

MARKET TRENDS

SEATTLE

RETAIL

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

Year-Over-Year Change

The retail sector across the US faced significant challenges during the pandemic but has since experienced a recovery, fueled by strong consumer spending and the growth of e-commerce. Throughout the US, retail sales in November 2024 indicated a 0.7% increase, surpassing market expectations and highlighting the sector’s strength. The holiday season has already shown an increase by 4.8% when compared to the previous year, largely driven by a surge in online sales. The Puget Sound region mirrored the same nationwide sentiment, with strong market fundamentals. Despite these positive indicators, local and nationwide consumers are becoming more cautious which would potentially impact future spending patterns. Many will be cautiously optimistic in the coming year, as the industry adapts to shifting economic and consumer dynamics.

VACANCY

Overall, the retail market in Seattle remained relatively strong with a vacancy rate of 3.2% and an availability rate of 3.1%, both minimal increases compared to last quarter. The region is one of the tightest retail markets in the country with the lowest levels of vacancies, hovering at or below 3.5% since the end of 2016. Although leasing activity has remained steady, the slight increase in vacancy, up 30 basis points from year-end 2023, is due to move-outs over the past year. Pullback that contributed to the uptick from larger national chains in the market include Big Lots, Safeway, Staples, and Target.

MARKET TREND

Despite the recent uptick in vacancy and availability, the average asking lease rate reached an all-time annual high at the end of 2024, an increase of 0.3% when compared to the same time last year. Although the rental rates reached a record high, growth is noticeably slower than recent years when rents expanded by an average of +5% per year between 2020 and 2022. Rent growth in Seattle outperformed the national benchmark over the last decade but since 2022, overall rent growth in the US has outpaced the region. Although the region’s rent growth may move lower in the new year, it should remain positive.

DEVELOPMENT ACTIVITY

In the past three years, the retail market has seen minimal new construction when compared to the 10-year average, and 2024 only delivered a bleak 85K SF for the metro. A significant share of new development in the region involves repositioning existing properties from traditional retail to mixed-use developments, further shrinking the retail inventory. Currently, the largest projects 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.

continued on page 2

4Q 2024 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	3.1%	3.0%
Kitsap	2.7%	2.9%
Pierce	3.1%	3.4%
Snohomish	2.6%	2.9%
Thurston	2.5%	3.0%
Total	3.2%	3.2%

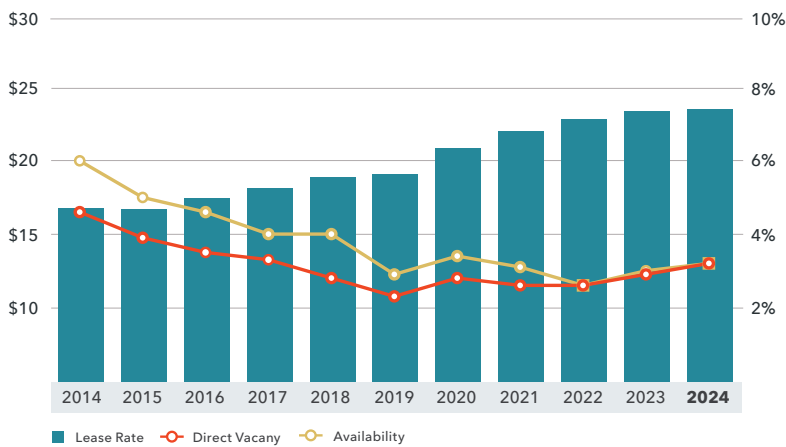
MARKET DEMAND/NET ABSORPTION

After posting positive net absorption of 81K SF in 3Q 2024, the market recorded negative 320K SF in 4Q and negative 837K SF for the year. Despite steady leasing activity over recent quarters, large moveouts from big block tenants partially led to the negative absorption. While national retailers are returning large blocks of space to the market, tenants are quickly backfilling these due to limited available space, indication strong demand despite retail challenges.

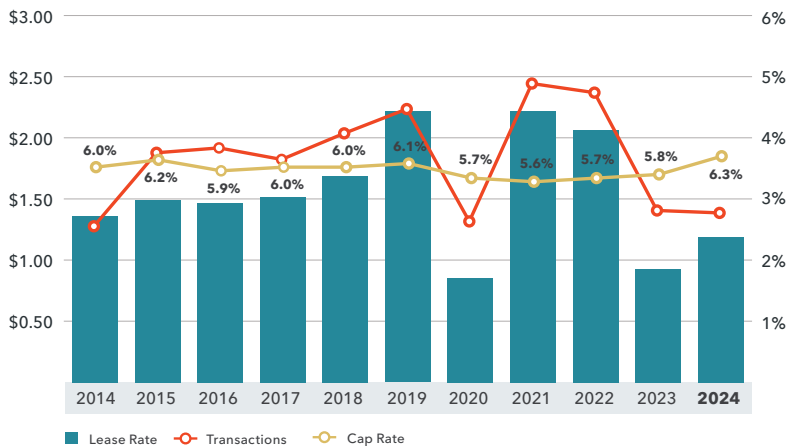
INVESTMENT ACTIVITY

Sales activity picked up in 2024 and ended the year with approx. \$1.2B in transactions and 4.3M SF in total volume. The 4.3M SF sold is a 31% increase compared to the volume in 2023. There has been a marked increase in the trading of larger centers in 2024 and this shift could indicate the return of larger investors looking to capitalize in the Seattle region in the coming year.

LEASE RATE, VACANCY & AVAILABILITY



SALES VOLUME, TRANSACTIONS & CAP RATE



Data Source: CoStar

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

COMMERCIAL BROKERAGE

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

ASSET SERVICES

57M	850+
MANAGEMENT PORTFOLIO SF	ASSETS UNDER MANAGEMENT

VALUATION ADVISORY

2,600+	43/27
3-YEAR AVERAGE ASSIGNMENTS	TOTAL NO APPRAISERS/MAI'S

GARY BARAGONA
 Director of Research
 415.229.8925 | gary.baragona@kidder.com

BRIAN HATCHER
 President & COO
 206.296.9600 | brian.hatcher@kidder.com

