



MARKET TRENDS | **SEATTLE**

RETAIL

**3RD QUARTER
2021**

▲ ABSORPTION | ◀▶ VACANCY | ▲ RENTAL RATE | ◀▶ CONSTRUCTION DELIVERIES

The third quarter saw a return to the indoor mask mandate due to the Delta Covid-19 wave, but retail businesses remained open. Washington State has done well in terms of its population percentage receiving vaccines. As businesses ramp up, there is optimism for a return to strong demand but there are challenges including staffing and supply chain disruptions. Urban core areas daytime employment is still well below pre-pandemic levels because of work from home and employees are slowly returning to offices.

the pandemic although small tenants were buoyed by government assistance programs like PPP and without these there would have been further increases. As restrictions end, so will assistance and there may be some lag level of business failure.

MARKET RENT TREND

Rent growth was 3.7% year over year in the third quarter 2021, as the impact of the Covid-19 pandemic continues to ease. Costar is projecting growth of 3.8% to 4.2% over the next three quarters before returning to a more steady pace of 2% to 3%.

NEW & PROPOSED CONSTRUCTION ACTIVITY

Retail development activity is measured and mostly being done on a build-to-suit basis. The largest projects in 2021 include The Woods across the

VACANCY

In the third quarter, the direct vacancy rate decreased 25 basis points to 2.72%. King and Pierce County saw vacancy decrease, by 31 and 41 basis points, respectively. Snohomish and Thurston County saw minor vacancy increases. Vacancy increased during

Market Breakdown

3Q 2021 VACANCY: DIRECT VS. TOTAL

| County | Direct Vacancy | Available |
|--------------|----------------|--------------|
| King | 2.72% | 2.91% |
| Kitsap | 3.44% | 3.67% |
| Pierce | 2.84% | 3.18% |
| Snohomish | 2.57% | 3.59% |
| Thurston | 2.58% | 3.54% |
| Total | 2.72% | 3.18% |

street to the north from Alderwood Mall, which includes Home Depot that opened in the third quarter. The mixed-use buildings adjacent to the west include 500 apartments and ground floor retail, and these will open in the fourth quarter. In Tacoma, build-to-suits are underway for Nordstrom Rack and Floor & Décor.

MARKET DEMAND/NET ABSORPTION

Net absorption was positive pre covid. With the pandemic, absorption was negative at over 550,000 s.f. in the second and third quarters 2020 and negative 180,000 s.f. for the full year. Year to date 2021 absorption

is positive at 606,000 s.f. Amazon is taking spaces for food stores, opening in Bellevue (Factoria) and pending in Federal Way (The Commons), and in North Seattle on Aurora Avenue N. Costco is taking the former Sam's Club in North Seattle on Aurora Avenue N, across the street and just north of the new Amazon food store. Grocery Outlet continues to expand across the state.

SEATTLE CBD

Downtown Seattle retail has experienced major challenges during the Pandemic. Retail in the Downtown Core is still dependent on the thousands of office workers who frequent the vertical buildings. The expected fall return to office plans for major employers is being pushed into late 2021 and early 2022.

INVESTMENT ACTIVITY

In the third quarter there were 71 sales of retail properties over \$2 million. 14 of these are redevelopment sites, four are gas stations and six are dealerships. Larger sales in the third quarter include Evergreen Plaza in Tacoma, Lakewood Colonial East, and White River Junction. The average cap rate for the 3rd quarter is 5.62%.



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COMMERCIAL BROKERAGE

23M

ANNUAL SALES SF

460+

NO. OF BROKERS

\$8B

ANNUAL TRANSACTION VOLUME

42M

ANNUAL LEASING SF

VALUATION ADVISORY

1,800+

APPRAISALS ANNUALLY

40/19

TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

70M

MANAGEMENT PORTFOLIO SF

\$12B

IN ASSETS UNDER MANAGEMENT

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