

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

ECONOMY

- » National warehouse and storage employment declined by 2.6%, or 48,700 employees between March 2025 and March 2026, but the sector still stands 510,900 jobs above its pre-pandemic peak in February 2020.
- » The US economy entered 2026 with meaningful tailwinds to growth including expanded business investment tax incentives, larger personal tax refunds, significant ongoing AI related business investment, and hope for reshoring related increases in domestic investment. January and February saw a meaningful increase in retail sales growth rates after a slowing in retail sales growth rates during the Holiday Season. Future economic growth depends on multiple factors including sustained job growth, sustained AI investment, increased domestic investment beyond AI, both trade and fiscal policy, favorable market conditions, and the Strait of Hormuz disruption with its varied potential impacts including on consumer spending power.
- » Locally, the Northwest Seaport Alliance (NWSA) import volumes started out the year on a negative note with January monthly volume closing out at 91,017 twenty-foot equivalent units (TEUs), down 16% from January 2025. To make matters worse, February saw an even further decline, posting a mere 73,762 TEUs, down 29.5% year-over-year (YOY). This is the lowest monthly full import volume ever reported for the NWSA, down 24.3% from the February long-term average (LTA) of 97,439 TEUs dating back to 2010. The heavy YOY decline can be attributed to companies front loading supply in early 2025 as they expected the new administration to enact a more aggressive tariff policy. February's low import volume is a product of that policy, with the majority of full import TEUs coming from Asian countries, 92.5% of the total in 2024. The NWSA has not released their 2025 Annual Trade Report, but we will get a clearer picture of market share when that becomes available.

VACANCY

- » Puget Sound industrial vacancy continued its upward trajectory to start 2026, reaching 9.5% in Q1—up 170 basis points (bps) YOY and 40 bps quarter-over-quarter (QOQ). Vacancy now sits 100 bps above the Great Financial Crisis peak of 8.5% recorded in Q4 2010, marking a new record high for the fourth consecutive quarter. Since bottoming at 3.8% in Q1 2022 in the post pandemic cycle, vacancy has increased or held flat in 15 of the past 16 quarters, averaging a 40-bp quarterly rise. Compared to the LTA* of 6% since 2005, current vacancy levels are elevated by 350 bps.
- » All six submarkets posted an increase in YOY vacancy, ranging from a slim 20-bp increase in the Seattle Close-In submarket to a massive 330-bp increase in Pierce County. We have also seen every submarket post an increase in QOQ vacancy, a rare occurrence that signals the market as a whole is feeling the impacts of declining import volumes. The reduction of projects under construction in the market should alleviate some pressure on rising vacancy, however, the slim leasing activity posted, barely 3 million square feet (M SF) for Q1, is signaling reduced demand overall.

TRENDS: LOGISTICS PROPERTIES

	Q1 2025	Q1 2026	Chg YOY
Vacancy	7.8%	9.5%	▲
Asking Rent Growth	2.6%	1.5%	▼
Net Absorption, SF	344K	-1.1M	▼
Under Construction, SF	6.0M	2.7M	▼
New Deliveries, SF	1.4M	757K	▼

ECONOMIC INDICATORS

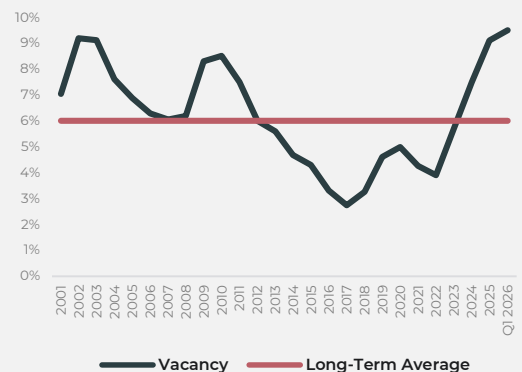
	Feb 25	Feb 26	Delta
National Warehousing Employment (thousands)	1,883.4	1,834.7	-2.6% ▼

	EOM Mar 25	EOM Mar 26	Delta
Effective Federal Funds Rate	4.33%	3.64%	-69 bps ▼

	Feb 25	Feb 26	Delta
Port of Seattle / Tacoma Imports (TEUs)	104,652	73,762	-29.5% ▼

Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



*Long term average has a defined data range of 2005 to Q4 2025

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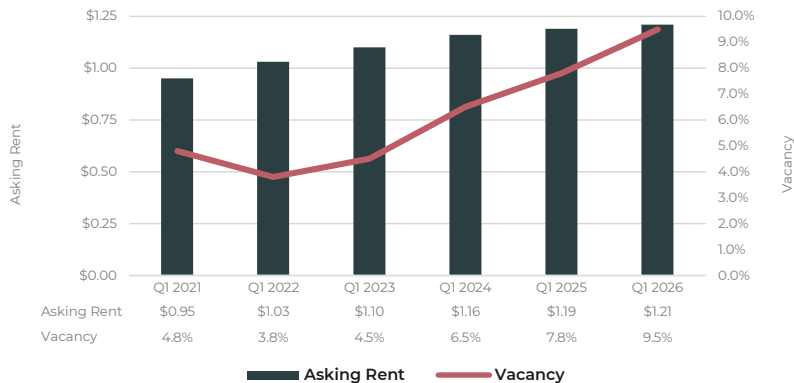
VACANCY CONT'D

- » Kent Valley, the largest submarket, ended the quarter at 9.7% vacancy, another record high and the fourth consecutive quarter with vacancy above 9%. When compared to Q1 2025, vacancy is up 200 bps as well as up 20 bps from last quarter. When compared to the Great Financial Crisis induced peak in Q4 2011, vacancy is up 100 bps. The submarket's total vacant SF has reached 11.8M SF, up 79.5% from the LTA* of 6.2M SF.
- » The Pierce County submarket finished Q1 2026 at 12.2% vacancy, another record high for the submarket. This is a 330-bp increase YOY, the largest jump of all submarkets as well as a 50-bp increase just over the last quarter. With 2.9M SF of new product delivered in Q4 2025, the increase in vacancy was anticipated as 0% was preleased and still remains vacant. When compared to the LTA* of 6.4%, vacancy sits nearly twice as high as well as 120 bps above the previous cycle peak in Q2 2009. Vacant SF reached 12.6M SF, up 40.8% just over the last year and 179.7% above the submarket's quarterly LTA* of 4.5M vacant SF. The Seattle Close-In submarket saw the smallest YOY increase, up 20 bps to 9.7%. This submarket has experienced elevated vacancy throughout 2024 and 2025, above 8% during that period. For perspective, the submarket's LTA* is 4.6% with the previous cycle peak hitting 7.1% in Q4 2009.

RENT

- » Puget Sound 12-month market asking rent growth ended Q1 2026 at 1.5%, a 110-bp decline from the same period last year, however up 20 bps QOQ. Market asking rent growth has fallen 710 bps from the pandemic induced peak of 8.6% in Q1 2022 which was a record high for the market. However, we are still 380 bps above the low in Q3 2010 that finished at -2.3%. The market's LTA* dating back to 2005 sits at 4.4%.
- » Tenant demand has been weak to start the year, with only 3M SF of leasing activity posted to end Q1 2026, down 43.6% from the same period last year.

VACANCY & ASKING RENT



Asking Rents are per square foot per month
 *Long term average has a defined data range of 2005 to 2025



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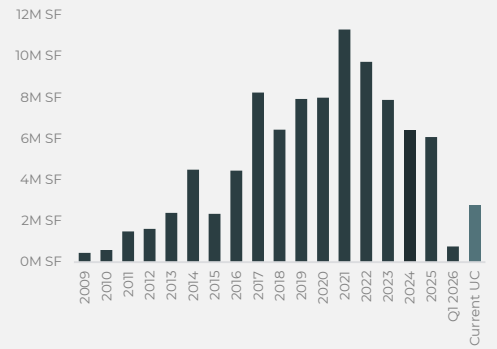
NET ABSORPTION

- » Puget Sound finished Q1 2026 with -1.1M SF in net absorption, down 1.4M SF from the 344,101 SF posted one year ago. This is also down 754,511 SF from the last quarter. We have now seen the fourth consecutive quarter with negative quarterly absorption, putting the 12-month net absorption at -2.9M SF, the lowest 12-month absorption posted since Q3 2010. However, this is still 3.3M SF above the record low of -6.2M SF in Q4 2009.
- » Kent Valley finished Q4 2025 at -140,585 SF, an increase of 36,204 SF from last year and up 149,517 SF QOQ. Notable move outs in the market include USPS vacating 102,400 SF at Van Doren’s West, Wido Logistics leaving 116,700 SF at Kent North Corporate Park as well as The Green Room leaving 145,373 SF at 1302 29th St NW in Auburn. Positive swings in absorption include Empire Today moving into 51,102 SF at Northward Business Park, Hensel Phelps Construction taking 42,715 SF at Bridge Point SeaTac 300 and Questar Solutions absorbing 31,045 SF at Auburn Park 277.
- » Pierce County finished Q1 2026 with -395,916 SF in net absorption, the fourth quarter in a row posting negative absorption, putting 12-month net absorption at -1.1M SF for the submarket. When compared to last year, absorption is down 866,096 SF as well as down 289,771 SF just over the last quarter. The submarket was plagued with move outs in Q1, including Sany America giving back 225,000 SF at Northwest Logistics Center, MacMillan Piper leaving 102,372 SF at Portside 55 and Corporate Moving Systems moving out of Sumner North, vacating 85,876 SF. We also saw Coleman Worldwide Moving vacate and put for lease 50,218 SF at 8605 34th Avenue South.
- » The Seattle Close In submarket finished the quarter at -296,534 SF in net absorption as SeaPac gave back 159,552 SF at Terminal 17 and MacMillan Piper left 110,613 SF at Frye Industrial Park on 6th Avenue. The Northend submarket had -262,888 SF in net absorption to end the quarter, with Mass Electric moving out of 59,095 SF at The Reserve in Woodinville and J&W Marketing leaving 27,488 SF at 13102 North 131st Street in North Seattle.

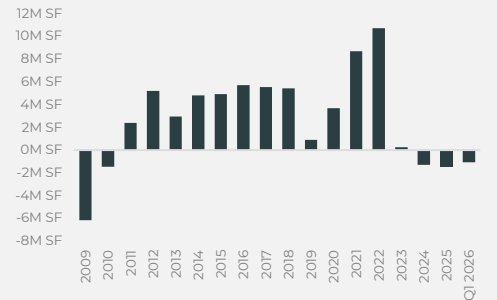
CONSTRUCTION

- » The Puget Sound had four buildings deliver in Q1 2026 totaling 757,040 SF, down 44.5% from the same period last year. This is down 2.2M SF just over the last quarter. We hope the reduction in deliveries could alleviate some of the pressure on the oversupplied market which has seen vacancy continue to climb and rent growth stall.
- » Currently, there is 2.7M SF of projects under construction in the Puget Sound market, all of which is scheduled to be completed by the end of 2026. Of the 2.7M SF, 6.8% is pre-leased. This is the lowest amount of under construction SF since Q2 2016, roughly 10 years ago. To no surprise, Pierce County has the most SF under construction, totaling 1.1M SF. Of the projects that are under construction, six will deliver greater than 100,000.

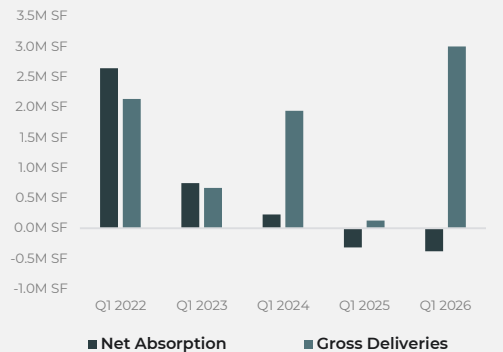
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q1 2026

Submarket Cluster	Total Inventory	Vacant SF (Direct)	Vacant SF (Sublet)	Vacant SF (Total)	Vacancy Rate	Q1 2026 Overall Net Absorption (SF)	2026 YTD Overall Net Absorption (SF)	2026 YTD New Leasing Activity	Under Construction (SF)	2026 YTD Construction Completions
Northend	68,016,755	4,510,853	493,529	5,004,382	7.4%	-262,888	-262,888	445,868	271,873	131,918
Eastside	22,027,600	1,287,418	98,847	1,386,265	6.3%	-127,392	-127,392	171,657	0	0
Seattle Close-In	51,429,303	4,639,256	357,633	4,996,889	9.7%	-296,534	-296,534	219,009	244,352	0
Kent Valley	121,972,959	10,879,708	951,929	11,831,637	9.7%	90,313	90,313	1,000,483	475,440	181,702
Pierce County	103,653,526	11,363,494	1,233,473	12,596,967	12.2%	-395,916	-395,916	1,149,009	1,102,388	443,420
Thurston County	22,092,809	862,624	409,635	1,272,259	5.8%	-83,801	-83,801	42,709	36,000	0
Puget Sound	389,192,952	33,543,353	3,545,046	37,088,399	9.5%	-1,076,218	-1,076,218	3,028,735	2,734,907*	757,040

**Under construction includes Fords Prairie Industrial Park totaling 604,854 SF located in North Lewis County. Statistics reflect all industrial properties regardless of subtype or building size.*

SIGNIFICANT LEASE TRANSACTIONS Q1 2026

Property Name	Submarket	Tenant	Square Feet	Lease Type
Sumner Corporate Park, Cascade Building	Pierce County	Mobis Parts America	283,909	Renewal/Expansion
Simpson Landing, Building A	Pierce County	Atlas Columbia Warehouse	141,780	Renewal/Expansion
Longview Fibre Building	Seattle Close-In	Certainteed Corp	138,476	New Lease
Starlite Distribution Center	Pierce County	Pacific Pride	122,993	New Lease
Port Commerce Center, Building 1	Pierce County	Stryder Logistics	102,368	New Lease

TOP PROJECTS UNDER CONSTRUCTION Q1 2026

Project Name	Submarket	Developer	Square Feet	Completion Date
Bridge Point Tacoma 2MM, Buildings C & D	Pierce County	Bridge	994,339	Q2 2026
Fords Prairie Industrial Park	Lewis County	LPC	604,854	Q3 2026
Des Moines Creek Business Park West	Kent Valley	Panattoni	402,380	Q3 2026
Northsound Logistics Center	Northend	Rockefeller Group	186,873	Q2 2026



Matt Wood, SIOR

+1 206 595 6814
matt.wood@kbcadvisors.com

Michael Roy

+1 206 904 7199
michael.roy@kbcadvisors.com

Kevin Skillestad

+1 206 715 0757
kevin.skillestad@kbcadvisors.com

Casey Trees

+1 206 856 4381
casey.trees@kbcadvisors.com

Hans Vieser

+1 425 765 7926
hans.vieser@kbcadvisors.com

Will Blattner

+1 206 818 1794
will.blattner@kbcadvisors.com

John Broom

+1 206 877 2750
john.broom@kbcadvisors.com

Russell Madche

+1 206 280 3355
russell.madche@kbcadvisors.com

Jake Leitgeb

+1 503 319 1102
jake.leitgeb@kbcadvisors.com

Seattle Office

5628 Airport Way South, Suite 238
Seattle, WA 98108

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