

MARKET TRENDS

SEATTLE

RETAIL

↔ VACANCY

↑ ABSORPTION

↑ RENTAL
RATES

↑ CONSTRUCTION
DELIVERIES

Year-Over-Year Change

Despite recent store closures and retail bankruptcies in the past year, conditions in US retail markets remain near historically tight levels at the start of the new year. Consumer spending across the nation started off slow in January 2025 and rebounded only slightly in February by 0.1%. The Puget Sound region mirrored the same nationwide sentiment, experiencing tight fundamentals and a decline in retail spending in the local market. Local and nationwide consumers are becoming more cautious, as people brace for potential impacts due to inflation and new tariffs, which would most likely influence future spending patterns. Consumer sentiment may continue to waver, with concerns about the overall economic outlook, and the market may experience a slight cooling into the near-term.

VACANCY

Overall, the vacancy in the Seattle retail market remained stable with a vacancy rate of 3.2% and an availability rate of 3.2%, both unchanged from last quarter. This rate marked the region as the tightest retail market with the lowest levels of availability in the nation. A major factor contributing to the tight conditions of the Seattle retail market has been the minimal development of new retail space, coupled with the repurposing of existing retail sites into mixed-use assemblage. This often leads to decreased total retail inventory and in turn, adds downward pressure to vacancies and availabilities.

MARKET TREND

Although average asking lease rates increased YOY in Seattle, the rate has steadily dropped the past three quarters. While rental rates continue to hover around the record high, rent growth is lagging behind the level seen in past years. Consumer spending has declined across the region, with Pierce and King counties seeing some of the steepest drops in retail sales statewide. This decrease in retail activity has weighed on the market and limited any aggressive increases in rent from landlords.

DEVELOPMENT ACTIVITY

A significant share of new development in the Seattle market involves repositioning existing properties from traditional retail to mixed-use developments, shrinking retail inventory by approx. 1.5M SF since 2020. Currently, the largest projects in the Puget Sound include a 168,500 SF mixed-use development on Village Road in Woodinville and 130,000 SF at the SW corner of Redmond-Woodinville Rd NE & NE 144th Rd in Redmond. These two developments make up over half the volume of properties in the development pipeline and a majority of all projects currently under construction are estimated to be completed by year end.

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1Q 2025 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	3.6%	3.6%
Kitsap	2.7%	3.0%
Pierce	2.9%	3.3%
Snohomish	3.0%	3.2%
Thurston	2.5%	3.2%
Total	3.2%	3.2%

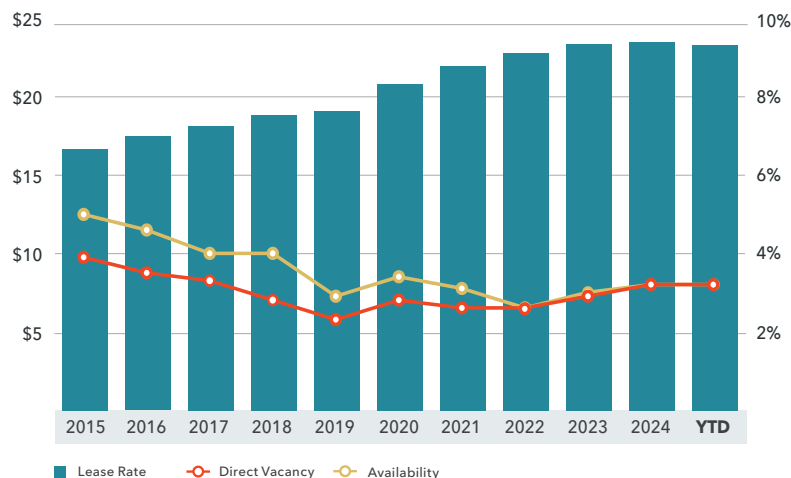
MARKET DEMAND/NET ABSORPTION

After posting negative 271K SF in Q4 2025, the market experienced positive net absorption to start off the new year of 58K SF. The pace of leasing activity has remained steady which has helped vacancy and availability rates continue to be stable, even while national retailers announce closures and bankruptcies. Tenants in the Seattle region have readily backfilled these spaces due to limited available inventory, indicating strong demand despite retail challenges. However, the market may experience a slight uptick in vacancies and availabilities in the near-term as large tenants continue to close stores into the year, and consumer and business confidence decrease due to economic uncertainties.

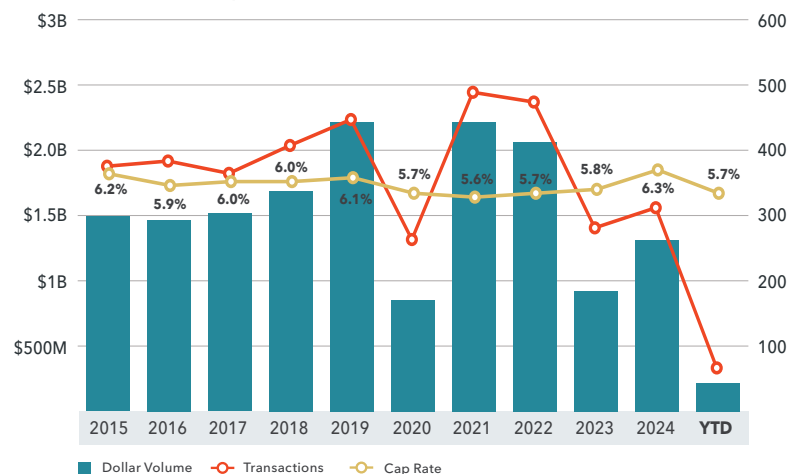
INVESTMENT ACTIVITY

Overall, investment activity in 2024 picked up, ending the year with $\pm 4.3M$ SF in total volume, a 31% increase compared to year-end total in 2023. The uptick in activity continued in 1Q 2025, up 55% YOY to 630K SF in sales volume. Consumer spending remains a crucial driver to retail demand, though signs of a slowdown could pose challenges. Even so, Seattle's low availability and limited supply create a strong market position for owners of retail assets in the region.

LEASE RATE, VACANCY & AVAILABILITY



SALES VOLUME, TRANSACTIONS & CAP RATE



Data Source: CoStar

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COMMERCIAL BROKERAGE

26.2M

ANNUAL SALES SF

36.7M

ANNUAL LEASING SF

500+

NO. OF
BROKERS

\$9B

AVERAGE
TRANSACTION
VOLUME

ASSET SERVICES

58M

MANAGEMENT
PORTFOLIO SF

850+

ASSETS UNDER
MANAGEMENT

VALUATION ADVISORY

2,400+

AVERAGE
ASSIGNMENTS

39/24

TOTAL NO
APPRAISERS/MAI'S

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