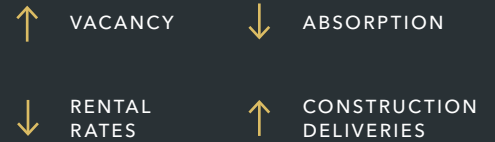


MARKET TRENDS

SEATTLE RETAIL



Year-Over-Year Change

The Puget Sound retail market continued to face headwinds through the third quarter of 2025, with negative net absorption and signs of softening leasing demand observed across much of the region.

However, consumer spending has strengthened in recent months as inflationary pressures eased, providing some support for retail performance. Port activity through Seattle and Tacoma remained uneven during the quarter, reflecting ongoing global trade fluctuations rather than localized economic weakness. While inflation and tariff policy shifts continue to create some uncertainty, resilient consumer spending and moderating price pressures have helped support retail performance, suggesting a steadier outlook for the remainder of the year.

VACANCY

The retail vacancy rate in the Seattle market increased to 3.8% at the end of Q3 2025, continuing a gradual upward trend observed over the past year. Despite the increase, the market remains relatively tight, with vacancy still below the 10-year historical average of 3.9% and among the lowest on the West Coast. Looking ahead, the Puget Sound retail market is expected to remain relatively tight.

Although availability has increased modestly, new store openings continue to offset closures by national retailers. However, certain segments, particularly large-format retail, may experience elevated levels of availability in the near term, as the market absorbs recently vacated space from national chain closures.

MARKET TRENDS

Rising vacancies and availabilities across the Seattle metro have placed downward pressure on asking rents, which have declined for five straight quarters. Additionally, rent growth is noticeably slower than recent years when rents expanded by an average of +5% per year between 2020 and 2022. Looking ahead, rent growth is expected to remain stable over the next year, though weaker job growth and constrained consumer spending may pose downside risks.

DEVELOPMENT ACTIVITY

As Woodinville continues to grow and develop, it has seen the fastest inventory expansion in the metro area. The area remains the most active hub for retail construction, driven by its increasing appeal and demand for new commercial spaces. Currently, the largest projects in the Puget Sound include a 150,000 SF mixed-use project called The Yard in Woodinville. This development alone makes up almost half the volume of properties currently underway and most projects in the pipeline are estimated to be completed by year end. Although there are some areas of activity, construction starts are still significantly lower than pre-pandemic levels. Demolitions have been consistently outpacing new projects, and the impact of new construction is expected to remain minimal. Developers are taking a cautious approach, focusing on more carefully considered projects rather than speculative builds.

continued on page 2

3Q 2025 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	4.3%	3.5%
Kitsap	4.7%	4.7%
Pierce	3.1%	4.0%
Snohomish	3.1%	3.6%
Thurston	3.5%	3.5%
Total	3.8%	3.7%

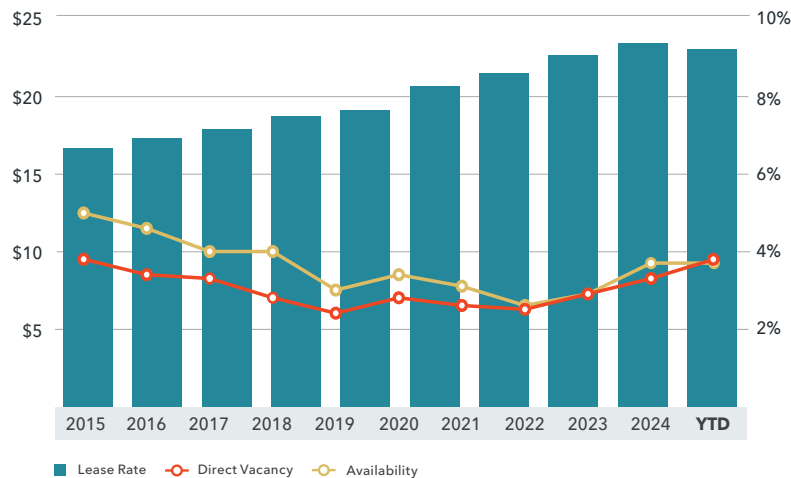
MARKET DEMAND/NET ABSORPTION

Market wide net absorption has been relatively subdued and the Seattle metro posted its fourth consecutive quarter of negative activity, ending Q3 2025 with negative 246K SF, bringing the year-to-date total to negative 934K SF. Although there have been a handful of recent closures by national retailers, the negative activity can also be attributed to a slowdown in overall activity as leasing volume posted 548K SF in 3Q, a 5-year low for the Seattle region. Demand is anticipated to soften into the new year, as large retailers continue to close stores through the second half of the year, coupled with a decline in consumer and business confidence driven by persistent economic uncertainties.

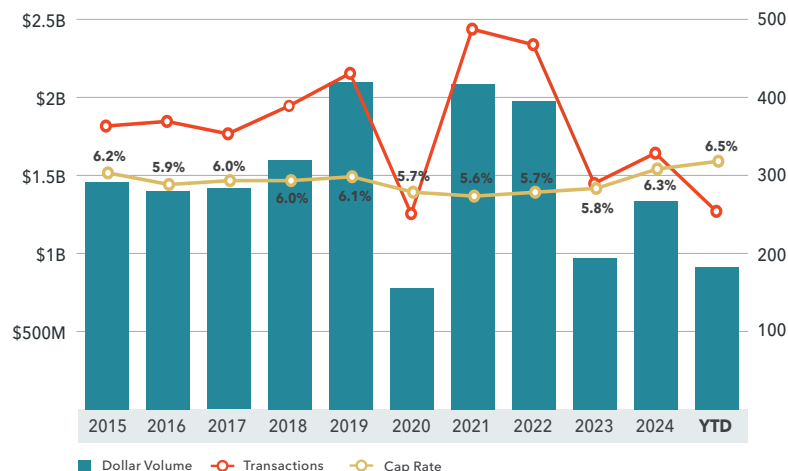
INVESTMENT ACTIVITY

While quarterly and year-over-year sales volumes each fell by roughly 41% to \$220M, overall year-to-date activity has held relatively steady, down only 4.2% from the same point in 2024. Consumer spending remains a key driver of retail demand and has strengthened in recent months, providing support for the sector despite broader economic uncertainty.

LEASE RATE, VACANCY & AVAILABILITY



SALES VOLUME, TRANSACTIONS & CAP RATE



Data Source: CoStar

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, 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

26.2M

ANNUAL SALES SF

36.7M

ANNUAL LEASING SF

500+

NO. OF
BROKERS

\$9B

AVERAGE
TRANSACTION
VOLUME

ASSET SERVICES

53M

MANAGEMENT
PORTFOLIO SF

800+

ASSETS UNDER
MANAGEMENT

VALUATION ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

39/24

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