



MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.2% Vacancy Rate	▲	▲
-426K YTD Net Absorption, SF	▲	▼
\$0.95 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
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

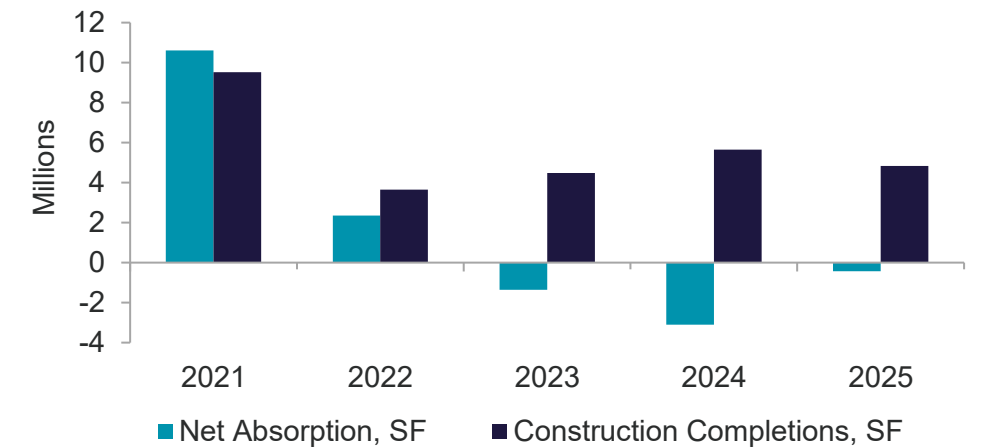
The Seattle metro area economy noted some progress since the start of the year. Employment rose 13,500 jobs year-over-year (YOY), maintaining the current total of nearly 2.2 million. The unemployment rate rose 20 basis points (bps) YOY to 4.3%, below the U.S. rate of 4.6%. As measured by the Consumer 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: Recovery on Horizon

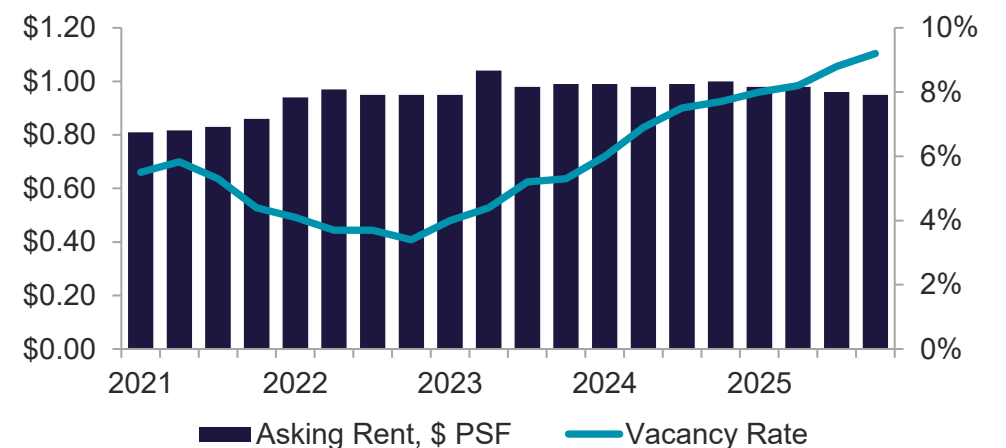
Seattle's industrial market ended the fourth quarter with an overall vacancy rate of 9.2%, a rise of 150 bps YOY, reflecting continued softness as supply additions and tenant downsizings outpaced new demand. Despite continued tenant activity, vacancy has yet to plateau, indicating a longer wait until meaningful recovery begins.

Annual absorption remained negative at roughly 426,000 square feet (sf) after posting positive 5,000 sf of absorption in the fourth quarter. The market has not yet found its floor though the rise in vacancy is beginning to unlock movement that was absent throughout much of past two years, as tenants gain confidence that pricing has reset. While large blocks have weighed on absorption metrics, particularly in South King County, the growing availability has created opportunities for users who had been sidelined, pointing to the early stages of a more functional leasing environment.

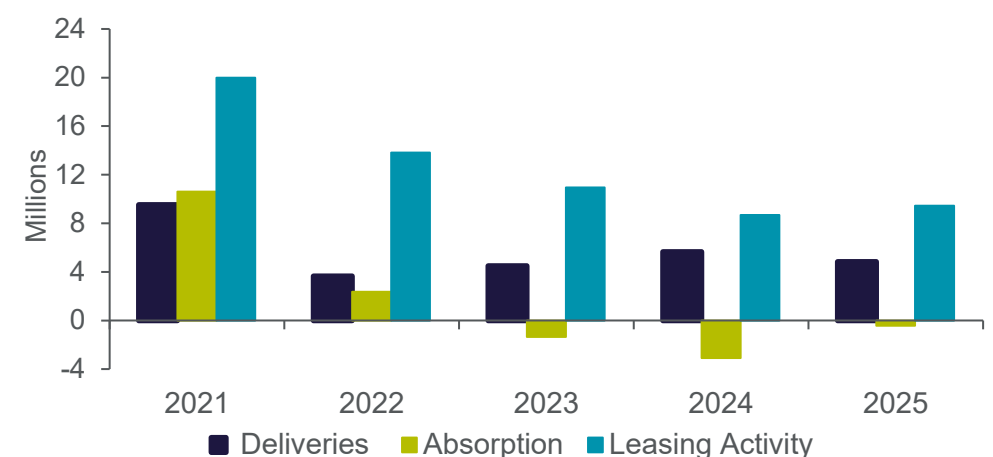
SPACE DEMAND / DELIVERIES



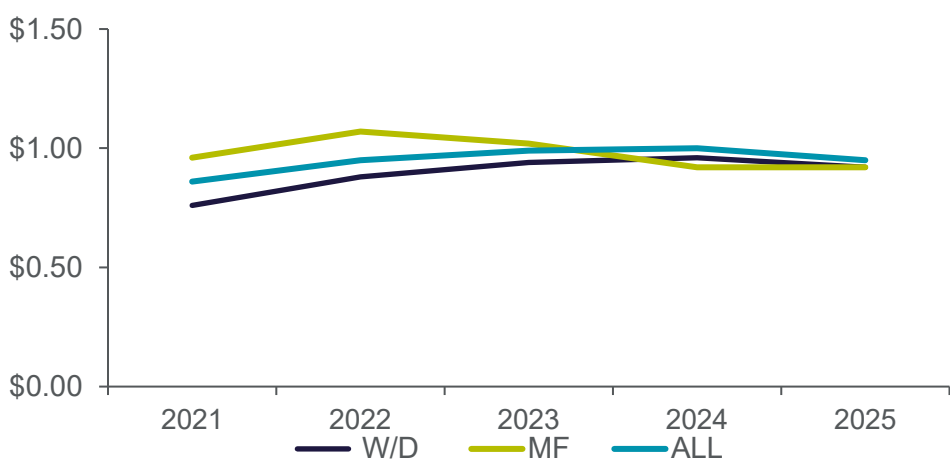
OVERALL VACANCY & ASKING RENT



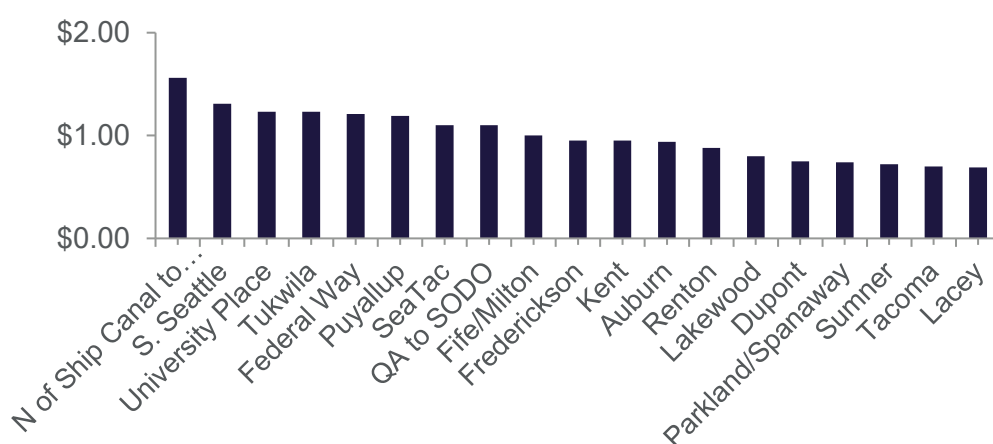
NEW SUPPLY, ABSORPTION, & LEASING ACTIVITY



AVERAGE ASKING RENT (\$PSF NNN MONTHLY)



RENT BY SUBMARKET (\$PSF NNN MONTHLY)



PRICING: Bottoming Rents Create Tenant Leverage

Average asking rents in Seattle declined to approximately \$0.95 per square foot (psf) on a monthly triple-net (NNN) basis, marking a YOY drop of \$0.05 psf. Landlords have increasingly focused on retaining existing tenants to protect cash flow and limit vacancy, with renewals accounting for a substantial share of deal activity. While headline rents have fallen, effective rents have been shaped by concessions such as free rent and flexible terms, particularly for larger spaces. This reset has created a tenant-favorable market where occupiers have actively tested alternatives, even if many ultimately renew in place. The pricing environment suggests that the market is near the bottom of the cycle, though meaningful rent growth is still quarters away.

CONSTRUCTION: Pipeline Produces Amidst Uncertainty

Development activity in Seattle ended the year on a high note, adding 1.7 million square feet (msf) in the quarter and bringing the year-end total to 4.8 msf. This influx was highlighted by the completion of Bldgs A & B at Bridge Point Tacoma 2MM, combining for just under 1.5 msf. Contrary to this, the environment surrounding new construction has not eased, as elevated construction costs, rising permitting fees, and restrictive debt markets have made speculative projects increasingly difficult to justify. Just under 14.7 msf remains proposed as projects on hold await more stable conditions; however, 3.2 msf across the Seattle market is under construction, boasting some feasibility in the short-term. Pauses in construction are expected to be a critical factor in the market's eventual recovery, as limited future supply should allow existing vacancy to be absorbed organically once demand improves, even if that process extends into 2027.

LEASING ACTIVITY: Traction in High and Low Ranges

Leasing volume in Seattle totaled approximately 1.8 msf in the fourth quarter taking the total for the year to over 9.4 msf. Spaces under 20,000 sf remained highly competitive as an increasingly common theme has caught on with larger blocks of space being demised to mitigate vacancy. Large-format users continued to transact selectively, often through renewals rather than relocations. Mid-sized requirements, particularly in the 40,000 to 100,000 sf range, remained the most challenged segment. While overall deal magnitude slowed, tenant inquiries and unsolicited proposals increased. This signaled growing engagement that supported the view that the market is in the process of stabilizing, while also acknowledging that a full recovery will be gradual.

OUTLOOK

- Seattle vacancy is expected to rise slightly in 2026 as tenants continue consolidating and return excess space to the market.
- Absorption is likely to remain weak, with occupiers delaying expansions and extending deal timelines.
- The 2026 construction pipeline is expected to thin, as financing challenges and economic caution limit new development.
- Rental rates are projected to remain flat, with landlords focused on maintaining occupancy.

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	35,404,045	3,082,463	8.7%	-10,260	-1,421	\$1.78	\$1.51	\$1.47	\$1.27	\$1.31
Queen Anne to SODO	4,071,704	378,678	9.3%	-12,368	30,752	\$2.00	\$1.12	\$1.16	\$1.01	\$1.10
North of Ship Canal to 205 th	2,999,141	268,530	9.0%	-3,725	-84,994	\$0.00	\$1.63	\$1.72	\$1.46	\$1.56
SEATTLE IN-CITY TOTALS	42,474,890	3,729,671	8.8%	-26,353	-55,663	\$1.81	\$1.33	\$1.43	\$1.26	\$1.31
SeaTac	6,777,221	436,408	6.4%	-7,049	206,739	\$0.00	\$1.50	\$0.00	\$1.10	\$1.10
Tukwila	14,706,343	1,662,974	11.3%	129,686	-266,036	\$1.25	\$1.65	\$1.35	\$1.03	\$1.23
Renton	15,426,273	800,152	5.2%	-252,400	-559,453	\$0.00	\$0.00	\$1.32	\$0.86	\$0.88
Kent	48,812,859	4,103,865	8.4%	100,508	-1,157,056	\$0.00	\$1.53	\$0.81	\$0.94	\$0.95
Auburn	29,395,508	1,247,515	4.2%	-16,963	-471,598	\$0.00	\$1.40	\$0.00	\$0.93	\$0.94
Federal Way	1,971,091	263,792	13.4%	225,236	262,436	\$0.00	\$1.24	\$0.00	\$1.21	\$1.21
SO. KING CO. TOTALS	117,089,295	8,514,706	7.3%	179,018	-1,984,968	\$1.25	\$1.60	\$0.87	\$0.97	\$1.01
Sumner	19,358,928	2,163,443	11.2%	-275,549	-165,433	\$0.00	\$0.00	\$0.73	\$0.72	\$0.72
Puyallup	7,405,757	791,052	10.7%	106,440	16,633	\$1.73	\$0.00	\$0.00	\$0.85	\$1.19
Fife/Milton	16,231,527	2,150,927	13.3%	56,189	624,766	\$0.00	\$0.63	\$0.67	\$1.05	\$1.00
Tacoma	23,644,521	2,581,024	10.9%	62,368	29,780	\$0.00	\$1.00	\$0.61	\$0.71	\$0.70
NO. PIERCE CO. TOTALS	66,640,733	7,686,446	11.5%	-50,552	505,746	\$1.73	\$0.94	\$0.66	\$0.82	\$0.83
Parkland/Spanaway	1,646,154	270,478	16.4%	-2,400	-921	\$0.00	\$0.00	\$0.00	\$0.74	\$0.74
Frederickson	16,337,555	2,358,895	14.4%	0	1,361,435	\$0.00	\$0.00	\$0.00	\$0.95	\$0.95
University Place	220,477	16,578	7.5%	0	0	\$0.00	\$2.37	\$0.00	\$1.00	\$1.23
Lakewood	6,818,482	618,917	9.1%	-33,577	201,611	\$0.00	\$1.11	\$0.00	\$0.78	\$0.80
Dupont	4,693,470	504,603	10.8%	4,521	9,961	\$0.00	\$0.00	\$0.00	\$0.75	\$0.75
Lacey	12,235,455	990,470	8.1%	-65,513	-463,343	\$0.00	\$0.00	\$0.00	\$0.69	\$0.69
SOUTH SOUND TOTALS	41,951,593	4,759,941	11.3%	-96,969	1,108,743	\$0.00	\$1.26	\$0.00	\$0.84	\$0.84
SEATTLE TOTALS	268,156,511	24,690,764	9.2%	5,144	-426,142	\$1.70	\$1.47	\$0.92	\$0.92	\$0.95

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

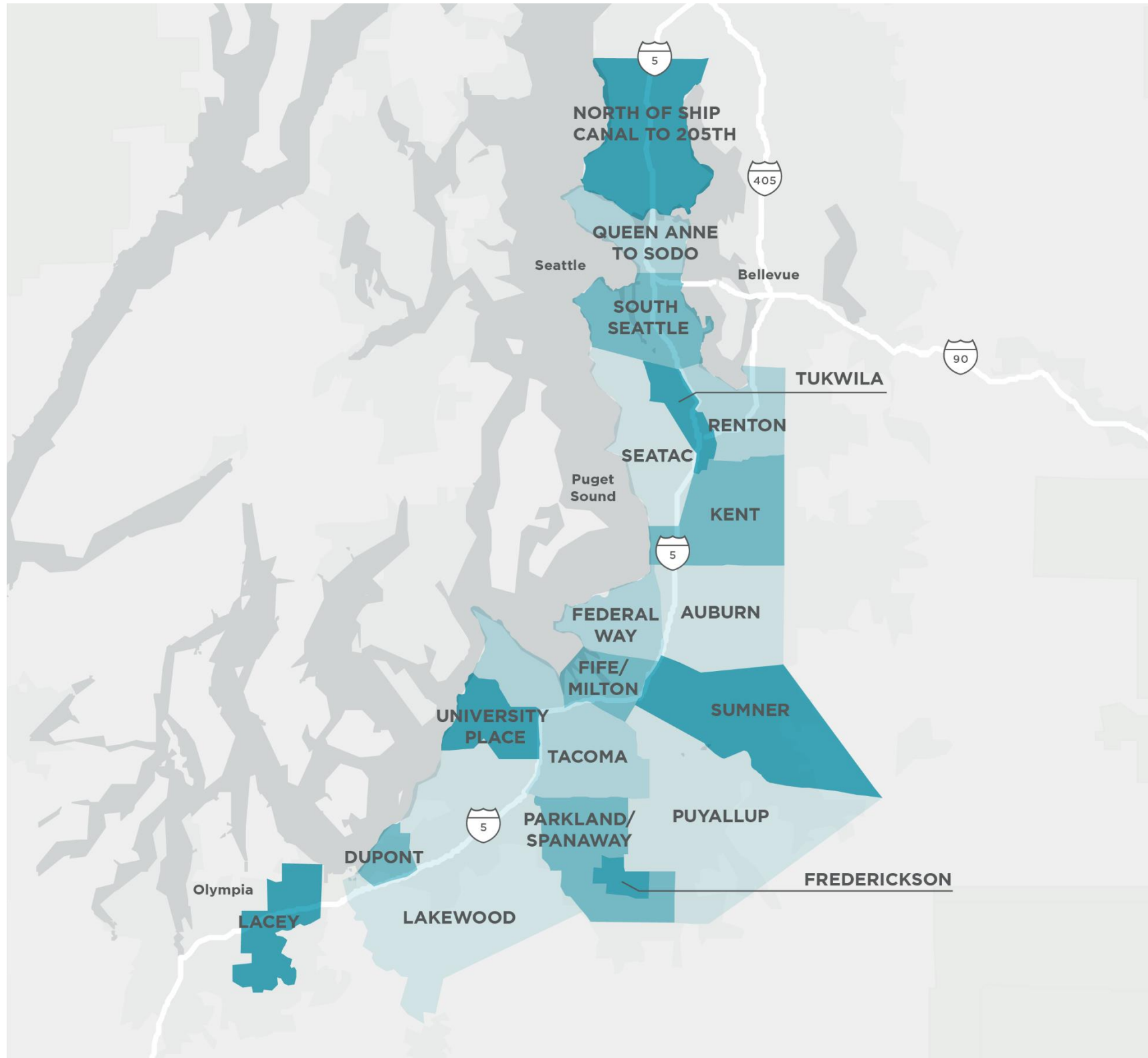
HT = High-Tech; OS = Office Service/Flex; MF = Manufacturing; W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS YE 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Auburn 18 – Home Depot	Auburn	Home Depot	609,368	New Lease
Port Commerce Center – Bldg A	Tacoma	Pepsi	598,400	Renewal**
FRED310 – Bldg D	Frederickson	Confidential	320,294	New Lease
RNDC Bldg	Auburn	RNDC	287,832	Renewal**

**Renewals not included in leasing statistics

INDUSTRIAL SUBMARKETS



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