Kidder Mathews

4Q 2025

MARKET TRENDS

# SEATTLE *RETAIL*

↑ VACANCY

↑ ABSORPTION

↔ RENTAL RATES

↑ CONSTRUCTION DELIVERIES

Year-Over-Year Change

*Despite a challenging economic backdrop in 2025, the U.S. retail sector demonstrated notable resilience throughout the year.*

The market ended the year in a period of recalibration, with early signs of stabilization beginning to emerge. While fundamentals have held up comparatively well, downside risks remain as store closures tied to recent bankruptcies continue to work through the system and broader macroeconomic headwinds persist. Mirroring these national trends, the Puget Sound retail market is expected to remain relatively stable in the coming year. However, emerging concerns around moderating employment growth and softening consumer activity present near-term risks. Consumer spending remains a key driver of retail demand, and early signs of deceleration in the region could temper the pace of recovery across the region.

## VACANCY

While the Seattle retail market remains relatively tight, demand softened in 2025 and vacancies have noticeably increased over the past year, posting 4.0% at year-end. The vacancy rate in 4Q surpassed the 10-year historical average of 3.8%, in part due to an uptick in new deliveries throughout 2025. Kitsap and King Counties posted the highest vacancy rates at 5.4% and 4.4% while Thurston, Snohomish and Pierce Counties ended the quarter at 3.3%, 3.4% and 3.3%, respectively.

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

Retail rents in Seattle have continued to rise, though growth has moderated in recent years. Looking ahead, rents are expected to remain supported through early 2027 by tight supply and limited new construction. While slower job growth and stagnant wage growth could temper momentum, steady demand for retail space is likely to keep fundamentals stable.

## DEVELOPMENT ACTIVITY

Construction activity remains concentrated in high-growth corridors, with Mill Creek and Woodinville the most active. The Yard, a 150,000 SF mixed-use project in Woodinville, accounts for a large share of current inventory and is tied to dense new housing. Tacoma Suburban and Everett CBD follow, supported by neighborhood demand and redevelopment. Suburban projects generally lease faster and perform well upon delivery, while urban core developments face slower lease-ups. Despite these pockets of activity, construction starts remain well below pre-pandemic levels, and demolitions continue to outpace new supply, limiting near-term impacts. Developers remain cautious, prioritizing targeted projects over speculative builds.

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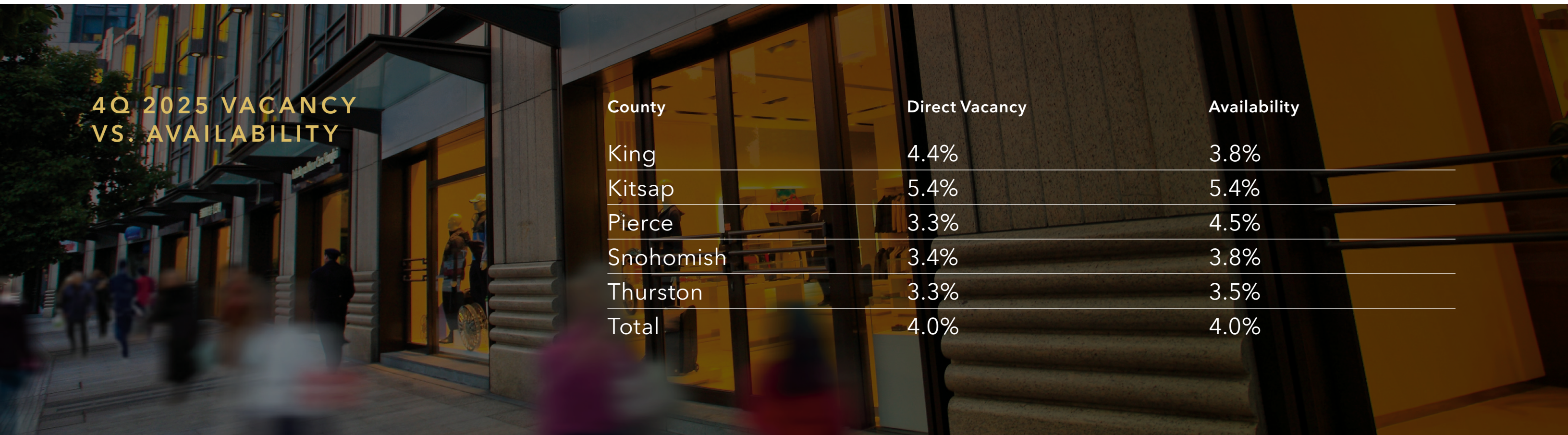


## 4Q 2025 VACANCY VS. AVAILABILITY

| County | Direct Vacancy | Availability |
|---|---|---|
| King | 4.4% | 3.8% |
| Kitsap | 5.4% | 5.4% |
| Pierce | 3.3% | 4.5% |
| Snohomish | 3.4% | 3.8% |
| Thurston | 3.3% | 3.5% |
| Total | 4.0% | 4.0% |

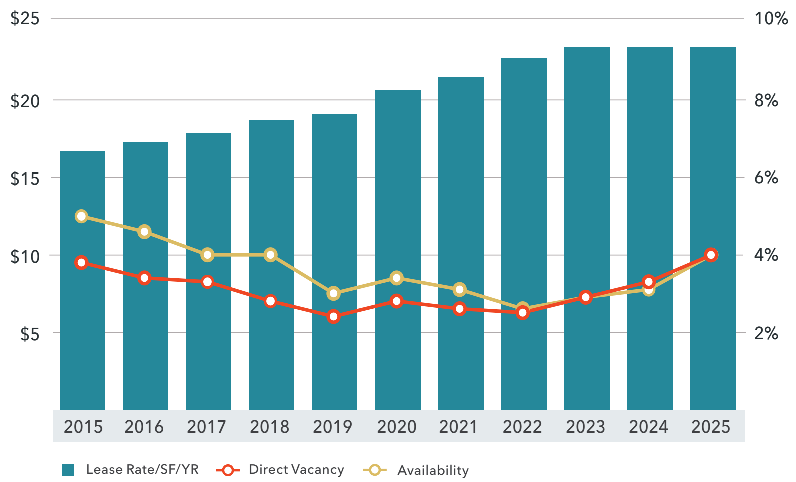
## MARKET DEMAND/NET ABSORPTION

Market wide net absorption posted its fifth straight quarter of negative activity, ending Q4 2025 at -197K SF and closing the year at -1.1M SF, the weakest annual performance observed since 2020. 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 2.6M SF for 2025, a 5-year low for the Seattle region. The rising availability in larger buildings, contrasted with steady performance in smaller boxes, points to a split market dynamic: small-box properties continue to perform well, while large-box spaces face longer backfill timelines or pressure from potential redevelopment.

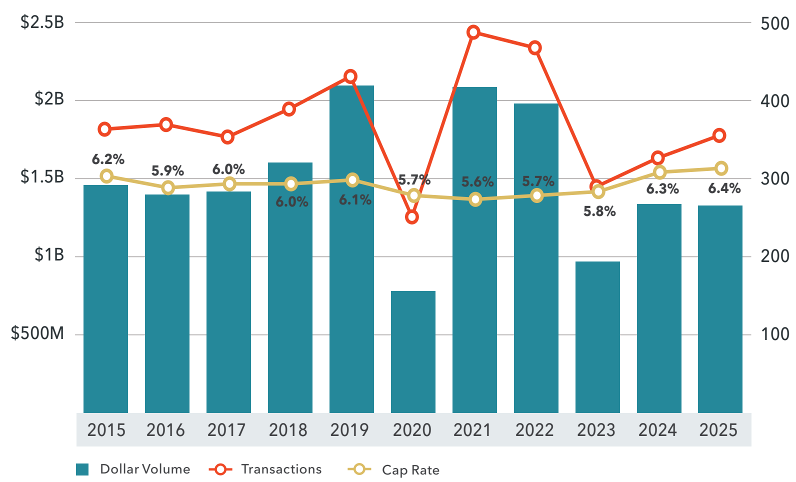
## INVESTMENT ACTIVITY

Sales volume across the region remained relatively stable when compared to 2024. Stronger consumer spending in recent months has helped support retail demand, providing a buffer amid ongoing 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

41/23
TOTAL NO APPRAISERS/MAI'S

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