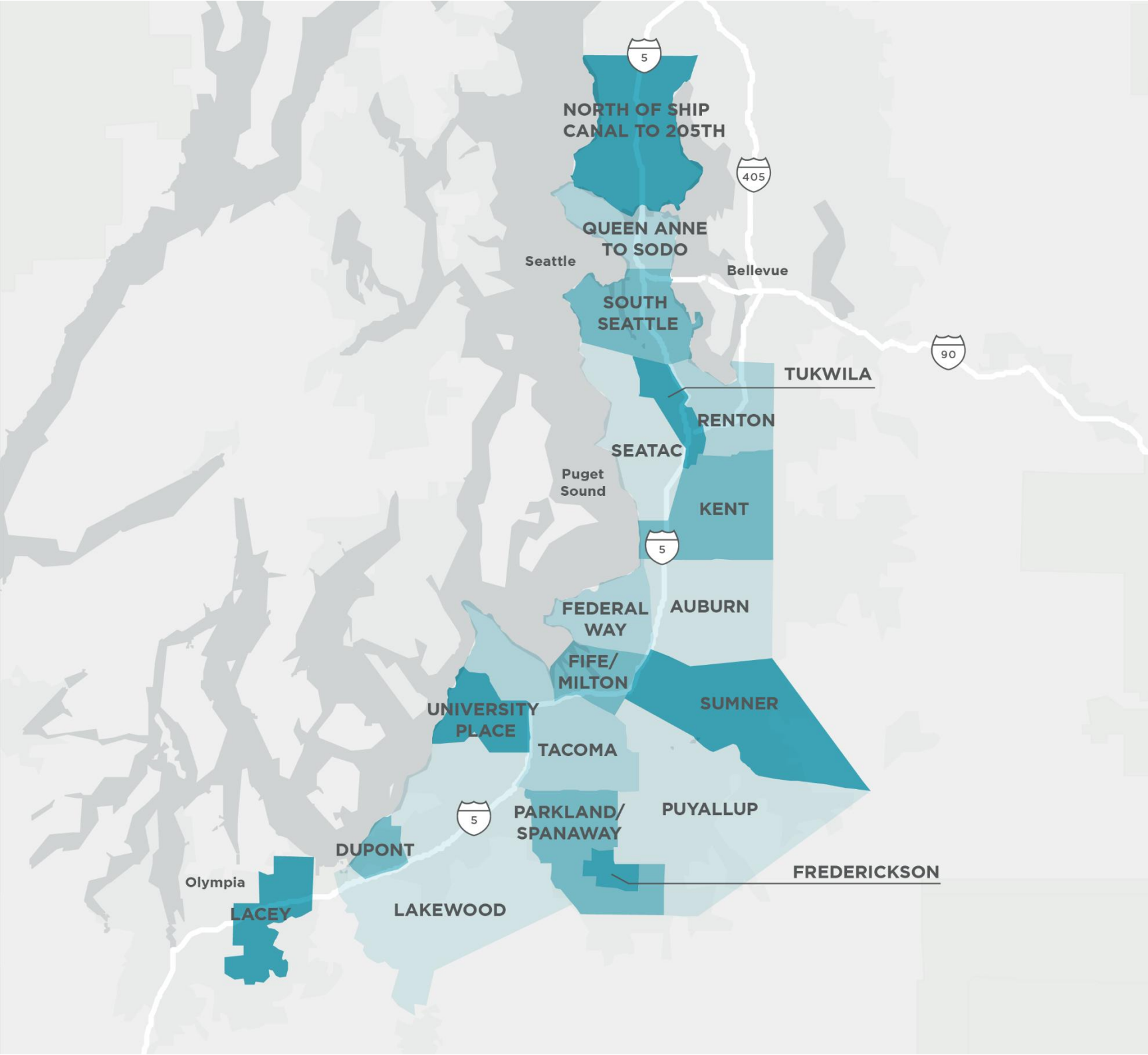
HT = High-Tech; OS = Office Service/Flex; MF = Manufacturing; W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Sumner Central	Sumner	Holman Logistics	427,253	Expansion & Renewal**
Des Moines Creek Business Park West	SeaTac	Shield AI	405,680	New Lease
Kent 228 th Logistics Center	Kent	Cowboy Space	288,035	Renewal**
Seattle Gateway Center 2	SeaTac	National Tire Wholesale	133,417	Expansion & Renewal**

**Renewals are not included in leasing statistics

INDUSTRIAL SUBMARKETS



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