

KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

ECONOMY

» National warehouse and storage employment fell by 1.7%, or 32,000 employees between August 2025 and August 2026. The sector, however, remains 521,800 jobs above the pre-pandemic peak in February 2020.

» AI continued to drive economic growth with AI capex spending driving business investment growth while AI related corporate earnings growth drove equity valuations and with-it consumer spending growth. Retail spending rebounded strongly in August across multiple retailer categories including online retailers. AI and AI supporting companies are increasingly creating logistics space demand as they store materials for the construction of semiconductor fabs, data centers and the equipment that will fill them. Increased defense, satellite, drone, and aerospace manufacturing activity is also supporting logistics space demand in select markets. The economic outlook will hinge on the sustainability of AI capex spending and earnings growth, employment and wage growth, retail sales, financial market conditions, and geopolitical events with their impact on energy markets and market sentiment.

» Locally, the Northwest Seaport Alliance (NWSA) import volume continues to falter into Q3 2026 posting a year-to-date (YTD) volume of 689,444 twenty-foot-equivalent units (TEUs) through August, a decrease of 13.3% year-over-year (YOY). This marks the third-lowest volume through the first two-thirds of the year, trailing only 2013 and 2009 dating back to when the port began publicly tracking in 2004. Compared to the long-term average (LTA) of 854,854 TEUs through the first eight months, 2026 is currently trailing by 19.3%, serving as a clear reflection of the ongoing geopolitical and trade conflicts weighing on port inflows.

VACANCY

» Puget Sound notably notched the first quarter-over-quarter (QOQ) vacancy decrease since Q2 2024 finishing Q3 2026 down 10 basis-points (bps) QOQ at 10.0%. Vacancy, however, still sits 130 bps above the figure posted in Q3 2025 and is still hovering just 10 bps below the all-time high set in Q2 2026 of 10.1%. Vacancy now sits 390 bps above the market's quarterly LTA of 6.1% as well as 150 bps ahead of the Great Financial Crisis driven peak of 8.5% in Q4 2010. Overall, an encouraging quarter as the market looks toward the combination of a drying up development pipeline and uptick in tenant demand specifically amongst aerospace and defense manufacturing to continue to drive vacancy back toward market equilibrium.

» While three of the six submarkets posted QOQ vacancy increases, ranging from just 10 bps in the Kent Valley and Seattle Close-In submarkets to 80 bps in the Northend, the remaining three posted more encouraging results, ranging from no change in the Eastside to a meaningful 80 bp decrease in Thurston County. While YOY vacancy remains elevated across all six submarkets, we are beginning to see some positive indicators suggesting the market may be starting to fight back after years of subdued leasing demand and record-high deliveries drove vacancy to an all-time high of 10.1% just last quarter.

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

TRENDS: LOGISTICS PROPERTIES

	Q3 2025	Q3 2026	Chg YOY
Vacancy	8.7%	10.0%	▲
Asking Rent Growth	2.0%	4.1%	▲
Net Absorption, SF	-801K	485K	▲
Under Construction, SF	6.0M	1.6M	▼
New Deliveries, SF	333K	1.8M	▲

ECONOMIC INDICATORS

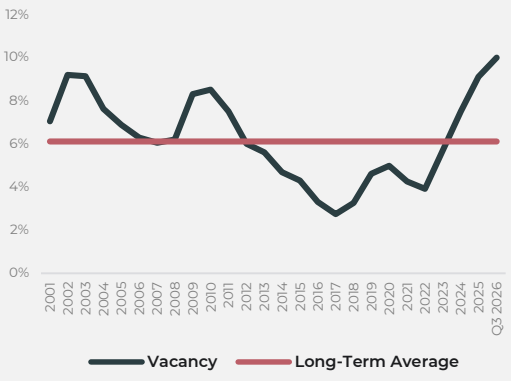
	Aug 25	Aug 26	Delta	
National Warehousing Employment (thousands)	1,869.4	1,837.4	-1.7%	▼

	EOM Sep 25	EOM Sep 26	Delta	
Effective Federal Funds Rate	4.22%	3.75%	-47 bps	▼

	Aug 25	Aug 26	Delta	
Port of Seattle / Tacoma Imports (TEUs)	93,003	83,378	-10.3	▼

▶ Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

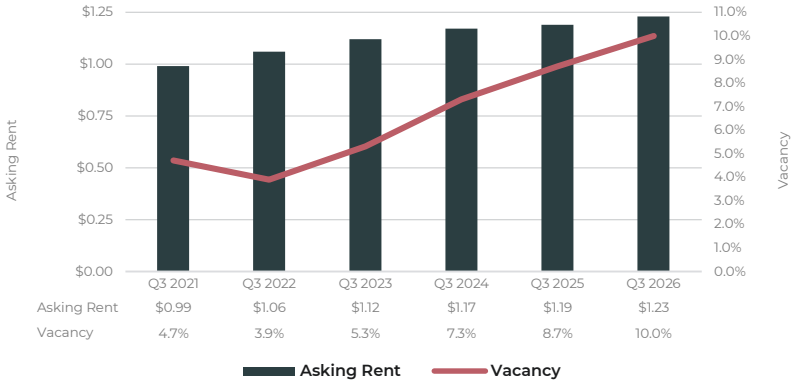
VACANCY CONT'D

- The Kent Valley submarket finished Q3 2026 with vacancy at 10.2%, up 10 basis points QOQ and 70 bps YOY. Vacancy now sits 410 basis points above the market's LTA and just 30 bps below the record high of 10.5% set in Q4 2002. Vacancy has now doubled just in the last three years dating back to the 4.9% posted in Q1 2023.
- After years of elevated vacancy that saw the Pierce County submarket nearly triple in vacancy over the last three years, the submarket posted its first QOQ decrease since Q4 2022, finishing Q3 2026 at 13.3%. This represents a 40-bp decrease QOQ, though vacancy remains substantially elevated, up 340 bps from the 9.9% posted in Q3 2025. Still, this is an encouraging sign that the submarket may finally be beginning to absorb the 4.3 million SF (M SF) of new supply delivered over the past year.
- The Eastside submarket continues it's steady and resilient nature finishing Q3 exactly in line with Q2 at 6.1% vacancy, elevated 80 bps YOY however down 20 bps thus far through 2026. Seattle Close-In finished the quarter up 10 bps QOQ as well as 50 bps YOY. Northend saw the biggest vacancy spike market-wide finishing up 80 bps QOQ to 8% vacancy.

RENT

- Market asking rents remain stagnant across the Puget Sound, ending Q3 2026 at $1.23 per square foot per month (/SF/month), up just $0.01 QOQ and $0.04 YOY. More telling, however, is the widening spread between asking and NNN taking rents. Since vacancy began accelerating in Q3 2024, asking rents have surpassed taking rents for the first time since before the pandemic, with the spread reaching a record $0.13 last quarter and remaining elevated at $0.12 in Q3., the spread reflects what has been tenant-favorable market conditions as landlords compete to maintain occupancy.

VACANCY & ASKING RENT



	Q3 2021	Q3 2022	Q3 2023	Q3 2024	Q3 2025	Q3 2026
Asking Rent	$0.99	$1.06	$1.12	$1.17	$1.19	$1.23
Vacancy	4.7%	3.9%	5.3%	7.3%	8.7%	10.0%

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





KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

RENT CONT'D

» In a positive sign for the market, tenant demand rebounded meaningfully in Q3, with leasing activity reaching 4.6M SF, up 44.6% from 3.2M SF in Q2. While still 19.3% below the same period last year, Q3 leasing activity was 9.2% above the market's quarterly LTA of 4.2M SF, signaling a meaningful improvement in demand following several quarters of subdued activity.

NET ABSORPTION

» Puget Sound broke a five-quarter streak of negative quarterly absorption, finishing Q3 with 484,965 SF of positive absorption, a 1.1M SF increase QOQ and 1.3M SF improvement from the -800,010 SF posted in Q3 2025. Twelve-month net absorption improved 1.3M SF QOQ to -1.6M SF, though it remains 3.5M SF below the market's 2.6M SF LTA.

» Kent Valley posted -75,054 SF of quarterly net absorption in Q3, an improvement of 437,992 SF QOQ and 314,532 SF YOY. Notable move-outs included Young's Market vacating 287,832 SF at Prologis Park Auburn 5 and Xpress Global Systems vacating 108,454 SF at Kurv Kent IV. These were partially offset by major move-ins from Cowboy Space, which occupied 291,035 SF at Kent 228th Logistics Center, and Krafters Land Cabinetry, which occupied 104,350 SF at Lind Distribution Center.

» Pierce County proved to anchor the market in terms of absorption in Q3, posting 704,770 SF of positive absorption, a 1.1M SF improvement QOQ and 1.2M SF improvement YOY. Major move-ins included Holman Logistics' temporary expansion into 245,209 SF at Sumner Central, Ashley Furniture's 205,390 SF owner-user purchase at Kurv Tacoma III, Stryder Logistics' moving into 102,358 SF at Port Commerce Center, and Volvo's occupancy of 114,988 SF at Valley Industrial Center.

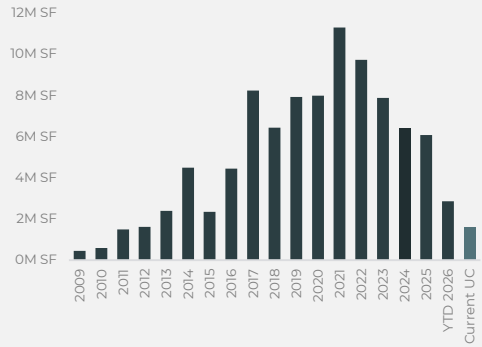
» After ending Q2 in positive territory, the Eastside and Northend returned to negative absorption in Q3, with the Eastside declining 79,274 SF QOQ to -36,655 SF and the Northend falling 466,504 SF to -344,591 SF. Seattle Close-In, meanwhile, posted its second consecutive quarter of positive absorption at 40,436 SF.

CONSTRUCTION

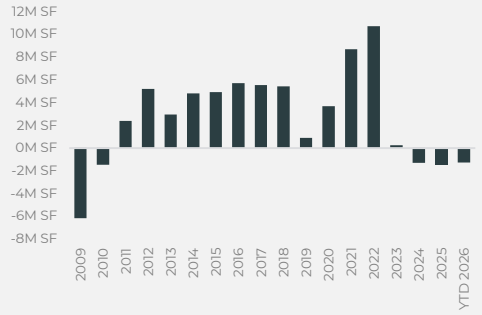
» The Puget Sound saw 5 buildings deliver in Q3 2026 totaling 1.8M SF, an increase of 495% QOQ as well as 493% from the 333,448 SF delivered in Q3 2025. Compared to the LTA of quarterly deliveries of 1.2M SF, Q3 2026 came in 47% ahead.

» There is currently just 1.6M SF under construction across the Puget Sound market, with 68.5% already pre-leased, leaving only 356,941 SF of available space. This marks the lowest level of construction activity since Q1 2012. With the pipeline contracting, limited new supply should ease vacancy pressure and support absorption as elevated inventory is worked through. Couple that with demand showing signs of a rebound into Q4 and 2027 and we should see market fundamentals improve.

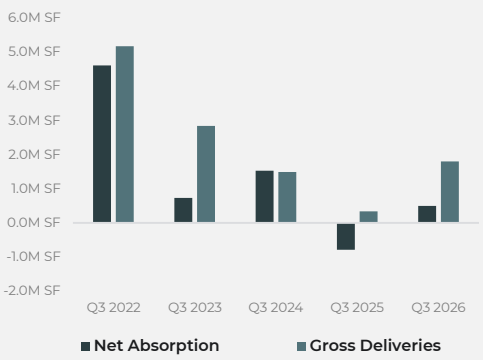
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND





KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

MARKET SUMMARY Q3 2026

Submarket Cluster	Total Inventory	Vacant SF (Direct)	Vacant SF (Sublet)	Vacant SF (Total)	Vacancy Rate	Q3 2026 Overall Net Absorption (SF)	2026 YTD Overall Net Absorption (SF)	2026 YTD New Leasing Activity	Under Construction (SF)	2026 YTD Construction Completions
Northend	68,139,430	5,290,451	128,433	5,418,884	8.0%	-344,591	-485,566	1,920,894	85,000	318,791
Eastside	22,033,008	1,221,334	131,467	1,352,801	6.1%	-36,655	-121,428	559,579	356,941	0
Seattle Close-In	51,048,643	4,654,825	342,351	4,997,176	9.8%	40,346	-164,416	570,684	0	144,352
Kent Valley	122,516,427	11,715,768	822,127	12,537,895	10.2%	-75,054	-497,787	4,870,722	1,089,808	181,702
Pierce County	105,735,469	12,684,898	1,327,042	14,011,940	13.3%	704,770	-67,914	3,009,907	70,288	1,570,816
Thurston County	22,201,474	719,768	307,417	1,027,185	4.6%	196,149	55,869	175,975	0	36,000
Puget Sound	**391,674,451**	**36,287,044**	**3,058,837**	**39,345,881**	**10.0%**	**484,965**	**-1,281,242**	**11,107,761**	**1,602,037**	**2,856,515***

2026 YTD Construction Completions 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 Q3 2026

Property Name	Submarket	Tenant	Square Feet	Lease Type
The Cubes at Dupont, Building A	Dupont	Kimberly Clark	747,488	Renewal
Des Moines Creek Business Park West	SeaTac	Shield AI	402,380	New Lease
Kent 228th Logistics Center	Kent	Cowboy Space	291,035	New Lease
Prologis Park SeaTac, Building 3	SeaTac	Blue Origin	265,922	New Lease
Seattle Gateway Center Building 2	Burien	Tire Rack	133,417	Renewal/Expansion

TOP PROJECTS UNDER CONSTRUCTION Q3 2026

Project Name	Submarket	Developer	Square Feet	Completion Date
Auburn 18 Business Park, Building B	Auburn	IRG	609,368	Q2 2027
Des Moines Creek Business Park West	Kent	Panattoni	402,380	Q4 2026
Mt. Si Industrial Center	E King	Panattoni	356,941	Q3 2027

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

KBCADVISORS

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

© 2026 KBC ADVISORS This information has been obtained from sources believed to be reliable but has not been verified for accuracy or completeness. You should conduct a careful, independent investigation of the property and verify all information. Any reliance on this information is solely at your own risk. The KBC ADVISORS logo is a service mark of KBC ADVISORS. All other marks displayed on this document are the property of their respective owners. Photos herein are the property of their respective owners. Use of these images without the express written consent of the owners is prohibited.