KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

ECONOMY

- National warehouse and storage employment fell by 1.8%, or 32,900 employees between May 2025 and May 2026. However, the sector remains 526,800 jobs above the pre-pandemic peak in February 2020.

- The economic tailwinds we noted in our first quarter market report were transformed into stronger second quarter employment growth and sustained retail spending. Looking forward, as we noted in our insight, “The Inverted Pyramid Economy”, economic growth is largely dependent on one sector, AI, making AI’s continued success a key factor in the economic success of the second half of this year and with it, demand for logistics space. Additional factors we are also watching for their potential impact on the economy and demand environment for logistics space include domestic manufacturing investment, real wage growth, retail sales, trade policy, financial market conditions, and geopolitics, among others.

- On a local level, the Northwest Seaport Alliance (NWSA) import volumes continue to fluctuate significantly month-to-month with overall import volume coming in well below pace for the first five months of 2026. The year-to-date (YTD) May 2026 import volume currently sits at 425,736 twenty-foot equivalent units (TEUs), down 16.5% from the 509,906 TEU mark seen in the first five months of 2025. This is the second lowest volume ever recorded through the first five months, only trailing behind the 404,296 TEU mark seen in 2023. Import volume through the first five months of the year totaled 16.9% below the historical average of 512,101 TEUs dating back to 2010, reflecting the persistent uncertainty surrounding current tariff policies. That uncertainty continues to weigh on global trade flows and remains a key factor suppressing overall port volumes with total TEU volume down 14% year-over-year (YOY) at 1.2 million (M) TEUs.

VACANCY

- Puget Sound vacancy notched its seventh consecutive quarter of increases, finishing Q2 2026 with a new record high slightly below double digits at 9.9%. This represents a 50-basis point (bp) increase quarter-over-quarter (QOQ) as well as a significant 150-bp increase from the same period last year. Vacancy now sits 390 bps above the market’s long-term quarterly average (LTA) of 6% as well as 140 bps above the Great Financial Crisis induced peak of 8.5% in Q4 2010. The Puget Sound market has now eclipsed the 35M SF mark in terms of market-wide vacant SF, finishing Q2 at 35.2M SF, up 5.1% QOQ as well as 22.7% YOY.

- While three of the six Puget Sound submarkets (Northend, Eastside, and Seattle Close-In) recorded modest QOQ decreases in vacancy, all six experienced YOY vacancy increases, ranging from a slim 10 bps in the Northend to 270 bps in Pierce County. This trend underscores the market's continued challenges as subdued leasing demand has been insufficient to absorb the record level of new industrial deliveries completed in the wake of the COVID-19 pandemic demand boom.

**Long term average has a defined data range of 2005 to Q1 2026*

TRENDS: LOGISTICS PROPERTIES

	Q2 2025	Q2 2026	Chg YOY
Vacancy	8.4%	9.9%	▲
Asking Rent Growth	2.4%	2.8%	▲
Net Absorption, SF	-700K	-690K	▲
Under Construction, SF	5.7M	3.0M	▼
New Deliveries, SF	1.4M	302K	▼

ECONOMIC INDICATORS

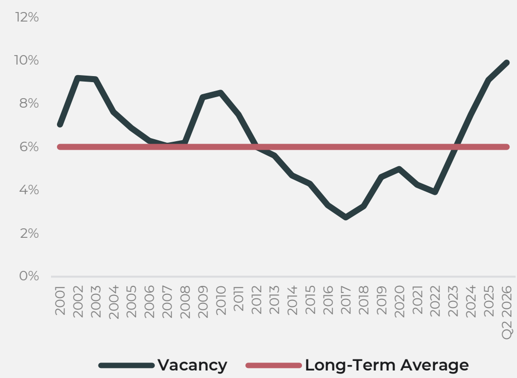
	May 25	May 26	Delta	
National Warehousing Employment (thousands)	1,875.3	1,842.4	-1.8%	▼

	EOM Jun 25	EOM Jun 26	Delta	
Effective Federal Funds Rate	4.33%	3.63%	-70 bps	▼

	May 25	May 26	Delta	
Port of Seattle / Tacoma Imports (TEUs)	81,642	87,186	6.8%	▲

Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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VACANCY CONT'D

» Kent Valley, the largest submarket, finished Q2 at 10.4% vacancy, another record high and a sharp 90 bps increase from the previous record high of 9.5% posted in Q1. Vacancy now sits almost five times higher than the all-time low of 2.1% posted in Q4 2016, as well as 180 bps ahead of the Great Financial Crisis induced peak of 8.6% in Q4 2011.

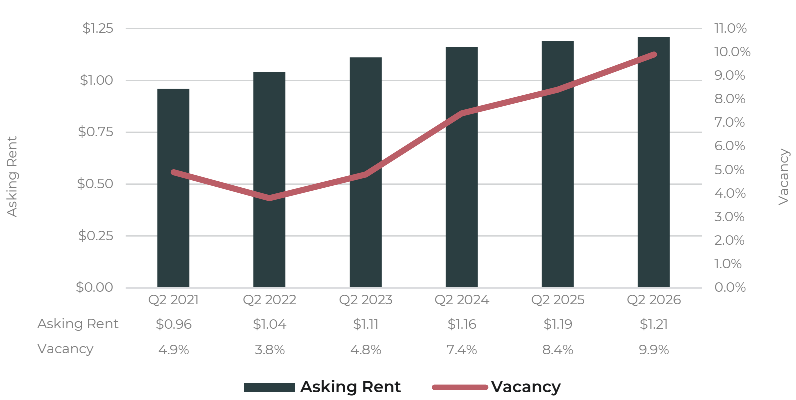
» Pierce County vacancy recorded another 70-bp increase QOQ, ending Q2 2026 at a record-high 12.6%. This marks the 14th consecutive quarter in which vacancy has either increased or remained unchanged, pointing to the market's struggle to absorb the heightened deliveries as 4.1M SF of new supply was delivered just over the last year. Q2 2026 vacancy represents a 270-bp increase YOY, and when compared to the LTA* of 6.5%, vacancy has nearly doubled. The submarket now finds itself with 12M SF of vacant space, up a steep 174.3% from the LTA* of 4.4M SF.

» The Northend and Eastside submarkets remained the market's most resilient performers in Q2, each posting a 20-bp QOQ decline with the Northend finishing at 7.2% and the Eastside at 6.1%. The Seattle Close-In submarket appears to be stabilizing finishing the quarter down 10 bps at 9.8% as well as up a slim 30-bps YOY. A promising sign for a market that has seen older product struggle with sharp vacancy spikes throughout 2024 and 2025.

RENT

» Q2 2026 Puget Sound market asking rent held steady over the last quarter, finishing at $1.21 per square foot per month (/SF/Month). The interesting figure however lies in the NNN rent overall coming in down 1.8% QOQ at $1.09/SF/month, a sign that while landlords are continuing to push asking rates, deals are getting inked at a deficit as market fundamentals have given tenants the edge as landlords compete to keep their projects occupied and income flowing .

VACANCY & ASKING RENT



	Q2 2021	Q2 2022	Q2 2023	Q2 2024	Q2 2025	Q2 2026
Asking Rent	$0.96	$1.04	$1.11	$1.16	$1.19	$1.21
Vacancy	4.9%	3.8%	4.8%	7.4%	8.4%	9.9%

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

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RENT CONT'D

- Tenant demand proves to be the lowest the market has seen since Q1 2001 finishing the quarter with only 2 million square feet (M SF) of leasing activity. Compared to Q1 2026 this is a 37.5% decrease on top of a 58.2% decrease from the same period last year.

NET ABSORPTION

- Puget Sound ended Q2 2026 with -689,989 SF of net absorption, marking the fifth consecutive quarter in negative territory and 386,229 SF above Q1 2026. When compared to Q2 2025, net absorption sits 13,154 SF above. 12-month net absorption came in at -2.9M SF, the largest number the Puget Sound market has seen since Q3 2010 posted -2.3M SF at the cost of the Great Financial Crisis.

- Kent Valley posted a quarterly net absorption of -513,046 SF, down 372,461 SF QOQ, however, up 568,020 SF from the -1.1M SF in Q2 2025. Notable moveouts carrying the figure well into the negative territory include Starbucks moving out of 178,400 SF at Kurv Kent II as well as Shipazon vacating 50,016 SF at Prologis Park Kent 16. Notable positive swings include Hudson Group moving into 57,600 SF at Northwest Corporate Park Kent 8 as well as GOFO Inc. occupying 48,029 SF at Hill Industrial Park 187A.

- Pierce County finished Q2 2026 with -376,768 SF of net absorption, the fifth quarter in a row posting negative absorption leading to a rolling 12-month net absorption of -1.4M SF. The two most notable moveouts include Forward Air vacating 83,420 SF at Rainier Corporate Park C as well as Wido Transportation moving out of 144,128 SF at Fife Commerce Center A. On the positive side, Northwest Cannabis Solutions absorbed 98,300 SF of space occupying the Tacoma Fixture Building.

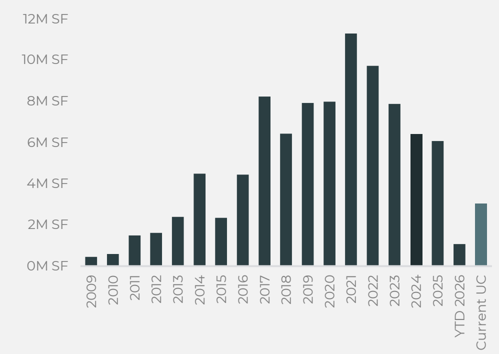
- The Northend finished the quarter with 121,913 SF of positive net absorption, up 384,801 SF QOQ from the -262,888 SF in Q1. The Eastside and Seattle Close-In submarkets both bucked two consecutive quarters of negative absorption finishing the quarter with positive 42,619 SF and 91,772 SF respectively.

CONSTRUCTION

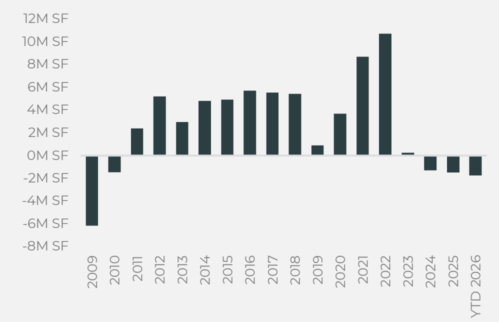
- The Puget Sound had four buildings deliver in Q2 2026 totaling 302,080 SF, down 60.1% QOQ as well as down 78.1% from the 1.4 M SF delivered in Q2 2025. This is the lowest amount of square footage the market has seen delivered in one quarter since 170,116 SF in Q4 2017.

- There is currently 3M SF under construction in the Puget Sound market with every speculative project scheduled to be done by year end. For the second straight quarter no speculative industrial developments over 100,000 SF have gone under construction in the market. As the spec development pipeline continues to dry up, the slowdown in new deliveries should help alleviate pressure on an oversupplied market, particularly as occupier demand continues to navigate a challenging and uncertain economic environment.

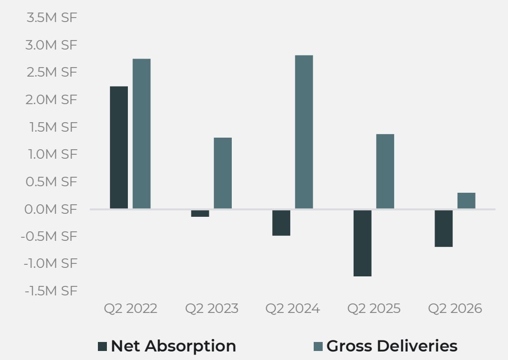
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND



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MARKET SUMMARY Q2 2026

Submarket Cluster	Total Inventory	Vacant SF (Direct)	Vacant SF (Sublet)	Vacant SF (Total)	Vacancy Rate	Q2 2026 Overall Net Absorption (SF)	2026 YTD Overall Net Absorption (SF)	2026 YTD New Leasing Activity	Under Construction (SF)	2026 YTD Construction Completions
Northend	68,026,806	4,582,985	348,224	4,931,209	7.2%	121,913	-140,975	835,395	271,,873	131,918
Eastside	22,040,629	1,207,672	130,374	1,338,046	6.1%	42,619	-84,773	348,848	0	0
Seattle Close-In	51,258,719	4,694,719	353,559	5,048,278	9.8%	91,772	-204,762	364,229	0	144,352
Kent Valley	123,309,946	11,881,484	903,172	12,784,656	10.4%	-513,046	-422,733	2,211,253	1,089,808	181,702
Pierce County	104,702,642	11,933,914	1,308,785	13,242,699	12.6%	-376,768	-772,684	1,547,787	1,067,100	565,148
Thurston County	22,313,292	923,351	379,957	1,303,308	5.8%	-56,479	-140,280	133,120	0	36,000
Puget Sound	**391,652,034**	**35,224,125**	**3,424,071**	**38,648,196**	**9.9%**	**-689,989**	**-1,766,207**	**5,440,632**	**3,033,635***	**1,059,120**

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 Q2 2026

Property Name	Submarket	Tenant	Square Feet	Lease Type
Prologis Park Sumner, Building 4	Pierce County	Maersk	350,000	Renewal
Prologis Park Kingsport, Building 7	Kent	Future Foam	205,200	Renewal
Clover Creek Logistics Center	Frederickson	Capital Lumber Company	125,987	New Lease
Kent Valley Distribution Center	Kent	Tiger Mountain Services	125,000	Renewal
Kent 216 Distribution Center	Kent	Metropolitan Hardwood Floors	106,910	Renewal

TOP PROJECTS UNDER CONSTRUCTION Q2 2026

Project Name	Submarket	Developer	Square Feet	Completion Date
Bridge Point Tacoma 2MM, Buildings C & D	Pierce County	Bridge	994,339	Q3 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	Q3 2026

Data in this report provided by KBC Advisors, St. Louis Federal Reserve, and CoStar

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