INVESTMENT FORECAST

Industrial

Seattle-Tacoma

IPA | INSTITUTIONAL PROPERTY ADVISORS

2026

Declining Import Activity Weighs on Demand as Investors Maintain Selective Approach

Softer conditions persist amid ongoing speculative development. Within Seattle's small-bay segment, leasing activity has remained relatively consistent with prior years. However, vacancy continues to rise as tenants either relinquish space or relocate into post-2000 construction. Conditions in the 50,000- to 200,000-square-foot range are similar, though demand weakened more materially in early 2026, as ongoing tenant consolidations outweighed limited expansions to raise availability. Tenants are nevertheless more actively pursuing midsized blocks than either smaller or larger alternatives. Properties exceeding 200,000 square feet experienced a modest rebound in leasing activity during 2025, though that momentum has tapered in early 2026. This broad-based softening aligns with declining cargo volumes at the Northwest Seaport Alliance, where container throughput has trailed year-ago levels throughout the early months of 2026, largely due to a drop in imports. As a result, persistent speculative completions will put further upward pressure on vacancy in the near term.

Investors focus on low-vacancy areas. Seattle's transaction activity increased year-over-year in 2025, though at a slower pace than the average across primary U.S. markets. Investor sentiment may remain cautious amid weakening fundamentals, particularly as the metro holds one of the 10 lowest cap rates across major markets, leaving limited yield cushion. Still, select submarkets such as Northend and the Eastside are well positioned, with vacancy at 7.6 and 5.2 percent, respectively, in the first quarter. In the former, both private and institutional investors will likely continue targeting properties near Paine Field, supported by a highly localized aerospace manufacturing cluster and recent production expansion at Boeing's Everett facility.

2026 MARKET FORECAST

+0.2% — **Employment:** Despite continued losses in traditionally office-using sectors, Seattle is expected to add 5,000 jobs in 2026, marking growth roughly in line with the national forecast.

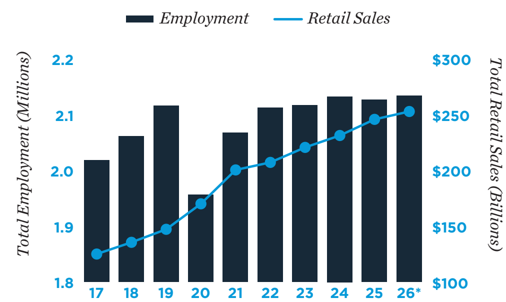
3.9 million *sq. ft.* — **Construction:** Completions will decelerate for the fourth consecutive year in 2026, with total inventory expanding by 1.2 percent, the metro's slowest pace in the past decade.

+50 bps — **Vacancy:** Improving tenant demand, coupled with slowing construction, tempers rising vacancy. Still, the metro's rate reaches 10.4 percent by year-end, the highest level on record.

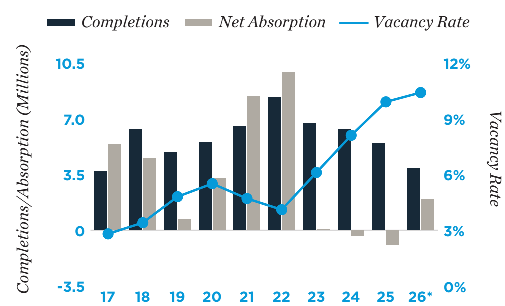
-1.5% — **Rent:** Elevated vacancy is weighing on asking rents, pushing the average down to $12.80 per square foot in 2026, while five-year growth totals roughly 12 percent.

INVESTMENT: *Investor interest, particularly for the nearly 6 percent vacant warehouse segment, will likely be sustained along Washington State Route 167 in the South End, one of the metro's core distribution corridors.*

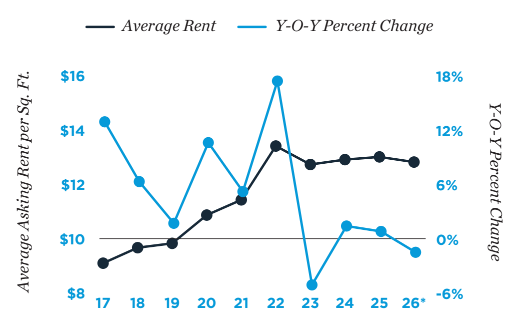
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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