INVESTMENT OUTLOOK

Industrial

Seattle-Tacoma Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

MIDYEAR 2025

Falling Cargo Volumes Undercut Large-Bay Demand; Smaller Floorplans Sustain Leasing Velocity

Import drop fuels bulk space givebacks; small bay stays tight. Tariffs have added volatility to the Seattle-Tacoma industrial market. Port volumes fell 17.3 percent year over year in May 2025, coinciding with over 2 million square feet of net move-outs in the second quarter. Most of the returned space came from large-format users in the South End and Tacoma, pushing big-box vacancy above 11 percent. Stronger trade flows and policy clarity could lift demand later in the year, but a prolonged import decline would likely weigh on port-adjacent leasing. With Tacoma set to add over 4 million square feet of space this year, vacancy is expected to remain elevated, though fewer completions elsewhere should help limit upward pressure. Meanwhile, small-bay properties are likely to remain more stable, as fewer move-outs and limited new supply kept vacancy below 5 percent in June. This dynamic should help sustain tighter conditions in the Eastside and North End, where leasing is buoyed by advanced manufacturing and last-mile tenants.

South End investment cools as life sciences growth lifts long-term outlook. Sales activity has shifted in 2025 amid trade headwinds. The South End submarket is seeing minimal investment due to its aging industrial stock and reliance on port activity. Large buyers remain more active in Tacoma, favoring recently built distribution space trading below replacement costs. Private investors have targeted infill sites near Downtown Seattle and South Tacoma, drawn by dense populations that appeal to small-bay users. Limited port exposure may also attract more interest in the North End and Eastside. Adding to the region's appeal, Bristol Myers Squibb's plan to invest $40 billion nationwide over the next five years will support its operations in South Lake Union and Bothell, likely attracting pharmaceutical and medical device suppliers.

2025 MARKET FORECAST

+0.2% **EMPLOYMENT:** Job growth will soften this year, with just 5,000 new roles expected amid rightsizing at major firms like Boeing, Microsoft and Starbucks. Health care hiring should remain stable.

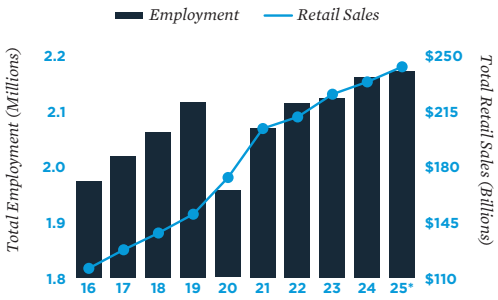
6 million *sq. ft.* **CONSTRUCTION:** Completions will stay roughly in line with the metro's 10-year average of 5.7 million square feet. Tacoma will account for over 70 percent of this year's supply additions.

+130 bps **VACANCY:** Subdued tenant demand and ongoing development activity will push vacancy up by over 100 basis points for the third consecutive year, with the metro's rate reaching 9.1 percent.

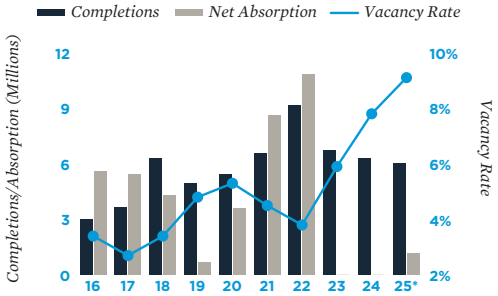
-1.2% **RENT:** Asking rents are expected to decline slightly this year as large-block space relinquishments return older stock to the market. The metro's average rate will dip to $12.52 per square foot.

INVESTMENT: *At under 4 percent, Seattle's Eastside holds one of the lowest vacancy rates among West Coast submarkets with at least 15 million square feet of inventory, drawing buyers to tech-adjacent industrial areas.*

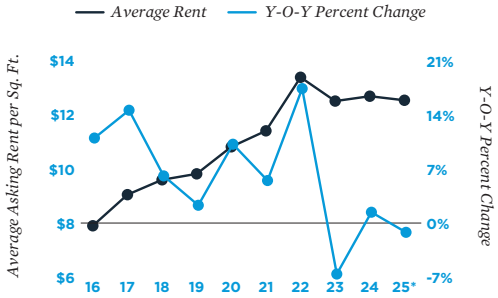
Economic Trends



Supply and Demand



Rent Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Al Pontius

Senior Vice President

National Director IPA Industrial

Tel: (415) 963-3000 | apontius@ipausa.com

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.