

MARKET TRENDS

SEATTLE

RETAIL

- ↑ VACANCY
- ↓ ABSORPTION
- ↑ RENTAL RATES
- ↓ CONSTRUCTION DELIVERIES

Year-Over-Year Change

Despite low levels of net absorption in 1Q 2024, largely driven by urban store closures and weakening neighborhood and strip center performance, Seattle’s retail market remains stable.

The market has retained vacancy rates within 60 basis points of all-time lows while asking rents are up slightly, year-over-year. Recent redevelopment pressures and a limited pipeline of deliveries have been steadily restricting supply and driving competition, a trend expected to continue throughout 2024. Similarly, demand drivers such as population growth and consumer confidence remain positive, suggesting a possible return to rent growth and a stabilization of vacancy rates in the near term.

VACANCY

The market remained resilient posting a marginal increase in vacancy rate to 3.3%, only 60 basis points above the all-time low of 2.7%. Despite this increase, the market still boasts a vacancy rate significantly below the national average and

retains one of the lowest vacancy rates on the West Coast. The suburbs, with an average vacancy rate of 3.0% continued to outperform Seattle’s central business district which posted a 14.2% vacancy rate, though negative absorption was much more widely spread than in preceding quarters. Furthermore, leasing activity grew by 35% this quarter to 535,000 SF.

MARKET TREND

The average asking lease rate was down quarter-over-quarter but increased 0.8% year-over-year. This represents a marginal decrease on the year-over-year growth figure of 1% between 2022 and 2023 and a notable decline compared to recent historical trends closer to 5% per year between 2020 and 2022. While this quarter’s increase in vacancy may push rents down further, positive market drivers and continued tightening of supply, especially in underperforming urban markets will likely pave a pathway to recovery over the near term.

DEVELOPMENT ACTIVITY

A handful of retail projects delivered in 1Q 2024, totaling 22,851 SF, led by Smokey Point Central Health Club (15,500 SF) in Northern Snohomish County. Despite the low level in deliveries, products under construction increased to

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1Q 2024 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	3.50%	3.00%
Kitsap	2.80%	3.00%
Pierce	2.70%	3.10%
Snohomish	3.00%	3.20%
Thurston	2.50%	2.60%
Total	3.20%	3.00%

532,563 SF, the highest level in two years. The largest projects under construction 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 both scheduled for delivery in 2025.

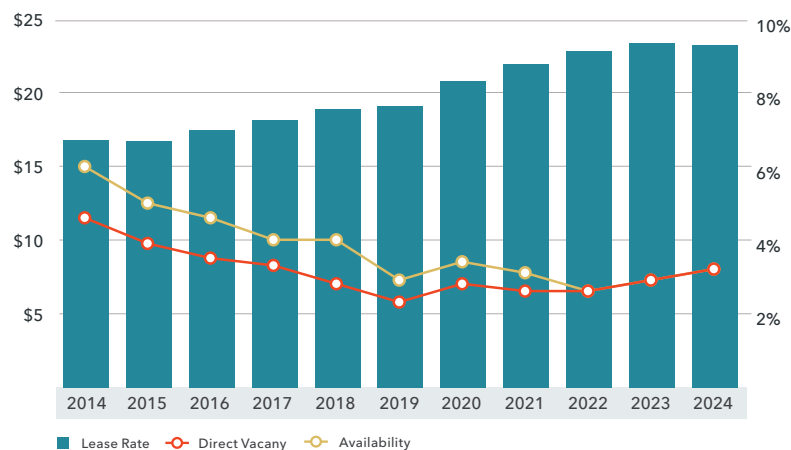
MARKET DEMAND/NET ABSORPTION

After two consecutive positive quarters of marginal net absorption, 2024 began the year with the historically low net absorption at negative 543,105 SF. Continued strife in urban cores and financial troubles for chain retailers like Rite Aid drove much of this trend. Additionally, vacancies significantly increased across the region in neighborhood and strip center product. Despite these issues, market drivers remain relatively positive, and a gradual recovery is projected to occur over the next 12-18 months.

INVESTMENT ACTIVITY

Investment activity declined in 1Q, mirroring trends across most sectors and regions of commercial real estate. Through the end of March, 45 sales transacted for a total of \$181M, the lowest quarterly total since 2020. High interest rates, growing unemployment, and recessionary indicators will continue to impact leasing and investor demand, making the near term difficult for commercial real estate and the retail market.

LEASE RATE, VACANCY & AVAILABILITY



Data Source: CoStar

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COMMERCIAL BROKERAGE

31.7M	42.4M
ANNUAL SALES SF	ANNUAL LEASING SF
500+	\$10B
NO. OF BROKERS	3-YEAR AVERAGE TRANSACTION VOLUME

ASSET SERVICES

51M	750+
MANAGEMENT PORTFOLIO SF	ASSETS UNDER MANAGEMENT

VALUATION ADVISORY

2,600+	43/25
3-YEAR AVERAGE ASSIGNMENTS	TOTAL NO APPRAISERS/MAI'S

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