

KBC INSIGHTS | SUBLEASE ANALYSIS

Puget Sound

AVAILABLE SUBLEASE SPACE

» For the fourth consecutive quarter, total available sublease space in the Puget Sound market declined, ending Q3 2026 at 5.2 million square feet (M SF). This represents an 8.3% decrease from Q2 and a significant 28.2% decline year-over-year (YOY) from the 7.3M SF recorded in Q3 2025. Both trends point to improving market conditions, particularly as sublease availability peaked at a record-high 7.5M SF just three quarters ago in Q4 2025. However, total available sublease space remains double the market's long-term average (LTA) of 2.6M SF. Of the 474,203 SF reduction in sublease availability this quarter, only 160,798 SF was attributable to leasing activity. The remainder largely reflects expiring subleases returning to the market as direct availabilities, as major tenants continue to shed excess space and right-size their operations following the COVID-era logistics demand boom.

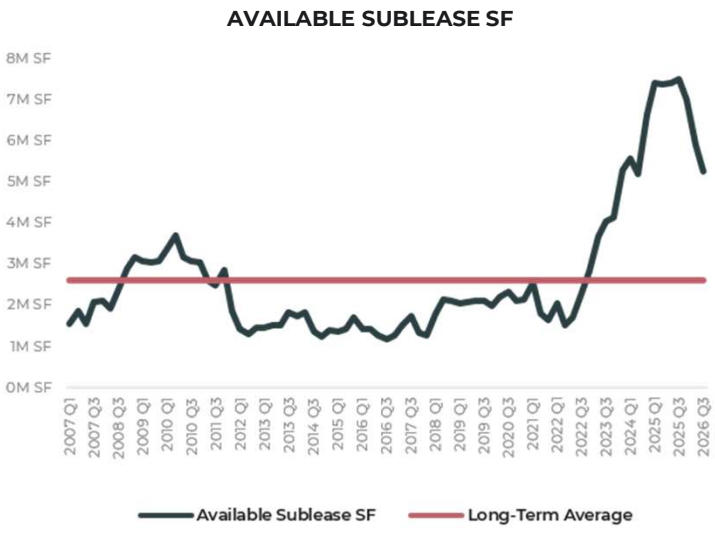
» When evaluating as a percentage of total inventory, available sublease space accounts for 1.3% . This equates to a 20-basis-point (bp) decrease quarter-over-quarter (QOQ) as well as a significant 60 bp decrease from the year prior. Compared to the LTA of sublease space as a percentage of inventory dating back to 2005 of 0.8%, Q3 finished up 50 bps.

» Vacant available sublease SF finished Q3 2026 down 30% from the 4M SF posted a year ago at 2.8M SF. This also represents a 12.1% decrease QOQ, however, when comparing to the LTA of 1.4M SF, the tale of the tape is that vacant available sublease space remains elevated 93.9% above the norm. The positive lies in the fact that this is the lowest number the market has seen since Q1 2024, and we have now seen three consecutive quarters of decreases dating back to the all time high of 4.1M SF set in Q4 2025.

» Pierce County still represents the lion share of Puget Sound sublease space finishing Q3 2026 at 2.3M SF which accounts for 44.6% of market-wide sublease availability. This represents a decrease of 35.6% YOY as well as a significant 38.9% decrease from the submarkets' all time high of 3.8M SF of sublease availability in Q4 2025. The 1.1M SF year-to-date (YTD) decline in Pierce County's sublease availability mirrors the broader market trend, with only 270,108 SF of the reduction attributable to leasing activity. The remaining 817,255 SF can largely be attributed to three major pullbacks: Boeing withdrew 312,255 SF at LPC Frederickson One, UNIS withdrew 250,000 SF at Tacoma Gateway, and Maersk's 255,000 SF at Fife Commerce Center transitioned from sublease to direct availability.

» The Kent Valley also saw a significant peel back in sublease space finishing Q3 at 1.3M SF, down 13.6% QOQ as well as 35.8% from the same period last year. This is the lowest number the submarket has seen since Q2 2024 and represents the fifth straight quarter of decreases among Kent Valley sublease space. Compared to the LTA of 931,858 SF, sublease space remains elevated by 36.6%.

» The Northend saw the biggest QOQ decrease finishing Q3 down 38.1% at 304,271 SF. This represents a significant 57.6% decrease from the all-time high set just two quarters ago in Q1 2026 of 717,700 SF. Conversely, the Eastside posted the largest increase finishing Q3 at 330,719 SF, up 47.7% QOQ as well as 102.6% YOY. The Eastside now sits at the highest level the submarket has seen since the fallout of the Great Financial Crisis in Q2 2009. Seattle Close-In also saw a marginal increase up 1.9% QOQ, however, the submarket is still down 4% YOY.





KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

SUBLEASE SUMMARY Q3 2026

Submarket Cluster	Total Inventory	Total Available	Availability Rate	Total Sublease Inventory	Available Sublease Rate	Available Sublease YOY Change
Northend	68,139,430	5,390,370	7.9%	304,271	5.6%	-54.6%
Eastside	22,033,008	2,097,117	9.5%	330,719	15.7%	102.6%
Seattle Close-In	51,048,643	5,312,525	10.4%	542,582	10.2%	-4.0%
Kent Valley	122,516,427	14,578,446	11.9%	1,273,155	8.7%	-35.8%
Pierce County	105,735,469	17,467,892	16.5%	2,338,291	13.4%	-35.6%
Thurston County	22,201,474	1,290,014	5.8%	458,518	35.5%	53.5%
Puget Sound	**391,674,451**	**46,136,364**	**11.8%**	**5,247,536**	**12.4%**	**-28.2%**

Statistics reflect all industrial properties regardless of subtype or building size

SIGNIFICANT SUBLEASE AVAILABILITIES

Property Name	Tenant	Square Feet	Expiration Date	Submarket
SeaPORT Logistics Center, Building 3	Nordstrom	501,319	6/30/2032	Pierce County
Hawks Prairie Logistics Center, Building 2	Snow Joe	274,040	2/28/2032	Thurston County
Fife I-5 Commerce Center	Associated Materials	250,490	12/31/2029	Pierce County
Prologis Park Tacoma, Building 5	Samsung	250.000	7/31/2029	Pierce County
Prologis Park Tacoma, Building 6	Cubework/Unis	204,496	12/31/2029	Pierce County
SeaPORT Logistics Center, Building 5	Allen Distribution	140,000	8/31/2028	Pierce County

Data in this report provided by KBC Advisors and CoStar

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