Q2 2026

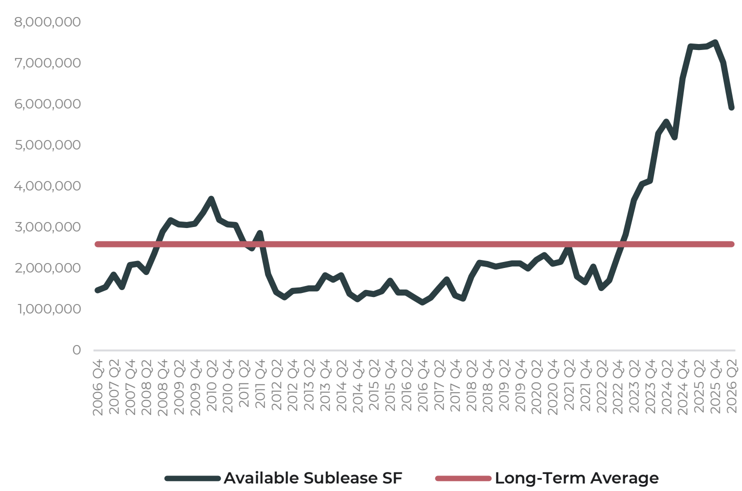
KBC INSIGHTS | SUBLEASE ANALYSIS

Puget Sound

AVAILABLE SUBLEASE SPACE

- Total available sublease space in the Puget Sound market finished Q2 2026 at 5.9 million square feet (M SF), the second consecutive quarter of declines finishing down 14.5% quarter-over-quarter (QOQ) as well as a significant 19.5% just over the last year. This serves as a positive sign for the market after seeing sublease space peak at 7.5 M SF just two quarters ago, with sublease space settling below 6M SF for the first time since Q3 2024. Total available sublease space now sits 133.1% above the market's long-term average (LTA) of 2.5M SF. What for a consecutive quarter may appear statistically to signal strengthening market fundamentals is, in reality, more reflective of the market rebalancing after the record occupier demand experienced during the COVID-era leasing boom. Rather than being absorbed by new tenants, much of this space is returning to the market as a direct lease availability, further contributing to rising vacancy and weaker net absorption. A case in point: across just four availabilities this quarter, approximately 1.0 million square feet was either returned to the market as direct availability or withdrawn altogether.
- When analyzing as a percentage of total inventory, available sublease space accounts for 1.5%. This represents a 30-basis-point (bp) decrease QOQ as well as a 40-bp decrease from the same period last year. This represents the biggest QOQ decrease the market has seen since the post Great Financial Crisis recovery saw a 40-bp decrease in Q1 2012. Compared to the LTA of sublease space as a percentage of inventory dating back to 2005, Q2 2026 finished up 70-bps.
- Vacant available sublease SF finished Q2 2026 at 3.2 M SF, a significant decrease of 13.9% over the past year as well as down 5.2% QOQ. When compared to the record high peak of 4.1 M SF recorded in Q4 2025, vacant available sublease SF is down 21.4%. However, a broader view of the market reveals that vacant available sublease space in Q2 remains elevated, sitting 126.3% above its long-term average (LTA). As a percent of total vacant available space, sublease space now accounts for 9.5% .
- Pierce County continued its reign as the prominent player in sublease space finishing Q2 2026 at 2.7 M SF, accounting for 46% of market-wide sublease inventory. In comparison to Q1 2026, sublease space is down a significant 21.5% as well as down 26.5% from Q2 2025. While this is a drastic improvement QOQ, 567,225 SF of this can be contributed to two spaces alone, with Boeing withdrawing 312,225 SF at LPC Frederickson One as well as 255,000 SF at Fife Commerce Center, an original Maersk sublease turning to a direct availability. A mere 85,358 SF of this decline in sublease SF can be attributed to leasing activity.
- Kent Valley, the largest submarket, also saw sublease SF fall this quarter finishing 7.8% below the Q1 2026 mark as well as 15.2% YOY. When comparing Q2 to the LTA for the submarket of 930,699 SF, sublease space is up 58.4%. A major contributing factor to this sharp decline lies in 361,120 SF flipping to a direct availability at Kent 35 via the Stryder Logistics sublease running out of term.
- The Northend submarket posted the biggest decrease finishing the quarter down 28.1% at 516,498 SF. The Eastside submarket held almost completely still this quarter finishing at 251,346 SF still hovering just 1.5% below the submarket's post-pandemic high of 255,169 in Q4 2025. The Seattle Close-In submarket is the only submarket that saw sublease SF increase in Q1 finishing at 520,035 SF, up 17.5% QOQ however still down 6.3% YOY.

AVAILABLE SUBLEASE SF



KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Puget Sound

SUBLEASE SUMMARY Q1 2026

Submarket Cluster	Total Inventory	Total Available	Availability Rate	Total Sublease Inventory	Available Sublease Rate	Available Sublease YOY Change
Northend	68,026,806	6,085,951	8.9%	516,498	8.5%	-41.3%
Eastside	22,040,629	1,847,393	8.4%	251,346	13.6%	163.2%
Seattle Close-In	51,258,719	5,405,581	10.5%	529,035	9.8%	-6.3%
Kent Valley	123,309,946	15,281,727	12.4%	1,474,566	9.7%	-15.2%
Pierce County	104,702,642	17,815,391	17.0%	2,729,237	15.3%	-26.5%
Thurston County	22,313,292	1,362,590	6.1%	419,957	30.8%	16.6%
Puget Sound	**391,652,034**	**47,798,633**	**12%**	**5,920,639**	**12.4%**	**-19.5%**

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
Tacoma Gateway, Building A	Cubework/Unis	250,000	3/31/2029	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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