Kidder Mathews

3Q 2026

MARKET TRENDS

SEATTLE *RETAIL*

↑ VACANCY	↑ ABSORPTION
↔ RENTAL RATES	↑ CONSTRUCTION DELIVERIES

Year-Over-Year Change

The Puget Sound retail market maintained relatively steady fundamentals through the third quarter, with positive absorption continuing despite more measured leasing activity.

Retailers remain selective in their expansion strategies, favoring established locations and smaller, efficient store formats as slower employment growth and elevated consumer costs influence decision-making. Market performance remains uneven across the region, with tighter conditions in several suburban counties contrasting with higher vacancy in King County.

VACANCY

Retail vacancy remained low and largely unchanged during the third quarter. Direct vacancy held at 3.9%, compared with 3.8% one year earlier. Conditions vary considerably by geography, with King County recording the highest vacancy at 4.8%, while Pierce and Snohomish Counties remained below 3.0%. The disparity continues to highlight tighter retail conditions across several suburban markets.

MARKET TRENDS

Average asking rents were $23.16 per square foot in Q3, unchanged from a year ago and slightly below the previous quarter. Limited vacancy continues to provide support for rents, although slower leasing and greater retailer selectivity have kept meaningful rent growth in check. Well-located space remains better positioned to maintain pricing as retailers focus on locations with established traffic and favorable demographics.

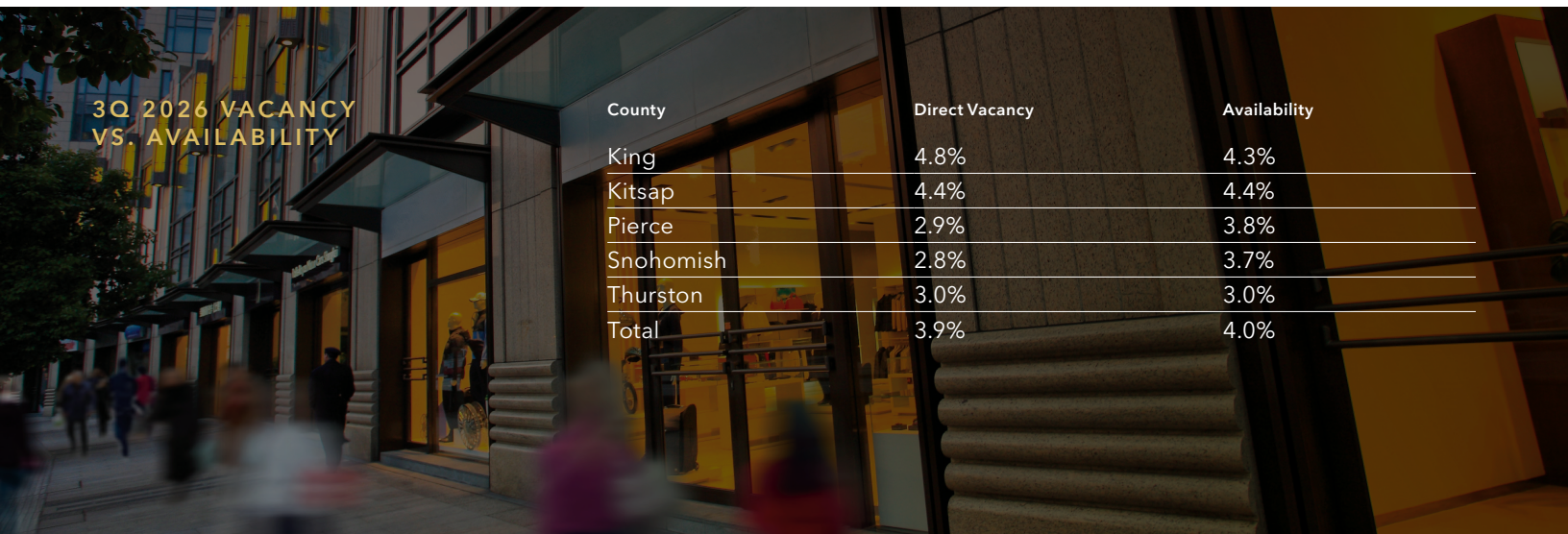
DEVELOPMENT ACTIVITY

Development activity increased during the third quarter as 215,000 SF of new retail space delivered, bringing year-to-date completions to approximately 306,000 SF. Despite the increase in deliveries, vacancy remained stable, indicating that new supply has so far been absorbed without materially disrupting market conditions. The construction pipeline has also narrowed to approximately 176,000 SF, limiting the potential for significant supply pressure over the near term.

MARKET DEMAND/NET ABSORPTION

Net absorption totaled positive 231,000 SF during Q3, bringing the YTD total to approximately 466,000 SF. All three quarters of 2026 have now recorded positive absorption, a meaningful reversal from the occupancy losses experienced during much of 2025. Leasing volume moderated during the quarter, however, reinforcing a market in which demand remains active but increasingly selective.

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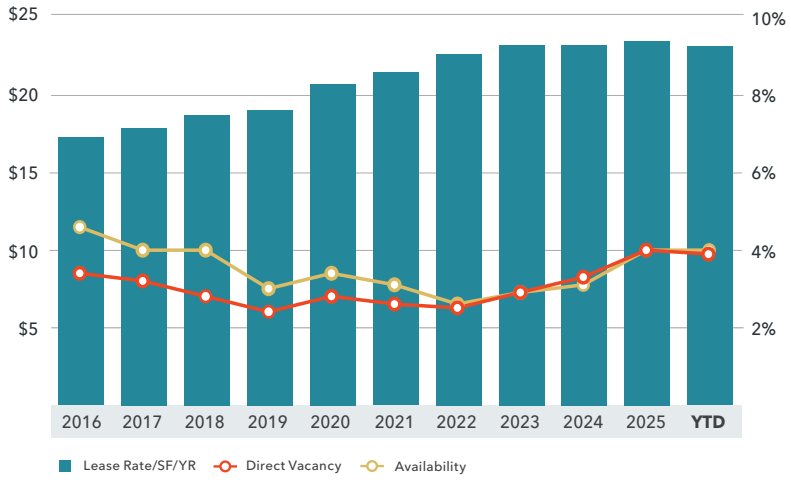
3Q 2026 VACANCY VS. AVAILABILITY

County	Direct Vacancy	Availability
King	4.8%	4.3%
Kitsap	4.4%	4.4%
Pierce	2.9%	3.8%
Snohomish	2.8%	3.7%
Thurston	3.0%	3.0%
Total	3.9%	4.0%

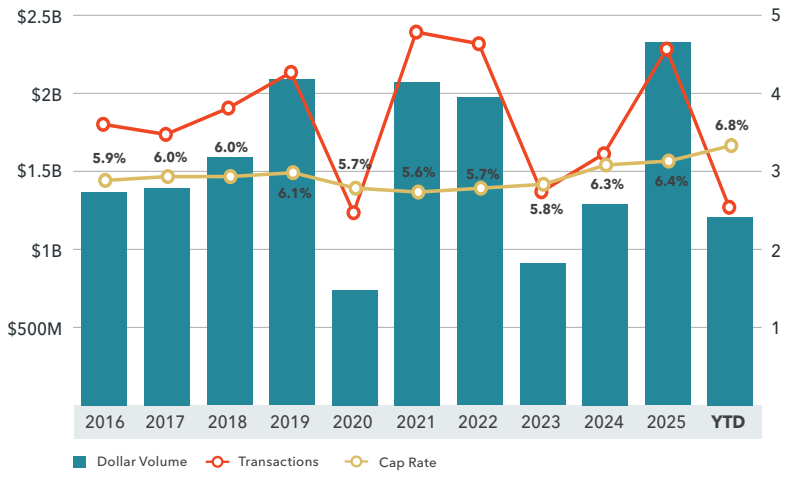
INVESTMENT ACTIVITY

Retail investment activity remains measured, with sales volume below the stronger levels recorded earlier in the cycle but improved from the market's 2023 low. Investor demand continues to favor well-leased suburban centers and necessity-based retail, particularly grocery-anchored properties, as demonstrated by the $69.5 million sale of Lakeland Town Center in Auburn during the third quarter. Private investors and owner-users remain active, while liquidity is more limited for urban properties, older big-box assets and properties requiring significant lease-up or redevelopment. Limited new construction and low vacancy continue to support investment fundamentals, although financing constraints and broader economic uncertainty are likely to keep transaction activity selective.

LEASE RATE, VACANCY & AVAILABILITY



SALES VOLUME, TRANSACTIONS & CAP RATE



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COMMERCIAL BROKERAGE

32.4M
ANNUAL SALES SF

32.5M
ANNUAL LEASING SF

500+
NO. OF BROKERS

$9B
AVERAGE TRANSACTION VOLUME

ASSET SERVICES

55M+
MANAGEMENT PORTFOLIO SF

800+
ASSETS UNDER MANAGEMENT

VALUATION ADVISORY

2,700+
AVERAGE ANNUAL ASSIGNMENTS

42/23
TOTAL NO APPRAISERS/MAI'S

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Data Source: CoStar

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