



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
7.4% Vacancy Rate	▲	▲
-15K YTD Net Absorption, SF	▲	▼
\$1.23 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.2M Seattle Employment*	▲	▲
4.3% Seattle Unemployment Rate*	▲	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS
*Q3 2025

ECONOMY: Seattle Metro Area Employment Up Slightly YOY

The Seattle metro area economy noted some progress since the start of the year. Employment rose 13,500 jobs year-over-year (YOY), maintaining the current total of nearly 2.2 million. The unemployment rate rose 20 basis points (bps) YOY to 4.3%, below the U.S. rate of 4.6%. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices increased 3.1% YOY, driven by higher food (+4.4%) and energy (+7.2%) costs. Minus food and energy, the index rose 2.7% YOY, driven by increases to medical care (+5.3%) and shelter (+1.7%).

SUPPLY AND DEMAND: Vacancy Growth Reflects a Transitioning Market

The Puget Sound-Eastside market closed the quarter with an overall vacancy rate of 7.4%, up 50 bps YOY as demand struggled to keep pace with space returning to the market. Vacancy has continued its upward trajectory, suggesting further near-term softness. Absorption nearly broke even for the year, reaching negative 15,000 square feet (sf), following a fourth quarter that tallied positive 347,000 sf of absorption. Despite these metrics, demand is beginning to re-emerge beneath the surface, particularly among smaller users, as continued pressure in larger availabilities limited expansion. Notably, the Eastside market did not record a deal over 100,000 sf in the quarter, stifling any major momentum shift towards recovery. Owner-users also emerged in greater force, in efforts to capture these greater value opportunities.

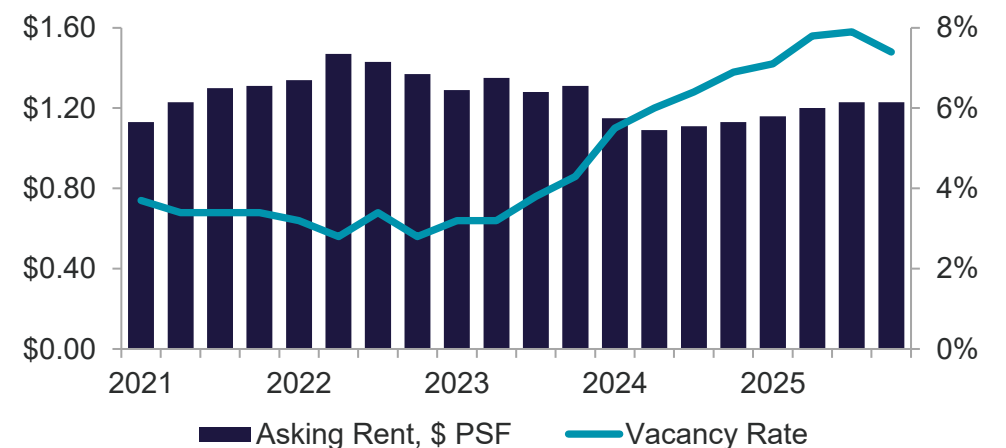
PRICING: Wider Spreads and Growing Flexibility

Eastside average asking rents held near \$1.23 per square foot (psf) on a monthly triple-net (NNN) basis, a YOY increase of \$0.10 psf. This figure masked a widening gap between premier submarkets and more price-sensitive locations. High-quality assets in core markets within Redmond continued to command premiums, while secondary areas, particularly in Noth Snohomish, adjusted more quickly to economic conditions. Landlords have been increasingly open to concessions and creative deal structures, especially for long-term commitments. For tenants, the environment has presented an opportunity to secure space at effective rates well below peak, reinforcing the theme that pricing has begun the reset even if headline numbers remained relatively firm.

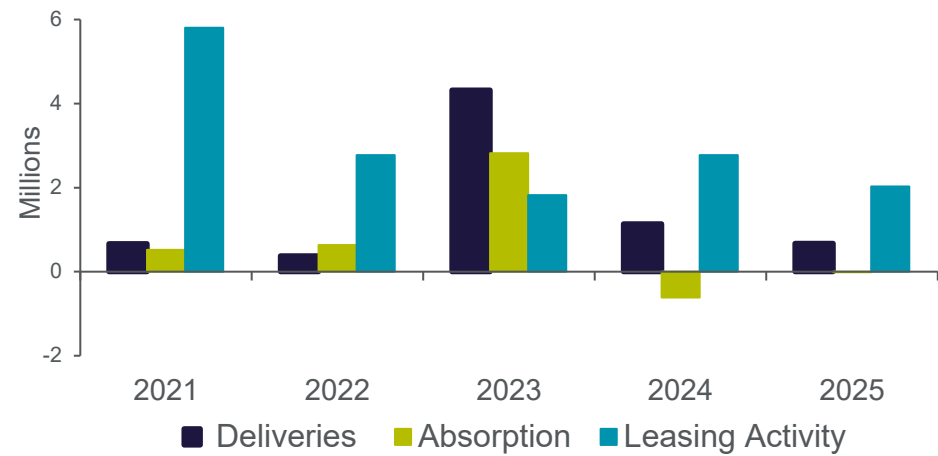
SPACE DEMAND / DELIVERIES



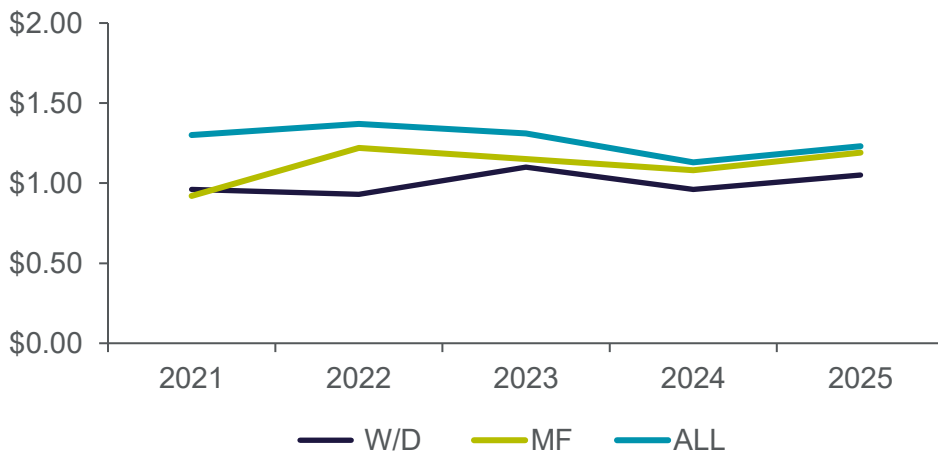
OVERALL VACANCY & ASKING RENT



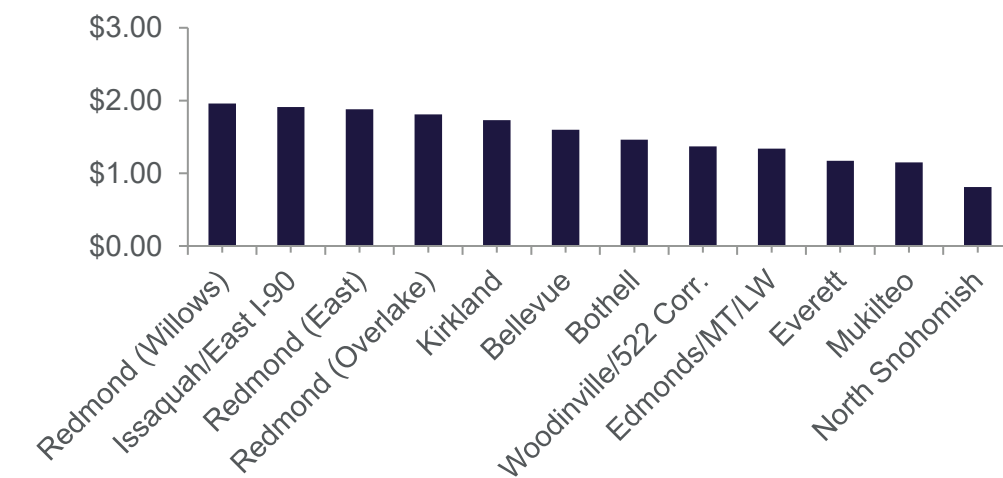
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



CONSTRUCTION: Limited Supply Supports Longterm Outlook

Construction activity on the Eastside remained minimal, with no new space coming online in the fourth quarter and a total of just 676,000 sf delivered in 2025. Developers continued to face feasibility challenges driven by further increases in material costs, higher permitting fees, and constrained lending. As a result, most of the 6.6 msf in proposed projects remain on hold. While this lack of development dampens short-term growth, it is expected to support a healthier recovery once demand returns, as tenants will increasingly compete for existing inventory rather than new product. Another low output year for new construction is projected for 2026 with only three projects totaling 348,000 sf underway at the close of the quarter.

LEASING ACTIVITY: Renewals and Smaller Users Lead the Market

Leasing activity on the Eastside reached 600,000 sf in the fourth quarter, bringing the year-end (YE) total to just over 2.0 msf. Many tenants have entered the market with the expectation of renewing, leveraging current conditions to negotiate improved terms. Larger requirements remained scarce, and decision timelines have been extended as occupiers weigh economic uncertainty and consumer-driven headwinds. Still, consistent engagement from smaller users and owner-occupiers suggests the market is slowly regaining traction, even as broader recovery is expected to take time and remain uneven across submarkets.

OUTLOOK

- Eastside vacancy is expected to trend higher in 2026 as low demand for large format requirements struggles to absorb new availability.
- With core submarkets achieving premiums while concessions persist elsewhere, the overall market rent is projected to remain flat.
- Construction is expected to stay minimal, reinforcing supply discipline amid elevated costs and tight financing.
- Leasing activity in 2026 will likely remain driven by renewals and smaller transactions, as tenant caution limits large-scale deals.

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	330,734	9.4%	3,689	-25,235	\$0.00	\$1.62	\$0.00	\$1.50	\$1.60
Issaquah/East I-90	2,909,088	160,267	5.5%	15,814	-15,067	\$1.87	\$2.10	\$0.00	\$0.00	\$1.91
Redmond (Overlake)	831,996	35,555	4.3%	-1,895	17,989	\$0.00	\$1.81	\$0.00	\$0.00	\$1.81
Redmond (Willows)	5,711,545	297,768	5.2%	54,408	-76,485	\$2.02	\$1.84	\$1.89	\$0.00	\$1.96
Redmond (East)	4,274,317	224,891	5.3%	-29,122	-88,180	\$2.33	\$1.71	\$0.00	\$0.00	\$1.88
Kirkland	2,516,505	96,918	3.9%	10,267	-32,924	\$2.00	\$1.71	\$1.75	\$1.33	\$1.73
Woodinville/522 Corridor	10,650,755	659,003	6.2%	-23,275	-119,202	\$1.96	\$1.81	\$1.35	\$1.33	\$1.37
Bothell	3,627,221	606,506	16.7%	18,136	-200,789	\$1.42	\$1.54	\$0.00	\$1.54	\$1.46
EASTSIDE TOTALS	34,032,045	2,411,642	7.1%	48,022	-539,893	\$1.68	\$1.65	\$1.50	\$1.37	\$1.58
Edmonds/Mountlake Terrace/Lynnwood	3,124,393	60,237	1.9%	26,872	-21,109	\$0.00	\$1.70	\$1.35	\$1.29	\$1.34
Mukilteo	3,909,399	307,041	7.9%	0	-16,243	\$1.16	\$1.37	\$1.39	\$0.92	\$1.15
Everett	16,119,727	1,144,718	7.1%	204,114	217,544	\$1.26	\$1.24	\$1.13	\$1.16	\$1.17
North Snohomish	10,086,689	1,022,640	10.1%	67,836	344,460	\$0.00	\$0.00	\$0.90	\$0.80	\$0.81
NORTHEND TOTALS	33,240,208	2,534,636	7.6%	298,822	524,652	\$1.21	\$1.32	\$1.10	\$0.99	\$1.04
EASTSIDE/NORTHEND TOTALS	67,272,253	4,946,278	7.4%	346,844	-15,241	\$1.43	\$1.62	\$1.19	\$1.05	\$1.23

*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 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
BOMARC Business Park – Bldg 45-70	Everett	GXO Logistics	468,273	Renewal**
Centre 41-02	Mukilteo	Confidential	326,447	Renewal**
M&D Marysville Industrial Park	North Snohomish	Safran	282,162	Renewal**

**Renewals not included in leasing statistics

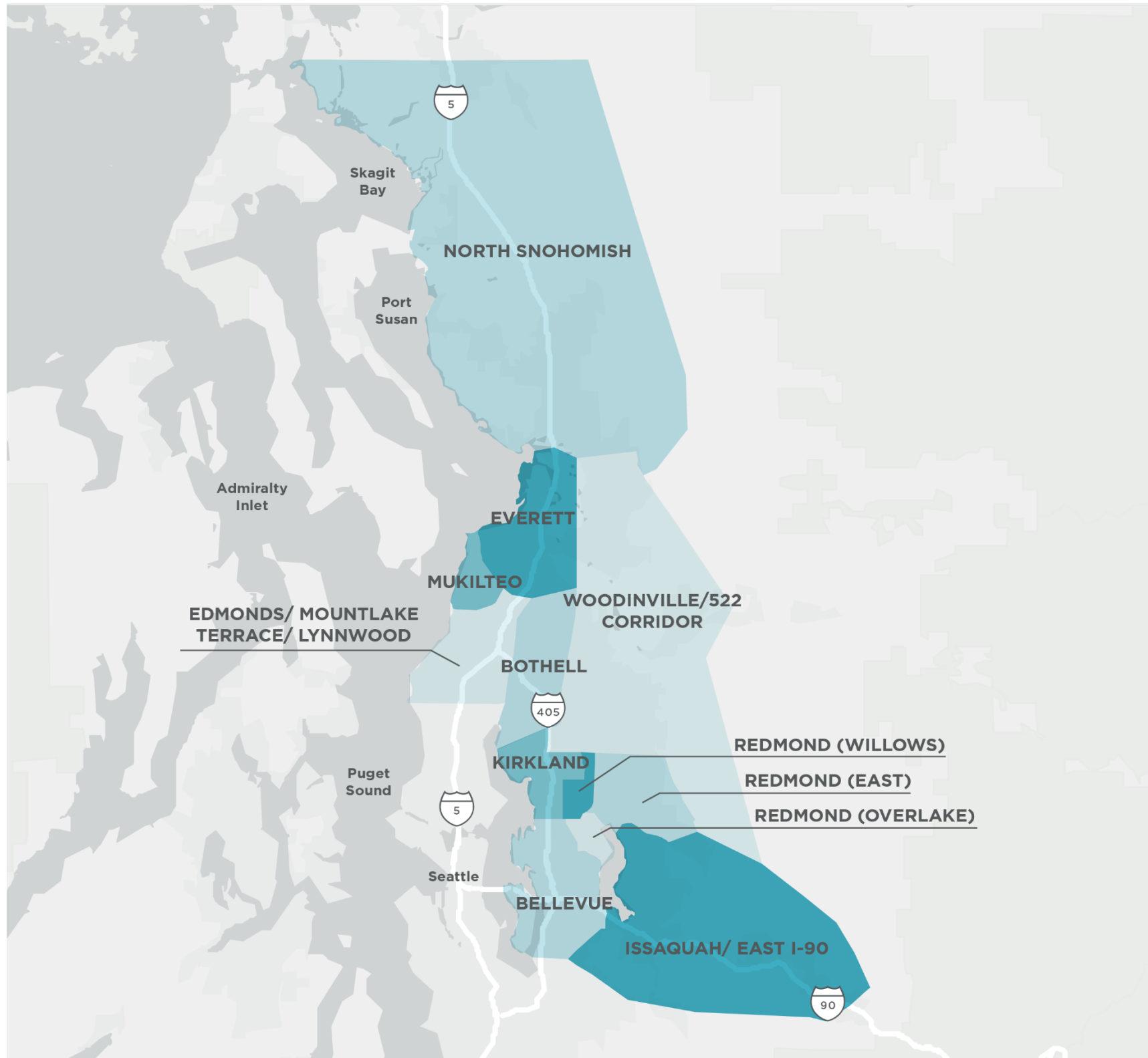
KEY SALE TRANSACTIONS YE 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Woodinville Corporate Park	Woodinville/522 Corridor	Link Logistics / Terreno Realty	707,718	\$232.6M / \$329
Woodinville Distribution Center	Woodinville/522 Corridor	Link Logistics / Ares REIT	412,444	\$115.3M / \$279
Glacier Peak	Everett	KKR / Pine Forest Properties	204,498	\$51.0M / \$249

KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Cascade Business Park – Bldg 3	North Snohomish	Frito-Lay	307,860	NorthPoint Development
North Creek Commerce Center	Bothell	Rivian	242,981	Panattoni

INDUSTRIAL SUBMARKETS



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