

Lacey - The New Sumner

Historically, the City of Lacey has been the black sheep market when compared to traditional industrial submarkets in the Greater Seattle Area. In the last cycle, Target, Harbor Freight, Trader Joes and Home Depot all occupied build-to-suits where they could have a building built to their specifications. They were attracted to this area due to lower land prices resulting in lower rent costs compared to the traditional markets further north. Even as recently as 3 years ago, major developers like DCT (Now Prologis) and Panattoni rarely considered Lacey and did not believe in the fundamentals of the market. They did not consider building speculative there an option. Now fast forward to today and major national developers such as Dermody Properties, Bridge Development and Colony Capital are diving feet first into the Lacey market through building acquisitions or land acquisitions as national and international tenants and users continue taking down large blocks of space. Medline, U-line, Solo Cup and DHL all have recently relocated from Sumner, Auburn, and Tacoma. Increasing land prices further north and fewer available large land parcels have driven the large users further south. Ten years ago, land prices in Lacey for raw land sites were in the \$2-\$3 PSF range compared to the Kent Valley which were \$6-\$8 PSF. That lower, but ever increasing, land price discrepancy is even more apparent now. Today, raw land prices in Lacey are \$5-\$6 PSF (but up to \$16 PSF for a DuPont site that was fully entitled) compared to \$16-\$25 PSF for unentitled raw land in Sumner and Auburn. Rents in Lacey are inching up too, but still 30%-40% less than similar type buildings in Pierce or South King County. Lacey is no longer considered too far for certain users and will continue to drive the market and put pressure on traditional markets for large users.