Kidder Mathews

WESTERN U.S. *RETAIL* BY THE NUMBERS

2026 Mid-Year Market Forecast

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RETAIL *REMAINS RESILIENT* AMID SELECTIVE GROWTH

The retail sector continues to demonstrate resilience, supported by limited new supply, healthy consumer spending, and consistently low vacancy rates.

Although retailers have become more selective in their expansion plans, leasing demand remains strongest from grocery, discount, service-oriented, restaurant, health and wellness, and value-focused concepts. New construction remains near historic lows, helping sustain high occupancy levels and support rent growth across a range of retail formats.

As a result, retail fundamentals remain stable despite a more cautious economic environment.

RETAIL SALES REACH *NEAR-RECORD LEVELS* DESPITE ECONOMIC UNCERTAINTY

U.S. retail sales remain steady despite higher interest rates and continued economic uncertainty, underscoring the strength of consumer spending.

Nominal retail sales, which are not adjusted for inflation, reached $768.6 billion in June 2026, an increase of 6.7% year-over-year and the fifth consecutive month of growth. Inflation-adjusted retail sales also remain positive. Following two years of relatively flat growth and a period of falling below the linear trendline, inflation-adjusted spending has risen to near-record levels, indicating that consumers are not only paying higher prices but also purchasing more.

Stable labor market conditions, wage growth, and continued spending by higher-income households have helped support retail activity, even as consumers become more selective in their purchases. Overall, both nominal and real retail sales point to a consumer sector that remains a key source of stability for the broader U.S. economy.

URBAN VACANCY DECLINES AS SUBURBAN RETAIL *MAINTAINS ITS ADVANTAGE*

Although the Western U.S. retail market has generally performed well, results continue to vary significantly by location.

Major urban markets such as San Francisco and Seattle have experienced a slower recovery, particularly in downtown districts where remote and hybrid work have reduced daytime foot traffic and retailer demand. However, conditions improved during the first half of 2026, with urban vacancy rates declining by 60 basis points since January.

In contrast, suburban markets such as Phoenix, Reno, and Sacramento continue to benefit from population growth, stronger household spending, and more consistent retail activity. Since 2019, vacancy rates across urban retail corridors have increased by roughly 330 basis points, compared with approximately 60 basis points in suburban markets, underscoring the continued strength of neighborhood and suburban shopping centers.

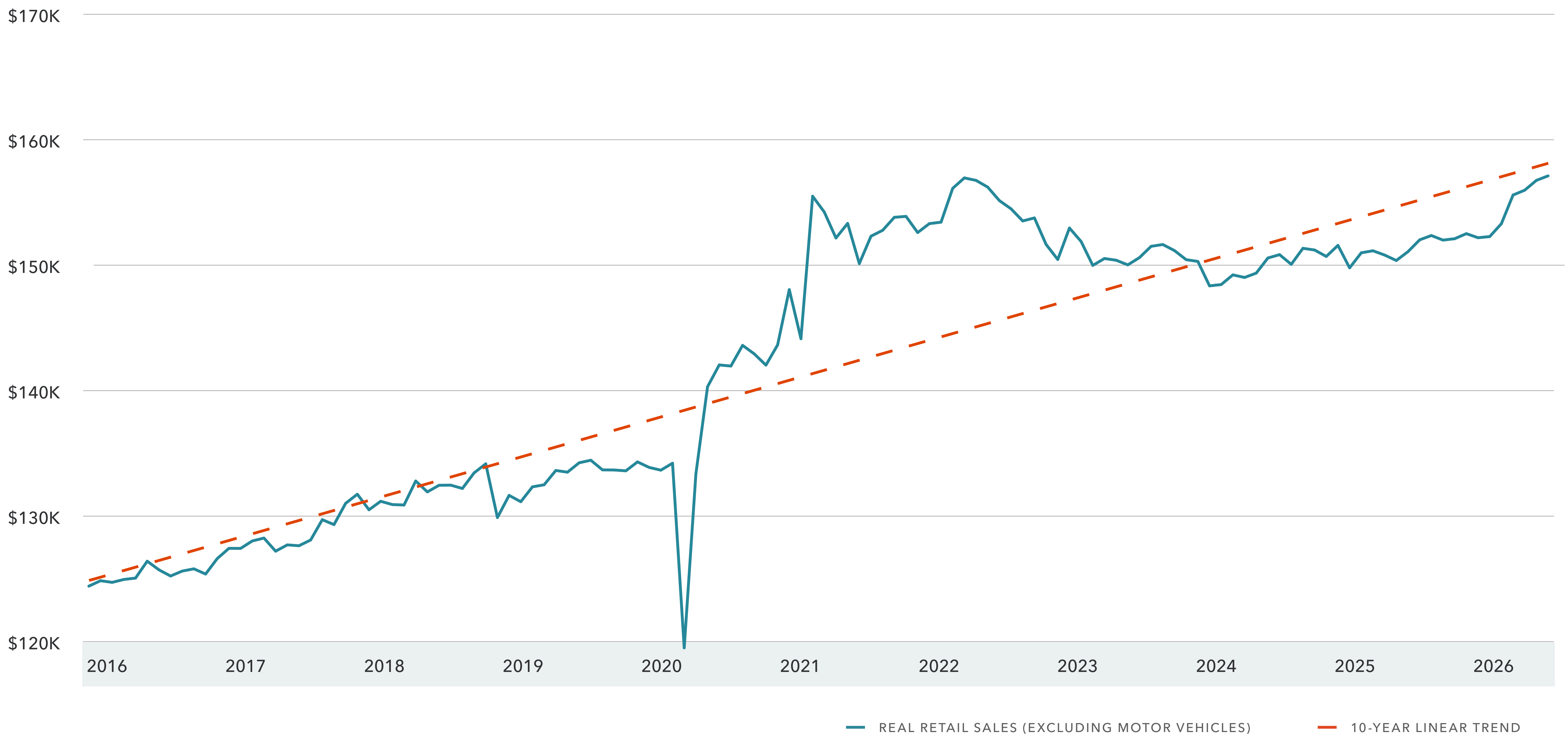
RETAIL OUTLOOK: *POSITIONED FOR STEADY GROWTH*

Retail fundamentals remain healthy as consumer activity recovers and new supply remains extremely limited.

Across the Western U.S., 10 of the region's 12 major markets have recovered to at least 90% of their pre-pandemic visitation levels, supporting continued demand for well-located retail space as physical stores still account for the majority of retail spending. At the same time, historically low levels of new construction and limited availability have helped keep vacancy rates near long-term lows and support steady rent growth.

Grocery-anchored centers, neighborhood shopping centers, and other open-air formats continue to outperform, benefiting from consistent consumer demand and strong leasing activity. Although some urban markets and aging retail properties continue to face challenges, the sector enters the second half of 2026 with healthy fundamentals and a favorable outlook supported by stable consumer spending, constrained supply, and continued demand from necessity-based retailers.

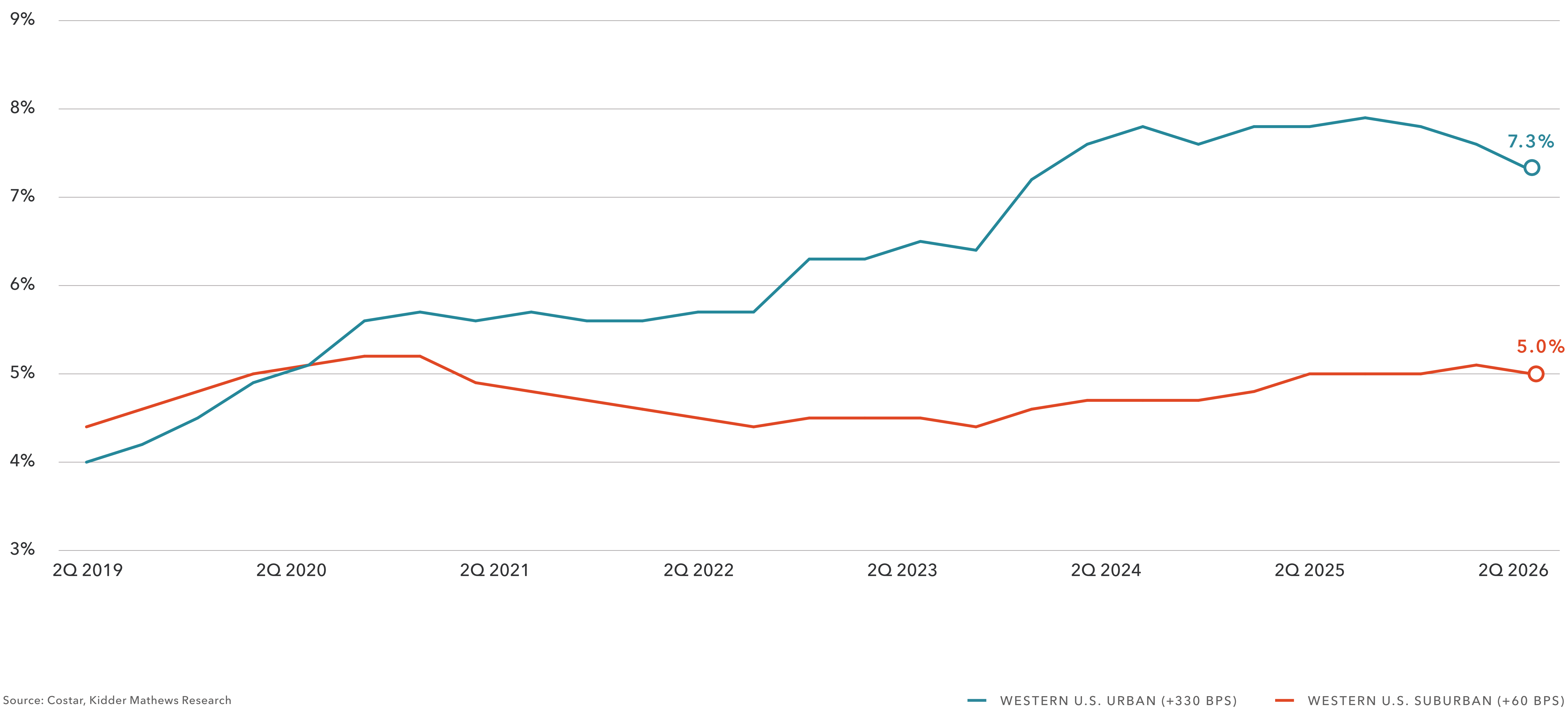
U.S. "REAL" RETAIL SALES *IMPROVING IN 2026*



Real Retail Sales = a measure of consumer spending adjusted for inflation rather than the simple total dollar value of retail sales

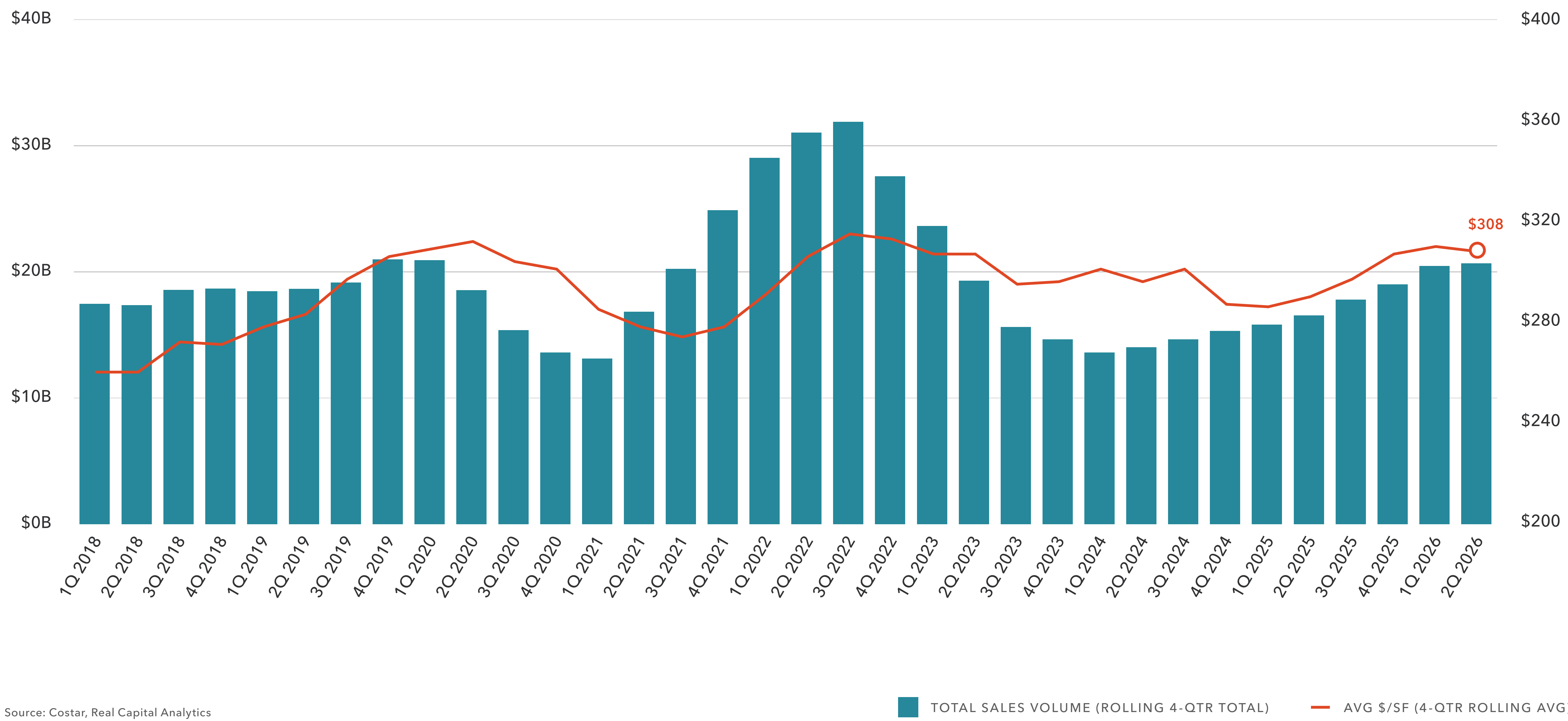
Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics

URBAN VS SUBURBAN *PERFORMANCE GAP PERSISTS*



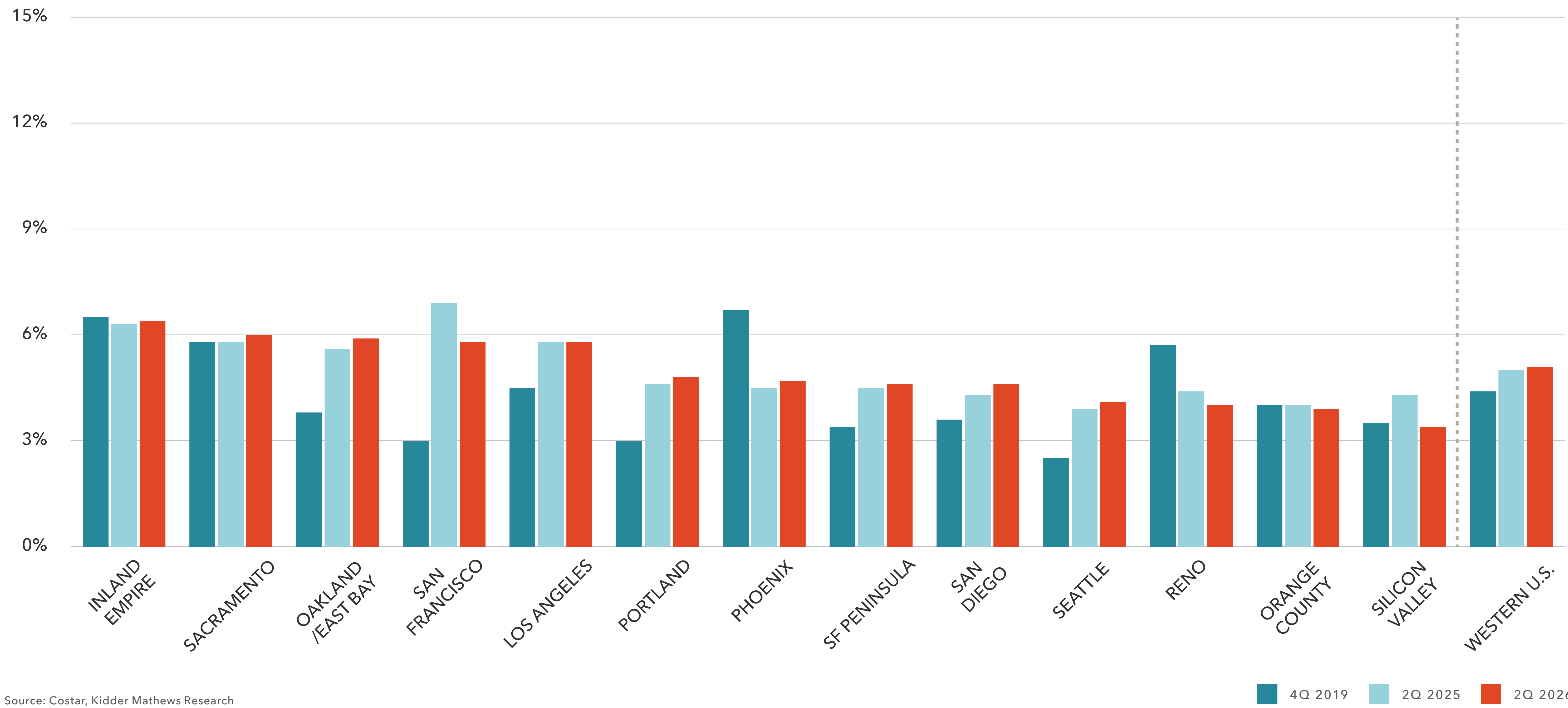
Source: Costar, Kidder Mathews Research

INVESTMENT MARKET *ACTIVITY*



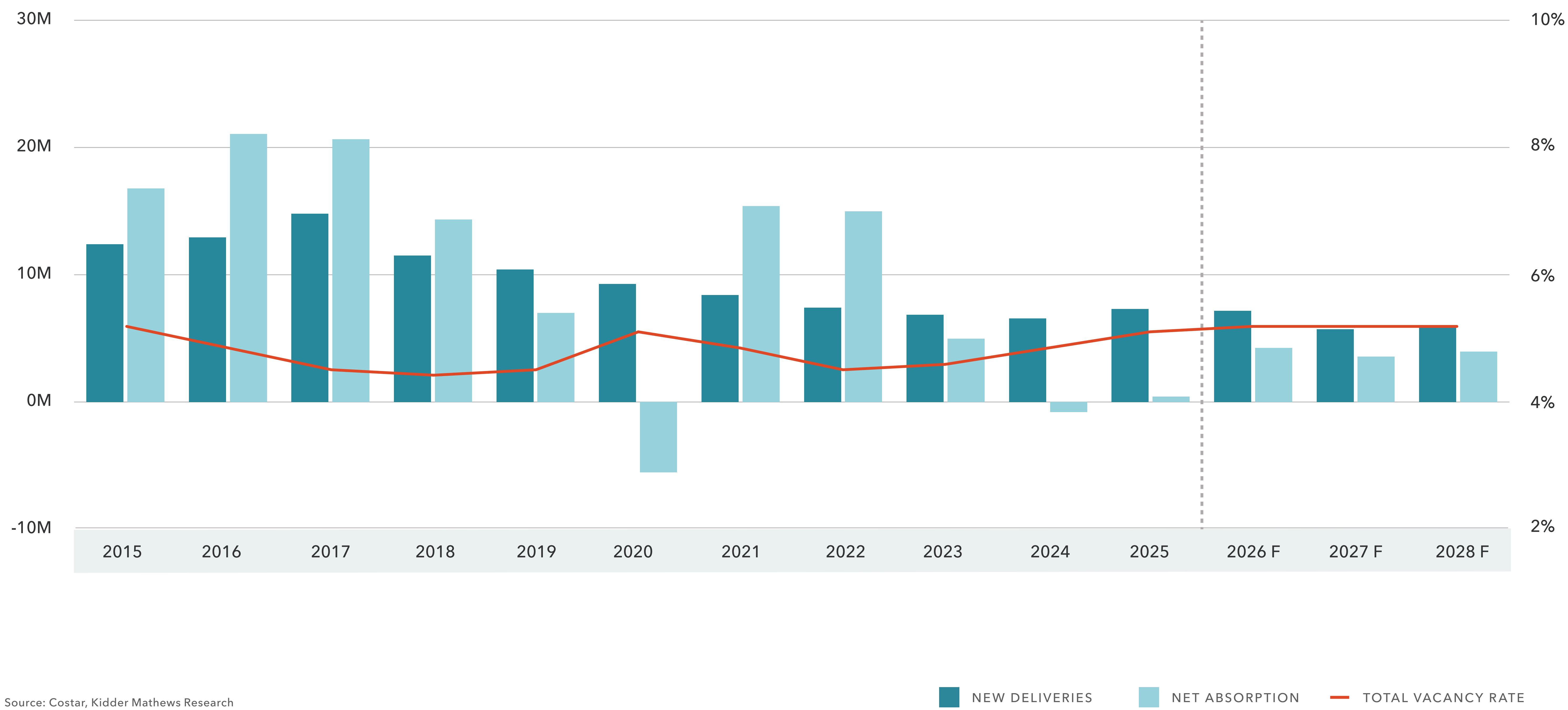
Source: Costar, Real Capital Analytics

VACANCY RATE *BY MARKET*



Source: Costar, Kidder Mathews Research

WESTERN U.S. *FORECAST*



Source: Costar, Kidder Mathews Research

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The information in this report was composed by the Kidder Mathews Research Group.

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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

$9B AVERAGE ANNUAL TRANSACTION VOLUME	*32.4M+* ANNUAL SF OF SALES	*32.5M+* ANNUAL SF OF LEASING

ASSET SERVICES

54M SF MANAGEMENT PORTFOLIO SIZE	*800+* ASSETS MANAGED	*250+* CLIENTS SERVED

VALUATION ADVISORY

2,700+ AVERAGE ANNUAL ASSIGNMENTS	*42* TOTAL NO. OF APPRAISERS	*23* WITH MAI DESIGNATIONS