

MARKET TRENDS | **SEATTLE**

RETAIL

**2ND QUARTER
2022**

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

The 2nd quarter was flat, with minor increase in vacancy from mild negative absorption. Pandemic driven closures are over. There are headwinds in the form of supply chain disruptions 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.

VACANCY

In the 2nd quarter, the direct vacancy rate increased 13 basis points to 2.60%, but total available space declined 6 basis points. Kitsap county saw vacancy decline 18 basis points, but all other counties saw vacancy increase. Total available space reacted differently, declining in all but Thurston county. Total available space declined 6 basis points to 2.75%.

MARKET RENT TREND

Rent growth was 1.7% year over year in the 2nd quarter 2022, down from 2.8% in Q1 and the 3.8% growth seen in Q2 2021. Costar is projecting further slowing in Q3 2022 to 1.6%, before turning back to a growth of 3.3% Q4 and 3.9% to 4.9% in 2023.

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. In Q3 2022, Top Golf will open in Renton. Further out and perhaps in 2023 are a neighborhood center in Black Diamond at Ten Trails and a larger project in Covington, both as part of master planned residential developments.

MARKET DEMAND/NET ABSORPTION

2nd quarter absorption was negative 239,074 s.f. The total absorption for the last four quarters is 877,210 s.f., which is below the five-year average of 1,100,064 s.f. Amazon is taking spaces for food stores in Federal Way (The Commons) and north Seattle on Aurora Avenue N. Burlington will lease the space adjacent to Amazon in Federal Way. Winco leased a portion of the former Sears store at Kitsap Mall.

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Market Breakdown

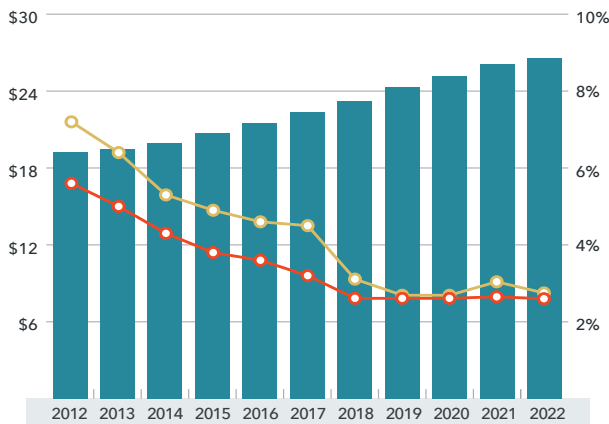
2Q 2022 VACANCY: DIRECT VS. TOTAL

County	Direct Vacancy	Available
King	2.72%	2.60%
Kitsap	2.94%	2.93%
Pierce	2.85%	2.89%
Snohomish	2.17%	2.85%
Thurston	1.84%	2.93%
Total	2.60%	2.75%

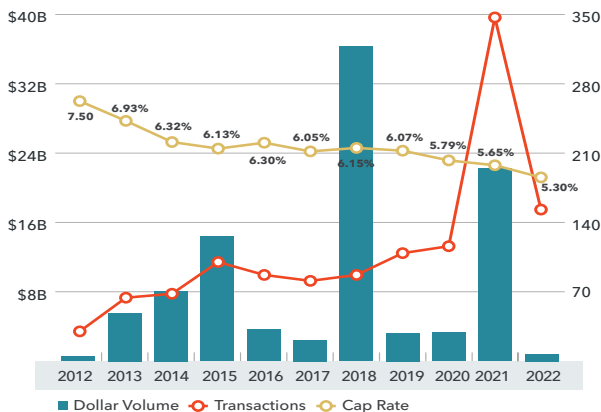
INVESTMENT ACTIVITY

In the 2nd quarter there were 113 sales of retail properties over \$1 million. 14 of these are redevelopment sites, 5 are gas stations, 13 are mixed-use, 9 are auto service, and 21 are owner user deals. Larger investment sales in the 2nd quarter include Burien Towne Center, Alderwood Towne Center and Marysville Town Center. Cap rates range from 4.0% to 7.8% and average 5.07%. Q2 saw large interest rate increases and this will impact cap rates in the second half of the year. The level of impact varies from property to property, but brokers are looking at 100 basis points as a starting point and going up or down depending on the specific asset. The outlook for the 3rd quarter is stable to reduced sales volume with single tenant net lease demand remaining high.

LEASE RATE, VACANCY & AVAILABILITY



SALES VOLUME, TRANSACTIONS & CAP RATE



DATA SOURCE: COSTAR

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COMMERCIAL BROKERAGE

49.7M
ANNUAL SALES SF

43.7M
ANNUAL LEASING SF

470+
NO. OF BROKERS

\$10.9B
ANNUAL TRANSACTION VOLUME

VALUATION ADVISORY

2,600+
APPRAISALS ANNUALLY

50/25
TOTAL NO. APPRAISERS/MAI'S

ASSET SERVICES

62M
MANAGEMENT PORTFOLIO SF

\$11B
IN ASSETS UNDER MANAGEMENT

The information in this report was composed by the Kidder Mathews Valuation Advisory Group.

ANDY ROBINSON, MAI

Managing Director, Shareholder
Valuation Advisory Services
206.205.0204
andy.robinson@kidder.com

BRIAN HATCHER

President & COO
206.296.9634
brian.hatcher@kidder.com

Designated Broker: Mark Read | LIC N° 00572743

KIDDER.COM



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