

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

ECONOMY

- » National warehouse and storage employment declined modestly by 28,000 positions between November 2024 and November 2025, but the sector still stands 520,600 jobs above its pre-pandemic peak in February 2020. In contrast, the Puget Sound market has experienced a far sharper contraction: through August 2025, local warehousing employment fell 23.5% year over year, a loss of 11,900 jobs. This pullback is especially notable given that the region alone has accounted for roughly one-third of all warehouse jobs lost nationwide, underscoring the outsized impact of the slowdown in the Puget Sound industrial economy.
- » GDP accelerated in the second half of 2025 driven by services spending, AI investment and a durable goods spending rebound. Looking to 2026, with significant business investment tax incentives, companies have what they need to increase domestic investment while consumers will benefit from a larger personal tax refund supporting consumer spending. Realizing significant economic benefits from these tax incentives will depend on corporate confidence in the economy, financial market, and policy environment as well as consumers capacity and willingness to spend versus save.
- » Locally, the Northwest Seaport Alliance (NWSA) import volumes continued to decline in November 2025, dipping to 87,393 Twenty-foot equivalent units (TEUs). This is down 19.4% YOY. Since the Liberation Day tariffs were announced in April, import volume has tanked significantly after posting 12 consecutive months of import volume greater than 100,000 TEUs. In fact, October 2025 import volume finished at a mere 80,323 TEUs, the lowest volume since May 2023. November 2025 year-to-date import volume totals 1.1M TEUs, down 8.7% from year-to-date (YTD) 2024. Total port TEU volume through November finished at 2.9M, down 3.9% from the year prior. With roughly 92.4% of import volume coming from Asia-Pacific trade as well as 40% coming from China alone, the port finds itself directly in the crosshairs of the tariff disputes.

VACANCY

- » Puget Sound vacancy closed out 2025 at 9.1%, a record high for the market as well as up 160 basis points (bps) from Q4 2024. This is also up 40 bps from the 8.7% just last quarter. The market is now 60 bps above the Great Financial Crisis induced previous cycle peak of 8.5% in Q4 2010. When compared to the long-term average* (LTA) of 5.9%, the market sits at 320 bps above. Since Q1 2022, the Puget Sound Market has seen vacancy increase or remain flat every quarter besides a 10-bp dip in Q3 2024, with the current quarter's 40-bp increase on the greater end of that increase range. Vacancy currently sits at 550 bps above the average Q4 pre-pandemic (2015-2019) vacancy of 3.6%.
- » Four of the six submarkets saw an increase in YOY vacancy, with the other two submarkets remaining flat at the end of Q4 2025. When compared to last quarter, two submarkets posted quarter-over-quarter (QOQ) increases as well as two remaining unchanged.

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

TRENDS: LOGISTICS PROPERTIES

	Q4 2024	Q4 2025	Chg YOY
Vacancy	7.5%	9.1%	▲
Asking Rent Growth	3.8%	0.4%	▼
Net Absorption, SF	-317K	-381K	▼
Under Construction, SF	7.1M	3.2M	▼
New Deliveries, SF	127K	3M	▲

ECONOMIC INDICATORS

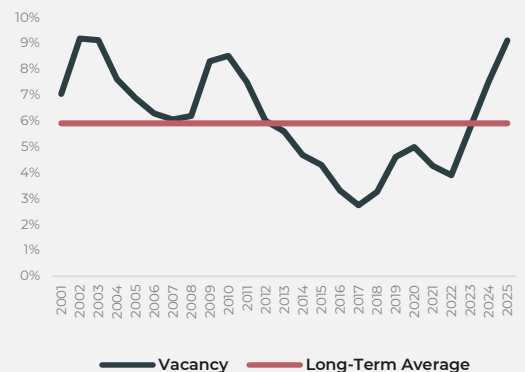
	Nov 24	Nov 25	Delta
National Warehousing Employment (thousands)	1,844.4	1,816.4	-1.5% ▼

	EOM Dec 24	EOM Dec 25	Delta
Effective Federal Funds Rate	4.33%	3.64%	-69 bps ▼

	Nov 24	Nov 25	Delta
Port of Seattle / Tacoma Imports (TEUs)	108,434	87,393	-19.4% ▼

▲ Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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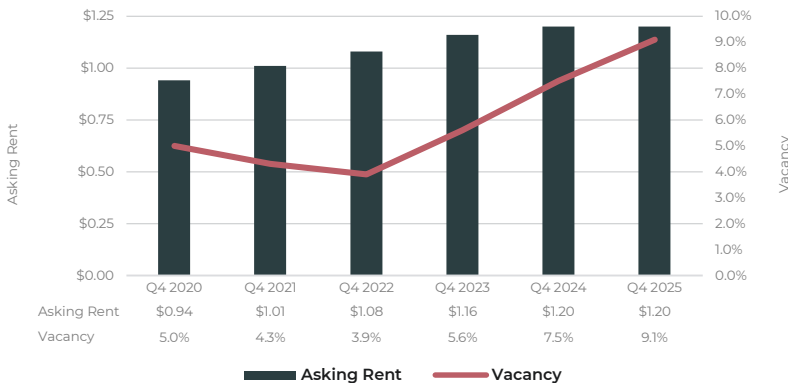
VACANCY CONT'D

- » Kent Valley, the largest submarket, ended the quarter at 9.5% vacancy, down 10 bps QOQ, however up 190 bps over the last year. This is an 80-bp increase when compared to the previous cycle high of 8.7% in Q4 2011. The submarkets total vacant SF has reached 11.5M SF, up 86% from the LTA* of 6.2M SF.
- » The Pierce County submarket has also seen vacancy continue to climb and this quarter was no different. Vacancy has ballooned to 11.4%, a record high for the submarket and up 340 bps YOY. This is a 160-bp increase just over the last quarter as 2.9M SF was delivered in Q4 2025, none of which was pre-leased. The submarket has reached 11.7M SF of vacant space, a 126.7% increase from the pre-pandemic (2015-2019) quarterly average of 5.2M SF as well as up 47.4% just over the last year. The Seattle Close-In submarket has remained relatively unchanged throughout 2025 ending the year at 9.4%, a 20-bp increase QOQ as well as a 10-bp increase YOY. This is over twice as much as the pre-pandemic (2015-2019) Q4 average of 2.6%, up 680 bps.

RENT

- » Puget Sound 12-month market asking rent growth has dipped to 0.4% at the end of the year, a 340-bp decline since Q4 2024. This is the lowest growth rate since Q1 2011, however not in negative territory like the previous cycle low of -2.2% in Q3 2010. Current rent growth is now 410 bps below the LTA* of 4.5% as well as down 640 bps from the pre-pandemic (2015-2019) quarterly average of 6.8%.
- » Tenant engagement started the year strong, however tariff uncertainty forced businesses to pause making their leasing decisions. This translated into leasing activity taking a hit as Q4 2025 closed at 3.7M SF, down 23.7% YOY as well as down 27.5% QOQ. When compared to the LTA quarterly average of 4.4M SF, leasing activity is down 17.2%.

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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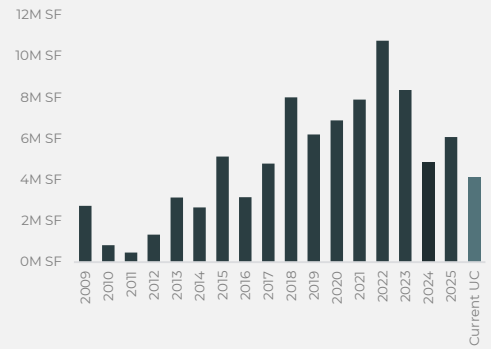
NET ABSORPTION

- » Puget Sound finished Q4 2025 with -380,847 SF in net absorption, the third quarter in a row in negative territory. This is a decrease of 63,794 SF over the past year as well as down 48,382 SF over the last quarter. This puts the 2025 annual net absorption at -754,638 SF, an increase from the -1.3M SF at the end of 2024.
- » 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 Q4 2025 with -291,416 SF in net absorption, up 524,890 SF QOQ as well as up 220,642 SF YOY. The biggest boost to absorption was Trimplite occupying 182,500 SF at Prologis Park Puyallup 1. On the other end, negative swings include ITR Industries leaving 34,500 SF at Salmon Creek Corporate Park, Foothills Family Furniture vacating 25,317 SF at the Continuant Building and Corporate Moving Systems giving back 85,876 SF at Sumner North.
- » The Seattle Close In submarket finished Q4 2025 at -120,964 SF in net absorption, assisted by the end of year SEAPAC Transport Services move out at Terminal 17 totaling 159,522 SF. Johnson Borrow occupied 29,753 SF at Northwest Corporate Park Seattle and 24 Hour Flood Pros moved into 21,220 SF at Kenyon Business Park. The Northend submarket finished the quarter at 114,719 SF in net absorption, boosted by NeOasis occupying 24,575 SF at Nelson Johnson 201 in Maltby as well as Independent Pet Supply moving into 53,564 SF at the Lakeview Building. The Eastside submarket finished with -143,777 SF in absorption, down from the 6,459 SF one year ago. Thurston County finished with 4,576 SF in absorption.

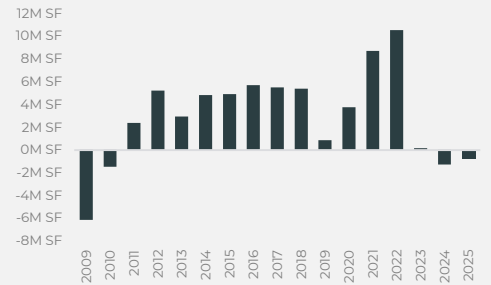
CONSTRUCTION

- » The Puget Sound had six buildings deliver in Q4 2025 totaling 3M SF, a significant increase from the slim 126,988 delivered in Q4 2024 and up from the 333,448 SF last quarter. Of the 3M SF delivered, 2.9M SF is in Pierce County, a submarket that is already battling oversupply, boosting vacancy even further.
- » Currently, under construction SF totals 3.2M SF in the Puget Sound market, a 55.7% decrease YOY. Of the 3.2M SF, only 2.1% is pre-leased. Pierce County has a total of 1.5M SF under construction with the Kent Valley next in line with 584,082 SF. The Northend has 403,791 SF under construction with only one project over 100,000 SF, Northsound Logistics Center totaling 186,873 SF. The Seattle Close-In, Eastside and Thurston County submarkets do not have any projects under construction that total over 100,000 SF.

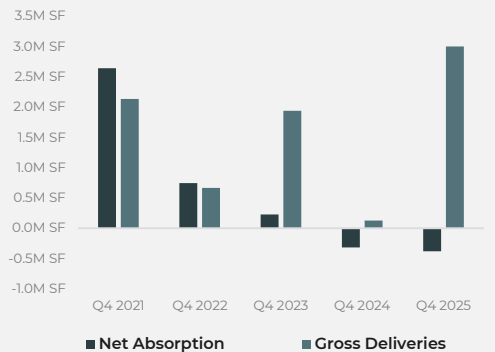
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q 4 2 0 2 5

Submarket Cluster	Total Inventory	Vacant SF (Direct)	Vacant SF (Sublet)	Vacant SF (Total)	Vacancy Rate	Q4 2025 Overall Net Absorption (SF)	2025 YTD Overall Net Absorption (SF)	2025 YTD New Leasing Activity	Under Construction (SF)	2025 YTD Construction Completions
Northend	68,068,665	3,933,460	815,573	4,749,033	7.0%	114,719	322,238	3,318,108	403,791	261,372
Eastside	21,979,606	1,151,119	107,754	1,258,873	5.7%	-143,777	-162,018	794,795	0	247,409
Seattle Close-In	51,410,335	4,476,073	361,579	4,837,652	9.4%	-120,964	-82,897	1,448,573	0	0
Kent Valley	121,795,899	10,515,978	1,015,450	11,531,428	9.5%	-140,585	-813,563	7,204,205	584,082	1,012,783
Pierce County	102,667,105	10,046,657	1,651,248	11,697,905	11.4%	-94,816	-240,518	5,023,878	1,534,479	4,383,171
Thurston County	22,055,150	837,253	351,205	1,188,458	5.4%	4,576	14,791	379,357	36,000	57,900
Puget Sound	387,976,760	30,960,540	4,302,809	35,263,349	9.1%	-380,847	-961,967	18,168,916	3,163,206*	6,069,760*

**Under construction includes Fords Prairie Industrial Park totaling 604,854 SF. Deliveries include Centralia Northpark One totaling 107,125 SF. Both properties are located in North Lewis County.*

Statistics reflect all industrial properties regardless of subtype or building size.

SIGNIFICANT LEASE TRANSACTIONS Q 4 2 0 2 5

Property Name	Submarket	Tenant	Square Feet	Lease Type
Auburn 18 Business Park, Building B	Kent Valley	Home Depot	609,368	New Lease
Prologis Park Auburn 5	Kent Valley	RNDC	287,832	Renewal
Fife Commerce Center, Building B	Kent Valley	Bargreen Ellingson	197,530	Renewal
Prologis Park Fife 16	Kent Valley	Milgard Manufacturing	104,590	Renewal
Mill Creek Distribution Center	Kent Valley	Forward Air	80,082	New Lease

TOP PROJECTS UNDER CONSTRUCTION Q 4 2 0 2 5

Project Name	Submarket	Developer	Square Feet	Completion Date
Bridge Point Tacoma 2MM, Buildings C & D	Pierce County	Bridge	994,339	Q1 2026
Fords Prairie Industrial Park	Lewis County	LPC	604,854	Q3 2026
LogistiCenter at Frederickson, Building A	Pierce County	Dermody	443,420	Q2 2026
Des Moines Creek Business Park West	Kent Valley	Panattoni	402,380	Q3 2026



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