



MARKET TRENDS | **SEATTLE**

RETAIL

**1ST QUARTER
2022**

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

The 1st quarter saw continued improvement for the retail sector with improved vacancy. Pandemic driven closures are over. There are headwinds in the form of supply chain disruptions, attracting employees and inflation. Urban core area daytime employment is still well below pre-pandemic levels because of work from home and employees are slowly returning to offices. Employers have pushed out return to work further into 2022.

and 4.01% in 2023, then dropping to under 2.5% for the next couple years.

VACANCY

In the 1st quarter, the direct vacancy rate decreased 15 basis points to 2.47%. Every county saw vacancy decline, from six basis points in Pierce county to 33 basis points in Thurston county. Total available space declined 21 basis points to 2.81%.

NEW & PROPOSED CONSTRUCTION ACTIVITY

Retail development activity is measured and mostly on a build-to-suit basis with multiple new units for chains like 7-11, Starbucks, Popeye’s, Chick Fil A, Chipotle, Habit Burger, Valvoline, and Gravity Coffee. A notable speculative development in the 1st quarter is the Farm at Mill Creek, with 87,000 s.f. of commercial space in a mixed-use project with 354 apartments. The commercial space is a mix of ground floor under apartments and freestanding buildings. This includes Amazon in a Go store format and a hotel that will take the ground floor in two of the apartment buildings. Later in 2022, Top Golf will open in Renton. Further out and perhaps in 2023 are a neighborhood center in Black Diamond and a larger project in Covington, both as part of master planned residential developments.

MARKET RENT TREND

Rent growth was 2.4% year over year in the 1st quarter 2022, down from 2.8% in the 4th quarter 2021. Costar is projecting growth of 3.7% in 2022

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Market Breakdown

1Q 2022 VACANCY: DIRECT VS. TOTAL

County	Direct Vacancy	Available
King	2.5%	1.8%
Kitsap	3.3%	2.9%
Pierce	2.8%	2.5%
Snohomish	2.6%	1.7%
Thurston	2.6%	1.6%
Total	2.4%	2.5%

SEATTLE CBD

MARKET DEMAND/NET ABSORPTION

1st quarter absorption was 1,095,280 s.f. This is just under the five-year average of 1,170,754 s.f. and just above the 1st quarter 2021 absorption of 983,317 s.f. Amazon is taking spaces for food stores in Federal Way (The Commons) and north Seattle on Aurora Avenue N. Winco is leasing a portion of the former Sears store at Kitsap Mall. Kohl's leased the former Albertsons store in Bonney Lake and a new store is proposed on the north side of Tacoma Mall. Costco is taking the former Sam's Club in North Seattle on Aurora Avenue N. Home Depot purchased Sam's Club in Renton for \$22 million. Hmart purchased the former Big Lots store in Issaquah for \$14.5 million. Walmart will close its Factoria Marketplace store in Bellevue.

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 office buildings. The expected fall return to office plans for major employers is being pushed into 2022. The Seattle CBD is also dealing with elevated crime, with repercussions being storefront closures and Amazon closing certain offices until public safety improves. On a positive note, PCC opened its downtown store at Rainier Square, which had been delayed due to the pandemic.

INVESTMENT ACTIVITY

Retail investment has picked up after a slow 2020 and 2021. In the 1st quarter there were 114 sales of retail

properties over \$1 million. 20 of these are redevelopment sites, 14 are gas stations and 21 are owner user deals. Larger investment sales in the 4th quarter include Lakeland Town Center, Westgate North, the east part of Redmond Town Center, Park Place and Island Village. Notable owner user deals include Home Depot buying the former Sam's Club in Renton and Hmart buying the former Big Lots in Issaquah. Cap rates range from 3.8% to 9.0% and average 5.34%. There are 13 single tenant sales with an average cap rate of 4.56%. There are 26 multitenant sales with an average cap rate of 5.69%. The outlook for the 2nd quarter is stable with several centers in excess of \$20 million under contract and pending and single tenant net lease demand remaining high.



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COMMERCIAL BROKERAGE

49.7M ANNUAL SALES SF

460+ NO. OF BROKERS

\$10.9B ANNUAL TRANSACTION VOLUME

43.7M ANNUAL LEASING SF

VALUATION ADVISORY

2,600+ APPRAISALS ANNUALLY

51/24 TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M MANAGEMENT PORTFOLIO SF

\$11B IN ASSETS UNDER MANAGEMENT

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