2Q 2026

MARKET TRENDS

SEATTLE *RETAIL*

↑ VACANCY	↑ ABSORPTION
↑ RENTAL RATES	↓ CONSTRUCTION DELIVERIES

Year-Over-Year Change

The Puget Sound retail market entered 2026 with relatively stable fundamentals, supported by resilient consumer spending and improving foot traffic.

While demand remains healthy overall, retailers have become more selective as slower job growth and ongoing cost pressures influence expansion decisions. Following a softer 2025, market conditions have largely stabilized, with tenants prioritizing efficient store formats and high-performing locations. Smaller-format and service-oriented retailers continue to drive activity, while demand for larger discretionary retail spaces remains comparatively subdued.

VACANCY

Retail vacancy remains near historic lows despite a modest increase over the past year. The direct vacancy rate was 3.9% in 2Q, up from 3.7% a year earlier, but has shown signs of stabilizing after moving off record lows. Conditions vary across the market, with King County reporting the highest vacancy rate at 4.7%, followed by Kitsap County at 4.1%. Pierce, Snohomish, and Thurston Counties continue to maintain some of the tightest retail conditions in the region, all under 3.3%.

MARKET TRENDS

Retail rents have remained largely unchanged, with average asking rates holding at $1.95 PSF in 2Q. While the rapid rent growth seen earlier in the cycle has moderated, limited new supply and relatively healthy occupancy levels continue to support pricing. Landlords remain in a favorable position, though tenants are exercising greater caution when evaluating new locations. Looking ahead, rent growth is expected to continue at a slower pace as retailers balance expansion plans against ongoing economic uncertainty.

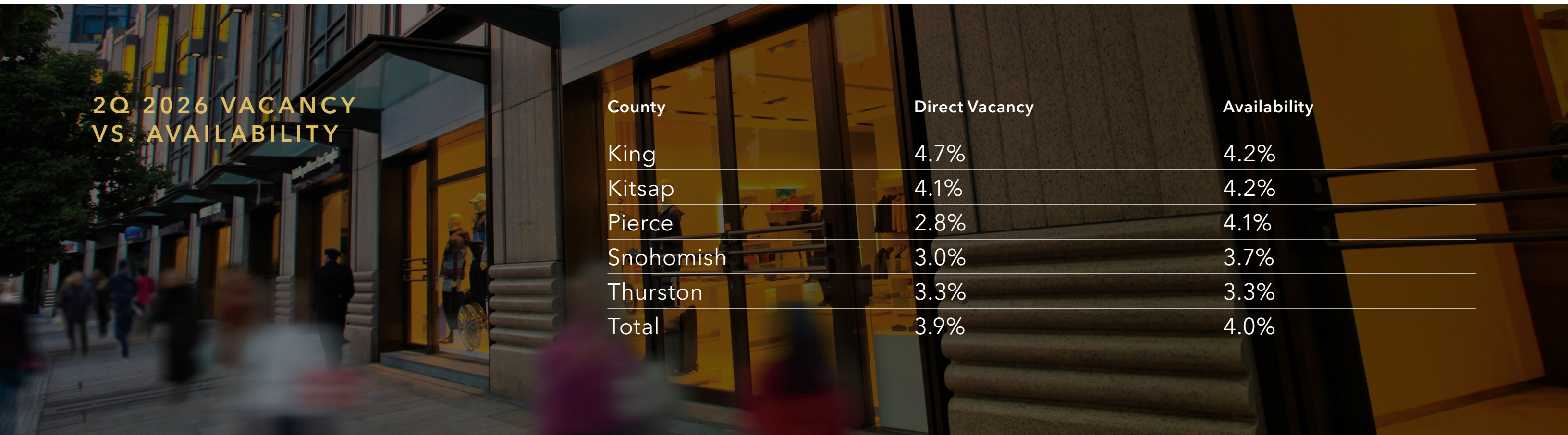
DEVELOPMENT ACTIVITY

Retail construction remains concentrated in select growth corridors, particularly suburban and mixed-use developments in communities such as Mill Creek and Woodinville. Approximately 90,000 SF of space was delivered during the first half of the year, consistent with recent trends but well below pre-pandemic levels. Developers continue to favor targeted projects with strong preleasing and demonstrated demand rather than speculative construction. This approach should help maintain market balance and limit significant increases in vacancy over the near term.

MARKET DEMAND/NET ABSORPTION

Net absorption totaled 212,093 SF, the highest first half total since 2019. The improvement suggests retail demand may be stabilizing. Leasing activity continues to be led by service-oriented businesses, restaurants, healthcare users, and other smaller-format tenants. Larger retail spaces continue to face longer lease-up periods, reinforcing the market's preference for convenience-focused and service-driven retail concepts.

continued on page 2



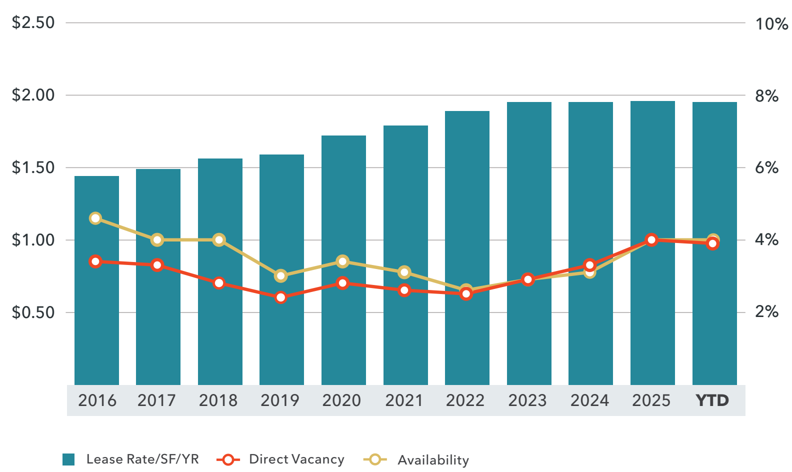
2Q 2026 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	4.7%	4.2%
Kitsap	4.1%	4.2%
Pierce	2.8%	4.1%
Snohomish	3.0%	3.7%
Thurston	3.3%	3.3%
Total	3.9%	4.0%

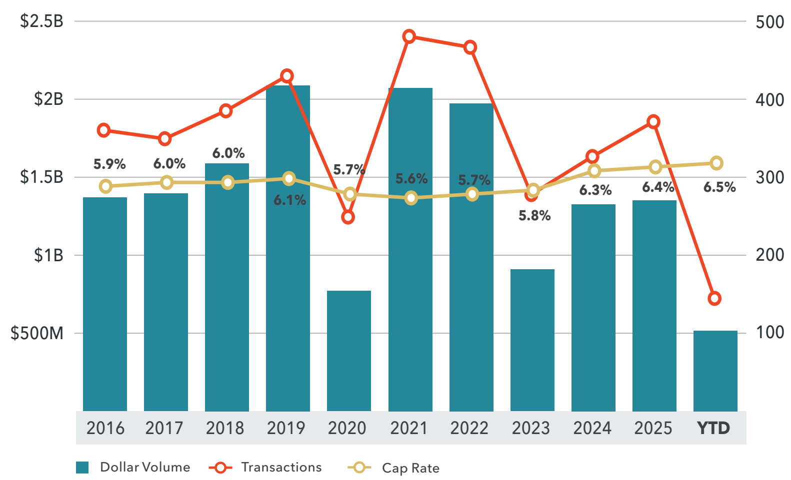
INVESTMENT ACTIVITY

Retail investment activity remains measured as investors navigate a higher-cost capital environment and ongoing economic uncertainty. Despite a more selective acquisition landscape, retail assets continue to attract interest due to their stable cash flow and relative resilience compared with other property types. Demand is strongest for grocery-anchored centers and properties leased to necessity-based and service-oriented tenants. As financing conditions gradually improve, well-located retail assets are expected to remain attractive to both private and institutional investors.

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

32.4M ANNUAL SALES SF

32.5M ANNUAL LEASING SF

500+ NO. OF BROKERS

$9B AVERAGE TRANSACTION VOLUME

ASSET SERVICES

54M MANAGEMENT PORTFOLIO SF

800+ ASSETS UNDER MANAGEMENT

VALUATION ADVISORY

2,700+ AVERAGE ANNUAL ASSIGNMENTS

42/23 TOTAL NO APPRAISERS/MAI'S

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

WILL FRAME
Regional President, Brokerage
Pacific Northwest
206.296.9600 | will.frame@kidder.com

Kidder Mathews