

DATE: February 24, 2023
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SUBJECT: Lake Stevens Industrial Market Study

Introduction

Through its Comprehensive Plan, the City of Lake Stevens has promoted a growth strategy that calls for master planning growth centers to ensure that its land resources are sufficient to meet anticipated growth. Three of the City's four growth areas have already been planned. In 2022 the City began planning work for its final subarea, the Lake Stevens Industrial Center (LSIC). In this market analysis, we establish baseline demographic, economic, and market conditions to inform land development alternatives that could be supported by the current and anticipated market conditions.

Data and Methods

In this assessment we drew from a variety of data sources to compile an understanding of the Lake Stevens' commercial real estate market for industrial properties. Source citations can be found on each page where quantitative data is presented. We also relied on stakeholder feedback through a community open house held in the district and an online survey of property owners and stakeholders. Mixing the qualitative input from locals with on-the-street knowledge and perspectives is fundamental to understanding the complete story of Lake Stevens' industrial real estate market and its market position within the broader Snohomish County market.

Puget Sound Industrial/Flex Trends

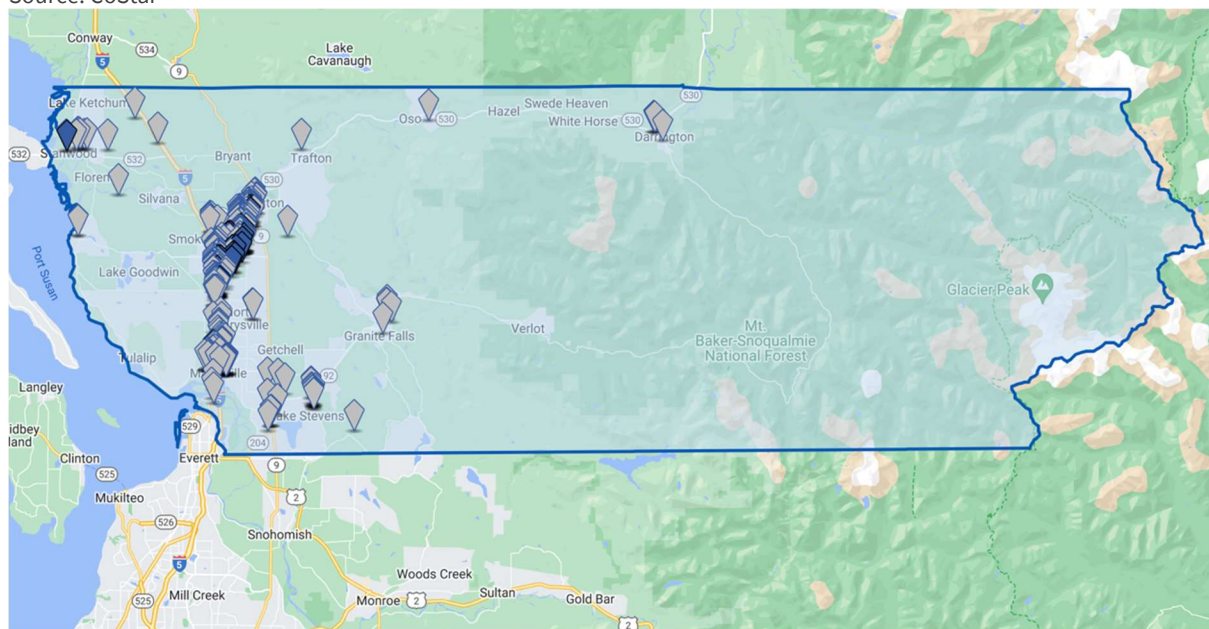
In 2022, the Puget Sound region saw strong demand driven by logistics and distribution companies, resulting in 16 million square feet of leases signed. The aerospace industry also took off, with Amazon's Kuiper project, Blue Origin, and Stoke Space Technologies all signing new leases. 2022 marked the fifth consecutive year with industrial sale volumes above \$1 billion, with the largest single market portfolio sale of the year going to the LDS church. However, the substantial increase in the Fed Funds Rate has raised borrowing costs, leading to a slowdown in new construction and a continued tight market. Despite this, the industrial sector in general is expected to perform well due to continued growth in e-commerce and onshoring trends¹.

¹ JLL: Industrial Insights for Seattle-Puget Sound. Q4 2022

In this section we summarize the current and recent historical real estate conditions for the industrial/flex market in Lake Stevens and North Snohomish County. Lake Stevens' industrial market is small, and contains only a few buildings, making trend analysis at the local level ineffective. Therefore, in this market study we evaluate trends in the broader North Snohomish County's industrial/flex market. This geography contains properties in Lake Stevens' Industrial Area and other industrial centers that are direct competitors to Lake Stevens.

Most of the industrial/flex properties in North Snohomish County are strategically located along the I-5 highway for easy access to the state highway system and other transportation networks. The other cities within the submarket have industrial/flex properties but not as many or concentrated as those seen in the Marysville and Arlington area.

Source: CoStar



In this section we assess Lake Stevens' competitive position in the North Snohomish County's submarket for industrial/flex space. There are a couple industrial centers within the North Snohomish County area that are direct competitors to Lake Stevens. That is, commercial and industrial businesses seeking a new location are likely to compare a location in Lake Stevens

with those in other similar industrial centers. Each of these areas have advantages and disadvantages relative to Lake Stevens for commercial and industrial uses.

There are two cities in the submarket area that contain the majority of competitive industrial/flex space—Marysville and Arlington. While not in the same market, Everett is also within the industrial sphere of influence, but its industrial sector is heavily influenced by the aerospace sector and other large-scale manufacturers, which are not a likely use in Lake Stevens. A broader view of Lake Stevens' competitive trade area might consider areas farther afield. However, given the lack of a connection to an interstate highway and the time/distance barriers of crossing the Cascade Range to the west or accessing other markets to the east, the North Snohomish County submarket creates a unique situation for businesses.

Below we have summarized each competitive industrial centers in Marysville and Arlington to Lake Stevens.

- **Marysville.** Marysville's industrial center totals 3.1 million square feet of space across an inventory of 145 properties. Marysville industrial center spans all along I-5 and near the Arlington Municipal Airport. This direct access to highway and airport makes Marysville's industrial center highly competitive for logistics as it has the access to ground and air transportation networks. Additionally, the cities of Marysville and Arlington have collaborated for a long time toward making the Cascade Industrial Center (CIC) a Manufacturing and Industrial Center with the Puget Sound Regional Council. This industrial center has supported a wide range manufacturing and technology driven industries. Marysville industrial/flex space is comprised of warehouses, manufacturing, and distribution buildings. The average size of these buildings is approximately 42,000 square feet.
- **Arlington.** With a total of 4.1 million square feet of industrial/flex space across 153 properties, Arlington has the largest inventory of industrial/flex space in the North Snohomish County submarket. Arlington's industrial/flex space is concentrated east of the Arlington Municipal Airport along 67th Avenue NE. The industrial center has access to state routes 530, 531, and 9 that provide access to I-5. Both Arlington and Marysville share the Cascade Industrial Center that provides a regional competition with easy access to ground and air transportation networks. Arlington's industrial/flex space is comprised of warehouse, manufacturing, and distribution buildings. The average size of these buildings is roughly 55,000 square feet.
- **Lake Stevens.** In comparison to the largest industrial centers in North Snohomish County, Lake Stevens industrial/flex space is small (with only 217,000 square feet of space) and away from major highways with indirect access to only one state route. Lake Stevens industrial/flex space is composed of mostly warehouses with an average size of about 11,000 square feet. These warehouse properties are mostly used for storage or other small-scale uses.

Recent Industrial/flex Development

The Exhibit below shows representative examples of industrial development recently constructed in Marysville, Arlington, and Lake Stevens. New industrial development in Marysville and Arlington is characterized as being larger in size and typically tilt-up concrete buildings with large spans for multi-tenant users and for large manufacturing and warehousing uses. In contrast, Lake Stevens' new industrial development are small steel warehouses between 10,000 to 15,000 square feet in size. These newer warehouses in Lake Stevens are generally used for storage (such as storing cars and RV's) which usually associate to lower rents than traditional industrial uses.

Exhibit 2: Examples of New Industrial Development, Marysville, Arlington, and Lake Stevens, 2022 Q4

Source: CoStar, Bing



Location: Marysville

Industrial Type: Distribution

Year built: 2022

Size: 231,475 square feet



Location: Marysville

Industrial Type: Warehouse

Year built: 2021

Size: 120,000 square feet



Location: Arlington

Industrial Type: Warehouse

Year built: 2021

Size: 136,705 square feet



Location: Lake Stevens

Industrial Type: Warehouse

Year built: 2020

Size: 18,000 square feet

Summary of Industrial Real Estate Market

The North Snohomish County area is a rapidly growing area in the Puget Sound region with a sizable industrial/flex market. In total the market had about 7.5 million square feet of existing industrial/flex space with an additional 3.4 million square feet under construction or proposed as of the third quarter of 2022.

Lake Stevens' industrial/flex market is small with a total of 217,000 square feet of existing industrial/flex space. Lake Stevens' industrial/flex market makes up roughly 3 percent of North Snohomish County's existing industrial/flex space. With low vacancy rates and rising rents, the Lake Stevens and North Snohomish County real estate markets are performing exceptionally well, but in need of more supply to support the demand. The exhibit below summarizes the current state of Lake Stevens and North Snohomish County's industrial/flex real estate market.

Exhibit 3: Current State of North Snohomish County Industrial Real Estate Market, Q4 2022

Source: CoStar

Geography	Inventory (buildings)	Total Inventory (SF)	Available Space (SF)	Under Construction (SF)	Avg. Rent per SF	Vacancy Rate
Lake Stevens	19	217,000	2,500	0	\$12.87	1.1%
N Snohomish County	329	7,500,000	486,000	3,400,000	\$13.00	6.5%

Industrial/Flex Real Estate Trends

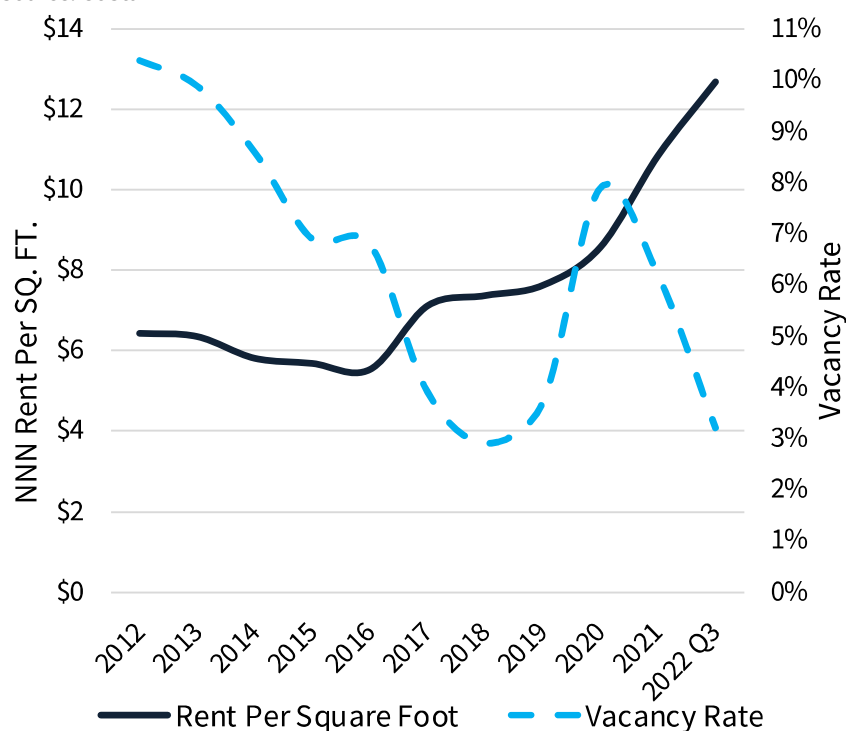
Industrial triple-net (NNN) rents have risen 68 percent since 2012, with a sharper increase beginning in 2020. Excluding a 2020 spike in vacancy rates (corresponding with a large delivery of industrial space), industrial vacancy rates have fallen 7.2 percentage points since 2012 to 3.2 percent in 2022. Roughly 1.7 million square feet of industrial feet has been delivered to the market since 2012, with 86 percent of the space delivered since 2020. Net absorption outpaced deliveries in the market, with 1.9 million square feet absorbed since 2012 (65 percent absorbed since 2020). These findings indicate that recent industrial deliveries to the market have been absorbed relatively quickly. Much of this space was preleased or built-to-suit. Given these trends, as well as rising rents, and decreasing vacancy rates, there is likely strong demand for industrial space in region.

Industrial triple-net (NNN) rents have risen since 2016, with a sharper increase beginning in 2020. Vacancy rates dropped from 2012 to 2019, but spiked in 2020, likely corresponding with a large addition of industrial space the same year.

As of 2022, industrial rent rates peaked at \$12.70 per square foot. Vacancy rates were 3.2 percent in 2022, following a spike to 7.9 percent in 2020. Excluding the 2020 spike, industrial vacancy rates have dropped by 7.2 percentage points since 2012.

Exhibit 4: Industrial Rent per Square Foot and Vacancy Rate, North Snohomish County, 2012-2021

Source: CoStar

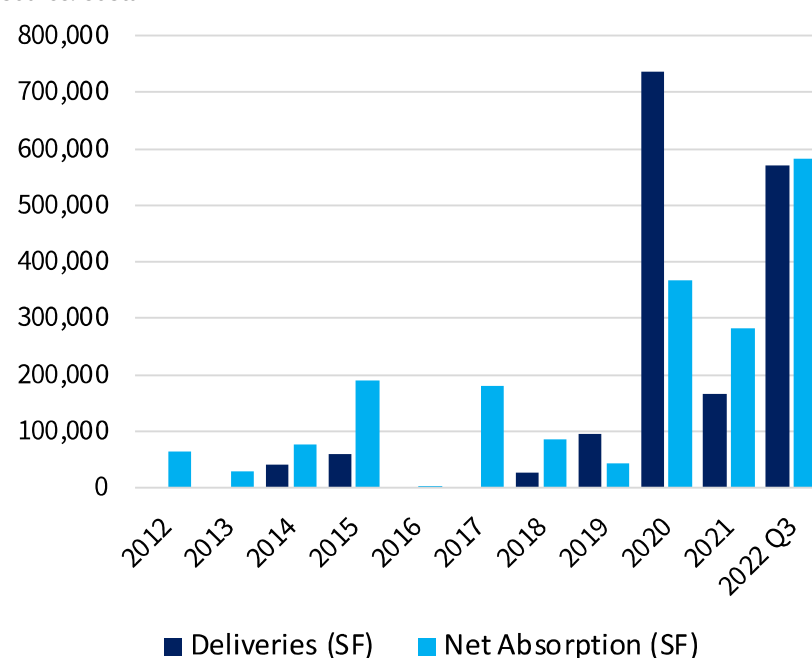


From 2012 to 2021, roughly 1.7 million square feet of industrial space was delivered to the market, with roughly 1.9 million square feet absorbed.

Net absorption has been positive since 2012. Deliveries and net absorption have been high since 2020, signifying a strong demand for industrial space in the market.

Exhibit 5: Industrial Deliveries and Net Absorption, North Snohomish County, 2012-2021

Source: CoStar



Industrial Case Studies

The existing industrial areas, as illustrated below, were profiled as case study examples of industrial parks that represent development trends in the market. They were selected to represent a sample range of development forms with varying assets and advantages.

Gayteway Business Park – Arlington, WA



Source: Costar and Broderick Group

The Gayteway Business Park is one of Arlington's newest industrial park located adjacent to Highway 9 and the Arlington Airport. The Gayteway Business Park first broke ground in 2020 with continued investment in the area. The surrounding industrial buildings (Jensen Business Park) are a bit older dating the late 1980's and 1990's.

Industrial Type: Manufacturing and Warehouse

Tenants: Quantum Windows and Doors, Conifer Specialties, C&C Packing, Himalayan Corporation

Industrial Area Size (SF): 895,000

Proposed (SF): 674,00

Construction Type: Reinforced Concrete (Concrete Tilt-up)

Enumclaw, Washington Industrial Area



Source: Costar & ECONorthwest

Enumclaw's industrial area is located partially in the eastern edge of downtown and adjacent to vacant industrial land that is currently used for grazing. This industrial area has an inventory of about 558,500 square feet of industrial/flex space across 26 buildings built between 1950 and 2016. Recent industrial investment in the area has been concrete tilt-up warehouses ranging between 15,000-17,000 square feet in size. At the junction of State Highway 410 and 169, the Enumclaw industrial area has been successful in attracting new investment serving much southeastern King County and eastern Pierce County.

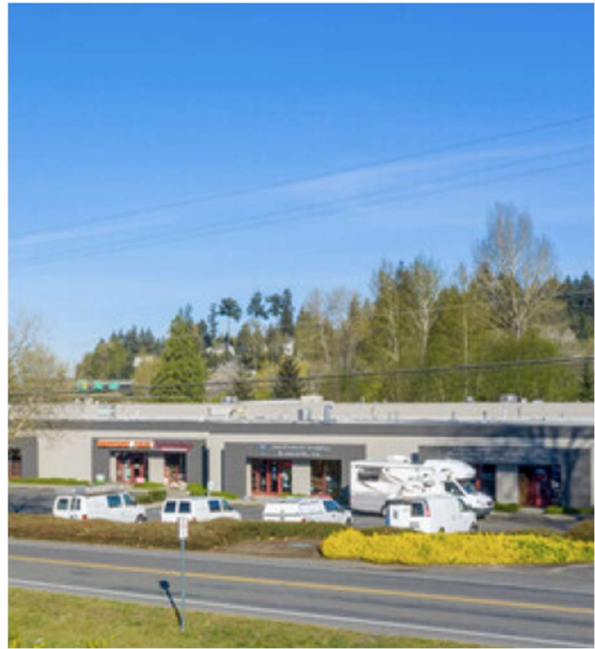
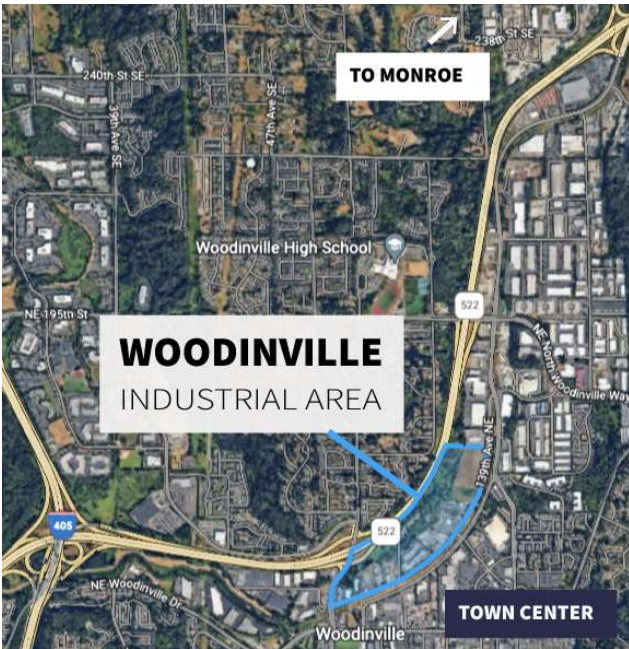
Industrial Type: Manufacturing and Warehouse

Tenants: Air Cargo Equipment Incorporated, Big Mountain Enterprise, Plateau Electric, Fastenal, Rock Creek Archery

Industrial Area Size (SF): 558,500

Proposed (SF): N/A

Woodinville, Washington Industrial Area



Source: Costar & ECONorthwest

This industrial area is located in a prime area of Woodinville, adjacent to Highway 522, the Park at Woodinville, and Woodinville Town Center. Existing industrial buildings include manufacturing, warehouse, storage, and retail/office space. The industrial buildings in this area have some retail component that is connected to the warehouse that provide a mix of businesses to occupy the space and invite customers and employees to the area.

Industrial Type: Manufacturing, Warehouse, Flex

Tenants: Route 522 Taproom, Jam Music School, NW Trophy

Industrial Area Size (SF): 126,000

Proposed (SF): 173,000

Drivers of Industrial Land Demand

Demand for industrial space is primarily influenced by two demand drivers: local growth and production (creating the need for local serving businesses), and distribution to external markets (creating demand for externally oriented businesses). Industrial land users that serve these two sources of demand have different land and site needs.

Local serving businesses

These businesses grow because of population and employment growth in the region. As the region grows, consumption increases, which in turn, creates a need for more products and services, such as wholesale trade to supply local businesses, construction to build more buildings, and transportation and storage to move and store those goods. This growth drives demand for more industrial space within the region.

Externally oriented businesses

These businesses serve the larger state and even global economy by producing, storing, and transporting goods. Some uses may be linked in the supply chain of a regional anchor industry or sector, but the ultimate source of this demand is external from the local economy. Development of industrial space in this category will only be realized if local sites have a comparative advantage over other locations. These competitive factors could include proximity to a major customer, land costs, availability of infrastructure, access to transportation networks, land readiness, utility rates, tax policy, access to workforce, or other factors. In their site location decisions firms assess the balance of these factors in the context of their own unique needs.

In addition to bringing new investment to the regional economy, externally oriented businesses typically employ a larger number of people than local serving industrial uses—and have a broader economic impact, which makes them attractive for economic development. Attracting even one or two externally oriented businesses will have sizable economic benefits for the region because these businesses provide secure, long-term jobs and a steady source of tax revenue.

Industrial Demand Factors

This section looks at the factors generating local-serving demand for industrial land, including population and economic trends in the region.

Gross Domestic Product Trends

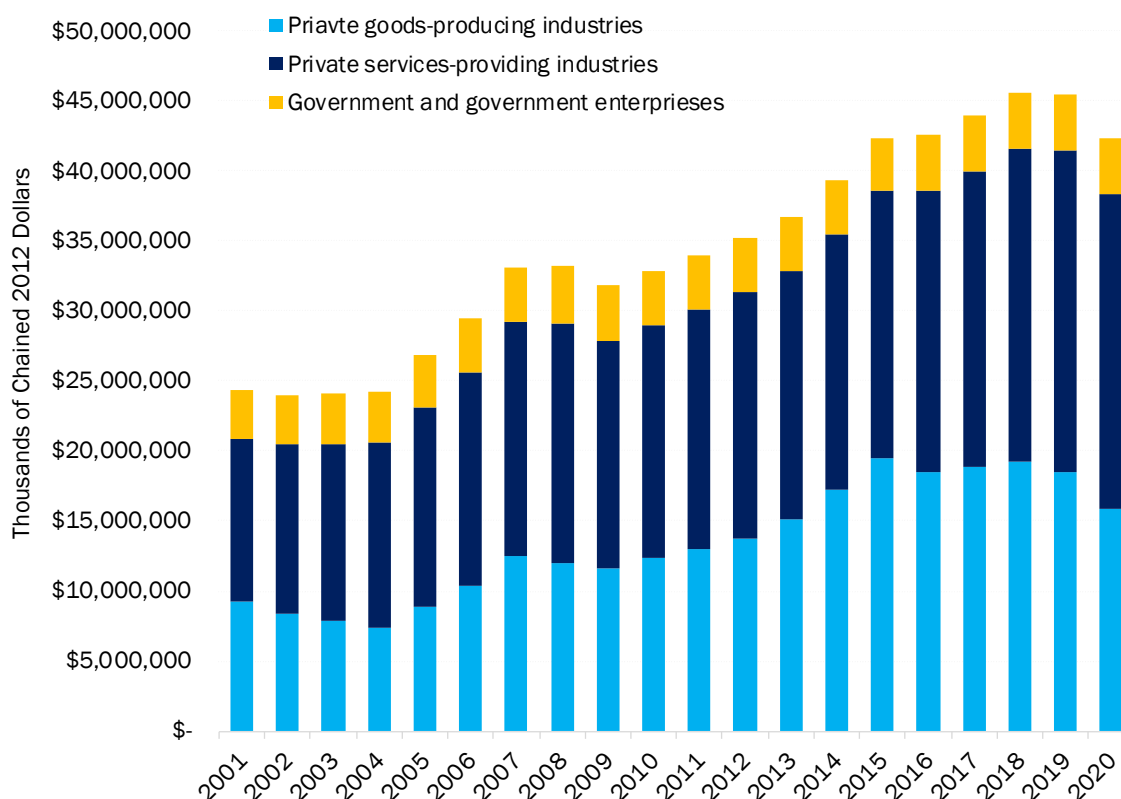
Gross Domestic Product measures the value of economic activity within a specific geography. It is the sum of the market values of all final goods and services produced in an economy during a period of time. Since Snohomish County has a high rate of service-providing sectors in its economy, private goods-producing industries (such as manufacturing and construction)

made up about 53 percent of the County’s total economic output in 2020. However, despite this concentration in services, the County’s GDP still grew by 29 percent between 2010 and 2020, as shown in the Exhibit below.

In 2010, Snohomish County’s total economic output was about \$32.8 billion, and it increased to about \$42.3 billion by 2020. During this time frame, the proportion of goods-producing industries contributing to the County’s total GDP declined slightly as the proportion of services-providing industries increased. In 2010, goods-producing industries made up 38 percent of total GDP and in 2020, it made up 37 percent. Alongside this decrease, government and government enterprises’ proportion of total GDP also declined from 12 percent in 2010 to 9 percent in 2020. The share of service-providing industries grew by about three percentage points over the analysis period (50 percent to 53 percent).

Exhibit 6: Real and Nominal GDP, Snohomish County, 2001-2020

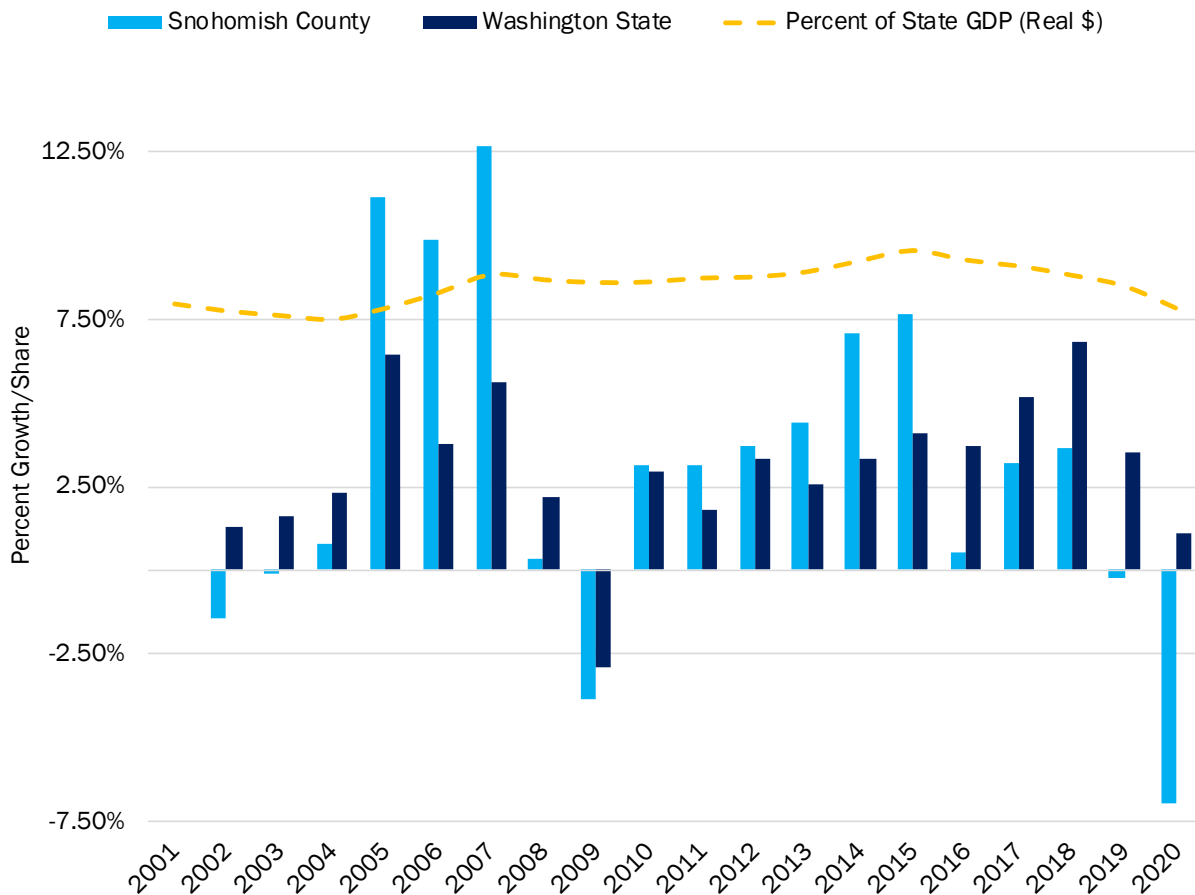
Source: U.S. Bureau of Economic Analysis, County GDP Data.



Generally, Snohomish County’s GDP has tracked with Washington’s GDP growth patterns. Between 2001 and 2015, Snohomish County’s GDP has grown faster year-over-year than the state indicating that the County had a few industries performing exceptionally well during this period. After 2015, Snohomish County’s GDP has grown slower than the state overall. Between 2001 and 2020, Snohomish County’s share of the State’s GDP has fluctuated but generally remained stable, making up approximately 7.5 percent of the Washington’s GDP.

Exhibit 7: Real GDP and Percentage of State GDP, Snohomish County and Washington State, 2000-2020

Source:



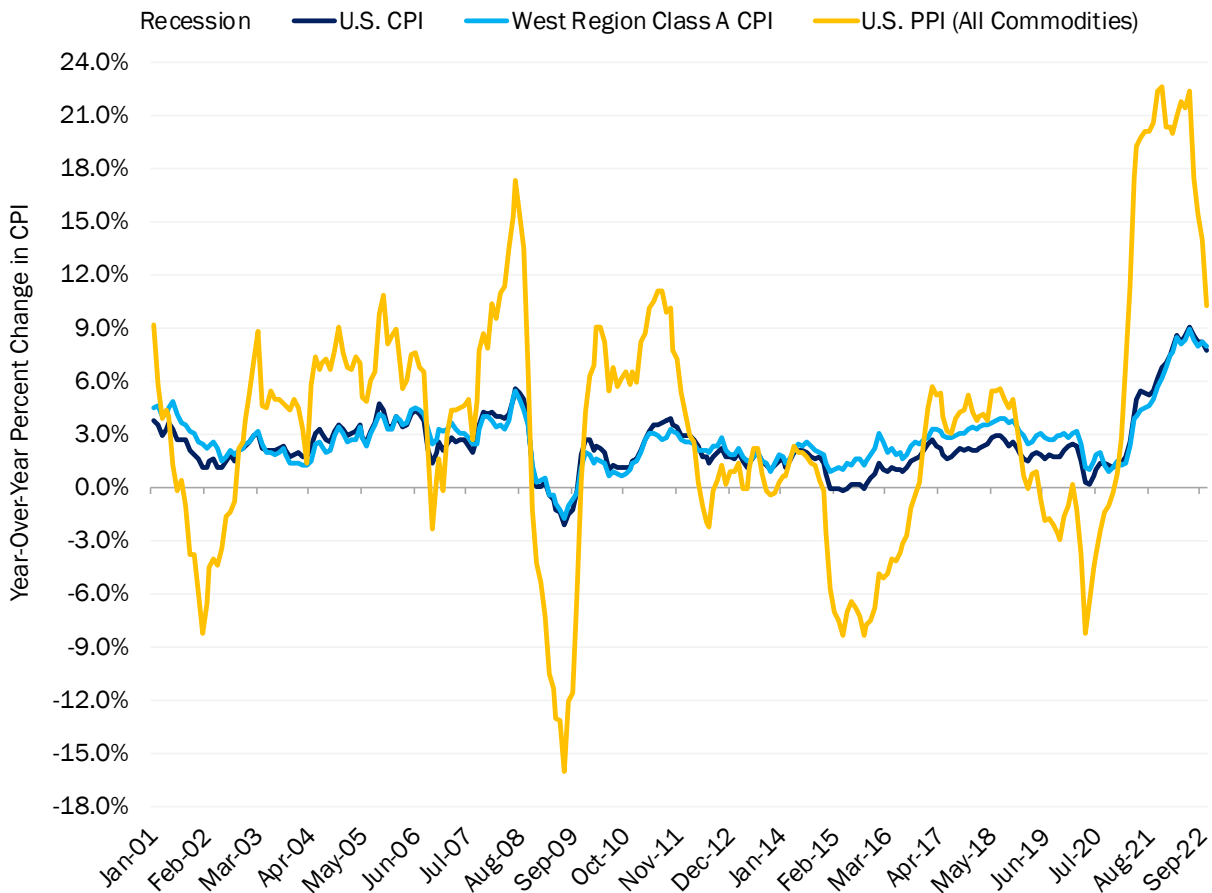
Consumer Price Index

An increase in the consumer price index (CPI) can affect the competitiveness of a county's exports, as the prices of its goods and services may become relatively more expensive compared to other less expensive countries. This could lead to a decline in exports and potentially a trade deficit. Generally, the consumer price index (CPI) in the west has tracked with the changes in the U.S. CPI. This indicates that Snohomish County export prices are in line with that of national trends.

The significant rise in the Federal Funds Rate has resulted in a noticeable increase in borrowing expenses that are hurting the commercial real estate industry. This has led to a slowdown in new construction projects, with some large developers putting their speculative projects on hold. Despite strong demand, the reduced number of projects points to a tight market in the near to mid-term future. Although predictions indicate a slowing of rental price increases to typical levels, the industrial sector is expected to perform better than other real estate sectors due to the ongoing growth of e-commerce and onshoring trends.

Exhibit 8: Year-Over-Year Percent Change in CPI, National compared to West Region Class A series, 2001-2022

Source: BLS - CPI for All Urban Consumers (CPI-U), PPI for All Commodities.

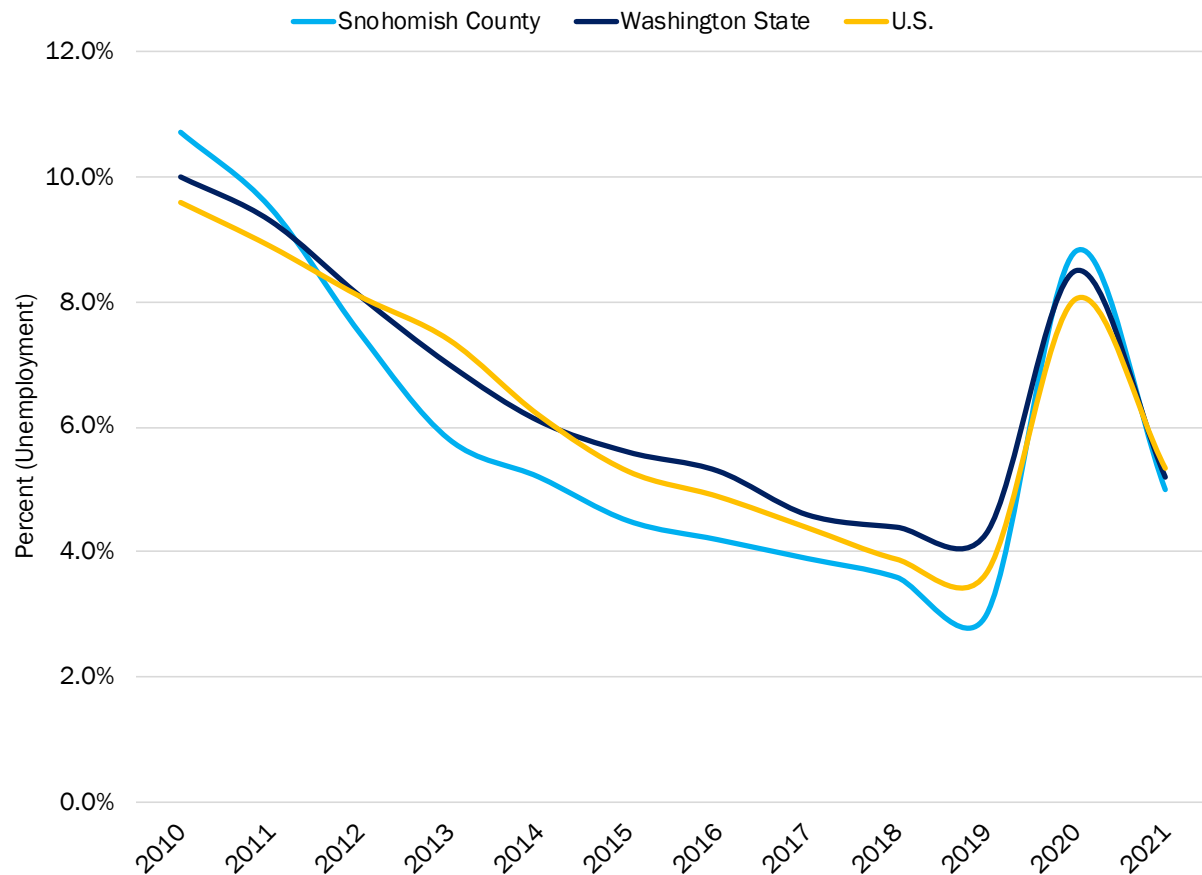


Unemployment Rate Trends

Snohomish County's unemployment rate has generally tracked the state and U.S. unemployment trends, however with a little more variance due to the smaller geography and workforce. Generally, Snohomish County's unemployment rate has declined steadily since the peak of the 2008 recession. In 2019, Snohomish County had an unemployment rate less than 3 percent—indicating a strong and growing economy. It is also indicative of a tight labor market that could make it difficult for new firms to find qualified workers. This condition is not unique to Snohomish County or Lake Stevens. The COVID-19 pandemic severely impacted employment increasing the County's unemployment rate to 8.8 percent and then decreasing rapidly in 2021 down to 5.0 percent. As most businesses recover from the COVID-19 impacts, unemployment rate will continue to decrease.

Exhibit 9: Labor Area Unemployment Rates; County, State, and National, 2010-2021

Source: U.S. BLS, Local Area Unemployment Statistics (LAUS)



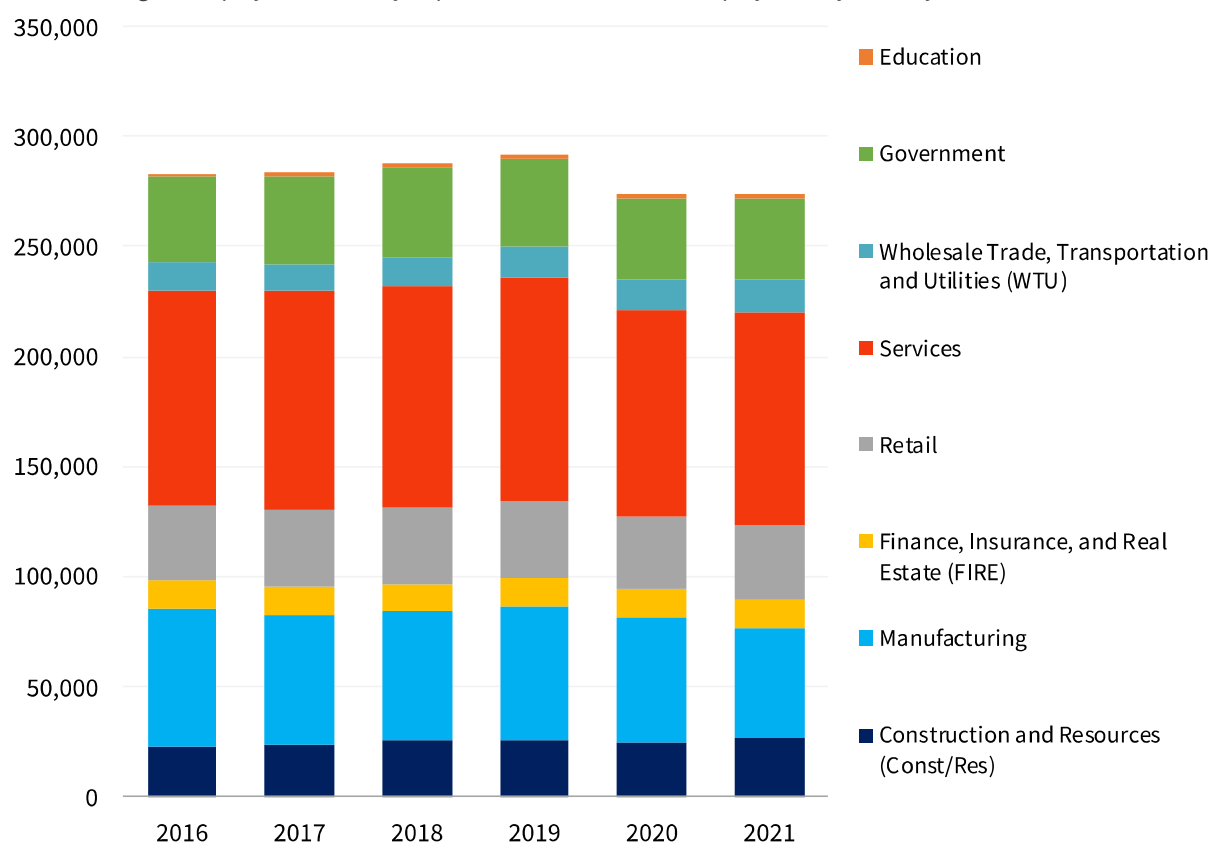
Covered Employment Trends by Industry

Total covered employment² in Snohomish County steadily increased between 2016 and 2019, before declining in 2020—likely a result of COVID-19 impacts. Between 2016 and 2021, total covered employment declined by 3 percent (over 8,700 jobs). Wholesale trade, transportation, and utilities grew the most over the analysis period, increasing 18 percent, followed by education (17 percent), and construction and resources (16 percent). It is worth noting, however, that these large growth industries made up 16 percent of the County’s overall employment in 2021. The top five largest sectors by employment in 2021 included services (35 percent), manufacturing (18 percent), government (14 percent), retail (12 percent), and construction and resources (10 percent).

² Covered employment refers to workers that are “covered” by unemployment insurance. It excludes self-employed and commission workers.

Exhibit 10: Covered Employment by Major NAICS Sector, Snohomish County, 2016-2022

Source: Washington Employment Security Department, BLS – Covered Employment by Industry (NAICS)



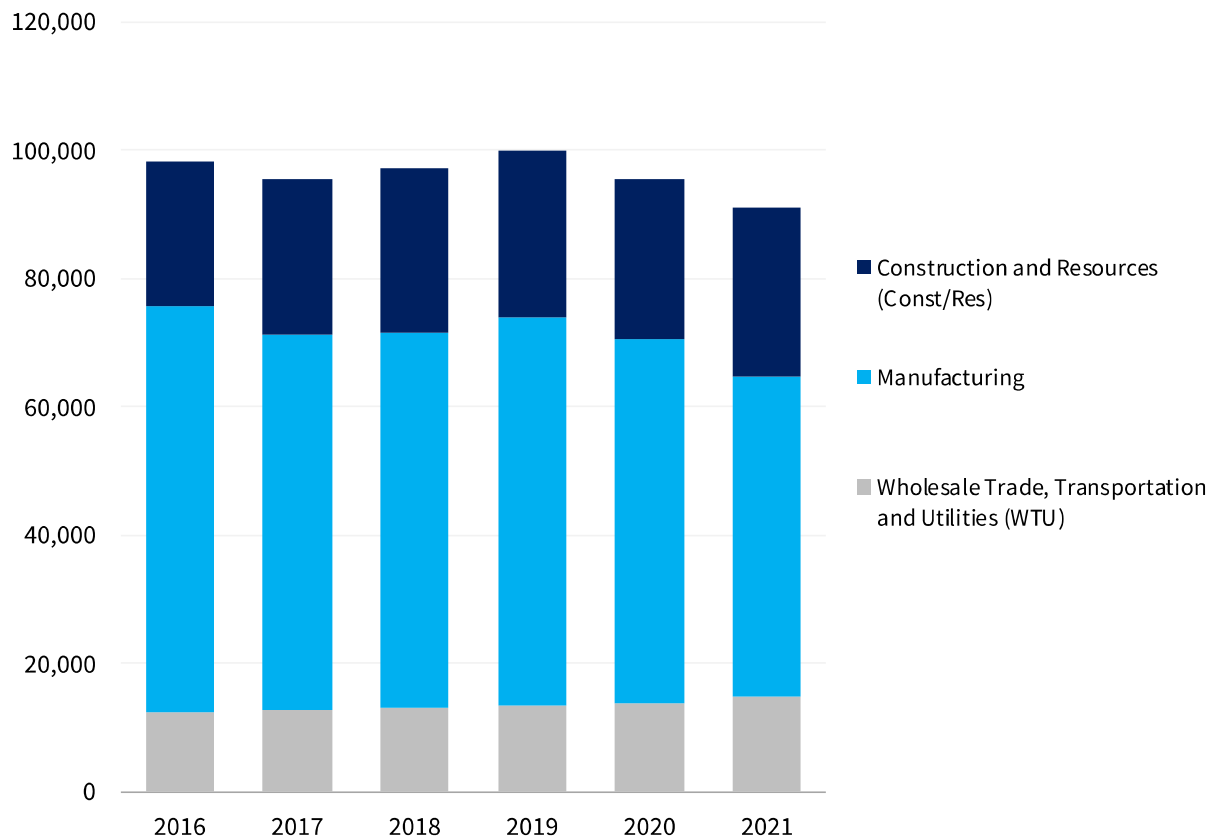
Industrial Employment Sectors

There are several employment sectors that correspond generally to employment types commonly found in industrially zoned areas. These include wholesale trade, warehouse, transportation and utilities, manufacturing, construction/resources, and agriculture/forestry. In this section, we examine recent historical trends in these sectors.

Industrial employment levels increased steadily to about 100,000 jobs in 2019. The COVID-19 pandemic in 2020 stymied overall industrial growth, but industrial sectors generally fared better than service sectors. In 2021 industrial employment was about 91,000, down about 7 percent or 7,000 jobs since 2016. Despite overall industrial employment being down since 2016, key industrial sectors did grow during this period. Construction and resources grew by 10 percent, and wholesale trade, transportation, and utilities grew by 5 percent during the analysis period. Manufacturing saw a large decline of about 21 percent, or 13,105 jobs.

Exhibit 14. Industrial Sector Employment, Snohomish County, 2016-2022

Source: Washington Employment Security Department, BLS – Covered Employment by Industry (NAICS)



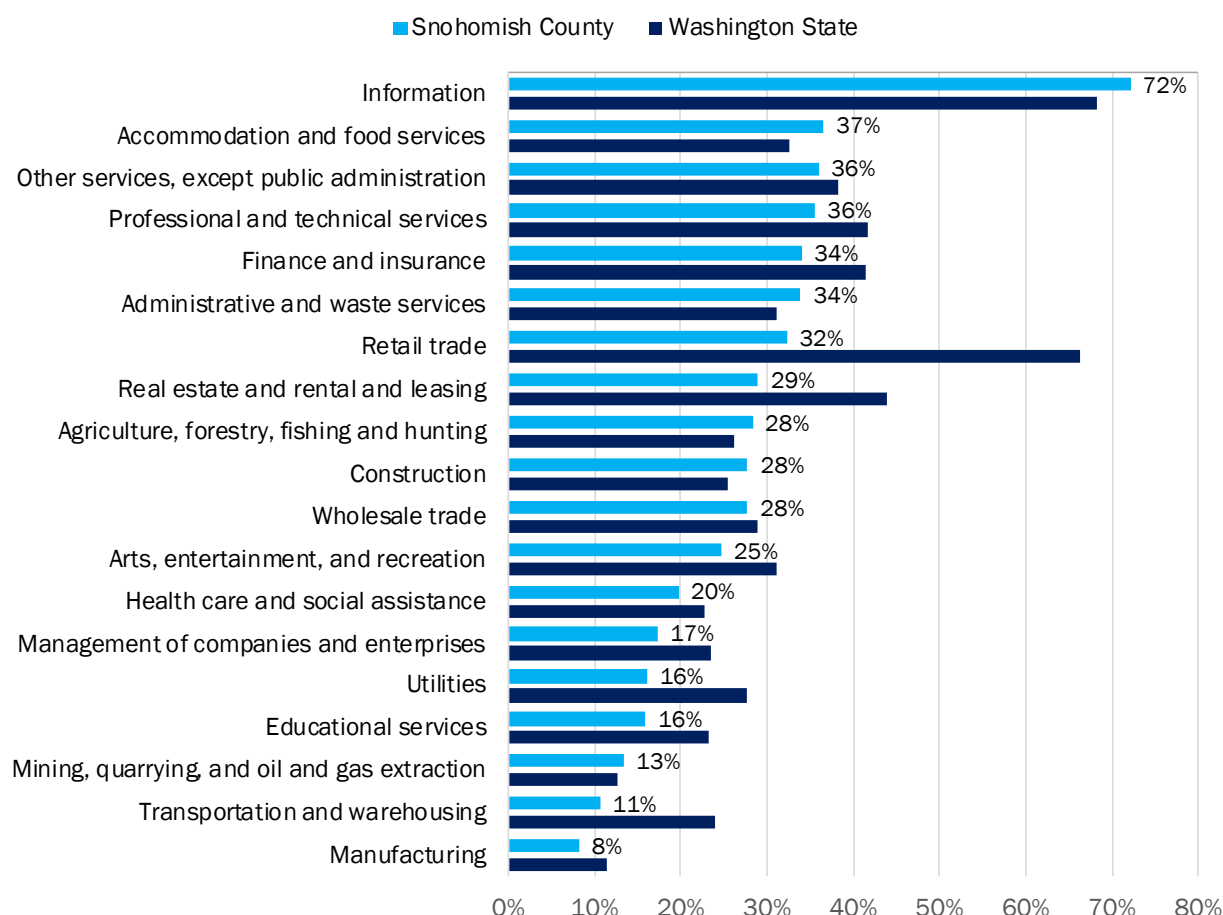
Wage Trends

Average wages in Snohomish County have grown in the past five years however have remained well below average wages in Washington. In 2021, average wages in Snohomish County were \$69,106 compared to \$82,477 in Washington.

The information sector experienced the largest wage growth in Snohomish County growing by about 72 percent between 2016 and 2021—a larger rate of growth relative to the state. Besides the information sector, the next top four sectors that experienced the largest wage growth included accommodations and food services (37 percent), followed by professional and technical services (36 percent), finance and insurance (34 percent), and administrative and waste services. Although being the highest paying job sectors in Snohomish County, the manufacturing sector experienced the lowest wage growth of 8 percent during the analysis period.

Exhibit 11: Changes in Private Sector Wages by Industry (NAICS), Snohomish County and Washington State, 2016-2022

Source: Washington Employment Security Department, BLS – Quarterly Census on Employment and Wages



Population Growth

Between 2012 and 2022, Snohomish County grew by more than 121,000 residents with an estimated population of 847,300 in 2022. In 2022, only two cities within Snohomish County had a population of over 50,000 people, they include Everett and Marysville. All other cities within the County have population of less than 50,000 people and generally tend to be small. Lake Stevens has grown by 12,000 people in the past decade with an estimated population of about 40,700 in 2022. In terms of average annual growth rate, Lake Stevens has grown by an average annual growth rate of 3.5 percent—about double the growth rate experienced in the County and the largest growth rate of any other city in the County.

Exhibit 12: Population Growth, Snohomish County and Cities within the County, 2012-2022

Source: Office of Finance and Management (OFM)

			Change (2012-2022)		
Jurisdiction	2012	2022	Number	Percent	AAGR
Snohomish County	725,545	847,300	121,755	17%	1.6%
Lake Stevens	28,787	40,700	11,913	41%	3.5%
Granite Falls	3,391	4,705	1,314	39%	3.3%
Sultan	4,613	6,260	1,647	36%	3.1%
Stanwood	6,412	8,405	1,993	31%	2.7%
Arlington	17,768	21,260	3,492	20%	1.8%
Marysville	61,399	72,380	10,981	18%	1.7%
Bothell part	16,817	19,730	2,913	17%	1.6%
Mill Creek	18,457	21,510	3,053	17%	1.5%
Monroe	17,376	19,700	2,324	13%	1.3%
Snohomish City	9,202	10,200	998	11%	1.0%
Mountlake Terrace	19,991	22,070	2,079	10%	1.0%
Everett	102,976	113,300	10,324	10%	1.0%
Darrington	1,356	1,490	134	10%	0.9%
Lynnwood	35,391	38,740	3,349	9%	0.9%
Gold Bar	2,103	2,290	187	9%	0.9%
Edmonds	39,854	42,980	3,126	8%	0.8%
Brier	6,123	6,590	467	8%	0.7%
Mukilteo	20,367	21,590	1,223	6%	0.6%
Woodway	1,301	1,330	29	2%	0.2%

Commute Trends

Lake Stevens serves primarily as a bedroom community where most residents commute outside the city for work. In 2019, approximately 15,800 workers commuted to other areas of the region for work, compared to 4,200 workers commuting to Lake Stevens for work. The top five cities where Lake Stevens workers commute to include Everett, Seattle, Bellevue, and Marysville.

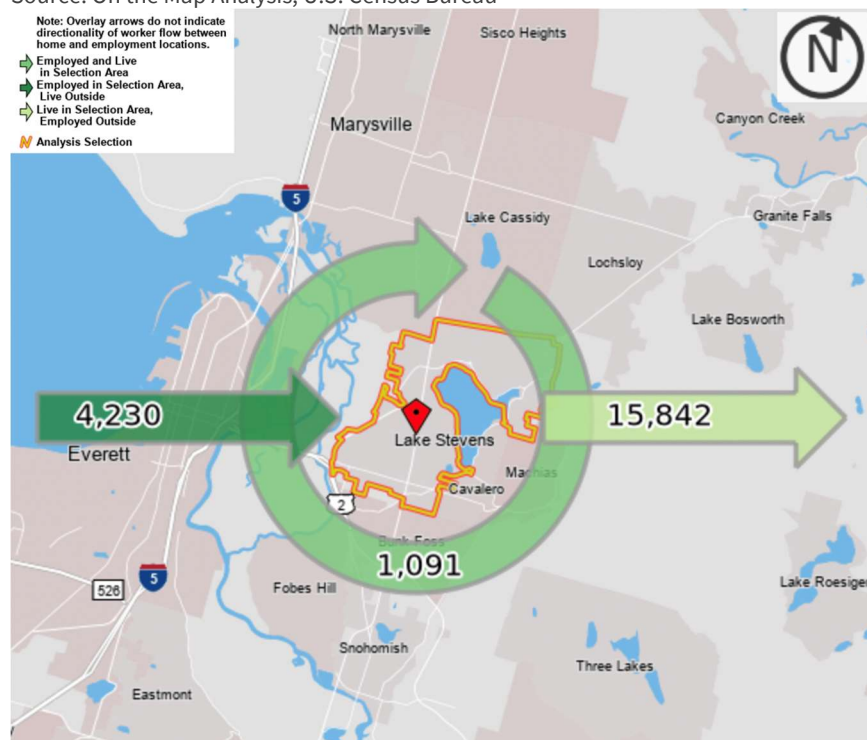
Exhibit 13: Major Cities Where Lake Stevens Workers Commute, 2019

Source: On the Map Analysis, U.S. Census Bureau

City Employed	Percent
Everett	20.7%
Seattle	13.6%
Lake Stevens	6.4%
Bellevue	4.7%
Marysville	3.1%
All other Locations	51.5%

Exhibit 14: Employment Commute Trends, Lake Stevens, 2019

Source: On the Map Analysis, U.S. Census Bureau

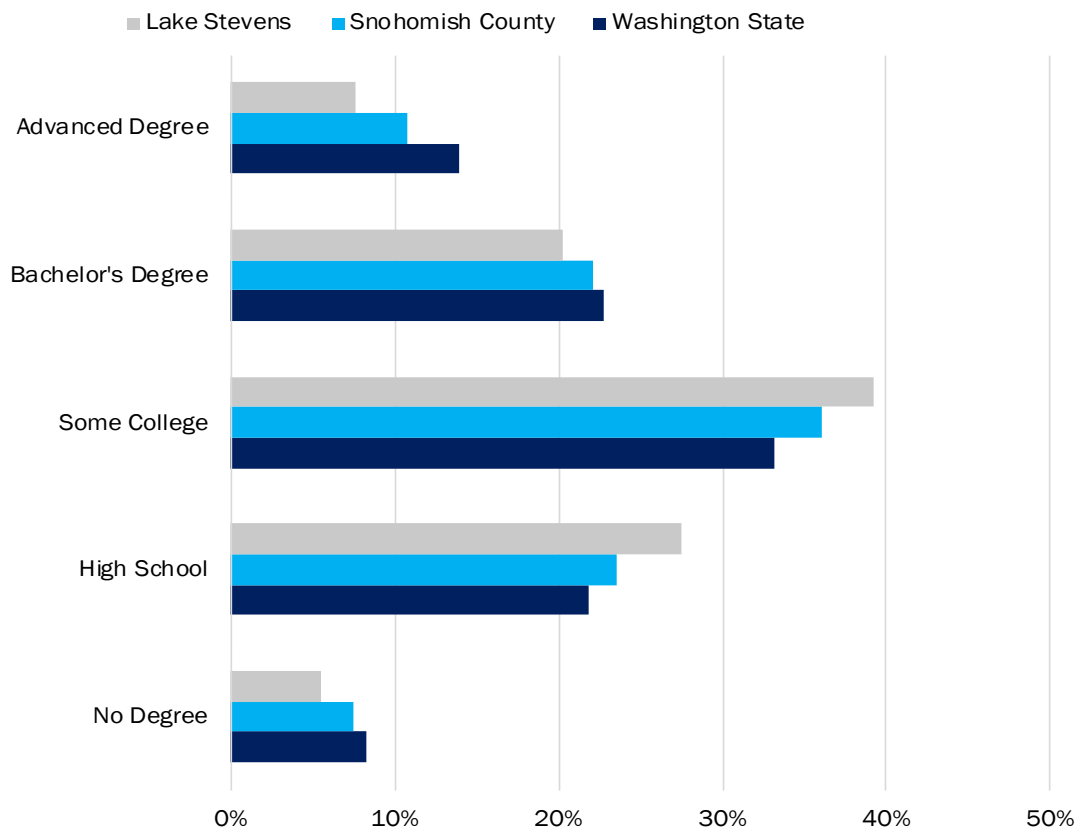


Educational Attainment

Compared to Snohomish County and Washington, Lake Stevens has a lower share of its population with a bachelor's and advanced degree. Lake Stevens population generally has a higher share of its population with a high school diploma and have attended college. On the other hand, Snohomish County's educational attainment is similar to that of Washington. Approximately 33 percent of Snohomish County residents have a Bachelor's degree or higher, compared to 37 percent in Washington.

Exhibit 15: Educational Attainment; City, State, 2021

Source: 2021 5-Year American Community Survey, U.S. Census Bureau



Regional Target Industry Sectors

Snohomish County Economic Development Initiative³

The Snohomish County Economic Development Initiative is a structure for local government to engage with local industry leaders to develop policies and strategies that are supported of target sectors. This initiative identified 8 key sectors for targeted growth in the region.

Trade and Business Development

Driven largely by Port activity and international trade. Over 60 percent of jobs are directly or indirectly tied to international trade.

Aerospace Sector

Anchored by legacy firms like the Boeing Company, there are over 1,350 aerospace-related firms in Snohomish County.

Agriculture, Fisheries, and Forest Products Sector

Concentrated in Snohomish County's non-urban areas. Linked to sustainable food farming systems.

Technology Sector

Includes the information and parts of the professional and business services sector and linked to the broader Puget Sound technology cluster. Tends to be more office-space utilizing. Part of the entrepreneurial ecosystem.

Military and Defense Sector

Related to both Aerospace and Technology and direct employment in the military sector. Includes the largest public employer. Tied to Everett Naval Station.

Recreation and Tourism

The third largest sector of the economy. Driven by Snohomish County's natural, civic, and cultural resources.

Arts Culture and Film

Direct public efforts to grow this sector through partnerships and local initiatives. Tied to community revitalization.

Education, Life Sciences, and Global Health

Anchored by world class research institutions. Part of the entrepreneurial ecosystem and leverages regional workforce advantages.

³ Summarized from the Snohomish County Economic Development Initiative

Economic Alliance of Snohomish County⁴

The Economic Alliance of Snohomish County also tracks four regional target industries that largely overlap with several clusters identified above. These regional targets include:

Aerospace

Anchored by the Boeing Company, the regional supply chain for this sector includes over 600 companies including. Growth opportunities include emerging space and defense subsectors.

Information and Communication Technology

A range of subsectors that includes business services, logistics, and high-tech.

Life Science

Anchored by subsectors that include medical research and medical device manufacturing clusters.

Blue Economies

Agglomeration of companies reliant on the access to Puget Sound. Subsectors include maritime, international trade, and naval military.

Local Target Industries⁵

The City of Lake Stevens has not updated its Economic Development Strategy since 2010. At that time, the strategy had considerable emphasis on placemaking and recapturing retail activity to promote commercial development. It identified the Hartford Industrial Area as once of its major subareas. However, at the time Hartford was not envisioned as a high priority for investment or opportunity for higher intensity uses. The vision for Hartford included:

- [That] the area maintains its current mix of business and industry; and
- Some incremental change occurs naturally, with minimal or no investment made by the City.

By-and-large, this vision has been realized. Some low-intensity development has occurred, with minimal support from city investment required.

A broader range of aspirational industry targets were envisioned for the 20th Street SE Subarea. This area is more competitively positioned for regionally significant targeted uses due to its relative access to regional transportation networks, proximity to employment hubs,

⁴ Summarized from the Economic Alliance of Snohomish County

⁵ Summarized from the 2010 Lake Stevens Economic Development Strategy

and site and infrastructure readiness. Targeted sectors for this subarea in the strategy included:

- Aerospace
- Clean Tech/Alternative Energy
- Life Sciences
- Outdoor Goods and Services

LSIC Competitiveness: Assets, Barriers, and Constraints

In coordination with our partners at Mackenzie, we compiled an inventory of the relative assets, barriers, and constraints that frame the competitiveness of the LSIC in the context of market opportunities and the competitive landscape.

Assets	Barriers and Constraints
<ul style="list-style-type: none">▪ Potentially competitive land costs▪ Presence of underutilized land/site▪ Synergy with downtown commercial development▪ The Centennial Trail as a recreational amenity▪ Access to a large workforce and population base to support commercial uses▪ Snohomish County as the fastest growing population base▪ Strong regional economic conditions▪ Quality of life/amenities	<ul style="list-style-type: none">▪ Lack of sanitary sewer infrastructure▪ Very constrained transportation access for industrial uses▪ Local workforce has below average educational attainment▪ High parcelization makes site aggregation for larger sites challenging▪ Real estate fundamentals not likely to support speculative development or concrete tilt construction type▪ Existing conflicting uses (grow operations)▪ Stormwater strategy may reduce net developable area▪ Lack of local industrial sectors/agglomeration

Conclusions for Market Potential

Below we summarize the local market for industrial real estate as it relates to Lake Stevens in the broader North Snohomish area and identify the types of industrial businesses that would locate in Lake Stevens.

There is current regional demand for new industrial development in North Snohomish County—both in the near- and long-term

Fundamental demand drivers that lead to new development—population growth and economic expansion—are expected to continue on their current upward trajectory. The pre-COVID-19 upward trajectory indicates growing demand for new development in the near- and long-term. Absorption for industrial space has been positive since 2012 and has spike up since 2020. Absorption levels have remained consistent with what the market has been able to deliver.

Real estate fundamentals are not likely to support speculative industrial development

Industrial lease rates in Lake Stevens are not likely to attract institutional developers to invest in speculative multi-tenant industrial development. The development form will also likely continue to be limited to steel frame construction as concrete tilt-up would be cost prohibitive.

The LISC is not likely to compete for primary and secondary users in regional targeted industries

The region has clearly defined targeted industries anchored by global firms, natural assets (Puget sound), and public uses (military, port facilities). The physical attributes of the LISC (infrastructure, site scale), lack of proximity and access to industry agglomerations, and disconnect from natural assets will limit the area's ability to compete for primary and secondary users in targeted clusters.

Implications for Lake Stevens

Lake Stevens's industrial economy is tied to construction and some wholesale trade and manufacturing activities, largely those associated with specialized construction or contracting, truck transportation and warehousing, equipment rental, repair shops, and storage occupying much of the space established in the Industrial Area.

Several of the region's industrial sectors have seen growth in the past few years. Industrial uses positioned to derive a premium or locational advantage from Lake Steven's Industrial Area are construction, manufacturing, truck transportation and warehousing.

The Industrial Area has a few vacant and underutilized parcels that do provide opportunities for new businesses which would likely be available for affordable prices relative to the North Snohomish region. However, large industrial development is unlikely to be seen in Lake Stevens—primarily due to small parcel size, infrastructure limitations and configuration of

land. In addition, the high costs of building ground-up concrete tilt-up industrial buildings create financial obstacles for local businesses that do not have the capital to finance such large projects and speculative development. All this indicates that Lake Stevens will continue to see built-to-suit development or low-cost industrial development. This may include steel warehouses and some flex industrial development that combines traditional office space with industrial space, offering versatility and adaptability of various business needs.