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Real
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Reporter

Real Estate Buzz: Industrial market is buzzing — even for spec



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It seems new industrial projects are popping up all over the region, almost on a daily basis. Panattoni Development Co. has made headlines with projects in Sumner, Des Moines, South Seattle and the Kent Valley, but others also are planning and completing projects in the region.

Even DuPont is getting in on the action.

Duke Realty of Indianapolis is building a distribution center for Amazon.com in DuPont that will have one million square feet. In March, The Griot family filed plans with the city to build a 695,000-square-foot warehouse on a 29-acre site on the northeast corner of International Place and Center Drive. That would be the second phase of the Northwest Logistics Center. Plans for the first phase, a 250,000-square-foot building next door were filed last year.

A number of these projects are being started without signed tenants.

Crews will start pouring concrete next month for the first two buildings at Stryker Business Center at Pacific Gateway in Kent. IDS Real Estate Group and Clarion Partners bought 72 acres from Boeing for the business park, which will be built in phases. The first two buildings will have 318,000 and 120,000 square feet, and neither have tenants yet.

While many office projects are waiting for tenants before they start, some speculative industrial projects are already done.

The Benaroya Co. this week is opening a 441,000-square-foot distribution center in Sumner, one of the first spec projects in this development cycle. Benaroya is selling the building to Industrial Income Trust of Denver, a real estate investment trust that buys and operates industrial buildings. Benaroya Co. Principal **Larry Benaroya** said the sale is expected to close this week.

All this activity shows buyers, developers and tenants want to be here, said **Kathy Craft-Reich**, principal at Craft Architects, which is designing industrial projects all over the region.

“The Puget Sound area is in the top three markets in the country right now that both private and publicly held companies are focusing on,” Craft-Reich said. “I think there is a big rush here for property, building acquisition and development as well.”

After several years with little new product but continuing tenant demand, vacancy has dropped to around 6 percent, according to real estate brokerage Kidder Mathews.

Scott Carter, managing director of the Bellevue office of Jones Lang LaSalle, said the new development is overdue. Most of it is mid-sized projects, Carter said, between 120,000 and 450,000 square feet. He said the market isn't quite as active as it was in the last cycle, but it has been strong. Buildings coming online early next year will be able to charge higher rents than in previous years, Carter said.

One sign that the market is gaining strength is the location of projects. In a recovering market, developers only look for land in premium places, but now they want to get in where they can, even if it is a little further away from Seattle or the Kent Valley.

Carter said the best sign of the market's strength will be what happens when the spec buildings open. Jones Lang LaSalle said last year tenants absorbed 3.6 million square feet of space, the most since 2007. How fast will new space get filled?

“With only about a year's supply of new product coming on line, we are not exactly flooding the market to the point where it is going to cause any disruption,” Carter said. “If we see some of that new product filling up fast that will tell us something about where the market is heading.”