



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
6.9% Vacancy Rate	▲	▲
-611K YTD Net Absorption, SF	▼	▼
\$1.13 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.1M Seattle Employment	▲	▲
4.5% Seattle Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Seattle Metro Still Mixed

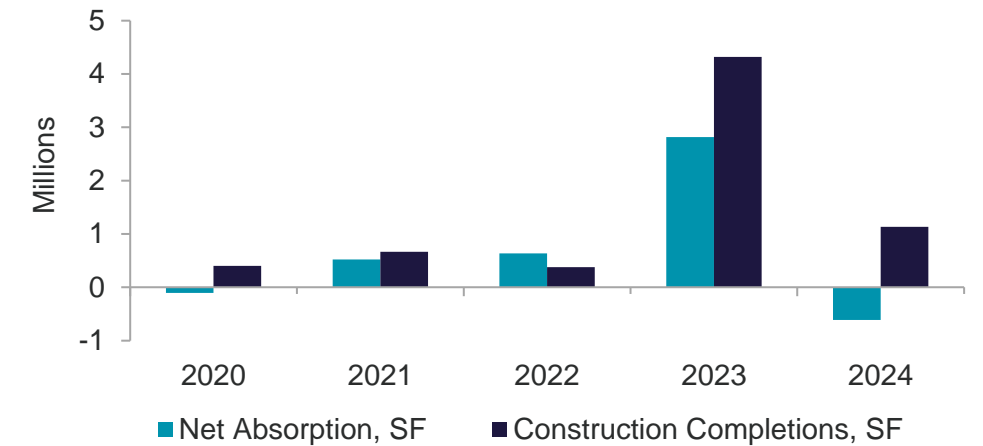
The Seattle metro area economy evened out at the end of 2024, though layoffs continued and expansion in the tech sector slowed. Employment increased by 5,500 jobs year over year (YOY), bringing the year-to-date (YTD) total to 2.1 million. The unemployment rate rose 50 basis points (bps) to 4.5%, just above the U.S. rate of 4.2%. Per Placer.ai data, downtown Seattle averaged nearly 91,000 workers per weekday in November, the third-highest figure since March 2020. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices increased 3.0% YOY, driven by higher food costs and lower energy costs, especially gasoline. Minus food and energy, the index rose 3.8% YOY, driven by increases to shelter and medical care.

SUPPLY AND DEMAND: Vacancy Climbs Further

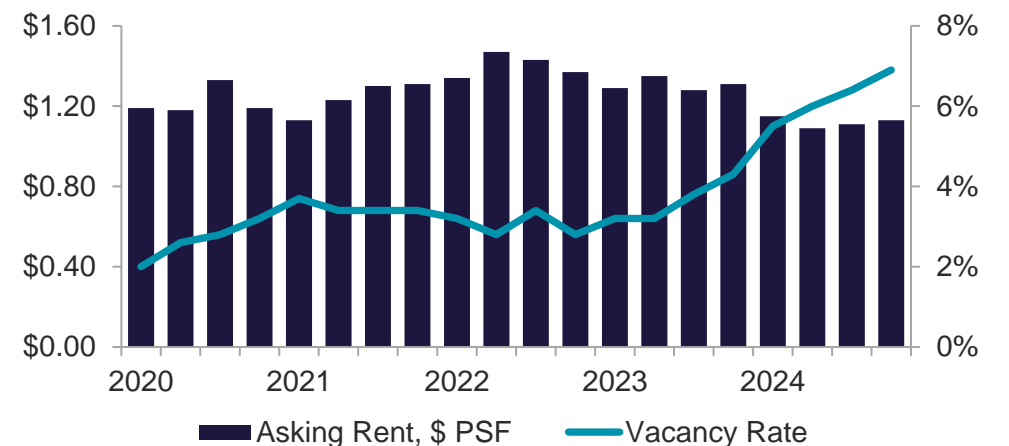
The Puget Sound-Eastside industrial market reported a vacancy rate of 6.9% in the fourth quarter of 2024, a YOY increase of 260 bps. The highest vacancy rate was recorded in the North Snohomish (10.9%) and Bellevue (9.9%) submarkets, while the lowest were in the Edmonds/Mountlake Terrace/Lynnwood (1.3%) and Kirkland (2.4%) submarkets. A combination of the lack of large block tenants seeking space and an increase in subleases were responsible for the rise in vacancy. A somewhat longer-term trend of tenants relocating to newer and less expensive submarkets south of Seattle has also been a key factor in the uptick in vacancy.

Overall absorption for the fourth quarter registered negative 294,000 square feet (sf), were an improvement over the negative 346,000 sf posted one year ago. This took the year-end (YE) total to negative 611,000 sf in what has become a somewhat difficult market to navigate for landlords and tenants alike. Moving into 2025, expect new occupiers to remain outpaced by moveouts and downsizing as absorption trends further into the red.

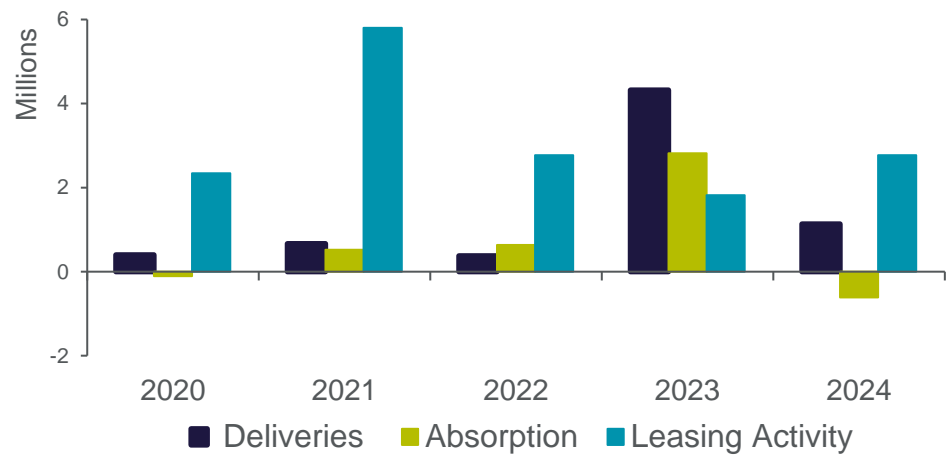
SPACE DEMAND / DELIVERIES



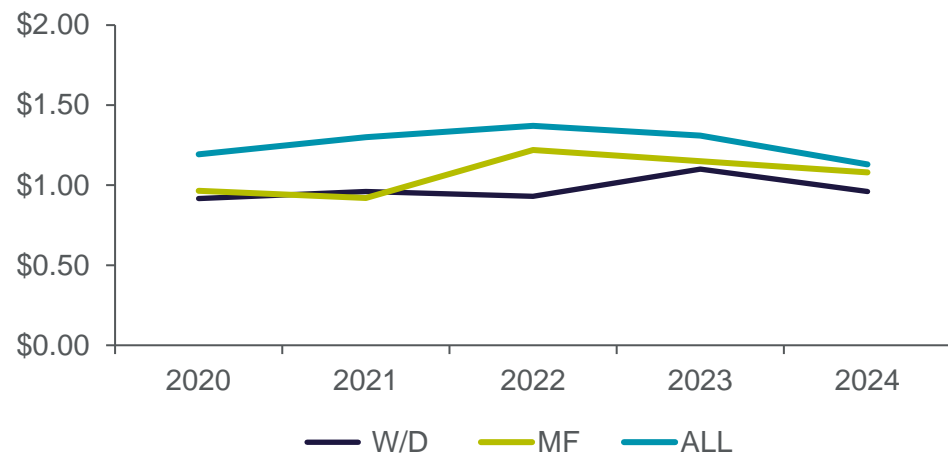
OVERALL VACANCY & ASKING RENT



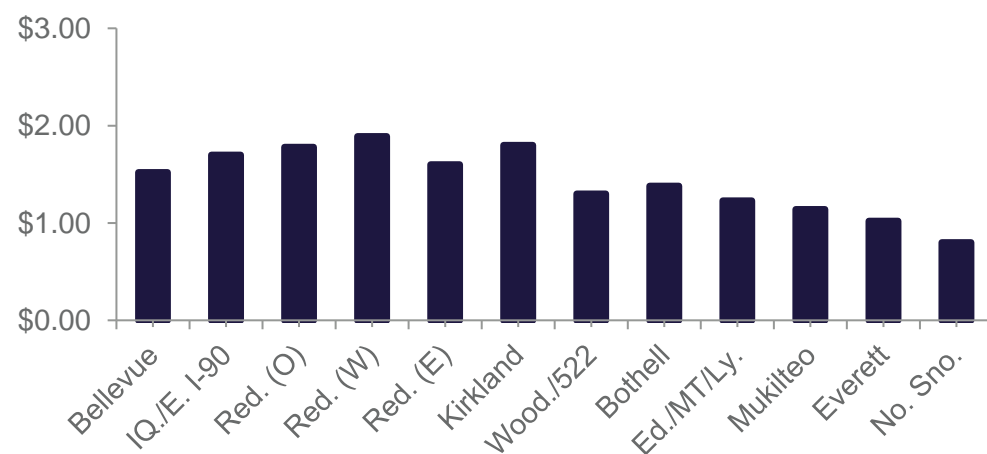
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



PRICING: Asking Rates Remain Stagnant

The average asking rental rate for the Eastside was \$1.13 per square foot (psf) on a monthly-triple-net (NNN) basis, a YOY drop of 13.7%. Every submarket fell short of the \$2.00 psf mark for the first time since the first quarter of 2024 with Redmond (Overlake) recording the highest mark of \$1.89 psf, while the lowest was held in the North Snohomish submarket at \$0.80 psf. As the year closed, slowly increasing vacancy coupled with lower-priced sublease space becoming available held rates down. Asking rates are likely nearing the bottom as projections indicate minimal fluctuation moving forward.

CONSTRUCTION: New Construction Dwindles; Very Few Deliveries in 2025

The Eastside did not register any new deliveries in the fourth quarter of 2024, identical to the situation in the fourth quarter of 2023. Held to 1.1 million square feet (msf) of new space added this year, it appears that it has become difficult for new buildings to receive the green light. There are two projects totaling 368,000 sf currently under construction, both due to deliver in the first half of 2025. It is the hope that further interest rate cuts assist with feasibility to move forward with new projects, but with construction costs including material and labor still elevated, expect a low percentage of the 6.2 msf of proposed space in the pipeline to break ground in 2025.

LEASING ACTIVITY: Leasing Bounces Back YOY

The Eastside industrial market accumulated 537,000 sf of leasing activity in the fourth quarter, a large jump from 153,000 sf yielded one year ago. Just under 2.8 msf was leased in 2024, matching the total from 2022 in what can be viewed as a positive sign in a bounce-back year compared to 2023's total of 1.8 msf leased. The major deal of the fourth quarter and second largest of the year (behind Frito-Lay's 308,000-sf deal at Bldg 2 of the Cascade Business Park in the North Snohomish submarket) was signed by a confidential tenant, moving into 279,000 sf at Bldg A at Bridge Point Everett 500 in the Everett submarket. This was the only deal inked this quarter above the 60,000-sf mark, which lowers the ceiling for activity as almost all the demand is in the small to mid-sized range.

OUTLOOK

- Eastside vacancy rates are in line to rise in 2025 as groups add more sublease space to the market.
- Absorption is forecast to remain negative in the new year.
- Anticipate minimal rental rate movement to begin the new year with a divide between bid and asking rates widening.
- With only two projects currently under construction, 2025 will not produce ample new modern space.

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
Bellevue	3,510,618	348,717	9.9%	3,265	11,629	\$0.00	\$1.57	\$1.26	\$1.42	\$1.52
Issaquah/East I-90	2,911,698	147,672	5.1%	-6,379	-10,912	\$1.63	\$2.18	\$0.00	\$0.00	\$1.70
Redmond (Overlake)	884,523	55,739	6.3%	-10,158	-12,541	\$0.00	\$1.78	\$0.00	\$0.00	\$1.78
Redmond (Willows)	5,871,018	218,013	3.7%	-49,574	-45,418	\$2.08	\$1.64	\$1.89	\$1.80	\$1.89
Redmond (East)	4,176,318	148,363	3.6%	-104,186	-132,730	\$1.55	\$1.67	\$0.00	\$1.50	\$1.60
Kirkland	2,656,835	62,690	2.4%	-12,643	-2,244	\$0.00	\$1.81	\$1.75	\$1.79	\$1.80
Woodinville/522 Corridor	10,822,199	566,105	5.2%	-186,646	-242,465	\$1.96	\$1.92	\$1.10	\$1.35	\$1.30
Bothell	3,381,937	154,890	4.6%	17,069	14,055	\$1.19	\$1.73	\$0.00	\$1.47	\$1.38
EASTSIDE TOTALS	34,215,146	1,702,189	5.0%	-349,252	-420,626	\$1.50	\$1.65	\$1.22	\$1.46	\$1.52
Edmonds/Mountlake Terrace/Lynnwood	3,094,494	39,128	1.3%	39,688	-15,828	\$0.00	\$0.00	\$1.50	\$1.18	\$1.23
Mukilteo	3,693,725	316,573	8.6%	-1,242	-84,028	\$1.16	\$1.09	\$1.43	\$1.05	\$1.14
Everett	15,994,099	1,494,732	9.3%	-116	-189,087	\$1.25	\$1.32	\$1.11	\$0.95	\$1.02
North Snohomish	9,713,147	1,054,138	10.9%	17,138	98,287	\$0.00	\$0.00	\$0.86	\$0.79	\$0.80
NORTHEAST TOTALS	32,495,465	2,904,571	8.9%	55,468	-190,656	\$1.20	\$1.23	\$1.00	\$0.89	\$0.96
EASTSIDE/NORTHEAST TOTALS	66,710,611	4,606,760	6.9%	-293,784	-611,282	\$1.31	\$1.60	\$1.08	\$0.96	\$1.13

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

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

KEY LEASE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Cascade Business Park – Bldg 2	North Snohomish	Frito-Lay	307,860	New
Bridge Point Everett 500 – Bldg A	Everett	Confidential	278,937	New
Bosa Bomarc II	Everett	ZeroAvia	136,026	New

*Renewals not included in leasing statistics

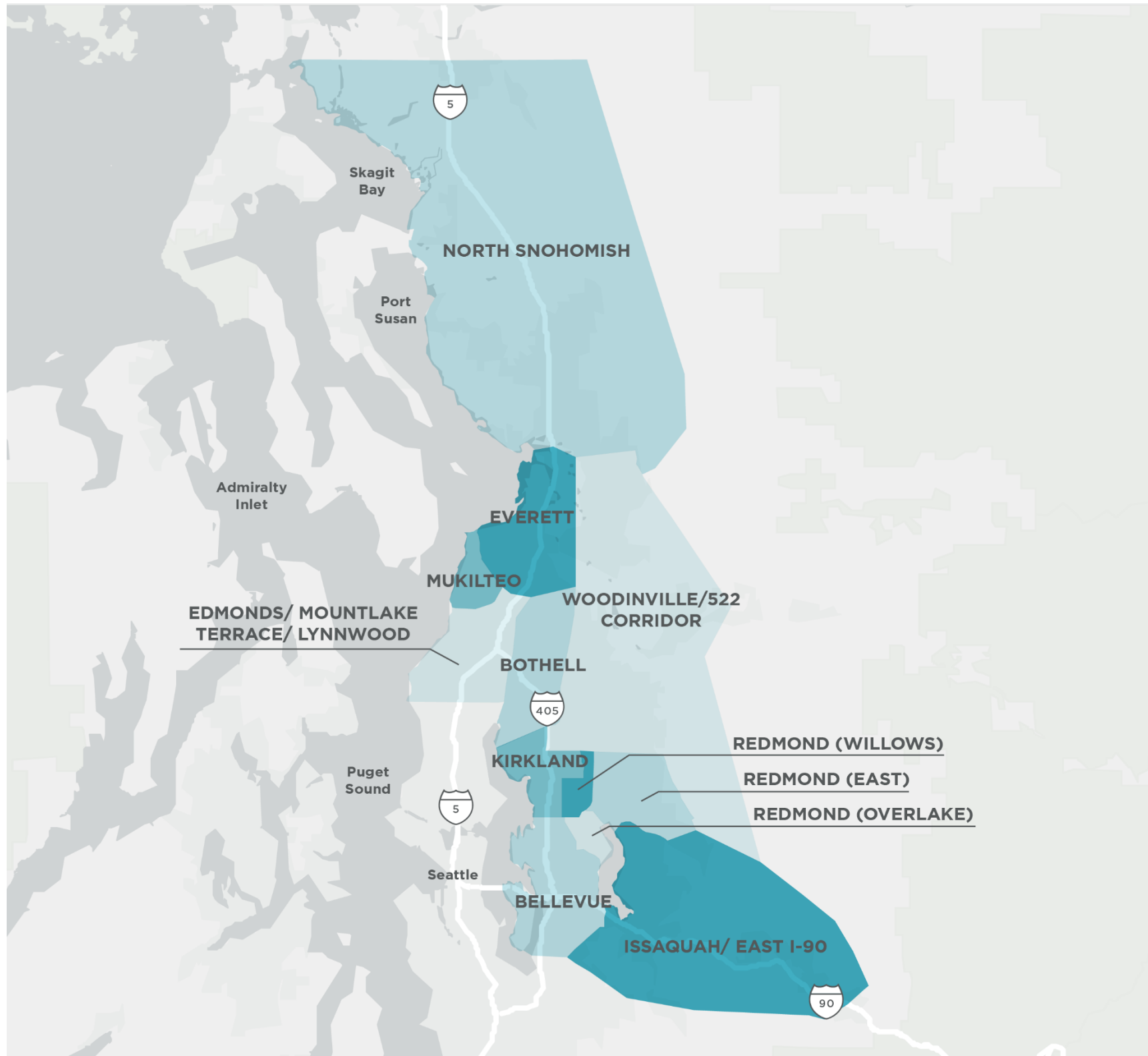
KEY SALE TRANSACTIONS YE 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Gayteway Business Park	North Snohomish	GS Venture Ptrs / EQT Exeter	365,397	\$70.6M / \$193
Park East Business Park	Redmond (East)	DWS / Matthew G. Norton Co.	161,126	\$55.0M/ \$341
PPR Industries Bldg	Woodinville/522 Corridor	Kelemberg LLC / Creative Holdings LLC	70,196	\$11.7M / \$167

KEY CONSTRUCTION COMPLETIONS YE 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Marysville Corporate Center	North Snohomish	Echandia	267,366	PacTrust
Twin Lakes Logistics	North Snohomish	N/A	203,892	Vector

INDUSTRIAL SUBMARKETS



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