



# WESTERN U.S. *RETAIL* BY THE NUMBERS

*2025 Mid-Year Market Forecast*



# RETAIL MARKET *HOLDING STEADY* AMID UNEVEN DEMAND

*Over the past several years, retail vacancy rates have remained comparatively low compared to other asset classes, with average asking rents holding steady throughout the period.*

Despite this, inconsistent leasing demand has served as a persistent lagging indicator in the current cycle. Consequently, total leasing activity across the Western U.S. has declined by more than 20% compared to the 10-year annual average prior to the pandemic. While demand is projected to stay subdued through 2025, retail market fundamentals remain resilient and well-positioned for robust growth once a sustained economic expansion begins to take shape.



# CONSUMER CONFIDENCE WEAKENS AS *ECONOMIC CAUTION GROWS*

Consumer confidence and sentiment both declined in the first half of 2025. The Consumer Confidence Index dropped from 105.3 in January to 98.0 by June, while the Consumer Sentiment Index slid from 71.7 to 60.7 over the same period. This downturn was broad-based, reflecting diminished assessments of both current conditions and future expectations.

Optimism surrounding business conditions and job availability waned for the sixth consecutive month, though perceptions remained positive overall. The Expectations Index, which measures short-term outlooks on income, business climate, and labor market trends, fell 4.6 points to 69.0 in June. Notably, it continues to sit below the 80-point benchmark that frequently signals a looming recession. Key concerns among consumers include tariffs—often associated with rising prices and economic strain—as well as persistent inflation and the burden of high costs.







# RETAIL SALES SHOW GROWTH —BUT INFLATION MUTES GAINS

*Retail sales across the U.S. have shown a modest yet consistent uptick, rising approximately 4% year-over-year.*

While this figure is close to the pre-COVID 10-year average of 4.2%, it still trails slightly behind. Encouragingly, this upward momentum aligns with moderate employment numbers and steady wage growth during the first half of the year—providing positive reinforcement for the broader economy.

However, when adjusted for inflation, “real” retail sales tell a different story. Overall, this metric has been relatively flat since 2021, and when compared to the 10-year trend line, the last two years have underperformed and is now lower than the pre-pandemic 10-year trend line. On the bright side, e-commerce penetration is projected to continue between 5% and 10% as consumer confidence is projected to rebound along with retail spending. All of these factors are expected to help bolster the retail segment in the near-term.



# URBAN VS SUBURBAN *DIVERGING MARKET FUNDAMENTALS*

*While the Western U.S. retail sector has demonstrated impressive resilience in the wake of the pandemic, its performance is increasingly nuanced by geography.*

Larger urban markets—such as San Francisco and Seattle—have seen notable slowdowns, particularly in their downtown cores. These areas have experienced rising vacancy rates, reduced leasing activity, and declining foot traffic.

In contrast, more suburban-focused markets like Phoenix, Reno, and Sacramento are outperforming Western U.S. averages. These markets have adapted more effectively to shifting consumer preferences and lifestyle trends. Since 2019, vacancy rates in urban areas have increased by 4%, while suburban areas have seen only a 0.6% uptick, reinforcing a broader trend toward suburban strength seen across other asset classes.





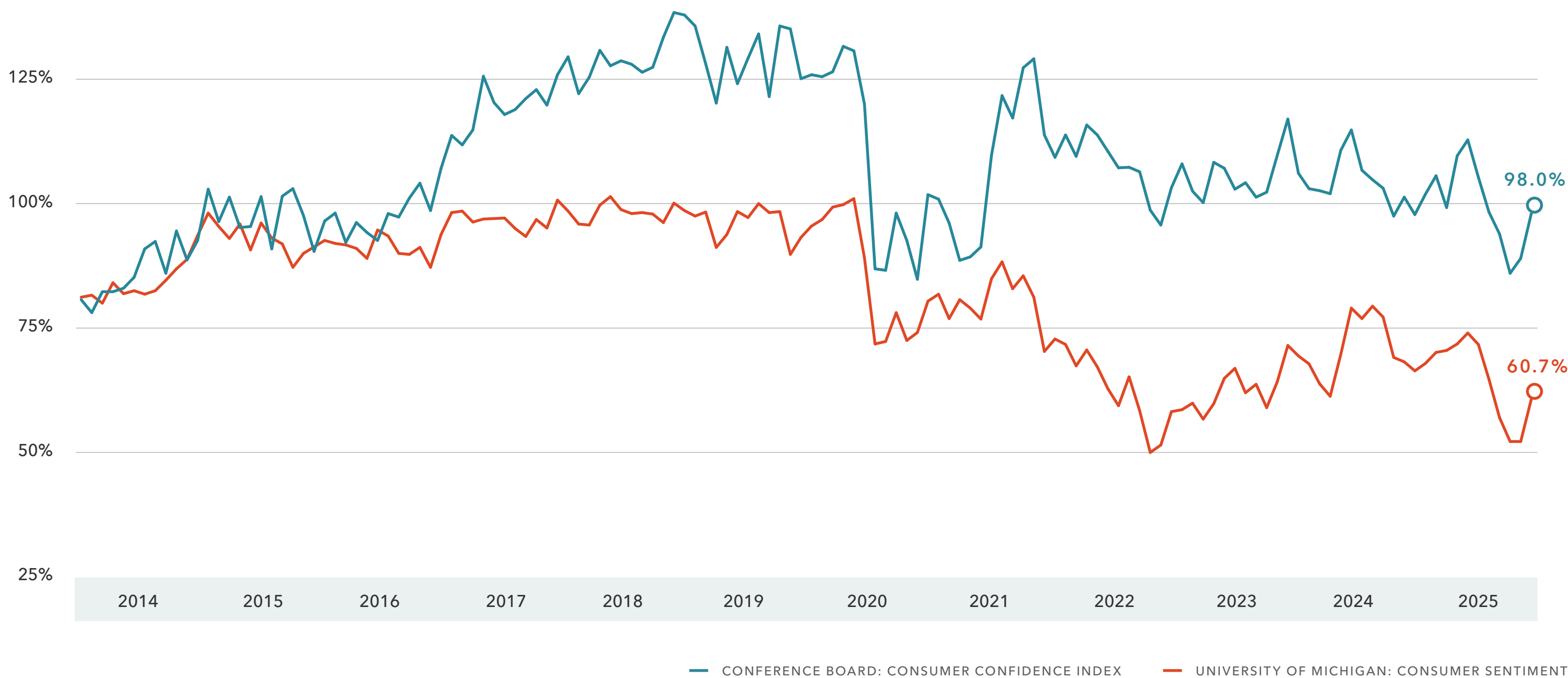
# RETAIL OUTLOOK: *STABILITY NOW, GROWTH AHEAD*

*Retail market activity across the Western U.S. is expected to remain relatively muted through the second half of 2025*

However, localized momentum is emerging in several markets and retail segments. Despite near-term headwinds, core retail fundamentals are anticipated to stay resilient, with vacancy rates edging upward in 2025 before gradually declining in 2026 and 2027. Rent growth is projected to range between 2.5% and 3.0%, eventually stabilizing around long-term historical averages. Over the next 6-12 months, market activity is poised to accelerate, laying the foundation for sustained growth in 2025 and 2026.



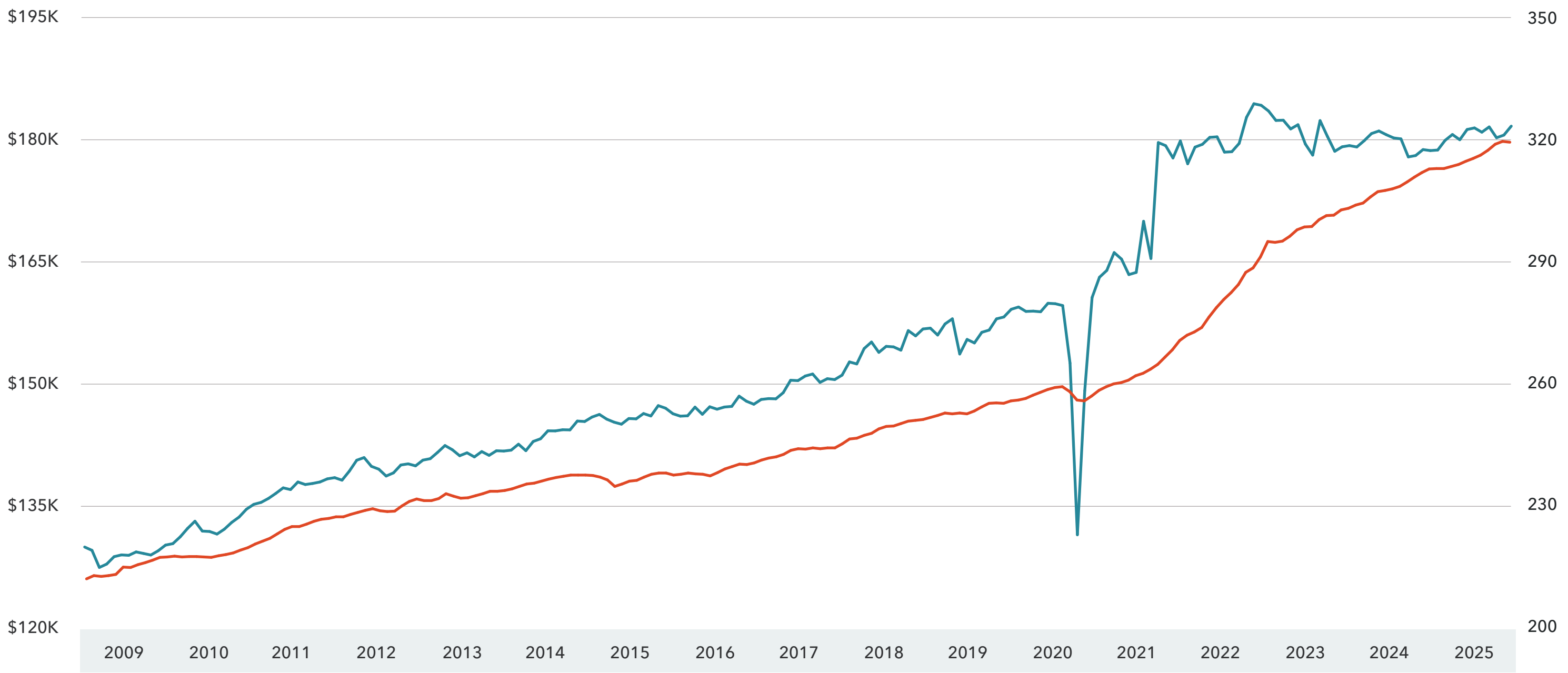
# U.S. CONSUMER CONFIDENCE AT SUPRESSED LEVELS



Consumer Confidence = focuses on the consumer's perception of the job market and their personal financial situation  
Consumer Sentiment = reflects a broader view of how consumers feel about the overall economy, including their outlook on current conditions  
Source: The Conference Board, University of Michigan



# U.S. “REAL” RETAIL SALES ARE RELATIVELY FLAT

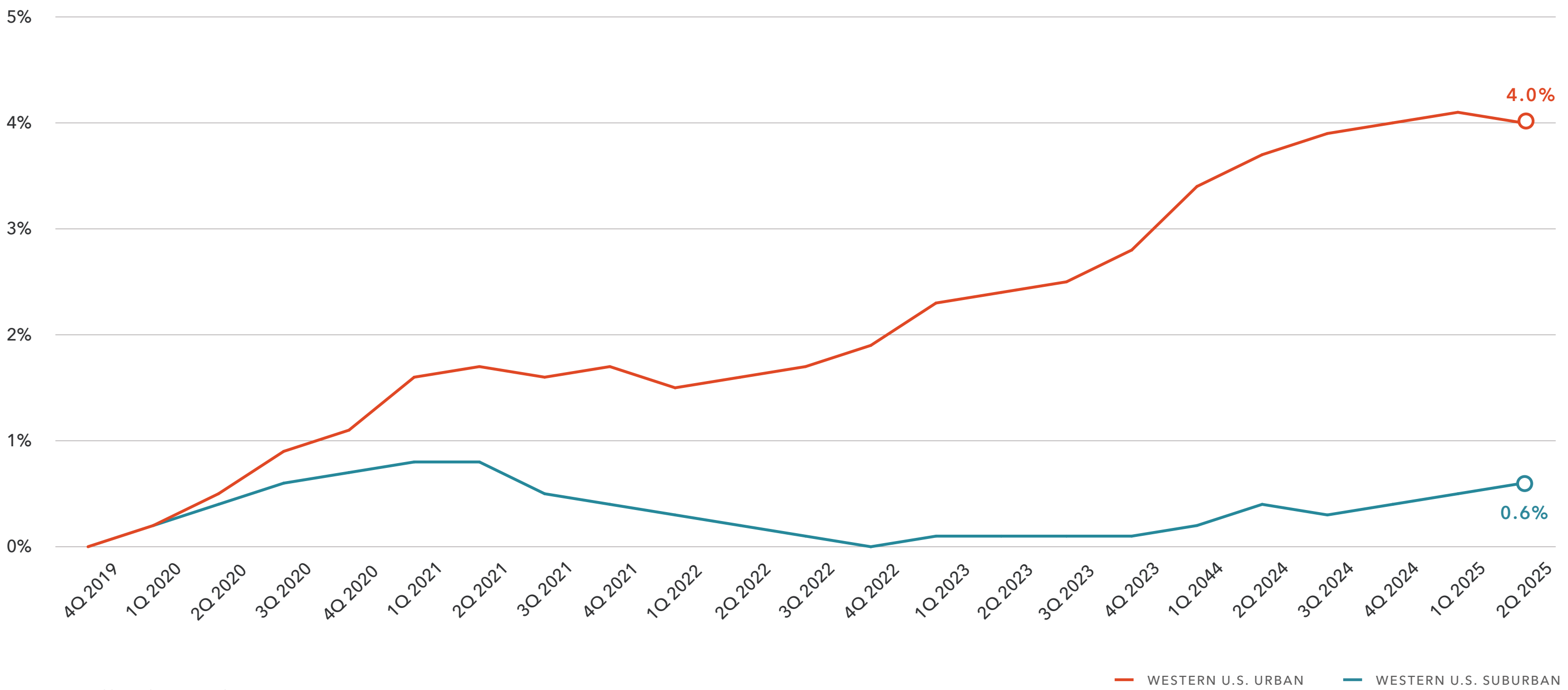


Real Retail Sales = a measure of consumer spending adjusted for inflation rather than the simple total dollar value of retail sales  
Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics

— REAL RETAIL SALES (EXCLUDING MOTOR VEHICLES) — 10-YEAR LINEAR TREND



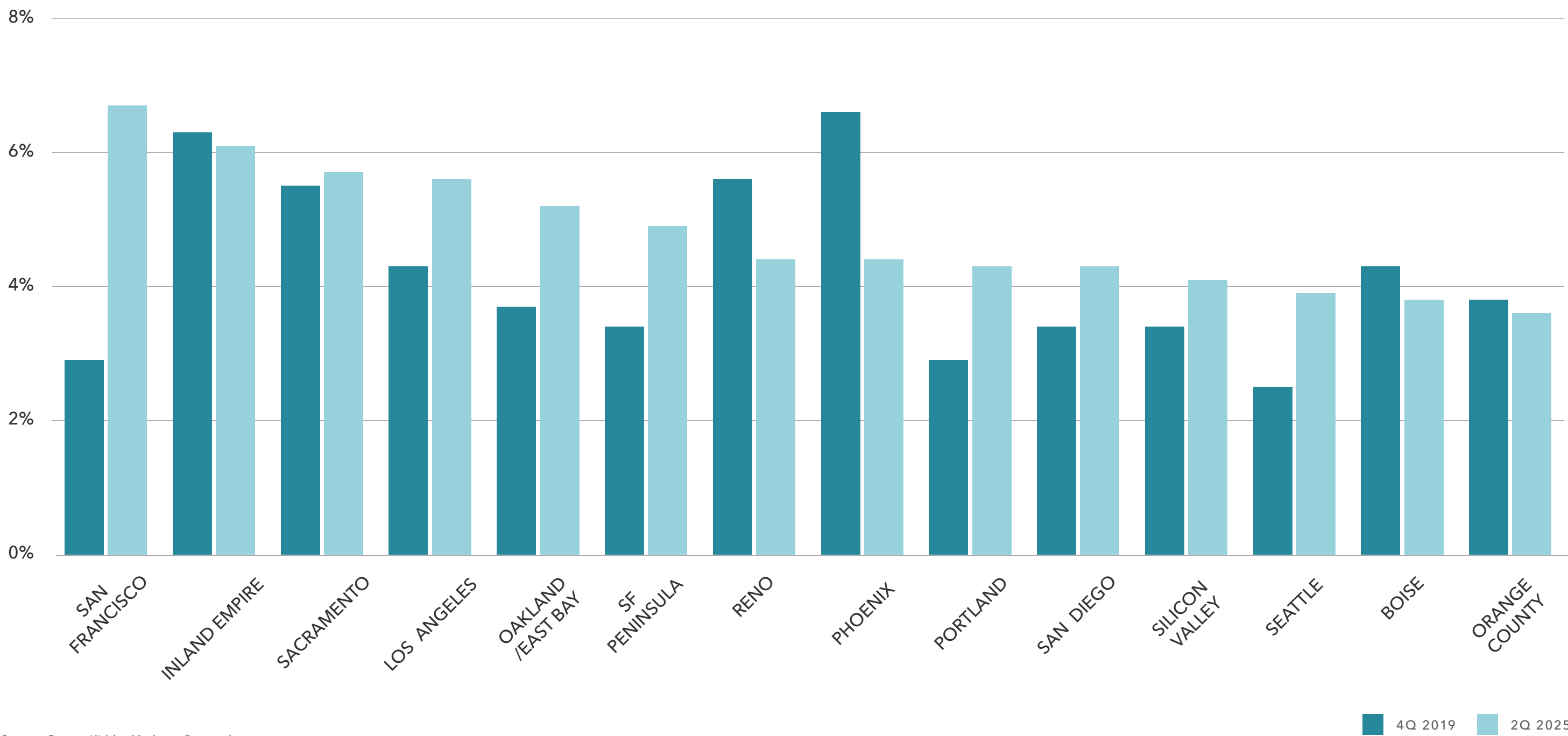
# URBAN VS SUBURBAN CUMULATIVE VACANCY RATE CHANGE



Source: Costar, Kidder Mathews Research

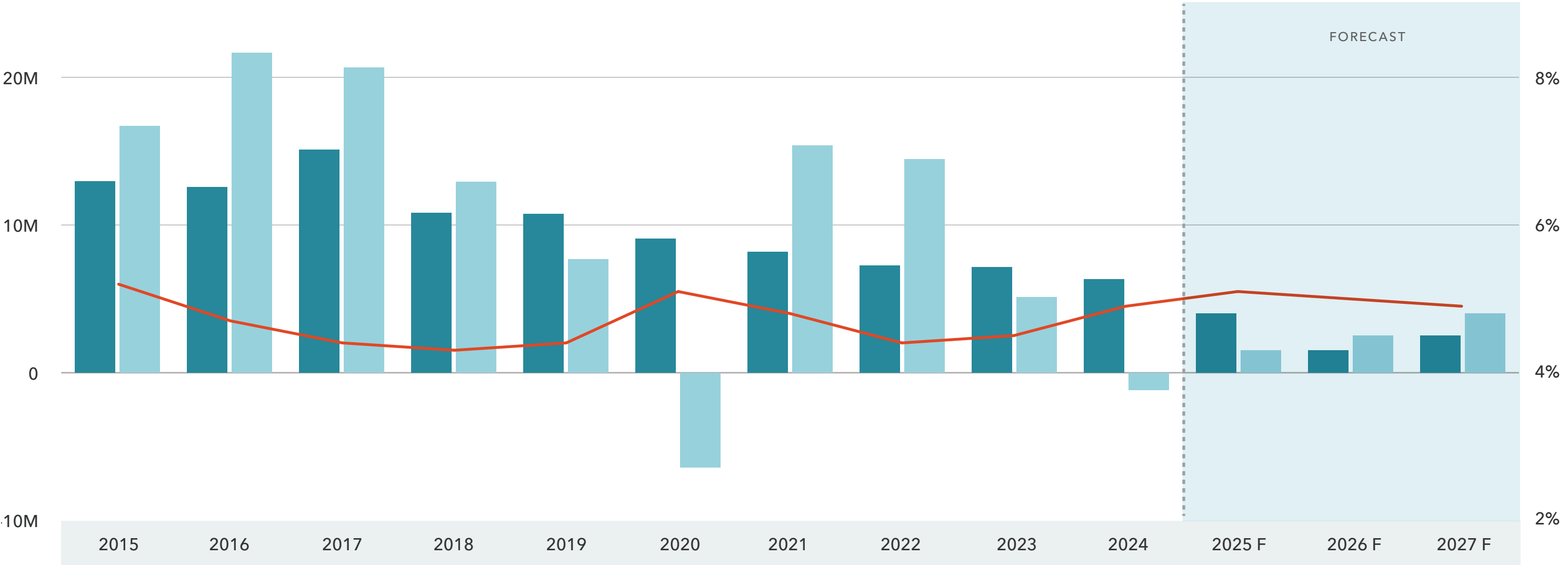


# VACANCY RATE *BY MARKET*





# WESTERN U.S. *FORECAST*



Source: Costar, Kidder Mathews Research

DELIVERIES   NET ABSORPTION   VACANCY RATE



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We offer a complete range of brokerage, appraisal, asset services, consulting, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

<b>\$9B</b>	<b>26.2M+</b>	<b>36.7M+</b>
AVERAGE ANNUAL TRANSACTION VOLUME	ANNUAL SF OF SALES	ANNUAL SF OF LEASING

ASSET SERVICES

<b>58M SF</b>	<b>850+</b>	<b>260+</b>
MANAGEMENT PORTFOLIO SIZE	ASSETS MANAGED	CLIENTS SERVED

VALUATION ADVISORY

<b>2,400+</b>	<b>39</b>	<b>24</b>
AVERAGE ANNUAL ASSIGNMENTS	TOTAL NO. OF APPRAISERS	WITH MAI DESIGNATIONS

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