

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Seattle



The Puget Sound’s industrial market is among the strongest in the nation, with growth fueled by the e-commerce, energy and life sciences companies that is delivering above-average returns for investors. Building values, land prices and rents are steadily increasing.”

– John Miller, Senior Managing Director





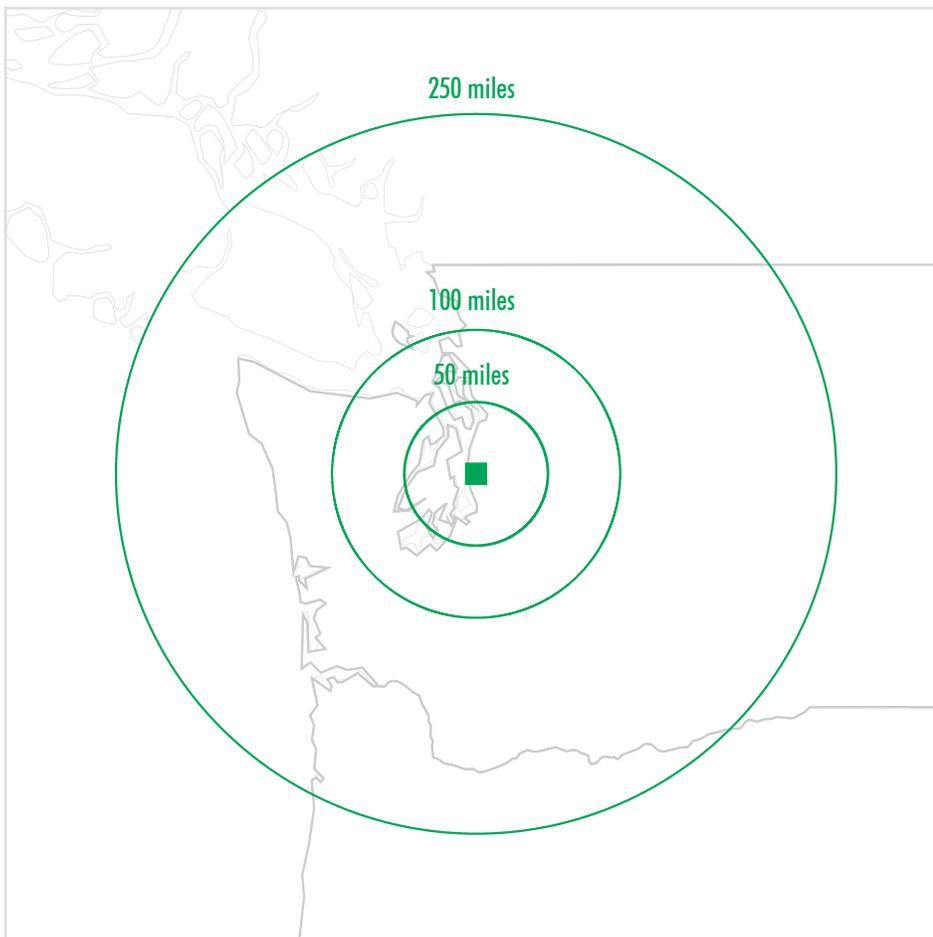
Seattle

Demographics

More than 5 million people live within 50 miles of the urban core, with a 7.1% expected growth rate over the next five years—the highest of any major West Coast market. Nearly 12 million people live within 250 miles, with a 6.4% expected growth rate in five years. A total of 4.3 million households can be reached within 250 miles.

According to [CBRE Labor Analytics](#), the local warehouse labor force of nearly 77,000 is expected to grow by 13.5% over the next decade. Seattle has the highest non-supervisory wage of any market in this report at \$17.12 per hour, 21.6% above the national average.

Figure 1: Seattle Population Analysis



Distance from Downtown Seattle	2020 Total Population	5 Year Growth
50 miles	5,022,152	7.1%
100 miles	5,947,920	6.9%
250 miles	11,812,075	6.4%

Source: CBRE Location Intelligence.

Figure 2: Seattle Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.
 *Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been seven economic incentives deals totaling \$1.8 million at an average of \$1,644 per new job in the Seattle metropolitan area, according to Wavteq.

According to [CBRE’s Location Incentives Group](#), among the top incentive programs offered in metro

Seattle is a sales/use tax exemption for machinery and equipment that is used directly in manufacturing, warehouse or research & development operations. Service charges rendered for installing, repairing, improving or cleaning the machinery and equipment are also exempt from sales tax.

Figure 3: Seattle Top Incentive Programs

Program	Description
Manufacturers' Sales/Use Tax Exemption	100% sales/use tax exemption for manufacturing equipment; a single use certificate must be used each time an exempt item is purchased
Washington State Job Skills Program (JSP)	Job training grant up to 50% of eligible training costs
Warehouse Incentive Program	Sales tax exemption on construction material and equipment purchases for buildings 200,000 sq. ft. or larger

Source: CBRE Location Incentives Group.
 Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Seattle

Logistics Driver

The Northwest Seaport Alliance, which includes the ports of Seattle and Tacoma, is the fifth largest container gateway in the U.S. The ports are less congested than their California counterparts and provide a shorter direct route to Asia. Union Pacific and BNSF rail lines link the ports to the Midwest.

Seattle-Tacoma International Airport is home to 24 air carriers and ranked 17th in North America for air cargo handled in 2019. Interstate 5 gives the region direct access to the entire West Coast.

Capital Markets



Although sales volume fell in 2020, pricing remained stable with strong rent growth and a lack of available for-sale asserts. As available land for development is absorbed, markets like Fredrickson, DuPont, Lacey, Tumwater and Centralia are heating up. The Interstate 5 Corridor between Seattle and Portland is steadily filling in and expanding to northern points such as the Washington cities of Vancouver and Ridgefield. Increasing rental rates will put pressure on the market to expand its traditional boundaries to accommodate business growth.”

– Brett Hartzell, Executive Vice President

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	3.75% - 4.25%	4.00% - 4.75%
2019	3.75% - 4.25%	4.25% - 4.75%

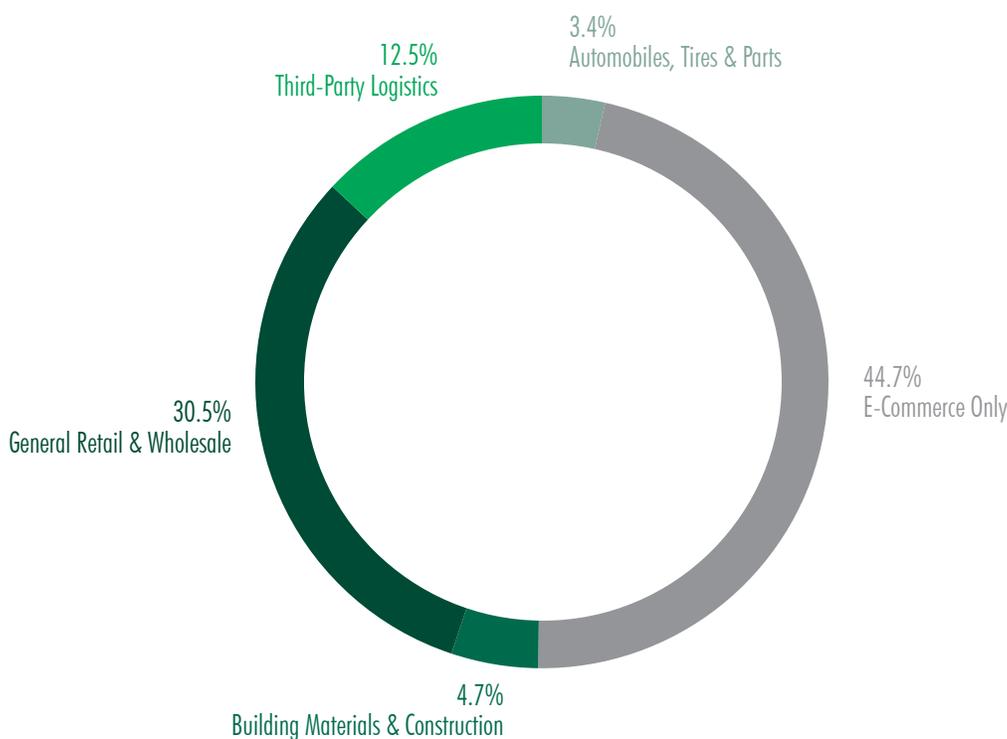
Source: CBRE Research.

Supply & Demand

Despite another year of solid construction completions, the direct vacancy rate in the Seattle region dropped to 2.0% in 2020, with no vacancy for facilities of more than 750,000 sq. ft. Transaction volume nearly doubled year-over-year to 6.0 million sq. ft., much of it for facilities of less than 500,000 sq. ft. Construction completions totaled nearly 3.4 million sq. ft., down from 4.5 million sq. ft. in 2019. Another 3.3 million sq. ft. is currently under construction, 59.2% of it preleased.

E-commerce retailers accounted for nearly 45% of total transaction volume in 2020. Taking rents rose by 1.9% year-over-year to \$7.08 per sq. ft. With extremely low vacancy and a high level of under-construction preleasing, it will be difficult for the market to match its 2020 transaction volume in 2021. Asking rents will continue to rise and developers will search for land to build on spec.

Figure 5: 2020 Occupier Transaction Market Share

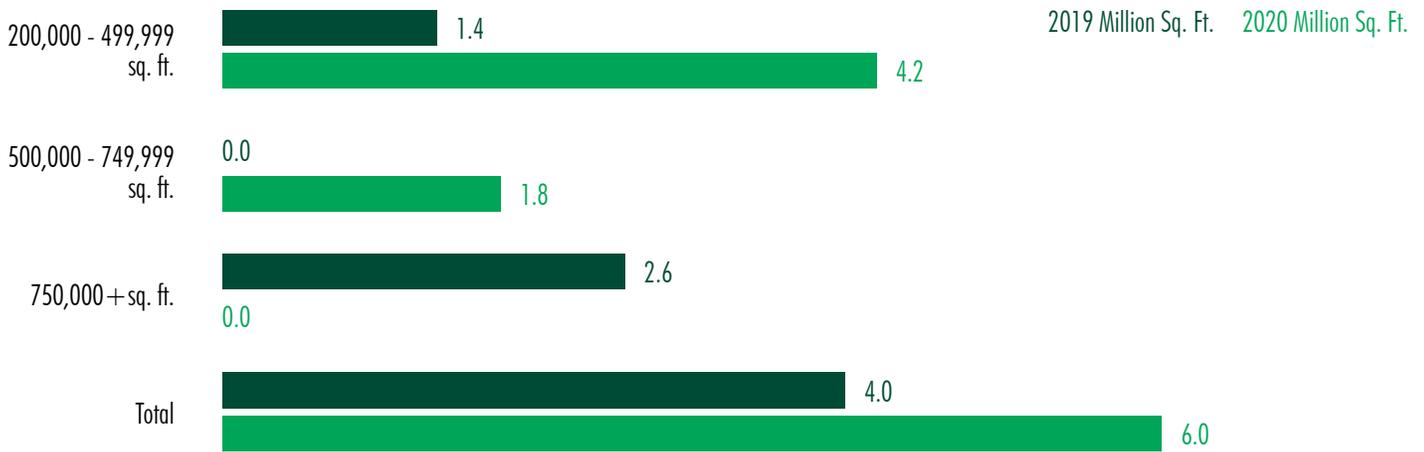


Note: Includes transactions signed in 2020.

Source: CBRE Research.

Seattle

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	205	60,627,979	2.0%	2,440,408	2,624,934	\$6.86
500,000-749,999 SF	26	15,600,312	5.5%	1,290,392	746,520	\$7.53
750,000+ SF	17	28,387,709	0.0%	1,446,939	0	N/A
Total	248	104,616,000	2.0%	5,177,739	3,371,454	\$7.08
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	215	62,057,945	6.7%	(314,953)	1,983,164	\$7.61
500,000-749,999 SF	23	13,598,702	15.1%	554,243	2,522,328	N/A
750,000+ SF	18	29,699,656	1.3%	0	0	\$6.16
Total	256	105,356,303	6.2%	239,290	4,505,492	\$6.95

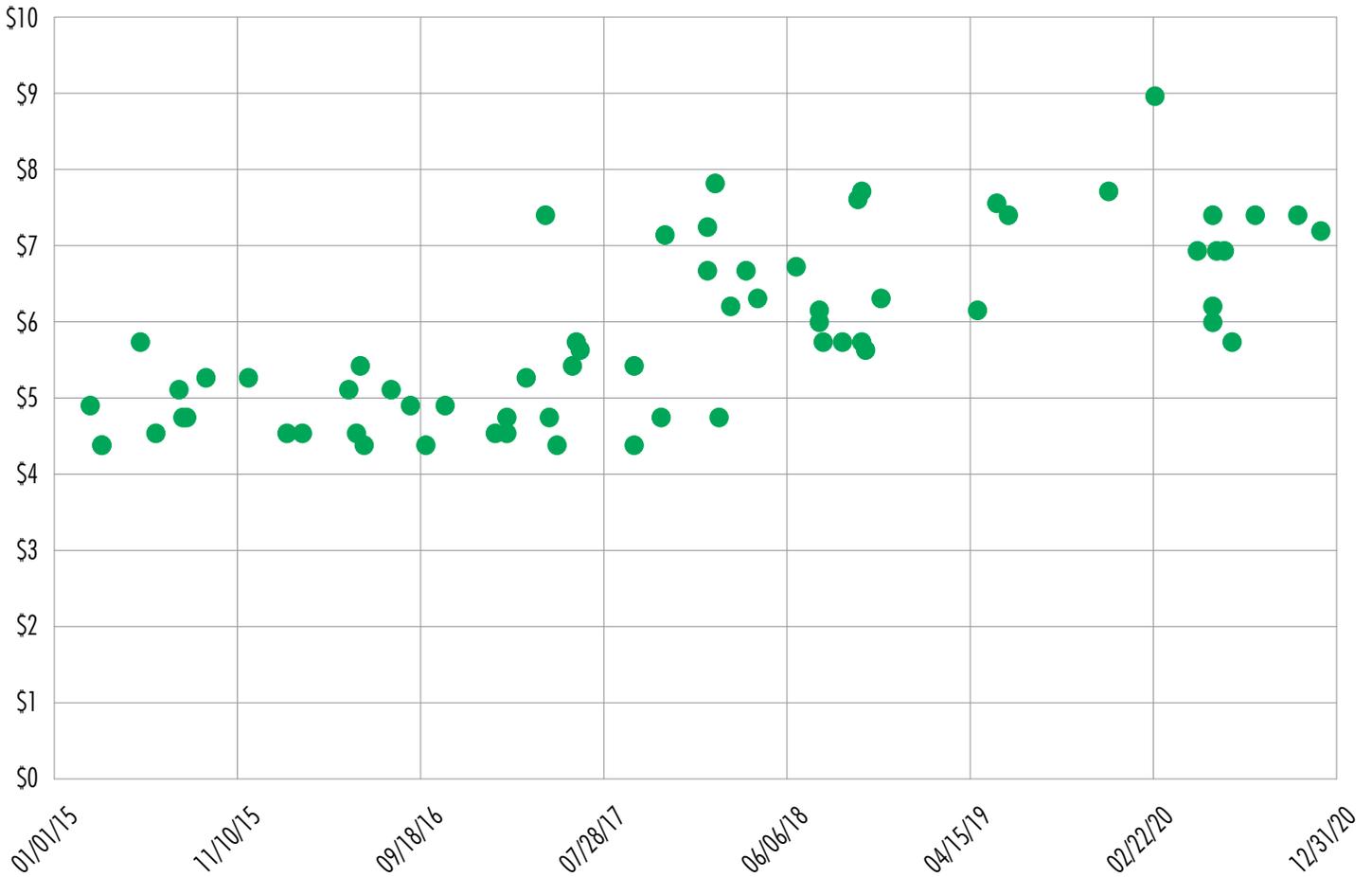
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	2,004,752	33.6%
500,000-749,999 sq. ft.	1,255,540	100.0%
750,000+ sq. ft.	0	N/A
Total	3,260,292	59.2%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

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